

OVERVIEW

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This Audit Report has been prepared in Five Chapters. Chapters-I to IV deals with Social Sector, Economic Sector, Economic (Public Sector Undertakings) Sector and Revenue Sector respectively. Chapter-V deals with cases of follow up of Audit Reports.

The Report contains 15 paragraphs including 11 Compliance Audit Paragraphs (three Compliance Audit Paragraphs including two Subject Specific Compliance Audits and eight Draft Paragraphs) and four paragraphs of Chapter-V. Performance Audits on “Deen Dayal Upadhyaya Gram Jyoti Yojana and Pradhan Mantri Sahaj Bijli Har Ghar Yojana–Saubhagya in the State of Mizoram” and “Development and Promotion of Horticulture in Mizoram” are also included in the Report. The draft Performance Audit Reports and Compliance Audit paragraphs were sent to the Head of the Departments concerned with a request to furnish replies within six weeks. The views of the Government have been incorporated wherever received. The audit findings were also discussed in Exit Conferences held with the representatives of the Government of Mizoram and their views were duly acknowledged in the Report. A synopsis of the important findings contained in the Report is presented below.

Compliance Audit Paragraph

Health and Family Welfare Department

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

(Paragraph 1.3 – Page 2)

Labour, Employment, Skill Development and Entrepreneurship Department

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

Recommendation

- *The Government needs to streamline the process of selection of Training Centres as well as trainees to ensure that the Scheme Guidelines are followed in letter and spirit.*

(Paragraph 1.4 – Page 5)

Urban Development and Poverty Alleviation Department

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

Recommendation

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

(Paragraph 1.5 – Page 7)

ECONOMIC SECTOR

Performance Audit

Development and Promotion of Horticulture in Mizoram

Considering the undulating topography, high cost of inputs, exorbitant cost of transportation, and marginal land holdings of the farmers in Mizoram, horticultural sector possessed viable alternative in generating income beyond subsistence level. The technological transfer, skill development, inputs and infrastructure support through interventions such as Green Houses, irrigation facilities, *etc.*, had helped the farmers in supplementing their income. However, majority of farmers were unable to come above subsistence level owing to non-receipt of assistance adequately and timely as prescribed under MIDH guidelines. In order to address such shortcomings, the Department needs to prepare Perspective Plan and Annual Action Plan with bottom-up approach. State Government has to give priority in release of funds to the Department for timely release of assistance to the farmers as the horticulture crops are season bound. Productivity of vegetables and fruits was low compared to North Eastern States and also to the all India average which needs to be addressed. Further, the Department needs to strengthen the cold chain supply system by developing proper infrastructure such as Low Energy Cool Chamber, Pusa Zero Energy Cool Chamber, Ripening Chamber and Refrigerated Van as per the Annual Action Plan to minimise post-harvest losses. The Post-harvest programmes and Marketing infrastructure needs to be implemented through credit linked back ended subsidy method in place of undertaking the works departmentally so that intended purpose of the Scheme to generate employment opportunities through entrepreneurship could be achieved. Moreover, diversion of grants sanctioned under pre-harvest and post-harvest schemes to unapproved works such as construction of office buildings, waiting sheds, procurement of vehicle for official use, *etc.*, needs to be avoided. There was lop-sidedness in pre-harvest and post-harvest training which needs to be addressed by formulating a systematic training plan and Annual Training Calendar to strengthen skill development of youth and farmers. Monitoring, Evaluation and Internal Control System of the Department was weak which needs to be addressed. These will help to realise full potential of horticulture and make it an effective tool for accelerating the upliftment of farmers and development in the State. The Horticulture sector in the

State will receive further fillip once the Department initiates corrective actions in the area of concern pointed out in the report.

Recommendations

- i. *Planning should be done as per the Scheme guidelines, adopting bottom-up approach, availing the technological support like remote sensing, etc., so as to help in formulating realistic plans which would lead to effective scheme implementation; and also, that priorities and potentials at the field level are adequately reflected in the AAP.*
- ii. *Steps should be taken by the State Government to ensure that funds are released to the implementing Department without delay.*
- iii. *The Department should undertake a study to find the reasons for low percentage achievement in creation of the water storage capacity, PZECC units and take appropriate remedial actions.*
- iv. *Scheme funds should be spent only for the purposes for which they are sanctioned, and approval of the competent authority taken for any diversion of fund.*
- v. *The requirements of beneficiary contribution and credit linked back subsidy as stipulated in the Guidelines may be adhered to so that there is sense of identification and ownership in the process of scheme implementation and in the assets created.*
- vi. *The Department may formulate systematic training plans and Annual Training Calendar for providing focused training to its personnel and farmers.*
- vii. *The Department should strengthen supervision and monitoring mechanisms so that timely action could be taken in the implementation stage for improvement in Scheme outcomes.*
- viii. *The Department should ensure that provisions of GFR are strictly adhered to, in procurement and works execution.*
- ix. *The Department should investigate cases of diversion of funds, viz., Evaporative/ Low Energy Cool Chamber, On Farm Pack House, Horticulture Mechanisation and irregular expenditure on hiring of Excavators. Responsibility of the officials needs to be fixed for the lapses.*

(Paragraph 2.2 – Page 10)

Deen Dayal Upadhyaya Gram Jyoti Yojana and Pradhan Mantri Sahaj Bijli Har Ghar Yojana–Saubhagya Schemes

Government of India (GoI) launched electrification schemes which were Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) (launched in December 2014) and Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya) (launched in October 2017) with the objective to strengthen electrification infrastructure and achieve universal household

electrification. As per 2011 Census data, there were a total of 704 villages in Mizoram, out of which 675 villages were electrified.

Under DDUGJY New Scheme, GoI accorded sanction for 12 un-electrified villages (remaining 17 un-electrified villages were left out due to depopulation of the villages or electrified under other schemes) and 29 habitations for electrification and also for free electric connections to 1,468 un-electrified households. Besides, GoI also sanctioned creation of electric infrastructure under the scheme *viz.*, 11.14 km of 33 KV line, 283.70 km of 11 KV line, 67.65 km of LT line and 75 numbers of Distribution Transformers. Against these, PIA claimed to have electrified 12 un-electrified villages (100 *per cent*) and 29 habitations (100 *per cent*) while also providing free electric connections to 1,468 un-electrified households (100 *per cent*) under the scheme. Besides, the Department claimed to have achieved under the scheme 11.14 km (100 *per cent*) of 33 KV line, 248.20 km (87.49 *per cent*) of 11 KV line, 67.65 km (100 *per cent*) of LT line and also provided 75 Distribution Transformers (100 *per cent*).

In case of Saubhagya Scheme, GoI sanctioned free electric connection to 24,137 un-electrified households through grid and 1,390 un-electrified households through off-grid. Besides, GoI also sanctioned creation of infrastructure *viz.*, 120.41 km of 11 KV line, 238.38 km of LT line, 275 numbers of Distribution Transformers (25 KVA/ 63 KVA/ 100 KVA). Against these, Department claimed to have provided free electric connection to 25,036 households (103.7 *per cent*) through grid and 1,466 households (105.4 *per cent*) through off-grid (Solar Photo Voltaic). The Department also claimed to have constructed 148.5 km (123 *per cent*) of 11 KV line, 267.49 km (112 *per cent*) of LT line and installed 286 numbers of Distribution Transformers (104 *per cent*).

GoI, under Additional DPR DDUGJY, also provided sanction for Consumer/ Feeder metering of 18,844 numbers, 85.50 km of 11 KV line, three km of 33 KV line and four numbers of Sub-Station augmentation works. Department claimed to have achieved Consumer/ Feeder Metering of 84 numbers, three km of 33 KV line and two numbers of Sub-Station and the works were still ongoing (May 2021).

There was, however, delay in submission of closure report to REC of the schemes sanctioned. As per DDUGJY Guidelines, the works under DDUGJY (New), should have been completed by 30 April 2019, but Department was yet to finalise the closure report even after a delay of 25 months (May 2019 to May 2021). The due date for completion of Saubhagya scheme was 31 March 2019. Though Department claimed to have completed the work on 31 March 2019, it was yet to finalise the closure report of the scheme with a delay of 26 months (from April 2019 to May 2021).

Even though the State Government has stated 100 *per cent* (in excess of 100 *per cent* in case of Saubhagya Scheme) achievement of the broad objectives in terms of electrification of targeted number of villages, habitations and households, creation of electric infrastructure, *etc.*, Audit observed that the schemes could have been more efficiently and economically implemented had due diligence been exercised in matters related to financial management, measurement of works done, quality control, *etc.* In this regard, the following shortcomings were observed –

Planning & Financial Management

In regard to planning, Department failed to prepare the Rural Electrification Plan, excess payment was made to contractors due to overestimation of work (₹ 36.84 lakh). There were cases of irregular payment to Project Management Agency (PMA) (₹ 38.67 lakh), diversion of scheme funds (₹ 65.17 lakh) and non-deduction of labour cess (₹ 8.03 lakh), in respect of financial management.

Scheme Implementation – DDUGJY Scheme

In DDUGJY Additional Scheme implementation, deficiencies were noticed in respect of works being awarded to bidders who did not fulfill the techno-commercial requirements.

Scheme Implementation – Saubhagya Scheme

Several lapses and deficiencies were noticed in implementation of Saubhagya Scheme viz., creation of fictitious assets (₹ 200.33 lakh), variation of works executed with the DPR, provision of off-grid connection in the grid-connected villages resulting in extra expenditure (₹ 144.34 lakh).

Deficiencies in Quality Control

The basic requirement of preparing the Quality Assurance Plan was not fulfilled by the Department. Moreover, the Manufacturing Quality Plan (MQP) and Field Quality Plan (FQP) were also not prepared. Due to this, various defects were observed by both the PMA (163 numbers) and the REC Quality Monitoring (RQM) (1,039 numbers) which again were only partially rectified (136 numbers of the defects observed by RQM) by the Department. The role of the State Level Coordination Committees and the District Electricity Committees, which were to ensure quality and timeliness in Scheme implementation, were also found to be confined only to approval of the DPRs.

Recommendations

- *Department may prepare Rural Electrification Plan to bring more efficiency in planning and implementing electrification works in the State.*
- *Department should ensure that funds are expended only for the approved projects and approval of the competent authority taken for any case of diversion of funds.*
- *Department should adhere to the rules and procedures in the process of tendering and award of works to ensure fairness so that the benefits of competitive prices are availed. Due diligence may be exercised during scrutiny of bids.*
- *Department may inquire into all cases of doubtful execution of works and creation of fictitious assets as detailed in the Report and act accordingly.*
- *Department should put in place a stringent Internal Control System to deal with the system and procedural failures like non-measurement of works.*

(Paragraph 2.3 – Page 41)

Compliance Audit Paragraphs

Works executed by non-works Department

Works were executed without following due procedure. Some works were executed beyond their technical power or without obtaining technical sanction from technically qualified Engineers of the SPWD. Works were also given for execution without signing of any contract agreement. Due processes like open tendering were not followed properly. There was tendency to award the works through restricted tender when the works did not call for any urgency or secrecy.

Basic accounting propriety was not followed while passing the bills and funds were withdrawn by passing fictitious bills. There were cases of measurements not done for works or measurements done by the contractors themselves instead of by the Departments, for which payments were made as per the measurements of the contractors. Non-adherence to Rules also resulted in evasion of tax payment by contractors.

The test checked Departments did not have the requisite technical personnel to ensure the quality of works done. None of the test checked non-works Departments had any technical wing to monitor the quality of the works. Mandatory testing of construction materials was also not done to ensure that the materials conform to desired specifications.

Recommendations

- *The State Government should release the Central and State share of project funds in time so that projects could be completed on schedule.*
- *Only works that are within the technical competency of the head of the technical wing of the Department are executed.*
- *Treasuries need to strictly enforce Government of Mizoram's instructions on delegation of financial powers. Bills beyond financial limit need to be disallowed.*
- *Works requiring tendering are awarded only after due procedures of tendering as per the Rules are followed.*
- *Unless there is a genuine case for call of a restricted tender, open tenders should be called in order to ensure transparency and fair competition to attract competitive bids.*
- *All entries are made in the memorandum of payment and encasement of bills done with the word 'Checked' so as to ensure that the bills are properly checked and necessary deductions like taxes, advances are traceable and the exact amount due to or from the contractors are readily ascertainable and necessary corrections, if any, made.*
- *Payment should be made to the contractors only after due execution of works and preparation and submission of proper bills by the contractor and proper*

measurement should invariably be done and the details of measurement entered in the MB before drawing fund and making payments to the contractor.

- *Measurement of works should invariably be done by the Department to ensure that bills are passed for the correct quantity of works executed.*
- *Necessary deductions like Security Deposits be invariably made from the bills of the contractors as per the Rules.*
- *Registration of contractors/ suppliers under the GST Act whose turnover exceeds ₹ 10 lakh should be ensured before entering into any contract to avoid evasion of tax. For this, an appropriate tendering method should be strictly adhered to.*
- *Department may forward the details of work done by un-registered contractors/ suppliers to GST Department for taking necessary action and the contractors/ suppliers concerned also be asked to deposit tax as per Rules.*
- *Details of TDS not deducted from un-registered contractors/ suppliers may be forwarded to the GST Department for taking necessary action and the contractors/ suppliers also be asked to deposit tax as per Rules.*
- *Proper survey and investigation be done before taking up construction of agriculture link road so as to establish the reasonableness of the estimated rates and also to ensure that roads are actually providing connectivity to agricultural land and benefitting the farmers.*
- *Departments may set up testing laboratories at site to ensure quality of material utilised in the construction works.*
- *Departments may maintain Asset Register of works at site, to record observations of the inspecting engineer.*

(Paragraph 2.4 – Page 70)

Power and Electricity Department

Construction of Tuiching Micro Hydel Project resulted in uneconomical expenditure of ₹ 155.24 lakh.

Recommendation

- *Department/ Government should select/ take up new projects only after proper investigation, reliable data and co-ordination with other line Departments.*

(Paragraph 2.5 – Page 94)

Tourism Department

Wasteful expenditure of ₹ 15.09 crore on installation and operation of Cable-Car between Durtlang to Chaltlang under Eco Circuit theme of Swadesh Darshan.

Recommendation

- *Responsibility of the officials needs to be fixed for taking up of projects/ works without obtaining necessary approvals and without assessing the feasibility of the project component resulting in wasteful expenditure.*

(Paragraph 2.6 – Page 96)

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

Functioning of Public Sector Undertakings

As on 31 March 2020, the State of Mizoram had five Public Sector Undertakings (PSUs) (including one non-working and all Government companies) in which, the investment of the State Government (capital and long-term loans) in five PSUs was ₹ 62.27 crore consisting of ₹ 52.82 crore (84.82 *per cent*) towards capital and ₹ 9.45 crore (15.18 *per cent*) towards long-term loans. The losses of two of these PSUs (accumulated losses of ₹ 27.34 crore) had completely eroded the State's investment in their paid-up capital (₹ 25.72 crore) as per their latest finalised accounts.

(Paragraphs 3.1.1 and 3.1.2.1 – Page 99)

The State Government has provided budgetary support during the year of ₹ 5.53 crore in the form of grants to Zoram Industrial Development Corporation Limited (₹ 3.42 crore) and Mizoram Food and Allied Industries Corporation Limited (₹ 2.11 crore) mainly to meet their salaries and other establishment expenditure.

(Paragraph 3.1.4 – Page 102)

The paid-up capital and accumulated losses of five PSUs as per their latest finalised accounts were ₹ 58.73 crore and ₹ 54.89 crore respectively. During 2019-20, out of five PSUs, one PSU (Zoram Industrial Development Corporation Limited) earned profit of ₹ 0.82 crore while remaining four PSUs incurred aggregate losses of ₹ 2.87 crore.

(Paragraph 3.1.8.2 – Page 106)

REVENUE SECTOR

Compliance Audit Paragraphs

Taxation Department

Subject Specific Compliance Audit on Processing of Refund claims under GST in the State of Mizoram.

Recommendations

- *Department may take steps for timely conduct of post-audit of the refund cases, both current and future cases.*
- *Department/ Government may put in place a system of effective internal control and monitoring for effective refund sanction process.*

(Paragraph 4.9 – Page 118)

Subject Specific Compliance Audit on GST Transitional credits

(Paragraph 4.10 – Page 124)

18 cable operators failed to furnish returns and evaded entertainment tax of ₹ 38.41 lakh.

Recommendation:

- *Department needs to put in place an institutionalised mechanism to ensure that the non-filing of returns are tracked and taxes to the Government are recovered on priority.*

(Paragraph 4.11 – Page 125)

Short levy of tax of ₹ 20.82 lakh by the Assessing Officer due to incorrect determination of tax rates

Recommendation

- *Department may initiate appropriate action for early recovery of re-assessed tax and may fix responsibility of the officials for incorrect assessment.*

(Paragraph 4.12.1 – Page 126)

Under assessment by Assessing Officer resulted in short levy of tax of ₹ 11.14 lakh

Recommendation:

- *Department may fix responsibility of the officials for under assessment of tax.*

(Paragraph 4.12.2 – Page 127)

Incorrect assessment by Assessing Officer resulted in short levy of tax of ₹ 10.59 lakh

Recommendation

- *Department may fix responsibility of the officials for incorrect assessment of tax.*

(Paragraph 4.12.3 – Page 128)

Transport Department

Mizoram Passengers and Goods Tax of ₹ 1.64 crore from 3,004 vehicle owners was not levied and realised.

Recommendation

- *Department may strictly implement provisions of the Act and Rules in force to prevent loss of revenue to the Government.*
- *It is recommended to increase the penalty amount from the existing ceiling for cases involving non-payment of tax to ensure better compliance.*

(Paragraph 4.13 – Page 129)

