

## CHAPTER-II

### AUDIT OF TRANSACTIONS OF URBAN LOCAL BODY

#### 2.1 Fund management

The year-wise position of budget estimates, availability of fund with the AMC and expenditure thereagainst during the period 2010-12 are depicted in the following Table-1.2:

**Table-1.2**

( In lakh)

Year	Budget Estimate			Position of Fund availability with the AMC:							Expenditure			Closing Balance	
	Cap.	Rev.	Total	O.B	GoI		State		OSR	Int.	Total	Cap.	Rev.		Total
					Cap.	Rev.	Cap.	Rev.							
2010-11	834.00	196.00	1030.00	34.73	-	-	-	161.50	21.20	0.13	<b>217.56</b>	-	186.89	186.89	30.67
2011-12	1248.00	370.00	1618.00	30.67	645.88	113.97	34.40	167.60	158.96	2.20	<b>1153.68</b>	284.64	444.19	728.83	424.85
<b>Total</b>	<b>2082.00</b>	<b>566.00</b>	<b>2648.00</b>		<b>645.88</b>	<b>113.97</b>	<b>34.40</b>	<b>329.10</b>	<b>180.16</b>	<b>2.33</b>	<b>1371.24</b>	<b>284.64</b>	<b>631.08</b>	<b>915.72</b>	

Source: Departmental records

**2.1.1** It can be seen from the above table that out of ` 688.28 lakh (GoI: ` 645.88 lakh *plus* State fund: ` 34.40 lakh) for development works during 2011-12, the AMC could spend only an amount of ` 284.64 lakh constituting 41 *per cent* of the available fund, which resulted in huge savings of ` 403.64 lakh to the extent of 59 *per cent*. Reasons for huge savings were not on record.

**2.1.2** Further, incurring expenditure to the tune of ` 915.72 lakh (35 *per cent*) against the provision of ` 2,648 lakh during 2010-12 indicates unrealistic budget estimates besides poor fund management by the AMC.

#### **2.1.3 Non-Reconciliation of balances**

Bank reconciliation is a procedure which aims at reconciling the bank balance as shown in the cash book of the local body with that of the bank balances as per the Pass Book/Statement received from the bank. The bank reconciliation should be carried out on a monthly basis or at such other shorter time intervals as the body may decide.

As can be seen from Table-1.2 above that the AMC retained a closing balance of ` 424.85 lakh as on 31 March 2012, out of which ` 300.47 lakh was retained in savings accounts operated in three banks (SBI, UCO Bank and Axis Bank at Aizawl), ` 116.33 lakh as temporary advances to Junior Engineers for execution of minor works during 2012-13 and the balance amount of ` 8.05 lakh in cash by the AMC. But, actual availability of the balance fund with the AMC could not be ascertained in audit due to non-reconciliation of bank balances with corresponding closing balances appearing in the Cash Books.

## **2.2 Collection of Property Tax**

**2.2.1** Rule 7(1) of the Central Treasury Rules (CTR) provides that all money received by or tendered to Government Officers on account of revenue of the Government shall, without undue delay be paid in full into a treasury and shall be included in the Government accounts.

As per Government of Mizoram, Urban Development & Poverty Alleviation Department Notification (8 October 2012), collection of Property tax was assigned to Aizawl Municipal Council (AMC) from Land Revenue & Settlement Department with retrospective effect from 7 August 2011. Consequent upon the transfer of the said function to AMC, three Revenue Assistants from Land Revenue & Settlement Department were posted to AMC who are responsible for collection of Property tax within Municipal Area and deposits thereof.

Scrutiny of the records maintained by the AMC for collection of Property tax revealed the following short comings:

### **2.2.2 Non-maintenance of Receipt Book Register**

It was noticed that the AMC had not maintained any register showing the number of Receipt Books printed and the number of Receipt Books issued to the concerned Revenue Assistants for collection of various taxes. As a result, it could not be ascertained in audit as to the number of Receipt Books were in use and against which the number of Receipt Books had been returned along with the amount of revenue collected to the AMC by the concerned Revenue Assistants during the period covered by audit.

### **2.2.3 Non-maintenance of Revenue Collection Register**

The AMC is to maintain daily Revenue Collection Register wherein the receipt book wise daily collection of revenue as well as the date and amount deposited by the Revenue Assistants are to be recorded.

It was noticed that Revenue Collection Register was not maintained by the AMC showing the receipt book wise daily collection of revenue as well as the date and amount deposited by the Revenue Assistants.

It was also noticed that the Revenue Assistants while depositing the accumulated collection for a certain period prepare a Statement of Property tax showing receipt book number with page, date and amount deposited to the cashier. The amount so received from the Revenue Assistants towards Property tax was accounted for on the same day in the subsidiary cash book. But, since the Receipt Book-wise date and amount of revenue collected and deposited were not reflected in a Revenue Collection Register, the Receipt Book-wise actual collection of revenue could not be ascertained in audit.

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#### 2.2.4 Short/Non-deposit of Property Tax

Scrutiny (January-March 2012) of the receipt books for collection of property tax revealed that there was a short deposit of revenue collected by the Revenue Assistants as shown in **Appendix-1**.

It can be seen from the **Appendix-1** that the amounts collected were invariably not deposited in full by the Revenue Assistants. The amount of short deposit of revenue by the Revenue Assistants ranges from ` 3.34 lakh to ` 23.38 lakh resulting huge amount of Government revenue retained by the Revenue Assistants, which remained unaccounted for in the cash book. The accumulated balance of short deposit of revenue was ` 17.01 lakh as of 31 March 2012. Reasons for non-deposit of the revenue collected in full were not on record.

Further, the Drawing and Disbursing Officer of the AMC instead of depositing the aggregated revenue of ` 127.91 lakh as of 31 March 2012 into the concerned Saving Accounts maintained in the banks, kept the entire amount as cash balance till the date of audit (December 2012).

Thus, short/non-deposit of revenue collected may entail the risk of misappropriation of funds.

### 2.3 Civic Amenities

**2.3.1** In order to implement the programmes for provision of amenities for the benefit of the community in Aizawl Municipal Area, the Aizawl Municipal Council (AMC) prepared Annual Action Plan for 2011-12 under grants for Urban Local Bodies as per Thirteenth Finance Commission's recommendations. The important points noticed in course of audit are spelt out in the succeeding paragraph:

#### 2.3.2 Sanction and delay in release of fund

As per para 4.2 of the guidelines issued by the Ministry of Finance for release and utilisation of grant recommended by the Thirteenth Finance Commission to ULB, the State Government has to transfer the funds within the stipulated number of days i.e. five days of receipt from the Central Government in case of states with easily accessible banking infrastructure and ten days in case of states with inaccessible banking infrastructure. Any delay will require the State Government to release the instalment with interest, at the Bank rate of RBI, for the number of days of delay. The dates of release of TFC grants *vis-à-vis* transfer of funds by the Urban Development and Poverty Alleviation (UD&PA) Department to the AMC (ULB) are shown in the following Table-1.3:

Table-1.3

( in lakh)

Release of Grants-in-Aid by GoI			Release to the AMC			Delay (in days)
Recommendations	Date of release	Amount released	Due date of release	Date of release	Amount released	
13 <sup>th</sup> FC	14.11.11	548.00	18.11.11	23.11.11	539.62	05
			18.11.11	23.03.12	8.38	125
	<b>Sub-total</b>	<b>548.00</b>	--	--	<b>548.00</b>	
	30.03.12	559.00	03.04.12	16.05.12	35.00	43
			03.04.12	20.06.12	524.00	78
	<b>Sub-total</b>	<b>559.00</b>	--	--	<b>529.00</b>	
31.03.12	68.05	04.04.12	20.06.12	68.05	77	
<b>Total</b>		<b>1175.05</b>	--	--	<b>1175.05</b>	--

It can be seen from the above table that the UD&PA Department released Grants-in-aid to the AMC after a delay ranging from 05 days to 125 days from the stipulated date of transfer.

Thus, the Department released Grants-in-aid to the Aizawl Municipal Corporation in contravention of the GoI's sanction order.

### 2.3.3 Minor works

In order to cater to the needs of the public in AMC area, minor works *viz.* construction of stone masonry steps, retaining wall, link drain, culvert, approach road, hand railing, side drain, R.C.C bridge *etc.* are executed by the AMC out of TFC grants received from the GoI.

Proposals for minor works were received from the Local Councils for execution by the AMC. The execution of minor works is looked after by the Executive Engineer (EE) of the AMC. The EE is assisted by the Junior Engineers (JE). During the period ending March 2012, the AMC executed 120 minor works departmentally involving an amount of ` 110.92 lakh under GoI funds. Records of execution of 120 works within 19 wards were test checked in audit. Further, out of 19 wards, execution of 43 works (36 per cent) within four wards were physically inspected and found that completion certificates in respect of four substandard/incomplete works were recorded by the EE as pointed out in paragraph 2.3.4. Other important points noticed in course of audit are discussed in the succeeding paragraphs.

#### 2.3.3.1 Purchase of materials

As per Government of Mizoram, Finance Department, Office Memorandum dated 23 November 2009, for procurement of materials that are required for construction works, tender/quotation should be published in the leading dailies, regional papers much ahead of the date fixed as the last date of the receipt of tender/quotation.

Scrutiny of the records revealed that the AMC purchased (February 2012) construction material worth ` 75.38 lakh from a Aizawl-based supplier based on the rates offered by the supplier. Further, it was also noticed that the AMC obtained the rates from the supplier with limited tendering procedure without giving adequate publicity in local newspapers as emphasised in the Finance Department, Office Memorandum dated 23 November 2009. In the absence of adequate publicity for purchase of materials valued at ` 75.38 lakh, the AMC could not avail the benefit of competitive rates.

### **2.3.3.2 Actual Payee Receipts wanting against Muster Roll payments**

As per Rule, against payments made to the Muster Roll (MR) labourers, signature/thumb impression is to be obtained from the recipients.

Scrutiny of the records revealed that the AMC executed 120 (Total estimated cost of ` 110.92 lakh) minor works departmentally by engaging MR labourers during February and March 2012 and indicated to have paid an amount of ` 35.13 lakh to MR labourers. Details of period of engagement of MR labourers for execution of works under the supervision of the J.Es/EE and adjustment of MR bills are shown in **Appendix-2**. It was, however, seen from the vouchers that signature/thumb impression was not obtained from the MR labourers against receipt of wages.

Reasons for not obtaining signature/thumb impression from the MR labourers against wages paid to them were not on record.

### **2.3.4 Satisfaction level of beneficiaries**

In order to assess the impact of the programme of construction works for civic amenities, one officer of the audit team interacted (December 2012) with the beneficiaries of four Wards out of 19 wards in the presence of JEs of the AMC. The officials as well as the beneficiaries under four Wards inspected 43 works executed departmentally by the AMC. The completion certificates in respect of all 43 works were recorded by JEs/EE without physical inspection. The result of inspection and interaction are spelt out below:

**(A) Ward No. IX:** Audit did not find any complaint against the nine works<sup>1</sup> physically inspected under Ward No. IX.

<sup>1</sup>

- i. Construction of S/m/steps between Pu C Lalhmingliana's house and Pu Lunghnema's house including side drain at Tuithiang veng
- ii. Improvement of YMA Hall at Tuithiang veng
- iii. Construction of link drain near Pu Novas's house at Dawrpui
- iv. Construction of steps and side drain near Pu mawizuala's house at Sarawn veng
- v. Improvement of YMA building cum godown at Saron veng
- vi. Construction of Saron Cemetery store room
- vii. Providing and laying of chequered tile near Pu manchinga (L)'s house to Pu V.K Khuma(L)'s house at Chhinga veng
- viii. Improvement of YMA Community Hall at Chhinga veng
- ix. Construction of link drain between Pu C. Ralzuala's house and Pu Hranghnuna's house at Chhinga veng

**(B) Ward No. II:** Out of eight works<sup>2</sup> physically inspected, it was noticed that in respect of one work i.e. Side drain constructed (February 2012) near Pu Thangdailova (L)'s house to Pi Ruatsangi's house at Chaltlang was damaged within 10 months of construction.



*A photograph showing damaged section of the Construction of side drain near Pu Thangdailova (L)'s house to Pi Ruatsangi's house at Chaltlang.*



*A photograph showing incompleted status of Construction of Community Hall, Phungchawng.*

**(C) Ward No. XI:** Out of 14 works<sup>3</sup> physically inspected, one work namely construction of Community Hall at Phungchawng was found incomplete (a photographic evidence is shown above) although the entire sanctioned amount of ` two lakh was spent in March 2012.

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- i. Construction of side drain near Pu Thangdailova (L)'s house to Pi Ruatsangi's house at Chaltlang
- ii. Reconstruction of Retaining wall at Cemetery, Chaltlang
- iii. Construction of S/M retaining wall below Cemetery at Chaltlang
- iv. Construction of side drain near Sihphir Tuikhur and improvement of its catchment area
- v. Construction of steps near Pi Ramthangi's house at Hmarveg Bawngkawn
- vi. Construction of S/m/ pavement near Pu Lalthangliana's house to Pu L Pukhuma's house at Bawngkawn 'S'
- vii. Construction of hand Railing near Pu Ruairipuia's house to Pi neihkungi's house at bawngkawn 'S'
- viii. Construction of approach road Bawngkawn Cemetery

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- i. Construction of Community hall at Phungchawng
- ii. Construction of steps on the approach road to Tuivamit Thlanmual
- iii. Construction of Retaining wall at Chawlhmun Thlanmual
- iv. Construction MUP Building at Chawlhmun
- v. Construction of S/m steps from Damveng to Daihnai Tuikhur
- vi. Construction of steps over Maliana's house
- vii. Construction of s/m steps with masonry pavement along with hand railing near Chawngkunga Garrage to Nuzami's house
- viii. Construction of s/m steps with chequered tiles from Mawitea's house to K.lalrinzuali's house
- ix. Construction of Retaining wall at Tanhril approach near Baptist Church
- x. Construction of steps with chequered tile at Tanhril Thlanmual Road
- xi. Construction of Retaining wall at Thlanmual Road
- xii. Construction of Retaining wall near Aganwadi at Rangvamual
- xiii. Construction of waiting shed at PTC Lungverh
- xiv. Construction of s/m pavement near M/S-II at Tanhril

In another work namely construction of Stone Masonry steps with masonry pavement along with hand railing near Chawngkunga Garage to Nunzami house at Luangmual, hand railing was not provided on the basis of technically approved estimate. The AMC however, spent the entire amount of ` 0.70 lakh, which was sanctioned based on the estimated cost.

Further, in another work (Sanctioned cost: ` 1.20 lakh) namely construction of steps with chequered tiles from Mawitea's house to K. Lalrinzuali's house at Luangmual, chequered tiles of ` 0.29 lakh were procured in February 2012 and shown to have been utilised in the work as per estimated provision. However, on-site inspection Audit found that chequered tiles were not provided in the work as required.



*A photograph showing Construction of Stone Masonry steps with masonry pavement alongwith hand railing near Chawngkunga garage to Nunzami house, Luangmual (no hand railing provided)*



*A photograph showing Construction of Stone Masonry steps with chequered tiles from Mawitea's house to K. Lalrinzuali's house, Luangmual (no chequered tiles provided)*

**(D) Ward No. XIV:** Audit did not find any complaint against the 12 works<sup>4</sup> physically inspected under Ward No. XIV.

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- i. Repairing of steps with hand railing and chequered tile between Pi Tluangchhawni's house to Pu P.C Lalthankhuma's house at Khatla
- ii. Construction of Retaining wall and side drain near R.Laikunga's house at Khatla
- iii. Repairing of steps with hand railing between Bethel to Chawnga Road at the backyard of Presbyterian Church, Khatla
- iv. Repairing of steps with hand railing and chequered tile between Pu R.Lalngkhlela's house to C.P road at Khatla
- v. Construction of culvert near Pu K. Lalchhanchhuaha's house at High school Veng, Khatla
- vi. Construction of Retaining wall and culvert near Pu Sangkhuma's house at Khatla South
- vii. Construction of Retaining wall near Khatla East Church
- viii. Construction of Retaining wall at beyond Pu R. Vanlalaawma's house at Mission vengthlang
- ix. Repairing of steps with fixing of hand railing between Darnam Tuikhur to Vailui at Mission vengthlang
- x. Construction of hand railing and s/m work approach to Tlangveng from Mission vengthlang at between Pu Vanlalropuia sailo house to Public Urinal at Mission Vengthlang
- xi. Construction of side drain between Contact Sport Centres to Er.Jolly Newman's house at Mission Vengthlang
- xii. Providing and laying of chequered tile at existing steps from Presbyterian Church at Tlawng Road

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## 2.4 Internal Control Mechanisms

### 2.4.1 Irregularities in maintenance of Cash Book

Rule 77 of Central Treasury Rules (CTR) Vol.-I provides that the following procedures shall be observed by all Government officers who are required to receive Government dues and handle cash:-

- (i) All monetary transactions should be entered in the cash book as soon as they occur and attested by the Head of the Office in token of check.
- (ii) The cash book should be closed regularly and completely checked. The Head of the Office should verify the totalling of the cash book or have this done by some responsible sub-ordinate other than the writer of the cash book and should initial the same on verification of its correctness.
- (iii) An erasure or overwriting of an entry once made in the cash book is strictly prohibited.

While scrutinising the cash books, the following irregularities were noticed in audit:

- (i) Figures entered in the Cash Books were corrected through overwriting without proper attestation of the DDO.
- (ii) The Cash Books were not closed regularly with complete checking.

## 2.5 Conclusion

- The Aizawl Municipal Council incurred a total expenditure of ` 915.72 lakh being 35 *per cent* against budget provision of ` 2,648 lakh during 2010-12 which indicates that budget estimates were not framed on realistic basis.
- Short/non-deposit of property tax collected from the public by the Revenue Assistants may entail the risk of temporary misappropriation.
- Short/delay in release of grants-in-aid to the AMC is bound to have an adverse effect on implementation of the developmental works for the targeted beneficiaries.
- The AMC approved the rates for purchase of construction material without publicity and call of tenders.
- Completion certificates of minor works were recorded without physical inspection of works executed.

## 2.6 Recommendations

- Budget estimates should be prepared on realistic basis.
- Collection of revenue should be monitored to avoid retention of money by the Revenue Assistants.



- State Government should release TFC grants to AMC in time as per guidelines.
- Procurement of construction material should be made after observing the prescribed purchase procedures.
- Completion certificates of minor works should be recorded after physical inspection of works executed.



**Aizawl**  
**the 21<sup>st</sup> May 2013**

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**Countersigned**



**Aizawl**  
**the 21<sup>st</sup> May 2013**

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