

OVERVIEW

This Report includes two chapters on Finance Accounts and Appropriation Accounts of the Government of Mizoram for the year 2000-2001 and six other chapters, comprising 5 reviews and 23 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 79 *per cent* from Rs.745 crore in 1996-1997 to Rs.1330 crore in 2000-2001. However, very little of the borrowings were available for capital formation after meeting the repayment obligation. Of Rs.615.66 crore received during 2000-2001, only Rs.96.56 crore was available for investment after repayment obligation. During 2000-2001 while the liabilities of the state government grew by 25 *per cent*, its assets grew by only 7 *per cent*.

The total receipts decreased by 4 *per cent* during the current year over previous year (1999-2000) as against 14 *per cent* increase in 1998-1999. Of the total receipts of Rs.828.22 crore, Rs.773.42 crore constituting 93 *per cent* came from State's share of divisible Union taxes and duties and Central grants.

Revenue forecasting during the current year was not made in the budget on realistic basis as the actual revenue raised during the current year exceeded the budget estimates by 26 *per cent*.

Revenue expenditure (Rs.1021.61 crore) during the year accounted for 86 *per cent* of the expenditure of the Government and increased by 15 *per cent* during 2000-2001. The share of non-plan expenditure to revenue expenditure during 2000-2001 was 69 *per cent* against 31 *per cent* under plan side.

The accounts of the state showed a revenue deficit (excess of revenue expenditure over revenue receipts) of Rs.193.39 crore during 2000-2001 and a fiscal deficit (excess of revenue and capital expenditure over revenue receipts) of Rs.375.27 crore, which was covered by Public debt.

The capital expenditure showed a declining trend since 1998-1999 and share of capital expenditure to total expenditure dropped from 20 *per cent* in 1996-1997 to 14 *per cent* in 2000-2001.

Recoveries of loan and advances given by the Government to Companies, *etc.*, had not improved and there was increase in amount advanced resulting in increase in closing balance at the end of 2000-2001 by 87 *per cent* over a period of 5 years. Interest received during 2000-2001 was only Rs.0.88 crore against the outstanding loan of Rs.212.30 crore.

Against investment of Rs.11.60 crore as on 31 March 2001 in various companies/co-operative societies, no dividend was received during 1999-2001.

The payment of interest on borrowings of the Government increased by 112 *per cent* from Rs.47.73 crore in 1996-1997 to Rs.101.20 crore in 2000-2001.

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.

The ratio between capital outlay and capital receipts declined from 1.40 in 1996-1997 to 0.95 in 2000-2001 indicating a worsening sustainability as a substantial part of the capital receipts were not available for capital formation or investment.

Ratio of earning to capital employed reduced to zero during 1999-2001 from 0.014 in 1998-1999 indicating that Government investments were paying no returns.

The ratio of revenue deficit to fiscal deficit increased from 0.15 in 1999-2000 to 0.52 in 2000-2001 indicating that a larger share of the borrowings was applied to meet the revenue expenditure.

The ratio of assets and liabilities decreased from 1.60 in 1996-1997 to 1.20 in 2000-2001 indicating declining solvency of the State.

(Paragraphs 1.1 to 1.11)

2. Appropriation Audit and control over expenditure

Against the total budget provision of Rs.1506.49 crore (including supplementary) actual expenditure was Rs.1506.45 crore and the overall savings of Rs.0.04 crore was the result of savings of Rs.194.05 crore in 49 grants and appropriations offset by excess of Rs.194.01 crore in 12 cases of grants and appropriations. The excess expenditure requires regularisation by the Legislature under Article 205 of Constitution of India.

Supplementary provision of Rs.21.04 crore made in 9 cases of grants/ appropriations during the year proved unnecessary as the expenditure was less than the original budget provision. Further, in 32 cases, against additional requirement of Rs.196.30 crore, supplementary grants and appropriations of Rs.312.22 crore were obtained resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs.115.92 crore.

Persistent savings were noticed in 3 grants/appropriations during the period from 1998-1999 to 2000-2001. Expenditure in 1 case exceeded the approved provision by over 800 *per cent*.

In 14 cases expenditure fell short by more than Rs.1 crore in each case and also by more than 10 *per cent* of the provision while in 17 cases, expenditure of Rs.18.99 crore was incurred without any provision in the budget.

(Paragraphs 2.1 to 2.4)

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

3.1 Non-Formal Education

The method of education meant for Formal Education followed in the Non-Formal Education centres, inadequacy in training of instructors, lack of awareness campaign to motivate school children and non-availability/inadequacy of teaching and learning materials in each centre had adversely affected the implementation of the programme.

Against the State's matching share of Rs.36.73 lakh pertaining to the period from 1995-1996 to 1999-2000, Rs.22.37 lakh only was released by the State Government. Thus, the short release of fund of Rs.14.36 lakh had an adverse effect in implementation of the programme by way of non-payment/part payment of honorarium to the instructors, non-procurement and distribution of teaching and learning materials to all centres, *etc.*

The state government could not obtain the Central assistance of Rs.34.60 lakh pertaining to the period from 1996-1997 to 1999-2000 due to delay in submission of utilisation certificates.

There was failure on the part of the state government to conduct survey for identification of eligible children in the villages to increase the enrolment of students in NFE centres.

The success and drop out rates of Non-Formal Education students reflected poor quality of education and inadequacy of motivation to learners for their retention in the centres.

(Paragraph 3.1)

3.2 Prevention and Control of Diseases

The state government failed to obtain and utilise the full amount of sanctioned grant of Rs.7.12 crore from the Government of India during the years 1996-1997 to 2000-2001 under the National AIDS Control Programme. This shows that the Programme was poorly monitored.

The Director of Health Services, Mizoram, drew (March 1996 and 1998) Rs.18.96 lakh in advance of requirement and retained the entire amount in Civil Deposit to avoid lapse of budget grant.

The Department procured consumables and equipment worth Rs.11.27 lakh meant for use in blood banks but supplied to Hospitals, Public Health Centres and Sub-Centres not having blood bank facilities.

No district level society/community care centre was established as of March 2001.

(Paragraph 3.2)

3.3 Environmental Acts and Rules relating to Air Pollution and Waste Management

The functioning of the Mizoram Pollution Control Board remained ineffective as of March 2001. It failed to plan, control, study and prevent the effects of environmental pollution in the State. This was mainly due to non-utilisation of funds made available to it, lack of technical/scientific manpower, non-functioning of the laboratories and non-involvement of Non-Government Organisations for creating mass awareness on issues concerning pollution.

The Board had neither prepared its Annual Accounts since its creation (September 1989) nor its Annual Reports for presentation to the Legislature.

Out of Central assistance of Rs.97.73 lakh provided, Rs.55 lakh was surrendered (31 March 2001), Rs.15.10 lakh remained unutilised and Central funds of Rs.5.36 lakh was unauthorisedly diverted by the Board.

Out of Rs.43.90 lakh provided by Government of India, for setting up of two laboratories, the Board utilised Rs.28.42 lakh for partial procurement of instruments thus making the laboratories non-functional.

Though an expenditure of Rs.58.25 lakh was incurred by the Board on pay and allowances, it virtually remained non-functional since its creation, as there were inadequate technical/scientific manpower to implement the provisions of Acts and Rules relating to prevention and control of pollution.

(Paragraph 3.3)

3.4 Drinking Water Supply Programme

(a) Accelerated Rural Water Supply Programme

There are 911 habitations in the state of Mizoram having 4.41 lakh rural population. Although 367 habitations were fully covered and 544 habitations partially covered, the department failed to evolve any system to ascertain whether the targeted population were actually deriving the benefits arising out of the completed/partially completed schemes.

The Executive Engineer, PHE Division, Lunglei drew (March 1999 and 2000) Rs.56.70 lakh, in advance of requirement, and charged the expenditure to different schemes under ARWSP but the amounts were kept under Civil Deposit to avoid lapse of budget grant. Of this, the Division spent Rs.23.22

lakh during 2000-2001 leaving an unspent balance of Rs.33.48 lakh in Civil Deposit as of April 2001.

Two Executive Engineers (Aizawl PHE Division-I and Lunglei PHE Division) irregularly incurred expenditure of Rs.12.51 lakh for purchase of office stationery *etc.*, by way of diverting the money from ARWSP fund.

There was shortfall to the extent of 91 *per cent* in testing of water samples in the three laboratories during 1997-1998 to 2000-2001 inspite of incurring an expenditure of Rs.99.18 lakh during the period for running of these laboratories. Thus, the quality of water provided to the targeted population remained doubtful.

For lack of proper survey, expenditure of Rs.1.66 crore towards 355 unsuccessful boring drilled by Rigs proved unfruitful.

Owing to lack of inter-office communication system within the Department, the objective of introducing management information system remained unfulfilled (March 2001) even after incurring an expenditure of Rs.84.94 lakh for this purpose.

(b) Accelerated Urban Water Supply Programme

Based on the recommendation of the state level selection committee, the Government of India approved (between December 1995 and March 2000) six schemes at an estimated cost of Rs.6.33 crore. Of these, only two schemes were completed at a total cost of Rs.1.46 crore. Of the remaining four schemes, three schemes although scheduled to have been completed by March 2001 were in progress despite availability of fund. This indicates poor performance of the state government.

(Paragraph 4.1)

3.5 Recovery of dues treated as arrears of land revenue

The Departments of Government are primarily responsible for recovery of dues pertaining to the respective Departments. A review on the recovery of Government dues covering the period from 1995-1996 to 2000-2001 revealed a very poor rate of recovery, which constituted only 3.30 *per cent* of the total dues.

Out of the total Government dues of Rs.258.29 lakh involved in 3422 cases referred by different departments between 1997-1998 to 2000-2001, only Rs.8.52 lakh in 290 cases was recovered. The progress of recovery constitutes only 3.30 *per cent* of the total recoverable dues.

61 cases of Government dues involving Rs.61.44 lakh referred by Forest Department were not on record of the Certificate Officer, Aizawl.

There was no internal control to monitor the progress of recovery of Government dues. Government dues of Rs.1277.45 lakh in 5,693 cases pertaining to 4 major Departments were locked up for a period ranging between 1 and 29 years due to inherent system defect. The government while admitting the fact stated (November 2001) that a new Act viz. the Mizoram Public Demand Recovery Act 2001 has been enacted by the State Legislature and the Rules thereunder are being notified soon for rectifying the present shortcomings in the recovery process.

(Paragraph 6.7)

4. Other points of interest

(a) Civil Departments

4.1 Extra avoidable expenditure

- (i) The Executive Engineers of Aizawl Road South Division engaged Muster Roll labourers for 63,262 mandays for departmental execution of two items of work against the actual requirement of Muster Roll labourers for 43,124 mandays. This resulted in extra expenditure of Rs.14.31 lakh.

(Paragraph 4.2)

4.2 Irregular expenditure

- (i) The Project Director, District Rural Development Agency, Aizawl irregularly diverted fund of Rs.9.70 lakh for execution of works in urban areas instead of in rural areas.

(Paragraph 3.6)

4.3 Misappropriation/losses etc.

- (i) The outgoing Deputy Commissioner, Mamit misappropriated Rs.33.96 lakh (the bank draft of Rs.25 lakh encashed on 10 January 2000 was not accounted for in cash book/subsidiary cash book and Rs.8.96 lakh was not handed over to the successor while relinquishing the charge in January 2000) and also temporarily misappropriated Rs.18 lakh for five months.

(Paragraph 3.4)

- (ii) The Executive Engineer, Central Stores (PWD) Division, Aizawl sustained loss of Rs.79.86 lakh due to unnecessary purchases and prolonged storage of materials and unauthorised issue of write-off sanction orders (for Rs.26.26 lakh).

(Paragraphs 5.2 and 5.3)

(b) Revenue Receipts

- (i) In Kolasib Forest Division, 820 teak trees and 195.972 cum of timber were unauthorisedly removed by one permit holder and two contractors respectively without payment of royalty of Rs.56.98 lakh.

(Paragraph 6.8)

- (ii) Despite issue of instructions by the Environment and Forest Department, the Executive Engineers of Khazawl, Aizawl North and Saitual PWD Divisions failed to deduct forest royalty of Rs.5.26 lakh from the contractors' bills resulting in loss of revenue to that extent.

(Paragraph 6.14)

(c) Commercial and Trading activities

- (i) There were five Government Companies and two Departmentally managed Commercial Undertakings in the State of Mizoram as on 31 March 2001.

(Paragraph 8.1.1)

- (ii) Total investment in these Companies were Rs.41.51 crore as on 31 March 2001.

(Paragraph 8.1.2)

- (iii) One Company had finalised its accounts for the year 2000-2001. The accounts of the remaining four Companies were in arrears ranging from 3 to 9 years. According to the latest finalised accounts, four Government Companies had incurred an aggregate loss of Rs.2.89 crore.

(Paragraphs 8.1.10 & 8.1.14)

- (iv) There were shortage of 1853.58 quintals of rice valued Rs.20.77 lakh in the two godowns at Pullien and Saitual.

(Paragraph 8.2)

- (v) The Executive Engineer, Electrical Stores Division, Aizawl made injudicious and unnecessary purchases of electrical goods worth Rs.37.44 lakh inspite of having stock of such goods worth Rs.81.20 lakh against the requirement of stores worth Rs.4.17 lakh for the year 2000-2001. This led to accumulation of stock and locking up of Government funds to the tune of Rs.114.47 lakh as of 31 March 2001.

(Paragraph 8.3)