

CHAPTER-III

ECONOMIC SECTOR

(other than State Public Sector Undertakings)

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ECONOMIC SECTOR (Other than State Public Sector Undertakings)

3.1 Introduction

This Chapter of the Audit report for the year ended 31 March 2014 deals with the findings on audit of the State Government under Economic Sector (other than State Public Sector Undertakings).

The names of the State Government Departments and the total budget allocation and expenditure of the State Government under Economic Sector (other than State Public Sector Undertakings) during the year 2013-14 are given in the Table below:

Table-3.1.1

(₹ in crore)

| Sl. No. | Name of the Departments | Total Budget Allocation | Expenditure |
|--------------|--|-------------------------|----------------|
| 1. | Planning & Programme Implementation | 960.95 | 39.56 |
| 2. | Agriculture | 279.66 | 168.95 |
| 3. | Horticulture | 114.96 | 109.16 |
| 4. | Soil and Water Conservation | 61.00 | 57.35 |
| 5. | Animal Husbandry and Veterinary | 158.77 | 143.24 |
| 6. | Fisheries | 31.70 | 27.47 |
| 7. | Co- operation | 14.20 | 13.20 |
| 8. | Rural Development | 133.87 | 121.03 |
| 9. | Industries | 105.99 | 104.98 |
| 10. | Sericulture | 20.65 | 18.96 |
| 11. | Tourism | 6.51 | 6.28 |
| 12. | Trade and Commerce | 5.61 | 5.60 |
| 13. | Public Works | 582.63 | 392.00 |
| 14. | Minor Irrigation | 148.05 | 10.44 |
| 15. | Information & Communication Technology | 8.77 | 7.78 |
| Total | | 2633.32 | 1226.00 |

Source: Appropriation Accounts, Government of Mizoram, 2013-14

Besides the above, the Central Government has been transferring a sizeable amount of funds directly to the implementing agencies under the Economic Sector (other than State Public Sector Undertakings) to different Departments of the State Government. The major transfers for implementation of flagship programmes of the Central Government are detailed below:

Table-3.1.2

(₹ in crore)

| Name of the Departments | Name of the Schemes/ Programmes | Implementing Agency(s) | Amount of funds transferred during the year |
|--|--|--|---|
| Rural Development (RD) | NREGS - 90:10 National Rural Employment Guaranteed Scheme | Rural Development (RD) | 244.74 |
| Rural Development (RD) | IAY - Indira Awaas Yojana | Rural Development (RD) | 25.70 |
| District Rural Development Agency | DRDA Administration | District Rural Development Agency | 5.74 |
| District Rural Development Agency | Integrated Watershed Management Programme | District Rural Development Agency | 6.48 |
| | | MZWDA, Aizawl | 70.04 |
| Rural Development (RD) | Aajeevika-Swaran Jayanti Gram Swarajgar Yojana | Rural Development (RD) | 2.79 |
| Agriculture | National Food Security Mission | Mameti (Agriculture) | 7.50 |
| Agriculture | Support to State Extension Programme for Extension Reforms | Mameti (Agriculture) | 3.97 |
| Fisheries | Infrastructure Development FPI | Mizofa Fish Seed Farm | 0.70 |
| | | Zoram Fish Seeds Production Centre | 7.31 |
| Animal Husbandry and Veterinary | Livestock Health and Disease Control | Mizoram Government | 3.24 |
| Animal Husbandry and Veterinary | Dairy Development Project | Mizoram Milk Producers Cooperative Union Ltd. | 3.85 |
| Fisheries | National Scheme for Welfare of Fishermen | Mizoram Government | 2.63 |
| Agriculture | National Mission on Micro Irrigation | Mizoram Government | 6.75 |
| Rural Development (RD) | NLRMP | Programme Management Unit for NLRMP | 1.90 |
| Tourism | Product/Infrastructure Development for Destinations and Circuits | Mizoram Tourism Development Authority | 16.11 |
| Animal Husbandry and Veterinary | National Project for Cattle and Buffalo Breeding | State Implementation Unit Mizoram of NPCBB | 2.06 |
| Information & Communication Technology | Technology Development Programme | Mizoram Council of Science, Technology & Environment | 0.07 |
| Information & Communication Technology | Electronic Governance | Mizoram State e-Governance Society (MSeGS) | 13.17 |
| Total | | | 424.75 |

Source: Finance Accounts, Government of Mizoram, 2013-14

3.2 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various Departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls *etc.*

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the heads of the Departments. The Departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection reports are processed for inclusion in the Audit Report, which is submitted to the Governor of State under Article 151 of the Constitution of India.

The audits were conducted during 2013-14 involving expenditure of ₹ 620.62 crore out of the total expenditure of ₹ 1,226 crore of the State Government under Economic (other than State Public Sector Undertakings) Sector. This chapter contains one Performance Audit on 'Development of Tourism Sector in Mizoram' and three Compliance Audit paragraphs.

The major observations made in audit during 2013-14 are discussed in the succeeding paragraphs.

PERFORMANCE AUDIT

TOURISM DEPARTMENT

3.3 Development of Tourism Sector in Mizoram

Highlights

For development and promotion of tourism in the State, the Department of Tourism started functioning independently in 1987 after bifurcating from the Department of Information and Public Relations. Its main function is development of basic accommodation infrastructure and recreation facilities within Mizoram. It has been developing these various tourist facilities through the liberal financing of the Ministry of Tourism, Government of India. A performance audit on Development of Tourism Sector in Mizoram was carried out covering the period from 2009-10 to 2013-14 and the significant findings noticed in audit are brought out below:

Due to absence of State Tourism Policy, tourism promotion measures have been undertaken without any roadmap, target or timelines, thus, badly affecting the development of tourism in the State.

(Paragraph 3.3.8.1)

The revenue of ₹ 841.19 lakh collected by 47 Tourist Lodges/Resorts during 2009-14 were remitted to Government accounts by the Department with delay period ranging from 2 to 281 days.

(Paragraph 3.3.9.2)

Against the agreed amount of ₹ 150.09 lakh, the MTDA has paid consultancy fees of ₹ 116.21 lakh after irregularly diverting the funds from the eight projects.

(Paragraph 3.3.10.2 (c))

MTDA failed to commence all the eight works as of August 2014 and unauthorisedly parked the released amount of ₹ 934.22 lakh in their accounts for more than seven months without surrendering the unutilised amount to the GoI.

(Paragraph 3.3.10.5)

42 Tourist Lodges and Highway restaurants incurred a maintenance cost of ₹ 734.05 lakh during 2009-14 against which they collected a revenue of ₹ 266.85 lakh only, thus pointing to the gross underperformance of the tourist establishments as well as uneconomical maintenance of the assets by them.

(Paragraph 3.3.10.9)

MTDA incurred an idle expenditure of ₹ 147.50 lakh towards procurement of Aero Sports equipments which were stored for a prolonged period without any use.

(Paragraph 3.3.11.3 (a))

3.3.1 Introduction

Mizoram is a mountainous State nestling in the southern tip of the north-eastern region of India, sandwiched between Myanmar and Bangladesh. The Tropic of Cancer runs through the heart of the State. Mizoram has a pleasant climate throughout the year, and is a land of great natural beauty having rich variety of flora and fauna. The scenic landscapes of bluish hills and mountains, steep rocky cliffs, serene lakes and deep valleys of gurgling rivers with its spectacular waterfalls makes the state an ideal destination for nature lovers. The fantastic array of wildlife especially the bird is an added attraction. To the more adventurous spirit, the rugged terrains and swift flowing rivers are ideal for various outdoor sports and adventure activities. Due to its natural scenic beauty and the richness of the culture of the people, Mizoram has a huge potential for development of tourism industry. For development and promotion of tourism in the State, the Department of Tourism started functioning independently in 1987 after bifurcating from the Department of Information and Public Relations. The main function is in the field of development of basic accommodation infrastructure and recreation facilities within Mizoram. It has been developing these various tourist facilities through the liberal financing of the Ministry of Tourism, Government of India.

3.3.2 Organisational Set-up

3.3.2.1 Department of Tourism

The Secretary, Department of Tourism (DoT), Government of Mizoram is the administrative head of the Department. The Director, DoT is the functional head of the Department who is assisted by one Joint Director, three Deputy Director and three Tourist Officers at Directorate level. All the tourism activities in the State are being managed by the functionaries from the Directorate level without having any District level functionary. The Department has been maintaining 47 tourist lodges and highway restaurants spread over throughout the State, in which seven Assistant Tourist Officers and 40 other staffs were posted for its day to day management.

3.3.2.2 Mizoram Tourism Development Authority

Mizoram Tourism Development Authority (MTDA), a registered society, was constituted (11 October 2007) with the objectives to develop the Tourism Sector in relation to preparation of Detailed Project Report (DPR) for various projects under Tourism Department, manpower development of the Department, setting up of Network Connectivity between the Tourism Offices, designing Technology Architecture and implementing solution for Tourism development, identifying Technology and Financial partner for the State and implementing the Project of setting up Tourism infrastructure.

3.3.3 Scope of Audit

The performance audit was conducted during May - August 2014, covering the period from 2009-10 to 2013-14, to assess the efficiency, economy and effectiveness of the Tourism Sector in developing tourism in the State. The performance audit involved scrutiny of records of the Administrative Head, and the Directorate of Tourism, besides, the executing agencies like State Public Works Department and Mizoram Tourism Development Authority responsible for executing works in creating infrastructure facilities.

3.3.4 Audit Objectives

The objectives of the performance audit were to ascertain whether:

- State tourism policies and plan are formulated in line with the National Tourism Policy and implemented effectively;
- Funds at the disposal of the State Government were utilised in an economic, efficient and effective manner;
- Implementation of infrastructure development projects funded under various schemes were effectively managed and were in conformity with the prescribed procedure;
- Tourism promotional activities undertaken in the State for the growth of tourism sector delivered the desired results; and

- Any efforts were made to have co-ordination and collaboration with other Departments and there existed an effective public-private partnership in the development of tourism in the State.

3.3.5 Audit Methodology

Before taking up the performance audit, an entry conference was held on 09 May 2014 with the Additional Secretary of the Administrative Department, the Director and officers of the Tourism Department, wherein the audit objectives, scope and criteria were discussed. The Department shared their perception and areas of concerns in the functioning of the Tourism Department. The selection of units was done through simple random sampling basis.

The findings of the Audit were discussed in an exit conference which was held on 04 December 2014 with the Additional Secretary, Tourism Department, Mizoram and the Principal Accountant General, Mizoram.

3.3.6 Audit Criteria

Audit findings were benchmarked against criteria derived from the following sources:

- Rules and regulations of the Mizoram Tourism Development Authority.
- Scheme guideline for product/infrastructure development for destinations and circuits.
- Perspective Plan of the Department.
- General Financial Rules, 2005 (being followed by the State Government).
- Central Government Account (Receipt and Payment Rules), 1983 (being followed by the State Government).
- Central Public Works Department Manual (being followed by the State Government).
- Guidelines/Instructions issued by the Government of India from time to time.
- Citizen's Charter of the Department.

3.3.7 Acknowledgement

The Indian Audit and Accounts Department acknowledges and appreciates the co-operation rendered by the State level functionaries of the Tourism Department during this Performance Audit.

Audit Findings

Significant audit findings noticed in the course of Performance Audit of the sector are discussed in the succeeding paragraphs.

Audit Objective: To assess whether state tourism policies and plan are formulated in line with the National Tourism Policy and implemented effectively.

3.3.8 Policy making, planning, and implementation

3.3.8.1 Planning process

In order to have planned efforts for tourism development, the Tourism Department had adopted the Tourism Master Plan (TMP) for North Eastern Region (NER) prepared by Mumbai based Tata Consultancy Services on the direction of North Eastern Council (NEC), Ministry of Development of North Eastern Region (DoNER), without revisiting and considering the emerging requirements and the challenges thrown up by this Sector in the State. The Department prepared the Annual Action Plans (AAPs) for the years 2009-14 on the basis of the availability of budget provisions and as per the instructions of Programme and Planning Implementation Department (State Planning Department) without considering the TMP, which delineated the AAP from the TMP.

It was further noticed that the Department had framed a Draft Tourism Policy, 2011 with a view to “placing Mizoram on the tourism map of the world as one of the leading tourist destinations and as a pivot of economic and social development in the State”. However, the State Government has accorded approval of the said policy in May 2014. Even the 20 Years Perspective Plan brought out by the Ministry of Tourism has not been adopted by the Department. Though the Department has claimed to have adopted the Tourism Master Plan prepared by the Tata Consultancy Services, audit observed that the Annual Action Plan framed by the Department did not reflect the same as it did not address the issues relating various type of tourism suggest in the TMP.

Thus, in the absence of any wholesome Policy, tourism promotion measures in the state have been undertaken without any roadmap, target or timelines which has led to retarded growth of the sector in the State as can be seen not only from the poor infrastructure but also from the low tourist inflows in the State. (Table-3.3.13)

While accepting the facts, the Government stated (January 2015) that the Department had adopted the Tourism Master Plan (TMP) for North Eastern Region (NER) prepared by Tata Consultancy Services on the direction of NEC. However, the State Government has not accorded approval of the TMP. Hence, the said TMP cannot be considered by the Department while preparing the Annual Action Plan (AAP). As such, the Department prepared its AAP for the year 2009-14 as per the instruction of the Planning Department. This has been practiced in the Government of Mizoram. In order to have a fast pace of development in sustainable Tourism in Mizoram, the Department had framed Draft Tourism Policy, 2014 and this has been accepted and published on 23 May 2014. All projects under the Department have been taken up after obtaining approvals from the Government.

Audit Objective: To assess whether funds at the disposal of the State Government were utilised in an economic, efficient and effective manner.

3.3.9 Financial Management

The Directorate of Tourism incurred expenditure on Non-Plan, Plan and Centrally Sponsored Schemes (CSS) sectors from the State Government accounts through budgetary processes. Besides, towards implementation of projects under Central Financial Assistance (CFA), the Ministry of Tourism, Government of India (GoI) use to release funds to the accounts of the Member Secretary, Mizoram Tourism Development Authority (MTDA) The MTDA in turn disbursed the funds to the executing agencies (State Public Works Department and MTDA itself) for implementation of the projects sanctioned by GoI. The position of year-wise budget and expenditure incurred by the Directorate of Tourism and their utilisation during 2009-14 are shown below:

3.3.9.1 Budget provision and actual expenditure incurred by Tourism Department

The Department incurred a total revenue expenditure of ₹ 29.71 crore out of available provision of ₹ 31.83 crore during 2009-14. The budget provisions and expenditure of the Department during the period 2009-14 are shown in Table below:

Table-3.3.1

(₹ in crore)

| Year | Budget provision | | | | Expenditure | | | | Savings (-)/ Excess(+) |
|--------------|------------------|--------------|-------------|--------------|--------------|--------------|------------|--------------|---------------------------|
| | Non-Plan | Plan | CSS | Total | Non-Plan | Plan | CSS | Total | |
| 2009-10 | 1.60 | 4.20 | Nil | 5.80 | 1.55 | 4.16 | Nil | 5.71 | (-) 0.09 |
| 2010-11 | 1.96 | 4.25 | Nil | 6.21 | 1.92 | 4.26 | Nil | 6.18 | (-) 0.03 |
| 2011-12 | 2.10 | 3.69 | Nil | 5.79 | 1.94 | 3.62 | Nil | 5.56 | (-) 0.23 |
| 2012-13 | 2.48 | 3.78 | 1.38 | 7.64 | 2.41 | 3.75 | Nil | 6.16 | (-) 1.48 |
| 2013-14 | 2.54 | 3.85 | Nil | 6.39 | 2.33 | 3.77 | Nil | 6.10 | (-) 0.29 |
| Total | 10.68 | 19.77 | 1.38 | 31.83 | 10.15 | 19.56 | Nil | 29.71 | (-) 2.12 |

Source: Detailed Appropriation Accounts

It can be seen from the Table 3.3.1 above that there were persistent savings ranging from ₹ 0.03 crore to ₹ 1.48 crore during 2009-14. The Department did not surrender the anticipated savings in time.

In their reply, the Government stated (January 2015) that ₹ 1.38 crore balance in the year 2012-13 under CSS head which was shown as not surrendered was being transferred to PWD in August 2012 through Finance Department which could not be surrendered. Remaining balance amounting to ₹ 0.74 crore had also been surrendered to Finance Department.

3.3.9.2 Delay in remittance of revenue

Rule 6(1) of the Central Government Account (Receipts and Payments) Rules, 1983 stated that “All moneys received by or tendered to Government officers on account of revenues or receipts or dues of the Government shall, without undue delay, be paid in full into the accredited bank for inclusion in Government Account.

Examination of the records of the Director, Tourism Department revealed that 45 tourist lodges/resorts etc. (2 out of the 47 lodges did not collect any revenue as they are non-functional) under the Department collected a total revenue of ₹ 841.19 lakh during 2009-10 to 2013-14 as lodging charges, fooding charges, service charges, hiring charges of the tourist facilities like tourist lodges, picnic spots, restaurants from the tourists. The entire revenue of ₹ 841.19 lakh so collected was duly remitted into the Government accounts during 2009-14 by the Department through treasury challans with delay for a period ranging from 2 to 281 days. This delay in deposit of revenue entails the risk of misappropriation and ought to be avoided. The details of tourist lodge/resort wise revenue collected and remitted into the Government accounts are shown in **Appendix-3.3.1**. As per the Department’s reply, delay in remittance has mainly occurred due to the far-flung location of the tourist lodges and due to the need to keep some amount of money with the tourist lodges for their upkeep and maintenance. However, as the employees of the tourist lodges or the managers, as per their current practice, are required to come to Aizawl and take their salaries in cash from the Directorate of Tourism, it is questionable as to why revenue could not be submitted to the Directorate in time as salary is taken monthly from Aizawl. Moreover, the Department has not systematized the financial or budgetary management aspect of the tourist lodges.

While accepting the facts, the Government stated (January 2015) that the distance of most Tourist Lodges and Highway Restaurants are not only far from Aizawl but the approach roads are in deplorable condition during the monsoon. As a result timely submission of revenue is difficult though all units are directed to submit on time. It may be mentioned that some of the units do not earn any revenue and as such some of the months have nil income. Thus, they have to wait for their income from the other months as such it results in delay in submission. To avoid such occurrences, strict orders for timely submission have been issued and the Department will comply as such.

3.3.9.3 Retention of fund beyond the permissible period and delay in release of fund to the executing agency

As per the terms and conditions of the release orders of Central Financial Assistance (CFA) by GoI, the State Government will not keep the amount released by the Central Government un-utilised for more than six months. In case the funds cannot be utilised by such time, they will have to be surrendered to the Central Government or their formal approval should be taken to transfer/adjust the amount against other Central Financial Assisted Projects.

Audit scrutiny showed that during July 2009 to November 2010 against the three approved projects, the GoI released an amount of ₹ 463.30 lakh on instalment basis to the MTDA. It was however noticed that, the MTDA had not released the funds to the executing agency (PWD) within the prescribed time limit of six months for its utilisation. Thus the entire fund was required to be surrendered to the Central Government or formal approval was required to be obtained from the GoI for its adjustment against the approved projects under CFA. It was noticed that without surrendering the funds to the GoI or without obtaining approval from the GoI, the MTDA retained the entire funds of ₹ 463.30 lakh and released the same to the executing agency (PWD) with delays for period ranging from 142 to 809 days from the date of expiry of utilisation period of six months. The details of amount of instalments released by the GoI against the three approved projects and its actual date of release to the executing agency (PWD) by the MTDA are shown in the Table-3.3.2 below:

Table-3.3.2

(₹ in lakh)

| Sl. No. | Name of project | Details of release of installment by GoI | | Due date of utilisation (6 months) | Details of actual release to the executing agency (PWD) | | |
|--------------|--------------------------------|--|---------------|------------------------------------|---|---------------|------------------------|
| | | Date | Amount | | Date | Amount | Period of delay (days) |
| 1. | Tourist Destination Chakhang | 09.07.09 | 162.84 | 09.01.10 | 31.05.10 | 162.84 | 142 |
| 2. | Tourist Destination Niawhtlang | 09.07.09 | 162.84 | 09.01.10 | 31.05.10 | 162.84 | 142 |
| 3. | Tourist Lodge Serchhip | 24.11.10 | 137.62 | 24.05.10 | 10.08.12 | 137.62 | 809 |
| Total | | | 463.30 | - | - | 463.30 | - |

Source: Departmental records

Thus, due to delay in release of fund to the executing agencies, the works could not be started in time which has led to non-completion of the project till date. Hence, the purposes and benefits which have been envisaged of the projects could still not be served and availed due to the delays.

The Government's reply (January 2015) is silent about the delay in release of fund to the executing agencies.

Audit Objective: To assess whether implementation of infrastructure development projects funded under various schemes were effectively managed and were in conformity with the prescribed procedure.

3.3.10 Implementation of Programmes/Projects

The Ministry of Tourism, Government of India extends financial assistance to the State Governments/Union Territory Administrations for tourism projects identified in consultation with them for the improvement of existing tourism products and also for developing new ones.

Under the Centrally Sponsored Scheme “Product/Infrastructure Development for Destinations and Circuits” 100 per cent Central Assistance is given for development of destinations/circuits including mega projects to world standard and also for rural tourism infrastructure development. The scheme provides for financial assistance upto ₹ five crore for the development of Destinations and ₹ eight crore for Circuits.

The scheme has the following two components:

- (i) Major destination and integrated circuit development; and
- (ii) Rural tourism infrastructure development.

Under the central scheme of ‘Products/Infrastructure Development for Destinations and Circuits’, financial assistance is provided by the Ministry of Tourism, GoI based on Detail Project Reports (DPRs) submitted by the State Government. The Ministry of Tourism, Government of India approved 34 projects during the period from January 2004 to March 2014, at a total project cost of ₹ 166.88 crore, excluding one project directly implemented by Indian Tourism Development Corporation (ITDC) with an approved project cost of ₹ 6.34 crore. Details of projects sanctioned and executed during 2004-14 are shown in **Appendix-3.3.2**.

The position of Central Financial Assistance (CFA) released by the Ministry of Tourism to the State and actual expenditure incurred by the executing agencies against the approved projects are given in the following Table:

Table-3.3.3

(₹ in crore)

| Period | No of Project sanctioned (approved cost) | GoI release upto 2008-09 | GoI release during 2009-14 | Total release by GoI | Details of expenditure by Executing agencies | | | | |
|---------------------------|--|--------------------------|----------------------------|----------------------|--|-----------------------------|-----------------|--------------|--------------|
| | | | | | Name of agency | Funds transferred to agency | Expenditure by: | | |
| | | | | | | | PWD | MTDA | Total |
| January 2004 to June 2008 | 12 (72.19) | 53.17 | 15.95 | 69.12 | PWD | 69.12 | 65.67 | - | 65.67 |
| 2009-14 | 22 (94.68) | Nil | 53.53 | 53.53 | PWD/MTDA | 23.88 | 18.29 | 12.88 | 31.17 |
| Total | 34 (166.88) | 53.17 | 69.48 | 122.65 | - | 93.00 | 83.96 | 12.88 | 96.84 |

Source: Departmental records

It can be seen from the above table that out of available ₹ 122.65 crore, the State could spend only an amount of ₹ 96.84 crore during 2009-14 leaving a balance of ₹ 25.81 crore. The year-wise details of sanction and expenditure by the executing agencies are shown in **Appendix-3.3.3**.

While accepting the facts, the Government stated (January 2015) that the funds for the projects could not be spent as some of the projects are on-going and some are not yet started.

3.3.10.1 Financial and physical progress of the projects

Out of 34 projects sanctioned, 19 projects (approved cost ₹ 97.87 crore) were executed by the State Public Works Department (PWD) during 2008-14 and incurred an expenditure of ₹ 83.96 crore as of August 2014. Against the allotted 19 projects, the PWD completed execution of nine projects and remaining 10 projects were still in progress as of August 2014. The remaining 15 projects were to be executed by MTDA. But, the MTDA had started execution of only seven projects and completed two projects as of August 2014 and incurred an expenditure of ₹ 12.88 crore as of August 2014 towards two completed and five ongoing projects. Execution work of the remaining eight projects were not yet started (August 2014) by the MTDA. The details of project wise approved cost, CFA released by GoI, and their upto date expenditures as of August 2014 are shown in **Appendix-3.3.2**.

Test check of records of the executing agencies (PWD and MTDA) showed the following irregularities.

3.3.10.2 Engagement of Consultants

According to the Government of India, Ministry of Tourism, letter dated 13 April 2010, the selection of consultants should be done as per the procedure prescribed by the State Government and where payments to the consultants are to be made by the State Governments, the total cost would be reimbursed to the State Governments on submission of the reports.

The extant order of the Government of Mizoram regarding appointment of consultants stipulates that for engineering, architectural and allied works which cannot be undertaken by PWD, private consultancy firms may be engaged only after obtaining a 'No Objection Certificate' (NOC) or clearance letter from PWD clearly stating the reasons for their inability to take up the projects. Any Department desirous of engaging consultants shall mandatorily obtain permission of Finance Department prior to engagement of Consultants; and When the cost of work or service is more than ₹ 25 lakh, an enquiry for seeking "Expression of Interest" (EoI) from consultants should be published in at least one national daily newspaper and the concerned Departments website. On the basis of response received from interested parties, consultants meeting the requirements should be shortlisted for further consideration.

Ministry of Tourism, GoI intimated (April 2010) that they provide financial assistance to the State Governments for engaging consultants for preparation of Detail Project Reports (DPRs), Feasibility Reports, Master Plans, *etc.* as also for undertaking surveys/studies in the field of Tourism, under its plan scheme 'Market Research-Professional Services'. For a consultancy assignment covering the entire state, assistance of 90 *per cent* of the consultancy cost, subject to a ceiling of ₹ 25 lakh is provided.

Examination of records of the Member Secretary, Mizoram Tourism Development Authority (MTDA) revealed that during October 2011 to June 2014 the MTDA engaged four consultancy firms for preparation of DPRs, survey of site, architectural drawing and designs, structural/detailed drawings, sanitary, water supply, electrical, electronics and landscape works, measurement of works, periodic inspection, monitoring and evaluation of construction works at a total agreed cost of ₹ 226.67 lakh in respect of construction of 11 projects sanctioned by the GoI during December 2010 to September 2013 at an approved cost of ₹ 5,835.26 lakh. Details of irregularities noticed in audit are spelt out below:

(a) Irregular engagement of consultants

Four consultants were engaged in 11 projects without obtaining formal no objection certificates or clearance from the PWD and permissions from the Finance Department as stipulated in the Government Office Memorandum (6 December 2010). Further, the consultants were shortlisted without following the procedure of tendering or invitation of Expression of Interest.

Moreover, the State PWD might not have the expertise for the tertiary nature of work like making a DPR (Detailed Project Report) for a tourism project by assessing the tourism potential of a place but as far as the works portion is concerned, PWD has all the requisite expertise. Thus, it is not understandable why consultants should be hired when the works could have been done by the PWD.

Thus, hiring of consultants to execute the projects was in violation of the prescribed procedures of the Government and against the codal provisions.

The Government in its reply stated (January 2015) that for consultancy firms, tendering or invitation of expression of interest was not done because that would result in further delay of the project work. Also, added that more cost for the invitation of bids had to be borne, which was not advised by Technical Member MTDA (from PWD). All Consultancy Fees have been contained within Project sanction amount after consultation.

The quality of work under PWD was found to be inferior. As such, Ministry of Tourism, GoI officials has inspected properties at Hmuifang, Saitual *etc.* and observed the inferior quality of work by the State PWD. The Government also after considering the above inferiorities, with a view to improve the quality of work, decided to engage private registered construction companies to implement the work through MTDA.

The facts, however, remained that the consultants were engaged in violation of the prescribed procedures of the Government. Ensuring the quality of the work done by State PWD was the responsibility of the Government and in case of shoddy work, disciplinary action and remedial measures ought to have been initiated by the Government.

(b) Excess payment of consultancy fees

In respect of three approved projects (approved project cost ₹ 1,642 lakh), the Government of India, Ministry of Tourism sanctioned ₹ 31.49 lakh towards consultancy fees. Against the approved provision of ₹ 31.49 lakh, the MTDA engaged three consultants at an agreed consultancy fees of ₹ 76.58 lakh. Against the agreed amount of ₹ 76.58 lakh, the upto date payment made as of August 2014 was ₹ 66.60 lakh, which resulted in excess payment of ₹ 35.11 lakh already. The quantum of excess payment will be increased when the entire agreed amount is paid to the firms. The excess payment was made by diverting the funds from the other activities of the projects without preparing any revised estimate and without obtaining approval from the GoI for diversion of funds. The details of project wise payment of consultancy fees are given in the table below:

Table-3.3.4

(₹ in lakh)

| Sl. No. | Name of Project | Name of Consultancy Firm | Approved cost | Consultancy fees sanctioned | Date of engagement | Agreed amount | Upto date fees paid | Excess payment |
|--------------|---|---|----------------|-----------------------------|--------------------|---------------|---------------------|----------------|
| 1. | Construction of Serlui 'B' lake | Lushai Engineers Private Limited | 384.39 | 7.32 | 11.10.2011 | 16.80 | 16.80 | 9.48 |
| 2. | Construction of Aizawl Tourist destination | Royal Engg. & Architectural Consultants | 457.61 | 8.71 | 11.10.2011 | 19.78 | 17.80 | 9.09 |
| 3. | Development of Theme park and Eco-Tourism at Lungleng | Fore Consultants, New Delhi | 800.00 | 15.46 | 28.02.2014 | 40.00 | 32.00 | 16.54 |
| Total | | | 1642.00 | 31.49 | - | 76.58 | 66.60 | 35.11 |

Source: Departmental records

The Government in its reply (January 2015) stated that the funds are not diverted from the projects but are included in the total project cost, after working estimates are made. This payment of consultancy firm does not affect the actual completion of the projects nor quality of works at any cost.

Reply is not acceptable as the payment of consultancy fees beyond the sanctioned limit is irregular.

(c) Diversion of funds and doubtful expenditure

On September 2011 and 2013, the GoI sanctioned eight projects at a total project cost of ₹ 4,193.26 lakh. While sanctioning the projects, the GoI did not provide any consultancy fees separately. It was also noticed that against the eight sanctioned projects, the MTDA could start execution works of two projects only as of August 2014. However, the MTDA had irregularly engaged private consultants for all the eight projects at an agreed amount of ₹ 150.09 lakh towards preparation of DPRs, survey, and supervisions and monitoring of the projects. The

project wise approved cost, details of consultants engaged and upto date fees paid to them as of August 2014 are shown in the Table below:

Table-3.3.5

(₹ in lakh)

| Sl. No. | Name of Project | Name of Consultancy Firm | Approved cost (date of approval) | Date of engagement | Consultancy fee agreed | Upto date fees paid | Present status |
|--------------|---|---|----------------------------------|--------------------|------------------------|---------------------|-----------------------|
| 1. | Construction of Tourist Lodge, Khawzawl | Royal Engineering & Architectural Consultants | 337.47 (Sept. 11) | 27.02.2014 | 10.12 | 9.11 | Started on March 14 |
| 2. | Construction of Tourist destination, Demagiri | Lushai Engineers Private Ltd. | 484.63 (Sept. 11) | 30.09.2013 | 11.63 | 10.47 | Started on October 13 |
| 3. | Construction of Trekking Route of Aizawl-Reiek-Ailawng | Mizoram Technocrats Company (Private) Ltd. | 400.80 (Sept. 13) | 19.06.2014 | 15.23 | 13.21 | Not started |
| 4. | Construction of Tourist circuit Bilkhawthlir-Phaisen Kolasib Distt. | Mizoram Technocrats Company (Private) Ltd. | 781.48 (Sept. 13) | 19.06.2014 | 29.70 | 25.39 | Not started |
| 5. | Construction of Trekking Route to Chalfilh | Mizoram Technocrats Company (Private) Ltd. | 800.00 (Sept. 13) | 19.06.2014 | 30.04 | 26.36 | Not started |
| 6. | Construction of Trekking Route to Blue Mountain-Sangau | Lushai Engineers Private Ltd. | 495.07 (Sept. 13) | 25.06.2014 | 18.81 | 11.29 | Not started |
| 7. | Construction of Wayside Amenities at Kawlchaw West | Lushai Engineers Private Ltd. | 443.41 (Sept. 13) | 25.06.2014 | 16.85 | 10.11 | Not started |
| 8. | Construction of Wayside Amenities at Lungpher, Lawngtlai Distt | Lushai Engineers Private Ltd. | 450.40 (Sept. 13) | 25.06.2014 | 17.71 | 10.27 | Not started |
| Total | | | 4193.26 | | 150.09 | 116.21 | |

Source: Departmental records

It can be seen from the table above that against the agreed amount of ₹ 150.09 lakh, the MTDA has already paid consultancy fees of ₹ 116.21 lakh after irregularly diverting the funds from the eight projects. Since the GoI has approved the projects based on the DPRs already submitted by the MTDA, such engagement of consultants again for preparation of DPRs and making payments of consultancy fees thereon is doubtful. Further, diversion of funds from the approved projects will hamper the actual completion of the projects as per the estimated/ approved cost.

The Government in its reply (January 2015) stated that the engagement of consultancy firms is necessary for preparing working estimates for the works.

Facts however, remained that the MTDA has paid consultancy fees of ₹ 116.21 lakh by diverting the funds meant for execution of the eight projects and as a consequence funds that extent would be less available for actual execution of the projects which would bound to have impact on the quality of the work.

3.3.10.3 No record of contractor in the project taken up by MTDA

In regard to the tourism project works taken up by the state PWD, contractors are employed and works are executed as per CPWD Manual and the process is codified. However, as for the projects taken up by MTDA, there is mention of only the Consultants. As per the Terms of Agreement, the Consultant should “execute the work for Providing Engineering Services for preparation of Cost Estimates, Design, Drawings, Detailed BOQ, Supervision, Monitoring *etc.* as per requirement of Project Authority for construction of building and other allied structures, infrastructure developments for Mizoram Tourism”.

Thus, the consultants are required to give only consultancy services in regards to the matters mentioned above and are not to engage themselves in the direct execution of the work. However, there is nothing on record to show that tendering has been done by the MTDA for the selection of contractors and there is no record of execution of the work by a contractor. As it appeared from the documents, the works have been executed by the Consultants themselves which is irregular as the supervising and monitoring authority cannot at the same time be the executor.

The Government in their reply (January 2015) stated that as per Government of Mizoram, Finance Department notification (30 July 2013) the empanelled firms may be entrusted for execution and monitoring of works without separate bid, if they have the requisite expertise subject to following of the codal formalities issued by the Government from time to time on turnkey or Design-Built Consultant (DBC) basis.

The reply is not acceptable as the Finance Department’s notification quoted by the Government is related to execution of works on turnkey or Design-Built Consultant (DBC) basis.

3.3.10.4 Diversion of funds

Ministry of Tourism (MoT), GoI accorded (September 2013) administrative approval of a project for Construction of Tourist Destination Chalfilh Phase-II with the following component wise approved cost of ₹ 500 lakh. Against the approved project cost an instalment of ₹ 100 lakh only was released by the GoI on September 2013.

The details of the component wise sanctioned cost are as in the Table-3.3.6 below:

Table-3.3.6

| Sl. No. | Particulars | Amount (₹ in lakh) |
|--------------|---|--------------------|
| 1. | Dormitory | 137.22 |
| 2. | Guest House | 214.79 |
| 3. | Viewing Tower | 6.34 |
| 4. | Conference Hall inclusive of furniture | 150.67 |
| 5. | Furniture for guest House & Dormitory | 6.40 |
| 6. | Internal Road 504.66m length @ ₹ 22,000/m | 111.03 |
| Total | | 626.45 |

| Sl. No. | Particulars | Amount (₹ in lakh) |
|-------------|-------------------------------------|--------------------|
| Add: | three <i>per cent</i> contingencies | 18.79 |
| Add: | two <i>per cent</i> consultancy | 0.00 |
| | Grand Total | 645.24 |
| | Restricted to | 500.00 |

Source: Departmental records



Pic 1: Chalfilh Tourist Destination

Scrutiny of records revealed that the execution of Phase- II construction works of the project was not started by the MTDA as of August 2014. Even before commencement of work the MTDA has irregularly transferred an amount of ₹ 56.95 lakh (out of ₹ 100 lakh released by the GoI) to the Chief Engineer (Distribution), Power and Electricity Department for external power supply to Tourist Resort at Chalfilh.

As per scheme guidelines for infrastructure development funded by the Ministry of Tourism, the State Government is fully responsible for few components of the Project which inter-alia include “ External infrastructure like water supply, electricity and roads (except improvement of road connectivity leading to the tourist sites, especially from the National/State Highways and other entry points)”. Thus, the Government of Mizoram is primarily responsible for providing funds for infrastructure for providing power connectivity to Chalfilh Tourist Destination. Hence, allocating money sanctioned specifically for the Phase-II project to this end is purely diversion of money, which is unacceptable.

It raises a serious doubt on the feasibility of the Phase-II project itself, since more than 50 *per cent* of the 1st instalment for the project has already been diverted. Moreover, the work on Phase-II of the Project has not yet even commenced after lapse of one year since the release of the money.

While accepting the facts, the Government stated (January 2015) that as there is no electric supply, the above mentioned amount has been transferred to Power & Electricity Department.

3.3.10.5 Non-commencement of work in regard to eight projects already approved and sanctioned for

In September 2013, the GoI approved eight projects at a total approved cost of ₹ 4671.16 lakh and released (30 September 2013) first instalment to the tune of ₹ 934.22 lakh with the following terms and conditions:

- The State Government shall have to commence the work immediately to ensure timely utilisation of funds and to avoid escalation of cost,
- The projects should be commissioned within a maximum period of 24 months from the date(s) of issue of sanctions and any cost escalation on account of delay *etc.* would not be borne by GoI.
- The State Government will not keep the amount released by GoI unutilised for more than six months. In case the funds can not be utilised by such time, the same will have to be surrendered to the GoI or their approval should be taken to transfer/adjust the amount against other Central Financed projects.

Detail of projects sanctioned and the amount of first instalment released is indicated in the following Table:

Table-3.3.7

(₹ in lakh)

| Sl. No | Name of projects | Date of approval | Approved cost | Instalment released | |
|--------------|--|------------------|----------------|---------------------|---------------|
| | | | | Date | Amount |
| 1. | Development of Theme Park & Eco-Tourism, Lungleng | 30.09.2013 | 800.00 | 30.09.2013 | 160.00 |
| 2. | Trekking Route Aizawl-Reiek-Ailawng | 28.09.2013 | 400.80 | 28.09.2013 | 80.16 |
| 3. | Tourist Circuit Bilkhawthlir- Phaisen, <i>etc.</i> | 30.09.2013 | 781.48 | 30.09.2013 | 156.29 |
| 4. | Trekking Route to Chalfilh | 30.09.2013 | 800.00 | 30.09.2013 | 160.00 |
| 5. | Tourist Destination Chalfilh Phase-II | 30.09.2013 | 500.00 | 30.09.2013 | 100.00 |
| 6. | Trekking Route Blue Mountain-Sangau | 30.09.2013 | 495.07 | 30.09.2013 | 99.01 |
| 7. | Wayside Amenities, Kawlchaw | 30.09.2013 | 443.41 | 30.09.2013 | 88.68 |
| 8. | Wayside Amenities, Lungpher | 30.09.2013 | 450.40 | 30.09.2013 | 90.08 |
| Total | | | 4671.16 | - | 934.22 |

Source: Departmental records

Audit of records of MTDA showed that the MTDA had not commenced all the eight works as of August 2014 and entire amount of ₹ 934.22 lakh is parked in their accounts even after a lapse of more than seven months. The MTDA also has not taken formal approval from the GoI for retention of the funds after expiry of the prescribed time limit of six months.

Further, question raise as to why these projects have been proposed in the first place when they are not being to be taken up for execution promptly. The money which has been kept idle by MTDA could have been fruitfully used in some other projects not necessarily in Mizoram.

While accepting the facts, the Government stated (January 2015) that funds could not be utilised or further actions could not be taken after the release of fund by the Ministry of Tourism due to the following reasons:

- a) The announcement of Model Code of Conduct between October and December 2013 for the Mizoram Assembly election and the change of Government in Mizoram.
- b) The announcement of Model Code of Conduct between 5 March 2014 and 16 May 2014 for the Lok Sabha election.

3.3.10.6 Execution of work by MTDA

One of the terms and condition of the sanction stipulated that the Government of Mizoram shall follow CPWD/PWD schedule of rates and all other codal formalities while executing the projects. There are four pre-requisite stages for execution of works as provided in Section 2.1 of CPWD manual, 2007 as (a) Administrative approval; (b) Expenditure sanction; (c) Technical sanction; and (d) Availability of funds.

The manual also provides that 'No work should normally be commenced and liability thereon incurred until administrative approval has been obtained, a properly prepared detailed estimate has been technically sanctioned and where necessary expenditure sanction has been accorded and allotment of funds made'.

Audit of records of the MTDA revealed that, the MTDA on its own commenced the execution of following five projects (approved cost ₹ 2,132.92 lakh) was accorded before the commencement of the work. **More interesting fact was MTDA had no technical staff on its strength.** The project wise approved cost, date of commencement of works, upto date expenditure incurred and present status of the projects is shown in the Table-3.3.8 below:

Table-3.3.8

(₹ in lakh)

| Sl. No. | Name of Project | Approved cost | Date of approval by GoI | Date of commencement | Date of completion | Expenditure | Present status |
|--------------|-------------------------------|----------------|-------------------------|----------------------|--------------------|----------------|----------------|
| 1. | Serlui 'B' Lake | 384.39 | 22.12.2010 | May 2012 | February 2104 | 372.44 | Completed |
| 2. | Aizawl Tourist destination | 457.61 | 22.12.2010 | April 2012 | January 2014 | 427.81 | Completed |
| 3. | Tourist Lodge at Khawzawl | 337.47 | 14.09.2011 | March 2014 | - | 66.26 | Ongoing |
| 4. | Tourist destination, Demagiri | 484.63 | 08.09.2011 | October 2013 | - | 152.93 | Ongoing |
| 5. | Strengthening of Aero sport | 468.82 | 14.09.2011 | November 2013 | - | 115.03 | Ongoing |
| Total | | 2132.92 | - | - | - | 1134.47 | - |

Source: Departmental records

In the absence of the technical staff, the consultants of the projects were responsible for preparation and submission of complete drawings and other documents viz. Detail estimate, BOQ, Specification, Tender documents, etc. which are pre requisite before commencement of work.

It was further noticed that the MTDA has engaged on contract basis one technical staff of the rank of Assistant Engineer from January 2014 onwards.

Thus, the execution of works by the MTDA not having sufficient and qualified technical person may entail risk of execution of sub-standard works.

The Government in its reply (January 2015) stated that Mizoram Tourism Development Authority is a society with rules and regulations. All approvals are taken or are as decided by the meeting in the presence of a competent authority.

The reply is not acceptable as no Government Society could be exempted by the Government from execution of works without fulfilling the pre-requisite mandatory stages for execution of works

3.3.10.7 Delay in setting up State Institute of Hotel Management

The Ministry of Tourism, GoI, accorded (October 2007) sanction for construction of State Institute of Hotel Management (SIHM) at Bung Bangla, at a project cost of ₹ 1,000 lakh (₹ 800 lakh for construction and ₹ 200 lakh for equipments). Against the approved project cost of ₹ 1,000 lakh, the GoI has so far released ₹ 800 lakh during 2007-12, the entire released amount was already transferred to PWD for execution of works as per prevailing rules and procedures.



Pic 2: State Institute of Hotel Management

Audit of records of the Executive Engineer, PWD Project Division –III, Aizawl showed that the Division commenced execution of the work (February 2009) departmentally without engaging any contractor through call of tender. As per the estimate, the work was to be completed within 18 months from the date of commencement of work. However, there was inordinate delay in completion of work and the construction was completed only in September 2013. As admitted by Executive Engineer, PWD (June 2014) since the work was executed departmentally, the Department had to arrange suitable supplier for each stages of work and the work progress was slower than expected. Further, it stated that if experience and component contractor was engaged in construction, the work could have been completed within the time frame.

Thus, the decision of PWD to execute the work departmentally led to inordinate delay in completion of the work. Even the much delayed completed building has been put to use as the Institute has not commenced functioning as of August 2014. As a result, the courses to be conducted at SIHM had not yet started thus resulting in denial of training to prospective students as envisaged in the project.

While accepting the facts, the Government stated (January 2015) that the Department was not aware of the procedures followed by the Public Works Department for the execution of the works/projects.

3.3.10.8 Creation of idle asset

Under three Tourist Destinations and two Tourist Circuits, the following 11 tourist lodges have been constructed with an expenditure of ₹ 1,397.44 lakh as given in the Table-3.3.9 below:

Table-3.3.9

| Sl. No. | Name of Project/Tourist lodge | Date of completion | Expenditure (₹ in lakh) |
|--|-------------------------------------|--------------------|-------------------------|
| Southern Tourist Circuit | | | |
| 1. | Tuipang Tourist Lodge | 29.08.2013 | 85.00 |
| Southern Tourist Circuit Phase-II | | | |
| 2. | Tourist Lodge Saicho | 19.06.2012 | 128.65 |
| 3. | Sialsuk Tourist Lodge | 05.05.2010 | 44.16 |
| 4. | Durtlang Guest House Annex | 14.11.2010 | 77.51 |
| Sakawrdai Tourist Destination | | | |
| 5. | Sakawrdai Tourist Lodge | 24.08.2010 | 90.38 |
| 6. | Darlawn Tourist Lodge | 08.09.2010 | 182.49 |
| 7. | Khanpui Tourist Lodge | 23.04.2010 | 94.21 |
| 8. | Thingsulthiah Tourist Lodge | 24.08.2009 | 104.21 |
| Kanhmun Tourist Destination | | | |
| 9. | Kanhmun Tourist Lodge | 23.07.2010 | 63.06 |
| 10. | Zawlnuam Tourist Lodge | 03.09.2010 | 78.77 |
| 11. | Chalfilh Tourist Destination | 27.03.2010 | 449.00 |
| Total | | | 1397.44 |

Source: Departmental records



Pic 3: Unoccupied Lodge

It was noticed that despite completion of the projects between August 2009 and August 2013 the Department did not utilise the completed infrastructures, and kept it idle for about one to five years. This shows that needs and requirements were not taken into consideration when choosing the sites for the construction of the Tourist Lodges. For example, along the National Highway No. 54 between the capital city of Aizawl to Lunglei which is at a distance of only 180 km, four Tourist Lodges have been constructed in four villages viz., in Hmuifang, Saicho, Sialsuk and Thenzawl. Tourist lodges were constructed in Saicho (2012) and Sialsuk (2010) though the two tourist lodges at Hmuifang and Thenzawl which were established earlier had very low occupancy. Thus, without considering viability and potentiality, tourist lodges have been constructed which remained idle.

While accepting the facts, the Government stated (January 2015) that due to non-availability of the State Fund for purchase of furniture and furnishings as well as man-power, as the Government had banned creation of posts. The projects could not be commissioned for which these completed projects are kept idle.

3.3.10.9 Uneconomical maintenance of assets

The Department of tourism has been operating 47 tourist lodges and highway restaurants in the State. However, out of the 47 tourist lodges and highway restaurants, only five tourist lodges (Tourist Lodge Chaltlang, Champhai, Thenzawl, Mamit and Tourist Complex Berawtlang) were running with a profit and the remaining 42 lodges/resorts were running in a loss. The five profit making Tourist Lodges incurred maintenance expenditure of ₹ 417.92 lakh during 2009-014 against which they generated revenue of ₹ 563.58 lakh. The revenue collected by the other 42 Tourist Lodges and Highway restaurants was ₹ 266.85 lakh only during 2009-14 against which they incurred a maintenance cost of ₹ 734.05 lakh.

Though the Disinvestment Committee which was formed under the Chairmanship of the Tourism Secretary recommended for the privatisation of 15 units of Tourist Lodges, no action in this regard has as yet been taken.

The Government in its reply (January 2015) stated that the Department had called tender for privatisation of 15 tourist facilities under Tourism Department in August 2014. The Disinvestment committee under the Chairmanship of Secretary, Tourism will select the lessees from the bidders.

Audit Objective: To assess whether tourism promotional activities undertaken in the State for the growth of tourism sector delivered the desired results.

3.3.11 Promotion of Tourism

Since 2008-09, there has been a slight shift in the priority from mere construction and running of tourist lodges to a more innovative and attractive tourism products like eco-tourism, rural tourism and adventure tourism *etc.* The new products are expected to generate interest among

the prospective tourist. However, such new products have not achieved the desired result so far as given below:

3.3.11.1 Eco-tourism

The Ministry of tourism has the agenda to promote tourism in the country in a responsible and sustainable manner and as per this mandate, promotion of eco tourism assume larger importance. For promotion of Eco-Tourism in Mizoram, the project for Development of Theme Park and Eco-Tourism at Lungleng with an approved cost of ₹ 800 lakh was sanctioned (30 September 2013) by GoI. First installment of ₹ 160 lakh was also released by the GoI on September 2013 with stipulated date of completion of the project within 24 months from the date of sanction.

Audit of records showed that, as on August 2014, the MTDA has not started the execution of work which may entail delay in timely completion of the project within the prescribed time frame. As this remote state is prone to inflation, the delay would also affect the projects due to cost escalation. Moreover, it is another instance of tardy implementation leading to slow progress of the tourism sector in the State.

While accepting the facts, the Government stated (January 2015) that the execution of the project Development of Theme Park and Eco-Tourism at Lungleng was not started and no further actions could be taken due to (a) the announcement of Model Code of Conduct between October and December, 2013 for the Mizoram General Assembly Election and change of the Government in Mizoram and (b) the announcement of Model Code of Conduct between 05 March 2014 and 16 May 2014 for the Lok Sabha election. Necessary and further actions were taken immediately after the expiry of the Model Code of Conduct.

3.3.11.2 Rural Tourism

In the revised Guidelines of Scheme for Product/Infrastructure Development for Destinations and Circuits, one of the two main components was Rural Tourism Infrastructure Development. Under the scheme, the main thrust was to promote village tourism as the primary tourism product to spread tourism and its socio economic benefits to rural and new geographical regions.

The GoI sanctioned two rural tourism projects at Thenzawl and at Lungtian consisting of Software and Hardware components each. The software components include awareness campaign, seminars, workshops, entrepreneur development program, gender sensitization, marketing support etc. The hardware component consists of construction of art and craft centre rural tourism building and site development *etc.* The sanctioned amount and present position of the two projects are given in the table below:

Table-3.3.10

(₹ in lakh)

| Sl. No. | Name of Project | | Cost of project | Amount released by GoI (1 st installment) | Date of sanction | Present status |
|------------------|---------------------------|----------|-----------------|--|------------------|----------------|
| 1. | Rural Tourism at Thenzawl | Software | 20.00 | 14.84 | 25.03.2011 | Ongoing |
| | | Hardware | 50.72 | 40.00 | 25.07.2011 | Ongoing |
| Sub-Total | | | 70.72 | 54.84 | - | - |
| 2. | Rural Tourism at Lungtian | Software | 17.00 | 13.00 | 20.09.2012 | Ongoing |
| | | Hardware | 45.70 | 36.56 | 20.09.2012 | Ongoing |
| Sub-Total | | | 62.70 | 49.56 | - | - |

Source: Departmental records

As per the terms and conditions contained in the sanction orders, the projects were to be completed within 12 months from the date of their sanction. However, the projects have not been completed as on August 2014. As a result, the work of promoting rural economy through rural tourism cannot be started thus depriving the socio-economic benefits that would accrue to the rural people in these areas.

While accepting the facts, the Government stated (January 2015) that due to disputes over the selected sites, the constructions were delayed.

3.3.11.3 Adventure Tourism

Under adventure tourism, the Department has taken up development of aero sports and trekking route at different location as given below:

(a) Aero Sports

Audit examination revealed that against the approved Aero Sports project (project cost ₹ 298.38 lakh) the MTDA procured (October 2008 to October 2009) the following Aero sport equipments from M/s Leading Edge Adventures & Airparks Pvt. Ltd., New Delhi at a total cost of ₹ 147.50 lakh as shown in Table below:

Table-3.3.11

| Sl. No. | Name of item | Quantity | Amount (₹ in lakh) |
|--------------|-----------------------------------|----------|--------------------|
| 1. | Paragliders of different types | 18 Nos. | 76.34 |
| 2. | Hot Air Balloons with accessories | 01 Sets | 31.78 |
| 3. | Flat Land Flying systems | 01 No. | 9.25 |
| 4. | Power Hang Glider | 02 Sets | 19.91 |
| 5. | Tools for workshop | 01 Set | 6.50 |
| 6. | Paraglider accessories | 03 Sets | 3.72 |
| Total | | | 147.50 |

Source: Departmental records

It was noticed that, most of the equipments procured were not assembled or flown ever since their procurement between October 2008 and October 2009. In the mean time, the MTDA

engaged (November 2013) one specialized firm (M/s Adventurer's World, Nasik) for inspection of the existing Aero Sports equipments. In its inspection report, the firm observed/suggested (April 2014) actions such as: Some of the equipments are required to be registered with the Director General of Civil Aviation (DGCA) for issue of Certification of Airworthiness prior to any flying operations; the equipments will need to undergo a major overhauling and upgradation, which can be done at the manufacturer's premises; alternatively, a technical team consisting of technicians and mechanics from the firm M/s Adventurer's World could visit the site to carry out repair/overhauling at an estimated cost of ₹ 27.80 lakh.

Thus, the MTDA incurred an idle expenditure of ₹ 147.50 lakh towards procurement of Aero Sports equipments the condition of which have deteriorated over the years due to prolonged storage and non-usage.

Notwithstanding the fact that Aero sports equipment procured was not put to use, one more project aimed at development and strengthening of Aero Sports in the State was sanctioned (September 2011) by GoI based on project proposal submitted by the State Government at a cost of ₹ 468.82 lakh. First installment of ₹ 375.05 lakh was released on September 2011 with stipulated date of completion of the project within 24 months from the date of its sanction. But, the MTDA has started the execution of works from November 2013 only with a delay of more than two years and expenditure of ₹ 115.03 lakh has been incurred so far (December 2014). The balance amount of ₹ 93.77 lakh was not released (August 2014) by the GoI due to abnormal delay in commencement of the project. As a result, benefits of the Aero Sports activities could not be availed by the prospective adventurers in Mizoram.

It was, however noticed that in December 2014 the Department organised Youth Festival with a view to promote Aero Sports along with other adventure sports wherein the existing Aero Sports equipments were utilised after inspecting the safety of these equipments.



Pic 4: Photographs taken at the Mizoram Youth Festival, 2014 displaying the Aero Sports equipments

While accepting the facts the Government in its reply (January 2015) stated that due to private encroachments at the selected Aero Sports' site at Tuirial Airfield caused a delay in commencement of work. It was also stated that Tuirial Airfield was under the Sports

Department, Government of Mizoram and thus final settlement of site with Sports Department caused another unintentional delay. The reply is indicative of lack proper coordination between various Departments of the State Government in implementing a project leading to delay in the execution of the project.

Further, the Director, Tourism Department, intimated (February 2015) that for operating paragliders the Department has so far trained nine local youths for basic, intermediate and advanced courses. He also added that the Department will also train local youths for operating Powered Hang Glider and Hot-Air Balloon very soon. In this connection it is pertinent to mention that whether Certification of Airworthiness prior to any flying operations was obtained from Director General of Civil Aviation (DGCA) in respect some of the equipments as mandated. Information in this regard was neither on records nor furnished.

(b) Trekking route

The GOI has sanctioned three projects for development of trekking routes at Aizawl-Reiek-Ailawng, Chalfih and Blue Mountain in Mizoram during 2013-14. The total cost of the three projects is ₹ 1,695.87 lakh against which ₹ 339.17 lakh was already released on September 2013. Despite a lapse of more than nine months, the MTDA has not started the implementation of the projects. Unlike tourist lodges and circuits etc, building of a trekking route does not involve any heavy machinery equipments and all materials for the building of the project are readily and locally available in Aizawl and in the other towns of Mizoram. Hence, delay and non-commencement of even this project work after the lapse of one year is reflective of the passive approach of the Department.

While accepting the facts, the Government stated (January 2015) that the execution of the projects for Development of Trekking Routes at Aizawl–Reiek–Ailawng, Chalfih and Blue Mountain were delayed due to announcement of Model Code of Conduct for the general elections as stated above.

3.3.11.4 Wildlife Tourism

Though the Tourism Master Plan has pointed out wildlife tourism as one of the important resources, no measure has as yet been taken by the Department to develop tourism in this regard. The important parks and sanctuaries are Dampa Tiger Reserve, Murlen National Park, Blue Mountain National Park, Ngenpui Wildlife Sanctuary, Khawnglung Wildlife Sanctuary, Tawi Wildlife Sanctuary, Lengteng Wildlife Sanctuary, Thorangtlang Sanctuary. Moreover, none of these regions featured among the many sites which have been selected for the establishment of tourist accommodations inspite of the availability of funds for the construction of tourist lodges in many undeserving sites. Moreover, no facilities have been provided which would promote the visit of these wildlife parks and sanctuaries by tourists.

While accepting the facts, the Government stated (January 2015) that the State Forest officials could not give advice on the potential wildlife sanctuaries and parks where tourist facilities could be created.

3.3.11.5 Security measures for Tourists

GoI adopted Code of Conduct for Safe and Honorable Tourism in July 2010. The guidelines focused on the need to provide a safe environment to tourists. Hence, all parties connected with Tourism such as hotels, rest houses were expected to sign the Code of Conduct for safe and honorable tourism.

As per Tourism Master Plan for North Eastern Region prepared by TATA Consultancy Services, with respect to tourism safety and security in Mizoram, it was stated that Mizos form a close-knit society with no distinction or gender discrimination. The entire society is knitted together by a peculiar code of ethics '*Tlawmngaihna*' "**an untranslatable term meaning that everyone has to be hospitable, kind, unselfish and helpful to other**'. The State Government had failed to capitalize on this code of ethics by widely publicizing the tourist safety and security aspect in Mizoram.

Nevertheless, the Directorate of Tourism had proposed setting up of Tourist Security Organisation way back in 2010 with an estimated annual expenditure of ₹ 50 lakh for which Central Assistance would be limited to 50 *per cent* for the first three years which was to be scaled down to 25 *per cent* for the next three years and subsequently, the entire expenditure is to be borne by the State Government. The State Government has not approved the proposal till date (August 2014). However, the Department on its part imparts training from time to time to the State Police and Traffic Police under Capacity Building measures in tourism sector.

The State Government in their reply (January 2015) did not offer any comment.

3.3.11.6 Festivals and Tourism Fairs

The Department has been participating at the international fora (*i.e.* International Tourism market or ITM) like World Travel Market at London, Arabian Travel Market at Dubai and India Cambodia-Thailand Conclaves at Cambodia. The Department besides participating in ITM at the National level also annually organises State's festivals like Anthurium Festival, Chapchar Kut, Thalfavang Kut, Lyuva Khutla. The expenditure incurred on promotional measures during 2009-14 was as given below:

Table-3.3.12

(₹ in lakh)

| Year | Print Media | Electronic Media | Road Shows | ITM (Outside India) | Other Mode (ITM Within India) | Festival Tourism |
|--------------|--------------|------------------|------------|---------------------|-------------------------------|------------------|
| 2009-10 | 07.93 | - | - | 9.32 | 10.60 | 15.00 |
| 2010-11 | 27.96 | - | - | - | 19.84 | 50.00 |
| 2011-12 | 12.00 | - | - | - | 7.00 | 50.00 |
| 2012-13 | 10.31 | - | - | - | 20.00 | 49.15 |
| 2013-14 | 07.00 | - | - | 2.58 | 12.40 | 40.00 |
| Total | 65.20 | - | - | 11.90 | 69.84 | 204.15 |

Source: Departmental records

Audit observed that there is little or no concern for attraction of outside tourists in the festivals organised by the Department in the State. It being a Tourism Department, the focus of the Department should not be on organising festivals *per se*, but the festivals should rather be used as a channel for attraction of tourists. However, no publicity in any form has been done whether in print or visual media for attraction of tourists at the time of organising festivals like Chapchar Kut, Thalfavang Kut *etc.* Hence, the entire expenditure spent on organising festivals has not been in the best interests of promoting tourism.

The Government in its reply (January 2015) stated that the Department of Tourism, Government of Mizoram has been making efforts to promote and market the tourism products of the State to different parts of India and in the international market at large. In this endeavor, thrust has been given to attract tourists from Eastern states of the country as well as Gujarat, Maharashtra and Karnataka. The Department also usually participates in Tourism Fairs and Marts held in the above cited target States in order to attract more tourists from these regions. The Department also maintains a website (www.tourism.mizoram.gov.in) wherein information pertaining to Mizoram Tourism, events, festivals, *etc.* is displayed for visitors. In addition, in the recent years, social networking sites like facebook *etc.* are used for publicity and marketing in addition to print media without incurring additional expenditure on it. An effective promotional policy and marketing strategy needs to be floated, but, due to financial constraints the Department could not organise road shows and other marketing activities.

3.3.11.7 Use of Information Technology

Information Technology is the integral part for promoting the Tourism Sector. In order to facilitate the promotion of Tourism through Information Technology, the GoI accorded sanction of ₹ 46.05 lakh and ₹ 41 lakh during 2007 and 2011 respectively. Against the approved project cost of ₹ 87.05 lakh, as of August 2014 the GoI was already released ₹ 82.95 lakh.

It was observed that the Department has already utilised the Central Financial Assistance of ₹ 45.92 lakh during 2007-08 against the first approved project and distributed IT materials to its various tourist lodges/resorts. Further, against the second approved project at ₹ 41 lakh, the GoI has already released an amount of ₹ 36.90 lakh in March 2011 but the same has not been utilised (August 2014) by the Department.

Thus, inordinate delay in implementation of IT project even after lapse of more than 3 years indicates lack of Department's action.

While accepting the facts, the Government stated (January 2015) that delay in implementation of the projects was due to delay in finalisation of approved rates.

3.3.11.8 Efforts to publishing the tourist attraction and maintenance of official web site of the Department

The Department has official web site www.tourism.mizoram.gov.in. Though the web sites contain information on certain tourism related information, it needs to be made more attractive

with better pictures and proper linkages to various tourism related issues. The web site should be updated regularly with latest calendar of upcoming events *etc.* The procedure of observing Inner Line Permit and demystifying the process of the same for tourist arrivals has to be brought upfront to catch the attraction of the tourist visiting the website. The information provided for accommodations are departmental run tourist lodges. More information about the hotels and other tourism related establishments need to be provided for the benefit of the visiting tourists.

Audit Objective: To assess whether any efforts were made to have co-ordination and collaboration with other Departments and there existed an effective Public-Private Partnership in the development of tourism in the State.

3.3.12.1 Convergence with other schemes

The Department is required to make concerted efforts to identify the programmes/schemes being implemented by various Departments in the State, which could be dovetailed with tourism development projects so as to ensure that tourists visiting the State derive the benefits of products of multiple schemes.

The Department of late has come up with the idea of converging tourism sector with other schemes. Most notable is the Serlui 'B' Lake Destination where in the Department has constructed tourist lodge with Central Financial Assistance of ₹ 384.39 lakh. Serlui 'B' is an artificial lake which was created for generation of Hydroelectricity by the Power & Electricity Department. The lake has also successfully been utilised by Fishery Department for Pisciculture.

However, except for this, no attempt at convergence of the scheme and activities of the different Departments with that of the Tourism Department has been done so far. For example, the Art & Culture Department and ZOHANDCO which is the handicraft corporation of the state could have functioned in symbiotic relationship with the Tourism Department. ZOHANDCO could even have set up small outlets in the prominent tourist lodges/destinations. While the tourists could be the customers, the handicraft items and the displays of the Art & Culture Department could themselves have been the tourist attractions which could have been for the mutual benefit of the Departments. However, no step in this regards has been taken so far.

The Helicopter service which is being provided by the Aviation Wing of the General Administration Department through the Pawan Hans can be one of the tourist attractions that the Tourism Department can project to the outside world. However, convergence in this regard too has not been contemplated.

Thus, these are instances of missed opportunity to attract tourists considering the small number of tourist attractions which the state has been able to come up with till now.

The State Government in their reply stated (January 2015) that the Department has been locating its projects and schemes keeping in view the total tourist attractions of the place. Thenzawl is one such example wherein the handloom and handicrafts industry of the town has been identified as a tourist attraction. The Tourism Department, since its inception, has been working closely for publicity and advertisement with Art & Culture Department in organising Chapchar Kut – the biggest festival of the State. The Department has also been collaborating with Khadi and Village Industries Commission and with Khadi and Village Industries Board, Horticulture Department and other agencies of the State and Central Government in organising Anthurium Festival and Thalfavang Kut. Stalls to exhibit and sale handloom & handicrafts and other products of the State have been set up by the Department during these festivals. It was also stated that the Department is committed to take necessary steps to enhance and optimize the total tourist attractions of the State through the process of convergence.

3.3.12.2 Public Private Partnership

In order to develop Tourism as an industry, it is of an utmost importance to help the educated unemployed youth who are looking for business opportunity in tourism sector. It is also necessary to encourage people who are economically weak but highly enterprising to play an active role in the development of the sector through Public Private Partnership (PPP) mode. It is also necessary to impart training to them in order to help them in skill development, and also for establishing tour companies, travel agencies and medium and small hotels, lodges, restaurants.

In Mizoram, acknowledging the interest shown by private sector in the tourism industry, the Department of Tourism is intending to privatize (lease out) the management of tourist facilities created with funds obtained from Ministry of Tourism, GoI in a phase manner. Disinvestment Committee under the Chairmanship of Secretary, Tourism Department has been set up in September 2013 to draw a comprehensive disinvestment programme. The Department has shortlisted 16 units for privatization. Selections of Private Partners have not been done by the Department.

Despite the vast potential for development of tourism through PPP by encouraging the young educated and enterprising youths of Mizoram, the Government has not come up with any concrete policy for such joint ventures. Due to lack of encouraging incentive schemes, the potential of state's natural and human resources have not been exploited to meet the emerging demands of employment generation and economic advancement through tourism industry.

As pointed out in the Tourism Master Plan, lack of tour operator and tourist guide is another factor hindering the progress of tourism in the state. Due to the less number of tourists visiting the state, reliable private tour agencies have not come up well due to the non-profitability of the sector which in turn hinder the flow of tourists in the state thus creating a vicious cycle. Public Private Partnership could have been an effective mechanism to cater to this need in the form of

incentivisation of the private players by the Government. However, no step in this regard has been taken so far.

The State Government in their reply (January 2015) stated that the Department had called tender for privatization of 15 tourist facilities under Tourism Department in August 2014.

Impact Assessment

3.3.13 Trend of tourist arrivals

The trend of Foreign Tourists (FT) and Domestic Tourists (DT) in the State and its growth percentage compared to tourist trend in North Eastern Region (NER) during 2009-13 as per Indian Tourism Statistics published (2010 and 2011) by the Ministry of Tourism, Government of India is shown in Table below:

Table-3.3.13

| Year | FT (NER) | FT (Mizoram) | FT Growth, compared to NER (in per cent) | DT (NER) | DT (Mizoram) | DT Growth, compared to NER (in per cent) |
|--------------|---------------|--------------|--|----------------|---------------|--|
| 2009 | 47658 | 513 | 1.05 | 5772068 | 56651 | 0.98 |
| 2010 | 50950 | 731 | 1.38 | 6166269 | 57292 | 0.93 |
| 2011 | 58920 | 658 | 1.19 | 6374254 | 62174 | 0.98 |
| 2012 | 66302 | 744 | 1.06 | 6663933 | 64249 | 0.96 |
| 2013 | 84820 | 800 | 0.94 | 6677280 | 63377 | 0.95 |
| Total | 308650 | 3446 | 1.10 | 3165384 | 303743 | 0.96 |

Source: Indian Tourism Statistics 2010 and 2012 published by Ministry of Tourism, Government of India

As indicated the table above, the overall atmosphere of visiting Foreign and Domestic Tourists in the State was in a static stage during 2009-13.

The State Government in their reply (January 2015) does not offer any comment.

3.3.14 Conclusion

Taking into account the minimal State Own Resources (SOR) and the huge dependence on Central Grants and Loans in the State Budget, the importance of Tourism as a source of generating revenue for the state cannot be overstated. Despite the huge potential of the state with regard to tourism development, the state has not been faring well in this sector as can be seen from the trend of tourist arrivals. The biggest factor can be attributed to the lack or rather absence of publicity and advertisement in both print and visual media at the national level. There has not as yet been any marketing of Mizoram as a Tourist Destination done by the Tourism Department or the MTDA.

In the absence of a Tourism Policy of its own, the focus till now has been mostly on building tourist lodges/circuits/highway restaurants/wayside amenities. Most of the tourist building projects have also been undertaken without any viability and potentiality studies. Two tourist lodges have eventually closed down and many of the tourist lodges presently have negligible occupancy.

The Tourism Master Plan prepared by the Tata Consultancy Services which the Department has adopted in the absence of a Tourism Policy too has not been followed adequately. While the Plan has envisaged the development of wildlife tourism, no step in this regard has been taken.

Another important factor for the underdevelopment of tourism in the state is the failure to consummate and operationalise the tourism projects. Whether it is Aero sports, Trekking Route or Eco-tourism or Rural Tourism, none of them have as yet taken off even after of lapse of a significant number of years since the sanction and release of funds by the Government of India. In fact, the Aero sports project was further granted additional funds for its strengthening and activation but it is yet to fully take off its potential. Thus, in the absence of worthwhile tourist attractions, there is bound to be less tourist inflows.

The Department and MTDA have faltered in the financial management aspect too. There have been delays in releasing of money to the executing agencies which had in turn led to delay in completion of the project works. Money sanctioned by the Ministry for eight projects has been lying idle in the MTDA's account for the past one year.

Public Private Partnership which is essential for the development of tourism remains to be a neglected component. Except for the plan to lease out some of the tourist lodges, little or no steps in this regard, have been taken by the Department.

Audit has observed that the Consultants have themselves executed the work which is unethical as the agency engaged to be the supervisor cannot be the executor at the same time.

Thus, owing to all the lapses, shortcomings, irregularities and inactions mentioned above, the tourism sector has not been able to take off in spite of the huge potential the state has been bestowed with. In order to make tourism the major economic activity and to make it the major source of revenue generation for the state, the Department and MTDA have to embark on new strategies and approaches as discussed below.

3.3.15 Recommendations

The following course of actions has been recommended:

- Feasibility studies are to be conducted with the help of experts before starting new projects involving creation of infrastructure and capital assets.
- Carry out the plan of leasing out some of the tourist lodges/ assets to the private sector, with feasible and amenable terms & conditions which would attract competent private players.
- Carry out an aggressive marketing of brand Mizoram as a Tourism Destination both in print and visual media at the national level and at the same time conceptualise and publicise the practice of Inner Line Permit (ILP) on Arrival at airports to dispel the wrong notion of isolationism of the State. Wide publicity at the national level may be given for atleast the bigger festival of the Mizos *e.g.* Chapchar Kut, Thalfavang Kut *etc.*
- The Tourism Website contents should be made more elaborate by showing better pictures of the tourist attractions. Links of good hotels may be given.
- Embark on more Public Private Partnership in the form of incentivizing private tour operators, tour guides and travel agencies.
- “Mountain Biking” or “Mountain Cycling” activities as successfully done in Manali and Leh-Ladakh respectively, can be started on a PPP mode, which does not involve big investment.
- As regards to convergence, for the start, tie-up may be done with ZOHANDCO by making the Mizo handicraft items available for sale in the major tourist destinations.

COMPLIANCE AUDIT PARAGRAPHS

PUBLIC WORKS DEPARTMENT

3.4 Loss due to undue financial aid to Contactors

Grant of interest free mobilisation advance of ₹ 5.15 crore to four contractors resulted in loss of ₹ 68.91 lakh towards interest.

As per Para 31.5 of CPWD Works Manual, in respect of certain specialized and capital intensive works with estimate cost put to tender for rupees two crore and above, mobilisation advance limited to 10 *per cent* of tendered amount at 10 *per cent* simple interest can be sanctioned to the contractors on specific request as per term of the contract.

Audit of records of the two Public Works Department (PWD) Divisions (Mamit and Kolasib) revealed the following:

- (A) The Public Works Department (PWD) entered into contractual agreement with three contractors for execution of Rehabilitation and Resurfacing of W. Phaileng to Marpara Road (Length 0.00-80.00 kms) for which administrative approval of ₹ 46.19 crore was accorded.

Examination (January 2013) of records of the Executive Engineer, P.W.D Mamit Division, Mamit revealed that in violation of the above codal provisions, the EE unauthorisedly sanctioned and released (between October 2011 and February 2012) interest free mobilisation advance of ₹ 4.19 crore¹ to all the three contractors for the above mentioned project. Out of ₹ 4.19 crore, the Division had already recovered an amount of ₹ 19 lakh during August 2012 to December 2012 from the three contractors, through running accounts bills.

The interest due to be levied as on January 2013 from the date(s) of release of advance against mobilisation advance of ₹ 4.19 crore in respect of three contractors at prescribed rate of 10 *per cent* per annum was ₹ 47.45 lakh, as per details shown in **Appendix-3.4.1 (A)**, which remain unadjusted.

While accepting the audit observation, the Department in its reply (November 2013) stated that the interest free mobilisation advance was granted to the contractors as the Department had no knowledge of imposition of 10 *per cent* interest on mobilisation advance granted to the contractors.

The reply is not acceptable as audit observation on levying interest on mobilisation advance as prescribed in Para 31.5 of CPWD Manual has been pointed out several times to the Department in the past.

¹ (i) ₹ 1.42 crore for W.Phaileng - Marpara road (0.00-27.00 kms)
(ii) ₹ 1.42 crore for W.Phaileng - Marpara road (27.00 – 54.00 kms)
(iii) ₹ 1.35 crore for W.Phaileng - Marpara road (54.00 - 80.00 kms)

- (B) The Public Works Department (PWD) entered into contractual agreement with a contractor² for execution of improvement of Bilkhawthlir - Saiphai - Natasura Road (Length 20.504 kms) for which administrative approval of ₹ 10.05 crore was accorded.

Examination (October 2013) of records of the Executive Engineer, PWD, Kolasib Division, Kolasib revealed that the EE sanctioned and released (June 2009) mobilisation advance of ₹ 95.71 lakh to the contractor for the above mentioned project, the interest of which was leviable at the rate of 10 *per cent* simple interest as per the CPWD works manual para pointed out above.

Subsequently, the Division recovered the entire mobilisation amount of ₹ 95.71 lakh during March 2010 to July 2012 from the contractor through running accounts bills. However, the interest on the Mobilisation Advance which amounted to ₹ 21.46 lakh has not been recovered from the contractor (Details of interest calculation provided in **Appendix-3.4.1 (B)**).

Thus, grant of interest free mobilisation advance of ₹ 5.15 crore, in violation of codal provisions led to undue financial advantage to the four contractors resulting in corresponding loss of ₹ 68.91 lakh receivable by the Government towards interest.

The matter was reported to the Government in September 2014, and their reply is awaited (March 2015).

3.5 Infertuous expenditure in patch repairing works

Unauthorised commencement of pot hole treatment work prior to formal estimation and approval of work by the competent authority and non-adherence to the technical prescription by the Indian Road Congress on such nature of works resulted in infertuous expenditure of ₹ 40 lakh.

Indian Road Congress (IRC): 82-1982 on maintenance of bituminous surfaces envisage that pot holes should be treated by filling them with premix open-graded or dense-graded patching, or penetration patching.

Audit of records (September 2012) of Executive Engineer, PWD Lunglei Division revealed that the work "Maintenance of Lunglei-Tlabung Road under 13th Finance Commission (SH: Patch Repair between 9.00 – 39.00 kmp) was projected during 2011-12 with the financial outlay of ₹ 40 lakh. The work *inter alia* includes filling Pot-holes and Patch Repairs with open-graded Premix surfacing. The work was executed departmentally during June 2011 without any Administrative, Expenditure and Technical Sanction from any competent authority, the work was executed simply by filling the potholes (9.00 – 39.00 kmp) with stones instead of open-graded premix surfacing at an expenditure of ₹ 40 lakh (which includes expenditure on clearance of side drains and maintenance of earth shoulders).

² Tantia Construction Company Ltd., Kolkata

Field visit (September 2012) of Lunglei-Tlabung Road (9.00 – 39.00 kmp) revealed that the pot holes filled merely with stone boulders had given in and were waterlogged as the loose stone boulders could not be retained in the pot holes in the absence of binder of premix open-graded patching which resulted in wasteful expenditure of ₹ 40 lakh.



Stone filling and Water logging in Pot Holes in Lunglei – Tlabung Road (9.00 - 39.00 kmp)

Thus, due to non-adherence to the guidelines of IRC in regard to treatment of pot holes as outlines above, the repaired road did not last even for one Monsoon (work completed in November 2011 and Field visit and finding in September 2012), pointing to the infructuous expenditure of ₹ 40 lakh made on the work.

In reply, the Engineer-in-Chief, PWD stated (January 2015) that sanctioned amount of ₹ 40 lakh was not sufficient for maintaining of 30 kms as per prescription of IRC and only 10 kms could be maintained with this sanctioned amount. As such due to public pressure and importance of the road, it was decided that the whole stretch proposed for maintenance should be maintained without premix open graded.

The reply is not acceptable, since IRC guideline specifically envisages that pot holes should be treated only by filling pot-holes with premix open-graded or dense-graded patching, or penetration patching. By the way of resorting to stretching the available resources, the Department has carried out sub-standard work, which could not even last for one monsoon season rendering the expenditure incurred on repair unfruitful.

The matter is reported to the Government in September 2014 and their reply is awaited (March 2015).

AGRICULTURE DEPARTMENT

3.6 Irregularities in implementation of Oil Palm Mills Project

Inordinate delay in completion of Oil Palm Mills Project leading to blockade of Central Grants to the tune of ₹ 500 lakh.

Guidelines for Special Programme on Oil Palm Area Expansion (OPAE) 2011 of Department of Agriculture and Cooperation, Ministry of Agriculture, GoI envisages to provide support in form of subsidy for setting up Oil Palm processing units through State Agriculture Department

to sustain the confidence of oil palm cultivators. In this regard, subsidy to entrepreneurs was to be provided @ 50 per cent of the cost of plant and equipment limited to ₹ 250 lakh per unit of 5 MT/hr Fresh Fruit Branches capacity through the State Department of Agriculture. This was to encourage the farmers of potential States to take up Oil Palm cultivation.

Acknowledging the potential of Oil Palm cultivation in the State of Mizoram, the GoI in the guideline stated that lack of Oil Palm Mills in the State, where 9,759 hectares have already been brought under Oil Palm cultivation, is dissuading farmers from bringing additional area under cultivation and some plantations which had started bearing Fresh Fruit Bunches (FFBs) have since been destroyed by farmers in the absence of marketing facilities.

In the light of above, the GoI earmarked ₹ 1,000 lakh to provide subsidy at the rate of 50 per cent of the cost limited to ₹ 250 lakh per unit for setting up of four Oil Palm processing units in the State of Mizoram under Special Programme on OPAE under Rashtriya Krishi Vikash Yojana (RKVY) during 2011-12.

Audit (May 2014) of records revealed that Administrative approval and Expenditure sanction for establishment of Oil Palm Factory under RKVY amounting to ₹ 750 lakh was conveyed by Government of Mizoram on 28 March 2012 for payment of subsidy for establishment of Oil Palm Factory by three companies viz. M/s Ruchi Soya Industries Ltd., M/s 3F Oil Palm Agrotech Pvt. Ltd. and M/s Godrej Oil Palm Ltd. at ₹ 250 lakh each.

Accordingly, the Department of Agriculture, Government of Mizoram, formulated an Operational Guidelines on establishment of Oil Palm processing Mill under RKVY scheme 2011-12. The scheme provides 50 per cent of the cost of plant & machinery and technical civil works subject to a maximum ₹ 250 lakh for commissioning of oil extraction mill. The Operational Guidelines stipulated that:

1. Oil extraction and processing mills which have been established and commissioned during the year 2011 or/and 2012 only will be eligible for assistance,
2. The capacity of the Oil Palm processing mill must be minimum of 5 MT/hr,
3. The applicant should submit a Project Appraisal/Project Feasibility report, indicating technical viability and feasibility and availability of raw materials and future scope of the processing mill,
4. The applicant should submit loan sanction letter, loan released statement, investment certificate for the total project investments from the financial institutions/ Bank along with the application and Chartered Accountant report and financial viability certificate,
5. The applicant should enclose papers related to ownership of the land, sale deeds, R.T.C Khata certificate, tax paid receipt, encumbrance certificate of the site or lease documents where the mill has been established,
6. The applicant should enclose the list of machineries, their cost with the details for payment made,

7. The assistance would be released in three equal instalments based on the stage of work:
 - (i) First instalment to be released after fabrication and procurement of all the machineries;
 - (ii) Second instalment after the erection of all the proposed machineries and other fixtures;
 - and (iii) Third instalment after the successful commissioning of the Palm Oil Mill.

Following lapses/shortcomings were noticed in audit:

- (i) To avoid the lapse of allocated grants by the GoI, the Department irregularly drew ₹750 lakh from the Government accounts and retained it in Civil Deposit for about 11 months. An amount of ₹ 250 lakh was disbursed to M/S Godrej Oil Palm Ltd. between May 2013 and May 2014. Balance ₹ 500 lakh was retained in the Bank Account unauthorisedly till August 2014.
- (ii) In violation of the guideline, the capacity of the Oil Palm mills proposed to be set up in the State were less than 5 MT/hr though mention was made in the project report of each company that the capacities of their mills were expandable to 5 MT/hr. Thus, the selected three companies were not eligible for subsidy under the OPAE guidelines.
- (iii) As per the guideline, Oil extraction and processing mills which have been established and commissioned during the year 2011 or/and 2012 only were eligible for assistance. However, as on date of audit (31 May 2014), none of the companies have started commissioning of Oil Palm mills in their respective sites. Only M/s Godrej Agrovet Ltd has made some headway (January 2014) in establishment of Oil Palm mill in Kolasib.
- (iv) In gross violation of the guideline, before formal commissioning of the Oil Palm mill, the Department of Agriculture made (May 2014) full payment of subsidy amounting to ₹ 2.50 crore to M/s Godrej Agrovet Ltd. in three instalments. In reply to this, the Department stated that construction of the mill has been completed. However, it needs to be pointed out here that the mill is not yet commissioned.

Further, the loopholes noticed in the implementation of the project are mentioned below:

1. As required by the guidelines, none of the companies had raised loans from any financial institution and moreover, in the absence of Chartered Accountant Report and financial viability certificate, the financial capability of the companies other than Godrej to take up the project cannot be ascertained.
2. Except for M/s Godrej Oil Palm Ltd., the other two companies did not submit any papers related to ownership of land, sale deeds *etc.* for their proposed Oil Palm mill site.
3. Even after lapse of more than two years, M/s Ruchi Soya Industries Ltd, has not made any progress even in their civil works at the site and the foundation stone was laid only in February 2013 and M/s 3F Oil Palm Agrotech Pvt. Ltd. has not even started its civil work even after lapse of more than two years.
4. Even the Memorandum of Understanding (MOU) signed by the Department with the companies were devoid of timelines or milestones for stage wise completion of the project

and also penalty clause or conditions applicable in case of breach of the MOU, due to which the success of this Oil Palm mill project in the State has been left at the mercy of the companies.

Thus, due to lapses/shortcomings/loopholes mentioned above, the Oil Palm Mill Project faces an uncertain future which needs to be properly looked into by higher authority.

While accepting the fact the State Government in its reply stated (February 2015) the following:

- (i) The bank account (Current Account) was opened by the Director of Agriculture on the instruction of the Finance Department, Government of Mizoram;
- (ii) M/S Godrej Oil Palm Ltd. Has completed setting up of oil Palm Mill and started processing of Fresh Fruit Branches (FFBs) at Bukvannei, Kolasib even though the same was not commissioner officially;
- (iii) The Godrej company completed construction of Oil Palm Mill in March 2014. A trial run was conducted on 14 April 2014 successfully in the presence of the official³ of the Agricultural Department and the performance of the company was found satisfactory, the final instalment of subsidy was released to the company in May 2014; and
- (iv) None of the company was proposed to set up a factory with a capacity of less than 5 Mt/hr, but, a minimum capacity 5 Mt/hr which is expandable to 10 Mt/hr.

The reply of the State Government is not borne out of the facts contained in the records produced to audit and an afterthought to cover up its lapses due to following reasons.

- (i) The State Government cannot disown its finance department which irregularly instructed the implementing department of deposit the funds released by GoI in Civil Deposit to avoid lapse.
- (ii) The final instalment of subsidy has been paid to Godrej before formal commissioning as admitted in its own reply.
- (iii) Further, the reply was silent about eligibility of assistance, which was admissible to only processing units that has been established in 2011 and 2012, whereas even the processing unit constructed by M/s Godrej had undergone trial run only in 2014.

Hence, lack of sincere effort on the part of the Department of Agriculture in handling the Oil Palm companies and in implementing the scheme as per guidelines led to inordinate delay and uncertainty in the completion of the Oil Palm mill project in the State even though the fund amounting to ₹ 7.50 crore for subsidy was available with the Department way back since March 2012. It also led to blockade of GoI fund due to putting in Civil Deposit and non-utilisation later. Moreover, due to non-completion of the project, many FFBs of Oil Palm

³ Director of Agriculture (CH), District Agricultural Officer, Kolasib and Deputy Director (OP)

had to remain idle and eventually perish as they could not be processed thus dissuading the farmers to take up fresh plantations.

FOLLOW UP OF AUDIT OBSERVATIONS

3.7 Non-submission of *suo moto* Action Taken Notes (ATNs)

With a view to ensuring accountability of the Executive in respect of all the issues dealt with in various Audit Reports, the Public Accounts Committee (PAC), issued (May 2000) instructions for submission of *suo moto* ATNs on all paragraphs and reviews featured in the Audit Report within three months of its presentation to the Legislature. For submission of the Action Taken Notes (ATNs) on its recommendations, the PAC provided six months time.

A review of follow up action on submission of *suo moto* ATNs disclosed that the various Departments of the State Government had submitted *suo moto* replies in respect of all paragraphs/reviews that had featured in the Audit Reports up to the year 2010-11 with certain delays. The Audit Report for the year 2012-13 was laid on the table of the State legislative assembly on 09 July 2014. The *suo moto* replies in respect of 02 paragraphs/reviews in respect of Economic Sector (Other than State Public Sector Undertakings) that had appeared in the Audit Report were due by the end of October 2014. However, no replies in respect of the paragraphs/reviews that have been included in the Reports of the Comptroller and Auditor General of India were received as of February 2015, even after a delay of about four months as mentioned below:

Table-3.7.1

| Year of Audit Report | Date of presentation of the Audit Report to the Legislature | Number of paragraphs/reviews included in the Audit Report (excluding standard paragraphs) | Total number of paragraphs and reviews for which <i>suo moto</i> explanatory notes are awaited | Number of Departments |
|----------------------|---|---|--|-----------------------|
| 2012-13 | 09.07.2014 | 2 | 2 | 2 |

Source: Legislative Assembly Secretariat

Thus, due to the failure of the respective Departments to comply with the instructions of the PAC, the objective of accountability was not ensured.

3.8 Response to audit observations and compliance thereof by the Executive

Accountant General (Audit) conducts periodical inspections of Government Departments to test-check the transactions and verify the maintenance of significant accounting and other records as per the prescribed rules and procedures. These inspections are followed by Inspection Reports (IRs) issued to the Heads of Offices inspected, with a copy to the next higher authorities. Rules/orders of the Government provide for prompt response by the Executive to the IRs issued by the Accountant General to ensure corrective action in

complying with the prescribed rules and procedures and accountability for the deficiencies, lapses, etc., noticed during the 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. Serious irregularities are also brought to the notice of the Head of the Department by the Office of the Accountant General.

As of March 2014, a review of the outstanding IRs issued during 2008-14 revealed that 357 paragraphs relating to 72 IRs remained outstanding as shown in the following Table:

Table-3.8.1

| Name of the Sector | Opening Balance (upto 2011-12) | | Addition during the year 2012-13 | | Disposal during the year 2012-13 | | Closing Balance | |
|-----------------------------|--------------------------------|-------|----------------------------------|-------|----------------------------------|-------|-----------------|-------|
| | IR | Paras | IR | Paras | IR | Paras | IR | Paras |
| Economic (other than SPSUs) | 55 | 293 | 35 | 200 | 18 | 136 | 72 | 357 |

3.9 Audit Committee Meetings

State Government had notified (04 September 2013) for constitution of an Audit Committee to consider and take measures for timely response and speedy settlement of outstanding paragraphs of Inspection Reports lying in different Departments.

During 2013-14, seven audit committee meetings were held and 44 nos. of paragraphs were settled/dropped out of the 84 paragraphs are shown as under:

| Consolidated details of ACM | | | | | | |
|-----------------------------|------------------------|------------------|-------------------------|-------|----------------|-----------------|
| No. of ACM | Name of Department | Opening Balance | Addition During 2013-14 | Total | Dropped in ACM | Closing Balance |
| | | (Paragraph nos.) | | | | |
| 07 | Agriculture Department | 64 | 20 | 84 | 44 | 33* |

(* 07 paras dropped through General Correspondence)