

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

FOR THE YEAR 2017-18

**MARA AUTONOMOUS DISTRICT COUNCIL
SIAHA, MIZORAM**

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PREFACE

This Report has been prepared for submission to the Governor 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 Mara Autonomous District Council for the year 2017-18.

This Report contains four Chapters, the first of which deals with the Constitution of the Mara Autonomous District Council, the rules for the management of the District Fund and maintenance of accounts by the District Council. Chapter-II depicts ADC Fund position. Chapter-III deals with the Comments on Accounts and Chapter IV deals with compliance issues during test-audit of the transactions of the 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 four paragraphs. A synopsis of important findings contained in the Report is presented below:

1. Constitution, Rules and Maintenance of Accounts

Mara 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 1.4)

Internal Control

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, mis-appropriation and financial irregularities, which might remain undetected.

(Paragraph 1.5)

Recommendations

- (i) The Council may adhere to prescribed timelines in submission of Annual Accounts.*
- (ii) The Council may complete filling up vacancies/ recruitment process at the earliest.*
- (iii) The Council may seek help from State Government and utilise its training facility for training and capacity building at all levels in the administrative hierarchy of the Council ensuring proper bookkeeping, record maintenance, supervision, control and monitoring.*
- (iv) The Council needs to strengthen its internal control mechanism, make an Internal Audit Wing functional and take action on deficiencies in record management.*
- (v) The Council may ensure proper maintenance of the required records and registers and conduct annual physical verification of fixed assets to strengthen accountability in the functioning of the Council.*

2. Autonomous District Council Fund

Grants-in-aid from Central and State Governments constituted 99 *per cent* of the Council's total receipts. 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)

At the end of March 2022, Utilisation Certificates amounting to ₹ 10.14 crore were pending for submission to State Government.

(Paragraph 2.3)

Recommendations

- (i) The 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.**
- (ii) Efforts could be initiated to comprehensively map untapped, but viable, revenue sources and put in place a mechanism for enforcement of tax and fee collections.**
- (iii) The Council may ensure timely submission of utilisation certificate to the State Government with respect to Grants-in-aid received. The District Council should monitor submission of UCs and hold the concerned persons accountable for non-submission or delayed submission of UCs.**

3. Comments on Accounts

Overstatement of Revenue Expenditure by ₹ 10.32 crore.

(Paragraph 3.2)

Debt position (for which Council is liable to repay/ payback the amount to the individual concerned) was not reflected in Statement No. 3 of the Annual Accounts.

(Paragraph 3.3)

Recommendation

The Council should adhere to the prescribed format of accounts and exhibit Capital expenditure, Revenue expenditure and Dept position correctly in the Annual Accounts.

4. Compliance Audit

Non-rationalisation of posting of school teachers.

(Paragraph 4.1)

Recommendations

The Council may ensure posting of adequate teachers in all of the teacher-deficit schools and maintain uniform PTR prescribed by the RTE Act 2009 to the extent possible.

CHAPTER-I
Constitution, Rules and Maintenance of
Accounts

CHAPTER-I

Constitution, Rules and Maintenance of Accounts

1.1 Profile of the Mara Autonomous District Council

The erstwhile Pawi-Lakher Regional Council was re-organised in April 1972 into three Regional Councils¹ by the Government of Mizoram. In terms of Paragraph 20 B of Sixth Schedule of the Constitution of India, Lakher Regional Council was elevated² to the status of a District Council. The Lakher Regional Council was renamed as the Mara Autonomous District Council (MADC) 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 Councils 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.

¹ Pawi, Lakher and Chakma Regional Councils

² *w.e.f.* 29 April 1972 under the Mizoram District Council’s (Miscellaneous Provisions) Order, 1972

MADC consists of 28 Members including 25 elected Members and three Members nominated by the Governor on the recommendation of the Chief Executive Member (CEM). The Council is headed by a Chief Executive Member. The Council is headquartered at Siaha, South-Eastern Mizoram. During the year 2017-18, there were full complement of members in the Council.

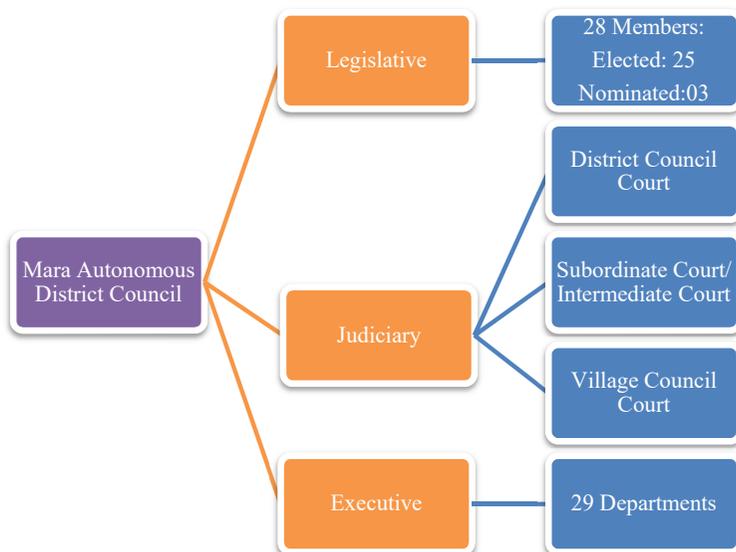
1.2 Rules for the management of the District Fund

The Sixth Schedule provides for the constitution of a District Fund for each Autonomous District. All moneys 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 Fund (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 fund, 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 a 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, MADC. 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.

1.3 Administrative set-up of Council

Administration of MADC and its subordinate offices are managed from its headquarters at Siaha District. A flow chart of administrative set-up is given in **Chart 1.1**.

Chart 1.1: Administrative set up of the Council



Source: MADC Rules

There are 29 departments in the Council. Finance Department is responsible for observation of financial procedures in general in all Departments and to regulate the business of the Finance Department.

The overall Sanctioned Posts and Person-in-Position of the Council during 2017-18 is as below:

Name of ADC	Sanctioned Posts	Men-in-Position
Mara Autonomous District Council	2770	1985

Source: Council records

Staff position of Accounts Section under the Finance & Accounts Department which is responsible for the preparation of Annual Accounts of the Council during 2017-18 is shown in **Table 1.1:**

Table 1.1: Manpower position in Finance and Accounts

Sl. No.	Category / Name of post	2017-18	
		Sanctioned Posts	Person-in-position
1.	Deputy Secretary	01	00
2.	Sr. Accounts Officer	01	00
3.	Finance & Accounts Officer	03	02
4.	Section Officer (Pension)	01	00
5.	Accountant	06	04
6.	Jr. Accountant	03	00
7.	UDC	04	00
8.	Account Assistant	03	03
9.	LDC	06	06
10.	Computer Operator Gr-III	01	00
11.	Computer Operator Gr-IV	01	01
Total		30	16

Source: Council's record

The Council was managing its various functions and activities with 1985 (72 *per cent*) persons-in-position against a total of sanctioned strength of 2770 persons. Moreover, Finance Department had only 16 (53 *per cent*) persons in position against the sanctioned strength of 30. The key posts of Deputy Secretary (Finance) and Sr. Accounts Officer are vacant.

The Council replied (March 2021) that the Governor conveyed his permission for the creation of post of Audit Officer, two Assistant Audit Officer and Data Entry Operator through the Under Secretary to the Government of Mizoram, DC&MA Vide Letter No.A.12011/7/2016-DC&MA/M dated 09/07/2019. Eventually, the Executive Committee in its 84th Executive Committee Meeting held on 27/09/2019 sanctioned and approved the recruitment of the above-mentioned posts and the aforementioned three posts were filled up through a written examination followed by an interview on 11 March 2020.

The Council may take necessary steps to fill remaining vacancies for smooth conduct of financial functions as MADC

still have 14 vacancies (47 per cent) in Finance Department against the sanctioned strength.

1.4 Maintenance of Accounts and Audit Arrangements

In pursuance of paragraph 7 (3) of the Sixth Schedule, the accounts of the District Council are required to be maintained in the form as 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 the Council for the year 2017-18 were prepared in the prescribed format and submitted in August 2018. The results of test check of the Annual Accounts for the year 2017- 18 are discussed in the succeeding Chapters.

1.5 Internal Control

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 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 a system had not been put in place by the Council Authorities as on the date of audit (February-March 2019).

Besides it was also seen that there was:

- absence of Internal Audit Manuals;
- non-maintenance of Asset Register and absence of physical verification of assets;
- non-maintenance of ledger accounts for works and registers of lands, buildings and other properties belonging to the Council.
- absence of stock registers, bills and vouchers in support of the expenditure incurred.

Due to weak internal controls, the attempt on the 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.

Further, it is apparent that the impact of vacancies in Finance department is reflected in the poor maintenance of records and non-observance of rules and procedures in Council activities.

The Council replied (March 2021) that the Governor conveyed his permission for the creation of the posts of Audit Officer, two Assistant Audit Officer and Data Entry Operator through the Under Secretary to the Government of Mizoram, DC&MA Vide Letter No.A.12011/7/2016-DC&MA/M dated 09/07/2019. Eventually, the Executive Committee in its 84th Executive Committee Meeting held on 27/09/2019 sanctioned and approved the recruitment of the above-mentioned posts and the aforementioned three posts were filled up through a written examination followed by an interview on 11/03/2020. The Council also stated that ledgers and register would be maintained and physical verification of assets would be conducted at least once in a year.

Effective internal control reduces the risk of asset loss and helps to ensure that information is complete and accurate, financial

statements are reliable, and day-to-day operations are conducted in accordance with the provisions of applicable laws and regulations. The Council may establish a strong internal control system for good governance.

1.6 Recommendations

- 1. The Council may adhere to prescribed timelines in submission of Annual Accounts.*
- 2. The Council may complete filling up vacancies/ recruitment process at the earliest.*
- 3. The Council may seek help from State Government and utilise its training facility for training and capacity building at all levels in the administrative hierarchy of the Council ensuring proper bookkeeping, record maintenance, supervision, control and monitoring.*
- 4. The Council needs to strengthen its internal control mechanism, make an Internal Audit Wing functional and take action on deficiencies in record management.*
- 5. The Council may ensure proper maintenance of the required records and registers and conduct annual physical verification of fixed assets to strengthen accountability in the functioning of the Council.*



CHAPTER-II
Autonomous District Council Funds

CHAPTER-II

Constitution, Rules and Maintenance of Accounts

2. Introduction to District Fund

Sixth Schedule provides for a District Fund or 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 District Fund of the Autonomous District Council was constituted under the provisions of Sub- Paragraph (I) of Paragraph 7 of the Sixth Schedule to the Constitution of India to which shall be credited all moneys received by the District Council in the course of the administration of the Autonomous District Council in accordance with the provisions of the Constitution.

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

A. District Fund

District Fund further 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 the proceeds of taxation and other receipts classed as revenue and expenditure met therefrom. It shall also include the grants and contributions received from the Government and also the 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 the Council and loans and advances and their recoveries by the Council.

B. Deposit Fund

Deposit Fund covers transactions relating to Deposits, General Provident Fund (GPF), other funds and advances such as Cess,

Income Tax, Sales Tax and Security Deposits, *etc.*, where the Council incurs a liability to repay the 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 MADC during the year are given below:

- MADC'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.

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

Table 2.1

(₹ in lakh)

	Particulars	2016-17	2017-18	Increase / Decrease (%)
Sources	Own Revenue Receipts	103.97	131.13	26.12
	GIA Plan	2,193.84	3,148.24	43.50
	GIA Non-Plan	8,973.29	9,639.62	7.43
	Centrally Sponsored Scheme	362.14	321.36	-11.26
	Total	11,633.24	13,240.35	13.81
Application	Revenue Expenditure	11,284.20	12,212.99	8.23
	Capital Expenditure	833.20	1,031.76	23.83
	Disbursement of Loans & Advances	-	-	
	Disbursement from Deposit	-	-	
	Total (Disbursements)	12,117.40	13,244.75	9.30
	Opening Cash Balance	494.92	10.77	
	Closing Cash Balance	10.77	6.37	

It can be seen from the table that:

- Total receipts of the Council increased by ₹ 16.07 crore (13.81 *per cent*) from ₹ 116.33 crore in 2016-17 to ₹ 132.40 crore in 2017-18. The reason for increase was mainly due to increase in receipts under GIA Plan fund by ₹ 9.54 crore.
- Own Revenue receipts of the Council increased by ₹ 0.27 crore (26.12 *per cent*) from ₹ 1.04 crore in 2016-17 to ₹ 1.31 crore in 2017-18 while receipts under Centrally sponsored schemes decreased by ₹ 0.41 crore (11.26 *per cent*) from ₹ 3.62 crore in 2016-17 to ₹ 3.21 crore in 2017-18.
- Out of total fund available of ₹ 132.51 crore, including OB, the Council utilised ₹132.45 crore (99.95 *per cent*).

2.2 Receipts and Disbursements

The receipts and expenditure of the Council for the year 2017-18 were as under:

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

(₹ in lakh)

RECEIPTS			DISBURSEMENT		
Sl. No.	HEAD	2017-18	Sl. No.	HEAD	2017-18
Part – I: DISTRICT FUND					
Revenue Section					
1.	Taxes on Income and expenditure	73.41	1.	District Council Secretariat	569.23
2.	Land and Revenue	10.74	2.	Administration of Justice	91.39
3.	Taxes on Vehicles	2.00	3.	Executive	88.64
4.	Public Works	14.51	4.	Secretariat General Services	516.58
5.	Others Administration	0.21	5.	Finance and Account	833.78
6.	Other General Economics Services	2.13	6.	Land and Revenue	440.32

7.	Forest	27.83	7.	Education and Human Resources (P/S)	3,373.46
8.	Education	0.30	8.	Education and Human Resources (M//S)	1,831.34
9.	Grants-in-Aid from State Government		9.	Education Director and Administration	168.09
	(a) Plan	3,148.24	10.	Board of School Education	131.01
	(b) Non-Plan	9,639.62	11.	Adult Education	44.23
	(c) CSS	321.36	12.	Hindi Education	350.02
			13.	District library	15.59
			14.	Local Administration	991.72
			15.	Forest Department	555.74
			16.	Social Welfare	146.75
			17.	Road transport	208.60
			18.	Public Works	1,296.38
			19.	Art and Culture	117.37
			20.	Rural Development	351.80
			21.	Planning and Programme Implementing	66.43
			22.	Agriculture and Horticulture	304.09
			23.	Soil and Water Conservation	89.04
			24.	Animal Husbandry and Veterinary	82.56
			25.	Industry	79.46
			26.	Fishery	59.37
			27.	Public Health Engineering	139.81
			28.	Sericulture	48.89
			29.	Sports and Youth Services	135.36
			30.	Co-Operation	59.06
			31.	Water Ways	58.64
Total		13,240.35	Total		13,244.75
Capital Section					
1.	Capital Receipts		1.	Capital Disbursement	
Total			Total		

Debt Section				
1.	Loan received from the State Government	-	1. Repayment of loan from State Government	-
2.	Loan received from other sources	-	2. Repayment of loan from other sources	-
3.	Recoveries of loans and advances	-	3. Disbursement of loans and advances	-
Total Debt Receipts		-	Total Debt Disbursements	-
Total Part – I		13,240.35	Total Part – I	13244.75
Opening Balance		10.77	Closing Balance	6.37
Part – II: DEPOSIT FUND				
Deposit Section				
1.	Deposit Receipts	-	1. Deposit Disbursements	-
Total of Part – II		-	Total of Part – II	-
Opening Balance		-	Closing Balance	-
OVERALL POSITION				
Total Receipts (Part - I + Part - II)		13,240.35	Total Disbursements (Part - I + Part - II)	13244.75⁵
Opening Balance (Part - I + Part - II)		10.77	Closing Balance (Part - I + Part - II)	6.37.
Grand Total		13,251.12	Grand Total	13251.12

Source: MADC Annual Accounts 2017-18

As per Receipt and Expenditure Statement of the Council, during 2017-18, the Council generated ₹ 1.31 crore (0.99 per cent) from its own sources and taxes, received ₹ 96.40 crore (72.80 per cent) as Grants-in-aid (non-plan) and ₹ 31.48 crore (23.78 per cent) as Grant-in-aid (Plan) from the State Government. They also received ₹ 3.21 crore (2.43 per cent) as grant from Niti Aayog, Rashtriya Krishi Vikas Yojna (RKVY) and North Eastern Area grants.

As such, Grants-in-aid and Central/ State Government assistance constitute 99 per cent of the Council's total receipts. The over-reliance on Grants-in-aid and assistance from both Central and State Governments indicate the financial vulnerability of the MADC as any disruption in revenue flow from these sources would affect the functioning of the Council.

³ Total Disbursements is overstated by ₹ 1,031.76 lakh (Capital outlay) as discussed in Para-3.2

Total expenditure increased by 9.31 *per cent* from ₹ 121.17 crore in 2016-17 to ₹ 132.45 crore in 2017-18.

It was observed that out of the total expenditure of ₹ 132.45 crore for the year 2017-18, ₹ 122.13 crore constituting 92 *per cent* was spent on administrative costs, notably salaries. The balance amount of ₹ 10.32 crore was spent on development activities, including creation of assets.

Rule 121 requires strict adherence to the approved budget by the Council, obtaining prior approval for any new expenses not included in the budget, and ensuring government grants are used only for their intended purposes. However, audit observed that the Council did not adhere to the annual Budget 2017-18 and exceeded the budget by ₹ 4.38 crore, details of which are given in **Appendix I**.

It was also observed that the budget was made without giving due consideration to the essential services/ requirements. As such Council had made no provisions for Capital expenditure for Public Health and Road Transport but incurred significant expenditure under the respective heads. Further, the deviations from the budgeted expenditure ranged between 4 and 3800 *per cent*, reflects poor planning and execution of planned activities.

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)	Expenses on other (% of total expenditure under the head)
Forest	27.83	555.74	518.74 (93.34)	37.00 (6.66)
Land Revenue	10.74	440.32	416.82 (94.66)	23.50 (5.34)

Source: Annual Accounts 2017-18 Statement 5 & 6

It is evident from the above that revenue earning departments viz., Land Revenue and Forest were not even able to meet their administrative expenses. Reasons for low realisation of revenue nor arrears if any, were not on record. This indicated the high dependence of MADC on Central and State Government funding for its financial requirements, taking into account its high administrative costs, especially on pay and allowances.

2.3 Delay in submission of Utilisation Certificates (UCs)

As per Rule 238(1) of GFR, 2017, a certificate of actual utilization of the grants 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 the diversion of funds for other purposes.

At the end of March 2022, 12 UCs involving ₹ 10.14 crore were not submitted by the Council to the State Government against Grants-in-aid pertaining to previous years. District Council & Minority Affairs Department, Government of Mizoram had failed to monitor adherence to the conditions attached to sanctioning of Grants to Council.

Non-submission of UCs means that the authorities have not appropriately explained how funds were spent. There is no assurance that intended objectives of providing these funds have been achieved. Pendency of UCs was fraught with the risk of misappropriation of funds and fraud. It is imperative that the State Government should monitor this aspect and hold the concerned person accountable for submission of UCs in a timely manner.

2.4 Conclusion

Grants-in-aid and Central/ State Government assistance constituted 99 *per cent* of the Council's total receipts. Out of the total expenditure of ₹ 132.45 crore for the year 2017-

18, ₹ 122.13 crore constituting 92 *per cent* was spent on administrative costs, notably salaries. The balance amount of ₹ 10.32 crore was spent on development activities, including creation of assets. Comparative analysis of two revenue Departments *i.e.*, Land Revenue and Forest, showed that their administrative expenditure (Pay & allowances) was very high and far exceeded the Revenue collected.

As of March 2022, 12 UCs involving ₹ 10.14 crore were not submitted by the Council to the State against the Grants-in-aid pertaining to previous years.

2.5 Recommendations

- 1. The Council needs to identify and implement internal cost-saving measures while not compromising on its core functions. They need to cut down on the overall administrative expenditure so that more resources can be directed toward development functions.***
- 2. Efforts could be initiated to comprehensively map untapped, but viable, revenue sources and put in place a plan for strict enforcement of tax and fee collections.***
- 3. The Council may ensure timely submission of utilisation certificate to the State Government with respect to Grants-in-aid received. The District Council should monitor submission of UCs and hold the concerned persons accountable for non-submission or delayed submission of UCs.***

CHAPTER-III
Comments on Accounts

CHAPTER-III

Comments on Accounts

3. Introduction to Accounts and Comments on Council Accounts

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 prescribed by the Comptroller and Auditor General of India.

The MADC prepares its annual accounts in the prescribed format containing the following seven statements, which detail the receipts and disbursements of the MADC for the year with bifurcation of the expenditure under revenue, capital, plan and non- plan.

The MADC 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	Summary of transactions (Part-I to Part-V)
ii.	Statement No. 2	Capital outlay - Progressive capital outlay
iii.	Statement No. 3	Debt position 2017-18 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 Receipts by Minor Heads
vi.	Statement No. 6	Detailed account of Revenue Expenditure by Minor Heads
vii.	Statement No. 7	Statement of receipt, disbursement and balance under heads relating to District Fund and Deposit Fund

3.1 Comments on Accounts

Rule 6(1) of MADCF Rules, 2010 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 2017-18 are discussed in the succeeding paragraphs.

3.2 Overstatement of revenue expenditure

As per MADCF Rules, 2010, expenditure on Capital Outlays shall be classified with relevance to the functions and objects in the Revenue Accounts. Receipt under this Major Head of Account other than revenue of the Council will be credited to the works concerned under this major Head of Account and will be taken as a reduction of expenditure.

Statement No. 2 of the MADC Annual Accounts for the year 2017-18 showed capital outlay of ₹ 10.32 crore. However, the whole capital expenditure was again reflected as revenue expenditure in Statement No. 6 ‘Detailed account of expenditure by Minor Head - Revenue Expenditure Head’. Thus, revenue expenditure was overstated by ₹ 10.32 crore.

The Council replied (March 2021) that the overstatement of the revenue of ₹ 10.32 crore was due to the error of double counting and error of principle committed while compiling the Annual Statement and steps shall be taken to avoid errors in future.

3.3 Deviation from prescribed format of Accounts

The Annual Accounts of the MADC were to be prepared in conformity with the Forms of Accounts for the Autonomous District Councils prescribed by the Comptroller & Auditor General with the approval of the President of India under clause 7(3) of the Sixth Schedule to the Constitution.

As per the prescribed format, **Statement No. 3** shall contain

debt position along-with Ways and Means of the Council. It is, however, seen that debt position (for which the Council is liable to repay/ pay back the amount to the individual concerned) is not reflected in Statement No. 3.

3.4 Conclusion

In this Chapter, audit emphasis was on the classification and accounting treatment of transactions in Annual Accounts, internal control and record keeping, *etc.* As such, following discrepancies were noticed:

- Capital Expenditure was not booked as per prescribed Statement 2 and was also understated due to misclassification and consequently Revenue Expenditure was overstated by ₹ 10.32 crore.
- Statements were not in conformity with prescribed Annual Accounts.

3.5 Recommendation

The Council should adhere to the prescribed format of accounts and exhibit Capital expenditure, Revenue expenditure and Debt position correctly in the Annual Accounts.



CHAPTER-IV
Compliance Audit Observations

CHAPTER-IV

Compliance Audit Observations

Compliance Audit observations highlighted the deficiencies observed in the management of MADC having financial implications. The main irregularities observed during audit are discussed in the succeeding paragraphs.

4.1 Non-rationalisation of posting of school teachers

As per the Right of Children to Free and Compulsory Education (RTE) Act, 2009, the appropriate Government and the local authority are to ensure that Pupil-Teacher Ratio (PTR) prescribed by the Act is maintained in each school viz., 30:1 for primary level and 35:1 for upper primary level.

Audit noticed that the Education & Human Resource Department, MADC did not adopt the norms prescribed by the RTE Act, 2009. Further, there was no rationale or defined criteria for posting of school teachers in relation to pupil enrolment. Details of PTR as of March 2018 is given in **Appendix-II**. The distribution of PTR across the 116 Primary Schools and 49 Middle Schools are shown in **Chart 1.2** and **Chart 1.3** respectively.

Chart 1.2 showing PTR distribution in Primary Schools

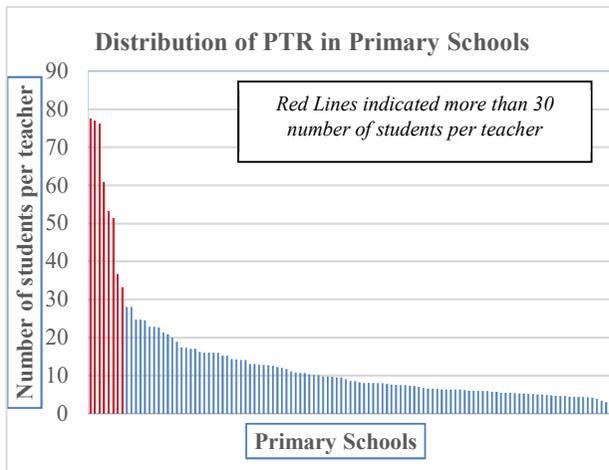
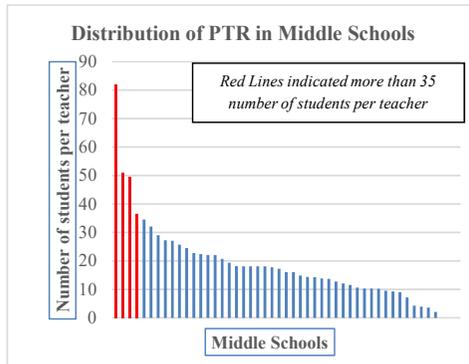


Chart 1.3 showing PTR distribution in 49 Middle Schools



As can be seen from the charts above, posting of teachers in schools was not done based on the number of students enrolled. PTR distribution was not uniform across the Primary schools, which ranged from 1:1 to 78:1. It was also observed that eight primary schools had adverse PRT beyond 30:1 prescribed by the Act.

Similarly, PTR distribution in the Middle schools ranged from 0:1⁴ to 82:1 against the prescribed ratio of 35:1. Four middle schools had adverse PTR beyond 35:1 prescribed by the Act.

The Council did not furnish reply.

The Council needs to ensure uniform distribution of teachers across the schools by rationalising posting of teachers based on the number of students enrolled as per the RTE Act, 2009 in all of the Middle Schools and Primary Schools to improve quality of education.

4.2 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 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.

⁴ Indicating teacher(s) without students.

Previous Audit Report for the period 2011-2012 to 2014-2015 were laid in the House of the Mara ADC in its Monsoon Session held on 31/07/2018 along with explanatory notes and the Council accepted the Reports in *toto*.

4.3 Conclusion

The Council did not maintain Pupil-Teacher Ratio prescribed by the RTE Act 2009 as posting of teachers was not done based on enrolment of students in schools.

4.4 Recommendation

The Council may ensure posting of adequate teachers in all of the teacher-deficit schools and maintain uniform PTR prescribed by the RTE Act 2009 to the extent possible.

Aizawl
The 14 June 2023


(LHUNKHOTHANG HANGSING)
Principal Accountant General, Mizoram

Countersigned

New Delhi
The 4 July 2023


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India



APPENDICES

APPENDICES

Appendix-I

Comparison of Budgeted Amount and Actual Expenditure on Developmental Activities Undertaken by the Council during 2017-18

(Reference: Paragraph-2.2)

(₹ in lakh)

Sl. No.	Major Head of Accounts	Budgeted Amount (₹ in lakh)	Actual Expenditure as per Accounts (Statement 2)	% Deviation from budgeted expenditure
1.	Agriculture & Horticulture	30.1	53.62	78.14
2.	Public Health & Engineering	0	65.22	0
3.	Art & Culture	20	9.5	-52.50
4.	Rural Development	14	70.68	404.86
5.	Education	99.9	104	4.10
6.	Soil & Water Conservation	12	0.81	-93.25
7.	Animal Husbandry & Veterinary	13	1.69	-87.00
8.	Forest	18	37	105.56
9.	Fisheries	12	10.56	-12.00
10.	Public Works	116	320.5	176.29
11.	Local Administration	165.62	158.7	-4.18
12.	Social Welfare	20.6	15	-27.18
13.	General Secretariat Services	3.5	136.8	3808.57
14.	Sports & Youth Services	23	10	-56.52
15.	Road Transport	0	30	0
16.	Planning & Prog. Implementation	0	7.68	0
17.	Land Revenue	12	0	-100.00
18.	Minor Irrigation	4	0	-100.00
19.	Waterway	14	0	-100.00
20.	Sericulture	8	0	-100.00
21.	Cooperation	8	0	-100.00
Total		593.72	1031.76	

Appendix-II

Statement showing details of shortage in deployment of teachers and PTR distribution in Middle/ Primary schools during 2017-18

(Reference: Paragraph-4.1)

Primary Schools

Sl. No.	Name of School and location	No. of teachers	Boys	Girls	Total	PTR (rounded)
1.	Tipa 'D' P/S	2	80	75	155	78
2.	Kaochao 'E' I P/S	1	40	37	77	77
3.	Beulah P/S	1	41	35	76	76
4.	Meisavaih P/S - I	3	90	92	182	61
5.	Phura P/S - I	1	26	27	53	53
6.	Lobo P/S- II	9	211	251	462	51
7.	Chapi P/S - II	3	50	60	110	37
8.	Tipa V P/S - II	14	211	251	462	33
9.	Kiasie	3	42	42	84	28
10.	Theiri P/S - I	2	26	30	56	28
11.	New Siaha P/S - I	3	40	34	74	25
12.	10 KM P/S	3	40	34	74	25
13.	Tisi P/S - II	2	24	25	49	25
14.	Old Siaha	4	49	42	91	23
15.	Zero P/S - I	4	45	46	91	23
16.	Zyhno P/S - I	5	55	58	113	23
17.	Chhaolo P/S - II	4	55	30	85	21
18.	Khopai P/S - I	5	59	45	104	21
19.	Lopu P/S - II	2	20	20	40	20
20.	Tokalo P/S - I	6	53	60	113	19
21.	Siahatlah - III P/S	5	40	47	87	17
22.	Lobo P/S- I	5	40	46	86	17
23.	Lorrain Vill P/S	4	32	36	68	17
24.	Siata P/S - II	2	16	18	34	17
25.	Vahia P/S - II	6	47	50	97	16
26.	Ahmypi P/S	6	47	49	96	16

Sl. No.	Name of School and location	No. of teachers	Boys	Girls	Total	PTR (rounded)
27.	Kaochao 'E' P/S - III	5	40	40	80	16
28.	Phura P/S - II	3	24	24	48	16
29.	Chheihlu P/S - I	9	70	73	143	16
30.	Iana P/S- I	5	35	41	76	15
31.	Kaochao 'E' P/S- II	5	41	35	76	15
32.	Thiahra P/S	4	26	31	57	14
33.	Laty P/S	6	40	45	85	14
34.	Lomasu P/S	6	42	42	84	14
35.	Vahia P/S - I	5	35	35	70	14
36.	Pala P/S II	6	40	38	78	13
37.	Tipa B P/S II	6	40	38	78	13
38.	Lopu P/S - III	6	40	37	77	13
39.	CGS Zyhno	10	64	63	127	13
40.	New Colony -III P/S	3	19	19	38	13
41.	Chakhei - II P/S	4	26	24	50	13
42.	Tokalo P/S III	6	41	32	73	12
43.	Zyhno P/S - II	6	40	32	72	12
44.	Meisatla P/S - II	6	35	35	70	12
45.	Chapi P/S - III	10	50	60	110	11
46.	Bymari P/S	8	40	46	86	11
47.	Lopu P/S - I	5	23	30	53	11
48.	Saikao P/S - II	7	37	37	74	11
49.	Tisi P/S - I	4	20	21	41	10
50.	Tisopi P/S II	9	49	42	91	10
51.	Zero P/S - II	6	30	30	60	10
52.	New Siaha P/S - II	4	20	19	39	10
53.	Theiva P/S - I	7	32	36	68	10
54.	Khopai P/S II	9	40	47	87	10
55.	New Light P/S	6	27	30	57	10
56.	Siahatlah P/S - I	9	55	30	85	9
57.	Chhaolo P/S - I	6	36	18	54	9

Sl. No.	Name of School and location	No. of teachers	Boys	Girls	Total	PTR (rounded)
58.	Lodaw	10	40	45	85	9
59.	Siata P/S - III	8	34	34	68	9
60.	Chakhei - I P/ S-I	5	41	31	41	8
61.	New Colony -II P/S	4	16	16	32	8
62.	Phura P/S - III	5	20	20	40	8
63.	Saikao P/S - I	10	40	40	80	8
64.	Chakhei - I P/ S-II	10	25	54	79	8
65.	Riasika	10	25	54	79	8
66.	No-Aotlah P/S - I	9	35	35	70	8
67.	Chapi P/S - I	5	19	19	38	8
68.	Lorrain Eng.Sch.	10	40	35	75	8
69.	Tisi P/S - III	13	45	52	97	7
70.	Sihatlah - II P/S	5	20	17	37	7
71.	Chhaolo - II P/S	4	20	9	29	7
72.	Siatlai P/S	6	21	22	43	7
73.	Lotai P/S	6	19	23	42	7
74.	Chheihlu P/S - II	10	30	37	67	7
75.	Amobyu 'CH' P/S	6	18	21	39	7
76.	College Vaih - II P/S	6	16	23	39	7
77.	Tipa 'V' P/S - I	7	20	25	45	6
78.	Tipi 'F' P/S	13	34	48	82	6
79.	Amobyu B P/S - I	8	24	26	50	6
80.	New Laty P/S - I	4	12	13	25	6
81.	Theiri P/S II	12	30	45	75	6
82.	Thosai P/S	4	10	15	25	6
83.	Laki P/S - I	9	23	32	55	6
84.	Amotlah P/S- II	10	40	20	60	6
85.	Laki P/S - II	14	40	44	84	6
86.	Miepu P/S - I	5	15	15	30	6
87.	Kiasie P/S - II	10	33	26	59	6
88.	New Saikao P/S	10	33	26	59	6

Sl. No.	Name of School and location	No. of teachers	Boys	Girls	Total	PTR (rounded)
89.	Amobyu B P/S - II	8	17	29	46	6
90.	Tisopi P/S - I	10	35	22	57	6
91.	Amotlah P/S - I	8	18	26	44	6
92.	No-Aotlah P/S-III	9	21	28	49	5
93.	Pala P/S	9	20	29	49	5
94.	Mawhro P/S II	10	26	27	53	5
95.	College Vaih-I P/S-II	5	14	12	26	5
96.	Meisatlah P/S - I	10	25	27	52	5
97.	Maisa	14	41	31	72	5
98.	Theiva P/S - II	9	17	29	46	5
99.	Council Vaih P/S	11	32	23	55	5
100.	Kaochao 'E' P/S - I	15	40	35	75	5
101.	Meisavaih P/S II	10	24	24	48	5
102.	Amobyu Vaihthie P/S II	8	18	20	38	5
103.	Tokalo P/S - II	13	30	31	61	5
104.	Siasi P/S	12	30	25	55	5
105.	Siata P/S - I	11	25	25	50	5
106.	Tipa 'B' P/S - I	7	15	16	31	4
107.	No-Aotlah P/S - II	14	30	31	61	4
108.	Mawhro P/S - I	6	12	14	26	4
109.	ECM Vaih P/S	19	34	48	82	4
110.	New Colony - 1 P/S	8	15	19	34	4
111.	Iana P/S- II	6	15	10	25	4
112.	Chakheitlah P/S	13	25	25	50	4
113.	Miepu P/S - II	6	9	11	20	3
114.	New Laty P/S - II	13	18	20	38	3
115.	Bazar P/S	8	22	15	22	3
116.	College Vaih-I P/S-I	24	40	20	60	3
Total		840	4142	4264	8360	

Middle Schools

Sl. No.	Name of School and location	No. of teachers	Boys	Girls	Total	PTR (rounded)
1.	Zyhno M/S	1	52	30	82	82
2.	Iana M/S	1	27	24	51	51
3.	Phura M/S	2	40	59	99	50
4.	Tisi M/S	2	41	32	73	37
5.	Laki M/S	2	32	37	69	35
6.	Siasi M/S	1	17	15	32	32
7.	Model M/S	1	17	12	29	29
8.	Beulah M/S	5	65	71	136	27
9.	Theiri M/S	2	23	31	54	27
10.	Chakhei M/S	3	44	33	77	26
11.	No-Aotlah M/S	4	49	49	98	25
12.	Lobo M/S	3	39	29	68	23
13.	Chhaolo -II M/S (PHUSA)	3	33	34	67	22
14.	Education M/S	3	39	27	66	22
15.	Tokalo M/S	2	21	23	44	22
16.	Eastern M/S	3	37	25	62	21
17.	Siata M/S	3	21	37	58	19
18.	Auxilium M/S	10	87	94	181	18
19.	Amotlah M/S	3	41	13	54	18
20.	Chapi M/S	4	34	38	72	18
21.	Kiasie M/S	2	11	25	36	18
22.	Mawhro M/S	3	23	31	54	18
23.	Chheihlu M/S	3	28	25	53	18
24.	Chhaolo M/S	5	32	54	86	17
25.	Pala M/S	3	21	27	48	16
26.	Tipa 'D' M/S	3	22	26	48	16
27.	Amobyu M/S	5	30	44	74	15
28.	Ahmypi M/S	3	27	16	43	14
29.	Tipa 'B' M/S	5	32	39	71	14

30.	Tipa 'V' M/S	5	20	49	69	14
31.	Tisopi M/S	3	19	22	41	14
32.	Kaladan M/S	3	19	19	38	13
33.	Lorrain M/S	17	92	112	204	12
34.	New Colony M/S	6	30	39	69	12
35.	Khopai M/S	5	19	34	53	11
36.	Thiahra M/S	4	19	22	41	10
37.	Meisavaih M/S	5	20	31	51	10
38.	Saikao M/S	6	41	20	61	10
39.	E.C.M M/S	17	72	89	161	9
40.	Siatlai M/S	4	15	22	37	9
41.	Theiva M/S	6	21	33	54	9
42.	Meisatlah M/S	16	62	51	113	7
43.	Laty M/S	5	9	12	21	4
44.	Council Vaih M/S	12	21	26	47	4
45.	New Laty M/S	12	19	23	42	4
46.	Bymari M/S	7	14	0	14	2
47.	Kaochao M/S	0	21	32	53	0
48.	Lopu M/S	0	43	30	73	0
49.	SSA	10		0	0	0
Total		233	1561	1666	3227	

