

## OVERVIEW

This Report includes two chapters on Finance Accounts and Appropriation Accounts of the Government of Mizoram for the year 2002-03, one chapter on Internal Control/Internal Audit and five other chapters, comprising five reviews and 36 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 assets of the State Government during 2002-03 increased from Rs.2077.36 crore in 2001-02 to Rs.2386.72 crore (15 *per cent*), while the liabilities grew from Rs.2016.29 crore to Rs.2435 crore (21 *per cent*). This was mainly due to very high growth in market loans bearing interest (80 *per cent*), loans for State plan schemes (12 *per cent*) and suspense and miscellaneous balances (66 *per cent*).
- Rate of growth of revenue receipts during 2002-03 was only 17.73 *per cent* over the previous year (2001-02). GSDP growth also came down from 12.17 *per cent* in 2000-01 to 10.85 *per cent* in 2002-03.
- The overall expenditure comprising revenue, capital expenditure and loans and advances of the State during 1998-99 to 2002-03 increased at an average annual trend rate of 10.95 *per cent* and for every one *per cent* increase in the State's revenue receipts, the total expenditure of the State increased by 1.581 *per cent*. Non-development expenditure increased from 26.07 *per cent* in 1998-99 to 30.60 *per cent* of total expenditure in 2002-03.
- The ratio of revenue expenditure to total expenditure increased from 79.07 *per cent* in 1998-99 to 83.55 *per cent* in 2002-03.
- Capital and development expenditure declined from 17.33 and 72.74 *per cent* in 1998-99 to 14.25 and 68.60 *per cent* respectively during 2002-03.
- As a proportion to State's gross domestic product, fiscal deficit had increased to 14.34 *per cent* in 2002-03 from 7.93 *per cent* in 1998-99 and Primary deficit to 8.29 *per cent* in 2002-03 from 1.97 *per cent* in 1998-99.
- On an average for one *per cent* increase in GSDP, the direct fiscal liabilities of the State increased by 2.14 *per cent*.

- Of Rs.1160 crore (borrowed fund) received during 2002-03, only Rs.149 crore (12.84 *per cent*) were available for investment after meeting repayment obligations.
- The investment in companies, corporations and co-operative institutions at the end of March 2003 was Rs.11.68 crore. There was no return on these investments during 1999-2000 to 2002-03.
- The balance from current revenue (BCR) has been negative for 5 years indicating that the State had to depend on borrowings only for meeting its plan expenditure.

(Paragraph 1.2 to 1.9)

## **2. Appropriation Audit and control over expenditure**

Against the total budget provision of Rs.1602.54 crore (including supplementary) actual expenditure was Rs.1975.12 crore and the overall excess of Rs.330.04 crore was the result of excess of Rs.595.30 crore in 10 grants and appropriations offset by savings of Rs.265.26 crore in 45 cases of grants and appropriations. The excess expenditure requires regularisation by the Legislature under Article 205 of Constitution of India.

Supplementary provision of Rs.36.85 crore made in 13 cases of grants/ appropriations during the year proved unnecessary as the expenditure was less than the original budget provision. Further, in 27 cases, against additional requirement of Rs.145.19 crore, supplementary grants and appropriations of Rs.269.39 crore were obtained resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs.124.20 crore.

(Paragraph 2.1 to 2.4)

## **3. Internal Control/Internal Audit**

Internal Audit in the State is still in an under-developed stage. The Examiner of Local Accounts who was assigned with the duties and responsibilities for conducting Internal Audit did not maintain the basic records *viz.*, progress register, objection book, monthly/quarterly report on settlement of outstanding paragraphs, inspection reports, *etc.* In order to streamline the activities of Internal Audit, the reporting and monitoring system needs to be strengthened and regular skilled personnel should be provided.

(Paragraph 8.1)

## **4. Audit reviews on developmental/welfare programmes and other activities**

### **4.1 Poultry Development Scheme**

There was excess expenditure of Rs.27.75 lakh due to entertainment of excess muster roll labourers as poultry attendants. The poultry farms of the State

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failed to perform at the desired level to achieve the objectives of the scheme. The financial results of these farms indicated a loss of Rs.3 crore during the period from 1998-99 to 2002-03.

*(Paragraph 3.1)*

#### **4.2 Welfare of the Handicapped**

Despite availability of fund, the Department failed to utilise Rs.1.46 crore comprising Central fund of Rs.25 lakh and State fund of Rs.1.21 crore.

There was excess expenditure of Rs.56.01 lakh towards payment of honorarium beyond the prescribed norm.

*(Paragraph 3.2)*

#### **4.3 Greater Aizawl Water Supply Scheme Phase-II**

Out of the total expenditure of Rs.48.19 crore pertaining to the period from 1998-99 to 2002-03, Rs.26.28 crore was advance payment made to the firm. The actual physical progress of the work was negligible. There was cost overrun of Rs.41.67 crore due to defective tendering and delay in finalisation of tender.

The department incurred wasteful expenditure of Rs.51.10 lakh due to arbitrary change of specification of pumps.

There was undue financial benefit of Rs.16.66 crore to the contractor by way of advance payments.

*(Paragraph 4.1)*

#### **4.4 Construction of Zamuang-Hriphaw-Kolalian-Dullabcherra Road (under NEC Plan)**

The State Government diverted NEC fund of Rs.3.65 crore for implementation of other schemes.

The department incurred an extra expenditure of Rs.1.29 crore in excess execution of formation cutting of the road.

There was excess expenditure of Rs.17.02 lakh in execution of formation cutting and preparation of sub-base course beyond the approved alignment of the road.

Defective estimate of the work led to sub-standard execution of pavement and black topping works worth Rs.7.63 crore.

*(Paragraph 4.2)*

#### **4.5 Working of Mizoram State Transport**

The Mizoram State Transport had incurred heavy operational losses ranging from Rs.4.06 crore to Rs.6.41 crore during 1997-98 to 2001-02. The cumulative loss at the end of March 2002 stood at Rs.24.68 crore.

The staff productivity was too low (varied from 5.18 to 5.91 kms/worker/per day) in comparison to the All India average of 42.93 to 43.74 kms/per worker/per day.

There was expenditure of Rs.3.25 crore on idle manpower.

*(Paragraph 7.2)*

#### **5. Other points of interest**

##### **(a) Civil Departments**

##### **5.1 Extra avoidable expenditure**

(i) The District Agriculture officer, Kolasib incurred an extra expenditure of Rs.42.75 lakh in purchase of planting materials at higher rate.

*(Paragraph 3.6)*

(ii) The Executive Engineer, National Highway Division, No.1, Aizawl incurred an avoidable expenditure of Rs.16.60 lakh due to excess execution of bituminous macadam work.

*(Paragraph 4.5)*

(iii) The Executive Engineer, Electrical Division, PWD, Aizawl incurred an extra avoidable expenditure of Rs.14.71 lakh in purchase of electrical goods at higher rates without observing codal formalities.

*(Paragraph 4.7)*

##### **5.2 Irregular/wasteful expenditure**

(i) The Executive Engineer, National Highway Division No.I, Aizawl irregularly made an advance payment of Rs.99.90 lakh to a firm for execution of the work 'Development of NH 44 'A' (pavement works)' before handing over of work site to the firm.

*(Paragraph 4.3)*

(ii) The Executive Engineer, Quality Control Division, Aizawl incurred an idle expenditure of Rs.16.49 lakh towards procurement of cement (375.90 tonne) which remained unused for more than two and a half years and thereby likely to lose its relative strength to a considerable extent.

*(Paragraph 4.6)*

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**(b) Revenue Receipts**

(i) In Kawrthah Forest Division, there was loss of revenue of Rs.40.63 lakh due to unauthorised removal of trees. Besides, a fine of Rs.81.26 lakh was leviable for damage to forest produce.

*(Paragraph 5.11)*

(ii) There was loss of revenue of Rs.19.40 lakh due to shortage of 183.2296 cum of teak timber from the Forest Depot under Kolasib Forest Division.

*(Paragraph 5.14)*

(iii) Non-observance of the prescribed procedure regarding physical verification as well as proper account of cash balances in the State Transport Authority, Mizoram led to misappropriation of revenue of Rs.7.18 lakh.

*(Paragraph 5.19)*

(iv) There was evasion of tax of Rs.8.83 lakh due to non-registration of 526 commercial vehicles by the Superintendents of Taxes, North and South Zones, Aizawl.

*(Paragraph 5.24)*

**(c) Commercial and Trading activities**

(i) There were five Government Companies and two Departmentally managed commercial undertakings in the State as on 31 March 2003.

*(Paragraph 7.1.1)*

(ii) Total investment in these companies was Rs.66.66 crore as on 31 March 2003.

*(Paragraph 7.1.2)*

(iii) One company had finalised its accounts for the year 2002-03 and one more company had finalised its accounts relating to the year 1994-95. The accounts of four companies were in arrears ranging from five to eight years. According to the latest finalised accounts four companies had incurred an aggregate loss of Rs.2.76 crore and one company earned a profit of Rs.0.28 lakh.

*(Paragraphs 7.1.4 & 7.1.5)*

(iv) The Executive Engineer, Generation Division, Aizawl incurred extra avoidable expenditure of Rs.38.67 lakh in procurement of materials at higher rate.

*(Paragraph 7.3)*

(v) Procurement of tower materials by charging to a work, which was subsequently abandoned due to paucity of fund, led to avoidable expenditure

of Rs.38.68 lakh towards re-transportation of these materials to another work site.

***(Paragraph 7.5)***

(vi) There was misappropriation of cash worth Rs.15.66 lakh and foodstuff valued Rs.72.46 lakh by the then District Civil Supplies Officer, Aizawl East.

***(Paragraph 7.6)***