CHAPTER-V

REVENUE SECTOR

5.1 Trend of revenue receipts

5.1.1 The tax and non-tax revenue raised by the Government of Mizoram during the year 2011-12, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

Table-5.1.1

(₹ in crore)

Particulars of revenue receipts	2007-08	2008-09	2009-10	2010-11	2011-12
I. Revenue raised by the State Government					
• Tax revenue	71.96	94.62	107.58	130.44	179.07
• Non-tax revenue	130.30	158.67	126.51	146.72	168.03
Total	**202.26**	**253.29**	**234.09**	**277.16**	**347.10**
II. Receipt from the Government of India					
• State's share of divisible Union taxes	368.92	383.39	394.53	451.66	827.38
• Grants-in-aid	1,468.56	2,016.45	2,334.89	2,126.55	2,650.42
Total	**1,837.48**	**2,399.84**	**2,729.42**	**2,578.21**	**3,477.80**
III. Total receipts of the State	**2,039.74**	**2,653.13**	**2,963.51**	**2,855.37**	**3,824.90**
IV. Percentage of I to III	**9.92**	**9.55**	**7.90**	**9.71**	**9.07**

Source: Finance Accounts, Government of Mizoram, 2011-12

The above table indicates that during the year 2011-12, the revenue raised by the State Government was 9.07 *per cent* of the total revenue receipts (₹ 3,824.90 crore) against 9.71 *per cent* in the preceding year. The balance 90.93 *per cent* of receipts during 2011-12 was from the Government of India.

5.1.2 The following table presents the details of tax revenue raised during the period from 2007-08 to 2011-12:

Table-5.1.2s

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) or decrease (-) in 2011-12 over 2010-11
1.	Sales tax	62.04	77.51	85.94	104.70	142.16	(+) 36
2.	State excise	1.69	1.87	2.10	2.39	2.31	(-) 3
3.	Stamps and registration fee	0.23	0.46	0.39	0.34	0.69	(+) 103
4.	Taxes on vehicles	5.37	5.50	6.71	7.72	16.71	(+) 116
5.	Taxes on goods and passengers	1.07	1.43	1.39	1.72	2.05	(+) 19
6.	Other taxes on income and expenditure, tax on professions, trades, callings and employment	0.08	6.22	8.29	9.24	12.63	(+) 37
7.	Land revenue	1.48	1.63	2.76	4.33	2.52	(-) 42
	Total	**71.96**	**94.62**	**107.58**	**130.44**	**179.07**	**(+) 37**

Source: Finance Accounts, Government of Mizoram, 2011-12

The reasons for variation were not found on record.

5.1.3 The following table presents the details of the non-tax revenue raised during the period 2007-08 to 2011-12.

Table-5.1.3

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) or decrease (-) in 2011-12 over 2010-11
1.	Interest receipts	15.60	32.91	17.85	12.72	15.60	(+) 23
2.	Other non-tax receipts	22.59	18.98	21.38	37.65	32.57	(-) 13
3.	Forestry and wild life	2.98	2.20	2.53	2.40	3.19	(+) 33
4.	Miscellaneous general services (including lottery receipts)	1.53	3.01	10.00	9.43	0.45	(-) 95
5.	Power	83.60	93.40	67.86	72.63	109.52	(+) 51
6.	Medical and public health	0.66	0.55	0.27	0.19	0.31	(+) 63
7.	Co-operation	0.02	0.02	0.01	0.02	0.03	(+) 50
8.	Public works	0.45	2.02	4.12	1.70	1.42	(-) 16
9.	Police	0.34	3.56	0.26	7.33	0.95	(-) 87
10.	Other administrative services	2.53	2.02	2.23	2.65	4.00	(+) 51
	Total	**130.30**	**158.67**	**126.51**	**146.72**	**168.04**	**(+) 15**

Source: Finance Accounts

The reasons for variation were not found on record.

5.1.4 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts under the principal heads of Tax and Non-Tax revenue for the year 2011-12 are mentioned in the following table:

Table-5.1.4

(₹ in crore)

Sl. No.	Head of revenue	Budget estimates	*Actual revenue*	Variations excess (+)/shortfall (-)	Percentage of variation
	Tax revenue				
1.	Sales tax	135.23	142.16	(+) 6.93	(+) 5
2.	State excise	2.40	2.31	(-) 0.09	(-) 4
3.	Taxes on vehicles	15.60	16.71	(+) 1.11	(+) 7
4.	Taxes on goods and passengers	3.22	2.05	(-) 1.17	(-) 36
5.	Other taxes & duties on commodities and services	0.52	0.37	(-) 0.15	(-) 29
6.	Land revenue	10.64	2.52	(-) 8.12	(-) 76
	Non-Tax Revenue				
1.	Interest receipts	32.00	15.60	(-) 16.4	(-) 51
2.	Forestry and wild life	6.60	3.19	(-) 3.41	(-) 52
3.	Medical and public health	0.93	0.31	(-) 0.62	(-) 67
4.	Miscellaneous. general services	9.10	0.45	(-) 8.65	(-) 95
5.	Power	118.93	109.52	(-) 9.41	(-) 8

Source: Budget and Finance Accounts

The reasons for variation were not found on record.

5.1.5 Cost of collection

The gross collection of major revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection during the period 2009-10 to 2011-12 along with the relevant all India average percentage of expenditure on collection to gross collections for 2010-11 are mentioned in the following table:

Table-5.1.5

(₹ in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2010-11
1.	Sales tax	2009-10	85.94	6.84	7.96	0.75
		2010-11	104.70	8.49	8.11	
		2011-12	142.16	0.18[1]	0.13	
2.	Taxes on vehicles	2009-10	6.71	3.67	54.69	3.71
		2010-11	7.72	5.39	69.82	
		2011-12	16.71	4.92	29.44	

Source: Finance Accounts

5.1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2012 in respect of the principal heads of revenue as reported by the Departments was ₹ 21.59 crore as per details mentioned in the following table:

Table-5.1.6

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2012	Amount outstanding for more than five years
1.	Taxes/VAT on Sales, Trades *etc.*	14.04	--
2.	Taxes on Vehicles	6.72	3.95
3.	Taxes on Goods and Passengers	0.83	1.02
Total		**21.59**	**--**

Source: Departmental figures

5.1.7 Arrears in assessment

The details of Sales Tax/VAT assessment cases pending at the beginning of the year 2011-12, cases which became due for assessment during the year, cases disposed during the year and number of cases pending at the end of the year 2011-12 as furnished by Taxation Department are mentioned below:

[1] Except this case, expenditure on collection of revenue were inclusive of Direction and Administration charges

Name of revenue	Opening balance as on 31 March 2011	New cases due for assessment during the year 2011-12	Total assessment due	Cases disposed of during the year 2011-12	Balance at the end of the year 2011-12	Percentage of disposals to the total assessment 5 to 4
1	2	3	4	5	6	7
Taxes/VAT on Sales, Trades *etc.*	2,434	1,692	4,126	1,162	2,964	28.16

Source: Departmental figures

Thus, the percentage of pending cases at the end of 2011-12 was 71.84 *per cent*. The Government has not fixed any norm prescribing the number of assessments to be completed by each assessing officer during a specified period. Immediate action needs to be taken to finalise the pending assessment cases.

5.1.8 Evasion of Tax

The details of cases of evasion of tax detected, cases finalised and demands for additional tax raised in 2011-12, as reported by the Departments concerned are mentioned in the following table:

Name of tax/duty	Case pending as on 31 March 2011	Cases detected during the year 2011-12	Total	Number of cases in which assignments/ investigation completed and additional demand including penalty *etc.*, raised during the year 2011-12		Number of pending cases as on 31 March 2012
				No. of cases	(₹ in lakh)	
Sales Taxes/VAT	502	588	1,090	615	801.80	475
Taxes on Vehicles	24,383	17,829	42,212	6,543	27.25	35,669
Taxes on Goods and Passengers	2,931	1,254	4,185	2,072	10.57	2,113

5.2 Response of the Departments/Government towards audit

Transactions and maintenance of important accounts and other records of the Departments are test checked and Inspection Reports containing audit findings are issued to the Head of the Office so audited for comments and/or compliance. Audit findings of serious nature are processed into draft paragraph and forwarded to the Administrative Head of the concerned Department through demi-official letter drawing their attention to the audit findings with a request to furnish their response within six weeks. The response of the Departments/ Government towards audit is discussed in succeeding paragraphs.

5.2.1 Failure of Senior officials to enforce accountability and protect the interest of the State Government

The Principal Accountant General (Pr.AG) (Audit), Mizoram conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the Inspection Reports (IRs) incorporating irregularities detected during the Inspection and not settled on the spot, which are issued to the Heads of the Offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the Offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the Pr.AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the Heads of the Departments and the Government.

Inspection Reports issued upto December 2011 disclosed that 418 paragraphs involving ₹ 68.95 crore relating to 148 IRs remained outstanding at the end of June 2012 as mentioned in the following table along with the corresponding figures for the preceding year.

Particulars	June 2011	June 2012
Numbers of outstanding IRs	134	148
Number of outstanding audit observations	419	418
Amount involved (₹ in crore)	65.10	68.95

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2012 and the amounts involved are mentioned in the following table:

Sl. No.	Name of Department	Name of Receipts	No. of Outstanding IRs	No. of Outstanding Audit Observations	Money Value involved (₹ in crore)
1.	Land Revenue	Land Revenue	20	41	6.70
2.	Excise	State Excise	1	1	-
3.	Taxation	Taxes/VAT on Sales, Trade *etc.*	66	189	35.93
4.	Transport	Taxes on Vehicles/ Taxes on Goods and Passengers	14	44	3.92
5.	Forest & Environment	Forest & Wild Life	46	137	8.89
6.	Geology and Mineral Resources	Non-ferrous Mining and Metallurgical Industries	1	6	13.51
Total			**148**	**418**	**68.95**

Even the first replies required to be received from the Heads of Offices within one month from the date of issue of the IRs were not received for 31 IRs issued upto December 2011. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the Heads of Offices and Heads of the Departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by us in the IRs.

It is recommended that the Government takes suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as takes action against officials/officers who fail to send replies to the IRs/paragraphs as per the

prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.

5.2.2 Departmental Audit Committee Meetings

In order to expedite settlement of the outstanding audit observations contained in the IRs, Departmental Audit Committees are constituted by the Government. These committees are chaired by the Secretaries of the concerned administrative Department and attended by the concerned officers of the State Government and officers of the Principal Accountant General (Pr. AG). The audit committees need to meet regularly in order to expedite clearance of the outstanding audit observations. However, during the year 2011-12, no departmental Audit Committee meeting was held.

The Government may ensure holding of frequent meetings of these committees for ensuring effective action on the audit observations leading to their settlement.

5.2.3 Response of the Departments to the draft audit paragraphs

Seven draft paragraphs proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2012 were forwarded (September 2012) to the Secretaries/Commissioners of the respective Departments through demi-official letters. The administrative Secretaries/Commissioners of the concerned Departments did not furnish (March 2012) replies of three draft paragraphs out of seven draft paragraphs.

5.2.4 Compliance with the earlier Audit Reports

In the Audit Reports 2001-02 to 2010-11 cases of under assessments, evasion, non/short levy of taxes/penalty, loss of revenue, failure to raise demands *etc*. involving ₹ 72.76 crore were reported. As of March 2012, the Departments concerned have accepted observations of ₹ 0.93 crore. Audit Report wise details of cases accepted and recovered are given in the following table:

(₹ in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2001-02	1.17	NIL	--
2002-03	3.07	0.53	--
2003-04	4.98	0.27	--
2004-05	5.30	NIL	--
2005-06	10.04	NIL	--
2006-07	12.14	NIL	--
2007-08	4.98	0.04	--
2008-09	5.74	NIL	--
2009-10	8.85	NIL	--
2010-11	16.49	0.09	--

5.3 Analysis of the mechanism for dealing with the issues raised by Audit

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/ Audit Reports by the Departments/Government, the action taken on the paragraphs and

Performance Audits included in the Audit Reports of the last 10 years in respect of one Department is evaluated and included in each Audit Report.

The succeeding paragraphs 5.3.2.1 to 5.3.2.2 discuss the performance of the departments in dealing with the cases detected in the course of local audit conducted during the last 10 years and also the cases included in the Audit Reports for the years 2001-02 to 2010-11.

5.3.1 Position of Inspection Reports

The summarised position of Inspection Reports issued during the last three years, paragraphs included in these Reports and their status as on 30 June 2012 are given in the following table:

(₹ in crore)

Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value
2010-11	126	373	39.09	21	91	61.24	2	56	18.17	145	408	82.16
2011-12	145	409	82.16	18	91	10.91	9	50	22.44	154	450	70.64
2012-13	154	450	70.64	8	75	2.37	0	10	1.00	162	515	72.01

We reminded the Department periodically to furnish replies to the outstanding audit observations.

5.3.2 Assurances given by the Department/Government on the issues highlighted in the Audit Reports

5.3.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years and those accepted by the Department and the amount recovered are mentioned in the following table:

(₹ in crore)

Year of Audit Report	No. of paragraphs included	Money value of the paragraphs	No. of paragraphs accepted	Money value of accepted paragraphs	Amount recovered as of 31 March 2012	Cumulative position of recovery of accepted cases
2001-02	8	1.17	NIL	NIL	--	--
2002-03	15	3.07	7	0.53	--	--
2003-04	16	4.98	2	0.27	--	--
2004-05	10	5.30	NIL	NIL	--	--
2005-06	24	10.04	NIL	NIL	--	--
2006-07	15	12.14	NIL	NIL	--	--
2007-08	11	4.98	1	0.04	--	--
2008-09	6	5.74	NIL	NIL	--	--
2009-10	4	8.85	NIL	NIL	--	--
2010-11	3	16.49	1	0.09	--	--

However, information on the recovery of accepted cases was not available.

The Departments need to evolve a strong mechanism to monitor and ensure recovery of accepted cases.

5.3.2.2 Action taken on the recommendations accepted by the Departments/Government

The draft Performance Audits (PAs) conducted by the Pr. AG are forwarded to the concerned departments/Government for their information with a request to furnish their replies. These PAs are also discussed in an Exit Conference and the Department's/Government's views are included while finalising the PAs for the Audit Reports.

The following paragraphs discuss the issues highlighted in the performance audit on the Departments featured in the last 10 Audit Reports including the recommendations and action taken by the departments on the recommendations accepted by it as well as the Government.

Year of Audit Report	Name of the performance audit	No. of recommendations	Details of the recommendations accepted
2001-02	Finance (Taxation) Department	NIL	--
2002-03	Mizoram State Transport	NIL	--
2003-04	--	NIL	--
2004-05	a) Receipts under taxes on Motor Vehicles	5	--
	b) Information technology audit of the vehicle registration system in Mizoram	NIL	--
2005-06	--	NIL	--
2006-07	--	NIL	--
2007-08	--	NIL	--
2008-09	Transition from Sales Tax regime to Value Added Tax (VAT) System in Mizoram	6	--
2009-10	--	NIL	--
2010-11	Performance Audit on cross verification of declaration Forms in Inter State Trade and Commerce	5	--

5.4 Result of audit

5.4.1 Position of local audit conducted during the year

Test check of the records of 21 units of Taxation, Environment & Forest, Excise and other departments conducted during the year 2011-12 revealed underassessment/short levy/loss of revenue/non-realisation of outstanding revenue aggregating ₹ 886.41 lakh in 26 cases. Of these the Departments recovered ₹ 14.58 lakh in 9 cases and ₹ 32.60 lakh relating to the previous years in 16 cases.

5.4.2 This Report

This Report contains seven paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years which could not be included in earlier reports) and involving financial effect of ₹ 25.24 crore. The Departments/Government have accepted audit observations involving ₹ 22.85 crore out of which ₹ 0.07 crore has been recovered. The replies in the remaining cases have not been received (March 2013). These are discussed in succeeding paragraphs.

ENVIRONMENT & FORESTS DEPARTMENT

5.5 Drawal of fund before execution of works

The Department drew an amount of ₹ 35 lakh from the Government Accounts presenting false bills before execution of works.

The Environment & Forests (E&F) Department, Government of Mizoram accorded (March 2010) administrative approval and expenditure sanction of ₹ 35 lakh for construction of following buildings under Twelfth Finance Commission Grants during 2009-10:

Table-5.5.1

Sl. No.	Particulars	Unit	Amount (₹ in lakh)
(i)	Construction of Divisional Forest Officer (DFO)'s Office Building at Khawzawl	1 No.	15.00
(ii)	Construction of DFO's Quarter at Khawzawl	1 No.	12.00
(iii)	Construction of staff Quarter at Khawzawl	2 Nos.	8.00
Total		**--**	**35.00**

Source: Departmental records

Scrutiny (August 2012) of the records of the Principal Chief Conservator of Forests (PCCF), Mizoram, Aizawl revealed that the Divisional Forest Officer (DFO), Khawzawl Wildlife Division submitted a subsidiary cash account of the Division for the month of March 2010 to the PCCF showing the expenditure of entire amount of ₹ 35 lakh against the completion of departmentally executed work of the above four buildings.

The cash account of the DFO and vouchers attached to the monthly accounts disclosed that ₹ 35 lakh was disbursed in March 2010 to the different labourers and firms against the Muster Rolls and the firm's bills for supply of materials during the period January – March 2010.

Further scrutiny of records disclosed that the DFO, Khawzawl Wildlife Division sought the approval (18 June 2010) of the Chief Wildlife Warden, E&F Department, Mizoram proposing that the new buildings to be constructed at the existing forest complex, Khawzawl and not on the land allotted by the Village Councils for establishment of new Khawzawl Wildlife Division Complex as it was not accessible from the main road. Accordingly, the Chief Wildlife Warden, Mizoram approved (24 June 2010) the proposals for construction of buildings at the existing forest complex, Khawzawl.

It is evident from the above that even before actual commencement of the construction works of the buildings, the Department irregularly encashed ₹ 35 lakh from the Government Accounts in March 2010 by presenting false bills showing completion of buildings. The entire fund was kept out of Government Accounts by the DFO, Khawzawl.

While accepting the facts, the Deputy Conservator of Forests (Headquarters) stated (September 2012) that the expenditure of ₹ 35 lakh was booked in March 2010 to avoid lapse of fund. Further, all the four construction works of the building were executed departmentally starting from May 2010 and completed in October 2010 by utilising the sanctioned amount of ₹ 35 lakh. However, Measurement Books (MBs) were not submitted by the DFO to the PCCF and all the vouchers were already furnished with the March 2010 Accounts and no further vouchers were prepared.

The Department failed to furnish any records to indicate that work was completed at a later date as claimed by it with supporting vouchers, MBs and Inspection Reports *etc*.

In admitting the facts, the Chief Wildlife Warden, Office of the Principal Chief Conservator of Forests, Mizoram stated (January 2013) that the cash accounts had to be booked and that works had been shown as completed in order to keep pace with the closing of financial year of 2009-10. However, as on date the construction of these four buildings has been completed at Khawzawl despite their procedural lapse and late initiation of works in the field.

The reply of the Chief Wild Wildlife Warden is not tenable as the entire amount of ₹ 35 lakh was drawn in March 2010 by presenting false bills and the actual execution of work (as claimed by the Department), was only done between May 2010 and October 2010. This is a matter of serious financial irregularity violating all norms of financial propriety, in addition to having a risk of misappropriation of Government money.

The matter was reported (September 2012) to the Government and their reply is awaited (March 2013).

5.6 Unauthorised diversion of Fund

The Field Director, Dampa Tiger Reserve unauthorisedly diverted and released an amount of ₹ 60 lakh to the Deputy Commissioner, Mamit for meeting the expenditure on Contingency Fund.

The National Tiger Conservation Authority (NTCA), Ministry of Environment & Forests (MoEF), Government of India (GoI) in the revised Guidelines (February 2008) for the ongoing Centrally Sponsored Scheme of Project Tiger proposed the following financial packages in relocating people living in and around tiger reserved forest areas:

Option-I Payment of the entire package amount of ₹ 10 lakh (per family) to the family, in case the family opts so, without involving any rehabilitation/relocation process by the Forest Department.

Option-II The following package (per family) is proposed, at the rate of ₹ 10 lakh per family:

(i)	Agriculture land procurement (two hectare) and development	35 *per cent* of the package
(ii)	Settlement of rights	30 *per cent* of the package
(iii)	Homestead land and house construction	20 *per cent* of the package
(iv)	Incentive	5 *per cent* of the package
(v)	Community facilities commuted by the family (access road, irrigation, drinking water, sanitation, electricity, tele-communication, community center, religious places of worship, burial/cremation ground)	10 *per cent* of the package

The above cost norms are indicative in nature to facilitate flexibility for State/site specific situation, and may be modified to allow inter component as well as inter family adjustments by respective State Governments as per site specific requirements.

The allocation process would be monitored/implemented by the following two committees:

(i) **State Level Monitoring Committee (SLMC):** under the Chairmanship of the Chief Secretary and member from the Secretaries of the related departments, State Principal Chief Conservator of Forests *etc*.

(ii) **District Level Implementing Committee (DLIC):** under the Chairmanship of the District Collector and member from the Chief Executive Officer, Representative Officials from PWD, Social Welfare, Health, Agriculture, Education, Power & Irrigation and Director of Tiger Reserve.

Under Centrally Sponsored Scheme 'Project Tiger', the GoI, MoEF, National Tiger Conservation Authority (NTCA) released (February 2010) central assistance (100 *per cent*) of ₹ 20.43 crore to the Dampa Tiger Reserve, Mizoram.

Scrutiny (May 2012) of the records of the Field Director, Dampa Tiger Reserve, West Phaileng revealed that out of ₹ 20.43 crore the Field Director unauthorisedly diverted and released (February 2012) an amount of ₹ 60 lakh to the Deputy Commissioner (DC), Mamit District, who was the Chairman of the DLIC on Village Relocation, for meeting the contingency fund as per telephonic instructions of the DC without obtaining any recommendations from the SLMC/DLIC. This fact was confirmed (July 2012) by the Field Director. The subsidiary cash account in support of expenditure of ₹ 60 lakh along with relevant vouchers were, however, not submitted by the DC, Mamit to the Field Director.

As per the packages for relocating people living in and around tiger reserved forest areas as mentioned above, there was no provision for incurring expenditure under Contingency head. Moreover, before incurring any expenditure for relocating people in the forest areas formal approval of the DLIC on Village Relocation was required, which was not obtained.

Thus, the Field Director unauthorisedly diverted the fund of ₹ 60 lakh to the DC for incurring expenditure under contingency fund, which is not an admissible item of expenditure.

The Deputy Conservator of Forests (DCF) (Headquarter), Office of the Principal Chief Conservator of Forests, Mizoram furnished (January 2013) a statement of expenditure of ₹ 60 lakh incurred by the Deputy Commissioner, Mamit during the period from March 2012 to June 2012 which was not admissible under the scheme. The DCF (Headquarter) also insisted that the work items were actually implemented in the new village (Andarmanik village, situated around Dampa Tiger Reserved Forests).

While conducting audit of the accounts of the Deputy Commissioner, Mamit in the month of November 2012 with cross verification of the Bank Account maintained by State Bank of India, Mamit Branch (under Account No. 32108818836) revealed that the expenditure recorded in the Subsidiary Cash Book maintained for the Andarmanik village Account did not tally with the actual drawals as recorded in the Bank Accounts. The detail of variation between cash book and bank account is depicted in the following table:

Table-5.5.2

(₹ in lakh)

Transactions as per Cash Book		Transactions as per Bank Account			
Date	Amount of Expenditure	Date	Bank Balance	Amount Withdrawn	
				Date	Amount
March 2012	38.00	21.03.2012	1.76	21.05.2012	4.00
May 2012 to June 2012	22.00	21.03.2012 (Deposit)	60.00	23.05.2012	7.00
				11.06.2012	10.00
				19.06.2012	40.00
Total	**60.00**	**--**	**61.76**	**--**	**61.00**

Source: Departmental records

The above variations clearly implied that the subsidiary cash book maintained by the DC, Mamit did not indicate true and fair picture of the actual transactions as the expenditure of ₹ 38 lakh in March 2012 was not supported by withdrawal of fund from the Bank Account. Thus, the entire expenditure of ₹ 60 lakh remained doubtful which needs to be probed by the Government.

The matter was reported (September 2012) to the Government and their reply is awaited (March 2013).

LAND REVENUE AND SETTLEMENT DEPARTMENT

5.7 Excess drawal of fund and disbursement without routing through the cash account

The Department drew an excess amount of ₹ 54.68 lakh and disbursed an amount of ₹ 177.38 lakh without routing through the cash account entailing risk/ misappropriation.

Towards payment of rental charges for the land under occupation by the Army in Mizoram for the period 1 January 2006 to 31 December 2007, the Defence Estate Officer, Guwahati Circle under Ministry of Defence, Government of India released (March 2011) a sum of ₹ 198.30 lakh to the Government of Mizoram. The Defence Estate Department released the fund subject to certain conditions, *viz.* that prior to disbursement of the amount, the claims must be duly verified with regard to the identity and ownership status of the claimants, their entitlement to receive the amount, passes issued to them *etc.* are in accordance with the Land Laws of Mizoram in force.

Accordingly, the State Finance Department (Budget Branch) allocated (August 2011) an amount of ₹ 198.30 lakh to the Director, Land Revenue & Settlement Department (LR&SD) for payment of rental charges for the land under occupation of the Army in Mizoram.

Scrutiny (July 2012) of the records of the Director, LR&SD revealed that on receipt of the allocation of fund of ₹ 198.30 lakh, the Director submitted (September 2011) the Rental Assessment Report to the Revenue Department of the Government of Mizoram in respect of land occupied by the Army/Para Military Forces for the period from 1 January 2006 to 31 December 2007 containing a claim of assessed amount of ₹ 143.26 lakh payable to 540 beneficiaries in seven locations as per details given in the following Table:

Table-5.5.3

(₹ in lakh)

Sl. No.	Locations	No. of beneficiaries	No. of persons who are included as Court/dispute *etc.* cases	Total amount Payable	Actual amount drawn
1.	Bawngkawn Brigade	51	--	12.68	12.68
2.	Military Hospital	13	--	4.61	4.61
3.	EME Area	106	4	85.20	85.20
4.	Helipad Area	45	1	13.15	13.15
5.	Supply Area	82	2	19.94	19.94
6.	MES	8	--	1.40	1.40
7.	Pukpui, Lunglei	235	13	6.29	60.97
Total		**540**	**20**	**143.26**	**197.94**

Source: Departmental records

Despite the fact that the Director, LR&SD submitted (September 2011) a proposal of expenditure sanction of ₹ 143.26 lakh, the State Government, Revenue Department accorded (November 2011) expenditure sanction for drawal and disbursement of ₹ 197.94 lakh after increasing the assessed amount in respect of Pukpui, Lunglei location to ₹ 60.97 lakh from ₹ 6.29 lakh. The reason for enhancement in rent payable to the tune of ₹ 54.68 lakh in respect of beneficiaries under Pukpui, Lunglei was not on record.

The Deputy Director (Drawing and Disbursing Officer) of the Directorate drew the amount of ₹ 197.94 lakh on 15 December 2011 which was entered in the cash book indicating that the entire amount of ₹ 197.94 lakh had been disbursed to the 540 beneficiaries on 15 December 2011, which was incorrect since the entire amount was not fully disbursed to the beneficiaries. However, it was seen from the scrutiny of payment register revealed that out of ₹ 197.94 lakh drew, only an amount of ₹ 177.38 lakh had been disbursed actually during December 2011 to July 2012 to 496 beneficiaries, leaving an undisbursed balance of ₹ 20.56 lakh in respect of 44 beneficiaries.

Thus, besides drawal of fund of ₹ 54.68 lakh in excess of the assessed claim, the Department irregularly retained ₹ 197.94 lakh as fully disbursed on the date of its drawal. Out of ₹ 197.94 lakh irregularly retained, ₹ 177.38 lakh was subsequently disbursed during December 2011 to July 2012 without routing through the Cash Account. Such retention of cash outside Government Account is a highly irregular financial practice and fraught with the risk of misappropriation of Government money.

While accepting the facts, the Finance & Accounts Officer of the Directorate of LR&SD stated (July 2012) that to avoid lapse of fund the entire sanctioned amount of ₹ 197.94 lakh was shown as disbursed on 15 December 2011. The amount could not be immediately disbursed as a number of beneficiaries did not turn up to receive their claims till July 2012.

The reply also does not explain the reason why an inflated amount of ₹ 197.94 lakh was drawn. Further, the fact that an amount of ₹ 20.56 lakh representing claims due to 44 beneficiaries still remained undisbursed (till July 2012) also raises serious doubt on the authenticity of the claimants.

The Government in its reply stated (November 2012) that expenditure sanction of ₹ 143.26 lakh submitted by the Department contained an erroneous figure of ₹ 6.29 lakh instead of actual amount of ₹ 60.96 lakh, which was revised later on. The Government contention could not be factually verified as it did not furnish the relevant copies of correspondence made with the Department with regard to the discrepancies.

TAXATION DEPARTMENT

5.8 Evasion of tax

Two dealers concealed taxable sales worth ₹ 2,270.39 lakh and evaded tax of ₹ 112 lakh.

Section 31(7) (b) of the Mizoram Value Added Tax (MVAT) Act, 2005 provides that if the Commissioner of Taxes is satisfied that the dealer has furnished incomplete and incorrect returns in order to evade or avoid payment of tax for any period, he shall direct the dealer to pay a sum not exceeding twice the amount of tax assessed by way of penalty.

Test check of records of the Assistant Commissioner of Taxes, Central Zone, Aizawl in September 2010 and November-December 2011 revealed that the two dealers concealed taxable sales worth ₹ 2,270.39 lakh and evaded tax of ₹ 112 lakh as discussed in succeeding paragraphs.

5.8.1 As per records made available to audit, the details of gross turnover of purchase, taxable turnover of sales and tax payable in respect of one dealer[2] for the assessment year 2009-10 are worked out in audit as under:

Table-5.5.4

(₹ in lakh)

Particulars		at 4 *per cent*	at 12.5 *per cent*	Total
Opening Stock		5.28	57.99	63.27
Add:	Gross Purchase turn over	27.23	1154.66	1181.89
Total Stock		32.51	1212.65	1245.16
Less:	Taxable turn over of sales	15.79	1100.03	1115.82
Closing Stock		16.72	112.62	129.34
Tax payable		0.63	137.50	138.13

It was, however, noticed that the Assessing Officer (AO) while assessing the dealer irregularly accepted the less taxable turnover of sales of ₹ 860.76 lakh (@ 4 *per cent*: ₹ 9.87 lakh + @ 12.5 *per cent*: ₹ 850.89 lakh), as declared by the dealer in his returns for the year 2009-10 with corresponding payable tax of ₹ 106.75 lakh (@ 4 *per cent*: ₹ 0.39 lakh + @ 12.5 *per cent*: ₹ 106.36 lakh), which resulted in the short assessment of tax of ₹ 31.38 lakh (₹ 138.13 lakh – ₹ 106.75 lakh). The tax evaded would be even higher if the information on profit earned on sales was made available to Audit.

The evasion of tax occurred mainly due to irregular acceptance by the AO of concealed taxable sales turnover of ₹ 255.06 lakh (@ 4 *per cent*: ₹ 5.92 lakh + @ 12.5 *per cent*: ₹ 249.14 lakh) of the dealer.

The dealer had already deposited the assessed tax of ₹ 106.75 lakh. The dealer is thus, required to pay the balance tax of ₹ 31.38 lakh besides a penalty of a sum not exceeding ₹ 62.76 lakh for concealment of taxable sales turnover.

While accepting the facts, the Department assured (December 2011) that the dealer would be re-assessed.

The Government informed (February 2013) that the dealer had been served a notice of hearing for re-assessment of 2009-10 on 30 January 2012 to appear before the Assessing Officer on 12 February 2014. Further development is awaited (March 2013).

5.8.2 The Assessing Officer (AO) while assessing another dealer[3] for the year 2005-06 and 2007-08 determined the dealer's sales at ₹ 271.56 lakh and ₹ 84.57 lakh respectively after deducting 30 *per cent* as labour and non-material cost as allowed by the Act. The dealer was not assessed for the year 2006-07 without any recorded reason. Scrutiny of the information obtained from the Public Health Engineer Department, Aizawl Water Supply

[2] M/s National Business Enterprise, Aizawl (TIN 15110024042)
[3] M/s Johnson Eastern Power, Zuangtui, Aizawl (TIN 15110137008)

Division, Aizawl, however, revealed that the dealer was paid ₹ 3,235.17 lakh during the years 2005-08 on account of works contract. This resulted in concealment and escapement of turnover of ₹ 2,879.04 lakh. After deducting 30 *per cent* from the concealed turnover on account of labour and non-material cost, the taxable turnover was ₹ 2,015.33 lakh having a tax effect of ₹ 80.62 lakh calculated at the rate of 4 *per cent* but, the same was not levied and realised. Further, the dealer was also liable to pay maximum penalty of ₹ 161.24 lakh.

The Department accepted (January 2011) the fact pointed out in audit and notified the dealer for re-assessment. However, progress of re-assessment and realisation of tax was awaited (July 2012).

The Government stated (February 2013) that a closer examination of the case is being carried out and a final decision was still kept at bay. Further development is awaited (March 2013).

5.9 Short levy of tax

Acceptance of dealer's returns without proper verification of records led to escapement of turnover of ₹ 315.33 lakh resulting in short levy of tax of ₹ 15.12 lakh.

Section 31(7) (b) of the Mizoram Value Added Tax (MVAT) Act, 2005 provides that if the Commissioner of Taxes is satisfied that the dealer has furnished incomplete and incorrect returns in order to evade or avoid payment of tax for any period, he shall direct the dealer to pay a sum not exceeding twice the amount of tax assessed by way of penalty.

Test check of records of the Assistant Commissioner of Taxes, North Zone, Aizawl in October–November 2011 revealed that the Assessing Officer (AO) accepted a dealer's[4] sales return of ₹ 4,102.61 lakh and tax payment of ₹ 164.10 lakh for the assessment year 2008-10 as correct without enhancing or decreasing the tax payable and accordingly finalised the assessment without imposing any additional tax in his assessment. The AO was also satisfied that the dealer sold out all taxable purchases made during the assessment period with the closing balance at the end of 2009-10 as nil. Scrutiny, however, revealed that the dealer purchased goods worth ₹ 4,417.94 lakh taxable @ 4 *per cent* during the year by utilising 13 Form – 'C' declaration having tax effect of ₹ 176.72 lakh at purchase value. Thus, there was a minimum escapement of turnover of ₹ 315.33 lakh (₹ 4,417.94 lakh – ₹ 4,102.61 lakh) implying short-levy of tax of ₹ 12.61 lakh. The short-levy of tax would be even higher if the information on profit earned on sales was made available to Audit. Besides, the dealer was also liable to pay a sum not exceeding ₹ 25.22 lakh as penalty for furnishing incomplete and incorrect returns.

The Department agreed to the Audit observation and re-assessed (January 2012) the dealer after taking the dealer's purchase at ₹ 4,417.94 lakh with a profit of 1.5 *per cent* and levied tax of ₹ 179.22 lakh and penalty of ₹ 0.70 lakh. The tax and penalty imposed in the re-assessment at the instance of Audit amounting to ₹ 15.82 lakh remained unpaid.

[4] M/s Vees Communications Pvt. Ltd., Chanmari, Aizawl (TIN 15111369009)

The Government in their reply (February 2013) stated that out of balance tax of ₹ 15.82 lakh an amount of ₹ 6.50 lakh was already deposited by the dealer in September 2012, leaving a balance of ₹ 9.32 lakh (March 2013).

5.10 Under-assessment of tax

There was under-assessment of tax of ₹ 9.03 lakh due to mistake in computation of tax.

Section 31(7) (b) of the Mizoram Value Added Tax (MVAT) Act, 2005 provides that if the Commissioner of Taxes is satisfied that the dealer has furnished incomplete and incorrect returns in order to evade or avoid payment of tax for any period, he shall direct the dealer to pay a sum not exceeding twice the amount of tax assessed by way of penalty.

Test check of records of the Assistant Commissioner of Taxes, South Zone, Aizawl in October 2011 revealed that the Assessing Officer while assessing a dealer[5] for the assessment year 2005-10 in January 2011 determined the dealer's purchase at ₹ 552.04 lakh (4 *per cent:* ₹ 291.75 lakh + 12.5 *per cent:* ₹ 260.29 lakh). The AO deducted ₹ 164.05 lakh (4 *per cent:* ₹ 87.53 lakh + 12.5 *per cent:* ₹ 76.52 lakh) on account of closing stock and damage goods and after adding 3 *per cent* profit from the net purchase value of ₹ 387.99 lakh (4 *per cent:* ₹ 204.22 lakh + 12.5 *per cent:* ₹ 183.77 lakh) and wrongly computed the tax payable by the dealer at ₹ 24.44 lakh out of the realisable amount of ₹ 32.07 lakh (4 *per cent:* ₹ 8.41 lakh + 12.5 *per cent:* ₹ 23.66 lakh). Further scrutiny of records, however, revealed that the dealer imported taxable goods worth ₹ 569.78 lakh (4 *per cent:* ₹ 268.10 lakh + 12.5 *per cent:* ₹ 301.68 lakh) by utilising 'C' & 'F' forms during the period 2005-10. Thus, there was escapement of turnover resulting in under-assessment of tax of ₹ 9.03 lakh as worked out in the following table:

Table-5.5.5

(₹ in lakh)

Sl. No.	Particulars	4 *per cent* taxable goods	12.5 *per cent* taxable goods	Total
1.	Sales returned by dealer	143.03	127.61	270.64
2.	Purchased as per Audit	333.78	236.00	569.78
3.	Less: Closing stock	19.70[6]	61.22	80.92
4.	Less: Damaged & returned	-	15.30	15.30
5.	Stock for sale	314.08	159.48	473.56
6.	Sales at profit of 3 *per cent*	9.42	4.78	14.20
7.	Taxable Sales Turn over	323.50	164.26	487.76
8.	Tax payable	12.94	20.53	33.47
9.	Tax paid			24.44
10.	Balance payable Tax			9.03

5 M/s Lalat Enterprise, Bara bazaar, Aizawl (TIN 15120035048)

6 30 per cent of purchase made during the years in respect of 4 *per cent* taxable goods was taken as closing stock as was done by AO

Thus, the dealer was liable to pay a balance tax of ₹ 9.03 lakh. Besides, the dealer was also liable to pay a sum not exceeding ₹ 66.94 lakh as penalty for furnishing incomplete and incorrect returns.

The Department stated (March 2012) that re-assessment is under process and development in this regard would be intimated to Audit. However, results of re-assessment and recovery of tax is awaited (July 2012).

The Government in their reply (February 2013) stated that the Assessing Officer did not find any miscalculation in terms of break-up of items specified under IT Goods which are taxable at four *per cent*.

In considering the Government reply, the Audit has re-verified (March 2013) the dealer's records available with the Assessing Officer and found that the dealer's purchased turn over was ₹ 268.10 lakh during 2005-10 under IT Goods against the total purchased turn over of ₹ 569.78 lakh. Thus, the dealer is liable to pay the balance tax along with the penalty as observed in Audit.

ENVIRONMENT AND FORESTS DEPARTMENT

5.11 Loss of revenue

There was loss of revenue of ₹ 68.03 lakh due to settlement of broomstick mahals by negotiation, besides loss of ₹ 11.48 lakh due to unauthorised waiver of settled amount of mahals.

Rule 19 of the Mizoram Sale of Forest Produce Mahals (MSFPM) Rules, 2002 provides that if the tenderer whose tender has been accepted fails to pay the security deposit or to pay the installments on due dates, the sale of mahal[7] shall be liable to be cancelled and the mahal shall be resold at the risk of defaulting tenderer whose security deposit and installments, if deposited, shall be forfeited to the Government as Forest Revenue. Under Rule 22, it is mentioned that the forest produce in the mahal after settlement will remain at the mahaldar's risk and the Forest Department will in no way be responsible for damage caused by fire or any other factors.

The Principal Chief Conservator of Forests (PCCF), Mizoram fixed the royalty rate of broomstick for all forest divisions of Mizoram at Rupees seven per Kg with effect from 15 February 2005.

(a) Scrutiny (October 2010) of records of the Principal Chief Conservator of Forests, Mizoram, Aizawl revealed that in response to the application of the Mizoram Forest Produce Marketing Agency (MIFMA), the Department issued (22 October 2007) work order to the

[7] Mahal means a defined geographical area where from certain forest produce are sold on condition of their removal within a specified period.

MIFMA for operation of broomstick mahals under 10 Territorial Forest Divisions in Mizoram for extraction of seven lakh Kg of broomstick at the negotiated rate of ₹ 13.32 lakh during the operation period from November 2007 to June 2008, without insisting on applying the royalty rate fixed by the PCCF on the actual broomstick to be extracted and calling of tender for the mahal.

The total royalty of seven lakh Kg of broomstick at the royalty rate as fixed by PCCF was ₹ 49 lakh. Thus, due to settlement of broomstick mahals at the negotiated amount of ₹ 13.32 lakh without inviting tender and non-levy of prescribed royalty, the Department incurred a loss of Government revenue of ₹ 35.68 lakh.

The first instalment of ₹ 6.66 lakh was deposited by the mahaldar on October 2007 along with a security deposit of ₹ 1.33 lakh. The second and third instalments of ₹ 3.33 lakh each were to be deposited by the mahaldar on 22 November 2007 and 22 December 2007 respectively.

The mahaldar, however, deposited the second instalment of ₹ 3.33 lakh belatedly in January 2008 and requested to waive the third instalment of ₹ 3.33 lakh inspite of continuous operation of mahals till the termination of the operation period. The Department, however, without terminating the operation of mahals for its resale at the risk of defaulting mahaldar and without forfeiture of the security deposit (₹ 1.33 lakh) irregularly waived (August 2008) the payment of third instalment of ₹ 3.33 lakh.

Thus, the Department extended undue favour to the mahaldar in operation of the mahals with the loss of Government revenue ₹ 3.33 lakh.

(b) Again, the Department issued (October 2008) work order to the MIFMA for operation of Broomstick mahals under 10 Territorial Forest Divisions in Mizoram for extraction of seven lakh Kg of broomstick at the negotiated rate of ₹ 16.65 lakh during 2008-09 without insisting on applying the prescribed royalty rate on the actual broomstick to be extracted and call of tender for the mahals.

The total royalty of seven lakh Kg of broomstick at the prevailing royalty rate was ₹ 49 lakh. Thus, due to settlement of broomstick mahals at the negotiated amount of ₹ 16.65 lakh without inviting tender and non-levy of prescribed royalty, the Department incurred a loss of Government revenue of ₹ 32.35 lakh.

Against the settled amount of ₹ 16.65 lakh, the mahaldar, however, deposited only an amount of ₹ 8.50 lakh as first instalment in January 2009. Payment of the second instalment of ₹ 8.15 lakh was however, irregularly waived by the Government to adjust the reported loss incurred by the mahaldar in operation of 10 mahals during 2007-08.

The action of the Government in waiving the second instalment to adjust the loss incurred by the mahaldar during 2007-08 was not justified as the Forest Produce in the mahals after settlement remained at mahaldar's risk and Forest Department was in no way responsible for damage caused by unforeseen factors, and thus could not give such waiver.

Thus, due to the above undue favour given to the mahaldar, the Government incurred a loss of revenue of ₹ 8.15 lakh.

In their reply the E&F Department stated (October 2012) that the Government found the case to be genuine and after careful consultation with Finance Department waived the 3rd instalment and allowed MIFMA to operate broomstick mahal during 2008-09. However, reply of the Department is not acceptable as it is already mentioned above that the action taken by the action of the Government was not justified.

The matter was reported (September 2012) to the Government and their reply is awaited (March 2013).