

EXECUTIVE SUMMARY

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

This Report contains four Performance audits and nine compliance audit paragraphs. According to the existing arrangements, copies of the draft compliance audit and draft performance reviews 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 two compliance audit paragraphs from the concerned Principal Secretaries/Secretaries to the State Government.

CHAPTER-I

GENERAL SECTOR

Performance Audit

Functioning of Home (Police) Department

The Mizoram Home (Police) Department is mainly responsible for upholding and enforcing the law impartially, to protect life, liberty, public property, human rights, dignity of the members of the public, to enforce internal security, and prevent crimes. The Department needs to modernize and to adequately equip its police forces with the objective of meeting the challenges of law and order and internal security. The performance audit of the functioning of the Department revealed that the Department was successful in upholding and enforcing the law impartially, protecting life, liberty and public property by maintaining a significant lower average crime rate in the State against the All India average crime rate. Shortcomings were noticed in planning, irregular parking of funds, retention of heavy cash balances, purchase of stationery items and repairs of vehicles by the Director General of Police/Inspector General of Police (Police Headquarters) as well as heads of District Officers beyond their delegated financial power, besides, irregularities in execution of works.

Some of the significant audit findings are as under:

- **Non-submission of Annual Action Plans within the time frame delayed release of Central assistance by GoI thereby adversely affecting the implementation of modernisation of police force scheme.**

(Paragraph 1.3.8)

- **The GoI deducted a Central assistance of ₹ 1.05 crore during 2010-11 due to non-utilisation of the approved outlay in time.**

(Paragraph 1.3.8)

- **An amount of ₹ 36.51 crore was parked under Civil Deposits, besides, retention of ₹ 13.04 crore in cash.**

(Paragraphs 1.3.9.3.1 & 1.3.9.3.2)

- **The Director General of Police and the Heads of District Offices purchased stationery articles worth ₹ 1.72 crore and incurred an expenditure of ₹ 1.54 crore towards repairs of vehicles, beyond the delegated financial limits.**

(Paragraphs 1.3.9.5.1, 1.3.9.5.2 & 1.3.9.6)

Compliance Audit Paragraph

Major portion of expenditure of ₹ one crore incurred by the Lai Autonomous District Council under District Council Affairs Department towards procurement and distribution of potato seeds remained unfruitful and did not yield desired benefit to the farmers as potato seeds were procured and distribution to the farmer after the sowing season was over.

(Paragraph 1.4)

CHAPTER-II

SOCIAL SECTOR

Performance Audit

Integrated Child Development Services (ICDS) Scheme (Social Welfare Department)

The Integrated Child Development Services (ICDS) scheme was launched as a Centrally Sponsored Scheme on 2 October 1975, in pursuance of the National Policy for Children, 1974. The policy laid down that the State should provide adequate services to children before and

after birth and during the period of growth to ensure their full physical, mental and social development, by targeting the children in the age group of zero to six years and pregnant and lactating mothers through a package of six services. This performance audit of the implementation of ICDS scheme in Mizoram brought out the following significant findings:

- **Against the Central assistance of ₹ 199.98 crore released during 2008-13, the State Government could utilise only an amount of ₹ 183.17 crore.**

(Paragraph 2.3.5.2.2)

- **To avoid the lapse of budget grant, the Department drew ₹ 37.21 crore during 2008-13 and parked the same in Civil Deposits, out of which an amount of ₹ 21.71 crore was withdrawn after retaining the same for periods ranging between two and eleven months.**

(Paragraph 2.3.5.2.4)

- **Due to non-acceptance of the lowest tendered rates of valid tenderers, the Department incurred an excess expenditure of ₹ 1.90 crore towards procurement of three food items during 2010-13.**

(Paragraph 2.3.5.2.5)

- **Despite Department's claim that it constructed all the 1,980 AWC's buildings in the State with the Central assistance, 54 test checked Anganwadi Centres were functioning either in NGO's buildings or in private buildings on lease/rental basis.**

(Paragraph 2.3.6.2)

- **There was moderate disruption in feeding days in the range between 15 days and 192 days during 2011-13 in test checked AWCs, while State Government claimed that there was no disruption in feeding days. Further, Department failed to distribute most of the food items purchased for the implementation year 2012-13, which resulted in severe disruption in feeding days.**

(Paragraph 2.3.7.2)

- **Mandatory test of the food materials procured under Supplementary Nutrition Programme to ensure that food materials contain the required nutrition component were not carried out.**

(Paragraph 2.3.7.7)

Compliance Audit Paragraphs

The District Project Coordinator, Sarva Shiksha Abhiyan, Aizawl, under the School Education Department, by unauthorised deployment of ten Primary/Upper Primary Schools teachers taken on deputation at its office, not only incurred an unauthorised expenditure of ₹ 127.32 lakh but also deprived the student of deficit schools of formal education.

(Paragraph 2.4)

The District Project Coordinator, Sarva Shiksha Abhiyan, Aizawl, under the School Education Department, unauthorisedly diverted an amount of ₹ 52.02 lakh from four interventions for procurement of Free Text Books due to wrong assessment of text books to be distributed to the students of Upper Primary Schools in the State during the year 2011-12.

(Paragraph 2.5)

CHAPTER-III

ECONOMIC SECTOR (Other than State Public Sector Undertakings)

Performance Audit

Indira Awaas Yojana (IAY) (Rural Development Department)

Indira Awaas Yojana (IAY), a flagship scheme, was launched by the Ministry of Rural Development, Government of India with the objective of helping rural BPL people in construction of dwelling units and up-gradation of existing unserviceable *kutcha* houses by providing financial assistance. The Performance Audit of the scheme, covering the period from 2008-09 to 2012-13 involving test check of records of four blocks in two Districts, brought out the following significant findings:

- **In case of 25 sample villages under four blocks in two Districts (Aizawl and Champhai), the selection of beneficiaries was not done maintaining the order of ranking/seniority in the Waitlist and even in some villages, beneficiaries were selected outside the Waitlist during 2008-13.**

(Paragraph 3.3.9.1)

- The State Government released State share of ₹ 63.71 lakh and ₹ 82.47 lakh to Aizawl and Champhai Districts respectively during 2008-13 with inordinate delays ranging between 11 days to 279 days.

(Paragraph 3.3.10.4)

- Due to late receipt of proposals for the second instalment from six Districts, the Government of India deducted Central Assistance of ₹ 92.57 lakh from the allocated IAY resources during 2012-13.

(Paragraph 3.3.10.5)

- The IAY beneficiaries under Aizawl and Champhai Districts failed to avail loan under DRI scheme with marginal interest due to lack of awareness.

(Paragraph 3.3.14)

- In absence of convergence and dovetailing of central sector schemes with IAY, the beneficiaries of the two Districts (Aizawl and Champhai) were deprived of intended the benefits of these schemes.

(Paragraph 3.3.15)

Compliance Audit Paragraphs

Disbursement of Transport Subsidy (Industries Department)

The Transport Subsidy Scheme was introduced with a view to promoting industrialisation of hilly, remote and inaccessible areas including Mizoram. During 2010-13, transport subsidy claims totaling to ₹ 1,203.26 lakh was approved by the State Level Committee (on 22 April 2008, 17 June 2009 and 08 April 2011) of which, the NEDFi disbursed an amount of ₹ 864.91 lakh between June 2010 and December 2012.

Scrutiny of records revealed that two claims approved by SLC (on 22 April 2008 and 17 June 2009) for ₹ 964.06 lakh was not finalised by the NEDFi till the end of financial year 2009-10. These claims were required to be re-scrutinised for their eligibility as per the prescribed check-list, issued (10 September 2009) by the Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India. However, the NEDFi unilaterally approved the claims of 390 industrial units and disbursed a Transport Subsidy of ₹ 766.87 lakh without re-scrutiny of the claim as per prescribed check-list.

Further, the claims of two industrial units forwarded (on 20 April 2011) amounting to ₹ 98.03 lakh accepted and disbursed by the NEDFi even though no scrutiny as per the prescribed check-list was conducted by the SLC. The State Government has accepted the irregularities.

The impact assessment study revealed that out of 93 industrial units in three districts (Aizawl, Lunglei and Saiha), 39 units, which has received transport subsidy totalling to ₹ 100.54 lakh during 2010-12 have wound up their activities just after receiving the subsidy and were no longer in existence. Thus, the objective of promoting industrialisation in the State through transport subsidy scheme has been achieved only with limited success.

(Paragraph 3.4)

CHAPTER-IV

ECONOMIC SECTOR (State Public Sector Undertakings)

Overview of State Public Sector Undertakings (SPSUs)

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 (CAG) of India. These accounts are also subject to Supplementary Audit conducted by CAG. As on 31 March 2013, the Mizoram had six working State Public Sector Undertakings (SPSUs) (all companies) employing 265 employees. These SPSUs registered a turnover of ₹ five crore for 2012-13 as *per* the latest finalised accounts. This turnover was equal to 0.06 *per cent* of State GDP indicating insignificant place in the State's economy. The SPSUs incurred a loss of ₹ 3.67 crore and had accumulated losses of ₹ 51.34 crore as per their latest finalised accounts.

Investment in SPSUs

The investment (Capital and Long Term Loans) in six SPSUs had increased from ₹ 92.96 crore (2007-08) to ₹ 94.07 crore (2012-13), *i.e.* an increase of 1.20 *per cent*.

Performance of SPSUs

Five SPSUs were incurring losses continuously during the period between 2007-08 and 2012-13. Zoram Industrial Development Corporation Limited (ZIDCO) ranked first among the SPSUs in incurring losses followed by Mizoram Food and Allied Industries Corporation Limited (MIFCO) during this period.

The losses of SPSUs are mainly attributable to the deficiencies in financial management, planning, implementation and monitoring of projects. A review of two latest Audit Reports of CAG shows that the SPSUs incurred losses to the tune of ₹ 38.16 crore which were avoidable. There was tremendous scope to improve the functioning of SPSUs and reduce the losses. The SPSUs can discharge their role efficiently if they are financially self-reliant. There was a need for professionalism and accountability in the functioning of SPSUs.

Arrears in accounts

Six working PSUs had arrears of 30 accounts as of September 2013.

(Paragraph 4.1)

Performance Audit

Implementation of Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) (Power & Electricity Department)

The Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) was launched in April 2005 which aimed at providing access to electricity to all rural households (RHHs) and improving the rural electricity infrastructure in the country in five years. The Government of India (GoI) provides 90 *per cent* capital subsidy under the Scheme and the remaining 10 *per cent* is contributed by the State Governments. In Mizoram, the Scheme is being executed (since September 2008) on a turnkey basis and was targeted to be completed by March 2010. A performance audit of the Scheme brought out the following significant audit findings:

- **Frequent revisions of estimates in preparation of DPR resulted in delay in execution of the Scheme.**

(Paragraph 4.2.8)

- **Award of consultancy work on a nomination basis and in proportion to the contract value resulted in avoidable consultancy charges of ₹ 5.35 crore.**

(Paragraph 4.2.10.2)

- **Cases of delay in rectification of defects by Turnkey Contractors were noticed, which resulted in delay in implementation of the scheme.**

(Paragraph 4.2.10.5)

- **Materials valuing ₹ 4.86 crore claimed to have been dispatched by Turnkey Contractors, were not received.**

(Paragraph 4.2.10.7)

Compliance Audit Paragraphs

Operations of Fleet of Buses of Mizoram State Transport (Transport Department)

The Transport Department, Government of Mizoram has been functioning as an independent Department *w.e.f.* 20 December 1987 after its bifurcation from the erstwhile combined Supplies and Transport Department. It is mandated to provide an efficient, adequate, economical and properly co-ordinated road transport and to facilitate movement of passengers within the State as well as to operate inter-state services to various destinations. The number of buses operated by the Mizoram State Transport (MST) reduced from 53 to 33 buses between August 2008 and March 2013. The audit of operations of fleet of MST brought out the following significant findings.

- In order to control the high cost of operation, a number of decisions like introduction of a policy of privatisation and gradual phasing out of vehicles and improving the on-going MST services by replacing old and over-aged buses were taken by the Department. It was, however, noticed in audit that none of these decisions were implemented by the Department. As a result, the increasing losses could not be controlled by the Department.
- There was no improvement in the average daily bus operations of MST as the average number of buses operated daily had gradually decreased from 30 buses (2008-09) to 19 buses (2011-12).
- The manpower cost of MST has steeply increased from ₹ 67.54 per km (2008-09) to ₹ 191.41 per km (2012-13). Due to this huge manpower cost, the State Planning Board requested (October 2009) the MST to take suitable steps for reducing manpower cost. But no steps had been taken by the Department so far (February 2014).

(Paragraph 4.3)

CHAPTER-V

REVENUE SECTOR

Compliance Audit Paragraphs

Management of Fund by Mizoram State Compensatory Afforestation Fund Management and Planning Authority (CAMPA) (Environment & Forests Department)

In pursuance of the instructions issued (July 2009) by the Ministry of Environment and Forests (MoEF), Government of India (GoI), the Government of Mizoram (GoM) constituted (August 2009) the State Compensatory Afforestation Fund Management and Planning Authority (State CAMPA). The functions of the State CAMPA are funding, overseeing and promoting compensatory afforestation on forest land diverted for non-forest purposes. Audit of State CAMPA brought out the following significant findings:

- In the absence of basic records, the year-wise transactions of fund, including collection of funds from the user agencies and their remittances to the *ad-hoc* CAMPA during the period covered under audit could not be ascertained.
- The Compensatory Afforestation fund of ₹ 10.83 lakh had been retained for more than 12 years, due to lack of initiative on the part of the Environment & Forests Department. As a result, the Compensatory Afforestation could not be achieved in the forest areas diverted for non-forest purposes against five projects, even though the fund was available with the Environment & Forests Department.
- State Government could not utilise the funds of ₹ 245.35 crore for afforestation purposes due to non-realisation of Net Present Value (NPV) by the State Environment & Forests Department to that extent.
- The State Environment & Forests Department did not take any action for realisation of NPV amounting to ₹ 12.14 lakh from the State Public Works Department for Compensatory Afforestation against 1.663 ha of forest land diverted for non-forest purposes.
- Due to delay in submission of Catchment Area Treatment Plan (CATP) for more than 16 years, no final approval of the project (which was commissioned in April 2010) could be granted by the Government of India, as a result of which fund for CATP remained unrealised as of January 2014.

(Paragraph 5.5)