

# EXECUTIVE SUMMARY

## 1. The Report

Based on the audited accounts of the Government of Mizoram for the year ending March 2019, this report provides an analytical review of the finances of the State Government. The report is structured in three Chapters.

### Chapter 1-Finances of the State

*This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the last five years, debt management of the State and key Public Account transactions, based on the Finance Accounts of the State.*

### Chapter 2-Budgetary Management

*This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.*

### Chapter 3-Financial Reporting

*This chapter comments on the quality of accounts rendered by various authorities of the State Government and discusses issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.*

The Report has 16 appendices containing additional data collated from several sources in support of the audit observations.

## 2. Audit findings

### 2.1 Finances of the State - Fiscal position

*The State achieved a Revenue Surplus for the fourth consecutive year during 2018-19 (₹1,533.91 crore). Fiscal Deficit of ₹352.92 crore (1.59 per cent) in 2018-19 was well within the limit of three per cent of GSDP recommended by the XIV Finance Commission.*

*Revenue Receipts of the State grew significantly during the five-year period 2014-19 at a CAGR of 13.17 per cent. While the State's Own Resources constituted only around 10 per cent of the Revenue Receipts during 2014-18, their contribution increased to 13.02 per cent in 2018-19.*

*Revenue Expenditure increased by ₹624.82 crore (9.08 per cent) while Capital Expenditure decreased by ₹127.88 crore (6.41 per cent) during 2018-19 over the previous year. Revenue Expenditure accounted for 79.72 per cent of the State's Total Expenditure during 2018-19, leaving only 19.85 per cent for creation of assets (balance 0.43 per cent for Loans and Advances). Committed Expenditure increased by 40.51 per cent during the five-year period 2014-19.*

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*During 2018-19, 262 DDOs of 38 Departments parked an amount of ₹534.20 crore in bank accounts in contravention of the CTR codal provisions and instructions of the Finance Department. Further, 60 DDOs who had parked ₹368.13 crore in bank accounts during 2017-18, continued the accounts during 2018-19 and parked ₹225.52 crore in these accounts.*

*Drawal of money from the Consolidated Fund and parking it in the DDOs' bank accounts for future utilisation is fraught with the risk of misappropriation and fraud. There is also a possibility of diversion of funds for other unauthorised purposes and the expenditure moving out of the purview of Legislative oversight. State Government needs to investigate this matter and fix responsibility on the concerned DDOs.*

*The outstanding fiscal liabilities had shown an increase from ₹6,550.39 crore in 2014-15 to ₹7,315.54 crore in 2018-19. The ratio of fiscal liabilities to GSDP had decreased from 37.77 per cent in 2017-18 to 32.89 per cent in 2018-19. The maturity profile of outstanding stock of the public debt indicated that 66.71 per cent of the public debt would be payable within the next seven years, which was a matter of concern.*

**(Chapter 1)**

### **2.2 Budgetary Management**

*Budgetary assumptions of the State Government were not realistic during 2018-19 and despite carrying out an elaborate pre-budget exercise to bring about efficiency and transparency in budget formulation and execution, budgetary estimates were off the mark by a considerable margin, and control over the execution and monitoring of budget was inadequate.*

*Supplementary Grants/Appropriation were obtained without adequate justification, and large amounts were expended without budgetary provision. Despite flagging this issue every year over the last several years, the State Government was yet to take corrective measures in this regard.*

*Savings during the year accounted for more than four times of the budget; however, the Controlling Officers have not provided explanations to the Accountant General (Accounts) for variations in expenditure vis-à-vis allocations. Departments were not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.*

**(Chapter 2)**

### **2.3 Financial Reporting**

*Indiscriminate operation of omnibus Minor Head 800 – Other Expenditure affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.*

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*Non-submission of UCs and DCC bills by Departments for funds drawn for specific developmental programmes/projects and non-submission of accounts by Autonomous Councils, Development Bodies and Authorities was violative of prescribed financial rules and directives point to inadequate internal controls and reflect poorly on the monitoring mechanism of the State Government.*

*Delayed rendering of accounts by the account rendering units/authorities distorted the accurate depiction of monthly transactions of the State and impacted effective budgetary management. Further, non-furnishing of requisite missing details by the treasuries and public works divisions and other account rendering units delayed clearance of suspense and remittances transactions in the books of accounts.*

**(Chapter 3)**