

**CHAPTER – V**

**LOCAL GOVERNMENT**



## CHAPTER-V

### LOCAL GOVERNMENT

#### 5.1 An Overview of the Functioning of the Local Bodies in the State

The Seventy-third Constitutional Amendment Act, 1992 which empowers the Panchayati Raj Institutions as a third-tier government is not applicable in Mizoram. However, the traditional Village Councils (VCs) governed by 'Lushai Hills District (Village Councils) Act, 1953, have been constituted in all the eleven districts.

The Secretaries of the Administrative Departments *viz.*, (1) Local Administration Department (LAD), (2) District Council & Minority Affairs Department (DCMAD) and (3) General Administrative Department (GAD) function as the Nodal Departments in respect of various grants and funds released to the Village Councils. The Director, LAD (Nodal Officer) is responsible for allocation of funds and supervision of the works to be executed by 558 VCs under nine districts in the State under Mizoram Finance Commission Grants. However, in respect of 276 VCs under the three Autonomous District Councils in two Districts<sup>152</sup> which are governed under the Sixth Schedule<sup>153</sup> of the Constitution of India, the Secretary, DCMAD functions as the Nodal Officer.

The Seventy Fourth Constitutional Amendment Act, 1992 paved the way for decentralisation of power, transfer of Functions and to establish a system of uniform structure, holding of regular elections and regular flow of funds through Finance Commission to the Urban Local Bodies (ULBs). As a follow up, the States were required to entrust these bodies with such powers, functions and responsibility in respect of 18 Functions as listed in the Twelfth Schedule of the Constitution of India so as to enable them to function as self-governing institutions.

Out of 18 Functions, the State Government devolved 15 Functions to the Aizawl Municipal Corporation by issuing notifications for transfer of Functions (September 2011, May 2012, January 2013, August 2013 and June 2016). Three Functions *viz.*, Roads & Bridges, Water supply for domestic, industrial & commercial purposes and Fire Services were not devolved.

The Mizoram Municipalities (MM) Act, 2007 (as amended in 2015) which came into force in 2008 was enacted to incorporate the provisions of the Constitutional Amendment Act, 1992. The provisions of the Seventy Fourth Constitutional Amendment Act are not applicable in the Sixth Schedule areas. At present, there are only two ULBs *viz.*, Aizawl Municipal Corporation (AMC) for Aizawl city established in 2010 and the recently established (November 2021) Lunglei Municipal Council (LMC) for Lunglei town. The 1<sup>st</sup> election to LMC was held on 29 March 2023.

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<sup>152</sup> Lawngtlai and Siaha

<sup>153</sup> Sixth Schedule of the Constitution of India deals with the provisions as to the Administration of the Tribal Areas in the States of Assam, Meghalaya, Tripura and Mizoram wherein safeguards have been laid out for these scheduled areas. These tribal areas are to be administered as autonomous districts.

The only functional Urban Local Body in the State during 2022-23 viz., Aizawl Municipal Corporation (AMC) covers a total area of 129 sq. kms. and population of 2,93,416 as per 2011 census. Under AMC, there are 19 Wards comprising 85 Local Councils<sup>154</sup>. The last general election to constitute the AMC was held in February 2021.

#### **5.1.1 Organisational set-up of ULB**

The Secretary, Urban Development and Poverty Alleviation (UDPA) Department is the administrative head of the Aizawl Municipal Corporation (AMC) and is assisted by the Director, UDPA in allocation of funds and in exercising overall control and supervision of functions and schemes at the State level.

The Mayor, elected by the majority of Councillors, is the executive head of the AMC. He presides over the meetings of the Municipal Corporation (MC) and is responsible for the governance of the body. The Board of Councillors of the AMC (ULB) consists of 19 elected members and 12 nominated members.

The State Government appoints the Municipal Commissioner for administrative control of the AMC. Other officers are also appointed to discharge specific functions of the body.

At the locality level, there is an elected body called Local Council(s) comprising five to seven members in each locality within the AMC.

#### **5.1.2 Audit arrangement**

##### **5.1.2.1 Primary Auditor**

As per provision under Section 4(3) of the Mizoram Grants-in-aid to Village Councils Rules, 2007, all accounts relating to specific grants made by the Government shall be subjected to audit by approved auditors or anyone appointed for the post by the Government of Mizoram or the Accountant General concerned. Further, Section 8(1) of the Rule provides that the accounts shall be audited by auditor appointed by the State Government or the Accountant General.

As per provision under Section 90(1) of the MM Act, 2007 (as amended in 2015), the Municipal accounts as contained in the Annual Financial Statement shall be examined and audited by an auditor appointed on that behalf by the State Government.

Further, Paragraph 6.4.4 of the Thirteenth Finance Commission's guidelines stipulated that the State Government must put in place an audit system for all categories of ULB and the Annual Report of the Director Local Fund Audit (DLFA) must be placed before the State Legislature.

Accordingly, the State Government appointed (June 2011), Examiner of Local Funds Accounts (ELFA), renamed (August 2012) as Director of Local Fund Audit (DLFA) Mizoram as the primary auditor of AMC with the responsibility of certification of accounts and statutory audit of the local governments.

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<sup>154</sup> Local Council is a body of elected members of a particular locality within the jurisdiction of the AMC

The Audit Report of the DLFA on AMC and Village Councils for the period ending 31 March 2021 was laid in the Legislature in February 2024. However, the status on preparation of DLFA Audit Report for the years 2021-23 is awaited (May 2024).

#### **5.1.2.2 Audit by Comptroller and Auditor General of India**

The State Government entrusted (June 2011) audit of accounts of local bodies under the Technical Guidance and Support (TGS) arrangement to the Comptroller and Auditor General of India under Section 20(1) of the C&AG's (DPC) Act, 1971.

The Urban Local Bodies are also audited under Section 14(1) of the the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971.

#### **5.1.3 Committee on Local Fund Accounts**

As per Paragraph 3.8.6 (b) of the Recommendations of the Second Administrative Reforms Commission, the State Government is required to form a separate Standing Committee of the State Legislature for the Local Bodies on the line of Public Accounts Committee (PAC) for discussion of Audit Report on Local Bodies.

A separate Standing Committee namely Committee on Local Fund Accounts (CoLFA) has been formed by the State Government (March 2015) on the line of PAC for discussion of Audit Report on Local Bodies.

#### **5.1.4 Accountability Mechanism**

##### **5.1.4.1 Ombudsman**

The Government of Mizoram established the institution of the Independent Local Body Ombudsman as per the provisions of the Mizoram (Establishment of Independent Local Body) Ombudsman Act, 2011 with the power to receive complaints from citizens on any matters like grievances against administration, grievances against corruption, complaints alleging deficiency in the services of Local Body (Aizawl Municipal Corporation, Local Councils, Village Councils, *etc.*).

##### **5.1.4.2 Social Audit**

The State Government notified/ constituted (March 2012) the "Mizoram Society for Social Audit, Accountability and Transparency (MISSAAT)". The Governing Body of MISSAAT was constituted in March 2016 as per Rural Development Department, Government of Mizoram notification.

The Annual Report for the year 2023-24 of the Social Audit Unit of MISSAAT was approved by the Governing Body in March 2024.

This Chapter of the Audit Report includes one Performance Audit and one Compliance Audit Paragraph, as discussed in the following paragraphs.

## PERFORMANCE AUDIT

### Aizawl Municipal Corporation

#### 5.2 Performance Audit on Efficacy of implementation of 74<sup>th</sup> Constitutional Amendment Act in Mizoram

##### 5.2.1 Introduction

The Constitution (Seventy Fourth Amendment) Act, 1992 (74<sup>th</sup> CAA) which came into effect on 01 June 1993, introduced Part IXA (the Municipalities). The Act provides a constitutional status to Urban Local Bodies (ULBs). Article 243W of the Constitution through 74<sup>th</sup> CAA authorised the State Legislature to enact laws to endow local bodies with powers and authority as may be necessary to enable them to function as institutions of self-government and make provisions for devolution of powers and responsibilities with respect to preparation of plans for economic development and social justice. The 74<sup>th</sup> CAA introduced Articles 243Q to 243ZG for the Urban Local Bodies (ULBs) relevant to their constitutions, functions, devolution, *etc.* The Twelfth Schedule of the Constitution enumerates 18 specific functions (**Appendix-5.1**) to be devolved to Urban Local Bodies.

##### 5.2.2 Trend of urbanisation in Mizoram

Mizoram is the second most urbanised State of India with urban population constituting 52.11 *per cent* of the total population as per 2011 census. The share of urban population to total population of Mizoram in 1951 was 3.54 *per cent* (6,950) which increased to 52.11 *per cent* (5,71,771) in 2011.

The urbanisation in terms of share of urban population within each district of the State showed wide variations. While Aizawl District has 78.63 *per cent* of its population as urban dwellers, Mamit District's urban population constituted only 17.25 *per cent* of the population<sup>155</sup>. The important aspect of urban growth is the dominance of the capital city. The State capital city Aizawl with its population of 2.93 lakh is home to 51.31 *per cent* of total urban population of the State and has experienced faster urban growth primarily due to migration from infrastructure deficient areas.

##### 5.2.3 Profile of Urban Local Bodies in Mizoram

The Municipalities in Mizoram are governed by the Mizoram Municipalities Act, 2007 (as amended).

The Aizawl Municipal Corporation area of Aizawl has been divided into territorial constituencies *i.e.*, wards, which are determined and notified by the State Government for the purpose of election of Councillors. As of date, there are 19 wards comprising of 83 localities under the jurisdiction of AMC. AMC consists of elected Councillors from each ward and member of the House of the People and members of the Legislative Assembly of the State representing the constituencies comprising wholly or partly the Municipal area (Section 12 of MM Act).

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<sup>155</sup> As per Census of India 2011

Further, the MM Act also provides for constitution of Local Councils (LCs) in every locality within the wards through election to be conducted by State Election Commission. (Section 23(3) of MM Act read with Rule 15 of the Mizoram Municipalities Ward Committee and Local Council Rules, 2010).

#### 5.2.4 Organisational structure of urban governance in Mizoram

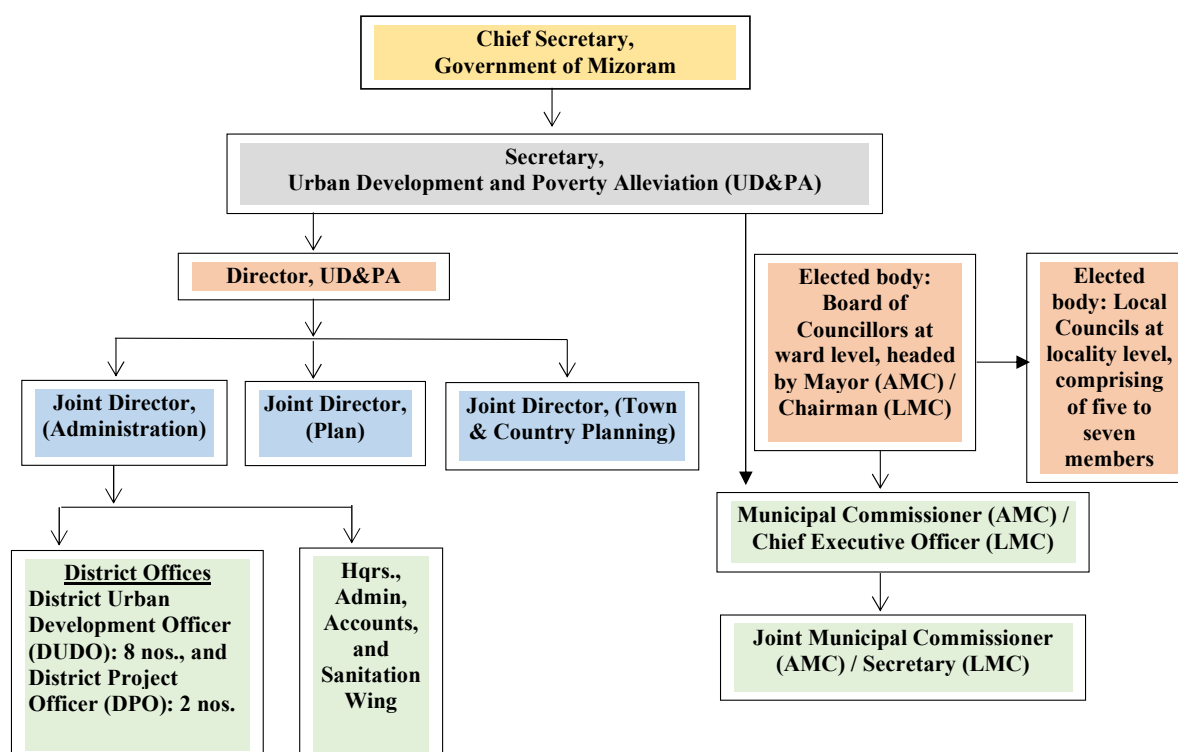
The urban governance in Mizoram was vested upon the Urban Development and Poverty Alleviation Department (UD&PA), Government of Mizoram (GoM). The Secretary is the administrative head of the UD&PA, who looks after matters relating to the administration of ULBs, allocation of funds as well as implementation of schemes at the State level. The Secretary is assisted by the Director, UD&PA who functions as an interface between the State Government and ULBs.

The Mayor, elected by the majority of Councillors, is the executive head of the AMC. He presides over the meetings of the Corporation and is responsible for the governance of the body. The Board of Councillors of the AMC consists of 19 elected members and 12 ex-officio members.

There is an elected body viz., Local Councils comprising five to seven members in each locality within the AMC.

A Municipal Commissioner is appointed by the State Government for administrative control of the AMC.

Organisational set-up of ULBs in Mizoram is depicted in the following organogram:



#### **5.2.5 Audit objectives**

The overall objective of this Performance Audit (PA) was to ascertain the nature of relationship between the ULB and the State Government to help appreciate whether they are indeed functioning as institutions of self-governance (or as departments of State Government for all practical purposes). For this purpose, the Performance Audit (PA) was conducted to assess whether:

- the provisions of the 74<sup>th</sup> CAA have been adequately covered in State legislations;
- the ULB has been empowered by the State Government to discharge their functions effectively through creation of appropriately designed institutions/ institutional mechanisms and the functioning thereof;
- the ULB has access and power to raise financial resources commensurate with their functions; and
- ULB has power to mobilise and incentivise human resources commensurate with their functions.

#### **5.2.6 Audit criteria**

The objectives were benchmarked against the following criteria:

- The Seventy Fourth Constitutional Amendment Act, 1992;
- The Mizoram Municipalities Act, 2007 (as amended in 2015);
- Recommendations of State Finance Commissions/ Central Finance Commissions relating to Local Bodies;
- The Mizoram Municipalities (Property Tax Management) Rules, 2014;
- The AMC Building Regulations, 2012;
- The AMC (Site Development and Slope Modification) Regulation, 2017; and
- Notifications/ orders issued by the State Government.

#### **5.2.7 Audit scope and methodology**

The PA covering the period from April 2018 to March 2023 was carried out for assessment of implementation of the 74<sup>th</sup> CAA by the State Government and ULBs. For this, Aizawl Municipal Corporation was selected. Out of 18 functions listed in the Twelfth Schedule, two functions viz., Regulation of land use and construction of buildings and Urban Poverty Alleviation and one derivative function viz., Property Tax were selected for test check.

An Entry Conference was held on 22 August 2023 with the officials of the Urban Development and Poverty Alleviation Department, AMC and Finance Department to initiate the Performance Audit (PA). Thereafter, field audit was conducted during the period from August 2023 to September 2023. At the conclusion of the PA, an exit conference was conducted with the Secretary, Urban Development and



Poverty Alleviation Department, AMC and other officials of the Department on 13 February 2024, wherein the audit findings were discussed in detail. The comments/replies of the Government have been duly incorporated in the report.

#### 5.2.7.1 Acknowledgment

The office of the Principal Accountant General, Mizoram places on records our sincere acknowledgement of the cooperation rendered by the Department in the course of the audit.

### Audit Findings

The audit findings are discussed below:

#### 5.2.8 Compliance to provisions of the 74<sup>th</sup> Constitutional Amendment Act

##### 5.2.8.1 Status of compliance to provisions of 74<sup>th</sup> Constitutional Amendment Act by the State Government

The 74<sup>th</sup> CAA introduced certain provisions relating to Municipal Bodies as incorporated under Articles 243Q to 243ZG of the Constitution. Provisions corresponding to the 74<sup>th</sup> CAA were incorporated by the State Government in the Mizoram Municipalities Act, 2007 (as amended) as detailed in **Appendix-5.2**.

Audit observed that all the provisions of the 74<sup>th</sup> CAA were covered within the State Act except for Article 243 R which is partially covered and 243 ZE (Committee for Metropolitan Planning)<sup>156</sup>.

##### 5.2.8.2 Status of devolution and actual implementation of functions

The 74<sup>th</sup> CAA sought to empower ULBs to perform functions and implement schemes in relation to 18 functions specified in the Twelfth Schedule of the Constitution of India. State Government was expected to enact a legislation to implement the amendment. The State Government enacted the Mizoram Municipalities Act in 2007. As per the second amendment of the Act notified in April 2015, every Municipality within its area may be entrusted with 18 functions as provided in the Twelfth Schedule (Section 57).

Further, the Second Mizoram State Finance Commission had also identified this issue and accordingly recommended<sup>157</sup> (June 2023) for the constitution of a Committee to be headed by the Secretary, Urban Development & Poverty Alleviation Department with representatives from the (a) department(s) whose services are to be transferred to the Municipalities, (b) Finance Department, and (c) Department of Personnel & Administrative Reforms to work out the modalities for transfer of functions including funds and functionaries to the Municipalities and to undertake the task of activity mapping/ functional assignment of subjects to Municipalities. This would ensure that the functions of the Municipalities as specified in Section 57 of the Mizoram Municipalities Act, 2007 as amended are broken up into activities and the functional

<sup>156</sup> Mizoram does not qualify for constitution of Metropolitan Planning Committee since the entire population of Mizoram is only 10.97 lakh as per Census 2011.

<sup>157</sup> Paras 5.87 and 5.88

domain of the Municipalities is clearly specified to prevent overlapping of functions between the State Government and the third tier of Government to ensure progressive devolution of functions in letter and spirit upon the Municipalities. It was observed that the State Government was yet to consider the recommendations as of date (April 2024).

The State Government, out of 18 functions, devolved 15 functions to the Aizawl Municipal Corporation by issuing notifications for transfer of functions. Three functions viz., Roads & Bridges, Water supply for domestic, industrial & commercial purposes and fire services were not devolved. Thus, the Government has not devolved all the functions to AMC even though a period of 13 years has elapsed since the formation of the AMC<sup>158</sup>.

However, scrutiny of transfer orders/ notifications for transfer of function revealed that the activities under the transferred functions were not clearly specified in most of the cases.

The lack of clarity on the functional domain of AMC in the absence of activity mapping/ functional assignment of subjects was evident from the fact that AMC was yet to take up any activities in connection with seven devolved functions. Besides, AMC acts as mere implementing agency in respect of one function, while there was overlapping jurisdiction in one function. AMC has partial jurisdiction/ dual role in three functions and full jurisdiction in only three functions. Details showing status of devolution of functions by State Government and the implementation of devolved functions by AMC are given in **Appendix-5.3**.

The State Government stated (March 2024) that the powers to ULBs have been transferred based on their capacity and efforts would be underway shortly to consult all stakeholders and also study the practice in other states to effectively transfer the remaining three subjects to ULBs. To strengthen the State Government's initiative towards decentralisation, activity mapping of ULBs *vis-à-vis* State departments will be looked into especially in the subjects broadly transferred to ULBs.

***Recommendation: Government should ensure devolution of functions to the AMC and undertake the task of activity mapping/ functional assignment of subjects to Municipalities to prevent overlapping of functions between the State Government and the third tier of Government thereby ensuring progressive devolution of functions in letter and spirit to the Municipalities.***

## **5.2.9 Institutional mechanisms for and in urban local bodies**

### **5.2.9.1 Non-establishment of ULBs in Notified Towns**

Article 243Q of 74<sup>th</sup> CAA provides for constitution of three types of Municipalities viz., (i) Nagar Panchayats, (ii) Municipalities/ Municipal Councils and (iii) Municipal Corporations. Section 3 read with Section 7 of the Mizoram Municipalities (MM) Act, 2007 (as amended) provides the criteria for constitution of the three types of Municipalities as detailed in **Table-5.1**:

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<sup>158</sup> Established as Council in 2010 and upgraded to Corporation on 15 October 2015

**Table-5.1 Criteria for constitution of three types of Municipalities**

Sl. No.	Classification	Type of Municipality	Criteria	Remark
1.	Transitional Area <sup>159</sup>	Municipal Board	Population of not less than five thousand	Section 3 read with Section 7 of MM Act, 2007
2.	Smaller urban area	Municipal Council	Population of not less than fifty thousand	
3.	Larger urban area	Municipal Corporation	Population of not less than three lakhs	

As per Census 2011, there were 23<sup>160</sup> notified towns in Mizoram. Further, five towns *viz.*, Farkawn, Kawrthah, Ngopa, Phullen and West Phaileng were notified during the audit period from 2018-19 to 2022-23. Details are given in **Appendix-5.4**. Notifications of the five notified towns were issued by the Urban Development and Poverty Alleviation Department in pursuance of decision of the Council of Ministers as per 43<sup>rd</sup> Schedule of the Government of Mizoram (Allocation of Business) Rules, 2019<sup>161</sup>.

Scrutiny of records revealed that:

- (i) Out of the 28 notified towns<sup>162</sup>, only 15 had population higher than five thousand as per Census 2011. The remaining 13<sup>163</sup> notified towns have population less than five thousand.
- (ii) Out of the 15 notified towns with population of more than five thousand, a Municipal Corporation<sup>164</sup> was established in Aizawl and a Municipal Council has been established in Lunglei in November 2021. No urban local body *viz.*, Municipal Board was constituted in the remaining 13 notified towns whose population ranged from 5,950 to 32,734 as per 2011 Census.

This indicated that the declaration of notified towns by the State Government was not in conformity with the MM Act, 2007 (as amended). Declaration of notified towns as per 43<sup>rd</sup> Schedule of the Government of Mizoram (Allocation of Business) Rules, 2019 was not synchronised with the provisions of the MM Act, 2007 (as amended).

<sup>159</sup> As per Mizoram Municipalities Act, 2007 (as amended) a transitional area is an urban area having a population not less than five thousand

<sup>160</sup> As per Mizoram Statistical Abstract 2021

<sup>161</sup> Forty Third Schedule: Urban Development & Poverty Alleviation Department Sl. No. 1. Urban Governance (d) Notification/ de-notification of Towns (including demarcation in urban areas)

<sup>162</sup> Notified Town means a settlement upgraded from village to town

<sup>163</sup>

Sl. No.	Name of town	District	Population as per Census 2011
1	Zawlnuam	Mamit	3,733
2	Lengpui	Mamit	3,282
3	Bairabi	Kolasib	4,320
4	Darlawn	Aizawl	3,769
5	Khawhai	Champhai	2,496
6	Biate	Khawzawl	2,277
7	N. Vanlaiphai	Serchhip	3,602
8	Tlabung	Lunglei	4,554
9	Ngopa	Saitual	4,155
10	Khawrthah	Mamit	2,812
11	West Phaileng	Mamit	4,377
12	Farkawn	Champhai	2,700
13	Phullen	Saitual	1,911

<sup>164</sup> Established as Council in 2010 and upgraded to Corporation on 15 October 2015

Further, non-constitution of urban local bodies in 13 urban areas (notified towns) despite fulfilling the population criteria was against the provision of MM Act 2007 (as amended). Details are given in **Table-5.2**.

**Table-5.2: Details of notified towns with more than five thousand population as per Census 2011**

Sl. No.	Notified town	District	Population as per 2011 Census	Urban Body applicable	Whether urban body created (Yes/No)	Date of creation of urban body
1.	Mamit	Mamit	7,884	Municipal Board	No	NA
2.	N. Kawnpui	Kolasib	7,732	Municipal Board	No	NA
3.	Vairengte	Kolasib	10,554	Municipal Board	No	NA
4.	Kolasib	Kolasib	24,272	Municipal Board	No	NA
5.	Sairang	Aizawl	5,950	Municipal Board	No	NA
6.	Aizawl	Aizawl	2,93,416	Municipal Council	Yes	2010
7.	Saitual	Saitual	11,619	Municipal Board	No	NA
8.	Khawzawl	Khawzawl	11,022	Municipal Board	No	NA
9.	Champhai	Champhai	32,734	Municipal Board	No	NA
10.	Serchhip	Serchhip	21,158	Municipal Board	No	NA
11.	Thenzawl	Serchhip	7,259	Municipal Board	No	NA
12.	Lunglei	Lunglei	57,011	Municipal Council	Yes	2021
13.	Hnahthial	Hnahthial	7,187	Municipal Board	No	NA
14.	Lawngtlai	Lawngtlai	20,830	Municipal Board	No	NA
15.	Siaha	Siaha	25,110	Municipal Board	No	NA

Source: Mizoram Statistical Abstract 2021

The State Government implemented various urban development schemes/ programmes in the notified towns through District Urban Development Officer (DUDO)/ District Programme Officer (DPO) under Urban Development and Poverty Alleviation Department. The Constitution of India (74<sup>th</sup> Amendment Act, 1992) provides for devolution of powers and responsibilities to ULBs. ULBs are required to prepare plans and programmes for the economic development and social justice with respect to 18 subjects listed in the XII<sup>th</sup> Schedule of the Constitution of India. Thus, the State Government did not completely create functional and decentralised platforms for transparency and accountability in the governance process in urban areas as envisaged under MM Act 2007 (as amended).

The State Government stated (March 2024) that it intends to comprehensively study the financial aspects of ULBs so as to turn them into entities not creating financial liability to the State. The Government would work on a mechanism where ULBs are self-sufficient and well equipped to carry out their functions and to make an effort so that their initial establishment cost will not be a recurring expenditure for the State's exchequer as financial constraint is the biggest factor for non-constitution of ULBs in qualified towns.

**Recommendation:** *The State Government should assess the feasibility to establish urban local bodies in the qualified notified towns to function as local self- government institutions.*

### 5.2.9.2 Local Councils under AMC jurisdiction

Section 23 of the MM Act, 2007 (as amended) provides for constitution of Ward Committees for every ward. It also provides for formation of a Local Council in every locality within the ward for matter of local and internal nature according to the Mizo traditions, customs and practices and such other matters necessary for effective functioning of the local councils.

Rule 15 of the Mizoram Municipalities (Ward Committee and Local Council) Rules, 2010 provides that the Municipality may constitute Local Council for every locality in the Ward holding election to be conducted by State Election Commission.

It may be noted that the subject “Local Government” listed under the 7<sup>th</sup> Schedule<sup>165</sup> of the Constitution falls under the State list.

Consequently, while the 74<sup>th</sup> CAA provides for one set of elected body, a Nagar panchayat, a Council or a Corporation as the case may be, there were two sets of directly elected bodies in Aizawl urban area viz., Ward Councillors (Board of Councillors) of the Aizawl Municipal Corporation for municipal areas and Local Councils<sup>166</sup> of every locality (83 nos.) within municipal areas. The general functions of Local Council provided under Rule 20 of the MM (Ward Committee and Local Council) Rules, 2010 (as amended) shall be such as may be entrusted to it by the Municipality for the common civic services and common benefit of the community and other matters in accordance with the Mizo traditions, customs and practices as provided under Sub-Section (3) of Section 23 of the MM Act, 2007.

Some of the functions/ activities of Local Councils (LCs) are discussed below:

#### (a) Collection of Property Tax

LCs are part of the municipal administration since remunerations of the Members and Secretary are provided by AMC in terms of Rule 31<sup>167</sup> of the MM (Ward Committee and Local Council) Rules, 2010. The power to collect Property Tax is entrusted to the LCs. Property Tax collected by the LCs shall be first remitted to the AMC. An amount equal to five *per cent* of the collection for the year shall be returned to the LCs. The LCs are also assured a sum of ₹ 1,500 per annum for collection of Property Tax if the five *per cent* collection by the LCs during the year is less than ₹ 1,500.

<sup>165</sup> Sl. No. 5. Local government, that is to say, the constitution and powers of municipal corporations, improvement trusts, districts boards, mining settlement authorities and other local authorities for the purpose of local self-government or village administration

<sup>166</sup> The erstwhile Village Councils within Aizawl city were transitioned as Local Councils with the formation of the Aizawl Municipality. The Village Councils were established (1953) by virtue of the Sixth Schedule of the Constitution and consequent abolition (1954) of chieftainship in the Mizo Hills District Council

<sup>167</sup> Rule 31 of MM (WC and LC) Rules, 2010: Members and the Secretary of every Local Council shall receive remuneration from the Municipality concerned at such rate as may be fixed by that Municipality from time to time

**(b) Waste collection, transportation and dumping of solid waste**

From 2019-20 onwards, the function of collection, transportation and dumping of solid waste within AMC areas was entrusted to the LCs as per allotment such as type of vehicle, rate per trip and trip allotment per week. AMC collected user fees from general public through the LCs. The AMC share of expenditure on collection, transportation and dumping of solid waste was 80 *per cent* from April 2013 till March 2022 which was revised to 60 *per cent* from April 2022. The balance of 20 and 40 *per cent* respectively would be contributed by LCs from the collection of user charges from public entrusted to the LCs.

**5.2.9.3 State Election Commission**

As per Article 243 ZA(1) of 74<sup>th</sup> CAA, the powers of State Election Commission (SEC) include superintendence, direction and control of the preparation of electoral rolls and conduct of all elections to ULBs. For all other matters related to elections to ULBs, the authority lies with the Legislature of the State.

The Second Administrative Reforms Commission (SARC) recommended<sup>168</sup> (October 2007) that the task of delimitation and reservation of constituencies should be entrusted to the State Election Commissions (SECs). The recommendation was accepted by Government of India (GoI).

The Mizoram State Election Commission was constituted by the State Government on 28 August 2008. However, the powers of delimitation of wards for the Municipality were not vested with the State Election Commission.

The first Councillors of the then newly established Aizawl Municipal Corporation<sup>169</sup> were elected in 2010.

The current Councillors of AMC were elected on 18 February 2021. The first meeting of the current Municipality was held on 01 March 2021.

**5.2.9.4 Ward Committee**

Article 243S of the Constitution of India, read with Section 23 (i) of the MM Act, 2007 (as amended), provides for constitution of Ward Committees for every ward within the area of the Municipality.

The MM (Ward Committee and Local Council) Rule, 2010 (as amended) provides for the functions of Ward Committees (WCs).

The primary function of WCs was to make local and internal arrangements and activities within the Ward for the common civic services and common benefits of the community. Further, preparing of a list of developmental schemes consisting of such identified problems and submitting the same to the Municipality was also among the functions of WC. Nineteen WCs with the Councillor concerned as Chairman, two members from

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<sup>168</sup> Paragraph No. 3.2.1.12

<sup>169</sup> Established as Council in 2010 and upgraded to Corporation on 15 October 2015



each Local Councils and three prominent citizens from the wards as members were formed for the term 2021-2025 on 30 April 2021.

Scrutiny of records revealed that AMC released funds to the Councillors in the form of “Ward Assistance Fund”. General Assistance Fund is classified into two parts viz., “Part A-General Ward Fund” over which the councillors concerned have discretionary power to utilise the fund for various essential works within the ward and “Part B-Property Tax Return” which shall be utilised as decided by the WCs. As per guidelines issued from time to time for utilisation the Part B-Property Tax Return fund would be utilised towards works of public importance such as waiting shed, RCC pavement, *etc.*, within the ward as per decision of the WCs under the guidance of the Councillors concerned. An amount of ₹ 9.35 crore was released to the WCs during 2018-19 to 2022-23 as shown in **Table-5.3**.

**Table-5.3: Statement showing details of Ward Assistance Fund (Part B-Property Tax Return) released to Ward Committees during 2018-19 to 2022-23**

(₹ in lakh)

Year	Amount released to Ward Committees			Expenditure	
	No. of WC	Amount per WC	Total	Amount per WC	Total
2018-19	19	10.00	190.00	10.00	190.00
2019-20	19	10.00	190.00	10.00	190.00
2020-21	19	12.20	231.80	12.20	231.80
2021-22	19	7.00	133.00	7.00	133.00
2022-23	19	10.00	190.00	10.00	190.00
<b>Total</b>	<b>19</b>	<b>49.20</b>	<b>934.80</b>	<b>49.20</b>	<b>934.80</b>

Source: AMC records

Scrutiny of records such as minutes of Meeting WCs, sanction orders, vouchers, *etc.*, revealed that 80 *per cent* of the fund was utilised towards execution of works within the ward and 20 *per cent* of the fund was utilised towards purchase of various requirements of the Local Councils within the Ward.

The State Government stated (March 2024) that this was one of the unique features of AMC wherein power is decentralised to Local Councils. The functions of Ward Committees are effectively being taken up by the Local Councils concerned therefore deficiency in functioning of Ward Committees is unnoticeable. However, steps would be taken to utilise Ward Committees in tandem with Local Council.

#### 5.2.9.5 District Planning Committee

Article 243 ZD of the Constitution of India provides for constitution and composition of District Planning Committee at district level and preparation and submission of draft development plan to the Government.

The State Government constituted (April 2017) the Aizawl District Planning Committee (reconstituted on 4 January 2023). However, it was observed that the committee was yet to prepare district development plan as of date (November 2023).

**Recommendation: Government should ensure preparation of district development plan by the District Planning Committee in coordination with AMC.**

#### **5.2.9.6 State Finance Commission**

Article 243 I of the Constitution of India makes it mandatory for the State Government to constitute a Finance Commission within one year of the commencement of the Constitution Amendment Act (CAA) and thereafter on expiry of every five years. The mandate of the State Finance Commission (SFC) is to review the financial position of the Local Bodies and to make recommendations to the Governor for devolution of funds. Constitution of Mizoram State Finance Commission (MSFC) is provided for in Mizoram Finance Commission Act, 2010. Accordingly, two SFCs have been constituted as detailed in **Table-5.4**.

**Table-5.4: Status of constitution of State Finance Commissions**

<b>SFC</b>	<b>To be constituted by</b>	<b>Actually constituted</b>	<b>Delay</b>	<b>Date of submission of Report</b>	<b>Period Covered</b>
First	November 2011	30/09/2011	-	15 February 2015	2015-16 to 2019-20
Second	October 2016	18/04/2021	4 years and 5 months	20 July 2023	2021-22 to 2025-26

#### **(a) Delay in constitution of the State Finance Commission**

As per the Constitutional provisions and the Acts, implementation of the recommendations of the first MSFC was due from April 2015. The first MSFC was constituted in September 2011, its report was submitted to the Government in February 2015 and the Government accepted the recommendations of the first MSFC on 4<sup>th</sup> May 2016.

As per Terms of reference (ToR), the tenure of first MSFC covered the five-year period commencing from 01 April 2015 to 31 March 2020. However, by the time its report was tabled (March 2016), the first year was already over. Consequently, the report was applicable for a period of four years only commencing from 01 April 2016.

The second MSFC was to be constituted after September 2016 as per Section 3(1) of the Mizoram Finance Commission Act, 2010. However, the second MSFC was constituted only in April 2021 covering the period from 2021-22 to 2025-26. The second MSFC submitted its report to the Governor only in July 2023 and the report was tabled in the State Legislative Assembly on 23 August 2023. The State notified the accepted recommendations on 9 October 2023.

#### **(b) Response of the State Government to SFC recommendations**

The SFCs have recommended several institutional measures intended to strengthen ULBs in the long term. An illustrative list of recommendations and action taken by the Government is indicated in **Table-5.5**.



**Table-5.5: Illustrative list of recommendations of SFCs and their compliance by the State Government**

SFC	Recommendations	Action by the Government
First	Functional devolution of remaining subjects listed in the Twelfth Schedule of the Constitution to the AMC in a time bound manner to enable them to perform analogous functions of other urban local bodies of the country and to handle the problems of growing urbanization with a holistic point of view.	The State Government transferred eight functions during 2016. However, three functions viz., Roads & Bridges, Water supply for domestic, industrial and commercial purposes and Fire services were not transferred as of date (April 2024).
	Devolution of 15 <i>per cent</i> of State Own Tax Revenue to Local Bodies was recommended for the year 2015-16 to 2019-20	Amount recommended for the year 2015-16 has lapsed by the time its report was tabled (March 2016). Amounts recommended by SFC were released from 2016-17 onwards.
Second	A Committee to be constituted by the State Government headed by the Secretary, Urban Development & Poverty Alleviation Department with representatives from the (a) department(s) whose services are to be transferred to the Municipalities, (b) Finance Department and (c) Department of Personnel & Administrative Reforms be constituted by the State Government to work out the modalities for transfer of functions including funds and functionaries to the Municipalities (Paragraph 5.87). The functions of the Municipalities as specified in Section 57 of the Mizoram Municipalities Act, 2007 (as amended) be broken up into activities and the functional domain of the Municipalities be clearly specified to prevent overlapping of functions between the State Government and the third tier of Government to ensure progressive devolution of functions in letter and spirit upon the Municipalities (Paragraph 5.88).	The State Government was yet to consider the recommendation as of date (November 2023).
	Devolution of 42 <i>per cent</i> of State's Own Tax Revenue to Local Bodies was recommended for the year 2021-22 to 2025-26 (Paragraph 9.21).	Second MSFC submitted its report in July 2023. The State Government accepted the vertical devolution of taxes at the rate of 42 <i>per cent</i> of net proceeds of the State's Own Tax Revenue to Local bodies as recommended for the years 2024-25 and 2025-26 only.

Besides, it was seen from the notification (9 October 2023) that the State Government would consider other recommendations of the second MSFC in due course since it is considered necessary to first have consultations with various stakeholders. Other recommendations of the second MSFC include, *inter alia*, devolution of all 18 functions (Paragraph 5.86), committee to work out the modalities of transfer of functions including funds and functionaries (**Paragraph 5.87**), specification of activities and functional domain of the Municipalities (Paragraph 5.88), preparation and implementation of a structured capacity building programme for officers and staff of the Municipalities in a time bound manner (Paragraph 5.125), framing of expenditure policy with measurable parameters to control increasing revenue expenditure and adequate allocation towards operation & maintenance and capital expenditure (Paragraph 7.62) *etc.* However, no timeline was drawn to implement these recommendations, without which they have no impact and defeat the very purpose of the SFC report.

The Urban Development and Poverty Alleviation Department, Government of Mizoram stated (March 2024) that recommendations of the second State Finance Commission were being actively pursued by the Department.

#### **5.2.9.7 Property Tax Board**

The thirteenth FC recommended constitution of a Property Tax Board. The Board was to assist all Municipalities and Municipal Corporations in the State to put in place an independent and transparent procedure for assessing Property Tax.

Mizoram State Property Tax Board was constituted by the Government of Mizoram on 23 July 2010. Again, based on the recommendation of the Fifteenth Finance Commission, the State Government re-constituted the Board with the Secretary, Urban Development and Poverty Alleviation, Government of Mizoram as Chairman to discharge the functions<sup>170</sup> on 4 February 2022.

Based on the recommendation of the State Property Tax Board, rate of Property Tax in AMC area was revised from three *per cent* to 3.42 *per cent* of the Annual Property Value for the year 2022-23 in 2021 (8 December 2021).

#### **5.2.10 Financial Resources of Urban Local Bodies**

Sustainable financing is paramount to ensure discharge of any function. The devolved functions can be carried out effectively by ULBs only when they are supported with sufficient financial resources. Such financial resources could take the form of predictable fiscal transfers or access to own revenue streams that are buoyant and commensurate with the expenditure obligations. Predictable fiscal transfers to ULBs need to be ensured through a robust State Finance Commission mechanism and compliance with State and Central Finance Commission recommendations. Access to own sources of revenue would include both the power to levy and collect from specific revenue streams.

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<sup>170</sup> It shall or cause to enumerate all properties within the jurisdiction of the Municipalities, it shall review the present Property Tax system & make suggestion for suitable basis for assessment and valuation of properties, it shall make recommendation on modalities for periodic revisions, the findings & recommendation shall be communicated to the authorities concerned for implementation, *etc.*

**5.2.10.1 Estimation of requirement of funds/ expenditure of AMC**

Sections 86 and 87 of the Mizoram Municipalities Act, 2007 (as amended) provide for preparation and approval of Annual Budget Estimates (BEs) by the ULBs.

Expenditure estimation depends on services to be provided by the local government and the costs associated with the provision of these services. Since the delivery of municipal services comes with a cost, it was necessary to scientifically estimate the cost of each municipal service to assess the requirement and source of funds for efficient delivery.

It was, however, seen that the budget exercise by the AMC was not based on a scientific assessment of the cost that would be incurred in delivery of various municipal services. It was seen that there were huge variations between Estimate (Revised Budget Estimate) figures and Actuals with respect to Receipts ranging from 15.76 *per cent* to 28.49 *per cent*, whereas for Expenditure, variation ranged from 16.22 *per cent* to 35.07 *per cent* during the years from 2018-19 to 2022-23 as detailed in **Table-5.6** below.

**Table-5.6: Particulars of variations between budgeted estimates and actuals in AMC**

(₹ in lakh)

Year	Head	Receipts				Expenditure				Remark
		Budget Estimates	Actual	Variation		Budget Estimates	Actual	Variation		
				Amount	In per cent			Amount	In per cent	
2018-19	Revenue	2,991.02	3,019.00	27.98	0.94	2,991.02	2,618.50	-372.52	-12.45	
	Capital	3,423.50	1,997.42	-1,426.08	-41.66	3,423.50	2,755.52	-667.98	-19.51	
	Total	6,414.52	5,016.42	-1,398.10	-21.80	6,414.52	5,374.02	-1,040.50	-16.22	
2019-20	Revenue	3,657.40	3,849.28	191.88	5.25	3,399.23	3,045.73	-353.50	-10.40	
	Capital	4,326.40	2,876.25	-1,450.15	-33.52	4,584.57	3,278.14	-1,306.43	-28.50	
	Total	7,983.80	6,725.53	-1,258.27	-15.76	7,983.80	6,323.87	-1,659.93	-20.79	
2020-21	Revenue	4,749.77	3,841.31	-908.46	-19.13	4,699.77	3,383.10	-1,316.67	-28.02	
	Capital	5,138.04	3,515.94	-1,622.10	-31.57	5,188.04	3,036.97	-2,151.07	-41.46	
	Total	9,887.81	7,357.25	-2,530.56	-25.59	9,887.81	6,420.07	-3,467.74	-35.07	
2021-22	Revenue	3,541.01	-	-	-	3,860.49	-	-	-	Actual figures not available
	Capital	4,242.00	-	-	-	3,922.52	-	-	-	
	Total	7,783.01	-	-	-	7,783.01	-	-	-	
2022-23	Revenue	4,115.96	4,758.55	642.59	15.61	4,001.48	3,112.37	-889.11	-22.22	
	Capital	2,454.00	3,683.08	1,229.08	50.08	2,568.48	2,115.13	-453.35	-17.65	
	Total	6,569.96	8,441.63	1,871.67	28.49	6,569.96	5,227.50	-1,342.46	-20.43	

Source: AMC Budget Documents

It can be seen from **Table-5.6** above that there were variations in actual and estimated receipts and expenditure in all the years indicating that the AMC budget planning and preparation did not take into consideration the previous year's estimates and actuals. It was also noted that the actual figures reflected in the Budget documents do not tally with the annual accounts.

AMC stated (October 2023) that budgets were prepared based on allocation of grants from the Central and State Governments. Variations in actual and estimated figures was due to non-receipt of allocated grants during the year or receipt at the last month of the financial year thus leading to variations of actuals and estimates.

This indicated that AMC did not prepare its budget estimates according to the requirement of services.

The State Government while agreeing to the Audit observation stated (March 2024) that as AMC were to prepare zero based budget, allocation of expenditure needs to be prepared as per allocation of receipt budget without any deficit or surplus. Furthermore, most of the fund allocations (more than 90 *per cent*) in the budget during the year were met from the State and Central Grants and funds allocated in the budget were mostly received at the fag end of the financial year ending or even sometimes in the succeeding years which may invite variation of the budget with actuals.

#### **5.2.10.2 Sources of revenue of AMC**

The details of revenues of the Aizawl Municipal Corporation during the period 2018-19 to 2022-23 are shown in **Table-5.7**.

**Table-5.7: Details of revenues of AMC during the period 2018-19 to 2022-23**

(₹ in lakh)

Year	Grants		Others	Own Revenue	Total Revenue / financial resources	Percentage of Own Source of Revenue to total revenue / financial resources	Percentage of fiscal transfer to total revenue / financial resources	Remark
	CFC	SFC/ GIA						
2018-19	1,990.50	1,939.56	220.37	901.67	5,052.10	17.85	82.15	Figures (CFC, SFC, GIA and Other) are as per actual release. Own Revenue figures are as per Income & Expenditure Statements
2019-20	4,486.50	1,337.83	291.15	732.59	6,848.07	10.70	89.30	
2020-21	4,500.00	748.11	1,399.69	584.87	7,232.67	8.09	91.91	
2021-22	1,700.00	1,973.01	14.61	647.77	4,335.39	14.94	85.06	
2022-23	1,700.00	2,027.33	51.55	1,048.78	4,827.66	21.72	78.28	
<b>Total</b>	<b>14,377.00</b>	<b>8,025.84</b>	<b>1,977.37</b>	<b>3,915.68</b>	<b>28,295.89</b>	<b>13.84</b>	<b>86.16</b>	

Source: Sanction orders of GoM and Annual Financial statements (I&E)

The average share of Own Revenue to total financial resources of AMC was 13.84 *per cent* during the period 2018-19 to 2022-23. Thus, AMC relies significantly on other revenue resources, which are not under their control.

Funds were received by the AMC by means of transfers from the Central and State Governments in the form of grants. As can be seen from **Table-5.7**, the fiscal transfers from Government in the form of grants ranged between 91.91 *per cent* to 78.28 *per cent* during 2018-19 to 2022-23. Own revenue ranged between 21.72 *per cent* to 8.09 *per cent* of total financial resources of the AMC during the period 2018-19 to 2022-23. Audit observed the following shortcomings relating to fiscal transfers:

#### **(A) Central Finance Commission grants**

Article 280(3) (C) of the Constitution of India mandates the Central Finance Commission (CFC) to recommend measures to augment the Consolidated Fund of a State to supplement the resource of Municipalities based on the recommendations of the respective State Finance Commissions.

The Fourteenth Finance Commission (14<sup>th</sup> FC) had recommended assured transfers to the local bodies for planning and delivering of basic services smoothly and effectively within the functions assigned to them under relevant legislations. The 14<sup>th</sup> FC recommended Grants-in-aid to duly constituted ULBs in two parts; viz., (i) Basic Grant (80 *per cent*) and (ii) Performance Grant (20 *per cent*) for the award period 2015-20.

As per GoI guidelines, State Governments are required to release the grants to ULBs within 15 days of credit to their account by GoI. In case of delay, the State Governments are required to release the same along with interest (*i.e.*, bank rate of RBI) for number of days of delay.

Further, the Fifteen Finance Commission (15<sup>th</sup> FC) recommended the grants to ULBs by dividing them into two categories viz., Category-I: Million-Plus Cities and Category-II: Cities and Towns with less than one million population. The funds allocated by 15<sup>th</sup> FC to Non Million-Plus Cities and Towns consist of two parts: (i) 40 *per cent* of the allocated amount is Basic Grant (untied) and (ii) 60 *per cent* of the allocated amount is Tied Grant. Aizawl Municipal Corporation falls under Category-II Cities.

GoI requires that the State (Finance Department) shall transfer grants-in-aid directly to all ULBs within 10 working days of receipt from the Union Government without any deduction and any delay beyond 10 working days will require the State Government to release the same with interest for period of delay as per effective rate of interest on market borrowings/ State Development Loans (SDLs) for the previous year.

The details of allocation and release of grants as per CFC recommendations by GoI are given in **Table-5.8**.

**Table-5.8: Allocation and release of grants as per CFC recommendations during the period from 2018-19 to 2022-23**

(₹ in lakh)

Grant year	Details of allocation					Details of release					Short release	Remarks
	14 <sup>th</sup> CFC		15 <sup>th</sup> CFC		Total	14 <sup>th</sup> CFC		15 <sup>th</sup> CFC		Total		
	GBG	GPG	Tied Grant	Untied Grant		GBG	GPG	Tied Grant	Untied Grant			
2018-19	2,135	606	-	-	2,741	2,135	-	-	-	2,135	606	First instalment was released in 2018-19 while second instalment was released in 2019-20.
2019-20	2,885	793	-	-	3,678	2,885	-	-	-	2,885	793	
2020-21	-	-	2,250	2,250	4,500	-	-	2,250	2,250	4,500	-	
2021-22	-	-	2,040	1,360	3,400	-	-	2,040	1,360	3,400	-	First instalments (Tied & Untied) were released in 2021-22 while second instalments (Tied & Untied) were released in 2022-23

Grant year	Details of allocation					Details of release					Short release	Remarks
	14 <sup>th</sup> CFC		15 <sup>th</sup> CFC		Total	14 <sup>th</sup> CFC		15 <sup>th</sup> CFC		Total		
	GBG	GPG	Tied Grant	Untied Grant		GBG	GPG	Tied Grant	Untied Grant			
2022-23	-	-	2,100	1,400	3,500	-	-	1,050	700	1,750	1,750	First Instalment of 2022-23 was released in May 2023 while second instalment of 2022-23 was yet to be released as of September 2023.
Total	5,020	1,399	6,390	5,010	17,819	5,020	-	5,340	4,310	14,670	3,149	

Source: AMC records

The 14<sup>th</sup> FC recommended a total allocation of ₹ 5,020 lakh under General Basic Grant (GBG) for the period 2018-19 and 2019-20 while the allocation for General Performance Grant (GPG) was ₹ 13.99 crore for AMC. It was seen that while there was no short release of GBG, the entire GPG for the years 2018-19 and 2019-20 were not released by GoI to all the States. GoI stated (16 December 2020) that GPG could not be released to any State including Mizoram due to multiple reasons including late submission of Utilisation Certificate, late receipt of the recommendations of the nodal Ministry and budgetary constraints.

In regard to 15<sup>th</sup> FC, the total recommended allocation to AMC for the years 2020-21 to 2022-23 was ₹ 114.00 crore of which an amount of ₹ 96.50 crore was released to AMC as of September 2023. An amount of ₹ 17.50 crore being second instalment (Both Tied and Untied grants) for the year 2022-23 was yet to be released by the Government of India as on date of audit (September 2023).

Further, it was seen that there were delays ranging from two to 105 days in release of 14<sup>th</sup> and 15<sup>th</sup> CFC grants to the AMC by the State Government. Amount of interest payable by the State Government for delayed transfer of grants was ₹ 57.99 lakh out of which the State Government released an amount of ₹ 18.37 lakh only to AMC. The balance amount of ₹ 39.62 lakh was yet to be released as on date of audit. Details are given in **Appendix-5.5**.

The State Government stated (March 2024) that active action has been taken to conform with the timelines stipulated in for release of funds with the Department concerned.

#### (B) State Finance Commission Grants

The First State Finance Commission recommended devolution of 15 *per cent* of the State's Own Tax Revenues (SoTR) to the local bodies for the period from 2015-16 to 2019-20. Out of 15 *per cent* SoTR<sup>171</sup> the share of AMC is 17.50 *per cent*. The grants released to AMC *vis-à-vis* the recommendation of the MSFC during the audit period is shown in **Table-5.9**.

<sup>171</sup> Out of 15 *per cent* SoTR share of Autonomous District Councils is 58.33 *per cent*, Village Councils is 24.17 *per cent* and AMC is 17.50 *per cent*.



**Table-5.9: Year-wise position of grants due to be released and actual release made to the AMC as per MFSC recommendation for the years***(₹ in crore)*

Year of grant	State's Own Tax Revenue (SOTR)*	15 per cent of SOTR to be devolved to Local Bodies as per first MFSC Recommendation	Share of Aizawl Municipal Corporation (17.50 per cent of 15 per cent of SOTR)	Actual release to AMC during the year #	Amount release (5-4) Excess(+), Short(-)	
					Amount	In per cent
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2018-19	726.70	109.01	19.08	19.40	0.32	1.68
2019-20	730.98	109.65	19.19	13.38	(-)5.81	(-)30.28
<b>Total</b>	<b>1,457.68</b>	<b>218.66</b>	<b>38.27</b>	<b>32.78</b>	<b>(-)5.49</b>	<b>(-)14.35</b>

\*Source: State Finances Audit Reports, GoM

# Source: Sanction orders for release of fund

As can be seen from **Table-5.9**, against the 1<sup>st</sup> MSFC recommended grant of ₹ 38.27 crore, the State Government released ₹ 32.78 crore to the AMC for years 2018-19 and 2019-20. The extent of shortage was ₹ 5.49 crore (14.35 per cent).

**Recommendation:** Government may ensure timely transfer and availability of grants to AMC. Government should constitute State Finance Commissions within the mandated timeframes to review the financial position of ULBs/ AMC.

#### (C) Own revenue of AMC

The MM Act, 2007 empowers ULBs in the State to tap various sources of own revenue. The Property Tax on buildings is the mainstay of AMC's own revenue. The own non-tax revenue of AMC comprises rental income from municipal properties, fees and user charges such as licensing fees from shops, building permit fee, Sale and hire charges, bank interest, etc.

The breakup of own revenue of AMC for the period from 2018-19 to 2022-23 is shown in **Table-5.10**.

**Table-5.10: Details of Own source of revenue of AMC for the period from 2018-2023***(₹ in lakh)*

Particular	2018-19	2019-20	2020-21	2021-22	2022-23	Total	in per cent
Tax Revenue (Property Tax)	297.07	344.06	307.79	319.06	600.01	<b>1,867.99</b>	47.70
Rental Income from Municipal Properties	13.33	19.81	17.89	28.29	30.72	<b>110.04</b>	2.81
Fees & User Charges	326.23	224.23	136.10	150.29	287.61	<b>1,124.46</b>	28.72
Sale & Hire Charges	68.40	56.70	52.94	3.57	15.70	<b>197.31</b>	5.04
Interest Earned	160.96	87.78	68.58	98.66	62.20	<b>478.18</b>	12.21
Other Income	35.68	0.01	1.57	47.90	52.54	<b>137.70</b>	3.52
<b>Total</b>	<b>901.67</b>	<b>732.59</b>	<b>584.87</b>	<b>647.77</b>	<b>1,048.78</b>	<b>3,915.68</b>	<b>100.00</b>

Source: Annual Financial statements of AMC

As seen from **Table-5.10** above, Property Tax (PT) is an important and major source of revenue of AMC. Property Tax on an average makes up 47.70 *per cent* of the total own source of revenue of AMC during the period 2018-19 to 2022-23. Audit of Property Tax revealed the following shortcomings:

- (1) **Lack of complete authority of AMC in fixation and revision of rates of Property tax:** Section 214 of the MM Act, 2007 (as amended) authorized Property Tax to be levied on all buildings and lands within municipal limits, if the Board of Councillors by resolution determines that a property tax shall be levied, based on Annual Property Value (APV)<sup>172</sup> of the buildings. The authority and responsibility to collect Property Tax is vested with AMC, however, powers pertaining to procedure for fixation of the rates and revision thereof (MM Act 216 (3)) and abolition (MM Act 215 (3)), are vested with the State Government.

Thus, powers pertaining to procedure for fixation and revision of rates of property tax are vested with the State Government, indicating lack of complete authority of AMC in this regard.

- (2) **Discrepancies in maintenance of Comprehensive database of properties and collection data of Property tax:** Rule 4 (i) of the Mizoram Municipalities (Property Tax) Management (MMPTM) Rules, 2014 provides that it shall be the duty of every Municipality to maintain a register of properties within the municipal area with information that shall include name and address of the owner, plot area, covered area (floor wise), use to which the property is put, year of construction, type of structure and details of assessment. The AMC monitored the collection of property tax through the register of properties reflecting the demand, collection and balance/ arrears.

It was observed that the register of properties maintained by the AMC does not include mandated vital information such as the plot area, covered area (floor wise), uses of the property, year of construction and type of structure. Further, the relevant data/ information could not be extracted from the software utilised by AMC since the software provided only a “Property Tax Calculator”.

Further, cross checking of annual accounts (Receipt and Payment Accounts) and property register maintained by AMC regarding collection of property tax during the period from 2018-19 to 2022-23 revealed the following discrepancies as shown in **Table-5.11**.

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<sup>172</sup> “Annual Property Value” (APV) means the annual value of a property for the purpose of property taxation determined in accordance to Rule 14 of these Rules. *Rule 14 of The Mizoram Municipalities (Property Tax) Management Rules, 2014: Annual Property Value shall be the sum of the amount arrived at by multiplying the unit value of that municipal area where such vacant land located by the total area of such vacant land, the amount arrived at by multiplying the unit value of that municipal area where such building with/ without land appurtenant thereto located by the total area of such covered space of each floor or each separate unit of the building and the multiplicative factors of location factor, structure factor, ownership /usage factor, and age factor of the land and of each floor or each separate unit of the building*



**Table-5.11: Statement showing discrepancies in collection of Property Tax during the period from 2018-19 to 2022-23.**

(₹ in lakh)

Particular	2018-19	2019-2020	2020-21	2021-22	2022-23	Total
Property Tax inclusive of arrears received as per Receipt & Payment Accounts	297.07	295.12	324.11	322.09	574.49	1,812.88
Property Tax inclusive of arrears received as per Property Register	265.79	288.57	307.28	300.97	510.47	1,673.08
<b>Difference</b>	<b>31.28</b>	<b>6.55</b>	<b>16.83</b>	<b>21.12</b>	<b>64.02</b>	<b>139.80</b>

It can be seen from **Table 5.11** that there were differences between the figures of Receipt & Payment Accounts and property register maintained by AMC in respect of collection of Property Tax. The difference ranged between ₹ 6.55 lakh to ₹ 64.02 lakh during the period from 2018-19 to 2022-23. Thus, there is a lack of authenticity in maintenance of records in respect of Property Tax collection.

Consequently, audit could not authenticate the amount of arrears due at the beginning of the year, assessment for the year and outstanding arrears at the end of the year. Also, the accumulated arrears of Property Tax amounting to ₹ 2.10 crore as on March 2023 as per property register maintained by AMC could not be authenticated in audit.

AMC stated (December 2023) while acknowledging the necessity for an enhanced system, that the IT wing of AMC is developing software for digitizing records as per property profile survey which was conducted in 2022. All data are being meticulously recorded and will be accessible from 2023-24 onwards. The State Government stated (March 2024) that the figures reflected in the Annual Accounts may be factual and complete.

The State Government stated (March 2024) that there may be a difference in Property Tax collection records of Property Tax Wing of AMC and the Annual Financial Statement of AMC as the Property Tax Wing of AMC may record mostly receipt collection from Local Councils only whereas Annual Financial Statement of AMC may be factual and completed as collection from different sources *viz.*, Collection via Local Councils, payment made by citizen at AMC office, payment through internet banking, *etc.*, was recorded and the same has undergone audit by the internal auditor. It was also stated that since Property Tax forms a large chunk of the AMC's revenue, it would be taking more robust steps to recover from defaulters and take steps for accurate assessment. The State Government is also looking at various options to aid ULBs in the collection of Property Tax.

**Recommendation:** AMC may ensure maintenance of accurate data/ information on assessment and collection of Property Tax. Further, the amount of Property Tax collected as per Property Register and as per the Receipt & Payment Accounts may be reconciled.

- (3) **Non maintenance of satellite map and demarcation:** Rule 8(i) of the MMPTM Rules, 2014 provides that Municipalities shall maintain digitized satellite maps of appropriate resolution showing details of all properties within municipal jurisdiction as part of the spatial property database.

It was, however, noticed that AMC does not maintain digitalized satellite maps of properties under its jurisdiction.

AMC while accepting the observation stated (December 2023) that the significant procurement cost and substantial annual maintenance cost of the database hampers the establishment of a dedicated property database. AMC further stated that it was committed to taking necessary steps towards creating digitalized satellite map of properties at the earliest and also stated that it maintains close coordination with all local councils under its jurisdiction to identify and monitor properties effectively.

### 5.2.10.3 Resource-expenditure gap

The expenditure of AMC can be categorised into five major categories viz. human resource expenses (Establishment expenses), general expenses (Administrative expenses), operations and maintenance (O&M), programme expenses and Capital expenditure (fixed assets). The details of expenditure incurred by AMC for the period from 2018-19 to 2022-23 are exhibited in **Table-5.12**.

**Table-5.12: Details of expenditure of AMC during the period from 2018-19 to 2022-23**

(₹ in lakh)

Year	Establishment Expenditure	Administrative Expenses	Operation & Maintenance	Programme Expenses	Capital expenditure	Total expenditure
2018-19	686.99	1,548.79	249.92	375.77	2,951.07	5,812.54
2019-20	878.05	1,221.87	148.67	797.14	3,872.92	6,918.65
2020-21	1,016.36	1,169.02	147.94	1,125.30	1,861.89	5,320.51
2021-22	1,064.74	1,357.85	239.25	387.32	1,449.67	4,498.83
2022-23	1,242.62	1,110.70	440.59	406.25	2,075.34	5,275.50
<b>Total</b>	<b>4,888.76</b>	<b>6,408.23</b>	<b>1,226.37</b>	<b>3,091.78</b>	<b>12,210.89</b>	<b>27,826.03</b>
<b>per cent of Total expenditure</b>	<b>17.57</b>	<b>23.03</b>	<b>4.41</b>	<b>11.11</b>	<b>43.88</b>	<b>100</b>

Source: Annual Financial Statements of AMC

As seen from above table, the revenue expenses viz., General expenses, O&M, expenses on human resource and programme expenses constituted about 56.12 *per cent* (₹ 156.15 crore) of the total expenditure of ₹ 278.26 crore during the period from 2018-19 to 2022-23 whereas capital expenditure *i.e.*, expenses for creation of assets incurred by the AMC accounted for 43.88 *per cent* (₹ 122.11 crore) of the total expenditure.

Further, it was observed that AMC's own source of revenue (₹ 39.16 crore) during the period from 2018-19 to 2022-23 accounted for only 25.08 *per cent* of its total revenue expenditure of ₹ 156.15 crore, which was not optimal. AMC needs to enhance generation of its own source of revenue. A comparison of the own revenue to revenue expenditure showed gaps as depicted in **Table-5.13**:

**Table-5.13: Comparison of the own revenue to revenue expenditure of AMC**

(₹ in lakh)

Year	Revenue Expenditure	OSR		Deficit	
		Amount	in per cent	Amount	in per cent
1	2	3	4	5 (2 – 3)	6
2018-19	2,861.48	901.67	31.51	1,959.81	68.49
2019-20	3,045.73	732.59	24.05	2,313.14	75.95
2020-21	3,458.62	584.87	16.91	2,873.75	83.09
2021-22	3,049.16	647.77	21.24	2,401.39	78.76
2022-23	3,200.15	1,048.78	32.77	2,151.37	67.23
<b>Total</b>	<b>15,615.14</b>	<b>3,915.68</b>	<b>25.08</b>	<b>11,699.44</b>	<b>74.92</b>

Source: Annual Accounts

**5.2.10.4 Annual Accounts of AMC**

Article 243Z of the Constitution provides for maintenance of accounts by the Municipalities, and the auditing of such accounts. Section 90 (1) of Mizoram Municipalities Act, 2007 (As amended in 2015) states that the municipal accounts as contained in the annual financial statement shall be examined and audited by an Auditor appointed in that behalf by the State Government.

The Examiner of Local Funds Accounts (ELFA), renamed (August 2012) as Director of Local Fund Audit (DLFA) Mizoram was entrusted (June 2011) as statutory auditor of the Aizawl Municipal Corporation with the responsibility of certification of accounts and audit of the local bodies under the administrative control of the Finance Department. Rule 21 of the Mizoram Local Funds (Accounts & Audit) Rules, 2012 requires that the Audit Report of the DLFA must be placed before the State Legislative Assembly.

Section 96 of the Mizoram Municipalities Act, 2007 (As amended 2015) requires that the Board of Councilors shall, at the first meeting in each year or as soon as may be at any meeting subsequent thereto, constitute a Municipal Accounts Committee. The responsibilities of the Committee are (a) to examine the accounts of the Municipality; (b) to examine and scrutinize the report on the accounts of the Municipality by the Auditor; (c) to submit report to the Board of Councilors every year and from time to time on such examination and scrutiny, *etc.*

The Annual Audit Report of the DLFA for the years 2018-19 to 2020-21 were laid in the State legislature on 22 February 2024. However, the DLFA was yet to submit Annual Audit Reports for the period 2021-22 and 2022-23 to the State Government for tabling in the State Legislature as of March 2024 as detailed in **Table-5.14**.

**Table-5.14: Status of annual audit reports of AMC**

Year of Accounts	Audited on	Report submitted to State Government on	Date of laying in the state legislature
2018-19	22 July 2019	23 December 2022	22 February 2024
2019-20	11 July 2022 to 05 Aug 2022		
2020-21			
2021-22	11 July 2022 to 05 Aug 2022	Yet to be submitted	-
2022-23	14 July 2023 to 04 Aug 2023		

The delays in submission and laying of Annual Audit Reports adversely impacts the public accountability of AMC. There is an urgent need for DLFA, Mizoram to submit Audit reports on time.

Further, it was observed that contrary to the provision of Mizoram Municipalities Act, 2007 (as amended in 2015), the Municipal Accounts Committee was not formed.

In the absence of Municipal Accounts Committee, the annual financial statement of AMC was neither examined nor scrutinised by any committee/ body before submission to the Board of Councillors.

The AMC accepted (October 2023) the audit observations.

The State Government stated (March 2024) that necessary action would be taken by AMC.

***Recommendation: DLFA may ensure timely submission of audit reports of local bodies to the State Government. AMC may ensure constitution of Municipal Accounts Committee.***

#### **5.2.11 Effectiveness of implementation of selected functions along with functionaries**

As part of the assessment of the functioning of ULBs under the ambit of the Constitution implemented via the 74<sup>th</sup> CAA, it was decided to examine the implementation of important functions by the ULBs, with the existing institutional framework. The two functions namely Regulation of land use & construction of buildings and Urban Poverty Alleviation were selected for examination based on their significance in terms of resource mobilisation for the ULBs and service quality for the general urban population.

##### **5.2.11.1 Functionaries of AMC**

Adequate and qualified manpower is not only essential for the empowerment of ULBs but also critical to handling functions that have been devolved to ULBs.

The assessment of the manpower should be based on the functions undertaken by ULBs with a view that majority of the functions are service oriented and must be discharged within a reasonable time. This assessment could be done by ULBs themselves considering various criteria such as the extent of geographical area to be covered, population to be served, the number of existing properties, nature of service to be provided, *etc.*

##### **A. Limited powers to ULBs over manpower**

State Government notified (October 2019) the Mizoram Municipal Common Cadre Service (MMCCS) Rules, 2019 and the Mizoram Municipal Subordinate Service (MMSS) Rules, 2019 for regulating the method of recruitment and conditions of service of persons appointed to Group A & B (Gazetted) posts and Group B (Non-Gazetted), Group C & Group D posts of urban local bodies respectively.

Sanctioned strength of 38 posts pertaining to 21 categories of posts in respect of MMCCS and sanctioned strength of 197 pertaining to 13 categories of posts in respect of MMSS as of October 2019 was fixed by the State Government.

Audit observed that ULBs have neither the power to assess the staff requirement nor to recruit the required staff. As per Rules 8, 9 and 10, *ibid*, these powers are vested with the State Government.

**B. Insufficient number of officers and staff in AMC**

The status of sanctioned strength and men-in-position as of 31 March 2023 is as given in **Appendix-5.6**.

It was seen that against the sanctioned strength of 235 posts, only 113 posts (48.09 *per cent*) were filled leaving a vacancy of 122 posts (51.91 *per cent*). It was also observed that:

- Against sanctioned strength of 38 posts, only 13 (34.21 *per cent*) of the crucial Group A and Group B posts were filled leaving 25 posts vacant (65.79 *per cent*).
- Crucial supervisory posts such as Deputy Municipal Commissioner, Assistant Municipal Commissioner and Executive Officer were lying vacant.
- Crucial technical posts such as Medical Officer, Assistant Municipal Engineer, Assistant Enforcement Officer, Assistant Programme Officer and Assistant Programme Officer (IT) were lying vacant since the creation of the posts. Further, it was also seen that only one-third each of Assistant Town Planner and Assistant Architect posts were filled up.
- The posts of Engineering Geologist, Medical Officer, Geologist and Urban Animal Husbandry & Veterinary Officer are to be filled up solely on deputation basis. However, the State Government could not spare any officers due to shortage of officers in the departments concerned. Consequently, the AMC engaged external personnel on temporary basis, as follows:
  - (i) three consultant geologists were engaged against one sanctioned post each of Engineering Geologist and Geologist. Of the three consultant geologists, two were engaged from October 2021 while one was engaged from November 2022.
  - (ii) One Urban Animal Husbandry & Veterinary Officer against four sanctioned posts was engaged from July 2023 only.
  - (iii) The post of Medical Officer remained vacant as of date of audit (September 2023).
- The posts of Group B (Non-gazetted), Group C and Group D are crucial in ULBs since they are the field level officers and staff. However, it was seen that against sanctioned strength of 197 posts, there were 100 men-in-position (50.76 *per cent*) leaving 97 posts vacant (49.24 *per cent*).
- Vacancies in technical posts such as Junior Engineers, Planning Assistants and Enforcement Inspectors, *etc.*, ranged between 33.33 *per cent* and 84.21 *per cent*.
- Both the posts of Assistant Accounts Officer remained vacant.

Shortage of more than 50 *per cent* of sanctioned posts is a matter of grave concern as it will impact the delivery of services to the citizens and also impact the Corporation's revenue generation efforts.

AMC, while accepting the observation, stated (October 2023) that the posts of Assistant Programme Officer and Assistant Programme Officer (IT) was duly filled-up on contract basis.

The State Government stated (March 2024) that it was aware of the inadequate manpower/ vacant posts in AMC and that this hinders their ability to effectively carry out their duties. Since filling up of posts requires substantial expenditure, the State Government along with ULBs will be working on a system where remunerations of employees of ULBs are not solely incurred by the State's exchequer in the context of its narrow fiscal space.

The impact of the manpower shortfall to the extent of 51.91 *per cent* on the functioning of AMC and the quality of the services that it delivers is discussed in **paragraph 5.2.11.2**.

### **C. Capacity building for human resources of ULBs**

Organisational capacity building is largely dependent on formulation of appropriate recruitment and personnel policies and finding the right mix of 'in-house' provision of services and out-sourcing of functions. Capacity building is important for strengthening the capabilities of personnel and for equipping them with advanced skills to deliver better services.

Professionalisation of urban management requires training of the personnel engaged in management of urban affairs and municipal services. Specific areas like socio-economic planning, environmental management, urban planning, citizen participation, public relations, urban reforms, municipal accounting and financial management, e-Governance, municipal service delivery including solid waste management, sewage and sanitation require professional skill.

**Training:** Scrutiny of records revealed that several training programmes, offline as well as online, on various subjects relating to municipal services were conducted for the officers and staff of AMC as well as the elected councillors during the audit period. However, it was observed that assessment of training needs for officers and staff were not made by AMC and thus it is not clear as to how officers/ staff were selected for attending the training courses. Trainings were imparted mainly by the Administrative Training Institute (ATI), Government of Mizoram. Details are given in **Appendix-5.7**.

Audit observed that trainings relating to municipal services were imparted to the officers and staff of AMC except during the years 2020-21 and 2021-22 when only one and two trainings were conducted respectively. This can be attributed to the Covid-19 Pandemic. However, the effectiveness of the trainings could not be ascertained since there was neither feedback system nor mechanism to assess the productivity of staff pre and post training in AMC.



### 5.2.11.2 Regulation of land use and construction of buildings

The function “Regulation of land use and construction of buildings” was transferred to the Aizawl Municipal Corporation *vide* notification dated 19 September 2011.

#### A. Regulation of land use

Although the function “regulation of land use” was transferred to AMC, the subject matter of land administration<sup>173</sup> (regulating land use) is still administered by the Land Revenue & Settlement Department of the State Government even within the territorial limits of AMC area.

#### B. Construction of buildings

For implementation and delivery of services under the function “Construction of buildings”, the Aizawl Municipal Council Building (AMCB) Regulations, 2012 and the Aizawl Municipal Corporation Site Development and Slope Modification Regulations, 2017 were enacted.

Applications and approval for building constructions within AMC area were processed through OBPAS (Online Building Plan Approval System) from June 2018 onwards.

As per regulation No.5 (11) of AMCB Regulations 2012 (as amended 2019), every building work for which permission is sought are to be planned, designed and supervised by technical personnel licensed/ registered with AMC. There are 484 technical personnel licensed/ registered with AMC as of March 2023.

The status of building applications as per OBPAS as on 01 April 2024 was as shown in **Table-5.15** below:

**Table-5.15: Status of Building permit applications in AMC as on 01 April 2024 (from date of operationalisation of OBPAS (June 2018))**

No of Applications	No. of Approved applications		Cancelled applications	Rejected applications	Under process
	Valid permit	Expired permits (Valid for three years)			
15,162	7,159	6,214	18	85	1,686

Source: AMC

#### C. Unsafe building/ structure

Regulation No.18, *ibid*, provides that any building/ structure reported to be unsafe or damaged shall be examined by a technical committee to be constituted by AMC which shall make a written record of its finding and recommendations. AMC shall, after taking the recommendations of the committee into consideration, give necessary direction

<sup>173</sup> As per the Mizoram (Land Revenue) Act, 2013, administration of land such as title over land, classification of land-holders, cancellation of allotment or rights over land, assignment of land for special purposes and economic programmes, allotment of land, unauthorised occupation of land, diversion of land, penalty for using land for other purposes without permission, settlement of land for house site in urban/ notified town area, *etc.*, are under the control and powers of the State Government. Assessment and collection of land revenue, taxes, fees, *etc.*, even within the municipal area are under the administration of the Land Revenue & Settlement Department of the State Government.

to the owner or occupier to complete repairs as may be specified or to demolish the building within specified time and shall be dealt with as per the provision of Section 139, 165 and 335 of the MM Act, 2007 (as amended).

In order to implement the provisions of the regulation and MM Act, the AMC constituted the “Technical Committee on Safety of Building” (TCoSB) on 26 February 2016. The committee is chaired by the Deputy Mayor and the Secretary, AMC acts as the Member Secretary. The members include Ward Councillors, Local Council Chairman, Chief Engineer of PWD (Building), Director of Land Revenue & Settlement Department, Director of Geology & Mineral Resources Department, Executive Engineer and Town Planner of AMC. As per terms of reference, the Committee would meet as and when necessary and submit its recommendation to the Commissioner, AMC.

The AMC received reports of unsafe buildings/ structures on 20 occasions as of date of audit (September 2023). On receipt of reports, the TCoSB examined the cases and submitted its recommendation to the Commissioner, AMC for further action as shown in **Table-5.16**.

**Table-5.16: Status of action taken by AMC are shown below:**

No. of reports received	Action taken by AMC					
	Under process	Referred to DM&R	Demolition completed	Retrofitting completed	Action not taken due to lack of fund	No response
20	5	2	5	1	2	5

Source: AMC records

Out of 20 cases, demolition and retrofitting of unsafe building/ structure was completed in six cases, two cases were referred to the Department of Disaster Management and Rehabilitation (DM&R) for further action and five cases were under process. Further, there were two cases in which no action was taken due to lack of fund while AMC was yet to receive responses to show cause notices issued in five cases as shown in **Table-5.17**.

**Table-5.17: Cases of unsafe building under process**

Sl. No.	Location of unsafe building / structure	Type of building / structure	Date of receipt of report	Technical committee report		Action taken by AMC		Remark
				Date of submission	Recommendation	Date	Action taken	
1.	Treasury, Venghlui	Govt. Building	25-04-19	25-04-19	Demolition	30-07-19	Demolition	No response till date
2.	Thuampui Market and Falkland Junction	Welcome Gate	NA	18-11-19	Demolition	18-11-19	Show Cause	No response till date
3.	Chaltlang North	Private Building	11-09-19	11-09-19	Show cause	NA	Show cause	No response till date
4.	Ramhlun Venglai	Govt. Building (Quarter/ Garage)	NA	NA	NA	22-02-22	Demolition	No response till date
5.	Ainawn Veng	Govt. Building	02-05-22	02-05-22	Demolition	01-06-22	Demolition	No response till date

Source: AMC records



The present status of the above five cases along with follow-up action taken along with the constraints, if any, faced by AMC in carrying out its responsibilities in relation to unsafe building/ structure was not available.

AMC stated (December 2023) that the matter was being pursued presently.

The State Government stated (March 2024) that necessary action would be taken up by AMC.

### **5.2.11.3 Urban Poverty Alleviation**

The function “Urban Poverty Alleviation” was transferred to AMC vide notification dated 27 August 2013. It was seen that the modalities for transfer of functions including funds and functionaries to the Municipalities along with activity mapping/ functional assignment of the subject were not worked out.

AMC did not constitute Basic Services to the Urban Poor Fund wherein a minimum of 25 *per cent* of the funds within the Municipality’s budget should be earmarked as mandated under Section 75-A of the MM Act, 2007 (as amended). The allocation of the funds and its utilisation for providing basic services to the urban poor should be detailed and enclosed with the Municipal Annual Budget as P-Budget along with the corresponding figures for the previous year. Further, it was also seen from the budget documents that AMC also did not allocate any fund, revenue as well as capital, for the function “Urban Poverty Alleviation & Social Welfare”.

This indicated that no fund was allocated towards fulfilment of the function “Urban Poverty Alleviation” even though the function was transferred to AMC. AMC does not take up urban poverty alleviation measures of its own.

It was, however, seen that implementation of one component of Deendayal Antyodaya Yojana-National Urban Livelihood Mission (DAY-NULM) namely SUSV (Support to Urban Street Vendors) was transferred to AMC.

As per revised (2018) SUSV guidelines, the component of the scheme includes survey & issue of Identity Cards, preparation of City Street vending plan, infrastructure improvement, Training & skills development, financial inclusion, access to credit and linkage with social security schemes.

Accordingly, an amount of ₹ 11.19 lakh was transferred to AMC for execution of the scheme during 2019-20 to 2021-22. AMC conducted supplementary survey of street vendors and identified 609 new street vendors. AMC also conducted survey and prepared Market Development Plan to the Mission Director, DAY-NULM. AMC conducted the demarcation of vending zone within AMC jurisdiction.

Further, an amount of ₹ 6.00 lakh for organising “SVANidhi Mahotsav, a cultural event for street vendors was transferred to AMC during 2022-23. It was seen that the amount of ₹ 8.12 lakh (₹ 6.00 lakh plus AMC’s own fund of ₹ 2.12 lakh) was utilised towards the cultural programme held on 22 July 2022.

The State Government stated (March 2024) that as ULBs in Mizoram are a “work in progress” entities, there are numerous areas where progress can be achieved, and

Urban Poverty Alleviation is a sector where the State is willing to have a dialogue with Municipalities in the allocation of Basic Services to Urban Poor Fund in their budget and in the implementation of various schemes.

**Recommendation:** *The AMC may ensure constitution of Basic services to Urban Poor Fund and preparation of P-Budget for fulfilment of the function “Urban Poverty Alleviation”.*

#### **5.2.12 Conclusion**

The 74<sup>th</sup> CAA sought to empower ULBs to perform functions and implement schemes in relation to 18 functions specified in the Twelfth Schedule of the Constitution of India. Out of 18 functions, the State Government, devolved 15 functions to the Aizawl Municipal Corporation (AMC). Thus, the Government has not devolved all the functions to AMC even though a period of 13 years has elapsed since the formation of the AMC. There is a lack of clarity on the functional domain of the AMC in the absence of activity mapping / functional assignment of subjects which is evident from the fact that AMC was yet to taken up any activities in connection with seven devolved functions.

Out of the 15 notified towns with population of more than five thousand, a Municipal Corporation was established in Aizawl (Council in 2010 and upgraded to Corporation on 15 October 2015) and a Municipal Council has been established in Lunglei (November 2021). No urban local body viz., Municipal Board was constituted in the remaining 13 notified towns. Thus, the State Government did not completely create functional and decentralised platforms for transparency and accountability in the governance process in urban areas as envisaged under Mizoram Municipalities (MM) Act 2007 (as amended).

There was delay of four years and five months in the constitution of the Second Mizoram State Finance Commission. Further, there were delays ranging from two to 105 days in release of 14<sup>th</sup> and 15<sup>th</sup> CFC grants to the AMC by the State Government. It was observed that the register of properties maintained by the AMC did not include mandated vital information such as the plot area, covered area (floor wise), uses of the property, year of construction and type of structure. AMC's own source of revenue (₹ 39.16 crore) during the period from 2018-19 to 2022-23 accounted for only 25.08 *per cent* of its total revenue expenditure of ₹ 156.15 crore. AMC was largely dependent on fiscal transfers in the form of grants ranging between 91.91 *per cent* to 78.28 *per cent* of its total revenue during 2018-19 to 2022-23. Audit noticed discrepancies of Property Tax collected as per annual accounts and property register maintained by AMC.

Powers to assess staff requirements and recruitment of personnel were vested with the State Government. Significant vacancies (51.91 *per cent* as of March 2023) existed in crucial posts in AMC which resulted in absence of adequate manpower affecting delivery of citizen services.

The function “Urban Poverty Alleviation” was transferred to AMC. No fund was allocated towards fulfilment of the function “Urban Poverty Alleviation”. In absence of modalities for transfer of functions including funds and functionaries to the Municipalities along with activity mapping of the subject, AMC is functioning as a

mere implementing agency of components of Urban poverty alleviation measures being implemented in the State.

#### **5.2.13 Recommendations**

*In order to realise the full potential of the decentralization envisaged under the 74<sup>th</sup> Constitution Amendment Act in Mizoram, the Government may consider the following recommendations:*

- (i) State Government may undertake the task of activity mapping/ functional assignment of subjects to Municipalities;*
- (ii) Accepted recommendations of State Finance Commission (SFC) should be implemented;*
- (iii) The State Government may ensure timely release of Central Finance Commission (CFC) grants to Aizawl Municipal Corporation (AMC); and*
- (iv) AMC may ensure maintenance of accurate data/information on assessment and collection of Property Tax.*

COMPLIANCE AUDIT PARAGRAPH

AIZAWL MUNICIPAL CORPORATION

5.3 Irregular disposal of garbage trucks

Disposal of 45 garbage trucks below their book value resulted in loss of ₹ 3.16 crore

The State Investment Project Management and Implementation Unit (SIPMIU<sup>174</sup>), Aizawl handed over (03 October 2017) 54 new garbage vehicles (50 LPK 407 Tipper trucks and four Xenon pickup trucks) to AMC without any terms and conditions on 03 October 2017 for disposal of garbage in the AMC area.

The cost of 50 LPK 407 Tipper trucks is shown in **Table-5.18** below:

**Table-5.18: Details of garbage LPK 407 trucks received by AMC from SIPMIU**

(Amount in ₹)

Sl. No.	Vehicle Model	Vehicle Type	Colour	Unit Price	No. of units	Cost of trucks
(1)	(2)	(3)	(4)	(5)	(6)	(7)=(5)*(6)
1	TATA LPK 407 EX	MMV	Blue	19,87,890	25	4,96,97,250
2	TATA LPK 407 EX	MMV	Green	21,23,000	25	5,30,75,000
<b>Total</b>				<b>41,10,890</b>	<b>50</b>	<b>10,27,72,250</b>

Rule 3 (1) and (2) of the Mizoram Condemnation and Disposal of Government Vehicles Rules<sup>175</sup>, 2011 (MCDGV Rules) provides that a minimum life of Medium Vehicles for condemnation is 10 years with a minimum distance coverage of 2,00,000 km. The Department proposing condemnation of the vehicles should ensure that these conditions are fulfilled. Rule 4(1) of the Rules *ibid*, provides that a premature condemnation may be done in case where a vehicle has met an accident before covering the minimum life and distance prescribed and has been damaged beyond economical repair with reports from the Police and Technical Inspection Report from Motor Vehicle Inspector (s)/ any other technical qualified personnel of Transport Department.

Test check (December 2021) of records of the Commissioner of Aizawl Municipal Corporation (AMC) revealed that the AMC's Board of Councillors, after utilising the garbage trucks for garbage disposal through contract waste collectors for one year *i.e.*, starting from 01 December 2017 decided (07 December 2018) to privatise the garbage trucks to provide long term sustainable garbage disposal services for AMC and to the Public. SIPMIU, from whom the garbage trucks were received, was not informed of the decision to privatise the trucks.

The Secretary, AMC requested (23 January 2019) the Director of Transport Department to evaluate the depreciation rate/ value of the 54 garbage trucks. The District Transport Officer, Urban Aizawl, in response submitted (25 February 2019) the technical

<sup>174</sup> SIPMIU is an agency/ unit established in the five North Eastern States (*viz.*, Aizawl, Agartala, Shillong, Kohima and Gangtok) of India to manage and execute infrastructure development projects funded by the Asian Development bank, *etc.*, under a special programme of Government of India with the main objective of ensuring development in matters relating to public health and sanitation

<sup>175</sup> They shall apply to the vehicles of all Department and Autonomous Bodies under the State Government of Mizoram

inspection report of the Motor Vehicle Inspector (MVI) in respect of 47 LPK 407 Tippers trucks that were available for inspection on 16 February 2019. Scrutiny of the technical inspection reports revealed that the trucks were all manufactured in 2017 and the details like date of repair/ last repair and total expenditure on repair in all 47 trucks were marked as 'NA'. The MVI further observed that all the 47 trucks were in good and running condition. However, though the trucks were in good and running condition, without any history of repairs and being very new, the MVI irregularly concluded, without any underlying basis whatsoever, *'after careful inspection of this vehicle and in consideration of the history of repair done, I am of the opinion that it is no longer fit for economical repair'*, in respect of all the 47 trucks. The MVI, evaluated the market value of each truck at exceptionally low amount ranging from ₹ 5.64 lakh to ₹ 6.39 lakh against the cost price.

Audit sought (July 2023) the reason for the contradictory report of the MVI from the then District Transport Officer, (Urban) redesignated as Registering Authority, Aizawl. The DTO (Registering) clarified (November 2023) that the remarks of the MVI were wrong and should be read as 'fit for economical repair'. The DTO further admitted that the basis of arriving the book value of the vehicles is by following the formula as prescribed under Rule 7 of the of the MCDGV Rules. However, the DTO did not clarify how the MVI evaluated the market value of the trucks at an exceptionally low amount.

Rule 220 (ii) of General Financial Rules<sup>176</sup>, 2017 (GFR) (as adopted by Government of Mizoram) provides that in case of disposal of goods, the basic principles to be followed for disposal through auction are similar to those applicable for disposal through advertised tender so as to ensure transparency, competition, fairness, and elimination of discretion by giving wide publicity in the same manner as is done in case of advertised tender. Rule 220 (iv) of the GFR also provides that in case of accepted auction bid, earnest money (not less than 25 per cent of the bid value) should immediately be taken on the spot from the successful bidder either in cash or in the form of Deposit-at-Call-Receipt and the goods should be handed over to the successful bidder only after receiving the balance payment.

Audit observed that the AMC, instead of giving wide publicity, issued (21 February 2019) a notice inviting bids for the garbage trucks in only one local newspaper viz., "Chhawrpial". AMC also confirmed (23 & 25 August 2023) that it was published only in "Chhawrpial" local newspaper. It was also observed that AMC's Committee on Sanitation, Solid Waste & Dumping Ground (SSWDG), in its meeting (10 January 2019) decided to privatise the garbage vehicles on soft loan basis against the provision of Rule 220 (iv) of GFR, 2017.

As per Rule 3(2) of the MCDGV Rules, after the technical report is obtained, the Department should submit a proposal for condemnation of vehicles along with the prescribed documents to the Secretary, Vehicles Condemnation Board, Mizoram for placing the same before the Vehicle Condemnation Board. Rule 10(1) of the Rules *ibid*,

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<sup>176</sup> Rule 1 of GFR 2017 provides that the provisions contained in GFRs are deemed to be applicable to Autonomous Bodies except to the extent the byelaws of an Autonomous Body provides for separate Financial Rules which have been approved by the Government. AMC does not have its own Financial Rules

provides that all categories of condemned vehicle shall be disposed by the respective heads of the Department by public auction on 'as is where is' basis and the reserved price shall not be less than the market value as per the technical inspection report or the book value assessed under Rule 7, whichever is higher.

Audit observed that the AMC neither submitted proposal to the Secretary, Vehicles Condemnation Board for condemnation of the garbage trucks nor obtained its approval. Further, AMC in violation of Rule 10(1) of MCDGV Rules *ibid*, without consideration of the book value which was higher than the market value, auctioned 45<sup>177</sup> garbage trucks for ₹ 2.77 crore, by reserving the market value assessed by the MVI as the reserved price, through deed of agreements executed between 08 and 13 March 2019 on soft loan basis as detailed in **Appendix-5.8**.

As per Clause 2 of the agreements signed between AMC and the successful bidders, a certain amount ranging between ₹ 1.13 lakh and ₹ 2 lakh as detailed in **Appendix-5.8** is to be paid as the initial down payment within a week from the date of selection/ auction and the remaining balance amount will be cleared within five years from the date of agreement at the rate of five *per cent* simple interest per annum. Out of the auction amount of ₹ 2.77 crore, an amount of ₹ 0.65 crore only, (constituting 20 to 33 *per cent* of the agreed amounts) was collected as the initial down payment (no earnest money was imposed by AMC) from the successful bidders leaving a balance amount of ₹ 2.12 crore in contravention of Rule 220(iv) of the GFR provision.

As per Rule 6 of the MCDGV Rules, 20 *per cent* depreciation is to be provided in all types of vehicles and the calculation of the book value of the vehicle to be condemned shall be on a reducing balance of written down value method as per Rule 7.

As prescribed by Rule 6 and 7 of the MCDGV Rules, by providing 20 *per cent* depreciation per annum, the book value of the 45 disposed garbage trucks works out to ₹ 5.93 crore, which were auctioned for ₹ 2.77 crore resulting in loss of ₹ 3.16 crore as shown in **Table-5.19** below:

**Table-5.19: Statement showing loss due to non-consideration of the book value of the disposed garbage trucks**

(Amount in ₹)

Sl. No.	Type of vehicle (MMV)	Cost of trucks	Depreciation (20 per cent from March 2017 to February 2019)	Book value per truck after depreciation	No. of trucks auctioned	Book value of the trucks	Amount at which the trucks were auctioned/ disposed	Amount of Loss	Amount collected on the initial down payment at the time of auction from successful bidders	Amount yet to be realised (excluding 5% Simple Interest)
(1)	(2)	(3)	(4)	(5) = (3)-(4)	(6)	(7) = (5)*(6)	(8)	(9) = (7)-(8)	(10)	(11) = (8)-(10)
1.	LPK 407 (Green)	21,23,000	7,64,280 <sup>178</sup>	13,58,720	24	3,26,09,280	1,47,91,200	1,78,18,080	35,61,000	1,12,30,200
2.	LPK 407 (Blue)	19,87,890	7,15,640 <sup>179</sup>	12,72,250	21	2,67,17,250	1,29,17,700	1,37,99,550	29,58,800	99,58,900
<b>TOTAL</b>		<b>41,10,890</b>	<b>14,79,920</b>	<b>30,69,485</b>	<b>45</b>	<b>5,93,26,530</b>	<b>2,77,08,900</b>	<b>3,16,17,630</b>	<b>65,19,800</b>	<b>2,11,89,100</b>

<sup>177</sup> Out of 47 trucks inspected by the MVI, One bearing registration No. MZ01P 0160 has one bidder while the other MZ01P 0132 has no bidder. The reason for non-disposal MZ01P 0160 was not found on record.

<sup>178</sup> First year ₹ 4,24,600 + Second year ₹ 3,39,680 = ₹ 7,64,280

<sup>179</sup> First year ₹ 3,97,578 + Second year ₹ 3,18,062 = ₹ 7,15,640



The matter was brought to the notice of the AMC and the Government (June 2023). The Government while agreeing to the Audit observations stated (11 August 2023) that it has no comment on the technical opinion of the MVI who assessed the trucks. It also stated that AMC could not operate the garbage trucks as it has to hire the drivers and handymen to operate the trucks and the cost of hiring will be a cost prohibitive endeavour venture and cumbersome process in absence of a separate Vehicle Section in AMC. The reply is not acceptable as in spite of the technical opinion of the MVI, AMC is required to exercise due diligence and adhere to the extant Rules and regulations governing disposal of vehicles.

The up-to-date status of the recovery of the outstanding dues against the auctioned garbage trucks as provided (27 March 2024) by AMC is given in **Appendix-5.8**. As of 18 March 2024<sup>180</sup> an amount of ₹ 2.72 crore (including the initial down payment) was recovered from the 45 successful bidders out of the total agreed amount of ₹ 2.77 crore (excluding interest), leaving a balance outstanding amount of ₹ 0.05 crore from five bidders. Further, interest of ₹ 0.35 crore was realised from 39 bidders out of the total leviable amount of ₹ 0.52 crore while ₹ 0.17 crore is yet to be realised from 25 bidders.

Thus, due to non-observance of the provisions prescribed, 45 garbage vehicles (LPK 407 Tipper trucks), which were in good and running condition, were wrongly certified as no longer fit for economical repair with exceptionally low market values and their subsequent disposal by AMC below their book value resulted in loss of ₹ 3.16 crore. Moreover, due to the highly favourable terms granted by AMC to the bidders in violation of Rule 220 (iv) of GFR, 2017, an amount of ₹ 2.12 crore was not collected at the time of finalisation of bids but was allowed to be cleared in monthly instalments which was highly irregular and against all norms of financial propriety.

***Recommendation: The Government should fix responsibility on the concerned officials for the irregular disposal of garbage trucks.***

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<sup>180</sup> five years recovery period expired on 13 March 2024

