

CHAPTER-IV

QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES



Chapter 4: Quality of Accounts and Financial Reporting Practices

4.1 Introduction

Sound internal financial reporting system and compliance with rules and procedures contribute significantly to good governance. These also ensure relevant, reliable and timely financial reporting and thereby assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and appropriate decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

Completeness of Accounts

4.2 Funds Transferred Directly to State implementing agencies

GoI decided that transfer of funds to the State Implementing Agencies (SIAs) for implementation of CSS would be routed through the State Consolidated Fund with effect from 01 April 2014. It was, however, noticed that funds were directly transferred to the SIAs outside the State Budget/State Treasury System.

During the year 2019-20, central funds amounting to ₹ 690.37 crore were directly transferred to the SIAs. There is no single agency in the State to monitor the funds directly transferred by the GoI to the implementing agencies and no data readily available as to how much money was actually spent in a particular year in the major schemes funded directly by the GoI. **Appendix V** gives the details of the funds transferred directly to the SIAs during 2019-20.

Issues related to transparency

4.3 Delay in Submission of Utilisation Certificates

General Financial Rules provide that the Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Pr. Accountant General within 12 months of the closure of the financial year unless specified otherwise. At the end of March 2020, 141 UCs involving ₹ 228.76 crore were yet to be received from the grantees as detailed in **Table-4.1**.

Table 4.1: Age-wise arrears in submission of Utilisation Certificates

(₹ in crore)

| Year | Opening Balance | | Addition | | Clearance | | Due for submission | |
|---------------|-----------------|---------|----------|--------|-----------|---------|--------------------|--------|
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| Up to 2016-17 | 213 | 1050.43 | 47 | 59.25 | 226 | 1079.40 | 34 | 30.28 |
| 2017-18 | 34 | 30.28 | 62 | 100.86 | 19 | 23.20 | 77 | 107.94 |
| 2018-19 | 77 | 107.94 | 76 | 179.66 | 12 | 58.84 | 141 | 228.76 |

*UCs for the GIA disbursed during 2018-19 become due only during 2019-20.

Table 4.2 shows the year-wise break up of outstanding UCs with the amount.

Table 4.2 : Year wise break up of outstanding UCs

| Year | Number of UCs | Amount (₹ in crore) |
|--------------|---------------|------------------------|
| 2011-12 | 1 | 3.63 |
| 2012-13 | 0 | 0 |
| 2013-14 | 0 | 0 |
| 2014-15 | 0 | 0 |
| 2015-16 | 6 | 8.57 |
| 2016-17 | 27 | 18.08 |
| 2017-18 | 43 | 77.66 |
| 2018-19 | 64 | 120.82 |
| Total | 141 | 228.76 |

Table 4.3 shows the number of UCs due from various departments/bodies for the grants paid up to 2018-19. As may be seen, UCs pending submission are due only from the three Autonomous District Councils of the State.

Table 4.3 : Outstanding UCs in respect of Departments for the grants paid up to 2018-19

| Sl. No. | Name of the department | Amount of Outstanding UCs (₹ in crore) |
|--------------|------------------------------------|---|
| 1 | Chakma Autonomous District Council | 46.69 |
| 2 | Lai Autonomous District Council | 84.49 |
| 3 | Mara Autonomous District Council | 97.58 |
| Total | | 228.76 |

Non submission of the UCs means that the authorities have not appropriately explained how funds were spent over the years. There is also no assurance that the intended objectives of providing these funds have been achieved. This assumes greater importance if such UCs are pending against Grants-in-Aid (GIA) meant for capital expenditure. Since non-submission of UCs is fraught with the risk of non/improper Utilization of Grants, it is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

4.3.1 Recording of Grantee Institution as “Others”

Table 4.4 shows GIA released by the Government of Mizoram to various bodies and authorities during the years 2015-16 to 2019-20. During 2015-16 and 2016-17 a significant portion of the GIA released was classified as “Others”. However, as per the data in the table, the portion of GIA classified as “Others” decreased significantly to 1.13 *per cent* in 2017-18. No instances of classification of GIA as “Others” have been found for the past two financial years.

Table 4.4: GIA released by the Government of Mizoram during 2015-16 to 2019-20

| Financial year | Total GIA | Portion of Grants-in-Aid shown as “Others” | Percentage (₹ in crore) |
|----------------|-----------------|--|----------------------------|
| 2015-16 | 1,338.24 | 918.48 | 68.63 |
| 2016-17 | 1,445.31 | 956.81 | 66.20 |
| 2017-18 | 1,678.61 | 19.04 | 1.13 |
| 2018-19 | 1,660.61 | 0.00 | 0.00 |
| 2019-20 | 2,536.71 | 0.00 | 0.00 |
| Total | 8,659.48 | 1,894.33 | 21.88 |

Source: Statement 10 of Finance Accounts

4.4 Abstract Contingent bills

The drawal of contingent charges on items of expenditure by a State Government, for which final classification and supporting vouchers are not available at the time of drawal are made on ‘Abstract Contingent’ (AC) Bills. Initially made as advance, its subsequent adjustment is ensured through submission of Detailed Contingent (DC) bills within a stipulated period of drawal of AC bill. DC bill consists of abstract of expenditure along with sub-vouchers for amount drawn through AC bill. Drawing and Disbursing officers (DDO) are required to present Detailed Countersigned Contingent (DC) bills duly countersigned by the Controlling Officer in all these cases within period prescribed in the State Treasury Rules.

The Government of Mizoram has adopted the Central Treasury Rules, 1992 for application in the State. Drawing and Disbursing Officers are authorised to draw sums of money through AC Bills by debiting service heads and are required to submit the DC Bills containing vouchers in support of final expenditure within one month of the drawal of AC Bills. Prolonged non-submission of DC bills renders the accounts opaque. Details of AC Bills outstanding as on 31 March 2020 are shown in **Table 4.5**.

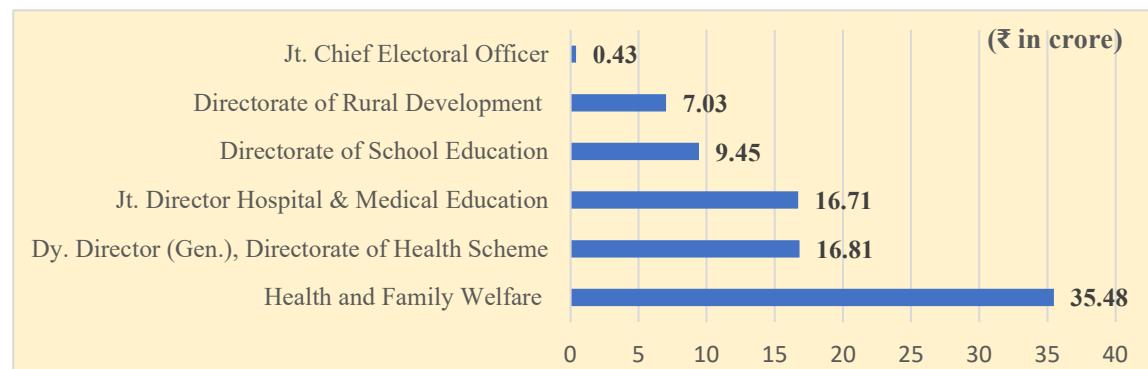
Table 4.5: Year wise progress in submission of DCC bills against the AC bills

| Year | Opening Balance | | Addition | | Clearance | | Closing Balance | | <i>(₹ in crore)</i> |
|----------------------|-----------------|---------|----------|--------|-----------|---------|-----------------|--------|---------------------|
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount | |
| Up to 2016-17 | 1725 | 1543.72 | 45 | 159.91 | 1770 | 1703.63 | 0 | 0.00 | |
| 2017-18 | 0 | 0.00 | 35 | 57.08 | 35 | 57.08 | 0 | 0.00 | |
| 2018-19 | 0 | 0.00 | 153 | 137.57 | 124 | 51.65 | 29 | 85.92 | |
| 2019-20 | 29 | 85.92 | 1 | 0.01 | 1 | 0.01 | 29 | 85.92 | |

Source: Finance Accounts

Expenditure against AC bills remaining outstanding at the end of the year indicates poor public expenditure management and may point to the drawal being done primarily to exhaust the budget provision. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DC bills. Further, to the extent of non-receipt of DCC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final. During the year 2019-20 all AC bills drawn were settled at the end of the year. However, 29 AC bills drawn in the previous year amounting to ₹ 85.92 crore were pending. The details of the DDOs which had outstanding AC bills are shown in **Chart 4.1**.

Chart 4.1 : Pending DCC Bills in respect of major Departments



Source: Finance Accounts

It is observed that of pending amount of ₹ 85.92 crore, 80 per cent (₹ 69 crore) is attributable to Joint Director Hospital and Medical Education, Dy Director Directorate of Health Scheme and Health and Family Welfare Department.

4.5 Indiscriminate use of Minor head 800

The omnibus Minor Head 800 relating to Other Receipts/ Other Expenditure is to be operated only in cases where the appropriate Minor Head has not been provided under a Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Pr. Accountant General (A&E) and obtain approval to open appropriate Minor Heads. Indiscriminate booking of receipts and expenditure under Minor Head 800 affects transparency and nature of transactions, and renders the accounts opaque.

Government of Mizoram operated this Minor Head extensively during the five-year period from 2015-16 to 2019-20. The quantum of expenditure booked under this Minor Head showed a mixed trend over the years. During 2019-20, the State Government booked an expenditure of ₹ 1,909.11 crore under Minor Head 800 under 150 revenue and capital Major Heads of Account, constituting 17.50 *per cent* of the total revenue and capital expenditure of ₹ 10,909.26 crore. The extent of operation of Minor Head 800 - Other Expenditure, as a percentage of total expenditure during 2015-20 is given in **Chart 4.2**.

Chart 4.2 : Operation of Minor Head 800 - Other Expenditure during 2015-20



Source: Data gathered from VLC

Chart 4.2 shows that there was largescale operation of the minor head, with its share in total expenditure ranging from 11.56 *per cent* to 23.92 *per cent* during the period. During the period, average utilisation of 50 *per cent* or more was seen in the Major heads – 4801-Capital Outlay on Power Projects, 4235-Capital Outlay on Social Security and Welfare, 4070-Capital Outlay on Other Administrative Services, 4202-Capital Outlay on Education, Sports, Art and Culture, 5055-Capital Outlay on Road Transport, 5475-Capital Outlay on Other General Economic Services, 5054-Capital Outlay on Roads and Bridges, 4515-Capital Outlay on Other Rural Development Programmes, 2225-Welfare of Scheduled Castes, Scheduled tribes and Other Backward Classes and Minorities, 3275-Other Communications Services, 3435-Ecology and Environment and 2204-Sports and Youth Services.

Instances of substantial proportion (50 *per cent* or more) of the expenditure within a given Major Head, classified under the Minor Head 800 – ‘Other Expenditure’ during the financial year 2019-20, are given in **Table 4.6**. It may be seen from the table that seven heads of expenditure in the Capital section and three heads of expenditure in the Revenue section had their entire expenditure booked under the Minor head 800 – Other Expenditure.

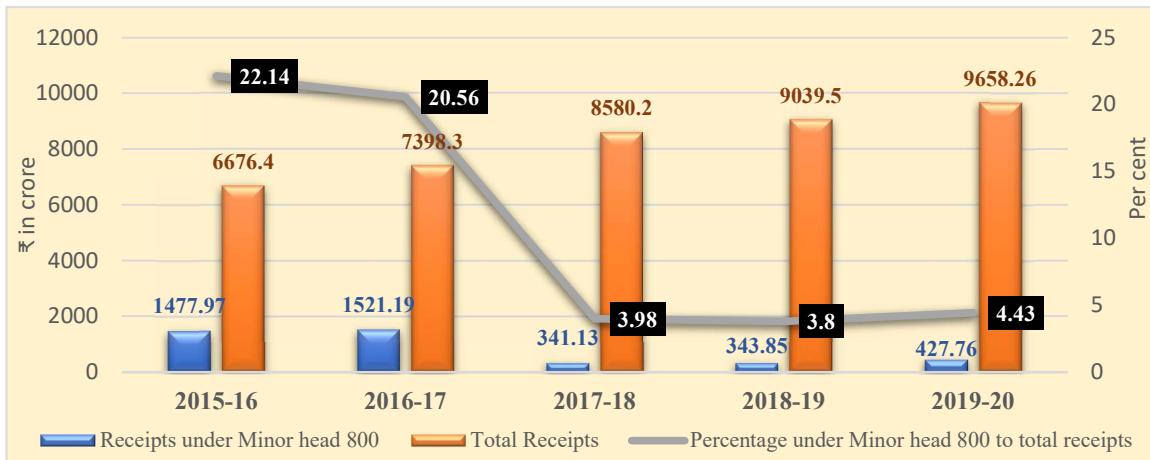
Table 4.6 : Significant expenditure booked under Minor Head 800 – Other Expenditure during financial year 2019-20

| Major Head | Description | Total Expenditure in the Major head | (₹ in crore) | |
|----------------------------|--|-------------------------------------|----------------------------------|-------|
| | | | Expenditure under Minor Head 800 | %age |
| Capital Expenditure | | | | |
| 4070 | Capital Outlay on other Administrative Services | 2.27 | 2.27 | 100 |
| 4235 | Capital Outlay on Social Security and Welfare | 58.28 | 58.28 | 100 |
| 4250 | Capital Outlay on other Social Services | 9.00 | 9.00 | 100 |
| 4401 | Capital Outlay on Crop Husbandry | 19.10 | 19.10 | 100 |
| 4403 | Capital Outlay on Animal Husbandry | 7.14 | 7.14 | 100 |
| 4801 | Capital Outlay on Power Projects | 128.82 | 128.82 | 100 |
| 5055 | Capital Outlay on Road Transport | 6.9 | 6.90 | 100 |
| 4425 | Capital Outlay on Co-operation | 2.02 | 2.00 | 99.01 |
| 4055 | Capital Outlay on Police | 5.64 | 5.45 | 96.63 |
| 5475 | Capital Outlay on other General Economic Services | 1.86 | 1.65 | 88.71 |
| 4202 | Capital Outlay on Education, Sports, Art and Culture | 27.31 | 23.37 | 85.57 |
| 5054 | Capital Outlay on Roads and Bridges | 376.48 | 291.87 | 77.53 |
| 4216 | Capital Outlay on Housing | 1.41 | 0.98 | 69.5 |
| 4059 | Capital Outlay on Public Works | 87.31 | 49.78 | 57.02 |
| Revenue Expenditure | | | | |
| 2225 | Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities | 466.07 | 466.07 | 100 |
| 3275 | Other Communications Services | 9.76 | 9.76 | 100 |
| 3435 | Ecology and Environment | 1.33 | 1.33 | 100 |
| 2415 | Agricultural Research and Education | 15.42 | 9.89 | 64.14 |
| 2501 | Special Programmes for Rural Development | 103.37 | 62.77 | 60.72 |
| 2204 | Sports and Youth Services | 32.32 | 17.21 | 53.25 |
| 2230 | Labour and Employment | 36.98 | 19.51 | 52.76 |

Source: Finance Accounts

In the case of receipts, the operation of Minor Head 800-Other receipts has been lesser as compared to expenditure. During 2019-20, the State Government booked receipts amounting to ₹ 427.76 crore under Minor Head 800 ‘Other Receipts’ under 44 Revenue Major Heads of accounts on the Receipt side constituting 4.43 *per cent* of the total Revenue Receipts of ₹ 9,658.26 crore. In the five year period between 2015-16 to 2019-20, operation of the Minor head-800-Other receipts ranged from 22.14 *per cent* of total receipts in 2015-16 to 3.80 *per cent* of total receipts in 2018-19. The trend of operation of the Minor head-800 is presented in **Chart 4.3**. No Capital Receipts were booked under the Minor head-800 during 2015-20.

Chart 4.3 : Operation of Minor Head 800 - Other Receipts during 2015-20



Source: Data gathered from VLC

During the period, average of 50 *per cent* or more of revenue receipts classified as 800-other receipts was observed in the Major heads – 0071-Contributions and Recoveries towards Pension and Other Retirement Benefits, 0404-Dairy Development, 0801-Power, 1055-Road Transport, 1425-Other Scientific Research, 0435-Other Agricultural Programmes, 0408-Food Storage and Warehousing, 0515-Other Rural Development Programmes, 0059-Public Works, 1054-Roads and Bridges, 0702-Minor Irrigation, 0851-Village and Small Industries, 0056-Jails, 0235-Social Security and Welfare, 0217-Urban Development, 0425-Co-operation, 0405-Fisheries, 0215-Water Supply and Sanitation and 0049-Interest Receipts.

Instances of substantial proportion (50 *per cent* or more) of the receipts under a given Major Head, classified under the Minor Head 800 – ‘Other Receipts’ during the financial year 2019-20, are given in **Table 4.7**.

Table 4.7 : Significant receipts booked under Minor Head 800 – Other Receipts during financial year 2019-20

| Major Head | | Total Receipts (₹ in crore) | Receipts Under Minor Head 800 (₹ in crore) | Percentage |
|------------|--|--------------------------------|---|------------|
| 0047 | Other Fiscal Services | 2.05 | 2.05 | 100 |
| 0049 | Interest Receipts | 32.84 | 19.79 | 62.26 |
| 0056 | Jail | 0.05 | 0.04 | 80.00 |
| 0059 | Public Works | 1.09 | 1.09 | 100 |
| 0071 | Contribution and Recoveries towards Pension and other Retirement | 5.16 | 3.85 | 74.61 |
| 0217 | Urban Development | 0.09 | 0.09 | 100 |
| 0230 | Labour and Employment | 0.73 | 0.45 | 61.64 |
| 0235 | Social Security and Welfare | 0.97 | 0.97 | 100 |
| 0404 | Dairy Development | 0.08 | 0.08 | 100 |
| 0405 | Fisheries | 1.13 | 0.91 | 80.53 |
| 0408 | Food Storage and Warehousing | 0.16 | 0.16 | 100 |
| 0435 | Other Agricultural Programmes | 2.88 | 2.87 | 99.65 |
| 0515 | Other Rural Development Programmes | 0.38 | 0.37 | 97.37 |
| 0801 | Power | 373.61 | 373.61 | 100 |
| 0851 | Village and Small Industries | 0.33 | 0.33 | 100 |

| Major Head | Total Receipts | Receipts Under Minor Head 800 | Percentage |
|------------------------|----------------|-------------------------------|------------|
| 1054 Roads and Bridges | 4.41 | 4.41 | 100 |
| 1055 Road Transport | 2.20 | 2.20 | 100 |

Source: Finance Accounts

During 2019-20, ₹ 427.76 crore were booked under Minor Head 800 ‘Other Receipts’ under 44 Revenue Major Heads of accounts on the Receipt. Further, it can be seen from the above table that in 10 cases amounting to ₹ 386.65 crore, 100 *per cent* of revenue receipts classified as 800-other receipts and out of ₹ 427.76 crore, ₹ 373.61 crore (87.34 *per cent*) was pertaining to Power only. Thus, indiscriminate booking of receipts under Minor Head 800 not only affects transparency and nature of transactions, but also renders the accounts opaque.

Issues related to measurement

4.6 Outstanding Balance under Major Suspense and DDR heads

Certain intermediary/adjusting heads of accounts known as ‘Suspense heads’ are opened in Government accounts to reflect transactions of receipt and payments which cannot be booked to a final head of account due to lack of information such as non-furnishing of Schedule of Settlement by the Treasuries/PAOs, Non-receipt of clearance memos from RBI, non-receipt of vouchers etc. These heads of accounts are finally cleared by minus debit or minus credit when the accounts under them are booked to their respective final heads of accounts. If these amounts remain uncleared, the balance under the suspense heads would accumulate and would not reflect Government’s receipt and expenditure accurately.

Remittances embrace all transactions which are adjusting Heads of Account and the debits or credits under these heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting.

Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/Works and Forest Divisions, etc. The position of gross figures under major suspense and remittance heads for the last three years is given in **Table 4.8**.

Table 4.8 : Balances under Suspense and Remittance Heads

| Minor Head | 2017-18 | | 2018-19 | | 2019-20 | | (₹ in crore) |
|---|-----------|----------|-----------|----------|------------------|----------|--------------|
| Major Head 8658 - Suspense | Dr. | Cr. | Dr. | Cr. | Dr. | Cr. | |
| 101 - PAO suspense | 44.84 | 64.14 | 60.28 | 76.79 | 75.91 | 76.81 | |
| Net | Cr.19.30 | | Cr.16.51 | | Cr.0.90 | | |
| 102 - Suspense Account-Civil | 80.10 | 72.40 | 73.85 | 72.4 | 71.41 | 72.40 | |
| Net | Dr.7.70 | | Dr.1.45 | | Cr.0.99 | | |
| 107 - Cash Settlement Suspense Account | 7.32 | 1.99 | 7.32 | 1.99 | 7.32 | 1.99 | |
| Net | Dr. 5.33 | | Dr. 5.33 | | Dr. 5.33 | | |
| 109 - Reserve Bank Suspense -Headquarters | 13.19 | (-65.60) | 16.72 | (-71.60) | 14.76 | (-69.00) | |
| Net | Dr.78.79 | | Dr.88.32 | | Dr.83.76 | | |
| 110 - Reserve Bank Suspense - CAO | 833.45 | 1747.47 | 805.26 | 1744.2 | 834.50 | 1792.75 | |
| Net | Cr.914.02 | | Cr.938.94 | | Cr.958.25 | | |

| Minor Head | 2017-18 | | 2018-19 | | 2019-20 | |
|---|-------------------|----------|-------------------|----------|-------------------|----------|
| 112 - Tax Deducted at Source (TDS) Suspense | 0.01 | 0.37 | 0.01 | 2.79 | 0.28 | 1.22 |
| Net | Cr.0.36 | | Cr.2.78 | | Cr.0.94 | |
| 123 - A.I.S Officers' Group Insurance Scheme | 0.00 | 0.00 | 0.02 | 0.00 | 0.02 | 0.00 |
| Net | Cr.0.00 | | Dr.0.02 | | Dr.0.02 | |
| Major Head 8782-Cash Remittances | | | | | | |
| 102 - P.W. Remittances | 16880.44 | 16570.28 | 19308.32 | 19000.29 | 24853.10 | 24480.59 |
| Net | Dr.310.16 | | Dr.380.03 | | Dr.372.51 | |
| 103 - Forest Remittances | 2378.14 | 2688.64 | 2622.43 | 2957.74 | 2852.72 | 3182.61 |
| Net ²¹ | Cr. 310.50 | | Cr. 355.31 | | Dr. 329.89 | |

Source: Finance Accounts

The outstanding debit balance under Suspense Accounts (MH 8658) was ₹ 1,004.20 crore and credit balance was ₹ 1,876.17 crore as on 31 March 2020. This was mainly due to (i) non-reimbursement of claim expenditure incurred, (ii) non-receipts of scrolls from treasury, (iii) non-receipt of accounts as per clearance memo. As on 31 March 2020, debit balance of ₹ 2,7705.82 crore and credit balance of ₹ 2,7663.20 crore were outstanding under Cash Remittances (MH 8782).

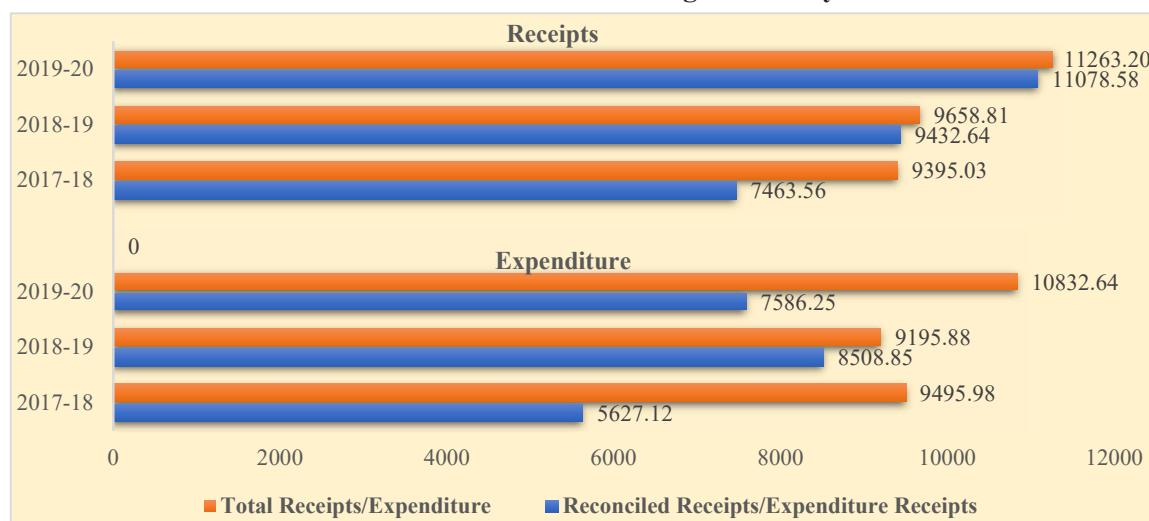
The Government needs to review and analyse all the unadjusted/outstanding transactions mentioned above and take appropriate corrective measures expeditiously.

4.7 Non-reconciliation of Departmental figures

Financial Rules stipulate that receipts and expenditure recorded in the books of accounts of Controlling Officers (COs) be reconciled by them every month during the financial year with those recorded in the books of the Pr. Accountant General (Accounts and Entitlements). This is to enable the COs to exercise effective control over expenditure and manage their budgetary allocation efficiently, and ensure accuracy of their accounts.

The status of reconciliation of receipts and expenditure figures by the COs during the three year period 2017-20 is shown in **Chart 4.4**.

Chart 4.4 : Status of reconciliation during the three years 2017-20



Source: Finance Accounts

²¹ Note: Balances of Minor Head-123 are NIL under Debit and 0.07 lakh under Credit, which are negligible in terms of crore. Hence, taken as zero during 2017-18,

While 97.66 *per cent* of the receipts and 92.53 *per cent* of the disbursements were reconciled during 2018-19, these figures were 98.36 *per cent* for receipts and 70.03 *per cent* in respect of disbursements for the year 2019-20.

The details relating to the number of COs and the extent of reconciliation during the last three years are given in **Table 4.9**.

Table 4.9 : Status of Reconciliation of Receipts and Expenditure figures

| Year | Total no. of Controlling Officers | Fully Reconciled | Partially Reconciled | Not reconciled at all |
|--------------------|-----------------------------------|------------------|----------------------|-----------------------|
| Receipts | | | | |
| 2017-18 | 44 | 30 | 0 | 14 |
| 2018-19 | 44 | 32 | 0 | 12 |
| 2019-20 | 52 | 38 | 6 | 8 |
| Expenditure | | | | |
| 2017-18 | 87 | 80 | 0 | 7 |
| 2018-19 | 87 | 85 | 1 | 1 |
| 2019-20 | 88 | 85 | 2 | 1 |

Non-reconciliation of figures has been pointed out in the Audit Reports year after year and it can be seen that there has been some improvement over the last few years.

Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/ adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the very objective of budgetary process.

4.8 Reconciliation of Cash Balances

The Cash Balance for the year 2019-20 (as on 31st March 2020) as per Accounts was ₹ 30.50 crore (Cr) and ₹ 2.89 crore (Dr.) as per the Reserve Bank of India. There was a difference of ₹ 27.61 crore (Cr.) between the figures reflected in the Accounts of the Government of Mizoram (Cr) and that intimated by the Reserve Bank of India. The difference was under reconciliation. The difference in Cash Balance as per the Pr. Accountant General (Accounts Wing) with that reported by the Reserve Bank of India is mainly due to wrong reporting of figures by the Treasuries to the Banks, Banks to the Reserve Bank of India which arose due to incomplete reconciliation of figures between Treasuries and Banks.

4.9 Opening of Bank Accounts by the DDOs

Rule 290 of Central Treasury Rules (CTR), provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demand or to prevent the lapse of budgetary grants.

It has been observed that most of the Drawing and Disbursing Officer (DDOs) have opened Current/ Saving Accounts in Commercial Banks. As per information provided by the State Government, ₹ 474.04 crore was lying in the bank accounts of 328 number of DDOs as on 31 March 2020. Drawal of moneys from the Consolidated Fund and keeping in DDOs' Bank Account for further utilisation may result in fictitious expenditure.

This has had the impact of overstating the actual expenditure of the Government by ₹ 474.04 crore and understating the Revenue Surplus by the same amount. Further, the Fiscal Deficit also stands overstated to this extent.

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 issue of parking of funds in bank accounts for prolonged period is also a matter of concern, as it has a cost to the State Government.

4.10 Cess Levied by the State Government

Under Section 3 of the Building and Other Construction Workers' Welfare Cess Act 1996, there shall be levied and collected a Cess at such rate not exceeding two *per cent*, but not less than one *per cent* of the cost of construction incurred by an employer, as the Government may, by notification in the Official Gazette, from time to time, specify. As per rule 5(3) of the Building and Other Construction Workers Welfare Cess Rules 1998, the amount collected is to be transferred to the Building and Other Construction Workers' Welfare Board (Board) within thirty days of its collection.

The State Government notified²² (May 2012) enforcement of Levy and Collection of Cess for the purpose of Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. In accordance with this notification, all the DDOs were directed to deduct the prescribed Cess in respect of all the civil construction works involving employment of labour, and deposit the same in the account of the Secretary, Mizoram Building and Other Construction Workers Welfare Board (MBOCW) through Account Payee Cheque/ Bank Draft.

Details of amount collected and actual expenditure incurred during the period from 2015-16 to 2019-20 are given below.

Table 4.10: Fund Position of MBOCW Board for the period 2015-20

(₹ in crore)

| Year | Opening Balance | Receipts during the year | Others/ Misc. Receipts* | Available Fund | Total Expenditure | Closing Balance |
|--------------|-----------------|--------------------------|-------------------------|----------------|-------------------|-----------------|
| 2015-16 | 4.30 | 10.50 | 0.60 | 15.40 | 2.83 | 12.57 |
| 2016-17 | 12.57 | 14.75 | 0.87 | 28.19 | 13.34 | 14.85 |
| 2017-18 | 14.85 | 15.08 | 2.81 | 32.74 | 8.15 | 24.59 |
| 2018-19 | 24.59 | 20.55 | 19.43 | 64.57 | 13.56 | 51.01 |
| 2019-20 | 51.01 | 19.95 | 3.16 | 74.12 | 31.46 | 42.66 |
| Total | -- | 80.83 | 26.87 | -- | 69.34 | -- |

Source: Information furnished by the Board

* Others and Miscellaneous Receipts include Labour Registration Fee/ Monthly Subscription Fee, Bank interest, Fixed Deposit (principal and Interest), Recovery of soft loan and sale of vehicle, etc.

As is evident from the table above, the MBOCW received ₹ 23.11 crore during the year 2019-20 and expended ₹ 31.46 crore on Administrative expenses and welfare measure such as Children's Education Assistance, Medical Assistance, Maternity Assistance, Death Benefit, Funeral Assistance, Marriage/Disability/Cash Award and Welfare Pension.

²² Vide Office Memorandum No. B-16012/2/2011-LE&IT dated 29 May 2012

Issues related to disclosure

4.11 Compliance with Accounting Standards

Government Accounting Standards Advisory Board (GASAB) set up by the Comptroller and Auditor of India in 2002, has been formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. As of end of March 2019, three Indian Government Accounting Standards (IGAS) have been notified. The details of these standards and the extent of compliance with these by the GoM in its financial statements for the year 2019-20 are given in **Table 4.11**.

Table 4.11: Compliance with IGAS

| IGAS | Essence of IGAS | Status | Impact of non-compliance |
|---|---|--------------------|---|
| IGAS -1 Guarantees given by government – Disclosure requirements | This standard requires the government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked discharged and outstanding at the end of the year | Partially complied | The Government disclosed the Sector-wise guarantees as per format L of the IGAS; however, the Class-wise details for each Class as per format M of the IGAS were not disclosed in the Financial Statements. |
| IGAS – 2 Accounting and classification of Grants-in-Aid | Grants-in-Aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use. Grants-in-Aid should be disclosed in cash as well as in kind in the financial statements of the grantor | Partially complied | Grants-in-Aid given by the Government in cash were disclosed while Grants-in-Aid given in kind were not disclosed. Therefore, total Grants-in-Aid given by the State Government to the grantee could not be ascertained. |
| IGAS -3 Loans and Advances made by Government | This standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial statement to ensure complete, accurate and uniform accounting practices | Partially complied | The Government disclosed outstanding Loans and Advances at the beginning and end of the accounting period. However, details of interest payments in arrears and rate of interest were not disclosed in the additional disclosure of fresh loans and advances. |

4.12 Submission of Accounts/Separate Audit Reports of Autonomous Bodies

As per Section 19(3) of the CAG's DPC Act, the Governor/ Administrator may, in the public interest, request the CAG to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the CAG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation.

Apart from Section 19, where the audit of the accounts of any body or authority has not been entrusted to the CAG by or under any law, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body

or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority (Section 20).

Audit certificate is issued in case of above mentioned autonomous bodies and authorities provided CAG is the sole auditor. Thus, these bodies and authorities are required to prepare annual accounts and submit to AG (Audit) for audit. Apart from Audit certificate, on the completion of financial audit, the audit office issues separate audit report (SAR) that is part of the audit certificate on the accounts. These SARs are to be placed before the State legislature.

The Pr. Accountant General (Audit), Mizoram has not received 10 annual accounts of three Autonomous Councils, one Development Council and two Government Bodies due up to 2019-20 for audit as of 30 September 2020. The details of accounts due from Autonomous Councils, Development Councils and Government Bodies are as given in **Table 4.12**.

In the absence of annual accounts and their audit, proper utilisation of the grants and loans disbursed to those Bodies/ Authorities and their accounting cannot be vouched. Audit has taken up the matter of non-submission of accounts of the defaulting Bodies with the authorities concerned from time to time, but without any concrete improvement.

Table 4.12 : Arrears of accounts of bodies or authorities as of 30th September 2020

| Sl. No. | Name of Body or Authority | Accounts pending since ²³ | No. of Accounts pending up to F.Y 2019-20 |
|---------|--|--------------------------------------|---|
| 1 | Chakma Autonomous District Council | 2019-20 | 1 |
| 2 | Mara Autonomous District Council | 2018-19 | 2 |
| 3 | Lai Autonomous District Council | 2019-20 | 1 |
| 4 | Sinlung Hills Development Council | 2016-17 | 4 |
| 5 | Joint Electricity Regulatory Commission (JERC) | 2019-20 | 1 |
| 6 | Mizoram Khadi & Village Industries Board | 2019-20 | 1 |

4.13 Departmental Commercial Undertakings/Corporations/Companies

The Pr. Accountant General (Audit), Mizoram has not received 58 annual accounts of six Government Companies and three Departmental Undertakings due for audit up to 2019-20. The details of accounts due from these bodies are in **Table 4.13**.

Table 4.13 : Arrears of accounts of Commercial Undertakings

| Sl. No. | Name of Departmental Commercial Undertaking/ Corporation/Company | Accounts pending since | No. of Accounts pending up to F.Y 2019-20 |
|------------------|--|------------------------|---|
| Companies | | | |
| 1 | Zoram Industrial Development Corporation Limited (ZIDCO) | 2019-20 | 1 |
| 2 | Mizoram Mineral Development Corporation Limited (MMDCL) | 2014-15 | 6 |
| 3 | Mizoram Food & Allied Industries Corporation Limited (MIFCO) | 2014-15 | 6 |

²³ Cut-off date of the pendency of any F.Y. is taken as 30 September of succeeding F.Y.

| Sl. No. | Name of Departmental Commercial Undertaking/ Corporation/Company | Accounts pending since | No. of Accounts pending up to F.Y 2019-20 |
|----------------------------------|---|---|---|
| 4 | Mizoram Handloom & Handicrafts Development Corporation Limited (ZOHANDCO) | 2017-18 | 3 |
| 5 | Zoram Electronics Development Corporation Limited (ZENICS) | 2009-10 | 11 |
| 6 | Mizoram Agricultural & Marketing Development Corporation Limited (MAMCO) | 2010-11 | 10 |
| Departmental Undertakings | | | |
| 1 | Food, Civil Supplies & Consumer Affairs Department | 2013-14 | 7 |
| 2 | Mizoram State Transport Department | 2006-07 | 14 |
| 3 | Power & Electricity Department | No accounts have been submitted since inception i.e. 1983 | |

As it can be seen from the above that out of six Government companies, two companies namely, (i) Zoram Electronics Development Corporation Limited and (ii) Mizoram Agricultural & Marketing Development Corporation Limited had not submitted their annual accounts since 2009-10 and 2010-11 respectively. Besides, out of three departmental undertakings, the accounts of Mizoram State Transport Department are pending since 2006-07 and Power & Electricity Department had not submitted its accounts since its inception. Thus, in the absence of accounts, results of the investment of the Government remain outside the purview of State Legislature and escape scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Risk of fraud and mis-utilisation of public money cannot be ruled out.

Table 4.14 shows details of the investments made in Government Companies by the State Government over the last five years.

Table 4.14 : Investment made in PSUs/Corporation in the last five years

(₹ in crore)

| Sl. No. | Name of Departmental Commercial Undertakings/ Corporations/ Companies | 2015-16 | | 2016-17 | | 2017-18 | | 2018-19 | | 2019-20 | |
|---------|---|---------|--------|---------|--------|---------|--------|---------|--------|---------------|---------------|
| | | Equity | Grants | Equity | Grants | Equity | Grants | Equity | Grants | Equity | Grants |
| 1 | ZIDCO | 0 | 0 | 0 | 2.52 | 0 | 2.67 | 0 | 2.83 | Not available | Not available |
| 2 | MMDCL | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| 3 | MIFCO | 0 | 5.87 | 0 | 2.32 | 0 | 2.50 | 0 | 1.71 | | |
| 4 | ZOHANDCO | 0 | 2.35 | 0 | 1.41 | 0 | 0 | 0 | 0 | | |
| 5 | ZENICS | 0 | 1.70 | 0 | 0.63 | 0 | 0 | 0 | 0 | | |
| 6 | MAMCO | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |

The Heads of Departments in the Government are to ensure that the departmental undertakings prepare such accounts and submit the same to the Pr. Accountant General (Audit) within a specified time frame.

4.14 Non-submission of Details of Grants / Loans given to Bodies and Authorities

In order to identify institutions / organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971(C&AG's DPC Act), the Government / HODs are required to furnish to Audit every year

- detailed information about the financial assistance given to various institutions,
- the purpose for which the assistance is granted, and
- total expenditure of the institutions.

Further, Regulations on Audit and Accounts (Amendments) 2020 provides that Governments and HODs, who sanction grants and / or loans to bodies or authorities shall furnish to Audit by the end of July every year a statement of such bodies and authorities to which grants and / or loans aggregating ₹ 10 lakh or more were paid during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority.

No information regarding the details of grants/loans given by the Government to bodies and authorities was received by this office during 2019-20. In the absence of timely submission of these details, results of the investment of the Government escape scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Risk of fraud and mis-utilisation of public money cannot be ruled out.

4.15 Timeliness and Quality of Accounts

These accounts present the transactions of the Government of Mizoram for the period from 1 April 2019 to 31 March 2020. The accounts of receipts and expenditure of the Government of Mizoram have been compiled from the initial accounts rendered by 10 Treasuries, five Joint Resident Commissioners, 73 Public Works and 35 Forest Divisions and Advices of the Reserve Bank of India. The delay in submission of the monthly accounts ranged between one to 11 days, two to 212 days and one to 31 days by Treasuries, Joint Resident Commissioners (Mizoram Houses) and Divisional Accounts, rendering units respectively. Such delays have affected timely submission of the Monthly Civil Accounts to the State Government. However, no accounts were excluded at the end of the year. Details of accounts excluded from the Monthly Civil Accounts are given in **Chart 4.5**.

As can be seen from the chart, public works divisions were the major units that delayed the rendition of monthly accounts. Consequently, receipts and expenditure relating to these divisions/units could not be incorporated in the Civil Accounts in the month of occurrence of the transaction. Due to the failure of the account rendering units to furnish accounts on time, some accounts were excluded from the Monthly Civil Accounts by the Pr. Accountant General (Accounts) in seven months during the year 2019-20. Therefore, the monthly accounts indicating the receipts and disbursements of the State during the month, rendered by the Pr. Accountant General (Accounts) to the State Government were incomplete to that respect in these months.

Chart 4.5 : Number of accounts excluded from monthly Civil Accounts during 2019-20



Source: Information furnished by the office of the Pr. Accountant General (Accounts), Mizoram

Exclusion of accounts not only distorts the budgetary position of the Government, but also impacts its monitoring of fund flow to the last mile of implementation, its planned pacing of expenditure on developmental programmes, providing intended benefits to the targeted beneficiaries, functioning of departments, etc. during the year. The State Government needs to monitor closely and ensure the rendition of accounts by all the account rendering authorities to the Pr. Accountant General (Accounts) on a timely basis, to manage its own budget more effectively.

Other Issues

4.16 Misappropriations, losses, thefts, etc.

Audit detected four cases of misappropriation to the tune of ₹ 41.73 lakh relating to the Department of Transport (₹ 8.74 lakh), Department of Environment, Forests and Climate Change (₹ 15.34 lakh), Public Works Department (₹ 0.55 lakh) and Power & Electricity Department (₹ 17.10 lakh) during 2019-20. Details of these cases are shown in Table 4.15.

Table 4.15 : Pending cases of misappropriation, losses, theft, etc.

| Name of Department | Cases of misappropriation/losses /theft of Government material | | Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc. | | | | | |
|---|--|--------------------|---|--------------------|---|--------------------|---|--------------------|
| | No. of cases | Amount (₹ in lakh) | Awaiting departmental and criminal investigation | | Departmental action initiated but not finalised | | Criminal Proceedings finalised but recovery of the amount pending | |
| | | | No. of cases | Amount (₹ in lakh) | No. of cases | Amount (₹ in lakh) | No. of cases | Amount (₹ in lakh) |
| Department of Transport | 1 | 8.74 | | | | | | |
| Department of Environment, Forests & Climate Change | 1 | 15.34 | | | | | | |
| Public Works Department | 1 | 0.55 | | | | | | |
| Power and Electricity Department | 1 | 17.10 | | | | | | |

Source: Information gathered from audit parties.

The State Government should initiate departmental enquiries against those responsible for misappropriation/loss and expedite the process to bring the defaulters to book. The State Government should also strengthen the internal control mechanism to ensure that such cases do not go undetected.

4.17 Follow up action on State Finances Audit Report

In his Audit Report on the Finances of the GoM, the CAG of India has been flagging year after year, issues of concern relating to various aspects of financial and budgetary management, areas of non-compliance with the prescribed procedures, rules and regulations, *etc.* by the State Government departments/authorities. These Reports can achieve the desired results only when they evoke positive and adequate response from the Government/administration itself. To ensure accountability of the executive with regard to the issues contained in the Audit Reports, the PAC of Mizoram Legislative Assembly issued instructions (April 2010) for submission of *suo motu* Action Taken Notes (ATNs) by the administrative departments concerned within three months of presentation of the Audit Reports to the State Legislature.

The Audit Reports on State Finances were placed before the State Legislature every year since 2010. The audit observations featured in the State Finances Audit Reports up to 2015-16 have all been settled, there are 51 paragraphs remaining unsettled in the Reports for the years 2016-17 and 2017-18. State Finances Audit Report for the year ended 31 March 2019 was placed on 25 February 2021 and this Report is yet to be discussed in PAC.

4.18 Conclusions

- 141 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 228.76 crore given to Departments of the State Government during the period upto March 2020 were not submitted by Departments concerned, to the Pr. Accountant General (A&E). Non submission of UCs is fraught with the risk of fraud and misappropriation of funds.
- During 2019-20, DCC bills for the AC Bills were submitted, however there were 29 AC Bills relating to 2018-19 pending for adjustment, amounting to ₹ 85.92 crore.
- During 2019-20, the State Government booked an expenditure of ₹ 1,909.11 crore under Minor Head 800 under 150 revenue and capital Major Heads of Account, constituting 17.50 *per cent* of the total revenue and capital expenditure of ₹ 10,909.27 crore. Similarly, receipts of ₹ 427.76 crore were booked under Minor Head 800 ‘Other Receipts’ under 44 Revenue Major Heads of accounts, constituting 4.43 *per cent* of the total Revenue Receipts of ₹ 9,658.26 crore. These omnibus bookings, rendered the Accounts non-transparent.
- As per information provided by the State Government, ₹ 474.04 crore was lying in the bank accounts of 328 DDOs as on 31 March 2020. Drawal of moneys from the Consolidated Fund and keeping in DDOs’ Bank Account for further utilisation result in fictitious expenditure in the books and dilutes expenditure control mechanism.
- The Pr. Accountant General (Audit), Mizoram has not received 10 annual accounts of three Autonomous Councils, one Development Council and two Government Bodies due up to 2019-20 for audit, as of 30 September 2020.
- The Pr. Accountant General (Audit), Mizoram has not received 58 annual accounts of six Government Companies and three Departmental Undertakings. The concerned Administrative Departments overseeing these SPSEs need to ensure that they finalise

the accounts of the SPSEs within the stipulated period under the law, failing which financial support to them be reviewed.

- Four cases of misappropriation to the tune of ₹ 41.73 lakh relating to the four departments were detected during 2019-20.

4.19 Recommendations

- i. *The Government may ensure timely submission of utilisation certificates by the Departments in respect of the grants released for specific purposes. They may review granting of further financial assistance to persistent defaulters.*
- ii. *The Government may ensure adjustment of outstanding Abstract Contingent bills within stipulated period, as required under the Rules.*
- iii. *The Finance Department should, in consultation with the Pr. Accountant General, Mizoram conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditures are booked under the appropriate heads of account immediately.*
- iv. *The Finance Departments may take action for closure of DDO accounts for parking of Government funds.*
- v. *Finance Department should consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position. The Government should ensure the receipt of complete accounts before giving financial assistance to these bodies/ undertakings.*
- vi. *The Government may consider preparing a time bound framework for taking prompt action in cases of misappropriation, loss, theft, etc. and strengthening the internal control system to prevent recurrence of such cases.*

