



सत्यमेव जयते

**State Finances Audit Report
of the
Comptroller and Auditor General of India
for the year ended 31 March 2020**



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

**Government of Mizoram
(Report No. 3 of 2021)**

**State Finances Audit Report
of the
Comptroller and Auditor General of India**

for the year ended 31 March 2020

Government of Mizoram

TABLE OF CONTENTS

<i>Para No.</i>	<i>Title</i>	<i>Page</i>
	<i>Preface</i>	<i>v</i>
	<i>Executive Summary</i>	<i>vii</i>
CHAPTER-1		
Overview		
<i>1.1</i>	<i>Profile of the State</i>	<i>1</i>
<i>1.2</i>	<i>Basis and Approach to State Finances Audit Report</i>	<i>3</i>
<i>1.3</i>	<i>Report Structure</i>	<i>3</i>
<i>1.4</i>	<i>Overview of Government Accounts' Structure and Budgetary Processes</i>	<i>4</i>
<i>1.5</i>	<i>Fiscal Balance: Achievement of deficit and total debt targets</i>	<i>8</i>
<i>1.6</i>	<i>Deficits and Total Debt after Examination in Audit</i>	<i>13</i>
<i>1.7</i>	<i>Conclusion</i>	<i>14</i>
<i>1.8</i>	<i>Recommendation</i>	<i>15</i>
CHAPTER-2		
Finances of the State		
<i>2.1</i>	<i>Introduction</i>	<i>17</i>
<i>2.2</i>	<i>Major Changes in Key Fiscal Aggregates vis-à-vis 2018-19</i>	<i>17</i>
<i>2.3</i>	<i>Sources and Application of Funds</i>	<i>18</i>
<i>2.4</i>	<i>Resources of the State</i>	<i>18</i>
<i>2.5</i>	<i>Receipts of the State</i>	<i>19</i>
<i>2.6</i>	<i>Application of Resources</i>	<i>30</i>
<i>2.7</i>	<i>Public Account</i>	<i>42</i>
<i>2.8</i>	<i>Debt Management</i>	<i>47</i>
<i>2.9</i>	<i>Debt Sustainability Analysis</i>	<i>52</i>
<i>2.10</i>	<i>Conclusion and Recommendations</i>	<i>57</i>
CHAPTER-3		
Budgetary Management		
<i>3.1</i>	<i>Introduction</i>	<i>61</i>
<i>3.2</i>	<i>Budget Process</i>	<i>61</i>
<i>3.3</i>	<i>Appropriation Accounts</i>	<i>64</i>
<i>3.4</i>	<i>Comments on Integrity of Budgetary and Accounting Process</i>	<i>64</i>
<i>3.5</i>	<i>Comments on Transparency of Budgetary and Accounting Process</i>	<i>73</i>

Para No.	Title	Page
3.6	<i>Comments on Effectiveness of Budgetary and Accounting Process</i>	73
3.7	<i>Conclusion</i>	81
3.8	<i>Recommendations</i>	81
CHAPTER-4		
Quality of Accounts and Financial Reporting Practices		
4.1	<i>Introduction</i>	83
4.2	<i>Funds Transferred Directly to State Implementing Agencies</i>	83
4.3	<i>Delay in Submission of Utilisation Certificates</i>	83
4.4	<i>Abstract Contingent Bills</i>	85
4.5	<i>Indiscriminate use of Minor head 800</i>	86
4.6	<i>Outstanding Balance under Major Suspense and DDR Heads</i>	89
4.7	<i>Non-reconciliation of Departmental Figures</i>	90
4.8	<i>Reconciliation of Cash Balances</i>	91
4.9	<i>Opening of Bank Accounts by the DDOs</i>	91
4.10	<i>Cess Levied by the State Government</i>	92
4.11	<i>Compliance with Accounting Standards</i>	93
4.12	<i>Submission of Accounts/Separate Audit Reports of Autonomous Bodies</i>	93
4.13	<i>Departmental Commercial Undertakings/Corporations/Companies</i>	94
4.14	<i>Non-submission of Details of Grants / Loans Given to Bodies and Authorities</i>	96
4.15	<i>Timeliness and Quality of Accounts</i>	96
4.16	<i>Misappropriations, Losses, Thefts, etc.</i>	97
4.17	<i>Follow up Action on State Finances Audit Report</i>	98
4.18	<i>Conclusions</i>	98
4.19	<i>Recommendations</i>	99
CHAPTER- 5		
Functioning of State Public Sector Enterprises (SPSEs)		
5.1	<i>Introduction</i>	101
5.2	<i>Mandate</i>	101
5.3	<i>Working and Non-working SPSEs</i>	101
5.4	<i>Investment in SPSEs</i>	102
5.5	<i>Budgetary Assistance to SPSEs</i>	103
5.6	<i>Returns from Government Companies and Corporations</i>	103
5.7	<i>Long Term Debt of SPSEs</i>	104

<i>Para No.</i>	<i>Title</i>	<i>Page</i>
5.8	<i>Operating Efficiency of SPSEs</i>	104
5.9	<i>Return on Capital Employed</i>	105
5.10	<i>Return on Equity (ROE)</i>	105
5.11	<i>SPSEs Incurring Losses</i>	105
5.12	<i>SPSEs having Complete Erosion of Capital</i>	106
5.13	<i>Audit of State Public Sector Enterprises</i>	107
5.14	<i>Appointment of Statutory Auditors of SPSEs by CAG</i>	107
5.15	<i>Submission of Accounts by SPSEs</i>	107
5.16	<i>Timeliness in Preparation of Accounts by SPSEs</i>	107
5.17	<i>CAG's Oversight - Audit of Accounts and Supplementary Audit</i>	108
5.18	<i>Audit of accounts of Government Companies by Statutory Auditors</i>	108
5.19	<i>Supplementary Audit of accounts of Government Companies</i>	109
5.20	<i>Result of CAG's Oversight Role</i>	109
5.21	<i>Management Letters</i>	111
5.22	<i>Conclusion</i>	112
5.23	<i>Recommendation</i>	112

<i>Appendix Number</i>	<i>Title</i>	<i>Page</i>
<i>Appendix-I</i>	<i>State Profile</i>	115
<i>Appendix-II</i>	<i>Time Series Data on State Government Finances</i>	116
<i>Appendix-III</i>	<i>Expenditure under MH-3435 Ecology and Environment Compiled Based on Vouchers/Information Received from the State Government</i>	119
<i>Appendix-IV</i>	<i>Excess /unnecessary/ insufficient re-appropriation (For final excess/ savings of ₹ 10 lakhs or above)</i>	120
<i>Appendix-V</i>	<i>Funds Transferred by Government of India Directly to State Implementing Agencies</i>	123
<i>Appendix-VI</i>	<i>Details of Return on Capital Employed of SPSUs</i>	126

PREFACE

1. This Report on the Finances of the State Government of Mizoram has been prepared for submission to the Governor of Mizoram under Article 151 of the Constitution.
2. Chapter 1 of this Report contains the basis and approach to State Finances Audit Report, structure of the Report, structure of Government Accounts, budgetary processes, trends in key fiscal parameters like revenue surplus/ deficit, fiscal surplus/ deficit, *etc.*
3. Chapters 2 & 3 of the Report contain audit findings on matters arising from an examination of the Finance Accounts and Appropriation Accounts respectively, of the State Government for the year ended 31 March 2020. Information has been obtained from Government of Mizoram, wherever necessary.
4. Chapter 4 on ‘Quality of Accounts & Financial Reporting Practices’ provides an overview and status of the State Government’s compliance with various financial rules, procedures and directives during the current year.
5. Chapter 5 on “Functioning of State Public Sector Enterprises” gives an overall picture of the financial performance of State Public Sector Enterprises (SPSEs), as revealed from their accounts. It also contains the impact of revision of accounts as well as significant comments issued as a result of supplementary audit of the financial statements of the SPSEs conducted by the C&AG.
6. The Reports containing the findings of Performance Audit and Compliance Audit in various Government departments, observations arising out of audit of Statutory Corporations, Boards and Government Companies and observations on Revenue Receipts are presented separately.

EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

The Report

Based on the audited accounts of the Government of Mizoram for the year ending March 2020, this Report provides an analytical review of the finances of the State Government. The Report is structured in five Chapters.

Chapter 1-Overview of State Finances

This Chapter provides brief profile of the State and basis of the report, structure of the Government accounts, Budgetary processes, macro-fiscal analysis of key indices and fiscal position of the State including the deficit/surplus.

Chapter 2-Finances of the State Government

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

Chapter 3-Budgetary Management

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

Chapter 4-Quality of Accounts and Financial Reporting Practices

This Chapter provides an overview on the quality of accounts and compliance of the State Government in its financial reporting practices, with prescribed financial rules, procedures and directives with regard to completeness, transparency, measurement and disclosure.

Chapter 5-Functioning of State Public Sector Enterprises

This Chapter gives an overall picture of the financial performance of State Public Sector Enterprises (SPSEs), as revealed from their accounts. It also contains the impact of revision of accounts as well as significant comments issued as a result of supplementary audit of the financial statements of the SPSEs conducted by the C&AG.

Audit findings

Overview

- The growth rate of GSDP of the State at current prices, during 2015-20 ranged between 12.06 *per cent* (2015-16) to 18.91 *per cent* (2019-20). During 2019-20, the GSDP at current price was ₹ 26,503 crore, up from ₹ 22,287 crore in 2018-19, representing an increase of 18.91 *per cent* which was much higher than that of national growth rate (7.21 *per cent*). During the five-year period from 2015-16 to 2019-20, there has been

EXECUTIVE SUMMARY

a significant decrease in the growth rate of the Primary sector in GSDP, declining from 22 *per cent* in 2015-16 to 12.73 *per cent* in 2018-19, but there was a slight increase in the sector in 2019-20 (13.06 *per cent*). However, an increase was seen in the Secondary sector while the Tertiary sector remained more or less constant in growth while remaining to be the largest contributor to the GSDP.

- The fiscal position of the State is viewed in terms of key fiscal parameters-Revenue deficit/surplus, fiscal deficit/surplus and primary deficit/surplus. It was seen that the State did not achieve the targets specified by the XIV FC during 2019-20 with regard to the key fiscal parameters, compared to the previous year. It had a fiscal deficit of ₹ 1224.31 crore during the year 2019-20, representing 4.62 *per cent* of the GSDP. The Primary Surplus of ₹ 15.76 crore during 2018-19 changed into Primary Deficit of ₹ 881.19 crore during the current year and the Revenue surplus of ₹ 1,533.91 crore in 2018-19 reduced to ₹ 204.30 crore during 2019-20.
- After successfully containing the Fiscal Deficit below three *per cent* of GSDP during 2015-19, the State's Fiscal Deficit increased to 4.62 *per cent* of GSDP during 2019-20. Fiscal Deficit increased by ₹ 871.39 crore from ₹ 352.92 crore in 2018-19, witnessing growth of 246.91 *per cent*. The State Government was able to meet the target ratio of total outstanding debt to GSDP and the debt ratio reduced marginally to 32.74 *per cent* from the previous year's 32.82 *per cent*. Primary deficit stood at 3.32 *per cent* of GSDP (₹ 881.19 crore).
- The State Government short contributed ₹ 36.58 crore to the Consolidated Sinking fund and interest of ₹ 1.61 crore on Interest bearing Reserve Funds was not provided during the year. This led to overstatement of Revenue deficit and understatement of fiscal deficit by ₹ 38.19 crore, during the year 2019-20.

Recommendations

- *The Government may adhere to targets of MFRBM Act set for fiscal deficit.*
- *The Government may explore essential potentials to increase the growth of the Primary sector in its GSDP.*
- *The Government needs to make more efforts to increase its tax and non-tax revenues since there was a reduction in the Revenue Surplus during the year and guard against becoming a revenue deficit State.*

(Chapter 1)

Finances of the State Government

- Revenue Receipts during the year 2019-20 were ₹ 9,658.26 crore which increased by ₹ 618.76 crore (6.85 *per cent*) over the previous year. State's Own Tax revenues and Non-Tax revenue increased by ₹ 4.28 crore (0.59 *per cent*) and ₹ 72.39 crore respectively (16.09 *per cent*) as compared to the previous year. Grants-in-aid from GoI

EXECUTIVE SUMMARY

also increased by ₹ 1,027.25 crore (23.56 *per cent*), whereas State's Share of Union taxes and Duties decreased by ₹ 485.16 crore (13.85 *per cent*) during 2019-20 as compared to the previous year.

- In the three years during which the GST Act has been in effect, revenue collected by the Government of Mizoram through SGST has risen by 213.51 *per cent* from ₹ 169.76 crore in 2017-18 to ₹ 532.22 crore in 2019-20. Besides, GST receipts in 2019-20 exceeded the projected revenue by ₹ 211.17 crore, therefore, the State Government did not receive any GST compensation during 2019-20.
- Revenue expenditure during the year 2019-20 was ₹ 9,453.96 crore (86.66 *per cent*) against the total expenditure of ₹ 10,909.26 crore. Committed expenditure like salary & wages, pension, interest payments steadily increased during the last five years period 2015-20. The Committed expenditure during 2019-20 was ₹ 4,987.06 crore (51.64 *per cent* of the total Revenue receipts of ₹ 9658.26 crore and 52.75 *per cent* of the total Revenue expenditure of ₹ 9453.96 crore.
- Capital expenditure is the expenditure incurred for creation of fixed infrastructure assets such as roads, building, *etc.* It is noticed that during the year capital expenditure decreased by ₹ 495.80 crore (26.54 *per cent*) from ₹ 1,868.47 crore to ₹ 1,372.67 crore. Salaries and Wages (₹ 3,211.44 crore) accounted for almost one third of the Revenue Receipts (₹ 9,658.26 crore) as well as Revenue Expenditure (₹ 9,453.96 crore). The expenditure on Pension Payments increased by 132.44 *per cent* from ₹ 616.30 crore in 2015-16 to ₹ 1,432.50 crore in 2019-20.
- As on 31 March 2020, the State Government had invested ₹ 42.77 crore in Government Companies, Co-operative Bank, Societies, *etc.* with no additional investment made during the year. However, it did not receive any dividend on these investments in 2019-20 nor in the preceding four financial years.
- As on 31 March 2020, 121 projects (estimated cost ₹ 1,463.39 crore) on which an expenditure of ₹ 1,149.22 crore had been incurred, remained blocked and the benefits expected to be accrued from these projects were yet to flow. Further delay in completion of these projects was fraught with the risk of cost overrun as evidenced during 2019-20 where there was a cost overrun of ₹ 33.69 crore.
- In the year 2019-20, against the minimum required contribution of ₹ 36.58 crore to the Consolidated Sinking Fund (0.50 *per cent* of outstanding liabilities of ₹ 7,315.55 crore as on 1 April 2019), the State Government did not make any contribution to the Fund, thereby violating the extant Rules and the Government has deferred the current year's liabilities of ₹ 37.08 crore to future years.
- During 2019-20, Government of Mizoram had withdrawn ₹ 21.68 crore from the State Disaster Response Fund which was kept in the Saving Bank account operated jointly by the Finance Department (Economic Affairs) and Disaster Management and

EXECUTIVE SUMMARY

Rehabilitation Department and no expenditure towards natural calamities was booked under MH 2245, except those relating to transfer to fund and withdrawal for current account. The Fund accounting was not as per the prescribed guidelines.

- The State had Outstanding guarantees of ₹ 142.29 crore including interest as on 31 March 2020.
- The State's outstanding liabilities increased from ₹ 7,315.54 crore in 2018-19 to ₹ 8,678.26 crore in 2019-20, whereas, Debt/GSDP ratio slightly decreased from 32.82 *per cent* to 32.74 *per cent* during the same period. Projection in the MTFP relating to Debt-GSDP ratio was not met during 2019-20. However, State Government was able to meet the target ratio of total outstanding debt to GSDP prescribed by XIV FC (44.78 *per cent* for 2019-20).
- An analysis of the outstanding debt revealed that out of the outstanding public debt of ₹ 4,018.03 crore as on 31 March 2020, 56.97 *per cent* (₹ 2,289.27 crore) was payable within the next seven years while the remaining 43.03 *per cent* (₹ 1,728.76 crore) was in the maturity bracket of more than seven years. The total amount of outstanding market loans was ₹ 2,790.60 crore and interest due and payable until their maturity was ₹ 1,155.75 crore.
- The State Government had used borrowed funds for meeting both capital and revenue expenditure during the period 2015-20. During 2019-20, the percentage of capital expenditure to borrowings was 119.60 *per cent*.
- The State Government was unable to maintain the minimum daily cash balance of ₹ 0.20 crore throughout 2019-20 and availed Special WMAs of ₹ 72.29 crore for two days during the current year which was duly settled prior to the end of the year.

Recommendations

- *State Government may take necessary steps to reduce the ratio of committed expenditure to revenue expenditure to ensure that debt levels remain serviceable by the resources of the State.*
- *State Government may assess the potential sources of revenue available internally and take steps to ensure that maximum potential revenue is achieved. As an example, the State government may consider enhancing revenue generation through eco-tourism initiatives and other sustainable development goals of a similar nature.*
- *The increasing trends of Revenue Expenditure be corrected by identifying potential wasteful expenditure and adopting economy measures across departments.*
- *State Government needs to formulate effective plans for execution of its major policy initiatives and ensure that capital expenditure for creation of durable assets is increased.*

EXECUTIVE SUMMARY

- *The State Government needs to give greater thrust on completion of incomplete projects in a planned manner with periodical review and monitoring mechanism at the highest level of administration so as to avoid time and cost inefficiencies and consequential extra financial burden on the Government.*
- *Increasing trend of borrowings vis-à-vis the level of debt maturity profile needs to be reviewed so as to ensure that mobilised financial resources are used adequately for incurring capital expenditure for creation of assets.*

(Chapter 2)

Budgetary Management

- Against the total budget provision of ₹ 14,346.73 crore, State Government Departments incurred an expenditure of ₹ 11,367.37 crore. There was an overall saving of ₹ 2,998.68 crore which was offset by excess of ₹ 19.42 crore under five Grants and one appropriation, resulting in net savings of ₹ 2,979.36 crore. It was 20.77 per cent of total Grants/Appropriations and was 32.66 per cent of the expenditure during the year 2019-20. Out of ₹ 2,998.68 crore, ₹ 1,392.50 crore of savings were surrendered up to the end of March 2020. Percentage of savings to that of the expenditures ranged between 19.43 per cent in 2017-18 to 30.13 per cent in 2016-17. Large amount of savings in allocated funds indicate both inaccurate assessment of requirement as well as inadequate capacity of Departments, to utilise the funds for the intended purposes and thus inefficient budgetary management by the State Government.
- An expenditure of ₹ 2.80 crore was incurred in six Grants/Appropriations without any provision in the original estimates or supplementary demands. Supplementary provisions of more than ₹ 50 lakh were obtained in each case under 21 Grants/Appropriation even though the actual expenditure was less than the original provision. Approximately 40 per cent of the funds allocated to 18 out of the 48 Grants and appropriation were not utilised during the year.
- Analysis of Grant No. 22 - Department of Sports and Youth Services revealed persistent savings of around ₹ one crore every year during the five-year period 2015-20. The percentage of savings to total in the Grant 22, ranged between 1.93 and 27.56 per cent.
- During the period 2015-20, there was an excess expenditure of ₹ 93.37 crore, covering nine departments which needs to be regularized in accordance with the constitutional provisions.

Recommendations

- *State Government needs to formulate a budget based on reliable assumptions of the needs of the Departments and their capacity to utilise the allocated resources. Controlling Officers need to be made aware of their responsibility to explain the variation in expenditure from the allocation to facilitate proper analysis of budget;*

EXECUTIVE SUMMARY

- *Government should enforce its commitment to achieve its promised/intended objectives for overall development of the State through improved execution, monitoring and financial management of schemes/projects;*
- *An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grant/ Appropriation are controlled, and anticipated savings are identified and surrendered within the specified timeframe. Demands for supplementary grants should be critically reviewed, w.r.t actual expenditure incurred by Departments; and*
- *Expenditure exceeding the limits approved by the Legislature is a violation of the will of the Legislature and therefore of the public. It therefore, needs to be viewed seriously and regularized at the earliest.*

(Chapter 3)

Quality of Accounts and Financial Reporting Practices

- 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 ₹ 10,909.26 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

EXECUTIVE SUMMARY

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.

Recommendations

- *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.*
- *The Government may ensure adjustment of outstanding Abstract Contingent bills within stipulated period, as required under the Rules.*
- *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.*
- *The Finance Departments may take action for closure of DDO accounts for parking of Government funds.*
- *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.*
- *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.*

(Chapter 4)

Functioning of State Public Sector Enterprises

As on 31 March 2020, the State of Mizoram had total six SPSEs (all working Government companies). As on 31 March 2020, there were differences in the figures of State's investment in Equity (₹ 47.05 crore) and Loan (₹ 23.58 crore) of SPSEs as per State Finance Accounts vis-à-vis records of SPSEs.

During 2019-20 the State Government has provided budgetary support of ₹ 5.53 crore to two SPSEs in the form of Grants/subsidy to meet the salaries and other establishment expenditure. The recipients of the budgetary assistance were Zoram Industrial Development Corporation Limited (₹ 3.42 crore) and Mizoram Handloom and Handicrafts Development Corporation Limited (₹ 2.11 crore). The State Government did not provide equity assistance to any PSUs during 2017-20.

During 2019-20, out of six working SPSEs, only one SPSE earned profits (₹ 0.82 crore) as per its latest finalised accounts. Further, the accumulated losses (₹ 28.00 crore) of three working SPSEs had completely eroded their paid-up capital (₹ 25.60 crore).

As on 30 September 2020, all six working SPSEs had a total arrear of total 32 Accounts ranging from one to 10 Accounts. The highest pendency of accounts pertained to Zoram Electronics Development Corporation Limited (10 Accounts) and Mizoram Agricultural Marketing Corporation Limited (nine Accounts).

Recommendations

- *The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in the investment figures (Equity and Long term Loans) of the State Government as appearing in the State Finance Accounts vis-à-vis SPSE records in a time-bound manner.*
- *Accumulation of huge losses by three out of six working SPSEs had eroded public wealth, which is a cause of concern and the State Government needs to either improve their profitability or fully review the working of these SPSEs for continuing their operations.*
- *The Administrative Departments overseeing the SPSEs having backlog of Accounts need to ensure that these SPSEs finalise and adopt their Accounts within the stipulated period, failing which financial support to them may be reviewed.*

(Chapter 5)

CHAPTER-I OVERVIEW



Chapter 1: Overview

1.1 Profile of the State

Mizoram is situated in the North-Eastern Region (NER) of India bordering three of the seven states in the NER¹ and shares an international border with Myanmar and Bangladesh. It is the fifth smallest State of India in terms of geographical area (21,081 sq.km.) and second least populated State in the country. The population of the State increased from 8,88,573 in 2001 to 10,97,206 in 2011 and has subsequently recorded a decadal growth of 23.48 *per cent* during 2010 to 2020 to stand at 13,26,550 as of March, 2020.

The State has eleven districts and three Autonomous District Councils (ADCs). The per capita income of the State at current prices was ₹ 2,04,018 during 2019-20, which was more than the average of North Eastern and Himalayan States of ₹ 1,37,174 and all India average of ₹ 1,52,440. General and financial data relating to the State is given in *Appendix I*.

1.1.1 Gross State Domestic Product of the State

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

Changes in sectoral contribution to the GSDP is also important to understand the changing structure of economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors.

Table 1.1 : Trends in GSDP compared to the national GDP

Year	2015-16	2016-17	2017-18	2018-19	2019-20
National GDP at current price	1,37,71,874	1,53,91,669	1,70,98,304	1,89,71,237	2,03,39,849
Growth rate of GDP over previous year (in <i>per cent</i>)	10.46	11.76	11.09	10.95	7.21
State's GSDP at current price	15,139	17,192	19,385	22,287	26,503
Growth rate of GSDP over previous year (in <i>per cent</i>)	12.06	13.56	12.76	14.97	18.91

Source: GoI's Economic Survey and Department of Economics and Statistics, State Government.

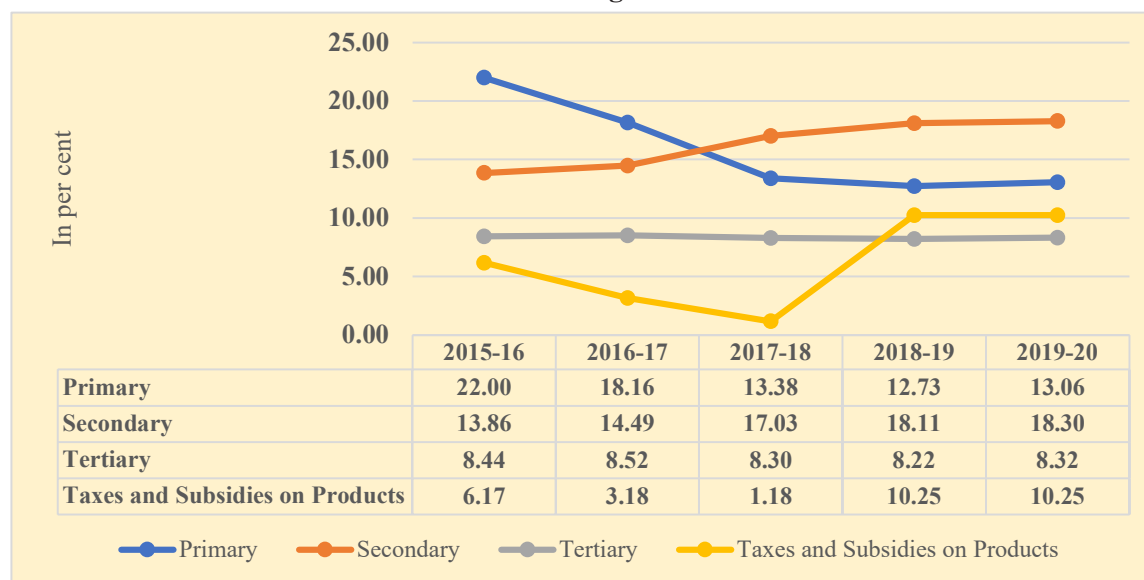
^aP.E. - Provisional Estimates; ^b1st A.E. - First Advanced Estimates

¹ Assam, Manipur and Tripura

As can be seen from the preceding table, the GSDP of Mizoram grew at a higher rate during the period from 2015-16 to 2019-20 as compared to the national growth rate. During the year 2015-16, it registered the lowest growth rate in five years.

Chart 1.1 reveals that during the five-year period from 2015-16 to 2019-20, there has been a significant decrease in the growth rate of the Primary sector in GSDP, declining from 22 per cent in 2015-16 to 12.73 per cent in 2018-19, but there was a slight increase in 2019-20 (13.06 per cent). However, an increase was seen in the Secondary sector while the Tertiary sector remained more or less constant in growth while remaining to be the largest contributor to GSDP.

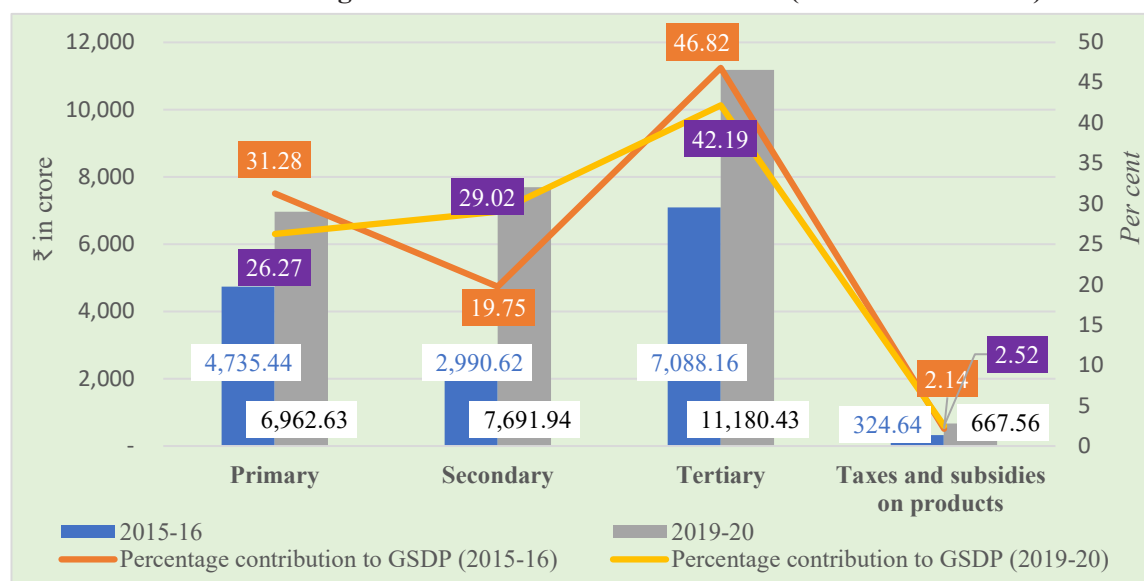
Chart 1.1 : Sectoral growth in GSDP



Source: Department of Economics and Statistics, Government of Mizoram

Chart 1.2 shows the change in sectoral contribution between the years 2015-16 and 2019-20.

Chart 1.2 : Change in sectoral contribution to GSDP (2015-16 to 2019-20)



Source: Department of Economics and Statistics, Government of Mizoram

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

Principal Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and Departments responsible for keeping of such accounts functioning under the control of the State Government, and the statements received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this report. Other sources include the following:

- Budget of the State: for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Principal Accountant General (Audit);
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS),
- GSDP data and other State related statistics; and
- Various audit reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the XIV Finance Commission (FC), State Financial Responsibility and Budget Management Act, best practices and guidelines of the Government of India.

1.3 Report Structure

The SFAR is structured into the following five Chapters:

Chapter - 1	Overview This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/ surplus.
Chapter - 2	Finances of the State This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2015-16 to 2019-20, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.

Chapter - 3	Budgetary Management This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
Chapter - 4	Quality of Accounts & Financial Reporting Practices This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.
Chapter 5	Functioning of State Public Sector Enterprises This chapter gives an overall picture of the financial performance of State Public Sector Enterprises (SPSEs), as revealed from their accounts. It also contains the impact of revision of accounts as well as significant comments issued as a result of supplementary audit of the financial statements of the SPSEs conducted by the C&AG.

1.4 Overview of Government Accounts' Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

1. Consolidated Fund of the State (Article 266(1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (e.g., salaries of Constitutional authorities, loan repayments etc.), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditures (Voted expenditure) are voted by the Legislature.

2. Contingency Fund of the State (Article 267(2) of the Constitution of India)

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

3. Public Accounts of the State (Article 266(2) of the Constitution)

Apart from the above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small Savings and

Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue Receipts consists of tax revenue, non-tax revenue, share of Union Taxes/ Duties, and grants from Government of India.

Revenue Expenditure consists of all those expenditures of the government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The **Capital Receipts** consist of:

- **Debt Receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, etc.;
- **Non-debt Receipts:** Proceeds from disinvestment, Recoveries of loans and advances;

Capital Expenditure includes expenditure on the acquisition of land, buildings, machinery, equipment, investment in shares and loans and advances by the government to PSUs and other parties.

At present, we have an accounting classification system in government that is both functional and economic.

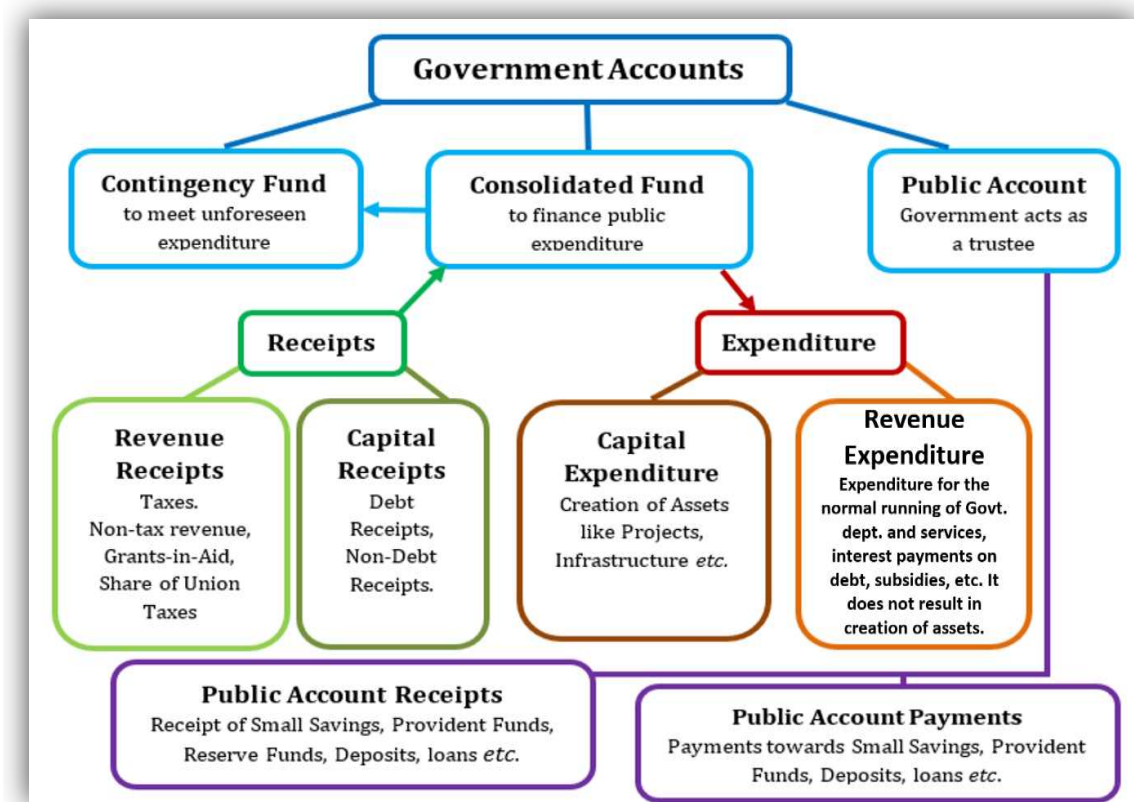
Table 1.2 : Classification of Accounts

	Attribute of transaction	Classification
Standardized in LMMH by CGA	Function- Education, Health, etc. /Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, etc. (2-digit)

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organize these payments as revenue, capital, debt, etc. Economic classification is achieved by the numbering logic

embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, and 4 and 5 for capital expenditure etc. Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, generally “salary” object head is revenue expenditure, “construction” object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

Chart 1.3 : Structure of Government Accounts



Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of Mizoram causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2019-20, in the form of an **Annual Financial Statement**. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

1.4.1 Snapshot of Finances

The following table provides the details of actual financial results vis-a-vis Budget Estimates for the year 2019-20 *vis a vis* actuals of 2018-19.

Table 1.3 : Details of financial results for the year 2019-20

(₹ in crore)

Sl. No.	Components	2018-19 (Actual)	2019-20	2019-20	Percentage of Actuals to B.E.	Percentage of Actuals to GSDP
			(B.E.)	(Actuals)		
1	Tax Revenue	726.70	573.69	730.98	127.42	2.76
2	Non-Tax Revenue	449.96	459.30	522.35	113.73	1.97
3	Share of Union taxes/duties ^(a)	3,502.96	3,885.19	3,017.80	77.67	11.39
4	Grants-in-aid and Contributions	4,359.88	4,928.81	5,387.13	109.30	20.33
5	Revenue Receipts (1+2+3+4)	9,039.50	9,846.99	9,658.26	98.08	36.44
6	Recovery of Loans and Advances	22.16	39.02	26.70	68.43	0.10
7	Other Receipts	NIL	NIL	NIL	NIL	NIL
8	Borrowings and other Liabilities ^(b)	134.22	845.31	1,147.68	135.77	4.33
9	Capital Receipts (6+7+8)	156.38	884.33	1,174.38	132.80	4.43
10	Total Receipts (5+9)	9,195.88	10,731.32	10,832.64	100.94	40.87
11	Revenue Expenditure	7,505.59	8,403.52	9,453.96	112.50	35.67
12	Interest payments	368.68	359.02	343.12	95.57	1.29
13	Capital Expenditure ^(c)	1,868.47	1,914.86	1,372.67	71.69	5.18
14	Capital outlay	1,868.47	1,914.86	1,372.67	71.69	5.18
15	Loan and advances	40.52	101.70	82.64	81.25	0.31
16	Total Expenditure (11+13+15)	9,414.58	10,420.08	10,909.27	104.69	41.16
17	Revenue Surplus (5-11)	1,533.91	1,443.47	204.30	14.15	0.77
18	Fiscal Deficit {(5+6+7)-16}	-352.92	-534.07	-1,224.31	229.24	4.62
19	Primary Deficit (-)/ Surplus (+) (18-12)	15.76	-175.05	-881.19	503.38	3.32

(a) Includes State's share of Union Taxes.

(b) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund

+ Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.

(c) Expenditure on Capital Account includes Capital Expenditure and Loans and Advances disbursed

During 2019-20, realisation of Revenue Receipts (₹ 9,658.26 crore) fell short of the estimates (₹ 9,846.99 crore), which was compensated by the excess realisation of Capital Receipts (₹ 1,174.38 crore) over estimates (₹ 884.33 crore). As a result, actual total receipts managed to surpass budgeted estimates for the year by 0.94 per cent. Revenue Expenditure for the year (₹ 9,453.96 crore) exceeded estimates (₹ 8,403.52 crore) while there was under achievement in Capital Expenditure (₹ 1,372.67 crore) against estimates (₹ 1,914.86 crore). This had the net effect of making Total Expenditure surpass budgeted estimates by 4.63 per cent.

The decrease in Revenue Receipts taken with the increase in Revenue Expenditure meant that only 14.60 per cent (₹ 204.30 crore against estimated ₹ 1443.47 crore) of the estimated Revenue Surplus was achieved for the year. Fiscal Deficit and Primary Deficits for 2019-20, exceeded estimates by 229.24 per cent (₹ -1,224.31 crore against estimated ₹ -534.07 crore) and 503.38 per cent (₹ -881.19 crore against estimated ₹ -175.05 crore) respectively.

With respect to contribution to GSDP, Revenue and Capital Receipts for the year contributed 36.44 *per cent* and 4.43 *per cent* respectively.

1.4.2 Snapshot of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

The following table shows the summarised position of Assets and Liabilities for the Government of Mizoram as on 31 March 2020 *vis-a-vis* 31 March 2019.

Table 1.4 : Summarised position of Assets and Liabilities

(₹ in crore)

As on 31.03.19	Liabilities	As on 31.03.20	As on 31.03.19	Assets	As on 31.03.20
Consolidated Fund of the State					
2,958.10	Internal Debt	3,758.92	14,012.28	Gross Capital Outlay on Fixed Assets	15,384.95
266.17	Loans and Advances from GoI	259.10	247.48	Loans and Advances	303.42
Contingency Fund					
0.10	Contingency Fund	0.10	0.00	Civil Advances	0.00
Public Account					
2,381.02	Small Savings, Provident Funds, etc.	2,187.45	172.62	Remittance Balances	51.86
1,704.74	Deposits	2,247.03	-100.17	Cash Balance	167.89
340.94	Reserve Funds	568.24	334.54	Investment out of Reserve Fund	341.54
862.75	Suspense and Miscellaneous	871.59			
6152.93	Surplus on Government Account	6357.23			
14,666.75		16,249.66	14,666.75		16,249.66

Source: Statement No. 1 of Finance Accounts 2019-20

As it can be seen from the above, during 2019-20, the assets increased by ₹ 1,582.91 crore and the liabilities (excluding surplus on Government Accounts) also increased by ₹ 1,377.95 crore. Further, the growth rate of assets decreased from 12.36 *per cent* in 2018-19 to 10.79 *per cent* in 2019-20, whereas, the growth rate of liabilities excluding surplus on Government Accounts, increased to 16.18 *per cent* in 2019-20 from 0.95 *per cent* in 2018-19.

1.5 Fiscal Balance: Achievement of Deficit and total Debt targets

When a government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture government deficit.

<p>Revenue Deficit/ Surplus (Revenue Expenditure – Revenue Receipts)</p>	<p><i>Refers to the difference between revenue expenditure and revenue receipts.</i></p> <ul style="list-style-type: none"> • When the government incurs a revenue deficit, it implies that the government is dissaving and is using up the savings of the other sectors of the economy to finance a part of its consumption expenditure. • Existence of revenue deficit is a cause of concern as revenue receipts were not able to meet even revenue expenditure. Moreover, part of capital receipts was utilised to meet revenue expenditure, reducing availability of capital resources to that extent for creation of capital assets. • This situation means that the government • have to borrow not only to finance its investment but also its consumption requirements. This leads to a build-up of stock of debt and interest liabilities and forces the government, eventually, to cut expenditure. • If major part of revenue expenditure is committed expenditure (interest liabilities, salaries, pensions), the government reduces productive expenditure or welfare expenditure. This would mean lower growth and adverse welfare implications.
<p>Fiscal Deficit/ Surplus (Total expenditure – (Revenue receipts + Non-debt creating capital receipts))</p>	<p><i>It is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure. FD is reflective of the total borrowing requirements of Government.</i></p> <ul style="list-style-type: none"> • Fiscal deficit is the difference between the government's total expenditure and its total receipts excluding borrowing. • Non-debt creating capital receipts are those receipts, which are not borrowings, and, therefore, do not give rise to debt. Examples are recovery of loans and the proceeds from the sale of PSUs. • The fiscal deficit will have to be financed through borrowing. Thus, it indicates the total borrowing requirements of the government from all sources. <p>Governments usually run fiscal deficits and borrow funds for capital/ assets formation or for creation of economic and social infrastructure, so that assets created through borrowings could pay for themselves by generating an income stream. Thus it is desirable to fully utilise borrowed funds for the creation of capital assets and to use revenue receipts for the repayment of principal and interest.</p>
<p>Primary Deficit/ (Gross fiscal deficit – Net Interest liabilities)</p>	<p><i>Refers to the fiscal deficit minus the interest payments.</i></p> <ul style="list-style-type: none"> • Net interest liabilities consist of interest payments minus interest receipts by the government on net domestic lending. • The borrowing requirement of the government includes interest obligations on accumulated debt. To obtain an estimate of borrowing because of current expenditures exceeding revenues, we need to calculate the primary deficit.

Deficits must be financed by borrowing giving rise to government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which add to the stock of debt. If the government continues to borrow year after year, it leads to the accumulation of debt and the government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

By borrowing, the government transfers the burden of reduced consumption on future generations. This is because it borrows by issuing bonds to the people living at present but may decide to pay off the bonds some twenty years later by raising taxes or reducing expenditure. Also, government borrowing from the people reduces the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a 'burden' on future generations.

However, if government deficits succeed in their goal of raising production, there will be more income and, therefore, more saving. In this case, both government and industry can borrow more. Also, if the government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt could be paid off by the growth in output. The debt should not then be considered burdensome. The growth in debt will have to be judged by the growth of the economy (State GDP) as a whole.

Government deficit can be reduced by an increase in taxes or reduction in expenditure. There has also been an attempt to raise receipts through the sale of shares in PSUs. However, the major thrust has been towards reduction in government expenditure. This could be achieved through making government activities more efficient through better planning of programmes and better administration.

Also, government borrowing from the people reduces the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a 'burden' on future generations

The Central and individual State Governments have passed Fiscal Responsibility and Budget Management Act (FRBM) with the objective of ensuring prudence in fiscal management by eliminating revenue deficits, reducing fiscal deficits and overall/ outstanding debt to acceptable levels, establishing improved debt management and improving transparency in a medium term framework. In this context the Act provides quantitative targets to be adhered by the state with regard to deficit measures and debt level.

The Government of Mizoram enacted the Mizoram Fiscal Responsibility and Budget Management (MZFRBM) Act, 2006 in line with the Union FRBM Act, 2003, to ensure stability and sustainability, improve efficiency and transparency in management of public finances, enhance the availability of resources by achieving sufficient revenue surplus, reduce fiscal deficit and remove impediments to effective conduct of fiscal policy and prudent debt management.

In line with the recommendations of XIII Finance Commission (2010-15), the MZFRBM Act was subsequently amended twice, with the latest amendment being in March 2011.

As per the provisions of the MZFRBM Act, 2006 in addition to the Fiscal Correction Path (FCP), the State Government is required to prepare every year, a Medium Term Fiscal Policy Statement (MTFPS) showing the rolling fiscal targets. However, the MZFRBM Act was not amended in line with the XIV FC recommendation, but in the Fiscal Policy Strategy Statement laid before the Mizoram Legislative Assembly on 13 June 2019 as required under Section 6(6) of the Mizoram Fiscal Responsibility and Budget Management Act, 2006, the fiscal targets set by Fourteenth Finance Commission (XIV FC) have been recognised. The status of achievement vis-à-vis projections set during the period 2015-16 to 2019-20 is given in **Table 1.5**.

Table 1.5 : Compliance with provisions of State FRBM Act/ Projections of XIV FC

Fiscal Parameters	Fiscal Targets	Achievement				
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus (As per FRBM Act)	1105.54 ✓	1167.96 ✓	1699.43 ✓	1533.91 ✓	204.30 ✓
Fiscal Deficit (-) / Surplus (+) (as percentage of GSDP)	Below three per cent (As per FRBM Act)	413.28	251.95	-320.23	-352.92	-1,224.31
		2.73	1.47	1.66	1.59	4.62
		✓	✓	✓	✓	X
Ratio of total outstanding debt to GSDP (in per cent)	As per XIV FC:	42.32	39.12	37.66	32.82	32.74
	2015-16 - 55.85 per cent					
	2016-17 - 52.55 per cent					
	2017-18 - 49.63 per cent	✓	✓	✓	✓	✓
	2018-19 - 47.05 per cent 2019-20 - 44.78 per cent					

State Government was successful in maintaining Revenue Surplus, Fiscal Deficit and debt GSDP ratio as projected in XIV FC Report during the first four years of the award period (2015-20). During 2019-20 Revenue Surplus stood at ₹ 204.30 crore. At the same time, Fiscal Deficit at 4.62 per cent of GSDP was not maintained below the targeted three per cent. The State Government was able to meet the target ratio of total outstanding debt to GSDP and the debt ratio was reduced to 32.74 per cent from the previous year's 32.82 per cent.

Similarly, the Medium Term Fiscal Plan (MTFP) has set forth a five-year rolling target for the prescribed fiscal indicators. **Table 1.6** indicates the variation between the projections made for 2019-20.

Table 1.6 : Actuals vis-à-vis projection in MTFP for 2019-20

(₹ in crore)

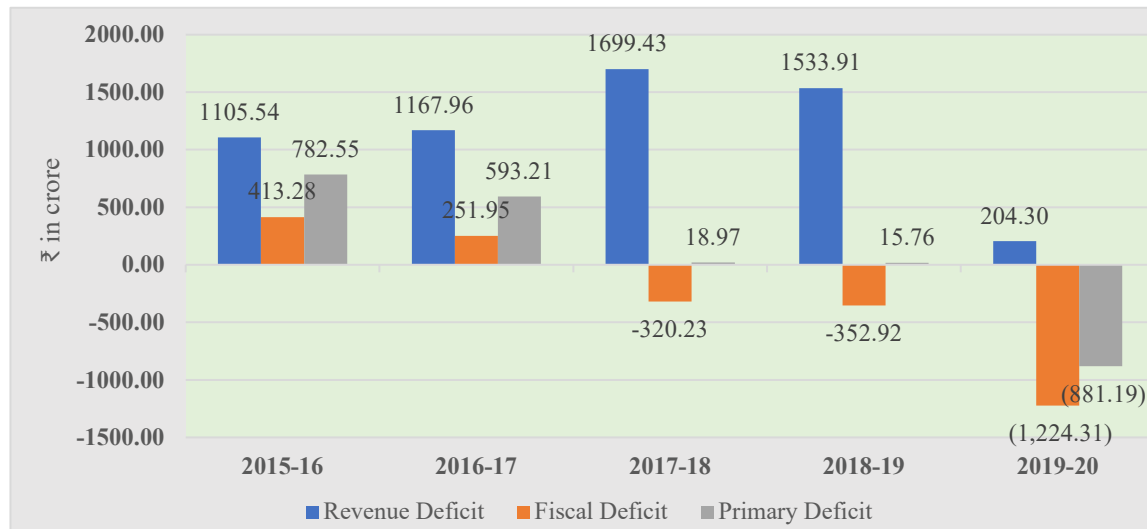
Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals	Variation
			(2019-20)	(in per cent)
1	Own Tax Revenue	573.69	730.98	27.42
2	Non-Tax Revenue	459.3	522.35	13.73
3	Share of Central Taxes	3885.19	3017.8	-22.33
4	Grants -in-aid from GoI	4928.81	5387.13	9.30
5	Revenue Receipts (1+2+3+4)	9846.99	9658.26	-1.92
6	Revenue Expenditure	8403.52	9453.96	12.50
7	Revenue Deficit (-)/ Surplus (+) (5-6)	1443.47	204.30	-85.85
8	Fiscal Deficit (-)/ Surplus (+)	-534.07	-1224.31	129.24
9	Debt-GSDP ratio (per cent)	32.66	32.74	-0.24
10	GSDP growth rate at current prices (per cent)	12.15	18.91	55.64

As can be seen from the above table, the projections made in MTFP relating to two key fiscal parameters *i.e.*, Share of Central Taxes, Revenue Surplus and Fiscal Deficit showed significant downward movement during 2019-20 compared to projections. On the other hand, there was improvement in Own Tax Revenues, Non-Tax Revenues and Grants in Aid from GoI.

Projection relating to Debt-GSDP ratio was not met and the GSDP growth rate exceeded the projections in the MTFP.

The State did not achieve the targets specified by the XIV FC during 2019-20 with regard to the key fiscal parameters, compared to the previous year. It had a fiscal deficit of ₹ -1224.31 crore during the year 2019-20, representing 4.62 per cent of the GSDP. The Primary Surplus of ₹ 15.76 crore during 2018-19 changed into Primary Deficit of ₹ 881.19 crore during the current year and the Revenue surplus of ₹ 1,533.91 crore in 2018-19 reduced to ₹ 204.30 crore during 2019-20. The trend of these deficits over the five-year period from 2015-16 to 2019-20 is depicted in Chart 1.4.

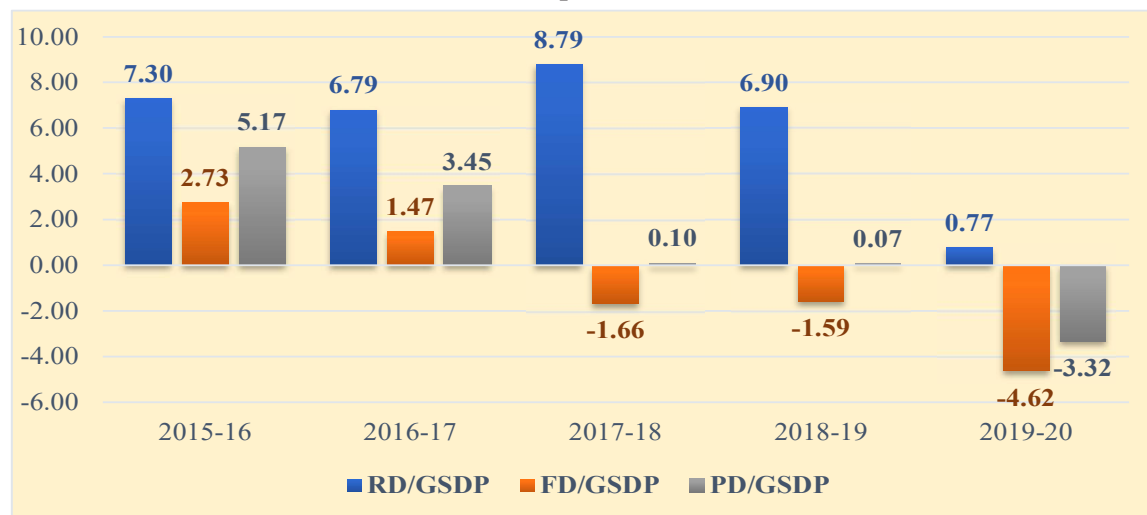
Chart 1.4 : Trends in deficit parameters



Source: Finance Accounts

There was a marked change in movement for the current year as compared to the overall trend of the past four years due mainly to an increase in Revenue Expenditure of ₹ 1,050.44 crore over MTFP projections with a simultaneous reduction in Revenue Receipts of ₹ 188.73 crore below projected values. Chart 1.5 depicts the trends in surplus/deficit relative to GSDP.

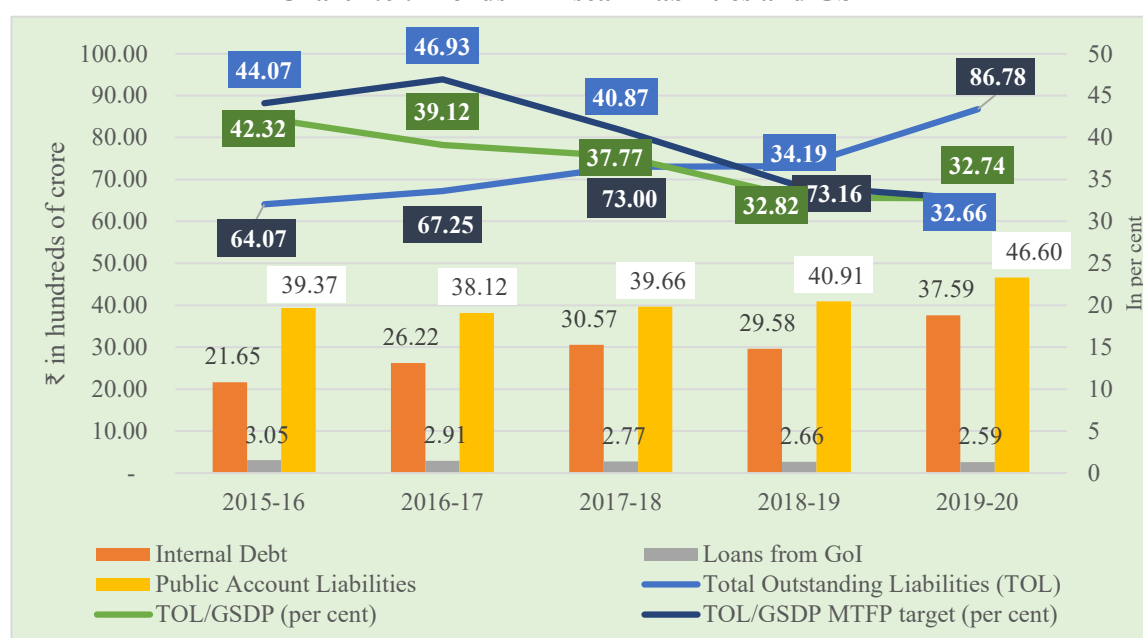
Chart 1.5 : Trends in Surplus/Deficit relative to GSDP



Source: Finance Accounts

Components of fiscal liabilities exhibited upward movement for the current year with increases in Internal Debt (₹ 800.82 crore) and Public Account Liabilities (₹ 568.96 crore) while Loans from GoI decreased by ₹ 7.06 crore. As a result, total outstanding liabilities (TOL) for the year stood at ₹ 8,678.26 crore while the percentage of TOL to GSDP had increased to 32.74 per cent which was 0.08 percentage points above the required target set by the MTFP. **Chart 1.6** depicts the trends in fiscal liabilities relative to GSDP.

Chart 1.6 : Trends in Fiscal Liabilities and GSDP



Source: Finance Accounts

1.6 Deficits and Total Debt after examination in audit

In order to present a better picture of State Finances, there is a tendency to classify revenue expenditure as capital expenditure and to conduct off-budget fiscal operations.

1.6.1 Post audit - Deficits

Misclassification of revenue expenditure as capital and off budget fiscal operations impacts deficit figures. Besides, deferment of clear cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to New Pension Scheme, sinking and redemption funds, etc. also impacts the revenue and fiscal deficit figures. In order to arrive at actual deficit figures, the impact of such irregularities need to be reversed.

The impact on Revenue Surplus and also on Fiscal Deficit of the State Government as per the findings of audit is given in the following table:

Table 1.7 : Impact of misclassification of Revenue Expenditure on Revenue Surplus and Fiscal Deficit

(₹ in crore)

Particulars	Impact on Revenue Surplus		Impact on Fiscal Deficit		Paragraph Reference
	Under-statement	Over-statement	Under-statement	Over-statement	
Short credit of contribution of State Government to the Consolidated Sinking Fund		36.58	36.58		3.(v) b) A (i) of Notes to Accounts
Non-adjustment of interest payment on Interest bearing Reserve Funds		1.61	1.61		3.(v) B. c) of Notes to Accounts
Net Impact		38.19	38.19		

Source: Finance Accounts and audit analysis

As could be seen from the table above, the State Government short contributed ₹ 36.58 crore to the Consolidated Sinking fund and interest on Interest bearing Reserve Funds was not provided for ₹1.61 crore, during the year 2019-20. This led to overstatement of Revenue deficit and understatement of fiscal deficit by ₹ 38.19 crore, during the year 2019-20.

1.7 Conclusion

The growth rate of GSDP of the State at current prices, during 2015-20 ranged between 12.06 *per cent* (2015-16) to 18.91 *per cent* (2019-20). During 2019-20, the GSDP at current price was ₹ 26,503 crore, up from ₹ 22,287 crore in 2018-19, representing an increase of 18.91 *per cent* which was much higher than that of national growth rate (7.21 *per cent*). During the five-year period from 2015-16 to 2019-20, there has been a significant decrease in the growth rate of the Primary sector in GSDP, declining from 22 *per cent* in 2015-16 to 12.73 *per cent* in 2018-19, but there was a slight increase in 2019-20 (13.06 *per cent*). However, Secondary sector of the GSDP increased, while the Tertiary sector remained more or less constant in growth, while remaining to be the largest contributor to the GSDP.

The State did not achieve the targets specified by the XIV FC during 2019-20 with regard to the key fiscal parameters, compared to the previous year. It had a fiscal deficit of ₹ 1224.31 crore during the year 2019-20, representing 4.62 *per cent* of the GSDP. The Primary Surplus of ₹ 15.76 crore during 2018-19 changed into Primary Deficit of ₹ 881.19 crore during the current year and the Revenue surplus of ₹ 1,533.91 crore in 2018-19 reduced to ₹ 204.30 crore during 2019-20.

After successfully containing the Fiscal Deficit below three *per cent* of GSDP during 2015-19, the State's Fiscal Deficit increased to 4.62 *per cent* of GSDP during 2019-20. Fiscal Deficit increased by ₹ 871.39 crore from ₹ 352.92 crore in 2018-19, witnessing growth of ₹ 246.91 *per cent*. The State Government was able to meet the target ratio of total outstanding debt to GSDP and the debt ratio reduced marginally to 32.74 *per cent* from the previous year's 32.82 *per cent*. Primary deficit stood at 3.32 *per cent* of GSDP (₹ 881.19 crore).

The State Government short contributed ₹ 36.58 crore to the Consolidated Sinking fund and interest of ₹ 1.61 crore on Interest bearing Reserve Funds was not provided during the year. This led to overstatement of Revenue deficit and understatement of fiscal deficit by ₹ 38.19 crore, during the year 2019-20.

1.8 Recommendations

- *The Government may adhere to targets of MFRBM Act set for fiscal deficit.*
- *The Government may explore essential potentials to increase the growth of the Primary sector in its GSDP.*
- *The Government needs to make more efforts to increase its tax and non-tax revenues since there was a reduction in the Revenue Surplus during the year and guard against becoming a revenue deficit State.*

CHAPTER-II
FINANCES OF THE STATE



Chapter 2: Finances of the State

2.1 Introduction

This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the five-year period from 2015-16 to 2019-20, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State. Information was also obtained from the State Government where necessary.

2.2 Major changes in Key fiscal aggregates vis-à-vis 2018-19

Table 2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2019-20, compared to the previous year.

Table 2.1 : Changes in key fiscal aggregates in 2019-20 compared to 2018-19

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State increased by 6.85 per cent ✓ Own Tax receipts of the State increased by 0.59 per cent ✓ Own Non-tax receipts increased by 16.09 per cent ✓ State's Share of Union Taxes and Duties decreased by 13.85 per cent ✓ Grants-in-Aid from Government of India increased by 23.56 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure increased by 25.96 per cent ✓ Revenue expenditure on General Services increased by 17.30 per cent ✓ Revenue expenditure on Social Services increased by 15.62 per cent ✓ Revenue expenditure on Economic Services increased by 54.58 per cent
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure decreased by 26.54 per cent ✓ Capital expenditure on General Services decreased by 4.12 per cent ✓ Capital expenditure on Social Services decreased by 21.10 per cent ✓ Capital expenditure on Economic Services decreased by 32.86 per cent
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances increased by 103.92 per cent ✓ Recoveries of Loans and Advances increased by 20.49 per cent
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 755.07 per cent ✓ Repayment of Public Debt increased by 44.91 per cent
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 17.88 per cent ✓ Disbursement of Public Account increased by 6.80 per cent
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance increased by ₹ 136 crore (81.68 per cent) during 2019-20 compared to previous year

Each of the above indicator is analysed in the succeeding paragraphs.

2.3 Sources and Application of Funds

Table 2.2 compares the sources and application of funds of the State during 2019-20 with that of 2018-19 in figures, while **Chart 2.1** gives the details of receipts into and expenditure from the Consolidated Fund during 2019-20 in terms of percentages.

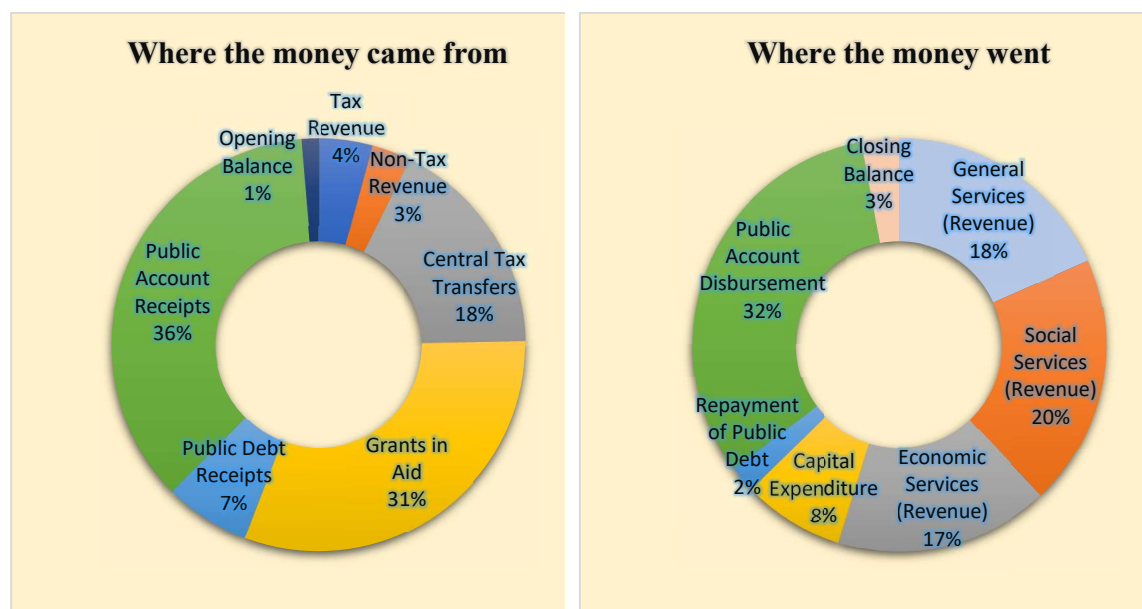
Table 2.2 : Details of Sources and Application of funds during 2018-19 and 2019-20

(₹ in crore)

	Particulars	2018-19	2019-20	Increase/ Decrease
Sources	Opening Cash Balance	-61.87	-166.50	-104.63
	Revenue Receipts	9,039.50	9,658.26	618.76
	Recoveries of Loans and Advances	22.16	26.70	4.54
	Public Debt Receipts (Net)	-110.01	793.75	903.76
	Public Account Receipts (Net)	358.31	566.56	208.25
	Total	9,248.09	10,878.77	1,630.68
Application	Revenue Expenditure	7,505.59	9,453.96	1,948.36
	Capital Expenditure	1,868.47	1,372.67	-495.79
	Disbursement of Loans and Advances	40.53	82.64	42.11
	Closing Cash Balance	-166.50	-30.50	136.00
	Total	9,248.09	10,878.77	1,630.68

Source: Finance Accounts

Chart 2.1 : Sources and application of funds



2.4 Resources of the State

Revenue Receipts and Capital Receipts are the two streams of receipts that constitute the resources of the State Government. Besides these, the funds available in the Public Account after disbursements are also utilised by the Government to finance its deficit.

The resources of the State are described in greater detail below:

- 1. Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).

2. **Capital receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Both revenue and capital receipts form part of the Consolidated Fund of the State.

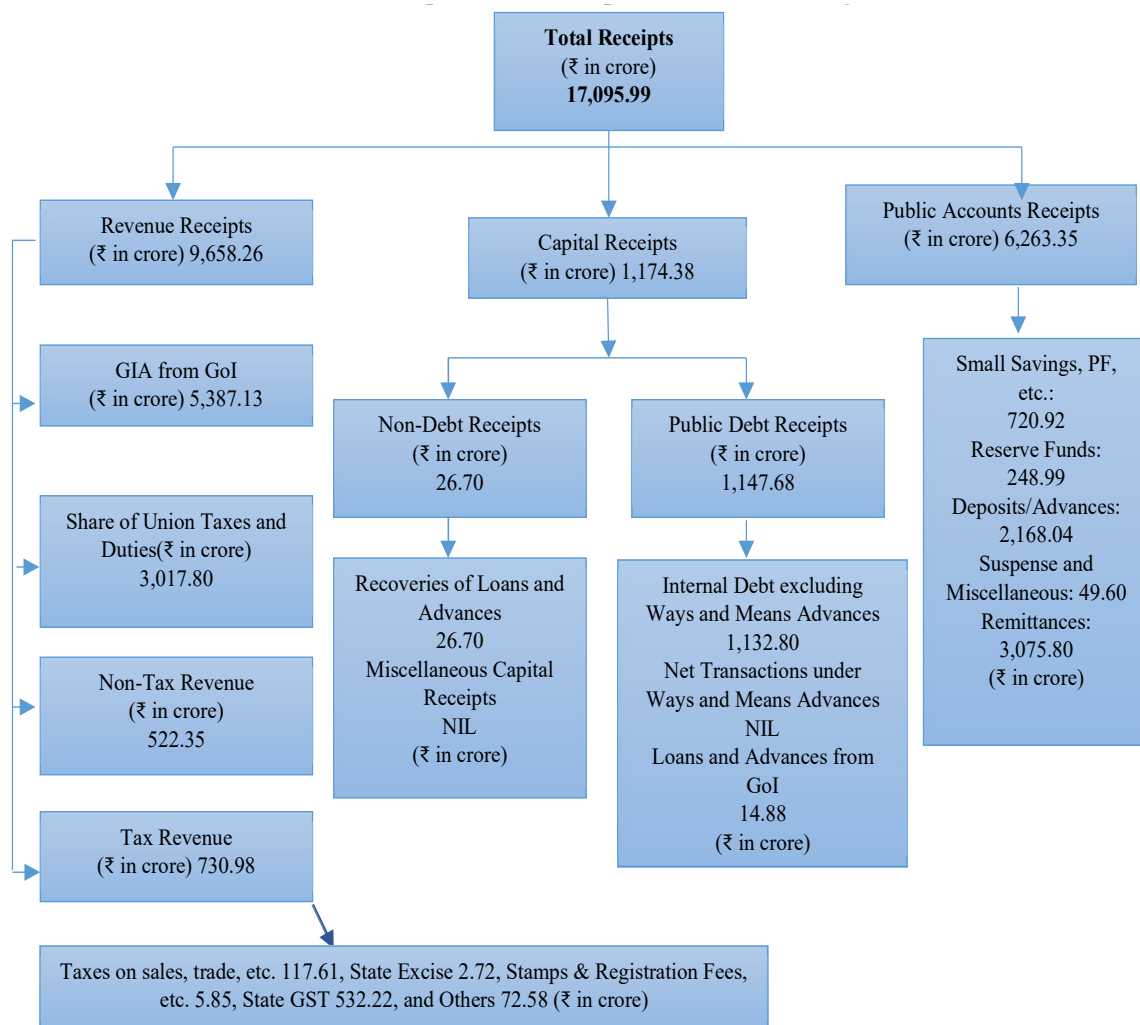
3. **Net Public Account receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

2.5 Receipts of the State

This paragraph provides the composition of the overall receipts. The composition of receipts of the Government of Mizoram during 2019-20 is given in **Chart 2.2**.

Chart 2.2 : Composition of receipts of the State during 2019-20



2.5.1 State's Revenue Receipts

This paragraph outlines the trends in total revenue receipts and its components earned by the Government of Mizoram for the year 2019-20. Trends in the receipts - bifurcated into receipts from the Central Government and State's own receipts, are also analysed.

2.5.1.1 Trends and growth of Revenue Receipts

Table 2.3 provides the trends and growth of Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2015-20. Further, trends in Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in **Charts 2.3** and **2.4** respectively.

Table 2.3 : Trend in Revenue Receipts

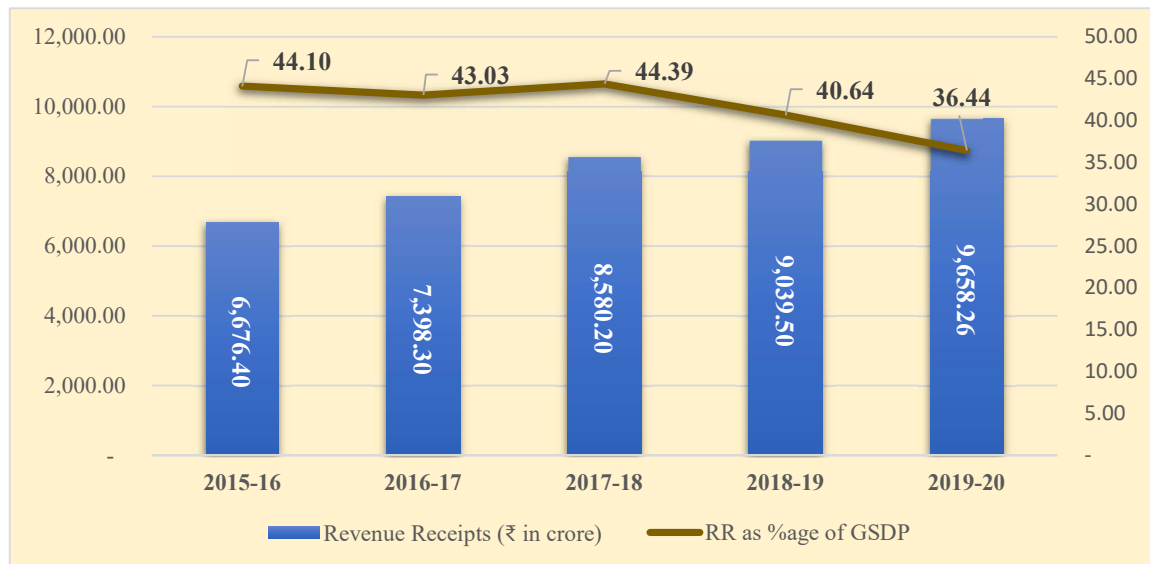
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	6,676.40	7,398.30	8,580.20	9,039.50	9,658.26
Rate of growth of RR (<i>per cent</i>)	21.14	10.81	15.98	5.35	6.85
Own Tax Revenue	358.41	441.81	545.91	726.70	730.98
Non-Tax Revenue	297.63	365.22	390.65	449.96	522.35
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>)	29.02	23.02	16.05	25.64	6.52
Gross State Domestic Product (₹ in crore) (2011-12 Series)	15,139	17,192	19,385	22,287	26,503
Rate of growth of GSDP (<i>per cent</i>)	12.06	13.56	12.76	14.97	18.91
RR/GSDP (<i>per cent</i>)	44.10	43.03	44.26	40.56	36.44
Buoyancy Ratios²					
Revenue Buoyancy w.r.t GSDP	1.75	0.80	1.25	0.36	0.36
State's Own Revenue Buoyancy w.r.t GSDP	2.41	1.70	1.26	1.71	0.34

Source: Finance Accounts and Directorate of Economics and Statistics

Revenue Receipts increased by 44.66 *per cent* from ₹ 6,676.40 crore in 2015-16 to ₹ 9,658.26 crore in 2019-20 at an annual average growth rate of 12.05 *per cent*. During 2019-20, Revenue Receipts increased by ₹ 618.76 crore (6.85 *per cent*) over the previous year. **Chart 2.3** shows that Revenue Receipts have steadily increased during the period 2015-20. However, their contribution to GSDP decreased during the same period. There was wide fluctuation in State's own revenue buoyancy, due to factors such as Finance Commission Award (XIV FC impact on 2015-16) and implementation of GST (in 2017-18), impacted the actual receipts in different components of revenue.

² Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 0.36 implies that Revenue Receipts tend to increase by 0.36 percentage points, if the GSDP increases by one *per cent*.

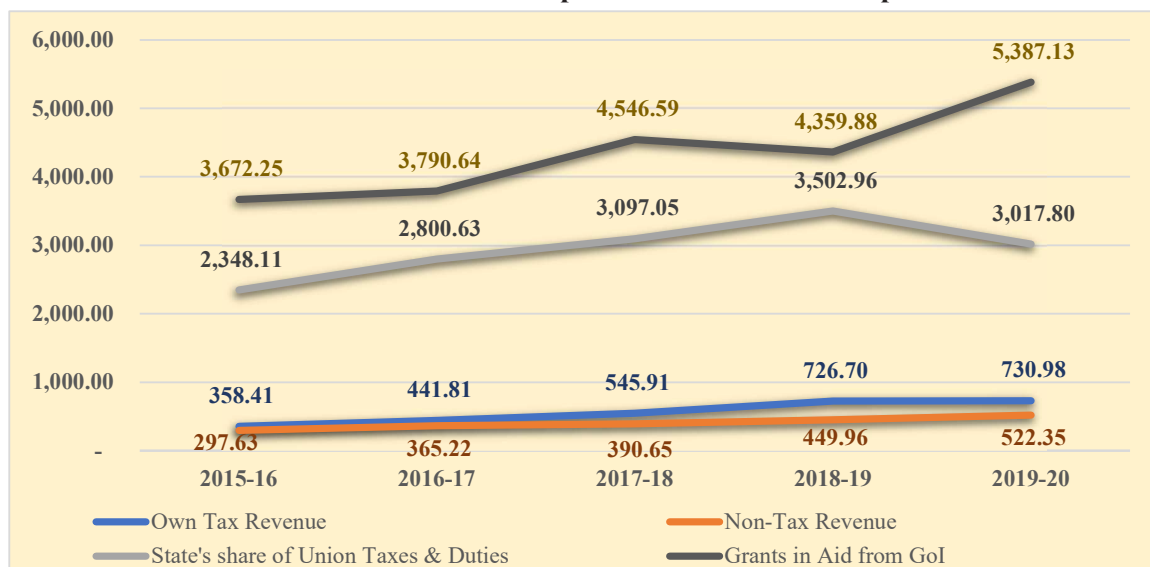
Chart 2.3 : Trend of Revenue Receipts



Source: Finance Accounts

About 55.78 per cent of the Revenue Receipts during 2019-20 came from the Grants in Aid from the GoI while Central Tax Transfers contributed 31.25 per cent. State's own sources of revenue made up just 12.98 per cent of the total Revenue Receipts of the State. This is indicative of the fact that Mizoram's fiscal position is largely dependent on Central Tax Transfers and Grants-in-Aid from GoI. **Chart 2.4** shows the trend of components of Revenue Receipts.

Chart 2.4 : Trend of components of Revenue Receipts



Source: Finance Accounts

2.5.1.2 State's Own Resources

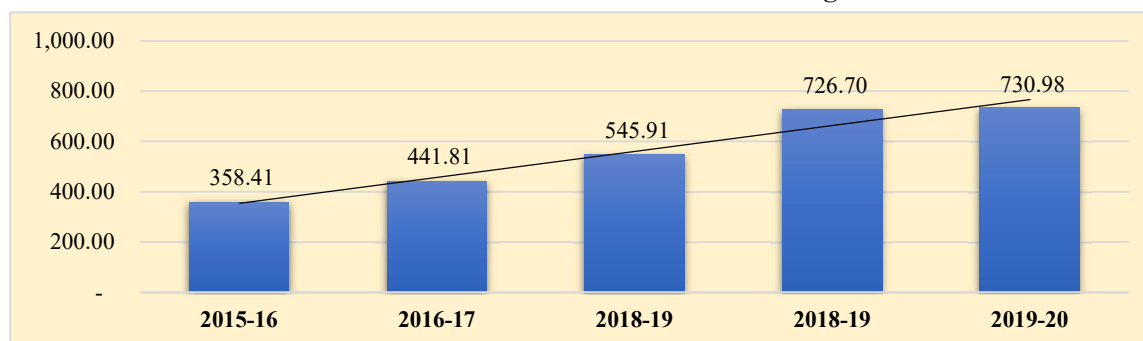
The State's share in Central taxes is determined on the basis of recommendations of the Finance Commission; share of Grants-in-Aid is determined by the quantum of collection of Central taxes and anticipated Central assistance for schemes, etc. State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The gross collections in respect

of major Tax and Non-Tax Revenues and their relative share in GSDP during 2015-20 are given in **Appendix II**.

(i) Own Tax revenue

Own tax revenues of the State consist of State GST (SGST), State excise, taxes on vehicles, Stamp duty and Registration fees, Land revenue, taxes on goods and passengers, etc. The details of Own Tax Revenue of the State during the five-year period 2015-20 is given in **Chart 2.5**.

Chart 2.5 : Growth of Own Tax Revenues during 2015-20



Source: Finance Accounts

The component-wise details of Own Tax Revenue collected during the years 2015-20 are presented in **Table 2.4**.

Table 2.4 : Components of State's own tax revenue

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Sales Tax	247.04	307.81	242.85	135.93	117.61	
SGST	Nil	Nil	169.76	454.73	532.22	
State Excise	60.6	72.26	65.83	65.34	2.72	
Taxes on Vehicles	19.44	25.75	31.58	38.36	40.66	
Stamp Duty and Registration Fees	3.57	3.26	3.2	4.43	5.85	
Land Revenue	8.88	8.58	8.29	8.64	9.05	
Taxes on Goods and Passengers	2.71	7.9	7.83	4.71	7.44	
Other Taxes	16.17	16.25	16.57	14.56	15.43	
Total	358.41	441.81	545.91	726.7	730.98	

Source: Finance Accounts

Own Tax Revenues of the State increased by ₹ 372.57 crore from ₹ 358.41 crore in 2015-16 to ₹ 730.98 crore in 2019-20 at an annual average rate of 23 per cent. During the current year, major contributors of Tax Revenue were SGST (72.81 per cent), Taxes on Sales, Trades etc., (16.09 per cent) and Taxes on Vehicles (5.56 per cent). State's Own Tax Revenue of ₹ 730.98 crore as percentage of GSDP at 2.76 per cent was lower than that of the previous year's which was 3.27 per cent.

➤ State Goods and Services Tax (SGST)

Twelve years after the implementation of Value Added Tax (VAT) in 2005, the Union Government rolled out the Goods and Services Tax (GST) on July 01, 2017. The Mizoram Goods and Services Tax (GST) Act, 2017 received the assent of the Governor on 26 May, 2017 and came into effect from 22 June, 2017.

As per the GST (Compensation to States) Act, 2017, States are to be compensated for the shortfall in revenue arising on account of implementation of the Goods and Services Tax considering an annual growth of 14 *per cent* from the base year, for a period of 5 years. The centre levies the Integrated GST (IGST) on inter-state supply of goods and services, and apportions the state's share of tax to the State where the goods or services are consumed. In the three years during which the GST Act has been in effect, revenue collected by the Government of Mizoram through SGST has risen by 213.51 *per cent* from ₹ 169.76 crore in 2017-18 to ₹ 532.22 crore in 2019-20.

In accordance with Section 6 of GST (Compensation to States) Act, 2017, the projected revenue of Mizoram for the year 2019-20 was fixed at ₹ 321.05 crore. Since the GST receipts in 2019-20 exceeded the projected revenue by ₹ 211.17 crore, the State did not receive compensation during 2019-20.

➤ Analysis of arrears of revenue and arrears of assessment

The arrears of revenue as on 31 March 2020 on some principal heads of revenue amounted to ₹ 3.73 crore out of which, ₹ 0.83 crore was outstanding for more than five years, as detailed in **Table 2.5**.

Table 2.5 : Arrears of Revenue as on 31 March 2020

(₹ in crore)

Sl. No.	Head of Revenue	Total amount outstanding as on 31 March 2020	Total amount outstanding for more than 5 years as on 31 March 2020
1	Taxes/VAT on sales, Trades, etc.	2.94	0.72
2	Taxes on Professions, Trades, Callings and Employment, etc.	0.41	0.11
3	Taxes on Entertainment	0.38	0
Total		3.73	0.83

Source: Information furnished by the Taxation Department

The details of cases pending at the beginning of the year, cases due for assessment, cases disposed of during the year and number of cases pending finalisation at the end of the year as furnished by the Taxation Department in respect of Sales Tax, Motor Spirit Tax, Luxury Tax and Tax on Works Contracts are shown in **Table 2.6**. From the table it may be seen that out of 2,757 assessments due, the disposal was 269 (9.76 *per cent*) leaving 2,488 cases yet to be disposed of at the end of 2019-20.

Table 2.6 : Arrears in assessment as on 31 March 2020(*₹ in crore*)

Sl. No.	Head of Revenue	Opening balance as on 01 April 2019	New cases due for assessment during 2019-20	Total assessments due	Cases disposed of during 2019-20	Closing balance as on 31 March 2020	Percentage of disposal
1	Taxes/VAT on sales, Trades, etc.	2,561	105	2,666	178	2,488	6.68
2	Taxes on Professions, Trades, Callings and Employment, etc.	0	91	91	91	0	100.00
3	Taxes on Entertainment	0	0	0	0	0	NA
Total		2,561	196	2,757	269	2,488	9.76

Source: Information furnished by the Taxation Department

➤ **Details of evasion of tax detected by Department, refund cases, etc.**

The details of cases of tax evasion detected by the Taxation Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 2.7**.

Table 2.7 : Evasion of Tax Detected

Sl. No.	Head of revenue	Cases pending as on 31st March 2019	Cases detected during 2019-20	Total	No. of cases in which assessment / investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalization as on 31st March 2020
					No. of cases	Amount of demand (₹ in crore)	
1	Taxes/VAT on sales, Trades, etc.	409	105	514	123	5.9	391
2	Taxes on Professions, Trades, Callings and Employment, etc.	0	0	0	0	0	0
3	Taxes on Entertainment	0	2	2	0	0	2
Total		409	107	516	123	5.90	393

Source: Information furnished by the Taxation Department

The details of refund cases detected by the Taxation Department and the associated amounts as reported by the Department are given in **Table 2.8**.

Table 2.8 : Details of refund cases(*₹ in crore*)

Sl. No.	Particulars	Tax/Duty	
		No. of cases	Amount
1	Claims outstanding at the beginning of the year	20	0.03
2	Claims received during the year	13	0.48
3	Refunds made during the year	13	0.48
4	Balance outstanding at the end of the year	20	0.03

Source: Information furnished by the Taxation Department

(ii) Non Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. The component-wise details of Non-Tax Revenue collected during the years 2015 - 20 were as shown in **Table 2.9**.

Table 2.9 : Components of State's non-tax revenue

(₹ in crore)

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
General Services	26.00	26.77	32.13	19.27	27.61	
Social Services	42.55	43.66	46.83	50.75	54.91	
Economic Services	198.36	246.44	260.55	322.26	404.94	
Interest Receipts, Dividends and Profits	30.73	48.35	51.14	57.68	32.84	
Other Fiscal Services	Nil	Nil	Nil	Nil	Nil	
Total	297.64	365.22	390.65	449.96	522.35	

Source: Finance Accounts

Non-Tax Revenue which ranged between 4.46 and 5.41 *per cent* of Total Revenue Receipts of the State during the five-year period from 2015-16 to 2019-20, increased significantly from ₹ 297.64 crore during 2015-16 to ₹ 522.35 crore in 2019-20. The major contributor to Non-Tax Revenues during 2015-20 was revenue received under Economic Services which at ₹ 404.94 crore contributed 77.52 *per cent* of the total non-tax receipts during 2019-20 and averaged 69.99 *per cent* over the five year period.

(iii) Transfers from the Centre

The GoI accepted the recommendations of XIV FC to increase the States' share in the divisible pool of taxes from 32 *per cent* to 42 *per cent* with effect from 2015-16 onwards. This significant increase in the State's share altered the composition of central transfers in favour of statutory transfers from discretionary transfers made earlier. It also led to greater predictability and certainty in the quantum of funds being transferred to the State.

The details of Central tax transfers to the State during 2015-20 are given in the following table.

Table 2.10 : Central Tax Transfers during 2015-16 to 2019-20

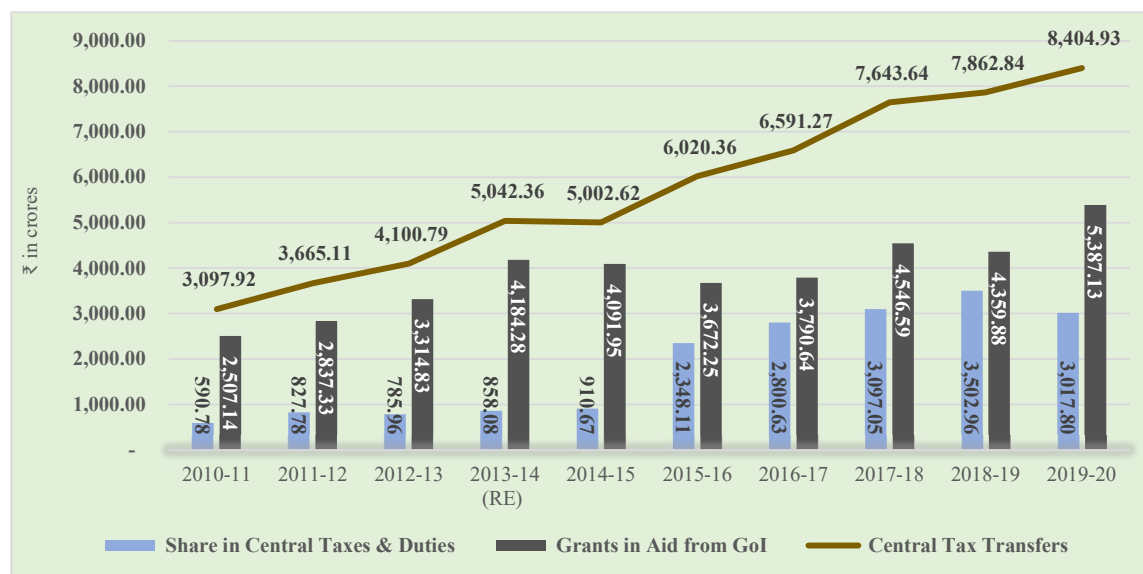
(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Grants in Aid from GoI	3,672.25	3,790.64	4,546.59	4,359.88	5,387.13	
State's share of Union Taxes and duties	2,348.11	2,800.63	3,097.05	3,502.96	3,017.80	
Total Transfers from Center	6,020.36	6,591.27	7,643.64	7,862.84	8,404.93	

Source: Finance Accounts

Chart 2.6 depicts the trend of Central Tax Transfers over the decadal period 2010-20. Over the ten-year period 2010-20, Central tax transfers increased by 171.31 *per cent* from ₹ 3,097.92 crore in 2010-11 to ₹ 8,404.93 crore in 2019-20. During the current year, Central Transfers increased by 6.89 *per cent* from ₹ 7,862.84 crore in 2018-19 to ₹ 8,404.93 crore in 2019-20 and constituted 87.02 *per cent* of the State's total Revenue Receipts.

Chart 2.6 : Trend of Central Tax Transfers during 2010-11 to 2019-20



Source: Finance Accounts

(iv) State's Share in Union Taxes and Duties

As per the XIV FC recommendations, the share of the States in shareable Central Taxes increased from 32 per cent (XIII FC award period) to 42 per cent. The State's share during the XIII FC award period was 0.269 and 0.273 per cent for all shareable taxes and Service Tax respectively, which increased to 0.460 per cent and 0.464 per cent respectively during XIV FC award period (2015-20). Table 2.11 gives the position of State's share in Union Transfers and Duties vis-à-vis the recommendation made by the XIV FC during 2019-20.

Table 2.11 : State's share in Union taxes and duties: Actual devolution vis-à-vis Finance Commission projections

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
2015-16	0.46 per cent of net proceeds of all shareable taxes excluding service tax and 0.464 per cent of net proceeds of sharable service tax (As per recommendations of XIV FC)	2,668.48	2,348.11	-320.37
2016-17		3,079.26	2,800.63	-278.63
2017-18		3,557.96	3,097.05	-460.91
2018-19		4,116.16	3,502.96	-613.20
2019-20		4,219.51	3,017.80	-1,201.71

Source: Reports of the XIVFC, Finance Accounts and AFS.

Table 2.12 shows the component-wise distribution of State's share in Union Taxes and Duties. There was an increase of 28.52 per cent from ₹ 2,348.11 crore in 2015-16 to ₹ 3,017.80 crore in 2019-20. However, the current year saw a decrease of ₹ 485.16 crore (13.85 per cent) vis-a-vis that of the previous year. State's share of Union Taxes and Duties made up 31.25 per cent of Revenue Receipts for the year.

Table 2.12 : State's share in Union Taxes and Duties*(₹ in crore)*

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Central Goods and Services Tax (CGST)	Nil	Nil	44.16	864.63	856.36
Integrated Goods and Services Tax (IGST)	Nil	Nil	312.80	69.00	Nil
Corporation Tax	744.21	899.01	948.82	1,218.27	1,028.94
Taxes on Income other than Corporation Tax	522.28	624.82	801.20	897.21	806.25
Customs	374.23	386.72	312.70	248.31	191.29
Union Excise Duties	306.57	441.60	326.90	165.03	133.00
Service Tax	399.66	446.42	350.50	31.92	Nil
Other Taxes ³	1.16	2.06	-0.03	8.59	1.96
Total	2,348.11	2,800.63	3,097.05	3,502.96	3,017.80
Percentage of increase over previous year	157.84	19.27	10.58	13.11	-13.85
Percentage to Revenue Receipts	35.17	37.86	36.10	38.75	31.25

Source: Finance Accounts

(v) Grants-in-aid from GoI

Grants-in-Aid (GIA) are sums of money (grants) given to the States by the Center over and above the States' share of Union taxes and duties for the fulfilment of specific works, plans and policies. The nature and amount of these grants are fixed mainly on the recommendation of the Finance Commissions. During 2019-20, GIA increased by ₹ 1,027.25 crore (23.56 per cent) from ₹ 4,359.88 crore in 2018-19 to ₹ 5,387.13 crore in 2019-20. There was a substantial change in the pattern of devolution of funds as per the recommendations of the XIV FC due to non-consideration of State specific projects/schemes and reduction in grants under certain sectors viz. health, education, drinking water and sanitation and general administration, etc. as fiscal space was provided to enable the State to meet the additional expenditure according to State's requirement.

GIA received by the State Government from GoI during 2015-20 are detailed in **Table 2.13**.

Table 2.13 : Grants-in-aid from Government of India*(₹ in crore)*

Head ⁴	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants	2,190.37	2,356.38	-	-	-
Grants for State Plan Schemes	824.67	771.41	-	-	-
Grants for Central Plan Schemes	40.22	37.83	-	-	-
Grants for Centrally Sponsored Plan Schemes	520.03	545.87	-	-	-
Grants for Special Plan Schemes	96.96	79.15	-	-	-
Grants for Centrally Sponsored Schemes (CSS)	-	-	1,464.80	1,249.68	2,103.97

³ Includes Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

⁴ Figures missing since the nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

Head ⁴	2015-16	2016-17	2017-18	2018-19	2019-20
Finance Commission Grants	-	-	2,535.51	2,616.67	2,778.73
Other transfers/Grants to States/Union Territories with Legislature	-	-	546.28	493.53	504.43
Total	3,672.25	3,790.64	4,546.59	4,359.88	5,387.13
Percentage of increase/decrease over the previous year	-10.26	3.22	19.94	-4.11	23.56
Percentage of GIA to Revenue Receipts	55.00	51.24	52.99	48.23	55.78

Source: Finance Accounts

➤ Fourteenth Finance Commission Grants

As mentioned in the previous paragraph, XIV FC Grants were provided to the states for local bodies and SDRF. Details of grants provided by the GoI to the State in this regard during the years 2015-19 and 2019-20 are given in **Table 2.14**.

Table 2.14 : Recommended amount, actual release and transfers of Grant-in-aid

(₹ in crore)

Transfers	Recommendation of the XIV-FC			Actual release by GoI			Release by State Government		
	2015-16 to 2018-19	2019-20	Total	2015-16 to 2018-19	2019-20	Total	2015-16 to 2018-19	2019-20	Total
Local Bodies									
(i) Grants to PRIs									
(a) General Basic Grant	0	0	0	0	0	0	0	0	0
(b) General Performance Grants	0	0	0	0	0	0	0	0	0
(ii) Grants to ULBs									
(a) General Basic Grant	67.32	28.85	96.17	61.36	44.87	106.23	56.65	39.52	96.17
(b) General Performance Grants	16.11	7.93	24.04				32.36	5.34	37.7
Total for Local Bodies	83.43	36.78	120.21	61.36	44.87	106.23	89.01	44.86	133.87
State Disaster Response Fund ⁵	74.00	20.00	94.00	66.60	18.00	84.60	47.74	7.31	55.05
Grand Total	157.43	56.78	214.21	127.96	62.87	190.83	136.75	52.17	188.92

Source: XIV-FC Report and Finance Accounts

2.5.2 Capital receipts

Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. The net public debt receipts after discharging of public debt plus other capital receipts, is the net Capital Receipts. Public debt receipts create future repayment obligation and these are then met from Market, Financial Institutions and Central Government.

⁵ Including 10 per cent of State share of SDRF

During the five-year period 2015-20, Capital Receipts grew by 99.42 *per cent* from ₹ 588.91 crore to ₹ 1,174.38 crore mainly due to increased public debt receipts. Recovery of loans and advances showed little change over the same period and grew by only 3.33 *per cent* from ₹ 25.84 crore to ₹ 26.70 crore.

During 2019-20 Public Debt Receipts (₹ 1,147.68 crore) represented 97.73 *per cent* of Capital Receipts (₹ 1,174.38 crore). However, Public Debt Receipts increased by 755.05 *per cent* while recovery of Non-Debt Capital Receipts increased by 20.49 *per cent* compared to the previous year.

Table 2.15 shows the trends in growth and composition of net Capital Receipts.

Table 2.15 : Trends in growth and composition of capital receipts

(₹ in crore)

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts	588.91	777.96	915.78	156.38	1,174.38
Miscellaneous Capital Receipts	-	-	-	-	-
Recovery of Loans and Advances	25.84	22.45	21.64	22.16	26.70
Net Public Debt Receipts	563.07	755.51	894.14	134.22	1,147.68
<i>Internal Debt (excluding Ways and Means Advances and Overdrafts)</i>	<i>296.74</i>	<i>748.67</i>	<i>868.76</i>	<i>122.86</i>	<i>1,132.80</i>
<i>Growth rate (per cent)</i>	<i>-4.68</i>	<i>152.30</i>	<i>16.04</i>	<i>-85.86</i>	<i>822.03</i>
<i>Net transactions under Ways and Means Advances and Overdrafts</i>	<i>262.53</i>	<i>-</i>	<i>17.51</i>	<i>-</i>	<i>-</i>
<i>Growth rate (per cent)</i>	<i>-75.39</i>	<i>-100.00</i>	<i>-</i>	<i>-100.00</i>	<i>-</i>
<i>Loans and advances from GoI</i>	<i>3.80</i>	<i>6.84</i>	<i>7.87</i>	<i>11.36</i>	<i>14.88</i>
<i>Growth rate (per cent)</i>	<i>-22.29</i>	<i>80.00</i>	<i>15.06</i>	<i>44.35</i>	<i>30.99</i>
Rate of growth of debt Capital Receipts	-59.29	34.18	18.35	-84.99	755.07
Rate of growth of non-debt capital receipts (<i>per cent</i>)	-18.31	-13.12	-3.61	2.40	20.49
Rate of growth of GSDP (<i>per cent</i>)	12.06	13.56	12.76	14.97	18.91
Rate of growth of Capital Receipts (<i>per cent</i>)	-58.37	32.10	17.72	-82.92	650.98

Source: Finance Accounts and State Government

From the table it may be seen that the State Government is relying heavily on Public debt receipts to meet budgetary requirements. During 2019-20, the components of Public Debt Receipts comprised of Internal Debt (₹ 1,132.80 crore) and Loans and Advances from GoI (₹ 14.88 crore).

2.5.3 State's performance in mobilization of resources

State's performance in mobilization of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. This indicates the extent to which the State has been successful in fulfilling its potential revenue earning capacity from both taxable and non-taxable sources. The performance of the State would also indicate the degree of accuracy with which the Finance Commission had projected its growth as well as the budgetary astuteness of the state itself in assessing its own revenue earning potential. **Table 2.16** shows the actual earnings of the Government of Mizoram and the achievement with regard to projections of the Finance Commission and State budget estimates.

Table 2.16 : Tax and non-tax receipts vis-à-vis projections

(₹ in crore)

	FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				FC projections	Budget estimates
Own Tax revenue	829.00	573.69	730.98	-11.82	27.42
Non-Tax revenue	171.00	459.30	522.35	205.47	13.73
Total	1,000.00	1,032.99	1,253.33	25.33	21.33

It may be seen from the table that although actual Own Tax Revenue for the year failed to meet FC projections by 11.82 *per cent* it did surpass budget estimates by 27.42 *per cent*. Further, Non-Tax revenue exceeded both FC projections and Budget estimates by 205.47 *per cent* and 13.73 *per cent* respectively. This meant that the actual total receipts surpassed both Finance Commission and budgetary projections by 25.33 *per cent* and 21.33 *per cent* respectively.

2.6 Application of resources

Analysis of expenditure at the State Government level assumes significance, since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary controls in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the on-going fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially expenditure directed towards development of social and economic sectors. This paragraph along with sub-paragraphs gives the analysis of allocation of expenditure in the State.

2.6.1 Growth and composition of expenditure

Capital Expenditure: All charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also the charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be classified as Capital expenditure.

Revenue Expenditure: Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses shall be classified as revenue expenditure

Statement 15 of Finance Accounts depicts the detailed Revenue Expenditure and **Statement 16** depicts Capital Expenditure. States raise resources to perform their sovereign functions to maintain their existing level of delivery of Social and Economic Services, to extend the network of these services through Capital Expenditure and investments and to discharge their debt service obligations.

Table 2.17 depicts the Revenue and Capital Expenditure of the State for the five year period from 2015-20.

Table 2.17 : Total expenditure and its composition(*₹ in crore*)

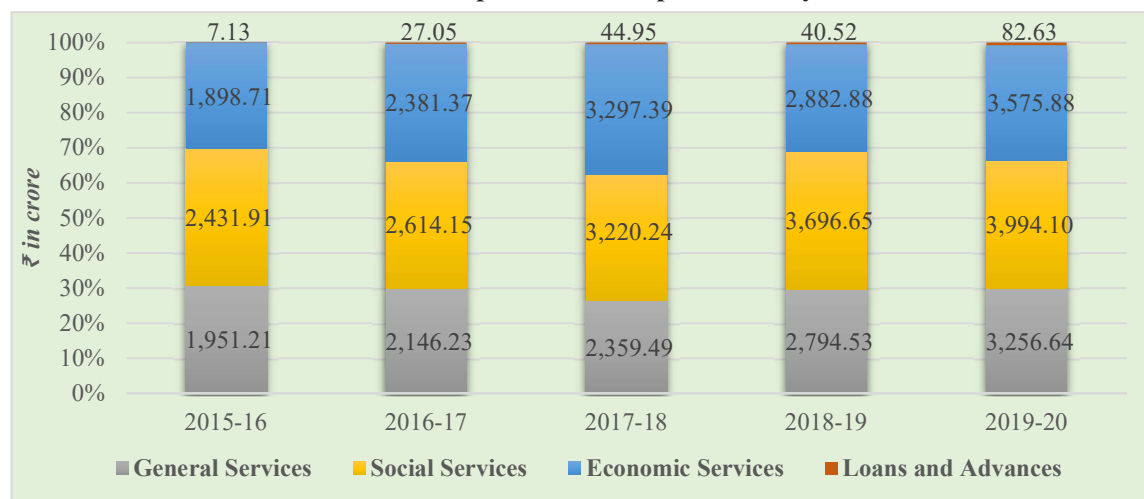
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	6,288.96	7,168.80	8,922.07	9,414.58	10,909.26
Revenue Expenditure (RE)	5,570.86	6,230.34	6,880.77	7,505.59	9,453.96
Capital Expenditure (CE)	710.97	911.41	1,996.35	1,868.47	1,372.67
Loans and Advances	7.13	27.05	44.95	40.52	82.63
As a percentage of GSDP					
TE/GSDP	41.54	41.70	46.03	42.24	41.16
RE/GSDP	6.80	36.24	35.50	33.68	35.67
CE/GSDP	4.70	5.30	10.30	8.38	5.18
Loans and Advances/GSDP	0.05	0.16	0.23	0.18	0.31

Source: Finance Accounts and Government of Mizoram

Total Expenditure increased by ₹ 1,494.67 crore (15.88 per cent) in 2019-20 over 2018-19. This was due to increase in both Revenue Expenditure by ₹ 1,948.36 crore (25.87 per cent) and disbursement of Loans and Advances by ₹ 42.11 crore (103.92 per cent) which was offset by a decrease in Capital Expenditure by ₹ 495.80 crore (26.54 per cent). As a percentage of GSDP, the Total Expenditure increased from 23.73 per cent to 41.16 per cent of GSDP during the five year period from 2015 to 2020.

In the context of State Finances, the quality of expenditure has always been an important issue. Revenue Expenditure, which is in the nature of current consumption, accounted for 86.66 per cent of the State's aggregate expenditure, whereas Capital Expenditure, which is in the nature of asset creation, was 12.58 per cent in 2019-20. Revenue Expenditure was within the range of 77.12 to 88.58 per cent while Capital Expenditure was between 12.58 to 29.01 per cent.

Chart 2.7 presents the share of different components of Total Expenditure as per activity during the five year period from 2015 to 2020.

Chart 2.7 : Total expenditure - Expenditure by activities

Source: Finance Accounts

Expenditure on General Services increased by ₹ 462.11 crore (16.54 per cent) from ₹ 2,794.53 crore in 2018-19 to ₹ 3,256.64 crore in 2019-20, Social Services expenditure increased by ₹ 297.45 crore (8.05 per cent) from ₹ 3,696.65 crore in 2018-19 to ₹ 3994.10 crore in 2019-20 and expenditure on Economic Services increased by ₹ 693 crore (24.04 per cent) from ₹ 2,882.88 crore in 2018-19 to ₹ 3,575.88 crore in 2019-20. Disbursement of Loans and Advances doubled from ₹ 40.52 crore in 2018-19 to ₹ 82.63 crore in 2019-20.

2.6.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations. As such, it does not result in any addition to the State's infrastructure and service network.

Revenue Expenditure formed on an average 83.80 per cent (ranging from 77.12 per cent in 2017-18 to 88.58 per cent in 2015-16) of the total expenditure during the period 2015-20. Rate of growth of Revenue Expenditure has displayed wide fluctuations during the five-year period 2015-20. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy vis-à-vis GSDP and Revenue Receipts are indicated in **Table 2.18** and the sectoral distribution of Revenue Expenditure pertaining to 2019-20 is given in **Chart 2.8**.

Table 2.18 : Revenue Expenditure – Basic Parameters

(₹ in crore)

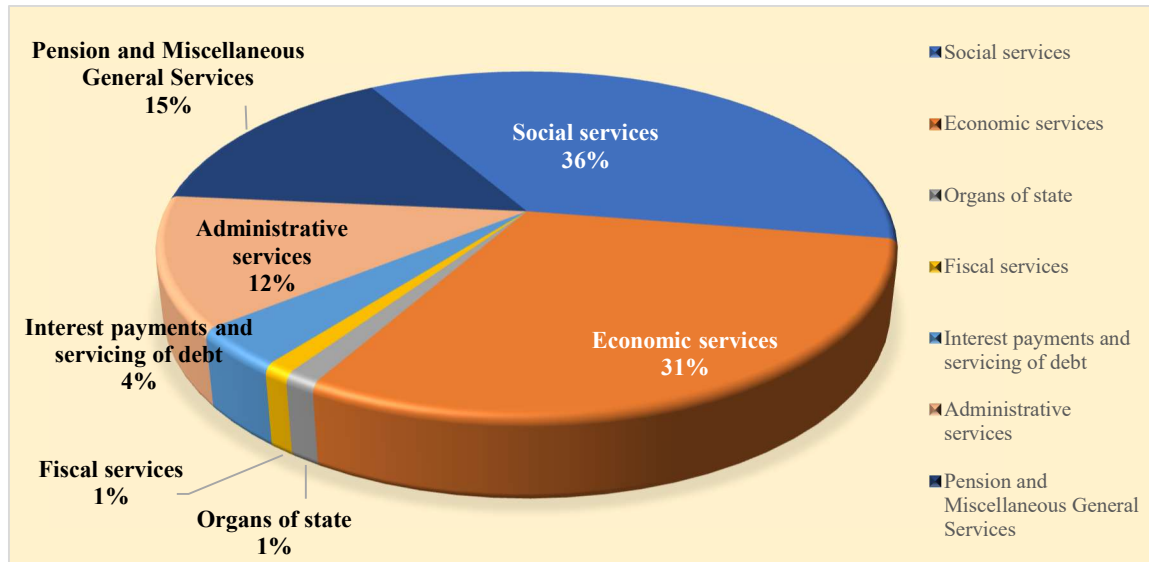
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	6,288.96	7,168.80	8,922.07	9,414.58	10,909.26
Revenue Expenditure (RE)	5,570.86	6,230.34	6,880.77	7,505.59	9,453.96
Rate of Growth of RE (per cent)	-1.44	11.84	10.44	9.08	25.96
Revenue Expenditure as percentage of TE	88.58	86.91	77.12	79.72	86.66
RE/GSDP (per cent)	36.80	36.24	35.50	33.68	35.67
RE as percentage of RR	83.44	84.21	80.19	83.03	97.88
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	-0.12	0.87	0.82	0.61	1.37
Revenue Receipts (ratio)	-0.07	1.09	0.65	1.70	3.79

Source: Finance Accounts of respective years

Revenue Expenditure as a percentage of GSDP increased from 33.68 per cent in 2018-19 to 35.67 per cent in 2019-20. It also witnessed a year on year growth of 25.96 per cent (₹ 1,948.36 crore) over the previous year as a result of which Revenue Expenditure amounted to 97.88 per cent of Revenue Receipts for the year. Revenue Expenditure was higher by ₹ 1,050.44 crore vis-à-vis the assessment made in Medium Term Fiscal Plan (MTFP) (₹ 8,403.52 crore).

Revenue Expenditure grew faster than GSDP for the first time in five years at a Buoyancy Ratio of 1.37 and also showed a proportionate increase in growth when compared to Revenue Receipts with a Buoyancy Ratio of 3.79.

Chart 2.8 : Sector-wise distribution of revenue expenditure



2.6.2.1 Major changes in Revenue Expenditure

Table 2.19 details significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year vis-à-vis the previous year.

Table 2.19 : Variation in Revenue Expenditure during 2019-20 compared to 2018-19

(₹ in crore)

Major Heads of Account	2018-19	2019-20	Increase (+)/ Decrease (-)
3054 - Roads and Bridges	264.52	983.75	719.23
2071 - Pensions and other retirement benefits	970.37	1,432.50	462.13
2202 - General Education	1,348.54	1,558.24	209.70
2801 - Power	583.04	738.64	155.60
2015 - Election	79.11	31.60	-47.51
2048 - Appropriation for reduction or avoidance of debt	43.00	7.00	-36.00
2070 - Other administrative services	133.55	106.53	-27.02
2049 - Interest payments	368.68	343.12	-25.56

The table above shows only eight largest positive and negative outliers in variation of expenditure over the previous year. It may be seen that major variation in Revenue Expenditure for the year occurred mainly due to increased expenditure of ₹ 1,547.66 crore under the heads 'Roads and Bridges', 'Pensions and other retirement benefits', 'General Education' and 'Power'. This was offset by decreased expenditure of ₹ 136.09 crore under the heads 'Election', 'Appropriation for reduction or avoidance of debt', 'Other administrative services' and 'Interest payments'.

2.6.2.2 Committed expenditure

Committed Expenditure of Government on revenue account consists mainly of expenditure on salaries and wages, interest payments and pensions. Although the FRBM Act of the State prescribes that there should be a Revenue Surplus, it is challenging to achieve it, given that a large proportion of Revenue Expenditure goes into committed expenditure on items like salaries and wages, interest payments and pensions. An upward trend in

committed expenditure leaves the Government with lesser flexibility for the development sector.

Table 2.20 presents the trends in the components of committed expenditure during 2015-20. The table also gives specific details of the percentage of various components to total Revenue Receipts as well as the percentage of the same to total Revenue Expenditure over the same period. As may be seen from the table, Committed Expenditure varied between 41.70 to 51.64 *per cent* of Revenue Receipts and 52 to 57.21 *per cent* of Revenue Expenditure with a commensurate yearly variation in development funds.

Table 2.20 : Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries & Wages	2,201.39	2,323.02	2,400.82	2,739.45	3,211.44
Expenditure on Pensions	616.30	761.40	837.78	970.37	1,432.50
Interest Payments	369.27	341.26	339.20	368.68	343.12
Total	3,186.96	3,425.68	3,577.80	4,078.50	4,987.06
As a <i>percentage</i> of Revenue Receipts					
Salaries & Wages	32.97	31.40	27.98	30.31	33.25
Expenditure on Pensions	9.23	10.29	9.76	10.73	14.83
Interest Payments	5.53	4.61	3.95	4.08	3.55
Total	47.73	46.30	41.70	45.12	51.64
As a <i>percentage</i> of Revenue Expenditure					
Salaries & Wages	39.52	37.29	34.89	36.50	33.97
Expenditure on Pensions	11.06	12.22	12.18	12.93	15.15
Interest Payments	6.63	5.48	4.93	4.91	3.63
Total	57.21	54.98	52.00	54.34	52.75

Source: Finance Accounts

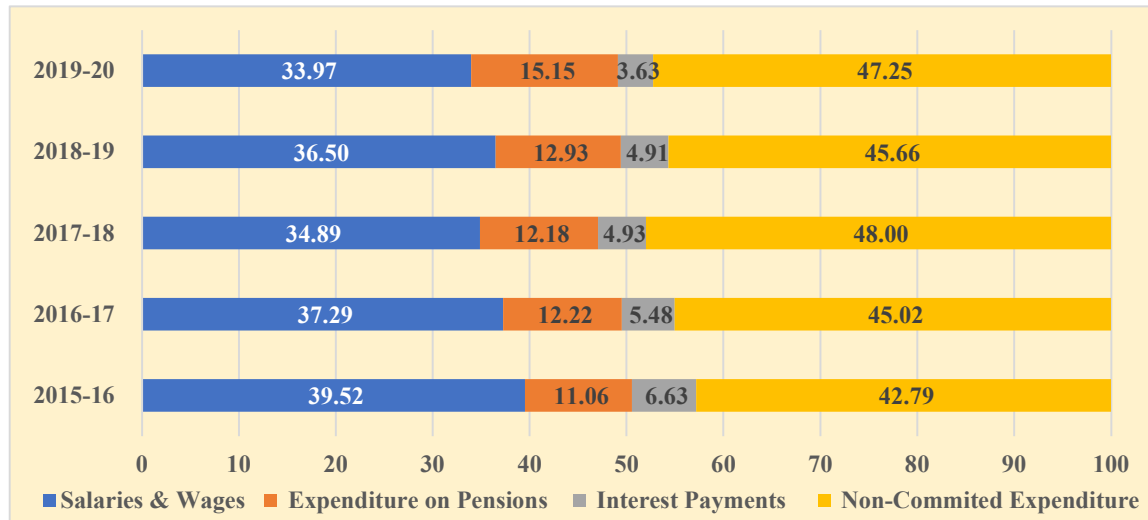
Salaries and Wages (₹ 3,211.44 crore) accounted for almost one third of the Revenue Receipts (₹ 9,658.26 crore) as well as Revenue Expenditure (₹ 9,453.96 crore) during 2019-20 and increased from ₹ 2,201.39 crore during 2015-16 to ₹ 3,211.44 crore in 2019-20. The expenditure on Salaries and Wages increased by 17.23 *per cent* over the previous year.

Interest Payments in 2019-20 decreased by 7.08 and 6.93 *per cent* compared to 2015-16 and 2018-19 respectively. This was primarily due to decrease in interest on Internal Debt by ₹ 25.01 crore and interest on loans and advances from Central Government by ₹ 1.55 crore.

The expenditure on Pension Payments increased by 132.44 *per cent* from ₹ 616.30 crore in 2015-16 to ₹ 1,432.50 crore in 2019-20. During 2019-20, Pension Payments increased by ₹ 462.13 crore (47.62 *per cent*) over the previous year due to increase in the number of State and Family Pensioners by 3,622 and 4,554 respectively. Expenditure on Pension Payments accounted for approximately 14.83 *per cent* of Revenue Receipts and 15.15 *per cent* of Revenue Expenditure for the year.

Chart 2.9 depicts the yearly variation of Committed and Non - Committed Expenditure.

Chart 2.9 : Share of Committed expenditure in total Revenue Expenditure



2.6.2.3 Undischarged liabilities in National Pension System

The State Government had introduced ‘The New Defined Contribution Pension Scheme’ (NPS) on 01 September 2010 which covered State Government employees recruited on or after 01 September 2010. In terms of NPS, an employee contributes 10 *per cent* of monthly salary and Dearness Allowance and the State Government contributes a matching amount. The State Government adopted NPS architecture designed by the Pension Fund Regulatory Development Authority (PFRDA) and appointed the National Securities Depository Limited (NSDL) as the Central Record Keeping Agency (CRA). Bank of India is the Trustee Bank in charge of operation of Pension Funds. Accordingly, the entire amount is transferred to NSDL/Trustee Bank.

During 2019-20, the Government of Mizoram collected ₹ 32.79 crore being employees’ contribution and ₹ 32.86 crore employers’ contribution (₹ 32.79 crore being Government matching share for 2019-20 plus ₹ 0.07 crore previous years’ Government matching share). The Total amount transferred to NSDL was ₹ 65.72 crore, thereby leaving zero balance outstanding for the year 2019-20.

2.6.2.4 Subsidies

To encourage production and consumption in specific industries, Government provides subsidies to various departments. These include subsidies for food grains, water tariffs, electricity tariffs, etc. Expenditure on account of subsidies is used to fill the gap between the income and expenditure incurred for procurement of goods/services. The total subsidy provided by the State Government during 2019-20 was ₹ 21.76 crore, the entire amount being spent on subsidisation of Crop Husbandry. Although the State Government took active steps to minimise the expenditure on subsidies while giving due consideration to the welfare of the people the expenditure on subsidies increased in 2019-20 by almost five times from ₹ 4.91 crore in 2015-16. There was also an increase of 75.06 *per cent* in expenditure on subsidies from 2018-19 (₹ 12.43 crore). The details of expenditure on subsidies by the Government and its relation to both Revenue Receipts and Revenue Expenditure is given in **Table 2.21**.

Table 2.21 : Expenditure on subsidies during 2015-20

	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	4.91	2.17	13.00	12.43	21.76
Subsidies as a percentage of Revenue Receipts	0.07	0.03	0.15	0.14	0.23
Subsidies as a percentage of Revenue Expenditure	0.09	0.03	0.19	0.17	0.23

As may be seen from the table, expenditure on subsidies made up less than one *per cent* of both Revenue Receipts and Expenditure even though it had risen by over 75 *per cent* during the period 2015-20.

2.6.2.5 Financial assistance by the State Government to Local Bodies and Other Institutions

Financial assistance is provided by the State Government to Local bodies and other institutions by way of grants and loans. The quantum of assistance provided by way of grants and loans to local bodies and others during 2015-20 is given in **Table-2.22**.

Table 2.22 : Financial Assistance to Local Bodies etc.

	(₹ in crore)				
Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	115.11	118.74	342.41	348.40	404.66
Panchayati Raj Institutions/Urban Local Bodies	25.10	29.15	64.14	63.36	63.44
Autonomous District Councils	16.05	293.72	343.70	408.65	463.87
Other Institutions	1,181.98	1,003.70	928.36	840.20	1,604.74
Total	1,338.24	1,445.31	1,678.61	1,660.61	2,536.71
Revenue Expenditure	5,570.86	6,230.34	6,880.77	7,505.59	9,453.96
Assistance as percentage of Revenue Expenditure	24.02	23.20	24.40	22.12	26.83

Source: Finance Accounts

The grants extended to local bodies and other institutions increased by 52.76 *per cent* from ₹ 1,660.61 crore in 2018-19 to ₹ 2,536.71 crore in 2019-20. The increase in financial assistance by ₹ 876.10 crore in 2019-20 over 2018-19 was mainly due to increase in assistance to Other Institutions (₹ 764.54 crore), Educational Institutions (₹ 56.26 crore) and Autonomous District Councils (₹ 55.22 crore). Further, the share of financial assistance to Local Bodies and Other Institutions as a percentage of Revenue Expenditure has also increased from 24.02 *per cent* in 2015-16 to 26.83 *per cent* in 2019-20.

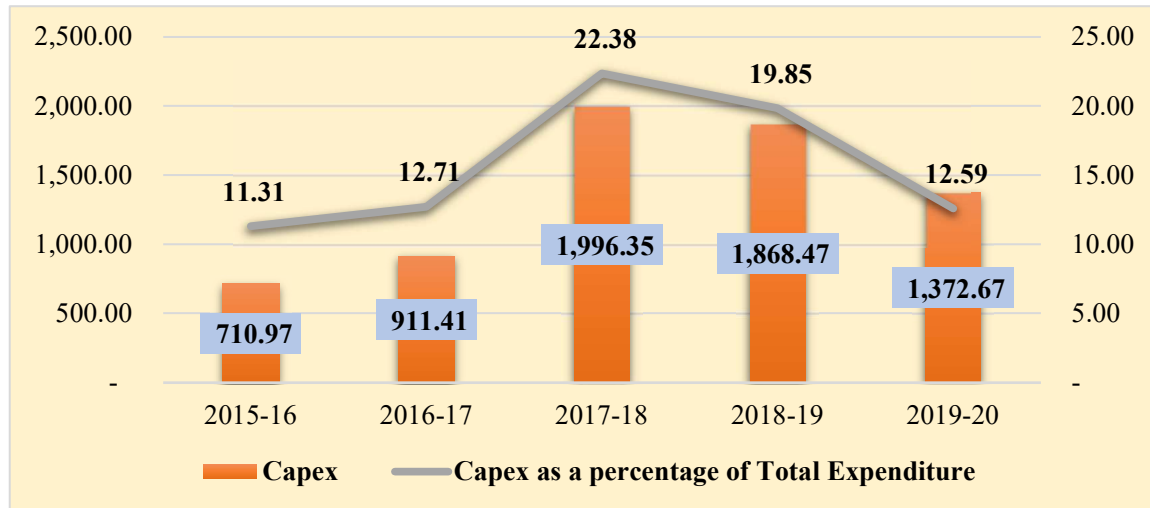
The Indian Government Accounting Standards (IGAS) 2 on Accounting and Classification on Grants-in-Aid issued by Ministry of Finance envisages the disclosure of value of grants given in cash as well as in kind.

Scrutiny of Finance Accounts for the year 2019-20 showed that the Statement of Grants-in-Aid given by the State Government discloses the grants paid in cash while those paid in kind by the State Government were not disclosed and details in this regard were not furnished by the State Government.

2.6.3 Capital Expenditure

Capital Expenditure (Capex) is incurred to create assets and add to the State's infrastructure and service network. The share of Capex as a percentage of Total Expenditure hovered between 11.31 to 12.71 *per cent* during 2015-17; however, it increased significantly to 20 *per cent* during 2017-18 and 2018-19 and subsequently dropped to 12.59 *per cent* in 2019-20. The growth in Capex and its share as a percentage of Total Expenditure are indicated in **Chart 2.10**.

Chart 2.10 : Capital expenditure in the State



Source: Finance Accounts

2.6.3.1 Major changes in Capital Expenditure

Table 2.23 details significant variations under various Heads of Account with regard to Capital Expenditure of the State during the current year vis-à-vis the previous year.

Table 2.23 : Capital expenditure during 2019-20 compared to 2018-19

(₹ in crore)

Major Heads of Accounts	2018-19	2019-20	Increase (+)/ Decrease (-)
4059 - Capital Outlay on Public Works	55.72	87.31	31.59
5054 - Capital Outlay on Roads and Bridges	610.58	376.48	-234.10
4210 - Capital Outlay on Medical and Public Health	91.28	31.29	-59.99
4216 - Capital Outlay on Housing	59.49	1.41	-58.08
4202 - Capital Outlay on Education, Sports, Art and Culture	70.67	27.31	-43.36

Source: Finance Accounts

The table above shows only the five largest positive and negative outliers in variation of expenditure over the previous year. It may be seen that variation in Capital Expenditure for the year occurred mainly due to increased expenditure of ₹ 31.59 crore under the head 'Capital Outlay on Public Works' which was offset by decreased expenditure of ₹ 395.53 crore under the heads 'Capital Outlay on Roads and Bridges', 'Capital Outlay on Housing' and 'Capital Outlay on Education, Sports, Art and Culture'.

2.6.3.2 Quality of capital expenditure

If the State Government keeps on making investments in loss making government companies, whose net worth is completely eroded, there are no chances of return on investment. Similarly, experience has shown the inevitability of write off of the loans given to loss making corporations and other bodies such as sugar mills, financial corporations, etc. Requisite steps have to be taken to infuse transparency in such financial operations. This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year.

2.6.3.3 Quality of investments in Companies, Corporations and other Bodies

Capital expenditure in the companies, corporations, and other bodies, which are loss making or where net worth is completely eroded is not sustainable.

Investments made and loans given to companies (e.g. DISCOMs), Corporations (e.g. SC & ST Financial Corporations), and Cooperatives (e.g. sugar mills), which are loss making and those where net worth is completely eroded, affect quality of capital expenditure. Return on investment in share capital invested in PSUs and history of repayment of loans given to various bodies are important determinants of quality of capital expenditure. **Table 2.24** shows the details of return on investments of the Government of Mizoram over the period 2015-20.

Table 2.24 : Return on Investment

Investment/return/cost of borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Investment at the end of the year (₹ in crore)	33.39	34.73	38.67	42.77	42.77
Return (₹ in crore)	Nil	Nil	Nil	Nil	Nil
Rate of return (<i>per cent</i>)	Nil	Nil	Nil	Nil	Nil
Average rate of interest on Government Borrowings (<i>per cent</i>)	5.70	5.20	4.84	5.04	4.29
Difference between interest rate and rate of return (<i>per cent</i>)	NA	NA	NA	NA	NA
Difference between interest on Government borrowings and return on investment (₹ in crore) #	5.70	5.20	4.84	5.04	4.29

Source: Finance Accounts

Investment at the end of the year

As on 31 March 2020, the State Government had invested⁶ ₹42.77 crore in Government Companies, Co-operative Bank, Societies, etc. with no additional investment made during the year. However, it did not receive any dividend on these investments in 2019-20 nor in the preceding four financial years. On the other hand, the Government's future liability on market borrowings bore an interest liability at rates ranging from 7.21 to 9.72 *per cent*.

As of 31 March 2020, there were six working Government Companies in the State. As per their latest finalised annual accounts, these Companies had accumulated losses of

⁶ Government Companies: ₹6.99 crore; Co-operative Bank, Societies, etc.: ₹35.78 crore

₹ 56.46 crore⁷. The accumulated losses of three of these Government Companies⁸ had exceeded their paid-up capital and further, the aggregate net worth⁹ of these Companies¹⁰ stood at (-)₹2.57 crore. In the remaining three Government Companies¹¹, the accumulated losses were more than 72.84 *per cent* of their paid-up capital.

2.6.3.4 Loans and Advances given to PSUs by the State Government

All the PSUs in Mizoram except one PSU viz. Zoram Industrial Development Corporation Limited (ZIDCO) are either non-functional, loss making or on the verge of closing down. However, financial assistance in the form of loans and grants have been provided by the Government of Mizoram and other financial institutions as detailed below:

Table 2.25: Quantum of loans disbursed and recovered during five years

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding debt of PSEs/ PSUs	30.93	20.68	29.68	29.68	29.68	29.68	29.68	29.77
Loan from Central Government	...	...	...	...	...	...	...	...
Loans from State Government	9.35	9.35	9.35	9.35	9.35	9.35	9.35	9.44
Bonds/Debentures	...	...	...	...	...	...	...	...
Foreign Parties	...	...	...	...	...	...	...	...
Banks	...	...	...	...	...	...	...	...
Other Financial Institutions like LIC, NABARD, etc.	21.58	20.33	20.33	20.33	20.33	20.33	20.33	20.33
Intra-PSU lending	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...

Source: Finance Accounts

2.6.3.5 Capital locked in incomplete projects

Blocking of funds on incomplete projects/works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years leads to the extra burden in terms of servicing of debt and interest liabilities. **Table 2.26** outlines the status of capital blocked in incomplete capital works.

⁷ Zoram Electronic Development Corporation Limited: ₹6.59 crore; Mizoram Food and Allied Industries Corporation Limited: ₹20.91 crore; Mizoram Handloom and Handicraft Development Corporation Limited: ₹6.05 crore; Zoram Industrial Development Corporation Limited: ₹16.46 crore; Mizoram Agricultural Marketing Corporation Limited: ₹6.43 crore; and Mizoram Mineral Development Corporation Limited: ₹0.02 crore

⁸ Mizoram Agricultural Marketing Corporation Limited, Mizoram Food and Allied Industries Corporation Limited and Zoram Industrial Development Corporation Limited

⁹ Net Worth represents Paid-up Capital *plus* free reserves *less* accumulated losses

¹⁰ Mizoram Agricultural Marketing Corporation Limited: (-)₹0.98 crore, Mizoram Food and Allied Industries Corporation Limited: (-)₹0.91 crore; and Zoram Industrial Development Corporation Limited: (-)₹0.68 lakh

¹¹ Mizoram Handloom and Handicraft Development Corporation Limited, Zoram Electronic Development Corporation Limited and Mizoram Mineral Development Corporation Limited

Table 2.26 : Profile of incomplete projects as on 31 March 2020

Age profile of incomplete projects as on 31 March 2020				Department-wise profile of incomplete projects as on 31 March 2020			
(₹ in crore)				(₹ in crore)			
Year	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March)	Department	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2019)
2015-16	18	127.81	79.40	Public Works Department	89	810.95	471.52
2016-17	15	180.09	97.53	PHED	8	123.86	134.91
2017-18	25	230.07	195.47	P&E	10	342.73	364.70
2018-19	45	535.48	353.20	Others ¹²	14	185.85	178.09
2019-20	18	389.94	423.62				
Total	121	1,463.39	1,149.22	Total	121	1,463.39	1,149.22

Source: Finance Accounts (Vol-II)

Thus, the Capital Expenditure of ₹ 1,149.22 crore incurred on these 121 incomplete projects remained blocked and the benefits envisaged from these projects were yet to be harnessed. There was time overrun¹³ ranging from one to 10 years¹⁴ on these 121 incomplete projects resulting in cost overrun of ₹ 33.69 crore during 2019-20 in 18 projects under PHED and P&E department. Further delay in completion of these projects was fraught with the risk of cost overrun as evidenced in the year 2019-20 where there was a cost overrun of ₹ 33.69 crores¹⁵. Therefore, effective steps need to be taken to complete all these projects without further delay so as to avoid cost overrun and so that the intended benefits can flow to the public.

2.6.4 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. **Table-2.27** analyses the expenditure priority of the State Government with regard to Capital Expenditure (CE), Education and Health during 2019-20 by comparing these to the state's Aggregate Expenditure (AE).

¹² Others include the following Departments/Schemes - Education, North Eastern Council (NEC), Police, Urban Development & Poverty Alleviation, Minor Irrigation, Non-Lapsable Central Pool of Resources (NLCPR), New Economic Development Policy (NEDP) and Eklavya Model Residential Schools (EMRS)

¹³ Oldest incomplete project was 'Construction of Road Lengpui – W. Serzawl (PWD)' which started in 2006 and was estimated to be completed in 2008. The project remained incomplete as on 31 March 2016 as per Finance Accounts of that year.

¹⁴ As per data taken from Finance Accounts 2017-18, the project with the longest time overrun over the target date of completion was 'Construction of Mizoram State Museum at New Secretariat Complex, Aizawl' (PWD) which had overrun its target date of completion by 10 years.

¹⁵ Largest cost overrun, as per Finance Accounts 2019-20, was found in 'Rehabilitation and Extension of Water Distribution Networks and Feeder Mains' (PHE) which had overrun its estimated cost of ₹ 39.44 crores by ₹ 26.59 crores with a cumulative expenditure of ₹ 66.03 crores.

Table 2.27 : Expenditure priority of the State with regards to Health, Education and Capital expenditure

	<i>(In per cent)</i>			
	AE/GSDP	CE/AE	Education/AE	Health/ AE
NE and Himalayan States Average (2015-16)	24.58	13.96	18.32	5.95
Mizoram	41.54	11.31	18.34	6.02
NE and Himalayan States Average (2019-20)	23.02	14.08	17.42	6.19
Mizoram	41.14	12.59	15.10	5.35

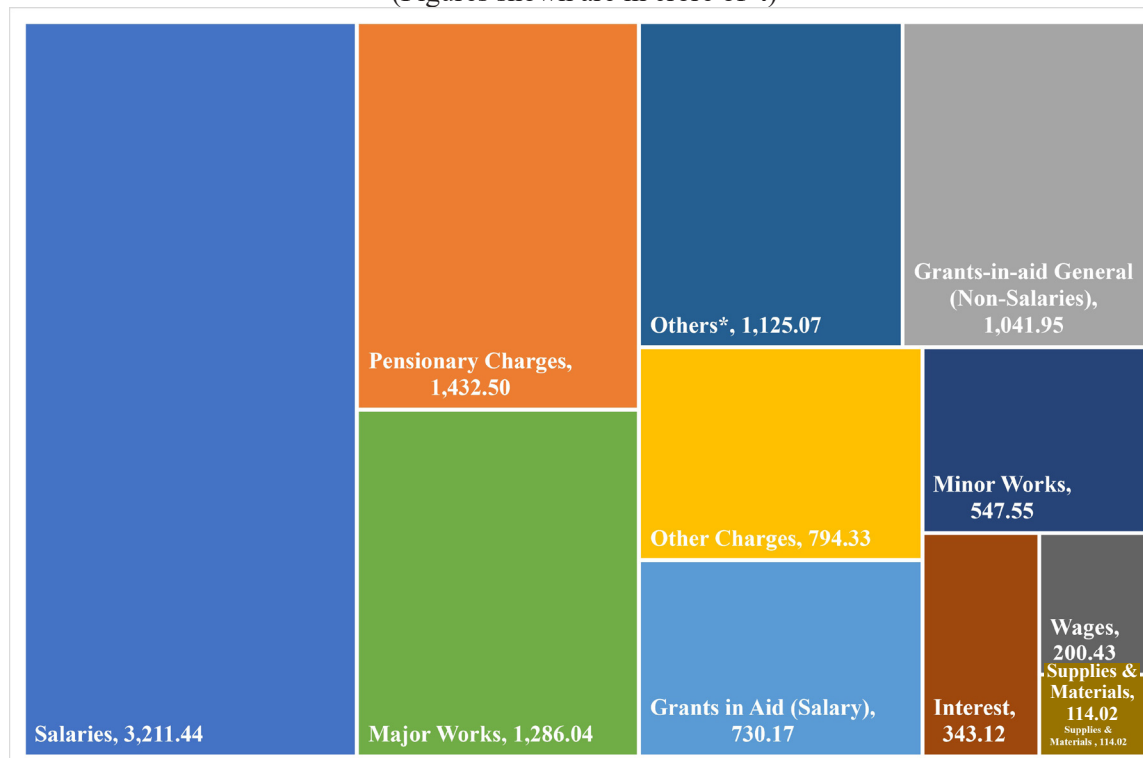
The State had a high AE-GSDP ratio as compared to the average for NE and Himalayan States, it however fell from 41.54 *per cent* to 41.14 *per cent* from 2015-16 to 2019-20. During the same period Capital expenditure grew by 1.28 *per cent* while expenditure on Education and Health both fell by 3.28 *per cent* and 0.68 *per cent* when compared to AE.

2.6.5 Object head wise expenditure

Object head wise expenditure gives information about the object/ purpose of the expenditure. Finance Accounts depict transactions only up to the Minor Head level. Therefore, a drill down view of budgetary allocation and extent of actual expenditure (above ₹ 100 crore) incurred on the items at the Object Head Level are given in **Chart 2.11**.

Chart 2.11 : Object head wise expenditure

(Figures shown are in crore of ₹)



* Others includes Medical Treatment, OE, Domestic Traveling Expenses, Foreign Traveling Expenses, Machinery & Equipment, Subsidies, Motor Vehicles, Grants for creation of Capital Assets, Investment, Professional Services, Other Administrative Expenses, Publications, Rent, Rate & Taxes, Advertising and Publicity, POL, Write off Losses, Secret Services and Suspenses Object heads.

As depicted in the chart, expenditure related to remuneration *i.e.* Salaries, Pensionary Charges, Grants in Aid (Salary), Wages, etc. accounted for the major portion of expenditure. Non-Salary Object heads accounted for less than half of the total expenditure incurred during the year.

2.7 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balances under these heads after disbursements during the year are available with the Government for use for various purposes.

2.7.1 Net Public Account Balances

The component-wise net balances in Public Account of the State are shown in **Table 2.28**.

Table 2.28 : Component-wise net balances in Public Account as of 31 March of the year

(₹ in crore)

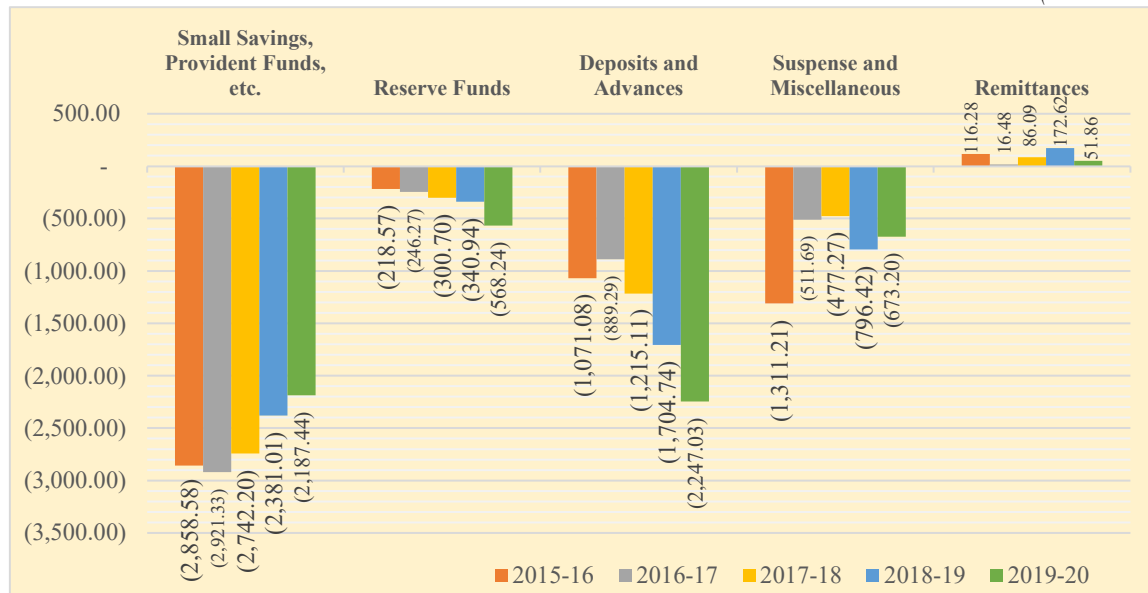
Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	-2858.58	-2921.33	-2742.20	-2381.01	-2187.44
J. Reserve Funds	(a) Reserve Funds bearing Interest	-0.81	4.79	-2.64	0.12	-220.18
	(b) Reserve Funds not bearing Interest	-217.76	-251.06	-298.06	-341.06	-348.06
K. Deposits and Advances	(a) Deposits bearing Interest	-2.55	-2.55	-2.55	-2.55	-2.55
	(b) Deposits not bearing Interest	-1068.42	-886.30	-1212.12	-1701.31	-2,243.54
	(c) Advances	-0.11	-0.44	-0.44	-0.88	-0.94
L. Suspense and Miscellaneous	(b) Suspense	-1173.93	-662.39	-841.85	-863.11	-871.97
	(c) Other Accounts	-137.54	150.39	364.22	66.33	198.39
	(d) Accounts with Governments of Foreign Countries	0.26	0.31	0.36	0.36	0.38
	(e) Miscellaneous	Nil	Nil	Nil	Nil	Nil
M. Remittances	(a) Money Orders, and other Remittances	100.73	-0.25	69.53	159.49	42.62
	(b) Inter-Governmental Adjustment Account	15.55	16.73	16.56	13.13	9.24
TOTAL		-5,343.16	-4,552.10	-4,649.19	-5,050.49	-5,624.05

Note: +ve denotes debit balance and -ve denotes credit balances

The yearly changes in composition of balances in Public Account over the five-year period 2015-20 are given in **Chart 2.12**.

Chart 2.12 : Yearly changes in composition of Public Account balances

₹ in crore)



Source: Finance Accounts of respective years

2.7.2 Reserve Funds

Reserve Funds are created for specific and well defined purposes. These funds are augmented by contributions or grants from the Consolidated Fund of India or State. The contributions are treated as expenditure and accounted for under the Consolidated Fund for which the vote of the legislature is obtained. At the end of the financial year, the expenditure relating to the funds is transferred to the Public Account.

As on 31 March 2020, the total accumulated balance of Reserve Funds maintained by the Government of Mizoram was ₹ 568.24 crore (₹ 561.72 crore in active funds and ₹ 6.52 crore in inactive funds), out of which, up to the end of 31 March 2020, ₹ 341.54 crore (₹ 7.00 crore for 2019-20) (60 per cent) was invested. The status of Reserve Funds is discussed in greater detail in the following paragraphs.

2.7.2.1 Reserve Funds Bearing Interest

(A) State Disaster Response Fund

The Government of India replaced the existing Calamity Relief Fund with the State Disaster Response Fund (SDRF) in 2010-11 on the recommendations of the Thirteenth Finance Commission. Under the guidelines of the Fund, in the case of the Special Category States like Mizoram the Centre and States are required to contribute to the Fund in the proportion of 90:10.

As per guidelines on Constitution and Administration of State Disaster Response Fund (SDRF) (September 2010), the SDRF Fund would be constituted in the Public Account under Reserve Fund bearing interest, under MH 8121 in the accounts of the State government. The State government shall take the amount as receipts in its budget and account under MH 1601-01-109. In order to enable transfer of the total amount of the contribution to the fund, including the State share, the State government would make suitable budget provision on the expenditure side of the budget under MH 2245-05-101

(Relief on account of natural calamities). Immediately upon receipt of GoI share, the State would transfer the amount, alongwith its share to the Public Account head (MH 8121-122). The actual expenditure on relief works will be booked only under respective minor head under MH 2245 and the expenditure to be charged to the SDRF will be shown as a negative entry under 2245-05-901. Direct expenditure should not be made from the Public Account.

As on 1 April 2019, the Fund had a debit balance of ₹ 0.12 crore. During 2019-20, the Government of India released ₹ 18.00 crore towards SDRF to the State of Mizoram and the Government of Mizoram transferred ₹ 29.00 crore (₹ 18.00 crore plus ₹ 2.00 crore State's share for the year 2019-20 plus ₹ 9.00 crore previous year's un-transferred amount) to the Fund. During 2019-20, Government of Mizoram had withdrawn ₹ 21.68 crore from the Fund which was kept in the Saving Bank account (State Bank of India) operated jointly by the Additional Secretary, Finance Department (Economic Affairs) and Director, Disaster Management and Rehabilitation Department in violation of Fund guidelines.

Besides above, as no expenditure towards natural calamities was booked under MH-2245, except those relating to transfer to fund and withdrawal for current account, it was not possible to assess the extent to which the withdrawn amounts have actually been spent on natural calamities. As on 31 March 2020, the Fund had a closing balance of ₹ 7.19 crore.

As per the Ministry of Home Affairs guidelines dated 28 September 2010 (para 4), the State Government shall pay interest to the SDRF at the rate applicable to overdrafts under overdraft Regulation Guidelines of the RBI. The interest will be credited on a half yearly basis. The un-discharged interest liability as on 31 March 2020, worked out to ₹ 1.61 crore as detailed below:

Table 2.29: Details of un-discharged interest liability of SDRF

(₹ in crore)					
Year	Opening Balance for the year	Investment made during the year	Total uninvested balance	Interest due*	Un-discharged interest liability
2010-11	4.21	...	...	0.32	0.32
2011-12	(-)0.16	...	...	...	...
2012-13	(-)0.04	...	...	...	...
2013-14	5.53	...	...	0.41	0.41
2014-15	7.20	...	...	0.17 ^(**)	0.17 ^{**}
2015-16	6.03	...	...	0.45	0.45
2016-17	0.81	...	...	0.06	0.06
2017-18	(-)4.79	...	...	...	...
2018-19	2.64	...	...	0.20	0.20
2019-20	(-)0.12	...	...	...	...
Total				1.61	1.61

Note: * Calculated at the rate 7.50 per cent (average of Ways and Means interest rate) & ** out of ₹ 0.54 crore, ₹ 0.37 crore was credited to the fund in 2014-15 and ₹ 0.17 crore was due as on 31 March 2020.

(B) State Compensatory Afforestation Fund

During 2019-20, the State Government received ₹ 212.98 crore for credit into State Compensatory Afforestation Deposits. As per the guidelines of the Fund, ₹ 212.98 crore has been transferred to the State Compensatory Afforestation Fund, leaving a closing balance of ₹ 212.98 crore as on 31 March 2020.

2.7.2.2 Reserve Funds Not Bearing Interest

Out of four Reserve Funds not bearing interest, two are active, namely (i) Consolidated Sinking Fund and (ii) Guarantee Redemption Fund and two are inactive, namely (i) General Reserve Funds¹⁶ (8235 General and Other Reserve Funds 101 General Reserve Funds of Government Commercial Departments/Undertakings) and (ii) Other Funds¹⁷ (8235 General and Other Reserve Funds 200 Other Funds).

(A) Consolidated Sinking Fund

As per the recommendations of the XII FC, the State Government constituted a revised Consolidated Sinking Fund (CSF) scheme in 2006-07 for redemption of outstanding liabilities.

As per the Scheme and in terms of the guidelines of the Reserve Bank of India, States are required to contribute into the Fund a minimum of 0.50 *per cent* of their outstanding liabilities (Internal Debt *plus* Public Account liabilities) as at the end of the previous year. The Fund is administered by the Reserve Bank of India subject to such directions/instructions as the Government may issue from time to time.

In the year 2019-20, against the minimum required contribution of ₹ 36.58 crore (0.50 *per cent* of outstanding liabilities of ₹ 7,315.55 crore as on 1 April 2019), the State Government contributed ₹ Nil leaving an amount of ₹ 37.08 crore as total accumulated outstanding contribution (including ₹ 0.50 crore previous year's outstanding contribution). Total accumulations in the Fund as on 31 March 2020 was ₹ 309.04 crore which has been invested in Government of India Securities. The position of contribution to CSF against the actual requirement during 2015-20 is shown in **Table-2.30**.

Table-2.30: Details of contribution *vis-à-vis* requirement in CSF

Particulars	₹ in crore				
	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding fiscal liability of the previous year	6,550.39	6,407.39	6,725.00	7,300.30	7,315.54
Requirement (minimum 0.50 <i>per cent</i> of previous year's outstanding liabilities)	32.75	32.04	33.63	36.50	36.58
Actual Contribution	28.25	31.30	40.00	36.00	-
Shortfall	4.50	0.74	-6.38	0.50	36.58

Source: Finance Accounts of respective years

2.7.2.3 Guarantee Redemption Fund

Guarantee Redemption Fund (GRF) was set up in 2009-10 with an initial corpus of ₹ 50.00 lakh to meet the possible invoking of guarantees given by the State Government to loans raised by its entities. The State Government was required to contribute an amount equivalent to at least 1/5th of the outstanding guarantees plus guarantees likely to be invoked as a result of the incremental guarantees during the year. The fund is administered by Reserve Bank of India. There were no outstanding invoked guarantees in 2019-20.

¹⁶ **General Reserve Funds** (8235 General and Other Reserve Funds 101 General Reserve Funds of Government Commercial Departments/Undertakings): The Fund is inactive with closing balance of ₹ 2.83 crore since 2002-03

¹⁷ **Other Funds** (8235 General and Other Reserve Funds 200 Other Funds): The Fund is inactive with closing balance of ₹ 3.69 crore since 2010-11

The State Government transferred ₹ 7.00 crore during the year to the Fund. Balance of ₹ 32.50 crore in the Fund as on 31 March 2020 has been invested in Government of India securities.

2.7.3 Central Road Fund

The accounting procedure relating to the Central Road Fund (CRF) prescribes that the receipt of the grant from Government of India is first recorded under the Revenue Receipts Major head 1601 and thereafter transferred to the Fund (under Public Account Major Head **8449- Other Deposits-** 103 subvention from Central Road Fund), by operating the Revenue Expenditure Major Head 3054 in the same year of receipt. Further, expenditure on prescribed road works is first to be accounted for under the relevant Revenue or Capital Expenditure section and is to be reimbursed out of the Fund as a deduct expenditure to the concerned Revenue or Capital Major Head (3054 or 5054 as the case may be).

It was observed that the State Government received GoI grant of ₹ 34.55 crore under CRF in 2019-20 and booked it under MH 1601-08-108 Grants from CRF. However, since no corresponding budget provision was made under 3054-797-Transfer to Reserve Fund/ Deposit Account under Central Assistance, the amount was not transferred to Public Account under 8449-Other Deposits. This is in violation of the Fund accounting procedure. It is further observed that an expenditure of ₹ 33.99 crore was shown under 5054 Capital Outlay on Roads and Bridges, Minor Head 800-Schemes under CRF, during 2019-20.

2.7.4 Expenditure on Ecology and Environment under MH-3435

The National Environment Policy, 2006 is intended to mainstream environmental concerns in all developmental activities. The Budget and Expenditure data relating to nomenclature viz., “Environment”, “Waste Management”, “Prevention and Control of Pollution”, “Environment Research and Education” and “Environmental Protection” etc. are available in VLC system and Budget documents of State Government.

As a step towards depicting Natural Resource Accounts (NRA)/Environment Protection Expenditure in the Finance Accounts of State Government, the budget allocation vis-a-vis expenditure under Major Head 3435- Ecology and Environment of Mizoram State for three years upto the object Head level have been compiled based on vouchers/information received from the State Government and shown in **Appendix-III**. The Appendix depicts Revenue Expenditure under Major Head 3435- Ecology and Environment upto the Object Head level along with Budget allocations. The expenditure incurred under Major Head 3435-Ecology and Environment during 2019-20 was ₹ 1.33 crore as against the budget allocation of ₹ 1.33 crore. The expenditure was 0.01 per cent, 0.01 per cent and 0.02 per cent of the expenditure (total Revenue Expenditure) incurred during 2017-18, 2018-19 and 2019-20 respectively.

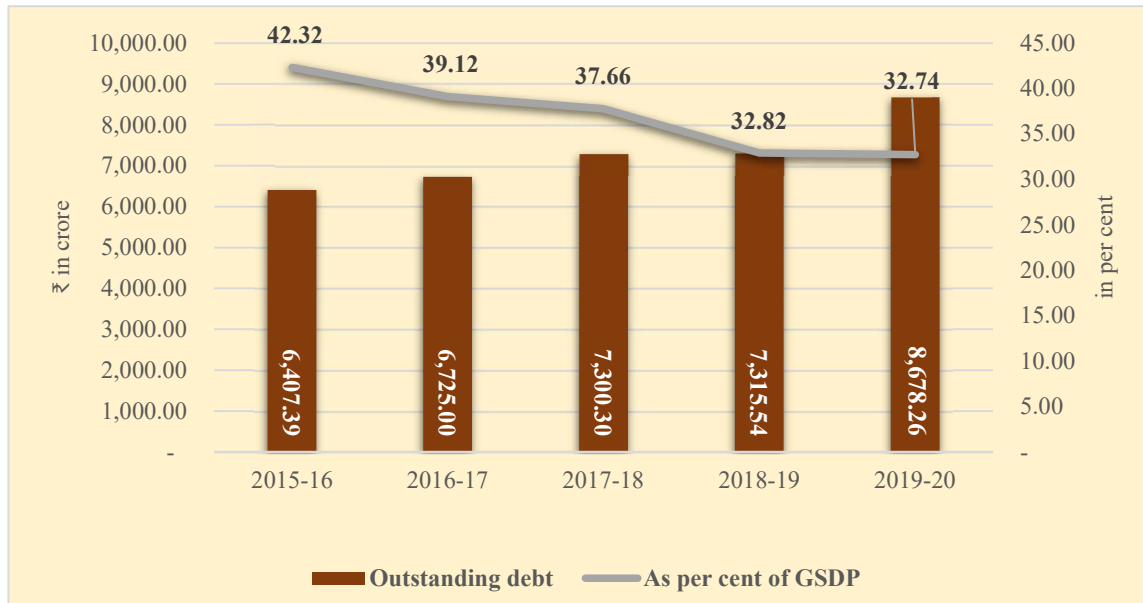
2.7.5 Contingency Fund

The Contingency Fund of the Government of Mizoram is set up under Article 267(2) of the Constitution of India for meeting unforeseen expenditure and is recouped when the State Legislature authorizes the additional expenditure. The corpus of the Fund is ₹ 0.10 crore. No amount was drawn from the Contingency Fund during the year and there is no outstanding balance remaining un-recouped as on 31 March 2020.

2.8 Debt management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements. **Chart 2.13** shows the trend of outstanding debt for the five year period 2015-20 as well the percentage of debt to GSDP.

Chart 2.13 : Trend of Outstanding Debt during 2015-20



Source: Finance Accounts

2.8.1 Debt profile: Components

Total debt of the State Government typically comprises of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government, and Public Account Liabilities. The exact definition of the total debt may be taken from the FRBM Acts of the respective States. Some of the important terms are explained below:

Item	What it means	Interest rate
Ways and Means Advance (WMA)	It is a facility for both the Centre and states to borrow from the RBI to help them tide over temporary mismatches in cash flows of their receipts and expenditures. Such advances should be repaid not later than three months from the date of the taking the advance. RBI announced 60% extra in WMA limit recently to fight Covid -19 (until end of Sept 2020)	The interest rate on WMA is the RBI's repo rate, which is basically the rate at which it lends short-term money to banks. That rate is currently 4.4%.
Overdrafts	The governments are allowed to draw amounts in excess of their WMA limits. No state can run an overdraft with the RBI for more than a certain period. A state can be in overdraft from 14 to 21 consecutive working days, and from 36 to 50 working days during a quarter	The interest on overdraft is 2 percentage points above the repo rate, which works out to 6.4%.

Item	What it means	Interest rate
Government securities	A Government Security (G-Sec) is a tradeable instrument issued by the Central Government or the State Governments. Such securities are short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Government bonds or dated securities with original maturity of one year or more). In India, the Central Government issues both, treasury bills and bonds or dated securities while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs).	Long term securities carry a fixed or floating coupon (interest rate) which is paid on the face value, payable at fixed time periods (usually half-yearly)
T-bills	Treasury bills are short-term securities issued by the Central government. Their maturity periods range up to one year. These securities are sold at a discount rate and will be paid at face value, which is how the investors make their money. At present, the active T-Bills are 91-days T-Bills, 182-day T-Bills and 364-days T-Bills	T-Bills are issued on discount to face value, while the holder gets the face value on maturity. The return on T-Bills is the difference between the issue price and face value. Thus, return on T-Bills depends upon auctions.
T -Notes	Treasury notes are government securities with maturity periods longer than treasury bills. Their maturity periods can be two, three, four, five, seven, and ten years. Interest is paid every six months.	
T-Bonds	Treasury bonds are long-term investments with a maturity period of 30 years. Interest is paid every six months.	

The total outstanding debt of the State Government at the end of 2019-20 was ₹ 8,678.26 crore of which 53.67 per cent was accounted for by Public Account Liabilities, which comprise primarily Small Savings, Provident Funds, etc., Reserve Funds, and Deposits and Advances. The details relating to total debt received, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2015-20 are given in **Table-2.31**.

Table 2.31 : Component wise debt trends

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Overall Debt	6,407.39	6,725.00	7,300.30	7,315.54	8,678.26
Public Debt					
Internal Debt	2,165.17	2,621.90	3,057.24	2,958.10	3,758.92
Loans from GoI	305.33	291.19	277.04	266.17	259.11
Liabilities on Public Account	3,936.89	3,811.91	3,966.02	4,091.27	4,660.23
Rate of growth of outstanding Overall debt (percentage)	-2.18	4.96	8.55	0.21	18.63
Gross State Domestic Product (GSDP)	15,139	17,192	19,385	22,287	26,503
Debt/GSDP (per cent)	42.32	39.12	37.66	32.82	32.74
Total Debt Receipts	2,086.60	2,332.40	3,048.72	2,517.05	4,277.17
Total Debt Repayments	2,229.60	2,014.79	2,473.43	2,501.81	2,914.45
Total Debt Available	-143.00	317.61	575.29	15.24	1,362.72
Debt Repayments/Debt Receipts (percentage)	106.85	86.38	81.13	99.39	68.14

Source: Finance Accounts

Chart 2.14: Break up of Outstanding Overall Debt at the end of 31 March 2020
(₹ in crore)

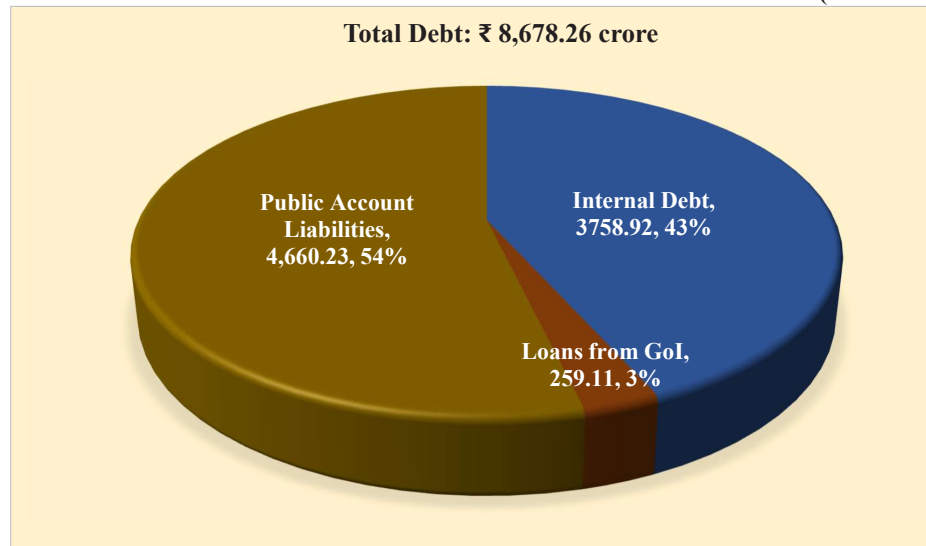
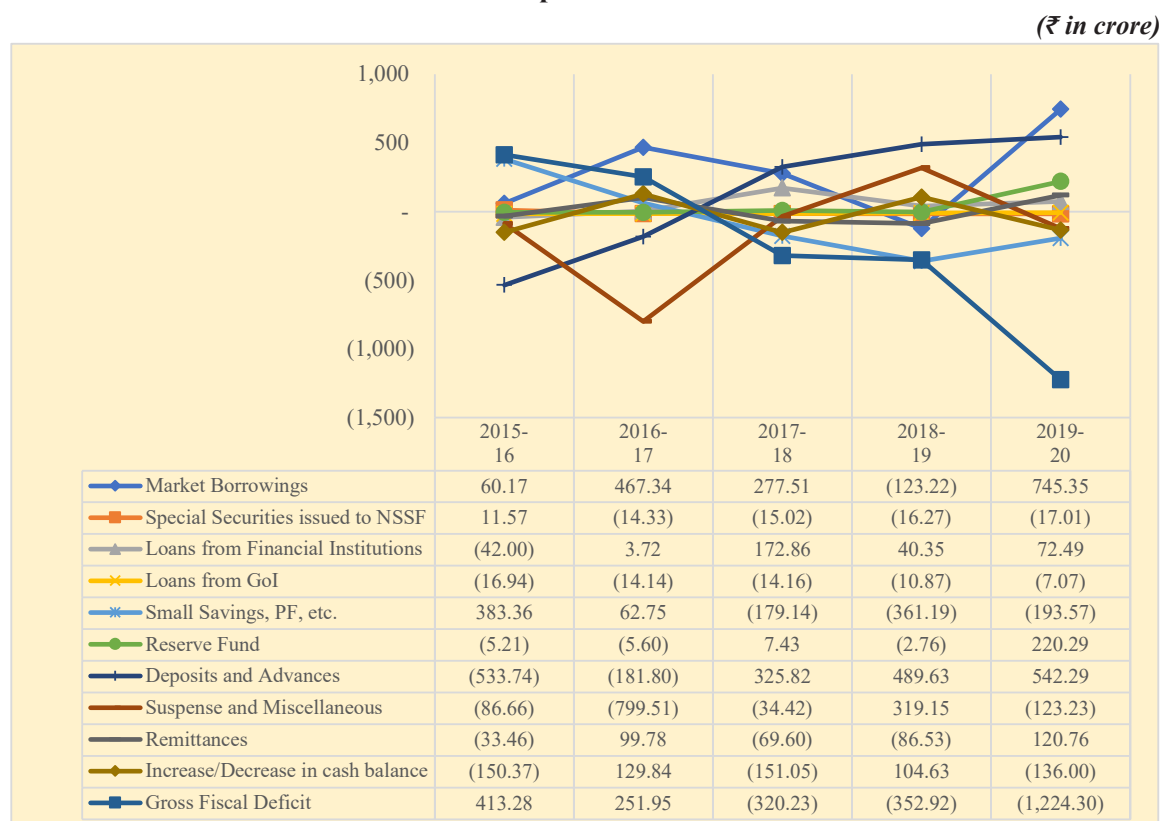


Chart 2.15 describes in greater detail the components of Public Debt and Liabilities on Public Account.

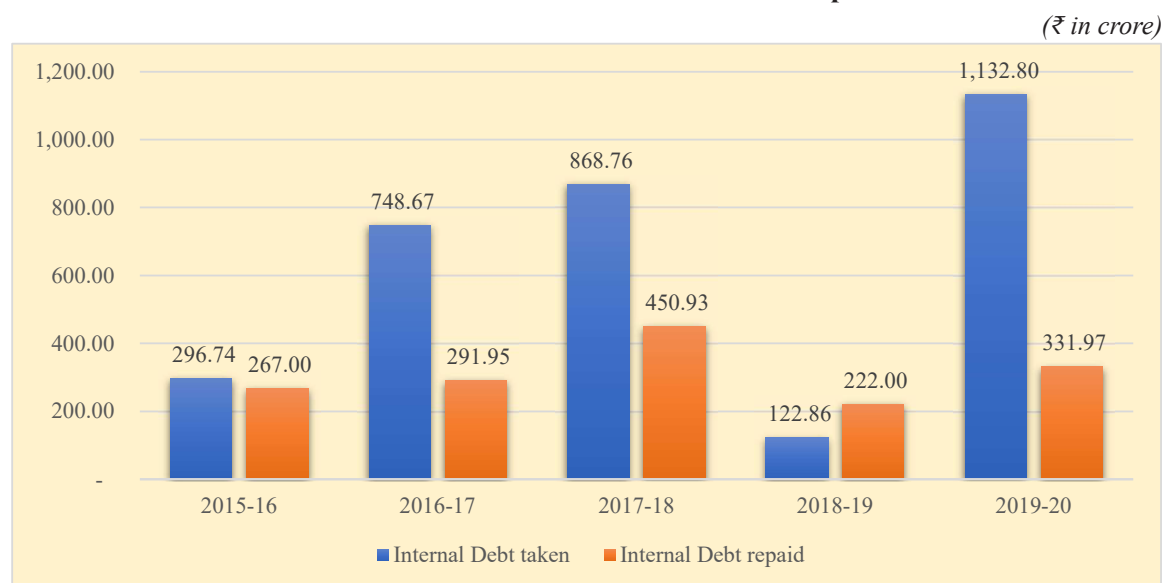
Chart 2.15 : Components wise debt trends



Source: Finance Accounts

Repayment of debt is an important indicator of the importance ascribed by the State Government in managing expenditure as well as discharging its liabilities. **Chart 2.16** shows the State Government's repayment of Internal Debt during the period 2015-20.

Chart 2.16 : Internal debt taken vis-a-vis repaid



Source: Finance Accounts

Table 2.32: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Composition of Fiscal Deficit	413.28	251.95	-320.23	-352.92	-1,224.31
1 Revenue Surplus	1,105.54	1,167.96	1,699.43	1,533.91	204.30
2 Net Capital Expenditure	-710.97	-911.41	-1,996.35	-1,868.47	-1,372.67
3 Net Loans and Advances	18.71	-4.60	-23.31	-18.36	-55.94
Financing Pattern of Fiscal Deficit					
1 Market Borrowings	60.17	467.34	277.51	-123.22	745.35
2 Special Securities issued to NSSF	11.57	-14.33	-15.02	-16.27	-17.01
3 Loans from Financial Institutions	-42.00	3.72	172.86	40.35	72.48
4 Loans from GoI	-16.94	-14.14	-14.16	-10.87	-7.07
5 Small Savings, PF, etc.	383.36	62.75	-179.14	-361.19	-193.57
6 Reserve Fund	-5.21	-5.60	7.43	-2.76	220.30
7 Deposits and Advances	-533.74	-181.80	325.82	489.63	542.29
8 Suspense and Miscellaneous	-86.66	-799.51	-34.42	319.15	-123.22
9 Remittances	-33.46	99.78	-69.60	-86.53	120.76
10 Overall Deficit	-262.91	-381.79	471.28	248.29	1,353.82
11 Increase/Decrease in cash balance	-150.37	129.84	-151.05	104.63	-136.00
12 Gross Fiscal Deficit	413.28	251.95	-320.23	-352.92	-1,224.31

Source: Finance Accounts

2.8.2 Debt profile: Maturity and Repayment

Public Debt consists of Internal Debt and Loans and Advances received from GoI. As per Statement 17 of the Finance Accounts for the year 2019-20, the maturity profile of public debt is shown in Table 2.33.

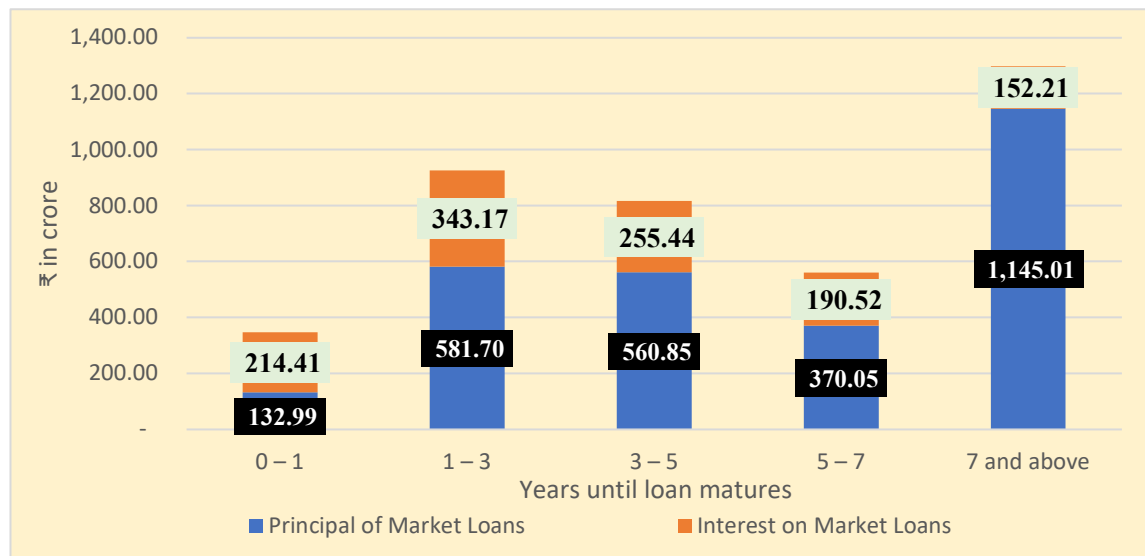
Table 2.33 : Debt Maturity profile of State debt(*₹ in crore*)

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	349.92	8.71
Above 1 – 3	701.58	17.46
Above 3 – 5	717.69	17.86
Above 5 – 7	520.08	12.94
Above 7	1,728.76	43.03
Others	-	-
Total	4,018.03	100.00

Source: Finance Accounts

The maturity profile of outstanding stock of public debt as on 31 March 2020 indicated that out of the outstanding public debt of ₹ 4,018.03 crore, 56.97 per cent (₹ 2,289.27 crore) was payable within the next seven years while the remaining 43.03 per cent (₹ 1,728.76 crore) was in the maturity bracket of more than seven years.

As on March 2020, the total amount of outstanding market loans was ₹ 2,790.60 crore and interest due and payable until their maturity was ₹ 1,155.75 crore. Out of these amounts, 4.77 per cent of the total principal and 18.55 per cent of the total interest was payable in 2019-20, 20.85 per cent of the total principal and 29.69 per cent of the total interest was payable during 2020-22, 20.10 per cent of the total principal and 22.10 per cent of the total interest was payable during 2022-24, 13.26 per cent of the total principal and 16.48 per cent of the total interest was payable during 2024-26 and the remaining 41.03 per cent and 13.08 per cent of the interest was payable in the three years after 2026-27. **Chart 2.17** shows the repayment schedule of market loans taken by the State Government.

Chart 2.17 : Repayment Schedule of market loans

Source: Finance Accounts

2.9 Debt Sustainability Analysis

Debt sustainability is defined as the ability of the State to service its debt now and in future. However, the higher the level of public debt, the more likely it is that fiscal policy and public debt are unsustainable, as a higher debt requires a higher primary surplus to sustain it. A high level of debt raises a number of challenges:

- large primary fiscal surpluses are needed to service a high level of debt; such surpluses may be difficult to sustain, both economically and politically.
- a high level of debt heightens an economy's vulnerability to interest rate and growth shocks.
- a high debt level is generally associated with higher borrowing requirements, and therefore a higher risk of a rollover crisis (i.e., being unable to fulfill borrowing requirements from private sources or being able to do so only at very high interest rates).
- high levels of debt may be detrimental to economic growth; while lower growth is a concern in itself, it also has a direct impact on debt dynamics and debt sustainability in the long term.

Debt vulnerability is also associated with its profile. A high share of short-term debt at original maturity, increases vulnerability to rollover (re-financing risk) and interest rate risks. Sustainability of Public debt ensures that it does not explode and governments are not forced to increase taxes, or decrease spending.

Debt Sustainability Indicators

Ratio of total outstanding debt to GSDP (<i>in per cent</i>)	The debt-to-GDP ratio is the metric comparing a state's public debt to its gross domestic product (GSDP). By comparing what a state owes with what it produces, the debt-to-GDP ratio reliably indicates that particular state's ability to pay back its debts. A falling debt/GSDP ratio can be considered as leading towards stability. If Debt/GSDP ratio is increasing rapidly and goes above a threshold, we can say that current level of the primary balance is not sufficient to stabilise the debt-to-GDP ratio, which is on an explosive path. Sufficient fiscal adjustment should be made by reducing the fiscal deficit (primary balance) to a level necessary to make public debt sustainable.
Ratio of revenue receipts to total outstanding debt	If the ratio is increasing, it would be easy for the government to repay its debt using revenue receipts only without resorting to additional debt.
Ratio of State's own resources to total outstanding debt	If the ratio is increasing, it would be easier for the government to repay its debt using its own resources.
Rate of Growth of Outstanding Public Debt <i>vis-à-vis</i> Rate of Growth of GSDP	If the growth rate of public debt is higher than the GSDP growth rate, it will lead to higher debt to GSDP ratio.
Average interest Rate of Outstanding Debt (Interest paid/OB of Public Debt + CB of Public Debt/2)	Higher interest rate means that there is scope for restructuring of debt.

Percentage of Interest payments to Revenue Receipt	Higher percentage of interest payments leaves less funds for priority areas. It measures the margin of safety a government has for paying interest on its debt during a given period. Governments need to have more than enough revenues to cover interest payments in order to survive future (and perhaps unforeseeable) financial hardships that may arise. If significant portion of borrowed funds are used for repayment of borrowings and interest thereon, the net debt available with State for development activities is curtailed.
Percentage of Public Debt Repayment to Public Debt Receipt	Higher the percentage, the greater the proportion of debt utilised for debt servicing rather than productively.
Net Debt available to the State	It is the excess of Public Debt Receipts over Public Debt repayment and Interest payment of Public Debt.

The trends in debt sustainability indicators for the State Government is shown in **Table 2.34**.

Table 2.34 : Trends in Debt Sustainability Indicators

(₹ in crore)

Debt Sustainability Indicators	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt*	2,470.50	2,913.09	3,334.28	3,224.27	4018.03
Rate of Growth of Outstanding Public Debt	0.52	17.91	14.46	-3.30	24.62
GSDP	15,139	17,192	19,385	22,287	26,503
Rate of Growth of GSDP	12.06	13.56	12.76	14.97	18.91
Debt/GSDP (<i>per cent</i>)	16.32	16.94	17.20	14.47	15.16
Debt Maturity profile of repayment of State debt – including default history, if any	88.52	71.88	61.54	66.71	56.97
Average interest Rate of Outstanding Public Debt (<i>per cent</i>)	5.70	5.20	4.84	5.04	4.29
Percentage of Interest payment to Revenue Receipt	5.53	4.61	3.95	4.08	3.55
Percentage of Debt Repayment to Debt Receipt	1.25	1.16	1.23	1.01	1.46
Net Debt available to the State [#]	-143.00	317.61	575.29	15.24	1,356.23
Net Debt available as <i>per cent</i> to Debt Receipts	-6.41	15.76	23.26	0.61	46.43
Debt Stabilisation (Quantum spread + Primary Deficit)	1,199.15	1,128.87	529.40	747.98	213.12

Source Finance Accounts

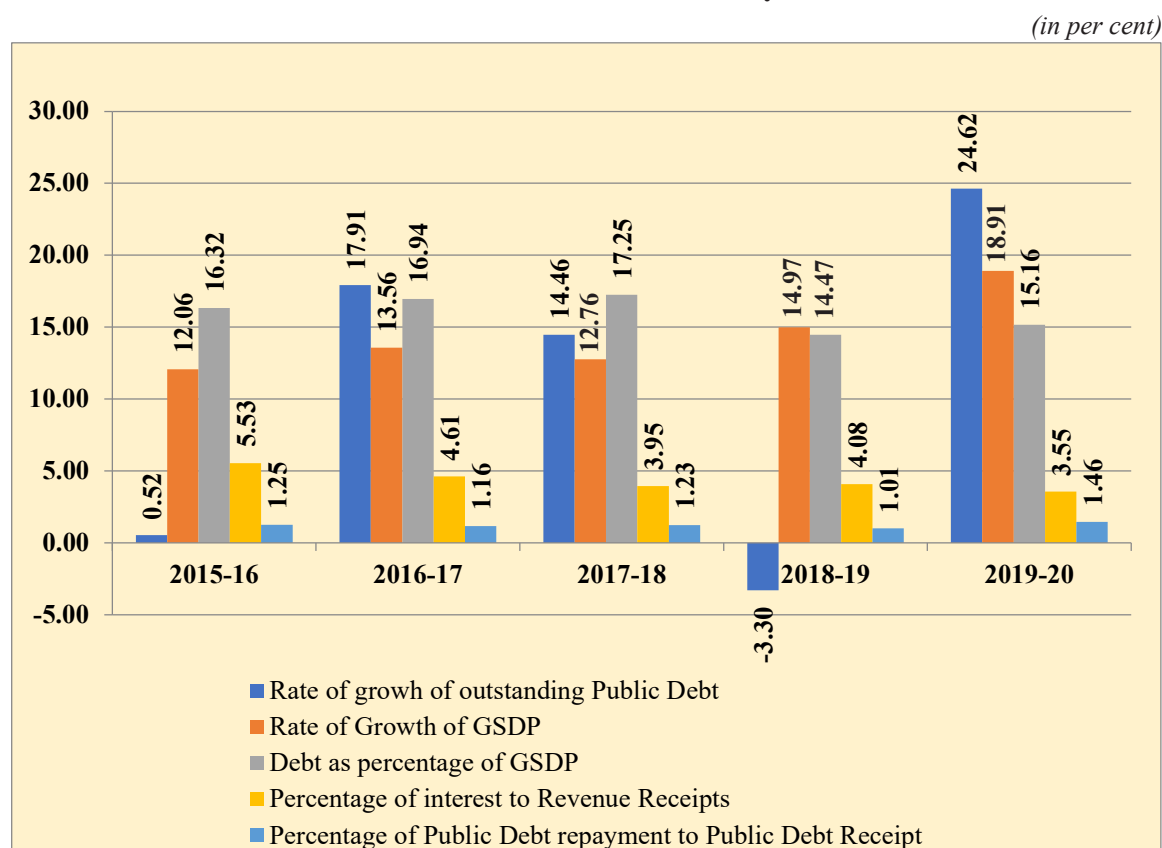
* Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

[#] Net debt available to the State Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public Debt.

Following conclusions can be drawn from the analysis of various parameters of debt sustainability shown in the preceding table,

- Debt/GSDP (*per cent*) has fluctuated over the five year period and is currently on the rise indicating that debt sustainability is less stable compared to the previous year.
- Total Debt Available is higher than the previous years ‘by ₹ 1,340.99 crore and stood at 46.43 *per cent* of Debt Receipts of the State Government for the year.
- The percentage of debt repaid to the debt received remained below 1.5 *per cent* and fluctuated between 1.01 to 1.46 *per cent* during the five year period.
- Rate of growth of GSDP was increasing for the pervious two years, grew by 3.94 *per cent* from the previous year and stood at 18.91 *per cent*.
- As of the current year the Debt Maturity profile of repayment of State debt, although high, was declining. The State had to repay 56.97 *per cent* of debt was to be repaid within the ensuing seven years.
- Average Interest Rate of Outstanding Public Debt during the last five years was highest during 2015-16 at 5.70 *per cent*. It decreased by 0.75 *per cent* over the previous year and stood at 4.29 *per cent* for the current year.
- Interest payments made up 3.55 *per cent* of Revenue Receipts for the current year which was lower than any of the previous four years.

Chart 2.18: Trends of Debt Sustainability indicators



2.9.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. **Table 2.35** shows the trend of utilisation of borrowed funds during the period 2015-20 for the State Government.

Table 2.35 : Utilisation of borrowed funds

(₹ in crore)

Year		2015-16	2016-17	2017-18	2018-19	2019-20
Total Borrowings	1	563.07	755.51	894.14	134.22	1,147.68
Repayment of earlier borrowings (Principal)	2	550.28	312.92	472.96	244.23	353.92
(percentage)		97.73	41.42	52.90	181.96	30.84
Net capital expenditure	3	710.97	911.41	1,996.35	1,868.47	1,372.67
(percentage)		126.27	120.64	223.27	1,392.10	119.60
Net loans and advances	4	18.71	-4.60	-23.31	-18.36	-55.93
Portion of Revenue expenditure met out of net available borrowings	5 = 1-2-3-4	-716.89	-464.22	-1,551.86	-1,960.12	-522.98

Source: Finance Accounts

From the table it may be seen that Capital Expenditure constantly exceeded the Total Borrowings of the State. Capital Expenditure expressed as a percentage of Total Borrowings stayed below 223.27 per cent during 2015-16 to 2017-18 but rose dramatically in 2018-19 to 1,392.10 per cent. However, the percentage of Capital Expenditure to Total Borrowings fell to 119.60 per cent during the current year.

Meanwhile, repayment of earlier borrowings expressed as a percentage of Total Borrowings varied from 41.42 per cent during 2015-16 to 181.96 per cent in 2018-19. The percentage of repayment of earlier borrowings to Total Borrowings fell to 30.84 per cent during the current year

Over the same five year period the portion of Revenue Expenditure met out of net available borrowings ranged from ₹ -464.22 crore in 2016-17 to ₹ -1,960.12 crore in 2018-19. During the current year, Revenue Expenditure met out of net available borrowing was ₹ -522.98 crore.

2.9.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The State Government has fixed the cap on Guarantees at 25 per cent of GSDP. The maximum amount for which guarantees were given by the Government and outstanding guarantees for the last five years are given in **Table-2.36**.

Table 2.36 : Guarantees given by the State Government*(₹ in crore)*

Guarantees	2015-16	2016-17	2017-18	2018-19	2019-20
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	3,784.72	4,297.98	4,832.16	5,560.14	6,625.64
Outstanding amount of guarantees including interest	100.22	123.99	133.92	97.99	142.29

Source: Finance Accounts

During the year, an amount of ₹ 1 crore was given as fresh guarantees by the State Government, however, no amount was collected as guarantee commission/fee by the State Government. As per Finance Accounts 2019-20 the outstanding amount of guarantees at the end of 2019-20 stood at ₹ 142.29 crore while the maximum amount guaranteed during 2019-20 stood at ₹ 200.58 crore and was 2.08 per cent of the Revenue Receipts of the State.

2.9.3 Management of Cash Balances

It is generally expected that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatch in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMAs) from the Reserve Bank of India (RBI) has been put in place. While the operative limit for Special WMAs is fixed by the RBI from time to time depending on the holding of Government securities, the limit for Ordinary WMAs to the State Government has been fixed at ₹ 55 crore with effect from 01 April 2006. Under an agreement with the RBI, the State Government is required to maintain a minimum daily cash balance of ₹ 0.20 crore with the Bank. If the minimum cash balance falls below the agreed minimum amount of such balance on any day, the deficiency is made good by taking Ordinary and Special WMAs/Overdrafts from time to time.

The State Government was unable to maintain the minimum daily cash balance of ₹ 0.20 crore throughout 2019-20 and availed Special WMAs of ₹ 72.29 crore for two days during the current year which was duly settled prior to the end of the year.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund and Guarantee Redemption Fund as well.

The Cash Balances and Investments made by the State Government out of Cash Balances during 2019-20 are shown in **Table-2.37**.

Table 2.37 : Cash Balances and their investment*(₹ in crore)*

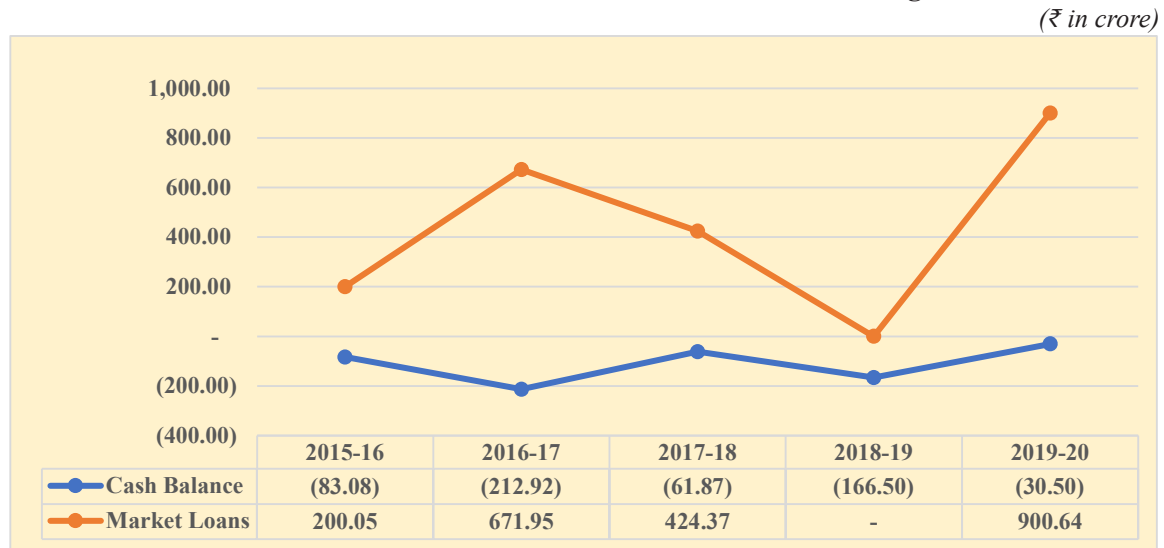
Particulars	Opening balance on 01 April 2019	Closing balance on 31 March 2020
A. General Cash Balance		
Cash in treasuries	NIL	NIL
Deposits with Reserve Bank of India	-166.50	-30.50
Deposits with other Banks	NIL	NIL

Particulars	Opening balance on 01 April 2019	Closing balance on 31 March 2020
Remittances in transit – Local	NIL	NIL
Total	-166.50	-30.50
Investments held in Cash Balance investment account	71.01	202.87
Total (A)	-95.49	172.37
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	-4.68	-4.48
Permanent advances for contingent expenditure with department officers	NIL	NIL
Investment in earmarked funds	334.54	341.54
Total (B)	329.86	337.06
Total (A + B)	234.37	509.43
Interest realized	29.83	10.29

Source: Finance Accounts

Investment held in Cash Balance Investment Account stood at ₹ 202.87 crore as on 31 March 2020. It is not desirable that State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use. The details and trend of market loans taken by the State Government during the period 2015-20 is shown in **Chart 2.19**.

Chart 2.19 : Trend of Cash Balance and Market Loans during 2015-20



Source: Finance Accounts

2.10 Conclusion and Recommendations

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government. Based on these key parameters the following conclusions and recommendations have been arrived at by audit.

2.10.1 Conclusion

- Revenue Receipts during the year 2019-20 were ₹ 9,658.26 crore which increased by ₹ 618.76 crore (6.85 *per cent*) over the previous year. State's Own Tax revenues and Non-Tax revenue increased by ₹ 4.28 crore (0.59 *per cent*) and ₹ 72.39 crore respectively (16.09 *per cent*) as compared to the previous year. Grants-in-aid from GoI also increased by ₹ 1,027.25 crore (23.56 *per cent*), whereas State's Share of Union taxes and Duties decreased by ₹ 485.16 crore (13.85 *per cent*) during 2019-20 as compared to the previous year.
- In the three years during which the GST Act has been in effect, revenue collected by the Government of Mizoram through SGST has risen by 213.51 *per cent* from ₹ 169.76 crore in 2017-18 to ₹ 532.22 crore in 2019-20. Besides, GST receipts in 2019-20 exceeded the projected revenue by ₹ 211.17 crore, therefore, the State Government did not receive any GST compensation during 2019-20.
- Revenue expenditure during the year 2019-20 was ₹ 9,453.96 crore (86.66 *per cent*) against the total expenditure of ₹ 10,909.26 crore. Committed expenditure like salary & wages, pension, interest payments steadily increased during the last five years period 2015-20. The Committed expenditure during 2019-20 was ₹ 4,987.06 crore (51.64 *per cent* of the total Revenue receipts of ₹ 9658.26 crore and 52.75 *per cent* of the total Revenue expenditure of ₹ 9453.96 crore).
- Capital expenditure is the expenditure incurred for creation of fixed infrastructure assets such as roads, building, *etc.* It is noticed that during the year capital expenditure decreased by ₹ 495.80 crore (26.54 *per cent*) from ₹ 1,868.47 crore to ₹ 1,372.67 crore. Salaries and Wages (₹ 3,211.44 crore) accounted for almost one third of the Revenue Receipts (₹ 9,658.26 crore) as well as Revenue Expenditure (₹ 9,453.96 crore). The expenditure on Pension Payments increased by 132.44 *per cent* from ₹ 616.30 crore in 2015-16 to ₹ 1,432.50 crore in 2019-20.
- As on 31 March 2020, the State Government had invested ₹ 42.77 crore in Government Companies, Co-operative Bank, Societies, *etc.* with no additional investment made during the year. However, it did not receive any dividend on these investments in 2019-20 nor in the preceding four financial years. Further delay in completion of these projects was fraught with the risk of cost overrun as evidenced during 2019-20 where there was a cost overrun of ₹ 33.69 crore.
- As on 31 March 2020, 121 projects (estimated cost ₹ 1,463.39 crore) on which an expenditure of ₹ 1,149.22 crore had been incurred, remained blocked and the benefits expected to be accrued from these projects were yet to flow.
- In the year 2019-20, against the minimum required contribution of ₹ 36.58 crore to the Consolidated Sinking Fund (0.50 *per cent* of outstanding liabilities of ₹ 7,315.55 crore as on 1 April 2019), the State Government did not make any contribution to the Fund, thereby violating the extant Rules and the Government has deferred the current year's liabilities of ₹ 37.08 crore to future years.
- During 2019-20, Government of Mizoram had withdrawn ₹ 21.68 crore from the State Disaster Response Fund which was kept in the Saving Bank account operated jointly by the Finance Department (Economic Affairs) and Disaster Management and Rehabilitation Department and no expenditure towards natural calamities was booked

under MH 2245, except those relating to transfer to fund and withdrawal for current account. The Fund accounting was not as per the prescribed guidelines.

- The State had Outstanding guarantees of ₹ 142.29 crore including interest as on 31 March 2020.
- The State's outstanding liabilities increased from ₹ 7315.54 crore in 2018-19 to ₹ 8,678.26 crore in 2019-20, whereas, Debt/GSDP ratio slightly decreased from 32.82 per cent to 32.74 per cent during the same period. Projection in the MTFP relating to Debt-GSDP ratio was not met during 2019-20. However, State Government was able to meet the target ratio of total outstanding debt to GSDP prescribed by XIV FC (44.78 per cent for 2019-20).
- An analysis of the outstanding debt revealed that out of the outstanding public debt of ₹ 4,018.03 crore as on 31 March 2020, 56.97 per cent (₹ 2,289.27 crore) was payable within the next seven years while the remaining 43.03 per cent (₹1,728.76 crore) was in the maturity bracket of more than seven years. The total amount of outstanding market loans was ₹ 2,790.60 crore and interest due and payable until their maturity was ₹ 1,155.75 crore.
- The State Government had used borrowed funds for meeting both capital and revenue expenditure during the period 2015-20. During 2019-20, the percentage of capital expenditure to borrowings was 119.60 per cent.
- The State Government was unable to maintain the minimum daily cash balance of ₹ 0.20 crore throughout 2019-20 and availed Special WMAs of ₹ 72.29 crore for two days during the current year which was duly settled prior to the end of the year.

2.10.2 Recommendations

- i) *State Government may take necessary steps to reduce the ratio of committed expenditure to revenue expenditure to ensure that debt levels remain serviceable by the resources of the State.*
- ii) *State Government may assess the potential sources of revenue available internally and take steps to ensure that maximum potential revenue is achieved. As an example, the State government may consider enhancing revenue generation through eco-tourism initiatives and other sustainable development goals of a similar nature.*
- iii) *The increasing trends of Revenue Expenditure be corrected by identifying potential wasteful expenditure and adopting economy measures across departments.*
- iv) *State Government needs to formulate effective plans for execution of its major policy initiatives and ensure that capital expenditure for creation of durable assets is increased.*
- v) *The State Government needs to give greater thrust on completion of incomplete projects in a planned manner with periodical review and monitoring mechanism at the highest level of administration so as to avoid time and cost inefficiencies and consequential extra financial burden on the Government.*
- vi) *Increasing trend of borrowings vis-à-vis the level of debt maturity profile needs to be reviewed so as to ensure that mobilised financial resources are used adequately for incurring capital expenditure for creation of assets.*

CHAPTER-III
BUDGETARY MANAGEMENT



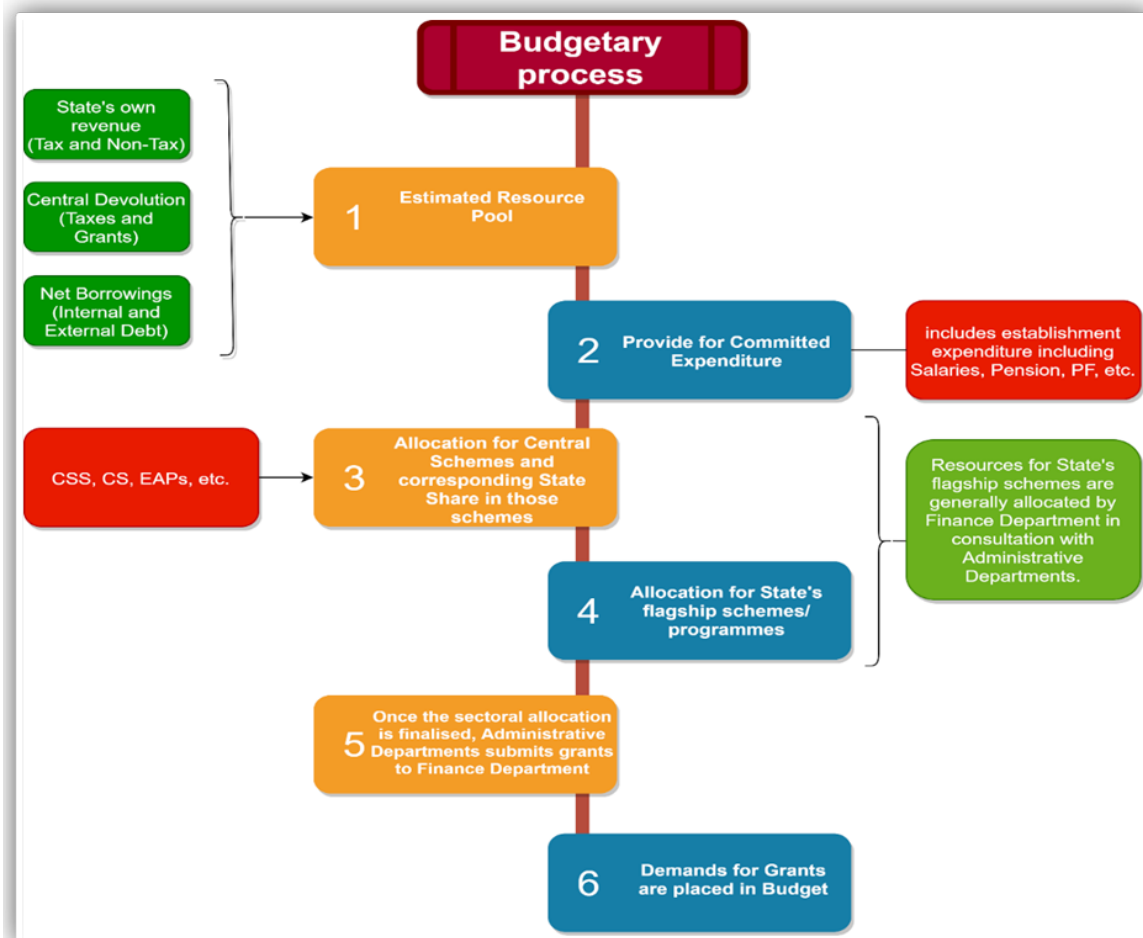
Chapter 3: Budgetary Management

3.1 Introduction

Effective financial management ensures that decisions taken at the policy level are implemented successfully at the administrative level without wastage or diversion of funds. This Chapter reviews the allocative priorities of the State Government and comments on the transparency of budget formulation and effectiveness of its implementation.

3.2 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. The Budget process commences with the issue of the Budget Circular, normally in August each year, providing guidance to the Departments in framing their estimates, for the next financial year. A typical budget preparation process in a State is shown below.



CSS: Centrally Sponsored Schemes; CS: Central Schemes.

The Finance Bill, Annual Financial Statement (Budget), and Demands for Grants are mandated by Articles 199, 202, and 203 of the Constitution of India, respectively.

Article 202 of Constitution of India requires laying of a statement of the estimated receipts and expenditure of the State for that year, as the “annual financial statement” before the House or Houses of the Legislature of the State. The annual financial statement should show expenditure charged on consolidated fund and other expenditure separately. It shall also distinguish expenditure on revenue account from other expenditure.

The annual financial statement, also called general budget, is placed prior to the commencement of the financial year in the State Legislature, in accordance with Article 202 of the Constitution. The estimates of receipts and disbursements in the Annual Financial Statement and of expenditure in the Demands for Grants are shown according to the accounting classification under Article 150 of the Constitution.

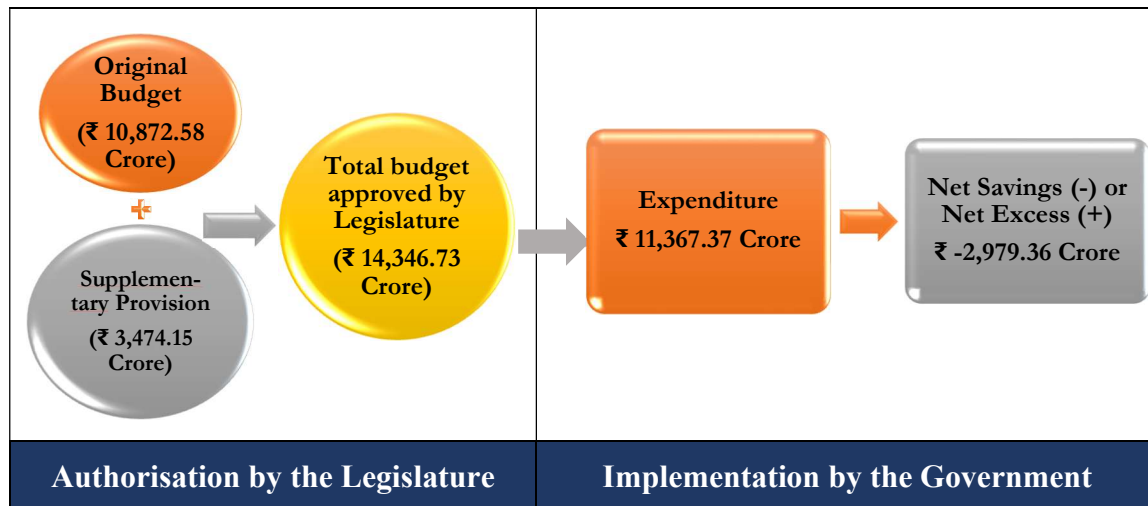
No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with provisions of Article 204 of the constitution. Supplementary or Additional Grant or Appropriation is provided during the course of a financial year, in accordance with Article 205 of the Constitution. It is the provision for meeting expenditure in excess of the budgeted amount.

Legislative authorization is the sine qua non for incurrence of all expenditure by the State Government. To guide individual Government Departments, the State Government has framed financial rules and provided for delegation of financial powers. These delegations establish limits for incurrence of expenditure and the levels authorized to sanction such expenditure together with restrictions on appropriation and re-appropriations. The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its annual Budget and 48 Demands for Grants (47 Grants and one Appropriation). Normally, every Department has one Demand for Grant, to ensure that the Head of the Department takes responsibility for implementing the policy decisions and expending public funds for the intended purposes.

Supplementary or additional Grant/Appropriation can be provided during the course of the financial year for meeting expenditure in excess of the originally budgeted amount. Apart from supplementary grant, Re-appropriation can also be used to re-allocate funds within a Grant. Re-appropriation is the transfer, by competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) of the Grant or Charged Appropriation.

Various components of budget of Government of Mizoram for the Year 2019-20 are depicted in **Chart 3.1**.

Chart 3.1: Summary of Budget and Expenditure of Mizoram for 2019-20



3.2.1 Summary of total provisions, actual disbursements and savings/excess during financial year

The summarised position of budget including supplementary budget, actual expenditure, and excess/savings during Financial Year 2019-20 against 48 Grants/Appropriation (47 Grants and one Appropriation) is given in **Table 3.1**:

Table 3.1 : Budget provision, disbursement and savings/excess during the financial year 2019-20.

(₹ in crore)

Total Budget provision		Disbursements		Savings		Excess	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
13,566.80	779.93	10,633.37	734.00	2,943.32	55.36	9.91	9.43

Source: Appropriation Accounts

As can be seen from the table above, overall savings in the budget amounted to ₹ 2,998.68 crore which constituted 20.90 per cent of total grants and appropriations and 86.31 per cent of the supplementary budget of ₹ 3,474.15 crore obtained during the year.

3.2.2 Charged and voted disbursements

Table 3.2 shows the break-up of charged and voted disbursements for the State during the five year period from 2015-16 to 2019-20.

Table 3.2 : Details of Charged and Voted Disbursements

(₹ in crore)

Year	Disbursement		Saving		Excess	
	Voted	Charged	Voted	Charged	Voted	Charged
2015-16	5,989.55	967.12	1,915.41	82.59	35.77	34.96
2016-17	6,873.99	706.42	2,128.80	216.28	61.46	0
2017-18	8,620.96	664.01	1,748.69	68.31	12.51	0
2018-19	9,103.48	686.93	2,741.68	67.22	0	0
2019-20	10,633.37	734.00	2,943.32	55.36	9.91	9.43

(Source: Appropriation Accounts)

From the table it may be seen that Voted disbursements increased by ₹ 4,643.82 crore from ₹ 5,989.55 crore in 2015-16 to ₹ 10,633.37 in 2019-20. The Charged disbursements, however, showed a decreasing trend over the same period and had decreased by ₹ 233.13 crore from ₹ 967.12 crore in 2015-16 to ₹ 734 crore in 2019-20. Savings in both Voted and Charged sections fluctuated from year to year and stood at ₹ 2,943.32 crore and ₹ 55.36 crore, respectively. During Financial Year 2019-20 excess expenditure was seen in four out of five years and ranged between 1.02 *per cent* of total disbursements in 2015-16 to 0.13 *per cent* in 2017-18. While there was no excess expenditure in 2018-19, excess Voted expenditure stood at 0.07 *per cent* (₹ 9.91 crore) while there was excess expenditure of 1.21 *per cent* (₹ 9.43 crore) in Charged expenditure for the current year. All these parameters are discussed in greater detail in the following paragraphs.

3.3 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Article 204 and 205 of the Constitution of India. Appropriation Accounts are on Gross basis. These Accounts depict the original budget provision, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both Charged and Voted items of budget. Appropriation Accounts thus facilitate understanding of utilisation of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants was in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.4 Comments on Integrity of budgetary and accounting process

The following section explores in greater detail the State Government's compliance to the budgetary and accounting process as duly required by law.

3.4.1 Expenditure incurred without authority of law

As appearing in Article 115(1)(a) and 205(1)(a) of the Constitution, New Service means expenditure arising out of a new policy decision, not brought to the notice of Parliament/ State assembly earlier, including a new activity or a new form of investment.

'New Instrument of Service' means relatively large expenditure arising out of important expansion of an existing activity.

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of Article 204 of the Constitution. Expenditure should not be incurred on a new scheme/service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State.

Table 3.3 shows a summary of expenditure incurred without budgetary provision by the State Government during 2019-20.

Table 3.3 : Summary of expenditure without budget provision

Grant/ Appropriation	Head of Accounts	Expenditure (₹ in crore)	Number of Schemes/ Sub Heads
15-General Administration Department	2015-101 Election Commission (01)-State Election Commission	0.07	4
	2015-109 Charges for conduct of Election to Panchayats/Local Bodies etc. (05)-Election to local Councils	0.01	
	2015-109 Charges for conduct of Election to Panchayats/Local Bodies etc. (07)-General Election to Members of Sinlung Hills Council	0.10	
	2053-District Administration 800-Other Expenditure (89)-NEDP	0.25	
19-Local Administration Department	6216-190-Loans to Public sector and other (01)-Housing Loan (LIC)	0.01	1
23-Art and Culture	4202-101-Fine Arts Education (01)-North Eastern Areas	2.36	1
Total		2.80	6

Source: Appropriation Accounts

Audit scrutiny revealed that during the year 2019-20, there were six cases of expenditure incurred without budgetary provision which amounted to ₹ 2.80 crore. Expenditure without budget provision is a violation of financial regulations as well as the will of the Legislature. It also indicates lack of financial discipline in Government Departments.

3.4.2 Transfers not mandated by the Appropriation Act/Detailed Demands for Grants (into Public Account/ Bank Accounts)

The Appropriation Act, authorizes incurrence of expenditure under specified Grants, during the financial year. Hence transfer of amounts from the Consolidated Fund of the State into Public Account heads or into bank accounts, not authorised through the Appropriation Act, needs to be examined and commented upon by Audit.

During 2019-20, no transaction was found under Minor Head 800 Other Deposits subordinate to Major Head 8443 Civil Deposits. However, the accumulated balance of previous years' deposits amounting to ₹ 108.88 crore at the close of the year should be written back to the respective Major Heads of account under the Consolidated Fund from which these were originally transferred as drawals from the Minor Head of account in the subsequent years would not require Legislative approval and thus escape Legislative scrutiny through the Appropriation Account mechanism.

3.4.3 Unnecessary or excessive supplementary grants

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year but not after the expiry of the current financial year as is necessary to meet-

- i. Expenditure on Schemes of New Expenditure to be taken up within the current financial year.
- ii. Inadequacy of provision.
- iii. Fresh expenditure but not technically “Schemes of New Expenditure.”
- iv. Omissions of provision.

When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the Grant to cover the excess by Re-Appropriation, the Secretary in the Department concerned proposes to the Finance Department for Supplementary or Additional Grant or Appropriation.

In deserving cases which are unforeseen and which cannot wait for provision by Supplementary or Additional Grant or Appropriation, advances from the Contingency Fund may be sanctioned in accordance with the provisions made in the Constitution and the relevant rules. The advances so sanctioned will have to be regularised by a Supplementary Grant or Appropriation and recouped to the Contingency fund.

Table 3.4 shows details of cases where supplementary provision ₹ 50 lakh or more in each case proved unnecessary at the end of the year and consequently resulted in surrender of funds which could have been reappropriated at an earlier point of time.

Table 3.4 : Details of cases where supplementary provision proved unnecessary¹⁸

(₹ in crore)

Sl. No.	Name of Grant	Original	Supplementary	Actual Expenditure	Saving out of original
Revenue (Voted)					
1	6-Land Revenue & Settlement	40.84	6.08	29.54	11.30
2	7-Exise and Narcotics	43.78	1.46	37.48	6.30
3	16-Home	794.63	128.90	726.93	67.70
4	17-Food Civil supplies & Consumer Affairs	90.37	2.20	84.70	5.67
5	18-Printing & Stationary	16.99	0.85	15.21	1.78
6	20-School Education	1,323.42	60.58	1,287.32	36.10
7	24-Medical & Public Health Services	561.46	120.54	549.66	11.80
8	28-Labour, Employment, Skill Development	38.59	5.47	36.98	1.61
9	31-Agriculture	173.68	31.78	166.04	7.64
10	36-Enviroment, Forests and Climate Change	160.07	9.57	111.56	48.51
11	38-Rural Development	357.32	142.75	314.66	42.66
12	40-Commerce & Industries	82.57	8.15	67.01	15.56
13	41-Sericulture	21.10	0.70	19.51	1.59
14	42-Transport	50.31	1.03	43.91	6.40
15	47-Irrigation	14.68	0.62	13.25	1.43
Sub Total		3,769.81	520.68	3,503.76	266.05
Capital (Voted)					
16	9-Finance	1,443.08	2.20	2.40	1,440.68
17	15-General Administration	6.60	8.68	4.39	2.21
18	17-Food Civil Supplies & Consumer Affairs	195.94	47.23	174.95	20.99
19	37-Co-operation	3.20	1.17	3.17	0.03
20	38-Rural Development	40.31	12.84	11.09	29.22
21	47-Irrigation	25.00	5.60	16.95	8.05
Sub Total		1,714.13	77.72	212.95	1,501.18
Grand Total		5,483.94	598.40	3,716.71	1,767.23

¹⁸ Threshold for determination of excess provision has been taken at ₹ 50 lakh or more.

As may be seen from the table, during 2019-20 ₹ 6,082.34 crore (O-₹ 5483.94 + S-₹ 598.40 crore) was allocated for 15 Grants under Revenue (Voted) and 6 Grants under Capital (Voted) which ultimately closed with savings of at least ₹ 50 lakhs each. Subsequently, it was found that total expenditure of ₹ 3,716.71 crore was incurred which was 61.11 *per cent* of total allocation. This meant that approximately 40 *per cent* of the funds allocated to 18¹⁹ out of the 48 Grants and appropriation were not utilised during the year. This was mainly due to (i) non-receipt of expenditure sanction from Government, (ii) non-release of funds by GoI (iii) non-approval of expenditure by Finance Department (iv) regularization/ late recruitment of muster roll employees and (v) non-filling of vacant post, *etc.* The unutilised allocation of ₹ 1,767.23 crore could have been re-appropriated for better utilisation.

3.4.4 Unnecessary or excessive re-appropriation

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where need for additional funds is identified. State Government has the power to sanction/authorise any re-appropriation within a Grant, which does not involve the undertaking of a recurring liability.

Injudicious re-appropriation proved excessive/inadequate or insufficient in 21 sub-heads and resulted in savings/excess of over ₹10 lakh and above in each case detailed in **Appendix –IV**.

Further scrutiny revealed that re-appropriation orders for all 21 cases were issued on 31 March 2020. Reasons for excess/savings were not furnished (November 2020) in eight out of the 21 cases pointed out, the cumulative amount of these savings/excess worked out to be ₹ 93.71 crores. However, out of the remaining 13 cases where reasons had been given, 10 were due to non-receipt of actual expenditure at the time of preparation of final surrender and re-appropriation statement. This clearly shows the inadequacy of the expenditure control mechanism of the Government.

Additionally, in nine cases it was found that the total expenditure did not exceed original budget provisions, it may be concluded that augmentation of provision through re-appropriation orders proved unnecessary because expenditure did not come up to the level of original/supplementary budget provision.

3.4.5 Unspent amount and surrendered appropriations and/or Large Savings/ Surrenders

Complete accuracy of estimates may not always be possible; but where the omission or inaccuracy is the result of lack of forethought or neglect of the obvious, it is not readily excusable. The golden rule for all Estimating Officers should be to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. The Administrative and Finance Departments should, in checking the estimates, apply unrelentingly the proven and well-tried check of average of previous actuals with known or reasonably foreseeable facts which may modify that average.

No object is served by keeping back savings which should ideally be surrendered in time. For this reason, appropriations which are likely to remain unspent must be reported for surrender as early as possible. If this is not done, other spending Departments are deprived of the funds which they could have utilised and thus avoidable demands for Supplementary

¹⁹ 3(three) Grants had savings in both Revenue (Voted) and Capital (Voted) units of appropriation.

Grants are preferred. Surrenders are being made generally in the month of March, and a careful study of figures of expenditure incurred and watch over the progress of last month's expenditure should enable a Controlling Officer to fix upon his final requirements with a reasonable degree of exactness.

When the need for surrender manifests itself, the Controlling Officers should carefully estimate the amounts that they can surrender. The aim should be to surrender as much as they can so as to keep the expenditure just within the modified Grant.

Pr. Accountant General (Accounts) provides the draft Appropriation Accounts to the Controlling Officers of the Departments and seeks the reasons/explanation for the variations in expenditure with reference to approved budgetary allocation in keeping with the limits set by the PAC.

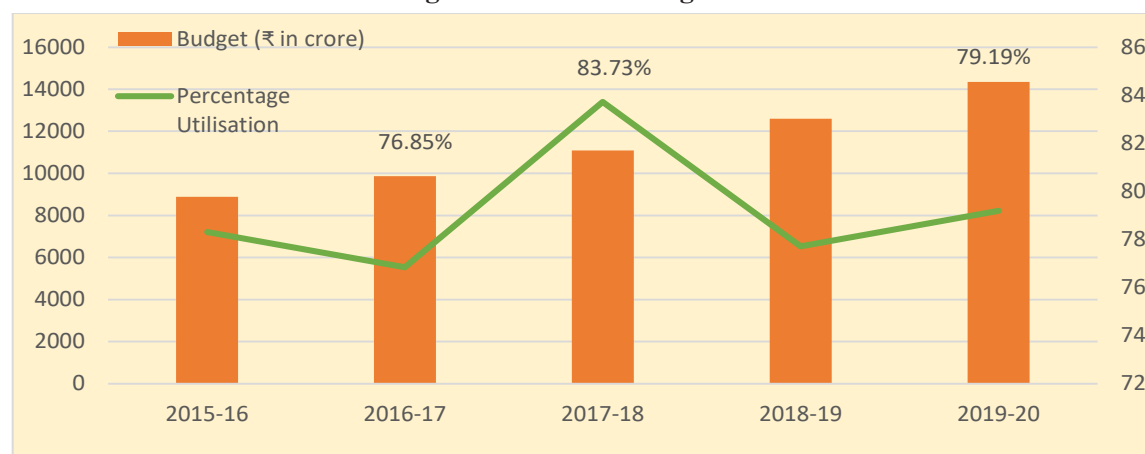
The current limits, set by the State PAC in October 2011 are as follows:

Savings	<ul style="list-style-type: none"> • Comments are to be made for overall savings exceeding 5 per cent of the total provision; if individual sub-heads, where savings exceed ₹5 lakh and the Grant is less than ₹20 crore; if savings exceed ₹10 lakh and the Grant is over ₹20 crore • Comments are to be made in all sub-heads under Charged Appropriations where the variation is more than ₹5 lakh
Excess	<ul style="list-style-type: none"> • General comments are to be made for regularisation of excess over the provision in all cases where there is an overall excess (irrespective of the amount) • Comments are to be made if variations (excesses) under sub-heads of Grants/Appropriation are ₹5 lakh and the Grant is less than ₹20 crore; if excess exceeds ₹10 lakh and the Grant is over ₹20 crore • Comments are to be made in all sub-heads under Charged Appropriations where the variation is more than ₹5 lakh

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls promote release of funds towards the end of the financial year, and increase the propensity of the Departments to retain huge balances outside the Government account in Bank Accounts. Excessive savings also deprive other Departments of the funds which they could have utilised.

Utilisation of budgeted funds by the State has been sub-optimal every year during the past few years. The extent of savings during the last five years is given in **Chart 3.2**.

Chart 3.2: Budget Utilization during 2015-16 to 2019-20



Source: Appropriation Accounts of the respective years

As can be seen from the chart above, utilisation of budget ranged between 76.85 per cent (2016-17) and 83.73 per cent (2017-18) during the last five years, with 79.19 per cent utilisation during 2019-20. Large amount of savings in allocated funds indicate both inaccurate assessment of requirement as well as inadequate capacity to utilise the funds for intended purposes. During 2019-20 five Grants/Appropriations had savings of ₹ 100 crore or more the details of which are shown in **Table 3.5**.

Table 3.5 : Grants having large savings²⁰ during the year 2019-20

(₹ in crore)

Sl. No.	Number and name of the grant	Original	Supplementary	Total	Actual Expenditure	Saving/ Excess	Surrender	Savings excluding surrender
Revenue (Voted)								
1	9-Finance	1,302.06	379.52	1,681.58	1,536.38	145.20	140.12	5.08
2	16-Home	794.63	128.90	923.53	726.93	196.60	94.88	101.72
3	24- Medical and Public Health Services	561.46	120.54	682	549.66	132.34	132.80	-0.46
4	38-Rural Development	357.32	142.75	500.07	314.66	185.41	186.62	-1.21
	Total	3,015.47	771.71	3,787.18	3,127.63	659.55	554.42	105.13
Capital (Voted)								
1	9-Finance	1,443.08	2.20	1,445.28	2.40	1,442.89	1,443.08	-0.19
	Total	1,443.08	2.20	1,445.28	2.40	1,442.89	1,443.08	-0.19
	Grand Total	4,458.55	773.91	5,232.46	3,130.03	2,102.44	1,997.50	104.94

Source: Appropriation Accounts

Audit scrutiny of the Appropriation Accounts revealed that in four out of the five grants mentioned above reason for the savings in expenditure during the year 2019-20 were not provided. Under **Grant 24 – Medical and Public Health Services** reason for savings were received only for an amount of ₹ 9.00 lakhs which, as stated by the Department, occurred due to typing mistake of figures while preparing re-appropriation /surrender for the year 2019-20.

Table 3.6 further lists the details of Grants which had surrendered funds in excess of ₹ 10 crore by 31 March 2020.

Table 3.6 : Details of surrender of funds in excess of ₹ 10 crore at the end of March, 2020.

(₹ in crore)

Sl. No.	Grant Number	Original	Supplementary	Total provisions	Actual	Savings	Amount Surrendered
Revenue (Voted)							
1	6-Land Revenue & Settlement	40.84	6.08	46.92	29.54	17.38	17.14
2	9-Finance	1,302.06	379.52	1,681.58	1,536.39	145.20	140.12
3	15- GAD	96.79	33.10	129.89	118.06	11.83	12.51
4	16-Home	794.63	128.90	923.53	726.93	196.60	94.88
5	20-School Education	1,323.42	60.58	1,384.00	1,287.32	96.68	39.02
6	21- Higher & Technical	257.68	103.05	360.73	285.86	74.87	66.08
7	24-Medical & Public Health Services	561.46	120.54	682.00	549.66	132.34	132.80
8	29-Social Welfare	144.70	72.39	217.09	172.39	44.7	32.56
9	31-Agriculture	173.68	31.78	205.46	166.04	39.42	39.37
10	32-Horticulture	76.65	31.29	107.94	93.28	14.66	14.65

²⁰ Savings above ₹ 100 crore

Sl. No.	Grant Number	Original	Supplementary	Total provisions	Actual	Savings	Amount Surrendered
11	36-Environment, Forest & Climate Change ⁺	160.07	9.57	169.64	111.56	58.08	58.08
12	38-Rural Development	357.32	142.75	500.07	314.66	185.41	186.62
13	39-Power ⁺	533.94	225.23	759.17	740.14	19.03	18.08
14	40-Commerce & Industries	82.57	8.15	90.72	67.01	23.71	23.56
15	45-Public Works Department ⁺	462.73	635.23	1,097.96	1,067.64	30.32	29.76
16	46-UD&PA	161.65	68.62	230.27	204.65	25.62	25.56
Capital (Voted)							
1	9-Finance	1,443.08	2.20	1,445.28	2.40	1,442.88	1,443.08
2	15-GAD	6.60	8.67	15.27	4.39	10.88	11.38
3	24-Medical & Public Health Services	5.02	63.99	69.01	34.75	34.26	34.25
4	29-Social Welfare	5.91	75.06	80.96	60.79	20.18	20.18
5	38-Rural Development	40.31	12.84	53.15	11.09	42.05	42.05
6	45-Public Works Department	134.77	443.80	578.57	481.90	96.67	96.74
7	47-Irrigation & Water Resources	25.00	5.60	30.60	16.95	13.65	13.65

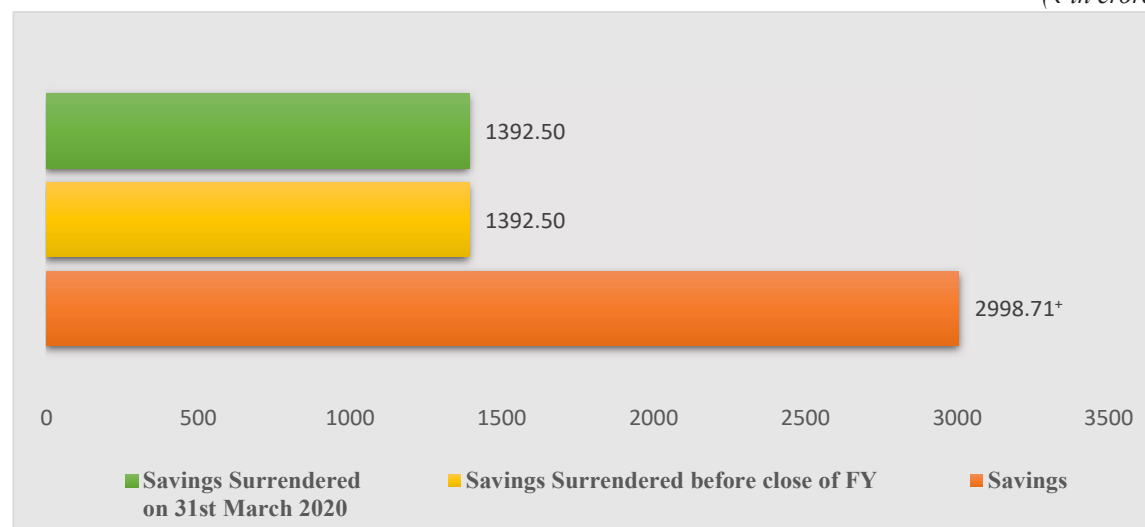
Source: Appropriation Accounts, ⁺ Reasons for savings not stated.

Audit scrutiny of the Appropriation Accounts revealed that in three out of the 23 grants mentioned above the reasons for the savings in expenditure during the year were not provided, savings in 11 out of the remaining cases were due to non-release/short release of funds by GoI, non-receipt savings in expenditure sanction from the State Government, etc. This has been a common occurrence through the previous years and points to weak budgetary control by the State Government.

Chart 3.3 shows the status of savings and surrenders occurring from these savings before the close of the year. As may be seen from the chart, an amount of ₹ 1,392.50 crore was surrendered from the total gross savings of ₹ 2,998.71 crore leaving a balance of ₹ 1,606.21 crore left yet to be surrendered. As per records available, all surrenders occurred on 31 March 2020.

Chart 3.3 : Savings and surrenders before close of financial year 2019-20

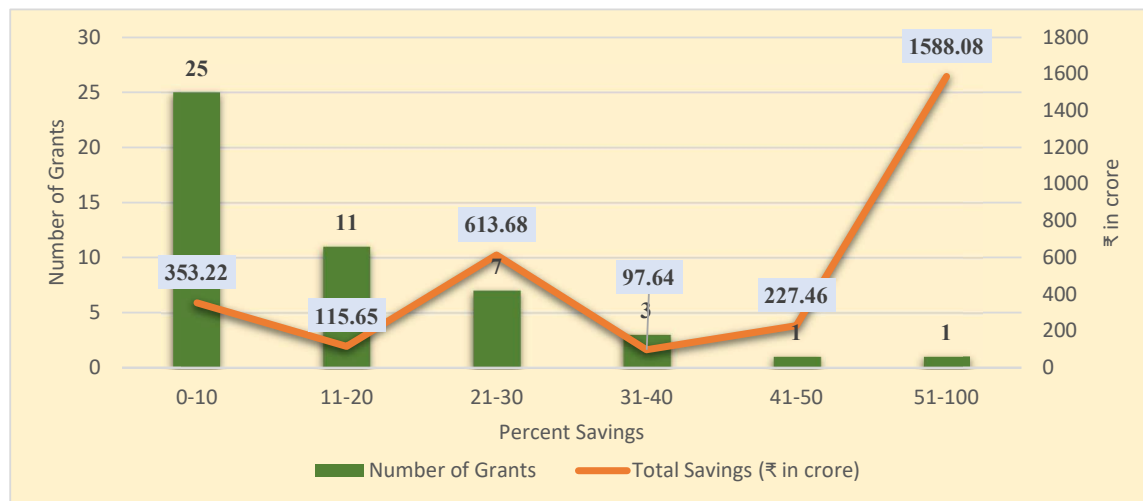
(₹ in crore)



Source: Appropriation Accounts; ⁺ = Gross savings for the year

Chart 3.4 below shows the distribution of the 48 Grants/Appropriations as per savings percentage during the year with the resulting total saving in each group. As may be seen from the chart 25 out of 48 grants were within the group of 0-10 *per cent* savings for the year with an additional 11 grants having savings between 11 - 20 *per cent*. However, the largest saving from an individual grant occurred in Grant 9 – Finance which had a saving of ₹ 1,588.08 crore which was 50 *per cent* of total allocation. Occurrence of such huge savings in any grant is indicative of improper budgetary control.

Chart 3.4: Distribution of Grants/Appropriations grouped by percentage of Savings along with total savings in ₹ crores in each group.



Source: Appropriation Accounts

3.4.6 Excess expenditure and its regularization

Apart from showing the expenditure against the approved budget, Appropriation Accounts also provide explanation for cases where the expenditure varies significantly from the budgeted provision (Original + Supplementary).

3.4.6.1 Excess expenditure during 2019-20

Article 205(1)(b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. This implies that, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature for the Financial Year.

Although no time limit for regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee. Failure to do so is in contravention of constitutional provisions and defeats the objective of ensuring accountability by the Legislature of the executive over utilisation of public money.

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose. Cases of excess expenditure over the provisions for the financial year are carefully examined

to ascertain whether sufficient reasons were available to disregard prevalent rules and also to determine if these reasons, if available, were justifiable.

Table 3.7 : Summary of excess disbursements over grants/appropriations during the financial year

(₹ in crore)

		Name of Department/Grant					
		Council of Ministers	Sports & Youth Services	District Councils & Minority Affairs	Disaster Management & Rehabilitation	Co-operation	Public Debt
Voted	Revenue	0.61	0.65	0.01	8.52	0.11	-
	Capital	-	-	-	-	-	-
Charged	Revenue	-	-	-	-	-	-
	Capital	-	-	-	-	-	9.42
No. of Grants/ Appropriations		1	1	1	1	1	1
Total Excess		0.61	0.65	0.01	8.52	-0.11	9.42
Grand Total		19.32					

Source: Appropriation Accounts

During 2019-20, there was a total excess disbursement of ₹ 19.32 crore under five Grants and one appropriation. Out of these, reasons for excess were received only for **Grant 37-Cooperation**, the Department stated (November 2020) that the reason for excess disbursement was wrong booking/calculation.

In light of the above, it is clear that the Government and Departments concerned did not exercise adequate control over the expenditure of various Departments and Government may take necessary steps to rectify the situation.

3.4.6.2 Regularisation of excess expenditure of previous financial years

Excess expenditure remaining unregularised for extended periods dilutes legislative control over the executive and is in violation of Article 204 (3) of the Constitution, which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources. The excess expenditure relating to the previous years not yet regularised have been shown in **Table 3.8**.

Table 3.8 : Excess expenditure relating to previous years requiring regularization

(₹ in crore)

Year	Grant No./ Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
Revenue Portion				
2017-18	2	Governor	0.07	N/A
2019-20	3	Council of Ministers	0.61	N/A
2019-20	22	Sports & Youth Services	0.65	N/A
2019-20	27	District Councils and Minority Affairs	0.01	N/A

Year	Grant No./ Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
2019-20	30	Disaster Management and Rehabilitation	8.52	N/A
2019-20	37	Co-operation	0.11	N/A
Capital Portion				
2016-17	45	Public Works	61.46	N/A
2017-18	20	School Education	10.38	N/A
2017-18	45	Public Works	2.12	N/A
2019-20	13	Personnel and Administrative Reforms	0.01	N/A
Capital Portion (Charged)				
2019-20	...	Public Debt	9.43	N/A
TOTAL	10		93.37	

Source: Appropriation Accounts

During the period 2015-20, there was an excess expenditure of ₹ 93.37 crore under 10 Grants, covering 9 departments which was yet to be regularised in accordance with Article 205 of the Constitution.

3.5 Comments on Transparency of Budgetary and Accounting process

Transparency in the budgetary and accounting process ensures that clarity is maintained in the management of funds by the Government.

3.5.1 Lump Sum budgetary provisions

Lump sum provision in estimates are generally discouraged except in cases where urgent measures are to be provided for meeting emergent situations or for meeting preliminary expenses on a project/scheme which has been accepted in principle for being taken up in the financial year. Detailed explanations justifying provision proposed are required to be given in the budget note accompanying the lump sum estimates. Lump sum provisions without identifying the exact object of expenditure is against transparency. In the case of Union Government, for example, Rule 8 of DFPRs stipulates that object head '42-Lump sum provision' should be used to record expenditure in respect of schemes whose provision does not exceed ₹ 10 lakhs. No cases of lumpsum provision by the Government of Mizoram were found during 2019-20 which would indicate that the budgetary and accounting process was transparent.

3.6 Comments on Effectiveness of Budgetary and Accounting process

The effectiveness of budgetary and Accounting process may be most easily measured by comparing the outcome of a given budget. This section attempts to highlight the deficiencies or lack thereof in the budgetary and accounting process of the Government of Mizoram.

3.6.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among

various developmental needs. Excessive savings in some departments deprives other departments of the funds which they could have utilised. **Table 3.9** gives the summarised position of actual expenditure as compared to the original and supplementary budget provisions during 2019-20.

Table 3.9 : Summarised position of Actual Expenditure vis-à-vis Budget (Original/Supplementary) provisions during the financial year

(₹ in crore)

Nature of expenditure			Original grant	Supplementary grant	Total	Expenditure	Savings (-)/ Excess (+)	Details of Surrender of savings	
								Amount	Per cent
Voted	I	Revenue	7,973.86	2,307.50	10,281.36	9,098.96	-1,182.40	1,003.69	84.89
	II	Capital	2,093.13	1,010.00	3,103.13	1,454.28	-1,648.85	286.66	17.39
	III	Loans and Advances	101.70	80.62	182.32	80.13	-102.19	101.74	99.56
Total Voted			10,168.69	3,398.12	13,566.81	10,633.37	-2,933.44	1,392.09	47.46
Charged	IV	Revenue	431.68	3.75	435.43	380.08	-55.35	0.41	-0.74
	V	Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VI	Public Debt Repayment	272.21	72.28	344.49	353.92	9.43	0.00	0.00
Total Charged			703.89	76.03	779.92	734.00	-45.92	0.41	0.89
Appropriation to Contingency Fund (If any)*			0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grand Total			10,872.58	3,474.15	14,346.73	11,367.37	-2,979.36	1,392.50	46.74

Source: Appropriation Accounts.

Audit of Appropriation Accounts revealed the following:

- Net savings of ₹ 2,979.36 crore occurred in 45 grants and three appropriations under Revenue Section and 25 grants under Capital Section.
- Savings included an amount of ₹ 281.35 crore in 11 Grants, which was expected to be received from the GoI, but was not received. While this amount was shown as savings due to its projection in the Budget, there were no real savings, since the amount was not received by the State Government.
- Out of the savings of ₹ 1,182.40 crore under the Revenue Section (Voted), 84.89 per cent was surrendered.
- 99.26 per cent of the unspent provision of ₹ 55.35 crore under the Revenue (charged) section was not surrendered.
- Public Debt had savings of ₹ 52.90 crore and ₹ 9.43 crore under Revenue (Charged) and Capital (Charged) respectively. The amount was not surrendered.

Non-surrender of funds on time defeats the objective of achieving efficiency in budget management.

The State Government prepared a budget which it did not have the ability to implement and/or its Departments had not done the ground work to be able to utilise the allocated funds within the envisaged timeframe.

Table 3.10 shows the details of budget and actual expenditure over the five year period from 2015-16 to 2019-20. As may be seen from the table, the total allocation in the budget of the State increased by 61.49 per cent from ₹ 8,883.94 crore in 2015-16 to ₹ 14,346.73 crore

in 2019-20. During the same period savings had also increased by 54.59 per cent from ₹ 1,927.27 crore in 2015-16 to ₹ 2,979.36 crore in 2019-20.

Supplementary provisions exhibited an upward trend over the five year period, growing from 14.53 per cent to 31.95 per cent of original allocations in 2015-16 and 2019-20 respectively.

Table 3.10 : Original Budget, Revised Estimate and Actual Expenditure during 2015-20

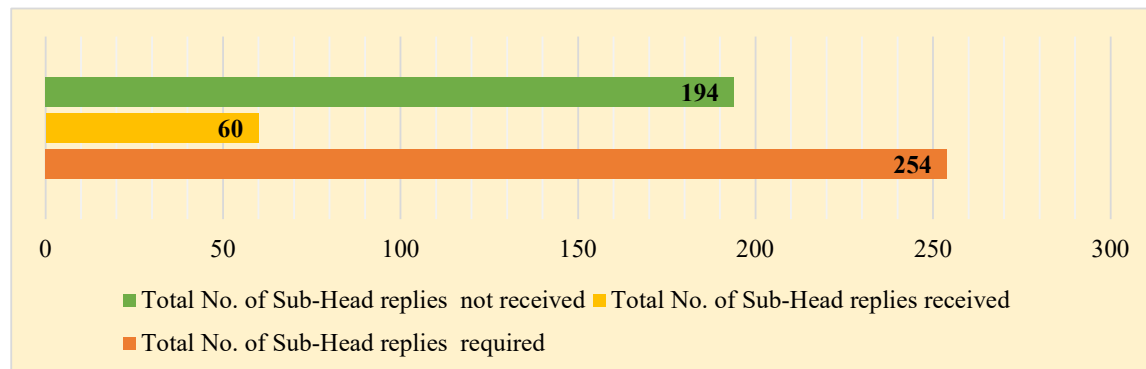
	2015-16	2016-17	2017-18	2018-19	2019-20
Original budget	7,756.79	8,218.65	8,803.09	9,672.64	10,872.58
Supplementary Budget	1,127.15	1,645.38	2,286.36	2,926.66	3,474.15
Revised Estimate (RE)	8,883.94	9,864.03	11,089.45	12,599.3	14,346.73
Actual Expenditure	6,956.67	7,580.41	9,284.96	9,790.41	11,367.37
Savings/Excess	-1,927.27	-2,283.62	-1,804.49	-2,808.89	-2,979.36
Saving as Percentage of RE	21.69	23.15	16.27	22.29	20.76

(₹ in crore)

Source: Appropriation Accounts

Chart 3.5 shows the summary of explanations received for variations in appropriations as depicted in the accounts for the year. As may be seen from the chart, out of 254 explanations due to be received from the Government for excess and/or savings in expenditure only 60 replies had been received (November 2020) and 194 explanations were yet to be received.

Chart 3.5 : Summary of Explanations for Variation in Appropriations



Source: Appropriation Accounts

3.6.2 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the Departments report to legislature large additional requirement for different purposes under various schemes/activities; but finally they are unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. As a result, the unutilised funds could not be made use of. At the same time, some of the schemes remained incomplete due to want of funds. Thus, the intended benefit of the unfinished schemes could not be extended to the public and may lead to escalation of project cost.

The Government also announces several new policies/schemes for implementation through the Finance Minister's (FM) Budget Speech and other budget documents which are either for that Financial Year *i.e.* one-time activity or are of recurring nature. Actual figures related

to expenditure with funding pattern *i.e.* from the State's own resources or from Central Government assistance or through debt are gathered from the Finance Accounts of the State. Of these, several schemes/programmes declared by the Government do not typically get operationalised due to lack of preparatory work and/or lack of adequate allocation of budget.

In this section, unnecessary excessive budget/supplementary provisions have been highlighted for the period 2019-20. Details are in **Table 3.11**.

Table 3.11 : Grant-wise unutilised funds during 2019-20

(₹in crore)

Sl. No.	Grant	O	S	Total	Expenditure	Unutilised funds
Capital Voted						
1	8 Taxation	6.13	0.60	6.73	0.60	6.13
2	9 Finance	1443.08	2.20	1445.28	2.40	1442.88
3	14 Planning and Programme Implementation	0.00	2.68	2.68	1.61	1.07
4	15 General Administration	6.60	8.68	15.28	4.39	10.88
5	16 Home	3.46	10.38	13.84	13.44	0.40
6	17 Food, Civil Supplies and Consumer Affairs	195.94	47.23	243.17	174.95	68.22
7	19 Local Administration	0.00	1.90	1.90	1.89	0.01
8	22 Sports and Youth Services	5.48	7.75	13.23	8.61	4.63
9	24 Medical and Public Health Services	5.01	63.99	69.00	34.75	34.25
10	25 Water Supply and Sanitation	48.10	116.88	164.98	164.67	0.31
11	29 Social Welfare	5.91	75.05	80.96	60.78	20.18
12	31 Agriculture	0.00	2.25	2.25	1.70	0.55
13	37 Co-operation	3.20	1.18	4.38	3.18	1.20
14	38 Rural Development	40.31	12.84	53.15	11.09	42.06
15	39 Power	33.45	102.12	135.57	132.17	3.40
16	40 Commerce and Industries	0.00	12.17	12.17	7.87	4.30
17	41 Sericulture	0.00	0.84	0.84	0.81	0.03
18	45 Public Works	134.77	433.80	578.57	481.89	96.67
19	46 Urban Development and Poverty Alleviation	215.19	96.53	311.72	311.51	0.21
20	47 Irrigation and Water Resources	25.00	5.60	30.60	16.95	13.65

Source: Appropriation Accounts

Note : O - Original Allocation; S - Supplementary provision

Under Grant No. 9 Finance, ₹ 14,43.08 crore was surrendered during the year as anticipated surplus to the requirement, but actual saving worked out to ₹ 14,42.88 crore only. In view of the final saving of ₹ 14,42.88 crore, supplementary provision of ₹ 2.20 crore obtained during the year proved totally unnecessary as the actual expenditure of ₹ 2.40 crore did not even come upto the original budget provision of ₹ 14,43.08 crore. Further, the expenditure was less than the original provision under General Administration grant, yet a supplementary was provided, leading to surrender of 83 *per cent* of the Revised Estimates. Similar situation was seen under Food, Civil Supplies and Consumer Affairs. Under Rural Development Department, while expenditure was only 28 *per cent* of the original budget, yet

a supplementary of ₹ 12.84 crore was provided, leading to unutilised funds of 104 per cent of the original provision.

3.6.3 Major policy pronouncements in budget and their actual funding for ensuring implementation

Several policy initiatives taken up by the Government are partially or not executed due to non-approval of scheme guidelines/modalities, non-commencement of works for want of administrative sanction, non-release of budget, etc. This deprives the beneficiaries of intended benefits. Savings in such schemes deprives other Departments of the funds which they could have utilised. **Table 3.12** gives details of schemes/projects for which budget provision of ₹ one crore and above was made but no expenditure was incurred.

Table 3.12 : Details of the schemes/projects for which provision of ₹ 1 crore and above was made but no expenditure was incurred during Financial Year 2019-20

(₹ in crore)

Sl. No.	Department Name	Scheme Name	Budgetary provision	Actual expenditure	Reason
1	Land Revenue and Settlement	Digital India Land Records modernization Programme (DILRMP)	4.98	Nil	Due to Non-receipt of expenditure sanction from Government.
2	Taxation	Socio-Economic Development Policy (SEDP)-Capital Outlay on other Fiscal Services	6.13	Nil	Reason not given
3	Finance	Socio-Economic Development Policy (SEDP)-Capital Outlay on other Fiscal Services	680.18	Nil	Due to re-allocation of fund to the concerned Department
4	Planning and Programme Implementation	Socio-Economic Development Policy (SEDP)-Capital Outlay on other General Economic Services	1.05	Nil	Reason not given
5	General Administration Department	Socio-Economic Development Policy (SEDP)-Capital Outlay on other Administrative Services	6.60	Nil	Due to non-receipt of expenditure sanction by Finance Department
Total			698.94	Nil	

Source: Appropriation Accounts

Non-expenditure of provisioned grants deprives the beneficiaries of the intended benefits and also defeats the objective of achieving efficiency in budget management.

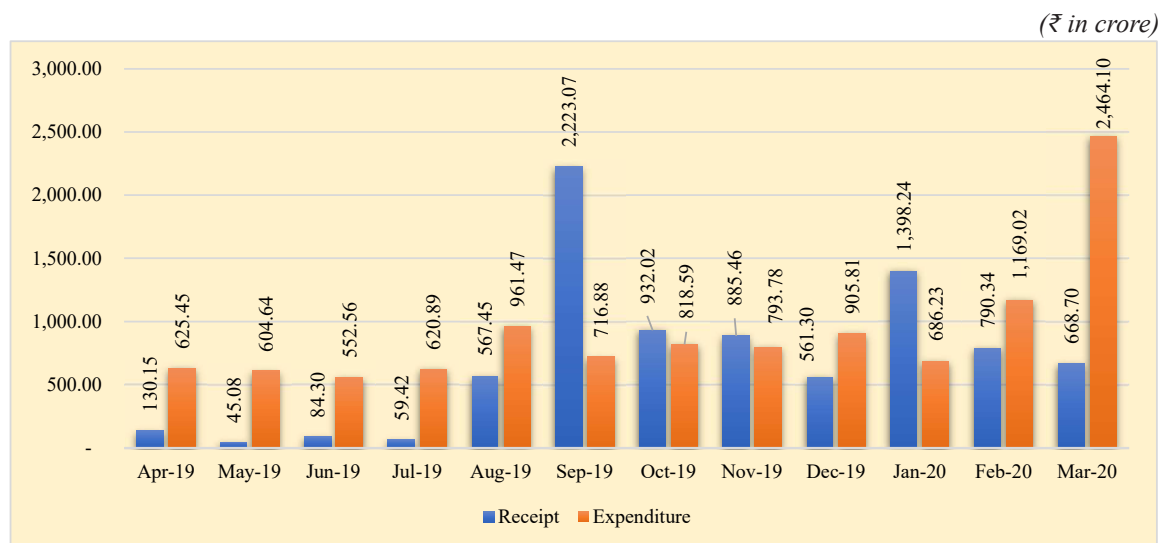
3.6.4 Rush of expenditure

Government funds should be evenly spent throughout the year and the rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalance and temporary cash crunches due to mismatch of revenue expenditure during a particular month arising out of unanticipated heavy expenditure in that particular month.

The monthly flow of receipts in to the State exchequer and disbursements during 2019-20 is given in **Chart 3.6**.

As can be seen from the chart, receipts fluctuated across the months during the financial year 2019-20 and peaked at ₹ 2,223.07 crore during September 2019. However, Audit scrutiny of the pattern of expenditure during 2019-20 revealed that the State Government incurred an expenditure of ₹ 2,464.10 crore, constituting about 22.57 per cent of the total expenditure of ₹ 10,919.43 crore, in March 2020 alone. Of this, ₹ 1,163.76 crore (47.23 per cent of amount disbursed in March), was disbursed on the last week of March 2020.

Chart 3.6 : Monthly receipts and expenditure during 2019-20 for the State



Source: Appropriation Accounts

The Government needs to improve its resource management so that expenditure matches the receipts consistently during the year.

Table 3.13 provides the details of grants with expenditure more than 50 per cent of total allocation in March alone. The grants have been listed in decreasing order of expenditure during the month of March 2020.

Table 3.13 : Grants with more than 50 per cent of expenditure in March alone

Sl. No	Grant No. & Description	Q1	Q2	Q3	Q4	Total (₹ in crore)	Expenditure in March	
							Amount (₹ in crore)	As percent of Total
1	30 Disaster Management and Rehabilitation	1.05	14.96	0.86	43.92	60.79	42.91	70.59
2	48 Information and Communication Technology	0.85	1.12	0.82	7.12	9.91	6.45	65.09
3	45 Public Works	63.36	85.07	356.20	994.68	1,499.31	842.84	56.22
4	47 Irrigation and Water Resources	3.77	3.57	3.42	19.44	30.20	16.71	55.33
5	31 Agriculture	11.99	13.96	23.80	116.62	166.37	84.27	50.65
6	29 Social Welfare	11.97	45.27	27.89	148.05	233.18	117.87	50.55
7	28 Labour, Employment, Skill Development & Entrepreneurship	6.10	8.89	6.32	25.07	46.38	23.31	50.26

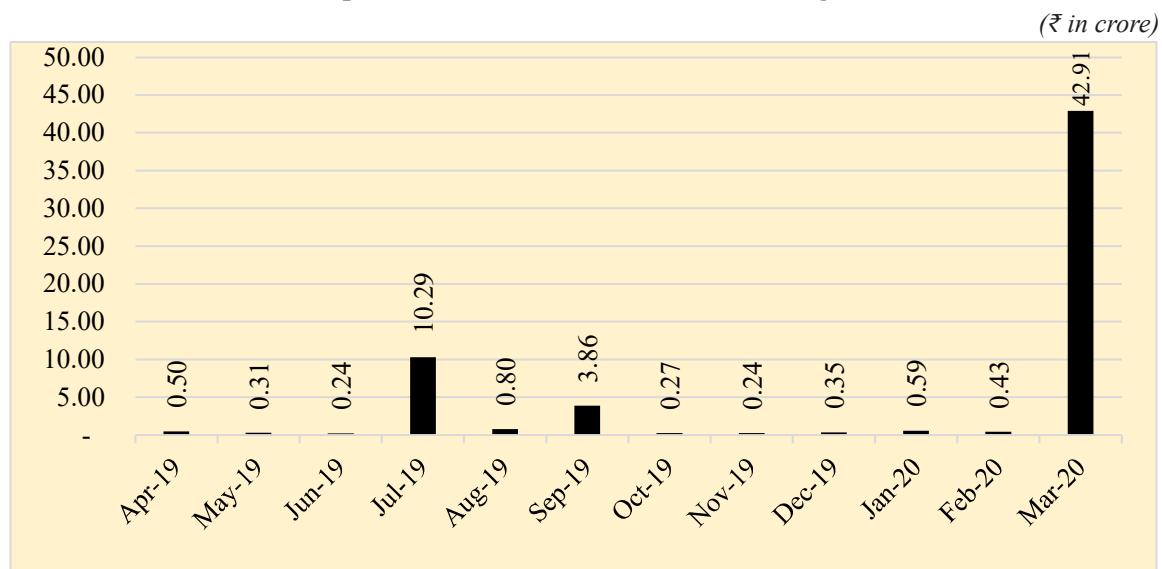
Source: Appropriation Accounts

From the table it may be seen that in seven out of 48 Grants/Appropriations more than 50 per cent of expenditure of total allocation for the year was booked during the month

of March. The magnitude of expenditure during month of March ranged between 70.59 per cent in Grant 30 – Disaster Management and Rehabilitation and 50.26 per cent in Grant 28 – Labour, Employment, Skill Development and Entrepreneurship.

Chart 3.7 depicts the monthly trend of expenditure in Grant 30 - Disaster Management and Rehabilitation. As may be seen from the chart expenditure during March 2020 was very high when compared to the other 11 months of the financial year. The percentage increase of expenditure in March 2020 when compared to the average expenditure of the other 11 months was seen to be 2,640.11 per cent. In response to a query, the Department stated (February 2021) that huge drawal of funds was necessitated by the onset of the COVID -19 pandemic as well as preparation for mitigation of other natural disasters like landslides etc.

Chart 3.7 : Month wise expenditure of Grant 30 -Disaster Management and Rehabilitation



Source: Appropriation Accounts

3.6.5 Review of selected grants

During the year 2019-20, **Grant No. 22–Sports and Youth Services** was selected for detailed scrutiny to ascertain compliance with budgeting processes, monitoring of funds, control mechanisms and implementation of the schemes within these grants. Outcome of the review is discussed in the succeeding paragraphs.

3.6.5.1 Budget and Expenditure

The summarised position of budgetary allocation and actual expenditure there-against during the year 2019-20 in respect of the Grant is given below:

Table 3.14 : Budget and expenditure under Grant No. 22 during 2019-20

(₹ in crore)

Nature of expenditure	Budget Provision			Actual expenditure	Savings (-) / Excess(+)	Amount surrender
	Original	Supplementary	Total			
Revenue	22.16	10.21	32.37	33.02	(+)0.65	0.58
Capital	5.48	7.75	13.23	8.61	(-)4.62	4.62

Source: Appropriation Accounts, 2019-20

It can be seen from the above table that there was excess of ₹ 0.65 crore under Revenue head whereas there were savings of ₹ 4.62 crore under Capital Head. Although, the excess was intimated by the Pr. Accountant General (Accounts) to the Chief Controlling Officer (CCO) of the Department requesting to elucidate the specific reasons thereof. However, the reasons for excess were not intimated by the Department concerned (November 2020).

In view of the final excess of ₹ 0.65 crore under Revenue head, supplementary provision of ₹ 10.21 crore obtained during the year proved insufficient as well as surrender of ₹ 0.58 crore proved injudicious.

On the other hand, under Capital head, the supplementary provision of ₹ 7.75 crore proved excessive resulting in savings of ₹ 4.62 crore.

3.6.5.2 Persistent Savings

During the period from 2015-16 to 2019-20, there were persistent savings within the grant as shown in **Table-3.15** below. The percentage of savings to total grant ranged between 1.93 and 27.56 per cent.

Table 3.15 : Persistent Savings

(₹ in crore)

22-Sports & Youth Services	Amount of savings				
	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue	2.43	1.21	1.75	0.98	0.00
Capital	6.36	3.28	0.24	0.00	4.62
Total Amount of Grant	31.89	28.75	34.55	50.77	45.60
Percentage of savings to Total Grant	27.56	15.62	5.76	1.93	10.13

Source: Appropriation Accounts of respective years

Persistent savings in the last five years indicated that the budgeting process in the Department was unrealistic and did not reflect the actual requirements of the Department. Thus, it is imperative that budgeting is done in a planned and realistic manner to ensure prudent financial management and utilise funds for the envisaged developmental programmes.

3.6.5.3 Substantial Surrenders

There was surrender of the whole provision amount which is more than 50 per cent of total provision within this grant in respect of a sub-head on account of non-operation of Second Mizo Battalion, NCC as shown in **Table 3.16**.

Table 3.16 : Surrenders more than 50 per cent of total provision

(₹ in crore)

Head and details of scheme	Total Provision	Details of surrender		Reasons
		Amount	Per cent	
2204-102-10-2nd Mizo Battalion, NCC	0.28	0.28	100	Due to non-operation of Second Mizo Battalion, NCC
Total	0.28	0.28	100	--

Source: Appropriation Accounts, 2019-20

3.7 Conclusion

Against the total budget provision of ₹ 14,346.73 crore, State Government Departments incurred an expenditure of ₹11,367.37 crore. There was an overall saving of ₹ 2,998.68 crore which was offset by excess of ₹ 19.42 crore under five Grants and one appropriation, resulting in net savings of ₹ 2,979.36 crore. It was 20.77 *per cent* of total Grants/Appropriations and was 32.66 *per cent* of the expenditure during the year 2019-20. Out of ₹ 2,998.68 crore, ₹ 1,392.50 crore of savings were surrendered up to the end of March 2020. Percentage of savings to that of the expenditures ranged between 19.43 *per cent* in 2017-18 to 30.13 *per cent* in 2016-17. Large amount of savings in allocated funds indicate both inaccurate assessment of requirement as well as inadequate capacity of Departments, to utilise the funds for the intended purposes and thus inefficient budgetary management by the State Government.

An expenditure of ₹ 2.80 crore was incurred in six Grants/Appropriations without any provision in the original estimates or supplementary demands. Supplementary provisions of more than ₹ 50 lakh were obtained in each case under 21 Grants/Appropriation even though the actual expenditure was less than the original provision. Approximately 40 *per cent* of the funds allocated to 18 out of the 48 Grants and appropriation were not utilised during the year. Analysis of Grant No. 22 of Department of Sports and Youth Services revealed persistent savings of around ₹ one crore every year during the five-year period 2015-20. The percentage of savings to total in the Grant 22, ranged between 1.93 and 27.56 *per cent*.

During the period 2015-20, there was an excess expenditure of ₹ 93.37 crore, covering nine departments which needs to be regularized in accordance with the constitutional provisions.

3.8 Recommendations

1. *State Government needs to formulate a budget based on reliable assumptions of the needs of the Departments and their capacity to utilise the allocated resources. Controlling Officers need to be made aware of their responsibility to explain the variation in expenditure from the allocation to facilitate proper analysis of budget;*
2. *Government should enforce its commitment to achieve its promised/intended objectives for overall development of the State through improved execution, monitoring and financial management of schemes/projects;*
3. *An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grant/ Appropriation are controlled, and anticipated savings are identified and surrendered within the specified timeframe. Demands for supplementary grants should be critically reviewed, w.r.t actual expenditure incurred by Departments; and*
4. *Expenditure exceeding the limits approved by the Legislature is a violation of the will of the Legislature and therefore of the public. It therefore, needs to be viewed seriously and regularized at the earliest.*

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

(₹ in crore)

Year	Number of UCs	Amount
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

(₹ in crore)

Sl. No.	Name of the department	Amount of Outstanding UCs
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

(₹ in crore)

Financial year	Total GIA	Portion of Grants-in-Aid shown as “Others”	Percentage
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

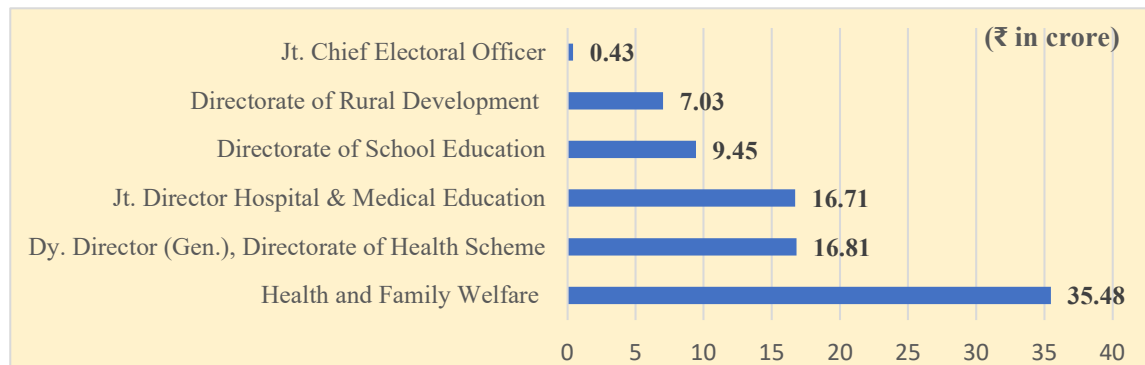
(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	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

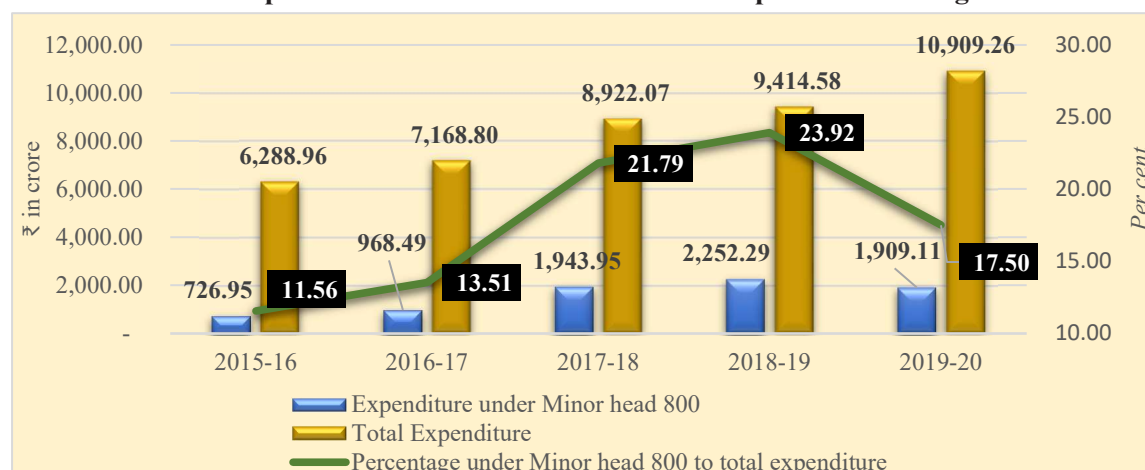
It is observed that of pending amount of ₹ 85.92 crore, 80 per cent (₹ 69 crore) is attributable to Joint Director Hospital and Medical Education, Dy Director Directorate of Health Scheme and Health and Family Welfare Department.

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

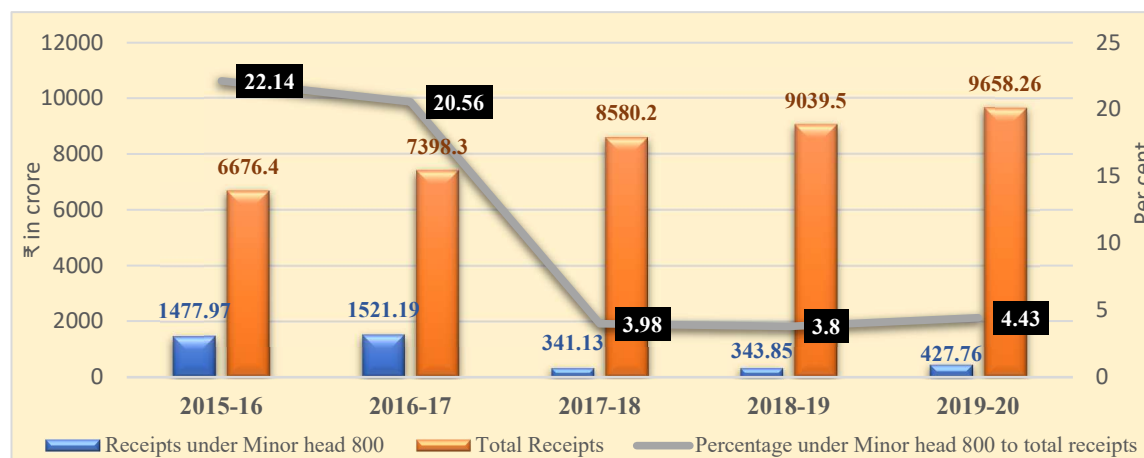
(₹ in crore)

Major Head	Description	Total Expenditure in the Major head	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	Receipts Under Minor Head 800	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

(₹ in crore)

Minor Head	2017-18		2018-19		2019-20	
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)	0.01	0.37	0.01	2.79	0.28	1.22
Suspense						
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
Net²¹	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).

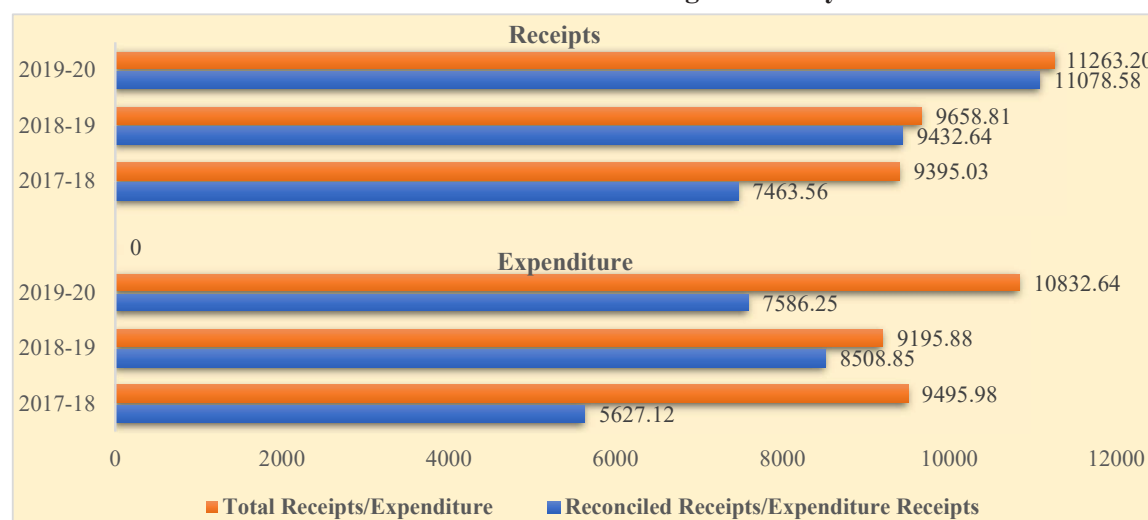
The Government needs to review and analyse all the unadjusted/outstanding transactions mentioned above and take appropriate corrective measures expeditiously.

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 (MBOCWB) 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 MBOCWB 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 MBOCWB 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>i.e.</i> 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	
2	MMDCL	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.

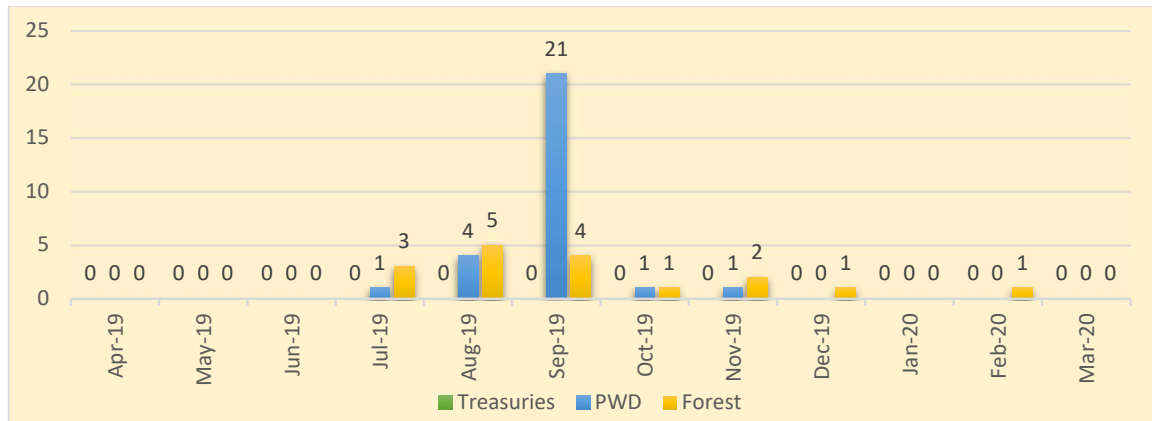
Further, Regulations on Audit and Accounts (Amendments) 2020 provides that Governments and HODs, who sanction grants and / or loans to bodies or authorities shall furnish to Audit by the end of July every year a statement of such bodies and authorities to which grants and / or loans aggregating ₹ 10 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.					
			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)	No. of cases	Amount (₹ in lakh)
Department of Transport	1	8.74	No information available					
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.*

CHAPTER-V
FUNCTIONING OF STATE
PUBLIC SECTOR ENTERPRISES



Chapter 5: Functioning of State Public Sector Enterprises

SUMMARY OF FINANCIAL PERFORMANCE OF STATE PUBLIC ENTERPRISES

5.1 Introduction

This Chapter presents the financial performance of ‘Government Companies’, ‘Statutory Corporations’ and ‘Government Controlled Other Companies’. The term State Public Sector Enterprises (SPSEs) encompasses the State Government owned companies set up under the Companies Act, 2013 and Statutory Corporations setup under the statutes enacted by the Parliament and State legislature.

A Government Company is defined in Section 2(45) of the Companies Act, 2013 as a Company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a Company which is a subsidiary of a Government Company.

Besides, any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government controlled other Companies.

5.2 Mandate

Audit of ‘Government Companies’ and ‘Government Controlled Other Companies’ is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG’s (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for Companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG.

5.3 Working and non-working SPSEs

As on 31 March 2020, there were six SPSEs (all working Government companies) under the audit jurisdiction of the CAG in Mizoram as shown in **Table 5.1**.

Table 5.1: Details of SPSEs in Mizoram

Type of SPSEs	Working SPSEs	Non-working SPSEs ²⁴	Total
Government Companies	6	0	6
Total	6	0	6

Table 5.2 below provides the comparative details of working SPSEs turnover and State GSDP for a period of three years ending 2019-20.

²⁴ Non-working SPSEs are those which have ceased to carry on their operations

Table 5.2: Contribution of SPSEs-turnover to GSDP

(₹ in crore)

Particulars	2017-18	2018-19	2019-20
SPSEs-Turnover ²⁵	17.58	13.87	10.78
GSDP	19,385	22,287	26,503
Percentage of Turnover to GSDP	0.09	0.06	0.04

Source: As per latest finalised accounts of SPSEs.

As could be noticed from the **Table** above, the contribution of SPSEs-turnover to GSDP over the past three years from 2017-18 to 2019-20 has shown a decreasing trend mainly due to gradual reduction in SPSE-turnover and continuous growth in GSDP during last three years. During 2019-20, the contribution of SPSEs-turnover to GSDP was meagre at 0.04 *per cent*. The major contributor to SPSEs-turnover during 2019-20 was Zoram Industrial Development Corporation Limited (₹ 9.72 crore).

5.4 Investment in SPSEs

State Government's investment in SPSEs

The State's investment in the SPSEs was by way of Equity Share Capital and Long Term Loans. The figures in respect of Equity Capital and Loans provided by the State Government as per the records of the SPSEs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of differences in the figures, the SPSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard for last three years is given in **Table 5.3**.

Table 5.3: Equity and Loans outstanding²⁶ as per the State Finance Accounts vis-à-vis records of SPSEs for last three years

(₹ in crore)

Year	2017-18			2018-19			2019-20		
	Amount as per Finance Accounts	Amount as per records of SPSEs	Difference	Amount as per Finance Accounts	Amount as per records of SPSEs	Difference	Amount as per Finance Accounts	Amount as per records of SPSEs	Difference
Equity	6.99	54.04	47.05	6.99	54.04	47.05	6.99	54.04	47.05
Loans	35.77	10.35	25.42	34.44	9.44	25.00	33.02	9.44	23.58

Source: As per State Finance Accounts and as per records of SPSEs.

It can be noticed from the **Table** above that, during last three years (2017-18 to 2019-20), as per the records of SPSEs, the Equity investment given by the State Government remained constant at ₹ 54.04 crore while loans decreased from ₹ 10.35 crore in 2017-18 to ₹ 9.44 crore in 2019-20. However, as on 31 March 2020, there were differences in the figures of Equity (₹ 47.05 crore) and Loan (₹ 23.58 crore) as per two sets of records.

The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in a time-bound manner. The Government should correct the system of financing the SPSEs and the Finance Accounts may be updated.

²⁵ As per the latest finalised accounts of SPSEs as on 30th September of respective years.

²⁶ Figures of investment (equity and loans) as per SPSE-records are provisional and as provided by the SPSEs as none of the six SPSEs had finalised their current accounts during any of the last three years.

5.5 Budgetary assistance to SPSEs

The State Government provides financial support to SPSEs in various forms through annual budgetary allocations. The summarised details of budgetary support towards Equity, Loans and Grants/subsidies in respect of SPSEs during past three years are given in **Table 5.4**.

Table 5.4: Details regarding annual budgetary support to SPSEs

(₹ in crore)

Particulars	2017-18		2018-19		2019-20	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity capital outgo from budget	Nil					
Loans given from budget	Nil					
Grants/subsidy from budget	2	5.17	2	4.54	2	5.53
Total Outgo	2	5.17	2	4.54	2	5.53

Source: As per SPSEs records

As can be seen from the **Table** above, the budgetary support provided by State Government to SPSEs increased from ₹ 5.17 crore in 2017-18 to ₹ 5.53 crore in 2019-20. During last three years (2017-20), the State Government has not provided any budgetary support in the form of equity capital and long term loans to SPSEs. During 2017-20, the budgetary assistance in the form of grants/subsidy was provided mainly to meet the salaries and other establishment expenditure of two SPSEs²⁷ (Zoram Industrial Development Corporation Limited and Mizoram Handloom and Handicrafts Development Corporation Limited). The State Government did not provide equity assistance to any PSUs during 2017-20.

5.6 Returns from Government Companies and Corporations

Profit earned and Dividend paid by SPSEs

The position of aggregate profit earned and dividend paid by profit earning SPSEs during the past three years as per the latest finalised accounts as on 30 September of respective year is given in **Table 5.5**.

Table 5.5: Details of profits earned and dividend paid by working SPSEs

Year	2017-18	2018-19	2019-20
Number of profit earning working SPSEs	2	1	1
Aggregate profit earned (₹ in crore)	2.94	2.54	0.82
Dividend paid	-	-	-

As can be noticed from **Table** above, during last three years, only two to one SPSEs earned profits ranging from ₹ 2.94 crore (2017-18) to ₹ 0.82 crore (2019-20). However, none of these SPSEs had declared any dividend during the past three years. There was no recorded information about the existence of any specific policy of the State Government regarding payment of minimum dividend by the SPSEs.

During last two years (viz. 2018-19 and 2019-20), out of total six working SPSEs, only one SPSE (Zoram Industrial Development Corporation Limited) earned profit of ₹ 2.54 crore (2018-19) and ₹ 0.82 crore (2019-20) respectively as per its latest finalised accounts. This

²⁷ During 2019-20, the budgetary assistance of ₹ 5.53 crore was received by Zoram Industrial Development Corporation Limited (₹ 3.42 crore) and Mizoram Handloom and Handicrafts Development Corporation Limited (₹ 2.11 crore).

indicated that the other SPSEs had not contributed towards the profits of the public sector enterprises.

5.7 Long Term Debt of SPSEs

The position of outstanding Long Term Debts of the SPSEs during the last three years as per their latest finalised accounts is given in **Table 5.6**.

Table 5.6: Position of Outstanding loans of the SPSEs

Particulars	(₹ in crore)		
	2017-18	2018-19	2019-20
Total Loans outstanding (State Government and Others) ²⁸	30.68	31.87	31.87
State Government Loans outstanding ²⁹	10.35	9.44	9.44

It can be noticed from the **Table** above that during 2018-19, the total long term borrowings of the SPSEs from all sources registered a meagre increase of ₹ 1.19 crore as compared to previous year (2017-18), which remained unchanged during 2019-20.

As on 31 March 2020, however, three out of six working SPSEs did not have any outstanding long term loans.

5.8 Operating Efficiency of SPSEs

Key parameters

The working results of the SPSEs as per their latest finalised accounts as on 30 September 2020 have been summarised under **Appendix VI**. Some of the key parameters of the operational efficiency of working SPSEs for last three years as per their latest finalised accounts as on 30 September of the respective year are given in **Table 5.7**.

Table 5.7: Key parameters of operational efficiency of working SPSEs

Year	No. of working SPSEs	Paid up capital	(₹ in crore)			
			Net overall Accumulated profits (+)/ losses (-)	Net overall profits (+)/ losses (-)	EBIT	Capital Employed ³⁰
2017-18	6	58.61	(-) 59.14	(+) 0.08	(+) 0.08	30.15
2018-19	6	58.61	(-) 57.10	(-) 0.33	(-) 0.31	33.38
2019-20	6	58.61	(-) 55.55	(-) 2.05	(-) 2.03	34.93

From the **Table** above, it can be seen that, over the last three years the position of the Net overall losses and 'Earnings before Interest and Tax' (EBIT) has deteriorated. However, the Capital Employed of SPSEs during 2019-20 has increased by ₹ 4.78 crore in three years from ₹ 30.15 crore (2017-18) to ₹ 34.93 crore (2019-20).

Further, the net overall accumulated losses of SPSEs have decreased marginally by ₹ 3.59 crore over the period. The accumulated losses stood in the books of all the six SPSEs as per their latest finalised accounts. The major contributors to the accumulated

²⁸ Interest on loans availed from sources other than State Government had been consolidated into a One Time Settlement (OTS) package in 2013.

²⁹ State Government loans are interest free.

³⁰ **Capital Employed** = Paid up share capital *plus* Free reserves and Surplus *plus* Long term loans *minus* Accumulated losses *minus* Deferred revenue expenditure.

losses of SPSEs during 2019-20 were Mizoram Food and Allied Industries Corporation Limited (₹ 20.91 crore) and Zoram Industrial Development Corporation Limited (₹ 14.91 crore).

5.9 Return on Capital Employed

Return on Capital Employed (ROCE) is a profitability metric that measures the long term profitability and efficiency of the total capital employed by a company. Companies create value when they generate returns on the capital employed in excess of the cost of capital. ROCE is an important metric for long term lenders. ROCE is calculated by dividing a company's Earnings Before Interest and Taxes (EBIT) by the Capital Employed.

During 2019-20, the overall capital employed in respect of six SPSEs (all working) as per their latest finalised accounts was ₹ 34.93 crore. Further, out of six working SPSEs, only one SPSEs (Zoram Industrial Development Corporation Limited) had positive ROCE (*Appendix VI*).

In comparison, however, the overall capital employed in respect of working SPSEs during the previous two years (2017-18 and 2018-19) was ₹ 30.15 crore and ₹ 33.38 crore respectively. Further, out of six working SPSEs, only two and one SPSEs³¹ had positive ROCE during 2017-18 and 2018-19 respectively.

5.10 Return on Equity (ROE)

Return on equity³² (ROE) is a measure of financial performance of companies calculated by dividing the 'net income earned' by the Equity. During 2019-20, only one working SPSE earned profit (₹ 0.82 crore) as per its latest finalised accounts as on 30 September 2020 (*Appendix VI*). The ROE of this profit making SPSE was 5.20 *per cent* as detailed in **Table 5.8** below.

Table 5.8: Return on Equity

SL No.	Name of the Company	Year of Accounts	ROE (in per cent)
1.	Zoram Industrial Development Corporation Limited	2018-19	5.20

5.11 SPSEs Incurring Losses

The position of aggregate losses incurred by loss making working SPSEs during the past three years as per their latest finalised accounts is given **Table 5.9**.

Table 5.9: Details of loss making working SPSEs

Year	2017-18	2018-19	2019-20
Total No. of working SPSEs	6	6	6
Number of loss making working SPSEs	4	5	5
Aggregate losses (₹ in crore)	2.86	2.87	2.87

The details of major contributors to losses of working SPSEs (₹ 2.61 crore) incurred during 2019-20 are given in **Table 5.10** below:

³¹ SPSEs with positive ROCE: Zoram Industrial Development Corporation Limited (2017-18 and 2018-19) and Mizoram Handloom and Handicrafts Development Corporation Limited (2017-18).

³² **Return on Equity** = (Net Profit after Tax and preference Dividend ÷ Equity) x 100, where **Equity** = Paid up Capital *plus* Free Reserves *minus* Accumulated Loss *minus* Deferred Revenue Expenditure.

Table 5.10: Major contributors to losses of working SPSEs during 2019-20

(₹ in crore)

Sl. No.	Name of the Company	Latest finalised accounts	Net Loss
1	Mizoram Food and Allied Industries Corporation Limited	2014-15	1.59
2.	Mizoram Agricultural Marketing Corporation Limited	2010-11	1.02
	Total		2.61

From the **Table** above, it can be noticed that more than 90 *per cent* of the losses incurred by working SPSEs during 2019-20 were contributed by the above mentioned two SPSEs.

5.12 SPSEs having Complete Erosion of Capital

The aggregate paid-up capital and accumulated losses of six working SPSEs as per their latest finalised accounts as on 30 September 2020 were ₹ 58.61 crore and (-) ₹ 55.55 crore respectively. Analysis of investment and accumulated losses of these SPSEs revealed that the accumulated losses of three working SPSEs (₹ 28.00 crore) had completely eroded their paid-up capital (₹ 25.60 crore) as detailed in **Table 5.11**.

Table 5.11: Erosion of Capital of SPSEs

(₹ in crore)

Name of SPSE	Latest finalised accounts	Paid up capital	Accumulated losses
Mizoram Agricultural Marketing Corporation Limited	2010-11	5.45	(-) 6.91
Mizoram Food and Allied Industries Corporation Limited	2014-15	20.00	(-) 20.91
Mizoram Mineral Development Corporation Limited	2014-15	0.15	(-) 0.18
Total		25.60	(-) 28.00

Source: As per records of SPSEs

5.12.1 Net worth erosion-age analysis

All the six PSUs had accumulated huge losses leading to erosion of the Net worth of the six working SPSEs of the state during the last three years as shown in the table given below:

Table 5.12: Net worth erosion-age analysis

(₹ in crore)

Sl. No.	Name of SPSE	Net worth		
		2017-18	2018-19	2019-20
1	MAMCO	(-)1.46	(-)1.46	(-)1.46
2	ZIDCO	(-)1.36	(-)0.68	(+)0.87
3	ZENICS	(+)0.64	(+)0.64	(+)0.64
4	MIFCO	(-)0.91	(-)0.91	(-)0.91
5	ZOHANDCO	(+)3.96	(+)3.95	(+)3.95
6	MMDCL	(-)0.03	(-)0.03	(-)0.03
	Total	(+)0.84	(+)1.51	(+)3.06

It can be seen from the table above that the paid-up capital of four working SPSEs out of six had completely eroded during the years 2017-19 which reduced to three SPSEs during 2019-20.

Accumulation of huge losses by these SPSEs had eroded public wealth, which is a cause of serious concern and the State Government needs to either improve their profitability or fully review the working of these SPSEs for continuing their operations.

OVERSIGHT ROLE OF COMPTROLLER & AUDITOR GENERAL OF INDIA

5.13 Audit of State Public Sector Enterprises (SPSEs)

Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and supplement or comment upon the Audit Report of the statutory auditor. Statutes governing some corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

5.14 Appointment of Statutory Auditors of SPSEs by CAG

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. The State of Mizoram has total six SPSEs (all Government companies) and the statutory auditors of all six SPSEs are appointed by the CAG.

5.15 Submission of accounts by SPSEs

Need for timely submission

According to Section 394 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. This mechanism provides the necessary Legislative control over the utilization of public funds invested in the companies from the State budget.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite above, annual accounts of various SPSEs were pending as on 30 September 2020, as discussed below.

5.16 Timeliness in preparation of accounts by SPSEs

The details relating to finalisation of accounts by six working SPSEs (all Government Companies) during the last three years as of 30 September of respective year are given **Table 5.13**.

Table 5.13: Position relating to finalisation of Accounts of working SPSEs

Sl. No.	Particulars	2017-18	2018-19	2019-20
1.	Number of working SPSEs	6	6	6
2.	Number of Accounts finalised during the year	2	2	2
3.	Number of Accounts in arrears	24	28	32
4.	Number of Working SPSEs with arrears in Accounts	6	6	6
5.	Extent of arrears (number in years)	2 to 8	1 to 9	1 to 10

As could be seen from the **Table 5.13**, the number of SPSEs Accounts in arrears had increased gradually from 24 Accounts (2017-18) to 32 Accounts (2019-20) due to deficiency in finalising at least one year Accounts by each SPSEs during each of the last three years. During 2019-20, out of six SPSEs, only one SPSE (Zoram Industrial Development Corporation Limited) had submitted two Annual Accounts (2017-18 and 2018-19) to PAG, Mizoram for supplementary audit. One of these two Accounts was selected for supplementary audit (2017-18) while the other was issued a ‘Non-Review Certificate’. None of the SPSEs has prepared their up-to-date Accounts (2019-20) as on 30 September 2020. The highest pendency of accounts pertained to Zoram Electronics Development Corporation Limited (10 Accounts) and Mizoram Agricultural Marketing Corporation Limited (nine Accounts) as detailed in **Appendix VI**.

The Administrative Departments concerned have the responsibility to oversee the activities of these entities and to ensure that the accounts of SPSEs under their control are finalised and adopted by the SPSEs within the stipulated period.

5.17 CAG’s oversight - Audit of accounts and supplementary audit

Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

5.18 Audit of accounts of Government Companies by Statutory Auditors

The statutory auditors appointed by the CAG under Section 139 of the Companies Act 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of the public sector enterprises with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively.

This function is discharged by exercising the power:

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013 and
- to supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

5.19 Supplementary Audit of accounts of Government Companies

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the Management of an entity.

The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the Annual General Meeting.

5.20 Result of CAG's oversight role

Audit of accounts of SPSEs

Government Companies/ Government Controlled Other Companies

During 2019-20, one SPSE (working company) had forwarded two Accounts to the Principal Accountant General, Mizoram; of which, one year Accounts were selected for Supplementary audit during the year. Non-Review Certificates (NRC) was issued against the remaining one year Accounts.

The audit reports of Statutory Auditors appointed by the C&AG and the supplementary audit conducted by the CAG indicated that the quality of maintenance of SPSEs' accounts needs to be improved substantially. The results of the review are detailed below:

Significant comments of the CAG issued as supplement to the statutory auditors' reports on Government Companies

Some of the significant comments issued on financial statements of the Government Companies are detailed **Table 5.14**.

Table 5.14: Gist of significant comments on the accounts of the SPSEs

Name of the Company	Comments
Zoram Industrial Development Corporation Limited (Year of Accounts: 2017-18)	<p>Balance Sheet</p> <p>Equity and Liabilities</p> <p>Other long term liabilities (Note 3)</p> <p>Interest accrued and due on NMDFC refinance: ₹ 2.68 crore</p> <p>This is understated by ₹ 4.69 crore due to short provisioning towards interest liability (including penal interest and LD) payable due to default in repayment of National Minority Development Financial Corporation (NMDFC) loan as per the Demand Notice served (March 2018) by NMDFC. This has correspondingly resulted in overstatement of 'profit for the year' to the same extent.</p>
Zoram Industrial Development Corporation Limited (Year of Accounts: 2017-18)	<p>Balance Sheet</p> <p>Equity and Liabilities</p> <p>HUDCO Refinance: ₹ 9.55 crore</p> <p>This is understated by ₹ 5.27 crore due to short accounting of interest overdues payable against HUDCO Refinance loan as on 31 March 2018 as per the Demand Notice served (March 2018) by HUDCO. This has correspondingly resulted in overstatement of 'Profit for the year' to the same extent.</p> <p>Further, the Company did not disclose the fact regarding its OTS proposal to liquidate the HUDCO Refinance loan, which failed (26.09.2013) subsequently even after making initial deposit towards OTS dues</p> <p>General</p> <p>1. The closing balance of inventories (₹ 0.44 crore) as depicted under Note-13 (Changes in Inventories) to the 'financial statements' could not be authenticated in the absence of complete supporting records. The contention of the Statutory Auditor regarding valuation of closing inventories at cost (refer Annexure-I of the Audit Report) could also not be verified in the absence of the supporting calculation sheet.</p> <p>Further, missing/ shortage of 26,151 liquor bottles of different brands pertaining to the period 2015-16 as reported (18. March 2018) during internal audit/physical verification of inventories was not suitably disclosed in the accounts.</p>

Name of the Company	Comments
	<p>2. Refer Auditors' qualification under Annexure I of their Audit Report, regarding non-maintenance of Fund Accounting relating to JNV agreement for construction of School and improper accounting of expenses and funds received by the Company for JNV works.</p> <p>As per paragraph 21 of AS-7 (Construction Contracts), revenue and costs associated with the construction contract should be recognised in the Accounts with reference to the 'Stage of completion of the contract activity at the reporting date'. Further, as per para 38 and 39 of AS-7, it is mandatory, among other things, to make adequate disclosures with regard to (i) method used to determine the stage of completion of contract in progress; (ii) method used to determine the revenue recognised against the construction contract during the period (iii) aggregate amount of costs incurred and recognised profits (less recognised losses) upto the reporting date; and (iii) amount of advances received, etc.</p> <p>During the year, the Company received ₹ 4.15 crore from Novodaya Vidyalaya Samiti for the construction of school building in the State of Mizoram. As against this, the Company during the year, has booked ₹ 3.08 crore as 'revenue' (Other Operating Revenues-Note 13) and ₹ 3.19 crore as 'expenditure' (other expenses-Note 15) in the 'Statement of Profit and Loss' against the construction contract.</p> <p>The Company, however, failed to make mandatory disclosures on the issues mentioned above as per the requirements of paragraphs 38 and 39 of AS-7.</p>

5.21 Management Letters

One of the objectives of financial audit is to establish communication on audit matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of SPSEs were reported as comments by the CAG under Section 143 (6)(b) of the Companies Act, 2013. Besides these comments on accounts, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, are also communicated to the management through a 'Management Letter' for taking corrective action. These deficiencies generally related to -

- application and interpretation of accounting policies and practices,
- adjustments arising out of audit that could have a significant effect on the financial statements and
- inadequate or non-disclosure of certain information on which management of the concerned PSE gave assurances that corrective action would be taken in the subsequent year.

No 'Management Letters' were issued to SPSEs during the year.

5.22 Conclusion

As on 31 March 2020, the State of Mizoram had total six SPSEs (all working Government companies). As on 31 March 2020, there were differences in the figures of State's investment in Equity (₹ 47.05 crore) and Loan (₹ 23.58 crore) of SPSEs as per State Finance Accounts vis-à-vis records of SPSEs.

During 2019-20 the State Government has provided budgetary support of ₹ 5.53 crore to two SPSEs in the form of Grants/subsidy to meet the salaries and other establishment expenditure. The recipients of the budgetary assistance were Zoram Industrial Development Corporation Limited (₹ 3.42 crore) and Mizoram Handloom and Handicrafts Development Corporation Limited (₹ 2.11 crore). The State Government did not provide equity assistance to any PSUs during 2017-20.

During 2019-20, out of six working SPSEs, only one SPSE earned profits (₹ 0.82 crore) as per its latest finalised accounts. Further, the accumulated losses (₹ 28.00 crore) of three working SPSEs had completely eroded their paid-up capital (₹ 25.60 crore).

As on 30 September 2020, all six working SPSEs had a total arrear of total 32 Accounts ranging from one to 10 Accounts. The highest pendency of accounts pertained to Zoram Electronics Development Corporation Limited (10 Accounts) and Mizoram Agricultural Marketing Corporation Limited (nine Accounts).

5.23 Recommendations

- The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in the investment figures (Equity and Long term Loans) of the State Government as appearing in the State Finance Accounts vis-à-vis SPSE records in a time-bound manner.*
- Accumulation of huge losses by three out of six working SPSEs had eroded public wealth, which is a cause of concern and the State Government needs to either improve their profitability or fully review the working of these SPSEs for continuing their operations.*

iii. *The Administrative Departments overseeing the SPSEs having backlog of Accounts need to ensure that these SPSEs finalise and adopt their Accounts within the stipulated period, failing which financial support to them may be reviewed.*

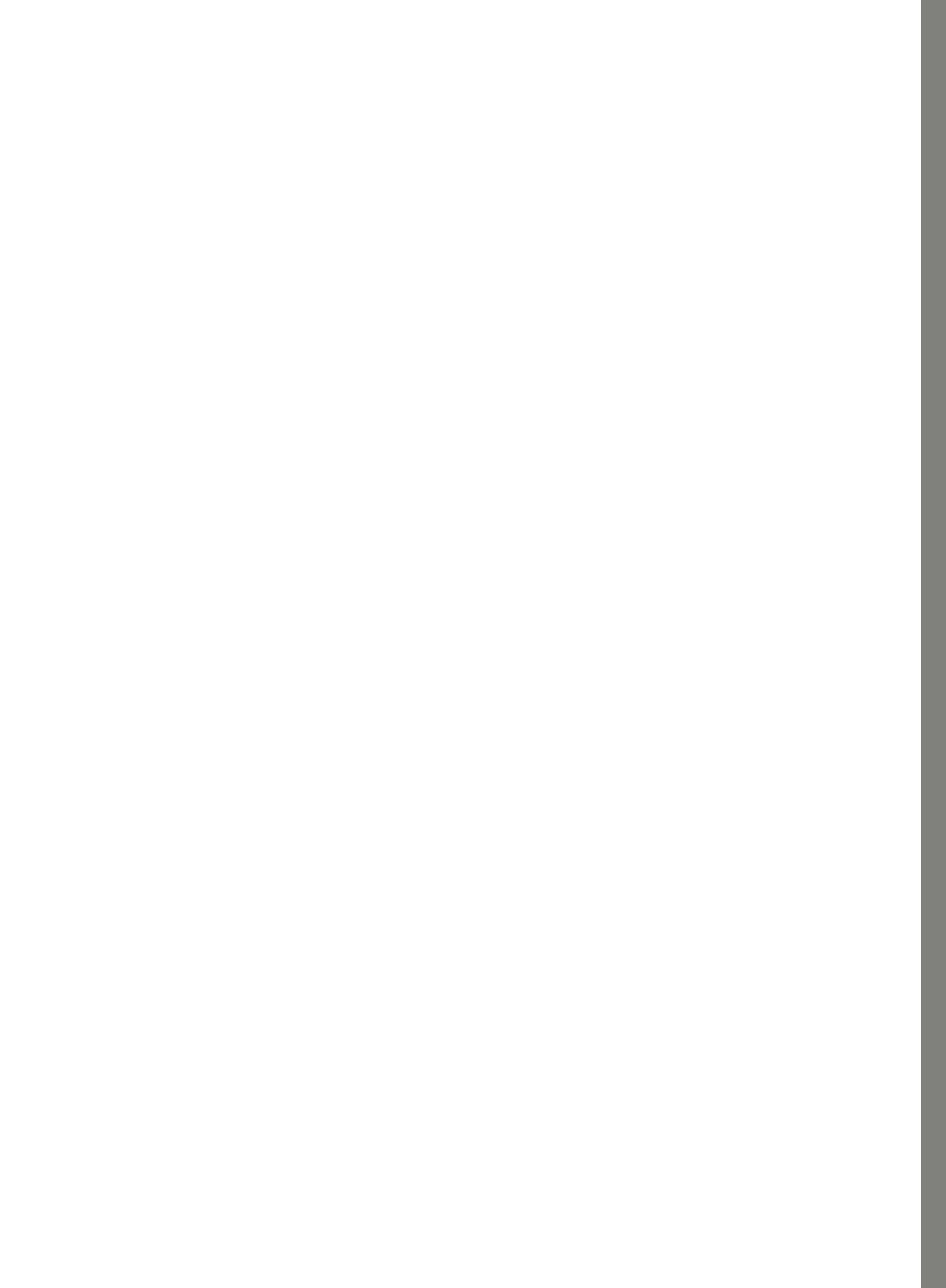
Aizawl
The: 20 October 2021


(LHUNKHOTHANG HANGSING)
Principal Accountant General, Mizoram

Countersigned

New Delhi
The: 29 October 2021


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India



APPENDICES



Appendices

APPENDIX I State Profile

(Reference : Paragraph 1.1)

Sl. No.	Particulars	Unit	India	Mizoram
1	Area	Sq Km	32,87,263	21,081
2	Population as per Census, 2011	in lakh	12,108.55	10.97
3	Density of Population (2011)	per Sq Km	382	52
4	Population below poverty line (2016-17 based)	Per cent	21.90	19.63
5	Literacy (2011)	Per cent	73	91.58
6	Infant Mortality Rate (2019-20)	Per 1000 live births	29.85	5
7	Life expectancy at Birth (2019-20)	Year	69.73	69
8	Population Growth (2001-2011)	Per cent	17.64	23.48
9	GDP/GSDP at Current Prices (2011-12 Series)	(₹ in crore)	2,03,39,849	26,502.56

Source: State Economic & Statistics Department

APPENDIX II Time Series data on State Government Finances

(Reference: Paragraph 2.5.1.2)

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Part A: Receipts					
1. Revenue Receipts	6,676.40	7,398.30	8,580.20	9,039.50	9,658.26
<i>(i) Tax Revenue</i>	<i>358.41</i>	<i>441.81</i>	<i>545.91</i>	<i>726.70</i>	<i>730.98</i>
Taxes on Agricultural Income	0.00	0.00	0.00	0.00	0.00
State Goods and Services Tax	--	--	169.76	454.73	532.22
Taxes on Sales, Trade, etc.	247.04	307.81	242.85	135.93	117.61
State Excise	60.60	72.26	65.83	65.34	2.72
Taxes on Vehicles	19.44	25.75	31.58	38.36	40.66
Stamps and Registration fees	3.57	3.26	3.20	4.43	5.85
Land Revenue	8.88	8.58	8.29	8.64	9.05
Taxes on Goods and Passengers	2.71	7.90	7.83	4.71	7.44
Other Taxes	16.17	16.25	16.57	14.56	15.43
<i>(ii) Non-Tax Revenue</i>	<i>297.63</i>	<i>365.22</i>	<i>390.65</i>	<i>449.96</i>	<i>522.35</i>
<i>(iii) State's share of Union taxes and duties</i>	<i>2,348.11</i>	<i>2,800.63</i>	<i>3,097.05</i>	<i>3,502.96</i>	<i>3,017.80</i>
<i>(iv) Grants-in-Aid from GoI</i>	<i>3,672.25</i>	<i>3,790.64</i>	<i>4,546.59</i>	<i>4,359.88</i>	<i>5,387.13</i>
2. Miscellaneous Capital Receipts	0.00	0.00	0.00	0.00	0.00
3. Recoveries of Loans and Advances	25.84	22.45	21.64	22.16	26.70
4. Total Revenue and Non-Debt Capital Receipts (1+2+3)	6,702.24	7,420.75	8,601.84	9,061.66	9,684.96
5. Public Debt Receipts	563.07	755.51	894.14	134.22	1,147.68
Internal Debt (excluding WMAs and Overdraft)	296.74	748.67	868.76	122.86	1,132.80
Net transaction under WMAs and Overdraft	262.53	0.00	17.51	0.00	0.00
Loans and Advances from GoI	3.80	6.84	7.87	11.36	14.88
6. Total Receipts in the Consolidated Fund	7,265.31	8,176.26	9,495.98	9,195.88	10,832.64
7. Contingency Fund Receipts	0.00	0.00	0.00	0.00	0.00
8. Public Account Receipts	2,915.47	3,017.68	4,521.83	5,313.51	6,263.35
9. Total Receipts of the State (6+7+8)	10,180.78	11,193.94	14,017.81	14,509.39	17,095.99
Part B: Expenditure/Disbursement					
10. Revenue Expenditure	5,570.86	6,230.34	6,880.77	7,505.59	9,453.96
Plan	1,947.86	2,152.21	6,880.77	7,505.59	9,453.96
Non Plan	3,623.00	4,078.13	--	--	--
General Services (including Interest Payments)	<i>1,917.01</i>	<i>2,097.05</i>	<i>2,239.14</i>	<i>2,695.22</i>	<i>3,161.42</i>
Social Services	<i>2,219.96</i>	<i>2,300.85</i>	<i>2,606.53</i>	<i>2,934.45</i>	<i>3,392.73</i>
Economic Services	<i>1,433.89</i>	<i>1,832.44</i>	<i>2,035.10</i>	<i>1,875.92</i>	<i>2,899.81</i>
Grants-in-Aid and Contributions	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>

	2015-16	2016-17	2017-18	2018-19	2019-20
11. Capital Expenditure	710.97	911.41	1,996.35	1,868.47	1,372.67
Plan	633.75	860.33	1,996.35	1,868.47	1,372.67
Non Plan	77.22	51.08	--	---	---
<i>General Services</i>	<i>34.20</i>	<i>49.18</i>	<i>120.35</i>	<i>99.31</i>	<i>95.22</i>
<i>Social Services</i>	<i>211.95</i>	<i>313.30</i>	<i>613.71</i>	<i>762.20</i>	<i>601.37</i>
<i>Economic Services</i>	<i>464.82</i>	<i>548.93</i>	<i>1,262.29</i>	<i>1,006.96</i>	<i>676.08</i>
12. Disbursement of Loans and Advances	7.13	27.05	44.95	40.52	82.63
13. Total Expenditure (10+11+12)	6,288.96	7,168.80	8,922.07	9,414.58	10,909.26
14. Repayments of Public Debt	550.28	312.92	472.96	244.23	353.92
Internal Debt (excluding WMAs and Overdraft)	267.00	291.95	450.93	222.00	331.97
Net transactions under WMAs and overdraft	262.53	0.00	0.00	0.00	0.00
Loans and Advances from GoI	20.75	20.97	22.03	22.23	21.95
15. Appropriation to Contingency Fund	0.00	0.00	0.00	0.00	0.00
16. Total disbursement out of Consolidated Fund (13+14+15)	6,839.24	7,481.72	9,395.03	9,658.81	11,263.17
17. Contingency Fund disbursements	0.00	0.00	0.00	0.00	0.00
18. Public Account disbursements	3,111.44	3,520.83	4,211.05	5,210.10	5,557.73
19. Total disbursement by the State (16+17+18)	9,950.68	11,002.55	13,606.08	14,868.91	16,820.90
Part C: Deficits					
20. Revenue Deficit (-)/Surplus (+) (1-10)	1,105.54	1,167.96	1,699.43	1,533.91	204.30
21. Fiscal Deficit (-)/Surplus (+) (4-13)	413.28	251.95	(-)320.23	(-)352.92	-1,224.31
22. Primary Deficit (-)/Surplus (+) (21-23)	782.55	593.21	18.97	15.76	-881.19
Part D: Other data					
23. Interest Payments (included in Revenue Expenditure)	369.27	341.26	339.20	368.68	343.12
24. Financial Assistance to LBs, etc.	1,338.24	1,445.31	1,678.61	1,660.61	2,536.71
25. WMAs/Overdraft availed (days)	10	0	0	0	2
Ordinary WMAs availed (days)	05	0	0	0	0
Special WMAs availed (days)	04	0	0	0	2
Overdraft availed (days)	01	0	0	0	0
26. Interest on WMAs/Overdraft	0.26	0.00	0.00	0.00	0.00
27. Gross State Domestic Product	15,138.86	17,191.91	19,385.33	22,287.41	26,502.56
28. Outstanding Fiscal Liabilities (year-end)	6,407.39	6,725.00	7,300.30	7,315.54	8,678.26
29. Outstanding Guarantees (year-end) (including interest)	100.22	123.99	133.91	97.99	142.29

	2015-16	2016-17	2017-18	2018-19	2019-20
30. Maximum Amount Guaranteed (year-end)	273.94	293.94	293.94	277.58	200.58
31. Number of Incomplete Projects	66	41	54	251	18
32. Capital blocked in incomplete projects	297.01	211.65	200.31	1,200.02	423.63
Part E: Fiscal Health Indicators					
I - Resource Mobilisation					
Own Tax Revenue/GSDP	2.37	2.57	2.82	3.26	2.76
Own Non-Tax Revenue/GSDP	1.97	2.12	2.02	2.02	1.97
Central Transfers/GSDP	15.51	16.29	15.98	15.72	11.39
II - Expenditure Management					
Total Expenditure/GSDP	41.54	41.70	46.03	42.24	41.16
Total Expenditure/Revenue Receipts	94.20	96.90	103.98	104.15	112.95
Revenue Expenditure/Total Expenditure	88.58	86.91	77.12	79.72	86.66
Expenditure on Social Services/ Total Expenditure	38.67	36.47	36.09	39.27	36.61
Expenditure on Economic Services/ Total Expenditure	30.19	33.22	36.96	30.62	32.78
Capital Expenditure/ Total Expenditure	11.31	12.71	22.38	19.85	12.58
Capital Expenditure on Social and Economic Services/ Total Expenditure	10.76	12.03	21.03	18.79	11.71
III - Management of Fiscal Imbalances					
Revenue Deficit (Surplus)/ GSDP	7.30	6.79	8.77	6.88	0.77
Fiscal Deficit (Surplus)/GSDP	2.73	1.47	(-)1.65	(-)1.59	-4.62
Primary Deficit (Surplus)/ GSDP	5.17	3.45	0.10	0.07	-3.32
Revenue Deficit (Surplus)/ Fiscal Deficit (Surplus)	267.50	463.57	(-)530.69	(-)434.63	-16.69
Primary Revenue Balance/ GSDP	9.91	8.91	10.63	8.65	2.17
IV - Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	42.23	39.12	37.66	32.82	32.74
Fiscal Liabilities/Revenue Receipts	95.97	90.90	85.08	80.93	89.79
Primary deficit vis-à-vis quantum spread	12.06	13.56	12.43	15.07	-81.00
V - Other Fiscal Health Indicators					
Return on Investment	0.00	0.00	0.00	0.00	0.00
Financial Assets/Liabilities	1.07	1.20	1.29	1.46	1.64

Source: Finance Accounts of respective years

APPENDIX III Expenditure under MH-3435 Ecology and Environment compiled based on vouchers/information received from the State Government

(Reference: Paragraph 2.7.4)

Major Head	Sub-Major Head	Minor Head	Sub-Head	Detailed Head	2017-18		2018-19		2019-20		
					Budget (Original + Supplementary)	Expenditure	Budget (Original + Supplementary)	Expenditure	Budget (Original + Supplementary)	Expenditure	
3435	<i>04 Prevention and Control of Pollution</i>	800 Other Expenditure	01 Assistant State Pollution Control Board	00	31 Grants-in-Aid (Salaries)	0.90	0.90	1.14	1.14	1.33	1.33
	<i>04 Prevention and Control of Pollution</i>	800 Other Expenditure	02 Setting up of Continuous Ambient Air Quality Monitoring Station in Aizawl City	00	27 Minor Works	0.11	0.11	...	...	...	...
	Total					1.01	1.01	1.14	1.14	1.33	1.33

APPENDIX IV Excess /unnecessary/ insufficient re-appropriation (For final excess/ savings of ₹ 10 lakhs or above)

(Reference: Paragraph 3.4.4)

(*₹ in crore*)

Sl. No.	Grant No. and Head of accounts	Provision ¹				Actual expenditure	Final Excess (+) Saving(-)
		O	S	R	Total		
1	3-Council of Ministers 2013-Council of Ministers 101- Salary of Ministers and Deputy Ministers 01- Salary of Minister	1.92	0.00	0.09	2.01	3.23	1.22
2	4-Law and Judicial⁺ 2014-Administration of Justice 114- Legal Advisers and Counsels 03- Legal Services Authority (Voted)	2.74	2.17	-1.46	3.45	3.93	0.48
3	9-Finance⁺ 2071-Pensions and other Retirement Benefits 01-Civil 117- Government contribution for Defined Contribution Pension Scheme 01- Government Contribution	45.00	0.10	-0.10	45.00	32.86	-12.14
4	9-Finance⁺ 2054-Treasury and Accounts Administration 095-Directorte of Accounts and Treasuries 01- Direction	15.38	3.24	-0.11	18.51	17.27	-1.24
5	16-Home⁺ (03)-Central Assistance (CA) 2055-Police 001-Direction and Administration 01-Direction (CSS)	1.12	4.06	-2.92	2.26	1.14	-1.12
6	17-Food, Civil Supplies and Consumer Affairs⁺ 4408-Capital Outlay on Food Storage and Warehousing 01-Food 101- Procurement and Supply 01-Procurement and Supply	178.27	44.21	-2.27	220.21	158.78	-61.43
7	20-School Education 03-Central Assistance (CA) 2202-General Education 01-Elementary Education 113-Samagra Shiksha 01-Elementary Education under Samagra (CSS)	166.91	0.00	-3.38	163.53	144.22	-19.31

¹ O = Original Allocation; S = Supplementary Allocation; R = Re-appropriation

Sl. No.	Grant No. and Head of accounts	Provision ¹				Actual expenditure	Final Excess (+) Saving(-)
		O	S	R	Total		
8	20-School Education 2202-General Education 02-Secondary Education 110-Assistance to Non- Government Secondary Schools 01-Assistance to Non- Government High Schools	78.82	0	1.06	79.88	57.34	-22.54
9	20-School Education 2202-General Education 01-Elementary Education 101- Government Primary Schools 02-Government Middle Schools	320	0.85	-8.17	312.68	304.42	-8.26
10	20-School Education 01-Elementary Education 101-Government Primary Schools 01-Government Primary Schools	227.27	10.37	-13.21	224.43	230.15	5.72
11	20-School Education 2202- General Education 02-Secondary Education 109-Government Secondary Schools 01-Government High Schools	165.98	0.15	-3.77	162.36	160.5	-1.86
12	20-School Education (03)-Central Assistance (CA) 2202-General Education 02-Secondary Education 113-Samagra Shiksha 01- Grants for Secondary Education under Samagra (CSS)	49.30	0.00	-2.87	46.43	44.31	-2.12
13	20-School Education 02-Secondary Education 110-Assistance to Non-Government Secondary Schools 02-Assistance to Non-Government Secondary Schools	27.68	0.00	4.34	32.02	58.16	26.14
14	20-School Education 2202-General Education 01-Elementary Education 102-Assistance to Non- Government Primary Schools 02-Assistance to Non- Government Middle Schools	36.74	0	2.65	39.39	37.16	-2.23
15	20-School Education 2202-General Education 01-Elementary Education 104-Inspection 01-Inspection	7.36	0.00	2.10	9.46	7.77	-1.69

Sl. No.	Grant No. and Head of accounts	Provision ¹				Actual expenditure	Final Excess (+) Saving(-)
		O	S	R	Total		
16	20-School Education 2202-General Education 02-Secondary Education 109-Government Secondary Schools 03-Government Higher secondary Schools	56.43	0.00	1.81	58.24	56.81	-1.43
17	21-Higher and Technical Education⁺ 2202-General Education 03- University and Higher Education 103-Government Colleges and Institutes 01- Government College	169.08	42.77	-20.41	191.44	182.49	-8.95
18	22-Sports and Youth Services⁺ 2204-Sports and Youth Services 800-Other Expenditure 01-Sports Council	9.61	0.45	-0.17	9.89	10.91	1.02
19	29- Social Welfare⁺ 03-Central Assistance (CA) 2235- Social Security and Welfare 03-National Social Assistance Programme 101-National Old Age pension Scheme 01- Old Age Pension (CSS)	22.35	0	-3.36	18.99	8.66	-10.33
20	29- Social Welfare 03-Central Assistance (CA) 2235- Social Security and Welfare 02-Social Welfare 103-Women's Welfare 15-Maternity Benefit Programme (MBP) (CSS)	0.00	6.09	-0.99	5.10	2.19	-2.91
21	34-Animal Husbandry and Veterinary 2403- Animal Husbandry 001-Direction and Administration 02-Administration	10.77	5.31	-0.15	15.93	10.72	-5.21

Source: Appropriation Accounts

⁺ Reasons for excess/savings not furnished by the Government

APPENDIX V Funds transferred by Government of India directly to State implementing agencies

(Reference Paragraph:4.2)

(₹ in crore)

Sl No.	GOI Scheme	Implementing Agency	GOI release
1	Organic Value Chain Development of NE Region	Mission Organic Mizoram	17.69
2	Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)	Department of Agriculture, Mizoram	38.88
3	National Handloom Development Programme	Trade and Commerce, Government of Mizoram	0.99
4	NER Textiles Promotion Scheme	Director Sericulture, Government of Mizoram	7.49
5	Strengthening of PDS Operations	Strengthening of Public Distribution System Operations	0.01
6	Kala Sanskriti Vikash Yojana	Innovation, Technology Development and Deployment (Pachhunga University College)	0.06
7	Establishment Expenditure Election Commission of India	Establishment Expenditure Election Commission of India (Chief Electoral Officer)	0.17
8	Environmental Education, Awareness and Training	Environmental Education, Awareness and Training (Mizoram State Pollution Control Board)	0.1
9	Environmental Information System	Environmental Information System (Mizoram State Pollution Control Board)	0.3
10	Pollution Abatement	Pollution Abatement (Mizoram State Pollution Control Board)	0.07
11	Development of Nursing Services	Mizoram Nursing Council	0.17
12	National AIDS and STD Control Programme	State AIDS Control Society , Mizoram , Aizawl	20.67
13	National Rural Health Mission	Centre for Peace and Development	0.69
14	Electronic Governance	Mizoram State e-Governance Society	2.69
15	E-Courts Phase II	Registrar General, High Court of Guahati (Mizoram)	0.51
16	Solar Power-Offgrid	Power and Electricity Department Mizoram	15.23
17	CIC and RTI	Mizoram State Information Commission	0.03
18	Training Schemes	Administrative Training Institute, Government of Mizoram	0.9
19	Atal Innovation Mission including Self Employment and Talent Utilization	Planning and Programme Implementation	0.48
20	Capacity Development CSO and NSSO	Directorate of Economics and Statistics, Mizoram	1.31
21	MPs Local Area Development (MPLADS)	Deputy Commissioner, Aizawl	10
22	Mahatma Gandhi National Rural Gurantee Program	MGNREGA Rural Employment Guarantee Council, Mizoram	476.63

SI No.	GOI Scheme	Implementing Agency	GOI release
23	Management Support to Rural Development Programs and Strengthening of District Planning Process	Extension Training Centre, Thingsulthliah, Mizoram	2.54
24	National Rural Livelihood Mission CS	Mizoram State Rural Livelihood Mission (Mz SRLM)	0.22
25	Innovation, Technology Development and Deployment	Mizoram Science and Technology and Innovation Council	3.25
26	Research and Development	Trade and Commerce, Government of Mizoram	1.58
27	Science and Technology Institutional and Human Capacity Building	Science and Technology	3.16
28	Deendayal Disabled Rehabilitation Scheme	Gilead Special School	0.34
29	Schemes for Differently Abled Persons	Director, Social Welfare Department	0.13
30	Scheme for Prevention of Alcoholism and Substance Abuse	Social Justice and Empowerment	2.13
31	AID to Voluntary Organisations Working for the Welfare of Scheduled Tribes	Mizoram Hmeithai Association Aizawl, Mizoram	0.47
32	National Hydrology Project	Minor Irrigation Department	2.52
33	Beti Bachao Beti Padhao	Deputy Commissioner, Siaha	0.75
34	Gender Budgeting and Research, Publication and Monitoring	State Institute of Rural Development and Panchayati Raj	0.05
35	One Stop Centre	One Stop Centre, Aizawl	2.19
36	Pradhan Mantri Matru Vandana Yojna	Development of Social Welfare, Mizoram	4.22
37	Khelo India	Mizoram State Sports Council	5.5
38	National Service Scheme	Mizoram State NSS Cell	2.31
39	Domestic Promotion and Publicity including Market Development Assistance	Mizoram Tourism Development Authority	0.75
40	Kala Sanskriti Vikash Yojana	Do Re Mi Drama and Cultural Club	0.06
41	Establishment Expenditure Ayush	Forest Development Agency, Lunglei	0.55
42	Small Hydro Power-Grid Interactive	Zoram Energy Development Agency	0.88
43	Land Records Modernization Programme	Rural Development	0.33
44	Top Class Education for SCs	Social Justice and Empowerment	0.2
45	Consumer Awareness (Advertising and Publicity)	Mizoram Drug Price Monitoring and Research Unit Society	0.24
46	Assistance to State Agencies for intra-state movement of foodgrains and FPS dealers margin under NFSA	Food, Civil Supplies and Consumer Affairs	14.6
47	Consumer Awareness (Advertising and Publicity)	Food, Civil Supplies and Consumer Affairs	0.4
48	Consumer Welfare Fund	Food, Civil Supplies and Consumer Affairs	1.8
49	Integrated Management of Public Distribution System	Food, Civil Supplies and Consumer Affairs	0.06

SI No.	GOI Scheme	Implementing Agency	GOI release
50	Storage and Godowns	Food, Civil Supplies and Consumer Affairs	4
51	Developments of Museums	Director, Art and Culture Department	4.14
52	Research, Education and Training Outreach (REACHOUT)	Lunglei Government College and Mizoram University	0.11
53	Pandit Madan Mohan Malviya National Mission on Teachers and Teaching	National Mission on Teachers and Teaching	2.5
54	Census, Survey and Statistics/ Register General of India	GAD	1.9
55	Establishment Expenditure (Police)	GIA Account 46 AR	0
56	Schemes of North East Council-Special Development Projects	Archery Association of Mizoram, Bamboo Development Agency, Director Art and Culture Department <i>etc.</i>	20.31
57	National Animal Disease Control Programme for Foot and Mouth Disease (FMD) and Brucellosis	State Implementing Agency- NADCP	0.38
58	National Programme for Diary Development	Mizoram Milk Producers Co-operative	7
59	Establishment Expenditure (UD)	Directorate of Economics and Statistics	0.16
60	Economic Census	Directorate of Economics and Statistics	0.04
61	Ongoing Programme and Schemes-Power	SPV Aspirational Mamit	3
62	Pradhan Mantri Awas Yojna (PMAY) Rural	Rural Development Department	0.19
63	Women Helpline	Women Helpline	0.34
		TOTAL	690.37

Source: Finance Accounts

APPENDIX VI Details of Return on Capital Employed of SPSUs

(Refer paragraph 5.8, 5.9, 5.10 and 5.16)

Summarised details of the working results of the SPSEs as per their latest finalised accounts as on 30 September 2020.
(Figures in columns 5 to 12 are ₹ in crore)

Sl. No.	Sector/ name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed ²	Return on capital employed/ EBIT ³	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Working Government Companies													
SECTOR: AGRICULTURAL MARKETING													
1.	Mizoram Agricultural Marketing Corporation Limited	2010-11	2015-16	5.45	2.09	(-) 6.91	0.28	(-) 1.02	-	0.63	(-) 1.00	(-) 158.73	9
Sector Wise Total				5.45	2.09	(-) 6.91	0.28	(-) 1.02	-	0.63	(-) 1.00	(-) 158.73	9
SECTOR: FINANCING													
2.	Zoram Industrial Development Corporation Limited	2018-19	2020-21	15.78	29.68	(-) 14.91	9.72	0.82	-	30.55	0.82	2.68	37
Sector Wise Total				15.78	29.68	(-) 14.91	9.72	0.82	-	30.55	0.82	2.68	37
SECTOR: MANUFACTURING													
3.	Zoram Electronics Development Corporation Limited	2009-10	2016-17	7.23	-	(-) 6.59	0.00	(-) 0.24	-	0.64	(-) 0.24	(-) 37.50	0
4.	Mizoram Food and Allied Industries Corporation Limited	2014-15	2016-17	20.00	-	(-) 20.91	0.78	(-) 1.59	-	(-) 0.91	(-) 1.59	**	22
Sector Wise Total				27.23	-	(-) 27.50	0.78	(-) 1.83	-	(-) 0.27	(-) 1.83	**	22
SECTOR: MISCELLANEOUS													
5.	Mizoram Handloom and Handicrafts Development Corporation Limited	2017-18	2018-19	10.00	0.10	(-) 6.05	0.00	(-) 0.01	-	4.05	(-) 0.01	(-) 0.25	3
6.	Mizoram Mineral Development Corporation Limited	2014-15	2016-17	0.15	-	(-) 0.18	0.00	(-) 0.01	-	(-) 0.03	(-) 0.01	**	0
Sector Wise Total				10.15	0.10	(-) 6.23	0.00	(-) 0.02	-	4.02	(-) 0.02	(-) 0.50	3
Grand Total				58.61	31.87	(-) 55.55	10.78	(-) 2.05	-	34.93	(-) 2.03	(-) 6.08	71

² Capital employed represents Shareholders' fund plus long term borrowings³ Return on capital employed (EBIT) has been worked out by adding back the 'interest' charged to profit and loss account to the 'net profit' or 'net loss' for the year.

**© COMPTROLLER AND
AUDITOR GENERAL OF INDIA**
www.cag.gov.in
2021