

# **OVERVIEW**



## Overview

This Audit Report has been prepared in six Chapters. Chapters-I to V deals with Social Sector, General Sector, Economic Sector, Economic Sector (Public Sector Enterprises) Sector and Revenue Sector respectively. Chapter-VI deals with cases of follow up of Audit Reports.

The Report contains one Performance Audits on “Direct Benefit Transfer” and 13 compliance audit paragraphs including two Subject Specific Compliance Audit. The draft audit findings included in this Report were sent to the Head of the Departments concerned with a request to furnish replies within six weeks. The views of the Department/ Government have been incorporated wherever received. The audit findings were also discussed in Exit Conferences held with the representatives of the Government of Mizoram and their views were duly acknowledged in the Report. A synopsis of the important findings contained in the Report is presented below.

## Chapter-I Social Sector

### Compliance Audit Paragraphs

#### *School Education Department*

The School Education Department incurred expenditure of ₹ 46.00 lakh on construction of new school building which was transferred to a different Department.

**(Paragraph 1.3)**

The Department did not take steps for termination of the contract as per the agreement on account of sub-contracting of 87 works by the contractors leading to grant of undue financial benefits of ₹ 0.72 crore.

**(Paragraph 1.4)**

#### *Higher & Technical Education Department*

Failure of the State Government to create sanctioned posts rendered expenditure of ₹ 24 crore on construction of three new polytechnic buildings wasteful.

**(Paragraph 1.5)**

#### *Urban Development and Poverty Alleviation Department*

Aizawl Municipal Corporation incurred irregular expenditure of ₹ 1.01 crore on improvement of ‘City park’.

**(Paragraph 1.6)**

## **Chapter-II General Sector**

### **Compliance Audit Paragraph**

#### ***General Administration Department***

There was irregular expenditure of ₹ 1.24 crore on the purchase of materials and on financial assistance in violation of the Member of Legislative Assembly Local Area Development Scheme guidelines.

**(Paragraph 2.2)**

## **Chapter-III Economic Sector**

### **Performance Audit**

#### **Direct Benefit Transfer (covering cash transfer only)**

#### ***Information and Communication Technology Department***

Audit noticed that there was absence of proper plan for implementation of the schemes through Direct Benefit Transfer (DBT) mechanism in the State.

The implementation of scholarship schemes was fraught with irregularities due to inadequate system for verification of applications. The absence of District level verification created a lacuna in the system, due to which proper verification as per Standard Operating Procedure for National Scholarship Portal could not be enforced at the Institute level. Payments for fraudulent claim of scholarship were made to non-resident and non-*bonafide* students. Multiple claims or claims for courses not offered by institutions, *etc.*, were processed due to improper verification of applications.

Mizoram Scholarship Portal was developed without proper planning or budgeting and was implemented without approval and sanction of the competent authority. Non-preparation of User Requirement Specification, System Design Document, Service Level Agreement and Change Management Policy as well as lack of documentation indicated poor management and implementation of the project. Deficiencies in input controls as well as weak security features led to discrepancies in maintenance of applications database and doubtful payment of scholarships.

The implementation of Indira Gandhi National Old Age Pension Scheme through DBT was lagging behind due to delay in digitisation of beneficiary database. Non-updation of beneficiary list not only resulted in irregular payment of assistances to ineligible beneficiaries but also prevented the eligible beneficiaries from availing the benefits.

The Advisory Board for the State DBT cell was not created as per the guidelines. Audit noticed lack of coordination among the stakeholders in the process of validation and verification of bank accounts and unique biometric identification numbers, delay

in onboarding of schemes on PFMS and absence of DBT enabling facilities in the remote areas remained unaddressed due to improper monitoring of the implementation of the Schemes.

**Recommendations**

*The Government may consider the following recommendations:*

- *The beneficiary database should be updated regularly, after thorough verification, by deleting obsolete data and data of ineligible and expired beneficiaries and include new eligible beneficiaries.*
- *The Mizoram Scholarship Board should take necessary steps to upgrade the portal and link Mizoram Scholarship Portal with Public Finance Management System (PFMS) platform and National Payment Corporation of India (NPCI).*
- *Verification of bank accounts of beneficiaries should be made mandatory and the bank account should be linked with unique biometric identification number.*
- *The Social Welfare and Tribal Affairs Department should ensure mandatory submission of proof of existence of the beneficiaries either in the form of physical life certificate or authentication through electronic means using biometric credentials for old age pension.*
- *Responsibility may be fixed and action may be initiated for all cases of fraud resulting in drawal of irregular scholarship benefits.*
- *The Government may strengthen the monitoring mechanism for implementation of the Direct Benefit Transfer (DBT) schemes and create the Advisory Board.*

(Paragraph 3.2)

## Compliance Audit Paragraphs

### Implementation of Ministry of Development of North Eastern Region (MDoNER) Projects in Mizoram

***Planning and Programme Implementation Department***

The success of projects funded by Ministry of Development of North Eastern Region (MDoNER) essentially depended on effective implementation of project activities, regular monitoring and efficient financial management. There were inadequacies in all these three key aspects, as brought out by audit.

The execution of projects was not satisfactory, since none of the sampled projects sanctioned by the Ministry were completed within the stipulated time. The delay in completion of works/ projects ranged from 63 to 2,323 days from the stipulated date of completion. Major hurdles in timely completion of projects were lack of adequate planning and delays in transmission of funds to the executing agencies. Further, it was

also noticed that there was diversion of funds and irregular expenditure on unapproved items in violation of the Guidelines. Three projects were closed on “as is where is” basis resulting in unfruitful expenditure.

One project, reported as completed, was not completed even after a lapse of more than 13 years from the original stipulated date of completion due to change in scope/specification, slow progress of work, time overrun, cost escalation and legal issues. The objective of setting up Rural Information Kiosks (RIKs) and strengthening of Government Press remained unachieved.

#### **Recommendations**

- *State Government should ensure timely release of funds to avoid delay in completion of projects.*
- *MDoNER guidelines, State Government orders and codal provisions relating to tendering process, parking of funds, sub-letting of contracts, etc., should be strictly followed.*
- *Factors attributable to stoppage of work, works remaining incomplete/abandoned, assets lying idle and slow progress of work should be analysed, responsibilities fixed and remedial action taken up in a time bound manner.*
- *State Government should conduct impact studies and social audit to evaluate the benefits and impact of the projects funded by Ministry of DoNER.*
- *State Government should fix responsibility on the concerned officials for non-completion of projects and non-achievement of project objectives.*

(Paragraph 3.3)

### **Implementation of Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) in Mizoram**

#### ***Agriculture Department***

The PM-Kisan scheme which was implemented from 1 December 2018 has brought benefits to the farmer beneficiaries in the State. However, the implementation of the scheme was marred by issues especially on the requirements of verification of the beneficiaries. Monitoring mechanism was weak as the disposal of grievances of farmers was very low. Moreover, the scheme was meant only for the land-holding farmer families. However, in the absence of proper land records in the State, the registration of beneficiaries on the basis of the landholding status was doubtful. Details of 75 out of the 250 sampled beneficiaries was not furnished thus casting doubts on the genuineness of the applicants. An amount of ₹ 13.19 crore was credited to the accounts of 65,926 beneficiaries who were found to be ineligible due to various reasons such as wrong unique biometric identification number, incorrect bank account details, bank and unique biometric identification details not matching, being Income Tax payees, etc. Eight beneficiaries whose family members had already received financial assistance, irregularly received a total of 28 instalments again amounting to ₹ 0.56 lakh.

**Recommendations**

*The State Government may consider the following recommendations:*

- *An alternate mechanism to ascertain the land holdings and farmer status of the applicants may be developed.*
- *Proper screening of the applications and validation of bank accounts with unique biometric identification number linking should be done so that ineligible beneficiaries are not registered and approved in the first place.*
- *The beneficiary database on PM-KISAN portal should be updated regularly, after verification, by deleting obsolete data or data of ineligible or expired beneficiaries.*
- *Verification of the beneficiaries should be done annually as prescribed in the scheme guidelines.*
- *Prompt redressal of grievances should be done by State & District Grievance Redressal Committees as per the timelines prescribed in the scheme guidelines.*
- *Responsibility may be fixed for improper verification of documents at the time of approval which resulted in payments to ineligible beneficiaries.*

**(Paragraph 3.4)**

**Public Works Department**

Public Works Department incurred avoidable expenditure of ₹ 4.88 crore for construction of Darlak to Sihthiang road as the villages were already connected.

**(Paragraph 3.5)**

## **Chapter-IV**

### **Economic Sector (Public Sector Enterprises)**

#### **Functioning of Public Sector Undertakings**

As of 31 March 2021 and 31 March 2022, the State of Mizoram had six Public Sector Enterprises (SPSEs) (including one non-working Government company) in which, the investment of the State Government (capital and long-term loans) was ₹ 62.92 crore consisting of ₹ 53.47 crore (84.98 *per cent*) towards equity capital and ₹ 9.45 crore (15.02 *per cent*) long-term loans. The losses of two of these State Public Sector Enterprises (SPSEs) (accumulated losses of ₹ 29.45 crore) had completely eroded the State Government investment in paid-up capital (₹ 25.45 crore) as per their latest finalised accounts.

**(Paragraphs 4.1.1 and 4.1.2.1)**

The State Government has provided budgetary support to SPSEs of ₹ 13.49 crore and ₹ 6.22 crore in the form of grants during the years 2020-21 and 2021-22 respectively mainly to meet salary and other establishment expenditure.

**(Paragraph 4.1.4)**

The paid-up capital and accumulated losses of six SPSEs as per their latest finalised accounts were ₹ 58.73 crore and ₹ 55.18 crore respectively as of 30 September 2021 and ₹ 58.47 crore and ₹ 56.28 crore respectively as of 30 September 2022 as per their latest accounts. During 2020-21 and 2021-22, out of six SPSEs, one SPSE (Zoram Infrastructure and Industrial Development Corporation Limited) earned profit of ₹ 0.82 crore and ₹ 0.98 crore respectively while remaining four SPSEs incurred aggregate losses of ₹ 3.14 crore in 2020-21 and ₹ 3.75 crore in 2021-22.

**(Paragraph 4.1.8.2)**

## Compliance Audit Paragraphs

### *Aizawl Smart City Limited*

There was extra expenditure of ₹ 19.55 crore due to award of contract on nomination basis at a higher rates without call of tender and acceptance of the same item of materials at different rates. Further, there was non-recovery of mobilisation advance of ₹ 17.72 crore and accrued interest of ₹ 3.54 crore.

***Recommendation: Responsibility may be fixed for awarding the contract on nomination basis which resulted in extra expenditure.***

**(Paragraph 4.2)**

## Chapter-V Revenue Sector

## Compliance Audit Paragraphs

### *Taxation Department*

A dealer was under-assessed of tax to the tune of ₹ 17.94 lakh due to under-assessment of turnover and application of incorrect tax rate.

**(Paragraph 5.9)**

There was short payment of tax of ₹ 31.27 lakh by a dealer due to adoption of incorrect rate of tax and under assessment of turnover.

***Recommendation: Responsibility may be fixed for the under-assessment.***

**(Paragraph 5.10)**

There was non-levy of tax of ₹ 1.62 crore resulting in loss of revenue to the Government due to non-assessment of a dealer by the Assessing Officer within the timeframe.

**(Paragraph 5.11)**

There was short levy of tax by ₹ 0.12 crore due to erroneous determination of opening stock during assessment of the dealer. Further, the dealer also evaded tax of ₹ 0.67 crore.

**(Paragraph 5.12)**

## **Chapter-VI**

### **Follow up of Audit Observations**

A review of follow up action on submission of Non-submission of Action Taken Notes (ATNs) disclosed that there was pendency in respect of the Audit Reports for the years 2015-16 to 2018-19.

**(Paragraph 6.1)**

State Government had constituted (04 September 2013) Audit Committees to consider and take measures for timely response and speedy settlement of outstanding IRs/ paragraphs pending in various Departments.

However, no meetings of the Audit Committee took place during the years 2020-2021 and 2021-2022.

**(Paragraph 6.4)**

