

***CHAPTER-IV***

**REVENUE SECTOR**

## CHAPTER-IV

### REVENUE SECTOR

#### 4.1 Trend of revenue receipts

**4.1.1** The tax and non-tax revenue raised by the Government of Mizoram during the year 2013-14, the State's share of net proceeds of divisible Union taxes and duties assigned to States and Grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table-4.1.1**.

**Table-4.1.1**

(₹ in crore)

Sl. No.	Particular	2009-10	2010-11	2011-12	2012-13	2013-14
1.	<b>Revenue raised by the State Government</b>					
	Tax revenue	107.58	130.44	179.07	223.14	229.78
	Non-tax revenue	126.51	146.72	168.03	212.80	194.26
<b>Total</b>		<b>234.09</b>	<b>277.16</b>	<b>347.10</b>	<b>435.94</b>	<b>424.04</b>
2.	<b>Receipt from the Government of India</b>					
	• State's share of net proceeds of divisible Union taxes and duties	394.53	451.66	827.38	785.96	858.08
	• Grants-in-aid	2,334.89	2,126.55	2,650.42	3314.84	3482.73
<b>Total</b>		<b>2,729.42</b>	<b>2,578.21</b>	<b>3,477.80</b>	<b>4100.80</b>	<b>4340.81</b>
3.	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>2,963.51</b>	<b>2,855.37</b>	<b>3,824.90</b>	<b>4536.74</b>	<b>4764.85</b>
4.	<b>Percentage of 1 to 3</b>	<b>7.90</b>	<b>9.71</b>	<b>9.07</b>	<b>9.61</b>	<b>8.90</b>

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

The above table indicates that during the year 2013-14, the revenue raised by the State Government (₹ 424.04 crore) was 8.90 per cent of the total revenue receipts. The balance 91.10 per cent of receipts during 2013-14 was from the Government of India.

**4.1.2** The details of tax revenue raised during the period from 2009-10 to 2013-14 are given in **Table-4.1.2**.

**Table-4.1.2**

(₹ in crore)

Sl. No.	Head of revenue	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase (+) or decrease (-) in 2013-14 over 2012-13 Actual
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
1.	Taxes on Sales, Trades etc.	96.93	85.94	101.86	104.70	135.26	142.16	158.22	175.87	190.00	183.34	(+) 4
2.	Motor Vehicles Tax	6.49	6.71	6.80	7.72	15.60	16.71	23.17	22.83	19.38	19.42	(-) 15
3.	Others <sup>(*)</sup>	12.87	14.93	8.28	18.02	29.47	20.20	20.67	24.44	25.44	27.02	(+) 11
<b>Total:</b>		<b>116.29</b>	<b>107.58</b>	<b>116.94</b>	<b>130.44</b>	<b>180.33</b>	<b>179.07</b>	<b>202.06</b>	<b>223.14</b>	<b>234.82</b>	<b>229.78</b>	<b>(+) 3</b>

Source: Finance Accounts 2013-14 & Annual Financial Statement, Government of Mizoram, 2014-15

(\*) Others include State Excise, Taxes on Sales, Trades etc. and Taxes on Goods and Passengers etc.

**State Excise:** Increase in revenue receipt in State Excise was due to the increase of liquor imported by the Security Forces Deployed in Mizoram to whom Liquor licenses were issued.

The other Departments despite being requested (29 September 2014) did not furnish the reasons for variations in receipts from that of the previous year (March 2015).

**4.1.3** The details of the Non-Tax revenue raised during the period 2009-10 to 2013-14 are indicated in **Table-4.1.3:**

**Table-4.1.3**

(₹ in crore)

Sl. No.	Head of revenue	2009-10	2010-11	2011-12	2012-13	2013-14	Percentage of increase (+) or decrease (-) in 2013-14 over 2012-13
1.	Interest receipts	17.85	12.72	15.60	16.86	17.93	(+) 6
2.	Power	67.86	72.63	109.52	111.27	109.05	(-) 2
3.	Other non-tax receipts	40.80	61.37	42.92	84.67	67.28	(-) 21
	<b>Total</b>	<b>126.51</b>	<b>146.72</b>	<b>168.04</b>	<b>212.80</b>	<b>194.26</b>	<b>(-) 9</b>

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

The reasons for variation were not informed by the Department.

## 4.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2014 on Taxes/VAT on Sales, Trades *etc.* was amounted to ₹ 1,673.72 crore, as detailed in the **Table-4.2.1.**

**Table-4.2.1**

(₹ in crore)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2014	Amount outstanding for more than five years as on 31 March 2014
1.	Taxes/VAT on Sales, Trades <i>etc.</i>	1673.72	Nil
2.	Taxes on Vehicles	Not furnished	Not furnished
3.	Taxes on Goods and Passengers		
	<b>Total</b>	<b>1673.72</b>	<b>-</b>

Source: Departmental records

It could be seen from the above that table under the head of Taxes/VAT on Sales, Trades *etc.*, there was no outstanding amount for more than five years as on 31 March 2014. However, information on total amount outstanding as well as amount outstanding for more than five years as on 31 March 2014 in respect of Taxes on Vehicles and Taxes on Goods and Passengers was not furnished by the Departments (March 2015).

## 4.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalization at the end of the year as furnished by the Sales Tax Department in respect of sales tax, motor spirit tax, luxury tax and tax on works contracts are given in **Table-4.3.1.**

**Table-4.3.1**

Head of revenue	Opening balance as on 31 March 2013	New cases due for assessment during 2013-14	Total assessments due	Cases disposed off during 2013-14	Balance at the end of the year 2013-14	Percentage of disposal (Col. 5 to 4)
1	2	3	4	5	6	7
Taxes/ VAT on Sales, Trades etc.	2985	1020	4005	1007	2998	25.14

Source: Departmental records

It could be seen from the above table that out of the total assessment of 4,005 the disposal was 1,007 (25.14 per cent) during the year 2013-14. The balance arrear of assessment was 2,998 (74.86 per cent).

#### 4.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Taxation and Transport Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table-4.4.1**:

**Table-4.4.1**

Name of tax/duty	Case pending as on 31 March 2013	Cases detected during the year 2013-14	Total	Number of cases in which assignments/ investigation completed and additional demand including penalty etc., raised during the year 2011-12		Number of pending cases as on 31 March 2014
				No. of cases	(₹ in lakh)	
1	2	3	4	5	6	7
Sales Taxes/ VAT	458	545	1003	499	677.42	504
Taxes on Vehicles	56794	2292	59086	NIL	NIL	59086
Taxes on Goods and Passengers	2000	454	2454	NIL	NIL	2454

Source: Departmental records

It could be seen from the above table that number of cases pending at the end of the year has increased substantially in respect of Taxes on Vehicles and Taxes on Goods and Passengers than number of cases pending at the beginning of the year due to non-completion of assignments/ investigation during the year.

#### 4.5 Pendency of Refund Cases

There was no pendency of refund cases during the year.

#### 4.6 Response of the Government/Departments towards audit

The Principal Accountant General (Pr.AG), Mizoram conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are

followed up with the Inspection Reports (IRs) incorporating irregularities detected during the Inspection and not settled on the spot, which are issued to the Heads of the Offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the Offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the Pr.AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the Heads of the Departments and the Government.

Inspection Reports issued upto December 2013 disclosed that 447 paragraphs involving ₹ 61.77 crore relating to 141 IRs remained outstanding at the end of June 2014 as mentioned in the following table along with the corresponding figures for the preceding two years in **Table-4.6.1**.

**Table-4.6.1**

Particulars	June 2012	June 2013	June 2014
Numbers of outstanding IRs	148	166	141
Number of outstanding audit observations	418	530	447
Amount involved (₹ in crore)	68.95	68.56	61.77

**4.6.1** The Department-wise details of the IRs and audit observations outstanding as on 30 June 2014 and the amounts involved are mentioned in the following **Table-4.6.2**:

**Table-4.6.2**

(₹ in crore)					
Sl. No.	Name of Department	Name of Receipts	No. of Outstanding IRs	No. of Outstanding Audit Observations	Money Value involved
1.	Land Revenue	Land Revenue	20	39	7.12
2.	Excise	State Excise	02	08	0.01
3.	Taxation	Taxes/VAT on Sales, Trade etc.	43	192	18.66
4.	Transport	Taxes on Vehicles/Taxes on Goods and Passengers	26	56	5.52
5.	Forests & Environment	Forest & Wild Life	26	107	10.61
6.	Geology and Mineral Resources	Non-ferrous Mining and Metallurgical Industries	02	12	13.81
7.	Other	Other taxes	22	33	6.04
<b>Total</b>			<b>141</b>	<b>447</b>	<b>61.77</b>

Audit did not receive even the first replies required to be received from the Heads of Offices within one month from the date of issue of the IRs for 20 IRs issued upto December 2013. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the Heads of Offices and Heads of the Departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the Pr.AG in the IRs.

***The Government may consider for having an effective system for prompt and appropriate responses to audit observations.***

#### 4.6.2 Departmental Audit Committee Meetings

The Government set up Audit Committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2013-14 and the paragraphs settled are mentioned in **Table-4.6.3**.

**Table-4.6.3**

(₹ in crore)

Sl. No.	Head of revenue	Number of meetings held	Number of paragraphs settled	Amount
1.	Environment & Forests Department	01	100	7.58

The progress of settlement of paragraphs (100 paragraphs) pertaining to the Environment & Forests Department was considerable as compared to the huge pendency (107 paragraphs) at the beginning of the year.

#### 4.6.3 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Pr.AG to the Principal Secretaries/Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Six draft paragraphs including one Performance audit were sent to the Principal Secretaries/Secretaries of the respective Department of the Government. The Principal Secretaries of the Department did not send replies in respect of six draft paragraphs despite issue of reminders (January 2015) and the same have been included in this Report without the response of the Government.

#### 4.6.4 Follow up on the Audit Reports – summarised position

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall *suo moto* initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the committee. 25 paragraphs (including two performance audit) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Mizoram for the years from 31 March 2009 to 31 March 2013 were placed before the State Legislative Assembly between 5 April 2010 and 09 July 2014.

The PAC discussed five selected paragraphs pertaining to the Audit Reports for the years 2009-10 & 2010-11. However, the status of Action Taken Notes (ATNs) on the Audit Reports was not intimated by the State Legislative Assembly Secretariat.

#### 4.7 Analysis of the mechanism for dealing with the issues raised by Audit

To analysis the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs and performance audits included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 4.7.1 to 4.7.2 discuss the performance of the six Departments and cases detected in the course of local audit during the last ten years and also the cases included in the Audit Reports for the years 2003-04 to 2012-13.

##### 4.7.1 Position of Inspection Reports

The summarized position of Inspection Reports issued during the last five years, paragraphs included in these Reports and their status as on 30 June 2014 are given in the following **Table-4.7.1**.

**Table-4.7.1**

(₹ in crore)

Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value
2010-11	126	373	39.09	21	91	61.24	2	56	18.17	145	408	82.16
2011-12	145	409	82.16	18	91	10.91	9	50	22.44	154	450	70.64
2012-13	154	450	70.64	8	75	2.37	0	10	1.00	162	515	72.01
2013-14	162	515	72.01	18	103	12.38	37	161	21.68	143	457	62.71
2014-15	143	457	62.71	-	-	-	2	10	0.94	141	447	61.77

Time to time reminder was issued to the Departments for furnishing replies to the outstanding audit observations. Despite such efforts, 447 Paras in 141 IRs consisting of ₹ 61.77 crore remained outstanding as on 30 June due to non-received of replies from the Departments.

##### 4.7.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years and those accepted by the Department and the amount recovered are mentioned in the following **Table-4.7.2**:

**Table-4.7.2**

(₹ in crore)

Year of Audit Report	No. of paragraphs included	Money value of the paragraphs	No. of paragraphs accepted	Money value of accepted paragraphs	Amount recovered as on 31 March 2014	Cumulative position of recovery of accepted cases
2003-04	16	4.98	2	0.27	--	--
2004-05	10	5.30	NIL	NIL	--	--
2005-06	24	10.04	NIL	NIL	--	--
2006-07	15	12.14	NIL	NIL	--	--

Year of Audit Report	No. of paragraphs included	Money value of the paragraphs	No. of paragraphs accepted	Money value of accepted paragraphs	Amount recovered as on 31 March 2014	Cumulative position of recovery of accepted cases
2007-08	11	4.98	1	0.04	--	--
2008-09	6	5.74	NIL	NIL	--	--
2009-10	4	8.85	NIL	NIL	--	--
2010-11	3	16.49	1	0.09	--	--
2011-12	7	5.43	3	2.27	0.07	--
2012-13	3	1.88	3	1.88	0.35	--

It could be seen from the above table that during the year 2011-13, the Department had accepted six paragraphs consisting money value of ₹ 4.15 crore, out of which ₹ 0.42 crore was recovered as of 2013-14.

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

#### **4.8 Action taken on the recommendations accepted by the Departments/ Government**

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

During the period 2008-09 to 2012-13, the following performance reviews were featured in the Audit Reports. The details of recommendations and their status is given in **Table-4.8.1** below:

**Table-4.8.1**

Year of Audit Report	Name of the review	No. of recommendations	Status
2008-09	Transition from Sales Tax regime to Value Added Tax (VAT) System in Mizoram	6	The State Legislative Assembly Secretariat did not furnish the status of recommendations as of March 2014.
2009-10	-	-	
2010-11	Performance Audit on cross verification of declaration Forms in Inter State Trade and Commerce	5	
2011-12	-	-	
2012-13	-	-	



#### **4.8.1 Audit planning**

The unit offices under various Departments are categorized into high, medium and low risk units according to their revenue positions, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter alia* include critical issues in Government revenues and tax administration *i.e.* budget speech, white paper on state finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during past five years *etc.*

During the year 2013-14, there were 64 auditable units, of which 20 units were planned and 27 units had been audited, which was 42.19 *per cent* of the total auditable units.

#### **4.9 Results of audit**

##### *Position of local audit conducted during the year*

Test check of the records of 27 units of Taxation, Environment & Forests, Excise and other Departments conducted during the year 2013-14 revealed underassessment/short levy/loss of revenue/non-realisation of outstanding revenue aggregating ₹ 2,069.71 lakh in 123 cases. Of these the Departments recovered ₹ 0.59 lakh in two cases and ₹ 11.10 lakh relating to the previous years in 11 cases.

#### **4.10 Coverage of this Report**

This Report contains six paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years which could not be included in earlier reports) and one Performance Audit on National Bamboo Mission involving financial effect of ₹ 19.51 crore (Paragraphs: ₹ 2.79 crore and Performance Audit: ₹ 16.72 crore). The Departments have accepted audit observations involving ₹ 2.79 crore in respect of six paragraphs, out of which ₹ 0.04 crore has been recovered. However, the replies of the Government have not been received (March 2015). The Government have accepted audit observations involving ₹ 3.81 crore in respect of performance audit. These are discussed in succeeding paragraphs.

## PERFORMANCE AUDIT

### ENVIRONMENT AND FORESTS DEPARTMENT

#### 4.11 Implementation of National Bamboo Mission

##### *Highlights*

The National Bamboo Mission (NBM) is a 100 *per cent* Centrally Sponsored Scheme, launched in 2006-07, is being implemented by the Department of Agriculture and Co-operation, Ministry of Agriculture, Government of India with the objective to promote cultivation of bamboo, setting up of bamboo based industries and marketing of bamboo-based products. The State Bamboo Steering Committee (SBSC) and the Bamboo Development Agency are the State Level Nodal Agencies.

Some of the significant findings are highlighted in the following paragraphs:

**The State Mission did not carry out baseline survey and feasibility study for preparation of Perspective Plan. Except for the year 2012-13, Annual Action Plans prepared during 2009-13 was not approved by the State Bamboo Steering Committee.**

(Paragraph 4.11.9.1)

**The State Mission Director did not maintain Cash Book showing year-wise receipt of grants from the Centre and interest earned from savings.**

(Paragraph 4.11.10.1)

**The State Mission Director diverted the scheme fund and also incurred an irregular expenditure of ₹ 36.91 lakh towards procurement of inadmissible items.**

(Paragraph 4.11.10.4)

**The eight District Bamboo Development Agencies irregularly released a financial assistance of ₹ 96.48 lakh to the beneficiaries against the plantations in non-forest areas where the survival rate of plantation were below the prescribed rate of 90 per cent.**

(Paragraph 4.11.12.2)

**The Nodal Officer, NLUP disbursed a Government's subsidy of ₹ 500.32 lakh to 500 beneficiaries for plantation in non-forest areas without ensuring the beneficiaries contribution of ₹ 500.32 lakh as a result targeted plantation could not be achieved.**

(Paragraph 4.11.12.3)

**The Forest Development Agency irregularly spent the entire amount of ₹ 426.56 lakh during 2010-14 for improvement of existing stock in common village areas covering 5,332 ha in non-forest areas without giving any financial assistance to 2,666 crafts people and artisans.**

(Paragraph 4.11.13.2)

**No Retail Outlets (showrooms) were set up in the Metros during 2009-14, except three Retail outlets in Aizawl City.**

**(Paragraph 4.11.14.3)**

**Against a target of 150 participants, only 29 participants were selected to participate in five Domestic Trade Fairs and as a result of which there was inadequate projection of bamboo products and artefacts at these fair.**

**(Paragraph 4.11.14.4)**

**In 564 plantation works of the five sampled Forest Development Agencies, short payment of wages of ₹ 1.41 crore was noticed.**

**(Paragraph 4.11.15.2)**

#### **4.11.1 Introduction**

Bamboo is a versatile group of plants which is capable of providing ecological, economic and livelihood security to the people. Two-third of the growing stock in the country is located in the North-Eastern States. Keeping in view the vast untapped potential of the bamboo plant, it was decided by the Department of Agriculture and Co-operation, Government of India (GoI) to implement a scheme on National Bamboo Mission (NBM) was launched in 2006-07 for addressing the issues relating to the development of bamboo in the country with 100 *per cent* central assistance.

The objectives of the NBM are:

- To promote the growth of the bamboo sectors;
- To increase the coverage of area under bamboo in potential areas with improved varieties to enhance yields;
- To promote marketing of bamboo and bamboo based handicrafts;
- To establish convergence and synergy among stake-holders for the development of bamboo;
- To promote, develop and disseminate technologies through seamless blend of traditional wisdom and modern scientific knowledge; and
- To generate employment opportunities for skilled and unskilled persons, especially unemployed youths.

#### **4.11.2 Scope of Audit**

The Performance Audit of National Bamboo Mission in Mizoram covering the period from 2009-10 to 2013-14 was conducted during June - September 2014 Audit test-checked of the records of the Mission Director and Administrative Head of the Environment & Forest Department (E&FD) at the State level. At field level out of 14<sup>1</sup> Forest Development

<sup>1</sup> (i) Kawrthah, (ii) Kolasib, (iii) Darlawn, (iv) Mamit, (v) Aizawl, (vi) Thenzawl, (vii) Champhai, (viii) N. Vanlaiphai, (ix) Lunglei, (x) Tlabung, (xi) MADC, (xii) LADC, (xiii) CADC, and (xiv) Khawzawl

Agencies (FDAs) and 08<sup>2</sup> District Bamboo Development Agencies (DBDAs), 06<sup>3</sup> FDAs and 04<sup>4</sup> DBDAs implementing the NBM in the State were selected in audit on Simple Random Sampling basis.

### 4.11.3 Mission Structure

The National Bamboo Mission has the following three layered structure:

#### (A) National Level

At National Level the National Apex Committee (NAC) and National Steering Committee (NSC) are responsible for policy making and giving overall direction and guidance to the Mission besides monitoring and reviewing of the progress and performance.

#### (B) State Level

- (i) State Bamboo Steering Committee (SBSC) at the State Level will be framed under the chairmanship of the Secretary Agriculture/Horticulture/Environment & Forest as may be decided by the State Government. A State Mission Director (SMD), to be appointed by the State Government will be Member Secretary. The Committee shall be responsible for approving the action plan and ensuring effective implantation and monitoring of the scheme.
- (ii) Bamboo Development Agency (BDA) will be set-up in each State with the Director Agriculture/Horticulture/Environment & Forest or any other officer considered by the State Government as Mission Director. The BDA is responsible for implementation of the scheme in non-forest areas.

#### (C) District Level

##### (i) Non-Forest Areas

The BDA of every State will constitute a District Level Agency (DLA) with the officials from Agriculture/Horticulture/Forest/Rural Development and other line Departments, SHGs, NGOs, Industries, *etc.*, This agency will also oversee, co-ordinate and control all activities at the District Level for non-forest areas.

##### (ii) Forest Areas

A District Level Forest Development Agency (FDA) will be constituted and which will take the lead in carrying out the activities of the Mission in the forest areas.

<sup>2</sup> (i) Aizawl, (ii) Champhai, (iii) Lawngtlai, (iv) Mamit, (v) Saiha, (vi) Serchhip, (vii) Kolasib, and (viii) Lunglei

<sup>3</sup> (i) Kolasib, (ii) Aizawl, (iii) Thenzawl, (iv) Champhai, (v) Lunglei, and (vi) Khawzawl

<sup>4</sup> (i) Kolasib, (ii) Aizawl, (iii) Champhai and (v) Lunglei

#### 4.11.4 Organisational Set-up in Mizoram

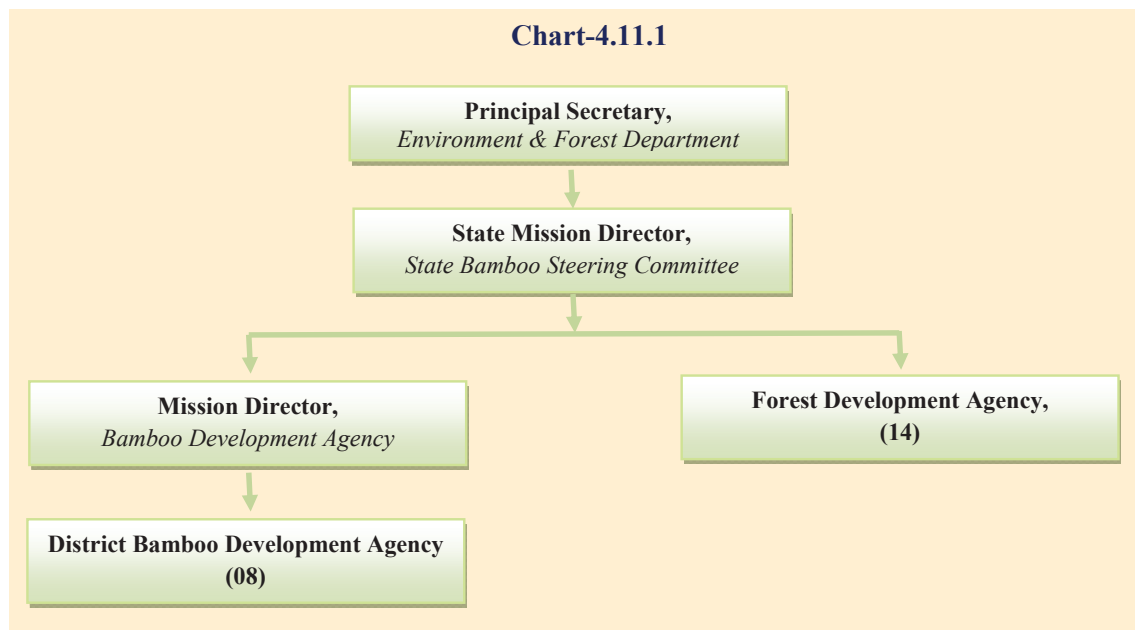
##### (A) State Level

In Mizoram the Principal Secretary, Environment & Forests Department being the administrative head of the Department is responsible for overall implementation and monitoring of the Mission in the State. The State Bamboo Steering Committee (SBSC) was constituted under the Chairmanship of State Chief Secretary with the members from Agriculture, Horticulture, Industries and other line Departments. The Chief Conservator of Forest (CCF) of Environment & Forests Department being the Member Secretary of the SBSC is functioning as the State Mission Director (SMD). Besides, a Bamboo Development Agency was constituted with the Director of Industries Department as the Mission Director.

##### (B) District Level

- (i) Under BDA eight District Bamboo Development Agencies (DBDAs) were constituted with the members from Horticulture, Agriculture and other line departments to oversee, coordinate all the activities at the District Level in non-forest areas.
- (ii) In forest areas 14 Forest Development Agencies (FDAs) constituted were headed by the Divisional Forest Officers to oversee, coordinate all the activities at District Level in forest areas.

An organogram of the organisational set-up is shown below:



#### 4.11.5 Audit Objectives

The objectives of the performance audit were to ascertain whether:

- The planning process for the implementation of the Mission was effective;
- Financial management was efficient;
- Programme was implemented efficiently, effectively and economically;
- Impact of scheme on socio-economic status of beneficiaries;
- The monitoring mechanism and internal control were in place and were effective.

#### 4.11.6 Audit Criteria

The Audit criteria were derived from the following sources:

- Operational Guidelines issued by the Department of Agriculture and Cooperation in the Ministry of Agriculture, New Delhi.
- Guidelines and instructions issued by State Steering Committee, Mizoram.
- Achievements against targets set in Perspective and Annual Action plan.
- Cost norms for providing assistance under various components.
- General Financial Rules, 2005 being followed by the State Government.

#### 4.11.7 Audit Methodology

The Performance Audit commenced with an Entry Conference with the Principal Secretary-cum-Principal Chief Conservator of Forests and the Conservator of Forests-cum-Mission Director (Nodal Officer), of the National Bamboo Mission, Mizoram the E&FD, Government of Mizoram on 12 June 2014 wherein audit objectives, audit criteria and scope of audit were explained and suggestion as well as perceptions relating to the strengths and weaknesses of the Department in implementing the Bamboo Mission were discussed.

An Exit Conference with the Additional Secretary and the State Mission Director of the E&FD was held on 09 December 2014 wherein audit findings were discussed and the replies of the Department have been incorporated suitably in the relevant paragraphs.

#### 4.11.8 Acknowledgement

The Indian Audit and Accounts Department acknowledges and appreciates the co-operation rendered by the concerned Administrative Department and the Mission Director and field level functionaries of the selected Districts in the course of the Performance Audit.

### AUDIT FINDINGS

The important points noticed during the course of audit are discussed in the succeeding paragraphs.

#### 4.11.9 Planning process

##### 4.11.9.1 Inadequacy in Planning

Para-5.1 and 6.1 of the Operational Guidelines of NBM issued in December 2006 provide that State Level Agency would prepare a Perspective Plan and State Level Action Plan in consonance with NBM's goal and objectives. It would also organise *inter alia* baseline survey and feasibility study in different parts of the State (District, sub-District, or a group of Districts) to determine the status of bamboo production, its potential and demand, and tailor assistance accordingly. Further, proposals for inclusion in the State Annual Action Plan (AAP) would be prepared by the District Level Agency in the non-forest areas to be submitted to the Bamboo Development Agency (BDA) for further submission to the State Bamboo Steering Committee (SBSC). In the forest area the AAP would be prepared by the Joint Forest Management Committee (JFMC) and submitted to the FDA for further submission to the SBSC. AAP approved by the SBSC would be submitted in the prescribed format for the consideration of the National Steering Committee (NSC) to be implemented in the particular financial year.

Examination of records revealed that during the period 2009-14 the State Level Agencies did not prepare any Perspective Plan. The Baseline survey and the feasibility study to determine the status of bamboo production, creation and maintenance of plantation in forests and non-forests areas, training and workshop in various levels to train the beneficiaries and creation of demand in different parts of Mizoram were also not conducted. There was no record showing proposal of the FDAs and BDA for inclusion in the AAP. Though the State AAPs were prepared for 2009-14 as per the prescribed format of the Guidelines, but the same was submitted to the NSC without prior approval of the SBSC, except for the year 2012-13.

Thus, it was evident that activities of the Bamboo Mission were handled by the State and District level authorities without any proper planning during the last five years. In the absence of an approved plan, the schemes were implemented only on the basis of exigencies without any defined target and roadmap *e.g.* the status of bamboo production, its potentiality and demand.

In their reply the Government stated (December 2014) that the NBM project was implemented under the State Bamboo Steering Committee (SBSC) since 2006-07. During the initial project implementation period perspective plan for Mizoram was prepared after participatory rural appraisal exercise, involving all stakeholders like JFMC, FDA, and BDA *etc.* Such comprehensive perspective plan, after approval by the SBSC was submitted to the GoI. However, such proposals could not be approved by the GoI in whole due to financial constraints and piecemeal approval had been conveyed annually keeping in mind the principles of the original project. Further, it is stated that the scheme had been implemented after determining the status of Bamboo production, its potential and demand.

The reply of the Department does not address the specific issues pointed out by the Audit. The Department failed to produce the perspective plan it claimed to have been prepared during the initial project implementation period and its contention that the perspective plan was not

approved by the GoI due to financial constraints was not backed up with evidence to that effect.

#### 4.11.10 Financial Management

Based on the AAPs of the State, Ministry of Agriculture (MoA), GoI communicates yearly tentative outlay. The State Mission Director (SMD) also a member secretary of the SBSC received fund from the Ministry, which was then allocated to the BDA and FDAs for implementation of the scheme. The BDA further allocated the fund to the DBDAs for plantation in the non-forest areas and to the FDAs in the forest areas.

Audit observations related to the financial management are discussed in following paragraphs:

##### 4.11.10.1 Budget and Expenditure

As per information furnished by the State Mission Director (SMD), National Bamboo Mission Society, the position of budget outlay, fund received and its utilisation by SMD during 2009-10 to 2013-14 are shown in the Table below:

**Table-4.11.1**

(₹ in crore)

Year	Budget outlay	Fund Position				Expenditure	Closing Balance
		Opening Balance	Grant Received from GoI	Interest Earned	Total		
2009-10	9.00	Nil	9.00	Nil	9.00	9.00	Nil
2010-11	17.50	Nil	17.38	Nil	17.38	17.38	Nil
2011-12	17.50	Nil	17.50	Nil	17.50	17.50	Nil
2012-13	18.82	Nil	17.05	Nil	17.05	17.05	Nil
2013-14	20.16	Nil	20.09	Nil	20.09	20.09	Nil
<b>Total</b>	<b>82.98</b>	<b>Nil</b>	<b>81.02</b>	<b>Nil</b>	<b>81.02</b>	<b>81.02</b>	<b>Nil</b>

Source: Departmental records

Examination of records, however, disclosed that out of allotted fund of ₹ 82.98 crore during 2009-14, the Government of India released an amount of ₹ 81.02 crore during 2009-14 directly to the Bank accounts of the SMD. The SMD did not maintain the cash book showing opening balance at the beginning of the year 2009-10, date-wise grants received from the Government of India during 2009-14, grants received, if any, from the State Government, time-to-time interest earned and closing balance at the end of the financial years. However, only the transactions pertaining to the drawal of funds from the bank accounts and its related expenditure were entered in the Cash Book. As a result, the year-wise fund position showing opening balance, grants received from the Centre or State (if any), interest earned and actual expenditure incurred and closing balance at the end of the financial year could not be ascertained in audit.

Further scrutiny of the records revealed that during 2009-14 the SMD operated three bank accounts, out of which one Current Accounts was in Axis Bank (No. 911020032909972



opened in June 2011) and two Savings Accounts in Vijaya Bank (No. 601601010015866 and 601601010015844). During 2009-14 the SMD earned an interest of ₹ 35.34 lakh, which was however not accounted for in the cash book. The details of year-wise interests earned are shown in the Table below:

**Table-4.11.2**

(₹ in lakh)

Savings Account No.	2009-10	2010-11	2011-12	2012-13	2013-14	Total
601601010015866	0.06	0.15	3.78	0.52	0.20	4.71
601601010015844	0.43	2.94	8.32	9.76	9.18	30.63
<b>Total</b>	<b>0.49</b>	<b>3.09</b>	<b>12.10</b>	<b>10.28</b>	<b>9.38</b>	<b>35.34</b>

Source: Figures compiled from Bank statement

Besides, in the current account operated (since June 2011) in Axis Bank, the SMD retained a total amount of ₹ 2,862.73 lakh during 2010-14 and out of which an amount of ₹ 1,338.30 lakh was spent leaving a closing balance of ₹ 720.57 lakh at the end of March 2014 as per detail given in the following Table:

**Table-4.11.3**

(₹ in lakh)

Year	Opening Balance	Credit	Total	Expenditure	Closing Balance
2010-11	Nil	383.93	383.93	276.88	107.05
2012-13	107.05	970.85	1077.90	381.09	696.81
2013-14	696.81	704.09	1400.90	680.33	720.57
<b>Total</b>	<b>Nil</b>	<b>2058.87</b>	<b>2862.73</b>	<b>1338.30</b>	<b>720.57</b>

Source: Figures compiled from Bank statement

Thus, due to retention of huge funds in current accounts with Axis Bank, the SMD incurred a substantial loss in the form of interest during 2009-14.

While accepting the facts, the Government stated (December 2014) that the primary accounts were saving accounts whereas the subsidiary account was current account to avoid misuse of fund. However, the current account has been converted now into saving accounts at the instance of audit.

#### **4.11.10.2 Discrepancy between fund released by SMD and fund received by the 14 FDAs**

On receipts of the grants from the MoA, GoI the SMD-cum-Nodal Officer, used to disburse the same to different FDAs in the State for the purpose of plantation and its maintenance.

Against the claim of release of ₹ 5,804.97 lakh to 14 FDAs by the SMD, the 14 FDAs received only an amount of ₹ 5,725.98 lakh during the year 2009-14, which resulted in short receipt of ₹ 78.99 lakh. The position of funds released to 14 FDAs are shown in the **Appendix-4.11.1**.

An analysis of the short receipt of fund further revealed that out of 14 FDAs, 05 FDAs received an excess amount of ₹ 33.71 lakh and remaining 09 FDAs received less fund of ₹ 112.70 lakh.

In their reply the Government stated (December 2014) that the discrepancies between fund release by SMD and fund received by 14 FDAs arises due to delay in transmission of fund by the Bank as such all the accounts of FDAs and SMD were reconciled. But, result of reconciliation has not been received (February 2015).

#### 4.11.10.3 Purchase of goods without observing codal formalities

The Government of India (GoI), Ministry of Agriculture, while releasing the grants under NBM to the States stipulated that the implementing agencies should follow the provisions of the General Financial Rules (GFR), 2005. The GFR, 2005 prescribes the following procedures for procurement of goods:

**Table-4.11.4**

GFR Rule No.	Amount of purchase on each occasion	Procedures of purchase
146	₹ 15,001 to ₹ 1 lakh	On the recommendation of Local Purchase Committee
151	₹ 1 lakh to ₹ 25 lakh	Limited Tender Enquiry
150	₹ 25 lakh and above	Advertised Tender Enquiry

Examination of records, revealed that during 2009-14, the SMD resorted for local purchases of stores and printed books worth ₹ 584.47 lakh without observing the codal formalities as mentioned above. A detail analysis of such purchases showed that (i) in 18 occasions materials worth ₹ 8.30 lakh in the range between ₹ 0.22 lakh and ₹ 0.96 lakh were purchased without obtaining recommendations of the local purchase committee, (ii) in 44 occasions materials worth ₹ 289.52 lakh in the range between ₹ 1.17 lakh and ₹ 24 lakh were purchased without limited tender enquiries, and (iii) in six occasions materials worth ₹ 286.65 lakh in the range between ₹ 30.51 lakh and ₹ 112.25 lakh were purchased without advertised tender enquiries. Details of expenditure of ₹ 584.47 lakh, are shown in the **Appendix-4.11.2**.

Thus, due to purchase of huge stores and printed books worth ₹ 584.47 lakh without observing codal formalities the SMD did not avail the benefits of competitive market rates ensuring the quality of the stores.

In their reply the Government stated (December 2014) that number of purchases like Bamboo seeds, Tissue Culture plant *etc.* were made from reputed collectors on urgent basis. Meanwhile, computer and its peripherals, speed boat and engine, polythene bags, fertilizers, weeding machines, raindrops, shadenets *etc.* were purchased as per approval of the Departmental Purchase Advisory Board (DPAB) except some proprietary items. However, in support of their claim the Government has not furnished copies of the recommendations of the DPAB along with its Government approval.

#### **4.11.10.4 Diversion of Scheme fund**

As per the Operational Guidelines of NBM there are no provisions for incurring expenditure towards purchase of motor bike, car, inverter, computer and parts, mango seed, international trip for conducting bamboo study-cum-exposure and for participation in all India Forest Sports Meet *etc.*

Audit of records of SMD, however, showed that during the period 2011-14, the SMD incurred an expenditure of ₹ 36.91 lakh on the above mentioned items which are not permissible under NBM. The detail of item-wise inadmissible expenditure are shown in **Appendix-4.11.3**. The component from which the expenditure was met could not be verified as the component-wise classification of expenditure was not maintained. Thus, the SMD incurred an expenditure of ₹ 36.91 lakh by diverting funds from other components of the approved AAP.

In their reply the Government stated (December 2014) that, computers, printers, vehicles, bamboo study tour *etc.* were managed under the permissible work component of mission management and administration cost sanctioned by the GoI from time to time. The reply of the Government is not acceptable as the expenditure on the above mentioned items are not permissible as per the Operational Guidelines of NBM.

#### **4.11.11 Implementation of the programme**

##### **4.11.11.1 Plantation Development**

This component primarily aims at expansion of area under bamboo plantation in the potential areas, both in Forest and Non-forest lands for commercial utilisation. The overall goal of this component was to ensure employment generation and consequently rural poverty alleviation through input of right technology for pre-harvest and post-harvest management. The audit findings are as below:

##### **4.11.11.2 Establishment of nurseries**

Para-7.4.1 of the guidelines stipulates that a sizable quantity of quality planting materials would be required for raising plantations which would be achieved through establishment of centralised and decentralised nurseries. The forestry and the non-forestry sector will deal with centralized nurseries capable of producing 50,000 seedlings per unit per year and decentralised nurseries (*Kisan* and *Mahila Nurseries*) capable of raising 10,000 and 5,000 seedlings respectively per unit per year.

Audit of records of the SMD, Aizawl showed that during 2013-14, the SMD released (August 2013) a fund of ₹ 0.81 lakh to the Nodal Officer, New Land Use Policy (NLUP) Cell, attached to the Principal Chief Conservator of Forest (PCCF) Office, Aizawl for raising three nurseries as under:

Table-4.11.5

Sl. No.	Programme	No. of nursery	Amount (₹ in lakh)	No. of seedlings to be raised	Pattern of assistance
1.	Kisan Nursery in Public Sector	02	0.13	20,000	(25 per cent of the cost subject to a maximum of ₹ 6,500/- per nursery).
2.	Centralized Nursery in private sector	01	0.68	50,000	(25 per cent of the cost subject to a maximum of ₹ 68,000/- each as subsidy).
<b>Total</b>		<b>03</b>	<b>0.81</b>	<b>70,000</b>	-

Source: Departmental records

It was, however, noticed that, the Nodal Officer, NLUP Cell, attached to the PCCF Office, Aizawl unauthorisedly spent the entire allotted fund of ₹ 0.81 lakh during 2013-14 for bamboo plantation under NLUP without creating the three nurseries for raising 70,000 seedlings.

Thus, due to diversion of fund meant for creating three nurseries by the Nodal Officer, NLUP, the financial assistance was not offered to the beneficiaries (individuals, groups, SHGs, NGOs) for establishment of nurseries for raising 70,000 seedlings under the programme.

On this being pointed out the Government while accepting the facts, stated (December 2014) that fund was released to NLUP for implementing plantation outside the forest area.

#### 4.11.12 Raising of New Plantations

As per Para 7.4.5 of the guidelines, the total cost of planting bamboo in one hectare of Government Forest Land works out to ₹ 25,000/-. The funds would be released in two equal instalments. Assistance for the second year was subject to 90 per cent survival of the plants in forest areas. The assistance in non-forest areas was limited to 50 per cent of the cultivation cost per hectare subject to a ceiling of ₹ 8,000/- for ST farmers. The assistance for the second year was subject to 90 per cent survival of the plants in non-forest areas.

The audit findings are discussed below:

##### 4.11.12.1 Irregular expenditure on maintenance of plantations in forest areas

Examination of records of sampled FDAs revealed that three FDAs (Kolasib, Khawzawl and Champhai) incurred an expenditure of ₹ 805.28 lakh for initial plantation of bamboo in 5,625 ha of forest areas during 2009-14. The survival status of the plants in 3,985 ha out of 5,625 ha of was in the range between 76 to 88 per cent with an initial expenditure of ₹ 544.38 lakh. As such, financial assistance for maintenance of 3,985 ha of plantations was not admissible as per the guidelines of the scheme.

The three FDAs however, irregularly incurred an expenditure of ₹ 300.20 lakh in 2<sup>nd</sup> year towards maintenance of the plantations. The details of plantations created and expenditure incurred on maintenance by the three FDAs are given in the following Table:

**Table-4.11.6**

Sl. No.	Name of FDA	Details of first year plantation			Percentage of survival of plants	Details of maintenance cost incurred for plantation with survival less than 90 per cent		
		Period	Area covered (in Ha.)	Amount (₹ in lakh)		Period	Area covered (in Ha.)	Amount (₹ in lakh)
1.	Kolasib	2009-13	1970	310.28	81-88	2010-14	1970	149.27
2.	Khawzawl	2010-11	325	19.26	80	2011-12	325	20.12
3.	Champhai	2009-13	1690	214.84	76-85	2010-14	1690	130.81
<b>Total</b>			<b>3985</b>	<b>544.38</b>			<b>3985</b>	<b>300.20</b>

Source: Departmental records

In their reply the Government claimed (December 2014) that considering the edaphic<sup>5</sup> and other local conditions prevailing in Mizoram the survival rate of less than 90 per cent survival was still above the national survival prescribed rate. Moreover, casualty replacements were done along with subsequent weeding/maintenance to achieve 100 per cent survival.

The reply of the Government is not acceptable as the survival status of the plantations as intimated (May – July 2014) by the three FDAs were less than 90 per cent.

#### 4.11.12.2 Irregular release of assistance for plantations in non-forest area

Examination of the records of eight District Bamboo Development Agencies (DBDAs) revealed that the DBDAs released an assistance of ₹ 100 lakh for plantation of 2,500 ha to 2,378 beneficiaries during 2009-11 as given in the Table as under:

**Table-4.11.7**

Name of DBDA	Assistance given to beneficiaries for first year plantation @ 4,000 per ha.			Assistance given to beneficiaries for second year plantation @ 4,000 per ha			
				Against 90 per cent survival of plantation at the end of 1 <sup>st</sup> year		Against less than 90 per cent survival of plantation at the end of 1 <sup>st</sup> year	
	Physical (Ha)	No of beneficiaries	Financial (₹ in lakh)	Physical (Ha)	Financial (₹ in lakh)	Physical (Ha)	Financial (₹ in lakh)
Aizawl	375	375	15.00	3	0.12	372	14.88
Champhai	350	307	14.00	1	0.04	349	13.96
Lunglei	350	350	14.00	0	Nil	350	14.00
Mamit (Tuidam)	350	347	14.00	32	1.28	318	12.72
Kolasib	350	347	14.00	20	0.80	330	13.20
Serchhip	275	275	11.00	29	1.16	246	9.84
Saiha	250	227	10.00	3	0.12	247	9.88
Lawngtlai	200	150	8.00	0	Nil	200	8.00
<b>Total</b>	<b>2500</b>	<b>2378</b>	<b>100.00</b>	<b>88</b>	<b>3.52</b>	<b>2412</b>	<b>96.48</b>

Source: Departmental records

It can be seen from the above table that out of the 2,500 ha of plantation in 1<sup>st</sup> year, only in 88 ha, 90 per cent or more plantation could survive at the end of 1<sup>st</sup> year. As the survival rate

<sup>5</sup> Physical and chemical conditions of the soil

of plantations in the second year (in 2,412 ha) was less than 90 *per cent* the beneficiaries were not entitled to receive the 2<sup>nd</sup> instalment of financial assistance. However, the DBDAs, in violation of the scheme guidelines, released an amount of ₹ 96.48 lakh as 2<sup>nd</sup> instalment to the beneficiaries, which was irregular.

While accepting the facts, the Government stated (December 2014) that the reasons for poor survival of bamboo seedlings were due to damages caused by wild fire and cattle, damages of poly potted seedlings during transportation and attack of seedlings by rodents and porcupines *etc.*, which was beyond the control of the agencies as well as the beneficiaries.

#### 4.11.12.3 Short achievement of plantation in Non-Forest Areas

The Operational guidelines stipulated in the Para 7.4.5 that the bamboo growers in the Non-Forest Areas would be extended direct subsidy upto 50 *per cent* of the cultivation cost per hectare subject to a ceiling of ₹ 8,000 for Scheduled Tribe Farmers. The funds will be released in two equal instalments of 50:50. Assistance for the second year will be subject to 90 *per cent* survival of the plants. Further, as per Para 5 of the Guidelines in case of Non-Forest Areas, the Bamboo Development Agencies (BDAs) will be the Nodal agency to whom funds will be released by the SMD for onward disbursement to the beneficiaries. The funds will be released by the BDAs to the beneficiaries, such as NGOs or Self Help Groups (SHGs). The BDAs will be responsible for implementation and overall co-ordination of NBM within the State.

Audit of records revealed that in total violation of the provisions of the operational guidelines, the SMD irregularly released an amount of ₹ 500.32 lakh during 2011-14 to the Nodal Officer (NO), NLUP, Environment & Forests Department for bamboo plantation of 6,254 ha in the Non-Forest Areas without releasing the funds to the existing BDA.

Again, on receipt of the fund from the SMD, the Nodal officer, NLUP disbursed the fund of ₹ 500.32 lakh to during 2011-14 to 500 individual beneficiaries for plantation in 1,000.64 ha without involving any NGO or SHG as stipulated in the guidelines.

The details of fund released by the SMD and its disbursement to the beneficiaries by the NO, NLUP during 2011-14 are given in the following Table:

**Table-4.11.8**

Year	Amount released to the NLUP by the SMD		Amount actually disbursed by the NLUP to the individual beneficiaries				Shortfall (in ha)
	Amount (₹ in lakh)	Targeted (in ha)	No. of beneficiary	Rate per beneficiary for two ha (₹ in lakh)	Amount (₹ in lakh)	Area covered (in ha)	
2010-11	64.00	800	64	1.00	64.00	128.00	672.00
2011-12	128.00	1600	128	1.00	128.00	256.00	1344.00
2012-13	158.88	1986	159	1.00	158.88	317.76	1668.24
2013-14	149.44	1868	149	1.00	149.44	298.88	1569.12
<b>Total</b>	<b>500.32</b>	<b>6254</b>	<b>500</b>	<b>-</b>	<b>500.32</b>	<b>1000.64</b>	<b>5253.36</b>

Source: Departmental records

It can be seen from the above table that against the targeted plantation of 6,254 ha the NO, NLUP disbursed the fund to the beneficiaries for plantation of 1,000.64 ha only, which resulted in short achievement of plantation of 5,253.36 ha.

Further, as per operation guidelines, against the Government's subsidy of ₹ 500.32 lakh the beneficiaries were also required to contribute of ₹ 500.32 lakh towards plantation of 6,254 ha. It was, however, noticed that the NO, NLUP had disbursed the entire fund of ₹ 500.32 lakh to the 500 individual beneficiaries as 100 per cent central assistances without ensuring beneficiaries contribution and the survival status of the plantation, which was irregular.

In their reply the Government stated (December 2014) that release of fund under plantation outside forest area need not necessarily be to BDA. The fund was released to the NLUP as per the decision of the State Government.

The reply of the Government is not acceptable as the implementation of the programme is to be guided by the operational guidelines issued by the MoEF and as per provisions of the guidelines the fund was to be released to the existing BDA who will be responsible for implementation and overall co-ordination of NBM within the State.

#### 4.11.13 Improvement of existing stock

In order to improve the quality of handicraft product for which a specific number of bamboo species are being used and to give maximum benefits and return to the crafts-people and artisans Para 7.4.6 of the guidelines included the improvement of existing stock and variety of bamboo that is being used by the crafts-people and artisans. The audit findings on implementation of improvement of existing stock are as below:

##### 4.11.13.1 Diversion of Improvement of Existing Stock

Audit of records of six selected FDAs ((i) Kolasib, (ii) Aizawl, (iii) Thenzawl, (iv) Champhai, (v) Lunglei and (vi) Khawzawl) revealed that though the target in the Annual Action Plan for improvement of existing stock of bamboos in 364 ha was for the forest areas during 2009-10, the three FDAs (Kolasib, Thenzawl, Lunglei) executed the work in the non-forest areas as shown in the Table below:

Table-4.11.9

Name of the FDAs	Physical and financial Achievements		Improvement to be executed as per AAP	Improvement actually carried in the test checked FDAs
	Physical (ha)	Financial (₹ in lakh)		
Kolasib	130	10.40	Forest Areas	Non-forest Areas
Thenzawl	104	8.32	Forest Areas	Non-Forest Areas
Lunglei	130	9.10	Forest Areas	Non-Forest Areas
<b>Total</b>	<b>364</b>	<b>27.82</b>	--	--

Source: Departmental records



The three FDAs irregularly diverted the money for improvement of existing stock of bamboos from forest areas to non-forest areas *i.e.* common land in villages in violation of the approved Annual Action Plan.

In their reply the Government stated (December 2014) that this work component was executed by FDAs in those areas where there was a scope for improvement which included forest and non-forest areas. The reply of the Government is not acceptable as the improvement of the existing stock was to be executed in the forest areas only and there was separate approval for execution in non-forest areas.

#### 4.11.13.2 Non-release of financial assistance to the crafts-people and artisans to improve their existing stocks

In order to improve the quality of existing stock of bamboo that is being used by the crafts-people and artisans in non-forest areas of 5,332 hectares, the NBM released a grant of ₹ 426.56 lakh to the SMD during 2010-14 for its onward release to 2,666 craft people and artisans (Minimum No. of beneficiaries @ 2 ha *per* beneficiary) in Mizoram as financial assistance @ ₹ 8,000 each per hectare.

Scrutiny of records of SMD revealed that 14 FDAs irregularly spent the entire amount of ₹ 426.56 lakh during 2010-14 and executed the work departmentally for improvement of existing stock in the common village land covering 5,332 ha in non-forest area without giving any financial assistance to 2,666 craft people and artisans.

The year-wise grants received from the NBM and reported expenditure incurred by the 14 FDAs during 2010-14 is given in the following Table:

**Table-4.11.10**

Year	Details of release by the NBM				Details of departmental execution by 14 FDAs	
	Physical Target (in ha)	Assistance rate per hectare (in ₹)	Minimum No. of beneficiary (@ two ha <i>per</i> beneficiary)	Amount (₹ in lakh)	Physical Achievement (in ha)	Amount (₹ in lakh)
2010-11	2520	8000	1260	201.60	2520	8000
2011-12	1012	8000	506	80.96	1012	8000
2012-13	1000	8000	500	80.00	1000	8000
2013-14	800	8000	400	64.00	800	8000
<b>Total</b>	<b>5332</b>	<b>8000</b>	<b>2666</b>	<b>426.56</b>	<b>5332</b>	<b>8000</b>

Source: Departmental records

Thus, due to execution of improvement of existing stocks departmentally in the common village land in non-forest areas, 2,666 numbers of craft-people and artisans beneficiaries were deprived in receiving the financial assistance of ₹ 426.56 lakh.

In their reply the Government stated (December 2014) that the FDAs had executed the works departmentally involving members of the Village Forest Development Committees (VFDC) and therefore all the benefits by way of employment generations were given to VFDC beneficiaries.



The reply is, however, not acceptable as the fund was released by the NBM for its onwards release to the crafts-people and artisans so as to enable them to improve the existing stocks and varieties of bamboo that being used by them.

#### **4.11.13.3 Post Harvest storage and treatment facilities**

Para-8.3 of the operational guidelines envisages that suitable warehouse were to be constructed near the villages for the purpose of safe storage of bamboo crop once harvested. The guideline also envisaged that while storing the produce, it needs to be treated to enhance its durability. Audit of records showed that the MoA, GoI approved three Post Harvest and Treatment Plant (PHTP) and the SMD released ₹ 60 lakh to the BDA for execution of three PHTP during 2009-14.

However, out of the three approved PHTPs, the BDAs established only two PHTPs at Sairang and Zuangtui as of September 2014 with an expenditure of ₹ 40.76 lakh. During the joint physical verification (July 2014), it was found that both the Post Harvest and Treatment Plants were lying idle without any storage and treatment of bamboos. The construction of the third PHTP was not yet started due to late release of fund by the SMD to BDA.

Thus, due to non-functioning of the PHTPs, the expenditure of ₹ 40.76 lakh incurred on the establishment of two PHTPs remained unfruitful. Moreover, the objective of this component to store and treat bamboos once harvested could not be fulfilled.

In reply the Government stated (December 2014) that BDA had established two Post Harvest storage and treatment plant - one unit at Bamboo Technology Part (BTP), Sairang and one unit at Industrial estate, Zuangtui and would be ready for functioning. Both the units were not fully utilised due to the plot allottees at Bamboo Technology Part, Sairang could not come up with their intended industrial units and Bamboo Technology Park being located at the outskirts of the town and the Bamboo Technology Park had no Bamboo based industries of their own. Further, in respect of PHTP at Zuangtui most of the bamboo based industrial units located within Zuangtui industrial estate has failed to restart their operation.

#### **4.11.14 Handicrafts, Marketing and Exports**

The operational guidelines emphasises to provide and increase employment opportunities, preservation and introduction of new designs and mechanization of bamboo-based crafts as living heritage and to assist in marketing these products. The audit findings under this component are spelt out below:

##### **4.11.14.1 Bamboo Wholesale & Retail Market**

Bamboo Wholesale/Retail Markets would be set up all over the country. These markets, apart from other facilities, will have a computer and V-SAT facilities and apart from trading activities, will also keep track of market information related to various bamboo products. Thus, the farmers and primary processors will have direct access to such information and

data, which in turn will help them to plan their activities well ahead. These markets can be set up and maintained by the community themselves or in partnership with the State Government. The total cost of such market has been estimated at ₹ 16 lakh. Financial assistance will be provided to the extent of 33.33 per cent of cost, subject to a maximum of ₹ 5.33 lakh for hill/tribal area.

Scrutiny of records of the BDA, Aizawl revealed that for the construction of six Wholesale/Retail Markets, an amount of ₹ 31.98 lakh was released as financial assistance by the SMD to the BDA during 2009-14 for its onward release to the organisations, who could set up these markets availing the financial assistance @ ₹ 5.33 lakh for each market.

Out of ₹ 31.98 lakh the BDA incurred an expenditure of ₹ 21.37 lakh during 2012-14 leaving a balance of ₹ 10.61 lakh, the details of which are shown in the following Table:

**Table-4.11.11**

Year	Details of fund released by the SMD to the BDA			Details of utilisation of the fund by the BDA					
	Units	Estimated cost @ ₹ 16 lakh each	Admissible financial assistance @ ₹ 5.33 lakh	Units	Place	Amount spent (₹ in lakh)			
						Released to Organisation	Spent by BDA	Total	Outsourced to
2009-10	05	80.00	26.65	Nil	Nil	Nil	Nil	Nil	
2010-12	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
2012-13	Nil	Nil	Nil	01	Bungthuam	5.00	3.37	8.37	Vanlalruata Pachuau
				01	Chuhvel	5.00	Nil	5.00	Pachhunga
				01	Chhinchip	5.00	Nil	5.00	R.Saikhuma
2013-14	01	16.00	5.33	01	Lunglei	Nil	2.00	2.00	
				01	Bairabi	1.00	Nil	1.00	Laldinpuia
<b>Total</b>	<b>06</b>	<b>96.00</b>	<b>31.98</b>	<b>05</b>		<b>16.00</b>	<b>5.37</b>	<b>21.37</b>	

Source: Departmental records

Further analysis of the records revealed that -

- (i) the BDA irregularly released financial assistance of ₹ 16 lakh to four individuals to set up four markets without ensuring the beneficiaries' contribution.
- (ii) Out of financial assistance to be released the organisations, BDA irregularly incurred an expenditure of ₹ 5.37 lakh towards construction of the two markets at Bungthuam and Lunglei.

The General Manager, BDA, Aizawl confirmed that the four markets (Chuhvel, Chhinchip, Lunglei and Bairabi) were not in operation as of September 2014. In respect of construction of market at Bungthuam, the General Manager intimated (September 2014) that no information was available with the BDA. Thus, the facts remain that the BDA incurred an in fructuous expenditure of ₹ 21.37 lakh towards set-up of five non-operational markets.

While accepting the facts, the Government stated (December 2014) that markets were set-up through selected reliable entrepreneurs who did not have money for sharing contribution. Also, stated that due to non-settlement of bamboo regulatory trading in the State some of the markets are not in operation and as soon as these issues are resolved trading activities are expected to be carried out.

#### 4.11.14.2 Bamboo Bazaars

Para-9.2 of the Operational Guidelines envisages setting up of Bamboo bazaars equipped with computer and V-SAT facilities to keep track of various demand for supply of bamboo products, costs, user industries *etc.* These markets could be set up and maintained by the community themselves or in partnership with the State Government. The total cost of one such market has been estimated at ₹ 27 lakh.

Assistance would be provided to the extent of 33.33 *per cent* of the total cost (₹ 27 lakh) subject to a maximum of ₹ nine lakh for Hilly/Tribal areas.

As per the approved AAPs a financial assistance of ₹ 54 lakh was earmarked for construction of six bamboo bazaars at a total cost of ₹ 162 lakh (₹ 27 lakh each) by the community during 2009-14. Against which the SMD released an assistance of ₹ 45 lakh to the BDA for onwards release to the community against the construction of five bamboo bazaars during 2009-14.

Examination of records of the BDA revealed that without releasing the assistance of ₹ 45 lakh to the community for construction of five bamboo bazaars, the BDA un-authorisedly constructed two bamboo bazaars itself at Sairang and Lengte during 2011-14 with a total cost of ₹ 29.82 lakh, leaving a balance of ₹ 15.18 lakh as per details given in the following Table:

**Table-4.11.12**

Year of construction	Place	Reported construction of	Unit (In no.)	Amount (₹ in lakh)
2011-13	Bamboo Technology Park, Sairang	Bamboo bazaar	01	20.47
2013-14	Export Promotional Industry Park, Lengte	Bamboo bazaar	01	9.35
<b>Total</b>	-	-	<b>02</b>	<b>29.82</b>

Source: Departmental records

The BDA had constructed two bamboo bazaars without involvement of community and incurred an excess expenditure of ₹ 11.82 lakh (₹ 29.82 lakh - ₹ 18 lakh) towards construction of two bamboo bazaars.

A joint verification was conducted by the audit on 24 July 2014 in the presence of the Assistant Project Manager, BDA, Aizawl and found that (i) instead of bamboo bazaar the BDA constructed a weigh bridge at Sairang, and (ii) the bamboo bazaar at Lengte. However, the bamboo bazaar at Lengte remained idle without any trading activities except stocking of 1,500 bamboos. The bazaar was also not acquitted with computers or V-SAT facilities.

Thus, it implied from the joint verification that the BDA constructed only one bamboo bazaar at Lengte with an expenditure of ₹ 9.35 lakh and diverted ₹ 20.47 lakh for construction of Weigh Bridge at Sairang.

The photographs of the reported bamboo bazaars are shown below:



Weigh Bridge at Sairang



Bamboo Bazar at Lengte

While accepting the facts, the Government stated (December 2014) that one bamboo bazar which was set up at Bamboo Technology Park, Sairang had been equipped with a weigh bridge facility due to its strategic location for exporting bamboo and its product to outside State in terms of weight basis.

#### 4.11.14.3 Retail Outlets (showrooms)

Para-9.3 of the Operational Guidelines envisages setting of Retail Outlets (showrooms) at a cost of ₹ 40 lakh each in Metros to popularise various Bamboo handicrafts products which would be equipped with V-SAT facilities. Depending on the proposals received from the Development Commissioner (Handicrafts) and other organisations, assistance to the extent of 33.33 per cent of the cost, subject to the limit of ₹ 13.33 lakh would be provided for Hilly/Tribal areas.

As per the approved AAPs a financial assistance of ₹ 66.65 lakh was earmarked for construction of six Retail Outlets (Showrooms) at a total cost of ₹ 240 lakh (₹ 40 lakh each) by the selected organisations during 2009-14. The SMD released an assistance of ₹ 53.32 lakh (₹ 13.33 lakh each) to the BDA for onwards disbursement to the organisations for construction of four Retail Outlets (Showrooms) during 2009-14.

Examination of records of the BDA revealed that without releasing the assistance of ₹ 53.32 lakh to the appropriate organisations for construction of four Retail Outlets (Showrooms) in the Metros of the country during 2009-14, the BDA established two Retail Outlets at Khatla and Chatlang in Aizawl city at a cost of ₹ 20.51 lakh. The BDA further released an amount of ₹ 13.33 lakh to a private firm *i.e.* Mizoram Bamboo Entrepreneur Federation (MiBEF), Aizawl for establishment of one retail outlet at Zuangtui in Aizawl city.

Thus, out of ₹ 53.32 lakh an amount of ₹ 33.84 lakh was spent for establishment of three retail outlets in Aizawl city, leaving a balance of ₹ 19.48 lakh. The total estimated cost for establishment of three retail outlet was ₹ 120 lakh (₹ 40 lakh each) including beneficiary's and Government's contribution. However, the three outlets were established only at ₹ 33.84 lakh

without the beneficiary's contribution. The retail outlets were established without installing V-SAT facilities.

A joint verification was conducted by the audit on 24 July 2014 in the presence of the Assistant Project Manager, BDA, Aizawl and found that (i) the retail outlay established in Khatla was shifted and merged with the retail outlet at Chatlang due to some administrative reason and (ii) the details of activities undertaken by the MiBEF in their retail outlet at Zuangtui could not be ascertained as the firm did not maintain proper books of accounts.

In their reply (December 2014), the Government has accepted the facts.

#### 4.11.14.4 Participation of Domestic Trade Fair

Para-9.4 of the Operational Guidelines provides that in order to popularise and market various bamboo products throughout the country, at least 30 participants from each state will be chosen to participate in the National Level Trade Fairs at least twice a year. To and fro travel by railways, lodging, food and transportation *etc.* for the participants, including two truckloads of display products from each State would be provided. These would be project based activities, as per proposals received from the States the assistance provided would be 75 per cent of the cost subject to a maximum of ₹ 3.75 lakh per event of two days.

Scrutiny of records of BDA and SMD revealed that during 2009-14 an amount of ₹ 16.50 lakh was spent from the financial assistance released by the NBM towards meeting the expenditure for attending five Domestic Trade Fairs at different locations in the country. Details of year-wise and Trade Fair wise expenditure incurred are shown in the following Table:

**Table-4.11.13**

Year	Entity who incurred the fund	Name of Trade Fair attended	Details of participants attended			Expenditure incurred (₹ in lakh)	Contribution from State Government
			No. of Officials	No. of entrepreneurs	Total		
2009-10	BDA	National Agri-Horti Expo at Kochi	03	04	07	3.75	Nil
2010-11	BDA	World Bamboo Festival at Kohima	03	03	06	1.5	Nil
2011-12	BDA	Kerela Bamboo Fest at Cochin	02	04	06	3.75	Nil
	SMD	Trade Fair at New Delhi	04	Nil	04	3.75	Nil
2012-13	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2013-14	BDA	Natural Agriculture Fair at Nagpur	03	03	06	3.75	Nil
<b>Total</b>	<b>-</b>	<b>05 Nos.</b>	<b>15</b>	<b>14</b>	<b>29</b>	<b>16.50</b>	<b>Nil</b>

Source: Departmental records

From the table above it can be seen that:

- (i) Out of the total expenditure of ₹ 16.50 lakh incurred for five trade fair only an amount of ₹ 12.38 lakh (75 per cent) was reimbursable from the NBM as financial assistance

and remaining 4.12 lakh (25 per cent) was to be borne by the State Government. However, the SMD and BDA had incurred the entire expenditure of ₹ 16.50 lakh from the grants received from NBM.

- (ii) According to guidelines at least 30 participants per trade fair were to be chosen to participate in the Domestic Trade Fairs. It was, however, noticed that in five trade fairs participated by the State Government, against 150 participants only 29 participants (15 officials and 14 entrepreneurs) were chosen and as a result 121 deserving participants were deprived of availing the benefits of popularising and marketing various bamboo products.
- (iii) It was further noticed in Audit that 14 entrepreneurs who participated in the Trade Fairs did not carry any display items produced by them and on contrary some handicrafts items purchased by the SMD and BDA from the local Aizawl market were carried by the participants for display in the Trade Fairs. Thus, the main objective of encouraging the entrepreneurs to popularise and market their various bamboo products was defeated.

While accepting the facts the Government stated (December 2014) that the display items were always purchased to promote Mizoram products.

#### **4.11.15 Mission impact**

##### ***4.11.15.1 Socio-economic impact of the scheme***

One of the objectives of the Mission was to generate employment opportunities especially for the unemployed youths. As per the information provided by the State Mission Director, NBMS, Mizoram area coverage by bamboo as of 2005-06 was 6,44,600 ha which has increased to 9,82,369 ha as of 2014-15. Out of which, 57,689 ha increase has been attributed as a result of implementation of NBM in Mizoram. The details of actual generation of employment were not available with the SMD hence the exact impact of the scheme in generation of employment could not be ascertained. Further, no separate records of the production/outputs of the bamboo plantation and Pre & Post harvest facilities under NBM were maintained by the State Level Agencies. Hence, the socio-economic impact of the programme could not be quantified. Most of the post harvest components like Post harvest & treatment facilities, Retail outlets, Bamboo Bazaars etc. have low performance rate.

##### ***4.11.15.2 Less payment of wages to the plantation labourers***

In exercise of the powers conferred under Section 3 read with section 13 of the Minimum Wages Act, 1948 (Act No. XI of 1948), the Government of Mizoram, Labour, Employment and Industrial Training Department in their notifications fixed the minimum rate of wages for the unskilled workers (including Plantation Labourers) employed in the different scheduled employment in the Government Department as under:



**Table-4.11.14**

Sl. No.	Date of issue of notification	Date of effect	Rate of Minimum wages for unskilled labourers including plantation labourers (in ₹/day)
1.	3 November 2009	1 April 2009	132
2.	3 June 2011	1 April 2011	170
3.	26 September, 2013	1 October 2013	220

Source: Departmental records

Audit of the records of five sampled FDAs (Champhai, Thenzawl, Lunglei, Kolasib and Aizawl) revealed that during April 2009 to March 2014 the five FDAs executed 564 different plantation works under their jurisdiction at a total cost of ₹ 487.05 lakh generating 3.70 lakh mandays for the unskilled plantation labourers. Details of the wages paid to the labourers are shown in the following Table:

**Table-4.11.15**

Sl. No.	Name of FDA	Total No. of works	Period	No. of mandays generated	Wages to be paid		Wages actually paid		Short payment (₹ in lakh)
					Rate per day (In ₹)	Amount (₹ in lakh)	Rate per day (In ₹)	Amount (₹ in lakh)	
1.	Champhai	72	April 2011 to September 2013	27848	170	47.34	132	36.76	10.58
			October 2013 to March 2014	37564	220	82.64	170	63.86	18.78
2.	Thenzawl	46	April 2009 to March 2011	35934	132	47.43	103	37.01	10.42
			April 2011 to September 2013	3499	170	5.94	132	4.62	1.32
3.	Lunglei	249	April 2009 to March 2011	61576	132	81.28	105	64.65	16.63
			April 2011 to September 2013	34694	170	58.98	127	44.06	14.92
			October 2013 to March 2014	45811	220	100.78	170	77.88	22.90
4.	Kolasib	74	Nov 2009 to October 2010	22143	132	29.23	103	22.80	6.43
			October 2013 to March 2014	18138	220	39.90	170	30.84	9.06
5.	Aizawl	123	April 2009 to March 2011	54451	132	71.88	103	56.09	15.79
			October 2013 to March 2014	28534	220	62.77	170	48.51	14.26
<b>Total</b>		<b>564</b>	<b>-</b>	<b>370192</b>	<b>-</b>	<b>628.17</b>	<b>-</b>	<b>487.08</b>	<b>141.09</b>

Source: Departmental records

For the 564 plantation works generating 3.70 lakh mandays an amount of ₹ 628.70 lakh was to be paid to the labourers as their wages as per revised rates of minimum wages. However, the five sampled FDAs, disbursed an amount of ₹ 487.08 lakh as wages which resulted in short payment of wages of ₹ 141.09 lakh.

The Government did not offer any comment (December 2014).

#### 4.11.16 Monitoring mechanism

It was noticed that the Environment and Forests Department has so far not drawn a schedule of inspection, which prescribes a minimum number of field visit for each supervisory level functionary from the State level to the FDA level to oversee whether the programme is being implemented satisfactorily and whether bamboo plantation under the programme is in accordance with the prescribed procedures.

For conducting evaluation studies of the programme implemented in Mizoram the SMD engaged (March 2010) one Agency (Association for Environmental Preservation, Aizawl). The Agency after conducting field study of the four FDAs (Aizawl, Thenzawl, North Vanlaiphai and Champhai) submitted its reports in July 2014. In their evaluation study report, the Agency observed that some plantations were done in the top of the hill areas where the plantation sites were dry with hard soil. As a result the average survival and growth of the bamboo plantations become very low. It was also observed that the weeding and cleaning of bamboo plantations were not carried out at the right time due to late receipt of maintenance fund which affected the growth and development of bamboo in most of the plantation sites.

Thus, the Government needs to take remedial action on the observations of the Evaluation Report.

#### 4.11.17 Conclusion

The State Mission Director, SBSC did not draw up a Perspective Plan by conducting baseline survey feasibility study to determine the status of vast untapped potential bamboo plans in the State as envisaged in the Guidelines. The Annual Action Plans were formulated without grass-root level participation from the Bamboo Development Agency and Forest Development Agencies. The State Mission Director did not follow good financial practices.

There were instances of release of huge amount of inadmissible financial assistance against the plantation in forest and non-forest areas where the survival status were below the prescribed level of 90 *per cent*. Also, the State Mission Director released a grant to the Nodal Officer, NLUP violating the prescribed procedures, for disbursement of financial assistance to the farmers as subsidy towards cultivation cost of plantation in non-forest areas. The Nodal Officer, NLUP disbursed the same to the beneficiaries without ensuring beneficiaries contribution which resulted in short achievement of plantation. The crafts people and artisans were deprived of financial assistance to improve the quality of the existing handicraft products that is being used by them due to departmental execution of improvement works of existing stocks by the FDAs. The State Mission Director also did not take any initiative for setting up of Retail Outlets (Showrooms) in the Metros of the country to popularise various bamboo handicraft products of the State as emphasised in the operational guideline.

The Program Managers, deprived the plantation labourers with short payment of wages, which adversely impacted the socio economic conditions of the rural unemployed.



#### **4.11.18 Recommendations**

The Government should -

- prepare Perspective Plan and Annual Action Plans as envisaged in the Guidelines by involving grass-root level participation.
- strengthen the financial management to ensure the proper maintenance of Cash Account;
- not release a) subsequent financial assistance where survival status of the plantations are below the prescribed rate in Forest and Non-Forest Areas; b) funds to agencies like NLUP, which are external to the Mission Structure; and c) financial assistance to beneficiaries who had fulfilled their commitment.
- ensure the plantation labourers get their legitimate wages.
- propagate the sale of bamboo outside Mizoram through retail outlets, active participation in Trade Fair and adequate and well published display of furniture and artefacts had of bamboo of Mizo origin.

## COMPLIANCE AUDIT PARAGRAPHS

### TAXATION DEPARTMENT

#### 4.12 Underassessment of tax

**The Assessing Officer determined a dealer's purchase turnover of ₹ 10.11 crore instead of ₹ 12.22 crore resulting in underassessment of tax (taxable at 12.5 per cent) of ₹ 0.26 crore.**

Section 34(1)(a) of the Mizoram Value Added Tax (MVAT) Act, 2005 provides that where a dealer is assessed under section 31 or 32 for any year and the Commissioner has reason to believe that the whole or any part of the turnover of the dealer in respect of any period has escaped assessment, he may serve a notice and proceed to assess to the best of his judgment, the amount of tax due from the dealer in respect of such turnover, and the provisions of this Act shall apply accordingly.

Test check (July-August 2012) of records of the Assistant Commissioner of Taxes (ACT), North Zone, Aizawl revealed that while assessing (February 2012) a dealer<sup>6</sup> for the period from 2008-09 to 2010-11, the Assessing Officer (AO) determined the worth of goods purchased by the dealer as ₹ 10.11 crore taxable at 12.5 per cent and the worth of goods sold out as ₹ 6.43 crore including goods worth ₹ 0.69 crore on stock transfer by utilising Form 'F' and the closing stock as on 31 March 2011 as ₹ 3.68 crore.

Audit verification of dealer's quarterly returns for the period from 2008-11, however, revealed that the dealer had purchased goods worth ₹ 12.22 crore taxable at 12.5 per cent during the same period. Thus, the AO oversighted an amount of ₹ 2.11 crore (₹ 12.22 crore - ₹ 10.11 crore) while assessing the dealer's purchase turnover, which had tax effect of ₹ 0.26 crore.

On this being pointed out, the Department stated (May 2014) that the dealer was re-assessed in March 2013 and determined purchase turnover at ₹ 9.09 crore taxable at 12.5 per cent. The re-assessment orders of the Department with reduced purchase turnover, however, could not be accepted in audit, as the dealer himself declared through his quarterly returns that during 2008-11, his purchase turnover was ₹ 12.22 crore taxable at 12.5 per cent. Thus, a tax of ₹ 0.26 crore was short realised due to wrong assessment of purchase turnover by ₹ 2.11 crore.

The matter was reported to the Department and Government in September 2014; their reply has not been received (March 2015).

<sup>6</sup> Mary Kay Cosmetics Private Limited (TIN 15111997081)

### 4.13 Non-realisation of tax from a dealer

**Against tax of ₹ 97.22 lakh payable by a dealer as pointed out in audit, the Assessing Officer re-assessed a dealer with a tax of ₹ 167.15 lakh, out of which an amount of ₹ 75.14 lakh along with a penalty of ₹ 0.95 lakh was not realised.**

Section 34(1)(a) of the Mizoram Value Added Tax (MVAT) Act, 2005 provides that where a dealer is assessed under section 31 or 32 for any year, the Commissioner has reason to believe that the whole or any part of the turnover of the dealer in respect of any period has escaped assessment, he may serve a notice and proceed to assess to the best of his judgment, the amount of tax due from the dealer in respect of such turnover, and the provisions of this Act shall apply accordingly. Penalty not exceeding twice the amount of tax assessed is leviable under section 31(7)(b) for furnishing incomplete and incorrect returns.

Test check (March 2014) of records of the Assistant Commissioner of Taxes, Serchhip Zone, Serchhip revealed that the Assessing Officer (AO) assessed (June 2012) the tax payable by the dealer<sup>7</sup> under Serchhip Zone for the assessment year 2010-12 as under:

**Table-4.13.1**

(₹ in lakh)

Year	Sales Turnover (returned)				Sales Turnover (determined)			
	@ 5 per cent	@ 12.5 per cent	@ 13.5 per cent	Total	@ 5 per cent	@ 12.5 per cent	@ 13.5 per cent	Total
2010-11	Nil	101.29	Nil	101.29	Nil	101.37	Nil	101.37
2011-12	56.61	395.04	173.19	624.84	56.61	395.04	173.19	624.84
<b>Total</b>	<b>56.61</b>	<b>496.33</b>	<b>173.19</b>	<b>726.13</b>	<b>56.61</b>	<b>496.41</b>	<b>173.19</b>	<b>726.21</b>
MVAT payable (2010-12)					<b>2.83</b>	<b>62.05</b>	<b>23.38</b>	<b>88.26</b>
MVAT levied (2010-12)					<b>2.83</b>	<b>56.58</b>	<b>23.38</b>	<b>82.79</b>

Source: Departmental records

Further scrutiny of the Register of 'C' Form transaction/utilisation in respect of the dealer as maintained by the Serchhip Zonal Office revealed that the dealer's actual purchase turnover during the period (2010-12) covered under assessment was ₹ 1,425.15 lakh taxable at different rates as under:

**Table-4.13.2**

(₹ in lakh)

Year	Taxable rate	Purchase turnover	Tax payable
2010-11	12.5 per cent	229.89	28.74
2011-12	4 per cent	22.58	0.90
	5 per cent	11.94	0.60
	12.5 per cent	770.43	96.30
	13.5 per cent	390.31	52.69
<b>Total</b>		<b>1425.15</b>	<b>179.23</b>

Source: Departmental records

<sup>7</sup> M/s D-3 Business Enterprise (TIN 15190137049)

The AO had determined a 'Nil' closing stock as on 31 March 2012 as noted in the assessment order. As such, the MVAT payable by the dealer for the assessing years 2010-12 was calculated at ₹ 179.23 lakh.

Against the tax payable of ₹ 179.23 lakh (without considering the profit element) by the dealer the AO had levied a tax of ₹ 82.79 lakh only (₹ 82.01 lakh already paid). Thus, the dealer is required to pay the balance tax of ₹ 97.22 lakh. Further, due to concealment of sales turnover the dealer is also liable to pay penalty of ₹ 194.44 lakh.

While accepting the facts, the ACT, Serchhip Zone stated (January 2015) that the dealer's turnover was re-assessed on 16 July 2014 and determined tax of ₹ 167.15 lakh on the gross sale turnover of ₹ 1,336.51 lakh for the period 2010-12 and paid tax of ₹ 92.01 lakh along with penalty of ₹ 0.95 lakh as per following details:

Table-4.13.3

(₹ in lakh)

Sl. No.	Particulars	at 4 per cent	at 5 per cent	at 12.5 per cent	at 13.5 per cent	Total
(i)	Purchase turnover	22.58	11.94	1000.32	390.31	1425.15
(ii)	Closing stock	Nil	1.72	Nil	113.12	114.84
(iii)	Sales turnover	22.58	10.22	1000.32	277.19	1310.31
(iv)	Add: 2 per cent profit	0.45	0.20	20.01	5.54	26.20
(v)	Gross taxable sales turnover	23.03	10.42	1020.33	282.73	1336.51
(vi)	Tax payable	0.92	0.52	127.54	38.17	167.15
(vii)	Penalty levied	-	-	-	-	0.95
(viii)	Tax already Paid	-	-	-	-	92.01
(ix)	Balance tax (January 2015)	(Tax: ₹ 75.14 lakh + Penalty: ₹ 0.95 lakh)				<b>76.09</b>

Source: Departmental records

However, the status of recovery of balance tax of ₹ 75.14 lakh and penalty of ₹ 0.95 lakh was not intimated by the Department (March 2015).

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

#### 4.14 Non-levy of penalty

##### Penalty of ₹ 17.16 lakh from 22 dealers, who failed to submit Audited Statement, was not imposed by the Assessing Officers of three zonal offices.

As per section 53 of the Mizoram Valued Added Tax Act (MVAT), 2005 all dealers whose taxable turnover exceeds ₹ 30 lakh in a particular year are liable to get their accounts audited by the Chartered Accountants, the true copy of which is to be furnished to the taxation authority within six months from the end of the year. If any dealer fails to get his accounts audited, the Commissioner shall, after giving the dealer a reasonable opportunity of being heard, impose on him, in addition to any tax payable, a sum by way of penalty

equal to 0.1 per cent of the turnover as he may determine to the best of his judgment in respect of the said period.

Audit of records (November 2013 to May 2014) of four<sup>8</sup> Assistant Commissioners of Taxes (ACTs) revealed that 23 dealers<sup>9</sup> failed to get their accounts audited by Chartered Accountants for its onward submission to the respective taxation authorities inspite of the fact that all of them were having an annual turnover of more than ₹ 30 lakh as per the Assessment Orders for the years 2007-13. However, the Assessing Officers (AOs) failed to impose on them, in addition to tax payable, a sum of ₹ 20.90 lakh by way of penalty, as worked out in audit from the turnover of ₹ 208.97 crore determined by the AOs. The details of dealer-wise turnovers and penalty payable by 23 dealers are shown in **Appendix-4.14.1**.

Thus, all the 23 dealers under the four ACTs are liable to pay a penalty of ₹ 20.90 lakh for non-submission of audited accounts to the taxation authorities.

While accepting the facts, the three ACTs, except the ACT, Central Zone, Aizawl stated (March to June 2014) that they had already served demand notices to the dealers for payment of penalties.

Out of 23 dealers as mentioned in the para, in respect of one dealer (M/s Hluza Cement, TIN 15120572083), the ACT South Zone, Aizawl intimated (July 2014) that an amount of penalty of ₹ 3.74 lakh had already been recovered (11 July 2014) at the instance of audit. However, the three zonal offices had not been intimated the status of recovery of penalty of ₹ 17.16 lakh from the remaining 22 dealers as of February 2015.

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

#### 4.15 Under-assessment of tax

**There was an under-assessment of tax of ₹ 4.01 lakh and non-imposition of penalty of ₹ 16.33 lakh for non-payment of tax of ₹ 68.99 lakh.**

Section 34(1)(a) of the Mizoram Value Added Tax (MVAT) Act, 2005 provides that where a dealer is assessed under section 31 or 32 for any year and the Commissioner has reason to believe that the whole or any part of the turnover of the dealer in respect of any period has escaped assessment, he may serve a notice and proceed to assess to the best of his judgement,

<sup>8</sup> i) ACT, Central Zone, Aizawl; ii) ACT, South Zone, Aizawl, iii) ACT North Zone, Aizawl and iv) ACT, Champhai Zone, Champhai

<sup>9</sup>

ACT Central Zone, Aizawl	:	08 dealers
ACT South Zone, Aizawl	:	01 dealers
ACT North Zone, Aizawl	:	13 dealers
ACT Champhai, Champhai	:	01 dealer
<b>Total</b>	:	<b>23 dealers</b>

the amount of tax due from the dealer in respect of such turnover, and the provisions of this Act shall apply accordingly.

Further, as per Section 37(5) of the Act, where a dealer fails to make payment of tax assessed within thirty days from the date of serving of notice of demand, the Commissioner shall, after giving the dealer a reasonable opportunity of being heard, direct that such dealer shall, in addition to the amount due pay, by way of penalty, a sum equal to two *per cent* of such amount of tax, for every month, for the period for which payment has been delayed by him from the date on which such amount was due to be paid.

Test check (November 2013) of records of the Assistant Commissioner of Taxes (ACT), North Zone, Aizawl revealed that the Assessing Officer (AO) while assessing (September 2012) a dealer<sup>10</sup> for the assessment year 2010-11, under assessed the tax to the tune of ₹ 4.01 lakh due to less determination of purchase turnover to the extent of ₹ 15.92 lakh taxable at 12.5 *per cent*.

The details of tax payable, as assessed by the AO and payable tax as worked out by Audit are as follows:

Table-4.15.1

(₹ in lakh)

Particulars		As assessed by the AO	As worked out in Audit	Variation (-) Less
1.	Opening Stock	521.49	521.49	--
2.	Purchase turnover	363.77	379.69	(-) 15.92
<b>Total</b>		<b>885.26</b>	<b>901.18</b>	<b>(-) 15.92</b>
3.	<b>Less:</b> Closing Stock (excluding 3 <i>per cent</i> profit)	348.03	348.03	--
4.	Sales turnover (without profit)	537.23	553.15	(-) 15.92
5.	<b>Add:</b> 3 <i>per cent</i> profit	16.12	16.59	(-) 0.47
6.	Total taxable Sales turnover	553.35	569.74	(-) 16.39
7.	Tax payable (@ 12.5 <i>per cent</i> )	67.21	71.22	(-) 4.01

Source: Departmental records

From the above table it appeared that against the actual purchase turnover of ₹ 379.69 lakh during 2010-11 as recorded in the Register of Declaration Forms maintained by the dealer and produced to the AO, the AO had wrongly determined a purchase turnover of ₹ 363.77 lakh, which resulted in less determination of turnover of ₹ 15.92 lakh. Further, against the total sales turnover of ₹ 569.74 lakh (taxable at 12.5 *per cent*), the payable tax was ₹ 71.22 lakh. However, the AO has wrongly determined the tax at ₹ 67.21 lakh, which resulted in short levy of tax by ₹ 4.01 lakh.

The dealer had paid an amount of ₹ 2.23 lakh out of assessed tax of ₹ 67.21 lakh. Thus, the dealer was required to pay tax of ₹ 68.99 lakh (₹ 71.22 lakh - ₹ 2.23 lakh). The AO had already issued (September 2012) a demand noticed to the dealer for payment of balance tax of ₹ 65.08 lakh (including penalty of ₹ 0.10 lakh for concealment of turnover) on or before

<sup>10</sup> M/s John Overseas (TIN 15110020002)

18 October 2012. Though the dealer failed to pay the outstanding tax as of November 2013, after a lapse of more than one year, the AO did not impose any penalty for the same under Section 37(5) of the Act. Thus, in addition to the tax due, the dealer was liable to pay a penalty equal to ₹ 16.33 lakh for the period from 19 October 2012 to 31 October 2013, which was not imposed by the AO as of February 2015.

While accepting the facts, the Commissioner of Taxes stated (March 2014) that re-assessment of the dealer was under process.

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

#### 4.16 Short assessment of Tax

**There was short-assessment of tax of ₹ 77.64 lakh due to under-assessment of purchase turnover of five dealers amounting to ₹ 774.44 lakh.**

Section 34(1)(a) of the Mizoram Value Added Tax (MVAT) Act, 2005 provides that where a dealer is assessed under Section 31 or 32 for any year and the Commissioner has reason to believe that the whole or any part of the turnover of the dealer in respect of any period has escaped assessment, he may serve a notice and proceed to assess to the best of his judgement, the amount of tax due from the dealer in respect of such turnover, and the provisions of this Act shall apply accordingly. Penalty not exceeding twice the amount of tax assessed is leviable under Section 31(7)(b) for furnishing incomplete and incorrect returns.

Audit (January-February 2013 and November 2013) of records of the Superintendent of Taxes (ST), Lawngtlai and Assistant Commissioners of Taxes (ACT), Central Zone, Aizawl revealed that while assessing five dealers<sup>11</sup>, the Assessing Officers (AOs) determined the dealers' taxable purchase turnover at ₹ 772.53 lakh (taxable at 4 per cent) and ₹ 875.87 lakh (taxable at 12.5 per cent) during the assessment years 2005-11. However, the actual purchase turnover was ₹ 998.04 lakh and ₹ 1,424.80 lakh taxable at the rate of 4 per cent and 12.5 per cent respectively during 2005-11.

Thus, there was an under-assessment of the dealer's purchase turnover at ₹ 774.44 lakh (taxable at 4 per cent : ₹ 225.51 lakh + taxable at 12.5 per cent : ₹ 548.93 lakh). Hence, the under-assessment of purchase turnover resulted in short assessment of tax of ₹ 77.64 lakh (4 per cent : ₹ 9.02 lakh + 12.5 per cent : ₹ 68.62 lakh) without taking profit element of the dealer. The details of short assessment of the five dealers and present status as of August 2014 are given in the **Appendix-4.16.1**.

The ACT Lawngtlai Zone while accepting the facts stated (September 2014) that one dealer (M/s Rashmayee Store, TIN 15150003095) was re-assessed in 22 September 2014. After re-assessment the dealer's taxable turnover at ₹ 218.92 lakh including 5 per cent profit

<sup>11</sup> ST, Lawngtlai: one dealer (assessed between April 2007 and March 2012), ACT, Central Zone : four dealers (assessed between June 2012 and September 2012)



element against the escaped turnover of ₹ 193.78 lakh as pointed out by audit. The ACT levied a tax of ₹ 20.74 lakh with a penalty of ₹ 1.04 lakh to the dealer. However, the recovery status of the same has not been intimated by the Department (March 2015).

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

## LAND REVENUE AND SETTLEMENT DEPARTMENT

### 4.17 Short deposit of revenue

**Out of total revenue of ₹ 113.49 lakh collected during 2008-12, the Department deposited only an amount of ₹ 99.78 lakh, leaving a balance of ₹ 13.71 lakh.**

As per Rule 6(1) of the Central Government Account (Receipts and Payments) Rules, 1983 which is followed in Mizoram all moneys received by or tendered to Government officers on account of revenues or receipts or dues of the Government shall be deposited into Government Account without undue delay.

Scrutiny (April 2014) of records of the Assistant Settlement Officer (ASO), Champhai disclosed that the Department had not maintained any register, document or a subsidiary cash book showing the monthly collection of revenue from the various sources and its remittance to the Government Account during the period from 2008-09 to 2011-12. In the absence of such basic documents, based on the Receipt Books and treasury challans as produced to audit, a Statement was prepared by audit showing year-wise collection of land revenue and its deposit into the Government Account during the period 2008-12, which was duly authenticated by the ASO, Champhai.

As per the statement, the Department collected a total land revenue of ₹ 113.49 lakh from the various Land Settlement Certificate (LSC) holders under Champhai District during 2008-12, against which an amount of ₹ 99.78 lakh was deposited into Government Accounts through Treasury Challans, leaving a balance of ₹ 13.71 lakh as of April 2014, the details of which are given in the following Table:

**Table-4.17.1**

(₹ in lakh)

Year	Revenue Realised (RR)	Cumulative Revenue Deposited (RR + CNDR)	Revenue Deposited	Cumulative Non-Deposited Revenue (CNDR)
2008-09	27.86	27.86	8.99	18.87
2009-10	17.30	36.17	22.02	14.15
2010-11	31.09	45.24	33.40	11.84
2011-12	37.24	49.08	35.37	13.71
<b>Total</b>	<b>113.49</b>	<b>--</b>	<b>99.78</b>	<b>13.71</b>

Source: Departmental records