

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

FOR THE YEAR 2017-18

**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 also of the transactions of the Lai Autonomous District Council, Lawngtlai, Mizoram for the year 2017-18.

The cases mentioned in this Report are those which came to notice in the course of test check of the accounts for the year 2017-18 and on the basis of information furnished and records made available by Lai Autonomous District Council.

This Report contains four Chapters, the first of which deals with the Constitution of Lai Autonomous District Council, the rules for management of District Fund and maintenance of Accounts by the District Council. Chapter-II depicts fund position of the Autonomous District Council. Chapter-III deals with Comments on Accounts and Chapter IV deals with compliance issues observed during test-audit of transactions of Council for the year 2017-18.



OVERVIEW

OVERVIEW

This Report contains four Chapters. Chapter-I provides a background on the formation of the Autonomous District Council, rules for 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 2017-18. Chapter-IV of the Report deals with the audit findings pertaining to compliance audit of the Council and contains seven paragraphs. A synopsis of 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 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 with the approval of the President of India. Provisions regarding submission of the Annual Accounts to the Accountant General (Audit) are contained in Rule 123 of MADCF Rules, 2010.

(Paragraph 1.1 to 1.6)

Internal Controls

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.

Due to weak internal controls, the attempt on part of Audit to examine the Annual Accounts and transactions of the Council was constrained to that extent. Above failure in internal controls

under Financial Management is fraught with risks of fraud, misappropriation and financial irregularities, which might remain undetected.

(Paragraph 1.5)

Recommendations

Council may strengthen its internal control mechanism, make Internal Audit Wing functional and take action on deficiencies in record management.

2. Autonomous District Council Fund

Grants-in-aid from Central and State Governments constituted 98.69 per cent of the Council's total funds. 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)

There was short realization of tax revenue, short assessment of tax arrears and penalty amounting to ₹ 31.56 lakh by Land Revenue Department.

(Paragraph 2.3)

At the end of March 2018, UCs involving ₹ 4.78 crore were pending for submission to the State against the Grants-in-aid pertaining to previous years.

(Paragraph 2.4)

Recommendations

Council may need to identify and implement internal cost-saving measures, while not compromising on its core functions. They need to cut down on overall administrative expenditure of its revenue earning Departments, considering heavy cost of collection of revenues.

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.

Council may direct the Department concerned to initiate effective measures for realisation of tax arrears.

Council may ensure timely submission of utilisation certificates to the State Government with respect to Grants-in-aid received in conformity with actual utilisation for the purpose it was disbursed. Social Welfare & Tribal Affairs Department may also monitor strict adherence to the orders sanctioning grants.

3. Comments on Accounts

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

(Paragraph 3.1.1)

Revenue Receipts and Progressive Capital Outlay was understated by ₹ 24.07 crore and ₹ 66.88 lakh respectively.

(Paragraph 3.1.2 & 3.1.3)

Recommendations

Council may prepare its Annual Accounts in conformity with prescribed form of accounts.

Accounts relating to grants and contributions received may be prepared in line with Rule 6 of the MADCF Rules, 2010.

4. Compliance Audit

Irregularities were noticed in implementation of the Rural Housing Scheme.

(Paragraph 4.1)

Works were awarded without call of tenders by Land and Development Department.

(Paragraph 4.2)

There was lack of transparency in appointment of five employees.

(Paragraph 4.4)

Recommendations

Council may ensure transparency in the selection of beneficiaries in order to ensure that assistance is provided to intended beneficiaries.

Council may ensure that codal provisions are followed by the departments concerned in awarding works, while executing public works.

Council may ensure transparency in recruitment processes by invariably publishing recruitment advertisement, to ensure transparency and equality of opportunity in matters of public employment. Social Welfare & Tribal Affairs Department may also monitor strict adherence to the orders sanctioning grants.

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 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 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), Lawngtlai, Mizoram in May 1989.

Sixth Schedule to the Constitution vested District Councils with powers to enact laws on matters listed in paragraph 3 (1) *ibid.* 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 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 Council 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

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

ferries and taxes for maintenance of schools, dispensaries and roads.

The LADC, Mizoram headed by a Chief Executive Member (CEM), consists of 28 Members including 25 elected Members and three Members nominated by Governor on the recommendations of the Chief Executive Member. Council is headquartered at Lawngtlai, south-western Mizoram. During the year 2017-18 there were 25 elected and three nominated members, in the 28 member Council.

1.2 Rules for the management of District Fund

The Sixth Schedule provides for the constitution of a District Fund for each Autonomous District. All money received by Council in accordance with provisions of the Constitution are to be credited in District Fund. In accordance with the provisions contained in paragraph 7 (2) of the Schedule, Mizoram Autonomous District Council Funds (MADCF) Rules, 1996 (revised in 2010) 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 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 Council is entrusted to “Member-in-charge of the Financial Affairs” under Rule 32 (2) of Part III of Mizoram Autonomous Districts (Constitution and Conduct of Business of the District Councils) Rules, 1974.

1.3 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.

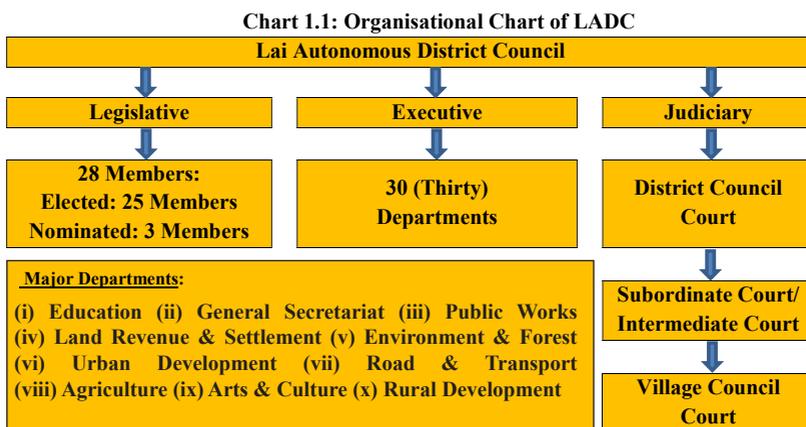
As per Rule 123 of MADCF Rules, 2010, the Member-in-charge of the Financial Affairs shall forward the accounts to the Accountant General (Audit) by 30th June each year. These accounts duly test-checked locally by the Accountant General (Audit), together with connected audit reports, shall be submitted 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 Council for the year 2017-18 were prepared in the prescribed format and submitted to the Accountant General in November 2018 with a delay of four months. The results of test check of the Annual Accounts for the year 2017-18 are discussed in the succeeding Chapters.

1.4 Administrative Set-up of Council

(a) Administrative Set-up

The powers and functions of Council are mainly divided into three *viz.* Legislative, Executive and Judiciary. It has a Chairman who conducts the business of Council and presides over its meetings. Under the Judiciary, there are village council courts, subordinate/ intermediate courts and district council court at the apex. The executive functions of 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:



(b) Manpower Management

Rule 7 to 9 of Lai Autonomous District Council (Transaction of Business) Rules, 2013 governs the requirement and positioning of staff in Council. Lai Autonomous District Council had 1950 (100 per cent) staff in position against the sanctioned strength. The sanctioned strength and person in position (PIP) in the Finance department is given in Table 1.1.

Table 1.1: Sanctioned Posts and Person-in-Position under Finance Department for the year 2017-18:

Sl. No.	Name of post	Sanctioned Posts	Men-in-Position
1	Executive Secretary (DDO)	1	1
2	Deputy Secretary	1	1
3	Senior Accounts Officer	1	1
4	Finance & Accounts Officer	1	1
5	Accounts Officer	2	2
6	Accountant	1	1
7	Upper Division Clerk	2	2
8	Lower Division Clerk	4	4
9	Xerox Operator	1	1
10	Peon	3	3
	Total	17	17

Source: Council's record

1.5 Internal Control mechanism

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

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

Audit, however, noted that such system had not been put in place by Council Authorities as on the date of audit (July 2019).

Further, it was seen that:

- Registers and Ledgers required to be maintained as prescribed by the MADCF Rules (102, 106, 143, 114, 143 and 148) were not maintained.
- Stationery items worth ₹ 7.40 lakh purchased by the Local Administrative Department (LAD) - A, Local Administrative Department-B, Environment and Forests Department, Law and Judicial Department were not accompanied by certificates that the articles detailed in the vouchers have been actually received and entered in the stock Register as required under Rule 99 of MADCF Rules, 2010.
- Annual physical verification of assets was not conducted.
- Mistakes in the cash book were corrected by erasing or overwriting without the initial of the DDO in violation of Rule 18 of MADCF Rules, 2010.
- Cash at bank and cash kept in the chest were not reflected in the Cash Book at the end of the month.
- Measurement of construction works was done by demonstrator instead of Junior Engineer which cast doubt on veracity of the measurement done before payments to contractors.
- Non-adherence to utilisation of grants as per sanction orders.

Due to weak internal controls, attempt on part of Audit to examine the Annual Accounts and transactions of Council was constrained to that extent. Above failure in internal controls was fraught with risks of fraud, misappropriation and financial irregularities, which might remain undetected.

Council replied (November 2020) that as approved by the Governor of Mizoram, Internal Audit Mechanism has been set-up in Council and it will be made functional shortly.

1.6 Recommendation

Council may strengthen its internal control mechanism, make Internal Audit Wing functional and take necessary steps to set right the deficiencies in record management.

CHAPTER-II
Autonomous District Council Funds

CHAPTER-II

Autonomous District Council Funds

2. Introduction to District Fund

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 had 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 proceeds of taxation and other receipts classed as revenue and expenditure met therefrom. It shall also include grants and contributions received from Government and also Council's own revenue. The second division shall deal with expenditure of Capital nature met from borrowed funds. It shall also comprise of loans received and their repayments by Council and also the loans and advances given by Council and their recoveries.

B. Deposit Fund

Deposit Fund covers transactions relating to deposits including Contributory Provident Fund and other Funds and Advances in respect of which, Council incurs a liability to repay moneys 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:

- (a) LADC's own revenue through trade license, market auction, sale proceeds of Industry, Fishery, Public Works Department, Forest royalties, land revenue, etc.
- (b) Resources made available by the State Government through State Plan.
- (d) Funds under various Centrally Sponsored Schemes (CSS) transferred by the State Government.

Comparative statement of resources and application of funds of Council during 2017-18 vis-à-vis 2016-17 is given in Table 2.1.

Table 2.1

(₹ in lakh)

	Particulars	2016-17	2017-18	Increase / Decrease (%)
Opening Balances		1,595.21	159.85	
	Own Revenue Receipts	150.22	192.76	28.32
	GIA State	11,825.18	14,845.14	25.54
	Centrally Sponsored Schemes	78.00	578.81	642.06
	Other Receipts	0	11.50	
	Total	12,053.40	15,628.21	29.66
Application	Revenue Expenditure	12,598.79	13,520.61	7.32
	Capital Expenditure	889.98	626.80	-29.57
	Disbursement from Deposit	-	-	
	Total (Disbursements)	13,488.77	14,147.41	4.88
Closing Balance		159.85	1,640.64	

Source: Annual Accounts of Council

It can be seen from the table that:

- Total receipts of Council increased by ₹ 35.74 crore (29.66 per cent) from ₹ 120.53 crore in 2016-17 to ₹ 156.28 crore in 2017-18, mainly due to increase in receipts under

CSS by ₹ 5.00 crore and Grants-in-aid (GIA) State by ₹ 30.31 crore.

- Own Revenue receipts of Council increased by ₹ 0.43 crore (28.32 *per cent*) from ₹ 1.50 crore in 2016-17 to ₹ 1.93 crore in 2017-18 while receipts under CSS increased by ₹ 5.01 crore (642.06 *per cent*) from ₹ 0.78 crore in 2016-17 to ₹ 5.79 crore in 2017-18.
- Out of total fund available of ₹ 157.88 crore, including OB, Council utilised ₹ 141.47 crore (89.61 *per cent*) leaving a balance of ₹ 16.41 crore (10.39 *per cent*).

2.2 Receipts and Disbursements

The receipts and expenditure for the year 2017-18 are as under:

Table-2.2: Details of funds receipts and expenditure of Council during 2017-18

(₹ in lakh)

PART – I: DISTRICT FUND					
Revenue Section					
Receipts			Disbursement		
Head		2017-18	Head		2017-18
1.	Taxes on Income and Expenditure	63.07	1.	District Council	723.87
2.	Land Revenue	57.21	2.	Executive Members	129.11
3.	Public Works	12.61	3.	Administration of justice	102.59
4.	Other Administrative Services	0.30	4.	Land Revenue	724.42
5.	Education	0.30	5.	Stamp and Registration	-
6.	Other General Economic Services	4.18	6.	Secretariat General Services	1,301.57
7.	Forest	52.83	7.	Public Works	886.63
8.	Taxes on Vehicles	2.26	8.	Pension and other retirement benefits	1,055.72
9.	Other Receipt	11.50	9.	Education	6,490.95
10.	Grants-in-Aid from State Government:	14,845.14	10.	Art and Culture	131.85

11.	Centrally Sponsored schemes	578.81	11.	Public Health, Sanitation and Water Supply (PHE)	111.23
			12.	Urban Development	247.62
			13.	Information and Publicity	80.08
			14.	Social security and Welfare	100.95
			15.	Relief on account of natural calamities	-
			16.	Sericulture	15.09
			17.	Co-operation	35.51
			18.	Inland waterway	18.06
			19.	Sport and Youth Services	79.92
			20.	Agriculture and Horticulture	137.37
			21.	Soil Conservation	68.38
			22.	Fisheries	44.75
			23.	Environment and Forest	629.20
			24.	Road Transport and Services	155.90
			25.	Rural Development	121.00
			26.	Industry	84.53
			27.	Animal Husbandry and Veterinary	44.31
Total Revenue Receipts		15,628.21	Total Revenue Expenditure		13,520.61
Capital Section					
1.	Capital Receipts	-	1.	Capital Disbursement	626.80
Total Capital Receipts		-	Total Capital Disbursement		626.80
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 loans and advances	-

Total Debt Receipts	-	Total Debt Disbursements	-
Total Part I - District Funds	15,628.21	Total Part I - District Funds	14,147.41
PART – II: DEPOSIT FUNDS			
Deposit Section			
1. Deposit Receipts	-	1. Deposit Disbursements	-
Total of Part -II Deposit Funds	-	Total of Part - II Deposit Funds	-
OVERALL POSITION			
TOTAL RECEIPTS (Part - I + Part - II)	15,628.21	Total Disbursements (Part - I + Part - II)	14,147.41
Opening Balance* (Part - I + Part - II)	46.43	Closing Balance*** (Part - I + Part - II)	1,116.72
Opening Cash Balance**	113.41	Closing Cash balance****	523.92
Grand Total	15,788.05	Grand Total	15,788.05

* Opening Balance of Personal Ledger Account

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

*** Closing Balance of Personal Ledger Account

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

Source: Annual Accounts of LADC 2017-18

As per Receipts and Expenditure Statement of Council, during 2017-18, Council generated ₹ 1.93 crore (1.23 per cent of total receipts) from its own sources and taxes, received ₹ 148.45 crore (94.99 per cent of total receipts) as Grants-in-aid from State Government and ₹ 5.79 crore (3.70 per cent of total receipts) as CSS.

It can be seen that Grants-in-aid received from the Central and State Governments during 2017-18 constituted 98.69 per cent of Council's total receipts.

The over reliance on Grants-in-aid and assistance from Government indicate the financial vulnerability of LADC as any disruption in revenue flow from these sources would affect the functioning of Council.

Total expenditure increased by 4.88 per cent from ₹ 134.89 crore in 2016-17 to ₹ 141.47 crore in 2017-18. Out of

the total expenditure of ₹ 141.47 crore during the year 2017-18, ₹ 113.81 crore (80.44 *per cent*) was spent on salaries and ₹ 21.40 crore (15.12 *per cent*) was spent on other expenses. Capital expenditure during the year was ₹ 6.27 crore (4.43 *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 **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)	Other Expenses (% of total expenditure)
Forest	52.83	629.20	605.70 (96.27)	23.50 (3.73)
Land Revenue	57.21	724.42	702.17 (96.93)	22.25 (3.07)

Source: Annual Accounts 2017-18 Statement 5 & 6

As seen from the table above, revenue generated by the two departments was very low (8.13 *per cent*) in comparison to overall expenditure incurred by the two departments whose expenditures was largely on pay and allowances.

This indicates that Council is heavily reliant on GIAs from Central and State Governments to meet its functional needs and high administrative costs.

2.3 Short collection of revenue and short assessment of tax arrears

Rule 31 of Lai Autonomous District (Land Holding and Settlement) Rules, 2006 provides that if land revenue is not paid by the end of the current financial year, it shall be an arrear and the person liable for it shall become a defaulter.

Rule 32, *ibid.* provides that as soon as land revenue becomes an arrear, a notice of demand for payment of the same shall be served to the defaulter asking him to pay the arrear within one month from the date of receipt of the notice with a warning and

an additional charge as fixed by authority from time to time by way of penalty shall be levied on him as prescribed under Rule 33 in default of payment.

Rule 33, *ibid.* provides that if a defaulter fails to pay the arrear within the time specified in the notice, equal amount of the arrear shall be levied on him as penalty, which shall be paid with the arrear within three months from the date of receipt of the levying orders.

Scrutiny of records revealed that there was short realization of tax revenue, short assessment of tax arrears and penalty as discussed below.

(i) Short collection of ₹ 26.71 lakh revenue

Scrutiny of records revealed that the Land Revenue Department assessed (PY 2016-17) ₹ 69.25 lakh to be collected during 2017-18 as revenue from House Tax, Building Tax, Ordinary Tax, Permanent Settlement Tax and Tax Arrears and issued 604 notices to the defaulters. It was, however, noticed that Department collected and remitted only ₹ 42.54 lakh during 2017-18 against the assessed amount of ₹ 69.25 lakh. This resulted in short collection of revenue amounting to ₹ 26.71 lakh as shown in Table 2.4. Details are given in **Appendix I**.

Table-2.4: Details of short collection of revenue during 2017-18

(Amount in ₹)

Sl. No.	Particular	Assessed	Actual Collection (2017-18)	Short collection
1.	Total tax (House/ Building Tax, Ordinary Tax, Permanent settlement Tax) (PY 2016-17)	62,65,836	40,79,494	21,86,342
2.	Tax Arrears of 2016-17	6,59,542	1,74,854	4,84,688
Total		69,25,378	42,54,348	26,71,030

Source: Council's records

(ii) Short assessment of tax arrears and penalty

As per Section 12 (2) of the Lai Autonomous District Council (Revenue Assessment) Regulation 2000, the Executive

Committee may exempt, for any period considered necessary, any person from payment of any taxes for property or another reasons considered to be sufficient cause for such exemption.

There was no record of exemption of tax by Executive Committee, LADC as required under Section 12 of the Lai Autonomous District Council (Revenue Assessment) Regulation, 2000. Thus, in terms of Rules 31, 32 and 33 of Lai Autonomous District (Land Holding and Settlement) Rules, 2006, Department was to levy and realise penalty on tax arrears. However, it was observed that there was short assessment of tax arrears and penalty as shown in **Table 2.5**.

Table-2.5: Details of tax arrears and penalty during 2017-18

Sl. No.	Particular	Amount (₹)
1.	Short collection of tax pertaining to 2016-17	21,86,342
2.	Short collection of Tax Arrears of 2016-17	4,84,688
3.	Penalty on short collection of tax arrears (2) above	4,84,688
4.	Total tax arrears due for collection	31,55,718

As can be seen from the table above, there was overall tax arrears amounting to ₹ 31.56 lakh due to be collected during 2017-18.

Council replied (November 2020) that the main reason for short realisation was due to ignorance on part of the public and lack of civic sense. The situation could not be improved despite efforts made by the department for collection, such as issue of notices, etc. It further stated that defaulters will be identified and action initiated in terms of Rule 33, Rule 34, Rule 35 and Rule 36 of Lai Autonomous District Council (Land Holding and Settlement) Rules, 2006, which include attachment and sale of property, cancellation of land passes, eviction and demolition of assets.

Council may direct the Department concerned to initiate effective measures for realisation of tax arrears.

2.4 Delay in submission of Utilisation Certificates (UCs)

As per Rule 212 of GFR, 2005, a certificate of actual utilization of the grant received for the purpose for which it was sanctioned, should be insisted upon in the order sanctioning the Grants-in-aid. Accordingly, order sanctioning grants made it mandatory to furnish UCs within the stipulated time frame. The purpose for which the Grants-in-aid were utilized can be confirmed only on receipt of UCs which would safeguard against diversion of funds for other purposes.

At the end of March 2018, UCs involving ₹ 4.78 crore were not submitted by the Council to the State against the Grants-in-aid pertaining to previous years. Social Welfare & Tribal Affairs Department had failed to monitor progress in development activities for which GIA was sanctioned and did not ensure adherence to the conditions attached to sanctioning of Grants to Council.

Council may ensure timely submission of utilisation certificate to the State Government with respect to Grants-in-aid received in conformity with actual utilisation for the purpose it was disbursed. Social Welfare & Tribal Affairs Department may also monitor strict adherence to the orders sanctioning grants.

2.5 Conclusion

Grants-in-aid from Central and State Governments constituted 98.69 *per cent* of 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 shows over-reliance of Council on grants received both from the Central and State Governments. There was overall tax arrears amounting to ₹ 31.56 lakh and short collection of land revenue and amounting to ₹ 21.86 lakh during the year. At the end of March 2018, UCs involving ₹ 4.78 crore were pending for submission to the State against the Grants-in-aid.

2.6 Recommendations

- 1. Council may need to identify and implement internal cost-saving measures, while not compromising on its core functions. They need to cut down on 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.***
- 3. Council may direct the Department concerned to initiate effective measures for realisation of tax arrears.***
- 4. Council may ensure timely submission of utilisation certificates to the State Government with respect to Grants-in-aid received in conformity with actual utilisation for the purpose it was disbursed. Social Welfare & Tribal Affairs Department may also monitor strict adherence to the orders sanctioning grants.***

CHAPTER-III
Comments on Accounts

CHAPTER-III

Comments on Accounts

3. Introduction to Accounts and Comments on Council Accounts

Annual Accounts of District Council shall record all transactions, which take place during a financial year commencing from 01 April to 31 March, and shall be maintained in such forms as prescribed by the Comptroller and Auditor General of India.

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

Annual Accounts for the year 2017-18 contain the following seven statements as given in Table 3.1:

Table-3.1: Details of Particulars of Statements Nos.

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 31/03/2018
iii.	Statement No. 3	a) Debt position b) The ways and means position of the LADC during 2017-18
iv.	Statement No. 4	Loans and advances by 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
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 31/03/2018 c) Details of Personal Ledger Account

3.1 Comments on Accounts

Rule 6(1) of MADCF Rules, 2010 stipulates that the accounts of Council shall be kept in two parts:

(A) Part – I: District Funds of 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 funds and advances shall be recorded.

Discrepancies observed in Annual Accounts are discussed in the succeeding paragraphs.

3.1.1 Non-preparation of Statement of Accounts in prescribed format

As per the form of Accounts for 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 and **Part II – Deposit Fund:** Debt, Deposit, and Advances in respect of which 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). Council prepared only Summary of Transactions with details of Deposit Fund in Part II. Item-wise Revenue Receipts and Expenditures Statement in respect of Part I – District Fund was not prepared and reflected in Annual Accounts.

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

Council replied (March 2021) that steps have been taken as advised by Audit and is being followed from 2019-2020 accounts onwards.

3.1.2 Understatement of Revenue Receipt

As per Rule 6(2) of MADCF Rules 2010, Revenue Account of District Fund of Council shall also include grants and contributions received from Government, and also grants and contributions made by Council. However, Government grants amounting to ₹ 24.07 crore were treated as Capital Receipt during 2017-18. As such, Revenue Receipts of Council were understated by ₹ 24.07 crore with corresponding overstatement of Capital Receipts to the same extent.

3.1.3 Understatement of Progressive Capital Outlay

Progressive Capital Outlay of Council for the year as of 31 March 2017 was ₹ 105.64 crore. However, Progressive Capital Outlay as of 31 March 2017 was shown as ₹ 104.97 crore in the Annual Accounts 2017-18. This resulted in understatement of Progressive Capital Outlay by ₹ 66.88 lakh.

3.2 Conclusion

Item-wise Revenue Receipts and Expenditure Statement in respect of Part I – District Fund was not reflected in Annual Accounts. Disbursements and balance under heads relating to District Fund and Deposit Fund were not shown in Statement 7, and only transactions relating to Treasury (PL A/C) only were reflected in Statement 7.

Revenue Receipt and Progressive Capital Outlay were understated by ₹ 24.07 crore and ₹ 66.88 lakh respectively.

3.3 Recommendations

- 1. Council may prepare its Annual Accounts in conformity with prescribed form of accounts.*
- 2. Accounts relating to grants and contributions received may be prepared in line with Rule 6 of the MADCF Rules, 2010.*



CHAPTER-IV
Compliance Audit Observations

CHAPTER-IV

Compliance Audit Observations

Compliance audit observations highlighted deficiencies observed in the management of LADC. Main irregularities observed during audit are discussed in the succeeding paragraphs.

4.1 Distribution of Galvanised Corrugated Iron sheets under Rural Housing Scheme – ₹ 20.00 lakh

Planning, Development and Works Department, LADC released (23 October 2017) ₹ 20.00 lakh to the Rural Development (RD) Department, LADC for procurement of Galvanised Corrugated Iron (GCI) sheets for free distribution under Rural Housing Scheme. Rural Development Department issued (13 November 2017) Short Quotation Notice for supply of GCI sheets (9 feet, 35 Kgs per bundle) and at approved (17 November 2017) rate of ₹ 3,800 per bundle. The work order was allocated to Shri K. Lalawmpuia of Lawngtlai IV from amongst four bidders who quoted similar rate, and supply order for 526 bundles at the rate of ₹ 3,800 per bundle was issued (17 November 2017) to the selected bidder.

It was seen in audit that beneficiaries were not identified and finalised before procurement of the GCI Sheets and proper norms on beneficiary-wise number of sheets/ bundles were also not formulated. Beneficiaries were selected as per the recommendations of the Chief Executive Member, Executive Members and other selected office holders. Each office holder was allocated shares as per instructions of the Rural Development Officer. Detailed allocation of shares of each office holder is shown in Table 4.1.

Table-4.1: Details of allocation of shares of each office holder

Sl. No.	Office Holder, etc.	Share of Office Holder	No. of bundles
1.	Chief Executive Member	7	28
2.	Chairman	7	28

Sl. No.	Office Holder, etc.	Share of Office Holder	No. of bundles
3.	Executive Member (Rural Development)	7	28
4.	Executive Member (Middle School)	6	24
5.	Executive Member (Primary School)	6	24
6.	Executive Member (LAD)	6	24
7.	Executive Member (PHE)	6	24
8.	Executive Member (Agriculture)	6	24
9.	Executive Member (SW)	6	24
10.	Executive Member (Forest)	6	24
11.	Executive Member (Revenue)	6	24
12.	Adv. To CEM	7	28
13.	Dy. Chief Whip	6	24
14.	VC Planning	6	24
15.	Chairman TC	6	24
16.	Dy. Chairman	6	24
17.	Pu VL Hmuaka, MDC	3	12
18.	3 Nominated Members (2 each)	6	24
19.	Opposition Member	8	32
20.	LDC	5	20
21.	Others	9.5	38
Total		131.5	526

Source: Council's records

According to the allocation of shares, the concerned office holders recommended beneficiaries during the period from December 2017 to March 2018. As per distribution records maintained by the Department, all GCI sheets totalling 526 bundles were recorded as distributed to 135 beneficiaries ranging from 1 to 10 bundles per beneficiary. Hence, there was no parity in number of bundles issued per beneficiaries.

Audit observed that selection of beneficiaries without any laid down criteria and issue of material without standard norms of bundles per beneficiary undermined transparency and fairness in the entire process.

Further, during scrutiny, it was noticed that the bid accepted by the Department was not the lowest bid, as one supplier had quoted ₹ 3,600 per bundle. Justification for non-selection of the lowest quotation was not on record.

In reply (November 2020), Council stated that the lowest quoted price was not selected since the dealer was deemed unfit for supply of GCI Sheet as he did not obtain Trade License from Land Revenue and Settlement, LADC

The reply is not tenable as no linkage was made in Notice Inviting Tender for the Trade Licenses being an essential eligibility requirement. Additionally, the comparative statement of suppliers clearly shows that all bids were valid. Further, Council did not furnish reply regarding allocation of shares to LADC officials, the lack of criteria for selection of beneficiaries, and if the items were actually distributed and received by beneficiaries so as to ensure that objectives of the scheme were achieved.

Thus, distribution was not standardised which should have been on the basis of beneficiary survey before distribution of GCI sheets to Council officials so as to ensure achievement of scheme objectives instead of random selection of beneficiaries without any assessment.

Council should assess requirement (beneficiary-wise) before procurement of items and maintain transparency in entire process of implementation of schemes.

Council should also observe financial propriety in procurement of items.

4.2 Award of works and contracts without call of tenders

According to Rule 95 of the Mizoram Autonomous District Council Fund Rules, 2010, 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 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, as per Rule 129 (1) of MADCF Rules, 2010, the Chief Executive Member shall have power to sanction estimate of public works including additions, alterations and repairs up to ₹ 2 lakh only.

However, upon scrutiny of records, it was seen that Land and Development-B Department (LAD-B) violated these norms and awarded works for construction of retaining walls amounting to ₹ 14 lakh to various contractors without inviting any tender. Details of the works are given in Table 4.4.

Table-4.4: Details of works executed by LAD without call of tenders

Sl. No.	Name of the Work	Work Order with date	Date of completion	Name of Contractor	Sanctioned Amount (in ₹)
1.	Construction of Retaining wall, College, Veng	No.V.11015/3/2017 LADC/LAD Dt. 17-07-2017	27/07/2017	Lalramsanga	4,00,000
2.		No.V.11015/3/2017 LADC/LAD Dt. 17-07-2017	28/07/2017	Hmangaihzuai	4,00,000
3.		No.V.11013/3/2017 LADC/LAD Dt. 17-07-2017	12/08/2017	Hmangaihzami	3,00,000
4.		No.V.11015/3/2017 LADC/LAD Dt. 17-07-2017	26/07/2017	Sangkunga	3,00,000
Total					14,00,000

Award of work based merely on approval taken from higher authority was not in order as it was a violation of the rules *ibid*.

Council replied (November 2020) that they will try to follow the MADCF Rules, 2010 in future.

4.3 Purchase and maintenance of Xerox machine – ₹ 5.00 lakh

As per Rule 121 of MADCF Rules, 2010, budget provision is no authority for incurring any expenditure which requires the sanction either of the secretary or the Member-in-charge of the

Financial Affairs or of the Executive Committee of Council.

Planning, Development and Works Department, LADC utilised ₹ 5.00 lakh for purchase and maintenance of Xerox machines and other Stationary items during the financial year 2017-18 without obtaining administrative approval/ expenditure sanction in violation of the rules *ibid*.

Council in its reply (November 2020) stated that it would be ensured that administrative approval and expenditure sanction for each item of expenditure will be obtained.

4.4 Lack of transparency in recruitment

Recruitment to various posts in various departments of the District Council is governed by the Lai Autonomous District Council (Group 'A', 'B', 'C' & 'D' posts) Recruitment Rules, 2014 (RR). Method of recruitment, age limit, and other qualification are specified in columns 5 to 14 of the Schedule -I to the rule. It was noticed in audit that Council recruited/ appointed five (5) employees on regular basis in various posts under various departments during 2017-18 through direct/ personal interview without issuing advertisements/ notifications of vacancy of posts. Details are shown in **Appendix II**.

There was no record to show that any advertisement was issued to invite applications from the general public and thereby defying other eligible candidates the opportunity to compete for the posts.

Thus, there was lack of transparency and objectivity in the recruitments and the recruitment process was fraught with risk of favouritism and nepotism.

Council replied (November 2020) that the Lai Autonomous District Council (Group A, B, C, D posts) Recruitment Rules, 2014 mentioned essential qualification for the post and constitution of DPC only. So, staff were recruited on the basis of Direct/ Personal interview without publication of notification. Therefore, amendment of the said rules is the need of the hour.

Hence, as a corrective measure, amendment of service rules is initiated.

Recruitment of staff without giving equal opportunities to all eligible candidates through advertisement is a violation of Article 16 of the Constitution of India, which provides for equality of opportunity in matters of public employment.

Council may ensure transparency in any recruitment process by invariably publishing recruitment advertisement in order to ensure transparency and equality of opportunity in matters of public employment.

4.5 Action taken notes on Audit Reports

As per Rule 123(2) of MADCF Rules, 2010, after the Reports of the Comptroller and Auditor General (CAG) of India are laid before 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.

Information regarding ATNs on previous audit reports has not been communicated to the Accountant General (Audit) by Council till date.

Council replied (November 2020) that they will take immediate steps to furnish action taken notes on Audit Report.

4.6 Conclusion

There was lack of transparency in selection of beneficiaries under Rural Housing Scheme. Works worth ₹ 14 lakh were executed without inviting tender in violation of MADCF Rules 2010. Planning, Development and Works Department utilised ₹ 5 lakh on procurement and maintenance of photocopy machines without obtaining expenditure sanction from the competent authority. There was a lack of transparency in appointment of five employees on regular basis as advertisement/ notification was not issued by Council.

4.7 Recommendations

1. *Council may ensure transparency in the selection of beneficiaries in order to ensure that assistance is provided to the intended beneficiaries.*
2. *Council may ensure that codal provisions are followed by the concerned departments in awarding of works while executing public works.*
3. *Council may ensure transparency in recruitment processes by invariably publishing recruitment advertisement, to ensure transparency and equality of opportunity in matters of public employment.*

Aizawl
The 28 September 2022


(LHUNKHOTHANG HANGSING)
Principal Accountant General,
Mizoram

Countersigned

New Delhi
The 4 October 2022


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General
of India



APPENDICES

Appendix-I

Statement showing the list of Assessment of Land Revenue Taxes for the Year 2016-17 and its Actual Realisation in 2017-18

(Reference: Paragraph-2.3)

Sl. No.	Name of Division	2016-17 Target assessed	All P/S Taxes collected in 2017-18	All Ordinary Taxes collected in 2017-18	House Taxes collected in 2017-18	Tax Arrear collected in 2017-18	L/L Taxes collected in 2017-18	L/L Arrear collected in 2017-18	Building Taxes collected in 2017-18	TOTAL
1.	Hqrs. Lawngtlai	48,79,223	26,10,815	94,173	-	1,21,520	2,21,090	3,58,121	20,390	34,26,109
2.	Sub-Hqrs. Bualpui 'NG'	4,33,850	1,39,536	72,962	44,350	22,792	-	-	-	2,79,640
3.	Sangau Division	3,70,174	2,09,113	56,512	37,760	18,674	-	-	-	3,22,059
4.	Ditlang Division	1,80,988	40,584	10,691	22,053	-	-	-	-	73,328
5.	Lungtlan Division	91,444	26,558	23,020	14,150	3,450	-	-	-	67,178
6.	Bungtlang Division	2,63,427	13,849	63,462	21,250	4,320	-	-	-	1,02,881
7.	Chawngte 'P' Division	4,11,209	1,62,444	1,30,238	49,738	4,098	-	-	-	3,46,518
8.	Vathuampui Division	2,95,063	79,821	69,852	86,590	-	-	-	-	2,36,236
9.	Miscellaneous	-	-	-	-	-	-	-	-	8,67,305
	Grand Total	69,25,378	32,82,720	5,20,883	2,75,891	1,74,854	2,21,090	3,58,121	20,390	57,21,254

Audit Report of Lai Autonomous District Council for the year 2017-18

1.	Total Amount of All P/S Taxes	₹ 32,82,720
2.	Total Amount of All Ordinary Taxes	₹ 5,20,883
3.	Total Amount of House Taxes	₹ 2,75,891
4.	Total Amount of Tax Arrear	₹ 1,74,854
5.	Total Amount of Land Lease Taxes	₹ 2,21,090
6.	Total Amount of Land Lease Arrear	₹ 3,58,121
7.	Total Amount of Building Taxes	₹ 20,390
8.	Miscellaneous	₹ 8,67,305
	GRAND TOTAL	₹ 57,21,254

Appendix-II
Statement showing the list of officers/ staff recruited in various departments under
LADC during 2017-18

(Reference: Paragraph-4.4)

Sl. No.	Name of officer/ staff appointed	Name of Post	Department	Pay Scale	Whether Regular/ Contractual/ Muster Roll	Recruitment Procedure (Open competitive written examination/ interview Or other, please specify)	Date of publication along with copies of notification and newspaper clippings	Date of Appointment/ Engagement	Appointing authority
1.	T. Rosanglura	Computer Operator-B	CEMO	9300-34800+4200	Regular	Subject to approval of DPC	NA	06-02-2018	C.E.M
2.	T. Lalremsanga	Sectional Assistant	GAD	5200-20200+2400	Regular	Subject to approval of DPC	NA	06-02-2018	C.E.M
3.	Vanhmuna	Peon	GAD	4440-7440+1650	Regular	Subject to approval of DPC	NA	27-02-2018	C.E.M
4.	K. Lalthumchhungi	UDC	GAD	9300-34800+4200	Regular	Subject to approval of DPC	NA	27-02-2018	C.E.M
5.	C. Lalthuanmawii	LDC	GAD	5200-20200+2400	Regular	Subject to approval of DPC	NA	27-02-2018	C.E.M

