

EXECUTIVE SUMMARY

This Audit Report has been prepared in six Chapters. Chapters I to V deal with Social, Economic, General, Public Sector Undertakings and Revenue Sectors and Chapter VI deals with Follow up of Audit observations.

This Report contains 16 Audit Paragraphs (excluding eight general paragraphs), two Performance Reviews and one Chief Controlling Officer based Audit. According to the existing arrangements, copies of the draft audit paragraphs, draft performance reviews and draft Chief Controlling Officer based Audit were sent to the concerned Secretaries/Principal Secretaries to the State Government by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. The Secretaries/Principal Secretaries were also reminded for replies. Besides, a demi-official letter was also sent to 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 nine audit paragraphs from the concerned Principal Secretaries/Secretaries to the State Government.

CHAPTER-I

SOCIAL SECTOR

Chief Controlling Officer based Audit

1.3 Chief Controlling Officer based Audit of Local Administration Department

The Local Administration Department (LAD) is charged with the responsibility of looking after the affairs of the Village Councils (VCs) through District Local Administration Officers in six districts of the State excluding the areas falling under Autonomous District Council (ADC) *viz.* Lai, Mara and Chakma ADC. The Department is also responsible for timely conduct of General Elections of 725 Village Councils and disbursing remunerations to the members of the Village councils besides monitoring different functions of the VCs in the process of implementation of development works. The LAD is the Nodal Department in initiating democratic de-centralisation. It is also the custodian of detailed information of the population in the Village Council areas. A Chief Controlling Officer based Audit of Local Administration Department revealed positive points especially on the achievements against the year-wise targets set during 2007-12. Shortcomings were, however, noticed in planning, irregular parking of funds, non-release of grants-in-aid to the Village Councils in time, avoidable and extra expenditure, non-recovery of loans from the beneficiaries and poor financial management. The execution of works was not inspected by the Assistant/Executive Engineer to ensure that the quality parameters are complied with for works done through contractors. The Department

made procurements beyond the scope of delegated powers by the Head of the Department as well as the District Officers without obtaining the approval of the State Government. Some of the significant audit findings are as under:

The planning process was not based on a bottom up need based approach and the annual plans were formulated in an *ad hoc* manner by merely sizing the plan according to the outlay.

(Paragraph 1.3.7)

An amount of ₹ 28.52 crore was parked under the head Civil Deposits to avoid lapse of funds.

(Paragraph 1.3.8.3.1)

Failure in timely repayment of loan along with payment of interest resulted in an extra expenditure of ₹ 1.39 crore from the public exchequer which could have been avoided.

(Paragraph 1.3.8.6)

Splitting up of expenditure sanction to avoid sanction of the Government, the Director LAD and the DLAOs irregularly purchased stationeries and miscellaneous items worth ₹ 0.71 crore, which requires *ex-post-facto* approval of the Government.

(Paragraph 1.3.8.7.1 & 1.3.8.7.2)

There was no short fall in achievements against the year wise targets set during 2007-12 for rendering service to the public through civic amenities besides providing housing loans to the weaker sections of the society.

(Paragraph 1.3.9.1)

Lack of appropriate action resulted in outstanding loan and interest of ₹ 3.65 crore (83 *per cent*) against the loanees.

(Paragraph 1.3.9.2)

In absence of inspection of the completed works by Assistant/Executive Engineer of the Department, the quality parameters of works done could not be ensured.

(Paragraph 1.3.9.3 (ii))

Transaction Audit Paragraphs

The Health & Family Welfare Department failed to realise reimbursement of ₹ 10.39 crore from M/s RGICL as it refused to entertain reimbursement of medical claims preferred by the beneficiaries.

(Paragraph 1.4)

The Health & Family Welfare Department incurred an avoidable expenditure of ₹ 12.50 lakh due to delay in release of claim preferred by the firm.

(Paragraph 1.5)

CHAPTER-II

ECONOMIC-I SECTOR

2.3 Performance Audit of Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in Mizoram

The National Rural Employment Guarantee Act (NREGA), 2005 enacted in September 2005, guarantees 100 days wage employment in a financial year and was brought into force with effect from February 2006 in the 200 most backward districts of India and was aimed at covering all the notified districts of the country in the ensuing five years. It was the first time that the Panchayats were provided with such freedom to plan and execute works and granted substantial resources at their disposal to do so. *The name of the Act was changed to Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in October 2009.*

The rationale of the Act is based on combining the productive capacity of Villagers to build and nurture assets, along with alleviating the problems of chronic unemployment and poverty. The Act provides opportunities to develop rural infrastructure through watershed development, restoration of water bodies, activities aimed at forestry, land development, soil erosion and flood control, and construction of roads and institution facilities.

Out of eight districts in Mizoram, the implementation of the scheme was started in the first phase in two districts (Lawngtlai and Saiha) during 2005-06, in the second phase another two districts (Lunglei and Champhai) were covered during 2006-07 and in the third phase all the remaining four districts (Aizawl, Mamit, Kolasib and Serchhip) were covered during 2007-08.

(Paragraph 2.3.1)

The Performance Audit of the Scheme brought out the following significant findings:

The State Government was required to release a State matching share of ₹ 105.47 crore against the central releases of ₹ 1,012.17 crore during 2007-12. The State Government released only an amount of ₹ 83.30 crore, resulting in short release of ₹ 22.17 crore to 08 districts in the State.

(Paragraph 2.3.11.2)

The State Government released a share of ₹ 17.89 crore, ₹ 13.88 crore and ₹ 6.76 crore to Lunglei, Lawngtlai and Kolasib Districts respectively with inordinate delays ranging from 09 to 298 days.

(Paragraph 2.3.11.4)

Without assessing the actual requirement for meeting the administrative expenses, the State MGNREGA Cell collected ₹ 202.53 lakh from 08 districts during 2010-12, out of which an amount of ₹ 92.35 lakh remained unspent.

(Paragraph 2.3.11.6)

The Programme Officer, Bungtlang 'S' Block irregularly released an amount of ₹ 361.19 lakh during April 2007 to September 2011 to the Presidents of 27 Village Councils under the Block for execution of works under material component without any supporting documents.

(Paragraph 2.3.11.8)

In the three sampled Districts (Lunglei, Lawngtlai and Kolasib), the process of convergence of NREGA funds with funds from other sources for creation of durable assets was not initiated during 2007-12 nor was there any initiative made for convergence in the Perspective Plan at the Districts level.

(Paragraph 2.3.15.3)

The State Government, Rural Development Department did not conduct inspection and physical verification of works under the programme at the prescribed two *per cent* in the entire eight Districts of the State.

(Paragraph 2.3.24.2)

Transaction Audit Paragraphs

Besides a fraudulent payment of ₹ 5.81 lakh against four non-executed works, the Public Works Department failed to realise value of issued stores worth ₹ 18.18 lakh from the firm's bills.

(Paragraph 2.4)

The Public Works Department made excess payment of ₹ 27.21 lakh in formation cutting work under 'Improvement and Widening of Tlangpui to Niawhtlang Road'.

(Paragraph 2.5)

The Project Director, District Rural Development Agency (DRDA), Saiha incurred ₹ 28 lakh without basic supporting records on construction of DRDA office building.

(Paragraph 2.6)

Non-realisation of hiring charge by the Mechanical Division, Lunglei resulted in a loss of ₹ 30.14 lakh to the Department.

(Paragraph 2.7)

CHAPTER-III**ECONOMIC-II SECTOR****GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES****Performance Review****3.2 Performance Audit Report on Power Transmission Activities of Power and Electricity Department, Government of Mizoram**

The Power and Electricity Department is responsible for planning and development of the intra-state transmission system. Assessment of demand is an important pre-requisite for planning capacity addition. The Department had formulated five year plans (2007-08 to 2011-12) for incorporation in the national five year plan. The Department had not made annual phasing for the projects included in the five year plans. Against six projects planned in the five year plans, the Department undertook execution of two projects only and the remaining four projects had not been considered for execution. Out of two planned projects undertaken by the Department, only one project (132/33 KV Sub-Station Melriat) had been completed in March 2012.

The execution of transmission projects by the Power and Electricity Department had several deficiencies mainly relating to delays, cost over run, undue benefit to contractor and procurement of transformer at higher cost. Performance Audit on Power Transmission Activities of Power and Electricity Department brought out the following significant findings:

Failure of the Department to properly plan construction of 132 KV Central Sub-Station at Melriat resulted in avoidable delays in its commissioning.

(Paragraph 3.2.12.1)

There was controllable delay in construction of 132 KV Single Circuit Transmission Line from Khawzawl to Champhai.

(Paragraph 3.2.12.2)

There was a cost over run of ₹ 1.23 crore on construction of 2nd Circuit 132 KV line between PGCIL's 132 KV Luanmual Sub-Station to the Department's 132 KV Zuangtui Sub-Station.

(Paragraph 3.2.12.3)

There was a delay in construction of (i) 132 KV Luangmual - Melriat Line and 132 KV Bay at 132 KV Sub-Station, Luangmual (ii) 132 KV Central Sub-Station at Melriat due to non-securing of Right of Way for the projects.

(Paragraph 3.2.12.5)

Installation of Optical Ground Wire in 132 KV Line between Aizawl and Lunglei - Extension of Contract period without levying Liquidated Damages resulted in undue benefit of ₹ 18.81 lakh to the Contractor.

(Paragraph 3.2.12.6)

Due to overloading of the Power Transformers of Luangmual and Zuangtui Sub-Stations, the Department was resorting to frequent load shedding in Aizawl Load Centre.

(Paragraph 3.2.14)

Failure to adhere to the tender procedures resulted in procurement of 12.5 MVA, 132/33 KV Power Transformers at higher cost of ₹ 3.72 crore.

(Paragraph 3.2.32)

Transaction Audit Paragraphs

The Mizoram Food and Allied Industries Corporation Limited (MIFCO) purchased excess quantity of raw Passion Fruit for manufacture of Passion Fruit Juice which was beyond its installed capacity and limited demand for the product resulting in loss of ₹ 1.95 crore by way of damage of raw passion fruit (₹ 62.92 lakh) and Passion Fruit Juice (₹ 1.32 crore).

(Paragraph 3.3)

During the period 2002-03 to 2008-09, the Mizoram Handloom & Handicrafts Development Corporation Limited (ZOHANDCO) by reporting inflated sales figures claimed excess rebate of ₹ 1.27 crore on sale of handloom cloths.

(Paragraph 3.4)

CHAPTER-V

REVENUE SECTOR

Transaction Audit Paragraphs

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

(Paragraph 5.5)

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.

(Paragraph 5.6)

The Land Revenue & Settlement 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.

(Paragraph 5.7)

Under Taxation Department, two dealers concealed taxable sales worth ₹ 22.70 crore and evaded tax of ₹ 1.12 crore.

(Paragraph 5.8)

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

(Paragraph 5.9)

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

(Paragraph 5.10)

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 by the Environment & Forests Department.

(Paragraph 5.11)