

OVERVIEW

Overview

This Audit Report has been prepared in six Chapters. Chapters-I to V deals with Social Sector, Economic Sector, Economic Sector (Public Sector Enterprises), Revenue Sector and Local Government respectively. Chapter-VI deals with cases of follow up of Audit Reports.

The Report contains four Performance Audits (PAs) on “Solid Waste Management in Urban Areas of Mizoram”, "Disaster Preparedness and Management in Mizoram", “Welfare of Building and Other Construction Workers in Mizoram” and “Efficacy of implementation of 74th Constitutional Amendment Act in Mizoram” and 10 Compliance Audit paragraphs including two Subject Specific Compliance Audit (SSCA). The draft audit findings included in this Report were sent to the Head of the Departments concerned with a request to furnish replies within four weeks. The views of the Department/ Government have been incorporated wherever received. The audit findings in respect of the PAs were also discussed in the 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.

Chapter-I

Social Sector

Performance Audit

Solid Waste Management in Urban Areas of Mizoram

Urban Development and Poverty Alleviation Department

Solid Waste Management Rules, 2016 were framed for management of solid waste *i.e.*, collection, segregation, storage, transportation and disposal. The Performance Audit revealed several deficiencies in implementation of these Rules in selected Urban areas.

The implementing agencies did not determine the actual quantum of solid waste generated due to lack of weighbridges, affecting planning for effective solid waste management strategies. There was negligible segregation of solid waste before and after collection. Majority of the vehicles used for collection and transportation of solid waste were not covered and were overloaded. Moreover, none of the sanitation vehicles were fitted with GPS devices which would have enabled effective tracking. Dumping of solid waste was the most common option for disposal of wastes due to under utilisation of processing facilities in Aizawl urban area and non-existence of waste processing facility and scientific landfill in Lunglei and Lawngtlai urban

areas. The untreated solid waste being dumped at the dumping sites in urban areas of Aizawl, Lunglei and Lawngtlai, directly exposed to the open environment has a high risk of causing severe environmental pollution, damaging land, air and water quality which will impact not only human health but also damage the ecosystem in the area. Instances of burning of solid waste were noticed.

User charges collected by Local Councils were not remitted to Aizawl Municipal Corporation. Separation of domestic hazardous wastes from other wastes was not efficiently practiced. Personal protective equipment like uniform, jacket, raincoats were not provided to workers and there were instances which indicated that those provided to the sanitation workers of Aizawl Municipal Corporation were not worn by all workers. Exposure to solid waste without proper protective equipment can have adverse effects on the health of the workers.

No samples were tested at the landfill site in Tuirial, between the establishment of landfill site and the date of Audit (December 2022). Lack of litter bins in some of the public places resulted in open littering of garbage, making the places unhygienic besides spoiling the aesthetics of the sites.

Recommendations

The Government may consider the following recommendations:

- ✓ ***Weighbridges should be installed at appropriate urban areas for realistic assessment of solid waste;***
- ✓ ***The segregation of solid wastes as wet, dry-recyclable and non-recyclable and domestic electronic Hazardous wastes at source should be strictly enforced and implemented. Special drives may be taken up by authorities concerned to improve the extent of segregation of daily solid waste at source;***
- ✓ ***Transportation of solid waste should be done in an environmentally sound manner to prevent spreading of foul odour, littering, etc., by covering waste to prevent spillage;***
- ✓ ***Provision of adequate infrastructure for processing of solid waste and the optimum utilisation of such facilities should be ensured;***
- ✓ ***User charges collected by the Local Councils should be properly accounted for and remitted timely to Aizawl Municipal Corporation;***
- ✓ ***Environmental impact assessment should be conducted periodically to monitor air and ground water quality; and***
- ✓ ***Municipal bodies may identify garbage vulnerable points and litter bins may be made available at all public places.***

(Paragraph 1.2)

Disaster Preparedness and Management in Mizoram

Disaster Management and Rehabilitation Department

Audit noticed deficiencies in the functioning of the State Disaster Management Authority (SDMA), the State Advisory Committee (SAC) and the State Executive Committee (SEC) in comparison with the provisions laid down in the Disaster Management Act. The State Authority did not review the development plans of the State to ensure that prevention and mitigation measures are integrated therein. The guidelines for preparation of Department Disaster Plan were issued on 13 March 2015 only after a lapse of more than eight years from the date of constitution of the SEC. The SAC did not conduct any meetings during the period 2017-18 to 2021-22 and did not perform its role effectively in making recommendations on different aspects of disaster management in the State. Further, the SEC did not examine construction/ projects in the State to ascertain whether the design, drawing and engineering of the structures are as per the National Building Code 2005, the appropriate Bureau of Indian Standards Codes, *etc.*

Regular inspection of landslide prone areas and research studies had not been conducted as per State Disaster Management Plan and National Disaster Management Plan. Soil testing for landslide was done once at Hunthar Veng (in Aizawl) sinking area and material testing had not been conducted in landslide hazard areas in the State during the period covered by Audit. The State Authority did not prepare separate Standard Operating Procedures for earthquake, landslide, flood, drought, cyclone, cloud burst, *etc.* The State Authority had not yet established automated landslide monitoring system even though this was envisaged in the State Plan since 2015. No checklists for managing and dealing with recurring and frequent hazards that affect the State were prepared by any Department.

Audit noticed that no capacity building measures/ training had been imparted to medical/ police personnel and no mock drills had been conducted between 2020-21 to 2021-22. The State did not establish a dedicated State Disaster Response Force battalion, though disaster response training had been imparted to certain number of personnel in the State armed forces to be deployed in search and rescue operations during disasters, with female personnel yet to be selected for training by the Home Department till date. Instances of expenditure on inadmissible components as well as irregularities in incurring of expenditure out of National Disaster Response Fund (NDRF) were noticed.

Recommendations

The Government may consider the following recommendations:

- ✓ ***Institutional mechanism such as State Disaster Management Authority, State Advisory Committee, and District Disaster Management Authority***

should meet regularly to give overall guidance and monitoring of disaster management at all levels;

- ✓ *State Authority should examine the construction/ projects in the State to ascertain whether the design, drawing and engineering of the structure are as per the National Building Code 2005 and Bureau of Indian Standards Codes, etc.;*
- ✓ *State Authority should ensure that regular inspection of landslide prone areas be conducted so that effective measures can be taken for preparedness and mitigation measures;*
- ✓ *The Government should train medical staff, para medics, Police, Government officials, etc., on disaster measures and take initiative to enhance public awareness about preparedness for disaster;*
- ✓ *The Government should create a full-fledged State Disaster Response Force to combat disasters by ensuring disaster preparedness, preventive & mitigation measures; and*
- ✓ *The Government should avoid inadmissible expenditure/ expenditure without supporting vouchers, etc.*

(Paragraph 1.3)

Welfare of Building and Other Construction Workers in Mizoram

Labour, Employment, Skill Development and Entrepreneurship

The Mizoram BOCW (RECS) Rules, 2015 contained additional provisions pertaining to, among others, opening of District and Sub-divisional offices, procedure of payment of welfare pension, disability pension, funeral assistance, death benefit, cash award, financial assistance for marriage, recovery of advances and loans, investment and utilisation of the Welfare Fund, *etc.*

Audit observed that District Labour & Employment Officers (DLEOs) were given additional charges of Inspectors, Registering Officers, Assessing Officers and Cess collectors, in addition to their normal responsibilities. The employers/ contractors did not register 3,239 works within 60 days from the commencement of the works and there was no mechanism in place to ensure registration of every construction work. affecting Government revenue. Inspection of establishments was not carried out by LESDE Department and establishments which evaded registration, remained un-detected/ un-assessed. Resultantly, registration fee could not be collected from such establishments.

Registration of establishments was made offline, the State Government had not issued directions to all Departments/ State undertakings, *etc.*, to forward a copy of work

orders to the DLEOs/ LOs with regard to construction activities to be carried out in their jurisdiction and mechanism was yet to be developed by the State for regular monitoring of construction activities ongoing in the State using GIS technology/ mapping, *etc.*

The registration of workers was done offline as State web portal was not yet developed. Audit noticed that migrant workers were not registered with the Board and no special drive and no awareness campaign was conducted by the Board for such workers. Cess was not deducted at source for works executed departmentally in the sampled districts. Assessment of cess was made only when the employers/ contractors, on their own, deposited cess to the Cess Collectors. Audit noticed that there was an overall shortfall of ₹ 10.15 crore in the amount of cess deposited by the respective DLEO/ LO of the sampled districts *vis-à-vis* the amount of Cess received by the Board. Audit conducted Joint Physical Verification in six construction sites and found that safety equipment or appliances like fire extinguishing equipment, safety helmets, *etc.*, were not available.

No State Advisory Committee meeting was held during the audit coverage period. During Audit, it was noticed that payment of scheme benefits amounting to ₹ 24.48 lakhs was irregularly made to 390 beneficiaries during 2018-19 to 2021-22 (in the sampled districts) who were State Government employees, Muster Roll Employees, Anganwadi workers, *etc.*, but were also registered as Building/ Construction workers under MBOCWWB.

A joint beneficiary survey of the sampled beneficiaries was conducted along with officials of the Department during February to April 2023, which revealed that, out of 321 sampled beneficiaries, 245 of the beneficiaries could not be contacted as they had already migrated/ shifted to other villages/ districts or their phone numbers were found to be out of service. 76 surveyed beneficiaries stated that no training had been imparted nor have they been notified for training to be imparted.

Recommendations

The Government may consider the following recommendations:

- ✓ ***The State Government should ensure online registration of establishments and beneficiaries;***
- ✓ ***The Department may conduct a special drive to ensure that migrant workers are made aware of the scheme benefits and their registration facilitated as per the Model Welfare Scheme;***
- ✓ ***The Department/ Board should set up a mechanism to ensure proper coordination with all Government departments to ensure deduction of cess at source on works executed departmentally and through contractors by all Government departments/ Enterprises;***

- ✓ *The Board should carry out a comprehensive exercise to identify and de-register all ineligible persons;*
- ✓ *The Board should ensure that the Contractors comply with the requirement to ensure the safety, health and protection of construction workers as per the extant Acts/ Rules; and*
- ✓ *The Board should reconcile their accounts with the District Labour and Employment Officers/ Labour Officers.*

(Paragraph 1.4)

Compliance Audit Paragraphs

Subject Specific Compliance Audit on Public Health Infrastructure and Management of Health Services

Health & Family Welfare Department

National Health Policy, 2017 envisages increase in the sectoral health spending to more than eight *per cent* of the budget by 2020. However, during 2017-22, budgetary outlay on Health Sector in the State was less than eight *per cent* and ranged between 4.82 *per cent* (2021-22) and 6.61 *per cent* (2017-18) while the expenditure on health sector to the total expenditure ranged between 3.95 *per cent* (2021-22) and 4.94 *per cent* (2017-18).

During 2021-22, there was an overall shortage of five CHCs (36 *per cent*) and 34 HSCs (eight *per cent*) in Mizoram. Among the District Hospitals (DHs), only Aizawl DH had all the essential services while DH Saitual, DH Hnahthial and DH Khawzawl did not provide essential services. In case of DHs, significant shortages existed in the cadres of Specialist Doctors which ranged between 39 and 45 *per cent*, General Duty Medical Officers (shortage ranged between 72 and 75 *per cent*), Nurses (shortage ranged between 43 and 46 *per cent*) and Paramedics (shortage ranged between 45 and 50 *per cent*) during 2017-18 to 2021-22. During 2021-22 IPD paediatric services were availed in all DHs in the State except Saitual DH and ICU services were availed only in Aizawl DH and Champhai DH. The overall requirement of doctors in all PHCs of the State was 57. During 2017-22 the shortage of doctors ranged between three and 14 *per cent*. The overall shortage of nurses during 2017-22 in all the PHCs ranged between zero and four *per cent*. It was observed in audit that shortage of paramedics in all the PHCs during 2017-22 ranged between 42 and 44 *per cent*.

COVID-19 related infrastructure was not utilised optimally as reflected in the delay in installation of RT-PCR machine and delay in installation of oxygen generating plants. Instead of these plants to be installed by the end of April 2021, it was observed during audit that as of April 2023, only two of the seven plants were installed, after a lapse of more than 11 months and 25 months respectively from the due date.

In line with the endeavor of the Government of India, the Health & Family Welfare Department, Government of Mizoram achieved the target of converting 57 rural PHCs, eight UPHCs and 313 HSCs into Health and Wellness Centres as of May 2023.

Audit noticed shortage of drugs, equipment, and shortage of staff under AYUSH System of Healthcare in the selected health facilities.

(Paragraph 1.5)

Higher and Technical Education Department

Mizoram Engineering College constructed at a cost of ₹ 26 crore remained idle due to non-provision of staff and funds.

(Paragraph 1.6)

Public Health Engineering Department

The Department made payments of ₹ 1.82 crore before execution/ completion of the works based on false entries in the Measurement Books resulting in undue financial benefit to the contractors.

(Paragraph 1.7)

Art and Culture Department

Due to incomplete design/ improper planning, the newly constructed State Museum with an expenditure of ₹ 3.22 crore was lying idle for more than 12 years.

(Paragraph 1.8)

Chapter-II

Economic Sector

Compliance Audit Paragraphs

Public Works Department

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

(Paragraph 2.2)

Power and Electricity Department

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

(Paragraph 2.3)

Commerce and Industries Department

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.

(Paragraph 2.4)

Chapter-III

Economic Sector (State Public Sector Enterprises)

Functioning of State Public Sector Enterprises

As of 31 March 2023, the State of Mizoram had six State Public Sector Enterprises (SPSEs), the investment of the State Government (capital and long-term loans) was ₹ 53.57 crore consisting of ₹ 53.47 crore (99.81 *per cent*) towards equity capital and ₹ 0.10 crore (0.19 *per cent*) as long-term loans. The losses of two of these State Public Sector Enterprises (SPSEs) (accumulated losses of ₹ 30.81 crore) had completely eroded the State Government investment in paid-up capital (₹ 25.97 crore) as per their latest finalised accounts.

(Paragraphs 3.1.1 and 3.1.2.1)

The State Government has provided budgetary support of ₹ 14.74 crore to three SPSEs in the form of grants during the year 2022-23 mainly to meet salary and other operating expenses.

(Paragraph 3.1.4)

The paid-up capital and accumulated losses of six SPSEs as per their latest finalised accounts were ₹ 59.03 crore and ₹ 57.64 crore respectively as of 30 September 2023 as per their latest accounts. During 2022-23, out of six SPSEs, one SPSE (Zoram Industrial Development Corporation Limited) earned profit of ₹ 0.98 crore while remaining five SPSEs incurred aggregate losses of ₹ 3.61 crore in 2022-23.

(Paragraph 3.1.8.2)

Chapter-IV

REVENUE SECTOR

Compliance Audit Paragraphs

Subject Specific Compliance Audit on Department's Oversight on Goods and Services Tax Payments and Returns Filing" for the year 2017-18

Taxation Department

The Subject Specific Compliance Audit (SSCA) on "Department's Oversight on GST Payments and Returns Filing" was undertaken with an objective of assessing the adequacy of the system in monitoring returns filing and tax payments by the taxpayers, extent of compliance and other departmental oversight functions. The audit was predominantly based on data analysis, which highlighted risk areas, red flags and in some cases, rule-based deviations and logical inconsistencies in GST returns filed for 2017-18.

A review of four Zonal offices disclosed that the Zonal Offices did not conduct scrutiny of returns even though Standard Operating Procedure (SOP) was issued in May 2022 by the Taxation Department, Mizoram, except in the case of Kolasib Zone where scrutiny was conducted in four cases. However, the Department had started scrutiny of returns after being pointed by Audit. No action was taken by the Zonal Offices to pursue recovery of dues against non-filers identified and no follow up for issue of ASMT-13 was observed. After being pointed by Audit, the Department had initiated appropriate action to ensure that the identified taxpayers file their returns regularly and correctly, and notice for cancellation were issued for taxpayers who had not filed returns for six consecutive months.

During Centralised Audit, replies were received in all 86 cases of data inconsistencies/ mismatches identified. Upon analysing the responses of the Department, 47 cases involving an amount of ₹ 7.91 crore are under correspondence with the taxpayers, in one case the reply was not acceptable to Audit and suitable rebuttal was provided. In six cases, the Department recovered the dues of ₹ 0.14 crore from taxpayers on compliance deviations being pointed out by Audit. The data entry error caused the inconsistency in one case involving amount of ₹ 2.67 crore, in five cases action was taken before being pointed out by Audit, and in 26 cases the taxpayers' clarifications were accepted by Audit.

As regards Detailed Audit having sample of 15 taxpayers, in all cases other granular records were not produced at all which significantly limited the scope for Detailed Audit. Detailed Audit pointed towards non-compliance on seven major issues: (i) ITC mismatch between GSTR-3B and GSTR 2A involving amount of ₹ 7.17 crore in respect of eight taxpayers, (ii) ITC availed under RCM without payment of tax involving amount of ₹ 0.001 crore in respect of one taxpayer, (iii) unreconciled ITC availed involving amount of ₹ 2.00 crore in respect of two taxpayers, (iv) mismatch of ITC in ECL involving amount of ₹ 1.12 crore in respect of three taxpayers, (v) mismatch of turnover declared in GSTR-9C (Table 5R) involving amount of ₹ 1.67 crore in respect of two taxpayers, (vi) mismatch in tax payable from GSTR-1 involving amount of ₹ 4.25 crore in respect of nine taxpayers, and (vii) non-payment of interest by three taxpayers involving amount of ₹ 0.005 crore.

Recommendations

The Government may consider the following recommendations:

- ✓ ***The Department may urgently pursue the 47 inconsistencies/ deviations pointed out by Audit which are under correspondence with the taxpayers and intimate the results there-of;***

- ✓ *The Department may conduct similar data analysis (as conducted by Audit for Centralised/ Limited Audit) of GST returns and other related data of all the taxpayers under State jurisdiction to identify inconsistencies and take necessary steps to recover dues from the taxpayers wherever applicable; and*
- ✓ *The department may initiate remedial action for all the compliance deviations/ mismatches pointed out through this report before they get time-barred.*

(Paragraph 4.9)

Due to non-filing of returns as per extant rules by two service providers, there was loss of revenue of ₹ 4.90 crore in the execution of Swadesh Darshan projects in Mizoram.

(Paragraph 4.10)

Chapter-V

Local Government

Performance Audit

Efficacy of implementation of 74th Constitutional Amendment Act in Mizoram

Aizawl Municipal Corporation

The 74th CAA sought to empower ULBs to perform functions and implement schemes in relation to 18 functions specified in the Twelfth Schedule of the Constitution of India. Out of 18 functions, the State Government devolved 15 functions to the Aizawl Municipal Corporation (AMC). Thus, the Government has not devolved all the functions to AMC even though a period of 13 years has elapsed since the formation of the AMC. There is a lack of clarity on the functional domain of the AMC in the absence of activity mapping / functional assignment of subjects which is evident from the fact that AMC was yet to taken up any activities in connection with seven devolved functions.

Out of the 15 notified towns with population of more than five thousand, a Municipal Corporation was established in Aizawl (Council in 2010 and upgraded to Corporation on 15 October 2015) and a Municipal Council has been established in Lunglei (November 2021). No urban local body viz., Municipal Board was constituted in the remaining 13 notified towns. Thus, the State Government did not completely create functional and decentralised platforms for transparency and accountability in the governance process in urban areas as envisaged under Mizoram Municipalities (MM) Act 2007 (as amended).

There was delay of four years and five months in the constitution of the Second Mizoram State Finance Commission. Further, there were delays ranging from two to 105 days in release of 14th and 15th CFC grants to the AMC by the State Government. It was observed that the register of properties maintained by the AMC did not include mandated vital information such as the plot area, covered area (floor wise), uses of the property, year of construction and type of structure. AMC's own source of revenue (₹ 39.16 crore) during the period from 2018-19 to 2022-23 accounted for only 25.08 *per cent* of its total revenue expenditure of ₹ 156.15 crore. AMC was largely dependent on fiscal transfers in the form of grants ranging between 91.91 *per cent* to 78.28 *per cent* of its total revenue during 2018-19 to 2022-23. Audit noticed discrepancies in figures of Property Tax collected between Receipt & Payment accounts and property register maintained by AMC.

Powers to assess staff requirements and recruitment of personnel were vested with the State Government. Significant vacancies (51.91 *per cent* as of March 2023) existed in crucial posts in AMC which resulted in inadequacy of manpower affecting delivery of citizen services.

The function "Urban Poverty Alleviation" was transferred to AMC. No fund was allocated towards fulfilment of the function "Urban Poverty Alleviation". In absence of modalities for transfer of functions including funds and functionaries to the Municipalities along with activity mapping of the subject, AMC is functioning as an agency to implement components of Urban poverty alleviation measures being undertaken in the State.

Recommendations

In order to realise the full potential of the decentralization envisaged under the 74th Constitution Amendment Act in Mizoram, the Government may consider the following recommendations:

- ✓ ***State Government may undertake the task of activity mapping/ functional assignment of subjects to Municipalities;***
- ✓ ***Accepted recommendations of State Finance Commission (SFC) should be implemented;***
- ✓ ***The State Government may ensure timely release of Central Finance Commission (CFC) grants to Aizawl Municipal Corporation (AMC); and***
- ✓ ***AMC may ensure maintenance of accurate data/information on assessment and collection of Property Tax.***

(Paragraph 5.2)

Compliance Audit Paragraph

Disposal of 45 garbage trucks below their book value resulted in loss of ₹ 3.16 crore.

(Paragraph 5.3)

Chapter-VI

Follow up of Audit Observations

A review of follow up action on submission of Non-submission of Action Taken Notes (ATNs) disclosed that there was pendency in respect of the Audit Reports for the years 2015-16 to 2020-22.

(Paragraph 6.1)

State Government had constituted (04 September 2013) Audit Committees to consider and take measures for timely response and speedy settlement of outstanding IRs/ paragraphs pending in various Departments.

However, no meeting of the Audit Committee took place during the year 2022-23.

(Paragraph 6.4)