

EXECUTIVE SUMMARY

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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)

