

**Report of the  
Comptroller and Auditor General of India  
for the year 2019-20**

**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 2019-20.

The cases mentioned in this Report are those which came to notice in course of test check of accounts for the year 2019-20 and on the basis of information furnished and records made available by the Mara Autonomous District Council.

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 2019-20.



# 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 2019-20. Chapter-IV of the Report deals with the audit findings pertaining to compliance audit of the Council . 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, 2018.

The Annual Accounts of the Council for the year 2019-20 were submitted to Accountant General in March 2022 with a delay of more than 20 months.

*(Paragraph 1.1 to 1.4)*

### 2. 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, misappropriation and financial irregularities, which might remain undetected.

***(Paragraph 1.5)***

***Recommendations***

***The Council may assess its sanctioned strength/manpower requirement rationally.***

***The Member-in-charge of the Financial Affairs may monitor the timely preparation as well as timely submission of Accounts.***

***The Council needs to strengthen its internal control mechanism and take action on deficiencies in record management.***

**3. Autonomous District Council Fund**

Grants-in-aid from State Governments constituted 99.01 *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 were substantial deviations in terms of excess of expenditure over the budgeted amount by some departments and there was an overall saving of ₹ 93.80 lakh from the budget figure. This reflects deficiency in the budgeting process.

***(Paragraph 2.4)***

***Recommendations***

***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 towards development functions.***

***Efforts may be initiated to comprehensively map untapped, but viable, revenue sources and put in place a plan for strict enforcement of tax and fee collections.***

#### 4. Comments on Accounts

Due to wrongly clubbing the Loans and Advances with Local Revenue Receipt, Local Revenue Receipt was overstated by ₹ 0.10 crore in Statement No 5.

*(Paragraph 3.1.2)*

Due to non-consideration of all previous years' expenditures before 2019-20, actual progressive expenditure under the Agriculture & Horticulture head was understated by ₹ 53.62 lakh and under the PWD head by ₹ 320.50 lakh during 2019-20. This resulted in understatement of total progressive Capital expenditure by ₹ 374.12 lakh during 2019-20.

*(Paragraph 3.1.3)*

#### *Recommendations*

*The Council may enhance the accuracy and reliability of the Annual Accounts by implementing procedures to ensure accurate reporting, reconciling transactions between subsidiary cash books and the main Cash Book.*

*The Council should exhibit capital and revenue expenditure correctly in the Annual Accounts*

#### 5. Compliance Audit

Irregularities in selection of contractor and diversion of NLCPR fund amounting to ₹ 1.09 crore were observed in the construction of Mara Students Hostels at Aizawl.

*(Paragraph 4.1)*

Nine works with aggregated cost of ₹ 563.14 lakh were executed by three departments without deduction of Labour Cess of ₹ 5.63 lakh.

*(Paragraph 4.2.1)*

TDS amounting to ₹ 11.18 lakh was not deducted from contractors' bills for five works completed during 2019-20 by the PWD, LAD and Agriculture & Horticulture Department which resulted in a loss of Government revenue to that extent.

***(Paragraph 4.2.2)***

The Co-operation Department of MADC disbursed financial assistance of ₹ 9.00 lakh to thirty-two non-registered Co-operative societies for carrying out activities like carpentry, Mizo handloom, fisheries, piggery, farming, etc.

***(Paragraph 4.2.3)***

### ***Recommendations***

***The Council should ensure compliance with codal provisions and statutory deductions during the execution of public works.***

***The Council should ensure transparency in the selection process for beneficiaries of various schemes by establishing clear criteria and accountable procedure and also maintain proper records of the beneficiaries.***

**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 Councils<sup>1</sup> by the Government of Mizoram. In terms of Paragraph 20 B of Sixth Schedule of the Constitution of India, Lakher Regional Council was elevated<sup>2</sup> to the status of a District Council. The Lakher Regional Council was renamed as the Mara Autonomous District Council (MADC) in May 1989.

The 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 watercourse for agriculture; regulation of the practice of “*Jhum*” or other forms of shifting cultivation; establishment of village or town committees or councils and their powers, village or town administration including police, public health and sanitation and inheritance of property.

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

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<sup>1</sup> Pawi, Lakher and Chakma Regional Councils

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

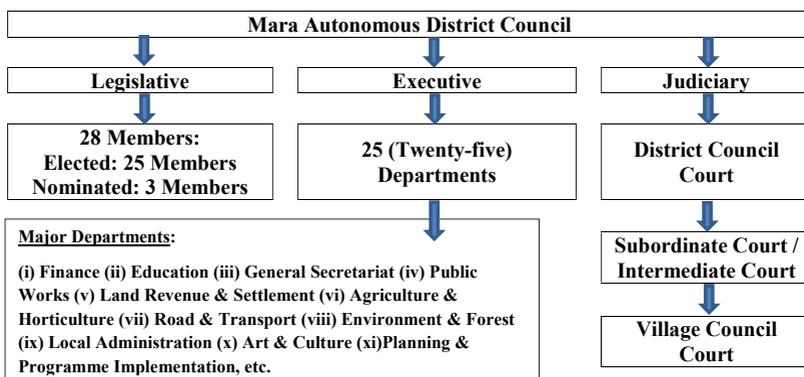
The MADC consists of 28 Members including 25 elected Members and three Members nominated by the Governor<sup>3</sup> on the recommendation<sup>4</sup> of the Chief Executive Member (CEM). The Council is headed by Chief Executive Member and is headquartered at Siaha, South-Eastern Mizoram. During the year 2019-20, there was a full strength of members in the Council.

## 1.2 Administrative set up of the Council

### (a) Administrative Set-up

Administration of MADC and its subordinate offices are managed from its Headquarters at Siaha District. Administrative set-up of the Council is as given in **Chart 1.1**.

**Chart 1.1: Administrative set up of the Council**



The Finance Department is responsible for ensuring observation of financial procedures in general in all Departments and to regulate the business of the Finance Department. The General Administration Department is responsible for seeing the rules and principles relating to services in general are properly followed.

<sup>3</sup> Para 2(1) of the Sixth Schedule of the Constitution of India

<sup>4</sup> Rule 7(4) of the Mara Autonomous District Council (Constitution, Conduct of Business, etc.) Amendment Rules, 2011

## **(b) Human Resource Management**

Rule 7 to 9 of The Mara Autonomous District Council (Transaction of Business) Rules, 2011 governs the requirement and positioning of staff in the Council. MADC had 1,983 (56 *per cent*) person-in-position against the sanctioned strength (SS) of 3,543. Department-wise sanctioned strength and person-in-position (PIP) of the MADC are given in **Appendix-I**.

Compared to the previous year, there is an increase in the sanctioned strength by 724 from 2,819 to 3,543 in 2019-20. The number of staff in position decreased by 27 from 2,010 to 1,983 in 2019-20. However, records relating to the creation of the additional posts during 2019-20 by the competent authority were not available.

### **1.3 Rules for the management of the District Fund**

The Sixth Schedule provides for the Constitution of a District Fund for each Autonomous District. All 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 2018) 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 moneys pertaining to the District Funds is 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.

## **1.4 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, 2018, the Member-in-charge of the Financial Affairs shall forward the accounts to the Accountant General (Audit) by 30<sup>th</sup> 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 2019-20 were submitted on 23 March 2022 to the Accountant General (Audit) after a delay of 20 months.

## **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. Deficiencies observed in audit regarding internal control are as below:

- (i) Maintenance of Cash Book: Corrections and overwriting were made on three occasions in September 2019, February 2020 and March 2020 which were not properly authenticated by the Drawing & Disbursing Officer (DDO) in violation of Rule 18 (f) of MADC Fund Rules, 2018
- (ii) Discrepancies in expenditure between Cash Book and Annual Accounts

Scrutiny of subsidiary Cash Books of nine departments revealed that there were discrepancies between expenditure recorded in their Cash Books and the Annual Accounts as shown in **Appendix II**. It is evident that expenditures recorded in Statement 2 (Capital Expenditure) and Statement 6 (Revenue Expenditure) of the Annual Accounts were inaccurately recorded without considering actual expenses incurred by the various departments. This raises doubts on the correctness of the entire expenditure reported in the Annual Accounts. Actual expenditures incurred by the departments may be taken into account at the time of preparation of Annual Accounts.

The Executive Secretary stated (June 2023) that the expenditure recorded in the Cash Book and Annual Accounts would be duly reconciled to minimise inconsistencies and discrepancies in the future.

(iii) Non-maintenance of General Ledger and other various registers

MADCF Rules 2018 provides for the maintenance of General Ledger and a few other registers for better financial management. However, it was observed that the Council did not maintain a detailed statement of permanent establishment as prescribed under Rule 141(1), General Ledger as prescribed under Rule 148 (1), Control Ledger as prescribed under Rule 148 (2), Register of Lands, Buildings and other properties belonging to the Council as prescribed under Rule 143 and Register of Works as prescribed under Rule 102 of MADCF Rules, 2018.

Proper maintenance of these records is essential for transparent financial management and informed decision-making, while also reducing the risk of misappropriation and misclassification of expenditure.

## 1.6 Recommendations

1. *The Council may assess its sanctioned strength/ manpower requirement rationally.*

- 2. The Member-in-charge of the Financial Affairs may monitor the timely preparation as well as timely submission of Accounts.***
- 3. The Council needs to strengthen its internal control mechanism and take action on deficiencies in record management.***

**CHAPTER-II**  
**Autonomous District Council Funds**



## Chapter – II

### Autonomous District Council Funds

#### 2. Introduction to District Fund

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

#### 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 Fund

### 2.1.1 Description of Sources of Revenue

Sources of revenue for MADC for the year 2019-20 are given below:

- (a) MADC's own revenue through issue of trade licenses, taxes on profession and employment, rent, sale proceeds of forest produce and royalties, land revenue, *etc.*
- (b) Resources made available by the State Government through State Plan.

The Council did not receive any grants under Article 275(1)<sup>5</sup> of the Constitution of India during 2019-20 and Centrally Sponsored Schemes (CSS) funds were transferred to the Council through the State Government.

A comparative analysis of resources and application of funds for the year 2019-20 *vis-à-vis* 2018-19 is given in **Table 2.1**.

**Table 2.1: Summary of resources and application of funds as per the Annual Accounts.**

(₹ in crore)

Component	Particulars	2018-19	2019-20	Increase (+) / Decrease (-) (in per cent)
<b>Opening Balance (OB)</b>		<b>0.06</b>	<b>0.00</b>	
<b>Sources</b>	Own Revenue Receipts	1.47	1.51	<b>(+) 3.00</b>
	State Finance Commission (SFC) Grant	113.44	121.96	<b>(+) 7.51</b>
	GIA -MADC	31.09	37.29	<b>(+) 19.93</b>

<sup>5</sup> Grants-in-aid under Proviso to Article 275(1) of Constitution of India are 100% annual grants from Government of India to States. It is charged to Consolidated Fund of India (except grants for NE States, a voted item) and is an additive to State initiatives and efforts for Tribal Development.

Component	Particulars	2018-19	2019-20	Increase (+) / Decrease (-) (in per cent)
Sources	GIA-Village Council Remuneration (VCR)	1.80	2.18	(+) 20.97
	North East Assistance (NEA)-(Lyuvakhutia)	0.00	0.08	-
	New Economy Development Policy (NEDP)	4.16	0.00	(-) 100.00
	Rashtriya Krishi Vikas Yojana (RKVY)	0.20	0.16	(-) 19.24
	Non-Lapsable Central Pool of Resources (NLCPR)	0.97	0.11	(-) 88.89
	Recoveries of Loans and advances	0.03	0.10	(+) 274.91
	<b>Total</b>	<b>153.16</b>	<b>163.39</b>	
Application	Revenue Expenditure	143.65	145.32	(+) 1.17
	Capital Expenditure	9.37	0.27	(-) 97.10
	Disbursement of Loans & Advances	0.21	0.21	0.00
	Disbursement from Deposit	0.00	0.00	
	<b>Total (Disbursements)</b>	<b>153.23</b>	<b>145.80</b>	
<b>Closing Balance (CB)</b>		<b>0.00</b>	<b>17.59</b>	

(Source: Statement No 2,4,5 and 6 of Annual Accounts 2018-19 and 2019-20)

It can be seen from the **Table 2.1** that:

- Total receipts of the Council increased by ₹ 10.23 crore (6.68 per cent) from ₹ 153.16 crore in 2018-19 to ₹ 163.39 crore in 2019-20. This was mainly due to increase in SFC grant by ₹ 8.51 crore (7.51 per cent) and GIA by ₹ 6.19 crore (19.93 per cent).
- Own Revenue receipts of the Council increased by ₹ 0.04 crore (3 per cent) from ₹ 1.47 crore in 2018-19 to ₹ 1.51 crore in 2019-20 while NEDP funding decreased by ₹ 4.16 crore (100 per cent) from ₹ 4.16 crore in 2018-19 to NIL in 2019-20 and

NLCPR funding decreased by ₹ 0.86 crore (88.89 per cent) from ₹ 0.97 crore to ₹ 0.11 crore.

- Out of total fund available of ₹ 163.39 crore, including OB, the Council utilised ₹ 145.80 crore (89.23 per cent) during 2019-20.
- Total expenditure declined by ₹ 7.43 crore (4.85 per cent) from ₹ 153.23 crore in 2018-19 to ₹ 145.80 crore in 2019-20.

## 2.2 Receipts and Disbursements

The receipts and expenditure of the Council as per their Annual Accounts 2019-20 were as under:

**Table-2.2: Details of funds receipts and expenditure of the Council during 2019-20**

(₹ in lakh)

RECEIPTS			DISBURSEMENT		
Sl. No.	HEAD	2019-20	Sl. No.	HEAD	2019-20
<b>Part – I: DISTRICT FUND</b>					
<b>Revenue Section</b>					
1.	Taxes on Income and Expenditure	59.54	1.	District Council	576.42
2.	Land and Revenue	14.34	2.	Executive Members	174.82
3.	Taxes on Vehicles	1.24	3.	Administration of Justice	199.84
4	Interest Receipts	9.32	4	Land and Revenue	593.14
5.	Public Works	22.41	5	Secretariat and General Services	441.23
6.	Others Administration	0.12	6	Finance and Accounts	1089.93
7.	Other General Economics Services	8.57	7.	Planning	77.11
8.	Forest	34.33	8.	Public Works	391.86 <sup>6</sup>

<sup>6</sup> Since ₹ 10.77 lakh is reflected under statement No 2 as Capital expenditure, ₹ 10.77 lakh is deducted from Public Works total expenditure of ₹ 402.63 lakh reflected under Statement No 6.

RECEIPTS			DISBURSEMENT		
Sl. No.	HEAD	2019-20	Sl. No.	HEAD	2019-20
9.	Road and Transport Services	1.17	9.	Education and Human Resources	7,137.89
10	<b>Own Revenue Receipt (Sum of sl. No 1 to 9)</b>	<b>151.04<sup>7</sup></b>			
11	<b>Grants-in-Aid</b>		10	Board of School Examination	130.34
	State Finance Commission	12,196.08	11.	Adult Education	44.86
	Grants-in Aid-MADC	3,728.57	12.	Hindi Education	24.44
	Grants in Aid-VCR <sup>8</sup>	217.97	13.	Art & Culture	148.08
	<b>Centrally Sponsored Scheme (CSS)</b>		14.	District Library	10.85
	NEA (Lyuvakhutla)	8.00	15.	Public Health Sanitation & Water Supply	70.28
	RKVY	16.37	16.	Local Administration	1,047.89
	NLCPR	10.77	17.	Information and Publicity	32.31
			18.	Social Welfare	152.23
			19.	Disaster Management, Relief and Rehabilitation	10.60
			20	Agriculture	299.27 <sup>9</sup>
			21	Soil and Water Conservation	115.81
			22	Fisheries	56.04
			23	Forest	726.00
			24	Road and Transport Services	200.94
			25	Rural Development	315.28
			26	Industry	76.81

<sup>7</sup> Since recovery of loans and advances of ₹ 10.46 lakh is reflected under Statement No 4, ₹ 10.46 lakh is debited from own revenue/ local revenue receipt of ₹ 161.50 lakh in statement No 6 resulting in total own/ local revenue receipt ₹ 151.04 lakh. Further ₹ 10.46 lakh is debited from one out of nine Major head of local/ own revenue receipt namely “taxes on Income and Expenditure” having total revenue receipt of ₹ 70 lakh.

<sup>8</sup> Grant-in-Aid-VCR: Grants-in-Aid released by the State Finance Commission (SFC) for remuneration of Village Council.

<sup>9</sup> Since ₹ 12.23 lakh is reflected under Statement No 2 as Capital expenditure, ₹ 12.23 is deducted from Agriculture’s total expenditure of ₹ 311.50 lakh reflected under Statement No 6.

RECEIPTS			DISBURSEMENT		
Sl. No.	HEAD	2019-20	Sl. No.	HEAD	2019-20
			27	Animal Husbandry & Veterinary (AH & Vety)	103.40
			28	Sericulture	62.07
			29	Cooperation	81.50
			30	Inland Water Way	52.18
			31.	Sports and Youth	88.65
			32	Unaccounted Expenditure	4.14 <sup>10</sup>
<b>Total</b>		<b>16,328.80</b>	<b>Total</b>		<b>14,532.07</b>
<b>Capital Section</b>					
1.	Capital Receipts	0.00	1.	Capital Disbursement	27.14
<b>Total</b>		<b>0.00</b>	<b>Total</b>		<b>27.14</b>
<b>Debt Section</b>					
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	10.46	3.	Disbursement of loans and advances	21.00
<b>Total Debt Receipts</b>		<b>10.46</b>	<b>Total Debt Disbursements</b>		<b>21.00</b>
<b>Total Part – I</b>		<b>16,339.26</b>	<b>Total Part – I</b>		<b>14,580.21</b>
<b>Part – II: DEPOSIT FUND</b>					
<b>Deposit Section</b>					
1.	Deposit Receipts	0.00	1.	Deposit Disbursements	0.00
<b>Total of Part – II</b>		<b>0.00</b>	<b>Total of Part – II</b>		<b>0.00</b>
<b>Opening Balance</b>		<b>0.00</b>	<b>Closing Balance</b>		<b>0.00</b>
<b>OVERALL POSITION</b>					
<b>Total Receipts (Part - I + Part - II)</b>		<b>16,339.26</b>	<b>Total Disbursements (Part - I + Part - II)</b>		<b>14,580.21</b>
<b>Opening Balance (Part - I + Part - II)</b>		<b>0.00</b>	<b>Closing Balance (Part - I + Part - II)</b>		<b>1,759.05</b>
<b>Grand Total</b>		<b>16,339.26</b>	<b>Grand Total</b>		<b>16,339.26</b>

(Source: MADC Annual Accounts 2019-20)

<sup>10</sup> As per part I of Statement No 1 (Summary of Transaction), total Revenue expenditure should be ₹ 14,532.07 lakh under Statement No 6, however, total revenue expenditure was accounted ₹ 14,527.93 lakh taking PWD capital expenditure of ₹ 10.77 lakh and Agriculture capital expenditure of ₹ 16.37 lakh resulting in shortfall of revenue expenditure of ₹ 4.14 lakh (₹ 14,532.07 lakh minus ₹ 14,527.93 lakh) which was unaccounted in Statement No 6. This is explained under para 3.1.1 (iii) under Chapter III.

Out of the total receipt of ₹ 163.39 crore during 2019-20, the Council generated ₹ 1.51 crore (0.92 *per cent*) from its own sources and taxes, received ₹ 161.78 crore (99.01 *per cent*) as Grants-in-aid from the State Government and ₹ 0.10 crore (0.06 *per cent*) recovered from loans and advances. Thus, Grants-in-aid constituted 99.01 *per cent* of the Council's total receipts. The over-reliance on Grants-in-aid and assistance from the State Government indicates the financial vulnerability of the MADC as any disruption in revenue flow from these sources would affect the functioning of the Council.

Out of total expenditure of ₹ 145.80 crore for the year 2019-20, ₹ 145.32 crore (99.67 *per cent*) was spent on Revenue items and ₹ 0.27 crore (0.19 *per cent*) was Capital expenditure.

The performance of two revenue earning departments regarding their revenue generation and expenditure incurred is given in the **Table 2.3:**

**Table 2.3: Comparison of revenue earned and expenditure incurred**

(₹ in lakh)

Department	Revenue Earned	Total Expenditure
Forest	34.33	726.00
Land & Revenue	14.34	593.14

(Source: Statement No. 6 of Annual Accounts 2019-20)

It is evident from the above table that revenue earning departments *viz.* Forest and Land and Revenue, expenditure was more than the revenue earned. Reasons for low realisation of revenue were not on record. This indicated high dependency of MADC on State Government funds for meeting its high administrative costs.

### 2.3 Schemes implemented by the Council

Details of the financial and physical status of the Centrally Sponsored scheme (CSS)/ NEC Schemes implemented by the Council during the year 2019-20 are shown in the **Table 2.4.**

**Table 2.4: Financial and Physical status of schemes (CSS) as on 31 March 2020**

(₹ in lakh)

Sl. No	Name of Project	Name of scheme	Funding Agency	Date of sanction of project	Total Project cost	Amount sanctioned during the year	Progressive expenditure	Physical Progress (In per cent)
1	Construction of Mara Students Hostels	NLCPR	Ministry of DoNER via State Government	03/06/2014	538.36	10.77	538.36	100 <sup>11</sup>
2	Construction of one Store House for agriculture at Khopai	RKVY	Ministry of Agriculture and FW via State Government /CSS	27/08/2019	5.00	5.00	5.00	100
3	Construction of one collection Centre of agriculture produces at Laki				7.00	7.00	7.00	100
4	Construction of two Integrated pack house at Ahmypi, Siaha @₹5.60 lakh				11.20	1.00	1.00	09
5	Distribution of Poly Pipe (HDPE) @₹0.10 lakh per hectare for 50 hectare.				5.00	3.37	3.37	67.40
6	Lyuva Khutla Festival	NEA	NEC	18/06/2019	10.00	8.00	8.00	80

#### 2.4 Deficiencies in budget preparation

Rule 121 of the Mizoram Autonomous District Council Fund (MADCF) Rules, 2018 requires strict adherence to the approved

<sup>11</sup> Estimated date of completion of the project was 17/06/2016 which was completed on 15/06/2018.

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, from analysis of the budget and expenditure figures, it was observed that there were substantial deviations from budget figures by some departments and there was an overall saving of ₹ 93.80 lakh from the budget figure, details of which are given in **Appendix III**.

Notable deviations in terms of excess of expenditure over the budgeted amount was seen under Planning (108.21 *per cent*), Administration of Justice (70.62 *per cent*), Co-operation (34.59 *per cent*) and Local Administration (31.32 *per cent*). On the other hand, actual expenditure was significantly lower than the budgeted amount by (-) 66.45 *per cent* under Information and Publicity, (-) 21.44 *per cent* under Executive Member and (-) 14.73 *per cent* under Secretary General Services. This reflects deficiency in the planning and budgeting process.

## 2.5 Conclusion

Grants-in-aid from the State Government constituted 99.01 *per cent* of total receipts of the Council, which indicated high dependency of the Council on Grants-in-aid. This showed the over-reliance of the Council on grants received from the State Government. Comparative analysis of two major revenue departments *i.e.*, Land Revenue and Forest showed that they have extremely high operating ratios. This showed the over-reliance of the Council on grants received from the State Government. A comparative analysis of budgeted expenditure with Annual Accounts showed deviation in actual expenditure from the budgeted expenditure, indicating inaccuracy/ deficiency in budget preparation.

## 2.6 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 towards development functions.*

- 2 Efforts may be initiated to comprehensively map untapped, but viable, revenue sources and put in place a plan for strict enforcement of tax and fee collections.*

**CHAPTER-III**  
**Comments on Accounts**



## Chapter – III

### Comments on Accounts

#### 3. Introduction to Accounts and Comments on Council Accounts

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.

MADC prepared 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 and capital.

The annual accounts of MADC for the year 2019-20 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 2019-20 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, 2018 stipulates that the accounts of the Council shall be kept in two parts:

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

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

Discrepancies observed in the Annual Accounts for the year 2019-20 are discussed in the succeeding paragraphs.

### 3.1.1 Misstatement of expenditure under Statement No 6

As per month-wise wages and means statement of Annual Accounts 2019-20, total expenditure incurred during 2019-20 was ₹ 145.80 crore. The breakup of this expenditure in part-I of Statement No 1 (Summary of Transaction) is shown as stated under **Table 3.2:**

**Table-3.2: details of breakup of expenditure of ₹ 145.80 crore**

*(Amount in crore)*

Expenditure as per part-I of Statement No-I			Expenditure as per other Statements	
Sl. No	Head of Account	Amount	Amount	Statement No
1	Revenue Expenditure	145.32	145.55	6
2	Capital Expenditure	0.27	0.27	2
3	Debt Expenditure	0.21	0.21	4
<b>Total</b>		145.80	146.03	

Cross-checking of abstract of Revenue, Capital, and Debt expenditure under part-I of Statement No I with their detailed expenditure recorded in their respective Statements 6, 2 and 4 respectively revealed the following:

- (i) **Overstatement of revenue expenditure by ₹ 0.23 crore:** In *prima facie* Revenue Expenditure in Statement 6 was overstated by ₹ 23 lakh as total revenue expenditure in Statement No 6 was booked as ₹ 145.55 crore in place of ₹ 145.32 crore.
- (ii) **Overstatement of Capital expenditure by ₹ 27.14 lakh:** Expenditure of ₹ 0.11 crore and ₹ 0.16 crore under PWD and

Agriculture Head respectively aggregating ₹ 0.27 crore was booked under Statement No 2 (Capital outlay) being capital expenditure, however, the same was again booked under Statement No 6 against PWD and Agriculture Head. As such the same expenditure was booked in two different places which inflated the revenue expenditure by ₹ 0.27 crore (₹ 0.11 crore and ₹ 0.16 crore).

**(iii) Unaccounted expenditure of ₹ 0.04 crore:** The actual total Revenue expenditure under Statement No 6 should be ₹ 145.32 crore as the total Revenue expenditure under Statement No 6 should be commensurate with Revenue expenditure reflected in Part-I of Statement No I which was recorded as ₹ 145.32 crore. However, scrutiny of Statement No 6 revealed that the total Revenue expenditure under Statement No 6 was booked as ₹ 145.55 crore which included element of capital expenditure of ₹ 0.27 crore which is incorrect as Capital expenditure of ₹ 0.27 crore is already booked under Statement No 2. As such, to arrive at actual Revenue expenditure under Statement No 6, Capital expenditure of ₹ 0.27 crore should be eliminated. Thus, the Revenue expenditure after eliminating ₹ 0.27 crore from ₹ 145.55 crore would have been ₹ 145.28 crore which was incorrectly depicted as ₹ 145.32 crore in Part-I of Statement No 1. The difference of ₹ 0.04 crore (₹ 145.32 *minus* ₹ 145.28 crore) was unaccounted in Statement No 6 which needed to be rectified.

Thus, from sub paras (i), (ii) and (iii) it is concluded that Statement No 6 was misstated which led to discrepancies between Part I of Statement No 1 and Statement No 6.

### **3.1.2 Overstatement of own Revenue Receipt by ₹ 0.10 crore**

As per Statement No 1 (Summary of Transactions) of the Annual Accounts 2019-20, total own/ local Revenue receipts was ₹ 1.51 crore only, however, in Statement No 5, which gives the detailed breakup

of own/ local Revenue receipt, the total own/ local Revenue Receipt was shown as ₹ 1.61 crore. Thus, own/ local Revenue receipt of the Council was overstated by ₹ 0.10 crore in Statement No 5.

Further scrutiny revealed that the overstatement of ₹ 0.10 crore was due to clubbing of recovery of Loans and Advances of ₹ 0.10 crore which is part of Statement No 2 (Loans and Advances) with own/ local Revenue receipt of ₹ 1.51 crore. Thus, due to incorrect clubbing the Loans and Advances with own/ local Revenue Receipt, own/ local Revenue Receipt was overstated by ₹ 0.10 crore in Statement No 5.

Further, ₹ 0.10 crore was debited from the receipts of ₹ 0.70 crore in Revenue Receipt Head “Taxes on Income and Expenditure”. As such, the actual Revenue Receipt was ₹ 0.60 crore in this particular head and the aggregated Local Revenue Receipt should be booked as ₹ 1.51 crore in place of ₹ 1.61 crore as depicted in the accounts.

### **3.1.3 Progressive Capital expenditure was understated by ₹ 3.74 crore in Statement No. 2 (Capital Outlay)**

As per Statement No. 2 of the Approved format of Annual Accounts, Column (2) should indicate ‘Expenditure to end of the Previous Year’, Column (3) should indicate ‘Expenditure during the Current Year’ and Column 4 should display the sum of Column (2) and Column (3).

Instead of showing cumulative/ progressive capital expenditure over the years, capital expenditure incurred only from the previous year 2018-19 was reflected in Statement No. 2 of the Annual Accounts. Progressive Capital Outlay as of 31 March 2020 should have been shown in Column (4) by including the following amounts:

**Table 3.3: Statement showing shortfall in progressive capital outlay***(₹ in crore)*

Major Head of Account	To be shown			Actually shown			Difference
	Expenditure till previous year	Expenditure during 2019-20	Total	Expenditure till previous year	Expenditure during 2019-20	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (4)-(7)
42-Agriculture 44-Horticulture	1.17	0.16	1.34	0.64	0.16	0.80	0.54
22-Public Works	5.48	0.11	5.58	2.27	0.11	2.38	3.20
<b>Total</b>	<b>6.65</b>	<b>0.27</b>	<b>6.92</b>	<b>2.91</b>	<b>0.27</b>	<b>3.18</b>	<b>3.74</b>

*[(Major Head: 42 (Agriculture), 44 (Horticulture) and 22 (Public works)]*

It can be seen from **Table 3.3** that due to non-consideration of previous year's progressive expenditures, actual progressive expenditure under the Agriculture and Horticulture head fell by ₹ 0.54 crore. Additionally, it was seen that progressive expenditure under PWD head also fell by ₹ 3.20 crore due to the same reason. This resulted in understatement of total progressive Capital expenditure by ₹ 3.74 crore during 2019-20.

### 3.1.4 Impact of audit comments

The overall impact of audit comments is that Statement No 5 is overstated by ₹ 0.10 crore and Statement No 6 is overstated by ₹ 0.23 crore which is depicted in **Table 3.4**.

**Table 3.4 : Statement showing impact of audit comments on the Annual Accounts.**

*(₹ in crore)*

Sl. No	Particulars	Statement No.	Actual figures	Figures should be booked	Overstated (+) Understated (-)
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)
<b>Receipt</b>					
1	Overstatement of own Revenue Receipts (Para 3.1.2)	5	1.61	1.51	(+)0.10
<b>Expenditure</b>					
2	Overstatement of Revenue Expenditure (Para 3.1.1)	6	145.55	145.32	(+) 0.23

### 3.2 Conclusion

The Annual Accounts for the year 2019-20 have discrepancies and errors, including an over statement of Revenue Receipt by ₹ 0.10 crore and an overstatement of Revenue Expenditure by ₹ 0.23 crore.

### 3.3 Recommendation

- The Council may enhance the accuracy and reliability of the Annual Accounts by implementing procedures to ensure accurate reporting, reconciling transactions between subsidiary cash books and the main Cash Book.*
- The Council should exhibit capital and revenue expenditure correctly in the Annual Accounts.*

**CHAPTER-IV**  
**Compliance Audit Observations**



## Chapter – IV

### Compliance Audit Observations

Deficiencies and shortcomings in compliance to rules, regulations and norms in the functioning of MADC during 2019-20 were observed during audit. The main irregularities observed during audit are discussed in the succeeding paragraphs.

#### 4.1 Irregularities in the construction of Mara Students Hostels at Aizawl

Under the Non-Lapsable Central Pool of Resources (NLCPR) Scheme, the Council submitted a Detailed Project Report (DPR) for the construction of two Mara Students' Hostels (Boys Hostel and Girls Hostel) for Mara students pursuing higher studies in Aizawl with an estimated cost of ₹ 5.50 crore to the Ministry of DoNER through the State Government on 29/10/2012. The proposal was approved with an estimated cost of ₹ 5.38 crore on 3 June 2014 with a funding distribution of 90 *per cent* from the Ministry of DoNER and 10 *per cent* from the State Government. The Public Works Department (PWD) of the Council executed the project through two contractors<sup>12</sup>. As per the utilisation certificate submitted (02/08/2019) by the Council to the Planning and Programming Implementation Department, Government of Mizoram, the entire sanctioned fund was utilised.

Scrutiny of records pertaining to the execution of Mara Student Hostel revealed the following irregularities:

##### 1. Irregularities in selection of Contractor:

As per Rule 132 of GFR 2005 read with Rule 95 of MADCF Rules 2010, limited (restricted) tender should be called only for works costing less than ₹ 5 lakh. Further, as per Section 16.11.1 of CPWD Manual 2007 Restricted tender method may be adopted if,

<sup>12</sup> Shri Beiparylai, Siaha for the work Construction of Boys' Hostel in Zotlang, Aizawl and Shri Laibi Chozah, Siaha for the work Construction of Girls' Hostel in Luangmual, Aizawl.

- i. The work is required to be executed with very great speed, and not all contractors are in a position to generate.
- ii. The work is of special nature requiring specialised equipment, which is not likely to be available with all contractors.
- iii. Where the work is of secret nature and public announcement is not desirable.
- iv. Other exigencies of the work so demand.

In contravention to the rules stated above, both the works were awarded through restricted tender to the respective contractors on 17 July 2014 (Boys hostel, Zotlang awarded to Beiparylai, Siaha and Girls' Hostel in Luangmual, Aizawl awarded to Laibi Chozah, Siaha). The project was completed on 15 June 2018.

Since the agreed cost for each hostel was ₹ 2.69 crore, the Council did not adhere to the provisions of GFR and MADCF Rules stated above and irregularly awarded the works to the two contractors by resorting to restricted tendering which is only applicable for works costing less than ₹ 5 lakh. Additionally, in contravention of the CPWD Manual, no justification for inviting restricted tenders for the two works was on record.

The Council replied (June 2023) that there was no violation of Rule 132 of GFR 2005, as restricted tender was chosen due to urgency of the project and the need for specialised equipment and, therefore, the Executive Committee in its 50<sup>th</sup> Executive Meeting (27 June 2014) decided to assign the Boys and Girls Hostel construction to Mr. Laibi Chozah and Mr. Beiparylai prior to the restricted tender, considering their resources and ability to complete the work on time.

The Council's reply is not tenable as the DPR did not specify any requirement of specialised equipment. In addition, award of works to contractors prior to the restricted tender, as stated in the reply,

was also highly irregular. Besides, although the reply specifically mentioned that the contractors were selected due to their ability to complete the work on time, the works were completed after a delay of 790 days from the date of completion<sup>13</sup> as per the terms and conditions of the contract.

## 2. Diversion of NLCPR fund amounting to ₹ 1.09 crore:

Administrative approval and Expenditure sanction for the works clearly stated that the funds sanctioned were to be utilised only for the specific schemes and not for any other purposes. No diversion of funds was allowed. Additionally, in the DPR for the project submitted in 2012, the Executive Secretary of the Council certified that land for construction of the hostels was available free of cost.

However, contrary to the terms of sanction as well as the declaration in the DPR, the Executive Committee irregularly diverted (27/09/2013) a sum of ₹ 1.09 crore to purchase land in two locations (₹ 56 lakh for Boys hostel and ₹ 53 lakh for Girls hostel) to facilitate the construction of the two hostels. The diverted fund was recouped from GIA by reappropriating from annual Grants-in-aid (Non-salary) over a period of five years from December 2015 to March 2019 as shown in the table below.

**Table 4.1: Re-appropriation of ₹ 1.09 crore for students hostels**

Sl. No	Date	Amount re-appropriated (₹ in lakh)	Year	Purpose
1	20/01/2015	2.00	2014-15	For Girls' Hostel
2	10/12/2015	6.00	2015-16	For Boys' Hostel
3	06/05/2015	1.00	2015-16	For Girls' Hostel
4	26/04/2016	30.00	2016-17	For Boys' Hostel
5	07/06/2017	10.00	2017-18	For Girls' Hostel
6	06/03/2019	40.00	2018-19	For Girls' Hostel
7	06/03/2019	20.00	2018-19	For Boys' Hostel
	<b>Total</b>	<b>109.00</b>		

<sup>13</sup> Date of completion for both works as per terms and conditions of contract was 16 July 2016 *i.e.*, 2 years after award of contract on 17 July 2014. As per the completion report works were completed on 15 June 2018.

The Council in its reply (June 2023) stated that the diverted fund of ₹ 109 lakh was fully recovered as per approval and sanction of the Executive Committee as permissible by Rule 122 of the ADC Fund Rules.

The Council's reply is not tenable as it did not ensure availability of land while conceiving the project and resorted to irregularly utilising project funds for purchase of land which was stated to be available free of cost in the DPR. It further adopted a strategy of piecemeal recoupsments from budgetary allotment of GIA (Non-Salary) over a period of five years *i.e.*, 2014-15 to 2018-19 leading to delay in completion of the project by over two years from the original completion deadline of 17 July 2016 stated in the contract agreements. Therefore, the Council effectively escalated the cost of the project by ₹ 109 lakh while delaying its completion by irregularly diverting funds for non-sanctioned components.

## **4.2 Persistent Irregularities**

### **4.2.1 Non deduction of Labour Cess amounting to ₹ 5.63 lakh**

The Department of Labour, Employment & Industrial Training, Govt. of Mizoram, vide Office Memorandum No. B-16012/2/2011 - LE&IT dated 29 May 2012 in respect of construction works/ projects, directed all departments of the State government to deduct cess @ one *per cent* on the cost of construction at source and submit the amount so deducted to the Secretary, Mizoram Building & Other Construction Workers' Welfare Board (MBOCWFB), Govt. of Mizoram, through Account payee cheque/ Bank Draft. Further the order also cited that the provisions of the Building and Other Construction Workers' (Regulation of Employment & Condition of Service) Act, 1996 and Rules framed thereunder and the Building & Other Construction Workers' Welfare Cess Act, 1996 and the Rules thereunder will also be enforced.

Test check of records pertaining to construction works of three departments revealed that a total of nine works worth ₹ 563.14 lakh

were executed by the Council during 2019-20 which are given in Table 4.2.

**Table 4.2: Details of labour cess not deducted**

(₹ in lakh)				
Sl. No	Name of Department	Total number of works for which payment made in 2019-20	Total cost of works (₹ in lakh)	Labour cess @ one per cent (₹ in lakh)
1	PWD	1	538.36 <sup>14</sup>	5.38
2	Local Administration Department (LAD)	5 <sup>15</sup>	11.78	0.12
3	Agriculture and Horticulture Department	3 <sup>16</sup>	13.00	0.13
	<b>Total</b>	<b>9</b>	<b>563.14</b>	<b>5.63</b>

According to the order (29 May 2012) of Labour, Employment & Industrial Training Department, Government of Mizoram, the Council was required to deduct labour cess amounting to ₹ 5.63 lakh being one *per cent* of total work value of ₹ 563.14 lakh from contractors and submit the amount to the Secretary, Mizoram Building & Other Construction Workers Welfare Board (MBOCWWB), Govt. of Mizoram.

Non-deduction and non-remittance of labour cess of ₹ 5.63 lakh to the MBOCWWB can attract both penalty and interest which will impose a financial burden on the Council, considering its precarious financial position.

<sup>14</sup> The payments were made from 2016-17 to 2019-20.

<sup>15</sup> Construction of step at Chakhei (₹ 1 lakh), two works at Chhaolo (one worth ₹ 1 lakh and another ₹ 1.18 lakh), Retaining wall at college vaiha (₹ 2.80 lakh), fencing of dumping ground at Siaha (₹ 5.80 lakh).

<sup>16</sup> Construction of pack house at Ahmypi (₹ 1 lakh advance) 2. Construction of Store house at Khopi (₹ 5 lakh) 3. Construction of collection centre at Laki (₹ 7 lakh).

The Executive Secretary stated (June 2023) that the notification regarding the collection of labour cess was not communicated to the Council and it was not specified that the notification applied to the MADC. However, the notification will be adhered to in future.

The reply is not tenable as Comptroller and Auditor General (C&AG) of India had featured the observation on non-deduction of worker's cess under para 4.4 of MADC Report for the year 2015-16 which specifically mentioned the notification regarding collection of labour cess. However, as is evident from the events described in the preceding paragraphs, compliance to the notification was not seen till date. Further, such irregularities have also been pointed out in reports pertaining to previous years and, as such, the Council may take steps to stop such persistent irregularities.

#### **4.2.2 Non-deduction of TDS amounting to ₹ 11.18 lakh**

Prior to the implementation of the Mizoram Goods and Services Tax (MGST) Act, 2017, section 84(1) of the Mizoram VAT Rule, 2005 specified that two *per cent* tax deduction at source (TDS) was required on the sum paid for works contracts or the supply of materials.

Subsequently, section 51 of the Mizoram Goods and Services Tax (MGST) Act, 2017 required Government Agencies (Deductors) to deduct tax of two *per cent* from payments exceeding ₹ 2.50 lakh made to suppliers (Deductees) of taxable goods or services. This provision of Section 51 of the GST Act came into effect from 1 October 2018.

Scrutiny of records relating to payment of ₹ 558.96 lakh revealed that TDS (VAT/ GST) at the rate of two *per cent* was not deducted while making payment to contractors as summarised in **Table 4.3**. Details are given in **Appendix-IV**.

**Table 4.3: Details of TDS not deducted****(₹ in lakh)**

Sl. No	Name of Department	Total number of works completed during 2019-20	Total cost of works executed (₹ in lakh)	TDS deductible
1	PWD	2	538.36 <sup>17</sup>	10.77
2	LAD	2	8.60	0.17
3	Agriculture and Horticulture Department	2	12.00	0.24
<b>Total</b>		<b>6</b>	<b>558.96</b>	<b>11.18</b>

Thus, tax revenue amounting to ₹ 11.18 lakh @ 2 per cent of ₹ 558.96 lakh was not deducted from contractors' bills at the time of making payments which resulted in a loss of government revenue to that extent.

The Executive Secretary replied (June 2023) that the notification was neither intimated to Council nor any instruction was received from the State Government for GST TDS. However, the notification will be followed in future.

The Executive Secretary's response claiming ignorance about the MGST Act 2017 and its provisions is not a valid excuse for non-compliance. Moreover, the requirement of deducting at source two per cent of such sum paid to contractor was already in place under Section 84 of the Mizoram VAT Rule, 2005. Ignorance of law or act does not exempt any entity, including Government Agencies, from their legal responsibilities and obligations.

### **4.2.3 Irregularities in the disbursement of financial assistance to Co-operative Societies**

Under Memorandum No. MADC. 27/COOP/2017-18/ dated 02 May 2018 Mara Autonomous District Council (MADC) prescribed *inter*

<sup>17</sup> The Payments were made from 2016-17 to 2019-20.

alia the following guidelines for providing financial assistance to Co-operative Societies under the Council:

- (i) Deputy Registrar Cooperative Societies (DRCS) should invite application in prescribed form from Cooperative societies whenever fund is available and such invitation will be made through advertisement in Print Media/ Local newspaper and through local cable TV.
- (ii) Any Society seeking financial assistance from Council shall submit application in prescribed form which will be available from DRCS on payment of ₹ 60 only.
- (iii) After examination of application, Assistant Registrar of Cooperative Societies (ARCS) will initiate proposal to DRCS for financial assistance subject to the Co-operative Societies (a) having Profit and Loss account for the last financial year (b) having the capacity for expansion of its business and amount required for specific purpose (c) having submitted utilisation certificates against the financial assistance disbursed in previous year.

According to selection approval letter of Co-operative Societies, the Co-operation Department of MADC disbursed financial assistance of ₹ 9.00 lakh to thirty-two (32) Co-operative societies during 2019-20 for carrying out activities like carpentry, Mizo handloom, fisheries, piggery, farming, *etc.*, as summarised in **Table 4.4**. Details are shown in **Appendix-V**.

**Table 4.4: Details of financial assistance disbursed to 32 Co-operative Societies**

Sl. No.	Sanction Letter No	Date	No. of Co-operative Societies	Assistance (in ₹)
1	07/Co op/2017-18	31/05/2019	8	2,00,000
2	07/Co op/2017-18	20/08/2019	5	1,00,000
3	07/Co op/2017-18	07/10/2019	7	2,00,000
4	07/Co op/2017-18	06/12/2019	7	2,00,000
5	07/Co op/2017-18	20/03/2020	5	2,00,000
<b>Total</b>			<b>32</b>	<b>9,00,000</b>

During scrutiny of records, the following irregularities were observed:

1. The Deputy Registrar Cooperative Societies (DRCS) did not follow the prescribed procedure of inviting applications from cooperative societies through advertisements in Print Media/ Local newspaper and local cable TV. Lack of advertisement and public notification could have prevented other eligible cooperative societies from applying for financial assistance.
2. Details regarding Registration numbers of the beneficiaries (Cooperative Societies) are not on record. This raises concern about the authenticity of the beneficiaries and also the transparency and accountability of the disbursement process. Therefore, ineligible Societies or non-existent/bogus being given grants cannot be ruled out.
3. Documents such as profit and loss accounts for the last financial year, details of business expansion plans, and utilisation certificates for previous financial assistance of the selected beneficiaries were not available on record.

The Council replied (June 2023) that the Financial Assistance to beneficiaries were extended as per Operation Guidelines and furnished documents namely disbursement register, selection sheet of beneficiaries and authentication report towards utilisation of financial assistance given to beneficiaries to support the reply.

However, without details of the registration numbers of the Societies, which is essential as per Operation Guidelines, audit could not verify whether assistance was provided to genuine cooperative societies.

### **4.3 Action taken notes on Audit Reports**

As per Rule 123(2) of MADCF Rules, 2018, after the Reports of the Comptroller and Auditor General (CAG) of India are laid before the Councils as provided in paragraph 7 (4) of the Sixth Schedule to the Constitution of India, action-taken notes (ATN) on the said Reports shall be submitted by the District Councils to the Governor of the State. The Governor shall give such directions as considered necessary in public interest to the District Councils.

The Executive Secretary stated that Audit Report for the year 2015-16 was laid before the Council on 27 July 2022. The Council, however, has not communicated any ATN to the Governor as on the date of audit (12 August 2022).

### **4.4 Conclusion**

By providing a false land availability certificate, construction costs for the Mara Boys and Girls Hostel increased by ₹ 1.09 crore, leading the Council to divert funds to cover the excess from the annual GIA (Non-Salary). Non-compliance with statutory deductions was observed in the execution of works, such as non-deduction of TDS on GST/ VAT and Labour Cess. The disbursement of assistance to Cooperative Societies lacked transparency, as no records of the beneficiaries' credentials were found.

### **4.5 Recommendations**

- 1. The Council should ensure compliance with codal provisions and statutory deductions during the execution of public works.*

2. *The Council should ensure transparency in the selection process for beneficiaries of various schemes by establishing clear criteria and accountable procedure and also maintain proper records of the beneficiaries.*

Aizawl  
The 06 November 2024



(L. HANGSING)  
Principal Accountant General

Countersigned



New Delhi  
The 19 November 2024 Comptroller and Auditor General of India



## **APPENDICES**



**Appendix I**  
**Details of Sanctioned Strength and Person-in-Position of**  
**MADC for the year 2019-20**  
*(Reference: Paragraph 1.2(b))*

Sl. No.	Name of Department	Sanctioned Strength	Person-in-Position
1.	Road Transport	69	32
2.	Agriculture	76	27
	Horticulture	24	5
	Minor Irrigation	16	1
3.	Law and Judicial	38	16
4.	PHED	23	6
5.	Information & Publicity Department	13	0
6.	General Administration Department (GAD)	185	113
7.	Sports and Youths	21	11
8.	Finance and Accounts	119	44
9.	Legislative Department	70	53
10.	Land Revenue & Settlement (LR & S)	154	93
11.	Environment and Forest	290	176
12.	Fisheries	22	8
13.	Art and Culture	29	17
	District Library	9	3
14.	Planning and Programming	20	6
15.	Public works Department	88	64
16.	Local Administration Department (LAD)	280	192
17.	Education (Direction & Administration)	41	21
	Hindi Education	7	4
	Board of School Education (BSE)	27	17
	Hindi Teachers	83	54
	Adult Education	14	4
	Primary Education	1049	542
	Middle Schools	483	299

<b>18.</b>	Rural Development	87	64
<b>19.</b>	Sericulture	21	14
<b>20.</b>	Waterway	32	11
<b>21.</b>	Industry	31	15
<b>22.</b>	Cooperation (Direction and Administration)	16	4
	Siaha District Co-operative Union (SDCU)	14	8
<b>23</b>	Animal Husbandry and Veterinary (AH & Vety)	41	29
<b>24.</b>	Soil and Water Conservation	36	25
<b>25.</b>	Social Welfare	15	5
<b>Total</b>		<b>3543</b>	<b>1983</b>

**Appendix-II**  
**Discrepancies in expenditure between Cash Book and Annual Accounts**  
**(Reference: Paragraph 1.5(ii))**

Sl. No	Major Head	Capital Expenditure (Statement No 2)	Revenue Expenditure (Statement No 6)	Total Expenditure as per Annual Accounts (AA)	Expenditure as per subsidiary Cash Book	Excess (+) Less (-) in AA than the cash book	Difference in AA (in per cent)
(1)	(2)	(3)	(4)	(5) = (3) +(4)	(6)	(7) = (5)-(6)	(8)=(7)/(6)*100
1	Public Works	10.77	402.63	413.40	428.55	(-)15.15	(-)3.53
2	Public Health Engineering (PHE)	0.00	70.28	70.28	58.75	(+)11.53	(+)19.62
3	Forest	0.00	725.99	725.99	643.98	(+)82.01	(+)12.73
4	Animal Husbandry and Veterinary (AH & Vety)	0.00	103.39	103.39	97.17	(+)6.22	(+)6.40
5	Road Transport Services	0.00	200.94	200.94	178.96	(+)21.98	(+)12.28
6	Land Revenue	0.00	593.14	593.14	501.61	(+)91.53	(+)15.43
7	Sericulture	0.00	62.07	62.07	49.78	(+)12.19	(+)18.25
8	Inland Water Way	0.00	52.18	52.18	51.01	(-)1.17	(-)2.29
9	Fisheries	0.00	56.04	56.04	46.05	(+)9.99	(+)21.69
	<b>Total</b>	<b>10.77</b>	<b>2,266.66</b>	<b>2,277.43</b>	<b>2,059.52</b>	<b>217.91</b>	

**Appendix-III**

**Comparison of Budgeted Amount and Actual Expenditure of the Council for the year 2019-20**  
(Reference: Paragraph 2.4)

Sl. No	Demand/Appropriation	Budgeted Amount	Expenditure as per Annual Accounts (Statement No 2 & 6)	Deviation from budgeted expenditure (in per cent)
1	Planning	37.03	77.1	108.21%
2	Administration of Justice	117.13	199.85	70.62%
3	Cooperation	60.56	81.51	34.59%
4	Local Administration	798	1047.9	31.32%
5	Animal Husbandry and Veterinary	80.76	103.4	28.03%
6	Soil & Water Conservation	90.80	115.81	27.54%
7	Rural Development	252.35	315.29	24.94%
8	Public Works	339.36	413.4	21.82%
9	Sericulture	51.66	62.08	20.17%
10	Road Transport	178.17	200.94	12.78%
11	Art & Culture	140.97	158.94	12.75%
12	Public Health Engineering	64.12	70.28	9.61%
13	Fishery	52.46	56.05	6.84%
14	Sport & Youth	84.50	88.65	4.91%
15	Agriculture & Horticulture	320.3	327.88	2.37%

Sl. No	Demand/Appropriation	Budgeted Amount	Expenditure as per Annual Accounts (Statement No 2 & 6)	Deviation from budgeted expenditure (in per cent)
16	Disaster Management, Relief & Rehabilitation	10.60	10.6	0.00%
17	Education	7,600.96	7,337.54	-3.47%
18	Inland Water Way	54.18	52.19	-3.67%
19	Social Welfare	158.23	152.24	-3.79%
20	Land Revenue & Settlement	629.45	593.14	-5.77%
21	Environment & Forest	774.34	726	-6.24%
22	Industry	84.42	76.81	-9.01%
23	District Council	639	576.43	-9.79%
24	Finance & Accounts	1,220.46	1,089.93	-10.70%
25	Secretariat General Services	517.48	441.23	-14.73%
26	Executive Members	222.53	174.83	-21.44%
27	Information & Publicity	96.31	32.31	-66.45%
	<b>Total</b>	<b>14,676.13</b>	<b>14,582.33</b>	

**Appendix-IV**

**(Reference: paragraph-4.2.2)**

**Details of four number of work on which TDS-GST/ VAT was deductible**

**(₹ in lakh)**

Sl No	Name of Work	Source of fund	Name of Contractor	Date of commencement	Date of Completion	Cost of construction (in ₹)	TDS-GST/VAT Deductible @ 2%
<b>Public Works Department</b>							
1	Construction of Boys' Hostel	Ministry of DoNER, Government of India	Beiparylai, Siaha	17/07/2014	15/06/2018	269.81	5.40
2	Construction of Girls' Hostel		Laibi Chozah, Siaha	17/07/2014	15/06/2018	269.18	5.38
<b>Total (A)</b>						<b>538.99</b>	<b>10.78</b>
<b>Local Administration Department (LAD)</b>							
1	Construction. of retaining wall at college Vaiah	GIA	S.Zithani, College vaiah	28/6/2019	25/7/2019	2.80	0.05
2	Fencing of dumping ground at Siaha	GIA	K.Hrochhua, Siaha	22/07/2019	28/08/2019	5.80	0.12
<b>Total (B)</b>						<b>8.60</b>	<b>0.17</b>

SI No	Name of Work	Source of fund	Name of Contractor	Date of commencement	Date of Completion	Cost of construction (in ₹)	TDS-GST/VAT Deductible @ 2%
<b>Agriculture and Horticulture Department</b>							
<b>1</b>	Construction of Collection Centre at Laki	RKVY	H C. Samo, Khopai	30/9/2019	28/11/2019	5.00	0.10
<b>2</b>	Construction of Collection Centre at Laki	RKVY	T.Beihro, Laki	30/9/2019	4/12/2019	7.00	0.14
<b>Total (C)</b>						<b>12.00</b>	<b>0.24</b>
<b>Total (A) + (B) + (C)</b>						<b>559.59</b>	<b>11.19</b>

**Appendix-V**  
**(Reference: Paragraph-4.2.3)**  
**Details of financial assistance of ₹ 9 lakh disbursed to 32 Co-operative Societies during 2019-20**

Sl. No	Sanction letter No and date	Name of Co-operative societies	Activities	Financial Assistance (in ₹)
1	07/Co-op/2017-18 dated 31 May 2019	Chakhang Village Farming	Farming and selling of fruits	30,000
2		Chapui Service	Selling of essential commodities	30,000
3		Meisatla	Poultry farming and selling of chicken	30,000
4		Tuipang Service	Selling essential commodities	20,000
5		Chakhang Consumer	Selling essential commodities	20,000
6		Siata potato cultivation	Potato cultivation and selling of potato	20,000
7		Tuipui ferry piggery	Pig farming and selling of pigs	30,000
8		MRP veng piggery	Pig farming and selling of pigs	20,000
		<b>Total</b>		<b>2,00,000</b>
1	07/Co-op/2017-18 dated 20 August 2019	Kawl-aw River Fishery	Fishery	20,000
2		Phura Village Farming	Growing various vegetables and selling	20,000
3		Rawmibawk Village Farming	Growing various vegetables and selling	20,000
4		New Colony Handloom	Weaving and selling of clothes	20,000
5		ECM Vaih Seri farming	Rearing of silkworm	20,000
		<b>Total</b>		<b>1,00,000</b>
1	07/Co-op/2017-18 dated 07 October 2019	Siaha Town Milk Producer	Selling of Milk	50,000

Sl. No	Sanction letter No and date	Name of Co-operative societies	Activities	Financial Assistance (in ₹)
2		E.O SDCU	Conducting cooperative education	50,000
3		Mahre Coffee Planting	Selling of coffee products	25,000
4		Tuisih Village Farming	Selling of vegetable	25,000
5		New Colony Poultry	Rearing of Chicken and selling of chicken	20,000
6		Siasi Village Farming	Selling of fruits and vegetables	20,000
7		Rawmibawk Consumer	Selling daily needs essential commodities	10000
		<b>Total</b>		<b>2,00,000</b>
1		MRP Veng Service	Selling of essential commodities	50,000
2		Industry Veng Piggery	Rearing and selling of pig	50,000
3		Chakavaith Consumer	Selling of essential commodities	20,000
4	07/Co op/2017-18 dated 6 December 2019	Chhuarlung Village Farming	Planting of Maize etc.	20,000
5		Maubawk Service	Selling of essential commodities	20,000
6		Chakhang Service	Selling of essential commodities	20,000
7		Teiva meat producer	Selling of meat	20,000
		<b>Total</b>		<b>2,00,000</b>
1		Uptodate Carpentry	Furniture works	50,000
2		Council Veng Multi	Furniture Works	50,000
3	07/Co op/2017-18 dated 20 March 2020	Zawngling consumer	Selling of essential commodities	30,000
4		Laki Service	Selling of essential commodities	30,000
5		Mizo Handloom	Selling and weaving of clothes	40,000
		<b>Total</b>		<b>2,00,000</b>
		<b>Grand Total</b>		<b>9,00,000</b>

