

CHAPTER - IV

Avoidable/Extra/Infructuous Expenditure

LOCAL ADMINISTRATION DEPARTMENT

4.1 Avoidable expenditure

Failure in timely repayment of loan resulted in avoidable expenditure of Rs. 60.65 lakh towards payment of compound interest.

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

Scrutiny of the records of the Directorate of LAD revealed that against the total loan obtained since 1989, there was an outstanding balance of Rs. 276.76 crore as of November 2005, of which, the Department was to repay the principal amount of Rs. 6.42 crore with accrued interest of Rs. 11.65 crore by November 2005. However, due to non-payment of dues on the scheduled date, the LIC levied a compound interest of Rs. 60.65 lakh in addition to the accrued interest of Rs. 11.65 crore. The Department obtained (February 2006) the formal expenditure sanction from the State Government and released (March 2006) Rs. 18.68 crore (Principal Rs. 6.42 crore, interest Rs. 11.65 crore and compound interest of Rs. 60.65 lakh to the LIC in March 2006.

Thus, failure in timely repayment of loan resulted in an extra expenditure of Rs. 60.65 lakh from the public exchequer, which could have been avoided had the Department repaid the loan on time.

The Director, LAD attributed (November 2007) the delay in repayment to non-receipt of drawal permission from the Government. The State Government stated (April 2006) that with the improvement of financial position, the Government would be in a position to make timely repayment of loans so as to avoid payment of penal interest in future.

RURAL DEVELOPMENT DEPARTMENT

4.2 Excess expenditure

The Department incurred an excess expenditure of Rs. 17.39 lakh due to release of inadmissible assistance for sanitary latrines and smokeless chulhas.

Pradhan Mantri Gramodaya Yojana – Grameen Awaas (PMGY-GA) was implemented in the State by the Rural Development Department (RDD) based on the guidelines prescribed for the implementation of Indira Awaas Yojana (IAY) by the GOI. Funds under the programme were provided by the GOI under the rural housing component of the Annual Plans of Mizoram.

As per the IAY guidelines, with effect from April 2004 the unit cost of construction of houses to be paid to the beneficiaries in hilly areas is Rs. 27,500 including the cost of sanitary latrine and smokeless chulha. In case the beneficiary is unable to construct sanitary latrine and smokeless chulha due to some reasons, an amount of Rs. 600 and Rs. 100 respectively was to be deducted from the assistance to be provided.

Scrutiny of the records of the Directorate of Rural Development (March 2008) revealed that during 2005-06 and 2006-07 the Department constructed 2,484 new houses under PMGY-GA at a cost of Rs. 6.83 crore without constructing any sanitary latrine and smokeless chulha. No deduction was, however, made from the assistance provided to the beneficiaries under the programme for non-construction of sanitary latrine and smokeless chulha at the prescribed rates.

Thus, due to release of the full unit cost at Rs. 27,500 for construction of 2,484 new houses at Rs. 6.83 crore, the Department incurred an excess expenditure of Rs. 17.39 lakh (Rs. 700 X 2,484 houses). Had the Department deducted the inadmissible assistance of Rs. 17.39 lakh at least 63 more beneficiaries could have been provided with new houses at Rs. 27,500 each.

The Director, RDD stated (February 2008) that since the approved amount for construction of new houses was inadequate, it was impossible to include all the provisions prescribed in the guidelines. He, however, assured that in future, provision for sanitary latrine and smokeless chulha would be made.

The reply is not acceptable, as the unit cost of construction was revised in April 2004 considering the constraints in hilly areas. If there was a further constraint, the Department should have taken up the matter with the GOI for relaxation of norms.

The matter was reported to the Government (June 2008); reply had not been received (November 2008).

EDUCATION DEPARTMENT

4.3 Excess cost estimation of works

The School Education Department earned Rs. 33 lakh on departmentally executed works due to excess cost estimation, which was inadmissible.

The Schedule of Rates (SOR) 2003 prepared by the State Public Works Department is computed on the basic rates of material and labour based on the market rates and it includes the contractor's profit at 10 *per cent*. The element of 10 *per cent* contractors profit is inadmissible in case of departmental execution of civil works and thus, detailed estimates for departmental execution of works are to be prepared after deducting 10 *per cent*.

Scrutiny (May 2008) of the records of the Director of School Education, Aizawl revealed that the Department prepared (2006-07) detailed estimates for construction of Kitchen sheds at an estimated cost of Rs. 0.60 lakh each, based on SOR 2003, which includes 10 *per cent* contractor's profit. As the works were to be executed departmentally, the inclusion of 10 *per cent* contractor's profit in the detailed estimates resulted in inflated cost estimation per unit to the extent of Rs. 5,455.

The Department constructed 611 kitchen sheds during 2006-08 departmentally, at a cost of Rs. 3.67 crore, which included Rs. 33 lakh on account of inclusion of 10 *per cent* contractor's profit which was not admissible.

The matter was reported to the Government (July 2008); reply had not been received (November 2008).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4 Construction of Sub Centres

The Department spent Central assistance of Rs. 6.56 crore on construction of Sub Centres which were located in Government buildings contrary to the instructions of NPCC.

The State Mission, National Rural Health Mission (NRHM), Mizoram under the Health and Family Welfare Department submitted a proposal (March 2006) for construction and maintenance of 130 Sub Centres (SCs) @ Rs. 7.28 lakh each to the National Programme Coordination Committee (NPCC) at the Union Ministry of Health and Family Welfare. The NPCC approved the proposal for construction of SCs, where these were housed in non-Government buildings and released (December 2006) Rs. 7.80 crore for the purpose.

During 2007-08, the Mission Director, NRHM incurred an expenditure of Rs. 6.56 crore on construction of 145 SCs cum quarters. Since all these SCs were housed in Government buildings, the expenditure of Rs.6.56 crore was in contravention of the norms/guidelines of the GOI. The unspent balance of Rs. 24 lakh remained idle in the bank.

While the Mission Director confirmed (May 2008) that all the 366 SCs in the State are housed in Government buildings, the Department stated (November 2008) that a number of SCs constructed voluntarily by the communities and handed over to the Government, were in a dilapidated state and due to the financial constraints of the State Government, the NRHM funds were utilised for their repairs.

The reply is not in conformity with the GOI instructions and the approved Programme Implementation Plan.

The matter was reported to the Government in October 2008; reply had not been received (November 2008).

ENVIRONMENT AND FOREST DEPARTMENT
4.5 Infertuous expenditure

The Environment and Forest Department incurred a wasteful expenditure of Rs. 15.46 lakh towards the cost and transportation of 44,197 damaged seedlings.

The Conservator of Forests, Central Circle, Aizawl as the Nodal Officer of Bamboo Plantation, initiated action (March 2006) for experimental plantation of *Phyllostachys Pubescens* (Mosso) bamboo seedlings (@ 50 hectares each in Kolasib, Champhai and North Vanlaiphai Forest Divisions) in 150 hectares. The Department advanced Rs. 7.50 lakh during 2005-06 for the supply of 50 thousand Mosso seedlings (@ Rs. 15 per seedling) to the Institute of Himalayan Bio-Resource Technology (IHBT) Palampur, Himachal Pradesh. Further, Rs. 10 lakh (@ Rs. 20 per seedling) was incurred on transportation of these seedlings from Palampur to Aizawl. The seedlings were collected by the Department during 2006-08.

The survival of tissue cultured Mosso bamboo seedlings depends on the extent of hardening of the seedlings in the Nursery beds. The Divisional Forest Officer (DFO), Resource Survey-Cum-Silviculture Research Division (RSCSR), Aizawl was responsible for ensuring proper procurement and hardening of the seedlings before their distribution for final plantation by the concerned Forest Divisions in their experimental sites.

Scrutiny (March 2008) of the records of the DFO (RSCSR) revealed that almost all the 28,000 seedlings (63 seedlings survived) transported from Palampur to Aizawl were damaged *enroute* despite the presence of a departmental official, tasked with the safe transportation of seedlings while in transit. Subsequently, in 2007-08 only 5,740 seedlings out of a total 22,000 seedlings comprising the second and final consignment survived. This was inspite of the near total failure of the previous year consignment and the specific instruction of the Conservator of Forests (Central Circle) for safe handling of the seedlings in wooden containers and moisture retention schedule in transit. As a result, the DFO (RSCSR), Aizawl succeeded in hardening only 63 seedlings out of 28,000 seedlings collected during 2006-07 and 5,740 seedlings out of 22,000 seedlings collected during 2007-08.

Thus, due to the inefficient management of the project by the Department right from the procurement stage, the proposed experimental plantation of Mosso bamboo seedlings in the State could not take off as intended, with consequential wasteful expenditure of Rs. 15.46 lakh.

The Government while accepting the fact stated (September 2008) that inspite of all possible efforts undertaken for safe transportation of the seedlings, the experiment could not achieve the desired result.

PUBLIC WORKS DEPARTMENT

4.6 Excess payment towards formation cutting

The Department made excess payment of Rs. 55.70 lakh in formation cutting work under 'Improvement and Widening of Bawngkawn – Durtlang Road'.

The work 'Improvement and Widening of Bawngkawn to Durtlang Road', a MoDONER funded project, was administratively approved (August 2003) by the Government of Mizoram at an estimated cost of Rs.6.81 crore and technical sanction was accorded by the Chief Engineer, Public Works Department (Building) in October 2003. The estimate provided *inter alia* execution of earth work for widening the existing 2.28 Km (2228 RM) road. The formation cutting work commenced in August 2003 and was completed in March 2004 at a total cost of Rs.1.08 crore.

Scrutiny of the records revealed that the work orders for widening of a total length of 1640 RM of the road falling under different chainages from 0 to 2.130 KMP were awarded (August 2003) to 19 contractors without inviting tenders in contravention of the conditions of the administrative approval and section 16.1 of the CPWD Works Manual.

Payment of Rs.1.08 crore was made to 19 contractors against the total excavation of 34851.525 cum (ordinary soil- 1971.74 cum, hard soil- 5510.68 cum, soft rock -13847.85 cum, hard rock - 13521.255 cum) of earth work where 2839.79 Kg of special gelatin was used.

As per the standard norms, 0.250 Kg and 0.390 Kg of special gelatin was required for excavation of one cum of soft rock and hard rock respectively. Under this norm, with 2839.79 Kg of special gelatin, only 7281.51 cum (2839.79/0.390) of hard rock could be excavated, leaving the balance 6240.04 cum (13521.55-7281.51) hard rock and the entire soft rock excavated without utilizing special gelatin.

Even if it was assumed that 6240.04 cum hard rock and the entire quantity of 13847.85 cum soft rock were deemed as hard soil, payment should have been as follows:

Table: 4.1

Classification of soil	Rate per cum Rs.	Actually Paid		To be paid		Difference (+) Excess (-) Less
		Volume (cum)	Amount (Rs. in lakh)	Volume (cum)	Amount (Rs. in lakh)	
Ordinary soil	53.20	1971.74	1.05	1971.74	1.05	Nil
Hard soil	66.50	5510.68	3.66	25598.57*	17.02	(-) 13.36
Soft rock	313.53	13847.85	43.42			(+) 43.42
Hard rock	410.93	13521.25	55.56	7281.51	29.92	(+) 25.64
Total			103.69	34851.82	47.99	55.70

(* 5510.68 + 6240.04 + 13847.85 cum)

Thus, the actual expenditure should have been Rs. 0.48 crore instead of Rs. 1.04 crore.

The Department stated (November 2008) that since this stretch of road runs within the city, there were some residential areas alongside it, which obviated the use of explosives and the work of formation cutting had to be executed by chiseling and that this led to a reduction in the use of explosives. The Department contended that as payment was made as per the approved rate, it actually saved the Government an extra expenditure. The reply is not acceptable, since all claims of work done by the contractors were made on the basis of the use of explosives only and payments were released on that basis. There was no reference to the works executed on the basis of chiseling either in the records furnished to audit, or from the claims preferred by the contractors.

The matter was reported to the Government (October 2008); reply had not been received (November 2008).

4.7 Infructuous expenditure

Execution of works without proper survey resulted in infructuous expenditure of Rs. 20.09 lakh.

Up-gradation of the existing Bairabi - Zamuang Road (Other District Road) 0 – 30 km to State Highway was administratively approved by the North Eastern Council in October 2004 and by the Government of Mizoram in February 2005 at a cost of Rs. 33.91 crore. The technical specifications on the formation cutting works were to be formulated in conformity with the Rural Road Manual (RRM). Technical Sanction was accorded in February 2005 for Rs. 30.23 crore.

Scrutiny (January 2007) of the records of Kawrthah Division revealed that formation cutting works from 25 km to 28 km was awarded to a contractor at Rs. 32.31 lakh. The work commenced in January 2005. Between January and

August 2005, the Division recorded execution of works valued at Rs. 20.09 lakh from 25 to 27.50 km and the contractor was paid Rs. 20.09 lakh between March and August 2005.

Subsequently, the alignment of the road from 25 to 28 km was changed by the Chief Engineer (March 2005) in order to achieve the ruling gradient as per the specification of RRM. The contractor was paid another Rs. 42.58 lakh between March and July 2006 for executing the work in accordance with the new alignment.

Thus, due to change of alignment, necessitated due to the non-compliance with the specifications prescribed in the RRM initially, execution of the work worth Rs. 20.09 lakh for the original alignment became infructuous.

The matter was reported to the Government (April 2007); reply had not been received (November 2008).

Locking up/Diversion of fund

TOURISM DEPARTMENT

4.8 Diversion of Central assistance

Tourism Department diverted Central assistance of Rs. 40 lakh meant for construction of Tourist lodge at Tuidam.

Tuidam, a town situated in the western part of Mizoram bordering Tripura, attracts a large number of tourists, as it is an important trade centre, and the town is surrounded by scenic natural forests. As the town lacked proper lodging facilities, the Tourism Department decided to construct a Tourist lodge at Tuidam (September 1999) and submitted a project proposal to the GOI.

The Union Ministry of Tourism accorded (December 1999) administrative approval for construction of the proposed tourist lodge at Tuidam at an estimated cost of Rs. 56.21 lakh (Central assistance Rs. 40 lakh and State share Rs. 16.21 lakh) under the tourist infrastructure development scheme and released the Central assistance of Rs. 40 lakh¹ in three installments.

Scrutiny (September 2007) of the records of the Director of Tourism (DoT) revealed that instead of constructing the tourist lodge at Tuidam, the

¹. Rs. 12 lakh in December 1999, Rs. 20 lakh in December 2001 and Rs. 8 lakh in September 2002

Department diverted (1999-2003) the entire Central assistance for construction of a multi-storied building within the complex of the present tourist lodge at Chaltlang, Aizawl. To secure the release of the Central assistance, the Department submitted (August 2002) false utilisation certificate (UC) to the Government of India claiming completion of the tourist lodge at Tuidam at a total cost of Rs. 56.21 lakh.

Thus, due to diversion of funds released by the Centre, the main objective of infrastructural/tourism development at Tuidam was undermined.

While accepting the facts, the DoT stated (September 2007) that at the time of commencement of work, the Department encountered problems relating to the selection of a suitable site at Tuidam and subsequently a high level committee decided to divert the fund. The reply of the Department does not absolve the State Government from diverting the Central assistance without the approval of the Union Ministry of Tourism and furnishing a false UC.

The matter was reported to the Government (July 2008); reply had not been received (November 2008).

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.9 Idle stock in stores

There was an idle stock in stores valued at Rs. 3.09 crore for eight to 23 years.

The Executive Engineer, Stores Division, Public Health Engineering Department (PHED), Aizawl was responsible for procurement and distribution of stores to various Divisions based on the need assessment made by each Division. This centralised procurement system was discontinued (July 2002) and subsequently the Division was renamed as Ground Water and Quality Control Division (July 2002). Thereafter, stores were procured directly by the respective Divisions. The Department did not take effective steps for the utilisation of the huge stock of existing stores, which were procured prior to 2002.

Rule 103 of the General Financial Rules (GFR) provides that purchase of stores shall be made in accordance with definite requirements and care shall be taken not to purchase stores much in advance of actual requirement, if such purchase is likely to prove unprofitable to Government.

Scrutiny (March 2008) of the records of the Ground Water and Quality Control (GWQC) Division revealed that as of February 2008 the Division had retained a stock balance of 312 items amounting to Rs. 3.09 crore (at issue rates) which were procured between November 1985 to August 2001. The GWQC Division had not taken action for distribution of the stock (G.I pipes, sockets, nipples, bend etc.), which was hitherto procured on the placement of demand by the other PHE divisions resulting in retention of idle stock in store. Further, the Division had not conducted any physical verification and steps were also not taken for disposal of stores, if any, through auction or write off.

Thus, failure of the division to take stock of stores, and their utilisation / disposal and inaction in identifying the unserviceable items and their disposal through auction resulted in idle stock, thereby locking of Government funds to the tune of Rs. 3.09 crore for a period ranging from 8 to 23 years.

The matter was reported to the Government (July 2008); reply had not been received (November 2008).

Regularity issues and other points

General

4.10 Follow up of Audit Reports

Non-submission of *suo-moto* 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 Public Accounts Committee (PAC), issued (May 2000) instructions for submission of *suo moto* replies on all paragraphs and reviews featured in the Audit Report within three months of its presentation to the legislature. For submission of the action taken notes (ATNs) on its recommendations, the PAC provided six months time.

Review of follow up action on submission of *suo moto* replies and of ATNs as of 31 October 2008 on paragraphs included in the Reports of the Comptroller and Auditor General of India disclosed that the Departments of the State Government had not submitted *suo moto* replies to twenty-two paragraphs and six reviews featured in the Audit Reports for the years 2005-06 and 2006-07, as mentioned below:

Table: 4.2

Year of Audit Report	Date of presentation of the Audit Report to the Legislature	Number of paragraphs/reviews included in the Audit Report (excluding standard paragraphs)	Total number of paragraphs and reviews for which <i>suo moto</i> explanatory notes are awaited	Number of Departments
2005-06	29-3-2007	19	18	8
2006-07	1-4-2008	10	10	5
Total		29	28	13

(Source: Legislative Assembly secretariat)

Thus, due to the failure of the respective Departments to comply with the instructions of the PAC, the objective of ensuring accountability of the executive remained unfulfilled.

4.11 Failure of senior officials to enforce accountability and protect the interest of Government

Accountant General (AG) (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 by 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 AG to ensure corrective 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 AG. Serious irregularities are also brought to the notice of the Head of the Department by the Office of the AG. Half-yearly reports are sent to the Secretaries to the Department to facilitate monitoring of the audit paragraphs in the pending IRs and respond to the same.

A review of IRs issued during 1993-2008 revealed that out of 257 paragraphs relating to 42 IRs, 57 paragraphs were settled through the Audit Committee meetings during 2005-07 and 200 paragraphs remained outstanding as of March 2008.