

OVERVIEW

The Report includes two chapters on Finance Accounts and Appropriation Accounts of the Government of Mizoram for the year 2001-2002 and six other chapters, comprising 6 reviews and 33 paragraphs based on the audit of certain selected programmes and activities. A synopsis of the important findings is presented in the overview.

1. Accounts of the State Government

The outstanding liabilities of the State increased by 102 *per cent* from Rs.780 crore in 1997-1998 to Rs.1575 crore in 2001-2002. However, very little of the borrowings were available for capital formation as of Rs.942.01 crore received during 2001-2002, only Rs.165.36 crore was available for investment after repayment obligation. During 2001-2002 while the liabilities of the State Government grew by 24 *per cent*, its assets grew by only 7 *per cent*.

The total receipts during the year 2001-2002 had increased by 5 *per cent* over the previous year (2000-2001). Of the total receipts of Rs.867.79 crore, Rs.803.80 crore constituting 93 *per cent* came from States' share of divisible Union taxes and duties and Central grants.

Revenue forecasting in the budget was not made on a realistic basis during the current year also as the actual revenue raised during the current year exceeded the budget estimates by 29 *per cent*.

Revenue expenditure (Rs.1128.22 crore) during the year accounted for 89 *per cent* of the expenditure of the Government and increased by 10 *per cent* during 2001-2002. The share of non-Plan expenditure to revenue expenditure during 2001-2002 was 66 *per cent* against 34 *per cent* under plan side.

The State had a revenue deficit (excess of revenue expenditure over revenue receipts) of Rs.260.43 crore during 2001-2002 and a fiscal deficit (excess of revenue and capital expenditure over revenue receipts) of Rs.422.34 crore, which was covered by public debt.

The capital expenditure during the year declined by 15 *per cent* over the previous year (2000-2001) and share of capital expenditure to total expenditure dropped from 19 *per cent* in 1997-1998 to 11 *per cent* in 2001-2002.

Recoveries of loans and advances given by the Government to companies, *etc.*, had not improved and there was increase in amount advanced resulting in increase in closing balance at the end of 2001-2002 by 81 *per cent* over a period of 5 years. Interest received during 2001-2002 was only Rs.1.45 crore against the outstanding loan of Rs.235.70 crore.

According to the Memorandum of Understanding signed between the Government of Mizoram and the Government of India in April 1999 followed by the Cabinet decision taken in September 1999, the State Government introduced several measures to improve the financial position of the State. But an analysis of implementation of the mutually agreed fiscal reform measures adopted by State Government revealed the failure of the State Government to achieve the desired objectives as the revenue deficit went up by 738 *per cent* from Rs.31.08 crore in 1999-2000 to Rs.260.43 crore in 2001-2002.

Against investment of Rs.11.59 crore as on 31st March 2002 in various companies/co-operative societies, no dividend was received during 1999-2002.

The payment of interest on borrowings of the Government increased by 122 *per cent* from Rs.65.79 crore in 1997-1998 to Rs.146.18 crore in 2001-2002.

Indicators of Financial position of the State

Negative balance of current revenue (BCR) in all the five years indicated Government's dependency on borrowings for meeting its plan expenditure.

The ratio between capital outlay and capital receipts declined from 1.27 in 1997-1998 to 0.66 in 2001-2002 indicating a worsening sustainability as a substantial part of the capital receipts were not available for capital formation or investment.

Ratio of earnings to capital employed came down to zero during 1999-2002 from 0.014 in 1998-1999 indicating that Government investments were paying no returns.

The ratio of revenue deficit to fiscal deficit increased from 0.52 in 2000-2001 to 0.62 in 2001-2002 indicating that a larger share of the borrowings were applied to meet revenue expenditure.

The ratio of assets and liabilities decreased from 1.57 in 1997-1998 to 1.03 in 2001-2002 indicating declining solvency of the State.

(Paragraphs 1.1 to 1.11 and 6.4.1)

2. Appropriation Audit and control over expenditure

Against the total budget provision of Rs.1547.35 crore (including supplementary) actual expenditure was Rs.1851.14 crore and the overall excess of Rs.303.79 crore was the result of excess of Rs.454.44 crore in 11 cases of grants and appropriations offset by savings of Rs.150.65 crore in 51 cases of grants and appropriations. The excess expenditure requires regularisation by the Legislature under Article 205 of the Constitution of India.

Supplementary provision of Rs.26.68 crore made in 16 cases of grants and appropriations during the year proved unnecessary as the expenditure was less than the original budget provision. Further, in 30 cases, against additional requirement of Rs.139.97 crore, supplementary grants and appropriations of Rs.236.34 crore were obtained resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs.96.37 crore.

Persistent excess was noticed in one appropriation during the period from 1999-2000 to 2001-2002 and the expenditure in this case exceeded the approved provision by over 1400 *per cent*. In two other grants, there were persistent savings in excess of Rs.10 lakh in each case.

In 11 cases expenditure fell short by more than Rs.1 crore in each case and also by more than 10 *per cent* of the provision while in 19 cases, expenditure of Rs.456 crore was incurred without any provision in the budget.

(Paragraphs 2.1 to 2.4)

3. Audit reviews on developmental/welfare programmes and other activities

3.1 Development of Sericulture

The department incurred avoidable expenditure of Rs.35.94 lakh towards procurement of mulberry cuttings during 1995-1996 to 2001-2002 instead of obtaining the same from the Central Silk Board free of cost.

There was idle expenditure of Rs.0.60 crore as seed grainage centres remained dysfunctional.

(Paragraph 3.1)

3.2 Swarnajayanti Gram Swarojgar Yojana (SGSY)

There was short release of assistance of Rs.1.04 crore to 43 Self Help Groups by the bank.

Out of the available infrastructure fund of Rs.0.69 crore, the department could utilise only Rs.44.54 lakh resulting in under-utilisation of funds of Rs.24.43 lakh for infrastructure development.

(Paragraph 3.2)

3.3 Rural Housing

An amount of Rs.9.92 lakh was misappropriated by the staff of the District Rural Development Agency, Saiha.

Rupees 44.72 lakh and Rs.49.83 lakh meant for utilisation in rural areas were spent in urban areas thereby depriving 236 and 269 rural beneficiaries of the benefits of Indira Awaas Yojana programme and Pradhan Mantri Gramodaya Yojana programme respectively.

Assistance of Rs.2.37 crore paid to the beneficiaries during the years 1997-1998 to 2001-2002 by way of reimbursement of expenditure against their already constructed houses was not only irregular but also violative of provisions of the scheme guidelines.

(Paragraph 3.3)

3.4 Review of Public Works Department including manpower management and Store and Stock

There were shortfalls in achieving the targets ranging from 10 to 91 *per cent* during 1997-1998 to 2001-2002.

In four cases, undue financial aid of Rs.11.61 crore was given to the contractors in the form of machinery and mobilisation advances.

In two Public Works Divisions there was excess utilisation of materials *viz.*, boulders, bitumen, *etc.*, worth Rs.1.01 crore in executing the work through muster roll labourers.

A firm failed to supply the bridge components even after receipt of advance payment of Rs.24.66 lakh in February/September 2000.

There was excess expenditure of Rs.7.82 crore in entertainment of excess staff (both regular and work-charged).

(Paragraph 4.1)

3.5 Stores and Stock (Public Health Engineering Department)

Stores worth Rs.0.53 crore procured without assessing their requirements by the PHE Store Division, Aizawl during December 1988 to September 1998 became unserviceable. This resulted in loss of Rs.0.53 crore to the State exchequer.

37 claims involving Rs.2.33 crore, on account of inter divisional transfer of materials between 1981 and 1988, were awaiting adjustment as of March 2002.

Unauthorised credit sales of materials worth Rs.8.84 crore pertaining to the period from 1988-1989 to 2001-2002 remained unrealised as of March 2002.

Materials worth Rs.4.20 crore were purchased by the PHE Store Division on credit basis as there was no provision in the budget for purchase of such materials.

(Paragraph 5.1)

3.6 Assessment, levy and collection of Sales Tax in Mizoram

Six registered dealers concealed a taxable turnover of Rs.17.54 crore relating to the different assessment periods falling between November 1999 and March

2001 and thereby evaded payment of tax of Rs.0.51 crore. For evasion of tax and concealment of turnover, maximum penalty of Rs.0.77 crore could have been levied but was not levied.

In one assessing unit, a turnover of Rs.1.70 crore involving tax effect of Rs.4.07 lakh in respect of three registered dealers relating to the period from November 1999 to June 2000 escaped assessment.

31 unregistered dealers made inter-state sales of bamboos and timbers valued Rs.3.33 crore involving loss of revenue of Rs.33.32 lakh during April 2000 to March 2002.

There was loss of revenue of Rs.25.10 lakh due to irregular issue of notification by the government in November 1999.

(Paragraph 6.7)

4 Other points of interest

(a) Civil Departments

4.1 Extra avoidable expenditure

(i) The Executive Engineer, Aizawl Water Supply Scheme Division-I incurred an extra expenditure of Rs.0.72 crore (by way of interest of Rs.0.62 crore and non-availing of rebate of Rs.9.97 lakh) on belated payment of electricity bills.

(Paragraph 4.4)

(ii) The Executive Engineer, Kolasib PHE Division incurred an extra expenditure of Rs.7.60 lakh on carriage of pipes.

(Paragraph 4.5)

(iii) The Director of Agriculture incurred an extra expenditure of Rs.0.67 crore on procurement of goat proof fencing wire mesh at abnormally higher rate.

(Paragraph 3.7)

4.2 Irregular/unfruitful expenditure

(i) The Director of Health Services, Mizoram made an advance payment of Rs.1.96 crore to a firm for supply and installation of a Computerised Tomography (CT) Scanner before selection of site for installation of the same. Consequently, the CT Scanner could not be installed even after the same was supplied by the firm. This led to blocking of fund of Rs.1.96 crore for a period of over two years.

(Paragraph 3.4)

(ii) The Director of Health Services, Mizoram incurred an unfruitful expenditure of Rs.0.55 crore for the construction of a 30 bed Community Health Centre at Dinthar due to injudicious selection of site.

(Paragraph 3.5)

(iii) The Executive Engineer, Project Division-I, Aizawl incurred an unfruitful expenditure of Rs.3.48 crore on partial execution of an auditorium building at Aizawl.

(Paragraph 4.3)

(b) Revenue Receipts

(i) In six Forest Divisions, there was loss of revenue of Rs.0.64 crore due to delay in disposal of 49 lots of teak logs measuring 2243.2341 cum.

(Paragraph 6.8)

(ii) There was short realisation of composite fee of Rs.26.99 lakh in respect of 354 vehicles by the Secretary, State Transport Authority, Mizoram.

(Paragraph 6.11)

(c) Commercial and Trading activities

(i) There were five Government Companies and two Departmentally managed commercial undertakings in the State as on 31 March 2002.

(Paragraph 8.1.1)

(ii) Total investment in these companies was Rs.61.90 crore as on 31 March 2002.

(Paragraph 8.1.2)

(iii) One company had finalised its accounts for the year 2001-2002 and two more companies had finalised their one year's accounts each relating to the earlier years. The accounts of four companies were in arrears ranging from 4 to 8 years. According to the latest finalised accounts, four companies had incurred an aggregate loss of Rs.2.47 crore and one company earned a profit of Rs.2.31 lakh.

(Paragraphs 8.1.10, 8.1.11 & 8.1.14)

(iv) There was embezzlement of Rs.7.05 lakh in the process of disbursement of loan advanced by the Zoram Industrial Development Corporation Limited.

(Paragraph 8.2)

(v) At Saiha, there was shortage of 959.56 quintals of rice valued Rs.11.28 lakh besides irregular retention of sale proceeds of Rs.4.72 lakh by the Store Keeper.

(Paragraph 8.3)