

EXECUTIVE SUMMARY

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This Audit Report has been prepared in five Chapters. Chapters I to V deal with General, Social, Economic (other than Public Sector Undertakings), Revenue and Economic (Public Sector Undertakings) Sectors.

This Report contains six performance audits and eleven compliance audit paragraphs. According to the existing arrangements, copies of the draft compliance audit and draft performance reviews were sent to the concerned Secretaries/Principal Secretaries to the State Government by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. The Secretaries/Principal Secretaries were also reminded for replies. Besides, a demi-official letter was also sent to the Chief Secretary to the State Government on the issues raised in the draft audit paragraphs, draft performance reviews *etc.*, for effective inclusion of the views/comments of the Government in the Audit Report. Despite such efforts, replies were not received in respect of one performance audit and ten compliance audit paragraph from the concerned Principal Secretaries/Secretaries to the State Government.

CHAPTER-I

GENERAL SECTOR

COMPLIANCE AUDIT PARAGRAPHS

Since the State did not release its matching share, the Fire and Emergency Service (Home) Department, there was a possible diversion of Central Assistance of ₹ 17.02 lakh in execution of Centrally Sponsored Scheme “Strengthening of Fire and Emergency Services” towards purchase of Truck, POL *etc.* Besides, an excess payment of ₹ 27.45 lakh towards CST was also noticed.

(Paragraph 1.3)

A large stock of stationery at Luangmual Depot, Aizawl became obsolete due to lack of compliance with Government’s instructions by the various Departments. The Printing and Stationery Department sold it off through auctions resulting in a loss of ₹ 42.99 lakh to the State exchequer.

(Paragraph 1.4)

CHAPTER-II

SOCIAL SECTOR

PERFORMANCE AUDIT

Total Sanitation Campaign (TSC)/Nirmal Bharat Abhiyan (NBA) (Public Health Engineering Department)

Central Rural Sanitation Programme (CRSP) was launched by the Ministry of Drinking Water, Government of India (GoI) with the objective of improving the quality of life of the rural people. In 1999 CRSP was renamed as Total Sanitation Campaign (TSC) to increase awareness among the rural people and generation of demand for sanitary facilities. The GoI also launched (October 2003) the Nirmal Gram Puraskar (NGP) to recognise the achievements and efforts made by Panchayati Raj Institutions (PRIs) and Institutions in ensuring full sanitation coverage in their areas of operation. Encouraged by the success of NGP, the TSC has been renamed (April 2012) as Nirmal Bharat Abhiyan (NBA) with the objective of accelerating the sanitation coverage in the rural areas so as to comprehensively cover the rural community through renewed strategies and saturation approach to achieve and sustain the vision of Nirmal Bharat by 2022 in all PRIs in the attainment of Nirmal status. A Performance Audit of the implementation of the TSC/NBA programme in Mizoram was carried out covering the period from 2009-10 to 2013-14 involving test check of records of ten blocks in five Districts.

The performance audit of TSC/NBA programme brought out the following significant findings:

- The State Government did not release State share of ₹ 41.61 lakh and ₹ 96.11 lakh during 2009-10 and 2010-11 respectively. Also, the State Level Water & Sanitation Mission transferred the Central share to the District Water & Sanitation Committee after inordinate delays, which were high as 393 days in some cases.
- The five District Water & Sanitary Committees (Champhai, Lunglei, Mamit, Kolasib and Serchhip) irregularly implemented the TSC/NBA projects in urban areas out of Central and State share and incurred an irregular expenditure of ₹ 270.90 lakh.
- The Department procured Squatting Plates with P-Traps valued at ₹ 496.47 lakh without obtaining recommendations from the State Purchase Advisory Board and approval of the Government. Besides, an excess payment of ₹ 49 lakh towards CST was also made to the supplier.
- Since the project cost of IHHL was not revised in keeping with the national policy, the BPL households were deprived of the benefit of enhanced financial assistance to the tune of ₹ 2.14 crore.

- With the intention of inclusion of private/SSA schools in the State Annual Implementation Plan, the number of school toilets in five Districts was inflated, which in turn increased the total allocation for the project by ₹ 223.30 lakh.
- Out of 846 villages only 89 villages obtained the NGP award upto March 2014 thus putting the State far behind the goal of attainment of Nirmal Status by 2022.

(Paragraph 2.3)

PERFORMANCE AUDIT

Disaster Management and Rehabilitation in Mizoram (Disaster Management and Rehabilitation Department)

With a vision to build a safe and disaster resilient India, the Government of India took a defining step towards holistic disaster management by enacting the Disaster Management (DM) Act, 2005. Disaster Management is a continuous and integrated process of planning, organising, conducting and implementing necessary measures to deal with an event of disaster. Mizoram is vulnerable to natural calamities like landslide, earthquake, cyclone, flash flood and soil erosion. In fact the State is a multi-hazard prone area. In pursuance of the national roadmap for disaster management the Disaster Management and Rehabilitation Department, Mizoram is looking after the enhanced responsibilities for holistic disaster management in the State. A Performance Audit of the Disaster Management and Rehabilitation Department in Mizoram was carried out covering the period from 2009-14 involving test check of records of State and District level entities, which has come out with the following significant findings:

- The State Disaster Management Plan was published after a delay of more than six years by the State Disaster Management Authority.
- It was noticed that the central share of SDRF of ₹ 1,677 lakh was released by the State Government in four instalments during March 2012 to March 2013 with delays ranging from three to nine months from the date of receipt of central shares.
- Without investing in any of the prescribed investment accounts, a major portion of the central and state shares of CRF and SDRF in the range between ₹ 9.52 crore and ₹ 12.50 crore was retained in the deposit account of the State Government during 2009-14, which resulted in potential loss of interest of ₹ 1.84 crore.
- Without surrendering the unspent fund to the Government of India, the Department diverted an amount of ₹ 45 lakh towards creation of assets which was not permitted under NCCF.
- The Department incurred a doubtful expenditure of ₹ 45.33 lakh from SDRF showing it as spent for purchase of 6,322 nos. of silpaulins without maintaining the basic records.

- During March 2010 to March 2014, the three Districts (Aizawl, Mamit and Lawngtlai) disbursed relief assistance of ₹ 12.08 lakh to 54 victims against their actual entitled financial assistance of ₹ 24.76 lakh, which resulted in short disbursement of relief assistance of ₹ 12.68 lakh.

(Paragraph 2.4)

CHAPTER-III

ECONOMIC SECTOR (Other than Public Sector Undertakings)

Performance Audit

Development of Tourism Sector in Mizoram (Tourism Department)

For development and promotion of tourism in the State, the Department of Tourism started functioning independently in 1987 after bifurcating from the Department of Information and Public Relations. Its main function is development of basic accommodation infrastructure and recreation facilities within Mizoram. It has been developing these various tourist facilities through the liberal financing by the Ministry of Tourism, Government of India. A performance audit on Development of Tourism Sector in Mizoram was carried out covering the period from 2009-10 to 2013-14 and the significant findings noticed in audit are brought out below:

- Due to absence of State Tourism Policy, tourism promotion measures have been undertaken without any roadmap, target or timelines, thus, badly affecting the development of tourism in the State.
- The revenue of ₹ 841.19 lakh collected by 47 Tourist Lodges/Resorts during 2009-14 were remitted to Government accounts by the Department with delay period ranging from 2 to 281 days.
- Against the agreed amount of ₹ 150.09 lakh, the MTDA has paid consultancy fees of ₹ 116.21 lakh after irregularly diverting the funds from the eight projects.
- MTDA failed to commence the eight works as of August 2014 and unauthorisedly parked the released amount of ₹ 934.22 lakh in their accounts for more than seven months without surrendering the unutilised amount to the GoI.
- 42 Tourist Lodges and Highway restaurants incurred a maintenance cost of ₹ 734.05 lakh during 2009-14 against which they collected a revenue of ₹ 266.85 lakh only, thus pointing to the gross under performance of the tourist establishments as well as uneconomical maintenance of the assets by them.

- MTDA incurred an idle expenditure of ₹ 147.50 lakh towards procurement of Aero Sports equipments which were stored for a prolonged period without any use.

(Paragraph 3.3)

COMPLIANCE AUDIT PARAGRAPHS

The Public Works Department granted an interest free mobilisation advance of ₹ 5.15 crore to four contractors, which resulted in loss of ₹ 68.91 lakh towards interest.

(Paragraph 3.4)

The Public Works Department incurred an infructuous expenditure of ₹ 40 lakh due to an unauthorised commencement of pot hole treatment work prior to formal estimation and approval of work by the competent authority and non-adherence to the technical prescription by the Indian Road Congress on such nature of works.

(Paragraph 3.5)

The Agriculture Department blocked Central Grants of ₹ 500 lakh due to inordinate delay in completion of Oil Palm Mills Project.

(Paragraph 3.6)

CHAPTER-IV

REVENUE SECTOR

Trend of revenue receipts

During the year 2013-14 the revenue raised by the State Government (₹ 424.04 crore) was 8.90 *per cent* of the total revenue receipts of ₹ 4,764.85 crore as against 9.61 *per cent* in the preceding year (₹ 435.94 crore). The balance 91.10 *per cent* of receipts of ₹ 4,340.81 crore during 2013-14 was from the Government of India.

(Paragraph 4.1.1)

The Tax Revenue raised during 2013-14 (₹ 229.78 crore) increased by 2.98 *per cent* as compared to the previous year (₹ 223.14 crore). The Non-Tax Revenue raised during 2013-14 (₹ 194.26 crore) was decreased by 8.71 *per cent* as compared to the previous year (₹ 212.80 crore).

(Paragraph 4.1.2 & 4.1.3)

PERFORMANCE AUDIT

Implementation of National Bamboo Mission (Environment and Forests Department)

The National Bamboo Mission (NBM) is a 100 *per cent* Centrally Sponsored Scheme, launched in 2006-07, is being implemented by the Department of Agriculture and Co-operation, Ministry of Agriculture, Government of India with the objective to promote cultivation of bamboo, setting up of bamboo based industries and marketing of bamboo-based products. The State Bamboo Steering Committee (SBSC) and the Bamboo Development Agency are the State Level Nodal Agencies.

Some of the significant findings are highlighted in the following paragraphs:

- The State Mission did not carry out baseline survey and feasibility study for preparation of Perspective Plan. Except for the year 2012-13, Annual Action Plans prepared during 2009-13 was not approved by the State Bamboo Steering Committee.
- The State Mission Director did not maintain Cash Book showing year-wise receipt of grants from the Centre and interest earned from savings.
- The State Mission Director diverted the scheme fund and incurred an irregular expenditure of ₹ 36.91 lakh towards procurement of inadmissible items.
- The eight District Bamboo Development Agencies irregularly released a financial assistance of ₹ 96.48 lakh to the beneficiaries against the plantations in non-forest areas where the survival rate of plantation were below the prescribed rate of 90 *per cent*.
- The Nodal Officer, NLUP disbursed Government's subsidy of ₹ 500.32 lakh to 500 beneficiaries for plantation in non-forest areas without ensuring the beneficiaries contribution of ₹ 500.32 lakh as a result targeted plantation could not be achieved.
- The Forest Development Agency irregularly spent the entire amount of ₹ 426.56 lakh during 2010-14 for improvement of existing stock in common village areas covering 5,332 ha in non-forest areas without giving any financial assistance to 2,666 crafts people and artisans.
- Against a target of 150 participants, only 29 participants were selected to participate in five Domestic Trade Fairs and as a result 121 deserving participants/entrepreneurs were deprived of availing the benefits of popularising and marketing various bamboo products.
- In 564 plantation works of the five sampled Forest Development Agencies, short payment of wages of ₹ 1.41 crore was noticed.

(Paragraph 4.11)

COMPLIANCE AUDIT PARAGRAPHS

Taxation Department

- The Assessing Officer determined a dealer's purchase turnover of ₹ 10.11 crore instead of ₹ 12.22 crore resulting in underassessment of tax (taxable at 12.5 per cent) of ₹ 0.26 crore.

(Paragraph 4.12)

- Against tax of ₹ 97.22 lakh payable by a dealer as pointed out in audit, the Assessing Officer re-assessed a dealer with a tax of ₹ 167.14 lakh, out of which an amount of ₹ 75.14 lakh along with a penalty of ₹ 0.95 lakh was not realised.

(Paragraph 4.13)

- Penalty of ₹ 17.16 lakh from 22 dealers, who failed to submit Audited Statement, was not imposed by the Assessing Officers of three zonal offices.

(Paragraph 4.14)

- There was an under-assessment of tax of ₹ 4.01 lakh and non-imposition of penalty of ₹ 16.33 lakh for non-payment of tax of ₹ 68.99 lakh.

(Paragraph 4.15)

- There was short-assessment of tax of ₹ 77.64 lakh due to under-assessment of purchase turnover of five dealers amounting to ₹ 774.44 lakh.

(Paragraph 4.16)

Land Revenue and Settlement Department

- Out of total revenue of ₹ 113.49 lakh collected during 2008-12, the Department deposited only an amount of ₹ 99.78 lakh, leaving a balance of ₹ 13.71 lakh.

(Paragraph 4.17)

CHAPTER-V

ECONOMIC SECTOR (State Public Sector Undertakings)

Overview of State Public Sector Undertakings (SPSUs)

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of the State Government companies are audited by Statutory Auditors appointed by Comptroller and Auditor General (CAG) of India. These accounts are also subject to Supplementary Audit conducted by CAG. As on 31 March 2014, the Mizoram had six working State Public Sector Undertakings (SPSUs) (all companies) employing 269 employees. These SPSUs registered a turnover of ₹ 15.26 crore for 2013-14 as *per* the latest finalised accounts. This turnover was equal to 0.15 *per cent* of State Gross Domestic Product indicating its insignificant place in the State's economy. The SPSUs incurred a loss of ₹ 1.70 crore as per their latest finalised accounts.

Investment in SPSUs

The investment (Capital and Long Term Loans) in six PSUs had decreased from ₹ 94.98 crore (2008-09) to ₹ 90.78 crore (2013-14), *i.e.* decrease of 4.42 *per cent*.

Performance of PSUs

As per their latest audited accounts, five SPSUs incurred net loss amounting to ₹ 3.06 crore whereas one SPSU (Zoram Industrial Development Corporation Limited) had made a profit ₹ 1.36 crore. Mizoram Agricultural Marketing Corporation Limited (MAMCO) ranked first among the SPSUs in incurring losses followed by Mizoram Handloom and Handicraft Development Corporation Limited (ZOHANDCO) and Mizoram Food and Allied Industries Corporation Limited (MIFCO).

The losses of SPSUs are mainly attributable to the deficiencies in financial management, planning, running their operations and monitoring. A review of two latest Audit Reports of CAG shows that the SPSUs incurred losses to the tune of ₹ 10.20 crore and Infructuous Investment of ₹ 1.69 crore. There was tremendous scope to improve the functioning of SPSUs and reduce the losses. The SPSUs can discharge their role efficiently if they are financially self-reliant. There was a need for professionalism and accountability in the functioning of SPSUs.

Arrears in accounts

Six working PSUs had arrears of 17 accounts as of September 2014.

(Paragraph 5.1.21)

Performance Audit

Management of Power through generation and procurement (Power & Electricity Department)

Power and Electricity Department (P&ED), Mizoram was created in the year 1975 for promotion, development and maintenance of Power Distribution Network including provision of adequate and reliable power supply in Mizoram. The Department is functioning as an integrated utility and responsible for generation, transmission, distribution and dispatching of electric power supply within the state of Mizoram. It is also responsible for the promotion, development and maintenance of Power Distribution Network including provision of adequate and reliable power supply in Mizoram.

The Performance Audit on 'Management of Power through generation and procurement' brought out some significant audit findings as given below:

- The Department paid, Unscheduled Interchange charges amounting to ₹ 7,446.81 lakh due to over drawl of 237.68 MU of energy during 2008-09 to 2013-14.
- The Department failed to tie up for purchase of minimum prescribed solar energy which led to obligation to buy Solar Renewable Energy Certificates of ₹ 3.62 crore.
- Disproportionate increase in the expenditure had resulted in increase of 159 *per cent* in the deficits of the Department during 2008-09 to 2013-14.
- During the period from 2008-09 to 2013-14, the Department paid ₹ 18.19 crore as surcharge to the Generating Stations and Central Transmission Unit due to delayed payment of bills.
- The Department could not avail rebate of ₹ 6.92 crore in payment of power purchase bills during 2009-14 due to non-replenishment of LC account within the time specified in the PPAs.

(Paragraph 5.2)

Performance Audit

Working of the Zoram Electronics Development Corporation Limited (ZENICS) (Information and Communication Technology Department)

Zoram Electronics Development Corporation Limited (ZENICS) was formed (March 1991) with the main objectives of developing Electronics/Information Technology and allied industries in the State of Mizoram. A Performance Audit on the workings of ZENICS was conducted covering the period 2009-10 to 2013-14. During the period of audit ZENICS

had undertaken various schemes/projects which mainly included setting up of Common Service Centre (CSC) and Rural Information Kiosks (RIK), implementation of IT Education Programme as well as Mizoram State Wide Area Network (MSWAN), *etc.*

The Audit has come out with the following significant findings:

- ZENICS had neither evolved a system to assess viability of its operations nor introduced a system of business planning and resource forecasting for sustainability of the organisation in long run. The accumulated loss of ZENICS had eroded 94 *per cent* of the paid-up capital.
- The capacity utilisation of the Computer Training Centre of ZENICS was to the extent of 21 *per cent* only.
- The Information & Communication Technology Department (ICTD), Government of Mizoram (GoM) submitted the Utilisation Certificates for an amount of ₹ 2.20 crore to the North Eastern Council before its actual utilisation and even before their release to the implementing agency *i.e.* ZENICS.
- ZENICS could not complete the selection of 59 out of 300 Village Level Entrepreneurs (VLEs) under Rural Information Kiosk project even after a lapse of one year from the extended date (September 2013) of project completion.
- The installation of VSAT equipment meant for Government to Citizens (G2C) services under Common Service Centre (CSC) programme was pending in 35 out of 136 locations (September 2014).
- An amount of ₹ 1.80 crore released under MSWAN project was diverted by ZENICS towards salaries of its employees (₹ 1.62 crore) and purchase of vehicles (₹ 0.18 crore).
- GoM submitted Utilisation Certificate for ₹ 3.44 crore against site preparation works for all 42 Points of Presence (PoPs) under MSWAN project which included 13 PoPs which were to function from existing Government buildings.

(Paragraph 5.3)