REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2008

GOVERNMENT OF MIZORAM

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PREFACE

1. *This Report has been prepared for submission to the Governor under Article 151 of the Constitution.*

2. *Chapters I and II of this Report respectively contain audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year 2007-2008.*

3. *The remaining chapters deal with the findings of performance audit and audit of transactions in various Departments including the Public Work Department, Revenue Receipts, audit of Government Companies, Statutory Corporations and Integrated Audit of Government Departments.*

4. *The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2007-08 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2007-08 have also been included wherever necessary.*

5. *The audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.*

OVERVIEW

OVERVIEW

This Report contains 25 Audit Paragraphs (excluding three general paragraphs), four Performance Reviews and one Integrated Audit apart from comments on the Finance and Appropriation Accounts. 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, the Chief Secretary to the State Government was also requested to arrange for discussion of 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 three replies were received in respect of all the paragraphs and three reviews from the concerned Secretary to the State Government.

1. Finances of the State Government

The fiscal position of the State viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit and primary deficit – has shown deterioration in 2007-08 relative to previous year. Not only did revenue surplus decline by Rs. 120 crore in 2007-08, but fiscal deficit increased more than twice and primary surplus turned into deficit when compared to the previous year. Moreover, the fiscal performance of the State *vis-à-vis* targets set in FCP as well as MFRBM Act and Budget indicate a dismal picture during the year. Despite the fact that Central transfers increased by Rs. 70 crore in 2007-08 and contributed around 98.6 *per cent* of incremental revenue receipts during the year, the lower growth rate in revenue receipts in 2007-08 was primarily on account of sluggish growth rate of 0.5 *per cent* (Rs. 1 crore) in the State's own resources as compared to 14.86 *per cent* (Rs. 26 crore) in the previous year resulting in decline in revenue surplus in the current year. The expenditure pattern of the State reveals that the revenue expenditure as a percentage of total expenditure, although marginally declined during the current year, hovered around 78 *per cent* during the period (2002-08) leaving inadequate resources for expansion of services and creation of assets. Within revenue expenditure, NPRE at Rs. 1,259 crore in 2007-08 remained significantly higher than the normatively assessed level of Rs. 1,042 crore by TFC for the year. Further, the salaries and wages, pension, interest payments and subsidies continued to consume a major share of NPRE which was around 73 *per cent* during 2007-08. The continued prevalence of fiscal deficit indicates reliance of the State on borrowed funds, resulting in increasing fiscal liabilities of the State over this period, which stood at 102 *per cent* of the GSDP in 2007-08 and are unusually high especially if compared with the limit of 31 *per cent* prescribed by the TFC in its restructuring plan of state finances to be achieved by all states by the terminal year of its award period (2009-10). The increasing fiscal liabilities accompanied by a 'nil' rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable fiscal situation in medium to long run unless suitable measures are initiated to compress the non-plan revenue expenditure and to mobilize the additional resources both through the tax and non tax sources in the ensuing years.

(Paragraphs 1.1 to 1.1.)

2. Allocative Priorities and Appropriation

During 2007-08 expenditure of Rs.2678.93 crore was incurred against total grants and appropriation of Rs.3044.95 crore. The net savings of Rs.366.02 crore was the result of savings of Rs.379.94 crore, partly offset by excess of Rs.13.92 crore.

(Paragraph 2.2)

Supplementary provision made during the year constituted 31 *per cent* of the original provision. Supplementary provision of Rs.39.05 crore made in 14 cases proved unnecessary in view of aggregate final savings of Rs.193.52 crore.

(Paragraphs 2.3.3 and 2.3.4)

Excess expenditure over provision amounting to Rs.751.14 crore for the years 2003-04 to 2006-07 is required to be regularized according to Article 205 of the Constitution of India.

(Paragraph 2.3.2)

3. Performance Reviews

3.1 National Rural Health Mission

The National Rural Health Mission (NRHM) was launched by GOI in April 2005. The State Mission has performed satisfactorily in the area of control of tuberculosis, leprosy and iodine deficiency. The overall performance of the Mission at the mid-course was not very satisfactory. The review underscored glaring gaps in planning and programme implementation. The State Mission failed to conduct a household / facility survey, which constitutes the most crucial element of the planning process upon which the very edifice of the Mission rests. The credibility and the basis on which the State PIP was formulated is questionable. In terms of infrastructure readiness, the majority of the centres did not have the basic equipment and drugs. The set back experienced by the mission till date is largely attributable to the manpower shortage and the absence of appropriate functionaries at all tiers of the implementation structure. The overall management of the mission was also impeded by the absence of baseline data and other relevant indices to facilitate performance evaluation.

3.2 Technology Mission for Integrated Development of Horticulture

Technology Mission for integrated development of horticulture in Mizoram was launched as a Centrally Sponsored Scheme in 2001-02 with the specific objectives of improving productivity and quality of horticulture crops, reducing post harvest losses by improving marketability of the produce and making it available to consumers. Implementation of the programme lacked proper planning and direction. The Annual Action Plans were not based on an integrated approach, consolidating the district level plans to address the issues of production, marketing, processing and export. Coordination between the implementing agencies was fragile both at the planning and implementation stages. Consequently, the objectives of the programme to provide linkages in production, post harvest management, consumption chain and value addition through employment generation remained largely unrealized. Delays in release of funds and under utilization of available funds resulted in many critical components of the mission remaining inoperational. In the absence of baseline data, performance indicators relating to area expansion programmes and their concomitant impact on production volumes of horticulture crops remain unquantifiable. Inspite of the core thrust of the mission being technology driven, precious little was contributed by MM-I, whose activity was confined to limited training and demonstration without a well orchestrated Lab to ensure technology transfer to the horticulture farmers of the State. There was little or no effort made under the MM-III to offer new and applicable post-harvest technology and facilities commensurate to the needs of the horti-farmers.

3.3 Non-Lapsable Central Pool of Resources

The Non-Lapsable Central Pool of Resources (NLCPR) was established by the GOI in 1998 with the main objective of speedy development of infrastructure in the North Eastern States. The objectives of NLCPR funding have not been achieved in the state, as over 56 *per cent* of the approved projects since inception of the scheme, remained incomplete as of March 2008. Infrastructural gaps were not identified clearly and priority was accorded to non-critical and miscellaneous sectors rather than the developmental and infrastructure sectors. The State Planning Board confined its role to endorsing the project proposals submitted to it rather than screening the proposals with regards to their need, techno-economic feasibility and the intended benefit.

Consequently, there were several deviations from the approved DPRs. Fund management was poor and affected the timely execution of projects. Monitoring and supervision was inadequate, leading to time and cost overrun in several projects and diversion of funds.

4. Audit of Transactions

Avoidable/extra/Unfruitful Expenditure

Rural Development Department

The Department incurred an excess expenditure of Rs. 17.39 lakh due to release of inadmissible assistance for sanitary latrines and smokeless chulhas.

(Paragraph 4.2)

Education Department

The School Education Department earned Rs. 33 lakh on departmentally executed works due to excess cost estimation, which was inadmissible

(Paragraph 4.3)

Health and Family Welfare Department

The Department spent Central assistance of Rs. 6.56 crore on construction of Sub Centres (SC) which were located in Government buildings contrary to the instructions of NPCC.

(Paragraph 4.4)

Environment and Forest Department

The Forest and Environment Department incurred a wasteful expenditure of Rs. 15.46 lakh towards the cost and transportation of 44,197 damaged seedlings.

(Paragraph 4.5)

Public Works Department

The Department made excess payment of Rs. 55.70 lakh in formation cutting work under 'Improvement and Widening of Bawngkawn – Durtlang Road'.

(Paragraph 4.6)

5.1 Integrated Audit

Integrated audit of the Health and Family Welfare Department revealed poor budget, accounting and procurement procedures and non-implementation of various Centrally Sponsored Schemes. Functioning of the Department is not satisfactory due to poor financial management, as evidenced by unrealistic formulation of budget estimates leading to persistent savings, parking of funds under Civil Deposit and recurrence of serious financial irregularities with instances implying fraud and misappropriation. The Controlling Officers though assisted by Finance and Accounts Officer failed to exercise their responsibilities in ensuring stringent control of expenditure. The objectives of the Central sector programmes were not achieved due to inadequate planning, faulty procurement practices and diversion of funds. Training of functionaries was reduced to a funds driven necessity rather than a need based one. The absence of a sound manpower database pertaining to the functional units and the programme activities of the department meant that an informed decision making for an equitable distribution of manpower at various levels could not be carried out. Thus, although there were no vacancies as reported by the department, the health care delivery system of the state could be faced with a skewed distribution of manpower resulting in denial of health care service to the people of the state especially those in remote rural areas.

6. Revenue Receipts

Transport Department

The department's inability to arrange apparatus for smoke emission test led to plying of vehicles without ensuring that pollution was under control

(Paragraph 6.2)

Environment and Forest Department

Due to irregular extension of eight months operational period for extraction of additional 30 lakh bamboo, the Government incurred a loss of revenue of Rs. 16.30 lakh

(Paragraph 6.8)

Taxation Department

A registered dealer concealed turnover of Rs. 1.53 crore and evaded tax of Rs. 19.08 lakh on which interest of Rs. 13.73 lakh and penalty of Rs. 65.62 lakh were additionally payable

(Paragraph 6.10)

Land Revenue and Settlement Department

The department failed to collect assessed land revenue of Rs. 28.16 lakh in respect of 131 cases

(Paragraph 6.12)

7.1 Government Commercial and Trading Activities

As on 31 March 2008, there were five Government companies (all working) and two departmentally managed commercial undertakings viz., State Trading Scheme under the Food, Civil Supplies and Consumer Affairs Department and Mizoram State Transport under the Transport Department as against the same number of Government companies and departmentally managed commercial undertakings as on 31 March 2007 under the control of the State Government. The results of audit of the Power and Electricity Department have also been incorporated in the Commercial Chapter.

7.2 Performance review on Zoram Industrial Development Corporation Limited

The Zoram Industrial Development Corporation Limited has been promoting industrial development in the State of Mizoram since inception (1978). The contribution of the Company in the State of Mizoram was on the decline due to non-disbursement of term loan and non-allotment/utilisation of plots developed in two 'Integrated Infrastructural Development Centres' (IIDC) at Pukpui and Zote. Some of the important audit findings are given below:

- Diversion of fund of Rs. 7.54 crore received from Financial Institutions and Rs. 89 lakh received for IIDC from Government of India (GOI) and Government of Mizoram (GOM) for administrative expenses.

- Failure to claim defaulted ginger loan of Rs. 2.78 crore, affected by natural calamity under the scheme devised by National Minority Development & Finance Corporation (NMDFC).

- Loss of income of Rs.5.47 crore by waiving of interest without the approval of Board of Directors and the State Government under the proposed special One Time Settlement scheme.

(Paragraphs 7.2)

Audit of Transactions

Procurement of material valued at Rs. 3.96 crore in excess of immediate requirement resulted in blockage of funds.

(Paragraph 7.3)

CHAPTER – I

FINANCES OF THE STATE GOVERNMENT

CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (**Appendix 1.1-Part A**).The Finance Accounts of the Government of Mizoram are laid out in nineteen Statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account. The lay out of the Finance Accounts is depicted in **Appendix 1.1 – Part B**.

1.1.1 Summary of Receipts and Disbursements

Table 1.1 summarises the finances of the State Government for the year 2007-08 covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts/disbursements as emerging from Statement-1 of Finance Accounts and other detailed Statements.

1.1: Summary of receipts and disbursements for the year 2007-08

(Rupees in crore)

2006-07	Receipts	2007-08	2006-07	Disbursements	2007-08		
					Non-Plan	Plan	Total
Section – A: Revenue							
1968.95	I. Revenue Receipts	2039.74	1717.30	I. Revenue Expenditure	1259.32	649.07	1908.39
67.62	Tax revenue	71.96	616.91	General Services	626.83	18.83	645.66
133.38	Non- tax revenue	130.30	592.90	Social Services	357.43	339.34	696.77
288.05	Share of Union Taxes/Duties	368.92	507.49	Economic Services	275.05	290.91	565.96
1479.90	Grants from Government of India	1468.56	-	Grants –in-aid/ Contributions	-	-	-
Section B : Capital							
--	II. Miscellaneous Capital Receipts	-	466.44	II. Capital Outlay	54.52	489.72	544.24
24.01	III. Recoveries of Loans and Advances	27.53	0.25	III. Loans and Advances disbursed	-	-	6.12
236.56	IV. Public Debt receipts [1]	223.71	110.95	IV. Repayment of Public Debt	-	-	143.96
--	V. Contingency Fund	-	-	V. Contingency Fund	-	-	-
1425.61	VI. Public Account receipts	2322.67	1394.12	VI. Public Account disbursements	-	-	1780.10
42.86	Opening Cash Balance	8.93	8.93	Closing Cash Balance	-	-	239.77
3697.99	Total	4622.58	3697.99	Total			4622.58

Following are the significant changes during 2007-08 over the previous year;

- Revenue receipts grew by 3.60 *per cent* (Rs. 70.79 crore) over the previous year mainly on account of increase in State's share of Union

[1] *Includes net Ways and Means Advances and Overdraft*

taxes and duties by 28.07 *per cent* (Rs. 80.87 crore); tax revenue by 6.42 *per cent* (Rs. 4.34 crore). The increase was however partially offset by a decrease in non-tax revenue (Rs. 3.08 crore) and grants-in-aid from GOI (Rs. 11.34 crore).

- Revenue expenditure and capital expenditure increased by Rs. 191.09 crore (11.13 *per cent*) and Rs. 77.08 crore (16.68 *per cent*) respectively over the previous year.
- Public debt receipts decreased by Rs. 12.85 crore while the Public debt repayments increased by Rs. 33.01 crore over previous year.
- Loans and advances disbursed by the State government have increased by Rs. 5.87 crore while their recovery improved marginally by Rs. 3.52 crore in 2007-08 over the previous year.
- Public Account receipts and Public Account disbursements increased by Rs. 897.06 crore and Rs. 385.98 crore respectively over the previous year.
- Cash balances of the state increased by Rs. 230.84 crore over the previous year mainly due to cash balance investment of Rs. 266.79 crore in 2007-08 against nil balance in previous year and increase of Rs. 14 crore in investment in earmarked balances partly offset by increase in negative balances of Rs. 50 crore in deposits of the State with RBI in 2007-08 relative to previous year.

1.1.2 Fiscal Position by Key Indicators

The fiscal position of the State Government as reflected by the key fiscal indicators during the current year as compared to previous year is given in ***Table 1.2.***

(Rupees in crore)

2006-07	Sl. No	Major Aggregates	2007-08
1969	**1.**	**Revenue Receipts (2+3+4)**	**2040**
68	2.	Tax Revenue	72
133	3.	Non-Tax Revenue	130
1768	4.	Other Receipts	1838
24	5.	Non-Debt Capital Receipts	28
24	6.	*Of which recovery of Loans*	28
1993	**7.**	**Total Receipts (1+5)**	**2068**
1129	**8.**	**Non- Plan Expenditure**	**1314**
1121	9.	On Revenue Account	1259
229	10.	*Of which Interest Payments*	208
8	11.	On Capital Account	55
--	12.	On Loans disbursed	-
1055	**13.**	**Plan Expenditure**	**1145**
596	14.	On Revenue Account	649
459	15.	On Capital Account	490
--	16.	On Loans disbursed	6
2184	**17.**	**Total Expenditure (13+8)**	**2459**
(+) 252	18.	Revenue Deficit (-)/Surplus (+) (1-9-14)	(+) 132
(-) 191	19.	Fiscal Deficit (-)/Surplus (+) (1+5-17)	(-) 391
(+) 38	20.	Primary Deficit (-)/ Surplus (+) (19 -10)	(-) 183

During the current year while revenue expenditure increased by over 11 *per cent* (Rs. 191.09 crore), revenue receipt increased by 3.60 *per cent* (Rs. 70.79 crore) over the previous year, resulting in decrease in surplus by Rs. 120 crore in revenue account. The decrease in revenue surplus along with an increase of Rs. 4 crore in non-debt capital receipts in 2007-08 accompanied by an increase of Rs. 77.80 crore on account of capital expenditure as well as in disbursement of loans and advances (Rs. 5.87 crore) during 2007-08 led to an increase of Rs. 200 crore in fiscal deficit during the current year. The increase in fiscal deficit accompanied by a decrease of Rs. 21 crore in interest payments during 2007-08 over the previous year turned the primary surplus of Rs. 38 crore in 2006-07 into a primary deficit of Rs. 183 crore during 2007-08.

1.2 Methodology adopted for the assessment of Fiscal Position

The trends in the major fiscal aggregates of receipts and expenditure as emerging from the Statements of Finance Accounts were analysed wherever necessary over the period 2002-03 to 2007-08 and observations have been made on their behaviour. In its Restructuring Plan of the State finances, the Twelfth Finance Commission (TFC) recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, TFC also recommended that all States enact the Fiscal Responsibility (FR) Act and draw their fiscal correction path accordingly for the five year period (2005-06 to 2009-10) so that fiscal position of the State could be improved as committed in their respective FR Acts/Rules during medium to long run. The norms/ceiling prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments/projections made by the State Government in its FR Act and in other Statements required to be laid in the Legislature under the Act were used to make qualitative assessment of the trends and position of major fiscal aggregates during the current year. Assuming that Gross State Domestic Product (GSDP) is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The buoyancy coefficients for tax revenues, non-tax revenues, revenue expenditure etc, with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilisation of resources, pattern of expenditure etc, are keeping pace with the change in the base or these fiscal aggregates have also been affected by factors other than GSDP.

Table: 1.3 Trends in Growth of Gross State Domestic Product (GSDP)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
(GSDP) (Rs. in crore)	1940	2091	2441	2694	2985	3305
Rate of Growth of GSDP (in *per cent*)	0.83	7.78	16.74	10.36	10.80	10.72

Source: Department of Economics and Statistics, Government of Mizoram.

The key fiscal aggregates for the purpose have been grouped under four major heads: (i) Resources by Volume and Sources, (ii) Application of Resources, (iii) Assets and Liabilities and (iv) Management of Deficits **(Appendix 1.3 to 1.6).** The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in **Appendix 1.1 Part C.**

1.2.1 The Fiscal Responsibility and Budget Management (FRBM) Act, 2006

The State Government enacted (November 2006) the Mizoram Fiscal Responsibility and Budget Management (MFRBM) Act, 2006 to ensure prudence in fiscal management and fiscal stability by progressive reduction of revenue deficit, prudent management consistent with fiscal sustainability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term fiscal framework and for matters connected therewith or incidental thereto.

The Act set the following fiscal targets for the State Government:

- Progressively reduce revenue deficit from the financial year 2006-07, so as to bring it down to zero by 2008-09 and generate revenue surplus thereafter;
- reduce fiscal deficit to 3 *per cent* of the estimated GSDP by 2008-09;
- ensure that total outstanding debt, excluding public account, and risk weighted outstanding guarantees in a year shall not exceed twice the estimated receipts in the Consolidated Fund of the State at the close of the financial year;

Revenue deficit and fiscal deficit may exceed the limits specified under this section on accounts of unforeseen demands on the finances of the State Government arising out of national security or calamity including famine relief or such other exceptional circumstances beyond the control of the State Government.

1.2.1.1 Roadmap to Achieve the Fiscal Targets as Laid down in FRBM Act/Rules

The FRBM Act was enacted by the State Government in November 2006 and the Medium Term Fiscal Plan was laid in the Legislature along with the annual budget 2007-08 on 13th March 2008. The State Government developed its Own Fiscal Correction Path (FCP) indicating the milestones of outcome indicators with target dates for implementation during the period from 2005-06 to 2010-11 **(Appendix-1.2)** keeping in view the fiscal targets laid down in the FRBM Act and/or the rules made there under and the anticipated annual rate of reduction of fiscal deficit of the State worked out by the GOI for the TFC Award. The FCP was laid before the Legislature along with the Statement of Medium Term Fiscal Policy in March 2008 by the State Government.

1.2.1.2 Fiscal Performance

In terms of an incentive scheme of TFC, a reward for fiscal performance was built into the debt-write off package under DCRF[2]. According to the scheme, the quantum of write off of repayment of GOI loans after consolidation and reschedulement will be linked to the absolute amount by which revenue deficit is reduced in each successive year during the award period. Based on the criterion of improved fiscal performance, the State Government was entitled to receive debt waiver. However, the debt waiver was not received by the State Government during the current year due to deterioration in fiscal performance of the State viewed in terms of deficit indicators.

The fiscal performance viewed in terms of key fiscal parameters vis-à-vis the State Government's projections in FCP for 2007-08 reveals that the State Government could maintain a revenue surplus of only Rs. 131.35 crore in 2007-08 against the budget estimate of Rs. 162.84 crore for the year. Fiscal deficit on the other hand at Rs. 391 crore in 2007-08 was significantly higher than it's RE of Rs. 139 crore. Relative to GSDP, it was 11.83 *per cent* as against the projected level of 3.51 *per cent* in FCP for the current year. The total outstanding debt excluding public account, at Rs. 2027 crore was also within the prescribed ceiling limit of twice the receipts in Consolidated Fund of the State during the year.

1.2.1.3 Mid-Term Review of Fiscal Situation

To enforce compliance with the fiscal principles and targets laid down in the FRBM Act, 2006, the State Finance Department is to review every half year the trends in receipts and expenditure including the fiscal indicator targets set for the current financial year and place before the State Legislature a statement containing the outcome of such review. The review of the first half showed improvement in the State's finances against the selected fiscal indicators. Revenue surplus could be generated in excess of the estimates at the beginning of the year. The growth in Non-Plan Expenditure was under control and progress of Plan Expenditure is expected to improve during the second half of the year. The review was hopeful of attaining the fiscal management targets as laid down in the Mizoram FRBM Act, 2006.

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[2] In pursuance of recommendations of the TFC for fiscal consolidation and elimination of revenue deficit of the States GOI formulated a scheme "the Sates DCRF (2005-06 to 2009-10)" under which general debt relief is provided by consolidating and rescheduling the Central loans granted to States at substantially reduced rates of interest, on enacting the FRBM Act and debt waiver is granted based on fiscal performance, linked to the reduction of revenue deficit of the States.

1.3 Trends and Composition of Aggregate Receipts

The receipts of the State Government consist of revenue and capital receipts. Revenue receipts consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions, commercial banks) and loans and advances from GOI as well as accruals from Public Account. *Table-1.4* shows that the total receipts of the State Government for the year 2007-08 were Rs. 4614 crore. Of these, revenue receipts were Rs. 2040 crore constituting 44 *per cent*. The balance came from capital receipts, borrowings and Public Account (**Appendix – 1.6**).

Table-1.4: Trends in Growth and Composition of Aggregate Receipts

(Rupees in crore)

Sources of State's Receipts	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
I. Revenue Receipts	**1022**	**1371**	**1502**	**1654**	**1969**	**2040**
II. Capital Receipts	**282**	**321**	**199**	**276**	**261**	**251**
Recovery of Loans and Advances	17	20	22	23	24	27
Public Debt Receipts	282	321	199	253	237	224
Miscellaneous Capital Receipts	-	-	-	-	-	-
III. Contingency Fund	-	-	-	-	-	-
IV. Public Account Receipts	**955**	**960**	**1169**	**1464**	**1426**	**2323**
a. Small Savings, Provident Fund etc.	131	167	190	189	215	274
b. Reserve Fund	8	8	17	10	21	30
c. Deposits and Advances	246	294	304	295	234	271
d. Suspense and Miscellaneous	202	(-)112	6	52	24	675
e. Remittances	367	603	652	918	932	1073
Total Receipts	**2259**	**2652**	**2870**	**3394**	**3656**	**4614**

Out of total receipts under Public Account, remittances constituted 46 *per cent*, and 86 *per cent* (Rs. 922 crore) of the remittances have come from Public Works remittance, cash remittances between Treasury and Currency Chest and Forest remittances constituted the remaining 14 *per cent* (Rs. 151 crore).

1.3.1 Revenue Receipts

Statement 11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of tax and non-tax revenues, Central tax transfers and grants-in-aid from GOI. Overall revenue receipts, their annual rate of growth, ratio of these receipts to the GSDP and its buoyancy are indicated in *Table-1.5.*

Table 1.5: Revenue Receipts – Basic Parameters

(Value in crore of Rupees)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Receipts (RR)	1022	1371	1502	1654	1969	2040
Own Taxes *(per cent)*	28 (3)	34 (2)	40 (3)	55 (3)	68 (3)	72(4)
Non-Tax Revenue *(per cent)*	53 (5)	58 (4)	76 (5)	120 (7)	133 (7)	130(6)
Central tax Transfers *(per cent)*	95 (9)	130 (9)	156 (10)	226 (14)	288 (15)	369(18)
Grants-in-aid *(per cent)*	846 (83)	1149 (84)	1231 (82)	1253 (76)	1480 (75)	1469(72)
Rate of growth of RR *(per cent)*	17.73	34.15	9.56	10.12	19.04	3.61
Revenue Receipts/GSDP *(per cent)*	52.68	65.57	61.53	61.40	65.96	61.72
Revenue Buoyancy (ratio)[3]	21.36	4.39	0.57	0.98	1.76	0.34
State's own taxes Buoyancy (ratio)	57.07	2.75	1.05	3.62	2.19	0.55
Revenue Buoyancy with reference to State's own taxes (ratio)	0.38	1.59	0.54	0.27	0.80	0.62
GSDP Growth *(per cent)*	0.83	7.78	16.74	10.36	10.80	10.72

General Trends:

The revenue receipts of the State increased by Rs. 1018 crore from Rs. 1022 crore in 2002-03 to Rs. 2040 crore in 2007-08 at an annual average rate of 16 *per cent.* The share of States' own resources and Central transfers in revenue receipts of the State exhibited relative stability during the period 2003-08. During 2007-08, while nearly 10 *per cent* of the revenue receipts have come from State's own resources comprising own taxes and non-taxes, Central tax transfers and grants-in-aid together contributed a little over 90 *per cent* of the total revenue.

The State's own resources vis-à-vis assessments made by TFC and State Government are given below:

(Rupees in crore)

	Assessment made by		Actuals
	TFC	State Government in Fiscal Correction Path	
Tax Revenue	89	69	72
Non-Tax Revenue	61	129	130

The actual realisation of non-tax receipts has exceeded the assessments made by the TFC significantly as well as the projection of the State in its FCP although marginally. As regards the tax revenue, it exceeded the FCP projection marginally but remained far less than the assessment made by the TFC for the year.

Tax Revenue: The tax revenue has increased by 5.88 *per cent* during the current year (Rs. 72 crore) over the previous year (Rs. 68 crore). The revenue from sales tax not only contributed the major share of tax revenue

[3] *Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance revenue buoyancy at 0.34 during 2007-08 implies that revenue receipts tend to increase by 0.34 percentage points if the GSDP increases by one per cent.*

(86 *per cent)*, but also increased by 15 *per cent* over the previous year. State sales taxes, State excise, land revenue and taxes on vehicles remained other major contributors in the tax revenue during 2007-08. ***Table 1.6*** below shows the trend of tax revenue during 2003-08.

Table 1.6: Tax Revenue

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Land Revenue	0.97	0.72	0.86	1.59	0.73	1.48
Stamps and Registration Fees	0.08	0.13	0.10	0.17	0.21	0.23
State Excise	1.29	1.36	1.40	1.46	1.65	1.69
Sales Tax	18.20	23.32	28.08	41.59	53.72	62.04
Taxes on Vehicles	2.56	3.38	3.80	4.35	5.01	5.37
Taxes on goods and Passengers	0.57	0.61	0.69	0.99	0.98	1.07
Other Taxes [4]	4.29	4.33	4.62	4.90	5.32	0.08
Total	27.96	33.85	39.55	55.05	67.62	71.96

Non Tax Revenue: The non tax revenue which constituted 6.38 *per cent* of the total revenue receipts, decreased by Rs. 3 crore from Rs. 133 crore in 2006-07 to Rs. 130 crore in 2007-08 recording a decline of 2.25 *per cent* over the previous year. 76 *per cent* of non-tax revenue during 2007-08 was received from economic services and within this category, receipts under power alone contributed 65 *per cent* (Rs. 84 crore) followed by interest receipts (Rs. 16 crore), miscellaneous general services (Rs. 6.5 crore) and water supply and sanitation (Rs. 6.39 crore). During 2007-08, the receipts from the power sector has shown increase of Rs. 31.81 crore (61.42 *per cent*) followed by interest receipts and dividends and profits by Rs. 6.48 crore (78 *per cent*). The increase from these two sources was offset by decrease of Rs. 42.76 crore (96.55 *per cent*) in Miscellaneous General Services resulting in net fall of Rs. 3 crore in non tax receipts during the current year.

Central Tax Transfers: The Central tax transfers increased by Rs. 80.87 crore over the previous year and constituted 4 *per cent* of revenue receipts. The increase was mainly under Corporation tax (Rs. 25.41 crore), Service tax (Rs. 8.64 crore), Taxes on Income other than corporation tax (Rs. 22.80 crore) and Customs (Rs. 12.50 crore) and Taxes on Sales and Trade (8.32 crore).

Grants-in-aid: Grants-in-aid from the GOI decreased from Rs. 1,480 crore in 2006-07 to Rs. 1,469 crore in the current year. Within the Plan grants, while grants for Central Plan Schemes and State Plan Schemes increased by 125 *per cent* and 5 *per cent* respectively, grants for Centrally Sponsored Schemes and Special Plan Schemes decreased by 50 *per cent* (Rs.84 crore) and 5 *per cent* (Rs. 2 crore). The major increase under State Plan Schemes was in the form of increase in Block Grants by (Rs. 54 crore). The steep decline under Centrally sponsored schemes was mainly on account of receipts of less grants under

[4] Other taxes include taxes on duties on commodities and services.

SJSRY (Rs 5.75 crore); ICDS (Rs 7.50 crore); Rajiv Gandhi Drinking Water Mission (Rs 15.28 crore); Family Welfare programmes (Rs 10.42 crore); management of Gregarious Flowering of Muli bamboos (Rs 5.54 crore) and Post Matric Scholarship Scheme (Rs 15.44 crore). The Non-plan grants (Rs. 679 crore) to State constitute 46 *per cent* of total grants during the year of which, 87 *per cent* (Rs. 605 crore) were primarily for meeting the Non-Plan revenue deficit on account of the recommendation of TFC. Other components of Non-Plan grants mainly included grants from State Specific needs (Rs. 15.94 crore) followed by grants towards contribution to calamity relief fund (Rs. 13.97 crore), modernisation of police force (Rs. 10.27 crore) and maintenance of roads and bridges (Rs. 10.53 crore). Details of grants-in-aid from GOI are given in ***Table 1.7***.

Table 1.7: Grants–in-aid from GOI

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Grants for State Plan schemes	439	713	563	509	626	660
Non Plan grants	308	315	468	604	643	679
Grants for Central Plan Schemes	3	6	2	4	4	9
Grants for Centrally Sponsored Schemes	86	101	136	91	169	85
Grants for Special Plan Schemes	11	14	62	45	38	36
Total	847	1149	1231	1253	1480	1469
Percentage of increase/decrease over previous year	11.30	35.66	7.14	1.79	18.12	(-) 0.74

1.4 Application of Resources

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. State raises resources to perform its sovereign functions, maintain its existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge its debt service obligations. The total expenditure of the State increased from Rs. 1354 crore in 2002-03 to Rs. 2459 crore in 2007-08. Total expenditure, its annual growth rate and ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in ***Table- 1.8***.

Table 1.8: Total expenditure – Basic Parameters

(Value in crore of Rupees and ratios in per cent)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total Expenditure (TE)[5]	1354	1697	1759	2073	2184	2459
Rate of Growth	3.75	25.33	3.65	17.85	5.35	12.59
TE/GSDP Ratio	69.79	81.16	72.06	76.95	73.17	74.40
Revenue Receipts/TE ratio	75.48	80.79	85.39	79.79	90.16	82.96
Buoyancy of Total Expenditure with						
GSDP (ratio)	4.52	3.26	0.22	1.72	0.50	1.17
Revenue Receipts (ratio)	0.21	0.74	0.38	1.76	0.28	3.49

The total expenditure during the current year has increased by Rs. 275 crore (12.59 *per cent*) over the previous year. Of the increase in total expenditure, the revenue expenditure formed 70 *per cent* (Rs. 191 crore), capital expenditure was 28 *per cent* (Rs. 78 crore) and disbursement of loan and advances 2 *per cent* (Rs. 6 crore). While the share of plan expenditure constituted 46 *per cent* (Rs. 1139 crore) of the total expenditure, the remaining 54 *per cent* (Rs. 1320 crore) was non-plan expenditure incurred on General, Economic and Social services. The increase of revenue expenditure was mainly due to increased expenditure under Police (Rs. 23.94 crore), pension payments (Rs. 19.83 crore), Education (Rs. 34.99 crore), Water Supply and Sanitation (Rs. 28.63 crore) and Crop Husbandry (Rs. 21.51 crore). Capital expenditure has increased mainly on account of increased expenditure under Transport (Rs. 37.66 crore) and Agriculture and Allied Services (Rs. 47.07 crore).

During the current year, 83 *per cent* (Rs. 2040 crore) of total expenditure was met from revenue receipts and remaining 17 *per cent* (Rs. 419 crore) from the borrowed funds. The buoyancy of total expenditure to GSDP stood at 1.174 in 2007-08 indicating a tendency to spend more than the increase in income and higher elasticity of total expenditure with respect to GSDP.

Trends in Total Expenditure by Activities: In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, grants-in-aid and loans and advances. Relative share of these components in total expenditure is indicated in ***Table – 1.9***.

Table – 1.9: Components of Expenditure – Relative Share

(in per cent)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
General Services*	30.60	28.25	29.87	26.77	29.35	26.80
Interest Payments	9.83	9.82	10.32	8.91	10.49	8.46
Social Services	35.51	32.99	31.51	30.75	32.74	32.66
Economic Services	31.33	36.57	36.66	40.84	37.91	40.30
Loans and Advances	2.56	2.19	1.96	1.64	...	0.24
Grants-in-aid	...	...	...	...	...	...

*includes interest payments

[5] *Total expenditure includes revenue expenditure, capital expenditure and loans and advances.*

The trends in Table 1.9 reveal that while the shares of general and social services as well as the loans and advances by the State indicated a declining tendency, the share of economic services has shown an increasing trend during the period 2002-08. The expenditure on General Services and interest payments which are considered as non-developmental, together accounted for 26.80 *per cent* while on the other hand, development expenditure i.e., expenditure on Social and Economic Services together accounted for 73.96 *per cent* in 2007-08.

1.4.1 Incidence of Revenue Expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payments, for the past obligations and as such does not result in addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in ***Table – 1.10.***

Table 1.10: Revenue Expenditure – Basic Parameters

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Expenditure (RE) of which	1131	1288	1396	1588	1717	1908
Non- Plan Revenue Expenditure (NPRE)	777	917	976	1048	1121	1259
Plan Revenue Expenditure (PRE)	354	371	419	540	596	649
Rate of Growth and Ratios *(per cent)*						
Rate of growth of NPRE	4.15	18.02	6.43	7.38	6.97	12.31
Rate of Growth of PRE	(-) 7.39	4.72	13.12	28.82	10.37	8.89
NPRE/GSDP *(per cent)*	40.05	43.85	39.98	38.90	37.55	38.09
NPRE as a *per cent* of TE	57.39	54.04	55.49	50.55	51.33	51.20
NPRE as a *per cent* of RR	76.07	66.89	64.98	63.36	56.93	61.72
Buoyancy of Revenue Expenditure with						
GSDP (ratio)	0.29	1.78	0.50	1.33	0.75	1.04
Revenue Receipts (ratio)	0.01	0.41	0.88	1.37	0.43	3.08

The revenue expenditure increased by around 69 *per cent* from Rs. 1,131 crore in 2002-03 to Rs. 1908 crore in 2007-08. The non-plan expenditure during the same period increased from Rs. 777 crore to Rs. 1,259 crore, showing an increase of 62 *per cent* indicating that the share of NPRE in total revenue expenditure declined only marginally from 69 *per cent* in 2002-03 to 66 *per cent* in 2007-08. As a result, plan revenue expenditure, which normally covers the maintenance expenditure incurred on services, has only increased by Rs. 295 crore during 2002-08 keeping its share in total revenue expenditure between 28 and 35 *per cent* during the period. The growth of PRE during 2002-08 also showed an erratic trend and declined to 8.89 *per cent* during 2007-08 from its peak of 28.82 *per cent* in 2005-06. Sharp increase in NPRE was mainly due to increase in expenditure on water supply & sanitation by 127 *per cent* (Rs. 25.50 crore) followed by salary expenditure by 27.27 *per cent* (Rs. 129 crore); by 19 *per cent* (Rs. 27.69 crore) under education and 18 *per cent* (Rs. 9.04 crore) under welfare of scheduled caste which was partially offset mainly by decrease of 9.17 per cent in interest payment (Rs. 21 crore) and by smaller amounts in other major/minor heads.

The actual NPRE *vis-à-vis* assessment made by TFC and the State Government are given below:

(Rupees in crore)

	Assessment made by		Actual NPRE
	TFC	State Government in Fiscal Correction Path	
Non-Plan revenue expenditure	1042	1216	1259

The rate of growth of NPRE (12.31 *per cent)* in 2007-08 was 20.83 *per cent* (Rs. 217 crore) higher than the normatively assessed level of Rs. 1,042 crore by the TFC and 3.54 *per cent* (Rs. 43 crore) higher than the assessments made by the State Government in its FCP.

1.4.2 Committed Expenditure

1.4.2.1 Expenditure on Salaries and Wages

The trends in expenditure on salaries both under Plan and Non-Plan heads are presented in ***Table 1.11: Expenditure on salaries***

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on salaries & wages *	496	518	564	560	623	757
Of which Non-Plan Head	404	419	461	445	473	602
Plan Head **	92	99	103	115	150	155
Total of Plan and Non-Plan	496	518	564	560	623	757
As a percentage of GSDP	25.57	24.77	23.11	20.79	20.87	22.90
As a percentage of Revenue Receipts	48.53	37.78	37.55	33.86	31.64	37.11

Source: *The State Government furnished the figures of salaries and wages from 2002-03 to 2004-05 and figures of 2005-06 and 2007-08 furnished by the AG (A & E) Mizoram.*

* *Represents salaries and wages only but excludes salaries & wages spent from grants-in-aid.*

** *Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes.*

Expenditure on salaries and wages increased by 21.51 *per cent* during 2007-08 over the previous year and accounted for 37.11 *per cent* of the revenue receipts. The State was unsuccessful in restricting the expenditure on salaries during 2007-08 as assessed in its FCP (Rs. 597 crore for the year). As a result, the total salary expenditure was at 40 *per cent* relative to revenue expenditure net of interest payment and pension as compared to the norm of 35 *per cent* prescribed by the TFC.

1.4.2.2 *Pension Payments*

Table 1.12 Expenditure on Pensions

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Pensions	47	62	89	89	77	97
Rate of growth	(-) 2.08	31.91	43.55	0.00	(-) 13.48	25.97
As *per cent* of GSDP	2.42	2.97	3.65	3.30	2.58	2.93
As *per cent* of RR	4.60	4.52	5.93	5.38	3.91	4.75
As *per cent* of RE	4.16	4.81	6.38	5.60	4.48	5.08

**Source: Finance Accounts for 2005-06 and 2007-08*

Pension payments during the current year have increased by Rs. 20 crore, recording a growth of 26 *per cent* over the previous year, due to more expenditure under superannuation and retirement allowances family pension and leave encashment benefit. The comparative analysis of actual pension payments and the assessment/projections made by TFC and the State Government ***(Table 1.13)*** reveals that actual pension payments were lower than both the projections made by the State Government as well as the normative projections made by TFC as detailed below:

Table 1.13 Pension Payments vis-à-vis projections

(Rupees in crore)

	Assessment made by		Actual Expenditure on pensions
	TFC	State Government in Fiscal Correction Path	
Pension payments	141	106	97

1.4.2.3 *Interest Payments*

Interest payments, their ratio to revenue receipts and revenue expenditure during the period from 2002-08 are detailed in ***Table 1.14***.

Table 1.14 Interest Payments

Year	Total Revenue Receipts	Total Revenue Expenditure	Interest Payments	Percentage of interest payment with reference to	
	(Rupees in crore)			Revenue Receipts	Revenue Expenditure
2002-03	1022	1131	133	13.01	11.76
2003-04	1371	1288	167	12.18	12.97
2004-05	1502	1396	182	12.12	13.04
2005-06	1654	1588	185	11.19	11.65
2006-07	1969	1717	229	11.63	13.34
2007-08	2040	1908	208	10.20	10.90

Interest payments decreased by Rs. 21 crore (9.17 *per cent*) during 2007-08 over the previous year. The decrease in interest payments was mainly due to decrease in payment of interest on Market loans (Rs. 18 crore) and

State/Union Territory Plan Schemes – (13 crore) coupled with increase in payment of interest on Loans for Non-Plan Schemes and for Special Plan Schemes. Interest payment of Rs. 208 crore during the current year exceeded the assessments/projections made by TFC by Rs. 8 crore and State Government assessment by Rs. 27 crore. Interest payments relative to revenue receipts at 10.20 *per cent* were however within the norm of 15 *per cent* prescribed by the TFC to be achieved by all the states by 2009-10.

1.4.2.4 Subsidies

The trends in subsidies given by the State Government are given in ***Table 1.15***.

Table 1.15: Subsidies

(Rupees in crore)

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Subsidies	10	10	1	2	Nil	8
Percentage of increase (+)/ decrease (-) over previous year	(-) 9.09	-	(-) 90	(+) 100	Nil	
Percentage of subsidy in total expenditure [6]	0.74	0.59	0.06	0.10	Nil	0.33

Source: Information furnished by the Finance Department, for the years prior to 2005-06: for the years 2005-06 and 2006-07, 2007-08, figures of Finance Accounts of the State are adopted.

During the current year, 93.75 *per cent* (Rs. 7.50 crore) of subsidies was paid under the head Crop Husbandry against nil projection in the FCP for the year 2007-08. The remaining amount of subsidies was paid under the head Co-operation (Rs. 0.04 crore) and Irrigation and Flood Control (Rs. 0.001 crore).

1.5 Expenditure by Allocative Priorities

1.5.1 Quality of Expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore, ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running the existing social and economic services efficiently and effectively would determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP, better the quality of expenditure. ***Table 1.16*** gives those ratios during 2002-08.

6 Total expenditure excludes Loans and Advances

Table 1.16: Indicators of Quality of Expenditure

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Capital Expenditure	**187.97**	**371.68**	**329.54**	**451.37**	**466.44**	**544.24**
Revenue Expenditure	**1130.95**	**1287.77**	**1395.51**	**1588.01**	**1717.3**	**1908.39**
Of which Social and Economic Services with	725	825	881	1046	1101	1263
(i) Salary & Wage component	343	359	394	390	443	528
(ii) Non-salary & wage Component	382	467	487	656	658	735
As *per cent* of total expenditure (excluding loans and advances)						
Capital expenditure	14.25	22.40	19.10	22.13	21.36	22.19
Revenue expenditure	85.75	77.60	80.90	77.87	78.64	77.81
As *per cent* of GSDP						
Capital expenditure	9.69	17.79	13.52	16.74	15.61	16.46
Revenue Expenditure	58.30	61.60	57.19	58.95	57.52	57.73

Revenue expenditure remained dominant and varied from 78 *per cent* to 86 percent during 2002-08 resulting in less expenditure on capital account ranging between 14.25 to 22.19 *per cent*. Relative to GSDP, the capital expenditure has however increased from 9.69 *per cent* in 2002-03 to 16.46 *per cent* in 2007-08 with inter year variations. The salary and non-salary components of revenue expenditure incurred on social and economic services have both increased during the period; however the share of salary expenditure has reduced from 47.3 *per cent* in 2002-03 to 41.8 *per cent* in 2007-08 while the share of non-salary component from 52.7 *per cent* to 58.2 *per cent* during the period. These trends indicate the improvement in the quality of expenditure and the impetus being given to asset formation.

1.5.2 *Expenditure on Social Services*

Given the fact the human development indicators such as access to basic education, health services and drinking water and sanitation facilities etc. have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. ***Table 1.17*** summarizes the expenditure incurred by the State Government in expanding and strengthening of Social Services in the State during 2007-08.

Table 1.17: Expenditure on Social Services

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Education, Sports, Art and Culture	**204.25**	**218.35**	**250.41**	**291.46**	**317.43**	**338.04**
Revenue Expenditure of which,	198.77	210.84	237.52	278.25	300.98	332.60
(a) Salary & Wage component	135.25	142.86	157.46	162.70	199.78	233.99
(b) Non-Salary & wage component	63.52	67.98	80.06	115.55	101.20	98.61
Capital Expenditure	**5.48**	**7.51**	**12.89**	**13.21**	**16.45**	**5.44**
Health and Family Welfare	**70.45**	**91.65**	**78.11**	**77.01**	**82.60**	**98.68**
Revenue Expenditure of which,	66.34	82.23	71.73	74.47	81.96	98.49
(a) Salary & Wage Component	48.78	49.89	54.58	53.91	58.08	70.60
(b) Non-salary & wage component	17.56	32.34	17.15	20.56	23.88	27.89
Capital Expenditure	**4.11**	**9.42**	**6.38**	**2.54**	**0.65**	**0.19**
Water Supply, Sanitation, Housing and Urban Development	**110.19**	**156.47**	**114.59**	**146.32**	**158.08**	**196.54**
Revenue Expenditure of which,	48.36	54.34	61.42	79.79	75.54	111.65
(a) Salary & Wage Component	14.74	15.46	17.56	16.39	17.22	22.08
(b) Non-salary & wage component	33.62	38.88	43.86	63.40	58.32	89.57
Capital Expenditure	**61.83**	**102.13**	**53.17**	**66.53**	**82.54**	**84.89**
Other Social Services	**95.79**	**93.30**	**111.36**	**122.75**	**156.81**	**169.45**
Revenue Expenditure of which,	93.06	88.08	105.83	115.08	134.42	154.03
(a) Salary & Wage Component	16.29	17.06	17.28	17.90	14.69	17.77
(b) Non-salary & wage component	76.77	71.02	88.55	97.18	119.73	136.26
Capital Expenditure	**2.73**	**5.22**	**5.53**	**7.67**	**22.39**	**15.42**
Total (Social Services)	**480.68**	**559.87**	**554.47**	**637.54**	**714.92**	**802.71**
Revenue Expenditure of which,	406.53	435.49	476.50	547.59	592.89	696.77
(a) Salary & Wage Component	211.52	221.66	243.00	247.14	289.77	344.44
(b) Non-salary & wage component	195.01	213.93	233.50	300.45	303.12	352.33
Capital Expenditure	**74.15**	**124.38**	**77.97**	**89.95**	**122.03**	**105.94**

The expenditure on social sector increased from Rs. 480.68 crore in 2002-03 to Rs. 802.71 crore in 2007-08 indicating the Government commitment to improve social well being of the society. Expenditure on Social Sector during current year accounted for 33 *per cent* of total expenditure and 45 *per cent* of development expenditure. Expenditure on Education, Sports, Art and Culture increased by Rs. 21 crore over previous year mainly due to more impetus given to Elementary and Technical education, while the expenditure on Health and Family Welfare showed an increase of Rs. 14 crore over previous year. Recognising the need to improve the quality of education and health services, TFC recommended that the annual increase in salaries under non-plan salary expenditure under education and health and family welfare should not increase by more than five to six *per cent* while non-salary expenditure under non-plan head should increase by 30 *per cent* per annum during the award period. However, trends in expenditure (taking expenditure under both plan and non-plan heads) reveal that the salary and wages component under education sector increased by 17 *per cent* over 2006-07 while non-salary and wage component decreased by three *per cent*. Similarly, under Health and Family Welfare, the salary and wage component increased by 22 *per cent* while non-salary and wage component increased by 17 *per cent*. These trends indicate the need for change in priorities in allocation of government outlays in ensuing years.

1.5.3 Expenditure on Economic Services

The expenditure on Economic Services includes all such expenditure as to promote directly or indirectly, productive capacity within the States' economy. The expenditure on Economic Services (Rs. 991 crore) accounted for 40 *per cent* of the total expenditure and 55 *per cent* of the development expenditure *(Table 1.18)*.

Table 1.18: Expenditure on Economic Services

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Agriculture, Allied Activities	**133.78**	**149.62**	**166.86**	**183.73**	**198.26**	**276.63**
Revenue Expenditure of which,	119.91	128.80	150.32	176.77	174.61	205.91
(a) Salary & Wage component	50.94	53.70	58.37	56.12	60.75	73.22
(b) Non-Salary & wage component	68.97	75.10	91.95	120.65	113.86	132.59
Capital Expenditure	**13.87**	**20.82**	**16.54**	**6.96**	**23.65**	**70.72**
Irrigation and Flood Control	**7.15**	**15.43**	**15.27**	**20.37**	**36.32**	**37.25**
Revenue Expenditure of which,	3.45	3.91	3.16	7.76	2.75	6.48
(a) Salary & Wage component	1.76	1.88	2.04	1.91	2.04	2.45
(b) Non-Salary & wage component	1.69	2.03	1.12	5.85	0.71	4.03
Capital Expenditure	**3.70**	**11.52**	**12.11**	**12.61**	**33.57**	**30.77**
Power & Energy	**193.13**	**325.24**	**275.95**	**431.67**	**205.27**	**214.09**
Revenue Expenditure of which,	80.82	130.31	111.56	154.53	137.07	145.17
(a) Salary & Wage component	22.95	22.92	26.22	24.82	26.57	31.98
(b) Non-Salary & wage component	57.87	107.39	85.34	129.71	110.50	113.19
Capital Expenditure	**112.31**	**194.93**	**164.39**	**277.14**	**68.20**	**68.92**
Transport	**74.93**	**153.71**	**153.67**	**191.10**	**178.22**	**225.17**
Revenue Expenditure of which,	42.54	47.58	50.12	51.24	60.09	69.41
(a) Salary & Wage component	23.88	25.77	29.67	25.79	27.73	32.79
(b) Non-Salary & wage component	18.66	21.81	20.45	25.45	32.36	36.62
Capital Expenditure	**32.39**	**106.13**	**103.55**	**139.86**	**118.13**	**155.76**
Other Economic Services	**103.92**	**106.73**	**144.79**	**174.41**	**209.58**	**237.63**
Revenue Expenditure of which,	80.08	79.14	89.20	108.49	133.16	138.99
(a) Salary & Wage component	32.58	32.65	34.48	34.08	36.00	42.63
(b) Non-Salary & wage component	47.50	46.49	54.72	74.40	97.16	96.36
Capital Expenditure	**23.84**	27.59	55.59	65.92	76.42	98.64
Total (Economic Services)	424.09	620.42	644.98	846.74	827.65	990.77
Revenue Expenditure of which,	318.80	389.74	404.36	498.78	507.68	565.96
(a) Salary & Wage component	131.49	136.92	150.78	142.72	153.09	183.17
(b) Non-Salary & wage component	187.31	252.82	253.58	356.06	354.59	382.79
Capital Expenditure	105.29	230.68	240.62	347.96	319.97	424.81

Out of the total expenditure on Economic Services during 2007-08, 22 *per cent* was incurred on Power and Energy, 28 *per cent* on Agriculture, Allied Activities and 23 *per cent* on Transport and four *per cent on* Irrigation and Flood Control. The trends in revenue and capital expenditure on Economic Services indicate that revenue expenditure consistently increased from Rs. 319 crore (75 *per cent*) in 2002-3 to Rs. 566 crore (57 *per cent*) in 2007-08, while capital expenditure increased from Rs. 105 crore (25 *per cent*) in 2002-03 to Rs. 425 crore (43 *per cent*) in 2007-08. The salary and wage component of revenue expenditure on economic services has increased from Rs. 131 crore in 2002-03 to Rs. 183 crore in 2007-08 recording a growth of 20 *per cent* in 2007-08 over the previous year, while non-salary component consistently increased from Rs. 187 crore in 2002-03 to Rs. 383 crore in 2007-08 at an average annual rate of 18 *per cent* per annum. As a result, relative share of salary and non salary components in revenue expenditure have changed over the period, i.e. share of salary component has declined from 41 *per cent* in 2002-03 to 32 *per cent* in 2007-08, whereas the share of non-salary component increased from 59 *per cent* in 2002-03 to 68 *per cent* in 2007-08 indicating allocative priorities towards their maintenance and better quality of services.

1.5.4 Financial Assistance by State Government to local bodies and Other Institutions

The quantum of assistance provided by way of goods and loans to local bodies and others during the six year period 2001-07 is presented in ***Table 1.19***.

Table 1.19: Financial Assistance to local bodies and other institutions

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Universities and Educational Institutions	35.75	37.94	37.39	43.77	27.00	29.20
District Council	52.76	51.11	61.29	66.46	71.05	85.50
Mizofed/Consumer Co-Operative Societies	0.15	0.23	0.96	0.74	2.10	2.66
Other institutions	9.52	12.11	16.97	11.45	28.22	30.42
Total	**98.18**	**101.39**	**116.61**	**122.42**	**128.37**	**147.78**
Percentage of increase over previous year	67.46	3.27	15.01	4.98	4.86	15.12
Assistance as a percentage of revenue expenditure	8.68	7.87	8.35	7.71	7.48	7.75

Source: Information furnished by A.G. (A & E)

Financial assistance extended to local bodies and other institutions with inter year variations increased by 15 percent from Rs. 128.37 crore in 2006-07 to Rs. 147.78 crore in 2007-08. Financial assistance to 'District Councils' continued to share the dominant proportion in the total assistance released by the State Government during the period 2002-08 followed by educational institutions. Financial assistance to 'Other institutions'[7] has also steadily increased during the period (2002-08) indicating that the share of ad-hoc grants in total financial assistance released by the State increased over the period.

[7] Other institutions (figures for 2007-08 in brackets):
Food & Civil supply (Rs.16.24 lakh,) Local Administration (Rs.775.30 lakh), Social Welfare (Rs.20 lakh) Animal Husbandry & Veterinary (Rs. 85.36 lakh), Environment & Forest (Rs. 25 lakh), Rural Development (Rs.152.23 lakh) and Urban Development (Rs.360 lakh).

1.6 Misappropriations, losses, defalcations, etc

As mentioned in the Audit Report for the year ended March 2007, there were 27 pending cases of misappropriation, defalcations etc. involving financial implication of Rs. 1.19 crore up to the period March 2004. However, action on the part of the Departments against such cases remained pending as of November 2008. The Department wise break up of pending cases is given in **Appendix 1.7.**

1.7 Assets and Liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix–1.3** gives an abstract of such liabilities and the assets as on 31 March 2008, compared with the corresponding position on 31 March 2007. While the liabilities consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets mainly comprise of the capital outlay and loans and advances given by the State Government and cash balances. **Appendix-1.6** depicts the time series data on State Government finances for the period 2002-2008.

1.7.1 Financial Analysis of Government Investments

1.7.1.1 Government Investments and Returns

As of 31st March 2008, the State Government invested Rs. 17.21 crore in Government Companies, Co-operative Societies, Banks etc. (**Table – 1.20**). The return on this investment was nil in all the years, while the Government paid interest at an average rate of 6.43 to 7.56 *per cent* on its borrowings during 2002-08.

Table 1.20: Return on Investment

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Investment (Rs. in crore)	11.68	11.68	11.68	13.68	15.37	17.21
Return (Rs. in crore)	--	--	--	--	--	--
Percentage of return	--	--	--	--	--	--
Average Interest Rate [8]	6.82	7.46	7.14	6.53	7.57	6.43
Differences between interest rate and return *(per cent)*	6.82	7.46	7.14	6.53	7.57	6.43

8 Average interest rate is defined as the percentage of interest payment made to average financial liabilities of the State during the year.

As of March 2008, the State Government invested Rs. 1.97 crore in Government Companies and Rs.15.24 crore in 11 co-operative societies. As exhibited in Statement 14 of the Finance Accounts, five companies had accumulated losses aggregating Rs.31.80 crore, as detailed in ***Table 1.21***. The working results of other companies and co-operative societies have not been intimated (September 2008).

Table 1.21: Details of loss making Government Corporations

(Rupees in crore)

Sl. No.	Name of Corporation	Accumulated loss	
		As of March	Amount
1	Zoram Industrial Development Corporation Ltd.	2007	14.79
2	Mizoram Food and Allied Industries Corporation Ltd.	2002	9.35
3	Mizoram Handloom And Handicraft Development Corporation Ltd.	1999	3.01
4	Mizoram Electronic Development Corporation Ltd.	2001	2.60
5	Mizoram Agricultural Marketing Corporation Ltd.	2001	2.05
	Total:		31.80

1.7.1.2 Loans and Advances by State Government

In addition to investment in Co-operative societies, Government Companies and Banks, Government has also been providing loans and advances to many of these institutions/organisations. Total outstanding loans and advances as on 31 March 2008 were Rs. 249 crore *(Table-1.22)*. Interest received as *per cent* to average outstanding loans remained lower during the period 2002-08 as compared to the average rate of interest paid varying between 6 to 8 *per cent* during the period.

Table 1.22: Average interest received on loans advanced by the State Government

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Opening Balance	236	254	271	283	294	270
Amount Advanced during the year	35	37	34	34	0.25	6
Amount repaid during the year	17	20	22	23	24	27
Closing Balance	254	271	283	294	270	249
Net Addition	18	17	12	11	(-)24	(-) 21
Interest Received	2.43	2.10	2.62	3.24	4.31	5.03
Interest Received as *per cent* to average outstanding loans advanced	0.99	0.80	0.95	1.12	1.53	1.94
Average Interest rate	6.82	7.46	7.14	6.53	7.57	6.43
Differences between interest paid and received *(per cent)*	5.83	6.66	6.19	5.41	6.04	4.49

1.7.2 Management of Cash Balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA) ordinary and special from RBI has been put in place. The operative limit of normal Ways and Means Advances is reckoned as the three year average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by Reserve Bank of India from time to time depending on the holding of Government securities.

The Ways and Means Advances and Overdrafts availed, the number of occasions, these were availed and interest paid by the State during 2002-08 is detailed in ***(Table 1.23)***.

Table 1.23: Ways and Means Advances and Overdrafts of the State and interest paid thereon

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Ways and means Advances						
Taken in the year	402.29	241.49	295.14	63.24	19.59	23.98
Outstanding	97.84	12.13	12.13	12.13	31.72	27.21
Interest paid	0.98	0.59	0.47	0.03	--	2.04
Number of Days	178	75	92	8	8	3
Overdraft						
Taken in the year	118.23	--	--	--	--	--
Outstanding	15.08	15.08	15.08	15.08	15.08	15.08
Interest paid	0.11	0.01	--	--	--	--
Number of Days	32	--	--	--	--	--

It can be seen from above table that WMA availed by the Government has not only sharply declined during 2005-08 as compared to 2002-05 but the number of days on which it was availed also reduced from 178 days in 2002-03 to 3 days in 2007-08 which indicates comfortable position of the Government in recent years.

1.8 Undischarged Liabilities

According to Mizoram FRBM Act, 2006, the total liabilities mean the liabilities under the Consolidated Fund of the State and the Public Account of the State.

1.8.1 Fiscal Liabilities – Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund – Capital Accounts. It includes market loans, special securities issued by RBI and loans advances from the Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as my be fixed. However, no law has been passed in the State to lay down any such limit. Other liabilities, which are a part of public account, include deposits under small savings scheme, provident funds and other deposits.

Table 1.24 gives the fiscal liabilities of the State, their rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table 1.24: Fiscal Liabilities – Basic Parameters

(Value in Rupees crore and ratios in per cent)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Fiscal Liabilities [9]	2090	2389	2711	2953	3096	3378
Rate of growth	15.60	14.31	13.48	8.93	4.84	9.11
Ratio of Fiscal Liabilities to						
GSDP	107.73	114.25	111.06	109.61	103.72	102.21
Revenue Receipts	204.50	174.25	180.49	178.54	157.24	165.59
Own Resources	2580	2597	2337	1687	1540	1672
Buoyancy of Fiscal Liabilities with reference to						
GSDP	18.80	1.84	0.81	0.86	0.45	0.85
Revenue Receipts	0.88	0.42	1.41	0.88	0.25	2.52
Own Resources	0.61	1.05	0.52	0.18	0.33	18.31

Overall fiscal liabilities of the State increased from Rs. 2090 crore in 2002-2003 to Rs. 3378 crore in 2007-08 although growth rate declined in 2007-08 as compared to 2002-05. Fiscal liabilities of the State comprised Consolidated Fund liabilities and Public Account liabilities. The Consolidated Fund liabilities (Rs. 2027 crore) comprised of market loan (Rs. 838 crore), loan from GOI (Rs. 558 crore) and other loans (Rs. 631 crore). The Public Account liabilities (Rs. 1,357 crore) comprise Reserve Fund (Rs. 6 crore), Small Savings, Provident Fund (Rs. 1035 crore) interest bearing obligations (Rs. 3 crore) and non-interest bearing obligations like deposits (Rs. 313 crore). The growth rate of fiscal liabilities was 9.11 *per cent* during 2007-08 over the previous year. The ratio of fiscal liabilities to GSDP has decreased from 107.73 *per cent* in 2002-03 to 102.21 *per cent* in 2007-08 with inter year variations. These liabilities stood at 1.66 times of revenue receipts and little more than 17 times of the States own resources at the end of 2007-08. The buoyancy of these liabilities to GSDP during the year was 0.85.

The State Government set up a Sinking Fund during the financial year 1999-2000 for amortisation of open market loans. As of 31 March 2008, the

[9] Fiscal Liabilities for the years 2002-08 do not match with previous Reports as 'Other obligations including Reserve Funds and Deposits in Public Account' were excluded. Fiscal Liabilities have been reworked for the State which now includes Internal Debt; Loans and Advances from GOI; Small Savings including Provident Funds and 'Other obligations including Reserve Funds and Deposits'

outstanding balance in Sinking Fund was Rs. 43.25 crore which is invested in GOI Securities.

1.8.2 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per Statement 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of year since 2002-03 are given in ***Table 1.25***.

Table 1.25: Guarantees given by the Government of Mizoram

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Maximum amount guaranteed	--	169	229	270	249	232
Outstanding guarantees	--	113	136	145	150	153
Revenue Receipts	1022	1371	1502	1654	1969	2040
Percentage of maximum amount guaranteed to total revenue receipts	--	12.33	15.25	16.32	12.65	11.37

Government had guaranteed loans raised by various corporations and others, which at the end of 2007-08 stood at Rs. 153 crore and comprised 8 *per cent* of revenue receipts. No specific law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limit within which Government may give guarantees on the security of the Consolidated Fund of the State. Although the guarantees given by the State Government were well within the limit prescribed in MFRBM Act 2006, the State Government is yet to implement the recommendations of the TFC by setting up a guarantee redemption fund through earmarked guarantee fees.

1.9 Debt Sustainability

Debt sustainability is defined as the ability of the State to maintain a constant debt – GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match the increase in capacity to service the debt. A prior condition for debt sustainability is the debt stabilisation in terms of debt/GSDP ratio.

1.9.1 Debt Stabilisation

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt * rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt – GSDP ratio would be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. Trends in fiscal variables indicating the progress towards debt stabilisation are indicated in ***Table – 1.26***.

Table 1.26: Debt Sustainability – Interest Rate and GSDP Growth (in *per cent)*

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Average Interest Rate	6.82	7.46	7.14	6.53	7.57	6.43
GSDP Growth	0.83	7.78	16.74	10.36	10.80	10.72
Outstanding Fiscal Liabilities	2090	2389	2711	2953	3096	3378
Interest spread	(-) 5.99	0.32	9.60	3.83	3.23	4.29
Quantum spread (Rs. in crore)	(-) 108.30	6.69	229.34	103.83	95.38	132.82
Primary deficits (-) / Surplus (+)	(-) 182	(-) 139	(-) 54	(-) 212	(+) 38	(-) 183

The trends in ***Table 1.26*** reveal that up to 2003-04 the quantum spread and primary deficit together remained negative which resulted in rising debt-GSDP ratio from 108 *per cent* in 2002-03 to 114 *per cent* in 2003-04. Thereafter, it moved in cycle of positive-negative-positive quantum spread along with primary deficit indicating a declining tendency in debt-GSDP ratio to 111 *per cent* in 2004-05 and further down to 102 *per cent* in 2007-08. The relatively very high ratio of debt-GSDP ratio still exceeding 100 accompanied by high FD-GSDP ratio indicates that a lot more efforts are required by the State to stabilise the debt and then attain sustainability in ensuing years.

1.9.2 Sufficiency of Non-debt Receipts

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. The persistent negative resource gap indicates the non-sustainability of debt while the continued positive resource gap strengthens the capacity of the State to sustain the debt. ***Table 1.27*** indicates the resource gap as defined for the period 2002-08:

Table 1.27: Incremental Revenue Receipts and Revenue Expenditure

(Rupees in crore)

Period	Incremental				Resource Gap
	Non-Debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
2002-03	155	62	- 13	49	+ 106
2003-04	353	309	34	343	+ 10
2004-05	133	48	15	63	+ 70
2005-06	153	311	3	314	- 161
2006-07	316	66	44	110	+ 206
2007-08	74	295	-21	274	- 200

The trends in resource gap indicate the oscillations between positive and negative magnitudes *i.e.* it remained positive during 2002-05 and 2006-07 but were negative in 2005-06 and 2007-08 as incremental non-debt receipts in these two years were much below the incremental total expenditure. The negative resource gap was however observed to be mainly on account of steep increases in primary expenditure during these years. This fluctuating trend requires closer attention to check the resource gap.

1.9.3 Net Availability of Borrowed Funds

Debt sustainability of the State also depends on (i) the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and (ii) application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt repayment indicating the net availability of borrowed funds. The solution to the Government debt problem lies in the application of borrowed funds, i.e. they are (a) not being used for financing revenue expenditure; and (b) being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in Government revenue.

Table 1.28 gives the position of the receipt and repayment of internal debt and other fiscal liabilities of the State as well as the net availability of the borrowed funds over the last six years.

Table 1.28: Net Availability of Borrowed Funds

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Internal debt						
Receipts	734	463	404	307	231	214
Repayment (Principal +Interest)	646	441	421	234	207	238
Net Fund Available	88	22	(-) 17	73	24	(-) 24
Net Fund Available (*per cent*)	11.99	4.75	(-) 4.21	23.78	10.39	(-) 11.21
Loans and Advances from GOI						
Receipts	52	80	68	10	5	10
Repayment Principal +Interest)	74	144	70	63	75	47
Net Fund Available	(-) 22	(-) 64	(-) 2	(-) 53	(-) 70	(-) 37
Net Fund Available (*per cent*)	(-) 42.31	(-) 80.00	(-) 2.94	(-) 530	(-) 1400	(-) 370
Other Obligations						
Receipts	374	459	401	482	455	565
Repayment (Principal +Interest)	291	284	342	444	483	429
Net Fund Available	83	175	59	38	(-) 28	136
Net Fund Available (*per cent*)	22.19	38.13	14.71	7.88	(-) 6.15	24.07
Total Liabilities						
Receipts	1160	1002	873	799	691	789
Repayment (Principal +Interest)	1011	869	833	741	765	714
Net Fund Available	149	133	40	58	(-) 74	75
Net Fund Available (*per cent*)	12.84	13.27	4.58	7.26	(-)10.71	9.51

The net fund available on account of internal debt and loans and advances from GOI and other obligations after providing for the interest and repayments increased sharply from negative balance in 2006-07 to Rs. 75 crore in 2007-08. The State Government raised internal debt amounting to Rs. 214 crore comprising of market loans (Rs. 146.87 crore), securities issued to National Small Savings Fund (NSSF) (Rs. 0.34 crore) and NABARD and other institutions (Rs. 66.79 crore). Against these receipts, Government discharged the past debt obligations (Principal + Interest) amounting to Rs. 238 crore resulting in negative balance of Rs. 24 crore under the internal bet. During the current year the Government repaid GOI loans including interest amounting to Rs. 47 crore against the receipts of Rs. 10 crore resulting in negative balance of Rs. 37 crore during the year. It was only in the public account receipts were more than the obligations of Rs. 429 crore along with interest obligations discharged during the year resulting in net availability of funds of Rs. 136 crore during 2007-08. During 2007-08, the focus of Government seems to be on discharging the past debt obligations.

1.10 Management of deficits

The deficit on Government account represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health.

1.10.1 Trends in Deficit

The trends in fiscal parameters depicting the position of fiscal equilibrium in the State are presented in *Table 1.29*.

Table 1.29: Fiscal Imbalances – Basic Parameters

(Values in Rupees crore and ratio in per cent)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Deficit (-) / Surplus (+)	(-)109	(+) 83	(+) 106	(+) 66	(+) 252	(+) 131
Fiscal Deficit (-) / Surplus (+)	(-)315	(-) 306	(-) 235	(-) 397	(-) 191	(-) 391
Primary Deficit (-) / Surplus (+)	(-)182	(-) 139	(-) 54	(-) 212	(+)38	(-) 183
RD/GSDP	(-)5.62	(+) 3.97	(+) 4.34	(+) 2.45	---*	---
FD/GSDP	(-) 16.24	(-) 14.63	(-) 9.63	(-) 14.74	(-) 6.40	(-) 11.83
PD/GSDP	(-) 9.38	(-) 6.65	(-) 2.21	(-) 7.87	---*	(-) 5.54
RD/FD	34.60	(-) 27.12	(-) 45.11	(-) 16.62	---*	---

**There was Revenue surplus/ Primary deficit*

Revenue deficit of a State indicates excess of its revenue expenditure over its revenue receipts. The deficit in revenue account of the State during 2002-03 turned into surplus and remained surplus thereafter although with wide inter year variations. The revenue surplus sharply declined to Rs. 131 crore from the level of Rs. 252 crore during 2006-07. The significant deterioration during the current year was mainly on account of increase in revenue expenditure by Rs. 191 crore (11 *per cent)* against an increase of Rs. 71 crore (4 *per cent*) in revenue receipts over the previous year. Despite the fact that Central transfers contributed around 98.6 *per cent* (Rs.70 crore) in the incremental revenue receipts (Rs.71 crore) during 2007-08, the lower growth rate in revenue receipts was primarily on account of sluggish growth rate of 0.5 *per cent* (Rs. 1 crore) in State's own resources as compared to 14.86 *per cent* (Rs.26 crore) in the previous year resulting in decline in revenue surplus in the current year.

The fiscal deficit, which represents the total borrowings of the Government and its total resource gap also increased from the level of Rs. 191 crore in 2006-07 to Rs. 391 crore in 2007-08. The decrease in revenue surplus (Rs. 120 crore) along with an increase of Rs. 84 crore on account of increase in capital expenditure (Rs. 72 crore) as well as in loans and advances disbursed (Rs. 6 crore) during 2007-08 led to an increase of Rs. 200 crore in fiscal deficit during the current year.

The primary surplus of Rs.38 crore during 2006-07, also took a turnaround and resulted in a primary deficit[10] of Rs.183 crore during 2007-08. A sharp increase of Rs.200 crore in fiscal deficit together with

[10] Primary deficit defined as the fiscal deficit net of interest payments indicates the extent of deficit which is an outcome of the fiscal transactions of the States during the course of the year

a moderate decrease of Rs. 21 crore in interest payments resulted in a primary deficit during the current year.

1.10.2 Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of primary deficit [11] into primary revenue deficit and capital expenditure (including loans and advances) indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. The revenue account after RD was wiped out in 2003-04 continued to remain in surplus thereafter indicating the fact that all borrowings were used either meeting the past debt obligations or in activities resulting in expansion of services and the asset creation in the State.

The bifurcation of the factors resulting into primary deficit or surplus of the State during the period 2002-08 reveals ***(Table – 1.30)*** that throughout the period, the primary deficit was on account of capital expenditure incurred and loans and advances disbursed by the State Government. In other words, non-debt receipts of the State were sufficient to meet the primary expenditure[12] requirements in the revenue account and left some receipts to meet the expenditure under capital account during the period 2002-08. But the surplus non-debt receipts were not enough to meet the expenditure requirements under capital account resulting in primary deficit in all the years during the period 2002-08 except in 2006-07. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure which to some extent may be desirable to improve the productive capacity of the State's economy.

Table – 1.30: Primary Deficit/Surplus – Bifurcation of factors

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and Advances	Primary expenditure	NDR *vis-à-vis* Primary Revenue Expenditure	Primary deficit (-) /surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8(2-6)
2002-03	1038	998	188	35	1221	(+) 40	(-) 183
2003-04	1391	1121	372	37	1530	(+) 270	(-) 139
2004-05	1524	1214	330	34	1578	(+) 310	(-) 54
2005-06	1677	1403	451	34	1888	(+) 274	(-) 211
2006-07	1993	1489	466	---	1955	(+) 504	(+) 38
2007-08	2067	1700	544	6	2250	(+) 367	(-) 183

11 *Primary deficit defined as the fiscal deficit net of interest payments indicates the extent of deficit which is an outcome of the fiscal transactions of the States during the course of the year.*

12 *Primary expenditure of the State defined as the total expenditure net of interest payments indicates the expenditure incurred on the transactions undertaken during the year.*

1.11 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. ***Table 1.31*** below presents a summarised position of Government finances over 2002-08, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their applications and highlights areas of concern.

Table – 1.31: Indicators of Fiscal Health (in per cent)

Fiscal Indicators	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Receipts /GSDP	52.68	65.57	61.53	61.40	65.96	61.72
Revenue Buoyancy	21.36	4.40	0.57	0.98	1.76	0.34
Own tax/GSDP	1.44	1.63	1.64	2.04	2.28	2.18
Own Tax Buoyancy	57.07	2.75	1.05	3.62	2.19	0.55
Total Expenditure/GSDP	69.79	81.16	72.06	76.95	73.17	74.40
Revenue Receipts/Total Expenditure	75.48	80.79	85.39	79.79	90.16	82.96
Revenue Expenditure/Total Expenditure	83.53	75.90	79.36	76.60	78.62	77.59
Plan Expenditure/Total Expenditure	26.14	21.86	23.82	26.05	27.29	26.39
Capital Expenditure/Total Expenditure	13.88	21.92	18.76	21.76	21.34	22.12
Development Expenditure/ Total Expenditure	66.84	69.54	68.16	71.59	70.60	72.92
Buoyancy of TE with RR	0.21	0.74	0.38	1.77	0.28	3.49
Buoyancy of RE with RR	0.02	0.41	0.88	1.36	0.43	3.08
Revenue Surplus (Rs. in crore)	(-) 109.35	(-) 83.18	(+) 106.35	(+) 65.64	(+) 251.65	(+) 131.35
Fiscal Deficit (Rs. in crore)	(-) 315.32	(-) 305.69	(-) 235.30	(-) 396.84	(-) 191.03	(-) 391.48
Primary deficit (Rs. in crore)	(-) 182.26	(-) 139.07	(-) 53.80	(-) 212.19	(+) 37.72	(-) 183.47
Revenue Deficit/Fiscal Deficit	34.60	---	---	-	---	---
Fiscal Liabilities/ GSDP	107.73	114.25	111.06	109.61	103.72	102.21
Fiscal Liabilities/RR	204.50	174.25	180.49	178.54	157.24	165.59
Buoyancy of FL with RR	0.88	0.418	1.412	0.883	0.254	2.52
Buoyancy of FL with own receipts	0.61	1.05	0.52	0.18	0.33	18.22
Interest spread	(-) 5.99	0.32	9.60	3.83	3.23	4.29
Net Funds Available	12.84	13.27	4.58	7.26	(-) 10.71	9.51
Return on Investment	---	---	---	---	---	---
BCR (Rs. in crore)	(-) 294.12	(-) 379.76	(-) 232.20	(-) 37.50	17.38	24.95
Financial Assets/Liabilities	0.98	1.01	1.05	1.06	1.13	1.14

The trends in ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy and accessibility of resources to State. Revenue receipts are comprised not only of the tax and non-tax resources of the State but also the transfers from Union Government. The ratio of revenue receipts to GSDP remained quite high in the State mainly on account of large transfers from GOI and relatively low levels of GSDP. The ratio during the current year at 61.72 *per cent* was however low relative to the previous year by 4.24 percentage points over the previous year. Though the ratio of own taxes to GSDP indicated an improvement during 2002-07, it was relatively very low if compared within the region itself indicating the fact that tax efforts need to be stepped up in the State.

Various ratios concerning expenditure indicate quality of expenditure and sustainability in relation to resources. The revenue expenditure as a percentage to total expenditure remained over 78 *per cent* during 2002-08, indicating its dominant share in the total expenditure of the State leaving very little for capital formation or asset creation. The higher buoyancy ratio of revenue expenditure as compared to that of total expenditure with respect to revenue receipts during the last two years also indicates the propensity of the State Government to incur revenue expenditure more relative to capital expenditure. The reliance on revenue receipts to finance the total expenditure fluctuated widely during the period 2002-08 averaging around 82 *per cent* indicating dependence on borrowed funds. This is also reflected in the ratio of financial liabilities to revenue receipts which continued to exceed 100 *per cent,* although indicated a declining trend since 2004-05. Increasing proportion of plan expenditure and capital expenditure in the total expenditure also indicates improvement in both developmental and quality of expenditure.

A decline in revenue surplus and a significant increase in fiscal deficit during 2007-08 indicate deterioration in fiscal position of the State relative to the previous year. However, continued emergence of positive BCR and fiscal assets to liabilities ratio exceeding unity are favourable trends which need to be sustained in medium to long term.

1.12 Conclusion

The fiscal position of the State viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit and primary deficit – has shown deterioration in 2007-08 relative to previous year. Not only did revenue surplus decline by Rs. 120 crore in 2007-08 but fiscal deficit increased more than twice and primary surplus turned into deficit when compared to the previous year. Moreover, the fiscal performance of the State *vis-à-vis* targets set in FCP as well as MFRBM Act and Budget indicate dismal picture during the year. Despite the fact that Central transfers increased by Rs. 70 crore in 2007-08 and contributed around 98.6 *per cent* of incremental revenue receipts during the year, the lower growth rate in revenue receipts in 2007-08 was primarily on account of sluggish growth rate of 0.5 *per cent* (Rs. 1 crore) in the State's own resources as compared to 14.86 *per cent* (Rs. 26 crore) in the previous year resulting in decline in revenue surplus in the current year. The expenditure pattern of the State reveals that the revenue expenditure as a percentage of total expenditure, although marginally declined during the current year, hovered around 78 *per cent* during the period (2002-08) leaving inadequate resources for expansion of services and creation of assets. Within revenue expenditure, NPRE at Rs. 1,259 crore in 2007-08 remained significantly higher than the normatively assessed level of Rs. 1,042 crore by TFC for the year. Further, the salaries and wages, pensions, interest payments and subsidies continued to consume a major share of NPRE which was around

73 *per cent* during 2007-08. The continued prevalence of fiscal deficit indicates reliance of the State on borrowed funds, resulting in increasing fiscal liabilities of the State over this period, which stood at 102 *per cent* of the GSDP in 2007-08 and is unusually high, especially if compared with the limit of 31 *per cent* prescribed by the TFC in its restructuring plan of State finances to be achieved by all States by the terminal year of its award period (2009-10). The increasing fiscal liabilities accompanied by a 'nil' rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable fiscal situation in medium to long term, unless suitable measures are initiated to compress the non-plan revenue expenditure and to mobilize additional resources both through the tax and non tax sources in the ensuing years.

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

CHAPTER - II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget.

Audit of Appropriation Accounts by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2007-08 against 47 Grants/Appropriations was as follows:

Table: 2.1

(Rupees in crore)

	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual expenditure[1]	Saving(-) Excess(+)
Voted	I. Revenue	1542.15	349.55	1891.70	1673.93	(-) 217.77
	II. Capital	354.67	356.33	711.00	618.40	(-) 92.60
	III. Loans	12.52	2.04	14.56	7.73	(-) 6.83
Total Voted:		**1909.34**	**707.92**	**2617.26**	**2300.06**	**(-) 317.20**
Charged	IV. Revenue	5.52	1.19	6.71	12.90	(+) 6.19
	V. Capital	---	---	---	---	---
	VI. Loans	---	---	---	---	---
Public Debt (Charged)	Revenue	228.09	---	228.09	222.01	(-) 6.08
	Capital	179.97	12.92	192.89	143.97	(-) 48.92
Total Charged:		**413.58**	**14.11**	**427.69**	**378.88**	**(-) 48.81**
Appropriation to Contingency Fund (if any)		---	---	---	---	---
Grand Total:		**2322.92**	**722.03**	**3044.95**	**2678.94**	**(-) 366.01**

[1] *These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue expenditure (Rs.0.45 crore) and Capital expenditure (Rs.75.77 crore).*

The overall savings of Rs. 366.01 crore was the result of savings of Rs. 379.94 crore in 45 items of Grants and Appropriations, partly offset by excess of Rs. 13.92 crore in four items of Grants and Appropriations. Detailed Appropriation Accounts were sent and explanations for savings/excesses were called for from the Controlling Officers but these were not received.

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

2.3.1.1 Out of overall excess of Rs. 13.92 crore, major excess of Rs. 13.23 crore occurred in the Grants/Appropriations mentioned below:

Table: 2.2

(Rupees in crore)

Grant No.	Grant			Actual Expenditure	Excess
	Original	Supplementary	Total		
4-Law and Judicial	1.72	0.25	1.97	8.39	6.42
38-Rural Development	8.77	8.35	17.12	23.93	6.81
Total	**10.49**	**8.60**	**19.09**	**32.32**	**13.23**

Under Law and Judicial (Revenue) excess expenditure of Rs. 6.42 crore was due to incurring expenditure in excess of actual appropriation under the Major Heads (revenue) 2014 (Rs. 8.39 crore) and under Rural Development (Revenue and Capital) the excess of Rs. 6.81 crore was due to incurring of expenditure in excess of actual appropriation under the Major Head 4575. The excess expenditure over the appropriation under this head came up from Rs. 12.66 crore in 2006-07 to Rs. 6.81 crore in this year.

Areas in which major excess occurred in these Grants/Appropriations are given in ***Appendix* – 2.1**.

2.3.1.2 In 30 cases, savings aggregating Rs. 366.18 crore exceeded Rupees one crore in each case and were also more than 10 *per cent* of the total provision as indicated in ***Appendix* – 2.2**.

2.3.1.3 In two cases, there were persistent savings in excess of Rs.10 lakh and more than 20 *per cent* of the provision during the years 2005-06, 2006-07 and 2007-08. Details are given in ***Appendix* – 2.3**.

2.3.2 Excess requiring regularisation

2.3.2.1 According to Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a Grant/Appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs. 751.14 crore for the years 2003-04, 2004-05, 2005-06 and 2006-07 was yet to be regularised. Details are given in *Appendix* – 2.4.

2.3.2.2 Excess over provision during 2007-08 requiring regularisation

The excess of Rs. 13.92 crore under four Grants during 2007-08 requires regularisation under Article 205 of the Constitution. Details are given in *Appendix* – 2.5.

2.3.3 Original budget and supplementary provisions

Supplementary provision made during the year constituted 31 *per cent* of the original provision as against 29 *per cent* in the previous year. Total Supplementary Grants (other than under Public Debt) obtained during the year were Rs. 707.91 crore while the total savings (other than under Public Debt) amounted to Rs 317.20 crore.

2.3.4 Unnecessary/excessive/inadequate supplementary provisions

2.3.4.1 Supplementary provision of Rs. 39.05 crore made in 14 cases during the year proved unnecessary in view of the aggregate savings of Rs. 193.52 crore as detailed in *Appendix* – 2.6.

2.3.4.2 In 19 cases, against the additional requirement of only Rs. 276.13 crore, supplementary grants/appropriations of Rs. 430.18 crore were obtained resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs. 154.05 crore (*Appendix* – 2.7).

2.3.4.3 In two cases, supplementary provision of Rs. 14.77 crore proved insufficient by more than Rs.10 lakh in each case leaving an aggregate uncovered excess expenditure of Rs. 3.02 crore (*Appendix* – 2.8).

2.3.5 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a Grant from one unit of Appropriation where savings are anticipated to another unit where additional funds are needed. In eight cases, injudicious re-appropriation of funds proved excessive or resulted in savings by over Rs.10 lakh in each case (*Appendix* – 2.9).

2.3.6 *Anticipated savings not surrendered*

According to the Budget Manual, the spending Departments are required to surrender the Grants/Appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, at the close of the year 2007-08, savings of Rs. 91.82 crore under 30 Grants/Appropriations were not surrendered (***Appendix* – 2.10**). In 13 cases, savings of Rupees one crore and above in each case aggregating Rs. 132.49 crore were not surrendered (***Appendix* – 2.11**).

2.3.7 *Expenditure without provision*

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs. 65.72 crore was incurred in five cases, (***Appendix* – 2.12**) without any provision in the original estimate/supplementary demand or re-appropriation order.

2.3.8 *Surrender in excess of actual savings*

In 12 cases, the amount surrendered was in excess of actual savings. As against the total amount of actual savings of Rs. 59.74 crore, the amount surrendered was Rs. 61.44 crore, resulting in excess surrender of Rs.1.70 crore. Details are given in ***Appendix* – 2.13**.

The above instances of budgetary irregularities are being reported every year. Had the provisions of Mizoram Budget Manual been followed, these instances could have been minimised to a great extent.

2.3.9 *Rush of expenditure*

Financial rules require that Government expenditure be evenly distributed throughout the year. Rush of expenditure particularly in the closing month of financial year is regarded as a breach of financial regularity and should be avoided. Contrary to these provisions, in case of ten illustrative heads of accounts (2055, 2202, 2210, 2211, 2215, 2235, 2401, 2403, 2515 and 2851) while the expenditure during the three quarters ending December 2007 was between 18 to 27 *per cent* of the total expenditure, it was highest at 33 *per cent* in the last quarter (March 2008) of the year. Expenditure of Rs.137.56 crore constituting 17 *per cent* of the total expenditure in these ten heads of account was incurred in March 2008 indicating a tendency to rush expenditure towards the end of the financial year.

Table: 2.3

Quarter ended	Expenditure (Rupees in crore)	Percentage to total expenditure
30 June 2007	179.47	21.59
30 September 2007	152.32	18.32
31 December 2007	226.69	27.27
31 March 2008	272.80	32.82
Total expenditure	**831.28**	**100**
Expenditure during March 2008	**137.56**	**16.55**

2.3.10 Unreconciled expenditure

Financial rules require that the Departmental Controlling Officers should periodically reconcile the departmental figures of expenditure with those booked by the Accountant General. In respect of Departmental Controlling Officers, the expenditure of Rs.464.82 crore to the end of 2007-08, remained unreconciled till November, 2008. Details are given in ***Appendix* – 2.14**. The following Departmental Controlling Officers were the major defaulters:

Table: 2.4

(Rupees in crore)

Sl.No.	Name of the Departmental Controlling Officers	Amount
1.	Secretary, Finance	366.07
2.	Director, Local Administration Department	12.33
3.	Registrar, GHC, Aizawl	8.39
4.	Director, Food and Civil Supply	65.39

CHAPTER-III

PERFORMANCE REVIEWS

HEALTH AND FAMILY WELFARE DEPARTMENT

3.1 National Rural Health Mission

Highlights

The National Rural Health Mission (NRHM) was launched by the GOI in April 2005. A mid-term review of the implementation of the programme in the third year of the Mission period (2005-12) is an attempt to highlight areas of concern, which need to be addressed by the State Government for successful implementation of the Mission Objectives. Performance review of implementation of NRHM in the State revealed that the State Mission has performed satisfactorily in controlling of tuberculosis, leprosy and iodine deficiency. The review, however, also revealed that the State Mission failed to conduct household/facility survey to make rural health centres fully functional with the requisite manpower and other infrastructural facilities. Planning for the implementation of the programme was ineffective and consequently, the objectives of the scheme could not be fully realized even after three years of its implementation.

The major audit findings are:

Absence of complete household and facility surveys and without database on surveys indicates that a meaningful assessment of the pre-NRHM status of availability of health care services and the identification of the gaps for future interventions based on relative need analysis could not have been formulated.

(Paragraph 3.1.7.1)

The objective of providing accessible health care in hilly and remote areas however, was not achieved, since none of these centres were equipped with adequate staff as per norms and stocked with two months essential medicines.

(Paragraph 3.1.9.1)

There were mismatch of data between the State Mission and test checked Districts raising serious doubts on the credibility of the data furnished by the State Mission

(Paragraph 3.1.9.5)

Although the skewed distribution of funds for IEC was contrary to the prescribed norms, the intended impact of creating awareness by sponsorship of popular programmes through local media has had a State-wide impact.

(Paragraph 3.1.9.6)

3.1.1 Introduction

National Rural Health Mission (NRHM) was launched in the State during April 2005 with a view to provide accessible, affordable, accountable, effective and reliable healthcare facilities to poor and vulnerable sections of rural population. The mission envisages involvement of community in planning and monitoring with a view to reduce maternal mortality rate (MMR), infant mortality rate (IMR) and the total fertility rate (TFR) within a seven year period (2005-12). Prevention and control of communicable and non communicable diseases, including locally endemic diseases also constitute an important component of the mission.

3.1.2 Organisational Set up

At the State level, NRHM functions under the overall guidance of the State Health Mission (SHM) headed by the Chief Minister. The activities of the Mission are carried out through the State Health and Family Welfare Society (Society) headed by the Chief Secretary (CS). The Executive Committee of the Society is headed by the Commissioner-cum-Secretary, Health and Family Welfare Department.

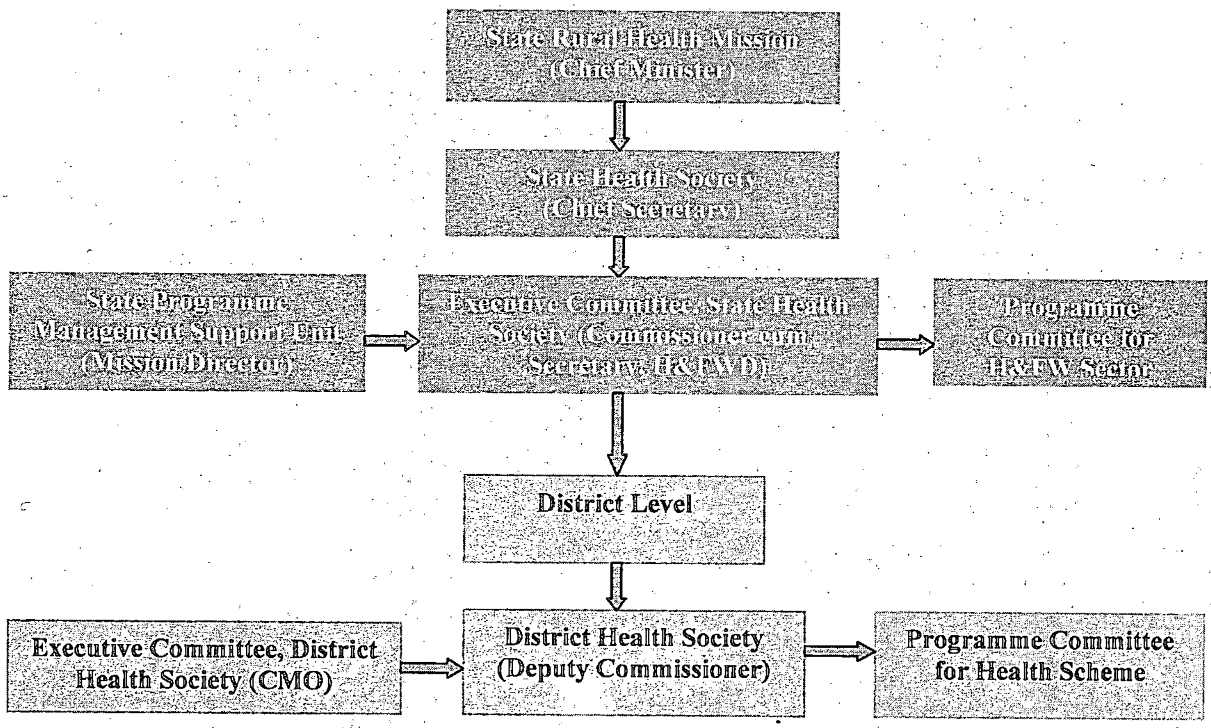
The Society integrates all the societies registered under the Societies Registration Act 1860, which were set up for implementation of various disease control programmes.

At the District level, there are District Health Societies (District Societies) headed by the respective District Deputy Commissioner to support it and its executive committee is headed by the Chief Medical Officer.

The guidelines also provide for programme committees for more focused planning and review of each activity at State and District Level if considered necessary for administrative convenience, which has also been formed in the state.

An organogram showing the administrative and monitoring set up of NRHM in the State is given below:

Chart-3.1



3.1.3 Scope of Audit

Implementation of NRHM during the period 2005-08 was reviewed in audit through a test check (March-July 2008) of the records of the Mission Director, NRHM, and three Health Administrative Districts *viz.* Lunglei, Lawngtlai and Kolasib. Three out of nine Community Health Centres, six out of 57 Primary Health Centres and 18 out of 366 Sub Centres were selected for detailed scrutiny.

3.1.4 Audit Objectives

The objectives of the performance review were to assess whether:

- the household and facility survey were conducted with the close involvement of the community;

- planning for implementation of various components of the programme was based on realistic and reliable data and there existed an effective monitoring and evaluation system at the Village, Block, District, and State level to ensure extension of effective and reliable healthcare in an economical and efficient manner;
- health service delivery infrastructure was created, appropriately equipped and provided with adequate trained manpower;
- the procedures and system of procurement of drugs and services, supplies and logistics management were cost effective, efficient and ensured availability of essential drugs for all the health centres;
- the performance indicators and targets fixed specially in respect of reproductive and child healthcare, immunization and disease control programmes were achieved; and
- the available funds were optimally utilized for the intended purpose.

3.1.5 Audit Criteria

Audit findings were benchmarked against the following criteria:

- Memorandum of understanding (MOU) signed between the Union Ministry of Health and Family Welfare and the State Government ;
- Mission Guidelines issued by the Union Ministry of Health and Family Welfare ;
- Financial Guidelines and framework for delegation of administrative and financial powers under NRHM; and
- Perspective Plan, Block Plan, District Health Action Plan and State Programme Implementation Plan approved by the National Programme Co-ordination Committee (NPCC).

3.1.6 Audit Methodology

Before commencement of the performance review, an entry conference was held (4 April 2008) with the Mission Director, NRHM, Mizoram wherein, the objectives of the review, scope, methodology and criteria of audit were explained. DHS[1]s, CHC[2]s, PHC[3]s and SC[4]s were selected for test check on the

[1] DHS-District Health Society (1.Lunglei, 2. Lawngtlai and 3. Kolasib)
[2] CHC-Community Health Centre (1.Hnathial, 2.Chawngte and 3.Vairengte)
[3] PHC-Primary Health Centre (1.Lungsen, 2.Hawlong, 3.Lungpher, 4.Bualpui, 5.Bilkathlir, 6.Lungdai.)
[4] SC-Sub Centre (1.Lungsen, 2.Haulawang, 3.leite, 4.Tuipui D, 5.Phairuang, 6.Hnahchang 7.Chawngte-P, 8.Chawngte-C, 9.Bualpui, 10.Siachangkawn, 11.Lungpher, 12.Lungzarhtum, 13.Vairengte, 14.Phaisen, 15.Bilkhawthir, 16.Chawnpui, 17.Lungdai, 18.Serkhan.)

basis of random sampling. An exit conference was held (4 November 2008) with the Joint secretary, Health Department and the replies of the Department have been incorporated in the review at appropriate places.

Audit Findings

The review of implementation of NRHM in the State revealed that the State Mission has done a commendable job in controlling tuberculosis and leprosy. The review also revealed short release of funds, non release of State matching share, under utilisation of the available funds, mismanagement of funds, shortage of manpower in key posts, inadequate infrastructural facilities, arbitrary procurement practices, insufficient stock of drugs and vaccines, lack of attention to endemic areas, undue financial benefit to the suppliers, diversion of funds and non fulfillment of the objectives of the scheme. Audit findings in detail are discussed in the succeeding paragraphs.

3.1.7 Planning

3.1.7.1 Baseline Survey and Preparation of Plan

NRHM strives for decentralized planning and implementation arrangements to ensure that need based and community owned District Health Action Plans form the basis for interventions in the health sector. The districts were, thus, required to prepare a Perspective Plan for the entire Mission period (2005-12) as well as an annual plan consisting of (a) RCH, (b) Additionalities under NRHM, (c) Immunisation, (d) Revised National Tuberculosis Control Programme, (e) National Vector Borne Disease Control Programme, (f) Other National Disease Control Programmes and (g) Inter-sectoral issues of the mission based on a mapping of services, household and facility surveys. As per the NRHM framework, a Project Implementation Plan (PIP) was to be prepared annually by the State Health Society by aggregating the annual District Health Action Plan of each district. The National Programme Coordination Committee (NPCC) at the Union Ministry of Health and Family Welfare was to appraise the PIP and after incorporating the feedback of the NPCC, the PIP was to be approved by the GOI.

The performance review revealed that household surveys and facility surveys were not conducted during 2005-07. It was only in 2007-08 that the facility survey was conducted by the staff of the health department. These staff were, however, not imparted any specific training on the basic modalities of the survey. Further, the Perspective Plan (2005-12), State PIP for 2005-06 and District Health Action Plan for 2005-07 were not prepared. However, State PIP for 2006-07 was prepared based on the feedback received from the district level and the PIP for 2007-08 was prepared based on the appraisal of the District Health Action Plans.

In the absence of complete household and facility surveys and without database on surveys, a meaningful assessment of the pre-NRHM status of availability of health care services and the identification of the gaps for future interventions based on relative need analysis could not have been formulated. At the very outset, this raises questions about the efficacy of the planning process of the State Mission.

3.1.8 Financial Management

3.1.8.1 Funding Pattern

Funds were released by the GOI to the State through two separate channels, viz. the State Finance Department and directly to the State Health Society on the basis of approved PIPs. During 2005-07, the programme was entirely funded through grants from the GOI to the State. From the Eleventh Plan Period (2007-12) onwards, the State is to contribute 15 *per cent* of the required funds.

3.1.8.2 Financial Outlay and Expenditure

Funds released by the GOI and the Government of Mizoram (GOM) and expenditure incurred on NRHM during 2005-08 is shown in the table below:

Table 3.1

(Rupees in crore)

Year	Opening Balance	Funds received from		Interest accrued	Total Fund available	Expenditure	Unspent balances (out of State budget) surrendered to GOM	Unspent balance of GOI funds (+) Excess/ (-) Savings
		GOI	GOM					
2005-06	4.13	25.20	36.49	0.05	65.87	49.02	3.02	(-) 13.83
2006-07	13.83	31.40	40.83	0.07	86.13	66.74	1.14	(-) 18.25
2007-08	18.25	53.93	42.80	1.00	115.98	97.20	1.58	(-) 17.20
Total		**110.53**	**120.12**	**1.12**	**235.90**	**212.96**	**5.74**	**17.20**

Source: -Annual Accounts of State Mission, NRHM.
Information furnished by the Director, Health Services.
Reasons for savings were not on record.

3.1.8.3 Non release of State matching share

As per the MOU signed between the State Government and the GOI, the State Government was to contribute 15 *per cent* of the funds released by the GOI for 2007-08 and State share on health budget was to be increased by at least 10 *per cent* every year during the Mission period (2005-12). The State Government failed to release (2007-08) its share of Rs. 3.51 crore. The commitment on increasing its budgetary allocation was also not met, as the increment was well below four *per cent* for the years 2005-08.

3.1.8.4 Expenditure on management cost

As per the guidelines, up to six *per cent* of the total annual work plan for the year can be utilized for contractual engagement of personnel with new skills under management cost.

During the years 2006-08, Rs. 8.17 crore was incurred on management cost against the admissible limit of Rs. 2.91 crore (six *per cent* of 48.40[5] crore) on the salary of Medical Officer (MO), Auxiliary Nursing Midwife (ANM), Staff nurse, Lab Technician etc.

The Department stated (November 2008) that the management cost was not in excess of six *per cent* of total budget, and insisted that the expenditure incurred in respect of the salary of ANM, Lab Tech, Staff nurse and Medical Officer should not be booked under the management cost.

However, since this staff were employed on contractual basis, their salary will form part of management cost. The Department, therefore, exceeded the cost norm in this regard.

3.1.9 Programme Implementation

3.1.9 .1 Infrastructure facilities

According to the NRHM norms, one Sub Centre (SC), one Primary Health Centre (PHC) and one Community Health Centre (CHC) are to be established for every 3,000, 20,000 and 80,000 population respectively in tribal/desert areas.

There were 366 SCs, 57 PHCs and 9 CHCs prior to launching NRHM in the State against the rural population of 4.45 lakh, which was far in excess of the norms for which, the Mission had to bear an extra expenditure of Rs. 74.35 lakh per year as shown below:

Table-3.2

Details	Requirement as per norm	Actual number of centres	Excess	Annual Untied grant *plus* Annual maintenance grant (Rs)	Annual expenditure on excess centres (Rs)
SCs	148	366	218	10,000 + 10,000	43,60,000
PHCs	22	57	35	25,000 + 50,000	26,25,000
CHCs	6	9	3	50,000 + 1,00,000	4,50,000

Source: Mission Director, NRHM, Mizoram

The Department admitted during the exit conference that the centres are more than the norm due to hilly terrain, scattered villages and poor communication facilities. The objective of providing accessible health care in hilly and remote areas, however, was not achieved, since these centres were not equipped with adequate staff as per norms as brought out below:

[5] Rs. 48.40 crore was the total approved outlay for 2006-08 of the programme.

Based on the prescribed staffing norms of the Indian Public Health Standard (IPHS), the CHCs, PHCs and SCs are to be manned and equipped with sufficient basic physical infrastructure and essential equipment to provide essential/specialist services.

As against these norms, scrutiny of the test checked centres revealed shortages in manpower (especially medical officers including specialists and paramedical staff) for providing basic/ specialist services, as reflected in the table below:

Table: - 3.3

Category of Centres	Manpower required (as per IPHS norm) in test checked centres		Manpower in position in test checked centres		(-) Shortage / (+) Excess	
	Medical Officers/ Specialists	**Paramedical Staff**	**Medical Officers/ Specialists**	**Paramedical Staff**	**Medical Officers/ Specialists**	**Paramedical Staff**
Community Health Centres (CHCs)	21 (7 each x 3 CHCs)	39 (13 each x 3 CHCs)	9	47	(-) 12	(+) 8
Primary Health Centres (PHC)	12 (2 each x 6 PHCs)	54 (9 each x 6 PHCs)	5	33	(-) 7	(-) 21
Sub Centres (SC)	Nil	36 (2 each x 18 SCs)	Nil	43	Nil	(+) 7

Source: CHCs, PHCs and SCs

Scrutiny of the records also revealed that the test checked centres had not been provided with the requisite basic physical infrastructure and essential equipment as discussed below:

Community Health Centres (CHCs)

None of the three CHCs test checked had any accommodation facilities for families of admitted patients. Although Operation Theatres (OT) were available in all the three CHCs, except for some minor surgeries in Chawngte CHC, no surgeries were done in the other two CHCs mainly because of the absence of Surgeons and Anaesthetists. None of these OTs had been provided with any light and air-conditioning facilities, which are the essential features of any OT. Although labour rooms were available in all the three CHCs, there was no Gynaecologist. In two out of three CHCs, working space was inadequate, which indicated lack of proper planning and estimation of space. None of the CHCs had any male and female specialists, and all three centres inspected did not have the essential equipment[6] required to run the centres.

[6] Essential equipment (like Boyles apparatus, EMO machine, Cardiac machine for OT, Defibrillator for OT, Ventilator for OT, Horizontal High Pressure sterilizer, OT care/ fumigation apparatus, Oxygen Cylinders, Stretcher on trolley and Medicine cabinet etc)

Primary Health Centres (PHCs)

Counter for distribution of family welfare materials like contraceptives, intra uterine devices, condoms etc., was not available in the test checked PHCs. Services pertaining to cataract surgery, ante-natal clinics, facilities for tubectomy and vasectomy, management of low birth weight women, extension of AYUSH services and indoor beds for pediatric patients were also not available. Only two of the PHCs had OT facilities, and none of the six PHCs had conducted immunisation services.

Sub Centre (SC)

A majority of the SCs test checked did not have the wherewithal to render essential/ specialist services like intra-natal care (10 SCs), new born care (seven SCs), school health programme (12 SCs), adolescent health care (11 SCs) and 24 hours service for referral of complicated cases of pregnancy/ delivery (12 SCs). None of the centres were stocked with two months essential medicines, and 14 of the 18 SCs test checked were yet to record a doctor's visit.

Thus, though the number of centres were above the prescribed norms, yet they were not able to function effectively due to the absence of the required manpower and other infrastructural facilities.

The Department admitted the facts and stated (November 2008) that the absence of required manpower had impeded the performance of the mission and that creation of posts and procurement of equipment and infrastructure was already under process.

3.1.9.2 Reproductive Child Health (RCH)

RCH programme is being implemented in the State since 1998 with a view to improving the coverage of timely and quality antenatal care (ANC) services, strengthening maternal health services to ensure safe delivery, promoting immediate and exclusive breastfeeding and complementary feeding for children, increasing timely and quality immunisation services, increasing access to and utilisation of family planning services, and improving adolescent health. The RCH programme provides for a trimester antenatal care check up. The first at the time of suspected pregnancy followed by the second and the third check up at an interval of 26 weeks and 32 weeks. A minimum of two postnatal care (PNC) after delivery is prescribed under the programme. As per the information furnished by the State Mission (July 2008), the physical performance under RCH for the years 2005-08 is shown in the table below:

Table – 3.4

Component	Status		
	2005-06	2006-07	2007-08
Pregnant Women /ANC Registered	20958	22610	26006
No. of 3 ANC/ (percentage)	18010 (86)	19315 (85)	18800 (72)
Total Deliveries (Home + Institutional)	18847	20309	24813
Institutional Deliveries/(percentage)	12689 (67)	14418 (71)	18922 (76)
No. of Maternal Deaths /(MMR *per* Lakh)	5 (27)	4 (20)	15 (60)
No of PNC/ (percentage)	16851 (89)	18096 (89)	12469 (50)
No. of Infant Deaths/(IMR *per* 1000)	184 (10)	258 (13)	608 (25)
No. of Child Deaths (1 year – 5 years)	NA	122	130
No. of Sterilizations	2217	2223	2133
No. of cases where >3 child births / (percentage)	7478 (40)	8039 (40)	9137 (37)
No. of IUD insertions	2479	2468	2199

Source: Mission Director, NRHM.

It can be seen from the above table that against the norms prescribed, the coverage of at least three ANC services for registered pregnant women and thereafter PNC check up after delivery, has declined between the years 2005-06 and 2007-08, while the MMR[7], IMR[8] and infant and child deaths have increased. The number of sterilization cases has also decreased to 2133 (2007-08) from 2217 (2005-06), and IUD insertions too have fallen to 2199 (2007-08) from 2479 (2005-06).

The performance of RCH programme was reportedly impeded by the lack of adequate ANMs[9] and MPWs[10], inadequate motivation and lack of utilisation of trained female community health workers i.e. Accredited Social Health Activist (ASHA) network to be provided in each village, insufficient and irregular supply of essential drugs, contraceptives, vaccines, equipment etc. to health centres, low IEC activities, and shortage of manpower in key functional posts.

3.1.9.3 Routine Immunisation

Immunisation programme was launched in the State to raise the level of immunisation for reducing morbidity and mortality rates due to vaccine preventable diseases (VPD), and also to eradicate polio to ensure zero transmission. A fully immunized infant is one who has received BCG, three doses of DPT, three doses of OPV and Measles before one year of age.

[7] MMR-Maternal Mortality Rate
[8] IMR- Infant Mortality Rate
[9] ANM-Auxiliary Nursing Midwife
[10] MPW-Multipurpose Worker

The year wise target and achievement of routine immunization is shown in table below:

Table-3.5

Year	Nos. of total live birth	Target	Achievement				
			BCG	Measles	DPT	OPV	Fixation of target w.r.t infants available
2005-06	18847	20918	20890	19041	19563	19536	(+) 2071
2006-07	20309	20968	22242	18884	22359	22329	(+) 659
2007-08	24813	20699	21820	20273	20903	20555	(-) 4114

Source: Mission Director, NRHM, Mizoram

It would be seen that against 18847, 20309, and 24813 nos. of infants in the age group of 0-1 years during the years 2005-06, 2006-07 and 2007-08 respectively, the target fixed for 2007-08 was far below the actual number of children in the State. Notwithstanding the fact that the target fixed for 2005-06, 2006-07 were in excess of the total live births for these years, the achievement on immunisation doses administered on record were incredibly on the higher side. During 2007-08 although the Department claimed over 97 *per cent* achievement, actual achievement was much lower than projected as can be inferred from the table above wherein for the year 2007-08 the exclusion amounted to as many as 4114 children.

The Department stated (November 2008) that the target includes total live births in a year and a number of children below one year, born in the previous year, who had not been fully immunized were also included, which indicates that the target fixed for 2007-08 was far below the requirement.

Scrutiny of the records also revealed that the number of AD syringes utilised was much less than the immunisation coverage during the years 2006-08, as shown in the table below:

Table-3.6

Year	Requirement of AD Syringes against achievement (0.5 ML)							AD Syringes actually used	Shortfall in AD Syringes used
	TT-I & II (PW)	DPT	DT	TT 16	TT 10	Measles	Total AD Syringes needed w.r.t. achievement		
2006-07	39952 (19976x2)	67077 (22359x3)	25377	18335	22180	18884	191805	76770	115035
2007-08	41306 (20653x2)	62709 (20903x3)	18853	17964	19099	20273	180204	63721	116483
Total	81258	129786	44230	36299	41279	39157	372009	140491	231518

Source: State Mission, NRHM.

As can be seen from the table above, against the total requirement of 3,72,009 AD syringes for immunisation, the Mission actually used 1,40,491 syringes during the years 2006-08. With the prescription of single syringe usage per child, the actual immunisation coverage could not have exceeded 1,40,491.

This alone raises serious doubts on the veracity of the achievement of the immunisation coverage claimed by the State Mission.

The Department stated (November 2008) that due to short supply of AD syringes by the GOI, re-usable glass syringes were used instead. The contention of Department could not be verified. If indeed the Department was using reusable glass syringes, it was exposing the rural population to the risk of transmission of diseases like HIV and compromising on the basic principle of safety and disposal of syringes, especially when adequate funds were available with the State Mission.

3.1.9.4 Pulse Polio Immunisation

The basic aim of conducting Supplementary Immunisation Scheme (SIS) is to reach all under 5 years children with potent vaccine in each round. The main strategy to achieve it is by offering (i) immunization to all children at booth on the first day, (ii) follow up on missed children through house to house immunization teams and (iii) immunize children in transit through transit teams deployed throughout the duration of booth and house to house immunization activities.

Intensive Pulse Polio Immunisation (IPPI) is to be conducted in the State every year in two rounds. The Mission had not conducted any survey to identify the number of children (0-5) and in the absence of baseline survey, the basis for fixation of targets remained adhoc. However, based on population of the State, the number of children of different age groups during 2005-06 to 2007-08 was higher than the target fixed and the achievement claimed by the Department was not correct, as shown in the table below:

Table-3.7

Year	Population	Target to be fixed for 0-5 year as per evaluation based on population (number of children – 0-5 years = 0.14 x population)	Target fixed by the State	Shortfall in the target	Achievement	Shortfall in achievement
2005-06	876304	122683	117318	5365	115032	7651
2006-07	944802	132272	115397	16875	115114	17158
2007-08	948390	132775	123809	8966	117423	15352

Source: Mission Director, NRHM, Mizoram

The Department has accepted the fact and stated (November 2008) that shortfall is being covered in the subsequent round.

3.1.9.5 Mismatch of data between State Mission and test checked Districts

A comparison of records of the State Mission with those of the three test checked districts revealed that the achievement figures reported under the RCH by the State Mission did not agree with those furnished to audit by the three District Health Societies as shown in the table below raising serious doubts on the credibility of the data furnished by the State Mission. Similar discrepancies were also noticed in respect of Pulse Polio Immunisation and routine immunisation between the data reported by the State Mission and that reported to audit by the three test checked District Health Societies.

Table-3.8

Component	Status of Test checked districts as reported by Mission Director to audit			Data as reported by test checked Districts to audit		
	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
ANC /PW Registered	5663	6589	7994	5854	6893	7560
No. of 3 ANC	4329	5055	5615	2817	3285	3918
Total Deliveries	5217	5888	6108	5263	5713	5532
Institutional Deliveries	3167	3835	4117	3233	4002	3799
No. of Maternal Deaths	2	1	5	NA	NA	NA
No of PNC	4932	5339	-	4566	5201	4949
PNC within 48 hrs. of delivery	NA	NA	1751	NA	NA	NA
PNC 2-14 days of delivery	NA	NA	2078	NA	NA	NA
No. of Infant Deaths	77	72	223	NA	NA	NA
No. of Child Deaths	NA	56	47	NA	NA	NA
No. of Sterilizations	697	662	605	714	638	554
No. of cases where >3 child births	2113	2298	2262	NA	NA	NA
No. of IUD insertions	410	368	554	428	373	767

Such discrepancies in achievement figures indicate lack of effective monitoring of the performance at grass root levels. Further, in the absence of reliable data, the reported achievement under these programmes could not be authenticated in audit.

The Department admitted the facts and stated (November 2008) that close monitoring will be done henceforth.

3.1.9.6 Information, Education and Communication (IEC)

For the purpose of conducting healthcare awareness, a variety of activities involving communities as well as media is to be undertaken, for which, funds are to be equally spent at State, District and Sub- District level. Out of Rs. 75.33 lakh spent on IEC during 2005-08, Rs. 61.41 lakh (81.5 *per cent*) was spent at State level. Although the skewed distribution of funds for IEC was contrary to the prescribed norms, the intended impact of creating awareness by sponsorship of popular programmes through local media has had a State-wide impact.

3.1.10 Disease control programmes

The disease control programme under NRHM comprises of six[11] components. The findings on implementation of the disease control programmes are discussed in the succeeding paragraphs.

3.1.10.1 Revised National Tuberculosis Control Programme (RNTCP)

The RNTCP was launched and implemented in the State from March 2003. The outcome of treatment under RNTCP is shown in the table below:

Table:-3.9

Year	TB patients registered	Cured + treatment completed	Died[12]	Failures[13]	Defaulters[14]	Transf - erred out	Cure rate (percentage)
2005-06	591	509	27	28	27	NIL	86
2006-07	551	501	12	15	23	NIL	91
2007-08	548	498	13	26	11	1	91

Source: State Mission, NRHM.

It is evident from the above table that the percentage of patients cured has increased from 86 *per cent* (2005-06) to 91 *per cent* (2007-08), which indicates satisfactory achievement in control of tuberculosis in the State.

3.1.10.2 National Leprosy Eradication Programme (NLEP)

The NLEP, Phase -II was launched in the State from 2001 with a view to eradicating leprosy from the State. Year wise physical achievement under NLEP is shown in the table below:

Table:-3.10

Year	Total no. of cases at the beginning of the year	Total no. of cases detected	Total no. of cases treated/cured (percentage)	Total no. of cases at the end of the year
2005-06	10	24	18 (53)	16
2006-07	16	20	23 (64)	13
2007-08	13	26	21 (54)	18

Source: State Mission, NRHM.

It would be seen from the above table that the percentage of cases treated/cured increased from 53 *per cent* in 2005-06 to 64 *per cent* in 2006-07,

[11] Six components. i) National Programme for Control of Blindness (NPCB), ii) National Vector Borne Disease Control Programme (NVBDCP), iii) National Leprosy Eradication Programme (NLEP) iv) National Iodine Deficiency Disorder Control Programme (IDDCP), v) Integrated Disease Surveillance Project (IDSP) and vi) Revised National Tuberculosis Control Programme (RNTCP).

[12] Patient died from the TB disease

[13] Patients not successfully treated

[14] Patients left the treatment in between

but came down to 54 *per cent* in 2007-08. The overall trend of physical achievement was, however, satisfactory.

3.1.10.3 National Iodine Deficiency Disorder Disease Control Programme (NIDDCP)

The NIDDCP was launched in the State since 1987. The main objective of the programme was to conduct survey of IDD prevalence; ensure consumption of iodised salt with not less than 15 PPM (Part per million) by creating public awareness.

Year wise physical achievement under NIDDCP is shown in table below:

Table:3.11

Year	Monitoring of Iodised salt			
	No. of samples tested (By MBI Kit)	Samples above 15 PPM (percentage)	No. of samples tested (By Titration method)	Samples above 15 PPM (percentage)
2005-06	27,030	26,050 (96)	430	413 (96)
2006-07	35,647	34,500 (97)	480	465 (97)
2007-08	Nil	NIL	582	571 (98)

It would be seen from the above table that percentage of sample test above 15 PPM has been increased from 96 *per cent* (2005-06) to 98 *per cent* (2007-08) which represents a positive achievement.

3.1.10.4 National Programme for Control of Blindness (NPCB)

The NPCB was launched (1976) in the State with 100 *per cent* Central assistance with the objectives of (a) providing quality eye care to the affected population; (b) expanding coverage of eye care services to the underserved areas; (c) reducing the back log of blindness by identifying and providing services to the affected population; and (d) developing institutional capacity for eye care services by providing support for equipment and material and training of personnel.

The physical achievement of cataract surgeries during 2005-08 is shown in the table below:

Table-3.12

District	2005-06		2006-07		2007-08	
	Target	Achievement	Target	Achievement	Target	Achievement
Aizawl West	200	195	300	306	400	55
Aizawl East	200	308	300	151	400	245
Serchhip	60	45	80	66	300	86
Lunglei	200	171	250	231	400	204
Lawngtlai	60	21	80	49	300	97
Saiha	60	23	80	85	300	84
Champhai	100	36	150	148	400	190
Kolasib	60	77	80	51	300	126
Mamit	60	15	80	65	300	59
Total	1000	891	1400	1152	3100	1146
Achievement in *per cent*		89		82		37

Source: State Mission, NRHM.

With regard to the targets, the percentage of achievement fell from 89 *per cent* (2005-06) to 37 *per cent* (2007-08), even though sufficient funds were lying unspent every year with the State Mission. The basis for fixing of targets, however, could not be ascertained in audit, in the absence of the basic survey and surveillance data.

The Department accepted the fact and stated (November 2008) that shortfall in cataract surgeries against the target was due to the non availability of Eye surgeons.

3.1.10.5 National Vector Borne Disease Control Programme (NVBDCP)

The NVBDCP was launched in the State to reduce morbidity and mortality due to malaria and other vector borne diseases, and to increase Annual Blood Examination Rate (ABER), to cover targeted population by indoor residual spray of DDT, and to provide diagnosis and treatment facilities in all villages, blocks, PHCs and SCs.

The incidence of malaria in the State indicated an upward trend from 2004 onwards and the number of deaths due to malaria increased from 72 in 2004 to 120 in 2006. The details of Blood Slide Examination (BSE), ABER, positive cases, P. Falciparum cases and death cases during 2004 – 2008 are shown below:

Table-3.13

Year	Malaria					
	BSE	ABER (in *per cent*)	Positive	PF	PF (*per cent*)	Deaths
2004	217316	24	7830	4170	53	72
2005	218961	24	10741	6290	59	74
2006	218072	24	10650	6956	65	120
2007	154045	16	6081	4189	69	75
2008 (up to 03/08)	28781	3	711	554	78	11

Source: Mission Director, NRHM.

As per guidelines, the ABER was to be increased to 10 *per cent* of the target population under surveillance. The programme has fallen short on this count. This has also distorted the performance in terms of Positive and PF case detection. For instance, the apparent drop in terms of absolute number of cases for positive and PF cases detected can be attributed to the ABER rate falling from the previous years *i.e.* had the number of blood sample examination increased significantly, the number of cases detected as malaria positive and PF cases would have also been higher. Although some indicators seem to reflect a positive trend *e.g.* deaths due to Malaria dropping to 75 (2007) from 120 (2006) in absolute terms, the incidence of drop in deaths due to malaria proportionate to the number of PF cases has not been significant. That is, the percentage of deaths due to malaria vis-à-vis the total number of PF cases in 2006 is actually 1.73 *per cent* as compared to 1.79 *per cent* in 2007.

3.1.10.6 Short receipt of DDT Powder

Adequate and timely spraying of DDT is an important component of the vector borne disease control programme. Of the total number of 2412 bags (120.60 MT) of DDT issued during 2005-08 to the three CMOs (Lunglei, Lawngtlai and Kolasib) for the coverage of targeted villages with a mandatory requirement of two rounds of spraying schedule, only 1069 bags (53.45 MT) were reported as received by the CMOs. Despite the short receipt of DDT powder, the Department claimed that it had fully covered the 186, 161 and 53 villages for 2005-08. The Department could not furnish information on the targeted population for 2007-08. However, even with the available information for two years i.e. 2005-2007, the claim of the Department of having covered the entire targeted population appears to be doubtful.

Table 3:14

District	Targeted population		DDT Requirement[15] (MT) 2 round @ 15MT *per* lakh population	Quantity issued (DDT in MT)		Quantity received (DDT in MT)		Quantity short received (DDT in MT)	
	2005-06	2006-07	2005-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
Kolasib	0.79	0.79	23.70	16.40	8.20	4.40	6.50	12.00	1.70
Lawngtlai	0.68	0.68	20.40	16.55	16.85	2.95	8.20	13.60	8.65
Lunglei	1.22	1.22	36.60	27.80	28.30	4.00	20.90	23.80	7.40
Total	**2.70**	**2.70**	**80.70**	**60.75**	**53.35**	**11.35**	**35.60**	**49.40**	**17.75**

The Department stated (November 2008) that the balance DDT powder (1343 bags) issued to the districts was dumped enroute at the CHCs and PHCs to avoid further transportation from district headquarters. The reply was not substantiated with any records indicating separate center-wise receipt

[15] For coverage of one lakh population with two round of spray, 15 tonnes of DDT-50% is required. (2 years @ 15MT /1 Lakh population)

accompanied with their utilization. The shortfall in receipt of DDT by the CMOs against the required amount as per prescribed norms for 2005-07, was 33.75 MT which would have adversely affected the achievement of insecticide spray programme for control of malaria in this high risk State.

3.1.11 Village Health and Sanitation Committees

Village Health and Sanitation Committees (VHSC) were created mainly to generate public awareness on health and nutrition activities, maintain village health registers, health information board and prepare village health plan etc. Although 786 VHSCs were formed (March 2008) with an expenditure of Rs. 77.30 lakh (2007-08) towards untied fund (meant for creating revolving fund), the VHSCs had not maintained village health registers nor was any revolving fund created by the test checked VHSCs in the three districts.

The Department accepted the facts mentioned above and assured (November 2008) that all VHSCs would be instructed to carry out their mandated functions henceforth.

3.1.12 Rogi Kalyan Samiti

Rogi Kalyan Samitis (RKS) were to be formed in each health centre to upgrade the rural hospitals, CHCs, PHCs and SCs to the Indian Public Health Standard (IPHS) to provide sustainable quality health care with people's participation and to make the community accountable and responsible for running these centres. Financial support of Rupees five lakh to each rural hospital and Rupees one lakh to each CHC and PHC was to be released annually by the GOI, only when the State Government authorised the RKSs to retain the user charges.

Scrutiny of the records of the Mission Director revealed that Rs. 1.10 crore was released to the RKSs (74[16]) in 2006-07 (Rs. 11 lakh) and 2007-08 (Rs. 99.64 lakh) without insisting on the retention of user charges which was in contravention of the NRHM guidelines. Records of essential activities to be performed by the RKSs (e.g. formation of monitoring committee, collection of patient's feedback, displaying citizens' charter, etc) were non- existent.

In the absence of community participation in monitoring the patient's welfare activities, the sustainability and permanency of the proposed decentralized community ownership remained largely unfulfilled.

The Department, while admitting the facts stated (November 2008) that necessary corrective action would be initiated on the functioning of the RKSs. However, as regards the retention of users charges at institutional level, the Department stated that this could not be done in the absence of the State Government concurrence.

[16] 8 district hospitals, 9 RKSs at CHCs and 57 RKSs at PHCs level.

3.1.13 Availability of medicines

Procurement of medicines is centralised under the Mission. The Mission Director entered into (January 2007) a Memorandum of Understanding (MOU) with a Chennai based firm for purchase and supply of medicines and an advance payment of Rs. 1.11 crore was made. Although there were delays[17] in supply of medicines ranging from 1 month to 11 months, no penalty was imposed on the firm by invoking the penal clause incorporated in the MOU.

Of the required 152 items of medicines to be supplied by the firm, the firm supplied only 85 items of which, 25 items of medicines were received short of the ordered quantity. It was also noticed that the quantity of 25 items of medicines were entered in the stock by inflating the quantities actually received/supplied by the firm and were recorded as issued to different CMOs. Neither stock certificate was recorded on the body of the bills nor any physical verification of stock made (July 2008). This was apparently done with the deliberate intention of recording a wider coverage of beneficiaries.

On further scrutiny, it was observed that 47 items of medicines were not labeled with manufacturing date and 5 items without manufacturing and expiry date.

The above facts point at serious flaws in the procurement process of essential items like medicines. Failure of the firm in meeting its supply commitments obviously had an adverse impact on the availability of medicines in various CHC, PHC SCs.

3.1.14 Diversion of funds

During March 2006, the Mission Director procured different equipment worth Rs.1.14 crore for nine First Referral Unit (FRUs), without calling for tenders and ascertaining the market rate. Despite the fact that not a single CHC was upgraded to a First Referral Unit (FRU), all the equipment procured was distributed to different District Hospitals, CHCs and PHCs which were not eligible as these were yet to be upgraded to FRUs.

The Mission Director stated (April 2008) that the upgradation of CHCs to FRUs staffed with adequate manpower was under way. However, the Director could not explain the reasons for procurement of these equipment in advance well before the establishment of FRUs. As a result, the equipment procured at an expenditure of Rs. 1.14 crore, remained idle and unproductive for more than two years.

[17] The Mission Director entered in to MOU in January 2007. No specific supply order was placed to firm. The firm placed order to different laboratory in April 2007 and presumed that tender process was completed in April 2007. Therefore, liquidated damages at the rate of 0.5 per cent per month was calculated for 11 months (September 2007 to July 2008).

The Department accepted the facts and stated (November 2008) that due to the skeletal infrastructure in health centres, the necessary equipment was procured to upgrade the health institutions. The reply is not acceptable as the equipment was procured for the FRUs. Clearly, the equipment was procured only to utilize the available funds.

3.1.15 Procurement of instruments

Between March 2006 and November 2007 the Mission Director purchased instruments of different specifications worth Rs.1.49 crore without floating any tenders or ascertaining the market rate and without assessment of requirements of equipment for the health centres.

The instruments, issued to different health centres, were lying unutilized since their supply, rendering the entire expenditure unproductive.

The Department accepted the facts and stated (November 2008) that due to the skeletal infrastructure in health centres, the equipment was procured with Government approval so that CHCs could be upgraded to FRUs. The reply does not disclose the reasons for the equipment lying unutilised.

3.1.16 Monitoring and evaluation

NRHM envisages an intensive accountability framework through a three tier process of community based monitoring, external surveys and stringent internal monitoring. The Management Information System (MIS) has to incorporate a provision for correlation of village level data with community based information from micro-planning and surveys. However, such an MIS had not been developed.

The Department admitted the facts and stated (November 2008) that all the concerned officers had been instructed to monitor and evaluate the activities in their respective fields. It was further stated that a specific monitoring and evaluation system was being developed for proper monitoring of the programme.

3.1.17 Conclusion

The overall performance of the Mission at the mid-course was not very satisfactory. The review underscored glaring gaps in planning and programme implementation. The State Mission failed to conduct household / facility survey, which constitutes the most crucial element of the planning process upon which the very edifice of the Mission rests. The credibility and the basis on which the State PIP was formulated is questionable. In terms of infrastructure readiness, the majority of the centres did not have the basic equipment and drugs. The set back experienced by the Mission till date is largely attributable to the manpower shortage and the absence of appropriate functionaries at all tiers of the implementation structure. The overall management of the Mission was also impeded by the absence of baseline data and other relevant indices to facilitate performance evaluation.

3.1.18 Recommendations

For delivery of quality rural health care services in the State, the State Mission should take the following steps:

- Planning should follow a bottom-up approach and community involvement should be ensured in the planning process;
- Household and facility surveys at village, block and district level need to be conducted at regular intervals and gaps in health care services should be identified and appropriate corrective action taken;
- Awareness should be created among the public to ensure accountability at various levels;
- The State Government should ensure availability of the required manpower before establishment and/ or upgradation of health centres; and
- Monitoring and supervision of the Mission activities should be strengthened by establishing monitoring and planning committees at all levels, as envisaged in the Mission guidelines.

HORTICULTURE DEPARTMENT

3.2 Technology Mission for Integrated Development of Horticulture

Highlights

Technology Mission for integrated development of horticulture in Mizoram was launched as a Centrally Sponsored Scheme in 2001-02 with the specific objectives of improving productivity and quality of horticulture crops, reducing post harvest losses by improving marketability of the produce and making it available to consumers. A performance audit of the programme brought out the following main points.

The Department had no perspective plan nor were there any district/ block level plans and funds were allotted to different districts without considering their absorption capacity.

(Paragraph 3.2.8)

The Mission (MM-II) has made significant impact in diversification and production of horticulture crops like passion fruit and promotion and production of anthurium and rose.

(Paragraph 3.2.11.1)

Retention of unspent balances ranging from Rs.2.09 crore to Rs.13.54 crore at the end of each year from 2001-02 to 2007-08 indicated that funds were mobilized by the Department much in excess of actual requirement and without assessing its absorption capacity.

(Paragraph 3.2.9.5)

The Department failed to adopt cluster area expansion approach, which is the main thrust of the programme.

(Paragraph 3.2.11.5)

The under developed districts were not given adequate priority under MM-II and MM- III and very few markets were constructed in these districts under MM-III.

(Paragraph 3.2.12.2)

3.2.1 Introduction

To explore the potential of horticulture development in the State, the Centrally Sponsored Scheme on Technology Mission for Integrated Development of Horticulture was launched by the GOI in the State in 2001-02.

3.2.1.1 Components of the Mission

The Technology Mission (TM) has four Mini-Missions (MM) *viz*:

i) Mini-Mission-I (Research)

MM-I aims at supply of nucleus/basic seed and planting materials of horticulture crops, standardisation and refinement of production and protection technologies through on-farm trials. The Indian Council of Agricultural Research (ICAR) is the nodal agency for implementation of MM-I.

ii) Mini-Mission-II (Production and Productivity)

MM-II consists of (a) area expansion (b) creation of water sources (c) on-farm water management (d) production of planting materials (e) transfer of technology through training (f) popularisation of organic farming and agricultural equipment (g) promotion of integrated pest management (h) establishment of plant health centre etc.

MM-II is coordinated by the Department of Agriculture and Cooperation (DAC), Union Ministry of Agriculture (MOA) and implemented by the Horticulture Department of the State.

iii) Mini-Mission–III (Post-harvesting management, marketing and export)

MM-III involves strengthening of marketing infrastructure, development of wholesale markets, rural primary markets, post–harvest management, establishment of grading laboratories for ensuring quality control etc.

While the DAC is the nodal department for implementation of MM – III at the Centre, the Mizoram Agricultural Marketing Corporation (MAMCO) has been implementing MM-III in the State.

(iv) ***Mini Mission–IV (Processing and marketing of processed products)***

MM – IV aims at (a) promotion of new units (b) upgradation and modernisation of existing units, (c) market promotion (d) research and development and (e) human resource development. While MM – IV is coordinated by the Ministry of Food Processing Industries at the Centre, the implementing agency in the State is the Mizoram Food and Allied Industries Corporation (MIFCO).

To ensure proper linkages and coordination among all the four mini-missions, a State Level Steering Committee (SLSC) was constituted to approve, review and monitor all the activities of the Mission.

3.2.2 Objectives of the Mission

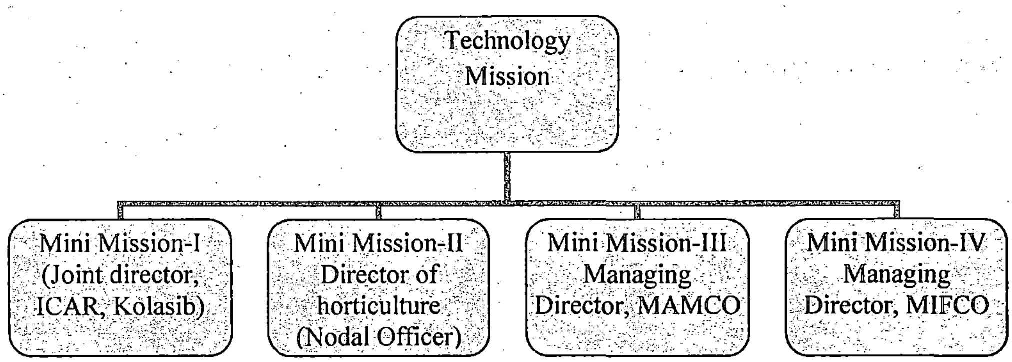
The objectives of the Mission were mainly to:

- improve productivity and quality of horticulture crops through adoption of improved varieties of seeds and technologies,
- reduce post-harvest losses and improve marketability of the produce and its availability to consumers; and
- promote exports and transfer of technology including human resource development.

3.2.3 Organisational Set up

The activities under MM–I are being implemented in the State by the Joint Director, ICAR, Kolasib. The Director of Horticulture, Mizoram being the Nodal officer of the Mission and also the Member Secretary of the SLSC, is assisted by two Joint Directors and two Deputy Directors for implementation of MM-II. The activities under TM in the districts are implemented by eight Divisional Horticulture Officers (DHOs). The implementation of MM-III and MM-IV are being done by the MAMCO and MIFCO respectively, as shown below:

Chart: 3.2



3.2.4 Scope of Audit

The performance audit covered the activities of the Mission during 2001-08 and was conducted during March – June 2008 through a test-check of the records of the Nodal Officer, Technology Mission, MSFAC, the Joint Director, Horticulture, ICAR – Kolasib, Directorate of Horticulture, Mizoram, four (Aizawl, Champhai, Lunglei and Saiha) out of eight DHOs, the Managing Directors of MAMCO and MIFCO (selected through random sampling) covering an expenditure of Rs. 105.55 crore (83 *per cent)* of the total fund of Rs. 126.96 crore released by the MSFAC to the implementing agency.

3.2.5 *Audit Objectives*

The audit objectives were to assess whether:

- the State action plan was based on an integrated approach consolidating each of the District level action plans;
- the implementation of the schemes was efficient, economic and effective and as per the approved plan;
- the objective of the Mission to increase the production and productivity of the horticulture crops in the State was achieved;
- efforts under all the mini-missions were integrated to ensure optimum impact of the mission in terms of production, marketing, processing and exports; and
- the monitoring system was adequate and effective.

3.2.6 *Audit Criteria*

The following audit criteria were used to arrive at audit conclusions:

- Mission guidelines issued by the MOA;
- State Annual Action Plans (AAP) and district AAP;
- Detailed Project Reports prepared by the Department;
- Prescribed monitoring mechanism.

3.2.7 *Audit Methodology*

The performance review commenced with an entry conference (June 2008) with the Department of Horticulture (DOH) in which the audit objectives, criteria and scope of audit were explained. The units were selected based on random sampling methodology. After the review was completed, an exit conference was held (November 2008) with the Joint Secretary, Government of Mizoram, Horticulture Department to present the audit findings. The views of the Department have been incorporated in the report at appropriate places.

Audit Findings

The important points noticed in the course of audit are discussed in the succeeding paragraphs.

3.2.8 *Planning*

Proper planning is a *sine–qua–non* for successful implementation of any scheme. The Annual Action Plans (AAPs) were prepared by the Department without formulating any district/block level plans and thus, lacked a bottom–up approach. According to the GOI's instruction (November 2002), members of Autonomous District Councils (ADC) were to be involved in planning, but no member from the three ADCs of the State were associated in the formulation of plans and the under developed areas of these ADCs were, thus, not given due weightage.

The GOI instructed (March 2003) the State Government to ensure that the State Level Steering Committee (SLSC) discusses with farmers, entrepreneurs, bankers, exporters, buyers and sellers of the horticulture produce/ products before finalization of the action plans, but no such discussions were held, and thus the action plans were devoid of peoples' participation.

Although the Department stated in the exit conference that the State level AAPs were prepared in consultation with all the DHOs, the planning process in effect remained a top down exercise, where discussions and need assessment were consolidated at the Directorate level contrary to the guidelines. District Action Plans were prepared without involving the stake holders *viz.* Village Councils etc. As a result of this, irrational distribution of funds, low area coverage in the under developed districts and retention of huge amount of funds at the Directorate level were observed in audit. Moreover, there was no convergent planning both at the District and the State level between the Mini Missions. Each of the implementing agencies formulated their action plans in a compartmentalised manner which resulted in mismatch of facilities created with markets remaining unutilized and non-availability of proper storage and marketing facilities, and processing capacity not in consonance with the production targets.

The Department had also not prepared any long–term plan demarcating crop–specific production zones in consultation with the other implementing agencies. Consequently, an integrated development approach was missing.

3.2.9 Financial Management

3.2.9.1 Funding pattern

Funds for MM-I are released by the DAC directly to the ICAR and funds for MM-II, MM-III and MM-IV are routed by the GOI through the Central Small Farmers Agri-Business Consortium (CSFAC) for further release to the Mizoram Small Farmers Agri-Business Consortium (MSFAC) as per the approved plans. The MSFAC was created in June 2000 and was to release funds to the DHOs on the basis of the approved workplans of divisions.

3.2.9.2 Receipt and Disbursement of funds by MSFAC

The funds received and disbursed by the MSFAC to the DHOs and other implementing agencies during 2001-08 for implementation of MM-II, MM-III and IV are shown below:

Table:3.15

(Rupees in crore)

Year	Opening balance	Amount received	Total fund available	Amount disbursed	Closing Balance
2001-02	Nil	5.02	5.02	5.02	Nil
2002-03	Nil	12.27	12.27	12.27	Nil
2003-04	Nil	12.13	12.13	12.13	Nil
2004-05	Nil	21.40	21.40	21.36	0.04
2005-06	0.04	19.69	19.73	16.73	3.00
2006-07	3.00	33.95	36.95	23.95	13.00
2007-08	13.00	22.50	35.50	35.50	Nil
Total	-	126.96	-	126.96	-

Source - Information furnished by the MSFAC

Although funds were to be released by the MSFAC to the DHOs and other implementing agencies (IAs) immediately on their receipt, funds ranging from Rs.0.04 crore to Rs.13 crore were retained by the MSFAC at the end of each of the years 2004-07 mainly due to the late release of funds by the GOI.

3.2.9.3 Delay in release of funds by the Central SFAC

It would be seen from the table below that funds ranging from 28 *per cent* to 73 *per cent* were released by the CSFAC to MSFAC during the last quarter of the year of which, one *per cent* to thirty eight *per cent* were released in March. Consequently, the MSFAC and the Department had little time to utilise these within the year of release, which affected the implementation of the programme, and contributed to the retention of huge unspent balance.

Table:3.16

(Rupees in crore)

Year	Total amount released by CSFAC to MSFAC	Fund released by CSFAC during	
		January to March	March
2001-02	5.02	3.67 (73)	---
2002-03	12.27	3.75 (31)	2.73(22)
2003-04	12.13	3.75 (31)	0.15(01)
2004-05	21.40	8.08 (38)	0.04(0.18)
2005-06	19.69	6.75 (34)	3.00(15)
2006-07	33.95	18.00 (53)	13.00(38)
2007-08	22.50	6.25 (28)	---

Note – figures in brackets indicate percentage to total funds released.
Source - Information furnished by MSFAC.

3.2.9.4 Irrational distribution of funds

Guidelines required the MSFAC to release funds to DHOs immediately on receipt from the GOI but contrary to this, huge funds were retained in the Directorate as shown below:

Table:3.17

(Rupees in crore)

Year	Funds transferred by MSFAC to:								
	Directorate	Aizawl	Champhai	Kolasib	Lawngtlai	Lunglei	Mamit	Saiha	Serchhip
2001-02	2.83	0.06	0.16	Nil	Nil	0.03	0.20	0.02	Nil
2002-03	3.24	2.89	0.31	Nil	0.05	1.91	1.38	0.80	Nil
2003-04	4.41	1.95	1.03	0.19	0.22	0.90	0.79	0.53	0.41
2004-05	8.47	2.35	1.95	1.14	0.49	0.50	1.21	0.61	0.98
2005-06	8.42	1.15	3.90	0.50	0.64	0.44	0.59	0.34	0.71
2006-07	19.28	0.68	1.02	0.33	0.24	0.23	0.67	0.19	0.36
2007-08	32.34	0.55	0.25	0.25	0.09	0.16	0.14	0.06	0.16
Total	**78.99**	**9.63**	**8.62**	**2.41**	**1.73**	**4.17**	**4.98**	**2.55**	**2.62**

Source: Records of the Directorate of Horticulture and MSFAC

Uneven distribution of funds and particularly the low allocation of resources to the under-developed districts like Lawngtlai, Saiha, and Serchhip indicated that a balanced approach was not adopted for integrated development of horticulture in the State. As can be seen from the above table, Aizawl and Champhai districts, garnered most of the funds compared to the other districts.

3.2.9.5 Unspent balance

The Directorate of Horticulture, Mizoram failed to utilize optimally the available funds, as shown below, which resulted in retention of huge unspent balances every year and affected the implementation of the programme.

Table:3.18

(Rupees in crore)

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Total
Unspent balance of previous year	Nil	2.09	1.18	4.17	8.15	6.95	5.85	Nil
Funds received during the year	2.83	3.24	4.41	8.47	8.42	19.28	32.34	78.99
Total funds available	2.83	5.33	5.59	12.64	16.57	26.23	38.19	-
Expenditure	0.74	4.15	1.42	4.49	9.62	20.38	24.65	**65.45**
Unspent balance	2.09	1.18	4.17	8.15	6.95	5.85	13.54	**13.54**
Percentage of fund utilisation	26	78	25	36	58	78	65	**83**

Source: Director of Horticulture

It would be seen from the above that out of Rs 78.99 crore available with the DOH, it could spend only Rs 65.45 crore during 2001-08 representing 83 *per cent* utilization and the unspent balance with the Directorate increased from Rs 2.09 crore in 2001-02 to Rs 13.54 crore in 2007-08, which had affected the implementation of the programme. The funds were neither transferred by the DOH to the DHOs nor refunded to the GOI but remained unspent in the bank and were reported to the GOI as spent. Mobilisation of more Central assistance without assessing the actual absorption capacity appeared to be the main reason for retention of such huge unspent balances. Had these unspent balances been utilized optimally, the Department could have covered at least a further area of 908 *ha* to 10,415 *ha* under the Area Expansion Scheme. Moreover, there were unspent balances lying with the DHOs (Aizawl, Champhai, Lawngtlai, Lunglei, Saiha,) at the end of the years 2001-08 as shown below:

Table:3.19

(Rupees in lakh)

Districts	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Aizawl	NA	NA	7.46	7.79	2.00	0.05	0.01
Champhai	NA	32.54	53.87	8.89	4.95	10.73	0.20
Lawngtlai	NA	NA	0.23	0.81	20.97	6.77	3.76
Lunglei	NA	42.83	26.96	23.16	15.07	10.95	9.41
Saiha	NA	13.87	13.93	3.46	7.42	0.29	0.01

Source: DHOs' records

These unspent balances retained by the DHOs had also not been reported by the Department to the GOI and immediately after transferring funds to the DHOs, the amounts were shown as spent without ascertaining the actual expenditure incurred by them. Expenditure reported by the Department to the GOI was thus flawed and inflated figures were reported obviously with the intention to secure more Central assistance. This is corroborated by the fact that despite having huge unspent balances, the Department had been pressing the GOI (September 2007 & February 2008) for a further additional Central assistance of Rs.44.98 crore. Moreover, retention of such huge unspent balances at DOH and DHOs level is fraught with the risk of misutilisation of funds.

The DOH stated (November 2008) that funds were retained to meet committed liabilities (not quantified) and that all the DHOs were instructed to utilise the funds optimally. In the absence of any records pertaining to committed liabilities, the facts could not be verified in audit

Programme Implementation

3.2.10 Mini Mission - I

3.2.10.1 Technological Support from ICAR

As mentioned in Para 3.2.1.1 MM–I aims at providing technological support by supplying nucleus/ basic seed and planting materials, standardization of production and protection technologies, technology refinement and transfer of technology (TOT) through training. The GOI observed (August 2002) that the ICAR had failed to play any proactive role in identifying the technology needs of the State and link them with the available technologies.

Scrutiny of the records (April 2008) of the ICAR, Kolasib showed that even after seven years of implementation of the programme, activities under MM-I were carried out in isolation, without adequate bearing on the needs of other MMs. It was seen that during 2001-08, except for imparting training to 945 farmers and departmental officials[18], the ICAR had not provided any technical

[18] *Citrus Production Technology and Nursery management, Production technology on papaya, Passion fruit, banana and vegetables*

support to the State Horticulture Department and the Department also failed to extract any TOT from the ICAR.

The DAC also observed (April 2008) that there was little interaction between ICAR, Mizoram and the State Horticulture Department and that more interaction was called for. The Joint Director ICAR, Kolasib stated (June 2008) that isolated location of the Centre, shortage of Scientists, inadequate release of funds, insufficient infrastructure facilities and shortage of vehicles were some of the reasons for the poor production of planting materials and shortfall in implementation of the mission.

3.2.11 Mini Mission - II

The MM–II primarily aims at increasing production and productivity through area expansion. The Department in its AAPs for 2001-03 also committed that its main thrust would be area expansion. The performance of the Department in area expansion activities is discussed below:

3.2.11.1 Achievements under Technology Mission

The Mission (MM-II) has made significant impact in some specific areas especially in the diversification of horticulture crops. The Department launched a major programme for the production of passion fruits and bananas (grandnaine variety), under Technology Mission during 2001-08. With the application of appropriate technology in the production of passion fruit, this hitherto seasonal fruit crop is now being harvested the whole year through. This has also given a huge boost to passion fruit processing initiative in the State. Significant strides have also been made by the Department in floriculture under which flowers like Anthurium and Rose were successfully grown in the State and have found market both in India and overseas. In addition, perennial vegetables like iskut (chow-chow) are largely cultivated in the State with assistance under the Technology Mission, and are sold largely to neighbouring States after meeting the domestic needs.

3.2.11.2 Area Expansion Scheme (AES)

Out of 21.08 *lakh hectares (ha.)* of land in the State, 11.56 *lakh ha.* has the potential for horticulture development. As of 1999-2000 against 11.56 *lakh ha.* of potential area in the State, only 0.32 *lakh ha.* was under different horticulture crops representing three *per cent* coverage. The area covered under AES during the years 2001-08 is shown below:

Table:3.20

(Area in lakh hectare)

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Total
Total potential area in the State	11.56	11.56	11.56	11.56	11.56	11.56	11.56	**11.56**
Total area covered	0.01	0.05	0.05	0.05	0.04	0.12	0.15	**0.47**
Percentage of area covered	0.09	0.43	0.43	0.43	0.35	1.04	1.30	4.07

Source: Information furnished by the Directorate of Horticulture, Mizoram.

As of 31 March 2008, the total area covered in the State was only 0.47 lakh *ha.* and 96 *per cent* of the total potential area had not been developed and utilized for production of horti-crops and thus, the activities of the Department under AES during 2001- 06 remained very insignificant.

The district–wise utilisation of potential area during the years 2001-08 under TM is given below:

Table:3.21

(Area in lakh hectare)

Particulars	Aizawl	Champhai	Kolasib	Lawngtlai	Lunglei	Mamit	Saiha	Serchip	Total
Total potential area	1.83	2.07	0.46	0.95	2.44	1.65	0.87	1.29	**11.56**
Area covered	0.17	0.15	0.03	0.01	0.04	0.03	0.02	0.02	0.47
Percentage of area covered	9.29	7.25	6.52	1.05	1.64	1.82	2.30	1.55	4.07

Source: Information furnished to Audit & Departmental records.

The above table indicates that the activities of the Department were confined only to Aizawl, Champhai and Kolasib districts. The Director of Horticulture admitted (June and November 2008) that production of horticulture crops was low in Lawngtlai, Mamit and Saiha districts. This indicates that under-developed districts had not been given due weightage for development of horticulture despite having huge unspent balances, which reflects poorly on the Departments' commitment for integrated development of horticulture in the State.

3.2.11.3 Area under different Horti-crops

In its AAP for 2001-03, the Department stated that the area in the State under vegetable production was 8,124 *ha.* and the State was not self sufficient in vegetable production even for local consumption. Despite this, no priority was accorded for area expansion under vegetable production which declined by 93 *per cent* from 8,124 *ha.* in 1999-2000 to 600 *ha.* in 2007-08. The major–crop wise area covered during 2001-08 is shown below:

Table:3.22

(Area in lakh hectare)

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total Area covered	0.014	0.045	0.047	0.054	0.044	0.119	0.146
Area covered for cultivation of:-							
a) Vegetables	0.003(21)	0.009(20)	0.008(17)	0.010(18)	0.010(23)	0.012(10)	0.006(04)
b) Fruits	0.009(65)	0.024(53)	0.028(60)	0.036(67)	0.023(52)	0.094(79)	0.129(88)
c) Others	0.002(14)	0.012(27)	0.011(23)	0.008(15)	0.011(25)	0.013(11)	0.011(08)

Source: -- i) Departmental records in Directorate of Horticulture.
ii) Figures in brackets indicate percentage to total area covered.
iii) Others = spices, medicinal and aromatic plants etc.

Such sharp decline in area coverage under vegetable cultivation from twenty one *per cent* in 2001-02 to four *per cent* in 2007-08 indicated faulty planning and no effort was made to make the State self sufficient in vegetable production. Consequently, generation of marketable surplus and the indirect impact of its contribution to the nutritional as well as economic support to people had not been achieved. The DOH stated (November 2008) that as the vegetable crops are seasonal, the area differs every year. It was also stated that after introduction of Technology Mission, 90 *per cent* of vegetables are produced in the State and particularly chow chow (iskut), tomato, off season cabbage etc are in surplus, and are sold outside the State. The reply was, however, silent about the reasons for decline in area coverage under vegetable cultivation.

Although priority was accorded by the Department to cultivation of fruits, Farm Harvest Price of some major fruits showed insignificant increase as shown below:

Table:3.23

(Farm harvest Price (Rs. Per Kg))

Fruits/Crops	2003-04	2004-05	2005-06	2006-07	Percentage (+) Increase, (-) Decrease
Orange	12.89	17.00	10.50	11.86	(-) 8
Lemon	10.19	11.91	8.25	11.05	(+) 8
Hatkhora	7.93	10.99	7.46	9.72	(+) 23
Banana	8.89	9.49	9.50	9.26	(+) 4
Pine apple	8.05	8.08	8.40	9.41	(+) 17
Squash	7.24	8.33	7.50	7.36	(+) 2
Passion fruit	17.05	12.66	10.50	11.67	(-) 32

Source- Economic Survey report 2007-08 conducted by Govt. of Mizoram.
Note- Figures for 2007-08 not compiled/ available.

The State Government stated that although it launched a major programme in May 2007 and June 2008 for the cultivation of passion fruits with an expected yield of eight lakh to nine lakh quintals per annum, due to inadequate marketing facilities, lack of publicity and logistic support, the farmers had to sell their huge marketable surplus at almost half the price of the production cost, which resulted in great hardship to them. This indicated that there was no coordination between the units responsible for production, marketing and processing which compelled the farmers to go in for distress sale. The Department should have made proper and prior marketing/ processing arrangements before venturing into such large scale cultivation of passion fruit.

The GOI observed (January 2006) that inadequate application of manure and fertilizers and improper pest management were the main reasons for decline in citrus production. The National Research Centre for Citrus, Nagpur also corroborated (March 2008) the aforesaid deficiencies. Despite all these shortcomings being pointed out repeatedly, no tangible action was taken by the Department to address them. The DOH (November 2008) conceded that this was mainly due to lack of coordination between the ICAR, Horticulture, Trade and Commerce and Industries Departments and ultimately the farmers were the victims.

Although the Department spent Rs. 1.21 crore during the years 2001-08 for development of medicinal and aromatic plants (MAP) in 1340 *ha.* of land, there was no production of MAPs during the aforesaid years, rendering the entire expenditure of Rs.1.21 crore infructuous.

The DOH stated (November 2008) that processing of *aloe vera* (medicinal plant) and *patchouli* (aromatic plant) would commence by December 2008 and 2009 respectively. The reply was silent about the details of medicinal and aromatic plants produced during 2001-08.

3.2.11.4 Extra-avoidable expenditure under Area Expansion Scheme

Under the component 'Area Expansion Scheme' assistance of 50 *per cent* of the cost of cultivation with a maximum ceiling of Rs. 13,000 per hectare was admissible and the balance 50 *per cent* was to be borne by the beneficiaries concerned. The assistance was limited to Rs. 4,000 where seeds were provided for cultivation of vegetables and fruits like papaya etc.

Scrutiny revealed that 5,874 *ha.* of land was utilized during the years 2001-08 for cultivation of vegetables at a total expenditure of Rs. 7.64 crore @ Rs. 13,000 *per ha.* against the admissible amount of Rs 2.35 crore @ Rs 4000 *per ha.* resulting in extra avoidable expenditure of Rs 5.29 crore. Had this extra expenditure been avoided, the Department could have raised additional vegetable cultivation in 0.13 *lakh ha.* of land.

3.2.11.5 Non–adoption of cluster - approach

The guidelines required that area expansion should be done in a cluster approach, ensuring integration of linkages between all MMs and linked with other components like community water tanks, plant protection, plasticulture, post harvest management, processing and export etc. The Department was to adopt a cluster approach, requiring selection of beneficiaries in a contiguous area covering the whole village for area expansion under horticultural crops to ensure linkages with other missions. This approach was not followed and beneficiaries were not selected from contiguous areas. Consequently, benefits of an integrated approach were lost. The DOH stated (November 2008) that compact area approach in a clustered manner had been adopted (areas not specified) as far as practicable. He, however, could not explain the reasons for non adoption of cluster approach throughout the State.

3.2.11.6 Transfer of Technology (TOT)

Transfer of Technology (TOT) through training of trainers and farmers is an integral part of the mission.

During the years 2001-07, the Department trained 5,263 farmers and 99 trainers at a total expenditure of Rs 1.43 crore, but no vouchers / supporting documents in this regard could be made available to audit. Therefore, the veracity of the expenditure cannot be vouchsafed. The DOH stated (November 2008) that henceforth, the Department would try to maintain all the supporting documents/ vouchers.

3.2.11.7 Centre of Excellence (COE)

With a view to establish models for integrated development of horticulture, each DHO was to develop one Centre of Excellence (COE) in the district in close coordination with the ICAR. The COE was to implement all the components of TM with an end to end approach and in coordination with all the Departments/agencies concerned.

However, even after seven years of the implementation of the programme, none of the eight DHOs had developed any COE. Absence of demonstrative COEs in the State deprived the horticulture farmers of the vital knowledge of improved farming practices and updates on technology development in horticulture.

3.2.11.8 Production of Planting Material

Production and distribution of disease free, healthy and high yielding varieties (HYV) of planting material was one of the essential components of the TM.

During the years 2001-06, the Department raised 17 Nurseries (seven big and ten small), three Herbal gardens and one Tissue Culture Unit in the State at a total expenditure of Rs. 1.46 crore. The Department could not furnish any information relating to the production of planting materials from these nurseries and continued to procure seeds and planting materials from outside. In the absence of performance and production, whether these nurseries and units exist at all or running far below potential could not be established.

Moreover, despite spending Rs. 1.46 crore, the Department continued to depend on supplies from outside, without adequate certification of the quality due to the Department's failure to establish a quality assurance system even after 11 years of its creation. The DOH admitted (November 2008) that all these 17 nurseries were not successful (reasons not specified) in producing quality planting materials and farmers had to buy vegetable seeds from outside. Consequently, the investment of Rs. 1.46 crore proved wasteful.

3.2.11.9 Floriculture

The Department had been encouraging the programme under floriculture and floral varieties like rose and anthurium had been successfully produced (output of rose = 18, 20,182 MT and anthurium = 17, 61,669 MT of cut flowers during 2001-07) primarily in and around Champhai area which are now exported out of the State. The Department facilitated a MoU in March 2007 between the Rose and Anthurium Growers Association and ZOPAR, a local entrepreneur for export of the produce within India and abroad. However, since all the records relating to the production and export of flowers were maintained by the ZOPAR and the Growers Association, the same could not be vouchsafed in audit.

3.2.11.10 Integrated Mushroom Unit

As per the guidelines, each integrated mushroom unit should consist of spawn production unit, training unit and a processing unit.

The Department constructed five such units during 2001-05 at a total expenditure of Rs. 2.50 crore. However, there was no information about the quantities of compost and spawn supplied to the growers, the produce collected from the farmers, brought to the mother plant, processed and marketed. The DOH conceded (November 2008) that as the production of spawn in all these units was inadequate, more such units have to be established.

3.2.12 Mini-Mission-III

The activities under MM-III, implemented by the Mizoram Agricultural Marketing Corporation (MAMCO) Limited, remained confined only to construction of Wholesale Markets (WM) and Rural Primary Markets (RPM) at different locations of the State.

3.2.12.1 Receipt of Funds and Expenditure

Funds received and expenditure incurred on the implementation of MM-III during 2001-08 is shown below:

Table:3.24

(Rupees in crore)

Year	Opening balance	Amount received from GOI	Others	Total funds available	Expenditure	Closing balance
2001-02	NIL	1.67	NIL	1.67	NIL	1.67
2002-03	1.67	1.68	0.03	3.38	1.94	1.44
2003-04	1.44	1.41	0.01	2.86	2.85	0.01
2004-05	0.01	3.65	NIL	3.66	2.46	1.20
2005-06	1.20	0.04	0.04	1.28	1.21	0.07
2006-07	0.07	1.95	0.02	2.04	0.96	1.08
2007-08	1.08	0.50	NIL	1.58	1.16	0.42
Total	-	10.90	0.10		10.58	

Source – Information furnished to Audit by the MAMCO. Difference in closing balance is due to rounding.

It would be seen from the above table that Rs. one lakh to Rs. 1.67 crore remained unspent with MAMCO at the end of each year during 2001-2008 mainly due to the late receipt of funds from the GOI by the MSFAC and the consequential delay in receipt of funds by the Corporation.

3.2.12.2 *Wholesale markets (WM) and Rural Primary Markets (RPMs)*

Although MAMCO had an engineering wing, private individuals were engaged as Supervisors for construction work of WM/ RPM, and were paid Rs 75 lakh to Rs 2.52 crore during 2001-2008 in installments without obtaining any adjustment vouchers. Advances paid to the Supervisors were shown as expenditure. The Corporation stated (April 2008 and November 2008), that it failed to maintain basic records due to shortage of experienced staff. Since no voucher was attached to the bills, the expenditure could not be verified in audit and the possibility of fraud cannot be ruled out.

The number of markets constructed by MAMCO during the years 2001-08 is shown below:

Table:3.25

Particulars	Aizawl	Champhai	Kolasib	Lawngtlai	Lunglei	Mamit	Saiha	Serchhip	Total
Wholesale markets	5	2	2	Nil	Nil	1	Nil	Nil	10
Rural Primary markets	29	20	3	7	13	5	3	7	87

Out of the eight districts in the State, only Aizawl, Champhai, and Lunglei got the priority and the under developed districts were denied adequate number of RPMs. No WM were constructed in the under developed districts like Lawngtlai, Lunglei, Saiha and Serchhip.

The Director of Horticulture admitted (June 2008) that these districts were not given due weightage. This indicates faulty planning and lack of coordination between the implementing units of MM-II and MM-III.

The GOI also expressed concern (April 2008) that there was not much progress in creating market infrastructure and Post Harvest Management. The

Managing Director, MAMCO stated (November 2008) that due priority would be given to construct markets in other districts/ less developed districts in future.

3.2.12.3 Rural Primary Markets

Although the RPMs were to be constructed in the rural areas only, MAMCO constructed 21 such markets in the towns during the years 2002-08 at a total expenditure of Rs.1.58 crore. Consequently, rural horti-farmers were denied the crucial marketing support. The Management assured (November 2008) that in future all such markets would be constructed in rural areas only.

3.2.12.4 Delay in handing over Markets

All the markets constructed were to be handed over to the Directorate of Trade and Commerce for their eventual utilisation. There were, however, delays ranging from one to seventeen months on the part of the MAMCO in handing over 30 markets to the Directorate of Trade and Commerce resulting not only in loss of revenue but also denial of benefits/marketing facilities to the rural horti-farmers. The Corporation stated (November 2008) that efforts would be made to hand over the completed markets to the Trade and Commerce Department.

3.2.12.5 Unproductive outlay

Out of the aforesaid 97 markets, 30 markets constructed at Rs. 3.95 crore during 2007 had not been handed (November 2008) over by the Corporation to the Trade and Commerce (T&C) Department for allotment to the marketing societies. The entire investment of Rs. 3.95 crore thus, not only remained unproductive, but also failed to generate any income towards recovery of market fees besides denial of benefit to the poor farmers. The Management stated (November 2008) that all efforts were being made to hand over the markets to the Trade and Commerce Department.

3.2.12.6 Strengthening of State Grading Laboratories (SGLs)

The State Government availed of the Central assistance of Rupees five lakh in 2002-03 for strengthening of SGLs at Aizawl and Lunglei under TM. The Trade and Commerce Department (July 2008) stated that the project of strengthening the SGL could not be implemented, as no SGL was established in the State.

As a result of non setting up of SGL, the Department failed to develop any quality assurance system.

3.2.13 Mini-Mission-IV

The activities under MM-IV are implemented by the Mizoram Food and Allied Industries Corporation (MIFCO) Limited in the State.

3.2.13.1 Implementation of MM-IV

During 2001-02 to 2007-08, the MIFCO received Rs. 4.65 crore (Rs. 1.02 crore from the GOI and Rs. 3.63 crore from the State Government) for implementation of MM-IV and spent the entire amount in upgradation of its fruit processing plants at Chhingchhip and mineral water and bottle making plant at Sairang.

Performance of MIFCO was discussed in paragraphs 7.2.14 to 7.2.22 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2007. Scrutiny of the records (March 2008) of MIFCO showed that all the shortcomings pointed out therein *viz.* non commissioning of the fruit juice concentrate plant at Chhingchhip and lack of coordination between the Horticulture Department and the Industries Department to ensure optimal utilization of the installed capacity of the Chhingchhip plant persists even as of March 2008.

3.2.14 Maintenance of beneficiary records

For the purpose of maintaining a State level record, the guidelines require each DHO to maintain complete details of beneficiaries including their postal addresses and funds availed by them with the purposes. The DHOs did not maintain any such details during 2001-08 and consequently, cases of extending undue and inadmissible benefits, if any to the ineligible and non-existent persons could not be probed into. The DOH assured (November 2008) that complete details and postal addresses of beneficiaries would be maintained henceforth. This indicated that internal controls relating to record management were poor.

3.2.15 GIS enabled horticulture crop and area identification

Formulation of an integrated plan for development of horticulture in the State based on the data on identification of crops, area estimation and identification of areas for commercial expansion, which could be provided by remote sensing and Geographical Information System (GIS) was not carried out by the Department.

The Department had not developed any data based on GIS and the planning was done on the basis of adhoc and outdated information as discussed in the aforesaid paragraphs. Although the Department stated that for passion fruit, remote sensing database was undertaken by the Science and Technology Department of the Union Ministry of Agriculture for the two districts of Champhai and Kolasib, State-wide systemic survey based on GIS was not conducted to collect data that would facilitate area identification and suitable area expansion planning for the Department. Outdated methods of spot surveys continued to be deployed to identify potential area for horticulture crop programme.

3.2.16 Publication of Annual Report

To ensure transparency, the State was to publish every year, reports giving the details of names and addresses of the beneficiaries, amount of assistance given to them and benefits accrued to the State. No such report was, however, published reportedly due to shortage of staff and in the absence of such report, accrual of actual benefits from the mission activities remained unevaluated.

3.2.17 Monitoring and evaluation

As per the guidelines, the Department was to carry out inspection of projects/ programmes at least once in six months and the Inspection Report was to indicate location of activities vis-à-vis funds spent, details of beneficiaries and likely impact of the activities on the development of horticulture in the State. No such inspection and impact assessment was conducted by the Department during 2001-08 reportedly (November 2008) due to shortage of staff.

3.2.18 Internal Control and Internal Audit

Internal controls are important to ensure that the objectives of the Department are achieved and resources are safeguarded. Under-utilization of physical and financial resources, non maintenance of basic records, non-prioritization of works, avoidable extra expenditure and incorrect and inflated reporting indicate absence of internal controls in the Department. The Department also had no Internal Audit wing. Shortage of staff was stated (November 2008) by the DOH as the main reason for absence of internal audit in the Department.

3.2.19 Conclusion

Implementation of the programme lacked proper planning and direction. The Annual Action Plans were not based on an integrated approach, consolidating the district level plans to address the issues of production, marketing, processing and export. Coordination between the implementing agencies was fragile both at the planning and implementation stages. Consequently, the objectives of the programme to provide linkages in production, post harvest management, consumption chain and value addition through employment generation remained largely unrealized. Delays in release of funds and under utilization of available funds resulted in many critical components of the mission remaining inoperational. In the absence of baseline data, performance indicators relating to area expansion programmes and its concomitant impact on production volumes of horticulture crops remains unquantifiable. Inspite of the fact that the core thrust of the mission was technology driven, precious little was contributed by the MM-I whose activity was confined to limited training and demonstration without a well orchestrated Lab to ensure technology transfer to the horticulture farmers of the State. There was little or no effort under MM-III, to offer new and applicable post-harvest technology and facilities commensurate to the needs of the horti-farmers.

3.2.20 *Recommendations*

- The State work plan/action plan must emanate from the project reports of each district consolidating the requirements under all the Mini Missions.
- The Department should ensure optimal utilisation of funds to cover all the potential areas identified under the Mission effectively.
- Post harvest management, storage facilities and market linkages should be based on accurate need-assessment of the farmers and the production plans of horticulture crops in the State.
- MSFAC needs to play a more pro-active role in monitoring the implementation of various projects under the Mini-Missions.
- The field functionaries should maintain reliable records of the beneficiaries, status of the crops, yield per unit area, return obtained etc, which would form basis for evaluation and planning.
- An effective monitoring and evaluation mechanism must be evolved to assess the performance of the different components of the Mission.

The matter was reported to the Government in June 2008; reply had not been received (November 2008).

PLANNING AND COORDINATION DEPARTMENT

3.3 Non-Lapsable Central Pool of Resources

Highlights

The Non-Lapsable Central Pool of Resources (NLCPR) was established by the GOI in 1998 with the main objective of speedy development of infrastructure in the North Eastern States. A performance review of NLCPR funded projects revealed shortcomings in planning and execution of projects, cost and time overrun, unauthorized diversion of funds, extra and excess expenditure, extension of undue financial assistance and poor financial management, which was further accentuated by inadequate review and monitoring. Significant audit findings are given below:

The State short released Rupees six crore against 23 projects.

(Paragraph 3.3.8.3)

Due to inadequate attention at the planning and preparation stage of detailed project reports, in 10 test-checked projects, there were deviations from the approved detail project reports.

(Paragraph 3.3.9.5)

Though the project under the Sarva Shiksha Abhiyan were completed on time, out of the approved amount of Rs. 12 crore, Rs. 5.35 crore constituting 45 per cent was spent towards payment of salary of teachers in contravention of the guidelines.

(Paragraph 3.3.9.3)

The prescribed tendering procedures were followed in respect of all projects except in one project, where, the work estimated at Rs. 2.62 crore was awarded to contractors without inviting tenders.

(Paragraph 3.3.9.4)

There was no production of fish seed in four Fish Farms constructed at a cost of Rs.2.05 crore

(Paragraph 3.3.9.3)

3.3.1 Introduction

The Non-Lapsable Central Pool of Resources (NLCPR) was established by the GOI in 1998 for funding specific infrastructure projects in the North Eastern Region (NER).

The broad objectives of the Scheme were to:

- ensure speedy development of infrastructure in the NER by increasing the flow of budgetary financing with projects in physical infrastructure sector receiving priority, and

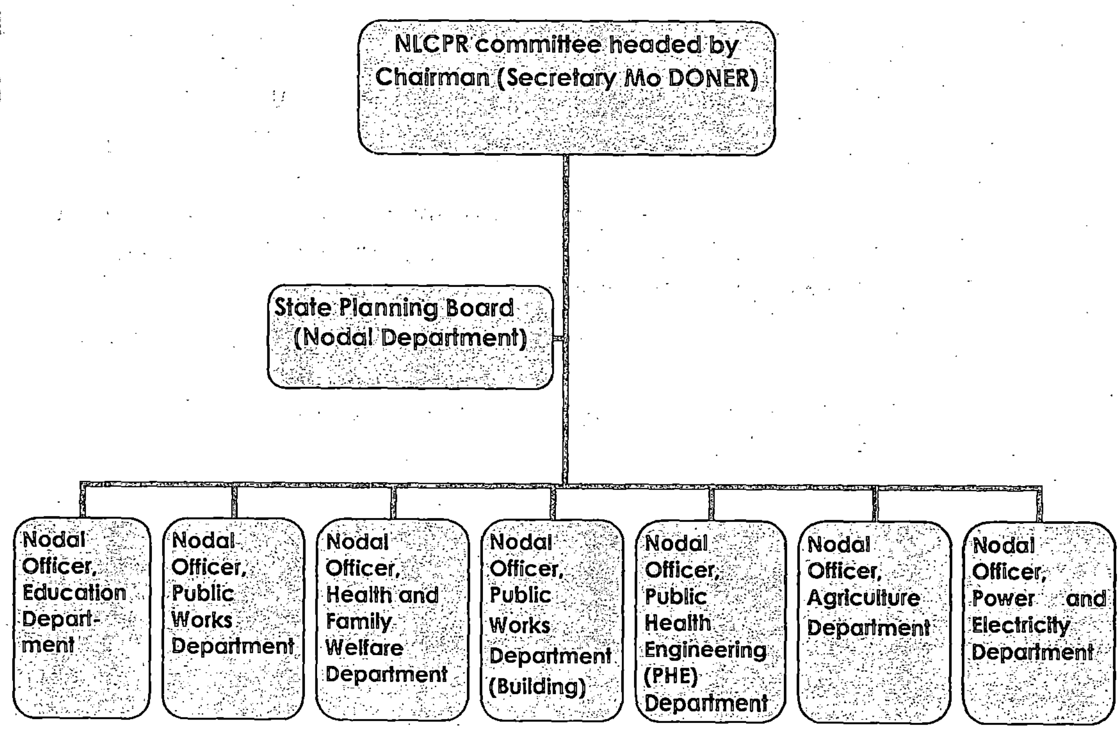
- create physical and social infrastructure in sectors like irrigation and flood control, power, roads and bridges, education, health, water supply etc.

3.3.2 *Organisational Set up*

The NLCPR scheme is administered by the 'NLCPR Committee' at the Central level. While the Secretary , Ministry of Development of North Eastern Region (MoDONER) is the Chairman , Finance Secretary, Home Secretary, Secretary of the concerned Ministry/Department, Advisor, North Eastern Region in Planning Commission, Financial Advisor, DONER, Joint Secretary in-charge of NLCPR are the members.

At the State level, the State Planning Board is the nodal Department, headed by the Commissioner Planning and assisted by Adviser & Ex-Officio Joint Secretary. At the implementing department level, the Head of the Department (HOD) of sectoral Departments are responsible for execution of the schemes. An organogram is given below:

Chart-3.3



3.3.3 *Scope of Audit*

The implementation of ten out of seventy eight NLCPR funded projects[19], approved during 2002-03 to 2007-08 in Mizoram, were reviewed in audit through a test check (May to August 2008) of the records of the State Planning Board and 11[20] other offices covering 19 *per cent* (Rs.83.03 crore) of the total expenditure of Rs.435.67 crore.

3.3.4 *Audit Objectives*

The objectives of the performance review were to assess whether:

- There was a critical assessment of infrastructural gaps while ensuring that there were no overlaps and whether the individual projects were an outcome of sound planning;
- Adequate funds were released in a timely manner and utilized for the specified purpose in accordance with the scheme guidelines;
- Projects have been executed in an efficient and economic manner and achieved their intended objectives; and
- There is a mechanism for adequate and effective monitoring and evaluation of projects.

3.3.5 *Audit Criteria*

The following criteria were used to benchmark the audit findings:

- Guidelines of the GOI in respect of NLCPR funded schemes;
- Detailed Project Reports;
- Norms for releasing funds;
- Performance indicators relevant to the sectors under which the projects were executed; and
- Prescribed monitoring mechanism;

19 (i) Sarva Shiksha Abhiyan, (ii) Infrastructure Development of Mizoram University, (iii) Construction of Out-Patient Department Block, Civil Hospital, Aizawl (iv) Construction of 6 bedded ICU at Civil Hospital, Aizawl, (v) Construction of Lungtian-Mamte via Vertek Kai road (vi) Improvement and widening of Bawngkawn to Durtlang Road.), (vii) Greater Mamit Water Supply Scheme,. (viii Construction of sub-transmission and distribution line-Lunglei Town, (ix) Evacuation of power from thermal power project at Bairabi, and (x) Establishment of eight units of Fish seed farms in Mizoram

20 (i) Chief Engineer, Public Works Department (PWD);; (ii) Engineer-in-Chief, Power & Electricity (P& E) Department; Chief (iii) Engineer, Public Health Engineering (PHE) Department; (iv) Executive Engineer, PHED, Mamit;(v) Executive Engineer, Power & Maintenance Division-1, Lunglei; (vi) Executive Engineer, Power Division, Kolasib; (vii) Executive Engineers (PWD, Roads Division) Lawngthlai, (viii) Executive Engineers (PWD, Roads Division, Saiha; (ix) Directorate of Fisheries, Mizoram; (x) State Project Director, SSA, Mission; and (xi) Director of Health Services and Hospital & Medical Education.

3.3.6 Audit Methodology

An entry conference was held in June 2008 with the Commissioner-cum-Secretary, Finance Department and other departmental officers, wherein audit objectives, criteria and scope of the review were explained. Projects were selected on the basis of random sampling method and records of all the selected projects and executing agencies were scrutinized during audit. An exit conference was held with all the Heads of the Departments and the Adviser & Ex-Officio Joint Secretary, Planning and Programme Implementation Department in November 2008 wherein audit findings were discussed and the replies of the Departments have been incorporated suitably in the relevant paragraphs.

Audit Findings

Important audit findings are discussed in the succeeding paragraphs:

3.3.7 Planning

The State Government prepared a 'Shelf' or 'Priority list' of projects to be funded through NLCPR every year during the review period. However, annual profile of projects containing comprehensive proposals and 'Gap analysis' of all the major sectors with proper justification of the list of projects fulfilling these gaps had not been prepared. The State had neither carried out a comprehensive survey to identify the infrastructural gaps nor prepared any perspective and annual plans to bridge the gaps to ensure smooth execution of the NLCPR projects. The project proposals also did not contain any concept paper denoting the expected benefits from individual projects, identification of beneficiaries etc.

Further, the project proposals did not contain the socio-economic and technical feasibility report, as prescribed in the guidelines issued by the GOI. The State also did not specify any performance indicators to measure the achievement of the projects.

3.3.7.1 Project formulation

- The State did not accord adequate attention to taking up projects in the priority sectors (Power, Roads & Bridges, Education, Health, Water Supply etc.). While three to eighteen *per cent* of the prioritized list of projects pertained to the priority sectors, 40 *per cent* projects were identified in the Miscellaneous sector, including construction of 27 market sheds, which did not form part of the developmental programmes of the State;

- There was little focus on taking up projects in the backward regions of the State, like Autonomous District Council areas.

3.3.8 *Financial Management*

3.3.8.1 *Funding pattern*

Funds under NLCPR were released by the GOI to the State Government as 90 *per cent* grant and 10 *per cent* loan. Effective from July 2004, 35 *per cent* of the project cost was released in the first installment. Release of second and subsequent installments depended upon the progress of execution of the projects. Funds released by the GOI were to be remitted by the State Government to the implementing agencies within 30 days and were to be utilized within six months, which was revised to nine months from July 2004.

3.3.8.2 *Financial position*

During 1998-99 to 2007-08, against the approved cost of Rs.631.33 crore for 78 projects, the GOI released Rs.509.78 crore out of which, Rs.435.67 crore had been spent by the State Government. Details are given in *Appendix-3.1*

In respect of the ten projects reviewed in audit, the GOI and the State Governments released Rs. 97.06 crore against the total approved cost of Rs.99.50 crore and Rs.83.03 crore was spent as of March 2008, as shown below:

Table: 3.26

(Rupees in crore)

Year	No of projects approved	Approved cost	Fund released by GOI & GOM	Expenditure	(+) Excess (-) Savings
Up to 2001-02	1	5.28	2.00	2.00	Nil
2002-03	5	24.80	6.85	5.89	(-) 0.96
2003-04	3	57.42	25.01	19.58	(-) 5.43
2004-05		0.00	18.84	14.66	(-) 4.18
2005-06	1	5.12	17.56	15.44	(-) 2.12
2006-07		6.88	16.97	19.23	(+)2.26
2007-08		0.00	9.83	6.23	(-) 3.60
Total	10	99.50	97.06	83.03	

(Source: Information furnished by the executing Departments)

The savings were mainly due to the delay in release of funds by both MoDONER and the State Government as well as the failure of the concerned executing agencies to utilize the available funds optimally, which had ultimately affected the progress in completion of the projects and denial of the intended benefit to the targeted beneficiaries.

3.3.8.3 Release of State share

- The State released Rs.2.43 crore as its share (loan) of ten *per cent* of the project cost in respect of 21 projects (approved after July 2004) as per the recommendation of the Twelfth Finance Commission (TFC), against the Central release of Rs. 61.54 crore, resulting in short release of Rs.3.72 crore, which affected the execution of the projects;
- Against the sample projects audited, the State short released Rs. 2.08 crore of its share (loan) as ten *per cent* against the project 'Infrastructure development of Mizoram University' (Rs.2.04 crore) and 'Greater Mamit water supply scheme'(Rs.0.04 crore) rendering the projects incomplete (October 2008);
- Although the GOI had released the entire amount of Rs.8.30 crore in two installments (Rs.2 crore in 2002-03 and Rs.6.30 crore in 2003-04), the State Government did not release Rs.19.77 lakh (August 2008) to the Power and Maintenance Division-I, Lunglei in respect of the project 'Construction of sub-transmission and distribution lines – Lunglei town', which resulted in the delay in completion of the project.

3.3.8.4 Release of fund by the State to the implementing Department

As per the NLCPR guidelines, funds released by the GOI must be transmitted to the executing agency/project authority by the State Government within 30 days from the date of release of funds. There was however, a delay in the release of funds by the State Government which affected the execution of the projects in the following cases:

- There was a delay in release of Rs.25.81 crore to the Mizoram University for the project 'Infrastructure development of Mizoram University' ranging from 167 days to 347 days from the date of release of funds by the GOI. Out of Rs.25.81 crore, the University released only Rs.16.64 crore to the executing agency (CPWD), which was one of the prime reasons for the delay in completion of the project.

The University accepted the audit observation.

- The GOI released the entire amount Rs.1.42 crore for the project 'Six-bedded ICU at Civil Hospital, Aizawl' in two installments in March 2003 (Rs. 60.80 lakh) and in December 2003 (Rs. 81.00 lakh). The State Government released the amount to the Directorate of Health and Medical Education (DHME) between November 2003 and January 2005 *i.e.* after a delay of eight to twenty four months.

3.3.8.5 Utilisation of funds

The Fisheries Department spent Rs.93.39 lakh towards procurement of fish seeds for stocking in rivers, but no records existed in support of the procurement of fish seeds, their distribution and utilisation. Consequently, the veracity of the expenditure remained doubtful and the possibility of misappropriation could not be ruled out.

3.3.8.6 Diversion of funds

The administrative and financial approval accorded by the MoDONER stipulated that NLCPR funds should be utilized for the purpose for which they were sanctioned and there should not be any diversion. However, an amount of Rs. 7.60 crore was diverted by the executing Departments[21] of the State towards other projects/purposes in contravention of the conditions of sanctions.

3.3.9 Project Execution

3.3.9.1 Physical and financial achievement

As per the GOI guidelines, the duration of NLCPR funded projects should not exceed three to four years. The physical and financial performance of the NLCPR funded projects in the State as of March 2008 is given in the table below:

Table: 3.27

(Rupees in crore)

Year	No. of projects approved	Approved cost	Total funds released (*per cent*)	Total funds utilised (*per cent*)	Projects completed (*per cent*)
Up to 2001-02	17	326.92	314.50 (96)	303.26 (96)	12 (71)
2002-03	15	31.22	30.96 (99)	29.26 (95)	12 (80)
2003-04	20	94.35	83.46 (88)	74.25 (89)	10 (50)
2004-05	8	4.70	4.70 (100)	4.70 (100)	8 (100)
2005-06	3	29.78	20.66 (69)	13.89 (67)	1 (33)
2006-07	8	101.08	42.02 (42)	10.31 (25)	1 (13)
2007-08	7	43.28	13.48 (31)	0.00 (0)	0.00 (0)
Total	78	631.33	509.78 (81)	435.67 (85)	44 (56)

(Source: Information furnished by the State Planning Board)

Out of 78 approved projects, 67 projects were taken up for execution and the remaining 11 projects had not been taken up as of March 2008. Forty four out of the 78 projects, representing 56 *per cent*, were completed as of March 2008. Non-completion of projects was essentially due to the delay in release of funds

[21] (1) State Project Director, SSA (Rs. 5.35 crore), (2) PWD, Building (Rs. 0.03 crore) and (3) Power Department (Rs. 2.22 crore).

to the executing agencies, non-utilisation of funds within the stipulated time and slow progress of works.

3.3.9.2 Sector wise performance of projects

Sector wise performance of NLCPR funded projects in the State as of March 2008 is given in the table below:

Table:3.28

(Rupees in crore)

Sector	No. of projects approved *(per cent)*	Approved cost	Fund released	Fund utilized *(per cent)*	Projects completed *(per cent)*
Education	9 (12)	85.09	75.68	60.29 (80)	5 (56)
Health	4(5)	53.28	52.05	47.28 (91)	2(50)
Roads & Bridges	14(18)	142.37	79.73	53.31(67)	1 (7)
Water Supply	4(5)	92.62	83.35	76.82(92)	Nil (0)
Power	9(11)	168.95	153.35	141.49(92)	3 (33)
Sports	2(3)	24.65	7.66	0.00 (0)	Nil (0)
Agriculture	5(6)	23.60	20.71	20.71 (100)	4 (80)
Miscellaneous	31(40)	40.77	37.25	35.77(96)	29 (94)
Total	**78**	**631.33**	**509.78**	**435.67(85)**	**44 (56)**

(Source: Information furnished by the State Planning Board)

It would be seen from the above table that the State accorded little attention towards infrastructure development in the core sectors like Roads & Bridges, Water Supply, Health, Power etc. There was no achievement in Water Supply and Sports sectors and marginal achievement of 33 *per cent* to 80 *per cent* in Power, Health, Education and Agriculture sectors. The performance of the State in Roads & Bridges sector was only seven *per cent* which is very low, in comparison to other sectors. Performance in the Miscellaneous sector was, however, 94 *per cent* indicating that the State Government had not given adequate priority to the development of infrastructure, as envisaged in the NLCPR.

The implementation of the ten NLCPR funded projects selected for detailed audit is discussed in the succeeding paragraphs.

3.3.9.3 Targets and achievement

The physical and financial achievements of the ten projects examined in detail are given below:

Table: 3.29

(Rupees in crore)

Name of the project	Date of approval	Appro -ved cost	Funds released	Amount utilised	Due date of completion	Physical achievement
Sarva Shiksha Abhiyan	June 2006	12.00	12.00	12.00	March 2008	Completed on time
Infrastructure development of Mizoram University	February 2004	25.00	23.13	16.47	June 2006	Not completed
Out Patient Department Block, Civil Hospital, Aizawl	March 2003	3.71	3.64	3.45	September 2005	Completed in June 2007
Six-bedded ICU at Civil Hospital, Aizawl	March 2003	1.42	1.42	1.42	March 2004	Completed on time
Construction of Lungtian-Mamte via Vartek Kai Road	October 2003	26.65	25.29	18.12	March 2006	Not yet completed
Improvement and widening of Bawngkawn Durtlang road.	March 2003	6.81	6.81	6.81	March 2004	Completed in May 2004
Greater Mamit water supply scheme	October 2003	5.77	5.34	5.33	October 2005	Not yet completed
Const. of sub-transmission and & distribution lines – Lunglei town	October 2002	8.30	8.10	8.10	October 2005	Not yet completed
Evacuation of power from thermal power project at Bairabi	February 2003	4.56	6.05	6.05	March 2004	Completed in December 2007
Establishment of Fish seed farms	January 2000	5.28	5.28	5.28	January 2004	Completed in December 2004
Total		**99.50**	**97.06**	**83.03**		

It would be seen from the above table that only two projects were completed on time. While four projects were completed with a time over run, four others were not completed as of March 2008. An analysis of all ten projects revealed the following:

- The projects under the Sarva Shiksha Abhiyan were completed on time. However, out of the approved amount of Rs.12 crore for the project, Rs.4.03 crore (34 *per cent*) was spent for the development of infrastructure, whereas Rs.5.35 crore (45 *per cent*) was spent towards payment of salary of teachers in contravention of NLCPR guidelines;

- The original estimated cost of Rs. 25 crore for 'Infrastructure development of Mizoram University' was revised (May 2006) to Rs.27.68 crore. The project remained incomplete (October 2008) even after a time overrun of 30 months from the target date of completion (June 2006), mainly due to short release of State share (loan), non release of funds by the University to the executing agency (CPWD) and slow progress in execution of works by the CPWD and the State PWD, which resulted in cost overrun of Rs.2.68 crore. Due to non completion of the project, a large number of students in the State were deprived of quality infrastructural facilities.

The University accepted the audit observation and stated that the project cost had to be revised due to the difference of cost index due to time lag between the start of the project and actual execution.

- There was a time over run of 20 months in completion of the project 'Out Patient Department Block, Civil Hospital, Aizawl' due to delay in execution. The objectives of the project for providing out patient services to the people of the State were partly achieved due to deviation of downsizing of the floor area of the OPD Block from 4265.40 Sqm to 2635.415 Sqm, which resulted in non-accommodation of 29 rooms relating to different Departments and 13 Ancillaries;

- The project 'Six-bedded ICU at Civil Hospital, Aizawl' was completed on time and the intended benefit of the ICU is being fully availed of by the people of the State;

- The project ' Construction of Lungtian-Mamte via Vartel Kai Road' remained incomplete as of October 2008 even after a lapse of 30 months from the target date of completion (March 2006) due to frequent revision of estimates and lack of monitoring and supervision of the PWD, R&B Department. Due to non completion of the project the inhabitants of the surrounding area were deprived of the intended benefit of the project;

- The project 'Improvement and widening of Bawngkawn to Durtlang road' was completed with a month's slippage from the targeted completion date. The intended benefits of the project of easing the road and pedestrial traffic had been delivered;

- The 'Greater Mamit Water Supply' scheme remained incomplete even after a lapse of three years as of October 2008 from the target date (October 2005) of completion due to improper planning of the Department in finalization of proper site for the intake point and spending of project fund towards non approved items.The project could not be put to any use and the people of the District were deprived of the intended benefit of the project;

- The project 'Construction of sub-transmission and distribution lines – Lunglei town' remained in complete (October) 2008 even after a lapse of three years from the target date of completion (October 2005) due to diversion of project funds of Rs.1.64 crore to other project /purposes. Materials worth Rs.0.77 crore were lying unutilized at site, due to fund constraint for erection against the 33/KV sub-station at Lunglei. Due to non completion of the project, the intended benefit of the project of providing steady power supply to the people of Lunglei town and improvement in Transmission and Distribution (T&D) losses and revenue earning could not be achieved.

Accepting the audit observation, the Department replied in the exit conference that the materials had been kept and would be utilized for the Lunglei sub-station.

- There was a time over run of 44 months in the completion of the project 'Evacuation of power from thermal power project at Bairabi' due to the delay in execution of the project by the contractor and diversion of Rs.32 lakh as land compensation against Terial Small Hydro Project. The intended benefit of the project of evacuation of power generated in Thermal Power Plant, Bairabi had been fully achieved by the Department.

- There was a time over run of ten months in the completion of the project 'Establishment of eight fish seed farms in Mizoram'. Against the total production capacity of 567 lakh fingerlings (@ 189 lakh fingerlings per year) the actual production of fingerlings from the eight fish seed farms during the years 2005-08 was 14.64 lakh only, representing three *per cent* production.

  There was also no production of fingerlings in four farms (*viz.* Zawlnuam, Palak, Ngengpui and Saikhawthlir) since their creation in December 2004, rendering the entire expenditure of Rs.2.05 crore incurred on setting up these farms unproductive. No effort was made by the Department to make these farms productive even after more than four years of their establishment. No reason was attributed by the Department for not having any production in these four farms.

The Department replied in the exit conference that the fish farms could not be brought under fish seed production due to non attaining the sexual maturity of the brooder and damage of crops by flood. Reply of the Department is not acceptable because brooder could be sourced from other fish farms within the State and outside. The statement of the Department is also contradictory to their earlier contention that the production in the fish farms could not be taken up due to fund constraint.

The short comings noticed in the implementation of the ten projects selected for performance audit are discussed in succeeding paragraphs:

3.3.9.4 Contract management

The implementing departments followed the codal formalities for issue of Notice Inviting Tenders and finalization of tenders for execution of the project works through contractors in respect of all the projects except against the project 'Improvement and widening of Bawngkawn to Durtlang road', where the implementing Division issued (May 2003 & February 2004) 23 work orders for Rs.2.62 crore to 22 different contractors relating to construction of seven RCC Slab Culverts (Rs.0.52 crore), fifteen Retaining Walls (Rs.1.50 crore) and pavement work (Rs. 0.60 crore) without inviting tenders in contravention of the conditions of administrative approval and section 16.1 of the CPWD Works Manual.

Accepting the audit observation, the Department replied that due to urgency, the work orders were issued without inviting tenders.

3.3.9.5 Planning and DPRs

Scrutiny of the ten projects selected for detailed examination revealed deviations from the approved DPRs, due to inadequate attention at the planning and preparation stage of detailed project reports.

(i) OPD Block at Civil Hospital Aizawl

The approved project for the OPD Block comprised of five floors *viz.* (i) Basement Floor (311.90 Sqm.), (ii) Ground Floor (729.00 Sqm.), (iii) First Floor (1073.50 Sqm.), (iv) Second Floor (1075.50 Sqm.) and (v) Third Floor (1075.50 Sqm.). The total floor area was 4265.40 Sqm and the approved cost for the Block was Rs.3.16 crore.

After the entrustment of the work, the PWD prepared an executing estimate for the building portion for Rs.2.33 crore, down sizing the floor area from 4265.40 Sqm. to 2788.70 Sqm. The work for construction of OPD Block was awarded to a local contractor in December 2003. The work which commenced in March 2004 was completed in June 2007 and handed over to the Director of Health and Medical Education (DHME), Mizoram, in September 2007.

Scrutiny of the records revealed that there was a deviation from the DPR in down sizing the floor area by 1629.99 Sqm. of the OPD Block as shown below:

Table: 3.30

Floor level	Floor area as per DPR (Sqm)	Floor area as constructed (Sqm)	Floor area (-)down sized (+)Over sized (Sqm)	Remarks
Basement-II	-----	313.50	(+)313.50	Not provided in DPR
Basement-I	311.90	461.88	(+) 149.98	
Ground Floor	729.00	480.27	(-) 248.73	
First Floor	1073.50	679.43	(-) 394.07	
Second Floor	1075.50	700.33	(-) 375.17	
Third Floor	1075.50	0.00	(-) 1075.50	Not constructed
Total	4265.40	2635.41	(-) 1629.99	

As a result of deviation from the DPR, 29 rooms relating to different Departments *viz*. Radio-Therapy, Psychiatry, Pain clinic, Surgery, Eye etc. and 13 Ancillaries could not be accommodated in the OPD Block depriving the beneficiaries of the outpatient services and ancillary facilities.

The project proposal also provided for installation of a lift in the OPD Block, Civil Hospital, Aizawl at a cost of Rs.33 lakh. However, no lift was installed rendering the facility unfriendly for the patients in general and particularly for the physically disabled, weak, ill and the aged patients.

(ii) Construction of Lungtian-Mamte via Vartek Kai Road

- In the DPR of this project, estimate was prepared for Rs.26.65 crore for construction of 61 Km road, from Lungtian to Mamte via Vartek Kai, whereas, as per the actual execution, the length of the road was only 45.67 Km. The road length shown in the estimates was inflated by 15.33 Km. costing Rs.6.90 crore, which resulted in excess mobilization of Central assistance and extra expenditure to that extent.

The Department replied that the DPR was prepared without carrying out proper ground survey and that after the sanction of the project, actual survey was carried out. It was further stated that due to grant of insufficient funds by MoDONER, the alignment of the road was altered, which resulted in reduction of road length from 61 Km to 45 Km and led to revision in the working estimate. The Department, however, should have obtained concurrence from the MoDONER before revising the estimates.

- As per the DPR, for the road length of 45.67 Km, a total of 232 Type-I (93) and Type-II (239) Slab Culverts were to be constructed. The State PWD had abandoned provision of hume pipe in all the projects since these pipes cannot cater to heavy volume of surface water during monsoon.

  However, the Divisions took up construction of hume pipe culverts against the slab culverts on grounds of economy and ease of construction and as of July 2008, Rs. 2.66 crore was incurred by the executing Divisions on construction of 98 HP culverts and 72 Amco Culverts.

  Due to construction of HP/Amco culverts in place of Slab Culverts, the cross drainage works became sub-standard, and the formation cutting collapsed at different chainages/locations. The Divisions incurred Rs.1.74 crore (Lawngtlai-Rs.1.42 crore and Saiha-Rs.0.32 crore) for the earth work /formation cutting where it collapsed.

The Department replied that HP/Amco culvert might be used where the quantity of discharge was low and in the instant project, HP/Amco culverts were used as per site condition. Reply of the Department is not acceptable as no approval was obtained from the MoDONER for revising the estimate and deviating from the DPR.

- As per the estimates of the Project, the required thickness of the pavement or crust should have been 250 mm with 100 mm WBM Grade-I, 75mm WBM Grade-II and 75mm WBM Grade-III, 20 mm premix carpet with seal coat as surfacing/wearing course. The width of the pavement was 3.30 m (3m+ 10 *per cent* for curve).

Initially work orders were issued (April 2005) to two local contractors against (0.00-11.00 Km) and (11.00-22.20 Km) involving a total cost of Rs.3.25 crore (1.61+1.64), to execute the pavement of 250 mm thickness comprising 100 mm WBM Gr-I, 75 mm WBM Gr-II and 75 mm WBM Gr-III.

The Divisions, however, compromised on the requisite technical specifications by reducing the crust thickness to 175 mm by omitting the 75 mm WBM Grade-II component. Attributing this deviation to shortage of funds, the Division modified the work orders of the two contractors (March 2006) and as of March 2008 against 55 *per cent* physical achievement, Rs.1.47 crore was paid to them. Thus, by reducing the thickness of the pavement, the load capacity of the pavement was reduced, rendering the entire pavement work sub-standard.

The Department confirmed (November 2008) the deviation and attributed it to fund constraints. The Department should have taken the approval of MoDONER for revising the estimate and deviation from the DPR.

- There was no provision for construction of any Bailey Bridge in the project proposal. However, a revised estimate was prepared (April 2005) for 17.76 crore comprising construction of 11 Bailey Bridges worth Rs.2.21 crore on different locations of the road and other items. The Divisions procured (September 2005) 11 Bailey Bridge components at Rs.1.46 crore. Subsequently, the Divisions prepared (August 2006) another revised estimate, without provision for construction of Bailey Bridges. The Bailey bridge components were lying at site (July 2008) unutilised, since September 2005, which resulted in blocking of Rs. 1.46 crore for about three years.

The Department replied that due to change of alignment of the road, necessity to construct Bailey Bridges in some places was felt and the procurement was made. However, this reply did not justify the reasons for non inclusion of the Bailey Bridges in the revised estimates nor letting the material purchased remaining idle at site. Further, no approval was obtained from the MoDONER for revising the estimates and deviation from the DPR.

- As per the estimate, against the formation cutting in respect of Mamte-Tuipui portion (0.00 -29.67 Km) executed under PWD, Lawngtlai Division, there was a provision for earth work of 3, 54, 902.75 cum.

  The Department issued (Dec 2003) work orders to six local contractors for the execution of 'formation cutting' work involving 4,43,832.33 cum of earth work for Rs.3.71 crore. The contractors started the work between December 2003 and December 2004 and executed earth work of 4,08,175 cum by March 2005 and an expenditure of Rs.3.40 crore was incurred. Three of the six contractors completed their works and final payments were also made to them.

  In May 2005 the Engineer-in- Chief and the Secretary, PWD, inspected all the works and observed that (i) all the works executed were sub-standard, (ii) the construction of road from Mamte – Thlengang (Tuipui) was particularly bad, (iii) The formation width was too small and there was no attempt to improve the curves, (iv) the existing Jeep road was simply followed and a very minimal widening work was done and (v) there was hardly any engineering contribution in the construction work. The E-in-C also observed that measurement was taken for the full width of road inspite of insufficient formation width. It was, thus, clear from the above observations that payment was made to the contractors without exercising any checks and verification of work done rendering the expenditure of Rs.3.40 crore for formation cutting infructuous. Further, due to the sub-standard formation cutting, the division had to incur an extra expenditure of Rs. 1.35 crore for re-execution of formation cutting.

The Department accepted the audit observation and stated that the sub-standard works had been rectified.

(iii) ***Greater Mamit water supply scheme***

The Department incurred an unauthorized expenditure of Rs.37.64[22] lakh towards items not provided in the project proposals. Had the Department utilized this amount towards the execution of essential components, with proper planning, the project could have been completed much earlier.

Accepting the audit observation, the Department stated (November 2008) that the deviations had been made without obtaining the approval from the higher authorities to complete the scheme and approval from the higher authority will be taken after completion of the scheme.

[22] **Total Rs.37,63,501** :-RCC Clear Water Sump- Rs. 5, 60, 903; Main Reservoir & Zonal tank-10, 45,775; Electro Chlorinator - Rs.11, 95, 000; Back Wash Tank – Rs. 98, 780; Canopy for DG Set -Rs. 8, 63, 043;

3.3.9.6 *Overlapping of construction of Kitchen Sheds*

Out of 99 Kitchen Sheds (Rs.35.64 lakh) constructed in different schools, 14 Kitchen Sheds (Rs.5.04 lakh) in four districts were shown as constructed in those schools, where Kitchen Sheds had already been constructed under the Mid-day Meal Scheme. Consequently, the genuineness of the construction and the expenditure of Rs.5.04 lakh remained doubtful.

The Department assured that necessary action would be taken in this regard.

3.3.10 *Incorrect reporting in Quarterly Progress Reports (QPRs)*

Cases of incorrect reporting by the implementing agencies in the QPRs are discussed below:

- Against the actual achievement of 68 *per cent* (as per the records of the executing Division) in respect of the project 'Construction of Lungtian-Mamte via Vartek Kai road' as of August 2008, the Engineer-in-Chief, PWD, recorded (November 2007) 97 *per cent* physical completion of the project and *100 per cent* utilization of Rs. 25.29 crore, although, Rs.7.18 crore was lying unutilized under PW Deposit;

- Although the PHE Department could not complete installation of pumps and construction of approach road and could not even take up construction of building and fencing against the project 'Greater Mamit water supply scheme', 100 *per cent* completion was shown against installation of pump, construction of approach road and building and 40 *per cent* completion against the fencing in the QPR. Incorrect expenditure was also shown against each of the components of the project in the report submitted to the GOI.

Accepting the audit observation, the Department replied in the exit conference that the sanction wise expenditure was shown against the items in the QPR to avoid un-necessary queries.

- The project 'Sub-transmission and distribution lines, Lunglei town', was stated to have been completed by the Department in its periodical report. However, there was no physical achievement in the construction of 33/11 KV Sub-Station at Lunglei.

3.3.11 *Monitoring and Evaluation*

NLCPR guidelines prescribed the following measures for monitoring and evaluation of various projects sanctioned under the scheme:

- Chief Secretary of the State should hold quarterly review meeting to review the progress of implementation of the ongoing projects and send reports to MoDONER;

- State would get the project field inspected periodically and send the inspection report to MoDONER regularly. A set of such inspection reports for the projects inspected during the quarter in question should be enclosed with the Quarterly Review report.

However, no such meetings were held during the years under review and in the absence of such periodic review meetings and inspections, the actual monitoring and implementation of the programme remained ineffective.

3.3.12 Conclusion

The objectives of NLCPR funding have not been achieved in the State, as over 56 *per cent* of the approved projects since inception of the scheme, remained incomplete as of March 2008. Infrastructural gaps were not identified clearly and priority was accorded to non-critical and miscellaneous sectors rather than the developmental and infrastructure sectors. The State Planning Board confined its role to endorsing the project proposals submitted to it rather than screening the proposals with regard to their need, techno-economic feasibility and the intended benefit. Consequently, there were several deviations from the approved DPRs. Fund management was poor and affected the timely execution of projects. Monitoring and supervision was inadequate, leading to time and cost overrun in several projects and diversion of funds.

3.3.13 Recommendations

- The State Planning Board (Nodal Department) should be more proactive in scrutinizing the project proposals submitted by the Departments and other agencies eligible to receive grants from NLCPR;
- The Nodal Department should ensure post completion checks especially with reference to the utility and impact assessment of all the projects so as to obviate abandonment / non-utilisation of infrastructure created;
- Stringent inspection of all on-going projects should be carried out regularly to avoid extra expenditure, and to ensure timely utilization of funds and derivation of benefits; and
- Monitoring and internal control mechanism should be more effective to ensure that intended benefits are derived by the Society/targeted population and scarce funds are not misutilised.

The audit findings were reported to the Government (September 2008); reply had not been received (November 2008).

CHAPTER-IV

AUDIT OF TRANSACTIONS

CHAPTER - IV

Avoidable/Extra/Infructuous Expenditure

LOCAL ADMINISTRATION DEPARTMENT

4.1 Avoidable expenditure

Failure in timely repayment of loan resulted in avoidable expenditure of Rs. 60.65 lakh towards payment of compound interest.

To meet the resource gap in implementing the Housing Schemes in the State, the Local Administration Department (LAD) had been securing loans from the Life Insurance Corporation of India (LIC). The terms *inter alia* required that the borrower pays interest to the LIC on the general loan and repays the principal through half yearly instalments due on 15th of May and November each year. If any instalment of interest or principal remained unpaid on the due date, compound interest was to be paid at the prescribed rates (computed from the respective due dates).

Scrutiny of the records of the Directorate of LAD revealed that against the total loan obtained since 1989, there was an outstanding balance of Rs. 276.76 crore as of November 2005, of which, the Department was to repay the principal amount of Rs. 6.42 crore with accrued interest of Rs. 11.65 crore by November 2005. However, due to non-payment of dues on the scheduled date, the LIC levied a compound interest of Rs. 60.65 lakh in addition to the accrued interest of Rs. 11.65 crore. The Department obtained (February 2006) the formal expenditure sanction from the State Government and released (March 2006) Rs. 18.68 crore (Principal Rs. 6.42 crore, interest Rs. 11.65 crore and compound interest of Rs. 60.65 lakh to the LIC in March 2006.

Thus, failure in timely repayment of loan resulted in an extra expenditure of Rs. 60.65 lakh from the public exchequer, which could have been avoided had the Department repaid the loan on time.

The Director, LAD attributed (November 2007) the delay in repayment to non-receipt of drawal permission from the Government. The State Government stated (April 2006) that with the improvement of financial position, the Government would be in a position to make timely repayment of loans so as to avoid payment of penal interest in future.

RURAL DEVELOPMENT DEPARTMENT

4.2 Excess expenditure

The Department incurred an excess expenditure of Rs. 17.39 lakh due to release of inadmissible assistance for sanitary latrines and smokeless chulhas.

Pradhan Mantri Gramodaya Yojana – Grameen Awaas (PMGY-GA) was implemented in the State by the Rural Development Department (RDD) based on the guidelines prescribed for the implementation of Indira Awaas Yojana (IAY) by the GOI. Funds under the programme were provided by the GOI under the rural housing component of the Annual Plans of Mizoram.

As per the IAY guidelines, with effect from April 2004 the unit cost of construction of houses to be paid to the beneficiaries in hilly areas is Rs. 27,500 including the cost of sanitary latrine and smokeless chulha. In case the beneficiary is unable to construct sanitary latrine and smokeless chulha due to some reasons, an amount of Rs. 600 and Rs. 100 respectively was to be deducted from the assistance to be provided.

Scrutiny of the records of the Directorate of Rural Development (March 2008) revealed that during 2005-06 and 2006-07 the Department constructed 2,484 new houses under PMGY-GA at a cost of Rs. 6.83 crore without constructing any sanitary latrine and smokeless chulha. No deduction was, however, made from the assistance provided to the beneficiaries under the programme for non-construction of sanitary latrine and smokeless chulha at the prescribed rates.

Thus, due to release of the full unit cost at Rs. 27,500 for construction of 2,484 new houses at Rs. 6.83 crore, the Department incurred an excess expenditure of Rs. 17.39 lakh (Rs. 700 X 2,484 houses). Had the Department deducted the inadmissible assistance of Rs. 17.39 lakh at least 63 more beneficiaries could have been provided with new houses at Rs. 27,500 each.

The Director, RDD stated (February 2008) that since the approved amount for construction of new houses was inadequate, it was impossible to include all the provisions prescribed in the guidelines. He, however, assured that in future, provision for sanitary latrine and smokeless chulha would be made.

The reply is not acceptable, as the unit cost of construction was revised in April 2004 considering the constraints in hilly areas. If there was a further constraint, the Department should have taken up the matter with the GOI for relaxation of norms.

The matter was reported to the Government (June 2008); reply had not been received (November 2008).

EDUCATION DEPARTMENT

4.3 Excess cost estimation of works

The School Education Department earned Rs. 33 lakh on departmentally executed works due to excess cost estimation, which was inadmissible.

The Schedule of Rates (SOR) 2003 prepared by the State Public Works Department is computed on the basic rates of material and labour based on the market rates and it includes the contractor's profit at 10 *per cent*. The element of 10 *per cent* contractors profit is inadmissible in case of departmental execution of civil works and thus, detailed estimates for departmental execution of works are to be prepared after deducting 10 *per cent*.

Scrutiny (May 2008) of the records of the Director of School Education, Aizawl revealed that the Department prepared (2006-07) detailed estimates for construction of Kitchen sheds at an estimated cost of Rs. 0.60 lakh each, based on SOR 2003, which includes 10 *per cent* contractor's profit. As the works were to be executed departmentally, the inclusion of 10 *per cent* contractor's profit in the detailed estimates resulted in inflated cost estimation per unit to the extent of Rs. 5,455.

The Department constructed 611 kitchen sheds during 2006-08 departmentally, at a cost of Rs. 3.67 crore, which included Rs. 33 lakh on account of inclusion of 10 *per cent* contractor's profit which was not admissible.

The matter was reported to the Government (July 2008); reply had not been received (November 2008).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4 Construction of Sub Centres

The Department spent Central assistance of Rs. 6.56 crore on construction of Sub Centres which were located in Government buildings contrary to the instructions of NPCC.

The State Mission, National Rural Health Mission (NRHM), Mizoram under the Health and Family Welfare Department submitted a proposal (March 2006) for construction and maintenance of 130 Sub Centres (SCs) @ Rs. 7.28 lakh each to the National Programme Coordination Committee (NPCC) at the Union Ministry of Health and Family Welfare. The NPCC approved the proposal for construction of SCs, where these were housed in non-Government buildings and released (December 2006) Rs. 7.80 crore for the purpose.

During 2007-08, the Mission Director, NRHM incurred an expenditure of Rs. 6.56 crore on construction of 145 SCs cum quarters. Since all these SCs were housed in Government buildings, the expenditure of Rs.6.56 crore was in contravention of the norms/guidelines of the GOI. The unspent balance of Rs. 24 lakh remained idle in the bank.

While the Mission Director confirmed (May 2008) that all the 366 SCs in the State are housed in Government buildings, the Department stated (November 2008) that a number of SCs constructed voluntarily by the communities and handed over to the Government, were in a dilapidated state and due to the financial constraints of the State Government, the NRHM funds were utilised for their repairs.

The reply is not in conformity with the GOI instructions and the approved Programme Implementation Plan.

The matter was reported to the Government in October 2008; reply had not been received (November 2008).

ENVIRONMENT AND FOREST DEPARTMENT

4.5 Infructuous expenditure.

The Environment and Forest Department incurred a wasteful expenditure of Rs. 15.46 lakh towards the cost and transportation of 44,197 damaged seedlings.

The Conservator of Forests, Central Circle, Aizawl as the Nodal Officer of Bamboo Plantation, initiated action (March 2006) for experimental plantation of Phyllostachys Pubescens (Mosso) bamboo seedlings (@ 50 hectares each in Kolasib, Champhai and North Vanlaiphai Forest Divisions) in 150 hectares. The Department advanced Rs. 7.50 lakh during 2005-06 for the supply of 50 thousand Mosso seedlings (@ Rs. 15 per seedling) to the Institute of Himalayan Bio-Resource Technology (IHBT) Palampur, Himachal Pradesh. Further, Rs. 10 lakh (@ Rs. 20 per seedling) was incurred on transportation of these seedlings from Palampur to Aizawl. The seedlings were collected by the Department during 2006-08.

The survival of tissue cultured Mosso bamboo seedlings depends on the extent of hardening of the seedlings in the Nursery beds. The Divisional Forest Officer (DFO), Resource Survey-Cum-Silviculture Research Division (RSCSR), Aizawl was responsible for ensuring proper procurement and hardening of the seedlings before their distribution for final plantation by the concerned Forest Divisions in their experimental sites.

Scrutiny (March 2008) of the records of the DFO (RSCSR) revealed that almost all the 28,000 seedlings (63 seedlings survived) transported from Palampur to Aizawl were damaged *enroute* despite the presence of a departmental official, tasked with the safe transportation of seedlings while in transit. Subsequently, in 2007-08 only 5,740 seedlings out of a total 22,000 seedlings comprising the second and final consignment survived. This was inspite of the near total failure of the previous year consignment and the specific instruction of the Conservator of Forests (Central Circle) for safe handling of the seedlings in wooden containers and moisture retention schedule in transit. As a result, the DFO (RSCSR), Aizawl succeeded in hardening only 63 seedlings out of 28,000 seedlings collected during 2006-07 and 5,740 seedlings out of 22,000 seedlings collected during 2007-08.

Thus, due to the inefficient management of the project by the Department right from the procurement stage, the proposed experimental plantation of Mosso bamboo seedlings in the State could not take off as intended, with consequential wasteful expenditure of Rs. 15.46 lakh.

The Government while accepting the fact stated (September 2008) that inspite of all possible efforts undertaken for safe transportation of the seedlings, the experiment could not achieve the desired result.

PUBLIC WORKS DEPARTMENT

4.6 Excess payment towards formation cutting.

The Department made excess payment of Rs. 55.70 lakh in formation cutting work under 'Improvement and Widening of Bawngkawn – Durtlang Road'.

The work 'Improvement and Widening of Bawngkawn to Durtlang Road', a MoDONER funded project, was administratively approved (August 2003) by the Government of Mizoram at an estimated cost of Rs.6.81 crore and technical sanction was accorded by the Chief Engineer, Public Works Department (Building) in October 2003. The estimate provided *inter alia* execution of earth work for widening the existing 2.28 Km (2228 RM) road. The formation cutting work commenced in August 2003 and was completed in March 2004 at a total cost of Rs.1.08 crore.

Scrutiny of the records revealed that the work orders for widening of a total length of 1640 RM of the road falling under different chainages from 0 to 2.130 KMP were awarded (August 2003) to 19 contractors without inviting tenders in contravention of the conditions of the administrative approval and section 16.1 of the CPWD Works Manual.

Payment of Rs.1.08 crore was made to 19 contractors against the total excavation of 34851.525 cum (ordinary soil- 1971.74 cum, hard soil- 5510.68 cum, soft rock -13847.85 cum, hard rock - 13521.255 cum) of earth work where 2839.79 Kg of special gelatin was used.

As per the standard norms, 0.250 Kg and 0.390 Kg of special gelatin was required for excavation of one cum of soft rock and hard rock respectively. Under this norm, with 2839.79 Kg of special gelatin, only 7281.51 cum (2839.79/0.390) of hard rock could be excavated, leaving the balance 6240.04 cum (13521.55-7281.51) hard rock and the entire soft rock excavated without utilizing special gelatin.

Even if it was assumed that 6240.04 cum hard rock and the entire quantity of 13847.85 cum soft rock were deemed as hard soil, payment should have been as follows:

Table: 4.1

Classification of soil	Rate per cum Rs.	Actually Paid Volume (cum)	Actually Paid Amount (Rs. in lakh)	To be paid Volume (cum)	To be paid Amount (Rs. in lakh)	Difference (+) Excess (-) Less
Ordinary soil	53.20	1971.74	1.05	1971.74	1.05	Nil
Hard soil	66.50	5510.68	3.66	25598.57*	17.02	(-) 13.36
Soft rock	313.53	13847.85	43.42			(+) 43.42
Hard rock	410.93	13521.25	55.56	7281.51	29.92	(+) 25.64
Total			103.69	34851.82	47.99	55.70

(5510.68 + 6240.04 + 13847.85 cum)*

Thus, the actual expenditure should have been Rs. 0.48 crore instead of Rs. 1.04 crore.

The Department stated (November 2008) that since this stretch of road runs within the city, there were some residential areas alongside it, which obviated the use of explosives and the work of formation cutting had to be executed by chiseling and that this led to a reduction in the use of explosives. The Department contended that as payment was made as per the approved rate, it actually saved the Government an extra expenditure. The reply is not acceptable, since all claims of work done by the contractors were made on the basis of the use of explosives only and payments were released on that basis. There was no reference to the works executed on the basis of chiseling either in the records furnished to audit, or from the claims preferred by the contractors.

The matter was reported to the Government (October 2008); reply had not been received (November 2008).

4.7 Infructuous expenditure

Execution of works without proper survey resulted in infructuous expenditure of Rs. 20.09 lakh.

Up-gradation of the existing Bairabi - Zamuang Road (Other District Road) 0 – 30 km to State Highway was administratively approved by the North Eastern Council in October 2004 and by the Government of Mizoram in February 2005 at a cost of Rs. 33.91 crore. The technical specifications on the formation cutting works were to be formulated in conformity with the Rural Road Manual (RRM). Technical Sanction was accorded in February 2005 for Rs. 30.23 crore.

Scrutiny (January 2007) of the records of Kawrthah Division revealed that formation cutting works from 25 km to 28 km was awarded to a contractor at Rs. 32.31 lakh. The work commenced in January 2005. Between January and

August 2005, the Division recorded execution of works valued at Rs. 20.09 lakh from 25 to 27.50 km and the contractor was paid Rs. 20.09 lakh between March and August 2005.

Subsequently, the alignment of the road from 25 to 28 km was changed by the Chief Engineer (March 2005) in order to achieve the ruling gradient as per the specification of RRM. The contractor was paid another Rs. 42.58 lakh between March and July 2006 for executing the work in accordance with the new alignment.

Thus, due to change of alignment, necessitated due to the non-compliance with the specifications prescribed in the RRM initially, execution of the work worth Rs. 20.09 lakh for the original alignment became infructuous.

The matter was reported to the Government (April 2007); reply had not been received (November 2008).

Locking up/Diversion of fund

TOURISM DEPARTMENT

4.8 Diversion of Central assistance

Tourism Department diverted Central assistance of Rs. 40 lakh meant for construction of Tourist lodge at Tuidam.

Tuidam, a town situated in the western part of Mizoram bordering Tripura, attracts a large number of tourists, as it is an important trade centre, and the town is surrounded by scenic natural forests. As the town lacked proper lodging facilities, the Tourism Department decided to construct a Tourist lodge at Tuidam (September 1999) and submitted a project proposal to the GOI.

The Union Ministry of Tourism accorded (December 1999) administrative approval for construction of the proposed tourist lodge at Tuidam at an estimated cost of Rs. 56.21 lakh (Central assistance Rs. 40 lakh and State share Rs. 16.21 lakh) under the tourist infrastructure development scheme and released the Central assistance of Rs. 40 lakh[1] in three installments.

Scrutiny (September 2007) of the records of the Director of Tourism (DoT) revealed that instead of constructing the tourist lodge at Tuidam, the

[1]. Rs. 12 lakh in December 1999, Rs. 20 lakh in December 2001 and Rs. 8 lakh in September 2002

Department diverted (1999-2003) the entire Central assistance for construction of a multi-storied building within the complex of the present tourist lodge at Chaltlang, Aizawl. To secure the release of the Central assistance, the Department submitted (August 2002) false utilisation certificate (UC) to the Government of India claiming completion of the tourist lodge at Tuidam at a total cost of Rs. 56.21 lakh.

Thus, due to diversion of funds released by the Centre, the main objective of infrastructural/tourism development at Tuidam was undermined.

While accepting the facts, the DoT stated (September 2007) that at the time of commencement of work, the Department encountered problems relating to the selection of a suitable site at Tuidam and subsequently a high level committee decided to divert the fund. The reply of the Department does not absolve the State Government from diverting the Central assistance without the approval of the Union Ministry of Tourism and furnishing a false UC.

The matter was reported to the Government (July 2008); reply had not been received (November 2008).

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.9 Idle stock in stores

There was an idle stock in stores valued at Rs. 3.09 crore for eight to 23 years.

The Executive Engineer, Stores Division, Public Health Engineering Department (PHED), Aizawl was responsible for procurement and distribution of stores to various Divisions based on the need assessment made by each Division. This centralised procurement system was discontinued (July 2002) and subsequently the Division was renamed as Ground Water and Quality Control Division (July 2002). Thereafter, stores were procured directly by the respective Divisions. The Department did not take effective steps for the utilisation of the huge stock of existing stores, which were procured prior to 2002.

Rule 103 of the General Financial Rules (GFR) provides that purchase of stores shall be made in accordance with definite requirements and care shall be taken not to purchase stores much in advance of actual requirement, if such purchase is likely to prove unprofitable to Government.

Scrutiny (March 2008) of the records of the Ground Water and Quality Control (GWQC) Division revealed that as of February 2008 the Division had retained a stock balance of 312 items amounting to Rs. 3.09 crore (at issue rates) which were procured between November 1985 to August 2001. The GWQC Division had not taken action for distribution of the stock (G.I pipes, sockets, nipples, bend etc.), which was hitherto procured on the placement of demand by the other PHE divisions resulting in retention of idle stock in store. Further, the Division had not conducted any physical verification and steps were also not taken for disposal of stores, if any, through auction or write off.

Thus, failure of the division to take stock of stores, and their utilisation / disposal and inaction in identifying the unserviceable items and their disposal through auction resulted in idle stock, thereby locking of Government funds to the tune of Rs. 3.09 crore for a period ranging from 8 to 23 years.

The matter was reported to the Government (July 2008); reply had not been received (November 2008).

Regularity issues and other points

General

4.10 Follow up of Audit Reports

Non-submission of *suo-moto* Action Taken Notes

With a view to ensuring accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Public Accounts Committee (PAC), issued (May 2000) instructions for submission of *suo moto* replies on all paragraphs and reviews featured in the Audit Report within three months of its presentation to the legislature. For submission of the action taken notes (ATNs) on its recommendations, the PAC provided six months time.

Review of follow up action on submission of *suo moto* replies and of ATNs as of 31 October 2008 on paragraphs included in the Reports of the Comptroller and Auditor General of India disclosed that the Departments of the State Government had not submitted *suo moto* replies to twenty-two paragraphs and six reviews featured in the Audit Reports for the years 2005-06 and 2006-07, as mentioned below:

Table: 4.2

Year of Audit Report	Date of presentation of the Audit Report to the Legislature	Number of paragraphs/reviews included in the Audit Report (excluding standard paragraphs)	Total number of paragraphs and reviews for which *suo moto* explanatory notes are awaited	Number of Departments
2005-06	29-3-2007	19	18	8
2006-07	1-4-2008	10	10	5
Total		29	28	13

(Source: Legislative Assembly secretariat)

Thus, due to the failure of the respective Departments to comply with the instructions of the PAC, the objective of ensuring accountability of the executive remained unfulfilled.

4.11 Failure of senior officials to enforce accountability and protect the interest of Government.

Accountant General (AG) (Audit) conducts periodical inspection of Government Departments to test check the transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by Inspection Reports (IRs) issued to the Heads of Offices inspected, with a copy to the next higher authorities. Rules/orders of the Government provide for prompt response by the Executive to the IRs issued by the AG to ensure corrective action in compliance with the prescribed rules and procedures and accountability for the deficiencies, lapses, etc., noticed during his inspection. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the AG. Serious irregularities are also brought to the notice of the Head of the Department by the Office of the AG. Half-yearly reports are sent to the Secretaries to the Department to facilitate monitoring of the audit paragraphs in the pending IRs and respond to the same.

A review of IRs issued during 1993-2008 revealed that out of 257 paragraphs relating to 42 IRs, 57 paragraphs were settled through the Audit Committee meetings during 2005-07 and 200 paragraphs remained outstanding as of March 2008.

CHAPTER-V

INTEGRATED AUDIT

5.1 Integrated Audit

CHAPTER - V

HEALTH AND FAMILY WELFARE DEPARTMENT

5.1 Integrated audit

Highlights

Integrated audit of the Health and Family Welfare Department revealed poor budget, accounting and procurement procedures and non-implementation of various Centrally Sponsored Schemes. Some of these are highlighted below:

The Directorate of Hospital and Medical Education parked funds amounting to Rs. 2 crore in Civil Deposit for periods ranging from 4 to 30 months.

(Paragraph 5.1.8.1)

An amount of Rs. 30 lakh was drawn for electrification of buildings and fencing works, out of which, only 2.17 lakh was utilised for water connection, while the balance amount remained unaccounted for.

(Paragraph 5.1.10.1)

Unauthorised disbursement of Rs. 42.44 lakh led to probable misappropriation of funds by the Deputy Director (Nursing).

(Paragraph 5.1.10.1 (ii))

The Directorate of Hospital and Medical Education disbursed Rs. 16.59 lakh to a New Delhi based firm before issue of formal supply order and without ensuring delivery of stores.

(Paragraph 5.1.10.2)

5.1.1 Introduction

The Health and Family Welfare (H&FW) Department is responsible for extending medical care to all the citizens of the State and implementation of various health care schemes/programmes of the State and Central Governments.

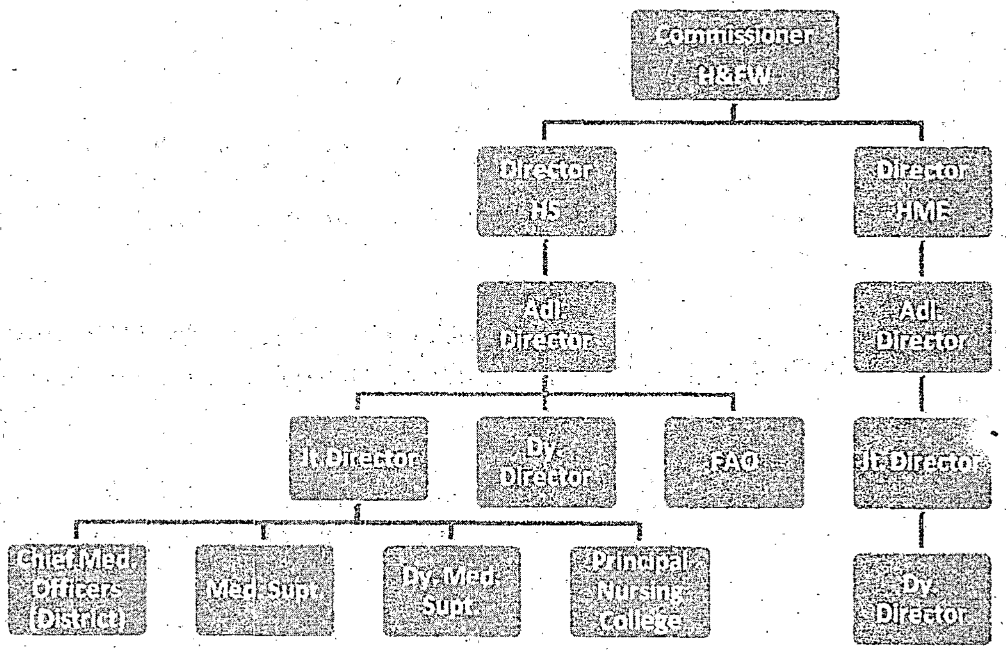
The integrated audit of the Department involved examination of the efficiency and economy in its functioning and significant activities against the backdrop of its mandate and policies.

5.1.2 Organisational Set up

The Commissioner and Secretary is the administrative head of the Department. The activities of the Department are managed through two separate Directorates *viz.* Directorate of Health Services (DHS) and Directorate of Hospital and Medical Education (DH&ME) with the respective Director as the head of the Department. The Directors are assisted by Additional Directors, Joint Directors, Deputy Directors, Research Officers (Planning) and Finance & Accounts Officer (FAO) at Directorate level. At the district level, Chief Medical Officers (CMOs) and Superintendents of the District Civil Hospitals are the chief functionaries. A three tier structure is established to extend health care facilities to the entire population of the State, especially in rural areas.

The organisational structure of the Department is shown in the Chart below:

Chart – 5.1



5.1.3 Scope of Audit

The audit was conducted during June – August 2008 through a test check of the records of the administrative Department of H&FW, two Directorates (Directorate of Health Services and Directorate of Hospital & Medical Education) and seven[1] out of 19 DDOs in the eight districts in the State covering the period of 2005-2008.

[1] CMO – Aizawl East, Aizawl West, Kolasib and Lunglei; Medical Superintendent – Aizawl Civil Hospital, Principal (Nursing) Aizawl, Dy. Medical Superintendent – Kolasib.

5.1.4 Audit Objectives

The objective of integrated audit was to assess the performance of the Department on the following parameters:

- Financial management
- Planning and programme management
- Human resource management
- Effectiveness of internal control mechanism
- Monitoring.

5.1.5 Audit Criteria

The following criteria were used to arrive at audit conclusions:

- General Financial Rules
- Central Treasury Rules
- Delegation of Financial Power Rules.

5.1.6 Audit Methodology

Before taking up the integrated audit, an entry conference was held (May 2008) with the officers of the two Directorates wherein audit objectives, scope and criteria of audit were discussed. Apart from an analysis of the accounts and transactions of the Department, audit of the vouchers in the voucher level computerisation system of the office of the AG (A&E) was carried out to arrive at audit conclusions. Audit findings were discussed with the officers of the Department in the exit conference (November 2008) and replies of the Department have been incorporated in the report at appropriate places.

Audit Findings

Significant audit findings are discussed in the succeeding paragraphs.

5.1.7 Planning

In addition to the implementation of the National Health Policy of 'Health for all' to extend medical care to all the citizens from the grass root level, the Department implemented various health care schemes/programmes of the State and the Central Governments. However, the Department did not prepare any Perspective Plan or Annual Action Plans indicating long and short term strategies to achieve its overall objective of Health for all.

5.1.8 Financial Management

The State Government has not prescribed any budget manual of its own for formulating budget proposals. The Department thus, followed the prescribed procedures in the General Financial Rules (GFR) for formulating budget.

However, the annual budget estimates of the Department were prepared on the basis of the total outlay fixed by the Government without obtaining inputs from the field offices except for the salary component.

The budget estimates of the Department, therefore, were unrealistic and resulted in substantial savings every year as shown in Table below:

Table – 5.1

(Rupees in crore)

Year	Sector	Budget Provisions			Actual Expenditure			(+) Excess (-) Saving
		Dt. of Health services	Hosp. & Medl. Edn.	Total	Dt. of Health services	Hosp. & Medl. Edn.	Total	
2005-06[2]	Non Plan	-	-	33.76	-	-	30.24	(-) 3.52
	Plan	-	-	36.49	-	-	33.48	(-) 3.01
	CSS/CPS	-	-	14.54	-	-	10.74	(-) 3.80
	NEC	-	-	1.59	-	-	1.53	(-) 0.06
2006-07	Non Plan	17.89	12.23	30.12	17.82	12.31	30.13	(+) 0.01
	Plan	21.80	17.91	39.71	21.80	17.88	39.68	(-) 0.03
	CSS/CPS	10.80	1.59	12.39	10.80	1.44	12.24	(-) 0.15
	NEC	-	0.91	0.91	-	0.91	0.91	-
2007-08	Non Plan	26.01	16.84	42.85	26.01	16.84	42.85	-
	Plan	18.77	23.49	42.26	18.76	23.49	42.25	(-) 0.01
	CSS/CPS	13.60	0.09	13.69	13.29	0.09	13.38	(-) 0.31
	NEC	-	10.00	10.00	-	10.00	10.00	-
	Total	**108.87**	**83.06**	**278.31**	**108.48**	**82.96**	**267.43**	

Source – Departmental records

As can be seen from the above details, the Department could not utilise the funds allocated, especially during 2005-06. The savings are more pronounced under Centrally Sponsored Scheme (CSS), indicating that the Department could not implement these schemes on a timely basis.

The Department had invariably not surrendered the anticipated savings on time to enable the Finance Department to effect re-appropriation to other Departments in need of additional funds.

The Department stated (November 2008) that savings occurred due to non-receipt of administrative approval from the Government in respect of some anticipated expenditure. The fact, however, remains that there were huge savings year after year in the provision especially for CSS. Further, the amounts shown to have been expended during the above mentioned periods were actually expended after delays ranging from 4 to 30 months as discussed below:

[2] Expenditure for the year 2005-06 was consolidated for the Directorate of Health Services and Directorate of Hospital & Medical Education against the budget provision without recording separate figures for the two Directorates.

5.1.8.1 Drawal of funds without immediate requirement

According to the prescribed Financial Rules, money should be drawn from the Treasury only for immediate disbursement. Contrary to the codal provisions, the DH&ME drew the following funds during March 2003 to March 2007, to avoid the lapse of budget grant and parked the amount in Civil Deposit for periods ranging from 4 to 30 months.

Table -5.2

Particulars of drawal			Month of deposit	Final withdrawal (Month)	Duration of blocking (Months)
Month of drawal	Amount (Rs. in lakh)	Purpose			
March '03	6.85	Purchase and installation of incineration at Lunglei	March '03	Sept. 2005	30
March'04	13.66	Construction of brachy building	March '04	Oct. 2005	19
March'04	10.59	Purchase of I.V. Ventilation	March '04	Oct. 2005	19
February'05	8.37	Purchase of surgical suture and dressing materials	March '05	Aug. 2005	5
March'05	7.75	Purchase of incinerator	March '05	March 2006	12
March'05	14.85	Purchase of baby incubator	March '05	Oct. 2005	7
March'05	29.14	Purchase of Cobalt line and source	March '05	July 2005	4
March'05	5.00	Purchase of Bilirubirometre	March '05	Aug. 2005	5
March'05	5.00	Pro-rata contribution	March '05	July 2005	4
March'06	49.80	Construction of Trauma Centre, Serchhip	March '06	March 2007	12
March '06	49.80	Construction of Trauma Centre, Kolasib	March '06	July 2006	4
Total :-	200.81				

Source: - Departmental records

Parking of funds in Civil Deposit not only meant delays in execution and flow of funds for the purpose for which it was provided, it also entailed the risk of diversion of funds later drawn from the Civil Deposit, by the programme managers.

5.1.8.2 Variation in expenditure reported to the Government

For the purpose of control of expenditure, the Department is required to report its expenditure to the Government (Finance Department) to enable it to watch the flow of expenditure against the sanctioned Grants/Appropriation for which it is accountable to the State Legislature.

The year wise Departmental expenditure reported to the Finance Department and expenditure reconciled with the Accountant General (A&E) during 2005 - 08 is given below:

Table –5 3

(Rupees in crore)

Year	Major Head	Expenditure reported to Govt.	Expenditure reconciled with AG (A&E)	Variation (+) Excess (-) Less
2005-06	2210-NP	28.78	29.80	(-) 1.02
	2211-NP	0.48	0.44	(+) 0. 04
	2210-Plan	31.70	32.35	(-) 0.65
	2211-Plan	1.09	1.13	(-) 0. 04
	2210-CSS/CPS	2.50	4.26	(-) 1.76
	2211-CSS	5.67	6.48	(-) 0.81
2006-07	2210-NP	17.62	29.76	(-) 12.14
	2211-NP	0.17	0.37	(-) 0.20
	2210-Plan	21.09	38.46	(-) 17.37
	2211-Plan	0.71	1.22	(-) 0.51
	2210-CSS/CPS	3.31	4.74	(-) 1.43
	2211-CSS	7.49	7.49	-
2007-08	2210-NP	25.79	42.70	(-) 16.91
	2211-NP	0.15	0.15	-
	2210-Plan	17.87	40.71	(-) 22.84
	2211-Plan	0.92	1.54	(-) 0.62
	2210-CSS/CPS	0.21	0.27	(-) 0.06
	2211-CSS	13.18	13.11	(+) 0.07

Source: Departmental records

There were huge variations between the actual expenditure reported to the Finance Department and the expenditure reconciled with the records of the Accountant General (A&E). For instance, as can be seen at Table – 2 above, the variance in expenditure reported to the Government was as high as Rs. 17.37 crore and Rs. 22.84 lakh for Non-Plan and Plan expenditure respectively during 2007-08 as compared to the reconciled expenditure figures.

This indicates that the annual expenditure figures of the Department reported to the Government were compiled with incorrect inputs from the DDOs, indicates weak budgetary control over expenditure. The Department stated (November 2008) that the reason for variation occurred as expenditure statement to Finance Department was usually prepared in the month of April of the subsequent financial year whereas reconciliation with Accountant General were carried out much later in the subsequent months. The Departments' reply does not explain the reasons for the variations cited above and incorrect reporting of expenditure to the Government.

5.1.9 Programme Management

The Department is responsible for implementation of various State and Centrally Sponsored Schemes and Programmes. While the implementation of National Rural Health Mission (NRHM) has been reviewed separately in audit, the overall Programme Management of the Department is covered in the succeeding paragraphs.

5.1.10 Nursing School

Under the scheme for development of Nursing Services, the Union Ministry of Health & Family Welfare released (March 2005) Central assistance of Rs. 1.50 crore for upgradation of the Nursing School in Aizawl. While the Department utilized the amount on upgrading the Nursing School, scrutiny revealed that funds expended on various activities were not as per the allocation, as can be seen from Table given below:

Table -5 4

(Rupees in lakh)

Allocation of Central assistance		Expenditure incurred by the Department		Excess/ Diverted
Particulars	**Amount**	**Purposes**	**Amount**	
Construction and repair of School/ Hostel buildings	70.00	Internal electrification of Nursing Schools, Aizawl and fencing of Nursing School, Aizawl	20.89	-
Strengthening of Library	10.00	Purchase of books	19.11	9.11
Vehicle	20.00	Cost of two buses	19.87	-
Furniture	20.00	Purchase of furniture	22.69	2.69
Strengthening of laboratory	10.00	Laboratory materials, furniture & gas connection	17.91	7.91
A.V. Aids, computers and accessories	20.00	A.V. Aids, computers with accessories	19.76	-
		Sub - total	**120.23**	**19.71**
		Other inadmissible items-		
		i) Internal electrification of Nursing School Lunglei	9.11	
		ii) Kitchen dining materials	3.66	29.72
		iii) 352 Nos. of Toners for Computers	15.30	
		iv) Xerox paper	1.00	
		v) Repair of septic Tank	0.15	
		vi) Inspection fees for Nursing College	0.50	
		Sub - Total	**29.72**	**29.72**
Total:	**150.00**		**149.95**	**49.43**

Source: Departmental records

It may be seen from the above table that out of Rs. 149.95 lakh spent by the Department, Rs. 19.71 lakh was utilised in excess of the earmarked allocation towards the purchase of books, furniture and laboratory material. Further, Rs. 29.72 lakh was utilised on six inadmissible items as per sectoral allocation mentioned above.

5.1.10.1 Doubtful Expenditure

- The records of the DH&ME disclosed that an amount of Rs. 30 lakh was shown to have been spent on internal electrification of Nursing College, Aizawl (Rs. 9.12 lakh), internal electrification of Nursing School, Lunglei (Rs. 9.11 lakh) and fencing of Nursing College, Aizawl (Rs. 11.77 lakh).

Scrutiny, however, disclosed that out of the Rs. 30 lakhs shown as expended for the renovation work, only Rs. 2.17 lakh was actually released and spent by the Principal, Nursing School, Lunglei on the water connection requirement of the school. Thus, Rs. 27.83 lakh (Rs. 30 lakh – Rs. 2.17 lakh) was irregularly shown to have been expended without executing any work.

- For the purpose of the upgraded Nursing College, the Department purchased materials, equipment and stationery articles worth Rs. 99.43[3] lakh during 2005-07. The Principal, Nursing College, Aizawl reported in March 2008 that the institution had received some materials worth Rs. 35 lakh (approx). However, there was no trace of the remaining materials valued at Rs. 64.43 lakh (Rs. 99.43 lakh – Rs. 35 lakh). The Director (H&ME) stated (September 2008) that the records/documents were not readily available, as the concerned dealing officer (Dy. Director, Nursing) expired in November 2007. The irregularities occurred due to the following:

  (i) Without assessing the actual requirement, supply orders for the procurement of 352 toners worth Rs. 15.30 lakh were placed. Further, to avoid the requirement of obtaining expenditure sanction from the Government, the Director accorded expenditure sanctions on a piece-meal manner within his delegated financial power, restricting the amount of each such sanction within the limit of Rs. 0.30 lakh.

  (ii) As per the prescribed financial procedures, money drawn from the Treasury should be disbursed only to the payees, against whom the funds are drawn, or to the payee's valid authorised person. However, the Drawing and Disbursing Officer (DDO) of the Department unauthorisedly disbursed an amount of Rs. 42.44 lakh drawn in favour of four separate firms to the Dy. Director (Nursing) without obtaining any authority from the concerned firms. This unauthorized disbursement has resulted in probable misappropriation of funds by the Dy. Director (Nursing).

  (iii) All the bills were passed for payment without ascertaining the actual receipt of the stores and without recording the receipt in the Stock Register duly signed by a Stores in-charge of the Department.

In reply, the Department stated (November 2008) that the concerned Dy. Director (Nursing) expired in November 2007 and the matter is under investigation by the Government.

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[3] (i) Books Rs. 19.11 lakh; (ii) Furniture Rs. 22.69 lakh; (iii) Laboratory equipments Rs. 17.91 lakh; (iv) Computer & accessories Rs. 19.76 lakh; (v) Kitchen/dinning materials Rs. 3.66 lakh; (vi) Toner Rs. 15.30 lakh and (vii) Xerox paper Rs. 1.00 lakh.

5.1.10.2 Irregular payment

In terms of the Departmental Purchase Advisory Board's (DPAB) recommendations, the Department obtained (March 2007) a proforma bill from one New Delhi based firm (M/s Interlinks) for procurement of different items of laboratory equipments worth Rs. 16.59 lakh. Pending issue of a formal supply order and receipt of stores, the bill was passed based on a proforma bill submitted by the supplier for payment in March 2007. The State Government (H&FW) instructed (April 2007) the Department to keep all the bills relating to this Firm in abeyance. The Government's instruction notwithstanding, the Department effected full payment to the firm in June 2007. Thereafter, the Department issued a formal supply order to the firm on 6 August 2007 which was later cancelled (14 August 2007) due to the failure of the firm to supply the materials.

Payment of Rs. 16.59 lakh to the firm in violation of the instructions of the Government before the issue of formal supply order and without even ensuring the actual receipt of material indicates malafide intention and misappropriation of public money.

The Department stated (November 2008) that the matter is under investigation by the Government.

5.1.11 Setting up ISM&H units at District Allopathic Hospitals

Under the Centrally Sponsored Scheme for Promoting Development of Healthcare Facilities of Indian Systems of Medicine & Homoeopathy (ISM&H), the Union Ministry of Health & Family welfare (Department of Ayush) released (March 2005) Rs. 3.50 crore for setting up of 10 ISM&H wings (four Ayurvedic and six Homoeopathic) @ Rs. 35[4] lakh per wing against which, the DHS incurred an expenditure of Rs. 3.52 crore (2005-06: Rs. 128.51 lakh and 2006-07: Rs. 223.73 lakh).

Scrutiny of the records produced to audit revealed the following irregularities:

5.1.11.1 Inadequate Planning

The State Government has not identified the requirement of staff and declared the district allopathic hospitals, where the proposed four Ayurvedic ISM&H units and six Homoeopathic ISM&H units are to be set up. During the period covered under review (2005-08) the Department could provide for only one regular homoeopathic doctor and 10 contractual doctors appointed under NRHM in later part of 2006-07. This indicates lack of initiative and planning

[4] (i) Renovation, repair etc. of existing buildings Rs.10.00 lakh; (ii) Equipments Rs. 15.00 lakh; (iii) Medicines, Diet, etc. Rs. 7.00 lakh; (iv) Training of medical and para-medical staff Rs.1.00 lakh and (v) Lump-sum contingency Rs. 2.00 lakh.

on the part of the State Government in the development of health care facilities under ISM&H.

5.1.11.2 Construction of Ayush buildings

The Department drew Rs. one crore through AC bills for construction of buildings for Ayush ((i) Rs. 40.47 lakh (March 2006) for repair/renovation of ISM&H units at Kolasib, Mamit, Champhai, Lunglei, Chawngte, Lawngtlai and Saiha, (ii) Rs. 5.85 lakh (March 2007) for repair/renovation of the unit at Serchhip and (iii) Rs. 53.68 lakh for repair/renovation of the unit at Aizawl). The work orders were, however, issued by the Department only between November 2006 and August 2007 for construction of new buildings in all the districts, except Aizawl. Details of expenditure incurred against the drawal on AC bills could not be furnished to audit for verification. Further, deviating from the Central norms of Rs. 10 lakh per building, the Government accorded expenditure sanction of Rs. 53.68 lakh for repair of a unit at Aizawl. The amount (Rs. 53.68 lakh) drawn in respect of Aizawl unit was irregularly retained at Bank by the Department till August 2008 without obtaining permission from the Finance Department and without transferring the fund to the executing agency (PWD) as prescribed by the Government norms.

5.1.11.3 Procurement of equipment and medicine

Without issuing formal supply orders, the Department obtained (March 2007) proforma bills from seven firms for the purchase of equipment worth Rs. 62.34 lakh and three firms for the purchase of medicines worth Rs. 64.70 lakh. The entire amount of Rs. 1.27 crore was passed for payment in the nature of Regular Contingent Charges (RCC) bills in March 2007, as if the equipments and medicine were received in full. The actual supply orders were issued only in April 2007 and thereafter the concerned firms delivered the supplies in batches against which the Department released part payments (till August 2008). The Departmental Vigilance Committee also observed (April – May 2007) the fact of incomplete supply and supply of old stock medicine. Reasons for acceptance of piece-meal supply and release of part payments by the Department were not on record.

While accepting the procurement of medicines on piece meal basis, the Department stated (November 2008) that the supply of medicines was completed by the firms and that the amount was fully disbursed.

However, procurement of huge quantity of equipment and medicines before the completion of the Ayush buildings and positioning of the essential staff for these units, indicates poor planning, besides exposing these equipment and medicines to deterioration and expiry of their warranty (equipment) and their validity (medicines).

5.1.11.4 *Expenditure in excess of prescribed norms*

Out of Rs. 3.50 crore Central assistance received, an amount of Rs. 20 lakh could be spent for meeting contingency charges against the proposed 10 ISM&H units. The Department unauthorisedly utilised an amount of Rs. 38.58[5] lakh towards contingent charges with an excess expenditure of Rs. 18.58 lakh against the prescribed norms.

Further, the sanction allowed 10 *per cent* (Rs. 15 lakh) of the allocated amount of Rs. 1.5 crore under equipment category to be used for purchase of essential furniture. The Department, however, without assessing the actual requirement of furniture for the proposed 10 ISM&H units, spent Rs. 49.25 lakh towards the purchase of office furniture resulting in excess expenditure of Rs. 34.25 lakh over the prescribed norms.

The Department could not justify the reason for incurring expenditure in excess of the prescribe norms (November 2008).

5.1.12 *Human resource management*

The sanctioned strength and men-in-position of the Department was as follows:

Table -5 5

Category	Sanctioned Strength	Men In Position	Vacancy
Directorate level			
Officers	35	35	Nil
Ministerial	62	62	Nil
District Level			
Officers	224	224	Nil
Ministerial	144	144	Nil
CH/CHC/PHC & SC			
Medical Officer	156	156	Nil
Para Medical Staff	3128	3128	Nil
Pharmacist	89	89	Nil
Staff Nurse	615	615	Nil
Technical	135	135	Nil
Total	**4588**	**4588**	**Nil**

The Department, however, had not maintained any establishment register showing the category wise sanctioned strength and men in position in respect of District Civil Hospitals, Community Health Centres, Primary Health Centres and Sub Centres. Consequently, the actual manpower position of the

5 (a) Advertisement - Rs. 2.28 lakh, (b) Misc. expenditure - Rs. 2.48 lakh, (c) POL for vehicle - Rs. 6.12 lakh, (d) Carpet - Rs. 7.50 lakh, (e) Stationery stores - Rs. 9.05 lakh, (f) Electronic equipment - Rs. 2.92 lakh, (g) Decentralised items - Rs. 4.73 lakh, (h) Documentation Rs. 1.00 lakh, (i) Hoarding - Rs. 2.50 lakh, **Total:- Rs. 38.58 lakh.**

Department, especially in respect of medical and paramedical staff could not be verified. Further, in the absence of basic data on manpower which is highly essential for a Department with a cadre of more than 4,500 personnel functioning under its management, it is not possible to comment on whether various districts and hospitals were adequately manned.

5.1.13 Training

Annual Calendar of Training Programmes with the courses to be conducted and number of staff to be trained in-house and outside has not been prepared. Trainings were, however, frequently conducted based on the availability of funds. During the period from January 2006 to May 2008, the Department imparted training to 57 Medical staff, 211 Paramedical staff and 7 Accounts staff.

5.1.14 Monitoring

The Government had not prescribed any schedule of inspection requiring monthly field visits by the Directorate and District Level Officers. As a result, no reports and returns were submitted to the Government in this regard. The Department stated that quarterly departmental field inspections were carried out by Directors, Jt. Directors and Dy. Directors, whereas details of the results of such inspections could not be shown except for some tour programmes submitted by the officers.

5.1.15 Internal Audit

Internal Audit is an important management tool to examine and evaluate the level of compliance with the rules and procedures. The Department does not have an Internal Audit wing of its own. The records and accounts of the Department are audited by the Examiner of Local Accounts (Directorate of Accounts and Treasuries, Mizoram). During the period covered under review, internal audit was conducted only once covering the period upto January 2007.

5.1.16 Conclusion

Functioning of the Department is not satisfactory due to poor financial management, as evidenced by unrealistic formulation of budget estimates leading to persistent savings, parking of funds under Civil Deposit and recurrence of serious financial irregularities with instances implying fraud and misappropriation. The objectives of the Central sector programmes were not achieved due to inadequate planning, faulty procurement practices and diversion of funds. Training of functionaries was reduced to a funds driven necessity rather than a need based one. The absence of a sound manpower database pertaining to the functional units and the programme activities of the department meant that an informed decision for an equitable distribution of manpower at various levels could not be carried out. Thus, although there were no vacancies as reported by the department, the health care delivery system of the State could be faced with a skewed distribution of manpower resulting in denial of health care service to the people of the state especially those in remote rural areas.

5.1.17 Recommendations

- Budget estimates prepared by the Department should be based on realistic inputs derived from its field units and also keeping in view its funds absorption capacity.
- Expenditure controls should be strengthened and Delegation of Financial Powers should be followed scrupulously. Cases of non-compliance must be viewed seriously and appropriate action taken.
- Procurement procedure should be streamlined and payment should be released only after receipt and accountal of the items, against proper invoices.
- The Department should ensure that developmental schemes are implemented as per norms and prescribed timelines, and fix accountability at various levels.

CHAPTER – VI

REVENUE RECEIPTS

CHAPTER – VI

REVENUE RECEIPTS

GENERAL

6.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Mizoram during the year 2007-08, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below:

Table: 6.1

(Rupees in crore)

Particulars of revenue receipts	2003-04	2004-05	2005-06	2006-07	2007-08
I. Revenue raised by the State Government					
• Tax revenue	33.85	39.55	55.05	67.59	71.96
• Non-tax revenue	58.01	75.60	120.09	133.38	130.30
Total	**91.86**	**115.15**	**175.14**	**200.97**	**202.26**
II. Receipt from the Government of India					
• State's share of divisible Union taxes	130.33	155.79	225.83	288.08	368.92
• Grants-in-aid	1,148.76	1,230.92	1,252.68	1,479.90	1,468.56
Total	**1,279.09**	**1,386.71**	**1,478.51**	**1,767.98**	**1,837.48**
III. Total receipts of the State	**1,370.95**	**1,501.86**	**1,653.65**	**1,968.95**	**2,039.74**
IV. Percentage of I to III	6.70	7.66	10.59	10.21	9.92

The above table indicates that during the year 2007-08, the revenue raised by the State Government was 9.92 *per cent* of the total revenue receipts (Rs. 2,039.74 crore) against 10.21 *per cent* in the preceding year. The balance 90.08 *per cent* of receipts during 2007-08 was from the Government of India.

6.1.1 The following table presents the details of tax revenue raised during the period from 2003-04 to 2007-08:

Table: 6.2

(Rupees in crore)

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	Sales tax	23.32	28.08	41.59	53.72	62.04	(+) 15
2.	State excise	1.36	1.40	1.46	1.65	1.69	(+) 2
3.	Stamps and registration fee	0.13	0.10	0.17	0.21	0.23	(+) 10
4.	Taxes on vehicles	3.38	3.80	4.35	5.01	5.37	(+) 7
5.	Taxes on goods and passengers	0.61	0.69	0.99	0.98	1.07	(+) 9
6.	Other taxes on income and expenditure, tax on professions, trades, callings and employment	4.08	4.37	4.53	4.99	0.08	(-) 98
7.	Other taxes and duties on commodities and services	0.25	0.25	0.37	0.30	0.32	(+) 7
8.	Land revenue	0.72	0.86	1.59	0.73	1.48	(+) 103
	Total	**33.85**	**39.55**	**55.05**	**67.59**	**72.28**	**(+) 7**

The concerned departments did not inform (November 2008) the reasons for variation despite being requested (August 2008).

6.1.2 The following table presents the details of the non-tax revenue raised during the period 2003-04 to 2007-08.

Table: 6.3

(Rupees in crore)

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	Interest receipts	3.27	3.66	6.94	8.76	15.60	(+) 78
2.	Other non-tax receipts	12.55	11.52	15.42	17.56	22.59	(+) 29
3.	Forestry and wild life	3.16	2.74	4.15	4.06	2.98	(-) 27
4.	Miscellaneous general services (including lottery receipts)	6.27	9.03	6.45	44.29	1.53	(-) 97
5.	Power	26.14	40.81	81.80	51.79	83.60	(+) 61
6.	Medical and public health	0.33	0.46	0.47	0.56	0.66	(+) 18
7.	Co-operation	0.16	2.01	0.67	0.02	0.02	-
8.	Public works	3.68	2.90	1.04	2.02	0.45	(-) 78
9.	Police	0.28	0.22	0.38	0.35	0.34	(-) 3
10.	Other administrative services	2.17	2.25	2.77	3.97	2.53	(-) 36
	Total	**58.01**	**75.60**	**120.09**	**133.38**	**130.30**	**(-) 2**

The concerned departments did not inform (November 2008) the reasons for variation despite being requested (August 2008).

6.1.3 Variations between the budget estimates and actuals

The variations between the budget estimates and actual of revenue receipts for the year 2007-08 in respect of the principal heads of tax and non-tax revenue are mentioned below:

Table: 6.4

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actual revenue	Variations excess (+) shortfall (-)	Percentage of variation
	Tax revenue				
1.	Sales tax	55.00	62.00	(+) 7.00	(+) 13
2.	State excise	1.45	1.69	(+) 0.24	(+) 17
3.	Taxes on vehicles	4.50	5.37	(+) 0.87	(+) 19
4.	Taxes on goods and passengers	0.95	1.07	(+) 0.12	(+) 13
5.	Other taxes & duties on commodities and services	0.50	0.32	(-) 0.18	(-) 36
6.	Land revenue	1.02	1.48	(+) 0.46	(+) 45
	Non tax revenue				
1.	Interest receipts	6.25	15.60	(+) 9.35	(+) 150
2.	Forestry and wild life	3.20	2.98	(-) 0.22	(-) 7
3.	Medical and public health	0.42	0.66	(+) 0.24	(+) 57
4.	Miscellaneous general services	3.00	1.53	(-) 1.47	(-) 49
5.	Power	66.43	83.60	(+) 17.17	(+) 26

The concerned departments did not inform (November 2008) the reasons for variation despite being requested (October 2008).

6.1.4 Cost of collection

The gross collection in respect of the principal receipt heads, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2005-06 to 2007-08 along with the all India average percentage of expenditure on collection for 2006-07 are given below:

Table: 6.5

(Rupees in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue[1]	Percentage of expenditure on collection	All India average percentage for 2006-07
1.	Sales tax	2005-06	41.59	3.30	7.93	0.82
		2006-07	53.72	3.77	7.02	
		2007-08	64.47	4.63	7.18	
2.	Taxes on vehicles	2005-06	4.35	2.11	48.51	2.47
		2006-07	5.01	2.31	46.11	
		2007-08	5.29	2.66	50.28	

The percentage of expenditure on collection during 2007-08 reflected a upward trend and also as compared to the corresponding all India average for

[1] Figures as furnished by the department

2006-07, the expenditure on collection was substantially high which the Government needs to look into.

6.1.5 Arrears in assessment

The details of assessment pending at the beginning of 2007-08, cases due for assessment during the year, cases disposed during the year and cases pending finalisation at the end of the year as furnished by the departments are mentioned below:

Table: 6.6

Name of tax	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Arrears as percentage of total cases
Sales tax/ Central sales tax/VAT	2,742	1,560	4,302	469	3,833	89
Motor spirit tax	111	30	141	26	115	82
Total	**2,853**	**1,590**	**4,443**	**495**	**3,948**	**89**

Thus, the percentage of pending cases at the end of 2007-08 was 89 *per cent*. The Government has not fixed any norm prescribing the number of assessments to be completed by each assessing officer during a specified period. Immediate action needs to be taken to finalise the pending assessment cases.

6.1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2008 in respect of some principal heads of revenue amounted to Rs. 2.04 crore as mentioned below:

Table: 6.7

(Rupees in lakh)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2007
1.	Sales tax	191.00
2.	Land revenue	1.85
3.	Forest	11.63
	Total	204.48

6.1.7 Result of audit

Test check of the records of sales tax, state excise, motor vehicles tax, land revenue, forest and other tax receipts conducted during 2007-08 revealed under assessments/short/non-levy/loss of revenue amounting to Rs. 4.91 crore in 33 cases.

This report contains 11 paragraphs involving money value of Rs. 1.92 crore. The department/Government accepted audit observations raised in three paragraphs involving revenue of Rs. 15.83 lakh. No reply has been received in respect of remaining cases (November 2008).

6.1.8 Failure to enforce accountability and protect interest of the Government

The Accountant General (Audit), Mizoram, Aizawl conducts periodical inspection of various offices of the Government/departments to test check the correctness of assessments, levy and collection of tax receipts and non-tax receipts and verify the accuracy in maintenance of accounts and records as per the Acts, Rules and procedures prescribed by the Government/departments from time to time. These inspections are followed by inspection reports (IRs) issued to the heads of offices inspected with copies to the next higher authorities. Serious irregularities noticed in audit are also brought to the notice of the Government/heads of the departments by the office of the Accountant General (Audit), Mizoram, Aizawl.

A half yearly report of pending IRs is sent to the Secretaries of the concerned departments to facilitate monitoring and settlement of the audit observations included in these IRs.

IRs issued upto December 2007 pertaining to the offices under Sales Tax, State Excise, Land Revenue, Motor Vehicle Tax and Forest Departments disclosed that 280 observations relating to 93 IRs involving revenue of Rs. 32.79 crore remained outstanding at the end of June 2008. Of these, 62 IRs containing 143 observations involving revenue of Rs. 11.44 crore had not been settled for more than three years. The year wise position of old outstanding IRs and paragraphs is detailed in **Appendix - 6.1.**

In respect of 42 paragraphs relating to 14 IRs involving revenue of Rs. 5.56 crore issued upto June 2008, even first reply required to be received from the department/Government has not been received (November 2008).

6.1.9 Follow up on Audit Reports - summarised position

With a view to ensure accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Public Accounts Committee (PAC), issued (May 2000) instructions for submission of *suo moto* replies on all paragraphs and reviews featured in the Audit Report within three months of its presentation to the legislature. For the action taken notes (ATNs) on the recommendations of the PAC, the committee has specified the time frame for submission as six months.

Review of follow up on submission of *suo moto* replies and of ATNs as of 30 September 2008 on paragraphs included in the Reports of the Comptroller and Auditor General of India disclosed that the departments of the State Government had not submitted *suo moto* replies on 74 paragraphs and two reviews featured in the Audit Reports for the years 2000-01 to 2006-07 in respect of revenue receipts as mentioned below:

Table: 6.8

Year of Audit Report	Date of presentation of the Audit Report to the legislature	Number of paragraphs/ reviews included in the Audit Report (excluding standard paragraphs)		Number of paragraphs/ reviews on which *suo motu* replies are awaited	
		Paragraphs	Reviews	Paragraphs	Reviews
1998-99	13.4.2000	3	---	---	---
1999-00	17.10.2001	3	---	---	---
2000-01	26.3.2002	7	1	6	---
2001-02	17.7.2003	8	1	6	---
2002-03	23.3.2004	15		12	---
2003-04	26.9.2005	16	---	---	---
2004-05	23.3.2006	10	2	10	2
2005-06	29.3.2007	25	---	25	---
2006-07	01.4.2008	15	---	15	---
Total		**102**	**4**	**74**	**2**

Thus, due to the failure of the respective departments to comply with the instructions of the PAC, the objective of ensuring accountability of the executive remained unfulfilled.

6.1.10 Audit committee meetings

During the year 2007-08, no departmental audit committee meeting was held.

PARAGRAPHS

TRANSPORT DEPARTMENT

6.2 Loss of revenue

> The department's inability to arrange apparatus for smoke emission test led to plying of vehicles without ensuring that pollution was under control

The Government of Mizoram in May 2002 notified that every motor vehicle shall comply with the standard of vehicle smoke emission as prescribed by the Central Government under Rule 115 and 116 of the Central Motor Vehicles Rules, 1989. Accordingly, all vehicle owners were required to produce their vehicles for test in the offices of respective District Transport Officer (DTO) and obtain a 'pollution under control' certificate valid for six months on payment of fee of Rs. 150 per vehicle with effect from 28 May 2002.

Test check of the records of the Directorate of Transport, Mizoram in February 2007 revealed that despite issue of the notification, not a single test could be conducted during the period from April 2006 to December 2006 by the departmental officers for want of apparatus. Thus, failure on the part of the Government to arrange apparatus for emission test resulted in plying of 1,05,911 vehicles without ensuing that pollution was under control during the aforesaid period. Had the Government obtained such an apparatus, it could have earned a revenue of Rs. 1.59 crore. Besides the revenue loss, apathy on the part of the Government resulted in the attendant risk of environment pollution and the hazardous impact on health continuing unabated.

After the case was pointed out in April 2007, the department, while admitting the facts in June 2007 attributed the loss to non-availability of apparatus. The reply, however, did not throw any light on the action taken by the department to arrange apparatus to check environment pollution despite this issue being raised by the audit in successive Audit Reports since 2004-05.

The matter was reported to the Government in April and June 2007; their reply has not been received (November 2008).

6.3 Irregular exemption of road tax

Non-realisation of revenue of Rs. 2.50 lakh due to irregular grant of exemption

Under Section 9 (2) of the Mizoram Motor Vehicle Taxation Act, 1995, no motor vehicle other than the motor vehicles belonging to the Government department shall be exempted from the payment of road tax.

Test check of the records of the District Transport Officer (DTO), Chhimtuipui district, Saiha in December 2004 revealed that 24 vehicles belonging to the Mara Autonomous District Council (Mara-ADC), Saiha were exempted from the payment of road tax for the period from July 2000 to June 2004. Since the Mara-ADC is an autonomous body and not a Government department, the exemption granted was irregular resulting in non-realisation of revenue of Rs. 2.50 lakh.

After the case was pointed out, the DTO, Chhimtuipui district while accepting the facts stated (April 2007) that the matter had been taken up with the Director of Transport. The Director of Transport, however clarified (June 2008) that the DTO, Saiha had exempted the motor vehicles belonging to the Mara-ADC from payment of road tax without Government notification for the exemption, since neighbouring States exempt the vehicles of their district councils from payment of road tax. It is not understood as to how such a reply could be given as the fact remains that no DTO has any authority to exempt the road tax without Government notification.

The case was reported to the Government in February 2005 and July 2008; their reply has not been received (November 2008).

6.4 Non-levy of fine

Non-levy of fine of Rs. 5.44 lakh on 242 transport vehicles plying without permits

Under Section 192A of the Motor Vehicles Act, 1988, using a motor vehicle without permit in contravention of the provision of the Act shall be punishable for the first offence with a fine which may extend to Rs. 5,000 but shall not be less than Rs. 2,000.

Test check of the records of the State Transport Authority (STA), Mizoram, Aizawl in February 2007 revealed that permits of 156 commercial vehicles were belatedly renewed and 86 vehicles failed to get their permits renewed between April 2002 and January 2007 and were therefore plying without valid permits. The owners of these vehicles were thus liable to pay minimum fine of

Rs. 5.44 lakh which was not levied and realised.

After the cases were pointed out in April 2007, the STA while admitting the facts stated in June 2007 that demand notices were issued to all the vehicles owners. A report on recovery has not been received (November 2008).

The matter was reported to the Government in April and June 2007; their reply has not been received (November 2008).

6.5 Short realisation of composite fee.

In 68 cases, composite fee of Rs. 4.62 lakh instead of Rs. 9.24 lakh was realised by the home states which led to short realisation of composite fee of Rs. 4.62 lakh

Composite fee (CF) is to be realised by the Secretary, State Transport Authority (STA) of the home state which issues national/tourist permit, as the case may be and remitted to the concerned STA by way of bank draft. The Government of Mizoram, Transport Department in their notification of March 1995, fixed CF on maxi cabs (7-13 seater) and mini buses (14-35 seater) plying with tourist permit at Rs. 12,000 and Rs. 48,000 respectively per annum per permit with effect from 01 April 1995.

Test check of the records of the Secretary, STA Mizoram in February 2007 revealed that in 65 cases of maxi cabs, CF was realised by the states of Assam and Meghalaya for plying in the state of Mizoram during the period from April 2005 to March 2006 at Rs. 6,000 per annum instead of Rs. 12,000 per annum and sent to the STA. Similarly, in three cases of mini buses (14-35 seaters) of Assam, CF was realised at the rate of Rs. 24,000 instead of Rs. 48,000 per annum during the aforesaid period. The balance amount was neither paid by the vehicle owners nor was the matter pursued by the STA with the counterparts in Assam and Meghalaya for realisation. This resulted in short realisation of CF of Rs. 4.62 lakh.

After the cases were pointed out in April 2007, the STA, while admitting the facts stated in June 2007 that the STAs of Assam and Meghalaya were requested to make expeditious recovery of outstanding CF. A report on recovery has not been received (November 2008).

The cases were reported to the Government in April and June 2007; their reply has not been received (November 2008).

ENVIRONMENT AND FOREST DEPARTMENT

6.6 Excess extraction of bamboo.

Loss of revenue of Rs. 97.59 lakh due to non-levy of penalty on excess extraction of 1.55 lakh bamboo by a *mahaldar*

In October 2003, the Environment and Forest Department, Mizoram settled the Langkaih Bamboo *mahal* under the Kawrthah Forest division with a *mahaldar* at an agreed price of Rs. 32.53 lakh for extraction and removal of 53 lakh bamboo within the working period of October 2003 to June 2004. Clause 23 of the agreement entered into with the *mahaldar* provided that in case of any excess collection beyond the stipulated quota of forest produce, the *mahaldar* shall be penalised by charging atleast three times of the rate quoted for the entire *mahal.*

Test check of the records of the Principal Chief Conservator of Forests (PCCF), Mizoram, Aizawl in March 2006 revealed that the *mahaldar* had extracted the entire stipulated quota of 53 lakh bamboo during the working period but 8.90 lakh bamboo could not be lifted upto June 2004. As requested by the *mahaldar,* the department granted (July 2004) extension upto August 2004 for lifting the remaining 8.90 lakh bamboo.

Further scrutiny, however, revealed that the *mahaldar* extracted 1.55 lakh bamboo in addition to the stipulated quota of 53 lakh bamboo already felled during the working period. As per the terms and conditions of the agreement, the *mahaldar* was liable to pay a minimum penalty of Rs. 97.59 lakh being three times the rate quoted for the entire *mahal.* But no penal action was initiated by the department against the *mahaldar* for excess extraction of bamboo in violation of terms and conditions of the agreement. This resulted in loss of revenue of Rs. 97.59 lakh.

After the case was pointed out, the Finance and Accounts Officer, Office of the PCCF, Mizoram stated (March 2007) that the *mahaldar* had not extracted any excess quantity of bamboo against the stipulated quota of 53 lakh bamboo. The reply is not in consonance with as the concerned Range Officer (RO) (Kanhmun Forest Range) reported extraction of 1.55 lakh bamboo in addition to 8.90 lakh bamboo for which extension was granted. Further, as per the report (September 2004) of the Divisional Forest Officer (DFO), Kawrthah Forest division, the RO, Kanhmun issued back dated transit passes for lifting of the said bamboo by the *mahaldar*.

The matter was reported to the Government in July 2008 and the Government in their reply (September 2008) stated that there was no excess extraction of bamboo and neither was the TP for the said bamboo *mahal* back dated. The reply is not substantiated with evidence/records to refute the factual position pointed out in audit.

6.7 Loss of revenue.

Loss of revenue of Rs. 3.64 lakh due to non-allotment of fund by the Government for transportation of wind fallen timber from the forest floor

According to the Mizoram Forest Produce Mahal Rules 2002, forest produce shall be sold by way of tender or auction system. Timber, if not disposed expeditiously loses its commercial value due to exposure to the vagaries of weather. Thus, it is the primary responsibility of the Forest Department to ensure transportation of timber to the notified place for safe custody and prompt disposal thereof to prevent loss of revenue due to devaluation of the produce on account of qualitative deterioration.

Test check of the records of the DFO, Kawrthah in March 2003 and March 2006 revealed that 47 teak trees measuring 55.077 cum timber were felled/ uprooted by cyclonic storm on 24 March 2002 in the departmental plantation of Kanhmun range under the division. The division lifted and transported only 10.102 cum of timber in March 2005 to the notified depot leaving 44.975 cum in the forest floor as no fund for lifting the timber was provided by the Government. Further scrutiny, revealed that the timber lost its commercial value due to weathering and some of the felled trees were also stolen by the miscreants. Thus, inaction on the part of the department to arrange for fund to ensure transportation of the timber to designated forest depots led to loss of revenue of Rs. 3.64 lakh.

The case was reported to the Government in July 2008 and the Government in their reply (September 2008) have accepted the facts.

6.8 Loss of revenue due to irregular extension of *mahal* period.

Due to irregular extension of eight months operational period for extraction of additional 30 lakh bamboo, the Government incurred a loss of revenue of Rs. 16.30 lakh

Rule 22 of Mizoram Forest Produce Mahals Rules, provides that the term of mahal shall be strictly confined to the period as advertised in notice inviting tenders (NIT). Langkaih bamboo mahal under Kawrthah forest division was settled (October 2004) for the year 2004-05 with a mahaldar at the agreed sum of Rs. 37.50 lakh for extraction of 53 lakh bamboo within the operational period of October 2004 to June 2005.

Test check of the records of the PCCF in March 2006 revealed that the mahaldar before exhausting the permitted quota of 53 lakh bamboo applied for additional quota of 20 lakh bamboo and also sought for further extension of time upto November 2005. The department was, however, not in favour of extension of time beyond 14 August 2005, as the NIT for settlement of mahal for 2005-06 was already floated (July 2005) with operational date from 15 August 2005. The Government however, in violation of the provisions of the Rule ibid and contrary to the department's suggestions, deferred the settlement of tenders for 2005-06 and extended (August 2005) the period upto November 2005 for extraction of additional 20 lakh bamboo. Yet another additional allocation of 10 lakh bamboo with an extended working period upto February 2006 was further allowed to this mahaldar. The total amount of royalty realised (at agreed price of 2004-05) for additional 30 lakh bamboo was Rs. 24.20 lakh[2].

Thereafter, settlement of the mahal for the year 2005-06 (for which NIT was floated in July 2005) was finalised in March 2006 by the department for extraction of 66.50 lakh bamboo at Rs. 1.35 per bamboo with working period from March 2006 to February 2007.

Thus, in exercising undue favour to the mahaldar by allowing extension of eight months working period (July 2005 to February 2006) for extraction of additional quota of 30 lakh bamboo at the hitherto agreed rate, the State Government incurred a loss of revenue of Rs. 16.30 lakh.

The matter was reported to the Government in April 2006 and March 2007; their reply has not been received (November 2008).

TAXATION DEPARTMENT

6.9 Evasion of tax.

Section 22(2)(b) of the Mizoram Sales Tax Act, 1989 provides that if any dealer evaded payment of his tax liabilities, the Commissioner of Taxes may direct such dealer to pay by way of penalty over and above the tax payable by him a sum not exceeding one and half times that amount.

Test check of the records of the Directorate of Rural Development, Mizoram, in March 2007 revealed that a dealer supplied 7,500 bundles of galvanized corrugated iron sheets valued at Rs. 1.50 crore (inclusive of tax) to the department in March 2005. Cross verification of the records of the dealer maintained by the Assistant Commissioner of Taxes (ACT), North Zone, Aizawl revealed that the dealer did not disclose the aforesaid turnover in his return during the assessment year 2004-05. This resulted in evasion of tax of Rs. 5.77 lakh. Besides, the dealer was liable to pay a penalty of Rs. 8.66 lakh for willful evasion of tax.

After the case was pointed out, the ACT, confirmed (July 2007) that based on audit findings the Rural Development Department had deducted Rs. 3 lakh (two *per cent* tax) from the dealer and deposited the same to the Government account in June 2007 and requested the case be treated as settled. The reply is

[2] @ Re. 0.71 per bamboo and for 20 lakh and @ Re. 1 per bamboo for 10 lakh

not tenable since settlement of the case at two *per cent* tax deduction applies only in case of execution of works contract. In the instance case, the dealer had supplied the materials to the Rural Development Department not as a part of works contract as defined in Section 2(22) of the MST Act, as amended and therefore the dealer is liable to pay four *per cent* tax instead of two *per cent* and the balanced amount of tax [Rs. 5.77 lakh – Rs. 3 lakh] Rs. 2.77 lakh is to be paid, besides penalty of Rs. 8.66 lakh for concealment of entire turnover.

The matter was reported to the Government in April 2007 and July 2008; their reply has not been received (November 2008).

6.10 Concealment of purchase turnover

A registered dealer concealed turnover of Rs. 1.53 crore and evaded tax of Rs. 19.08 lakh on which interest of Rs. 13.73 lakh and penalty of Rs. 65.62 lakh were additionally payable

Under Section 31(7) of the Mizoram Value Added Tax (MVAT) Act, 2005 if a dealer, in order to evade or avoid payment of tax has furnished incomplete and incorrect returns for any period, the Commissioner of Taxes, after giving the dealer reasonable opportunity of being heard, direct the dealer to pay, by way of penalty, a sum not exceeding twice the amount of tax assessed.

Test check of the records of the ACT, South Zone, Aizawl in May 2008 revealed that an Aizawl based registered dealer of cement disclosed purchase of taxable goods valued at Rs. 8 lakh from outside the State during 2005-06 and deposited tax of Rs. 1 lakh. But, as per information furnished by the Superintendent of Taxes, Taxation check gate, Vairengte, the dealer actually imported 92,852 bags of cement valued at Rs. 1.61 crore from outside the State during the aforesaid period. This resulted in concealment of purchase turnover of Rs. 1.53 crore which led to evasion of tax of Rs. 19.08 lakh. The tax effect could be even higher, if the element of profit could be ascertained. Besides, interest of Rs. 13.73 lakh and a penalty not exceeding Rs. 65.62 lakh was also leviable for deliberate concealment of turnover.

The matter was reported to the Government in August 2008; their reply has not been received (November 2008).

6.11 Non-realisation of assessed tax.

A registered dealer failed to pay tax of Rs. 23.03 lakh on which interest of Rs. 16.58 lakh and penalty of Rs. 28.52 lakh were payable

Under Section 23(4) of the MVAT Act, every registered dealer is required to file a return and pay the full amount of tax payable according to the return. If the registered dealer without sufficient cause, fails to pay the amount of tax due and interest along with the return, the Commissioner of Taxes may after giving the dealer a reasonable opportunity of being heard, direct him to pay in addition to the tax and the interest payable, a penalty at the rate of two *per cent* per month on the tax and interest payable from the date it had become due.

Test check of the records of the ACT, North Zone, Aizawl in July 2008 revealed that in respect of a registered Aizawl based dealer dealing in whole sale distribution of packaged food, the assessing officer (AO) determined (March 2008) the taxable turnover at Rs. 2.70 crore for the assessment year 2005-06 with payable tax of Rs. 26.93 lakh. Of this, the dealer deposited an amount of Rs. 3.90 lakh but failed to pay the balance tax of Rs. 23.03 lakh till the end of July 2008. Thus, besides payment of balance tax of Rs. 23.03 lakh, the dealer was liable to pay interest of Rs. 16.58 lakh and penalty amounting to Rs. 28.52 lakh which was not levied.

The matter was reported to the department and the Government in August 2008; their reply has not been received (November 2008).

LAND REVENUE AND SETTLEMENT DEPARTMENT

6.12 Non-realisation of land revenue.

The department failed to collect assessed land revenue of Rs. 28.16 lakh in respect of 131 cases

Section 6 of the Mizoram (Taxes and Land, Buildings and Assessment of Revenue) Act, 2004 provides that the taxes and fees on property (land, building and house) shall be levied, assessed and collected by the Government before the end of every financial year. Section 23 of the Act further provides that arrear of land revenue may be recovered from the defaulters as per the provisions of the Mizoram Public Demands Recovery Act, 2001.

Test check (May 2008) of the records of the Director, Land Revenue and Settlement, Mizoram, Aizawl revealed that though the department assessed land revenue on property in respect of 131 cases (33 Government departments and 98 schools/NGOs) for the year 2006-07 and 2007-08 of Rs. 13.97 lakh and Rs. 14.19 lakh respectively, yet they failed to collect the revenue during the concerned financial year. As a result, the entire assessed revenue of Rs. 28.16 lakh[3] for two years became due during 2008-09 from 131 defaulters.

The matter was reported to the department and Government in August 2008; their reply has not been received (November 2008).

[3] (i) 33 Government departments – Rs. 11.02 lakh (2006-07) and Rs. 11.05 lakh (2007-08)
(ii) 98 Schools/NGOs – Rs. 2.95 lakh (2006-07) and Rs. 3.14 lakh (2007-08).

CHAPTER-VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

CHAPTER – VII

Government Commercial and Trading Activities

7. General

This chapter deals with the results of audit of accounts of the Government companies and departmentally managed commercial undertakings. Paragraph 7.1 gives an overview of the Government companies and departmentally managed commercial undertakings. Paragraph 7.2 contains a performance review on 'Zoram Industrial Development Corporation Limited' and Paragraphs 7.3 to 7.7 deal with other topics of interest.

7.1 *Overview of Government companies and departmentally managed commercial undertakings*

7.1.1 *Introduction*

As on 31 March 2008, there were five Government companies (all working) and two departmentally managed commercial undertakings viz., State Trading Scheme[1] under the Food, Civil Supplies and Consumer Affairs Department and Mizoram State Transport[1] under the Transport Department as against the same number of Government companies and departmentally managed commercial undertakings as on 31 March 2007 under the control of the State Government. The results of audit of the Power and Electricity Department have been incorporated in this Chapter (Paragraph 7.1.13). The accounts of Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per the provisions of Section 619 of the Companies Act, 1956. The accounts of departmentally managed Government commercial undertakings are audited by the CAG under Section 13 of CAG's (Duties, Powers and Conditions of Service) Act, 1971.

7.1.2 *Working Government Companies*

The total investment in working Government companies at the end of March 2007 and March 2008 was as follows:

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1 These undertakings prepare Proforma Accounts.

Table 7.1.1

(Rupees in crore)

Year	Number of companies	Equity capital	Share application money	Long term loans[2]	Total
2006-07	5	46.29	9.47	33.47	89.23
2007-08	5	49.90	8.52	34.53	92.95[3]

As on 31 March 2008, the total investment in Government companies comprised of 62.85 per cent of equity capital and 37.15 per cent of loans as compared to 62.49 per cent and 37.51 per cent respectively as on 31 March 2007.

The increase in total investment was due to increase in equity mainly in PSUs in Food Processing, Handloom and Handicrafts and Electronics Development sectors and increase in loan in respect of Industrial Development & Financing Sector.

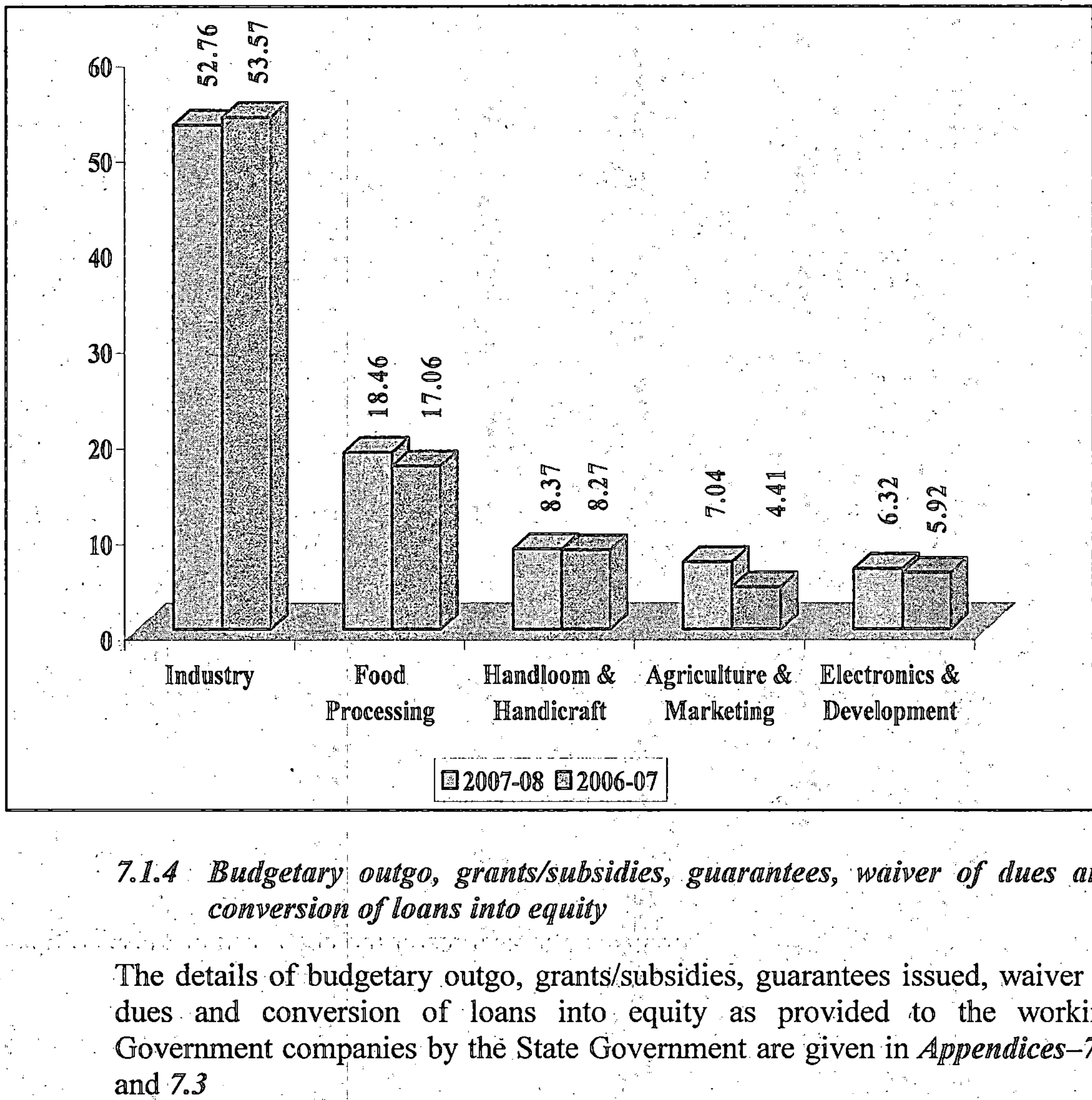
The summarized position of Government investment in the working Government companies in the form of equity and loans is detailed in *Appendix-7.1*.

7.1.3 *Sector-wise investment*

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2008 and 31 March 2007 are indicated in the following chart:

[2] Long term loans are excluding interest accrued and due on such loans.

[3] State Government investment was Rs. 54.63 crore (others Rs. 38.32 crore). Figure as per Finance Accounts 2007-08 was Rs. 1.97 crore. The difference was under reconciliation.



7.1.4 *Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity*

The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity as provided to the working Government companies by the State Government are given in *Appendices–7.1* and *7.3*

The budgetary outgo in the form of equity capital and grant/subsidy from the State Government to the working Government companies for the three years up to 31 March 2008 was as follows:

Table 7.1.2

(Rupees in crore)

	2005-06		2006-07		2007-08	
	Companies		Companies		Companies	
	No.	Amount	No.	Amount	No.	Amount
Equity capital	4	6.16	3	2.10	4	2.80
Loans	--	--	--	--	--	--
Grants	4	1.12	5	2.22	2	1.50
Total:	5◆	7.28	5◆	4.32	4◆	4.30

As on 31 March 2008, guarantees amounting to Rs.32.43 crore and Rs.36.21 lakh were outstanding against Zoram Industrial Development Corporation Limited and Mizoram Food and Allied Industries Corporation Limited respectively. No guarantee commission was payable to the State Government by the Government companies. There was no case of conversion of Government loans into equity, moratorium in repayment of loan and waiver of interest.

7.1.5 Finalisation of accounts by working PSUs

Accounts of Government companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The accounts duly audited are also to be laid before the State Legislature within nine months from the end of the financial year.

Out of five working Government companies, none of them finalized its accounts for the year 2007-08. During the period from October 2007 to September 2008, only one company finalized its accounts for the previous year.

The accounts of five working Government companies were in arrears for periods ranging from one to nine years as on 30 September 2008, as detailed below:

◆ These are the actual number of companies, which have received budgetary support in the form of equity, loans and grants from the State Government during the respective years.

Table 7.1.3

Sl. No.	No. of working Government companies	Period for which accounts are in arrear	Number of years for which accounts are in arrear	Reference to Sl. No. of Appendix – 7.2
1	1	1999-00 to 2007-08	9	2
2	2	2001-02 to 2007-08	7	4 & 5
3	1	2002-03 to 2007-08	6	3
4	1	2007-08	1	1

The State Government had invested* Rs. 26.78 crore (equity: Rs. 13.55 crore; loans: Rs. 2.00 crore and grants: Rs. 11.23 crore) in four working PSUs during the years for which accounts have not been finalised as detailed in ***Appendix-7.4***. In the absence of timely finalisation of accounts and their audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of provisions of the Companies Act, 1956.

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments of the Government were being apprised quarterly by the audit regarding arrears in finalization of accounts, no remedial measures have been taken by the Government to get the accounts finalised and as a result the net worth of these companies could not be assessed in audit.

7.1.6 Financial position and working results of working PSUs

The summarised financial results of working PSUs (Government companies) as per their latest finalised accounts are given in ***Appendix -7.2*** According to the latest finalised accounts all the working Government companies had incurred accumulated loss of Rs.33.30 crore.

7.1.7 Return on capital employed

The details of capital employed and total return on capital employed in case of working Government companies are given in ***Appendix –7.2***. As per the latest finalised accounts of five working companies, the capital employed[7] worked

* Information as provided by the companies.

[7] Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in the case of Zoram Industrial Development Corporation Limited where it represents a mean of the aggregate of opening and closing balances of paid-up capital, free reserves and borrowings (including refinance).

out to Rs.59.74 crore and total return[8] thereon amounted to Rs.(-) 3.20 crore as compared to total return of Rs.(-) 4.86 crore in the previous year.

7.1.8 Results of audit of accounts of PSUs

During the period from October 2007 to September 2008, the accounts of only one Government company, viz., Zoram Industrial Development Corporation Limited for 2006-07 were finalised and selected for audit. The major errors and omissions noticed during the audit were as under:

- The Company had not brought out the grants (Rs.7.27 crore) received from the Governments and expenditure (Rs.4.10 crore) there against on the implementation of IIDCs and income (Rs.90,000) there from, in the books of accounts of the Company. Separate set of accounts have been maintained for these grants.
- Investment included an amount of Rs. 68 lakh in insurance policies, taken in the name of officials working in the Company.
- A sum of Rs. 3.00 crore was received from Government of Mizoram as a grant for repayment of principal of Ginger Loan to National Minorities Development Finance Corporation Ltd. (NMDFC), New Delhi. This amount was paid to NMDFC on the same day. However, the transaction remained out of the books of accounts.

7.1.9 Internal Audit/Internal Control

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/internal control systems in the companies audited by them in accordance with the directions issued to them by the Comptroller & Auditor General of India under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which need improvement. The Statutory Auditors in their reports on the annual accounts of the companies pointed out that in four companies[9] the internal audit system was not commensurate with the size and nature of business of these companies.

[8] For calculating total return on capital employed, interest on borrowed fund is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

[9] Zoram Industrial Development Corporation Limited, Mizoram Handloom And Handicrafts Development Corporation Limited, Mizoram Food and Allied Industries Corporation Limited and Zoram Electronics Development Corporation Limited.

7.1.10 Departmentally managed Government commercial and quasi-commercial undertakings

As on 31 March 2008, there were two departmentally managed commercial undertakings *viz.*, State Trading Scheme under Food, Civil Supplies and Consumer Affairs Department and Mizoram State Transport under Transport Department.

The Proforma Accounts of the State Trading Scheme for 2004-05 to 2007-08 and of Mizoram State Transport for 2002-03 to 2007-08 were in arrears (September 2008). Though the administrative department of the Government was being apprised quarterly by the audit regarding arrears in finalization of accounts, no remedial measures have been taken by the Government to get the accounts finalized and as a result the net worth of these Undertakings could not be assessed in audit.

7.1.11 State Trading Scheme

During the year 2007-08, no Proforma Accounts relating to the arrear years was finalised by the Department. Based on the latest finalised accounts, the financial position and working results on the operation of the Scheme for the three years from 2001-02 to 2003-04 are tabulated in *Appendix – 7.5.*

7.1.12 Mizoram State Transport

The operational performance of Mizoram State Transport (MST) for three years ended 31 March 2008 is given in *Appendix–7.6.* It may be seen from the *Appendix-7.6* that during the three years ending 31 March 2008, Mizoram State Transport incurred operating losses of Rs.6.07 crore, Rs.6.03 crore and Rs.7.02 crore respectively. The net loss incurred during these years was Rs.7.99 crore, Rs.7.98 crore and Rs.8.85 crore respectively. The reasons for incurring heavy losses were attributed by the Management to poor utilisation of buses (48 to 53 *per cent*) and low load factor (occupancy) of 43 to 52 *per cent,* inclusion of un-apportioned salaries/wages and expenses of other functional units of the Transport Directorate as expenses of the Transport Department and high incidence of salaries and allowances and other operating expenses. The losses per kilometer operated during the three years up to 2007-08 were Rs.46.26, Rs.45.68 and Rs.61.75 respectively.

7.1.13 Power and Electricity Department

The operational performance of the Department for the last three years up to 2007-08 is given in *Appendix –7.7.*

The total expenditure on power sold during three years from 2005-06 to 2007-08 was Rs.129.77 crore, Rs.108.50 crore and Rs.114.05 crore as against the revenue of Rs.80.37, Rs.44.60 crore and Rs.81.22 crore respectively. Thus, losses of Rs.49.40 crore, Rs.63.90 crore and Rs.32.83 crore respectively were incurred during these three years.

The percentage of transmission and distribution (T&D) losses varied from 18.46 to 26.63 *per cent* as against the norm of 15.5 *per cent* fixed by the Central Electricity Authority. During the year 2007-08, the excess T&D losses over the norms were 40.80 million units.

7.1.14 Response to inspection reports, draft paras and reviews

Observations made during audit and not settled on the spot are communicated to the heads of the companies and concerned departments of the State Government through Inspection Reports. The heads of companies/offices are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued up to March 2008 pertaining to five Government companies, two departmentally managed commercial undertakings and the Power and Electricity Department disclosed that 159 paragraphs relating to 50 inspection reports remained outstanding at the end of September 2008. Of these, 19 inspection reports containing 49 paragraphs had not been replied to for more than three years. Department-wise break-up of inspection Reports and paragraphs outstanding as on 30 September 2008 is given in ***Appendix – 7.8.***

Similarly, draft paragraphs and reviews on the working of the Government companies and departmentally managed commercial undertakings are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. Six paragraphs were forwarded to Power & Electricity Department in June 2008 for which reply has not been received so far (October 2008).

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who fail to send replies to inspection reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment is taken in a time bound schedule and (c) the system of response to audit observations is revamped.

7.1.15 Position of discussion of Commercial Chapter of Audit Reports by the Committee on Public Undertakings (COPU)/Public Accounts Committee (PAC)

The following table gives details regarding the number of reviews and paragraphs of the Commercial Chapter of the Audit Reports discussed by COPU/PAC (as at the end of 31 March 2008):

Table 7.1.4

Period of Audit Reports	Total number of Reviews/paragraphs appearing in Commercial Chapter		Number of Reviews/Paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1993-1994	-	4	-	3
1995-1996	1	4	1	2
1996-1997	-	4	-	2
1997-1998	1	3	1	2
1998-1999	-	3	-	2
1999-2000	1	7	-	3
2000-2001	-	2	-	2
2001-2002	-	4	-	-
2002-2003	1	5	-	1
2003-2004	-	5	-	-
2004-2005	1	2	-	-
2005-2006	-	4	-	-
2006-2007	2	1	-	-
Total	7	48	2	17

Section 'A' Performance Review

Industries Department

7.2 Zoram Industrial Development Corporation Limited

Highlights

The contribution of the Company in the state of Mizoram was on the decline due to non-disbursement of term loan and non-allotment/utilisation of plots developed in two 'Integrated Infrastructural Development Centres' (IIDC) at Pukpui and Zote.

(Paragraph 7.2.1, 7.2.13 and 7.2.31)

There was diversion of funds of Rs.7.54 crore received from Financial Institutions (FIs) and Rs.89 lakh received for IIDC from Government of India (GOI) and Government of Mizoram (GOM) for administrative expenses.

(Paragraph 7.2.11 and 7.2.29)

The Company failed to claim defaulted ginger loan of Rs. 2.78 crore, affected by natural calamity from National Minority Development & Finance Corporation.

(Paragraph 7.2.12)

Irregular sanction and disbursement of loan of Rs.3.53 crore under BAFFACOS, without creation of charges against the security, led to remote chance of recovery of loans.

(Paragraph 7.2.15 to 7.2.18)

Non-performing assets of the Company increased from Rs.20.40 crore in 2003-04 to Rs.22.78 crore in 2007-08.

(Paragraph 7.2.22)

The Company incurred loss of income of Rs.5.47 crore by waiving of interest without the approval of Board of Directors and the State Government under the proposed special One Time Settlement scheme.

(Paragraph 7.2.26)

The expenditure of Rs.7.43 crore remained unproductive as plots in IIDCs were not allotted to industrial units. Thus, the objective of the scheme for development of industries in the backward area of the State was not achieved.

(Paragraph 7.2.31)

Introduction

7.2.1 Zoram Industrial Development Corporation Limited (Company) was incorporated in February 1978 to develop industrial areas and promote entrepreneurship by providing aid, assistance and finance to industrial undertakings, projects or enterprises in the state of Mizoram.

The activities of the Company at present are:

- setting up of Integrated Infrastructural Development Centre (IIDC);
- providing assistance to bamboo processing units under Bamboo Flowering and Famine Combat Scheme (BAFFACOS); and
- extending housing loan to Government employees and multistoried car parking complex at Aizawl under finance from HUDCO.

The Management of the Company is vested in a Board of Directors (BOD) consisting of 11 Directors, including a Chairman and a Managing Director as on 31 March 2008. The Managing Director is the Chief Executive of the Company who is assisted by one General Manager, two Managers and three Deputy Managers in the Head office at Aizawl. The Company has a branch office at Lunglei for recovery of loan.

A comprehensive review on the activities of the Company was last conducted during 1997-98 and included in the Audit Report of Mizoram for the year ended 31 March 1998. It was discussed in the Committee on Public Undertakings (COPU) on 28 May 2001. The major recommendations of the COPU on the Action Taken Report of the Management were as under:

- the Management should henceforth follow the guidelines in respect of presentation, appraisal, effective monitoring and post disbursement inspection study;
- the management should take necessary steps to classify the overdue loans as per the guidelines of RBI;
- the Corporation should come up with realistic plan for achieving maximum recovery of overdues from the loanees and recycle the fund for the benefit of the people and industrial promotion of the State;
- the management should make provision for bad and doubtful debts in their accounts; and
- stern action should be taken against the defaulters and the management should also curtail avoidable expense on establishment.

Scope of Audit

7.2.2 The present review conducted during May-July 2008 covers the working of the Company for the period from 2003-04 to 2007-08 with regard to sanction, disbursement and recovery of loan under various schemes and setting up of IIDC at Pukpui and Zote.

Audit objectives

7.2.3 The performance review was conducted with a view to ascertain whether:

- Loans were sanctioned and disbursed after exercising due diligence;
- All possible steps were taken to recover the loans in time;
- The objectives as envisaged in Integrated Infrastructural Development Centre Scheme were achieved; and
- The funds were arranged economically and utilised efficiently.

Audit Criteria

7.2.4 The audit criteria adopted for assessing the audit objectives were:

- State Industrial Policy 1989 and 2000;
- the instruction/guidelines of Financial Institutions (FIs) such as Industrial Development Bank of India (IDBI), Small Industries Development Bank of India (SIDBI), National Minorities Development & Finance Corporation (NMDFC) and Housing and Urban Development Corporation (HUDCO);
- the laid down policy and procedures of the Company in respect of sanction, disbursement and recovery of loan/assistance;
- the provision of State Financial Corporation (SFC) and other relevant Acts;
- One Time Settlement (OTS) scheme, 1999;
- the decisions of Board of Directors (BOD), executive instructions and circulars issued from time to time; and
- guidelines issued by Government of India (GOI), Government of Mizoram (GOM) and Draft Project Reports (DPR) for implementation of IIDCs Pukpui and Zote.

Audit Methodology

7.2.5 Audit followed the following mix of audit methodologies by reviewing the records relating to :

- mobilisation and deployment of resources;
- agenda and minutes of the Board meetings related to investment activity;
- loan applications appraised by the Company;
- sanction of loans under various schemes;
- waiving of interest under OTS scheme;
- recovery action against the defaulting assisted units;
- expenditure incurred, leasing out of plots to the entrepreneurs and collection of maintenance charges for IIDC; and
- interaction with the management at various levels.

Audit Findings

Audit findings emerging from the performance audit were reported (September 2008) to the State Government and discussed (November 2008) with the Management. The views expressed by the Management during the said meetings have been taken into consideration while finalizing the performance audit. The audit findings are discussed in the succeeding paragraphs.

Financial Management

Capital Structure

7.2.6 As against the authorized capital of Rs.20 crore, the paid up capital of the Company stood at Rs.15.78 crore as on 31 March 2008 subscribed by GOM (Rs.11.50 crore) and Industrial Development Bank of India (Rs.4.28 crore). There is pending allotment of shares valuing Rs.4.55 crore to GOM. It was noticed that the share capital including the pending allotment of shares exceeded its present limit of authorized capital.

Financial performance

7.2.7 The summarised financial position and working results of the Company for five years period ending 31 March 2008 are given at ***Appendix 7.9.*** From the appendix, it was observed that

- the Company incurred losses in all the years under review and accumulated loss increased from Rs.8.85 crore in 2003-04 to Rs. 16.84 crore and eroded the entire paid up capital as on March 2008.

- the capital employed and the net worth of the Company became negative as on 31 March 2008.

Audit scrutiny revealed that:

- the Company had not evolved any system to forecast annual budgeted profitability for operation of its annual activities.

- the Company had neither introduced any system of financial planning nor prepared business plan and resource forecasting for debt utilisation of borrowed funds from FIs.

- the Company had not made provision of Rs.22.78 crore (31 March, 2008) for Non-Performing Assets (NPA) as per RBI guidelines. Had the provision been made, the accumulated loss of Rs. 16.84 crore would have increased to Rs.39.62 crore.

The Government stated (October 2008) that due to clearing of SIDBI loan in June 2008, the performance of the Company would become positive from the year 2008-09 onwards.

Sources and Utilisation

Grant-in-aid

7.2.8 During 2004-08, the Company had received the capital grant-in-aid of Rs.7.35 crore from Ministry of Small Scale Industries (MSSI), GOI and Rs.0.93 crore from GOM for implementation of IIDC at Pukpui and Zote. The Company had also received the revenue grant-in-aid of Rs. three crore from Government of Mizoram which was meant to wipe out the balance Ginger loan borrowed from NMDFC, New Delhi.

It was noticed in audit that:

- the Company had not maintained separate 'grant-in-aid' register and assets register for receipt and utilization of grant as per General Financial Rules (GFR) (Rule No.19);

- The revenue grant of Rupees three crore was not accounted for, as receipt of income from other sources (March 2008);

- the receipt of the grants from GOI and GOM and consequent utilisation in respect of capital work-in-progress, creation of assets for implementation of IIDC were not taken into accounts of the Company.

The Government stated (October 2008) that the Company maintained a separate set of accounts for implementation of IIDC as it had no right of ownership. The reply is contrary to the guidelines of the IIDC scheme stating that the implementing agency (Company) had right of the ownership of the IIDC Centres.

Investment in Financial Institutions (FIs)

7.2.9 The Company had not devised any investment policy so far (March 2008) regarding parking of surplus funds of Grant-in-aid and funds received from FIs for lending, till disbursement. The Company had invested an amount of Rs. 2.06 crore in the FIs and Rs. 2.12 lakh in Kisan Vikas Patra (KVP) as of March 2008.

It was observed in audit that:

- the Company had invested its own fund of Rs. 1.88 crore between March and September 2007 with Life Insurance Corporation of India (LIC) (Rs.1.18 crore Market plus scheme) and Bajaj Alliance Life Insurance Corporation Ltd (BALICL) Rs. 70 lakh Unit gain plus) maturing after 5 years and 10 years respectively. This investment was made in the personal names of various functionaries of the Company which was in violation of the guidelines of RBI and Articles of Association (AOA) of the Company. The approval of the BOD was also not obtained in respect of the above investments.

- the Company did not make any efforts to analyse the market interest rates from various FIs with a view to secure the best returns on investment by the Company.

Thus, the investment of Rs. 1.88 crore made in LIC and BALICL in the names of officials of the Company not only failed to protect the Company's interest, but was also in violation of the prescription and guidelines of the RBI and the AOA of the Company.

The Government, while accepting the audit observation, stated (October 2008) that the Company had obtained the signed affidavit from the officials for which the investments were made. The reply does not explain why the Company had obtained the affidavit which is legally not acceptable without consent of the respective insurance company for assigning the interest to the Company.

Investment in Group Gratuity Scheme

7.2.10 The Company had purchased a policy of Group Gratuity Scheme from LIC, Silchar branch valuing Rs. 48.90 lakh in the month of March 2007 covering 60 employees for which administrative approval of the BOD and the State Government was not obtained.

Utilisation of borrowed fund

7.2.11 As of March 2008 the State Government had provided total guarantee of Rs.24.67 crore* to SIDBI and NMDFC on behalf of the Company for repayment of the term loan and also assisted the Company by providing grant and loan for repayment of Rs.3 crore to NMDFC (March 2007) and Rs.8.72 crore to SIDBI (June 2008).

Audit scrutiny revealed that :

- the Company had made loan payment of Rs.2.88 crore[f] to the FIs as against the recovery of Rs.10.42 crore[♥] from loanees by diverting balance amount of Rs.7.54 crore to meet the administrative and management expenses.
- the State Government was forced to bail out the Company from the debt by sanctioning grant of Rs.3 crore (March 2007) and Rs.8.72 crore interest free loan for repayment of loan of NMDFC and SIDBI respectively to avoid invoking guarantees provided to FIs due to irregular repayment.

Thus, due to diversion of borrowed amount and irregular repayment to the FIs, the Company was faced with a serious setback in its lending operation to secure further funds from the FIs which resulted in shortage of funds for disbursement while depleting the State exchequer to the extent of the amount settled.

The Government, while admitting the fact, stated (October 2008) that the Company is taking steps to clear the dues of FIs.

Failure to claim defaulted Ginger Loan from NMDFC

7.2.12 The Company was nominated (April 2001) as State Channelising Agency (SCA) for implementing the programme of NMDFC for disbursing term and money margin loan to the beneficiaries of notified minorities. Under the programme, the Company had disbursed the "Ginger Cultivation" loan of Rs.2.81 crore at Rs.5000 each to 5620 ginger cultivators against the sanction of Rs.3 crore in the year 2000-01 and the balance amount of Rs.0.19 crore was utilised for other purposes. As per the scheme, the loanees were to repay the loan within 12 months from the date of disbursement along with six per cent interest *per annum*.

As of March 2008, the Company had recovered the dues of Rs. 3.56 lakh (principal Rs. 3.20 lakh, interest Rs. 0.36 lakh) from the loanees. It was noticed that the farmers (loanees) could not repay the loan due to massive blight and root-borer pests which had affected their crops. In the meantime, the NMDFC had come forward for a one time settlement for clearing ginger loan by waiving the compound interest of Rs. 51.82 lakh and demanded Rs. 3.22* crore due to default of loan since 2001-02. In response to the offer (March 2007), the

* SIDBI-Rs.10.45 crore and NMDFC-Rs.14.22 crore.

[f] SIDBI- Rs.2.68 crore and NMDFC- Rs.0.20 crore.

[♥] SIDBI- Rs.7.09 crore and NMDFC- Rs.3.33 crore.

* principal of Rs.3 crore and interest Rs. 0.22 crore

Government of Mizoram came forward for repayment of ginger loan of Rs.3 crore to NMDFC on 28 February 2007 by providing grant to the Company to avoid invoking of State Government guarantee.

In this context, it was noticed that the NMDFC had floated a scheme of writing off loans/dues of the beneficiaries in the event of death, disability and calamity notified in the month of November 2006. As per the scheme, the amount written off would be credited to concerned SCA's loan/dues account and communicated to the SCA for adjustment in its accounts.

Instead of seeking for write off of the loan on account of natural calamities as provided for in the said scheme, the Company instead resorted to repayment of the entire amount of Rs.3 crore by availing grant from GOM. Further, the Company had excluded outstanding ginger loan amounting to Rs.2.81 crore in the books of accounts by way of writing off of bad and doubtful debts without the approval of BOD.

Had the Company taken steps for claiming of defaulted ginger loan of Rs.2.78 crore[ʃ] from NMDFC, the repayment made by the GOM would have been averted.

The Government stated (October 2008) that GOM committed repayment of ginger loan on behalf of the loanees much before 2006 and needed to go ahead as per the procedure inspite of new scheme notified by NMDFC in November 2006. The reply does not mention as to why the Company so far (March 2008) had not initiated any action to write off the amount of individual loanees in the books of accounts by the BOD and claim defaulted amount from the NMDFC.

Term Loan Assistance

Industrial Promotion

7.2.13 The main objective of the Company is to provide assistance for setting up of new industrial units as well as for expansion, modernization and diversification of the existing units. The FIs, SIDBI and NMDFC had declined the term loan assistance to the Company since 1994 and 2003-04 respectively mainly due to its poor track records of repayment of loans. Hence, no term loan was disbursed by the Company during the period covered in audit. However, the State Government sanctioned the share capital of Rs.3.95 crore to the Company in the year 2004-05 and 2005-06 for providing assistance to Bamboo Processing Units under Bamboo Flowering and Famine Combat Scheme (BAFFACOS). Further, the Company extended housing loan to the Government employees to the extent of Rs.10 crore and also sanctioned multi-storied car parking cum shopping complex loan to three promoter to the extent of Rs.2.77 crore in the year 2006-07 and 2007-08 under finance from HUDCO.

[ʃ] total disbursement of Rs.2.81 crore minus total recovery of Rs.0.03 crore.

Disbursement of loan under BAFFACOS:

7.2.14 The Company had disbursed the total assistance of Rs.3.53 crore to the loanees against the total receipt of Rs. 3.95 crore under BAFFACOS during 2005-06 and 2006-07. The undisbursed balance of Rs.42 lakh was held by the Company for other purposes. The sanction and disbursement of the loan and creation of security of the above loanees are discussed in the succeeding paragraphs.

Mizoram Venus Bamboo Products Limited, Aizawl

7.2.15 The Company had disbursed a term loan of Rs.2.45 crore at a rate of 10 *per cent* interest to the M/s. Mizoram Venus Bamboo Products Limited (MVBPL), Aizawl, in two installments (August 2005/December 2005) with repayment period of five years. Further, the term loan was sanctioned to the loanee M/s. MVBPL for discharging the liability of the loanee with Central Bank of India, Kolkata as directed by the Government of Mizoram by providing the fund under BAFFACOS as share capital contribution. In addition, the Company also sanctioned working capital loan of Rs.0.35 crore in two installments (December 2005/June 2006) with repayment period of three years.

It was found in audit that:

- sanction and disbursement of term loan of Rs. 2.45 crore for settlement of time barred outstanding dues of another FI (Central Bank of India, Kolkata), was not permissible as per AOA of the Company.

- the Company did not appraise the project evaluation such as credit worthiness, margin money, repayment capacity and marketing of the products before disbursement of the loan.

- the Company had not entered into any agreement for creating charges such as mortgage of land and hypothecation of plant and machinery and stock against the security for disbursement of Rs.2.80 crore for term and working capital loan. No security had been obtained against the loan (March 2008).

- the loanee had not repaid any installment so far (March 2008).

Thus, due to sanction and disbursement of loan of Rs.2.80 crore in violation of the procedure of lending without creation of charges, the recovery of loan by repossession of the assets was not enforceable under the SFC Act.

The Government while accepting the fact stated (October 2008) that the loans were disbursed at the instance of GOM entirely out of the funds provided by them. The reply does not explain as to why the Company did not follow the procedure for sanction and disbursement of loan.

M/s R.P. Bamboo Industry, Aizawl

7.2.16 The Company had sanctioned a term loan of Rs.26 lakh to M/s. R. P. Bamboo Industry in November 2006 for purchase of power operated 120 Bamboo Stick Making Machine slicers for the Agarbati stick manufacturing unit. The Company had disbursed the first installment of Rs.15.60 lakh to the loanee in November 2006. On scrutiny of the sanction and disbursement of loan, it was found that:

- the loanee had utilized the loan amount for purchase of two Fine Silver Machine, one Stick Making Machine and 337 Nos. of Hand Slicing and Stick Machine instead of purchase of power operated stick and slice machine;

- the collateral security of the land and building was not in the name of the loanee. The Company had not made the agreement for creation of charges against the security in favour of the Company; and

- the loanee had repaid an amount of Rs.0.42 lakh since May 2007 leaving outstanding of Rs.8.50 lakh (March 2008).

Thus, sanction and disbursement of loan without adequate security and utilisation of the same for other purposes led to non- recovery.

M/s L. Z. Bamboo Industry, Aizawl

7.2.17 The Company sanctioned (August 2006) a term loan amounting Rs.44.50 lakh to L. Z. Bamboo Industry, Aizawl for setting up of bamboo stick manufacturing unit and disbursed the same in two installments (August 2006/March 2007).

Scrutiny of the records of sanction and disbursement revealed that:

- despite the defective project report as per the opinion of Project Manager, the Company had sanctioned loan without considering the viability of the project for repayment;

- the loanee had purchased only 28 numbers of Bamboo Agarbatti square stick making machine at a total cost of Rupees seven lakh instead of one flat bed and 50 stick making machines (estimated value Rs. 24.50 lakh);

- the Company had released the second installment of Rs.20 lakh without ascertaining the utilisation of the first installment for intended purpose;

- the Company had not properly assessed the valuation of securities as the loanee had a negligible collateral security of land;

- the entire amount of the project was funded by the Company without the loanee's contribution; and
- the loanee had not repaid a single installment since September 2006.

Thus, disbursement of loan without getting adequate security and release of second installment without inspection led to remote chance of recovery.

The Government stated (October 2008) that the Company has initiated action to recover the loan.

Loan under Hire Purchase Scheme

7.2.18 The Company had sanctioned and disbursed a loan of Rs.25000 to 50 members aggregating to the total value of Rs.12.50 lakh in November 2005 for purchase of Agarbatti stick making machine with interest of seven *per cent per annum* for repayment within three years.

On review of the sanction and disbursement of the loans, it was revealed that:

- the method/selection and identification of loanees were not made available;
- agreements with the loanees for hypothecation of plant and machinery were not entered into;
- pre and post inspections were not conducted to ensure that loanees utilised the loan for purchase of machinery;
- marketability of products of loanees was not assessed before sanctioning the loan;
- an amount of only Rs.9,392 against the outstanding loan of Rs.12.50 lakh was repaid (March 2008).

Thus, sanction of only loan without obtaining security, non-hypothecation of plant and machinery, irregular repayment and non-assessing marketability of the products led to non-recovery of loan.

The Government stated (October 2008) that the Company had already started repossession of the plant and machinery from the defaulted loanees. The details of loanees and repossession of assets from them were not made available to audit.

Housing loan to Government employees

7.2.19 The Company had sanctioned and disbursed the housing loan of Rs.10 crore for construction of houses to 474 officials working in State / Central Government / Public Sector Undertaking in Mizoram, financed by HUDCO under State Government Guarantee in the year 2005-06 and 2006-07. The important terms and conditions for granting housing loan, *inter alia,* included that the applicant must be in permanent service of Government / PSU and the loan shall be secured by Land Settlement Certificate as Collateral Security.

On scrutiny of the sanction and disbursement, it was found that most of the loanees did not follow the terms and conditions of HUDCO as detailed below:

- the loanees submitted the same standard estimates instead of submitting their own individual estimate according to the plan of their house;
- on test check of 30 cases it was noticed in 11 cases[2] that name of loanees were not matching with the names given in Land Settlement Certificates;
- non-encumbrance certificate in the names of the loanee was not obtained up to the date of loan sanction;
- the Company had not conducted the post inspection after disbursement of housing loan to find out whether the loan was utilized for construction; and
- completion certificate of the houses was not available on record.

Thus, for construction of houses by the loanees as per the terms and conditions of HUDCO could not be vouched safe in audit.

Disbursement of loan for Multi-Storied Car Parking Complex:

7.2.20 HUDCO sanctioned (September 2005) Rs. 2.77 crore for construction of five multi-storied car parking complex at Aizawl. However, the Company disbursed (June 2006 to October 2007) the entire amount to three promoters depriving other two promoters loan of Rupees one crore.

On scrutiny of the records of sanction and disbursement, audit further found that:

- the Company had not reappraised the Debt Equity Ratio, Margin of Safety and means of financing as per DPR for assessing the repaying capacity.

[2] *Dr. James Thazuava, Lalmalsawmi, K. Larinliani, Lalrinawmi, P.C. Vanlalchungi, Paulranthanga, Laldinpuia Colney, Albert Zonunsanga, Lalramngaies, Lalrodawla and Lalrindiki.*

- the Company had not collected the two months' installments from the loanees as fixed deposit with commercial bank or PDS scheme of HUDCO by opening escrew account as stipulated in the HUDCO sanctioned letter.
- the Company had not obtained the comprehensive insurance policies from the loanees for construction of the multi-storied car parking complex for protecting the loan amount against the natural calamities and other perils.

The Government stated (October 2008) that the Company had adequate security to cover the loan.

Follow up procedure

7.2.21 Timely and effective recovery of dues is the most critical component for any financing Company for sustaining its capacity to finance and reduce risk of debts. The Company has to initiate action against defaulting loanees under the provisions of SFC Act, 1951 as follows:

- issue notice to defaulting loanee under section 30, to discharge forthwith liabilities to the Company;
- issue of notice under section 29, to take over the management or possession of assets or both of the industrial concern; and
- sell the property pledged, mortgaged, hypothecated or assigned as security.

Besides above, the Company also settles cases of heavy overdues, after considering their merits, under scheme of one time settlement (OTS) by recovering dues of principal and some of the interest, liquidated damages, charges etc.

Non-performing assets

7.2.22 Reserve Bank of India, issued (March 1994) guidelines to classify the loan assets into four categories depending upon their chances of realisation as standard assets, sub-standard assets, doubtful assets and loss assets. However, the Company classified the assets only as standard assets and doubtful assets (non-performing assets).

The particulars of outstanding loan, grouping of assets into standard assets and doubtful assets etc., are given below for the five years ending 2007-08:

Table 7.2.1

(Rs in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
1. Loan (Principal) outstanding at the end of the year	25.12	23.58	25.13	35.21	32.07
2. (a) Standard Assets	4.72	2.80	3.73	13.21	9.29
(b) Doubtful Assets (NPA)	20.40	20.78	21.40	22.00	22.78
3. Percentage of NPA to Total Outstanding	81.21	88.13	85.16	62.48	71.03

Source: Data furnished by the Company.

It was noticed in audit that the percentage of NPA was reduced in the year 2006-07 and 2007-08 due to sanction of Rs.12.70 crore from HUDCO and not due to improvement of recovery of the loan.

Recovery performance

7.2.23 As on March 2008, the total amount of Rs.59.92 crore (principal: Rs. 22.78 crore; interest Rs. 37.14 crore) was overdue for recovery. The position of recovery of overdues (principal and interest) on term loan operations of the Company for the last five years up to 31 March 2008 is given in ***Appendix 7.10.***

It is evident from the Appendix 7.10 that the recovery ranged between 8.40 *per cent* and 4.96 *per cent* in respect of principal and 3.57 *per cent* and 1.00 *per cent* in respect of interest. Overall recovery ranged between 5.72 *per cent* and 2.52 *per cent* during the period 2003-04 to 2007-08.

It was observed in audit that:

- the Company had not fixed annual target for recovery of the loan.
- the Company did not analyse the reason for decline nor did it take any effective steps to improve the recovery. No records were made available regarding the number of units visited by the recovery staffs and number of recovery campaigns held. Even periodical (monthly/quarterly) demand notices to the loanees were not sent regularly.
- the matter was not supervised or monitored effectively at the Senior Management level nor did it get adequate oversight at Board level.
- the Company had not filed any case for recovery of loan from defaulted borrowers under SFC Act and other Recovery Act during the period under review.

One Time Settlement

7.2.24 The Company introduced (1999) scheme of one time settlement (OTS). The scheme remained in force up to 30 March 1999 and thereafter the loan accounts were settled under OTS on case-to-case basis. Under 'One Time Settlement' scheme the Company had recovered the loan amount of Rs.4.43 crore (principle: Rs. 2.73 crore; interest: Rs. 1.70 crore) by waiving outstanding interest of Rs.1.70 crore from 173 loanees during the period covered by audit. It was found in audit that no timeframe was fixed by the Company for implementation of OTS scheme. As a result, it affected the repayment of loan by the borrowers in time and the Company incurred a loss of Rs.2.07 crore by waiving of interest due to improper follow up of action in normal circumstances.

7.2.25 As of March 2008, 98 part payment cases valuing Rs.3.23[♦] crore were pending for a period of more than one and half years since the date of approval and the amount was not adjusted against the interest outstanding by withdrawing the benefits under package as per the Rule No. 3 and 9 of OTS scheme. Further, the Company had not taken action under section 29 for possession of assets. A case pending for OTS recovery is discussed below:

The Company had approved the OTS scheme (January 2003) for repayment of term loan in respect of Hotel Ahimsa for Rs. 30.08 lakh in three installments against the total outstanding of Rs. 55.06 lakh. The loanee had made the payment of first instilment in the month of January 2003 and the balance two installments payable in the month of July 2003 and January 2004 for Rs. 10.38 lakh each were not paid so far (March 2008).

The Company had not initiated any action to repossess the assets under section 29 of SFC Act to recover its dues.

Settlement of Term Loan under Proposed Special OTS

7.2.26 The Company proposed (December 2007) a new special OTS scheme for the approval of the BOD for the benefit of defaulters of term loan. As per the proposed scheme the borrowers had to repay the principal within a year with the benefit of waiving the entire outstanding interest. The BOD authorised (December 2007) the Managing Director to formulate the modalities in consultation with SIDBI.

It was noticed in audit that the Company implemented the proposed package in the month of January 2008 onwards without obtaining the approval of the BOD and GOM and also did not formulate the guidelines. Up to June 2008, the Company had liquidated loan of 51 loanees and collected the principal of Rs.50.71 lakh by waiving of interest amount of Rs.87.17 lakh. The Company

[♦] Principal amount of Rs. 2.67 crore and interest amount of Rs.0.56 crore also collected the part payment of principal amount of Rs.53.83 lakh from 177 loanees by waiving of interest of Rs.4.60 crore.

Thus, waiving interest without the approval of the BOD and GOM was irregular and unauthorized resulting in undue favour of Rs. 5.47 crore to the loanees.

Shortfall in realisation of loan amount by disposal of assets

7.2.27 During the five years ended 31 March 2008, the Company disposed of the assets of 11 units of defaulted loanees at the value of Rs.18.15 lakh. On scrutiny of two units it was found that:

- the Company had realized land of Rs.2.30 lakh (May 2006) against the outstanding loan of Rs.30.15 lakh♣ (at the end of repayment period, April 1999) in the loan account of Makkhama & Sons Cold Storage, Aizawl leaving a shortfall of Rs.27.85 lakh as collateral security coverage was inadequate. It was found from the Recovery Report (22 January 1998) that the borrower had not set up the cold storage plant and no repayment was made since the date of sanctioning of loan (April 1991).

- the Company disposed of the land at Rs.12 lakh (September 2004) belonging to K. Lalreia against the outstanding loan of Rs.98.18 lakh (principal amount of Rs.35 lakh and interest of Rs.63.18 lakh) as of August 2001 (at the end of the repayment period), as it had not obtained adequate collateral security and there was no proper follow up though the loan was outstanding since 1998.

Thus, collateral security was not adequate for recoupment of loan amounting to Rs.1.14 crore (principal : Rs. 27.91 lakh; interest : Rs. 86.18 lakh).

Set up of Integrated Infrastructural Development Centre (IIDC)

7.2.28 The scheme of Integrated Infrastructural Development Centre (IIDC) was prepared (March 1994) by Ministry of Small Scale Industries (MSSI), GOI for small scale rural industries in rural/backward areas. The Company was nominated as implementing agency in July 2001 by the GOM. The objectives of the scheme, *inter alia,* were to provide:

- infrastructural facilities for creation of small scale and tiny units in the backward district/rural area not covered under the scheme of Growth Centre;

- linkages between agriculture and industry; and

♣ Principal amount of Rs.15.00 lakh and interest amount of Rs.15.15 lakh

- common service facilities and technological back up services in the selected centre.

Under the scheme, the Company promoted two IIDC in the backward districts viz, Pukpui (Lunglei District) and Zote respectively (Champhai District) at a total outlay of Rs.9.37 crore with the participation of GOI (80 *per cent*) and GOM (20 *per cent*). The work of IIDCs was completed in August 2005 and May 2008 in respect of IIDC Pukpui and Zote respectively at a total cost of Rs.7.43[ϒ] crore (March 2008). The implementation of the above schemes is discussed in the succeeding paragraphs.

Implementation of the Scheme

Fund Management

7.2.29 The Company received a total grant of Rs.8.28[♣] crore (March 2008) from GOI and GOM out of total sanction of Rs.9.37[◊] crore and the balance of Rs.1.09[∝] crore was yet to be received. As of March 2008, the Company had incurred the total expenditure of Rs.7.43 crore out of total grant plus interest of Rs.8.40[⊗] crore.

Audit scrutiny revealed that

- Rs.89 lakh was utilised towards administration and management expenses in violation of the guidelines issued by GOI.

- the Company had not obtained the stamped receipts where the payment exceeded Rs.5,000 in violation of the provisions of the statutory regulations.

- the Company had retained huge amounts in the saving bank account for more than 15 days without depositing the same in fixed deposit account to earn more interest.

The Government, while admitting the fact, stated (October 2008) that obtaining of stamped receipt was not practiced due to mainly cash purchases from local people and locking of funds in fixed deposit hamper the project work to complete in time. The reply is not in consonance with the statutory regulation and optimal management of funds.

[ϒ] Pukpui Rs.4.10 crore and Zote Rs.3.33 crore
[♣] Pukpui Rs.4.78 crore and Zote Rs.3.50 crore
[◊] Pukpui Rs.4.81 crore and Zote Rs.4.56 crore
[∝] Pukpui Rs.0.03 crore and Zote Rs.1.06 crore
[⊗] GOI Rs.7.35 crore (Pukpui-Rs.3.85 crore, Zote-Rs.3.50 crore) plus GOM Rs.0.93 crore (Pukpui) plus interest received on investment Rs.0.12 crore = Rs.8.40 crore.

Execution of Works

7.2.30 As per the DPR, the Company had to create the infrastructural facilities such as site development & civil works, internal roads, drainage & sewerage system, water supply and tele-communication system for housing industrial units. The work was executed by the Project Manager departmentally who was authorized to incur the expenditure with strict compliance to the codal formalities and accounting practices.

Audit scrutiny revealed that:

- Even after completion of the project of IIDC at Pukpui (May 2005), the Company had not initiated any action to transfer the land in the name of the Company and also had not initiated to extend the lease period from 25 years to 33- 66 years for IIDC Zote as suggested by the MSSI, GOI.

- The Company had not floated tenders for execution of the civil works. As a result, the completion of the work with regard to economy could not be assessed by audit.

- The Company had incurred expenditure of Rs 3.07 crore against the estimates of Rs. 6.51 crore in some of the items in IIDCs Pukpui and Zote. In the absence of completion certificate for execution of work with reference to the DPR, the expenditure incurred below estimates could not be vouchsafed in respect of omission/reduction/deviation of works.

- The Company had incurred expenditure of Rs.94.46 lakh[♠] in IIDCs Pukpui and Zote for construction of guest house and chowkider quarters (Rs. 32.49 lakh), industrial shed (Rs.11.92 lakh), plantation of trees (Rs.1.09 lakh), black topping of road (Rs.47.53 lakh) and purchase of two motor cycles (Rs.1.09 lakh) which were not included in the estimate of the approved DPRs. The Company also incurred excess expenditure of Rs.13.56[ʃ] lakh over the sanctioned amount for construction of administrative block in IIDCs Pukpui.

- The Company had incurred an expenditure of Rs.49.05 lakh at Pukpui and Rs.52.26 lakh at Zote for payment of labour charges for site development and other works. In the absence of daily payment register, muster roll and measurement books, the payment could not be vouched with the actual work completed.

- The Company had incurred an expenditure of Rs.31.71 lakh at Pukpui and Rs.26.56 lakh at Zote by hiring JCB for site development and other civil works without floating tenders. The payments were made by hand vouchers

[♠] Pukpuii for Rs.56.40 and Zote for Rs.38.06 lakh

[ʃ] Expenditure incurred Rs.83.84 lakh minus estimated amount Rs.70.28 lakh.

without proper bill of JCB owners. The Company had not maintained the measurement book for measuring the work.

- An amount of Rs.13.78 lakh was incurred for purchase of groceries such as rice, chana, dal etc for providing food to labourers at IIDC Pukpui. It appeared doubtful as one bill was obtained (August 2008) from the supplier of construction material M/s. C. T. Enterprises for purchase of groceries in bulk (75 quintals average) without having adequate storage place at the work site.

- An amount of Rs.1.42[ϒ] lakh was paid for plantation of trees in IIDCs without having the details of source of purchase/receipt of plants/trees.

Thus, due to non-observance of the codal formalities as prescribed by the funding agencies *viz.* GOI and GOM, expenditure of Rs.7.43 crore as mentioned above lacked adequate documentation.

The Government, while admitting the fact, stated (October 2008) that the Company had completed various works incurring less expenditure due to efficient management. Further, the tendering system was not followed in selection of contractors due to lack of adequate number of eligible contractors.

The reply does not justify as to why the Company could not follow the codal procedures with adequate documentation for execution of works.

Utilization of IIDCs

7.2.31 The Company had developed 243 plots (Pukpui 118 and Zote 125) out of 272 plots in IIDCs by incurring total expenditure of Rs.7.43 crore. As of March 2008, the Company had not issued any allotment letter or any agreement made with the entrepreneurs to lease out the plots in any of the IIDC. As per the DPR, the Company was responsible for the project management and execution. Further, the Company has to provide financial assistance, technical assistance, information on subsidies and concession offered by the Government and conduct suitable training program to ensure the success of the proposed units.

Audit scrutiny revealed that:

- the Company had leased out (July 2005) the IIDC Pukpui to Mizoram Khadi & Village Industries Board (MKVIB), Aizawl, immediately after completion of the project without getting approval of the funding agencies viz GOI and GOM;

[ϒ] Pukpuii for Rs.1.12 lakh and Zote for Rs.0.30 lakh

- the creation of infrastructure in IIDC Pukpui and Zote was not on the basis of any minimum number of entrepreneurs requesting for allotment to set up their units in the centre; and

- the Company had not devised so far (March 2008) any scheme or marketing strategy to lease out the plots by extending financial assistance with provisions for industrial subsidies to the entrepreneurs as envisaged in the Industrial Policy of the State to establish the industrial units in the IIDC centre.

Thus, due to transfer of IIDC Pukpui to MKVIB and non allotment of IIDC Zote, the expenditure incurred for Rs.7.43 crore turned out to be unproductive and failed to achieve the objective of the scheme so far.

The Government, while admitting the fact, stated (October 2008) that the IIDC Pukpui was let out to MKVIB as no single unit came forward to set up industries at the time of completion and since large number of small and tiny units were financed by MKVIB, they could make best use of the centre. The fact remains that the Company had no details of allotment of plots of housing enterprises at IIDC Pukpui by the MKVIB in support of the above argument. Further, the Company had not collected lease rent of Rs.90,000 per annum from MKVIB since July 2005.

Corporate Governance

Corporate Plan

7.2.32 Corporate Plan indicates the long-term policy of a Company and translates its corporate objectives into remarkable action plan both short term and long term for financing activities aimed at industrial development of the State. The COPU also recommended that the Corporation should come up with realistic plans for achieving maximum recovery of overdues from the loanees and recycle the fund for the benefit of people and Industrial promotion to the State.

Audit scrutiny revealed that the Company had so far (March 2008) not formulated any corporate plan/long term policy for attaining the objective of industrial promotion in the State in terms of sanction, disbursement and recovery of overdues.

Board meetings

7.2.33 The business of the Company was managed by the Board of Directors. It is very essential to conduct the Board Meeting regularly for taking decision on important matters in respect of policy decision, loan sanctioning and implementation of the industrial projects with the assistance of Government of India, State Government and financial institutions. According to Section 285 of the Companies Act, 1956, meeting of the Board of Directors shall be held at least once in every three month. The BOD meeting was held only once in a year during the period from 2004-05 to 2007-08.

Formation of Audit Committee

7.2.34 The Audit Committee is useful for reviewing the internal control system and also the accounting policies, cost reduction methods, general policies, procedural aspects with regard to collateral security and half yearly and annual financial statements before submission to the Board. The Company had not constituted the Audit Committee so far (October 2008).

Risk Management and Internal Control

7.2.35 The activity of financing various industrial projects by providing term loan is becoming more and more competitive day-by-day. Operating in liberal and global environment, the Company is exposed to various kinds of risks. Therefore, effective risk management is essential for achieving financial soundness and profitability. The Company is primarily exposed to credit risks, i.e. risk of defaults in repayments by the loanees, risk of fluctuation in interest rates, organizational deficiencies, delays, fraud, system failure etc. Although risk cannot be eliminated, it should be managed/mitigated through internal controls. Audit observed that the Company had not prepared any manual prescribing procedures and guidelines in this regard.

The following further deficiencies of internal control/risk management system were noticed:

- The Company did not fix exposure for its term lending activities;
- The Company had not drawn up any policy for collateral security to be obtained from the entrepreneurs or the extent of collateral security against the loan. The collateral security was taken arbitrarily on case-to-case basis and in some of the cases no collateral security was obtained at all;
- The Company did not carry out periodical inspection of the assisted units with a view to assess their financial health, especially those of the defaulting units; and
- The Company did not ensure receipt of audited annual accounts and periodical returns on physical and financial performance of the assisted units as required under the terms and conditions for grant of loan.

Internal Audit

7.2.36 Internal audit is an appraisal of the activities of an entity with reference to its objectives. The Company had so far (March 2008) not established Internal Audit Wing even after 30 years of its existence. The Company had appointed a firm of Chartered Accountant to carry out the work of internal audit and preparation of financial statement every year. The same firm was appointed for more than ten years without rotation. Besides, the audit fee was increased from Rs.25,000 to Rs.40,000 from the year 2007-08 without assessing the performance.

Audit scrutiny revealed that the firm had not undertaken the internal audit of transaction and only prepared the financial statements every year. There was failure of internal control in respect of the loan recovery and remittances with the bank. The amount of cash embezzlement increased from Rs.68,500 in 2003-04 to Rs.16.13 lakh in 2007-08.

The Statutory Auditors in their reports on the annual accounts of the Company for the year 2003-04 to 2006-07 had repeatedly pointed out that the internal audit was confined to financial transaction only and that the scope of the internal audit should achieve wider and relevant indicators of internal controls.

Conclusion

7.2.37 The Company had not drawn any corporate plan for financing activities and term lending schemes for attracting the entrepreneurs in consonance with the industrial policy of the state. The Company did not have any investment policy for investing its surplus funds. Investments were made in the name of various officials working in the Company without protecting the Company's interest. The Company had diverted the borrowed funds and grant of IIDC towards meeting administration and management expenses. Due to irregular repayment to FIs, further lending was stopped which affected the lending operation of the Company. The defective pre-sanction appraisal of the projects and ineffective follow up and monitoring of the assisted units by the Company resulted in non recovery of dues. The Company had not initiated any legal action for recovery of loan from defaulter borrowers under SFC Act, 1951 during the period covered by audit. The Company had to forego a substantial amount under OTS by considering all the units without any criteria and time span. Special OTS scheme was implemented without the approval of the BOD and GOM and was not in the financial interest of the Company as interest of Rs. 5.47 crore remained unrecovered. Failure to lease out of plots, developed in IIDCs resulted in unproductive expenditure undermining the objective of the scheme to develop the industrially backward area of the state. With no effective internal control systems in place, the Company was ill equipped in risk management and was highly susceptible to faulty financial management.

Recommendations

The Company should:

- ensure that funds are utilized for the intended purpose and are not diverted for other purposes;
- evolve effective appraisal system so as to eliminate possible risk of default in repayment by the borrowers;
- obtain adequate collateral security;
- institute strict monitoring system and recovery mechanism to ensure recovery of loans in time;
- take effective steps to lease out the plots promoted in IIDC to the beneficiaries; and
- strengthen the internal audit and controls.

Section- 'B' Paragraphs

POWER & ELECTRICITY DEPARTMENT

7.3 Procurement of material in excess of immediate requirement.

Procurement of material valued at Rs.3.96 crore in excess of immediate requirement resulted in blockage of funds.

According to the General Financial Rules (GFR) and CPWD Manual, material should be purchased only for work-in-progress taking due cognizance of the fact that the purchases are not made in advance of requirement.

The Chief Engineer (CE) (Power), Aizawl purchased (November 2004) material of Rs.3.28 crore for Power Division, Saiha (PDS) and of Rs.87.49 lakh for Serchhip Power Division (SPD) for electrification of 31 and six villages respectively under Additional Central Assistance (ACA) of Pradhan Mantri Grameen Yojana (PMGY) as per work programme of 2004-05. Out of this, material valued at Rs.19.47 lakh only could be utilized for electrification of four villages and balance material valued at Rs.3.96 crore was not utilized due to stoppage of further release of funds under the scheme (August 2008).

It was found in audit that Rs.4.82 crore was released by the Department against estimated cost of Rs.12.01 crore for electrification of these 37 villages. Out of Rs.4.82 crore, Rs.4.15 crore were spent on purchase of material, leaving a small amount of Rs.0.67 crore for other items of work. Availability of further funds was not ensured before purchase of material as it is evident from the fact that CE (Power), Aizawl issued directions (September 2005) to the divisions to keep the unutilized material in their safe custody by maintaining a separate store accounts till the funds for village electrification were received from GOI under another programme i.e. Rajiv Gandhi Grameen Vidutikaran Yojana (RGGVY).

Thus, purchase of material in excess of immediate requirement and without ensuring availability of funds for the full estimated work of electrification of all the thirty seven villages resulted in blockage of funds of Rs.3.96 crore with avoidable loss of interest of Rs. 89.10[Y] lakh for 30 months since October 2005.

Y Minimum rate of 9 % (charged by rural electrification for providing assistance to the department) for the period from October 2005 to March 2008 (Rs.396 lakh x 9% x 30/12) = 89.10

The matter was reported to the Government and the Department (March 2008); their replies were awaited (October 2008).

7.4 Undue favour to a contractor.

Irregular payment of Rs. 49.45 lakh, due to excavation of excess quantity of earthwork above that stipulated in the work order, resulted in undue favour to the contractor.

The work of survey, erection, testing and commissioning of 132 KV single circuit transmission line from Saitual to Darlawn was awarded (May 2000) to Transpower Private Limited at a total cost of Rs.1.82 crore with scheduled date of completion as March 2001. The work included excavation of earthwork of 7,010 cubic meter (cum) at a cost of Rs.7.70 lakh. As of March 2008, an amount of Rs.Rs.57.15 lakh was paid to the contractor for excavating the total quantity of 36,407.398 cum of earthwork.

It was noticed in audit that neither revised work order for increased quantity of 29,397.60 cum was issued nor any extension of time for excavation work was granted by the Executive Engineer (EE), Construction Division (CD), Aizawl.

Thus, payment of Rs.49.45 lakh on execution of excess quantity of earthwork, beyond the scope of work order without the approval of the competent authority, was irregular and constituted undue favour to the contractor.

The EE, CD, Aizawl stated (April 2008) that the agreement with contractor with regards to volume of earthwork was tentative and the payment was based on the actual volume of work done. The reply is not acceptable as the agreement was specifically made for 7,010 cum.

The matter was reported to the Government and the Department (March 2008); their replies were awaited (October 2008).

7.5 Irregular expenditure on electrification of two villages.

Unfruitful expenditure of Rs.21.30 lakh was incurred on completion of electrification work without connecting any load to consumers.

As per the completion reports submitted by the Sub-divisional Officer (SDO), Lawngtlai to the Executive Engineer (EE), Power Division Saiha (PDS) completed the electrification of two villages Mautlang (February 2006) and Khawmawi (March 2006) at a total cost of Rs.21.30 lakh under Pradhan Mantry Grameen Yojana (PMGY).

According to the guidelines issued by the Ministry of Power (MOP), Government of India (February 2004), it was mandatory from the year 2004-05 onwards to obtain the certificate from Gram Panchayat regarding the completion of electrification. The SDO is required to submit monthly reports on connected loads and number of consumer details (village wise) to the E. E, Power Division with a copy endorsed to the Chief Engineer P&E Aizawl.

It was noticed in audit that these two villages (Mautlang and Khawmawi) did not figure in the list of electrified villages and no connection was given to any consumer. It was also noticed that the EE, PDS did not obtain the certificate of Gram Panchayat / Village Council or equivalent on the completion of work as required. Further, no inspection was conducted by the Electrical Inspector of O/o the CE (Power) for certifying the completion of the work as per the safety norms with reference to the provisions of Electricity Act and Rules. Thus, the electrification in these two villages remained unconfirmed.

The EE, PDS stated (July 2008) that in the initial work programme (2004-05), the village Mautlang was included and subsequently due to damage of tapping point at Vathuampui, the Betbonya village was included instead of Mautlang. The reply did not elaborate on the electrification of Khawmawi village. The reply was not acceptable due to lack of supporting document.

Thus, the expenditure of Rs.21.30 lakh incurred for electrification of two villages (Mautlang and Khawmawi) lacked supporting documents.

The matter was reported to the Government and the Department (March 2008); their replies were awaited (October 2008).

7.6 Inadmissible payment of escalation cost

Inadmissible payment of Rs.10.17 lakh was made to the contractor on escalation in contravention of the agreement.

The Superintending Engineer, NRSE Circle (Aizawl Power Circle) of the Department awarded (November 1999) the work of construction of Indoor Sub station at Power House Complex, Aizawl at a total cost of Rs.1.34 crore with a completion schedule of November 2002. The work was completed in July 2004.

It was noticed in audit that the work was completed at a cost of Rs.1.24 crore and Rs.10.17 lakh was admitted as escalation cost though the agreement did not provide for the same.

Thus, payment of escalation cost in the absence of a relevant clause resulted in undue favour of Rs.10.17 lakh to the contractor.

The matter was reported to the Government and the Department (March 2008); their replies were awaited (October 2008).

INDUSTRIES DEPARTMENT

Mizoram Handloom and Handicrafts Development Corporation Limited

7.7 Avoidable Expenditure.

Due to belated remittance of statutory EPF contributions, the Company incurred an avoidable expenditure of Rs.12.71 lakh towards payment of interest and damages.

The employees of the Mizoram Handloom and Handicrafts Development Corporation Limited (Company) Aizawl are covered by the Employees Provident Funds and Miscellaneous Provisions Act, 1952. Under Employees Provident Fund (EPF) Scheme the employer is required to deposit employees EPF contributions together with employer's share to respective Funds under the Employees Provident Fund Organization (EPFO), Shillong within 15 days of the close of the month. In case the employer commits default in payment of any statutory contribution to the Funds, he is liable to pay simple interest @ 12 *per cent per annum* on any amount due from the date on which the amount has become due under Section 7Q of the Act, besides payment of penalty for such damages, as may be fixed by the EPFO under Section 14B of the Act.

It was noticed in audit that the Company made belated remittance of EPF contributions of Rs.35.89 lakh during December 2000 to January 2004. As a result the Assistant Provident Fund Commissioner of EPFO, Shillong levied an interest of Rs.1.47 lakh and imposed damages of Rs.11.24 lakh. The Company had deposited the entire amount of Rs.12.71 lakh in installments during May 2005 to August 2006. Had the Company deposited the EPF contributions on time, the extra expenditure of Rs.12.71 lakh on account of penal interest and damages could have been avoided.

The matter was reported (October 2008) to the Company and the Government; their replies were awaited (October 2008).

Aizawl
The

0 3 MAR 2009

(L. TOCHHAWNG)
Accountant General (Audit)
Mizoram

Countersigned

New Delhi
The

18 MAR 2009

(VINOD RAI)
Comptroller and Auditor General of India

APPENDICES

Appendix 1.1

Part - A

Structure and Form of Government Accounts

(Reference: Paragraph 1.1; Page:1)

Structure of Government Accounts: The accounts of the State Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund

All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.

Part II: Contingency Fund

Contingency Fund of State established under Article 267(2) of the Constitution is in nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending Authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Part III : Public Account

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances *etc* which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and not subject to vote by the State legislature.

Appendix – 1.1
Part - B

LAYOUT OF FINANCE ACCOUNTS
(Reference: Paragraph 1.1; Page : 1)

Statement	Lay Out
Statement No.1	Presents the summary of transactions of the State Government - receipts and expenditure, revenue and capital, public debt receipts and disbursements *etc.*, in the Consolidated Fund, Contingency Fund and Public Account of the State.
Statement No.2	Contains the summarised statement of capital outlay showing progressive expenditure to the end of current year.
Statement No.3	The State Government had not declared any Irrigation Project as commercial/productive.
Statement No.4	Indicates the summary of debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.
Statement No.5	Gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, *etc.*
Statement No.6	Gives the summary of guarantees given by the Government for repayment of loans *etc.* raised by the statutory corporations, local bodies and other institutions.
Statement No.7	Gives the summary of cash balances and investments made out of such balances.
Statement No.8	Depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2007
Statement No.9	Shows the revenue and expenditure under different heads for the current year as a percentage of total revenue/expenditure.
Statement No.10	Indicates the distribution between the charged and voted expenditure incurred during the year.
Statement No.11	Indicates the detailed account of revenue receipts by minor heads.
Statement No.12	Provides accounts of revenue expenditure by minor heads under non-plan, State plan and centrally sponsored schemes separately and capital expenditure major head wise.
Statement No.13	Depicts the detailed capital expenditure incurred during and to the end of the current year.
Statement No.14	Shows the details of investment of the State Government in statutory corporations, government companies, other joint stock companies, cooperative banks and societies etc., up to the end of March 2005.
Statement No.15	Depicts the capital and other expenditure (other than revenue account) to the end of the current year and the principal sources from which the funds were provided for that expenditure.
Statement No.16	Gives the detailed account of receipts, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.
Statement No.17	Presents the detailed account of debt and other interest bearing obligations of the Government.
Statement No.18	Provides the detailed account of loans and advances given by the Government of Mizoram, the amount of loans repaid during the year, the balances at the end of the year and the amount of interest received during the year.
Statement No.19	Gives the details of balances of earmarked funds.

Appendix - 1.1
Part - C
List of terms used in the Chapter-I and basis for their calculation
(Reference: Paragraph 1.2; Page: 4)

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter / GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X) / Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	[(Current year Amount/Previous year Amount) – 1]* 100
Development Expenditure	Social Services + Economic Services
Average Interest Rate	Percentage of interest payment made to, average of financial liabilities of the State during the year.
Interest spread	GSDP growth – Average Interest Rates
Quantum spread	Debt stock * interest spread
Interest received as *per cent* to Loans Advanced	Interest Received [(Opening balance + Closing balance of Loans and Advances)/2] * 100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipts ***minus*** all Plan grants and Non-Plan Revenue Expenditure excluding debits under 2048 – Appropriation for Reduction or Avoidance of Debt

Appendix - 1.2
(Para Reference No. 1.2.1.1; Page No.4)
Outcome indicators of the State Own Fiscal Correction Path

Items		2005-06 Actual	2006-07 (Actual)	2007-08 (BE)	2007-08 (RE)	2008-09 (BE)	2009-10 (Proj)	2010-11 (Proj)
1	2	4	5	7		8	9	
A	STATE REVENUE ACCOUNT							
1	Own Tax Revenue	55.06	67.62	68.13	68.88	74.56	93.05	111.5
2	Own Non Tax Revenue	120.09	133.38	97.97	128.94	117.27	129.00	141.9
3	Own Tax+ Non Tax Revenue(1+2).	175.15	201.00	166.10	197.82	191.83	222.05	253.4
4	Share in Central Taxes& Duties	225.83	288.05	340.89	340.89	427.81	470.59	517.
5	Plan Grants	649.08	837.08	770.90	1132.98	924.73	987.08	1070.
6	Non Plan Grants	603.60	642.82	658.46	690.71	673.50	689.41	694.
7	Total Central Transfer (4 to 6)	1478.51	1767.95	1770.25	2164.58	2026.04	2147.08	2282.
8	Total Revenue Receipts (3+7)	1653.66	1968.95	1936.35	2362.40	2217.87	2369.13	2535.
9	Plan Expenditure	539.95	595.80	557.24	715.28	664.43	622.64	624.
10	Non Plan Expenditure	1048.07	1121.49	1216.27	1258.56	1368.21	1431.51	1504.
	Of which							
11	Salary Expenditure	435.52	462.51	596.75	611.49	708.37	768.58	833.
12	Pension	89.16	77.31	106.01	106.01	106.01	116.61	128.
13	Interest Payments	184.65	239.75	214.08	180.58	203.13	233.21	230.
14	Subsidies – General	---		---				
15	Subsidies – Power	---		---				
16	Total Revenue Expenditure (9+10)	1588.02	1717.29	1773.51	1973.82	2032.64	2054.15	2129.
17	Salary+ Interest Payments + Pension (11+12+13)	709.33	779.57	916.84	898.08	1017.51	1118.40	1192
18	As *per cent* of Revenue Receipts(17/8)	42.89	39.59	47.21	38.02	45.88	47.21	47
19	Revenue Surplus(+)/Deficit(-) (8-16)	(+) 65.64	(+) 251.66	(+) 162.84	(+) 388.58	(+) 185.23	(+) 314.98	(+) 406

1	2	3	4	5	6	7	8	9
B	CONSOLIDATED DEBT:							
1	Outstanding debt and liability	2541.55	2810.45	3011.71	3026.59	3201.47	3347.42	3509.42
2	Total Outstanding guarantee	163.25	130.38	196.31	196.31	196.31	196.31	196.31
	(Of which guarantees on accounts of budgeted borrowing and SPV borrowing)							
C	CAPITAL ACCOUNT :							
1	Capital Outlay	451.37	466.44	288.69	541.42	332.95	477.36	585.57
2	Disbursement of Loans and Advances	34.09	0.25	10.51	10.41	9.07	7.57	7.57
3	Recovery of Loans and Advances	22.98	24.01	22.76	24.66	25.30	24.00	24.50
4	Other Capital Receipts							
E	GROSS FISCAL DEFICIT :							
	(8+D3 +D4) – (16+D1+D2)	(-) 396.84	(-) 191.03	(-) 113.64	(-) 138.59	(-) 131.49	(-) 145.95	(-) 162.00
F	GSDP at current prices	2697.27	2984.99	3287.89	3287.89	3630.87	4019.55	4461.23
	Actual/Assumed Growth Rate (per cent)	9.90	10.70	10.10	10.10	10.40	10.17	10.99
G	INDICATORS AS PER CENT OF GSDP							
	Own Tax Revenue	2.04	2.27	2.07	2.09	2.05	2.31	2.50
	Own Non- Tax Revenue	4.45	4.47	2.98	3.92	3.23	3.21	3.18
	Total Central Transfer	54.82	59.23	53.84	65.83	55.80	53.42	51.16
	Total Revenue Expenditure	58.88	57.53	53.94	60.03	55.98	51.10	47.72
	Revenue Deficit	2.43	8.43	4.95	11.82	5.10	7.84	9.11
	Gross Fiscal Deficit	(-) 12.38	(-) 5.37	2.88	3.51	3.00	3.00	3.00
	Outstanding debt and Liabilities	94.23	94.15	91.60	92.05	88.17	83.28	78.66

Appendix – 1.3

Summarised financial position of the Government of Mizoram as on 31 March 2008

(Reference: Paragraph 1.2 & 1.7; Page 3 & 19)

(Rupees in crore)

As on 31.03.2007		Liabilities		As on 31.03.2008
1382.05		**Internal Debt**		1468.86
	709.08	Market Loans bearing interest	837.79	
	284.59	Loans from LIC	285.84	
	0.07	Loans from General Insurance Corporation of India	0.07	
	48.27	Loans from NABARD	56.40	
	41.01	Compensation and other Bonds	36.89	
	3.94	Loans from NCDC	2.07	
	92.39	Loans from other Institutions	67.92	
	31.72	Ways and Means Advances from RBI	27.21	
	15.09	Overdraft from Reserve Bank of India		
	141.96	Special Securities issued to National Small Savings Fund of the Central Government	140.74	
	13.93	Other Loans	13.93	
565.56		**Loan and Advances from Central Government**		558.50
	43.43	Non-Plan Loans	42.50	
	317.03	Loans for State Plan Schemes	310.71	
	0.02	Loans for Central Plan Schemes	0.02	
	18.81	Loans for Centrally Sponsored Plan Schemes	19.87	
	18.30	Loans for Special Schemes	17.43	
	167.97	Ways and means advances towards expenditure, *etc.*	167.97	
0.10		**Contingency Fund**		0.10
862.84		**Small Savings, Provident Funds, *etc.***		1035.11
278.31		**Deposits**		314.88
41.00		**Reserve Funds**		48.95
410.57		**Suspense and Miscellaneous**		709.78
458.54		**Surplus on Government Account**		589.89
	251.65 206.89	Current year surplus Add Accumulated Surplus as on 31.3.06	131.35 458.54	
3998.97		**Total**		4726.07
		Assets		
3617.55		**Gross Capital Outlay on Fixed Assets**		4161.80

	15.37	Investment in Shares on Companies, Corporation, *etc.*	17.21	
	3602.18	Other Capital Outlay	4144.59	
270.37		**Loans and Advances**		**248.97**
	234.27	Loans for Housing	214.30	
	31.41	Other Loans	31.19	
	4.69	Loans to government servants	3.48	
		Reserve Fund Investment		
1.86		**Advances**		**1.87**
---		**Suspense and Miscellaneous Balances**		
100.26		**Remittance Balances**		**73.66**
8.93		**Cash Balance**		**239.77**
	---	Cash in Local Treasuries and Local Remittances		
	(-) 26.63	Deposits with Reserve Bank	(-) 76.59	
	1.32	Departmental Cash Balance	1.32	
	---	Cash Balance Investment	266.79	
	34.24	Investment of earmarked funds	48.25	
3998.97		**Total**		**4726.07**

Appendix – 1.4
Abstract of Receipts and Disbursements for the year 2007-08
(Reference: Paragraph 1.2; Page 3)

(Rupees in crore)

2006-07	Receipts	2007-08		2006-07	Disbursements	2007-08		
	Section – A: Revenue					Non-Plan	Plan	Total
1968.95	**I. Revenue receipts**		**2039.74**	**1717.30**	**I. Revenue expenditure**	**1259.31**	**649.08**	**1908.39**
67.62	Tax Revenue	71.96		**616.91**	**General Services-**	**626.83**	**18.83**	**645.66**
133.38	Non Tax Revenue	130.30		**592.90**	**Social Services-**	**357.44**	**339.33**	**696.77**
-	State's Share of net proceeds of Taxes on income other than corporations			300.98	-Education, Sports, Art and Culture	178.55	154.05	332.60
288.05	State's Share of Union Taxes and Duties	368.92		81.96	-Health and Family Welfare	42.86	55.63	98.49
642.82	Non-Plan grants	678.58		75.54	-Water Supply, Sanitation, Housing & Urban Development	45.61	66.04	111.65
625.90	Grants for State Plan Scheme	660.22		4.71	-Information and Broadcasting	2.83	1.98.	4.81
173.49	Grants for Central and Centrally Sponsored Plan Schemes	93.58		71.05	-Welfare of Scheduled Castes, Scheduled tribes and Other Backward Classes	58.43	27.07	85.50
37.69	Grants for Special Plan Schemes	36.18		3.95	-Labour and Labour Welfare	1.82	2.48	4.30
				50.71	-Social Welfare and Nutrition	22.90	32.08	54.98
				4.00	-Others	4.44	-----	4.44
				507.49	**Economic Services-**	**275.05**	**290.91**	**565.96**
				174.62	-Agriculture and Allied Activities	78.50	127.41	205.91
				48.07	-Rural Development	4.98	45.70	50.68
				26.29	-Special Areas Programs	-------	28.91	28.91
				2.57	-Irrigation and Flood Control	1.08	5.40	6.48
				137.06	-Energy	113.41	31.76	145.17

				31.42	-Industry and Minerals	10.75	19.04	29.79
				60.09	-Transport & Communication	51.29	18.12	69.41
				1.70	-Science, Technology and Environment	0.09	2.43	2.52
				25.67	-General Economic Services	14.95	12.14	27.09
---	**II. Revenue deficit carried over to Section B**		---	**251.65**	**II.Revenue surplus carried over to Section B**			**131.35**
1968.95	Total		2039.74	1968.95	Total			2039.74
	Section – B: Others							
42.86	**III.Opening Cash b including Permanent Advances and Cash Balance investment**		8.93	**466.44**	**III.Capital Outlay**	**54.52**	**489.72**	**544.24**
				24.44	**General Services-**	**------**	**13.50**	**13.50**
				122.03	**Social Services-**	**------**	**105.94**	**105.94**
				16.45	-Education, Sports, Art and Culture	-------	5.44	5.44
				0.65	-Health and Family Welfare	-------	0.19	0.19
				77.95	-Water Supply, Sanitation	--------	84.89	84.89
				4.59	-Housing and Urban Development	--------	------	------
				---	-Welfare of Scheduled Castes Scheduled tribes and Other Backward Classes	-------	------	------
				22.09	-Social Welfare and Nutrition	-------	15.02	15.02
				---	-Others	-------	------	------
				0.30	-Information and Broadcasting	-------	0.40	0.40

(Rupees in crore)

2006-07	Receipts	2007-08		2006-07	Disbursements	2007-08		
---	**IV. Miscellane receipts**			**319.97**	**Economic Services-**	**54.52**	**370.29**	**424.81**
				23.65	-Agriculture and Allied Activities	54.52	16.20	70.72
				2.24	-Rural Development	---	2.65	2.65
				65.96	-Special Areas Programmes	---	71.69	71.69
				33.57	-Irrigation & Flood Control	---	30.77	30.77
				68.20	-Energy	---	68.92	68.92
				5.35	-Industry and Minerals	---	3.80	3.80
				2.87	-Tourism	---	20.50	20.50
				118.13	-Transport	---	155.76	155.76
24.01	**V. Recoveries of Loans and Advances**		**27.53**	**0.25**	**IV. Loans and Advances disbursed**	---		**6.12**
19.73	-From Housing	23.93			-For Housing	---	3.96	---
3.69	-From Government Servants	3.19		0.25	-To Government Servants	---	1.98	
0.59	-From Others	0.41			-To Others	---	0.18	---
251.65	**VI. Revenue surplus brought down**	------	**131.35**		**V. Revenue deficit brought down**	---	---	---
236.56	**VII. Public Debt Receipts**	------	**223.71**	**110.95**	**VI. Repayment of Public Debt**	---		**143.96**
-------	-External debt	------			-External debt	---	---	
211.64	-Internal debt other than Ways and Means Advances & Overdraft	190.01		79.34	-Internal debt other than Ways & Means Advances & Overdraft	---	83.61	
19.59	-Net transaction under Ways and Means Advances including Overdraft	23.98		---	-Net transaction under Ways and Means Advances including Overdraft	---	43.57	
5.33	-Loans and Advances from Central Government	9.72		31.61	-Repayment of Loans and Advances to Central Government	---	16.78	
------	**VIII. Appropriation to Contingency Fund**	------	--	---	**VII. Appropriation to Contingency Fund**		---	---
------	**IX. Amount transferred to Contingency Fund**	-------	--	---	**VIII. Expenditure Contingency Fund**		---	---
				1394.12	**IX. Public Accounts**			**1780.10**

					Disbursements			
				71.23	-Small Savings and Provident Fund		101.45	
				6.97	-Reserve Funds		21.85	
				(-) 4.94	-Suspense and Miscellaneous		376.02	
				958.59	-Remittance		1046.68	
				362.27	-Deposits and Advances		234.10	
1425.61	**X. Public Accounts receipts**		**2322.67**	**8.93**	**X. Cash Balance at end of 31 March 2008**			**239.77**
214.52	-Small Savings and Provident Fund	273.72		---	-Cash in Treasuries and Local Remittances	---	---	
20.66	-Reserve Funds	29.79		(-) 26.63	-Deposits with Reserve Bank		(-) 76.59	
23.92	-Suspense and Miscellaneous	675.23		1.32	-Departmental Cash Balance		1.32	
932.09	-Remittance	1073.27			- Cash Balance Investment		266.79	
234.42	-Deposits and Advances	270.66		34.24	Investment of earmarked funds		48.25	
1980.69	**Total**		**2714.19**	**1980.69**	**Total**			**2714.19**

Appendix – 1.5
Sources and Application of funds

(Reference: Paragraph 1.2; Page 3)

(Rupees in crore)

2006-07		SOURCES	2007-08	
1968.95		**1. Revenue receipts**		**2039.74**
24.01		**2. Recoveries of Loans and Advances**		**27.53**
125.61		**3. Increase in Public debt**		**79.74**
31.49		**4. Net receipts from Public Account**		**542.58**
	143.29	-Increase in Small Savings	172.27	
	(-) 127.85	-Decrease in Deposits and Advances	36.56	
	13.69	-Increase in Reserve Funds	7.95	
	28.86	-Net effect of Suspense and Miscellaneous transactions	299.20	
	(-)26.50	-Net effect of Remittance transactions	26.60	
		5. Net effect of Contingency Fund transactions		---
33.93		6. Decrease in closing cash balance		-----
2183.99		***Total***		**2689.59**
		APPLICATIONS		
1717.30		**1. Revenue expenditure**		**1908.39**
0.25		**2. Lending for development and other purposes**		**6.12**
466.44		**3. Capital expenditure**		**544.24**
		4. Net effect of Contingency Fund transactions		---
		5. Increase in closing cash balance		**230.84**
2183.99		***Total***		2689.59

Appendix – 1.6

Time series data on State Government finances

(Reference: Paragraph 1.2; 1.3 & 1.7 ; Page 3, 6 & 19) *(Rupees in crore)*

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Part A. Receipts						
1. Revenue Receipts	1021.61	1370.95	1501.86	1653.65	1968.95	2039.74
(i) Tax Revenue	27.96 (3)	33.85 (2)	39.55 (3)	55.05 (3)	67.62(3)	71.96 (4)
Agricultural Income Tax	-	-	-	-	-	-
Sales Tax	18.20 (65)	23.32 (69)	28.08 (71)	41.59 (76)	53.72 (80)	62.04 (3)
State Excise	1.29 (5)	1.36 (4)	1.40 (4)	1.46 (3)	1.65 (3)	1.69 (0)
Taxes on Vehicles	2.56 (9)	3.38 (10)	3.80 (10)	4.35 (8)	5.01 (7)	5.37 (0)
Stamps and Registration fees	0.08 (0)	0.13 (0)	0.10 (0)	0.17 (0)	0.21	0.23 (0)
Land Revenue	0.97 (3)	0.72 (2)	0.86 (2)	1.59 (3)	0.73 (1)	1.48 (0)
Taxes on goods and passengers	0.57 (2)	0.61 (2)	0.69 (2)	0.99 (2)	0.98 (1)	1.07 (0)
Other Taxes	4.29 (15)	4.33(13)	4.62 (12)	4.90 (9)	5.32 (8)	0.08 (0)
(ii) Non Tax Revenue	52.63 (5)	58.01 (4)	75.60 (5)	120.09 (7)	133.38	130.30 (6)
(iii) State's share of Union Taxes	94.60 (9)	130.33 (10)	155.79 (10)	225.83 (14)	288.05	368.92 (18)
(iv) Grants-in-aid from GOI	846.42 (83)	1148.76(84)	1230.92(82)	1252.68 (76)	1479.90 (75)	1468.56 (72)
2. Miscellaneous Capital Receipts	-	-	-	-	-	-
3. Total Revenue and Non-debt capital receipts (1+2)	**1021.61**	**1370.95**	**1501.86**	**1653.65**	**1968.95**	**2039.74**
4. Recoveries of Loans and Advances	**16.70**	**20.05**	**22.30**	**22.98**	**24.01**	**27.53**
5. Public Debt Receipts	**265.38**	**300.96**	**176.56**	**253.20**	**236.56**	**223.71**
Internal Debt (excluding Ways & Means Advances and Overdrafts)	213.03	220.93	108.78	243.40	211.64	190.01
Net transactions under Ways & Means Advances and Overdraft	-	-	-	-	19.59	23.98
Loans and advances from GOI[47]	52.35	80.03	67.78	9.80	5.33	9.72
6. Total receipts in Consolidated Fund (3+4+5)	**1303.69**	**1691.96**	**1700.72**	**1929.83**	**2229.57**	**2290.98**
7. Contingency Fund Receipts	-	-	-	-	-	-
8. Public Account Receipts	**955.23**	**960.28**	**1168.98**	**1463.54**	**1425.61**	**2322.67**
9. Total Receipts of the State (6+7+8)	**2258.92**	**2652.24**	**2869.70**	**3393.37**	**3655.18**	**4613.65**

[47] *Include Ways and Means Advances from Government of India.*

Part B. Expenditure/Disbursement						
10. Revenue Expenditure	**1130.95 (86)**	**1287.77(78)**	**1395.51 (81)**	**1588.01 (78)**	**1717.30 (79)**	**1908.39 (78)**
Plan	353.81 (31)	370.53 (29)	419.13 (30)	539.94 (34)	595.81 (33)	649.08 (34)
Non-Plan	777.14 (69)	917.24 (71)	976.38 (70)	1048.07 (66)	1121.49 (65)	1259.31 (66)
General Services	405.63 (36)	462.54 (36)	514.65 (37)	541.64 (34)	616.91 (36)	645.66 (34)
Economic Services	318.80 (28)	389.74 (30)	404.36 (29)	498.78 (31)	507.49 (30)	565.96 (30)
Social Services	406.53 (36)	435.49 (34)	476.50 (34)	547.59 (34)	592.90 (35)	696.77 (37)
Grants-in-aid and Contributions	-	-	-	-	-	-
11. Capital Expenditure	**187.97 (14)**	**371.68 (22)**	**329.54 (19)**	**451.37 (22)**	**466.44 (21)**	**544.24 (22)**
Plan	185.05 (98)	359.48 (97)	319.89 (97)	453.90 (101)	458.70 (98)	489.72 (90)
Non-Plan	2.92 (2)	12.20 (3)	9.65 (3)	(-) 2.53 (-1)	7.74 (2)	54.52 (10)
General Services	8.53 (5)	16.72 (4)	10.95 (3)	13.46 (3)	24.44 (5)	13.50 (2)
Social Services	74.15 (39)	124.28 (33)	77.97 (24)	89.95 (22)	122.03 (26)	105.94 (19)
Economic Services	105.29 (56)	230.68 (62)	240.62 (73)	347.96 (77)	319.97 (69)	424.81 (78)
12. Loans and Advances given	**34.72**	**37.23**	**34.41**	**34.09**	**0.25**	**6.12**
13. Total (10+11+12)	**1353.64**	**1696.68**	**1759.46**	**2073.47**	**2183.99**	**2458.75**
14. Repayments of Public Debt	**100.95**	**214.57**	**58.49**	**98.50**	**110.95**	**143.96**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	17.02	26.92	31.14	79.76	79.34	83.61
Net Transactions under Ways and Means Advances and Overdraft	49.77	85.71	-	-	-	43.57
Loans and Advances from GOI	34.16	101.94	27.35	18.74	31.61	16.78

(1)	(2)	(3)	(4)	(5)	(6)	(7)
15. Appropriation to Contingency Fund	-	-	-	-	-	-
16. Total disbursement out of Consolidated Fund (13+14+15)	1454.59	1911.25	1817.95	2171.97	2294.94	2602.71
17. Contingency Fund Disbursement	-	-	-	-	-	-
18. Public Account Disbursement	730.83	697.88	994.10	1212.95	1394.12	1780.10
19. Total disbursement by the State (16+17+18)	2185.41	2609.13	2812.05	3384.92	3689.06	4382.81
Part C. Deficits						
20. Revenue Deficit (-)/Surplus (+) (1-10)	(-)109.35	(+)83.18	(+)106.35	(+) 65.64	(+) 251.65	(+)131.35
21. Fiscal Deficit (3+4-13)	(-)315.32	(-)305.69	(-)235.30	(-) 396.84	(-) 191.03	(-) 391.48
22. Primary Deficit (23-21)	(-)182.26	(-)139.07	(-)53.80	(-) 212.19	(+) 37.72	(-)183.47
Part D. Other data						
23. Interest payments (included in the revenue expenditure)	133.06	166.62	181.50	184.65	228.75	208.01
24. Arrears of Revenue (Percentage of Tax and Non-tax Revenue Receipts)	NA	NA	NA	NA	NA	—
25. Financial Assistance to local bodies *etc*	98.18	101.39	116.61	137.61	128.37	148
26. Ways and Means Advances/ Overdraft availed (days)	178/32	75/-	92/-	8/-	8/-	3/-
27. Interest on WMA/Overdraft	1.09	0.61	0.48	0.03	-	2.04
28. Gross State Domestic Product [48]	1940.05	2091.32	2441.47	2693.96	2984.99	3305.09
29. Outstanding Debt (year end)	2090	2389	2711	2953	3096	3378.04
30. Outstanding guarantees(year end)	-	113.28	136.70	145.02	130.38	131.97
31. Maximum amount guaranteed (year end)	-	168.69	229.39	269.73	249.23	231.95

[48] *Projected figures furnished by the Directorate of Economics & Statistics, Government of Mizoram.*

Appendix – 1.7

Cases of Misappropriation reported to Audit

(Reference: Paragraph 1.6; Page 19)

(In lakh of rupees)

Sl. No.	Department	Upto 1999-2000		2000-01		2001-02		2002-03		2003-04		Total	
		N	A	N	A	N	A	N	A	N	A	N	A
1.	Education	1	0.03	-	-	-	-	-	-	-	-	1	0.03
2.	General Administration	4	4.19	-	-	-	-	-	-	-	-	4	4.19
3.	Home	1	1.06	-	-	-	-	-	-	-	-	1	1.06
4.	Public Works	1	0.26	-	-	-	-	-	-	-	-	1	0.26
5.	Food and Civil Supplies	5	2.65	-	-	-	-	-	-	-	-	5	2.65
6.	Transport	4	1.08	-	-	1	1.65	1	2.35	-	-	6	5.08
7.	Power and Electricity	5	74.75	-	-	-	-	-	-	-	-	5	74.75
8.	Co-operation	1	26.50	-	--	-	-	-	-	-	-	1	26.50
9.	Forest	1	0.41	-	-	-	-	-	-	-	-	1	0.41
10.	Rural Development	-	-	-	-	-	-	1	1.98	-	-	1	1.98
11.	Finance	--	--	-	-	-	-	-	-	1	2.00	1	2.00
	Total	**23**	**110.93**			**1**	**1.65**	**2**	**4.33**	**1**	**2.00**	**27**	**118.91**

Appendix – 2.1

Statement showing areas in which major excess occurred

(Reference: Paragraph 2.3.1.1; page 34)

Grant No./Major Head	Areas in which major excess occurred	Excess (Rupees in crore)
4	**Law and Judicial**	
2014	Administration of Justice 102 High Courts 01 High Courts	6.42
36	Forestry and wildlife	
2406	800- Other expenditure	1.54
38	Rural Development	
2501	800-Other expenditure	2.17
4575	Capital Outlay on Other Special Area Programme 101-Border Area Development	6.81
33	Capital Outlay on Soil and Water Conservation	
4402	203-Land Redemption and Development	1.51

Appendix – 2.2

Statement showing cases where savings exceeded Rupees one crore in each case and also by more than 10 *per cent* of the total provision

(Reference: Paragraph 2.3.1.2; page 34)

(Rupees in crore)

Sl. No.	Number and Name of Grant	Total Grant/ Appropriation	Actual expenditure	Savings	Percentage of savings
REVENUE SECTION (VOTED)					
1.	6-Land Revenue and reforms	12.67	10.96	1.71	13
2.	9-Finance	118.66	109.39	9.27	8
3.	11-Secretariat Administration	53.17	29.88	23.29	44
4.	14-Planning and Programme Implementation	83.72	32.95	50.77	61
5.	15-General Administration Department	31.86	30.30	1.57	5
6.	16-Home	174.28	170.99	3.29	2
7.	20-School Education	269.22	264.50	4.72	2
8.	22-Sports and Youth Services	19.41	12.62	6.79	35
9.	24-Medical and Public Health Services	105.19	98.49	6.70	6
10.	25-Water Supply and Sanitation	106.72	75.56	31.16	29
11.	29-Social Welfare	44.84	35.68	9.16	20
12.	31-Agriculture	87.22	84.77	2.45	3
13.	34-Animal Husbandry	26.81	23.86	2.95	11
14.	38-Rural Development	54.21	47.07	7.14	13
15.	40-Industries	26.47	24.86	1.61	6
16.	42-Transport	20.44	17.51	2.93	14
17.	46-Urban Development & Poverty Allevation	61.41	17.29	44.12	72
CAPITAL SECTION (VOTED)					
18.	16-Home	3.75	1.58	2.17	58
19.	17-Food and Civil Supplies	171.60	130.57	41.03	24
20.	19-Local Administration	5.36	3.96	1.40	26
21.	21-Higher & Technical Education	2.07	---	2.07	100
22.	25-Water Supply and Sanitation	77.27	76.07	1.20	2
23.	29-Social Welfare	15.10	12.92	2.18	14
24.	31-Agriculture	33.21	30.06	3.15	9
25.	39-Power	96.26	76.24	20.02	21
26.	40-Industries	7.39	3.50	3.89	53
27.	45-Public Works	261.22	243.76	17.46	7
28.	46-Urban Dev.& Poverty Alleviation	12.42	5.44	6.98	56
REVENUE SECTION (CHARGED)					
29.	Public Debt	228.09	222.01	6.08	3
CAPITAL SECTION (CHARGED)					
30.	Public Debt	192.90	143.97	48.93	25
	Total:			**366.18**	

Appendix – 2.3

Statement showing persistent savings in excess of Rs.10 lakh and more than 20 *per cent* of the provision

(Reference: Paragraph 2.3.1.3 ; page 34)

Sl. No.	Number and Name of Grant/Appropriation	2005-06			2006-07			2007-08		
		Total Grant/ Appro-priation (Rupees in crore)	Savings	Percentage of savings to total provision	Total Grant/ Appro-priation (Rupees in crore)	Savings	Percentage of savings to total provision	Total Grant/ Appro-priation (Rupees in crore)	Savings	Percentage of savings to total provision
REVENUE SECTION (VOTED)										
1.	14-Planning and Programme Implementation	91.58	72.40	79	75.77	64.56	85	83.72	50.77	60.64
CAPITAL SECTION (VOTED)										
2.	9-Finance	5.00	5.00	100	5.00	5.00	100	5.00	3.27	65.40

Appendix – 2.4

Statement showing excess expenditure yet to be regularised by the State Government

(Reference: Paragraph 2.3.2.1; page 35)

(Rupees in crore)

Year	No. of grants/ appropriations	Grants/Appropriation(s)	Amount of Excess	Amount for which explanation not furnished to PAC
2003-04	5	17,22,39,43 and Public Debt	387.34	--
2004-05	6	1,2,4,38,39 and Public Debt	308.98	--
2005-06	5	4,12,16,33 and Public Debt	29.78	--
2006-07	2	38, & Public Debt	25.30	--
Total			751.14	

Appendix – 2.5

Statement showing the excess expenditure under Grant/Appropriation requiring regularisation

(Reference: Paragraph 2.3.2.2 page 35)

Sl. No.	Number and name of Grant/Appropriation	Total Grant/ Appropriation	Expenditure	Excess
		Rupees	Rupees	Rupees
A.	REVENUE SECTION (VOTED)			
1.	36 – Environment & Forest	37,67,06,000	39,19,19,000	1,52,13,000
B.	REVENUE SECTION (CHARGED)			
2.	4 – Law and Judicial	1,96,59,000	8,38,86,000	6,41,71,000
Total : Revenue Section (Voted/Charged)		39,63,65,000	47,58,05,000	7,93,84,000
C.	CAPITAL SECTION (VOTED)			
3.	33 – Soil & Water Conservation	4,82,07,000	6,32,97,000	1,50,90,000
4.	38 – Rural Development	21,88,30,000	26,35,52,000	4,47,22,000
Total : Capital Section (Voted)		26,70,37,000	32,68,49,000	5,98,12,000
Grand Total :		66,34,02,000	80,26,54,000	13,91,96,000

Appendix – 2.6

Statement showing unnecessary supplementary provisions

(Reference: Paragraph 2.3.4.1; page 35)

(Rupees in crore)

Sl. No.	Number and name of Grant/ Appropriation	Amount of supplementary provision	Amount of savings
REVENUE SECTION (VOTED)			
1.	5-Vigilance	0.07	0.10
2.	9-Finance	0.77	9.27
3.	11-Secretariat Administration	1.78	23.29
4.	12-Parliamentary affairs	0.02	0.10
5.	14-Planning & Programme Implementation	8.06	50.77
6.	18-Printing & Stationary	0.53	0.59
7.	22-Sports and Youth Services	1.75	6.79
8.	23-Art and Culture	0.54	0.73
9.	37-Co-operation	0.54	0.68
10.	42-Transport	0.32	2.93
11.	46-Urban Dev.& Poverty elevation	8.62	44.12
CAPITAL SECTION (VOTED)			
12.	21-Higher & Technical Education	1.02	2.07
13.	31-Agriculture	2.11	3.15
CAPITAL SECTION (CHARGED)			
14.	Public Debt	12.92	48.93
Total :		39.05	193.52

Appendix – 2.7

Statement showing excess supplementary grant obtained against actual requirement

(Reference: Paragraph 2.3.4.2; page 35)

(Rupees in lakh)

Sl. No.	Number and name of Grant	Original provision	Actual expenditure	Additional fund required	Supplementary Grant obtained	Net savings
1	2	3	4	5 (4-3)	6	7
	REVENUE SECTION (VOTED)					
1.	4-Law & Judicial	443.15	483.15	40.00	97.79	57.79
2.	6-Land Revenue and Reforms	1021.50	1096.11	74.61	245.59	170.98
3.	13-Personal & Administration Reform	126.50	132.59	6.09	18.62	12.53
4.	24-Medical and Public Health Services	8718.49	9848.72	1130.23	1800.17	669.94
5.	25-Water Supply & Sanitation	3707.05	7556.34	3849.29	6964.85	3115.56
6.	28-Labour & Employment	340.95	410.33	69.38	103.02	33.64
7.	29-Social Welfare	2173.40	3568.11	1394.71	2310.63	915.92
8.	34-Animal Husbandry	1810.26	2386.23	575.97	870.45	294.48
9.	38-Rural Development	4528.75	4707.22	178.47	891.92	713.45
10.	40-Industries	2267.59	2486.28	218.69	378.96	160.27
11.	43-Tourism	398.20	485.18	86.98	112.53	25.55
12.	44-Trade & Commerce	303.94	340.46	36.52	106.31	69.79
	CAPITAL SECTION (VOTED)					
13.	17-Food & Civil Supplies	6838.00	13056.90	6218.90	10321.86	4102.96
14.	24-Medical & Public Health	4.51	23.76	19.25	28.84	9.59
15.	29-Socila Welfare	324.10	1292.12	968.02	1185.85	217.83
16.	39-Power	4950.00	7624.46	2674.46	4676.21	2001.75
17.	40-Industries	235.10	350.23	115.13	503.90	388.77
18.	45-Public Works	14889.05	24376.26	9487.21	11233.43	1746.22
19.	46-Urban Dev. & Poverty elevation	75.26	544.37	469.11	1166.62	697.51
	TOTAL	53155.80	80768.82	27613.02	43017.55	15404.53

Appendix – 2.8

Statement showing insufficient supplementary grants by more than Rs.10 lakh in each case leaving uncovered excess expenditure

(Reference: Paragraph 2.3.4.3 page 35)

(Rupees in crore)

Sl. No.	Number and name of Grant/ Appropriation	Original provision	Expenditure	Additional requirement	Supple-mentary Grant	Uncovered excess expenditure
REVENUE SECTION (VOTED)						
1.	36-Environment & Forest	27.72	39.19	11.47	9.95	1.52
CAPITAL SECTION (VOTED)						
2.	33-Soil & Water Conservation	0.005	6.32	6.31	4.82	1.50
				Total :	14.77	3.02

Appendix – 2.9
Statement showing injudicious re-appropriation of funds which resulted in savings/excesses by over Rs.10 lakh
(Reference: Paragraph 2.3.5; page 35)

(Rupees in lakh)

Sl. No.	Number and name of Grant/Appropriation and Head of account	Budget provision (Original plus Supplemen-tary	Reappro-priation Addition (+) Reduction (-)	Total Grant	Total expend iture	Savings (-) Excess (+)
1	2	3	4	5	6	7
	REVENUE SECTION (VOTED)					
1	18 Printing and Stationery 2058 Stationery and Printing 101 Purchase and Supply of Stationery Stores 01 Forms and Stationery	171.13	(-) 1.44	169.69	111.74	(-) 57.95
2	22 Sports and Youth Services 2204(102)(04) Air Wing, NCC	30.00	(-) 0.46	29.54	1.33	(-) 28.21
3	25 Water Supply and Sanitation 2215(01)(02)Administration	4,191.61	(-) 42.57	4,149.04	4,107.89	(-) 41.15
4	36 Environment and Forest 2406 Forestry and Wildlife 01(105)Forest Produce	538.78	(-) 417.03	121.75	338.25	(+) 216.50
5	38 Rural Development 2501 Spl. Prog. for Rural Development 800 (06) Integrated Watershed Dev. Programme.	10.00	(-) 2.02	7.98	29.29	(+) 21.31
6	40 Industries 2851 Village and Small Industries 001 Direction and Administration 01 Direction	232.73	(+) 2.51	2.35	2.55	(+) 19.74
	CAPITAL SECTION(VOTED)					
7	45 Public Works 4552(009)05 Maintenance of NEC Road	216.97	(+) 5.68	222.65	178.75	(-) 43.90
8	46 Urban Development 4217(03)(051) 01 Construction	75.26	(+) 5.29	80.55	68.06	(-) 12.49

Appendix – 2.10

Statement showing the cases where anticipated savings were not surrendered

(Reference: Paragraph 2.3.6; page 36)

(Rupees in lakh)

Sl. No.	Number and name of Grant	Total Grant	Total saving	Amount surrendered	Unsurrendered saving and its percentage (in bracket) to total saving
(1)	(2)	(3)	(4)	(5)	(6)
REVENUE SECTION (VOTED)					
1	4 Law and Judicial	540.94	57.79	9.40	48.39 (84)
2	6-Land Revenue and Reforms	1267.09	170.98	168.87	2.11 (1)
3	9-Finance	11865.88	926.60	31.54	895.06 (97)
4	11Secretariat Administration	5317.01	2328.74	2321.18	7.56 (0.32)
5	12-Parliamentary Affairs	28.66	9.50	5.30	4.20 (44)
6	14-Planning and programme Implementation	8372.01	5076.71	4050.31	1026.40 (20)
7	15-General Administration Department	3186.17	156.60	149.74	6.86 (4)
8	16-Home	17427.70	328.57	321.04	7.53 (3)
9	18-Printing and Stationery	689.52	58.91	0.91	58.00 (98)
10	19-Local Administration	2462.82	69.02	44.75	24.27 (35)
11	22-Sports and Youth Services	1940.75	1261.52	37.26	1224.26 (90)
12	23-Arts and Culture	554.20	72.63	49.18	23.45 (32)
13	24-Medical and Public Health Services	10518.66	669.94	641.26	28.68 (43)
14	25-Water Supply and Sanitation	10671.90	3115.56	3061.91	53.65 (2)
15	26-Information and Publicity	501.27	20.01	19.35	0.66 (3)
16	29 Social Welfare	4484.03	915.92	110.65	805.27 (88)
17	33-Soil & Water Conservation	917.30	36.34	19.32	17.02 (47)
18	34-Animal Husbandry	2680.71	294.48	290.96	3.52 (1)
19	35-Fisheries	782.22	18.17	4.70	13.47 (74)
20	38-Rural Development	5420.67	713.45	601.18	112.27 (16)
21	43-Tourism	510.73	25.55	13.23	12.32 (41)
22	45-Public Works	8548.85	49.99	23.82	26.17 (52)

(1)	(2)	(3)	(4)	(5)	(6)
	CAPITAL SECTION (VOTED)				
23	17- Food and Civil Supply	17159.86	4102.96	625.09	3477.87 (85)
24	21-Higher and Technical Education	207.00	207.00	101.80	105.20 (51)
25	24-Medical and Health Services	33.35	9.59	4.51	5.08 (53)
26	25 Water Supply and Sanitation	7726.60	119.98	45.66	74.32 (62)
27	29-Social Welfare	1509.95	217.83	0.08	217.75 (100)
28	31-Agriculture	3321.34	315.44	115.44	200.00 (63)
29	38-Rural Development	2188.30	447.22	226.50	220.72 (49)
30	45-Public Works	26122.48	1746.22	1266.44	479.78 (27)
				Total :	**9181.84 (39)**
					Say Rs. 91.82 crore

Appendix – 2.11

Statement showing available savings of Rupees one crore and above not surrendered

(Reference: Paragraph 2.3.6; page 36)

(Rupees in crore)

Sl. No.	Number and name of Grant	Total Grant	Total saving	Amount surrendered	Unsurrendered saving and its percentage (in bracket) to total saving
REVENUE SECTION (VOTED)					
1.	9-Finance	118.66	9.27	0.32	8.95 (97)
2.	14-Planning and Programme Implementation	83.72	50.77	40.50	10.27 (20)
3.	29-Social Welfare	44.84	9.16	1.11	8.05 (88)
4.	38-Rural Development	54.21	7.13	6.01	1.12 (16)
CAPITAL SECTION (VOTED)					
5	16-Home	3.75	2.17	---	2.17 (100)
6	17-Food and Civil Supplies	171.60	41.03	6.25	34.78 (85)
7	21-Higher and Technical Education	2.07	2.07	1.02	1.05 (51)
8	29-Social Welfare	15.10	2.18	0.08	2.10 (96)
9	31-Agriculture	33.21	3.15	1.15	2.00 (63)
10	38-Rural Development	21.88	4.47	2.27	2.20 (49)
11	45-Public Works	261.22	17.46	12.66	4.80 (27)
REVENUE SECTION (CHARGED)					
12	*Public Debt*	*228.09*	*6.07*	--	*6.07 (100)*
CAPITAL SECTION (CHARGED)					
13	Public Debt	192.90	*48.93*	--	*48.93(100)*
				Total :	132.49

Appendix – 2.12
Statement showing expenditure on a Scheme/Service incurred without budget provision and re-appropriation
(Reference: Paragraph 2.3.7; page 36)

(Amount in Rupees)

Sl. No.	Number and name of Grant	Head of Account	Actual expenditure without provision
1.	Public Debt	6003 (101)	18,15,00,000
2..		6003 (110)	40,49,00,000
3.		6003 (110)	3,08,00,000
4.		6003 (109)	2,16,40,000
5.		6003 (106)	1,83,97,000
		Total :	65,72,37,000
			Say- Rs. 65.72 crore

Appendix – 2.13

Statement showing the cases where amount surrendered was in excess of actual savings/even without savings

(Reference: Paragraph 2.3.8; page 36)

(Rupees in lakh)

Sl. No.	Number and name of Grant	Total Grant	Total saving (-) excess (+)	Amount surrendered	Amount surrendered in excess
(A) Surrender in excess of actual savings					
	REVENUE SECTION (VOTED)				
1	3-Council of Ministers	349.15	(-)19.30	47.29	27.99
2	13-Personnel and Administration Reforms	145.12	(-)12.53	12.67	0.14
3.	17-Food and Civil Supplies	3564.42	(-) 81.43	83.36	1.93
4.	20-School Education	26922.00	(-) 471.94	540.17	68.23
5.	21-Higher & Technical Education	5192.23	(-) 48.41	58.87	10.46
6.	28-Labour and Employment	443.97	(-) 33.64	33.97	0.33
7.	32-Horticulture	1512.14	(-) 42.57	60.71	18.14
8.	39-Power	14565.42	(-) 70.75	85.99	15.24
9.	40-Industries	2646.55	(-)160.27	164.73	4.46
10	42-Transport	2044.44	(-) 293.45	307.01	13.56
11.	46-Rural Development and Poverty Alleviation	6141.40	(-) 4412.17	4415.64	3.47
CAPITAL SECTION(VOTED)					
12.	9- Finance	500.00	(-)327.27	333.22	5.95
		Total	**5973.73**	**6143.63**	**169.90**
		Say	**59.74 crore**	**61.44 crore**	**1.70 crore**

Appendix – 2.14

Statement showing the name of the Departmental Controlling Officers, the expenditure (1.4.2007 to 31.03.2008 Accounts) of which remained un-reconciled till Nov. 2008.

(Reference : Paragraph 2.3.10 page 37)

(Rupees in crore)

Sl. No.	Name of the Departmental Controlling Officers	Major Head	Amount
1	Secretary, Secretariat Administration Department	2013	1.94
2	Secretary, General Administration Department	3053	3.40
3	Director, Accounts and Treasuries	2235	1.75
4	Secretary, Finance	6004	16.78
		6003	127.19
		2048	14.00
		2049	208.10
5	Registrar, GHC, Aizawl Bench	2014	8.39
6	Director, Labour and Employment	2230	4.10
7	Director, Local Administration Department	4217	5.33
		2216	7.00
8	Secretary, District Council Affairs	2015	1.45
9	Director, Food and Civil Supply	2408	2.48
		4408	54.80
		3456	8.11
	TOTAL:		4,64.82

Appendix-3.1
(Reference: Para No-3.3.8.2 ; page-83-)
UTILISATION OF FUNDS FOR NLCPR PROJECT IN MIZORAM
(as on 31.03.2008)

(Rs. in lakh)

Sl. No.	NLCPR Projects	Sanction Date	Approved Cost	Funds released	Expenditure	Remark
1.	Bamboo processing industry. (444)	20/12/2000	400.00	400.00	400.00	Complete
2.	Establishment of 8 Units of Fish seed farms in Mizoram (445)	14/01/2000	528.00	528.00	528.00	Complete
3.	Integrated Piggery development project (446).	14/01/2000	657.00	657.00	657.00	In progress
4.	Marketing facilities for marketing of Tung Seeds and oil within Country & Abroad (447).	24/01/2000	50.00	50.00	50.00	Complete
5.	Mobilization & development of feed & fodder project, modafer (448).	14/01/2000	725.00	436.00	436.00	In progress
6.	Construction & Renovation of School Building (480).	27/07/2000	2143.00	2072.00	2072.00	Complete
7.	Secondary School improvement project (481).	07/03/2001	1248.00	1248.00	1248.00	Complete
8.	Infrastracture Development of Mizoram University (482).	20/02/2004	2326.00	2139.30	1473.21	In progress
9.	Mizoram University (483).	18/08/2001	174.00	174.00	174.00	Complete
10.	Sarva Siksha Abhiyan (1376).	28/03/2006	511.83	511.83	511.83	Complete
11.	Sarva Siksha Abhiyan (2006-07) (1407).	29/06/2006	688.34	688.34	688.34	Complete
12.	Construction of Secondary School Building in Mizoram (1428).	14/09/2006	968.53	594.28	332.09	In progress
13.	Construction of School Buildings in Mara Autonomous district Council (1572).	19/12/2007	212.42	66.84	0.00	In progress
14.	Construction of Schools within LADC (1619).	28/03/2008	236.86	73.68	0.00	In progress
15.	200 Bedded Hospital at Lunglei (511).	22/02/2002	762.00	698.30	672.00	In progress
16.	Construction of Out Patient Department Block, Civil Hospital, Aizawl (512).	21/03/2003	371.00	364.00	344.54	Complete
17.	Six bedded ICU at Civil Hospital, Aizawl (513).	21/03/2003	142.00	142.00	142.00	complete

18.	State Referral Hospital, Aizawll (514).	15/02/1999	4053.00	4001.65	3539.00	In progress
19.	Construction of market building – Bara Bazar Market Comp,ex, Aizawl Block-I (900).	19/07/2002	169.00	169.00	169.00	Complete
20.	Construction of market building – Bungkawn Market, Aizawl (902).	19/07/2002	45.00	45.00	45.00	Complete
21.	Construction of market building – Chanmari Market, Aizawl (902)	19/07/2002	23.00	23.00	23.00	Complete
22.	Construction of market Building (903)	19/07/2002	100.00	100.00	100.00	In progress
23.	Construction of market building – dismantling Old Building at Bara Bazar, Aizawl (904).	19/07/2002	13.00	13.00	13.00	Complete
24.	Construction of market building – Rahsi Veng Market, Champhai (905).	17/07/2002	118.00	118.00	118.00	Complete
25.	Construction of market building – Ramhlun Market, Aizawl (906).	19/07/2002	54.00	54.00	54.00	Complete
26.	Construction of market building – Serkawn Market Lunglei (907).	19/07/2002	11.00	11.00	11.00	Complete
27.	Construction of market building – Thakthing Market, Aizawl (908)	19/07/2002	17.00	17.00	17.00	Complete
28.	Construction of market building – vaivakawn Market, Aizawl (909)	19/07/2002	62.00	62.00	62.00	Complete
29.	Construction of market building – Zemabawk Market, Aizawl (910)	19/07/2002	47.00	47.00	47.00	Complete
30.	Allotment of BADP funds for Lai Autonomous District Council (911)	11/06/2001	100.00	100.00	100.00	Complete
31.	Construction of market building – banglakawn Market, Kolasib (912)	23/07/2003	25.00	25.00	25.00	Complete
32.	Construction of market building – Bazar Veng Market, Hnathial (913).	23/07/2003	77.00	77.00	77.00	Complete
33.	Construction of market building – Bethel Market, Champhai (914).	23/07/2003	34.00	34.00	34.00	Complete
34.	Construction of market building – Chanmari Market, Hnahthial (915).	23/07/2003	27.00	27.00	27.00	Complete
35.	Construction of market building – Dawrkawn Market, Serchhip (916).	23/07/2003	95.00	95.00	95.00	Complete

36.	Construction of market building – Mamit Market, Mamit (917).	23/07/2003	41.00	41.00	41.00	Complete
37.	Construction of market building – Strengthening of Administration (918).	23/07/2003	34.00	4.00	4.00	Complete
38.	Construction of market building – Tanhril Ramrikawn Market, Aizawl (919).	23/07/2003	36.00	36.00	36.00	Complete
39.	State Capital Project, Aizawl (920).	23/07/2003	518.00	518.00	518.00	Complete
40.	Construction of market building – Bara Bazar Market Complex, Aizawl Block – II (921).	31/12/2004	125.00	125.00	125.00	Complete
41.	Construction of market building – Bara Bazar Market Complex, Aizawl Block – III (A) (922).	31/12/2004	47.00	47.00	47.00	Complete
42.	Construction of market building – Bara Bazar Market Complex, Aizawl Block-III (B) (923).	31/12/2004	76.00	76.00	76.00	Complete
43.	Construction of market building – Car Parking at Bara Bazar Market Complex, Aizawl (924).	31/12/2004	3.00	3.00	3.00	Complete
44.	Construction of market building – Sihphir Market, Aizawl (925).	31/12/2004	50.00	50.00	50.00	Complete
45.	Construction of market building – Storm Drain at Bara Bazar, Aizawl (926).	31/12/2004	19.00	19.00	19.00	Complete
46.	Constructionof market building – Thuampui Market, Aizawl (927).	31/12/2004	76.00	76.00	76.00	Complete
47.	Construction of market building – Venglai Market, Kolasib (928)	31/12/2004	74.00	74.00	74.00	Complete
48.	BMS (929).	30/12/1999	1491.00	1491.00	1491.00	Complete
49.	Construction of Community halls in various locations in Mizoram (1592).	07/03/2008	470.00	148.00	0.00	In progress
50.	Sub –transmission & Distribution Lines – Aizawl Town (606)	17/11/2000	2583.00	2583.00	2583.00	Complete
51.	Electrification of 3 Tribal villages (607).	28/01/2002	68.00	68.00	68.00	Complete
52.	HFO bassed 20 MW DG thermal plant at Bhairabi (608).	20/12/2001	9159.00	9158.00	9158.00	Complete
53.	Power Evacuation from Thermal Power Plant, Bhairabi (609)	27/02/2003	456.00	456.00	456.00	Complete
54.	Sub – transmission & Distribution Lines – Lunglei Town (610).	21/10/2002	830.00	830.00	810.00	In progress

55.	Construction of 33 KV D/C Serlul "B" kolasib switchyard at Serlui "B & incoming bay at 132 KV S/s at kolasib (bawktlang) (990).	10/05/2005	315.10	199.00	199.00	In progress
56.	Construction of 132 KV S/C line on D/C towers from kolasib to Aizawl (Melriat) with LILO of one circuit at Aizawl (Zuangtui) 132 KV Sub Station (1193).	22/12/2005	2151.10	770.20	564.05	In progress
57.	Construction of 132 KV single circuit line from Khawzawl to Champhai (1448).	01/12/2006	590.00	456.00	178.00	In progress
58.	Construction of 33 KV D?C transmission line (Tower type) Lawngtlai to Saiha (1497)	22/06/2007	743.69	229..98	0.00	In progress
59.	Improvement & widening of Bawngkawn to Durtlang Road (799).	21/03/2003	681.00	681.00	681.00	Complete
60.	Bridge over river chawngte (P to C) (LAI & Chakma ADC) (800).	07/01/2004	255.53	243.79	145.48	In progress
61.	Bridge over river Chawngtelui on Diltlang to Chawngte Road (LAI ADC) (801).	07/01/2004	203.49	194.00	194.00	In progress
62.	Bridge over River Tuisih on Tuipang-Zwangling-Chheihhlu Road (Mara ADC) (802).	07/01/2004	114.06	108.70	108.70	In progress
63.	Bridge over River Vanva on Haulawng-Bualpui-Chhiphir Road (803).	07/01/2004	145.67	138.72	138.72	In progress
64.	Chawngte-Barapansury Road within Chakma Autonomous District Council (804)	21/10/2003	1046.00	975.01	800.00	In progress
65.	Construction of Link Roads to Bamnoo Plantation Plot No. A from W. Serzawl Saiphal/ Saitlaw 18 kms (805).	20/09/2003	582.00	582.00	418.00	In progress
66.	Construction of Link Roads to Bamboo Plantation Plot No. B from Dur Lui – Sairum and Dur Lui – Mualkhang (806).	29/09/2003	616.62	616.62	616.62	In progress
67.	Lungtian Mamte Road via Vartek Kai within Lai ADC (807).	21/10/2003	2665.00	2529.00	1812.00	In progress
68.	Construction of 3 Bailey Bridges in Mizoram (1427).	26/09/2006	649.42	199.44	104.57	In progress

69.	Construction of Bamboo Plantation Link Road from Saiphal to Hortoki (0-27.5 km) (1449).	01/12/2006	1300.00	409.40	0.00	In progress
70.	Construction of Bamboo Plantation Link Road to proposed Bamboo Plantation Areas from tuirial Airfield to Bukpui (0-40) (1450).	01/12/2006	2239.02	705.29	0.00	In progress
71.	Construction of Bamboo Plantation Link Road from tuiral airfield to Bukpui Phase-II (40 – 84) (1451).	01/12/2006	2512.50	791.44	0.00	In progress
72.	Upgradation of Parva to Simenasora Road (1526).	26/09/2007	1226.40	377.91	0.00	In progress
73.	Construction of Indoor Stadium at Aizawl and Champhai (1418).	31/07/2006	1159.99	354.75	0.00	In progress
74.	Construction of Indoor Stadium at Aizawl (1496).	20/06/2007	1305.22	410.90	0.00	In progress
75.	Greater Mamit Water Supply Scheme (714).	13/10/2003	576.81	534.09	534.09	In progress
76.	Aizawl water Supply Scheme (Phase-2) (715)	31/03/1999	7180.00	6412.00	5800.00	In progress
77.	Greater champhai Water Supply Scheme (716).	23/03/2000	1371.00	1353.02	1353.02	In progress
78.	Greater Sakawrdai Water Supply Scheme	10/07/2007	133.72	41.30	0.00	In progress
		TOTAL :	**631.33**	**50978.78**	**43567.26**	

APPENDIX –6.1

Statement showing the number of outstanding Inspection Reports and Paras with money value issued up to December 2007 and their position as on 30 June 2008

(Reference : Paragraph 6.1.8: page: 127)

(Rupees in lakh)

Year	Sales Tax			Motor Vehicles Tax			Forest			Others		
	No. of I/Rs	No. of Paras	Money value	No. of I/Rs	No. of Paras	Money value	No. of I/Rs	No. of Paras	Money value	No. of I/Rs	No. of Paras	Money value
1995-1996	00	00	0.00	00	00	0.00	01	01	0.49	00	00	0.00
1999-2000	00	00	0.00	03	05	3.61	04	04	4.80	03	05	4.99
2000-2001	00	00	0.00	00	00	0.00	01	06	10.45	00	00	0.00
2001-2002	00	00	0.00	01	02	9.87	01	01	3.37	00	00	0.00
2002-2003	03	10	191.21	01	02	2.94	07	08	51.26	02	02	2.24
2003-2004	03	9	36.49	02	03	34.46	05	13	470.72	04	04	34.38
2004-2005	04	29	113.07	03	09	4.29	02	07	33.38	12	23	131.97
2005-2006	04	39	436.40	00	00	0.00	06	23	343.11	06	12	63.08
2006-2007	03	13	564.55	01	03	4.44	02	09	212.76	04	05	19.85
2007-2008	00	00	00	01	04	173.85	02	22	299.51	02	07	17.30
Total	17	100	1341.72	12	28	233.46	31	94	1429.85	33	58	273.81

APPENDIX-7.1

Statement showing particulars of up-to-date paid up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2008 in respect of Government companies

(Reference: Paragraphs 7.1.2 & 7.1.4 page 139 & 141)

(Figures in columns 3(a) to 4(f) are Rupees in lakh)

Sl. No.	Sector and name of the company	Paid up capital[Ω] as at the end of 2007-08*					Equity/loans received out of budget during the year		Other loans received during the year	Loans[Ψ] outstanding at the close of 2007-08			Debt equity ratio for 2007-08 (figures in bracket indicates for previous year) 4(f)/3(e)
		State Government	Central Government	Holding Company	Others	Total	Equity	Loans		Government	Others	Total	
(1)	(2)	3 (a)	3 (b)	3 (c)	3 (d)	3 (e)	4 (a)	4 (b)	4 (c)	4 (d)	4 (e)	4 (f)	(5)
GOVERNMENT COMPANIES – WORKING													
1.	Sector : Industrial Development and Financing Zoram Industrial Development Corporation Limited	1150.10 (455.00)	-	-	428.00[♦]	1578.10 (455.00)	-	-	179.00	-	3242.56	3242.56	1.59:1 (1.67:1)
	Total of the sector	1150.10 (455.00)			-	1578.10 (455.00)	-	-	179.00	-	3242.56	3242.56	1.59:1 (1.67:1)
2.	Sector : Handloom and Handicrafts Mizoram Handloom And Handicrafts Development Corporation Limited	837.20	-	-	-	837.20	47.50	-	-	-	-	-	-- (-)
	Total of the sector	837.20			-	837.20	47.50	-	-	-	-	-	-- (-)
3.	Sector : Food Processing Mizoram Food and Allied Industries Corporation Limited	1520.31 (190.00)	136.00	-	-	1656.31 (190.00)	140.00	-	-	-	-	-	-- (-)
	Total of the Sector	1520.31 (190.00)	136.00	-	-	1656.31 (190.00)	140.00	-	-	-	-	-	-- (-)
4.	Sector : Electronics Development Zoram Electronics Development Corporation Limited	477.37 (155.03)	-	-	-	477.37 (155.03)	40.00	-	-	-	-	-	-- (-)
	Total of the Sector	477.37 (155.03)	-	-	-	477.37 (155.03)	40.00	-	-	-	-	-	-- (-)
5.	Sector : Agriculture and Marketing Mizoram Agriculture Marketing Corporation Limited	441.10 (52.00)	-	-	-	441.10 (52.00)	52.00	-	-	185.00	25.91	210.91	-- (-)
	Total of the Sector	441.10 (52.00)			-	441.10 (52.00)							-- (-)
	Grand Total	4426.08 (852.03)	136.00		428.00	4990.08 (852.03)	279.50	-	179.00	185.00	3268.47	3453.47	(-)

Ω Figures in brackets indicate share application money

Ψ Loans outstanding at the close of 2007-08 represents long term loans only.

* Figures are provisional as given by the companies.

♦ Shares issued to IDBI.

APPENDIX – 7.2

Summarized financial results of Government companies for the latest year for which accounts were finalized as on 31 March 2008.

(Reference: Paragraphs 7.1.6 and 7.1.7 page 143.)

(Figures in columns 7 to 12 and 15 are Rupees in lakh)

Sl. No.	Sector and name of the company	Name of Department	Date of incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss (-)	Net impact of audit comments	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed*	Total return on capital employed$^{\Psi}$	Percentage of return on capital employed	Arrears of accounts in terms of years	Turnover	Manpower (No. of employees)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
GOVERNMENT COMPANIES – WORKING															
Sector : Industrial Development and Financing															
1.	Zoram Industrial Development Corporation Limited	Industries	February 1978	2006-07	2007-08	(-) 216.17	300.00	1578.10	(-)1479.37	4385.45	(-)1.81	-	1	142.87	62
	Total of the Sector:					(-) 216.17	300.00	1578.10	(-)1479.37	4385.45	(-)1.81	-			
Sector : Handloom and Handicrafts															
2.	Mizoram Handloom and Handicrafts Development Corporation Limited	Industries	December 1988	1998-99	2004-05	(-) 43.18	-	461.70	(-) 301.27	161.99	(-) 43.18	-	9	22.03	52
	Total of the Sector:					(-) 43.18	-	461.70	(-) 301.27	161.99	(-) 43.18	-			
Sector : Food Processing															
3.	Mizoram Food and Allied Industries Corporation Limited	Industries	December 1989	2001-02	2006-07	(-)148.98		1254.31	(-)1083.60	1036.17	(-)148.98	-	6	6.01	92
	Total of the Sector:					(-)148.98		1254.31	(-)1083.60	1036.17	(-)148.98	-			
Sector : Electronics Development															
4.	Zoram Electronics Development Corporation Limited	Industries	March 1991	2000-01	2006-07	(-)46.85		352.40	(-)259.94	92.45	(-)46.85	-	7	8.28	34
	Total of the Sector:					(-)46.85		352.40	(-)259.94	92.45	(-)46.85	-			
Sector : Agriculture and Marketing															
5.	Mizoram Agricultural Marketing Development Corporation Limited	Trade and Commerce	February 1993	2000-01	2006-07	(-)79.11	-	393.00	(-)206.03	297.53	(-)79.11	-	7	-	26
	Total of the Sector:					(-)79.11	-	393.00	(-)206.03	297.53	(-)79.11	-		-	
	Grand Total:					(-) 534.29	300.00	4039.51	(-) 3330.21	5973.59	(-) 319.93	-		-	-

* Capital employed represents net fixed assets (including Capital work-in-progress) plus working capital except in case of Zoram Industrial Development Corporation Limited where the capital employed is worked out as a mean of aggregate of opening and closing balances of paid-up capital, free reserves and borrowings (including refinance).

Ψ For calculating total return on capital employed, interest on borrowed fund is added to net profit/subtracted from the loss as disclosed in profit and loss account.

APPENDIX – 7.3

Statement showing grants/subsidies received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2008

(Reference: Paragraph 7.1.4 page 141)

(Rupees in lakh)

Sl No.	Name of company	Grants/Subsidy♣ received during the year				Guarantees received during the year and outstanding at the end of the yearΨ					Waiver of dues during the year				Loans on which moratorium granted	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
A.	GOVERNMENT COMPANIES															
1.	Sector : Industrial Development and Financing Zoram Industrial Development Corporation Limited	115.30 (G)	-	-	115.30 (G)	-	(3242.56)	-	-	3242.56	-	-	-	-	-	-
2.	Sector : Handloom and Handicrafts Mizoram Handloom and Handicrafts Development Corporation Limited	27.41 (G)	18 (G)	-	45.41 (G)		-	-	-	-	-	-	-	-	-	-
3.	Sector : Food Processing Mizoram Food and Allied Industries Corporation Limited	24.80 (G)	132.20 (G)	-	157.00 (G)	(36.21)	-	-	-	36.21	-	-	-	-	-	-
4.	Sector : Electronics Development Zoram Electronics Development Corporation Limited	-	-	-	-		-	-	-	-	-	-	-	-	-	-
5.	Sector : Agriculture and Marketing Mizoram Agricultural Marketing Corporation Limited	-	-		-		-	-	-	-	-	-	-	-	-	-
	TOTAL – A	167.51	150.20	-	317.71	(36.21)	(3242.56)		-	3278.77						

♣ Subsidy includes subsidy receivable at the end of the year which is also shown in brackets.
Ψ Figures in bracket indicate guarantees outstanding at the end of the year.
(G) Indicates grants received.

APPENDIX 7.4

Statement shown on investments made by the State Government in working PSUs by way of equity, loans, grants and others during the period which the accounts have not been finalized as on 31 March 2008.

(Reference: Paragraph 7.1.5 page142)

(Rupees in lakh)

Sl No.	Name of the PSU	Year upto which Accounts finalized	Paid up capital as per latest finalized accounts	Investment made by State Government during the years for which accounts are in arrears				
v	Working Companies/Corporation			Year	Equity	Loans	Grants	Others
cv1	Sector : Industrial Development and Financing Zoram Industrial Development Corporation Limited	2006-07	1578.10	2007-08	-	-	-	-
2	Sector : Handloom and Handicrafts Mizoram Handloom and Handicrafts Development Corporation Limited	1998-99	454.70	1999-00	40.00	-	10.00	-
				2000-01	40.00	-	10.00	-
				2001-02	40.00	-	10.00	-
				2002-03	40.00	-	10.00	-
				2003-04	40.00	-	10.00	-
				2004-05	40.00	-	10.00	-
				2005-06	50.00	-	10.00	-
				2006-07	45.00	-	-	-
				2007-08	47.50	-	18.00	-
3	Sector : Food Processing Mizoram Food and Allied Industries Corporation Limited	2001-02	1254.31	2002-03	84.00	-	-	-
				2003-04	75.00	-	203.00	-
				2004-05	84.00	-	70.00	-
				2005-06	109.00	-	53.00	-
				2006-07	100.00	-	134.00	-
				2007-08	140.00	-	132.20	-
4	Sector : Electronics Development Zoram Electronics Development Corporation Limited	2000-01	352.40	2001-02	37.50	-	-	-
				2002-03	52.50	-	-	-
				2003-04	17.50	-	-	-
				2004-05	17.50	-	-	-
				2005-06	50.50	-	-	-
				2006-07	64.50	-	-	-
				2007-08	40.00	-	-	-
5	Sector : Agriculture and Marketing Mizoram Agricultural Marketing Corporation Limited	2000-01	393.00	2001-02	48.10	-	-	-
				2002-03	-	200.00	50.00	-
				2003-04	-	-	50.00	-
				2004-05	-	-	102.00	-
				2005-06	-	-	189.00	-
				2006-07	-	-	52.00	-
				2007-08	52.00	-	-	-
				Total:	1354.60	200.00	1123.20	-

APPENDIX – 7.5

Statement showing financial position and working results of State Trading Scheme for three years from 2001-02 to 2003-04

(Reference: Paragraph 7.1.11; Page 145)

A. FINANCIAL POSITION (Rupees in crore)

		2001-02	2002-03	2003-04
1.	Liabilities	2001-02	2002-03	2003-04
a)	Capital account	40.48	41.98	54.20
b)	Sundry creditors	13.77	12.94	12.18
c)	Interest on capital	57.05	59.00	61.53
	TOTAL	111.30	113.92	127.91
2.	Assets:			
a)	Sundry Debtors			
i)	Realisable from AOs/BDOs	3.06	3.05	3.04
ii)	Realisable from Departmental Staff	20.84	21.45	21.68
b)	Closing stock	14.41	16.72	20.84
c)	Cash in hand with centres	4.88	3.16	2.44
d)	Cash with bank (MRB/SBI)	4.09	12.72	12.68
e)	Bills receivable from FCI	1.28	4.13	8.21
f)	Accumulated loss	62.74	52.69	59.02
	TOTAL	111.30	113.92	127.91

B. WORKING RESULTS (Rupees in crore)

		2001-02	2002-03	2003-04
A.	Income			
i)	Sale of foodstuff	43.95	53.88	55.35
ii)	Transport subsidy	2.43	4.23	5.66
iii)	Increase(+)/Decrease(-)of stock	(-) 4.63	(+)2.31	(+)4.12
Total 'A'		41.75	60.42	65.13
B.	Expenditure			
i)	Purchase of foodstuff	37.92	54.39	61.57
ii)	Transportation charges	4.68	4.97	6.42
iii)	Employees cost	0.85	0.90	0.94
	Total 'B'	43.45	60.26	68.93
	Trading Profit (+)/Loss(-) (A-B)	(-) 1.70	(+) 0.16	(-)3.80
C.	Interest on capital	1.92	1.95	2.53
	Net Profit (+)/Loss (-)	(-) 3.62	(-) 1.79	(-)6.33

APPENDIX – 7.6

Working results and operational performance of Mizoram State Transport for the last three years ending 31 March 2008.

(Reference : Paragraph 7.1.12; page145)

(Rupees in lakh)

Sl. No.	Particulars	2005-06	2006-07	2007-08
			(Provisional)	
A.	WORKING RESULTS			
1	Operating			
	(a) Revenue	130.00	134.00	144.00
	(b) Expenditure	737.00	737.00	846.00
	(c) Deficit	607.00	603.00	702.00
2.	Non-operating			
	(a) Revenue	25.00	25.00	22.00
	(b) Expenditure	217.00	220.00	205.00
	(c) Deficit	192.00	195.00	183.00
3.	Total			
	(a) Revenue	155.00	159.00	166.00
	(b) Expenditure	954.00	957.00	1051.00
	(c) Net Loss	799.00	798.00	885.00
B.	OPERATIONAL PERFORMANCE			
1.	Average number of vehicles held	62	60	58
2.	Average number of vehicles on road	32	32	28
3.	Percentage of utilisation of vehicles	52	53	48
4.	Number of employees and employee vehicle ratio	6.12	6.63	6.76
5.	Number of routes operated at the end of the year	25	23	27
6.	Route Kilometres	5735	4590	4602
7.	Kilometres operated (in lakh)			
	(a) Gross	13.45	13.54	11.73
	(b) Effective	13.12	13.20	11.38
	(c) Dead	0.33	0.34	0.35
8.	Percentage of dead kilometres to gross kilometres	2.45	2.51	2.98
9.	Average Kilometres covered per bus per day	137.00	138.00	111.00
10.	Operating revenue per kilometre (Rupees)	9.91	10.15	12.59
11.	Average operating expenditure per kilometer (Rupees)	56.17	55.83	74.34
12.	Profit (+)/Loss (-) per kilometre (Rupees)	(-)46.26	(-)45.68	(-)61.75
13.	Number of operating depots	4	4	4
14.	Average number of accidents per lakh kilometres	-	-	-
15.	Passenger kilometres operated (in lakh)	191.00	197.00	205.00
16.	Occupancy ratio	43	48	52

APPENDIX – 7.7

Statement showing operational performance of Power and Electricity Department for the last three years ending 31 March 2008.

(Reference: Paragraph 7.1.13; page145)

Sl. No.		2005-06	2006-07	2007-08
1.	Installed Capacity (MW) :			
	(a) Thermal (Diesel)	22.92	22.92	22.92
	(b) Hydro	14.25	14.25	14.25
	(c) Gas	-	-	-
	(d) Others	9.92	0.50	0.50
	Total :	47.09	37.67	37.67
2.	Normal Maximum Demand in the State (MKwh)	192.72	219.00	219.00
3.	Power Generated (MKwh) :			
	(a) Thermal (Diesel)	2.45	2.13	2.59
	(b) Hydro	8.66	12.09	16.30
	(c) Gas	-	-	-
	(d) Others	0.03	0.09	0.032
	Total :	11.14	14.31	18.922
	Less : Auxiliary Consumption (MKwh) (Percentage in bracket)			
	(a) Thermal (Diesel)	0.025 (13.61)	0.12 (29.99)	0.025 (6.3)
	(b) Hydro	0.157 (85.46)	0.28 (69.98)	0.371 (93.52)
	(c) Gas	-	-	-
	(d) Others	0.0017 (0.93)	0.0001 (0.03)	0.0007 (0.18)
	Total :	0.1837	0.4001	0.3967
4.	Net Power Generated (MKwh)	10.9563	13.91	18.52
5.	Power purchased (MKwh)	389.26	288.66	347.82
6.	Free power received (MKwh)	-	-	-
7.	Total power available for sale (MU) (4+5+6)	400.22	305.57	366.35
8.	Power sold (MU) :			
	(a) Within the State	134.51	151.22	169.35
	(b) Outside the State	191.82	69.02	99.42
	Total :	326.33	220.24	268.77
9.	Transmission and Distribution Losses (MU)	73.89	85.33	97.58
10.	Load Factor (Percentage)			
	(a) Diesel	-	-	-
	(b) Hydel	43	47	57
11.	Percentage of Transmission and Distribution to total Power available for sale (7/9x100)	18.40	27.92	26.64
12.	Number of villages/town electrified			
	(a) Villages	548	548	570
	(b) Towns	22	22	-
	Total :	570	570	570
13.	Number of Pumpsets/Well energised (Public water supply)	17	17	17
14.	Number of Sub-station (i.e. 33 KV and above)	40	42	43

Sl. No.		2005-06	2006-07	2007-08
15.	Transmission/Distribution lines (in Kms)			
	(a) High Voltage (i.e. 132 KV, 66 KV & 33 KV)	1423	1423	1483
	(b) Medium Voltage (i.e. 11 KV)	4123	4123	4140
	(c) Low Voltage	2369	2369	2387
	Total :	7915	7915	8010
16.	Connected Load (in MW)	171.81	190.73	217.07
17.	Number of consumers	132992	138750	144643
18.	Number of Employees :			
	(a) Technical	1465	1465	1465
	(b) General	755	755	755
	Total :	2220	2220	2220
19.	Consumers/Employees ratio	59.91:1	62.5:1	65:1
20.	Total expenditure on staff during the year (Rupees in crore)	44.18	18.35	23.29
21.	Percentage of Expenditure on Staff to total Revenue expenditure	54.97	41.14	20
22.	Units sold in million units (percentage share to total units sold in bracket)			
	(a) Agriculture	-		-
	(b) Industrial	2.26 (0.69)	1.77 (0.80)	1.59 (0.6)
	(c) Commercial	6.94 (2.12)	7.37 (3.35)	8.9 (3.3)
	(d) Domestic	91.01 (27.89)	96.21 (43.68)	109.01 (41)
	(e) Irrigation	-	-	-
	(f) Bulk Supply	11.08 (3.40)	9.69 (4.40)	12.435 (4.6)
	(g) Public Water Works	17.94 (5.50)	20.07 (9.11)	27.09 (10)
	(h) Public Lighting	5.28 (1.62)	15.88 (7.21)	9.964 (3.7)
	(i) Other categories	-	0.23 (0.11)	0.358 (0.4)
	(j) Inter State	191.82 (58.78)	69.02 (31.34)	99.42 (37)
	Total :	326.33	220.24	268.77
23.	Revenue (Rupees in crore)	80.37	44.60	81.22
24.	Expenditure (Rupees in crore) :			
	(a) Cost of Fuel (HSD Oil)	10.94	3.15	1.00
	(b) Cost of Power purchase	74.24	80.00	76.69
	(c) Operations & Maintenance	-	7.00	11.43
	(d) Establishment expenditure	44.18	18.35	23.29
	(e) Others Miscellaneous expenditure	0.41	-	1.64
	Total :	129.77	108.50	114.05
25.	Profit (+)/Loss (-)	(-)49.40	(-)63.90	(-)32.83

APPENDIX – 7.8

(Reference: Paragraph 7.1.14 page146)

Statement showing department-wise outstanding Inspection Reports

Sl. No.	Name of Department	Number of Government Companies / PSUs / Departmentally Managed Government Commercial Undertakings.	No. of outstanding IRs	No. of outstanding paras	Year from which paras outstanding
1.	Industries	4 PSUs	12	69	1995-96
2.	Trade & Commerce	1 PSU	1	5	2003-04
3.	Food & Civil Supplies	Department	12	37	1995-96
4.	Transport	Department	16	21	1998-99
5.	Power	Department	9	27	1993-94
		Total :	50	159	

APPENDIX – 7.9

(Reference: Paragraph 7.2.7 page 151)

A - Summarized Financial Position

(Rupees in crore)

		2003-04	2004-05	2005-06	2006-07	2007-08
A.	Liabilities					
(i)	Paid up capital	15.53	15.78	15.78	15.78	15.78
(ii)	Reserves and Surplus (Capital Reserve)	0.41	0.41	0.41	0.41	0.41
(iii)	Borrowings/Secured Loan	20.81	20.82	21.86	33.48	32.42
(iv)	Current Liabilities and provision	0.15	0.14	0.41	0.16	1.23
(v)	Share capital – pending for allotment	0.25	0.25	4.31	4.55	4.55
	Total	37.15	37.40	42.77	54.38	54.39
B.	Assets					
(i)	Gross Block	0.61	0.62	0.74	0.75	0.57
(ii)	Less depreciation	0.43	0.48	0.52	0.58	0.42
(iii)	Net Block	0.18	0.14	0.22	0.17	0.15
(iv)	Capital Working progress	-	-	-	0.01	0.02
(v)	Investments	0.81	0.77	2.14	2.95	2.78
(vi)	Loans and Advances	25.76	24.38	25.97	36.07	33.75
(vii)	Current Assets	1.55	1.49	1.81	0.39	0.85
(viii)	Miscellaneous Expenses and Losses	8.85	10.62	12.63	14.79	16.84
	Total	37.15	37.40	42.77	54.38	54.39
	Capital employed@	1.58	1.49	1.62	0.4	(-) 0.23
	Net worth $	7.09	5.57	3.56	1.40	(-) 0.65
	Working capital **	1.4	1.35	1.4	0.23	(-) 0.38

Source: Annual Accounts of the Company

B – Working Results

(Rs. in crore)

		2003-04	2004-05	2005-06	2006-07	2007-08
A.	Income					
(i)	Interest on Loans	1.01	.77	.63	1.43	1.79
(ii)	Income from other sources	0.08	0.24	0.14	0.22	0.11
	Total	1.09	1.01	0.77	1.65	1.90
B.	Expenditure					
(i)	Salary and other administrative expenses	1.40	1.43	1.44	1.67	1.81
(ii)	Interest on borrowings	1.32	1.35	1.34	2.14	2.14
	Total	2.72	2.78	2.78	3.81	3.95
	Profit (Loss) for the year	(1.63)	(1.77)	(2.01)	(2.16)	(2.05)

Source: Annual Accounts of the Company

@ Capital employed = Net block + current Assets – Current liabilities
$ Net worth = paid – up capital + reserve and surplus – accumulated loss
** Working capital = Current Assets – current liabilities

APPENDIX – 7.10

(Reference Paragraph 7.2.23 Page161)

Statement showing the details of recovery of overdues (Principal and Interest) for the year 2003-04 to 2007-08.

(Rs in crore)

		2003-04	2004-05	2005-06	2006-07	2007-08
1.	**Overdues at the beginning**					
	A. Principal	20.54	22.40	20.78	21.40	22.00
	B. Interest	25.27	27.11	28.96	30.90	33.68
2.	**Amount fallen due during the year**					
	A. Principal	1.73	1.91	1.84	2.30	1.97
	B. Interest	2.85	2.62	2.55	3.57	3.82
3.	**Total Amount**					
	A Principal (IA+ 2A)	22.27	22.31	22.62	23.70	23.97
	B. Interest (IB + 2B)	28.12	29.73	31.57	34.47	37.50
	Total (1+2)	**50.39**	**52.04**	**54.13**	**58.17**	**61.47**
4.	**Amount realised/recovered during the year**					
	A. Principal	1.87	1.53	1.22	1.70	1.19
	B. Interest	1.01	0.77	0.61	0.79	0.36
	Total	**2.88**	**2.30**	**1.83**	**2.49**	**1.55**
5.	**Amount overdue at the close of the year**					
	A. Principal	20.40	20.78	21.40	22.00	22.78
	B. Interest	27.11	28.96	30.90	33.68	37.14
	Total	**47.51**	**49.74**	**52.30**	**55.68**	**59.92**
6.	**Percentage of recovery**					
	A. Principal	8.40	6.86	5.39	7.17	4.96
	B. Interest	3.59	2.59	1.94	2.36	1.00
	Total	**5.72**	**4.42**	**3.38**	**4.28**	**2.52**

(Source: Data furnished by the company)