



## OVERVIEW

This Report contains 16 Audit Paragraphs (excluding three general paragraphs) and three Performance Reviews and one Chief Controlling Officer based Audit. According to the existing arrangements, copies of the draft audit paragraphs, draft performance reviews and draft Integrated Audit were sent to the concerned Secretary to the State Government by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. The Secretaries were also reminded for replies. Besides, a demi-official letter was also sent to the Chief Secretary to the State Government 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, replies were not received in respect of one performance review, one Chief Controlling Officers based Audit and six audit paragraphs from the concerned Principal Secretaries/Secretaries to the State Government.

### 1. Performance Review

#### Elementary Education

The Government of India had formulated the National Education Policy in the year 1986 and Right to Education Act in 2009 which *inter-alia* provided Universal Elementary Education of good quality for education to children in the age group 6-14 years through provision of schools with appropriate infrastructure within an approachable distance. The Sarva Shiksha Abhiyan (SSA) was launched in 2001 to achieve the goal of Universal Elementary Education through a time-bound integrated approach, in partnership with states and Right to Education Act, 2009 was introduced in the State only during March 2011. Mid Day Meal (MDM) programme was also launched with an aim to give a boost to the universalisation of primary education by increasing enrolment, retention and attendance and simultaneously improving the nutritional status of students in primary classes. The programme was further extended to students of middle schools.

Performance Review on Elementary Education has revealed some positive points especially with specific reference to the uninterrupted implementation of MDM despite constraints in terms of flow funds and foodgrains for the scheme. However, Elementary Education program in the State, the stakeholders and the program managers of Elementary Education in the State are still faced with an uphill task in bringing about qualitative outcome of this vital program. There were number of areas that reflect poor implementation at the ground level contributing to the overall deficiencies in program execution. The performance of SSA in the State revealed that due deficiencies in planning at Village and District level which was to be based on realistic projection of need assessment of the districts. In the absence of effective monitoring and supervision, there were flaws in record keeping and maintenance of accounts and handling of funds at different levels of execution of programme. Owing to the absence of any proper

norms of sanctioned strength of teachers and rationalisation of existing teachers at schools, many schools continued to remain overstaffed. Despite sufficient funds in hand throughout the years, the SSA Mission has not achieved the goal of retention of all children of 6-14 age groups due to flawed planning and identification of OoSC along with diversion of major chunk of fund meant for the purpose. The SSA Mission also failed to function effectively in the Autonomous District mainly due to interference of Autonomous District Council members. Inclusion of private schools run by religious organisations among the beneficiaries of SSA and MDM, resulted in substantial portion of expenditure being incurred for providing Free Text book and MDM to ineligible children of private schools. The civil works executed under SSA remains an area of concern where instances of diversion of funds, substandard works and improper handling of funds by different authorities were a recurring feature. The implementation of the School Computer Education was highly unsatisfactory due mainly to the defective contractual agreement with private firm. The internal control and monitoring of programme still remains largely ineffective due to poor staffing of internal audit cell.

(Paragraph-1.1)

## 2. Audit of Transactions

### *Fraud/Misappropriation/Loss*

#### **Health & Family Welfare and School Education Department**

Failure in exercising routine checks while preparing bills by one DDO of H&FW and two DDOs of School Education Department resulted in excess drawal of ₹ 9.91 lakh.

(Paragraph-2.1)

#### **Environment and Forests Department**

The Divisional Forest Officer incurred doubtful expenditure of ₹ 53 lakh even before the completion of location survey for the Plantation.

(Paragraph-2.2)

#### **Land Revenue and Settlement Department**

In the absence of pronouncement of awards, the Collector, Kolasib District unauthorisedly disbursed an interest of ₹ 43.51 lakh and a solatium of ₹ 127.59 lakh with an excess payment of interest of ₹ 31.15 lakh and solatium of ₹ 81.98 lakh. Also much ahead of the finalisation of draft award, the Collector disbursed ₹ 104.18 lakh to 12 persons, out of which ₹ 40.95 lakh was disbursed to seven persons, who were not interested in the land.

(Paragraph-2.3)

### General Administration Department

The Sinlung Hills Development Council drew an amount of ₹ 1.75 crore from the Government Treasury through false bills before execution of works of which an amount of ₹ 86.43 lakh was unauthorisedly utilised for execution of 156 unapproved works.

(Paragraph-2.4)

*Excess payment/Wasteful/Unfruitful Expenditure etc.*

### Animal Husbandry and Veterinary Department

The Department incurred an unauthorised expenditure of ₹ 57 lakh without maintaining basic records.

(Paragraph-2.5)

*Violation of Contractual obligation/ undue favour to Contractors/ Avoidable expenditure/ Doubtful expenditure*

### Public Health Engineering Department

Grant of interest free mobilisation advance of ₹ 10.49 crore in violation of codal provisions led to undue financial advantage to a contractor resulting in corresponding loss of ₹ 0.35 crore towards interest.

(Paragraph-2.6)

### Health and Family Welfare Department

Out of central assistance of ₹ 10 crore for upgradation of Civil Hospital, Aizawl, the National Rural Health Mission unauthorisedly diverted an amount of ₹ 8.12 crore, incurred a doubtful expenditure of ₹ 0.54 crore and rendered an undue benefit to a firm by granting interest free mobilisation advance of ₹ 1.13 crore.

(Paragraph 2.7)

*Idle expenditure*

### Horticulture Department

Non-utilisation of 500 MT capacity of warehouse-cum-cold storage commissioned in November 2005 rendered the expenditure of ₹ 1.06 crore infructuous for over five years.

(Paragraph 2.8)

**Regularity issues and other points**

**Home Department**

The Department failed to realise the deployment charges of ₹ 2.64 crore from eight different organisations/agencies for deployment of Home Guards.

**(Paragraph-2.9)**

**Land Revenue and Settlement Department**

The Collector, Serchhip District irregularly awarded a compensation of ₹ 1,421.53 lakh for payment to two persons interested against the entitled compensation of ₹ 1,257.36 lakh as per claims preferred by them, which resulted in an excess payment of ₹ 164.17 lakh.

**(Paragraph-2.10)**

Construction of Hydro Electric Power Project was severely affected in terms of time overruns due to the abnormal delay in acquisition proceedings of land.

**(Paragraph-2.11)**

Suspension of construction of 60 MW Hydro Electric Project on Tuirial River, due to irregular pronouncement of Awards for payment of huge amount of compensation of ₹ 25.02 crore to private individuals notwithstanding the fact that the proposed Project actually within under Government Reserved Forest Area.

**(Paragraph-2.12)**

**3. Chief Controlling Officers based Audit on Public Health Engineering Department**

Public Health Engineering Department is responsible for providing adequate and safe drinking water to the rural and urban population as well as hygienic sanitation facilities in the State. Apart from the coverage of remaining uncovered habitations with safe drinking water system, the Department is committed to promote sustainability of safe drinking water system and to institutionalize water quality monitoring and surveillance system. The Department is also engaged in improving the quality of life of the rural people and also to provide privacy and dignity to women through Total Sanitation Campaign.

A performance review of Chief Controlling based Audit on Public Health Engineering Department revealed shortfalls in achieving the programme objectives owing largely to the deficiency in

planning. Deficiency in planning in turn impinged on the financial management of the schemes and projects, which is conspicuously apparent in the persistent recurrence of savings in each successive years between 2006-11 revealing the Departments incapacity to absorb funds released by GoI which is clearly reflected in the trend of rush of expenditure in the last quarter of the financial year, and worst still, leading to huge amounts being parked in PW Deposits. Diversion of funds to operations and maintenance revealed that the Department had digressed in its application of funds for purposes it was sanctioned thereby affecting vital programme elements like Water Quality measures, which has serious public health implications. There were cases of manpower remaining virtually idle during 2006-11 in the Ground Water and Quality Control Division arising out of the failure of the Department to plan and provide the requisite and laboratory equipment for the technical hands in position to work on is an obvious instance of inefficiencies in HR management. There were some positives in the effort of the Department in program execution especially with reference to capacity building and sensitisation drive through IEC strategies, however, the review has flagged glaring aberration in the material procurement process and serious deviation from the basic canons of financial propriety especially with reference to purchase of GI pipes by the Department. Materials were procured and payments made beyond the scope of delegated powers by the Head of Department and without obtaining the approval of the State Purchase Advisory Board. Absence of independent program evaluation, poor and deficient monitoring activity and absence of internal control mechanism revealed shortfalls in achieving the programme objectives of the Department.

(Paragraph-3.1)

#### 4. Revenue Receipts

The total revenue receipts of the Government of Mizoram in 2010-11 were ₹ 2,855.37 crore as against ₹ 2,963.51 crore during 2009-10. The revenue raised by the State from tax receipts during 2010-11 was ₹ 130.44 crore and from non-tax receipts was ₹ 146.72 crore. State's share of divisible Union taxes and grants-in-aid from the Government of India were ₹ 451.66 crore and ₹ 2,126.55 crore, respectively. Thus, the revenue raised by the State Government was 9.71 per cent of the total revenue receipts.

(Paragraph-4.1)

#### Performance Review

**A review on 'Cross Verification of Declaration Forms in Inter State Trade and Commerce' revealed the following:**

The maintenance of stock and issue registers of declaration forms, to safeguard mis-utilisation, was improper. The stock registers meant for issue to dealers only contained the quantity issued without showing the opening balance, quantity received and closing balance.

(Paragraph-4.2.8.2.2)

The ACT, South Zone, Aizawl irregularly retained 14 declaration form 'C' in the departmental custody, although the same were shown to have been issued to dealers.

(Paragraph-4.2.8.2.4)

There was probable mis-utilisation of 18 missing declaration form 'C' in two zones (Aizawl North and Kolasib).

(Paragraph-4.2.8.2.7)

The information related to issue of Declaration forms to the dealers was not uploaded in the TINXSYS website and the data available in the website was not utilised by the Department for cross verifying the correctness of the Declaration forms.

(Paragraph-4.2.8.2.9)

Short account of goods worth ₹ 10.09 crore purchased at concessional rate through use of declaration forms resulted in short levy of tax of ₹ 1.29 crore.

(Paragraph-4.2.12)

There was an evasion of tax of ₹46.44 lakh and non-imposition of penalty of ₹ 46.44 lakh due to fraudulent utilisation of invalid and obsolete forms by six unregistered dealers

(Paragraph-4.2.14)

## Audit of Transactions

### Taxation Department

The Department failed to levy and realise a tax of ₹ 15.15 crore from two dealers for the years 2008-2011.

(Paragraph-4.3)

A dealer concealed sales turnover of ₹ 2.37 crore for which tax of ₹ 29.63 lakh along with penalty not exceeding ₹ 59.26 lakh was leviable.

(Paragraph-4.4)

Two dealers were not levied with tax of ₹ 9.25 lakh due to escapement of turnover of ₹ 58.82 lakh in assessment.

(Paragraph-4.5)

## 5. Government Commercial and Trading Activities

### 5.1 Overview of State Public Sector Undertakings

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 Comptroller and Auditor General (C&AG) of India. These accounts are also subject to supplementary audit conducted by C&AG. As on 31 March 2011, the State of Mizoram had five working PSUs, which employed 271 employees. These PSUs registered a turnover of ₹ 1.72 crore for 2010-11 as per the latest finalised accounts. This turnover was equal to 0.03 *per cent* of State GDP indicating insignificant place in the State economy. The PSUs incurred a loss of ₹ 4.86 crore and had accumulated losses of ₹ 49.20 crore as per their latest finalised accounts.

#### Investment in PSUs

As on 31 March 2011, the investment (Capital and Long Term Loans) in five PSUs was ₹ 90.63 crore. It grew by over 18.05 *per cent* from ₹ 76.77 crore in 2005-06.

#### Performance of PSUs

All five state PSUs were incurring losses continuously during the period between 2005-06 and 2010-11. Zoram Industrial Development Corporation Limited ranked first among the PSUs in incurring Losses followed by Mizoram Food and Allied Industries Corporation Limited during this period.

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 C&AG shows that the State PSUs incurred losses to the tune of ₹ 27.27 crore which were controllable. 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 24 accounts as of September 2011. Arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of account, if necessary.

### Performance Review

#### Performance Audit on Power Distribution Activities of Power and Electricity Department, Government of Mizoram

A Performance Audit on Power Distribution Activities of Power and Electricity Department of Government of Mizoram was conducted for the period 2006-07 to 2010-11 to ascertain if the

Department was able to adhere to the aims and objectives stated in the National Electricity Policy (NEP) and Plan and to examine how far the distribution reforms have been achieved.

### Working Results

The realisation per unit though increased from ₹ 2.09 to ₹ 2.39 (14.35 *per cent*), the cost per unit increased from ₹ 5.38 to ₹ 6.04 (12.27 *per cent*) during the audit period. The negative contribution per unit came down by as much as 72.06 *per cent* during the same period.

### Distribution Network Planning

As compared to the growth of connected load of 179.58 MW in 2006-07 to 243 MW in 2010-11 (35.31 *per cent*), the increase in transformer capacity was only 9.79 *per cent* from 163.35 MVA to 179.35 MVA. Thus, the increase in distribution capacity could not match the pace of growth in consumer demand.

### Implementation of Centrally Sponsored Schemes

As on 31 March 2006, out of 707 villages in the State (2001 Census), 570 villages were electrified (80.62 *per cent*). Under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), the Department targeted 137 villages for new and another 570 villages for intensive electrification. Against this target the achievement till March 2011 was 53 villages (38.69 *per cent*) where new distribution network had been laid but energisation was pending and intensive electrification in 221 villages (38.77 *per cent*), respectively. The execution of the programme was delayed resulting in non-achievement of target of 100 *per cent* electrification of villages before 31 March 2010 as envisaged in NEP.

### Operational Efficiency

Sub-transmission & Distribution losses remained in excess of norms fixed by CEA. The excess losses over the norms were 57.72 million units in 2010-11 costing ₹ 13.80 crore. The Department purchased ₹ 0.90 crore worth of excess quantity of Aerial Bunched Cables over their requirement.

### Billing Efficiency

Energy billed during the audit period, 2006-07 to 2010-11 ranged between 63.01 to 75.08 *per cent* of the total energy available for sale. Assessed sales constituted 3.74 to 9.75 *per cent* of the energy billed during the same period.

### Financial Management

Cross Subsidy continued to be at unsustainable levels in respect of all categories of consumers other than domestic sector.

There was inordinate delay in filing ARR/Tariff Petition for the years 2009-10 and 2010-11 and getting Electricity Regulatory Commission's approval for the same. The Department could not revise Tariff in time which resulted in loss of ₹ 24.32 crore.



### Conclusions and Recommendations

This performance audit revealed absence of comprehensive long term plan for enhancing distribution capacity keeping in view the growth in demand and separate Annual Plans, poor and delayed preparation of Detailed Project Reports leading to the funding agencies delaying and ultimately curtailing the quantum of assistance, delays in execution of projects, *etc.* The performance audit report contains seven recommendations aimed at improving the operational efficiency of the Department to make itself sustaining.

**(Paragraph-5.2)**

### Audit of Transactions

#### Power and Electricity Department

Failure of P&E Department in getting registered under Central Sales Tax (CST) Act and availing concessional rate of CST on interstate purchases by issue of 'C' Forms, caused avoidable expenditure of ₹ 2.37 crore.

**(Paragraph-5.3)**