CHAPTER – II

ECONOMIC SECTOR

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ECONOMIC SECTOR

2.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2023 deals with the findings arising from audit of State Government Departments under Economic Sector.

During 2022-23, against a total budgetary provision of ₹ 4,899.06 crore, an expenditure of ₹ 3,600.42 crore was incurred by 16 departments under the Economic Sector. Department-wise details of budget provision and expenditure incurred are shown in **Table-2.1**.

Table-2.1: Department-wise budget provision and expenditure

(₹ in crore)

Sl. No.	Name of the Department	Budget Allocation (BA)	Expenditure	Percentage of Expenditure to BA
1.	Planning and Programme Implementation	429.00	403.43	94.04
2.	Agriculture	224.67	154.93	68.96
3.	Horticulture	111.16	91.04	81.90
4.	Soil and Water Conservation	38.45	37.05	96.36
5.	Animal Husbandry and Veterinary	102.04	94.93	93.03
6.	Fisheries	27.03	26.40	97.67
7.	Co-operation	18.92	16.77	88.64
8.	Rural Development	543.73	359.56	66.13
9.	Commerce and Industries	102.04	97.15	95.21
10.	Sericulture	20.01	18.89	94.40
11.	Tourism	29.49	26.33	89.28
12.	Public Works	1,782.77	928.37	52.07
13.	Irrigation and Water Resources	109.76	37.25	33.94
14.	Information and Communication Technology	81.88	81.81	99.91
15.	Food, Civil Supplies and Consumer Affairs	272.41	235.62	86.49
16.	Power and Electricity	1,005.70	990.89	98.53
	Total	**4,899.06**	**3,600.42**	**73.49**

Source: Appropriation Accounts: 2022-23

Barring Agriculture Department, Rural Development Department, Public Works Department and Irrigation and Water Resources Department where fund utilisation was 68.96, 66.13, 52.07 and 33.94 *per cent* respectively, all other Departments managed to utilise more than 70 *per cent* of the funds allocated to them. The overall savings under Economic Sector was 26.51 *per cent* against the budget allocation.

During 2022-23, records relating to an expenditure of ₹ 3,225.05 crore, including funds pertaining to previous years, of the State Government under Economic Sector were test checked in Audit. This Chapter includes three Compliance Audit Paragraphs as discussed in the following paragraphs.

COMPLIANCE AUDIT PARAGRAPH

PUBLIC WORKS DEPARTMENT

2.2 Irregular expenditure

The Department incurred irregular expenditure of ₹ 1.67 crore on formation cutting and disposal of cut materials in the execution of road-widening project

Section 7.2 of the CPWD Works Manual, 2014 (adopted by Mizoram Government) provides that Measurement Book is the basis of all accounts of quantities, whether of works done by contractors or by labourers employed departmentally, or materials received and it should be so written that the transactions are readily traceable. Measurement Book is considered as a very important accounts record and maintained very carefully and accurately as it may have to be produced as evidence in a court of law, if and when required.

Ministry of Road Transport and Highways (MoRTH), Government of India accorded (September 2016) administrative approval for project - widening to single lane with geometric[89] improvement & upgradation of Chhiahtlang to Lamchhip road at a cost of ₹ 66.68 crore under Central Road Fund scheme. As per paragraph 4 of the MoRTH's administrative approval, e-tendering system should be adopted mandatorily.

Test check (September 2022) of records of the Executive Engineer (EE), Public Works Department (PWD), Hmuifang Division, Aizawl revealed that the State Government accorded (February 2017) administrative approval for ₹ 66.88 crore and the Chief Engineer, Roads, PWD, Aizawl also accorded (February 2017) technical sanction for ₹ 60.46 crore of the project - widening to single lane with geometric improvement & upgradation of Chhiahtlang to Lamchhip road connecting Aizawl and Serchhip districts. Prior to the administrative approval and technical sanction, the Department floated (January 2017) restricted tender for ₹ 60.46 crore. The State work advisory board selected (April 2017) a contractor[90] at his quoted amount of ₹ 62.16 crore. An agreement was signed (June 2017) between the Chief Engineer, Roads, PWD and the contractor to execute the project at ₹ 62.16 crore and subsequently revised (February 2019) to ₹ 64.16 crore in a supplementary agreement. As per the completion report, the project commenced in June 2017 and was completed in September 2021.

On scrutiny of records it was observed that an amount of ₹ 22.96 crore was paid to the contractor vide from RA-I to VII at the time of Audit (September 2022) and the remaining RA-VIII to RA-X were yet to be paid. The work on formation cutting[91] of soil, ordinary rock and hard rock and disposal of cut materials was covered in the running bills RA-I, II and IV. The measurement for RA-IV was taken in November 2018 and payment made in December 2018, as per which 4,83,541.20 cum of soil, ordinary

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[89] **Geometric improvements** in the context of roads refer to enhancing the **physical layout** of highways and streets, focusing on optimising efficiency, safety, cost minimisation, *etc.*

[90] F. Kapsanga

[91] Excavation in hilly areas – soil & ordinary rock not requiring blasting by Mechanical means and hard rock requiring blasting and removal/ disposal of cut materials

and hard rocks were excavated and disposed-off at a cost of ₹ 11.73 crore as detailed in **Appendix-2.1.** Thereafter, there was no execution of formation cutting in RA-V to X. As per minutes of the meeting held on 25 September 2018 between the Division and the contractor, formation cutting was already completed.

The Division discarded the pending RA-VIII to X without any recorded reason and made the final payment in the revised RA-VIII (final) bill in August 2023 based on re-measurement[92] made during 21-28 November 2022 wherein additional quantity regarding formation cutting and disposal of cut materials were irregularly added, based on re-measurement. This re-measurement of formation cutting in November 2022, after four years of its completion (September 2018) and after 14 months of completion of the whole project (September 2021) as per final bill was irregular and not feasible/ possible as all the earth materials would have already been disposed-off by then, resulting in irregular expenditure of ₹ 1.67 crore (**Appendix-2.1**) as discussed below:

(i) Expenditure of ₹ 24.26 lakh on additional formation cutting of soil of 13,580.806 cum @ ₹ 178.60 per cum was added in final bill {Bill of quantity (BoQ) No. 7}

(ii) Expenditure of ₹ 16.34 lakh on additional disposal of cut soil of 18,894.42 cum @ ₹ 86.48 per cum was added in the final bill (BoQ No. 8)

(iii) Expenditure of ₹ 35.27 lakh on additional disposal of ordinary rock to the extent of 23,450.460 cum @ ₹ 150.40 per cum was also added in the final bill (BoQ No. 10). Furthermore, the excavated quantity of ordinary rock materials (BoQ No. 9) was reduced to 1,05,968.693 cum in final bill from 1,09,657.600 cum of RA-IV confirming that there was no additional formation cutting.

(iv) Expenditure of ₹ 91.41 lakh on additional formation cutting of hard rock to the extent of 17,680.389 cum @ ₹ 517.00 per cum was added in the final bill (BoQ No. 11). Further, disposal of the excavated quantity of hard rock materials (BoQ No. 12) was reduced to 72,778.012 cum in final bill from 77,091.755 cum of RA-IV confirming that there was no additional formation cutting of hard rock.

The matter was reported to the Government (November 2023 & April 2024). The Government while agreeing to the Audit observation stated (December 2023) that e-tendering was not done due to the problem of land acquisition which has to be undertaken by the contractor as no provision of fund for acquiring the private land was made in the estimate. It also added that final bill was prepared based on revised quantity as per the re-measurement conducted in August 2022. The Government further stated (April 2024) that no additional formation cutting was executed and based on the verbal request of the contractor to re-assess/ measure the actual earthwork volume excavated re-measurement of earthwork was conducted and final payment made accordingly as per the re-measurement. It was also stated that the difference in earthwork quantity between final bill and RA-IV was due to inclusion of all landslips/ slides that occurred between September 2018 and November 2022 and there was no doubtful expenditure.

92 Re-measurement was conducted on the request of the contractor

The replies of the Government are not acceptable on the following grounds :

i) As per MoRTH's administrative approval (September 2016), e-tendering was mandatory for the project. However, the Department floated a restricted tender in January 2017. The Department's reply justifies this by citing land acquisition issues, stating that the contractor had to undertake land acquisition without additional funding. However, this does not align with the standard government procurement process, which requires transparent bidding irrespective of land acquisition constraints.

ii) Audit found that formation cutting was completed by September 2018, confirmed by a meeting record dated 25 September 2018. Despite this, re-measurement was conducted in November 2022, four years after the completion of formation cutting and 14 months_after the completion of the entire project in September 2021.The re-measurement led to an additional ₹ 1.67 crore being paid for formation cutting and disposal of materials, the work components which were already completed years earlier. This is highly irregular, as it is not feasible to measure earthwork after four years later when the cut materials would have already been disposed of.

iii) The Department's reply (April 2024) admits that no additional formation cutting was executed, yet they justify the additional payment by citing a verbal request from the contractor to reassess the excavated volume.

iv) The Department attributed the difference in earthwork quantities to landslides/ slips between September 2018 and November 2022. However, no documentary evidence of landslide reports was provided. Moreover, landslips are usually measured at the time of their occurrence or disposal, making their inclusion in a 2022 re-measurement highly dubious.

Thus, the Department's reply contains contradictions and inconsistencies, particularly regarding the justification for additional payments and the timing of re-measurement. The lack of supporting documentation, such as land acquisition records, landslide reports, or official approvals for deviation from e-tendering, raises serious concerns about transparency and financial propriety. The expenditure of ₹ 1.67 crore paid based on a questionable re-measurement was irregular.

POWER AND ELECTRICITY DEPARTMENT

2.3 Irregular payments

The Department made irregular salary payment of ₹ 80.88 lakh to officials who did not perform their official duty

As per FR 17 (1) of the Fundamental Rules and Supplementary Rules (FRSR), Part-I (as adopted by Government of Mizoram) an officer shall begin to draw the pay and allowances attached to his tenure of a post with effect from the date when he assumes the duties of that post, and shall cease to draw them as soon as he ceases to discharge those duties, provided that an officer who is absent from duty without any authority shall not be entitled to any pay and allowances during the period of such absence.

Test check (April-May 2023) of records of the Executive Engineer, Power and Electricity Department, Power Project Division, Champhai revealed that salaries were paid to six regular employees during the period of their unauthorised absence. Salaries of the six employees were paid after deducting a sum of ₹ 9,000 or ₹ 10,000 each month from their respective net salaries during the period April 2016 to March 2021 and from April 2022 to February 2023 (the information on the payment of salaries relating to the period April 2021 to March 2022 was not provided to Audit). It was further observed that the amount deducted from the net salaries of the six regular employees were paid to persons who were engaged to represent/ substitute them during the period of their unauthorised absence as detailed in **Appendix-2.2**. Thus, six regular employees were paid their salaries without them performing any official duty in person and without any competent authorisation for their absence from duty to warrant the payment of their salaries. Thus, the expenditure of ₹ 80.88 lakh on the salaries of six employees who did not perform their official duties was in contravention of FR 17(1) of FRSR and fraudulent.

Further, from the amount deducted from the salary of the six regular employees, a total amount of ₹ 17.48 lakh was paid to persons who were not the employees but who were hired to represent/ substitute the six regular employees without any competent authorisation during the same period *i.e.*, from April 2016 to March 2021 and from April 2022 to February 2023.

Payment of salaries to regular employees on unauthorised absence and paying portions of their salaries to persons hired as substitutes is in blatant violation of the principle of 'No work, No Pay' which is embodied under FR 17 (1) of FRSR as 'an officer who is absent from duty without any authority shall not be entitled to any pay and allowances during the period of such absence'.

The matter was reported to the Department and Government (December 2023). The Executive Engineer, Power Project Division, Champhai while agreeing to the Audit observation stated (February 2024) that the six regular employees had not availed any sanctioned leave during the period of their absence from duty and as such there is no question of regularising their leave of absence. It was further stated that the six regular employees engaged substitutes on their behalf without the knowledge of the controlling authority. Out of the six regular employees, three[93] employees had already retired from service on superannuation pension.

The Government also, while agreeing to the Audit observations, stated (23 February 2024) that the Department is actively investigating the matter and prompt action has been taken against those who had engaged substitutes. It was also stated that the three employees (who were not retired on superannuation pension) had already resumed their duties and there is no further substitute engaged by them. The reply of the Executive Engineer, Champhai regarding the competent authority being unaware of the substitute arrangement is not tenable since the Executive Engineer himself has

[93] Pu B. Lalfakmawia, Electrical worker retired on 31 May 2023, Pu Rodingliana, Lineman retired on 30 November 2021 and expired on 19 April 2023 and Pu Lalbuanga, Electrical worker retired on 31 January 2024

stated in his reply that "*It is also believed that an agreement for hiring substitutes was made between the two parties and it is further assumed that as per their agreement (those six regular employees), it is obligatory on the part of the Divisional Office to deduct the salary of the six regular employees for payment to the substitutes*". The reply clearly indicates that the arrangement was implemented with the full knowledge and involvement of the Executive Engineer. Reply of the Department/ Government is silent on the recovery of the salaries paid for the period of unauthorised absence, from duty without leave, or the disciplinary action taken/ proposed to be taken against the defaulting officials.

The Government further stated (25 September 2024) that the 'engagement of substitutes seems to be purely on medical grounds *viz.*, Alzheimer's disease, Tuberculosis, Hyper Diabetes, *etc.*', and as such recovering such a huge amount of money from the employees will pose great financial burden to them and their family. The reply of the Government is not tenable as an official who is absent from duty without any authority shall not be entitled to any pay and allowances during the period of such absence.

Recommendations:

- ***The Department/ Government should initiate action to recover salaries paid to the employees without performing their official duties; and***
- ***The Department/ Government should file FIR and initiate criminal action for allowing substitutes to handle Government files/ records, etc., without the approval of the competent authority.***

COMMERCE AND INDUSTRIES DEPARTMENT

2.4 Idle expenditure

The Bamboo Development Agency incurred an expenditure of ₹ 4.39 crore on construction of Export Import Business Training Centre for Entrepreneurs and students at Zuangtui, Aizawl, which was rendered idle.

The State Level Export Promotion Committee (SLEPC) chaired by the Chief Secretary in its meeting decided (August 2010) to submit a detailed project report for setting up of an Export Import Business Training Centre (EIBTC) in the State under Central Assistance to States for Developing Export Infrastructure and other Allied Activities (ASIDE) Scheme which is fully funded by the Central Government. The main objective of the project was to impart training on marketing mechanism, entrepreneurial skills on export and import, quality control on industrial products toward entrepreneurs and students so as to uplift the economy of the State. As per the provisions of Rule 150 of the General Financial Rules, 2005 (GFR), (adopted by Government of Mizoram) invitation to tenders by Advertisement should be used for procurement of goods of estimated value ₹ 25 lakh and above and the advertisement should be published in at least in one national daily having wide circulation.

Test check (July-August 2022) of records of the Executive Director, Bamboo Development Agency (BDA), an agency under Commerce and Industries Department, Government of Mizoram revealed that the Ministry of Commerce and Industry, Government of India without citing any specific project, sanctioned ₹ 19.22 crore[94] during the year 2009-10 to 2011-12 and 2013-14 to 2014-15 as grant to the State under Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE). The SLEPC allocated central fund of ₹ 4.39 crore during the period between August 2010 and January 2015 for the construction of EIBTC for Entrepreneurs at Zuangtui, Aizawl as detailed in **Table-2.2** below.

Table-2.2 : Allocation of funds

Sl. No.	Serial No. of the resolution and date of meeting of SLEPC allocating fund under ASIDE	Amount ₹ in crore
1.	18 of 4 August 2010	0.80
2.	1 of 28 May 2012	1.35
3.	3 of 19 March 2013	0.60
4.	1 of 26 September 2013	0.20
5.	7(1) of 26 November 2013	0.50
6.	6(5) of 03 December 2014	0.21
Sub-Total		**3.66**
7.	Amount re-allocated from the Project -Bamboo & Wood Park for Export at Zamuang to construction of EIBTC on 31 January 2015	0.73
Grand Total		**4.39**

The Project Director, Export Promotional Industrial Park Authority, without tender, issued (28 June 2012) an offer of engagement as architectural consultant to a firm[95] for the construction of EIBTC for Entrepreneurs at Zuangtui, Aizawl. This offer was made without setting forth any conditions like rate/ amount of engagement and the terms & conditions as a consultant, and the firm was requested to accept the offer and submit their terms & conditions for the engagement/ contract. The firm submitted (28 June 2012) their terms and conditions on the same day as per which the firm shall *inter alia* furnish site evaluation report, prepare conceptual designs, preliminary drawings and prepared rough estimate of cost on area basis for which the firm shall be paid a Professional fee of four *per cent* of the total cost of the Project and an additional one *per cent* for Structural Design fee.

The Project Director issued (29 June 2012) an engagement order to the firm as architectural consultant with effect from 01 July 2012 for construction of EIBTC, Zuangtui as per the terms and conditions set forth by the firm. This whole process of selection of the architectural consultant was completed within just two days without observing Rule 150 of the GFR, 2005. The architectural consultant prepared a concept note for construction of EIBTC, Zuangtui, Aizawl at a cost of ₹ 6.25 crore including ₹ 0.30 crore (five *per cent*) as consultancy fees, and as per which, the building was to be constructed from ground floor to the fifth floor. However, there is no mention if of any time frame/time period within which the work was to be executed.

[94] ₹ 1.78 crore (8 June 2009) + ₹ 1.78 crore (30 December 2009) + ₹ 1.78 crore (21 June 2010 + ₹ 1.78 crore (11 March 2011) + ₹ 2.15 crore (8 November 2011) + ₹ 1.35 crore (20 January 2012) + ₹ 2.15 crore (7 August 2013) + ₹ 2.15 crore (21 October 2013) +₹ 2.15 crore (9 June 2014) + ₹ 2.15 crore (31 October 2014) = ₹ 19.22 crore. Sanction order relating to the year 2012-13 was not provided to Audit

[95] M/s Catalyst Architecture Studio, Treasury Square, Aizawl

From the SLEPC allocated fund of ₹ 4.39 crore, the construction of EIBTC building commenced departmentally in November 2012 and by October 2016 the entire fund was utilised[96]. It was also noticed during physical verification (July-August 2022) that the EIBTC building was completed only upto 70 *per cent.* The Ministry, however, informed (02 June 2015) the State Government that ASIDE has been delinked from the support of the Centre from Union budget 2015-16 and requested the State Government to allocate an amount equal to or more than the amount allocated to the State during the year 2014-15 under ASIDE scheme to ensure that the project already sanctioned under the scheme are completed.

The Executive Director, BDA requested (March 2016) the Director, Commerce and Industries, Government of Mizoram to allocate additional fund of ₹ 2.21 crore to complete construction of the training centre. No action was taken by the Government of Mizoram on the request and as a result, the construction work of the EIBTC building got stuck since October 2016.

The matter was reported to the Department and Government (December 2023). The Executive Director, BDA while agreeing to the Audit observations stated (January 2024) that a concept note was submitted (4 November 2022) to the Director, Commerce and Industries Department to allocate additional fund of ₹ 3.11 crore from the North Eastern Council (NEC) to complete the project. The Executive Director, BDA again forwarded (18 March 2024) the concept note of ₹ 3.11 crore for upgradation/ completion of the EIBTC to the Director, Commerce and Industries Department, with a request to further forward it to the Planning Department for consideration of the proposal under NEC State Priority list. However, the State Government has not furnished any specific reply.

It is evident that while the consultant did not indicate the time frame for executing the work, the Department on its part, executed the project without any consideration of timelines. In the meanwhile, as the Ministry informed the State Government that ASIDE had been delinked from support from the Government of India, the project which was yet to be completed, could not receive further funding from the State Government, rendering the expenditure idle.

Thus, the construction of EIBTC, Zuangtui remained incomplete after incurring expenditure of ₹ 4.39 crore thereby rendering the entire expenditure idle. Also, the objective of the project to impart training on marketing mechanism, entrepreneurial skills on export and import, *etc.,* to the entrepreneurs and students was yet to be achieved.

[96] including a consultancy fee paid of ₹ 19.33 lakh. There was outstanding liability on consultancy fee of ₹ 10.43 lakh