

The CAG's Mizoram Audit Report Leads to Numerous Questions, Some on its Own Processes

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On August 23, the Mizoram state assembly witnessed the presentation of an audit report by the Comptroller and Auditor General (CAG) on Mizoram state for the financial year ending on March 31, 2022.

The report was shared with the state government on February 24, 2023, but it took almost six months for the state government to schedule the presentation of the report before the state assembly.

Was the opposition concerned by such a prolonged delay? Did any MLA raise a question about the audit report being finalised but not yet in the public domain? Did any citizen file an RTI application with governor's office or with the office of the principal accountant general to seek the information on this finalised report that was not yet in the public domain till August 23, 2023?

In our constitutional democracy, have such questions lost relevance? Or have they been reduced to rhetorical questions?

Ideally, one would imagine that the country's 'supreme audit institute' shall feel morally obliged to at least share the status of such 'finalised but not yet in the public domain' audit reports on its website's '[Status of Audit Reports](#)' webpage.

However, looking through this webpage doesn't quite help. For some curious reason, the CAG seems to be saying that only the Telangana state government appears to have got four such 'finalised but not yet in the public domain' audit reports.

Reading Mizoram's latest audit report – which is now in the public domain after having been presented in the Mizoram assembly – and what it has reported on a welfare fund meant for providing some semblance of social protection for construction workers makes one wonder if CAG auditors have failed to ask some pertinent accountability questions.

This article engages with the fiscal data on the Mizoram Building and Other Construction Workers' Welfare Fund (MBOCWWF), compiled from similar audit reports over the last nine years.

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Under chapter 4 of the latest report, wherein CAG auditors have made observations on the 'quality of accounts and financial reporting practices', readers are told that "the Building and Other Construction Workers' Welfare Cess is the only cess currently being collected by [the] government of Mizoram allowed under the Building and Other Construction Workers' Welfare Cess Act [BOCW Act], 1996".

In two subsequent paragraphs, CAG auditors have presented data in two tables that respectively inform us on (i) membership enrolment in the Construction Workers' Welfare Board (MBOCWWB) and (ii) the position of cess collection, other receipts and actual expenditure incurred during the last five years.

Both these tables are said to be sourced from the MBOCWWF.

While in the past, CAG auditors had voiced qualitative comments after presenting such statistics, the CAG's audit report for the fiscal year 2021-22 appears to be silent on any qualitative remarks whatsoever. We are told in a matter-of-fact style the following:

"MBOCWWB received INR 28.68 crore during the year 2021-22, out of which INR 22.88 crore was cess received during the year. During the year, the Board spent an amount of INR 29.30 crore on administrative expenses and welfare schemes/benefits as envisaged in the [BOCW Act]."

Should CAG auditors merely reproduce the data tables furnished to them by the executive during the audit process? Or should they read, interpret and analyse these data tables to report to citizens whether the executive has complied with prescribed guidelines contained in the governing law?

In my opinion, CAG auditors should have pressed the MBOCWWB to furnish a scheme-wise breakup as well as details on administrative expenditure for the Rs 29.30 crore that is shown in one of its tables as total expenditure (see below).

By expecting our national auditor to tell us this, we are not merely being pedantic, since one of the prerequisites of the BOCW Act is that out of its total annual expenditure, 95% should be towards welfare schemes and only 5% can be on administrative expenses.

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I also wish CAG auditors would see how their earlier audit paragraphs on the MBOCWWF read compared to this one. For example, the CAG's audit report on Mizoram (state finance) for the fiscal year 2017-18 had pointed out:

“It can be seen from the table above that the fund position of the [MBOCWWB] in respect of receipt for the year 2017-18 is INR 17.89 crore (INR 15.08 crore + INR 2.81 crore), and expenditure is INR 8.15 crore.

However, as per statement of receipt and expenditure submitted (March 2019) by the Board for 2017-18, total receipt is INR 17.89 crore and total expenditure is INR 8.42 crore. Hence, there was a difference of INR 0.27 crore (INR 8.42 crore minus INR 8.15 crore), which is required to be reconciled.

Further, out of total expenditure of INR 8.42 crore depicted in the accounts for the year 2017-18, INR 6.30 crore was shown as an unauthorised transaction by the bank. Hence, the actual expenditure of the Board for the year 2017-18 would be INR 2.12 crore (INR 8.42 crore minus INR 6.30 crore), which needs to be rectified by the Board”.

Similarly, while presenting their audit observation on the MBOCWWF for the fiscal year 2018-19, CAG auditors stated:

“As is evident from the table above, the MBOCWB received INR 39.98 crore during the year 2018-19, and expended INR 13.56 crore (Administrative Expense: INR 0.39 crore, Welfare schemes: INR 12.76 crore and Others: INR 0.41 crore)”.

What also makes readers and citizens concerned is that when it comes to audit observations in CAG reports on BOCW funds across the country, there are different styles of drafting audit observations for different states.

Another worrisome trend is that while ideally, state finance audit reports shall present an audit paragraph on this special-purpose social welfare fund, some recently tabled audit reports do not even have a very basic audit paragraph on this fund.

For example, the CAG's audit report on Goa (state finance) for the year ended March 31, 2022 and tabled in the state assembly on August 10, 2023, doesn't have any information on Goa's Building and Other Construction Workers' Welfare Fund.

The overall picture that emerges by comparing audit observations on the MBOCWWF from several audit reports can be presented in the tables below:

While we do not have the fiscal figures on the fund position of the MBOCWWB for the year 2012-13, we can safely assume that the cess receipts would not be very high, since the Mizoram state government had notified the enforcement of levy and collection of construction workers' welfare cess *vide* office memorandum dated May 29, 2012 only.

Similarly, the overall picture that emerges by comparing the construction workers' enrolment data across the years is as presented below.

In a shocking manner, when we compare the number on construction workers' enrolment pertaining to the fiscal years 2019-20 and 2020-21 given in the CAG's audit reports for the fiscal year 2020-21 and 2021-22, those values undergo a massive shift that is completely unexplainable (highlighted in yellow).

Will CAG auditors revisit the claims presented in the audit paragraphs across these two reports and present the true picture for citizens?

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