

EXECUTIVE SUMMARY

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The Report

Based on the audited accounts of the Government of Mizoram for the year ending March 2022, this Report provides an analytical review of the finances of the State Government. The Report is structured in four 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.

Audit findings

Overview

The growth rate of GSDP at current prices, during 2017-22 ranged between 12.76 *per cent* (2017-18) to -1.11 *per cent* (2020-21). During 2021-22, the GSDP (Advance Estimates) at current price was ₹ 24,807 crore, up from ₹ 24,712 crore in 2020-21, representing meagre growth of 0.38 *per cent*. During the last five-year period from 2017-18 to 2021-22, there was a significant decrease in the growth rate of the Agriculture sector in GSDP, declining from 13.38 *per cent* in 2017-18 to 7.48 *per cent* in 2021-22. During the same period growth in the Industry sector also declined steadily from 17.03 *per cent* in 2017-18 to 12.17 *per cent* in 2021-22. The Services sector continued to be the largest contributor to the GSDP (43.91 *per cent*).

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The State Government recovered from the previous year's Revenue Deficit and achieved Revenue Surplus of ₹ 602.25 crore during 2021-22. However, although the Fiscal Deficit-GSDP ratio at 1.50 *per cent* of GSDP was within the target, the Debt-GSDP ratio at 42.61 *per cent* did not achieve the target of 27.63 *per cent* set under Mizoram Fiscal responsibility and Budget Management (MZFRBM) Act as amended in October 2020.

The XV FC had projected a Revenue Deficit (RD) of ₹ 1,790 crore for the State of Mizoram, however, Mizoram had a Revenue Surplus of ₹ 602.25 crore. Fiscal Deficit (FD) stood at ₹ 372.53 crore during 2021-22.

Internal Debt and Loans and Advances from Government of India (GoI) increased by ₹ 475.53 crore and ₹ 286.80 crore respectively while Public Account Liabilities increased by ₹ 286.80 crore for the current year.

Out of the 94 recommendations of the 1st MFC accepted by the State Government, only one recommendation was implemented (December 2022).

The State Government overstated Revenue Surplus and understated Fiscal Deficit by ₹ 32.76 crore due to non-provision of interests and non-contribution to designated Funds.

Recommendations

- *The Government may adhere to the targets of Mizoram Fiscal responsibility and Budget Management (MZFRBM) Act set for ratio of total outstanding debt to Gross State Domestic Product.*
- *The Government needs to fully implement the recommendations of the 1st MFC.*

(Chapter 1)

Finances of the State

Revenue Receipts during the year 2021-22 was ₹ 9,159.74 crore which had increased by ₹ 1,419.07 crore (18.33 *per cent*) from the previous year. State's Own Tax Revenue increased by ₹ 206.38 crore (31.87 *per cent*) from the previous year while Non-Tax revenue increased by ₹ 60.36 crore (10.74 *per cent*). Compared to the previous year, State's Share of Union taxes and Duties increased by ₹ 1,212.31 crore (40.27 *per cent*) while Grants-in-Aid from GoI decreased by ₹ 59.98 crore (1.70 *per cent*).

In the five years during which the GST Act has been in effect, revenue collected by Government of Mizoram through SGST had risen by ₹ 462.58 crore (272.49 *per cent*) from ₹ 169.76 crore in 2017-18 to ₹ 632.34 crore in 2021-22. This amount included Advance Apportionment of IGST (₹ 18.78 crore). In addition, the State received ₹ 1,268.97 crore as its share of net proceeds assigned to the State under Central Goods and Services Tax. The total receipts under GST were ₹ 1,901.31 crore.

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Revenue expenditure during the year 2021-22 was ₹ 8,557.49 crore (89.47 *per cent*) against the total expenditure of ₹ 9,564.45 crore. Committed expenditure like salary & wages, pension, interest payments which had been rising steadily during the last four years fell in 2021-22. Committed expenditure during 2021-22 was ₹ 5,062.78 crore (55.27 *per cent* of the Revenue Receipts and 59.16 *per cent* of the Revenue Expenditure).

Capital Expenditure decreased by ₹ 121.59 crore (10.80 *per cent*) from ₹ 1,125.97 crore to ₹ 1,004.38 crore.

As on 31 March 2022, 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 2021-22 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 between 4.29 and 5.04 *per cent*.

As of 31 March 2022, there were six working Government Companies in the State. As per their latest finalised annual accounts, these Companies had accumulated losses of ₹ 57.26 crore. Out of this, accumulated losses of the two Government Companies whose net worth has completely been eroded.

Capital Expenditure of ₹ 1,858.27 crore incurred on 151 incomplete projects (in all departments) 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 151 incomplete projects resulting in cost overrun of ₹ 97.74 crores in various projects under PHED, P&E and PWD departments.

During the year 2021-22, the State Government received ₹ 37.60 crore as Central Government's share of SDRF; accordingly, the State Government's share during the year was ₹ 4.18 crore. The State Government transferred ₹ 22.30 crore (Central share ₹ 18.80 crore against actual receipts of ₹ 37.60 crore from Central Government and State share ₹ 3.50 crore) to the Fund under Major Head 8121-122 SDRF. Thus, the state short-transferred ₹ 19.48 crore (₹ 18.80 crore being central share and ₹ 0.68 crore being state share) into SDRF.

In the year 2021-22, Government contributed ₹ 45.15 crore to the Consolidated Sinking Fund as against ₹ 49.41 crore it was required to contribute to the fund, resulting in short contribution by ₹ 4.26 crore. The total accumulation of the Fund was ₹ 391.19 crore as on 31 March 2022 (₹ 346.04 crore as on 31 March 2021).

The State's outstanding liabilities increased from ₹ 9,881.09 crore in 2020-21 to ₹ 10,570.93 crore in 2021-22, whereas Debt/GSDP ratio increased from 39.98 *per cent* to 42.61 *per cent* during the same period.

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As on 31 March 2022, the maturity profile of outstanding stock of Public Debt was ₹ 5,773.78 crore out of which ₹ 3,889.52 crore (67.37 per cent) was to attain maturity in the coming 10 years. This balance amount of ₹ 1,884.26 crore (32.63 per cent) was in maturity bracket of more than 10 years. Interest payable on outstanding public debt will be approximately ₹ 2,755.87 crore. Out of this, interest of ₹ 2,301.42 crore was payable during the next 10 years up to 2031-32.

The State Government had utilised borrowed funds of ₹ 3,797.95 crore (82.28 per cent) for re-payment of earlier borrowings (principal) and the balance amount of borrowed funds of ₹ 762.33 crore (17.72 per cent) was utilised for other expenditure.

The State had Outstanding guarantees of ₹ 125.46 crore including interest as on 31 March 2022. The outstanding guarantees of ₹ 138.62 crore as on 1 April 2021 worked out to 0.56 per cent of Gross State Domestic Product (GSDP) and was within the limit prescribed in Mizoram Ceiling on Government Guarantees Rules.

Recommendations

- *State Government may take necessary measures to increase both Tax and Non-Tax sources of revenue to augment its income sources.*
- *State Government needs to review its investments in loss making enterprises and take corrective action to reduce the fiscal burden on the exchequer.*
- *The State Government Should transfer Central and State shares of State Disaster Response Fund to Public Account under Major head 8121.*

(Chapter 2)

Budgetary Management

Budgetary assumptions of the State Government were not realistic during 2021-22 and despite carrying out an elaborate pre-budget exercise to bring about efficiency and transparency in budget formulation and execution, budgetary estimates were off the mark to a considerable extent. Control over the execution and monitoring of budget by Departments was inadequate.

Against the total budget provision of ₹ 17,356.33 crore, State Government Departments incurred an expenditure of ₹ 13,476.19 crore. There was an overall savings of ₹ 3,885.83 crore which was offset by excess of ₹ 5.69 crore under one Grant and one appropriation, resulting in net savings of ₹ 3,880.14 crore which was 22.36 per cent of total grants/Appropriation and 28.79 per cent of the expenditure.

Supplementary Grants/Appropriations were obtained without adequate justification. Instances noticed in insufficient re-appropriation in sub-heads which resulted excess expenditure.

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Utilisation of budget fluctuated and ranged between 77.64 *per cent* (2021-22) and 83.73 *per cent* (2017-18) during the last five years.

The State Government had incurred excess expenditure of ₹ 850.03 crore over budget provision under 11 grants and one Appropriations during 2017-18 to 2021-22 which is required to be regularised by the State Legislature as per 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.*
- *Excess expenditure over grants approved by the Legislature is in violation of the will of the Legislature. State Government should view such excess expenditure very seriously and regularized it at the earliest.*

(Chapter 3)

Quality of Accounts and Financial Reporting Practices

State Government had designated 20 Single Nodal Agencies for 86 CSS schemes being implemented in the state of which 80 bank accounts had been linked to their corresponding schemes i.e. 93.02 *per cent* compliance. The unlinked schemes were Deen Dayal Upadhyaya Gram Jyoti, Integrated Power Development Scheme, Saubhagya, Atal Vayo Abhyuday Yojana, Green India Mission-National Afforestation Programme and National AYUSH Mission (Medicinal Plant).

94 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 109.50 crore given to the three Autonomous District Councils during the period upto March 2021 were not submitted to the Principal Accountant General by the entities. High pendency of UCs was fraught with the risk of misappropriation of funds and fraud.

Although all AC Bills drawn during 2021-22 were settled, there were seven AC Bills worth ₹ 3.86 crore pending adjustment relating to previous years.

During 2021-22, ₹ 1,106.49 crore under 45 Major Heads of accounts, constituting 11.57 *per cent* of the total Revenue and Capital expenditure (₹ 9,561.87 crore) was classified under the Minor Head 800 Other Expenditure in the accounts.

As per information provided by the State Government, 171 DDOs (out of 1007) had an amount of ₹ 392.60 crore lying in Savings/Current Bank Account as on 31 March 2022.

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The available funds to Construction Workers' Welfare Board (MBOCWFB) during the year was ₹ 51.86 crore. Out of the available funds, the Board spent an amount ₹ 29.30 crore on Administrative expenses and welfare schemes/benefits as envisaged in the Building and Other Construction Workers' Welfare Cess Act.

The Principal Accountant General, Mizoram has not received three Annual Accounts of Autonomous Councils/Government Bodies which were due up to 2021-22 for audit as of 30 September 2022.

The Annual Accounts were pending in respect of two Departmental Commercial Undertakings since 2018-19 and one Departmental Commercial Undertaking since inception.

Recommendations

- *The Government may ensure submission of Utilisation Certificates (UCs) by the grantee within the time frame and institute a mechanism whereby subsequent release of funds is made consequent on furnishing of UCs of earlier releases.*
- *The Government may consider carrying out adjustment of Abstract Contingent bills within stipulated period, as required under the Rules.*
- *The Finance Department should avoid indiscriminate use of Minor Head 800 and booked the expenditure under appropriate Minor Head wherever available.*
- *Finance Department should review all Savings /Current Bank Accounts in the name Drawing and Disbursing Officers (DDOs). Further, the Finance Department should reiterate the instructions contained in the Central Treasury Rules (CTR) that no money should be drawn in anticipated of demand or to prevent the lapse of budgetary grants.*

(Chapter 4)