

# EXECUTIVE SUMMARY



## EXECUTIVE SUMMARY

This Audit Report has been prepared in five Chapters. Chapters I to V deal with Social, Economic (other than Public Sector Undertakings), General, Revenue and Economic (Public Sector Undertakings) Sectors.

This Report contains three performance audits and thirteen compliance audit paragraphs. According to the existing arrangements, copies of the draft compliance audit and draft performance reviews were sent to the concerned Commissioner-cum-Secretaries/Principal Secretaries/Secretaries to the State Government by the Accountant General (Audit) with a request to furnish replies within six weeks. The Commissioner-cum-Secretaries/Principal Secretaries/Secretaries were also reminded for replies. Besides, a demi-official letter was also sent to the Chief Secretary to the State Government on the issues raised in the draft compliance audit paragraphs, draft performance reviews *etc.*, for inclusion of the views/comments of the Government in the Audit Report. Despite such efforts, replies were not received in respect of two compliance audit paragraphs from the concerned Principal Secretaries/Secretaries to the State Government.

### CHAPTER-I

#### SOCIAL SECTOR

#### PERFORMANCE AUDIT

##### **Functioning of Industrial Training Institutes (Labour, Employment and Industrial Training Department)**

The performance audit on functioning of Industrial Training Institute (ITI) revealed positive trend of decrease in dropout rates of trainees from the ITIs during the audit period. However, the dropout rate was consistently above 28 *per cent*. Major flaws were observed in the planning process and in the financial management aspects. The fund available for implementation of various Centrally Sponsored Scheme (CSS) and infrastructure projects were not efficiently and effectively utilised by the department. Infrastructure created under CSS like hostel buildings lacked planning due to which capacity intake in the newly constructed hostels would be grossly insufficient. Conducting of courses in unaffiliated trades, improper accounting of the receipts, diversion of fund, non-maintenance of record cards of the ex-trainees *etc.* were some of the other irregularities observed in the ITIs. Other vocational training schemes *viz.* Apprenticeship Training Scheme was not implemented by department since 1990s and proper implementation

of Skill development initiative scheme started only from 2012. The internal inspection and monitoring of ITIs by State level authorities was absent.

A performance audit on implementation of various vocational training programme in the State revealed the following significant findings:

*The department neither conducted any need based survey to ascertain the requirement of ITIs nor was timeline fixed for setting up of new ITIs in uncovered districts in the State.*

*Incentive fund of ₹ 100 lakh for implementation of Vocational Training Improvement Project was not availed due to non-submission of proposal by the department within the stipulated time fixed by GoI.*

*Encroachment of land by various establishment and bodies has reduced the original land area of ITI Aizawl from 79,932 Sq.mt. to only 26,315.61 Sq.mt. (32.92 per cent) at present.*

*There was misappropriation of ₹ 66.93 lakh under Enhancing Skill Development Infrastructure scheme on fabricated Measurement Books and running account bills in the construction of new ITI buildings at Serchhip district.*

*Diversion of ₹10 lakh approved for transformer and diesel generator to construction works led to fluctuation of voltage and frequent breakdown of power supply at ITI Saiha and consequent disruption of classes and damage to computers and accessories.*

*Boys' hostels constructed at ITI Aizawl and ITI Lunglei at an estimated cost of ₹ 123.84 lakh, and ₹ 89.60 lakh to accommodate 32 and 10 trainees respectively have not yet been allotted to the trainees. Similarly, girls' hostel at ITI Lunglei constructed by Social Welfare Department, GoM that could accommodate 10 girl trainees is yet to be allotted to trainees. Further, no recruitment of hostel staff was made by the Department to make any of the hostels functional.*

**(Paragraph 1.3)**

### **Compliance Audit Paragraphs**

The Secretary, Mizoram Building and Other Construction Workers' Welfare Board irregularly diverted Workers' Welfare Cess amounting to ₹ 4.62 crore and ₹ 52.38 lakh for expenditure on training and loan respectively which had no relation with building and other construction workers' welfare.

**(Paragraph 1.4)**

The expenditure of ₹ 74.88 lakh incurred by the Executive Engineer, Public Health Engineering Department, Rural WATSAN Division, Aizawl towards implementation of Mauchar Water Supply Scheme remained idle due to non-installation of Pumping Wind Mill.

*(Paragraph 1.5)*

The Director of Health Services, Mizoram utilised an Incentive Grant of ₹ Three crore for procurement of 38 vehicles without observing due procedure. The Department did not receive the delivery of five vehicles even after the payment of 100 *per cent* advance of ₹ 55 lakh for more than one year. 15 of the vehicles received were allocated to non-entitled officers.

*(Paragraph 1.6)*

The State Project Director, Sarva Shiksha Abhiyan (SSA) Mizoram under School Education Department incurred an excess expenditure of ₹ 2.82 crore towards procurement of 'Free Text Books'.

*(Paragraph 1.7)*

The Director, State Council of Educational Research and Training (SCERT), Mizoram under School Education Department made an excess payment of ₹ 30.80 lakh towards purchase of 1,540 sets of computer table with chair.

*(Paragraph 1.8)*

## **CHAPTER-II**

### **ECONOMIC SECTOR (Other than State Public Sector Undertakings)**

#### **PERFORMANCE AUDIT**

##### **Pradhan Mantri Gram Sadak Yojana (PMGSY) (Public Works Department)**

The Performance Audit of the PMGSY brought out that the Department has moderately succeeded in fulfilling the objective of providing connectivity by way of an All-weather Road to the eligible un-connected habitation. The Department has failed to formulate the District Rural Road Plans involving grass-root level participation at Block and District levels, which has affected proper implementation of the scheme. The Chief Executive Officer, Mizoram Rural Road Development Agency (MiRRDA) did not follow the laid down financial practices/procedures. The scheme was not implemented in a time bound manner to provide

new-connectivity to the eligible habitations. While executing the works, the concerned PIUs had irregularly accepted invalid Performance Bank Guarantees, incurred excess expenditure, executed deviated/extra items of works without written orders of the Engineers, and executed sub-standard works without proper technical supervision at field level.

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

*The Nodal Department did not prepare any block-specific Master Plan for 26 blocks. Moreover, the District Rural Roads Plans for eight districts were prepared by the Nodal Department without consulting the District Rural Development Agencies/District Planning Committees.*

*The Chief Executive Officer, MiRRDA without obtaining formal approval of the National Rural Road Development Agency (NRRDA) diverted an amount of ₹ 132.86 lakh towards meeting expenditure for extra/ deviated item of works in respect of four works.*

*Out of 109 works taken up for execution by three districts (Aizawl, Champhai and Lunglei) up-to March 2005, completion of 21 works was delayed up to two years, 11 works by two to five years and nine works for more than five years.*

*On termination of contract, a mobilization/equipment advance of ₹ 29.50 lakh could not be forfeited due to irregular acceptance of Bank Guarantee, without validity and coverage upto the contract period.*

*Against the construction of road (Darlawn – N. Serzawl) the Executive Engineer, National Highway-II Division, Aizawl incurred an excess expenditure of ₹ 76.06 lakh.*

*In 13 packages under six Project Implementing Units (PIUs) an expenditure of ₹ 3.38 crore was sanctioned for meeting the cost of deviated/extra item of works without written orders of the Engineers.*

*In case of 13 works, under eight packages, the five PIUs extended undue financial benefit by releasing security deposits of ₹ 1.38 crore to the contractors before the end of the prescribed period thereby also risking the rectification of defects.*

**(Paragraph 2.3)**

### **Compliance Audit Paragraphs**

The Director, Animal Husbandry and Veterinary Department failed to comply with earlier recommendation of an expert committee leading to death of 126 cows in transit and loss of ₹ 68.04 lakh which could have been largely avoided.

**(Paragraph 2.4)**

The Director, Rural Development Department provided undue benefit of ₹ 52 lakh to the supplier towards purchase of 12,546 bundles of GCI sheets by agreeing to accept inferior quality product.

*(Paragraph 2.5)*

## **CHAPTER-IV**

### **REVENUE SECTOR**

#### **Trend of revenue receipts**

During the year 2014-15, the revenue raised by the State Government (₹ 508.48 crore) was 9.23 *per cent* of the total revenue receipts of ₹ 5,511.10 crore as against 8.90 *per cent* in the preceding year (₹ 424.04 crore). The balance 90.77 *per cent* of receipts of ₹ 5,002.62 crore during 2014-15 was from the Government of India.

*(Paragraph 4.1.1)*

The Tax Revenue raised during 2014-15 (₹ 266.52 crore) increased by 15.99 *per cent* as compared to the previous year (₹ 229.78 crore). The Non-Tax Revenue raised during 2014-15 (₹ 241.96 crore) increased by 24.55 *per cent* as compared to the previous year (₹ 194.26 crore).

*(Paragraph 4.1.2 & 4.1.3)*

## **PERFORMANCE AUDIT**

### **Effectiveness of the Mizoram State Pollution Control Board (Environment and Forests Department)**

Mizoram State Pollution Control Board (MSPCB) is entrusted with the responsibility of implementation of environmental laws including guidelines and instructions issued by Ministry of Environment and Forests, GoI and Central Pollution Control Board from time to time. Performance audit of the functioning of the MSPCB showed deficiencies in handling different types of pollution and wastes management by the Board. The Board had failed to initiate action against the polluting industries/bodies/authorities despite violation of various provisions under the Acts/Rules. There was substantial shortfall in inspection of industries. MSPCB laboratory did not have facilities and equipment to analyse various parameters of water and air quality. A Performance Audit on the effectiveness in the functioning of MSPCB covering the period 2010-15 brought out the following significant findings:

*The Board had not prepared Annual Action Plans for four years (2011-15) showing the comprehensive programme for the prevention, control and abatement of pollution of streams and wells in the State.*

*In absence of terminal facilities/Effluent Treatment Plants or proper treatment, the Health Care Facilities (HCFs) and slaughter houses openly discharged their effluents into the open drain which eventually contaminate the rivers.*

*The Board did not conduct the recommended number of inspections especially for the Large Scale Industries in 'Red' category that might cause pollution.*

*The action of the Board to mitigate air pollution by way of checking vehicle emission, was limited to the capital city Aizawl only. No mechanism or system was in place to identify or take action against vehicles plying without valid Pollution Under Control Certificates (PUCCs).*

*Solid wastes were dumped on the hill slopes without having valid authorisation from the Board and no monitoring mechanism of water and air pollution exist in and around the dumping sites.*

*The Aizawl Municipal Corporation procured an incinerator, at an expenditure of ₹ 29.24 lakh without following codal provisions, which was not installed and commissioned as of February 2016.*

*Out of 96 HCFs in the State, 56 HCFs did not obtain Bio-Medical Waste authorisations and 38 HCFs were functioning even though their authorisations had either expired or their applications were pending with MSPCB.*

*The Government could not finalise and appoint a full-time Member Secretary to the MSPCB even after three years of publishing the recruitment rules in the Mizoram Gazette.*

**(Paragraph 4.11)**

## **Compliance Audit Paragraphs**

### **Taxation Department**

Six ACTs in Mizoram irregularly allowed Input Tax Credit claim of ₹ 1.05 crore in respect of 66 registered dealers without supporting tax invoices.

**(Paragraph 4.12)**



Purchase and deduction against credit notes without supporting document, resulted in under-assessment of sales turnover of ₹ 16.79 crore for which tax of ₹ 2.59 crore along with a penalty not exceeding ₹ 5.18 crore was leviable.

*(Paragraph 4.14)*

There was a short-assessment of tax of ₹ 0.42 crore due to under-assessment of purchase turnover of four dealers by ₹ 3.28 crore.

*(Paragraph 4.15)*

### Transport Department

There was a loss of revenue of ₹ 19.76 lakh due to non-deposit of Authorisation (Plying) Permit Fee by the owners of the Inter State Maxi Cabs and All Mizoram Maxi Cabs.

*(Paragraph 4.16)*

## CHAPTER-V

### ECONOMIC SECTOR (State Public Sector Undertakings)

Mizoram had six working State Public Sector Undertakings (SPSUs) (all companies) employing 259 employees as on March 2015. These SPSUs registered a turnover of ₹ 17.42 crore for 2014-15 as *per* the latest finalised accounts. This turnover was equal to 0.14 *per cent* of State Gross Domestic Product. The SPSUs incurred a loss of ₹ 3.28 crore as *per* their latest finalised and audited accounts as of September 2015.

*(Paragraph 5.1)*

### Accountability framework

The audit of the financial statements of a company in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of the Companies Act, 2013. However, the audit of a company in respect of financial years that commenced earlier than 1 April 2014 continued to be governed by the Companies Act, 1956.

*(Paragraph 5.2)*

### Investment in SPSUs

As on 31 March 2015, the investment (capital and long-term loans) in six SPSUs was ₹ 73.31 crore. This total investment consisted of 67.78 *per cent* towards capital and

32.22 *per cent* in long-term loans. Investment had declined by 19.11 *per cent* in 2014-15 as compared with 2010-11.

*(Paragraph 5.6)*

### **Arrears in finalisation of Accounts**

Six working SPSUs had arrears of 23 accounts as of September 2015.

*(Paragraph 5.10)*

### **Compliance Audit Paragraph**

#### **Loss due to shortage of stores/cash (Food, Civil Supplies & Consumer Affairs Department)**

There was a loss of ₹ 1.96 crore due to shortage of cash and stores at 18 different supply centres/godowns which came to notice during handing over of charge.

*(Paragraph 5.18)*