CHAPTER – IV

REVENUE SECTOR

CHAPTER-IV

REVENUE SECTOR

4.1 Trend of revenue receipts

4.1.1 The tax and non-tax revenue raised by the Government of Mizoram during the year 2023-24, State's share of net proceeds of divisible Union taxes and duties and Grants-in-Aid from the Government of India (GoI) during the year and corresponding figures for the preceding four years are given in the following **Table-4.1**.

Table-4.1: Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
1.	**Revenue raised by State Government**					
	Tax revenue	730.98	647.56	853.94	1,101.83	1,195.59
	Non-tax revenue	522.35	561.76	622.12	1,027.77	1,084.93
	Total	**1,253.33**	**1,209.32**	**1,476.06**	**2,129.60**	**2,280.52**
2.	**Receipts from GoI**					
	State's share of net proceeds of divisible Union taxes and duties	3,017.80	3,010.55	4,222.86	4,745.25	5,647.47
	Grants-in-Aid	5,387.13	3,520.80	3,460.82	3,407.22	3,486.06
	Total	**8,404.93**	**6,531.35**	**7,683.68**	**8,152.47**	**9,133.53**
3.	**Total Revenue Receipts of State Government (1 + 2)**	**9,658.26**	**7,740.67**	**9,159.74**	**10,282.07**	**11,414.05**
4.	**Percentage of 1 to 3**	**12.98**	**15.62**	**16.11**	**20.71**	**19.98**

Source: Finance Accounts, of respective years

The above table indicates that during the year 2023-24, revenue raised by the State Government (₹ 2,280.52 crore) was 19.98 *per cent* of its total revenue receipts. The balance receipts (₹ 9,133.53 crore) constituting 80.02 *per cent* of total receipts during 2023-24 were from GoI.

4.1.2 Details of Budget Estimates (BEs) and tax revenue raised during the period from 2019-20 to 2023-24 are given in the following **Table-4.2**.

Table-4.2: Details of tax revenue

(₹ in crore)

Head of Accounts	Year										Percentage of increase (+)/ decrease (-) in 2023-24 over 2022-23
	2019-20		2020-21		2021-22		2022-23		2023-24		
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
State Goods and Services Tax	355.03	532.22	504.00	457.91	538.00	632.34	598.00	904.20	865.00	969.11	(+) 7.18
Taxes on Sales, Trade, *etc.*	150.06	117.61	81.00	113.66	95.00	150.75	115.02	112.94	120.00	125.93	(+) 11.50
State Excise	5.00	2.72	1.00	0.96	1.00	1.79	1.00	1.89	1.80	2.57	(+) 35.98
Taxes on Vehicles	27.06	40.66	32.27	29.01	34.35	27.90	34.95	41.32	42.56	46.17	(+) 11.74
Land Revenue	11.00	9.05	15.00	20.74	18.00	13.04	19.00	9.56	19.50	10.14	(+) 6.07
Stamps and Registration fees	5.92	5.85	7.01	4.73	11.16	7.48	11.28	7.80	14.48	16.80	(+) 115.38
Taxes on Goods and Passengers	2.75	7.44	6.40	4.85	5.03	5.39	5.03	7.99	5.96	8.47	(+) 6.01
Other Taxes	16.87	15.43	15.01	15.70	17.46	15.25	17.02	16.12	15.00	16.40	(+) 6.28
Total	**573.69**	**730.98**	**661.69**	**647.56**	**720.00**	**853.94**	**801.30**	**1,101.82**	**1,084.30**	**1,195.59**	**(+) 8.51**

Source: Finance Accounts and Annual Financial Statement of respective years

State's own tax revenue increased by 8.51 *per cent* in 2023-24 over 2022-23. Revenue receipts on account of Stamps and registration fees increased by ₹ Nine crore (115.38 *per cent*) in 2023-24 over 2022-23. Receipts on account of GST were ₹ 969.11 crore which registered an increase of ₹ 64.91 crore (7.18 *per cent*) over the previous year.

The tax revenue on Vehicles registered an increase of ₹ 4.85 crore (11.74 *per cent*) in 2023-24 over the previous year. Receipts from State Excise witnessed an increase of ₹ 0.68 crore (35.98 *per cent*) over the previous year. Receipts from Taxes on Goods and Passengers witnessed an increase of ₹ 0.48 crore (6.01 *per cent*) over the previous year.

4.1.2.1 State Goods and Services Tax

Goods and Services Tax (GST) was implemented with effect from 01 July 2017 on supply of goods or services or both. GST is concurrently administered by the Union (Central GST) and the States (State GST) on supply within the State while Integrated Goods and Services Tax (IGST) is levied on inter-state supply of goods or services or both.

The Central Goods and Services Tax (CGST) Act, 2017, the Mizoram State Goods and Services Tax Act, 2017 and the Integrated Goods and Service Tax Act, 2017 and allied Rules of all the three Acts are applicable in the State of Mizoram.

Goods and Services Tax Network (GSTN), a Non-Government Company set up by Government of India provides both front-end and back-end services to Mizoram being a Model-II State. Front-end services provided to taxpayers include registration, return filing, payment of tax, *etc*., while back-end services include approval of registration, taxpayer detail viewer, refund processing, MIS reports, *etc.*

Implementation of GST necessitated smooth transitional provisions which enable migration of all existing businesses to the new regime. The transitional provisions have been specifically incorporated in all the three GST Acts/ Rules.

4.1.2.1.1 Registrations under GST

As per the GST Act, every taxpayer with turnover of above ₹ 40 lakh for sales of goods and ₹ 20 lakh for providing services under the normal category states and for the special category states, ₹ 20 lakh and ₹ 10 lakh respectively, has to be registered under GST. Mizoram being a special category State, the threshold limit is ₹ 20 lakh and ₹ 10 lakh for sales of goods and providing services respectively. During transition period, the Department had to deal with migration of existing dealers as well as approval of new registrations.
The category wise registrations under GST as of March 2024 have been given in **Table-4.3.**

Table-4.3: Registered taxpayers under GST

Types of Taxpayers	Number of dealers	Percentage of total
Normal Taxpayers[68]	6,862	91.55
Tax Deductors at source (TDS)	340	4.54
Tax Collectors at source (TCS)	100	1.34
Composition Taxpayers	189	2.52
Input Service Distributors (ISD)	4	0.05
Total Registrants	**7,495**	**100**

Source: Information as provided by State Taxation Department

[68] Including casual taxpayers

The total registrations under GST in Mizoram as of March 2024 were 7,495 of which, normal taxpayers accounted for 91.55 *per cent*, tax deductors at source accounted for 4.54 *per cent* and others[69] (including TCS, Composition taxpayers and ISD) accounted for 3.91 *per cent*.

4.1.2.1.2 Division of Dealers between Central and State Government

As per the recommendation[70] of GST Council, administrative control of over 90 *per cent* of the dealers with turnover less than ₹ 1.50 crore shall vest with the State tax administration and 10 *per cent* with the Central tax administration. In respect of dealers with turnover of ₹ 1.50 crore and above, the administrative control shall be divided in the ratio of 50 *per cent* each for the Central and State tax administration. The division of taxpayers as notified in Mizoram up to March 2024 is shown below.

Table-4.4: Division of dealers between Centre and State Government

Jurisdiction	Number of dealers		Total
	Turnover above ₹ 1.5 crore	Turnover below ₹ 1.5 crore	
Centre	986	2,257	3,243
State	127	5,365	5,492*
Total	**1,113**	**7,622**	**8,735****

Source: Information as provided by State Taxation Department and CGST, Aizawl

* *Figures provided by the State Taxation Department includes both Centre and State. Reasons for variance in distribution of administrative control over the categories of taxpayers against the GST council's recommendation have not been provided by the state government.*

** *Reason for the difference in the total number of dealers at Table-5.3 and Table-5.4 could not be stated by the State Taxation Department.*

4.1.2.1.3 Filing of Returns under GST

As per Mizoram Goods and Services Tax Rules[71], 2017 (MGST Rules, 2017), regular taxpayers were required to file monthly returns[72] in GSTR-1, GSTR-2 and GSTR-3, whereas composition taxpayers were required to file quarterly returns in GSTR-4. However, the provisions of the rules could not be implemented due to issues relating to information technology infrastructure. Accordingly, filing of GSTR-2 and GSTR-3 were postponed and regular taxpayers are required to file GSTR-1 and GSTR-3B and composition dealers were to file GSTR-4 quarterly.

The trends of filing of GSTR-1 and GSTR-3B for the period from April 2023 to March 2024 in Mizoram have been depicted in **Table-4.5**.

Table-4.5: Filing pattern of GSTR-1 and GSTR-3B

Month	GSTR-1	GSTR-3B
April, 2023	5,461	3,202
May, 2023	5,513	3,221
June, 2023	6,501	3,771
July, 2023	5,658	3,270
August, 2023	5,730	3,320

69 As of March 2024, there were no registrations under Corporation Taxpayers, Non-Resident Taxable Person (NRTP) and Online Information Database Access and Retrieval services (OIDAR)

70 Circular dated 20 September 2017

71 Rule 59, 60 and 61

72 GSTR-1: containing outward supply, GSTR-2: Auto populated from GSTR-1 showing inward supply of the dealer and GSTR-3: Summarised details of outward and inward supplies of a dealer during the month along with amount of GST liability

Month	GSTR-1	GSTR-3B
September, 2023	6,692	3,870
October, 2023	5,868	3,399
November, 2023	5,923	3,406
December, 2023	6,762	3,899
January, 2024	5,947	3,409
February, 2024	6,017	3,409
March, 2024	6,852	3,791
Total	**72,924**	**41,967**

Source: Information as provided by State Taxation Department

4.1.3 The details of non-tax revenue receipts during the period 2019-20 to 2023-24 are given in **Table-4.6**.

Table-4.6: Details of non-tax revenue

(₹ in crore)

Head of account	2019-20		2020-21		2021-22		2022-23		2023-24		Percentage of increase (+)/ decrease (-) in 2023-24 over 2022-23
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
Power	300.00	373.61	330.00	398.01	625.00	401.90	587.00	741.34	620.00	577.27	(-) 22.13
Water Supply & Sanitation	50.00	48.32	60.00	54.65	65.00	54.84	70.00	65.11	72.00	77.19	(+) 18.55
Interest receipt	25.96	32.84	50.27	19.12	53.07	41.83	58.38	50.19	46.01	15.45	(-) 69.22
Others	82.06	67.58	142.80	89.98	109.19	123.55	121.05	171.13	158.98	415.02	(+) 142.51
Total	**458.02**	**522.35**	**583.07**	**561.76**	**852.26**	**622.12**	**836.43**	**1,027.77**	**896.99**	**1,084.93**	**(+) 5.56**

Source: Finance Accounts, Vol-II and Annual Financial Statement of respective years

Non-tax revenue constituted between 5.41 *per cent* (2019-20) and 10 *per cent* (2022-23) of the total revenue receipts during the last five years **(Table-4.1**). During 2023-24, non-tax revenue recorded a growth of 5.56 *per cent* over the previous year. There was a steady increase in non-tax revenue from ₹ 522.35 crore in 2019-20 to ₹ 1,084.93 crore in 2023-24 with the major contributors being Power (₹ 577.27 crore), water Supply & Sanitation (₹ 77.19 crore) and Interest Receipts (₹ 15.45 crore).

4.2 Analysis of arrears of revenue

The arrears of revenue as of 31 March 2024 on some principal heads of revenue amounted to ₹ 52.92 crore, out of which ₹ 13.77 crore was outstanding for more than five years, as detailed in **Table-4.7**.

Table-4.7: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as of 31 March 2024	Amount outstanding for more than five years as of 31 March 2024
1.	Taxes/ VAT on Sales, Trades, *etc.*	52.22	13.76
2.	Taxes on Professions, Trades, Callings and Employment, *etc*.	0.19	0
3.	Taxes on Entertainment	0.51	0.01
Total		**52.92**	**13.77**

Source: Information furnished by the Taxation Department

4.3 Arrears in assessment

The details of cases pending at the beginning of the year, cases due for assessment, cases disposed off during the year and number of cases pending finalisation at the end of the year as furnished by the Taxation Department in respect of Sales Tax, Motor Spirit Tax, Luxury Tax, Tax on Works Contracts and Professional Tax are shown in **Table-4.8**.

Table-4.8: Arrears in assessments

Head of account	Opening balance as of 01 April 2024	New cases due for assessment during 2023-24	Total assessments due	Cases disposed off during 2023-24	Closing balance as of 31 March 2024	Percentage of disposal
0040-Taxes on Sales, Trades, *etc.*	5	Nil	5	Nil	5	0
Taxes on Professions, Trades, Callings and Employment, *etc*.	Nil	51,772	51,772	51,772	Nil	100
Total	**5**	**51,772**	**51,777**	**51,772**	**5**	**99.99**

Source: Information furnished by the Taxation Department

It can be seen from the above table that out of 51,777 assessments due, the disposal was 51,772 (99.99 *per cent*) during the year 2023-24.

4.4 Evasion of tax detected by the Department

The details of cases of tax evasion detected by the Taxation Department, cases finalised and demands for additional tax raised as reported by the Department are given in **Table-4.9**.

Table-4.9: Evasion of tax

Name of tax/ duty	Opening balance as of 01 April 2023	Cases detected during the year 2023-24	Total	Cases in which assignments/ investigation completed and additional demand including penalty, *etc*., raised during 2023-24		Number of pending cases as of 31 March 2024
				No. of cases	₹ in crore	
Sales Tax/ VAT	0	0	0	0	0	0
GST	40	696	736	658	6.67	78
Total	**40**	**696**	**736**	**658**	**6.67**	**78**

Source: Information furnished by the Taxation Department

4.5 Pendency of refund cases

The details relating to the number of refund cases pending at the beginning of 2023-24, claims received during the year, refunds allowed during the year and the cases pending at the close of 2023-24 as reported by the Taxation Department are given in **Table-4.10**.

Table-4.10: Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	GST/ Sales Tax/ VAT	
		No. of Cases	Amount
1.	Claims outstanding at the beginning of the year	11	0.01
2.	Claims received during the year	23	11.05
3.	Refunds made during the year	18	10.92
4.	Refunds rejected during the year	1	0.03
5.	Balance outstanding at the end of year	15	0.11

Source: Information furnished by the Taxation Department

Thus, the number of cases pending at the close of the year increased from 11 to 15 cases.

4.6 Audit planning

The unit offices are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis. The risk criteria involved scrutiny of budget speech, white paper on State finances, Reports of the Finance Commission, recommendations of the Taxation Reforms Committee, analysis of the revenue earnings, tax administration, *etc*.

During the year 2023-24, there were 139 auditable units, of which 17 units were planned and 18 units had been audited, which was 12.95 *per cent* of the total auditable units.

4.7 Results of audit

Position of local audit conducted during the year

Records of 18 units of Environment, Forests & Climate Change, Transport, Geology & Mineral Resources and Land Revenue & Settlement Departments were test-checked during 2023-24. Test check revealed non-deduction of licence fee, labour cess, short levy of royalty, non-levy of tax, *etc.,* aggregating ₹ 167.69 crore in 31 out of 75 cases. Of these, there was no recovery made by the Departments concerned for the year 2023-24.

4.8 Coverage of this Report

This Chapter contain three Performance Audit Reports and one Subject Specific Compliance Audit Report and one Compliance Audit Paragraph involving a money value of ₹ 35.36 crore. The Department/ State Government has accepted audit observations involving ₹ 35.36 crore. However, no recovery was made.

PERFORMANCE AUDIT

ENVIRONMENT, FORESTS AND CLIMATE CHANGE DEPARTMENT

4.9 Performance Audit on Green India Mission

4.9.1 Introduction

The National Mission for a Green India, commonly known as Green India Mission (GIM), was launched by the Ministry of Environment, Forest and Climate Change in 2011, as one of the eight Missions under the National Action Plan on Climate Change (NAPCC). The mission aims at protecting; restoring and enhancing India's diminishing forest cover and responding to climate change through a combination of adaptation and mitigation measures in 10 million hectares of land over a period of 10 years at a projected cost of ₹ 46,000 crores. The mission was approved by the Central Cabinet Committee on Economic Affairs (CCEA) in February 2014 as a Centrally Sponsored Scheme[73].

In Mizoram, the Green India Mission (GIM) is being implemented by the State Forest Development Agency (SFDA) of the Environment, Forests & Climate Change (EF&CC)

[73] Centrally Sponsored Scheme provides the Central and State share at a ratio of 90: 10 for North Eastern and Special category states and 75: 25 for remaining states. The ratio for the remaining states was revised (October 2015) to 60: 40

Department. As per approved (29 June 2016) State Perspective Plan an area of 29,893 hectares were targeted for treatment under four submissions/ interventions over a period of six years in Mizoram. Preparatory activities such as Micro planning, Landscape survey, *etc.,* began in 2014-15 and the actual implementation of four[74] out of five sub-missions started in 2016-17 across 51 L3[75] Landscapes within eight identified L2[76] Landscapes under five Forest Divisions of the State.

According to India State of Forest Report (ISFR), 2015, out of the total geographical area of 21,081 sq km, Mizoram had a forest area of 18,748 sq km, of which, 12,752 sq km, constituting 68.02 *per cent* of total forest cover was open forest *i.e.*, low canopy density. The prevalence of open forests in hilly terrain threatens the intricate relationships among various flora and fauna within the ecosystem. This issue is exacerbated by shifting cultivation practices in the State and other human activities.

4.9.2 Objectives for implementation of Green India Mission (GIM) in Mizoram

The objective of GIM in Mizoram was to enhance forest quality, rehabilitate wastelands, improve ecosystem services, boost forest-based livelihoods and increase carbon dioxide sequestration and reduce open forest area.

As per the approved Perspective Plan, 29,893 hectares across eight L2 Landscapes were to be treated over six years (2016-17 to 2021-22) at an estimated cost of ₹ 348.26 crore, including the promotion of alternative fuel energy and related support activities, as detailed in **Table-4.11**.

Table-4.11: Physical target and financial target as per approved Perspective Plan

Sub-mission/ Intervention	Category	Type	Physical target (Area in hectare)	Financial target (₹ in lakh)
SM-1: Enhancing quality of forest cover and improving ecosystem services (4.9 mha*)	1(a): Moderately dense forest cover, but showing degradation	Assisted Natural Regeneration (ANR) Without Plantation	3,800	1,539.00
	1(b): Eco restoration of degraded open forests	Type (A): 200 Plants/ hectare	4,700	2,030.00
		Type (B): 1,100 Plants/ hectare	593	480.33
		Type (C): 2,500 Plants/ hectare	6,000	8,100.00
SM-2: Eco System restoration and increase in forest cover (1.8 mha)	(a)-Rehabilitation of shifting cultivation areas	1,100 plants/ hectare	7,800	6,318.00
SM-3: Enhancing tree cover in Urban & Peri- Urban areas (including institutional lands)-0.2 mha	(a) Plantation in Urban & Peri - Urban areas	2500/ Plants/ hectare	800	2,160.00

74 **Sub-Mission 1**: Enhancing quality of forest cover and improving ecosystem services, **Sub-Mission 2**: Eco-restoration and increase in forest cover, **Sub-Mission 3**: Enhancing tree cover in urban and peri-urban areas (including institutional land), **Sub-Mission 4**: Agroforestry and social forestry (increasing biomass and creating carbon sink, **Sub-Mission 5**: Restoration of Wetlands (0.10 million hectare) (not implemented in Mizoram)

75 **L3 Landscape:** Working/ Implementation units (villages) within L2 level Landscape, usually micro watershed

76 **L2 Landscape:** Operational units (usually a forest division) within level 1 Landscape *i.e.,* State, usually milli-watershed

Sub-mission/ Intervention	Category	Type	Physical target (Area in hectare)	Financial target (₹ in lakh)
SM-4: Enhancing tree cover in Urban & Peri- Urban areas (including institutional lands)-0.2 mha	(a) Farmers Land including current fallows	Farmer's Land	5,100	2,754.00
	(c) Highways/ Rural roads/ Canals/ Tank Bunds	Road/ Canals/ Tank Bunds	1,100	2,079.00
Total (A)			**29,893**	**25,460.73**
(B)	**Promoting alternative fuel energy among 10,200 households**		**NA**	**336.60**
(C)	**Support activities[77]**		**NA**	**9,029.07**
Grand total (A)+(B)+(C)				**34,826.40**

Source: Approved Perspective Plan of SFDA, Mizoram
* *mha=Million hectares*

However, according to ISFR 2023, the total forest area had decreased to 17,990.46 sq. km. The area under open forest also declined to 9,093.18 sq. km, constituting 50.54 *per cent* of the total forest cover, compared to 2015. As such, following the implementation of GIM, the total open forest area decreased to 3,658.82 sq.km (12,752 sq.km *minus* 9,093.18 sq.km) as compared to 2015-16 constituting 28.69 *per cent* of open forest area 12,752 sq.km in 2023.

4.9.3 Identification of Landscapes

The planning process fosters a Landscape approach where Landscapes are identified at different levels (L1, L2 and L3) for the implementation of the various sub-missions under the Mission.

L1 Landscape: Broad Landscapes of importance, identified as large contiguous areas of forest and non-forest lands in a given landform/ catchment area, usually larger portions of the State.
L2 Landscape: Operational units (usually a forest division) within level 1 Landscape, usually milli-watershed.
L3 Landscape: Working/ Implementation units (villages) within level 2 Landscape, usually Micro watersheds.

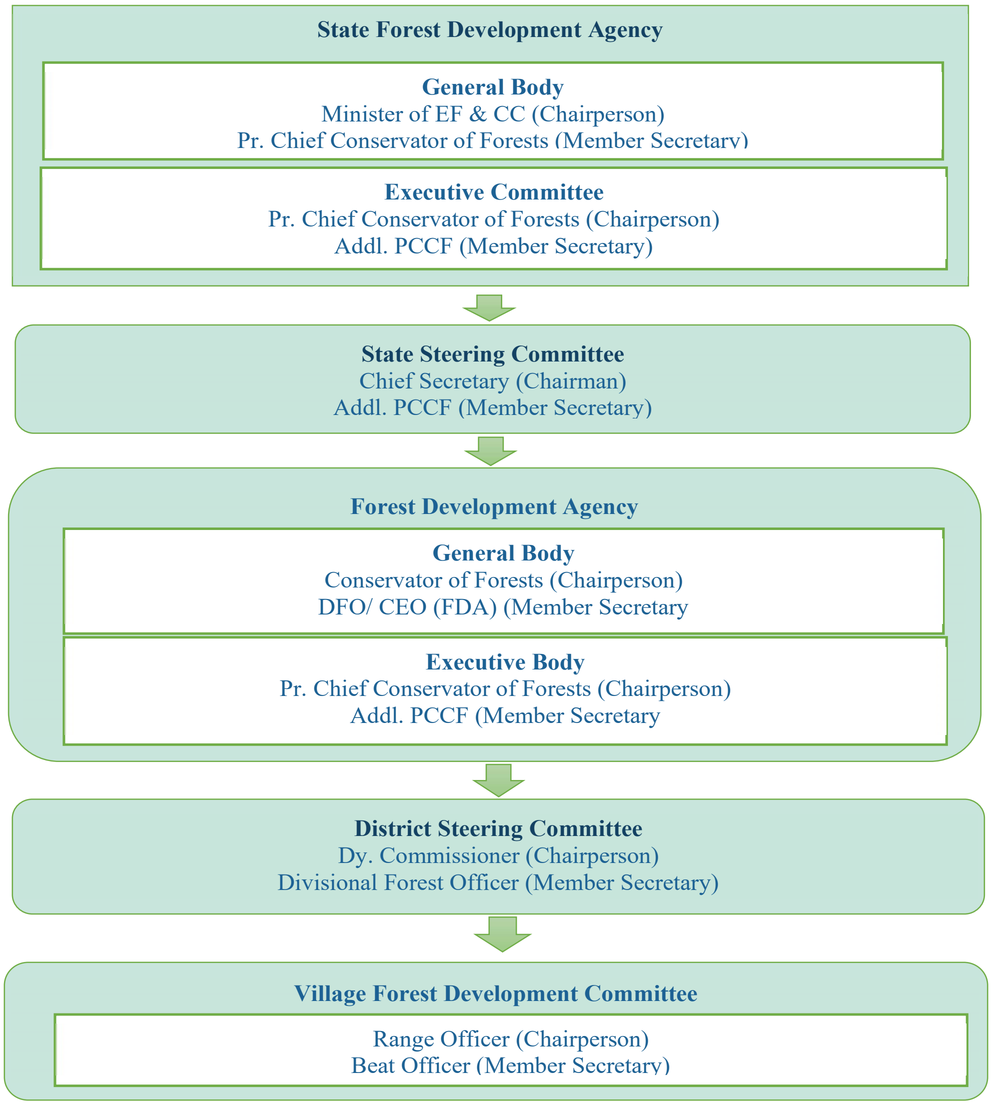
Landscapes are identified using a combination of criteria such as projected vulnerability of critical habitats, corridors and potential of area for carbon sink. Once the criteria have been listed, various maps and spatial and attribute data sets are collected from different sources such as Forest Survey of India (FSI), Space Application Centres, State Departments, *etc*. At L1 level, broad Landscapes of interest/ importance are identified using Landforms or catchments as base layer. Next, forest cover and scrub layer are overlaid on the base map of landforms/ bio geographic units/ catchments to identify areas of interest under different density classes. States could identify one or more L1 areas for implementing the mission.

[77] **Support Activities:** 1. Research (₹ 515.95 lakh), 2. Publicity/ Media/ outreach activities (₹ 257.97 lakh) 3. Monitoring and Evaluation (₹ 257.97 lakh) 4. Livelihood improvement activities (₹ 4,385.55 lakh) 5. Strengthening local level institutions (₹ 1,289.87 lakh) 6. Strengthening FDs (₹ 1,289.87 lakh) 7. Mission Organisation, operation and maintenance, contingencies and overheads (₹ 1,031.89 lakh)

Once the Landscapes at L1 are identified, delineation of L2 level is done by putting watershed[78] boundaries (Milli or Micro watershed) on the map. The key criteria for prioritisation usually include forest and tree cover, vulnerability of forests to climate change, bio-diversity richness, wildlife corridors, along with the socio-economic criteria such as percentage of tribal population and incidence of poverty. Once data sets are obtained for different criteria, they are aggregated and combined in a way to provide a composite picture. Each criterion is assigned relative weight covering a range of 0-1, based on the specific requirement and priority of the state. The weighted values are then added to get a total score. After the identification of L2 operational units, the L3-actual working Units are identified taking into account the Micro-watershed/ village boundaries.

4.9.4 Institutional mechanism involved at the State, Districts and Villages level

The institutional structure for implementation of Green India Mission in the State is as under.



[78] Watershed is a geo-hydrological unit draining to a common point by a system of drains. It checks soil erosion, control run-off and increase infiltration of rainwater. According to size/ drainage/ shape, watershed can be categorised into Milli-watershed-1,000 to 10,000 hectare and Micro watershed-100 to 1,000 hectares

The State Forest Development Agency (SFDA) is the apex body overseeing the implementation of the Mission at the State level, guided by the State Steering Committee (SSC) for high-level management and policy alignment. The Executive Body, led by the PCCF, manages state-level operations, while the General Body chaired by the EF&CC Minister, provides policy direction and decentralised governance. At the district level, the Forest Development Agency (FDA) linked with the District Planning Committee operates the Mission activities, with the District Steering Committee ensuring integration with other development programmes. The FDA Executive Committee manages daily operations, and the FDA General Body oversees district-level planning. At the village level, the Village Forest Development Committee (VFDC) executes Mission activities, ensuring community participation and local implementation.

4.9.5 Audit objectives

The Performance Audit was undertaken to assess whether:

- Adequate institutional and coordination mechanism exists at the State Forest Development Agency (SFDA), Forest Development Agency (FDA) and Village Forest Development Committee (VFDC) level for planning and implementation of the GIM;
- The objectives and the targets as stipulated under the Mission were achieved;
- Funds for execution of the mission were released on time and were utilised properly for the intended purpose; and
- Existing review and monitoring mechanism is effective and adequate in realization of quantifiable targets under each sub-mission.

4.9.6 Audit Scope, Sample and methodology

The Performance Audit covered the period from April 2015 to March 2023 involving scrutiny of records and other evidence available in SFDA, Mizoram, five[79] Forest Development Agencies (FDA) and 21[80] Village Forest Development Committees (VFDCs) selected based on Simple Random Sampling without Replacement method through Interactive Data Extraction and Analysis (IDEA) software.

In terms of sample selection, the entire State is categorised as L1 Landscape. Seven[81], out of eight L2 Landscape corresponding to sampled L3 Landscapes, were selected. One[82] L3.

[79] (1) FDA, Aizawl, (2) FDA, Champhai, (3) FDA Kolasib, (4) FDA Thenzawl and (5) FDA Darlawn

[80] 1. Sihphir Venghlun 2. N. Lungleng 3. Lamchhip 4. Baktawng Chhuanhar 5. Durtlang Norht 6. Durtlang 7. Buhban 8. Khawruhlian 9. Hmunnghak 10. Pawlrang 11. Vanchengpui 12. Kawlkulh 13. Chawngtlai 14. Dilzau 15. New Diakkawn 16. Thingdawl 17. Meidum 18. Bualpui 19. Bukpui 20. Thentlang 21. Tlungvel

[81] 1. Aizawl 2. Champhai (Khawzawl) 3. Champhai (Kawlkulh) 4. Darlawn 5. Kolasib (Kawnpui & Bukpui) 6. Kolasib (Kolasib & Bairabi) 7. Thenzawl (Serchhip)

[82] Tlungvel under L2 Landscape Aizawl

Landscape under category 'A' out of 6 and 20[83] L3 Landscapes under Category 'B' out of 60 were selected by adopting Simple Random Sampling Without Replacement (SRSWOR) method.

The Performance Audit commenced with an Entry Conference (12 March 2024) with the representatives of the Environment, Forests and Climate Change (EF&CC) Department and Finance Department, Government of Mizoram wherein audit objectives, criteria, scope and methodology were discussed. The Audit process involved issuing audit requisitions, audit queries, examination of records and files at the SFDA, FDA and Village Forest Development Committee (VFDC) as well as conducting joint Physical verification of 40 plantation sites across 20 VFDCs to assess plantation survival rate. The findings were discussed during the Exit conference (18 December 2024) with the Principal Chief Conservator of Forests (PCCF), Mizoram and the Under Secretary, Finance Department and the report was finalised after incorporating feedback from the Department.

4.9.7 Audit criteria

The audit criteria were derived from the following sources:

- National Forest Policy, 1988;
- Mission Document for National Mission for a Green India (GIM), 2011 and 2021;
- Implementation Guidelines of National Mission for a Green India (GIM), 2014;
- Convergence Guidelines for Integrated Greening Interventions under the Mission;
- Convergence Guidelines of the GIM with Compensatory Afforestation Fund Management and Planning Authority (CAMPA) and Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA);
- SDG (Sustainable Development Goal) 15 indicators; and
- Department records pertaining to funds released for implementation of the Perspective Plans and Review & Monitoring of the Mission activities.

4.9.8 Acknowledgement

The office of the Principal Accountant General, Mizoram acknowledges the cooperation and assistance extended by staffs/ members of the State Forest Development Agency, Forest Development Agencies (FDA) and Village Forest Development Committees (VFDC) during the course of the performance audit.

[83] L3 Landscape where more than one sub-mission was carried out: **Aizawl L2 Landscape**: 1. Sihphir Venglun 2. N. Lungleng 3. Lamchhip 4. Baktawng Chhuanthat 5. Durtlang North 6. Durtlang; **Champhai (Kawlkulh) L2 Landscpe**: 1. Pawlrang 2. Vanchengpui 3. Kawlkulh; **Champhai (Khawzawl) L2 Landscape**: 1. Chawngtlai; **Kolasib (Kolasib & Bairabi) L2 Landscape**: 1. Dilzau 2. New Diakkawn 3. Thingdawl 4. Meidum; **Kolasib (Kawnpui & Bukpui) L2 Landscpe**-1. Bualpui 2. Bukpui; **Thenzawl (Serchhip) L2 Landscape**: Thentlang; **Darlawn L2 Landscape**: 1. Buhban 2. Khawruhlian 3. Hmunnghak

Audit findings

The audit findings are discussed in the succeeding paragraphs.

4.9.9 Planning

Audit Objective-1: To assess whether adequate institutional and coordination mechanism exists for planning and implementation of the mission

4.9.9.1 Non-Linking of FDA with District Planning Committee (DPC)

Paragraph 4.3 of the GIM implementation guidelines provides that revamped Forest Development Agencies (FDAs) will facilitate the Mission activities at the district level and should have explicit linkages with District Planning Committees.

However, Audit observed that none of the five FDAs was linked with District Planning Committees. As a result, District-wise requirement for implementation of the GIM in convergence with other schemes could not be formulated at the Planning stage.

The Department while agreeing to the Audit observation stated (January 2025) that FDAs will be informed to establish linkages with the District Planning Committees as required.

Recommendation: The SFDA should initiate steps to link FDAs with District Planning Committees to formulate district-wise requirements for implementation of GIM in convergence with other schemes at the Planning stage, to ensure alignment of priorities and resources.

4.9.9.2 Discrepancies between Landscape survey report and Micro plan data

Identification of land for any sub-mission within a given L3 Landscape is essential for preparation of Micro plan and Perspective plan. Without this identification, the entire planning process is disrupted. A cross-examination of sub-mission wise areas identified for treatment in the Micro plan of seven sampled VFDCs against their respective Landscape survey reports revealed the following discrepancies:

(i) Micro plan of New Diakkawn, Bualpui and Chawngtlai L3 Landscape indicated treatment area of 472 hectares, 1,230 hectares and 810-hectares respectively as detailed in ***Appendix-4.1***. However, Landscape survey reports for these three areas were not available.

(ii) Out of 300 hectares identified in the Landscape survey of Vanchengpui L3 Landscape, a total area of 415 hectares were targeted in the Micro plan for afforestation resulting in inclusion of 115 additional hectares beyond the actual area as per the Landscape survey report.

(iii) Out of the total L3 Landscape survey of 826 hectares, 850 hectares and 1,650 hectares for Kawlkulh, Pawlrang and Thentlang respectively, Micro plan targeted for treatment of 465 hectares, 395 hectares and 930 hectares respectively resulting in inadequate coverage of the areas. Additionally, there was no sub-mission wise area break-up for these Landscapes in the survey report.

From the above, it is evident that L3 Landscape survey and the Micro Plan for the sampled seven Landscapes were not linked to each other and no proper assessment/ survey for the actual treatment at the grassroots level was carried out, thereby rendering the entire L1 Perspective Plan aggregated data from 51 VFDCs doubtful.

The SFDA, while agreeing to the Audit observation, stated (December 2024) that the Micro plan and Landscape survey reports pertain to approximately the same area of land. It was, further, added that while the Landscape survey was conducted manually, GIS mapping was utilised during the preparation of the Micro plan which allowed for the identification and incorporation of potential Landscapes into the plan resulting in a mismatch between the Landscape area and the Micro plan.

Since all 51 L3 level landscapes in the Micro Plan were surveyed through GIS mapping. Expenditure of ₹ 48 lakh **(Paragraph 4.9.9.3)** on manual landscape survey conducted in these same 51 L3 landscapes during 2015-16 were redundant and did not provide any additional value.

Audit concludes that the absence of a systematic linkage between L3 Landscape survey reports and Micro plans in the sampled seven VFDCs led to significant discrepancies in identified and treated areas with cases of both over-coverage (*e.g.*, Vanchengpui, additional 115 hectares) and under-coverage (*e.g.*, Kawlkulh, Pawlrang, Thentlang, shortfalls of hundreds of hectares), and in some cases, complete absence of survey reports (New Diakkawn, Bualpui, Chawngtlai) as discussed in **Paragraph 4.9.9.3**. Although the SFDA attributed these mismatches to differences between manual surveys and GIS-based mapping during Micro plan preparation, the fact remains that without harmonised, verifiable ground data, the aggregated L1 Perspective Plan (covering 51 VFDCs) was rendered unreliable, compromising the Mission's ability to ensure need-based, area-specific, and evidence-backed treatment interventions.

Recommendation: The SFDA may ensure that all potential L3 Landscapes identified through proper verifiable surveys at the grassroots level before undertaking treatment activities so that Micro Plans and Perspective Plans are based on accurate and comprehensive field data.

4.9.9.3 Missing land survey reports of 28 L3 Landscapes

According to governing condition of the grant-in-aid sanction order (March 2014) for preparatory activities during 2013-14, the fund was to be utilised in accordance with the objectives outlined in the rules/ memorandum of SFDA, Government of Mizoram.

The Annual Progress Report of the SFDA, Mizoram indicated that the entire sanctioned amount of ₹ 2.24 crore was expended during 2014-16 on outreach activities, Micro planning, Landscape surveys and Entry Point Activities (EPA). Out of this amount, ₹ 48 lakh was specifically utilised for conducting a Landscape survey of 51 L3 Landscape under eight L2 Landscapes across five FDAs. However, only 23 out of the 51 L3 Landscape survey reports could be furnished to Audit, as given in ***Appendix-4.2***.

Due to the non-furnishing of survey reports for 28 remaining L3 Landscape, Audit could not verify the accuracy of the baseline data presented in their Micro plans. Among the available 23 L3 Landscape survey reports, seven sampled land survey reports were available for Audit scrutiny, which revealed the following:

- ***Non-compliance with GIM guidelines***: Paragraph 7.1 of GIM document 2011 provides that the preparatory phase of the Mission should be utilised *inter alia* for identification of Sub-Landscape/ area of mission intervention. However, none of the seven sampled L3 Landscape survey reports specified sub-mission wise area.
- ***Incomplete Data Reporting***: Though two survey reports (New Diakkawn and Bualpui) provided information such as village profile, socio-economic data and agriculture profile, they did not provide sub-mission wise areas.
- ***Lack of comprehensive area data***: Although Thentlang L3 Landscape survey reported an area of 1,650 hectares with sketch map, it did not provide sub-mission wise area.
- ***Insufficient sub-Mission wise Breakup***: Though, the survey report of Kawlkulh, Vanchengpui and Pawlrang L3 Landscapes indicated a total area of 826 hectares, 300 hectares and 850 hectares respectively together with sketch map, the sub-mission-wise area breakup was not specified.
- ***Mis-reporting in Micro Plan***: Khualen L3 Landscape survey reported an area of 1,240 hectares with sketch map, however, the Micro plan was not prepared. Instead, the Micro plan for Chawngtlai L3 Landscape was prepared despite the fact that no survey was conducted for Chawngtlai.

The Department stated (December 2024) that an actual land survey was conducted as demonstrated by seven Landscape survey reports. However, some FDA records were not maintained and could not be traced during Audit. It was, further, added that most of the staff involved in the land survey had either retired or passed away, resulting in delay in production of records. The fact, however, remained that due to non-availability of 28 Landscape survey reports constituting 54.90 *per cent* of the total 51 Landscape survey reports, Audit could not verify the accuracy of the baseline data used to identify viable land for GIM activities.

Audit concludes that the implementation of preparatory activities under the ₹ 2.24 crore grant-in-aid, of which, ₹ 48 lakh was allocated specifically for conducting Landscape surveys across 51 L3 Landscapes, suffered from significant lapses in compliance and record-keeping. As 28 out of 51 landscape survey reports (54.90 *per cent*) were not made available to Audit, Audit was unable to verify the baseline data supporting the Micro plans, rendering the foundation for area identification and sub-mission planning under the GIM unreliable. Even among the available survey reports, critical details such as sub-mission-wise area breakups were absent, violating Paragraph 7.1 of the GIM guidelines and undermining the intended objective of evidence-based land identification.

Instances of misreporting, such as the preparation of Micro plans for areas without corresponding surveys, further exposed risks of misallocation and inefficiency. The Department's inability to produce records, citing staff retirements or deaths, highlights weak institutional controls and poor record management, posing systemic risks to accountability, financial stewardship, and future programme implementation.

Recommendation: The Department may institute a digital centralised documentation and record management system for all preparatory activities, including landscape surveys and micro-planning reports, with mandatory geo-tagging and metadata protocols, to ensure verifiability, continuity across staff transitions, and adherence to GIM guidelines in future programme phases.

4.9.9.4 Multiple revisions in proposed L1 Perspective Plan led to delay in implementation of GIM activities

GIM advisory 3.0 (January 2012) stipulated that the time frame for submission of the Perspective Plan was 28 February 2012.

Senior Officers of the EF&CC Department held a meeting in March 2012 to discuss various issues and formulate suitable strategies for the preparation of Perspective Plan under GIM. The MoEF&CC released ₹ 2.24 crore for preparatory activities such as Landscape survey, preparation of Micro Plan, Entry Point activities, *etc.,* (March 2014) which were required for preparation of the Perspective Plan.

However, the SFDA submitted the Perspective Plan to the MoEF&CC in July 2015 to cover a total treatment area of 48,753 hectares with an estimated cost of ₹ 451.38 crore without detailed rate of wages. Further, a revised Perspective Plan to cover a total treatment area of 31,900 hectares, with an estimated cost of ₹ 302.49 crore, based on the wage rate of ₹ 220 per day was resubmitted to the MoEF&CC in September 2015. With subsequent revision of wage rate to ₹ 270 per day in April 2016. The final revised plan of May 2016 was based on the updated wage rate of ₹ 270 notified in April 2016.

Another revised APO (2016-17) and Perspective Plan to cover a total treatment area of 29,893 hectares was submitted on 10 May 2016 and approved by the MoEF&CC with an estimated cost of ₹ 348.26 crore for six years (from 2016-17 to 2021-22) in June 2016.

Thus, due to delayed in released of preparatory funds and repeated revision of the Perspective Plan, there was a delay in the implementation of Mission and the project which was intended to be completed by March 2022 remained ongoing at the time of Audit (August 2024). Execution of GIM activities in areas not approved in the Perspective Plan due to deficient planning is incorporated in **Paragraph 4.9.11.3**.

Thus, delayed release of preparatory funds and repeated revisions in the Perspective Plan due to inadequate initial planning and estimation, such as omission of wage rate data, resulted in delayed approval by the Ministry and subsequent postponement of the GIM rollout. As a result, the project that was originally scheduled for completion by March 2022 remained incomplete even in August 2024.

The Department stated (December 2024) that no advisory was received from MoEF&CC regarding timeframe for sub-mission of Perspective Plan. The reply of the Department is, however, not tenable as the Ministry issued advisory to all States regarding preparation of the Perspective Plan and the Government of Mizoram also submitted the Perspective Plan in 2015 as per the Ministry's instruction and this was also approved by the Ministry.

Recommendation: The Department may strengthen its project planning mechanisms by instituting a system of cross-verification of cost estimates (including wage rates and unit rates) before submission of Perspective Plans to the Ministry. Timely compliance with advisories and structured vetting of project proposals may also be ensured to avoid delays in future externally supported missions.

4.9.9.5 Delay in submission of APOs led to delays in their approval

The National Executive Council (NEC) set a timeline for submission of Annual Plan of Operations (APOs), namely, for APO 2020-21 by 10 February 2020 and for APO 2022-23 by 30 December 2021. Details of submission of APOs by the SFDA to the MoEF&CC and their subsequent approval are given in **Table-4.12**.

Table-4.12: Statement showing details of submission of APOs and their approval

Sl. No.	APO year	Stipulated date of submission of APO	Actual date of submission of APO by SFDA	Delay in submission (In days)	Date of approval	Time taken for approval (In days)
1.	2020-21	10-02-2020	26-02-2020	15	11-02-2021	351
2.	2022-23	30-12-2021	25-02-2022 Revised submitted on 19-04-2022	110	31-05-2022	42[84]

Source: Proposed APO and approved APO of SFDA

Thus, it is evident that SFDA, Mizoram submitted its APOs for the years 2020-21 and 2022-23 with delays ranging from 15 to 110 days and subsequently there were delays in approval by 351 and 42 days respectively by the Ministry. These delays in both submission and approval adversely impacted the plantation activities resulting in non-achievement of the afforestation target of 29,893 hectare within the six years' timeframe (from 2016-17 to 2021-22) as outlined in the Perspective Plan.

The Department while agreeing to the Audit observation stated (December 2024) that APOs were submitted to the Ministry after approval of the State Level Steering Committee. It also stated that sanction of fund was made by the Ministry well after approval of the APO. It was further stated that the delay in preparation of the APOs could be attributed to delay in release of fund by the State Government in the preceding years.

Thus, delay in preparation of the APOs attributed to delay in release of fund and subsequently resulted in delayed execution of GIM activities.

Recommendation: The SFDA may ensure timely submission of APOs each year to avoid late approval of APOs and consequent delay in release of fund so that Creation work could be taken up at the appropriate time i.e., during plantation season.

[84] 42 days is computed from 19 April 2022 to 31 May 2022

4.9.9.6 Non-preparation of collative APO

Paragraph 4.1 of the Convergence Guidelines for Integrated Greening Interventions, issued by the MoEF&CC, Government of India (GoI), stipulates that the collative Annual Plan of Operation (APO) are intended to provide a clear roadmap for implementing afforestation activities to address vulnerable/ priority areas by integrating the targets and achievements of all afforestation schemes/ components executed in the State. The collative APO is expected to include scheme-wise targets along with Keyhole Markup Language (KML) files from other line departments to prevent duplication and ensure uniform coverage of priority areas. A Nodal Officer for afforestation in each State/ UT is tasked with preparing a single collective APO in consultation with the line departments.

However, scrutiny of approved APOs relating to afforestation schemes such as GIM, CAMPA, Nagar VAN and National Bamboo Mission revealed that collative APOs integrating all afforestation schemes were not formulated in any of the years between 2016-17 and 2022-23. Due to non-preparation of collative APOs, the intended purpose of the guidelines to prevent duplication of afforestation areas and ensure convergence of priority areas was not fulfilled.

The Department stated (December 2024) that no convergence was incorporated into the APO as the APO was prepared in accordance with the approved Perspective Plan, which does not include provision for convergence.

The reply of the Department is not tenable as the Convergence Guidelines for Integrated Greening Interventions requires that a single collative APO integrating all afforestation related schemes should be prepared at the State level so that duplication could be prevented and uniform convergence of priority areas may be ensured.

Audit concludes that the Department's inability to prepare collative APOs integrating all afforestation schemes, as mandated under Paragraph 4.1 of the Convergence Guidelines for Integrated Greening Interventions issued by MoEF&CC, undermined the core purpose of convergence, namely, preventing duplication of efforts, ensuring uniform targeting of priority and vulnerable areas and achieving synergistic ecological outcomes.

Despite the Department's claim that APOs were aligned only to the approved Perspective Plan, this approach disregarded the binding requirement to consolidate scheme-wise targets and incorporate KML files from all line departments into a single state-level APO. As a result, the State not only ran the risk of inefficient resource utilisation and fragmented afforestation efforts but also weakened its compliance with the norms and capacity to demonstrate coordinated progress under national afforestation priorities.

Recommendation: The SFDA should initiate steps to prepare APOs integrating all afforestation related schemes to avoid duplication of afforestation areas and ensuring convergence of priority areas to prevent duplication of efforts and to promote convergence and uniform coverage of priority areas.

4.9.9.7 Shortfall in number of prescribed meetings of different Bodies and Committees

According to Paragraph 4.6 of the GIM Implementation Guidelines, 2014, the General Body of the SFDA is required to meet annually, while the State Steering Committee (SSC) and the State Level Executive Committee (SLEC) are required to meet at least twice a year. At the district level, the General Body of the FDA should meet at least twice a year while the Executive Committee should meet quarterly.

However, scrutiny of minutes of meetings from 2015 to 2023 revealed a significant shortfall in the number of meetings held *vis-à-vis* the number mandated by the GIM guidelines. Details of these shortfalls of meeting at the State and District levels are summarised in **Table-4.13** and the year-wise details are shown in ***Appendix-4.3***.

Table-4.13: Statement showing the details of shortfall in conducting meeting during 2015-16 to 2022-23

Sl. No.	Name of Committee	Required number of meetings in a year	Actual number of meetings held	Shortfall in number of meetings	Shortfall (In *per cent*)
1.	SFDA (General Body)	8	0	8	100
2.	SSC	16	7	9	56.25
3.	SLEC	16	5	11	68.75
4.	Five FDAs (General Body)	80	1	79	98.75
5.	Five FDAs (Executive Committee)	160	1	159	99.37

Source: Minutes of meeting of SSC, SLEC and Five FDAs

From **Table-4.13**, Audit concluded that both the SFDA and the five FDAs in Mizoram did not comply with the meeting requirements prescribed under Paragraph 4.6 of the GIM Implementation Guidelines, 2014.

Between 2015–16 and 2022–23, the SFDA General Body conducted no meetings (against eight mandated), and the General Body and Executive Committees of the five FDAs collectively held only two out of 240 required meetings, reflecting a shortfall of over 98 *per cent*. This persistent lapse weakened institutional governance, strategic oversight, decision-making and the timely resolution of implementation challenges under the Mission.

The Department while agreeing to the Audit observation, stated (December 2024) that in future meetings would be held in compliance with the GIM implementation guidelines, 2014.

The lack of coordination between the Forest Development Agencies (FDAs) and the District Planning Committee was a critical oversight, preventing the formulation of a district-wise strategy for integrating the Green India Mission (GIM) with other schemes during the planning phase. The absence of a thorough survey to assess the sub-mission-wise area requirements within the L3 landscape undermined the effective implementation of GIM. Furthermore, repeated revisions to the Perspective Plan significantly delayed the mission's rollout, while the consistent tardiness in submitting Annual Plan of Operations (APOs) to the Ministry of Environment, Forest and Climate Change (MoEF&CC) delayed approval and fund release. The non-preparation of collative APOs was in violation of the 'Convergence Guidelines for Integrated Greening Intervention'. Additionally, the shortfall in the number of meetings to be held by various State and District-level Committees and Bodies led to poor coordination, reduced community engagement, delayed progress, weakened monitoring and missed opportunities for convergence.

Recommendation: The Department may ensure that the State and District level Committees/ Bodies should hold meetings as mandated under GIM guidelines.

4.9.10 Funding Mechanism

Audit Objective-2: To assess whether funds for the execution of the mission were released on time and was utilised properly for intended purpose

4.9.10.1 Fund Flow Mechanism

As per the GIM Implementation Guidelines 2014, cost sharing ratio under the Scheme is 90 *per cent* Central Share and 10 *per cent* State Matching Share.

4.9.10.2 Fund Receipt and expenditure

Table-4.14: Overall financial snapshot (2015–16 to 2022–23)

Category	Value (₹ in crore)
Total GoI Approved Outlay	388.99
Total Funds Released (GoI + State)	154.54
Funds from Other Sources	13.02
Bank Interest	0.00
Total Funds Available	167.57
Total Expenditure Incurred	167.57
Closing Balance	0.00

The year-wise details of fund receipt and expenditure during the period 2015-16 to 2022-23 are shown in **Table-4.15**.

Table-4.15: Statement showing fund receipt, expenditure and closing balance during 2015-16 and 2022-23

(₹ in crore)

Year	Opening Balance	Approved Outlay by GoI	Fund released			Fund from other sources	Bank Interest if any	Total fund available for the year	Expenditure incurred	Closing balance
			Central	State	Total					
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6) = (4) +(5)*	*(7)*	*(8)*	*(9) = (6) +(7) +(8)*	*(10)*	*(11) = (9)-(10)*
2015-16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2016-17	0.00	49.97.	9.88.	1.11	10.99	0.00	0.00	10.99	10.99	0.00
2017-18	0.00	71.62.	20.00	2.22	22.22	5.65[85]	0.00	27.88	27.88	0.00
2018-19	0.00	66.88	22.36	0.00	22.36	3.84[86]	0.00	26.20	26.20	0.00
2019-20	0.00	105.18	17.71	4.45	22.16	3.53[87]	0.00	25.69	25.69	0.00
2020-21	0.00	21.89	3.00	0.00	3.00	0.00	0.00	3.00	3.00	0.00
20221-22	0.00	48.74	29.86	3.65	33.51	0.00	0.00	33.51	33.51	0.00
2022-23	0	24.71	36.27	4.03	40.30	0.00	0.00	40.30	40.30	0.00
Total		**388.99**	**139.08**	**15.46**	**154.54**	**13.02**	**0.00**	**167.57**	**167.57**	**0.00**

Source: Records of the SFDA, Mizoram

For implementation of the Green India Mission (GIM) in Mizoram, approved outlays totalling ₹ 388.99 crore against the approved estimated cost of ₹348.26 crore as per approved Perspective Plan by Government of India and actual releases was ₹ 167.55 crore (including the State share, other sources and bank interest) over the period 2015-16 to 2022-23, the expenditure fully matched the available funds each year, leaving no reported closing balances.

4.9.10.3 Delay in release of fund

Audit noticed that there were delays in the release of funds from the State Government to the SFDA, from the SFDA to the FDAs and from the FDAs to the VFDCs as discussed in the succeeding paragraphs.

Pattern of Fund Releases

- **Initial Delay** : No funds were released in 2015–16 despite it being the starting year.
- **Low Releases in 2020–21** : Only ₹ 3.00 crore released, possibly due to COVID-19-related disruptions.
- **Spike in 2022–23** : ₹ 40.30 crore received and spent, indicating a possible catch-up on delayed activities.

85 FY 2017-18, ₹ 35.94 lakh from NEDP and ₹ 529.55 lakh from 14th Finance Commission

86 FY 2018-19, fund amounting to ₹ 383.89 lakh was from 14th Finance Commission

87 FY 2019-20, fund amounting to ₹ 353.05 lakh was from 14th Finance Commission

I Delay in release of Central share by State Government to SFDA

As per the conditions governing grant of sanctions issued by the MoEF&CC, on receipt of funds from RBI, the State Government has to release the funds to the SFDA within 15 days from the date of issue of sanction.

Audit observed that the State Government disbursed funds to the SFDA with delays ranging from 21 to 89 days as detailed in **Table-4.16**.

Table-4.16: Delay in release of funds from State Government to SFDA

(₹ in crore)

Period of APO	Instalment	Amount	Date of release/ sanction by MoEF&CC	Stipulated date of release by State Government	Actual date of release of fund	Delay (In days)
(1)	*(2)*	*(4)*	*(3)*	*(5)*	*(6)*	*(7) = (6) – (5)*
2016-17	1st	9.88	29-06-2016	14-07-2016	30-09-2016	78
	2nd	20.00	19-09-2017	04-10-2017	12-12-2017	69
	3rd	1.30	07-02-2019	22-02-2019	30-03-2019	36
2017-18						
2018-19	1st	21.07	07-02-2019	22-02-2019	30-03-2019	36
2019-20	1st	17.71	26-11-2019	11-12-2019	09-03-2020	89
2020-21	1st	2.99	11-02-2021	26-02-2021	19-03-2021	21
	2nd	16.70	10-12-2021	25-12-2021	22-02-2022	59
2021-22	1st	13.16	10-12-2021	25-12-2022	22-02-2022	59
	2nd	30.71	09-11-2022	24-11-2022	16-02-2023	84
2022-23	1st	5.56	09-11-2022	24-11-2022	16-02-2023	84

Source: Records of the SFDA, Mizoram

The Department, while agreeing to the Audit observations during the Exit Conference stated (December 2014) that reason was due to delay in release of fund by the Finance Department.

Audit concludes that the repeated delays, ranging from 21 to 89 days, in releasing funds from the State Government to the State Forest Development Agency (SFDA), despite the clear 15 days' timeline prescribed by the Ministry of Environment, Forest and Climate Change (MoEF&CC), would have affected the timely execution of the Green India Mission (GIM) activities. These delays would not only have disrupted seasonal and time-sensitive operations, such as plantation works, but also increased the risk of underperformance and poor-quality outcomes.

Moreover, such persistent non-compliance with sanction conditions reflects systemic weaknesses in interdepartmental coordination and financial process management.

II Delay in release of State Matching Share by State Government to SFDA

As per the Office Memorandum No. F. No1(13) PFMS/FCD/2020 dated 23 March 2021 of Ministry of Finance (PFMS Division), Government of India, the State share corresponding to the Central share should be released as early as possible but not later than 40 days from the release of the Central share.

Audit observed that the State Government released the State share with delays ranging from 49 to 65 days exceeding the maximum permissible limit of 40 days from the date of released of the Central share during 2021-23 as given in **Table-4.17**.

Table-4.17: Details of release of State share by State Government to SFDA during 2016-17 to 2022-23

(₹ in crore)

Year	Central share		State share		Delay exceeding 40 days
	Date of sanction by MoEF&CC	Amount	Date of sanction by State Government	Amount	
2016-17	29-06-2016	9.88	12-01-2017 and 17-02-2017	1.11[88]	Prior to 2021-22 there was no timeline for releasing of State share to SFDA.
2017-18	19-09-2017	20.00	12-12-2017	2.22	
2018-19	07-02-2019	22.36	11-06-2019	2.48	
2019-20	26-11-2019	17.71	09-03-2020	1.97	
2020-21	11-02-2021	3.00	09-03-2022	0.33	
2021-22	10-12-2021	29.86	09-03-2022	3.32	49
2022-23	09-11-2022	36.27	22-02-2023	4.03	65
Total		**139.08**		**15.46**	

Source: Records of the SFDA, Mizoram

The Department, while agreeing to the Audit observations and without commenting on the reason for the delay in the release of funds, stated (December 2024) that the Finance Department had been requested to comment on the issue. However, no comment from the Finance Department had been received (May 2025).

The delayed release of the State share, ranging from 49 to 65 days, exceeding the 40-days limit prescribed under the Ministry of Finance guidelines.

III Delay in release of fund by SFDA to FDAs

As per the condition envisaged in the sanction orders of the MoEF&CC, the SFDA should release the funds to the FDAs within a period of seven days of receipt of funds from the State Government for carrying out GIM activities in different L2 Landscapes.

Scrutiny of bank transactions of SFDA revealed that out of ₹ 167.57 crore released to five FDAs during 2016-17 to 2022-23, a sum of ₹ 88.61 crore was released to the five FDAs with delays ranging from two to 74 days as detailed in **Table-4.18**.

Table-4.18: Statement showing delay in release of fund from SFDA to FDAs

Year	Total Amount released by SFDA to FDA (₹in crore)	Amount released with delayed period from SFDA to FDA (₹ in crore)	Date of released of fund by State Government to SFDA, Mizoram	Date of fund released by SFDA To FDA	Stipulated date of release of fund by SFDA to FDA	Delay[89] (in days)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7) = (5)-(6)*
2016-17	10.99	9.86	21-11-2016	09-12-2016	28-11-2016	11
		1.10	07-03-2017	16-03-2017	14-03-2017	2
2017-18	27.88	12.99	05-01-2018	16-01-2018	12-01-2018	4
		7.12	05-01-2018	26-03-2018	12-01-2018	73
		1.87	05-01-2018	27-03-2018	12-01-2018	74
2018-19	28.69	No delay in release of fund				

88 ₹ 1.11 crore = Out of ₹ 1.11 crore an amount of ₹ 1.08 crore was released by State Government to SFDA on 12-01-2017 and ₹ 0.03 crore was release to SFDA on 17-02-2017

89 Delay is computed from the date indicated in the bank statements of SFDA to FDAs during 2016-2023

Year	Total Amount released by SFDA to FDA (₹in crore)	Amount released with delayed period from SFDA to FDA (₹ in crore)	Date of released of fund by State Government to SFDA, Mizoram	Date of fund released by SFDA To FDA	Stipulated date of release of fund by SFDA to FDA	Delay[89] (in days)
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (5)-(6)
2019-20	23.21	2.48	31-07-2019	03-09-2019	07-08-2019	27
2020-21	2.99	19.58	31-03-2020	11-05-2020	07-04-2020	34
		0.10	31-03-2020	13-05-2020	07-04-2020	36
2021-22	33.51	No delay in release of fund.				
2022-23	40.30	8.02	20-04-2022	12-05-2022	27-04-2022	15
		6.33	20-04-2022	07-05-2022	27-04-2022	10
		4.18	20-04-2022	06-05-2022	27-04-2022	9
		7.82	20-04-2022	06-05-2022	27-04-2022	9
		7.16	20-04-2022	10-05-2022	27-04-2022	30
Total	**167.57**	**88.61**				

Source: Fund released order from SFDA to five FDAs

Audit concludes that the State Forest Development Agency (SFDA), Mizoram, did not comply with the MoEF&CC's stipulated requirement to release funds to the Forest Development Agencies (FDAs) within seven days of receiving funds from the State Government. It was noticed that ₹ 88.61 crore, out of a total of ₹ 167.57 crore were released to FDA during 2016-17 to 2022-23 after delays ranging from two to 74 days.

The Department stated (December 2024) that the delay in release of fund ranged from 11 to 36 days as per SFDA bank statement. The reply is not tenable as scrutiny of the Bank statement furnished by the Department revealed that the actual delay ranged from two to 74 days.

IV Delay in release of fund by FDAs to VFDCs

As per condition envisaged in the sanction orders of the MoEF &CC, the FDAs should release the funds to VFDCs within a period of 15 days of receipt of funds from the SFDA for carrying out GIM activities in different L3 Landscapes.

Scrutiny of bank statements of five FDAs during 2016-17 to 2022-23 revealed that ₹ 36.66 crore was disbursed to the VFDCs under their jurisdiction with delays ranging from one to 41 days as detailed in **Table-4.19**.

Table-4.19: Statement showing the delay in release of fund from FDAs to VFDCs

Sl. No.	FDA	Amount (₹ in crore)	Year	Delay (In days)
1.	Aizawl	11.21	2016-17 to 2022-23	1 to 41
2.	Kolasib	11.90	2016-17 to 2021-22	1 to 34
3.	Champhai	3.22	2016-17 to 2022-23	5 to 26
4.	Darlawn	4.79	2016-17 to 2020-21	4 to 7
5.	Thenzawl	5.54	2016-17 to 2019-20	9 to 25
Total		**36.66**		

Source: Fund release orders of five FDAs to their respective VFDC

The Department stated (December 2024) that the respective FDAs would furnish the reply in this regard. However, replies from the FDAs have not been received (May 2025).

Audit concludes that the five Forest Development Agencies (FDAs) in Mizoram did not comply with the MoEF&CC's stipulated condition to release funds to Village Forest Development Committees (VFDCs) within 15 days of receipt from the SFDA, as evidenced by delays ranging from one to 41 days in disbursing ₹ 36.66 crore between 2016-17 and 2022-23.

These cumulative delays in the release of funds by the State Government to SFDA and SFDA to FDAs and FDAs to VFDCs disrupted the planned, time-sensitive implementation of afforestation and plantation works, compromised the seasonal efficiency of interventions, and led to a risk of underperformance against mission objectives. Moreover, the consistent non-adherence to prescribed timelines reflects governance weaknesses, poor financial management and institutional inefficiency across all levels.

Recommendation: The State Government may ensure timely release of funds at all levels to facilitate smooth execution of the Mission activities.

4.9.10.4 Suspected misappropriation of ₹ 9.19 crore

Paragraph 5.3 of GIM Implementation Guidelines, 2014 provides that the SFDA will devolve the fund to the concerned FDA in accordance with the approved Annual Plan of Operation (APO). The FDA will transfer the funds to the revamped Joint Forest Management Committees (JFMCs[90]) mandated by the Gram Sabha, which will implement the mission activities at the Village level.

It was observed from the Bank statement of the SFDA that on 30 March 2023, SFDA transferred ₹ 9.19 crore to the FDA, Kolasib. According to the Work Programme for APO 2021-22 and APO 2022-23, prepared by the FDA, Kolasib, ₹ 9.07 crore[91] was designated for 12 VFDCs, while ₹ 0.12 crore was allocated for Office Expenses (O.E). However, it was observed that instead of transferring ₹ 9.07 crore to the 12 VFDCs, the FDA, Kolasib, withdrew the entire amount in cash on 27 April 2023 in violation of the condition prescribed under paragraph 5.3 of GIM Implementation Guidelines, 2014. Further, there was no record showing the transfer/ payment of ₹ 9.07 crore to the 12 VFDCs or utilisation of the office expenses component of ₹ 0.12 crore.

Further, the bank statements of the 12 VFDCs did not reflect credit of ₹ 9.07 crore in their bank accounts during 2022-23 and 2023-24. In the absence of evidence/ proof of transfer of funds to the VFDCs and also without any trail of the money withdrawn from the bank by FDA Kolasib, the amount is suspected to have been misappropriated. However, the physical and financial progress report as well as Utilisation Certificates claimed full utilisation of this amount for GIM activities by FDA Kolasib.

The Department stated (January 2025) that the fund was released to the VFDCs and the documents regarding their utilisation were furnished.

[90] In Mizoram it is called Village Forest Development Committee (VFDC)

[91] 1. Kawnpui N (₹ 0.62 crore), 2. Bualpui (₹ 0.86 crore), 3. Zanlawn (₹ 0.68 crore), 4. Bukpui (₹ 0.69 crore), 5. Lungmuat (₹ 0.59 crore), 6. N. Chaltlang (₹ 0.79 crore), 7. N. Diakkawn (₹ 0.44 crore), 8. Thingdawl (₹ 0.81 crore), 9. Tumpui (₹ 0.78 crore) 10. Meidum (₹ 0.95 crore), 11. Pangbalkawn (₹ 0.94 crore) 12. Dilzau (₹ 0.92 crore)

The reply of the Department is not tenable as there was neither any evidence/ record proving the disbursement of ₹ 9.07 crore by the FDA, Kolasib nor proof of receipt of ₹ 9.07 crore by the 12 VFDCs. Further, record showing expenditure of the office expenses component of ₹ 0.12 crore at the FDA, Kolasib was also not available. Also, no voucher in support of the expenditure for the whole amount of ₹ 9.19 crore has been produced to Audit inspite of the written requests for their production. No contemporaneous records were furnished during audit. Any post-audit submission was neither verifiable nor consistent with the bank records.

The fact that ₹ 9.07 crore did not reflect in the bank accounts of any of the 12 intended VFDCs strongly indicates suspected misappropriation of public funds. The Department's claim of utilisation is unsupported and not tenable.

Recommendation: The State Government should initiate an investigation into the utilisation of the fund and take appropriate action.

4.9.10.5 Irregularities in submission of Utilisation Certificate to MoEF&CC

According to Rule 238(2) of GFR, 2017, the Ministry or Department concerned should release any amount sanctioned for the subsequent financial year only after Utilisation Certificate (UC) in respect of Grants of the preceding financial year is submitted. Further, the governing condition of the sanction orders of MoEF&CC envisage that the SFDA shall furnish UC as per form GFR 19-A, giving unspent balance and interest accrued figures and stating the reasons for non-utilisation of funds, if any, along with request for the release of next instalment of the Grants-in-Aid.

The details of UCs submitted by the SFDA to MoEF&CC during 2016-17 to 2022-23 is shown in the **Table-4.20**.

Table-4.20: Statement showing the details of UCs submitted to MoEF&CC during 2016-17 to 2022-23

(₹ in crore)

Year	Source of fund	Sanctioned amount	Amount for which UC submitted	Date of submission of UC
2016-17	CS	9.88	9.88	15-02-2017
	SMS	1.11	1.11	
2017-18	CS	20.00	20.00	28-06-2018
	SMS	2.22	2.22	
2018-19	CS	22.36	22.36	11-07-2019
	SMS	2.48	NIL	
2019-20	CS	17.71	17.71	15-09-2020
	SMS	1.97	NIL	
2020-21	CS	2.99	2.99	12-10-2021
	SMS	0.33	NIL	
2021-22	CS	29.86	29.86	21-09-2022
	SMS	3.32	3.65[92]	
2022-23	CS	36.27	36.27	31-08-2023
	SMS	4.03	4.03	

Source: Utilisation Certificate of the SFDA, Mizoram

[92] The total SMS of ₹ 3.65 crore comprises of two components: SMS of ₹ 0.33 crore for the year 2020-21 and SMS of ₹ 3.32 crore for the year 2021-22

Scrutiny of the Utilisation certificates revealed the following:

(i) ***Non-incorporation of State Matching Share in UCs***: As per the governing condition of the sanction order of MoEF&CC, the utilisation of State Matching Share (SMS) should be reflected in UC.

However, scrutiny of UCs for the year 2018-19 and 2019-20 revealed that UCs reflected the Central Share of ₹ 22.36 crore and ₹ 17.71 crore respectively without including utilisation details for the State Share of ₹ 2.48 crore for the year 2018-19 and ₹ 1.97 crore for the year 2019-20.

The Department replied (December 2024) that the format of the UC as prescribed in GFR does not provide the option for sharing utilisation of SMS and as such SMS was not incorporated in the UC submitted for 2019-20.

The reply of the Department is not tenable as the SFDA had already included State share of ₹ 2.22 crore for the year 2017-18 in the UC and therefore GFR format was not a hindrance in incorporating and correctly delineating the State share.

(ii) ***Incorrect UC for the year 2022-23***: Though the UC for the year 2022-23 reported (August 2023) full utilisation of the entire amount of ₹ 40.30 crore, it was observed that the amount of ₹ 40.30 crore was transferred to the five FDAs on 30 and 31 March 2023 only. Mere transfer of fund to the FDAs could not be treated as utilisation as the FDAs have to further transfer the funds to the VFDCs. Details of release of funds to the FDAs are given in the **Table-4.21**.

Table-4.21: Details of Fund Released by SFDA, Mizoram to five FDAs during 2022-23

(₹ in crore)

Sl. No.	Name FDA	Date of credit	Amount credited
1.	Aizawl	30-03-2023	6.89
2.	Champhai	31-03-2023	9.39
3.	Darlawn	31-03-2023	5.95
4.	Kolasib	30-03-2023	9.19
5.	Thenzawl	30-03-2023	8.88
Total			**40.30**

Source: Bank statement of the five FDAs

As evident from the above table, SFDA released the money to the FDAs at the fag end of the financial year clearly indicating that utilisation of the fund by the VFDCs during that financial year was impossible and unrealistic.

The Department replied (December 2024) that since the fund for 2022-23 was released in March 2023, the SFDA treated the entire release as expenditure.

The reply is not tenable as merely devolving the fund of ₹ 40.30 crore to FDAs cannot be considered as utilisation when the entire fund remained unutilised and lying in the bank accounts of the five FDAs.

Audit concludes that the State Forest Development Agency (SFDA), Mizoram, did not comply with both financial and performance reporting requirements under the Green India Mission (GIM), particularly for the year 2022-23. Despite reporting full utilisation of ₹ 40.30 crore and claiming physical achievements across advance work, creation work, and multi-year maintenance, audit scrutiny revealed that funds were only transferred to the five Forest Development Agencies (FDAs) on 30-31 March 2023. This would have left no realistic time for actual on-ground execution before the financial year closed.

Furthermore, Utilisation Certificates (UCs) submitted to the Ministry of Environment, Forest and Climate Change (MoEF&CC) excluded required details such as the State Matching Share (SMS) in some years and incorrectly treated mere inter-agency fund transfers as "utilization."

Recommendation: The State Forest Development Agency (SFDA) should ensure that submission of correct Utilisation Certificates to promote reliability and transparency.

4.9.10.6 Audit of Accounts of SFDA and FDA by Chartered Accountant

As per condition envisaged in the sanction orders of the MoEF &CC, SFDA shall get audited the Accounts of the SFDA/ FDAs operating GIM by a reputed Chartered Accountant (CA) empanelled by the Comptroller and Auditor General of India (C&AG).

The SFDA and FDA-wise CA reports are given in **Table-4.22**.

Table-4.22: **SFDA and FDA-wise details of CA report for the period from 2016-17 to 2022-23**

Sl. No.	Name of Agency	Period for which Accounts were audited by CA		
		From	To	Total years
1.	SFDA, Mizoram	2016-17	2019-20	4
2.	FDA, Aizawl	2016-17	2022-23	7
3.	FDA, Kolasib	2016-17	2019-20	4
4.	FDA, Champhai	2016-17	2019-20	4
5.	FDA, Darlawn	2016-17	2019-20	4
6.	FDA, Thenzawl	2016-17	2022-23	7

Source: CA report of the SFDA and five FDAs

Audit observed the following irregularities in the audit of Accounts by the empanelled Chartered Accountants (CA):

(i) The accounts of the SFDA were audited by the Chartered Accountant only for the four-year period from 2016–17 to 2019–20, while the accounts for the subsequent three years from 2020–21 to 2022–23 remained unaudited.

(ii) Out of the five FDAs, the Accounts of two FDAs, *i.e.*, Aizawl and Thenzawl were audited by a CA for the year 2016-17 to 2022-23. However, the Accounts of three FDAs, *i.e.*, Kolasib, Champhai and Darlawn were audited by CA only for four-year period from 2016-17 to 2019-20 years. The accounts of three years from 2020-21 to 2022-23 of all the three FDAs remained unaudited.

The Department replied (December 2024) that the Accounts of SFDA would be audited soon and the FDAs would be informed to get their balance accounts audited.

This lapse represents a significant gap in financial oversight, as annual external audits are a key control mechanism to verify proper use of public funds, ensure adherence to grant conditions, and detect irregularities or inefficiencies in scheme implementation.

Delays in the release of funds were observed at multiple levels-from the State Government to the SFDA, from the SFDA to the FDAs and finally from the FDAs to the VFDCs thereby impeding the execution of GIM activities. These delays caused GIM activities to spill over into subsequent financial years. Financial reporting was compromised due to irregularities, including the omission of the State Matching share in Utilisation Certificates (UCs) and the submission of inaccurate UCs. Furthermore, the FDA in Kolasib withdrew ₹ 9.19 crore in cash, intended for 12 VFDCs, in violation of the MoEF&CC's sanction order, with no evidence of disbursement to the VFDCs or details of the expenditure, rendering the transaction suspicious.

Recommendation: The Department should ensure that the accounts of the SFDA and FDAs are audited annually within a prescribed timeframe.

4.9.11 Implementation of GIM activities

Audit Objective-3: To assess whether the targets as stipulated under the mission were achieved

4.9.11.1 Short achievement of creation works over approved six-year period

MoEF&CC approved (June 2016) the Perspective Plan of GIM for Mizoram with a comprehensive physical target of 29,893 hectares area across eight L2 Landscapes. The physical target of 29,893 hectares encompassing four sub-missions was planned to be achieved over six-years *i.e.*, within the period from 2016-17 to 2021-22. The sub-mission (SM) wise physical target *vis-à-vis* achievement of Creation work as of 31 March 2022 as reported by the SFDA to the MoEF&CC is given in **Table-4.23**.

Table-4.23: Physical targets *vis-à-vis* achievement of creation work as of 31 March 2022

(Area in hectare)

Sub-mission/ Intervention	Creation works under the Category	Target as per Perspective Plan	Achievement against the targets	Achievement (in *per cent*)
SM-1: Enhancing quality of forest cover and improving ecosystem services (4.9 mha)	1(a) Moderately dense forest cover, but showing degradation (ANR Without Plantation)	3,800	3,003.74	79.05
	1(b) Eco restoration of degraded open forests Type (A) 200 Plants/ hectare	4,700	2,097.80	44.63
	1(b) Eco restoration of degraded open forests Type (B) 1,100 Plants/ hectare	593	294.60	49.68
	1(b) Eco restoration of degraded open forests Type (C) 2,500 Plants/ hectare	6,000	1,768.40	29.47

Sub-mission/ Intervention	Creation works under the Category	Target as per Perspective Plan	Achievement against the targets	Achievement (in *per cent*)
SM-2: Eco System restoration and increase in forest cover (1.8 mha)	(a) Rehabilitation of shifting cultivation areas	7,800	3,900	50.00
SM-3: Enhancing tree cover in Urban & Peri-Urban areas (including institutional lands) -0.2 mha	(a) - Plantation in Urban & Peri - Urban areas 2500/ Plants/ Ha	800	800	100.00
SM-4: Agro- Forestry and Social Forestry (Increasing biomass & Creating carbon sink)-	4(a) Farmers Land including current fallows	5,100	2,042.30	40.05
	4 (c) Highways/ Rural roads/ Canals/ Tank Bunds	1,100	1,100	100.00
Total		**29,893**	**15,006.84**	**50.20**

Source: Physical and financial progress report of SFDA, Mizoram under GIM

It can be seen from the above table that against the total target of Creation work in 29,893 hectares, the actual achievement over six years was 15,007 hectares which constitutes merely 50.20 *per cent* of the total target of 29,893 hectares as of 31 March 2022. Further, as of 31 March 2023 *i.e.*, the achievement was 19,643 hectares, constituting 65.71 *per cent* of total target even after a lapse of one year from the stipulated period of completion. Thus, the target for Creation work of 29, 893 hectare was not achieved.

The Department stated (December 2024) that the Ministry funded only 65.71 *per cent* of physical target and works/ creation were executed accordingly.

The reply is not tenable as it evident from **Table-4.23**, the achievement at the end of 31 March 2022, the Annual Plan of Operation (APO) period, was only 15,007 hectare (50.20 *per cent)* as against the 19,643 hectare (65.71 *per cent*) claimed by the Department. The achievement claimed additionally *i.e.*, (19,643 *minus* 15,007) 4,636 hectare was actually executed/ implemented in 2023-24 as discussed in the subsequent paragraph. Besides, the achievement reported by the SFDA to the MoEF&CC was doubtful since the figures did not flow from the ground level *i.e.*, from the VFDC level as discussed in **Paragraph 4.9.12.3**.

Recommendation: The Department may ensure that physical progress reporting is aligned strictly with the approved APO period and is based on verifiable VFDC-level documentation. Mechanisms for independent verification may be instituted to ensure authenticity and timeliness of data reported to the Ministry.

4.9.11.2 Incorrect reporting of physical and financial progress for the year 2022-23

According to physical and financial progress report and UC submitted (31 August 2023) by the SFDA to the MoEF&CC, the physical achievement from utilisation of ₹ 40.30 crore (sanctioned in 2022-23) included Advance work on 1,000 hectares, Creation work on 4,636 hectares, 1st year Maintenance on 905.20 hectares, 2nd year Maintenance on 3,753.30 hectares and 3rd year Maintenance on 7,709.20 hectares as detailed in **Table-4.24.**

Table-4.24: Statement showing component wise physical and financial achievement during 2022-23.

(Physical achievement in hectare and financial achievement in lakh)

Sl. No.	Component of work	APO 2021-22 (2nd instalment)		APO 2022-23 (1st instalment)		Total Achievement	
		Physical	Financial	Physical	Financial	Physical	Financial
1.	Advance work	0.00	0.00	1000.00	318.09	1,000.00	318.09
2.	Creation work	4,636.10	2,040.05	0.00	0.00	4,636.00	2,040.05
3.	1st year maintenance	877.00	162.98	28.20	2.78	905.20	165.76
4.	2nd year maintenance	3,323.30	541.35	430.00	21.24	3,753.30	562.59
5.	3rd year maintenance	5,731.50	626.40	1,977.70	270.82	7,709.20	897.22
6.	Mission organization, operation and maintenance	NA*	41.52	NA	4.77	NA	46.29
	Total	**14,567.90**	**3,412.30**	**3,435.90**	**617.70**		**4,030.00**

Source: Physical and Financial progress report of the SFDA for the year 2022-23

[*NA = Not applicable.]

Audit scrutiny of SFDA's physical and financial achievement report for 2022-23, cross-checked with SFDA bank statements, revealed discrepancies. The SFDA reported completion of significant activities such as Advance work on 1,000 hectares and Creation work on 4,636 hectares, despite the fact that ₹ 40.30 crore, which was purportedly utilised for these works, was disbursed only on 30-31 March 2023. Bank records and subsequent fund flow to VFDCs during 2023-24 confirm that execution of these works within the financial year was not feasible. Therefore, the achievements reported by SFDA lack of credibility, raise serious doubts about data integrity, and amount to misrepresentation of progress to the Ministry.

Recommendation: The Department may institute a robust verification mechanism to ensure that physical and financial progress reported by implementing agencies is strictly based on actual execution supported by verifiable documentation.

4.9.11.3 Execution of GIM activities in areas not approved in Perspective Plan

Paragraph 7(j) of the fund release order of approved APO for the financial year 2021-22 and 2022-23 by MoEF&CC stipulates that there shall be no diversion of earmarked funds from one L2/ L3 Landscape to another one except in case of unavoidable circumstances and only with the prior approval of Mission Directorate.

Further, paragraph 8(f) provides that saturation of the selected landscapes should be ensured sequentially starting with L3 Landscapes and progressing over L2 Landscapes and L1 Landscapes with the requisite interventions.

According to approved Perspective plan, a total of 12 L3 Landscapes were approved under L2 Landscape Aizawl to cover treatment of 5,700 hectare area during 2016-17 to 2021-22. Scrutiny of the work programme for L2 Landscape Aizawl revealed that in addition to the approved 12 L3 Landscape, GIM activities were taken up in additional 12 L3 Landscapes as summarised in **Table-4.25** covering an area of 844.50 hectare at the cost of ₹ 4.28 crore during 2022-23. Details of the 12 unapproved L3 Landscapes are given in ***Appendix-4.4.***

Table-4.25: Statement showing details of 12 unapproved L3 Landscape areas under Aizawl

Sl. No.	L3 Landscape	Area in hectare
1.	Aibawk	57.00
2.	Baktawng Chhuanthar	116.00
3.	Hmawngkawn	62.80
4.	Lamchhip	128.00
5.	Lungdai	158.70
6.	Mualkhang	46.80
7.	Mualluangthu	75.00
8.	N. Lungleng	25.00
9.	Sateek	29.20
10.	Thiak	92.00
11.	Tlungvel	40.00
12.	Darlawng	14.00
Total		**844.50**

Source: Fund release order of the FDA, Aizawl to respective VFDCs

The Department stated (September 2024) that due to insufficient land space in Aizawl Range to achieve the physical target, implementation of GIM outside Aizawl Range was necessary to achieve the target. Hence, there was no impact on approved 51 L3 Landscape since the target remained the same. Further, it was added that since there was no additional target, approval from the ministry was not required.

The reply of the Department is not tenable as the Department did not explain why the issue of insufficient land space was not addressed at the time of L3 Landscape survey. This action was in violation of paragraph 8(f) of the approved APO, which prohibits selecting saturated L3 Landscape. Additionally, the Department's expenditure of ₹ 4.28 crore on treatment of 12 unapproved L3 Landscape totalling 844.50 hectares instead of the 12 approved L3 Landscape contravenes the conditions set under paragraph 7(j) of approved APO. Furthermore, the Department did not explain as to how 844.50 hectares were accommodated within the approved area of 5,700 hectares under FDA, Aizawl.

Recommendation: The SFDA should ensure that prior to selection of landscapes for planning, L3 Landscapes requiring interventions are not saturated. This will facilitate smoother execution of GIM activities, preventing delays and inefficiencies in project implementation.

4.9.11.4 Expenditure of ₹ 45.40 lakh on items of work not permitted

Paragraph 9(m) of the fund release order (7 February 2019) for the APO 2018-19 by the MoEF&CC provides that there shall be no diversion of earmarked funds from one L2/ L3 Landscape to another except in case of unavoidable circumstances and then, only with the approval of GIM Directorate. Further, Paragraph 9(p) stipulates that SFDA shall submit non-diversion and non-embezzlement certificate each time a request for release of grant is made to GIM Directorate.

Under sub-mission 3-Enhancing tree cover in urban and peri-urban areas (including institutional lands), the SFDA released (10 May 2019) ₹ 64.80 lakh to FDA, Aizawl for material cost under Management[93] intervention component for executing balance of advance works[94] (2016-17) over 400-hectare area at the rate of ₹ 16,200 per hectare.

The FDA, Aizawl stated that ₹ 64.80 lakh, was utilised across 12 VFDCs as detailed in the **Table-4.26.** Audit scrutiny of documents furnished by the VFDC, Aizawl revealed that out of the total amount of ₹ 64.80 lakh, ₹ 45.40 lakh (70.60 *per cent*) was utilised for various construction works and the remaining ₹ 19.40 lakh was utilised for plantation related activities such as marking and labelling of existing trees, fixing of signboard, distribution of gardening tools, organising environment awareness campaigns, *etc*.

Table-4.26: Statement showing the details of expenditure of ₹ 45.40 lakh on construction works

Category	Location (VFDC)	Item of Work	Amount (₹ in lakh)
Cemetery Huts	Sihphir	Cemetery Hut	3.39
	Sihphir Venghlun	Cemetery Hut	4.00
	Muthi	Cemetery Hut	3.39
	Chaltlang	Cemetery Hut	4.00
Information Buildings	Durtlang	Information Building	3.39
	Maubawk	Information Building	4.00
Retaining/Railing Works	Durtlang North	Footpath with railing	3.39
	Tanhril	Railing, retaining wall and RCC pavement	4.00
	Zemabawk	Retaining Wall	5.67
Community/NGO Facilities	Tlangnuam	YMA (NGO) Office Workshop	3.39
	Melthum	Extension of VFDC House	3.39
	Hlimen	Pavilion at Mualzawl Volleyball Court	3.39
Total			**45.40**

Source: Cash book and voucher of VFDCs

Audit observed that ₹ 45.40 lakh out of ₹ 64.80 lakh released to FDA Aizawl under Sub-Mission 3 (SM-3) was spent on construction works such as cemetery huts, office extensions, retaining walls, and pavilions across 12 VFDCs. These expenditures were not related to afforestation or management interventions permissible under the Green India Mission. They were also not provided for in the approved APO.

93 The Fund release order of SFDA did not explicitly mention the items of work to be taken up under Management Intervention covered under the Advance work. In response to audit query, the FDA, Aizawl also did not list out the items of work to be taken up under Management Intervention

94 (i) Survey and demarcation including mapping, (ii) Area clearance by cutting grasses and maintenance, (iii) Fire line cutting, burning and maintenance, (iv) Clearance of sites for nursery, preparation of nursery bed, filling of poly bags, manuring shed and shed erection, (v) Treatment of sowing of seeds, and (vi) Weeding and watering

The Department stated (January 2025) that expenditure of ₹ 45.40 lakh should not be classified as a diversion, as these funds were used for the construction of the Entry Point Activity (EPA), which addresses the community needs. This initiative has strengthened the relationship between the FDA and the residents by focusing on community requirements.

The Department's justification that these were Entry Point Activities (EPA) is not acceptable, as such works require prior approval and inclusion in the APO, which was not evidenced. This constitutes misutilisation of funds in violation of Paragraphs 9(m) and 9(p) of the fund release order and undermines the intent and integrity of the scheme. The nature of expenditure completely different from the purpose for which funds had been earmarked and was thus tantamount to expenditure on non-permitted item of works.

Recommendation: The Department may strictly adhere to GIM guidelines and ensure that all expenditures are aligned with the approved APO. Mechanisms for vetting EPA proposals and verifying their inclusion in the APO should be established.

4.9.11.5 Non-implementation of Direct Benefit Transfer scheme

MoEF&CC directed (December 2016) the State Governments to make payment of wages/ remuneration through the bank accounts of the recipients engaged in the implementation of the Mission activities in compliance with Direct Benefit Transfer (DBT) scheme.

The SFDA reported to the MoEF&CC (22 October 2019) that full implementation of Direct Benefit Transfer (DBT) was not feasible in several VFDCs due to the absence of banking facilities, attributable to their remoteness and poor power and internet connectivity. It also added that the labour class were not aware to open bank accounts for fear of undue delay in the processing of their small earnings. The SFDA further stated that despite the difficulties, attempt was being made to transfer the wages to the labourers' bank accounts in the implementation of DBT.

Scrutiny of muster roll register revealed that payment of wages to labourers in all the five selected FDAs were made in cash.

The Department (January 2025) stated that DBT will be implemented henceforth.

Audit concluded that the State Forest Development Agency (SFDA), Mizoram, did not implement the MoEF&CC directive of December 2016 mandating payment of wages through DBT to the bank accounts of labourers engaged under the GIM. Despite citing operational challenges such as limited banking access, poor connectivity, and low awareness, the SFDA continued to disburse wages entirely in cash across all five selected FDAs, as verified by muster roll scrutiny. This non-compliance not only violated DBT policy but also significantly increased the risk of fund leakages, misappropriation, and irregularities in wage disbursement.

Recommendation: The SFDA should implement Direct Benefit Transfer system to the maximum possible extent to ensure timely delivery of benefits directly to beneficiaries and prevent leakages. Necessary enabling measures such as proactive facilitation of bank account opening, use of mobile banking vans and coordination with banking correspondents in collaboration with financial institutions.

4.9.11.6 Non-convergence of GIM with CAMPA and MGNREGS

MoEF&CC and Rural Development Department, Government of India jointly issued (3 March 2015) guidelines for convergence of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) with GIM across all states. Also, MoEF&CC issued (May 2015) State Compensatory Afforestation Fund Management and Planning Authority (CAMPA) and GIM convergence guidelines, mandating the implementation of the Green India Mission (GIM) and the CAMPA in a coordinated manner.

Audit noticed that despite clear guidelines issued by the MoEF&CC and the Ministry of Rural Development in 2015 mandating convergence between the Green India Mission (GIM) and both MGNREGS and CAMPA, no such convergence was achieved in Mizoram. Examination of the Annual Plan of Operations (APOs) of GIM and CAMPA revealed no coordinated planning or implementation between the two schemes. Furthermore, the Rural Development Department confirmed that no convergence-related activities between MGNREGS and GIM were undertaken during the period 2016–17 to 2022–23. The absence of convergence undermined the potential for resource optimisation, improved coverage, and enhanced outcomes envisaged under the national policy framework.

The Department while agreeing to the Audit observation stated (January 2025) that convergence guidelines will be adhered to.

4.9.11.7 Low survival rate of plantation along Highways and Rural roads

A Joint Physical Verification (JPV) of forty plantation sites were conducted by an audit team with officials of FDAs during 1 May to 31 July 2024 to assess the plantation survival rate.

Out of forty plantation sites, seven sites falling under Sub Mission 4(c)-Highways and Rural Roads showed poor performance with survival rates ranging from 21.43 to 51.71 *per cent*.

Details of plantation site-wise survival data is provided in ***Appendix-4.5***.

These findings point to inadequate planning, weak inter-agency convergence, and poor accountability mechanisms in safeguarding plantation investments under Sub-Mission 4(c). Consequently, the survival failure undermined the environmental and financial objectives of the Green India Mission in road-adjacent afforestation zones.

The Department stated (December 2024) that due to development works like widening of roads and occurrence of landslides, survival rate of plantations under sub-mission 4(c) was low. However, audit noticed that there was no communication between the Divisional Forest Officers on construction/widening of roads and the user departments on the damaged plantations to confirm the Department's claim. In the absence of documented interdepartmental communication or mitigation planning, the Department's justification remains unsubstantiated.

4.9.11.8 Plantation in farmers' land

Paragraph 7.1 of the GIM Implementation Guidelines, 2014, provides that the Mission accords considerable emphasis to the development of forests on private and farmers' lands. Over the Mission period, about 3 million hectares of new forest and tree cover is envisaged on the farmers' land.

Scrutiny of records of the 21 sampled L3 Landscapes under seven sampled L2 Landscapes revealed that out of 21-L3 Landscape, plantation in farmers' land under sub-mission 4(a) was taken up in 19-L3 Landscapes only. Further scrutiny revealed the following irregularities in the plantations on farmers land as below:

Summary of Irregularities in Plantation on Farmers' Land under Sub-Mission 4(a)

A. Table-4.27: Narrative Summary of Findings

Sl. No.	Location (L3 Landscape)	FDA	Key Irregularities	Audit Observation
1.	Durtlang North	Aizawl	₹ 5.50 lakh disbursed to 28 farmers (2021–23). Only eight received funds for Creation work; rest 20 only for Maintenance without prior stages.	Department claimed Advance & Creation done in 2018–19, but no supporting documents were provided.
2.	Durtlang	Aizawl	₹ 3.51 lakh given to 54 farmers for Maintenance only; no records of prior Advance/ Creation work.	Actual afforestation doubtful due to absence of preparatory work details.
3.	Sihphir Venghlun	Aizawl	₹ 3.99 lakh to 15 farmers (Creation), ₹ 2.16 lakh to 49 farmers (Maintenance) in 2022 – 23. No records of Advance work.	In absence of Advance work, all expenditure is considered doubtful.
4.	Baktawng Chhuanthar	Aizawl	₹ 2.79 lakh paid to 55 farmers for Maintenance over 46 ha in 2022–23. No details of Advance/Creation. Additional ₹ 13.10 lakh paid without activity details.	Payments made without prerequisite works or purpose; plantation authenticity doubtful.
5.	Thentlang	Thenzawl	₹ 51.99 lakh disbursed between 2016–17 and 2022–23 for 100 ha: Advance (₹ 13.50 lakh), Creation (₹ 17.89 lakh), Maintenance (₹ 20.60 lakh).	No land, payee, or fund transfer details furnished; audit unable to verify implementation.
6.	Chawngtlai, Kawlkulh, Pawlrang, Vanchengpui	Champhai	₹ 48.03 lakh disbursed to 134 farmers for Creation & Maintenance (2019–20) across 156.20 ha.	No earlier assistance for Advance work; Creation & Maintenance thus not supportable.
7.	Buhban, Hmunnghak, Khawruhlian	Darlawn	₹ 59.57 lakh disbursed to 97 farmers for all three work stages across 200 ha.	Payment records (receipts, bank transfers, activity dates) not furnished despite exit conference assurance.

B. Detailed Tabular Data from FDAs

Table-4.28: Disbursement of ₹ 48.03 lakh to 134 farmers under FDA Champhai

Sl. No.	L3 Landscape	No. of Beneficiaries	Area Covered (ha)	Amount Disbursed (₹ in lakh)	Activity
1.	Chawngtlai	43	43.20	17.20	Creation & Maintenance
2.	Kawlkulh	22	44.00	8.37	Creation & Maintenance
3.	Pawlrang	34	34.00	10.34	Creation & Maintenance
4.	Vanchengpui	35	35.00	12.12	Creation & Maintenance
Total		**134**	**156.20**	**48.03**	

Table-4.29: Disbursement of ₹ 59.57 lakh to 97 beneficiaries under FDA Darlawn

Sl. No.	L3 Landscape	No. of Beneficiaries	Total Area (ha)	Amount Disbursed (₹ in lakh)
1.	Buhban	30	60	19.25
2.	Hmunnghak	35	60	18.12
3.	Khawruhlian	32	80	22.20
Total		**97**	**200**	**59.57**

The Green India Mission (GIM) guidelines emphasize afforestation on farmers' lands under Sub-Mission 4(a), with Advance, Creation, and Maintenance works to be undertaken sequentially. Audit scrutiny of records across seven sampled FDAs revealed systemic irregularities in the execution of plantation works on farmers' land.

In multiple instances, including Durtlang North, Durtlang, Sihphir Venghlun, Baktawng Chhuanthar, Thentlang, Champhai, and Darlawn, financial assistance amounting to over ₹ 1.70 crore was disbursed to farmers for Creation and Maintenance activities without evidence of preceding Advance work or actual plantation. Land ownership records, activity documentation, Actual Payee Receipts, and bank transfer details were either absent or not furnished. In some cases, such as at Baktawng Chhuanthar, funds were released without indicating the purpose of expenditure. Despite departmental claims during the Exit Conference, no documentary evidence was subsequently submitted.

Recommendations:

The Department may ensure that-

- ***all FDAs maintain updated and verifiable records of landholding farmers, including GPS-tagged plots and Aadhaar-linked bank accounts;***
- ***release of funds must be conditional upon verified completion of prior stage activities, supported by photographic and geo-tagged evidence; and***
- ***disbursement should be accompanied by Actual Payee Receipts, fund transfer proof and a purpose-wise break-up.***

(i) Other deficiencies/ issues

(a) ***Lack of Formal Agreements*****:** It was observed that no formal agreements were executed with the farmers whose lands were brought under plantation activities.

During the exit conference, the Department stated (January 2025) that though no formal agreement was signed with the farmers, their consent was obtained in writing.

(b) ***Advance work taken up without assessing farmers' land in Tlungvel L3 Landscape:*** During 2022-23 ₹ 3.58 lakh was spent for Advance work in 20 hectare area under Tlungvel L3 Landscape under FDA, Aizawl However, the details of farmers' lands were not on record. This suggests that Advance work was taken up without assessing actual land availability or securing confirmed participation, rendering the expenditure premature and potentially unproductive.

(c) ***Wasteful expenditure in six L3 Landscapes under FDA, Kolasib***: As per information furnished by the FDA, Kolasib relating to execution of GIM activities on farmers' lands during 2016-17 to 2020-21, total Advance work[95] in 310.87 hectare area was taken up incurring expenditure of ₹ 73.21 lakh and against that Creation work[96] was taken up in 208.22 hectare area incurring ₹ 31.92 lakh in six sampled L3 Landscapes, the details of which are given in ***Appendix-4.6***.

Since the Advance work was carried out in 310.87 hectare area, the Creation work should have been carried out in the same area of land. As Creation work logically follows Advance work, the non-utilisation of preparatory works over 102.65 hectares resulted in wasteful expenditure of ₹ 24.17 lakh, defeating the very purpose of initial investment and resource mobilisation.

These deficiencies point to a serious lapse in planning, beneficiary identification, and execution oversight, resulting in financial loss and inefficacy of the afforestation programme on private land. The absence of binding agreements, lack of field-level verification, and partial implementation of sequential activities undermine the credibility and sustainability of the intervention.

4.9.11.9 Non-establishment of Research and Development (R&D) Centre under the Mission

Paragraph 4.6 Annexure-IV(A)(III)) of the GIM implementation guidelines, 2014 provides that the Mission Directorate (SFDA) should coordinate pilot research projects related to activities envisaged in the Green India Mission document and disseminate such results for further improvement.

Scrutiny of physical and financial progress report of L1 Landscape for the year from 2016-17 to 2022-23 revealed that SFDA, Mizoram did not incur any expenditure on research projects under the Mission. Thus, due to non-establishment of Research and Development Centre the Department could not ensure the use of appropriate species.

The Department, while agreeing to the Audit observation, stated (December 2024) that due to non-release of funds from the MoEF&CC for the research component, SFDA did not carry

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[95] Advance work refers to the preparatory activities like site preparation, siteclearance - grasses and shrubs, Fire line cutting, burning, *etc*.

[96] Creation work involves the actual establishment of plantations activities such as planting saplings, sowing seeds, *etc*.

out any research on activities under GIM. The reply, however, was silent on whether any proposal for a research project had ever been made by the SFDA.

Audit concluded that the State Forest Development Agency (SFDA), Mizoram, did not discharge its mandated responsibility under Paragraph 4.6 of the Green India Mission (GIM) Implementation Guidelines, 2014, which required coordination of pilot research projects and dissemination of findings to inform and improve Mission activities. Despite the Department's claim that no research was undertaken due to non-release of funds from MoEF&CC, the absence of any evidence that the SFDA proactively developed or submitted research proposals points to institutional inertia and lack of strategic initiative.

4.9.11.10 Non-updation of GIM information on website for public access

The MoEF&CC, Government of India vide its Office Memorandum dated 19 August 2016 directed the SFDA, Mizoram to create/ open a web-link on the website of the State Forest Department. The web-link will provide details of the activities taken up under GIM. A quarterly statement of accounts and progress of works carried out in each of the L3 level Landscapes shall be uploaded in the web-link. SFDA shall also upload a comprehensive Annual Report on the progress of works and utilisation of fund in respect of all L2 Level Landscapes in the web -link soon after the end of a financial year.

The SFDA, Mizoram created a web link on the website (https://*forest.mizoram.gov.in*) of the Environment Forest and Climate Change Department, Government of Mizoram on 06 June 2017. However, after posting the Quarterly Progress Reports for 2016-17 on 25 July 2017, there were no further updates posted or uploads of quarterly accounts or progress reports as of September 2024.

Thus, the SFDA did not upload the quarterly statement of accounts and progress of works carried out in each of the L3 level Landscapes and the Annual Report of all L2 Landscapes at the end of each financial year on the website resulting in lack of accessible information in the public domain.

The Department, while agreeing to the Audit observation, stated (December 2024) that the requisite information/ data (on the website) will be updated/uploaded. However, website was not updated (May 2025).

Physical achievement of Creation work over a six-year span-from 2016-17 to 2022-23 amounted to a mere 15,007 hectares, constituting only 50.20 *per cent* against the target of 29,893 hectares. GIM activities across 12 L3 Landscapes, covering 844.50 hectares, were executed without approval in the Perspective Plan, exposing a fundamentally flawed and defective planning process.

Payment of wages to labourers through DBT did not materialise. The GIM activities were not executed in convergence with CAMPA and MGNREGS, leaving execution expenses inflated.

Joint Physical Verification (JPV) of Plantation sites showed a grim picture of survival of plants along Highways and Rural Roads (sub-mission 4(c)) which languished between a dismal 21.43 *per cent* and a mediocre 51.71 *per cent*.

Furthermore, glaring inconsistencies between Advance work, Creation work and Maintenance work in case of plantations on farmers' land (sub-mission 4(a)) cast serious doubts on the authenticity and effectiveness of GIM activities at the ground level.

Recommendation: The SFDA should ensure that all relevant information regarding GIM activities is regularly updated on the website of the Environment, Forest and Climate Change Department, Government of Mizoram. The SFDA should further enhance public access to this information to promote transparency, encourage community engagement and allow stakeholders to monitor progress effectively.

Audit Objective-4: To assess whether existing review and monitoring mechanism is effective and adequate in the realisation of quantifiable targets under each sub-mission.

4.9.12 Monitoring mechanism involved to assess the activities undertaken in GIM

4.9.12.1 Non preparation of report on Performance Monitoring Framework (PMF)

Paragraph 6.7 of GIM implementation guidelines, 2014 envisages that the Performance Monitoring Framework (PMF) or Result Framework (RF) would be at the loci of the Monitoring and Evaluation system. All the Monitoring and Evaluation imperatives in the mission needs to be aligned to PMF/RF and should respond to the PMF/ RF as indicated under Annexure-VI of GIM implantation guidelines, 2014.

Under the Performance Monitoring Framework, Local Forest Development communities[97] are required to annually assess- (i) whether the quality of forest cover & ecosystem services of forest and non-forest is improved in Moderately dense and Open Forests; (ii) whether Ecosystems are restored and forest cover is increased in Shifting cultivation areas; (iii) whether public forest/ non-forest areas are managed by the community institutions; and (iv) whether efficient and alternative energy devices in place of fuelwood is adopted by the households.

In response to audit queries, the FDAs replied that they had not prepared any performance monitoring reports in the form prescribed by under Annexure-VI or any other form prescribed by SFDA, Mizoram.

Non-preparation of the performance monitoring reports was in violation of the GIM implementation guidelines. As a result, critical indicators such as the improvement in forest

[97] In Mizoram the Local Forest Development Committee is Village Forest Development Committee (VFDC)

quality and ecosystem services, restoration of shifting cultivation areas, community-led management of forest and non-forest areas, and the adoption of alternative energy devices in households were not assessed or documented. This reflects a serious lapse in compliance with GIM guidelines and a missed opportunity to evaluate and demonstrate impact at the community level.

During the Exit conference, the Department stated (December 2024) that FDAs would be directed to devise PMFs.

Recommendations:

- ***All FDAs may prepare annual performance monitoring reports in the format prescribed under Annexure-VI of the GIM guidelines;***
- ***Orientation and training may be provided to VFDCs and FDAs on the importance, methodology and documentation requirements under the PMF; and***
- ***SFDA should institute a mechanism for regular review of PMF compliance and integrated into the fund release and evaluation cycle.***

4.9.12.2 Social audit of VFDCs

According to Paragraph 6.9 of the GIM Implementation Guidelines 2014, the Gram Sabha will regularly conduct a social audit of Mission activities at Village level in accordance with the provisions outlined in Section 17 of the National Rural Employment Guarantee (NREG) Act and the social audit report shall be made available in the public domain.

Scrutiny of Social Audit Reports pertaining to the expenditure under Green India Mission (GIM) by the VFDC during 2016-17 to 2022-23 revealed the following:

(I) ***Non-involvement of Gram Sabha in Social Audit***: Paragraph 6.9 of the GIM implementation guidelines, 2014 envisages that the Gram Sabha will carry out social audit of all expenses incurred by the Committees constituted by the Gram Sabha.

However, contrary to Paragraph 6.9 of the guidelines, it was observed from Social Audit Reports pertaining to GIM that the Village Council President alone or together with local NGOs *viz*., Young Mizo Association (YMA), Mizo Hmeichhia Insuihkhawm Pawl (MHIP) and Mizo Upa Pawl (MUP) conducted social audits of expenses incurred by the VFDCs in the execution of GIM at the L3 landscape level instead of the Social Audit conducted by the Gram Sabha. Due to non-conduct of social audit by the Gram Sabhas, the scope for individuals to scrutinise the implementation of GIM and compare official records with actual ground realities and to ensure that GIM was executed efficiently, transparently, and in alignment with the needs of the community, was limited.

(II) ***Absence of regular social audit***: Contrary to the requirement of regular social audit, it was observed from the Social Audit Reports of the sampled VFDCs that executed the GIM activities at L3 Landscape (village level) for the period from 2016-17 to 2022-23, the frequency of social audit was very irregular. The details of social audits conducted in sampled 21 VFDCs during 2016-17 to 2022-23 is shown under **Table-4.30.**

Table-4.30: VFDC-wise Social Audits Conducted (2016–17 to 2022–23)

Sl. No.	FDA	VFDC	Audit Period (From–To)	Required Audits (7 yrs)	Audits Conducted	Shortfall
1.	Aizawl	Sihphir Venghlun	2016-17 to 2018-19	7	3	4
2.	Aizawl	Durtlang	2016-17 to 2018-19	7	3	4
3.	Aizawl	Durtlang North	2016-17 to 2018-19	7	3	4
4.	Aizawl	Lamchhip	—	7	0	7
5.	Aizawl	N. Lungleng	—	7	0	7
6.	Aizawl	Baktawng Chhuanthar	—	7	0	7
7.	Aizawl	Tlungvel	—	7	0	7
8.	Darlawn	Buhban	2016-17 to 2019-20	7	4	3
9.	Darlawn	Hmunnghak	2016-17 to 2018-19	7	3	4
10.	Darlawn	Khawruhlian	2016-17 to 2019-20	7	4	3
11.	Champhai	Kawlkulh	2016-17 to 2019-20	7	4	3
12.	Champhai	Pawlrang	2016-17 to 2019-20	7	4	3
13.	Champhai	Vanchengpui	2016-17 to 2019-20	7	4	3
14.	Champhai	Chawngtlai	2016-17 to 2020-21	7	5	2
15.	Kolasib	Bualpui	2019-20	7	1	6
16.	Kolasib	Bukpui	2019-20	7	1	6
17.	Kolasib	Dilzau	2019-20	7	1	6
18.	Kolasib	New Diakkawn	2019-20	7	1	6
19.	Kolasib	Thingdawl	2019-20	7	1	6
20.	Kolasib	Medum	2019-20	7	1	6
21.	Thenzawl	Thentlang	2016-17 to 2018-19	7	3	4

Source: Records of the respective VFDCs mentioned in column 3 of the table

Note: Each VFDC was required to conduct one social audit per year. Total audits required over 7 years = 7.

It can be seen from **Table-4.30** that out of 21 sampled VFDCs, the social audit of GIM expenditure incurred by the four VFDCs (Sl. No. 5 to 8) was not conducted at all during all the seven years. Further, in the case of balance 17 VFDCs, the shortfall in frequency of social audit ranged from two to six against seven required to be conducted.

The Department stated (December 2024) that efforts will be made to increase the frequency of social audit.

Absence of regular social audits of expenditure incurred under Green India Mission may result in lack of accountability, transparency and community engagement, jeopardizing the goals of greening India, combating climate change and supporting sustainable livelihoods.

Regular social audits will ensure that the mission stays on track and will deliver tangible benefits to both the environment and society.

(III) ***Non sharing of Social Audit Reports in public domain***: Paragraph 6.9 of the GIM implementation guidelines provides that the Social Audit Reports should be made available in the public domain. However, it was observed that none of the Social Audit Reports was found available in the official website of the Environment, Forest and Climate Change Department, Government of Mizoram. Due to non-sharing of Social Audit Reports in the public domain, the public remained in the dark about the true extent of afforestation achieved under GIM.

Recommendations:

- ***Regular/ periodical social audits of VFDCs should be conducted by the Gram Sabha of the Village concerned;***
- ***A schedule of annual audits may be formalised and monitored by SDFA;***
- ***Continued release of GIM funds to VFDCs may be linked to timely submission of completed and community-validated social audit reports; and***
- ***All social audit reports should be uploaded to the official GIM portal and displayed at village notice boards for public access.***

4.9.12.3 Non-submission of physical and financial achievement report by VFDCs to FDAs

As per the condition laid down in the sanction orders of MoEF&CC, each Village Forest Development Committee (VFDC) are to submit quarterly accounts and progress reports for L3 Landscapes to the Forest Development Agencies (FDAs). The FDAs are responsible for compiling these reports for submission to the State Forest Development Agency (SFDA), which then prepares an annual report on the physical progress and fund utilisation for all L2 Landscapes to be sent to MoEF&CC at the end of the financial year.

Table-4.31: Status of submission of physical and financial achievement report

Level	Entity	Reported Figures	Actual Status	Remarks
VFDC (L3)	12 VFDCs under FDA Kolasib	No reports submitted to FDA	No funds credited to VFDC bank accounts	Indicates break in reporting and fund flow chain
FDA (L2)	FDA Kolasib	Reported ₹ 9.19 crore progress for two L2 landscapes to Conservator of Forest (13 Nov 2023)	₹ 9.19 crore withdrawn in cash on 27 Apr 2023; not transferred to VFDCs	False reporting; violates fund disbursement norms
SFDA (State)	SFDA, Mizoram	Reported total financial achievement of ₹ 40.30 crore to MoEF&CC (31 Aug 2023)	Included ₹ 9.19 crore from FDA Kolasib, though it was not utilised at L3 level	Misleading aggregation; data not grounded in actual implementation status

- ₹ 9.19 crore (about 23 *per cent* of total ₹ 40.30 crore reported by SFDA) never reached implementation level.

- None of the VFDCs submitted the required quarterly reports to their FDA.
- The reporting chain from VFDC → FDA → SFDA → MoEF&CC is compromised at every level in this case.

The lack of bottom-up reporting by VFDCs, compounded by top-down aggregation without verification, has compromised the credibility, completeness, and transparency of financial and physical progress reporting under GIM. This undermines the accountability framework of the programme and impairs the Ministry's ability to assess actual implementation on the ground.

Consequently, due to the non-reporting by VFDCs to FDAs, the accuracy of the comprehensive annual data reported by SFDA to MoEF&CC from 2016-17 to 2022-23 was doubtful.

The Department stated (December 2024) that all the member Secretaries of VFDCs would be instructed to submit the physical and financial progress of L3 Landscape to their respective FDAs.

Recommendations:

(i) ***VFDCs may be strictly directed to submit quarterly physical and financial reports in a standardised format, non-compliance of which would have warranted withholding of future fund releases;***

(ii) ***A state-level online portal may be developed for VFDCs to upload real-time progress data, linked to fund utilisation and geotagged outcomes; and***

(iii) ***FDAs may certify that all L2 reports submitted to SFDA are based on verified data received from L3 level.***

4.9.12.4 Incorrect reporting of L2 Landscape and its data to MoEF&CC

As per Ministry of Environment Forest and Climate Change (MoEF&CC) letter dated 27 April 2020, SFDA was required to submit the information relating to KML files containing information about afforestation sites under GIM.

Accordingly, the SFDA provided the required information to MoEF&CC on 9 September 2021. From the detailed report on Green India Mission plantation sites for the period from 2015-16 to 2020-21 available on the MoEF&CC website, it was observed that that while KML files of afforestation site of L2 Landscape Chalfilh was reported to the Ministry, this L2 Landscape does not appear in the approved Perspective Plan or in any APO. In contrast, Darlawn L2 Landscape was documented in both the Perspective plan and APOs.

Thus, the SFDA, Mizoram provided incorrect information regarding L2 Landscapes to MoEF&CC which requires rectification. In response to an audit inquiry, SFDA stated that Chalfilh should be interpreted as Darlawn; however, this correction was not communicated to MoEF&CC, resulting in inaccurate information being publicly made available.

The Department stated (December 2024) that corrective measures would be taken in this regard. However, no further reply had been received (May 2025).

The Annual Performance Monitoring Framework (PMF) was not established at the Local Forest Development Committee level. Furthermore, it was observed that social audits were conducted by the Village Council President instead of the mandated authority *i.e.*, the Gram Sabha. This deviation deprived the individual community members of the opportunity to scrutinise the execution of the GIM, compare official records with on-the-ground realities and ensure that the mission was implemented efficiently, transparently and in alignment with the community's needs. Low frequency of social audits reduced the impact of accountability and transparency framework. Additionally, the non-availability to make social audit reports for public access exacerbated the lack of openness and hindered public oversight.

The audit also found a significant gap in reporting mechanisms, as there was no consistent submission of physical and financial progress reports between the Village Forest Development Committee (VFDC) and the Forest Development Agency (FDA). This absence of reporting led to inaccurate assessments of the treatment and restoration efforts at landscape-level. Moreover, the submission of erroneous data to the funding agency pointed to a broader absence of an effective internal control mechanism at the State Forest Development Agency (SFDA) level, raising concerns about the reliability and integrity of the data.

4.9.13 Conclusion

Audit noticed a lack of coordination between the Forest Development Agencies (FDAs) and the District Planning Committee. District-wise requirement for implementation of the Green India Mission (GIM) in convergence with other schemes could not be formulated at the Planning stage. Proper assessment/ land survey for the actual treatment at the grassroots level was not carried out. Instances of delay in release of funds were observed at multiple levels-from the State Government to the State Forest Development Agency (SFDA), from the SFDA to the Forest Development Agencies (FDAs) and finally from the FDAs to the Village Forest Development Committees (VFDCs) thereby impeding the execution of GIM activities. Instead of transferring fund to 12 VFDCs, the FDA, Kolasib withdrew ₹ 9.07 crore in cash in violation of the MoEF&CC's sanction order rendering the transaction suspicious. Physical achievement of Creation work over a six-year span-from 2016-17 to 2022-23 was 50.20 *per cent* against target. Payment of wages to labourers through Direct Benefit Transfer (DBT) was not implemented. There was no convergence with Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and Compensatory Afforestation Fund Management and Planning Authority (CAMPA) for implementation of GIM. Audit noticed doubtful expenditure on plantation in farmers' land. The SFDA had not updated the information on GIM in the website of the Department since July 2017. Performance monitoring reports were not prepared by the VFDCs in violation of the GIM implementation guidelines. Social Audits of Mission activities at Village level were not conducted regularly and none of the Social Audit Reports was available on the official website of the Environment, Forest and Climate Change Department, Government of Mizoram.

4.9.14 Recommendations

The Government may consider the following recommendations:

(i) ***Initiate steps to link Forest Development Agencies (FDAs) with District Planning Committees to formulate District-wise requirement for implementation of Green India Mission (GIM) in convergence with other schemes at the Planning stage, to ensure alignment of priorities and resources;***

(ii) ***Ensure that all potential L3 Landscapes are identified through proper, verifiable surveys at the grassroots level before undertaking treatment activities, so that Micro plans and Perspective Plans are based on accurate and comprehensive field data;***

(iii) ***Ensure timely release of funds at all levels to facilitate smooth execution of the Mission activities. Further, strictly adhere to GIM guidelines and ensure that all expenditures are aligned with the approved Annual Plan Operation (APO);***

(iv) ***Implement Direct Benefit Transfer system to the maximum possible extent to ensure timely delivery of benefits directly to beneficiaries and prevent leakages. Necessary enabling measures such as proactive facilitation of bank account opening, use of mobile banking vans, and coordination with banking correspondents may be undertaken in collaboration with financial institutions;***

(v) ***Ensure that all relevant information regarding GIM activities is regularly updated on the website of Environment, Forest and Climate Change Department, Government of Mizoram. Enhancing public access to this information will promote transparency, encourage community engagement, and allow stakeholders to monitor progress effectively; and***

(vi) ***All social audit reports should be uploaded to the official GIM portal and displayed at village notice boards for public access.***

TRANSPORT DEPARTMENT

4.10 Performance Audit on Functioning of District Transport Offices

4.10.1 Introduction

"Mechanically propelled vehicles including the principles on which taxes are to be levied" is under the concurrent list (Entry number 35 under list III) as per Schedule 7 of the Indian constitution. This means that both Centre and State have jurisdiction over rules, regulations and implementation of regulations relating to Motor Vehicles. In light of this, the Motor Vehicles Act, 1988 was enacted by the Parliament which provides the rules regarding the issuing of licence to drivers of motor vehicles, issue of licence to conductors of stage carriages, registration of motor vehicles, issue of various types of permits, *etc*. As per Government of India (Allocation of Business) Rules, 1961, the Ministry of Road Transport, Government of India is responsible for formulation of broad policies relating to road transport and enforcement of Motor Vehicles Act, 1988 and Central Motor Vehicles Rules,

1989. Rule 68 of the Motor Vehicles Act, 1988 also mandated the establishment of State Transport Authorities across India.

The State enacted the Mizoram Motor Vehicles Rules, 1995 as required by sub-section (1) of section 212 of the Motor Vehicle Act, 1988 which details the taxes, fees, *etc*., to be levied on motor vehicles. The major regulatory functions envisaged under the Motor Vehicles Act, 1988 and the taxation powers envisaged under the various State Acts are implemented by the District Transport Offices (DTOs) in Mizoram functioning under the Transport Department.

The transport sector in Mizoram is primarily managed by the Transport Department, Government of Mizoram. The Department oversees various aspects of road transport, including vehicle registration, issuance of driving licences, collection of road taxes, and enforcement of road safety regulations. The state-run Mizoram State Transport (MST) operates passenger bus services within and outside the State, although its fleet has been reduced significantly due to privatisation policies. The Department administers the Motor Vehicles Taxation Act and oversees the functioning of the State Transport Authority and the Motor Vehicle Wing. Key responsibilities of the Department include:

- **Vehicle Registration**: Issuing Registration Certificates (RC) for vehicles.
- **Driving Licences**: Issuance, renewal and cancellation of driving licences.
- **Road Tax**: Collection of road taxes
- **Road Safety**: Enforcement of road safety regulations.
- **Public Transport**: Management of state-run bus services through Mizoram State Transport (MST).

As of 31 March 2024, there were nine DTOs[98] in Mizoram.

4.10.2 Organisational Structure

Chart-4.1: Organisational Structure of Transport Department in Mizoram

Source: Year Book of the Transport Department 2021

[98] i. Aizawl (Licencing), ii. Aizawl (Registering), iii. Lunglei, iv. Siaha, v. Champhai, vi. Kolasib vii. Serchhip, viii. Lawngtlai, and ix. Mamit

Secretary to the Government of Mizoram, Transport Department is the Administrative Head of the Department and the Director of Transport is the overall Executive Head of the Department, assisted by four Joint Directors. The Department has two important Wings, *viz.,* Mizoram State Transport Wing (MST Wing) and the Motor Vehicle Wing (MV Wing). The MST Wing under Joint Director (Operation) operates passenger-bus services within and outside the State. The MV Wing executes enforcement of MV Acts and Rules including Licensing of Conductors/ Drivers, Registration of Vehicles and Collection of taxes/ fees/ fines, *etc.*, and implementations of the Mizoram Passengers and Goods (Taxation) Acts, 2005. The State Transport Authority (STA), a statutory body under the chairmanship of Secretary, Transport with the Director of Transport who acts as the Member Secretary takes up matters relating to fixation of fares and freights for Public Service Vehicles and issue of permits for various Public Service Vehicles.

4.10.3 Audit Objectives

The objective of the Performance Audit conducted was to assess whether DTOs:

- Managed the issue, renewal and cancellation of licences effectively as per the Act/ Rules;
- Implemented the regulation and control over registration and use of vehicles through registration, issuing permits and fitness certificates as per the Act/ Rules;
- Efficiently assessed, levied, collected and remitted revenue (Motor vehicle taxes, fines, penalties, cess, *etc*., as per Act/ Rules) and took effective action on arrears;
- Conducted enforcement activities effectively to ensure compliance with the Motor Vehicles Acts/ Rules with adequate follow up to deter violations; and
- Have been provided with required manpower, equipment and other resources to discharge their functions and also to ensure public service delivery in a transparent and efficient manner.

4.10.4 Audit Criteria

The Audit criteria adopted for the Performance Audit included:

- The Motor Vehicles Act, 1988;
- Central Motor Vehicles Rules, 1989;
- The Mizoram Motor Vehicles Rules, 1995;
- The Mizoram Passenger & Goods (Taxation) Act, 2005;
- The Mizoram Passenger & Goods (Taxation) Rules, 2006;
- The Mizoram Vehicles (Taxation) (Amendment) Act, 2019;
- The Mizoram Right to Public Service Act, 2015;
- Department Manuals/ Rules/ Policies, *etc*.; and
- Notifications/ Circulars issued by the Ministry of Road Transport, Government of India and the Mizoram Transport Department from time to time.

4.10.5 Audit Coverage & Methodology

The Performance Audit on the Functioning of DTOs in Mizoram covering the period from 2019-20 to 2023-24 was conducted between July 2024 and September 2024 through test check of records of the Director, Transport Department, STA and three District Transport Offices *viz*., Aizawl[99], Serchhip and Mamit.

Out of eleven districts, three districts of Aizawl, Serchhip and Mamit were selected based on Stratified random sampling method and audit was conducted by analysis of data in VAHAN platform.

The Performance Audit commenced with an Entry Conference with officials from Transport Department and Finance Department on 21 June 2024 wherein the Audit Objectives, Audit Criteria and Scope of Audit were explained and suggestions as well as various attributes of the functioning of DTOs were discussed.

The Audit findings were discussed in the Exit Conference (27 May 2025) with the Department/ Government in which Director of Transport, Deputy Secretary, Transport Department, Government of Mizoram along with other supporting staff were present and the report has been finalised after taking into consideration the replies of the Department/ Government.

4.10.6 Acknowledgement

The office of the Principal Accountant General, Mizoram places on record sincere acknowledgement of the cooperation rendered by the Department in the course of the audit.

Audit Findings

Audit Objective-1: Whether DTOs managed the issue, renewal and cancellation of licences effectively as per the Act/ Rules

4.10.7 Excess issue of Learner's Licence

As per Section 8(5) of the Motor Vehicles Act, 1988, no learner's licence shall be issued to any applicant unless the applicant passes, to the satisfaction of the licensing authority, such tests as may be prescribed by the Central Government. In Mizoram, online Learner's Licence (LL) application was launched on 1 November 2022.

Audit analysis of the 'Sarathi' data dump during the period 2019-20 to 2023-24 revealed that out of 1,26,790 applicants, 1,23,631 applicants appeared for the LL test. However, 1,79,402 number of LLs issued were higher than the number of LL applicants as shown in **Table-4.32**.

[99] DTO Aizawl (Licencing and Registering) taken as one DTO

Table-4.32: Details of LL issued year-wise during the period 2019-20 to 2023-24

Year	No. of LL applicants	No. of LL issued	No. of LL applicants who appeared for the test	No. of LL issued in excess
2019-20	23,175	34,309	22,452	11,857
2020-21	21,908	32,388	21,369	11,019
2021-22	19,730	28,060	19,259	8,801
2022-23	31,178	43,722	30,307	13,415
2023-24	30,799	40,923	30,244	10,679
Total	**1,26,790**	**1,79,402**	**1,23,631**	**55,771**

Source: Sarathi database

In the sampled DTOs (Aizawl, Mamit and Serchhip) it has been noticed that out of 84,294 applicants for LL test, 81,949 applicants appeared for the test. Further scrutiny, however, revealed that the sampled DTOs issued 1,22,348 LLs which was higher than the number of applicants who appeared for the LL test by 40,399 as shown in following **Table-4.33**.

Table-4.33: Details of LLs issued during the period from 2019-20 to 2023-24 in the sampled DTOs

District	No. of LL applicants	No. of LLs issued	No. of LL applicants who appeared for the test	No. of LLs issued in excess
Aizawl	71,743	1,06,161	69,617	36,544
Mamit	4,668	6,148	4,525	1,623
Serchhip	7,883	10,039	7,807	2,232
Total	**84,294**	**1,22,348**	**81,949**	**40,399**

Source: Sarathi database.

Analysis of data pertaining to the issuance of Learner's Licences (LL) in Mizoram during the period 2019–20 to 2023–24 revealed serious procedural lapses. At the State level, 1,79,402 LLs were issued against 1,23,631 applicants who actually appeared for the LL test, resulting in excess issuance of 55,771 LLs, representing 45.12 *per cent* over the number of test takers.

A scrutiny of data from three sampled District Transport Offices, Aizawl, Mamit and Serchhip, further reinforced these concerns. These districts together accounted for 1,22,348 LLs issued, despite only 81,949 applicants appearing for the test, resulting in an excess of 40,399 LLs, or 49.27 *per cent* more than the number of test takers. The most significant irregularity was observed in Aizawl DTO, where 1,06,161 LLs were issued against 69,617 test takers, indicating an excess of 36,544 LLs.

These patterns suggested a systemic lapse in enforcing eligibility verification and raised serious concerns regarding data integrity, potential misuse and the credibility of the licensing system in the State.

Given the magnitude of the irregularities and the legal requirement for test clearance prior to licence issuance, the matter assumes serious significance and may be inquired into by the department.

The Government replied (30 May 2025) that as per direction of Ministry of Road Transport and Highways, online LL application was introduced with effect from 01 November 2022 and the process of application, conducting tests and issuing licences was now fully checked and monitored by the system. Prior to this, issue of Learner's Licence was manually done at the District Transport Offices. The excess issue of LLs was due to re-issue of expired LLs as well as LLs which expired during the application of Driving Licence.

The Government's reply is not acceptable since discrepancies related to application and issue of Learner's Licence continue to occur even after the implementation of the online Sarathi system, *i.e.*, 2023-24.

Recommendation: Appropriate action should be taken to identify systemic lapses and implement corrective measures.

4.10.8 Excess issue of Driving Licence (DL)

DTOs act as 'Licensing Authorities' under Rule 3 of Mizoram Motor Vehicle Rules, 1995 for issuing Driving Licences and Rule 35 of Mizoram Motor Vehicle Rules, 1995 for issuing Conductor Licences.

As per Section 9(7) of the Motor Vehicles Act, 1988, when any application has been duly made to the appropriate licensing authority and the applicant has satisfied such authority of his competence to drive, the licensing authority shall issue the applicant a driving licence unless the applicant is for the time being disqualified for holding or obtaining a driving licence.

The number of Driving Licences (DLs) and Conductor Licences (CLs) issued by the eight DTOs district-wise during the period 2019-20 to 2023-24 as shown in **Table-4.34**.

Table–4.34: No. of DLs and CLs Issued district-wise during 2019-20 to 2023-24

Name of the DTOs	No. of DL issued	No. of CL issued
Aizawl	43,151	385
Lunglei	6,599	10
Siaha	3,224	03
Champhai	6,906	04
Kolasib	3,279	02
Serchhip	5,263	02
Lawngtlai	2,866	01
Mamit	2,389	00
Total	**73,677**	**407**

Source: Sarathi database

The number of DL and CL issued during 2019-20 to 2023-24 showed no regular trend but rather a fluctuating trajectory. There was no excess issue of CL during the audit period.

An analysis of the 'Sarathi' data dump during the period 2019-20 to 2023-24, revealed that out of 67,994 applicants who applied for the test, 48,744 applicants appeared for it, but the number of DLs issued were 73,677, which was higher than number of DL applicants. The details of year wise DL applicants and issuance is shown in **Table-4.35**.

Table-4.35: Details of DLs issued year-wise during the period 2019-20 to 2023-24

Year	No. of DL applicants	No. of DL issued	No. of DL applicants who appeared for the test	No. of DL issued in excess
2019-20	02	12,798	833	11,965
2020-21	00	10,496	813	9,683
2021-22	15,987	14,014	11,697	2,317
2022-23	29,946	21,792	21,096	696
2023-24	22,059	14,577	14,305	272
Total	**67,994**	**73,677**	**48,744**	**24,933**

Source: Sarathi database

The sampled DTOs showed that out of 46,975 applicants registering for the test, 34,696 applicants appeared for the test. Further scrutiny revealed that the DTOs issued 50,803 DLs which was higher than the number of applicants who passed the test by 16,107 as shown in **Table-4.36**.

Table-4.36: Details of DLs issued during the period from 2019-20 to 2023-24 in the sampled DTOs

District	No. of DL applicants	No. of DL applicants who appeared for the test	No. of DL issued	No. of DL issued in excess
Aizawl	42,185	31,497	43,151	11,654
Mamit	1,679	1,079	2,389	1,310
Serchhip	3,111	2,120	5,263	3,143
Total	**46,975**	**34,696**	**50,803**	**16,107**

Source: Sarathi database

In the absence of verifiable logs, system diagnostics or a reconciliation of duplicate licences or licences issued to same person across different categories of vehicles, the matter needs to be looked into as there was a risk of procedural lapses or oversight shortcomings.

The Government stated (30 May 2025) that the excess issue of Driving Licence was due to back-log of non-Sarathi version Driving Licences, migration of Driving Licences from other Licencing authorities and Driving Licences issued by DTO under Rule 11[100] of the Mizoram Motor Vehicles Rules, 1995.

The Government's reply is not acceptable as no data about clearance of backlog was provided to audit. Further, the excess related to application and issue of Driving's Licence continued to occur even after the introduction (01 November 2022) of 'Sarathi 4.0'.

4.10.9 Driving Licences issued to underage persons

As per Section 4 of the Motor Vehicles Act, 1988, no person under the age of 18 years shall drive a motor vehicle in any public place. No LL or DL shall be issued to any person to drive

[100] Rule 11 of Mizoram Motor Vehicle Rules, 1995 states that *Licensing Authority may grant a Driving License to any fit person residing within his jurisdiction at the time of application, who satisfies him that he is of good character, a competent driver and not disqualified for the time being from holding or obtaining a license. Similarly, the Licensing Authority may renew any license once granted anywhere in India*

a vehicle of the class to which he has made an application unless he is eligible to drive that class of vehicle. To drive a motor vehicle other than a transport vehicle, the person must have completed 18 years of age and to drive a transport vehicle a person must have completed 20 years of age.

Analysis of 'Sarathi' data dump for the period 2019-20 to 2023-24 revealed that the DTO, Aizawl, Mamit and Serchhip issued 52 DLs to underage applicants as shown in **Table-4.37.**

Table-4.37: DLs issued to underage applicants in sampled DTOs

District	DL issued to under 18 years	DL issued to underage for transport vehicle for 18 – 20 years	DL issued during the period between
Aizawl	03	32	03 June 2019 and 18 January 2023
Mamit	00	09	26 April 2019 and 08 July 2022
Serchhip	00	08	03 April 2019 and 08 August 2022
Total	**03**	**49**	**-**

**MMV/HMV=Medium Motor Vehicle/ Heavy Motor Vehicle*
Source: Sarathi database.

The sample DTOs stated (February- April 2025) that there was a slight problem with the system in calculation of days at certain stages and the occurrence of such errors was supposed to be checked by the Sarathi software, based on which, the DTO approved the applications. It was further stated that with the introduction of 'Sarathi 4.0' such error does not seem to happen again.

The replies are not tenable due to the following reasons:

(i) The licensing authority is required to verify the age of applicants through supporting documents prior to approval of any DL. Sole reliance on the 'Sarathi' system, without manual verification of age proof, reflects a lapse in fulfilling the statutory responsibility under the Motor Vehicles Act.

(ii) The reply lacks documentary evidence such as system error logs, bug reports, or audit trails to substantiate the claim of "system or data error." In the absence of verifiable documentation, this remains an unproven assertion.

(iii) DTOs Mamit and Serchhip claimed that the system automatically blocks underage applicants. However, audit found that 17 such licences were issued by these two offices alone. This contradiction suggests either a breakdown of system safeguards or manual override, neither of which was acknowledged.

(iv) The statement that the issue "does not seem to happen again" with 'Sarathi 4.0' is not supported by any validation report. Further, there is no indication that a retrospective review was undertaken to identify and rectify earlier instances of such violations.

The issue indicates deficiencies in internal controls and oversight within the licensing process. The deficiencies in system's design and lack of DTOs' intervention resulted in the issuance of licences to ineligible applicants. The matter warrants a comprehensive review of all licences issued near the age eligibility cut-off and necessary corrective action, including revocation where appropriate.

The State Government stated (30 May 2025) that with the introduction of 'Sarathi 4.0' versions with effect from 01 November 2022 these kinds of issues are fully checked and monitored by the system and there is no chance of repeating this kind of issue in the future.

The reply of the State Government is not acceptable as one driving licence was issued (18 January 2023) to a 19-year-old applicant under DTO, Aizawl to drive Transport Vehicle-Medium/ Heavy Motor Vehicle (Goods and Passenger). So, even after the introduction of 'Sarathi 4.0', issue of driving licence to under-age person remained unchecked.

Recommendations: The Department should streamline the window for application of DL to ensure that no underage person can apply for DL through the portal.

4.10.10 Inadequate Driving Test facilities

As per Section 15(3) of the Motor Vehicles Act, 1989 the applicant shall satisfy the person conducting the test that he/ she is competent to drive and hones skill for examination of all the required parameter of driving test as per the rule hereunder.

Audit observed that in Aizawl the driving test was conducted on an average of 40 applicants per day and 15 applicants per hour. In Serchhip and Mamit, driving test was conducted depending on the availability of the applicants after one month from the date of issue of learner's licence. Site inspection of the driving test area in Aizawl, Mamit and Serchhip was conducted with DTOs staff aimed at evaluating the functionality of driving tests.

Joint Physical Inspection (07 August to 27August 2024) revealed several deficiencies in the infrastructure and processes related to driving tests across the districts. In Aizawl, driving tests were conducted within the Motor Vehicle Inspector's (MVI) vicinity, while in Mamit and Serchhip, they were conducted on public roads. None of these locations were specifically designated for testing, which posed significant safety risks and caused inefficiencies in administering the tests. Additionally, there were no proper barricades to separate the testing areas from other activities, further compromising safety for both applicants and others in the vicinity.

There was no Automated Driving Test Track in Mizoram. As for the Automated Fitness Management System, construction of Inspection and Certification Centre was ongoing at the cost of ₹ 15.50 crore and due to Cyclone "Remal", works were delayed and the proposal for the extension of completion date had been submitted to Central Institute of Road Transport (CIRT), Pune.

4.10.11 Non-maintenance of records on issue of DL and Registration Certificate

As per Department of Personnel and Administrative Reform, Government of Mizoram (Good Governance Cell)'s notification issued (18 November 2015) under Section 4 of the Mizoram Right to Public Services Act, 2015, DL with smart card and registration certificate with smart card are to be issued to the applicants within 15 days from the date of application.

Test check of records of the DTOs of Serchhip and Mamit revealed that the office did not maintain any record/ register to record the details of receipt and issue of DLs/ vehicle registration certificates by the office. While DTO Aizawl maintain register for issue of DL and RC. DTO, Serchhip stated that a register is being maintain from 10 October 2024. The

DTO, Mamit stated (12 November 2024) that in future, a register would be maintained for this purpose.

In the absence of historical tracking records, audit was unable to verify whether DLs and RCs were issued within the mandated 15-day period or delivered to the rightful applicants. This lack of documentation undermines both transparency and accountability and weakens internal controls necessary for monitoring compliance with service delivery norms.

The findings point to systemic deficiencies in record-keeping and oversight, potentially resulting in delays and non-compliance with citizen service timelines as prescribed under the Right to Public Services framework.

Recommendation: The DTOs may maintain records/ registers of list of applicants, date of dispatch of driving licences/ vehicle registration certificates for printing and the date of receipt of smart cards/ DLs/ registration certificates, to track their movement and to prevent loss or issue to the wrong persons.

4.10.12 Insufficient equipment and apparatus in Driving Schools

As per Rule 24(3) of the Central Motor Vehicles Rules, 1989, the District Transport Officer (DTO) functions as the licensing authority for the establishment and renewal of Driving School licences. It is the responsibility of the DTO to ensure that applicants comply with prescribed norms, which include having the required infrastructure and equipment such as:

- Adequate facilities for lectures and model demonstrations;
- Instructional vehicles (excluding motorcycles) fitted with dual control to allow instructors to intervene, when necessary;
- A road plan board with model signals and traffic charts;
- An engine gearbox;
- A puncture kit (tyre lever, wheel brace, jack, and tyre pressure gauge);
- A driving instruction manual;
- A collection of books on automotive mechanisms, road safety, and motor vehicle laws; and
- A fully equipped first-aid box.

In addition to scrutinising applications, the Department is responsible for conducting inspections prior to licensing, periodically monitoring compliance with infrastructure and safety standards, and cancelling licences in case of continued non-compliance.

Audit observed that out of the three sampled DTOs, there was no Driving School under the jurisdiction of DTO, Mamit. Under DTO, Aizawl and DTO, Serchhip, there were 12 and 01 driving school, respectively. Audit selected two driving schools (Siakeng and Aizawl Driving Schools) among twelve driving school under DTO Aizawl and the only available school, Merilyn Driving School, under DTO Serchhip. Audit observed that there were shortage of apparatus and equipment required as shown in **Table-4.38**.

Table-4.38: Availability of required Apparatus and Equipment in three driving schools

Sl. No.	Items to be checked in a Driving School	Siakeng Driving School, Dinthar, Aizawl	Aizawl Driving School, Aizawl	Merilyn driving School, Serchhip, Mizoram
1.	A blackboard	Yes	Yes	Yes
2.	A road plan board with necessary model signals and charts,	No	No	No
3.	Traffic signs chart	Yes	Yes	Yes
4.	Chart on automatic signals and signals given by traffic controllers where there are no automatic signals	No	No	No
5.	A service chart depicting a detailed view of all the components of a motor vehicle	No	No	No
6.	Engine gear box, 48 [brake shoe and drums] (except where the applicant desires to impart instruction in the driving of motorcycles only)	No	No	No
7.	Puncture kit with tyre lever, wheel brace, jack and tyre pressure gauge	yes	No	Yes
8.	Spanners (a set each of fix spanners, box spanners, pliers, screw drivers, screw spanners, and hammer)	Yes	No	Yes
9.	Driving instructions manual	Yes	No	Yes
10.	Benches and tables for trainees and work bench	Yes	Yes	Yes
11.	Collection of books on automobile mechanism, driving, road safety, traffic regulations, laws relating to motor vehicles and related subjects	No	No	Yes
12.	A fully equipped first-aid box for use in emergency at the premises	Yes	No	No

Further, out of four instruction vehicles in Aizawl, two vehicles at Aizawl Driving School were not fitted with dual control facility while only one out of the two instruction vehicles at Siakeng Driving School were fitted with dual control facility, putting the safety of the learners at risk.

Audit examination of three driving schools under DTOs Aizawl and Serchhip revealed significant deficiencies in mandatory infrastructure and equipment required under Rule 24(3) of the Central Motor Vehicles Rules, 1989. None of the schools assessed maintained the full set of prescribed instructional tools or vehicles with dual control systems, raising concerns over both regulatory compliance and learner safety. Due to inadequate infrastructure the quality in imparting driving skill and driving knowledge could have been compromised. The deficiencies noticed in the driving Schools suggest the need for regular inspection of all licensed driving schools by the respective DTOs to ensure adherence to prescribed standards.

The Government stated (30 May 2025) that Driving Schools would be re-inspected and those which are not in compliance with the rules will be given a chance to update their equipment and apparatus as per rules failing which the Driving School licence will be cancelled.

Recommendation: The Department should institutionalise a system of annual mandatory inspections of all licensed driving schools by the respective DTOs, with a standardised compliance checklist. Renewal of licences should be strictly conditional upon the availability and functionality of prescribed apparatus and infrastructure, and non-compliant institutions should be issued time-bound improvement notices, non-compliance of which licences must be revoked.

Audit Objective-2: Whether DTOs implemented the regulation and control over registration and use of vehicles through registration, issuing permits and fitness certificates as per the Act/ Rules

4.10.13 Vehicle Registration

DTOs act as 'Registering Authorities' under Rule 53 of Mizoram Motor Vehicle Rules, 1995. They are responsible for registering Motor Vehicles including cars, motorcycles, commercial vehicles, *etc*. DTOs ensure that vehicles comply with safety emission standards before registration. A "transport vehicle" generally refers to any vehicle used to carry people or goods from one place to another. "Non-transport" refers to vehicles not primarily used for carrying passengers or goods for commercial purposes. The number of transport and non-transport vehicles registered in the eight DTOs of Mizoram during the period from 2019-20 to 2023-24 as shown in **Table-4.39.**

Table-4.39: Transport and Non-Transport

Year	Transport	Non-Transport	Total
2019-20	4,123	21,546	25,669
2020-21	3,487	28,051	31,538
2021-22	3,805	18,333	22,138
2022-23	6,967	42,268	49,235
2023-24	3,857	26,405	30,262
Grand Total	**22,239**	**1,36,603**	**1,58,842**

Source: VAHAN Dashboard

4.10.14 Vehicle without registration

As per Section 43 of the Motor Vehicles Act, 1988 notwithstanding anything contained in Section 40, the owner of a motor vehicle may apply to any registering authority or other prescribed authority to have the vehicle temporarily registered in the prescribed manner and to be issued in the prescribed manner of a temporary certificate of registration and a temporary registration mark. A registration made under this section shall be valid only for a period not exceeding one month and shall not be renewable.

Audit analysis of VAHAN data dump relating to the period 2019-20 to 2023-24 revealed that out of total 984 temporary registrations of vehicles under the DTOs, Aizawl, Mamit and Serchhip, 26 vehicles under DTO Aizawl were not found to have valid registrations in the VAHAN database after their temporary registration expired, indicating a potential case of non-compliance. The details are shown in **Table-4.40**.

Table–4.40: Temporary Registration of Vehicles for the period 2019-20 to 2023-24

Sl. No.	District	Temporary Registration Issued	Vehicles without Registration
1.	Aizawl	973	26
2.	Mamit	02	Nil
3.	Serchhip	09	Nil
Total		**984**	**26**

Source: VAHAN database

As a result, it could not be ascertained that these 26 vehicles, whose temporary registrations expired have been plying without valid registration.

DTO Aizawl admitted (3 February 2025) that no system was in place to track the conversion of temporary to permanent registration. The possibility that these vehicles may have been plying without valid registration underscores the need for a tracking mechanism and periodic reconciliation to ensure compliance with Section 43 of the Motor Vehicles Act, 1988. The DTO, Aizawl, replied (3 February 2025) that the office did not pursue whether the vehicles have been registered or not after the temporary registrations were issued.

The Government stated (30 May 2025) that Temporary Registration are generally issued to vehicles which are sold and supposed to be registered outside the State from which it is being sold for the purpose of movement of the vehicle from one state to another for registration purpose. It was further stated that registration of temporary vehicles is the responsibility of the vehicle owner and non-registration of Temporary Registered Vehicles seems to be negligence on the part of the vehicle owner.

The reply, however, is not acceptable as the DTO, being the issuing Authority should also monitor that all vehicles with temporary registrations finally obtain valid registrations.

Recommendation: There must be a centralised system in VAHAN portal to monitor that vehicles with temporary registration are registered finally.

4.10.15 Issue of Permit

As per Section 2(31) of the Motor Vehicles Act, 1988, "permit" means a permit issued by a State or Regional Transport Authority or an authority prescribed in this behalf under this Act authorising the use of a motor vehicle as a transport vehicle. Further, as per Section 2(47) of the Act, "Transport vehicle" means a public service vehicle, a goods carriage, an educational institution bus or a private service vehicle. The Director of Transport, who is the Secretary of the State Transport Authority, is empowered to grant All India Permits to tourist vehicles and Interstate Permits to stage carriages and goods carriages as per the terms of the Interstate agreements.

The year-wise number of permits granted by DTOs in the State during the last five years from 2019-20 to 2023-24 as shown in **Table-4.41.**

Table-4.41: Issue of Permit

Year	Issue of new Permit
2019-20	3,769
2020-21	3,882
2021-22	4,293
2022-23	4,850
2023-24	6,621
Total	**23,415**

Source: VAHAN Dashboard

The issues of non-realisation of Permit fees for the vehicles have been discussed at **Paragraph 4.10.17**.

4.10.16 Expired Fitness Certificates

As per Section 56 of the Motor Vehicles Act, 1988 a transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness issued by prescribed authority.

Rule 62 of CMV Rules, 1989 read with a Gazette Notification (November 2018) that the renewal of certificate of fitness in respect of transport vehicles shall be two years for vehicles up to eight years old and one year for vehicles older than eight years. Provided further that no fitness certification shall be required at the time of registration for new transport vehicles sold as fully built vehicles and such vehicles shall be deemed to be having certificate of fitness for a period of two years from the date of registration.

Rule 81 of CMVR, 1989 read with a Gazette Notification (December 2016) provided that the fees which would be charged for conducting fitness and grant and renewal of fitness certificate for motor vehicles. Further an additional fee of fifty rupees for each day of delay after the expiry of fitness certificate shall be levied. The rules of renewal and fines is shown in **Table-4.42.**

Table–4.42: MoRTH Fees and User Charges

SI. No.	Purpose	Amount (₹)
1.	Conducting test of a vehicle for grant and renewal of certificate of fitness:	
	(i) Motorcycle	200.00
	(ii) Three-wheeled or light motor vehicle or quadricycle	400.00
	(iii) Medium or heavy motor vehicle	600.00
	(iv) Others	200.00
2.	Grant or renewal of certificate of fitness for motor vehicle	200.00
3.	Additional fee for each day of delay after expiry of fitness certificate	50.00

Data analysis of fitness table revealed that the fitness validity of 24,397 vehicles had expired. As such, an amount of ₹ 1.64 crore for conducting test for fitness and grant or renewal of Fitness Certificates of motor vehicles and ₹ 74.07 crore on account of Additional fee for each day of delay after the expiry of fitness certificates need to be realised from the vehicle owners. Detailed of calculation for fitness fee and additional fee for active vehicles registered in the state *w.e.f.* 01 April 2019 to 31 March 2024, as shown in **Table-4.43**.

Table–4.43: Details of fitness fee and additional fee realisable

(₹ in crore)

Particulars	No. of Defaulters	Fitness Fee Due	Additional Fitness Fee Due	Total due
Transport Department, Mizoram	24,397	1.64	74.07	75.71
DTO, Aizawl	15,047	0.98	41.00	41.98
DTO, Serchhip	1,094	0.08	3.54	3.62
DTO, Mamit	759	0.05	2.65	2.70
Total of Sampled DTOs	**16,900**	**1.11**	**47.19**	**48.30**

Source: Vahan database

It can be seen from the above table that ₹ 48.30 crore (including penalties) was due from 16,900 vehicles in the sampled DTOs.

The DTOs stated that checking for non-renewal of Fitness Certificates for transport vehicles is carried out by the Enforcement Wing throughout the year but copies of fitness certificates were not maintained. Further, fitness test is conducted depending on the availability of the applicants.

Further analysis of VAHAN data dump revealed that as of 31 March 2024 with regards to the fitness of Ambulances, out of 22 Ambulances in the State, the fitness certificate of 17 Ambulances was valid, it was expired in case of four Ambulances and status of one Ambulance was not on record. As for 286 Educational Institutional Buses (EIB) in the State, the fitness certificate of 84 EIBs were valid while those of 136 EIBs expired, and the fitness status of 66 EIB was not on record.

Plying of Ambulances and EIBs without fitness certificates poses great risk to the safety of patients and students and reflects the lack of enforcement of the MV Act on the part of the Transport Department.

Due to the absence of a mechanism to track such records, audit could not cross-check and verify the number of vehicles with expired fitness certificates that were plying on the road, and whether these had been compounded[101] or their drivers fined by the enforcement authority.

DTO, Aizawl, while agreeing to the Audit observation, stated (11 November 2024) that in future register/ files will be maintained, highlighting the date of compounding, vehicle registration number, date of expiry of fitness certificates, penalty/ fine imposed and for keeping track of repeated offenders as no other measure other than enforcement duty throughout the year is undertaken for checking fitness certificates of vehicles. It was further added that copies of fitness certificates will be kept in the office.

DTO, Mamit while agreeing to the Audit observation, stated (12 November 2024) that due to the absence of a toll gate, details of the number of vehicles with expired fitness certificates plying on the road, along with details of compounding and fines imposed by the enforcement authority, could not be maintained. However, DTO, Mamit assured that a proper record-keeping mechanism would be implemented to document the cases of offenses and the actions taken. It also added copies of fitness certificates will be maintained in the office. The reply of the DTO, Mamit with regards to absence of Toll Gate is, however, not acceptable as toll gate is not a mechanism for checking/ Controlling of vehicles plying with expired fitness certificates.

DTO, Serchhip, while agreeing to the Audit observation, stated (21 November 2024) that in future register/ files will be maintained and possible measures will be taken for checking of vehicles plying with expired fitness certificates. It was also stated that copies of fitness certificates will be maintained in the office.

Regarding Ambulance and Educational Institutional Buses without fitness certificates, the Department stated (June 2025) that their level best efforts to enforce MV Acts/ Rules in letter

[101] compounded means that an offense has been settled by paying a prescribed fine instead of facing further legal proceedings

and spirit was tried but could not be achieved due to lack of enforcement staff and assured to issue Demand Notice to all defaulters to update their documents.

In the absence of a system to monitor, flag, and act upon expired fitness cases, the possibility of such vehicles remains in operation could not be rule out which can cause significant road safety risks. The issue is further compounded in the case of ambulances and educational institution buses, where non-renewal of fitness certificates directly endangers vulnerable populations such as patients and schoolchildren.

The Government while accepting the above observation stated (30 May2025) that Demand Notice was issued to all the defaulters at regular intervals. However, audit could not ascertain the fact whether DTO collected any revenue on issue of fitness certificate as stated by Government due to non-availability of records/ documents against the Demand Notices.

Audit noticed that 26 vehicles in the sampled DTOs were not found to have valid registrations in the VAHAN database after their temporary registration expired. Data analysis of fitness data revealed that the fitness validity of 24,397 vehicles had expired and an amount of ₹ 1.64 crore for conducting test for fitness and grant or renewal of fitness certificates and ₹ 74.07 crore on account of Additional fee for each day of delay after the expiry of fitness certificates was realisable.

Recommendation*: *The Department should ensure maintenance of records/ registers regarding action taken by all District transport officers against fitness defaulters and strictly clamp down on plying of vehicles with expired fitness certificates.

Audit Objective-3: To assess whether DTOs efficiently assessed, levied, collected and remitted revenue (Motor vehicle taxes, fines, penalties, cess, *etc*., as per Act/ Rules) and took effective action on arrears

4.10.17 Arrears of tax revenue from different types of vehicles

Section 3 of the Mizoram Passengers and Goods (Taxation) Act, 2005 provides that there shall be levied, charged and paid to the Government a tax on all fares in respect of all passengers and goods carried in a taxable vehicle.

Section 6 of the Act provides that if any owner fails, without reasonable cause, to submit any returns or pay the tax due according to such return within 15 days of the due date, the assessing authority may direct that such owner shall, by way of penalty, pay in addition to the amount of tax payable by him.

Lump Sum Tax rates specified against each class of taxable vehicle vide Government of Mizoram Notification No. G.13010/1/2014-TRP dated 23 November 2015 as shown in **Table-4.44.**

Table-4.44: Tax rates of each class of taxable vehicle

Sl. No.	Class of Vehicles	Annual Tax (in ₹)
1.	Authorized to carry 1 MT or less	1,400.00
2.	Authorised to carry exceeding 1 MT but not exceeding 4 MT	2,500.00
3.	Authorised to carry exceeding 4 MT but not exceeding 9 MT	3,000.00
4.	Authorised to carry exceeding 9 MT	3,000.00 +300 for every addl. 1 MT
5.	Passenger carrying capacity of 3 passenger or less	450.00
6.	Passenger carrying capacity more than 3 passenger but not exceeding 6 persons	650.00
7.	Passenger carrying capacity more than 6 passenger but not exceeding 12 persons	950.00
8.	Passenger carrying capacity more than 12 passenger but not exceeding 20 persons	1,500.00
9.	Passenger carrying capacity more than 20 passenger but not exceeding 30 persons	2,000.00
10.	Passenger carrying capacity more than 30 persons	2,000.00 +50.00 for every addl. one seat

As per power conferred by Section 53 of the Motor Vehicle Act, 1988, the Director, Transport Department issued circular (8 January 2020) to all the DTOs to issue Demand Notices to the owners of vehicles without valid registration including vehicles registered under Government Departments/ Corporations/ Paramilitary/ Autonomous District Councils which have completed 15 years to update documents of their vehicles register under Transport Department, Government of Mizoram.

As per Ministry of Road Transport & Highways, Government of India Notification No. RT-11036/09/2023-MVL dated 02 January 2023, cases of vehicles related to theft, pending tax arrears, Government decision, vehicle destroyed, loan defaulter, vehicle confiscated, police case, court case and others should be flagged as "NOT TO BE TRANSACTED" on Vahan as blacklisting causes much distress to vehicles owners, especially in case of minor offences or wrongful blacklisting.

(A) Arrears from Blacklisted Tax Defaulters

Scrutiny of VAHAN Portal revealed substantial outstanding tax arrears, including fines, in the three sampled DTOs.

(i) Tax arrears from blacklisted vehicles

In the entire State, the total number of vehicles under blacklisted category were 1,101 during the period 2019-20 to 2023-24, with total tax arrears of ₹ 63.50 lakh and fine/ penalty of ₹ 16.99 lakh involving total arrears of ₹ 80.49 lakh as shown in **Table-4.45**.

Table-4.45[102]: Blacklisted Tax Defaulters for the period 2019-20 to 2023-24

District	2019-20	2020-21	2021-22	2022-23	2023-24	Tax Arrear (₹ in lakh)	Fine/ Penalty (₹ in lakh)	Total (₹ in lakh)
Aizawl	80	93	173	317	306	56.42	14.97	71.38
Lunglei	00	00	02	12	17	0.81	0.16	0.97
Siaha	00	00	01	05	02	0.59	0.08	0.67
Champhai	00	00	01	07	04	0.57	0.17	0.74

[102] Table-4.45 is inclusive of Table-4.48

District	2019-20	2020-21	2021-22	2022-23	2023-24	Tax Arrear (₹ in lakh)	Fine/ Penalty (₹ in lakh)	Total (₹ in lakh)
Kolasib	03	02	02	10	25	4.11	1.46	5.57
Serchhip	00	00	02	14	08	0.48	0.05	0.53
Lawngtlai	00	00	01	01	08	0.42	0.10	0.52
Mamit	00	01	01	02	01	0.10	0.01	0.11
Total	**83**	**96**	**183**	**368**	**371**	**63.50**	**17**	**80.49**

Source: MIS Report (VAHAN)

In the sample DTOs, the total number of vehicles under blacklisted category were 998 (90.64 *per cent* of total blacklisted vehicles) during the period 2019-20 to 2023-24, with total tax arrears of ₹ 56.99 lakh and fine/ penalty of ₹ 15.03 lakh involving total arrears of ₹ 72.02 lakh as shown in the following **Table-4.46.**

Table-4.46: Blacklisted Tax Defaulters

District	Tax Type	No. of defaulters	Tax Arrear (in lakh)	Fine/ Penalty (in lakh)	Total (in lakh)
All district	Add. MV	01	0.03	NA	0.03
	Goods Tax	62	3.68	0.48	4.16
	MV	1,005	59.21	16.33	75.54
	Passenger Tax	33	0.58	0.18	0.76
Total		**1,101**	**63.50**	**16.99**	**80.49**
Sample DTO					
Aizawl	Add. MV	01	0.03	NA	0.03
	Goods Tax	46	2.38	0.32	2.70
	MV	901	53.65	14.56	68.21
	Passenger Tax	21	0.36	0.09	0.45
Sub-Total		**969**	**56.42**	**14.97**	**71.38**
Mamit	MV	04	0.08	0.00	0.08
	Passenger Tax	01	0.02	0.01	0.03
Sub-Total		**05**	**0.10**	**0.01**	**0.11**
Serchhip	MV	20	0.43	0.04	0.47
	Passenger Tax	04	0.04	0.01	0.05
Sub-Total		**24**	**0.48**	**0.05**	**0.53**
Grand-Total		**998**	**57.00**	**15.03**	**72.02**

Source: MIS Report (VAHAN)

Table-4.47: Break-up of Tax details:

Tax Type	No. of Defaulters	Tax Arrears (₹ in lakh)	Fine/Penalty (₹ in lakh)	Total (₹ in lakh)
Motor Vehicle Tax (MV)	1,005	59.21	16.33	75.54
Goods Tax	62	3.68	0.48	4.16
Passenger Tax	33	0.58	0.18	0.76
Additional MV Tax	1	0.03	NA	0.03

Audit analysis of blacklisted vehicle tax data for 2019-20 to 2023-24 revealed that tax arrears amounting to ₹ 80.49 lakh remained outstanding across 1,101 vehicles. A substantial proportion of these arrears, ₹ 71.38 lakh (88.68 *per cent*), originated from a single DTO (Aizawl), while 90.64 *per cent* of all blacklisted vehicles were concentrated in just three sampled DTOs. The data further revealed that Motor Vehicle Tax alone accounted for ₹ 75.54 lakh (93.85 *per cent*) of the total dues.

The high concentration of arrears in one DTO, combined with the overwhelming share of MV tax defaults, indicates inadequate enforcement, weak recovery mechanisms, and poor monitoring of blacklisted vehicles at the DTO level, particularly in Aizawl. These deficiencies in tax administration have revenue implications and reflect lapses in compliance enforcement under the Motor Vehicles Act.

(ii) Non-realisation of Permit fee from black listed vehicles

Further, in the State, the total number of blacklisted vehicles whose Permit Fees had not been realised were 170 during the period 2019-20 to 2023-24, with total tax arrears of ₹ 25.01 lakh and fine/ penalty of ₹ 8.62 lakh involving total arrears of ₹ 33.63 lakh. The DTO arrear wise is shown in **Table-4.48.**

Table-4.48: Non-realisation of Permit Fee

(₹ in lakh)

District	2019-20	2020-21	2021-22	2022-23	2023-24	Tax Arrear	Fine/ Penalty	Total
Aizawl	19	120	15	08	04	24.51	8.43	32.94
Kolasib	00	03	00	00	00	0.40	0.15	0.55
Serchhip	00	00	01	00	00	0.10	0.04	0.14
Total	**19**	**123**	**16**	**08**	**04**	**25.01**	**8.62**	**33.63**

Source: MIS Report (VAHAN)

It can be seen from the above table that out of the three DTOs under which permit fees of blacklisted vehicles were due, two DTOs are from test checked DTOs under which permit fees of ₹ 33.08 lakh from 167 blacklisted vehicles were due.

Conclusion:

The absence of a dedicated monitoring and recovery mechanism appears to have contributed to the accumulation of arrears. Although blacklisting is a valid enforcement tool, its unstructured application without supporting follow-up action has not yielded effective recovery. The divergence between the Central Government's advisory to limit blacklisting for minor violations and the State's circular mandating it for all long-pending defaults suggests a need for policy alignment. A focused effort to review recoverability of dues and strengthen enforcement mechanisms is necessary to protect revenue interests.

Recommendation*: *The Transport Department should establish a structured mechanism to expedite the resolution of blacklisted cases by facilitating communication between vehicle owners and the respective authorities.

(B) Arrears from Non-Blacklisted Tax Defaulters

(i) Tax arrears from non-blacklisted vehicles

In the entire State, the total number of tax defaulter vehicles under non-blacklisted category were 13,155 during the period 2019-20 to 2023-24, with total tax arrears of ₹ 8.40 crore and fine/ penalty of ₹ 2.39 crore involving total arrears of ₹ 10.79 crore as shown in the following **Table-4.49.**

Table-4.49[103]: Non-Blacklisted Tax Defaulter for the period 2019-20 to 2023-24

(₹ in lakh)

District	2019-20	2020-21	2021-22	2022-23	2023-24	Tax Arrear	Fine/ Penalty	Total
Aizawl	517	603	581	1085	3966	378.14	91.81	469.94
Lunglei	104	142	150	290	648	88.83	27.98	116.81
Siaha	52	61	109	118	258	40.81	12.87	53.68
Champhai	110	161	247	251	587	104.77	35.12	139.90
Kolasib	143	157	127	219	636	117.96	41.70	159.66
Serchhip	48	72	79	150	356	34.15	7.39	41.54
Lawngtlai	42	74	117	151	300	45.64	14.49	60.13
Mamit	38	70	41	74	221	30.04	7.87	37.91
Total	**1,054**	**1,340**	**1,451**	**2,338**	**6,972**	**840.33**	**239.23**	**1,079.57**

Source: MIS Report (VAHAN)

In the sample DTOs, the total number of vehicles under non-blacklisted category were 7,901 (60.06 *per cent* of the total non-blacklisted vehicles) during the period 2019-20 to 2023-24, with total tax arrears of ₹ 4.42 crore and fines/penalties of ₹ 1.07 crore involving total arrears of ₹ 5.49 crore as shown in **Table-4.50.**

Table-4.50: Non-Blacklisted Tax Defaulters

(₹ in lakh)

District	Tax Type	No. of defaulters	Tax Arrear	Fine/ Penalty	Total
All districts	Add. MV	14	0.36	0.00	0.36
	Goods Tax	2,490	114.34	15.10	129.44
	MV	8,659	708.28	213.69	921.97
	Passenger Tax	1,992	17.35	10.44	27.79
Total		**13,155**	**840.33**	**239.23**	**1,079.57**
Sample DTO					
Aizawl	Goods Tax	1,436	53.98	5.86	59.84
	MV	4,118	316.14	82.55	398.68
	Passenger Tax	1,198	8.02	3.40	11.42
Sub-Total		**6,752**	**378.14**	**91.81**	**469.94**
Mamit	Add. MV	02	0.05	NA	0.05
	Goods Tax	85	3.24	0.38	3.62
	MV	306	26.16	7.27	33.43
	Passenger Tax	51	0.58	0.22	0.80
Sub-Total		**444**	**30.04**	**7.87**	**37.90**
Serchhip	Goods Tax	135	4.86	0.52	5.38
	MV	477	28.50	6.55	35.05
	Passenger Tax	93	0.79	0.32	1.11
Sub-Total		**705**	**34.15**	**7.39**	**41.54**
Grand-Total		**7,901**	**442.32**	**107.07**	**549.39**

Source: MIS Report (VAHAN)

It can be seen from the above table that in Aizawl DTO an amount of ₹ 4.70 crore was outstanding out of the total outstanding of ₹ 10.80 crore which was 43.53 *per cent* of the total outstanding.

Audit of tax arrears from non-blacklisted vehicles in Mizoram revealed that ₹10.79 crore remained unpaid across 13,155 vehicles during 2019–20 to 2023–24. Surprisingly, these non-blacklisted vehicles accounted for more than 93 *per cent* of total arrears (when compared to ₹ 0.80 crore from blacklisted vehicles), pointing to weaknesses in the identification and penalisation process. The concentration of arrears in Aizawl DTO

[103] Table-4.49 is inclusive of Table-4.51

(₹ 4.70 crore, 43.5 *per cent*) further underlines the need for targeted scrutiny and better enforcement in high-density districts. The fact that defaulters were not flagged despite substantial outstanding dues indicates lapses in tax administration and monitoring.

(ii) Non-realisation of Permit fee from non-blacklisted vehicles

Further, in the State, there were 3287 non-blacklisted vehicles whose Permit Fee were not realised during the period 2019-20 to 2023-24, with total tax arrears of ₹ 278.95 lakh and fine/ penalty of ₹ 84.89 lakh involving total arrears of ₹ 363.84 lakh. The DTO-wise arrear is shown in **Table-4.51.**

Table-4.51: Non-Realisation of Permit Fee (Not Blacklisted)

(₹ in lakh)

District	2019-20	2020-21	2021-22	2022-23	2023-24	Tax Arrear	Fine/ Penalty	Total
Aizawl	117	455	106	229	439	110.12	29.91	140.04
Lunglei	41	190	55	58	109	42.15	14.14	56.28
Siaha	07	80	15	43	39	13.62	3.92	17.53
Champhai	25	143	50	89	122	36.60	12.87	49.48
Kolasib	01	151	88	76	141	46.76	16.46	63.22
Serchhip	6	105	19	33	54	13.57	3.25	16.82
Lawngtlai	02	14	06	02	38	3.38	0.74	4.12
Mamit	06	59	09	28	37	12.75	3.59	16.34
Total	**205**	**1,197**	**348**	**558**	**979**	**278.95**	**84.89**	**363.84**

Source: MIS Report (VAHAN)

The Transport Department did not implement effective monitoring and enforcement mechanisms, leading to tax arrears (including penalties) of ₹ 80.49 lakh from 1,101 blacklisted vehicles and ₹ 10.80 crore from 13,155 non-blacklisted vehicles in the State. Further, permit fee (including penalties) of ₹ 33.63 lakh from 170 blacklisted vehicles and ₹ 3.63 crore from 3,287 non-blacklisted vehicles were also outstanding. The Department did not conduct periodic assessments to identify defaulters or issue recovery notices and thus did not deter chronic defaulters. The reliance on sporadic enforcement checks without a structured recovery plan has significantly impacted revenue collection and undermined tax compliance.

The sampled DTOs replied that no assessment for yearly collection of taxes had been done. But the enforcement duty checks vehicles plying and uses it to impound the defaulters. However, this *ad hoc* approach has not translated into measurable recovery. The absence of annual tax collection assessments, real-time tracking, and a standard escalation protocol for defaulters has weakened revenue enforcement activities.

The Government while accepting the Audit observation stated (30 May 2025) that during collection of 15 years one-time tax, the Department does not face much issue regarding arrears on tax revenues. With the change in the mode of payment of tax was change to five or 10 or 15 years with effect from 27 May 2019 and this resulted in increase of tax defaulters. The Department, with its limited resources is trying its level best to recover arrears of tax revenues by serving demand notices to the defaulters as well as organising regular enforcement drives. However, no reply was received on non-realisation of permit fee.

The reply of the Government is not acceptable as the change of mode of one-time tax was applicable to the vehicles *w.e.f.* 27 May 2019 that means vehicles which were registered on or after this date had paid a five-year one-time tax, *i.e.*, upto 26 May 2024 which is beyond the audit coverage period and not included in the para for calculating tax arrears.

Audit noticed non-realisation of tax and Permit fees from Blacklisted as well as Non-blacklisted vehicles**.** In absence of annual tax collection assessments, real-time tracking, and a standard escalation protocol for defaulters has weakened revenue enforcement activities.

Recommendation*: *The Department should develop and deploy a rule-based auto-flagging system within the VAHAN database to trigger blacklisting or recovery action when arrears exceed defined thresholds or remain unpaid beyond specified timeframes.

Audit Objective-4: To assess whether enforcement activities were effectively conducted by DTOs to ensure compliance with the motor vehicles Acts/ Rules with adequate follow up to deter violations

4.10.18 Enforcement activities

Section 200 of the Motor Vehicles Act, 1988 outlines the composition of certain offenses. It allows for the compounding (settlement) of specified offenses by designated officers or authorities, either before or after the institution of prosecution. The State Government can determine the amount to be paid for such compounding and any community service required. If an offender is in custody and the offense is compounded, they will be discharged, and no further proceedings will be taken. Further, Rule 21 of the Central Motor Vehicles Rules, 1989 empowered the licensing authority to disqualify hold of driving licence in respect of 25 offences.

Audit observed significant deficiencies in the enforcement activities conducted by the District Transport Offices (DTOs) of Aizawl, Serchhip and Mamit. The sampled DTOs had no predefined enforcement targets. Furthermore, the DTOs lacked proper record-keeping mechanisms to track the nature of offenses, imposition and collection of spot fines and actions taken concerning vehicle detention, seizure, confiscation and disposal. The absence of these records severely undermines the transparency and effectiveness of enforcement efforts. Moreover, Duty register of Inspector of Motor Vehicles was not maintained by the Mamit and Serchhip DTOs.

DTO, Aizawl replied (11 November 2024) that the office does not have the infrastructure and manpower to monitor daily movement of vehicles. DTO, Serchhip replied (21 November 2024) that the district has low traffic movement and hence, target-based enforcement activities are not required. Further, all the test checked DTOs replied that in future, the records related to enforcement activities will be maintain.

Out of three sample DTOs, DTO, Aizawl suspended/ cancelled driving licence due to personal matter, drunken driving, *etc.*

Audit found serious flaws in how the DTOs of Aizawl, Serchhip and Mamit enforce traffic rules under the Motor Vehicles Act, 1988. These offices do not set clear targets for enforcement based on traffic patterns, vehicle movement or past trends of offenses. Without proper records of fines, offenses and actions taken, their efforts lack transparency and the effectiveness of their efforts was doubtful.

In the absence of enforcement targets, duty registers, offence logs, or monitoring of traffic patterns, the effectiveness of enforcement efforts remains unsubstantiated. As a result, the Department lacks the means to assess, deter, or systematically address traffic violations. To make roads safer and ensure better enforcement of traffic rules, these offices need to adopt a more organized and data-driven approach. Setting clear targets based on traffic data and keeping detailed records will help them manage traffic violations more effectively and improve road safety in their areas.

The Director, Transport Department stated (21 June 2024) that there was shortage of manpower in the Department which hampered the proper functioning of the Department. He also stated that the Police Department had been delegated with the power to enforce transports rules, imposition of fines, *etc.* He also added that e-challan system has been implemented to impose fine/ collection of taxes under MV Act.

The Government stated (30 May 2025) that in order to strengthen the staff position under the various DTOs, proposal was made by the Department to the State Government for recruitment of eight Motor Vehicle Inspectors, 10 Enforcement Inspectors, 10 Upper Division Clerks and 15 Group D staff. However, Government did not furnish the date when the proposal was submitted and no further information on action taken on the proposal had been received (June 2025).

***Recommendations*:**

The Transport Department should develop and implement a District-wise Enforcement Action Plan, which includes:

(i) ***Monthly enforcement targets based on local traffic density and historical offence data;***

(ii) ***Mandatory maintenance of offence registers, fine logs, vehicle seizure records and duty rosters; and***

(iii) ***Integration of all field-level enforcement data with the e-challan system to ensure real-time monitoring and accountability.***

4.10.19 Functioning of Emission Testing Centres

A Pollution Under Control (PUC) certificate is a mandatory document for all vehicles in India, including cars and bikes, to ensure compliance with emission standards. It verifies that a vehicle's emissions are within permissible limits, demonstrating its contribution to air quality. A new car typically comes with a PUC certificate valid for one year, and subsequent renewals are valid for 6 months except for Bharat Stage – IV/ VI engine norms which has the subsequent validity of 12 months.

Rule 115 of the Central Motor Vehicles Rule, 1989 prescribes that every motor vehicle other than motor cycles of engine capacity not exceeding 70 cc, manufactured prior to the first day of March 1990, shall be maintained in such condition and shall be so driven so as to comply with the standards prescribed in relation to emission of smoke, vapour, *etc*. Further, as per

Section 115(2) of Central Motor Vehicle Rules (CMVR), 1989 from, 1st October, 2004[104], every motor vehicle operating on Petrol/ CNG/ LPG shall comply with the idling emission standards for Carbon monoxide (CO) and Hydrocarbon (HC).

In Mizoram, Emission Testing of Vehicles is managed by the Mizoram Pollution Control Board under the Environment, Forest and Climate Change Department. There are five[105] Emission Testing Centres in the State – four centres in Aizawl, Aizawl District and one centre in Lunglei, Lunglei District.

Test check of records of the three sampled DTOs revealed that the agency handling the emission test did not maintain records of the number of vehicles that did not clear emission tests and there was an absence of corresponding monitoring reports. Consequently, no data existed regarding the number of vehicles that did not clear emission tests and yet continued to operate in public areas within these districts. This undermines the objective of the PUC framework and allowed non-compliant vehicles to remain in use, posing public health and environmental risks.

Audit examination of Emission Testing Centres (ETCs) in the sampled District Transport Offices (DTOs) revealed that no records were maintained regarding the number of vehicles that did not clear emission tests, nor were there any monitoring reports or follow-up actions to ensure compliance. As a result, the Transport Department could not ascertain the number of vehicles plying without valid Pollution Under Control (PUC) certificates. This significantly undermines the purpose of the PUC framework and poses a threat to public health and air quality.

While the responsibility for conducting emission tests, rests with the Mizoram Pollution Control Board, the enforcement of roadworthiness and vehicle movement lies with the Transport Department. The absence of structured inter-agency coordination, including data sharing and compliance enforcement mechanisms, had resulted in operational silos, where non-compliance test data was not acted upon by enforcement authorities. This reflects inadequate departmental control and ineffective regulatory enforcement. In the absence of systematic tracking of non-compliance and follow-up action, vehicles potentially exceeding permissible emission levels may continue to ply unchecked, posing risks to air quality and public health.

DTO, Aizawl and Serchhip replied that ETCs would be instructed to submit monthly reports of number of vehicles which passed or failed the emission tests and the same will be maintained in the office.

The Government stated (30 May 2025) that due to shortage of manpower at the various DTOs, testing of vehicle emission is outsourced by the Department to private entrepreneurs. Further, the Department is taking steps to cover every district and remote corners of the State to upgrade these testing centres to the latest version 2.0 shortly, without specifying the date/ time. At present, there are 19 testing centre and five Mobile Van in the State.

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[104] Sub-R. (2) substituted by G.S.R. 111(E), dated 10-2-2004 (w.e.f. 10-8-2004) and as corrected by vide G.S.R. 176(E), dated 5-3-2004

[105] 1. New Secretariat Complex, Khatla, Aizawl 2. Bawngkawn, Khatla, Aizawl 3. Ngaizel, Aizawl 4. Zemabawk, Aizawl and 5. Ramthar Veng, Lunglei

The fact, however, remained that due to non-maintenance of records on the number of vehicles that cleared the emission test, the number of vehicles plying on the road without pollution under control certificate could not be determined in Audit. This reflects the lack of Departmental control and oversight in monitoring the emissions test centres.

Conclusion:

Audit observed significant deficiencies in the enforcement activities conducted in the test checked District Transport Offices (DTOs). These DTOs had no predefined enforcement targets. Furthermore, the DTOs lacked proper record-keeping mechanisms to track the nature of offenses. Due to non-maintenance of records on the number of vehicles that cleared the emission test, the number of vehicles plying on the road without pollution under control certificate could not be determined in Audit. This undermines the objective of the PUC framework and allows non-compliant vehicles to remain in use, posing public health and environmental risks.

***Recommendations*:**

The Department may-

(i) ***consider in coordination with the Mizoram Pollution Control Board, establishing a real-time data sharing and monitoring system that track all vehicles undergoing emission tests, including pass/ fail status.***

(ii) ***mandate monthly reporting of test outcomes by all Emission Testing Centres and integrate this data with the DTOs' enforcement systems to trigger follow-up actions such as vehicle recall, retesting, or suspension of registration for non-compliant vehicles.***

(iii) ***execute a formal MoU or coordination framework with the Mizoram Pollution Control Board to institutionalise roles, responsibilities and accountability for pollution control enforcement.***

Audit Objective-5: To assess whether DTOs have been provided with required manpower, equipment and other resources to discharge the mandate as also to ensure public service delivery in a transparent and efficient manner

4.10.20 Shortage of staff, lack of planning and monitoring

Sanctioned strength in a department is very important as it determines the authorised number of employees and the resources allocated to a specific role. It's crucial for planning, budgeting, and ensuring adequate staffing to fulfil departmental responsibilities.

(A) Staffing Shortages and Sanctioned Strength

The Directorate of Transport currently operates with 683 sanctioned posts across the Department. However, 336 of these posts remain vacant, leaving only 348 positions filled. This severe staff shortage has significantly impacted the functioning of the nine DTOs.

There was no specific sanctioned strength for each DTOs, and staffs are posted based on population and volume of works. Due to the absence of sanctioned strength data at the DTO level, the adequacy of staffing per office could not be assessed. The men-in-position in the sampled DTOs is as shown in **Table-4.52.**

Table-4.52: Men-in-Position

Particulars	Sanctioned Strength	Men-in-Position
DTO (Registering), Aizawl	Not available	28
DTO (Licensing), Aizawl	Not available	11
DTO, Serchhip	Not available	11
DTO, Mamit	Not available	9

Additionally, the DTO of Mamit also holds the charge of Inspector of Motor Vehicles (IMV) in addition to his primary responsibilities. Assigning technical duties such as inspection to DTOs may compromise both administrative oversight and enforcement quality, indicating an urgent need for role clarity and adequate technical staffing. The shortage of personnel has placed a significant burden on existing staff, making it difficult to manage daily operations efficiently. The Department cited financial constraints as the primary reason for being unable to revise the sanctioned strength or implement Cadre Restructuring for technical positions such as Senior IMVs, IMVs, ADTOs, and DTOs.

Audit could assess staffing adequacy only in four of the nine DTOs due to incomplete data. Audit observed that nearly 49 *per cent* of sanctioned posts in the Directorate of Transport remained vacant, severely impacting its capacity to deliver services. Instances of DTOs holding dual technical and administrative responsibilities indicated understaffing in critical roles. Despite evident strain on operations, the Department had not revised the sanctioned strength or implemented cadre restructuring. Without strategic manpower planning and technical cadre reinforcement, the Department’s ability to regulate, enforce, and deliver public services effectively will remain compromised.

The Government stated (30 May 2025) that due to the absence of proper Recruitment Policy under the Government of Mizoram, filling up of vacant posts is very difficult.

(B) Lack of Capacity Building and Training

The Department did not have a dedicated training center, and no structured training plan existed for DTO staff. A review of records revealed that no training programs were conducted for staff, particularly in areas such as public grievance redressal, during the period 2019-20 to 2023-24.

The Department attributed this to staff shortages, stating that conducting training programs would disrupt daily operations. The justification is self-defeating: without training, staff capacity cannot improve, leading to continued inefficiencies that worsen operational strain. The absence of a dedicated training centre and a structured training plan reflects institutional neglect of staff development. The Department's justification that staff shortages hinder training is counterproductive, as capacity building is essential to improve operational efficiency and service quality. Audit observed no evidence of efforts to explore alternative, less disruptive forms of training. Without investment in skill enhancement, particularly in areas such as grievance handling, e-governance, and enforcement, the Department risks continued inefficiencies and erosion of public trust.

The Government stated (30 May 2025) that the shortage of staff not only impacts the functioning of DTOs but also effect the whole functioning of the Department and monitoring of the performance of various staffs under the Department is also very difficult.

(C) Absence of Strategic Planning

The Department has not developed a strategic roadmap to assess and plan for its staffing and infrastructure requirements in the context of rising population and vehicle registrations.

In response to audit queries, the Directorate stated that due to staff shortages, it had been unable to develop a strategic roadmap. However, it assured that matters would be discussed with higher authorities if the need arises.

The justification, that staff shortages have prevented such planning, reflects a circular logic, as strategic planning is essential to address precisely such challenges. Furthermore, the Department's statement that such issues will be discussed with higher authorities only if the need arises suggests a passive response to evident service delivery pressures. A forward-looking, data-driven strategy is essential to ensure sustainable operations and responsive public service delivery in the transport sector.

The Government stated (30 May 2025) that though Administrative Training Institute of the State are conducting various trainings for the employees under the Government of Mizoram, the Department can send officers and staff to attend mandatory trainings only. The Department cannot spare staff and officers to attend trainings, other than mandatory training due to the shortage of staff.

(D) Absence of Monitoring and Review Mechanism

Audit observed that no review meetings were conducted by the Department during the 2019-20 to 2023-24.

The Directorate of Transport responded (22 November 2024) that it is making every effort to enhance public service delivery, regulatory compliance, and taxation functions. However, it cited that staff shortages as a major hurdle in establishing an effective monitoring mechanism. The Department assured that review meetings would be conducted as and when required.

Thus, staff shortage significantly impacts the functioning of DTOs. This is evident from non-recovery of tax and penalty to the tune of ₹ 5.49 crore and, deficiencies in enforcement activities *viz*., checking of fitness certificates, keeping track of repeated offenders, impose of traffic rules and compounding of traffic offences as discussed in the preceding paragraph.

While the Directorate cited staff shortages as a constraint, no interim or alternative mechanisms for periodic review were instituted. The Department's assertion that reviews meetings will be held "as and when required" lacked specificity and did not reflect a sense of urgency. The absence of any structured monitoring had weakened oversight and impaired the Department's ability to respond effectively to operational and compliance risks.

Thus, absence of test records showed a lack of internal control and oversight on the part of the Department.

During the Exit Conference (27 May 2025) the Department highlighted the shortage of staff due to which the Department is unable to take up all the activities effectively. Further, the Government assured (30 May 2025) that the Department will try its level best to achieve service efficiency, regulatory compliance and public satisfaction.

Conclusion:

Audit noticed that out of 683 sanctioned posts 336 posts were vacant in the Department. There was no specific sanctioned strength for each DTOs and staffs are posted based on population and volume of works. Due to the absence of sanctioned strength data at the DTO level, the adequacy of staffing per office could not be assessed. The Department did not prepare strategic plan to assess its resources and staffing needs in response to the growing population and increasing vehicle registrations. Audit observed that the Department did not hold any review meetings between 2019-24 to assess operational performance or regulatory compliance. The absence of any structured monitoring has weakened oversight and impaired the Department's ability to respond effectively to operational and compliance risks.

***Recommendations*:**

The Department should-

(i) ***assess workforce requirements and implement a phased recruitment plan to gradually fill vacancies. A training framework must be established to enhance staff skills in public grievance handling, digital services and regulatory compliance, ensuring efficient service delivery; and***

(ii) ***develop a long-term strategic plan and conduct regular review meetings.***

4.10.21 Conclusion

The performance audit of the District Transport Offices in Mizoram revealed significant shortcomings in various aspects of their functioning. From irregularities in the issuance of licences to the ineffective enforcement of regulations, the audit findings paint a concerning picture of the transport administration in the state. In the three test checked DTOs, Learner's Licence (LL) and Driving Licence (DL) issued were more than the number of applicants during the audit coverage period. Instances of issue of DLs to underage persons were also noticed. There was insufficient equipment in the driving schools which compromised the compliance of learner's safety and quality of driving skills.

Fitness fee, grant/ renewal of fitness certificates and additional fee for each day of delay after the expiry of fitness certificates were realisable from 24,397 vehicles whose fitness certificates had expired. Audit noticed non-realisation of tax arrears and permit fees from blacklisted as well as non-blacklisted vehicles**.** The absence of annual tax collection assessments, real-time tracking, and a standard escalation protocol for defaulters had weakened revenue enforcement activities.

Audit observed significant deficiencies in the enforcement activities conducted in the sampled District Transport Offices (DTOs). DTOs had no predefined enforcement targets.

Furthermore, the DTOs lacked proper record-keeping mechanisms to track the nature of offenses.

Audit also noticed a significant shortage of staff in the Department. There was no specific sanctioned strength for each DTO. The Department did not prepare any strategic plan to assess its resources and staffing needs in response to the growing population and increasing vehicle registrations. Audit observed that the Department also did not hold any review meetings during the audit coverage period with a view to assess operational performance or regulatory compliance. The absence of any structured monitoring had resulted in weakened oversight and impaired the Department's ability to respond effectively to operational and compliance risks.

4.10.22 *Recommendations*

The Government may consider the following recommendations:

(i) ***Appropriate action should be taken to identify systemic lapses and take corrective measures. Further, the DTOs may maintain record/ register of list of applicants, date of sending of driving licence/ vehicle registration certificate for printing, date of receipt of smart cards/ DLs/ registration certificate to track their movement and to prevent loss or issue to the wrong persons;***

(ii) ***Ensure maintenance of record/ register regarding action taken by all District Transport Offices against fitness defaulters and strictly clamp down on plying of vehicles with expired fitness Certificates;***

(iii) ***Develop and deploy a rule-based auto-flagging system within the VAHAN database to trigger blacklisting or recovery action when arrears exceed defined thresholds or remain unpaid beyond specified timeframes;***

(iv) ***Develop and implement a District-wise Enforcement Action Plan, which includes: (a) Monthly enforcement targets based on local traffic density and historical offence data, (b) Mandatory maintenance of offence registers, fine logs, vehicle seizure records, and duty rosters, and (c) Integration of all field-level enforcement data with the e-challan system to ensure real-time monitoring and accountability;***

(v) ***Assess workforce requirements and implement a phased recruitment plan to gradually fill vacancies. A training framework must be established to enhance staff skills in public grievance handling, digital services, and regulatory compliance, ensuring efficient service delivery; and***

(vi) ***Develop a long-term strategic plan and conduct regular review meetings.***

PERFORMANCE AUDIT

TAXATION DEPARTMENT

4.11 Performance Audit on E-Way Bills System under Goods and Services Tax in Mizoram

4.11.1 Introduction to E-Way bills (EWB)

Goods and Services Tax (GST) has been introduced with effect from 1 July 2017, subsuming a wide range of indirect taxes based on the paradigm of 'One Nation One Tax'. One of the intended objectives of the GST regime was to improve efficiency in the movement of goods and services by reducing process-related time delays.

E-Way bill was a feature present even in pre-GST regimes wherein movement of goods was administered through manually governed (revenue) check posts. Specified goods entering a particular State was levied an 'Entry Tax' which has since been subsumed under GST. Electronic-Way bill (EWB) has been introduced under GST regime which is a shift from Government-monitored tax administration model to a self-reporting model by the taxpayer. EWB was introduced in Mizoram with effect from 1 April 2018 for all inter-State and from 1 June 2018 for the intra-State movement of goods having value exceeding ₹ 50,000. Rule 138 of the Mizoram GST (MGST) Rules, 2017 (as amended from time to time) provides for the EWB mechanism.

Government's key objective of EWB is to safeguard revenue. EWB is a document required for movement of goods and designed to capture details of goods, before being moved. Automation and standardisation of the entire process was intended to help check tax evasion and shore up GST collections. EWB is also designed to dissolve the non-trade barriers, so that transit time is reduced and supply chain efficiency improved.

The information on the consignment is to be furnished prior to commencement of movement of goods and generation of EWB irrespective of whether the movement is in relation to supply or for reasons other than supply.

4.11.2 Organisational Structure

The office of the Commissioner of State Tax (CST), Mizoram under the Finance Department[106], Government of Mizoram (GoM) is the apex body implementing the GST for State administered taxpayers across the State. The CST is the head of the State GST and assisted by two Additional Commissioners of State Tax, three Joint Commissioners of State Tax (JCsST) and two Deputy Commissioners of State Tax (DCsST). There are 11 Zonal Offices across the State headed by the DCsST, assisted by the Assistant Commissioners of State Tax (ACsST) and State Tax Officers (STOs), *etc*., in the enforcement of the GST. Three Zonal Offices[107] were also created (June 2023) headed by ACsST and assisted by Upper Division Clerks (UDCs) and Lower Division Clerks (LDCs). There is also one Preventive Unit called Data Collection Centre at Vairengte headed by ACST under the CST for verification of EWBs.

4.11.3 Information Systems used for EWBs

EWB Common Portal is managed by National Informatics Centre (NIC) and is integrated with the VAHAN[108] system of the Ministry of Road Transport and Highways, so that vehicle registration number can be validated at the time of generating EWB. FASTag system has

[106] The Taxation Department was removed from the list of departments under the Government of Mizoram and allocated to the Finance Department vide Notification No. A. 46012/1/2022-GAD dated 23 August 2024

[107] The Zonal Offices in the new districts of Khawzawl, Saitual and Hnahthial were established in June 2023 vide Notification No. A.11013/5/2005-TAX dated 14 June 2023

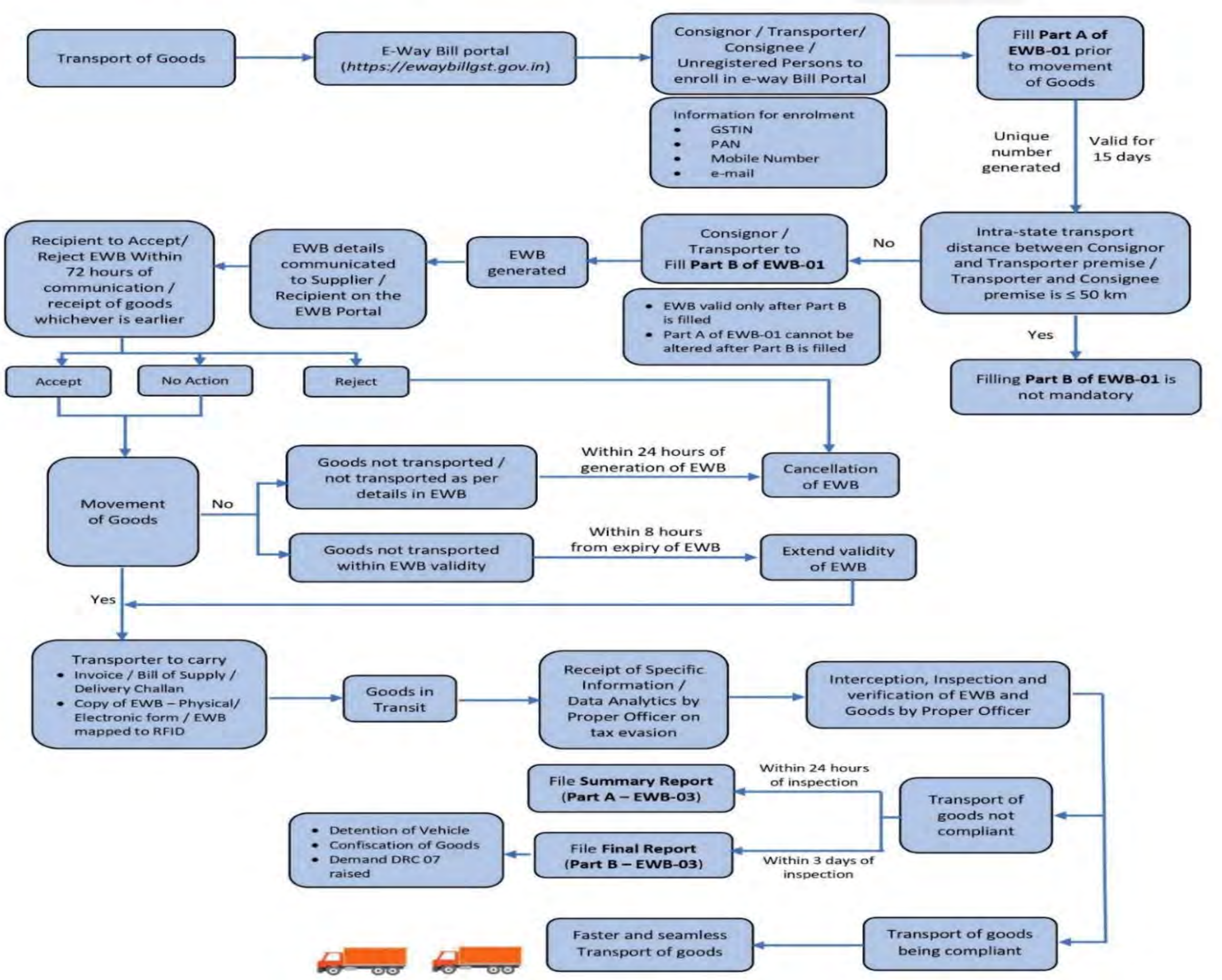
[108] VAHAN is a computerised system developed by the Ministry of Road Transport and Highways in India, designed to facilitate various vehicle related services such as vehicle registration, vehicle permits, payment of vehicle taxes, *etc*.

been integrated with the EWB system with effect from 01 January 2021. On the EWB Common Portal, one-time registration of the taxpayer is required for the purpose of generation, extension, cancellation and rejection of EWBs. The Proper Officers can access the EWB Portal through two means *viz*., (i) Logging into EWB Common Portal through a web browser using the login credentials provided or (ii) Logging into the GST EWB System Mobile App. The functions performed by the Proper Officers are verification of EWBs, unblocking of EWBs, viewing and accessing MIS reports, *etc.*

4.11.4 Processes involved in the EWB System

The EWB system includes various processes such as the Enrolment of the required persons in the portal, Generation of EWB, Extension, Cancellation and Rejection of the generated EWBs, *etc*. The entire process flow of EWB system under GST is depicted in the **Figure-1**.

Figure 1: E-Waybill Mechanism - Process Flow Chart



The process involved in generation, cancellation and extension of EWBs and important terminologies used in the EWB System are discussed in the following paragraphs:

4.11.4.1 Enrolment in the Portal

As per the provisions of Rule 138 of the MGST Rules, every person who causes movement of goods of consignment value exceeding the prescribed limit shall generate an EWB by providing required details in EWB-01.

For generation of EWBs, GST Registered Persons, Transporters (GST Registered or Unregistered) and Citizens/ Unregistered persons are required to enrol themselves in the EWB portal by providing necessary details such as State, GST Identification Number (GSTIN), Legal Name, Permanent Account Number (PAN), Mobile Number, *etc*. The transporters who may not be registered under the GST but cause movement of goods for their clients need to enrol on the e-way bill portal and get 15-digit Unique Transporter ID.

4.11.4.2 Generation of EWBs

As per Rule 138 of the MGST Rules, EWB can be generated electronically by furnishing details in Part A (once submitted cannot be edited) of the Form GST EWB-01 by any of the following persons:

- the Consignor
- the Transporter
  - in the case of authorisation by the Consignor, or
  - if the Consignor is an unregistered person,
- the Consignee

Details of the consignments *viz.*, GSTIN of Supplier, Place of Dispatch, GSTIN of Recipient, Place of delivery, Document Number, Document Date, Value of Goods, Harmonised System of Nomenclature (HSN) Code and reason for transportation are available in Part-A of the EWB-01 and in Part-B, Vehicle Number for consignment by road and Transport document number are provided. Furnishing details of vehicle number is not mandatory for intra-state/ Union Territory transactions with a distance upto 50 km when the goods are moved from premises of consignor to that of transporter or from the premises of transporter and that of consignee. Consolidated EWBs can be generated in Form GST EWB-02 in the case of multiple EWBs generated for the multiple consignments but transported in the single vehicle.

4.11.4.3 Bill to Ship to Transactions

In ‘Bill to Ship to’ transactions, three persons are involved *viz.*, Supplier, Buyer and Recipient. The goods are purchased by the buyer and transported from the place of supplier to the place of recipient on behalf of the buyer. In these transactions, EWB can be generated either by the Supplier or by the Buyer. Buyer orders the Supplier to supply the Goods to the recipient on behalf of the Buyer. In this transaction, two supplies and two invoices are involved.

4.11.4.4 Validity of EWBs

As per Rule 138(10) of the MGST Rules, the validity of the EWB depends upon the distance and the type of shipment. Validity is calculated from the date on which the EWB has been generated (relevant date) and the period of validity shall commence from the midnight of the generation of EWB.

The validity period is one day for 200 km in respect of consignment other than over dimensional cargo and one additional day for every 200 km or part thereof with effect from 01 January 2021. Before that date, validity period was one day for 100 km and one additional day for every 100 km or part thereof. In respect of over dimensional cargo, it is one day for 20 km and one additional day for every 20 km or part thereof.

4.11.4.5 Extension of EWBs

As per Proviso-3 of the Rule 138(10) of the MGST Rules, the validity of the EWB can be extended by the transporter under circumstances of an exceptional nature where the goods cannot be transported within the original validity period of the EWB after updating the details in Part-B of form GST EWB-01, within eight hours from the time of its expiry. Further, in terms of Proviso-1 of the Rules *ibid*, the validity of EWB can be extended by the Commissioner for certain categories of specified goods on the recommendation of the Council.

4.11.4.6 Cancellation of EWBs

As per Rule 138(9) of the MGST Rules, where an EWB is generated, the same may be cancelled electronically on the common portal within 24 hours of generation. However, an EWB cannot be cancelled if it has been verified in-transit.

4.11.4.7 Rejection of EWBs

As per Rule 138(11) and (12) of the MGST Rules, the details of the EWB generated will be communicated electronically to the recipient, and he is required to communicate his acceptance or rejection of the goods being transported. If the recipient does not communicate his acceptance or rejection within 72 hours of the details being communicated to him or the time of delivery of goods whichever is earlier, the EWB shall be deemed to be accepted.

4.11.5 Audit Objectives, Criteria, Scope and Sampling Methodology

4.11.5.1 Audit Objectives

This Performance Audit (PA) was done with the following audit objectives:

- Whether the EWB mechanism is effective in protecting revenue interest of the Government; and
- Whether the Preventive/ Enforcement activities of the Department in enforcing EWB provisions are efficient and effective.

4.11.5.2 Audit Criteria

The PA on EWB system under GST has been evaluated against the following audit criteria:

- Mizoram Goods and Services Tax Act, 2017 (MGST Act);
- Mizoram Goods and Services Tax Rules, 2017 (MGST Rules);
- Notifications/ Circulars/ Instructions authorised by GST Council and issued by CBIC and Taxation Department, GoM from time to time; and
- Advisories/ Standard Operating Procedures issued by NIC, CBIC and Taxation Department, GoM.

4.11.5.3 Audit Scope

The EWB transactions of the persons registered in the EWB portal pertaining to the period between 1 April 2018 and 31 March 2022 were covered in the PA. An Entry Conference was held with the Deputy Secretary, Taxation Department on 8 August 2023 wherein the audit objectives, criteria, scope and sampling methodology were discussed. The audit was conducted between August 2023 and April 2024. The draft PA Report was forwarded to the Department on 12 September 2024, and the Exit Conference was held with the Department on 5 November 2024 wherein the findings, conclusion and recommendations of the PA were discussed. The views/ comments of the Department during the Exit Conference have been incorporated in the relevant paragraphs wherever applicable.

Audit has done critical examination of the overall performance of EWB system in the GST regime with reference to the given audit objectives. The EWB data (generated) for the audit period was extracted from GSTN and analysed. The scope of audit also involved evaluation of the preventive functions of the Department with reference to EWBs, *viz.,* interception of vehicles, verification of documents, inspection of goods and action taken thereof. The movement of conveyances by roadways alone have been considered in this Audit and Railway/ Airway/ Seaway EWBs have been excluded from the scope of this Audit.

4.11.5.4 Audit Sampling Methodology

A risk-based approach has been attempted in this PA as EWB generation under GST is a necessary condition that precedes any movement of goods subject to the threshold limit.

The samples for Audit Objective-1 were evolved based on the Key Problem Areas (KPAs)/ Risk Dimensions identified. The KPAs that constrained revenue realisation for the Government are provided in ***Appendix-4.7***. Under this Audit Objective-1, a total of 80 EWBs pertaining to 26 taxpayers falling under five Zonal Offices[109] were selected based on risk analysis and to cover all the KPAs relevant for Mizoram. Besides the 80 EWBs, another five EWBs relating to five consignors and five consignees having same PANs were also selected. Further, a larger set of samples based on two KPAs (shown in **Table-4.56** of **Paragraph 4.11.7)** were also selected to ascertain remedial action taken by the Department.

Under Audit Objective-2, Audit evaluated the problems associated with enforcement/ preventive activities, *viz.*, Operational Preparedness, Effectiveness of Anti-Evasion measures and Intra-Department and Inter-Department coordination. Under this Audit Objective-2, one Preventive Unit headed by ACST, being the only preventive unit set up in the State, was selected.

4.11.5.5 Scope limitation due to non-production of documents

Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service (CAG's (DPC)) Act, 1971 lays down the audit mandate of the CAG regarding audit of receipts. Further, Section 18(2) of the CAG's DPC Act, 1971 imposes a statutory duty on Offices/ Departments to comply with the requests for information in as complete a form as possible and with all reasonable expedition.

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[109] DCST of Aizawl East Zone, DCST of Aizawl North Zone, DCST of Aizawl West Zone, DCST of Champhai Zone and DCST of Kolasib Zone

During this PA, Audit requisitioned information and records related to EWBs and GST returns for the period 2018-19 to 2021-22. Further, additional records of sampled taxpayers like invoices *etc*., to check outward supplies not supported by EWBs were also sought. Inspite of requisitions and follow up, the jurisdiction Zonal Office did not produce copies of invoices for sales declared under GSTR-1 pertaining to two taxpayers (GSTINs - 1xxxxxxxxxxxxxN and 1xxxxxxxxxxxxxE under DCST, Aizawl North Zone) out of five sampled taxpayers for the KPA "Whether taxpayers had generated disproportionate E-Way bills on inward supply".

The Department stated (November 2024) that though notices in form GST ASMT-10 were issued (March 2024) to the taxpayers, no reply from the taxpayers were received (March 2025).

Audit findings

Audit findings have been categorised under two broad perspectives, *viz*., (i) Effectiveness of EWB system in protecting the revenue and (ii) the shortfalls noticed in the enforcement functions of the Department.

4.11.6 Effectiveness of EWB System in Protection of Revenue

4.11.6.1 Number of EWBs generated by the taxpayers

EWB is a document required for movement of goods and is designed to capture details of goods before being moved. The EWBs generated for outward supplies are supported by invoices and the invoice details are required to be reported in their GST returns.

The total number of outward EWBs generated during the period from 2018-19 to 2021-22 is given in **Table-4.53.**

Table-4.53: Total number of outward EWBs generated by the taxpayers for the period 2018-2022

Year	No. of EWBs generated	No. of taxpayers
2018-19	9,159	261
2019-20	12,884	341
2020-21	12,712	364
2021-22	9,047	304
Total	**43,802**	**1,270**

Source: As per information available in GSTN

4.11.6.2 Deficiencies and consequent revenue impact noticed in Audit

Audit selected 26 taxpayers for conducting Substantive Audit[110]. **Table-4.54** below brings out the extent of deficiencies and consequent revenue impact noticed during the detailed scrutiny of sampled cases.

[110] Substantive Audit are cases to be pursued in detail for cause analysis and ascertain current developments

Table-4.54: Details of observations in sampled cases

Sl. No.	Key Problem Areas	No. of taxpayers (a taxpayer may be involved under multiple KPAs)	Amount (₹ in lakh)			
			Assessable Value involved	Tax	Cess	Interest
1.	Generation of EWBs by Nil-filers of GST Returns	08	956.99	52.72	0	64.36
2.	Taxpayers who have generated EWB after effective date of cancellation	03	124.37	22.54	2.75	15.15
3.	Generation of multiple EWBs on the strength of same/ similar Invoices	02	278.68	5.72	0	0
4.	EWBs generated using risky/ invalid vehicles	02	6,356.16	47.30	0	40.22
5.	EWB generated whose PIN code to PIN code distances are too high and using invalid PIN code	04	69.88	5.14	0	3.66
6.	Short declaration of EWB taxable value in GST returns	02	1,441.09	19.62	0	0
7.	High value EWBs generated within six months of registration	01	1,408.09	0	0	0
Total		**22**	**10,635.26**	**153.04**	**2.75**	**123.39**

The audit observations under Audit Objective-1 pertain to 16 distinct taxpayers. The results of the analysis are enumerated below:

4.11.6.2 (a) Generation of EWBs by the taxpayers who had filed Nil returns

As per Sections 37 and 39 of MGST Act, 2017, read with Rules 59 and 61 of MGST Rules, 2017, the taxpayers are required to furnish details of all their outward supplies for each calendar month in GSTR-1 and all inward and outward supplies along with tax or any other amount payable in GSTR-3B respectively.

Further, Section 61 of the Act mandates the Proper Officer to scrutinise returns, assess tax liability and take suitable action in case of discrepancies or inconsistencies in the returns. The Proper Officer designated for this purpose is the Zonal Officer.

Audit test checked 224 EWBs pertaining to 10 taxpayers falling under five Zonal Jurisdictions of the Commissionerate and it was observed that even though eight taxpayers had generated outward supplies of ₹ 956.99 lakh in 130 EWBs, they were not reported in both GSTR-1 and GSTR-3B. In the case of one taxpayer (GSTIN- 1xxxxxxxxxxxxxD) under DCST, Kolasib Zone, the taxpayer paid tax of ₹ 22.77 lakh during February 2024 at the instance of Audit. However, interest amount of ₹ 21.65 lakh was not paid by the taxpayer. The filing of nil returns during the period in which the EWBs were generated resulted in non-discharge of tax liability of ₹ 117.08 lakh (including interest amount of ₹ 64.36 lakh) as on 1 May 2024 by the taxpayers. The details are shown in ***Appendix-4.8***.

On this being pointed out (May 2024), the Department stated (November 2024) that shortage of manpower to scrutinise all the taxpayers to detect the discrepancies and lack of proper mechanism of linking the EWB system and the GST network (GSTN) led to the discrepancies. The Department also stated that scrutiny is being done and notice for scrutiny of returns in GST ASMT-10 has been issued to the taxpayer (GSTIN - 1xxxxxxxxxxxxxV) under Aizawl West Zone and notice for clarification has been served to the taxpayer

(GSTIN - 1xxxxxxxxxxxxx8) under Aizawl East Zone. Demand for payment of interest has been raised in FORM GST DRC-07 for the taxpayer (GSTIN - 1xxxxxxxxxxxxxD) under Kolasib Zone to which the taxpayer replied that it intends to opt for amnesty under Section 128A. The Department further stated that the functionality for availing amnesty under this amended section is still not incorporated in the GST portal and therefore the interest and penalty will be waived-off once the functionality for availing amnesty is incorporated.

However, report on the action taken after issuing notice for scrutiny/ clarification has not been received (March 2025). Further, the contention of the Department to waive-off the interest in respect of the taxpayer under Kolasib Zone is not tenable as recovery of tax of ₹ 22.77 lakh was already made at the instance of Audit and Section 128A is not yet adopted under Mizoram GST Act. Replies on the action initiated against the remaining five taxpayers were not received (March 2025).

4.11.6.2 (b) Generation of EWBs by cancelled taxpayers

As per Section 63 of the MGST Act, 2017, where a taxable person whose registration has been cancelled but was liable to pay tax, the Proper Officer may proceed to assess the tax liability of such taxable person to the best of his judgment. A cancelled taxpayer cannot generate EWBs, as he will be passing on ITC without filing of returns, resulting in non-payment of tax.

Audit observed that 298 EWBs involving an assessable value of ₹ 124.37 lakh relating to three taxpayers falling under the jurisdiction of Aizawl West Zone and Aizawl East Zone were generated for outward supply after the effective date of cancellation of their GST registrations without discharging their tax liability. The respective Proper Officers of the Zones did not assess the tax liability under Section 63 of the MGST Act and thereby did not safeguard the revenue interest of the Government amounting to ₹ 40.44 lakh (including interest of ₹ 15.15 lakh and cess amount of ₹ 2.75 lakh) as on 01 May 2024. The details are shown in ***Appendix-4.9***.

Thus, due to system deficiency, the taxpayers could generate EWBs for outward supply even after the effective date of cancellation of registrations which needs to be addressed by the Department.

On this being pointed out (May 2024), the Department stated (November 2024) that shortage of manpower to scrutinise all the taxpayers to detect the discrepancies and lack of proper mechanism of linking the EWB system and the GST network (GSTN) led to the discrepancies. The Department also stated that scrutiny is being done and notice for scrutiny of returns in GST ASMT-10 has been issued to the two taxpayers (GSTIN - 1xxxxxxxxxxxxxC and 1xxxxxxxxxxxxxX) under Aizawl West Zone and notice for clarification has been served to the taxpayer (GSTIN - 1xxxxxxxxxxxxx8) under Aizawl East Zone. However, the status of action taken after notice/ clarification issued has not been intimated to Audit (March 2025).

Recommendation: The Department may introduce a mechanism to prevent generation of EWBs by nil filers of returns and cancelled taxpayers. The Department may also streamline the available manpower for regular scrutiny of EWBs and cross-verification

with returns and other relevant documents by the Proper Officers under appropriate Section of the Act to minimise instances of unrealised tax from the taxpayers.

4.11.6.2 (c) Generation of multiple EWBs on the strength of same/ similar invoices

As per Rule 46(b) of MGST Rules, 2017, a tax invoice shall be issued by the registered person containing consecutive serial numbers, not exceeding sixteen characters, unique for a financial year.

Further, as per Paragraph 5.1 of the User Manual issued by the NIC, the taxpayer while generating the EWB is required to enter the Document Number relating to the consignment. The Document Number entered should be unique. Invoice Number is the Document Number in respect of consignments relating to supplies. Hence, only one EWB is required to be generated based on each invoice.

Audit test checked the sampled cases of two taxpayers falling under the DCST, Champhai Zone who had generated multiple EWBs with the support of a single invoice. Audit scrutinised the corresponding returns and observed that taxpayers used the same invoice to generate multiple EWBs for movement of goods having assessable value of ₹ 76.44 lakh. Though this resulted in multiple consignments, it was noticed that the taxpayers did not report any consignment or reported less consignments in their returns which led to non/ short discharge of tax liability. Details of the taxpayers are shown in **Table-4.55.**

Table-4.55: Details on multiple EWBs generated on similar invoice

Sl. No.	Name of the Zone	GSTIN of the Taxpayer	EWB No.	EWB generated date	Invoice No. and date	Assessable Value (₹ in lakh)
1.	DCST, Champhai Zone	1xxxxxxxxxxxxxT	441003849964	17.04.2018	TI/02 15.04.2018	36.00
			891003763991	21.04.2018	TI/02 15.04.2018	36.00
2.	DCST, Champhai Zone	1xxxxxxxxxxxxx9	881022239764	07.10.2018	BVFCL/M15/66	1.27
			861022239896	07.10.2018	BVFCL/M15/66	1.27
			841022239564	07.10.2018	BVFCL/M15/66	0.95
			801022239434	07.10.2018	BVFCL/M15/66	0.95
Total						**76.44**

This indicated lack of validation controls in the EWB Common Portal to restrict generation of multiple EWBs using the same/ similar invoices.

On verification of returns, it was noticed that one taxpayer (GSTIN - 1xxxxxxxxxxxxxT) out of the above-mentioned two taxpayers generated seven EWBs during the relevant month with an assessable value of ₹ 274.27 lakh but filed GSTR-1 returns with an assessable value of ₹ 159.84 lakh only. The other taxpayer (GSTIN - 1xxxxxxxxxxxxx9) generated five EWBs with assessable value of ₹ 4.44 lakh but filed nil returns in the relevant month which resulted in non-realisation of tax liability of ₹ 5.72 lakh as shown in ***Appendix-4.10***. The Department thereby did not safeguard the revenue interest of the Government.

On this being pointed out (May 2024), the Department stated (June 2024 and November 2024) that notice has been served to the concerned taxpayers on the matter. The Department also stated that it has no control over the EWB system to restrict generation of multiple EWB using the same/ similar invoices as this limitation arises from insufficient validation controls within the EWB Common Portal. Result of the notice issued and further action taken to recover the tax liabilities was not received (March 2025).

4.11.6.2 (d) Generation of EWBs for the transactions effected through risky vehicles

As per Rule 138(2) of the MGST Rules, 2017, where the goods are transported by the registered person as a consignor, whether in his own conveyance or a hired one or a public conveyance, by road, the said person shall generate the EWB in FORM GST EWB-01 electronically on the common portal after furnishing information in Part B of FORM GST EWB-01. Further, as per Rule 138(3) of MGST Rules, where the goods are handed over to a transporter for transportation by road, the registered person shall furnish the information relating to the transporter on the common portal and the EWB shall be generated by the transporter on the said portal on the basis of the information furnished by the registered person in Part A of FORM GST EWB-01. The vehicle number is required to be provided in Part-B of EWB-01.

In March 2020, EWB portal has been integrated with the VAHAN system of the Ministry of Road Transport and Highways, so that vehicle registration number can be validated at the time of generating EWB.

As per Sections 37 and 39 of MGST Act, 2017, read with Rules 59 and 61 of MGST Rules, 2017, taxpayers are required to furnish details of all their outward supplies for each calendar month in GSTR-1 and all inward and outward supplies along with tax or any other amount payable in GSTR-3B respectively.

Audit observed that three[111] taxpayers falling under three Zones had generated three EWBs involving assessable value of ₹ 53.48 lakh using invalid vehicles as modes of transportation. Though the EWB portal is integrated with the VAHAN system, it did not prevent the generation of EWBs using the invalid vehicles.

Further scrutiny of records revealed that out of the three taxpayers mentioned above, two taxpayers had unreported EWB having assessable value of ₹ 430.32 lakh resulting in unrealised tax of ₹ 87.52 lakh (including interest of ₹ 40.22 lakh) as on 1 May 2024 as shown in ***Appendix-4.11***. The Department thereby did not safeguard the revenue interest of the Government.

On this being pointed out (May 2024), the Department stated (June 2024 and November 2024) that notice was sent to taxpayer with GSTIN 1xxxxxxxxxxxxx6. However, result of the notice issued was not intimated to Audit (March 2025). The Department also stated that as EWB system is integrated with the VAHAN system, the prevention of generation of EWBs using invalid vehicles lies within the purview of the Transport Department.

Reply in respect of taxpayer with GSTIN 1xxxxxxxxxxxxxO under DCST, Aizawl North Zone was not received (March 2025).

[111] GSTIN - 1xxxxxxxxxxxxxR under DCST, Aizawl East Zone (Surrendered vehicle used in EWB), GSTIN - 1xxxxxxxxxxxxx6 under DCST, Champhai Zone and GSTIN - 1xxxxxxxxxxxxxO under DCST, Aizawl North Zone (Vehicles with cancelled registrations used in EWB)

4.11.6.2 (e) EWBs generated in which the PIN code to PIN code distances were too high and EWBs generated using invalid PIN code

The EWB portal has a system to auto calculate and display the estimated motorable distance between two PIN code areas. User is also allowed to enter the actual distance as per the movement of the goods. However, it would be limited to 10 *per cent* beyond the auto calculated distance displayed.

As per Sections 37 and 39 of MGST Act, 2017, read with Rules 59 and 61 of MGST Rules, 2017, taxpayers are required to furnish details of all their outward supplies for each calendar month in GSTR-1 and all inward and outward supplies along with tax or any other amount payable in GSTR-3B respectively.

Audit observed that two taxpayers falling under two DCST offices generated EWBs with excess distances ranging from 328 to 614 kilometres as compared to PIN code to PIN code distances between the places as shown in ***Appendix-4.12.*** It was further observed that the two taxpayers had three EWBs with assessable value of ₹ 36.65 lakh unreported in GSTR-1 and GSTR-3B resulting in non-realisation of tax liability of ₹ 4.65 lakh (including interest amount of ₹ 2.37 lakh) as on 1 May 2024 as shown in ***Appendix-4.13.***

Audit also observed that in one sampled EWB pertaining to one taxpayer of DCST Champhai Zone, the Pin Code mentioned in the EWBs was valid but does not match with the address of place of dispatch of the goods. In case of another sampled EWB pertaining to one taxpayer of DCST Aizawl North Zone, the Pin Code mentioned in the EWB was invalid as shown in ***Appendix-4.14.*** It was further observed that the taxpayer (GSTIN- 1xxxxxxxxxxxxx4) under DCST, Champhai Zone had eight EWBs with assessable value of ₹ 33.23 lakh unreported in GSTR-1 and GSTR-3B resulting in non-realisation of tax liability of ₹ 4.15 lakh (including interest amount of ₹ 1.29 lakh) as on 1 May 2024 as shown in ***Appendix-4.13.***

This indicated lack of validation controls in the EWB Common Portal to restrict generation of EWBs with inflated/ excessive distances and invalid PIN codes and the Department did not protect the revenue interest of the Government.

On this being pointed out (May 2024) the Department stated (June 2024 and November 2024) that proceedings for scrutiny under Section 61 of MGST Act, 2017 was initiated in the case of taxpayer with GSTIN 1xxxxxxxxxxxxxO while in respect of taxpayers with GSTIN 1xxxxxxxxxxxxxM and 1xxxxxxxxxxxxx4, notices have been sent to the taxpayers. However, result of the notices issued as well as scrutiny of the returns was awaited (March 2025). The Department also stated that the difference in the PIN code to PIN code distance was the mistake of the taxpayer in not verifying/ incorporating the actual distance as he had generated EWBs first time. It was further stated that the invalid PIN code was a human error on the part of the taxpayer as the PIN code of Aizawl is 796001 and not 796011. The reply of the Department in respect of Champhai Zone was not received (March 2025).

Recommendation: The Department should notify the appropriate authorities about the weaknesses/ loopholes in the EWB Common Portal as well as the GST Common Portal where system's deficiencies are beyond its control/ powers to prevent exploitation of

system's deficiencies in future. Also, it may ensure pro-active involvement of its personnel in mitigating the deficiencies through manual validation of system-generated documents.

4.11.6.2 (f) Short declaration of EWB taxable value in GST returns

As per Sections 37 and 39 of MGST Act, 2017, read with Rules 59 and 61 of MGST Rules, 2017, taxpayers are required to furnish details of all their outward supplies for each calendar month in GSTR-1 and all inward and outward supplies along with tax or any other amount payable in GSTR-3B respectively.

Audit selected 17 EWBs (out of 80 sampled EWBs) for verification in respect of two taxpayers falling under DCST, Aizawl West Zone and DCST, Champhai Zone. During the year 2019-20, the taxpayers had generated 63 outward EWBs with the assessable value of goods amounting to ₹ 1,441.09 lakh having a tax effect of ₹ 72.05 lakh. However, on verification of returns, it was noticed that the taxpayer filed GSTR-1 returns with assessable value of ₹ 1,054.61 lakh only and discharged tax liability of ₹ 52.43 lakh only in GSTR-3B. This is in violation of the Act and Rules *ibid*. The Proper Officer also did not scrutinise returns and levy tax under Section 61(1) of the MGST Act, 2017. This resulted in non-realisation of tax liability of ₹ 19.62 lakh as shown in ***Appendix-4.15***. The Department thereby did not safeguard the revenue interest of the Government.

On this being pointed out (May 2024), the Department stated (June 2024) that in respect of taxpayer with GSTIN 1xxxxxxxxxxxxxV, appropriate action under Section 61 of MGST Act, 2017 will be taken and progress of the case will be intimated while in respect of taxpayer with GSTIN 1xxxxxxxxxxxxxK, notice was sent to the taxpayer. However, action taken report/ progress of the case was not received by Audit (March 2025).

4.11.6.2 (g) High value EWBs generated within six months of registration

As per Sections 37 and 39 of MGST Act, 2017, read with Rules 59 and 61 of MGST Rules, 2017, taxpayers are required to furnish details of all their outward supplies for each calendar month in GSTR-1 and all inward and outward supplies along with tax or any other amount payable in GSTR-3B respectively.

Audit selected 14 EWBs (out of 80 sampled EWBs) for verification in respect of one taxpayer falling under the office of DCST, Champhai Zone. On verification, Audit noticed that the taxpayer had generated 44 outward EWBs within six months from the date of registration (25 January 2019) with assessable value of goods amounting to ₹ 1,408.09 lakh having a tax effect of ₹ 68.86 lakh. However, on verification of returns, it was noticed that the taxpayer filed GSTR-1 returns with assessable value of ₹ 896.11 lakh only and discharged tax liability of ₹ 44.80 lakh only in GSTR-3B. This is in violation of the Act and Rules *ibid*. The Proper Officer also did not scrutinise the returns and levy tax under Section 61(1) of the MGST Act, 2017. The undischarged tax liability is shown in ***Appendix-4.16***. The Department thereby did not safeguard the revenue interest of the Government.

On this being pointed out (May 2024), the Department stated (June 2024) that notice was sent to the concerned taxpayer. However, result of the notice issued was not intimated to Audit (March 2025).

Recommendation: For recovery of tax dues, the Department may utilise the provisions[112] of the modes of recovery under MGST Act, 2017 and MGST Rules, 2017 to ensure full recovery from the tax defaulters after initiation[113] of recovery proceedings.

4.11.6.2 (h) Other issues

(a) Mismatch between ITC available in GSTR-2A and credited in Electronic Credit Ledger (ECL)

As per Section 16 of the MGST Act, 2017, every registered person shall be entitled to take credit of input tax credit (ITC) charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person. Further, in terms of Sub-Section 2(c) of the said Section, the claim of ITC is subject to the condition, *inter-alia*, that the tax charged in respect of such supply has been actually paid to the Government.

Rule 60 of MGST Rules, 2017 provides that the details provided by the suppliers in GSTR-1 will be auto-populated to the recipients of the goods in GSTR-2A to enable them to take ITC.

During Audit, it was noticed that two taxpayers (GSTIN 1xxxxxxxxxxxxxV and 1xxxxxxxxxxxxxO) pertaining to two[114] DCST offices had availed ITC of ₹ 7.50 lakh and ₹ 4,695.98 lakh through ECL during the audited period (2018-2022) respectively. Verification of GSTR-2A returns (detailed inward) in respect of the above two taxpayers for the particular year, revealed that the taxpayers (GSTIN 1xxxxxxxxxxxxxV and 1xxxxxxxxxxxxxO) were actually eligible for ITC of ₹ 1.14 lakh (during 2019-20) and ₹ 4,108.28 lakh respectively. Thus, a mismatch of ₹ 594.06 lakh was observed in the ITC between GSTR-2A and ECL. However, the Proper Officer did not monitor credit mismatch in the ECL of the taxpayers and did not safeguard the revenue interest of the Government. The details are shown in the ***Appendix-4.17.*** The mismatch in ITC availed of ₹ 594.06 lakh as on 01 May 2024 are required to be recovered/ adjusted.

On this being pointed out (May 2024), the Department stated (June 2024) that appropriate action under Section 61 of MGST Act, 2017 will be taken on the two taxpayers. It was further stated (November 2024) that notice for scrutiny in FORM GST ASMT-10 was issued to the taxpayer under DCST, Aizawl West Zone. However, the result of the scrutiny was not intimated to Audit (March 2025).

4.11.7 Discrepancies identified through analysis of data of E-Way Bills

Besides the 80 sampled EWBs selected under the Audit Objective-1, KPAs' based samples were also selected from the database relating to EWBs of the taxpayers falling under the jurisdiction of CST, Mizoram. The data extracted under these KPAs were forwarded to the Department for considering further course of remedial action and summary report on action

[112] As per Section 79(1)(a-f) of MGST Act, 2017 read with Rule 143, 144, 145, 147, 155 and 156 of MGST Rules, 2017, the provisions for modes of recovery of tax dues include: Adjustments against refunds, detaining and selling goods, recovery from third parties, seizure of property, recovery through District Collector and Court recovery

[113] Section 78 of MGST Act, 2017

[114] DCST, Aizawl West Zone and DCST, Aizawl North Zone

taken was called for. Audit analysed data on EWBs generated during the period April 2018 to March 2022 based on KPAs and observed discrepancies in tax compliance by the taxpayers. The details in **Table-4.56** of observations from data analysis shared with the Department are discussed below:

Table-4.56: Details of Observations from Data Analysis

Sl. No.	Nature of Observation	No. of taxpayers	No. of EWBs generated	Assessable Value involved (₹ in lakh)
(i).	Generation of EWBs by non-filers of GST returns (including two Composite Taxpayers)	33	411	6,556.01
(ii).	Generation of duplicate EWBs using duplicate invoices	10	40	345.53

(i) Audit observed that 33 taxpayers (including two Composite taxpayers) had generated 411 (including 17 EWBs by the Composite taxpayers) EWBs despite not filing relevant returns as mandated under Sections 10, 37 and 39 of the MGST Act, 2017, and restriction imposed under Rule 138E of MGST Rules, 2017, consecutively[115] even beyond 01 December 2019 (the effective date of implementation of blocking functionality). This indicated weakness in application control in the EWB Common Portal and insufficient coordination between the EWB Common Portal and the GST Common Portal.

On this being pointed out (May 2024), the Department stated (June 2024 and November 2024) that notice was issued to 22 taxpayers falling under DCST, Champhai Zone and to two taxpayers falling under DCST, Kolasib Zone. However, the status of action taken/ notice issued against the remaining 19 taxpayers was not received (March 2025).

(ii) Audit observed that 10 taxpayers had generated 40 EWBs having an assessable value of ₹ 345.53 lakh using duplicate invoice numbers during the given financial year in contravention of the requirement of unique invoice number as stipulated in the rules. The number of such multiple EWBs generated ranged from two to five which were generated between 11 April 2018 and 13 December 2019. As the taxpayers effected multiple movement of goods using same invoice, there was a risk of under-reporting of outward supplies by them in their GSTR-1 and consequent short-payment of tax.

On this being pointed out (May 2024), the Department stated (June 2024) that proceedings under Section 61 of MGST Act, 2017 has been initiated against two taxpayers falling under DCST, Aizawl North Zone, notice issued to five taxpayers falling under DCST, Champhai Zone and opportunity of being heard was to be given for further necessary action in respect of one taxpayer falling under DCST, Aizawl East Zone.

Replies on the action initiated against the remaining two taxpayers were not received (March 2025).

Recommendation: The Department may ensure that all the EWBs are verified along with other related documents by the jurisdictional authorities and appropriate action initiated, as per the provisions of the Act as necessary.

[115] Two consecutive tax periods for Composition taxpayers and two consecutive months for Normal Taxpayers

4.11.8 Enforcement Functions of the Department

The EWB System was introduced to track the movement of goods having value exceeding ₹ 50,000. The EWB system is a self-declaration model wherein, by way of a digital interface, the person involved in the movement of goods uploads the relevant information prior to the commencement of movement of goods and generates an authorisation for transportation of the said goods. The self-declaration model emphasises the need for a compliance verification mechanism which can be done through verification of EWBs.

In Mizoram, the enforcement functions in respect of interception of vehicles and verification of documents, *viz.,* EWBs, invoices, delivery challans, *etc*., are being done by one Preventive Unit headed by an ACST through one Data Collection Centre (DCC) at Vairengte, Kolasib District in northern Mizoram.

Audit test checked records related to operational preparedness, effectiveness of anti-evasion measures and intra-Departmental coordination in monitoring EWB related transactions.

Audit requisitioned information and records related to preventive activities of the Preventive Unit with reference to intercepted and booked cases of EWBs. During the audited period (2018-2022), the Department verified 2.19 lakh EWBs. The audit findings are enumerated as under:

4.11.9 Operational Preparedness of the Department

4.11.9.1 Dedicated Setup/ Unit

A dedicated unit for EWB related enforcement activities like verification of EWBs during interception of vehicles and follow up action wherever required, utilising EWB Analytical Reports in planning the EWB verification, *etc*., will improve the efficiency of preventive functions.

The Department notified, in December 2017[116], the establishment of Data Collection Centres (DCCs) in Kolasib and Champhai districts. However, due to shortage of manpower, only one DCC at Vairengte, Kolasib District was established. Further, Audit observed that other than setting of DCC at Vairengte, there are no specific orders on the composition of inspection teams for dealing with EWB related enforcement activities. Also, an order was passed during February 2019[117] instructing all heads of Zonal Offices to conduct mobile checking of goods within their respective areas at least once a week. However, there is no record of setting up dedicated units in the Zonal Offices for conducting mobile checking of goods within their respective jurisdictions.

On this being pointed out (May 2024), the Department stated (June 2024) that the order instructing all heads of Zonal Offices to conduct checking of goods within their respective areas at least once a week was discontinued as the establishment of the DCC was believed to be relieving the works of mobile checking units and necessary action will be taken in due course.

[116] No. D. 11029/1/02-TAX dated 29 December 2017
[117] No. G. 28042/142/2018-COMTAX dated 19 February 2019

4.11.9.2 Adequacy of manpower

Against the sanctioned strength of 14 personnel for Vairengte DCC, there were 14 men-in-position and there was no staff shortage during the audited period (2018-2022). However, at the time of Audit (February 2024), it was observed that there was shortage of two[118] staff.

The Department stated (June 2024) that it has initiated proposal for filling up of six vacant State Tax Officers' posts across the State, including one State Tax Officer for Vairengte DCC.

The Department may consider deploying manpower as per sanctioned strength.

4.11.10 Effectiveness of Anti-Evasion Measures

4.11.10.1 Targets and achievements

The Department decided (December 2018) that a thorough checking of cargo of minimum three transport vehicles should be conducted daily *w.e.f.*, January 2019; and penalty as per provisions of the MGST Act, 2017 should be imposed in case of infraction.

The Department, however, did not fix specific targets for verification of EWBs. Nonetheless, as per information furnished[119] by the Department, a total of 2.19 lakh EWBs were verified during the audited period and the number of cases booked under GST-EWB-03 Part B is Nil implying that no offence was found committed in the verified EWBs by the Department.

Table-4.57: Preventive Units wise vehicles intercepted and booked cases

(Amount in ₹)

Jurisdiction (Commissionerate)	Year	Total No. of EWBs verified	Total No. of cases booked (GST-EWB-03 PART B issued)	Total amount involved (Tax + Penalty)
Office of the Commissioner of State Tax	2018-2019	15,005	0	0
	2019-2020	62,795	0	0
	2020-2021	67,646	0	0
	2021-2022	73,572	0	0
Total		**2,19,018**	**0**	**0**

On this being pointed out (August 2023), the Department stated (August 2023) that as the function of the DCC is to collect EWB data only, no cases were booked under GST Act and Rules. The reply is not tenable as the Department did not adhere to prescribed norms for checking of minimum three transport cargo vehicles.

The Department further stated (June 2024) that it will take necessary action in the interest of revenue in due course. However, action taken by the Department has not been intimated to Audit as of March 2025.

4.11.10.2 Non-adherence to the procedures in interception of vehicles

Section 129(1) of the MGST Act, 2017, prescribes that if any person transports any goods or stores any goods while they are in transit in contravention of the provisions of this Act or the Rules, all such goods and conveyance shall be liable to detention or seizure, and they shall be released on payment of the applicable tax and penalty.

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[118] One State Tax Officer and one Checker

[119] Letter No. G. 28042/139/2018-COMTAX dated 17 October 2022

The Department circulated[120] on 28 May 2018, the guidelines containing the procedure to intercept conveyances for inspection of goods in movement, detention, release and confiscation of such goods and conveyances. As per the guidelines, the proper officer may issue an order for physical verification/ inspection of the conveyance, goods and documents in FORM GST MOV-02 and prepare a report in PART-A of FORM GST EWB-03. On completion of the physical verification/ inspection, the proper officer shall prepare a report in FORM GST MOV-04 and record the final inspection report in PART-B of FORM GST EWB-03. Copy of this circular[121] was also sent to the DCST, Kolasib in September 2018.

The Department further decided (December 2018) that thorough checking of cargo of minimum three transport vehicles should be conducted daily *w.e.f.*, January 2019; and penalty as per provisions of the MGST Act, 2017 should be imposed in case of infraction.

However, during a Joint Physical Inspection of the Data Collection Centre (DCC) at Vairengte, it was observed (January 2024) that manual entries of EWBs and invoices of all goods carrying vehicles produced by the transporters were made at the data collection booth by the staff on duty, but there is no physical verification of goods being transported.

The Department stated (June 2024) that it will take necessary action to adhere to the procedures on interception of vehicle in due course. However, action taken by the Department has not been intimated to Audit as of March 2025.

4.11.10.3 Delay in actual verification of EWBs

It was noticed (January 2024) during the Joint Physical Inspection of Vairengte DCC that the EWBs produced by the transporters were not verified on the spot.

The verification of EWBs involve two steps in which the details such as vehicle number, name of taxpayer, type of goods, EWB number, value of goods and time of entry/ exit were manually entered in the registers maintained by the personnel on duty at the DCC booth. Subsequently, all records which were entered in the register during the last 24 hours (9:00 AM of the previous day to 9:00 AM on the present day) were cross verified online resulting in a delay of 24 hours in actual verification of the EWBs.

On cross verification of records of the DCC at Vairengte relating to the audit period with the online EWBs, it was observed that there were 58 manual entries of EWBs with invoice value of ₹ 439.48 lakh in the registers maintained by the DCC, Vairengte which, however, were not found online. It was also observed that there is no record of further pursuance of such EWBs. The list of EWBs with no records found on the EWB system are given in ***Appendix-4.18***.

As a result of non-adherence to the procedures in interception of vehicles, non-checking of cargo and delay in actual verification of EWBs at Vairengte DCC, any discrepancy between the goods and documents is liable to remain undetected even though 2.19 lakh EWBs were verified during the audited period.

[120] Circular No. J. 21011/2/2018-TAX dated 28 May 2018
[121] Vide letter No. G. 28042/143/2018-COMTAX/35 dated 11 September 2018

The Department stated (June 2024) that it will take necessary action for better effective anti-evasion measures in due course. However, action taken by the Department has not been intimated to Audit as of March 2025.

Recommendation: The Department may initiate steps to strengthen the Preventive Unit at DCC, Vairengte as per the provisions of the Act for interception of vehicles to the fullest extent. It may also develop a mechanism along with necessary infrastructure to ensure that there is no delay in verification of EWBs at the DCC.

4.11.10.4 Usage of Analytical Reports of NIC and other Agencies

NIC generates Analytical Reports on EWB transactions and shares with the GST Departments under Centre and State formations. Audit examined the extent to which these reports were utilised by the Preventive Units under the CST, Mizoram for planning the verifications of EWBs.

In response to an Audit query (August 2023), the Department stated (August 2023) that the analytical reports of NIC or any other analytical reports of other agencies have not been utilised for planning of interception of other vehicles. The Department also stated that the DCC at Vairengte is the only roadway border for importing almost *cent per cent* of all the goods from other states and the establishment of the DCC is ideal for intercepting EWBs. The reply of the Department is not acceptable as the setting up of the DCC at Vairengte does not preclude the Department from utilising the analytical reports of various agencies. Utilisation of the Analytical Reports would have helped in strengthening the anti-evasion measures adopted by the Department.

On this being pointed out (May 2024), the Department stated (June 2024) that the Department plans to use EWB analytics in due course. Though the Department confirmed (February 2025) the availability of Analytical Reports of EWB transactions relating to the audited period in the EWB system developed by NIC but it is evident that utilisation of the Analytical Reports has not been affected.

Recommendation: The Department may setup a dedicated team for verification of Analytics Reports on EWB to identify the high-risk taxpayers and share the information to the taxpayers' Zones for use in the scrutiny of returns.

4.11.11 Conclusion

The Performance Audit on Electronic Waybill (EWB) System under Goods and Service Tax (GST) was undertaken with the twin objectives of verifying the effectiveness of EWB mechanism in protecting revenue interest of the Government and the efficiency and effectiveness of Preventive/ Enforcement formation in enforcing the provisions relating to EWB system.

The existing departmental monitoring mechanism has substantial systemic risk exposures as taxpayers are being allowed to generate EWBs and continue with their respective businesses even though they are delinquent or non-compliant with the provisions of GST in filing of returns, discharging their tax liability and generating multiple EWBs with the same invoice. Inspite of technology and digitised data bolstering tax administration, the Department is not fully leveraging EWB data and is unable to detect taxpayers generating EWBs using invalid vehicles. Audit noticed generation of EWBs by cancelled taxpayers. The tax due in respect of EWBs generated by cancelled taxpayers were neither demanded by the Proper Officers nor deposited in Government exchequer by the taxpayers. The Proper Officers failed to detect taxpayers who had generated EWBs for supply of goods but had not reported them in their returns (GSTR-1/ GSTR-3B) which resulted in non-realisation of tax, cess and interest.

The provisions relating to preventive measures and enforcement such as inspection, search, seizure and arrest are provided to serve as a deterrent for tax evasion as also to safeguard the Government's legitimate dues. Audit also noticed that the organisational preparedness for preventive/ enforcement activities of the sole Preventive Unit was impaired by the non-adherence to the provisions of the Act and departmental circulars for EWB related enforcement activities. The Department was not adequately using the extensive analytical reports generated by NIC or other agencies for EWB related enforcement. Audit noticed lack of timely action by the Preventive Unit leading to non-booking of cases and subsequently non-imposition of tax and penalty on vehicles without EWBs whose invoice value were above the threshold.

4.11.12 Recommendations

The Government may consider the following recommendations:

(i) ***Introduce a mechanism to prevent generation of EWBs by nil filers of returns and cancelled taxpayers. The Department may also streamline the available manpower for regular scrutiny of EWBs and cross-verification with returns and other relevant documents by the Proper Officers under appropriate Sections of the Act to minimise instances of unrealised tax from the taxpayers;***

(ii) ***Notify the appropriate authorities about the weaknesses/ loopholes in the EWB Common Portal as well as the GST Common Portal where the system's deficiencies are beyond its control/ powers to prevent exploitation of the system's deficiencies in future. Also, it may ensure pro-active involvement of its personnel in mitigating the deficiencies through manual validation of system-generated documents;***

(iii) ***Utilise the provisions[122] of the modes of recovery under MGST Act, 2017 and MGST Rules, 2017 to ensure full recovery from the tax defaulters after initiation[123] of recovery proceedings;***

(iv) ***Ensure that all the EWBs are verified along with other related documents by the jurisdictional authorities and appropriate action is initiated as per the provisions of the Act as necessary;***

(v) ***Initiate steps to strengthen the Preventive Unit at Data Collection Centre (DCC), Vairengte as per the provisions of the Act for interception of vehicles to the fullest***

[122] As per Section 79(1)(a-f) of MGST Act, 2017 read with Rule 143, 144, 145, 147, 155 and 156 of MGST Rules, 2017, the provisions for modes of recovery of tax dues include: Adjustments against refunds, detaining and selling goods, recovery from third parties, seizure of property, recovery through District Collector and Court recovery

[123] Section 78 of MGST Act, 2017

extent. It may also develop a mechanism along with the necessary infrastructure to ensure that there is no delay in verification of EWBs at the DCC; and

(vi) Setup a dedicated team for verification of Analytics Reports on EWB to identify the high-risk taxpayers and share the information to the taxpayers' Zones for use in the scrutiny of returns.

COMPLIANCE AUDIT PARAGRAPHS

TAXATION DEPARTMENT

4.12 Subject Specific Compliance Audit on "Department's Oversight on Goods and Services Tax Payments and Returns Filing" for the years 2018-19 to 2020-21 (DORF Phase-II)

4.12.1 Introduction

Introduction of Goods and Services Tax (GST) has replaced multiple taxes levied and collected by the Centre and the States. GST, which came into effect from 01 July 2017, is a destination-based consumption tax on the supply of goods or services or both levied on every value addition. The Centre and States simultaneously levy GST on a common tax base. Central GST (CGST) and State GST (SGST)/ Union Territory GST (UTGST) are levied on intra-state supplies, and Integrated GST (IGST) is levied on inter-state supplies.

Section 59 of the Mizoram Goods and Services Tax Act, 2017 (MGST Act) stipulates GST as a self-assessment-based tax, whereby the responsibility for calculating tax liability, discharging the computed tax liability and filing returns is vested with the taxpayer. The GST returns must be filed online regularly on the common GST portal, non-compliance of which attracted penalties. Even if the business has had no tax liability during a particular tax period, it must file a nil return mandatorily. Further, Section 61 of the MGST Act read with Rule 99 of the Mizoram Goods and Services Tax Rules, 2017 (MGST Rules) stipulate that the proper officer may scrutinise the return and related particulars furnished by the taxpayers, communicate discrepancies to the taxpayers and seek an explanation.

This Subject Specific Compliance Audit (SSCA) was taken up as a continuation of the SSCA conducted during the year 2022-23 covering returns for the period 2017-18 (DORF Phase-I), considering the significance of the control mechanism envisaged for tax compliance and the oversight mechanism of the Taxation Department, Mizoram in this new tax regime. This SSCA covers returns for the period 2018-19 to 2020-21.

4.12.2 Audit objectives

This SSCA was taken up to assess:

- Whether the rules and procedures were designed to secure an effective check on tax compliance and were being duly observed by taxpayers; and
- Whether the scrutiny procedures and other compliance functions of the Zones were adequate and effective.

4.12.3 Audit scope and methodology

This SSCA was predominantly conducted based on data analysis, which highlighted risk areas and red flags pertaining to the period April 2018 to March 2021. Through data analysis, a set of 16 deviations were identified across the domains of input tax credit (ITC), discharge of tax liability, registration and returns filing. Such deviations were followed up through a

centralised audit[124], whereby these deviations were communicated to the State departmental field formations and action taken by the jurisdictional formations on the identified deviations was ascertained without involving field visits. The centralised audit was supplemented by a **detailed audit** involving field visits for verification of records available with the jurisdictional field formations. Returns and related attachments and information were accessed through the State GST Model-2 application - the back-end system of the State Taxation Department's application as much as feasible to examine data/ documents relating to taxpayers (*viz.,* registration, tax payment, returns and other departmental functions). The detailed audit also involved accessing relevant granular records from the taxpayers such as invoices through the respective field formations. This apart, compliance functions such as scrutiny of returns, action taken on non-filers and cancellation of registrations by the departmental formations were also reviewed in the selected Zones.

The review of the scrutiny of returns by the Department and verification of taxpayers' records covered the period from April 2018 to March 2021, while the audit of the functions of selected Zones covered the period from April 2020 to March 2021. This SSCA covered only the State administered taxpayers. The field audit was conducted from July 2023 to February 2024.

Entry conference for this SSCA was held on 7 June 2023 with the Commissioner of State Tax, Mizoram in which the audit objectives, sample selection, audit scope and methodology were discussed. The exit conference was held on 19 September 2024 with the Joint Secretary, Finance and officials from the Taxation Department, in which the audit findings were discussed. The views/ comments of the Department expressed during the exit conference and the replies received on the draft report have been suitably incorporated in the relevant paragraphs.

4.12.4 Audit sample

A data-driven approach was adopted for planning and also to determine the nature and extent of the substantive audit. The sample for this SSCA comprises a sample for Zonal units for evaluating the compliance functions of the Zones; a set of deviations identified through data analysis for Centralised Audit that did not involve field visits; and a sample of taxpayers for Detailed Audit that involved field visits & scrutiny of taxpayers' records at the departmental premises.

This SSCA involved three distinct parts as under:

Part – I Centralised Audit

The sample for Centralised Audit was selected by identification of high-value or high-risk deviations from rules and inconsistencies between returns through data analysis for evaluation of the adequacy and effectiveness of the scrutiny procedure of the Department. Accordingly, 148 sample cases involving 83 taxpayers were selected for Centralised Audit under this SSCA as detailed in ***Appendix-4.19***.

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[124] Centralised Audit did not involve seeking taxpayer's granular records such as financial statements related ledger accounts, invoices, agreements, *etc*.

Part – II Detailed Audit

Detailed Audit was conducted by accessing taxpayers' records through Zones for evaluation of the extent of tax compliance by taxpayers. The sample of taxpayers for Detailed Audit was selected on the basis of risk parameters such as ITC mismatch, four ratio based trend - ITC availed to tax paid, exemption to total turnover, IGST to CGST and SGST, credit notes to tax paid, ITC availed without payment of tax by suppliers, ITC availed after limitation period, unsettled liability, and evasion prone supplies. The 15 taxpayers selected for Detailed Audit comprised of Large[125], Medium[126] and Small[127] strata of taxpayers as well as taxpayers selected randomly as detailed in ***Appendix-4.20***.

Part – III Zonal Audit

Three Zonal offices, *viz.,* Aizawl South Zone, Lawngtlai Zone and Lunglei Zone out of total 14[128] Zonal offices were selected for Zonal Audit to evaluate their oversight functions.

4.12.5 Audit criteria

The source of audit criteria is derived from the provisions contained in the MGST Act, IGST Act and Rules made thereunder. In addition, the notifications and circulars issued by State Taxation Department relating to filing of returns, notifying the effective dates of filing of various returns, extending due dates for filing returns, rates of tax on goods and services, payment of tax, availing and utilising ITC, scrutiny of returns and oversight of tax compliance and Standard Operating Procedure (SoP) containing instructions to departmental officers on various aspects related to filing returns, scrutiny of returns, cancellation of registrations, *etc*., also formed part of the audit criteria.

Audit findings

The audit findings are categorised into the following three categories:

- Audit findings from Zonal Audit
- Audit findings from Centralised Audit
- Audit findings from Detailed Audit

4.12.6 Audit finding on Zonal Audit

The observation below pertains to three Zones[129] relating to the period from April 2020 to March 2021.

125 First category comprising large taxpayers – top 0.25 *per cent* of taxpayers based on turnover and Second category comprising the next set of large taxpayers – next 0.25 *per cent* of taxpayers based on turnover

126 Third category comprising medium taxpayers – remaining taxpayers with a minimum turnover of ₹ 7.5 crore

127 Fourth category comprising the bottom most layer – remaining taxpayers with a minimum turnover of ₹ 2.5 crore

128 Aizawl East Zone, Aizawl North Zone, Aizawl South Zone, Aizawl West Zone, Champhai Zone, Kolasib Zone, Lunglei Zone, Lawngtlai Zone, Mamit Zone, Serchhip Zone, Siaha Zone, Hnahthial Zone, Saitual Zone, Khawzawl Zone

129 Aizawl South Zone, Lawngtlai Zone, and Lunglei Zone

4.12.6.1 Scrutiny of returns

As per Section 61 of the MGST Act various returns filed by the taxpayers have to be scrutinised by the proper officer to verify the correctness of the returns and suitable action has to be taken on any discrepancies or inconsistencies reflected in the returns.

During Audit (October 2023) of the Dy. Commissioners of State Tax (DCST), Lunglei, Lawngtlai and Aizawl South Zones, it was found that during April 2020 to March 2021, the three Zones conducted scrutiny of returns pertaining to the period 2017-18 to 2020-21 relating to 306 cases (44 cases in Lunglei Zone, 22 cases in Lawngtlai Zone and 240 cases in Aizawl South Zone), as stated by the Department, and, on detection of the discrepancies, had issued notice in form ASMT-10 in 151 cases (all 44 cases of Lunglei Zone, 20 cases of Lawngtlai Zone, and 87 cases of Aizawl South Zone). In Lunglei Zone, the Department had identified tax liability of ₹ 0.05 crore in seven cases out of which ₹ 0.004 crore was recovered from four cases. In Lawngtlai Zone, the Department had not determined tax liability during scrutiny, however, ₹ 0.002 crore was recovered from one case. While in Aizawl South Zone, the Department had determined tax liability of ₹ 0.08 crore in 14 cases and recovered ₹ 0.03 crore from four cases.

However, the related MIS report was not made available to Audit, hence, the data provided by the Department could not be verified.

Audit observed that the Department had not recovered the remaining tax liability of ₹ 0.10 crore (₹ 0.04 crore from three cases in Lunglei Zone and ₹ 0.05 crore from 10 cases in Aizawl South Zone).

The matter was conveyed to the Department (January 2024) and the Department stated (July 2024) that necessary action will be undertaken by them.

Recommendation: The Department may, while determining the correctness of returns filed, monitor the progress of recoveries made on scrutiny of such returns, in the interest of revenue.

4.12.7 Audit findings from Centralised Audit

Audit analysed GST returns data pertaining to the period 2018-19 to 2020-21 as made available by Goods and Services Tax Network (GSTN). Rule-based deviations and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 16 parameters, which can be broadly categorised into two domains - ITC and Tax payments.

Out of the 15 prescribed GST returns[130], the following basic returns that apply to normal taxpayers were considered for the purpose of identifying deviations, inconsistencies and mismatches between GST returns/ data:

[130] GSTR-1, GSTR-2A, GSTR-2B, GSTR-3B, GSTR-4 (taxpayers under the Composition scheme), GSTR-5 (non-resident taxable person), GSTR-5A (Non-resident OIDAR service providers), GSTR-6 (Input service distributor), GSTR-7 (taxpayers deducting TDS), GSTR-8 (E-commerce operator), GSTR-9 (Annual return), GSTR-10 (Final return), GSTR-11 (person having UIN and claiming a refund), CMP-08, and ITC-04 (Statement to be filed by a principal/ job-worker about details of goods sent to/ received from a job-worker)

- **GSTR-1**: monthly return furnished by all normal and casual registered taxpayers making outward supplies of goods and services or both and contains details of outward supplies of goods and services.
- **GSTR-3B**: monthly summary return of outward supplies and ITC claimed, along with payment of tax by the taxpayer to be filed by all taxpayers except those specified under Section 39(1) of the Act. This is the return that populates the credit and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger.
- **GSTR-6**: monthly return for Input Service Distributors (ISDs) providing the details of their distributed input tax credit and inward supplies.
- **GSTR-8**: monthly return to be filed by the e-commerce operators who are required to deduct TCS (Tax collected at source) under GST, introduced in October 2018.
- **GSTR-9**: annual return to be filed by all registered persons other than an ISD, Tax Deductor at Source/ Tax Collector at Source, Casual Taxable Person and Non-Resident taxpayer. This document contains the details of all supplies made and received under various tax heads (CGST, SGST and IGST) during the entire year along with turnover and audit details for the same.
- **GSTR-9C**: annual audit form for all taxpayers having a turnover above ₹ 5 crore in a particular financial year. It is basically a reconciliation statement between the annual returns filed in GSTR-9 and the taxpayer's audited annual financial statements.
- **GSTR-2A**: a system-generated statement of inward supplies for a recipient. It contains the details of all Business to Business (B2B) transactions of suppliers declared in their Form GSTR-1/5, ISD details from GSTR-6, details from GSTR-7 and GSTR-8 respectively by the counterparty and import of goods from overseas on bill of entry.
- **GSTR-2B**: It is a month-wise auto-drafted statement for regular taxpayers (whether or not opted into the quarterly return and monthly payment (QRMP) scheme) introduced on the GST portal providing eligible and ineligible ITC for each month, similar to GSTR-2A but remains constant or unchanged for a period. The statement was launched from the August 2020 tax period onwards.

The pan-State analysis on the 16 identified parameters undertaken are summarised in tables below and results thereon are given in **Table-4.58** and **Table-4.59.**

Table-4.58: Parameters used for sample extraction

Sl. No.	Algorithm used	Impact
1.	ITC available as per GSTR-2A with all its amendments was compared with the ITC availed in GSTR-3B in Table-4A (5) (accrued on domestic supplies) excluding the reversals in Table-4B (2) but including the ITC availed in the subsequent year from Table-8C of GSTR-9 and blocked credits.	ITC mismatch between GSTR-2A and GSTR-3B
2.	ITC available from GSTR-2A was compared with Table-8A of GSTR-9 which captures ITC available from GSTR-2A (as an auto-populated non-editable field) but excludes those entries in GSTR-2A where the supplier has not filed GSTR-1 by due date of its filing and also excludes the ITC for	ITC passed on without supplier remitting tax

Sl. No.	Algorithm used	Impact
	the period during which the recipient taxpayer was under composition scheme.	
3.	ITC availed through Table-4 of GSTR-3Bs pertaining to period 2018-19 to 2020-21 filed after October of the following year.	ITC availed in GSTR-3B filed after the cut-off period.
4.	ISD ITC availed in GSTR-9 Table-6G or GSTR-3B Table 4(A)(4) of recipient was compared with the sum of Table-5A, Table-8A, and Table-9A of GSTR-6 of distributor GSTINs	Incorrect availing of ISD credit
5.	RCM payments in GSTR-9 Table-4G (tax payable) were compared with ITC availed in GSTR-9 Table-6C, 6D and 6F (ITC availed). In cases where GSTR-9 was not available, RCM payment in GSTR-3B Table-3.1(d) was compared with GSTR-3B 4(A)(2) and 4A (3). Greater differences in GSTR-9 and GSTR-3B considered where both were available.	Short payment of tax under RCM versus ITC availed in GSTR-3B/ GSTR-9
6.	Positive figure in GSTR-9C Table-12F	Mismatch of ITC availed between annual returns and books of accounts
7.	Positive figure in GSTR-9C Table-14T	Reconciliation between ITC availed in annual returns with expenses in financial statements
8.	The greater tax liability between GSTR-1 (Tables-4 to 11), considering advances and amendments, and GSTR-9 (Tables- 4N, 10 and 11) was compared with tax paid details in GSTR-3B Tables-3.1(a) and 3.1(b). In cases where GSTR-9 was not available, GSTR-3B tax paid was compared with GSTR-1 liability.	Unsettled liabilities
9.	GSTR-3B Table-3.1(a)+(b) was compared with tax liability declared in the e-way bills and cases where GSTR-3B tax liability are less than e-way bill tax liability is identified.	Suppression of tax liability based on E-way bill verification
10.	Negative figure in GSTR-9C Table-9R	Mismatch in tax paid between books of accounts and annual returns
11.	Taxpayers who have not filed GSTR-3B but have filed GSTR-1 or where GSTR-2A available, indicate taxpayers carrying on the business without discharging tax.	GSTR-3B was not filed but GSTR-1 is available
12.	Interest calculated at the rate of 18 *per cent* on cash portion of tax payment on delayed filing of GSTR-3B vis-à-vis interest declared in GSTR-3B	Short payment of interest

Table-4.59: Parameters used for sample extraction

Sl. No.	Algorithm used	Impact
1.	Table-3.1(a) of GSTR-3B was compared with Column 6 of Table - 9 of GSTR-2A. Cases where GSTR-3B values are less than that of GSTR-2A are identified.	Under-declaration of taxable supplies by comparing TDS returns
2.	Unbilled revenue at the beginning of the year in GSTR-9C Table - 5B should tally with the unbilled revenue of the previous year GSTR-9C shown in Table-5H. Any mismatch indicates a suppression of taxable turnover.	Suppression of taxable value based on unbilled revenue declared in GSTR-9C.
3.	Negative figure in GSTR-9C Table-7G	Mismatch in taxable turnover declared in GSTR-9C Table 7G
4.	The composition taxpayers whose turnover on all India basis (Central and State jurisdiction) under all GSTINs of the same PAN have crossed the turnover limit of ₹ 50 lakh in 2018-19 and ₹ 75 lakh in 2019-20 were identified	Ineligible composition levy

The data analysis depicted number of deviations with high money values which point out lack of basic validation control that should have been built into the application software. For example, for suppression of tax liability based on E-way bill, the number of deviations were 15 with money value of ₹ 27.86 crore, and under the ITC mismatch across the returns GSTRs-2A and 3B, the number of deviations were 18 with money value of ₹ 22.22 crore. These money value figures indicated that controls to input and validate data in GST system and EWB system are either not working properly or are entirely absent.

4.12.7.1 Results of response received from Centralised Audit

Based on the responses received from the Department on the audit queries (February 2024, July 2024 and September 2024) to the extent against which each of the 16 parameters were translated into compliance deviations/ inconsistencies, the position is summarised in the ***Appendix-4.21*** and ***Appendix-4.22*****.**

4.12.7.2 Summary of Centralised Audit

Audit noticed deviations from the provisions of the Act in 80 cases (Col. Nos. 4, 6, 8, and 10 of Table 2(a)) involving mismatches of ITC/ tax liability of ₹ 74.45 crore (Col. Nos. 5, 7, 9, and 11 of Table 2(a)) constituting 54.05 *per cent* of the 148 inconsistencies/ mismatches in data, for which the Department provided responses.

In 43 cases (Col. Nos. 14, 16 and 18 of Table-2(a)), constituting 30.41 *per cent*, where the Department's reply was acceptable to Audit, data entry errors by taxpayers comprised eight cases **(*Appendix-4.28*)**, Department had proactively taken action in four cases **(*Appendix-4.29*)** and 31 cases **(*Appendix-4.30*)** had valid explanations.

In six cases (Col. No. 20 of Table 2(a)), the Department reply is not acceptable to Audit and rebutted accordingly.

Audit also noticed turnover-related mismatches (Table-2(b)) in 19 cases (Col. No. 2 of Table-2(b)) constituting 12.84 *per cent* of the 148 inconsistencies for which the Department provided responses. Of these, in 6 cases (Col. No. 4, 6, 8, and 10), the Department had initiated action on the audit observation. In 12 cases (Col. Nos. 14, 16 and 18), the Department's reply was acceptable to Audit whereas in one case (Col. No. 20) the Department's reply was not acceptable to Audit and rebutted accordingly.

4.12.7.3 Analysis of causative factors

Considering the Department's response to all 148 data deviations/ inconsistencies, the factors that caused the deviations/ inconsistencies are as follows:

(I). Deviations from GST Law and Rules

Out of the 148 deviations summarised in ***Appendix-4.21*** and ***Appendix-4.22***, ₹ 0.71 crore was recovered from two cases, the Department had issued Form ASMT-10 in 14 cases, notice conveying discrepancies was issued to the taxpayers in 41 cases and was in correspondence with the respective taxpayers in 29 cases as detailed in ***Appendix-4.23*** to ***Appendix-4.26*****.**

Few illustrative cases are given below:

(i) ITC mismatch between GSTR-2A and GSTR-3B

In order to analyse the veracity of ITC availed, relevant data were extracted from GSTR-3B and GSTR-2A for the period 2018-19 to 2020-21, and the ITC paid as per suppliers' details was matched with the ITC credit availed by the taxpayer.

Audit observed in the case of GSTIN 1xxxxxxxxxxxxxY under Aizawl North Zone that there was a mismatch of ₹ 3.65 crore and ₹ 0.25 crore during 2018-19 and 2019-20 respectively between GSTR-2A and GSTR-3B (ITC available as per GSTR-2A is ₹ 1.78 crore and ITC availed in GSTR-3B is ₹ 5.43 crore during 2018-19, and ITC available as per GSTR-2A is ₹ 2.24 crore while ITC availed in GSTR-3B is ₹ 2.49 crore during 2019-20). This was communicated (July 2023) to the Department and the Department stated (March 2024) that ASMT-10 was issued to the taxpayer. The taxpayer's reply was awaited (March 2025).

(ii) ITC passed on without the supplier remitting tax

In order to analyse the extent of compliance of ITC availment under Section 16(4) of the MGST Act, an attempt has been made to identify likely cases where the ITC would have been passed on by the taxpayer without remitting the tax.

While GSTR-2A is generated based on the disclosures made by the suppliers in their GSTR-1, the Table-8A of the GSTR-9 is auto-populated (non-editable) from Tables 3, 4 , 5 and 6 of the GSTR-2A (Tables-3 and 5 of the old GSTR-2A format) as available on 31 October of the following financial year. Therefore, the following are not reflected in Table-8A:

- GSTR-1/ 5 filed after the cut-off date (though details are available in GSTR-2A) as ITC availment is limited to GSTR-1/5 filed by the suppliers up to the tax period of September of the following financial year.
- Supplies indicated as RCM in GSTR-1.
- When the supplier has amended the GSTIN, credit is available to the amended GSTIN only.
- Supplies pertaining to the period when the supplier was under the composition scheme.
- Documents dated after the effective date of cancellation of the supplier.
- Invoices, where the place of supply differs from the State of the recipient.

It may also be noted that though the filing of GSTR-1 before filing of GSTR-3B was strictly implemented only from January 2022, it is quite probable that there are instances prior to this date where suppliers might not have filed GSTR-3B or filed GSTR-3B belatedly after filing GSTR-1, therefore, rendering the Input Tax Credit (ITC) derived from these returns ineligible.

Audit observed in the case of GSTIN 1xxxxxxxxxxxxxO under Aizawl South Zone that during the year 2019-20 the taxpayer had availed ITC of ₹ 0.92 crore without remitting tax (ITC available in GSTR-2A after amendments was ₹ 5.23 crore while GSTR-9 Table-8A was ₹ 4.31 crore). This was communicated (July 2023) to the Department and the

Department stated (March 2024) that intimation was sent to the taxpayer but the taxpayer declined to respond citing that Document Identification Number (DIN) was missing in the Department's notice. Though CBIC circular No. 122/41/2019-GST dated 05 November 2019 stated that all communication issued during an enquiry should contain a computer-generated DIN, the circular is intended specifically for CBIC and not applicable to State formations. The Department may again examine this and pursue the matter with the taxpayer.

(iii) ITC availed in GSTR-3B filed after the cut-off period

GST Act provides for availing of ITC only till the due date of furnishing GSTR-3B for the month of September following the end of the financial year to which such ITC pertains or furnishing of relevant Annual Return, whichever is earlier. Accordingly, if any GSTR-3B is furnished after such time, ITC availed therein becomes inadmissible.

Audit observed in the case of GSTIN 1xxxxxxxxxxxxx2 under Aizawl West Zone that during the years 2018-19 and 2019-20 the taxpayer had availed ITC on GSTR-3B filed after the limitation period *i.e.,* October 2019 for an amount of ₹ 2.61 crore and ₹ 2.22 crore respectively (GSTR-3B was belatedly filed in the months December 2018 up to February 2020). This was communicated (July 2023) to the Department and the Department stated (July 2024) that notice was issued to the taxpayer and their reply was awaited (March 2025).

(iv) Short payment of tax under RCM versus ITC availed in GSTR-3B/ GSTR-9

In order to analyse the veracity of tax paid under Reverse Charge Mechanism (RCM), the datasets in GSTR-3B and annual return in GSTR-9 pertaining to RCM was compared to check whether the tax has been discharged fully on the activities/ transactions under RCM.

Audit observed in the case of GSTIN 1xxxxxxxxxxxxx3 under Aizawl South Zone that during the year 2019-20 there was short payment of tax under RCM for an amount of ₹ 0.14 crore. This was communicated (July 2023) to the Department and the Department stated (July 2024) that the taxpayer contends that the deviation amount should be ₹ 0.11 crore instead of ₹ 0.14 crore and assumed that they had claimed excess ITC of ₹ 0.11 crore in the month of February 2020 due to some clerical error or typo error and are ready to reverse the same. The Department may pursue the matter with the taxpayer.

(v) Mismatch of ITC availed between annual returns and books of accounts

To review the extent of identified mismatch in ITC availed figures reported in the Annual Return *vis-à-vis* the Financial Statements, the relevant datapoints pertaining to Table-12 of the GSTR-9C reconciliation statement submitted by the taxpayer as required under Rule 80(3) of MGST Rules for the years 2018-19 to 2020-21 was analysed at data level.

Table-12F of GSTR-9C captures the unreconciled ITC between the annual return GSTR-9 and that declared in the Financial Statements for the year after the requisite adjustments. Table-12 deals with three aspects of ITC, *i.e.*, ITC accounted in the books of accounts (Booked), ITC claimed in returns/ ECL (Availed), and ITC utilised for payment (Utilised). Though there is no restriction on utilising the ITC, the GST law imposes a restriction on the time period to avail the ITC. The unreconciled amount in Table-12F where the ITC claimed in GSTR-9 is more than ITC availed in Financial Statements indicates excess availing of ITC. Since the taxpayer has been provided with an option to not disclose the granular details, only those cases where at least there is one entry in Table-12B to 12E have been considered.

Audit observed in the case of GSTIN 1xxxxxxxxxxxxx6 under Serchhip Zone that during the year 2018-19 there was mismatch of ₹ 0.38 crore in ITC availed between annual returns and financial statements. This was communicated (July 2023) to the Department and the Department stated (July 2024) that the taxpayer made voluntary payment through DRC-03 on 18 January 2021 amounting ₹ 0.36 crore for the year 2018-19 but did not specify the reason for this voluntary payment. Further, the taxpayer mentioned in Table-13A of GSTR-9C that "Unclaimed ITC claimed in next financial year, and extra ITC in CGST and SGST is reversed in 2020-21". The Department contacted the taxpayer twice to clarify the reason for the payment but no compliance was received till date (March 2025).

(vi) Reconciliation between ITC availed in annual returns with expenses in financial statements

To review the extent of identified mismatch in ITC reported in the Annual Return *vis-à-vis* the Financial Statements, the relevant data points pertaining to Table 14 of the GSTR-9C reconciliation statement submitted by the taxpayer as required under Rule 80(3) of MGST Rules for the years 2018-19 to 2020-21 was analysed at data level. Since the taxpayer has been provided with an option to not disclose the granular details, only those cases where atleast one of the expenses is declared in Table 14 have been considered.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of MGST Rules in form GSTR-9C for the years 2018-19 to 2020-21 was analysed at data level to review the extent of identified mismatch in ITC declared in the Annual Return with the expenses reported in the Financial Statements. Table 14 deals with expenses incurred by the taxpayer, which can be in the form of inputs, capital goods or services. These goods/ services procured may be taxable or exempted and procured from registered (forward charge) or unregistered persons (reverse charge). Table 14 reconciles the expenses incurred with the ITC availed and any excess availing on account of ineligibility, blocked credits, and composition scheme is highlighted in Table 14T.

Audit observed in the case of GSTIN 1xxxxxxxxxxxxx3 under Aizawl West Zone that during the year 2018-19 there was mismatch of ₹ 0.78 crore in ITC reported between annual returns and financial statements. The reason for un-reconciliation as stated by the taxpayer as per GSTR-9C was that "Difference is due to previous year input of ₹ 0.55 crore in IGST and ₹ 0.12 crore in CGST and SGST each claimed in current year". The Department had not provided relevant documents in support of the difference claimed by the taxpayer, hence could not be verified. This was communicated (July 2023) to the Department and the Department in their reply (March 2024) stated that notice was issued to the taxpayer and their reply was awaited (March 2025).

(vii) Unsettled liabilities

In order to analyse the undischarged tax liability, relevant data were extracted from GSTR-1 and GSTR-9 for the years 2018-19 to 2020-21, and the tax payable in these returns was compared with the tax paid declared in GSTR-9. Where GSTR-9 was not available, a comparison of tax payable between GSTR-1 and GSTR-3B was resorted to. The amendments and advance adjustments declared in GSTR-1 and 9 were also considered for this purpose.

Audit observed in the case of GSTIN 1xxxxxxxxxxxxxU under Aizawl West Zone that during the year 2020-21 there was an undischarged tax liability of ₹ 2.53 crore. This was communicated (July 2023) to the Department and the Department stated (March 2024) that notice was issued to the taxpayer and their reply was awaited (March 2025).

(viii) Suppression of tax liability based on E-way bill verification

In order to analyse the extent of short-payment of tax, relevant data related to tax liability declared in GSTR-3B for the years 2018-19 to 2020-21 were compared with disclosures made in e-way bills. It may be noted that the deviation is only an indicator to lower tax declaration, at a minimum level, as an accurate comparison is not possible as besides such supplies, the taxpayer may also have other supplies which do not require the generation of e-way bills.

Audit observed in the case of GSTIN 1xxxxxxxxxxxxx2 under Aizawl East Zone that during the year 2020-21 there was suppression in tax liability in comparison with the e-way bill for an amount of ₹ 23.71 crore (GSTR-3B tax payable on other supplies is ₹ 4.47 crore while e-way bill tax liability is ₹ 28.18 crore). This was communicated (July 2023) to the Department and the Department stated (July 2024) that the taxpayer is outside the jurisdiction of Aizawl East Zone and application for amendment of Zonal Office had been submitted to the GST Nodal Officer. The Department is requested to pursue the matter with the taxpayer as and when the correct Zonal Office is amended and intimate the results to the Audit.

(ix) Mismatch in tax paid between books of accounts and annual returns

In order to review the extent of identified mismatch in tax paid reported in the Annual Returns *vis-à-vis* the Financial Statements, the relevant data points pertaining to Table 9 of the GSTR-9C reconciliation statement submitted by the taxpayers as required under Rule 80(3) of MGST Rules for the years 2018-19 to 2020-21 was analysed at data level.

Table 9 of form GSTR-9C attempts to reconcile the tax paid by segregating the turnover rate-wise and comparing it with the tax discharged as per annual return GSTR-9. The unreconciled amounts could potentially indicate tax levied at incorrect rates, incorrect depiction of taxable turnover as exempt or incorrect levy of CGST/ SGST/ IGST. There can also be situations wherein supplies/ tax declared, are reduced through amendments (net of debit notes/ credit notes) in respect of the transactions carried out in the subsequent year from April to September. In order to rule out the possibility of incorrect disclosure of the tax paid amount in GSTR-9C, the amount was also compared with actual tax payment details in GSTR-9.

Audit observed in the case of GSTIN 1xxxxxxxxxxxxxL under Aizawl East Zone that during the year 2020-21 there was a mismatch of ₹ 0.23 crore in tax paid between books of accounts and annual return. Further, the taxpayer stated in GSTR-9C that "Interest paid on delayed in raising the invoices under the head CGST of ₹ 0.03 crore and SGST of ₹ 0.03 crore, the company has inadvertently paid liability twice in GST returns with taxable value of

₹ 1.00 crore CGST of ₹ 0.09 crore and SGST of ₹ 0.09 crore". The Department had not provided relevant documents in support of the difference claimed by the taxpayer, hence could not be verified. This was communicated (July 2023) to the Department and the Department in their reply (July 2024) stated that the taxpayer is outside the jurisdiction of Aizawl East Zone. The Department is requested to pursue the matter with the taxpayer through the concerned jurisdictional authority and intimate the results to the Audit.

(x) GSTR-3B was not filed but GSTR-1 is available

At the data level, Audit attempted to identify those taxpayers who have not filed GSTR-3B but have filed GSTR-1. GSTR-3B return is the instrument through which the liability can be offset, and ITC is credited in the ledger. The very availability of GSTR-1 and non-filing of GSTR-3B indicates that the taxpayers had undertaken/ carried on the business during the period but have not discharged their tax liability. It may also include cases of irregular passing on of ITC. All these cases, therefore, warrant investigation.

Audit observed in the case of GSTIN 1xxxxxxxxxxxxD under Aizawl South Zone that during the year 2019-20 and 2020-21, the taxpayer had not filed GSTR-3B for the months of December 2019 up to September 2020 whereas GSTR-1 was available and the liability in GSTR-1 for the months, where GSTR-3B were not filed, amounted to total of ₹ 0.03 crore. This was communicated (July 2023) to the Department and the Department stated (July 2024) that the taxpayer was informed of the audit observation and was requested to address said observation with his own data set. The reply of the taxpayer was awaited (March 2025).

(xi) Short payment of interest

The extent of short payment of interest on account of delayed remittance of tax during 2018-19 to 2020-21 was identified through the tax paid details in GSTR-3B and the date of filing of the GSTR-3B. The due date of filing of GSTR-3B for the respective months (including any extension provided) and the actual date of filing of GSTR-3B has been taken into account to work out the interest liability and only the net tax liability (cash component) has been considered to work out the interest payable.

All the relaxations, and reduced rate of interest extended to the industries during the Covid-19 Phase-I from January to April 2020 and Phase II for March 2021 returns have been considered while working out the interest component. It may also be noted that the interest worked out is only minimum, as for the supplies made prior to the tax period and declared in the return for the said tax period, the interest has to be discharged on the entire tax component. Due to the non-availability of such bifurcation, the interest on such supplies have also been worked out only on the case component.

Audit observed in the case of GSTIN 1xxxxxxxxxxxxD under Aizawl West Zone that during the years 2019-20 and 2020-21 the taxpayer had belatedly filed GSTR-3B and the interest liability worked out amounted to a total of ₹ 0.44 crore. This was communicated (July 2023) to the Department and the Department stated (March 2024) that the taxpayer claimed to have already paid the interest and forwarded the taxpayer's documents showing closure of proceedings against the taxpayer discharged of short/ non-paid tax against contract receipts. The reply is not tenable as the interest liability is on account of delayed filing of GSTR-3B and not related to contract receipts. Further, the delay in filing GSTR-3B was not limited to a single month and was filed belatedly for all 12 months during 2020-21, with the delay ranging from 136 days to 466 days.

(xii) Under-declaration of taxable supplies by comparing TDS returns

TDS and TCS details are declared in GSTR-7 and GSTR-8 respectively and communicated to the registered person in Table 9 of GSTR-2A. The cases where the taxable value declared on account of outward taxable supplies (other than zero rated, nil rated and exempted) in GSTR-3B were less than the net amount liable for TCS and TDS credit as per Table 9 of GSTR-2 have been identified. It may be noted that the deviation amount indicated may only be a fraction of non-disclosure, as exact comparison is not possible as the taxpayer may have other supplies which do not necessitate TDS recovery. Hence, Department is requested to examine all the transactions and not to limit checks to the deviation amount.

Audit observed in the case of GSTIN 1xxxxxxxxxxxxxC under Aizawl South Zone that during the years 2018-19 and 2019-20 there was suppression of taxable value identified through TDS declaration for an amount of ₹ 4.84 crore and ₹ 5.29 crore respectively. This was communicated (July 2023) to the Department and the Department in their reply stated (July 2024) that the taxpayer had purposely refused to cooperate with the Department. The Department is requested to assess and levy any tax liability before they get time barred.

(II) Cases where Department's reply is not acceptable to Audit

Out of the 93 non-compliance cases, Department's reply was not tenable in seven cases involving ₹ 11.09 crore. Details of these cases along with the Audit rebuttals are given in ***Appendix-4.27***. An illustrative case is shown below:

A case of under-declaration of taxable supplies by comparing TDS returns arose in respect of 1xxxxxxxxxxxxxO under Aizawl South Zone for an amount of ₹ 5.52 crore. This was communicated to the Department (July 2023) and the Department, in their reply (July 2024) stated that they are unclear in the exact nature of the discrepancy and forwarded the taxpayer's reply without any further comment. The Department is requested to examine all the transactions and not to limit checks to the deviation amount as this could be a case of non-disclosure and also that the taxpayer may have other supplies which do not necessitate TDS recovery.

(III) Cases where Department's reply is accepted by Audit

Out of the 148 cases where replies were received from the Department, nine cases were due to data entry errors by the taxpayer as provided in ***Appendix-4.28***. Action was taken before issue of audit query in four cases as provided in ***Appendix-4.29***. The Department's replies in respect of 42 cases were found acceptable due to valid explanations as provided in ***Appendix–4.30***.

Illustrative cases are given below:

(a) Short payment of tax under RCM for an amount of ₹ 0.45 crore was observed in respect of 1xxxxxxxxxxxxxB under Lawngtlai Zone during the years 2018-19 to 2020-21 and communicated to the Department (July 2023). The Department stated (August 2023) in their reply that the taxpayer, while claiming ITC in their returns, had mistakenly made error in filling up the "Inward supplies liable to Reverse Charge" in Table 4(A)(3) instead of filing up the "All other ITC" column due to which the deviation arose which on verification is acceptable to Audit.

(b) Mismatch of ITC of ₹ 0.14 crore reported in Table 12F of GSTR-9C of 1xxxxxxxxxxxxx8 under Aizawl North Zone for the period 2020-21 was noticed and communicated to the Department (July 2023). The Department in their reply stated (March 2024) that the deviation amount was reversed in March 2022 before issue of audit query which on verification is acceptable to Audit.

Recommendation: The Department may conduct similar data analysis (as conducted for Centralised Audit) of GST returns and other related data of all the taxpayers to identify inconsistencies and take necessary steps to recover dues from the taxpayers wherever applicable.

4.12.8 Detailed Audit

In a self-assessment regime, the onus of compliance with law is on the taxpayer. The role of the Department is to establish and maintain an efficient tax administration mechanism to provide oversight. With finite level of resources, for an effective tax administration, to ensure compliance with law and collection of revenue, an efficient governance mechanism is essential. An IT driven compliance model enables maintaining a non-discretionary regime of governance on scale and facilitates a targeted approach to enforce compliance.

From an external audit perspective, Audit also focused on a data-driven risk-based approach. Thus, apart from identifying inconsistencies/ deviations in GST returns through data analysis, a detailed audit of GST returns was also conducted as a part of this review. A risk-based sample of **15 taxpayers** was selected for this part of the review.

The methodology adopted was to initially conduct a desk review of GST returns and financial statements filed by the taxpayers as part of the GSTR-9C and other records available in the back-end system to identify potential risk areas, inconsistencies/ deviations and red flags. Desk review was carried out at the office of the Pr. Accountant General, Mizoram. Based on desk review results, detailed audit was conducted in the Taxation Department, Mizoram by requisitioning corresponding granular records of taxpayers such as financial ledgers, invoices, *etc.*, to identify causative factors of the identified risks and to evaluate compliance by taxpayers.

4.12.8.1 Scope limitation (non-production of records)

During the desk review of taxpayers' records available in the back-end system, Audit identified the risks related to excess ITC and tax liability mismatches for detailed examination. On the ITC dimension, the mismatches were to be identified by comparing GSTR-3B with GSTR-2A and GSTR-9, and the declarations made in Table 12 and Table 14 of GSTR-9C. On the tax liability dimension, the mismatches were to be identified by comparing GSTR-3B with GSTR-1 and GSTR-9 and the declarations in Table 5, Table 7, and Table 9 of GSTR-9C. However, the Department did not produce the corresponding granular records such as the supplementary financial ledgers, invoices, agreement copies, *etc.*, required for examining the causative factors for mismatches between the ITC and the tax liability. Audit had requisitioned these granular records of the taxpayers through the respective Zones. Access to back-end system was provided but it could view only GSTR-3B, GSTR-9 and GSTR-9C. As such, detailed scrutiny could not be carried out in the absence of granular records. In all the observations, since additional Key Documents were not available, mismatches brought out in this report were identified through desk-review analysis. During the Exit Conference, the Pr. AG requested the departmental officers to assist audit teams in accessing granular records of taxpayers for Detailed Audit in future. The departmental officers assured that they would assist Audit as requested.

Audit findings on Detailed Audit

As brought out in the previous paragraphs, detailed audit involved a desk review of GST returns and other basic records to identify risks and red flags, which were followed up by field audit to identify the extent of non-compliance by taxpayers and action taken by the Department. Non-compliance by taxpayers at various stages ultimately impacts the veracity of returns filed, utilisation of ITC and discharge of tax payments. The audit findings are therefore categorised under (a) Utilisation of ITC, (b) Discharge of tax liability, and (c) Returns.

4.12.8.2 Audit findings relating to Utilisation of Input Tax Credit

Input Tax Credit (ITC) means the Goods and Services Tax (GST) paid by a taxable person on purchase of goods and/ or services that are used in the course or furtherance of business. To avoid cascading effect of taxes, credit of taxes paid on input supplies can be used to set-off for payment of taxes on outward supplies. The audit findings on utilisation of input tax credit are brought out in **Table-4.60**.

Table-4.60: Mismatches relating to utilisation of input tax credit

Sl. No.	Parameter	No. of cases	Amount (₹ in crore)	Remarks
1.	**ITC mismatch between GSTR-2A and GSTR-3B** (The ITC available as per GSTR-2A with all its amendments was compared with the ITC availed in GSTR-3B in Table 4A(5) including 4(D) blocked credits and subsequent years from Table 8C of GSTR-9) (***Appendix-4.31***)	13	18.71	The Department stated (July 2024) that ASMT-10 was issued in five cases, notice was served/ to be served in four cases, and action was yet to be taken in four cases (March 2025).
2.	**ITC passed on without supplier remitting tax** (Table 8A of GSTR-9 was compared with the ITC data reflected in GSTR-2As) **(*Appendix-4.32*)**	11	19.06	In two cases, the reply of the Department was not acceptable to Audit, therefore, rebuttal was provided. In the remaining nine cases, action was yet to be taken by the Department (March 2025).
3.	**Short payment of tax under RCM** (Datasets in GSTR-3B and annual return GSTR-9 pertaining to RCM was compared to check whether the tax has been discharged fully on the activities/ transactions under RCM. In cases where GSTR-9 was filed, the RCM payments in Table 4G was compared with ITC availed in Table 6C, 6D and 6F. In cases where GSTR-9 was not available, RCM payments in GSTR 3B Table 3.1(d) was compared with GSTR-3B 4(A)(2) and 4A(3).)	2[131]	0.10	The Department stated (April 2024) that notice was issued to the taxpayer, but their reply was awaited (March 2025).

[131] A taxpayer 1xxxxxxxxxxxxxH under Aizawl East Zone for the years 2019-20 and 2020-21 with deviation amount of ₹ 0.05 crore and ₹ 0.05 crore respectively

Sl. No.	Parameter	No. of cases	Amount (₹ in crore)	Remarks
4.	**Mismatch in ITC availed between annual returns and books of accounts** (Positive figure in GSTR-9C Table 12F.) (***Appendix–4.33***)	9	3.67	The Department stated (April 2024) that ASMT-10 was issued in five cases and notice was issued in four cases. Further reply of the taxpayers was awaited (March 2025)

4.12.8.3 Audit findings relating to Discharge of tax liability

The audit findings pertaining to examination of the reconciliation statement (GSTR-9C) are given in **Table-4.61**.

Table-4.61: Mismatches relating to discharge of tax liability

Sl. No.	Parameter	No. of cases	Amount (₹ in crore)	Remarks
1.	**Suppression of taxable value based on unbilled revenue declared in GSTR-9C**. (Table 5B figures of GSTR-9C for the years 2018-19 to 2019-20 which captures the unbilled revenue at the beginning of the financial year was compared with Table 5H of the previous GSTR-9C returns which captures the unbilled revenue of the end of the year to review the extent of identified mismatch in turnover declared in the Annual Return with the Financial Statements).	1[132]	1.54	The Department stated (April 2024) that ASMT-10 was issued to the taxpayer but reply of the taxpayer was awaited. The Department further stated (July 2024) that the taxpayer could not be contacted through phone or email provided on GST portal. Efforts may be taken to trace the taxpayer and pursue the case.
2.	**Mismatch in taxable turnover declared in GSTR-9C Table 7G** (Table 7G of the form GSTR-9C captures the unreconciled taxable turnover between the annual return GSTR-9 and that declared in the financial statement for the year after the requisite adjustments).	1[133]	5.35	The Department stated (April 2024) that ASMT-10 was issued to the taxpayer and they are examining the taxpayer's reply. Further, in GSTR-9C Table 8 it was stated that "Unreconciled turnover of ₹ 5.35 crore is reported to be on account of Unbilled revenue written off during the year".

4.12.8.4 Filing of returns: Short payment of interest by taxpayers

As per Section 50(1) of MGST Act read with Notification No. J. 21011/1/2017-TAX/ Vol-II (ii), dated 19 July 2017, the rate of interest on delayed payment of tax is 18 *per cent*. Also, as per State notification No. 31/2020-State Tax dated 05 May 2020, the relaxations and reduced rate of interest extended to the industries during the Covid-19 Phase-I from January to April 2020 and Phase-II for March 2021 returns have been considered while working out the interest component.

[132] A taxpayer 1xxxxxxxxxxxxxO under Aizawl North Zone for the years 2018-19 and 2019-20

[133] A taxpayer 1xxxxxxxxxxxxx0 under Aizawl North Zone for the year 2019-20

Out of the sample of 15 taxpayers, it was observed that two taxpayers had filed their returns with delay ranging from three to 85 days, for which these taxpayers were liable to pay ₹ 0.05 crore as shown in ***Appendix-4.34***.

On this being pointed out (January 2024), the Department stated (April 2024) that ASMT-10 was issued to one taxpayer while the other taxpayer stated (April 2024) that interest will be paid when intimated by the Department. Further reply in this regard was awaited (March 2025).

Recommendation: The Department may initiate remedial action for all compliance deviations/ mismatches pointed out through this report, before they get time barred.

4.12.9 Conclusion

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 2018-19 to 2020-21.

A review of the functions of three Zones disclosed that there was deficiency in oversight function of the Zones in monitoring recovery of tax liability.

In Centralised Audit, replies were received in all 148 cases of data inconsistencies/ mismatches identified. Upon analysing the responses of the Department, in two cases recovery was made, in 14 cases ASMT-10 were issued, in 41 cases notices were issued to the taxpayer, and in 29 cases, the Department is under correspondence with the taxpayers. Further, in seven cases, the replies were not tenable and suitable rebuttals were provided. In nine cases, the inconsistencies were due to data entry errors and in four cases, action was taken before being pointed out by Audit while the taxpayers' clarifications in respect of 42 cases were accepted by Audit.

With regard to Detailed Audit of 15 sample taxpayers, granular records were not produced to Audit in all cases which significantly limited the scope of Audit. Non-compliance on seven major issues were observed *viz.,* (i) ITC mismatch between GSTR-2A and GSTR-3B involving ₹ 18.71 crore in 13 cases, (ii) ITC passed on without supplier remitting tax involving ₹ 19.06 crore in 11 cases, (iii) Short payment of tax under RCM involving ₹ 0.10 crore in two cases, (iv) Mismatch in ITC availed between annual returns and books of accounts involving ₹ 3.67 crore in 9 cases, (v) Suppression of taxable value based on unbilled revenue declared in Table 5 of GSTR-9C in one case involving amount of ₹ 1.54 crore, (vi) Mismatch in taxable turnover declared in GSTR-9C Table 7G in one case involving amount of ₹ 5.35 crore, and (vii) Short payment of interest by two taxpayers involving ₹ 0.05 crore.

During the Exit Conference, the Department stated that action in the form of audit assessments will be taken before the cases get time-barred in line with the audit observations. The Department also stated that interest on late filing of returns will be calculated as per existing rules at the time of audit assessment.

4.12.10 Recommendations

The State Government may consider the following recommendations-

(i) While determining the correctness of returns filed, monitor the progress of recoveries made on scrutiny of such returns in the interest of revenue;

(ii) Conduct similar data analysis (as conducted for Centralised Audit) of GST returns and other related data of all taxpayers to identify inconsistencies and take necessary steps to recover dues from the taxpayers wherever applicable; and

(iii) Initiate timely remedial action for all compliance deviations/ mismatches pointed out through this report before they get time barred.

TRANSPORT DEPARTMENT

4.13 Non-realisation of fitness fee and fine

2,977 Transport vehicles were plying without valid fitness certificates resulting in non-realisation of renewal/ fitness fees of ₹ 19.35 lakh and fine of ₹ 35.17 crore

Section 39 of the Motor Vehicles Act, 1988, (as adopted Government of Mizoram) provides that no person shall drive any motor vehicle and no owner of a motor vehicle shall cause or permit the vehicle to be driven in any public place or in any other place unless the vehicle is registered and the certificate of registration of the vehicle has not been suspended or cancelled and the vehicle carries a registration mark displayed in the prescribed manner. Further, Section 56 of the Act, 1988 *ibid* provides that subject to the provisions of Section 59 and Section 60, a transport vehicle shall not be deemed to be validly registered under Section 39 unless it carries a certificate of fitness issued by prescribed authority. As per the Central Motor Vehicles (Eight Amendment) Rules, 2022 notified (05 April 2022) the validity of certificate of fitness in respect of transport vehicles is two years for vehicles upto eight years old and one year for vehicles older than eight years. Also, as per serial no. 10 and 11 of the Central Motor Vehicle (Twenty-second Amendment) Rules, 2016 notified (29 December 2016) the applicable fitness fee and fine to be realised as prescribed under Rule 62(2) of the Motor Vehicles Rules, 1989 are given in **Table-4.62** below:

Table-4.62: Fees and fine payable on renewal of fitness certificate

Sl. No.	Particulars	Amount
1.	Conduct of test for fitness of three-wheeler or light motor vehicles or quadricycle	Manual ₹ 400
2.	Conduct of test for fitness of Medium or heavy motor vehicle	Manual ₹ 600
3.	Grant or renewal of fitness certificate for motor vehicles	₹ 200
4.	Additional fee for each day of delay after expiry of certificate of fitness	₹ 50 per day

Test check (November 2022) of records of the District Transport Officer (DTO), Kolasib District, Kolasib revealed that based on the data extracted (29 November 2022) from the VAHAN system by the office of DTO, Kolasib regarding On Road Vehicle Registration Summary Report, Audit observed that the fitness of 2,977 transport vehicles expired as of 29 November 2022. There was no record regarding the off-roading of these transport vehicles confirming that these vehicles were plying even after expiry of the fitness validity.

Audit analysis of the renewal of fitness certificate fee, conduct of test for fitness fee and the applicable fine payable by the defaulting transport vehicles revealed that a total amount of ₹ 35.36 crore (renewal fee and fitness fee-₹ 0.19 crore + fine-₹ 35.17 crore) was not realised as tabulated in **Table-4.63.**

Table-4.63: Number of defaulting vehicles and the realisable fitness fees and fine

(₹ in lakh)

Sl. No.	Category of transport vehicles	No. of vehicles without fitness certificate	Renewal fee *plus* Fitness fees realisable as of 29 November 2022	Fines realisable as of 29 November 2022	Total
(1)	(2)	(3)	(4)	(5)	(6) = (4) + (5)
1.	Three-wheeler and light transport vehicles	2,233	2,233x600)=13.40	2,554.07	2,567.47
2.	Medium and heavy transport vehicle	744	744x800=5.95	963.30	969.25
Total		**2,977**	**19.35**	**3,517.37**	**3,536.72**

Source: Based on data 'on road vehicles registration summary report' from Vahan system

The break-up of the fitness defaulting transport vehicles in a year, five years, ten years and more than 10 years are shown in **Table-4.64.**

Table-4.64: Break-up of defaulting vehicles in a year, five years, ten years and more than 10 years

Sl. No.	Category of transport vehicles	No. of vehicles defaulting the fitness upto one year or 365 days	No. of vehicles defaulting the fitness between one year and five years or 366 and 1,825 days	No. of vehicles defaulting the fitness between five years and ten years or 1,826 and 3,650 days	No. of vehicles defaulting the fitness more than ten years or 3,650 days	Total
1.	Three-wheeler and light transport vehicles	317	740	668	508	2,233
2.	Medium and heavy transport vehicle	50	271	206	217	744
Total		**367**	**1,011**	**874**	**725**	**2,977**

On this being pointed out, the DTO, Kolasib while agreeing to the Audit observation stated (21 February 2023) that demand notice to all defaulters were issued during January 2020 and January 2023. However, all the seven sample demand notices furnished to Audit shows that the demand notices issued were for renewal of registration and not related to payment of fitness fee and fine.

The matter was reported to the Department and Government in October 2024 and the Government while agreeing to the Audit observation stated (14 November 2024) that the Department is taking necessary action to curb tax defaulters not only from District Transport offices, but also from the Directorate office by issuing demand notices to the owners of vehicle above 15 years old to renew their registration – renewal of registration includes updating of all documents including fitness fee and fines. It was also stated that Road Safety Week/ Month is usually conducted in the month of January/ February every year during which no tolerance week/ month is regularly conducted with the Mizoram Police. It was, however, added that it is difficult to cover the whole area of Mizoram by the 40-enforcement staff even though enforcement drive is conducted regularly throughout the year. Further, the reply is silent on the action taken by the Department for recovery after the matter was pointed out by Audit.

The audit observed a substantial non-realisation of ₹ 19.35 lakh in renewal/ fitness fees and ₹ 35.17 crore in fines due to 2,977 transport vehicles operating without valid fitness certificates. This reflects a critical lapse in enforcement and revenue collection processes.

Despite provisions under the Motor Vehicles Act, 1988, and Central Motor Vehicles Rules for mandatory fitness certification, enforcement efforts by the Transport Department, Mizoram, were inadequate. The issuance of demand notices primarily focused on registration renewal rather than fitness fee and fine recovery.

The Department cited challenges such as limited enforcement staff and the vast geographical coverage of Mizoram, highlighting a systemic limitation in addressing compliance issues effectively. Also, while initiatives like Road Safety Week and enforcement drives exist, they have not been adequately leveraged to address fitness certification defaults comprehensively.

Thus, 2,977 transport vehicles were plying without valid fitness certificate resulting in non-realisation of renewal/ fitness fees of ₹ 19.35 lakh and fine of ₹ 35.17 crore.