

CHAPTER – IV

AUDIT OF TRANSACTIONS

Infructuous/Wasteful and Excess payment

PUBLIC WORKS DEPARTMENT

4.1 Excess Payment

The Division made excess payment of Rs.1.14 crore to the contractors due to incorrect calculation of escalation charges for labour.

The work “Construction of State Referral Hospital at Falkawn” was administratively approved by the Government in March 2000 at an estimated cost of Rs.40.53 crore and technical sanction was accorded by the Chief Engineer, PWD (Buildings) for Rs.38.60 crore. The Executive Engineer (EE), invited tenders separately during September and October 1999 for allotment of works for construction of Administrative Block and Staff Quarters (excluding other buildings). The works were allotted (May and June 2000) to 45 contractors at Schedule of Rates (SOR) 1996 plus 21.38 *per cent* cost index (CI) stipulating completion of work within 24 months. The works were completed between December 2000 and November 2003 and final payments amounting to Rs.17.29 crore were made to the contractors between December 2003 and August 2004.

As per clause 10 CC of the contract agreements, the contractors were to be compensated if the price of materials and wages of labour required for execution of the work increased, subject to the condition that such compensation for escalation in prices should be available only for the work done during the stipulated period, including the extended period of contract, if any. According to the contract agreement, the compensation for escalation for labour was to be worked out by taking into account factors¹⁹ as mentioned in the foot note.

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- (i) ¹⁹ $W = 85$ per cent of the value of the work done as per the bills, running or final
- (ii) $Y =$ Component of labour expressed as a percentage of the total value of the work
- (iii) $Ll_0 =$ Minimum daily wages in rupees of an unskilled adult male mazdoor as on the last stipulated date of receipt of tender including extension, if any and
 $Ll =$ Minimum daily wages in rupees of an unskilled adult male mazdoor on the last date of the quarter previous to the one under consideration

Test check (February 2006) of records of the EE, Project Division No. II, Aizawl revealed that the Division calculated the amount of compensation for the labour component by taking into account the minimum daily wages as Rs.45 per day (iii in FN) and accordingly paid (between March and October 2004) Rs.1.58 crore as escalation charges for labour as detailed in **Appendix – 4.1**. Further scrutiny, however, revealed that the estimates for the works were prepared on the basis of SOR 1996 wherein the rate of unskilled labour (Llo) was considered as Rs.50 per day. The works were awarded to the contractors on item rate basis as per SOR 1996 plus 21.38 *per cent* CI and the labour charges was Rs.60.69 (Rs.50.00 + Rs.10.69 being 21.38 *per cent* CI). But during calculation of price escalation, labour charges (Llo) had been taken as Rs.45 instead of Rs.60.69. Hence, the total amount on escalation for labour payable to the contractors would work out to Rs.0.44 crore²⁰ after taking into consideration the labour rates at which the works were awarded and paid.

Thus, due to incorrect calculation of escalation charges for labour, the division made excess payment of Rs.1.14 crore (Rs.1.58 crore – Rs.0.44 crore) to the contractors.

The matter was reported to the Government/Department in May 2006; their replies had not been received (October 2006).

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.2 Excess payment

The division made excess payment of Rs.15.53 lakh to 76 contractors by issuing cheques for gross amount of the bills.

In order to prevent and detect errors and irregularities in financial proceedings of the Department, adequate internal checks should be exercised. According to the General Financial Rules, every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

The Executive Engineer, AWS Project Division, Aizawl paid Rs.2.07 crore through cheques to 76 contractors being the gross value of their

$$\begin{aligned} &^{20} V_1 = \text{Variation in labour cost} \\ &W = \text{Rs.11,38,94,612 (85\% of value of work done minus cost of materials issued)} \\ &Y = 25 \\ &Ll_0 = \text{Rs.60.69 \{Rs.50 plus Rs.10.69 (21.38\% cost index on Rs.50)\}} \\ &Ll = \text{Rs.70} \\ &V_1 = W \times \frac{Y}{100} \times \frac{Ll - Ll_0}{Ll_0} = \text{Rs.11,38,94,612} \times \frac{25}{100} \times \frac{70 - 60.69}{60.69} \\ &= \text{Rs.43,67,931/-} \end{aligned}$$

first and final bills for the work “Construction and Development of Artificial Channel” at different locations in Aizawl. Scrutiny (February 2006) of these bills, however, revealed that although an amount of Rs.15.53 lakh was shown as deducted at 7½ per cent security deposit and transferred to Part II Deposit, the Divisional Officer issued cheques to the contractors for the gross amount (including security deposits) of their bills instead of the net amount. Further scrutiny revealed that, the security deposit so deducted and kept in Part II of the Deposit Register was subsequently released to each of the contractors who were already paid the gross amount of their bills. This resulted in an excess payment of Rs.15.53 lakh.

Thus, failure of the Divisional Officer to exercise strict vigilance and thorough check before issuing cheques of the bills led to an excess payment of Rs.15.53 lakh.

The Joint Secretary of the Department stated (August 2006) that though the cheques were issued for the gross value of the bills, net amount was paid to the contractors after deducting the security deposit and remitting the same into the Treasury. The reply is not tenable, as the gross amount of the bills has been paid through cheques leaving no scope for deduction of security amount. Further, the security deposits were released (March 2004 to July 2004) to the contractors separately through hand receipts.

HOME DEPARTMENT

4.3 Wasteful expenditure

Twenty three alcolizers procured by the Department, without assessing the actual need and usage, had become obsolete rendering the expenditure of Rs.44.16 lakh wasteful.

Scrutiny (November 2004 and January 2006) of records of the Director General of Police (DGP), Mizoram revealed that based on an offer made by a firm, the DGP placed (February 2002) an order for supply of 20 alcolizers²¹ @ Rs.1.92 lakh each. In June 2002 a separate order for supply of three alcolizers at the same rate was placed with another firm, and all the 23 alcolizers were received in June 2002. The orders were placed and alcolizers were received before obtaining the recommendation of the Purchase Board and expenditure sanction from the Government. An amount of Rs.44.16 lakh was paid to the firms in October 2002 (Rs.19.20 lakh), March 2003 (Rs.19.20 lakh) and February 2004 (Rs.5.76 lakh). The DGP issued the 23 alcolizers to 12 Superintendents of Police (21) and Police Headquarters (2) in October 2002 presuming that the units would be able to use these with the help of instructions from the booklets/user guides.

²¹ A breath analyzer used for measuring blood alcohol concentration

In April/May 2003 and December 2004, 11 Superintendents of Police to whom 20 alcolizers were issued, reported that the alcolizers were lying unutilised, as they could not follow the instructions. The Deputy Inspector General of Police (Range) thereafter asked (February 2005) the Deputy Director, Forensic Science Laboratory, Aizawl to demonstrate the use of the alcolizer to the District Police Officers. Although the use of alcolizer was demonstrated, the Crime meeting held on 18 February 2005 considered them as obsolete items since these were not accepted as evidence in the court of law and also they were required to be referred back to the manufacturer for re-calibration after every six months or after every 300 times usage. Records regarding the use of the remaining three alcolizers were not made available to audit.

Thus, injudicious procurement of alcolizers without assessing the actual needs and usage, rendered the expenditure of Rs.44.16 lakh wasteful.

The Government stated (October 2006) that all the alcolizers issued to the units were re-collected and kept in Police Headquarters and that their further utilisation would be arranged after re-calibration and ascertaining the legalisation and admissibility in evidence under the Indian Evidence Act.

Avoidable/Extra/Unfruitful expenditure

PUBLIC WORKS DEPARTMENT

4.4 Excess expenditure

Due to incorrect measurement of formation cutting work, the division incurred an excess expenditure of Rs.22.99 lakh.

Government of India, Ministry of Rural Development accorded (March 2003) administrative approval to the work “Construction of Lungmawi-Bualpui ‘V’-Chhipphir road (0 –19 km)” at an estimated cost of Rs.2.54 crore. Technical sanction for Rs.2.21 crore was accorded by the Chief Engineer (CE), PWD (Roads), Mizoram in November 2003. The estimate of the work provided *inter alia*, earthwork in excavation of different classes of soil in formation cutting from 0 – 19 km in order to achieve a width of 5.20 m which was further increased to 6 m by Government of India. The formation cutting work was executed through a contractor and completed in November 2005 at a total cost of Rs.2.44 crore.

Scrutiny (March 2006) of records of the Executive Engineer, Lunglei Division, Lunglei revealed that in the detailed estimate prepared for the work, formation width of the road already existed at 20 chainages ranging from 1.20 m to 3.20 m and formation cutting work at these chainages was required to be executed only for a width ranging from 2.80 m to 4.80 m so as to get the final width of 6 m.

Further scrutiny of Measurement Books (MB) and related vouchers revealed that the division, ignoring the existing width of the road under different chainages, executed a uniform width of 6 m throughout the entire stretch of the road and a total volume of 287133.22 cum of earthwork was excavated, which included 28049.95 cum of earthwork relating to the existing width at 20 chainages. This inflated volume of earthwork in excavation resulted in excess expenditure of Rs.22.99 lakh as detailed in *Appendix – 4.2*.

The Government stated (August 2006) that the existing alignment was not followed in most of the stretches because of steep gradients and poor geometry of the road and the whole stretch was executed at the required width of six metre including lowering the level to have a uniform gradient and the estimate was also prepared accordingly. The reply is not tenable as the steep gradients and poor geometry on the existing chainages had been considered during the preparation of the estimate and the same was prepared after deducting the existing chainages.

4.5 Extra expenditure

Due to change in classification of soil to higher side (soft and hard rock), the division incurred an extra expenditure of Rs.2.29 crore.

Under Pradhan Mantri Gram Sadak Yojana (Phase III and Phase IV), the Government of India, Ministry of Rural Department, approved (March 2003) project proposals for construction of seven road works at an estimated cost of Rs.16.48 crore. The estimate of the aforesaid road works provided *inter alia*, execution of earth works in formation cutting shown in the table below:

Table: 4.1

Classification of soil	Volume (in cum)	Rate per cum (In rupees)	Amount (Rs. in crore)
Ordinary soil	344356.042	43.10	1.48
Hard soil	401634.337	65.10	2.61
Soft rock	128995.085	207.70	2.67
Hard rock	55596.828	300.40	1.67
Total	930582.292		8.43

Source: Sanctioned estimates

The earth works were awarded to seven different contractors as per the rates adopted in SOR 2003 of Public Works Department, Government of Mizoram.

According to the standard norms adopted by the Department after detailed analysis, 0.250 kg and 0.390 kg of special gelatine was required for excavation of one cum of soft rock and hard rock respectively. Test check (March 2006) of records of the Executive Engineer (EE), Lunglei Division, Lunglei revealed that during execution of earth works (October 2003 to December 2005) the contractors

excavated 1,63,170.716 cum of soft rock and 22040.09 cum of hard (total 1,85,210.806 cum) rock against 1,84,591.913 cum as provided in the estimate by utilising 7450 kgs of special gelatine. Payments totaling Rs.3.93 crore were made to the contractors between March 2005 and December 2005 for excavation of both soft rock and hard rock without any test check of the measurements recorded in the Measurement Books.

Item-wise quantity of soft rock and hard rock excavated by utilising 7450 kgs of special gelatine had not been furnished by the EE. With the use of 7450 kgs of special gelatine the contractor could at best excavate either 29800²² cum of soft rock or 19103¹⁷ cum of hard rock. Other methods, if any, adopted by the contractors for excavation of soft and hard rock were not indicated in the records made available to audit. This indicated that the contractors excavated certain quantities of hard rock and soft rock for which 7450 kgs. of special gelatine issued by the Department was used and the remaining quantity of soil excavated by the contractors was of other classes for which, explosives were not required. However, the payments to contractors were made by changing the classification of soil to higher side *i.e.* ordinary soil to soft rock and soft rock to hard rock respectively, involving payment at higher rate.

The Government stated (August 2006) that the contractors were allowed to procure explosives by their own sources and used heavy machinery. The reply is not tenable because as per Explosive Rules 1983, no contractor can procure explosive without possessing a valid license and the contractors did not have a valid license.

Thus, computed at the rate of Rs.65.10 per cum allowed for excavation of hard soil, the division incurred an irregular extra expenditure of at least Rs.2.29 crore²³ on execution of earth works.

²² Soft rock 7450 Kg of special gelatine ÷ 0.250 Kg	= 29800 cum
Hard rock 7450 Kg of special gelatine ÷ 0.390 Kg	= 19103 cum
²³ Quantity excavated:	1,85,210.806 m ³
Excavated capacity of 7450 Kgs of special gelatine utilised –	
Soft rock: 6556 Kgs of special gelatine @ 0.250 Kg per m ³ :	2,6224 m ³
Hard rock: 894 Kgs of special gelatine @ 0.390 Kg per m ³ :	2,292 m ³
Amount paid for 1,85,210.806 m ³ of earth works:	Rs.392.79 lakh
Less: Amount admissible –	
26,224 m ³ of soft rock @ Rs.207.70 per m ³	Rs. 54.47 lakh
2,292 m ³ of hard rock @ Rs.300.40 per m ³	Rs. 06.89 lakh
Balance 1,56,694.806 m ³ at lower rate of Rs.65.10 per m ³	<u>Rs.102.01 lakh</u>
	<u>Rs.163.37 lakh</u>
Extra expenditure	Rs.229.42 lakh
	Rs.2.29 crore

HOME DEPARTMENT

4.6 Extra expenditure

The Department incurred an extra expenditure of Rs.12.87 lakh due to contradictory decision of DPAB, SPAB and Government in payment of transportation and packing charges.

The Director General of Police (DGP), Mizoram invited (January 2002) tenders for purchase of riot control equipment²⁴ and of the four suppliers who responded to the tender, two Aizawl based suppliers offered the lowest rates stipulating that taxes would be charged extra. The Departmental Purchase Advisory Board (DPAB) recommended (August 2002) the purchase of 10 sets of equipment from the two Aizawl based suppliers at their quoted rate plus taxes *etc.* However, the Government while according (November 2002) administrative approval clarified that only taxes and no transportation, packing and forwarding charges would be admissible. The Government also directed not to send proposal for allowing transportation, packing and forwarding charges in future. Accordingly, 10 sets of equipment were purchased (November 2002) from the two suppliers at a total cost of Rs.1.08 lakh which was not inclusive of transportation and packing charges.

Scrutiny (November 2004 and January 2006) of records revealed that for purchase of another 1490 sets of the same equipment from the same suppliers at the rate accepted in November 2002, the DPAB and State Purchase Advisory Board (SPAB) in contravention of the Government order dated 11 November 2002 recommended five *per cent* transportation charges and three *per cent* packing and forwarding charges on their own which was this time approved (March and December 2003) by the Government. The DGP purchased the equipment (1490 sets) at a total cost of Rs.1.74 crore which included transportation charges of Rs.8.04 lakh and packing charges of Rs.4.83 lakh.

Thus, due to contradictory decision of DPAB, SPAB and the Government, there was extra expenditure of Rs.12.87 lakh (Rs.8.04 lakh + Rs.4.83 lakh).

Government stated (September 2006) that on the first occasion, the packing, forwarding and transportation charges were not paid to the supplier as the same was not recommended by the DPAB. But during subsequent purchases, the selected firms expressed their inability to supply the items without the said charges and the DPAB and SPAB recommended for payment of eight *per cent* packing, forwarding and transportation charges. The reply is not tenable as the supplier had not asked for payment of packing, forwarding and transportation charges but the same were proposed to be paid on its own by the Department against the clear instruction of the Government (November 2002) not to propose payment of such charges in future proposals for approval of the Government.

²⁴ Polycarbonate shield, polycarbonate lathi, body Protector with rubberies padding and riot helmet.

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.7 Extra expenditure

Excess utilisation of MR labourers beyond the prescribed norms resulted in extra expenditure of Rs.10.43 lakh.

Government of Mizoram, Public Health Engineering Department (PHED), accorded (October 2003) administrative approval for construction of two Water Supply Schemes (WSS) viz. Thingsulthliah, Saisih & Aichalkawn WSS and Chhingchhip Augmentation WSS at an estimated cost of Rs.1.10 crore and Rs.1.04 crore respectively. Both the estimates were technically sanctioned (October 2003) by the Chief Engineer (CE), PHED, Mizoram. The estimates of the works *inter alia*, provided for construction of intake, conveyance main, gravity main and distribution system besides other ancillary works. The rates were adopted from PHE, SOR 1999, plus cost index of 18.17 *per cent*. The works were executed Departmentally and construction of intake and gravity main including procurement of materials was completed (February 2006) at a total cost of Rs.1.05 crore (0.65 crore + 0.40 crore) with some pending liabilities.

Test check (March 2006) of records of the Executive Engineer, PHED, Serchhip WATSAN Division, revealed that out of the total requirement of 59100 Rm GI pipes for execution of the conveyance main, gravity main and distribution system, the division laid 46800 Rm GI pipes (50 mm : 42000 Rm and 40 mm : 4800 Rm) utilising 45237 mandays of MR labourers during the period from December 2003 to March 2005 at a total expenditure of Rs.40.70 lakh. Information relating to laying of the balance portion of 12300 Rm of GI pipes was not made available to audit. Scrutiny of the Analysis of Rates of SOR 1999, however, revealed that 33762 mandays of MR labourers involving an expenditure of Rs.30.26 lakh were actually required for laying the aforesaid quantity of GI pipes as detailed in **Appendix – 4.3**.

Thus, by utilising excess MR labourers beyond the prescribed norms, the division incurred an extra expenditure of Rs.10.44 lakh (Rs.40.70 lakh– Rs.30.26 lakh).

The matter was reported to the Government/Department in June 2006; their replies had not been received (October 2006).

4.8 Extra avoidable expenditure

The division incurred an extra avoidable expenditure of Rs.1.43 crore by adopting higher rate in procurement of sized stone.

Government of India, Ministry of Urban Development and Poverty Alleviation sanctioned (June 2003) Rs.6 crore (90 *per cent* Central share and 10 *per cent* State share) for the work “Development and Construction of Artificial Channel

(Rehabilitation of Drainage) System, 281 nos. at different locations in Aizawl” and released (June 2003) Rs.5.40 crore being 90 *per cent* of the Central share. The work commenced in September 2003 and 256 channels at different locations were completed in March 2004 at a total cost of Rs.5.40 crore through 256 contractors. The remaining 25 channels could not be taken up as the State share of Rs.0.60 crore had not been released by the State Government. However, in the progress report submitted to the Government of India (March 2004), 100 *per cent* achievement was reported.

According to the PHE Schedule of Rates (SOR), all civil works should be carried out as per the existing PWD SOR. Test check (February 2006) of the records of the Executive Engineer, PHE, Aizawl Water Supply Project Division revealed that the estimate of aforesaid work was framed on the basis of the rates analysed by the Superintending Engineer (SE), PHE, and the rate of sized stone (0.2 x 0.2 x 0.2) fixed and paid at the rate of Rs.2166.25 per cum for 10965.4324 cum instead of Rs.866 per cum as per PWD SOR 2003. Further scrutiny revealed that the Division procured the same sized stone at the rate of Rs.866 per cum during the same period for other works.

Thus, adoption of higher rate for procurement of sized stone (0.2 x 0.2 x 0.2) instead of the rate prescribed in the PWD SOR 2003, led to an extra avoidable expenditure of Rs.1.43²⁵ crore.

The Government stated (August 2006) that since the work is of special category, good quality of stone at higher rate was used. The reply is not tenable as it was stated in the estimate that to minimise the cost, instead of brick, stone locally available with reasonable price will be obtained. Further, neither in the estimate nor in the work orders, collection of any special category of stone from any specific quarry was mentioned.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.9 Unfruitful expenditure on non-functional incinerator

Due to lack of effort of the Department in arranging power supply, the incinerator installed in July 2003 at a cost of Rs.45.65 lakh remained non-functional.

Under the Central Scheme “Assistance for Capacity Building”, the Government of India, Ministry of Health and Family Welfare released (September 2000) Rs.55 lakh²⁶ to the Government of Mizoram as financial assistance for providing facilities for hospital waste management in Civil Hospital, Aizawl. After a lapse of one year, the State Purchase Advisory Board recommended (October 2001) the

²⁵ $10965.4324 \times (Rs.2166.25 - Rs.866.00) = Rs.1,42,57,803.48$ i.e. Rs.1.43 crore

²⁶ Incinerator/autoclave: Rs.35 lakh; shredder: Rs.10 lakh; wheel barrow/container: 0.50 lakh; civil & electrical works: 2.50 lakh; training/IEC/literature: Rs.2 lakh; items required for collection and segregation of wastes, protective gears for personnel: Rs.5 lakh.

award of the work of supply, installation and commissioning of an incinerator at the Civil Hospital, Aizawl to a Guwahati based firm at a total cost of Rs.45.65 lakh²⁷, which was also approved by the State Government (January 2002). An agreement was entered into with the firm in April 2002 without stipulating any time schedule for installation and commissioning of the incinerator.

Scrutiny (February 2006) of the records of the Director of Hospital and Medical Education (DHME), Aizawl revealed that the incinerator was installed and commissioned in Civil Hospital, Aizawl in July 2003 with temporary electric connection for trial run. The supplier was also paid Rs.45.65 lakh in four instalments between June 2002 and March 2005 as per the terms of the contract. The Department, however, did not purchase other items *viz.* shredder, on site barrow/container, protective gears for personnel, *etc.* for which the Government of India provided Rs.15.50 lakh in its sanction of Rs.55 lakh. The incinerator, installed and commissioned in July 2003 through temporary power connection, had been lying idle till the date of audit (February 2006) for want of regular power supply.

On this being pointed out in audit, the DHME stated (February 2006) that the incinerator could not be made functional due to non-availability of power supply for which, the concerned Department was requested. No reason was, however, furnished for such abnormal delay and failure of the Department in arranging the power supply for the incinerator. Government stated (October 2006) that the test report had been submitted to the Power and Electricity Department and the incinerator would be functional as soon as power supply was arranged.

Thus, due to the lack of effort on the part of the Department to arrange power supply, the incinerator installed in July 2003 remained idle rendering the expenditure of Rs.45.65 lakh unproductive, thereby frustrating the very objective of the Central Scheme.

²⁷ *Cost of incinerator: Rs.32.50 lakh; construction of incinerator room: Rs.4 lakh; Land development including approach road: 5.40 lakh; Electrification and water charges Rs.3.75 lakh.*

Idle investment/establishment/unproductive expenditure
HEALTH AND FAMILY WELFARE DEPARTMENT
4.10 Abnormal delay in completion and commissioning of the gas pipeline system

Abnormal delay in completion and commissioning of the gas pipeline system rendered the expenditure of Rs.90.03 lakh unproductive, besides frustrating the objective of improving the quality of patient care.

The Government of Mizoram, Health and Family Welfare Department accorded administrative approval and expenditure sanction (March 2000) of Rs.90 lakh for installation of Piped Medical Gas System in Civil Hospital, Aizawl. An amount of Rs.90.03 lakh was drawn for the purpose through Abstract Contingent Bill and deposited in 8443 – Civil Deposits on 31 March 2000 which was in contravention of General Financial Rules.

Scrutiny (February 2006) of the records of the Director of Hospital and Medical Education (DHME), Aizawl further revealed that the work order for the supply, installation and commissioning of Medical Gas Pipe line system at a total cost of Rs.73.29 lakh was issued to a New Delhi based firm in December 2003. The agreement with the said firm was, however, executed in February 2004 with the stipulation to complete the work within 60 days *i.e.* by April 2004.

In September 2004, the Deputy Medical Superintendent, Civil Hospital, Aizawl, who was also the member of the Technical Committee, advised that some significant areas²⁸ of the Hospital, which were left out of the purview of the Medical Gas Pipe Line System, were required to be brought under the ongoing scope of the work. The Departmental Purchase Advisory Board in its meeting held on June 2005 recommended that the same firm continue the work of the proposed remaining left out areas, since unspent funds of Rs.16.74 lakh were available (Rs.90.03 lakh – 73.29 lakh). This was approved by the Government in August 2005 and the work was completed in September 2005. The DHME paid Rs.90.03 lakh to the firm between March 2004 and February 2006 by withdrawing funds from the Civil Deposit. The project however has not been commissioned as of date (August 2006).

On this being pointed out in audit, the DHME stated (February 2006) that the project remained incomplete because of non-availability of required power supply, for which the Power and Electricity Department was being requested. No reason was, however, furnished for not arranging the power supply even after a lapse of about 2 years from the stipulated date of completion and six years from the time the project was conceived (March 2000).

²⁸ Recovery Ward, Surgical Operation Theatre, Pre and Post-Operative Beds, Neonatal Wards and Male Medical Ward.

The Government stated (October 2006) that the Power and Electricity Department had been requested to submit a project estimate for installation of transformer which is still awaited and as soon as the transformer is installed, the medical pipeline system will be made functional.

Thus, due to lack of proper planning and initiative to arrange power supply, there was abnormal delay in commissioning of the project and the expenditure of Rs.90.03 lakh remained unproductive, besides frustrating the objective of improving the quality of patients care.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.11 Unproductive expenditure and abnormal delay in completion of project

Due to defective construction of the building, Brachytherapy machine could not be made operational, rendering the expenditure of Rs.1.14 crore unproductive.

To establish a Brachytherapy Unit (equipment: Rs.1 crore, building: Rs.0.25 crore), the State Project Advisory Board recommended (September 2003) a Chennai based firm for supply and installation of the Brachytherapy machine at a cost of Rs.84 lakh in Civil Hospital, Aizawl. The supplier delivered the machine in August 2004 and installed the same in May 2005 at Cobalt Centre Zemabawk, Aizawl in a newly constructed (November 2004) building at a cost of Rs.29.93 lakh since the site of Brachytherapy Unit was changed by the Department due to limited space in Civil Hospital, Aizawl. As per agreement, 80 *per cent* of the ordered value (Rs.67.80 lakh) was paid to the firm in March 2004 and the remaining 20 *per cent* (Rs.16.20 lakh) was paid in August 2005.

Scrutiny (February 2006) of records of the DHME revealed that within two months of installation, the machine was burnt and damaged due to leakage of water from the roof and walls of the newly constructed building. Consequently, the machine was dismantled and kept in an adjacent room to avoid further damage. The DHME, instead of investigating the reasons for defective construction of the building, released the security deposit of Rs.1.45 lakh to the contractor in November 2005.

Thus, due to defective construction of the building, the machine could not be made operational rendering the expenditure of Rs.1.14 crore (including cost of building) unproductive, besides, depriving the people of the State of the benefit of Brachytherapy Unit.

The Government stated (October 2006) that the work of repair and renovation of the building had been completed (September 2006). The reply however is silent about repair and reinstallation of the Brachytherapy machine and the damage caused to the machine.

HIGHER AND TECHNICAL EDUCATION DEPARTMENT

4.12 Unproductive expenditure

Due to delay in finalisation of site, building for college of Teacher's Education remained incomplete since March 2004 rendering the expenditure of Rs.58.60 lakh unproductive.

Based on a proposal from the State Government, the Government of India sanctioned Rs.60.50 lakh in March 1997 for construction of a building for College of Teacher's Education at Aizawl under the Centrally Sponsored Scheme "Restructuring and Re-organisation of Teachers Education". The Government of India released the first instalment of Rs.30.25 lakh in March 1997 and second instalment of Rs.30.25 lakh in August 2003.

Scrutiny (March 2006) of records of the Director of Higher and Technical Education, Mizoram, Aizawl, revealed that for execution of the work, a detailed estimate for Rs.1.04 crore was prepared by the Department in July 2000, *i.e.* after a lapse of three years from the date of release of 1st instalment by the Government of India. Administrative approval for the work was accorded by the State Government in March 2001, and the work commenced in 2001. After 79 *per cent* physical achievement and an expenditure of Rs.58.60 lakh, the execution of the work was stopped in March 2004 for want of additional funds of Rs.43.21 lakh. The Department attributed the delay in construction to non-finalisation of the site. Although the detailed estimate of Rs.1.04 crore was prepared in July 2000 and administrative approval was accorded in March 2001 against the Government of India's sanctioned amount of Rs.60.50 lakh, the State Government approached the Government of India only in July 2004 and again in March 2005 for additional funds of Rs.43.21 lakh. The Government of India, however, informed (September 2005) the State Government that the delay in completion of the building resulted in escalation of cost and there was no justification for sanction of additional funds for the purpose.

Thus, due to delay of the Department in finalising the site and obtaining the required funds on time, the building remained incomplete since March 2004 rendering the expenditure of Rs.58.60 lakh unproductive. The Department, on the other hand, had been incurring expenditure of Rs.0.58 lakh per month towards payment of rent for the accommodation of the College of Teacher's Education.

The matter was reported to the Government in May 2006; their reply had not been received (October 2006).

SOIL AND WATER CONSERVATION DEPARTMENT

4.13 Unproductive and extra avoidable expenditure

Due to failure of the Directorate to occupy its own building, the expenditure of Rs.1.58 crore remained unproductive for last four years, besides incurring an extra avoidable expenditure of Rs.27.71 lakh towards payment of rent.

The work “construction of Soil and Water Conservation (S&WC) Directorate Building at Aizawl” was approved (January 1997) by the Government and was taken up for execution through a contractor in February 2000 by the Executive Engineer (EE), Public works Department (PWD), Project Division –I, Aizawl and completed in March 2002 with a total expenditure of Rs.1.58 crore.

Scrutiny (May 2006) of records of the Director of Soil and Water Conservation (S&WC), Aizawl and Public Works Divisions²⁹ revealed that without any recorded reason the EE, PWD, Project Division-I, Aizawl, handed over (September 2002) the same to EE, PWD, Building Division, Aizawl. The S&WC Department also did not initiate any action to take over the building for accommodation of the Directorate. On the other hand, S&WC Directorate had been functioning in a rented building and between April 2002 and February 2006, the Department incurred an expenditure of Rs.27.71 lakh towards payment of rent for accommodation of the Directorate.

Thus, due to inaction on the part of the PWD to hand over the building after its completion and failure of the Directorate to occupy its own building, the expenditure of Rs.1.58 crore remained unproductive for the last four years. Besides, the Directorate had already made an extra avoidable payment of Rs.27.71 lakh towards rent up to February 2006 with further liability of recurring expenditure @ Rs.0.74 lakh per month thereafter.

The Director stated (August 2006) that inspite of repeated requests, the building had not been handed over to the Department and hoped that they would be allowed to occupy the building during 2005-06. The expenditure of Rs.1.58 crore thus remained unproductive for the last four years.

²⁹ EE, PWD, Project Division No.-I, Aizawl and EE, PWD, Building Division, Aizawl.

Diversion of funds and unrealised expenditure

**EDUCATION AND HUMAN RESOURCE DEVELOPMENT
DEPARTMENT**

4.14 Diversion of funds meant for Mid Day Meal Programme

The Department irregularly incurred an expenditure of Rs.45.38 lakh towards construction of kitchen sheds instead of supplying mid day meal to children.

The Pradhan Mantri Gramodaya Yojana (PMGY) includes the cost of Mid Day Meal (MDM) as a permissible item of expenditure. In December 2003, the Government of India permitted the Government of Mizoram the conversion costs of food grains into cooked meal under MDM also as a permissible item of expenditure under PMGY for the year 2003-04. The Government of Mizoram accorded (March 2004) sanction of Rs.45.38 lakh for implementation of MDM programme under PMGY during the year 2003-04.

According to Government of India guidelines (August 1995 revised in December 2004) for implementation of MDM scheme, expenditure for infrastructure including construction of kitchen sheds was to be met either from the State funds or from the funds under Sampurna Gramin Rozgar Yojana (SGRY) in rural areas and National Slum Development Programme and Urban Wage Employment Programme in urban areas. Scrutiny (July 2005) of records of the Director of School Education, Mizoram, Aizawl revealed that during 2003-04 the Department spent the entire sanctioned amount of Rs.45.38 lakh for construction of 125 kitchen sheds without distribution of cooked meal to the children.

The Department irregularly spent the entire sanctioned amount towards construction of kitchen sheds and deprived the school children of mid day meal.

The Government stated (October 2006) that the Department had only Rs.45.38 lakh which was inadequate for conversion cost hence proposed that the fund be utilised for construction of kitchen sheds which was considered important for distribution of cooked meals. The reply is not tenable as construction of kitchen sheds was not permissible under PMGY.

HOME DEPARTMENT

4.15 Unrealised dues for providing police guards

Expenditure of Rs.5.62 crore being the reimbursable amount for providing armed police to 16 branches of State Bank of India in Mizoram for periods ranging between seven to eighteen years remained unrealised.

State level Security Committee Meeting held on 8 January 1988 between the State Bank of India (SBI) and the Government of Mizoram decided that two-thirds of the expenditure on security guards deployed in banks having currency chest, would be reimbursed by the bank.

Scrutiny (January and November 2006) of records of the Director General of Police, Mizoram revealed that a total amount of Rs.5.62 crore being the reimbursable amount of expenditure as on 31 March 2006 for providing armed police to 16 branches of SBI in Mizoram having currency chest, remained unrealised from the SBI for periods ranging between seven to eighteen years as detailed in *Appendix – 4.4*. It was further noticed that though the Department was required to prefer monthly claims on all the branches of SBI, this was not done regularly and during the last five years, the Department made only three references to SBI, the last reference being in March 2003.

The Government stated (October 2006) that the SBI had not responded to the regular demands of the Government and that the Government had threatened to withdraw Bank Security provided by Mizoram Police.

Regularity issues and other points

General

4.16 Follow-up on Audit Reports

Non-submission of Explanatory (Action taken) Notes

With a view to ensuring accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Finance Department (Government of Mizoram) instructed (August 1993), all the Government Departments to submit explanatory notes on paragraphs and reviews included in the Audit Reports indicating action taken or proposed to be taken, without waiting for any notice or call from Public Accounts Committee/Committee on Public Undertakings. The Departments were also required to furnish necessary replies to the concerned authorities within a definite time frame.

Review of the Department-wise submission of replies and Action Taken Notes (ATNs) (as of September 2006) on paragraphs and reviews included in the Audit Reports of the Comptroller and Auditor General of India, revealed the following:

Certain Departments of the State Government had not submitted replies to 31 paragraphs and five reviews in respect of Civil and Works Departments featured in the Audit Reports for the years 1996-97 to 2004-05. The details are given in *Appendix – 4.5*.

Various Departments also failed to submit ATNs on the recommendations of the Public Accounts Committee on nine paragraphs/reviews pertaining to Civil and Works Departments for the years, 1996-97, 1997-98 and 1999-2000. The details are given in *Appendix – 4.6*.

Thus, failure of the respective Departments to comply with the instructions of the State Finance Department frustrated the objective of ensuring accountability of the executive.

4.17 Failure of senior officials to enforce accountability and protect the interests of Government

138 paragraphs pertaining to 34 Inspection Reports amounting to Rs. 50.08 crore concerning General Administration, General Administration (Liaison Officer Aviation Wing), Forest and Industries Departments were outstanding as of June 2006. Of these, seven Inspection Reports containing 15 paragraphs had remained unsettled for more than 10 years.

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

A review of the IRs issued upto March 2006 pertaining to 20 offices of four Departments *viz.*, General Administration, General Administration (Liaison Officer Aviation Wing), Forest and Industries Departments disclosed that 138

paragraphs relating to 34 IRs involving Rs.50.08 crore remained outstanding at the end of June 2006. Of these, seven IRs containing 15 paragraphs had not been settled for more than 10 years.

As a result, some of the important irregularities pertaining to 29 paragraphs involving an amount of Rs.2.92 crore commented upon in the outstanding Inspection Reports of the four Departments have not been settled as of June 2006 as per the details given below:

Table: 4.2

Nature of irregularities	General Administration		General Administration (Liaison Officer Aviation wing)		Forest Department		Industries Department	
	No. of paras	Amount (Rs. in lakh)	No. of paras	Amount (Rs. in lakh)	No. of paras	Amount (Rs. in lakh)	No. of paras	Amount (Rs. in lakh)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Non-observance of rules relating to custody and handling of cash, position and maintenance of Cash Book and Muster Roll	7	---	3	3.32	9	174.51	3	31.76
Over payment or inadmissible payments noticed in audit not recovered		---	1	3.37	---	---	---	---
Delay in recovery/non-recovery of Departmental receipts, advances and other recoverable charges		---	4	60.92	---	---	---	---
Defective maintenance and/ or non-maintenance of log book of Department vehicle etc.	---	---	---	---	1	2.65	---	---
Sanction of write-off Loans, losses, etc., not received	---	---	---	---	1	15.47	---	---
Total :	7	-	8	67.61	11	192.63	3	31.76

The Secretaries of the Departments concerned, who were informed of the position through half-yearly reports, failed to ensure that the concerned officers of the Departments took prompt and timely action. No action was taken against the defaulting officers.

It is recommended that the Government look into this matter and ensure that (a) action is taken against the officials who fail to send replies to IRs/Paras as per the prescribed time schedule (b) action is initiated to recover losses/outstanding amounts/overpayments pointed out in audit in a time bound manner and (c) there is a proper system of expeditious compliance to audit observations.

The matter was reported to the Government (February 2006); their reply had not been received (October 2006).