CHAPTER-I

SOCIAL SECTOR

1.1 Introduction

This Chapter of the Audit report for the year ended 31 March 2012 deals with the findings on audit of the State Government under Social Sector.

The names of the State Government Departments and the total budget allocation and expenditure of the State Government under Social Sector during the year 2011-12 are given in the table below:

Table-1.1.1

(₹ in crore)

Sl. No.	Name of the Departments	Total Budget Allocation	Expenditure
1.	School Education	550.32	533.10
2.	Higher and Technical Education	124.27	120.95
3.	Sports and Youth Services	43.66	40.87
4.	Art and Culture	9.53	7.39
5.	Medical and Public Health Services	202.25	186.96
6.	Water Supply and Sanitation (Public Health)	159.88	149.68
7.	Information and Public Relations	7.82	7.48
8.	Personnel & Administrative Reforms	2.37	2.05
9.	Labour and Employment	7.20	6.60
10.	Social Welfare	85.03	79.01
11.	Disaster Management and Rehabilitation	17.83	8.75
12.	Local Administration Department	51.86	39.32
13.	Urban Development & Poverty Alleviation	101.18	82.71
Total		**1363.20**	**1264.87**

Besides the above, the Central Government has been transferring a sizeable amount of funds directly to the implementing agencies under the Social Sector to different Departments of the State Government. The major transfers for implementation of flagship programmes of the Central Government are detailed below:

Table-1.1.2

(₹ in crore)

Name of the Department	Name of the Scheme/Programme	Implementing Agency	Amount of funds transferred during the year
Mizoram State Health Society	National Rural Health Mission (NRHM)	Mizoram State Health Society	33.95
State Water & Sanitary Mission	National Rural Drinking Water Programme	State Water & Sanitary Mission	37.14
State Project Office	Sarva Shiksha Abhiyan	State Project Office	108.14
State Project Office	Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	State Project Office	26.24
SCERT	English Language Teaching Institute (ELTI)	SCERT	23.42

Source: Finance Accounts, Government of Mizoram, 2011-12

1.2 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls *etc*.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the heads of the Departments. The Departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection reports are processed for inclusion in the Audit Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of State under Article 151 of the Constitution of India.

The audits were conducted involving expenditure of ₹ 1,363.20 crore of the State Government under Social sector. The report contains one Chief Controlling based Audit of Local Administration Department and two Transaction Audit Paragraphs.

The major observations detected in audit during the year 2011-12 are given below:

LOCAL ADMINISTRATION DEPARTMENT

1.3 Chief Controlling Officer based Audit of Local Administration Department

Highlights

The Local Administration Department (LAD) is charged with the responsibility of looking after the affairs of the Village Councils (VCs) through District Local Administration Officers in six districts of the State excluding the areas falling under Autonomous District Council (ADC) viz. Lai, Mara and Chakma ADC. The Department is also responsible for timely conduct of General Elections of 725 Village Councils and disbursing remunerations to the members of the Village councils besides monitoring different functions of the VCs in the process of implementation of development works. The LAD is the Nodal Department in initiating democratic de-centralisation. It is also the custodian of detailed information of the population in the Village Council areas. A Chief Controlling Officer based Audit of Local Administration Department revealed positive points especially on the achievements against the year-wise targets set during 2007-12. Shortcomings were, however, noticed in planning, irregular parking of funds, non-release of grants-in–aid to the Village Councils in time, avoidable and extra expenditure, non-recovery of loans from the beneficiaries and poor financial management. The execution of works was not inspected by the Assistant/Executive Engineer to ensure that the quality parameters are complied with for works done through contractors. The Department made procurements beyond the scope of delegated powers by the Head of the Department as well as the District Officers without obtaining the approval of the State Government. Some of the significant audit findings are as under:

The planning process was not based on a bottom up need based approach and the annual plans were formulated in an *adhoc* manner by merely sizing the plan according to the outlay.

(Paragraph 1.3.7)

An amount of ₹ 28.52 crore was parked under the head Civil Deposits to avoid lapse of funds.

(Paragraph 1.3.8.3.1)

Failure in timely repayment of loan along with payment of interest resulted in an extra expenditure of ₹ 1.39 crore from the public exchequer which could have been avoided.

(Paragraph 1.3.8.6)

Splitting up of expenditure sanction to avoid sanction of the Government, the Director LAD and the DLAOs irregularly purchased stationeries and miscellaneous items worth ₹ 0.71 crore, which requires *ex-post-facto* approval of the Government.

(Paragraph 1.3.8.7.1 & 1.3.8.7.2)

There was no short fall in achievements against the year wise targets set during 2007-12 for rendering service to the public through civic amenities besides providing housing loans to the weaker sections of the society.

(Paragraph 1.3.9.1)

Lack of appropriate action resulted in outstanding loan and interest of ₹ 3.65 crore (83 *per cent*) against the loanees.

(Paragraph 1.3.9.2)

In absence of inspection of the completed works by Assistant/Executive Engineer of the Department, the quality parameters of works done could not be ensured.

(Paragraph 1.3.9.3 (ii))

1.3.1 Introduction

The Local Administration Department (LAD) is charged with the responsibility of looking after the affairs of the Village Councils through District Local Administration Officers in six districts[1] of the State excluding the areas falling under Autonomous District Council (ADC) *viz*. Lai, Mara and Chakma ADC. The Department is also responsible for timely conduct of General Elections of 725 Village Councils in six districts and disbursing remunerations to the members of the Village councils besides monitoring different functions of the VCs in the process of implementation of development works. The LAD is the Nodal Department in initiating democratic de-centralisation. It is also a custodian of detailed information of the population under Village Council areas.

As per Allocation of Business Rules, 1987, as amended, the State Government mandated the following business to the LAD:

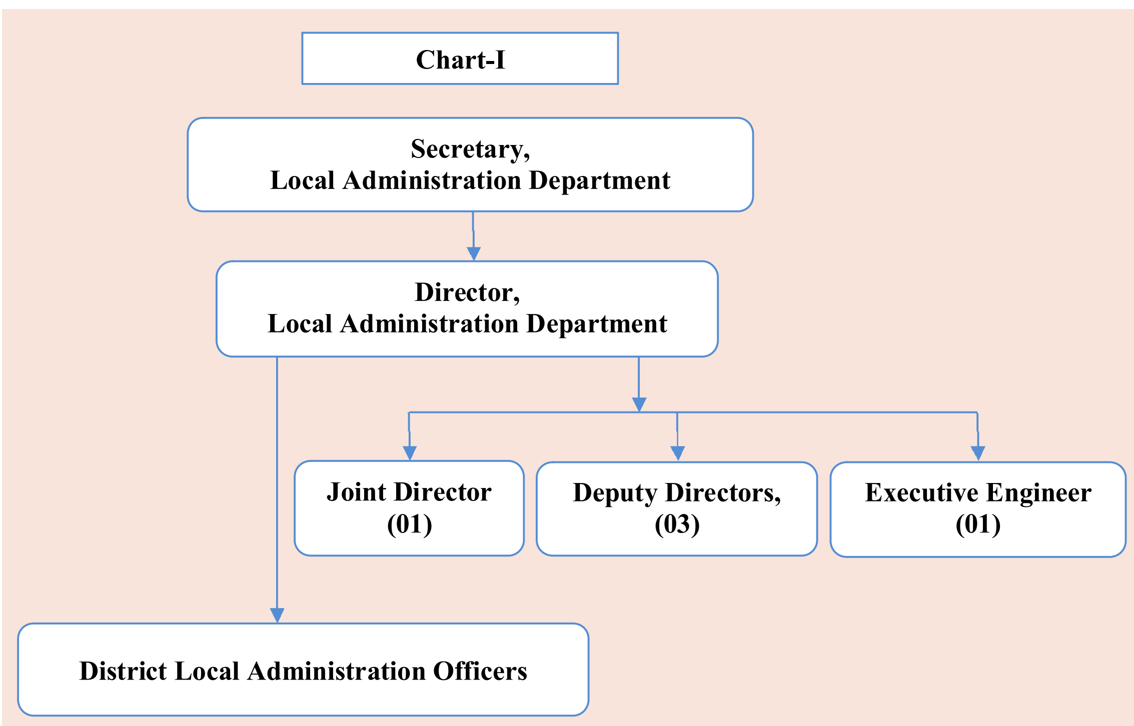
[1] 1. Aizawl, 2. Kolasib, 3. Mamit, 4. Serchhip, 5. Champhai and 6. Lunglei

- Village Council matters and Village Administration;
- Matters relating to Panchayati Raj Institutions;
- Naming of streets, roads and Villages;
- Animal Control and Taxation;
- Housing Assistance and local development under State Plan Fund;
- Parks & Recreation Centre and Aizawl Building Centre; and
- Housing Loan & Advance.

1.3.2 Organizational Structure

The Secretary, LAD is the Administrative head of the Department. The Department is managed through the Director as head of the Department, who is assisted by one Joint Director, three Deputy Directors (one each for Planning, Administration & Accounts) and one Executive Engineer at Directorate Level. At District Level, Six District Local Administration Officers are responsible for implementation of various programmes/works under the Department.

An organogram of the Department is shown below:



1.3.3 Scope of Audit

The functioning of the Department for the period 2007-12 was reviewed in Audit during April-June 2012 through a test check of the records of the Administrative Head of the

Department, Chief Controlling Officer (Director, LAD) of the Department and three[2] District Local Administration Officers (DLAO) (out of six DLAOs), who are responsible for implementation of various programmes besides holding the charge of Drawing and Disbursing Officers.

The audit covered an expenditure of ₹ 144.03 crore (84 *per cent*) out of expenditure of ₹ 170.97 crore incurred by the Department during 2007-12.

1.3.4 Audit Objectives

The objectives of audit were to assess whether:

i. planning and formulation of works were need based;

ii. financial management was adequate and effective;

iii. works were executed economically, efficiently and effectively of works management existed;

iv. monitoring and evaluation system of the Department was adequate and effective;

v. internal controls were adequate and working effectively;

1.3.5 Audit Criteria

Audit criteria used for assessing the performance of the Department which were drawn from the following sources:

- Citizen's charter, 2010, published by the Local Administration Department;
- Government Rules, Notifications, Guidelines and Instructions issued from time to time by the State and the Central Government;
- General Financial Rules;
- Central Treasury Rules;
- Delegation of Financial Powers Rules, 1978, as amended; and
- Guidelines, estimates and sanctions of schemes/works.

1.3.6 Audit Methodology

Before taking up the Chief Controlling Officers (CCO) based Audit an entry conference was held on 10 April 2012 with the Secretary and the Director of the LAD, wherein audit objectives, scope and criteria were discussed. The selection of units was done through simple random sampling basis. The audit methodology also covered field visit by the audit party along with departmental officials for physical verification of assets created. Photographic evidence was also taken to substantiate audit observations. Audit findings were discussed with the departmental officers headed by the Secretary, LAD in an exit conference (October 2012) and replies received from the Government have also been incorporated at appropriate places in the review.

[2] 1) DLAO, Lunglei, 2) DLAO, Champhai and 3) DLAO, Mamit

Audit Findings

Significant audit findings noticed in course of CCO based audit are discussed in the succeeding paragraphs.

1.3.7 Planning

In order to implement the programmes for infrastructure development in the districts and for alleviation of amenities for the benefit of the community at large, a Five year Perspective Plan is required to be formulated by the Department based on comprehensive and credible survey/ data at the Village level from the Village Councils (VCs) through the DLAOs. The survey/ data should pertain to: (i) direct land acquisition for infrastructure development in the districts, (ii) land development to facilitate the formulation of plans for house site, roads, steps *etc.* (iii) number of households under low and middle income group to draw up assessment for grant of housing loan, and (iv) resettlement of villages and internal improvement of village and towns by extension of roads, widening of existing roads and approach road to important places at towns and villages. Work proposals included in the Perspective Plan are to be finalised by the Departmental Committee on priority basis. Annual Plans of works should flow from the perspective plan and conform to the targets set.

Audit observed that while the Department prepared five year perspective plan (2007-12), the same was not approved by the Planning & Programme Implementation Department (State Planning Board). The VCs submitted year-wise proposals to the DLAOs for various development works in the districts under State Plan but the Department finalised Annual Plans (2007-10) in accordance with the allocation of plan outlay fixed by the State Planning Board without taking into consideration the proposals submitted by the VCs. However, Annual Plans for the year 2010-12 prepared by the Department was based on the allocation of plan outlay fixed by the State Planning Board and information collected from the VCs through survey. Some of the main areas covered by the year-wise Annual Plans prepared by the Department are shown below:

i. Land Acquisition and Development.

ii. Construction of buildings, parks & recreation centres.

iii. Construction of approach roads, steps, retaining walls and foot paths.

iv. Grant of housing loan to Middle and Low Income Group beneficiaries.

The Department, however, has not constituted any selection committee for selection of prioritized development works before inclusion in the year wise Annual Plan as required.

Thus, the planning process was not based on a bottom up need based approach and the annual plans were formulated in an *adhoc* manner by merely sizing the plan according to the outlay.

While accepting the facts, the Government stated (October 2012) that the Department prepares draft five year Plan and submit to Planning Department but approval for this five year Plan is never received by the Department. However, when sectoral allocation of various Department is issued by Planning Department, instruction is given to prepare Annual Plan in the size of the fund allocation. Accordingly, Annual Plan is prepared based on the proposals submitted by DLAOs and Directorate. As and when the Annual Plan is approved, allocation of fund is prepared for each DLAO and Director who in turn prepare their proposals on priority basis. Work List for the year has also been prepared since 2010-11. Regarding work Selection Committee, the Government stated that a formal departmental committee for selection of works will be constituted shortly.

1.3.8 Financial Management

1.3.8.1 Preparation of budget

The State Government has not prescribed any Budget Manual of its own for formulating budget estimates by the respective Departments. The LAD follows the procedures prescribed in General Financial Rules for formulating budget proposals. Audit scrutiny of available records revealed that Budget Estimates (BEs) were prepared after receiving plan allocation of respective years from the Planning & Programme Implementation Department (State Planning Board) without taking cognizance of the proposals of the field level Drawing & Disbursing Officers. However, budget estimates on Non-Plan expenditure containing salary component were prepared after consolidating the detailed estimates/data received from each of the DDOs under the CCO.

1.3.8.2 Budget outlay and expenditure

The years-wise budget provision and expenditure incurred thereagainst by the Department during 2007-11 is shown in Table-1.3.1:

Table-1.3.1

(₹ in crore)

Year	Section	Final Grant			Actual Expenditure			Excess (+)/ Savings (-)
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	
2007-08	Revenue	12.70	11.93	24.63	12.58	11.36	23.94	(-) 0.69
	Capital	5.36	-	5.36	3.96	-	3.96	(-) 1.40
Total (2007-08)		**18.06**	**11.93**	**29.99**	**16.54**	**11.36**	**27.90**	**(-) 2.09**
2008-09	Revenue	10.19	14.85	25.04	10.19	14.54	24.73	(-) 0.31
	Capital	3.82	-	3.82	3.28	-	3.28	(-) 0.54
Total (2008-09)		**14.01**	**14.85**	**28.86**	**13.47**	**14.54**	**28.01**	**(-) 0.85**
2009-10	Revenue	9.32	14.34	23.66	9.32	13.41	22.73	(-) 0.93
	Capital	5.05	-	5.05	5.05	-	5.05	-
Total (2009-10)		**14.37**	**14.34**	**28.71**	**14.37**	**13.41**	**27.78**	**(-) 0.93**
2010-11	Revenue	11.75	30.57	42.32	11.75	28.89	40.64	(-) 1.68
	Capital	5.00	-	5.00	5.00	-	5.00	-
Total (2010-11)		**16.75**	**30.57**	**47.32**	**16.75**	**28.89**	**45.64**	**(-) 1.68**
2011-12	Revenue	8.91	34.95	43.86	8.88	24.76	33.64	(-) 10.22
	Capital	8.00	-	8.00	8.00	-	8.00	-
Total (2011-12)		**16.91**	**34.95**	**51.86**	**16.88**	**24.76**	**41.64**	**(-) 10.22**
Grand Total (2007-12)		**80.10**	**106.64**	**186.74**	**78.01**	**92.96**	**170.97**	**(-) 15.77**

Source: Detailed Appropriation Accounts and Departmental figures (for 2011-12)

It can be seen from the above Table-1.3.1 that there were persistent savings ranging between ₹ 0.85 crore to ₹ 10.22 crore during 2007-12. The Department failed to surrender the anticipated savings in time for its utilisation by other Departments and sectors in need of funds.

The Government stated (October 2012) that since the savings were mainly under salary & Finance Commission grant, it could not be utilised for any other purposes.

1.3.8.3 Drawal of fund to avoid Lapse of budget grants

According to Rule 290 of the Central Treasury Rules, Vol.-I, which is being followed by the State Government, no money should be drawn unless it is required for immediate disbursement. Also, as per the said Rule, no money should be drawn at the end of the year to avoid lapse of budget grants.

1.3.8.3.1 Parking of fund in Civil Deposits

It was noticed that contrary to the Rule referred to above, to avoid the lapse of budget grants, the DDO of the Directorate of LAD had drawn an amount aggregating to ₹ 28.52 crore[3] during March ending of every four years 2008 to 2012 and deposited the same under '8443-Civil Deposits'. The fund was drawn for the purpose for preparation of data base and works under TFC, execution of minor works and disbursement of housing loan to the selected beneficiaries. Details of amount drawn and kept in Civil Deposits are shown in the **Appendix-1.3.1.** The amount deposited in Civil Deposits were withdrawn and spent in subsequent years. ₹ 8 crore drawn and kept in Civil Deposits on March 2012 was remaining unspent as of June 2012.

While accepting the facts, the Government stated (October 2012) that fund was parked under Civil Deposit as per instructions received from the Government. It was also stated that out of unspent balance of ₹ 8 crore and amount of ₹ 4 crore was withdrawn from the Civil Deposit and utilised as of October 2012 for the purpose for which it was drawn.

1.3.8.4 Parking of fund in cash

Scrutiny of the Cash Books maintained by the four DDOs (Deputy Director Accounts, LAD, DLAO, Lunglei, DLAO, Champhai and DLAO, Mamit) of the Department disclosed that without any requirement for immediate disbursement. Four DDOs had drawn amount totalling to ₹ 26.11 crore during end of March 2008 to 2012 to avoid the lapse of budget grants and retained the same in cash. Out of ₹ 26.11 crore drawn, an amount of ₹ 25.19 crore was disbursed within a period ranging between one month to 13 months. As of October 2012, ₹ 0.92 crore was remaining unspent. Details of drawal and disbursements by four DDOs are shown in the **Appendix-1.3.2.**

Thus, drawal of funds without any requirement for immediate disbursement and retention of same in cash for prolong period was irregular and indicates loopholes and weakness in

[3] TFC: ₹ 3.90 crore (+) Minor works: ₹ 3.29 crore (+) repayment of loan: ₹ 21.33 crore = ₹ 28.52 crore

financial management by the CCO/DDOs of the Department. This is also fraught with the risk of temporary misappropriation.

While accepting the facts, the Government stated (October 2012) that the cash was sometime retained for longer period due to non-submission of vouchers by the implementing agencies.

1.3.8.5 Rush of Expenditure

Based on the budget allocation, funds are to be released to the respective Drawing and Disbursing Officers on quarterly basis. The General Financial Rules (GFR) also provide that expenditure against the budgetary provision should be evenly phased over the financial year so as to avoid rush of expenditure in the last quarter of the financial year.

An analysis of the expenditure incurred quarterly and closing month of the financial year during 2007-12 by the DDO of the Directorate, LAD revealed that contrary to the above financial norms, the expenditure incurred by the DDO during the last quarter under Plan sector ranged between 74 and 95 *per cent* and that of Non-Plan sector ranged between 68 and 81 *per cent*. The expenditure in the month of March constituted 15 to 67 *per cent* under Plan sector and that of Non-Plan sector varied from 31 to 64 *per cent* of the total expenditure. The details are given in the following Table-1.3.2:

Table-1.3.2

(₹ in crore)

Year	Total Expenditure		Expenditure during three quarters (Percentage)		Expenditure during last quarter (Percentage)		Expenditure in March (Percentage)	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
2007-08	16.97	11.23	2.31(14)	3.51(31)	14.66(86)	7.72(69)	**7.35(43)**	**6.58(59)**
2008-09	10.19	14.55	2.60(26)	3.92(27)	7.59(74)	10.63(73)	**5.07(15)**	**4.51(31)**
2009-10	14.22	13.41	1.96(14)	4.19(31)	12.26(86)	9.22(69)	**7.79(55)**	**7.81(58)**
2010-11	16.75	28.87	2.49(15)	5.35(19)	14.26(85)	23.52(81)	**10.91(65)**	**12.20(42)**
2011-12	16.88	24.77	0.92(5)	5.79(23)	15.96(95)	18.98(77)	**11.30(67)**	**15.78(64)**
Total	**75.01**	**92.83**	**10.28(14)**	**22.76(25)**	**64.73(86)**	**70.07(75)**	**42.42(57)**	**46.88(50)**

Source: Departmental records

Thus, the expenditure against the budgetary allocations were not evenly phased over the financial years invariably leading to rush of expenditure in the last quarter of the financial years which is indicative of weak financial resource management and controls.

While accepting the facts, the Government stated (October 2012) that rush of expenditure was mainly due to allocation of fund during third or last quarter of the financial years.

1.3.8.6 Avoidable expenditure

To meet the resource gap in implementing the Housing Schemes in the State, the Local Administration Department (LAD) had been securing general housing loans from the Life Insurance Corporation of India (LIC). The terms of such loans *inter alia* required that the borrower is required to repay the principal and interest due in the form of half-yearly installments due on 15 of May and November each year. If any installment remained unpaid on the due date, compound interest was to be paid at the prescribed rates (computed from the respective due dates).

Test check of the records (June 2012) of Directorate of LAD revealed that against the outstanding balances, the Department was to repay the principal amount of ₹ 20.44 crore with an accrued interest of ₹ 21.47 crore by 15th of May and November 2010. However, due to non-payment of dues on scheduled dates the LIC levied a compound interest of ₹ 1.39 crore as penalty in addition to the total dues of ₹ 41.91 crore (Principal: ₹ 20.44 crore and Interest: ₹ 21.47 crore). The Department obtained the formal expenditure sanctions from the State Government and released penal interest of ₹ 1.39 crore to the LIC during July 2010 to February 2011. The reasons for delay in payment of installments were not on record.

Thus, failure in timely repayment of loan along with payment of interest resulted in an extra expenditure of ₹ 1.39 crore from the public exchequer which could have been avoided.

The matter was reported to the Government in September 2012 and their reply is awaited (March 2013).

1.3.8.7 Purchase beyond delegated financial power

As per Delegation of Financial Powers (DFP) Rules, 1978, as amended, the Director, LAD may incur expenditure on local purchase of stationery stores limited to ₹ 20,000 per annum (₹ 40,000 per annum from September 2011 onwards), while District Local Administration Officer may incur expenditure of ₹ 1,000 per annum (₹ 15,000 per annum from September 2011 onwards).

1.3.8.7.1 At Directorate Level

Test check of the records of the Director, LAD, revealed that the Director incurred ranging between ₹ 5.89 lakh and ₹ 16.22 lakh (totalling to ₹ 49.73 lakh) towards purchase of stationery items during 2007-12 in violation of the prescribe procurement procedure. The year wise expenditure incurred by the drawing and disbursing officer of the Directorate, LAD during 2007-12 against expenditure sanction orders of the Director, LAD are shown below in Table-1.3.3:

Table-1.3.3

Year	Number of Sanction orders issued	Amount of each sanction order varies (in ₹)		Expenditure (₹ in lakh)
		From	To	
2007-08	40	950	20000	5.89
2008-09	95	255	22670	16.22
2009-10	59	3200	20000	9.42
2010-11	68	372	19800	10.28
2011-12 (up to August 2011)	26	7350	19900	4.56
2011-12(from September 2011)	21	6007	20000	3.56
Total	**309**	**----**	**----**	**49.73**

Source: Departmental records

1.3.8.7.2 At District Level

Similarly, test check of the records of the three District officers (DLAO, Lunglei, DLAO, Mamit and DLAO, Champhai) revealed that violating the prescribed procedures the concerned three DLAOs incurred expenditure towards purchase of stationery totalling to ₹ 21.29 lakh during 2007-12. The year-wise expenditure incurred by the three DLAOs ranged between ₹ 0.12 lakh to ₹ 5.65 lakh are shown in Table-1.3.4 below:

Table-1.3.4

Designation of the District Officers	Year	Total Expenditure (₹ in lakh)
DLAO, Lunglei	2008-09	1.71
	2009-10	1.10
	2010-11	0.98
	2011-12	0.53
Sub Total		**4.32**
DLAO, Champhai	2007-08	2.00
	2008-09	1.33
	2009-10	2.13
	2010-11	5.65
	2011-12	1.50
Sub Total		**12.61**
DLAO, Mamit	2007-08	1.00
	2008-09	1.80
	2009-10	0.99
	2010-11	0.12
	2011-12	0.45
Sub Total		**4.36**
Total		**21.29**

Source: Departmental records

The expenditure incurred beyond the limit of DLAO's financial power required *ex-post-facto* expenditure sanction of the Government which was not obtained (June 2012).

Thus, procurement of stationeries beyond the delegated power by the Director LAD and three DLAOs reflects poorly on the exercise of control over the expenditure incurred by the DDOs.

The Government stated (October 2012) that the financial limit prescribed in the DFP Rules, 1978 for local purchase of stationery was out dated and no longer practicable for the smooth functioning of the Department. The reply of the Government is silent about the revision of delegation of financial powers. In absence of revised delegation of financial powers the

Department needs to obtain *ex-post-facto* sanction of the Government in respect of expenditure incurred beyond the limit of financial power.

1.3.8.8 Delay in payment resulted in extra expenditure

According to electricity tariff of Power & Electricity Department (P&ED), Government of Mizoram (GoM), electricity bills are to be paid within the due date mentioned in the bills failing which interest @ two *per cent* on arrears as penalty will be levied by the P&ED.

Scrutiny of the records of the Directorate, LAD revealed that the Director paid total penal interest of ₹ 1.02 crore during the period 2007-12 due to delay in payment of electricity charges, as given in the following Table-1.3.5:

Table-1.3.5

(₹ in crore)

Year	Details of payment of electricity bills		
	Principal amount	Two *per cent* penal interest	Total
2007-08	8.61	0.17	8.78
2008-09	9.97	0.20	10.17
2009-10	16.32	0.33	16.65
2010-11	13.17	0.26	13.43
2011-12	3.01	0.06	3.07
Total	**51.08**	**1.02**	**52.10**

Source: Departmental records

Had the Department cleared the electricity bills on time, the extra expenditure of ₹ 1.02 crore towards penal interest could have been avoided.

The Government stated (October 2012) that the budgetary provision (under Non-Plan) for payment of electricity bills was made only at RE stage for clearance of Street Light Bills for one year at the fag end of the financial year. Hence, as there was no fund provision at the usual time, payment of penal interest at two per cent on arrears was unavoidable.

The reply is not tenable as the Department was to make budgetary provisions to clear the recurring liability on clearance of electricity bills.

1.3.9 Service to the Public

1.3.9.1 Physical Targets and Achievement

The targets for implementation of different schemes under Housing (LAD) and Urban Development (LAD) *vis-a-vis* achievements during 2007-12 are shown in Table-1.3.6A and 1.3.6B:

Table-1.3.6A

(i) Housing (LAD) **(Target: T and Achievement: A)**

Name of scheme	Unit	2007-08		2008-09		2009-10		2010-11		2011-12	
		T	A	T	A	T	A	T	A	T	A
LIG Housing Loan	Nos.	408	408	300	300	300	300	300	300	525	525
MIG Housing Loan	Nos.	240	240	200	200	200	200	200	200	283	283
Site & Services	Nos.	1200	1200	222	222	1	1	100	100	100	100
Land acquisition & Dev.	Hac.	68	68	77	77	30	30	15	15	5	5
Improvement of cemetery	Nos.	10	10	10	10	1	1	3	3	5	5
EWS Housing	Nos.	200	200	240	240	240	240	240	240	120	120
Departmental Housing	Nos.	9	9	3	3	8	8	10	10	7	7
Grants in Aid for housing	Nos.	300	300	-	-	-	-	-	-	-	-
Internal Improvement. of Towns and Villages	RMs	40	40	150	150	95	95	58	58	35.36	35.36

Source: Annual plan documents and progress reports

Table-1.3.6B

(ii) Urban Development (LAD) **(Target: T and Achievement: A)**

Name of scheme	Unit	2007-08		2008-09		2009-10		2010-11		2011-12	
		T	A	T	A	T	A	T	A	T	A
Minor roads	Km	6	6	4	4	2	2	11	11	5	5
Park & recreation	Nos.	7	7	3	3	3	3	4	4	10	10
Steps, retaining wall and footpath	Cum.	8310	8310	3863	3863	6966	6966	6389	6389	5388	5388
Urban forestry	Nos.	10	10	-	-	200	200	200	200	200	200
Protection & Rehabilitation of land slide	Rms.	2900	2900	2698	2698	2768	2768	670	670	1173	1173
Liquid waste disposal line	Nos.	65	65	47	47	95	95	40	40	50	50
Public utility at urban areas	Nos.	32	32	11	11	19	19	16	16	10	10
Office building	Nos.	2	2	-	-	10	10	-	-	7	7
Cleanliness week/ beatification of city and tow	Nos.	5	5	-	-	-	-	4	4	5	5
Environment imp. of urban slums	Items	8000	8000	5625	5625	435	435	435	435	84	84

Source: Annual plan documents and progress reports

It could be seen from the above Table-1.3.6A and 1.3.6B that there was no shortfall in achievements against the different component wise targets set during 2007-12 for rendering service to the public through civic amenities besides providing housing loans to the weaker sections of the society, which is laudable.

1.3.9.2 Disbursement of Housing Loan

The State Government under notifications reconstituted annually the Housing Loan Advisory Board in eight districts for selection of Housing Loan beneficiaries under

Middle Income Group (MIG) and Low Income Group (LIG) during 2007-12. The Board at district level is headed by the Deputy Commissioner of respective District as Chairman, except for Aizawl District where the board is headed by the Secretary, Local Administration Department as Chairman. The recommended list of Boards is submitted to the Government for their approval.

Based on approved list of beneficiaries the Director, LAD disburses the loan amount by Cheque to the selected beneficiaries under MIG and LIG categories within the Aizawl District. Similarly the DLAOs of five districts (Lunglei, Champhai, Mamit, Kolasib and Serchhip) disburse the loan to the beneficiaries within the respective districts. In respect of the remaining two districts (Saiha and Lawngtlai), the same was disbursed by the respective Deputy Commissioners (DC). The repayment of loan (principal and interest) by the beneficiaries was to be ensured by the Directorate of LAD, DLAOs and DCs as per year wise repayment schedule given to the disbursing authorities by the Director, LAD.

Test check of the records of the Directorate, LAD revealed that there was an outstanding amount of loan (Principal amount) of ₹ 13.18 crore along with outstanding interest of ₹ 9.24 crore as of 31 March 2007, from the loanees under MIG and LIG categories, but amount recovered during 2007-08 to 2011-12 against such outstanding loan and interest could not be ascertained in audit as the Department has not maintained updated records. The Deputy Director (Accounts) of the Department stated (August 2012) that the position is under reconciliation and will be intimated to audit in due course.

Further, during the period between 2007- 08 and 2011-12, the Department disbursed loan of ₹ 26.75 crore to the 3,198 beneficiaries. The amount of loan outstanding from them as on 31 March 2012 is shown in Table-1.3.7:

Table-1.3.7

(₹ in crore)

Category	Loan disbursed			Amount due to be recovered		Amount recovered		Outstanding amount	
	Period	No. of benefi-ciaries	Amount of loan disbursed	Principal	Interest	Principal	Interest	Principal	Interest
MIG	2007-08	335	2.66	0.54	0.57	0.07	0.08	0.47	0.49
	2008-09	235	1.88	0.25	0.28	0.02	0.05	0.23	0.23
	2009-10	200	2.50	0.25	0.36	0.12	0.09	0.13	0.27
	2010-11	213	2.66	-	-	-	-	-	-
	2011-12	283	3.54	-	-	-	-	-	-
Sub-Total		**1266**	**13.24**	**1.04**	**1.21**	**0.21**	**0.22**	**0.83**	**0.99**
LIG	2007-08	552	2.76	0.56	0.58	0.09	0.07	0.47	0.51
	2008-09	280	1.40	0.19	0.21	0.04	0.04	0.15	0.17
	2009-10	300	2.55	0.25	0.37	0.03	0.06	0.22	0.31
	2010-11	275	2.34	-	-	-	-	-	-
	2011-12	525	4.46	-	-	-	-	-	-
Sub-Total		**1932**	**13.51**	**1.00**	**1.16**	**0.16**	**0.17**	**0.84**	**0.99**
Total		**3198**	**26.75**	**2.04**	**2.37**	**0.37**	**0.39**	**1.67**	**1.98**

Source: Departmental records.

It can be seen from the above Table-1.3.7 that out of ₹ 4.41 crore (Principal: ₹ 2.04 crore *plus* Interest: ₹ 2.37 crore) an amount of ₹ 0.76 crore (Principal: ₹ 0.37 crore *plus* Interest: ₹ 0.39 crore) being 17 *per cent* of the amount due could be recovered from the beneficiaries till 31 March 2012. Reasons for non- recovery of huge outstanding loan of ₹ 1.67 crore and interest of ₹ 1.98 crore were not on record.

Further, it was noticed in audit that the Department had not evolved any mechanism to monitor the progress of recovery of loan made by the disbursing authorities.

Thus, failure on the part of the drawing and disbursing officers to take appropriate action for recovery of loan from the beneficiaries besides the absence of monitoring system in the Department resulted in non-recovery of outstanding loan and interest of ₹ 3.65 crore being 83 *per cent* of the amount (₹ 4.41 crore) due for recovery.

While accepting the facts, the Government stated (October 2012) that to ensure recovery, the Department had taken the following various recovery drives:

(i) Create awareness to the public through local newspapers, magazines cable T.V. and public announcement at local levels, (ii) Sending notice to the loanee as well as to the guarantor/ surety and (iii) Recovery from the salary of the Guarantor/surety is also being taken up. The Government also mentioned that steps have been taken to enhance maintenance of Loan Account through computerisation.

1.3.9.3 Minor Works

In order to cater to the immediate needs of the public in the Village Council areas, minor works *viz.* construction of park and recreation centres, office buildings, retaining walls, steps, drains, approach roads, public toilets, and rest sheds *etc.* are executed by the Department out of State funds besides other than from the funds received from the GoI as per Finance Commission's Recommendations.

Proposals for minor works are received from the Village Councils through the DLAOs for execution by the Department. The execution of minor works is looked after by the Engineering cell at the Directorate headed by one Executive Engineer (EE). The EE is assisted by the Development Engineers/Asstt. Engineer and Junior Engineers (JE) at Directorate and by the Junior Engineers at district level offices. During the period 2007-12, the Directorate LAD and three test checked DLAOs executed 7,830 minor works with the total estimated cost of ₹ 30.04 crore under state plan funds. All those works got executed through the contractors. Of these, in 4,493 (total estimated cost of ₹ 17.20 crore) works tendering process was followed and remaining 3,337 works (total estimated value ₹ 12.84 crore) were got executed without going through tendering process. Records of execution of 3,819 works (49 *per cent*) and payment of ₹ 15.33 crore (51 *per cent*) were test checked in audit. These works were completed within the sanctioned cost and within the stipulated time frame. Some shortcomings noticed in audit are spelt out in the succeeding paragraphs:

(i) Award of works without call of tenders

Para 14.1 of Central Public Works Department (CPWD) Works Manual (which is being followed by PWD) provides that tenders should be called for all works costing more than ₹ 50,000 except in urgent cases, or when the interest of works demands, works may be awarded by the Executive Engineer (EE) without call of tenders after approval of the competent authority.

Scrutiny of the records of the Directorate, LAD and three selected DLAOs revealed that during 2007-12 the Director, LAD awarded 2,587 works valued at ₹ 9.17 crore to contractors as indicated in the following table without calling for the tenders for execution of minor works *viz.* construction of park and recreation centres, office buildings, stone masonry steps, retaining walls, approach roads, side drains, RCC slab culverts, toilets and rest sheds *etc.*, although none of the work was considered as of urgent nature. Similarly, two DLAOs[4] also awarded 750 work orders valued at ₹ 3.67 crore during 2007-12, as shown in the following table to the contractors without calling for the tenders for execution of similar nature of minor works. Reasons for issue of these work orders without calling for the tenders were not on record. DLAO, Champhai got executed minor works (estimated cost ₹ 3.75 crore) through 1,674 contractors after calling for tenders.

Table-1.3.8

Sl. No.	Name of office	Year	Number	Value of work order (₹ in lakh)		Amount (₹ in crore)
				From	To	
1.	Directorate of LAD, Aizawl	2007-08	582	0.05	4.00	1.50
		2008-09	432	0.02	0.50	**1.49**
		2009-10	771	0.06	2.00	**2.07**
		2010-11	182	0.10	5.00	**0.95**
		2011-12	620	0.01	2.55	**3.16**
Sub total		**2587**			**9.17**	
2.	DLAO, Lunglei	2007-08	159	0.05	3.20	0.62
		2008-09	113	0.15	2.06	0.55
		2009-10	91	0.12	2.50	0.46
		2010-11	132	0.15	2.50	0.59
		2011-12	192	0.11	6.87	1.26
Sub total		**687**			**3.48**	
3.	DLAO, Mamit	2007-08	21	0.20		
		2008-09	17	0.30	0.50	0.06
		2009-10	25	0.20	0.45	0.06
		2010-11	-	-	0.40	0.07
		2011-12	-	-	-	-
Sub total		--	**63**	**--**	**--**	**0.19**
Total		--	**3337**	**--**	**--**	**12.84**

Source: Departmental records

[4] (I) DLAO, Lunglei : work order 687 nos. valued at ₹ 3.48 crore and (II) DLAO, Mamit : work order 63 nos. valued at ₹ 0.19 crore

Thus, the action of the Departmental officers was in violation of the codal provisions for execution of works and also against the interest of the Department as the benefit of competitive rates from the bidders and quality of works through tendered process could not be assured or availed of.

Photographs of some completed works are depicted below:

Mamit

Hmuifang

Tualte

Lunglei

While accepting the facts, the Government stated (October 2012) that minor works awarded to the contractors without call of tenders were of urgent nature like (i) Monsoon Damage Scheme for preventive measures and construction works due to damage caused by monsoon downpour to public properties and (ii) Committed Work for creation of public assets *viz.* village road, steps, bridge, culvert, *etc.*

The reply is not tenable as out of minor works totalling ₹ 12.84 crore works related to monsoon damage scheme was for ₹ 1.87 crore only. The remaining works valued at ₹ 10.97 crore (₹ 12.84 crore minus ₹ 1.87 crore) for creation of public assets included in year wise Annual Plan were not of urgent nature and could have been done by the Department through tender process.

(ii) Issue of completion certificates without inspection of works

As per Para 7.10.1 of CPWD Works Manual, all items of construction work shall be measured and recorded by the JE in charge of the work. However, the Assistant/Executive Engineer must satisfy himself before passing a bill for payment, or before submitting it to the DDO for payment, that the work has actually been carried out/completed in accordance with the terms and conditions of the contract. He should personally inspect all works of any magnitude before authorising final payments.

Scrutiny of the records related to execution of 1,974 minor works valued at ₹ 9.66 crore during 2007-12 by the Directorate revealed that the entire payments under minor works were made by the DDO on the basis of measurements recorded by the JEs in charge of the works. However, completion certificates of works were issued by the EE based on the measurements recorded by the JE in the Measurement Books (MB) without conducting any inspection of the works to satisfy that works had actually been carried out/completed in accordance with the terms and conditions of the contract.

Similarly, scrutiny of the records of three test checked DLAOs revealed that for execution of minor works payments aggregated ₹ 5.67 crore were also made to contractors based on the measurement recorded by the J.Es.

Thus, in the absence of inspection of works at appropriate level, the Department was not in a position to ascertain the qualitative results of the works executed.

While accepting the facts, the Government stated (October 2012) that value of most of the minor works was between ₹ 0.05 lakh and ₹ 0.30 lakh and spread over far villages which would have to complete within working season of four months in a year. Though construction works for office building, staff quarters and parks were supervised by the lone E.E of the Department, the works of small value could not be inspected by him.

(iii) Undue benefit to the contractors

As per Para 20.2 of the CPWD Works Manual, the security deposit @ five *per cent* of the tendered amount of the work shall be deducted from each running bill of the contractor.

Test check of the records of the Director, LAD and three selected DLAOs revealed that the Director and three DLAOs executed 2,196 minor works aggregating to ₹ 10.33 crore on the basis of work orders issued to the contractors during the period from 2010-12 without entering into any formal contract agreement. It was, however, noticed in audit no security deposit @ five *per cent* of the value of work done was deducted from any of the contractors' bills. The amount of security deposit deductible from the contractors' bills worked out to ₹ 0.52 crore in Table-1.3.9:

Table-1.3.9

(₹ in crore)

Name of office	Year	Value of work done	Amount paid	Security deposit @ five *per cent* of value of work done
Directorate of LAD, Aizawl	2010-11	3.45	3.45	0.17
	2011-12	3.16	3.16	0.16
DLAO, Lunglei	2010-11	0.80	0.80	0.04
	2011-12	0.76	0.76	0.04
DLAO,Champhai	2010-11	0.87	0.87	0.04
	2011-12	0.54	0.54	0.03
DLAO Mamit	2010-11	0.63	0.63	0.03
	2011-12	0.12	0.12	0.01
Total		**10.33**	**10.33**	**0.52**

Source: Departmental records.

Thus, non-deduction of security deposit to the tune of ₹ 0.52 crore from the contractors' bills meant not only undue benefit meted out to the contractors but also left no scope for the Department to recover amount from the contractors in case of incomplete or substandard works noticed subsequently.

While accepting the facts, the Government stated (October 2012) that incomplete or sub-standard work was not noticed by the Department. However, the Department will comply with the rules in future.

(iv) Non-maintenance of record of Assets created by the Department

As per Annual Action Plan (2007-12), the Department implemented various programmes inclusive of service for the public through Minor Works. It is imperative that the inventory of assets created, showing the date of start/completion of the work and cost of completion is maintained by the District level executing officers. A computerised data base of the overall information should also be available with the Department.

It was, however, noticed in audit that the DLAOs of three test checked offices had not maintained the inventory record of assets created by the Department. Further, the overall information on assets created was not available with the Department.

While accepting the facts, the Government stated (October 2012) that the Department issued orders to take necessary action for maintenance of record of assets created. However, no concrete action has been taken which is much regretted. A fresh order is being issued.

1.3.10 Village Councils/Rural Local Bodies

The Village Councils (VCs) cater to core functions like street lights, public water points, cleanliness, sanitation and development works beside general administration in the villages. The LAD is responsible for conducting General Elections to elect members of 725 Village Councils in the State. The last General Election was held on 23 February 2012.

The Government of India on recommendations of Finance Commission (FC) released Grants-in-Aid to State Government for transmission to VCs for implementation of schemes like water supply, sanitation and drainage, infrastructure development besides works for improvement of civic amenities. As per Para 8.43 of Guidelines of Twelfth Finance Commission, a proper accounting system has to be put in place at the grass roots level to facilitate realistic assessment of the needs of the panchayats and municipalities for basic civic and developmental functions. Further, high priority should be accorded for creation of data base and maintenance of accounts at the grass roots level. The Government of India released Grants-in-Aid for Rural Local Bodies. The important points noticed in course of audit are spelt out in the succeeding paragraph:

(i) Release of funds

According to Finance Commission's guidelines there should not be any delay beyond 15 days in the passing on grants to local bodies by the State Government from the date of release of the grants by the Centre. The date of release of grants-in-aid to the state government as per the recommendations of the twelfth and thirteenth Finance Commission *vis-à-vis* transfer of funds by the Department to the implementing agencies are shown in Table-1.3.10 below:

Table-1.3.10

(₹ in crore)

<table>
<tr><th colspan="3">Release of Grants in Aid by GoI</th><th colspan="3">Release to the implementing agencies</th><th rowspan="2">Delay (in days)</th></tr>
<tr><th>Recommendations</th><th>Date of release</th><th>Amount released</th><th>Due date of release</th><th>Date of release</th><th>Amount released</th></tr>
<tr><td rowspan="4">12th FC</td><td rowspan="2">Not available</td><td rowspan="2">6.00</td><td>-</td><td>28.04.08</td><td>3.86</td><td>-</td></tr>
<tr><td>-</td><td>13.05.09</td><td>2.14</td><td>-</td></tr>
<tr><td rowspan="2">27.01.2009</td><td rowspan="2">6.00</td><td>10.02.09</td><td>13.05.09</td><td>1.71</td><td>91</td></tr>
<tr><td>10.02.09</td><td>26.07.10</td><td>3.75</td><td>530</td></tr>
<tr><td>Sub - Total</td><td></td><td>12.00</td><td></td><td></td><td>11.46</td><td></td></tr>
<tr><td rowspan="3">13th FC</td><td>15.07.2010</td><td>9.39</td><td>29.07.10</td><td>13.12.10</td><td>9.29</td><td>136</td></tr>
<tr><td>16.03.11</td><td>9.16</td><td>30.03.11</td><td>30.03.11</td><td>9.01</td><td>-</td></tr>
<tr><td>01.03.2012</td><td>11.88</td><td>15.03.12</td><td>09.04.12</td><td>11.29</td><td>24</td></tr>
<tr><td>Sub-Total</td><td></td><td>30.43</td><td></td><td></td><td>29.59</td><td></td></tr>
</table>

Source: Departmental records

It can be seen from the above Table-1.3.10 that the Department released grants-in-aid to the implementing agencies beyond the stipulated date of transfer of grants which ranges from 24 days to 530 days

Thus, delay in release of grants-in-aid to the VCs is in contravention of the Finance Commission's Guidelines and delayed the implementation of the development works, in turn accrual of benefits to the beneficiaries also got delayed.

The Government stated (October 2012) that on receipt of release order from GoI action has been taken to ensure timely deposit of funds to VCs accounts. However, the reply is silent on the reasons for actual delay for release of funds to VCs accounts.

(ii) Utilisation of grants-in-aid and achievements

Utilisation of Grants-in-aid by the Village Councils for the development works against release by the GoI on the basis of Twelfth and Thirteenth Finance Commission's recommendations and achievements thereagainst during 2007-12 are shown in Table-1.3.11:

Table-1.3.11

Year	Funds released by GoI (₹ in crore)	Name of Works	Year wise achievement	Physical (No.)	Financial (₹ in crore)
2007-09 (12th FC)	12.00	Sanitation and Drainage	2007-08	711	2.07
			2008-09	715	2.05
			2009-10	714	2.00
		Water supply scheme	2007-08	711	1.79
			2008-09	715	1.80
			2009-10	714	1.75
		Capacity Building	2007-08	-	0.14
			2008-09	-	0.15
			2009-10	-	0.25
TOTAL	**12.00**	**-**	**-**	**-**	**12.00**
2010-12 (13th FC)	30.43	Const. of Foot path, R.wall, Steps, Approach road	2010-11	1452	17.30
			2011-12	1075	10.50
		Const. of V.Cs' house	2010-11	180	1.00
			2011-12	50	0.79
		Capacity building	2010-11	-	0.25
			2011-12	-	0.59
Total	**30.43**	**-**	**-**	**-**	**30.43**

Source: Departmental records

The Department had also submitted utilisation certificates in respect of entire grants of ₹ 42.43 crore.

(iii) Non-reconciliation with Bank

Financial rules require a Drawing and Disbursing Officer (DDO)/Head of Office to carry out regular monthly reconciliation of deposits and withdrawals from Government account.

The Government of India released Grants-in-Aid (GIA) of ₹ 42.43 crore (2007-10: ₹ 12 crore and 2010-12: ₹ 30.43 crore) for Rural Local Bodies under Twelfth and Thirteenth Finance Commission's recommendation to the State Government. On receipt of the GIA from the State Government, the Department credited the money to bank account in the name of Joint Director (Plan), LAD and subsequently released to the respective bank accounts of Village Councils for implementation of the schemes/ works. The DDO (Joint Director), however, did not arrange to carry out any reconciliation with the bank in order to ascertain the correctness of the account of the Rural Local bodies.

While accepting the facts, the Government stated (October 2012) that reconciliation of VCs accounts with banks would be conducted shortly.

(iv) Information Education and Communication

Training is a specific endeavour to improve the skills of human resources. In order to develop capacity building, updating of Village data and proper maintenance of accounts by the Village Councils.

Scrutiny of records of the Department revealed that they imparted training to 1,450 Village Council members during the period between June 2007 and November 2011 incurring an expenditure of ₹ 11.39 lakh.

(v) Monitoring

In Para 14.10 of Report of the Twelfth Finance Commission (TFC) it was emphasised that the States themselves would be committed to timely and qualitative implementation of the Projects/Schemes for which the TFC have provided grants.

Out of ₹ 42.33 crore released by the Government of India, against recommendations of Twelfth and Thirteenth Finance Commission, an amount of ₹ 41.05 crore was transferred to the accounts of Village Councils (VCs) by the Department during 2007-12 for implementation of various schemes *viz.*, water supply sanitation and drainage, infrastructure development besides works for improvement of civic amenities.

It was, however, noticed that the Department had neither monitored the physical and financial progress of works through monthly/quarterly/annual progress reports nor by physical verification of executed works.

On being pointed out in audit, the Department stated that there was no prescribed monitoring mechanism from the GoI on implementation of the works by Village Councils.

The reply of the Department is not acceptable as the State Government was committed to monitor the Projects/Schemes implemented by the VCs to ensure its timely and qualitative implementation.

The Government stated (October 2012) that completion reports on execution of the works by the local bodies (VCs) are submitted to the concerned DLAO who in turn conducts physical verification as far as possible. Further, any conditionality for release of fund against works taken up by the local body *i.e.* VCs was discouraged by the Commission and hence, monitoring of implementation of the schemes directly was not suitable. But, the reply was silent about the monitoring of the physical and financial progress of the works through monthly/quarterly/annual progress reports.

1.3.11 Internal Audit Mechanism

Internal audit is an indispensable requirement for evaluating the efficiency and effectiveness of the internal controls and procedures in the Department in the implementation of various programmes. Although one Deputy Director (Accounts) was in position in the Directorate, exercise of financial controls was conspicuously lacking.

The Chief Controller of Accounts (CCA), Mizoram is responsible for conducting internal audit of the accounts of the Department. During the years 2007-12, CCA could not conduct any internal audit of LAD due to shortage of staff in internal audit wing. The LAD also does not have an internal audit wing of its own. The absence of internal audit in the Department is contrary to sound financial management practices which facilitated purchase of stationery and miscellaneous items beyond the financial powers, non recovery of huge outstanding housing loan with interest, payments to contractors without inspection of works at appropriate level and delay in release of funds to the village councils for implementation of the development works.

1.3.12 Shortage of staff

The sanctioned strength *vis-à-vis* men-in-position of technical and administrative post in the Department during 2007-12 are shown in the following Table-1.3.12:

Table-1.3.12

Year	Category of post	Sanctioned strength	Men-in-roll	Shortage
2007-08	Administrative staff	202	159	43
	Technical	15	15	-
2008-09	Administrative staff	202	160	42
	Technical	15	14	1
2009-10	Administrative staff	202	160	42
	Technical	15	14	1
2010-11	Administrative staff	202	155	47
	Technical	15	14	1
2011-12	Administrative staff	202	153	49
	Technical	15	14	1

Source: Departmental records

It could be seen from above Table-1.3.12 that there was an overall shortage of administrative staff in the range from 42 to 49 staff during 2007-12 as compared to sanctioned strength of the Department, which had an impact on committed discharge of qualitative works.

An analysis of shortage of administrative staff directly associated with the execution of programmes revealed that the shortage was in the cadre of Circle Officer (1), Assistant Circle Officer (2), Field Inspector (6) and Assistant Field Inspector (7) at District level.

The Government stated (October 2012) that the shortage of staff was due to ban on filling up of vacant post. However, the Department could achieve the targeted programmes with the existing man power.

1.3.13 Conclusion

This review has brought out some significant findings which must be addressed by the CCO of the Department. A number of instances noted in audit point to the fact that there has been rampant violation of established norms and guidelines in implementing the various program at the Directorate and DDO level functionaries test checked in this review. These aberrations and digression have led to the impression that there has been a serious systems failure characterised by lack of and exercise of controls from the appropriate authority. In the area of planning it was noted that the perspective plans were a mere documentation having little or no relevance in allocation of resources. Although survey data were collected from the VC and DLAOs these statistics did not seem to have been taken into cognisance in preparing the estimates for the programs charted out for the Department in terms of financial and human resource requirement. The annual plans were formulated sans a bottom up approach and were merely drawn up only on the basis of the plan allocation finalised for the Department. The annual plan were in this sense not a derivative or an outcome of Perspective Plan (2007-12) prepared by the Department which incidentally was never endorsed or approved by the State Planning Board. Thus the Budget estimates were an outcome of the plan allocation and did not quite conform to the program elements of Perspective Plan and the annual plans and the targets for actionable schemes and programs constituting these plans. Lack of or sheer absence of controls was a conspicuous feature in financial management. Flouting of codal norms of financial delegation of power in sanctioning was rampant both at the Directorate and Field level formation. Splitting up of bills was a common omission noted in audit. The Department exhibited poor capacity for absorbing funds as was indicated in the existence of recurring savings and parking of huge amounts in '8443 Civil Deposit' each successive year. The trend of year-end rush of expenditure remained a common practice with 74 to 95 *per cent* funds appropriated in the plan sector towards the last quarter each year**.** Lack of appropriate actions by the DDOs resulted in outstanding loan and interest of ₹ 3.65 crore against the loanees**.** In implementation of development works it was observed that a huge number of works (3,337) were awarded without call of tenders. More often than not, final payments were released to the contractors without conducting any inspection of the works, which was bound to have an impact on the quality of work executed. Large number of assets created remained unrecorded at the DLAO level and the Directorate. Little or no attention was given towards maintenance of these assets too. There was invariably delays in release of Finance Commission award funds to the VCs beyond the stipulated time frame which resulted in time overruns in executions of the programs by the VCs. Monitoring was another area of concern in the absence of which outcomes could not be ascertained. In the absence of a sound monitoring mechanism the various schemes executed and implemented each year have remained unevaluated. Without an internal audit wing in the Department internal controls were seen to be severely inadequate leaving no scope for exercising effective controls to assure sound program and financial management.

1.3.14 Recommendations

- The annual action plan should cover the items of work on priority basis and the works for execution are to be selected by a Selection Committee in order to deliver better services to the public.
- Budget estimate should be prepared on a realistic basis and provisions should be utilised optimally without parking of fund in Civil Deposit.
- The DDOs should take appropriate action for recovery of outstanding loan and interest from the beneficiaries under MIG and LIG.
- The Department should ensure that the grants released by GoI are transferred to Village Council's accounts on time and the activities of the Village Councils are monitored closely.
- In respect of execution of minor works tenders should be called for to avail the benefit of competitive rates from the bidders and the completed works should be inspected to ensure that the quality parameters are complied.
- Purchases of stores should be made within the limited powers of the sanctioning authorities.

HEALTH & FAMILY WELFARE DEPARTMENT

1.4 Non-realisation of premium disbursed to Insurance Provider

The Department failed to realise reimbursement of ₹ 10.39 crore from M/s RGICL as it refused to entertain reimbursement of medical claims preferred by the beneficiaries.

Under Mizoram State Health Care Schemes (MSHCS), the Health & Family Welfare (H&FW) Department, Government of Mizoram (GoM), entered into an Agreement with an Insurance Provider, namely the Reliance General Insurance Company Limited (RGICL) on 28 March 2008, to provide health insurance to all the insured persons[5]. The salient features of the Agreement were as under:

- the scheme covered period of twelve months commencing from April 2008 to March 2009;
- under this insurance scheme the GoM was to provide a sum of ₹ 28.94 crore to the RGICL for a period of one year from the date of commencement of the Policy;
- Out of ₹ 28.94 crore first installment of ₹ 27.49 crore (95 *per cent*) was to be paid on the date of the commencement of the policy and balance amount of ₹ 1.45 crore (5 *per cent*) was to be paid at the end of the third quarter of the policy period, upon full satisfaction of GoM on all performance parameters;

[5] Insured persons means bonafide citizens of India residing in Mizoram, with the head of each family, subject to a maximum number of 1+5 members, excluding Government and public sector employees

- the policy would stand cancelled in case there were any violations of the agreement and the necessary refund of premium shall be made on a pro-rata basis;
- the maximum sum insured per family of 1+5 members would be ₹ 1,00,000/-; and
- the policy would provide coverage to meet expenses of hospitalization and surgical procedures of beneficiary members upto ₹ 1,00,000/- per family per year subject to the sum insured limit.

Scrutiny (June 2011) of records of the Director, Hospital & Medical Education (H&ME) revealed that the H&FW Department, GoM accorded (7 April 2008) expenditure sanction of ₹ 27.49 crore for payment of first installment of premium to RGICL for Mizoram State Health Care Schemes. Accordingly, the Director, H&ME released the amount (9 April 2008) to the RGICL. The balance premium of ₹ 1.45 crore due at the end of third quarter 31 December 2008) was not released by the GoM for the unsatisfactory performance of the RGICL.

The Department submitted claim to M/s RGICL of ₹ 27.31 crore in respect of 26,083 beneficiaries for the policy period 2008-09, out of which the Insurance Provider reimbursed an amount of ₹ 16.92 crore in respect of 21,268 beneficiaries. The balance claim of ₹ 10.39 crore in respect of 4,815 beneficiaries was, however, not reimbursed.

Thus, due to non-clearance of claims, M/s RGICL violated the terms of Agreement.

While accepting the facts, the Director, H&ME stated (August 2012) that as the Agreement had ambiguities and minimal punitive measures, the Insurance Provider (RGICL) had taken advantage of it and did not release the pending claims.

The Department stated (January 2013) that M/s RGICL in March 2009 had informed that they would clear all pending bills, if, GoM would renew the agreement for the year 2009. However, this offer was not accepted by Government. In this back drop of the stand of M/s RGICL the chances of getting reimbursement of unsettled claims of ₹ 10.39 crore (₹ 27.31 crore - ₹ 16.92 crore) is remote.

The matter was reported (September 2012) to the Government and their reply is awaited (March 2013).

1.5 Avoidable expenditure

The Department incurred an avoidable expenditure of ₹ 12.50 lakh due to delay in release of claim preferred by the firm.

The Directorate of Hospital & Medical Education (H&ME), Mizoram often resorted to purchase of life saving drugs and equipments in emergency situations. Following such instances of emergency procurements, the Department is usually required to obtain *ex-post-facto* approval of the Government on the basis of recommendations made by the Departmental Purchase Advisory Board (DPAB).

Scrutiny (September 2012) of the records revealed that to meet the requirement of emergency situations, the Director, Hospital & Medical Education (H&ME) placed (21 August and 5 October 2009) supply orders on a Kolkata based firm[6] for emergency supply of the following items:

Sl. No.	Items	Quantity (In Nos.)	Rate	Amount
			(₹ in lakh)	
1.	ICU Monitors	08	4.90	39.20
2.	Servo DUO Guard	08	0.46	3.68
3.	ICU Monitor Pressure Transducer Kit	02 Boxes	0.24	0.48
Total				**43.36**
Plus CST				1.78
Grand Total				**45.14**

Accordingly, on delivery of the entire materials the firm preferred (24 August, 2 & 15 September and 7 October 2009) claim for payment of ₹ 45.14 lakh. As per the terms and conditions of the Invoices/Bills submitted by the firm, an interest @ 24 *per cent* per annum was to be charged, if the bills/invoices remained unpaid for more than 45 days.

It was, however, noticed that though the entire materials was duly received by the Department in between 30 September and 2009 and 15 December 2009, the Department failed to release the payment in time as the approval of the DPAB's recommendations (18 November 2009) and *ex-post-facto* administrative approval/expenditure sanction were pending with the Government.

When the claim preferred by the firm was not released by the Department despite repeated correspondence, the firm as a last resort served (June 2011) a legal notice to the Department for the payment of ₹ 45.14 lakh along with an interest of ₹ 21.73 lakh. Thereafter, the Government negotiated (September 2011) with the firm and settled the payment of interest at a negotiated rate of ₹ 12.50 lakh along with the principal amount.

On receipt of formal expenditure sanction from the Government, the Director, H&ME released the principal amount of ₹ 44.27 lakh on September 2011 and an interest of ₹ 12.50 lakh on February 2012.

Thus, failure on the part of the Government to expedite the approval of DPAB's recommendations and expenditure sanction to regularise the emergency purchase resulted in delay and has attracted the penal clause of interest payment of ₹ 12.50 lakh.

The matter was reported (September 2012) to the Government and their reply is awaited (March 2013).

[6] M/s Indian Instrument Manufacturing Company, Kolkata