

CHAPTER-4
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 year. During preparation of this Report, the State Government was furnished a copy for comment on observations made therein. As on December 2022, the Principal Accountant General, Mizoram had not received any comments from the State Government.

Completeness of Accounts

4.2 Funds Transferred Directly to State Implementing Agencies (SIAs)

GoI decided to implement a revised procedure for release of funds to States for Centrally Sponsored Schemes (CSS) and monitoring utilization of the funds released to ensure effective cash management and improve transparency in public expenditure management with effect from 01 July 2021.

As per PFMS portal of Controller General of Accounts (CGA), ₹ 1,048.26 crore was directly received by the implementing agencies in the State during 2021-22. The direct transfer of fund to the implementing agencies has increased by 25.33 *per cent* as compared to the previous year *i.e.* 2020-21 (from ₹ 836.40 crore in 2020-21 to ₹ 1,048.26 crore in 2021-22). There is no single agency in the State to monitor the funds directly transferred by the GoI to the implementing agencies and no data is readily available as to how much money was actually spent in a particular year in the major schemes funded directly by the GoI. **Appendix VII** gives the details of the funds transferred directly to the SIAs mentioned above during 2021-22.

4.3 Implementation of Single Nodal Agency accounts for CSS

Department of Expenditure, GoI issued instructions (March 2021) for a revised procedure for release of funds to States for implementation of CSS and monitoring utilisation of the funds released. The aim of the revised procedure was to ensure effective cash management and improve transparency in public expenditure management and would come into effect from 01 July 2021.

As per the revised procedure the State Government was to designate a Single Nodal Agency (SNA) for each CSS which would be registered in the Public Financial Management System (PFMS). Each SNA would open a bank account and map it into PFMS for the receipt of funds. This would restrict use of the funds by the State Government as they were required to transfer funds received to the concerned SNA's account within a period of 21 days of its receipt.

During 2021-22, the State Government had designated 20 Single Nodal Agencies for 86 CSS schemes being implemented in the state of which 80 bank accounts had been linked to their corresponding schemes *i.e.* 93.02 per cent compliance. The unlinked schemes were Deen Dayal Upadhyaya Gram Jyoti Yojana, Integrated Power Development Scheme, Saubhagya, Atal Vayo Abhyuday Yojana, Green India Mission-National Afforestation Programme and National AYUSH Mission (Medicinal Plant).

As per information furnished by the State Government, during 2021-22 an amount of, ₹ 492.80 crore had been released into the SNA accounts and as on 31 March 2022, the unspent amount in SNA Accounts, including balances from previous years, was ₹ 530.74 crore.

Issues related to transparency

4.4 Delay in Submission of Utilisation Certificates

In terms of Rules 3.20.4 of the Mizoram Treasury Rules 2011, Utilization Certificates (UCs) in respect of Grants-in-Aid received by the grantee should be furnished by the grantee to the authority that sanctioned it, within one year from the date of receipt of grant or before applying for a further grant on the same object, whichever is earlier. **Table 4.1** shows the age-wise arrears in submission of outstanding UCs with the amount.

Table 4.1 : Age-wise arrears in submission of outstanding UCs

(₹ in crore)

| Year | Opening Balance | | Additions during the respective years | | Clearance | | Due for submission | |
|---------------|-----------------|--------|---------------------------------------|--------|-----------|--------|--------------------|--------|
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| Up to 2018-19 | 76 | 106.53 | 76 | 179.66 | 41 | 145.4 | 111 | 140.79 |
| 2019-20 | 111 | 140.79 | 43 | 32.40 | 3 | 1.02 | 151 | 172.17 |
| 2020-21 | 151 | 172.17 | 27 | 32.90 | 84 | 95.57 | 94 | 109.50 |

Table 4.2 shows the number of UCs due from various departments/bodies for the grants paid up to 2020-21. All the UCs pending for submission are due from the three Autonomous District Councils (ADCs) of the State. The State Government needs to monitor the submission of UCs as well as timely preparation of accounts by the ADCs on priority.

Table 4.2 : Outstanding Utilisation Certificates for grants paid up to 2020-21

(₹ in crore)

| Sl. No. | Name of the department | Amount of Outstanding UCs | No. of pending UCs |
|--------------|------------------------------------|---------------------------|--------------------|
| 1 | Chakma Autonomous District Council | 8.72 | 7 |
| 2 | Lai Autonomous District Council | 76.64 | 63 |
| 3 | Mara Autonomous District Council | 24.14 | 24 |
| Total | | 109.50 | 94 |

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. High pendency of UCs was fraught with the risk of misappropriation of funds and fraud. 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.

4.5 Abstract Contingent Bills

Abstract Contingent (AC) bills are drawn to make contingent charges on items of expenditure by a State Government when final classification and supporting vouchers are not available at the time of withdrawal. These bills are subsequently adjusted through submission of Detailed Countersigned Contingent (DCC) bills within a stipulated period from the date of withdrawal 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.

Government of Mizoram has authorised Drawing and Disbursing Officers to draw sums of money through AC Bills by debiting service heads. DDOs are then required to submit the DCC Bills containing vouchers in support of final expenditure within one month of the withdrawal of AC Bills. Prolonged non-submission of DCC bills renders the accounts opaque. Details of AC Bills outstanding as on 31 March 2022 are shown in **Table 4.3**.

Table 4.3: Year wise progress in submission of DCC bills

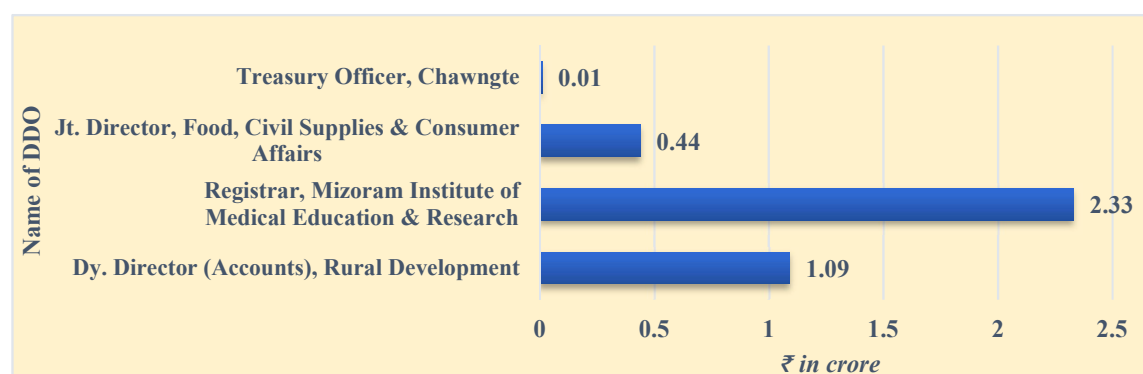
(₹ in crore)

| Year | Opening Balance | | Additions during the respective years | | Clearance | | Closing Balance | |
|--------------|-----------------|--------|---------------------------------------|--------|-----------|--------|-----------------|--------|
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| Upto 2019-20 | 28 | 85.49 | 1 | 0.01 | 1 | 0.01 | 28 | 85.49 |
| 2020-21 | 28 | 85.49 | 12 | 17.46 | 12 | 17.46 | 28 | 85.49 |
| 2021-22 | 28 | 85.49 | 6 | 8.48 | 27 | 90.11 | 7 | 3.86 |

Source: Finance Accounts

It is seen from the above table that as on 31 March 2022, seven AC bills remained outstanding which indicates poor public expenditure management and may point to the withdrawal being done primarily to exhaust the budget provision. Non-submission of DCC bills against AC bills within the prescribed time breaches financial discipline and entails risk of misappropriation of public money and unhealthy practice. 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 2021-22, all AC bills drawn were settled at the end of the year including 21 AC bills from previous years. However, 7 AC bills drawn in previous years amounting to ₹ 3.86 crore were pending. The details of the major defaulting DDOs which had outstanding AC bills are shown in **Chart 4.1**.

Chart 4.1 : Value of DCC Bills pending for major defaulters at the end of the year



Source: Finance Accounts.

4.6 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 Principal Accountant General (A&E) and obtain approval to open appropriate Minor Heads. Indiscriminate booking of receipts and expenditure under Minor Head 800 obscures the nature of transactions thereby rendering the accounts opaque.

During the year, ₹ 1,106.49 crore under 45 Major Heads of accounts, constituting 11.46 *per cent* of the total Revenue and Capital expenditure (₹ 9,561.87 crore) was classified under the Minor Head 800 Other Expenditure in the accounts. During 2020-21, ₹ 1,143.58 crore under 61 Major Heads of accounts, constituting 11.86 *per cent* of total expenditure (₹ 9,640.77 crore) was classified under this Minor Head. Receipts booked under Minor Head 800 did not exceed 10 *per cent* of total receipts during 2021-22.

4.6.1 Expenditure Booked under Minor Head 800

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 2021-22, are given in **Table 4.4**. During 2020-21, ₹ 1,143.58 crore under 61 Major Heads of accounts, constituting 11.86 *per cent* of total expenditure (₹ 9,640.77 crore) was classified under this Minor Head. It may be seen from the table that expenditure under four heads in the Capital section and two heads in the Revenue section had their entire expenditure of ₹ 673.11 crore booked under the Minor Head 800 – Other Expenditure. Out of this amount, ₹563.86 crore (89 *per cent*) pertained to two heads 2225- Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (₹469.97 crore) and 4225- Capital Outlay on Welfare of Schedule Castes, Schedule Tribes, Other Backward Classes and Minorities (₹104.92 crore).

Table 4.4 : Significant expenditure booked under Minor Head 800 – Other Expenditure during financial year 2021-22

| Major Head | Expenditure | | Percentage |
|---|-------------|----------------|------------|
| | Total | Minor Head 800 | |
| 2225 - Welfare of SCs, STs, OBCs and Minorities | 496.97 | 496.97 | 100.00 |
| 4225 - Capital Outlay on Welfare of SCs, STs, OBCs and Minorities | 104.92 | 104.92 | 100.00 |
| 4801 - Capital Outlay on Power Projects | 64.32 | 64.32 | 100.00 |
| 3275 - Other Communication Services | 4.89 | 4.89 | 100.00 |
| 4415 - Capital outlay on Agricultural Research & Education | 1.41 | 1.41 | 100.00 |
| 5055 - Capital Outlay on Road Transport | 0.60 | 0.60 | 100.00 |
| 4202 - Capital Outlay on Education, Sports, Art and Culture | 28.32 | 27.06 | 95.55 |
| 4401 - Capital Outlay on Crop Husbandry | 17.58 | 12.59 | 71.62 |
| 2415 - Agricultural Research and Education | 12.78 | 8.70 | 68.08 |
| 2217 - Urban Development | 235.78 | 154.78 | 65.65 |

| Major Head | Expenditure | | Percentage |
|--|-------------|----------------|------------|
| | Total | Minor Head 800 | |
| 4535- Capital Outlay on Other Rural Development Programmes | 9.12 | 5.67 | 62.17 |
| 4055 - Capital Outlay on Police | 8.89 | 5.44 | 61.19 |

Source Finance Accounts

The State Government may take necessary steps to curtail upward movement in future years by ensuring appropriate booking of all expenditure as per the proper format of accounts.

4.6.2 Misclassification of expenditure booked under Minor Head 800

During 2021-22, it was found that 65.65 per cent of expenditure under 2217 – Urban Development amounting to ₹ 154.78 crore was received and booked under Minor Head 800. Out of this amount, expenditure of ₹ 71.70 crores for Housing for All (CSS) and ₹ 83.00 crores for Smart City Mission (CSS) was received and booked under the Detail Heads 32 - Grants in Aid (Non-Salaries) and 35 - Grants for Creation of Capital Assets respectively. As both these funds were assistance received from GoI, the State Government should have booked the expenditure under Minor Head 191 - Assistance to Local Bodies Corporations, Urban Development Authorities, Town Improvement Boards etc. which was available under the Major Head 2217 – Urban Development.

The State Government may take necessary steps to rectify the issue and ensure that such cases of misclassification do not recur.

Issues related to measurement

4.7 Outstanding Balances 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 receipts 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 receipts 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 4.5**.

Table 4.5 : Balances under Suspense and Remittance Heads

(₹ in crore)

| Minor Head | 2019-20 | | 2020-21 | | 2021-22 | |
|--|------------|-----------|--------------|-----------|------------|-----------|
| | Dr. | Cr. | Dr. | Cr. | Dr. | Cr. |
| Major Head 8658 - Suspense | | | | | | |
| 101 - PAO suspense | 75.91 | 76.81 | 93.01 | 80.70 | 90.79 | 113.54 |
| Net | Cr. 0.90 | | Dr. 12.31 | | Cr. 22.75 | |
| 102 - Suspense Account-Civil | 71.41 | 72.40 | 72.89 | 72.40 | 78.78 | 72.64 |
| Net | Cr. 0.99 | | Dr. 0.49 | | Dr. 6.14 | |
| 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 | 14.76 | (-)69.00 | 17.55 | (-)55.13 | 15.88 | (-)48.77 |
| Net | Dr. 83.76 | | Dr. 72.68 | | Dr. 64.65 | |
| 110 - Reserve Bank Suspense - CAO | 834.50 | 1,792.75 | 3,371.85 | 4,712.39 | 3,342.42 | 4,303.50 |
| Net | Cr. 958.25 | | Cr. 1,340.54 | | Cr. 961.08 | |
| 112 - Tax Deducted at Source (TDS) Suspense | 0.28 | 1.22 | 0.40 | 3.29 | 0.40 | 1.92 |
| Net | Cr. 0.94 | | Cr. 2.89 | | Cr. 1.52 | |
| 113 – Provident Fund Suspense | 0.00 | 0.00 | 0.00 | 0.00 | 0.10 | 0.00 |
| Net | 0.00 | | 0.00 | | Dr. 0.10 | |
| 123 - A.I.S Officers' Group Insurance Scheme | 0.02 | 0.00 | (-)0.73 | 0.00 | (-)0.73 | 0.00 |
| Net | Dr. 0.02 | | Cr. 0.73 | | Cr. 0.73 | |
| Major Head 8782-Cash Remittances | | | | | | |
| 102 - P.W. Remittances | 24,853.10 | 24,480.59 | 27,494.68 | 27,259.29 | 30,200.19 | 29,780.31 |
| Net | Dr. 372.51 | | Dr. 235.39 | | Dr. 419.88 | |
| 103 - Forest Remittances | 2,852.72 | 3,182.61 | 3,025.44 | 3,352.38 | 3,247.39 | 3,608.38 |
| Net | Dr. 329.89 | | Cr. 326.94 | | Cr. 360.99 | |

Source: Finance Accounts

The outstanding net debit and credit balances under Suspense Accounts (MH 8658) was ₹ 3,534.96 crore and ₹ 4,444.82 crore respectively as on 31 March 2022. This was mainly due to (i) non-reimbursement of claim expenditure incurred, (ii) non-receipt of scrolls from treasury, (iii) non-receipt of accounts as per clearance memo. Similarly, net debit balance of ₹ 33,447.58 crore and net credit balance of ₹ 33,388.69 crore were outstanding under Cash Remittances (MH 8782).

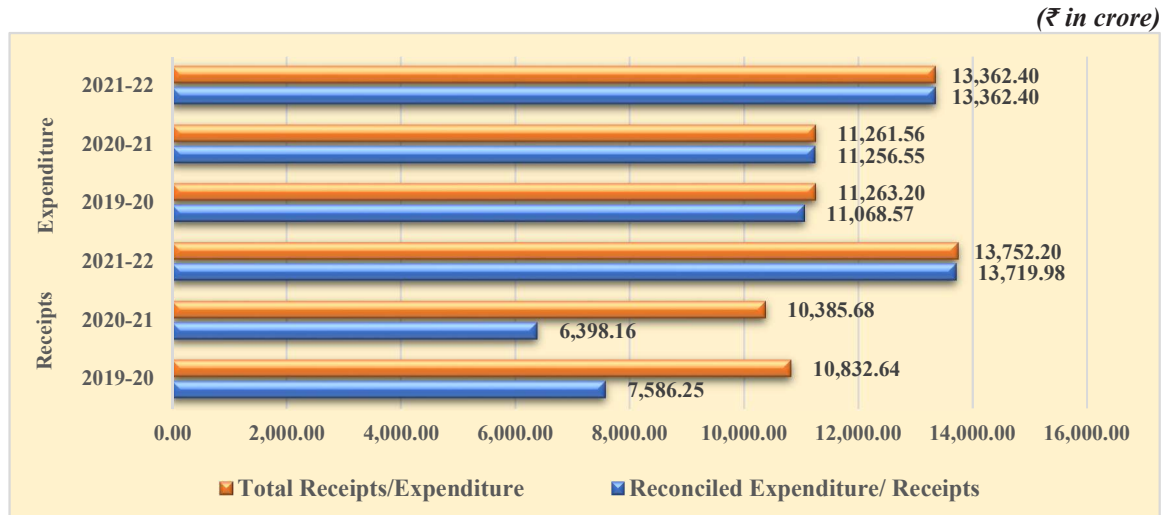
The Government needs to review and analyse all the unadjusted/outstanding transactions mentioned above and take appropriate corrective measures expeditiously.

4.8 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 Principal 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 2019-20 to 2021-22 is shown in **Chart 4.2**.

Chart 4.2 : Status of reconciliation during the three years 2019-22



Source: Finance Accounts

While 61.61 per cent of the receipts and 99.96 per cent of the disbursements were reconciled during 2020-21, these figures were 99.77 per cent for receipts and 100 per cent in respect of disbursements for the year 2021-22.

The details relating to the number of Controlling Officers and the extent of reconciliation during the last three years are given in **Table 4.6**.

Table 4.6 : Status of Reconciliation of Receipts and Expenditure figures

| Year | Total no. of Controlling Officers | Fully Reconciled | Partially Reconciled | Not reconciled at all |
|--------------------|-----------------------------------|------------------|----------------------|-----------------------|
| Receipts | | | | |
| 2019-20 | 61 | 39 | 0 | 22 |
| 2020-21 | 44 | 29 | 0 | 15 |
| 2021-22 | 61 | 61 | 0 | 0 |
| Expenditure | | | | |
| 2019-20 | 87 | 83 | 0 | 4 |
| 2020-21 | 87 | 83 | 0 | 4 |
| 2021-22 | 88 | 88 | 0 | 0 |

Source: Accounts Wing

Non-reconciliation of figures has been pointed out in the Audit Reports year after year and it can be seen that there has been 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.

4.9 Reconciliation of Cash Balances

The Cash Balance as on 31 March 2022 as per record of the Principal Accountant General was ₹ 507.49 crore (Credit) and that reported by the RBI was ₹ 21.77 crore (Debit).

There was a net difference of ₹ 485.72 crore (Credit), mainly due to non- Reconciliation of figures between Treasuries and Agency Banks. The difference remained as on 30 June 2022 and is under Reconciliation.

4.10 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/ Savings Accounts in Commercial Banks. As per information provided by 344 DDOs (out of 1007) in the State, 171 DDOs had an amount of ₹ 392.60 crore lying in Savings/Current Bank Account as on 31 March 2022. This has had the impact of overstating the actual expenditure of the Government and overstating the deficit indicators by the same amount.

Further analysis by random sampling of 61 DDOs revealed that an amount of ₹ 145.71 crore was being kept in 59 Savings bank accounts (₹ 108.79 crore), 49 Current bank accounts (₹ 34.70 crore) and one Fixed Deposit account (₹ 2.22 crore) operated by 58 DDOs. As per information furnished by these DDOs these bank accounts were operated for transactions on non-CSS funds pertaining to day to day operations and contingent expenditure and for depositing revenue, taxes and fees collected by the Government.

4.10.1 Maintenance of Bank accounts beyond authorised period

During inspection of the records furnished by the State Government, it was found that 15 DDOs had operated bank accounts for the regularisation of demonetised bank notes as per approval given by their Controlling offices with the concurrence of the Finance Department for a fixed period (up to 31 March 2017). After the expiry of this period, the operation of these accounts was to be reviewed and, if justifiable and required, extension of time for their operation applied for with the Finance Department.

However, it was found that an amount of ₹ 1.15 crore was lying in these accounts as on 31 March 2022. Maintenance of large amounts in bank accounts increased the risk of diversion of funds for unauthorised purposes and the expenditure moving out of the purview of Legislative oversight. State Government needs to investigate the matter and take action to regularise the operation of these bank accounts. Further, the funds may be utilised for the purpose for which they were drawn or transferred back into Government account in view of the poor financial position of the State.

4.11 Cess Levied by the State Government

A cess is a form of tax levied for a specific purpose. It differs from the usual taxes and duties like excise and personal income tax and is imposed as an additional tax besides the existing tax (tax on tax). Another difference lies in the way the revenue recovered from cess is maintained. While revenue from taxes like income tax is kept in the Consolidated Fund and the government can use it for any purposes it deems fit, the revenue coming from

cess is first credited to the Consolidated Fund, and the Government may then, after due appropriation from the Assembly, utilise it for the specified purpose.

The Building and Other Construction Workers' Welfare Cess is the only cess currently being collected by Government of Mizoram as allowed under the Building and Other Construction Workers' Welfare Cess Act, 1996. An analysis of its collection, utilisation and management has been made in the following paragraphs.

4.11.1 Building and Other Construction Workers' Welfare Cess

As on 31 March 2022, the membership enrolment of the Welfare Board stood at 65,534 members, growing by 42,862 members from an enrolment of 21,865 members on 1 April 2017. Details of enrolment for the past five years is shown in **Table 4.7**.

Table 4.7 : Details of membership enrolment in the Welfare Board

| Year | Number of members | | Number of fresh registrations during the year |
|-----------|-----------------------------|------------------------------|---|
| | As on 1 st April | As on 31 st March | |
| 2017-2018 | 21,865 | 22,672 | 807 |
| 2018-2019 | 22,672 | 39,545 | 16,873 |
| 2019-2020 | 39,545 | 45,617 | 6,072 |
| 2020-2021 | 45,617 | 62,307 | 16,691 |
| 2021-2022 | 62,307 | 65,534 | 3,227 |

Source : Building and Other Construction Workers' Welfare Board

4.11.2 Cess collection and utilisation

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 account of the Building and Other Construction Workers' Welfare Board (MBOCWWB) within thirty days of its collection.

Details of cess and other receipts collected and actual expenditure incurred during the period 2017-18 to 2021-22 are given in **Table 4.8**.

Table-4.8 : Position of MBOCWW Fund for the period 2017-22

| Year | Opening Balance | Cess Receipts | Others/ Misc. Receipts* | Available Fund | (₹ in crore) | |
|---------|-----------------|---------------|-------------------------|----------------|-------------------|-----------------|
| | | | | | Total Expenditure | Closing Balance |
| 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 | 3.24 | 74.20 | 30.36 | 43.84 |
| 2020-21 | 43.84 | 14.06 | 2.30 | 60.20 | 37.02 | 23.18 |
| 2021-22 | 23.18 | 22.88 | 5.80 | 51.86 | 29.30 | 22.56 |

Source: Building and Other Construction Workers' Welfare Board

* Others/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.

From the table above, it can be seen that MBOCWBB received ₹ 28.68 crore during the year 2021-22, out of which ₹ 22.88 crore was Cess received for the year. During the year, the Board spent an amount of ₹ 29.30 crore on Administrative expenses and welfare schemes/benefits as envisaged in the Building and Other Construction Workers' Welfare Cess Act such as Children's Education Assistance, Medical Assistance, Maternity Assistance, Death Benefit, Funeral Assistance, Marriage/Disability/Cash Award and Welfare Pension, etc. The funds available through the cess deposited by various parties is kept in a Savings Bank account maintained by the MBOCWBB.

Issues related to disclosure

4.12 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. 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 2020-21 are given in **Table 4.9**.

Table 4.9 : 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 grantees 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. |

4.13 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 to do so 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 them to Principal Accountant General (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 Principal Accountant General (Audit), Mizoram has not received three annual accounts of two Autonomous District Councils (ADCs) due up to 2021-22 for audit as of 30 September 2022. The details of accounts due from Autonomous Councils and Government Bodies are as given in **Table 4.10**.

Table 4.10 : Arrears of accounts of bodies or authorities as of 30 September 2022

| Sl. No. | Name of Body or Authority | Accounts pending since | No. of Accounts pending up to F.Y 2021-22 |
|---------|--|------------------------|---|
| 1 | Chakma Autonomous District Council | No pendency | 0 |
| 2 | Mara Autonomous District Council | 2020-21 | 2 |
| 3 | Lai Autonomous District Council | 2021-22 | 1 |
| 4 | Joint Electricity Regulatory Commission (JERC) | No pendency | 0 |
| 5 | Mizoram Khadi & Village Industries Board | No pendency | 0 |

Timely submission of annual accounts promotes effective audit of utilisation of the grants and loans disbursed to ADCs/Government Bodies. As may be seen from the table, three accounts were pending for submission by two ADCs

4.14 Departmental Commercial Undertakings

The Principal Accountant General (Audit), Mizoram has not received 4 annual accounts of two Departmental Commercial Undertakings due for audit up to 2021-22 (September 2022) and no accounts has been received from one departmental commercial undertaking since inception. The details of accounts due from these bodies are in **Table 4.11**.

Table 4.11 : Arrears of accounts of Commercial Undertakings

| Sl. No. | Name of Departmental Commercial Undertaking | Accounts arrears since | No. of Accounts pending up to F.Y 2021-22 |
|----------------------------------|--|--|---|
| Departmental Undertakings | | | |
| 1 | Food, Civil Supplies & Consumer Affairs Department | 2018-19 | 4 |
| 2 | Mizoram State Transport Department | 2018-19 | 4 |
| 3 | Power & Electricity Department | No accounts have been submitted since inception <i>i.e.</i> 1983 | |

As it can be seen from the above, out of three departmental undertakings, the accounts of Mizoram State Transport Department and Food, Civil Supplies & Consumer Affairs Department were in arrears since 2018-19 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.

4.15 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.

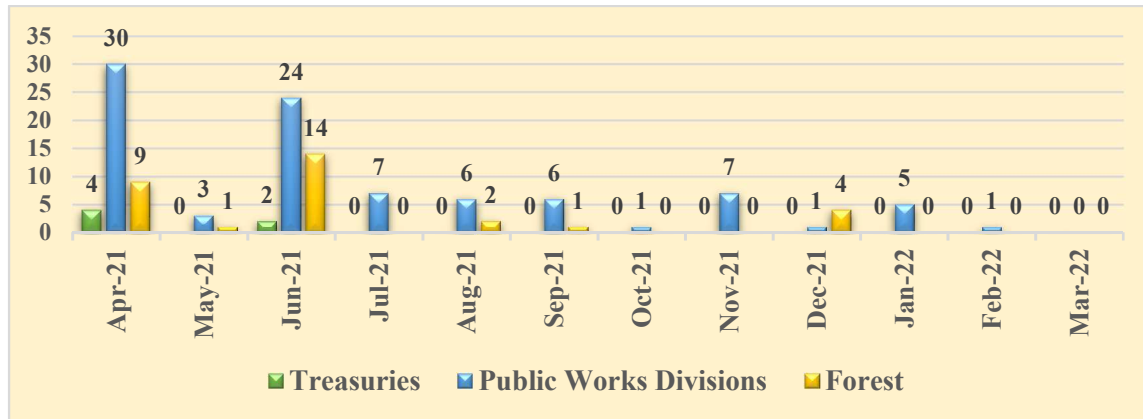
No information regarding the details of grants/ loans given by the Government to bodies and authorities was received by this office during 2021-22. In the absence of timely submission of these details, results of the grants/ investment of the Government escaped scrutiny of audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency in the functioning of the grantees could not be suggested.

4.16 Timeliness and Quality of Accounts

The accounts of receipts and expenditure of Government of Mizoram are compiled from the initial accounts rendered by 10 Treasuries, six Joint Resident Commissioners, 74 Public Works and 34 Forest Divisions and Advices of the Reserve Bank of India. Although delay in submission of the monthly accounts had affected timely submission of the Monthly Civil Accounts to the State Government, no accounts were excluded at

the end of the year. Details of accounts excluded from the Monthly Civil Accounts are given in **Chart 4.3**.

Chart 4.3 : Number of accounts excluded from monthly Civil Accounts during 2021-22



Source: Information furnished by the Principal Accountant General (Accounts)

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 Principal Accountant General in 11 months during the year. Therefore, the monthly accounts indicating the receipts and disbursements of the State during the month, rendered by the Principal Accountant General (Accounts) to the State Government were incomplete in these months.

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 and ensure the rendition of accounts by all the account rendering authorities to the Principal Accountant General on a timely basis, to manage its own budget more effectively.

Other Issues

4.17 Follow-up action on State Finances Audit Report

In his Audit Reports 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. While the audit observations featured in the State Finances Audit Reports up to 2015-16 have all been settled, there are 239 paragraphs remaining unsettled in the Reports for the years 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21.

4.18 Conclusion

State Government had designated 20 Single Nodal Agencies for 86 CSS schemes being implemented in the state of which 80 bank accounts had been linked to their corresponding schemes i.e. 93.02 per cent compliance. The unlinked schemes were Deen Dayal Upadhyaya Gram Jyoti, Integrated Power Development Scheme, Saubhagya, Atal Vayo Abhyuday Yojana, Green India Mission-National Afforestation Programme and National AYUSH Mission (Medicinal Plant).

94 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 109.50 crore given to the three Autonomous District Councils during the period upto March 2021 were not submitted to the Principal Accountant General by the entities. High pendency of UCs was fraught with the risk of misappropriation of funds and fraud.

Although all AC Bills drawn during 2021-22 were settled, there were seven AC Bills worth ₹ 3.86 crore pending adjustment relating to previous years.

During 2021-22, ₹ 1,106.49 crore under 45 Major Heads of accounts, constituting 11.57 per cent of the total Revenue and Capital expenditure (₹ 9,561.87 crore) was classified under the Minor Head 800 Other Expenditure in the accounts.

As per information provided by the State Government, 171 DDOs (out of 1007) had an amount of ₹ 392.60 crore lying in Savings/Current Bank Account as on 31 March 2022.

The available funds to Construction Workers' Welfare Board (MBOCWFB) during the year was ₹ 51.86 crore. Out of the available funds, the Board spent an amount ₹ 29.30 crore on Administrative expenses and welfare schemes/benefits as envisaged in the Building and Other Construction Workers' Welfare Cess Act.

The Principal Accountant General, Mizoram has not received three Annual Accounts of Autonomous Councils/Government Bodies which were due up to 2021-22 for audit as of 30 September 2022.

The Annual Accounts were pending in respect of two Departmental Commercial Undertakings since 2018-19 and one Departmental Commercial Undertaking since inception.

4.19 Recommendations

- 1. The Government may ensure submission of Utilisation Certificates (UCs) by the grantee within the time frame and institute a mechanism whereby subsequent release of funds is made consequent on furnishing of UCs of earlier releases.*
- 2. The Government may consider carrying out adjustment of Abstract Contingent bills within stipulated period, as required under the Rules.*

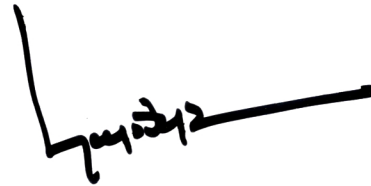
3. *The Finance Department should avoid indiscriminate use of Minor Head 800 and book the expenditure under appropriate Minor Head wherever available.*
4. *Finance Department should review all Savings /Current Bank Accounts in the name Drawing and Disbursing Officers (DDOs). Further, the Finance Department should reiterate the instructions contained in the Central Treasury Rules (CTR) that no money should be drawn in anticipated of demand or to prevent the lapse of budgetary grants.*



Aizawl
The: 21 February 2023

(LHUNKHOTHANG HANGSING)
Principal Accountant General,
Mizoram

Countersigned



New Delhi
The: 22 February 2023

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

