



सत्यमेव जयते

**State Finances Audit Report
of the
Comptroller and Auditor General of India
for the year ended 31 March 2021**



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

**Government of Mizoram
(Report No. 1 of 2022)**

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

for the year ended 31 March 2021

**Government of Mizoram
Report No. 1 of 2022**

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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 2021. 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.

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The Report

Based on the audited accounts of the Government of Mizoram for the year ending March 2021, 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

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 2016-21 ranged between 12.76 *per cent* (2017-18) to 15.62 *per cent* (2020-21). During 2020-21, the GSDP at current price was ₹ 29,076 crore, up from ₹ 25,149 crore in 2019-20, representing an increase of 15.62 *per cent* which was much higher than the growth rate of the country's GDP which was (-)2.97 *per cent*. During the five-year period from 2016-17 to 2020-21, there has been a significant decrease in the growth rate of the

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Primary sector in GSDP, declining from 18.16 *per cent* in 2016-17 to 11.15 *per cent* in 2020-21 while the growth in the Secondary sector has remained more or less steady. The Tertiary sector continued to be the largest contributor to the GSDP.

- State Government was unable to maintain Revenue Surplus during the year for the first time since 2014-15. Fiscal Deficit-GSDP ratio and Debt-GSDP ratio as targeted in the MTFPS were also not met. During 2020-21 Revenue Deficit stood at ₹ 774.13 crore. At the same time, Fiscal Deficit at 6.43 *per cent* of GSDP could not be kept below the targeted 6.40 *per cent*. Although the State Government was unable to meet the targeted ratio of Debt to GSDP, it declined to 33.98 *per cent* from the previous year's ratio of 34.51 *per cent*.
- The XV FC in its report for the year 2020-21 had projected a Revenue Deficit of ₹ 1,422 crore for the State of Mizoram. However, Revenue Deficit for the State stood at ₹ 774.13 crore only. Fiscal Deficit stood at ₹ 1,869.31 crore during 2020-21. After successfully containing the Fiscal Deficit within the targets during 2015-19, the State's Fiscal Deficit was 6.43 *per cent* of GSDP during 2020-21 as against the target of 6.40 *per cent*.
- Components of fiscal liabilities exhibited upward movement for the current year with increases in Internal Debt (₹ 768.17 crore), Public Account Liabilities (₹ 209.40 crore) and Loans from GoI (₹ 225.25 crore). As a result, total outstanding liabilities (TOL) for the year stood at ₹ 9,881.09 crore which was 33.98 *per cent* of GSDP and thus, failed to meet the target of 27.85 *per cent* set under the MTFP.
- Both Revenue Deficit and Fiscal Deficit of the State was understated by ₹ 15.84 crore due to non-provision of interests and non-contribution to designated Funds.

Recommendations

- *The Government may adhere to the targets of MFRBM Act set for Fiscal Deficit.*
- *The Government needs to make more efforts to increase its Tax and non-tax revenues to make up for the Revenue Deficit in the State.*

(Chapter 1)

Finances of the State

- Revenue Receipts during the year 2020-21 was ₹ 7,740.67 crore which had decreased by ₹ 1,917.59 crore (19.85 *per cent*) from the previous year. State's Own Tax Revenue decreased by ₹ 83.42 crore (11.41 *per cent*) from the previous year while Non-Tax revenue increased by ₹ 39.41 crore (7.54 *per cent*). Compared to the previous year, Grants-in-aid from GoI and State's Share of Union taxes and Duties also decreased by ₹ 1,866.33 crore (34.64 *per cent*) and ₹ 7.25 crore (0.24 *per cent*) respectively.
- In the four years during which the GST Act has been in effect, revenue collected by Government of Mizoram through SGST has risen by ₹ 288.15 crore (169.74 *per cent*)

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from ₹ 169.76 crore in 2017-18 to ₹ 457.91 crore in 2020-21. This amount included the Advance Apportionment of IGST amounting to ₹ 17.93 crore. In addition, the State received ₹ 897.91 crore as its share of net proceeds assigned to the State under Central Goods and Services Tax.

- Revenue expenditure during the year 2020-21 was ₹ 8,514.80 crore (88.29 *per cent*) against the total expenditure of ₹ 9,643.67 crore. Committed expenditure like salary & wages, pension, interest payments steadily increased during the last five years. The Committed expenditure during 2020-21 was ₹ 5,204.40 crore (67.23 *per cent* of the Revenue Receipts and 61.12 *per cent* of the Revenue Expenditure).
- Capital expenditure decreased by ₹ 246.70 crore (17.97 *per cent*) from ₹ 1,372.67 crore to ₹ 1,125.97 crore.
- As on 31 March 2021, 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 2020-21 nor in the preceding four financial years. On the other hand, the Government's future liability on market borrowings bore an interest liability at average rates of interest ranging from 4.29 to 5.20 *per cent*.
- Capital Expenditure of ₹ 1,309.76 crore incurred on 112 incomplete projects remained blocked and the benefits envisaged from these projects were yet to be harnessed. There was time overrun ranging from one to 10 years on these 112 incomplete projects resulting in cost overrun of ₹ 61.86 crore during 2019-20 and 2020-21 in six projects under PHED, P&E, PWD and UD&PA department.
- During the year 2020-21, the State Government received ₹ 47.00 crore as Central Government's share of SDRF; accordingly, the State Government's share during the year was ₹ 5.22 crore. The State Government transferred ₹ 50.50 crore (Central share ₹ 47.00 crore against actual receipts of ₹ 47.00 crore from Central Government, State share ₹ 3.50 crore against due State share of ₹ 5.22 crore leaving ₹ 1.72 crore un-transferred) to the Fund under Major Head 8121-122 SDRF.
- In the year 2020-21, against the minimum required contribution of ₹ 43.39 crore (0.50 *per cent* of outstanding liabilities of ₹ 8,678.26 crore as on 1 April 2020), the State Government contributed ₹ 37 crore to the CSF leaving an amount of ₹ 6.39 crore as total accumulated outstanding contribution for the year. Total accumulations in the Fund as on 31 March 2021 was ₹ 346.04 crore which has been invested in Government of India Securities.
- The State's outstanding liabilities increased from ₹ 8,678.26 crore in 2019-20 to ₹ 9,881.09 crore in 2020-21, whereas, Debt/GSDP ratio decreased from 34.51 *per cent* to 33.98 *per cent* during the same period. Projections in the MTFP relating to Debt-GSDP ratio were not met during 2020-21.

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- An analysis of the outstanding debt indicated that out of the outstanding public debt of ₹ 5,011.45 crore, 53.72 per cent (₹ 2,691.98 crore) was payable within the next seven years while the remaining 46.28 per cent (₹ 2,319.47 crore) was in the maturity bracket of more than seven years. As on March 2021, the total amount of outstanding market loans was ₹ 3,649.17 crore.
- The State Government had used borrowed funds for meeting both capital and revenue expenditure during the period 2016-21. During 2020-21, the percentage of capital expenditure to borrowings was 43.12 per cent.
- The State had Outstanding guarantees of ₹ 138.63 crore including interest as on 31 March 2021.

Recommendations

- *State Government may take necessary steps to reduce the ratio of committed expenditure to the revenue expenditure and to the total expenditure so that resources could be channelled more to the socio-economic development works.*
- *State Government needs to give stress on projects of capital nature to develop the infrastructure base for socio-economic progress.*
- *The State Government needs to give greater thrust on completion of incomplete projects in a planned manner so that the scarce capital resources of the State do not get locked.*
- *The State Government needs to make its due contribution to the Consolidated Sinking Fund for efficient Debt Management.*

(Chapter 2)

Budgetary Management

- Against the total budget provision of ₹ 13,931.89 crore, State Government Departments incurred an expenditure of ₹ 11,375.10 crore. There was an overall saving of ₹ 3,376.53 crore which was offset by excess of ₹ 819.74 crore under one Grant and one appropriation, resulting in net savings of ₹ 2,556.79 crore.
- Utilisation of budget ranged between 76.85 per cent (2016-17) and 83.73 per cent (2017-18) during the last five years, with 81.65 per cent utilisation during 2020-21.
- An amount of ₹ 6,479.55 crore was allocated for 22 Grants under Revenue (Voted) section which subsequently closed with savings of at least ₹ 50 lakhs in each grant. Further, it was found that total expenditure of ₹ 4,544.95 crore (70.14 per cent) was incurred out of total allocation which meant that approximately 30 per cent of the funds allocated to 22 out of the 48 Grants and appropriation were not utilised.

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- During the year, there were savings of ₹ 100 crore or more in eight Grants/Appropriations and savings under 19 Grants were more than 20 *per cent* of the total provisions made under the respective grants.
- The largest saving of ₹ 154.73 crore occurred under Grant 19 – Local Administration which was 63.33 *per cent* of total allocation.
- Analysis of Grant No. 25 – Water Supply and Sanitation revealed substantial persistent savings in four out of five years during the period 2016-21. The percentage of savings to total grant ranged between 2.31 and 7.10 *per cent*.
- During the period 2016-21, there was an excess expenditure of ₹ 913.11 crore under 11 Grants and one Appropriation, covering 11 Departments which was yet to be regularised in accordance with Article 205 of the Constitution.

Recommendations

- *State Government needs to ensure that the departments submit budget proposals which reflect their financial requirements to the closest possible. The Finance Department also needs to conduct a thorough scrutiny of the budget so that unrealistic estimates do not get passed in the budget.*
- *An appropriate budget monitoring and control mechanism needs to be instituted to ensure that anticipated savings are identified and surrendered within the specified timeframe and demands for supplementary grants made as per actual requirements depending on the remaining budgetary positions of the departments.*
- *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

- 151 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 172.17 crore given to the three Autonomous District Councils during the period upto March 2020 were not submitted to the Principal Accountant General by the entities. Non submission of UCs is fraught with the risk of fraud and misappropriation of funds.
- During 2020-21, all required DCC bills for the AC Bills were submitted, however there were 28 AC Bills relating to previous years pending adjustment amounting to ₹85.49 crore.
- During the year 2020-21, ₹ 455.42 crore under 39 Major Heads of Account, constituting 5.88 *per cent* of the total Revenue Receipts (₹ 7,740.67 crore) was classified under 800- Other Receipts in the accounts. With regard to expenditure,

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booking under the Minor Head 800 showed a mixed trend over the years. During 2020-21, ₹ 1,143.58 crore under 61 Major Heads of accounts, constituting 11.86 per cent of the total expenditure (₹ 9,643.67 crore) was classified under the Minor Head 800- Other Expenditure in the accounts. These omnibus bookings rendered the Accounts non-transparent.

- As per information provided by the State Government, 285 DDOs (out of 700) had an amount of ₹ 456.59 crore lying in Savings/Current Bank Account as on 31 March 2021.
- The Principal Accountant General, Mizoram has not received 11 Annual Accounts of three Autonomous Councils and two Government Bodies due up to 2020-21 for audit as of 30 September 2021.
- The Principal Accountant General, Mizoram has not received 21 Annual Accounts of three Departmental Undertakings.
- During 2020-21 there were a number of cases of misappropriation, losses, theft, etc. that were reported to this office (November 2021). The total amount of public money affected by these reported cases was ₹ 435.21 lakh and related to the Office of the Deputy Commissioner, Siaha (₹ 2.50 lakh), Department of Food, Civil Supplies and Consumer Affairs (₹ 431.33 lakh) and Urban Development and Poverty Alleviation Department (₹ 1.38 lakh).

Recommendations

- *The Government may ensure timely submission of UCs by the ADCs and also adopt the condition of submission of UCs for all GIAs given by the State as a control mechanism for proper utilisation of the GIA.*
- *The Finance Department should, in consultation with the Principal 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.*
- *The Government may consider submission of accounts due as a condition for providing financial assistance to the autonomous bodies/PSUs so that the accounts are finalized in time.*

(Chapter 4)

Functioning of State Public Sector Enterprises

- As on 31 March 2021, the State of Mizoram had total six SPSEs (all working Government companies). As on 31 March 2021, there were differences in the figures of State's investment in Equity (₹ 45.83 crore) and Loan (₹ 22.55 crore) of SPSEs as per State Finance Accounts vis-à-vis records of SPSEs.

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- During 2020-21 the State Government has provided budgetary support of ₹ 5.93 crore to two SPSEs (Zoram Industrial Development Corporation Limited and Mizoram Food and Allied Industries Corporation Limited) in the form of Grants to meet the salaries and other establishment expenditure. The State Government did not provide equity assistance to any of the SPSEs during 2018-21.
- During 2020-21, 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 (₹ 25.87 crore).
- As on 30 September 2021, all six working SPSEs had a total arrear of 37 Accounts ranging from 2 to 11 Accounts. The highest pendency of accounts pertained to Zoram Electronics Development Corporation Limited (11 Accounts) and Mizoram Agricultural Marketing Corporation Limited (10 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 working 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-1

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 at a decadal growth rate of 23.48 *per cent* which was higher than the National decadal growth rate of 12.30 *per cent*. The projected population as of March 2021 was 13,54,825.

The State has eleven districts and three Autonomous District Councils (ADCs). The per capita GSDP (advance estimates) of the State at current prices was ₹ 2,40,298 during 2020-21, which was more than the North Eastern and Himalayan States' average of ₹ 1,39,572 and all India average of ₹ 1,45,680. General and financial data relating to the State are 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 and Allied Activities, Industry and Service sectors. **Table 1.1** provides the comparison of the GDP and GSDP for the period 2016-17 to 2020-21.

Table 1.1 : Trends in GSDP compared to GDP

| Year | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|-------------|-------------|-------------|-------------|-------------|
| GDP at current price | 1,53,91,669 | 1,70,90,042 | 1,88,86,957 | 2,03,51,013 | 1,97,45,670 |
| Growth rate of GDP over previous year (in per cent) | 11.76 | 11.03 | 10.51 | 7.75 | -2.97 |
| GSDP at current prices | 17,192 | 19,385 | 21,879 | 25,149 | 29,076 |
| Growth rate of GSDP over previous year (in per cent) | 13.56 | 12.76 | 12.87 | 14.94 | 15.62 |

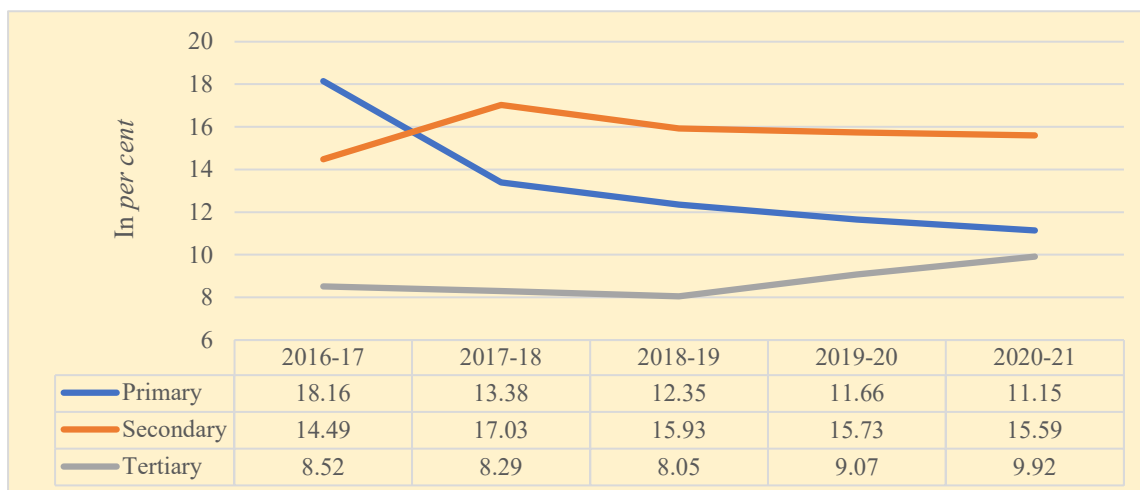
Source: GoI's Economic Survey and Department of Economics and Statistics, State Government.

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 2016-17 to 2020-21 as compared to the National GDP. During the last five years, GSDP of Mizoram registered the lowest growth rate of 12.76 per cent during 2017-18.

Chart 1.1 reveals that during the five-year period from 2016-17 to 2020-21, there has been a significant decrease in the growth rate of the Primary sector in GSDP, declining from 18.16 per cent in 2016-17 to 11.15 per cent in 2020-21. The growth rate of Secondary sector, showed a sharp increase in 2017-18 (17 per cent) to subsequently drop and remained more or less static over the period from 2018-19 to 2020-21, at 15.59 per cent. The growth rate of the Tertiary sector ranged from 8.05 to 9.92 per cent during the period.

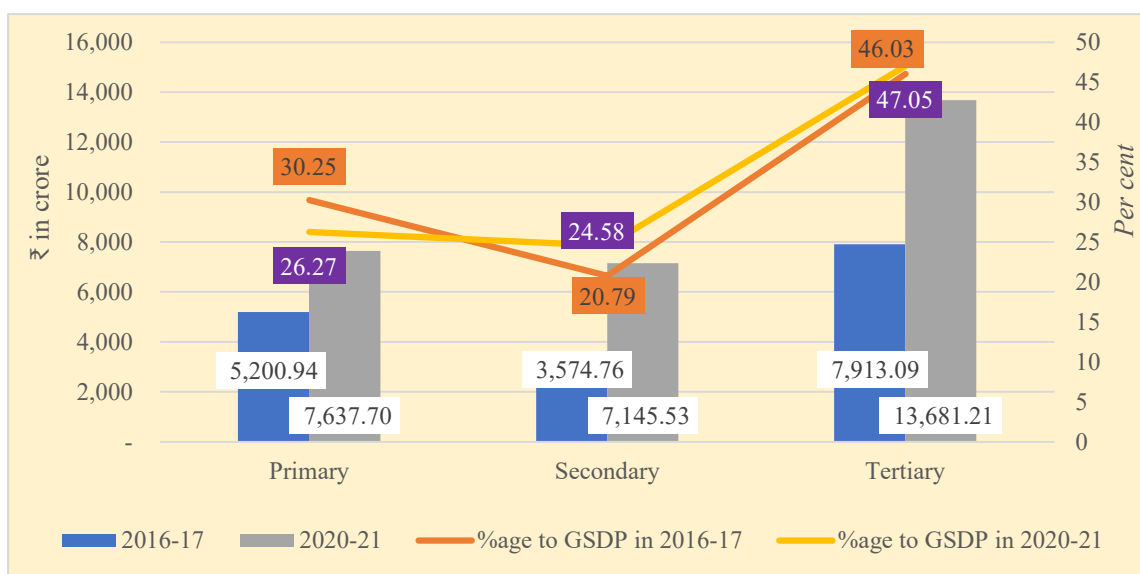
Chart 1.1 : Sectoral growth in GSDP



Source: Department of Economics and Statistics, Government of Mizoram

Chart 1.2 shows the change in sectoral contribution between the years 2016-17 and 2020-21.

Chart 1.2 : Change in sectoral contribution to GSDP (2016-17 and 2020-21)



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 State Legislature. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

Accounts Wing of the Office of the Principal Accountant General, Mizoram prepares Finance Accounts and Appropriation Accounts of Government of Mizoram (GoM) annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, State Government offices and Departments responsible for keeping of such accounts as well as statements received from the Reserve Bank of India. These accounts are audited independently by the Audit Wing of the Office of the Principal Accountant General, 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 Pr. Accountant General (Audit);
- Other data with Departmental Authorities and Treasuries (accounting as well as Management Information System),
- 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 XV Finance Commission (FC), the State Financial Responsibility and Budget Management Act, best practices and guidelines of 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 2016-17 to 2020-21, 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 during 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 Account 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 expenditure 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 Own Tax Revenue (OTR), Non-Tax Revenue (NTR), share of Union Taxes/ Duties, and Grants-in-Aid (GIA) from Government of India.

Revenue Expenditure consists of all those expenditure 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** consists 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.

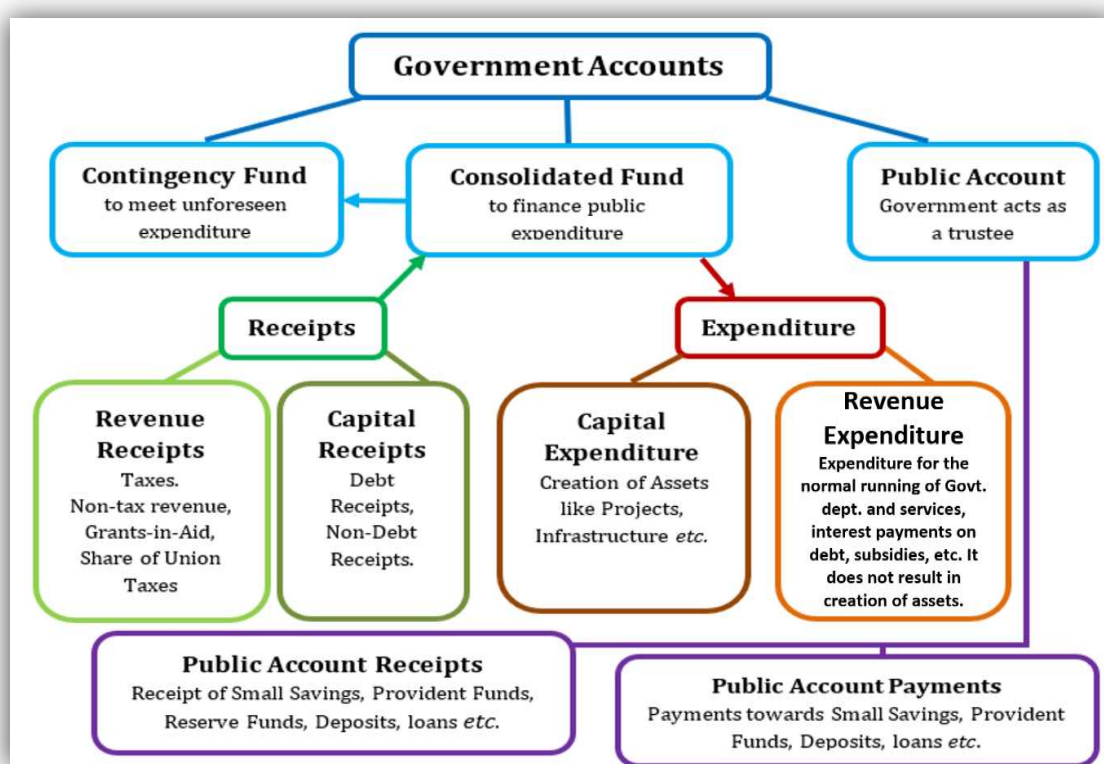
At present, we have an accounting classification system in government that is both functional and economic.

Table 1.2 : Classification of Accounts

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

The functional classification gives information about the department, function, scheme or programme, and object of the expenditure. Economic classification helps organise 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 2020-21, 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 the financial actuals *vis-a-vis* the Budget Estimates for the year 2020-21 and the actuals of 2019-20.

Table 1.3 : Details of financial results for the year 2020-21

(₹ in crore)

| Sl. No. | Components | 2019-20 (Actuals) | 2020-21 | | Percentage of Actuals to BEs | Percentage of Actuals to GSDP |
|-----------|--|----------------------|-----------------------|------------------|------------------------------------|-------------------------------------|
| | | | (Budget Estimates) | (Actuals) | | |
| 1 | Tax Revenue | 730.98 | 661.69 | 647.56 | 97.86 | 2.23 |
| 2 | Non-Tax Revenue | 522.35 | 583.07 | 561.76 | 96.35 | 1.93 |
| 3 | Share of Union Taxes/Duties ^a | 3,017.80 | 3,967.96 | 3,010.55 | 75.87 | 10.35 |
| 4 | Grants-in-aid and Contributions | 5,387.13 | 4,572.24 | 3,520.80 | 77.00 | 12.11 |
| 5 | Revenue Receipts (1+2+3+4) | 9,658.26 | 9,784.96 | 7,740.67 | 79.11 | 26.62 |
| 6 | Recovery of Loans and Advances | 26.70 | 41.16 | 33.69 | 81.85 | 0.12 |
| 7 | Other Receipts | NIL | NIL | NIL | NIL | NIL |
| 8 | Borrowings and other Liabilities ^b | 1,147.68 | 888.88 | 2,611.32 | 293.78 | 8.98 |
| 9 | Capital Receipts (6+7+8) | 1,174.38 | 930.04 | 2,645.01 | 284.40 | 9.10 |
| 10 | Total Receipts (5+9) | 10,832.64 | 10,715.00 | 10,385.68 | 96.93 | 35.72 |
| 11 | Revenue Expenditure | 9,453.96 | 9,021.85 | 8,514.80 | 94.38 | 29.28 |
| 12 | Interest Payments | 343.12 | 369.68 | 400.99 | 108.47 | 1.38 |
| 13 | Capital Expenditure | 1,372.67 | 1,320.86 | 1,125.97 | 85.25 | 3.87 |
| 14 | Capital Outlay | 1,372.67 | 1,320.86 | 1,125.97 | 85.25 | 3.87 |
| 15 | Loan and Advances | 82.63 | 3.10 | 2.90 | 93.55 | 0.01 |
| 16 | Total Expenditure (11+13+15) | 10,909.26 | 10,345.81 | 9,643.67 | 93.21 | 33.17 |
| 17 | Revenue Deficit(-)/Revenue Surplus (+) (5-11) | 204.30 | 763.11 | -774.13 | -101.44 | 2.66 |
| 18 | Fiscal Deficit {16-(5+6+7)} | 1,224.30 | 519.69 | 1,869.31 | 359.70 | 6.43 |
| 19 | Primary Deficit (18-12) | 881.18 | 150.01 | 1,468.32 | 978.82 | 5.05 |

Source: Finance Accounts

(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 2020-21, Revenue Receipts (₹ 7,740.67 crore) fell short of the estimates (₹ 9,784.96 crore), which was compensated by Debt-Capital Receipts (₹ 2,645.01 crore) in excess of estimates (₹ 930.04 crore). However, total receipts fell short of budget estimates for the year by about 3 per cent. Both Revenue and Capital Expenditure fell short of estimates for the year by ₹ 507.05 crore and ₹ 194.89 crore respectively. As a result, total expenditure (₹ 9,643.67 crore) was 93.21 per cent of budget estimates for the year.

The State had a Revenue Deficit of ₹ 774.13 crore though the State had anticipated a Revenue Surplus of ₹ 763.11 crore for the year 2020-21. Similarly, Fiscal Deficit and Primary Deficits for 2020-21 stood at ₹ 1,869.31 crore (*vis-à-vis* target of ₹ 519.69 crore) and ₹ 1,468.32 crore (*vis-à-vis* target of ₹ 150.01 crore) respectively.

With respect to GSDP, Revenue and Capital Receipts contributed 26.62 per cent and 9.10 per cent respectively to the GSDP for the year 2020-21.

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, though comprehensive accounting of fixed assets like land and buildings owned by the Government is not done in the existing Government accounting system. The liabilities consist mainly of internal borrowings, loans and advances from Government of India (GoI), receipts into 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.

Table 1.4 shows summarised position of Assets and Liabilities for Government of Mizoram as on 31 March 2021 *vis-a-vis* the position as on 31 March 2020.

Table 1.4 : Summarised position of Assets and Liabilities

(₹ in crore)

| As on 31.03.20 | Liabilities | As on 31.03.21 | As on 31.03.20 | Assets | As on 31.03.21 |
|---------------------------------------|--|-------------------|-------------------|--------------------------------------|-------------------|
| Consolidated Fund of the State | | | | | |
| 3,758.92 | Internal Debt | 4,527.09 | 15,384.95 | Gross Capital Outlay on Fixed Assets | 16,510.92 |
| 259.10 | Loans and Advances from Central Government | 484.36 | 303.42 | Loans and Advances | 272.63 |
| Contingency Fund | | | | | |
| 0.10 | Contingency Fund | 0.10 | 0.00 | Civil Advances | 0.00 |
| Public Account | | | | | |
| 2,187.45 | Small Savings, Provident Funds, etc. | 2,403.34 | 51.86 | Remittance Balances | 0.00 |
| 2,247.03 | Deposits | 2,223.68 | 167.89 | Cash Balance | 9.08 |
| 568.24 | Reserve Funds | 619.17 | 341.54 | Investment out of Reserve Fund | 385.54 |
| 871.59 | Suspense and Miscellaneous | 1,252.97 | | | |
| 0.00 | Remittance Balances | 84.36 | | | |
| 6,357.23 | Surplus on Government Account | 5,583.10 | | | |
| 16,249.66 | Total | 17,178.17 | 16,249.66 | Total | 17,178.17 |

Source: Statement No. 1 of Finance Accounts 2020-21

As can be seen from the table above, during 2020-21, assets and liabilities (excluding surplus on Government Accounts) both increased by ₹ 928.51 crore and ₹ 1,702.64 crore respectively. Further, the growth rate of assets decreased from 10.79 per cent in 2019-20 to 5.71 per cent in 2020-21, whereas, the growth rate of liabilities, excluding surplus on Government Accounts, increased from 16.18 per cent in 2019-20 to 17.21 per cent in 2020-21.

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>It 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 it indicates that revenue receipts were not able to meet even the 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. Fiscal Deficit 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 shares 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>It 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 savings. 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 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 keeping 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 to by the state with regard to deficit measures and debt level.

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 Finance Commissions, the MZFRBM Act was amended thrice, with the latest amendment being in September 2020.

As per the provisions of the MZFRBM Act, 2006 the State Government is required to prepare every year, a Medium Term Fiscal Policy Statement (MTFPS) showing the rolling fiscal targets, in addition to the Fiscal Correction Path (FCP). Due to this, the fiscal targets set by XIV FC have been adopted in the MTFPS laid before the Mizoram Legislative Assembly.

The period of the Fourteenth Finance Commission has ended and the Fifteenth Finance Commission (XV FC) was constituted by the President of India on 27 November 2017. The XV FC was initially expected to submit its reports by November 2019. However, with the creation of two new Union Territories by the Jammu and Kashmir Reorganisation Act, 2019, the Commission submitted an interim Report for the year 2020-21 which was substantially accepted by Government of India. The XV FC in its report for 2020-21 did not recommend any significant change in fiscal reformation thereby implying that the architecture introduced by XIV FC is still relevant

The status of achievement *vis-à-vis* projections set during the period 2016-17 to 2020-21 is given in **Table 1.5**.

Table 1.5 : Compliance with provisions of State FRBM Act

| Fiscal Parameters | Fiscal Targets | Achievement ² | | | | |
|---|--|--------------------------|---------|---------|-----------|-----------|
| | | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Revenue Deficit (-) / Surplus (+) (₹ in crore) | Revenue Surplus | 1167.96 | 1699.43 | 1533.91 | 204.31 | -774.13 |
| | (As per State FRBM Act the target had not been set in quantifiable terms) | ✓ | ✓ | ✓ | ✓ | ✗ |
| Fiscal Deficit (-) / Surplus (+) (as percentage of GSDP) | Targets (below): | 251.95 | -320.23 | -352.92 | -1,224.30 | -1,869.31 |
| | 2016-17 to | 1.47 | 1.65 | 1.61 | 4.87 | 6.43 |
| | 2018-19 - 3 per cent | ✓ | ✓ | ✓ | ✓ | ✗ |
| | 2019-20 - 8.34 per cent ³ 2020-21 - 6.40 per cent ⁴ | | | | | |
| Ratio of total outstanding debt to GSDP (in per cent) | Projections (below): | 39.12 | 37.65 | 33.44 | 34.51 | 33.98 |
| | 2016-17 - 46.93 per cent | | | | | |
| | 2017-18 - 40.87 per cent | ✓ | ✓ | ✓ | ✗ | ✗ |
| | 2018-19 - 34.19 per cent | | | | | |
| | 2019-20 - 32.66 per cent 2020-21 - 27.85 per cent | | | | | |

State Government was unable to maintain Revenue Surplus during the year, for the first time since 2014-15. During 2020-21 Revenue Deficit stood at ₹ 774.13 crore. Fiscal Deficit-GSDP ratio and Debt-GSDP ratio as targeted in the MTFPS were also not met. Fiscal Deficit at 6.43 per cent of GSDP was marginally above the target (6.40 per cent) set under MFRBM Act, 2020. With regard to Debt-GSDP ratio, although the State Government was unable to meet the targeted ratio of 27.85 per cent, it decreased to 33.98 per cent from the previous year's ratio of 34.51 per cent.

² ✓ denotes targets achieved and ✗ denotes targets not achieved

³ Targets set as per latest amendment (September 2020) of the MZFRBM Act

⁴ Targets set as per latest amendment (September 2020) of the MZFRBM Act

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 projections made for 2020-21 and actual achievement.

Table 1.6 : Actuals vis-à-vis projections in MTFP for 2020-21

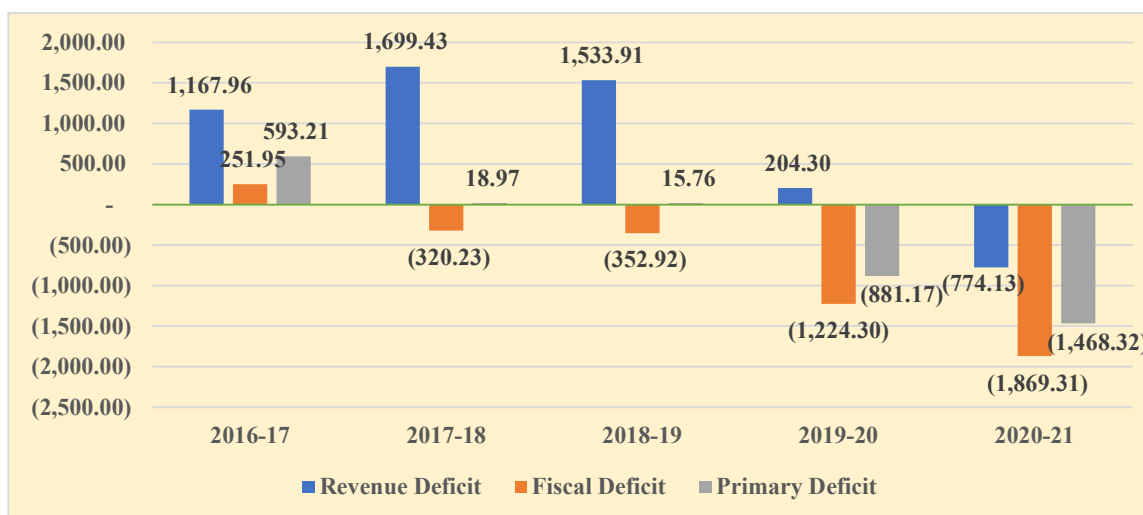
(₹ in crore)

| Sl. No. | Fiscal Variables | Projection as per MTFP | Actuals | Variation |
|---------|---|------------------------|-----------|---------------|
| | | | (2020-21) | (in per cent) |
| 1 | Own Tax Revenue | 661.69 | 647.56 | -2.14 |
| 2 | Non-Tax Revenue | 583.07 | 561.76 | -3.65 |
| 3 | Share of Central Taxes | 3,967.96 | 3,010.55 | -24.13 |
| 4 | Grants-in-aid from GoI | 4,572.24 | 3,520.80 | -23.00 |
| 5 | Revenue Receipts (1+2+3+4) | 9,784.96 | 7,740.67 | -20.89 |
| 6 | Revenue Expenditure | 9,021.85 | 8,514.80 | -5.62 |
| 7 | Revenue Surplus (+)/Revenue Deficit (-)(5-6) | 763.11 | -774.13 | -201.56 |
| 8 | Fiscal Deficit | 518.59 | 1,869.31 | 259.70 |
| 9 | Debt-GSDP ratio (per cent) | 27.85 | 33.98 | 22.01 |
| 10 | GSDP growth rate at current prices (per cent) | 17.61 | 15.62 | -11.30 |

As can be seen from the table above, the projections made in MTFP relating to key fiscal variables showed significant variation from the projections made for 2020-21.

The trend of deficit parameters over the five-year period from 2016-17 to 2020-21 is depicted in **Chart 1.4**.

Chart 1.4 : Trends in deficit parameters

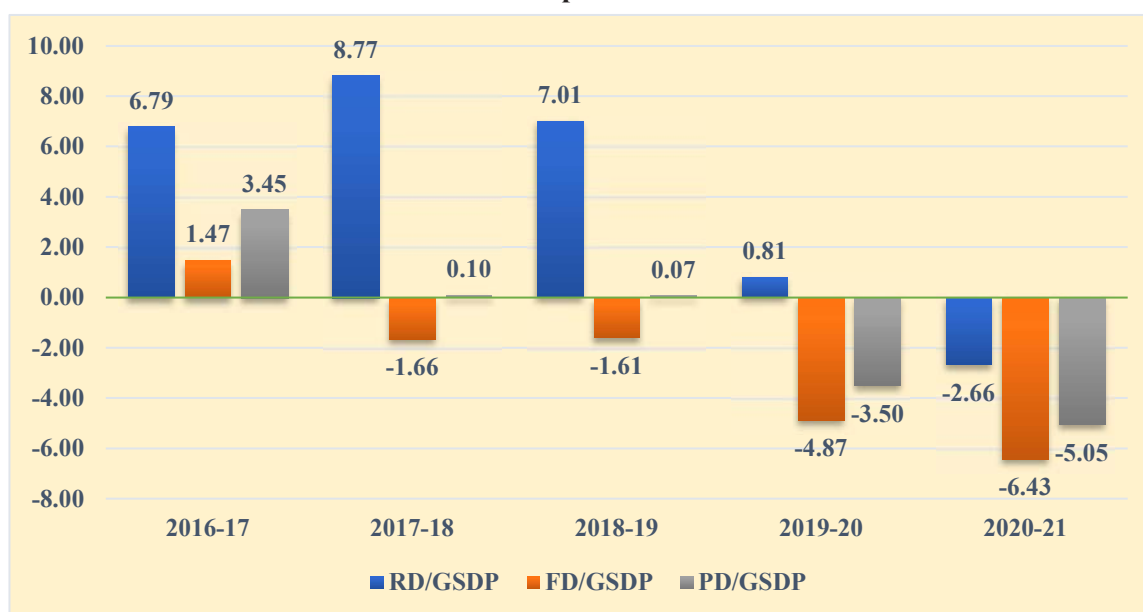


Source: Finance Accounts

The XV FC in its Report for the year 2020-21 had projected a Revenue Deficit (RD) of ₹ 1,422 crore for the State of Mizoram, however, Revenue Deficit for the State stood at ₹ 774.13 crore only. Fiscal Deficit (FD) stood at ₹ 1,869.31 crore during 2020-21.

Chart 1.5 depicts the trends in surplus/deficit relative to GSDP over the five-year period 2016-17 to 2020-21.

Chart 1.5 : Trends in Surplus/Deficit relative to GSDP

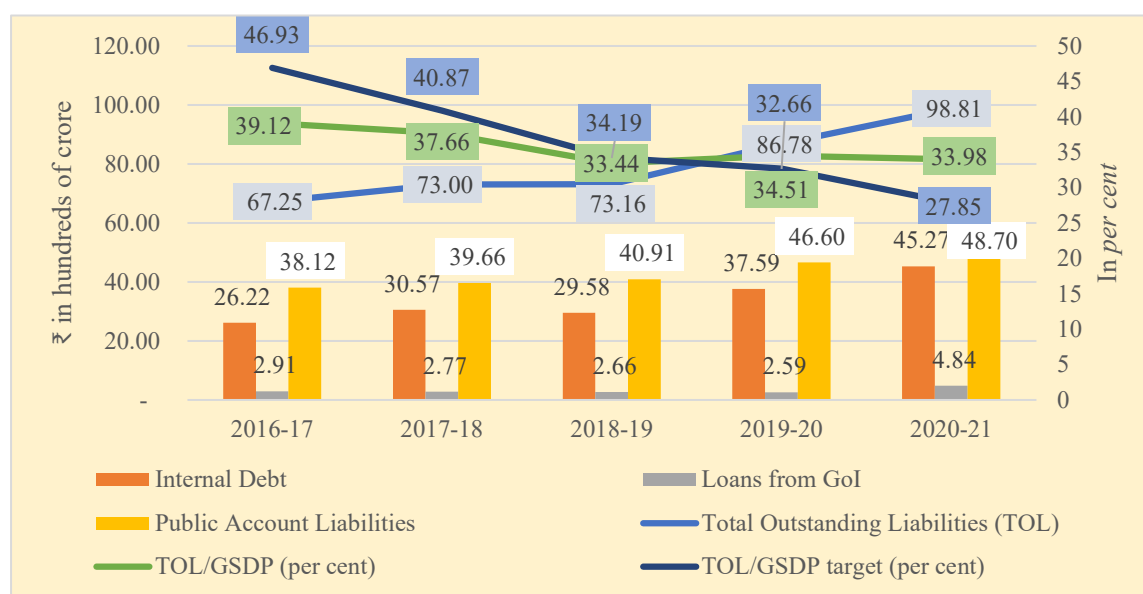


Source: Finance Accounts

Analysis of ratio of deficit relative to GSDP for the year revealed that these deficits occurred mainly as a result of receipts being less than the expenditure incurred by the State during the year.

Total outstanding liabilities (TOL) for the year stood at ₹ 9,881.09 crore while the percentage of TOL to GSDP at 33.98 per cent failed to meet the target set under 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

Components of fiscal liabilities exhibited upward movement for the current year with increases in Internal Debt (₹ 768.17 crore), Loans from GoI (₹ 225.25 crore) and Public Account Liabilities (₹ 209.40 crore).

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 impact the 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 needs to be reversed.

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

Table 1.7 : Impact of Misclassification and Deferment of Expenditure on Revenue Deficit and Fiscal Deficit

(₹ in crore)

| Particulars | Impact on Revenue Deficit | | Impact on Fiscal Deficit | |
|---|---------------------------|---------------|--------------------------|---------------|
| | Understatement | Overstatement | Understatement | Overstatement |
| Non-payment of interest State Disaster Response Fund | 0.36 | - | 0.36 | - |
| Non-adjustment of interest on balances in State Compensatory Afforestation Fund | 7.24 | - | 7.24 | - |
| Non-payment of interest Miscellaneous Deposits | 0.13 | - | 0.13 | - |
| State Disaster Response Fund (Non-transfer of State Share) | 1.72 | - | 1.72 | - |
| Short contribution to Consolidated Sinking Fund | 6.39 | - | 6.39 | - |
| Net Impact | 15.84 | - | 15.84 | - |

Source: Finance Accounts and Audit Analysis

It may be seen from the preceding table that the State Government understated both Revenue Deficit and Fiscal Deficit by ₹ 15.84 crore through Non-payment of interest on the balances under State Disaster Response Fund (₹ 0.36 crore), Non-adjustment of interest on balances in State Compensatory Afforestation Fund (₹ 7.24 crore), Non-payment of interest Miscellaneous Deposits (₹ 0.13 crore), State Disaster Response Fund (Non-transfer of State Share) (₹ 1.72 crore) and Short contribution under Consolidated Sinking Fund (₹ 6.39 crore).

1.7 Conclusion

The growth rate of GSDP of the State at current prices, during 2016-21 ranged between 12.76 per cent (2017-18) to 15.62 per cent (2020-21). During 2020-21, the GSDP at current price was ₹ 29,076 crore, up from ₹ 25,149 crore in 2019-20, representing an

increase of 15.62 *per cent* which was much higher than the growth rate of the country's GDP which was (-)2.97 *per cent*. During the five-year period from 2016-17 to 2020-21, there has been a significant decrease in the growth rate of the Primary sector in GSDP, declining from 18.16 *per cent* in 2016-17 to 11.15 *per cent* in 2020-21 while the growth in the Secondary sector has remained more or less steady. The Tertiary sector continued to be the largest contributor to the GSDP.

State Government was unable to maintain Revenue Surplus during the year for the first time since 2014-15. Fiscal Deficit-GSDP ratio and Debt-GSDP ratio as targeted in the MTFPS were also not met. During 2020-21 Revenue Deficit stood at ₹ 774.13 crore. At the same time, Fiscal Deficit at 6.43 *per cent* of GSDP could not be kept below the targeted 6.40 *per cent*. Although the State Government was unable to meet the targeted ratio of Debt to GSDP, it declined to 33.98 *per cent* from the previous year's ratio of 34.51 *per cent*.

The XV FC in its report for the year 2020-21 had projected a Revenue Deficit of ₹ 1,422 crore for the State of Mizoram. However, Revenue Deficit for the State stood at ₹ 774.13 crore only. Fiscal Deficit stood at ₹ 1,869.31 crore during 2020-21. After successfully containing the Fiscal Deficit within the targets during 2015-19, the State's Fiscal Deficit was 6.43 *per cent* of GSDP during 2020-21 as against the target of 6.40 *per cent*.

Components of fiscal liabilities exhibited upward movement for the current year with increases in Internal Debt (₹ 768.17 crore), Public Account Liabilities (₹ 209.40 crore) and Loans from GoI (₹ 225.25 crore). As a result, total outstanding liabilities (TOL) for the year stood at ₹ 9,881.09 crore which was 33.98 *per cent* of GSDP and thus, failed to meet the target of 27.85 *per cent* set under the MTFP.

Both Revenue Deficit and Fiscal Deficit of the State was understated by ₹ 15.84 crore due to non-provision of interests and non-contribution to designated Funds.

1.8 Recommendations

- *The Government may adhere to the targets of MFRBM Act set for Fiscal Deficit.*
- *The Government needs to make more efforts to increase its Tax and non-tax revenues to make up for the Revenue Deficit in the State.*

CHAPTER-2
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 2016-17 to 2020-21, 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* 2019-20

Table 2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2020-21, compared to the previous year.

Table 2.1 : Changes in key fiscal aggregates in 2020-21 compared to 2019-20

| | |
|---------------------|--|
| Revenue Receipts | <ul style="list-style-type: none"> ✓ Revenue receipts of the State decreased by 19.85 <i>per cent</i> ✓ Own Tax receipts of the State decreased by 11.41 <i>per cent</i> ✓ Non-tax receipts increased by 7.54 <i>per cent</i> ✓ State's Share of Union Taxes and Duties decreased by 0.24 <i>per cent</i> ✓ Grants-in-Aid from Government of India decreased by 34.64 <i>per cent</i> |
| Revenue Expenditure | <ul style="list-style-type: none"> ✓ Revenue expenditure decreased by 9.93 <i>per cent</i> ✓ Revenue expenditure on General Services increased by 2.20 <i>per cent</i> ✓ Revenue expenditure on Social Services decreased by 6.33 <i>per cent</i> ✓ Revenue expenditure on Economic Services decreased by 27.37 <i>per cent</i> |
| Capital Expenditure | <ul style="list-style-type: none"> ✓ Capital expenditure decreased by 17.97 <i>per cent</i> ✓ Capital expenditure on General Services decreased by 55.22 <i>per cent</i> ✓ Capital expenditure on Social Services decreased by 6.89 <i>per cent</i> ✓ Capital expenditure on Economic Services decreased by 22.58 <i>per cent</i> |
| Loans and Advances | <ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances decreased by 96.49 <i>per cent</i> ✓ Recoveries of Loans and Advances increased by 26.18 <i>per cent</i> |
| Public Debt | <ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 127.53 <i>per cent</i> ✓ Repayment of Public Debt increased by 357.13 <i>per cent</i> |
| Public Account | <ul style="list-style-type: none"> ✓ Public Account Receipts increased by 31.79 <i>per cent</i> ✓ Disbursement of Public Account increased by 35.61 <i>per cent</i> |
| Cash Balance | <ul style="list-style-type: none"> ✓ Cash balance decreased by 22.54 <i>per cent</i> |

Each of the above key fiscal aggregates 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 2020-21 with that of 2019-20 in figures, while **Chart 2.1** gives the details of receipts and expenditure from the Consolidated Fund of the State during 2020-21 in terms of percentages.

Table 2.2 : Details of Sources and Application of funds during 2019-20 and 2020-21

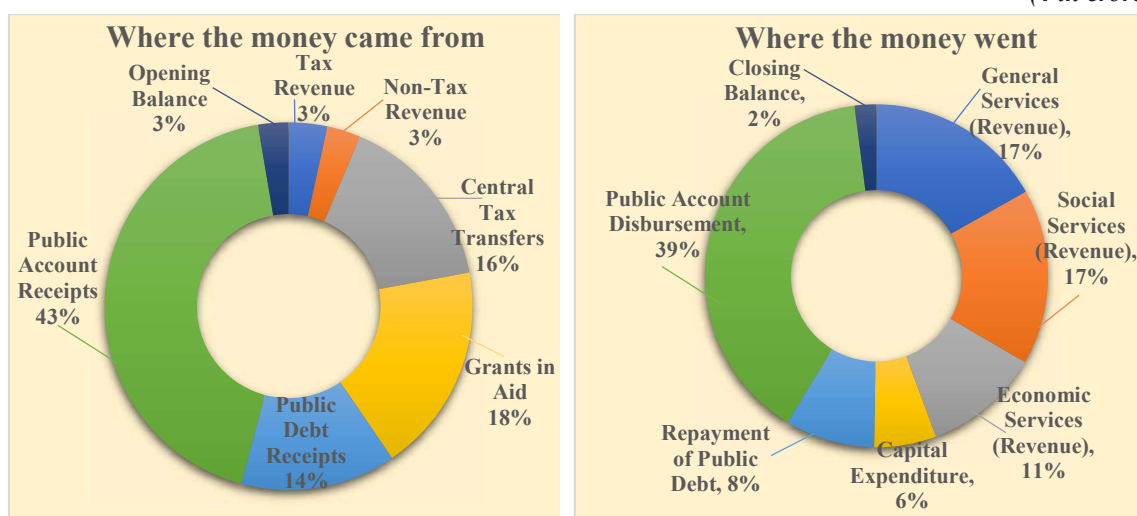
(₹ in crore)

| | Particulars | 2019-20 | 2020-21 | Increase/ Decrease |
|--------------------|------------------------------------|------------------|-----------------|--------------------|
| Sources | Opening Cash Balance with RBI | -166.50 | -30.50 | 136.00 |
| | Revenue Receipts | 9,658.26 | 7,740.67 | -1,917.50 |
| | Recoveries of Loans and Advances | 26.70 | 33.69 | 6.99 |
| | Public Debt Receipts (Net) | 793.75 | 993.43 | 199.68 |
| | Public Account Receipts (Net) | 566.56 | 783.03 | 216.47 |
| | Total | 10,878.77 | 9,520.32 | -1,358.45 |
| Application | Revenue Expenditure | 9,453.96 | 8,514.80 | -939.16 |
| | Capital Expenditure | 1,372.67 | 1,125.97 | -246.70 |
| | Disbursement of Loans and Advances | 82.64 | 2.90 | -79.74 |
| | Closing Cash Balance with RBI | -30.50 | -123.35 | -92.85 |
| | Total | 10,878.77 | 9,520.32 | -1,358.45 |

Source: Finance Accounts

Chart 2.1 : Sources and application of funds

(₹ in crore)



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, 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 discussed in details in the succeeding paragraphs:

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

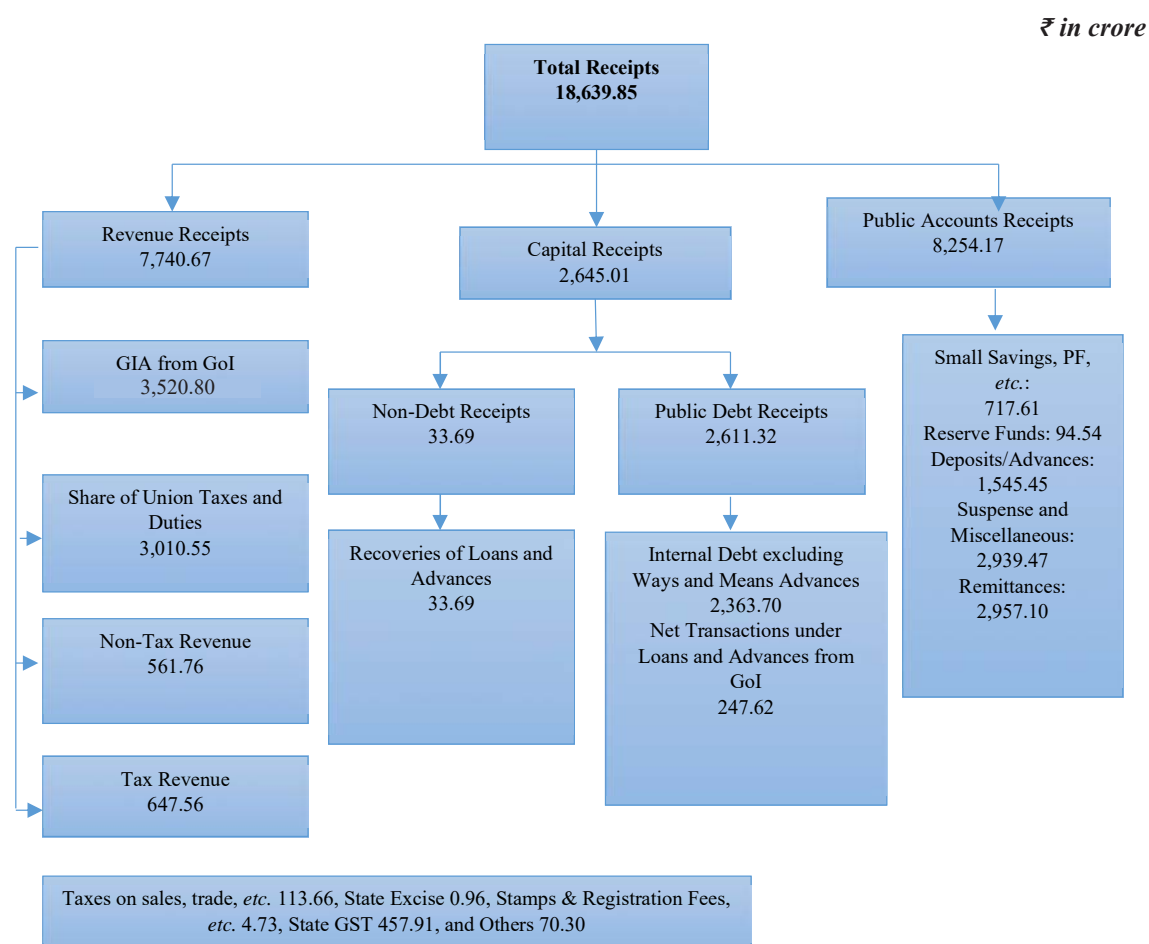
- 3. Net Public Account receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund.

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 its use.

2.5 Receipts of the State

This paragraph provides the composition of the overall receipts. The composition of receipts of Government of Mizoram during 2020-21 is given in **Chart 2.2**.

Chart 2.2 : Composition of receipts of the State during 2020-21



2.5.1 State's Revenue Receipts

This paragraph outlines the trends in revenue receipts of Government of Mizoram for the year 2020-21.

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 2016-21. 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 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue Receipts (RR) (₹ in crore) | 7,398.30 | 8,580.20 | 9,039.50 | 9,658.26 | 7,740.67 |
| Rate of growth of RR (per cent) | 10.81 | 15.98 | 5.35 | 6.85 | -19.85 |
| Own Tax Revenue | 441.81 | 545.91 | 726.70 | 730.98 | 647.56 |
| Non-Tax Revenue | 365.22 | 390.65 | 449.96 | 522.35 | 561.76 |
| Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent) | 23.02 | 16.05 | 25.64 | 6.52 | -3.51 |
| GSDP (₹ in crore) (2011-12 Series) | 17,192 | 19,385 | 21,879 | 25,149 | 29,076 |
| Rate of growth of GSDP (per cent) | 13.56 | 12.76 | 12.87 | 14.94 | 15.62 |
| RR/GSDP (per cent) | 43.03 | 44.26 | 41.32 | 38.40 | 26.62 |
| Buoyancy Ratios⁵ | | | | | |
| Revenue Buoyancy w.r.t. GSDP | 0.80 | 1.25 | 0.42 | 0.46 | -1.27 |
| State's Own Revenue Buoyancy w.r.t. GSDP | 1.70 | 1.26 | 1.99 | 0.44 | -0.22 |

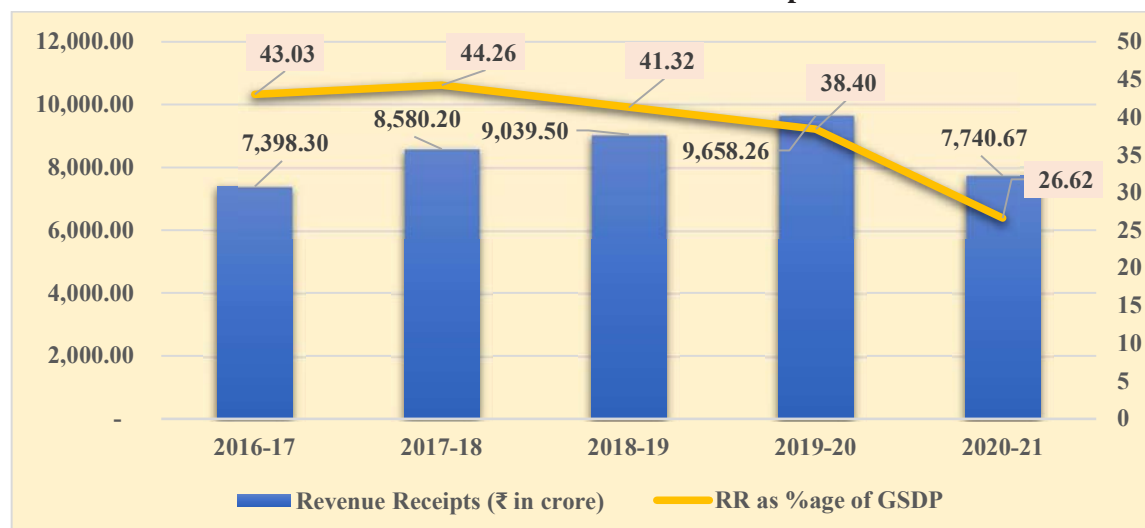
Source: Finance Accounts and Directorate of Economics and Statistics

Revenue Receipts increased by 4.63 per cent from ₹ 7,398.30 crore in 2016-17 to ₹ 7,740.67 crore in 2020-21 at an annual average growth rate of 3.83 per cent. During 2020-21, Revenue Receipts decreased by ₹ 1,917.59 crore (19.85 per cent) over the previous year due to decrease in Tax Revenue (₹ 83.42 crore), Grants-in-Aid from GoI (₹ 1,866.33 crore), State's share of Union Taxes and Duties (₹ 7.25 crore) offset by increase in Non-tax Revenue (₹ 39.41 crore).

⁵ 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 one implies that Revenue Receipts tend to change by one percentage points, if the GSDP changes by one per cent

Chart 2.3 shows the trend of Revenue Receipts during the period 2016-17 to 2020-21.

Chart 2.3 : Trend of Revenue Receipts

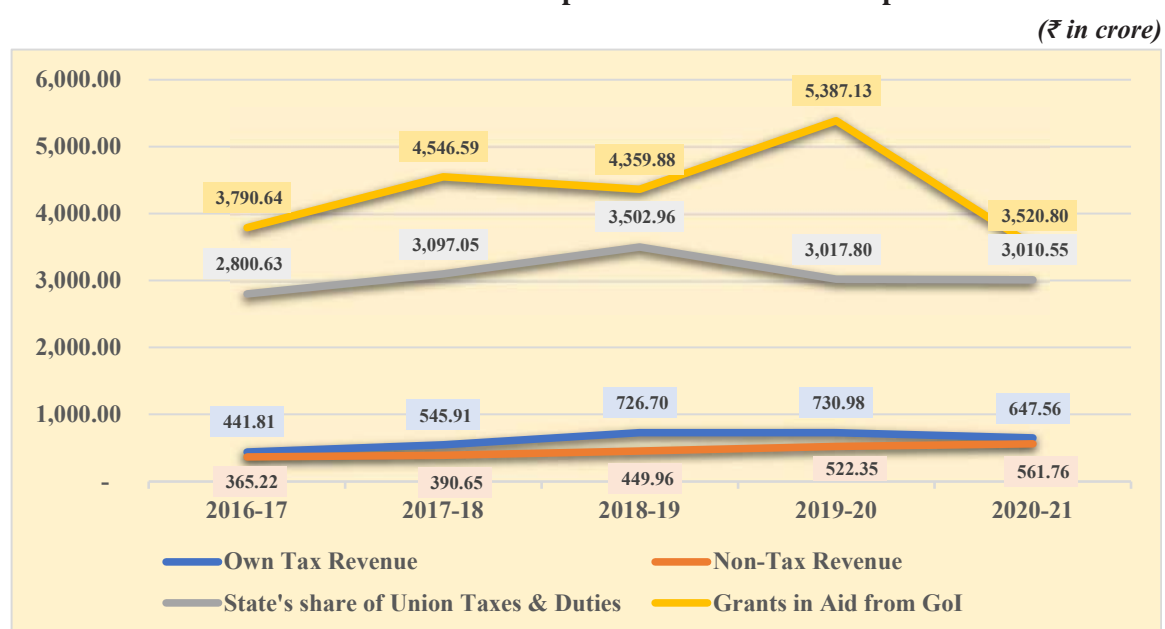


Source: Finance Accounts

Revenue Receipts which had steadily increased over the period declined sharply in the current year. As a result, the contribution of Revenue Receipts to GSDP continued to decrease. There was wide fluctuation in State's own revenue buoyancy, due to factors such as implementation of GST (in 2017-18) and the onset of the COVID-19 pandemic (2020-21), which impacted the actual receipts in different components of revenue.

Chart 2.4 shows the trend of components of Revenue Receipts.

Chart 2.4 : Trend of components of Revenue Receipts



Source: Finance Accounts

Grants in Aid from the GoI made up 45.48 per cent of the Revenue Receipts during 2020-21 while Central Tax Transfers contributed 38.89 per cent. State's own sources of revenue made up just 15.63 per cent of the 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.

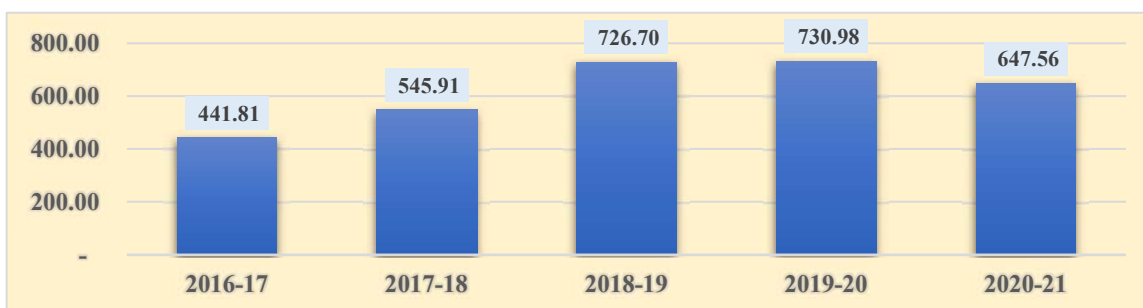
2.5.1.2 State's Own Resources

State's performance in mobilisation of resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The gross collection in respect of major Tax and Non-Tax Revenues and their relative share in GSDP during 2016-21 is given in *Appendix II*.

(i) Own Tax Revenue

Own tax revenue of the State consists of State Goods and Services Tax (SGST), State excise, taxes on vehicles, Stamps 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 2016-21 are given in **Chart 2.5**.

Chart 2.5 : Growth of Own Tax Revenues during 2016-21



Source: Finance Accounts

Component-wise details of Own Tax Revenue collected during the years 2016-21 are presented in **Table 2.4**.

Table 2.4 : Components of State's own tax revenue

(₹ in crore)

| Revenue Head | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 (BE) | 2020-21 (Actuals) |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|-------------------|
| Taxes on Sales, Trades, <i>etc.</i> | 307.81 | 242.85 | 135.93 | 117.61 | 81.00 | 113.66 |
| State Goods and Services Tax | Nil | 169.76 | 454.73 | 532.22 | 504.00 | 457.91 |
| State Excise | 72.26 | 65.83 | 65.34 | 2.72 | 1.00 | 0.96 |
| Taxes on Vehicles | 25.75 | 31.58 | 38.36 | 40.66 | 32.27 | 29.01 |
| Stamp Duty and Registration Fees | 3.26 | 3.20 | 4.43 | 5.85 | 7.01 | 4.73 |
| Land Revenue | 8.58 | 8.29 | 8.64 | 9.05 | 15.00 | 20.74 |
| Taxes on Goods and Passengers | 7.90 | 7.83 | 4.71 | 7.44 | 6.40 | 4.85 |
| Others | 16.25 | 16.57 | 14.56 | 15.43 | 15.01 | 15.70 |
| Total | 441.81 | 545.91 | 726.70 | 730.98 | 661.69 | 647.56 |

Source: Finance Accounts

Own Tax Revenues of the State increased by ₹ 205.75 crore from ₹ 441.81 crore in 2016-17 to ₹ 647.56 crore in 2020-21 at an annual average rate of 13.83 *per cent*. However, during the current year, Own Tax Revenue (₹ 647.56 crore) decreased by ₹ 83.42 crore (11.41 *per cent*) from the previous year (₹ 730.98 crore). Major contributors of Tax Revenue

were SGST (70.71 per cent), Taxes on Sales, Trades, etc., (17.55 per cent) and Taxes on Vehicles (4.48 per cent). State's Own Tax Revenue as percentage of GSDP during the year decreased to 2.23 per cent from the previous year's 2.91 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 (MGST) Act, 2017 received the assent of the Governor on 26 May, 2017 and came into effect from 01 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 (2015-16), 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 four years during which the GST Act has been in effect, revenue collected by Government of Mizoram through SGST has risen by ₹ 288.15 crore (169.74 per cent) from ₹ 169.76 crore in 2017-18 to ₹ 457.91 crore in 2020-21. This amount included the Advance Apportionment of IGST amounting to ₹ 17.93 crore. During the year, the State received ₹ 897.91 crore as its share under Central Goods and Services Tax. The State did not receive compensation on account of loss of revenue arising out of implementation of GST during 2020-21.

➤ Analysis of arrears of revenue and arrears of assessment

The arrears of revenue as on 31 March 2021 on some principal heads of revenue amounted to ₹ 23.03 crore out of which, ₹ 1.39 crore was outstanding for more than five years, as detailed in **Table 2.5**.

Table 2.5 : Arrears of Revenue as on 31 March 2021

(₹ in crore)

| Sl. No. | Head of Revenue | Total amount outstanding as on 31 March 2021 | Total amount outstanding for more than 5 years as on 31 March 2021 |
|--------------|---|--|--|
| 1 | Taxes/VAT on sales, Trades, etc. | 22.76 | 1.39 |
| 2 | Taxes on Professions, Trades, Callings and Employment, etc. | 0.19 | - |
| 3 | Taxes on Entertainment | 0.08 | - |
| Total | | 23.03 | 1.39 |

Source: Information furnished by the Taxation Department

The details of cases pending at the beginning of the year, cases due for assessment, cases disposed off 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**.

Table 2.6 : Arrears in assessment as on 31 March 2021

| Sl. No. | Head of Revenue | Opening balance as on 01 April 2020 | New cases due for assessment during 2020-21 | Total assessments due | Cases disposed off during 2020-21 | Closing balance as on 31 March 2021 | Percentage of disposal |
|---------|---|-------------------------------------|---|-----------------------|-----------------------------------|-------------------------------------|------------------------|
| 1 | Taxes/VAT on sales, Trades, etc. | 2,488 | 16 | 2,504 | 23 | 2,481 | 0.92 |
| 2 | Taxes on Professions, Trades, Callings and Employment, etc. | 0 | 78 | 78 | 78 | 0 | 100.00 |
| 3 | Taxes on Entertainment | - | - | - | - | - | - |
| | Total | 2,488 | 94 | 2,582 | 101 | 2,481 | 3.91 |

Source: Information furnished by the Taxation Department

From the table, it is evident that out of 2,582 assessments due during 2020-21, only 101 cases (3.91 per cent) could be assessed at the end of 2020-21, leaving 2,481 cases unassessed.

➤ **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 during 2020-21

| Sl. No. | Head of revenue | Cases pending as on 31 March 2020 | Cases detected during 2020-21 | Total | No. of cases in which assessment / investigation completed and additional demand with penalty etc. raised | | No. of cases pending for finalisation as on 31 March 2021 |
|---------|---|-----------------------------------|-------------------------------|------------|---|-------------------------------|---|
| | | | | | No. of cases | Amount of demand (₹ in crore) | |
| 1 | Taxes/VAT on sales, Trades, etc. | 391 | 34 ⁶ | 425 | 34 | 4.49 | 391 |
| 2 | Taxes on Professions, Trades, Callings and Employment, etc. | - | - | - | - | - | - |
| 3 | Taxes on Entertainment | 2 | 0 | 2 | 2 | 0 | 0 |
| | Total | 393 | 34 | 427 | 36 | 4.49 | 391 |

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 for 2020-21

(₹ 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 | 44 | 2.12 |
| 3 | Refunds made during the year | 20 | 1.15 |
| 4 | Balance outstanding at the end of the year | 44 | 1.00 |

Source: Information furnished by the Taxation Department

⁶ 34 cases include 16 VAT and 18 GST cases

(ii) Non Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. Component-wise details of Non-Tax Revenue collected during the years 2016 - 21 were as shown in **Table 2.9**.

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

(₹ in crore)

| Revenue Head | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 (BE) | 2020-21 (Actuals) |
|---|---------------|---------------|---------------|---------------|-----------------|----------------------|
| Other Fiscal Services | Nil | Nil | Nil | 2.05 | 0.03 | 12.05 |
| Interest Receipts, Dividends and Profits | 48.35 | 51.14 | 57.68 | 32.84 | 50.27 | 19.12 |
| Other Non-Tax Revenues | | | | | | |
| i. General Services | 26.77 | 32.13 | 19.27 | 27.61 | 80.36 | 34.55 |
| ii. Social Services | 43.66 | 46.83 | 50.75 | 54.91 | 66.02 | 65.16 |
| iii. Economic Services | 246.44 | 260.55 | 322.26 | 404.94 | 386.39 | 430.88 |
| Total | 365.22 | 390.65 | 449.96 | 522.35 | 583.07 | 561.76 |

Source: Finance Accounts

Non-Tax Revenue ranged between 4.55 and 7.26 *per cent* of Revenue Receipts during the five-year period from 2016-17 to 2020-21 and increased by ₹ 39.41 crore (7.54 *per cent*) during the current year, over the previous year. The major contributor to Non-Tax Revenues during 2016-21 was revenue received under Economic Services which at ₹ 430.88 crore contributed 76.70 *per cent* of the total non-tax receipts during 2020-21 and averaged 72 *per cent* over the five year period.

(iii) Transfers from the Centre

The details of Central Transfers to the State during 2016-21 are given in the following table.

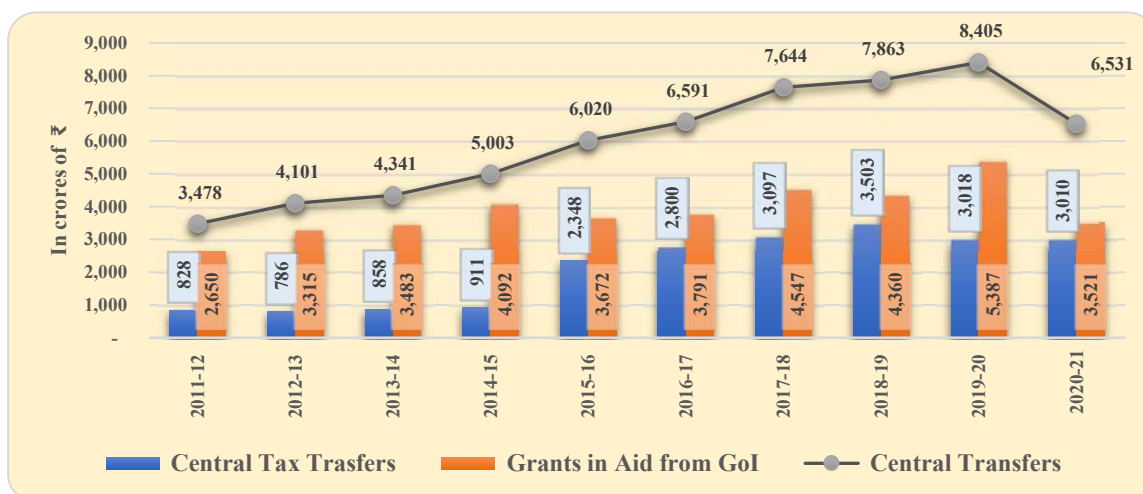
Table 2.10 : Central Transfers during 2016-17 to 2020-21

(₹ in crore)

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Grants in Aid from GoI | 3,790.64 | 4,546.59 | 4,359.88 | 5,387.13 | 3,520.80 |
| Central Tax Transfers | 2,800.63 | 3,097.05 | 3,502.96 | 3,017.80 | 3,010.55 |
| Total Transfers from Centre | 6,591.27 | 7,643.64 | 7,862.84 | 8,404.93 | 6,531.35 |

Source: Finance Accounts

Chart 2.6 depicts the trend of Central transfers over the decadal period 2011-21. Over the period, these transfers increased by 87.78 *per cent* from ₹ 3,478 crore in 2011-12 to ₹ 6,531 crore in 2020-21. However, during the current year, the amount decreased substantially by 22.30 *per cent* from ₹ 8,405 crore in 2019-20 and constituted 84.38 *per cent* of the Revenue Receipts.

Chart 2.6 : Trend of Central Transfers during 2011-12 to 2020-21

Source: Finance Accounts

(A) Central Tax Transfers

As per the XV FC recommendations, the share of the States in shareable Central Taxes decreased from 42 per cent (XIV FC award period) to 41 per cent. The State's share during the XIV FC award period was 0.460 per cent and 0.464 per cent for all shareable taxes and Service Tax respectively, which increased to 0.506 per cent of shareable taxes during XV FC award period. **Table 2.11** gives the position of Central Tax transfers *vis-à-vis* the recommendation made by the XIV FC and the XV FC during 2016-21.

Table 2.11 : Central Tax Transfers: Actual devolution *vis-à-vis* Finance Commission projections⁷

| Year | Finance Commission projections | Projections in FCR | Actual tax devolution | Difference |
|---------|--|--------------------|-----------------------|------------|
| 2016-17 | 0.46 per cent of net proceeds of all shareable taxes excluding service tax and 0.464 per cent of net proceeds of shareable service tax | 3,081 | 2,801 | -280 |
| 2017-18 | | 3,559 | 3,097 | -462 |
| 2018-19 | | 4,118 | 3,503 | -615 |
| 2019-20 | 0.506 per cent of net proceeds of shareable taxes | 4,769 | 3,018 | -1,751 |
| 2020-21 | | 4,327 | 3,011 | -1,316 |

Source: Finance Accounts and XIV and XV FC Reports

Table 2.12 shows the component-wise distribution of Central Tax Transfers. There was an increase of 7.50 per cent from ₹ 2,800.63 crore in 2016-17 to ₹ 3,010.55 crore in 2020-21. However, the current year saw a decrease of ₹ 7.25 crore (0.24 per cent) *vis-a-vis* the previous year. Central Tax Transfers made up 38.89 per cent of Revenue Receipts for the year.

⁷ Source : Reports of the XIV & XV FC, Finance Accounts and Annual Financial Statements of the State Government. For clarity, figures have been rounded to the nearest crore and may not tally

Table 2.12 : Central Tax Transfers(*₹ in crore*)

| Head | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 (BE) | 2020-21 (Actuals) |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------|
| Central Goods and Services Tax (CGST) | Nil | 44.16 | 864.63 | 856.36 | 1,201.00 | 897.91 |
| Integrated Goods and Services Tax (IGST) | Nil | 312.80 | 69.00 | Nil | Nil | Nil |
| Corporation Tax | 899.01 | 948.82 | 1,218.27 | 1,028.94 | 1,220.53 | 906.03 |
| Taxes on Income other than Corporation Tax | 624.82 | 801.20 | 897.21 | 806.25 | 1,134.88 | 928.54 |
| Customs | 386.72 | 312.70 | 248.31 | 191.29 | 247.66 | 162.09 |
| Union Excise Duties | 441.60 | 326.90 | 165.03 | 133.00 | 161.81 | 101.51 |
| Service Tax | 446.42 | 350.50 | 31.92 | Nil | 2.12 | 12.42 |
| Other Taxes | 2.06 | -0.03 | 8.59 | 1.96 | -0.04 | 2.05 |
| Central Tax transfers | 2,800.63 | 3,097.05 | 3,502.96 | 3,017.80 | 3,967.96 | 3,010.55 |
| Percentage of increase over previous year | 19.27 | 10.58 | 13.11 | -13.85 | - | -0.24 |
| Percentage of Central tax transfers to Revenue Receipts | 37.86 | 36.10 | 38.75 | 31.25 | - | 38.89 |

Source: Finance Accounts

(B) Grants-in-aid from GoI

Grants-in-Aid (GIA) are sums of money (grants) given to the States by the GoI over and above the States' share of Union taxes and duties for the fulfilment of specific works, plans and policies. During 2020-21, GIA decreased by ₹ 1,866.33 crore (34.64 per cent) from ₹ 5,387.13 crore in 2019-20 to ₹ 3,520.80 crore in 2020-21. GIA received by the State Government from GoI during 2016-21 are detailed in **Table 2.13**.

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

| Head | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 (BE) | 2020-21 (Actuals) |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------|
| Non-Plan Grants | 2,356.38 | - | - | - | - | - |
| Grants for State Plan Schemes | 771.41 | - | - | - | - | - |
| Grants for Central Plan Schemes* | 37.83 | - | - | - | - | - |
| Grants for Centrally Sponsored Plan Schemes | 545.87 | - | - | - | - | - |
| Grants for Special Plan Schemes | 79.15 | - | - | - | - | - |
| Grants for Centrally Sponsored Schemes (CSS) | - | 1,464.80 | 1,249.68 | 2,103.97 | 2,033.39 | 1,329.94 |
| Finance Commission Grants | - | 2,535.51 | 2,616.67 | 2,778.73 | 2,153.00 | 1,725.48 |
| Other transfers/Grants to States | - | 546.28 | 493.53 | 504.43 | 385.85 | 465.38 |
| Total | 3,790.64 | 4,546.59 | 4,359.88 | 5,387.13 | 4,572.24 | 3,520.80 |
| Percentage of increase/decrease over the previous year | 3.22 | 19.94 | -4.11 | 23.56 | - | -34.64 |
| Percentage of GIA to Revenue Receipts | 51.24 | 52.99 | 48.23 | 55.78 | - | 45.48 |

Source: Finance Accounts

➤ Finance Commission Grants

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 2016-20 (during the XIV period) and 2020-21(XV FC period) 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 FC | | | Actual release by GoI | | | Release by State Government | | |
|--------------------------------|--------------------------|-----------------|---------------|-----------------------|-----------------|---------------|-----------------------------|-----------------|---------------|
| | Upto 2019-20 (XIV-FC) | 2020-21 (XV-FC) | Total | Upto 2019-20 (XIV-FC) | 2020-21 (XV-FC) | Total | Upto 2019-20 (XIV-FC) | 2020-21 (XV-FC) | Total |
| Local Bodies | | | | | | | | | |
| (i) Grants to RLBs | | | | | | | | | |
| (a) General Basic Grant | 0 | 93.00 | 93.00 | 0 | 0 | 0 | 0 | 23.25 | 23.25 |
| (b) General Performance Grants | 0 | | | 0 | | | 0 | 23.25 | 23.25 |
| (ii) Grants to ULBs | | | | | | | | | |
| (a) General Basic Grant | 96.17 | 45.00 | 165.21 | 106.23 | 45.00 | 151.23 | 96.17 | 22.50 | 118.67 |
| (b) General Performance Grants | 24.04 | | | | | | 37.70 | 22.50 | 60.20 |
| Total for Local Bodies | 120.21 | 138.00 | 258.21 | 106.23 | 45.00 | 151.23 | 133.87 | 91.50 | 225.37 |
| State Disaster Response Fund | 94.00 | 52.00 | 146.00 | 84.60 | 47.00 | 131.60 | 55.05 | 50.50 | 105.55 |
| Grand Total | 214.21 | 190.00 | 404.21 | 190.83 | 92.00 | 282.83 | 188.92 | 142.00 | 330.92 |

Source: XIV-FC Report, XV-FC Report, State Government data 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., Public debt receipts consisting of borrowings from Market, Financial Institutions and Central Government, create future repayment obligations.

During the five-year period 2016-21, Capital Receipts grew by 239.99 per cent from ₹ 777.96 crore in 2016-17 to ₹ 2,645.01 crore in 2020-21 mainly due to increased public debt receipts. Recovery of loans and advances grew by 50.07 per cent from ₹ 22.45 crore in 2016-17 to ₹ 33.69 crore in 2020-21.

During 2020-21, Public Debt Receipts (₹ 2,611.32 crore) represented 98.73 per cent of Capital Receipts (₹ 2,645.01 crore) and increased by 127.53 per cent over the previous year while Recovery of loans and advances increased by 26.18 per cent (₹ 6.99 crore) compared to the previous year (₹ 26.70 crore).

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 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|---------|---------|---------|----------|----------|
| Capital Receipts | 777.96 | 915.78 | 156.38 | 1,174.38 | 2,645.01 |
| Miscellaneous Capital Receipts | - | - | - | - | - |
| Recovery of Loans and Advances | 22.45 | 21.64 | 22.16 | 26.70 | 33.69 |
| Net Public Debt Receipts | 755.51 | 894.14 | 134.22 | 1,147.68 | 2,611.32 |
| Internal Debt (excluding Ways and Means Advances and Overdrafts) | 748.67 | 868.76 | 122.86 | 1,132.80 | 2,363.70 |

| Sources of State's Receipts | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---------|---------|---------|---------|----------|
| Growth rate (per cent) | 152.30 | 16.04 | -85.86 | 822.03 | 108.66 |
| Net transactions under Ways and Means Advances and Overdrafts | - | 17.51 | - | - | - |
| Growth rate (per cent) | -100.00 | - | -100.00 | - | - |
| Loans and advances from GoI | 6.84 | 7.87 | 11.36 | 14.88 | 247.62 |
| Growth rate (per cent) | 80.00 | 15.06 | 44.35 | 30.99 | 1,564.11 |
| Rate of growth of debt Capital Receipts | 34.18 | 18.35 | -84.99 | 755.07 | 127.53 |
| Rate of growth of non-debt capital receipts (per cent) | -13.12 | -3.61 | 2.40 | 20.49 | 26.18 |
| Rate of growth of GSDP (per cent) | 13.56 | 12.76 | 12.87 | 14.94 | 15.62 |
| Rate of growth of Capital Receipts (per cent) | 32.10 | 17.72 | -82.92 | 650.98 | 125.23 |

Source: Finance Accounts and State Government

From the table, it can be seen that the State Government is relying heavily on Public debt receipts to meet budgetary requirements. During 2020-21, the components of Public Debt Receipts comprised of Internal Debt (₹ 2,363.70 crore) and Loans and Advances from GoI (₹ 247.62 crore).

2.5.3 State's performance in mobilisation of resources

State's performance in mobilisation 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 tax and non-tax 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 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 | 868.00 | 661.69 | 647.56 | -25.40 | -2.14 |
| Non-Tax revenue | 246.00 | 583.07 | 561.76 | 128.36 | -3.65 |
| Total | 1,114.00 | 1,244.76 | 1,209.32 | 8.56 | -2.85 |

It can be seen from the table above that Own Tax Revenue for the year failed to meet FC projections by 25.40 per cent and budget estimates by 2.14 per cent. Non-Tax revenue exceeded FC projections by 128.36 per cent, but remained short of budget estimates figures by 3.65 per cent. In summary, receipts from own sources surpassed FC projections by 8.56 per cent and fell short of budgetary projections by 2.85 per cent.

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 the 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 2016 to 2021.

Table 2.17 : Total expenditure and its composition

| Parameters | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--------------------------------|-----------------|-----------------|-----------------|------------------|-----------------|
| Total Expenditure (TE) | 7,168.80 | 8,922.07 | 9,414.58 | 10,909.26 | 9,643.67 |
| Revenue Expenditure (RE) | 6,230.34 | 6,880.77 | 7,505.59 | 9,453.96 | 8,514.80 |
| Capital Expenditure (CE) | 911.41 | 1,996.35 | 1,868.47 | 1,372.67 | 1,125.97 |
| Loans and Advances | 27.05 | 44.95 | 40.52 | 82.63 | 2.90 |
| As a percentage of GSDP | | | | | |
| TE/GSDP | 41.70 | 46.02 | 43.03 | 43.38 | 33.17 |
| RE/GSDP | 36.24 | 35.49 | 34.31 | 37.59 | 29.28 |
| CE/GSDP | 5.30 | 10.30 | 8.54 | 5.46 | 3.87 |
| Loans and Advances/GSDP | 0.16 | 0.23 | 0.19 | 0.33 | 0.01 |

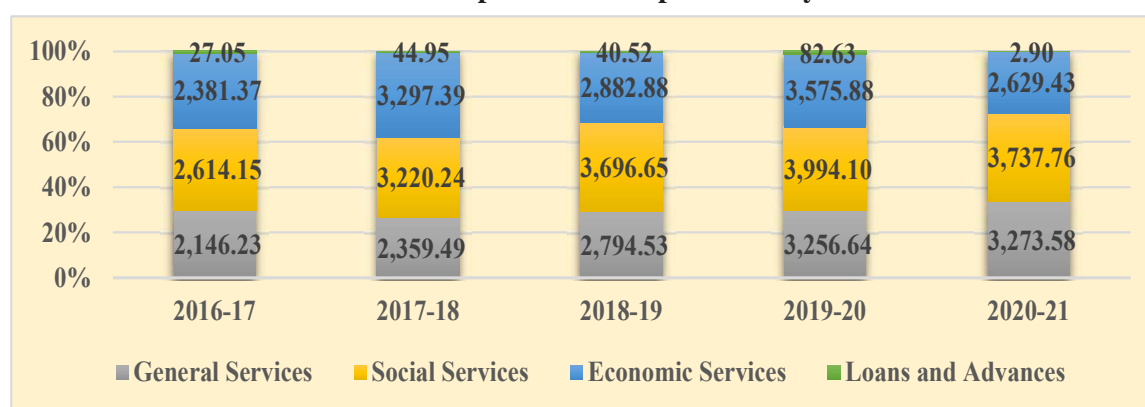
Source: Finance Accounts and Government of Mizoram

Total Expenditure (TE) decreased by ₹ 1,265.59 crore (11.60 per cent) in 2020-21 as compared to 2019-20. This was due to decrease in Revenue Expenditure by ₹ 939.16 crore (9.93 per cent), Capital Expenditure by ₹ 246.70 crore (17.97 per cent) and disbursement of Loans and Advances by ₹ 79.73 crore (96.49 per cent). As percentage of GSDP, TE decreased from 41.70 per cent to 33.17 per cent of GSDP during the five year period from 2016 to 2021.

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 88.29 *per cent* of the State's TE, whereas Capital Expenditure, which is in the nature of asset creation, was 11.68 *per cent* in 2020-21. This trend of expenditure was seen to be consistent over the five year period. Revenue Expenditure was within the range of 77.12 to 88.29 *per cent* of TE while Capital Expenditure was between 11.68 to 19.85 *per cent* of TE which signified that the Government was spending most of its resources in activities which did not involve asset creation.

Chart 2.7 presents the share of different components of Total Expenditure as per activity during the five year period 2016 to 2021.

Chart 2.7 : Total expenditure - Expenditure by activities



Source: Finance Accounts

Expenditure on General Services increased by ₹ 16.94 crore (0.52 *per cent*) from ₹ 3,256.64 crore in 2019-20 to ₹ 3,273.58 crore in 2020-21, Social Services expenditure decreased by ₹ 256.34 crore (6.42 *per cent*) from ₹ 3,994.10 crore in 2019-20 to ₹ 3,737.76 crore in 2020-21 and expenditure on Economic Services decreased by ₹ 946.46 crore (26.47 *per cent*) from ₹ 3,575.88 crore in 2019-20 to ₹ 2,629.43 crore in 2020-21. Disbursement of Loans and Advances declined by ₹ 79.73 crore (96.49 *per cent*) from ₹ 82.63 crore in 2019-20 to ₹ 2.90 crore in 2020-21.

2.6.2 Revenue Expenditure

Revenue Expenditure (RE) 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 88.29 *per cent* in 2020-21) of the total expenditure during the period 2016-21. Rate of growth of Revenue Expenditure has displayed wide fluctuations during the five-year period 2016-21. The overall RE, 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 RE pertaining to 2020-21 is given in **Chart 2.8**.

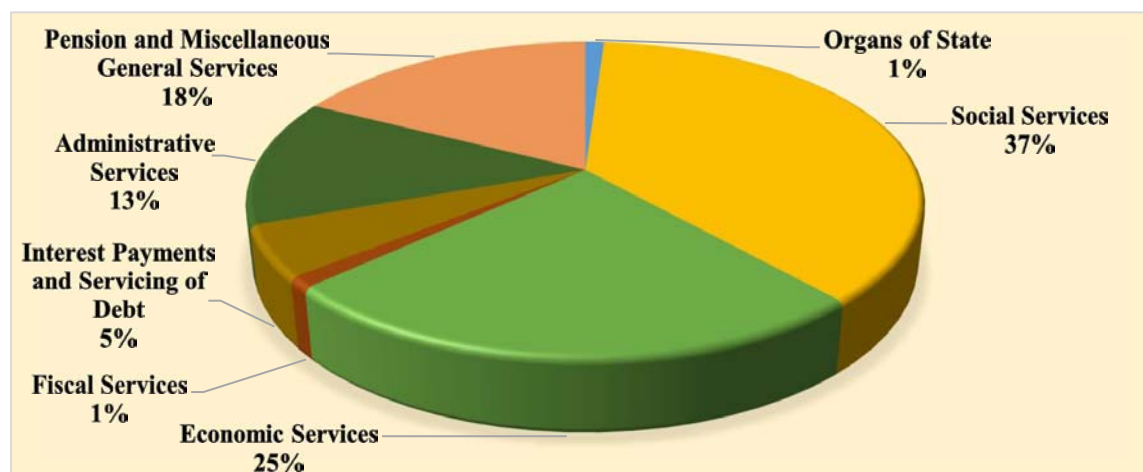
Table 2.18 : Revenue Expenditure – Basic Parameters*(₹ in crore)*

| Parameters | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|-----------------|-----------------|-----------------|------------------|-----------------|
| Total Expenditure (TE) | 7,168.80 | 8,922.07 | 9,414.58 | 10,909.26 | 9,643.67 |
| Revenue Expenditure (RE) | 6,230.34 | 6,880.77 | 7,505.59 | 9,453.96 | 8,514.80 |
| Rate of Growth of RE (Per cent) | 11.84 | 10.44 | 9.08 | 25.96 | -9.93 |
| RE/TE (Per cent) | 86.91 | 77.12 | 79.72 | 86.66 | 88.29 |
| RE/GSDP (Per cent) | 36.24 | 35.49 | 34.31 | 37.59 | 29.28 |
| RE/Revenue Receipts (Per cent) | 84.21 | 80.19 | 83.03 | 97.88 | 110.00 |
| Buoyancy of Revenue Expenditure with | | | | | |
| GSDP (ratio) | 0.87 | 0.82 | 0.71 | 1.74 | -0.64 |
| Revenue Receipts (ratio) | 1.09 | 0.65 | 1.70 | 3.79 | 0.50 |

Source: Finance Accounts of respective years

Revenue Expenditure as a percentage of GSDP decreased from 37.59 per cent in 2019-20 to 29.28 per cent in 2020-21 and witnessed a regression of 9.93 per cent (₹ 939.15 crore) from the previous year. Revenue Expenditure was lower by ₹ 507.50 crore *vis-à-vis* the assessment made in MTFP 2020-21 (₹ 9,021.85 crore) and stood at 110 per cent of Revenue Receipts for the year.

The buoyancy of Revenue Expenditure with GSDP reversed for the first time in five years at a Buoyancy Ratio of -0.64 and also showed a proportionate decrease in growth when compared to Revenue Receipts with a Buoyancy Ratio of 0.50.

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 2020-21 compared to 2019-20*(₹ in crore)*

| Major Heads of Account | 2019-20 | 2020-21 | Increase (+)/ Decrease (-) |
|--|----------|----------|-------------------------------|
| 2801-Power | 738.64 | 806.29 | 67.65 |
| 2408-Food, Storage and Warehousing | 56.85 | 117.90 | 61.05 |
| 2049-Interest Payments | 343.12 | 400.99 | 57.87 |
| 2071-Pensions and Other Retirement Benefits | 1,432.50 | 1,482.89 | 50.39 |
| 3054-Roads and Bridges | 983.75 | 183.04 | -800.71 |
| 2202-Education | 1,558.24 | 1,456.47 | -101.77 |
| 2052-Secretariat-General Services | 189.73 | 126.53 | -63.20 |
| 2401-Crop Husbandry | 243.90 | 205.45 | -38.45 |

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 ₹ 236.95 crore under the heads 'Power', 'Food, Storage and Warehousing', 'Interest Payments' and 'Pensions and other retirement benefits'. This was offset by decreased expenditure of ₹ 1,004.13 crore under the heads 'Roads and Bridges', 'Education', 'Secretariat General Services' and 'Crop Husbandry'.

2.6.2.2 Committed Expenditure

Committed Expenditure of Government 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, the efforts towards the same get hampered due to the fact 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 2016-21. The table also gives specific details of percentage of various components to Revenue Receipts as well as percentage of the same to Revenue Expenditure over the period.

Table 2.20 : Components of Committed Expenditure*(₹ in crore)*

| Components of Committed Expenditure | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Salaries & Wages | 2,323.02 | 2,400.82 | 2,739.45 | 3,211.44 | 3,320.15 |
| Expenditure on Pensions | 761.40 | 837.78 | 970.37 | 1,432.50 | 1,482.72 |
| Interest Payments | 341.26 | 339.20 | 368.68 | 343.12 | 400.99 |
| Total | 3,425.68 | 3,577.80 | 4,078.50 | 4,987.06 | 5,204.40 |
| <i>As a percentage of Revenue Receipts (RR)</i> | | | | | |
| Salaries & Wages | 31.40 | 27.98 | 30.31 | 33.25 | 42.90 |
| Expenditure on Pensions | 10.29 | 9.76 | 10.73 | 14.83 | 19.15 |
| Interest Payments | 4.61 | 3.95 | 4.08 | 3.55 | 5.18 |
| Total | 46.30 | 41.70 | 45.12 | 51.64 | 67.23 |

| Components of Committed Expenditure | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|--------------|--------------|--------------|--------------|--------------|
| As a <i>percentage</i> of Revenue Expenditure (RE) | | | | | |
| Salaries & Wages | 37.29 | 34.89 | 36.50 | 33.97 | 39.00 |
| Expenditure on Pensions | 12.22 | 12.18 | 12.93 | 15.15 | 17.41 |
| Interest Payments | 5.48 | 4.93 | 4.91 | 3.63 | 4.71 |
| Total | 54.98 | 52.00 | 54.34 | 52.75 | 61.12 |

Source: Finance Accounts

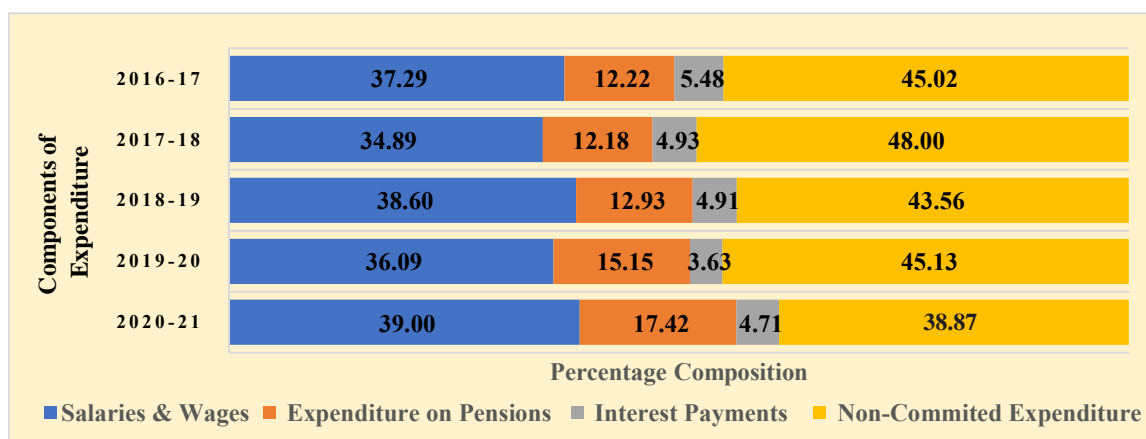
As can be seen from the table above, Committed Expenditure varied between 41.70 to 67.23 *per cent* of Revenue Receipts and 52.00 to 61.12 *per cent* of Revenue Expenditure with a commensurate yearly variation in development funds. During 2020-21, expenditure on Salaries and Wages accounted for 42.90 *per cent* of Revenue Receipts and 39 *per cent* of Revenue Expenditure. It increased from ₹ 2,323.02 crore during 2016-17 to ₹ 3,320.15 crore in 2020-21. The expenditure on Salaries and Wages increased by ₹ 109.07 crore (3.40 *per cent*) compared to the previous year.

Over the five year period 2016-21, expenditure on Pension Payments increased by 94.74 *per cent* from ₹ 761.40 crore in 2016-17 to ₹ 1,482.72 crore in 2020-21. During the current year, Pension Payments increased by ₹ 50.22 crore (3.51 *per cent*) over the previous year mainly due to increase in the number of Pensioners and Family Pensioners by 1,593 and 384 respectively. Expenditure on Pension Payments accounted for approximately 19.15 *per cent* of Revenue Receipts and 17.41 *per cent* of Revenue Expenditure for the year.

Interest Payments in 2020-21 increased by ₹ 57.87 crore (16.87 *per cent*) as compared to 2019-20.

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 National Pension System (NPS) a New Defined Contribution Pension Scheme 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 2020-21, Government of Mizoram collected ₹ 43.52 crore being employees' contribution and contributed ₹ 43.68 crore as employer's contribution (₹ 43.52 crore being Government matching share for 2020-21 plus ₹ 0.16 crore being four *per cent* additional Government matching share for 2020-21). Total amount of ₹ 87.20 crore was transferred to NSDL thereby leaving zero balance outstanding at the end of the year 2020-21.

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 2020-21 was ₹ 0.22 crore, a drop of 89.86 *per cent* from ₹ 2.17 crore in 2016-17 and a drop of 98.99 *per cent* from ₹ 21.76 crore in 2019-20. The entire amount of subsidy was spent providing Assistance to other Cooperatives. 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 2016-21

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|---------|---------|---------|---------|---------|
| Subsidies (₹ in crore) | 2.17 | 13.00 | 12.43 | 21.76 | 0.22 |
| Subsidies as a percentage of Revenue Receipts | 0.03 | 0.15 | 0.14 | 0.23 | 0.003 |
| Subsidies as a percentage of Revenue Expenditure | 0.03 | 0.19 | 0.17 | 0.23 | 0.003 |

Source : Finance Accounts

As may be seen from the table, expenditure on subsidies made up less than one *per cent* of both Revenue Receipts and Expenditure.

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 2016-21 is given in **Table-2.22**.

Table 2.22 : Financial Assistance to Local Bodies, etc.(*₹ in crore*)

| Financial Assistance to Institutions | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.) | 118.74 | 342.41 | 348.40 | 404.66 | 369.12 |
| Panchayati Raj Institutions/Urban Local Bodies | 29.15 | 64.14 | 63.36 | 63.44 | 52.45 |
| Autonomous District Councils | 293.72 | 343.70 | 408.65 | 463.87 | 450.45 |
| Other Institutions ⁸ | 1,003.70 | 928.36 | 840.20 | 1,604.74 | 908.81 |
| Total | 1,445.31 | 1,678.61 | 1,660.61 | 2,536.71 | 1,780.83 |
| Revenue Expenditure | 6,230.34 | 6,880.77 | 7,505.59 | 9,453.96 | 8,514.80 |
| Assistance as percentage of Revenue Expenditure | 23.20 | 24.40 | 22.12 | 26.83 | 20.91 |

Source: Finance Accounts

The grants extended to local bodies and other institutions decreased by 29.80 *per cent* from ₹ 2,536.71 crore in 2019-20 to ₹ 1,780.83 crore in 2020-21. The decrease in financial assistance by ₹ 755.88 crore in 2020-21 over 2019-20 was due to decrease in assistance to Other Institutions (₹ 695.93 crore), Educational Institutions (₹ 35.54 crore), Autonomous District Councils (₹ 13.42 crore) and Urban Local Bodies (₹ 10.99 crore). Further, the share of financial assistance to Local Bodies and Other Institutions as percentage of Revenue Expenditure had also decreased from 23.20 *per cent* in 2016-17 to 20.91 *per cent* in 2020-21.

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

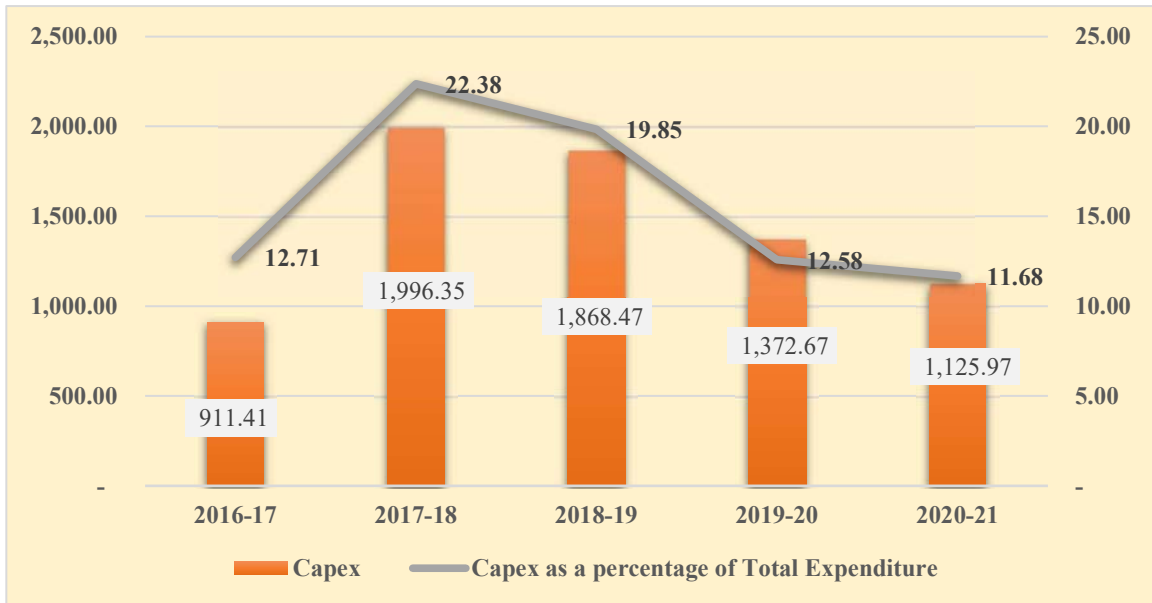
Scrutiny of Finance Accounts for the year 2020-21 showed that the Statement of Grants-in-Aid given by the State Government discloses the grants paid in cash while those paid in kind by the State Government were not disclosed and details in this regard were not furnished by the State Government.

2.6.3 Capital Expenditure

Capital Expenditure (Capex) is incurred to create assets and add to the infrastructure and service network. During 2020-21, Capital Expenditure of the State decreased by ₹ 246.70 crore (17.97 *per cent*) from ₹ 1,372.67 crore during 2019-20 to ₹ 1,125.97 crore during the current year. The share of Capital Expenditure as percentage of Total Expenditure hovered between 11.68 to 22.38 *per cent* during 2016-21. It increased significantly to 22.38 *per cent* during 2017-18 and subsequently dropped to 11.68 *per cent* in 2020-21. The growth in Capital Expenditure and its share as a percentage of Total Expenditure are indicated in **Chart 2.10**.

⁸ Other Institutions include five schemes which had received GIA of at least ₹ 50 crore MGNREGA (₹ 120.46 crore), National Health Mission (₹ 105.24 crore), NRLM (₹ 88.07 crore), Smart City Mission (₹ 55.06 crore) and MLA-LADS (₹ 54.00 crore)

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 2020-21 compared to 2019-20

(₹ in crore)

| Major Heads of Accounts | 2019-20 | 2020-21 | Increase (+)/ Decrease (-) |
|--|---------|---------|-------------------------------|
| 4225 - Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes and Minorities | - | 104.14 | 104.14 |
| 4215 - Capital Outlay on Water Supply and Sanitation | 151.33 | 247.47 | 96.14 |
| 4408 - Capital Outlay on Food Storage and Warehousing | 92.19 | 8.95 | -83.24 |
| 4801 - Capital Outlay on Power Projects | 128.82 | 53.70 | -75.12 |
| 4059 - Capital Outlay on Public Works | 87.31 | 36.16 | -51.15 |

Source: Finance Accounts

The preceding table shows only the five largest positive and negative outliers in variation of expenditure over the previous year. It can be seen that variation in Capital Expenditure for the year occurred mainly due to increased expenditure of ₹ 200.28 crore under the head 'Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes and Minorities' and 'Capital Outlay on Water Supply and Sanitation' which was offset by decreased expenditure of ₹ 209.51 crore under the heads 'Capital Outlay on Food Storage and Warehousing', 'Capital Outlay on Power Projects' and 'Capital Outlay on Public Works'.

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 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 (RoI) 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 RoI of Government of Mizoram over the period 2016-21.

Table 2.24 : Return on Investment

| Investment/return/cost of borrowings | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---------|---------|---------|---------|---------|
| Investment at the end of the year (₹ in crore) | 34.73 | 38.67 | 42.77 | 42.77 | 42.77 |
| Return (₹ in crore) | Nil | Nil | Nil | Nil | Nil |
| Rate of return (per cent) | Nil | Nil | Nil | Nil | Nil |
| Average rate of interest on Government Borrowings (per cent) | 5.20 | 4.84 | 5.04 | 4.29 | 4.32 |
| Difference between interest rate and rate of return (per cent) | 5.20 | 4.84 | 5.04 | 4.29 | 4.32 |
| Difference between interest on Government borrowings and return on investment (₹ in crore) | 1.81 | 1.87 | 2.16 | 1.83 | 1.85 |

Source: Finance Accounts

As on 31 March 2021, the State Government had invested⁹ ₹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 2020-21 nor in the preceding four financial years. On the other hand, the Government's future liability on market borrowings bore an interest liability at average rates of interest ranging from 4.29 to 5.20 per cent.

As of 31 March 2021, there were six working Government Companies in the State. As per their latest finalised annual accounts, these Companies had accumulated losses of

⁹ Government Companies: ₹6.99 crore; Co-operative Bank, Societies, etc.: ₹35.78 crore

₹ 55.84 crore¹⁰. The accumulated losses of three¹¹ of these Government Companies had exceeded their paid-up capital and further, the aggregate net worth of these Companies stood at ₹ -2.40 crore. In the remaining three¹² Government Companies, the accumulated losses were more than 84.34 *per cent* of their paid-up capital. The functioning of these SPSEs is discussed in greater details in Chapter V.

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 being closed down. However, financial assistance in the form of loans and grants have been provided by Government of Mizoram and other financial institutions as detailed below:

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

(₹ in crore)

| Quantum of loans disbursed and recovered | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|---------|---------|---------|---------|---------|
| Outstanding debt of PSEs/PSUs | 29.68 | 29.68 | 29.68 | 29.77 | 29.77 |
| Loans from Central Government | - | - | - | - | - |
| Loans from State Government | 9.35 | 9.35 | 9.35 | 9.44 | 9.44 |
| Bonds/Debentures | - | - | - | - | - |
| Foreign Parties | - | - | - | - | - |
| Banks | - | - | - | - | - |
| Other Financial Institutions like LIC, NABARD, etc. | 20.33 | 20.33 | 20.33 | 20.33 | 20.33 |
| Intra-PSU Lending | - | - | - | - | - |
| Others | - | - | - | - | - |

Source: Information received from Audit Wing

2.6.3.5 Capital locked in incomplete projects

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

¹⁰ 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: ₹6.34 crore; Zoram Industrial Development Corporation Limited: ₹14.91 crore; Mizoram Agricultural Marketing Corporation Limited: ₹6.91 crore; and Mizoram Mineral Development Corporation Limited: ₹0.18 crore

¹¹ Mizoram Agricultural Marketing Corporation Limited, Mizoram Food and Allied Industries Corporation Limited and Mizoram mineral Development Corporation Limited

¹² Zoram Electronic Development Corporation Limited, Mizoram Handloom and Handicraft Development Corporation Limited and Zoram Industrial Development Corporation Limited

Table 2.26 : Profile of incomplete projects as on 31 March 2021

| Age profile of incomplete projects as on 31 March 2021 | | | | Department-wise profile of incomplete projects as on 31 March 2021 | | | |
|--|----------------------------|-----------------|------------------------------|--|----------------------------|-----------------|------------------------------|
| ₹ 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) |
| 2016-17 | 15 | 180.09 | 97.53 | Public Works Department | 75 | 704.74 | 426.80 |
| 2017-18 | 25 | 230.07 | 195.47 | PHED | 8 | 131.15 | 134.91 |
| 2018-19 | 45 | 535.48 | 353.20 | P&E | 11 | 473.31 | 522.71 |
| 2019-20 | 18 | 389.94 | 423.62 | Others ¹³ | 18 | 253.89 | 225.34 |
| 2020-21 | 9 | 227.51 | 239.94 | | | | |
| Total | 112 | 1,563.09 | 1,309.76 | Total | 112 | 1,563.09 | 1,309.76 |

Source: Finance Accounts (Vol-II)

Thus, the Capital Expenditure of ₹ 1,309.76 crore incurred on these 112 incomplete projects remained blocked and the benefits envisaged from these projects were yet to be harnessed. There was time overrun¹⁴ ranging from one to 10 years¹⁵ on these 112 incomplete projects resulting in cost overrun of ₹ 61.86 crores¹⁶ during 2019-20 and 2020-21 in six projects under PHED, P&E, PWD and UD&PA department. Further delay in completion of these projects was fraught with the risk of additional cost overrun. Therefore, effective steps need to be taken to complete all these projects without further delay in order to avoid cost overrun and ensure that the intended benefits are received by the public.

2.6.4 Expenditure priorities

Enhancing human development levels require 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 better the quality of expenditure is considered to be. **Table-2.27** analyses the expenditure priority of the State Government with regard to Capital Expenditure (CE), Education and Health during 2020-21 by comparing these to the state's Total Expenditure (TE).

¹³ Others include Minor Irrigation, UD&PA, School Education, EMRS (Social Welfare), NEC, NEDP, NLCPR, Police

¹⁴ Oldest incomplete project was 'Construction of 5MW Tlawva SHP' which started in 2010 and was estimated to be completed in 2018. The project remained incomplete as on 31 March 2021 as per Finance Accounts of that year

¹⁵ 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

¹⁶ 6 cost overrun projects are Construction of 5MW Tlawva SHP, Construction of 110 km, 132 KV S/C Melriat S/S-Lunglei line including one bay at Melriat and one bay at Khawiva, Rehabilitation and Extension of Water Distribution Networks and Feeder Mains(P&SN/WS/AIZ/T2/ICB-2), Construction of sanitary landfill and compost plant (SL&CP/SWM/AIZ/T3/NCB-4), Construction of Approach road and internet roads at Industrial Growth centre and Construction of 5MW Tlawva SHP

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

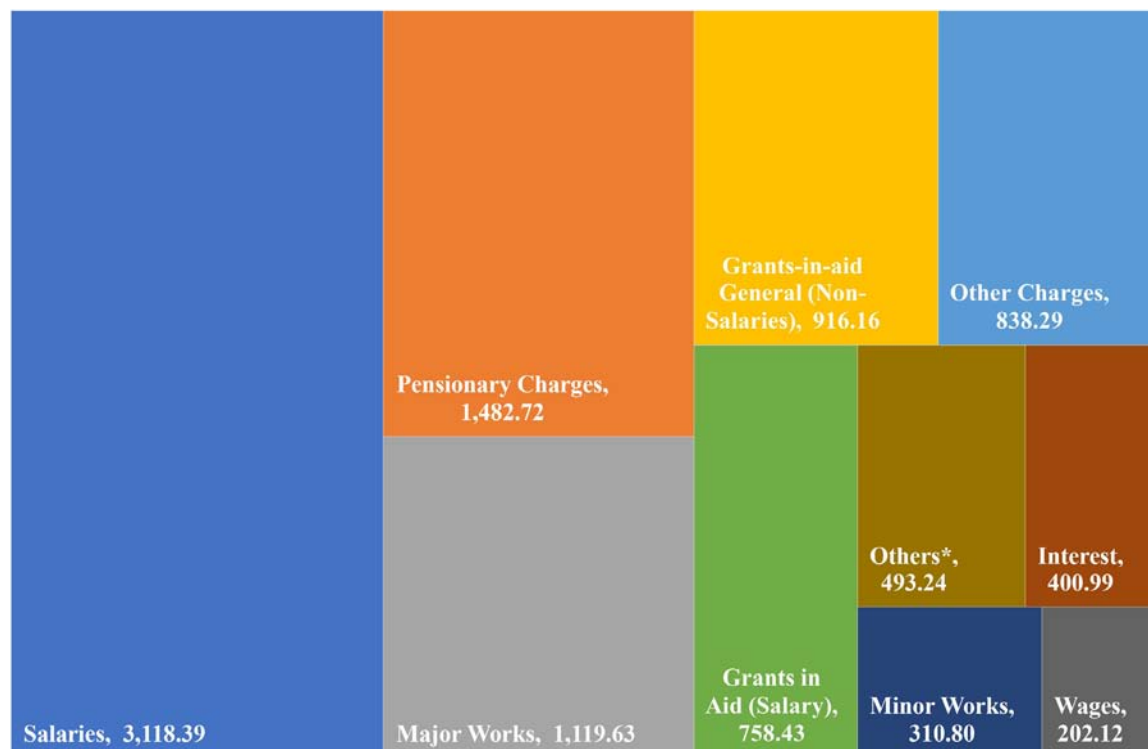
| | TE/GSDP | CE/TE | Education/TE | Health/TE |
|---|---------|-------|--------------|-----------|
| NE and Himalayan States Average (2016-17) | 26.50 | 15.97 | 16.67 | 5.67 |
| Mizoram | 41.70 | 13.09 | 15.96 | 5.57 |
| NE and Himalayan States Average (2020-21) | 26.92 | 15.83 | 16.95 | 7.04 |
| Mizoram | 33.17 | 11.71 | 15.67 | 5.96 |

(In per cent)

The State had a high TE-GSDP ratio as compared to the average for NE and Himalayan States. However, it fell from 41.70 per cent in 2016-17 to 33.17 per cent in 2020-21. During the same period expenditure on Health grew by 0.39 per cent while Capital expenditure and expenditure on Education both fell by 1.38 per cent and 0.29 per cent when compared to TE .

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 Supplies and Materials, 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 Suspense 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 2021¹⁷

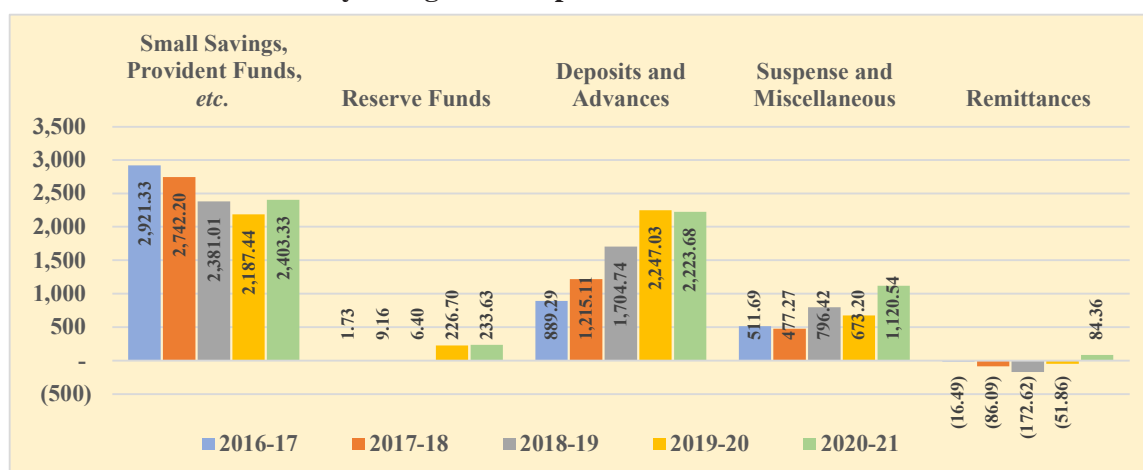
(₹ in crore)

| Sector | Sub Sector | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| I. Small Savings, Provident Funds, etc. | Small Savings, Provident Funds, <i>etc.</i> | 2,921.33 | 2,742.20 | 2,381.01 | 2,187.44 | 2,403.33 |
| J. Reserve Funds | (a) Reserve Funds bearing Interest | -4.79 | 2.64 | -0.12 | 220.18 | 227.11 |
| | (b) Reserve Funds not bearing Interest | 6.52 | 6.52 | 6.52 | 6.52 | 6.52 |
| K. Deposits and Advances | (a) Deposits bearing Interest | 2.55 | 2.55 | 2.55 | 2.55 | 2.55 |
| | (b) Deposits not bearing Interest | 886.30 | 1,212.12 | 1,701.31 | 2,243.54 | 2,230.12 |
| | (c) Advances | 0.44 | 0.44 | 0.88 | 0.94 | -8.99 |
| L. Suspense and Miscellaneous | (b) Suspense | 662.39 | 841.85 | 863.11 | 871.97 | 1,253.35 |
| | (c) Other Accounts | -150.39 | -364.22 | -66.33 | -198.39 | -132.43 |
| | (d) Accounts with Governments of Foreign Countries | -0.31 | -0.36 | -0.36 | -0.38 | -0.38 |
| | (e) Miscellaneous | Nil | Nil | Nil | Nil | Nil |
| M. Remittances | (a) Money Orders, and other Remittances | 0.25 | -69.53 | -159.49 | -42.62 | 91.89 |
| | (b) Inter-Governmental Adjustment Account | -16.74 | -16.56 | -13.13 | -9.24 | -7.53 |
| Total | | 4,307.55 | 4,357.65 | 4,715.95 | 5,282.51 | 6,065.54 |

Note: +ve denotes credit balance and -ve denotes debit balances as per Finance Accounts

The yearly changes in composition of balances in Public Account over the five year period 2016-21 are given in **Chart 2.12**.

¹⁷ Values in Table 2.28 differ from SFAR 2019-20 due to change in methodology for calculation of information

Chart 2.12 : Yearly changes in composition of Net Public Account balances

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 2021, the total accumulated balance of Reserve Funds maintained by Government of Mizoram was ₹ 619.17 crore. Out of this, ₹ 227.11 crore was under interest bearing Reserve Fund and ₹ 392.06 crore under Non-Interest bearing Reserve Fund. The status of Reserve Funds is discussed in greater details in the following paragraphs.

2.7.2.1 Reserve Funds Bearing Interest

(A) State Disaster Response Fund

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 1601-07-104. 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, along with 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.

During the year 2020-21, the State Government received ₹ 47.00 crore as Central Government's share of SDRF; accordingly, the State Government's share during the year was ₹ 5.22 crore. The State Government transferred ₹ 50.50 crore (Central share ₹ 47.00 crore against actual receipts of ₹ 47.00 crore from Central Government, State share ₹ 3.50 crore against due State share of ₹ 5.22 crore leaving ₹ 1.72 crore un-transferred) to the Fund under Major Head 8121-122 SDRF. During 2020-21, Government of Mizoram also deposited ₹ 0.05 crore being interest earned from the savings account covering the period from 2017-18 to 2020-21.

The contributions to the Fund, expenditure and the balance therein are as shown in **Table 2.29**:

Table 2.29 : State Disaster Response Fund

(₹ in crore)

| Opening balance (01 April 2020) | Details of contribution received during 2020-21 | | | | | Amount set off (MH 2245-05) | Balance in the fund | Amount invested during the year |
|---------------------------------|---|-------|------|----------|-------|-----------------------------|---------------------|---------------------------------|
| | Centre | State | NDRF | Interest | Total | | | |
| 7.19 | 47.00 | 3.50 | Nil | 0.05 | 50.55 | 17.61 | 40.13 | Nil |

Source : Finance Accounts

The entire expenditure of ₹ 17.61 crore incurred on natural calamities was set off (MH 2245) against the Fund balance of ₹ 57.74 crore. The balance lying under the Fund as at the end of 31 March 2021 was ₹ 40.13 crore. During the year, the State had neither invested any amount from the balance nor paid the interest liable (₹ 0.36 crore) to be paid on the balance amount at the end of the year.

(B) State Compensatory Afforestation Fund:

Information regarding the monies received by the State Government from user agencies and the corresponding transfer to Major head 8121- General and Other Reserve Funds, remission to the National Fund and amount received from National Compensatory Afforestation Deposit during the year had not been furnished by the State Government. However, as per the Finance Accounts, during 2020-21, a total amount of ₹ 26.00 crore was expended under '**2406 Forestry and Wild Life 04 Afforestation and Ecology Development 103 State Compensatory Afforestation**' and the same amount was contra debited to '**8121 General and Other Reserve Funds 129 State Compensatory Afforestation Fund**' in Public Account. The total balance in the State Compensatory Afforestation Fund as on 31 March 2021 was ₹ 186.99 crore. During the year, the State had neither invested any amount from the balance nor paid the interest liable to be paid (₹ 7.24 crore) on the balance amount at the end of the year.

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 Funds¹⁸ (8235 General and Other Reserve Funds 101 General Reserve Funds of

¹⁸ **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

Government Commercial Departments/Undertakings) and (ii) Other Funds¹⁹ (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 the guidelines of the Reserve Bank of India, States are required to contribute into the Fund annually 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 2020-21, against the minimum required contribution of ₹ 43.39 crore (0.50 *per cent* of outstanding liabilities of ₹ 8,678.26 crore as on 1 April 2020), the State Government contributed ₹ 37 crore to the CSF leaving an amount of ₹ 6.39 crore as total accumulated outstanding contribution for the year. Total accumulations in the Fund as on 31 March 2021 was ₹ 346.04 crore which has been invested in Government of India Securities. The position of contribution to CSF against the actual requirement during 2016-21 is shown in **Table-2.30**.

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

(₹ in crore)

| Particulars | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|----------|----------|----------|----------|----------|
| Outstanding fiscal liability of the previous year | 6,407.39 | 6,725.00 | 7,300.30 | 7,315.54 | 8,678.26 |
| Requirement (minimum 0.50 <i>per cent</i> of previous year's outstanding liabilities) | 32.04 | 33.63 | 36.50 | 36.58 | 43.39 |
| Actual Contribution | 31.30 | 40.00 | 36.00 | - | 37.00 |
| Shortfall | 0.74 | -6.38 | 0.50 | 36.58 | 6.39 |

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 eventuality of invoking of guarantees given by the State Government to loans raised by its entities. The fund is administered by Reserve Bank of India.

The State Government is required to contribute into the Fund, with contributions made annually or at lesser intervals, to ensure that anticipated guarantees devolving on the Government as a result of the likely invocation of outstanding guarantees in the succeeding 5 years can be fulfilled. Additionally, vide Para 5 (b) of the notification mentioned above, during each year the Government shall contribute an amount equivalent at least to 1/5th of the outstanding invoked guarantees plus an amount of guarantees likely to be invoked due to incremental guarantees issued during the year.

¹⁹ **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 ₹ 39.50 crore in the Fund as on 31 March 2021 has been invested in Government of India securities. There were no outstanding invoked guarantees in 2020-21.

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 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).

During the year 2020-21, the State Government received grants of ₹ 32.28 crore towards CRF. No corresponding Budget Provision was made under 3054-80-797- Transfer to/from Reserve Fund/Deposit Account and there was no transfer to Public Account under 8449-Other Deposits. This was in violation of the Fund accounting procedure.

As per the Finance Accounts 2020-21, an expenditure of ₹ 43.75 crore was incurred on Construction of Roads (CRF) under Major Head 5054 Capital Outlay on Roads and Bridges.

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.

The expenditure incurred by the State Government towards environment is depicted in the Finance Accounts upto the level of Minor Head under various functional head of accounts. During the year 2020-21, Government of Mizoram incurred an expenditure of ₹ 1.45 crore against the budget allocation of ₹ 1.59 crore under Major Head 3435 – Ecology and Environment *i.e.* 0.02 per cent of Revenue Expenditure. Details may be seen in **Appendix III**.

2.7.5 Contingency Fund

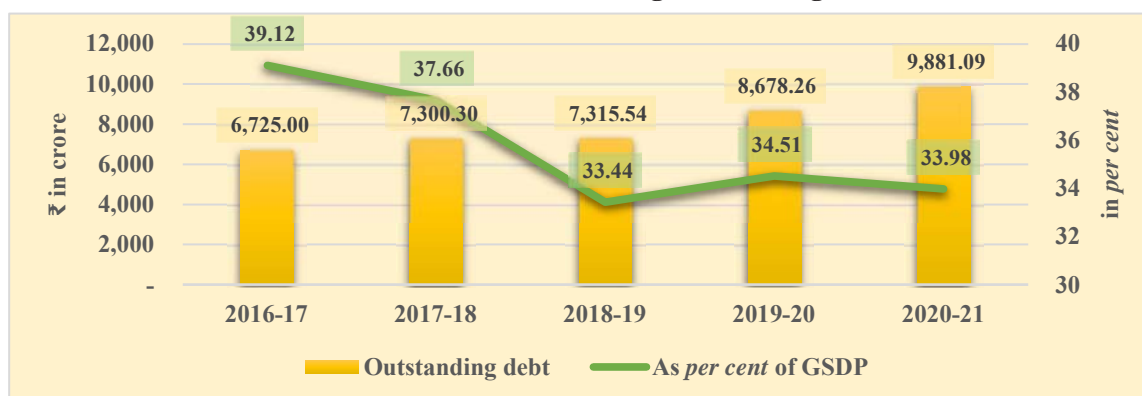
The Contingency Fund of Government of Mizoram is set up under Article 267(2) of the Constitution of India for meeting unforeseen expenditure and is recouped when the State Legislature authorises the additional expenditure. The corpus of the Fund is ₹ 0.10 crore. No amount was drawn from the Contingency Fund during the year and there is no outstanding balance remaining un-recouped as on 31 March 2021.

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 2016-21 as well as the percentage of debt to GSDP.

Chart 2.13 : Trend of Outstanding Debt during 2016-21



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 taking the advance. RBI announced 60% increase in WMA limit recently to fight Covid -19 (until end of March 2021) | 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 as of March 2021 stood at 4.00 per cent. |
| 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 6.00 per cent. |
| 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) |

| Item | What it means | Interest rate |
|-----------------|--|--|
| 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 2020-21 was ₹ 9,881.09 crore of which, 49.28 per cent was accounted as 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 2016-21 are given in **Table-2.31**.

Table 2.31 : Component wise debt trends

(₹ in crore)

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Outstanding Overall Debt | 6,725.00 | 7,300.30 | 7,315.54 | 8,678.26 | 9,881.09 |
| Public Debt | | | | | |
| <i>Internal Debt</i> | 2,621.90 | 3,057.24 | 2,958.10 | 3,758.92 | 4,527.09 |
| <i>Loans from GoI</i> | 291.19 | 277.04 | 266.17 | 259.11 | 484.36 |
| <i>Liabilities on Public Account</i> | 3,811.91 | 3,966.02 | 4,091.27 | 4,660.23 | 4,869.64 |
| Rate of growth of outstanding Overall debt (percentage) | 4.96 | 8.55 | 0.21 | 18.63 | 13.86 |
| Gross State Domestic Product (GSDP) | 17,192 | 19,385 | 21,879 | 25,149 | 29,076 |
| Debt/GSDP (per cent) | 39.12 | 37.66 | 33.44 | 34.51 | 33.98 |
| Total Debt Receipts | 2,332.40 | 3,048.72 | 2,517.05 | 4,277.17 | 4,963.79 |
| Total Debt Repayments | 2,014.79 | 2,473.43 | 2,501.81 | 2,914.45 | 3,760.96 |
| Total Debt Available | 317.61 | 575.29 | 15.24 | 1,362.72 | 1,202.83 |
| Debt Repayments/Debt Receipts (percentage) | 86.38 | 81.13 | 99.39 | 68.14 | 75.77 |

Source: Finance Accounts

Chart 2.14: Break Up of Outstanding Overall Debt at the end of 31 March 2021

(₹ in crore)

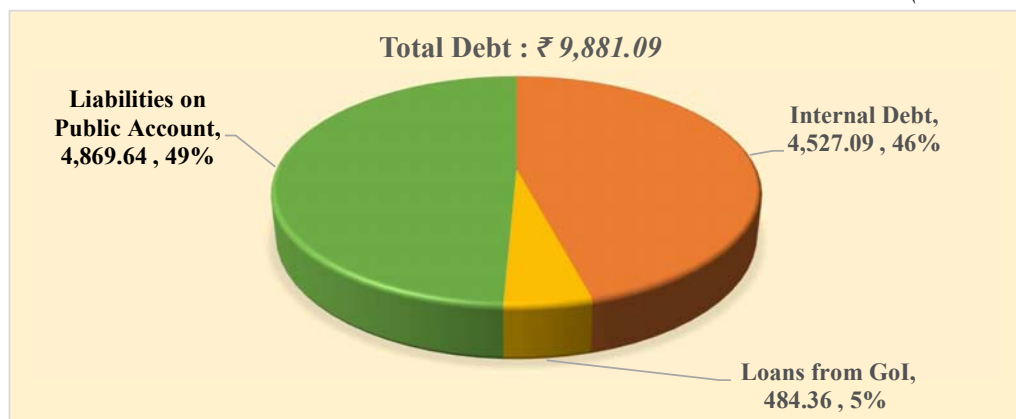
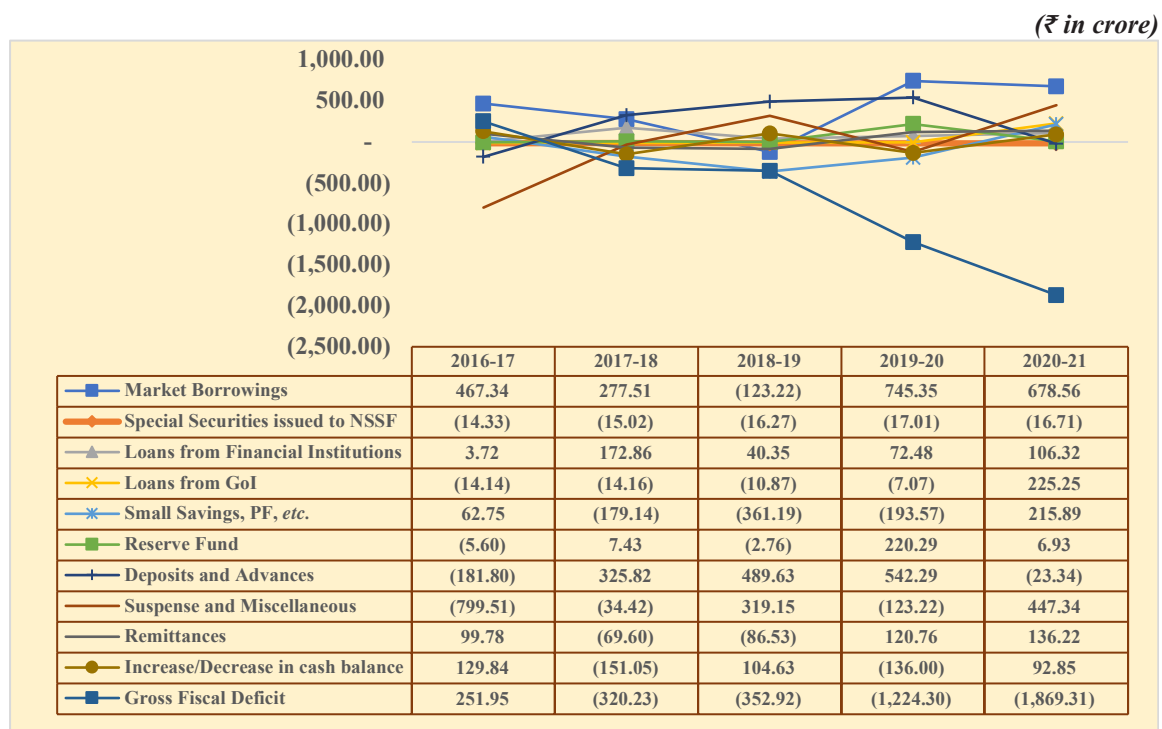


Chart 2.15 describes in greater detail the components of Public Debt and Liabilities on Public Account.

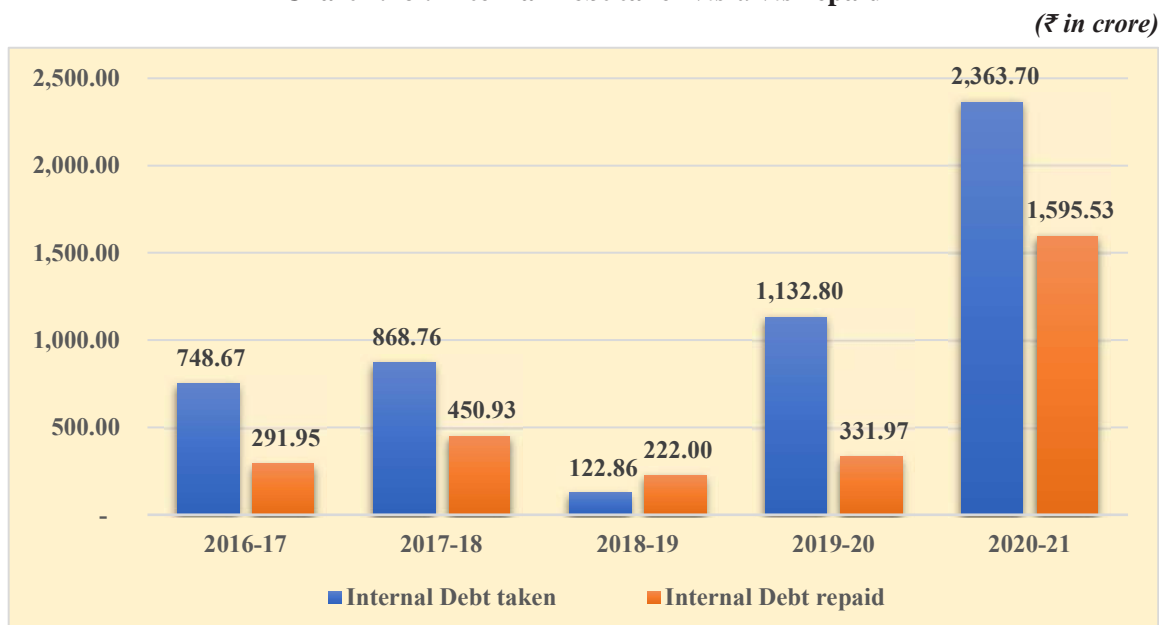
Chart 2.15 : Components-wise debt trends



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 2016-21.

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 | | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|--|----------------|----------------|----------------|------------------|------------------|
| Composition of Fiscal Deficit (-)/ Fiscal Surplus (+) | | 251.95 | -320.23 | -352.92 | -1,224.30 | -1,869.31 |
| 1 | Revenue Surplus(+) / Revenue Deficit (-) | 1,167.96 | 1,699.43 | 1,533.91 | 204.30 | -774.13 |
| 2 | Net Capital Expenditure | -911.41 | -1,996.35 | -1,868.47 | -1,372.67 | -1,125.97 |
| 3 | Net Loans and Advances | -4.60 | -23.31 | -18.36 | -55.94 | 30.79 |
| Financing Pattern of Fiscal Deficit | | | | | | |
| 1 | Market Borrowings | 467.34 | 277.51 | -123.22 | 745.35 | 678.56 |
| 2 | Special Securities issued to NSSF | -14.33 | -15.02 | -16.27 | -17.01 | -16.71 |
| 3 | Loans from Financial Institutions | 3.72 | 172.86 | 40.35 | 72.48 | 106.32 |
| 4 | Loans from GoI | -14.14 | -14.16 | -10.87 | -7.07 | 225.25 |
| 5 | Small Savings, PF, etc. | 62.75 | -179.14 | -361.19 | -193.57 | 215.89 |
| 6 | Reserve Fund | -5.60 | 7.43 | -2.76 | 220.29 | 6.93 |
| 7 | Deposits and Advances | -181.80 | 325.82 | 489.63 | 542.29 | -23.34 |
| 8 | Suspense and Miscellaneous | -799.51 | -34.42 | 319.15 | -123.22 | 447.34 |
| 9 | Remittances | 99.78 | -69.60 | -86.53 | 120.76 | 136.22 |
| 10 | Overall Deficit | -381.79 | 471.28 | 248.29 | 1353.82 | 1,776.46 |
| 11 | Increase/Decrease in cash balance | 129.84 | -151.05 | 104.63 | -136.00 | 92.85 |
| 12 | Gross Fiscal Deficit (-)/Fiscal Surplus (+) | 251.95 | -320.23 | -352.92 | -1,224.30 | -1,869.31 |

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 2020-21, the maturity profile of public debt is shown in **Table 2.33**.

Table 2.33 : Debt Maturity Profile of State Debt

| Period of repayment (Years) | Amount (₹ in crore) | Percentage (w.r.t. Public debt) |
|-----------------------------|---------------------|---------------------------------|
| 0 – 1 | 443.79 | 8.86 |
| Above 1 – 3 | 784.14 | 15.65 |
| Above 3 – 5 | 717.15 | 14.31 |
| Above 5 – 7 | 746.90 | 14.90 |
| Above 7 | 2,319.47 | 46.28 |
| Others | - | - |
| Total | 5,011.45 | 100.00 |

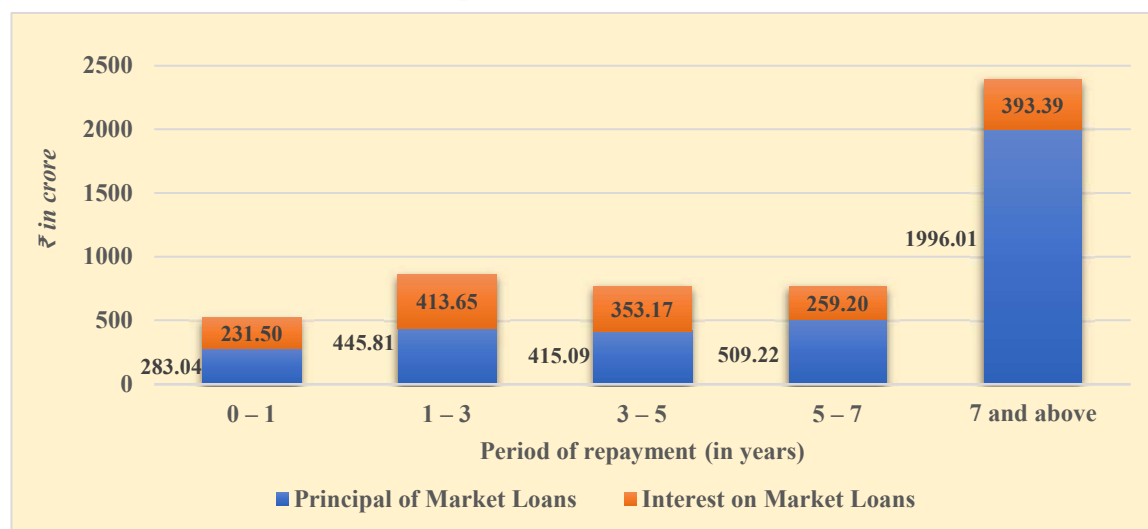
Source: Finance Accounts

The maturity profile of outstanding stock of public debt as on 31 March 2021 indicated that out of the outstanding public debt of ₹ 5,011.45 crore, 53.72 per cent (₹ 2,691.98 crore) was payable within the next seven years while the remaining 46.28 per cent (₹ 2,319.47 crore) was in the maturity bracket of more than seven years. Further, during 2020-21, State Government received an amount of ₹ 200 crores under Scheme for Special Assistance as Loan for Capital Expenditure provided by Government of India as a special scheme of assistance to the State Government for the financial year 2020-21 in respect of capital expenditure in the form of 50-year interest free loan. As per the guidelines of the Scheme,

State Governments shall be liable to repay the entire loan amount released under the Scheme in a single installment in the financial year immediately following the 50th year of release of loan.

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

As on March 2021, the total amount of outstanding market loans was ₹ 3,649.17 crore and interest due and payable until their maturity was ₹ 1,650.91 crore. Out of these amounts, 7.76 per cent of the total principal and 14.02 per cent of the total interest was payable in 2020-21, 12.22 per cent of the total principal and 25.06 per cent of the total interest was payable during 2021-23, 11.37 per cent of the total principal and 21.39 per cent of the total interest was payable during 2023-25, 13.95 per cent of the total principal and 15.70 per cent of the total interest was payable during 2025-27 and the remaining 54.70 per cent and 23.83 per cent of the interest was payable in the following eight years.

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 fulfil 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 is shown in **Table 2.34**.

Table 2.34: Trends in Debt Sustainability Indicators

(₹ in crore)

| Debt Sustainability Indicators | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|----------|----------|----------|----------|-----------|
| Outstanding Public Debt* | 2,913.09 | 3,334.28 | 3,224.27 | 4,018.03 | 5,011.45 |
| Rate of Growth of Outstanding Public Debt | 17.91 | 14.46 | -3.30 | 24.62 | 24.72 |
| GSDP | 17,192 | 19,385 | 21,879 | 25,149 | 29,076 |
| Rate of Growth of GSDP | 13.56 | 12.76 | 12.87 | 14.94 | 15.62 |
| Debt/GSDP (<i>per cent</i>) | 16.94 | 17.20 | 14.74 | 15.98 | 17.24 |
| Debt Maturity profile of repayment of State debt – including default history, if any | 71.88 | 61.54 | 66.71 | 56.97 | 53.72 |
| Average interest Rate of Outstanding Public Debt (<i>per cent</i>) | 12.68 | 10.86 | 11.24 | 9.48 | 8.88 |
| Percentage of Interest payment to Revenue Receipt | 4.61 | 3.95 | 4.08 | 3.55 | 5.18 |
| Percentage of Debt Repayment to Debt Receipt | 41.42 | 52.90 | 181.96 | 30.84 | 61.96 |
| Net Debt available to the State [#] | 101.33 | 81.98 | -478.69 | 450.64 | 592.44 |
| Net Debt available as <i>per cent</i> to Debt Receipts | 13.41 | 9.17 | -356.65 | 39.27 | 22.69 |
| Debt Stabilisation (Quantum spread + Primary Deficit) | 614.95 | 74.32 | 69.78 | -705.12 | -1,197.50 |

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.

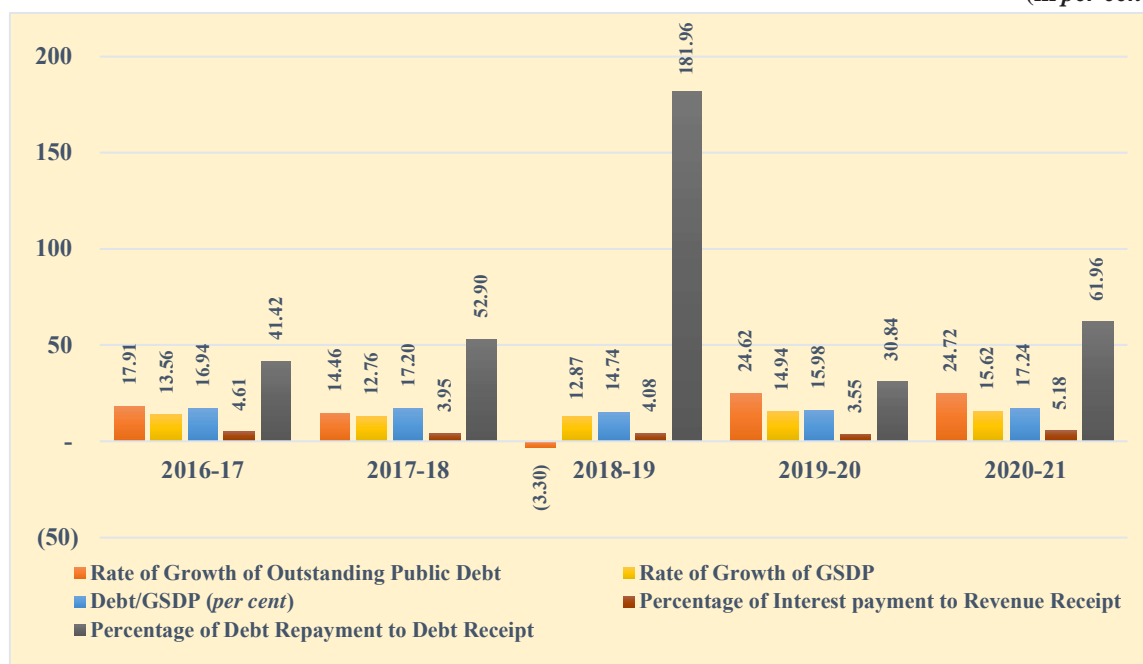
[#] Net Debt available to the State Government is calculated as excess of Public Debt receipts over Public Debt repayment and interest payment on Public Debt.

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.
- Net Debt available is higher than the previous year's by ₹ 141.80 crore and stood at 22.69 *per cent* of Debt Receipts of the State Government for the year.
- The percentage of debt repaid to the debt received was 61.96 *per cent* and fluctuated between 30.84 to 181.96 *per cent* during the five-year period.
- Rate of growth of outstanding debt had increased from 24.62 *per cent* in the previous year to 24.72 *per cent* for the current year.
- As of the current year the Debt Maturity profile of repayment of State debt, although high, was declining. The State has to repay 53.72 *per cent* of debt within the ensuing seven years.
- Average Interest Rate of Outstanding Public Debt during the last five years was highest during 2016-17 at 12.68 *per cent*. It decreased by 0.60 *per cent* over the previous year and stood at 8.88 *per cent* for the current year.
- Interest payments made up 5.18 *per cent* of Revenue Receipts for the current year which was higher than any of the previous four years.

Chart 2.18: Trends of Debt Sustainability indicators

(in per cent)



Source : Finance Accounts

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 2016-21 for the State Government.

Table 2.35 : Utilisation of borrowed Funds²⁰

₹ in crore)

| Year | | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|------------|----------|-----------|------------|----------|----------|
| Total Borrowings | 1 | 755.51 | 894.14 | 134.22 | 1,147.68 | 2,611.32 |
| Repayment of earlier borrowings (Principal) | 2 | 312.92 | 472.96 | 244.23 | 353.92 | 1,617.89 |
| (As a percentage to Total Borrowings) | | (41.42) | (52.90) | (181.96) | (30.84) | (61.96) |
| Net capital expenditure | 3 | 911.41 | 1,996.35 | 1,868.47 | 1,372.67 | 1,125.97 |
| (As a percentage to Total Borrowings) | | (120.64) | (223.27) | (1,392.10) | (119.60) | (43.12) |
| Net loans and advances | 4 | -4.60 | -23.31 | -18.36 | -55.93 | 30.79 |
| Portion of Revenue expenditure met out of net available borrowings | 5= 1-2-3-4 | -473.42 | -1,598.48 | -1,996.84 | -634.85 | -101.75 |

Source: Finance Accounts

From the table, it can be seen that repayment of earlier borrowings expressed as a percentage of Total Borrowings varied between 181.96 per cent in 2018-19 to 30.84 per cent during 2019-20. The percentage of repayment of earlier borrowings to Total Borrowings rose to 61.96 per cent during the current year.

²⁰ Values in Table 2.35 differ from SFAR 2019-20 due to change in methodology of calculation

Meanwhile, except for the current year, Net Capital Expenditure constantly exceeded the Total Borrowings of the State. Expressed as a percentage of Total Borrowings it stayed below 223.27 *per cent* during 2016-17 to 2017-18 but rose dramatically in 2018-19 to 1,392.10 *per cent* then came down to 119.60 *per cent* during 2019-20. The percentage of Capital Expenditure to Total Borrowings fell to 43.12 *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 ₹ -473.42 crore in 2016-17 to ₹ -1,996.84 crore in 2018-19. During the current year, Revenue Expenditure met out of net available borrowing was ₹ -101.75 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

| Guarantees | ₹ in crore) | | | | |
|--|-------------|----------|----------|----------|----------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Ceiling applicable to the outstanding amount of guarantees including interest (Criteria) | 4,297.98 | 4,846.33 | 5,469.74 | 6,287.14 | 7,269.11 |
| Outstanding amount of guarantees including interest | 123.99 | 133.92 | 97.99 | 140.66 | 138.63 |

Source: Finance Accounts

The total outstanding guarantees of ₹ 140.66 crore as on 1 April 2020 worked out to 0.48 *per cent* of the GSDP estimated at ₹ 29,076.42 crore for the year 2020-21 which is within the limits prescribed. During the year, fresh guarantees of ₹ 4.76 crore were given by the State Government. Outstanding Guarantees at the end of the year stood at ₹ 138.63 crore.

During 2020-21, the State Government received ₹ 0.88 crore (as per Finance Accounts) towards guarantee fee, which constituted 0.44 *per cent* of the guaranteed amount during 2020-21. As per the Act, the State Government shall charge a minimum of 0.75 *per cent* of the amount of the guaranteed loan as guarantee commission which works out to ₹ 1.50 crore.

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.

Government of Mizoram availed Ways and Means Advances amounting to ₹ 1,220.14 crore from the RBI during 2020-21 and was able to repay the entire amount including the interest of ₹ 0.42 crore.

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 2020-21 are shown in **Table-2.37**.

Table 2.37 : Cash Balances and their investment

(₹ in crore)

| Particulars | Opening balance on 01 April 2020 | Closing balance on 31 March 2021 |
|--|----------------------------------|----------------------------------|
| A. General Cash Balance | | |
| Cash in treasuries | 0.00 | 0.00 |
| Deposits with Reserve Bank of India | -30.50 | -123.35 |
| Deposits with other Banks | 0.00 | 0.00 |
| Remittances in transit – Local | 0.00 | 0.00 |
| Total | -30.50 | -123.35 |
| Investments held in Cash Balance investment account | 202.87 | 130.94 |
| Total (A) | 172.37 | 7.59 |
| B. Other Cash Balances and Investments | | |
| Cash with departmental officers viz., Public Works, Forest Officers | -4.48 | 1.49 |
| Permanent advances for contingent expenditure with department officers | 0.00 | 0.00 |
| Investment in earmarked funds | 341.54 | 385.54 |
| Total (B) | 337.06 | 387.03 |
| Total (A + B) | 509.43 | 394.62 |
| Interest realised | 10.29 | 1.75 |

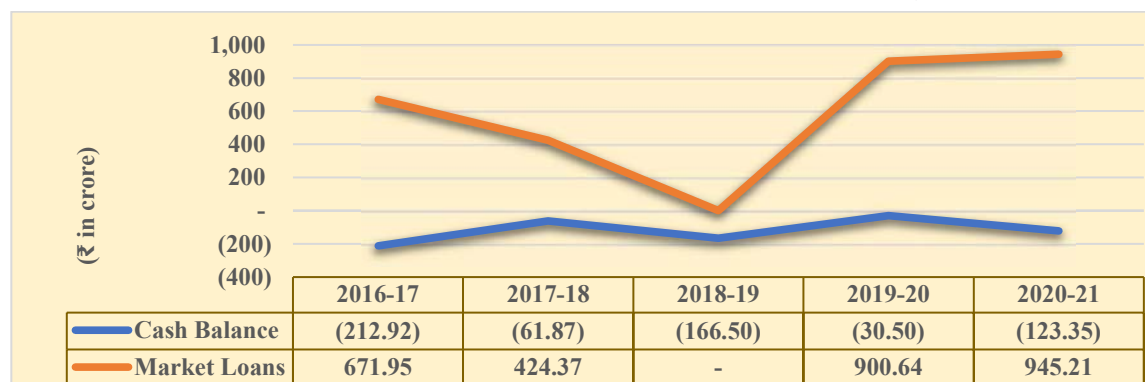
Source: Finance Accounts

General Cash Balance of the State Government at the end of the current year decreased by ₹ 114.81 crore from ₹ 509.43 crore in 2019-20 to ₹ 394.62 crore in 2020-21. 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 State Government has earned an interest of ₹ 1.75 crore during 2020-21 from the investments made in GoI Securities and Treasury Bills. Investment held in Cash Balance Investment Account stood at ₹ 130.94 crore as on 31 March 2021.

Out of the investment of ₹ 385.54 crore in earmarked funds, ₹ 346.04 crore was invested out of Consolidated Sinking Fund and ₹ 39.50 crore out of Guarantee Redemption Fund at the end of the year.

The details and trend of market loans taken by the State Government during the period 2016-21 is shown in **Chart 2.19**.

Chart 2.19 : Trend of Cash Balance and Market Loans during 2016-21



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.

2.10.1 Conclusion

Revenue Receipts during the year 2020-21 was ₹ 7,740.67 crore which had decreased by ₹ 1,917.59 crore (19.85 *per cent*) from the previous year. State's Own Tax Revenue decreased by ₹ 83.42 crore (11.41 *per cent*) from the previous year while Non-Tax revenue increased by ₹ 39.41 crore (7.54 *per cent*). Compared to the previous year, Grants-in-Aid from GoI and State's Share of Union taxes and Duties also decreased by ₹ 1,866.33 crore (34.64 *per cent*) and ₹ 7.25 crore (0.24 *per cent*) respectively.

In the four years during which the GST Act has been in effect, revenue collected by Government of Mizoram through SGST has risen by ₹ 288.15 crore (169.74 *per cent*) from ₹ 169.76 crore in 2017-18 to ₹ 457.91 crore in 2020-21. This amount included the Advance Apportionment of IGST amounting to ₹ 17.93 crore. In addition, the State received ₹ 897.91 crore as its share of net proceeds assigned to the State under Central Goods and Services Tax.

Revenue expenditure during the year 2020-21 was ₹ 8,514.80 crore (88.29 *per cent*) against the total expenditure of ₹ 9,643.67 crore. Committed expenditure like salary & wages, pension, interest payments steadily increased during the last five years. The Committed expenditure during 2020-21 was ₹ 5,204.40 crore (67.23 *per cent* of the Revenue Receipts and 61.12 *per cent* of the Revenue Expenditure).

Capital expenditure decreased by ₹ 246.70 crore (17.97 *per cent*) from ₹ 1,372.67 crore to ₹ 1,125.97 crore.

As on 31 March 2021, 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 2020-21 nor

in the preceding four financial years. On the other hand, the Government's future liability on market borrowings bore an interest liability at average rates of interest ranging from 4.29 to 5.20 *per cent*.

Capital Expenditure of ₹ 1,309.76 crore incurred on 112 incomplete projects remained blocked and the benefits envisaged from these projects were yet to be harnessed. There was time overrun ranging from one to 10 years on these 112 incomplete projects resulting in cost overrun of ₹ 61.86 crore during 2019-20 and 2020-21 in six projects under PHED, P&E, PWD and UD&PA department.

During the year 2020-21, the State Government received ₹ 47.00 crore as Central Government's share of SDRF; accordingly, the State Government's share during the year was ₹ 5.22 crore. The State Government transferred ₹ 50.50 crore (Central share ₹ 47.00 crore against actual receipts of ₹ 47.00 crore from Central Government, State share ₹ 3.50 crore against due State share of ₹ 5.22 crore leaving ₹ 1.72 crore un-transferred) to the Fund under Major Head 8121-122 SDRF.

In the year 2020-21, against the minimum required contribution of ₹ 43.39 crore (0.50 *per cent* of outstanding liabilities of ₹ 8,678.26 crore as on 1 April 2020), the State Government contributed ₹ 37 crore to the CSF leaving an amount of ₹ 6.39 crore as total accumulated outstanding contribution for the year. Total accumulations in the Fund as on 31 March 2021 was ₹ 346.04 crore which has been invested in Government of India Securities.

The State's outstanding liabilities increased from ₹ 8,678.26 crore in 2019-20 to ₹ 9,881.09 crore in 2020-21, whereas, Debt/GSDP ratio decreased from 34.51 *per cent* to 33.98 *per cent* during the same period. Projections in the MTFP relating to Debt-GSDP ratio were not met during 2020-21.

An analysis of the outstanding debt indicated that out of the outstanding public debt of ₹ 5,011.45 crore, 53.72 *per cent* (₹ 2,691.98 crore) was payable within the next seven years while the remaining 46.28 *per cent* (₹ 2,319.47 crore) was in the maturity bracket of more than seven years. As on March 2021, the total amount of outstanding market loans was ₹ 3,649.17 crore.

The State Government had used borrowed funds for meeting both capital and revenue expenditure during the period 2016-21. During 2020-21, the percentage of capital expenditure to borrowings was 43.12 *per cent*.

The State had Outstanding guarantees of ₹ 138.63 crore including interest as on 31 March 2021.

2.10.2 Recommendations

- i) *State Government may take necessary steps to reduce the ratio of committed expenditure to the revenue expenditure and to the total expenditure so that resources could be channelled more to the socio-economic development works.*
- ii) *State Government needs to give stress on projects of capital nature to develop the infrastructure base for socio-economic progress.*
- iii) *The State Government needs to give greater thrust on completion of incomplete projects in a planned manner so that the scarce capital resources of the State do not get locked.*
- iv) *The State Government needs to make its due contribution to the Consolidated Sinking Fund for efficient Debt Management.*

CHAPTER-3
BUDGETARY MANAGEMENT

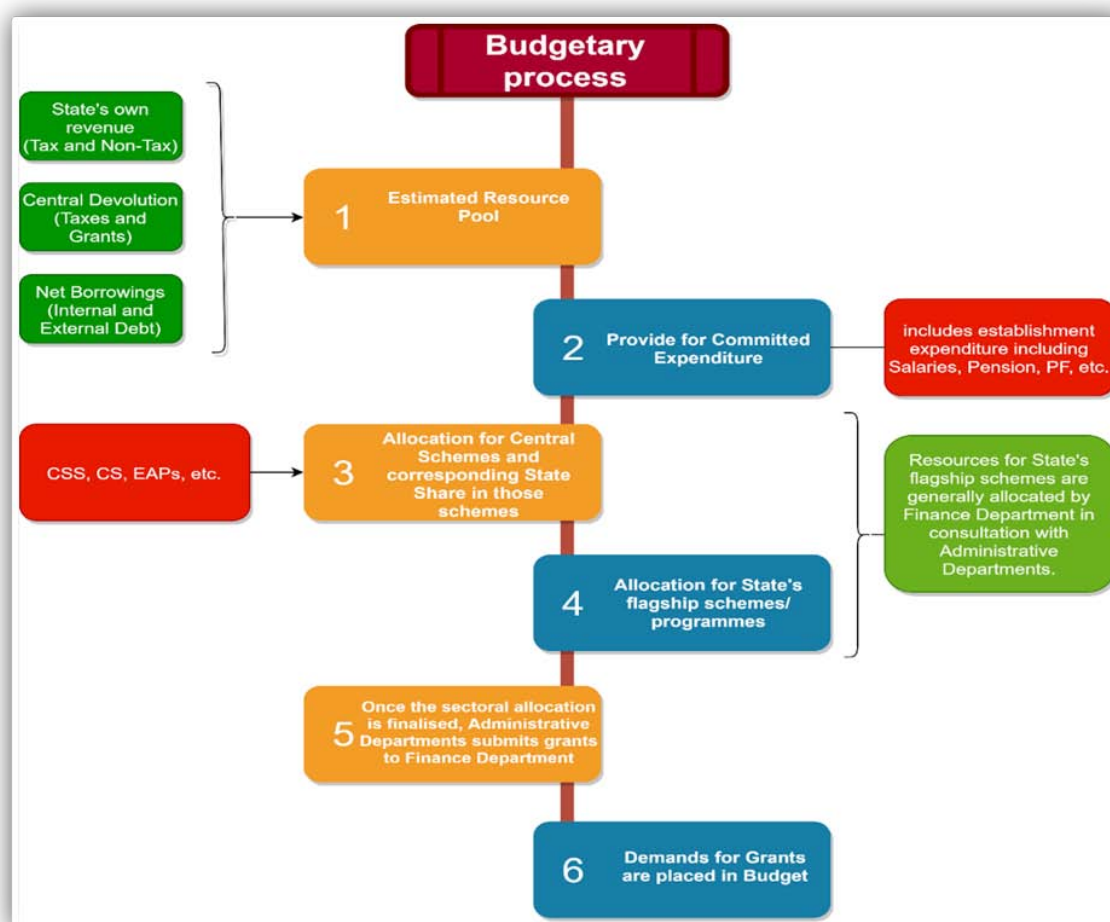
Chapter 3: Budgetary Management

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.

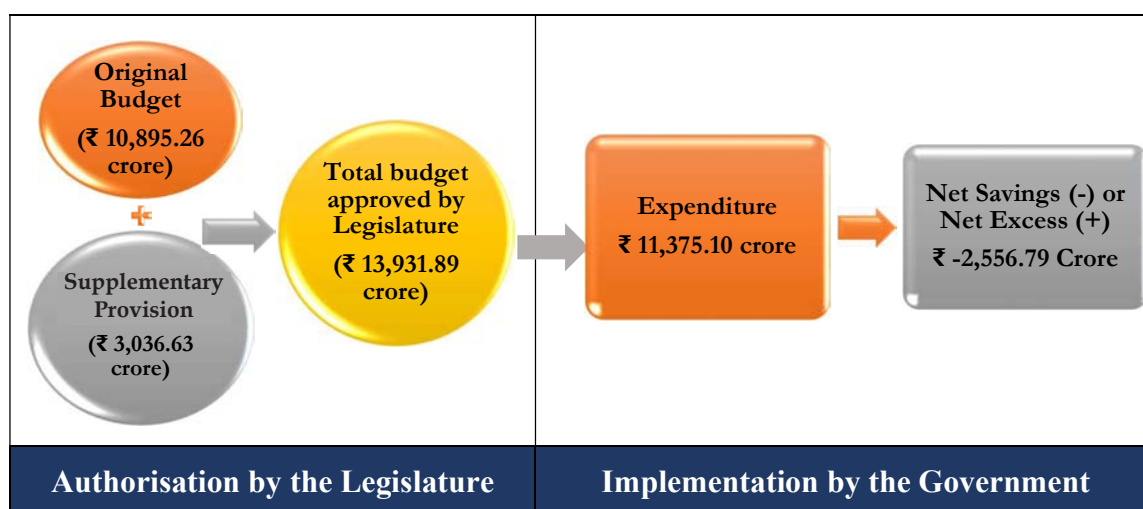
The annual financial statement, also called general budget, is placed prior to the commencement of the financial year in the State Legislature, in accordance with Article 202 of the Constitution. The estimates of receipts and disbursements in the Annual Financial Statement and of expenditure in the Demands 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 authorisation 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 authorised 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 2020-21 are depicted in **Chart 3.1**.

Chart 3.1: Summary of Budget and Expenditure of Mizoram for 2020-21

The above chart indicates that the Supplementary Grant of ₹ 3,036.63 crore was not required as the gross expenditure was only ₹ 480 crore more than the Original Provisions. It is pertinent to mention that Supplementary Grant was taken on 01 March 2021 and total expenditure as on 28 February 2021 was only ₹ 7,234 crore as per the data made available/submitted by the Treasuries, leaving ₹ 3,661 crore with the State Government for the remaining 30 days. With the Supplementary Grant, total funds available with the State Government were ₹ 6,698 crore, which was equal to 93 per cent of the expenditure incurred during the first 11 months of the financial year. This was indicative of over estimation and poor financial management.

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 2020-21 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 2020-21*(₹ in crore)*

| Total Budget provision | | Disbursements | | Savings | | Excess | |
|------------------------|----------|---------------|----------|----------|---------|--------|---------|
| Voted | Charged | Voted | Charged | Voted | Charged | Voted | Charged |
| 12,380.36 | 1,551.53 | 9,284.23 | 2,090.87 | 3,371.88 | 4.65 | 275.76 | 543.98 |

Source: Appropriation Accounts

There was an overall saving of ₹ 3,376.54 crore offset by excess of ₹ 819.74 crore during the year 2020-21 resulting in net savings of ₹ 2,556.79 crore which was 18.35 per cent of total Grants/Appropriations and 22.48 per cent of the expenditure.

These savings may be seen in context of over estimation of Receipts of ₹ 11,590.76 crore by the State Government and estimation on the expenditure side being ₹ 13,931.89 crore during the year 2020-21. As against the estimated Receipts, the actual Receipts were ₹ 10,345.68 crore only thereby restricting the total expenditure to ₹ 11,375.10 crore. This implied that the savings were notional, as the funds were not actually available for expenditure.

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 2016-17 to 2020-21.

Table 3.2 : Details of Charged and Voted Disbursements

(₹ in crore)

| Year | Budget Estimates | | Disbursement | | Saving | | Excess | |
|---------|------------------|----------|--------------|----------|----------|---------|--------|---------|
| | Voted | Charged | Voted | Charged | Voted | Charged | Voted | Charged |
| 2016-17 | 8,941.33 | 922.70 | 6,873.99 | 706.42 | 2,128.80 | 216.28 | 61.46 | 0.00 |
| 2017-18 | 10,357.14 | 732.32 | 8,620.96 | 664.01 | 1,748.69 | 68.31 | 12.51 | 0.00 |
| 2018-19 | 11,890.16 | 754.14 | 9,103.48 | 686.93 | 2,741.68 | 67.22 | 0.00 | 0.00 |
| 2019-20 | 13,566.80 | 779.93 | 10,633.37 | 734.00 | 2,943.32 | 55.36 | 9.91 | 9.43 |
| 2020-21 | 12,380.36 | 1,551.53 | 9,284.23 | 2,090.87 | 3,371.88 | 4.65 | 275.76 | 543.98 |

Source: Appropriation Accounts

From the table it may be seen that Voted disbursements increased by ₹ 2,410.24 crore from ₹ 6,873.99 crore in 2016-17 to ₹ 9,284.23 in 2020-21. Charged disbursements also showed an increase of ₹ 1,384.45 crore over the same period from ₹ 706.42 crore in 2016-17 to ₹ 2,090.87 crore in 2020-21. Savings in both Voted and Charged sections fluctuated from year to year and stood at ₹ 3,371.88 crore and ₹ 4.65 crore, respectively. Excess expenditure was seen in four out of five years and in 2020-21 excess Voted expenditure stood at ₹ 275.76 crore (2.97 per cent of Voted expenditure) and excess Charged expenditure stood at ₹ 543.98 crore (26.02 per cent of Charged expenditure). 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 Transfers not mandated by the Appropriation Act/Detailed Demands for Grants (into Public Account/ Bank Accounts)

The Appropriation Act, authorises incurrence of expenditure from the Consolidated Fund under specified Grants, during the financial year. Transfer of amounts from the Consolidated Fund of the State into Public Account heads or into bank accounts, not authorised through the Appropriation Act is irregular.

During 2020-21 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. Withdrawals from the Minor Head of account in subsequent years would not require Legislative approval and thus escape Legislative scrutiny through the Appropriation Account mechanism.

3.4.2 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 before the close of the financial year.

Table 3.3 shows details of cases where supplementary provision of ₹ 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 3.3 : Details of cases where supplementary provision proved unnecessary²¹*(₹ in crore)*

| Sl. No. | Name of Grant | Original | Supplementary | Actual Expenditure | Savings out of original Provisions |
|------------------------|---|-----------------|---------------|--------------------|------------------------------------|
| <i>Revenue (Voted)</i> | | | | | |
| 1 | 4-Law & Judicial | 27.40 | 3.00 | 26.68 | 0.72 |
| 2 | 6-Land Revenue & Settlement | 39.94 | 1.06 | 28.02 | 11.92 |
| 3 | 11-Secretariat Administration | 132.23 | 1.43 | 114.11 | 18.12 |
| 4 | 14-Planning and Programme Implementation | 97.83 | 5.85 | 90.31 | 7.52 |
| 5 | 15-General Administration | 102.44 | 19.41 | 99.22 | 3.22 |
| 6 | 16-Home | 801.82 | 22.08 | 710.58 | 91.24 |
| 7 | 17-Food, Civil Supplies and Consumer Affairs | 279.98 | 4.01 | 214.70 | 65.28 |
| 8 | 19- Local Administration | 125.18 | 119.13 | 89.57 | 35.61 |
| 9 | 20-School Education | 1,554.64 | 71.64 | 1,235.76 | 318.88 |
| 10 | 21-Higher & Technical Education | 274.93 | 49.31 | 235.11 | 39.82 |
| 11 | 22-Sports and Youth Services | 27.40 | 2.24 | 25.99 | 1.41 |
| 12 | 24-Medical & Public Health Services | 626.32 | 96.64 | 549.78 | 76.54 |
| 13 | 28-Labour, Employment, Skill Development and Entrepreneurship | 32.10 | 2.34 | 24.60 | 7.50 |
| 14 | 30-Disaster Management and Rehabilitation | 59.24 | 5.76 | 57.29 | 1.95 |
| 15 | 31-Agriculture | 176.85 | 23.32 | 132.44 | 44.41 |
| 16 | 32-Horticulture | 91.33 | 13.90 | 86.91 | 4.42 |
| 17 | 33-Land Resources, Soil and Water Conservation | 22.31 | 1.99 | 20.39 | 1.92 |
| 18 | 34-Animal Husbandry and Veterinary | 81.21 | 12.27 | 74.46 | 6.75 |
| 19 | 36-Environment, Forests and CC | 222.43 | 28.17 | 111.46 | 110.97 |
| 20 | 38-Rural Development | 368.10 | 165.76 | 304.98 | 63.12 |
| 21 | 40-Commerce & Industries | 84.92 | 4.85 | 61.40 | 23.52 |
| 22 | 45-Public Works | 543.56 | 53.23 | 251.19 | 292.37 |
| Total | | 5,772.16 | 707.39 | 4,544.95 | 1,227.21 |

Source : Appropriation Accounts

As may be seen from the table, during 2020-21 ₹ 6,479.55 crore (Original and Supplementary) was allocated for 22 Grants under Revenue (Voted) section which subsequently closed with savings of at least ₹ one crore each except for ₹ 72 lakh in case of Grant No.4. Further, it was found that total expenditure of ₹ 4,544.95 crore (70.14 per cent) was incurred out of total allocation which meant that approximately 30 per cent of the funds allocated to 22 out of the 48 Grants and appropriation were not utilised. 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) regularisation/ late recruitment of muster roll employees and (v) non-filling of vacant post, etc. The unutilised allocation of ₹ 1,227.21 crore could have been re-appropriated for better utilisation.

²¹ Threshold for determination of excess provision has been taken at ₹ 50 lakh or more

3.4.3 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 insufficient in 20 sub-heads and resulted in excess expenditure of over ₹ 10 lakh and above in each case as detailed in **Appendix –IV**.

Further scrutiny revealed that re-appropriation orders for all 20 cases were issued on 31 March 2021. Reasons for excess were not furnished (July 2021) in 18 out of the 20 cases pointed out and the cumulative amount of these excess worked out to be ₹ 887.51 crores. The remaining two cases of excess were due to real time figures of the Department's DDO expenditure booked at various Treasury offices not being accessible at the time of submission of final statement of surrender & re-appropriation for the reported year and booking of figure under the wrong Head of Account at the Treasury office. This clearly shows the inadequacy of the expenditure control mechanism of the Government.

In eight cases, it was found that the total expenditure did not exceed original budget provisions. Thus, revision of provision through re-appropriation orders proved injudicious because excess expenditure occurred due to the excessive re-appropriations.

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

Complete accuracy of estimates may not always be possible; but there are cases where the omission or inaccuracy is the result of lack of forethought or neglect of the obvious. 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 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 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.

Principal 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

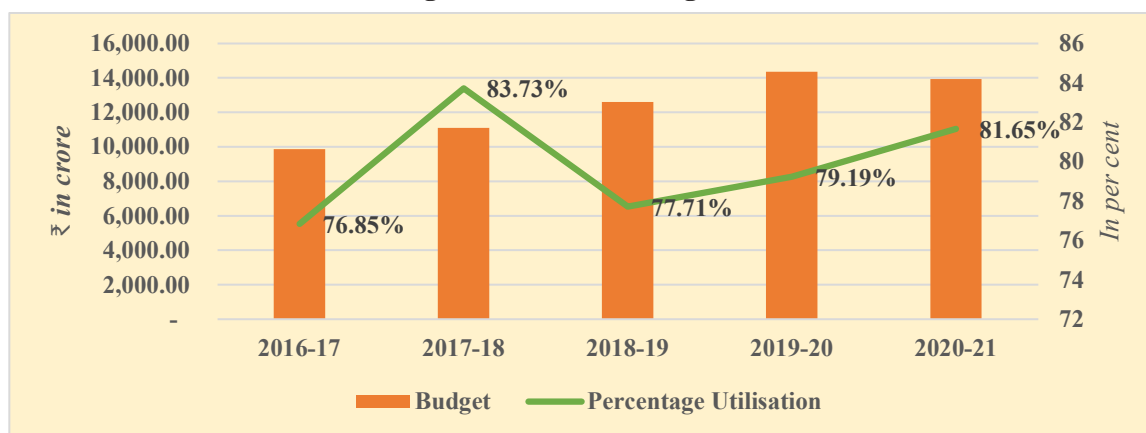
with the limits set by the Public Accounts Committee (PAC). The current limits, set by the State PAC in October 2011 are as follows:

| | |
|----------------|---|
| Savings | <ul style="list-style-type: none"> • Comments are to be made for overall savings exceeding 5 <i>per cent</i> 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 could have been provided for them to utilise.

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 Utilisation during 2016-17 to 2020-21



Source: Appropriation Accounts of the respective years

As can be seen from the chart, utilisation of budget ranged between 76.85 *per cent* (2016-17) and 83.73 *per cent* (2017-18) during the last five years, with 81.65 *per cent* utilisation during 2020-21. Large amount of savings in allocated funds indicate inaccurate assessment of Receipts.

During 2020-21 eight Grants/Appropriations had savings of ₹ 100 crore or more, the details of which are shown in **Table 3.4**. Reasons for these large savings were not provided by the Government (July 2021).

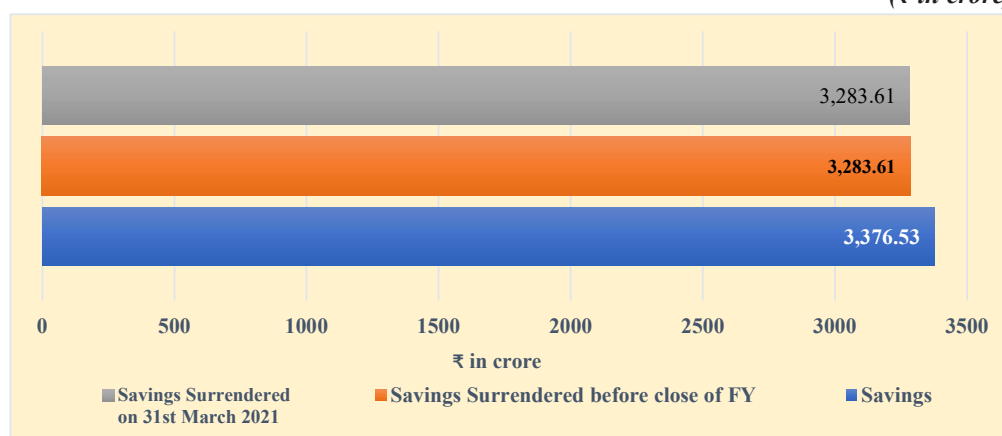
Table 3.4 : Grants having large savings²² during the year 2020-21*(₹ in crore)*

| Sl No. | Number and name of the grant | Original | Suppl. | Total | Actual | Saving/ Excess | Surrender | Savings excluding surrender |
|------------------------|--|-----------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------------------|
| Revenue (Voted) | | | | | | | | |
| 1 | 16-Home | 801.82 | 22.08 | 823.90 | 710.58 | 113.32 | 113.20 | 0.12 |
| 2 | 19-Local Administration | 125.18 | 119.13 | 244.31 | 89.57 | 154.73 | 155.18 | -0.45 |
| 3 | 20-School Education | 1,554.64 | 71.64 | 1,626.28 | 1,235.76 | 390.52 | 336.49 | 54.03 |
| 4 | 24-Medical and Public Health Services | 626.32 | 96.64 | 722.96 | 549.78 | 173.19 | 172.75 | 0.44 |
| 5 | 36-Environment, Forests and Climate change | 222.43 | 28.17 | 250.60 | 111.46 | 139.14 | 139.12 | 0.02 |
| 6 | 38-Rural Development | 368.10 | 165.76 | 533.86 | 304.98 | 228.87 | 227.14 | 1.73 |
| 7 | 45-Public Works | 543.56 | 53.23 | 596.79 | 251.19 | 345.60 | 345.37 | 0.23 |
| | Total | 4,242.05 | 556.65 | 4,798.70 | 3,253.32 | 1,545.37 | 1,489.25 | 56.12 |
| Capital (Voted) | | | | | | | | |
| 1 | 9-Finance | 973.00 | 0.00 | 973.00 | 0.00 | 973.00 | 973.00 | 0.00 |
| 2 | 45-Public Works | 213.86 | 378.19 | 592.05 | 416.17 | 175.88 | 175.88 | 0.00 |
| | Total | 1,186.86 | 378.19 | 1,565.05 | 416.17 | 1,148.88 | 1,148.88 | 0.00 |
| | Grand Total | 5,428.91 | 934.84 | 6,363.75 | 3,669.49 | 2,694.25 | 2,638.13 | 56.12 |

Source: Appropriation Accounts

Appendix V further lists the details of Grants which had surrendered funds in excess of ₹ 10 crore by 31 March 2021. Audit scrutiny of the Appropriation Accounts revealed that in seven out of the 28 grants, the reasons for the savings in expenditure during the year were not provided, savings in 15 out of the remaining cases were due to non-release/short release of funds by GoI, non-receipt of 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 ₹ 3,283.61 crore was surrendered from the total gross savings of ₹ 3,376.53 crore leaving a balance of ₹ 92.92 crore which was not surrendered. As per records available, all surrenders occurred on 31 March 2021.

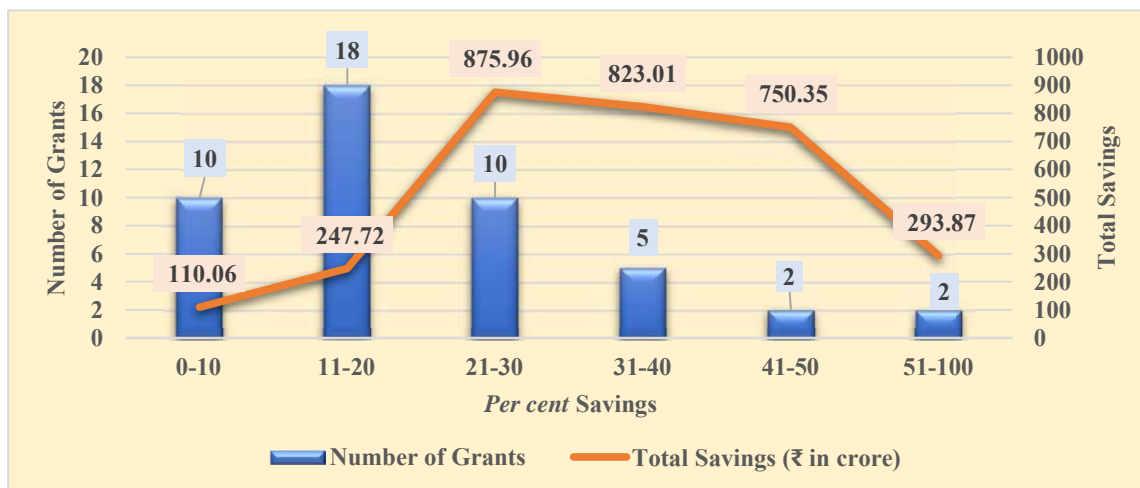
Chart 3.3 : Savings and surrenders before close of financial year 2020-21*(₹ in crore)*

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

²² Savings above ₹ 100 crore

Chart 3.4 below shows the distribution of the 48 Grants/Appropriations as per savings percentage during the year with the resulting total savings in each group.

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



Source: Appropriation Accounts

Out of total provisions made for each Grant during the year, 10 out of 48 grants had savings of 0-10 *per cent*, 18 grants had savings between 11-20 *per cent*, 10 grants had savings between 21-30 *per cent*, 5 grants had savings between 31-40 *per cent*, 2 grants had savings between 41-50 *per cent* and 2 grants had savings above 50 *per cent*. The largest savings from an individual grant occurred in Grant 19 – Local Administration which had a savings of ₹ 154.73 crore which was 63.33 *per cent* of total allocation. Occurrence of such huge savings in any grant is indicative of poor budgetary estimations.

3.4.5 Excess expenditure and its regularisation

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).

3.4.5.1 Excess expenditure during 2020-21

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 PAC. 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 is 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.

A summary of excess expenditure requiring regularisation during 2020-21 is given in **Table 3.5**.

Table 3.5 : Summary of excess disbursements over grants/appropriations during the financial year

(₹ in crore)

| Type of Expenditure | | Name of Department/Grant | | | |
|----------------------------|---------|--------------------------|--------------------|-------------|--------------------|
| | | Finance | | Public Debt | |
| | | Total Grant | Actual Expenditure | Total Grant | Actual Expenditure |
| Voted | Revenue | 1,254.45 | 1,530.21 | 0.00 | 0.00 |
| | Capital | 0.00 | 0.00 | 0.00 | 0.00 |
| Charged | Revenue | 0.00 | 0.00 | 414.53 | 444.99 |
| | Capital | 0.00 | 0.00 | 1,104.37 | 1,617.89 |
| Grant/Appropriation Number | | 9 | | NA | |
| Total Excess | | 275.76 | | 543.98 | |
| Grand Total | | 819.74 | | | |

Source: Appropriation Accounts

During 2020-21, there was a total excess disbursement of ₹ 819.74 crore under one Grant (9–Finance) and one appropriation (Public Debt). Reasons for excess disbursement had not been intimated by the Government (July 2021).

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

3.4.5.2 Regularisation of excess expenditure during the five-year period

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 period 2016-17 to 2020-21 not yet regularised have been shown in **Table 3.6**.

Table 3.6 : Excess expenditure during 2016-17 to 2020-21 requiring regularisation*(₹ in crore)*

| Year | Grant No./ Appropriation | Grant/ Appropriation details | Amount of excess required to be regularised as commented in the Appropriation Accounts |
|----------------------------------|--------------------------|--|--|
| Revenue Portion | | | |
| 2017-2018 | 2 | Governor | 0.07 |
| 2019-2020 | 3 | Council of Ministers | 0.61 |
| 2019-2020 | 22 | Sports & Youth Services | 0.65 |
| 2019-2020 | 27 | District Councils and Minority Affairs | 0.01 |
| 2019-2020 | 30 | Disaster Management and Rehabilitation | 8.52 |
| 2019-2020 | 37 | Co-operation | 0.11 |
| 2020-2021 | 9 | Finance | 275.76 |
| Capital Portion | | | |
| 2016-2017 | 45 | Public Works | 61.46 |
| 2017-2018 | 20 | School Education | 10.38 |
| 2017-2018 | 45 | Public Works | 2.12 |
| 2019-2020 | 13 | Personnel and Administrative Reforms | 0.01 |
| Revenue Portion (Charged) | | | |
| 2020-2021 | ... | Public Debt | 30.46 |
| Capital Portion (Charged) | | | |
| 2019-2020 | ... | Public Debt | 9.43 |
| 2020-2021 | ... | Public Debt | 513.52 |
| TOTAL | 14 | | 913.11 |

Source: Appropriation Accounts

During the period 2016-21, there was an excess expenditure of ₹ 913.11 crore under 11 Grants and one Appropriation, covering 11 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 Government of Mizoram were found during 2020-21 which indicated 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 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 3.7** gives the summarised position of actual expenditure as compared to the original and supplementary budget provisions during 2020-21.

Table 3.7 : Summarised position of Actual Expenditure vis-à-vis Budget provisions

(₹ in crore)

| Nature of expenditure | | | Original Grant | Suppl. Grant | Total | Expenditure | Savings (-)/ Excess (+) | Details of Surrender | |
|--|-----|-----------------------|------------------|-----------------|------------------|------------------|-------------------------|----------------------|---------------|
| | | | | | | | | Amount | Per cent |
| Voted | I | Revenue | 8,757.05 | 1,246.98 | 10,004.03 | 8,155.36 | -1,848.67 | 2,044.94 | 110.62 |
| | II | Capital | 1,323.96 | 1,052.37 | 2,376.33 | 1,128.87 | -1,247.46 | 1,234.07 | 98.93 |
| | III | Loans and Advances | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | NA |
| Total Voted | | | 10,081.01 | 2,299.35 | 12,380.36 | 9,284.23 | -3,096.13 | 3,279.01 | 105.91 |
| Charged | IV | Revenue | 445.06 | 2.10 | 447.16 | 472.98 | 25.82 | 4.60 | 17.82 |
| | V | Capital | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | NA |
| | VI | Public Debt Repayment | 369.19 | 735.18 | 1,104.37 | 1,617.89 | 513.52 | 0.00 | 0.00 |
| Total Charged | | | 814.25 | 737.28 | 1,551.53 | 2,090.87 | 539.34 | 4.60 | 0.85 |
| Appropriation to Contingency Fund | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | NA |
| Grand Total | | | 10,895.26 | 3,036.63 | 13,931.89 | 11,375.10 | -2,556.79 | 3,283.61 | 128.43 |

Source: Appropriation Accounts.

As against the total budget provision of ₹ 13,931.89 crore, the Government could spend ₹ 11,375.10 crore. The net savings of ₹ 2,556.79 crore was the result of overall savings of ₹ 3,376.53 crore in 46 Grants under Revenue Section and 16 Grants under Capital Section offset by excess of ₹ 819.74 crore in one Grant and one Appropriation under Revenue Section and one Appropriation under Capital Section.

Out of overall gross savings of ₹ 3,376.53 crore, savings of ₹ 3,283.61 crore (97.25 per cent) were surrendered on the last working day of March 2021 as shown in **Chart 3.3**. The Finance Department needs to take stringent measures to curb this violation of Budgetary Rules.

Table 3.8 shows the details of budget and actual expenditure over the five-year period from 2016-17 to 2020-21.

Table 3.8 : Original Budget, Revised Estimate and Actual Expenditure during 2016-21

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|
| Original budget | 8,218.65 | 8,803.09 | 9,672.64 | 10,872.58 | 10,895.26 |
| Supplementary Budget | 1,645.38 | 2,286.36 | 2,926.66 | 3,474.15 | 3,036.63 |
| Revised Estimate (RE) | 9,864.03 | 11,089.45 | 12,599.30 | 14,346.73 | 13,931.89 |
| Actual Expenditure | 7,580.41 | 9,284.96 | 9,790.41 | 11,367.37 | 11,375.10 |
| Savings/Excess | -2,283.62 | -1,804.49 | -2,808.89 | -2,979.36 | -2,556.79 |
| Savings as Percentage of RE | 23.15 | 16.27 | 22.29 | 20.76 | 18.35 |

(₹ in crore)

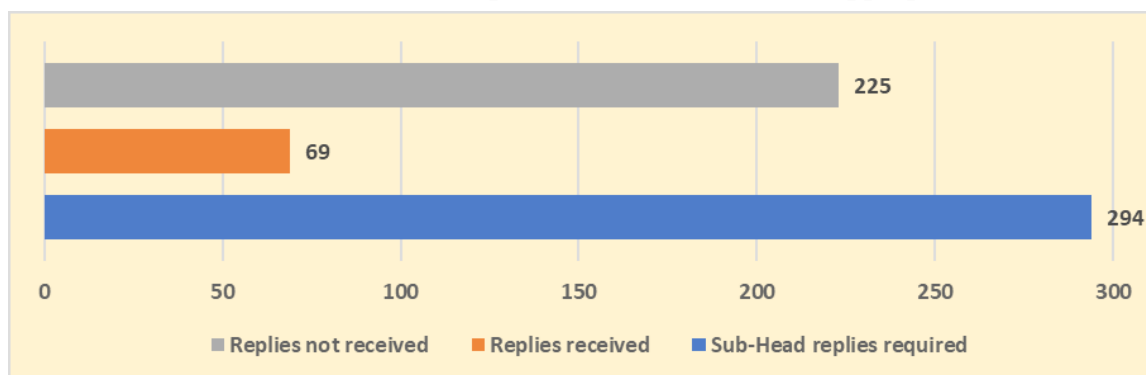
Source: Appropriation Accounts

As may be seen from the table, the total allocation in the budget of the State increased by 41.24 per cent from ₹ 9,864.03 crore in 2016-17 to ₹ 13,931.89 crore in 2020-21. During the same period, savings had also increased by 11.96 per cent from ₹ 2,283.62 crore in 2016-17 to ₹ 2,556.79 crore in 2020-21.

Supplementary provisions exhibited an upward trend over the five-year period, growing from 20.02 per cent to 27.87 per cent of original allocations in 2016-17 and 2020-21 respectively.

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 294 explanations due to be received from the Government for excess and/or savings in expenditure, 69 replies had been received (July 2021) and 225 explanations were yet to be received at the time of preparing this report.

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.

During 2020-21 there were 11 Sub-heads under seven Grants which had no expenditure at all although supplementary budgetary allocation had been made by the Government under the grant. The total savings in these sub-heads amounted to of ₹ 58.55 crore. Details are in **Appendix VI**.

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 3.9** gives details of schemes/ projects for which budget provision of ₹ one crore and above was made but no expenditure was incurred.

Table 3.9 : Details of the schemes/projects for which provision of ₹ 1 crore and above was made but no expenditure was incurred during Financial Year 2020-21

(₹ in crore)

| Sl. No | Department Name | Scheme Name | Budgetary provision | Actual expenditure | Reasons |
|--------------|-----------------|--|---------------------|--------------------|--|
| 1 | Finance | Capital Outlay on other Fiscal Services New Economic Development Policy (NEDP) | 428.00 | Nil | Withdrawal of entire original provision of ₹ 428.00 crore by way of surrender, stated due to re-provision of fund to other Department. |
| 2 | Public works | Capital Outlay on Road Transport-Socio-Economic Development Policy (SEDP) | 1.74 | Nil | Withdrawal of entire original provision of ₹ 1.74 crore by way of surrender, stated due to non-receipt of Expenditure sanction from Government of Mizoram. |
| Total | | | 429.74 | | |

Source: Appropriation Accounts

Non-expenditure of provisioned grants deprives the beneficiaries of the intended benefits and was also reflective of inefficient planning and budget management.

3.6.4 Trend 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. **Table 3.10** 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 2021.

Table 3.10 : Grants with more than 50 *per cent* of expenditure in March alone

(₹ in crore)

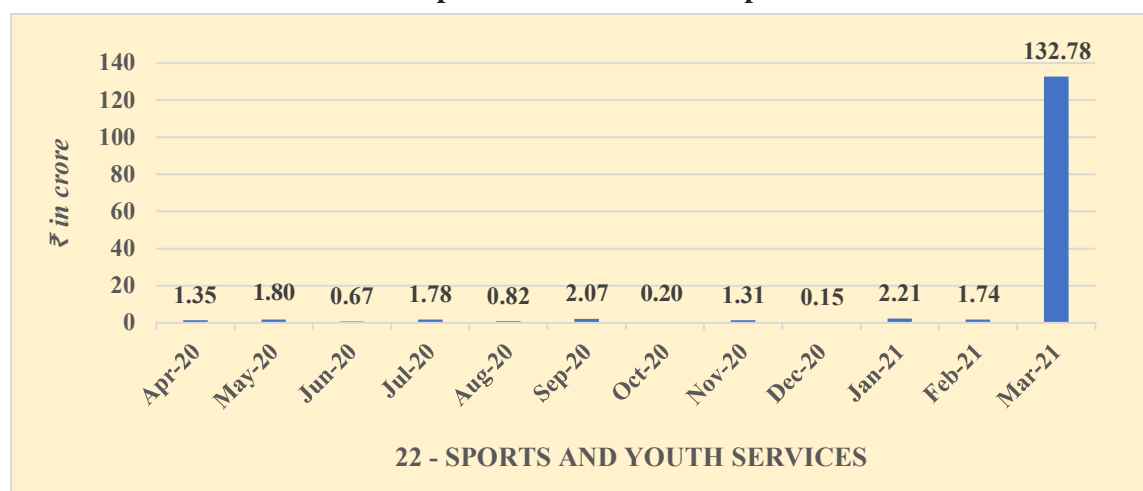
| Sl. No | Grant No. & Description | Q1 | Q2 | Q3 | Q4 | Total | Expenditure in March | |
|--------|--|-------|-------|--------|----------|----------|----------------------|----------------------|
| | | | | | | | Amount | As per cent of Total |
| 1 | 22 - Sports and Youth Services | 3.82 | 4.67 | 1.66 | 136.73 | 146.88 | 132.78 | 90.40 |
| 2 | 46 - Urban Development and Poverty Alleviation | 7.75 | 6.65 | 53.29 | 196.87 | 264.56 | 188.59 | 71.28 |
| 3 | 47 - Irrigation and Water Resources | 3.73 | 3.19 | 2.05 | 30.33 | 39.30 | 27.85 | 70.87 |
| 4 | 31 - Agriculture | 13.92 | 12.52 | 9.46 | 117.68 | 153.58 | 105.38 | 68.62 |
| 5 | Public Debt | 3.91 | 12.69 | 200.99 | 2,885.59 | 3,103.18 | 1,931.28 | 62.24 |
| 6 | 29 - Social Welfare | 23.04 | 14.07 | 29.58 | 141.93 | 208.62 | 129.52 | 62.08 |

Source: Appropriation Accounts

From the table it may be seen that in six 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 90.40 *per cent* in Grant 22 – Sports and Youth Services and 62.08 *per cent* in Grant 29 – Social Welfare.

Chart 3.6 depicts the monthly trend of expenditure in Grant 22 – Sports and Youth Services. As may be seen from the chart expenditure during March 2021 was very high when compared to the other 11 months of the financial year. The percentage increase of expenditure in March 2021 when compared to the average expenditure of the other 11 months was seen to be 2,640.11 *per cent*.

Chart 3.6 : Month wise expenditure of Grant 22 -Sports and Youth Services



Source: VLC Data

3.6.5 Review of selected grants

During the year 2020-21, **Grant No. 25–Water Supply and Sanitation** 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 2020-21 in respect of the Grant is given below:

Table 3.11 : Budget and expenditure under Grant No. 25 during 2020-21

(₹ in crore)

| Nature of Expenditure | Budget Provision | | | Actual Expenditure | Savings (-)/ Excess (+) |
|-----------------------|------------------|---------------|---------------|--------------------|-------------------------|
| | Original | Supplementary | Total | | |
| Revenue | 213.33 | 13.98 | 227.31 | 214.41 | -12.90 |
| Capital | 14.63 | 255.31 | 269.94 | 252.58 | -17.36 |
| Total | 227.96 | 269.29 | 497.25 | 466.99 | -30.26 |

Source: Appropriation Accounts

It can be seen from the above table that the Grant had savings of ₹ 12.90 crore and ₹ 17.36 crore under Revenue and Capital sections respectively. The Chief Controlling Officer (CCO) of the Department stated that savings of ₹ 12.90 crore was due to non-receipt of expenditure sanction from the Government. However, no reasons for savings of ₹ 17.36 crore were given (July 2021).

In view of the final savings of ₹ 30.26 crore, supplementary provision of ₹ 269.29 crore obtained during the year proved to be required as the total savings made up only six *per cent* of total provisions. However, original budget provision of ₹ 14.63 crore under Capital section appeared to be thoroughly inadequate considering the final expenditure of ₹ 269.94 crore. This indicated a lack of budgetary foresight and planning.

3.6.5.2 Persistent Savings

During the period from 2016-17 to 2020-21, there were persistent savings within the grant as shown in **Table- 3.12** below. The percentage of savings to total grant ranged between zero and 7.10 *per cent*.

Table 3.12 : Persistent Savings

(₹ in crore)

| 25-Water Supply and Sanitation | Amount of Savings | | | | |
|---|-------------------|---------------|---------------|---------------|---------------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Revenue | 0.00 | 24.65 | 9.66 | 6.12 | 12.90 |
| Capital | 0.00 | 0.00 | 14.63 | 3.28 | 17.36 |
| Total Savings | 0.00 | 24.65 | 24.29 | 9.40 | 30.26 |
| Total Grant | 313.43 | 347.28 | 386.10 | 406.93 | 497.24 |
| Percentage of savings to total Grant | 0.00 | 7.10 | 6.29 | 2.31 | 6.09 |

Source: Appropriation Accounts of respective years

Persistent savings in the last five years as shown in the table 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 utilisation of funds for envisaged developmental programmes. The performance of the Department in this avenue indicates that there is room for improvement.

3.6.5.3 Substantial Surrenders

There was surrender of ₹ 17.18 crore from a total provision of ₹ 24.74 crore amount which was more than 50 per cent of total provision within this grant in respect of a sub-head on account of non-receipt of expenditure sanction from the Government as shown in **Table 3.13**.

Table 3.13 : 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 | |
| 4215-02-102-03 Swachh Bharat Mission /CSS | 24.74 | 17.18 | 69.44 | Due to non-receipt of expenditure sanction from the Government |
| Total | 24.74 | 17.18 | 69.44 | |

Source: Appropriation Accounts, 2020-21

3.7 Conclusion

Against the total budget provision of ₹ 13,931.89 crore, State Government Departments incurred an expenditure of ₹ 11,375.10 crore. There was an overall savings of ₹ 3,376.53 crore which was offset by excess of ₹ 819.74 crore under one Grant and one appropriation, resulting in net savings of ₹ 2,556.79 crore.

Utilisation of budget ranged between 76.85 per cent (2016-17) and 83.73 per cent (2017-18) during the last five years, with 81.65 per cent utilisation during 2020-21.

An amount of ₹ 6,479.55 crore was allocated for 22 Grants under Revenue (Voted) section which subsequently closed with savings of at least ₹ 50 lakhs in each grant. Further, it was found that total expenditure of ₹ 4,544.95 crore (70.14 per cent) was incurred out of total allocation which meant that approximately 30 per cent of the funds allocated to 22 out of the 48 Grants and appropriation were not utilised.

During the year, there were savings of ₹ 100 crore or more in eight Grants/Appropriations and savings under 19 Grants were more than 20 per cent of the total provisions made under the respective grants.

The largest savings of ₹ 154.73 crore occurred under Grant 19 - Local Administration which was 63.33 per cent of total allocation.

Analysis of Grant No. 25 - Water Supply and Sanitation revealed substantial persistent savings in four out of five years during the period 2016-21. The percentage of savings to total grant ranged between 2.31 and 7.10 per cent.

During the period 2016-21, there was an excess expenditure of ₹ 913.11 crore under 11 Grants and one Appropriation, covering 11 Departments which was yet to be regularised in accordance with Article 205 of the Constitution.

3.8 Recommendations

1. *State Government needs to ensure that the departments submit budget proposals which reflect their financial requirements to the closest possible. The Finance Department also needs to conduct a thorough scrutiny of the budget so that unrealistic estimates do not get passed in the budget.*
2. *An appropriate budget monitoring and control mechanism needs to be instituted to ensure that anticipated savings are identified and surrendered within the specified timeframe and demands for supplementary grants made as per actual requirements depending on the remaining budgetary positions of the departments.*
3. *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 regularised at the earliest.*

CHAPTER-4
QUALITY OF ACCOUNTS
AND FINANCIAL REPORTING
PRACTICES

Chapter 4: Quality of Accounts and Financial Reporting Practices

4.1 Introduction

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

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 2020-21, central funds amounting to ₹ 36.79 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 VII** gives the details of the funds transferred directly to the SIAs mentioned above during 2020-21.

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 Principal Accountant General within 12 months of the closure of the financial year unless specified otherwise.

Table 4.1 shows the age-wise arrears in submission of outstanding UCs with the amount.

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

(₹ in crore)

| Year | Opening Balance | | Addition | | Clearance | | Due for submission | |
|---------------|-----------------|--------|----------|--------|-----------|--------|--------------------|--------|
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| Up to 2017-18 | 34 | 30.28 | 62 | 100.86 | 20 | 24.61 | 76 | 106.53 |
| 2018-19 | 76 | 106.53 | 76 | 179.66 | 41 | 145.40 | 111 | 140.79 |
| 2019-20 | 111 | 140.79 | 43 | 32.40 | 3 | 1.02 | 151 | 172.17 |

Table 4.2 shows the number of UCs due from various departments/bodies for the grants paid up to 2019-20. All the UCs pending for submission are due from the three Autonomous

District Councils (ADCs) of the State. The Annual Accounts of ADCs are pending since 2018-19 as given in the succeeding **Paragraph 4.12**. The State Government needs to monitor the submission of UCs as well as timely preparation of accounts by the ADCs on priority.

Table 4.2 : Outstanding UCs in respect of Departments for the grants paid up to 2019-20

(₹ in crore)

| Sl. No. | Name of the department | Amount of Outstanding UCs |
|--------------|------------------------------------|---------------------------|
| 1 | Chakma Autonomous District Council | 47.67 |
| 2 | Lai Autonomous District Council | 59.84 |
| 3 | Mara Autonomous District Council | 64.66 |
| Total | | 172.17 |

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 utilisation 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.

4.4 Abstract Contingent Bills

The withdrawal 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 withdrawal 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 from the date of withdrawal through 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 the period prescribed in the State Treasury Rules.

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 withdrawal of AC Bills. Prolonged non-submission of DC bills renders the accounts opaque. Details of AC Bills outstanding as on 31 March 2021 are shown in **Table 4.3**.

Table 4.3: Year wise progress in submission of DCC bills

(₹ in crore)

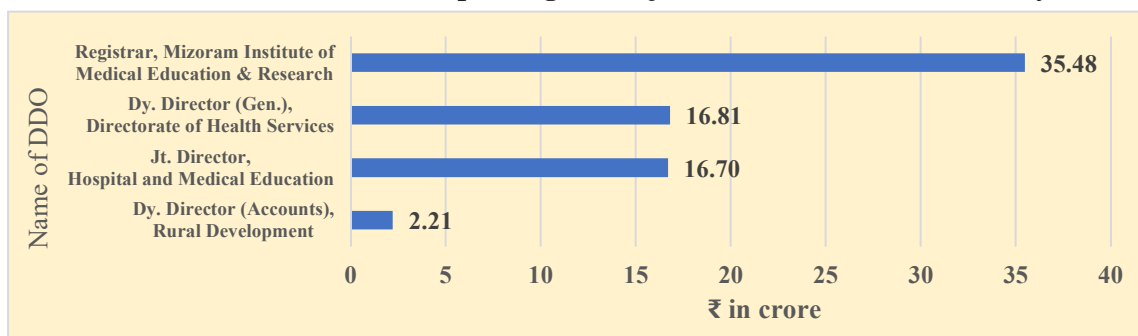
| Year | Opening Balance | | Addition | | Clearance | | Closing Balance | |
|--------------|-----------------|--------|----------|--------|-----------|--------|-----------------|--------|
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| Upto 2018-19 | 0 | 0 | 153 | 137.57 | 125 | 52.08 | 28 | 85.49 |
| 2019-20 | 28 | 85.49 | 1 | 0.01 | 1 | 0.01 | 28 | 85.49 |
| 2020-21 | 28 | 85.49 | 12 | 17.46 | 12 | 17.46 | 28 | 85.49 |

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 withdrawal 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 2020-21, all AC bills drawn were settled at the end of the year. However, 28 AC bills drawn in previous years amounting to ₹ 85.49 crore were pending. The details of the major defaulting DDOs which had outstanding AC bills are shown in **Chart 4.1**.

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



Source: Finance Accounts.

4.5 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 Principal 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.

During the year 2020-21, ₹ 455.42 crore under 39 Major Heads of Account, constituting 5.88 *per cent* of the total Revenue Receipts (₹ 7,740.67 crore) was classified under 800- Other Receipts in the accounts.

With regard to expenditure, booking under the Minor Head 800 showed a mixed trend over the years. During 2020-21, ₹ 1,143.58 crore under 61 Major Heads of accounts, constituting 11.86 *per cent* of the total expenditure (₹ 9,643.67 crore) was classified under the Minor Head 800- Other Expenditure in the accounts.

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 2020-21, are given in **Table 4.4**.

Table 4.4 : Significant receipts booked under Minor Head 800 – Other Receipts during financial year 2020-21*(₹ in crore)*

| Major Head | | Total Receipt | Receipts under Minor Head '800' | Percentage |
|------------|-------------------------------|---------------|---------------------------------|------------|
| 0047 | Other Fiscal Services | 12.06 | 12.06 | 100 |
| 0059 | Public Works | 0.41 | 0.41 | 100 |
| 0217 | Urban Development | 0.16 | 0.16 | 100 |
| 0403 | Animal Husbandry | 1.44 | 0.88 | 61.11 |
| 0404 | Dairy Development | 0.18 | 0.18 | 100 |
| 0405 | Fisheries | 1.37 | 0.96 | 70.07 |
| 0435 | Other Agricultural Programmes | 1.13 | 1.12 | 99.12 |
| 0801 | Power | 398.01 | 398.01 | 100 |
| 0851 | Village and Small Industries | 0.13 | 0.13 | 100 |
| 1054 | Roads and Bridges | 0.92 | 0.82 | 89.13 |
| 1055 | Road Transport | 0.35 | 0.35 | 100 |
| 1452 | Tourism | 1.80 | 1.42 | 78.89 |

Source Finance Accounts

It can be seen from the table that in 7 cases amounting to ₹ 411.13 crore, 100 per cent of revenue receipts were classified under the Minor Head. Out of this amount, ₹ 398.01 crore (96.77 per cent) pertained to 0801-Power. Thus, indiscriminate booking of receipts under Minor Head 800 not only affects transparency and nature of transactions, but also renders the accounts opaque.

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 2020-21, are given in **Table 4.5**. It may be seen from the table that five heads of expenditure in the Capital section and two heads of expenditure in the Revenue section had their entire expenditure of ₹ 636.59 crore booked under the Minor Head 800 – Other Expenditure. Out of this amount, ₹ 563.86 crore (89 per cent) pertained to two heads 2225-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (₹ 459.72 crore) and 4225- Capital Outlay on Welfare of Schedule Castes, Schedule Tribes, Other Backward Classes and Minorities (₹ 104.14 crore).

Table 4.5 : Significant expenditure booked under Minor Head 800 – Other Expenditure during financial year 2020-21*(₹ in crore)*

| Major Head | | Total Expenditure | Expenditure under Minor Head '800' | Percentage |
|------------|--|-------------------|------------------------------------|------------|
| 2225 | Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities | 459.72 | 459.72 | 100 |
| 2415 | Agricultural Research and Education | 13.90 | 9.02 | 64.89 |
| 3275 | Other Communications Services | 4.24 | 4.24 | 100 |
| 3435 | Ecology and Environment | 1.45 | 1.42 | 97.93 |
| 4047 | Capital Outlay on Other Fiscal Services | 6.13 | 6.13 | 100 |
| 4070 | Capital Outlay on Other Administrative Services | 0.34 | 0.34 | 100 |
| 4202 | Capital Outlay on Education, Sports, Art and Culture | 39.90 | 20.49 | 51.35 |
| 4210 | Capital Outlay on Medical and Public Health | 24.75 | 20.85 | 84.24 |

| Major Head | | Total Expenditure | Expenditure under Minor Head '800' | Percentage |
|------------|--|-------------------|------------------------------------|------------|
| 4225 | Capital Outlay on Welfare of Schedule Castes, Schedule Tribes, Other Backward Classes and Minorities | 104.14 | 104.14 | 100 |
| 4401 | Capital Outlay on Crop Husbandry | 19.13 | 11.81 | 61.74 |
| 4403 | Capital Outlay on Animal Husbandry | 8.08 | 5.74 | 71.04 |
| 4415 | Capital Outlay on Agricultural Research and Education | 8.32 | 8.32 | 100 |
| 4801 | Capital Outlay on Power Projects | 53.70 | 53.70 | 100 |

Source: Finance Accounts

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

Issues related to measurement

4.6 Outstanding Balances under Major Suspense and DDR heads

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

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

Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/Works and Forest Divisions, *etc.* The position of gross figures under major suspense and remittance heads for the last three years is given in **Table 4.6**.

Table 4.6 : Balances under Suspense and Remittance Heads

(₹ in crore)

| Minor Head | 2018-19 | | 2019-20 | | 2020-21 | |
|---|------------------|-------|-----------------|-------|------------------|-------|
| | Dr. | Cr. | Dr. | Cr. | Dr. | Cr. |
| Major Head 8658 - Suspense | | | | | | |
| 101 - PAO suspense | 60.28 | 76.79 | 75.91 | 76.81 | 93.01 | 80.70 |
| Net | Cr. 16.51 | | Cr. 0.90 | | Dr. 12.31 | |
| 102 - Suspense Account-Civil | 73.85 | 72.40 | 71.41 | 72.40 | 72.89 | 72.40 |
| Net | Dr. 1.45 | | Cr. 0.99 | | Dr. 0.49 | |
| 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 | |

| Minor Head | 2018-19 | | 2019-20 | | 2020-21 | |
|---|-------------------|-----------|-------------------|-----------|---------------------|-----------|
| | Dr. | Cr. | Dr. | Cr. | Dr. | Cr. |
| 109 - Reserve Bank Suspense -Headquarters | 16.72 | (-71.60) | 14.76 | (-69.00) | 17.55 | (-55.13) |
| Net | Dr. 88.32 | | Dr. 83.76 | | Dr. 72.68 | |
| 110 - Reserve Bank Suspense - CAO | 805.26 | 1,744.20 | 834.50 | 1,792.75 | 3,371.85 | 4,712.39 |
| Net | Cr. 938.94 | | Cr. 958.25 | | Cr. 1,340.54 | |
| 112 - Tax Deducted at Source (TDS) Suspense | 0.01 | 2.79 | 0.28 | 1.22 | 0.40 | 3.29 |
| Net | Cr. 2.78 | | Cr. 0.94 | | Cr. 2.89 | |
| 123 - A.I.S Officers' Group Insurance Scheme | 0.02 | 0.00 | 0.02 | 0.00 | (-0.73) | 0.00 |
| Net | Dr. 0.02 | | Dr. 0.02 | | Cr. 0.73 | |
| Major Head 8782-Cash Remittances | | | | | | |
| 102 - P.W. Remittances | 19,308.32 | 19,000.29 | 24,853.10 | 24,480.59 | 27,494.68 | 27,259.29 |
| Net | Dr. 380.03 | | Dr. 372.51 | | Dr. 235.39 | |
| 103 - Forest Remittances | 2,622.43 | 2,957.74 | 2,852.72 | 3,182.61 | 3,025.44 | 3,352.38 |
| Net | Cr. 355.31 | | Dr. 329.89 | | Cr. 326.94 | |

Source: Finance Accounts

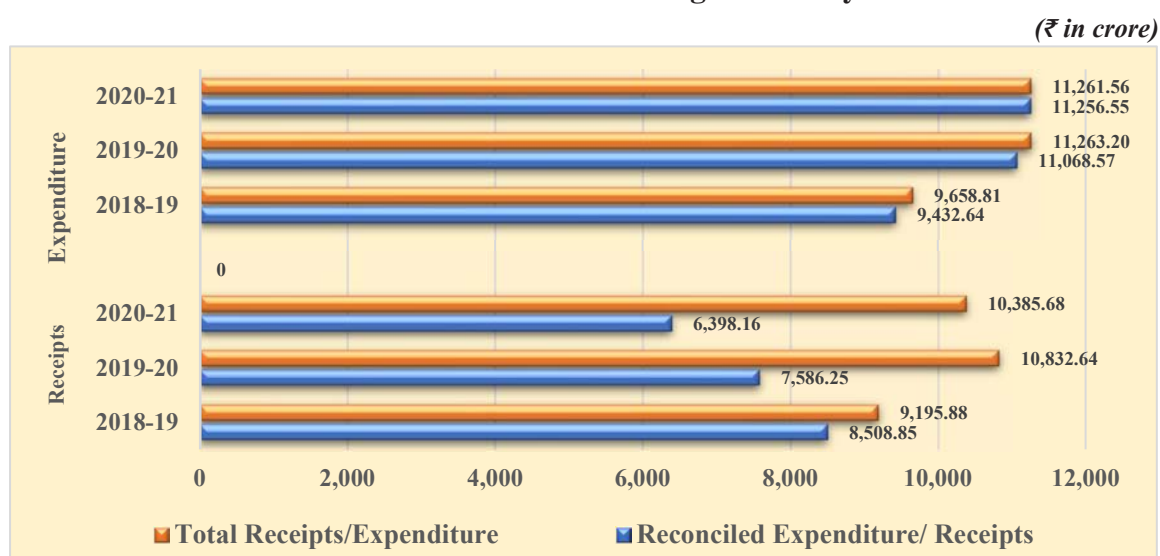
The outstanding net debit and credit balances under Suspense Accounts (MH 8658) was ₹ 90.81 crore and ₹ 1,344.16 crore respectively as on 31 March 2021. This was mainly due to (i) non-reimbursement of claim expenditure incurred, (ii) non-receipts of scrolls from treasury, (iii) non-receipt of accounts as per clearance memo. Similarly, net debit balance of ₹ 235.39 crore and net credit balance of ₹ 326.94 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 Principal Accountant General (Accounts and Entitlements). This is to enable the COs to exercise effective control over expenditure and manage their budgetary allocation efficiently, and ensure accuracy of their accounts.

The status of reconciliation of receipts and expenditure figures by the COs during the three year period 2018-21 is shown in **Chart 4.2**.

Chart 4.2 : Status of reconciliation during the three years 2017-20

Source: Finance Accounts

While 70.03 per cent of the receipts and 98.27 per cent of the disbursements were reconciled during 2019-20, these figures were 61.61 per cent for receipts and 99.96 per cent in respect of disbursements for the year 2020-21.

The details relating to the number of Controlling Officers and the extent of reconciliation during the last three years are given in **Table 4.7**.

Table 4.7 : Status of Reconciliation of Receipts and Expenditure figures

| Year | Total no. of Controlling Officers | Fully Reconciled | Partially Reconciled | Not reconciled at all |
|--------------------|-----------------------------------|------------------|----------------------|-----------------------|
| Receipts | | | | |
| 2018-19 | 44 | 32 | 0 | 12 |
| 2019-20 | 52 | 38 | 6 | 8 |
| 2020-21 | 57 | 54 | 3 | 0 |
| Expenditure | | | | |
| 2018-19 | 87 | 85 | 1 | 1 |
| 2019-20 | 88 | 85 | 2 | 1 |
| 2020-21 | 86 | 85 | 1 | 0 |

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 as on 31 March 2021 as per record of the Principal Accountant General (Accounts Wing) was ₹ 123.35 crore (Credit) and that reported by the RBI was ₹ 42.86 crore (Debit). There was a net difference of ₹ 80.49 crore (Credit), mainly due to

incomplete Reconciliation of figures between Treasuries and Agency Banks. The difference is under Reconciliation.

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/ Savings Accounts in Commercial Banks. As per information provided by the State Government, 285 DDOs (out of 700) had an amount of ₹ 456.59 crore lying in Savings/Current Bank Account as on 31 March 2021. This has had the impact of overstating the actual expenditure of the Government and overstating the deficit indicators by the same amount.

The Principal Accountant General had requested the State Government to close all the Savings/Current Bank accounts of DDOs and to follow the prescribed procedure of Treasury Rules, Receipts and Payments Rules, *etc.* for withdrawal of money from Government Accounts as continuance of this practice exposes public money to 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 into this matter and fix responsibility on the concerned DDOs.

4.10 Cess Levied by the State Government

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

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

4.10.1 Building and Other Construction Workers' Welfare Cess

As on 31 March 2021, the membership enrolment of the Welfare Board stood at 78,609 members, growing by 56,898 members from an enrolment of 21,711 members on 1 April 2016. Details of enrolment for the past five years is shown in **Table 4.8**.

Table 4.8 : Details of membership enrolment in the Welfare Board

| Year | Number of members | | Number of fresh registrations during the year |
|---------|-----------------------------|------------------------------|---|
| | As on 1 st April | As on 31 st March | |
| 2016-17 | 21,711 | 21,865 | 154 |
| 2017-18 | 21,865 | 22,672 | 807 |
| 2018-19 | 22,672 | 39,545 | 16,873 |
| 2019-20 | 39,545 | 61,746 | 22,201 |
| 2020-21 | 61,746 | 78,609 | 16,863 |

Source : Building and Other Construction Workers' Welfare Board

4.10.2 Cess collection and utilisation

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

Details of amount collected and actual expenditure incurred during the period from 2016-17 to 2020-21 are given in **Table 4.9**.

Table-4.9: Position of MBOCWW Fund for the period 2016-21

| Year | Opening Balance | Cess Receipts | Others/ Misc. Receipts* | Available Fund | (₹ in crore) | |
|---------|-----------------|---------------|-------------------------|----------------|-------------------|-----------------|
| | | | | | Total Expenditure | Closing Balance |
| 2016-17 | 12.58 | 14.75 | 0.87 | 28.20 | 13.34 | 14.85 |
| 2017-18 | 14.85 | 15.08 | 2.81 | 32.74 | 8.15 | 24.60 |
| 2018-19 | 24.60 | 20.55 | 19.43 | 64.58 | 13.56 | 51.02 |
| 2019-20 | 51.02 | 19.95 | 3.24 | 74.21 | 30.36 | 43.85 |
| 2020-21 | 43.85 | 14.09 | 2.30 | 60.24 | 37.04 | 23.20 |

Source: Building and Other Construction Workers' Welfare Board

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

As is evident from the table above, the MBOCWB received ₹ 16.39 crore during the year 2020-21, out of which ₹ 14.09 crore was Cess received for the year. However, it expended ₹ 37.04 crore on Administrative expenses and welfare schemes/benefits such as Children's Education Assistance, Medical Assistance, Maternity Assistance, Death Benefit, Funeral Assistance, Marriage/Disability/Cash Award and Welfare Pension, etc. Details of expenditure on welfare schemes/benefits are shown in **Table 4.10**.

Table 4.10 : Details of utilisation of Labour Cess during 2020-2021*(₹ in crore)*

| Particulars ²³ | Achievement | |
|---|--------------|----------------------|
| | Financial | No. of Beneficiaries |
| Educational Assistance | 7.80 | 25,985 |
| Medical Assistance | 0.74 | 683 |
| Maternity Assistance | 0.23 | 459 |
| Death Benefit | 1.76 | 206 |
| Funeral Assistance | 0.06 | 116 |
| Marriage | 0.003 | 6 |
| Disability Assistance | - | |
| Welfare Pension | - | |
| Reimbursement of Medical Fee | - | |
| Loans for purchase of tools | - | |
| Cash Award to meritorious children of members | 0.05 | 9 |
| Safety equipment for members in danger prone area | - | |
| Free Ration & Financial Assistance (COVID-19 package) | 20.81 | 43,639 |
| Total Welfare Measures | 31.45 | 71,103 |
| Administrative Expenses | 5.59 | - |
| Grand Total | 37.04 | 71,103 |

Source : Building and Other Construction Workers' Welfare Board

As per information received from the MBOCWB (October 2021), although no physical or financial targets had been set for utilisation towards fulfilling its stated mission and objectives, an amount of ₹ 30.00 crore had been earmarked for utilisation in welfare schemes/benefits. However, as may be seen from the preceding table, excess expenditure to the tune of ₹ 1.45 crore had been incurred. Further, the expenditure exceeded Cess receipts by 162.88 *per cent* for the year. Repeated expenditure of this nature will lead to depletion of the Fund and should be restricted.

4.10.3 Irregularities in collection of Cess

As per the provisions of Article 266(1) of the Constitution of India and Rule 7 of Central Treasury Rules all moneys received by or tendered to Government officers on account of the revenues of the Government shall, without undue delay be paid in full into a treasury and shall be included in the accounts of the Government.

The State Government notified²⁴ (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.

In light of the above, the Board was requested to clarify why Cess collected was not deposited into the Consolidated Fund of the State and thereby included in the accounts

²³ Particulars in the table are based on information taken from the website of the Board <https://bocw.mizoram.gov.in/>. Final information has been obtained from the Board

²⁴ Vide Office Memorandum No. B-16012/2/2011-LE&IT dated 29 May 2012

of the state as required by law and extant rules. In its reply, the Board stated (November 2021) that Cess for the MBOCWW Board was collected under Section 3 of the MBOCWW Act, 1996 by the Cess Collector/Registering Officer. As per Section 5 of the MBOCWW Cess Rules, 1998 the amount collected was transferred to the Board within 30 days of its collection.

Thus, the procedures followed by the Board for the collection and deposit of the cess was against the provisions of the Constitution of India and the rule mentioned above. The Government may therefore take necessary steps to ensure that Cess collected is routed through the correct channel *i.e.* State Treasuries and subsequently passed on to the Board to ensure proper reflection in the accounts of the Government.

4.10.4 Less Collection of Labour Cess

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. In the state of Mizoram, labour cess is collected at the rate of one *per cent* of the cost of the construction.

As per Section 2 of the Act, "building or other construction work" means the construction, alteration, repairs, maintenance or demolition, of or, in relation to, buildings, streets, roads, railways, tramways, airfields, irrigation, drainage, embankment and navigation works, *etc.* Thus, the works defined under the act would include all the major and minor works undertaken by the Government.

The total value of works undertaken in the state of Mizoram, the labour cess receivable from the works and the labour cess actually received by the Board during the period 2016-21 are given in **Table 4.11**.

Table 4.11: Cess due and collected during 2016-17 to 2020-21

(₹ in crore)

| Year | Total Value of Major Works | Cess Receivable on the Major Works (A) | Total Value of Minor Works | Cess Receivable on the Minor Works (B) | Total Cess Receivable (A+B) | Cess Receipts |
|--------------|----------------------------|--|----------------------------|--|-----------------------------|---------------|
| 2016-17 | 869.00 | 8.69 | 454.34 | 4.54 | 13.23 | 14.75 |
| 2017-18 | 1,820.21 | 18.20 | 484.43 | 4.84 | 23.04 | 15.08 |
| 2018-19 | 1,757.72 | 17.58 | 425.45 | 4.25 | 21.83 | 20.55 |
| 2019-20 | 1,286.04 | 12.86 | 547.55 | 5.47 | 18.33 | 19.95 |
| 2020-21 | 1,119.63 | 11.19 | 310.80 | 3.11 | 14.30 | 14.09 |
| Total | | | | | 90.73 | 84.42 |

Source : VLC Data and MBOCWWB

Thus, from the above table it is seen that a total amount of ₹ 6.31 crore (₹ 90.73 - ₹ 84.42 crore) was not deducted from the works executed by the Government either departmentally or through contractors. As such, the building and other construction workers of the state were deprived of the benefits which could have been availed from the cess not deducted from these works.

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

Table 4.12: Compliance with IGAS

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

4.12 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 to do so by the President, or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body

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

Audit certificate is issued in case of above mentioned autonomous bodies and authorities provided CAG is the sole auditor. Thus, these bodies and authorities are required to prepare annual accounts and submit 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 Principal Accountant General (Audit), Mizoram has not received 11 annual accounts of three Autonomous Councils and two Government Bodies due up to 2020-21 for audit as of 30 September 2021. The details of accounts due from Autonomous Councils and Government Bodies are as given in **Table 4.13**.

In the absence of annual accounts and their audit, proper utilisation of the grants and loans disbursed to those ADCs/Government Bodies 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 4.13: Arrears of accounts of bodies or authorities as of 30 September 2021

| Sl. No. | Name of Body or Authority | Accounts pending since | No. of Accounts pending up to F.Y. 2020-21 |
|---------|--|------------------------|--|
| 1 | Chakma Autonomous District Council | 2019-21 | 2 |
| 2 | Mara Autonomous District Council | 2018-21 | 3 |
| 3 | Lai Autonomous District Council | 2019-21 | 2 |
| 4 | Joint Electricity Regulatory Commission (JERC) | 2019-21 | 2 |
| 5 | Mizoram Khadi & Village Industries Board | 2019-21 | 2 |

Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money going undetected. The State Government may advise the ADCs/Government Bodies to finalise the arrear accounts and submit them to the Accountant General.

4.13 Departmental Commercial Undertakings

The Principal Accountant General (Audit), Mizoram has not received 21 annual accounts of three Departmental Undertakings due for audit up to 2020-21 (September 2021). The details of accounts due from these bodies are in **Table 4.14**.

Table 4.14 : Arrears of accounts of Commercial Undertakings

| Sl. No. | Name of Departmental Commercial Undertaking | Accounts pending since | No. of Accounts pending up to F.Y. 2020-21 |
|----------------------------------|--|--|--|
| Departmental Undertakings | | | |
| 1 | Food, Civil Supplies & Consumer Affairs Department | 2014-15 | 7 |
| 2 | Mizoram State Transport Department | 2007-08 | 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, out of three departmental undertakings, the accounts of Mizoram State Transport Department were pending since 2007-08 and Power & Electricity Department had not submitted its accounts since its inception. Thus, in the absence of accounts, results of the investment of the Government remain outside the purview of State Legislature and escape scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Risk of fraud and mis-utilisation of public money cannot be ruled out.

4.14 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

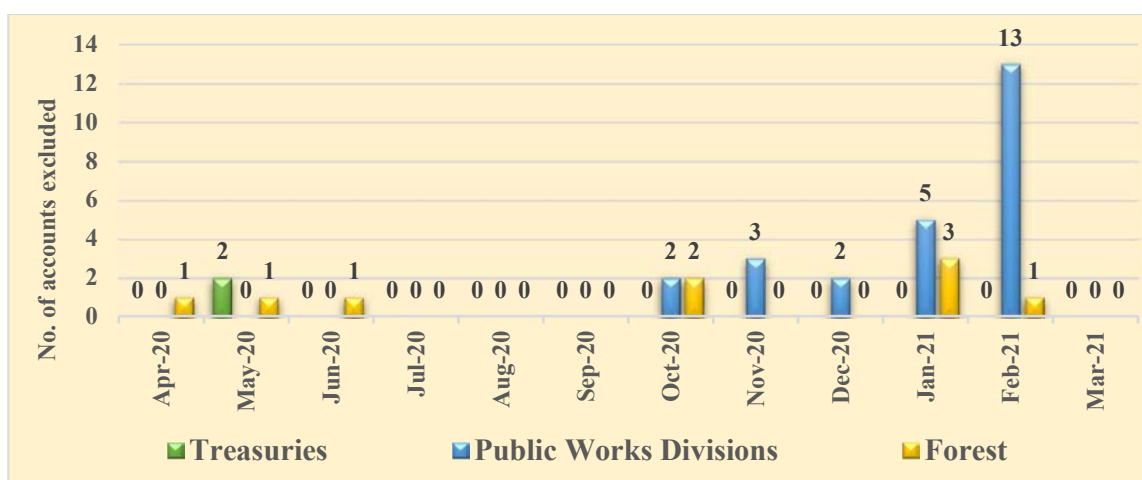
- detailed information about the financial assistance given to various institutions,
- the purpose for which the assistance is granted, and
- total expenditure of the institutions.

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 2020-21. In the absence of timely submission of these details, results of the grants/investment of the Government escaped scrutiny of audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency in the functioning of the grantees could not be suggested.

4.15 Timeliness and Quality of Accounts

The accounts of receipts and expenditure of Government of Mizoram are compiled from the initial accounts rendered by 10 Treasuries, five Joint Resident Commissioners, 74 Public Works and 35 Forest Divisions and Advices of the Reserve Bank of India. Although delay in submission of the monthly accounts had affected timely submission of the Monthly Civil Accounts to the State Government, no accounts were excluded at the end of the year. Details of accounts excluded from the Monthly Civil Accounts are given in **Chart 4.3**.

Chart 4.3 : Number of accounts excluded from monthly Civil Accounts during 2020-21

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

As can be seen from the chart, public works divisions were the major units that delayed the rendition of monthly accounts. Consequently, receipts and expenditure relating to these divisions/units could not be incorporated in the Civil Accounts in the month of occurrence of the transaction. Due to the failure of the account rendering units to furnish accounts on time, some accounts were excluded from the Monthly Civil Accounts by the Principal Accountant General (Accounts) in eight months during the year 2020-21. Therefore, the monthly accounts indicating the receipts and disbursements of the State during the month, rendered by the Principal Accountant General (Accounts) to the State Government were incomplete to this respect in these months.

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

Other Issues

4.16 Misappropriations, losses, thefts, *etc.*

During 2020-21 there were a number of cases of misappropriation, losses, theft, *etc.* that were reported to this office (November 2021). The total amount of public money affected by these reported cases was ₹ 435.21 lakh and related to the Office of the Deputy Commissioner, Siaha (₹ 2.50 lakh), Department of Food, Civil Supplies and Consumer Affairs (₹ 431.33 lakh) and Urban Development and Poverty Alleviation Department (₹ 1.38 lakh). 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) |
| Deputy Commissioner, Siahia | 1 | 2.50 | - | - | - | - | 1 | 2.50 |
| Food, Civil Supplies and Consumer Affairs Department | 6 | 431.33 | - | - | 5 | 397.09 | 1 | 34.24 |
| Urban Development and Poverty Alleviation Department | 1 | 1.38 | - | - | 1 | 1.38 | - | - |

Source: Information received from Government of Mizoram.

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

The Audit Reports on State Finances were placed before the State Legislature every year since 2010. While the audit observations featured in the State Finances Audit Reports up to 2015-16 have all been settled, there are 103 paragraphs remaining unsettled in the Reports for the years 2016-17, 2017-18 and 2018-19.

4.18 Conclusion

151 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 172.17 crore given to the three Autonomous District Councils during the period upto March 2020 were not submitted to the Principal Accountant General by the entities. Non submission of UCs is fraught with the risk of fraud and misappropriation of funds.

During 2020-21, all required DCC bills for the AC Bills were submitted, however there were 28 AC Bills relating to previous years pending adjustment amounting to ₹ 85.49 crore.

During the year 2020-21, ₹ 455.42 crore under 39 Major Heads of Account, constituting 5.88 *per cent* of the total Revenue Receipts (₹ 7,740.67 crore) was classified under 800- Other Receipts in the accounts. With regard to expenditure, booking under the Minor Head 800 showed a mixed trend over the years. During 2020-21, ₹ 1,143.58 crore under 61 Major Heads of accounts, constituting 11.86 *per cent* of the total expenditure (₹ 9,643.67 crore) was classified under the Minor Head 800- Other Expenditure in the accounts. These omnibus bookings rendered the Accounts non-transparent.

As per information provided by the State Government, 285 DDOs (out of 700) had an amount of ₹ 456.59 crore lying in Savings/Current Bank Account as on 31 March 2021.

The Principal Accountant General, Mizoram has not received 11 Annual Accounts of three Autonomous Councils and two Government Bodies due up to 2020-21 for audit as of 30 September 2021.

The Principal Accountant General, Mizoram has not received 21 Annual Accounts of three Departmental Undertakings.

During 2020-21 there were a number of cases of misappropriation, losses, theft, etc. that were reported to this office (November 2021). The total amount of public money affected by these reported cases was ₹ 435.21 lakh and related to the Office of the Deputy Commissioner, Siaha (₹ 2.50 lakh), Department of Food, Civil Supplies and Consumer Affairs (₹ 431.33 lakh) and Urban Development and Poverty Alleviation Department (₹ 1.38 lakh).

4.19 Recommendations

- i. The Government may ensure timely submission of UCs by the ADCs and also adopt the condition of submission of UCs for all GLAs given by the State as a control mechanism for proper utilisation of the GLA.*
- ii. The Finance Department should, in consultation with the Principal 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.*
- iii. The Government may consider submission of accounts due as a condition for providing financial assistance to the autonomous bodies/PSUs so that the accounts are finalised in time.*

CHAPTER-5
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 set up 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 2021, 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 ²⁵ | Total |
|-----------------------------|---------------|---------------------------------|----------|
| Government Companies | 6 | 0 | 6 |
| Total | 6 | 0 | 6 |

²⁵ Non-working SPSEs are those which have ceased to carry on their operations

Table 5.2 below provides the comparative details of working SPSEs' turnover and State GSDP for a period of three years ending 2020-21.

Table 5.2: Contribution of SPSEs-turnover to GSDP

| (₹ in crore) | | | |
|--------------------------------|---------|---------|---------|
| Particulars | 2018-19 | 2019-20 | 2020-21 |
| SPSEs-Turnover ²⁶ | 13.87 | 10.78 | 10.78 |
| GSDP | 21,879 | 25,149 | 29,076 |
| Percentage of Turnover to GSDP | 0.06 | 0.04 | 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 2018-19 to 2020-21 has shown a decreasing trend mainly due to gradual reduction in SPSE-turnover and continuous growth in GSDP during last three years. During 2020-21, the contribution of SPSEs-turnover to GSDP was meagre at 0.04 per cent. The major contributor to SPSEs-turnover 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 outstanding²⁷ as per the State Finance Accounts vis-à-vis records of SPSEs for last three years

| Year | 2018-19 | | | 2019-20 | | | 2020-21 | | |
|---------------------|-----------|---------------------|------------|-----------|---------------------|------------|-----------|---------------------|------------|
| | As per FA | As per SPSE records | Difference | As per FA | As per SPSE records | Difference | As per FA | As per SPSE records | Difference |
| Equity | 6.99 | 54.04 | 47.05 | 6.99 | 54.04 | 47.05 | 6.99 | 52.82 | 45.83 |
| Loans ²⁸ | 34.44 | 9.44 | 25.00 | 33.02 | 9.44 | 23.58 | 32.00 | 9.45 | 22.55 |

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

It can be noticed from the Table above that as per the records of SPSEs, the Equity investment and Loans given by the State Government remained constant during the previous three years excepting the reduction of ₹ 1.22 crore in the Equity contribution from ₹ 54.04 crore (2018-19 & 2019-20) to ₹ 52.82 crore (2020-21) which inadvertently occurred due to incorrect information provided by SPSEs during 2018-19 and 2019-20. However, as on

²⁶ As per the latest finalised accounts of SPSEs as on 30th September of respective years

²⁷ 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 up-to-date accounts during any of the last three years

²⁸ Loans as per Finance Accounts represent the aggregate of 'Loans to Public Sector and Other Undertakings' as depicted under Statement 18 to the State Finance Accounts for the respective year

31 March 2021, there were differences in the figures of Equity (₹ 45.83 crore) and Loan (₹ 22.55 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.

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 | 2018-19 | | 2019-20 | | 2020-21 | |
|----------------------------------|--------------|-------------|--------------|-------------|--------------|--------------------|
| | 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 | 4.54 | 2 | 5.53 | 2 | 5.93 ²⁹ |
| Total Outgo | 2 | 4.54 | 2 | 5.53 | 2 | 5.93 |

Source: As per latest finalised accounts of SPSEs.

As can be seen from the Table above, the budgetary support provided by State Government to SPSEs increased from ₹ 4.54 crore in 2018-19 to ₹ 5.93 crore in 2020-21. During last three years (2018-21), the State Government had not provided any budgetary support in the form of equity capital and long term loans to SPSEs. During 2018-21, the budgetary assistance in the form of grants/subsidy was provided mainly to meet the salaries and other establishment expenditure of two SPSEs (Zoram Industrial Development Corporation Limited and Mizoram Food and Allied Industries Corporation Limited).

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 | 2018-19 | 2019-20 | 2020-21 |
|--|---------|---------|---------|
| Number of profit earning working SPSEs | 1 | 1 | 1 |
| Aggregate profit earned (₹ in crore) | 2.54 | 0.82 | 0.82 |
| Dividend paid | Nil | Nil | Nil |

Source: As per latest finalised accounts of SPSEs.

As can be noticed from Table above, during last three years only one SPSE (Zoram Industrial Development Corporation Limited) earned profits ranging from ₹ 2.54 crore (2018-19) to

²⁹ Zoram Industrial Development Corporation Ltd. (₹ 2.54 crore); Mizoram Food & Allied Industries Corporation Limited (₹ 2.22 crore)

₹ 0.82 crore (2020-21) as per its latest finalised accounts. This indicated that the other SPSEs had not contributed towards the profits of the public sector enterprises. Further, the SPSE which earned profits, had not declared any dividend during any of 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.

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) | | |
|--|--------------|---------|---------|
| | 2018-19 | 2019-20 | 2020-21 |
| Total Loans outstanding (State Government and Others) ³⁰ | 31.87 | 31.87 | 31.87 |
| State Government Loans outstanding ³¹ | 9.45 | 9.45 | 9.45 |

Source: As per latest finalised accounts of SPSEs.

It can be noticed from the Table above that during the past three years (2018-19 to 2020-21), the total long term borrowings of the SPSEs from all sources remained constant at ₹ 31.87 crore, which included State Government Loans of ₹ 9.45 crore in respect of Zoram Industrial Development Corporation Limited (₹ 9.35 crore) and Mizoram Handloom and Handicrafts Development Corporation Limited (₹ 0.10 crore).

As on 31 March 2021, however, three³² 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 VIII**. 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**.

³⁰ Interest on loans availed from sources other than State Government had been consolidated into a One Time Settlement (OTS) package in 2013

³¹ State Government loans are interest free

³² Zoram Electronics Development Corporation Limited, Mizoram Food and Allied Industries Corporation Limited and Mizoram Mineral Development Corporation Limited

Table 5.7: Key parameters of operational efficiency of working SPSEs*(₹ in crore)*

| Year | No. of working SPSEs | Paid up capital ³³ | Net overall Accumulated profits (+)/ losses (-) | Net overall profits (+)/ losses (-) | EBIT | Capital Employed ³⁴ |
|---------|----------------------|-------------------------------|---|-------------------------------------|---------|--------------------------------|
| 2018-19 | 6 | 58.88 | (-)57.10 | (-)0.33 | (-)0.33 | 33.65 |
| 2019-20 | 6 | 58.88 | (-)55.55 | (-)2.05 | (-)2.05 | 35.20 |
| 2020-21 | 6 | 58.88 | (-)55.84 | (-)2.33 | (-)2.31 | 34.91 |

Source: As per latest finalised accounts of SPSEs.

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. The Capital Employed (CE) of SPSEs appreciated during 2019-20 from ₹ 33.65 crore (2018-19) to ₹ 35.20 crore (2019-20) but reduced thereafter to ₹ 34.91 crore (2020-21) thereby registering an overall increase of ₹ 1.26 crore (3.74 per cent) in CE during last three years.

Further, the net overall accumulated losses of SPSEs have decreased marginally by ₹ 1.26 crore over the period of three years. The accumulated losses stood in the books of all the six SPSEs as per their latest finalised accounts. However, more than 64 per cent (₹ 35.82 crore) of the accumulated losses of SPSEs during 2020-21 (₹ 55.84 crore) was contributed by two SPSEs, namely, 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 2020-21, the overall capital employed in respect of six working SPSEs as per their latest finalised accounts was ₹ 34.91 crore (**Appendix VIII**) after registering a marginal decrease of ₹ 0.29 crore from ₹ 35.20 crore in 2019-20. Further, out of six working SPSEs, only one (Zoram Industrial Development Corporation Limited) had positive ROCE (0.82 per cent).

5.10 Return on Equity (ROE)

Return on equity³⁵ (ROE) is a measure of financial performance of companies calculated by dividing the 'net income earned' by the Equity. During 2020-21, only one working SPSE, which earned profit (₹ 0.82 crore) as per its latest finalised accounts as on 30 September 2021 had positive ROE (94.25 per cent) as detailed in **Table 5.8** below.

³³ Paid up capital includes 'Share application money pending allotment' in respect of Mizoram Agricultural Marketing Corporation Limited (₹ 0.27 crore) and Zoram Electronics Development Corporation Limited (₹ 2.46 crore)

³⁴ Capital Employed = Paid up share capital plus Free reserves and Surplus plus Long term loans minus Accumulated losses minus Deferred revenue expenditure

³⁵ **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 5.8: Return on Equity

| Sl. No | Name of the Company | Year of Accounts | ROE (per cent) |
|--------|--|------------------|-------------------|
| 1 | Zoram Industrial Development Corporation Limited | 2018-19 | 94.25 |

Source: As per latest finalised accounts of SPSEs.

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 | 2018-19 | 2019-20 | 2020-21 |
|-------------------------------------|---------|---------|---------|
| Total No. of working SPSEs | 6 | 6 | 6 |
| Number of loss making working SPSEs | 5 | 5 | 5 |
| Aggregate losses (₹ in crore) | 2.87 | 2.87 | 3.15 |

Source: As per latest finalised accounts of SPSEs.

It can be noticed from the **Table** above that five out of six SPSEs have incurred losses during all the three years from 2018-19 to 2020-21. Three³⁶ out of five loss making SPSEs had negative net worth due to complete erosion of their Capital by accumulated losses. Further, two³⁷ out of five loss making SPSEs had outstanding long term borrowings of ₹ 2.19 crore as per their latest finalised accounts (**Appendix VIII**).

The details of major contributors to losses of working SPSEs incurred during 2020-21 are given in **Table 5.10** below:

Table 5.10: Major contributors to losses of working SPSEs during 2020-21

| Sl. No. | Name of the Company | Latest finalised accounts | Net Loss (₹ in crore) |
|---------|--|---------------------------|--------------------------|
| 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 |

Source: As per latest finalised accounts of SPSEs.

From the Table above, it can be noticed that more than 80 per cent of the losses incurred by working SPSEs during 2020-21 were contributed by the above mentioned two SPSEs. The net worth of both these SPSEs was negative due to complete erosion of their Capital by the accumulated losses (**refer Paragraph 5.12**). During 2020-21, however, the State Government provided budgetary support (Grant) of ₹ 2.20 crore to one of these SPSEs (Mizoram Food and Allied Industries Corporation Limited) to meet its establishment expenditure which is unproductive and a drain on the State exchequer (**Paragraph 5.5**). 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 working or fully review the working of these SPSEs for continuing their operations.

³⁶ SPSEs at serial no. 1, 4 and 6 of **Appendix VIII**

³⁷ SPSEs at serial no. 1 and 5 of **Appendix VIII**

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 2021 were ₹ 58.88 crore and ₹ 55.84 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 (₹ 25.87 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 | 5.72 ³⁸ | (-)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 | | 25.87 | (-)28.00 |

Source: As per latest finalised accounts of SPSEs

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

³⁸ Including the share application money pending allotment of ₹ 0.27 crore

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 utilisation 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 2021, 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 in **Table 5.12**.

Table 5.12: Position relating to finalisation of Accounts of working SPSEs

| Sl. No. | Particulars | 2018-19 | 2019-20 | 2020-21 |
|---------|--|---------|---------|-----------------|
| 1 | No. of working SPSEs | 6 | 6 | 6 |
| 2 | Number of accounts finalised during the year | 2 | 2 | 1 ³⁹ |
| 3 | Number of accounts in arrear | 28 | 32 | 37 |
| 4 | Number of working SPSEs with arrears of accounts | 6 | 6 | 6 |
| 5 | Extent of arrears (number in years) | 1 to 9 | 1 to 10 | 2 to 11 |

From the table, it can be seen that the number of SPSEs Accounts in arrears had increased gradually from 28 Accounts (2018-19) to 37 Accounts (2020-21) due to deficiency in finalising *at least* one year Accounts by each SPSE during each of the last three years. None of the SPSEs has prepared their up-to-date Accounts (2020-21) as on 30 September 2021. The highest pendency of accounts pertained to Zoram Electronics Development Corporation Limited (11 Accounts) and Mizoram Agricultural Marketing Corporation Limited (10 Accounts) as detailed in **Appendix VIII**.

The Administrative Departments, which have the responsibility to oversee the activities of the PSUs, have to ensure that the PSUs finalise and adopt their accounts within the stipulated period. In view of the position of arrears of accounts indicated above, the actual contribution of PSUs to the GSDP for the year 2020-21 could not be ascertained and their contribution to State exchequer could not be reported to the State Legislature.

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.

³⁹ This excludes six accounts submitted (January 2021) by three SPSEs (Mizoram Agricultural Marketing Corporation Limited (one Account), Zoram Industrial Development Corporation Limited (one Account) and Mizoram Food and Allied Industries Corporation Limited (four Accounts)), which could not be audited due to imposition of 'lockdown' on account of COVID-19 pandemic

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

During 2020-21 (1 October 2020 to 30 September 2021)⁴⁰, out of six SPSEs, three⁴¹ SPSEs forwarded six Annual Accounts to the Pr. Accountant General, Mizoram for supplementary audit. However, due to late receipt of the accounts (January 2021) and lockdown on account of the COVID-19 pandemic, supplementary audits could not be conducted during the year. However, final comments of the CAG for the accounts of ZOHANDCO (2018-19) were issued during the year although audit took place in 2019-20.

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 in **Table 5.13**.

⁴⁰ For the purpose of presenting the analysis of accounts finalised by PSUs, the cut-off date considered is 30 September each year *viz.* for Report year 2020-21, the cut-off date is 30 September 2021

⁴¹ Zoram Industrial Development Corporation Limited (2019-20); Mizoram Agricultural Marketing Corporation Limited (2011-12) and Mizoram Food and Allied Industries Corporation Limited (2015-16 to 2018-19)

Table 5.13: Gist of significant comments on the accounts of the SPSEs

| Name of the Company | Comments |
|---|--|
| Mizoram Handloom & Handicrafts Development Corporation Limited (Year of Accounts: 2018-19) | The 'Loss for the year' was understated by ₹ 4.39 lakh due to short accounting of internal audit fee (₹ 0.30 lakh) and overbooking of interest income on fixed deposits (₹ 4.09 lakh). |
| | The Company completed (2013-14) the Building (Grant Asset) but transferred only partial cost of Building (₹ 0.10 lakh) to 'Fixed Assets' and kept the balance (₹ 58.07 lakh) under 'Capital work in progress' (CWIP) without charging any depreciation. Further, the depreciation (₹ 0.02 lakh) charged for five years (2014-15 to 2018-19) on the accounted value of the Grant Asset (₹ 0.10 lakh) was also not recouped from the ASIDE Grant contrary to AS-12. This resulted in overstatement of 'CWIP' by ₹ 58.07 lakh, understatement of depreciation on Building by ₹ 12.83 lakh (for five years), overstatement of Reserve & Surplus (ASIDE Grant) by ₹ 12.85 lakh (including depreciation of ₹ 0.02 lakh not recouped from Grant) with corresponding understatement of Fixed Assets by ₹ 45.24 lakh. |
| | The Inventories (₹ 35.41 lakh) and 'Plant & Machinery' (₹ 0.90 lakh) accounted by the Company were non-existent as at the Balance Sheet date. The Company has neither provided for the above loss nor disclosed the fact under 'Notes to Accounts' resulting in understatement of the 'Loss for the year' by ₹ 36.01 lakh. |
| | The Company accounted ₹ 4.72 lakh as closing balance against a closed bank account. The Company had neither provided for the said amount (₹ 4.72 lakh) nor disclosed the fact under 'Notes to Accounts' resulting in overstatement of 'Cash and Cash Equivalents' and understatement of the 'Loss for the year' by ₹ 4.72 lakh each. |
| | During the year 2018-19, the Company had written off Cash balance aggregating ₹ 16.76 lakh pertaining to different Emporia and Sales outlets without approval of the competent authority. |
| | As an impact of the CAG's comments on the accounts of the Company for 2018-19, the reported 'Loss for the year' (₹ 28.95 lakh) would increase (net) by ₹ 45.32 lakh (157 per cent), which is significant. As such, the opinion expressed by the Auditors on 'true and fairness' of the financial statements of the Company for the year under reference vide their Audit Report dated 5 February 2020 is not sustainable. |

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.

However, no 'Management Letters' were issued to SPSEs during the year.

5.22 Conclusion

- As on 31 March 2021, the State of Mizoram had total six SPSEs (all working Government companies). As on 31 March 2021, there were differences in the figures of State's investment in Equity (₹ 45.83 crore) and Loan (₹ 22.55 crore) of SPSEs as per State Finance Accounts *vis-à-vis* records of SPSEs.
- During 2020-21 the State Government has provided budgetary support of ₹ 5.93 crore to two SPSEs (Zoram Industrial Development Corporation Limited and Mizoram Food and Allied Industries Corporation Limited) in the form of Grants to meet the salaries and other establishment expenditure. The State Government did not provide equity assistance to any of the SPSEs during 2018-21.
- During 2020-21, 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 (₹ 25.87 crore).
- As on 30 September 2021, all six working SPSEs had a total arrear of 37 Accounts ranging from 2 to 11 Accounts. The highest pendency of accounts pertained to Zoram Electronics Development Corporation Limited (11 Accounts) and Mizoram Agricultural Marketing Corporation Limited (10 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.*

- ii. *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 working 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: 09 May 2022

(LHUNKHOTHANG HANGSING)
Principal Accountant General, Mizoram

Countersigned



New Delhi
The: 13 May 2022

(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) | No. of Households/in <i>per cent</i> | 21.92 | 19.63 |
| 5 | Literacy (2011) | <i>Per cent</i> | 73.00 | 91.33 |
| 6 | Infant Mortality Rate (2019) | Per 1000 live births | 30.00 | 18 |
| 7 | Life expectancy at Birth (in years: 2014-18) | Year | 69.40 | 69.40 |
| 8 | Decadal Population Growth (2011-2021) | <i>Per cent</i> | 12.30 | 23.48 |
| 9 | GDP/GSDP at Current Prices (2011-12 Series) | (₹ in crore) | 1,97,45,670 | 29,076 |

Source: State Economic & Statistics Department

APPENDIX II Time Series data on State Government Finances

(Reference: Paragraph 2.5.1.2)

(₹ in crore)

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Part A: Receipts | | | | | |
| 1. Revenue Receipts | 7,398.30 | 8,580.20 | 9,039.50 | 9,658.26 | 7,740.67 |
| (i) Tax Revenue | 441.81 | 545.91 | 726.70 | 730.98 | 647.56 |
| 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 | 457.91 |
| Taxes on Sales, Trade, etc. | 307.81 | 242.85 | 135.93 | 117.61 | 113.66 |
| State Excise | 72.26 | 65.83 | 65.34 | 2.72 | 0.96 |
| Taxes on Vehicles | 25.75 | 31.58 | 38.36 | 40.66 | 29.01 |
| Stamps and Registration fees | 3.26 | 3.20 | 4.43 | 5.85 | 4.73 |
| Land Revenue | 8.58 | 8.29 | 8.64 | 9.05 | 20.74 |
| Taxes on Goods and Passengers | 7.90 | 7.83 | 4.71 | 7.44 | 4.85 |
| Other Taxes | 16.25 | 16.57 | 14.56 | 15.43 | 15.70 |
| (ii) Non-Tax Revenue | 365.22 | 390.65 | 449.96 | 522.35 | 561.76 |
| (iii) State's share of Union taxes and duties | 2,800.63 | 3,097.05 | 3,502.96 | 3,017.80 | 3,010.55 |
| (iv) Grants-in-Aid from GoI | 3,790.64 | 4,546.59 | 4,359.88 | 5,387.13 | 3,520.80 |
| 2. Miscellaneous Capital Receipts | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3. Recoveries of Loans and Advances | 22.45 | 21.64 | 22.16 | 26.70 | 33.69 |
| 4. Total Revenue and Non-Debt Capital Receipts (1+2+3) | 7,420.75 | 8,601.84 | 9,061.66 | 9,684.96 | 7,774.36 |
| 5. Public Debt Receipts | 755.51 | 894.14 | 134.22 | 1,147.68 | 2,611.32 |
| Internal Debt (excluding WMAs and Overdraft) | 748.67 | 868.76 | 122.86 | 1,132.80 | 2,363.70 |
| Net transaction under WMAs and Overdraft | 0.00 | 17.51 | 0.00 | 0.00 | 0.00 |
| Loans and Advances from GoI | 6.84 | 7.87 | 11.36 | 14.88 | 247.62 |
| 6. Total Receipts in the Consolidated Fund | 8,176.26 | 9,495.98 | 9,195.88 | 10,832.64 | 10,385.68 |
| 7. Contingency Fund Receipts | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 8. Public Account Receipts | 3,017.68 | 4,521.83 | 5,313.51 | 6,263.35 | 8,254.17 |
| 9. Total Receipts of the State (6+7+8) | 11,193.94 | 14,017.81 | 14,509.39 | 17,095.99 | 18,639.85 |
| Part B: Expenditure/Disbursement | | | | | |
| 10. Revenue Expenditure | 6,230.34 | 6,880.77 | 7,505.59 | 9,453.96 | 8,514.80 |
| Plan | 2,152.21 | 6,880.77 | 7,505.59 | 9,453.96 | 8,514.80 |
| Non Plan | 4,078.13 | -- | -- | -- | -- |
| General Services (including Interest Payments) | 2,097.05 | 2,239.14 | 2,695.22 | 3,161.42 | 3,230.94 |
| Social Services | 2,300.85 | 2,606.53 | 2,934.45 | 3,392.73 | 3,177.84 |
| Economic Services | 1,832.44 | 2,035.10 | 1,875.92 | 2,899.81 | 2,106.02 |
| Grants-in-Aid and Contributions | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|------------------|------------------|------------------|------------------|------------------|
| 11. Capital Expenditure | 911.41 | 1,996.35 | 1,868.47 | 1,372.67 | 1,125.97 |
| Plan | 860.33 | 1,996.35 | 1,868.47 | 1,372.67 | 1,125.97 |
| Non Plan | 51.08 | -- | --- | --- | |
| <i>General Services</i> | 49.18 | 120.35 | 99.31 | 95.22 | 42.64 |
| <i>Social Services</i> | 313.30 | 613.71 | 762.20 | 601.37 | 559.92 |
| <i>Economic Services</i> | 548.93 | 1,262.29 | 1,006.96 | 676.08 | 523.41 |
| 12. Disbursement of Loans and Advances | 27.05 | 44.95 | 40.52 | 82.63 | 2.90 |
| 13. Total Expenditure (10+11+12) | 7,168.80 | 8,922.07 | 9,414.58 | 10,909.26 | 9,643.67 |
| 14. Repayments of Public Debt | 312.92 | 472.96 | 244.23 | 353.92 | 1,617.89 |
| Internal Debt (excluding WMAs and Overdraft) | 291.95 | 450.93 | 222.00 | 331.97 | 1,595.53 |
| Net transactions under WMAs and overdraft | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Loans and Advances from GoI | 20.97 | 22.03 | 22.23 | 21.95 | 22.36 |
| 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) | 7,481.72 | 9,395.03 | 9,658.81 | 11,263.18 | 11,261.56 |
| 17. Contingency Fund disbursements | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 18. Public Account disbursements | 3,520.83 | 4,211.05 | 5,210.10 | 5,557.73 | 7,537.09 |
| 19. Total disbursement by the State (16+17+18) | 11,002.55 | 13,606.08 | 14,868.91 | 16,820.91 | 18,798.65 |
| Part C: Deficits | | | | | |
| 20. Revenue Deficit (-)/Surplus (+) (1-10) | 1,167.96 | 1,699.43 | 1,533.91 | 204.30 | -774.13 |
| 21. Fiscal Deficit (-)/Surplus (+) (4-13) | 251.95 | -320.23 | -352.92 | -1,224.30 | -1,869.31 |
| 22. Primary Deficit (-)/Surplus (+) (21-23) | 593.21 | 18.97 | 15.76 | -881.18 | -1,468.32 |
| Part D: Other data | | | | | |
| 23. Interest Payments (included in Revenue Expenditure) | 341.26 | 339.20 | 368.68 | 343.12 | 400.99 |
| 24. Financial Assistance to LBs, etc. | 1,445.31 | 1,678.61 | 1,660.61 | 2,536.71 | 1,780.83 |
| 25. WMAs/Overdraft availed (days) | 0 | 0 | 0 | 2 | 82 |
| Ordinary WMAs availed (days) | 0 | 0 | 0 | 0 | 59 |
| Special WMAs availed (days) | 0 | 0 | 0 | 2 | 23 |
| Overdraft availed (days) | 0 | 0 | 0 | 0 | 0 |
| 26. Interest on WMAs/Overdraft | 0.26 | 0.00 | 0.00 | 0.00 | 0.42 |
| 27. Gross State Domestic Product | 17,191.91 | 19,385.33 | 21,878.97 | 25,148.57 | 29,076.42 |
| 28. Outstanding Fiscal Liabilities (year-end) | 6,725.00 | 7,300.30 | 7,315.54 | 8,678.26 | 9,881.09 |
| 29. Outstanding Guarantees (year-end) (including interest) | 123.99 | 133.92 | 97.99 | 140.66 | 138.63 |
| 30. Maximum Amount Guaranteed (year-end) | 293.94 | 293.94 | 277.58 | 200.58 | 167.72 |
| 31. Number of Incomplete Projects | 15 | 25 | 45 | 18 | 9 |

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|--------------|---------------|---------------|---------------|---------------|
| 32. Capital blocked in incomplete projects | 97.53 | 195.47 | 353.20 | 423.62 | 239.94 |
| Part E: Fiscal Health Indicators | | | | | |
| I - Resource Mobilisation | | | | | |
| Own Tax Revenue/GSDP | 2.57 | 2.82 | 3.32 | 2.91 | 2.23 |
| Own Non-Tax Revenue/GSDP | 2.12 | 2.02 | 2.06 | 2.08 | 1.93 |
| Central Transfers/GSDP | 16.29 | 15.98 | 16.01 | 12.00 | 10.35 |
| II - Expenditure Management | | | | | |
| Total Expenditure/GSDP | 41.70 | 46.02 | 43.03 | 43.38 | 33.17 |
| Total Expenditure/Revenue Receipts | 96.90 | 103.98 | 104.15 | 112.95 | 124.58 |
| Revenue Expenditure/Total Expenditure | 86.91 | 77.12 | 79.72 | 86.66 | 88.29 |
| Expenditure on Social Services/Total Expenditure | 36.47 | 36.09 | 39.27 | 36.61 | 38.76 |
| Expenditure on Economic Services/Total Expenditure | 33.22 | 36.96 | 30.62 | 32.78 | 27.27 |
| Capital Expenditure/ Total Expenditure | 12.71 | 22.38 | 19.85 | 12.58 | 11.68 |
| Capital Expenditure on Social and Economic Services/ Total Expenditure | 12.03 | 21.03 | 18.79 | 11.71 | 11.23 |
| III -Management of Fiscal Imbalances | | | | | |
| Revenue Deficit (Surplus)/GSDP | 6.79 | 8.77 | 7.01 | 0.81 | -2.66 |
| Fiscal Deficit (Surplus)/GSDP | 1.47 | -1.65 | -1.61 | -4.87 | -6.43 |
| Primary Deficit (Surplus)/GSDP | 3.45 | 0.10 | 0.07 | -3.50 | -5.05 |
| Revenue Deficit (Surplus)/Fiscal Deficit (Surplus) | 463.57 | -530.69 | -434.63 | -16.69 | 41.41 |
| Primary Revenue Balance/GSDP | 8.91 | 10.63 | 8.80 | 2.28 | -1.17 |
| IV - Management of Fiscal Liabilities | | | | | |
| Fiscal Liabilities/GSDP | 39.12 | 37.66 | 33.44 | 34.51 | 33.98 |
| Fiscal Liabilities/Revenue Receipts | 90.90 | 85.08 | 80.93 | 89.85 | 127.65 |
| Primary deficit <i>vis-à-vis</i> quantum spread | 110.74 | 3.56 | 2.76 | -113.10 | -149.73 |
| V - Other Fiscal Health Indicators | | | | | |
| Return on Investment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Financial Assets/Liabilities | 1.38 | 1.55 | 1.72 | 1.64 | 1.48 |

Source: Finance Accounts of respective year

APPENDIX III Expenditure under MH-3435 Ecology and Environment complied 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 | 2018-19 | | 2019-20 | | 2020-21 | | |
|-------------|--------------------|------------|----------|---------------|--|-------------|-----------------------------------|-------------|-----------------------------------|--------------|--------------|
| | | | | | Budget (Original + Supplementary) | Expenditure | Budget (Original + Supplementary) | Expenditure | Budget (Original + Supplementary) | Expenditure | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 3435 | 03 | 104 | 01 | 00 | 02 Wages 13 Office Expenses 27 Minor Works 50 Other Charges | | | | | 0.01 0.01 | 0.01 0.01 |
| | | | | | | ... | ... | ... | ... | 0.01 | 0.01 |
| | | | | | | ... | ... | ... | ... | 0.01 | 0.01 |
| | | | | | | ... | ... | ... | ... | 0.01 | 0.01 |
| | Total 03 | | | | | ... | ... | ... | ... | 0.04 | 0.03 |
| 3435 | 04 | 800 | 01 | 00 | 31 Grants-in-Aid (Salaries) | 1.14 | 1.14 | 1.14 | 1.14 | 1.55 | 1.42 |
| | | | | | | ... | ... | ... | ... | ... | ... |
| | | | | | | ... | ... | ... | ... | ... | ... |
| | | | | | | ... | ... | ... | ... | ... | ... |
| | Total 04 | | | | | 1.14 | 1.14 | 1.14 | 1.14 | 1.55 | 1.42 |
| | Grand Total | | | | | 1.14 | 1.14 | 1.14 | 1.14 | 1.59 | 1.45 |

APPENDIX IV Excess /unnecessary/ insufficient re-appropriation (For final excess/ savings of ₹ 10 lakhs or above)*(Reference: Paragraph 3.4.3)**(₹ in crore)*

| Sl No. | Grant No. and Head of accounts | Provisions | | | | Actual expenditure | Excess (+) Saving(-) |
|--------|--|------------|-------|-------|--------|--------------------|----------------------|
| | | O | S | R | Total | | |
| 1 | 7-Excise and Narcotics 2039-State excise 001-Direction and Administration 02-Administration | 29.13 | 0.00 | -5.26 | 23.87 | 24.18 | 0.31 |
| 2 | 9-Finance 2071-Pensions and other Retirement Benefits 01-Civil 101-Superannuation and Retirement Allowances 01-Pensions | 425.06 | 20.00 | 9.87 | 454.93 | 621.12 | 166.19 |
| 3 | 9-Finance 2071-Pensions and other Retirement Benefits 01-Civil 102-Commutated Value of Pension 01-Commutated Value of Pension | 150.00 | 0.00 | 0.00 | 150.00 | 215.16 | 65.16 |
| 4 | 9-Finance 2071-Pensions and other Retirement Benefits 01-Civil 104-Gratuities 01-Pensions/Gratuities | 175.00 | 0.00 | 0.00 | 175.00 | 228.26 | 53.26 |
| 5 | 9-Finance 2071-Pensions and other Retirement Benefits 01-Civil 105-Family pensions 01-Family pensions | 195.00 | 0.00 | 0.00 | 195.00 | 217.00 | 22.00 |
| 6 | 9-Finance 2071-Pensions and other Retirement Benefits 01-Civil 115-Leave Encashment Benefits 01-Leave Encashment | 130.00 | 0.00 | 1.55 | 131.55 | 135.43 | 3.88 |
| 7 | 16-Home 2055-Police 101-Criminal investigation and Vigilance 06-VIP security | 18.67 | 0.00 | -3.16 | 15.51 | 16.69 | 1.18 |

| SI No. | Grant No. and Head of accounts | Provisions | | | | Actual expenditure | Excess (+) Saving(-) |
|--------|---|------------|------|--------|--------|--------------------|----------------------|
| | | O | S | R | Total | | |
| 8 | 19-Local Administration 2070-Other Administrative Services 001-Direction & Administration 01-Direction | 2.81 | 0.06 | -0.84 | 2.03 | 2.48 | 0.45 |
| 9 | 20-School Education 2202-General Education 01-Elementary Education 101-Government Primary Schools 01-Government Middle Schools | 347.70 | 0.15 | -48.90 | 298.95 | 299.05 | 0.10 |
| 10 | 20-School Education 2202-General Education 01-Elementary Education 101-Government Primary Schools 01-Government Primary Schools | 264.82 | 0.15 | -37.90 | 227.07 | 228.67 | 1.60 |
| 11 | 21-Higher and Technical Education 2202-General education 03-University and Higher education 103-Government Colleges and Institutes 01-Government Colleges | 174.14 | 2.66 | -34.36 | 142.44 | 151.57 | 9.13 |
| 12 | 21-Higher and Technical Education 2203-Technical Education 105-Polytechnics 01-Mizoram Polytechnics, Lunglei | 6.84 | 0.00 | -2.00 | 4.84 | 5.86 | 1.02 |
| 13 | 40-Commerce and Industries 2853-Non-ferrous Mining and Metallurgical Industries 02-Regulation and Development of Mines 001-Direction and Administration 01-Direction | 7.18 | 0.10 | -1.52 | 5.76 | 5.91 | 0.15 |
| 14 | Public Debt 2049-Interest Payments 01-Interest on internal Debt 101-Interest on Market Loans 09-Interest on Market Borrowing | 200.00 | 0.00 | 0.00 | 200.00 | 246.61 | 46.61 |

| SI No. | Grant No. and Head of accounts | Provisions | | | | Actual expenditure | Excess (+) Saving(-) |
|--------------|---|------------|--------|------|--------|--------------------|----------------------|
| | | O | S | R | Total | | |
| 15 | Public Debt 2049-Interest Payments 01-Interest on internal Debt 305-Management of Debt 01-Management of debt/ Commission on market Borrowing (SDL) | 0.50 | 0.00 | 0.00 | 0.50 | 0.82 | 0.32 |
| 16 | Public Debt 2049-Interest Payments 01-Interest on internal Debt 115-Interest on Ways and mean advances from Reserve Bank of India 02-Interest on Special Ways and mean advances from Reserve Bank of India | 0.01 | 0.07 | 0.00 | 0.08 | 0.31 | 0.23 |
| 17 | Public Debt 2049-Interest Payments 01-Interest on internal Debt 101-Interest on Market Loans 10-Interest on NABARD Loan | 25.00 | 0.00 | 0.00 | 25.00 | 25.11 | 0.11 |
| 18 | Public Debt 6003-Internal Debt of the State Government 110-Interest on Ways and mean advances from Reserve Bank of India 01-Ways and Means Advances from RBI | 0.01 | 512.79 | 0.00 | 512.80 | 1,001.96 | 489.16 |
| 19 | Public Debt 6003-Internal Debt of the State Government 105-Loans from the National Bank for Agricultural and Rural Development 01-Loans from NABARD | 33.57 | 3.98 | 0.00 | 37.55 | 60.67 | 23.12 |
| 20 | Public Debt 6003-Internal Debt of the State Government 111-Special Securities issued to National Small Saving Fund of the Central Government 01-National Small Saving Fund | 13.18 | 0.00 | 0.00 | 13.18 | 16.71 | 3.53 |
| TOTAL | | | | | | | 887.51 |

Source: Appropriation Accounts

+ Reasons for excess/savings not furnished by the Government

APPENDIX V Details of surrender of funds in excess of ₹ 10 crore at the end of March, 2021
(Reference : Paragraph 3.4.4)
(₹ in crore)

| SI No. | Grant Number | Original | Suppl. | Total provisions | Actual | Saving (-) Excess (+) | Amount Surrendered |
|------------------------|--|----------|--------|------------------|----------|--------------------------|--------------------|
| Revenue (Voted) | | | | | | | |
| 1 | 6-Land Revenue & Settlement | 39.94 | 1.06 | 41.00 | 28.02 | -12.98 | 12.90 |
| 2 | 7-Excise and Narcotics | 46.17 | 0.12 | 46.29 | 35.89 | -10.40 | 10.69 |
| 3 | 9-Finance | 1,224.76 | 29.68 | 1,254.44 | 1,530.21 | 275.77 | 33.78 |
| 4 | 11-Secretariat Administration | 132.23 | 1.43 | 133.66 | 114.11 | -19.55 | 18.82 |
| 5 | 14-Planning and Programme Implementation | 97.83 | 5.85 | 103.68 | 90.31 | -13.37 | 13.20 |
| 6 | 15-General Administration Department | 102.44 | 19.41 | 121.85 | 99.22 | -22.63 | 22.51 |
| 7 | 16-Home | 801.82 | 22.08 | 823.90 | 710.58 | -113.32 | 113.20 |
| 8 | 17-Food, Civil Supplies and Consumer Affairs | 279.98 | 4.01 | 283.99 | 214.70 | -69.29 | 22.82 |
| 9 | 19-Local Administration | 125.18 | 119.13 | 244.31 | 89.57 | -154.74 | 155.18 |
| 10 | 20-School Education | 1,554.64 | 71.64 | 1,626.28 | 1,235.76 | -390.52 | 336.49 |
| 11 | 21-Higher and Technical Education | 274.93 | 49.31 | 324.24 | 235.11 | -89.13 | 93.58 |
| 12 | 24-Medical & Public Health Services | 626.32 | 96.64 | 722.96 | 549.78 | -173.18 | 172.74 |
| 13 | 25-Water Supply and Sanitation | 213.33 | 13.98 | 227.31 | 214.41 | -12.90 | 12.90 |
| 14 | 29-Social Welfare | 141.85 | 89.87 | 231.72 | 165.26 | -66.46 | 63.91 |
| 15 | 31-Agriculture | 176.85 | 23.32 | 200.17 | 132.44 | -67.73 | 67.71 |
| 16 | 32-Horticulture | 91.33 | 13.90 | 105.23 | 86.91 | -18.32 | 18.31 |
| 17 | 34-Animal Husbandry and Veterinary | 81.21 | 12.27 | 93.48 | 74.46 | -19.02 | 12.60 |
| 18 | 36-Environment, Forests and Climate Change | 222.43 | 28.17 | 250.60 | 111.46 | -139.14 | 139.12 |
| 19 | 38-Rural Development | 368.10 | 165.76 | 533.86 | 304.98 | -228.88 | 227.14 |
| 20 | 39-Power | 543.15 | 301.88 | 845.03 | 806.30 | -38.73 | 37.90 |
| 21 | 40-Commerce and Industries | 84.92 | 4.85 | 89.77 | 61.40 | -28.37 | 28.37 |
| 22 | 45-Public Works | 543.56 | 53.23 | 596.79 | 251.19 | -345.60 | 345.37 |
| 23 | 46-Urban Development and Poverty Alleviation | 118.10 | 77.71 | 195.81 | 176.06 | -19.75 | 19.24 |

| SI No. | Grant Number | Original | Suppl. | Total provisions | Actual | Saving (-) Excess (+) | Amount Surrendered |
|------------------------|-------------------------------------|----------|--------|------------------|--------|--------------------------|--------------------|
| Capital (Voted) | | | | | | | |
| 1 | 9-Finance | 973.00 | 0.00 | 973.00 | 0.00 | -973.00 | 973.00 |
| 2 | 24-Medical & Public Health Services | 0.00 | 52.59 | 52.59 | 19.74 | -32.85 | 32.84 |
| 3 | 25-Water Supply and Sanitation | 14.63 | 255.31 | 269.94 | 252.58 | -17.36 | 17.36 |
| 4 | 29-Social Welfare | 0.00 | 54.94 | 54.94 | 43.36 | -11.58 | 11.58 |
| 5 | 45-PWD | 213.86 | 378.19 | 592.05 | 416.17 | -175.88 | 175.88 |

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

APPENDIX VI Grant-wise unutilised funds during 2020-21

(Reference Paragraph: 3.6.2)

| Sl. No. | Grant No. | Grant Details | Original grant | Supplementary grant | Total | Expenditure | Savings | Surrender | Percentage |
|----------------------|-----------|--|----------------|---------------------|-------|-------------|---------|-----------|------------|
| Revenue Voted | | | | | | | | | |
| 1 | 17 | Food, Civil Supplies and Consumer Affairs (03) Central Assistance (CA) 3475 Other General Economic Services 106 Regulation of Weights and Measures 01 Regulation of Weights and Measures/CSS | 0.00 | 1.00 | 1.00 | 0.00 | 1.00 | 1.00 | 100.00 |
| 2 | 28 | Labour, Employment, Skill Development and Entrepreneurship (03) Central Assistance (CA) 2230 Labour and Employment 02 <i>Employment Service</i> 101 Employment Services 01 Employment Exchange/CSS | 0.00 | 0.19 | 0.19 | 0.00 | 0.19 | 0.19 | 100.00 |
| 3 | 36 | Environment, Forests and Climate Change (03) Central Assistance (CA) 2406 Forestry and Wildlife 01 <i>Forestry</i> 101 Forest Conservation, Development and Regeneration 06 Development of Bamboo/CSS | 0 | 18.95 | 18.95 | 0.00 | 18.95 | 18.95 | 100.00 |
| Capital Voted | | | | | | | | | |
| 4 | 24 | Medical and Public Health Services (03) Central Assistance (CA) 4210 Capital Outlay on Medical and Public Health 03 <i>Medical Education Training and Research</i> 105 Allopathy 01 Establishment of MIMER/CSS | 0.00 | 23.00 | 23.00 | 0.00 | 23.00 | 23.00 | 100.00 |
| 5 | | (03) Central Assistance (CA) 4210 Capital Outlay on Medical and Public Health 03 <i>Medical Education Training and Research</i> 105 Allopathy 01 Establishment of MIMER | 0.00 | 2.78 | 2.78 | 0.00 | 2.78 | 2.78 | 100.00 |

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| Sl. No. | Grant No. | Grant Details | Original grant | Supplementary grant | Total | Expenditure | Savings | Surrender | Percentage |
|---------|-----------|---|----------------|---------------------|-------|-------------|---------|-----------|------------|
| 6 | 24 | (03) Central Assistance (CA) 4210 Capital Outlay on Medical and Public Health <i>04 Public Health</i> 101 Prevention and Control of Diseases 05 Strengthening of Trauma Centre/CSS | 0.00 | 2.68 | 2.68 | 0.00 | 2.68 | 2.68 | 100.00 |
| 7 | | (03) Central Assistance (CA) 4210 Capital Outlay on Medical and Public Health <i>04 Public Health</i> 101 Prevention and Control of Diseases 05 Strengthening of Trauma Centre/CSS | 0.00 | 2.08 | 2.08 | 0.00 | 2.08 | 2.08 | 100.00 |
| 8 | 26 | Information and Public Relations (03) Central Assistance (CA) 4220 Capital Outlay on Information and Publicity <i>60 Others</i> 101 Buildings 01 Construction of a Multi-Facility Centre at Lianchhiari Run/NEC | 0.00 | 4.50 | 4.50 | 0.00 | 4.50 | 4.50 | 100.00 |
| 9 | | 4220 Capital Outlay on Information and Publicity <i>60 Others</i> 101 Buildings 01 Construction of a Multi-Facility Centre at Lianchhiari Run at Treasury Square, Aizawl | 0.00 | 0.50 | 0.50 | 0.00 | 0.50 | 0.50 | 100.00 |
| 10 | 29 | Social Welfare (03) Central Assistance (CA) 4235 Capital Outlay on Social Security and Welfare <i>02 Social Welfare</i> 106 Correctional Services 02 Setting up of Centre of Excellence | 0.00 | 1.13 | 1.13 | 0.00 | 1.13 | 1.13 | 100.00 |
| 11 | 45 | Public Works 5055 Capital Outlay on Road Transport 800 Other Expenditure 90 Socio-Economic Development Policy (SEDP) | 0.00 | 1.74 | 1.74 | 0.00 | 1.74 | 1.74 | 100.00 |

Source: Appropriation Accounts

APPENDIX VII Funds transferred by Government of India directly to State Implementing Agencies (excluding DBT and Government Agencies)

(Reference Paragraph:4.2)

(₹ in crore)

| Sl No. | Name of Scheme | Implementing Agency | GOI release during the year |
|--------------|--|--|-----------------------------|
| 1 | Strengthening of PDS Operations | Strengthening of Public Distribution System Operations | 0.01 |
| 2 | Kala Sanskriti Vikash Yojana | Innovation, Technology Development and Deployment (Pachhunga University College) | 0.11 |
| 3 | National Rural Health Mission | Centre for Peace and Development | 0.80 |
| 4 | Higher Education Statistics and Public Information System(HESPIS) | AI SHE Mizoram Unit | 0.02 |
| 5 | Pandit Madan Mohan Malviya National Mission on Teachers and Training | National Misssion on Teachers and Teaching | 0.39 |
| 6 | Schemes of North East Council-Special Development Projects | Archery Association of Mizoram, Bamboo Development Agency, Director of Art and Culture Department etc. | 32.13 |
| 7 | Establishment Expenditure(Revenue) | - | 0.49 |
| 8 | Deendayal Disabled Rehabilitation Scheme | Gilead Special School | 0.12 |
| 9 | National Action Plan for Senior Citizens | Thutak Nunpuitu Team | 0.19 |
| 10 | Top Class Education for SCs | Social Justice and Empowerment | 0.10 |
| 11 | Aid to Voluntary Organisations Working for the Welfare of Scheduled Tribes | Thutak Nunpuitu Team | 0.70 |
| 12 | One Stop Centre | One Stop Centre, Aizawl | 1.73 |
| Total | | | 36.79 |

Source: Finance Accounts

APPENDIX VIII Details of Return on Capital Employed of SPSUs

(Refer paragraph 5.8 and 5.16)

Summarised details of the working results of the SPSEs as per their latest finalised accounts as on 30 September 2021

(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 ¹ | Return on capital employed ² | 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 | 2019-20 | 15.78 | 29.68 | (-) 14.91 | 9.72 | 0.82 | - | 30.55 | 2.54 | 2.68 | 39 |
| Sector Wise Total | | | | 15.78 | 29.68 | (-) 14.91 | 9.72 | 0.82 | - | 30.55 | 2.54 | 2.68 | 39 |
| 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 | 2018-19 | 2020-21 | 10.00 | 0.10 | (-) 6.34 | 0.00 | (-) 0.29 | - | 3.76 | (-) 0.29 | (-) 7.71 | 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 | (-) 6.52 | 0.00 | (-) 0.30 | - | 3.73 | (-) 0.30 | (-) 7.71 | 3 |
| Grand Total | | | | 58.61 | 31.87 | (-) 55.84 | 10.78 | (-) 2.33 | - | 34.64 | (-) 2.31 | (-) 6.58 | 73 |

1 Capital employed represents Shareholders' fund plus long term borrowings

2 Return on capital 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

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