सत्यमेव जयते

Report of The Comptroller and Auditor General of India

For the Year ended 31 March 2009

Government of Mizoram

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APPENDICES

PREFACE

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

2. *Chapters - I, II, III and IV of this Report deals 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 of the State Government for the year 2008-2009.*

3. *The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2008-09 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 2008-09 have also been included wherever necessary.*

4. *The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.*

OVERVIEW

OVERVIEW

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

1. Performance Review

1.1 Bamboo Flowering and Famine Combat Scheme (BAFFACOS)

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

2. Audit of Transactions

Avoidable/extra/Unfruitful Expenditure

Higher and Technical Education Department

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

(Paragraph 2.1)

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

(Paragraph 2.2)

Sports and Youth Services Department

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

(Paragraph 2.4)

Animal Husbandry and Veterinary Department

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

(Paragraph 2.5)

Rural Development Department

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

(Paragraph 2.7)

Industries Department

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

(Paragraph 2.8)

General Administration Department

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

(Paragraph 2.9)

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

(Paragraph 2.10)

Public Works Department

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

(Paragraph 2.11)

Soil and Water Conservation Department

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

(Paragr.aph 2.12)

3. Revenue Receipts

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

3.2 Performance review

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

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

(Paragraph – 3.2.6)

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

  (Paragraph – 3.2.8)

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

  (Paragraph – 3.2.11)

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

  (Paragraph – 3.2.13)

Paragraphs

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

(Paragraph – 3.3)

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

(Paragraph – 3.5)

4. State Public Sector Undertakings

4.1 Government Companies

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

Investment in PSUs

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

Performance of PSUs

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

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

Arrears in accounts

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

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

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

Transaction audit observations

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

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

(Paragraph 4.3)

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

(Paragraphs 4.4 and 4.5)

CHAPTER I

PERFORMANCE REVIEW

1.1 Bamboo Flowering and Famine Combat Scheme (BAFFACOS)

CHAPTER - I

PERFORMANCE REVIEW

PLANNING AND PROGRAMME IMPLEMENTATION DEPARTMENT

1.1 BAMBOO FLOWERING AND FAMINE COMBAT SCHEME (BAFFACOS)

Highlights

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

Significant audit findings are given below:

BAFFACOS consisted of multiple activities of various Departments and as such there were no centralised objectives and role of different Departments for carrying out identified activities were not clearly spelt out.

(Paragraph-1.1.8)

The funds for implementation of BAFFACOS were allocated to 15 implementing Departments. The allocation was done in an *adhoc* manner without any prioritisation of activities.

(Paragraph-1.1.9.1)

The Environment and Forest Department did not extract the bamboos before flowering, thereby, creating conditions for rodent menace and subsequent destruction of crops. As a result, the State Government sustained a loss estimated at Rs.226 crore during 2005-08.

(Paragraph-1.1.10.2)

During 2007-08, rats damaged jhum paddy, vegetables, fruits and rice cultivation in the low lying area to the tune of almost 82.88 *per cent* in spite of bounty payment amounting to Rs.29.65 lakh for 15.10 lakh rat tails during 2006 and 2007.

(Paragraph-1.1.10.3)

Test check of ten implementing Departments revealed spending of Rs.23.08 crore on creation of idle assets, wastages, misuse of funds diversion of fund and doubtful expenditure.

(Paragraph-1.1.9.2, 1.1.10.4, and 1.1.10.6)

One of the activities of BAFFACOS was adoption of alternative and diversified cropping system in place of jhum cultivation, but the area under jhum cultivation in the State increased by 10 *per cent* from 40,969 hectares in 2004-05 to 44,947 hectares in 2008-09, indicating ineffective implementation of the scheme.

(Paragraph-1.1.10.7)

Monitoring of the programme was lax and evaluation was never attempted during the period covered under audit.

(Paragraph-1.1.11)

1.1.1 Introduction

Mizoram has rich bamboo forests which covers about 6,447 sq km occupying 31 *per cent* of the total area (21,087 sq km) of the State. There are more than 20 species of bamboo covering nine genera, out of which Melocanna baccifera (Mautak) constitutes more than 95 *per cent* of the growing stock of bamboo. When the flowering is synchronous over the vast tracts to varying extent, the phenomenon is called gregarious flowering. In case of Melocanna Baccifera (Mautak), the flowering cycle in the State has been recorded to be around 48 years (1910-1912, 1958-59 and 2007-08). Such a peculiar behavior of bamboo often creates ecological and socio-economic problems (like dying of all bamboo plantations, increase in rodent population, famine, etc.) in the State. The gregarious flowering of bamboo during 1958-59 and its aftermath famine situation contributed to the separatist movements in Mizoram during 1960s to mid 1980s.

Periodic rodent outbreaks (rapid multiplication of rat population within a short period) in Mizoram are caused by gregarious bamboo flowering. There is little agreement as to how the two are linked as no scientific evidence to support any particular view on this exist. The rodent outbreak devastates the jhum cultivation at the harvesting time causing famine.

1.1.2 Immediate effects of gregarious flowering and BAFFACOS

The gregarious flowering results in -

- Sudden availability of huge stockpile of dry bamboo – a big fire hazard;
- Explosion in rodent population due to availability of excess food in the form of bamboo seeds/ fruits;
- Sudden shortage of bamboo fruits/ seeds due to germination that results in rodents feeding on agricultural crops;
- Shortage of food for the people;
- The people, dependant on bamboo for livelihood, is deprived of the source materials; and
- Possibilities of outbreak of an epidemic.

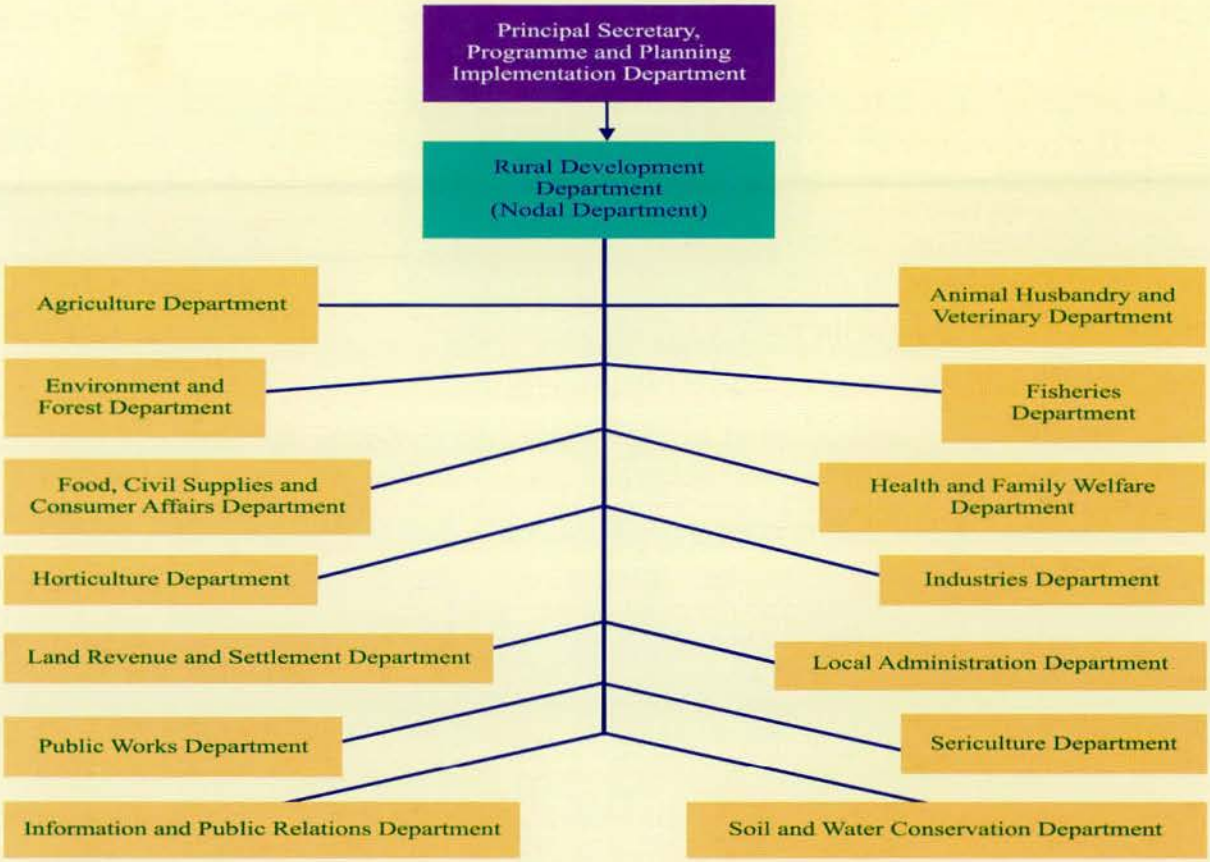
Keeping the above points in view, and to address the affects of gregarious flowering in the State along with making efforts to encourage people to adopt diversified cropping system as alternative means of livelihood, etc. the State Government formulated (August 2004) comprehensive programme called Bamboo Flowering and Famine Combat Scheme (BAFFACOS).

1.1.3 Organisational Set up

The Principal Secretary, Government of Mizoram, Programme and Planning Implementation (P&PI) Department was overall incharge in the State to over see the implementation of the scheme. Under the P&PI Department, a State Planning Board (SPB) was functioning as Nodal Agency upto September 2006. However, from October 2006 the responsibilities of Nodal Agency/Department was shifted to Rural Development Department. There were 15 Departments[1] in the State who were associated in implementation of BAFFACOS in the State during 2004-08. The organisational set up is given in the chart below:

[1] (i) Agriculture, (ii) Animal Husbandry and Veterinary, (iii) Fisheries, (iv) Food, Civil Supplies and Consumer Affairs, (v) Environment and Forest, (vi) Horticulture, (vii) Health and Family Welfare, (viii) Industries, (ix) Information and Public Relations, (x) Land Revenue and Settlement, (xi) Local Administration Department, (xii) Public Works Department, (xiii) Rural Development Department, (xiv) Sericulture and (xv) Soil and Water Conservation Department

Chart – I



1.1.4 Scope of Audit

BAFFACOS was implemented in the State during the years 2004-05 to 2007-08. The performance audit of BAFFACOS was conducted during May-July 2009. The records of the Planning and Programme Implementation Department, Rural Development Department (Nodal Department) and ten[2] out of 15 implementing Departments (67 *per cent*) were test checked in audit. The Departments were selected for test check on judgement sampling basis. There were no activities under the scheme during 2008-09.

1.1.5 Audit Objectives

The performance audit was conducted to assess whether –

[2] (i) Animal Husbandry and Veterinary Department, (ii) Fisheries Department, (iii) Food, Civil Supplies and Consumer Affairs Department, (iv) Horticulture Department, (v) Industries Department, (vi) Information and Public Relations Department, (vii) Local Administration Department, (viii) Public Works Department, (ix) Rural Development Department and (x) Sericulture Department

- The proposed mitigation strategy and action points for the various agencies were implemented timely and with due regard to economy, efficiency and effectiveness;
- Funds were utilised for defined purposes; and
- Effective monitoring of the proposed mitigation strategy and action points for the various agencies took place.

1.1.6 Audit Criteria

Audit Criteria were derived from :

- Programme guidelines issued by the Ministry of Environment and Forest (MOEF) and the State Government;
- Circulars/ notifications issued by the Government having a bearing on programme implementation; and
- Prescribed monitoring mechanism.

1.1.7 Audit Methodology

The performance audit commenced with an entry conference with the representatives of the State Planning Board in May 2009 in which the audit methodology, scope, objectives and criteria were firmed up. The audit methodology consisted of analysis of documents. Selection of Departments was done on judgmental sampling basis. The audit findings were discussed in exit conference held with the representatives of the State Government in September 2009 and replies of the Departments have been incorporated suitably in the review at the appropriate places.

Audit Findings

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

1.1.8 Planning

The Ministry of Environment and Forests (MOEF), Government of India in 2004 had proposed an Action Plan to deal with the problem of gregarious flowering of Muli Bamboo in the North East to be implemented during the years 2005-06 to 2008-09 for extraction of bamboo before flowering, regeneration of flowered areas, rodent control managements, strengthening of Public Distribution System in view of expected rodent menace etc. In Mizoram, the State Environment and Forest Department (SEFD) which is responsible for raising and maintaining bamboo plantation was not involved in the entire planning process. Action Plan was formulated by individual Departments and consolidated into Comprehensive Action Plan (CAP) for BAFFACOS for the year 2004-05 to 2008-09 involving Rs.566.55 crore which was submitted (October 2004) to the Planning Commission by the State Planning Board. The Government of India neither approved nor sanctioned this CAP. The State Government, however, provided Rs.125 crore under one time Additional Central Assistance (ACA) (Rs.85 crore) and Twelfth Finance Commission (TFC) (Rs.40 crore) for implementation of BAFFACOS. The entire amount of Rs.125 crore was spent by the State Government without giving any importance to the core activities of the BAFFACOS.

There were no approved centralised objectives under BAFFACOS but different activities as formulated by various Departments were identified comprising of -

- Public Awareness Campaign (Information and Public Relations Department),
- Survey and mapping of bamboo, Regeneration of bamboo, Extraction of bamboo, Utilisation of extracted bamboo (Environment and Forest Department),
- Land survey (Land Revenue and Settlement Department),
- Construction of Bamboo Link Road (Rural Development Department and Public Works Department),
- Establishment of processing unit at village level (Industries Department),
- Rodent control (Agriculture Department),
- Alternative and diversified cropping system (Agriculture Department),
- Alternative means of livelihood – mulberry farming, fish pond, livestock rearing etc. in place of jhum farming (Sericulture, Fisheries and Animal Husbandry and Veterinary Department),
- Rural market connectivity (Rural Development Department),
- Employment generation (Rural Development Department), and
- Food support (Food, Civil Supplies and Consumer Affairs Department).

1.1.8.1 Inadequate Planning

The basic inadequacy of planning under BAFFACOS was that even though activities were identified but role of different Departments for carrying out these activities for fulfilling the objectives were not clearly identified leading to wastage in implementation.

There was no plan by the State Government for carrying out some of the vital activities identified by MOEF *viz.* vulnerability risk assessment, preparation of vulnerability reduction plan, Geographical Information System mapping of vulnerable forest areas, capacity building of implementing Departments, creation of Hazard Safety Cell for control of fire hazard, development of disaster management frameworks etc. Plan and policy for disaster management were merely perfunctory and inadequate and were more in the nature of form rather than substance.

All the schemes submitted by various Departments to the State Planning Board (SPB) for approval were usually approved without any impact assessment on the development of affected areas and districts. The State level Comprehensive Action Plan formulated by different implementing Departments and approved by the SPB was not based on any block level or district level plans. This indicated the casual approach on the part of the SPB in planning of the scheme.

On these being pointed out by audit, the Advisor SPB admitted (July 2009) that the Action Plan and implementation of BAFFACOS was not up to the mark and the Action Plan was prepared without making any survey and mapping of resources and without identification and grading of all Muli bamboo bearing areas for developmental interventions.

1.1.9 Financial Management

The scheme was funded by the State Government from the award of the 12th Finance Commission (TFC) (Rs.40 crore) and Rs.85 crore from the Additional Central Assistance (ACA). The entire amount (Rs.125 crore) was allocated to the 15 implementing Departments of the State. Neither the State Finance Department nor the State Planning Board (SPB) could furnish the basis for apportionment of fund to the implementing Departments.

1.1.9.1 Financial Outlay and expenditure

Scrutiny of the records related to 15 implementing Departments revealed that the entire amount (Rs.125 crore) was spent during 2004-08 for implementation of the scheme, as given in Appendix – 1.1.

It would be seen from Appendix - 1.1:

- The amount proposed by the Department in their CAP could not be allocated to them as the entire amount sought under CAP was not available. The money was sanctioned to different Departments on basis of individual proposal in an adhoc manner without prioritization of activities. As would be seen subsequently in the Report that activities pertaining to the SEFD *viz.* Construction of Bamboo Link Road was taken up by

Departments like Rural Development and the Public Works Department without any consultation with the SEFD. Similarly funds for a number of activities not related to the BAFFACOS at all were sanctioned (discussed in paragraphs 1.1.10.3 and 1.1.10.6).

In the Exit Conference held in September 2009, the State Government stated that allocation of fund to the different implementing Departments was made based on CAP and on the basis of limited availability of funds. The contention was not correct as would be seen from the Appendix – 1.1 that no rationale was given while sanctioning the funds. For example, the Environment and Forest Department, whose main activities were centered around generation and extraction of bamboo in the State was given only Rs.9.64 crore (8 *per cent*). Similarly, the Agriculture Department, Health and Family Welfare Department and Food and Civil Supplies Department were given Rs.4.97 crore, Rs.2.90 crore and Rs.3.98 crore representing 4 *per cent*, 2 *per cent* and 3 *per cent* respectively of the total allocation of Rs.125 crore.

1.1.9.2 Wasteful expenditure

(a) Mention regarding unauthorised disbursement of Rs.2.80 crore from BAFFACOS fund as loan to M/s Mizoram Venus Bamboo Products (MVBP) Limited, Aizawl was made in paragraph 7.2.15 of the Audit Report for the year ended 31 March 2008. It was further noticed in audit that –

M/s MVBP Limited, Aizawl had not utilised the amount for manufacturing any bamboo product in the State, and the Industries Department had not taken any action or preferred any claim for recovery of Rs.20 lakh as penal interest from the said loanee mainly because of its failure to execute a formal agreement with the loanee. No legal action against the loanee to recover the loan also could be initiated. In September 2009, the Department stated that an enquiry was under – way and also confirmed that no legal action was initiated for recovery. Results of the enquiry have not been received (November 2009).

(b) In 2006-07 the Industries Department paid Rs.60.10 lakh as term loan to two Aizawl based firm[3] for manufacturing of bamboo sticks against their project cost of Rupees one crore. But after disbursement of Rs.60.10 lakh, no further loan was given to these firms. Consequently, the projects remained incomplete rendering the whole investment of Rs.60.10 lakh wasteful.

Besides, the Department could not recover loan of Rs.60.10 lakh from these two units as of 31 March 2009, due to non execution of formal agreement before disbursement of loan. The Department could neither recover the amount nor initiate any legal action against the defaulting firms and the entire investment of Rs.60.10 lakh proved wasteful.

[3] M/s R.P. Bamboo Industries Limited, Aizawl and M/s L.Z. Bamboo Industry Limited, Aizawl

1.1.10 Programme Implementation

Audit findings in respect of implementation of the BAFFACOS are discussed in the succeeding paragraphs.

1.1.10.1 Identification of Beneficiaries

For effective implementation of the scheme, field level survey in affected areas was necessary to identify, (i) mapping of bamboo (ii) extraction of bamboo before it was destroyed due to bamboo flowering (iii) regeneration of bamboo (iv) construction of rural link roads in bamboo areas and (iv) alternative means of livelihood in place of jhum farming. As discussed in paragraph No. 1.1.8.2, none of the Implementing Departments identified their proposed activities after conducting village level, block level and district level survey and as a result instead of concentrating their activities on generation/ regeneration, optimal extraction and utilisation of bamboo for value addition to create permanent income generating schemes for the affected rural people/remote areas, the funds for BAFFACOS were spent for creation of assets, which were not even utilised (*viz.* Industrial Estate, Ropeways, Digital Weigh Bridge, staff quarters etc.) as discussed in the succeeding paragraphs.

(a) To provide sustained generation of income, beneficiaries were to be identified from the remote areas who were affected by the gregarious flowering. To combat famine, adequate emphasis was also to be laid on Schemes for employment generation and production oriented activities in remote areas for the benefit of the rural poor. However, it was noticed in the audit that:-

The activities of the Animal Husbandry and Veterinary Department under BAFFACOS was not extended in a larger way to the far flung districts like Saiha, Serchhip, Mamit and Lawngtlai covering the actual beneficiaries. Rather it was confined around the capital and district Headquarters like Aizawl, Lunglei, Champhai, and Kolasib which indicates the failure of the Department to implement the scheme in a purposeful and meaningful manner, thereby negating the objective of the scheme.

Further, the implementing Departments did not maintain the basic records showing details of employment generated from BAFFACOS fund during 2004-08; the increase in production of various goods and services and increase in average income of the beneficiaries concerned. Due to failure in maintenance of basic records, the end-result of the scheme remained unascertainable in audit. The Government admitted (April 2006) that schemes under BAFFACOS were taken up for beneficiaries residing in Aizawl and other district headquarters although as per the guidelines schemes should cover beneficiaries living in remote areas. During the exit conference held in September 2009, the Department also conceded the lapses.

(b) All the beneficiaries selected under BAFFACOS should be given assistance for the intended purpose for which they were selected. However, it was noticed in audit that there was variation between the district-wise number of beneficiaries as per the approved list and the number of beneficiaries actually covered in the districts under the scheme during 2004-06 as shown in Appendix – 1.2.

It would be seen from the Appendix that variations between approved and actual number of beneficiaries varied between 7 in Kolasib district and 83 in Aizawl district. No recorded reason was available for such wide variation. This obviously led to extension of benefits to ineligible persons thereby depriving the actual beneficiaries, frustrating the prime objective of the scheme. In the exit conference, the Department admitted (September 2009) that some beneficiaries (not quantified) were not entitled for the benefits although total number of beneficiaries remained same, and the modification was done at the apex level thereby denying the benefit to the actual number of beneficiaries of respective districts. Consequently, possibilities of extension of benefits to ineligible/non-existent beneficiaries could not be ruled out and the actual benefits of the scheme did not percolate down to the poor rural people who were actually affected by the famine due to bamboo flowering.

1.1.10.2 Extraction of bamboo and its regeneration

Bamboo constitutes the major portion of forest areas in the State contributing significantly to the revenue generation in the State. As such its optimal extraction of bamboo before flowering was essential for controlling the increase in population of rodents as well as reduction of the adverse impact on the farmers likely to be affected.

The projected average yield of bamboo in the State was 29.86 lakh MT as per Bamboo Resource Inventory of the State (2002). Against the average annual yield of 29.86 lakh MT bamboo, the State Government extracted only 2.36 lakh MT of bamboo during 2005-06 to 2007-08 and earned revenue of Rs.6.11 crore, as per details given in following table:

Table : 1.1

Year	Average annual yield (In lakh MT)	Quantity extracted (In lakh MT) (Figures in brackets indicate percentage of bamboo extracted to average annual yield	Revenue earned (Rs. in crore)	Quantity remaining un-extracted (In lakh MT)	Loss of revenue @ Rs.2.59 crore per lakh MT (Rs. in crore)
2005-06	29.86	1.19 (4)	3.08	28.67	74.26
2006-07	29.86	0.98 (3)	2.54	28.88	74.80
2007-08	29.86	0.19 (1)	0.49	29.67	76.85
Total	**89.58**	**2.36**	**6.11**	**87.22**	**225.91**

Source: Report published by State Agriculture Department (2009).

It would be seen from the above table that:-

(i) Out of total 89.58 lakh MT of bamboo available during 2005-08 a quantity of 87.22 lakh MT of bamboo could not be extracted as a result revenue of Rs.226 crore could not be earned. The percentage of bamboo extracted from the average annual stock during the years 2005-08 constituted only one to four *per cent*. Such poor extraction of bamboo by the SEFD had resulted in a loss to the tune of Rs.226 crore to the State exchequer.

(ii) The quantity of bamboo extracted during 2007-08 decreased by 84 *per cent* over that of 2005-06 and the revenue generation also dropped by 84 *per cent* during the same period. Information for subsequent period was not available with the Department (November 2009).

No investigation was made by the SEFD to ascertain reasons for steep decline in extraction of bamboo during the aforesaid years. Moreover, the Department had also not maintained records showing the numbers/quantities of bamboo extracted in earlier years to assess the affect of flowering in extraction of bamboo. Had all the bamboo extracted before their flowering, the menace of increase in rat population could have been contained to a large extent.

In the Exit Conference (September 2009) the Forest Department stated that all the bamboo could not be extracted because its ultimate usage was limited due to limited intake capacity of Paper Mill at Cachar (Assam), and the extraction was hindered due to constraints of usage and storage of bamboo. The State Government had not considered the feasibility of setting up bamboo–chipping units/ paper mills in the State for effective and optimal utilization of bamboo which if established, could ease the situation better.

No special effort was also taken by the Forest Department to regenerate bamboo in the affected areas. The Department had also not taken any action to raise plantations of different bamboo species having different flowering cycles to avoid negative effects of flowering.

1.1.10.3 Rodent Control Measure

Normally, the flowering and fruiting of bamboo does not have any impact on the crops production but when it coincides with the rapid multiplication of rat population within a short period (called rodent outbreak), the bamboo flowering and fruiting becomes a serious phenomenon as it is believed that the rats consume the nutritious bamboo fruits that increases their litter size building and their population during the non-crop season. These rats ultimately devastate the jhum paddy/agricultural crops leading to shortage of foodgrains and causing famine.

It was noticed in audit that to reduce the numbers of rat population, the farmers were encouraged to kill rats as many as possible using both local traps and rodenticides for which huge quantity of different types of rodenticides were distributed to farmers free of cost. Although bounty [4] payment amounting to Rs.29.65[5] lakh for 15.10 lakh rat tails was incurred during 2006-07, even then during 2007-08, the rats damaged jhum paddy, vegetables, fruits and rice cultivation in low lying area to the tune of almost 82.88 *per cent* of the total cropping areas in the State. No bounty payment was made thereafter. Thus, even after spending Rs.29.65 lakh the Department could not control the rodent menace effectively in the State.

BOUNTY PAYMENT FOR RAT TAILS

During the months of October and November 2006, a total of 54,030 rat tails were collected from Chhawrtui, Puilo and Dulte villages

[4] Bounty payment is a kind of payment made for killing rats/rat tails

[5] Rs.29.65 lakh for 15.10 lakh rat tails (Rs.54,030 @ Rupee one per tail for 54,030 tails in 2006, Rs.29,11,136 @ Rupees two per tail for 14,55,568 rat tails in 2007)

Thus, low allocation of fund of Rs.4.97 crore (4 *per cent*) as discussed in paragraph No. 1.1.9.1, to the Agriculture Department also contributed significantly to such poor performance in checking rodent control menace. Also, the inaction of the Environment and Forest Department, to extract all the bamboos before the onset of flowering also added to the increase in rat population and damage to crops.

1.1.10.4 Improvement/construction of road network

Improvement/construction of road network in the State to facilitate large scale extraction of bamboo from affected area is one of the important activities under the scheme.

(a) Bamboo Link Roads

Operation of bamboo extraction and their disposal were being carried out only by the State Environment and Forest Department (SEFD). It was, however, noticed in audit that without making any consultation with the SEFD with regard to actual requirement and feasibility, the Rural Development Department (RDD) and Public Works Department (PWD) constructed a few Bamboo Link Roads (BLRs) in various places. The details of BLRs constructed and regularities noticed in course of audit are discussed below:

(i) The RDD constructed five bamboo link roads [6] at different places with a length of 34.44 km during 2004-07 at a total expenditure of Rs.2.58 crore. The Department had no records of Measurement Books (MBs) to support the construction of these roads and in the absence of MBs, the actual expenditure incurred for construction of these roads cannot be vouchsafed in audit. Thus, expenditure of Rs.2.58 crore remains doubtful in audit.

(ii) The RDD drew (March 2005) Rs.1.10 crore in Abstract Contingent (AC) Bill for construction of three bamboo-link roads[7] and deposited the amount in 8443 – Civil Deposit. In April 2005, the amount was withdrawn from the Treasury and instead of constructing the three link-roads, the Detailed Countersigned Contingent (DCC) Bills in support of the said AC Bill was submitted in May 2005, showing the entire amount of Rs.1.10 crore as spent towards payment of hiring charges of bulldozers for 4,400 hours @ Rs.2,500 per hour. The Department could not produce the log books of the vehicles, MBs and relevant documents in support of the actual execution of the construction works.

[6] Construction of bamboo link road from (i) Thatkhata kawn to Saisih tlang dung, (ii) Thingdawl to Dilzau, (iii) Bilkhawthlir to Dawrveng to Society Zau, (iv) Thenzawl to Chhiarchhuak ram, and (v) Thatkhata kawn to Mailian Mual under Reiek Rural Development Block

[7] Bamboo Link Roads : (1) Thingdawl – Dilzau (2) Bilkhawthlir Dawr Veng – Society Zau (3)Thatkhata Kawn Veng – Mailian Mual

In reply to an audit query, the Department stated (May 2009) that estimates were prepared only to get the amount sanctioned from the Government and that the estimates were prepared without carrying out any ground survey to know the actual site condition. In the exit conference, the Department also admitted that there was no consultation with the SEFD for identification of the bamboo link road to be constructed. There was also no clearance from the State Public Works Department for the work to be taken up by the Rural Development Department. The Rural Development Department admitted absence of records like measurement books to support the construction of these roads and attributed the failure to the establishment of a fresh engineering wing of the Department. The possibility of this money having been misappropriated is very high.

(iii) During 2006-2007, the RDD constructed a bamboo link road under Reiek block on the basis of abundance of bamboo in that place at an expenditure of Rs.20 lakh. The supporting bill included two sub-vouchers each of Rs.20 lakh for the same work, one for clearing jungle by manual means, felling, uprooting and removal of big bamboo clumps and earthwork in excavation including the blasting work and the other, a cash memo of using bulldozer for 800 hours @ Rs.2,500 per hour. The Department could not produce the log books of the bulldozer, MBs and other documents in support of actual execution of the construction works, in the absence of which the expenditure of Rs.20 lakh could not be vouchsafed and possibilities of mis-utilisation of fund could not be ruled out. In the exit conference, the Department admitted (September 2009) that the work was executed through contractor and vouchers for Rs.20 lakh for execution through labour were fictitious and the amount had not been paid. The Department as in preceding case had neither consulted the Forest Department nor obtained clearance from the Public Works Department. The possibility of this money having been misappropriated is very high.

(iv) Test check of the records of two Public Works Department divisions *viz.* Lunglei and Kolasib revealed that both the divisions constructed Bamboo Link roads (BLR) under BAFFACOS to facilitate the extraction of bamboo before flowering and to promote the regeneration of fresh bamboo in those areas. It was noticed in audit that none of the divisions either conducted any survey for identification of bamboo concentrated areas in the districts or obtained any information on this aspect from the SEFD. The two aforesaid divisions had already constructed five BLR's (three at Lunglei and two at Kolasib) at an expenditure of Rs.1.87 crore. No recorded document was available with these two divisions that these roads were handed over to any user agencies or were utilised for transportation of bamboo. Thus, the Department incurred the expenditure for construction of the aforesaid roads without ascertaining the effectiveness of its eventual utilisation, thus, frustrating the primary objective behind construction of the roads. In September 2009, the Department conceded the lapses.

(b) Internal Village Roads

The Local Administration Department received (2005-06) Rs.50 lakh for implementation of BAFFACOS. The Department disbursed the entire amount of Rs.50 lakh to four districts (Aizawl: Rs.19.13 lakh, Champhai: Rs.17.84 lakh, Serchhip: Rs.7.38 lakh and Kolasib: Rs.5.65 lakh) for its eventual disbursement to the villagers for construction of internal village roads at 211 selected villages of these districts to enhance the purchasing power of rural poor prior to Christmas. Test check of the records relating to utilisation of fund of Rs.19.13 lakh in Aizawl district revealed that the work was done through the Village Council Presidents (VCPs). The muster-rolls did not contain any measurement of work done nor any date of execution of work. Neither any Measurement Book was maintained nor any completion certificate was available. The Department also did not provide the list of roads constructed. No records also could be furnished in support of utilisation of funds in other three districts[8] as no follow up action was taken by the Department regarding utilisation of these funds. In the absence of basic records the actual utilisation of the fund could not be vouchsafed in audit. The possibility of this money having been misappropriated is very high.

1.1.10.5 Alternate source of livelihood

As the rural poor people whose agricultural crops were likely to be affected by the rodent menace, it was necessary and prudent that they should be provided with alternate source of livelihood for their sustained generation of income like poultry, piggery etc. Scrutiny of records of the Animal Husbandry and Veterinary Department showed the following:

Supply of healthy and disease free birds and animals are essential for successful implementation of any poultry or piggery scheme.

Scrutiny of the records revealed that the mortality rate of birds and animals distributed to the beneficiaries by the Animal Husbandry and Veterinary Department was very high (56 to 100 *per cent* in case of birds and 6 to 27 *per cent* in case of piglets) as is detailed in Appendix – 1.3.

[8] Champhai, Serchhip and Kolasib

Such high mortality rate of birds and animals had negated the successful implementation of the scheme since the aim of permanent settlement of the beneficiaries by providing them an alternative means of livelihood was frustrated. In September 2008, the Department while admitting the lapses stated that it was beyond the control of the Department. The reply is not accepted in audit, as one of the major reasons for such high mortality was the failure of the Department to impart required training to the selected beneficiaries (comprising of jhum cultivators) for acquainting them in livestock rearing and poultry firming activities. The Department did not make provision for imparting training in 2004-05. During 2005-06 and 2006-07, Rs.1.35 lakh and Rs.0.50 lakh respectively was spent on training, seminar and workshop which was negligible. This is indicative of operational weaknesses in the core activity areas of the Department.

1.1.10.6 Utilisation of funds for other purposes

Funds meant for implementation of BAFFACOS should not, in any case, be utilised for other purposes. It was, however, noticed in audit that while on one hand, the core areas of the scheme (rodent control, regeneration of bamboos etc.) suffered due to low allocation of funds, huge amount was spent, on the other hand, in creation of assets, which were either not related to the scheme or had been lying unutilised resulting in improper/mis-utilisation as discussed below:

(a) As per the General guidelines of BAFFACOS issued by the Government in September 2004, the schemes fund as far as possible should not be utilised for construction of buildings etc. It was, however, noticed in audit that:

(i) Contrary to the guidelines, the Industries Department constructed an Industrial Estate at Bairabi at a total expenditure of Rs.1.15 crore under BAFFACOS. The work was completed in December 2006, but the Industrial Estate had not started functioning (August 2009). No reason could be adduced by the Department for not making the Industrial Estate functional even after a lapse of more than two years. Consequently, the whole investment of Rs.1.15 crore besides being idle did not generate any income or provide any employment opportunity for the past period of over two years. The Department admitted that it was not utilised for the intended purpose.

(ii) Similarly, the Director, Food Civil Supplies and Consumers Affairs Department constructed 41 Type II Staff Quarters at different places in the State during the year 2005-06 at a total expenditure of Rs.84 lakh in violation of the guidelines. But even after a lapse of more than four years (2005-09), none of these quarters was allotted (September 2009) to any staff making the whole expenditure of Rs.84 lakh unproductive and idle.

Besides, due to the failure in allotment of these quarters, the Department sustained a revenue loss of Rs.3.01 lakh towards the recovery of license fees. In September 2009 during Exit Conference, the Department stated that all houses though not allotted, were occupied by officials of the Department. Reasons for not allotting these quarters formally and reasons for failure to recover license fee and payment of avoidable house rent allowance had not been furnished (November 2009).

(iii) The SEFD constructed one Ropeway during the year 2005-06 at a total expenditure of Rs.10 lakh and incurred a further expenditure of Rs.8 lakh for its extension to facilitate transportation/ retrieval of bamboo at Kawlkulh in Champhai district which had not been utilised for transportation of bamboo/ any forest produces. Reasons for non-utilisation of assets were not on records. Consequently, the entire expenditure of Rs.18 lakh, thus, became infructuous.

(iv) The Environment and Forest Department also installed three digital weigh bridges (at Bairabi and Vairengte in Kolasib district and at Kawrthah in Mamit district) during 2005-07 at an expenditure of Rs.45 lakh for weighing the bamboo exported to Assam and other neighboring States. But none of the weigh bridges had been working (August 2009). Consequently, the entire expenditure of Rs.45 lakh became unproductive and idle. In the Exit Conference, the Department stated (September 2009) that Rope way and digital weigh bridges were likely to be utilised in future. But as the royalty on bamboo is being collected on the basis of number of bamboo, possibility of further utilisation of weigh bridges in future remained far in the anvil. Details of utilisation of Ropeway although called for from the Department, reply has not been provided as of October 2009.

(b) Funds meant for BAFFACOS are to be spent ideally for combating bamboo flowering and its after affects. However, it was noticed in audit that:

(i) The Food, Civil Supplies and Consumers Affairs Department had procured rice from the Food Corporation of India (FCI) for its distribution under the Public Distribution System. It was noticed in audit that during April to June 2007 the Food and Civil Supplies Department purchased 10,872 MTs of rice at a higher rate of Rs.15,970 per MT and sold it to the consumers at a lower rate of Rs.8,300 per MT. As a result, there was a difference of Rs.8.34 crore[9] between the purchase price and selling price which was ideally to be borne by the State Government.

But it was noticed in audit that, the Rural Development Department unauthorisedly diverted Rs.8.34 crore from BAFFACOS fund to the Food, Civil Supplies and Consumers Affairs Department for meeting up the aforesaid differential cost. The Department stated (September 2009) that the decision for payment to the Food, Civil Supplies and Consumers Affairs Department was taken at higher level for which no recorded document was available.

Similarly, the Rural Development Department also unauthorisedly diverted Rs.1.57 crore from the BAFFACOS fund for payment of State share for implementation of National Rural Employment Guarantee Scheme (NREGS) during the year 2007-08.

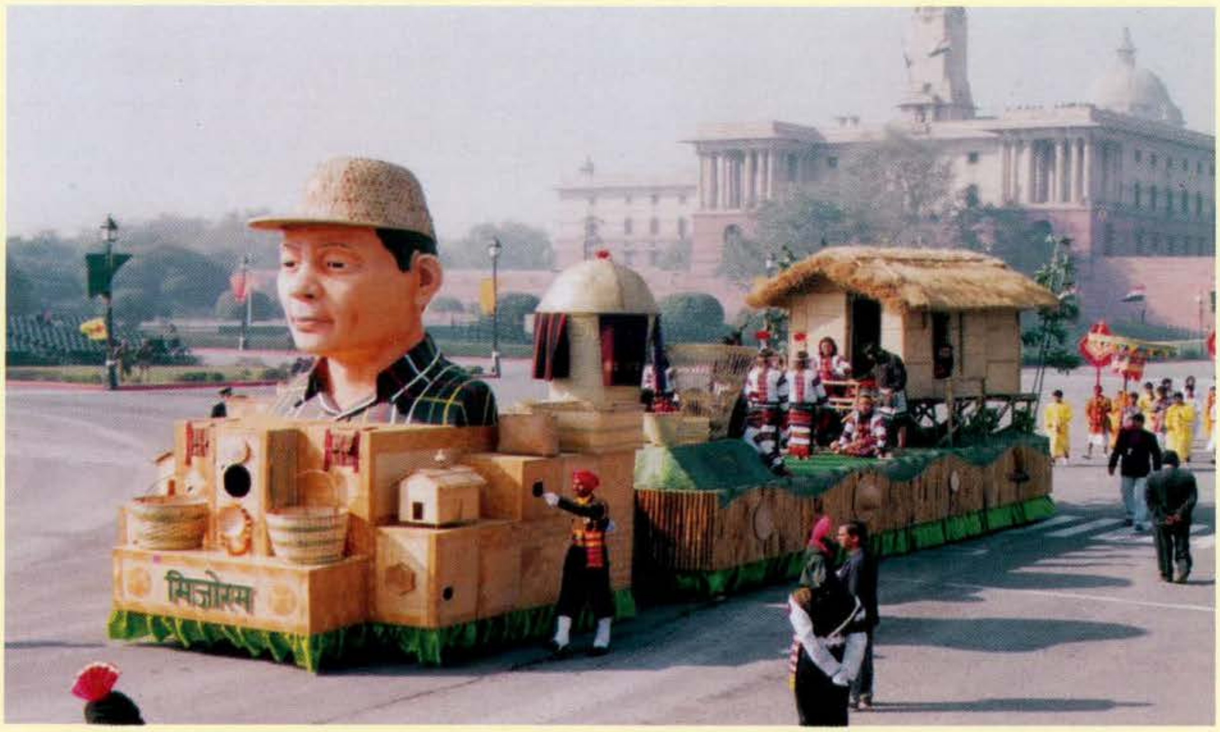
In neither of these two cases, dispensation from the Government of India was obtained (November 2009) and thus, the entire diversion of Rs.9.91 crore was unauthorised. Mobilisation of Central assistance without assessing the actual requirement of funds was the main reason for such unauthorised diversion. During exit conference the Department admitted the lapses.

(ii) As per the minutes of the Working Group meeting on BAFFACOS (September 2004) the activity under BAFFACOS should be meticulously formulated to ensure that the intended beneficiaries are benefited. The intention of the scheme was to provide a means of generating income to the poor people, who were dependent on agriculture and other allied occupation (like jhumia families) who would face the brunt of rodent menace as all their crops more or less would be destroyed. The Department, however, as per its Action Plan (2005-06) selected 111 beneficiaries[10] of existing Model Piggery Village (MPV) established in different locations of the State for attaining self sufficiency in production of Pork etc. and spent Rs.23.31 lakh towards cost of piglets and feed materials which were issued to the villages, thus, depriving the eligible jhum cultivators under the scheme. The Department, thus, diverted Rs.23.31 lakh from BAFFACOS fund for the benefit of beneficiaries who were already covered under a separate scheme of Non Lapsable Central Pool of Resources (NLCPR). The Department stated in the exit conference (September 2009) that as working capital was not available, money was utilised in Model Piggery Village. The reply effectively admits the diversion of funds.

[9] 10,872 MTs x Rs.7,670 per MT (Rs.15,970 – Rs.8,300) = Rs.8.34 crore

[10] Aizawl - 30, Champhai - 21, Lunglei - 60

(iii) The Directorate of Information and Public Relation incurred an expenditure of Rs.21.60 lakh during 2005-06 out of funds provided under BAFFACOS, towards construction and display of Tableau at the Republic Day parade function at New Delhi during 2005 and 2006. In addition, the Department spent an amount of Rs.5.43 lakh[11] from BAFFACOS fund towards travel expenses and stay of media personnel invited by the State Government to attend Chapchar-kut festival (2004-05) and organising National Editors Conference on Infrastructural Development (2005-06) at Aizawl. The Department, thus, diverted an amount of Rs.27.03 lakh during 2004-06 for purposes other than those related to Bamboo Flowering. In the exit conference held in September 2009, the Department stated that the expenditure was incurred to educate national and international masses on bamboo flowering and famine, but verification of photographs of tableau by audit showed that these tableau did not depict anything about bamboo flowering and famine.



A view of tableau displayed at Republic Day parade 2006 by Government of Mizoram

(iv) Out of Rs.62.50 lakh BAFFACOS fund provided to Sericulture Department during 2006-07, Rs.17.50 lakh (28 *per cent*) was utilised for assistance in the form of mulberry cutting to 1,750 Sericulturists who were already in the trade, and covered under the

[11] Rupees four lakh during 2004-05 and Rs.1.43 lakh during 2005-06

normal State Plan budget and other sericulture based programme, thus, utilising the money for unintended benefit. The remaining Rs.45 lakh (72 *per cent)* was earmarked for cocoon procurement.

1.1.10.7 Impact Assessment

The objectives for implementation of BAFFACOS was to attract and encourage people to practice settled cultivation and wean away jhum (shifting cultivation). However, it was noticed during audit that instead of decreasing, the areas under jhum cultivation increased significantly during the years as shown below:-

(a) Although one of the main activities of the BAFFACOS was adoption of alternative and diversified cropping system in place of jhum cultivation, the areas under jhum cultivation increased significantly by 10 *per cent* from 40,969 hectares in 2004-05 to 44,947 hectares in 2007-08, while the number of jhum cultivators also showed marginal increase during the scheme period as can be seen from the table.

Table : 1.2

Year	Total area in the State under paddy	Total area under jhum in ha	Total production of paddy from jhum (in MT)	Total production of paddy in the State (in MT)	Total no. of cultivators	
					in the State	practicing jhum
2004-05	57,085	40,969	64,420	1,07,661	NA	NA
2005-06	56,460	40,100	63,100	1,07,740	NA	NA
2006-07	52,853	41,965	13,568	29,646	88,596	79,849
2007-08	54,541	44,947	11,355	15,688	88,819	79,960

Increase in jhum cultivation indicates ineffective implementation of the scheme and lack in initiative on the part of Government towards adoption of alternative and diversified cropping system.

(b) The district-wise position of the forest areas affected by bamboo flowering and number of farmers affected by rodent outbreak in the State as of February 2009 is shown in table below:

Table : 1.3

District	Area affected (in ha)			No. of affected farmers by rodent outbreaks (In nos.)	Estimated population of affected areas (2008 survey)
	By Mautak	By Phulrua	Total		
Aizawl	799.00	2,228.30	3,027.30	7,176	3,88,238 (2)
Champhai	430.00	442.50	872.50	2,995	1,16,352 (3)
Kolasib	0	11,045.00	11,045.00	614	82,666 (1)
Lawngtlai	0	923.00	923.00	2,950	68,697 (4)
Lunglei	676.83	2,520.93	3,197.76	7,756	1,64,977 (5)
Mamit	287.55	3,195.00	3,482.55	7,614	85,547 (9)
Saiha	3,040.00	542.00	3,582.00	2,326	48,418 (5)
Serchhip	35,540.00	7,108.00	42,648.00	3,490	67,477 (5)
Total	**40,773.38**	**28,004.73**	**68,778.11**	**34,921**	**10,22,372 (3)**

Source: Information furnished by the State Forest and Agriculture Departments.

Note – Figures in brackets indicate percentage of affected persons to the total population in the district.

It would be seen from the above that out of the estimated population of 10.22 lakh of the State, the total number of farmers affected by gregarious bamboo flowering and rodent menace was 0.35 lakh (3 *per cent)* of the total estimated population of the State. This was mainly due to inaction of the Department to utilise the available funds optimally for taking rodent control activities, as out of the total receipt of Rs.4.97 crore, an amount of Rs.29.65 lakh was utilised towards killing of rats. No concerted effort was taken by the implementing Departments to mitigate the misery of affected families. This could have been addressed more effectively and suitably; had proper planning and proper survey were conducted and proper utilisation of funds been ensured.

1.1.11 Monitoring, Control and Co-ordination

The weakness of planning could have been mitigated and controlled through co-ordination, monitoring and control but the nodal Departments were not found to have played any effective role. Neither the Planning Department nor the implementing Departments devised any modalities for monitoring disaster/ famine related activities. The State Level Monitoring Committee headed by the Chief Secretary was virtually non-functional. The status of implementation for prevention and preparedness measures were neither monitored nor followed up for ensuring their effectiveness. The State Planning Board had not formulated any system for periodical internal monitoring of the execution of different works taken up under BAFFACOS. No reports/returns had been prescribed for submission by different implementing Departments to ensure proper execution of works and no modalities were devised for periodical field inspection. The nodal Department was not successful in ensuring coordinated efforts by the different Departments. No attempt was made by the State Government to evaluate the performance during the period covered by audit.

1.1.12 Response of the State Government to the deficiencies

On all these points being pointed out by audit, the Advisor and ex-officio Joint Secretary, State Planning Board admitted (July 2009) that most of the audit observations were correct. He also stated that much political debate arose on the implementation of the scheme during last four to five years and it was therefore, desirable to close the chapter as renewal of the past experiences would be wastage of time and energy. However, the fact remains that no effective action was taken by the State Government during the period covered by audit to ensure proper utilisation of fund for extending benefits to the affected family of remote areas but instead BAFFACOS fund was spent for creation of idle assets, misuse and diversion of funds as discussed in preceding paragraphs.

1.1.13 Conclusion

Considering the gravity of problem arising out of gregarious flowering of bamboo, the State Government did not finalise the centralised objectives with a focus on addressing the core issue of bamboo flowering, extraction and utilisation along with mitigation policy for the affected families. Different activities formulated by various Departments were not clearly spelt out which were due to weakness in planning. There was no coherent roadmap and Action Plan formulated by different implementing Department was not based on any block level or district level plan. Allocation of fund was done in an adhoc manner without any prioritisation of activities. The implementation of programme suffered due to uneven distribution of fund and only 12 *per cent* [12] of total earmarked funds (Rs.125 crore) was allocated to core activities responsible to combat bamboo flowering. There were cases of idle assets, wastage and unauthorised diversion of funds. Monitoring system also was deficient due to lack of regular flow of reports and returns from the implementing Departments to the Nodal Department and absence of periodical field inspection. BAFFACOS thus did

[12] Survey, mapping, regeneration, extraction, utilisation of bamboo (Environment and Forest Department) - Rs.9.64 crore and Rodent control, alternative and diversified cropping system (Agriculture Department) – Rs.4.97 crore

not address the core issue of preventing wastage of bamboo due to flowering by way of extraction and utilisation nor did it result in mitigating the impact on the affected families in the rural areas.

1.1.14 Recommendations

- Since bamboo plantation is an ongoing process, the State Government should take special efforts for timely extraction and regeneration of bamboo.
- Setting up a paper mill to use the abundant bamboo resources may be explored.

CHAPTER II

AUDIT OF TRANSACTIONS

CHAPTER – II

AUDIT OF TRANSATIONS

Idle/Extra/Avoidable/Unproductive Expenditure

HIGHER AND TECHNICAL EDUCATION DEPARTMENT

2.1 Idle expenditure

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

Under the Central Plan Scheme of financial assistance for appointment and training of Hindi teachers in Non-Hindi speaking States/UTs, the Union Ministry of Human Resource Development (MHRD), Department of Education accorded (October 1999) administrative approval of Rs.3.40 crore for construction of Mizoram Hindi Training College (MHTC) Complex, at Durtlang, Aizawl including construction of Staff quarters at Aizawl. The financial assistance received from the MHRD in three instalments during 1999-2002 was transferred to the State Public Works Department (PWD) for execution of the works. The construction work of staff quarters commenced in January 2001 was scheduled to be completed by October 2002.

Scrutiny (December 2008) of records of the Principal, MHTC, revealed that the Department without assessing the actual requirement constructed 28 staff quarters of different types during January 2001 to October 2002 through PWD at a cost of Rs.2.08 crore, against the approved cost of Rs.1.79 crore. Though the buildings were completed in October 2002, the Department took over the possessions of buildings in August 2005, after a delay of nearly three years without completion of approach roads, approach steps, water tank reservoirs and power supply. As a result of non availability of these basic facilities and lack of willingness among the staffs due to remote location, the Department has not been able to allot the staff quarters to its 17 regular staff, except allotment of one quarter to a chowkidar, (November 2009). The Department also incurred an expenditure of Rs.7.78 lakh (September 2005 to September 2009) towards payment of house rent allowances to its 17 staff who are reluctant to occupy the quarters.

Thus, the entire investment of Rs.2.03 crore[1] in respect of 27 unallotted staff quarters remained

[1] Rs.2.08 crore - Rs.0.05 crore (cost of one quarter allotted to Chowkidar) = Rs.2.03 crore

idle for more than seven years with little possibility of its use in future. The Department attributed (November 2009) the scarcity of water as reason for non allotment of the staff quarters. The fact, however, remains that the construction of houses without assessment of the need and selection of site without due diligence led to idle investment of Rs.2.03 crore for over seven years.

In a meeting held (November 2009) with the Chief Secretary, it was stated that the Department will transfer surplus houses to the General Administration Department who will allot them to ensure the utilisation of the constructed houses.

The matter was reported to the Government in April 2009 and their reply has not been received (November 2009).

2.2 Unfruitful expenditure

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

As per general applicable rules, the project implemented by the State Government against the central assistance is required to be completed within the specified period as soon as the central assistance is received, so that objectives of the central assistance are achieved.

Under the Central Plan Scheme of "financial assistance for appointment and training of Hindi teachers in Non-Hindi speaking States/UTs", the Union Ministry of Human Resource Development (MHRD), Department of Education released during 1999-2002, a central assistance of Rs.95 lakh for construction of Hostels for girls and boys student in the Mizoram Hindi Training Complex (MHTC), Aizawl. The funds were transferred to Public Works Department (PWD) for execution of the works.

Scrutiny (December 2008) of records of the Principal, MHTC, Aizawl and information collected from Executive Engineer, Project Division–III, PWD, Aizawl revealed that the construction of girls hostel was commenced in May 2001 at a cost of Rs.49.57 lakh with stipulated date of completion in December 2002. The work, however, remained suspended from November 2002 to November 2009 after casting of roof and partial construction of the building at a cost of Rs.25.59 lakh, due to shortage of funds caused due to taking up of works other[2] than those approved on the request of the Principal of the College and the Minister of the Department. The Department was, thus, forced to accommodate the girl students in administrative block upto 2006 and in the boys hostel thereafter.

[2] Two additional floors, computer room, audio visual tech room, cafeteria etc.

It was further revealed that despite receipt of additional central assistance of Rs.1.43 crore (Rs.91.17 lakh in December 2003 and Rs.51.95 lakh in February 2008) for early completion of the girls hostel with other incomplete works in the MHTC Complex, the Department did not utilise any fund out of this additional resources for early completion of girls hostel as of November 2009.

Thus, due to poor planning and enlarging the scope of work without ensuring the availability of sufficient funds, the work remained incomplete even after lapse of seven years after incurring expenditure of Rs.25.59 lakh, defeating thereby the basic objectives of providing appropriate hostel facilities to the girl students.

The matter was reported (January 2009) to the Government which stated (October 2009) that the fund received (February 2008) from the GOI was released (March 2009) to the executing agency with delay due to budgetary procedures for transfer of funds. The reply is not acceptable since the Department did not take any initiative for completion of the building after December 2003 with the available additional central assistance of Rs.1.43 crore. The delay in release of funds after receipt of further sanction in February 2008 is attributable to the Department/PWD which delayed the release of funds to the executing division. The Department should have also pursued the matter with the PWD for early completion of work.

In a meeting held (November 2009) with the Chief Secretary, the Chief Engineer (Planning) PWD informed that work will be completed shortly.

SPORTS AND YOUTH SERVICES DEPARTMENT

2.3 Unproductive expenditure and avoidable payment of house rent

The Mizoram State Sports Council incurred an avoidable expenditure of Rs.14.84 lakh towards payment of rent on a hired building, besides unproductive expenditure of Rs.47.78 lakh incurred for construction of office building.

Under the Scheme "Development of Sports Infrastructure and Promotion of Sports and Youth Activities in the North East Region", the North Eastern Council (NEC), Shillong accorded (March 2003) administrative approval of Rs.4.64 crore for construction of Ramhlun Sports Composite Complex. Out of which, Rs.44.49 lakh was earmarked for construction of a three-storied office building to accommodate 50 staff and officers of the Mizoram State Sports Council (MSSC), Aizawl. The entire funds were released by the NEC during March 2003 to March 2005.

Scrutiny (January 2009) of records of the Directorate of Sports and Youth Services, Mizoram, Aizawl revealed that the said office building was completed in May 2005 at an expenditure of Rs.47.78 lakh. But, even after completion of office building at Ramhlun Sports Composite Complex in May 2005, the MSSC had not shifted its office to its new building and continues to function in a rented building at Aizawl from June 2005 onwards with a monthly rent of Rs. 28,000 per month, on the plea that the building was too small to accommodate all the staff and officers of the Council and also due to non-availability of conference hall in the building.

The State Government (Sports and Youth Services Department) in their reply stated (September 2009) that the new building was not occupied for official accommodation as some registered sports associations requested not to shift therein as it was not easily accessable due to its remote location without any connectivity through city bus route. The contention of the Department/Government is, however, not acceptable as the building was constructed at the site selected by the Government and which was designed to accommodate the entire 50 staff and officers of the MSSC as approved by the NEC. This should have been considered prior to taking up of the work.

Thus, due to faulty planning and the resultant failure to utilise its own office building, the entire expenditure of Rs.47.78 lakh has not only remained unproductive but also the Department incurred an avoidable expenditure of Rs.14.84 lakh[3] towards rent of the private building (October 2009).

In the meeting held (November 2009) with the Chief Secretary, the Departmental Secretary assured that part of the Office of MSSC will be considered for shifting to the newly constructed building.

[3] From June 2005 to October 2009 = 53 months X Rs.28,000 per month = Rs.14,84,000/-

2.4 *Wasteful expenditure*

Due to poor execution of work at the Indoor Stadium at Ramhlun, Aizawl, the entire amount of Rs.57.35 lakh incurred became wasteful. The Department also could not recover the amount of Rs.53.04 lakh from the contractor in the absence of a proper agreement.

In 2002-03, the Union Ministry of Youth Affairs and Sports approved construction of an Indoor Stadium at Ramhlun, Aizawl at an estimated cost of Rs.1.20 crore, of which Rs.90 lakh and Rs.30 lakh were to be borne by the Central and the State Government respectively. The GOI released Rs.60 lakh during 2003-05 and the State Government released an amount of Rs.90 lakh to the Mizoram State Sports Council (MSSC) including Rs.30 lakh as State's share during 2003-07. The MSSC, however, spent only Rs.57.35 lakh, against which they submitted utilisation certificate in December 2007.

Scrutiny (January 2009) of records of the Directorate of Sports and Youth Services, Mizoram, Aizawl and further information collected from the MSSC, an autonomous body under the Department, revealed that the MSSC awarded (May 2003) the work order for construction of indoor stadium to a contractor at tendered value of Rs.86.75 lakh with scheduled date of completion in December 2004. No written agreement was entered with the contractor before awarding the work order. The MSSC, however, without technically supervising the execution of work to ensure structural worthiness of the ongoing construction works of the building, released a total amount of Rs.53.04 lakh (May 2003 to June 2007) on 61 *per cent* physical achievement of the work. Besides, the MSSC incurred a miscellaneous expenditure of Rs.4.31 lakh on the project.

In July 2007, physical verification of the construction work was carried out by an expert team of the Public Works Department (PWD) constituted by the Chief Engineer (Buildings), PWD. The expert team observed that the existing structure of the building except below the plinth level was not structure worthy for public gathering due to various factor like lack in supervision, inconformity with the structural drawings, poor quality of execution, resultant cracks in beams and slabs etc. The expert team recommended (July 2007) for demolition of the building except the existing structure below the plinth level. The ongoing construction had since been discontinued but has not yet been demolished (November 2009).

(A view of incomplete building of the Indoor Stadium, Ramhlun, Aizawl)

Thus, due to failure of the Department to exercise proper supervision and execution of poor quality of work, most of the expenditure of Rs.57.35 lakh proved wasteful as the building is to be demolished. As a result, the population of Aizawl has been deprived of much needed sporting infrastructure.

The Government while accepting the release of Rs.53.04 lakh to the contractor stated (September 2009) that the unspent balance of Rs.32.65 lakh[4] (out of the total allocated grant of Rs.90 lakh will be used after receipt of balance grant from the Government of India. The Government further stated that the work has already been transferred to the PWD. The reply is, however, silent about the action initiated, if any, for recovery of amount with penal action against the contractor or initiation of any action against the officials of MSSC who did not exercise proper supervision of the work. Interestingly, the copy of the agreement forwarded along with the Government reply is a blank document without names of the contracting parties.

In the meeting held (November 2009) with the Chief Secretary, the Secretary of the Department assured that MSSC shall take appropriate action including proceedings for recoverable amount from the Contractor.

[4] Rs.90 lakh – (Rs.53.04 lakh + Rs.4.31 lakh) = Rs.32.65 lakh

ANIMAL HUSBANDRY AND VETERINARY DEPARTMENT

2.5 *Extra avoidable expenditure*

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

Public Works Department (PWD) of the State in their Schedule of Rate (SOR) 2003 specified unit rate of Rs.445.40 per square meter to complete the item of work for providing 0.63 mm thickness Corrugated Galvanised Iron (GCI) sheet roofing with fixing and other allied materials. An analysis of the said unit rate by the Executive Engineer, PWD Project Division–I,Aizawl,basedonCPWDanalysisofratesrevealedthatcostofrequiredGCIsheetcomesto Rs.360 per square meter out of specified unit cost of Rs.445.40 as indicated above. The remaining amount of Rs.85.40 is meant for cost of labour and other allied materials.

Scrutiny (April 2009) of records of the Directorate of Animal Husbandry and Veterinary Department however, revealed that under the scheme Bamboo Flowering and Famine Combat Scheme (BAFFACOS), the Department during 2004-05 to 2005-06 procured 9936.782 square meter of GCI sheets (0.63 mm) from a local dealer by incurring an expenditure of Rs.44.26 lakh, at the rate of Rs.445.40 per square meter. The GCI sheets so procured without allied materials were distributed in kind to beneficiaries under the scheme for roofing of their animal houses. These GCI sheets costing Rs.44.26 lakh were purchased without observing any codal formalities to ascertain the lowest competitive market rates. The purchases were not supported by the supply orders.

The cost of 9936.782 square meter of GCI sheets at the rate of Rs.360 per square meter works to Rs.35.77 lakh only. But, instead of paying of Rs.35.77 lakh, the Department irregularly paid an amount of Rs.44.26 lakh to the supplier. The Department thus, incurred an irregular expenditure of Rs.44.26 lakh[5] including an avoidable extra expenditure of Rs.8.49 lakh on procurement of these GCI sheets. The Director clarified (April 2009) that the purchase was resorted to from the local dealer, who was willing to supply the material as per approved rate contained in the SOR 2003. The reply is incorrect as the rate in the SOR was for completion of the item of work inclusive of cost of material and labour.

The matter was reported (June 2009) to the Government. The Government in their reply insisted (July 2009) that neither a part of money nor the roofing materials had been misappropriated as the GCI Sheet was purchased @ Rs.445.40 per sq. mt. which was an approved rate under

[5] 9936.782 sq. mt. of GCI Sheets X Rs.445.40 per sq. mt. = Rs. 44,25,843/-

SOR 2003 and the cost of materials as already received by the supplier and materials were issued to the beneficiaries. The Government also stated that the codal formalities could not be observed as the materials had to be procured in time to complete the project. The reply is incorrect as the unit rate of Rs.445.40 per sq. mt. of GCI Sheet was inclusive of Rs.85.40 meant for cost of labour and other allied materials. The purchases were made over a period of one year from March 2005 to March 2006 and hence the reply that procedures could not be followed due to lack of time is not acceptable. On further enquiry by Audit, the Director of the Department categorically stated (November 2009) that the Department did not procure any other materials other than GCI Sheets from the concerned supplier during 2004-05 to 2005-06. Thus, the excess expenditure of Rs.8.49 lakh stands recoverable.

RURAL DEVELOPMENT DEPARTMENT

2.6 Temporary misappropriation/non-accountal of Government Money

Failure to comply with the basic principles of financial discipline on the part of DDOs facilitated temporary misappropriation/non-accountal of funds of Rs.43.40 lakh.

Central Government Account (Receipts and Payments Rules), 1983 which is followed by the State Government, *inter alia*, provides that:

(a) No money is to be drawn from the Government Treasury, unless it is required for immediate disbursement; (b) a Government officer supplied with funds for expenditure shall be responsible for seeing that payments are made to persons entitled to receive them; and (c) all monetary transactions should be entered in the cash book as soon as they occurred and attested by the Head of the Office as a token of check.

Scrutiny (April 2009) of records of the Director, Rural Development Department (DRDD), Mizoram, Aizawl revealed that failure to comply with the basic principles of financial discipline on the part of DDOs facilitated temporary misappropriation and misuse of funds, as discussed below:-

(i) Out of available bank balances, which was retained in the bank after drawal (departmental drawals) from the Government Treasury, the DDO allowed (July 2007) the cashier to draw an amount of Rupees three lakh for his/her use. The drawal was also not entered in cash book. On the matter being pointed out (June 2009), the Department while accepting the fact (November 2009) stated that it was drawn to meet urgent requirement and is to be recovered. The money is yet to be recovered (November 2009). Thus, non recovery of Rupees three lakh and keeping it out of the Government Account for a period over two years resulted in temporary misappropriation of public money.

(ii) Again, on 23 July 2007 and 24 October 2008 an amount of Rs.15.34 lakh and Rs.7.03 lakh respectively were unauthorisedly disbursed by the cashier from undisbursed cash to its staff and officers for some other unspecified purposes without entering the transaction into the cash book. When the matter was pointed out (June 2009) by audit, the Department stated (October 2009) that with all possible efforts, they recovered an amount of Rs.14.22 lakh (out of Rs.15.34 lakh) leaving an unrecovered amount (November 2009) of Rs.1.12 lakh. Further, as regard to unauthorised advances of Rs.7.03 lakh, the Department stated (May 2009) that the details of advances so paid to some individuals could not be furnished to audit due to the fact that records related to advance payment were destroyed. The Department has not intimated (November 2009) any action for recovery of the amount of Rs.7.03 lakh.

Thus, unauthorised disbursement of advances from the undisbursed cash resulted in temporary misappropriation of Rs.22.37 lakh, for a period of over two years, of which Rs.8.15 lakh have not been recovered as of November 2009.

(iii) The State Government (Finance Department) in March 1992 allowed as a special case to deposit the New Land Use Policy (NLUP) money by way of opening of an account in the SBI. The Department however, unauthorisedly operated four[6] more saving accounts without obtaining any approval from the Finance Department. In the five bank accounts so operated, the Department used to deposit from time to time the funds drawn from the Government Treasury in respect of schemes other than NLUP. The transactions pertaining to five Bank accounts were neither recorded in the cash book by the way of double entry system nor did the Department maintain separate subsidiary cash book for operation of Bank accounts. The bank balances were also not reconciled (November 2009). While admitting the facts, Department stated (November 2009) that in pursuance of the decision taken (August 2009) by the Finance Department, the four Bank accounts (SBI – 1 no., Vijaya Bank – 1 no. and Mizoram Rural Bank – 2 nos.) have been closed from 26 August 2009. However, on verification (November 2009) by audit, only three bank accounts[7] were found to be closed.

(iv) Audit noticed that the Department earned (upto August 2009) an amount of Rs.18.03 lakh as bank interest out of five Saving Accounts. But, the entire amount of Rs.18.03 lakh remain unaccounted (November 2009) in the cash book. Keeping the money out of Government Account, without entering into relevant cash books, is fraught with risk of misappropriation.

[6] SBI – 1 nos., Vijaya Bank – 1 no. and Mizoram Rural Bank – 2 nos.

[7] SBI – 1 no., Vijaya Bank – 1 no. and Mizoram Rural Bank – 1 no.

In a meeting held (November 2009) with the Chief Secretary, the Departmental Secretary assured that the interest earned will be deposited to Government Account, besides ensuring proper maintenance of cash books and conduct of bank reconciliation.

2.7 Doubtful expenditure

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

The National Rural Employment Guarantee Act (NREGA), 2005 was introduced by the Government of India to enhance the livelihood security of households in rural areas by providing for 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. Creation of durable assets and strengthening the livelihood resource base of the rural poor is an important objective of the scheme. It also stipulates that it shall be the duty of the Gram Panchayat to register the household, after making such inquiry as it deems fit and issue a job card whereas the Operational Guidelines provide that the application for registration may be given on plain paper to the local Gram Panchayat. Further, the applications for works can be submitted in writing either to the Gram Panchayat or to the Programme Officer, as may be specified in the Scheme.

The implementation of National Rural Employment Guarantee Scheme (NREGS) was introduced in the Serchhip district in 2008-09 with receipt of Rs.10.64 crore (GOI Rs.9.73 crore, State Government Rs.0.91 crore) and an expenditure of Rs.9.71 crore was incurred under the scheme during the year.

Audit conducted during July and August, 2009 on the implementation of NREGS at Serchhip District for the year 2008-09 noticed that neither written applications as stipulated in the guidelines for registration had been obtained nor Application Registration Register were maintained in the test checked 10 Village Councils[8]. Further, there were neither any written application for works nor Employment Registers were maintained.

The District Authority replied (November 2009) that registration have been done in an oral mode and admitted that written applications for work have not been obtained and people were assigned work based on supply mode instead of being provided work as per their demand which has rendered the subsequent expenditure incurred on the implementation as irregular and doubtful.

[8] 1) Serchhip, 2) Chiatatlang, 3) Thenzawl, 4) Keitum, 5) Bungthang, 6) Chhingchhip, 7) North Vanlaiphai, 8) Khawlailung, 9) Khumtung and 10) Baktawng

Further, it was noticed that against the procedure prescribed in the Operational Guidelines -

- District Perspective Plan was absent.
- Annual Action Plan was not supported by any technical estimates.
- Works were executed without detailed survey and without preparation of estimates.
- Almost all the works executed under NREGS during 2008-09 were earth works mainly construction of kutcha roads and none of these roads constructed were completed (August 2009) affecting inter villages linked communication.
- There was no provision of side drains either in the estimates or the work orders of these kutcha roads stated to have been constructed under NREGS. These roads in the absence of the side drains are likely to be washed away in the rains.

(A view of the ongoing construction of kutcha road under NREGS in District Serchhip)

- In Serchhip block, all payment of wages made through Muster Rolls (MRs) in 2008-09 were paid under the rubber-facsimile signature of the BDO without inserting any date. In East Lungdar Block, use of correcting fluids without authentication on the amount paid were also noticed and no date of payment was also recorded in the MRs. Due to the above, the authenticity of the genuineness of the MRs is doubtful.
- Employment ranging from 7 days to 65 days only (against minimum 100 days) was reportedly provided in the district despite having sufficient unspent fund (Rs.93 lakh) as of 31 March 2009.

- Issue of bogus job cards by the Village Council Presidents (VCPs) was admitted by the BDO, East Lungdar block. Further, job cards are now being issued from block offices in the district (November 2009).

- BDO, East Lungdar Block did not submit the Monthly Progress Report (MPR) during 2008-09 while DRDA had been submitting achievement reports to the Government of India without ascertaining the actual position of works and expenditure from East Lungdar block.

The District Authority stated that Annual Action Plan was prepared without estimates due to lack of technical persons and Asset Registers were stated to be distributed to all the Village Councils. It was also informed that information regarding MPR was collected telephonically and was not documented. The Asset Registers were not found maintained (November 2009).

Thus, the expenditure of Rs.9.71 crore on execution of works under NREGS is doubtful in absence of any documented demand for employment and shortcomings noticed in execution and maintenance of records.

The matter was reported to the Government in September 2009 and their reply has not been received (November 2009).

INDUSTRIES DEPARTMENT

2.8 Unfruitful expenditure

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

Under the provisions of Section 2(ii) of the Forest (Conservation) Act, 1980 as amended in 1988, no State Government or other authority can, except with the prior approval of the Central Government, utilise any forest land or portion thereof for any non-forestry purpose.

During scrutiny (August 2008) of records (November 2006 to July 2008) of the Directorate of Industries, Mizoram it was noticed that:

(i) The Department without approaching the State Forest Department for obtaining prior approval from the Government of India, constructed a Bamboo Industrial Centre for Export (BICE) and Bamboo Chipping Clusters at Bungthuam village (Kanhmun area), which falls within the Tut-Langkaih Reserved Forest, between December 2006 and June 2007 at a total expenditure of Rs.1.26 crore under the Centrally Sponsored Scheme of Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE). Besides, the Department also spent Rs.41 lakh during April – May 2008 towards purchase of Weigh Bridge, construction of stockyards etc.

(ii) It was further noticed that the concerned Divisional Forest Officer, Kawrthah Forest Division directed the Industries Department to stop all operations of the said ongoing Bamboo chipping unit at Bungthuam, as the unit was being installed inside Tut-Langkaih Reserved Forest without prior permission of the Central Government. The project could not be commissioned (November 2009), primarily due to restriction imposed by the State Forest Department.

Thus, due to unauthorised utilisation of reserved forests without obtaining approval from the Government of India, the entire expenditure of Rs.1.67 crore became infructuous. It was also noticed that even after receiving instructions from the State Forest Department (October 2007), the Department had not taken any action for obtaining the mandatory and ex-post-facto approval from the Government of India (December 2008) through the State Government.

The matter was reported to the Government in December 2008 and June 2009; the Government in their reply forwarded (July 2009) some records, claiming that the chipping cluster at Bungthuam unit was constructed at the land owned by some private person. The reply is not acceptable since the Forest Department had not issued any 'No Objection Certificate' (NOC) to the concerned Land Revenue & Settlement Department for issue of settlement certificates inside the reserved forest area as required under Forest Conservation Act, 1980 and Mizoram Forest Act, 1955.

GENERAL ADMINISTRATION DEPARTMENT

2.9 Loss of public money

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

The State Government General Administration Department (GAD) Civil Aviation Wing operated one Fuel Pump at Lengpui Airport for refueling civil aircrafts with Aviation Turbine Fuel (ATF) from inception of the Airport to 9 October 2008. Thereafter, the Indian Oil Corporation Ltd. (IOC Ltd.) took over the charge of the fuel pump from 10 October 2008 onwards.

The ATF was procured by the Department from Silchar (Assam) branch of IOC Ltd. with advance payment on the basis of proforma bills raised by the Company.

Scrutiny of records (July 2009) of the GAD, Civil Aviation Wing showed the following stock position of the ATF from 1 June 2004 to 9 October 2008 at the fuel pump:-

Table : 2.1

(In KL)

(i) Opening stock (as on 1 June 2004)	14.00
(ii) ATF procured (during 1 June 2004 to 9 October 2008)	1869.00
Total Stock	**1883.00**
(iii) Fuel sold between 1 June 2004 and 9 October 2008	1826.68
Balance Stock (as of 10 October 2009)	**56.32**

Source: Departmental records.

It would be evident from the above table that the fuel pump would have had a balance stock of 56.32 KL of ATF as of 10 October 2009. But the Department handed over the charge of fuel pump to the IOC Ltd. on 10 October 2008 without any handing over/taking over of the balance stock.

Thus, due to handing over of the charge of the fuel pump to the company, without realising its balance stock, the Government has incurred a loss of Rs.41.55 lakh. The money had not been realised as of November 2009.

The Government in their reply stated (September 2009) that there was no shortfall of ATF due to the following facts-

(a) loss of 1.5 KL of ATF occurred in refueling operations due to the evaporation loss on variation of temperature, accidental spillage while handing ATF etc. during last four years;

(b) cost of loss of 56.32 KL of ATF is to be calculated at Rs.21.14 lakh with average price of Rs. 37,530 per KL based on variable invoice price during last four years instead of last invoice price of Rs. 73,770 per KL; and

(c) the Department have only an outstanding recoverable balance of Rs.20 lakh from the IOC Ltd. against the advance deposited with them for supply of ATF before handing over of the Fuel Pump. In support of recovery of amount, the Department furnished an isolated letter dated March 2009 addressed to the IOC Ltd. without any details of short supply, if any therein.

The reply of the Government is not acceptable, as (i) balance stock of 56.32 KL of ATF was calculated based on authenticated figures furnished by the Departments; (ii) the closing stock at the time of transfer is to be valued at prevailing price only and not on average price for last four years; (iii) if loss of 1.5 KL of ATF occurred due to evaporation etc. is reduced from the balance stock of 56.32 KL as worked out above, the total losses comes to 54.82 KL against which an amount of Rs.40.44 lakh is recoverable at prevailing prices which has not yet been recovered (November 2009); and (iv) the correspondence letter with IOC Ltd. did not contain any facts and figures.

In a meeting held (November 2009) with the Chief Secretary, the departmental official informed that records between the IOC Ltd. and the Department are being reconciled, but the result of reconciliation has not been furnished (November 2009).

2.10 Loss of public money

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

Land Acquisition ACT, 1894, as amended, extends to the entire country except the State of Jammu and Kashmir. It provides that wherever any Government requires land in any locality for public purposes, the land should be acquisitioned through a formal process culminating in an award through the Deputy Commissioner of a district, who is appointed by the appropriate Government as Collector to perform the functions under the Act.

Further, as per Award pronounced by the Collector, Aizawl District under Award No.4 of 2001 in a separate case and Collector's clarification (April 2008) to the State Government in relation to land acquisition matters, only holders of Land Settlement Certificates (LSCs) from State Land Revenue and Settlement Department have the right to claim land valuation/compensation, as the land have been permanently settled in their favour. Holders of passes from Village Councils are not given transferrable and ownership rights and therefore, claims for compensation by pass holders can not be considered.

Audit Scrutiny (July 2009) of records of the General Administration Department (GAD) Civil Aviation Wing, however, revealed that in violation of the above procedures, the Department unauthorisedly disbursed (June 2008) land compensation amount of Rs.10 lakh to a Village Council pass-holder in Lengpui airport area for purchase of a plot of land for construction of a playground at its own level. The land so purchased was neither demarcated with proper boundaries nor was it measured. The Department also could not convert the right of the land in their favour as of July 2009 by obtaining a Land Settlement Certificate from Land Revenue and Settlement Department due to purchase of the same from a pass holder without any formal process through the Collector.

Thus, due to irregular payment for acquisition of land from a pass-holder theepartment could not convert the right of the land in their favour and thereby sustained a loss Rs.10 lakh.

The matter was reported to the Department (July 2009) and the Governme (August 2009). In their reply, Government stated (September 2009) that the Department initiating process to convert pass into a LSC. But, the reply was silent about unauthorised diarsement of land compensation to a pass holder.

In a meeting held (November 2009) with the Chief Secretary, the Departmengreed to examine the issue *ab initio* and see if the amount could be recovered.

PUBLIC WORKS DEPARTMENT

2.11 Wasteful expenditure

Due to defective/substandard work, the expenditure of Rs.33.64akh remained wasteful.

CPWD Manual provides that during progress of work, the field level teaical staff should point out the defects in the work so that concerned Executive Engineer maake timely action to issue notices to the contractor either to rectify the defects or even get the vk dismantled and redone, if necessary. Further, the Manual provides that acceptance of work low specifications and payment of reduced rates should be resorted to only for those items whe it is structurally impossible to get the work redone.

Scrutiny (February 2009) of records of the Executive Engineer, Public orks Department (PWD), NH-Division-II, Aizawl revealed that a work "Construction o'ucca Side Drain at Essential Places" at approach road to Chalfilh (Vanzau) tourist cent financed by the North Eastern Council (NEC) was awarded (April 2007) to a contraer[9] at a total cost of Rs.44.39 lakh with stipulated scheduled date of completion in Aust 2007. Against the total bill of quantity of 11,720 cum, the contractor executed 1,0:49 cum of work during May to November 2007. Out of which, the 1st Running Accnt (RA) Bill for the work covering of 609.35 cum of Plain Concrete Cement (PCC) wks amounting to Rs.22.29 lakh was disbursed to the Contractor in September 2007 as r approved rates (Rs.3,658.58 per cum). But, the Chief Engineer, PWD Highway, Mbram during site inspections found the entire work to be substandard and not acceptat and accordingly ordered (November 2007/ March 2007) for dismantling and recstruction of the work as per approved specifications at the risk and cost of Contrac. The Executive

[9] Shri Ramthanmawia, Laiputlang, Aizawl.

Engineer, however, contrary to the Chief Engineer's orders and without resorting to reconstruction of the work at contractor's cost irregularly released (January 2009) the payment for balance work (447.14 Cum) at reduced rate of Rs.11.35 lakh[10]. The Executive Engineer did not even make adjustment by applying the reduced rate against payment (Rs.22.29 lakh) made in the 1st RA Bill of 609.35 cum of PCC works at the time of finalisation, thereby paying an excess amount of Rs.6.83 lakh[11].

Despite the fact that it was possible to redo the work and provision of CPWD Manual for payment at reduced rate for substandard work was not applicable, the Executive Engineer irregularly foreclosed the contract without resorting to reconstruction of work at contractor's cost. The action of the Executive Engineer of paying for the balance work at the reduced rate has rendered the entire PCC work of 1,056.49 cum involving payment of Rs.33.64 lakh[12] wasteful.

The Government in their reply stated (October 2009) that as per Chief Engineer's instructions work have been rectified wherever possible but it is inconvenient to rectify the entire substandard executed work. The reply is not acceptable as the Executive Engineer had not taken any action to get the entire substandard work dismantled and get it redone at the risk and cost of contractor.

SOIL AND WATER CONSERVATION DEPARTMENT

2.12 Unfruitful expenditure

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

Under Integrated Agriculture Development Intensive Cultivation Scheme, the North Eastern Council (NEC) administratively approved a project proposal for "Large Cardamom Plantation" to be implemented by Soil and Water Conservation Department through Mara Autonomous District Council (MADC) at a cost of Rs.2.14 crore in 2002-03 with 90 *per cent* grant and 10 *per cent* loan. The scheme aimed at checking the old practice of shifting cultivation and promoting the economic development of village community with optimum utilisation of land.

The funds released by the NEC in four installments during 2002-05 were drawn by the Director of Soil and Water Conservation and disbursed to MADC. The entire amount of Rs.2.14 crore was spent by the MADC during 2003-06.

[10] 447.14 cum X reduced rate @ Rs.2,537.88 per cum = Rs. 11,34,788

[11] (Approved rate @ Rs.3,658.58 – reduced rate Rs.2,537.88) = Rs.1,120.7 X 609.35 cum = Rs. 6,82,899

[12] (Rs.22.29 lakh + Rs.11.35 lakh) = Rs.33.64 lakh

Scrutiny of records made available by the Director of the Department revealed that against the targeted coverage of 800 hectares of Large Cardamom plantations, only 760 hectares was achieved during 2003-06 after incurring an expenditure of Rs.2.07 crore. The remaining Rupees seven lakh was spent for construction of seven drying chambers under the scheme.

On December 2005 the Divisional Officer (DO), Soil and Water Conservation Department, Lawngtlai conducted a physical spot verification of the plantation area covering 200 hectares in 9 villages with 100 beneficiaries. An examination of spot verification report, submitted (December 2005) by the DO, Lawngtlai to the Director of the Department revealed that out of 200 hectares, not a single plantation survived in the following three villages covering 98 hectares.

Table : 2.2

Name of the Village	Plantation area (in hectares)	Nos. of beneficiaries
Chakhang	56	28
Zawngling	20	10
Tuisih	22	11
Total	**98**	**49**

Source: Departmental Records.

The report attributed reasons for non–survival of a single plantation to supply of bad quality of seedlings by MADC. Thus, the entire expenditure of Rs.26.69 lakh[13] spent towards plantation of 98 hectares remained unfruitful.

The matter was reported (August 2009) to the Department and Government. The Government in their reply stated (October 2009) that the casualty of plants in the field occurred subsequently due to cattle/mithun damage and dry condition of the soil, which is not acceptable due to the fact stated above that spot verification report submitted (December 2005) by the Divisional Officer attributed the reason for non-survival to supply of bad quality of seedlings by the MADC.

Regularity issues and other points

General

2.13 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

[13] {(Rs.214 lakh – Rs.7.00 lakh) X 98 hectares} ÷ 760 hectares = Rs.26.69 lakh

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 2009 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 eight paragraphs/reviews featured in the Audit Reports for the years 2006-07 and 2007-08, as mentioned below:

Table: 2.3

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
2006-07	01-04-2008	10	02	02
2007-08	21-07-2009	13	06	06
Total		**23**	**08**	**08**

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 inadequate.

2.14 Response to audit observations and compliance thereof by the Executive

Accountant General (AG) (Audit) conducts periodical inspection of Government Departments to test check the transactions and verify the maintenance of significant 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.

A review of IRs issued during 1995-2009 revealed that 263 paragraphs relating to 61 IRs remained outstanding as of March 2009. No audit committee meeting was held during 2008-09.

CHAPTER III

REVENUE RECEIPTS

CHAPTER – III

REVENUE RECEIPTS

GENERAL

3.1 TREND OF REVENUE RECEIPTS

3.1.1 The tax and non-tax revenue raised by the Government of Mizoram during the year 2008-09, 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: 3.1

(Rupees in crore)

Particulars of revenue receipts	2004-05	2005-06	2006-07	2007-08	2008-09
I. Revenue raised by the State Government					
• Tax revenue	39.55	55.05	67.59	71.96	94.62
• Non-tax revenue	75.60	120.09	133.38	130.30	158.67
Total	**115.15**	**175.14**	**200.97**	**202.26**	**253.29**
II. Receipt from the Government of India					
• State's share of divisible Union taxes	155.79	225.83	288.08	368.92	383.39
• Grants-in-aid	1,230.92	1,252.68	1,479.90	1,468.56	2,016.45
Total	**1,386.71**	**1,478.51**	**1,767.98**	**1,837.48**	**2,399.84**
III. Total receipts of the State	**1,501.86**	**1,653.65**	**1,968.95**	**2,039.74**	**2,653.13**
IV. Percentage of I to III	**7.66**	**10.59**	**10.21**	**9.92**	**9.55**

The above table indicates that during the year 2008-09, the revenue raised by the State Government was 9.55 *per cent* of the total revenue receipts (Rs.2,653.13 crore) against 9.92 *per cent* in the preceding year. The balance 90.45 *per cent* of the receipts during 2008-09 was from the Government of India.

3.1.2 The following table presents the details of tax revenue raised during the period 2004-05 to 2008-09.

Table: 3.2

(Rupees in crore)

Sl. No.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) or decrease (-) in 2008-09 over 2007-08
1.	Sales tax/VAT	28.08	41.59	53.72	62.04	77.51	(+) 25
2.	State excise	1.40	1.46	1.65	1.69	1.87	(+) 11
3.	Stamp duty and registration fee	0.10	0.17	0.21	0.23	0.46	(+) 100
4.	Taxes on vehicles	3.80	4.35	5.01	5.37	5.50	(+) 2
5.	Taxes on goods and passengers	0.69	0.99	0.98	1.07	1.43	(+) 34
6.	Other taxes on income and expenditure, tax on professions, trades, callings and employment	4.37	4.53	4.99	0.08	6.22	(+) 7,675
7.	Land revenue	0.86	1.59	0.73	1.48	1.63	(+) 10
	Total	**39.30**	**54.68**	**67.29**	**71.96**	**94.62**	

The concerned Departments did not inform (November 2009) the reasons for variation despite being requested (October 2009).

3.1.3 The following table presents the details of the non-tax revenue raised during the period 2004-05 to 2008-09.

Table: 3.3

(Rupees in crore)

Sl. No.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) or decrease (-) in 2008-09 over 2007-08
1.	Interest receipts	3.66	6.94	8.76	15.60	32.91	(+) 111
2.	Other non-tax receipts	11.52	15.42	17.56	22.59	18.98	(-) 16
3.	Forestry and wild life	2.74	4.15	4.06	2.98	2.20	(-) 26
4.	Miscellaneous general services (including lottery receipts)	9.03	6.45	44.29	1.53	3.01	(+) 97
5.	Power	40.81	81.80	51.79	83.60	93.40	(+)12
6.	Medical and public health	0.46	0.47	0.56	0.66	0.55	(-) 17
7.	Co-operation	2.01	0.67	0.02	0.02	0.02	--
8.	Public works	2.90	1.04	2.02	0.45	2.02	(+)349
9.	Police	0.22	0.38	0.35	0.34	3.56	(+) 947
10.	Other administrative services	2.25	2.77	3.97	2.53	2.02	(-) 20
	Total	**75.60**	**120.09**	**133.38**	**130.30**	**158.67**	

The concerned Departments did not inform (November 2009) the reasons for variation despite being requested (October 2009).

3.1.4 Variations between the budget estimates and the actuals

The variations between the budget estimates and the actuals of revenue receipts for the year 2008-09 in respect of the principal heads of tax and non-tax revenue are mentioned below.

Table: 3.4

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actual revenue	Variations excess (+) shortfall (-)	Percentage of variation
	Tax revenue				
1.	Sales tax/VAT	60.00	77.51	(+) 17.51	(+) 29
2.	State excise	1.70	1.87	(+) 0.17	(+) 10
3.	Taxes on vehicles	5.00	5.50	(+) 0.50	(+) 10
4.	Taxes on goods and passengers	1.00	1.43	(+) 0.43	(+) 43
5.	Land revenue	1.20	1.63	(+) 0.43	(+) 36
	Non-tax revenue				
1.	Interest receipts	6.25	32.91	(+) 26.66	(+) 427
2.	Forestry and wild life	3.20	2.20	(-) 1.00	(-) 31
3.	Medical and public health	0.50	0.55	(+) 0.05	(+) 10
4.	Miscellaneous general services	3.00	3.01	(+) 0.01	--
5.	Power	80.00	93.40	(+) 13.40	(+) 17

The concerned Departments did not inform (November 2009) the reasons for variation despite being requested (October 2009).

3.1.5 Cost of collection

The gross collection in respect of the principal receipt heads, expenditure incurred on the collection and the percentage of such expenditure to the gross collection during the years 2006-07 to 2008-09 along with the all India average percentage of expenditure on collection for the year 2007-08 are given below.

Table: 3.5

(Rupees in crore)

Sl. No.	Head of revenue	Year	Collection[1]	Expenditure on collection of revenue[2]	Percentage of expenditure on collection	All India average percentage for 2007-08
1.	Sales tax/ VAT	2006-07	53.72	3.77	7.02	0.83
		2007-08	62.04	4.63	7.46	
		2008-09	77.51	2.06	2.66	
2.	Taxes on vehicles	2006-07	5.01	2.31	46.11	2.58
		2007-08	5.37	2.66	49.53	
		2008-09	5.50	3.31	60.18	

The percentage of expenditure on collection during the year 2008-09 reflected an upward trend in respect of taxes on vehicles while it came down drastically in respect of sales tax/VAT. **However, in both the cases the percentage of expenditure on collection was substantially higher than the corresponding all India average for the year 2007-08. The Government needs to take appropriate measures to bring down the cost of collection.**

3.1.6 Arrears in assessment

The details of the assessments pending at the beginning of the year 2008-09, cases due for assessment during the year, cases disposed during the year and the cases pending finalisation at the end of the year as furnished by the Departments are mentioned below.

Table: 3.6

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	3,833	1,241	5,074	658	4,416	87
Motor spirit tax	115	40	155	27	128	83
Total	**3,948**	**1,281**	**5,229**	**685**	**4,544**	**87**

[1] Figures as per Finance Accounts

[2] Figures as Furnished by the department

Thus, the percentage of pending cases at the end of the year 2008-09 was 87 *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.**

3.1.7 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue amounted to Rs.2.01 crore as mentioned below.

Table: 3.7

(Rupees in lakh)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2009
1.	Sales tax/VAT	179.71
2.	Forest	21.48
Total		**201.19**

3.1.8 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 the assessments, levy and collection of the tax receipts and the non-tax receipts and verify the accuracy in maintenance of the accounts and the records as per the Acts, Rules and the procedures prescribed by the Government/Departments from time to time. These inspections are followed by the Inspection Reports (IRs) issued to the heads of the 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.

IRs issued upto December 2008 pertaining to the offices under sales tax, state excise, land revenue, motor vehicle tax and forest Departments disclosed that 288 observations relating to 96 IRs involving revenue of Rs.35.10 crore remained outstanding at the end of June 2009. Of these, 78 IRs containing 217 observations involving revenue of Rs.19.87 crore had not been settled for more than three years. The year wise position of old outstanding IRs and paragraphs is detailed in Appendix - 3.1.

In respect of 48 paragraphs relating to 15 IRs involving revenue of Rs.7.77 crore issued upto June 2009, even the first reply from the Department/ Government has not been received (November 2009).

The Government may prescribe a time schedule for expeditious submission of replies to the IRs/paragraphs for their settlement.

3.1.9 Follow up on Audit Reports - summarised position

With a view to ensuring the 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 the paragraphs and the reviews featured in the Audit Reports within three months of its presentation to the Legislature. For submission of the action taken notes (ATNs) on the recommendations of the PAC, the committee has specified the time frame as six months.

Review of the follow up on the submission of *suo moto* replies and of the ATNs as of 31 October 2009 on the 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 three out of 11 paragraphs featured in the Audit Report for the year 2007-08 in respect of the revenue receipts.

3.1.10 Audit committee meetings

In order to expedite the settlement of the outstanding audit observations contained in the IRs, departmental audit committee meetings are constituted by the Government. These committees are chaired by the Secretaries of the concerned Administrative Departments and attended by the concerned officers of the State Government and the officers of the Accountant General (Audit).

In order to expedite clearance of the outstanding audit observations, it is necessary that the audit committees meet regularly. During the year 2008-09, no Departmental audit committee meeting was held. Thus, the concerned Departments failed to take the advantage of the audit committee set up.

The Government needs to look into this aspect and ensure that the audit committee meetings are regularly held to expedite settlement of the audit paragraphs.

3.1.11 Results of audit

Test check of the records of sales tax, state excise, motor vehicles tax, land revenue, forest and other tax receipts conducted during 2008-09 revealed under assessments/short/non-levy/loss of revenue amounting to Rs.2.31 crore in 8 cases.

This report contains a review on 'Transition from sales tax to VAT in Mizoram' and six paragraphs involving money value of Rs.6.44 crore. The Departments/Government accepted audit observations raised in four cases involving revenue of Rs.4.49 crore, of which Rs.1.06 lakh has been recovered. The concerned Departments have not accepted two cases involving Rs.94.25 lakh and these cases have been included in the chapter with the departmental reply and audit's view. No reply has been received in respect of the remaining cases (November 2009). These are discussed in the succeeding paragraphs 3.2 to 3.8.

PERFORMANCE REVIEW

TAXATION DEPARTMENT

3.2 Transition from Sales Tax Regime to Value Added Tax (VAT) System in Mizoram

Highlights

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

(Paragraph - 3.2.6)

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

(Paragraph - 3.2.8)

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

(Paragraph - 3.2.11)

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

(Paragraph - 3.2.13)

3.2.1 Introduction

The Union Government in Ministry of Finance had constituted an Empowered Committee of State Finance Ministers to resolve the variations in the State Sales Tax Acts and to introduce State level Value Added Tax (VAT). The empowered committee had issued a white paper (January 2005) defining the basic design of State level VAT. The white paper, however, allowed the States to adopt appropriate variations in their VAT Acts consistent with the basic design. The major designs put forth in the white paper were as follows:

- The manufacturers and traders (dealers) will be given input tax credit for purchase of inputs - including that on capital goods - meant for use in manufacture or resale.
- Input tax credit, remaining unadjusted till the end of second year; and also on exports will be refunded to the dealers.
- The dealers will submit self assessment returns declaring their tax liability under State level VAT. The Government will consider these self assessment returns as deemed assessment, except where the notice for audit of books of accounts of the dealer was issued within prescribed period.
- Audit of books of accounts of the dealer will be delinked from tax collection wing to remove any bias.
- The existing incentive schemes will be continued in a manner deemed appropriate by the Sate, after ensuring that the VAT chain is not affected.
- Taxes such as turnover tax, surcharge, additional surcharge and special additional tax would be abolished.

The Government of Mizoram repealed the Mizoram Sales Tax (MST) Act, 1989 and enacted the Mizoram Value Added Tax (MVAT) Act, 2005 from 1 April 2005. Some of the differences between the existing MVAT Act and the Sales Tax Act were as under:

- MVAT is a multipoint tax system while sales tax was a single point tax system.
- MVAT system relies more on the dealers to pay the tax willfully and submit the returns and there is deemed self assessment in the MVAT; while supporting documents were required along with the returns in the MST;
- Percentage check is provided in MVAT Acts while in the MST Act, cent *per cent* cases were assessed; and
- Reduced control of the executive on the dealers in the MVAT compared to the MST.

The transition from sales tax to VAT in Mizoram was reviewed by audit which revealed a number of deficiencies mentioned in the succeeding paragraphs.

3.2.2 Organisational set up

The Department of Taxes which administers the levy and collection of tax under the MVAT Act, is headed by the Secretary, Taxes at the Government level and the Commissioner of Taxes

[3] Four zones: Aizawl South, Aizawl North, Aizawl Central and Lunglei.

[4] Six circles: Champhai, Kolasib, Saiha, Serchhip, Mamit and Lawngtlai.

at the Departmental level. The Commissioner of Taxes is assisted by four[3] Zonal Assistant Commissioner of Taxes and Six Circles[4]. Besides, there are Superintendents of Taxes and Inspectors of Taxes to help him in discharging the day to day functioning.

3.2.3 Audit objectives

The review aimed to ascertain whether the

- planning for implementation and the transition from the MST Act to MVAT Act was effected timely and efficiently;
- the provisions of the MVAT Act and the Rules made thereunder were adequate and enforced properly to safeguard the revenues of the State;
- internal control mechanism existed in the Department and was adequate and effective to prevent leakage of revenue; and
- system which has been in place for three years is performing efficiently.

3.2.4 Scope and methodology of audit

Before taking up the audit, questionnaires were issued to the Circles, Zones through the Commissioner of Taxes. The audit was conducted during May – July 2009 through test check of the records of the Commissioner of Taxes, three Zonal Officers (Aizawl South, Aizawl North and Aizawl Central) and one Circle (Kolasib) out of four Zones and six Circles respectively covering MST period (2004-05) and MVAT period (2005-09). The units were selected based on random sampling methodology.

3.2.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Taxation Department in providing necessary information and records for audit. Before taking up the audit, the Department/Government was informed about the audit of the transitional process to MVAT in April 2009. The findings of the audit were forwarded to the Department/Government in September 2009. An exit conference was held in November 2009 in which the results of audit and the recommendations were discussed. The Commissioner of Taxes attended the meeting. The replies of the Department furnished during the exit conference and at other points of time have been suitably incorporated in the respective paragraphs. Replies of the Government have not been received (November 2009).

Audit findings

3.2.6 Pre-MVAT and Post-MVAT tax collection

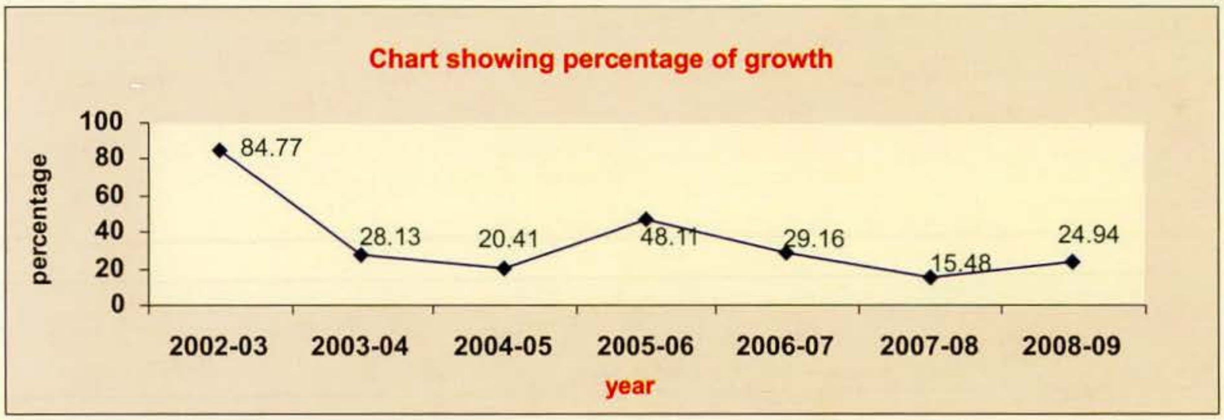
The comparative position of pre-MVAT sales tax collection (2002-03 to 2004-05) and post-MVAT (2005-06 to 2008-09) tax collection including MVAT and the growth rate in each of the years is furnished below in the following table and chart:

Table: 3.9

(Rupees in crore)

Pre-MVAT			Post-MVAT		
Year	**Actual collection (Rs. in crore)**	**Percentage of growth**	**Year**	**Actual collection (Rs. in crore)**	**Percentage of growth**
2001-02	9.85	--	2005-06	41.59	48.11
2002-03	18.20	84.77	2006-07	53.72	29.16
2003-04	23.32	28.13	2007-08	62.04	15.48
2004-05	28.08	20.41	2008-09	77.51	24.94
Average		**44.43**	Average		**29.42**

Source: Audit Reports and departmental records for 2008-09.



The average growth rate during 2002-03 to 2004-05 was 44.43 *per cent* while the average growth rate for 2005-06 to 2008-09 was 29.42 *per cent*. Also, after MVAT implementation, the growth rate has been decreasing year after year and after declining to the level of 15.48 *per cent* in 2007-08, it again went up to 24.94 *per cent* in 2008-09. This is a matter of serious concern especially when viewed against over eight fold increase in the number of dealers registered in 2008-09 against the number in 2004-05 in the MST regime. **The Government needs to investigate the possibility of leakage of revenue and take effective steps to arrest the decline.**

3.2.7 *Registration and database of the dealers*

3.2.7.1 *Creation of database of the dealers*

The database records of the registered dealers are available in the VAT and CST Management Systems (VCMS) in respect of all the Zones and Circles in the State.

3.2.7.2 *Registration of the new dealers*

The position of registration of the dealers during (2004-05) MST regime and new dealers during post-MVAT period (2005-09) are given below:

Table: 3.10

Name of Zone/Circle	Position during 2004-05 MST regime	Year wise position of the registered dealers under MVAT regime			
	No. of dealer	2005-06	2006-07	2007-08	2008-09
1. Aizawl South	180	860	917	1,205	1,088
2. Aizawl North	230	594	760	901	1,120
3. Aizawl Central	----	----	----	----	1,012
4. Champhai	29	195	255	283	323
5. Kolasib	21	87	102	116	161
6. Lunglei	77	289	342	297	462
7. Mamit	----	----	38	45	45
8. Saiha	----	74	88	96	108
9. Serchhip	----	39	56	79	81
10. Lawngtlai	----	65	100	129	182
Total	**537**	**2,203**	**2,568**	**3,151**	**4,582**

Source: Departmental records.

Thus, the number of registered dealers (537 Nos.) in MST regime (2004-05) increased by 310 *per cent* to 2,203 in 2005-06 *i.e.* on the first year of transition from MST to MVAT. This has further increased to 4,582 in 2008-09.

3.2.7.3 *Analysis of increase in collection vis-à-vis increase in number of dealers*

The number of registered dealers during the period from 2004-05 to 2008-09 *vis-à-vis* receipt per dealer is tabulated below:

Period	Number of dealers	Percentage increase (+)/decrease(-) of dealers with reference to the previous year	Actual receipts (Rupees in crore)	Receipts per dealer (Rupees in lakh)
2004-05	537	--	28.08	5.23
2005-06	2,203	(+) 310	41.59	1.89
2006-07	2,568	(+) 16.57	53.72	2.09
2007-08	3,151	(+) 22.70	62.04	1.97
2008-09	4,582	(+) 45.41	56.22	1.22

Thus, after implementation of the MVAT Act, though there was an increase in the VAT receipts, the receipts per dealer has gone down substantially. The collection per dealer has also been decreasing consistently since 2006-07, despite the fact that most of the goods sold within the State were taxable at the first point of sale under the MST Act while under the MVAT Act, it is taxed at multipoints.

The Government needs to analyse the reasons for such dip in the collection per dealer despite the fact that most of the goods sold within the State are now taxable at multipoints and take effective measures to plug the loop holes to reduce the scope of leakage of revenue.

3.2.7.4 Detection of unregistered dealers through surveys/raids

The Act provides for compulsory registration of the dealers and no dealer shall carry on business as a dealer unless he has been registered and possesses a certificate of registration. Further, if a dealer while being liable to pay tax fails to get himself registered, he may be imposed by way of penalty a sum, not less than five thousand rupees and not exceeding ten thousand rupees, for each month of default under Section 22(1) of the Act.

Scrutiny of the information/records of the Zonal and Circle level taxation offices revealed that almost all the dealers registered under the MVAT Regime had voluntarily come forward and got themselves registered. **The Department has, however, not installed (July 2009) any procedure/system for checking the runaway dealer. The Commissioner of Taxes has also not prescribed any system for monitoring the progress of surveys/raids and registration of unregistered dealers.** The taxation officials had carried out only 80 surveys/

[5] South Zone – 49 nos., Mamit Circle – 21 nos. and Lawngtlai circle – 10 nos. = Total **80.**

[6] Central Zone, North Zone, Champhai Circle, Kolasib Circle, Lunglei Circle, Saiha Circle, Serchhip Circle.

raids[5] (in three Zones and Circles during 2005-09) to detect unregistered dealers. The other Zonal and Circle officers[6] intimated (June 2009) that they had not carried out any survey or raid during 2005-09.

Instances of evasion of tax by unregistered dealers have been pointed out in paragraph 3.5.

The Commissioner of Taxes stated (November 2009) that the surveys were mostly carried out and the increase in number of registered dealers year after year was the result of such survey and detection drives. The reply is not tenable since the concerned Zonal and Circle officers have intimated that they did not undertake such survey and raid.

The Government may consider fixing specific targets for carrying out surveys/raids to detect unregistered dealers and bring them under the tax net. They may also prescribe a monitoring mechanism at the Commissionerate for effective monitoring of the progress in this regard.

3.2.8 Scrutiny of the returns

Under Section 27 of the MVAT Rules, each and every return in relation to any tax period furnished by a registered dealer shall be subject to scrutiny by the assessing officer to verify the correctness of the calculation, application of the rate of tax/interest, input tax credit claimed therein and full payment of the tax and interest payable by the dealer during such period. Further, Section 24(c)(iii) provides that if the dealer fails to furnish the return, the tax payable for the period for which he has failed to furnish return is at the rate of two *per cent* per month from the date the tax payable had become due to the date of his payment or to the date of order of assessment, whichever is earlier.

- Scrutiny of the information furnished by the Champhai Circle revealed that during 2005-09 most of the dealer's returns remained unscrutinised as per details given below.

Table: 3.11

Year	No. of registered dealer	Position of submission of returns				No. of dealers completed with scrutiny	No. of dealers left with scrutiny
		No. of dealers submitted timely	No. of dealers not submitted in time	No. of dealers levied with interest for delay in submission	No. of dealers not levied with interest		
2005-06	195	120	75	Nil	75	130	65
2006-07	255	87	168	02	166	80	175
2007-08	283	138	145	10	135	128	155
2008-09	323	110	213	Nil	213	91	232
Total	**1,056**	**455**	**601**	**12**	**589**	**429**	**627**

Source: Departmental records.

Besides the shortfall in scrutiny of 627 annual returns, the assessing officer had not levied any interest (at two *per cent*) on the dealers concerned with the 601 returns submitted late except in 12 cases, on the tax payable for the period for which the dealers have failed to furnish returns. Thus, due to non-compliance of the provisions of the Act, the Government has suffered loss of substantial amount of revenue by way of interest. Since this unit was not selected for the detailed audit, loss of revenue could not be quantified.

The Commissioner of Taxes stated (November 2009) that efforts were being made to complete all scrutiny including entry into the VCMS during 2009-10 and additional revenue recovered in the form of interest as a result of scrutiny will be intimated to audit. Further report has not been received (November 2009).

The Government may consider strengthening the monitoring mechanism for the receipt and scrutiny of the returns in the Circles and Zones. They may also consider prescribing guidelines for scrutiny of the returns to ensure that the returns are scrutinised properly to detect evasion of tax.

[7] Aizawl South, Aizawl Central, Aizawl North and Lunglei.

[8] Champhai, Kolasib, Mamit and Serchhip.

3.2.9 Tax audit

The Department of taxation has not carried out any tax audit case in respect of the dealers during 2005-09 as provided under Section 28 of the MVAT Act, 2005.

The Commissioner of Taxes has accepted (November 2009) the facts.

3.2.10 Audit assessment

The assessing officers are required to conduct audit assessment in accordance with the provisions under Section 31 of the MVAT Rules, 2005 in respect of the dealers selected by the Commissioner on the basis of criteria/parameters being adopted for the purpose.

Scrutiny of the records/information furnished by the assessing officers in respect of four zones[7] and four circles[8] revealed that for the year 2005-06 to 2007-08, out of 8,446 dealers (with annual turnover exceeding Rs.20 lakh) only 766 dealers (nine *per cent*) were covered with audit assessment. This resulted in non-coverage of 91 *per cent* under the audit assessment. The Zone/Circle wise position of the dealers and turnover assessed are given below.

Table: 3.12

(Rupees in crore)

Name of Zone/ Circle	Year	No. of regd. dealers	No. of dealers actually covered with audit assessment	Position of turnover after audit assessment			
				Turnover returned	Turnover assessed	Increase in turnover	Percentage of increase
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Aizawl South	2005-06	835	Nil	Nil	Nil	Nil	Nil
	2006-07	891	05	0.31	0.91	0.60	194
	2007-08	1,178	07	0.61	0.99	0.38	62
2. Aizawl Central	2005-06	604	56	2.57	5.60	3.03	118
	2006-07	744	39	0.12	3.39	3.27	2,725
	2007-08	827	02	0.28	0.57	0.29	104
3. Aizawl North	2005-06	332	102	6.60	13.51	6.91	105
	2006-07	362	77	2.80	13.33	10.53	376
	2007-08	358	55	3.35	2.90	(-) 0.45	Nil

4. Lunglei	2005-06	289	Nil	Nil	Nil	Nil	Nil
	2006-07	342	75	1.88	2.59	0.71	38
	2007-08	397	10	1.31	1.56	0.25	19
5. Champhai	2005-06	193	87	1.99	3.82	1.83	92
	2006-07	253	59	1.95	4.25	2.30	118
	2007-08	281	31	2.36	3.78	1.42	60
6. Mamit	2005-06	Nil	Nil	Nil	Nil	Nil	Nil
	2006-07	37	09	0.10	0.31	0.21	210
	2007-08	44	07	0.39	0.66	0.27	69
7. Serchhip	2005-06	39	20	0.14	0.36	0.22	157
	2006-07	56	20	0.72	1.05	0.33	46
	2007-08	79	18	0.34	1.20	0.86	253
8. Kolasib	2005-06	87	Nil	Nil	Nil	Nil	Nil
	2006-07	102	42	2.43	4.48	2.05	84
	2007-08	116	45	3.26	6.45	3.19	98
Total	**2005-08**	**8,446**	**766**	**33.51**	**71.71**	**38.20**	**114**

Source: Departmental records.

Thus, the turnover of Rs.33.51 crore returned by the 766 dealers was found to be incorrect and on further audit assessment this was raised to Rs.71.71 crore i.e. 114 *per cent* which reveals that the evasion of tax per dealer was Rs.4.99 lakh. Thus, had the audit assessment of the remaining 7,680 dealers been initiated, substantial amount of revenue could have been generated.

While accepting the facts of large arrears in assessment as observed in audit, the Commissioner of Taxes stated (November 2009) that efforts were being made to prevent loss of revenue for not taking up assessments within the permissible time limit.

3.2.11 Underassessment of tax detected by audit

Where a dealer has been underassessed, the amount of tax due from the dealer may be re-assessed, in respect of such underassessed turnover in terms of provisions under Section 34(1)(e) of the Act.

Scrutiny of the assessment orders in respect of the registered dealers revealed that in respect of following dealers the tax due was underassessed and, therefore, it required reassessment for determining actual tax due from them.

- While assessing a registered dealer under South Zone, Aizawl the assessing officer determined the stock of goods (opening stock plus purchases) during the period

2005-08 as Rs.201.47 lakh instead of the correct stock valued at Rs.226.86 lakh. This short determination of stock by Rs.26.40 lakh resulted in short levy of tax of Rs.2.72 lakh.

The Commissioner of Taxes stated (November 2009) that in the light of the audit observation, show cause notice has been served upon the dealer on 14 October 2008. Further development had not been reported (November 2009).

- A dealer under Central Zone, Aizawl filed his returns for the year 2005-06 with total purchase turnover of Rs.419.02 lakh, but while assessing the dealer, the assessing officer had determined the total purchase turnover as Rs.387.28 lakh only. This resulted in underassessment of turnover by Rs.31.74 lakh with consequent short levy of tax of Rs.3.97 lakh.

  The Commissioner of Taxes stated (November 2009) that the tax was levied on the dealer's taxable turnover of sales and not on the taxable purchase made by him. The difference in the amount of purchases made by the dealer need not necessarily lead to increase in taxable turnover of sales. Hence, there was no underassessment with a consequential short levy of Rs.3.97 lakh as observed by audit.

  The reply is not tenable as the reduction of returned purchase turnover i.e. Rs.419.02 lakh to Rs.387.28 lakh resulted in either reduction of the closing balance or the sales turnover for the respective year by Rs.31.74 lakh with consequential tax effect of Rs.3.97 lakh. Further reply has not been received (November 2009).

- As per the information furnished by the assessing officer under North Zone Aizawl, the total purchase turnover in respect of a register dealer (TIN – 15110242088) for the year 2006-07 was Rs.244.26 lakh (including opening stock). But, while assessing the dealer, the assessing officer had determined the total purchase turnover as Rs.217.74 lakh only, which resulted in underassessment of turnover by Rs.26.52 lakh with consequent short levy of tax by Rs.1.06 lakh.

  The Commissioner of Taxes stated (November 2009) that the concerned dealer had deposited (November 2009) the balance tax of Rs.1.06 lakh at the instance of audit.

  The Government may consider increasing the percentage of audit assessments to be taken up to prevent leakage of revenue.

3.2.12 Documentation

Audit scrutiny revealed that like in MST Act, supporting documents were not submitted by the registered dealers while filing their returns, as the MVAT Act and Rules do not

contain any system or provision for the same. As a result, all the assessing officers returned the dealer's documents as soon as the assessments were completed. Thus, the audit scrutiny was mainly based on the assessment orders of the assessing officers. In absence of the dealer's documents, no fruitful audit scrutiny of the correctness of the dealer's claims in the returns etc. could be conducted.

The Commissioner of Taxes stated (November 2009) that the retention of supporting of documents along with the returns in the office of the assessing officers had not been categorically provided in the Act because of certain problems in storing and preserving such large number of documents in the office due to space problem. However, these documents could be examined and scrutinised by audit if and when required by them in course of their audit. The reply is not tenable as during the pre-VAT period, all the supporting documents along with the returns were being preserved and moreover the number of documents to be enclosed with the returns under the MVAT Act are less as compared to those under the MST Act. Besides, no meaningful scrutiny of the returns can be conducted without the supporting documents.

The Government/Department may consider reviewing the provision in view of the fact that retention of the documents in the case records would facilitate further scrutiny/ verification, if needed.

3.2.13 Provisions governing tax deducted at source

Section 85 of the Act does not allow any Government Department to place supply order with, or make purchases of any goods from, any dealer or make any payment to such dealer for such purchases, until the Commissioner of Taxes certifies that such dealer has no liability to pay the tax or has not defaulted in furnishing any return.

Scrutiny of the records/information collected from the Directorate of Horticulture, Mizoram revealed that the Department in contravention of the above provision placed supply orders on eleven different suppliers for supply of 15,740 quintals of galvanised iron wire at a total cost of Rs.7.77 crore and the payments were also released during 2006-07 without deducting tax at source as the MVAT Act/Rules did not provide for such deduction. Further verification revealed that two out of the 11 dealers were not registered. Out of the remaining nine dealers, five dealers were not registered for dealing in galvanized iron wire. Thus, due to non-deduction of the tax at source, there was minimum loss of revenue of Rs.20.72 lakh calculated at the rate of four *per cent* on the turnover of Rs.5.18 crore pertaining to these seven unregistered dealers only. Besides, minimum penalty of Rs.41.44 lakh was also leviable. The Department also needs to verify from the records available with the dealers whether the remaining dealers who were registered had included the aforesaid amount and take appropriate action to determine whether any tax is leviable. **Evasion of tax by the dealers, could have been avoided had the MVAT Act/Rules provided for deduction of tax at source by the drawing and disbursing officers of the Government Departments while releasing the payments to the dealers.**

The Commissioner of Taxes stated (November 2009) that the cases will be pursued and tax, if due, would be realised and the fact would be communicated. Further report has not been received (November 2009).

The Government may consider amending the Act/Rules providing necessary provision for tax deduction at source to prevent evasion of tax by unregistered dealers.

3.2.14 Internal audit

Internal audit is one of the most vital tools of the internal control mechanism and functions as the 'eyes' and 'ears' of the management and evaluates the efficiency and effectiveness of the mechanism. It also independently appraises whether the activities of the organisation/ Department are being conducted efficiently and effectively.

It was noticed that the Department does not have an internal audit wing of its own. The records and the accounts of the Department in respect of implementation of MST and MVAT were not test audited by the Examiner of Local Accounts (Directorate of Accounts and Treasuries, Mizoram) during the period covered under review.

The Commissioner of Taxes intimated (November 2009) that a proposal is underway for creation of an Audit Wing and implementation of VAT Audit Manual.

The Government may consider creating an internal audit wing to examine the functioning of the Department.

3.2.15 Conclusion

Though the overall revenue in absolute terms has all along the years from 2001-02 to 2008-09, showed an increasing trend, the percentage of revenue growth decreased consistently except in 2008-09. This is a matter of serious concern especially when viewed against over eight fold increase in the number of dealers registered in 2008-09 against the number in 2004-05 in the MST regime. The coverage of tax audit/assessment in respect of the dealers with annual turnover upto Rs.20 lakh was poor. Non-detection of concealment of turnover by the dealers and underassessment of tax by the assessing officers proves that the assessments were not carried out in an effective and efficient manner by them. Internal controls were weak as evidenced by the mistakes in the assessments as mentioned above and also the fact that there was no internal audit wing in the Department due to which the loop holes and the lacunae in the system could not be detected by the Department some of which have been pointed out in this review.

3.2.16 Summary of recommendations

The State Government may consider implementing the recommendations mentioned under the respective paragraphs in this review with special attention to the following.

- prescribe system for survey and raid to detect the unregistered dealers;
- strengthen the management information system for effective monitoring of the submission and scrutiny of the returns;
- increase the number of dealers to be taken up for audit assessments;
- review the provision regarding retention of the documents in the case records after completion of the assessments;
- amend the Act and Rules to provide for deduction of tax at source from the supplier's bills by the drawing and disbursing officers of various Departments of the Government and also provide for penal measures for failure to do so; and
- establish an internal audit wing to examine the functioning of the Department.

PARAGRAPHS

ENVIRONMENT AND FOREST DEPARTMENT

3.3 Non-realisation of monopoly fee

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

The Principal Chief Conservator of Forests (PCCF), Mizoram vide his circular of July 1989 clarified that the Monopoly Fee (MF) is to be realised when permits are issued without auction giving monopoly to the permit holders and directed that in all cases where permits are issued to the individual applicants, MF at the rate of 100 *per cent* of the existing royalty on all forest produces shall be levied and realised. The Government of Mizoram, Environment and Forest Department on 6 August 2001, fixed the rate of royalty of *Mautak*[9] species of bamboo at Rupee one per bamboo for sale outside Mizoram for commercial purposes.

Test check of the records of DFO, Kolasib in March 2007 revealed that in 411 cases of permits issued without auction, 90.28 lakh bamboos were transported outside the state for commercial purposes between April 2004 and February 2007 by realising royalty of Rs.90.28 lakh without realising MF as stipulated by the PCCF. This resulted in non-levy of the MF of Rs.90.28 lakh being 100 *per cent* of the royalty.

After this was pointed out, the PCCF replied (June 2009) that realisation of the MF is not applicable in case of selling of bamboos on permit system. The reply is however not tenable since the Planning Officer of PCCF's office had clarified (August 2006) that 100 *per cent* MF was realisable on bamboo sold on permit system.

The case was reported to the Government in May 2007 and May 2009; their reply has not been received (November 2009).

3.4 Loss of revenue due to illegal removal of timber

Loss of revenue of Rs.19.82 lakh due to illicit felling and removal of 460.283 cum of timber from reserved forest.

Under the Mizoram Forest Act (MF Act) 1955, felling of trees and removal of forest produce from a reserve forest area without valid pass is prohibited. Forest produce felled/removed illegally

[9] Melaconna Baciferra.

are to be seized, confiscated and brought to safer places/forest designated depots and reported to the appropriate court of law prior to their disposal. To prevent illegal felling/removal of the forest produce, deployment of the Forest Protection Force and erection of forest check gates at all the vital points is the primary responsibility of the Forest Department. In Mizoram, royalty rate of A II and B II species of round logs varies between Rs.7,413 and Rs.530 per cum.

Test check of the records of the Divisional Forest Office, Kolasib in March 2007 revealed that in 38 cases, 460.283 cum of timber of various valuable species (Teak, Gomari etc.) were illegally removed from the State Reserve Forest. Illegal removal of such large volumes of timber from the state reserve forest indicates inadequate surveillance and enforcement of the protection measures. This also resulted in loss of revenue of Rs.19.82 lakh.

While accepting the fact of illicit felling and removal of timber from the reserve forest, the Principal Chief Conservator of Forests, Mizoram stated (June 2009) that due to paucity of staff, engagement of staff for strict vigilance and efficient enforcement of protection measures in the entire vast forest area was a difficult task.

The matter was reported to the Government in May 2007 and May 2009; their reply has not been received (November 2009).

TAXATION DEPARTMENT

3.5 Non-realisation of tax and penalty

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

As per provisions of the Mizoram Value Added Tax (MVAT) Act, no dealer shall carry on business as a dealer, unless he has been registered and possesses a certificate of registration. If the dealer fails to get himself registered within two months from the date from which he is liable to pay the tax, he is liable to pay by way of penalty, a sum not less than Rs.5,000 for each month of default, under Section 22(1) of the MVAT Act. Further, as provided in Section 85(1) of the MVAT Act, no Government department shall place order with, or make any payment to such dealer for purchases, unless the commissioner certifies that the dealer has no liability to pay tax and issue a clearance certificate to that effect.

Scrutiny of the records of the Superintendent of Taxes, Kolasib Circle in March 2009 revealed that two Government Departments in Kolasib purchased goods worth Rs.4.58 crore during

2005-07 from 211 unregistered dealers in contravention of provisions of the MVAT Act. These dealers were required to pay Rs.19.32 lakh tax at the minimum rate of four *per cent*, against which the Departments deducted Rs.9.16 lakh only at source as per the details given below.

Table: 3.13

(Rupees in lakh)

Name of department	Year	No. of unregistered dealers	Gross value of goods supplied	Tax deposited into the Government account	Month of deposit	Penalty to be levied for default upto March 09
Executive Engineer, PHE WATSON, Kolasib Division	2005-06	127 Nos.	224.66	4.49	March 2006	222.25[10]
Executive Engineer, Kolasib Power Division	2005-06	65 Nos.	141.28	2.83	March 2006	113.75[11]
	2006-07	19 Nos.	92.21	1.84	August to November 2006	25.65[12]
Total		**211 Nos.**	**458.15**	**9.16**	----	**361.65**

The Taxation Department, however, had neither taken (March 2009) any action to realise the balance tax of Rs.10.16 lakh from all the unregistered dealers nor initiated any penal action against the dealers for carrying out business without registration. A minimum penalty of Rs.3.62 crore was leviable for the period from May 2006 to March 2009 against these 211 dealers in default, which was not levied.

The Commissioner of taxes while accepting the fact stated (July 2009) that necessary steps were being are taken for recovery of the balance tax and the outcome was awaited (November 2009).

The matter was reported to the Government in April 2009; their reply has not been received (November 2009).

Calculation of penalty :-

10 May 2006 to March 2009 = 35 months X 127 Nos. X Rs. 5,000 = Rs. 222.25 lakh

11 May 2006 to March 2009 = 35 months X 65 Nos. X Rs. 5,000 = Rs. 113.75 lakh

12 January 2007 to March 2009 = 27 months X 19 Nos. X Rs. 5,000 = Rs. 25.65 lakh

3.6 Concealment of turnover/short realisation of tax

A registered dealer concealed turnover of Rs.5.70 crore during 2005-07 for which he was liable to pay penalty of Rs.45.56 lakh, besides payment of underassessed balance tax of Rs.9.39 lakh.

Under Section 31(7)(b) of the MVAT Act, if a dealer has furnished incorrect and incomplete returns for any period to evade payment of tax, he shall be liable to pay by way of penalty, a sum not exceeding twice the amount of the tax assessed. Further, Section 8(2)(c) of the MVAT Act provides that in determining the taxable contractual transfer price of a dealer liable to pay tax, a deduction of 30 *per cent* on account of labour and non-material cost is allowable as deduction from the gross turnover *i.e.* from the aggregate of the amount received or receivable by the dealer for transfer of properties in relation to a works contract. No deduction is, however, applicable from the aggregate price of material purchase.

Test check of the records of the Superintendent of Taxes, Kolasib Circle in March 2009 revealed that a registered dealer[13] in relation to his works contract disclosed the aggregate turnover of material purchases as Rs.7.33 crore during 2005-07 (2005-06 = Rs.3.46 crore and 2006-07 = Rs.3.87 crore). The assessing officer, however, in course of his assessment (September 2007 and April 2008) rejected the turnover and enhanced it to Rs.13.03 crore (2005-06 = Rs.8.28 crore and 2006-07 = Rs.4.77 crore) on the basis of accounts and records produced by the dealer. Thus, the dealer had deliberately concealed a turnover of Rs.5.70 crore during 2005-06 to 2006-07 to evade the liability of payment of tax of Rs.22.78 lakh, for which he was liable to pay penalty not exceeding Rs.45.56 lakh, which was not levied.

Further scrutiny revealed that while determining the taxable turnover, the assessing officer had irregularly allowed a 30 *per cent* deduction of Rs.3.91 crore (2005-06 = Rs.2.10 crore and 2006-07 = Rs.1.81 crore) from the aggregate turnover of the material purchases reducing the taxable turnover to Rs.9.12 crore (Rs.13.03 crore – Rs.3.91 crore). Since the deduction of 30 *per cent* is applicable only from the gross turnover i.e. aggregate of amount received or receivable by a dealer from his works contract, the allowance of such deduction from the aggregate turnover of material purchases was incorrect. The dealer was liable to pay tax of Rs.52.12 lakh during 2005-07 on the gross turnover of purchases of Rs.13.03 crore, against which only Rs.42.73 lakh was paid by him during 2005-07. Thus, the dealer is liable to pay balance tax of Rs.9.39 lakh (Rs.52.12 lakh – Rs.42.73 lakh).

[13] M/s Patel Engineering Ltd

The Commissioner of Taxes while accepting the facts stated (July 2009) that steps were being taken to recover the balance tax. A report on recovery has not been received (November 2009).

The matter was reported to the Government in April 2009; their reply has not been received (November 2009).

TRANSPORT DEPARTMENT

3.7 Outstanding permit fees with penalty

In 181 cases of all Mizoram maxi cabs, the permit fees of Rs.20.75 lakh was outstanding with penalty of Rs.5.05 lakh.

The State Transport Authority (STA), Mizoram under their notification dated 27 November 2006 reduced the authorisation permit fee for All Mizoram Maxi Cab (AMMC) from the existing rate of Rs.5,000 per annum to Rs.4,000 per annum from the date of issue of the notification. Further, as per the notification issued on 2 December 2005, the STA is to collect penalty fee for non-renewal of the transport vehicle permits at the following specified rates from the date of the issue of the notification –

(i) For each month upto 3 months	Rs.200 pm subject to maximum of Rs.500.
(ii) More than 3 months upto 6 months	Rs.200 pm subject to maximum of Rs.800.
(iii) More than 6 months	Rs.1,000 per year and Rs.200 for every additional month.

Test check of the records of the STA, Mizoram in June 2009 revealed that 181 maxi cabs had not renewed their authorisation permits during the period from September 2003 to March 2009. All the motor vehicles were deemed to be kept for use as none of the registered owner of the AMMCs intimated the STA/RTAs in writing that the motor vehicles shall not be used after expiry of the period for which authorisation permit fees had already been paid. Thus, authorisation permit fees to the tune of Rs.20.75 lakh remained outstanding in respect of all the 181 AMMCs for the period from September 2003 to March 2009. In addition, a penalty of Rs.5.05 lakh was also recoverable for the delay in renewal.

The matter was reported to the Department and the Government in July 2009, their reply has not been received (November 2009).

3.8 Short realisation of composite fees

In 126 cases, composite fees of Rs.8.10 lakh was realised by the respective States instead of Rs.19.68 lakh which led to short realisation of composite fees of Rs.11.58 lakh.

The Government of Mizoram, Transport Department under their Notification dated 21 March 1995 decided that from 1 April 1995 onwards, the maxi cabs (7-13 seaters) and the mini buses (14-35 seaters) registered in any of the States or Union Territories of India will be authorised to ply in the State of Mizoram on payment of the composite fee at the rate of Rs.12,000 and Rs.48,000 respectively per annum through the respective STAs, under which the tourist permits were granted.

Test check of the records of the Secretary, State Transport Authority (STA), Mizoram in June 2009 revealed that in 117 cases of maxi cabs (7-13 seaters), composite fee for plying in the State of Mizoram was realised by the States of Assam and Meghalaya at Rs. 6,000 per vehicle per annum instead of Rs.12,000 per vehicle per annum and remitted to the Secretary, STA, Mizoram. Similarly, in nine cases of mini buses (14-35 seaters) of Assam and Meghalaya, composite fee was realised and remitted at the rate of Rs.24,000 instead of Rs. 48,000 per vehicle per annum during the same period. This resulted in short realisation of composite fee of Rs.11.58 lakh, as per the details given in the table below.

Table: 3.14

(Rupees in lakh)

Sl. No.	Type of vehicle	Composite Fee Realisable				Amount realised	Balance
		No. of vehicles	Due for the year	Rate per year	Total		
1.	Maxi Cab	107	2007-08	0.12	12.84	6.42	6.42
		2	2007-08	0.12	0.24	Nil	0.24
		5	2006-08	0.12	1.20	0.30	0.90
		3	2005-08	0.12	1.08	0.18	0.90
Sub total		**117**	----	----	**15.36**	**6.90**	**8.46**
2.	Mini Bus	4	2007-08	0.48	1.92	Nil	1.92
		5	2006-08	0.48	2.40	1.20	1.20
Sub total		**9**	----	----	**4.32**	**1.20**	**3.12**
Grand total		**126**	----	----	**19.68**	**8.10**	**11.58**

It was further observed that the matter was not pursued by the STA, Mizoram with their counterparts in Assam and Meghalaya for realisation of the balance amount.

The matter was reported to the Department and the Government in July 2009, their reply has not been received (November 2009).

CHAPTER IV

STATE PUBLIC SECTOR UNDERTAKINGS

CHAPTER – IV

STATE PUBLIC SECTOR UNDERTAKINGS

4. GENERAL

4.1 Overview of State Public Sector Undertakings

Introduction

4.1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Mizoram, the State PSUs occupy insignificant place in the State economy. The State PSUs registered a turnover of Rs.2.41 crore for 2008-09 as their latest finalised accounts as of September 2009. This turnover was equal to 0.07 *per cent* of State Gross Domestic Product (GDP) for 2008-09. The State PSUs incurred a loss of Rs.4.56 crore in the aggregate for 2008-09 as per their latest finalised accounts. They had employed 263[1] employees as of 31 March 2009. The State PSUs do not include two prominent Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government Departments.

4.1.2 As on 31 March 2009, there were *five* PSUs as *per* the details given below. None of companies was listed on the stock exchange(s).

Table : 4.1

Type of PSUs	Working PSUs	Non-working PSUs	Total
Government Companies	5	NIL	5
Statutory Corporations	NIL	NIL	NIL
Total	**5**	**NIL**	**5**

Audit Mandate

4.1.3 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as *per* Section 619-B of the Companies Act.

[1] As per the details provided by five PSUs

4.1.4 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as *per* the provisions of Section 619 of the Companies Act, 1956.

Investment in State PSUs

4.1.5 As on 31 March 2009, the investment (capital and long-term loans) in *five* PSUs was Rs.94.98 crore as *per* details given below:

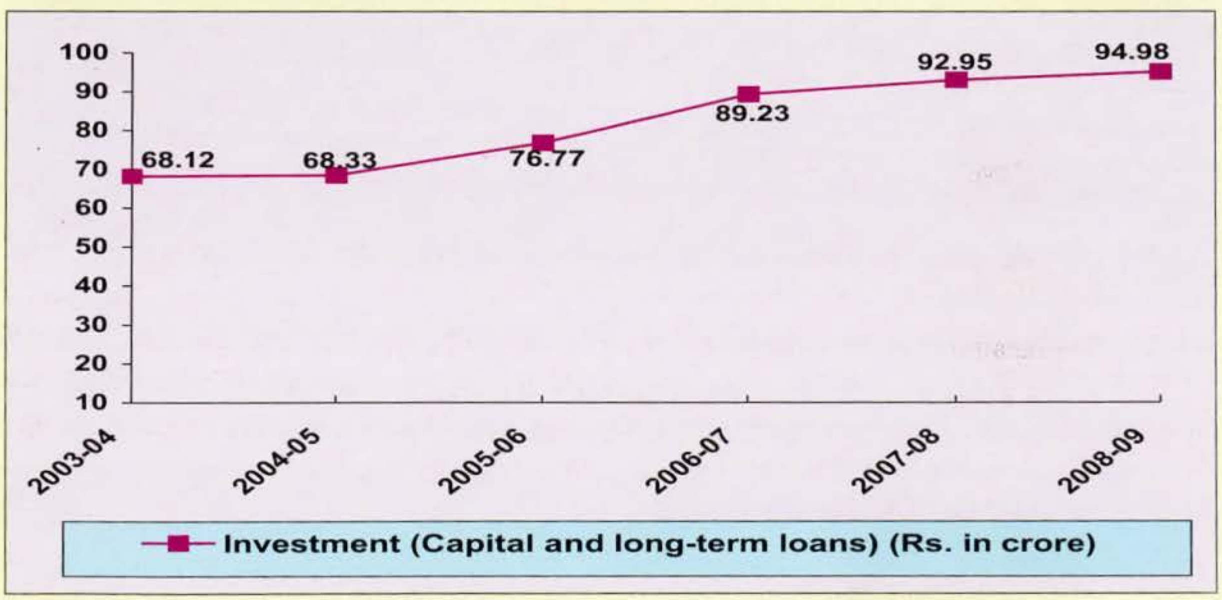
Table : 4.2

(Rs. in crore)

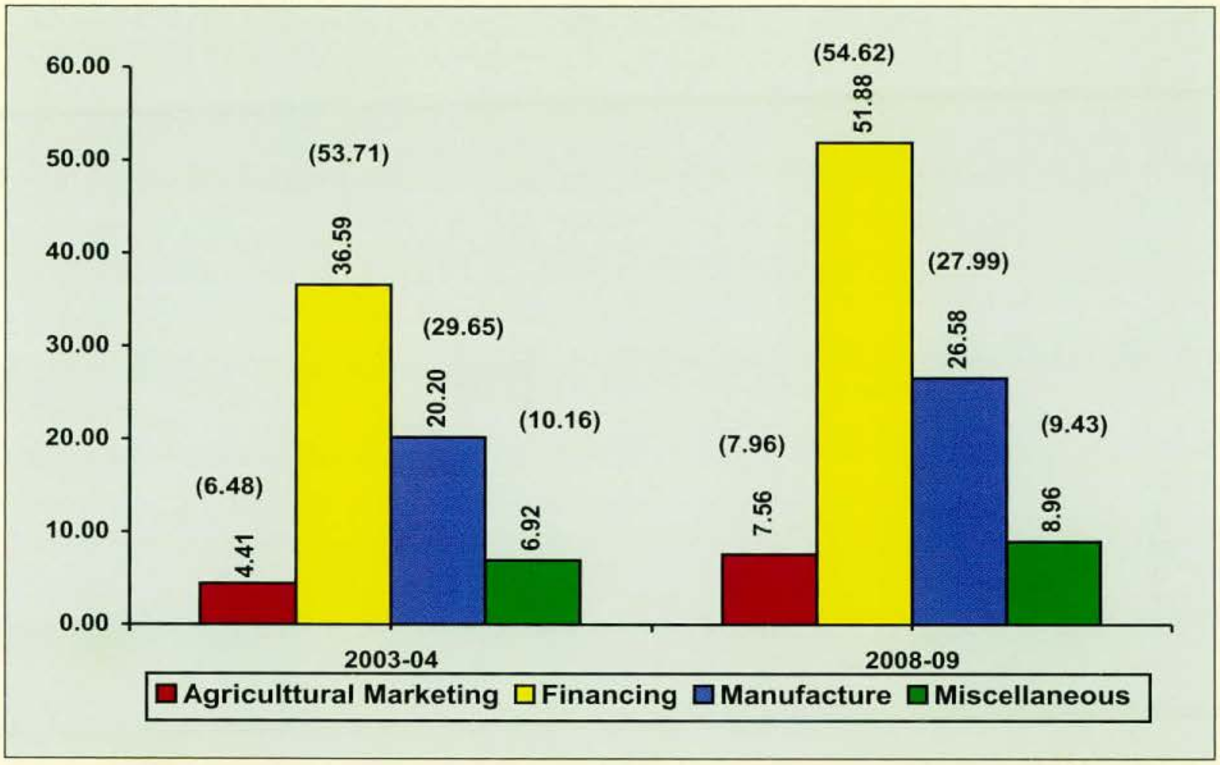
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	61.33	33.65	94.98	NIL	NIL	NIL	94.98
Non-working PSUs	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total	**61.33**	**33.65**	**94.98**	**NIL**	**NIL**	**NIL**	**94.98**

A summarised position of Government investment in State PSUs is detailed in Appendix - 4.1.

4.1.6 As on 31 March 2009, the total investment in five working PSUs was Rs. 94.98 crore. This total investment consisted of 64.57 *per cent* towards capital and 35.43 *per cent* in long-term loans. The investment has grown by 39.43 *per cent* from Rs.68.12 crore in 2003-04 to Rs.94.98 crore in 2008-09 as shown in the graph below:



4.1.7 The total investment in various sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart.



(Figures in brackets show the percentage of total investment)

4.1.8 The increase in total investment was mainly due to increase in equity in Financing (Rs.4.55 crore); Handloom (Rs.2.04 crore); Food processing (Rs.4.20 crore); Electronics (Rs.2.17 crore) and Agriculture Marketing (Rs.1.05 crore) and increase in loan (Rs.10.74 crore) in Industrial Development & Financing Sector.

Budgetary outgo, grants/subsidies, guarantees and loans

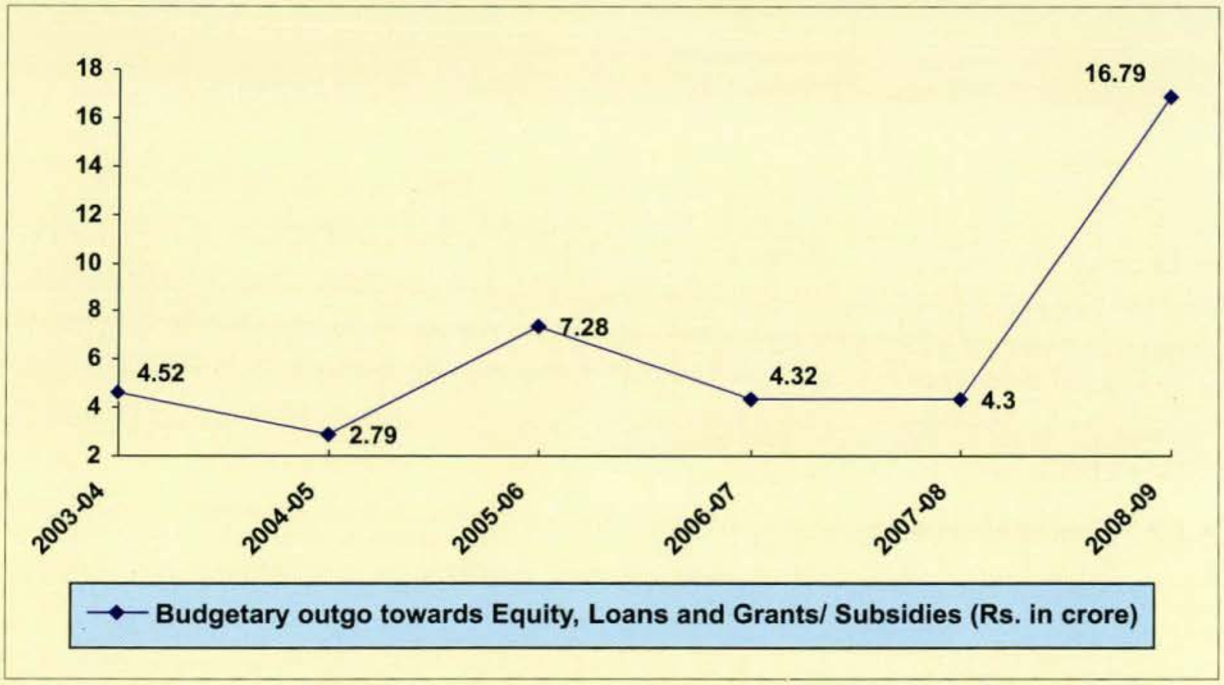
4.1.9 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in Appendix - 4.2. The summarised details are given below for three years ended 31 March 2009.

Table : 4.3

(Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	3	2.10	4	2.80	4	2.88
2.	Loans given from budget	-	-	-	-	1	8.72
3.	Grants/Subsidy received	5	2.22	2	1.50	3	5.19
4.	**Total Outgo**	**5[2]**	**4.32**	**4[2]**	**4.30**	**4[2]**	**16.79**
5.	Loans converted into equity	-	-	-	-	-	-
6.	Loans written off	-	-	-	-	-	-
7.	Interest/Penal interest written off	-	-	-	-	-	-
8.	Total Waiver (6+7)	-	-	-	-	-	-
9.	Guarantees issued	1	0.36	1	32.43	-	-
10.	Guarantee Commitment	1	0.36	2	32.79	2	20.56

4.1.10 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in the graph below.



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

4.1.11 As on 31 March 2009, guarantees amounting to Rs.20.21 crore and Rs.0.35 crore 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 loan into equity, moratorium in repayment of loan and waiver of interest.

Reconciliation with Finance Accounts

4.1.12 The figures in respect of equity, loans and guarantees outstanding as *per* records of State PSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2009 is stated below.

Table : 4.4

(Rs. in crore)

Outstanding in respect of	Amount as *per* Finance Accounts (2007-08)	Amount as *per* records of PSUs	Difference
Equity	1.72	55.69	53.97
Loans	-	8.72	8.72
Guarantees	-	20.56	20.56

4.1.13 Audit observed that the differences occurred in respect of all PSUs and the differences were pending reconciliation over the period of more than ten years. The matter has been taken up with the Chief Secretary, Government of Mizoram, Administrative Department of respective PSUs and the Managing Directors of PSUs periodically to reconcile figures. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

4.1.14 The financial results of PSUs are detailed in Appendix - 4.3. A ratio of PSUs turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSUs turnover and State GDP for the period 2003-04 to 2008-09.

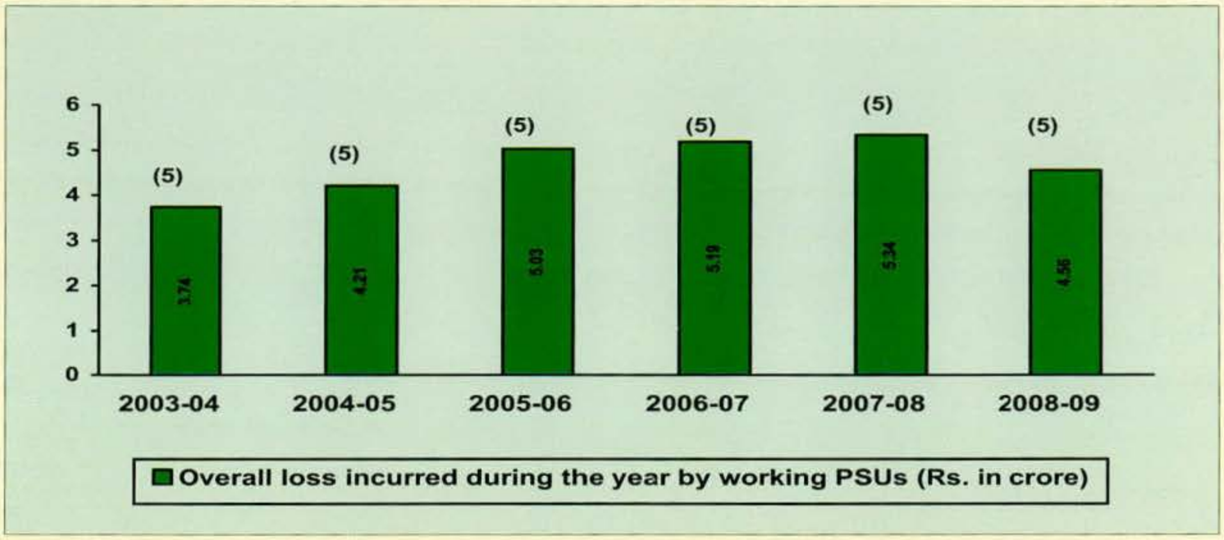
Table: 4.5

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover[3]	1.47	1.51	0.97	0.99	1.79	2.41
State GDP	2091.32	2441.47	2693.96	2984.99	3305.09	3662.63
Percentage of Turnover to State GDP	0.07	0.06	0.04	0.03	0.05	0.07

4.1.15 The percentage of turnover to State GDP declined from 0.07 in 2003-04 to 0.03 in 2006-07 and again increased to 0.07 in 2008-09 due to increase in turnover by Rs.0.63 crore in 2006-07 to Rs.1.79 crore in 2008-09 in respect of Zoram Industrial Development Corporation Limited.

4.1.16 Losses incurred by State working PSUs during 2003-04 to 2008-09 are given below in the bar chart.



(Figures in brackets show the number of working PSUs in respective years)

[3] *Turnover as per the latest finalised accounts as of 30 September 2009*

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

4.1.17 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of three latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of Rs.11.77 crore and infructuous investment of Rs.3.78 crore which were controllable. Year wise details from Audit Reports are stated below.

Table : 4.6

(Rs. in crore)

Particulars	2006-07	2007-08	2008-09	Total
Net loss of working PSUs	5.19	5.34	4.56	15.09
Controllable losses as per CAG's Audit Report	2.05	9.72	-	11.77
Infructuous Investment	1.00	2.78	-	3.78

4.1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimized. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

4.1.19 Some other key parameters pertaining to State PSUs are given below:

Table : 4.7

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (*per cent*)	NIL	NIL	NIL	NIL	NIL	NIL
Debt	20.83	20.82	22.86	33.47	34.53	33.65
Turnover[4]	1.47	1.51	0.97	0.99	1.79	2.41
Debt/ Turnover Ratio	14.17:1	13.79:1	23.57:1	33.81:1	19.29:1	13.96:1
Interest Payments	1.32	1.35	1.34	1.34	2.14	2.18
Accumulated losses	21.10	24.88	28.38	31.14	33.30	40.23

(Above figures pertain to all working PSUs).

[4] *Turnover of working PSUs as per the latest finalised accounts as of 30 September 2009*

4.1.20 As per the latest finalised accounts of *five* working companies, the capital employed worked out to Rs.69.17 crore and total return thereon amounted to (-) Rs.2.41 crore in 2008-09 as compared to capital employed of Rs.49.73 crore and total return on capital employed of (-) Rs.2.42 crore in 2003-04. Despite increase in capital employed, return on capital employed has not shown any improvement. All PSUs were incurring losses continuously over the period of six years which resulted in increase in accumulated losses from Rs.21.10 crore in 2003-04 to Rs.40.23 crore in 2008-09.

4.1.21 The State Government has not formulated (September 2009) any dividend policy.

Performance of major PSUs

4.1.22 The investment in working PSUs and their turnover together aggregated to Rs.97.39 crore during 2008-09. Out of *five* working PSUs, *two* PSUs accounted for individual investment *plus* turnover of more than five *per cent* of aggregate investment *plus* turnover. These *two* PSUs together accounted for 75.74 *per cent* of aggregate investment *plus* turnover.

Table : 4.8

(Rs. in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to Aggregate Investment plus Turnover
(1)	(2)	(3)	(4)	(5)
Zoram Industrial Development Corporation Limited	51.88	1.79	53.67	55.11
Mizoram Food and Allied Industries Corporation Limited	19.78	0.31	20.09	20.63
Total	**71.66**	**2.10**	**73.76**	**75.74**

4.1.23 The *five* working companies had arrears of accounts ranging between one to 10 years as of September 2009. The reasons for delay in finalisation of accounts are attributable to (i) lack of required control over the companies by Government, (ii) abnormal delay in compilation/approval of the accounts and delayed submission of the same to the Statutory Auditors by the management and (iii) delay in adoption of accounts in Annual General Meeting.

4.1.24 The cumulative turnover of the five working companies rose from Rs.0.99 crore in 2003-04 to Rs.2.41 crore in 2008-09. During the same time, the companies incurred continuous losses which rose from Rs.3.74 crore in 2003-04 to Rs.4.56 crore in 2008-09. The return on capital employed continued to remain negative.

Some of the major audit findings of past five years for above PSUs are stated in succeeding paragraphs:

Zoram Industrial Development Corporation Limited

4.1.25 Deficiencies in planning

- Failure to ensure insurance cover for ginger crops before the sanction of loan as required, resulted in non-recovery of loan of Rs.2.82 crore;
- 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.

4.1.26 Deficiencies in implementation

- The company incurred loss of Rs.5.47 crore by waiving of interest without the approval of the Board of Directors and the State Government under the proposed special one time settlement scheme.

4.1.27 Deficiencies in monitoring

- Non-performing assets of the company increased from Rs.20.40 crore in 2003-04 to Rs.22.78 crore in 2007-08.
- Failure of internal control in respect of (a) the loan recovery and remittances with the bank and (b) physical verification of cash resulted in cash embezzlement which increased from Rs.0.65 lakh in 2003-04 to Rs.16.13 lakh in 2007-08.

4.1.28 Non-achievement of objectives

- The expenditure of Rs.7.43 crore remained unproductive as plots in Integrated Infrastructural Development Centres 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.

4.1.29 Deficiencies in financial management

- Funds of Rs.7.54 crore received from Financial Institutions for refinancing were diverted to meet administrative expenses.
- The company failed to claim defaulted ginger loan of Rs.2.78 crore affected by natural calamity from National Minority Development & Finance Corporation.

Mizoram Food and Allied Industries Corporation Limited

4.1.30 Deficiencies in implementation

- Due to under utilization of installed capacity, the company incurred cash loss of Rs.0.16 crore and total loss of Rs.1.64 crore during 2002-03 to 2006-07.
- Delayed commencement of commercial production in the four projects of the company from two to eight years resulting in loss of revenue of Rs.4.86 crore *per* annum.

4.1.31 Deficiencies in financial management

- Grants-in-aid of Rs.3.92 crore relating to ongoing projects were diverted and utilized for meeting the administrative and maintenance expenses of the company

Conclusion

4.1.32 The above details indicate that the State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

4.1.33 The accounts of the 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. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2009.

Table : 4.9

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of Working PSUs	5	5	5	5	5
2.	Number of accounts finalised during the year	1	4	3	1	6
3.	Number of accounts in arrears	23	24	26	30	29
4.	Average arrears *per* PSU (3/1)	4.60	4.80	5.20	6.00	5.80
5.	Number of Working PSUs with arrears in accounts	4	4	5	5	5
6.	Extent of arrears in years	4 to 7	5 to 7	1 to 8	1 to 9	1 to 10

4.1.34 The reasons for delay in finalization of accounts are attributable to (i) lack of required control over the companies by Government, (ii) abnormal delay in compilation/approval of the accounts and delayed submission of the same to the Statutory Auditors by the management and (iii) delay in adoption of accounts in Annual General Meeting.

4.1.35 The State Government had invested Rs.34.08 crore (Equity: Rs.10.54 crore, loans: Rs.10.72 crore, and grants: Rs.12.82 crore in *five* PSUs) during the years for which accounts have not been finalised as detailed in Appendix - 4.4. In the absence of accounts and their subsequent audit, it can not be ensured whether the income and expenditure have been properly accounted for and the purpose for which the amount was invested by the State Government has been achieved or not. Thus, the State Government investment in such PSUs remains outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

4.1.36 The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned Administrative Departments and officials of the Government were informed by Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up with the Chief Secretary/ Finance Secretary periodically to expedite the backlog of arrears in accounts in a time bound manner.

4.1.37 **In view of above state of arrears, it is recommended that:**

- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**
- **The Government may set up a cell in concerned Administrative Departments to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**

Accounts Comments and Internal Audit

4.1.38 *Two* working companies forwarded their audited accounts (two) to CAG during the year 2008-09. The accounts of these two companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

Table : 4.10

(Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	-	-	-	-
2.	Increase in loss	4	3.44	1	3.32	2	4.40
3.	Non-disclosure of material facts	1	34.78	1	35.12	1	49.87
4.	Errors of classification	2	5.08	1	7.88	1	0.56
Total		**4**	**43.30**	**1**	**46.32**	**2**	**54.83**

The money value of comments increased from Rs.43.30 crore in 2006-07 for four accounts to Rs.54.83 crore for the two accounts in 2008-09.

4.1.39 During the year, the statutory auditors had given qualified certificates for *two* accounts in respect of two working companies. The compliance of companies with the Accounting Standards remained poor as both the accounts in the year revealed non-compliance.

4.1.40 Some of the important comments in respect of accounts of companies are stated below.

Zoram Industrial Development Corporation Limited (2007-08)

- The company has defaulted in repayment of interest accrued and due to NMDFC & SIDBI amounting to Rs.3.32 crore.
- No provision in respect of gratuity, Pension, Leave Encashment etc payable to staff has been made for the year under audit and also for the earlier years.
- Although there was a cash embezzlement of Rs.4.81 lakh in the year of reporting and Rs.0.11 crore during the immediate preceding year and inspite of repeated reporting regarding excess cash holding, cash balance continued to be very high during the year.
- The company paid Rs.20 lakh towards initial contribution of group gratuity scheme as against the required amount of Rs.55.72 lakh for which no provision has been made. The fact was also not disclosed in the notes to accounts.
- The current liability was understated by Rs.24.62 lakh due to non provision of premium payable to LIC for Group Gratuity Scheme.
- Loans of Rs.2.29 crore including principal of Rs.69.14 lakh and interest of Rs.160.28 lakh were sub-judice but not disclosed in the Notes to Accounts.

Mizoram Food & Allied Industries Corporation Ltd (2002-03)

- Provident fund dues for the period upto 31 March 2003 aggregating to Rs.47.21 lakh has not been deposited with the appropriate authority till 31 March 2003 and no liability provided for in the accounts.

- Fixed Assets include Rs.51.89 lakh (Food processing Plant – I, Sairang) of assets handed over to the Director of Industries, Government of Mizoram during 2001.

- Revenue grant of Rs.4.24 lakh received from GOI for conducting Entrepreneurship Development Programme should have been accounted as Other Income in Profit & Loss Account instead of Capital Reserve.

4.1.41 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of one company[5] for the year 2007-08 and *two* companies[6] for the year 2008-09 are given below:

Table : 4.11

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as *per* Appendix - 4.2
1.	Absence of physical verification of cash despite repeated reporting that the average cash balance was on higher side and cash embezzlement	1	Sl. No. 2
2.	Absence of internal audit system commensurate with the nature and size of business of the company	2	Sl. No. 2 & 4
3.	Physical verification of stock is not reasonable and adequate in relation to the size of the company and nature of its business.	1	Sl. No. 4
4.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	2	Sl. No. 2 & 4

[5] Sl. No.2 in Appendix 4.2.

[6] Sl. No.2 & 4 in Appendix 4.2.

Reforms in Power Sector

4.1.42 The Governments of Manipur and Mizoram entered (September 2005) into a Memorandum of Agreement (MoA) with Ministry of Power authorizing it to constitute a Joint Electricity Regulatory Commission (JERC) for Manipur and Mizoram under the provisions of Section 83 of the Electricity Act 2003. Government of India has also committed in the MoA that it would be providing financial assistance to the JERC during the first five years from its initial operations subject to the condition that the States of Manipur and Mizoram would complete the process of restructuring and corporatisation of their Electricity Departments immediately. JERC for the States of Manipur and Mizoram was formed (February 2008) under Section 82(5) read with sub-Section of Section 89 of the Electricity Act 2003 with the objective of rationalization of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. The State Government was under process of appointing a Consultant for preparing Annual Revenue Return and Tariff petition for filing the same before JERC.

4.1.43 Memorandum of Agreement (MoA) was signed in (July 2002) between the Union Ministry of Power and the State Government with a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below:

Table : 4.12

Sl. No.	Milestone	Achievement as at March 2009
1.	State Government will corporatise the Electricity Department by 2006-07	Power & Electricity Department (P&E) is not yet corporatised. The recommendations (August 2006) of the Administrative Staff College of India (ASCI), Hyderabad, consultant for corporatising P&E Department, are under examination by the State Government.
2.	State Government will set up State Electricity Reforms Commission (SERC)/Joint Electricity Reforms Commission (JERC) by December 2003 and file tariff petition.	Joint Electricity Reforms Commission for the States of Manipur and Mizoram has been constituted in February 2008. The ARR for tariff to be determined by JERC is under preparation for filing.
3.	State Government will ensure timely payment of subsidies required in pursuance of orders on the tariff determined by JERC	Not applicable in view of position above against Sl.No. 2.

Sl. No.	Milestone	Achievement as at March 2009
4.	State Government will achieve 100 *per cent* electrification of villages by 2003	570 number of villages out of 707 villages have been electrified.
5.	Suitable policy provisions shall be formulated by the State Government by July 2004 for handing over parts of distribution system on management contract or on lease to local bodies.	Policy provision for handing over parts of distribution system on management contract or on lease to local bodies are yet to be formulated by the State Government.
6.	The process of setting up of computerised billing centres shall be done by July 2003.	Computerised billing centres have been set up in Aizawl city, covering the entire city along with its suburbs. Computerised billing centres in rural areas remained to be set up.

4.1.44 The operational performance of the Power and Electricity Department for the last three years upto 2008-09 is given in Appendix 4.5.

The total expenditure on power sold during three years from 2006-07 to 2008-09 was Rs. 108.50 crore, Rs.114.50 crore and Rs.136.32 crore as against the revenue of Rs. 44.60 crore, 81.22 crore and Rs.86.28 crore respectively.

The percentage of Transmission and Distribution (T&D) losses varied from 27.92 *per cent* in 2006-07 to 33.01 *per cent* in 2008-09 as against the norm of 15.5 *per cent* fixed by the Central Electricity Authority. During the year 2008-09, the excess T&D losses over the norms were 128.362 million units costing Rs.29.78 crore (worked out at average revenue of Rs.2.32 *per* unit).

Discussion of Audit Reports by COPU

4.1.45 The status as on 30 September 2009 of reviews and paragraphs that appeared in Commercial Chapter of Audit Report and discussed by the Committee on Public Undertakings (COPU)/ Public Accounts Committee (PAC) is as under.

Table : 4.13

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1993-94	-	4	-	3
1995-96	1	4	1	2
1996-97	-	4	-	2
1997-98	1	3	1	2
1998-99	-	3	-	2
1999-2000	1	7	-	3
2000-01	-	2	-	2
2001-02	-	4	-	-
2002-03	1	5	-	1
2003-04	-	5	-	-
2004-05	1	2	-	-
2005-06	-	4	-	-
2006-07	2	1	-	-
2007-08	1	5		
Total	**8**	**53**	**2**	**17**

4.1.46 The matter relating to clearance of backlog of reviews/ paragraphs was also discussed with Chief Secretary/ Finance Secretary and Chairperson of PAC/COPU periodically.

PERFORMANCE REVIEW

TRANSPORT DEPARTMENT

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

4.2.1 Introduction

In Mizoram, the public road transport is primarily provided by Mizoram State Transport (MST), a Departmental Undertaking, which is mandated to provide an efficient, adequate, economical and properly co-ordinated road transport. The State also allows the private operators to provide transport. The State has reserved certain routes exclusively for the MST while allowed both the MST and private operators to operate on some other routes. In Aizawl city and other district headquarters only private operators provide the services. The fare structure is controlled by the State Government which approves it. The structure is same for both MST as well as private operators.

MST was set up in April 1972 to facilitate movement of passengers and goods within the State and to operate inter-state services in an economic and efficient manner. The Department is under the administrative control of Secretary, Transport, Government of Mizoram. The day-to-day operations are carried out by the Director, who is the Chief Executive of MST, with the assistance of Joint Director (Operations) in the Head Office, Works Managers in two workshops and Station Superintendents in four depots. MST has four depots and two central workshops. The bus body building and tyre retreading operations are carried out through external agencies.

MST had a fleet strength of 54 buses (27 seater) as on 31 March 2009. MST carried an average of 353 passengers *per* day by operating average fleet of 21 buses daily through four depots during 2004-05 to 2008-09. MST's share in the passenger transport operations in the State was five *per cent* and the remaining 95 *per cent* was accounted for by private operators. The turnover of the MST was Rs.2.07 crore in 2008-09, which was equal to 0.06 *per cent* of the State Gross Domestic Product (Rs.3662.63 crore). MST employed 582 employees as on 31 March 2009.

A review on the working of MST was included in the Report of the Comptroller and Auditor General of India for the year 2002 - Government of Mizoram. The report has not been discussed by PAC as of September 2009.

4.2.2 Scope of Audit and Audit Methodology

The present review conducted during April 2009 to May 2009 covers the working of MST during the period from 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management, fare policy, fulfillment of social obligations and monitoring by top management of MST. The audit examination involved scrutiny of records at the Head Office, Central Workshop at Hlimen, two depots[7] out of four depots selected on the basis of traffic revenue earned which constituted 92 *per cent* of the total traffic revenue.

The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft review to the Management for comments.

4.2.3 *Audit Objectives*

The objectives of the performance audit were to assess:

Operational Performance

- the extent to which MST was able to keep pace with the growing demand for public transport;
- whether MST succeeded in recovering the cost of operations;
- the extent to which MST was running its operations efficiently;
- whether adequate maintenance was undertaken to keep the vehicles roadworthy; and
- the extent to which economy was ensured in cost of operations.

Financial Management

- whether MST was able to raise claims and recover its dues efficiently; and
- the possibility of realigning the business model of MST to tap non-conventional sources of revenue and adopting innovative methods of accessing such funds.

Fare Policy and Fulfillment of Social Obligations

- the existence and adequacy of fare policy; and
- whether MST operated adequately on uneconomical routes.

[7] Aizawl and Saiha depots

Monitoring by Top Management

- whether the monitoring by MST's top management was effective.

4.2.4 Audit Criteria

The audit criteria adopted for assessing the achievement of the audit objectives were:

- hill area averages for performance parameters;
- performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU);
- physical and financial targets/ norms fixed by the Management;
- manufacturers' specifications, norms for life of a bus, preventive maintenance schedule, fuel efficiency norms, etc.; and
- instructions of the Government of India (GOI) and procedures laid down by the State Government besides other relevant rules and regulations.

4.2.5 Financial Position and Working Results

Proforma accounts of MST have been finalised upto 2001-02. The financial position of MST for the five years upto 2008-09 on the basis of the provisional accounts is given below.

Table : 4.14

(Rs. in lakh)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
A. Liabilities					
Paid up Capital	1928.09	1779.81	1876.13	1908.34	2064.90
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	-	-	-	-	-
Borrowings (Loan Funds)	-	-	-	-	-
Current Liabilities & Provisions	164.44	171.43	121.59	139.66	157.18
Total	**2092.53**	**1951.24**	**1997.72**	**2048.00**	**2222.08**
B. Assets					
Gross Block	705.04	702.21	716.96	700.30	645.34
Less: Depreciation for the year	77.51	74.76	75.75	66.58	60.32
Net Fixed Assets	627.53	627.45	641.21	633.72	585.02
Capital works-in-progress (including cost of chassis)	-	-	-	-	-
Investments	-	-	-	-	-
Current Assets, Loans and Advances	146.92	170.13	122.71	153.16	182.12
Loss for the year	1318.08	1153.66	1233.80	1261.12	1454.94
Total	**2092.53**	**1951.24**	**1997.72**	**2048.00**	**2222.08**

Audit observed that in accordance with the instructions (January 1974) of Government of India, Ministry of Finance, Department of Economic Affairs, the drawals under the capital head and the revenue head are required to be exhibited separately under Government Capital Account and Government Current Account respectively. Contrary to instructions, MST was preparing Proforma accounts without bringing forward previous year's balances of Government current account along with current year drawals resulting in non-exhibition of accumulated loss and exhibition of loss for the year only. It was also noticed that instead of showing Gross block of the Fixed Assets with cumulative depreciation, MST was exhibiting book value of the depreciated assets plus addition made during the year and without exhibiting cumulative depreciation. As a result, the financial position of MST does not exhibit the affairs as per generally accepted accounting principles being a commercial departmental undertaking. Moreover, cumulative position as regard to losses and depreciations could not be ascertained in Audit.

The details of working results like operating revenue and expenditure, total revenue and expenditure, net loss and earnings and cost kilometre of operation are given below:

Table : 4.15

(Rs. in lakh)

Sl. No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Revenue	136.81	155.27	151.00	164.66	207.23
2.	Operating Revenue[8]	120.31	125.26	150.47	143.27	190.25
3.	Total Expenditure	1528.94	1392.18	1475.02	1583.12	1832.46
4.	Operating Expenditure[9]	1359.85	1232.88	1310.16	1425.89	1662.17
5.	Operating Loss	1239.54	1107.62	1159.69	1282.62	1471.92
6.	Loss for the year	1392.13	1236.91	1324.02	1418.46	1625.23
7.	Fixed cost					
	(i) Personnel Costs	1033.92	886.17	889.15	1020.67	1239.67
	(ii) Depreciation	77.51	74.76	75.75	66.58	60.31
	(iii) Interest	91.58	84.54	89.11	90.92	109.98
	(iv) Other Fixed Costs	65.40	71.75	73.66	63.81	83.47
	Total Fixed Costs	**1268.41**	**1117.22**	**1127.67**	**1241.98**	**1493.43**

[8] Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, far realised from private operators under KM Scheme, etc.

[9] Operating, welfare and remuneration, licences and taxes and general administration expenses

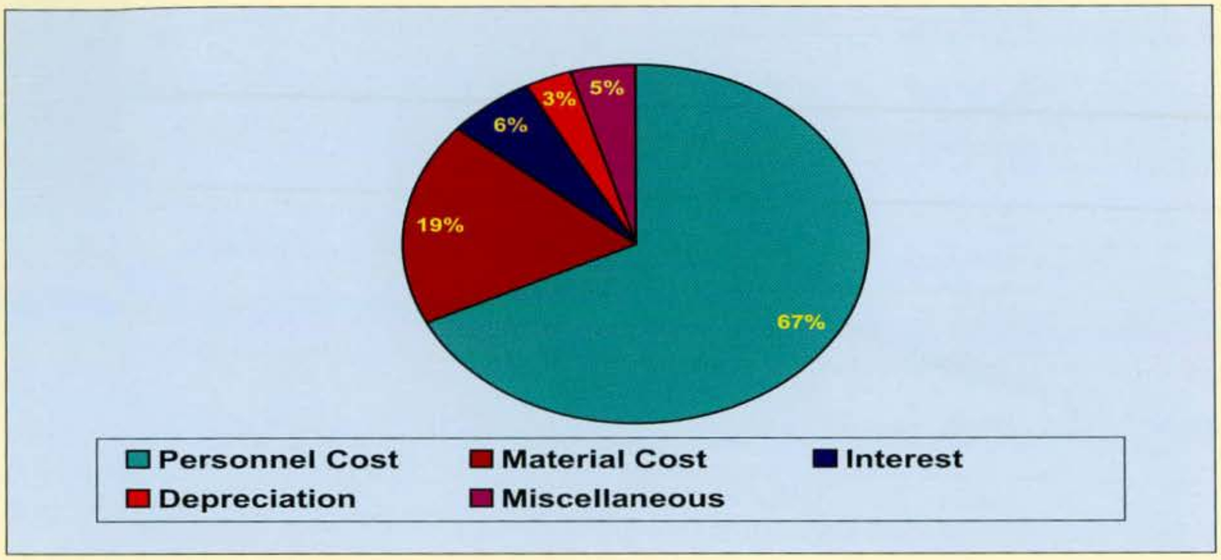
Sl. No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09
8.	Variable cost					
	(i) Fuel & Lubricants	93.60	88.41	86.33	108.37	107.86
	(ii) Tyres & Tubes	55.21	45.60	59.63	11.58	21.38
	(iii) Other Items/ spares	92.44	88.03	121.87	150.73	173.29
	(iv) Taxes (MV Tax, Passenger Tax etc.)	-	-	-	-	-
	(v) Other Variable Costs	19.28	52.92	79.52	70.46	36.50
	Total Variable Costs	**260.53**	**274.96**	**347.35**	**341.14**	**339.03**
9.	Effective KMs operated (in lakh)	12.96	13.17	12.50	11.38	12.74
10.	Earnings *per* KM (Rs.) (1/9)	10.56	11.79	12.08	14.47	16.27
11.	Fixed Cost *per* KM (Rs.) (7/9)	97.87	84.83	90.21	109.14	117.22
12.	Variable Cost *per* KM (Rs.) (8/9)	20.10	20.88	27.79	29.98	26.61
13.	Cost *per* KM (Rs.) (3/9)	117.97	105.71	118.00	139.12	143.83
14.	Net Earnings/loss (+/-) *per* KM (Rs.) (10-13)	(-)107.41	(-)93.92	(-)105.92	(-)124.65	(-)127.56
15.	Traffic Revenue[10]	120.31	125.26	150.47	143.27	190.25
16.	Traffic Revenue *per* KM (Rs.) (15/9)	9.28	9.51	12.03	12.59	14.93
17.	Operating loss *per* KM(5/9)	(-)95.64	(-)84.10	(-)92.78	(-)112.71	(-)115.54

Element of cost

Personnel costs and material costs constitute the major elements of costs. The percentage break-up of costs for 2008-09 is given below in the pie-chart.

[10] *Traffic revenue represents sale of tickets, income from passes/luggage, advance booking reservation charges and contract services earnings*

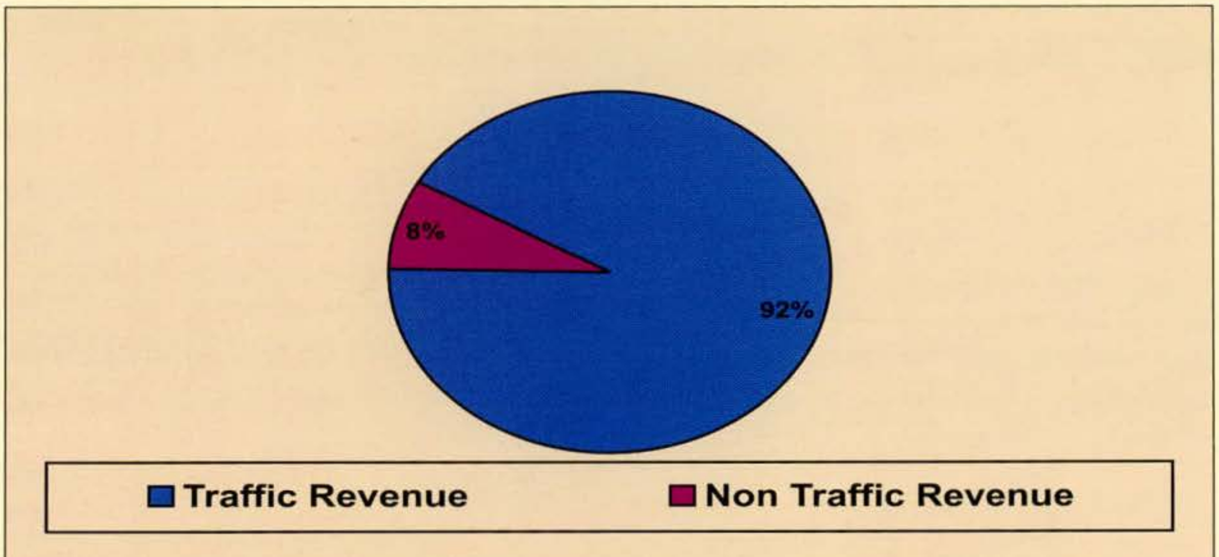
Components of various elements of cost



Element of revenue

Traffic revenue and non-traffic revenue constitute the major elements of revenue. The percentage break-up of revenue for 2008-09 is given below in the pie-chart.

Components of various elements of revenue



The working results show that MST was not able to recover the cost in any of the five years. The net loss *per* KM increased from Rs.107.41 in 2004-05 to Rs.127.56 in 2008-09. Subsequent audit findings show that the losses were controllable and there is scope for improvement in performance.

4.2.6 Audit Findings

Audit explained the audit objectives to MST during an 'entry conference' held on 6 April 2009. Subsequently, audit findings were reported to the Director, Transport Department and the Government in July 2009 and discussed in an 'exit conference' held on 3 August 2009 which was attended by Joint Secretary, Transport Department, Deputy Secretary, Finance Department and Director, Transport Department of the State Government. The views expressed by them have been considered while finalising this review. The audit findings are discussed below:

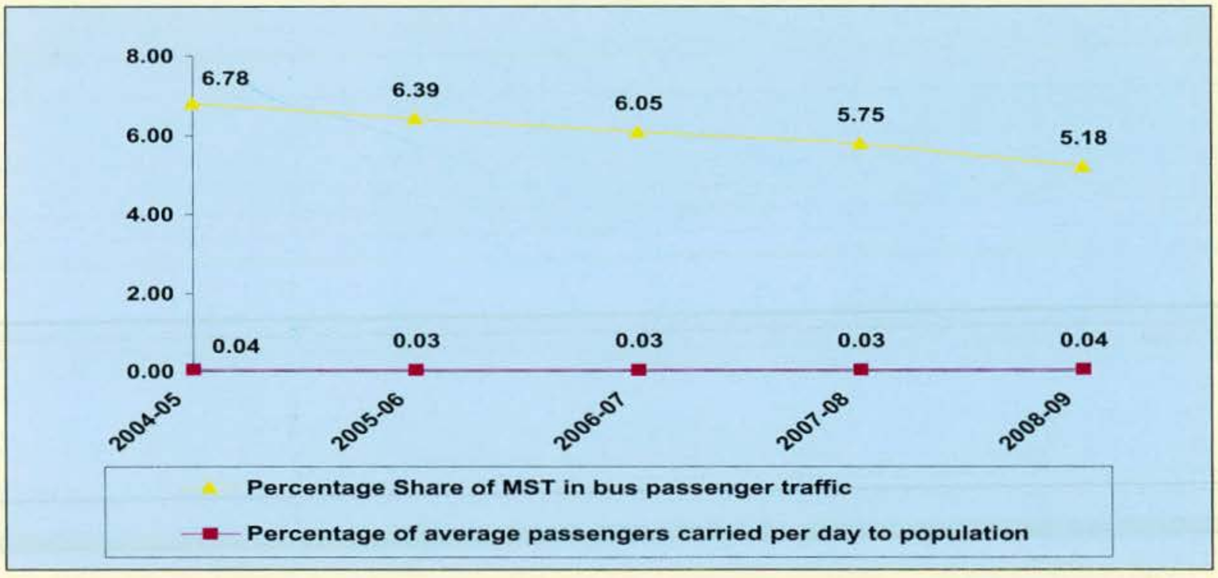
4.2.7 Operational Performance

The operational performance of MST for the five years ending 31 March 2009 is given in the Appendix 4.6. The operational performance of MST was evaluated on various operational parameters as described below. It was also seen whether MST able to maintain pace with the growing demand of public transport. Audit findings in this regard are discussed in the subsequent paragraphs.

4.2.8 Share of MST in public transport

The State Government has not framed any transport policy to achieve a balanced modal mix of public transport and to discourage personalized transport. However, the focus is on increasing mass transport options by providing adequate, accessible and affordable modes like buses, mini-buses etc.

Line-graphs depicting the percentage share of MST in the bus passenger traffic of the State and percentage of average passengers carried per day by MST to the population of the State during



five years ending 2008-09 are given below:

The table below depicts the growth of public transport in the State.

Table : 4.16

Sl. No.	Particular	2004-05	2005-06	2006-07	2007-08	2008-09
1.	MST buses	61	59	58	56	51
2.	Private stage carriages[11]	839	864	901	918	934
3.	Total buses for public transport	900	923	959	974	985
4.	Percentage share of MST	6.78	6.39	6.05	5.75	5.18
5.	Percentage share of private operators	93.22	93.61	93.95	94.25	94.82
6.	Estimated Population (lakh)	9.60	9.86	10.12	10.39	10.68
7.	Vehicle density *per* one lakh population	93.75	93.61	97.76	93.74	92.23

MST has not been able to keep pace with the growing demand for public transport. The percentage share of MST decreased from 6.78 *per cent* in 2004-05 to 5.18 *per cent* in 2008-09. Share of MST in public transport was low due to increase in availability of privately operated Maxi cab and buses facilitated by issue of plying permits to the private operators on all routes by the State Transport Department and decline in number of the buses operated by MST from 61 in 2004-05 to 51 in 2008-09. MST could not increase the passenger traffic. The effective *per* capita KM operated *per* year is given below.

Table : 4.17

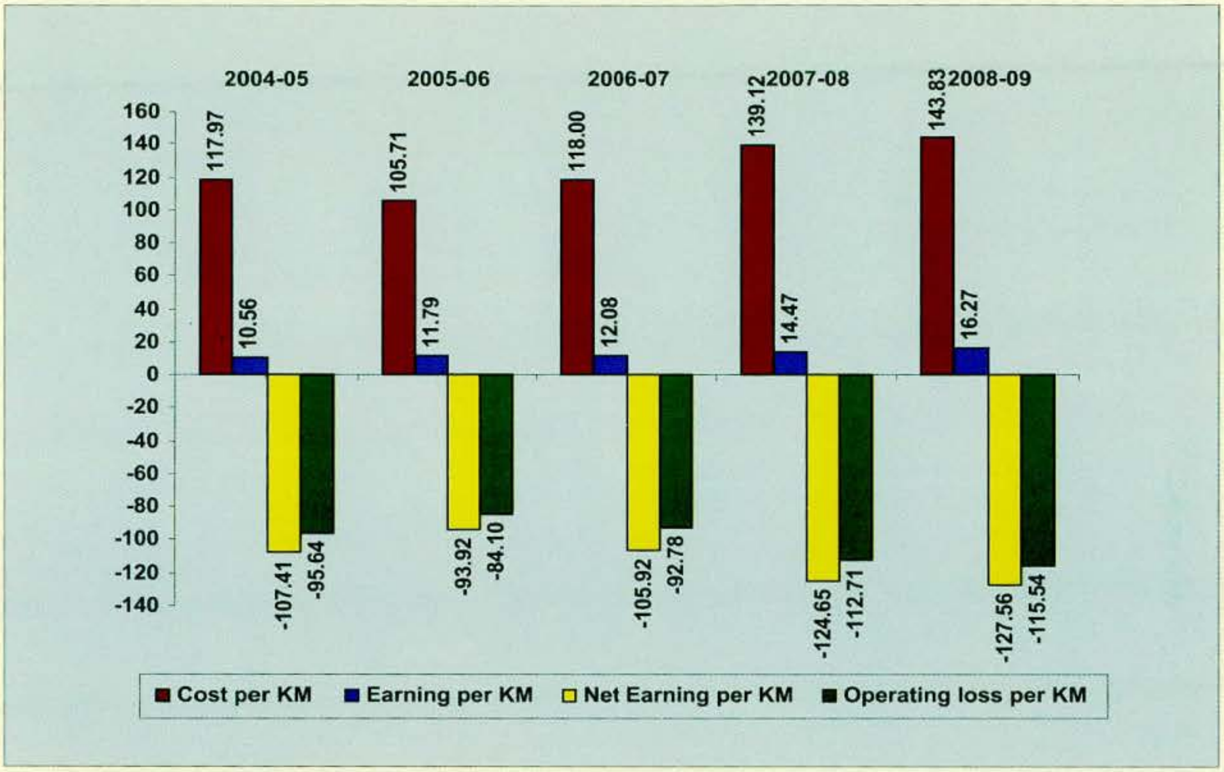
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Effective KM operated (lakh)	12.96	13.17	12.50	11.38	12.74
Estimated Population (lakh)	9.60	9.86	10.12	10.39	10.68
Per Capita KM *per* year	1.35	1.34	1.24	1.10	1.19

The above table shows the decline in service by MST. Public transport has definite benefits over personalised transport in terms of costs, congestion on roads and environmental impact. The public transport services have to be adequate to derive those benefits. In the instant case, MST was not able to maintain its share in transport mainly due to operational inefficiencies as described later.

[11] excludes Maxi cabs

4.2.9 Recovery of cost of operations

The MST was not able to recover its cost of operations. During the last five years ending 2008-09, the net earning showed a negative trend as given in the graph[12] below:



Above graph indicates the poor performance of MST over the period. The operating loss has been increasing at an alarming pace. The cost *per* KM was Rs.143.83 in 2008-09 which was 5.5 times higher than the hill areas average of Rs.24.55 *per* KM. On the other hand MST was able to achieve revenue of Rs.16.27 *per* KM in 2008-09 as against hill area average of Rs.20.34 *per* KM. Hence, net earnings of MST was (-) Rs.127.56 *per* KM in 2008-09. The cost *per* KM was too high because of low vehicle productivity, gross under utilization of vehicles, low load factor and excess staff. The deteriorating performance impacted the ability of MST to provide public transport services adequately as it was not able to replace its fleet on time or increase the fleet strength to meet growing demand.

In hill area, Himachal RTC incurred cost *per* KM at Rs. 24.09 and earned Rs.18.93 *per* KM during 2007-08*.

[12] Cost per KM represents total expenditure divided by effective KM operated
Revenue per KM is arrived at by dividing total revenue with effective KM operated
Net Revenue per KM is revenue per KM reduced by cost per KM
Operating loss per KM would be operating expenditure per KM reduced by operating income per KM

* STU profile and performance 2007-08 compiled by Government of India, Ministry of Shipping, Road Transport and Highways, Transport Research Wing, New Delhi

Efficiency and Economy in operations

Fleet strength and utilisation

4.2.10 Fleet Strength and its Age Profile

MST has its own fleet of buses and it has not hired any buses from contractors during the period under review.

The Association of State Road Transport Undertaking (ASRTU) had prescribed (September 1997) that the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. The table below shows the age-profile of the buses held by MST for the period of five years ending 2008-09.

Table : 4.18

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total No. of buses at the beginning of the year	61	59	58	56	51
2.	Additions during the year	3	4	9	2	7
3.	Buses scrapped during the year	5	5	11	7	4
4.	Buses held at the end of the year (1+2-3)	59	58	56	51	54
5.	Of (4), No. of buses more than 8 years old	42	37	26	30	26
6.	Percentage of overage buses to total buses (5/4x100)	71	64	46	59	48
7.	Average No. of buses on road	21	21	20	19	21
8.	Percentage of fleet utilization (7/4x100)	36	36	36	37	39

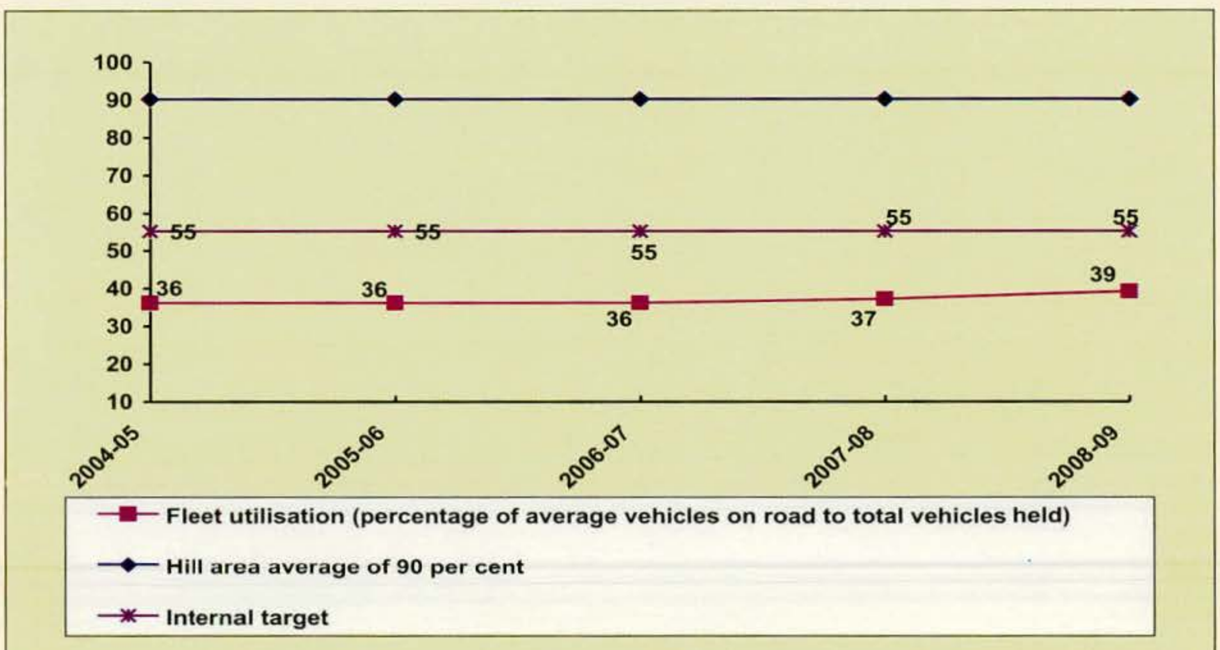
The above table shows that MST was not able to achieve the norm of right age buses. It was noticed in Audit that excepting 2004-05, all road worthy buses were not pressed into service. Number of road worthy buses which remained off road was 12 (38 *per cent)* and 7 (27 *per cent)* during 2006-07 and 2007-08 respectively. During 2004-09, MST added 25 new buses at a cost of Rs.1.98 crore. The expenditure was funded through budgetary support from the State Government. To achieve the norm of right age buses, the MST was required to buy 26 new buses additionally which would have cost it Rs.2.53 crore approximately, worked out at the rate finalized during 2008-09. However, MST did not generate adequate resources through its operations to finance the replacement of buses. It incurred losses continuously year after year and could not recover even variable cost during the years 2004-09. Thus, MST's ability to survive and grow depends on its effort to remove operational inefficiencies, cut costs and tap non-conventional revenue avenues so that it can fund its capital expenditure and be self-reliant.

The overage fleet requires high maintenance and results in extra cost and less availability of vehicles compared to underage fleet, other things being equal. This only goes on to increase operational inefficiency and causes losses which, in turn, affects the ability of MST to replace its fleet on a timely basis.

4.2.11 Fleet Utilisation

Fleet utilisation represents the ratio of buses on road to buses held by MST. The Public Accounts Committee (PAC) while discussing the review on MST appeared in Audit Report (1991-92) recommended (July 1999) the fleet utilization target as 55 *per cent*. Accordingly, the Department fixed the target. Against this, the fleet utilization varied from 36 *per cent* in 2004-05 to 39 *per cent* in 2008-09 as compared to the average of 90 *per cent* for hill area as indicated in the graph given below.

In hill areas, Himachal RTC registered best fleet utilisation at 97.68 *per cent* during 2007-08.



The main reasons for low fleet utilisation as analysed in Audit, were want of buses and passengers, road block, land slide etc., attributing cancellation of 6.02 lakh KM as discussed in para 4.2.15; shortfall in coverage of 1.20 crore KM due to low vehicle productivity as discussed in para 4.2.12; and no route survey by the Department to ascertain the reasons for low fleet utilisation and to initiate remedial action.

The Department stated (August 2009) that the routes are uneconomical as a result fleet utilisation was low. The Department should have explored the possibility of operating smaller vehicles such as Tata Sumo, Scorpio, etc wherever the load factor is low for meeting the social obligations and public interest.

From the above, it can be concluded that MST was not able to achieve an optimum utilisation of its fleet strength, which in turn impacted its operational performance adversely. Failure to put all road worthy buses on road reflects the need for the top level management to ensure optimum utilization of its fleet strength and thereby improve the performance of MST.

4.2.12 Vehicle productivity

Vehicle productivity refers to the average kilometres run by each bus *per* day in a year. The vehicle productivity of MST *vis-à-vis* the overage fleet for the five years ending 2008-09 is shown in the table below.

Table : 4.19

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Vehicle productivity (KMs run *per* day *per* bus)	56.81	59.43	57.53	53.56	61.93
2.	Overage fleet *(*percentage*)*	71	64	46	59	48
3.	Total No. of buses held at the end of the year	59	58	56	51	54
4.	Traffic revenue *per* KM (Rs.)	9.28	9.51	12.03	12.59	14.93
5.	Short fall in vehicle productivity as compared to hill areas norm of *196 KM per* day *per* bus	139.19	136.57	138.47	142.44	134.07
6.	Short fall in vehicle productivity in a year (in *lakh KM*) (3x5x313[13] days)	25.70	24.79	24.27	22.74	22.66

[13] In Mizoram State, Sunday has been declared as public holiday and hence MST buses as well as private operators' buses are off the road

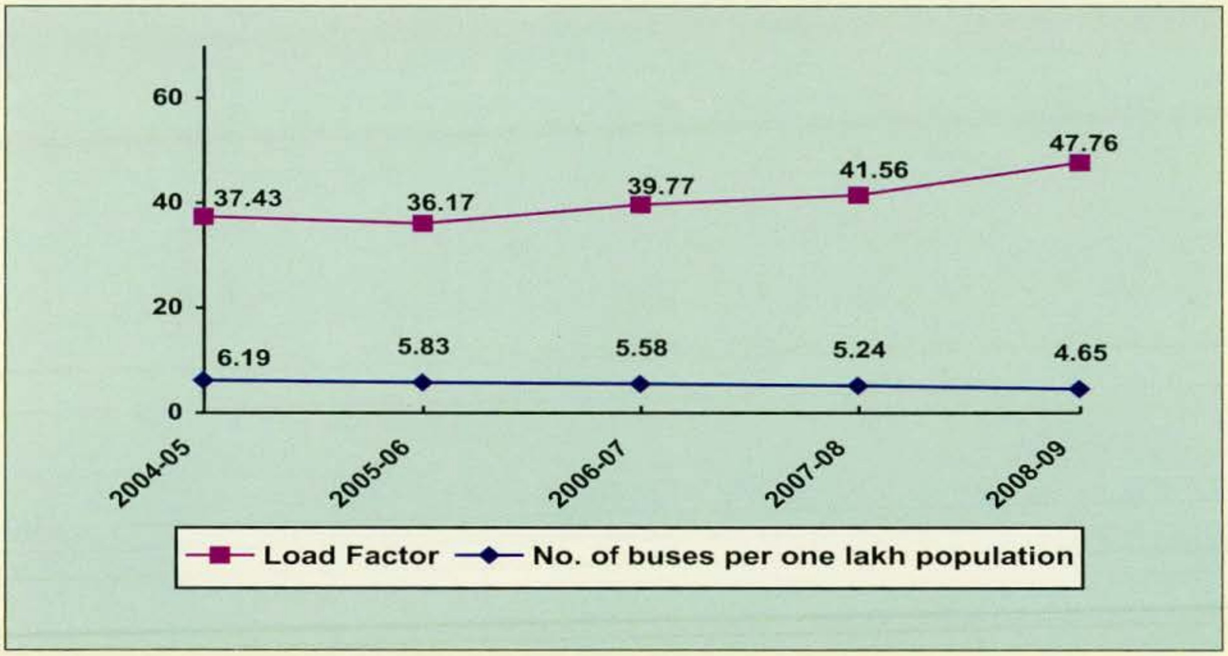
MST has not fixed targets for vehicle productivity (performance of minimum Passenger KMs *per* vehicle *per* day *vis-à-vis* revenue). In the absence of any internal target, the achievement could not be compared with reference to its internal targets. The productivity KMs (operated *per* bus *per* day on fleet strength) *per* bus *per* day was low and varied from 53.56 KM to 61.93 KM as against hill area average of 196 KM. Short coverage of 1.20 crore KM during the five years ending 2008-09. The reasons for poor performance were continuing with old buses without timely replacement, deficient route planning as reflected in non-operation of buses for want of passenger, non-operation of buses to newly evolved routes like Mizoram University etc.

Himachal RTC registered best vehicle productivity at 222 KMs *per* day during 2007-08.

Capacity Utilisation

4.2.13 Load Factor

Capacity utilisation of a transport undertaking is measured in terms of Load Factor, which represents the percentage of passengers carried to seating capacity. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the load factor. The load factor of MST has improved from 37.43 *per cent* in 2004-05 to 47.76 *per cent* in 2008-09 but could not achieve hill areas average of 63 *per cent* in any of the years. A graph depicting the load factor *vis-à-vis* number of buses *per* one lakh population is given below.



The Transport Research Wing (TRW), Ministry of Road Transport and Highways, Government of India observed (September 2001) that the productivity measured in terms of passengers carried *per* bus was the lowest in Mizoram compared to other States. The management attributed the reason for poor load factor to plying Maxi cab/buses by private operators. The number of buses/Maxi cab operated by private operators increased from 839 buses and 1310 Maxi cab in 2004-05 to 934 buses and 1691 Maxi cab in 2008-09. On the other hand number of buses held by MST decreased from 61 buses in 2004-05 to 51 buses in 2008-09. However, the increase in demand by public operators for plying permits highlights the demand for public transport in the State but decline in number of buses and poor load factor of MST reflects the need on its part to change the composition of fleet by inducting smaller vehicles like Tata Sumo and Scorpio by which load factor would be improved.

The Department stated (August 2009) that the hill area average was too high. However, if the Department consider it desirable, matter may be taken up with the Government of India for working out relevant norms for Mizoram for effective control.

The table below provides the details for Break-Even Load Factor (BELF) for traffic revenue as well as total revenue. Audit worked out this BELF at the given level of vehicle productivity and total cost KM.

Table : 4.20

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost *per* KM (Rs.)	117.97	105.71	118.00	139.11	143.84
2.	Traffic revenue *per* KM at 100 *per cent* Load factor	24.79	26.29	30.25	30.29	31.26
3.	Break–even load factor considering only traffic revenue (1/2)	475.88	402.09	390.08	459.26	460.14

It is evident from the above table that break-even load factor is too high and not likely to be achieved in the present scenario since cost per KM is abnormally high. Thus, while the scope to improve upon the load factor remains limited, there is tremendous scope to cut down costs of operations as explained later.

4.2.14 Route Planning

Appropriate route planning to tap demand leads to higher load factor. Out of 42 routes, the State Government notified 12 routes exclusively for MST and 17 common routes for MST as well as to private operators, besides 13 routes to the private operators. The State Government, however, has issued plying permits to the private operators for running Maxi cab/Bazaar buses in all the routes and for operating city buses in Aizawl and in other district headquarters. All the routes operated by MST were not meeting even the variable cost. No route survey has been carried out by the Department to ascertain the reasons for low load factor and to initiate remedial action. The MST should decide an optimum level of services on different routes so as to optimize its revenue while serving the cause. However, no such exercise was carried out by MST.

For want of passengers and poor load factor, MST operated routes ranging between 26 in 2004-05 and 21 routes in 2008-09 as against 29 permissible routes.

4.2.15 Cancellation of Scheduled Kilometres

A review of the operations indicated that the scheduled kilometres were not fully operated mainly due to non-availability of passengers, and other factors like road blockage due to land sliding, etc.

The details of scheduled kilometres, effective kilometres, cancelled kilometres calculated as difference between the scheduled kilometres and effective kilometres are furnished in the table below.

Table : 4.21

(KMs in lakh)

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Scheduled kilometres	14.75	14.54	13.97	13.03	13.55
2.	Effective Kilometres	12.96	13.17	12.50	11.38	12.74
3.	Kilometres cancelled	1.79	1.37	1.47	1.65	0.81
4.	Percentage of cancellation	12.14	9.42	10.52	12.66	5.98
Cause-wise analysis						
5.	Want of buses	0.62	1.07	0.80	0.53	0.20
6.	Want of passengers	0.77	0.30	0.51	0.74	0.48
7.	Road block	0.13	-	-	0.35	0.13
8.	Others	0.27	-	0.16	0.03	-
9.	Avoidable cancellation (want of buses and passengers) (KM in lakh)	1.39	1.37	1.31	1.27	0.68

Maintenance of vehicles

4.2.16 Preventive Maintenance

Preventive maintenance is essential to keep the buses in good running condition and to reduce breakdowns/ other mechanical failures. MST had Tata make buses, for which engine oil change and brake inspection have been prescribed by the Original Equipment Manufacturers (OEMs) at every 18,000 KM. Audit observed that the required preventive maintenance schedules were adhered to.

4.2.17 Repairs & Maintenance

A summarised position of fleet holding, over-aged buses, Repairs and Maintenance (R&M) expenditure for the last five years up to 2008-09 is given below.

Table : 4.22

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total buses (No.)	59	58	56	51	54
2.	Over-age buses (more than 8 years old)	42	37	26	30	26
3.	Percentage of over age buses	71	64	46	59	48
4.	R&M Expenses (Rs. in lakh)	101.72	140.94	201.39	221.45	209.79
5.	R&M Expenses per bus (Rs. in lakh) (4/1)	1.72	2.43	3.60	4.34	3.89

It could be seen from the above table that the percentage of old age buses has come down from 71 *per cent* in 2004-05 to 48 *per cent* in 2008-09. However, repairs and maintenance *per* bus increased from Rs.1.72 lakh in 2004-05 to Rs.4.34 lakh in 2007-08 but slightly decreased to Rs.3.89 lakh in 2008-09. MST has not analysed the reasons for increase in expenditure on repairs and maintenance year after year. The reasons for high cost of repairs and maintenance expenses, as analysed by Audit, were system of procuring spare parts, in the local market at different rates for different components and making payments to the suppliers on the basis of certificate of Works Manager/Assistant Director (Stores) on the bills that the spare parts so purchased were fitted in relevant buses. The receipt and issue of spares were not routed through Central Stores. Therefore, possibility of fictitious purchases could not be ruled out.

MST should have evolved a system of assessing the annual requirement of major spares parts, procure spare parts after obtaining competitive rates through tender, issue supply orders to suppliers with staggered quantity at the lowest rates obtained in the tender and making necessary entries in the Central Stock Account at the time of accepting the stock and issuing stock to various vehicles for repair works. In the absence of proper system, expenditure incurred on repairs and maintenance could not be vouchsafed by audit.

The Department stated (August 2009) that bulk purchases of spare parts were made at the rates approved by the Departmental purchased Advisory Board and all the items were entered in the central stock registers before issue. As such, the possibility of fictitious purchases was completely ruled out. The reply is not based on facts as majority of spare parts were purchased locally without finalising items wise rate for running contract. The spare parts were issued to works without making entries in Central Stores account.

4.2.18 Docking of vehicles for fitness Certificates

The buses are required to be repaired and made fit before sending the same to Regional Transport Office (RTO) for renewal of fitness certificate under Section 62 of the Central Motor Vehicle Rules 1989. As the date of expiry of the old fitness certificate is known in advance, Management should plan accordingly to get the buses repaired in time so that bus days are not lost due to delay in renewal. A test check of the records at Aizawl and Saiha revealed that there is no system of getting fitness certificates periodically from RTO in respect of Government buses.

The Department stated (August 2009) that there is no system of getting periodical fitness certificates. However, the system followed by the Department was in violation of Motor Vehicle Act compromising on the road worthiness of the vehicles and safety of the passengers and public at large.

4.2.19 Manpower Cost

The cost structure of the organisation shows that manpower and fuel constitute 73.54 *per cent* of total cost. Interest, depreciation and taxes-the cost which are not controllable in the short term account for 9.29 *per cent*. Thus, the major cost saving can come only from manpower and fuel.

Manpower is an important element of cost which constituted 67.65 *per cent* of operating expenditure of MST in 2008-09. Therefore, it is imperative that this cost is kept under control and the manpower is utilised optimally to achieve high productivity. The table below provides the details of manpower, its cost and productivity.

Table : 4.23

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Manpower (Nos.)	642	643	627	594	582
2.	No. of buses at the beginning of the year	61	59	58	56	51
3.	Manpower Cost (Rs. in crore)	10.34	8.86	8.89	10.21	12.40
4.	Effective Kilometres (in lakh)	12.96	13.17	12.50	11.38	12.74
5.	Cost *per* effective KM (Rs.) (3/4)	79.78	67.27	71.12	89.72	97.33
6.	Productivity *per* day *per* person (KMs)	6.45	6.54	6.37	6.12	6.99
7.	Manpower *per* bus (1/2)	10.52	10.90	10.81	10.61	11.41
8.	Norms for employee *per* bus	6.50	6.50	6.50	6.50	6.50
9.	Excess manpower *per* bus (7-8)	4.02	4.40	4.31	4.11	4.91
10.	Salary & wages on excess staff (Rs. in crore) (3/7x9)	3.95	3.58	3.55	3.95	5.33
11.	Total crew (Nos.)	392	398	383	354	337
12.	Crew per bus	6.43	6.75	6.60	6.32	6.61
13.	Norms for crew *per* bus	5	5	5	5	5
14.	Excess crew *per* bus	1.43	1.75	1.60	1.32	1.61
15.	Salary & wages to crew (Rs. in crore)	6.04	5.02	4.44	5.05	6.14
16.	Salary & wages on excess crew (Rs. in crore) (15/12x14)	1.34	1.30	1.08	1.06	1.50

The Department has not fixed norm of staff strength required *per* vehicle under different categories. The staff requirement *per* bus was worked out by the TRW to 6.5 (Traffic 5; maintenance 1.15; and administration 0.35) including leave/absenteeism. It could be seen from the above table that employee *per* vehicle varied from 10.88 (2004-05) to 11.64 (2007-08) against the norm of 6.5 employees *per* vehicle. The staff productivity *per* day per person was low and varied from 6.45 KM (2004-05) to 6.99 KM (2008-09) against hill area average of 38 KM. During the last five years ending 2008-09, compared to norm of 6.5 employees *per* bus, the MST had paid Rs.20.36 crore, towards salary, wages, etc., on excess staff held during the period under review, including Rs.6.28 crore towards salary, wages, etc. on excess crew. Despite observation (September 2001) made by TRW that MST had the lowest staff productivity of all the STUs, the Department has not taken effective measures to rationalise staff strength as per norms. Consequently, it affected the ability of the MST to provide transport services at sustainable level.

Himachal RTC registered Manpower *per* bus at 4.37 and Staff Productivity KM/staff/day at 50.78 during 2007-08.

While admitting the facts, the Department stated (August 2009) that it has already initiated action for restructuring of whole Department between MST section and Motor Vehicle section with a view to down sizing man power.

4.2.20 Fuel Cost

Fuel is a major cost element which constituted 5.89 *per cent* of total expenditure in 2008-09. Control of fuel costs by a road transport undertaking has a direct bearing on its productivity. The table below gives the targets fixed by the MST for fuel consumption, actual consumption, mileage obtained *per* litre (Kilometre *per* litre i.e. KMPL), norms for Hilly areas and estimated extra expenditure of Rs.1.15 crore.

Table : 4.24

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Gross Kilometres (in lakh)	13.27	13.45	12.81	11.68	13.12
2.	Target of KMPL fixed by MST	3.15	3.15	3.15	3.15	3.15
3.	Kilometre obtained per litre (KMPL)	2.94	2.87	3.10	3.10	3.28
4.	Average in the hill area(KMPL)	3.69	3.69	3.69	3.69	3.69
5.	Actual Consumption (in lakh litres)	4.52	4.68	4.13	4.00	4.00
6.	Consumption as per hill area average (in lakh litres) (1/4)	3.60	3:64	3.47	3.17	3.55
7.	Excess Consumption (in lakh litres) (5-6)	0.92	1.04	0.66	0.83	0.45
8.	Average cost per litre (in Rs.)	25.12	30.65	29.79	32.96	29.79
9.	Extra expenditure (Rs. in lakh) (7X8)	23.11	31.88	19.66	27.36	13.41

It can be seen from the above table that the mileage obtained *per* litre increased from 2.94 in 2004-05 to 3.28 in 2008-09 as against hill area average of 3.69. The MST consumed 3.90 lakh litres of fuel in excess as compared to hill area average during 2004-05 to 2008-09 resulting in extra expenditure of Rs.1.15 crore. The excess consumption was mainly due to operation of services with old age vehicle, excessive use of clutch and gears and poor road condition in the State. A test check in Audit of two months Petrol, Oil and Lubricants (POL) statements for each year under review, in two depots, showed that MST had no mechanism in place to monitor vehicle wise or driver wise data for consumption of fuel so as to exercise effective control on fuel consumption. Further, MST had not prescribed ideal driving speed/ norms so as to enhance fuel economy. The excess consumption of HSD can be reduced if driver wise analysis for each bus is done.

Nagaland ST-DU and Himachal RTC registered mileage of 3.74 and 3.70 KMPL respectively during 2007-08.

The Department agreed (August 2009) with the audit observation.

Fare policy and fulfillment of social obligations

4.2.21 Existence and fairness of fare policy

As per recommendation of the State Transport Authority (STA), the State Government revises the fare from time to time by issuing notification in the Gazette. The State Government issued notification in August 2001, July 2005 and September 2008 for revision of fares.

Table : 4.25

(Rate Rs. per KM)

Category	2004-05	2005-06	2006-07	2007-08	2008-09
Ordinary bus	0.56	0.65 (w.e.f. 12.7.05)	0.65	0.65	0.80 (w.e.f. 1.9.08)
Deluxe bus	0.71	0.85 (w.e.f. 12.7.05)	0.85	0.85	1.00 (w.e.f. 1.9.08)

The major element of cost of operation is diesel and whenever the rate of diesel increases, STA proposes to the State Government for increase of fare. It was noticed in audit that fare has been revised on two occasions, whereas increase in diesel prices was on 14 occasions and the rate increased from Rs.15.04 per litre to Rs.33.35 per litre during August 2001 to September 2008.

The fare policy of MST has no scientific basis as it does not take into account the normative cost. Thus, there is a risk of commuters paying for inefficiency of the MST. The table below shows how the MST could have curtailed cost and increased revenue with better operational efficiency.

Table : 4.26

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost *per* KM	117.97	105.71	118.00	139.11	143.84
2.	Traffic Revenue *per* KM	9.28	9.51	12.03	12.59	14.93
3.	Loss of revenue due to less vehicle productivity (*per* KM)	19.06	18.22	24.16	27.59	25.12
4.	Excess cost due to low manpower productivity (*per* KM)	30.48	27.18	28.40	34.71	41.84
5.	Excess cost due to excess consumption of fuel (*per* KM)	1.78	2.42	1.57	2.40	1.05
6.	Ideal revenue *per* KM (2+3)	28.34	27.73	36.19	40.18	40.05
7.	Ideal cost *per* KM [1-(4+5)]	85.71	76.11	88.03	102.00	100.95
8.	Net revenue *per* KM (2-1)	(-)108.69	(-)96.20	(-)105.97	(-)126.52	(-)128.91
9.	Net ideal revenue *per* KM (6-7)	(-)57.37	(-)48.38	(-)51.84	(-)61.82	(-)60.90
10.	Effective KMs (in lakh)	12.96	13.17	12.50	11.38	12.74
11.	Avoidable loss (Rs. in crore) [(8-9) X 10]	6.65	6.30	6.77	7.36	8.66

It is evident from the above table that despite taking adequate care in operational prameters, there would be still some loss. However, it would be considerably reduced and may not be eliminated completely. Moreover, above calculations do not take into account other inefficiencies such as low fleet utilisation, defective route planning, etc. Nonetheless, it shows that the net revenue loss could be lower, if the operations are properly planned and efficiently managed, than what they actually are. Thus, the case made by MST for increase in fare, includes its inefficiencies and in a way would make the commuters pay more than what they should be actually paying.

The above facts lead to conclude that it is necessary to regulate the fares on the basis of a normative cost and it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address the grievances of commuters.

Monitoring by top management

4.2.22 MIS data and monitoring of service parameters

For an organisation like MST to succeed in operating economically, efficiently and effectively, there has to be written norms of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that the achievement of which would make an organisation self-reliant. In the light of this, Audit reviewed the system operating in MST. The MIS system of MST was not adequate and the monitoring by its top management of key operational parameters and service standards was largely ineffective.

The Director and Joint Director (Operation) discuss the MIS. However, minutes/notes of discussion were not on records. Though there were shortfalls in achievement of targets, no instructions were issued to depots. There is no mechanism to monitor vehicle productivity, fleet utilization and load factor. Moreover, there is no effective control over repairs and maintenance expenses.

The top management of MST is expected to demonstrate managerial capability to set realistic and progressive targets, address areas of weakness and take remedial action wherever the things are not moving on expected lines. However, no such activity was observed from records or performance of MST during period under review.

4.2.23 Conclusion

Operational performance

- MST did not conduct proper study of routes and periodical review for improving load factor and to improve its share in public transport.
- MST could not recover the cost of operations in any of the five years under review. This was mainly due to operational inefficiencies and ineffective monitoring by top management.
- MST was not running its operations efficiently as its performance on important operational parameters was below hill area averages.
- MST did not ensure the economy in operations as its manpower was higher than the hill area average.

Fare policy and fulfillment of social obligations

- The fare policy of MST is not based on scientific norms.

Monitoring by top management and future needs

- Monitoring by top management of key operational parameters was lacking.

On the whole, there is immense scope to improve the performance of the MST. However, the present set-up of MST does not seem to be equipped to handle the operations efficiently. Effective monitoring of key parameters, coupled with certain policy measures, can see improvement in performance.

4.2.24 Recommendations

Operational performance

- MST should reduce its staff cost by rationalizing manpower.
- Increase operational efficiency through route re-orientation, introduction of Tata Sumo, Scorpio, etc and outsourcing of repairs and maintenance activity.

Financial Management

- Exercise effective control over procurement and utilization of spare parts.

Fare policy and fulfillment of social obligations

- The Government may consider creating a regulator to regulate fares and also services on uneconomical routes.

Monitoring by top management

- Norms for operational parameters may be fixed and monitoring by top management.

AUDIT OF TRANSACTIONS

FOOD, CIVIL SUPPLIES & CONSUMERS AFFAIRS DEPARTMENT

4.3 Non- recovery of Hill State Transport Subsidy

Late submission of claims and non-fulfillment of prescribed criteria led to non-reimbursement of HSTS claims amounting to Rs.5.09 crore and Rs.22.46 crore.

Under the Central Government "Hill State Transport Subsidy" (HSTS) Scheme, the expenditure incurred by the State Government on transportation of foodgrains from the base depot of Food Corporation of India (FCI) to different Principal Distribution Centres (PDCs) in Mizoram is reimbursable from the Government of India, Ministry of Consumer Affairs, Department of Food and Public Distribution. As the claimant Department (FCS&CA) is not a cheque drawing Department, payments to transporters were made through Government Treasuries on the basis of fully vouched bills. The FCI granted (March 2000) relaxation towards acceptance of Treasury voucher numbers, in lieu of cheques numbers, as evidence of payment. However, fresh guidelines issued by the FCI (February 2005), required submission of full details of party wise payments made with cheques numbers and name of the bank along with copies of acknowledgement of receipt of stock from authorized officials of the recipient centres/PDCs with the reimbursement claim bills in order to ensure that there was no misuse of HSTS.

The State Government stated (December 2006) its difficulties in adopting the new guidelines and requested for exemption but the FCI on the recommendations of the Committee to look into the state request insisted (July 2008) that the copies of fully vouched contingent bills should be obtained from the Accountant General, Shillong in order to ensure the papers evidencing linkage of flow of payment from treasury to the bank on the one hand and from the bank to the parties on other hand, in respect of claims pertaining to the period upto July 2008. The future payment were to be made to the contractors through treasury by crediting the amount to their bank accounts and the claims should be preferred with authenticated bank statements only.

Audit observed (March 2009) that the transportation charges of Rs.5.09 crore, for carrying 69,388 MT of rice from FCI depot to various PDCs under 69 bills for the period August 2003 to January 2005 relating to relaxation period, could not be reimbursed from the Ministry due to submission of claims after expiry of relaxation period. The claim preferred (between September 2006 and August 2007) was returned (September 2006/ September 2007) by the

FCI due to non-fulfillment of prescribed criteria. Further, claim (between September 2006 and February 2008) of Rs.7.02 crore in respect of transportation of 88,265 MT of rice during the period February 2005 to February 2006 was also rejected (June 2008) by the FCI due to non-fulfillment of prescribed criteria. Besides, due to non-compliance of the Central/FCI guidelines, the Department failed (March 2009) to submit the reimbursement HSTS claim of Rs.15.43 crore relating to the period March 2006 to December 2008.

Thus, the Department failed to receive subsidy of Rs.5.09 crore pertaining to the relaxation period and could not receive claim of Rs.22.46 crore pertaining to the period February 2005 to December 2008 due to lack of proper initiative towards fulfillment of prescribed criteria for submitting the reimbursement HSTS claims.

While admitting the facts, the Department stated (March 2009) that action was initiated for fulfilling Central/FCI prescribed criteria for claiming HSTS from the Ministry from the next financial year 2009-10 onwards.

Audit suggests that the Department should once again take up its case of subsidy claims with the concerned Departments of Government of India and initiate early steps to fulfill the revised criteria for receipt of HSTS claims.

The matter was reported to the Government in June 2009; its reply was awaited (September 2009).

4.4 Undue benefit to the contractors

Extra payment of Rs.74.75 lakh due to enhancement of carrying contract rates by the Government in 10 out of 45 routes during the tenure of the contract contrary to the conditions of the tender resulted in undue benefit to the contractors.

The Director, Food, Civil Supply and Consumer Affairs floated (September 2006) a Notice Inviting Tender (NIT) for appointing foodstuff carrying contractors for 45 district routes under District Civil Supply Offices, Aizawl(East), Aizawl(West) and Champhai. While recommending (December 2006) the approval of the State Government (Food, Civil Supplies & Consumer Affairs Department) of their lowest quoted rates in 38 out of 45 routes, the Departmental Purchase Advisory Board (DPAB) recommended for negotiations in other seven routes as their quoted rates were found to be on higher side and suggested to bring down the rates within 15 *per cent* over the then existing rates. Negotiations were conducted (May/July 2007) for the rest of seven routes and rates were brought down as suggested by DPAB. The State Government accorded (March/July 2007) administrative approval for engagement of contractors as per their lowest quoted rates in 38 routes and at the negotiated rates in seven routes. Accordingly, the Director, FCS&CA appointed different contractors during the period between April 2007 and July 2007 for carrying foodstuff in 45 routes. The above approved rates in 45 routes were valid for one year from the date of appointment of the contractors or till such time fresh contractors were appointed.

Audit scrutiny (March 2009) revealed that during the tenure of contract, the State Government enhanced (May 2008) the existing approved rates in respect of 10 routes, with retrospective effect from April 2007, without assigning any specific reason for such enhancement as detailed in the Appendix 4.7. It may be seen from Appendix - 4.7 that the carrying contractors transported 18,121 MT of foodstuff during the period April 2007 to December 2008 in 10 routes for which financial implication involved as per approved rates was Rs.132.92 lakh. But, due to the irregular enhancement of rates, the Department incurred total expenditure of Rs.207.67 lakh resulting in extra expenditure of Rs.74.75 lakh which also meant undue benefits to the carrying contractors.

While admitting the facts, the Director, FCS&CA stated (March 2009) that enhancement of carrying rates of foodstuff in some routes was made as per orders of the State Government.

The matter was reported to the Government in June 2009; its reply was awaited (September 2009).

4.5 Avoidable extra expenditure

Avoidable extra expenditure of Rs.37.27 lakh due to enhancement of rates without considering corresponding increase in diesel price and without obtaining competitive rates through tender.

The existing carrying contractors, who were appointed (December 2005/July 2006) at the rates ranging between Rs.90 and Rs.140 *per* quintal in eight routes of Lunglei revenue district, demanded (July 2008) enhancement of rates ranging between Rs.105 and Rs.160 *per* quintal for different supply routes with increase ranging between 4 and 82 *per cent* over the then existing approved rates. As their quoted rates were found to be on higher side, the Director, FCS&CA conducted negotiations with the existing contractors and brought down the rates by Rs.5 *per* quintal in each route. In respect of six out of eight routes, while recommending (July 2008) approval of the State Government, the Departmental Purchase and Advisory Board (DPAB) justified the increase in rates ranging between 33 and 60 *per cent* over the existing rates as increase in diesel price was 66.78 *per cent* during the period between 2003 (Rs.20.20 *per* litre) and June 2008 (Rs.34.29 *per* litre). The State Government accorded administrative approval with effect from January 2008, as recommended by DPAB, without obtaining competitive rates through tender as detailed in the Appendix - 4.8.

Audit scrutiny revealed (March 2009) that instead of comparing diesel price prevalent during the period between July 2006 and June 2008 as the existing rates were finalized in July 2006 for six routes, DPAB compared diesel price prevalent during the period between 2003 (Rs.20.20 *per* litre) and June 2008 (Rs.34.29 *per* litre) and justified the increase in rates ranging between 33 and 60 *per cent* over then existing rates. When comparing diesel price prevalent during the period between July 2006 (Rs.32.26 *per* litre) and June 2008 (Rs.34.29 *per* litre), the increase in diesel price was only 6.29 *per cent*. Thus, there was no justification for enhancing rates with increase ranging between 33 and 60 *per cent* over the then existing rates when the increase in diesel price was 6.29 *per cent* during the corresponding period. This is in stark comparison to enhancement of rates with increase ranging between 4 and 14 *per cent* over the existing rates in respect of other two routes where the increase in diesel price was 13.35 *per cent* during the period between December 2005 (Rs.30.25 *per* litre) and June 2008 (Rs.34.29 *per* litre).

This enhancement of rates without considering corresponding increase in diesel price and deviating from the laid down procedure of obtaining competitive rates through tender resulted in avoidable extra expenditure of Rs.37.27 lakh for handling of 1,05,173 quintals of foodstuff in six routes during the period January 2008 to March 2009.

While admitting the facts, the Director, FCS&CA stated (March 2009) that enhancement of carrying rates of foodstuff in Lunglei district were made as per orders of the State Government.

The matter was reported to the Government in June 2009; its reply was awaited (September 2009).

INDUSTRIES AND TRADE & COMMERCE DEPARTMENTS

4.6. Arrears in finalisation of accounts of Government Companies

Section 210 of the Companies Act, 1956, read with Sections 166 and 216, casts the duty on the Board of Directors of a Company to place the accounts of the Company along with Auditor's Report (including supplementary comments of CAG) in the Annual General Meeting of the shareholders within six months of the close of its financial year. As per Section 210(5), if any person, being a Director of a Company, fails to take all reasonable steps to comply with the provisions of Section 210, he shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to ten thousand rupees or with both. Similar provision exists under Section 210(6) in respect of a person who is not a Director but is charged with the duty of ensuring compliance with Section 210.

In spite of above provisions in the Companies Act, four companies viz., Mizoram Handloom & Handicrafts Development Corporation Limited (ZOHANCO), Mizoram Food & Allied Industries Corporation Limited (MIFCO), Mizoram Agricultural Marketing Corporation Limited (MAMCO) and Zoram Electronics Development Corporation Limited (ZENICS), have not finalised their accounts in time and the arrears were ranging from 5 to 9 years as of 30 June 2009 as shown in the Appendix - 4.9. Audit has been bringing out the arrears in finalisation of accounts to the notice of the State Government through the Chief Secretary by D.O. letter with a copy to the Finance Secretary every quarter. However, there has been no effective action to liquidate the arrears during past three years as shown in the Appendix 4.9. The Government has already made an investment in these companies of Rs.34.60 crore (Equity: Rs.32.75 crore, Loans: Rs. 1.85 crore) during the period upto 31 March 2008 for which the accounts have not been finalised.

In the absence of accounts and their subsequent audit, it cannot 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 the Company remains outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act. In view of this, it is recommended that the Government and the company management may

- consider outsourcing the work of preparation of accounts to clear the arrears; and
- make a time-bound programme to clear the arrears and monitor it on a continuous basis.

The matter was reported to the Government (July 2009); its reply was awaited (September 2009).

INDUSTRIES, TRADE & COMMERCE, POWER & ELECTRICITY AND FOOD, CIVIL SUPPLIES & CONSUMERS AFFAIRS DEPARTMENTS

4.7. Opportunity to recover money ignored

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods upto 2003-04 showed that there were 17 paras in respect of five PSUs, one Departmental undertaking and one Department involving a recovery of Rs.3.89 crore. As per the extant instructions, the PSUs are required to take remedial action within one month after receipt of IRs from Audit. However, no effective action has been taken to take the matters to their logical end, i.e., to recover money from the concerned parties. As a result, these PSUs/Department have so far lost the opportunity to recover their money which could have augmented their finances.

PSU wise details of paras and recovery amount are given below. The list of individual paras is given in Appendix - 4.10.

Sl. No.	PSU/Department Name	No. of paras	Amount for Recovery (Rs. in lakh)
1.	Zoram Industrial Development Corporation Limited (ZIDCO)	7	139.21
2.	Zoram Electronics Development Corporation Limited (ZENICS)	1	0.61
3.	Zoram Handloom and Handicrafts Development Corporation Limited (ZOHANCO)	1	0.40
4	Mizoram Food and Allied Industries Corporation Limited (MIFCO)	1	5.17
5	Mizoram Agricultural Marketing Corporation Limited (MAMCO)	1	17.00
6	Power & Electricity Department, Government of Mizoram	1	62.78
7	Food & Civil Supplies and Consumer Affairs, Government of Mizoram.	5	164.23
Total		**17**	**389.40**

The paras mainly pertain to recovery of expenditure incurred by company officials, non-recovery of loan distributed by the Industrial Development Corporation, pending-reliazation of sales proceeding, awaiting insurance claims, misappropriation of foodstuffs and non-accountal of foodstuffs.

Above cases point out the failure of respective PSU/Department authorities to safeguard their financial interests. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and PSU Management periodically, have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to recover the money and complete the exercise in a time bound manner.

The matter was reported to the Government (July 2009); its reply was awaited (September 2009).

INDUSTRIES, TRADE & COMMERCE, POWER & ELECTRICITY, TRANSPORT AND FOOD, CIVIL SUPPLIES & CONSUMERS AFFAIRS DEPARTMENTS

4.8 Lack of remedial action on audit observations

Eight PSUs/Department did not either take remedial action or pursue the matters to their logical end in respect of 36 IR paras, resulting in foregoing the opportunity to improve their functioning.

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods upto 2003-04 showed that there were 36 paras in respect of five PSUs, two Departmental undertakings and one Department, which pointed out deficiencies in the functioning of these PSUs/Department. As per the extant instructions, the PSUs are required to take remedial action within one month after receipt of IRs from Audit. However, no effective action has been taken to take the matters to their logical end, i.e., to take remedial action to address these deficiencies. As a result, these PSUs/Departments have so far lost the opportunity to improve their functioning in this regard.

PSUs/Department wise details of paras are given below. The list of individual paras is given in Appendix - 4.11.

Sl. No.	PSU Name	No. of Paras
1.	Zoram Industrial Development Corporation Limited (ZIDCO)	13
2.	Zoram Electronics Development Corporation Limited (ZENICS)	1
3.	Zoram Handloom and Handicrafts Development Corporation Limited (ZOHANCO)	1
4.	Mizoram Food and Allied Industries Corporation Limited (MIFCO)	4
5.	Mizoram Agricultural Marketing Corporation Limited (MAMCO)	2
6.	Power & Electricity Department, Government of Mizoram	5
7.	Director of Transport/Mizoram State Transport	3
8.	Food & Civil Supplies and Consumer Affairs, Government of Mizoram.	7
Total		**36**

The paras mainly pertain to lump sum grants requiring regularization, loss on disposals of taken over assets, loss due to inadequate security, irregular purchase of equipments, materials purchase at higher rate, injudicious purchase of old building, diversion of fund, blockade of fund, implementing non-viable project, non-levying of charges on contractors, excess expenditure over estimate, irregular payment to a firm, extra expenditure, idle investment, delay in project leading to time and cost overrun, infructuous expenditure, irregular maintenance of cash book, shortage of food stuff, irregular issue of foodstuff and unnecessary purchase of equipments.

Above cases point out the failure of respective PSU/Departmental authorities to address the specific deficiencies and ensure accountability of their staff. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/ Finance Department and PSU management periodically, have not yielded the desired results in these cases.

The PSUs/Department should initiate immediate steps to take remedial action on these paras and complete the exercise in a time bound manner.

The matter was reported to the Government (July 2009); its reply was awaited (September 2009).

Vishal Bansal

Aizawl
The 29 MAR 2010

(Vishal Bansal)
Accountant General

Countersigned

New Delhi
The

30 MAR 2010

(Vinod Rai)
Comptroller and Auditor General of India

APPENDICES

Appendix – 1.1

Department-wise disbursement of fund
(Reference: Paragraph 1.1.9.1; Page(s) 8 and 9)

(Rupees in crore)

Sl. No.	Name of Department to whom disbursed	Amount disbursed during the year								Total Amount disbursed and spent during 2004-08
		2004-05		2005-06		2006-07		2007-08		
		Rec.	Exp.	Rec.	Exp.	Rec.	Exp.	Rec.	Exp.	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1.	Agriculture	2.00	2.00	2.40	2.40	0.57	0.57	--	--	4.97
2.	Animal Husbandry & Veterinary	2.20	2.20	2.64	2.64	0.05	0.05	--	--	4.89
3.	Environment & Forest	2.00	2.00	3.14	3.14	2.25	2.25	2.25	2.25	9.64
4.	Fisheries	1.00	1.00	1.20	1.20	--	--	--	--	2.20
5.	Food & Civil Supplies & Consumer Affairs	0.90	0.90	2.28	2.28	0.80	0.80	--	--	3.98
6.	Horticulture	2.60	2.60	3.10	3.10	4.00	4.00	6.00	6.00	15.70
7.	Health & Family Welfare	1.00	1.00	1.20	1.20	0.70	0.70	--	--	2.90
8.	Industries	3.65	3.65	10.42	10.42	2.00	2.00	--	--	16.07
9.	Information & Public Relations	0.50	0.50	0.56	0.56	0.17	0.17	--	--	1.23
10.	Land Revenue & Settlement	1.50	1.50	1.60	1.60	--	--	--	--	3.10
11.	Local Administration Department	--	--	0.50	0.50	--	--	--	--	0.50
12.	Public Works Department	--	--	7.30	7.30	5.95	5.95	6.75	6.75	20.00
13.	Rural Development Department	1.10	1.10	1.78	1.78	12.89	12.89	20.00	20.00	35.77
14.	Sericulture	0.75	0.75	1.00	1.00	0.62	0.62	--	--	2.37
15.	Soil & Water Conservation Department	0.80	0.80	0.88	0.88	--	--	--	--	1.68
	Total	**20.00**	**20.00**	**40.00**	**40.00**	**30.00**	**30.00**	**35.00**	**35.00**	**125.00**

Source: Information furnished by the State Planning Board and respective Department.
Note: Rec. = Fund Received, Exp. = Expenditure incurred.

Appendix – 1.2

Statement showing district-wise targeted beneficiaries with actual coverage, including variation between approved and actual beneficiaries
(Reference: Paragraph(s) 1.1.10.1; Page 11)

Year	District-wise total beneficiaries targeted and actually covered																							
	Aizawl			Champhai			Kolasib			Lawngtlai			Lunglei			Mamit			Saiha			Serchhip		
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C
2004-05	224	177	47	66	79	13	62	61	1	21	24	3	67	86	19	32	42	10	45	40	5	44	52	8
2005-06	196	232	36	92	99	7	75	81	6	44	34	10	123	123	--	53	48	5	61	46	15	72	53	19

Source: Information furnished by the Directorate of Animal Husbandry and Veterinary, Mizoram.

- **A**= District-wise number of Beneficiaries (as per Approved list of Beneficiaries)
- **B**= District-wise number of Beneficiaries actually covered (as per Department's Reply)
- **C**= Variation in number of Beneficiaries

Appendix – 1.3

District-wise beneficiaries covered by Animal Husbandry and Veterinary Department

(Reference: Paragraph 1.1.10.5; Page 16)

District	Broiler				Layer				Piglets			
	No. of beneficiaries	Birds issued (08/ 05)	Position as on 04/06	Died (%)	No. of beneficiaries	Birds issued (08/ 05)	Position as on 04/06	Died (%)	No. of beneficiaries	Piglets issued (08/05)	Position as on 04/06	Died (%)
Aizawl	47	4400	1087	3313 (75)	46	4730	1175	3555 (75)	126	NA	NA	NA
Champhai	11	NA	NA	NA	11	1210	354	856 (71)	42	168	151	17 (10)
Kolasib	12	NA	NA	NA	10	NA	NA	NA	35	NA	NA	NA
Lawngtlai	04	NA	NA	NA	04	440	130	310 (70)	11	44	32	12 (27)
Lunglei	10	NA	NA	NA	10	NA	NA	NA	45	NA	NA	NA
Mamit	05	1000	NIL	1000 (100)	05	500	218	282 (56)	20	80	75	05 (6)
Saiha	14	1000	225	775 (78)	04	400	175	225 (56)	24	NA	NA	NA
Serchhip	07	1400	NIL	1400 (100)	07	NA	NA	NA	27	108	98	10 (9)

Source: Information furnished by the Department. *NA= Not Available*

APPENDIX – 3.1

Statement showing the number of outstanding Inspection Reports and Paras with money value issued up to December 2008 and their position as on 30 June 2009

(Reference : Paragraph 3.1.8; Page: 49)

(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
2008-2009	02	07	174.12	00	00	00	00	00	00	01	01	56.76
Total	**19**	**107**	**1515.84**	**12**	**28**	**233.46**	**31**	**94**	**1429.85**	**34**	**59**	**330.57**

Appendix – 4.1

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2009 in respect of Government companies

(Reference: Paragraph 4.1.5; Page 74)

(Figures in column 5 (a) to 6 (c) are Rupees in lakh)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital[1]				Loans[2] outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
Working Government Companies													
AGRICULTURE MARKETING													
1.	Mizoram Agriculture Marketing Corporation Limited	Trade & Commerce	February 1993	545.10	-	-	545.10	185.00	-	25.91	210.91	0.39:1 (0.43:1)	26
	Total of the Sector			**545.10**	**-**	**-**	**545.10**	**185.00**	**-**	**25.91**	**210.91**	**0.39:1 (0.43:1)**	**26**
FINANCING													
2	Zoram Industrial Development Corporation Limited	Industries	February 1978	1605.10	-	428.00[3]	2033.10	872.00	-	2282.57	3154.57	1.55:1 (1.59:1)	62
	Total of the Sector			**1605.10**	**-**	**428.00**	**2033.10**	**872.00**	-	**2282.57**	**3154.57**	**1.55:1 (1.59:1)**	**62**
MANUFACTURING													
3.	Zoram Electronics Development Corporation Limited	Industries	March 1991	680.40			680.40	-	-	-	-	-- (-)	34
4.	Mizoram Food and Allied Industries Corporation Limited	Industries	December 1989	1842.31	136.00	-	1978.31	-	-	-	-	-- (-)	89
	Total of the Sector			**2522.71**	**136.00**		**2658.71**	-	-	-	-	-- (-)	**123**
MISCELLANEOUS													
5.	Mizoram Handloom And Handicrafts Development Corporation Limited	Industries	December 1988	895.70	-	-	895.70	-	-	-	-	-- (-)	52
	Total of the Sector			**895.70**	**-**	**-**	**895.70**	-	-	-	-	-- (-)	**52**
	Grand Total			**5568.61**	**136.00**	**428.00**	**6132.61**	**1057.00**	-	**2308.48**	**3365.48**		**263**

1 Paid-up capital includes share application money of Rs.510.00 lakh (Mizoram Agriculture Marketing Corporation Limited:Rs.52.00 lakh, Zoram Industrial Development Corporation Limited: Rs.455 lakh and Zoram Electronics Development Corporation Limited:Rs.3.00 lakh)

2 Loans outstanding at the close of 2008-09 represent long-term loans only

3 Shares issued to IDBI

Figures are provisional as given by the companies.

Appendix – 4.2

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2009

(Reference: Paragraph 4.1.9; Page 75)

(Figures in column 3 (a) to 6 (d) are Rupees in lakh)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[5]		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
Working Government Companies													
AGRICULTURE MARKETING													
1.	Mizoram Agriculture Marketing Corporation Limited	52.00	-	-	-	-	-	-	-	-	-	-	-
	Total of the Sector	**52.00**	-	-	-	-	-	-	-	-	-	-	-
FINANCING													
2.	Zoram Industrial Development Corporation Limited	-	872.00	-	26.00 (G)	-	26.00 (G)	-	2020.65	-	-	-	-
	Total of the Sector	-	**872.00**	-	**26.00 (G)**	-	**26.00 (G)**	-	2020.65	-	-	-	-
MANUFACTURING													
3.	Zoram Electronics Development Corporation Limited	45.00	-	-	-	-	-	-	-	-	-	-	-
4.	Mizoram Food and Allied Industries Corporation Limited	132.00	-	2.50(G)	488.00(G)	-	490.50(G)	-	35.00	-	-	-	-
	Total of the Sector	**177.00**	-	**2.50(G)**	**488.00(G)**	-	**490.50(G)**	-	**35.00**	-	-	-	-
MISCELLANEOUS													
5.	Mizoram Handloom And Handicrafts Development Corporation Limited	58.50	-	30.00(G)	5.00(G)		35.00(G)	-	-	-	-	-	-
	Total of the Sector	**58.50**	-	**30.00(G)**	**5.00(G)**		**35.00(G)**	-	-	-	-	-	-
	Grand Total	**287.50**	**872.00**	**32.50(G)**	**519.00(G)**		**551.50(G)**	-	**2055.65**	-	-	-	-

[5] Figures indicate total guarantees outstanding at the end of the year

Appendix – 4.3

Summarised financial results of Government companies for the latest year for which accounts were finalised

(Reference: Paragraph 4.1.14; Page 78)

(Figures in column 5 (a) to (6) and (8) to (10) are Rupees in lakh)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turn-over	Impact of Accounts Comments[6]	Paid up Capital	Accumu-ated Profit (+)/ Loss (-)	Capital employed[7]	Return on capital employed[8]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Working Government Companies														
AGRICULTURE MARKETING														
1.	Mizoram Agriculture Marketing Corporation Limited	2000-01	2006-07	(-)74.28	-	4.83	(-)79.11	-	-	393.00	(-)206.03	297.53	(-)79.11	-
	Total of the Sector			**(-)74.28**	**-**	**4.83**	**(-)79.11**	**-**	**-**	**393.00**	**(-)206.03**	**297.53**	**(-)79.11**	**-**
FINANCING														
2.	Zoram Industrial Development Corporation Limited	2007-08	2008-09	(+)13.89	214.47	4.46	(-)205.04	179.26	(-)60.34	1578.10	(-)1684.41	4861.26	9.43	0.19
	Total of the Sector			**(+)13.89**	**214.47**	**4.46**	**(-)205.04**	**179.26**	**(-)60.34**	**1578.10**	**(-)1684.41**	**4861.26**	**9.43**	**0.19**
MANUFACTURING														
3.	Zoram Electronics Development Corporation Limited	2000-01	2006-07	(-)38.65	-	8.20	(-)46.85	8.28	(-)3.08	352.40	(-)259.94	92.45	(-)46.85	-
4.	Mizoram Food and Allied Industries Corporation Limited	2006-07	2009-10	(-)54.71	-	26.89	(-)81.60	30.97	-	1706.31	(-)1571.63	1504.05	(-)81.60	-
	Total of the Sector			**(-)93.36**	**-**	**35.09**	**(-)128.45**	**39.25**	**(-)3.08**	**2058.71**	**(-)1831.57**	**1596.50**	**(-)128.45**	**-**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turn-over	Impact of Accounts Comments[6]	Paid up Capital	Accumu-ated Profit (+)/ Loss (-)	Capital employed[7]	Return on capital employed[8]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MISCELLANEOUS														
5	Mizoram Handloom And Handicrafts Development Corporation Limited	1998-99	2004-05	(-)36.19	-	6.99	(-)43.18	22.03	-	461.70	(-)301.27	161.99	(-)43.18	-
Total of the Sector				(-)36.19	-	**6.99**	**(-)43.18**	**22.03**	-	**461.70**	**(-)301.27**	**161.99**	(-)43.18	-
Grand Total				**(-)189.94**	**214.47**	**51.37**	**(-)455.78**	**240.54**	**24.62**	**4491.51**	**(-)4023.28**	**6917.28**	**(-)241.31**	**0.19**

6 Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses

7 Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance)

8 Return on capital employed has been worked out by adding profit and interest charged to profit and loss account

Appendix - 4.4

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 finalised as on 31 March 2009 (Reference: Paragraph 4.1.35; Page 83)

(Rupees in lakh)

Sl. No.	Name of the PSU	Year upto which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears				
	Working Companies/Corporation			**Year**	**Equity**	**Loans**	**Grants**	**Others**
1.	**Sector : Agricultural 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	-	-	-
				2008-09	52.00			
2.	**Sector : Financing** Zoram Industrial Development Corporation Limited	2007-08	1578.10	2008-09	-	872.00	26.00	-
3.	**Sector : Manufacturing** 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	-	-	-
				2008-09	45.00			
4.	**Sector : Manufacturing** Mizoram Food and Allied Industries Corporation Limited	2006-07	1706.31	2007-08	4.00	-	132.20	-
				2008-09	132.00	-	588.00	-
5.	**Sector : Miscellaneous** 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	-
				2008-09	58.50		5.00	
	Total				**1054.10**	**1072.00**	**1282.20**	**-**

Appendix - 4.5

Statement showing operational performance of Power and Electricity Department for the last three years ending 31 March 2009

(Reference: Paragraph 4.1.44; Page 87)

Sl. No.		2006-07	2007-08	2008-09
1.	Installed Capacity (MW) :			
	(a) Thermal (Diesel)	22.92	22.92	0.50
	(b) Hydro	14.25	14.25	14.05
	(c) Gas	-	-	
	(d) Others (HFO based)	0.50	0.50	22.92
	Total :	37.67	37.67	37.47
2.	Normal Maximum Demand in the State (MKwh)	219.00	219.00	
3.	Power Generated (MKwh) :			
	(a) Thermal (Diesel)	2.13	2.59	0.02
	(b) Hydro	12.09	16.30	8.28
	(c) Gas	-	-	
	(d) Others(HFO based)	0.09	0.032	2.63
	Total :	14.31	18.922	10.93
	Less : Auxiliary Consumption (MKwh) (Percentage in bracket)			
	(a) Thermal (Diesel)	0.12 (29.99)	0.025 (6.3)	0.0003 (1.5)
	(b) Hydro	0.28 (69.98)	0.371 (93.52)	0.24 (2.9)
	(c) Gas	-	-	-
	(d) Others	0.0001 (0.03)	0.0007 (0.18)	0.025 (1.0)
	Total :	0.4001	0.3967	0.268
4.	Net Power Generated (MKwh)	13.91	18.52	10.662
5.	Power purchased (MKwh)	288.66	347.82	378.20
6.	Free power received (MKwh)	-	-	-
7.	Total power available for sale (MU) (4+5+6)	305.57	366.35	388.86
8.	Power sold (MU) :			
	(a) Within the State	151.22	169.35	163.85
	(b) Outside the State	69.02	99.42	96.65
	Total :	220.24	268.77	260.50
9.	Transmission and Distribution Losses (MU)	85.33	97.58	128.36
10.	Load Factor (Percentage):			
	(a) Diesel	-	-	-
	(b) Hydel	47	57	-
11.	Percentage of Transmission and Distribution to total Power available for sale (7/9x100)	27.92	26.64	33.01
12.	Number of villages/town electrified:			
	(a) Villages	548	570	570
	(b) Towns	22	-	22
	Total :	570	570	592
13.	Number of Pumpsets/Well energised (Public water supply)	17	17	NIL
14.	Number of Sub-station (i.e. 33 KV and above)	42	43	15

Sl. No.		2006-07	2007-08	2008-09
15.	Transmission/Distribution lines (in Kms):			
	(a) High Voltage (i.e. 132 KV, 66 KV & 33 KV)	1423	1483	1591.36
	(b) Medium Voltage (i.e. 11 KV)	4123	4140	4174
	(c) Low Voltage	2369	2387	2369
	Total :	7915	8010	8134.36
16.	Connected Load (in MW)	190.73	217.07	NA
17.	Number of consumers	138750	144643	160166
18.	Number of Employees :			
	(a) Technical	1465	1465	1339
	(b) General	755	755	609
	Total :	2220	2220	1948
19.	Consumers/Employees ratio	62.5:1	65:1	82.22:1
20.	Total expenditure on staff during the year (Rupees in crore)	18.35	23.29	32.76
21.	Percentage of Expenditure on Staff to total Revenue expenditure	41.14	20	24.03
22.	Units sold in million units (percentage share to total units sold in bracket)			
	(a) Agriculture		-	0.06 (0.02)
	(b) Industrial	1.77 (0.80)	1.59 (0.6)	1.53 (0.59)
	(c) Commercial	7.37 (3.35)	8.9 (3.3)	9.30 (3.57)
	(d) Domestic	96.21 (43.68)	109.01 (41)	112.16 (43.06)
	(e) Irrigation	-	-	-
	(f) Bulk Supply	9.69 (4.40)	12.435 (4.6)	11.17 (4.29)
	(g) Public Water Works	20.07 (9.11)	27.09 (10)	25.58 (9.82)
	(h) Public Lighting	15.88 (7.21)	9.964 (3.7)	4.04 (1.55)
	(i) Other categories	0.23 (0.11)	0.358 (0.4)	0.01 (0.004)
	(j) Inter State	69.02 (31.34)	99.42 (37)	96.65 (37.10)
	Total :	220.24	268.77	260.50
23.	Revenue (Rupees in crore)	44.60	81.22	83.92
24.	Expenditure (Rupees in crore) :			
	(a) Cost of Fuel (HSD Oil)	3.15	1.00	2.60
	(b) Cost of Power purchase	80.00	76.69	86.28
	(c) Operations & Maintenance	7.00	11.43	14.68
	(d) Establishment expenditure	18.35	23.29	32.76
	(e) Others Miscellaneous expenditure	-	1.64	-
	Total :	108.50	114.05	136.32
25.	Profit (+)/Loss (-)	(-)63.90	(-)32.83	(-)52.40

Appendix - 4.6

Statement showing operational performance of Mizoram State Transport

(Reference: Paragraph 4.2.7; Page 95)

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Number of vehicles held at the beginning of the year	61	59	58	56	51
Number of vehicles held at the end of the year	59	58	56	51	54
Average number of vehicles on road	21	21	20	19	21
Percentage of utilisation of vehicles	36	36	36	37	39
Number of employees	642	643	627	594	582
Employee vehicle ratio	10.52:1	10.90:1	10.81:1	10.61:1	11.41:1
Number of routes operated at the end of the year	26	25	25	22	21
Route kilometers	12.96	13.17	12.50	11.38	12.74
Kilometers operated (in lakh):					
Gross	13.27	13.45	12.81	11.68	13.12
Effective	12.96	13.17	12.50	11.38	12.74
Dead	0.31	0.28	0.31	0.30	0.38
Percentage of dead kilometers to gross kilometers	2.34	2.08	2.42	2.57	2.90
Average kilometers covered per bus per day	56.81	59.43	57.53	53.56	61.93
Average revenue per kilometer (Rs.)	10.56	11.79	12.08	14.47	16.27
Average expenditure per kilometer (Rs.)	117.97	105.71	118.00	139.12	143.83
Loss (-)/Profit (+) per kilometre (Rs.)	(-)107.41	(-)93.92	(-)105.92	(-)124.64	(-)127.56
Number of operating depots	4	4	4	4	4
Average number of break-down per lakh kilometers	0.52	0.52	0.52	0.52	0.52
Average number of accidents per lakh kilometers	NIL	NIL	NIL	NIL	NIL
Passenger kilometre operated (in lakh)	173.01	162.77	161.01	161.14	182.51
Occupancy ratio (Load Factor)	37.43	36.17	39.77	41.56	47.76
Kilometres obtained per litre of Diesel Oil	2.94	2.87	3.10	3.10	3.28

Appendix - 4.7

Statement showing extra payment of Rs.74.75 lakh due to enhancement of carrying contract rates by the Government
(Reference: Paragraph 4.4; Page 113)

(Figures in Rupees)

Sl. No.	Name of district routes	Quantity of foodstuff handled during April/ July 2007 to December 2008	Amount payable as per approved rates		Amount spent on enhance rates		Extra Expenditure/ Undue benefit
		Quintal	Rates per Quintal	Amount	Rates per Quintal	Amount	
1	2	3	4	5	6	7	8(7-5)
1.	Aizawl-Lallen	3978	82	326196	118	469404	143208
2.	Aizawl-Phuldungsei	11160	90	1004400	143	1595880	591480
3.	Aizawl-Pukzing	5068	102	516936	158	800744	283808
4.	Aizawl-Tuipuibari	18794	92	1729048	158	2969452	1240404
5.	Serchhip-Thenzawl	47025	45	2116125	60	2821500	705375
6.	Aizawl-Khawruhlian	15504	65	1007760	90	1395360	387600
7.	Aizawl-Darlawn	40816	75	3061200	120	4897920	1836720
8.	Aizawl-Ratu	9115	80	729200	135	1230525	501325
9.	Aizawl-New Vervek	4961	90	446490	150	744150	297660
10.	Aizawl-Sakawrdai	24790	95	2355050	155	3842450	1487400
Total		**181211**		**13292405**		**20767385**	**7474980**

Appendix - 4.8

Statement showing avoidable extra expenditure of Rs.37.27 lakh due to enhancement of rates

(Reference: Paragraph 4.5; Page 114)

(Figures in Rupees)

Sl. No.	Routes	Existing rates	Quoted rates by the contractors for enhancement	Rates approved by the Government after negotiations	Percentage of increase over the existing rates	Rates with normal increase of 10 per cent over the existing rates	Excess over normal increase	quantity transported during January 08 to March 09	Extra expenditure
		Rate per quintal (Rs.)			(%)	Rate per quintal (Rs.)		Quintal	(Rs.)
1.	Lunglei-Put-lungasih	90 (July 06)	135	130	44	99	31	11282	349742
2.	Lunglei-Haulawng	75 (July 06)	105	100	33	83	17	7306	124202
3.	Lunglei-Mual-thuam	85 (July 06)	125	120	42	94	26	6157	160082
4.	Lunglei-Lungsen	65 (July 06)	105	100	54	72	28	15031	420868
5.	Lunglei-Tlabung	85 (July 06)	155	136	60	94	42	50532	2122344
6.	Lunglei-Tuichawng	75 (July 06)	125	120	60	83	37	14865	550005
7.	Lunglei-Chawngte	140 (Dec.05)	160	160	14	-	-	-	-
8.	Lunglei-Bora-pansuray	125 (Dec.05)	130	130	4	-	-	-	-
Total								105173	3727243

Appendix - 4.9

Statement showing arrears of accounts of State Government Companies, Government of Mizoram

(Reference: Paragraph 4.6; Page 115)

Sl. No.	Name of the Company	Administrative Department	Year upto which accounts finalized as on September 2006	Year upto which accounts finalized as on June 2009	No. of arrears account cleared during the last three years	No of years in arrears	
						Years	No.
1.	Mizoram Handloom & Handicrafts Development Corporation Limited (ZOHANCO)	Industries Department	1998-99	1998-99	NIL	1999-2000 to 2007-08	9
2.	Mizoram Food & Allied Industries Corporation Limited (MIFCO)	Industries Department	2001-02	2002-03	1	2003-04 to 2007-08	5
3.	Mizoram Agricultural & Manufacturing Corporation Limited (MAMCO)	Trade & Commerce	1999-2000	2000-01	1	2001-02 to 2007-08	7
4.	Zoram Electronics Development Corporation Limited (ZENICS)	Industries Department	2000-01	2000-01	NIL	2001-02 to 2007-08	7

Appendix - 4.10

Statement showing list of paras involving recovery of money

(Reference: Paragraph 4.7; Page 116)

1. PSU Name: Zoram Industrial Development Corporation Limited (ZIDCO)

Sl. No.	Para	Year of IR	Amount involved (Rs. in lakh)	Remarks
1.	Unrecovered dues against a deceased loanee and sold out mortgaged property – Rs.13.30 lakh **(Part-IIA Para No. 10)**	April 1996 to March 2001	13.30	Reply not received
2.	Unsecured loan and interest: Rs.10.34 lakh. **(Part-IIA Para No. 12)**	April 1996 to March 2001	10.34	Reply not received
3.	Inaction to recover overdues amounting to Rs.11.09 lakh **(Part-II A Para No. 14)**	April 1996 to March 2001	11.09	Reply not received
4.	Un-recovered overdues: Rs.9.39 lakh **(Part-IIA Para No. 16)**	April 1996 to March 2001	9.39	Reply not received
5.	Inaction for recovery of dues: Rs.10.05 lakhs **(Part-IIA Para No. 17)**	April 1996 to March 2001	10.05	Reply not received
6.	Lack of securities resulted into irrecoverable dues of Rs.23.97 lakh **(Part-IIA Para No. 4)**	April 2001 to March 2002	23.97	Reply not received
7.	Idle investment of Rs.28.00 lakh resulted into irrecoverable dues of Rs.61.07 lakh **(Part-IIA Para No. 6)**	April 2001 to March 2002	61.07	Reply not received
	Total		**139.21**	

2. Name of PSUs: Zoram Electronics Development Corporation Limited (ZENICS)

Sl. No.	Para	Year of IR	Amount involved (Rs. in lakh)	Remarks
1.	Non realization of sale proceeds to a firms: Rs.61,280 **(Part-IIB Para No. 5)**	February 1991 to March 1994	0.61	Action taken for recovery of sale proceeds is awaited.
	Total		**0.61**	

3. Name of PSUs: Zoram Handloom and Handicrafts Development Corporation Limited (ZOHANCO)

Sl. No.	Para	Year of IR	Amount involved (Rs. in lakh)	Remarks
1.	Advance payment for medical treatment to the Chairman of Rs.40,000 to be adjusted with the medical reimbursement bill **(Part-IIB Para No. 4)**	April 1996 to March 1997	0.40	Final settlement after adjusted medical advance is awaited.
	Total		**0.40**	

4. Name of PSUs: Mizoram Food and Allied Industries Corporation Limited (MIFCO)

Sl. No.	Para	Year of IR	Amount involved (Rs. in lakh)	Remarks
1.	Loss of Rs.5.17 lakh due to non-claiming of rental charge from MAMCO and payment of idle labour to the tune of Rs.9.92 lakh **(Part-IIB Para No. 1)**	April 96 to March 2001	5.17	The Company stated that both MIFCO and MAMCO are State Government undertakings and hence no claims bas been made. Since financial position of MIFCO has affected, recovery of rental charge from MAMCO should be obtained.
	Total		**5.17**	

5. Name of PSUs: Mizoram Agricultural Marketing Corporation Limited (MAMCO)

Sl. No.	Para	Year of IR	Amount involved (Rs. in lakh)	Remarks
1.	Realisable from Government on expenditure of Special Task Force for marketing of ginger already incurred at the instance of Government. **(Part-IIB Para No. 2)**	April 1998 to March 2003	17	The latest position for recovery of Rs.17 lakh from the Government is awaited.
	Total		**17**	

6. Name of the Department: Power & Electricity Department, Government of Mizoram.

Sl. No.	Division	Para	Year of IR	Amount involved (Rs. in lakh)	Remarks
1.	Executive Engineer Hydro Electric Investigation Divn., Lunglei	Loss to the tune of Rs. 62.78 lakh due to non preferring of insurance claim **(Part-IIA Para No. 1(c)**	April 96 to December 98	62.78	In reply, the Department stated that they have taken up with Insurance Company for re-imbursement of the damaged equipments. Outcome of the recovery details awaited.
Total				**62.78**	

7. Name of the Department: Food & Civil Supplies and Consumer Affairs, Government of Mizoram

Sl. No.	Office	Para	Year of IR	Amount involved (Rs. in lakh)	Remarks
1.	District Civil Supply Officer, Lunglei	Issue of foodstuffs against fake challans	April 92 to March 95	0.90	The Department request SBI to recover the amount from the staff. Action taken by SBI is awaited.
2.	District Civil Supply Officer, Saiha	Mis appropriation of sale proceeds – Rs.5.89 lakh **(Part-IIA Para No.3)**	April 95 to March 2000	5.89	As stated by the Directorate, no progress or action has been informed about the recovery of misappropriated money
3.	Director, Food & Civil Supplies,	Shortage of foodstuff worth Rs.112.18 lakh in stock **(Part-IIA Para No.1(a)**	April 99 to March 2003	112.18	The Department in their reply stated that the culprit was under suspension and disciplinary proceedings and action taken thereon is awaited.
4.	Director, Food & Civil Supplies, Aizawl	Non-accountal of foodstuff worth Rs.31.86 lakh **(Part-IIA Para No.1(b)**	April 99 to March 2003	31.86	The defaulting official was placed under suspension and departmental proceedings were under process. Outcome of the disciplinary proceedings and action taken thereon is awaited.
5.	Director, Food & Civil Supplies, Aizawl	Suspected misappropriation of foodstuff by carriage contractors valuing Rs.13.40 lakh **(Part-IIA Para No.2)**	April 99 to March 2003	13.40	The Department stated out of 12 consignments had been delivered to destination center which was actually received by IFCS Darlawn within the stipulated period. The remaining 3 consignments are under investigation. No further reply received.
Total				**164.23**	

Appendix - 4.11

Statement showing list of paras involving deficiencies and lack of remedial action

(Reference: Paragraph 4.8; Page 117)

1. PSU Name : Zoram Industrial Development Corporation Limited (ZIDCO)

Sl. No.	Para	Year of IR	Amount (Rs. in lakh)	Remarks
1.	Lump sum grants requiring regularization Rs.0.50 lakh **(Part-IIB Para No.6)**	April 91 to March 1994	0.50	Reply not furnished
2.	Loss on sale of taken over assets: Rs.25.13 lakh **(Part-IIA Para No.1)**	April 96 to March 2001	25.13	-do-
3.	Loss on disposal of taken over assets due to laxities in taking timely action: Rs.13.31 lakh **(Part-IIA Para No.2)**	April 96 to March 2001	13.31	-do-
4.	Unimplemented project, fictitious collateral securities and non-recovery of over dues : Rs.12.74 lakh **(Part-IIA Para No.3)**	April 96 to March 2001	12.74	-do-
5.	Loss due to non-recovery of loan disbursed to one non-existent loanee: Rs.15.07 lakh **(Part-IIA Para No.4)**	April 96 to March 2001	15.07	-do-
6.	Loss due to obtaining inadequate security : Rs.14.12 lakh **(Part-IIA Para No.7)**	April 96 to March 2001	14.12	-do-
7.	Absence of project implementation monitoring and unauthorized change of security led to non-recovery of dues: Rs.18.17 lakh **(Part-IIA Para No.8)**	April 96 to March 2001	18.17	-do-
8.	Probable loss on taken over assets against overdues: Rs.12.30 lakh **(Part-IIA Para No.9)**	April 96 to March 2001	12.30	-do-

Sl. No.	Para	Year of IR	Amount (Rs. in lakh)	Remarks
9.	Mispresented pre-sanction appraisal of collateral security lack of project implementation, monitoring and inspection, unauthorized change of security and consequent loss: Rs.14.14 lakh **(Part-IIA Para No.11)**	April 96 to March 2001	14.14	Reply not furnished
10.	Loss due to absence of post disbursement monitoring and belated action in taking over of assets: Rs.18.22 lakh **(Part-IIA Para No.2)**	April 2001 to March 2002	18.22	-do-
11.	Delayed action of the Company resulted into loss of Rs.45.57 lakh (Part-IIA Para No.5)	April 01 to March 2002	45.57	-do-
12.	Non-reflection of deposits into bank pass book : Rs.4.38 lakh **(Part-IIB Para No.2)**	April 01 to March 2002	4.38	-do-
13.	Shortage of cash **(Part-IIA Para No.3)**	April 02 to March 2004	-	-do-
	Total		**193.65**	

2. PSU Name: Zoram Electronics Development Corporation Limited (ZENICS)

Sl. No.	Para	Year of IR	Amount (Rs. in lakh)	Remarks
1.	Electors photo identity project. (a)Purchase of materials at higher rate resulting in excess expenditure of Rs.2.66 lakh (b) Non-maintenance of Stock Records **(Part-IIB Para No.3)**	April 96 to March 2004	2.66	(a) The management stated that due to urgency they were compelled to resort to local purchase. However, the procedure followed for purchase is irregular and hence resulted in excess expenditure. (b) The management stated that every materials purchased was recorded in the file and the materials are to be disposed off as the project get over. The management however did not maintained Stock record and a detail of how the stocks were disposed off is still awaited.
	Total		**2.66**	

3. PSU Name : Zoram Handloom and Handicrafts Development Corporation Limited (ZOHANCO)

Sl. No.	Para	Year of IR	Amount (Rs. in lakh)	Remarks
1.	Injudicious purchase of an old building resulting in loss of Rs.7.44 lakhs **(Part-IIA Para No.2)**	April 1996 to March 1997	7.44	No specific reply
	Total		**7.44**	

4. PSU Name: Mizoram Food and Allied Industries Corporation Limited (MIFCO)

Sl. No.	Para	Year of IR	Amount (Rs. in lakh)	Remarks
1.	Irregular diversion of EPF contribution: Rs.49.04 lakh **(Part-IIA Para No.1)**	April 96 to March 2001	49.04	Action taken on defaulting officials for diverting EPF contribution is awaited.
2.	Blockade of fund Rs.296.64 lakh **(Part-IIA Para No.1)**	April 01 to March 2003	296.64	No specific reply.
3.	Blockade of Rs.41.74 lakh due to delay in completion of the project **(Part-IIB Para No.1)**	April 01 to March 2003	41.74	-do-
4.	Un viable - Fruit Juice concentrate plant, Chhingchhip, project **(Part-IIB Para No.2)**	April 01 to March 2003	-	-do-
	Total		**387.42**	

5. PSU Name: Mizoram Agricultural Marketing Corporation Limited (MAMCO)

Sl. No.	Para	Year of IR	Amount (Rs. in lakh)	Remarks
1.	Loss of establishment and ultimate sale of defective plot Rs.42.45 lakh **(Part-IIA Para No.1)**	April 1998 to March 2003	42.45	The Management admitted the lapses and state that there is no way of redressal of the loss incurred.
2.	Non realization of service charge from contractor under market intervention scheme Rs.51.09 lakh **(Part-IIA Para No.2)**	April 1998 to March 2003	51.09	Action taken for defaulting officials for non effecting recovery of service charges from the contractors is awaited.
	Total		**93.54**	

6. Name of Department: Power & Electricity Department, Government of Mizoram

Sl. No.	Division	Para	Year of IR	Amount (Rs. in lakh)	Remarks
1.	Executive Engineer, Electric Maintenance Division – III, Aizawl	Augmentation of 132/33 JV Central Sub-station at Aizawl (A) Expenditure of Excess estimate amounting to Rs.40.41 lakh & non-preparation of detailed estimate (B) Excess of expenditure over administrative approval amounting to Rs.8.80 lakh **(Part-IIA Para No. 4)**	September 1997 to March 2001	49.21	Reply not received.
2.	Executive Engineer, Generation Division (Electrical maintenance Div II, Aizawl	Irregular payment on spare parts worth Rs. 92.00 lakh **(Part-IIA Para No.1)**	August 99 January 02	92.00	No specific reply.
3.	Executive Engineer, Generation Division (Electrical maintenance Div II, Aizawl	Extra expenditure of Rs. 15.42 lakh and blocking up of Govt. money to the tune of Rs.37.23 lakhs for purchasing 33 KV lightning arrestors **(Part-IIA Para No.2)**	August 99 January 02	15.42	Action taken by the Department for utilization of excess procurement is awaited.
4.	Executive Engineer, Civil Project Divn., Aizawl, Mizoram	Idle Investment of Rs.72.03 lakh on Vawralui Micro Hydel Project due to non erection of pondage facilities, non repairing of the fault in electrical equipment **(Part-IIA Para No.2)**	June 99 to March 03	72.03	The Division stated that the matter has been reported to the higher authority for rectification of the electro mechanical portion. Further reply is awaited.
5.	Executive Engineer, Civil Project Divn., Aizawl, Mizoram	Construction of Leiva Micro Hydel Project- Time and cost over run of Rs. 52.85 lakh **(Part-IIA Para No.4)**	June 99 to March 03	52.85	The date of commission and the benefit forgone due to delay in commission of the project is awaited.

7. Name of the Department: Director of Transport/Mizoram State Transport

Sl. No.	Depot	Para	Year of IR	Amount (Rs. in lakh)	Remarks
1.	Station Superintendent, Mizoram State Transport, Lunglei	Infructuous expenditure of Rs.4.97 lakh and unfruitful expenditure of Rs.6.05 lakh towards pay and allowance of idle staff **(Part-IIB Para No.1)**	April 96 to March 2000	4.97	The Department did not furnish the details as to how idle staff have been utilized gainfully in subsequent years.
2.	Director of Transport, Aizawl	Drawals amounting to Rs.63.20 lakh not reflected in cash book **(Part-IIA Para No.3)**	April 98 to March 03	63.20	Action taken in this regard is awaited.
3.	Director of Transport, Aizawl	Loss due to delay in fabrication of bus bodies **(Part-IIA Para No.4)**	April 98 to March 03	-	The Department in their reply admitted and apologized for the inconvenience to the travelling public and regretted the probable loss of revenue. Action taken to body builders for delay in supply of fabrication of bus is awaited.
	Total			**68.17**	

8. Name of Department: Food & Civil Supplies and Consumer Affairs, Government of Mizoram.

Sl. No.	Office	Para	Year of IR	Amount (Rs. in lakh)	Remarks
1.	District Civil Supply Officer, Aizawl West	Shortage of Stock at Tuipuibari Centre Valuing Rs.17.39 lakh **(Part-IIA Para No.2)**	April 92 to March 95	17.39	Action taken based on departmental enquiry is awaited.
2.	Director, Food & Civil Supplies, Government of Mizoram, Aizawl.	Irregular issue of foodstuff: Rs.1102.40 lakh **(Part-IIA Para No.3)**	April 99 to March 2003	1102.40	The department stated that the required information are being collected from various centres and the case is under process. Further reply is awaited.
3.	Director, Food & Civil Supplies, Government of Mizoram, Aizawl.	Extra expenditure (Rs.37.43 lakh) on interest due to non-reimbursement of subsidy **(Part-IIA Para No.4)**	April 99 to March 2003	37.43	-do-

Sl. No.	Office	Para	Year of IR	Amount (Rs. in lakh)	Remarks
4.	Director, Food & Civil Supplies, Government of Mizoram, Aizawl.	Irregular execution on construction/repair works for Rs.281.64 lakh **(Part-IIA Para No.5)**	April 99 to March 2003	281.64	No specific reply.
5.	Director, Food & Civil Supplies, Government of Mizoram, Aizawl.	Unnecessary purchase of speed boat: Rs.15.44 lakh **(Part-IIA Para No.6)**	April 99 to March 2003	15.44	No specific reply.
6.	Director, Food & Civil Supplies, Government of Mizoram, Aizawl.	Irregular purchase of gunny bags worth Rs.19.00 lakh **(Part-IIA Para No.7)**	April 99 to March 2003	19	The department stated that the required information is being collected from various centres and the case is under process. Further reply is awaited.
7.	Director, Food & Civil Supplies, Government of Mizoram, Aizawl.	Unnecessary movement of foodstuff from PDC to PDC involving extra transportation charges **(Part-IIB Para No.1)**	April 99 to March 2003	-	No specific reply.
Total				**1473.30**	

GLOSSARY OF ABBREVIATIONS

Glossary of Abbreviations

AAP	Annual Action Plan
AC	Abstract Contingent
ACA	Additional Central Assistance
AG	Accountant General
AMMC	All Mizoram Maxi Cab
ASCI	Administrative Staff College of India
ASIDE	Assistance to States for Developing Export Infrastructure and Allied Activities
ASRTU	Association of State Road Transport Undertakings
ATF	Aviation Turbine Fuel
ATNs	Action Taken Notes
BAFFACOS	Bamboo Flowering and Famine Combat Scheme
BDO	Block Development Officer
BELF	Break-even Load Factor
BICE	Bamboo Industrial Centre for Export
BLRs	Bamboo Link Roads
CAG	Comptroller and Auditor General of India
CAP	Comprehensive Action Plan
CEO	Chief Executive Officer
COPU	Committee on Public Undertakings
CPWD	Central Public Works Department
CSS	Centrally Sponsored Schemes
DC	Deputy Commissioner
DCC	Detailed Countersigned Contingent
DO	Divisional Officer
DPAB	Departmental Purchase Advisory Board
DRDA	District Rural Development Agency
DRDD	Director, Rural Development Department
DU	Departmental Undertakings
FCI	Food Corporation of India
FCS&CA	Food, Civil Supplies and Consumers Affairs
GAD	General Administration Department
GCI	Corrugated Galvanised Iron
GDP	Gross Domestic Product
GOI	Government of India
GP	Gram Panchayat

HSTS	Hill State Transport Subsidy
IOC Ltd.	Indian Oil Corporation Ltd.
IRs	Inspection Reports
JERC	Joint Electricity Regulatory Commission
KL	Kilo Litre
KM	Kilo Meter
KMPL	Kilo Meter per Litre
LIC	Life Insurance Corporation of India
LSC	Land Settlement Certificate
MADC	Mara Autonomous District Council
MAMCO	Mizoram Agricultural Marketing Corporation Limited
MB	Measurement Book
MF	Monopoly Fee
MHRD	Ministry of Human Resource Development
MHTC	Mizoram Hindi Training College
MIFCO	Mizoram Food & Allied Industries Corporation Limited
MIS	Management Information System
MoA	Memorandum of Agreement
MOEF	Ministry of Environment and Forest
MPR	Monthly Progress Report
MPV	Model Piggery Village
MR	Muster Roll
MSSC	Mizoram State Sports Council
MST	Mizoram State Transport
MST	Mizoram Sales Tax
MVAT	Mizoram Value Added Tax
MVBP	M/s Mizoram Venus Bamboo Products
NEC	North Eastern Council
NER	North Eastern Region
NIT	Notice Inviting Tender
NLCPR	Non Lapsable Central Pool of Resources
NLUP	New Land Use Policy
NOC	No Objection Certificate
NREGA	National Rural Employment Guarantee Act
NREGS	National Rural Employment Guarantee Scheme
O & M	Operation and Maintenance
OEM	Original Equipment Manufacturers

P&E	Power & Electricity Department
P&PI	Programme and Planning Implementation
PAC	Public Accounts Committee
PC	Partially Covered
PCC	Plain Concrete Cement
PCCF	Principal Chief Conservator of Forests
PD	Project Director
PDCs	Principal Distribution Centres
POL	Petrol, Oil and Lubricants
PSU	Public Sector Undertaking
PWD	Public Works Department
R&M	Repairs and Maintenance
RA	Running Account
RDD	Rural Development Department
RTO	Regional Transport Office
SBI	State Bank of India
SC and ST	Scheduled Caste and Scheduled Tribe
SEFD	State Environment and Forest Department
SERC	State Electricity Reforms Commission
SLC	State Level Committee
SOE	Statements of Expenditure
SOR	Schedule of Rate
SPB	State Planning Board
STA	State Transport Authority
T&D	Transmission and Distribution
TFC	Twelfth Finance Commission
TRW	Transport Research Wing
UC	Utilisation Certificate
VAT	Value Added Tax
VCP	Village Council President
VMC	Vigilance and Monitoring Committee
VCMS	VAT and CST Management System
ZENICS	Zoram Electronics Development Corporation Limited
ZIDCO	Zoram Industrial Development Corporation Limited
ZOHANCO	Mizoram Handloom & Handicrafts Development Corporation Limited
ZP	Zilla Parishad