

OVERVIEW

This Report includes two chapters on Finance Accounts and Appropriation Accounts of the Government of Mizoram for the year 1999-2000 and six other chapters, comprising 6 reviews and 28 paragraphs based on the audit of certain selected programmes and activities of the financial transactions of the Government. A synopsis of the important findings contained in this Report is presented in this overview.

1. Accounts of the State Government

The outstanding liabilities of the State increased by 104 *per cent* from Rs.546 crore in 1995-96 to Rs.1113 crore in 1999-2000. However very little of the borrowings were available for capital formation after meeting the repayment obligation. Of Rs.1089.41 crore received during 1999-2000, only Rs.250.62 crore was available for investment after repayment obligation. During 1999-2000 while the liabilities of the State Government grew by 35 *per cent*, its assets grew by only 20 *per cent*.

The revenue receipts during the year increased from those in 1998-99 by 11 *per cent*. Of the total revenue receipts of Rs.860.84 crore, Rs.808.76 crore constituting 94 *per cent* came from State's share of Union taxes and duties and Central grants.

Revenue expenditure (Rs.891.92 crore) during the year accounted for 86 *per cent* of the expenditure of the Government and increased by 28 *per cent* during 1999-2000. The share of non-plan expenditure to revenue expenditure during 1999-2000 was 66 *per cent* against 34 *per cent* under plan side.

The accounts of the State showed a revenue deficit (excess of revenue expenditure over revenue receipts) of Rs.31.08 crore during 1999-2000 for the first time out of last 5 years and a fiscal deficit (excess of revenue and capital expenditure over revenue receipts) of Rs.213.84 crore which was covered by Public debt.

The capital expenditure showed a declining trend since 1997-98 and share of capital expenditure to total expenditure dropped from 19 *per cent* in 1995-96 to 14 *per cent* in 1999-2000.

Recoveries of loan and advances given by the Government to Companies, *etc.*, had not improved and there was increase in amount advanced resulting increase in closing balance at the end of 1999-2000 by 93 *per cent* over a period 5 years. Interest received during 1999-2000 was only Rs.0.70 crore against the outstanding loan of Rs.194.11 crore.

Against investment of Rs.10.98 crore as on 31 March 2000 in various companies/co-operative societies, no dividend was received during 1999-2000.

The payment of interest on borrowings of the Government increased by 170 *per cent* from Rs.34.74 crore in 1995-96 to Rs.93.72 crore in 1999-2000.

Indicators of Financial position of the State

Negative balance of current revenue (BCR) in all the five years indicated Government's dependency on borrowings for meeting its plan expenditure.

Ratio of capital outlay/capital receipts showed declining trend and was 0.63 in 1999-2000 indicating borrowed fund was not available wholly for investment.

Ratio of earning to capital employed varied between 0 and 0.014 indicating poor earning from investment.

The ratio of assets and liabilities decreased from 1.75 in 1995-96 to 1.40 in 1999-2000 indicating declining solvency of the State.

(Paragraph 1.1 to 1.11)

2. Appropriation Audit and control over expenditure

Against the total budget provision of Rs.1445.34 crore (including supplementary) actual expenditure was Rs.1841.28 crore and the overall excess of Rs.395.94 crore was the result of excess of Rs.626.30 crore in 10 grants and appropriations offset by saving of Rs.230.36 crore in 46 cases of grants and appropriations. The excess expenditure requires regularisation by the Legislature under Article 205 of Constitution of India.

Supplementary provision made during the year constituted 42 *per cent* of the original provision as against 30 *per cent* in the previous year. Supplementary provision of Rs.10.92 crore made in 7 cases of grants/appropriations during the year proved unnecessary as the expenditure was less than the original budget provision. Further, in 40 cases, against additional requirement of Rs.227.35 crore, supplementary grants and appropriations of Rs.332.46 crore were obtained resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs.105.11 crore.

Persistent savings was noticed in 5 grants/appropriations during the period from 1997-98 to 1999-2000.

While in 18 cases expenditure fell short by more than Rs.1 crore in each case and also by more than 10 *per cent* of the provision, in 12 cases expenditure of Rs.8.23 crore was incurred without any provision in the budget.

(Paragraph 2.1 to 2.4)

3. Audit reviews on developmental/welfare programmes and other activities

3.1 Up-gradation of District Administration and Primary Education and Special Problem Grants recommended by Xth Finance Commission

The Tenth Finance Commission awarded grants to the State for up-gradation of standard of administration, promotion of girls education and to tackle special problem of State *viz.*, construction of an airport at Aizawl during 1996-2000 besides recommending operation of Calamity Relief Fund (CRF) up to 1999-2000 for meeting relief expenditure on the wake of natural calamities. There were large scale financial irregularities during the construction of the airport and the impact of the grant for up-gradation of standard of administration and promotion of girls education remained unevaluated. There were irregularities in administering CRF.

Against the Finance Commission award of Rs.6.54 crore for up-gradation of standard of administration and promotion of girls education, the Government of India released only Rs.6.08 crore. Although Rs.6.38 crore was spent by the State Government, it had not sought for the full amount of the grant of Rs.6.56 crore approved by the Inter Ministerial Empowered Committee from the Central Government.

Against 184 houses to be constructed, under Police Housing Scheme, 145 houses only could be constructed at a cost of Rs.278.30 lakh resulting shortfall in construction of 39 houses.

To tackle the special problem of the State, an airport at Aizawl has been constructed except 25 *per cent* of the Terminal building. In the process of execution the department sustained loss of Rs.1.44 crore due to issue of material at a lower rate, incurred extra expenditure of Rs.30.50 lakh on escalations charges and extended undue financial benefit of Rs.3.55 crore as mobilisation advance. The excess expenditure of Rs.11.71 crore over the estimate of Rs.97.92 crore for construction of airport at Aizawl was yet to be regularised.

Contrary to the provision of the scheme, the corpus of the CRF was kept in the savings bank account of the State Bank of India and thereby higher rate of interest could not be earned by investing in the prescribed securities.

The Director Relief & Rehabilitation Department spent Rs.1.82 crore out of CRF during 1998-99 to 1999-2000 on local purchase of silpaulin without ascertaining the genuineness of requirement thereof from the Deputy Commissioner concerned and without obtaining approval of State Level Committee.

(Paragraph 3.1)

3.2 State Lotteries

The Government of Mizoram introduced State Lotteries in September 1986 to mobilise and augment the revenue resources. A review of the running of State Lottery for the period from April 1995 to March 2000 revealed that lotteries were not fully in consonance with the requirement of the Supreme Court for the running of State Organised Lotteries. The State Government had received only minimal amount as revenue out of the turn over of several thousand crores in the lottery business.

Out of sale proceeds of Rs.40367.24 crore pertaining to 79011 draws held during 1995-96 to 1999-2000, Rs.14539.27 crore remained with sole distributors after disbursing prize money and dues to the Government.

Even though the number of lottery draws was increasing, the yearly revenue on lotteries decreased from Rs.8 crore in 1995-96 to Rs.2.56 crore in 1999-2000 due to regressive rate of advance sale proceeds.

Profit to be derived from the lottery business was never estimated in terms of percentage of the face value of tickets printed for sale resulting in poor inflow of revenue.

Against an earning of Rs.8948.02 crore by the distributors holding 79011 lottery draws during 1995-96 to 1999-2000 the State had received Rs.48.50 crore only being the advance sale proceeds which was 0.12 *per cent* of the face value of the tickets printed.

In 22,277 draws, the prize money structure was only 22.96 *per cent* of the turnover contrary to the norm of at least 50 *per cent* laid down by Government of India.

(Paragraph 3.2)

3.3 Members of Parliament of Local Area Development Scheme

With a view to enable the Member of Parliament (MP) to recommend works of capital nature in their constituencies the scheme was introduced in December 1993. Under the scheme each of the 2 MPs of the State, one for Lok Sabha and other for Rajya Sabha, had the choice to select work of development nature to be executed to the tune of Rs.1 crore, (increased to Rs.2 crore from 1998-99) per year for execution through district collectors in his/her constituencies/through out the State in case of Rajya Sabha members. The fund for the purpose is released directly by the Government of India to the District Collectors. A review of the implementation of the scheme revealed poor expenditure management and improper monitoring and reporting on the progress of work.

At the end of March 2000, there was short release of funds by Government of India to the tune of Rs. 1.50 crore. Only Rs.9.85 crore could be utilised upto March 2000 out of the available amount of Rs.10.61 crore during 1997-98 to 1999-2000.

Works aggregating Rs.77.50 lakh were executed without obtaining consent of the incumbent MP.

Recommended/sanctioned works were got executed through the grantee institutions having no technical capabilities to execute the works violating the established procedure for execution of works.

During 1997-98 to 1999-2000, the test checked implementing agencies executed 888 works costing Rs.8.47 crore for which no plan and estimates were prepared and no technical sanction from the competent authority was obtained.

The DC, Saiha had executed 29 works through contractors at the cost of Rs.43.75 lakh during 1997-98 to 1999-2000, without observing codal requirements.

Rupees 31.66 lakh out of the scheme funds were utilised by 3 DCs (Aizawl, Mamit and Champhai) during 1997-98 to 1999-2000 towards execution of works not permissible under the scheme.

(Paragraph 3.3)

3.4 National Family Welfare Programme

The cent *per cent* Centrally Sponsored Family Welfare Programme has been implemented in the State since 1st Five Year Plan period aiming to stabilise population level and at the same time to improve maternal and child care. A review of the implementation of the Programme during 1995-96 to 1999-2000 revealed deficiency in providing maternal and child health care.

Expenditure of Rs.12.23 crore was incurred under the Programme during 1995-96 to 1999-2000 against Rs.12.57 crore released by GOI during the same period which resulted in an overall saving of Rs.0.34 crore.

As against Rs.98.43 lakh admissible as per norms for maintenance of 30 Family Welfare sub-centres during 1995-2000 the department obtained from GOI fund for Rs.1.74 crore and spent Rs.1.80 crore during the same period. The excess expenditure of Rs.81.78 lakh over the norms was due to purchase of unauthorised medicines and equipment.

Funds amounting to Rs.1.25 crore released (June 1998) by the GOI to SCOVA for implementation of RCH scheme was irregularly retained in Government accounts for 3 months under the orders of the State Government. This resulted in delay in implementation of scheme besides loss of interest to the tune of Rs.1.56 lakh by the SCOVA.

Only 14 Primary Health Centres out of 56 established upto March 2000 under minimum needs programme were upgraded thereby hampering delivery of Family Welfare services in rural area.

The scheme envisaged establishment of Family Welfare Bureau (FWB) at each district to look after the Family Welfare Programme but the department could establish only 1 FWB out of 4 districts which affected the effective monitoring of the implementation of the programme in the State.

The performance of 2 district level PPCs in respect of maternal and health care was very minimal as only 10 *per cent* of the expectant mothers registered were protected against Tetanus and 4 to 7 *per cent* of the new born babies in the PPCs immunised against BCG, Polio, DPT and Measles during 1995-2000.

Out of 48 works of new construction entrusted to State PWD, 20 works remained incomplete after 14 months since the due date for completion delaying the benefit of the scheme to the community.

(Paragraph 3.4)

3.5 Urban Employment Generation Programmes

Various Urban Employment Generation Programmes had been implemented in the State since October 1989 with the objective to alleviate urban poverty mainly through setting up self-employment enterprises with institutional credit and subsidy provided by Government of India/State Government besides generation of wage employment through creation of socially and economically useful public assets. A review in audit of the implementation of the programme during 1995-96 to 1999-2000 revealed that the programmes were implemented perfunctorily in as much as Rs.1.87 crore could not be utilised and 21 *per cent* of the expenditure incurred during 1996-2000 were not related to generation of urban employment. There was no follow up action on the part of the implementing authorities about the impact of investment on self-employment ventures.

During 1995-96 to 1999-2000, Rs.7.24 crore was spent on different programmes of Urban Employment Generation Programme against available fund of Rs.9.11 crore leaving unutilised balance of Rs.1.87 crore lying idle in the bank. Partial utilisation of fund adversely affected implementation of the programme.

Of the expenditure of Rs.7.24 crore reported to have been incurred during 1996-2000 on the generation of urban employment/shelter up-gradation, Rs.1.53 crore was either not really spent or mis-utilised.

Due to unplanned provision of subsidy under SJSRY without ensuring its productive utilisation and excess deposit of subsidy with bank under NRY, Rs.1.12 crore remained unutilised affecting generation of self-employment.

The Departments had no knowledge about the establishment of self-employment ventures with the assistance provided in the form of loan and subsidy. While Rs.20.23 lakh was overdue for recovery as on November 1997 against the loans of Rs.29.29 lakh disbursed by 2 banks during 1994-96 under NRY, Rs.66.34 lakh was overdue for recovery as of March 2000 against loans of Rs.88.75 lakh given by one bank during 1994-2000 under PMRY.

There was less generation of 0.19 lakh mandays under wage employment due to defective estimation of work.

(Paragraph 3.5)

3.6 Review on the working of Zoram Electronics Development Corporation Limited (ZENICS)

The Company was established in March 1991 with the main objective of developing, promoting, establishing and running all branches of electronics and allied industries. So far it has taken up only five activities of which three activities have either been closed or had become inoperative and the remaining two activities presently in operation are unstable in nature.

(Paragraphs 8.2.1 & 8.2.7)

The accumulated loss of the Company stood at Rs.2.13 crore representing 63.16 *per cent* of paid-up capital. The contributed value of activities fell far short of administrative expenses varying from Rs.0.23 crore to Rs.0.39 crore.

(Paragraph 8.2.5.2)

4. Other points of interest

(a) Civil Departments

4.1 Extra avoidable/infructuous expenditure

(i) The Executive Engineer, Building Project Division paid Rs.29.64 lakh for 17065.33 kg tubular steel roof trusses for a construction work against contractual provision of 50 such trusses for Rs.0.50 lakh. The rate (Rs.173.70 per kg) allowed for the trusses was much higher compared to the rate (Rs.89.80 per kg) allowed in the execution of Saikuti Hall at Lunglei resulting in extra expenditure of Rs. 14.32 lakh.

(Paragraph 4.4)

(ii) The Executive Engineer, Building Project Division I and II, without ascertaining the competitive rates, procured stones and boulders for utilisation in various works in and around Aizawl Town at rates higher than the rates approved by Superintending Engineer, Aizawl Circle resulting in extra expenditure of Rs.14.96 lakh.

(Paragraph 4.6(a)(b))

4.2 Irregular/doubtful expenditure

(i) Stores worth Rs.63.06 lakh procured out of Central assistance released for construction of a hospital were unauthorisedly diverted for other work.

(Paragraph 4.2)

(ii) Action of the Superintending Engineer to allow lumpsum advances of Rs.45 lakh to the contractors at their request to mitigate the financial hardship was contrary to the provision of the rules, since the contractors' bills for advance payment were not supported by requisite certificate from the competent authority to the effect that advance payment was commensurate to the works executed but not measured.

(Paragraph 4.3)

4.3 Misappropriation/loss etc.

(i) Following change in incumbency of Secretary, Mizoram State Sports Council, a new cash book was opened on 3 April 1995 with an opening cash balance of Rs.0.37 lakh against a closing cash balance of Rs.68.38 lakh reflected in the cash book of his predecessor. Due to inaction on the part of the department the shortage of cash amounting to Rs.68.01 lakh remained unresolved for more than 4 years.

(Paragraph 3.6)

(ii) Payment made to a contractor for execution of 2764.161 sqm mosaic work against the available plinth area of 1585.04 sqm resulted in overpayment of Rs.13.97 lakh for inflated measurement of 1179.121 sqm.

(Paragraph 4.1)

(iii) 4 Public Works Divisions resorted to local purchase of bitumen in piecemeal manner through number of suppliers for use in different road works. Even though the rate allowed for local purchase of bitumen was at par with the issue rate of the Central Store Division, Government sustained loss of Rs.9.58 lakh since 7.5 per cent storage charge included in the issue rate of Store Division had not been credited into Government account but went to the suppliers.

(Paragraph 5.1)

(b) Revenue Receipts

14800 teak poles were unauthorisedly removed from teak plantation under Lunglei Forest Division despite deployment of forest protection force leading to loss of revenue of Rs.2.22 lakh.

(Paragraph 6.6(1))

For unauthorised removal of 646.36 cum of timber from the forest, the Kawrthah Forest Division compounded the cases realising simple royalty and monopoly instead of penal rate which was six times of the royalty resulting loss of revenue of Rs.6.16 lakh.

(Paragraph 6.6(2))

Owners of 58 vehicles defaulted in payment of road tax of Rs.5.66 lakh pertaining to the period between October 1988 and December 1999 and no action had been taken by the District Transport Officer, Lunglei against the defaulters.

(Paragraph 6.8)

(c) Commercial and Trading activities

There were five Government Companies and two Departmentally managed Commercial undertakings in the State of Mizoram as on 31 March 2000.

(Paragraphs 8.1.1)

Total investment in those companies as on 31 March 2000 was Rs.36.36 crore.

(Paragraph 8.1.2)

None of the companies had finalised its accounts for 1999-2000. The accounts were in arrears ranging from 1 to 8

years. According to latest finalised accounts, four Government Companies had incurred an aggregate loss of Rs.3.18 crore.

(Paragraphs 8.1.4 & 8.1.5)

Misappropriation of Rs.0.05 crore, injudicious purchase of office building at a cost of Rs.0.32 crore, unauthorised and unfruitful expenditure of Rs.0.46 crore were also noticed during the audit of Mizoram Agricultural Marketing Corporation Limited. Procurement and sale of ginger resulted in the loss of Rs.4.01 crore to Mizoram Agricultural Marketing Corporation.

(Paragraphs 8.3.1, 8.3.2, 8.3.3 and 8.3.4)