

CHAPTER – III

**ECONOMIC SECTOR
(OTHER THAN STATE PUBLIC
SECTOR UNDERTAKINGS)**

CHAPTER-III

ECONOMIC SECTOR (Other than State Public Sector Undertakings)

3.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2017 deals with the findings on audit of the State Government Departments under Economic Sector (other than State Public Sector Undertakings).

During 2016-17, against a total budget provision of ₹ 2,638.58 crore, a total expenditure of ₹ 1,712.88 crore was incurred by 15 departments under the Economic Sector. The department-wise details of budget provision and expenditure incurred there against are shown in Table-3.1.1.

Table-3.1.1:-Details of department-wise budget provision and expenditure

(₹ in crore)

Sl. No.	Name of the Department	Total Budget Allocation	Expenditure
1.	Planning & Programme Implementation	740.27	76.06
2.	Agriculture	183.44	132.04
3.	Horticulture	81.87	71.75
4.	Soil and Water Conservation	22.15	19.01
5.	Animal Husbandry and Veterinary	89.77	57.34
6.	Fisheries	30.87	29.72
7.	Co-operation	25.70	19.90
8.	Rural Development	488.77	370.76
9.	Industries	100.14	81.29
10.	Sericulture	20.28	18.97
11.	Tourism	38.67	38.44
12.	Trade and Commerce	12.27	11.93
13.	Public Works	728.09	760.71
14.	Minor Irrigation	55.73	16.70
15.	Information & Communication Technology	20.56	8.26
Total		2638.58	1712.88

Source: Appropriation Accounts, Government of Mizoram, 2016-17

Besides, the Central Government has been transferring a sizable amount of funds directly to the implementing agencies of the State Government for implementation of various programme of the Central Government. During 2016-17, ₹ 168.78 crore was directly released to different implementing agencies under Economic Sector. The details are shown in **Appendix-3.1.1**.

3.2 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various departments of Government. The risk criteria involved expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls etc.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the Heads of the Departments. The Departments are requested to furnish

replies to the audit findings within one month of receipt of the Inspection Reports. Audit findings are either settled or further action for compliance is advised whenever replies are received. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Report. The Audit Report is submitted to the Governor of State under Article 151 of the Constitution of India.

During the year, an expenditure of ₹ 1,131.98 crore (including funds pertaining to previous years audited during year) of the State Government under Economic Sector (other than Public Sector Undertakings) was test checked.

This Chapter contains findings on three compliance audit paragraphs.

COMPLIANCE AUDIT PARAGRAPHS

RURAL DEVELOPMENT DEPARTMENT

3.3 BORDER AREA DEVELOPMENT PROGRAMME

Highlights

Audit of implementation of the Border Area Development Programme (BADP) during 2012-13 to 2016-17 revealed the following irregularities:

Bottom-up approach in preparation of Annual Action Plans with the involvement of the concerned stakeholders at the grass root level was not followed. Further, none of the border villages was declared as ‘saturated’.

(Paragraphs 3.3.8 & 3.3.8.1)

The Department released ₹ 68.98 crore with delays ranging between one to 23 months to the executing agency during 2012-17.

(Paragraphs 3.3.9.1)

Allocation of BADP funds for education, health, agriculture and allied activities, security and other sectors was not in the proportion as recommended in the BADP Guidelines.

(Paragraphs 3.3.9.2)

The Department parked funds in ‘civil deposits’ and savings bank accounts aggregating ₹ 27.02 crore and ₹ 65.25 crore respectively during 2012-16.

(Paragraphs 3.3.9.3 & 3.3.9.5)

Irregularities of ₹ 7.19 crore occurred in the execution of works.

(Paragraph 3.3.10)

The monitoring and evaluation mechanism and Management Information System was deficient.

(Paragraphs 3.3.12 & 3.3.14)

Social Audit of the BADP was yet to be carried out.

(Paragraph 3.3.13)

3.3.1 Introduction

The Department of Border Management, Ministry of Home Affairs (MHA), Government of India (GoI) implements the Border Area Development Programme (BADP) through the State Governments as part of a comprehensive approach to border management. The BADP aims to meet the development needs of the people living in remote and inaccessible areas near the International Border (IB) and to saturate the border areas with essential infrastructure through convergence of Central/State/BADP/Local schemes. The BADP was a 100 *per cent* Centrally funded upto 2015-16 and in the ratio of 90:10 between the GoI and the State Governments from 2016-17.

In Mizoram, the BADP was implemented in phases since 1993-94¹ in 16 blocks of six districts bordering Myanmar and Bangladesh IB as under:

Sl. No.	District	Sl. No.	Block	International Border
1.	Champhai	1.	Ngopa	Indo- Myanmar
		2.	Khawzawl	
		3.	Champhai	
		4.	Khawbung	
2.	Serchhip	5.	E. Lungdar	Indo- Myanmar
3.	Lunglei	6.	Hnathial	
		7.	Bunghmun	Indo-Bangladesh
4.	Lawngtlai	8.	Lungsen	
		9.	Chawngte	Indo- Myanmar
		10.	Lawngtlai	
		11.	Sagnau	
5.	Saiha	12.	Bungtlang 'S'	
		13.	Tuipang	Indo- Myanmar
6.	Mamit	14.	Saiha	
		15.	West Phaileng	Indo-Bangladesh
		16.	Zawlnuam	

The cumulative expenditure under the BADP in Mizoram was ₹ 426.51 crore till March 2017.

3.3.2 Organisational Set-up

The Rural Development Department (RDD), Government of Mizoram (GoM), headed by the Secretary is the nodal implementing department for the BADP. Under the Department, the Directorate of RDD is the implementing agency for BADP. The Director is the head of the Directorate and he is assisted by a Joint Director, Deputy Director and Technical Officers of the Engineering Cell of the Directorate. At the district level, Deputy Commissioners (DCs) of the districts are responsible for the overall implementation of the BADP through the concerned Block Development Officers (BDOs). The implementation of the programme is monitored by a monitoring cell attached with the Secretary, RDD.

¹ Along the Indo-Bangladesh international border (318 km with a population of 1.72 lakh) and since 1997-98, along the Indo-Myanmar international border (404 km with a population of 2.96 lakh)

As required under the BADP Guidelines, a State Level Screening Committee (SLSC) headed by the Chief Secretary was constituted in June 2005 which is responsible for approving the schemes for implementation under the BADP. District Level Committees (DLCs), headed by the Deputy Commissioners (DCs) of the respective districts were also constituted in April 2014 which are responsible for preparing village-wise plans for implementation of the BADP in the villages of the 16 border blocks of six districts in the State.

3.3.3 Audit Scope

This compliance audit covered the implementation of the BADP in the State during 2012-13 to 2016-17. The scope of the audit included

- the offices of the Secretary and the Director, RDD;
- two border districts (Champhai and Lunglei)² out of six border districts in the State;
- two (Champhai and Lunglei) out of seven blocks³ in Champhai and Lunglei districts;
- 24⁴ out of 77 villages in Champhai and Lunglei blocks;
- examination of records of 299 works implemented under BADP in Champhai and Lunglei blocks during 2012-17 at a cost of ₹ 30.88 crore (out of 1,760 works implemented in the State at a cost of ₹ 178.39 crore during 2012-17); and,
- joint inspection by departmental and audit officials of 33 works (valuing ₹ 5.17 crore) executed in Champhai block and 40 works (valuing ₹ 4.84 crore) executed in Lunglei block, out of a total of 183 works (valuing ₹ 15.77 crore) and 116 works (valuing ₹ 15.11 crore) implemented in Champhai and Lunglei blocks respectively during 2012-17.

The details of sample selection are given **Appendix-3.3.1**.

3.3.4 Audit Objectives

This compliance audit of the BADP was conducted to ascertain whether:

- planning and implementation of the BADP was adequate, effective and in accordance with BADP Guidelines;
- the programme was implemented with due regard to economy, efficiency and effectiveness; and,
- implementation of the BADP was properly monitored.

3.3.5 Audit Criteria

Audit criteria were drawn from:

- Guidelines of BADP issued by GoI (2009, 2014 and 2015);

² Champhai is on the Indo-Myanmar Border and Lunglei is on the Indo-Bangladesh and Indo-Myanmar Border

³ Against the criteria of a minimum of 25 *per cent* of seven blocks

⁴ 13 villages of Champhai block and 11 villages in Lunglei block

- Orders/ guidelines/ circulars issued by the Ministry of Home Affairs, Department of Border Management and the State Government;
- Perspective Plan and Approved Annual Action Plans;
- Mizoram Public Works Department's Schedule of Rates;
- CPWD Manual followed by the State Government;
- General Financial Rules and Central Treasury Rules followed by the State Government; and,
- Third Party Inspection Reports.

3.3.6 Audit Methodology

The audit methodology comprised of an entry conference (03 May 2017), examination of records, issue of audit queries/observations, joint physical verification along with departmental officials, photographic evidence and questionnaires duly authenticated by the departmental officials wherever relevant, issue of draft report to the Department and an exit conference (15 December 2017). The replies received and the views expressed by the Department have been incorporated in this report wherever relevant.

3.3.7 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation extended by the Rural Development Department in providing necessary information and records to Audit.

Audit Findings

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

3.3.8 Planning

The BADP Guidelines envisaged that a baseline survey shall be carried out in border villages to assess the gaps in basic physical and social infrastructure. Further, a detailed village-wise long term action plan prioritising the projects should be prepared by the DLCs for filling up the gaps in consultation with autonomous councils, community leaders and development agencies. Following the long term plan, Annual Action Plan (AAP) should be formulated at the State level for executing the prioritised projects. The AAP should also ensure convergence of various Central and State schemes.

Examination of records revealed the following:

- The baseline survey was conducted by BDOs only once in 2015-16 in the 16 border blocks of the State. Audit observed that the baseline survey only listed the existing physical infrastructure in the surveyed villages-the surveys did not bring out the quantifiable gaps in the social and physical infrastructure which was the objective of the baseline survey as envisaged under the BADP Guidelines.
- The detailed village-wise long term action plans were also not prepared by any of the six DLCs in the State during 2012-17.

- A five-year Perspective Plan (PP) was prepared in March 2010 by the Department indicating the shelf of projects to be undertaken under the BADP during 2009-10 to 2013-14. However, there was no evidence on record to indicate that the PP was prepared in consultation with stakeholders. Moreover, the PP did not prioritize the projects to be undertaken annually. The Department had not formulated a PP for the subsequent years.
- The Department had prepared AAPs at the State level for all the years covered in this audit (2012-13 to 2016-17). However, the AAPs for the period 2012-14 did not flow from the PP formulated for the period 2009-10 to 2013-14.
- Further, the AAPs did not have any convergence of the BADP with any Central or State schemes in so far as Champhai and Lungsen blocks (the two blocks covered under the scope of this audit) were concerned.

The Department stated (May 2018) that AAPs were prepared with the involvement of the concerned stakeholders at the grass root level. The Department, however, did not substantiate this claim with any supporting evidence.

3.3.8.1 Selection of village

As per the BADP Guidelines, priority should be given to villages located within 0-10 Kilometre (Km.) from the IB. Only after 'saturation' of 0-10 Km. villages with the necessary infrastructural facilities, was the State Government to take up the next set of villages within the 0-20 Km. distance of the IB for implementation of works under the BADP and so on up to 0-50 Km. Further, paragraph 2.2 of the Guidelines *ibid*, required the respective DLCs to make their own definition as to what constituted "saturation of a village with basic infrastructure"⁵.

Scrutiny of records revealed that none of the six DLCs in the State had defined the connotation of 'saturation of a village with basic infrastructure' in their respective jurisdictions despite the BADP being implemented in the State since 1993-94.

The details of villages in the State located between 0-10 Km., 10-20 Km., and 20-50 Km. from the IB and the coverage of villages under BADP during 2012-17 is given below:

Table-3.3.1:- Details of villages located between 0-50 Km from the IB

Sl. No.	District	Block	No. of villages distance-wise				Villages covered under BADP			
			Total villages	0-10 Km.	10-20 Km.	20-50 Km.	Total coverage	0-10 Km.	10-20 Km.	20-50 Km.
1.	Champhai	Champhai	17	15	2	0	17	15	2	0
		Khawzawl	36	5	9	22	18	5	8	5
		Khawbung	25	17	8	0	23	16	7	0
		Ngopa	15	4	6	5	10	4	6	0
	Total (1)		93	41	25	27	68	40	23	5

⁵ As per Revised Guidelines (June 2015), DLCs were to define the 'saturation' of village infrastructure based on the minimum facilities including road connectivity, schools along with facilities like separate toilets for girls, sports facilities, health services, electricity, water supply, community centre, public toilets particularly for women, houses for teachers and health staff in the light of local conditions

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Sl. No.	District	Block	No. of villages distance-wise				Villages covered under BADP			
			Total villages	0-10 Km.	10-20 Km.	20-50 Km.	Total coverage	0-10 Km.	10-20 Km.	20-50 Km.
2.	Serchhip	E. Lungdar	12	2	8	2	10	2	8	0
		Total (2)	12	2	8	2	10	2	8	0
3.	Lunglei	Hnahthial	23	7	7	9	20	7	7	6
		Bunghmun	36	18	7	11	26	17	3	6
		Lungsen	60	31	23	6	28	18	9	1
		Total (3)	119	56	37	26	74	42	19	13
4.	Lawngtlai	Lawngtlai	35	9	13	13	28	9	12	7
		Sangau	17	11	6	0	17	11	6	0
		Bungtlang S	27	18	9	0	25	18	7	0
		Chawngte	83	78	5	0	35	30	5	0
		Total (4)	162	116	33	13	105	68	30	7
5.	Saiha	Saiha	19	6	13	0	9	5	4	0
		Tuipang	36	18	14	4	25	14	10	1
		Total (5)	55	24	27	4	34	19	14	1
6.	Mamit	W. Phaileng	20	8	11	1	20	8	11	1
		Zawlnuam	43	8	4	31	13	8	3	2
		Total (6)	63	16	15	32	33	16	14	3
Grand Total (1 + 2 + 3 + 4 + 5 + 6)			504	255	145	104	324	187	108	29

Source: Information furnished by the Department

Note: As per the BADP Guidelines, zero Km is either zero Km from IB (if the first village falls in the borderline) or first village from IB (irrespective of its distance from border)

As seen from above:

- There were total of 504 villages in the State within 0-50 Km. of the IB of which 324 villages (64 per cent) were covered under the BADP during 2012-17.
- Out of the total of 255 villages within 0-10 Km. of IB, 187 villages (73 per cent) were covered under the BADP during 2012-17. In Champhai block, all 15 villages within 0-10 Km. of IB were covered under the BADP, whereas in Lungsen block, 18 out of 31 such villages were covered during 2012-17.
- During 2012-17, 137 villages beyond 10 Km. of the IB were also covered under the BADP. Coverage of these 137 villages⁶ was at the expense of the remaining 68 villages (255 minus 187 villages) within 0-10 Km. of the IB that could have been additionally covered during 2012-17 and which ought to have been given priority of coverage in accordance with the BADP Guidelines.
- It was further observed that none of the 324 villages covered under BADP during 2012-17 were declared 'saturated' in terms of infrastructure by the respective DLCs.

The Department stated (May 2018) that no village was declared 'saturated' since many villages within 0-10 Km. from the IB needed infrastructure development due to increased population.

The reply is not acceptable as the concept of 'saturation' of a border village was an essential requisite of the BADP itself. As the BADP was implemented since 1993-94,

⁶ 137 villages = 108 villages (10-20 Km. of IB) plus 29 villages (20-50 Km. of IB)

non-declaration of villages as 'saturated' would result in the BADP being implemented as an indefinitely open-ended programme with no concrete progress to show in terms of the number of villages 'saturated' with infrastructural facilities.

3.3.8.2 Prioritisation of works for strategic villages

As per the BADP Guidelines (2014 and 2015), upper most priority should be given to strategic villages (located within 0-10 Km. from the IB) identified by the Border Guarding Forces (BGFs). BGFs were required to send a list of identified strategic villages to the State Government for saturating first with respect to developmental activities *e.g.* road connectivity, health, agriculture and allied activities. Further, 10 *per cent* of total fund allocated under the BADP was earmarked for the schemes to be suggested by the BGFs.

It was observed that Assam Rifles⁷ forwarded (May 2014) a list of 69 *strategic villages* to the RDD to be saturated first. The same information relating to Border Security Force (BSF)⁸ was not produced to Audit by the Department though called for. However, BSF forwarded to Audit the list of *works* proposed (May 2014) by it to the Department for execution under the BADP.

Audit observed that the Department had included 42 out the 69 *strategic villages* listed by Assam Rifles for coverage under the BADP in the AAPs of 2015-16 and 2016-17. Further, Assam Rifles had also proposed that 43 *works* be implemented in the 69 villages as against which however, only 19 *works* were included for implementation in the AAPs of 2015-16 and 2016-17. The BSF had proposed 20 *works* to be implemented under the BADP as against which only six *works* were included for implementation in the 2015-17. Reasons for non-inclusion of *villages/works* suggested by the BGFs were not on record.

In reply, the Department stated (June 2018) that the State Government was yet to notify strategic border villages and in the absence of such a notification, the Department was not obliged to give due importance to the suggestions of the BGFs.

The reply indicates that the Department was not fully complying with the provisions of the BADP Guidelines.

3.3.8.3 Execution of inadmissible works

Annexures-I and III of the BADP Guidelines detail the types/ nature of works that can be implemented under the BADP. Further, schemes of individual benefit/ construction of government buildings/ construction of Border Out Posts (BOP) for BGFs/ construction of any work in private places, *etc.* out the BADP funds is not permissible⁹.

⁷ BGF for Indo-Myanmar Border

⁸ BGF for Indo-Bangladesh Border

⁹ Annexure II and III of the BADP Guidelines

Scrutiny of records revealed that the Department executed 60 inadmissible works across the State at a cost of ₹ 4.42 crore during 2012-17 out of the BADP funds as detailed in **Appendix-3.3.2**.

While accepting the fact, the Department stated (May 2018) that the inadmissible works were taken up due to grave necessity and construction of government buildings were in public interest.

The reply is not acceptable because the Department is obliged to execute only such works as are admissible under the BADP Guidelines.

3.3.9 Financial Management

During 2012-17, out of total fund of ₹ 202.62 crore¹⁰ (including opening balance of ₹ 0.03 crore) available under the BADP, the Department utilised ₹ 201.69 crore for implementation of the programme. The year-wise details of funds available and expenditure incurred there against during 2012-17 are shown in the table below:

Table-3.3.2:- Receipt and utilisation of fund

Year	Opening Balance	Availability of funds			Expenditure	Closing Balance
		Release from GoI	Misc. Receipts ¹¹	Total		
2012-13	0.03	41.55	0.20	41.78	41.56	0.22
2013-14	0.22	40.17	0.26	40.65	40.17	0.48
2014-15	0.48	35.34	0.17	35.99	35.34	0.65
2015-16	0.65	38.62	0.18	39.45	38.51	0.94
2016-17	0.94	46.00	0.10	47.04	46.11	0.93
Total	--	201.68	0.91	--	201.69	--

Source: Departmental records

As seen from the above table, the closing balance increased from ₹ 0.22 crore as of 31 March 2013 to ₹ 0.93 crore as of 31 March 2017.

Audit observations on financial management are discussed in the succeeding paragraphs.

3.3.9.1 Delay in release of fund by the State Government

As per paragraph 8.3 of the BADP Guidelines (2009), funds should be released by the State Governments to the implementing agencies immediately¹² upon receipt of fund from the GoI.

Scrutiny of records revealed that out of total fund of ₹ 201.68 crore received from GoI during 2012-17, ₹ 1.99 crore was retained¹³ by the Secretary, RDD to meet the cost of administrative expenses, monitoring, Management Information System (MIS) etc.

¹⁰ ₹ 202.62 crore = Opening balance : ₹ 0.03 crore + Release from GoI : ₹ 201.68 crore + Interest received ₹ 0.91 crore

¹¹ Paragraph 5.11 of BADP (2015) Guidelines envisages release fund within one month of receipt of fund from the GoI

¹² As per BADP Guidelines, the State Government can reserve 1.5 per cent of GoI's allocation

¹³ As per BADP Guidelines, the State Government can reserve 1.5 per cent of GoI's allocation subject to maximum of ₹ 40 lakh (upto 2014-15) and ₹ 50 lakh (2015-17)

The remaining fund of ₹ 199.69 crore was released by the State Government to the RDD after delays ranging between one month and 23 months (details given in **Appendix-3.3.3**). It was also noticed that ₹ 4.60 crore (10 *per cent* State share of 2016-17) was not released (as of December 2017) by the State Government to the Department.

The delay in release of funds (as also timely release of State's share) by Finance Department, GoM to RDD would have adversely impacted on the overall implementation of the BADP in the State.

The Department stated (May 2018) that time taken by the Finance Department for release of fund resulted in delay of funds. There were no records produced to Audit to show that the Department had taken up this matter with the Finance Department to address this issue. The reply was also silent about the non-release of State's share of ₹ 4.60 crore.

3.3.9.2 Sector-wise allocation of funds

As per paragraph 5.2 of the BADP Guidelines (2015), the State Government shall draw an annual plan for taking up various schemes/ projects under various sectors for overall balanced development and for filling the gaps in basic physical and social infrastructure in the border areas. The Guidelines also prescribe the maximum/ minimum limit of budgetary allocation under the BADP for various sectors like education, health, infrastructure, *etc.*

As mentioned in **paragraph 3.3.8**, the Department executed works under BADP without assessing the critical gaps in physical and social infrastructure. Scrutiny of records also revealed that the sector-wise allocation of funds prescribed in the BADP Guidelines was not adhered to during 2015-16 and 2016-17 as tabulated below:

Table-3.3.3:- Details of sector-wise allocation of funds

Name of sector	Percentage of allocation to be made as per Guideline	2015-16			2016-17		
		Details of Allocation					
		Amount (₹ in crore)	Per cent	Excess (+)/ Short (-) (in Per cent)	Amount (₹ in crore)	Per cent	Excess (+)/ Short (-) (in per cent)
Education	10 (Min)	1.70	4.46	(-) 5.54	4.21	9.24	(-) 0.76
Health	10 (Min)	0.47	1.23	(-) 8.77	2.25	4.95	(-) 5.05
Infrastructure-I	35 (Max)	13.58	35.63	(+) 0.63	11.66	25.62	(-) 9.38
Infrastructure-II (Drinking water supply)	No limit	4.42	11.59	--	4.15	9.13	--
Agriculture & Allied activities	10 (Max)	0.26	0.68	(-) 9.32	0.39	0.86	(-) 9.14
Social	30	10.14	26.59	(-) 3.41	9.89	21.73	(-) 8.27
Sports	5 (Min)	3.46	9.08	--	4.25	9.34	--
Special/Specific area schemes	10 (Min)	0.13	0.34	(-) 9.66	0.62	1.36	(-) 8.64
Security	10 (Max)	0.17	0.45	(-) 9.55	2.45	5.39	(-) 4.61
Other Infrastructure	--	3.79	9.95	(+) 9.95	4.78	10.51	(+) 10.51
Total		38.12	--	--	44.65	--	--

Source: Departmental records

As seen from the above table, that the percentage of funds allocated under the 'Education', 'Health', 'Agriculture & Allied Activities', 'Special/ Specific area schemes' and 'Security' during 2015-16 and 2016-17 was less than the minimum

prescribed for these sectors in the BADP Guidelines. Further, the RDD had on its own, introduced a 'Other Infrastructure'¹⁴ sector which was not there in the BADP Guidelines (2015) and allocation under this sector was 9.95 *per cent* (2015-16) and 10.51 *per cent* (2016-17) of the BADP funds.

The Department stated (May 2018) that infrastructure facilities are not satisfactory in Mizoram and therefore, the infrastructure sector was given priority. It further stated that due to the implementation of New Land Use Policy in Mizoram, agriculture sector was given lesser emphasis under BADP.

The Department's reply is not acceptable as the priority given to the infrastructure sector was not based on actual baseline surveys to assess the gaps in basic physical and social infrastructure in the border areas.

3.3.9.3 Parking of funds in Civil Deposits

As per paragraph 8.3 of the BADP Guidelines (2009), parking of BADP funds at any level is strictly prohibited. In violation of the guidelines, the Department parked BADP funds amounting to ₹ 27.02 crore in 'civil deposits'¹⁵ for periods ranging between 3 and 30 months during 2012-17 as shown below:

Table-3.3.4:- Details of parking of funds in 'civil deposits'

Year	Details of deposits		Details of withdrawal		Duration of retention (in months)
	Amount	Month	Amount	Withdrawn between	
2012-13	6.18	March 2013	6.18	July 2013-September 2015	4 – 30
2013-14	20.42	March 2014	20.42	August 2014-December 2015	5 – 21
2014-15	0.00	-	0.00	-	-
2015-16	0.09	March 2016	0.09	June 2016	3
2016-17	0.33	March 2017	0.00	Nil	Nil
Total	27.02	--	26.69	--	--

Source: Departmental records

As seen from above, the Department was yet to withdraw ₹ 0.33 crore from 'civil deposits' (as of May 2018). Parking of funds in this manner affected the timely release of funds to the districts and resulted in submission of incorrect Utilisation Certificates to GoI as discussed in **paragraph 3.3.9.5**.

While accepting the fact, the Government stated (May 2018) that parking of funds under 'civil deposits' was in pursuance of the direction of the State's Finance Department.

¹⁴ Works under this sector *inter alia* included construction of dormitory, development of Mizo cultural and tourist centre, construction of side drains, etc.

¹⁵ To minimise the possibility to misuse of funds and huge accumulation of cash balance in the departmental chest, the Finance Department, GoM directed (March 2009) Departments to credit the unspent funds temporarily into '8443-Civil Deposit' (non-interest bearing) funds which were then to be withdrawn only with the prior permission of the Finance Department

3.3.9.4 Delay in submission of Detailed Countersigned Contingent Bills

Rule 312 of Central Treasury Rules (CTR) provides that funds for contingent charges may be drawn from the Treasury by presenting Abstract Contingent (AC) Bills. Detailed Countersigned Contingent (DC) Bills should be signed by the controlling officer and submitted to the Accountant General within one month from the date of drawal of such AC Bills.

It was observed that the Director, RDD drew ₹ 2.27 crore (March 2013: ₹ 1.49 crore; June 2016: ₹ 0.09 crore; March 2017: ₹ 0.69 crore) on AC bills. The Director submitted DCC bills (June 2013 to June 2017) for ₹ 2.18 crore after delays ranging between 2 and 12 months in violation of the timeline specified in the CTR.

DCC Bills for the remaining amount of ₹ 0.09 crore were, however, submitted in July 2016 without any delay.

The Department accepted (May 2018) the observation.

3.3.9.5 Submission of incorrect Utilisation Certificates

As per the BADP Guidelines, Utilisation Certificates (UCs) should be issued for the amount released under the BADP in the previous years except the preceding year. The details of BADP funds received and submission of UCs are shown in the table below:

Table-3.3.5:- Details of submission of UCs

(₹ in crore)

Year	Instalment	Funds released by GoI		Date of issue of UCs	Amount for which of UCs issued	Un-utilised amount at the end of year ¹⁶
		Amount	Date			
2012-13	1	37.53 ¹⁷	12.07.2012	17.04.2013	41.55	41.23
	2	4.02	23.01.2013			
Total		41.55	-	-	-	-
2013-14	1	36.12	22.07.2013	07.05.2014	40.17	33.40
	2	4.05	01.11.2013			
Total		40.17	-	-	-	-
2014-15	1	35.34	15.07.2014	16.04.2015	35.34	12.64
Total		35.34	-	-	-	-
2015-16	1	33.90	24.08.2015	27.05.2016	38.51	6.16
	2	3.77	04.12.2015			
	3	0.95	14.01.2016			
Total		38.62	-	-	-	-
Grand Total		155.68	-	-	155.57	93.43

Source: Departmental records

As seen from above, out of ₹ 155.68 crore received from the GoI during 2012-16, the Department issued UCs for ₹ 155.57 crore.

¹⁶ Unutilised amount during 2012-16:

(₹ in crore)

Year	Civil deposit	Funds lying in the Bank Account	AC Bills	Total
2012-13	6.18	33.56	1.49	41.23
2013-14	20.42	12.98	0.00	33.40
2014-15	0.00	12.64	0.00	12.64
2015-16	0.09	6.07	0.00	6.16
Total	26.69	65.25	1.49	93.43

¹⁷ including ₹ 1.38 crore released during 2011-12 but revalidated for 2012-13

Further, scrutiny of records revealed that the UCs issued during the period 2012-16 for ₹ 155.57 crore were not correct as out of this amount, the Department (i) parked ₹ 26.69 crore in 'civil deposit'; (ii) ₹ 65.25 crore was lying in a bank account; and, (iii) AC bills drawn of ₹ 1.49 crore had not been adjusted within that particular financial year. However, the Department reported ₹ 93.43 crore on these three counts as expenditure to the GoI. Thus, the reporting of expenditure by the Department to the GoI through UCs was incorrect.

The Department did not offer any comments on this observation (July 2018).

3.3.10 Programme Implementation

Works taken up under the BADP in Mizoram were all departmentally executed by the Director RDD through Block Development Officers. The Directorate also executed works directly from Aizawl deploying its engineers in the blocks.

During 2012-17, 1,760 works were taken up under the BADP across the 16 border blocks of six districts in the State at a cost of ₹ 178.39 crore. Out of 1,760 works, 299 works executed at a cost of ₹ 30.88 crore in Lungsens and Champhai blocks during 2012-17 were test-checked by Audit. In addition, out of these 299 works, joint inspection of 73 works executed at a cost of ₹ 10.01 crore was carried out (June-July 2017) by the departmental and audit officials. Test check of 299 works and joint inspection of 73 of the 299 works, revealed the following irregularities:

Sl. No.	Types of irregularities	Amount (₹ in crore)
(i)	Doubtful expenditure on hiring of excavators/ trucks	3.15
(ii)	Excess expenditure due to non-exclusion of contractor's profit	1.20
(iii)	Non-deduction of labour cess	0.31
(iv)	Overlapping of works taken up under BADP	0.83
(v)	Idle assets/ Assets utilised for other purposes than intended	0.58
(vi)	Works shown as completed but yet to start	0.20
(vii)	Works shown as completed but found incomplete	0.92
(viii)	Display board not erected	--

The above irregularities are discussed in the succeeding paragraphs.

(i) *Doubtful expenditure on hiring of excavators/ trucks*

For construction of road works during 2012-17, the Directorate of RDD and BDOs of Champhai and Lungsens blocks deployed excavators and trucks for executing earthworks in these two blocks.

Audit verified (June and July 2017) the registration numbers of the excavators/ trucks (noted in the money receipts) with the records of the Transport Department, GoM. The verification revealed that in 67 works (where ₹ 3.15 crore was paid as hiring charges for excavators/ trucks), the registration numbers of excavators/ trucks shown in the money receipts were the registration numbers of vehicles other than the excavators/ trucks like auto-rickshaw, scooter, motor cycle, car, van, etc. (details given in **Appendix-3.3.4**). Further, in 20 out of the 67 works, the excavators/ trucks with the

same registration numbers were found to have been utilised at two or more different locations at the same time as shown below:

Table-3.3.6:- Details of engagement of excavators/ trucks with the same registration numbers

Sl. No.	Name of the Block	Name of work	JCB Registration number	Period of engagement	Amount spent (₹ in lakh)
1.	BDO, Champhai	Improvement of approach road from Vengthlang, Dawrveng to Kanan	MZ04-2197	7 to 24 January 2013	4.83
2.		Construction of Approach road to A. R Security Post at Vengsang		7 to 21 January 2013	3.83
3.		Construction of T/road from N. Khawbung to Khamkeh Zau <i>via</i> Tuikual zau		7 to 24 January 2013	4.83
4.		Construction of T/road from Khuangphah to Lungphunlian	MZ04-2439	7 January to 8 February 2013	8.83
5.		Improvement of Truck road Thingsechawlh hmun to Ngawiphai WRC area		7 to 16 January 2013	2.83
6.		Construction of MTR from Kelkang to Hmundo	MZ03-1538	7 November to 6 December 2016	4.85
7.		Construction of MTR from Zokhawthar to Hringlangtlang		7 to 30 November 2016	3.94
8.		Widening of Jeepable road from Diltang o Tuithoh	MZ04-3040	7 to 24 January 2013	4.83
9.		Construction of Playground at Vengsang			4.88
10.		Construction of MTR from Tualcheng to Pamchung <i>via</i> Kahkawn	MZ04-5304	13 February 2017 to 14 March 2017	4.85
11.		Construction of MTR from Vapar to Murlen		13 February 2017 to 14 March 2017	4.92
12.		Construction of MTR from Lungphunlian to Tualcheng		13 February 2017 to 7 April 2017	8.86
13.		Construction of MTR from thinglian zau to Tiau phai Hnahlan		13 February 2017 to 24 March 2017	6.90
14.		Continuation of MTR from Dinthar top RD pump <i>via</i> Awmpui phai zau, Dinthar		13 February 2017 to 20 March 2017	5.91
15.	BDO, Lungsan	Construction of MTR from Sailen to mautlang.	MZ02-7085	28 November 2015 to 12 January 2016	7.67
16.		Extension of playground at Bolia		12 December 2015 to 9 January 2016	4.64
17.		Construction of MTR from Sailen to mautlang.	MZ02-7537	8 February 2017 to 25 March 2017	9.51
18.		Construction of MTR from Andermanik to Rolui.		8 February 2017 to 25 March 2017	9.51
19.		Hiring charge of JCB for black topping of road between Phairuankai and Rotlang west	MZ01D-8275	14 December 2015 to 12 March 2016	9.80
20.		Hiring charge of Vibratory roller for black topping of road between Phairuankai and Rotlang west		14 December 2015 to 12 March 2016	5.88
Total					122.10

Source: Departmental records

Thus, in the light of the facts brought out by Audit, the expenditure of ₹ 3.15 crore towards hiring charges of excavators/ trucks appeared doubtful.

The Department stated (May 2018) that during preparation of bills, “JCB¹⁸ owners are usually communicated through mobile phones and JCB (registration) numbers inquired through the same. Some words and numbers might have been misheard and misunderstood leading to wrong entry of JCB numbers in the bills.”

The reply is unacceptable as it indicates the laxity of the concerned departmental officials who relied on information received from the owners of excavators/ trucks through mobile phone but did not carry out checks to ascertain the genuineness of the claims.

Audit recommends that First Information Report (FIR) be filed in this matter so that responsibility can be fixed and guilty punished.

(ii) Excess expenditure due to non-exclusion of contractor's profit

For works executed departmentally, estimates should be prepared exclusive of contractor's profit. The Department prepared the estimates for various works executed under the BADP based on the Mizoram Schedule of Rates (MSoR), which is inclusive of 10 per cent (for buildings and bridges) and 12.50 per cent (for rural roads) contractor's profit.

During 2012-14, an expenditure of ₹ 10.02 crore was incurred on 162 works taken up under the BADP, which were executed departmentally, in Champhai and Lungsen blocks as shown below:

Table-3.3.7:- Details of non-deduction of contractor's profit

Name of the Component	Champhai	Lungsen	Total	Contractor's Profit		
				10 per cent	12.5 per cent	Total
(A) Building and bridges:						
(i) No. of works	78	44	122	-	-	-
(ii) Amount (₹ in crore)	3.80	3.82	7.62	0.69 ^(*)	-	0.69
(B) Rural roads:						
(i) No. of works	36	4	40	-	-	-
(ii) Amount (₹ in crore)	1.65	0.75	2.40	-	0.27 ^(**)	0.27
Grand Total (A + B):						
(i) No. of works	114	48	162	-	-	-
(ii) Amount (₹ in crore)	5.45	4.57	10.02	0.69	0.27	0.96

Source: Departmental records

(*) : $0.69 = \{7.62 - (7.62/1.10)\}$

(**) : $0.27 = \{2.40 - (2.40/1.125)\}$

As contractors were not engaged, preparation of estimates based on MSOR without excluding contractor's profit amounting to ₹ 0.96 crore was irregular and hence resulted in extra expenditure to that extent.

While accepting the audit observation, the Department stated (May 2018) that the contractor's profit amount was fully absorbed in the works but have been deducted from all the works in later years. The reply is not correct as it was observed in the two selected blocks of Champhai and Lungsen, contractor's profit of ₹ 0.21 crore had

¹⁸ J.C. Bamford Excavators universally known as JCB

not been deducted from the estimates of ₹ 2.29 crore for 10 works (details given in **Appendix-3.3.5**) executed in these two blocks under the BADP during 2014-15 and 2016-17. The Department thereby also incurred excess expenditure of ₹ 0.21 crore in these 10 works.

The excess expenditure due to non-deduction of contractor's profit in the above cases detected by Audit worked out to ₹ 1.17 crore¹⁹.

(iii) Non-deduction of labour cess

The Finance Department, GoM directed (May 2012) all Departments to deduct cess at source at the rate of one *per cent* for execution of any building or other construction works including works executed departmentally. The amount so deducted was to be deposited with the Mizoram Building & Other Construction Welfare Board.

Test check of records of Champhai and Lungsens blocks revealed that though 299 construction works were executed departmentally at a cost of ₹ 30.88 crore during 2012-17, cess of ₹ 0.31 crore was not deducted at source and deposited with the Board.

The Department stated (May 2018) that the Department referred the matter to the Ministry of Home Affairs (MHA), GoI and no instruction was received and therefore, no deduction was made for labour cess.

The reply is not factually correct as MHA had clarified (December 2016) that financial procedures/ rules/ regulations of the concerned State Government regarding deduction of labour cess would be applicable. Hence, non-deduction and non-deposit of labour cess by the Department was irregular.

(iv) Idle assets

As mentioned earlier, 73 works executed at a cost of ₹ 10.01 crore in Champhai and Lungsens blocks during 2012-17 were jointly inspected (July 2017) by departmental and audit officials. This exercise revealed that the assets created from three works executed in Lungsens block of Lunglei district at a cost of ₹ 13.90 lakh during 2013-16 were not being utilised as detailed below:

Table-3.3.8:- Details of idle assets/assets utilised for other purposes

Sl. No.	Name of work	Cost (₹ in lakh)	Reasons for non-utilisation of assets created
1.	Construction of building for Turmeric process Mill at Lungsens	5.00	Turmeric Processing Machine has not been installed since July 2017 and there is no provision of supply of power and water in the building
2.	Provision for supply and installation of Ultrasound machine at PHC Lungsens	5.00	The equipment were handed over in March 2018 after 40 months of completion. The Health Department, GoM has posted the technician in March 2018
3.	Provision for supply and installation of semi-analyser at PHC Lungsens	3.90	
Total		13.90	--

Source: Departmental records

¹⁹ ₹ 1.17 crore = (₹ 0.96 crore + ₹ 0.21 crore)

Thus, non-utilisation/ delayed utilisation of assets created under BADP not only point to poor monitoring at DLC and/ or SLSC levels but also deprived the people residing in the border villages of the benefits which were to accrue to them from these works.

The Department stated (June 2018) that action would be taken to utilise the assets.

(v) Works shown as complete but yet to start

Scrutiny of records of Champhai and Lungsens blocks revealed that the BDOs of the two blocks incurred an expenditure ₹ 20 lakh on four works (Champhai: two and Lungsens: two) during 2016-17. As per records these works were commenced between 06 February 2017 and 08 February 2017 and reported as complete between 07 March 2017 and 10 March 2017 (details are given in **Appendix-3.3.6**).

Joint inspection (June-July 2017) of the four works revealed that these works were however, yet to even commence. Audit observed that bills for ₹ 20 lakh were approved by the BDOs towards wage payments (₹ 5.68 lakh) to skilled, semi-skilled and un-skilled labourers purportedly engaged on these four works and for procurement of material (₹ 14.32 lakh).

While accepting the observations, the Department stated (May 2018) that the works had been started and would be completed soon. In the absence of documentary evidence, the contention of the Department could not be vouched by Audit. The reply was silent as to why fake bills were approved/ sanctioned by BDOs when the works had not even commenced.

Audit recommends that First Information Report (FIR) be filed in this matter so that responsibility can be fixed and guilty punished.

(vi) Works shown as complete but found incomplete

Scrutiny of records of Champhai and Lungsens blocks revealed that the BDOs of the two blocks took up four works (Champhai: three and Lungsens: one) at a cost of ₹ 92 lakh during 2013-17. As per records, these works commenced between 16 December 2013 and 08 February 2017 and were reported as completed between 29 January 2014 and 07 April 2017 (details given in **Appendix-3.3.7**).

During joint inspection (June-July 2017) by departmental and audit officials of these four works, it was found that these works were incomplete. Photographic evidence confirming this finding are printed below.



Indoor Badminton Court at Old DC Complex at Champhai Block



Community Hall at Mualveng, Ruantlang at Champhai Block



Medium Truck Road from Lunghunlian to Tual-cheng at Champhai Block



Primary Health Centre building at Lungsen Block

Thus, the BDOs wrongly certified the four works as complete. Further, in the absence of vouchers and actual payee receipts in support of payments made with respect to the four works, the genuineness of the payments could not be vouched by Audit.

The Department stated (May 2018) that the four works would be completed during 2017-18. The reply did not clarify as to why fake bills were raised when the works were in an incomplete stage.

Department should investigate the remaining 1,461 works to ensure that similar irregularities had not occurred in these works also.

Audit recommends that the matter be referred to the State's Vigilance Department for further investigation.

(vii) Display board not erected

As per paragraph 9.2 of the BADP Guidelines (2009), signboards should be put up at project sites indicating name of the work, estimated cost, date of commencement, date of completion of construction and the name of the executing agency. However, during joint inspection (June–July 2017) of 73 works, it was found that signboards were not erected at 35 work sites.

While accepting the facts, the Department stated (May 2018) that due to site or time constraints and lack of knowledge about the necessity of signboards by the executing parties, numerous works were executed without installing the requisite signboards.

3.3.11 Monitoring and evaluation

An effective monitoring system is an important tool to ensure the proper and timely execution of works and the attainment of their intended outcomes. Under the BADP Guidelines, mechanisms have been prescribed for this purpose. The compliance of these provisions by the Department is given in the table below:

Sl. No.	Provision as per BADP Guidelines	Status of compliance by RDD
1.	The SLSC should meet November/December every to review the progress of the schemes.	Although, an SLSC was constituted, no meetings of the SLSC were held during 2012-17 to review the progress of the BADP.

Chapter-III : Economic Sector (Other than State Public Sector Undertakings)

Sl. No.	Provision as per BADP Guidelines	Status of compliance by RDD
2.	The State Government should develop an institutional system for inspection of the BADP scheme. For each border block a high ranking nodal officer should regularly visit the block and monitor the schemes.	No institutional system for inspection of the schemes taken up under the BADP was developed. Since September 2014, officers in the rank of Joint Secretary and Deputy Secretary of the Department were assigned the task of monitoring BADP works in the specified blocks. Scrutiny of records revealed that during September 2014 to October 2016, only 40 works in the State were inspected by the departmental officers. Out of two blocks covered in this Audit, inspection of four works was conducted in Champhai block, while no inspection was carried out in Lungsens block during the same period.
3.	The DLCs should monitor the implementation of works as well as the quality of works and submitted quarterly report to the State Government for onward transmission to the Ministry of Home Affairs, GoI.	DLC of Champhai District monitored only two works of Champhai block once in May 2016. No monitoring by DLC was conducted in Lungsens block of Lunglei district.
4.	Third Party inspection should be commissioned for an independent feedback on the quality of works executed and other relevant issues	Third Party inspection was conducted (May 2017) by M/s North East Consultancy of works taken up under the BADP in the State during 2012-15. The Third Party Inspection Report indicated deficiencies in the areas of procurement of medical equipment, capacity buildings, training, weaknesses of the technical wing of the RDD, etc. However, no corrective measures were taken by the Department to address the shortcomings pointed out.

While accepting the facts, the Department assured (June 2018) that comprehensive inspections would be initiated at the District and Block levels. It further added that instructions had since been issued to field functionaries to address the issues pointed out in the third party inspection report.

3.3.12 Social Audit

Paragraph 9.1 and 10.1 of the BADP Guidelines (2009, 2014 & 2015) stipulate that an appropriate Social Audit System should be put in place for monitoring and review of the works executed under the BADP.

It was observed that no Social Audit was commissioned by the Department during the period covered by Audit.

While accepting the facts, the Government stated (June 2018) that social audit would be conducted by Mizoram Society for Social Audit, Accountability & Transparency (MISSAAT) in future.

3.3.13 Management Information System

As per paragraph 11 of the BADP Guidelines (2015), Management Information System (MIS) developed by the Ministry was required to be implemented²⁰ from 2015-16. The State Government was required to identify a state and district level nodal officers to

²⁰ Submission of the AAP, release of funds, monitoring and e-filling be done through MIS application

oversee the regularity and accuracy of the data furnished by the District to the State and the State to the Ministry.

It was observed that the Department had designated (May 2018) a Deputy Secretary as nodal officer at the State level. No nodal officers were however, designated at the district level. The Department used the MIS only for uploading the baseline survey in 2015-16 and AAPs of 2015-16 and 2016-17. It did not upload data or feed the required reports on the implementation of the schemes. Further, Audit could not retrieve any information from the portal of MIS. Thus, the reliability and utility of MIS was yet to be established.

While accepting the facts, the Department stated (May 2018) that previous MIS was corrupted and could not be used due to which a new MIS was under development. The reply was silent on engagement of nodal officers at the district level.

3.3.14 Conclusion

The main objective of the BADP for speedy development of border areas and saturating the priority villages with essential social and physical infrastructure was not achieved as not a single border village was declared 'saturated'. There was little or no involvement of the significant stakeholders at the district level in the planning process. Deposit of huge fund in 'civil deposits'/ savings bank account and excessive delays in release of funds had adversely impacted the implementation of the programme. Allocation of the prescribed percentage of funds under the different sectors identified under the BADP Guidelines was also not maintained. There were slippages in execution of schemes and there were instances of possible misappropriation of funds. Maintenance of assets created was inadequate and there were instances of the created assets remaining idle or utilised for other purposes than intended. Monitoring of the BADP at the State and district level was negligible.

3.3.15 Recommendations

In order to improve implementation of the BADP, the State Government may consider:

- Adopting a bottom-up approach in preparation of Annual Action Plans with the involvement of concerned stakeholders at the grass-root level.
- Prioritize implementation of the BADP works in villages within 0-10 Km. from the IB.
- Ensure timely release of funds to the RDD and discourage the parking of funds under 'civil deposits'.
- Improve the oversight mechanism to curb irregularities, as brought out in this report, in the execution of works under the BADP.
- Take steps to fully operationalize the Management Information System at the earliest and commission Third Party inspection and Social Audits at frequent intervals to improve the planning, execution and outcomes of the BADP.

IRRIGATION AND WATER RESOURCES DEPARTMENT

3.4 Accelerated Irrigation Benefits Programme

3.4.1 Introduction

The Accelerated Irrigation Benefits Programme (AIBP) was launched by the Government of India (GoI) in 1996-97. The main objective of the programme was to provide financial assistance to the States for accelerating the implementation of large irrigation and multipurpose projects, which were beyond the resources of the States to take up or were in an advanced stage of completion. AIBP in Mizoram was being implemented by the Irrigation & Water Resources Department (IWRD), Government of Mizoram (GoM). During the period 2008-17, 193 Minor Irrigation Projects²¹ (MIP) under the AIBP were taken up in the State at a total cost of ₹ 209.80 crore. Since 2015-16, 14 MIPs had also been taken up under the Pradhan Mantri Krishi Sinchayee Yojana (PMKSY)²² at a cost of ₹ 13.71 crore.

Highlights

Delay in release of funds by the State Government to the Implementing Agency ranged from nine days to six months.

(Paragraph 3.4.9.1)

Parking of funds in Civil Deposit resulted in delay in completion of projects.

(Paragraph 3.4.11)

Non-maintenance of assets resulted in loss of irrigation potential.

(Paragraph 3.4.13.3)

Financial irregularities were committed during the execution of works.

(Paragraph 3.4.10.1)

Monitoring and evaluation mechanism was weak and ineffective.

(Paragraph 3.4.14)

3.4.2 Organisational Setup

The Secretary to the Government of Mizoram (GoM), IWRD is the Administrative Head of the Department. He is assisted by a Chief Engineer, two Superintending Engineers (SEs), eight Executive Engineers (EEs), three Assistant Engineers (AEs) and 14 Sub-Divisional Officers (SDOs).

3.4.3 Scope of audit

Audit covered the implementation of the AIBP in the State during the period 2008-17. The scope of this audit encompassed (details given in **Appendix-3.4.1**):

- the office of the Chief Engineer, IWRD;

²¹ All ground water schemes and surface water schemes (both flow and lift) having cultivable command area (CCA) up to 2,000 hectares individually are considered as minor irrigation schemes

²² In July 2015, PMKSY was conceived by amalgamating AIBP, Integrated Watershed Management Programme (IWMP) and On-Farm Water Management (OFWM)

- two districts (Aizawl and Champhai) out of eight districts in the State;
- two²³ out of four IWRD divisions in Aizawl and Champhai districts;
- 12 MIPs²⁴ (10 completed and two on-going) executed at a cost of ₹ 17.01 crore (completed MIPs – ₹ 16.51 crore; ongoing MIPs ₹ 2.43 crore²⁵) in Aizawl and Champhai districts (out of a total of 207 completed/ ongoing MIPs taken up in the State during 2008-17 at an estimated cost of ₹ 223.51 crore²⁶); and,
- a beneficiary survey (a minimum of nine farmers each from the 10 completed MIPs)²⁷.

3.4.4 Audit Objectives

The objectives of audit of AIBP were to ascertain whether:

- the implementation of AIBP was economical and effective;
- the fund management was economical and effective; and,
- adequate and effective mechanism existed for monitoring and evaluation of the projects.

3.4.5 Audit Criteria

Audit criteria were drawn from:

- Guidelines of AIBP (2006) and PMKSY (2015);
- Guidelines issued by Central Water Commission (CWC) for preparation of Detailed Project Reports (DPRs), Memorandum of Understanding (MoU) between the State and Central Government;
- CPWD Manual (being followed in the State) and General Financial Rules; and,
- Circulars/ instructions issued by Ministry of Water Resources, River Development & Ganga Rejuvenation (MoWR) and CWC.

3.4.6 Audit Methodology

Audit methodology comprised of an entry conference (28 April 2017) with the Department, requisition and scrutiny of records, issue of audit observations, scrutiny of response to audit observations, joint inspection of selected AIBP assets by departmental and audit officials, issue of draft audit report to the Department followed by an exit conference (22 January 2018). The replies received from the Department and views expressed by the Department during the exit conference have been incorporated in this report wherever considered relevant.

²³ Aizawl, Champhai

²⁴ **Aizawl Division:** Completed projects: Mat, Zilngai, Changte, Buhchangdil, Tuikual, Fuanlui; On-going project: Khawhnui

Champhai Division: Completed projects: Awmpuiphai, Midumphai, Lower Tuimuk, Thangpui; On-going project: Tlabung Ph. II

²⁵ Up to March 2017

²⁶ Cost of 193 completed projects: ₹ 209.80 crore *plus* cost of 14 on-going projects: ₹ 13.17 crore = ₹ 223.51 crore

²⁷ The actual number of farmers who took part in the beneficiary survey was 105

3.4.7 Acknowledgement

The Indian Audit & Accounts Department acknowledges the cooperation and assistance extended to it by the IWRD during the conduct of this audit.

Audit Findings

The findings of audit on the implementation of AIBP are discussed in the succeeding paragraphs.

3.4.8 Detailed Project Reports

3.4.8.1 Deficiency of Detailed Projects Reports

The IWRD submits its Detailed Project Reports (DPRs) for works proposed to be taken up under the AIBP to the Central Water Commission (CWC) for approval. As per guidelines of the CWC, DPRs should be prepared for irrigation projects after considering the surveys and investigation reports, hydrological analysis, construction programme (quantity-wise, item-wise and year-wise), irrigation planning and benefit-cost ratio (BCR).

Scrutiny of the DPRs of the 10 completed and two on-going MIP projects²⁸ in Aizawl and Champhai districts revealed the following deficiencies:

- Survey details of the command area²⁹, head works and channel alignments were not mentioned. Although, the Department claimed that prospective beneficiaries were involved in the process of project formulation through their active participation in preliminary surveys and investigations, Audit could not find any documentary evidence of the survey and investigation reports.
- Rainfall details of the catchment areas³⁰, detailed assessment of the requirement and availability of water for irrigation were not mentioned in the DPRs.
- The assumed lives³¹ of the projects were estimated arbitrarily at 10, 25 and 40 years for the purpose of working out the BCR of the projects.
- Operation and Maintenance (O&M) cost of 10 completed MIPs was not included for the calculation of the net annual costs, while DPRs of two on-going MIPs included the O&M cost in DPRs.

While accepting the facts, the Department stated (December 2017) that the aspects pointed out by audit would be incorporated in the DPRs in future and survey and investigation reports would be properly documented.

3.4.9 Financial Management

AIBP was being funded on a cost-sharing basis of 90:10 between the GoI and State Government. The Department received ₹ 202.84 crore (from GoI ₹ 182.35 crore and

²⁸ O&M charges were included in the DPRs of the two on-going projects

²⁹ The area which can be irrigated from a scheme and is fit for cultivation

³⁰ The area from which the rainfall flows into a river or lake or reservoir

³¹ 10 years:- one project (Aizawl Division); 25 years:- two projects (Aizawl Division); 40 years:- four projects (Aizawl Division) and five projects (Champhai Division)

from GoM ₹ 20.49 crore) for the implementation of AIBP during 2008-17 which was entirely spent as of 31 March 2017.

It was noticed during audit that the Department did not receive funds during the period 2012-15 as the GoI did not sanction new projects during this period due to late/non-submission of project proposals by the State Government.

The Department stated (December 2017) that due to repeated revision of guidelines and restructuring of Planning Commission (now Niti Ayog), the submitted DPRs were not approved.

The reply of the Department was not acceptable for the following reasons:

- Proposal for inclusion of 26 schemes under AIBP XI (2012-13) was sent to the MoWR, GoI only in December 2012. Another proposal for inclusion of 45 schemes under AIBP XII (2012-13 and 2013-14) was sent to the MoWR, GoI in February 2013.
- Proposals for inclusion of 66 new schemes (2013-14) under AIBP and Command Area Development and Water Management (CADWM)³² were sent to the MoWR, GoI only in March 2014.
- No proposal was submitted by the State Government for the year 2014-15.

3.4.9.1 Delay in release of fund by State Government

As per AIBP guidelines, the State Government must release Central grant component along with the State share to the IWRD within 15 days of its release by the GoI.

Scrutiny of records revealed that out of the total available fund (received from GoI and State share) of ₹ 202.83 crore during 2008-17, the State Government released ₹ 183.45 crore (90 *per cent*) to the IWRD with delays ranging between 9 and 180 days beyond the specified time limit (details are given in **Appendix-3.4.2**). The remaining amount of ₹ 19.38 crore was released to the IWRD within the stipulated time of 15 days.

The Department stated (December 2017) that efforts would be made for early release of funds in future.

3.4.9.2 Submission of incorrect Utilisation Certificates

As per AIBP guidelines, Utilisation Certificates (UCs) must contain physical achievement of Irrigation Potential (IP).

Scrutiny of records revealed that UCs submitted by the Department indicated only the financial progress but not the physical achievement of IP. Further, out of the total funds

³² The objective of CADWM was to improve Irrigation Potential (IP) utilisation and to optimise agricultural production from irrigated land. CADWM was funded on a cost sharing basis of 50:50 between the GoI and the State Government

(₹ 144.06 crore) received during 2009-12, ₹ 117.01 crore parked in 'Civil Deposits'³³ were also reported to GoI as utilised as given in Table-3.4.1 below.

Table-3.4.1:- Funds parked in Civil Deposits reported as utilised

(₹ in crore)

Year	Fund received (Central and State)	Fund kept in Civil Deposit	Date of deposit	Date of submission of UC	Amount shown as utilised	Balance on the date of submission of UC
2009-10	40.50	37.38	31.03.2010	11.06.2010	40.50	30.50
2010-11	56.77	37.32	31.03.2011	16.08.2011	56.77	21.00
2011-12	46.79	42.31	31.03.2012	11.02.2013	46.79	19.87
Total	144.06	117.01	--	--	144.06	

Source: Departmental records

Thus, the UCs furnished to the GoI were not based on the actual expenditure incurred during 2009-12.

3.4.10 Programme implementation

3.4.10.1 Irregularities in the execution of works

The Department executed 207 projects³⁴ in the State under AIBP at an estimated cost of ₹ 223.51 crore during 2008-2017. Out of the 207 projects, audit test checked 12 projects (ten completed and two on-going) executed in Aizawl and Champhai districts. The scrutiny revealed irregularities which are discussed in the succeeding paragraphs.

(i) Extra expenditure incurred on hiring charges of excavators

Land levelling and shaping of rice cultivation areas was being done mechanically using hydraulic excavators. As per Analysis of Rates, 2007 of CPWD, (followed by the State PWD), average output of a hydraulic excavator is 30 cubic metres (cum.) per hour.

Contrary to the CPWD norm, it was observed that the Department in order to derive the number of hours required to hire an excavator, simply divided the estimated cost of land development (as provisioned in the approved estimates of each work) by the hourly hiring charges of an excavator instead of taking into account the volume of earth work an excavator did in one hour. Resultantly, the excavators were found to be hired in excess of the actual requirement and the Department incurred an extra expenditure of ₹ 52.89 lakh on hiring charges of excavators for land development during 2011-13 in nine sampled MIPs (details given in **Appendix-3.4.3**).

The Department stated (December 2017) that land levelling and shaping is inconvenient to be measured in terms of volume. The amount of cut and fill was next to impossible to measure and sometimes small amount of excavated earth had to be dumped in a far

³³ To minimise the possibility of misuse of funds and huge accumulation of cash balance in the departmental chest, GoM decided (March 2009) to credit the unspent funds, temporarily, into '8443-Civil Deposits'. Funds were to be withdrawn only with the prior permission of the Finance Department

³⁴ 193 completed (₹ 209.80 crore) and 14 on-going (₹ 13.71 crore)

corner of the field. This made the cost of hiring of excavator justified in hours and not from the volume of earthwork excavated.

The reply is not acceptable because, as per the CPWD norm, excavators were to be engaged and paid for in terms of the volume of earthworks to be executed calculated at the rate of 30 cubic metres per hour.

(ii) Subletting of work

As per Clause 21 of the General Conditions of Contract (GCC) issued by the Department for construction of Mat MIP, the contract shall not be assigned or sublet without the written approval of the Chief Engineer (CE). Further, CPWD Manual 2007 (being followed in the State) stipulates that in case of subletting, the sublettee should be a contractor of the same or higher capacity or class as the original contractor.

Scrutiny of records revealed that two contractors who were awarded works, valuing ₹ 2.21 crore in Mat MIP, sublet (October 2012) their works, without the approval of CE through Power of Attorney to two contractors who did not have valid registration under the State PWD, thereby defeating the purpose of registration of contractors and tendering (**Appendix-3.4.4**).

The Department stated (December 2017) that care would be taken in future.

3.4.11 Delay in completion of projects

As per the AIBP Guidelines, MIPs should be completed within two years. As stated earlier, for the purposes of this report, Audit had selected a sample of 10 completed MIPs (and two on-going MIPs) based on the information provided by the Department. In the course of joint inspection however, it emerged that out of the ten MIPs reported as completed, one MIP (Mat MIP) was still on-going as of May 2017 (Mat MIP is discussed separately in **paragraph 3.4.11.1**).

Scrutiny of records revealed there were delays in completion of eight out of the nine (after excluding Mat MIP, which is still on-going) selected MIPs ranging between one year and three years as detailed in **Appendix-3.4.5**. Only Thangpuilui MIP in Champhai district was completed in time. The reasons for delay in completion of the eight MIPs were attributable to:

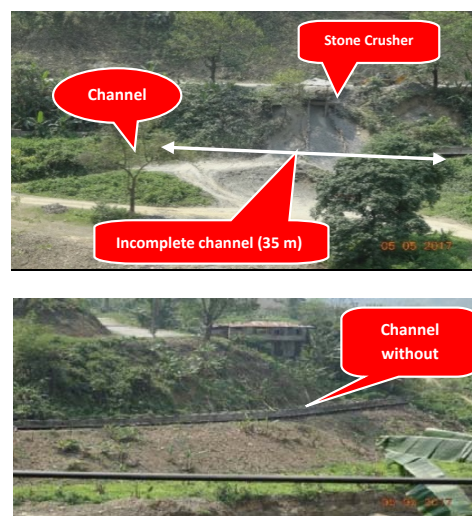
- Release of funds by the GoM to the IWRD with delays ranging between 9 and 189 days from the date of receipt of funds from GoI in all the eight MIPs;
- Parking of project funds under 'Civil Deposit' for periods ranging between 19 and 70 months in all the eight MIPs; and,
- Notice Inviting Tenders were issued after a lapse of more than one year from the date of receipt of funds from GoM for four MIPs³⁵.

³⁵ (i) Mat MIP (366); (ii) Zilngai MIP (510); (iii) Buhchangdil MIP (540); and (iv) Tuikual MIP (540)

The Department stated (December 2017) that efforts would be made to minimise delays in future.

3.4.11.1 Ongoing project reported as completed

GoI sanctioned (March 2011) Mat MIP (estimated cost: ₹ 5.54 crore) with the aim to provide irrigation facilities to 210 hectares of gross command area to benefit 44 farmers. The project was scheduled to be completed within two years from the date of release of the first instalment by GoI *i.e.* by March 2013. The project was reported by the IWRD to the CWC as complete in February 2013. Joint verification (May 2017) of the project, however, revealed that the project was still on-going.



Scrutiny of records revealed that the project was executed departmentally as well as through three contractors³⁶. The GoM released the first instalment to the Department in March 2011. However, the Department engaged the contractors after a lapse of 366 days from the date of receipt of funds while for the departmentally executed portion of the work, there was a delay of 355 days in procurement of materials from the date of release of first instalment of GoI fund.

It was observed that the implementation of the project was further set back by land disputes on two occasions (2013 and 2015). While the first case was settled in 2015, the second case was not yet settled (the owner of a stone crusher had objected to the construction of a RCC channel on the ground that his stone crusher was located just above the channel alignment).

The Department had no records to indicate that the matter was being pursued with the owner of the stone crusher for early settlement of the dispute. Thus, the work scheduled to be completed by March 2013 was yet to be completed (November 2017) and the benefits envisaged for 44 farmers was yet to accrue to them even after a delay of more than four years and an expenditure of ₹ 4.86 crore (up to March 2017).

The Department stated (December 2017) that efforts would be made to complete the project expeditiously.

³⁶ (i) Pu Rozinga for construction of Channels and culverts; (ii) Pu John Zakamlova for construction of channels, aqueduct with escape and culverts; and (iii) Pu H. Sapthagliana for construction of channels, culverts and aqueduct

3.4.12 Irrigation Potential targeted, actually created and utilised

As per the information provided by the Department, 100 *per cent* irrigation potential (IP)³⁷ (with reference to targeted IP to be created) of 894 hectares had been created in respect of the nine completed sampled MIPs³⁸. Out of the 894 hectares of IP created, 373 hectares (42 *per cent*) of IP was being utilised by the farmers. The details are as shown in Table-3.4.2.

Table-3.4.2:- IPC and IPU of nine completed sampled projects

Sl. No.	Name of completed Project	District	Date of completion	Irrigation Potential			Gap	
				To be created ³⁹	Actually created ⁴⁰	Utilised	IPC-IPU	Per cent
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8=6-7)	[9=(8/6) x100]
1.	Awmpuiphai	Champhai	Feb 2013	120	120	78	42	35
2.	Lower Tuimuk		Nov 2011	80	80	48	32	40
3.	Midumphai		Nov 2012	137	137	82	55	40
4.	Thangpuilui		Feb 2009	55	55	23	32	58
5.	Buhchangdil	Aizawl	May 2014	100	100	40	60	60
6.	Changte		April 2015	130	130	60	70	54
7.	Fuanlui Zau		Nov 2014	75	75	3	72	96
8.	Tuikual		June 2014	72	72	30	42	58
9.	Zilngai		May 2015	125	125	9	116	93
Total		--	--	894	894	373	521	58

Source: Information furnished by the Department

Going by the Department's own admission, it will be seen that:

- overall only 42 *per cent* of IP created was being utilised;
- in Fuanluizau and Zilngai MIPs, the non-utilisation of the IP created was more than 90 *per cent*; and
- utilisation of IP ranged from 4 to 46 *per cent* in respect of MIPs under Aizawl District, whereas the same ranged from 42 to 65 *per cent* in the case of MIPs under Champhai District.

Audit observed that the underutilisation of IPC arose mainly from the multiple cropping pattern projected in the DPRs. The beneficiaries of the abovementioned projects

³⁷ **Irrigation Potential Created (IPC)** is the total gross area proposed to be irrigated under different crops during a year by a scheme. The area proposed to be irrigated under more than one crop during the same year is counted as many times as the number of crops grown and irrigated

Irrigation Potential Utilised (IPU) is the gross area actually irrigated during the reference year out of the gross proposed area to be irrigated by the scheme during the year.

³⁸ Ten MIPs were selected during sampling of completed MIPs. However, one MIP viz. Mat MIP found out to be on-going during physical inspection, though reported (February 2013) as completed by the Department

³⁹ As per Detailed Project Reports

⁴⁰ As on the date of completion of the project

intimated during joint inspection that they did not practise multiple cropping pattern but continued to practise mono-cropping.

The Department stated (December 2017) that the cropping pattern formulated in the DPRs was based on assumption. It added that Command Area Development & Water Management Programme (CADWM-discussed in **paragraph 3.4.13.1**) to bridge the gap between could not be taken up in the State due to its unfavourable funding pattern.

The reply of the Department is self-contradictory as in reply to paragraph 3.4.8.2, it was stated that cropping patterns were formulated and approved by the District Agriculture Officers, whereas in this reply, the Department stated the same was based on assumption. Further, despite the poor utilisation of IP created, the Department had not yet taken any initiative to explore other options (other than the CADWM) to improve the utilisation of the IP created.

3.4.13 Sustainability issues

3.4.13.1 Command Area Development & Water Management

The GoI initiated a centrally sponsored 'Command Area Development Programme' (CADP) in December 1974 to improve irrigation potential utilisation and optimise agricultural production from irrigated land. The CADP was restructured and renamed as CADWM in April 2014.

The components under CADWM that may be undertaken were as below:

Table-3.4.3:- Funding pattern under CADWM

Sl. No.	Components	Cost sharing between Centre and States
1.	Survey Planning and Design for On-Farm-Development (OFD)	50:50
2.	OFD works	50:50
3.	Construction of Field, Intermediate and Link Drains	50:50
4.	Reclamation of Waterlogged Areas	50:50
5.	Correction of system deficiencies	50:50
6.	Adaptive Trials and Demonstrations	75:25
7.	Training	75:25

Source: Departmental records

Audit observed that although 317 MIPs were completed as on March 2017, the Department proposed to implement (during the course of 2008-17) the CADWM Programme for only five MIPs⁴¹ at an estimated cost of ₹ 78.62 lakh. The Department however, received only ₹ 30.90 lakh⁴² and executed only three components viz. survey and planning, on-farm development works and construction of field drains, while, the other components could not be taken up for want of funds.

The Department stated (December 2017) that it was not in a position to implement CADWM programmes for more MIPs in the State due to the high funding requirement

⁴¹ Darlak, Likphai and Damdai MIPs in Aizawl district; Saitluang and Keilungliah MIPs in Champhai district

⁴² GoI Share: ₹ 13.00 lakh and GoM Share: ₹ 17.90 lakh

expected from the State Government. The reply was silent as to whether any alternative options had been explored to enhance the utilisation of the IP created in the State.

3.4.13.2 Ownership of projects by Water Users Association (WUA)

The Ministry of Water Resources⁴³ advised (1998) state governments to adopt a Model Act⁴⁴ for involving the beneficiaries (farmers) in the management and maintenance of the irrigation schemes and to inculcate a sense of ownership in them.

The framework of the Model Act provides for creation of farmers organisations at different levels as under:

- (i) **Water Users' Association (WUA)** will have a delineated command area on a hydraulic⁴⁵ basis, which shall be administratively viable. Generally, a WUA would cover a group of outlets or minor distributaries.
- (ii) **Distributary Committee** will comprise of five or more WUAs. All the presidents of WUAs will comprise general body of the Distributary Committee.
- (iii) **Project Committee** will be an apex committee of an irrigation system and presidents of the Distributary Committees in the project area shall constitute general body of this committee.

The Associations at different levels were to be actively involved in:

- maintenance of irrigation system in their area of operation;
- distribution of irrigation water to the beneficiary farmers;
- assisting the irrigation department in the preparation of water demand and collection of water charges;
- resolving disputes among the members and WUA; and,
- monitoring flow of water in the irrigation system, *etc.*

The GoM was yet to enact and adopt the Model Act. It was noticed during audit that though WUAs were formed for all the 317 completed MIPs in the State, only one MIP viz. Lower Tuimuk MIP, was handed (May 2012) over to a WUA.

Since the Department had not handed over the remaining 316 projects to the WUAs, the objective of ensuring participatory management of irrigation schemes was not met.

3.4.13.3 Non-maintenance of assets

In order to derive optimum benefits from the MIPs created, irrigation infrastructure like channels, pick-up weirs, tanks and reservoirs are to be maintained regularly to ensure that the MIPs continue to be operational during the duration of the planned life of the project.

⁴³ The ministry was renamed as "Ministry of Water Resources, River Development & Ganga Rejuvenation" in July 2014

⁴⁴ Circulated by the Ministry

⁴⁵ "hydraulic basis" means the basis for identifying a viable irrigated area served by one or more hydraulic structures such as headworks, distributaries, minors, pipe outlets and the like

Joint physical verification in June 2017 of the completed nine selected MIPs in Aizawl and Champhai districts which were created at a cost of ₹ 10.97 crore revealed that these MIPs were not operational due to silting, structural damage, erosion and weed growth. The particulars of these nine MIPs are given in Table-3.4.4:

Table-3.4.4:-Details of sampled completed MIPs

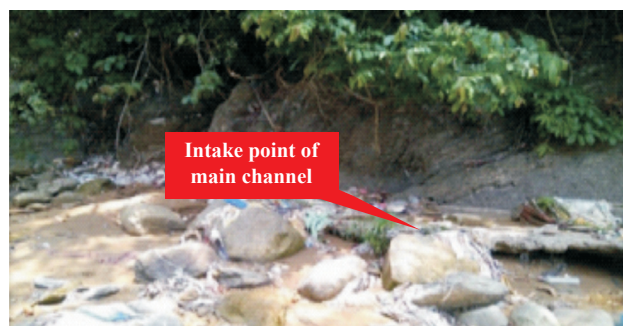
Sl. No.	MIPs	District	Cost (₹ in lakh)	Date of commencement	Date of Completion	IPU
1.	Awmpuiphai	Champhai	164.52	November 2009	February 2013	78
2.	L. Tuimuk		99.14	October 2010	November 2011	48
3.	Midumphai		127.10	November 2009	November 2012	82
4.	Thangpuilui		65.00	September 2007	February 2009	23
5.	Buhchangdil	Aizawl	123.40	December 2010	March 2014	40
6.	Changte		146.00	January 2011	April 2015	60
7.	Fuanlui Zau		85.00	January 2011	November 2014	03
8.	Tuikual		100.00	May 2011	June 2014	30
9.	Zilngai		186.70	January 2011	May 2015	09

Source: Departmental records

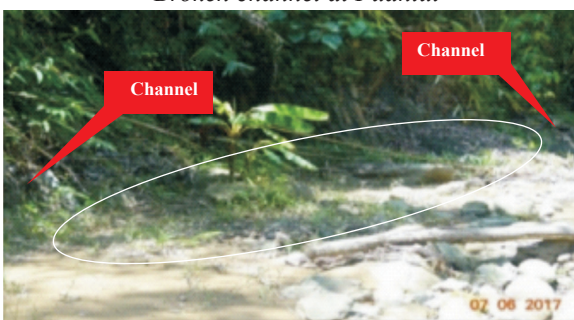
Photographs of some of the non-functional MIPs



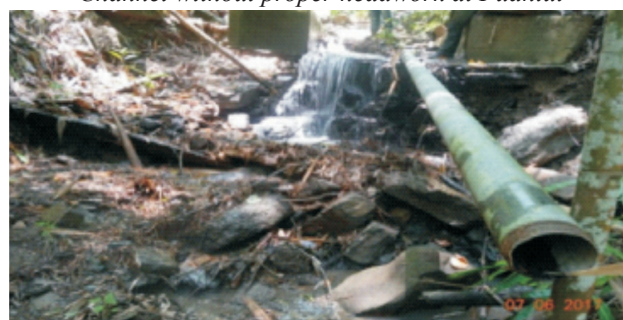
Broken channel at Fuanlui



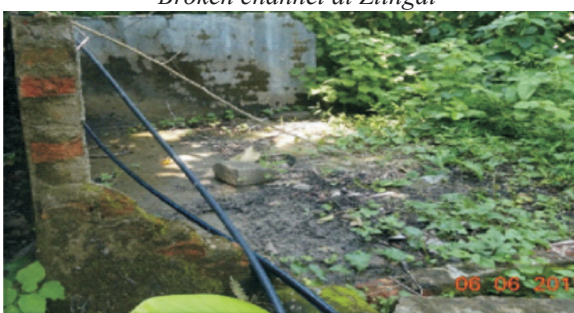
Channel without proper headwork at Fuanlui



Broken channel at Zilngai



Damaged Pickup weir at Zilngai



Damaged tank at Changte



Channel at Midumphai

As discussed in **paragraph 3.4.8.1**, no funds were provisioned for O&M activities in the DPRs. The Department also did not make any budget provision for O&M of MIPs.

The Department stated (December 2017) that utmost efforts would be made to revive the under-used projects. The Department's reply was unconvincing, as adequate budget had not been provisioned for maintenance of the assets created under the AIBP.

3.4.14 Monitoring and evaluation

It was observed that the Department had constituted a Monitoring Cell headed by the Superintending Engineer (W&M), IWRD in June 2011 to (i) monitor the implementation of MIPs under AIBP against the targets fixed and work schedules prepared; (ii) physically verify schemes under AIBP on random selection; and, (iii) submit monitoring reports on the physical and financial status of the schemes. The Department had no records of monitoring of the MIPs done by the Monitoring Cell.

As per AIBP guidelines (2006), the State Government was also required to monitor the MIPs through an independent agency. Further, MIPs were required to be monitored periodically on a sample basis by CWC.

Scrutiny of records revealed that monitoring of MIPs was not conducted by an independent agency while CWC inspected five MIPs only once in 2008.

The Department stated (December 2017) that efforts would be made to review and strengthen the Monitoring Cell.

3.4.14.1 Physical verifications of assets

Rule 192 (1) of General Financial Rules stipulates that the inventory for fixed assets shall ordinarily be maintained at site. Fixed assets should be verified at least once in a year and the outcome of the verification recorded in the corresponding register. Discrepancies, if any, shall be promptly investigated and brought to account.

It was noticed that records were not available with the Department regarding physical verification of the assets created. In the absence of records of physical verification of the assets, Audit could not draw any satisfactory degree of assurance about the existence and state of the assets created under the AIBP.

The Department stated (December 2017) that necessary instruction would be issued to the divisional offices to maintain an inventory of fixed assets.

3.4.15 Conclusion

The audit of AIBP projects brought out various deficiencies in the planning, financial management, execution and monitoring of the irrigation projects. There were delays on the part of the State Government in releasing the funds received under the AIBP from GoI to the Department. MIPs were not completed within the prescribed period of two years. Parking of AIBP funds in 'Civil Deposit' affected timely implementation of projects. The State Government was yet to enact the Model Act circulated by GoI which would have ensured better utilisation and maintenance of the assets created. The State Government did not provision funds for O&M of the MIPs, as a result of

which the projects became non-functional within a few years of their completion. The monitoring and evaluation of the AIBP projects was also deficient.

3.4.16 Recommendations

The State Government should ensure that

- Steps be taken to address the factors affecting timely completion of the projects;
- Funds are released to the implementing agency in time;
- Funds are provided for Operation and Maintenance; and
- An effective monitoring mechanism is put in place and the impact of irrigation projects is periodically evaluated.

HORTICULTURE DEPARTMENT

3.5 Avoidable expenditure

The Department unjustifiably paid ₹ 45.62 lakh for sub-standard arecanut seedlings rejected by beneficiaries. The Department also paid another ₹ 45.62 lakh to the beneficiaries

General Financial Rules⁴⁶ (GFR) envisage that every authority delegated with the financial powers of procuring goods in public interest shall have the responsibility and accountability to bring efficiency, economy and transparency in matters relating to public procurement.

Government of Mizoram under its flagship programme New Land Use Policy (NLUP) decided to distribute arecanut seedlings to identified beneficiaries to wean them away from *jhum* cultivation. Accordingly, the NLUP Purchase Input Board⁴⁷ (NLUP-PIB) in July 2013 approved the procurement by Divisional Horticulture Officer (DHO), Tuidam Division, Mamit of 6.62 lakh arecanut seedlings worth ₹ 60.37 lakh from three departmentally approved nurseries for distribution to 936 identified beneficiaries of 16 villages. Pursuant to this, the DHO issued (July 2013) supply orders to the distributors of the three nurseries to supply the seedlings (at the rates approved by the NLUP-PIB) to the designated villages.

Scrutiny of the DHO's records (March 2017) revealed that 752 beneficiaries (80 *per cent*) of the 13 villages in July 2013 rejected 4.96 lakh seedlings worth ₹ 45.62 lakh on the ground that the quality of the seedlings was poor. The details were as under:

⁴⁶ Rule 137 of General Financial Rules (GFR) provides that in making procurement, the specification in terms of quality, type *etc.* should be clearly spelt out. Further, Rule 187(2) and (3) of GFR provides that while receiving goods from a supplier, all materials should be counted, measured or weighed and visually inspected by the technical inspector or any agency to ensure that the quantities are correct and the quality is according to the specification and entered into the stock register

⁴⁷ chaired by the Chief Secretary

Table-3.5.1:-Details of seedlings rejected

(₹ in lakh)

Sl. No.	Name of the Distributor (approved Nursery)	Type of seedlings	NLUP-PIB approved rate per seedling (in ₹)	Details of seedlings supplied		Details of seedlings rejected	
				Number	Value (3X4)	Number	Value (3X6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	M/s Lalmazliana (Green Nursery, Cachar, Assam)	Seedling with Nuts	5	117,300	5.87	79,493	3.97
2.	M/s Zokailiana Khiangte (Public Nursery, Nagaon, Assam)	Poly-potted seedlings	10	300,000	30.00	287,500	28.75
3.	M/s Lalremruati Khiangte (Public Nursery, Nagaon, Assam)		10	245,000	24.50	129,000	12.90
Total				662,300	60.37	495,993	45.62

Further examination of records disclosed the following shortcomings in the procurement process (*viz.*, placement of order, receipt and inspection of seedlings, payment) and follow up action of the Department on this matter as under:

- the NLUP-PIB was aware⁴⁸ that ‘Public Nursery’ had the capacity to supply only 2.20 lakh poly-potted seedlings - despite this information, the NLUP-PIB approved the procurement of 5.45 lakh poly-potted seedlings from the said nursery; thus, from the very start, this flawed decision of the NLUP-PIB was fraught with the risk of supply of poor quality seedlings;
- the supply orders issued by the DHO were defective in that they did not specifically mention the quality related specifications, *viz.* age and height of the seedlings to be supplied; inspection of seedlings by departmental officers; terms and conditions for payment, *etc.* as required under the GFR;
- the distributors supplied the seedlings at the designated villages without informing the departmental officers;
- notwithstanding the beneficiaries in July 2013 rejecting 4.96 lakh seedlings worth ₹ 45.62 lakh and the distributors not replacing these rejected seedlings, the DHO, after a lapse of one year, in July 2014 unjustifiably released ₹ 45.62 lakh to the distributors of the three nurseries on the ground of “*maintaining good rapport of the Department in future*”⁴⁹; and,
- the Department in January 2016 paid another ₹ 45.62 lakh to the 752 beneficiaries as a “*gap-filling*”⁵⁰ for the rejected seedlings.

Audit further observed that the Department had not black listed the concerned distributors/ nurseries for supplying sub-standard seedlings. Rather, the Department

⁴⁸ The ‘Spot Verification Report of arecanut nurseries’ carried out in June 2013 by the Deputy Director, Horticulture Department which was placed before the NLUP-PIB in July 2013 clearly mentioned that the supply capacity of ‘Public Nursery’ was 2.20 lakh poly-potted seedlings

⁴⁹ Director of Horticulture letter No. B.13014/18/2013-DTE (Hort-NLUP)/Part IV/243 dated 11 November 2013 addressed to the Secretary, NLUP Implementing Board, Aizawl

⁵⁰ Director of Horticulture letter No. B.13014/18/2013-DTE (Hort-NLUP)/Vol-V dated 12 November 2015 addressed to the Secretary, NLUP Implementing Board, Aizawl

issued (June 2016) a supply order for 22,150 arecanut seedlings at a cost of ₹ 6.64 lakh to M/s Lalzamlana, the distributor listed at Sl. No. 1 of the table.

Audit recommends that this matter be referred to the Vigilance Department, GoM for further investigation.

FOLLOW UP OF AUDIT OBSERVATIONS

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

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

A review of follow up action on submission of *suo moto* ATNs disclosed that there was pendency in replies in respect of the Audit Reports for the years 2011-12 to 2013-14. The Audit Report for the year 2015-16 was laid on the table of the State legislative assembly on 25 May 2017. The *suo moto* replies in respect of one Performance Audit that had appeared in the Audit Report were due by the end of August 2017. However, no reply in respect of the Performance Audit was received as of December 2017, even after a delay of about four months.

Thus, due to the failure of the respective departments to comply with the instructions of the PAC, the objective of ensuring accountability remained inadequate.

3.7 Response to audit observations and compliance thereof by the Executive

Accountant General conducts periodical inspections of Government Departments to test-check the transactions. The maintenance of significant accounting and other records as per the prescribed rules and procedures is also verified. These inspections are followed by the Inspection Reports (IRs) issued to the Heads of Offices inspected, with a copy to the next higher authorities. Rules/orders of the Government provide for prompt response by the Executive to the IRs. The Heads of Offices and next higher authorities are required to rectify the defects and omissions promptly and report their compliance to the Accountant General. Serious irregularities are also brought to the notice of the Head of the Department by the Office of the Accountant General.

As of March 2017, a review of the outstanding IRs issued during 2008-17 revealed that 630 paragraphs relating to 157 IRs remained outstanding as shown in the following Table:

Table-3.7.1:- Details of outstanding IRs

Name of the Sector	Opening Balance (upto 2015-16)		Addition during the year 2016-17		Disposal during the year 2016-17		Closing Balance	
	IR	Paras	IR	Paras	IR	Paras	IR	Paras
Economic (other than SPSUs)	123	517	38	221	04	108	157	630

3.8 Audit Committee Meetings

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

During 2016-17, no audit committee meeting was held in respect of Economic (other than SPSUs) Sector.