

EXECUTIVE SUMMARY

This Annual Technical Inspection Report presents the findings arising out of the audit of accounts of Urban Local Body (Aizawl Municipal Council) and Rural Local Bodies in four chapters. **Chapter-I & II** contains an overview of the organisation, finances, devolution and accountability framework of Urban Local Body and Rural Local Bodies. **Chapter-II & III** contains Compliance Audit Paragraphs of Urban Local Body and Rural Local Bodies.

CHAPTER-I

AN OVERVIEW OF THE ORGANISATION, FINANCES, DEVOLUTION AND ACCOUNTABILITY FRAMEWORK OF URBAN LOCAL BODY (ULB)

There is one Urban Local Body in the State *i.e.* Aizawl Municipal Council (AMC). Under the AMC there are 19 Wards comprising of 82 Local Councils.

The Secretary, Urban Development and Poverty Alleviation Department, is the Nodal Department for the ULB. The Chairperson is the executive head of the AMC, who is elected by the majority of Councillors and is responsible for the governance of the body.

Full devolution of powers and functions to the ULB as envisaged in the Mizoram Municipality Act is yet to be effected by the State Government.

As per Government notification (March 2011), the AMC is required to prepare its budget and maintain accounts in the formats prescribed in the National Municipal Accounts Manual (NMAM) with appropriate codifications and classifications. It was, however, noticed that the preparation of Annual Budget and maintenance of accounts of the AMC were not in accordance with the prescribed formats in NMAM.

The Report of the Mizoram Finance Commission for the coming period of five years starting from 1 April 2013 to 31 March 2018 has not been submitted by the Commission as of March 2014, as a result no effective steps could be taken by the Government towards improvement of the financial position of the Local Bodies.

CHAPTER-II

AN OVERVIEW OF THE ORGANISATION, FINANCES, DEVOLUTION AND ACCOUNTABILITY FRAMEWORK OF RURAL LOCAL BODIES (RLBs)

The Finance Department of the State Government headed by the Commissioner-cum-Secretary is responsible for overall monitoring of the funds under Rural Local Bodies (RLBs). In respect of General Basic Grants, General Performance Grants, Special Areas Basic Grants and Special Areas Performance Grants under Thirteenth Finance Commission (ThFC), three other Administrative Departments *viz.* Local Administration Department (LAD), District Council Affairs Department (DCAD) and General Administration Department (GAD headed by the Secretaries function as the Nodal Departments of the RLBs. The structures of RLBs

of Mizoram are not similar to Panchayati Raj Institutions. The RLBs are basically Village Councils (VCs) falling under the 6th Schedule or 243M of Part IX of the Constitution of India. Para 6.5.1 (ii) of the ThFC's guidelines stipulates that if these agencies (local bodies) are not similar to Panchayats, they must maintain accounts consistent with the instructions in force. Further, these accounts should be up-to-date, duly audited by the C&AG, and the audit reports tabled, wherever so mandated. The State Government, has formulated and issued instructions/guidelines (14 July 2006) to the Village Councils on maintenance of cash books, cash memos/ vouchers *etc.* for keeping accounts out of ThFC grants received.

Audit Scrutiny revealed that under Special Area Basic Grants the State Government retained an amount of ₹ 0.52 crore without allocating to the concerned three ADCs as of March 2013.

CHAPTER-III

COMPLIANCE AUDIT PARAGRAPHS - URBAN LOCAL BODY

AMC could not execute the works for creation of capital assets as per approved Action Plan due to delay in release of ThFC grants by UD&PA Department in contravention of the guidelines. Out of available fund of ₹ 5.93 crore AMC could not be utilised ₹ 3.22 crore for the year 2012-13.

The penal interest of ₹ 17.41 lakh payable for delay in release of ThFC grants for the year 2012-13 was not released by the State Government as of March 2014.

The EE of the AMC framed 316 estimates for minor works in 19 Wards valued at ₹ 237.25 lakh as per SoR 2007 without deducting the element of 10 *per cent* contractor's profit from the estimated cost.

CHAPTER-IV

COMPLIANCE AUDIT PARAGRAPHS - RURAL LOCAL BODIES

Due to delay in release of grants ranging from 2 to 146 days, the State Government released a penal interest of ₹ 7.15 lakh as stipulated in the guidelines issued by the Ministry of Finance.

In absence of the basic records *viz.* date of commencement/completion of works besides measurement of works done, audit could not ascertain whether the works were executed according to the estimates of the works and within the time frame.