

OVERVIEW

This Report contains 24 audit paragraphs (including 3 general paragraphs), five performance reviews apart from comments on the finances of the State Government and allocative priorities and appropriation of the Government of Mizoram for the year 2004-05. One chapter on Internal Control/Internal Audit in the Animal Husbandry and Veterinary Department is also included. According to the existing arrangement, copies of the draft audit paragraphs and draft audit reviews are sent to the concerned Secretaries to the State Government by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. The Secretaries are also reminded for replies. However, despite such efforts, in respect of 15 audit paragraphs and two reviews included in this Report, no response was received from the Secretary concerned. A synopsis of the important findings contained in this Report is presented in this overview.

1. Finances of the State Government

Revenue receipts during the year 2004-05 had increased by 10 *per cent* over the previous year (2003-04). Of the total revenue receipts of Rs.1501.86 crore during the year 2004-05, 7.67 *per cent* revenue receipts have come from the State's own resources, while the remaining 92.33 *per cent* came from central tax transfers and grants-in-aid.

(Paragraph 1.5.2)

There was an increase (Rs.62.78 crore) in total expenditure during 2004-05 compared to the previous year (2003-04). Interest payments and expenditure in general services, considered as non-developmental, together accounted for nearly 29.88 *per cent* of total expenditure in 2004-05 as compared to 28.03 *per cent* in 2000-01.

(Paragraph 1.6.1)

The interest payment on internal debt, loans received from the Central government and small savings increased steadily by 79.35 *per cent* from Rs.101.20 crore in 2000-01 to Rs.181.50 crore in 2004-05.

(Paragraph 1.6.2 (iii))

Compared to 2003-04 there was decline in capital expenditure, developmental expenditure and plan expenditure during 2004-05.

(Paragraph 1.7)

The assets of the State Government during 2004-05 increased from Rs.2761.15 crore to Rs.3141.23 crore (13.77 *per cent*), while the liabilities grew from Rs.2726.25 crore to Rs.2999.98 crore (10 *per cent*). This was mainly due to 14 *per cent* increase in gross capital outlay on fixed assets.

(Paragraph 1.8)

Return from Government's investment (Rs.11.68 crore) in Government companies and co-operative societies was 'nil' during 2000-2005, while average

interest rate paid by Government on its borrowings was 8.63 *per cent*. This resulted in implicit subsidy of Rs.5.02 crore during 2000-2005.

(Paragraph 1.8.1)

Interest received by the Government on the loans and advances given to co-operative societies and companies during 2000-2005 was between 0.43 *per cent* to 0.94 *per cent*. However, average interest paid by the Government on its borrowings was 8.63 *per cent*, resulting in implicit subsidy of Rs.91.23 crore during the period.

(Paragraph 1.8.2)

Overall fiscal liabilities of the State increased from Rs.1330.19 crore in 2000-01 to Rs.2288.35 in 2004-05 at an average annual rate of 15.50 *per cent*. Compared to 2000-01 the net availability of funds declined from 15.76 *per cent* to 4.58 *per cent*.

(Paragraph 1.8.4)

2. Allocative priorities and appropriation

Expenditure of Rs.2181.08 crore was incurred against total grants and appropriation of Rs.2106.46 crore, resulting in overall excess of Rs.74.62 crore during 2004-05. The excess was the result of excess of Rs.308.98 crore in six items of grants and appropriations partly offset by savings of Rs.234.37 crore in 45 items of grants and appropriations.

(Paragraph 2.2)

Supplementary provisions made during the year constituted 37 *per cent* of the original provision. Supplementary provision of Rs.78.62 crore made in eight cases during the year proved unnecessary in view of the aggregate savings of Rs.98.10 crore.

(Paragraph 2.3.3 & 2.3.4(i))

Anticipated savings of Rs.109.09 crore under 38 grants/appropriations were not surrendered at the close of year 2004-05.

(Paragraph 2.3.6)

In eight cases, expenditure of Rs.317.82 crore was incurred without any provision. As against actual savings of Rs.67.39 crore in 16 cases, the amount surrendered was Rs.71.22 crore, resulting in excess surrender of Rs.3.83 crore.

(Paragraphs 2.3.7 & 2.3.8)

In eight cases 38 *per cent* of the total expenditure was spent in the last quarter and 25 *per cent* was spent in the month of March 2005.

(Paragraph 2.3.9)

Expenditure of Rs.726.39 crore (2004-05) in respect of 15 departmental controlling officers remained unreconciled till June 2005.

(Paragraph 2.3.10)

As of September 2005, 36 AC Bills for Rs.14.55 crore for the period from 2001-2005 remained unadjusted for want of DCC Bills.

(Paragraph 2.3.11)

3. Internal Control/Internal Audit

Internal Control was deficient in the Animal Husbandry and Veterinary Department as it had little control over its budgetary process. There were wide variations of expenditure even with the revised estimates. Due to parking of funds in Civil Deposit, unauthorized utilisation of departmental receipts to meet expenditure and non-accountal of revenue receipts, financial management of the department was flawed. The department had no internal audit wing which further hampered efficient internal control.

(Paragraph 7.1)

4. Performance reviews

(i) Rural Health Services in Mizoram

Rupees 2.81 crore allocated for rural health care services were diverted by the department towards urban health services.

(Paragraph 3.1.8)

The department disbursed Rs.1.20 crore to the contractors for construction of 37 staff quarters on the basis of fictitious measurement of the works.

(Paragraph 3.1.22)

There was unproductive expenditure of Rs.1.26 crore due to unnecessary procurement of 20 mobile toilets, of which two toilets worth Rs.12.60 lakh were damaged.

(Paragraph 3.1.23)

The department injudiciously invested Rs.3.75 crore in procurement of three mobile clinic vans.

(Paragraph 3.1.24)

(ii) Pradhan Mantri Gram Sadak Yojana (PMGSY)

Rupees 7.67 crore was shown as expenditure by the department although the proposed works under Basic Minimum Services (BMS) were not executed.

(Paragraph 3.2.8(i))

Under PMGSY, 73 unconnected habitations were targeted for connection through all weather roads against 248 unconnected habitations in Mizoram. The

department achieved connection of only 17 habitations in five years, despite incurring total expenditure of Rs.118.75 crore.

(Paragraph 3.2.8, 3.2.10 & 3.2.11)

The department injudiciously utilised fund of Rs.16.64 crore towards execution of seven road works which did not connect any habitation.

(Paragraph 3.2.10(iii))

The department incurred expenditure of Rs.2.50 crore towards execution of two substandard road works in two districts.

(Paragraph 3.2.13(viii))

The quality of 14 road works executed at a cost of Rs.29.64 crore was found unsatisfactory by National Quality Monitors.

(Paragraph 3.2.15)

(iii) Receipts under taxes on Motor Vehicles

Non-realisation of fee and fine of Rs.85.29 lakh due to failure in detecting vehicles plying without valid fitness certificates.

(Paragraph 5.9.10)

Non conducting of smoke emission test resulted in plying of vehicles without pollution control certificates and consequential loss of revenue of Rs.3.29 crore.

(Paragraph 5.9.13)

(iv) Information technology audit of the Vehicle Registration System in Mizoram

- Registering fee of Rs.5.66 lakh and minimum fine of Rs.0.83 crore from 4,158 vehicles whose registration had expired was realisable.
- The department failed to detect 4,561 transport vehicles plying without a fitness certificate resulting in non-realisation of fees of Rs.11.72 lakh and minimum fine of Rs.0.91 crore.

There was short realisation of revenue amounting to Rs.15.69 lakh due to charging road tax at a lower rate.

(Paragraph 5.10.6)

(v) Working of the State Trading Scheme

Defective maintenance of Control Register for movement of food items resulted in non-delivering of rice consignments valued at Rs.19.93 lakh by carriage contractors.

(Paragraph 6.2.10 & 6.2.11)

Transport subsidy claims of Rs.2.56 crore were not received and subsidy of Rs.1.13 crore had not been claimed.

(Paragraph 6.2.15 and 6.2.17)

Departmental physical verification disclosed shortage/misappropriation of stock and cash amounting to Rs.6.55 crore, besides misappropriation/shortage of food items worth Rs.1.15 crore and cash amounting to Rs.16.55 lakh detected in audit.

(Paragraph 6.2.19)

5. Other points of interest

(a) Civil and Works Department

5.1 Extra avoidable expenditure

The Fisheries department incurred avoidable expenditure of Rs.45.08 lakh towards procurement of fingerlings at exorbitant rates.

(Paragraph 4.1)

The Health and Family Welfare department incurred extra avoidable expenditure of Rs.11.16 lakh in procurement of portable defibrillator-cum-monitors.

(Paragraph 4.3)

Injudicious rejection of second lowest tender by the Social Welfare Department led to avoidable expenditure of Rs.9.20 lakh in procurement of soya cereal powder.

(Paragraph 4.6)

Procurement of bitumen at higher rates by the Public Works Department led to avoidable expenditure of Rs.17.27 lakh.

(Paragraph 4.7)

5.2 Wasteful expenditure

Forfeiture of earnest money deposit due to abnormal delay in deposit of the same by the Public Works Department resulted in wasteful expenditure of Rs.8.11 lakh.

(Paragraph 4.9)

(b) Revenue Receipts

(i) Loss of revenue of Rs.1.51 crore due to non-detection of unauthorised extraction and supply of bamboos to Hindustan Paper Corporation.

(Paragraph 5.11)

(ii) Failure to confiscate 15 lakh bamboos and sale of 1.34 crore bamboos at the bid value of Rs.90.41 lakh against minimum royalty of Rs.1.34 crore resulted in loss of revenue of Rs.1.34 crore.

(Paragraph 5.12)

(iii) Failure of the Department to protect departmentally harvested timber measuring 380.5749 cum led to loss of revenue of Rs.19.68 lakh.

(Paragraph 5.14)

(iv) Failure of the Department to register 29 dealers led to evasion of tax of Rs.60.93 lakh.

(Paragraph 5.16)

(v) Irregular adoption of lumpsum rates led to under assessment of passenger and goods tax of Rs.43.60 lakh.

(Paragraph 5.17)

(vi) Evasion of tax of Rs.36.33 lakh (including interest) due to concealment of turnover of Rs.3.80 crore by eight registered dealers.

(Paragraph 5.18)

(c) Commercial and Trading activities

(i) Inaction for over two years for reduction in stack height by the Power and Electricity Department led to avoidable expenditure of Rs.40.35 lakh on construction of stack.

(Paragraph 6.3)

(ii) Failure of the Zoram Industrial Development Corporation Ltd., to ensure that proper insurance cover for ginger crops existed before sanction of loan resulted in non-recovery of loan of Rs.2.82 crore.

(Paragraph 6.4)