OVERVIEW

This Report contains 25 Audit Paragraphs (excluding three general paragraphs), four Performance Reviews and one Integrated Audit apart from comments on the Finance and Appropriation Accounts. According to the existing arrangements, copies of the draft audit paragraphs and draft performance reviews were sent to the concerned Secretary to the State Government by the Accountant General (Audit) with a request to furnish replies within six weeks. The Secretaries were also reminded for replies. Besides, the Chief Secretary to the State Government was also requested to arrange for discussion of the issues raised in the draft audit paragraphs, draft performance reviews, etc., for effective inclusion of the views/comments of the Government in the Audit Report. Despite such efforts, only three replies were received in respect of all the paragraphs and three reviews from the concerned Secretary to the State Government.

1. Finances of the State Government

The fiscal position of the State viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit and primary deficit – has shown deterioration in 2007-08 relative to previous year. Not only did revenue surplus decline by Rs. 120 crore in 2007-08, but fiscal deficit increased more than twice and primary surplus turned into deficit when compared to the previous year. Moreover, the fiscal performance of the State *vis-à-vis* targets set in FCP as well as MFRBM Act and Budget indicate a dismal picture during the year. Despite the fact that Central transfers increased by Rs. 70 crore in 2007-08 and contributed around 98.6 *per cent* of incremental revenue receipts during the year, the lower growth rate in revenue receipts in 2007-08 was primarily on account of sluggish growth rate of 0.5 *per cent* (Rs. 1 crore) in the State's own resources as compared to 14.86 *per cent* (Rs. 26 crore) in the previous year resulting in decline in revenue surplus in the current year. The expenditure pattern of the State reveals that the revenue expenditure as a percentage of total expenditure, although marginally declined during the current year, hovered around 78 *per cent* during the period (2002-08) leaving inadequate resources for expansion of services and creation of assets. Within revenue expenditure, NPRE at Rs. 1,259 crore in 2007-08 remained significantly higher than the normatively assessed level of Rs. 1,042 crore by TFC for the year. Further, the salaries and wages, pension, interest payments and subsidies continued to consume a major share of NPRE which was around 73 *per cent* during 2007-08. The continued prevalence of fiscal deficit indicates reliance of the State on borrowed funds, resulting in increasing fiscal liabilities of the State over this period, which stood at 102 *per cent* of the GSDP in 2007-08 and are unusually high especially if compared with the limit of 31 *per cent* prescribed by the TFC in its restructuring plan of state finances to be achieved by all states by the terminal year of its award period (2009-10). The increasing fiscal liabilities accompanied by a 'nil' rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable fiscal situation in medium to long run unless suitable measures are initiated to compress the non-plan revenue expenditure and to mobilize the additional resources both through the tax and non tax sources in the ensuing years.

(Paragraphs 1.1 to 1.12)

2. Allocative Priorities and Appropriation

During 2007-08 expenditure of Rs.2678.93 crore was incurred against total grants and appropriation of Rs.3044.95 crore. The net savings of Rs.366.02 crore was the result of savings of Rs.379.94 crore, partly offset by excess of Rs.13.92 crore.

(Paragraph 2.2)

Supplementary provision made during the year constituted 31 *per cent* of the original provision. Supplementary provision of Rs.39.05 crore made in 14 cases proved unnecessary in view of aggregate final savings of Rs.193.52 crore.

(Paragraphs 2.3.3 and 2.3.4)

Excess expenditure over provision amounting to Rs.751.14 crore for the years 2003-04 to 2006-07 is required to be regularized according to Article 205 of the Constitution of India.

(Paragraph 2.3.2)

3. Performance Reviews

3.1 National Rural Health Mission

The National Rural Health Mission (NRHM) was launched by GOI in April 2005. The State Mission has performed satisfactorily in the area of control of tuberculosis, leprosy and iodine deficiency. The overall performance of the Mission at the mid-course was not very satisfactory. The review underscored glaring gaps in planning and programme implementation. The State Mission failed to conduct a household / facility survey, which constitutes the most crucial element of the planning process upon which the very edifice of the Mission rests. The credibility and the basis on which the State PIP was formulated is questionable. In terms of infrastructure readiness, the majority of the centres did not have the basic equipment and drugs. The set back experienced by the mission till date is largely attributable to the manpower shortage and the absence of appropriate functionaries at all tiers of the implementation structure. The overall management of the mission was also impeded by the absence of baseline data and other relevant indices to facilitate performance evaluation.

3.2 Technology Mission for Integrated Development of Horticulture

Technology Mission for integrated development of horticulture in Mizoram was launched as a Centrally Sponsored Scheme in 2001-02 with the specific objectives of improving productivity and quality of horticulture crops, reducing post harvest losses by improving marketability of the produce and making it available to consumers. Implementation of the programme lacked proper planning and direction. The Annual Action Plans were not based on an integrated approach, consolidating the district level plans to address the issues of production, marketing, processing and export. Coordination between the implementing agencies was fragile both at the planning and implementation stages. Consequently, the objectives of the programme to provide linkages in production, post harvest management, consumption chain and value addition through employment generation remained largely unrealized. Delays in release of funds and under utilization of available funds resulted in many critical components of the mission remaining inoperational. In the absence of baseline data, performance indicators relating to area expansion programmes and their concomitant impact on production volumes of horticulture crops remain unquantifiable. Inspite of the core thrust of the mission being technology driven, precious little was contributed by MM-I, whose activity was confined to limited training and demonstration without a well orchestrated Lab to ensure technology transfer to the horticulture farmers of the State. There was little or no effort made under the MM-III to offer new and applicable post-harvest technology and facilities commensurate to the needs of the horti-farmers.

3.3 Non-Lapsable Central Pool of Resources

The Non-Lapsable Central Pool of Resources (NLCPR) was established by the GOI in 1998 with the main objective of speedy development of infrastructure in the North Eastern States. The objectives of NLCPR funding have not been achieved in the state, as over 56 *per cent* of the approved projects since inception of the scheme, remained incomplete as of March 2008. Infrastructural gaps were not identified clearly and priority was accorded to non-critical and miscellaneous sectors rather than the developmental and infrastructure sectors. The State Planning Board confined its role to endorsing the project proposals submitted to it rather than screening the proposals with regards to their need, techno-economic feasibility and the intended benefit.

Consequently, there were several deviations from the approved DPRs. Fund management was poor and affected the timely execution of projects. Monitoring and supervision was inadequate, leading to time and cost overrun in several projects and diversion of funds.

4. Audit of Transactions

Avoidable/extra/Unfruitful Expenditure

Rural Development Department

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

(Paragraph 4.2)

Education Department

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

(Paragraph 4.3)

Health and Family Welfare Department

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

(Paragraph 4.4)

Environment and Forest Department

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

(Paragraph 4.5)

Public Works Department

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

(Paragraph 4.6)

5.1 Integrated Audit

Integrated audit of the Health and Family Welfare Department revealed poor budget, accounting and procurement procedures and non-implementation of various Centrally Sponsored Schemes. Functioning of the Department is not satisfactory due to poor financial management, as evidenced by unrealistic formulation of budget estimates leading to persistent savings, parking of funds under Civil Deposit and recurrence of serious financial irregularities with instances implying fraud and misappropriation. The Controlling Officers though assisted by Finance and Accounts Officer failed to exercise their responsibilities in ensuring stringent control of expenditure. The objectives of the Central sector programmes were not achieved due to inadequate planning, faulty procurement practices and diversion of funds. Training of functionaries was reduced to a funds driven necessity rather than a need based one. The absence of a sound manpower database pertaining to the functional units and the programme activities of the department meant that an informed decision making for an equitable distribution of manpower at various levels could not be carried out. Thus, although there were no vacancies as reported by the department, the health care delivery system of the state could be faced with a skewed distribution of manpower resulting in denial of health care service to the people of the state especially those in remote rural areas.

6. Revenue Receipts

Transport Department

The department's inability to arrange apparatus for smoke emission test led to plying of vehicles without ensuring that pollution was under control

(Paragraph 6.2)

Environment and Forest Department

Due to irregular extension of eight months operational period for extraction of additional 30 lakh bamboo, the Government incurred a loss of revenue of Rs. 16.30 lakh

(Paragraph 6.8)

Taxation Department

A registered dealer concealed turnover of Rs. 1.53 crore and evaded tax of Rs. 19.08 lakh on which interest of Rs. 13.73 lakh and penalty of Rs. 65.62 lakh were additionally payable

(Paragraph 6.10)

Land Revenue and Settlement Department

The department failed to collect assessed land revenue of Rs. 28.16 lakh in respect of 131 cases

(Paragraph 6.12)

7.1 Government Commercial and Trading Activities

As on 31 March 2008, there were five Government companies (all working) and two departmentally managed commercial undertakings viz., State Trading Scheme under the Food, Civil Supplies and Consumer Affairs Department and Mizoram State Transport under the Transport Department as against the same number of Government companies and departmentally managed commercial undertakings as on 31 March 2007 under the control of the State Government. The results of audit of the Power and Electricity Department have also been incorporated in the Commercial Chapter**.**

7.2 Performance review on Zoram Industrial Development Corporation Limited

The Zoram Industrial Development Corporation Limited has been promoting industrial development in the State of Mizoram since inception (1978). The contribution of the Company in the State of Mizoram was on the decline due to non-disbursement of term loan and non-allotment/utilisation of plots developed in two 'Integrated Infrastructural Development Centres' (IIDC) at Pukpui and Zote. Some of the important audit findings are given below:

- Diversion of fund of Rs. 7.54 crore received from Financial Institutions and Rs. 89 lakh received for IIDC from Government of India (GOI) and Government of Mizoram (GOM) for administrative expenses.

- Failure to claim defaulted ginger loan of Rs. 2.78 crore, affected by natural calamity under the scheme devised by National Minority Development & Finance Corporation (NMDFC).

- Loss of income of Rs.5.47 crore by waiving of interest without the approval of Board of Directors and the State Government under the proposed special One Time Settlement scheme.

(Paragraphs 7.2)

Audit of Transactions

Procurement of material valued at Rs. 3.96 crore in excess of immediate requirement resulted in blockage of funds.

(Paragraph 7.3)