

**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
<b>Total</b>		<b>172.17</b>

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)

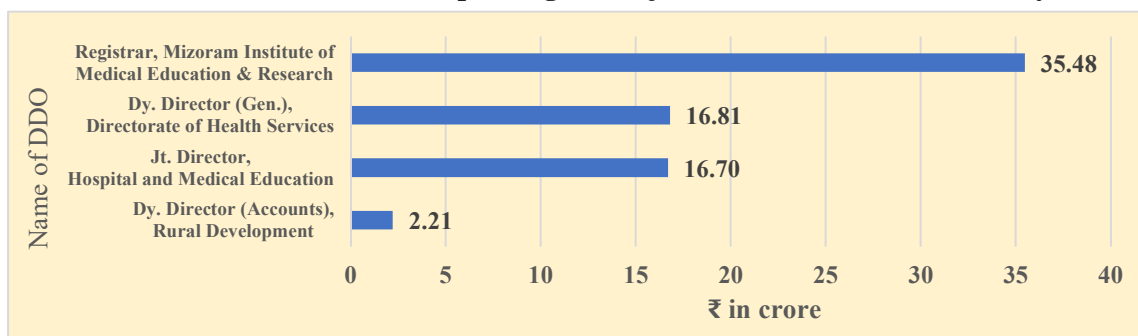
Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Upto 2018-19	0	0	153	137.57	125	52.08	28	85.49
2019-20	28	85.49	1	0.01	1	0.01	28	85.49
2020-21	28	85.49	12	17.46	12	17.46	28	85.49

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.
<b>Major Head 8658 - Suspense</b>						
<b>101 - PAO suspense</b>	60.28	76.79	75.91	76.81	93.01	80.70
<b>Net</b>	<b>Cr. 16.51</b>		<b>Cr. 0.90</b>		<b>Dr. 12.31</b>	
<b>102 - Suspense Account-Civil</b>	73.85	72.40	71.41	72.40	72.89	72.40
<b>Net</b>	<b>Dr. 1.45</b>		<b>Cr. 0.99</b>		<b>Dr. 0.49</b>	
<b>107 - Cash Settlement Suspense Account</b>	7.32	1.99	7.32	1.99	7.32	1.99
<b>Net</b>	<b>Dr. 5.33</b>		<b>Dr. 5.33</b>		<b>Dr. 5.33</b>	

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

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).

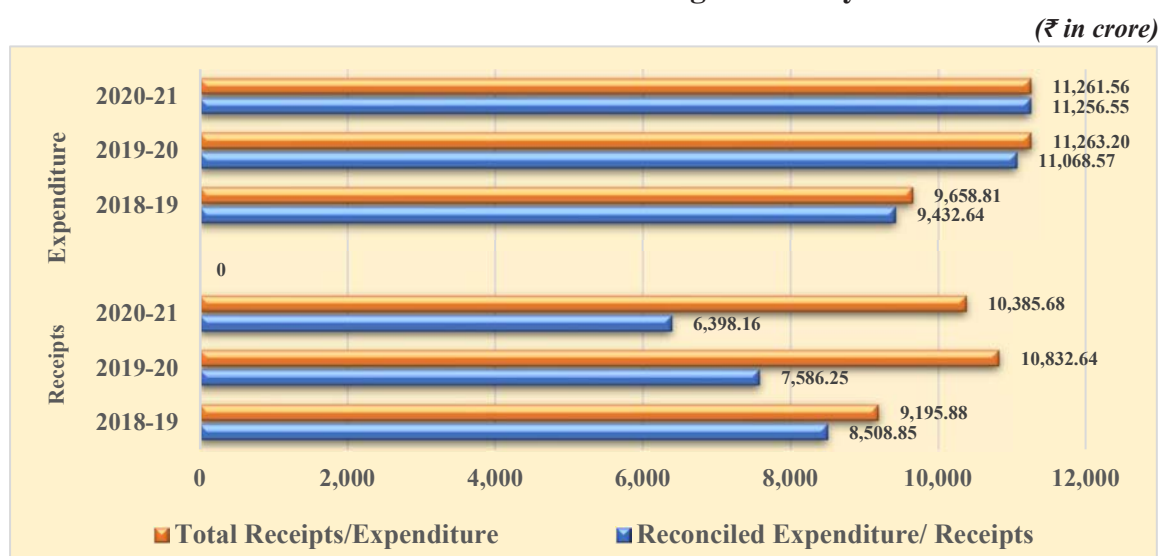
The Government needs to review and analyse all the unadjusted/outstanding transactions mentioned above and take appropriate corrective measures expeditiously.

#### 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
<b>Receipts</b>				
2018-19	44	32	0	12
2019-20	52	38	6	8
2020-21	57	54	3	0
<b>Expenditure</b>				
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 <sup>st</sup> April	As on 31 <sup>st</sup> 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	( <i>₹ in crore</i> )	
					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 <sup>23</sup>	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
<b>Total Welfare Measures</b>	<b>31.45</b>	<b>71,103</b>
<b>Administrative Expenses</b>	<b>5.59</b>	<b>-</b>
<b>Grand Total</b>	<b>37.04</b>	<b>71,103</b>

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 notified<sup>24</sup> (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

<sup>23</sup> 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

<sup>24</sup> 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
<b>Total</b>					<b>90.73</b>	<b>84.42</b>

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
<b>IGAS -1 Guarantees given by government – Disclosure requirements</b>	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.
<b>IGAS – 2 Accounting and classification of Grants-in-Aid</b>	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.
<b>IGAS -3 Loans and Advances made by Government</b>	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
<b>Departmental Undertakings</b>			
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.

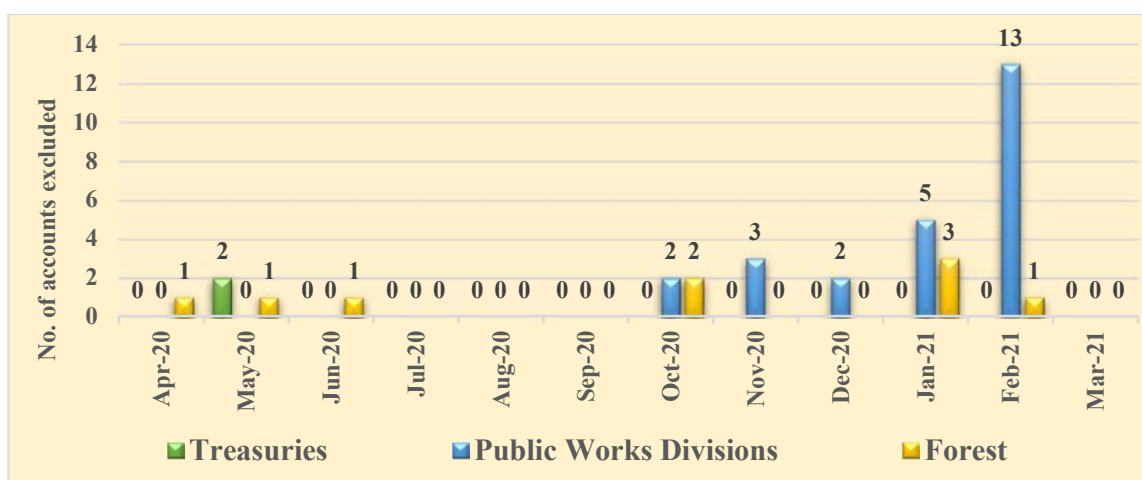
Further, Regulations on Audit and Accounts (Amendments) 2020 provides that Governments and HODs, who sanction grants and / or loans to bodies or authorities shall furnish to Audit by the end of July every year a statement of such bodies and authorities to which grants and / or loans aggregating ₹ 10 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.*

