

CHAPTER-III
FINANCIAL REPORTING

Chapter 3 Financial Reporting

3.1 Introduction

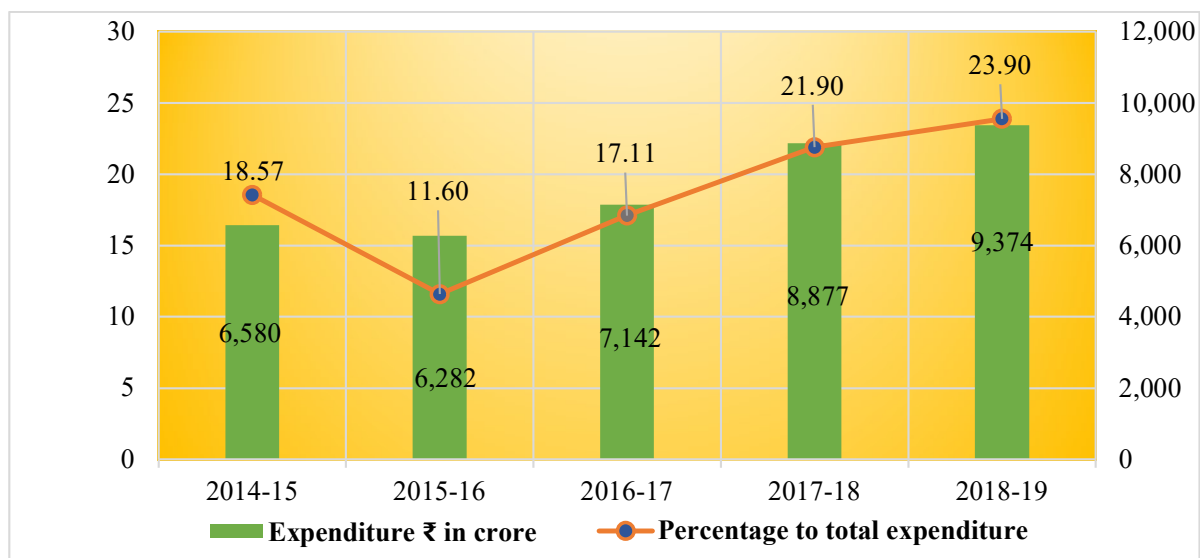
Sound internal financial reporting system and compliance with rules and procedures contribute significantly to good governance. These also ensure relevant, reliable and timely financial reporting and thereby assist the State Government in meeting its basic stewardship responsibilities, including strategic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

3.2 Opaqueness in Accounts - Operation of Omnibus 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 Accountant General (Accounts) 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.

GoM has operated this Minor Head extensively during the five-year period 2014-19. During 2018-19, the State Government booked ₹2,240.55 crore under Minor Head 800 under 67 revenue and capital Major Heads of Account on the expenditure side, constituting 23.90 *per cent* of the total expenditure (Revenue *plus* Capital) of ₹9,374.06 crore. The quantum of expenditure booked under this Minor Head has been increasing over the years with it constituting 18.57 *per cent* of the expenditure during 2014-15, 11.60 *per cent* during 2015-16, 17.11 *per cent* during 2016-17 and 21.90 *per cent* during 2017-18. The extent of operation of Minor Head 800 for Other Expenditure, as a percentage of Total Expenditure during 2014-19 is given below:

Chart-3.1: Operation of Minor Head 800 - Other Expenditure during 2014-19



Source: Finance Accounts (Vol-I) of the respective years

Chart-3.1 shows that there has been largescale operation of Minor Head 800 for Other Expenditure, with its share in total expenditure ranging from 11.60 to 23.90 *per cent* during the period. Instances of substantial proportion (50 *per cent* or more) of the expenditure within a given Major Head, classified under Minor Head 800 – ‘Other Expenditure’, are given below.

Table-3.1: Significant expenditure booked under Minor Head 800 – Other Expenditure during 2018-19

(₹in crore)

Major Head		Total Expenditure	Expenditure under Minor Head 800	Percentage
2204	Sports and Youth Services	24.08	12.43	51.62
2217	Urban Development	203.22	124.13	61.08
2225	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	423.89	423.89	100.00
2501	Special Programmes for Rural Development	83.68	56.38	67.38
3275	Other Communications Services	4.10	4.10	100.00
3425	Other Scientific Research	20.13	11.96	59.41
3435	Ecology and Environment	1.13	1.13	100.00
3451	Secretariat-Economic Services	33.38	20.50	61.41
Total		793.61	654.52	--

Source: Finance Accounts, Vol.-I, 2018-19

In the case of receipts, the operation of Minor Head 800 reduced from 26.98 *per cent* of Revenue Receipts during 2014-15 to 4.10 *per cent* of Revenue Receipts in 2018-19. During 2018-19, the State Government classified receipts of ₹370.76 crore, pertaining to 40 Major Heads, under Minor Head ‘800 - Other Receipts’. Significant Major Heads out of these are given below.

Table-3.2 Significant Receipts booked under Minor Head 800 – Other Receipts during 2018-19

(₹in crore)

Major Head		Total Receipts	Receipts under Minor Head 800	Percentage
0425	Co-operation	2.13	1.87	87.79
0435	Other Agricultural Programme	2.22	2.22	100.00
0801	Power	270.24	270.24	100.00
1054	Roads and Bridges	24.46	24.19	98.90
1055	Road Transport	2.25	2.25	100.00

Source: Finance Accounts, 2018-19 (Vol.-I)

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

3.3 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 Accountant General within 12 months of the closure of the financial year unless specified otherwise. At the end of March 2019, UCs involving ₹109.31 crore were yet to be received from the grantees as detailed in **Table-3.3**.

Table-3.3: Year-wise details of pendency in submission of UCs**(₹in crore)**

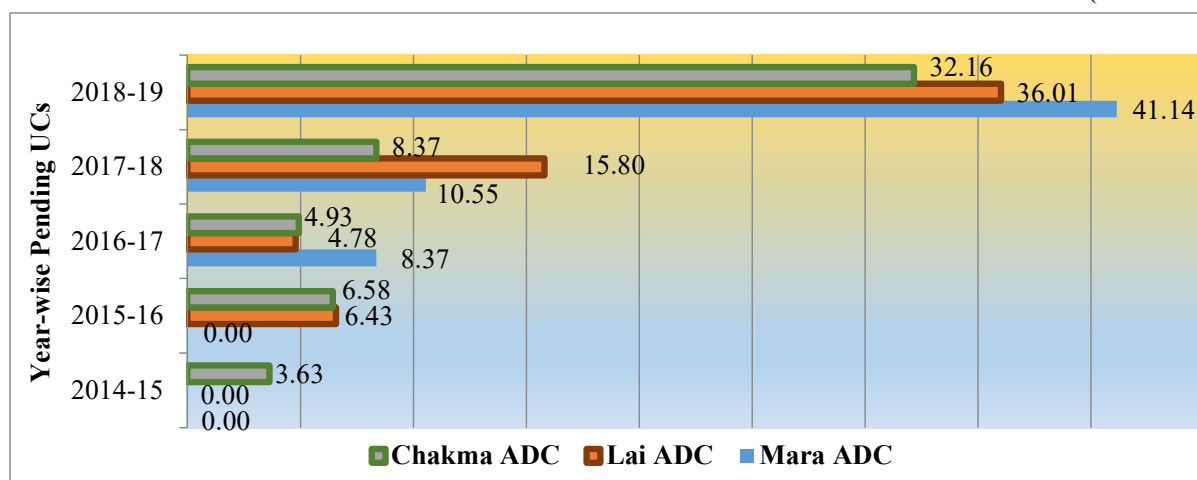
Year	Opening balance		Grants sanctioned during the year		UCs submitted during the year		Outstanding UCs	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2014-15	7,610	3,183.76	401	261.48	3,134	354.48	4,877	3,090.76
2015-16	4,877	3,090.76	28	41.02	4,867	3,040.01	38	91.77
2016-17	38	91.77	1,614	142.76	11	128.60	1,641	105.93
2017-18	1,641	105.93	1,750	1,656.83	3,304	1,630.90	87	131.86
2018-19	87	131.86	71*	143.37	07	22.55	80	109.31

Source: Finance Accounts, 2018-19 (Vol.-I) and VLC data

* UCs for grants disbursed during 2018-19 would be due for submission in 2019-20

The State Government managed to bring down the number of outstanding UCs drastically over the years, which is commendable. However, with respect to the UCs yet to be submitted, it cannot be vouched that the expenditure has actually been incurred for the purpose for which it was sanctioned/authorised. Huge pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds.

UCs were pending primarily from Lai (₹36.01 crore), Mara (₹41.14 crore) and Chakma (₹32.16 crore) Autonomous District Councils (ADCs) as shown below:

Chart-3.2: ADC-wise outstanding position of UCs as on March 2019**(₹in crore)**

Source: Finance Accounts, 2018-19 (Vol.-I) and VLC data

It is a matter of concern that the Departmental authorities have not yet explained as to how an amount of ₹109.31 crore was spent over the years, as it involves public funds provided to them for implementation of specific programmes/schemes and there is no assurance that the intended objectives of providing these funds have been achieved. In the absence of accountability for expenditure relating to funds provided as far back as 2011-12, the possibility of misappropriation of these funds cannot be ruled out. Since non-submission of UCs is fraught with the risk of misappropriation, it is imperative that the State Government monitors this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

On this being pointed out, the State Government replied (February 2020) in respect of Chakma ADC, that the works were in-progress under some schemes and in some of the cases the matter was taken up for enquiry by the Anti-Corruption Bureau (ACB), Mizoram. However, the Government did not specify the number of works and amount involved.

3.4 Non-submission of Detailed Countersigned Contingent (DCC) Bills

Drawing and Disbursing Officers (DDOs) are authorised to draw sums of money for limited purposes by preparing Abstract Contingent (AC) bills without vouchers. As per Central Treasury Rules (CTR), subsequently, Detailed Countersigned Contingent (DCC) bills (vouchers in support of final expenditure) are required to be furnished to the Accountant General (Accounts) within one month following the month in which such amounts are drawn.

As of 31 March 2019, there were 55 un-adjusted AC Bills involving ₹102.98 crore. The position of outstanding DCC Bills as on 31 March 2019 is shown in **Table-3.4**. Details are shown in **Appendix-3.1**.

Table-3.4: Year-wise break-up of outstanding DCC Bills as on 31 March 2019

(₹in crore)

Year	Opening balance		AC Bills drawn		DCC Bills submitted		Outstanding AC Bills	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2014-15	30	26.71	61	144.28	54	108.86	37	62.13
2015-16	37	62.13	49	164.56	49	198.99	37	27.70
2016-17	37	27.70	45	141.61	41	128.72	41	40.59
2017-18	41	40.59	35	55.22	72	85.75	04	10.06
2018-19	04	10.06	153	137.57	102	44.65	55 ²⁴	102.98

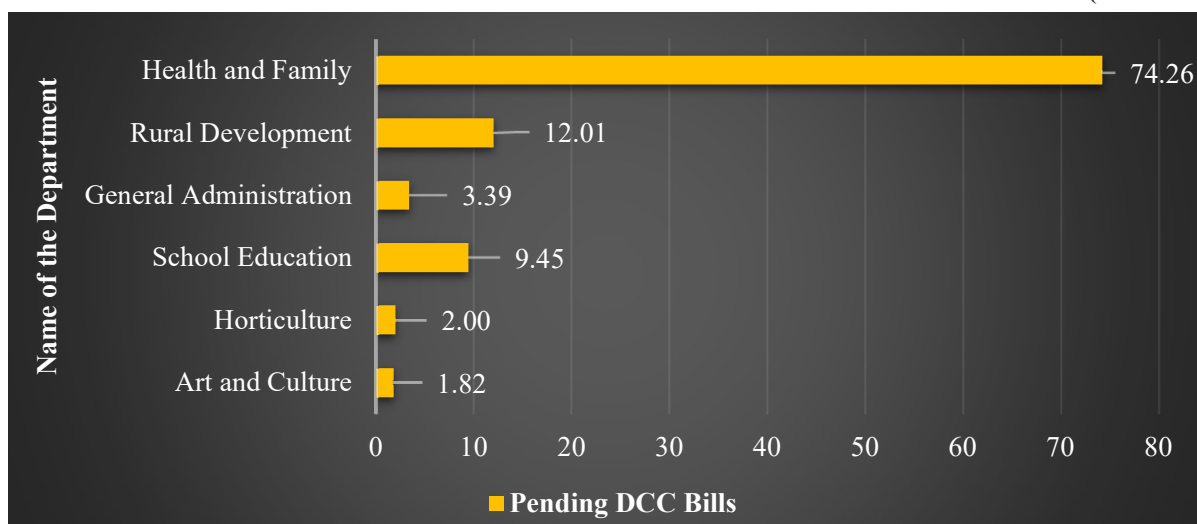
Source: Finance Accounts, 2018-19 (Vol.-I) and VLC data

During the year 2018-19, ₹44.65 crore was adjusted against the amount of ₹147.63 crore (Opening balance: ₹10.06 crore plus drawn during the year: ₹137.57 crore), leaving ₹102.98 crore pending for adjustment against 55 AC Bills pertaining to eight departments. Prolonged non-submission of DCC Bills renders the accounts opaque.

Details of outstanding DCC Bills in respect of six major departments as on 31 March 2019 are shown in **Chart-3.3**.

Chart-3.3: Pending DCC Bills in respect of six major Departments

(₹in crore)



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

²⁴ Differs from Finance Accounts due to adjustment of 29 DCC bills amounting to ₹2.35 crore by Local Administration Department after closure of accounts

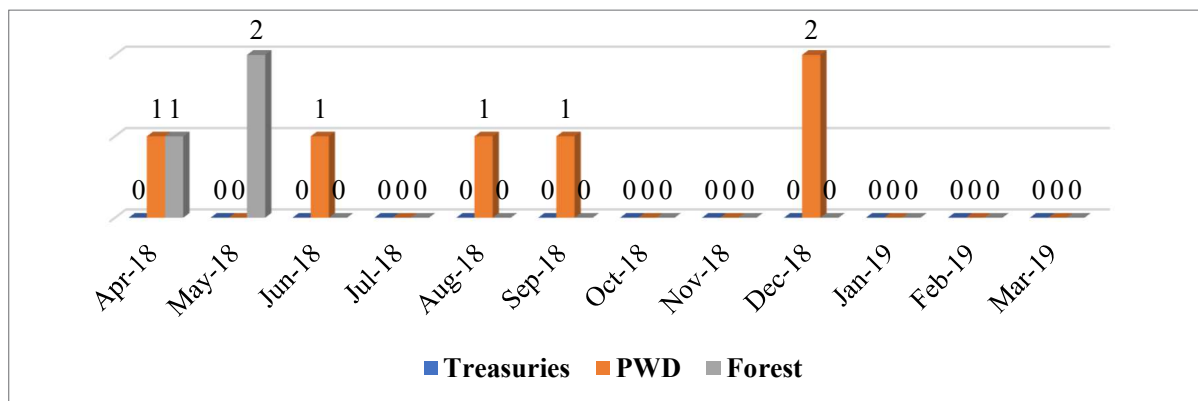
Advances drawn and not accounted for increase the possibility of wastage/misappropriation/malfeasance, *etc.* Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DCC bills. Further, to the extent of non-receipt of DCC bills, there is no assurance that the expenditure shown in the Finance Accounts is correct or final.

3.5 Timeliness and Quality of Accounts

3.5.1 Timely rendition of Accounts

The accounts of the State Government are compiled by the Accountant General (Accounts) from the initial accounts rendered by 10 district treasuries, 08 Mizoram Houses (New Delhi, Kolkata, Mumbai, Bengaluru, Vellore, Guwahati, Shillong, and Silchar), 73 public works divisions and 34 forest divisions, apart from the RBI advices. During the financial year 2018-19, there were delays in rendition of monthly accounts ranging from 01 to 13 days by treasuries, 01 to 17 by Public works divisions and 01 to 27 days by forest divisions. Details of accounts excluded from the Monthly Civil Accounts are given below:

Chart-3.4: Number of accounts excluded from Monthly Civil Accounts during 2018-19



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

As can be seen from the above 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 Accountant General (Accounts) in six months during the year 2018-19. Therefore, the monthly accounts indicating the receipts and disbursements of the State during the month, rendered by the Accountant General (Accounts) to the State Government were incomplete in respect of 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 Accountant General (Accounts) on a timely basis, to manage its own budget more effectively.

3.5.2 Reconciliation of Accounts

Financial Rules stipulate that expenditure recorded by respective departments should be reconciled by them every month during the financial year with those recorded in the books of the Accountant General to enable Controlling Officers of the departments to exercise effective control over expenditure and receipts and to ensure accuracy of their accounts.

The CAG has been expressing concern about non-reconciliation of departmental figures every year in the Audit Reports. The State Government has taken corrective action in this regard and as against 59 and 79 *per cent* reconciliation in respect of receipts and expenditure respectively during 2017-18, the extent of reconciliation during 2018-19 has increased to 93 *per cent* in respect of receipts and 98 *per cent* in respect of expenditure, which is commendable.

3.6 Suspense and Remittance Balances

Suspense heads are operated in Government accounts to reflect transactions that cannot be booked initially to their final Head of Account for some reason or the other. These are finally cleared by minus debit or minus credit when the amount is taken to its final Head of Account. If the amounts under suspense heads remain unadjusted, the balances under these heads get accumulated resulting in understatement of Government's receipts and payments.

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 below.

Table-3.5: Balances under Suspense and Remittance Heads

(₹in crore)

Minor Head	2016-2017		2017-18		2018-19	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658-Suspense						
101 - PAO suspense	40.27	9.00	44.84	64.14	60.28	76.79
Net	Dr. 31.27		Cr. 19.30		Cr. 16.51	
102 - Suspense Account-Civil	98.87	74.72	80.10	72.40	73.85	72.40
Net	Dr. 24.15		Dr. 7.70		Dr. 1.45	
109 - Reserve Bank Suspense -Headquarters	1.93	(-)16.89	13.19	(-)65.60	16.72	(-)71.60
Net	Dr. 18.82		Dr. 78.79		Dr. 88.32	
110 - Reserve Bank Suspense - CAO	1,307.79	2,49.16	833.45	1,747.47	805.26	1,744.20
Net	Cr. 741.37		Cr. 914.02		Cr. 938.94	
112 - Tax Deducted at Source (TDS) Suspense	0.01	0.61	0.01	0.37	0.01	2.79
Net	Cr. 0.60		Cr. 0.36		Cr. 2.78	

Minor Head	2016-2017		2017-18		2018-19	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	16,880.44	16,570.28	19,308.32	19,000.29	22,134.38	21,639.58
Net	Dr. 310.16		Dr. 380.03		Dr. 494.80	
103 - Forest Remittances	2,145.37	2,455.78	2,378.14	2,688.64	2,622.43	2,957.74
Net	Cr. 310.41		Cr. 310.50		Cr. 355.31	

Source: Finance Accounts, 2018-19 (Vol.-I)

3.7 Accounting of transactions relating to Central Road Fund

As per the prescribed accounting procedure relating to the Central Road Fund (CRF), the receipt of the grant from GoI is to be recorded first under the Revenue Receipts Major Head 1601 and thereafter transferred to the Fund (under Public Account Major Head 8449-Other deposits-103 subvention from Central Road Fund), by operating the Revenue Expenditure Major Head 3054 in the same year of receipt. Further, expenditure on prescribed road works is to be accounted for first 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). GoI released ₹23.40 crore from CRF to State Government in 2018-19. However, due to non-availability of the relevant head of account in Budget under Major Head 3054-80-797-transfer to Deposit Accounts, no amount was transferred to the Public Account. State Government incurred an expenditure of ₹23.05 crore under the head 5054-Capital outlay on Roads and Bridges-04 District and Other Roads-800-Other Expenditure.

3.8 Reconciliation of Cash Balances

There is a difference of (-)₹12.89 crore (net credit) as on 31 March 2019 between the Cash Balance as worked out by the Office of the Accountant General (Accounts) and as reported by the Reserve Bank of India. This difference is mainly due to erroneous reporting by the accredited banks to the Reserve Bank of India, Nagpur Branch which is responsible for maintaining Cash Balance of the State Government.

3.9 Compliance with Indian Government 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 2018-19 are given below.

Table-3.6: 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	Essence of IGAS	Status	Impact of non-compliance
IGAS -2 Accounting and classification of Grants-in-Aid	Grants-in-Aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use. Grants-in-Aid should be disclosed in cash as well as in kind in the financial statements of the grantor	Partially complied	Grants-in-Aid given by the Government in cash were disclosed while Grants-in-Aid given in kind were not disclosed. Therefore, total Grants-in-Aid given by the State Government to the grantee could not be ascertained.
IGAS -3 Loans and Advances made by Government	This standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial statement to ensure complete, accurate and uniform accounting practices	Partially complied	The Government disclosed outstanding Loans and Advances at the beginning and end of the accounting period. However, details of interest payments in arrears and rate of interest were not disclosed in the additional disclosure of fresh loans and advances.

3.10 Audit of Accounts

The departmental undertakings of Government performing activities of quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually. The accounts depict the working results of financial operations of the departmental undertakings indicating their performance and efficiency in conducting business. In the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of State Legislature and Audit. Consequently, corrective measures, if any, needed for ensuring accountability and improving efficiency cannot be taken on time. Besides, the delay in finalisation of accounts may also make the system vulnerable to fraud and leakage of public money.

There are three Government departments in the State (Food, Civil Supplies and Consumers Affairs Department, Transport Department and Power and Electricity Department) performing activities of a quasi-commercial nature. The Heads of these departments were to ensure that these undertakings prepare such accounts and submit the same to the Accountant General for audit by 30 June each year. The accounts for 2017-18 in respect of Food, Civil Supplies and Consumers Affairs Department were submitted in May 2019; while the accounts in respect of Transport Department have not been submitted since 2007-08, the accounts of Power and Electricity Department were not submitted since the inception of the Department in 1979, except for 2015-16 which was submitted in February 2018.

On this being pointed out, the State Government replied (January 2020) as follows:

- **Food, Civil Supplies and Consumers Affairs Department:** Preparation of accounts for 2018-19 was under process. The reason for delay in preparation and submission of accounts was attributed to the change of charge of the dealing assistant.
- **Transport Department:** The accounts would be submitted after the completion of internal audit. The reason for delay in preparation and submission of accounts was attributed to the steps taken for improving the system and lack of training of the accounting staff for maintaining accounts.

- **Power and Electricity Department:** The accounts were prepared and submitted to the Joint Electricity Regulatory Commission (Manipur and Mizoram) for approval.

3.11 Building and Other Construction Workers' Welfare 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. As per Rule 5 (3) of the Building and Other Construction Workers' Welfare Cess Rules 1998, the amount collected is to be transferred to the Building and Other Construction Workers' Welfare Board (Board) within thirty days of its collection.

The State Government notified²⁵ (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.

As of end of 2018-19, a total of 25,319 workers were registered with the Board. Details of amount collected and actual expenditure incurred during the period from 2014-15 to 2018-19 are given below.

Table-3.7: Fund Position of MBOCWB Board for the period 2014-19

(₹in crore)						
Year	Opening Balance	Receipts during the year	Others/ Miscellaneous Receipts*	Available Fund	Total Expenditure	Closing Balance
2014-15	4.94	8.48	2.06	15.48	11.18	4.30
2015-16	4.30	10.50	0.60	15.40	2.83	12.57
2016-17	12.57	14.75	0.87	28.19	13.34	14.85
2017-18	14.85	15.08	2.81	32.74	8.15	24.59
2018-19	24.59	20.55	19.43	64.57	13.56	51.01
Total	--	69.36	25.77	--	49.06	--

Source: Information furnished by the Board

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

As is evident from the table above, the MBOCWB received ₹39.98 crore during the year 2018-19 and expended ₹13.56 crore (Administrative expenses: ₹0.39 crore, Welfare schemes: ₹12.76 crore and Others: ₹0.41 crore).

Audit scrutiny revealed the following lapses in this regard.

3.11.1 Non-preparation of Accounts and non-submission of audited statement in the State Legislature

As per Section 27 of the Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996, the Board has to maintain proper accounts and other

²⁵ Vide Office Memorandum No. B-16012/2/2011-LE&IT dated 29 May 2012

relevant records and prepare an Annual Statement of Accounts. Further, the Board has to furnish the audited copy of accounts together with the auditor's report to the State Government, who shall cause it to be laid before the State Legislature. The Board, however, has not prepared the accounts.

On this being pointed out, the Secretary, MBOCWB (December 2019) attributed it to lack of expertise within the Welfare Board.

In the absence of annual accounts, a true and fair view of the financial position and performance and the veracity of the expenditure incurred under various heads during 2018-19 could not be ascertained.

Further, due to non-submission of audited copy of the accounts (annual report) and annual statement, the state of affairs and activities of the Board remained out of the scrutiny of the State Legislature.

3.11.2 Delay in depositing Labour Cess

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 Board within 30 days of its collection. As per the information furnished by the State Government, the Cess Collectors collected an amount of ₹14.73 crore during 2018-19 as shown below.

Table-3.8: Details of Cess collected

Sl. No.	Details of Cess Collector	Period of collection of Cess	Amount (₹in crore)
1.	Labour Officer (LO), Mamit and Kolasib Districts	27.03.2018 to 19.03.2019	4.17
2.	Deputy Labour Commissioner (DLC), Aizawl District (All Mizoram)	22.03.2018 to 29.03.2019	5.14
3.	District Labour and Employment Officer (DLEO), Champhai District	17.01.2018 to 12.02.2019	0.45
4.	DLEO, Lunglei District	11.04.2018 to 15.03.2019	0.40
5.	DLEO, Siaha and Lawngtlai Districts	04.04.2018 to 19.03.2019	0.43
6.	DLEO, Aizawl and Serchhip Districts	02.04.2019 to 25.03.2019	4.14
Total		--	14.73

Source: Information furnished by the Board and the cess collectors

Scrutiny of records of the MBOCWB and the information furnished by the Cess Collectors showed that there was a delay in remitting the collected Cess to the bank account of the MBOCWB by five cess collectors during the period from 17 January 2018 to 06 September 2019 as shown in **Table-3.9**.

Table-3.9: Delay in depositing Cess in the account of MBOCWB by the Cess Collectors

Sl. No.	Name of the Cess collector	Amount (₹in crore):		Period of delay (in days)
		Collected	Amount deposited with delay	
1.	LO, Mamit and Kolasib Districts	4.17	0.56	Between 02 - 179
2.	DLC, Aizawl District (All Mizoram)	5.14	0.97	Between 05 - 138
3.	DLEO, Champhai District	0.45	0.26	Between 02 - 391
4.	DLEO, Lunglei District	0.40	0.08	Between 01 - 04
5.	DLEO, Siaha and Lawngtlai Districts	0.43	0.05	08
6.	DLEO, Aizawl and Serchhip Districts	4.14	-	--
Total		14.73	1.92	--

Source: Information furnished by the Board and the cess collectors

As can be seen from the **Table-3.9**, out of ₹14.73 crore collected by the LO/DLC/DLEOs during 2018-19, an amount of ₹1.92 crore was transferred with a delay between one and 391 days in violation of the Cess Rules. Details of delay of transfer of Cess are given in **Appendix-3.2**.

The Secretary, MBOCWB replied (December 2019) that he would issue a show cause notice to the Cess Collectors who failed to deposit/transfer the collected Cess.

3.11.3 Non-deduction of Cess by the Drawing and Disbursing Officers

Audit scrutiny on a sample basis revealed cases of non-deduction of Cess by the Drawing and Disbursing Officers (DDOs) as shown below:

Table-3.10: Cases of non-deduction of labour cess

(₹in crore)						
Sl. No.	Name of the Department	No. of DDOs	No. of cases	Cess to be collected	Cess collected and deposited	Balance
1.	Public Health and Engineering	07	07	67.10	2.16	64.94
2.	General Administration	01	01	0.87	0.00	0.87
3.	Social Welfare	05	06	65.98	0.00	65.98
4.	Printing and Stationery	01	01	0.10	0.00	0.10
5.	Public Works	02	02	32.27	0.00	32.27
6.	Labour, Employment, Skill Development and Entrepreneurship	01	01	0.12	0.00	0.12
7.	Home	01	01	0.03	0.00	0.03
8.	Fisheries	02	02	1.63	0.00	1.63
9.	Sericulture	01	01	3.59	0.00	3.59
10.	Horticulture	01	01	1.22	0.00	1.22
11.	Commerce and Industries	01	01	3.07	0.00	3.07
Total		23	24	175.98	2.16	173.82

Source: Information furnished by the office of the Principal Accountant General (General, Social, Economic and Revenue Sectors)

As can be seen from the table above, an amount of ₹175.98 crore was to be collected by 17 DDOs in 11 Departments; however, only ₹2.16 crore was deducted and deposited in the account of the MBOCWB by three DDOs leaving non-deduction of cess amounting to ₹173.82 crore. Details of cases of non-deduction of cess by the DDOs are given in **Appendix-3.3**.

These instances are only illustrative, as these are based on a sample check, and there is a high probability of the Cess being not deducted by many other DDOs in various Departments of the State Government. Not only is this a violation of the Act, but the welfare of the building and other construction workers, who work in a high-risk environment would be hampered for want of finances due to non-deduction and non-depositing of the Cess.

3.12 Misappropriation, losses and defalcations

Information regarding cases of misappropriation, losses, defalcations during 2018-19, if any, were called for from the State Government. However, no cases of misappropriation were reported by the State Government (January 2020).

Audit, however, detected two cases of misappropriation to the tune of ₹39.13 lakh relating to Law and Judicial (₹29.13 lakh) and Agriculture (Research and Education) (₹10.00 lakh) Departments during 2018-19.

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

3.13 Follow-up action on Audit Reports

3.13.1 *Suo-motu* Action Taken Notes

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. However, this is not being complied with by several Departments.

3.13.2 Discussion of SFAR by the PAC

The Audit Reports on State Finances were placed before the State Legislature every year since 2010, however, the audit observations featured in the State Finances Audit Reports were not taken up for discussion as of April 2020.

3.14 Conclusion

Indiscriminate operation of omnibus Minor Head 800-Other Expenditure affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

Non-submission of UCs and DCC bills by Departments for funds drawn for specific developmental programmes/projects and non-submission of accounts by Autonomous Councils, Development Bodies and Authorities was violative of prescribed financial rules and directives and point to inadequate internal controls and reflect poorly on the monitoring mechanism of the State Government.

Delayed rendering of accounts by the account rendering units/authorities distorted the accurate depiction of monthly transactions of the State and impacted effective budgetary management. Further, non-furnishing of requisite missing details by the treasuries and public works divisions and other account rendering units delayed clearance of suspense and remittances transactions in the books of accounts.

3.15 Recommendations

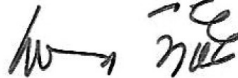
- i) State Government should discourage the use of omnibus Minor Head 800 and chalk out a specific timeframe in consultation with the Accountant General (Accounts), to identify appropriate Heads of Account to classify the transactions correctly in the books of accounts.
- ii) State Government needs to institute a rigorous monitoring mechanism to ensure that the Departments comply with the prescribed rules and procedures with regard to submission of UCs, DCC bills and accounts for audit.
- iii) All the accounts rendering units need to be instructed to submit the complete accounts as per the prescribed time schedule and furnish the missing/incomplete details to enable clearance of suspense and remittances transactions in a time bound manner.
- iv) State Government should set up an appropriate mechanism to ensure that the Cess is collected scrupulously and the amount collected is deposited in the bank account of the MBOCWB in a timely manner. Further, the Government may take appropriate action against the defaulting officers for violation of the Cess Rules.

Aizawl
The 29 July 2020


(SARAT CHATURVEDI)
Principal Accountant General, Mizoram

Countersigned

New Delhi
The 30 July 2020


(RAJIV MEHRISHI)
Comptroller and Auditor General of India