

**CHAPTER – III : CIVIL DEPARTMENTS
SECTION – A - REVIEWS**

**EDUCATION, FINANCE, HOME, PUBLIC WORKS, RELIEF AND
REHABILITATION, LAND REVENUE AND SETTLEMENT
DEPARTMENTS**

3.1 Up-gradation of District Administration and Primary Education and Special Problem Grants recommended by Xth Finance Commission

Highlights

The Tenth Finance Commission awarded grants to the State for upgradation of standard of administration, promotion of girls education and to tackle special problem of State viz. construction of an Airport at Aizawl within 1996-2000 besides recommending operation of Calamity Relief Fund up to 1999-2000. While the airport has been constructed by exceeding the estimated cost by Rs.11.71 crore, the impact of the grant for upgradation of standard of administration and promotion of girls education remained unevaluated. Irregularities in the administering of CRF were noticed.

Against the Finance Commission award (Rs.6.54 crore) for up-gradation of standard of administration and promotion of girls education, the Government of India released only Rs.6.08 crore. Even though the State Government spent Rs.6.38 crore, it had not sought for the release of the full amount of the grant.

(Paragraph 3.1.4)

The excess expenditure of Rs.11.71 crore over the estimate of Rs.97.92 crore for construction of airport at Aizawl was yet to be regularised.

(Paragraph 3.1.4)

Against 184 houses to be constructed under Police Housing Scheme, 145 houses only could be constructed at a cost of Rs.278.30 lakh resulting shortfall in construction of 39 houses.

(Paragraph 3.1.5.1(ii))

To tackle the special problem of the State, an Airport at Aizawl has been constructed except 25 per cent of the Terminal building. In the process of execution the department sustained loss of Rs.1.44 crore due to issue of material at a lower rate, incurred extra expenditure of Rs.30.50 lakh on

escalations charges and extended undue financial benefit of Rs.3.55 crore as mobilisation advance.

(Paragraph 3.1.7, 3.1.7.1(i),(ii),(iii) & 3.1.7.2(i))

Funds of CRF were not invested in the prescribed securities but kept in Savings Bank Account, foregoing higher yield of interest.

(Paragraph 3.1.8)

The Director RRD spent Rs.1.82 crore out of CRF during 1998-99 to 1999-2000 on local purchase of silpaulin without ascertaining the genuineness of requirement thereof from the Deputy Commissioner concerned and without obtaining approval of SLC.

(Paragraph 3.1.8.1)

3.1.1 Introduction

The Tenth Finance Commission (Commission) constituted in June 1992 *inter alia* recommended grants to State for Up-gradation and Implementation of (a) District Administration (Police, Fire Services, Jails, Record Room and Treasuries and Accounts), (b) Primary Education, (c) for tackling special problems and (d) for Calamity Relief.

The grants were for the following activities :

District Administration

- (a) Building for Police Station/Outposts, housing facilities and for training of Police personnel.
- (b) To strengthen and upgrade fire fighting services.
- (c) Improvement in existing accommodation and medical facilities in Jails.
- (d) Upkeep and maintenance of land records.
- (e) Computerisation of District Treasuries.
- (f) Promotion of girls education in Upper Primary Schools (including toilet facilities) and provision for drinking water facilities to all Primary Schools.

Special Problem Grants

- (i) Construction of Airport.
- (ii) Providing relief to persons affected by calamity.

3.1.2 *Organisational set up*

At the State, the State Level Empowered Committee (SLEC) headed by the Chief Secretary of the State as Chairman was in charge for implementation of the Schemes. The SLEC was assisted by the Director General of Police, Inspector General of Prisons, the Director of Land Records and Survey, the Director of Accounts and Treasuries, the Director of School Education and the Chief Engineers of PWD (Zone I & II) under overall supervision of Engineer-in-Chief, PWD. In respect of Calamity Relief work SLEC was assisted by Deputy Commissioners, at the district level while the Director (RRD) was the nodal authority for implementation of the scheme.

3.1.3 *Audit Coverage*

Utilisation of the grants received during 1995-96 to 1999-2000 from the Commission was conducted by Audit during January – March 2000 by test checking the records of the Finance Department, Director General of Police, Superintendent of Police, Principal Police Training Centre, Inspector General of Prison, Director of School Education and 5 Sub-Divisional Education Officers*, Director of Land Revenue and Settlement, Director of Accounts and Treasuries, Chief Engineers (Zone I and II), 4 Public Works Divisions** and Public Health Engineering Division II. Records of the Director of Relief and Rehabilitation, 3 Deputy Commissioners*** relating to operation of CRF during 1998-99 to 1999-2000 were also test checked in audit.

3.1.4 *Financial Outlay and expenditure*

Against the amount recommended by the Commission, Government of India (GOI) was to release the grants during the period 1995-96 to 1999-2000 on the basis of plan of action both in physical and financial terms formulated by the SLEC and duly approved by the Inter Ministerial Empowered Committee (IMEC) at the Centre.

The grants recommended by the Commission, approved by IMEC based on action plan, amount released by the GOI to State and State Government to implementing authorities and the expenditure incurred by the implementing authorities in respect of various activities are given in **Appendix-XV**.

For upgradation of standard of administration, promotion of girls education, IMEC approved action plan for Rs.6.56 crore against Finance Commission's recommendation of Rs.6.54 crore. Nevertheless, GOI released only Rs.6.08 crore. Even though the State Government had incurred an expenditure of Rs.6.38 crore as of 31 March 2000, it had not sought for the release of the full amount of Rs. 6.56 crore as approved by IMEC.

* Aizawl East I and II, Aizawl West I and II and Aizawl North.

** Building Division, Airport Division (Now project Division II), Building project Division II (Now NH Division), Mechanical Division Aizawl

*** Aizawl, Lunglei and Kolasib

The Commission recommended (December 1996) Rs.57 crore as special problem grant for the construction of an Airport at Aizawl. The Planning Commission, however, approved (January 1998) Rs.97.92 crore on the basis of detailed project report. During the period from 1994-95 to 1999-2000, Rs.109.63 crore had been released by the State Government for the project of which Rs.20 crore was received from GOI as special central assistance approved by the Planning Commission, and Rs.57 crore received also from GOI as a special problem grant recommended by Commission and the balance Rs.32.63 crore was met from the State Government's plan fund. The total expenditure of Rs.109.63 crore against the project had exceeded the original estimated cost of Rs.97.92 crore by Rs.11.71 crore mainly due to excess and additional work in construction of runway. The excess expenditure had not been regularised by obtaining revised sanction from the Government.

3.1.5. Physical performance

The physical targets set forth against the grants and achievement thereagainst up to March 2000 are discussed below :

3.1.5.1 District Administration

(a) Police

The Commission recommended buildings for Police Station/Outposts and housing facilities to a minimum of 20 *per cent* of the staff. Besides, grants were given for training facilities.

The target and achievement in respect of Police Station/Outpost building and construction of quarters, training were as under :

	Target	Achievement	Shortfall
Outpost/Police Station	3	1	2
Quarters	184 buildings	145 buildings	39
Training	-	-	-
Construction of Assembly House	1	1	-
Water Reservoir	1	2	-
Training equipment (Lumpsum amount)	Rs.4.84 lakh	Rs.6.03 lakh	-

(i) Buildings for police station/outpost

Out of the targeted 3 outposts to be constructed at the cost of Rs.12 lakh only 1 outpost was completed at a cost of Rs.4.20 lakh. The other two outposts (Thingsai and Bungtlang) had not been completed during the TFC's plan period, although Rs.4.69 lakh was spent for procurement of materials, during

1997-98 to 1999-2000. Reason for non-completion of the same was not on record.

(ii) Police Housing Scheme

Construction of 184 buildings was envisaged out of the grants of Rs.282.45 lakh approved by the IMEC. Against this the department constructed 45 houses at a cost of Rs.56.05 lakh at the initial sanctioned rate of Rs.1.25 lakh per building and 100 more houses at the revised rate of Rs.1.62 lakh till March 2000 at an expenditure of Rs.222.25 lakh. Thus there was a shortfall in achievement of 39 houses. As per revised rate (Rs.1.62 lakh), cost of construction of 100 houses should have been Rs.162.00 lakh whereas the department had spent Rs.222.25 lakh including outstanding liabilities of Rs.10.42 lakh on the same resulting in extra expenditure of Rs.60.25 lakh, reasons for which had not been stated. Thus, owing to expenditure incurred over the approved unit cost desired number of buildings could not come up. During 1996-97, 5 staff quarters (Type-I) were constructed for a newly established outpost at Zophai at a total cost of Rs.6.25 lakh out of grants although the approved action plan had no provision for such construction. The information about the allotment and occupation of the houses whose construction completed between April 1997 and January 2000 had not been furnished by the Department though called for. Thus the objective of providing housing facilities could not be fully achieved.

(iii) Training

Against Rs.11.89 lakh recommended by the Commission as well as approved by IMEC, Rs.13.93 lakh was spent on training by the State Government during 1996-2000 diverting Rs.2.04 lakh from other components of the scheme of Police department.

Further, against the expenditure of Rs.13.93 lakh, Rs.3.02 lakh was spent for procurement of Xerox copier (Rs.1.29 lakh) and installation of EPABX System (Rs.1.73 lakh) without any provision thereof under the Training action plan as approved by IMEC. Reasons for such unauthorised expenditure was not on record.

(b) Fire services

To strengthen and upgrade fire fighting services suitable modern equipment, effective fire communication system, rescue equipment, adequate water availability, training of manpower, etc., were to be provided.

Target and achievement in respect of the following activities during 1996-97 to 1999-2000 was as under :

	Target	Achievement	Shortfall
(i) Construction of fire sub station building with staff quarters	3	3	-
(ii) Fire tender	6	4	2
(iii) Fire fighting equipment (lump sum amount)	Rs.13.51 lakh	Rs.25.00 lakh	

Under the Fire Service sector, Rs.1 crore was provided to establish 3 fire station buildings with staff quarter (Rs.35.01 lakh); procurement of 6 fire service tenders (Rs.51.48 lakh) and purchase of fire fighting equipment (Rs.13.51 lakh). Against the provision of Rs.35.01 lakh and Rs.13.51 lakh, department incurred expenditure of Rs.45.98 lakh and Rs.25 lakh towards the establishment of 3 Fire Station buildings with staff quarters and purchase of fire-fighting equipments respectively resulting in an excess expenditure to the tune of Rs.22.46 lakh against those two components. Against the target for procurement of 6 Fire tenders, at a total of Rs.51.48 lakh (Rs.8.58 lakh each) during 1996-97 to 1999-2000, for the 3 proposed fire sub-stations, the State Government incurred an expenditure of Rs.29.02 lakh. The expenditure was on account of acquisition of 2 numbers of chasis, fabrication of 4 numbers of chasis (including 3 procured out of State Funds) and cost of tyres and tubes. One chasis was yet to be fabricated. Thus there was a shortfall of 2 fire tenders.

(c) Jails

With a view to improving facilities in Jails the Commission recommended improvement of existing accommodations in jails and medical care.

The target and achievement during 1996-97 to 1999-2000 in respect of renovation work, sanitation work and supply of medicines to jails were as under :

	Target	Achievement	Shortfall
(i) Number of repair and renovation works	27	27	-
(ii) Improvement of sanitary latrine	6	Nil	6
(iii) Medical equipment and appliances	Lumpsum Rs.3.50 lakh	Rs.9.00 lakh	

(ii) Repair and renovation works

The repair and renovation of barracks (9 nos.); prisoners wards (14 nos.) and isolation ward (4 nos.) of the 6 jails, at a total cost of Rs.15.00 lakh was executed during 1996-97 to 1999-2000 by the IG Prisons departmentally,

under the supervision of one Junior Engineer, attached to HQ level office. But it was noticed in audit that the field level officers (Superintendent of Jails) of the concerned Jails were not involved in the process of execution of works/implementation of the scheme. The IG of Prison has certified that the works were completed between March 1997 and October 1999 as per the approved action plan but no records relating to execution of works such as measurement books, muster rolls could be produced to audit, showing the actual completion of repair/renovation works of Jail buildings as per plans/estimates nor the completion of works was reported by concerned field level officers. The extent of repair/renovation of Jails, thus could not be evaluated.

(iii) Medical facilities

As per approved Action Plan, a total grant of Rs.9 lakh was provided under Medical facilities of which Rs.5.50 lakh was meant for sanitary latrines of Jail buildings and the remaining Rs.3.50 lakh was for purchase of equipment and appliances. It was, however, revealed that the entire expenditure was on procurement of equipment and appliances without obtaining any formal permission from the IMEC resulting in non-achievement of physical target of sanitary latrines of 6 units.

The Department stated (March 2000) that sanitary latrines were executed from State funds and as such Rs.5.50 lakh was diverted for procurement of equipment and appliances. The reply is, however, not tenable because there is no reason for provision in the Action Plan and its approval by IMEC for improvement of 6 units of sanitary latrine had this been done with the State Government funds and no approval of the State Government could be shown to audit for such diversion.

(d) Computerisation of Treasuries

With a view to improving management control of both the State level and District level administration and also for speedy and accurate generation of accounts for the purpose of better planning, budgeting and monitoring, the Commission had recommended computerisation of Treasuries. The target and achievement in respect of the following components during 1996-97 to 1999-2000 were as under :

	Target	Achievement	Shortfall
(i) Computer Hardware/Software	3 treasuries	3 treasuries	-
(ii) Site preparation and air conditioning	3 treasuries (Rs.7.50 lakh)	2 treasuries (Rs.2.14 lakh)	1 treasury

The Commission recommended Rs.30 lakh for computerisation of all the 3 treasuries during 1996-97 to 1999-2000, at an average unit cost of Rs.10 lakh per treasury. The plan of action for computerisation of Treasuries, in consultation with the Mizoram unit of National Informatics Centre (NIC)

which was approved by the IMEC, recommended installation of Computer Pentium with 10 compatible terminals. Scrutiny of records of the Director of Accounts and Treasury revealed that 3 computers with accessories were purchased and installed between May 1997 and January 2000 at the cost of Rs.22.38 lakh and remaining amount of the grant of Rs.7.62 lakh was spent for renovation of Treasury buildings of Aizawl and Lunglei (Rs.2.14 lakh), purchase of furniture (Rs.3.83 lakh) and computer ribbons, paper, ink, floppies, *etc.*, (Rs.1.65 lakh). In Aizawl Treasury, however, computer with 3 compatible terminals only was installed against the recommended 10 terminals. Reasons for installation of computer with lesser terminals were not on record nor stated.

There was provision of Rs.2.50 lakh for site preparation and air-conditioning for Saiha Treasury in the Action Plan, but no expenditure was incurred for the same while an amount of Rs.2.14 lakh was spent for renovation of computer rooms of Aizawl and Lunglei Treasuries during 1998-99. The computer installed in Saiha Treasury in January 2000 could not be made functional till the date of audit (March 2000). No reports indicating the types of works computerised so far in Aizawl and Lunglei Treasuries where computer were installed in May 1997 and July 1999 respectively had been furnished. Meaningful utilisation of computer to upgrade the standard of administration for which grants received and spent could not be evaluated.

3.1.6 Education

The Commission provided assistance to the States which had low female literacy rates. The Commission assessed an assistance of Rs.20 lakh per district where literacy rate was less than 20 *per cent* and Rs.10 lakh per district where the literacy rate was between 20 and 40 *per cent*. Commission also recommended grants to Upper Primary Schools (80 *per cent* of schools) and all Primary Schools for provision of drinking water facilities. Besides, Upper Primary Schools were to be provided toilet facilities for girls.

The target set and achievements made in respect of the components under this during 1996-97 to 1999-2000 are detailed below :

	Target	Achievement	Shortfall
(a) Drinking Water facilities in Upper Primary School	287 schools	291 schools	-
(i) Drinking Water facilities in Primary School	730 schools	730 schools	-
(b) Toilet facilities in Upper Primary School	355 schools	348 schools	7 schools

The reason for shortfall in providing toilet facilities to 7 schools was neither on records nor stated.

The periodic progress reports submitted to GOI were based on issue of Government's expenditure sanctions only and not on reports and returns of the implementing agencies as physical achievement reports have never been obtained from the SDEOs during 1996-2000 by the Director of School Education.

Test-check of the records pertaining to selected 5 SDEOs disclosed that in one Sub-Division (SDEO East – I, Aizawl) an amount of Rs.4.80 lakh drawn in the month of December 1999 for the above purpose remained undisbursed to the concerned school authorities, till March 2000 due to vacation of schools. Thus, the financial and physical targets for the year 1999-2000 were not achieved till March 2000 though the achievement was reported to GOI as completed by December 1999 by the State Government. Extent of promotion of girls' education with the assistance given by the Commission remained unevaluated since reports about actual extension of facilities to the schools were wanting.

3.1.7 Special problem grant for construction of Airport at Aizawl

The project, construction of Airport at Aizawl having 7* components, at an estimated cost of Rs.97.92 crore, targeted to be completed by March 1998 was completed at a cost of Rs.109.63 crore in May 1998 except construction of the Terminal building (Rs.7.60 crore).

The irregularities/ shortcomings in implementation of the project by different Divisions noticed in audit during test-check of records were as under:

3.1.7.1 Construction of Runway

The construction of runway (including earth work, retaining wall, pavement and drainage) awarded to a New Delhi based firm at a cost of Rs.44.84 crore was completed in May 1998 at a cost of Rs.57.18 crore which exceeded the tendered cost by Rs.12.29 crore. The reasons for such excess were mainly attributable to increase in the volume of earth work for execution of an additional item of "excavation of soft rock" encountered during actual execution. Scrutiny (March 1999) of records in audit revealed the following irregularities:

(i) Loss owing to recovery of cost of materials at a lower rate

According to CPWD Manual, cost of materials issued to the contractors for execution of work, supply thereof were not provided for in the Agreement, shall be recovered at the prevailing issue rate or market rate whichever is higher. The Agreement entered into with the firm for construction of runway

* (i) Construction of Security Fencing and Boundary Wall; (ii) Construction of runway of 8200 ft. length which included earth work, pavement work, retaining wall and drainage work; (iii) Approach Roads; (iv) Construction of Terminal Building and Air Traffic Control (ATC) Tower; (v) Construction of Staff Quarters; (vi) Electrification and (vii) Water Supply and Sanitation.

Recovery of cost of materials at lower rate resulted in loss of Rs.1.44 crore.

does not provide for supply of any materials to the firm. However, on the basis of the request of the firm, materials *viz.*, bitumen (2461.75 tonne) and cement (844.65 tonne) had been issued to them between December 1996 and March 1998 while the recovery was made at a lower rate based on the rates at which the estimate was framed (PWD schedule of rate 1992) violating the codal provision. The recovery at a lower rate, apart from allowing undue benefit to the contractor, resulted in a direct loss of Rs.1.44 crore (**Appendix – XVI**).

Government stated (August 2000) that due to effecting recoveries at lower rates there was no resultant loss as the compensation for price escalation permissible to contractor as per agreement had not been paid. The reply of the Government is not tenable since there is no provision for recovery of the cost of material, issued at the request of the contractor, at base price, and hence incurred loss of Rs.1.44 crore.

(ii) *Inadmissible payment towards escalation charges*

The Department made inadmissible payment of Rs.30.50 lakh owing to erroneous computation of escalation charges.

The Agreement *inter-alia* provided for payment of price escalation on materials (cement, steel, etc.) as per actuals based on the certified (November 1995) prices (cement: Rs.3469 per tonne; steel: Rs.15630 per tonne) by the Mizoram PWD. Between December 1996 and February 1998, the contractor supplied and utilised 4318.912 tonnes of cement and 279.029 tonnes of steel for which Rs.76.66 lakh (cement: Rs.63.38 lakh; steel: Rs.13.28 lakh) had been paid (March 1998) as escalation charges. The base prices adopted for computation of price escalation payment were the prices which were prevailing at the time of framing estimate as per schedule of rate 1992 (cement : Rs.2300 per tonne; steel : Rs.13330 per tonne). According to the base price indicated in the Agreement, the escalation charges amounting to Rs.46.16 lakh (cement: Rs.39.38 lakh; steel: Rs.6.78 lakh) was payable to the contractor. Thus, by adopting a lower base price for the purpose of computation of escalation charges payable, the Department had made an extra inadmissible payment of Rs.30.50 lakh (Rs.76.66 lakh – Rs.46.16 lakh) to the contractor.

Government stated (August 2000) that there was no excess payment towards price escalation payment as the calculation of audit was based on base prices as amended by the Executive Engineer (in order to reduce the price escalation charges) which were higher than base prices as per the agreement. The reply is not tenable as the higher amended base price was agreed to both by the Chief Engineer and legal representative of the firm and also realistic in as much the amended base prices tallied with prevailing issue rate of the material as well as those of prevailing prices of the material as notified by Steel Authority of Indian and Cement Company.

(iii) *Extension of undue financial benefit*

According to Rules, grant of mobilisation advance should be limited to a maximum of 10 *per cent* of the estimated cost put to tender or Rs.1 crore whichever is less. Contrary to the rules, the Agreement entered into with the

Defective agreement led to extension of undue financial benefit of Rs.3.48 crore besides loss of interest of Rs.12.63 lakh.

contractor stipulated payment of mobilisation advance at 10 *per cent* of the contract value without any limitation of amount payable. Accordingly, the division made payment of Rs.4.48 crore being 10 *per cent* of the contract value of Rs.44.84 crore to the firm as mobilisation advance between November – December 1995. Thus, the defective agreement led to an undue financial benefit to the contractor to the tune of Rs.3.48 crore, which remained, locked up with the contractor for a period of 3 months from January 1996 to March 1996. The department sustained a loss of Rs.12.63 lakh* by way of interest calculated at 5 *per cent* per annum on Rs.3.48 crore for 3 months and the progressive balance after initiation of recovery from April 1996 onwards.

Government stated (August 2000) that mobilisation advance was made as per the agreement. However, the agreement was defective in as much as, the amount of mobilisation advance was not restricted to Rs.1 crore in terms of codal provision resulting undue financial benefit to contractor.

3.1.7.2 Construction of Terminal Building and ATC tower

(i) Undue financial aid and irregular payment of mobilisation advance

The work “Construction of Terminal Building and Air Traffic Control Tower (ATC)” was entrusted to a Calcutta based firm in August 1996 at negotiated cost of Rs.7.60 crore with the time schedule for completion by August 1998. The work was not completed even after grant of extension upto December 1998. The contract was, however, rescinded in March 1999 on the ground of delay in completion of work. The firm, however, took (March 1999) the matter to the court and the case is subjudice. However, following Court’s order (March 1999) the remaining works estimated to cost Rs.3.89 crore are being executed (November 1999) departmentally and 75 *per cent* of the work has been completed at a cost of Rs.7.27 crore (March 2000).

The firm was paid mobilisation advance of Rs.76.01 lakh in two instalments (Rs.38.01 lakh in August 1996 and Rs.38 lakh in October 1996) computing 10 *per cent* of the contract value of Rs.7.60 crore instead of 10 *per cent* of the estimated cost of Rs.6.91 crore put to tender. This had resulted in undue financial benefit to the firm to the tune of Rs.6.88 lakh.

Further, the mobilisation advance of Rs.38 lakh was released in October 1996 against a Bank Guarantee of equivalent amount, which was subsequently (April 1999) found to be fake and forged. This clearly indicated that the advance payment of Rs.38 lakh was made by the department without proper verification of the genuineness of the guarantee furnished by the firm resulting in unauthorised and irregular payment of Rs.38 lakh.

* Interest on Rs.3.48 crore for 3 months:	Rs.4.35 lakh
Interest on progressive total after initiation of recovery in 20 instalments @ Rs.17.42 lakh from April 1996 onwards:	<u>Rs.8.28 lakh</u>
	Rs.12.63 lakh

Government stated (August 2000) that mobilisation advance was given as per the agreement and matter was reported to police (May 1999) regarding tendering of forged bank guarantee. But the reply was silent on the aspect of violation of codal provisions as to the quantum of advance and also on the action taken, if any, by the department against the official responsible for grant of mobilisation advance on a forged bank guarantee.

(ii) ***Extra avoidable expenditure owing to purchase of stone aggregate at higher rate***

Between May 1999 and June 1999, Building Project Division II, Aizawl, purchased 2500 cum of stone aggregate of 20 mm nominal size at the rate of Rs.1234.33 per cum approved after analysis at a total cost of Rs.30.86 lakh against the work “Construction of Terminal Building at Lengpui Airport”. The entire purchase was made without inviting tender and thereby the lowest available market rates were not ascertained before the purchases were resorted to.

Procurement of stone aggregate at higher rate resulted in extra avoidable expenditure of Rs.13.36 lakh.

Scrutiny of records further revealed that during the same period and also subsequently the Aizawl Building Project Division No. I and also the same Division having their identical work-sites in and around Aizawl purchased stone aggregate of same specification at a much lower rate of Rs.700 per cum. Thus computed with reference to the lowest available rate of Rs.700 per cum, the Division had incurred an extra avoidable expenditure of Rs.13.36 lakh* owing to purchase of stone aggregate at higher rate.

Government stated (August 2000) that stone aggregate procured was of superior quality to suit the important structure like terminal building and ATC Tower. The reply is not tenable since the same executing division had procured the stone aggregate of equivalent specification at much cheaper rate for utilisation in other building works.

3.1.7.3 Avoidable extra expenditure due to execution of security fencing work at differential rates

For construction of security fencing (phase-I) – brick walling at Airport involving 3427.25 running metres, the Divisional Officer, Airport Division, Aizawl invited (March 1997) a short Notice Inviting Tender (NIT) after splitting up the work into 15 Groups restricting the Tender value of each Group to Rs.8.32 lakh involving 8 items of work. Accordingly, the contractors quoted their rates against 8 different items of work, which differed from one group to another. The Division, instead of negotiating with the contractors to execute the work at the lowest rate for each item offered by different Groups of contractors, had awarded the work (May 1997) to 15 contractors at the negotiated rate of Rs.7.90 lakh for each contractor.

* Extra expenditure incurred:	2500 x Rs.1234.33	:	Rs.30.86 lakh
Less expenditure involved at lowest available rate:	2500 x Rs.700	:	<u>Rs.17.50 lakh</u>
			Rs.13.36 lakh

The department had incurred an extra avoidable expenditure of Rs.11.60 lakh due to splitting up of one work in 15 groups and its execution at differential rates.

Although for all the 15 groups, the items of work including location, nature and scope of work (materials and labour) remained the same, the rates allowed by the department were not uniform in respect of all the 8 items executed by the contractors of different groups. Thus, the awarding of same items of work at differential rates to different contractors, without any negotiation with the contractors by taking into consideration of the lowest available rates, had resulted in an avoidable extra expenditure of Rs.11.60 lakh (**Appendix – XVII**).

The Government stated (August 2000) that negotiation with the contractors to execute the work at the lowest rate of each items offered by different contractors would result in award of work at a very low rate which will not be workable and not in the interest of the work. The reply of the department is not tenable since the works awarded to the contractors were 5 per cent below the estimated cost put to tender and in all the 15 Groups, the contractors executed at least one or two items of work at the lowest offered rates which had been successfully completed as per prescribed specification.

3.1.7.4 Undue financial assistance due to non-employment of technical staff by the contractors

Standard conditions of Agreement for execution of work in the Department stipulated that the contractor must employ one graduate engineer for Road and Building works costing above Rs.10 lakh and qualified diploma holder for works costing between Rs.5 lakh and Rs.10 lakh during the course of execution of the work. Failure to employ the technically qualified staff by the contractor makes him liable to pay, for each month of default, a reasonable amount not exceeding Rs.3000 and Rs.1500 respectively in case of graduate engineer and diploma holder.

Test-check of records revealed that for execution of 26 works (*viz.* construction of staff quarters, utility Building, security guard Barrack, security fencing, *etc.*) between November 1996 and January 1998 the tendered cost of which was Rs.342.97 lakh (11 works each costing more than Rs.10 lakh and 15 works each costing Rs.5 to 10 lakh) the contractors had not employed the requisite technical staff although they were required to do so as per agreement. In the absence of requisite technical staff of the contractors, the execution of the works were supervised by technical staff of the Department. The Divisions neither enforced the condition of the contract to ensure technical supervision of works on a regular basis nor recovered the dues leviable for such omission amounting to Rs.5.16 lakh (calculated at the maximum rates) from the defaulting contractors. This, together with non-recovery of penalty of Rs.5.16 lakh from the defaulting contractors constituted undue technical/financial benefit to them.

The Government stated (October 1998) that technical staff had been employed by the contractors. The reply is, however, not acceptable as the Division had admitted (February 1998) that no technical staff had been employed by the

contractors and no certificates to that effect were also found recorded in the Running Account bills of the works.

3.1.7.5 Extra expenditure on jungle clearance

According to norms adopted in the analysis of rates for jungle clearance in the Schedule of Rates (SOR), only unskilled workers are to be engaged for the aforesaid item of work (classified under the categories of heavy, medium and light).

Scrutiny of records disclosed that in connection with construction of Lengpui Airport, two Divisions executed departmentally 10,20,360 sqm jungle clearance between April 1996 and September 1997. The Divisions engaged skilled, semi-skilled and unskilled labourers for total 11317 mandays for the aforesaid quantum of work and spent Rs.4.04 lakh against the requirement of unskilled labourers for 4002 mandays involving total expenditure of Rs.1.40 lakh only. This had resulted in an extra expenditure of Rs.2.64 lakh (Rs.4.04 lakh – Rs.1.40 lakh).

The Government stated (October 1998) that excess utilisation of mandays and engagement of skilled/unskilled workers was due to execution of certain immeasurable items included under jungle clearance. Reply is not tenable as the Divisions engaged skilled, semi-skilled and unskilled labourers for jungle clearance instead of only unskilled labourers. Besides the mandays utilised were in excess over the requirement as per norm.

3.1.7.6 Extra payment to the local supplier in procurement of cables for external electrification of Airport

Rupees 28.02 lakh had been paid to the local supplier towards procurement of cables against the offered price of Rs.14.05 lakh resulting in extra payment of Rs.13.97 lakh.

For the work of external electrification of Airport, the State Purchase Advisory Board of the Government decided (January 1998) to procure Gloster cables from the manufacturers of the said cables. Scrutiny of records (April 2000) of Mechanical division, Aizawl revealed that the Chief Engineer (CE) PWD placed (January 1998) a supply order with a Aizawl based firm for supply of 9110 metre of Gloster PVC insulated electrical cable of different sizes incorporating the rates which were higher than the rates offered (January 1998) by the manufacturing company. The Division made payments of Rs.28.02 lakh to the local supplier against the manufacturing company's offered cost of Rs.14.05 lakh resulting in extra payment of Rs.13.97 lakh.

Government stated (August 2000) that due to urgency of work, cables were procured from the local firm at the manufacturer's rates. The reply is not tenable because neither urgency requirement nor the economic aspects were satisfied since the local firm drawing the materials from the manufacturer delivered the same a month after placement of supply order and rates charged were higher than that of manufacturer.

3.1.8 Calamity Relief Fund

Details of provision made in the State Budget, contributions credited to the CRF and expenditure incurred during 1998-99 to January 2000 were as under:

Year	Provision in the State Budget	Contributions to CRF		Total	Expenditure incurred out of CRF	Excess(+) Less (-) Expenditure
		Centre	State			
(R u p e e s i n l a k h)						
1998-99	140.00	127.89	40.36	168.25	124.49	(-) 43.76
1999-2000	147.00	78.75	26.25	105.00	123.66	(+) 18.66
Total	287.00	206.64	66.61	273.25	248.15	(-) 25.10

The entire contribution of CRF amounting to Rs.273.25 lakh was kept in savings bank account depriving the Government from earning higher rate of interest by investing in the prescribed securities.

According to the guidelines for administration of CRF, contribution to the corpus from the budget should be transferred and credited to the major head “8235 – General and other Reserve Fund – 111 Calamity Relief Fund” from where all expenditure on relief measures are to be met and unutilised fund is to be invested in the approved securities*. But the entire contribution to the fund was kept in savings bank account of the State Bank of India, Aizawl wherefrom the expenditures were incurred without making any investments as emphasised in the scheme guidelines. Retention of contribution of Rs.273.25 lakh in the savings bank account was irregular in as much as the amount in question was not invested in the approved securities and deprived the State Government from earning more interest, through investments, carrying higher rate of interest. The interest earned by keeping the CRF in savings bank account so far had not been credited/reflected in the subsidiary cash book maintained for CRF as the nodal department had not reconciled the CRF with the Bank Account.

Out of total expenditure of Rs.248.15 lakh incurred during 1998-99 to 1999-2000, an amount of Rs.66.05 lakh was released to eight Deputy Commissioners, as grants to implement the scheme at District level. But, the Director, Relief and Rehabilitation Department (RRD) being the nodal officer of the scheme, had not obtained any utilisation certificate, statement of accounts alongwith physical and financial achievement, out of the fund advanced. As a result the status of the advance *vis a vis* actual physical and financial achievement, by the district level implementing officer, could not be ascertained in audit.

3.1.8.1 Procurement and distribution of Silpaulins

(i) Mention was made in paragraph 3.11.6(I) of the Report of Comptroller and Auditor General of India for the period ended 31 March 1998 –

* Government of India security (15 per cent); 182 days Treasury bills (25 per cent), State Government securities (10 per cent), Public Sector Bonds (10 per cent), Public Sector Bank deposit (25 per cent) and State Co-operative Bank (15 per cent).

Out of Rs.248.15 lakh spent out of CRF during 1998-2000, Rs.182.10 lakh alone had been spent by Director (RRD) towards procurement of silpaulin.

Government of Mizoram regarding irregularities committed by the Director RRD in the process of procurement/distribution of silpaulins. However, irregularities in the process of procurement/distribution of silpaulins persisted after 1998. Out of Rs.248.15 lakh spent out of CRF during 1998-2000, the Director (RRD) alone had incurred an expenditure of Rs.182.10 lakh** (73 per cent) towards the procurement of silpaulins for distribution to the victims of natural calamities as assistance in kind, without obtaining any demand from the district level implementing officers to assess the actual requirement and no formal approval of the SLC responsible for administering the CRF was obtained for such procurement. 12041 pieces of silpaulin valued at Rs.120.47 lakh were procured during 1998-2000. The total stock of silpaulin available with the Director (RRD) during 1998-2000 was thus 13939 pieces (including opening stock of 1898 pieces). Out of 13939 pieces, 8620 pieces of silpaulin were issued to 8 DCs during 1998 –2000 for its onward distribution to the beneficiaries and out of the remaining 5319 pieces, 5310 pieces were distributed by the Director directly as detailed below :

Year	Stock directly distributed by Director (RRD) From Central Store	No. of Silpaulin							Total	
		Stock issued to district level implementing officers (Deputy Commissioners)								
		Aizawl	Lunglei	Saiha	Kolasib	Mamit	Serchhip	Champhai		Lawngtlai
1998-1999	4059	3200	1100	1000	Nil	60	Nil	100	Nil	9539
1999-2000	1251	1010	860	30	270	200	500	230	40	4391
Total :	5310	4230	1960	1030	270	260	500	330	40	13930

For effective implementation of the scheme at district level, the DCs have separate Relief and Rehabilitation Branches, for assessment of damages/identification of victims and providing relief assistance (kind/cash) accordingly. The State Chief Secretary, being the Chairman of the SLC had ordered (June 1998) the Director not to issue any silpaulin from his end, instead applications for silpaulin were to be forwarded to concerned DCs for issue of material after verification of the genuineness of requirement. Director (RRD) in violating Chief Secretary's instructions, irregularly issued a total stock of 5310 silpaulins, valued at Rs.55.85 lakh directly from his central store to some individuals including those holding official positions without verifying the extent of damages caused by natural calamities in any case. Thus, due to such direct issue of silpaulins, possibility of duplication in issue

** Rs.182.10 lakh was incurred as under :-

- (i) Rs.161.10 lakh for clearance of outstanding bills for purchase of silpaulins prior to 1998-99
- (ii) Rs.21.00 lakh for clearance of outstanding bills pertaining to 1998-2000.

(once by the Director and again by the DCs) of materials to the same beneficiary could not be ruled out.

(ii) Test-check of the records of 3 DCs (Aizawl, Lunglei and Kolasib) revealed that out of total quantity of 6460 silpaulins they received from Director (RRD), 6450 silpaulins were distributed to 5928 beneficiaries during 1998-2000 leaving a balance of 10 only. But actual distribution of remaining (8620-6450) 2160 silpaulins by other 5 DCs (Saiha, Mamit, Serchhip, Champhai, and Lawngtlai) could not be verified in audit, as the actual distribution/utilisation of the same had not been obtained by the Director (RRD) from 5 DCs till date of audit (March 2000).

Extra expenditure of Rs.29.66 lakh had been incurred towards procurement of 14009 silpaulin.

(iii) Scrutiny of the records disclosed that based on the price of the silpaulin (90 GSM size – 24' X 18') of the manufacturing company (Sittap Chemicals Limited) of Rs.847 per piece, the Director (RRD) arbitrarily fixed the price of each silpaulin @ Rs.1150, taking into account other elements, like CST, surcharge, handling charges and excise duty (25 per cent), without obtaining formal approval of the State level Purchase Advisory Board (SPAB) and SLC after observing all codal formalities, as required under State Purchase Rules. While, issuing concurrence for release of 1st instalment of CRF for the year 1998-99, the State Finance Department, observed (September 1998) that the rate at which the silpaulin had been procured (i.e., Rs.1150) was much higher than what was available with local dealers where the price was not exceeding Rs.900 per piece for best quality and recommended recovery from the suppliers @ 25 per cent which was added to the company's rate as excise duty (Rs.211.75 per piece). For procurement of 18,769 pieces of silpaulin @ Rs.1150 during 1997-98 an amount of Rs.161.10 lakh for 14009 pieces was paid during 1998-2000. But no recovery @ 25 per cent amounting to Rs.29.66 lakh (Rs.211.75 X 14009) as recommended by the Finance Department was effected from the suppliers. Thus, the department incurred an extra expenditure of Rs.29.66 lakh towards procurement of silpaulin.

3.1.8.2 Diversion of CRF

The guidelines of the CRF scheme do not have any provision for purchase of office equipment/materials, other than relief assistance, (in kind and cash) to the victims under natural calamities. But, the Director (RRD) irregularly purchased one set of video camera, at a cost of Rs.0.99 lakh during August 1999, out of CRF. Reasons for purchase of the video camera out of CRF was not on record.

3.1.9 Monitoring and evaluation

The State Level Empowered Committee headed by the Chief Secretary of the State as Chairman was responsible for overall implementation of the scheme. Based on the expenditure sanction accorded by the State Government, the achievement both in terms of physical and financial has been reported to the Government of India. No real monitoring of the implementation of the activities in field by the executing agencies was carried out. No arrangements

were made at the State/District level for operation of CRF as per guidelines or monitoring the relief measures adopted, watching and regulating the expenditure. The impact of the scheme of up-gradation of standard of administration, promotion of girls education was never evaluated.

The observations referred to above have been sent to Government in June 2000; reply of the Government wherever received has been incorporated.

3.1.10 Recommendations

In view of the irregularities mentioned in the various paragraphs of the review the following recommendation are made.

- Close monitoring of the progress of the activities on ground level as per action plan is needed to achieve the desired objective contemplated in Finance Commission award.
- Functioning of the nodal Department so far as Calamity Relief Fund is concerned needs to be streamlined for financing relief expenditure besides proper investment.

FINANCE DEPARTMENT

3.2 State Lotteries

Highlights

The running of State Lotteries was not fully in consonance with the requirements laid down by the Supreme Court for the State organised lotteries. The State Government had received only minimal amount as revenue out of the turnover of several thousand crores in the lottery business.

Out of the entire sale proceeds of Rs.40367.24 crore pertaining to 79011 draws held during 1995-96 to 1999-2000, Rs.14539.27 crore remained with the Sole distributors after disbursing prize money and dues to Government.

(Paragraph 3.2.5 (b))

Even though the number of lottery draws was increasing the yearly revenue on lotteries decreased from Rs.8 crore in 1995-96 to Rs.2.56 crore in 1999-2000 due to regressive rate of advance sale proceeds.

(Paragraph 3.2.6 (a))

Profit to be derived from the lottery business was never estimated in terms of percentage of the face value of tickets printed for sale resulting in poor inflow of revenue.

(Paragraph 3.2.6 (b))

Against the earnings of Rs.8948.02 crore by the distributors from 79011 lottery draws during 1995-96 to 1999-2000, the State had received Rs.48.50 crore only being the guaranteed return which was 0.12 per cent of the face value of the tickets printed.

(Paragraph 3.2.6(c))

In 22,277 draws, the prize money structure was only 22.96 per cent of the turnover contrary to the norm of at-least 50 per cent laid down by Government of India.

(Paragraph 3.2.11)

3.2.1. Introduction

The Government of Mizoram introduced State Lotteries in September 1986 to mobilise and augment the revenue resource of Mizoram.

3.2.2. Organisational set-up

The scheme was regulated under Mizoram State Lottery Rules, 1994 and was administered by the Directorate of State Lottery (DSL), Aizawl, headed by Director under overall control of the Finance Department (FD) of the State. The Director was assisted by one Deputy Director and one Assistant Director. The Resident Commissioner stationed at Delhi was responsible for making the payments to the printers of the lottery tickets appointed by the Government of Mizoram. Monitoring of Lottery transactions/business is done by the State Lottery Committee (SLC) constituted by the State Government under the Chairmanship of the Chief Secretary.

3.2.3. Audit coverage

During the period April 1995 to March 2000 covered in audit the DSL conducted 84,479 lottery draws under 5 categories (instant draws, Daily draws, Weekly draws, Monthly draws and Bumper draws) of schemes. Details of 79,011 (94 *per cent*) draws were made available by the DSL and FD and the same were checked in audit during April 2000 to June 2000.

3.2.4. Execution of agreements

The Supreme Court in April 1994 ruled that in respect of State organised Lottery, tickets bearing State Logo must be printed at the instance of the Government to guard against selling of fake tickets and even if such tickets are sold through distributors the sale proceeds of the tickets shall be credited to the Government Account. Besides, the draws for selecting the Prize winning tickets must be conducted by the State itself and if any prize money remained unclaimed or is otherwise not distributed by way of prize it must revert to the Government.

For running of State Organised Lotteries the agreement of May 1994, executed with 6 distributors was valid for one year upto June 1995. Thereafter, on inviting tender (May 1995) fresh agreement was made in August 1995 with the existing 6 distributors who had responded to the tender for a period of one year upto August 1996. After August 1996 neither fresh tenders were called nor fresh agreements entered into with the existing SDs except for one SD with whom the agreement was renewed for a period of 2 months or till a new agreement was signed. However, the business of State Lotteries was continued without any break through 6 distributors upto November 1997. One distributor with whom agreement was entered in August 1996 had discontinued the business from December 1997 and another distributor discontinued the business from March 1999. From April 1999 onwards the lottery business was run with four distributors only.

Government in reply (March 2001) stated that validity of the agreements with the existing SDs was extended telegraphically on 14th August 1996 for a period of 2 months or till new Agreements were signed with new SD whichever is earlier and that subsequently the words “whichever is earlier” was deleted on 14th November 1996 through a corrigendum thereby validating the original Agreement till signing of fresh agreement. The Government added that there had been no appointment of new SDs (due to situation crisis in India about lottery business). The Government reply is not tenable as para 9 of the terms and conditions leading to the agreement read with Para 22 of the agreement clearly provides that extension of agreement can be made for one year or less at a time. Thus open ended extension by deleting the clause “whichever is earlier” appearing in the telegram was contrary to the provisions of the agreement. This also deprived the Government the opportunity to review the prospects of lottery market and to go in for competitive tendering.

The flaws noticed in the agreements entered after the Supreme Court Judgement and implication thereof are indicated below :

- There was no clear cut mention of exact Advance Sale Proceeds (ASP) to the Government in 1994 agreements whereas in the agreement of 1995 under subhead issuance of lottery tickets it was mentioned that the SD shall remit ASP to the extent as may be fixed by the Government before each draw of the lottery under the respective scheme. In this agreement also the rate of guaranteed returns to the Government was not clearly mentioned. In practice, the rate of ASP was fixed in the SLC meeting before entering into agreement and it was noticed that as and when the SDs requested for reduction of rate due to market condition, the same was allowed as elaborated in para 3.2.6(a).

Government in reply stated (March 2001) that the sale proceeds was determined by the SLC after due consideration of the rates prevalent in the all India Lottery Market and NE States in particular. The fixation of sale of proceed at a given period of time in the agreement was unrealistic and impracticable. The Government’s reply brings out the position that the revenue to be received from the lottery business was in effect a matter to be decided between the SLC and the SDs and not decided through the process of competitive bidding by award of distributorship to the highest bidder. Thus absence of any stipulation in the agreement about the minimum return to be received by the Government out of lottery business in terms of value or on a percentage of turnover, resulted in reduction in the ASP rates, affecting State revenues adversely as shown in the Table in Paragraph 3.2.6(a).

- In terms of the agreement of 1995 prize money above Rs.5,000 falling under income tax bracket was to be remitted by the SD to the government within 45 days from the date of draw. By this provision the government allowed the SDs to retain the taxable prize money for a

period of 45 days which was to the advantage of the SDs. Moreover if the prizes were claimed by the winners before 45 days government was liable to disburse the amount from its own funds before actual realisation of it from the SDs.

Government in reply stated (March 2001) that the period of 45 days was reasonable due to the long chain involving SDs, stockists, agents, sellers/vendors etc., involved in lottery business, and also because the SDs had furnished adequate security. Audit, however, observed that the security furnished by the SDs in the form of bank guarantee was for first two obligatory and subsequent draws and not for prize money and thus an unintended benefit accrued to the SDs.

- There was no provision in both the Agreements for paying bonus/commission to the agents/Sellers/Stockists, etc, and a percentage of prize money to the SDs. However in practice Bonus/commission were allowed to agents/Sellers/Stockists and percentage varying from 10 to 35 was deducted from the prize money (Rs.5000 and above) as agents' commission at the time of approving the schemes itself. This resulted in undue advantage to the SDs at the cost of prize winners.

Government in reply stated (March 2001) that payment of bonus/commission to stockists, agents/sellers was a universal convention. The fact, however, remains that the payments were outside the scope of the agreements.

- No clause for profit sharing was provided in the agreements of 1994 and 1995. Even though the SDs earned huge profits the government's share was very meagre.

Government in reply stated (March 2001) that instead of profit sharing, a slab scale rate was in use prior to 12th December 1995 and ceased thereafter due to its unworkability. The Government reply is silent on the meagre earnings of the Government. Further, if the slab scale was unworkable because of market trends then the number of draws would not have increased.

- In the agreement of 1995 a clause was added to the effect that the SD shall be entitled to a rebate or commission as may be decided for the marketing, distribution etc. This addition resulted in extra benefit to the SDs and loss to government.

Government in reply stated (March 2001) that rebate was intended to increase overall earning of the State by boosting the performance of the multiple SDs. It was, however, seen that the revenue from lotteries decreased by 68 percent in 1999-2000 when compared to 1995-96.

3.2.5(a) Irregularities in Printing/Payment of lottery ticket

As per agreement the lottery tickets were to be printed at Government cost. In practice the SDs were remitting printing charges and cost of paper to the Resident Commissioner at Delhi. In the absence of maintenance of cash book and accounts by DSL the actual amount spent on printing charges and the amount paid to printers could not be verified in Audit. Government stated that due to remote location of the main lottery office at Aizawl all payments for printing charges were made by Resident Commissioner and hence no initial accounts was maintained in the office of the DSL. In the absence of accounts the payments could not be verified in Audit. Audit has, however, worked out printing charges of Rs.107.12 crore from the individual schemes.

(b) Sale proceeds and remittance to Government

As per SC rulings the sale proceeds of the tickets either sold in retail or wholesale shall be credited to the funds of the Government along with unclaimed prize money. Test check of 79011 draws revealed that an amount of Rs.14539.27 crore out of total turn over of Rs.40367.24 crore was available with the SDs as detailed below* :

(Rupees in crore)	
Total face value of tickets printed for 79011 draws since the tickets are to be lifted on a fully sold basis	40367.24
Less	
Prize money (Taxable and non-taxable)	25668.88
Advance sale proceeds given to Government	48.50
Misc. draw expenses and publication charges paid to Government	3.47
Cost of paper and printing charges realised from SD	<u>107.12</u>
Amount available with the Distributors	14539.27

From the above it would be seen that out of the entire amount of sale proceeds of Rs.40367.24 crore only an amount of Rs.48.50 crore was received by the Government as ASP. The details regarding prize money not claimed but credited back as Government Revenue were not available.

Government in reply stated (March 2001) that the total assessed sale proceeds of Rs.14539.27 crore out of a total turnover of Rs.40367.24 crore cannot be entered into the Government account as there is separate calculation of wholesale price for each different scheme. But taking into account, the total sale proceeds of tickets and all expenses, the amount received by Government was very negligible compared to the amount worked out above. Further,

* Due to non-maintenance of records the DSL could not furnish the actual turnover, prize money, sale proceeds etc. for the period under review. The following figures are arrived at on the basis of the test check of 79011 lottery draws and with reference to the individual schemes, result sheet etc.

details of prizes not claimed and deposited into Government account was not rendered by the DSL despite the Government's claim of maintenance of proper accounts.

3.2.6(a) *Loss due to reduction in rate of advance sale proceeds*

Rates of advance sale proceeds as fixed periodically by the State Lottery Committee (SLC) during the period 1994-95 to 1999-2000 are given below:

Effective Date	Category of Lottery	Amount of Advance Sale Proceeds per draw	Additional amount on subsequent turn over	
24 th May 1994	Daily Draw	Rs. 20,000	For 1 st turnover of Rs.40.00 lakh Additional Rs.1,000 for every additional Rs.10.00 lakh.	
		Rs. 1,000		
	Weekly Draw	Rs. 16,000	Upto Rs.30.00 lakh Upto Rs.40.00 lakh Upto Rs.50.00 lakh For increase of Rs.10.00 lakh over Rs.50.00 lakh	
		Rs. 18,000		
		Rs. 40,000		
			Additional Rs. 1000	Irrespective of turnover
	Instant Lottery	Rs. 30,000		
Bumper Lottery	Rs. 50,000			
16 th March 1995	Daily Draw	Rs. 20,000	Irrespective of turn over	
	Weekly Draw	Rs. 12,000		
	Instant Draw	Rs. 30,000		
	Bumper Draw	Rs. 50,000		
1 st September 1995	Daily Draw	Rs. 12,500 Rs. 1,000	For 1 st turnover of Rs.11.00 lakh For every subsequent of Rs.11.00 lakh or less	
	Weekly Draw	Rs. 12,500 Rs. 1,000	For 1 st turnover of Rs.10.00 lakh For every subsequent of Rs.10.00 lakh or less	
	Instant Draw	Rs. 20,000 Rs. 5,000	For 1 st turnover of Rs.100.00 lakh For every subsequent of Rs.50.00 lakh or less	
	Bumper Draw	Rs. 50,000	Irrespective of turnover	
12 th December 1995	Daily Draw	Rs. 8,000	Irrespective of turnover	
	Weekly Draw	Rs. 7,000		
	Instant Draw	Rs. 10,000		
	Bumper Draw	Rs. 25,000		
1 st March 1999	Weekly Draw	Rs. 1,250	Irrespective of turnover	
	Instant Draw	Rs. 2,300		
	Bumper Draw	Rs. 16,000		

(Rupees in crore)		
Year	No.of draws	Advance Sale Proceed
1995-96	8179	8.00
1996-97	19780	15.28
1997-98	24287	19.51
1998-99	8479	3.15
1999-2000	18286	2.56

It would be seen that the rates of advance sale proceeds were decreasing continuously. The rates were reduced drastically since December 1995 resulting in significant fall in revenue from that year. The yearly revenue decreased from Rs.8.00 crore in 1995-96 to Rs.2.56 crore (68 *per cent*) in 1999-2000. Even though there was an increase in draws (8179 in 1995-96 to 18286 in 1999-2000) and consequent increase in turnover (from Rs.4331 crore in 1995-96 to Rs.7330 crore in 1999-2000) there was no corresponding increase in revenue earned by the Government. This was not only because of reduction in the amounts payable to Government as advance sale proceeds but also because of de-linking the advance sale proceeds from increases in turnover. The SLC reduced the rate of advance sale proceeds whenever the distributors stated that the existing rates were too high in the competitive lottery trade. The State Finance Department was not consulted by the SLC before fixing the rates.

Government in reply stated (March 2001) that decline in the Lottery trade all over the country necessitated reduction of the minimum guaranteed amount (advance sale proceeds) as well as cessation of slab scale system from December 1995. The claim of the Government that there was decline in lottery trade necessitating reduction in rates as well as the slab scale is not borne out by facts as the number of lottery draws held in 1999-2000 was 123.97 *per cent* more than the draws held in 1995-96.

(b) Shortfall in revenue due to non-estimation of revenue in terms of percentage to the face value of tickets printed

As per GOI guideline of 1984, reiterated in April 1997 the net profit from Lottery Business may be at least 15 *per cent* of the gross value of ticket printed for sale.

Scrutiny of records relating to gross value of tickets printed and sold revealed that there was substantial gap in Government profit if the rate of 15 *per cent* prescribed by GOI was compared with the advance sale proceeds received from the SD as per agreement. Although the lottery was introduced in the State to mobilize revenue, the department had never made any estimation of revenue in terms of percentage to the face value of the tickets printed.

Government in reply stated (March 2001) that due to stiff competitive trade, Mizoram State Lottery in many cases offered higher pay out ratio ranging

from 80-91 *per cent* to the public and the net profit of 15 *per cent* laid down in Government of India Guidelines 1984 was notional and inapplicable in the ground reality. Audit, however, observed that the Government's claim of higher pay out ratio to the public ranging from 80-91 *per cent* was not correct as during the period of review the pay out ratio ranged from as low as 37.52 *per cent* in 1998-99 to a maximum of 80.20 *per cent* in 1996-97. The pay out ratio in 1999-2000 stood at 46.78 *per cent*.

(c) ***Profit sharing between Government and the distributors***

For a total of 79011 test checked lottery draws during the period covered by this review, the Government had received Rs.48.50 crore advance sale proceeds representing 0.12 *per cent* of the total face value of tickets worth Rs.40,367.24 crore printed/lifted and marketed by the distributors. The details of total turnover and expenditure incurred are given below:

	(Rupees in crore)
Total Face value of tickets printed and sold	40367.24 ⁺
Total expenditure incurred by SD	<u>31370.72[#]</u>
Balance	8996.52
Less Advance sale proceeds remitted by SDs to Government	48.50
Earnings of SDs	<u>8948.02</u>

Thus it would be seen that Government had received a revenue of only Rs.48.50 crore (0.12 *per cent*) whereas the SDs earnings amounted to Rs.8948.02 crore (22.16 *per cent*) with reference to total turnover of tickets printed and sold. On a modest 50-50 assumption of profit sharing between the State Government and distributors, Government should have received at least Rs.4498.26 crore as its share against which it has received only Rs. 48.50 crore.

Government in reply stated (March 2001) that the calculation was based on face value of the tickets printed for sale. But a large portion of printed tickets remained unsold. The average percentage of unsold tickets during the five years period in respect of 3 SDs was nearly 73 *per cent*. The contention of the Government is not acceptable in Audit as the Government in reply to para 3.2.13 had admitted that it was only in the year 2000 that a few inspection of the records of the SDs were conducted by officers nominated by the Finance Department and also by DSL. The Government stated (March 2001) that

⁺ *In the absence of accounts of the SDs, the proceeds had been taken as face value of the tickets printed and lifted by the SDs.*

[#] *Based on the figures furnished by DSL:*

Prize Money :	Rs. 25668.88 crore
Misc. expenditure :	Rs. 3.47 crore
Incentives/Commission :	Rs. 5591.25 crore
Cost of paper and Printing :	Rs. 107.12 crore
Advance Sale proceeds of tickets :	<u>Rs. 48.50 crore</u>
Total :	Rs. 31419.22 crore

proper control system was not existing as these were under process. In the light of these facts, it was clear that the return of unsold tickets stated to have been received from 3 SDs out of 5 SDs by the Government cannot be accepted as correct, especially when the audit of the accounts of the SDs had never been conducted by an auditor or a team of auditors appointed by the Government as envisaged in the agreement.

3.2.7 Loss due to cancellation of lottery draws

No mention was made, either, in the Mizoram State Lottery Rules 1994, or in the agreement entered into between the Government and the distributors about the provision of cancellation of lottery draws. Taking advantage, of this the distributors requested the department for cancellation of draws from time to time, on the ground of poor market condition and the DSL, accepted the proposals and cancelled the draws. During the period from April 1995 to January 1997, 448 draws (Daily : 420; Weekly : 28) involving a total turnover of Rs.10128.50 lakh approved by the Director of State Lottery for cancellations and Printing orders were cancelled at the request of distributor. Due to such cancellations, Government sustained a loss of Rs.38 lakh in the form of Advance Sale Proceed.

It was further seen in audit that the request for cancellation of draws were accompanied by original printing orders issued to the press by the DSL. Possession of printing orders of the lottery tickets by the distributors indicated absence of security in the matter of printing of tickets by the DSL.

Admitting the lacuna in agreements of State Lotteries Rules, Government in reply stated (March 2001) that draws were cancelled due to unforeseen and unavoidable circumstances but was silent on the loss sustained due to cancellation of the draws. Also the Government reply was general and not specific to the instances cited.

3.2.8 Checking of PWT

As per Rule No. 12(2) framed and published in the Mizoram Government Gazette in June 1994 for conducting the Mizoram State Lottery, the SD should render the PWTs along with account of such prizes paid by them to the government within 120 days of draw. No accounts and PWTs were submitted to SDs for 84979 draws held during 1995-2000. In fact no checking of PWTs were conducted by the DSL also. In the absence of verification of the correctness of the payment with reference to the PWTs, the veracity of the claim that the prize money upto Rs.5000 disbursed as prizes by SDS had never been established.

Government in reply stated (March 2001) that Draw Accounts were submitted by the SDs to Government but each and every statement could not be scrutinised due to shortage of man power. However, no Draw Accounts could be produced by DSL during the currency of the Audit.

3.2.9 Unrealised Prize amount and advance sale proceeds

Due to laxity in the observance of prize money being credited into Government Account by the distributors, there was loss of revenue of Rs. 5.04 crore to the Government.

As per the Agreement of 1995 taxable prize money of each draw was to be credited to Government Account within 45 days from the date of draw, failing which SD was liable to pay interest on such arrears amount at the rate of 12 *per cent* per annum until full realisation. It was seen in audit that one distributor who had discontinued business of Mizoram State Lottery from 28 December 1997 had not remitted prize amount of Rs.5.04 crore and guaranteed return of Rs.10.90 lakh in respect of 699 draws held during 1 September 1996 to June 1997 till the date of audit (June 2000). Thus, laxity in the observance of prize money being credited into Government Account by the distributors resulted in loss to Government. As per clause 6 of the agreement the distributor was to furnish bank guarantee for Rs.40 lakh for each first two obligatory draws per day and for every subsequent daily draws at the rate of Rs.10 lakh subject to a maximum of Rs.70 lakh but no such guarantee was obtained from the distributor after March 1994. Had the Bank guarantee been obtained, Government could have adjusted atleast Rs.70 lakh out of Rs.5.04 crore, that remained unrecovered.

Government in reply (March 2001) clarified that the payment of taxable prizes from Government side does not arise since prizes money of Rs.4.72 crore and not Rs.5.04 crore referred to in the para pertained to unsold PWTs and not unclaimed prizes. This statement of Government is at total variance with the report of the DSL(February 1998) to the Government stating that unclaimed prizes of Rs.5.04 crore and sale proceeds of Rs.10.90 lakh were due from the SD. Government further stated that the SD had cleared sale proceeds of Rs.45.56 lakh in January 2001. The Government may take steps to recover the balance.

3.2.10 Unclaimed prize money

As per SC ruling the unclaimed/undisbursed prize money should revert back to Government. As the SDs did not submit any accounts for the prize money disbursed by them up to Rs.5000, unclaimed prize retained, if any, could not be ascertained in audit. In practice also the SDs did not remit any unclaimed prize money up to Rs.5000. Thus, the Supreme Court ruling has been violated.

Government in reply stated (March 2001) that statement of prizes disbursed by the SDs were submitted to the Government but was silent on the amount received from the SDs on account of unclaimed prizes due to Government. Audit could also not work out the amount of unclaimed prizes due to Government as the Draw Accounts were not produced to it.

3.2.11 Non-observance of GOI norms in approving prize structure of draws

The guidelines of GOI issued in 1984 provided that the prize money to be given should not be less than 50 *per cent* of the face value of the tickets printed for sale.

It was noticed in audit that in 22,277 draws out of 79,011 draws test-checked (weekly 22,047 draws, monthly 28 draws and bumper 202 draws), the actual prize money paid to the prize winners was only Rs.3063.16 crore which worked out to 22.96 *per cent* of the turnover of the draws amounting to Rs.13,340.62 crore. Thus the prize structure was not in conformity with GOI norms.

Government in reply (March 2001) stated that determination of percentage with reference to prizes actually paid was not proper as large portion of the prize pool pertained to unsold tickets. The contention of the Government was not tenable since it is clear that against payment of 22.96 *per cent* as prizes to the public, the amount paid as commission to stockists/agents/sellers was 30.68 *per cent* for these draws. Further, the reply is not to the point as the fact remained that the prizes that could be won by the public remained lower compared to the incentives/commission to the Agent/sellers/stockists. Also, vide Rule 9(1) of Mizoram State Lotteries Rules, 1994 it is clearly laid down that the total value of prizes including bonus/incentive to stockists/agents/sellers shall not be less than 60 *per cent* of total value of the tickets printed for each draw. It was clear that this Rule had been violated.

3.2.12 Submission of accounts

Clauses 12(ii), 14 and 15 of the agreements stipulate that the accounts of the distributors shall be open to inspection by the DSL or his authorised officers and the distributors should keep accounts of tickets received, sold, unsold, cancelled or condemned which should be audited by auditors appointed by the Government. Neither the DSL ever inspected the accounts of the distributors nor the distributors submitted accounts duly audited by the auditors indicating insufficient departmental control on running of business of the lotteries by the distributor.

Government admitted (March 2001) that proper control system which could not be adhered to earlier was under process.

3.2.13 Non-maintenance of records

- a) In course of Review, it was noticed that the DSL Mizoram, Aizawl, never maintained Cash Book both for Revenue Receipt and expenditure incurred to conduct lottery business excepting maintenance of receipts and payments by the Resident Commissioner, Mizoram, New Delhi in respect of cost of paper and printing charges.
- b) The DSL neither prepared any annual accounts of the lottery transactions involving huge turnover, during the entire period covered by this review, nor insisted upon the SDs for furnishing the annual certified accounts in respect of their lottery business.

Government has accepted the observations of audit and stated (March 2001) that guidance given will be followed in future.

3.2.14 Non-reconciliation of Bank account

The accounts of the Lottery business have never been reconciled with the Bank at the end of each financial year, as a result of which audit was not in position to authenticate the actual amount (Sale proceeds) lying with the Bank, without depositing to the Government account.

Government stated (March 2001) that Bank Accounts are often updated but remained silent on the reconciliation of the bank accounts.

3.2.15 Recommendations

- Major flows in the agreements such as absence of clear cut mention of payable advance sale proceeds need to be addressed to secure interest of Government.
- Higher the turnover of a draw higher should be the rate of the advance sale proceeds instead of a flat rate irrespective of the value of turnover of a draw.
- Incentives *viz.*, bonus commission to sellers, agents, *etc.*, needs to be stopped.
- Mobilisation of revenue being the objective of lottery there needs to be proper mechanism for sharing of profit between the Government and the distributor.
- Adequate steps need to be taken for preparation of proper accounts of lottery transactions and all prize winning tickets needs to be verified by the Government to safeguard interest of the prize winners.

GENERAL ADMINISTRATION DEPARTMENT

3.3 Members of Parliament Local Area Development Scheme

Highlights

Under the scheme, launched in December 1993, each MP has the choice to select works of development nature to the tune of Rs.1 crore (increased to Rs.2 crore from 1998-99) per year for execution through district collectors in his/her Constituency/entire State. The fund for the purpose is released directly by Government of India to the district collectors. A review in audit of the implementation of the scheme during 1997-98 to 1999-2000 revealed the following significant points.

At the end of March 2000 there was short release of funds by Government of India to the tune of Rs.1.50 crore but only Rs.9.85 crore could be utilised upto March 2000 out of the available amount of Rs.10.61 crore during 1997-98 to 1999-2000.

(Paragraph 3.3.4(i) (ii))

Works aggregating Rs.77.50 lakh were executed without obtaining consent of the incumbent MP.

(Paragraph 3.3.5 (i) (ii))

Recommended/sanctioned works were got executed through the grantee institutions having no technical capabilities to execute the works violating the established procedure for execution of works.

(Paragraph 3.3.5(iii))

During 1997-98 to 1999-2000, the test checked implementing agencies executed 888 works costing Rs.8.47 crore for which no plan and estimate were prepared and no technical sanction from the competent authority was obtained.

(Paragraph 3.3.5(iv))

DC Saiha had executed 29 works through contractors at the cost of Rs.43.75 lakh during 1997-98 to 1999-2000 without observing codal requirements.

(Paragraph 3.3.5 (v))

Rupees 31.66 lakh out of the scheme funds were utilised by 3 DCs (Aizawl, Mamit and Champhai) during 1997-98 to 1999-2000 towards execution of works not permissible under the scheme.

(Paragraph 3.3.5 (vi)(a)(b))

3.3.1 Introduction

The Members of Parliament Local Area Development (MPLAD) Scheme was launched by Government of India (GOI) on 23 December 1993. Under the scheme, each MP has the choice to recommend to the Deputy Commissioner (DC), sanction/execution of works of capital nature totalling Rs.1 crore per year in his/her constituency. Rajya Sabha MP representing the whole of the State selects works for implementation in one or more district(s) of his choice. The scheme provides for release of funds by the Department of Statistics and Programme Implementation (Ministry of Planning and Programme Implementation) of Government of India (GOI) directly to the Deputy Commissioner of the district in instalments on the basis of physical and financial progress of the works under implementation. The funds released under the scheme do not lapse. The allocation of funds to each MP per year stands increased to Rs.2 crore from the year 1998-99.

The State of Mizoram has two MPs representing the entire State, one for Lok Sabha (LS) and another for Rajya Sabha (RS).

3.3.2 Organisational set up

The Deputy Commissioner (DC) Aizawl district was the nodal officer, responsible for receipt of MPLAD Scheme funds from the GOI and disbursement of the same to the DCs of other districts for implementation of the scheme and submission of financial and physical progress reports to the GOI. At district level, the DCs get the works, recommended by the MP executed mainly through government agencies (departmental), Panchayat Raj Institutions (village councils) and other reputed non-government organisations viz., Young Mizo Association (YMA), Mizoram Hmeichhe Insuihkhawm Pawl (MHIP), Mizoram Upa Pawl (MUP) and Village Councils (VC), etc.

3.3.3 Audit coverage

Implementation of the scheme for the period 1997-98 to 1999-2000 in 3* districts (Aizawl, Lunglei, Saiha) and 1998-99 to 1999-2000 in 1* district (Serchhip) out of 8 districts in Mizoram was reviewed in Audit during July and August 2000 through test check of records of the DCs concerned. Of the total expenditure of Rs.984.72 lakh booked in the accounts, the sample test-checked accounted for Rs.856.88 lakh (87 per cent). The results of the test-check are brought out in the succeeding paragraphs.

* The number of district was increased to eight from three (Aizawl, Lunglei and Saiha) with creations of 5 more districts (Kolasib, Serchhip, Champhai, Mamit and Lawngtlai) in 1998-99.

3.3.4. *Financial outlay and expenditure*

The year-wise and MP-wise (LS and RS) details of funds received from GOI by the DC Aizawl, and expenditure incurred by the eight Deputy Commissioners during the period from 1997-98 to 1999-2000 have been shown in **Appendix – XVIII**.

(i) Out of total fund of Rs.1061.25 lakh available under the programme during 1997-98 to 1999-2000, for both LS & RS MP, Rs.984.72 lakh (93 *per cent*) was utilised on execution of works in eight districts leaving an unspent balance of Rs.76.53 lakh at the end of March 2000.

(ii) It would be seen that Scheme fund in respect of MP (LS) aggregating Rs.1.50 crore was short released during 1997-98 to 1998-99 to the nodal DC, by GOI reasons for which had not been stated. This indicated that the nodal officer did not actively pursue the timely release of funds hampering progress of works.

(iii) Funds received under the scheme were to be kept in savings account of nationalised banks and interest accrued was to be used for the works approved under the scheme. The DC Saiha, however, deposited Rs.163.50 lakh in Current Account in Banks. As a result, no interest was accrued on bank balance for utilisation thereof in the development work under the scheme.

(iv) Though fund of Rs.50.88 lakh and Rs.25.65 lakh pertaining to the MP (LS) and MP (RS) respectively remained unutilised at the end of 31 March 2000, the DC, Aizawl had intimated (March and May 2000) GOI that there was no unspent balance in respect of both MP(LS) and MP(RS) fund as on 31 March 2000. Submission of incorrect financial position to GOI without ascertaining the actual expenditure incurred by other district level implementing agencies, out of advance paid to them, indicated lack of proper monitoring of the progress of expenditure by the nodal officer.

(v) As per provisions of the scheme, the nodal DC was required to send yearly expenditure statements for each implementing DCs by 31 May of the following year to the concerned Accountant General with a request to have an audit conducted. But no such expenditure statement was furnished to the Accountant General (Audit), Meghalaya, *etc.*, Shillong by the DC Aizawl so far.

3.3.5 *Physical performance and implementation of the scheme*

The position of year-wise and district-wise number of works taken up, works completed during 1997-98 to 1999-2000 and number of works that remained incomplete as on 31 March 2000 is indicated in **Appendix XVIII-A**. It may be seen therefrom that during the period covered by the review, 1049 works were sanctioned at a cost of Rs.1096.98 lakh, all of which were taken up for implementation. Of these 992 nos. of works were completed and 57 works remaining incomplete.

Short release of fund for Rs.1.50 crore by Government of India was not pursued by the nodal Deputy Commissioner.

(i) Works executed without MP's approval

Works value at Rs.7.50 lakh were executed at the instance of Minister/Speaker instead of the MP.

Works valued at Rs.7.50 lakh were sanctioned and executed by the DC, Aizawl on the recommendations of the Speaker, Chief Minister and Other Ministers, etc., but there was no record of approval being obtained from the concerned MP. The details are as under:

	Work order No. and date	Amount sanctioned out of MP(RS) fund	Particulars	Works recommended by
(a)	No. D.12011/136/95-96/DC(A)/232 dt. 19.6.97	Rs.2.00 lakh	31 different works under Thingdawl Block	The Speaker Mizoram Legislative Assembly
(b)	No.D.12011/136/95-96/DC(A)/234-240 dt. 23.6.97	Rs.2.00 lakh	7 works under SDO(C) Mamit	The Minister, Home and DP&AR
(c)	No. D.12011/136/95-96/DC(A)/180 dt. 4.4.97	Rs.1.50 lakh	Construction of Damna In at Zemabawk	The Chief Minister of Mizoram
(d)	No. D.12011/136/95-96/160-166 dt. 2.4.97	Rs.2.00 lakh	13 works under Tlungvel constituency	The Minister of State, Social Welfare etc.,
	Total :	Rs.7.50 lakh	52 works	

The DC, Aizawl stated (August 2000) that it was done as per verbal instructions of the MP concerned. The reply is not tenable as the works are to be sanctioned only after receipt of formal recommendation of the MP.

(ii) Execution of works, without obtaining confirmation of the successor MP

Works valued at Rs.70 lakh were executed at the instance of the erstwhile MP without obtaining consent from the incumbent MP.

Consequent on dissolution of XIth Lok Sabha (4 December 1997), GOI permitted (April 1998) the scheme implementing authorities for execution of the works recommended by the MPs of XIth Lok Sabha, during the period from 21.10.97 to 4.12.97, subject to approval of those works by the successor MP of XIIth Lok Sabha. The DC, Aizawl, however, executed 29 works recommended (November 1997) by the MP of XIth Lok Sabha, in March 1998 (18 works) and March 1999 (11 works) at a cost of Rs.44.65 lakh and Rs.25.36 lakh respectively without getting the works approved by the successor MP of XIIth Lok Sabha. The 11 works were sanctioned and executed in March 1999 *i.e.*, after a delay of more than two years since the erstwhile MP approved these works in November 1997 during his tenure. The delay was attributed by the DC to late receipt of (January 1999) of the MP's recommendation. Since the works were not on going ones, belated acceptance of the recommendation of the erstwhile MP and sanction/execution of these works without incumbent MP's consent was irregular.

The DC, Aizawl stated (August 2000) that the written approval of the MP of the XIIth Lok Sabha would be obtained, if necessary.

(iii) Execution of works through beneficiary institutions without ascertaining their technical capabilities

Established procedure for execution of work was violated by getting the works executed through the beneficiary institutions having no technical capabilities.

The scheme guidelines envisaged that the works should be got implemented through Government agencies, Panchayat Raj Institutions (or Village Councils) or any other reputed non-Government organisation, who may be considered by the District Heads as capable of implementing the works satisfactorily. It was noticed that almost in all the districts, the works were executed through the head of the beneficiary institutions (in case of schools and colleges), President of Village Councils and certain non-Governmental organisations like YMA, MUP and MHIP etc., without ascertaining their technical capabilities to execute the works. The sanctioned amount for the works were released by DC, Aizawl and Lunglei in two instalments based on verification reports of the officials of the DC's establishment but such verification was not supported by measurement book to show the quantity of work executed. The DCs (Aizawl and Saiha) stated (August 2000) that selection of executing agencies was directly done by the MP concerned and DCs had no option but to issue work orders in favour of such agencies. Non-maintenance of measurement book was attributed (August 2000) by the DC Aizawl to insufficient posting of technical staff. The replies of the DC's cannot be accepted since as per the scheme while the MP is to recommend the work, the responsibility for proper execution of the works vests with the concerned DC. Execution of work through the beneficiary institutions violated the established procedure for execution of work.

(iv) Execution of works without preparing plans/estimates and obtaining technical sanction of competent authority

Scrutiny of records of test checked DC revealed that works were executed through beneficiary institutions but no plan and estimate was prepared nor technical sanction of the competent authority obtained in respect of 888 works executed by the DCs Aizawl, Lunglei, Saiha during 1997-98 to 1999-2000 at Rs.8.47 crore.

Works were sanctioned without preparing plan and estimate and got executed through beneficiary institutions.

For construction of Community hall-cum-indoor stadium at Aizawl and Lunglei, the concerned DCs paid Rs.23.80 lakh and Rs.19.95 lakh to President Village Council, Aizawl and Chairman, Building Committee, Lunglei respectively. No plan and estimate had been prepared for these works nor was there any recorded evidence available with the DCs about the quantity of works executed in support of the payment to the executing agencies. While the works at Aizawl were reported to have been completed in April 1999 the works at Lunglei was reported to be in progress. In the absence of approved plan and estimate, and measurement of work done, the propriety of expenditure of Rs.43.75 lakh could not be verified in audit.

The DCs (Aizawl and Saiha), while accepting the irregularities, stated (August 2000) that this mainly happened due to lack of sufficient technical manpower under their establishment. The reply is not tenable since plan and estimate could have been done through the State Public Works Department wherever

needed and payment should have been made on the basis of measurement of work done as certified by an authorised technically qualified official. The technical soundness of works executed through the concerned beneficiaries, therefore, could not be established.

(v) Execution of works through contractors

Scrutiny in audit of the records pertaining to DC Saiha disclosed that during the period covered under review, altogether 29 works valued at Rs.43.75 lakh were executed during 1997-98 to 1999-2000 through 29 contractors. No codal requirements were observed in the execution of the works.

On being pointed out in audit the DC Saiha stated (August 2000) that the works orders were issued to contractors on the advice of the MP concerned. Reply is not tenable as the DC should have informed the MP concerned that the same was outside the established procedure.

(vi) Expenditure on unauthorised works

(a) Though according to scheme guidelines, no expenditure was to be incurred on office building and other buildings of an organisation, works of commercial organisations, trust, etc., Rs.19.19 lakh was spent by DCs Aizawl, Mamit and Champhai during the period from 1997-98 to 1999-2000, on 8 works relating to repair/renovation of Government Building Complex as detailed in **Appendix – XIX**.

(b) Repair and maintenance of works of any type other than special repairs for restoration of any durable asset are not permissible out of the MPLAD fund. Scrutiny of records, however, revealed that DC, Aizawl had spent an amount of Rs.12.47 lakh on normal repair of 81 primary/middle schools during 1997-98 (RS – 12 schools for Rs.3.77 lakh and LS – 69 schools for Rs.8.70 lakh).

The DC, Aizawl, while admitting the irregularities, stated (August 2000) that due to extraordinary circumstances or requirement it was always not possible to strictly adhere to the guidelines. The DC, however, assured that the recurrence of such type of irregularities would be avoided in future. But the fact remains that Rs.31.66 lakh (Rs.19.19 lakh + Rs.12.47 lakh) had been diverted to purpose not provided under the scheme.

(vii) Procurement and supply of surgical machine to Civil Hospital without observing codal formalities

Scheme guidelines envisaged that normal financial procedures would apply to all actions taken under this scheme. But scrutiny of records of the Deputy Commissioner, Aizawl revealed that an amount of Rs.10 lakh[#] was sanctioned (April 1998) by the DC, Aizawl and released to the Superintendent, Civil

[#] (a) Cost of machine Rs.8.55 lakh, (b) 10 per cent CST on cost price of machine Rs.0.86 lakh and (c) installation charges of machine by a local firm Rs.0.59 lakh.

Works valued at Rs.43.75 lakh were executed through contractors without observing codal requirements.

Expenditure of Rs.31.66 lakh was incurred on non-permissible works.

Hospital (SCH), Aizawl for procurement and installation of Surgical machine at Civil Hospital, Aizawl.

Non-observance of codal formalities for purchases led to extra expenditure of Rs.1.11 lakh.

The SCH procured (July 1998) one Laparoscopic Cholecystectomy Set from a Delhi based firm at a cost of Rs.9.41 lakh (cost of machine: Rs.8.55 lakh and 10 *per cent* CST : Rs.0.86 lakh) out of Rs.10 lakh sanctioned (April 1995) from the scheme fund. Although established procedures of the State Government were to be followed in purchases out of MPLAD fund, no codal formalities were observed in the instant case *viz.*, purchase was not based on a Notice Inviting Tender to ascertain that required equipment was procured economically and no agreements made setting forth the terms and conditions of supply. The adverse affects of such irregular purchase were as follows :

(a) For Government supply, the CST leviable is 4 *per cent* of the cost price of machine (Rs.0.34 lakh) subject to production of D-Form only. The department, however, had not pursued the matter before acceptance of the claim for CST and as a result an excess amount of Rs.0.52 lakh (Rs.0.86 – Rs.0.34 lakh) was unnecessarily spent on CST.

(b) No agreement was made with the supplying firm for installation of machine at Civil Hospital, Aizawl. The department had therefore, installed the machine through a local firm at a cost of Rs.0.59 lakh out of the remaining unspent balance of the fund of Rs.10 lakh released. The SCH had not furnished any reasons justifying the expenditure.

The DC, Aizawl in his reply (August 2000) stated that the SCH was instructed to observe the codal formalities.

Thus, non-observance of established procedures resulted in extra expenditure of Rs.1.11 lakh.

(viii) *Doubtful expenditure*

The DC, Aizawl sanctioned (January 2000) Rs.3 lakh for construction of one working Boys Hostel at Sesawng and released the sanctioned amount in two instalments (Rs.2.25 lakh in January 2000 and Rs.0.75 lakh in April 2000) to the President, YMA, CTI Branch, Sesawng for execution of the work.

Scrutiny in audit of utilisation certificates accompanied by cash memos and muster rolls submitted by the executing agency revealed that the construction works of the working Boys Hostel was executed during January 2000 to March 2000 by spending Rs.2.62 lakh on material and Rs.0.38 lakh on labour charge. The second and final instalment of Rs.0.75 lakh was released (April 2000) to the executing agency. As per inspection report submitted (17 April 2000) by the Sub-Divisional Officer (PWD) attached to DC's establishment the building was constructed two years before the expenditure sanction (January 2000) from MPLAD's fund by the DC, Aizawl. This implied that fake cash memos and muster rolls pertaining to the period January – March 2000 were submitted by the executing agency in support of expenditure of

Rs.2.62 lakh and Rs.0.38 lakh respectively just to receive fund out of the scheme for the hostel constructed long back. The concerned DC had not investigated the matter.

3.3.6 Monitoring, evaluation and reporting

For effective implementation of the works taken up under MPLAD scheme, each State Government shall designate one nodal department at State level for physical monitoring through field inspection and for co-ordination with GOI. It was, however, noticed that no department was declared by the State Government so far, as nodal department to monitor the implementation of the scheme at State level. The head of the district administration is to inspect at least 10 *per cent* of the works every year and also to furnish monitoring reports once in two months to the MPs and GOI. But no records could be made available to audit to show that 10 *per cent* inspection of the works was conducted by the DC concerned in every year during the period covered by this review. The DCs of Aizawl and Saiha stated (August 2000) that 10 *per cent* inspection of works in every year was not possible on their part after discharging their normal duties as administrative head of the districts. Moreover no monitoring reports was ever submitted to MPs and GOI.

The impact of the implementation of the scheme was also not evaluated at any level during the period covered under review.

The matter was reported to Government in September 2000; reply had not been received (November 2000).

3.3.7 Recommendations

- Execution of recommended/sanctioned work through the beneficiary institutions needs to be avoided.
- Execution of works should be according to the established procedure for execution of works.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.4 National Family Welfare Programme

Highlights

The National Family Welfare Programme is a demographic as well as a Welfare Programme meant for stabilising population level and at the same time improving maternal and child health care. The programme is a cent per cent Centrally Sponsored Scheme. A review of the programme through test check of records revealed :

Expenditure of Rs.12.23 crore was incurred under the programme during 1995-96 to 1999-2000 against Rs.12.57 crore released by GOI during the same period, which resulted in an overall saving of Rs.0.34 crore.

(Paragraph 3.4.4 (A)(i))

As against Rs.98.43 lakh admissible as per norms, for maintenance of 30 Family Welfare sub-centres during 1995-2000 the department obtained from GOI fund for Rs.1.74 crore and spent Rs.1.80 crore during the same period. The excess expenditure of Rs.81.78 lakh over the norms was due to purchase of unauthorised medicines and equipment.

(Paragraph 3.4.4 (A) (ii))

Fund amounting to Rs.1.25 crore released (June 1998) by the GOI to SCOVA for implementation of RCH scheme irregularly retained in Government accounts for 3 months under the orders of the State Government resulted in delay in implementation of scheme besides loss of interest to the tune of Rs.1.56 lakh by the SCOVA.

(Paragraph 3.4.4 (B) (ii))

Only 14 Primary Health Centres out of 56 established upto March 2000 under minimum needs programme were upgraded thereby hampering delivery of Family Welfare services in rural area.

(Paragraph 3.4.5.1 (i))

The scheme envisaged establishment of Family Welfare Bureau (FWB) at each district to look after the Family Welfare Programme but the department could establish only 1 FWB out of 4 districts which affected the effective implementation of the programme in the State.

(Paragraph 3.4.5.1(ii))

The performance of 2 district level PPCs in respect of maternal and health care was very minimal as only 10 per cent of the expectant mother registered was protected against Tetanus and 4 to 7 per cent of the new born babies in the PPCs immunised against BCG, Polio, DPT, Measles during 1995-2000.

(Paragraph 3.4.5.2 (i) (iii))

Out of 48 works of new construction, entrusted to State PWD, 20 works remained incomplete after 14 months since the due date for completion delaying the benefit of the scheme to the community.

(Paragraph 3.4.6 (ii))

3.4.1 Introduction

The Family Welfare Programme was introduced in the First Five Year Plan in 1952. It was made target oriented and time bound with effect from 1966-67. Maternal and Child Health Services (MCH services) designed to improve the health of mothers and children were also integrated with it during the Fourth Plan period. The National Health Policy (NHP) approved by the Parliament in 1983 envisaged attainment of twin goals of 'Health for All' and a 'Net Reproductive Rate' (NRR) of unity by the year 2000 AD. Keeping in view the level of achievements made in the Seventh Plan period it was stated in the Eighth Five Year Plan document that NRR-I would be achievable during the period 2011-16 AD. However, the Report of the Technical group on Population Projection (constituted by the Planning Commission) indicated that the replacement level of NRR-I is achievable only by 2026 AD.

The main objectives of the National Family Welfare Programme (NFWP) was to stabilize population level consistent with the needs of national development by adopting following measures/methods :

- (i) To bring down the birth and death rates through various family planning measures and temporary methods of birth control.
- (ii) To persuade people to adopt small family norms by popularising the use of conventional contraceptive devices or oral pills, *etc.*
- (iii) To provide medical services, medicines and incentives free of cost at the doorsteps of the acceptors of family planning measures.

These objectives of NFWP were to be achieved through implementation of the following schemes.

- (i) Minimum Needs Programme (Redesigned as Basic Minimum Services (BMS)).
- (ii) Sterilisation Bed Scheme.

- (iii) Post Partum PAP Smear Test facility Programme.
- (iv) All India Hospital Post Partum Programme.
- (v) Population Research Centre Scheme.
- (vi) Child Survival and Safe Motherhood (CSSM) Programme redesigned as Reproductive Child Health (RCH) Programme.

3.4.2 Organisational Set up

The Director of Health Services, (DHS) as a nodal officer is responsible for overall implementation of the Family Welfare Programme, in the State through the State Family Welfare Bureau, attached to the Directorate. The DHS is assisted by one each in the rank of Joint Director of Health Services (FW), Deputy Director of Health Services (FW), Deputy Director of Health Services (Central Medical Stores), Assistant Director of Health Services (EPI) and State Mass Education and Media Officer in the Head quarter.

At District level, 4 Chief Medical Officers (CMO) Aizawl (East and West), Lunglei and Chhimtuipui are responsible for overall implementation of the Family Welfare Programme through 7 Senior Medical Officers (SMO) at sub-divisional level. Actual implementation of the Family Welfare Programmes are carried out through the network of 56 Primary Health Centres (PHCs), 346 Sub-Centres (SCs), 6 Community Health Centres (CHCs), 2 District level Post Partum Centres (PPCs), 3 sub-divisional level PPCs and one Urban Family Welfare Centre at Saiha. Besides, there is also a Training Centre at Aizawl for training of male and female Health Workers. A State Committee on Voluntary Action (SCOVA), a registered society was constituted in February 1997 under the chairmanship of State Chief Secretary and the DHS as Project Director for implementation of externally aided Reproductive and Child Health Programme (RCH).

3.4.3 Audit Coverage

The implementation of the Family Welfare Programme, covering the period from 1995-96 to 1999-2000 was reviewed in audit during March – May 2000 through test check of records of the DHS Project Director (SCOVA), CMOs Aizawl East and Aizawl West, Medical officers, of PPCs at Aizawl, Kolasib. The results of the review are summarised in succeeding paragraphs.

The services of the ORG-MARG were commissioned by the Comptroller and Auditor General of India with a view to gauge, *inter alia* beneficiaries perception of the programme and related matters. The ORG-MARG carried out (October 2000) survey in the State of Mizoram over a sample of 1000 households (464 urban and 536 rural) and 8 health facilities in respect of two districts (Aizawl and Lunglei). Significant findings of the survey on matters discussed in the Report have also been included in this review at appropriate places.

3.4.4 Finance and Expenditure

The programme is cent *per cent* centrally assisted scheme. However, for orientation training of medical and para medical personnel the grant is admissible on 50 : 50 sharing basis between Government of India and the State Government. This is to be utilised for rent of hostel, contingency, consumable for training materials, additional teaching staff, class rooms for Health and Family Welfare training Centres, *etc.* The establishment of PHC, CHC, sub-centres in rural area and hospitals and dispensaries in urban areas are met under Minimum Needs Programme.

(A) Family Welfare Programme

The budget provision, funds released by the Government of India and utilisation of central assistance, *etc.*, for the period from 1995-96 to 1999-2000 are detailed below.

(Rupees in lakh)

Year	Budget Provision			Central Assistance received	Expenditure			Less (-) or excess (+) utilisation of Central assistance
	Salary Component	Non-Salary Component	Total		Salary Component	Non-Salary Component	Total	
1995-1996	121.79	66.84	188.63	188.63	126.25	64.54	190.79	(+) 2.16
1996-1997	123.63	57.14	180.77	180.77	148.04	56.10	204.14	(+) 23.37
1997-1998	148.87	130.42	279.29	279.29	150.16	96.87	247.03	(-) 32.26
1998-1999	157.23	105.44	262.67	262.67	175.44	71.08	246.52	(-) 16.15
1999-2000	244.77	100.97	345.54	345.54	238.61	95.97	334.58	(-) 10.96
Total	796.29	460.61	1256.90	1256.90	838.50	384.56	1223.06	(-) 33.84

(i) The overall saving of Rs.33.84 lakh against the grants released by the GOI during 1995-96 to 1999-2000, was mainly due to non-implementation of scheme like Maternity and Child Health (MCH), Selected Area Project, and District Nutrition Programme.

(ii) For maintenance of 30 Family Welfare Sub-Centres during 1995-96 to 1999-2000, the requirement of fund as per approved pattern of expenditure was Rs.98.43* lakh. But the Department delinking the approved norms made budgetary provision for Rs.1.74 crore, which the GOI released during 1996-2000. However, the Department had incurred an expenditure of Rs.1.80 crore for maintenance of 30 FW sub-centres during 1995-96 to 1999-2000 against the requirement of Rs.98.43 lakh resulting in extra expenditure of Rs.81.78 lakh (Rs. 180.21 – Rs. 98.43). The extra expenditure of Rs.81.78

Excess expenditure of Rs.81.78 lakh over the norms towards maintenance of family welfare sub-centres.

* (i) Salary of staff (Female Health Workers) Rs.94.53 lakh
(ii) Medicines/contingent expenditure @ Rs.2600/- each sub-centre p.a. Rs. 3.90 lakh
Rs.98.43 lakh

lakh was incurred mainly on procurement of medicines and equipment for distribution to PHCs/sub-centres during those years which was unauthorised as requirement of medicines in kits consisting of Vitamin 'A' solution and Iron and Folic Acid tablets only for family welfare are given by GOI in kind whereas the bills for Rs. 81.78 lakh showed purchases of equipment (Laryngoscopes)/and kinds of medicines not to be issued from Sub-Centres for FW purposes. Thus by inflating the Budgetary Provisions above the actual requirement, the State Government got excess release of fund from GOI under maintenance of Sub-Centres and the amount was utilised for the unauthorised expenditure.

(B) RCH – Programme

Out of total grants of Rs.10.06 crore released during 1998-99 to 1999-2000 under RCH programme the SCOVA could spend an amount of Rs.8.09 crore only resulting in saving of Rs.1.97 core at the end of 1999-2000. Reasons for savings were not on records nor could be stated to audit.

Scrutiny of records revealed the following: -

(i) The Project Director of the RCH-Project, operated the fund by opening a savings account at Vijaya Bank of Aizawl Branch, but time to time receipt earned through accrual of interest on its deposits of huge funds, during the period from 1998-99 to 1999-2000 had not been reconciled with the records of the Bank. As such actual balance of fund at the end of March 2000 could not be ascertained in audit.

(ii) In order to ensure smooth implementation of RCH programme, fund is released to the SCOVA directly. However, the first installment of grants of Rs.1.25 crore released by the GOI in June 1998 was kept in Government accounts for about 3 months. This was done to improve the ways and means position of the State Government, as per instructions of the State Finance Commissioner, and thereby deprived the society from earning interest to the tune of Rs.1.56 lakh (minimum rate of 5 per cent simple interest) during 3 months from its Bank's saving accounts besides causing delay in implementation of the scheme.

3.4.5. Implementation

3.4.5.1 Minimum Needs Programme

Family Welfare Services are provided to the community through a net work of Sub-Centres (SCs), Primary Health Centres (PHCs) and Community Health Centres (CHCs) in rural areas and hospitals and dispensaries in urban areas under Minimum Needs Programme (MNP). Under MNP one Sub-Centre, one PHC and one CHC is to be set up for every 3,000 population, 20,000 population and 1,00,000 population respectively in tribal/hilly areas by 2000 AD in a phased manner.

The rural and urban population of Mizoram are as under :

(Figures in lakh)			
Base year	Urban	Rural	Total population
1991 Census	3.18	3.72	6.90
2000 AD (projected population)	4.91	4.41	9.32

Test check of records and information collected from the DHS revealed the establishment of following SCs, PHCs and CHCs upto March 2000 against the requirement as per projected population :-

(Rupees in lakh)							
Centres	No. of Centres required as per GOI norms		Establishment (position as on 31 March 2000)	Excess with reference to projected popula- tion	Funds released during 1995-2000		Actual expen- diture
	As per 1991 Census	As per projected population (2000 AD)			By GOI	By State	
	Nos.	Nos.					
SCs	124	147	346	199	Nil	165.38	165.38
PHCs	19	23	56	33	Nil	Nil	Nil
CHCs	4	6	6	-	Nil	Nil	Nil

Basis of establishment of excess numbers of SCs and PHCs against all India norms fixed by GOI was not on records.

(i) The main centres for delivery of family welfare services in rural areas are PHCs. The Centrally Sponsored Family Welfare Programme envisages strengthening of these centres with resource mobilisation to State for up-gradation of these centres with additional infrastructure and staff to push up family welfare activities. Under the minimum needs programme 56 PHCs were established at the end of March 2000, but 14 PHCs had only been upgraded with staff and infrastructure to render possible full scale family welfare services. Reasons for the Department not being able to upgrade the remaining 42 PHCs had not been stated but the fact remains that delivery of family welfare services was in low key due to non up-gradation of all the PHCs established.

As against 4 Family Welfare Bureau to be established in each district to oversee proper delivery of family welfare services to the community in the district, only one bureau could be established.

(ii) Staffing pattern prescribed by the GOI under Family Welfare Programme, envisaged establishment of one District Family Welfare Bureau (DFWB) to oversee the proper delivery of Family welfare services and to monitor the activities of Family Welfare activities by different peripheral medical centres in the district. For the purposes of medical activities the State had 4 districts Aizawl (East and West), Lunglei and Chhimtuipui. But State Government had so far established only 1 DFWB attached to the CMO, Aizawl West. Although the establishment cost of DFWB are to be borne by the Government of India, reasons for the State Government not being able to establish the requisite DFWB had not been stated. Monitoring of effective

implementation of the Programme in the State suffered due to non establishment of DFWB in the districts.

3.4.5.2 All India Hospitals for Post-Partum Programme

The district/sub-district level Post Partum Centres (PPC) were to motivate women within the reproductive age group (15-44) years and their husbands for adopting small family norms through education and motivation during Pre natal, Post natal period and after Medical Termination of Pregnancy. The basic objective of the Programme was to provide integral package of Maternal Child Health and Family Welfare Services, in service training to medical/para medical staff, out reach services to allotted population. Under this programme cent *per cent* Central assistance was provided for recurring and non-recurring items. In the State there are 5 PPCs (2 District level and 3 Sub District level).

During 1995-96 to 1999-2000, expenditure of Rs.1.69 crore was incurred on PPCs against the grant of Rs.1.61 crore released by GOI. The performance of PPCs in respect of family welfare methods and immunisation during the period from 1995-96 to 1999-2000 were as under:

(Figures in thousand)

Activity	Overall achievement under NFWP in the State including that of PPCs		Target of PPCs	Achievement of PPCs	Percentage achievement of PPCs to total achievement of the State
	Eligible couples	Achievements			
Family Welfare Method					
(i) Sterilisation (Including IUD)	67	21	Not fixed	5	24
(ii) Oral Pills		35		4	11
Immunisation T.T. (for pregnant women)		67		10	15
BCG		85		6	7
Polio	Target not fixed	79	Not fixed	6	8
DPT		74		6	8
Measles		71		5	7
DT (for infants)		80		6	8

No target was fixed for immunisation and family welfare methods. In the absence of specific target for PPCs the physical achievement could not be correlated with financial achievement.

The year-wise achievement of the District and Sub-District level PPCs (5 PPCs) in family welfare activities are given in **Appendix - XX**.

Scrutiny revealed the following :-

Only 10 per cent of expectant mothers registered in 2 district level PPCs could be protected against Tetanus.

(i) Out of 27,409 expectant mothers registered during 5 years in 2 district level PPCs 2731 only could be protected against Tetanus Toxoid (TT), the percentage of physical achievement varied between 7 to 12 *per cent* during 1995-96 to 1999-2000. Reasons for low physical achievement was not on

record. It was, however, observed strangely in case of 3 sub-district level PPCs where the physical achievement of administration of TT doses was reportedly 7754 against the 4795 expectant mothers registered during 5 years. Reporting higher number of mothers administered with TT than registered was mainly due to irregular maintenance of Hospital Registers and non-registration of expectant mothers which was due to lack of proper monitoring of the physical achievement reports of the PPCs by the nodal officer *viz.*, DHS.

ORG-MARG survey report showed that 89 *per cent* of women in the State had received ante natal services.

Expectant mothers and new born babies were not supplied with Iron folic acid tablets and Vitamin A solution to protect them against the diseases of anaemia, night blindness.

(ii) Under Post-natal Services to expectant mother and prophylaxis Services to Children (below 5 years) Iron and Folic Acid tablets and Vitamin 'A' solution are required to be supplied to 32204 registered expectant mothers and 29768 new born children in 5 PPCs during 1995-96 to 1999-2000 to protect them against anemia and night blindness. Although sufficient quantity of IFA (25.53 lakh tablets) was supplied to the PPCs by the DHS during 1995-2000 out of the Stock received from GOI free of cost, the physical achievement towards distribution of these medicines by the PPCs was totally nil during 5 years covered under review, causing setback in achieving desired goal of the FW Programme. Reasons for nil performances had not been analysed by the DHS as a nodal officer for implementation of FW Programme in the State.

ORG-MARG in its report observed that the utilisation of post-natal services in Mizoram was found to be very poor. Only 20 *per cent* of the women visited health providers for post-delivery check-up. This fact also agreed with the data incorporated in the report of the National Family Health Survey-II.

(iii) Under Immunisation Programme, all children below the age of 5 years are required to be immunised with the vaccines like BCG, Polio, DPT, Measles and DT to protect them against the diseases like, Tuberculosis, Polio, Diptheria and Measles, *etc.*

During the period 1995-96 to 1999-2000 the total delivery in 5 PPCs was 29,768 children (District level PPCs : 24,383; sub-district level PPCs : 5385) against which the actual performances of Immunisation of the new born during the period of 5 years by PPCs were as under :

Item of vaccination	Number of children vaccinated in		Percentage of achievement to total new born cases in the PPCs (Number of new born babies)	
	District level PPCs	Sub-district level PPCs	District (24383)	Sub-district (5385)
BCG	1519	4667	6	87
Polio (Booster)	1474	4253	6	79
DPT (Booster)	1803	4299	7	80
Measles	1133	4118	5	77
DT	993	5226	4	97

4 to 7 per cent of the children born in 2 district level PPCs were immunised against polio, BCG, DPT, Measles.

Against the expected 100 *per cent* immunisation, the achievement varied between 4 to 7 *per cent* in districts and 77 to 97 *per cent* in sub-districts. The achievement was well below the desired goal of the Family Welfare Programme especially in district level PPCs. Reasons for low coverage were not on record nor stated by the department.

ORG-MARG in its report observed that in Mizoram, the immunisation coverage among children aged 12-23 months was found to be almost universal and 81 *per cent* of the children were fully immunised. However, the National Family Health Survey-II data showed that only 60 *per cent* of children in Mizoram were fully immunised.

(iv) During 5 years period (1995-2000) against 29768 cases of deliveries in the PPCs 4940 cases of tubectomy operation were done. The number of tubectomy beds were 30 and 6 in respect of 2 district level and 3 sub-district level PPCs during 5 years. It was noticed in audit that performance level of the district level PPC was below 45 cases of tubectomy in all 30 beds. Although 4 beds in the sub-district level PPC had achieved sterilisation in the range of more than 60, the performance level of 2 beds was below the range of 45. Reasons for low performances especially in the district level PPCs was never assessed.

(v) As per programme objectives, Midwifery services are to be provided by arranging regular field visits by the key staff like, Auxiliary-Nurse-cum-Midwife (ANM) and Lady Health Visitors (LHVs) of the post partum centres at township areas, PHC and SCs for education, follow-up services for fertility regulation, including obstetrical interventions with priority given to the care of high risk cases and referral of complicated cases to district level hospital. During the period covered under review no such field visit had ever been made by any of the ANM or LHV attached to 5 PPCs, which resulted in no follow-up services to 32204 expectant mothers registered in 5 PPCs in their prenatal and postnatal period.

(vi) The performances of individual PPC is assessed based on the activities actually performed. In the absence of targets under different components of family welfare activities, the extent of achievement/ shortfall in respect of different indicators could not be verified in audit. The percentage contribution of PPCs to Family Welfare Programme could not be assessed in audit due to irregular maintenance of hospital records.

3.4.6 *Child Survival and Safe Motherhood (CSSM) and Reproductive Child Health (RCH) (renamed) Programme.*

In the Eighth Plan (1992-97) programme, like Universal Immunisation, Oral Rehydration Therapy (ORT) and various other related programmes of Maternal and Child Health (MCH) were Integrated under CSSM Programmes in Ninth Plan (1997-2002) CSSM was renamed as RCH and included Sexually Transmitted Diseases (STD) and Reproductive Tract Infection (RTI).

The objective of the programme was to ensure relevant services for assuring Reproductive and Child Health to all citizens for obtaining stable population in the medium and long term for the country.

Funds released by Government of India and expenditure incurred under CSSM and RCH are as under :

(Rupees in lakh)			
Year	Funds released by GOI	Expenditure	Excess (+)/Saving (-)
CSSM			
1995-96	14.00	12.89	(-) 1.11
1996-97	14.70	14.68	(-) 0.02
1997-98	13.00	11.70	(-) 1.30
1998-99	7.81	7.74	(-) 0.07
Total :	49.51	47.01	(-) 2.50
RCH			
1998-99	392.53	333.77	(-) 57.82
1999-2000	613.31	474.88	(-) 139.37
Total :	1005.84	808.65	(-) 197.19

In Mizoram, SCOVA was constituted in February 1997 as a registered society (State H&FW Society) under the chairmanship of state Chief Secretary. The State Director of Health and Family Welfare Department has been functioning as State Project Director for the RCH programme. Scrutiny of records of the SCOVA which received fund directly from GOI revealed the following:

(i) Out of the Central assistance of Rs.10.06 crore received from the GOI during 1998-99 to 1999-2000, the SCOVA spent Rs.8.09 crore during the same period. The expenditure comprised of civil works (Rs.4.17 crore), furniture (Rs.1.20 crore), administrative support (Rs.0.14 crore), obstetric care (Rs.0.28 crore), equipment (Rs.0.53 crore), Medicines (Rs.0.57 crore), vehicles including maintenance (Rs.0.62 crore), Training (Rs.0.18 crore), Others (Rs.0.40 crore).

The RCH programme covered family welfare activities such as (i) immunisation of pregnant mother and children; (ii) Medical Termination of Pregnancy; (iii) provisions of twenty four hours delivery services at PHCs/CHCs; (iv) providing transport facilities to indigent families; (v) establishment of blood banks, collecting bloods from voluntary donors; (vi) establishment of clinics in CHCs/district hospital for detection and treatment of RTI/STD.

There was no action plan setting targets for these activities nor any system of reporting of the activities except immunisation. The impact of the expenditure incurred on the creation of infrastructure could not be assessed as beneficiaries of such expenditure were not available in the records of the DHS or PD SCOVA.

ORG-MARG report showed that 81 *per cent* of women in Mizoram faced RTI/STD problems.

(ii) Civil Works

For new construction of health centres building including upgradation of old sub-centres with RCC specification, GOI had released Rs.5.57 crore against the estimate of Rs.10.72 crore under civil works. Of Rs.5.57 crore, State Public Works Department (PWD) was provided with Rs.2.86 crore for execution of civil works and Rs.42.15 lakh was spent by the department itself for procurement of materials for electrification/water supply/gas connection and emergency light to the PHCs/CHCs/SCs. Although the total expenditure upto March 2000 under civil works including fund released to the PWD was not more than Rs.3.28 crore, the department reported (April 2000) to GOI of the utilisation of Rs.4.17 crore upto March 2000, retaining difference of Rs.0.89 crore in the form of bankers' cheque, with a view to get further release of instalment of funds from GOI. Thus the reported expenditure on civil works to GOI was faulty as it did not reflect the real expenditure.

Scrutiny of the records revealed that out of Rs. 2.86 crore released to PWD for executing civil works, 48 works valued at Rs. 2.13 crore had not been completed by the targeted date of completion (March 1999). Out of 48 works, 1 work had not started while percentage of progress in respect of 20 works, ranged between 20 and 88 per cent even after lapse of 14 months since the scheduled date for completion as detailed below :

(Rupees in lakh)

Name of works	No. of work	Cost as per sanctioned estimate (unit cost)	Amount released	No. of works completed as of May 2000	No. of incomplete works(Percentage of progress)	Delay (in months)	Locked up amount on incomplete work
Construction of new sub-centre	8	54.40 (6.80)	54.40	7	1 (86)	14	6.80
Up-gradation of sub-centre	23	31.28 (1.36)	31.28	14	9 (61)	14	12.24
Up-gradation of PHCs	5	45.30 (9.06)	45.38	1	4 (20)	14	36.24
Up-gradation of	1	64.00 (64.00)	64.00	Nil	1 (Nil)	14	64.00
Construction of water reservoirs at PHCs/CHCs	11	18.26 (1.66)	18.31	6	5 (55)	14	8.30
Total	48	213.24	213.37	28	20		127.58

Locking up of fund for Rs.1.28 crore due to non-completion of works even after 14 months since the scheduled date of completion.

No reason was furnished for unusual delay in completion of works. The Department also did not take any appropriate action to get the work done. Delay in completion of work, had not only resulted in locking up of fund of Rs.1.28 crore but was also fraught with the risk of price escalation due to time overrun.

3.4.7 Training

There is one training centre for training of ANMs, medical and para medical staff in the State. Funds released and expenditure incurred during 1995-96 to 1999-2000 were as follows :

(Rupees in lakh)

Category of Training	Funds released and expenditure incurred	Period					Total
		1995-96	1996-97	1997-98	1998-99	1999-2000	
(i) ANM/LHV	Funds released	9.00	9.00	12.00	13.55	15.40	58.95
	Expenditure	10.43	12.04	11.66	14.29	15.55	63.97
(ii) In service training in Health and Family Welfare	Funds released						
	Expenditure						
(iii) Multipurpose worker	Funds released	6.00	10.00	6.20	6.27	9.08	37.55
	Expenditure	4.77	5.99	6.29	5.92	9.23	32.20
(iv) Village Health Guide (VHG)	Funds released	1.60	1.60	8.42	3.06	2.93	17.61
	Expenditure	1.54	1.53	7.92	3.06	2.93	16.98
(v) Dhais	Funds released	1.60	1.60	-	-	-	3.20
	Expenditure	1.88	1.54	-	-	-	3.42
(vi) Setting up of Lab for training	Funds released						
	Expenditure						

Against an expenditure outlay of Rs.116.57 lakh the imparting of training was limited to 70 Basic Health Workers per year during 1995-2000 and 10 inservice personnel during 1996-97. The amount expended was on account of monthly stipends and annual book grants to trainees at the prescribed rates. The expenditure (Rs.20.40 lakh) also related to payment of monthly honorarium to VHGs and remuneration to Dhais already trained earlier to 1995-96.

Reasons for not being able to impart training to fresh VHG/Dhai and inservice personnel had not been stated.

3.4.8 Information Education and Communication

Amount received from Government of India for IEC activities and expenditure incurred during 1995-96 to 1999-2000 are detailed below:

(Rupees in lakh)

Year	Fund released	Expenditure
1995-96	17.10	14.16
1996-97	14.36	10.80
1997-98	19.58	19.42
1998-99	18.51	16.91
1999-2000	18.33	18.33
Total :	87.88	79.62

Reports>Returns submitted by the DHS to the GOI in respect of Mass Education Media and Publicity showed that during the period 1995-96 to 1999-2000, the department had involved Mahila Sastha Sangh (MSS) for Mass Education, training of MSS, meeting of MSS and organised media activities like film shows State and district level seminars organisation of Orientation Training Camps for Mass Education etc., besides printing of posters/pamphlets in local languages for distribution. During 1995-2000 altogether 4.26 lakh of IEC materials were printed at a cost of Rs. 8.33 lakh, out of which 4.11 lakh of IEC materials were distributed leaving an unutilised balance of 0.15 lakh of IEC materials at the end of 1999-2000.

However, there was no evaluation on the part of the department about the impact of IEC activities though substantial amount was spent for the purpose. Department stated (September 2000) that the impact of the IEC activities were not assessed and as such evaluation had not been conducted.

3.4.9 Demographic Goal

The demographic goal laid down in National Health Policy (NHP) are to achieve (i) Crude Birth Rate (CBR) of 21 per thousand (ii) Crude Death Rate (CDR) of 9 per thousand and Annual Natural Growth Rate 1.2 *per cent* (iii) Infant Mortality Rate (IMR) below 60 per thousand live birth (iv) Effective Couple Protection (ECP) of 60 *per cent* by 2000 AD. Although the State had not fixed any annual targets to achieve the aforesaid goals, the reported achievement as furnished by the department showed that excepting Annual Natural Growth Rate the State had achieved the goals by March 2000 as CBR, CDR, IMR, ECP were 21, 0.35, 18 and 76 respectively. It was also reported by the department that against eligible effective couple strength which varied between 0.8 thousand and 0.18 thousand during 1995-96 to 1999-2000, 8 to 13 thousand such couple were reported to have adopted family planning method during the same period. However, the Annual Growth rate of 15 *per cent* despite such high percentage of ECP, raises doubts about the credibility of achievement of CBR, ECP *etc.* The projected population of 9.32 lakh of the State at the end of March 2000 compared to 6.90 lakh as per 1991 Census registered an increase of 35 *per cent* over a period of 5 years. In spite of sufficient number of SCs and PHCs, establishment of PPC and utilisation of huge Central assistance both in cash and kinds, the department had not been able to meet and resolve the challenge of population explosion in the State.

3.4.10 Monitoring and Evaluation

The State Department of Health and Family Welfare/State Family Welfare Bureau, responsible for implementation of the Programme had prescribed quarterly/Annual reports/returns on various activities of FW Programme to be submitted by the Rural/Urban F.W.C., PHCs, CHCs Sub Centre Post Partum Centres, through their respective district level implementing officers (CMOs) to the DHS for onward transmission to the Government.

It was noticed that none of the 4 district level implementing authorities (CMOs) had submitted the quarterly/annual reports/returns of district wise physical achievement made through the PHCs/CHCs/SCs in respect of following activities during the period mentioned against each :

	Activity	Period
(a)	Distribution of pieces of condoms to male users	1995-96 and 1996-97
(b)	Iron and Folic Acid tablets (large and small) to expectant mothers	1997-98 and 1998-99
(c)	Vitamin 'A' solution to children	1997-98 and 1998-99

A comprehensive monitoring system is essential for effective control as well as successful implementation of the Programme. However, no separate monitoring cell had been created by the State Government for monitoring of the various activities of the Programme.

Evaluation of the Programme as a whole was not done by the Department.

The matter was reported to the Government in July 2000; reply has not been received (November 2000).

3.4.11 Recommendations

- The State Government needs to take steps for effective and meaningful monitoring of the implementation of the programme with improvement in planning and supervision.
- Periodical evaluation of the Programme is also essential to assess the impact of the Programme implemented.

LOCAL ADMINISTRATION AND INDUSTRIES DEPARTMENTS

3.5 Urban Employment Generation Programmes

Highlights

Various Urban Employment Generation Programmes had been implemented in the State since October 1989 with the objectives to alleviate urban poverty mainly through setting up self-employment enterprises with institutional credit and subsidy provided by the Government of India/State Government besides generation of wage employment through creation of socially and economical useful public assets. The programmes were implemented perfunctorily without having any comprehensive action plan and even without proper identification of target groups of beneficiaries. There was virtually no coordination between the departments and credit lending institutions. The impact of huge financing on the self-employment venture remained unassessed. Some important findings are given below:

During 1995-96 to 1999-2000, Rs.7.24 crore was spent on different programmes of Urban Employment Generation Programme against available fund of Rs.9.11 crore leaving unutilised balance of Rs.1.87 crore lying idle in the bank. Partial utilisation of fund adversely affected implementation of the programme.

(Paragraph 3.5.4.1)

Of the expenditure of Rs.7.24 crore reported to have been incurred during 1996-2000 on the generation of urban employment/shelter up-gradation Rs.1.53 crore was either not really spent or mis-utilised.

(Paragraph 3.5.4.2)

The unplanned provision of subsidy under SJSRY without ensuring its productive utilisation and excess deposit of subsidy with bank under NRY, Rs.1.12 crore remained unutilised affecting generation of self-employment.

(Paragraph 3.5.6.1.1)

The Departments had no knowledge about the establishment of self-employment ventures with the assistance provided in the form of loans and subsidy. While Rs.20.23 lakh was overdue for recovery as on November 1997 against the loans of Rs.29.29 lakh disbursed by 2 banks during 1994-96 under NRY, Rs.66.34 lakh was overdue for recovery as of

March 2000 against loans of Rs.88.75 lakh given by one bank during 1994-2000 under PMRY.

(Paragraphs 3.5.6.1.2, 3.5.7)

There was less generation of 0.19 lakh mandays under wage employment due to defective estimation of work.

(Paragraph 3.5.6.3)

3.5.1 Introduction

The Urban Employment Generation Programme (UEGP) was designed to alleviate urban poverty through self-employment and wage employment and also aimed at creation of infrastructure and civic amenities for urban poor. The UEGP consists of the following four schemes.

i) Nehru Rozgar Yojana (NRY) – Launched in October 1989 to provide employment to urban poor having family income below Rs.11,850 p.a. through setting up of self-employment venture with Government subsidy and institutional credit and provision of wage employment through creation of socially and economically useful assets.

ii) Swarna Jayanti Sahari Rojgar Yojana (SJSRY) – Introduced in December 1997 in replacement of NRY.

iii) Prime Minister’s Integrated Urban Poverty Eradication Programme (PMIUPEP) – Launched in November 1995 with the objective of generation of employment and shelter up-gradation environment improvement. It has been merged with SJSRY with effect from December 1997.

iv) Prime Minister Rojgar Yojana for Educated Un-employed Youth (PMRY) – Launched in October 1993 to provide employment to educated (Matric and ITI) youth of both urban and rural area having family income upto Rs.24,000 *per annum* through setting up of self-employment venture through industry, services and business route for which institutional loans are to be provided.

3.5.2 Organisational set up

The Director of Local Administration Department (LAD), Mizoram, Aizawl is responsible for planning, overall supervision for implementation and monitoring of NRY, PMIUPEP and SJSRY in the State as Project Director (PD). At field level, NRY was implemented by the Project Officer (PO), LAD, Aizawl while the PMI-UPEP was implemented by the District Local Administrative Officer (DLAO) in Lunglei and Deputy Commissioner (DC) in Saiha town. SJSRY was, however, being implemented in Aizawl, Lunglei and Saiha by PO, DLAO, DC who are assisted by Town Poverty Eradication (TPE) Cell in those three towns from April 1998.

The PMRY is being implemented by the Director of Industries, Mizoram, Aizawl at State level and by 3 District Industries Centres (DIC) at district level.

3.5.3 *Audit Coverage*

The implementation of NRY, SJSRY and PMRY in Aizawl town area for the period from 1995-96 to 1999-2000 was reviewed in May 2000 by Audit through test-check of records of the Director, LAD, including records of the Project Officer, Aizawl, the Director of Industries, Aizawl and District Industries Centre, Aizawl.

3.5.4 *Resource allocation and expenditure*

NRY and SJSRY were implemented as Centrally Sponsored Schemes and PMRY was implemented as a Central Sector Scheme. The expenditure under NRY and SJSRY were shared between Centre and State at the ratio of 60:40 and 75:25 respectively, while PMRY was funded 100 *per cent* by the centre.

3.5.4.1 During 1995-96 to 1999-2000, expenditure incurred under different urban employment programme was Rs.7.24 crore against the available fund of Rs.9.11 crore. The year wise details are given in **Appendix - XXI**. The unutilised balance of Rs.1.87 crore was lying in civil deposit and the bank account of implementing agency. Partial utilisation of available funds caused lesser generation of employment.

It was further seen that :

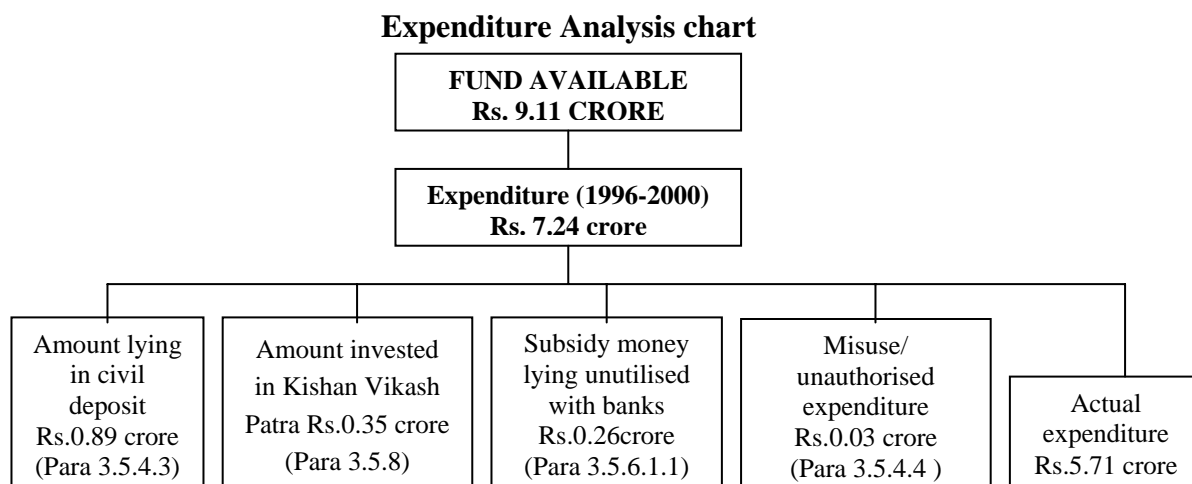
(i) Out of the assistance of Rs.125.64 lakh and Rs.146.26 lakh received from GOI during 1998-99 and 1999-2000 for implementation of SJSRY scheme. State Government released Rs.123.72 lakh and Rs.141.07 lakh respectively upto March 2000 resulting short release of fund of Rs.7.11 lakh to the implementing agency.

Government stated (August 2000) that due to late receipt of the fund from GOI it could not be released during the pertinent years and efforts were on to release the amount after obtaining revalidation sanction from GOI.

(ii) There were instances of delay in the flow of funds for implementation of PMIUPEP during 1996-97 and SJSRY scheme during 1997-98 and 1999-2000. GOI released funds of Rs.27.79 lakh, Rs.69.63 lakh and Rs.95.22 lakh in March 1997, March 1998 and March 2000 respectively leaving no scope for utilisation thereof during the financial years. Again of Rs.27.79 lakh and Rs.69.63 lakh released by GOI in March 1997 and March 1998 Rs.69.63 lakh was ultimately released by the State Government to the implementing agency in March 1999 to implement SJSRY after delay of 1 year. The former amount of Rs.27.79 lakh also could not be utilised in the intended scheme, i.e. PMIUPEP due to its merger thereof with SJSRY.

3.5.4.2 Figure 1 below represent an expenditure analysis chart giving details of the amounts available for the programme and the expenditure incurred. It would be seen that about 21 *per cent* of the expenditure were not incurred on the programme upto March 2000. Even though Rs.7.24 crore was reported to have been spent on the programme, actual expenditure was only Rs.5.71 crore.

Figure 1



3.5.4.3 Irregular retention of fund in Civil Deposit

Retention of amount in civil deposit affected implementation of the programme.

It was noticed in audit that out of Central and State shares amounting to Rs.319.49 lakh (Rs.221.14 + Rs.98.27 lakh) and Rs.181.47 lakh (Rs.141.07 lakh + Rs.40.40 lakh) respectively released by the State Government for implementation of SJSRY during 1998-99 and 1999-2000, Rs.54.63 lakh and Rs.88.53 lakh respectively were kept under Civil Deposit immediately after drawal of the amount in March 1999 and March 2000 by the PD. Although the former amount of Rs.54.63 lakh pertaining to implementation of the scheme at Lunglei (Rs.31.94 lakh) and Saiha (Rs.22.69 lakh) was, withdrawn and released to the implementing agencies in June 1999 and utilised the latter amount of Rs.88.53 lakh meant for implementation of various component of the scheme in 1999-2000 in Aizawl and Lunglei was still lying in Civil Deposit (May 2000) affecting implementation of the scheme.

Government stated (August 2000) that Rs.0.89 lakh was subsequently withdrawn and utilised. However, keeping of unutilised fund into Civil deposit instead of in a separate savings bank account, as per GOI instruction, the department was deprived of the interest which could have been utilised in the programme.

3.5.4.4 Unauthorised utilisation of fund

It was noticed in audit that the PD utilised (August 1997) Rs.3.39 lakh for purchase of one Gypsy 'E' Soft Top. The Department stated (August 1998) that the car was purchased out of interest earned on NRY account. This was

improper since as per NRY guidelines interest earned on NRY account was to be utilised towards infrastructural support to beneficiaries only. Utilisation of Rs.3.39 lakh out of interest money for purchase of vehicle was contrary to the provisions of scheme guidelines affecting implementation of the scheme.

3.5.5 Physical achievement

Implementation of the programmes in the State was partial as only 3 towns out of 22 were covered.

As per 1991 census, there were 22 towns* in the State with a total urban population of 3.18 lakh of which only 3 town of Aizawl, Lunglei and Saiha were taken up during the period upto 1999-2000 for implementation of UEGP covering population of 1.55 lakh, 0.36 lakh and 0.14 lakh respectively (65 per cent). The remaining urban poor of 1.13 lakh (35 per cent) in 19 towns were not brought under the purview of the programmes for reasons not on record.

During 1995-96 to 1999-2000 the generation of wage employment was 2.01 lakh while only 814 persons could be provided with loan/subsidy for self-employment under NRY (313) and PMRY (501). The shortfall in achievement to impart training under different schemes (NRY, SJSRY and PMRY) ranged between 37 to 84 per cent during the same period as detailed below :-

Name of Scheme		Target	Achievement	Shortfall	% of shortfall
1.	Training to BPL under				
	(i) NRY	1097	171	926	84
	(ii) SJSRY	502	300	202	40
2.	Training under PMRY	1625	1025	600	37

Despite availability of fund, granting of loans to fewer beneficiaries for setting up self-employment venture attributed by the Government (August 2000) to non co-operation of banks in the implementation of self-employment programmes.

3.5.6 Implementation of NRY/SJSRY

As per guidelines of NRY, PMI-UPEP and SJSRY the benefit of wage employment and self-employment was to be provided to category of urban people below poverty line (BPL) including 30 per cent females. It was, noticed in audit that NRY and PMI-UPEP were implemented in three towns without identification of BPL families after conducting household survey. After introduction of SJSRY, in December 1997 BPL families in the State had been identified through a survey. However a scrutiny of survey reports of 5 segments of Aizawl town revealed that 51 to 80 per cent of the identified BPL families were residing in rented house paying monthly rent varying between Rs.400 and Rs.1,500, their children studying in school and they possessed Television/VCR. Inclusion of such families in BPL category casts doubts

* Aizawl, Vairengte, Bairabi, Kawnpui, Darlawn, Thenzawl, Saitual, Kolasib, Zawlnuam, Mamit, North Vanlaiphai, Serchhip, Lengpui, Sairang, Khawzawl, Khowhai, Biate, Tlabung, Hnahthial, Saiha, Champhai, Lunglei.

about the veracity of BPL family enumeration in the State and hence it could not be established that the beneficiaries under the schemes were from target groups. Although selection of beneficiaries under self-employment were stated to have been made on the incidence of poverty but the details of the applications as forwarded to banks for loan were not kept in the record of the department to verify whether requirement to grant loan/subsidy had been fulfilled by the selected applicants.

Implementation of programmes without proper identification of beneficiary was a serious lapse.

Admitting the deficiency in selection of beneficiaries Government stated (August 2000) that the BPL list of Aizawl town had been revised in June-July 2000. But the fact remained that the benefit of the programme upto March 2000 was not confined only to target group.

3.5.6.1 Self-employment

The assistance for setting up of self-employment ventures comprised of loans and subsidy. The major part of the investments in the form of loan came from institutional credit while part of the project cost is met by subsidy from Government. The loans and subsidy component for setting up enterprise under different scheme are as follows :

Name of the schemes	Ceiling of project cost	Subsidy allowed	Admissible Loan amount	Remarks
(I) NRY	-	25 per cent	75 per cent	Repayment schedule up to 10 years
(II) SJSRY	Rs.50000	Rs.7500 (15 per cent of project cost)	95 per cent	Subsidy amount would be adjusted against loan 5 per cent of the project cost was to be contributed by the beneficiaries towards margin money in cash repayment schedule for loan range from 3 to 7 years after an initial moratorium of 6 to 18 months.
(III) PMIUPEP	Rs.50000	Rs.7500 (15 per cent of project cost)	-do-	-do-
(IV) PMRY	Rs.100000	-do-	-do-	-do-

Scrutiny of self-employment programme revealed the following :-

3.5.6.1.1 Non-utilisation of fund

As per guidelines, the subsidy was to be released to the bank at the time of disbursement of loan. During 1995-96 to 1999-2000, the PD forwarded 1554 applications to bank for granting loans for setting up enterprises under NRY (1147) and SJSRY (407). The total subsidy deposited in the bank by PD was Rs.38.10 lakh for implementation of self-employment under NRY (Rs.17.25 lakh) and under SJSRY (Rs.20.85 lakh). The bank, however, disbursed loan only to 313 beneficiaries of NRY along with subsidy money of Rs.12.46 lakh during 1st April 1995 to November 1997 and no loans and subsidy was released to the beneficiaries of SJSRY as of May 2000. As the bank sanctioned and released loan to 313 beneficiaries only along with subsidy of

Rs.12.46 lakh, there was excess subsidy of Rs.25.64 lakh (38.10 lakh – 12.46 lakh) deposited to bank by PD which was irregular and resulted in undue benefit to bank besides locking up of fund without deriving interest.

Again, under SJSRY the department received subsidy of Rs.1.45 crore including State's share of Rs.46.61 lakh during 1998-99 and 1999-2000 for self-employment. Barring release of Rs.37.59 lakh to the district of Lunglei and Saiha to implement the scheme and release of Rs.20.85 lakh to the bank in Aizawl, no further amount was spent as of May 2000 resulting in subsidy money of Rs.86.56 lakh (Rs.1.45 crore – Rs.37.59 lakh – Rs.20.85 lakh) lying unutilised with PD. Thus, excess deposit of subsidy with the banks and unplanned provision of subsidy without ensuring its productive utilisation, fund totalling Rs.1.12 crore (Rs.24.64 lakh + Rs.86.56 lakh) remained unutilised and no self-employment had been generated during the period.

Government stated (August 2000) that fund remain unutilised due to non co-operation of banks in the implementation of self-employment programmes.

3.5.6.1.2 Establishment of Self-employment Ventures

3 loanees out of 87 beneficiaries granted loan and subsidy had established enterprises for self employment in Aizawl town.

The Project Officer, Aizawl stated that very few of the loanees under NRY (no subsidy or loan under SJSRY was provided upto March 2000) had set up business. A survey conducted by Audit in part[#] of Aizawl town with the help of the Project Officer revealed that only 3 loanees had established enterprises out of 87 loanees of that area who had received loan and subsidy under NRY. Non-setting up of enterprises not only frustrated the very objective of generation of self-employment but also contributed to non-recovery of loans.

According to the information furnished by 2* out of 6 banks which paid subsidy and loan under NRY, as on November 1997, against the loan of Rs.29.29 lakh disbursed to 215 beneficiaries during 1993-94 to 1995-96, Rs.20.23 lakh was overdue for recovery as of November 1997. Although reasons for non-recovery of overdue amount of the outstanding loans had not been stated nor investigated by the department it can be inferred that enterprises were not set up on receipt of loan/subsidy leading to default in payment.

The Project Officer, LAD stated (May 2000) that the 6 operating banks did not co-operate with the implementing agency in furnishing annual report on disbursement of loan and subsidy, amount of loan outstanding and amount overdue for recovery.

Government stated (August 2000) that due to acute shortage of officers and staff, the status of business set up by the loanees were not known to the Department but asserted that a good number of loanees had set up business. The huge outstanding overdue loans and physical verification finding of Audit

[#] Chawnpui, Zotlang, Vaivakawn, Bawngkawn, Ramhlun and Chhinga Veng

* SBI, Mission Veng and Bawngkawn

do not corroborate this view. Status report of the business as set up needs to be prepared.

3.5.6.1.3 *Services of Community structure*

Expenditure of Rs.29.87 lakh on Community Structure proved fruitless as the structures had not rendered the requisite services.

After the commencement of SJSRY from December 1997, Community Structures* (CS) were formed in September 1998. The CS was required to identify the basic minimum services and missing needs in urban areas and the problems of urban poor and also to extend help to banks in ensuring timely repayment of loans by the beneficiaries. Although an expenditure of Rs.29.87 lakh was incurred towards creation of infrastructure of these CS during 1998-99 and 1999-2000 out of Rs.54.09 lakh received from Centre and State, the department could not furnish any evidence to show that the CS has rendered any kind of services in the specified area during the period. The PD stated (May 2000) that the community based organisations did not even know the names of beneficiaries provided with loan and subsidy. In view of heavy outstanding of overdue loans, formation of CS at an expenditure of Rs.29.87 lakh from Government Accounts proved a fruitless effort so far.

3.5.6.2 *Wage Employment*

Advance preparation of urban area (town) wise perspective plan, Annual Action Plan and Shelf of projects are prerequisite for effective implementation of the urban wage employment generation programmes. All the works for generation of wage employment were, however, taken up for implementation by the concerned implementing agencies without preparing any perspective plan, Annual Action Plan and Shelf of projects. In the absence of any action plan visualising the demand for employment generation and eventual actual generation, the gap between the former and the latter remained unevaluated.

Government stated (August 2000) that realistic advance planning was not possible, as State was not aware of the fund that would be made available by GOI. The reason put forth should not be a hindrance for the department to prepare in advance Shelf of projects to be undertaken as and when the fund was made available.

Both NRY and SJSRY, introduced in replacement of NRY envisaged wage employment to the urban poor living below poverty line (BPL) through construction of socially and economically useful public assets with wage and material component in the ratio of 40:60. No targets for generation of wage employment had been fixed by the PD. However, 2.01 lakh mandays is reported to have been generated during 1996-2000 spending Rs.2.73 crore (Rs.0.60 crore under NRY; Rs.2.13 crore under SJSRY) of which Rs.1.09 crore was towards wage component (wage rate Rs.45 upto October 1999 and thereafter Rs.70). An amount of Rs. 0.15 crore out of Rs. 2.88 crore earmarked

* *Community Development Society (CDS) Neighbourhood Group (NHG), Neighbourhood Committee (NHC), Resident Volunteer Committee (RVC)*

for wage employment remained unutilised as of March 2000 resulting less generation of 0.09 lakh[#] mandays.

The following points noticed in audit :

3.5.6.2 (I) As per instruction issued by GOI genuine urban poor living below poverty line are to be given wage employment. However, identification of BPL families in the State was carried out from 1998-99 onwards only. Reported generation of 0.54 lakh mandays by spending Rs.60.48 lakh during 1995-96 to 1997-98 (**Appendix – XXII**) was thus, made without identification of BPL families. As a result it could not be verified in audit that the benefit of wage employment went to the BPL families during 1995-96 to 1997-98.

3.5.6.2 (II) Fund of Rs.2.13 crore was utilised in works executed in Aizawl, Lunglei and Saiha (1998 - 99 : Rs.80.51 lakh, 1999 - 2000 : Rs.1.32 crore) and generated 0.72 lakh^ψ mandays during 1998-99 and 0.75 lakh^φ mandays during 1999-2000 against the identified BPL families of 10870 and 10876 respectively (**Appendix - XXII**). Average mandays generated for each BPL family was, thus, 9.12 and 6.93 per year augmenting the annual income of each BPL family between Rs.410 and Rs.485. This increase in annual income was very insignificant and the objective to help the urban poor to cross the poverty line could not be achieved.

Government stated (August 2000) that fund provided towards wage employment was too small to tackle problems of 0.53 lakh poor of urban areas of the State. The contention of the department is not tenable since even the fund provided could not be utilised fully as there was an unspent amount of Rs.15.41 lakh.

3.5.6.3 Defective estimation of work

The works were executed departmentally as per the prevailing approved PWD Schedule of rates (SOR). The rates, for items of work adopted in SOR include 10 *per cent* contractor profit, which is to be excluded in the estimate of work undertaken departmentally. It was noticed in audit that works were executed departmentally at the estimated cost of SOR resulting extra expenditure of Rs.25.48 lakh as under:

$$\frac{\# 0.15 \text{ lakh} \times 40}{100 \times 70} = 0.09 \text{ lakh}$$

$$\psi 40 \text{ per cent of Rs.80.51 lakh} \div \text{Rs.45} = 0.72 \text{ lakh mandays}$$

$$\phi 40 \text{ per cent of Rs.1.32 crore} \div \text{Rs.70} = 0.75 \text{ lakh mandays}$$

Providing wage employment, annual income of the BPL families on an average could be augmented between Rs.410 and Rs.485 which are very meager to cross the poverty line level.

(Rupees in lakh)

Year	Estimated value including 10 per cent profit	Cost at which to be executed departmentally	Expenditure incurred	Extra expenditure	Share of extra expenditure to labour component	Mandays that could be generated work amount at Sl. No. 6
1995-96 to 1997-98	60.48	54.98	60.48	5.50	2.20	4889
1998-99	80.51	73.19	80.51	7.98	3.19	7089
1999-2000	131.96	119.96	131.96	12.00	4.80	6857

Execution of works departmentally as per PWD schedule of rates resulted in less generation of wage employment.

Had the works been executed excluding the contractor's profit, Rs.25.48 lakh would have been the saving which on utilisation of fresh works would have generated 18835 mandays. Thus, execution of works at the PWD SOR resulted in less generation of 0.19 lakh mandays. Project Director, LAD Aizawl stated (May 2000) that 100 *per cent* of the estimated cost was released to the implementing agencies for the benefit of urban poor. This is not tenable as the urban poor were not benefited because of the inclusion of profit element in the estimated cost, and they were actually deprived of wage employment.

3.5.6.4 Training of beneficiaries

Despite availability of sufficient funds achievement to impart practical training was poor affecting generation of self-employment/ secured salaried employment.

Before granting loans for setting up enterprises imparting of practical training is pre-requisite. During 1996-2000, against 1599 persons that could have been trained keeping in view of the availability of funds, under NRY and SJSRY, 471 (29 *per cent*) persons were deputed to private shops/workshop/knitting centres for obtaining practical training on variety of servicing and manufacturing trade for setting up self-employment ventures or to secure salaried employment. A sum of Rs.17.08 lakh was spent against the fund of Rs.23.20 lakh[#] towards imparting such training during the period as follows :-

Scheme	Training of persons		(Rupees in lakh)			Persons provided with loan
	Target	Achievement (Per cent)	Expenditure to be incurred as per norm	Actual	Expenses over norm	
NRY (1995-96)	1097	171 (16)	2.05	6.44	4.39	313
SJSRY (1998-2000)	502	300 (60)	6.00	10.64	4.64	Nil
Total	1599	471	8.05	17.08	9.03	313

This also indicated that only 29 *per cent* of the persons could be trained while 74 *per cent* of the funds were spent.

[#] NRY Rs.13.17 lakh
SJSRY Rs.10.03 lakh

Excess expenditure of Rs.9.03 lakh over the norms was incurred in providing training to beneficiaries.

Higher numbers of beneficiaries were given loans under NRY than trained for setting up enterprises.

Neither the reasons for shortfall in achievement despite availability of funds was stated nor the reasons for excess expenditure of Rs.9.03 lakh over the norms of training cost were explained. Besides, loans had not been given to any of the persons imparted training under SJSRY rendering the expenditure of Rs.10.64 lakh on training unfruitful. Granting of loans under NRY to 142 number of untrained persons was irregular. 471 persons of Aizawl Town were provided training under NRY/SJSRY but the PD had no records to indicate how many of them had set up business or secured salaried employment. A survey conducted by Audit in part* of Aizawl town with the help of the Project Officer revealed that only 2 out of 71 persons of that area of the town who were imparted training had set up TV/Radio repairing enterprises. This indicated that there was no follow up and monitoring to ensure that training imparted had been utilised fruitfully.

Government stated (August 2000) that the department had no records to substantiate that all the trainees had set up business or secured employment, but asserted that a good number of the successful trainees had set up their own business. However even a limited survey commented above has not substantiated the Government reply.

3.5.7 Implementation of PMRY

The scheme envisages arranging training to both urban and rural educated unemployed youths by the department for setting up self-employment ventures for which institutional credit are to be provided. During the period 1995-96 to 1999-2000, against a target of 1625 beneficiaries, 1025 (63 per cent) beneficiaries were given training.

Reasons for shortfall in achievement of targets had not been intimated to audit.

During 1995-96 to 1999-2000 the Department of Industries had forwarded 2866 loan applications of 3 districts of Aizawl, Lunglei and Chhimituipui to the banks against which the banks disbursed loan of Rs.7.96 crore to 981 beneficiaries (Aizawl: Rs.3.84 crore to 501; Lunglei : Rs.2.18 crore to 259 and Chhimituipui : Rs.1.94 crore to 221).

Providing loans to lesser numbers of beneficiaries than recommended by the department was attributed to unviable projects, applicants not within the admissible income range, location of business not identified, etc.

According to the records of the Director of Industries, out of 981 persons provided loans under PMRY during 1996-2000 only 668 (68 per cent) loanees had set up business. Reasons for failure to set up business by 313 beneficiaries were not available with the department.

The department had not maintained upto-date status report regarding the economic viability of the self-employment venture set up by the beneficiaries, amount of loan secured, outstanding loan and loan overdue for recovery, if

* Chawnpui, Zotlang, Vaivakawn, Bawngkawn, Ramhlun and Chhinga Veng.

any. But according to an information furnished by the SBI Aizawl, Main Branch, Rs.66.34 lakh was overdue for recovery as of March 2000 against the loan of Rs.88.75 lakh disbursed to 104 beneficiaries during 1993-94 to 1999-2000 by the said branch.

The huge amount of loan overdue for recovery indicated that either no business was set up on securing the bank loan or the business set up turned sick and not in a position to repay the bank loan. The department had not investigated the reasons for default in repayment of bank loan by the beneficiaries.

3.5.8 Scheme of Housing and Shelter up-gradation (SHASU) under NRY

This is another component of NRY aimed at assisting household belonging to economically weaker section in urban areas with emphasis on people living below poverty line to construct simple dwelling or to upgrade their dwellings at a cost of Rs.4,000 each.

Partial disbursement of assistance than entitled to affected the intended improvement in dwellings of the poor.

As per scheme guideline, the GOI would provide 75 per cent of project cost (Rs.3,000) to the eligible beneficiaries as loan at 8 per cent interest repayable by 20 years and remaining 25 per cent of the project cost as subsidy subject to a ceiling. The subsidy is to be shared between Central and State Government on the ratio of 80:20 basis. The central portion of subsidy along with loan money was to be made available to the State Government through HUDCO. Out of the fund of Rs.2.08 crore provided by the GOI and State Government as loan (Rs.1.54 crore) and subsidy (Rs.0.54 crore) during 1994-95 to November 1997, Rs.1.54 crore was disbursed as loan to 5150 beneficiaries during the period upto March 1999 @ Rs.3,000 per beneficiary. The subsidy money of Rs.53.86 lakh instead of being paid to the said beneficiary @ Rs.1,000 each had been invested in Post Office as Kisan Vikas Patra (KVP) (Rs.0.35 lakh during 1995-96 to 1999-2000).

Admitting the fact Government stated (August 2000) that as the HUDCO loan was to be repaid by the State Government on behalf of the beneficiaries the subsidy money was invested in KVP in order to recoup the expenditure on repayment of loan. Thus the benefit of the scheme were not fully extended to the beneficiaries.

3.5.8.1 Utilisation of Loan by the beneficiaries remained un-assessed

None of the beneficiary of SHASU loan had furnished the details of utilisation of loan nor the same was called for by the department so far. Thus, the productivity of loan money amounting to Rs.1.54 crore in terms of shelter up-gradation and generation of wage employment in respect of 5150 beneficiaries remained totally unassessed.

Government stated (August 2000) that detailed survey about utilisation of loan by the beneficiaries was not carried out due to shortage of staff but asserted

the majority of beneficiaries had utilised the loan for the purpose it was given. Without proper survey such an assertion is not tenable.

3.5.8.2 Training and infrastructure support to training centres under SHASU

With a view to promoting construction skills among beneficiaries of SHASU and to develop infrastructural facilities of training centres, GOI and the State Government provided grant amounting to Rs.8.49 lakh^y during 1995-96 and 1996-97 to the Project Director, LAD Aizawl. As per norm fixed under NRY guideline, one training institute is to impart training to 25 trainees for a duration of 3 months within the ceiling limit of Rs.1500 (Rs.1000 as trainers fee + Rs.300 as trainees stipend + Rs.200 as cost of training material and misc. expenditure) for entire duration of training.

The Project Officer spent Rs.0.59 lakh during 1995-96 on imparting training of 4 months duration to 16 beneficiaries out of 3375 (1995-96 to November 1997) against permissible norms of Rs.0.24 lakh (Rs.1500X16) resulting in excess expenditure of Rs.0.35 lakh. Besides, Rs.0.60 lakh was spent on infrastructure support without specifying nature of support provided to the training centre. Thus, despite availability of sufficient fund of Rs.8.49 lakh the department failed to organise training to remaining beneficiaries. The unutilised fund of Rs.7.30 lakh was ultimately, on discontinuance of NRY, utilised on urban wage employment programme of SJSRY.

Government stated (August 2000) that training could not be imparted due to improper functioning of the training centre *i.e.* Aizawl building centre.

3.5.9 Monitoring and Evaluation

There was no system of monitoring the periodical physical and financial progress of the various schemes either at the State level or at district level. As a result, remedial measure wherever required also could not be taken by the Scheme implementing agencies. The impact of implementation of the Schemes on urban poor was also not assessed at any stage, by any agency.

The matter was reported to the Local Administration and Industries Departments of the Government in July 2000; reply from the Industries Department had not been received (November 2000).

3.5.10 Recommendations

- Population below poverty line needs to be identified periodically in order to prepare comprehensive action plan projecting the demands for generation of employment.

^y Rs.1.00 lakh as unutilised balance of 1994-95 plus Central grant Rs.5.49 lakh plus State grant Rs.2.00 lakh.

- Generation of self-employment needs to be augmented with close co-ordination with the link banks.
- There is urgent need for collection of adequate information by the department about the status of self-employment ventures established under this scheme.
- Proper utilisation of funds with reference to the objectives should be a condition for release of State/Centre share to avoid locking up of fund outside Government account.

SECTION – B - PARAGRAPHS

EDUCATION AND HUMAN RESOURCES DEPARTMENT

3.6 Doubtful expenditure and shortages of cash

Shortages of cash amounting to Rs.68.01 lakh remained unresolved for more than 4 years due to Government's inaction.

Scrutiny of the records (September 1999) of the Secretary, Mizoram State Sports Council (MSSC), Aizawl revealed that consequent upon reconstitution (February 1995) of MSSC, fresh appointment were made for posts of Secretary and Treasurer with effect from 16 March 1995 by the Government. As per Cash book maintained by the outgoing Secretary there was a closing cash balance of Rs.68.38 lakh as of 16 March 1995. However, according to handing over note, the outgoing Secretary and Treasurer, handed over a cash balance of Rs.0.45 lakh only to the new incumbents. The handing over note further indicated that the out going Secretary had compiled and attached, as a part of handing over note, a list of advance payments made on 14 March 1995 against different projects, associations and establishment pertaining to 34 items amounting to Rs.67.85 lakh, and the balance of Rs.0.08 lakh remained unexplained. The said list of advance payments was, however, neither found to be attached with the handing over note nor was the same furnished to audit on demand. The said advance payments were also not reflected in the cash book. Further, the MSSC could not also produce any evidence that the advance payments were actually made. A new cash book was opened on 3 April 1995 with a cash balance of Rs.0.37 lakh instead of Rs.0.45 lakh without any transaction during 16 March 1995 to 2 April 1995 which entailed further shortage of cash of Rs.0.08 lakh, the reasons for which were neither on record, nor stated (April 2000). Thus, in absence of proper records for disbursement and acknowledgement of Rs.67.85 lakh as advance and its actual utilisation, the expenditure was doubtful.

It was further seen that the Anti Corruption Branch of Vigilance Department initiated (September 1995) an inquiry into the allegation against the MSSC regarding disbursement of Rs.67.85 lakh and requested the Government to name the projects, associations to whom the amount was released and the purpose for which the amount was sanctioned and to clarify how the amount was released as advances. The ACB, however, could not proceed with the investigation further due to lack of response from the Government in the matter. The Council/Government had neither initiated any investigation nor taken any action against the outgoing Secretary and Treasurer for such gross financial irregularities.

Thus due to Government's inaction in the matter, shortages of cash amounting to Rs.68.01 lakh remained unresolved for more than 4 years.

Government stated (August 2000) that the State Vigilance Department has been asked to expedite the matter. The reply is, however, silent about initiation of Departmental enquiry on the matter and action taken against the officer responsible for such gross financial irregularities.

3.7 Nugatory expenditure

Injudicious decision of the Government to hire accommodation for an institution long before necessary infrastructure was in place led to a nugatory expenditure of Rs.6.25 lakh towards payment of rent for the vacant accommodation.

Establishment of a Women's Polytechnic in Mizoram was approved by the All India Council for Technical Education (AICTE) as well as the State Government in 1996. For accommodating the Institution, the Government accorded approval (August 1996) to hire a private accommodation in Zarkawt (Aizawl) from August 1996 at a monthly rent of Rs.25,000.

Scrutiny (October-November 1999) of records of the Directorate of Higher and Technical Education revealed that the department had hired the accommodation in August 1996 and continued payment of rent for the accommodation, but the functioning of the Polytechnic was started only from September 1998. The delayed functioning of the polytechnic was attributed (February 1998) by the Director mainly to non-appointment of teaching staff and other technical reasons.

The Finance Department stated (June 2000) that the building was hired without their prior approval and even asked the department to clarify as to why the building had been hired before it was required.

Government stated (July 2000) that in view of growing demand from various circles for early implementation of AICTE's approval for starting the classes, the Department was left with no other option but to hire a private building to start classes in mid 1997. But the fact remains that even though to meet the demand from various circles the building was hired it could not be utilised for more than 2 years rendering Rs.6.25 lakh paid as rent for the period from August 1996 to August 1998 nugatory.

3.8 Irregular expenditure on a Hindi Printing Press

Payment of Rs.5 lakh made without receipt of machinery/materials frustrated the decision of installing Hindi Printing Press. Besides, materials worth Rs.1.79 lakh became unusable due to passage of time and materials worth Rs.0.93 lakh were missing.

Under the Centrally Sponsored Scheme "Promotion of Hindi Language", the Government sanctioned (September 1993) Rs.7.50 lakh for installation of a Hindi Printing Press at Hindi Training Institute (HTI). The prices for supply of printing machinery/ materials were approved by the Government on the basis of rate offered by a firm in response to a tender notice issued (April 1993) by the Director of Higher and Technical Education (DOH & TE) Mizoram. Accordingly, the Principal* placed (September 1993) the orders with the said local firm for supply of printing machinery/materials including installation of press within a period of three months although the condition and charges for installation of press by the successful tenderer were neither included in the tender notice nor was any separate provision for this item of work made in the sanctioned estimate. The Principal drew the amount of Rs.7.50 lakh in September 1993 and made payment of Rs.5 lakh to the firm on the basis of bills submitted by them without obtaining the supply of the machinery/materials.

Scrutiny (September 1999) of the records of the Principal, HTI revealed that the firm had supplied (February 1995) printing machinery/materials valued at Rs.1.79 lakh only. The firm had not supplied the remaining printing machinery/materials as of February 2000 despite repeated reminders by the Principal and as a result, the Hindi Printing Press remained uninstalled. In reply to an audit query, the Principal informed (October 1999) that the machinery/materials procured in February 1995 became unusable. No penal action could be taken against the firm as the payment of Rs.5 lakh had been made to the firm against their bill, without entering into formal agreement with them. The firm, instead, served a pleader's notice (June 1997) to the Government and concerned departmental authorities for release of balance amount of Rs.2.50 lakh. Further development in this regard was not available on records.

It was further noticed that the Principal submitted (March 1998) a report to the DOH & TC stating that against the balance amount of Rs.2.50 lakh, a deposit at call receipt for Rs.1.57 lakh and cash memos/bills for Rs.0.93 lakh in respect of some printing materials reported to be procured by the late Principal were available in the Cash chest. However, no evidence of physical existence of materials worth Rs.0.93 lakh was available on record.

Thus, irregular advance payment of Rs.5 lakh was made to the firm without obtaining supply of the machinery/materials and the printing press was not

* Late R Zahleia. died on 8th August 1997.

installed as planned. The delay in the installation of the printing press led to loss of Rs.1.79 lakh due to materials already received becoming unusable; besides materials worth Rs.0.93 lakh supposedly purchased were not available in stock.

The matter was reported to the Government/Department in November 1999; reply has not been received (November 2000).

ELECTION DEPARTMENT

3.9 Loss due to non-recovery of non-consumable materials from polling parties

Canvas kits were issued in excess of requirement and 1468 kits used by polling parties were not returned resulting in loss of Rs.8.57 lakh.

Mention was made in para 3.2.8(b)(ii) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1998 regarding excess issue of 1010 number of non-consumable waterproof canvas kits worth Rs.5.90 lakh to the District Election Officer (DEO), Aizawl by the Joint Chief Electoral Officer (Jt. CEO).

Scrutiny (August 1999) of records of the DEO, Aizawl further revealed that although the DEO had 1010 kits in stock, 1000 more kits were received (November 1998) by the DEO, Aizawl from the Jt.CEO. Of this, 2006 kits were issued to the polling parties against actual requirement of 490 number during Assembly Election (November 1998) in 490 polling centres under DEO, Aizawl leaving a balance of 4 kits in the stock.

The kits being non-consumable items were required to be returned to the receiving centre after the election process was over. It was, however, seen in audit from the stock register that only 538 out of 2006 kits were received back by the DEO, Aizawl after 1998 Election. The remaining 1468 kits valued at Rs.8.57 lakh (@ Rs.584 each) had not been returned by the polling parties. No action was initiated by the CEO to retrieve the remaining kits or to effect recovery of the cost from the official to whom these were issued resulting in loss of Rs.8.57 lakh to the Government.

The District Election Officer, Aizawl stated (November 1999) that the procurement and supply of kits had been done by CEO without asking the DEO for his requirement. It was further stated that since sufficient numbers of kits were available, 4 kits were issued to each polling party for smooth

functioning, but only a small number of kits could be retrieved as most of the kits were reported by the polling parties to be in damaged condition. In view of issue of kits in excess of requirement, acceptance of polling parties' version instead of insisting upon them to return the kits in whatever shape they existed is not tenable.

Thus, excess procurement and issue of kits and failure to recover 1468 kits from the polling parties resulted in loss of Rs.8.57 lakh to the Government.

The matter was reported to Government in September 1999; reply had not been received (November 2000).

HOME/LABOUR AND EMPLOYMENT AND PUBLIC WORKS DEPARTMENTS

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

1060 paragraphs pertaining to 210 Inspection Reports amounting to Rs.988.32 lakh concerning Home, Labour and Employment and Public Works Departments were outstanding as on June 2000. Of these, first replies to 23 Inspection Reports containing 245 paragraphs had not been received.

Accountant General (Audit) arranges to conduct periodical inspection of the Government departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). These IRs are issued to the Heads of Offices inspected with a copy to the next higher authorities. Rules/orders of Government provide for prompt response by the executive to the IRs issued by the Accountant General (Audit) to ensure rectificatory action in compliance of 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 Accountant General (Audit). Serious irregularities are also brought to the notice of the Heads of Department by the Office of the Accountant General (Audit). Half-yearly report of pending inspection reports is sent to the Secretaries of the Departments in respect of pending IRs to facilitate monitoring of the audit observations in the pending Inspection Reports.

Inspection Reports issued upto March 2000 pertaining to 57 offices/ divisions of 3 Departments viz., Home, Labour and Employment and Public Works disclosed that 1060 paragraphs relating to 210 IRs amounting to Rs.988.32 lakh remained outstanding at the end of July 2000. Year-wise position of the outstanding IRs and paragraphs are detailed in **Appendix – XXIII (A)**. Of these, 39 IRs containing 82 paragraphs had not been replied to/settled for more than 10 years. Even the initial replies which were required to be received from the heads of offices within six weeks from the date of issue of IRs as per provisions were not received in respect of 20 offices/divisions for 245 paragraphs pertaining to 23 IRs issued between December 1991 and March 2000 (**Appendix – XXIII (B)**).

Some of the important irregularities involving 293 paragraphs (19 paragraphs + 11 paragraphs + 263 paragraphs) amounting to Rs.536.93 lakh (Rs.120.54 lakh + Rs.14.50 lakh + Rs.401.89 lakh) commented upon in the outstanding IRs of the three departments had not been settled as of June 2000 are indicated below :

Sl. No.	Nature of irregularities	Home Department		Labour and Employment Department		Public Works Department	
		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)
1.	Non-observance of rules relating to custody and handling of cash, position and maintenance of Cash Book and Muster Roll	14	47.73	9	11.09	35	4.35
2.	Delay in recovery or non-recovery of department receipts, advances and other recoverable charges	2	0.72	-	-	-	-
3.	Sanctions to write-off loans, losses, etc., not received	-	-	-	-	32	27.32
4.	APRs wanting			2	3.41		
5.	Blocking up of Government fund due to excess procurement of materials	-	-	-	-	28	32.49
6.	Drawal of fund in advance of requirement resulting in retention of money in hand for long period	2	60.00	-	-	1	5.00
7.	Unauthorised expenditure/ excess over sanctioned estimate	-	-	-	-	45	96.02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
8.	Local purchase of materials without immediate requirement/ in violating of delegation of financial powers	-	-	-	-	44	70.34
9	Non-deduction of void/ forest royalty	-	-	-	-	27	9.68
10	Diversion of fund					14	67.32
11	Execution of excess earth work over sanctioned estimate, change of classification of soil and execution of deviated items – awaiting approval					37	89.37
12.	Non-maintenance of proper store accounts and non-conducting of physical verification	1	12.09	-	-	-	-
	TOTAL :	19	120.54	11	14.50	263	401.89

A review of the IRs pending due to non-receipt of replies, in respect of Home, Labour & Employment and Public Works Departments revealed that the Heads of the offices and the Director General Police, Director Labour & Employment and Engineer in Chief Public Works department failed to discharge due responsibility as they did not send any reply on action taken to a large number of IRs. The Secretaries to the Government of Mizoram in respect of Home, Labour & Employment and Public Works departments, who were also informed of the position through half-yearly reports also failed to ensure that the concerned officers of the Department would take prompt and timely action.

The position stated above indicated no action was taken against the defaulting officers, thereby facilitating the continuation of serious financial irregularities and loss to the Government though these were pointed out in Audit.

It is, thus, recommended that the Government should re-look into these matters and ensure that procedure exists for (i) action against the officials who fail to send replies to IRs/Paragraphs as per the prescribed time schedule; (ii) action to recover loss/outstanding advances/overpayments in a time bound manner; and (iii) revamping the system of proper response to the audit observations in the Department.

The matter was reported to Government in August 2000; reply has not been received (November 2000).

FINANCE DEPARTMENT

3.11 Misappropriation, losses, etc.

There were 26 cases of misappropriation/losses pertaining to 11 departments involving Rs.1.12 crore pending finalisation.

Twenty six cases (total value : Rs.1.12 crore) of misappropriation, losses, *etc.*, were pending finalisation at the end of June 2000 as detailed below:

	Number of cases	Amount (In lakh of Rupees)
1) Cases reported upto the end of March 1999 and pending as of June 1999	25	111.34
2) Add cases of misappropriation/losses during 1999-2000	1	0.45
3) Cases closed during July 1999 to June 2000	-	-
4) Cases outstanding at the end of June 2000	26	111.79

Year-wise analysis of the outstanding cases is also given below:-

	Year	Number of cases	Amount (In lakh of rupees)
Upto	1991-92	17	7.00
	1994-95	1	2.13
	1995-96	4	28.73
	1996-97	2	3.48
	1997-98	1	70.00
	1999-2000	1	0.45
	Total:	26	111.79

Department-wise analysis of outstanding cases in which final action was pending at the end of June 2000 is given in **Appendix - XXIV**.

The case reported during the year ended 31 March 2000 related to Environment and Forest Department on account of gutting of a forest quarter at Tuilutkawn in June 1999. The cause of the fire was not stated. The first information report was lodged with the police in June 1999. The Department stated (September 1999) that the proposal to write off the loss (Rs.0.45 lakh)

would be submitted to Government on receipt of the report of police investigation. Further development has not been reported (July 2000).

The matter was reported to Government (July 2000); reply has not been received (November 2000).