OVERVIEW

Overview

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

The Report contains five Performance Audits (PAs) on "Integrated Child Development Services (ICDS) Schemes", "Implementation of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in Mizoram", "Green India Mission", "Functioning of District Transport Offices" and "E-Way Bills System under Goods and Services Tax in Mizoram" and nine Compliance Audit paragraphs including one Subject Specific Compliance Audit (SSCA). The draft audit findings included in this Report were sent to the Head of the Departments concerned with a request to furnish replies within four weeks. The views of the Department/ Government have been incorporated wherever received. The audit findings in respect of the PAs were also discussed in the 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

Performance Audit

Performance Audit on Integrated Child Development Services (ICDS) Schemes

Social Welfare, Tribal Affairs, Women & Child Development Department

ICDS was implemented with heavy reliance on digital applications in which data played a key role for planning as well as monitoring of the scheme. In Mizoram, the transition from ICDS-CAS to Poshan Tracker belatedly in April 2022, was poorly managed, leading to critical data loss and affecting the ability to monitor and evaluate ICDS implementation effectively. Persistent technical, connectivity and language-related challenges further hindered real-time data entry, impacting the accuracy of beneficiary tracking and service delivery. Non-redressal of these long-standing issues indicate a need for stronger digital governance and stakeholder support in ICDS implementation. Due to non-availability of data on implementation of the scheme during the period 2018-19 to 2022-23, proper analysis could not be carried out to assess the impact of the scheme on child nutrition and health outcomes in the State. There was shortage of staff at critical levels such as District Programme Officers (DPO), Child Development Project Officers (CDPO) and Circle officers, which affected the planning process *i.e.,* preparation of Annual Plans/ Annual Programme Implementation

Plans (APIPs)/ Convergence Action Plans (CAPs) as well as monitoring and review of scheme implementation. Physical and Financial targets were not specified in the CAPs and funds were not provided in the Budgets of the respective line Departments. There was lack of basic facilities such as electric connection, drinking water connection, *etc*. noticed in the physically verified Anganwadi Centres (AWCs). Supply of supplementary nutrition under Supplementary Nutrition Programme was not in conformity with the prescribed Nutrition Norm and item-wise requirements per beneficiary per day for 300 days in a year were not worked out. Nutrition supplied were not based on the nutrition requirements of beneficiaries but on the basis of the availability of funds and the rates quoted by the suppliers. Audit noticed improper storage and labelling of food items in the AWCs.

The State did not have adequate training facilities at the State and District levels for strengthening the capacity building and training of field functionaries. The Poshan Tracker platform also required upgradation to incorporate mechanisms for effective monitoring and feedback.

There was an increase in the prevalence of stunting, wasting and under-nutrition among children, as well as anaemia among women and children and the State did not adequately monitor or effectively address these issues despite multiple interventions.

Recommendations

The State Government may-

(i) ***instruct the Department to strengthen data management and reporting systems by mandating real-time entry of service delivery data through the Poshan Tracker App, ensuring availability of compatible smartphones to all AWWs, conducting periodic data audits and integrating ICDS and NHM databases. The State Government may also instruct the Department to develop and implement a robust data governance strategy, including seamless migration of legacy data, offline-compatible data entry modules for remote areas, multilingual user interfaces, and periodic data validation protocols;***

(ii) ***instruct the Department to adopt a bottom-up planning approach in the preparation of Convergence Action Plans (CAP). The State Government may also instruct the Department to specify the Physical and Financial targets and earmarked budget for all the interventions by the respective line departments;***

(iii) ***ensure time-bound execution of infrastructure upgradation of the sanctioned 1,600 Anganwadi Centres (AWCs) into Saksham AWCs by leveraging convergence with concerned line departments;***

(iv) ***direct the Department to establish a structured and demand-based procurement and feeding mechanism by: (a) preparing annual Supplementary Nutrition Programme (SNP) supply plans based on updated beneficiary data and nutrition norms under Poshan 2.0, (b) ensuring advance release of funds linked to feeding calendars, (c) instituting buffer stock provisions to prevent disruptions, and (d) monitoring nutrient delivery against norms through monthly calorie and protein gap analysis at the project level;***

(v) ***take expeditious steps to operationalise the approved Anganwadi Workers Training Centre (AWTC) at Lunglei and establish a Middle Level Training Centre (MLTC) with prior approval of the Ministry of Women and Child Development; and***

(vi) ***instruct the Department to identify the reasons for increase in prevalence of stunting, wasting and under nutrition among children and anaemia among women and children and address the issue on priority.***

(Paragraph 1.2)

Compliance Audit Paragraphs

Higher and Technical Education Department

The Department made an irregular salary payment of ₹ 3.88 crore to an Associate professor and eight regular professors who did not perform their official duty.

(Paragraph 1.3)

School Education Department

The Department made irregular salary payment of ₹ 1.28 crore to three employees who did not perform their official duty.

(Paragraph 1.4)

Due to negligence, the State Project Director, Samagra Shiksha made excess payment of ₹ 1.50 crore against supplier's bill for free textbooks.

(Paragraph 1.5)

Urban Development and Poverty Alleviation Department

The Department extended undue favour to the Consultant/ Contractor in violation of extant Rules and subsequently appropriated liability to pay excess expenditure of ₹ 0.99 crore in the construction of Multi-Level Car Parking cum Multi-Utility Centre at Zodin, Aizawl. Further, delay in completion of the project has rendered the entire expenditure of ₹ 8.06 crore idle.

(Paragraph 1.6)

Local Administration Department

The Department incurred an irregular expenditure of ₹ Six crore on unapproved technical designs, drawings, estimates, etc. and did not execute the approved items of work valued at ₹ 1.56 crore.

(Paragraph 1.7)

Chapter-II

Economic Sector

Performance Audit

Performance Audit on the Implementation of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in Mizoram

Rural Development Department

The overall planning process was not satisfactory as the State Government did not conduct Baseline Survey to gather information on seasonal demand from each Job Card holder nor had it empanelled an expert institution to develop the survey framework. There were no consolidation of the village plans into Block and District plans with proper scrutiny for technical feasibility and admissibility of the works under the scheme. This resulted in inclusion of non-permissible works in the Annual Action Plans which were ultimately executed despite being in the negative list as per the Operational Guidelines. The absence of reliable database on natural resource restricts evidence-based planning and results in poorly targeted interventions. Poor financial management resulted in delays in release of funds and diversion of funds for other inadmissible purposes. Door-to-door surveys of households, to ensure enrolment of all the adult members willing to do unskilled manual work, was not done and the Information, Education and Communication (IEC) plan was not prepared for proper dissemination of information. Comprehensive convergence with other line departments for pooling of resources, including technical knowhow was absent. Avenues for submission of application for demand for works through verbal mode, written application, telephonic call or through online mode were not provided to the Job Card Holders. There were delays in payment of wages to the Job Card holder. The State Quality Control and Monitoring Unit was not functional and there were shortfalls in conducting Social Audit.

Recommendations

The State Government may-

(i) ensure that a baseline survey is conducted to ascertain the labour demand;

(ii) ensure monitoring and scrutiny of Annual Plans at the Block and District levels so that non-permissible works are not included in the Annual Plan;

(iii) ensure timely release of funds to the Implementing Agencies for implementation of the scheme;

(iv) ensure timely payment of wages to the job card holders and consider strengthening real-time fund flow monitoring and establishing a District-level grievance redressal and escalation mechanism to address delays in wage disbursal and uphold worker entitlements;

(v) ***ensure conduct of door-to-door surveys so that no adult individuals who are ready to do unskilled labour are left out;***

(vi) ***formulate and implement a comprehensive, multi-tiered IEC Action Plan covering State, District, Block, and Gram Panchayat levels, with clear timelines, responsibilities, and budget allocations under the administrative expenditure head; and***

(vii) ***instruct the Department to strengthen the Social Audit mechanism through effective planning to ensure that the prescribed number of audits are conducted in accordance with the guidelines.***

(Paragraph 2.2)

Compliance Audit Paragraphs

Horticulture Department

The Horticulture Department parked ₹ 1.66 crore in Civil Deposit and deprived the intended beneficiaries of the Scheme.

(Paragraph 2.3)

The Horticulture Department could not recover the interest-free outstanding loan of ₹ 85.00 lakh from two Societies, thereby defeating the objective of the Revolving Fund Scheme to provide timely liquidity support and facilitate smooth ginger marketing by ginger growers (farmers) within and outside the State.

(Paragraph 2.4)

Chapter-III

Economic Sector (State Public Sector Enterprises)

Functioning of Public Sector Enterprises

As of 31 March 2024, the State of Mizoram had six State Public Sector Enterprises (SPSEs), the investment of the State Government (capital and long-term loans) was ₹ 63.52 crore consisting of ₹ 54.07 crore (85.12 *per cent)* towards equity capital and ₹ 9.45 crore (14.88 *per cent*) as long-term loans. The losses of two of these State Public Sector Enterprises (SPSEs) (accumulated losses of ₹ 31.23 crore) had completely eroded the State Government investment in paid-up capital (₹ 25.97 crore) as per their latest finalised accounts.

(Paragraphs 3.1.1 and 3.1.2.1)

The State Government has provided budgetary support of ₹ 30.21 crore to three SPSEs in the form of grants during the year 2023-24 mainly to meet salary and other operating expenses.

(Paragraph 3.1.4)

The paid-up capital and accumulated losses of six SPSEs as per their latest finalised accounts were ₹ 63.58 crore and ₹ 56.93 crore respectively as of 30 September 2024 as per their latest accounts. During 2023-24, the SPSEs incurred losses of ₹ 3.02 crore.

(Paragraph 3.1.8.2)

Chapter-IV

Revenue Sector

Performance Audit

Performance Audit on "Green India Mission"

Environment, Forests and Climate Change Department

The objective of GIM in Mizoram was to enhance forest quality, rehabilitate wastelands, improve ecosystem services, boost forest-based livelihoods and increase carbon dioxide sequestration, while reducing open forest area. In Mizoram, the Green India Mission (GIM) is being implemented by the State Forest Development Agency (SFDA) under the Environment, Forests and Climate Change (EF&CC) Department. As per the State Perspective Plan approved in June 2016, an area of 29,893 hectares was targeted for treatment under four sub-missions/ interventions over a period of six years. Preparatory activities such as micro-planning and landscape surveys began in 2014-15, while implementation of four out of five sub-missions started in 2016-17 across 51 L3 Landscapes within eight identified L2 Landscapes under five Forest Divisions of the State.

Audit noticed a lack of coordination between the Forest Development Agencies (FDAs) and the District Planning Committee. District-wise requirement for implementation of the Green India Mission (GIM) in convergence with other schemes could not be formulated at the Planning stage. Proper assessment/ land survey for the actual treatment at the grassroots level was not carried out. Instances of delay in release of funds were observed at multiple levels-from the State Government to the State Forest Development Agency (SFDA), from the SFDA to the Forest Development Agencies (FDAs) and finally from the FDAs to the Village Forest Development Committees (VFDCs) thereby impeding the execution of GIM activities. Instead of transferring fund to 12 VFDCs, the FDA, Kolasib withdrew ₹ 9.07 crore in cash in violation of the Ministry of Environment, Forests and Climate Change sanction order rendering the transaction suspicious. Physical achievement of Creation work over a six-year span-from 2016-17 to 2022-23 was 50.20 *per cent* against target. Payment of wages to labourers through Direct Benefit Transfer (DBT) was not implemented. There was no convergence with Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and Compensatory Afforestation Fund Management and Planning Authority (CAMPA) for implementation of GIM. Audit noticed doubtful expenditure on plantation in farmers' land. The SFDA had not updated the information on GIM in the website of the Department since July 2017. Performance monitoring reports were not prepared by the VFDCs in violation of the GIM implementation guidelines. Social Audits of Mission activities at Village level were not conducted regularly and none of the Social Audit Reports was available on the official website of the Environment, Forest and Climate Change Department, Government of Mizoram.

Recommendations

The Government may consider the following recommendations:

(i) ***Initiate steps to link Forest Development Agencies (FDAs) with District Planning Committees to formulate District-wise requirement for implementation of Green India Mission (GIM) in convergence with other schemes at the Planning stage, to ensure alignment of priorities and resources;***

(ii) ***Ensure that all potential L3 Landscapes are identified through proper, verifiable surveys at the grassroots level before undertaking treatment activities, so that Micro plans and Perspective Plans are based on accurate and comprehensive field data;***

(iii) ***Ensure timely release of funds at all levels to facilitate smooth execution of the Mission activities. Further, strictly adhere to GIM guidelines and ensure that all expenditures are aligned with the approved Annual Plan Operation (APO);***

(iv) ***Implement Direct Benefit Transfer system to the maximum possible extent to ensure timely delivery of benefits directly to beneficiaries and prevent leakages. Necessary enabling measures such as proactive facilitation of bank account opening, use of mobile banking vans, and coordination with banking correspondents may be undertaken in collaboration with financial institutions;***

(v) ***Ensure that all relevant information regarding GIM activities is regularly updated on the website of Environment, Forest and Climate Change Department, Government of Mizoram. Enhancing public access to this information will promote transparency, encourage community engagement, and allow stakeholders to monitor progress effectively; and***

(vi) ***All social audit reports should be uploaded to the official GIM portal and displayed at village notice boards for public access.***

(Paragraph 4.9)

Performance Audit

Performance Audit on “Functioning of District Transport Offices”

Transport Department

The performance audit of the District Transport Offices in Mizoram revealed significant shortcomings in various aspects of their functioning. From irregularities in the issuance of licences to the ineffective enforcement of regulations, the audit findings paint a concerning picture of the transport administration in the state. In the three test checked DTOs, Learner's Licence (LL) and Driving Licence (DL) issued were more than the number of applicants during the audit coverage period. Instances of issue of DLs to underage persons were also noticed. There was insufficient equipment in the driving schools which compromised the compliance of learner's safety and quality of driving skills.

Fitness fee, grant/ renewal of fitness certificates and additional fee for each day of delay after the expiry of fitness certificates were realisable from 24,397 vehicles whose fitness certificates had expired. Audit noticed non-realisation of tax arrears and permit fees from blacklisted as well as non-blacklisted vehicles**.** The absence of annual tax collection assessments, real-time tracking, and a standard escalation protocol for defaulters had weakened revenue enforcement activities.

Audit observed significant deficiencies in the enforcement activities conducted in the sampled District Transport Offices (DTOs). DTOs had no predefined enforcement targets. Furthermore, the DTOs lacked proper record-keeping mechanisms to track the nature of offenses.

Audit also noticed a significant shortage of staff in the Department. There was no specific sanctioned strength for each DTO. The Department did not prepare any strategic plan to assess its resources and staffing needs in response to the growing population and increasing vehicle registrations. Audit observed that the Department also did not hold any review meetings during the audit coverage period with a view to assess operational performance or regulatory compliance. The absence of any structured monitoring had resulted in weakened oversight and impaired the Department's ability to respond effectively to operational and compliance risks.

Recommendations

The Government may consider the following recommendations:

(i) ***Appropriate action should be taken to identify systemic lapses and take corrective measures. Further, the DTOs may maintain record/ register of list of applicants, date of sending of driving licence/ vehicle registration certificate for printing, date of receipt of smart cards/ DLs/ registration certificate to track their movement and to prevent loss or issue to the wrong persons;***

(ii) ***Ensure maintenance of record/ register regarding action taken by all District Transport Offices against fitness defaulters and strictly clamp down on plying of vehicles with expired fitness Certificates;***

(iii) ***Develop and deploy a rule-based auto-flagging system within the VAHAN database to trigger blacklisting or recovery action when arrears exceed defined thresholds or remain unpaid beyond specified timeframes;***

(iv) ***Develop and implement a District-wise Enforcement Action Plan, which includes: (a) Monthly enforcement targets based on local traffic density and historical offence data, (b) Mandatory maintenance of offence registers, fine logs, vehicle seizure records, and duty rosters, and (c) Integration of all field-level enforcement data with the e-challan system to ensure real-time monitoring and accountability;***

(v) ***Assess workforce requirements and implement a phased recruitment plan to gradually fill vacancies. A training framework must be established to enhance staff skills in public grievance handling, digital services, and regulatory compliance, ensuring efficient service delivery; and***

(vi) ***Develop a long-term strategic plan and conduct regular review meetings.***

(Paragraph 4.10)

Performance Audit

Performance Audit on "E-Way Bills System under Goods and Services Tax in Mizoram"

Taxation Department

The Performance Audit on Electronic Waybill (EWB) System under Goods and Service Tax (GST) was undertaken with the twin objectives of verifying the effectiveness of EWB mechanism in protecting revenue interest of the Government and the efficiency and effectiveness of Preventive/ Enforcement formation in enforcing the provisions relating to EWB system.

The existing departmental monitoring mechanism has substantial systemic risk exposures as taxpayers are being allowed to generate EWBs and continue with their respective businesses even though they are delinquent or non-compliant with the provisions of GST in filing of returns, discharging their tax liability and generating multiple EWBs with the same invoice. Inspite of technology and digitised data bolstering tax administration, the Department is not fully leveraging EWB data and is unable to detect taxpayers generating EWBs using invalid vehicles. Audit noticed generation of EWBs by cancelled taxpayers. The tax due in respect of EWBs generated by cancelled taxpayers were neither demanded by the Proper Officers nor deposited in Government exchequer by the taxpayers. The Proper Officers did not detect taxpayers who had generated EWBs for supply of goods but had not reported them in their returns (GSTR-1/ GSTR-3B) which resulted in non-realisation of tax, cess and interest.

The provisions relating to preventive measures and enforcement such as inspection, search, seizure and arrest are provided to serve as a deterrent for tax evasion as also to safeguard the Government's legitimate dues. Audit also noticed that the organisational preparedness for preventive/ enforcement activities of the sole Preventive Unit was impaired by the non-adherence to the provisions of the Act and departmental circulars for EWB related enforcement activities. The Department was not adequately using the extensive analytical reports generated by NIC or other agencies for EWB related enforcement. Audit noticed lack of timely action by the Preventive Unit leading to non-booking of cases and subsequently non-imposition of tax and penalty on vehicles without EWBs whose invoice value were above the threshold.

Recommendations

The Government may consider the following recommendations:

- ***Introduce a mechanism to prevent generation of EWBs by nil filers of returns and cancelled taxpayers. The Department may also streamline the available manpower for regular scrutiny of EWBs and cross-verification with returns and other relevant documents by the Proper Officers under appropriate Sections of the Act to minimise instances of unrealised tax from the taxpayers;***
- ***Notify the appropriate authorities about the weaknesses/ loopholes in the EWB Common Portal as well as the GST Common Portal where the system's deficiencies are beyond its control/ powers to prevent exploitation of the system's deficiencies in future. Also, it may ensure pro-active involvement of its personnel in mitigating the deficiencies through manual validation of system-generated documents;***
- ***Utilise the provisions of the modes of recovery under MGST Act, 2017 and MGST Rules, 2017 to ensure full recovery from the tax defaulters after initiation of recovery proceedings;***
- ***Ensure that all the EWBs are verified along with other related documents by the jurisdictional authorities and appropriate action is initiated as per the provisions of the Act as necessary;***
- ***Initiate steps to strengthen the Preventive Unit at Data Collection Centre (DCC), Vairengte as per the provisions of the Act for interception of vehicles to the fullest extent. It may also develop a mechanism along with the necessary infrastructure to ensure that there is no delay in verification of EWBs at the DCC; and***
- ***Setup a dedicated team for verification of Analytics Reports on EWB to identify the high-risk taxpayers and share the information to the taxpayers' Zones for use in the scrutiny of returns.***

(Paragraph 4.11)

Compliance Audit Paragraphs

Subject Specific Compliance Audit on Department's Oversight on Goods and Services Tax Payments and Returns Filing" for the years 2018-19 to 2020-21 (DORF Phase-II)

Taxation Department

The Subject Specific Compliance Audit (SSCA) on Department's Oversight on GST Payments and Returns Filing was undertaken with an objective of assessing the adequacy of the system in monitoring returns filing and tax payments by the taxpayers, extent of compliance and other departmental oversight functions. The audit was predominantly based on data analysis, which highlighted risk areas, red flags and in some cases, rule-based deviations and logical inconsistencies in GST returns filed for 2018-19 to 2020-21.

A review of the functions of three Zones disclosed that there was deficiency in oversight function of the Zones in monitoring recovery of tax liability.

In Centralised Audit, replies were received in all 148 cases of data inconsistencies/ mismatches identified. Upon analysing the responses of the Department, in two cases recovery was made, in 14 cases ASMT-10 were issued, in 41 cases notices were issued to the taxpayer, and in 29 cases, the Department is under correspondence with the taxpayers. Further, in seven cases, the replies were not tenable and suitable rebuttals were provided. In nine cases, the inconsistencies were due to data entry errors and in four cases, action was taken before being pointed out by Audit while the taxpayers' clarifications in respect of 42 cases were accepted by Audit.

With regard to Detailed Audit of 15 sample taxpayers, granular records were not produced to Audit in all cases which significantly limited the scope of Audit. Non-compliance on seven major issues were observed *viz.,* (i) ITC mismatch between GSTR-2A and GSTR-3B involving ₹ 18.71 crore in 13 cases, (ii) ITC passed on without supplier remitting tax involving ₹ 19.06 crore in 11 cases, (iii) Short payment of tax under RCM involving ₹ 0.10 crore in two cases, (iv) Mismatch in ITC availed between annual returns and books of accounts involving ₹ 3.67 crore in 9 cases, (v) Suppression of taxable value based on unbilled revenue declared in Table 5 of GSTR-9C in one case involving amount of ₹ 1.54 crore, (vi) Mismatch in taxable turnover declared in GSTR-9C Table 7G in one case involving amount of ₹ 5.35 crore, and (vii) Short payment of interest by two taxpayers involving ₹ 0.05 crore.

During the Exit Conference, the Department stated that action in the form of audit assessments will be taken before the cases get time-barred in line with the audit observations. The Department also stated that interest on late filing of returns will be calculated as per existing rules at the time of audit assessment.

Recommendations:

The State Government may consider the following recommendations-

(i) ***while determining the correctness of returns filed, monitor the progress of recoveries made on scrutiny of such returns in the interest of revenue;***

(ii) ***conduct similar data analysis (as conducted for Centralised Audit) of GST returns and other related data of all taxpayers to identify inconsistencies and take necessary steps to recover dues from the taxpayers wherever applicable; and***

(iii) ***initiate timely remedial action for all compliance deviations/ mismatches pointed out through this report before they get time barred.***

(Paragraph 4.12)

Transport Department

2,977 Transport vehicles were plying without valid fitness certificates resulting in non-realisation of renewal/ fitness fees of ₹ 19.35 lakh and fine of ₹ 35.17 crore.

(Paragraph 4.13)

Chapter-V

Follow up of Audit Observations

A review of follow up action on submission of Action Taken Notes (ATNs) disclosed that there was pendency in respect of the Audit Reports for the years 2015-16 to 2020-22.

(Paragraph 5.1)

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 year 2023-24.

(Paragraph 5.4)