
OVERVIEW

This Report contains 16 Audit Paragraphs (excluding three general paragraphs) and two Performance Reviews and one Integrated Audit. According to the existing arrangements, copies of the draft audit paragraphs, draft performance reviews and draft Integrated Audit were sent to the concerned Secretary to the State Government by the Accountant General (Audit) with a request to furnish replies within six weeks. The Secretaries were also reminded for replies. Besides, a discussion was also arranged with the Chief Secretary to the State Government on the issues raised in the draft audit paragraphs, draft performance reviews etc., for effective inclusion of the views/comments of the Government in the Audit Report. Despite such efforts, replies were not received in respect of four audit paragraphs from the concerned Principal Secretaries/Secretaries to the State Government.

1. Performance Review

Border Area Development Programme

The Border Area Development Programme was initially started during the seventh Five-Year Plan with the main objectives of balanced development of border areas and also to meet the development needs of the people living in remote and inaccessible areas situated near the international borders. The programme was revamped in the Eighth Five Plan and further extended to those States having an international border with Bangladesh. During the ninth Five-Year Plan, the programme has been further extended to the states, which have an international border with Myanmar. The main objective of the Border Area Development Programme of speedy development of border area was not achieved to the desired extent due to inherent deficiency in planning and implementation of the programme. Diversion of substantial funds towards ineligible works/schemes and delays in release of funds adversely impacted the coverage of a number of critical sectors of the programme. Disproportionate allocation of funds to the border blocks deprived the border villages of an equitable share of the development programmes. Schemes were approved without giving priority for completion of on-going works/schemes on time with specific time schedule for completion which resulted in non completion of works/schemes. Delay in completion of works/schemes resulted in large scale cost over-runs. Quality of infrastructure created remain unverified with reference to technical estimates and designs due to non maintenance of the MBs. Besides, non-maintenance of assets is bound to prove detrimental to the life span of the assets already created under the programme. Monitoring, internal control/internal audit systems was inadequate leading to major irregularities and improprieties in drawal and utilisation of available funds.

(Paragraph 1.1)

Public Distribution System

Public Distribution System (PDS) is one of the most important functions of the State Government which helps in providing food security to a large number of consumers. The performance of PDS in the State with reference to the provision of PDS (Control) order, 2001 revealed that the State Government had made no efforts to evolve a well defined criteria for identifying BPL and AAY beneficiaries. The excessive issue of Family Ration Cards with inflated population has an adverse impact on the distribution of foodgrain to the PDS beneficiaries in the State. Effective distribution of timely allotted foodgrain to all consumers in the State at prescribed quantity and rates were not achieved due to misappropriation of a major portion of the foodgrain at the field level. There was inadequate/improper maintenance of godowns causing substantial storage losses of foodgrain. The PDS consumers were overburdened owing to higher selling price of foodgrain than the price approved by the Government. The Department failed to claim reimbursement of transportation charges claims under Hill Transport Subsidy Scheme. Monitoring was lax leading to improper documentation at every level and absence of mandatory inspection by departmental authorities. Due to absence of systemic quality test mechanism, quality of foodgrain distributed under PDS remained questionable. The Internal Control Mechanism was either dysfunctional or had little effect in exercising control.

(Paragraph 1.2)

2. Audit of Transactions

Wasteful/Temporary Misappropriation/Avoidable/Diversion/Idle Expenditure

Public Works Department

Public Works Department incurred an unauthorised and wasteful expenditure of ₹ 71.09 lakh towards construction of Indoor Stadium at Capital Complex, Khatla without administrative approval and expenditure sanction of the project and even before the allocation of site.

(Paragraph 2.1)

Industries Department

Failure to comply with the basic principles of financial discipline on the part of Drawing and Disbursing Officer of Geology and Mining Wing under the Directorate of Industries facilitated temporary misappropriation/non-accountal of funds of ₹ 16.91 lakh.

(Paragraph 2.2)

Public Works Department

Grant of interest free mobilisation advance by Public Works Department in violation of codal provisions led to undue financial advantage to the contractors resulting in corresponding loss of ₹ 59.50 lakh towards interest.

(Paragraph 2.3)

District Councils Affairs Department

Violating prescribed procedures of CPWD Works Manual and financial rules, the Chakma Autonomous District Council unauthorisedly disbursed an Advance of ₹ 3.61 crore to a contractor, resulting in undue financial benefit to the contractor together with loss of interest.

(Paragraph 2.4)

Social Welfare Department

Social Welfare Department unauthorisedly granted old age pension of ₹ 40.47 lakh to ineligible beneficiaries during 2007-10.

(Paragraph 2.5)

Rural Development Department

Contrary to the decision of Departmental Screening Committee, the State Institute of Rural Development proceeded with construction of a Computer Laboratory Building by diverting Central assistance of ₹ 15 lakh meant for construction of Extension Training Centre.

(Paragraph 2.7)

Land Revenue and Settlement Department

Before the actual commencement of the execution of survey works, the Land Revenue and Settlement Department drew and disbursed an amount of ₹ 79.97 lakh by preparing false bills.

(Paragraph 2.9)

Animal Husbandry and Veterinary Department

Non-utilisation of Modern Slaughter House by the Animal Husbandry and Veterinary Department rendered the expenditure of ₹ 3.49 crore infructuous for over two years.

(Paragraph 2.10)

3. Integrated Audit

The objective of providing higher education, (both in general and technical disciplines) by the Higher and Technical Education Department was not achieved fully due to significant deficiencies in planning as it was not on actual need based assessment for the State. There were serious weaknesses in financial management as evident from cases of excess/disproportionate expenditure over AICTE norms, non maintenance of essential records for disbursement of stipends/book grants, non submission of utilisation certificates, and non-reconciliation of accounts with treasury, splitting up of sanction orders, misappropriation of Government money and mismanagement/non-deposit/unauthorised appropriation of student fees which was indicative of the fact that there was either little or no role exercised by the Department to enforce effective internal controls over Government expenditure. As against the available intake capacity in the degree colleges, the number of students enrolled during 2005-10 was ranging from 53 to 64 *per cent* only. Due to non availability of well equipped and modern techniques of teaching, a sizeable number of students pursued higher education outside the State during 2007-10. Moreover, post-matric scholarship was irregularly sanctioned to a large number of students studying in more than one college in the same academic year 2009-10. Monitoring and evaluation of various programmes/schemes implemented in the State had neither been carried out by the Department nor by the Government.

(Paragraph 3.1)

4. Revenue Receipts

The total revenue receipts of the Government of Mizoram in 2009-10 were ₹ 2,963.51 crore as against ₹ 2,653.13 crore during 2008-09. The revenue raised by the State from tax receipts during 2009-10 was ₹ 107.58 crore and from non-tax receipts was ₹ 126.51 crore. State's share of divisible Union taxes and grants-in-aid from the Government of India were ₹ 394.53 crore and ₹ 2,334.89 crore, respectively. Thus, the revenue raised by the State Government was 7.90 *per cent* of the total revenue receipts.

(Paragraph 4.1)

Transaction Audit Industries Department

There was a loss of revenue of ₹ 1.15 crore due to non-realisation of royalty at the prescribed rate by the Industries Department.

(Paragraph 4.2)

Non-realisation of royalty by the Industries Department at the prescribed rate from user agencies and permit holders led to loss of revenue of ₹ 6.79 crore.

(Paragraph 4.3)

Non-levy of royalty by the Industries Department on the drivers illegally transporting mined minerals led to loss of revenue of ₹ 52.36 lakh.

(Paragraph 4.4)

Environment and Forest Department

There was loss of revenue of ₹ 39 lakh due to settlement of broomstick *mahals* by direct negotiation and below royalty rate by the Environment and Forest Department.

(Paragraph 4.5)

5. Government Commercial and Trading Activities

5.1 Government Companies

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of the State Government companies are audited by Statutory Auditors appointed by Comptroller and Auditor General (C&AG) of India. These accounts are also subject to supplementary audit conducted by C&AG. As on 31 March 2010, the State of Mizoram had five working PSUs, which employed 274 employees. These PSUs registered a turnover of ₹ 1.45 crore for 2009-10 as per the latest finalised accounts. This turnover was equal to 0.03 *per cent* of State GDP indicating insignificant place in the State economy. The PSUs incurred a loss of ₹ 3.59 crore and had accumulated losses of ₹ 43.45 crore as per their latest finalised accounts.

Investment in PSUs

As on 31 March 2010, the investment (capital and long term loans) in five PSUs was ₹ 93.31 crore. It grew by 36.56 *per cent* from ₹ 68.33 crore in 2004-05. Financing sector accounted for nearly 54.71 *per cent* of total investment in 2009-10. The Government contributed ₹ 3.47 crore towards equity, loans and grants during 2009-10.

Performance of PSUs

All five state PSUs were incurring losses continuously during the period between 2004-05 and 2009-10. Zoram Industrial Development Corporation Limited incurred heavy losses in all the years ranging between ₹ 1.76 crore in 2004-05 and ₹ 1.38 crore in 2009-10.

The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of three latest Audit Reports of C&AG shows that the State PSUs incurred losses to the tune of ₹ 9.72 crore

which were controllable. There is tremendous scope to improve the functioning of PSUs and reduce losses. The PSUs can discharge their role efficiently if they are financially self reliant. There is a need for professionalism and accountability in functioning of PSUs.

Arrears in accounts

Five working PSUs had arrear of 27 accounts as of September 2010. Arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of account, if necessary.

Audit of Transactions Power and Electricity Department

Deficient execution of the Serlui 'B' Hydro Project by the Power and Electricity Department resulted in time and cost overrun of 34 months and ₹.91.17 crore respectively.

(Paragraph 5.2)

Industries Department

Setting up of Call and Training Centre by the Industries Department without safeguarding its financial interest resulting in closure of the Call and Training Centre and infructuous expenditure of ₹ one crore.

(Paragraph 5.3)