CHAPTER – I

SOCIAL SECTOR

CHAPTER-I

SOCIAL SECTOR

1.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2020 deals with the findings on audit of State Government Departments under Social Sector.

During 2019-20, 13 departments under the Social Sector incurred an expenditure of ₹ 3,564.61 crore against budget provisions of ₹ 4,006.26 crore. Department-wise details of budget provision and expenditure incurred there-against are shown in **Table-1.1.**

Table-1.1: Department-wise budget provision and expenditure

(₹ in crore)

Sl. No.	Name of the Department	Budget Allocation (BA)	Expenditure	Percentage of Expenditure to BA
1.	School Education	1,405.42	1,308.73	93.12
2.	Medical and Public Health Services	751.00	584.41	77.82
3.	Urban Development and Poverty Alleviation	541.99	516.16	95.23
4.	Water Supply and Sanitation	406.93	400.52	98.42
5.	Higher and Technical Education	362.11	287.24	79.32
6.	Social Welfare	298.05	233.17	78.23
7.	Labour, Employment, Skill Development and Entrepreneurship	53.46	46.38	86.76
8.	Disaster Management and Rehabilitation	52.26	60.78	116.30
9.	Local Administration	46.11	45.13	97.87
10.	Sports and Youth Services	45.60	41.63	91.29
11.	Information and Public Relations	20.70	19.89	96.09
12.	Art and Culture	17.41	16.25	93.33
13.	Personnel and Administrative Reforms	5.22	4.32	82.76
Total		**4,006.26**	**3,564.61**	**88.98**

Source: Appropriation Accounts: 2019-20

Barring Medical and Public Health Services Department and Social Welfare Department where the utilisations were around 78 *per cent* and Higher and Technical Education where utilisation was 79 *per cent*, all other departments managed to utilise more than 80 *per cent* of the funds allocated to them, whereas utilisation was more than the fund allocation in respect of Disaster Management and Rehabilitation Department. The overall savings under Social Sector was 11.02 *per cent* against the budget allocation.

1.2 Planning and conduct of Audit

Audit process commences with the assessment of risk for the various departments of the State Government. The risk criteria were the 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 (IRs) containing audit findings are issued to the Heads of the offices with a request to furnish replies within one month of receipt of the IRs with a copy to the next higher authority. On the basis of response, audit findings are either settled or further action for compliance is advised. Significant audit observations arising out of these IRs are processed for inclusion in the Audit Report. The Audit Report is submitted to the Governor of the State under Article 151 of the Constitution of India for being tabled in the State Legislature.

During 2019-20, Audit test-checked an expenditure of ₹ 2,918.81 crore, including funds related to previous years, of the State Government pertaining to Social Sector.

This Chapter contains three Compliance Audit Paragraphs, as discussed in the following paragraphs.

COMPLIANCE AUDIT PARAGRAPHS

HEALTH AND FAMILY WELFARE DEPARTMENT

1.3 Avoidable expenditure

The Directorate of Hospital and Medical Education incurred an avoidable expenditure of ₹ 5.30 crore with avoidable committed liability of ₹ 4.20 crore

Directorate of Hospital and Medical Education (DHME), Health and Family Welfare Department, Government of Mizoram (GoM), Aizawl entered (May and December 2012) into Memorandum of Understandings (MoU) with a firm M/s Intergen Energy Limited (IGEL), New Delhi for installation of renewable energy and water treatment plant to supply water at nine Hospitals which include Referral Hospital, Falkawn and all eight District Hospitals[1] of Mizoram. This was based on the *suo-moto* proposal submitted (February 2012) by the firm to GoM, for installation of Water Treatment Plant with solar power water pumping system to supply water on the basis of BOOT[2] at the nine Hospitals. Health and Family Welfare Department, GoM forwarded (February 2012) the proposal to Director of Hospital and Medical Education, Health and Family Welfare Department for immediate action.

The terms and conditions of the MoU are as summarised below:

- IGEL would survey, design, set up, operate and maintain the system at its own cost and ensure uninterrupted supply of treated water suitable for drinking purpose to the Hospitals for a period of 10 years;
- DHME would provide required land for the plant, water tank, storages space of materials, *etc*., and pay an amount of ₹ 10 lakh for the project and would not pay any additional cost;
- DHME would purchase from IGEL a minimum of 25,000 litres of treated water per day per plant at the rate of ₹ 0.48 per litre for a period of 10 years; and

[1] (1). District Hospital, Champhai; (2). District Hospital, Lawngtlai; (3). Referral Hospital, Falkawn; (4). District Hospital, Mamit; (5). Civil Hospital, Aizawl; (6). Civil Hospital, Lunglei; (7). District Hospital, Siaha; (8). District Hospital, Kolasib; and (9). BN Hospital, Serchhip

[2] Built, Own, Operate and Transfer

- Upon expiry or termination of MoU, the entire system/ equipment would be taken over and fully owned by the DHME.

Further, as per Clause 5.4 of the MoU, if the seller *i.e.*, IGEL failed to complete the project or failed to deliver the services, it is liable to forfeit the balance amount payable to it and Department shall be at liberty to offer the project to other competent firm or firms. Also, as per Clause 14.2, failure to perform or delay in performance on the part of IGEL for reasons not envisaged under Clause 11 (provisions of ***force majeure***) shall bestow on the Department, the right to terminate the MoU, without the consent of the other party.

Test check (March 2021) of records of Director, DHME revealed that Water Treatment Plants were installed by IGEL in five Hospitals out of the nine Hospitals agreed to. Reason for non-installation of Plants in the other four Hospitals was not on record. Accordingly, payment of ₹ 0.50 crore at the rate of ₹ 0.10 crore for each of the five Hospitals was made to IGEL during the period March 2012 and February 2014. Month/ date of installation of Water Treatment Plants, period of water supplied and the quantity supplied are as detailed in the following **Table-1.2.**

Table-1.2: Detail calculation of short supply of water

(volume of water in lakh litre)

Sl. No.	Name of Hospital	Month of installation of equipment	Number of days to be supplied from next day of installation till 18 June 2019[3]	Quantity of water to be supplied (Col. 4* 25,000 litres)	Period of water supplied	Quantity of water supplied	Quantity of water short supplied	Percentage of water supplied
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(5)-(7)	(9)=(7) x100/(5)
1.	Civil Hospital, Aizawl	October 2014	1,691[4]	422.75	Nil	0.00	422.75	0.00
2.	District Hospital, Champhai	10 July 2012	2,534	633.50	Jan. 2013 - June 2013	10.09	623.41	1.59
3.	District Hospital, Mamit	15 August 2012	2,498	624.50	Aug. 2012 - Dec 2014; Feb.2020 - May 2020	27.72	596.78	4.44
4.	District Hospital, Lawngtlai	April 2014	1,875[5]	468.75	Nov. 2019 – Feb. 2020	0.65	468.10	0.14
5.	State Referral Hospital, Falkawn	12 August 2012	2,501	625.25	Jan. 2013 - May 2013	2.09	623.16	0.33
	Total		**11,099**	**2,774.75**		**40.55**	**2,734.20**	
Average percentage of total water supplied in the five Hospitals (total of col.7*100/ total of col.5)								**1.46**

Source: Departmental record.

[3] Restricted to the day before 19 June 2019 where buy-back MoU was signed thereby terminating the earlier MoU
[4] Number of days calculated from 1 November 2014 in absence of exact date of installation
[5] Number of days calculated from 1 May 2014 in absence of exact date of installation

From the table above, it can be seen that:

- IGEL did not supply water to Civil Hospital, Aizawl since installation of the treatment plant in October 2014 as the Plant was not functional.
- IGEL supplied water to District Hospital, Lawngtlai after a lapse of more than five years in November 2019 and that too for only four months. The Water Treatment Plant was not functional since installation till its commencement of service in 2019.
- IGEL supplied water to State Referral Hospital, Falkawn only for five months till May 2013; to District Hospital, Champhai only for six months till June 2013; to District Hospital, Mamit only for two years and four months till December 2014 due to non-availability of water resources.
- The percentage achievement of supply of water to the five Hospitals was only 1.46 *per cent* of the minimum volume as per the agreement.

Scrutiny of records revealed that in spite of the penalty provisions in MoU mentioned above, Department did not take any step against IGEL and instead entered (June 2019) into another agreement with the firm without any recorded reason. As per the new agreement, the previous MoUs were terminated and DHME would purchase the systems/ equipment installed in the five Hospitals at a cost of ₹ 9 crore payable in three installments of ₹ 3 crore each as below:

- First installment ₹ 3 crore was payable on or before 2 July 2019;
- Second installment ₹ 3 crore is payable when IGEL turns the system back on and has them fully operational in all five Hospitals making them capable of supplying 25,000 litres of treated water per day; and
- Third installment ₹ 3 crore is payable after a period of six months (operations and maintenance period) from the time the systems are turned back on and are fully operational.

DHME paid ₹ 4.80 crore (₹ 3.00 crore in July 2019 and ₹ 1.80 crore in December 2020) to IGEL as the first and second installment. The payment of second installment of ₹ 1.80 crore was irregular as the Water Treatment Plant at State Referral Hospital at Falkawn was still not functional (1 November 2021) and supply of treated water was not resumed in all five Hospitals since May 2020 after signing of the buy-back agreement.

Audit observed that all Hospitals were getting water supplies on priority from Public Health Engineering (PHE) Department and there were no insufficiency in supply of water to the Hospitals reported, before or during the period of MoU with IGEL. Hence, engagement of IGEL was arbitrary and proposal of the firm was agreed to by the Department without ascertaining the actual need for water supply in the Hospital.

Thus, expenditure of ₹ 0.50 crore for installation of Water Treatment Plants in five Hospitals and ₹ 4.80 crore on buy-back MoU in June 2019 totalling ₹ 5.30 crore was avoidable as there was no scarcity of water in the Hospitals prior to signing of agreement with the firm. Hospitals also did not report any issue in water supply during the stoppage of operation of the firm.

Hence, there was a total avoidable expenditure of ₹ 5.30 crore[6] in addition to committed liability of ₹ 4.20 crore[7] against the balance payable on MoU on buy-back of equipment and water supplied.

Further, Department, was supposed to terminate the MoUs on failure of IGEL to supply the required volume of water but entered into an unnecessary buy-back agreement.

The matter was brought to the notice of the Department and Government in July 2021 and Government, in its reply (August 2021) agreed to the audit observation but did not offer any comment on the reason for execution of the buy-back agreement which had led to huge avoidable expenditure and committed liability totalling ₹ 9 crore.

Recommendation:

The work has been awarded on nomination basis in violation of CVC guidelines. Government needs to investigate the matter and take action against the officials responsible for not invoking penalty provisions in time, signing an unnecessary buy-back agreement and spending ₹ 5.30 crore, as well as creating a further liability of ₹ 4.20 crore.

LABOUR, EMPLOYMENT, SKILL DEVELOPMENT AND ENTREPRENEURSHIP DEPARTMENT

1.4 Irregular expenditure

Irregular expenditure of ₹ 82.62 lakh incurred on training 1,021 ineligible persons

Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is a flagship outcome-based skill development training scheme of Ministry of Skill Development and Entrepreneurship (MSDE), Government of India (GoI) and is implemented through National Skill Development Corporation (NSDC) under the guidance of Ministry of Skill Development and Entrepreneurship (MSDE).

As per Paragraph 1.6 of the PMKVY Guidelines (2016-2020) read with clause 8(a) of the State Engagement Guidelines, the Scheme is meant for unemployed youth or school/ college dropouts in the age group of 15 years to 35 years only. Clause 5 of the Standard Operating Procedure (SOP)[8] further provides that Training Centres (TCs) are responsible for enrolment of authentic trainees in batch and the State Governments are to upload such authentic trainees batch on National Skill Development Corporation (NSDC) portal. Payment for imparting training will be made to the TCs in three installments based on the output parameters as prescribed under Clause 1.7.2 of the guidelines as below:

[6] ₹ 0.50 crore on initial installation of water treatment plants + ₹ 4.80 crore paid on buy-back MoU

[7] ₹ 4.20 crore on balance payable as per MoU (June 2019)

[8] Standard Operating procedure (SOP) lays down the steps-by-steps process to facilitate assessment and certification of batches run by the State Government funded schemes through Sector Skill Councils (SSC)

Table-1.3: Criteria for payment of installment

Installment	*Per cent* of Total Cost	Output Parameters
1	30 *per cent*	On commencement of the training batch against validated candidates
2	50 *per cent*	On successful certification of the trainees
3	20 *per cent*	Outcome based on placements.

Further, as per Clause 1.5.2 of the PMKVY Guidelines, TCs preferably should be stand-alone centres designed to deliver PMKVY with dedicated resources and should not carry out any other business operations in the same premises using same resources.

Scrutiny (April-May 2019) of records of the Director, Labour, Employment, Skill Development & Entrepreneurship Department (LESD&ED), Mizoram showed that one of the training centres[9] was actually a motor vehicle workshop carrying out business operations of its own. It was also seen that 30 of the trainees got placement in this workshop which clearly indicated that the Training Centre was actually a motor vehicle workshop. Thus, the possibility of enrolling the employees of the workshop as trainees by the Training Centre cannot be ruled out.

Further scrutiny showed that MSDE sanctioned ₹ 1,088.73 lakh under PMKVY scheme for imparting training and providing placement to 7,071 youths during the year 2017-18. The Department incurred expenditure of ₹ 776.81 lakh out of the sanctioned amount as on 4 August 2019.

Scrutiny of records revealed that 7,785 trainees were actually enrolled and trained in 15 TCs during the period from June 2018 to February 2020. Out of these, 6,764 were eligible trainees and 1,021 trainees were not eligible as detailed below:

Table-1.4: Number of trainees in the different age groups

<table>
<tr><th rowspan="3">Total</th><th rowspan="3">Eligible</th><th colspan="3">Non-eligible</th><th rowspan="3">Total Non-eligible</th></tr>
<tr><th>Under-age</th><th colspan="2">Over-age</th></tr>
<tr><th>14 years</th><th>Above 30 and below 60 years</th><th>60 years and above</th></tr>
<tr><td>7,785</td><td>6,764</td><td>10</td><td>980</td><td>31</td><td>1,021</td></tr>
</table>

Source: Department record

The Department incurred expenditure of ₹ 82.62 lakh on training these 1,021 ineligible trained persons as given below:

Table-1.5: Expenditure incurred on ineligible trained persons

Installment	Percentage of the training cost	Rate per trainee (in ₹)	Number of ineligible trained persons	Expenditure (₹ in lakh)
(1)	**(2)**	**(3)**	**(4)**	**(5) = (2)x(3)x(4)**
1	**30**	**14,805**	**1,021**	**45.35**
2	**50**		**469**	**34.72**
3	**20**		**86**	**2.55**
Total				**82.62**

[9] El Ke Auto Works (Training Centre of Accent Plus)

From the above **Table-1.5**, it could be seen that ₹ 82.62 lakh was irregularly expended to train 1,021 ineligible persons.

The matter was brought to the notice of the Department and Government in July 2021 and Government while accepting the fact stated (October 2021) that enrolment was done by the Training providers/ centres and the batch approval was done by the Director, LESD&ED where in the batch-wise approval, the age of the candidates enrolled were not reflected on the SDMS or Skill India Portal to scrutinise the age of the candidates. It was also stated that the TCs were also informed to strictly follow all the Guidelines and not to enroll any ineligible candidate in future. It was further stated that the Department has no responsibility on the accreditation of the TCs.

Thus, there was irregular expenditure of ₹ 82.62 lakh on imparting training to 1,021 ineligible candidates.

Recommendation:

Government needs to streamline the process of selection of TCs as well as trainees to ensure that the Scheme Guidelines are followed in letter and spirit.

URBAN DEVELOPMENT AND POVERTY ALLEVIATION DEPARTMENT

1.5 Loss of Revenue

Irregularity in awarding Parking Contracts and non-observance of terms and conditions of Deed Agreement resulted in loss of revenue to the Government

User charges–parking space charges/ fees is one of the sources of revenue of Aizawl Municipal Corporation (AMC). AMC has identified 53 parking areas within Aizawl city for collection of parking fees. Collection of these user charges is outsourced to collectors based on monthly reserved price fixed and approved by the Board of Councillors. The reserved price is the fee which the collectors have to pay for a particular parking area to the AMC regardless of how much the collectors collect in a particular month. The approved reserved price for the year 2017-18 (August 2017 to July 2018) varied from ₹ 800 to ₹ 2.50 lakh per month.

AMC tendered and awarded (25 July 2017) contracts for collection of parking fees to 53 collectors for the period from August 2017 to July 2018.

Terms and conditions of the Deed of Agreement between AMC and the collectors *inter-alia* included that:

1. The collector shall deposit an amount equal to one month bid price as security deposit (Clause-2);
2. The collector shall pay the monthly bid price in advance not later than 10th of the month, failing which penal interest at the rate 0.50 *per cent* of the bid price per day is leviable until payment is made (Clause-3); and
3. If the collector failed to remit the bid price for two consecutive months, AMC may terminate the contract which may also result in forfeiture of the security deposit. The AMC may also award the terminated contract to other collectors without calling for fresh tenders (Clause-4), *etc*.

Scrutiny of records (January 2019) of AMC revealed the following:

It was noted that in 21 cases (out of total 53), contract for collection of parking fees was not awarded to the highest bidder. AMC stated (April 2021) that parking fee contractors were selected based on the provision contained at Sl. No. 8 of the terms and conditions of contract which stated that “for the purpose of selecting a suitable parking fee collector, candidates who are qualified and competent should be selected, not necessarily the highest bidder”. It was also stated that on the basis of this clause alone, the reliability and competency was established by the Mayor, AMC. The contracts were awarded as per the recommendation of the Mayor, AMC.

It was further seen that two (Area 8 and Area 53) out of total 53 collectors, failed to remit parking fees along with penal interest on time as stipulated in the Agreement.

AMC did not terminate the contracts of these two collectors (Area 8 and Area 53) in terms of **Clause-4** of the Agreement, after they failed to remit the bid price for two consecutive months nor did it award the terminated contract to other collectors without calling for fresh tenders, resulting in loss of revenue to the Government.

AMC stated (April 2021) that the matter was handed over to Certificate Officer, Aizawl DC Office under the Mizoram Public Demand Recovery Rules, 2001 for recovery of dues amounting to ₹ 116.41 lakh[10] which was inclusive of both principal and interest and calculated from the month of termination of contract till March 2019. However, the outcome of the case is still awaited.

The reply is not logical as it does not address the fact that AMC had an existing Clause 4 of the Agreement for such an eventuality, which was not followed and led to loss of revenue which has not been recovered till date.

Recommendation:

AMC may follow the terms and the conditions of the Deed Agreements executed to prevent loss of revenue to the Government.

[10] Area No.8: ₹ 7.61 lakh and Area No.53: ₹ 108.80 lakh