

## OVERVIEW

This Report contains 24 Audit Paragraphs (excluding three general paragraphs) and three Performance Reviews. According to the existing arrangements, copies of the draft audit paragraphs and draft performance reviews were sent to the concerned Secretary to the State Government by the Accountant General (Audit) with a request to furnish replies within six weeks. The Secretaries were also reminded for replies. Besides, a discussion was arranged with the Chief Secretary to the State Government with participation of the Principal Secretaries/ Secretaries of the concerned Departments, on the issues raised in the draft audit paragraphs, draft performance reviews, etc., for effective inclusion of the views/comments of the Government in the Audit Report. Despite such efforts, only 12 replies were received in respect of all the paragraphs and three reviews from the concerned Principal Secretaries/Secretaries to the State Government.

### 1. Performance Review

#### 1.1 Bamboo Flowering and Famine Combat Scheme (BAFFACOS)

Mizoram has rich bamboo forests which covers about 6,447 sq km occupying 31 *per cent* of the total area (21,087 sq km) of the State. When the flowering is synchronous over the vast tracts to varying extent, the phenomenon is called gregarious flowering. Due to gregarious flowering, periodic rodent outbreaks (rapid multiplication of rat population within a short period) are caused, which devastates the jhum cultivation at the harvesting time causing famine. To combat the problems arising out of gregarious flowering of bamboo, the State Government introduced (August 2004) 'Bamboo Flowering and Famine Combat Scheme' (BAFFACOS). A performance review of BAFFACOS revealed shortcomings in the planning with no approved centralised objectives for the scheme. Different activities formulated and implemented by various Departments were neither related to utilisation of bamboo nor concentrated on population affected by bamboo flowering. There was no co-ordination amongst different Departments and activities were implemented in a standalone mode resulting in wastage, misuse, diversion of funds and creation of idle assets. Allocation of funds was done in an adhoc manner without any prioritisation of activities. The monitoring systems were found to be inadequate due to lack of regular flow of information to the Nodal Department and absence of field inspections. BAFFACOS did not address the core issue of utilisation of bamboo resources and providing livelihood to affected families.

## **2. Audit of Transactions**

### *Avoidable/extra/Unfruitful Expenditure*

#### **Higher and Technical Education Department**

Non allotment of 27 staff quarters constructed for Mizoram Hindi Training College even after seven years of its completion resulted in an idle capital expenditure of Rs.2.03 crore.

*(Paragraph 2.1)*

Failure to ensure the availability of sufficient funds for construction of a girls hostel building at Mizoram Hindi Training College Complex, Aizawl resulted in non-completion of work for more than seven years rendering the entire expenditure of Rs.25.59 lakh unfruitful.

*(Paragraph 2.2)*

#### **Sports and Youth Services Department**

Due to poor execution of work by the Mizoram State Sports Council the entire amount of Rs.57.35 lakh spent on construction of indoor stadium at Ramhlun, Aizawl, became wasteful. The Department also could not recover the amount of Rs.53.04 lakh from the contractor in the absence of a proper agreement.

*(Paragraph 2.4)*

#### **Animal Husbandry and Veterinary Department**

Department incurred an irregular expenditure of Rs.44.26 lakh including an extra avoidable expenditure of Rs.8.49 lakh on procurement of Corrugated Galvanised Iron sheets.

*(Paragraph 2.5)*

#### **Rural Development Department**

Doubtful expenditure of Rs.9.71 crore incurred in district Serchhip under National Rural Employment Guarantee Scheme (NREGS).

*(Paragraph 2.7)*

#### **Industries Department**

Execution of works without proper survey resulted in infructuous expenditure of Rs.1.67 crore.

*(Paragraph 2.8)*

### General Administration Department

Due to handing over the charge of the fuel pump to the IOC Ltd., without realising cost of balance ATF of 54.82 KL by the General Administration Department, the Government incurred a loss of Rs.40.44 lakh.

*(Paragraph 2.9)*

Due to irregular acquisition of a plot of land from a pass holder, the General Administration Department sustained a loss of Rs.10 lakh.

*(Paragraph 2.10)*

### Public Works Department

Due to defective/substandard work, the expenditure of Rs.33.64 lakh incurred by the Public Works Department, NH-Division-II, Aizawl, remained wasteful.

*(Paragraph 2.11)*

### Soil and Water Conservation Department

Under NEC sponsored schemes the Department incurred an unfruitful expenditure of Rs.26.69 lakh on plantation of 98 hectares.

*(Paragr.aph 2.12)*

## 3. Revenue Receipts

The total revenue receipts of the Government of Mizoram in 2008-09 were Rs.2,653.13 crore as against Rs.2,039.74 crore during 2007-08. The revenue raised by the State from tax receipts during 2008-09 was Rs.94.62 crore and from non-tax receipt was Rs.158.67 crore. State's share of divisible Union taxes and grants-in-aid from the Government of India were Rs.383.39 crore and Rs.2,016.45 crore, respectively. Thus, the revenue raised by the State Government was 9.55 *per cent* of the total revenue receipts.

### 3.2 Performance review

A review on 'transition from sales tax to VAT in Mizoram' revealed the following:

- As compared to the average growth rate of 44.43 per cent during (2002-05) MST regime, the average growth rate was 29.42 *per cent* during (2005-09) post-MVAT period. Also, the growth rate has been decreasing year after year during the post-VAT period except in 2008-09. In view of the eight fold increase in the numbers of dealers registered in 2008-09 against those in the MST regime (2004-05), it is a matter of serious concern for the State Government.

*(Paragraph – 3.2.6)*

- There were substantial numbers of the dealers who did not submit the returns and there was high pendency in scrutiny of the returns. However, due to lack of a monitoring mechanism, the Commissioner could not effectively monitor the shortfall in receipt and scrutiny of the returns.

*(Paragraph – 3.2.8)*

- In case of assessment of three registered dealers, the assessing officers underassessed the total turnover by Rs.84.66 lakh which resulted in short levy of tax of Rs.7.75 lakh.

*(Paragraph – 3.2.11)*

- There is no provision for deduction of tax at source in the MVAT Act.

*(Paragraph – 3.2.13)*

## Paragraphs

Monopoly fee of Rs. 90.28 lakh was not realised on transportation of 90.28 lakh bamboo through 411 permits.

*(Paragraph – 3.3)*

The Taxation Department failed to realize balance tax of Rs. 9.16 lakh from 211 unregistered dealers with minimum penalty of Rs. 3.62 crore.

*(Paragraph – 3.5)*

## 4. State Public Sector Undertakings

### 4.1 Government Companies

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of the State Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. As on 31 March 2009, the State of Mizoram had five working PSUs, which employed 263 employees. These PSUs registered a turnover of Rs.2.41 crore for 2008-09 as per the latest finalized accounts. This turnover was equal to 0.07 per cent of State GDP indicating insignificant place in the State economy. The PSUs incurred a loss of Rs.4.56 crore and had accumulated losses of Rs.40.23 crore as per their latest finalized accounts.

### Investment in PSUs

As on 31 March 2009, the investment (capital and long term loans) in five PSUs was Rs.94.98 crore. It grew by over 39.43 per cent from Rs.68.12 crore in 2003-04. Financing sector accounted for nearly 54.62 per cent of total investment in 2008-09. The Government contributed Rs.16.79 crore towards equity, loans and grants during 2008-09.

## Performance of PSUs

All five state PSUs were incurring losses continuously during the period between 2003-04 and 2008-09. Zoram Industrial Development Corporation Limited incurred heavy losses in all the years ranging between Rs.1.62 crore in 2003-04 and Rs.2.05 crore in 2008-09.

The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of three latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of Rs.11.77 crore. There is tremendous scope to improve the functioning of PSUs and reduce losses. The PSUs can discharge their role efficiently if they are financially self reliant. There is a need for professionalism and accountability in functioning of PSUs.

## Arrears in accounts

Five working PSUs had arrear of 29 accounts as of September 2009. Arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of account, if necessary.

## 4.2 Performance Audit on the functioning of Mizoram State Transport – Departmental Undertaking

The Mizoram State Transport Departmental Undertaking (MST) provides public transport in the State through its four depots. MST had fleet strength of 54 buses (27 seaters) as on 31 March 2009 and carried an average of 353 passengers per day. MST had incurred operational losses every year varying from Rs.12.40 crore to Rs.14.72 crore and net loss ranged between Rs.13.92 crore and Rs.16.25 crore during five years ending 2008-09. MST's fleet utilisation at 39 *per cent* in 2008-09 was below hill area average of 90 *per cent*. Its vehicle productivity at 61.93 kilometers per day per bus was also below the hill area average of 196 kilometers. Similarly, its load factor at 47.76 *per cent* remained below the hill area average of 63 *per cent*. All the 29 routes operated by the MST were not meeting its variable cost due to high cost of operation. Manpower and fuel constituted 67.65 and 5.89 *per cent* respectively of total cost. The State Government has not formed norms for providing services on uneconomical schedules. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address grievances of commuters. The fixation of targets for various operational parameters and an effective Management and Information System for obtaining feed back on achievement thereof are essential for monitoring by the top management. MST is expected to demonstrate managerial capability to set realistic and progressive targets, address areas of weakness and take remedial action.

## Transaction audit observations

Transaction audit observations included in this Report highlight deficiencies in the management of Food and Civil Supplies Department (Departmental undertaking). The important irregularities pointed out are broadly of the following nature:

Non-reimbursement of Hill State Transport Subsidy (HSTS) claims amounting to Rs.27.55 crore by Government of India due to non-compliance with rules, directives and procedures.

*(Paragraph 4.3)*

Undue benefit of Rs.112.02 lakh extended to private transport contractors by enhancement of carrying contract rates without adequate justification.

*(Paragraphs 4.4 and 4.5)*