

CHAPTER II

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CHAPTER – II

AUDIT OF TRANSACTIONS

Idle/Extra/Avoidable/Unproductive Expenditure

HIGHER AND TECHNICAL EDUCATION DEPARTMENT

2.1 Idle expenditure

Non allotment of 27 staff quarters constructed for Mizoram Hindi Training College even after seven years of its completion resulted in an idle capital expenditure of Rs.2.03 crore.

Under the Central Plan Scheme of financial assistance for appointment and training of Hindi teachers in Non-Hindi speaking States/UTs, the Union Ministry of Human Resource Development (MHRD), Department of Education accorded (October 1999) administrative approval of Rs.3.40 crore for construction of Mizoram Hindi Training College (MHTC) Complex, at Durtlang, Aizawl including construction of Staff quarters at Aizawl. The financial assistance received from the MHRD in three instalments during 1999-2002 was transferred to the State Public Works Department (PWD) for execution of the works. The construction work of staff quarters commenced in January 2001 was scheduled to be completed by October 2002.

Scrutiny (December 2008) of records of the Principal, MHTC, revealed that the Department without assessing the actual requirement constructed 28 staff quarters of different types during January 2001 to October 2002 through PWD at a cost of Rs.2.08 crore, against the approved cost of Rs.1.79 crore. Though the buildings were completed in October 2002, the Department took over the possessions of buildings in August 2005, after a delay of nearly three years without completion of approach roads, approach steps, water tank reservoirs and power supply. As a result of non availability of these basic facilities and lack of willingness among the staffs due to remote location, the Department has not been able to allot the staff quarters to its 17 regular staff, except allotment of one quarter to a chowkidar, (November 2009). The Department also incurred an expenditure of Rs.7.78 lakh (September 2005 to September 2009) towards payment of house rent allowances to its 17 staff who are reluctant to occupy the quarters.

Thus, the entire investment of Rs.2.03 crore¹ in respect of 27 unallotted staff quarters remained

¹ Rs.2.08 crore - Rs.0.05 crore (cost of one quarter allotted to Chowkidar) = Rs.2.03 crore

idle for more than seven years with little possibility of its use in future. The Department attributed (November 2009) the scarcity of water as reason for non allotment of the staff quarters. The fact, however, remains that the construction of houses without assessment of the need and selection of site without due diligence led to idle investment of Rs.2.03 crore for over seven years.

In a meeting held (November 2009) with the Chief Secretary, it was stated that the Department will transfer surplus houses to the General Administration Department who will allot them to ensure the utilisation of the constructed houses.

The matter was reported to the Government in April 2009 and their reply has not been received (November 2009).

2.2 *Unfruitful expenditure*

Failure to ensure the availability of sufficient funds for construction of a girls hostel building at Mizoram Hindi Training College Complex, Aizawl resulted in non-completion of work for more than seven years, rendering the entire expenditure of Rs.25.59 lakh unfruitful.

As per general applicable rules, the project implemented by the State Government against the central assistance is required to be completed within the specified period as soon as the central assistance is received, so that objectives of the central assistance are achieved.

Under the Central Plan Scheme of “financial assistance for appointment and training of Hindi teachers in Non-Hindi speaking States/UTs”, the Union Ministry of Human Resource Development (MHRD), Department of Education released during 1999-2002, a central assistance of Rs.95 lakh for construction of Hostels for girls and boys student in the Mizoram Hindi Training Complex (MHTC), Aizawl. The funds were transferred to Public Works Department (PWD) for execution of the works.

Scrutiny (December 2008) of records of the Principal, MHTC, Aizawl and information collected from Executive Engineer, Project Division–III, PWD, Aizawl revealed that the construction of girls hostel was commenced in May 2001 at a cost of Rs.49.57 lakh with stipulated date of completion in December 2002. The work, however, remained suspended from November 2002 to November 2009 after casting of roof and partial construction of the building at a cost of Rs.25.59 lakh, due to shortage of funds caused due to taking up of works other² than those approved on the request of the Principal of the College and the Minister of the Department. The Department was, thus, forced to accommodate the girl students in administrative block upto 2006 and in the boys hostel thereafter.

² Two additional floors, computer room, audio visual tech room, cafeteria etc.

It was further revealed that despite receipt of additional central assistance of Rs.1.43 crore (Rs.91.17 lakh in December 2003 and Rs.51.95 lakh in February 2008) for early completion of the girls hostel with other incomplete works in the MHTC Complex, the Department did not utilise any fund out of this additional resources for early completion of girls hostel as of November 2009.

Thus, due to poor planning and enlarging the scope of work without ensuring the availability of sufficient funds, the work remained incomplete even after lapse of seven years after incurring expenditure of Rs.25.59 lakh, defeating thereby the basic objectives of providing appropriate hostel facilities to the girl students.

The matter was reported (January 2009) to the Government which stated (October 2009) that the fund received (February 2008) from the GOI was released (March 2009) to the executing agency with delay due to budgetary procedures for transfer of funds. The reply is not acceptable since the Department did not take any initiative for completion of the building after December 2003 with the available additional central assistance of Rs.1.43 crore. The delay in release of funds after receipt of further sanction in February 2008 is attributable to the Department/PWD which delayed the release of funds to the executing division. The Department should have also pursued the matter with the PWD for early completion of work.

In a meeting held (November 2009) with the Chief Secretary, the Chief Engineer (Planning) PWD informed that work will be completed shortly.

SPORTS AND YOUTH SERVICES DEPARTMENT

2.3 *Unproductive expenditure and avoidable payment of house rent*

The Mizoram State Sports Council incurred an avoidable expenditure of Rs.14.84 lakh towards payment of rent on a hired building, besides unproductive expenditure of Rs.47.78 lakh incurred for construction of office building.

Under the Scheme “Development of Sports Infrastructure and Promotion of Sports and Youth Activities in the North East Region”, the North Eastern Council (NEC), Shillong accorded (March 2003) administrative approval of Rs.4.64 crore for construction of Ramhlun Sports Composite Complex. Out of which, Rs.44.49 lakh was earmarked for construction of a three-storied office building to accommodate 50 staff and officers of the Mizoram State Sports Council (MSSC), Aizawl. The entire funds were released by the NEC during March 2003 to March 2005.

Scrutiny (January 2009) of records of the Directorate of Sports and Youth Services, Mizoram, Aizawl revealed that the said office building was completed in May 2005 at an expenditure of Rs.47.78 lakh. But, even after completion of office building at Ramhlun Sports Composite Complex in May 2005, the MSSC had not shifted its office to its new building and continues to function in a rented building at Aizawl from June 2005 onwards with a monthly rent of Rs. 28,000 per month, on the plea that the building was too small to accommodate all the staff and officers of the Council and also due to non-availability of conference hall in the building.

The State Government (Sports and Youth Services Department) in their reply stated (September 2009) that the new building was not occupied for official accommodation as some registered sports associations requested not to shift therein as it was not easily accessible due to its remote location without any connectivity through city bus route. The contention of the Department/Government is, however, not acceptable as the building was constructed at the site selected by the Government and which was designed to accommodate the entire 50 staff and officers of the MSSC as approved by the NEC. This should have been considered prior to taking up of the work.

Thus, due to faulty planning and the resultant failure to utilise its own office building, the entire expenditure of Rs.47.78 lakh has not only remained unproductive but also the Department incurred an avoidable expenditure of Rs.14.84 lakh³ towards rent of the private building (October 2009).

In the meeting held (November 2009) with the Chief Secretary, the Departmental Secretary assured that part of the Office of MSSC will be considered for shifting to the newly constructed building.

³ From June 2005 to October 2009 = 53 months X Rs.28,000 per month = Rs.14,84,000/-

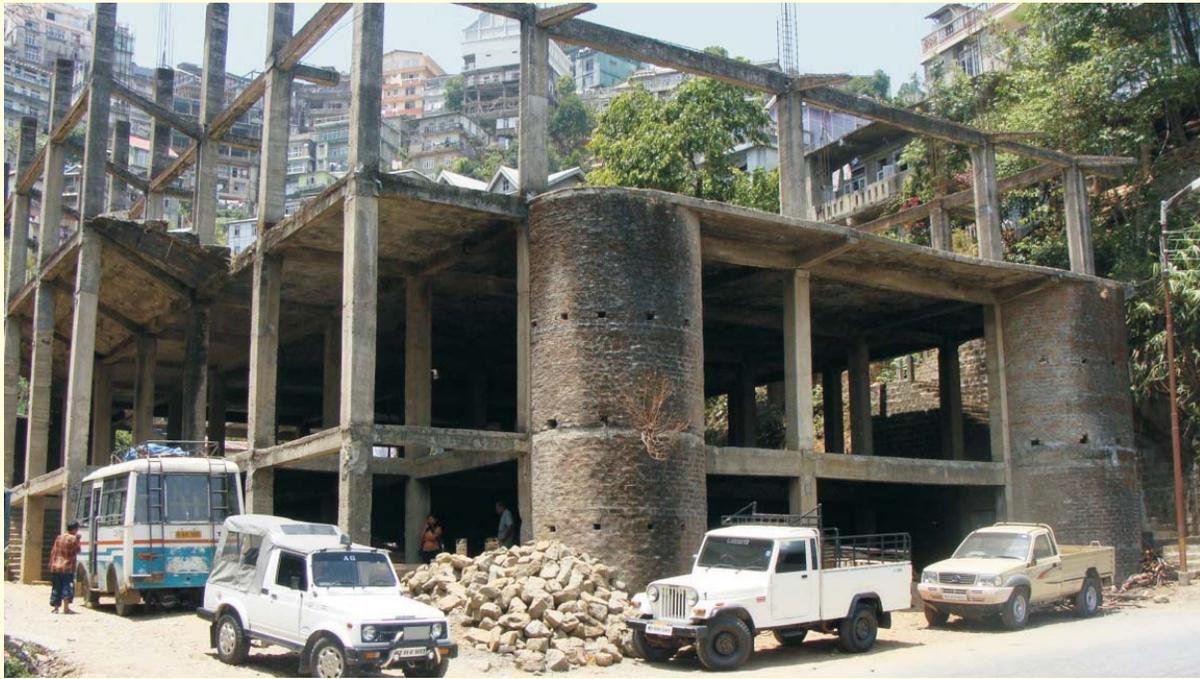
2.4 Wasteful expenditure

Due to poor execution of work at the Indoor Stadium at Ramhlun, Aizawl, the entire amount of Rs.57.35 lakh incurred became wasteful. The Department also could not recover the amount of Rs.53.04 lakh from the contractor in the absence of a proper agreement.

In 2002-03, the Union Ministry of Youth Affairs and Sports approved construction of an Indoor Stadium at Ramhlun, Aizawl at an estimated cost of Rs.1.20 crore, of which Rs.90 lakh and Rs.30 lakh were to be borne by the Central and the State Government respectively. The GOI released Rs.60 lakh during 2003-05 and the State Government released an amount of Rs.90 lakh to the Mizoram State Sports Council (MSSC) including Rs.30 lakh as State's share during 2003-07. The MSSC, however, spent only Rs.57.35 lakh, against which they submitted utilisation certificate in December 2007.

Scrutiny (January 2009) of records of the Directorate of Sports and Youth Services, Mizoram, Aizawl and further information collected from the MSSC, an autonomous body under the Department, revealed that the MSSC awarded (May 2003) the work order for construction of indoor stadium to a contractor at tendered value of Rs.86.75 lakh with scheduled date of completion in December 2004. No written agreement was entered with the contractor before awarding the work order. The MSSC, however, without technically supervising the execution of work to ensure structural worthiness of the ongoing construction works of the building, released a total amount of Rs.53.04 lakh (May 2003 to June 2007) on 61 *per cent* physical achievement of the work. Besides, the MSSC incurred a miscellaneous expenditure of Rs.4.31 lakh on the project.

In July 2007, physical verification of the construction work was carried out by an expert team of the Public Works Department (PWD) constituted by the Chief Engineer (Buildings), PWD. The expert team observed that the existing structure of the building except below the plinth level was not structure worthy for public gathering due to various factor like lack in supervision, inconformity with the structural drawings, poor quality of execution, resultant cracks in beams and slabs etc. The expert team recommended (July 2007) for demolition of the building except the existing structure below the plinth level. The ongoing construction had since been discontinued but has not yet been demolished (November 2009).



(A view of incomplete building of the Indoor Stadium, Ramhlun, Aizawl)

Thus, due to failure of the Department to exercise proper supervision and execution of poor quality of work, most of the expenditure of Rs.57.35 lakh proved wasteful as the building is to be demolished. As a result, the population of Aizawl has been deprived of much needed sporting infrastructure.

The Government while accepting the release of Rs.53.04 lakh to the contractor stated (September 2009) that the unspent balance of Rs.32.65 lakh⁴ (out of the total allocated grant of Rs.90 lakh will be used after receipt of balance grant from the Government of India. The Government further stated that the work has already been transferred to the PWD. The reply is, however, silent about the action initiated, if any, for recovery of amount with penal action against the contractor or initiation of any action against the officials of MSSC who did not exercise proper supervision of the work. Interestingly, the copy of the agreement forwarded along with the Government reply is a blank document without names of the contracting parties.

In the meeting held (November 2009) with the Chief Secretary, the Secretary of the Department assured that MSSC shall take appropriate action including proceedings for recoverable amount from the Contractor.

⁴ Rs.90 lakh – (Rs.53.04 lakh + Rs.4.31 lakh) = Rs.32.65 lakh

ANIMAL HUSBANDRY AND VETERINARY DEPARTMENT

2.5 *Extra avoidable expenditure*

Department incurred an irregular expenditure of Rs.44.26 lakh including an extra avoidable expenditure of Rs.8.49 lakh on procurement of Corrugated Galvanised Iron sheets.

Public Works Department (PWD) of the State in their Schedule of Rate (SOR) 2003 specified unit rate of Rs.445.40 per square meter to complete the item of work for providing 0.63 mm thickness Corrugated Galvanised Iron (GCI) sheet roofing with fixing and other allied materials. An analysis of the said unit rate by the Executive Engineer, PWD Project Division-I, Aizawl, based on CPWD analysis of rates revealed that cost of required GCI sheet comes to Rs.360 per square meter out of specified unit cost of Rs.445.40 as indicated above. The remaining amount of Rs.85.40 is meant for cost of labour and other allied materials.

Scrutiny (April 2009) of records of the Directorate of Animal Husbandry and Veterinary Department however, revealed that under the scheme Bamboo Flowering and Famine Combat Scheme (BAFFACOS), the Department during 2004-05 to 2005-06 procured 9936.782 square meter of GCI sheets (0.63 mm) from a local dealer by incurring an expenditure of Rs.44.26 lakh, at the rate of Rs.445.40 per square meter. The GCI sheets so procured without allied materials were distributed in kind to beneficiaries under the scheme for roofing of their animal houses. These GCI sheets costing Rs.44.26 lakh were purchased without observing any codal formalities to ascertain the lowest competitive market rates. The purchases were not supported by the supply orders.

The cost of 9936.782 square meter of GCI sheets at the rate of Rs.360 per square meter works to Rs.35.77 lakh only. But, instead of paying of Rs.35.77 lakh, the Department irregularly paid an amount of Rs.44.26 lakh to the supplier. The Department thus, incurred an irregular expenditure of Rs.44.26 lakh⁵ including an avoidable extra expenditure of Rs.8.49 lakh on procurement of these GCI sheets. The Director clarified (April 2009) that the purchase was resorted to from the local dealer, who was willing to supply the material as per approved rate contained in the SOR 2003. The reply is incorrect as the rate in the SOR was for completion of the item of work inclusive of cost of material and labour.

The matter was reported (June 2009) to the Government. The Government in their reply insisted (July 2009) that neither a part of money nor the roofing materials had been misappropriated as the GCI Sheet was purchased @ Rs.445.40 per sq. mt. which was an approved rate under

⁵ 9936.782 sq. mt. of GCI Sheets X Rs.445.40 per sq. mt. = Rs. 44,25,843/-

SOR 2003 and the cost of materials as already received by the supplier and materials were issued to the beneficiaries. The Government also stated that the codal formalities could not be observed as the materials had to be procured in time to complete the project. The reply is incorrect as the unit rate of Rs.445.40 per sq. mt. of GCI Sheet was inclusive of Rs.85.40 meant for cost of labour and other allied materials. The purchases were made over a period of one year from March 2005 to March 2006 and hence the reply that procedures could not be followed due to lack of time is not acceptable. On further enquiry by Audit, the Director of the Department categorically stated (November 2009) that the Department did not procure any other materials other than GCI Sheets from the concerned supplier during 2004-05 to 2005-06. Thus, the excess expenditure of Rs.8.49 lakh stands recoverable.

RURAL DEVELOPMENT DEPARTMENT

2.6 *Temporary misappropriation/non-accountal of Government Money*

Failure to comply with the basic principles of financial discipline on the part of DDOs facilitated temporary misappropriation/non-accountal of funds of Rs.43.40 lakh.

Central Government Account (Receipts and Payments Rules), 1983 which is followed by the State Government, *inter alia*, provides that:

(a) No money is to be drawn from the Government Treasury, unless it is required for immediate disbursement; (b) a Government officer supplied with funds for expenditure shall be responsible for seeing that payments are made to persons entitled to receive them; and (c) all monetary transactions should be entered in the cash book as soon as they occurred and attested by the Head of the Office as a token of check.

Scrutiny (April 2009) of records of the Director, Rural Development Department (DRDD), Mizoram, Aizawl revealed that failure to comply with the basic principles of financial discipline on the part of DDOs facilitated temporary misappropriation and misuse of funds, as discussed below:-

- (i) Out of available bank balances, which was retained in the bank after drawal (departmental drawals) from the Government Treasury, the DDO allowed (July 2007) the cashier to draw an amount of Rupees three lakh for his/her use. The drawal was also not entered in cash book. On the matter being pointed out (June 2009), the Department while accepting the fact (November 2009) stated that it was drawn to meet urgent requirement and is to be recovered. The money is yet to be recovered (November 2009). Thus, non recovery of Rupees three lakh and keeping it out of the Government Account for a period over two years resulted in temporary misappropriation of public money.

- (ii) Again, on 23 July 2007 and 24 October 2008 an amount of Rs.15.34 lakh and Rs.7.03 lakh respectively were unauthorisedly disbursed by the cashier from undisbursed cash to its staff and officers for some other unspecified purposes without entering the transaction into the cash book. When the matter was pointed out (June 2009) by audit, the Department stated (October 2009) that with all possible efforts, they recovered an amount of Rs.14.22 lakh (out of Rs.15.34 lakh) leaving an unrecovered amount (November 2009) of Rs.1.12 lakh. Further, as regard to unauthorised advances of Rs.7.03 lakh, the Department stated (May 2009) that the details of advances so paid to some individuals could not be furnished to audit due to the fact that records related to advance payment were destroyed. The Department has not intimated (November 2009) any action for recovery of the amount of Rs.7.03 lakh.

Thus, unauthorised disbursement of advances from the undisbursed cash resulted in temporary misappropriation of Rs.22.37 lakh, for a period of over two years, of which Rs.8.15 lakh have not been recovered as of November 2009.

- (iii) The State Government (Finance Department) in March 1992 allowed as a special case to deposit the New Land Use Policy (NLUP) money by way of opening of an account in the SBI. The Department however, unauthorisedly operated four⁶ more saving accounts without obtaining any approval from the Finance Department. In the five bank accounts so operated, the Department used to deposit from time to time the funds drawn from the Government Treasury in respect of schemes other than NLUP. The transactions pertaining to five Bank accounts were neither recorded in the cash book by the way of double entry system nor did the Department maintain separate subsidiary cash book for operation of Bank accounts. The bank balances were also not reconciled (November 2009). While admitting the facts, Department stated (November 2009) that in pursuance of the decision taken (August 2009) by the Finance Department, the four Bank accounts (SBI – 1 no., Vijaya Bank – 1 no. and Mizoram Rural Bank – 2 nos.) have been closed from 26 August 2009. However, on verification (November 2009) by audit, only three bank accounts⁷ were found to be closed.
- (iv) Audit noticed that the Department earned (upto August 2009) an amount of Rs.18.03 lakh as bank interest out of five Saving Accounts. But, the entire amount of Rs.18.03 lakh remain unaccounted (November 2009) in the cash book. Keeping the money out of Government Account, without entering into relevant cash books, is fraught with risk of misappropriation.

⁶ SBI – 1 nos., Vijaya Bank – 1 no. and Mizoram Rural Bank – 2 nos.

⁷ SBI – 1 no., Vijaya Bank – 1 no. and Mizoram Rural Bank – 1 no.

In a meeting held (November 2009) with the Chief Secretary, the Departmental Secretary assured that the interest earned will be deposited to Government Account, besides ensuring proper maintenance of cash books and conduct of bank reconciliation.

2.7 *Doubtful expenditure*

Doubtful expenditure of Rs.9.71 crore incurred in district Serchhip under National Rural Employment Guarantee Scheme (NREGS).

The National Rural Employment Guarantee Act (NREGA), 2005 was introduced by the Government of India to enhance the livelihood security of households in rural areas by providing for 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. Creation of durable assets and strengthening the livelihood resource base of the rural poor is an important objective of the scheme. It also stipulates that it shall be the duty of the Gram Panchayat to register the household, after making such inquiry as it deems fit and issue a job card whereas the Operational Guidelines provide that the application for registration may be given on plain paper to the local Gram Panchayat. Further, the applications for works can be submitted in writing either to the Gram Panchayat or to the Programme Officer, as may be specified in the Scheme.

The implementation of National Rural Employment Guarantee Scheme (NREGS) was introduced in the Serchhip district in 2008-09 with receipt of Rs.10.64 crore (GOI Rs.9.73 crore, State Government Rs.0.91 crore) and an expenditure of Rs.9.71 crore was incurred under the scheme during the year.

Audit conducted during July and August, 2009 on the implementation of NREGS at Serchhip District for the year 2008-09 noticed that neither written applications as stipulated in the guidelines for registration had been obtained nor Application Registration Register were maintained in the test checked 10 Village Councils⁸. Further, there were neither any written application for works nor Employment Registers were maintained.

The District Authority replied (November 2009) that registration have been done in an oral mode and admitted that written applications for work have not been obtained and people were assigned work based on supply mode instead of being provided work as per their demand which has rendered the subsequent expenditure incurred on the implementation as irregular and doubtful.

⁸ 1) Serchhip, 2) Chiatatlang, 3) Thenzawl, 4) Keitum, 5) Bungthang, 6) Chhingchhip, 7) North Vanlaiphai, 8) Khawlailung, 9) Khumtung and 10) Baktawng

Further, it was noticed that against the procedure prescribed in the Operational Guidelines -

- District Perspective Plan was absent.
- Annual Action Plan was not supported by any technical estimates.
- Works were executed without detailed survey and without preparation of estimates.
- Almost all the works executed under NREGS during 2008-09 were earth works mainly construction of kutcha roads and none of these roads constructed were completed (August 2009) affecting inter villages linked communication.
- There was no provision of side drains either in the estimates or the work orders of these kutcha roads stated to have been constructed under NREGS. These roads in the absence of the side drains are likely to be washed away in the rains.



(A view of the ongoing construction of kutcha road under NREGS in District Serchhip)

- In Serchhip block, all payment of wages made through Muster Rolls (MRs) in 2008-09 were paid under the rubber-facsimile signature of the BDO without inserting any date. In East Lungdar Block, use of correcting fluids without authentication on the amount paid were also noticed and no date of payment was also recorded in the MRs. Due to the above, the authenticity of the genuineness of the MRs is doubtful.
- Employment ranging from 7 days to 65 days only (against minimum 100 days) was reportedly provided in the district despite having sufficient unspent fund (Rs.93 lakh) as of 31 March 2009.

- Issue of bogus job cards by the Village Council Presidents (VCPs) was admitted by the BDO, East Lungdar block. Further, job cards are now being issued from block offices in the district (November 2009).
- BDO, East Lungdar Block did not submit the Monthly Progress Report (MPR) during 2008-09 while DRDA had been submitting achievement reports to the Government of India without ascertaining the actual position of works and expenditure from East Lungdar block.

The District Authority stated that Annual Action Plan was prepared without estimates due to lack of technical persons and Asset Registers were stated to be distributed to all the Village Councils. It was also informed that information regarding MPR was collected telephonically and was not documented. The Asset Registers were not found maintained (November 2009).

Thus, the expenditure of Rs.9.71 crore on execution of works under NREGS is doubtful in absence of any documented demand for employment and shortcomings noticed in execution and maintenance of records.

The matter was reported to the Government in September 2009 and their reply has not been received (November 2009).

INDUSTRIES DEPARTMENT

2.8 *Unfruitful expenditure*

Execution of works without proper survey resulted in infructuous expenditure of Rs.1.67 crore.

Under the provisions of Section 2(ii) of the Forest (Conservation) Act, 1980 as amended in 1988, no State Government or other authority can, except with the prior approval of the Central Government, utilise any forest land or portion thereof for any non-forestry purpose.

During scrutiny (August 2008) of records (November 2006 to July 2008) of the Directorate of Industries, Mizoram it was noticed that:

- (i) The Department without approaching the State Forest Department for obtaining prior approval from the Government of India, constructed a Bamboo Industrial Centre for Export (BICE) and Bamboo Chipping Clusters at Bungthuum village (Kanhmun area), which falls

within the Tut-Langkaih Reserved Forest, between December 2006 and June 2007 at a total expenditure of Rs.1.26 crore under the Centrally Sponsored Scheme of Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE). Besides, the Department also spent Rs.41 lakh during April – May 2008 towards purchase of Weigh Bridge, construction of stockyards etc.

(ii) It was further noticed that the concerned Divisional Forest Officer, Kawrthah Forest Division directed the Industries Department to stop all operations of the said ongoing Bamboo chipping unit at Bungthuam, as the unit was being installed inside Tut-Langkaih Reserved Forest without prior permission of the Central Government. The project could not be commissioned (November 2009), primarily due to restriction imposed by the State Forest Department.

Thus, due to unauthorised utilisation of reserved forests without obtaining approval from the Government of India, the entire expenditure of Rs.1.67 crore became infructuous. It was also noticed that even after receiving instructions from the State Forest Department (October 2007), the Department had not taken any action for obtaining the mandatory and ex-post-facto approval from the Government of India (December 2008) through the State Government.

The matter was reported to the Government in December 2008 and June 2009; the Government in their reply forwarded (July 2009) some records, claiming that the chipping cluster at Bungthuam unit was constructed at the land owned by some private person. The reply is not acceptable since the Forest Department had not issued any 'No Objection Certificate' (NOC) to the concerned Land Revenue & Settlement Department for issue of settlement certificates inside the reserved forest area as required under Forest Conservation Act, 1980 and Mizoram Forest Act, 1955.

GENERAL ADMINISTRATION DEPARTMENT

2.9 *Loss of public money*

Due to handing over the charge of the fuel pump to the IOC Ltd., without realising cost of balance ATF of 54.82 KL, the Government incurred a loss of Rs.40.44 lakh.

The State Government General Administration Department (GAD) Civil Aviation Wing operated one Fuel Pump at Lengpui Airport for refueling civil aircrafts with Aviation Turbine Fuel (ATF) from inception of the Airport to 9 October 2008. Thereafter, the Indian Oil Corporation Ltd. (IOC Ltd.) took over the charge of the fuel pump from 10 October 2008 onwards.

The ATF was procured by the Department from Silchar (Assam) branch of IOC Ltd. with advance payment on the basis of proforma bills raised by the Company.

Scrutiny of records (July 2009) of the GAD, Civil Aviation Wing showed the following stock position of the ATF from 1 June 2004 to 9 October 2008 at the fuel pump:-

Table : 2.1

	(In KL)
(i) Opening stock (as on 1 June 2004)	14.00
(ii) ATF procured (during 1 June 2004 to 9 October 2008)	1869.00
Total Stock	1883.00
(iii) Fuel sold between 1 June 2004 and 9 October 2008	1826.68
Balance Stock (as of 10 October 2009)	56.32

Source: Departmental records.

It would be evident from the above table that the fuel pump would have had a balance stock of 56.32 KL of ATF as of 10 October 2009. But the Department handed over the charge of fuel pump to the IOC Ltd. on 10 October 2008 without any handing over/taking over of the balance stock.

Thus, due to handing over of the charge of the fuel pump to the company, without realising its balance stock, the Government has incurred a loss of Rs.41.55 lakh. The money had not been realised as of November 2009.

The Government in their reply stated (September 2009) that there was no shortfall of ATF due to the following facts-

- (a) loss of 1.5 KL of ATF occurred in refueling operations due to the evaporation loss on variation of temperature, accidental spillage while handing ATF etc. during last four years;
- (b) cost of loss of 56.32 KL of ATF is to be calculated at Rs.21.14 lakh with average price of Rs. 37,530 per KL based on variable invoice price during last four years instead of last invoice price of Rs. 73,770 per KL; and
- (c) the Department have only an outstanding recoverable balance of Rs.20 lakh from the IOC Ltd. against the advance deposited with them for supply of ATF before handing over of the Fuel Pump. In support of recovery of amount, the Department furnished an isolated letter dated March 2009 addressed to the IOC Ltd. without any details of short supply, if any therein.

The reply of the Government is not acceptable, as (i) balance stock of 56.32 KL of ATF was calculated based on authenticated figures furnished by the Departments; (ii) the closing stock at

the time of transfer is to be valued at prevailing price only and not on average price for last four years; (iii) if loss of 1.5 KL of ATF occurred due to evaporation etc. is reduced from the balance stock of 56.32 KL as worked out above, the total losses comes to 54.82 KL against which an amount of Rs.40.44 lakh is recoverable at prevailing prices which has not yet been recovered (November 2009); and (iv) the correspondence letter with IOC Ltd. did not contain any facts and figures.

In a meeting held (November 2009) with the Chief Secretary, the departmental official informed that records between the IOC Ltd. and the Department are being reconciled, but the result of reconciliation has not been furnished (November 2009).

2.10 Loss of public money

Due to irregular acquisition of a plot of land from a pass holder, the department sustained a loss of Rs.10 lakh.

Land Acquisition ACT, 1894, as amended, extends to the entire country except the State of Jammu and Kashmir. It provides that wherever any Government requires land in any locality for public purposes, the land should be acquisitioned through a formal process culminating in an award through the Deputy Commissioner of a district, who is appointed by the appropriate Government as Collector to perform the functions under the Act.

Further, as per Award pronounced by the Collector, Aizawl District under Award No.4 of 2001 in a separate case and Collector's clarification (April 2008) to the State Government in relation to land acquisition matters, only holders of Land Settlement Certificates (LSCs) from State Land Revenue and Settlement Department have the right to claim land valuation/compensation, as the land have been permanently settled in their favour. Holders of passes from Village Councils are not given transferrable and ownership rights and therefore, claims for compensation by pass holders can not be considered.

Audit Scrutiny (July 2009) of records of the General Administration Department (GAD) Civil Aviation Wing, however, revealed that in violation of the above procedures, the Department unauthorisedly disbursed (June 2008) land compensation amount of Rs.10 lakh to a Village Council pass-holder in Lengpui airport area for purchase of a plot of land for construction of a playground at its own level. The land so purchased was neither demarcated with proper boundaries nor was it measured. The Department also could not convert the right of the land in their favour as of July 2009 by obtaining a Land Settlement Certificate from Land Revenue and Settlement Department due to purchase of the same from a pass holder without any formal process through the Collector.

Thus, due to irregular payment for acquisition of land from a pass-holder the Department could not convert the right of the land in their favour and thereby sustained a loss of Rs.10 lakh.

The matter was reported to the Department (July 2009) and the Government (August 2009). In their reply, Government stated (September 2009) that the Department is initiating process to convert pass into a LSC. But, the reply was silent about unauthorised disbursement of land compensation to a pass holder.

In a meeting held (November 2009) with the Chief Secretary, the Department agreed to examine the issue *ab initio* and see if the amount could be recovered.

PUBLIC WORKS DEPARTMENT

2.11 Wasteful expenditure

Due to defective/substandard work, the expenditure of Rs.33.64 lakh remained wasteful.

CPWD Manual provides that during progress of work, the field level technical staff should point out the defects in the work so that concerned Executive Engineer may take timely action to issue notices to the contractor either to rectify the defects or even get the work dismantled and redone, if necessary. Further, the Manual provides that acceptance of work below specifications and payment of reduced rates should be resorted to only for those items where it is structurally impossible to get the work redone.

Scrutiny (February 2009) of records of the Executive Engineer, Public Works Department (PWD), NH-Division-II, Aizawl revealed that a work "Construction of Pucca Side Drain at Essential Places" at approach road to Chalfilh (Vanzau) tourist centre, financed by the North Eastern Council (NEC) was awarded (April 2007) to a contractor⁹ at a total cost of Rs.44.39 lakh with stipulated scheduled date of completion in August 2007. Against the total bill of quantity of 11,720 cum, the contractor executed 1,056.49 cum of work during May to November 2007. Out of which, the 1st Running Account (RA) Bill for the work covering of 609.35 cum of Plain Concrete Cement (PCC) works amounting to Rs.22.29 lakh was disbursed to the Contractor in September 2007 as per approved rates (Rs.3,658.58 per cum). But, the Chief Engineer, PWD Highway, Mizoram during site inspections found the entire work to be substandard and not acceptable and accordingly ordered (November 2007/ March 2007) for dismantling and reconstruction of the work as per approved specifications at the risk and cost of Contractor. The Executive

⁹ Shri Ramthanmawia, Laiputlang, Aizawl.

Engineer, however, contrary to the Chief Engineer's orders and without resorting to reconstruction of the work at contractor's cost irregularly released (January 2009) the payment for balance work (447.14 Cum) at reduced rate of Rs.11.35 lakh¹⁰. The Executive Engineer did not even make adjustment by applying the reduced rate against payment (Rs.22.29 lakh) made in the 1st RA Bill of 609.35 cum of PCC works at the time of finalisation, thereby paying an excess amount of Rs.6.83 lakh¹¹.

Despite the fact that it was possible to redo the work and provision of CPWD Manual for payment at reduced rate for substandard work was not applicable, the Executive Engineer irregularly foreclosed the contract without resorting to reconstruction of work at contractor's cost. The action of the Executive Engineer of paying for the balance work at the reduced rate has rendered the entire PCC work of 1,056.49 cum involving payment of Rs.33.64 lakh¹² wasteful.

The Government in their reply stated (October 2009) that as per Chief Engineer's instructions work have been rectified wherever possible but it is inconvenient to rectify the entire substandard executed work. The reply is not acceptable as the Executive Engineer had not taken any action to get the entire substandard work dismantled and get it redone at the risk and cost of contractor.

SOIL AND WATER CONSERVATION DEPARTMENT

2.12 *Unfruitful expenditure*

Under NEC sponsored schemes the Department incurred an unfruitful expenditure of Rs.26.69 lakh on plantation of 98 hectares.

Under Integrated Agriculture Development Intensive Cultivation Scheme, the North Eastern Council (NEC) administratively approved a project proposal for "Large Cardamom Plantation" to be implemented by Soil and Water Conservation Department through Mara Autonomous District Council (MADC) at a cost of Rs.2.14 crore in 2002-03 with 90 *per cent* grant and 10 *per cent* loan. The scheme aimed at checking the old practice of shifting cultivation and promoting the economic development of village community with optimum utilisation of land.

The funds released by the NEC in four installments during 2002-05 were drawn by the Director of Soil and Water Conservation and disbursed to MADC. The entire amount of Rs.2.14 crore was spent by the MADC during 2003-06.

¹⁰ 447.14 cum X reduced rate @ Rs.2,537.88 per cum = Rs. 11,34,788

¹¹ (Approved rate @ Rs.3,658.58 – reduced rate Rs.2,537.88) = Rs.1,120.7 X 609.35 cum = Rs. 6,82,899

¹² (Rs.22.29 lakh + Rs.11.35 lakh) = Rs.33.64 lakh

Scrutiny of records made available by the Director of the Department revealed that against the targeted coverage of 800 hectares of Large Cardamom plantations, only 760 hectares was achieved during 2003-06 after incurring an expenditure of Rs.2.07 crore. The remaining Rupees seven lakh was spent for construction of seven drying chambers under the scheme.

On December 2005 the Divisional Officer (DO), Soil and Water Conservation Department, Lawngtlai conducted a physical spot verification of the plantation area covering 200 hectares in 9 villages with 100 beneficiaries. An examination of spot verification report, submitted (December 2005) by the DO, Lawngtlai to the Director of the Department revealed that out of 200 hectares, not a single plantation survived in the following three villages covering 98 hectares.

Table : 2.2

Name of the Village	Plantation area (in hectares)	Nos. of beneficiaries
Chakhang	56	28
Zawngling	20	10
Tuisih	22	11
Total	98	49

Source: Departmental Records.

The report attributed reasons for non-survival of a single plantation to supply of bad quality of seedlings by MADC. Thus, the entire expenditure of Rs.26.69 lakh¹³ spent towards plantation of 98 hectares remained unfruitful.

The matter was reported (August 2009) to the Department and Government. The Government in their reply stated (October 2009) that the casualty of plants in the field occurred subsequently due to cattle/mithun damage and dry condition of the soil, which is not acceptable due to the fact stated above that spot verification report submitted (December 2005) by the Divisional Officer attributed the reason for non-survival to supply of bad quality of seedlings by the MADC.

Regularity issues and other points

General

2.13 Follow up of Audit Reports

Non-submission of *suo moto* Action Taken Notes

With a view to ensuring accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Public Accounts Committee (PAC), issued (May 2000) instructions for submission of *suo moto* replies on all paragraphs and reviews featured in the Audit Report

¹³ {(Rs.214 lakh – Rs.7.00 lakh) X 98 hectares} ÷ 760 hectares = Rs.26.69 lakh

within three months of its presentation to the legislature. For submission of the Action Taken Notes (ATNs) on its recommendations, the PAC provided six months time.

Review of follow up action on submission of *suo moto* replies and of ATNs as of 31 October 2009 on paragraphs included in the Reports of the Comptroller and Auditor General of India disclosed that the Departments of the State Government had not submitted *suo moto* replies to eight paragraphs/reviews featured in the Audit Reports for the years 2006-07 and 2007-08, as mentioned below:

Table: 2.3

Year of Audit Report	Date of presentation of the Audit Report to the Legislature	Number of paragraphs/ reviews included in the Audit Report (excluding standard paragraphs)	Total number of paragraphs and reviews for which <i>suo moto</i> explanatory notes are awaited	Number of Departments
2006-07	01-04-2008	10	02	02
2007-08	21-07-2009	13	06	06
Total		23	08	08

Source: Legislative Assembly secretariat

Thus, due to the failure of the respective Departments to comply with the instructions of the PAC, the objective of ensuring accountability of the executive remained inadequate.

2.14 Response to audit observations and compliance thereof by the Executive

Accountant General (AG) (Audit) conducts periodical inspection of Government Departments to test check the transactions and verify the maintenance of significant accounting and other records as per the prescribed rules and procedures. These inspections are followed by Inspection Reports (IRs) issued to the Heads of Offices inspected, with a copy to the next higher authorities. Rules/orders of the Government provide for prompt response by the Executive to the IRs issued by the AG to ensure corrective action in compliance with the prescribed rules and procedures and accountability for the deficiencies, lapses, etc., noticed during his inspection. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the AG. Serious irregularities are also brought to the notice of the Head of the Department by the Office of the AG.

A review of IRs issued during 1995-2009 revealed that 263 paragraphs relating to 61 IRs remained outstanding as of March 2009. No audit committee meeting was held during 2008-09.