सत्यमेव जयते

State Finances Audit Report of the Comptroller and Auditor General of India

for the year ended 31 March 2020

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Government of Arunachal Pradesh

Report No. 2 of 2021

STATE FINANCES AUDIT REPORT

of the

Comptroller and Auditor General of India

for the year ended 31 March 2020

GOVERNMENT OF ARUNACHAL PRADESH

Report No. 2 of 2021

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PREFACE

1. ***The State Finances Audit Report has been prepared for submission to the Governor of Arunachal Pradesh under Article 151(2) of the Constitution of India for being laid before the Legislative Assembly of the State of Arunachal Pradesh.***

2. ***Chapter I of this Report contains the basis and approach to State Finances Audit Report, structure of the Report, structure of Government Accounts, budgetary processes, snapshot of finances, assets and liabilities, and trends in key fiscal parameters like revenue surplus/ deficit, fiscal surplus/deficit, etc.***

3. ***Chapter II of this Report deals with the State's Budget and Expenditure as per accounts of the State Government for the year ended 31 March 2020. Some information has been obtained also from Government of Arunachal Pradesh for inclusion in this Report.***

4. ***Chapter III of this Report contains audit observations on matters arising from the examination of Appropriation Accounts of the State Government for the year ended 31 March 2020.***

5. ***Chapter IV on 'Quality of Accounts & Financial Reporting Practices' provides an overview and status of the State Government's compliance during the year 2019-20 with financial rules, procedures and directives.***

6. ***Chapter V on 'Functioning of State Public Sector Enterprises' provides an overview and status of the working of State Public Sector Enterprises.***

7. ***The Report containing audit findings of performance audit; compliance audit of transactions in various departments and audit findings arising out of the audit of Statutory Corporations, Boards and Government Companies and Revenue Sector are presented separately for 2019-20.***

EXECUTIVE SUMMARY

Executive Summary

The Report

Based on the audited accounts of the Government of Arunachal Pradesh for the year ending March 2020, this Report provides an analytical review of the finances of the State Government. The Report is structured in five Chapters.

Chapter I-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 II-Finances of the State Government

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 III- 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 IV- 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.

Chapter V- Functioning of State Public Sector Enterprises

This Chapter provides a 'bird eye view' on the functioning of the State Public Sector Enterprises (SPSEs). The term State Public Sector Enterprises (SPSEs) encompasses the State Government owned/ controlled Government Companies set up under the Companies Act, 2013 and Statutory Corporations setup under the statutes enacted by the Parliament and State legislature.

Audit findings

Overview

- The State GSDP which was ₹ 27036.64 crore during 2019-20 with a growth rate of 9.89 *per cent* over the previous year, was higher than the all India GDP growth rate of 7.21 *per cent*. Service Sector was the major contributor of GSDP during the year with 41.32 *per cent*. Agriculture was the second largest contributor with

28.06 *per cent* while Industry and Taxes on products were third and fourth respectively.

- Revenue Receipts of the State decreased by 8.07 *per cent* (₹ 1307.41 crore) over the previous year. The decrease was mainly due to decrease in States share of Union Taxes and Duties (₹ 1448.57 crore) and Grants-in-Aid (₹ 62.04 crore) which was offset by increase in Own tax Revenue (₹ 160.69 crore) and Non-Tax Revenue (₹ 42.51 crore).
- Own Tax Revenue (₹ 1228.73 crore) of the State increased by 15.05 *per cent* over the previous year (₹ 1068.04 crore). Non-Tax Revenue (₹ 651.38 crore) of the State increased by 6.98 *per cent* in comparison to the previous year (₹ 608.87 crore).
- Revenue Expenditure (₹ 12218.73 crore) decreased by 1.70 *per cent* (₹ 210.75 crore) over the previous year (₹ 12429.48 crore). The decrease was mainly due to decrease in expenditure on Social Services (₹ 216.20 crore) and Economic Services (₹ 2.28 crore) partly offset by increase on General Services (₹ 7.73 crore).
- Capital Expenditure (₹ 3693.05 crore) decreased by 35.52 *per cent* (₹ 2034.38 crore) over the previous year expenditure (₹ 5727.43 crore). It was mainly due to decrease in capital outlay under Roads and Bridges (₹ 769.62 crore), Water Supply, Sanitation, Housing and Urban Development (₹ 238.24 crore), Other Administrative Services (₹ 221.90 crore) and Public Works (₹ 198.98 crore) *etc*.
- Although the State had managed to achieve surplus on Revenue Account during the last five years, the Revenue Surplus (₹ 2669.82 crore) during the year decreased by 29.12 *per cent* (₹ 1096.66 crore) over the previous year (₹ 3766.48 crore).
- State was able to reduce Fiscal Deficit by 47.76 *per cent* (₹ 943.81 crore) as compared to previous year.
- The State was able to meet the projections made under Arunachal Pradesh FRBM Act regarding Revenue Surplus, but could not manage to achieve the ceiling prescribed for Fiscal Deficit-GSDP ratio (3.82 *per cent*) and Outstanding Debt-GSDP ratio (44.87 *per cent*).

(Chapter I)

Recommendations

The State Government needs to keep up the trend of Own Tax Revenue collection achieved during 2019-20 by focusing on other potential areas, apart from SGST to secure a sustained increase in Own Tax Revenue collection.

The State Government needs to increase its Capital Expenditure and give more impetus to asset creation for sustained economic growth.

The State Government may take measures to keep the Fiscal Deficit-GSDP ratio and Outstanding Debt GSDP ratio under the ceilings prescribed in the Arunachal Pradesh FRBM Act through prudent financial management.

Finances of the State Government

- Own Tax Revenue (₹ 1228.73 crore) of the State increased by 15.05 *per cent* over the previous year (₹ 1068.04 crore). Non-Tax Revenue (₹ 651.38 crore) of the State increased by 6.98 *per cent* in comparison to the previous year (₹ 608.87 crore).
- During 2019-20, the Central tax transfers decreased by ₹ 1448.57 crore (13.88 *per cent*) over the previous year from ₹ 10436.14 crore to ₹ 8987.57 crore, adversely impacting the total Revenue Receipts of the State during the year.
- Both Revenue and Capital Expenditure decreased by ₹ 210.75 crore (1.70 *per cent*) and ₹ 2,034.38 crore (35.52 *per cent*) respectively over the previous year. Revenue expenditure, which is in the nature of current consumption, accounted for 77 *per cent* of the State's total expenditure during 2019-20, leaving only 23 *per cent* for infrastructure and asset creation.
- Against Budget allocation of Capital Expenditure of ₹ 8006.72 crore, the State could spend 46.12 *per cent* (₹ 3693.05 crore) of the allocation in the Budget. This indicates that State Government did not make sustained efforts to utilise the outlay for creation of capital assets, which would have a bearing on the long term economic growth of the State.
- During 2015-2020, out of ₹ 1322.95 crore recommended by the XIV FC for grants to Local bodies, the State received ₹ 859.28 crore (64.95 *per cent*) leading to a shortfall of ₹ 463.67 crore.
- Though, the State had revenue surplus consistently during the period 2015-16 to 2019-20, the revenue receipts decreased during the current year. Though, the State has done well to augment its tax revenue by expanding its tax base and collecting more from GST, the State's own resources constituted only around 13 *per cent* of the total revenue receipts during 2019-20. This indicated heavy dependence of the State on Government of India funds, which contributed ₹ 13,008.44 crore of the total receipts of ₹14,888.55 crore in 2019-20.
- Under National Pension System, against contribution of ₹ 369.88 crore of the State Government employees, the State Government contributed ₹ 220.68 crore only during 2015-20, resulting in a shortfall of ₹ 149.20 crore in the matching share of the State Government. Further, the State Government was yet to transfer to ₹ 136.08 crore to NSDL till the end of 31 March 2020. The State Government has also created avoidable interest liability of ₹ 10.72 crore on funds not transferred to NSDL. The shortfall/ non-contribution of funds are liabilities of the State Government, which need to be discharged promptly.
- During 2019-20, the Government had invested ₹ 250.93 crore in Government Companies, Co-operative Bank, Societies, *etc.* The average return on this investment was ***Nil*** in the last five years while, the Government paid an average interest rate ranging from 5.93 to 7.28 *per cent* on its borrowings during 2015-20. Out of the six working Government Companies, four companies had accumulated losses of

₹ 29.10 crore and two companies had accumulated profits of ₹ 36.61 crore as per their latest finalised accounts.

- The State did not maintain the details of its investment in capital projects, as well as the status of these projects along with the liabilities likely to arise from delays in completing these projects.
- The Government incurred an expenditure of ₹ 846.98 crore on 101 projects, which remained incomplete and the resources required for completing these works were not made available. Of these, 23 projects in which an expenditure of ₹ 433.74 crore was incurred and remained incomplete, were prior to 2014-15.

(Chapter II)

Recommendations

Decrease of Central tax transfers in long term would negatively affect the overall health of State's finances, which would also slowly put pressure on the existing revenue surplus and other key fiscal parameters. Thus, the State Government needs to address these concerns with the appropriate authorities for stable flow of Central transfers for long term.

The State needs to plan adequately for rolling out its major policy initiatives and ensure that adequate capacities are developed for consumption of capital expenditure for spending allocated funds for creation of durable assets.

The State Government needs to adhere to the prescribed procedure for accounting for the NPS transactions scrupulously. It should ensure that Government contribution relating to NPS is fully matched with that of the employees' contribution and that the funds are transferred to NSDL in a timely manner to avoid unlimited liability on the State exchequer. This would also provide an assurance to the pensioners about the returns on their investment.

The Government may review the contributions to the Consolidated Sinking Fund prudentially.

The Government may consider reviewing the continuance of loss-making companies from the perspective of their public utility, else improve/turnaround their performance for positive financial results.

The Government needs to maintain an accurate database with regard to the capital invested in projects which are at various stages of completion and incomplete for several years. It may review its commitment to these and liabilities arising out of inordinate delays and take necessary steps to ensure completion of these projects.

Budgetary Management

- Against the total budget provision of ₹ 23,487.10 crore, Departments incurred an expenditure of ₹ 16,281.40 crore during 2019-20, resulting in overall savings of ₹ 7205.70 crore, which stood at 31 *per cent* of total grants and appropriations. This shows poor financial management by the State.

- In 18 Schemes under 16 Grants, Departments incurred an expenditure of ₹212.34 crore during 2019-20, without any budget provision, Supplementary Demands or re-appropriation orders, which is in violation of financial regulations and without the authority of the Legislature.
- During 2019-20, Supplementary grants of ₹ 119.51 crore (₹ 10 lakh & more in each case) provided in 19 grants proved unnecessary as the expenditure did not come up to the level of original provision, indicating that Supplementary grants were provided in an ad-hoc manner.
- In 67 cases, savings exceeded ₹ one crore or by more than 20 *per cent* of total provision during 2019-20. Out of these, 100 *per cent* savings occurred in one Grant viz. Other General, Social and Community Services under Capital voted. Further, there were persistent savings in 16 Grants (₹ one crore & by 10 *per cent* or more) during the last five years 2015-20, indicating lack of systemic and closer budget review by the Government.
- Savings during the year accounted for about a third of the budget. However, the Controlling Officers did not surrender the funds on time. Departments were not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.
- During 2019-20, there were excess over provisions in five Grants/ Appropriations amounting to ₹ 15.76 crore. In addition, excess expenditure amounting to ₹ 3179.78 crore pertaining to the years from 1986-87 to 2018-19, are pending for regularisation. Such excess expenditure over budgetary allocation is a matter of concern, and dilutes legislative oversight over public funds. Government needs to view this seriously and take appropriate corrective measures for regularisation of expenditure in excess of budgetary provision.
- In 48 cases, expenditure of more than 60 *per cent* of the total expenditure for the year 2019-20 was incurred in the last quarter of 2019-20. Of these, in 20 cases, 100 *per cent* of the expenditure was incurred in the last quarter of 2019-20, in breach of financial propriety and lack of adequate planning for spending allocated funds.

(Chapter III)

Recommendations

Savings of budgetary provisions are reflective of inability of the Department to spend the allotted fund. The Government may monitor closely persistent savings and non-surrender of funds by Departments and ensure that budgetary provisions are made for prioritised developmental scheme/projects for a more impactful expenditure.

Excess of expenditure over budgetary provisions under different grants is a serious lapse against legislative control. Departments which had incurred excess expenditure persistently should be identified to closely monitor their progressive expenditure so that they seek supplementary grants/re-appropriations in time.

The State Government needs to ensure better management of budgeted funds through re-appropriations.

Supplementary grants should be provided in such grants only after proper scrutiny and realistic assessment of requirements to avoid under or over spending by the concerned departments.

Rush of expenditure is a breach of financial propriety leading to wasteful and unplanned expenditure. The Government should strengthen monitoring mechanism in each department to regulate fund flow and their utilisation on quarterly basis to avoid rush of expenditure at the fag end of the financial year.

Quality of Accounts and Financial Reporting Practices

- Deputy Director of School Education, Longding parked Scheme funds of ₹ 0.57 crore outside the Government Account, in Savings Bank Account.
- 133 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 887.28 crore given to Departments of the State Government during the period up to March 2020 were not submitted to the Accountant General. Non submission of UCs is fraught with the risk of fraud and misappropriation of funds.
- During 2019-20, ₹ 2.61 crore was drawn through 84 Abstract Contingent (AC) Bills and ₹ 4.14 crore drawn through 53 AC Bills drawn prior to 2019-20 was also outstanding. Against this, 120 Detailed Countersigned Contingent (DC) Bills for ₹ 6.46 crore, were awaited for submission of as on 31 March 2020. Non-adjustment of advances for long period is fraught with the risk of misappropriation and booking of expenditure without supporting documents.
- The State Government classified ₹ 620.62 crore as Receipts under Minor Head 800–Other Receipts constituting 33.01 *per cent* of Tax and Non-Tax Receipts. Similarly, the State booked expenditure of ₹ 6036.88 crore under Minor Head 800–Other Expenditure constituting 37.94 *per cent* of total expenditure, during 2019-20. This rendered the Accounts opaque/ non-transparent.
- During the financial year 2019-20, there were delays in rendition of monthly accounts ranging from 01 to 125 days by the Treasuries, 01 to 140 days by the Public Works Divisions and 01 to 144 days by the Forest Divisions respectively.

(Chapter IV)

Recommendations

State Government may enforce compliance to Financial Rules by disbursing officers to ensure that funds are drawn from the treasury only for immediate disbursement.

The Government may ensure timely submission of all Utilisation Certificates due and particularly those relating to Central Schemes so that they receive sanctioned funds from the GoI in a time bound manner.

State Government may ensure timely submission of utilisation certificates by the recipients of grants and of DCC Bills within the prescribed timeline as required under the Rules.

The Finance Department should, in consultation with the Principal Accountant General, conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate detailed /object heads of account.

The State Government needs to expedite computerisation of treasuries in the State and ensure rendition of accounts by all the account rendering authorities to the Principal Accountant General on a timely basis, to manage the State Budget effectively.

Functioning of State Public Sector Enterprises

- As on 31 March 2020, the State of Arunachal Pradesh had total seven SPSEs (all Government companies), which included one non-working SPSE. As on 31 March 2020, there were differences in the figures of State's investment in Equity (₹ 10.49 crore) and Loan (₹ 27.87 crore) of SPSEs as per State Finance Accounts *vis-à-vis* records of SPSEs.
- During 2019-20 the State Government has provided budgetary support of ₹ 4.79 crore to two SPSEs in the form of Grants/subsidy. The recipients of the budgetary assistance were Arunachal Pradesh Forest Corporation Limited (₹ 2.60 crore) and Hydro Power Development Corporation of Arunachal Pradesh Limited (₹ 2.19 crore). The State Government did not provide equity or loan assistance to any SPSE during 2017-20.
- During 2019-20, out of six working SPSEs, four SPSEs earned profits (₹ 6.07 crore) as per their latest finalised accounts. Further, the accumulated losses (₹ 27.29 crore) of three working SPSEs had completely eroded their paid-up capital (₹ 9.64 crore).
- As on 30 September 2020, all six working SPSEs had a total arrear of total 46 Accounts ranging from one to 20 Accounts. The highest pendency of accounts pertained to Arunachal Pradesh Mineral Development and Trading Corporation Limited (20 Accounts) and Arunachal Pradesh Forest Corporation Limited (14 Accounts).

(Chapter V)

Recommendations

The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in the investment figures (Equity and Long term Loans) of the State Government as appearing in the State Finance Accounts *vis-à-vis* SPSE records in a time-bound manner.

Accumulation of huge losses by three out of six working SPSEs had eroded public wealth, which is a cause of concern and the State Government needs to review the working of these SPSEs to either improve their profitability or close their operations.

The Administrative Departments overseeing the SPSEs having backlog of Accounts need to ensure that these SPSEs finalise and adopt their Accounts within the stipulated period, failing which financial support to them be reviewed.

CHAPTER I

OVERVIEW

Chapter I OVERVIEW

1.1 *Profile of the State*

Arunachal Pradesh is a North Eastern and Himalayan (NE&H) State, area-wise it is the largest State in the North-Eastern region (NER) with a geographical area of about 83,743 sq. km. It has an international border with Bhutan in the West (160 kms), China in the North and North-East (1,080 kms) and Myanmar in the East (440 kms). It also shares common boundaries with Assam and Nagaland. According to the Census of India-2011, population of the State stood at 13,83,727[1] with a population density of 17 persons per sq. km. as against the national average of 382 persons per sq. km. (lowest in the country) and 0.11 *per cent* of the country's population. The State's decadal growth rate of population was 9.71 *per cent*, slightly lower than the rate of growth of North Eastern & Himalayan (NE&H) States of 10.00 *per cent* and the all India growth rate of 11.09 *per cent.* The State had literacy rate of 65.38 *per cent*.

The per capita income of the State at current prices was ₹ 1,64,557 in 2019-20, which was higher than the all India average of ₹ 1,51,677 as well as the average of the NE&H States of ₹ 1,42,121. General and financial data relating to the State are given in ***Appendix 1.1***.

1.2 *Basis and Approach to State Finances Audit Report*

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

The Accounts wing of the Principal Accountant General office annually prepares the Finance Accounts and Appropriation Accounts of the State, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government, and the statements received from the Reserve Bank of India. These accounts are audited independently by the Audit Wing of the office, and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this Report. Other sources include the following:

- Budget of the State: for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Pr. Accountant General (Audit);
- Other data with Departmental Authorities and Treasuries (accounting and MIS),
- GSDP data and other State related statistics; and

[1] Male: 7,13,912; Female: 6,69,815

- Various Audit Reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the 14th Finance Commission (FC), State Financial Responsibility and Budget Management Act, best practices and guidelines of the Government of India. A meeting was held with Stare Finance Department on 12 January 2021 wherein the issues included in the report have been discussed. Replies of the Government, where received, are incorporated in this Report at appropriate places.

1.3 Report Structure

The SFAR is structured in to the following five Chapters:

Chapter - 1	**Overview** This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/ surplus.
Chapter – II	**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 period from 2015-16 to 2019-20, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
Chapter –III	**Budgetary Management and Budgetary Control** 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 - IV	**Quality of Accounts & Financial Reporting Practices** This Chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.
Chapter - V	**Functioning of State Public Sector Enterprises** This Chapter provides a 'bird eye view' on the functioning of the State Public Sector Enterprises (SPSEs). The term SPSEs encompasses the State Government owned/ controlled Government Companies set up under the Companies Act, 2013 and Statutory Corporations setup under the statutes enacted by the Parliament and State legislature.

1.4 *Overview of Government Accounts Structure*

The Accounts of the State Government are kept in three parts:

1. **Consolidated Fund of the State (Article 266(1) of the Constitution of India)**

   This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, *etc*.), Ways and Means Advances (WMAs) extended by the Reserve Bank of India (RBI) and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.*, salaries of Constitutional authorities, loan repayments, *etc*.), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

2. **Contingency Fund of the State (Article 267(2) of the Constitution)**

   This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

3. **Public Account of the State (Article 266(2) of the Constitution)**

   Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue Receipts consists of Tax Revenue, Non-Tax Revenue, Share of Union Taxes/ Duties, and Grants from Government of India.

Revenue Expenditure consists of all those expenditures of the government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The **Capital Receipts** consist of:

- **Debt receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under WMAs, Loans & Advances from GoI, *etc*.
- **Non-Debt Receipts:** Proceeds from disinvestment, Recoveries of loans and advances.

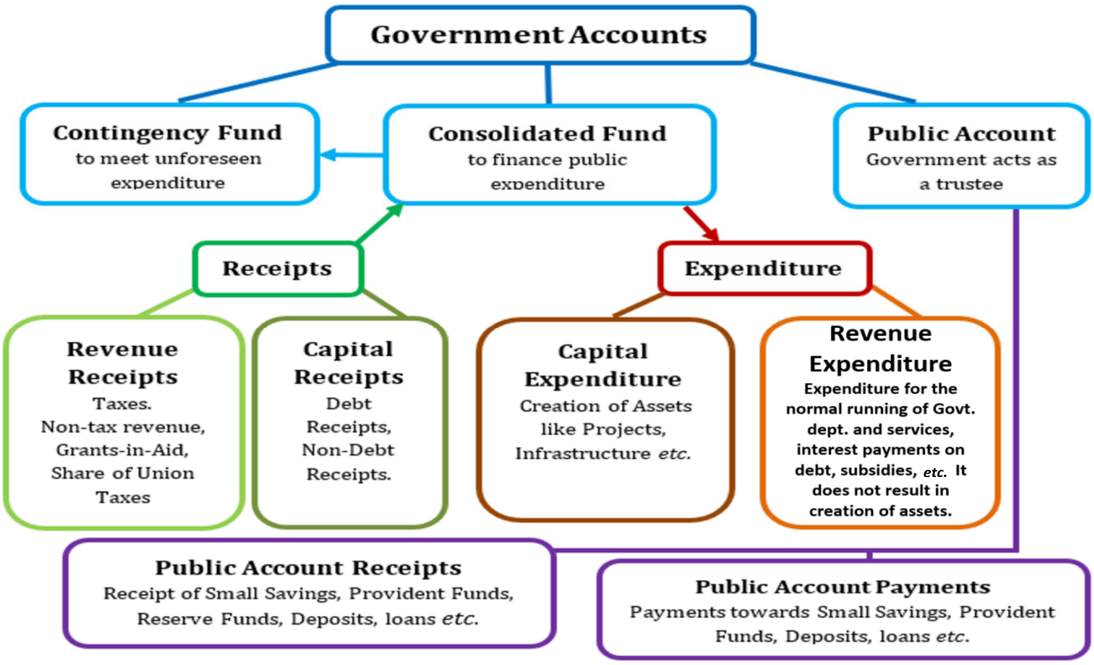
Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to PSUs and other parties.

At present, we have an accounting classification system in government that is both functional and economic.

	Attribute of transaction	Classification
Standardised in LMMH by CGA	Function- Education, Health, *etc*./ Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major Head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, *etc*. (2-digit)

The functional classification enables us to know the Department, Function, Scheme or Programme, and object of the expenditure. Economic classification helps organise these payments as revenue, capital, debt, *etc*. Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, *etc*. Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, generally "salary" object head is revenue expenditure, "construction" object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

1.5 Structure of Government Accounts



1.6 Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2019-20, in the form of an **Annual Financial Statement**. In terms of Article 203, the statement is submitted to the State Legislature in the form of 84 Demands for Grants/ Appropriations and after approval of these grants, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. The State have more than one consolidated Budget which are in the nature of sub-budgets like Gender Budget, and Outcome budget.

The State Government did not have a Budget Manual to detail the budget formulation process and guide the State Government functionaries in preparing its budgetary estimates and monitoring its expenditure activities. In the absence of the Budget Manual the Budget preparation exercise is done based on the General Financial Rules issued by the Government of India and also the Budget circular issued from time to time. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

1.7 Gross State Domestic Product

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

Changes in sectoral contribution to the GSDP is also important to understand the changing structure of economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service Sectors.

Trends in annual growth of State's GSDP *vis-à-vis* that of India's GDP are given in **Table 1.1**.

Table 1.1: Trends in growth of GDP and GSDP

(₹in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
India's GDP *(₹in crore)*	1,37,71,874	1,53,91,669 (3rd RE)	1,70,98,304 (2nd RE)	1,89,71,237 (1st RE)	2,03,39,849 (PE)
Growth rate of India's GDP *(per cent)*	*10.46*	*11.76*	*11.08*	*10.95*	*7.21*
State's GSDP *(₹in crore)*	18,509.16	19845.44	22,432.48	24,602.88	27,036.64
Growth Rate of GSDP *(per cent)*	*3.06*	*7.22*	*13.04*	*9.68*	*9.89*

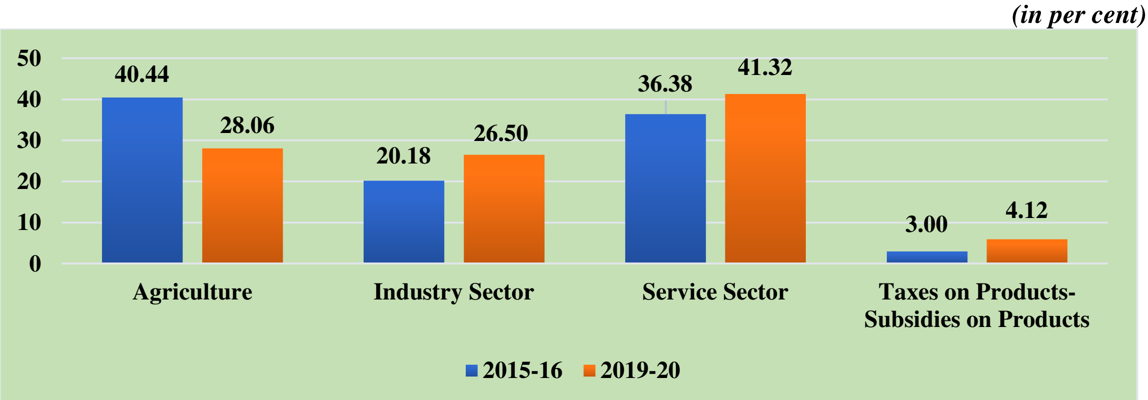
Source: GoI's Economic Survey (2019-20) and Department of Economics and Statistics, Arunachal Pradesh, R.E: Revised Estimates; P.E. - Provisional Estimates;

As can be seen from the details tabulated above, the State's GSDP grew at a lower rate during the period 2015-17 and in 2018-19 (three years) compared to the country's growth rate in the past five years, while in two years (2017-18 and 2019-20) the growth rate of the State GSDP was higher than the national growth rate. Due to this, the overall growth of the GSDP in the State over the five year period *i.e.*, 2015-20 was lower than the growth rate of the GDP of the country. The CAGR of GSDP (11.82) in the decade (2011-12 to 2019-20) was higher than the average CAGR of NE&H States (11.24) during the period and less than the average CAGR of all the States in the country (11.94). The CAGR of per capita GSDP of the State (9.60) for the same period was less than the average of North Eastern and Himalayan States (9.93) and average of all States (10.49). The tardy growth of the GSDP of the State when compared with the growth of GDP of the nation can be attributed mainly to decline in Agriculture sector in the State. The CAGR of the per capita GSDP during the period 2011-12 to 2019-20 of the State was 9.60 which is lower than the average of North Eastern and Himalayan States (9.93) and average of all the States (10.49).

In the last five years, there had been a significant decrease in the relative share of Agriculture to GSDP, reducing from 40.44 *per cent* to 28.06 *per cent.* Matching increase was seen in Service and Industry sectors. The share of Service Sector was higher than that of Industry Sector, as can be seen in **Chart 1.1**.

Chart 1.1: Change in sectoral contribution of GSDP (2015-16 to 2019-20)

(in per cent)



Source: Data furnished by the State Government

During 2019-20, there was a marginal increase in the growth rate in Agriculture and Industry Sector in comparison with the previous year.

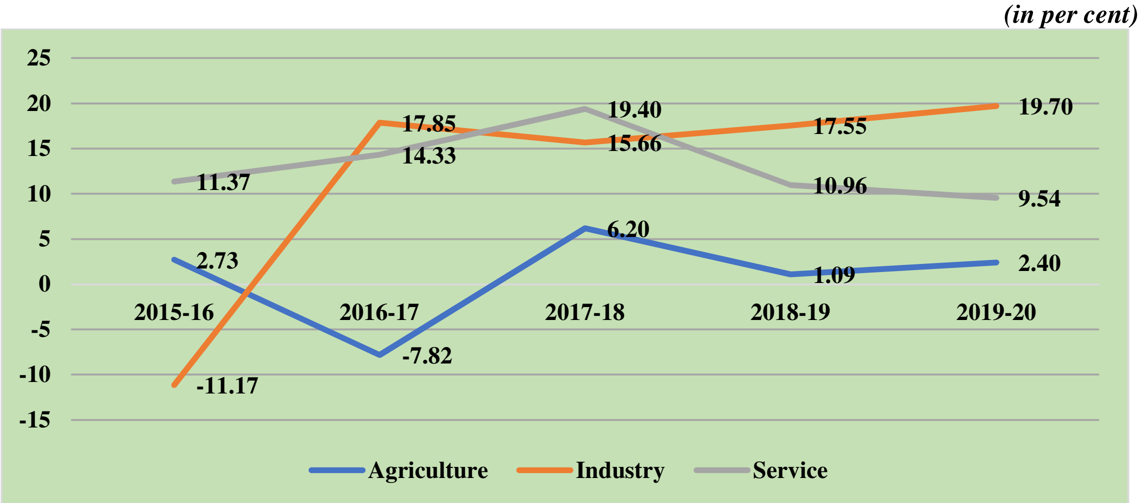
Growth rate of agriculture sector was inconsistent as the same was fluctuating, with alternate years experiencing the down trend. There was a sudden spurt in the growth rate of the Industry Sector in the year 2016-17 when it jumped from (-) 11.17 *per cent* in 2015-16 to 17.85 *per cent* in the subsequent year. However, this growth rate could not be sustained. The growth in Industry was mainly due to increased production and consumption of electricity and gas in the State.

The increased production of electricity was largely consumed in non-industrial sectors. The growth in Service Sector reached peak in 2017-18 and thereafter there had been a decreasing trend which continued till the current year as can be seen in the chart below. The decreasing trend in growth rate of the Service Sector in the past two years was due to slower growth in public administration and other services.

Chart 1.2 depicts the sectoral growth of GSDP over the period from 2015-16 to 2019-20.

Chart 1.2: Sectoral growth in GSDP

(in per cent)



Source: Data furnished by the State Government

The GSDP of the State fell short of the assessment made by the 14th Finance Commission (14th FC) during the award period. The actual GSDP of the State at the end of the award period of the 14th FC was ₹ 27,036.64 crore which fell short by ₹ 6,062.36 crore, constituting 22.42 *per cent* less than the assessment of the 14th FC (₹ 33,099.00 crore).

The percentage of aggregate Government expenditure (excluding the amounts spent by the Ministries of the GOI directly in the State) to GSDP in the State has been increasing at a greater pace over the past five years. It had increased from 56.02 *per cent* in 2015-16 to 73.88 *per cent* in 2018-19 and dropped to 58.91 *per cent* in 2019-20. The reduction in the share of the Government expenditure was attributable to reduced revenue resources available to the State. Although the percentage of Government expenditure to GSDP had come down in the year 2019-20 when compared with the previous year, it is still considered as high. The high percentage of Government expenditure to GSDP indicates that the State is heavily dependent on Government spending and non-government efforts have been minimum.

The CAGR in respect of GSDP for the period from 2011-12 to 2019-20 was 11.82 *per cent* which is higher than the average CAGR of NE&H States (11.24 *per cent*) but lower than the average CAGR of all the States (11.94 *per cent*) in the country indicating that despite the Government of India (GoI) providing more funds, the growth in economy of the State is not at par with other States.

1.8 Snapshot of Finances of the State

The following **Table 1.2** provides the details of financial results based on the actuals of 2019-20 and 2018-19 *vis-à-vis* Budget Estimates for the year 2019-20.

Table 1.2: Details of financial results based on the actuals of 2019-20 and 2018-19 *vis-à-vis* Budget Estimates for the year 2019-20

(₹in crore)

Sl. No.	Components	2018-19 (Actual)	2019-20 (Budget Estimate)	2019-20 (Actuals)	Percentage of Actual to B.E.	Percentage of Actuals of 2019-20 to GSDP
1	Tax Revenue	1,068.04	979.58	1,228.73	25.43	4.54
2	Non-Tax Revenue	608.87	1,050.00	651.38	(-) 37.96	2.41
3	Share of Union taxes/duties	10,436.14	12,031.52	8,987.57	(-) 25.30	33.24
4	Grants-in-aid and Contributions	4,082.91	6,796.82	4,020.87	(-) 40.84	14.87
5	Revenue Receipts (1+2+3+4)	16,195.96	20,857.92	14,888.55	(-) 28.62	55.07
6	Recovery of Loans and Advances	5.08	42.90	7.03	(-) 83.61	0.03
7	Other Receipts	0.00	0.00	0.00	0.00	0.00
8	Borrowings and other Liabilities (b)	1,204.97	1,492.63	1,031.83	(-) 30.87	3.82
9	Capital Receipts (6+7+8)	1,210.05	1,535.53	1,038.86	(-) 32.35	3.84
10	Total Receipts (5+9)	17,406.01	22,393.45	15,927.41	(-) 28.87	58.91
11	Revenue Expenditure	12,429.48	13,406.78	12,218.73	(-) 8.86	45.19
12	Interest payments	526.10	635.06	614.53	(-) 3.23	2.27
13	Capital Expenditure	5,727.43	8,006.72	3,693.05	(-) 53.88	13.66
14	Capital outlay	5,727.43	8,006.72	3,693.05	(-) 53.88	13.66
15	Loan and advances	20.16	8.30	16.02	93.01	0.06
16	Total Expenditure (11+13+15)	18,177.07	21,421.80	15,927.80	(-) 25.65	58.91
17	Revenue Surplus (+) (5-11)	3,766.48	7,451.14	2,669.82	(-) 64.17	9.87
18	Fiscal Deficit (-) {16-(5+6+7)}	(-) 1,976.03	(-)520.98	(-)1,032.22	98.13	3.82
19	Primary Deficit (-) (18-12)	(-) 1,449.93	(-) 114.08	(-) 417.69	(-)266.14	1.54

Source: Finance Accounts of respective years

(a) Includes State's share of Union Taxes.

(b) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.

(c) Expenditure on Capital Account includes Capital Expenditure and Loans and Advances disbursed

The detailed analysis on the finances of the State Government are made in the subsequent Chapters of the Report.

1.9 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

Table 1.3: Summarised position of Assets and Liabilities

(₹in crore)

Liabilities				Assets			
	2018-19	2019-20	*Per cent*		2018-19	2019-20	*Per cent*
Consolidated Fund							
Internal Debt	4,835.40	6,298.78	30.26	Gross Capital Outlay	29,106.11	32,799.16	12.69
Loans and Advances from GoI	178.74	152.47	(-)14.70	Loans and Advances	88.00	96.99	10.22
Contingency Fund	**0.05**	**0.05**	**0.00**				
Public Account							
Small Savings, Provident Funds, *etc*.	2228.38	2,503.51	12.35	Advances	500.67	502.64	0.39
Deposits	314.59	239.32	(-)23.93	Remittance	(-)1,580.58	(-)213.53	(-)86.49
Reserve Funds	1,031.31	2,937.38	184.82	Cash balance (including investment in Earmarked Fund)	2,607.49	3,013.82	15.58
Suspense and Miscellaneous	(-)525.27	(-)1,260.76	140.02				
Surplus in Revenue Account	22658.50	25,328.32	11.78				
Total	**30721.70**	**36,199.07**	**17.83**	**Total**	**30721.70**	**36,199.07**	**17.83**

Source: Finance Accounts of respective years

1.10 Trends in Key Fiscal Parameters

Deficit is an indicator of prudent fiscal management of the Government. Further, the ways in which the deficit is financed, and the resources raised are applied, are important pointers to its fiscal health. This Section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under APFRBM Act/ Rules for the financial year 2019-20.

1.10.1 What are Deficit and Surplus?

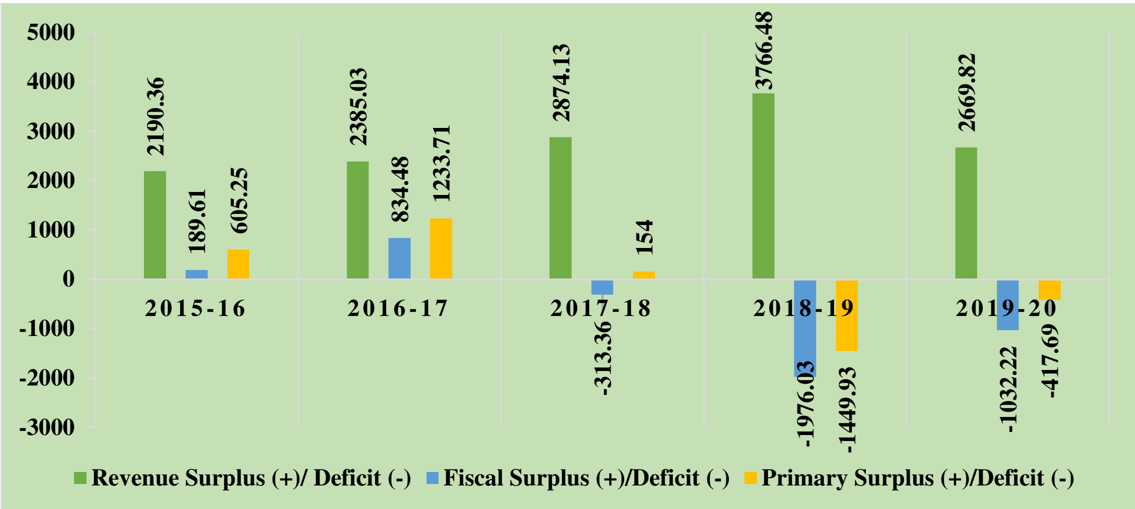
Revenue Deficit/ Surplus	*Refers to the gap between Revenue Expenditure and Revenue Receipts*
Fiscal Deficit/ Surplus	*This is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the Total Expenditure. FD is reflective of the total borrowing requirements of Government*
Primary Deficit/ Surplus	*Primary Deficit is measured as Fiscal Deficit less Interest Payments*

1.10.2 Trends of Deficit/ Surplus

Though the State was successful in maintaining the targets specified by the 14th FC during the first three years of its award period of 2015-20 with regard to the key fiscal parameters, the trend could not be maintained, to meet the targets of key fiscal parameters with regard to Fiscal Deficit in the years 2018-19 and 2019-20. The actual Revenue Surplus was however, less than the projected Revenue Surplus in the entire award period. It was also observed that the actual Revenue Surplus was less than the amounts mentioned in MFTP of each year during the award period. The Revenue Surplus in the current year reduced to ₹ 2,669.82 crore from ₹ 3,766.48 crore in 2018-19. The trend of the surplus and deficit indicators in the past five years are given in **Chart 1.3**.

Chart 1.3: Trends in Surplus/Deficit indicators

(₹in crore)



Source: Finance Accounts of respective years

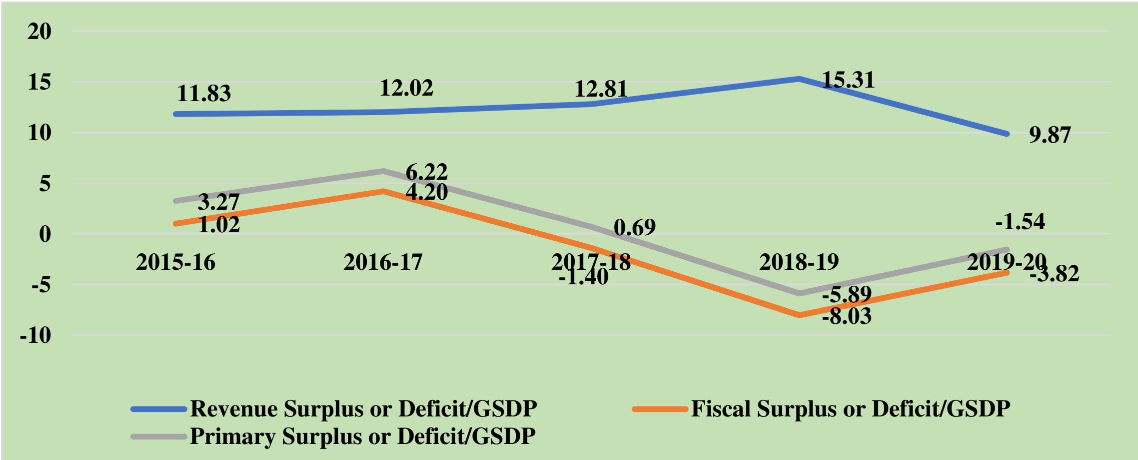
The Primary Surplus experienced by the State during the period 2015-18, took a turnaround in 2018-19, resulting in a Primary Deficit of ₹ 1,449.93 crore and continued in 2019-20 with a Primary Deficit of ₹ 417.69 crore. As can be seen from the chart above, the State could not maintain the trend of primary surplus in the last two years of the 14th FC award period.

The Government in its reply (January 2021) stated that the Primary Deficit was due to lower collection of non-debt receipts, and to meet the expenditure requirements the State had to depend on debt receipts.

The trend of these surplus and deficits with respect to GSDP over the five year period from 2015-16 to 2019-20 is depicted in **Chart 1.4**.

Chart 1.4: Trends in Deficit/Surplus relative to GSDP

(in per cent)



Source: Finance Accounts of respective years

Chart 1.4 reveals that the State maintained Revenue Surplus during the period 2015-16 to 2019-20, which increased from ₹ 2,190.36 crore in 2015-16 to ₹ 2,699.82 crore in 2019-20. Revenue Surplus in 2019-20 decreased by ₹ 1,096.66 crore (29.12 *per cent*) due to significant decrease in Revenue Receipts by ₹ 1,307.41 crore (28.62 *per cent*) over previous year with a marginal decrease in Revenue Expenditure by ₹ 210.75 crore (8.86 *per cent*). Fiscal Surplus, which represents excess of total resource gap over the total borrowings of the Government, decreased from ₹ 834.48 crore in 2016-17 and turned into Fiscal Deficit in 2017-18 culminating in Fiscal Deficit of ₹ 1,976.03 crore in 2018-19 and continued with the fiscal deficit of ₹ 1,032.22 crore in the current year.

The pre-devolution Revenue Deficit assessed by the 14th FC for the year 2019-20 was ₹ 7215 crore. However, the actual pre-devolution Revenue Deficit of the State was ₹ 10338.62 crore indicating that the State's actual revenue expenditure out of its own resources, far exceeded the projections of 14th FC. Further, it also implies that the State could not mobilise the resources as projected to the 14th FC and at the same time the Government could not control expenditure, as it overshot the amount projected to the 14th FC.

The Government in its reply (January 2021) stated that (i) the revenue surplus decreased significantly during the year due to reduced receipt of State's share of Union taxes and duties coupled with lower collection of own tax revenues (ii) the assessment of the 14th FC on the pre-devolution Revenue deficit might be based on estimation of low growth of the expenditure.

The post devolution Revenue Surplus indicated in the budget was more than the projections made by the 14th FC by ₹ 358.14 crore and at the Revised Estimates stage the Revenue Surplus was significantly revised, which was ₹ 3,499.06 crore less than the projections made in the 14th FC. However, the actual Revenue Surplus fell short of even the projections of the 14th FC. Against the Revenue Surplus of ₹ 7,451.14 crore projected in BEs, the year ended with a Revenue Surplus of ₹ 2,699.82 crore indicating that the budget was not prepared realistically. Normally, Public Debt is discharged through the use of Revenue Surplus. The Revenue Surplus of the State Government for 2019-20 (₹ 2,669.82 crore) was insufficient to meet the Public Debt discharged during the year (₹ 4,549 crore) which had to be met from Internal Debt.

Further, in 2019-20, the State Government saw Fiscal Deficit of ₹ 1,032.22 crore as against ₹ 520.98 crore projected in BEs. The actual Fiscal Deficit exceeded the projections made in the budget by ₹ 511.24 crore (98.13 *per cent*).

During 2019-20, the target of Revenue Surplus to GSDP set both by the 14th FC (21.43 *per cent*) and MTFP (26.57 *per cent*) could not be achieved, as the actual Revenue Surplus to GSDP was far less at 9.87 *per cent*. This was due to the significant increase in revenue expenditure *vis-à-vis* the projection made to 14th FC and lesser GSDP than projection.

The Government in its reply (January 2021) stated that the higher fiscal deficit was due to decreased Revenue Receipts attributable to lower growth of the State GSDP, while the Revenue Expenditure increased to meet the requirements. As regards the lower Revenue Surplus than projected in the budget, it stated that in the budget higher revenue surplus was anticipated due to control of revenue expenditure by cutting the administrative costs by bringing austerity measures under the State Policy.

The CAGR of the Revenue Receipts during 2018-19 to 2019-20 in the State was (-) 8.07 while it was (-) 9.88 for the NE&H States indicating that the decrease in Revenue Receipts was experienced by many NE&H States during the period.

1.10.3 Components of Fiscal Deficit and its financing pattern

The share of Revenue Deficit in Fiscal Deficit indicates the extent to which borrowed funds were used for current consumption. Persistently high ratio of Revenue Deficit to Fiscal Deficit also indicates that the asset base of the State is continuously being eroded and a part of borrowings (Fiscal Liabilities) does not have any asset backup.

The financing pattern of fiscal deficit has undergone a compositional shift as reflected in **Table 1.4**.

Table 1.4: Components of Fiscal Deficit and its financing pattern

(₹in crore)

Sl. No	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Decomposition of Fiscal Deficit						
Fiscal Deficit (-)/Surplus (+)		**189.61**	**834.48**	**(-) 313.36**	**(-) 1,976.03**	**(-)1,032.22**
1	Revenue Deficit (-)/ Surplus (+)	2,190.36	2,385.03	2,874.13	3,766.48	2,669.82
2	Net Capital Expenditure	(-) 1,993.25	(-)1,544.01	(-) 3,188.10	(-) 5,727.43	(-)3,693.05
3	Net Loans & Advances	(-)7.50	(-)6.54	0.61	(-) 15.08	(-)8.99

Sl. No	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Financing pattern of Fiscal Deficit						
1	Market Borrowings	58.76	287.28	703.10	762.96	1,288.08
2	Other Loans	-	-	(-) 6.85	4.16	(-) 3.73
3	Loans from GoI	(-)26.49	(-)26.45	(-) 26.43	(-) 26.36	(-) 26.28
4	Special Securities issued to NSSF	98.07	86.77	93.42	50.45	77.36
5	Loans from Financial Institutions	(-)66.26	89.21	115.97	189.64	101.67
6	Small Savings, PF, *etc.*	135.66	157.23	241.13	225.89	275.14
7	Reserve Funds	200.00	171.55	137.87	307.32	1,906.08
8	Deposits and Advances	72.37	(-)1,305.66	(-)134.19	(-)75.93	(-) 77.23
9	Suspense and Miscellaneous	(-)454.00	148.74	(-)404.85	(-)176.63	(-)2,678.97
10	Remittances	723.89	(-)363.18	34.09	1,134.66	(-)1,367.05
11	Increase (-)/Decrease (+) in cash balances	(-)202.18	(-)71.67	(-)895.72	(-)364.49	1,537.15
12	Increase/Decrease in WMAs, Overdraft	(-)729.43	(-)8.30	455.82	(-)55.64	0.00
Overall Deficit (1 to 11) (-)		**(-)189.61**	**(-) 834.48**	**313.36**	**1,976.03**	**1,032.22**

Source: Finance Accounts of respective years

The components of fiscal deficit are Deduct Revenue Surplus, Net Capital Expenditure and Net Loans and Advances. Since the State had attained Revenue Surplus in 2015-20 itself, the surplus on revenue account was utilised to finance Capital Expenditure. As seen from the above table, the total Capital Expenditure was financed by Revenue Surplus in 2015-16 and 2016-17. In 2017-20, Revenue Surplus could finance only 65.76 *per cent* to 90.15 *per cent* of Capital Expenditure due to the huge increase in Capital Expenditure and reduced revenue surplus.

Table 1.5: Receipts and Disbursements under components financing the fiscal deficit

(₹in crore)

Particulars	Receipt	Disbursement	Net
Market Borrowings	1,367.13	79.05	1,288.08
Loans from GOI	0.00	26.28	(-) 26.28
Special Securities issued to NSSF	176.38	99.02	77.36
Loans from Financial Institutions	208.31	106.64	101.67
Other loans	0.00	3.73	(-) 3.73
Small Savings, PF, *etc.*	563.00	287.86	275.14
Deposits and Advances	353.28	430.51	(-)77.23
Suspense and Miscellaneous	(-) 2,700.59	(-) 21.62	(-) 2,678.97
Remittances	3,313.06	4,680.11	(-) 1,367.05
Reserve Fund	1,906.18	0.10	1,906.08
Overall Deficit			(-) 504.93
Increase/Decrease in cash balance			1,537.15
Gross Fiscal Deficit			1,032.22

Source: Finance Accounts 2019-20

In 2019-20, there was increase in Reserve Fund, market borrowings and Small Savings, PF, *etc*., which was partly offset by decrease in Suspense and Miscellaneous and Remittances. The increase in Reserve Fund was due to parking of State Compensatory Afforestation Fund amounting to ₹ 1,588.72 crore without incurring any expenditure during the year.

1.10.4 Actual Revenue Surplus and Fiscal Deficit

Excessive focus on short-term objectives for overcoming budget deficit, encourages creative accounting and recourse to one-off deficit-reducing measures. **Table 1.6** assesses actual surplus/ deficit after taking into account short/ non-contribution to funds and incorrect classifications/ booking by the State Government during 2019-20.

Table 1.6: Actual Revenue Surplus and Fiscal Deficit

(₹in crore)

Particulars	Impact on Revenue Surplus	Impact on Fiscal Deficit
	Understated (-) / overstated (+)	*Understated (+) / overstated (-)*
Short contribution to New Pension Scheme	(+) 22.49	(+) 22.49
Minor works budgeted/ booked under Capital Section instead of Revenue	(+) 32.46	---
Total	**(+) 54.95**	**(+) 22.49**

Source: Finance Accounts 2019-20

As can be seen from the above table, there was an over statement of Revenue Surplus by ₹ 54.95 crore during the year. However, considering that the overall Revenue Surplus depicted in the accounts was ₹ 2,669.82 crore, the State would have a Revenue Surplus of ₹ 2,614.87 crore during 2019-20.

The Fiscal Deficit during the year 2019-20 was also found understated by ₹ 22.49 crore. Considering that, the State would have Fiscal Deficit of ₹ 1,054.71 crore during 2019-20.

1.11 Fiscal Balance: Achievement of deficit and total debt targets

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government. Prudent financial management involves the generation of an annual Revenue Surplus (Revenue Receipts exceeding Revenue Expenditure). The Twelfth Finance Commission recommended that States enact their own Fiscal Responsibility and Budget Management (FRBM) Acts committing them to achieving Revenue Surplus and limiting Fiscal Deficit to three *per cent* of GSDP.

The Legislature of Arunachal Pradesh passed Fiscal Responsibility and Budget Management Act (FRBM) in the year 2006 with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/ outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium term framework. In this context the Act provides quantitative targets to be adhered by the State with regard to deficit measures and debt level.

The last amendment of the FRBM Act (Details in ***Appendix 1.2***) in 2018 incorporated the recommendations of the 14th FC relating to the limit of fiscal deficit recommended for the States during its award period (2015-20). Although the award period of the 14th FC commenced in the year 2015 itself, the amendment to the FRBM Act incorporating the recommendations of the 14th FC was passed only in 2018. As per FRBM Act, the State Government was to maintain Revenue Surplus during the period 2015-20, reduce fiscal deficit to not more than 3.50 *per cent* of GSDP subject to fulfilling the conditions that the outstanding debt-GSDP ratio is limited to less than or equal to 25 *per cent* and Interest Payments are maintained to a level of less than or equal to 10 *per cent* of Revenue Receipts.

Revised targets relating to key fiscal parameters envisaged in the amended APFRBM Act and their achievement during the last five years are given in **Table 1.7**.

Table 1.7: Compliance with provisions of APFRBM Act

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Deficit (-)/ Surplus (+) (₹ in crore)	Revenue Surplus	2,190.36	2,385.03	2,874.13	3,766.48	2,669.82
		✓	✓	✓	✓	✓
Fiscal Deficit as *percentage* of GSDP	3.25 *per cent*	Fiscal Surplus	Fiscal Surplus	1.39	8.03	3.82
		✓	✓	✓	X	X
Ratio of total outstanding debt to GSDP (in *per cent*)	25 *per cent*	31.85	28.34	32.13	34.91	44.87
		X	X	X	X	X

Source: Finance Accounts of respective years

The State Government was successful in maintaining Revenue Surplus as targeted in APFRBM Act during the last five years. The State maintained Fiscal Surplus in the initial two years of the 14th FC award period without resorting to any net borrowings during those years. However, from the year 2017-18 onwards, the trend of Fiscal Surplus reversed and the State went into Fiscal Deficit. Even in the current year the Fiscal Deficit and outstanding debt of the State Government could not be kept to the levels prescribed in the FRBM Act, as it was 3.82 *per cent* and 44.87 *per cent* of GSDP respectively.

During the five-year period 2015-20, which coincides with the award period of the 14th FC, the State Government was unsuccessful in maintaining the outstanding debt-GSDP ratio within the norms prescribed by the AFRBM Act and limiting the Fiscal Deficit to 3.5 *per cent* of GSDP in two years *i.e.*, 2018-19 and 2019-20. The 14th FC assessed that the State's Annual Fiscal Deficit would not exceed 3.25 *per cent* in all the five years of the award period. Similarly, it assessed that the outstanding debt to GSDP ratio would be limited to 29.62 *per cent* of GSDP by the end of the award period. However, the actual Fiscal Deficit was more than the assessment made by the 14th FC in two years, while the outstanding debt was more than the assessed limit.

As per the APFRBM Act, the State Government has to lay before the State Legislature, a Five-Year Fiscal Plan along with the Annual Budget. The Medium Term Fiscal Plan (MTFP) has to set forth a five-year rolling target for the prescribed fiscal indicators.

Table 1.8 indicates the variation between the projections made for 2019-20 in MTFP presented to the State Legislature with the Annual Budget for 2019-20 and Actuals for the year.

Table 1.8: Actuals *vis-à-vis* projection in MTFP for 2019-20

(₹in crore)

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2019-20)	Variation (in *per cent*)
1	Own Tax Revenue	979.58	1,228.73	25.43
2	Non-Tax Revenue	1,050.00	651.38	(-) 37.96
3	Share of Central Taxes	12,031.52	8,987.57	(-) 22.33
4	Grants-in-aid from GoI	6,796.82	4,020.87	(-) 40.84
5	Revenue Receipts (1+2+3+4)	20,857.92	14,888.55	(-) 28.62
6	Revenue Expenditure	13,406.78	12,218.73	(-) 8.86
7	Revenue Deficit (-)/ Surplus (+) (5-6)	(+) 7,451.14	(+) 2,669.82	(-) 64.17
8	Fiscal Deficit (-)/ Surplus (+)	(-) 520.98	(-) 1,032.22	(-) 98.13
9	Debt-GSDP ratio (*per cent*)	25.57	44.87	75.48
10	GSDP growth rate at current prices (*per cent*)	2.63	9.89	(-) 10.66

Source: MTFP Statement and Finance Accounts 2019-20

The State could not mobilise the resources as envisaged in its MTFP as the actual receipts fell short of the projections by more than seven *per cent*. The State MTFP envisaged containing revenue expenditure by reducing administrative costs through austerity measures and had pegged the Revenue Expenditure at ₹ 13,406.78 crore. The actual Revenue Expenditure was less than the projected expenditure by ₹ 1,188.05 crore constituting 8.86 *per cent*. It was observed that the reduction in the actual resources was 28.62 *per cent* but the reduction in expenditure was not proportionate due to which the Revenue Surplus indicated in the MFTP could not achieved. The non achievement of targeted Revenue Surplus impacted the Capital expenditure of the Government which was meant for improvement of infrastructure in the State. The actual Revenue Surplus fell short of the target by ₹ 4,781.32 crore, constituting a short fall of 64.17 *per cent*. The Debt-GSDP ratio also increased to 44.87 *per cent*.

The Government in its reply (January 2021) stated that the deficit targets could not be met due to reduced revenue receipts and increased revenue expenditure.

1.12 Conclusion

- The State GSDP which was ₹ 27036.64 crore during 2019-20 with a growth rate of 9.89 *per cent* over the previous year, was higher than the all India GDP growth rate of 7.21 *per cent*. Service Sector was the major contributor of GSDP during the year with 41.32 *per cent*. Agriculture was the second largest contributor with 28.06 *per cent* while Industry and Taxes on products were third and fourth respectively.
- Revenue Receipts of the State decreased by 8.07 *per cent* (₹ 1307.41 crore) over the previous year. The decrease was mainly due to decrease in States share of Union Taxes and Duties (₹ 1448.57 crore) and Grants-in-Aid (₹ 62.04 crore) which was offset by increase in Own tax Revenue (₹ 160.69 crore) and Non-Tax Revenue (₹ 42.51 crore).

- Own Tax Revenue (₹ 1228.73 crore) of the State increased by 15.05 *per cent* over the previous year (₹ 1068.04 crore). Non-Tax Revenue (₹ 651.38 crore) of the State increased by 6.98 *per cent* in comparison to the previous year (₹ 608.87 crore).
- Revenue Expenditure (₹ 12218.73 crore) decreased by 1.70 *per cent* (₹ 210.75 crore) over the previous year (₹ 12429.48 crore). The decrease was mainly due to decrease in expenditure on Social Services (₹ 216.20 crore) and Economic Services (₹ 2.28 crore) partly offset by increase on General Services (₹ 7.73 crore).
- Capital Expenditure (₹ 3693.05 crore) decreased by 35.52 *per cent* (₹ 2034.38 crore) over the previous year expenditure (₹ 5727.43 crore). It was mainly due to decrease in capital outlay under Roads and Bridges (₹ 769.62 crore), Water Supply, Sanitation, Housing and Urban Development (₹ 238.24 crore), Other Administrative Services (₹ 221.90 crore) and Public Works (₹ 198.98 crore) *etc*.
- Although the State had managed to achieve surplus on Revenue Account during the last five years, the Revenue Surplus (₹ 2669.82 crore) during the year decreased by 29.12 *per cent* (₹ 1096.66 crore) over the previous year (₹ 3766.48 crore).
- State was able to reduce Fiscal Deficit by 47.76 *per cent* (₹ 943.81 crore) as compared to previous year.
- The State was able to meet the projections made under Arunachal Pradesh FRBM Act regarding Revenue Surplus, but could not manage to achieve the ceiling prescribed for Fiscal Deficit-GSDP ratio (3.82 *per cent*) and Outstanding Debt-GSDP ratio (44.87 *per cent*).

1.13 Recommendations

- The State Government needs to keep up the trend of Own Tax Revenue collection achieved during 2019-20 by focusing on other potential areas, apart from SGST to secure a sustained increase in Own Tax Revenue collection.
- The State Government needs to increase its Capital Expenditure and give more impetus to asset creation for sustained economic growth.
- The State Government may take measures to keep the Fiscal Deficit-GSDP ratio and Outstanding Debt GSDP ratio under the ceilings prescribed in the Arunachal Pradesh FRBM Act through prudent financial management.

CHAPTER II
FINANCES OF THE STATE

Chapter II FINANCES OF THE STATE

2.1 *Introduction*

This Chapter provides a broad perspective of finances of the State Government and analyses critical changes in major fiscal aggregates keeping in view the overall trends during the last five years. The analysis has been made based on the State Finance Accounts and information obtained from State Government.

2.2 *Major changes in Key Fiscal Aggregates vis-à-vis 2018-19*

Table 2.1 below gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2019-20, compared to the previous year.

Table 2.1: Changes in key fiscal aggregates in 2019-20 compared to 2018-19

Revenue Receipts	✓ Revenue Receipts of the State decreased by 8.07 *per cent* ✓ Own Tax Revenue of the State increased by 15.05 *per cent* ✓ Own Non-Tax Revenue increased by 6.98 *per cent* ✓ State's Share of Union Taxes and Duties decreased by 13.88 *per cent* ✓ Grants-in-Aid from Government of India decreased by 1.52 *per cent*
Revenue Expenditure	✓ Revenue Expenditure decreased by 1.70 *per cent* ✓ Revenue Expenditure on General Services increased by 0.20 *per cent* ✓ Revenue Expenditure on Social Services decreased by 4.83 *per cent* ✓ Revenue Expenditure on Economic Services decreased by 0.06 *per cent* ✓ Expenditure on Grants-in-Aid decreased by 40.34 *per cent*
Capital Expenditure	✓ Capital Expenditure decreased by 35.52 *per cent* ✓ Capital Expenditure on General Services decreased by 38.05 *per cent* ✓ Capital Expenditure on Social Services decreased by 40.93 *per cent* ✓ Capital Expenditure on Economic Services decreased by 32.81 *per cent*
Loans and Advances	✓ Disbursement of Loans and Advances decreased by 20.54 *per cent* ✓ Recoveries of Loans and Advances increased by 38.39 *per cent*
Public Debt	✓ Public Debt Receipts increased by 48.61 *per cent* ✓ Repayment of Public Debt increased by 26.39 *per cent*
Public Account	✓ Public Account Receipts decreased by 53.66 *per cent* ✓ Disbursement of Public Account decreased by 10.33 *per cent*
Cash Balance	✓ Cash balance decreased by ₹ 1,537.15 crore (33.78 *per cent*) during 2019-20 compared to previous year

Source: Finance Accounts of the respective years

2.3 *Sources and Application of Funds*

Table 2.2 compares the sources and application of funds of the State during 2019-20 with 2018-19.

Table 2.2: Details of Sources and Application of funds during 2019-20 compared to 2018-19

(₹in crore)

Particulars		2018-19	2019-20	Increase/ Decrease
Sources	Opening Cash Balance with RBI	2243.00	4,550.97*	2,307.97
	Revenue Receipts	16,195.96	14,888.55	(-) 1,307.41
	Recoveries of Loans and Advances	5.08	7.03	1.95
	Public Debt Receipts (Net)	925.21	1,437.10	511.89
	Public Account Receipts (Net)	1,415.31	(-) 1,942.03	(-) 3,357.34
	Total	**20,784.56**	**18,941.62**	**(-) 1,842.94**
Application	Revenue Expenditure	12,429.48	12,218.73	(-) 210.75
	Capital Expenditure	5,727.43	3,693.05	(-) 2,034.38
	Disbursement of Loans and Advances	20.16	16.02	(-) 4.14
	Closing Cash Balance with RBI	2,607.49	3,013.82	406.33#
	Total	**20,784.56**	**18,941.62**	**(-) 1,842.94**

Source: Finance Accounts of the respective years

** The opening balance is different from the closing balance of previous year due to rectification of error which was coming from the past several years.*

 # The increase was mainly due to rectification of error

2.4 Summary of Current Year Fiscal Transactions

Government accounts are maintained on cash basis**. Table 2.3** presents a summary of the State Government's fiscal transactions during 2019-20 *vis-à-vis* the previous year while ***Appendix 2.1*** provides details of receipts/disbursements and the overall fiscal position during the period.

Table 2.3: Summary of Fiscal Transactions (Current and Previous Year)

(₹in crore)

Receipts	2018-19	2019-20	Disbursements	2018-19	2019-20
Section – A: Revenue					
Revenue Receipts	**16,195.96**	**14,888.55**	**Revenue Expenditure**	**12,429.48**	**12,218.73**
Tax Revenue	1,068.04	1,228.73	General Services	3,823.32	3,831.05
Non-Tax Revenue	608.87	651.38	Social Services	4,472.42	4,256.22
Share of Union Taxes/ Duties	10,436.14	8,987.57	Economic Services	4,133.74	4,131.46
GIA from GoI	4,082.91	4,020.87			
Section – B: Capital					
Misc. Capital Receipts	NIL	NIL	**Capital Expenditure**	**5,727.43**	**3,693.05**
Recoveries of Loans & Advances	**5.08**	**7.03**	**Loans & Advances Disbursed**	**20.16**	**16.02**
Public Debt Receipts	**1,204.97**	**1,790.70**	**Repayment of Public Debt**	**279.76**	**353.60**
Public Account Receipts	**7,411.96**	**3,434.93**	**Public Account Disbursements**	**5,996.65**	**5,376.96**
Opening Balance	**2,243.00**	**2,607.49**	**Closing Balance**	**2,607.49**	**3,013.82**
Rectification of error during 2009-10		**1,943.48**			
Total	**27,060.97**	**24,672.18**	**Total**	**27,060.97**	**24,672.18**

Source: Finance Accounts of the respective years

The percentage share of various resources collected during the year and their application is given in the charts below:

Chart 2.1: Composition of Resources

(in per cent)

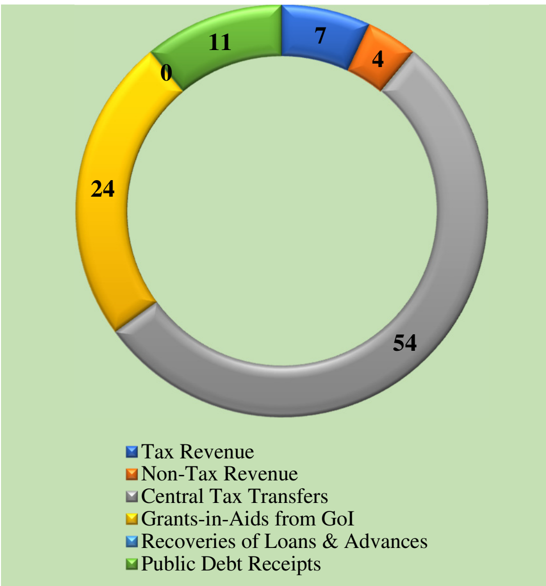
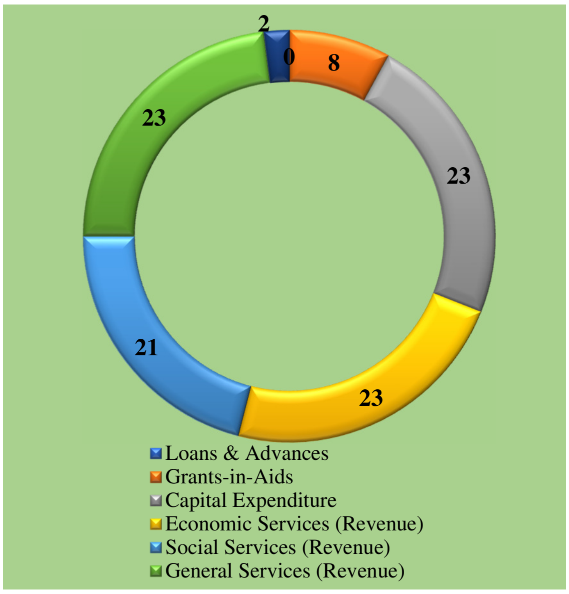


Chart 2.2: Application of Resources

(in per cent)



Source: Finance Accounts 2019-20

In both composition and application of resources, the share of receipt and disbursement of loans and advances was less than one per cent.

Significant changes during 2019-20 over the previous year are:

- Revenue Receipts decreased by ₹ 1,307.41 crore (8.07 *per cent*) over the previous year. The GoI funds constitute more than 87.30 *per cent* of the total resources of the State. The decrease in Revenue Receipts was mainly due to decrease in receipts from GoI both under share of central taxes and GIA. There has been a significant decrease in the share of central taxes by ₹ 1,448.57 crore (13.88 *per cent*)) and GIA from GoI by ₹ 62.04 crore (1.52 *per cent*)) during the year. The decrease in State share of Union taxes and duties was attributed to less collection by the GoI, and the decrease in GIA was due to less allocation to schemes like PMGSY, National Health Mission. There was a steep reduction in Revenue Receipts in the current year as a percentage of GSDP over previous year.

- The State's own resources increased by ₹ 203.20 crore, when compared to previous year, but fell short of the 14th FC assessment by ₹ 31.89 crore. The increase in State's own resources was due to collection of more SGST.

- Although State's own revenues increased over the previous year, the State continues to be heavily dependent on Central transfers, as the State's own resources (own tax *plus* non-tax revenue) is a meagre 12.62 *per cent* (10.35 *per cent* during 2018-19) of Revenue Receipts during 2019-20.

- Revenue Expenditure decreased by ₹ 210.75 crore (1.70 *per cent*) over the previous year. The Revenue Expenditure of the State was ₹ 12,218.73 crore as against the projection of ₹ 9,127.00 crore made in the 14th FC Report. There has been a significant increase (₹ 3,091.73 crore) in the Revenue Expenditure of the State when compared with the assessment of the 14th FC for the year 2019-20.

- There has been a significant decrease in the Capital Expenditure by ₹ 2,034.38 crore (35.52 *per cent*)) over the previous year. The actual Capital Expenditure also fell short of the amount estimated in the budget by over 53.88 *per cent*. The decrease in Capital Expenditure was mainly in respect of expenditure on construction of Roads and Bridges (₹ 769.62 crore), Water Supply, Sanitation, Housing and Urban Development (₹ 238.24 crore), Other Administrative Services (₹ 221.90 crore) and Public Works (₹ 198.98 crore), *etc*.
- Public Account Receipts decreased by ₹ 3,977.03 crore (53.66 *per cent*) and Disbursements by ₹ 619.69 crore (10.33 *per cent)* over the previous year respectively.
- The total inflow[1] in respect of all funds was ₹ 20,121.21 crore against ₹ 24,817.97 crore in 2018-19, while the total outflow[2] was ₹ 21,658.36 crore against ₹ 24,453.48 crore during the previous year. The outflow exceeding the inflow was met from the cash balance.
- There was decrease in cash balances by ₹ 1,537.15 crore (33.78 *per cent*) over the previous year. This was mainly due to decrease in cash balance investment account.

2.5 Resources of the State

The resources of the State are described below:

1. **Revenue Receipts** consist of Tax Revenue, non-Tax Revenue, State's share of Union taxes and duties and GIA from the GoI.
2. **Capital Receipts** comprise miscellaneous Capital Receipts such as proceeds from disinvestments, recoveries of Loans and Advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and Loans and Advances from GoI. Both Revenue and Capital Receipts form part of the Consolidated Fund of the State.
3. **Net Public Accounts Receipts**: These are receipts and disbursements in respect of certain transactions such as Small Savings, Provident Fund, Reserve Funds, Deposits, Suspense, Remittances, *etc*. which do not form part of the Consolidated Fund.

   These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

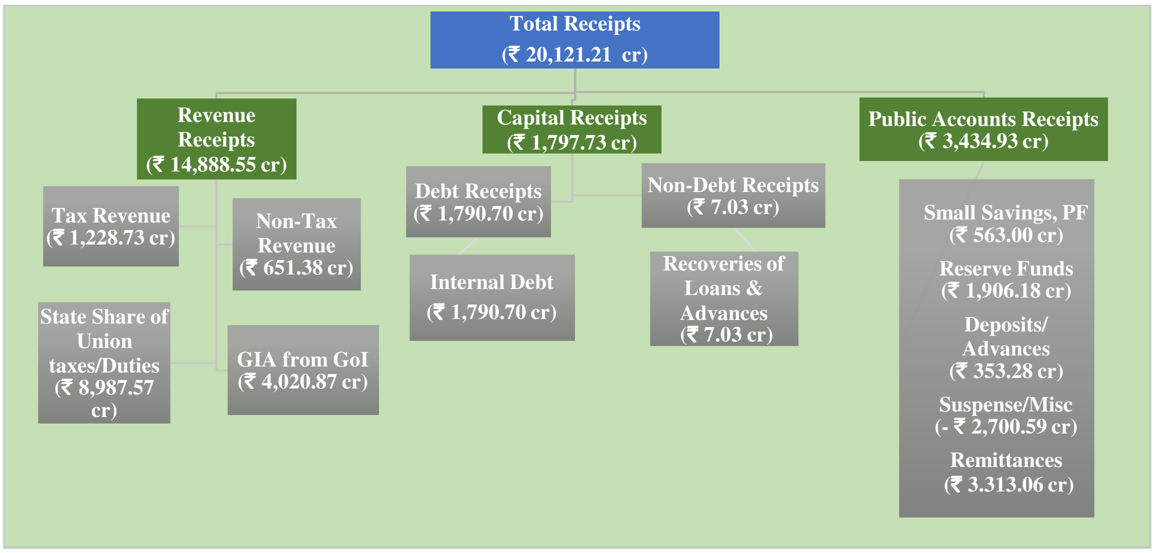
[1] For 2018-19, Gross Receipts ₹ 27,060.97 crore *minus* Opening Balance of ₹ 2,243.00 crore; For 2019-20, Gross Receipts ₹ 24,672.18 crore *minus* Opening Balance of ₹ 4,550.97 crore

[2] For 2018-19, Gross Disbursements ₹ 27,060.97 crore *minus* Closing Balance of ₹ 2,607.49 crore; For 2019-20, Gross Disbursements ₹ 24,672.18 crore *minus* Closing Balance of ₹ 3,013.82 crore

2.5.1 *Receipts of the State*

Chart 2.3 depicts the various components of the receipts of the State during 2019-20.

Chart 2.3: Composition of receipts of the State during 2019-20



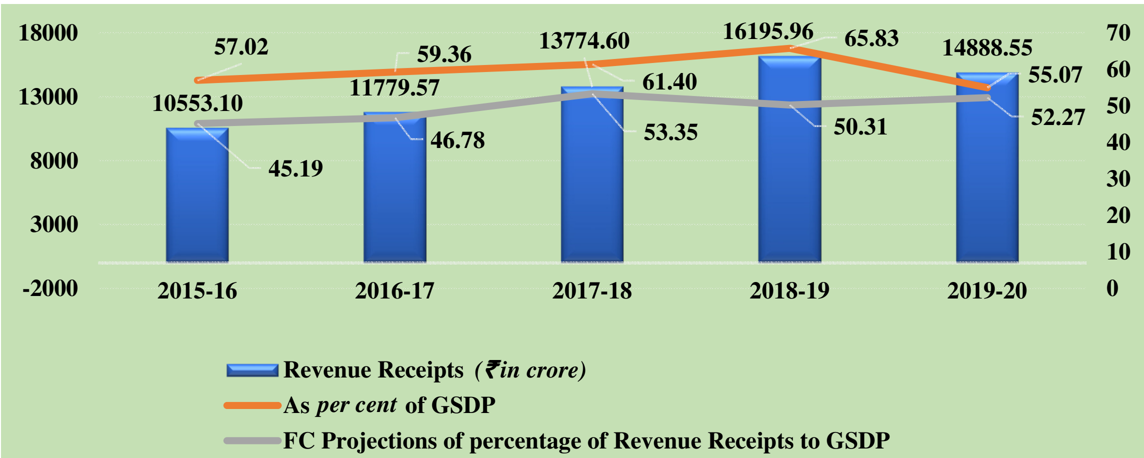
Source: Finance Accounts 2019-20

2.5.2 *State's Revenue Receipts*

2.5.2.1 *Trends and growth of Revenue Receipts*

Statement-14 of the Finance Accounts details Revenue Receipts of the Government. Trends and composition of Revenue Receipts over the period 2015-20 are presented in ***Appendix-2.2*** and depicted in **Charts 2.4** and **2.5** respectively. Trends in Revenue Receipts relative to GSDP are presented in **Table 2.4**.

Chart 2.4: Trends in Revenue Receipts

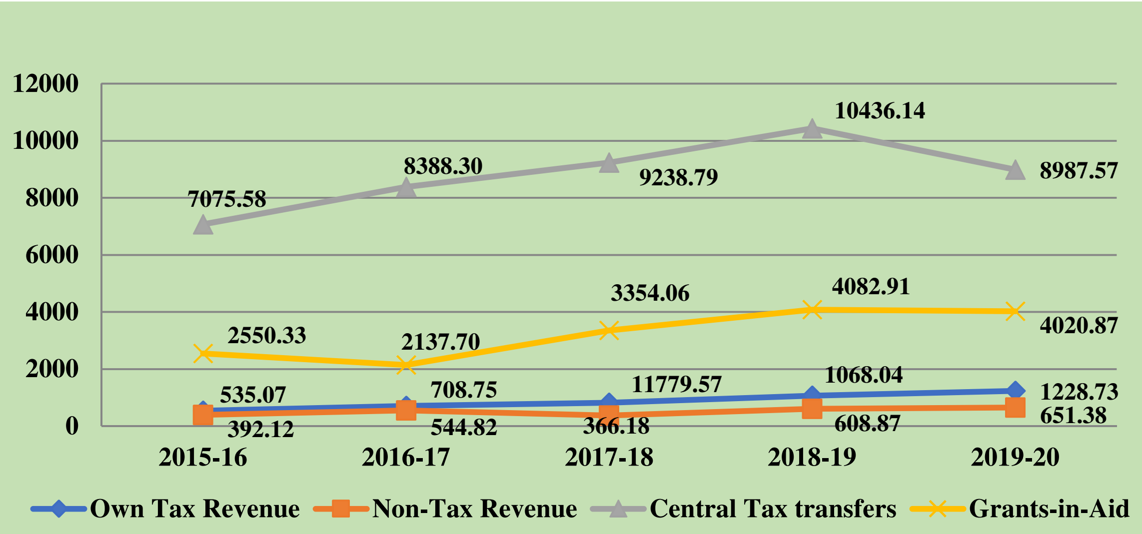


Source: Finance Accounts of the respective years

As can be seen from the **Chart 2.4**, the Revenue Receipts as a percentage of GSDP continuously increased for four out five years which coincided with the award period of the 14th FC. The Revenue Receipts as percentage of GSDP declined sharply in the year 2019-20. This was mainly due to reduction in Revenue Receipts over previous year and increased GSDP of the State. The 14th FC projected that the Revenue Receipts of the State as a percentage of GSDP would increase to 52.27 *per cent* at the end of the award period. However, the actual Revenue Receipts as percentage of GSDP was higher than the projections. The Revenue Receipts which were 57.02 *per cent* of GSDP in 2015-16 came down to 55.07 *per cent* of GSDP in 2019-20, indicating that there is scope for improving the compliance in tax collection and expanding the tax net in the State.

Chart 2.5: Composition of Revenue Receipts

(₹*in crore*)



Source: Finance Accounts of the respective years

The State Government submitted to 14th FC that the State's own revenue resources during the award period would be ₹ 6,752.00 crore. However, the actual collections at the end of 2019-20 were ₹ 6,919.52 crore indicating that the State had achieved its projected revenue collection from own resources. The overall Revenue Receipts of the State fell short of the projection by a whopping ₹ 10279.22 crore (₹ 77,471.00 crore - ₹ 67,191.78 crore) mainly due to reduced receipt of the GoI tax devolution.

Revenue Receipts of the State increased by ₹ 4,335.45 crore from ₹ 10,553.10 crore in 2015-16 to ₹ 14,888.55 crore in 2019-20 at a CAGR of 8.99 *per cent*, although the 14th FC projected a CAGR of 19.88 *per cent*. Thus, the CAGR of Revenue Receipts fell short of the 14th FC projections sharply by 10.89 *per cent*. This was mainly due to reduced receipts from GoI.

Table 2.4: Trend in Revenue Receipts

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	10,553.10	11,779.57	13,774.60	16,195.96	14,888.55
Rate of growth of RR (*per cent*)	15.51	11.62	16.94	17.58	(-) 8.07
Own Tax Revenue	535.07	708.75	815.57	1068.04	1,228.73
Non-Tax Revenue	392.12	544.82	366.18	608.87	651.38
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (*per cent)*	0.80	35.20	(-) 5.73	41.90	12.12
Gross State Domestic Product (₹ in crore) (2011-12 Series)	18509.16	19845.44	22432.48	24602.88	27036.64
Rate of growth of GSDP (*per cent)*	*3.06*	*7.22*	*13.04*	*9.68*	*9.89*

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
RR/GSDP (*per cent*)	57.02	59.36	61.40	65.83	55.07
Buoyancy Ratios					
Revenue Buoyancy w.r.t. GSDP	5.07	1.61	1.30	1.82	(-) 0.82
State's Own Revenue Buoyancy w.r.t. GSDP	0.26	4.88	-0.44	4.33	1.23

Source: Finance Accounts of the respective years,
Source of GSDP figures: Directorate of Economics and Statistics

Buoyancy Ratios[3] indicate the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. The Buoyancy Ratio of Revenue Receipts with reference to GSDP decreased significantly due to decrease in the rate of growth of Revenue Receipts in 2019-20 compared to the previous year. The 14th FC projected a Buoyancy of 0.82 in the year 2019-20 which could not be met due to lower buoyancy of State Own Tax Revenue coupled with reduced receipt of GoI funds. The negative Buoyancy Ratio of the State's Revenue Receipts in the year 2019-20 was mainly due to reduced receipt of the GoI funds.

Tax buoyancy indicates the measure of efficiency or responsiveness in tax collection in response to growth in GSDP. Tax revenues are considered as buoyant when they increase more than proportionately in response to the increase in GSDP even when the rates of taxes remain unchanged. The Buoyancy Ratio of the State's own Revenue with reference to GSDP indicates the increased growth rate in State's Tax Revenue in 2019-20 as compared to growth rate of GSDP in 2019-20. This Buoyancy Rate which was 4.33 in the previous year fell sharply to 1.23 in the current year. This was mainly because of the increased base in current year when compared with the base figure of the previous year.

2.5.3 State's Own Resources

As the State share in Central taxes and GIA from GoI is determined on the basis of recommendations of the FC, the State's performance in mobilisation of resources was assessed in terms of its own resources comprising tax and non-tax sources.

The State's Tax and Non-Tax Revenue for 2019-20 *vis-à-vis* assessment made by 14th FC and BEs are given in **Table 2.5**.

Table 2.5: Tax and Non-Tax Receipts

(₹in crore)

Particulars	14th FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				Budget Estimates	14th FC projections
Own Tax revenue	**1,547.00**	**979.58**	**1,228.73**	**25.43**	**(-) 20.57**
Non-tax revenue	**365.00**	**1,050.00**	**651.38**	**(-) 37.96**	**78.46**

Source: 14th FC Report, Annual Financial Statement and Finance Accounts 2019-20

The State collected higher Tax Revenue compared to the budget estimates, with increase in almost all tax components. The sharp growth in the GST collections in the State was one of the reasons for higher collection of own tax revenues. In case of Non-Tax Revenue,

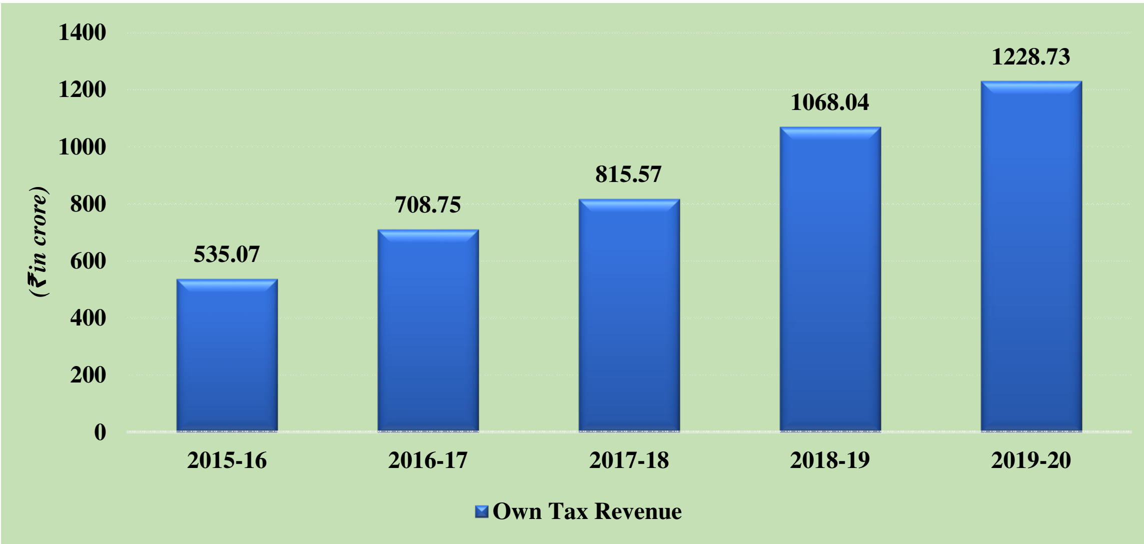
3 To cite an example the Buoyancy ratio of Revenue Receipts with GSDP of more than one indicates that the growth wwrate of Revenue Receipts would be much higher than the growth rate of the GSDP

the State budgeted for higher collections despite the fact that the actual collections of Non-Tax Revenues fell short of the budgeted amounts in previous year. The BEs of own resources were also not comparable with the actual receipts of the previous year. Tax Revenue was 20.57 *per cent* lower than the projections made by the 14th FC and 25.43 *per cent* higher than the assessment made in the BEs for 2019-20. Collection of Non-Tax Revenue during 2019-20 was higher than the projections made by the 14th FC (78.46 *per cent*) but lower than the assessments made in the BEs (37.96 *per cent*).

2.5.4 *Own Tax Revenue*

Own Tax Revenues of the State consist of State GST, State Excise, Taxes on Vehicles, Stamp Duty and Registration Fees, Land Revenue, Taxes on Goods and Passengers, *etc.* Growth and Composition of State's Own Tax Revenue over the period 2015-20 are presented in **Chart 2.6** and **Table 2.6**.

Chart 2.6: Growth of Own Tax Revenue during 2015-20



Source: Finance Accounts of the respective years

Table 2.6: Components of State's Own Tax Revenue

(₹in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	Sparklines
Goods and Service Tax	-	-	223.73	601.00	801.55	
Taxes on Sales, Trade, *etc.*	190.22	282.54	285.13	268.74	219.82	
State Excise	86.33	109.05	122.61	136.73	144.97	
Taxes on Vehicles	19.30	24.47	31.40	32.43	38.12	
Stamps & Registration Fees	5.63	5.08	10.42	9.16	8.14	
Land Revenue	8.89	6.44	13.32	14.58	15.97	
Taxes on Goods & Passengers	224.70	281.17	128.96	5.40	0.16	
Total	**535.07**	**708.75**	**815.57**	**1068.04**	**1228.73**	

Source: Finance Accounts of the respective years

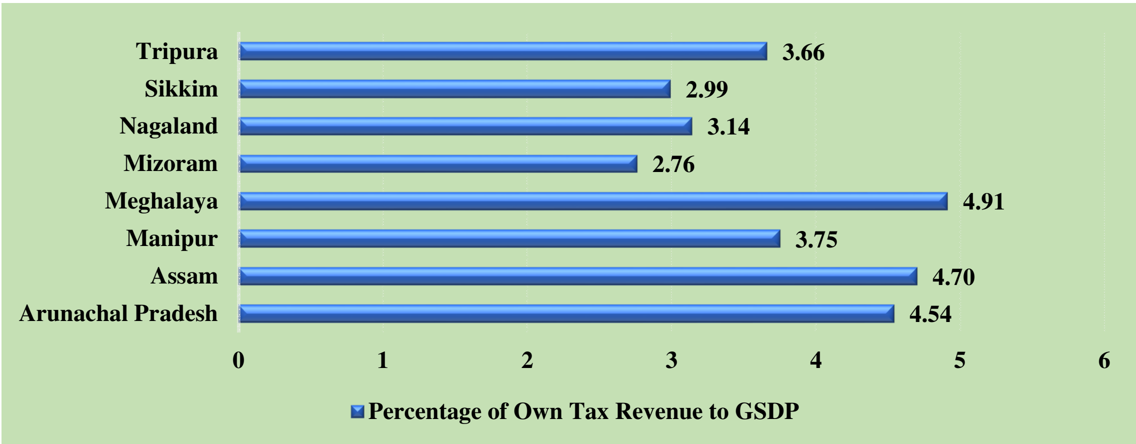
In 2019-20, Tax Revenue increased by 129.52 *per cent* from ₹ 535.07 crore in 2015-16 to ₹ 1,228.73 crore and by 15.05 *per cent* over the previous year (₹ 1,068.04 crore). Thus, there was a significant increase in the State's Own Tax Revenue during the financial year, mainly due to GST. The CAGR of own tax revenue for 2018-19 to 2019-20 for the

Statestood at 15.05 while it was (-) 8.10 for NE&H States during the same period and 1.65 for average of all the States in the country indicating that the performance in collection of own tax revenue was relatively better in the State.

The Tax-GSDP Ratio of 4.54 *per cent* during 2019-20 was marginally lower than the projection (4.67 *per cent*) made by the 14th FC. Besides, the collections from Taxes on Goods and Passengers fell drastically by over 97 *per cent* during the year 2019-20 as it got subsumed in GST from July 2017. The collections under Stamps and Registration have been declining from 2017-18 onwards. The reduction in collections in Taxes on Sales, Trade from 2017-18 onwards was due to introduction of GST due to which the VAT on other products except liquor and petroleum products got subsumed in GST. Thus, apart from GST, the increase in other tax revenues was only marginal, indicating that the State had not effectively tapped its tax potential and relied more on GoI transfers.

State's Own Tax Revenue of ₹ 1,228.73 crore at 4.54 *per cent* of GSDP, was marginally lower than that of Meghalaya (4.91 *per cent*) and Assam (4.70 *per cent*) during 2019-20 but higher than the other NER States as shown in **Chart 2.7**.

Chart 2.7: Percentage of Own Tax Revenue to GSDP of North Eastern States during 2019-20



Source: Finance Accounts of the respective States

In its reply (January 2021), the State Government stated that the increase in State's Own Tax Revenue was due to increase in SGST and IGST.

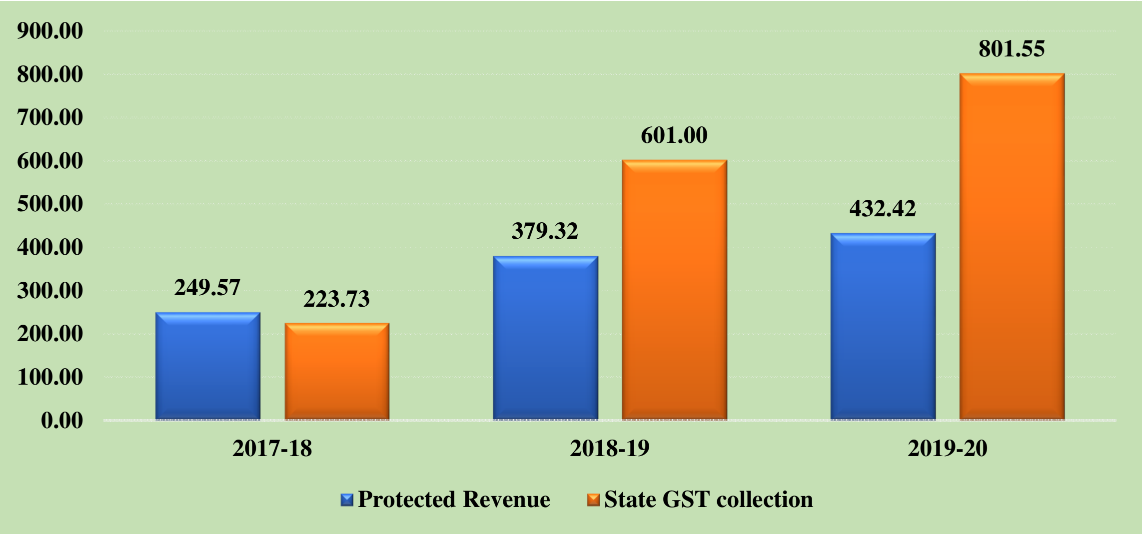
2.5.4.1 State Goods and Services Tax (SGST)

As per the GST (Compensation to States) Act, 2017, States will be compensated for shortfall in revenue arising on account of implementation of the GST considering an annual growth of 14 *per cent* from the base year, for a period of five years. The Centre levies the Integrated GST (IGST) on inter-state supply of goods and services, and apportions the State's share of tax to the State where the goods or services are consumed.

The Arunachal Pradesh Goods and Services Tax Act, 2017 was passed by the State Legislature on 24 June 2017 and made effective from 01 July 2017 in the State. **Chart 2.8** shows the year-wise protected revenue and actual collection of the State over the period 2017-2020.

Chart 2.8: Details of year-wise protected revenue and actual collection

(₹in crore)



Source: Finance Accounts of the respective years

The State was able to achieve the benchmark target of SGST collection with more than 14 *per cent* annual growth in last two financial years. As such, the State was not eligible for compensation and accordingly, it had not received the GST compensation.

With automation of the collection of GST having taken place, it is essential for Audit to move from sample checks to a comprehensive check of all transactions, to fulfil the CAG's constitutional mandate of certifying the Accounts. The State Government had signed the Memorandum of Understanding (MoU) in the proforma for providing the access of the data and accordingly, the State Government had created User IDs and issued Password. However, due to want of VPN certificate, the required access to data is yet to be provided. Not having access to the data pertaining to all GST transactions had limited the comprehensive auditing the GST receipts. The accounts for the year 2019-20 are, therefore, certified on the basis of test audit, as was done when records were manually maintained, as a one-time exception.

2.5.4.2 Analysis of arrears of revenue

The arrears of revenue as at the end of the year was called from the Tax and Excise Department and it was stated that the department did not have the consolidated details of the arrears of revenue for the entire State, and hence instructed all the district level officers to furnish the details. However, many district level officers could not furnish the details. The arrears of revenue as on 31 March 2020 in respect of the Tax and Excise Department, furnished by eight Superintendents of Tax & Excise out of 26 Superintendents of Tax & Excise, amounted to ₹ 102.54 crore of which ₹ 58.28 crore was outstanding for more than five years, as detailed in **Table 2.7**.

Table 2.7: Details of outstanding revenue

(₹in crore)

Head of Revenue	Amount outstanding as on 31st March 2019	Collection of arrears of revenue during 2019-20	Total amount outstanding as on 31st March 2020	Amount outstanding for more than 5 years as on 31st March, 2020
0040	58.26	0.08	102.35	58.25
0039	0.14	10.01	0.19	0.03
Total	**58.40**	**10.09**	**102.54**	**58.28**

Source: Data furnished by the State Government

The Department had intimated that notices had already been issued to the defaulter's dealers/ DDOs to deposit the outstanding revenue. The fact remains that recovery of ₹ 58.28 crore was pending for more than five years. Clearance of arrears of such magnitude requires focused efforts by all departments concerned and a push for coordination with other departments such as banks, Police Department and quasi-judicial/ judicial bodies involved in the process of recovery, before expiry of the statutory period.

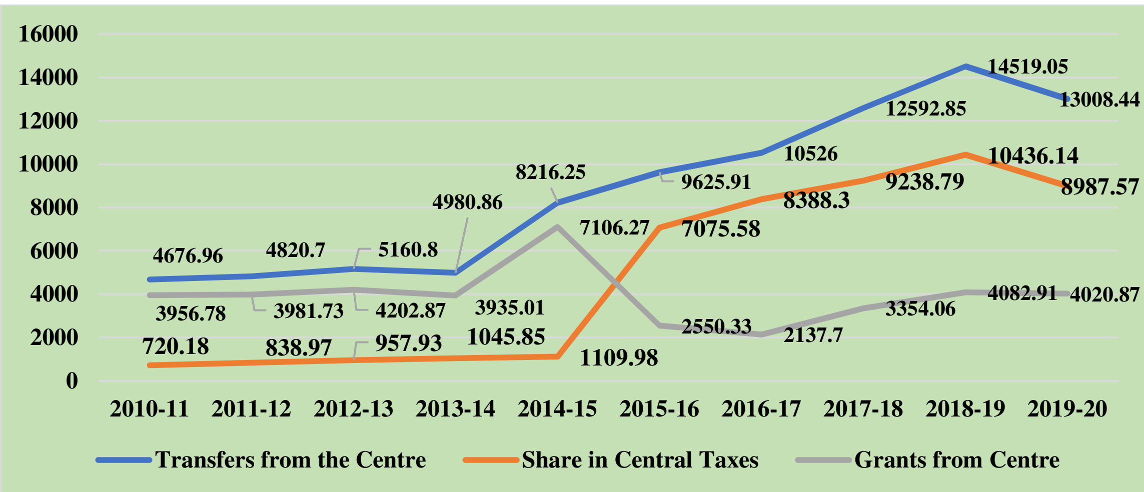
2.5.5 *Transfers from the Centre*

The FC has been recommending transfers under two heads for a period of five years. First, it recommends tax devolutions which are general purpose transfer without being earmarked for expenditure in any specific area and are specified as a percentage of sharable tax revenue. Second, it states the principles governing GIA and recommends amount of specific purpose grants. As per the recommendation of 14th FC for the award period 2015-16 to 2019-20, the vertical share of net proceeds of central taxes increased from 32 *per cent* to 42 *per cent*. Further, there was change in inter se share of taxes to states due to change in the criteria. These modifications in the inter se distribution of GoI taxes resulted in enhancement of the State share of GoI taxes from 0.328 *per cent* during the 13th FC period to 1.370 *per cent* during the award period of 14th FC. This resulted in the State Government getting access to more untied funds.

Chart 2.9 shows the amount of transfers from the GoI in the last 10 years.

Chart 2.9: Central transfers during 2010-11 to 2019-20

(₹in crore)



Source: Finance Accounts of the respective years

There was reduction in the GIA from the GoI when compared to the amounts in 2014-15. The actual GIA received from GoI during the year was ₹ 4,020.87 crore as against ₹ 7,106.27 crore in 2014-15. While, the share of central taxes from the GoI sharply increased after the year 2014-15 due to the decision of enhancing the share. The actual receipts on account of share of central taxes during the year was ₹ 8,987.57 crore against ₹ 1,109.98 crore in 2014-15.

The trend of increase in the overall receipts from GoI (Tax devolution plus GIA) had reversed for the first time during the award period of 14th FC in 2019-20 with a shortfall of ₹ 1,510.61 crore when compared to the previous year.

The projections made by the FC in respect of the Revenues of the GoI and also the divisible pool of taxes were more than the actual collections due to which the State could not get the revenues as envisaged. The details of the projections made and actual devolution are given in **Table 2.8**.

Table 2.8: State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections

(₹in crore)

Year	Finance Commission projections	Projections by FC	Actual tax devolution	Difference
2015-16	1.370 *per cent* of net proceeds of all shareable taxes excluding service tax and 1.431 *per cent* of net proceeds of sharable service tax	7,936.16	7,075.58	860.58
2016-17		9,157.42	8,388.30	769.12
2017-18		10,580.60	9,238.79	1,341.81
2018-19		12,240.00	10,436.14	1,803.86
2019-20		14,176.00	8,987.57	5,188.43

***Source:** 14th FC report and Finance Accounts of the respective years.*

As can be seen from **Table 2.8** above the actual devolution of GoI taxes to the State fell short of the projections made by the 14th FC in all the five years of the award period, which resulted in reduced Revenue Receipts of the State. Since the State is largely dependent on the resources from GoI, the reduction in the GoI tax devolution had an impact on the Capital expenditure of the State which was meant for creation of infrastructure in the State. The actual devolution of funds in the current year fell short of even the devolution of previous year by ₹ 1,448.53 crore. In fact, the actual devolution of taxes in the current year was less than the actual devolution received in the year 2017-18 also. **Table 2.9** presents the composition of central tax transfers over the period 2015-20:

Table 2.9: Details of Central Tax Transfers

(₹in crore)

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Central Goods and Services Tax	-	-	127.92	2575.12	2550.31
Integrated Goods and Services Tax	-	-	931.56	205.50	0.00
Corporation Tax	2239.74	2677.52	2825.84	3628.32	3064.45
Taxes on Income other than Corporation Tax	1585.26	1860.88	2386.20	2672.11	2401.21
Customs	1115.78	1151.76	931.30	739.56	569.70
Union Excise Duties	900.89	1315.22	973.50	491.48	396.08
Service Tax	1232.59	1376.76	1062.55	98.42	0.00

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Other Taxes	1.32	6.16	(-) 0.08	25.63	5.82
Central Tax Transfers	**7075.58**	**8388.3**	**9238.79**	**10436.14**	**8987.57**
Growth rate over previous year	*537.45*	*18.55*	*10.14*	*12.96*	*(-) 13.88*
Percentage of Central tax transfers to Revenue Receipts	*67.05*	*71.21*	*67.07*	*64.44*	*60.37*

Source: Finance Accounts of the respective years

The share of Union taxes received during 2019-20 was ₹ 8,987.57 crore, a decrease of ₹ 1,448.57 crore (13.88 *per cent*) over the previous year. In almost all components of the GoI taxes, the actual receipts were less than the receipts of the previous year despite the fact the GDP of the country registered a growth rate 7.21 *per cent* over previous year. The State had not received any IGST receipts in 2019-20. The main contributions of the share of Union taxes, Corporation Tax decreased by ₹ 563.87 crore (15.54 *per cent*) followed by decrease in Taxes on Income other than Corporation Tax by ₹ 270.90 crore (10.14 *per cent*). Although the share of Union taxes and duties showed an increasing trend in this decade with a CAGR of 39.68 *per cent* during the period from 2010-11 to 2018-19 which was much higher than the average CAGR of NE&H States (19.84 *per cent*) and average of all states (16.83 *per cent*), but this trend reversed in the current year as the CAGR for 2018-19 to 2019-20 was (-) 13.88 *per cent*. This decline in the share of Union taxes and duties had an impact on the total Revenue Receipts of the states and also fiscal deficit.

2.5.6 Grants-in-Aid from GoI

Details of GIA from GoI are given in **Table 2.10**.

Table 2.10: GIA from the GoI

(₹in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants	174.36	228.69	-	-	-
Grants for State Plan Schemes	2,062.45	1,633.22	-	-	-
Grants for Central Plan Schemes	60.72	17.73	-	-	-
Grants for Centrally Sponsored Schemes	147.54	187.99	-	-	-
Grants for Special Plan Schemes	105.26	70.07	-	-	-
Centrally Sponsored Schemes	-	-	2,511.35	3,056.16	3,193.17
FC Grants	-	-	140.17	124.57	380.98
Other Grants to State	-	-	702.54	902.18	446.72
Total	**2,550.33**	**2,137.70**	**3,354.06**	**4,082.91**	**4,020.87**
Percentage of Increase (+)/ Decrease (-) over previous year	*(-)64.11*	*(-)16.18*	*(+)56.90*	*(+) 21.73*	*(-)1.52*
Total Grants as a percentage of Revenue Receipts	*24.17*	*18.15*	*24.35*	*25.21*	*27.01*

Source: Finance Accounts of the respective years

GIA from GoI decreased by 1.52 *per cent* (₹ 62.04 crore) from ₹ 4,082.91 crore in 2018-19 to ₹ 4,020.87 crore in 2019-20. The decrease was mainly due to less allotment of Other Grants to State with Legislatures (₹ 455.46 crore). The decrease was partly offset by increase in FC Grants (₹ 256.41 crore) and in Centrally Sponsored Schemes (₹ 137.01 crore).

In its reply (January 2021), the State Government stated that the decrease in GIA from GoI was mainly due to non-submission of utilisation certificates and delinking of various GoI schemes.

The flow of funds from GoI which has a bearing on the cash management of the State *vis-à-vis* the implementation of various schemes is indicated in **Table 2.11**.

Table 2.11: Details of fund flow from GoI

(₹in crore)

Particulars	Total Fund Received	Fund received during April-December (*Per cent* of Total Funds received)	Fund received during January- March (*Per cent* of Total Funds received)
Share of Central Taxes	8,987.57	6,550.99 (72.89)	2,436.58 (27.11)
GIA for GoI	4,020.87	1,720.48 (42.79)	2,300.39 (57.21)
Total	**13,008.44**	**8,271.47 (63.59)**	**4,736.97 (36.41)**

Source: Monthly Civil Accounts 2019-20

While there was even flow of tax devolution, the flow of funds in respect of the GIA from GoI is not evenly spread as substantial amounts were released only in the last quarter of the financial year leaving very little time for the implementing agencies to implement the schemes and furnish the utilisation certificates to the GoI.

2.5.6.1 Utilisation of funds under Centrally Sponsored Schemes

A Sub-Group of Chief Minsters on Rationalisation of Centrally Sponsored Schemes (CSSs) was set up in pursuance of the decisions taken by the Governing Council of NITI Aayog. The Sub-group inter alia recommended that the total number of schemes should not exceed 30 and Existing CSSs should be divided into Core and Optional Schemes. The focus of Core schemes should comprise the National Development Agenda where the Centre and States will work together in the spirit of Team India. Those schemes which are for social protection and social inclusion should form the core of core and be the first charge on available funds for the National Development Agenda. The optional schemes shall be schemes where States would be free to choose the ones they wish to implement.

Based on the recommendations of the Sub-Group, the 66 Centrally Sponsored schemes have been rationalised into 28 umbrella schemes, of which six schemes were categorised as Core of the Core schemes, while 20 schemes were categorised as Core schemes and the balance schemes were treated as optional schemes. The core of the core schemes were legislatively backed or designed to sub serve the vulnerable sections of population, and existing financing pattern was continued. With respect to Core schemes, the funding pattern for the eight NE and Himalayan States of Uttarakhand, Himachal Pradesh, Jammu Kashmir was fixed at 90:10 while the funding pattern for other states was 60:40. For the optional schemes the funding pattern for NER states and Himalayan States of Uttarakhand, Himachal Pradesh, Jammu Kashmir was fixed at 80:20 while for other states it was 50:50. Thus, for North Eastern and Himalayan States, a more liberal funding pattern was fixed keeping in view the financial position of those States and necessity to implement the national development agenda in those States. There is no centralised data base with the State Government to track the State share to be released, actually released, and the expenditure incurred therefrom.

It was verified in audit whether the funds released by the GOI for different categories of schemes were actually spent by the State along with its share for the purpose for which those funds were released. It was observed that the State did not fully spend the fund released by the GoI on these schemes. The summarised position of the funds released by the GoI for different categories of the schemes and actual expenditure incurred by the Government are indicated in the **Table 2.12**.

Table 2.12: Details of CSS Schemes, funding pattern, funds released and expenditure

(₹in crore)

Types of schemes	No. of schemes	Funding Pattern	Central Share Release	Actual Expenditure	Balance
Core of the core Schemes	6	100:00	545.35	345.67	199.68
Core Schemes	26	90:10	2643.76	1737.96	905.80
Optional Scheme	1	80:20	4.05	0.85	3.20
Total	**33**		**3193.16**	**2084.48**	**1108.68**

As could be seen from the table, more than 34 *per cent* of the funds released by GOI as Grants-in-Aid for implementation of different categories of schemes remained unspent, resulting in non-achievement of the objectives for which the money was released.

2.5.7 Optimisation of Fourteenth Commission Grants

The 14th FC recommended grants in two parts - Basic Grant and Performance Grant for duly constituted Gram Panchayats and Municipalities. The purpose of the Basic Grant is to provide a measure of unconditional support to the Gram Panchayats and Municipalities for delivering the basic functions assigned to them under their respective statutes. In the case of Gram Panchayats, 90 *per cent* of the grant was the Basic Grant and 10 *per cent* was the Performance Grant. In the case of Municipalities, the division between Basic and Performance Grant was on 80:20 basis. The release of Performance Grants shall be subject to meeting the specified benchmarks. The actual grants provided by 14th FC to the States for local bodies and SDRF are given in **Table 2.13**.

Table 2.13: Details of recommended amount, actual release and transfers of GIA

(₹ in crore)

Transfers	Recommendation of the XIV-FC			Actual release by GoI			Short (-)/ Excess (+) release
	2015-19	2019-20	Total	2015-19	2019-20	Total	
Local Bodies	740.85	323.10	1063.95	276.70	324.28	600.98	(-) 462.97
(i) Grants to PRIs	571.49	248.44	819.93	253.28	152.48	405.76	(-) 414.17
(a) General Basic Grant	516.55	*221.38*	737.93	237.20	152.48	389.68	(-) 348.25
(b) General Performance Grants	54.94	*27.06*	82.00	16.08	0.00	16.08	(-) 65.92

Transfers	Recommendation of the XIV-FC			Actual release by GoI			Short (-)/ Excess (+) release
	2015-19	2019-20	Total	2015-19	2019-20	Total	
(ii) Grants to ULBs	169.36	74.66	244.02	23.42	171.80	195.22	(-) 48.80
(a) General Basic Grant	136.66	*58.56*	195.22	23.42	171.80	195.22	0.00
(b) General Performance Grants	32.70	*16.10*	48.80	0.00	0.00	0.00	(-) 48.80
Total for Local Bodies	740.85	323.10	1063.95	276.70	324.28	600.98	(-) 462.97
State Disaster Response Fund	202.00	57.00	259.00	201.60	56.70	258.30	(-) 0.70
Grand Total	**942.85**	**380.10**	**1322.95**	**478.30**	**380.98**	**859.28**	**(-) 463.67**

Source: 14th FC Report and Finance Accounts of the respective years

The Local Bodies need to spend not only on the provision of basic services to the people, but also require support for administrative infrastructure and capacity building.

The grants recommended by 14th FC, were to be released in two instalments each year in June and October. This would enable timely flow of funds to local bodies during the year, enabling them to plan and execute the works better. The 14th FC recommend that 50 *per cent* of the Basic Grant for the year be released to the State as the first instalment of the year. The remaining Basic Grant and the full Performance Grant for the year be released as the second instalment for the year. The State should release the grants to the Gram Panchayats and Municipalities within fifteen days of it being credited to their account by the Union Government.

It was observed that only first instalment of the grant recommended for PRIs was released as stipulated, in the years 2015-16, 2016-17 and 2019-20 the second instalment meant for the years 2015-17 was not received by the State. In the years 2017-18 and 2018-19, even the first instalment of the Basic Grant to PRIs was not fully received by the State. In the year 2019-20, the State received only partial second instalment for PRIs. The Performance Grant to PRIs was not received during the award period of 14th FC except in the year 2016-17. The non-receipt of Basic Grant was mainly due to delayed submission of UCs by the State Government, coupled with non-conducting of elections to PRIs. The non-release of Performance Grant was attributed to not meeting of the performance bench marks prescribed.

Similarly for ULBs, the Basic Grant for ULBs was not received at all during the years 2016-17 to 2018-19. The second instalment of the Basic Grant for ULBs pertaining to the year 2015-16 was received in the year 2017-18. However, the arrears of the Basic Grants for ULBs were received in the year 2019-20. The Performance Grant for ULBs were not received at all during the award period the 14th FC. The State Government also did not release the grants received from GoI to local bodies within the stipulated time of 15 days due to which it had to pay a penalty of ₹ 76.63 lakh. Thus, the objective of providing timely grants to local bodies to plan and discharge the assigned functions could not be achieved.

As against ₹ 819.93 crore and ₹ 244.02 crore recommended by 14th FC for Rural and Urban local bodies respectively during the award period, the State received only ₹ 405.76 crore for Rural local bodies and ₹ 195.22 crore for Urban local bodies during the entire award period of 14th FC (2015-20). This resulted in resource denial to the cash starved rural local bodies of the State.

In its reply (January 2021), the State Government accepted that due to not holding Panchayati and Municipality elections as well as non-submission of Audit Report of Municipality to GoI, the GoI had not released the Grants to them.

2.5.8 Capital Receipts

Details of Capital Receipts during 2015-16 to 2019-20 are given in **Table 2.14**.

Table 2.14: Trends in growth and composition of capital receipts

(₹in crore)

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts	**626.58**	**1,019.06**	**1,772.95**	**1,210.05**	**1,797.74**
Recovery of Loans and Advances	**5.48**	**3.79**	**5.68**	**5.08**	**7.03**
Public Debt Receipts	**621.10**	**1,015.27**	**1,767.27**	**1,204.97**	**1,790.71**
Internal Debt	287.92	761.33	1,250.33	1,204.97	1,790.71
Growth rate	*(-)29.30*	*164.42*	*64.23*	*(-)3.63*	*48.61*
Loans and Advances from GoI	0.00	0.00	0.00	0.00	0.00
Growth rate	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Rate of growth of debt Capital Receipts	*(-)59.68*	*63.46*	*74.07*	*(-)31.82*	*48.61*
Rate of growth of non-debt capital receipts	*(-)80.01*	*(-)30.84*	*49.87*	*(-)10.56*	*38.39*
Rate of growth of GSDP	*3.06*	*7.22*	*13.04*	*9.68*	*9.89*
Rate of growth of Capital Receipts (per cent)	*(-)60.03*	*62.64*	*73.98*	*(-)31.75*	*48.57*

Source: Finance Accounts of the respective years

Public Debt Receipts consist of two components *viz.*, Internal Debt of the State and Loans and Advances from the GoI. As could be seen from the table, the major source of Capital Receipts for the State is Internal Debt and the Government had been over estimating the receipts from Internal Debt every year during the last five years. Even at the stage of Revised Estimates, these estimates of internal debt were not adjusted to realistic levels.

Capital Receipts estimated in the budget for the year 2019-20 were ₹ 1,535.53 crore, which was subsequently revised to ₹ 2,348.38 crore. The budget assumed net Public Debt Receipts at ₹ 931.29 crore, indicating over estimation of these receipts. However, the actual Capital Receipts during the year were ₹ 1,797.73 crore, of which net Internal Debt Receipts were ₹ 1,790.70 crore constituting 6.62 *per cent* of GSDP.

It was observed that the Government has been increasingly opting for the Market Borrowings year after year as the share of Market Borrowings in Internal Debt has been increasing. This is because the Market Borrowings are in the nature of untied funds giving freedom to the State Government to spend the money as per their priorities, while the negotiated loans from institutions like NABARD *etc*. are to be spent on identified schemes in specified sectors. Internal Debt consisted of Market Loans (₹ 1,367.13 crore during 2019-20 against ₹ 789.01 crore during 2018-19), Loans from Financial Institutions (₹ 247.19 crore during 2019-20 against ₹ 276.89 crore during 2018-19) and Special Securities issued to National Small Savings Fund (₹ 176.38 crore during 2019-20 against ₹ 139.08 crore during 2018-19).

During the last five years, the State did not receive any Loans & Advances from the GoI.

2.6 Application of Resources

Analysis of allocation of expenditure at State Government level assumes significance since the State Government has major expenditure responsibilities. Within the framework of fiscal responsibility legislations, there are budgetary constraints on raising finance by deficit or borrowings. Therefore, it is important to ensure that the ongoing fiscal correction and consolidation process at State level is not at the cost of expenditure, especially expenditure directed towards development and Social Sector.

2.6.1 Growth and Composition of Expenditure

Table 2.15 and **Chart 2.10** present trends in Total Expenditure and its composition over five years (2015-16 to 2019-20).

Table 2.15: Total expenditure and its compositions

(₹ in crore)

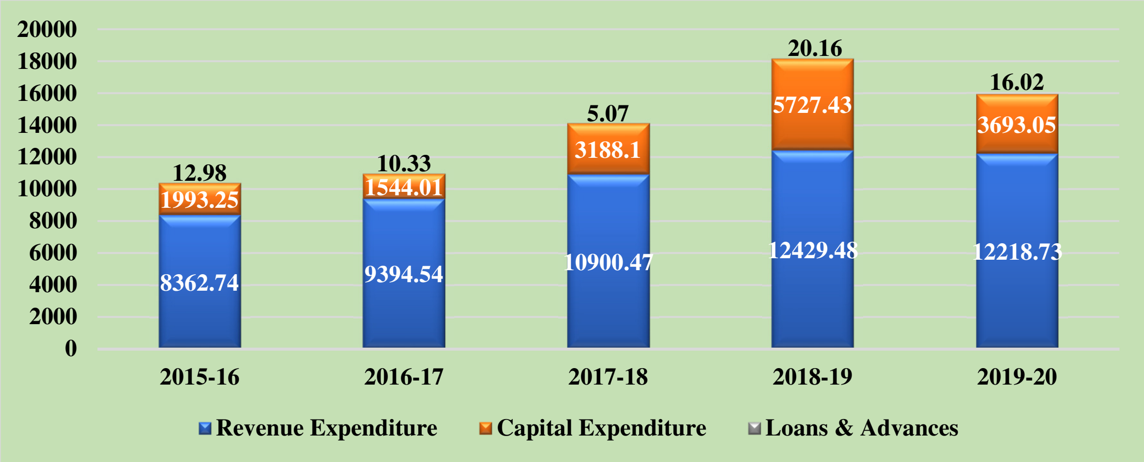
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	10,368.97	10,948.88	14,093.64	18,177.07	15,927.80
Revenue Expenditure (RE)	8,362.74	9,394.54	10,900.47	12,429.48	12,218.73
Capital Expenditure (CE)	1,993.25	1,544.01	3,188.10	5,727.43	3,693.05
Loans and Advances	12.98	10.33	5.07	20.16	16.02
As a percentage of GSDP					
TE/GSDP	56.02	55.17	62.83	73.88	58.91
RE/GSDP	45.18	47.34	48.59	50.52	45.19
CE/GSDP	10.77	7.78	14.21	23.28	13.66
Loans and Advances/GSDP	0.07	0.05	0.02	0.08	0.06

Source: Finance Accounts of the respective years

The increasing trend of Total Expenditure during the award period of the 14^{th} FC *i.e.*, 2015-20 continued till 2018-19, but reversed in the terminal year *i.e.*, 2019-20 due to lesser resource mobilisation in the year coupled with initial impact of covid pandemic in the month of March. While the reduction in the Total Expenditure during the year 2019-20 when compared with previous year was ₹ 2,249.27 crore, the reduction in Revenue Expenditure was only ₹ 210.75 crore. Thus, the reduction in Total Expenditure during the year 2019-20 was mainly due to reduced Capital Expenditure during the year. The reduced Capital Expenditure was partially attributed to pandemic which commenced during the effective working season of the year and announcement of lock down during the last week of the financial year. The CAGR of total expenditure during 2019-20 over previous year was (-) 12.37 which is higher than the average of NE&H States at (-) 6.05 *per cent*.

Chart 2.10: Total Expenditure: Trends in share of its components

(₹in crore)



Source: Finance Accounts of the respective years

Total Expenditure of the State increased by ₹ 5,558.83 crore (53.61 *per cent*) from ₹ 10,368.97 crore in 2015-16 to ₹ 15,927.80 crore in 2019-20. However, the increase in the Total Expenditure as a percentage of GSDP was marginal as it increased from 56.02 to 58.91 *per cent*. This increase was mainly due to increase in the percentage of Capital Expenditure to GSDP during the period. This indicates that the share of Government expenditure during the period was more or less the same. The CAGR of Total Expenditure is much higher than the CAGR of the Revenue Receipts of the State which is only 8.99 *per cent*, indicating that the increase of the expenditure is faster than the receipts which partly contributed to non-achievement of the Revenue Surplus target in the budget. Since the trend of Total Expenditure increasing at a pace higher than the Revenue Receipts is not sustainable, there is a need to take appropriate corrective action.

Although in absolute terms, the increase in Revenue Expenditure was more than Capital Expenditure in last five years, the percentage increase of Capital Expenditure is more than the percentage increase of Revenue Expenditure. While the increase in Revenue Expenditure was 46.11 *per cent* over 2015-16 to 2019-20, the increase in the Capital Expenditure was 85.28 *per cent* during the same period, indicating that the Government has been focussing on improving the infrastructure in the State. However, the available resources were thinly spread among large number of works which resulted in many works remaining incomplete due to which the benefit of higher Capital expenditure did not fully accrue to the State.

The relative share of various sectors of Total Expenditure and expenditure by activities are depicted in **Table 2.16** and **Chart 2.11** respectively.

Table 2.16: Relative share of various sectors of expenditure

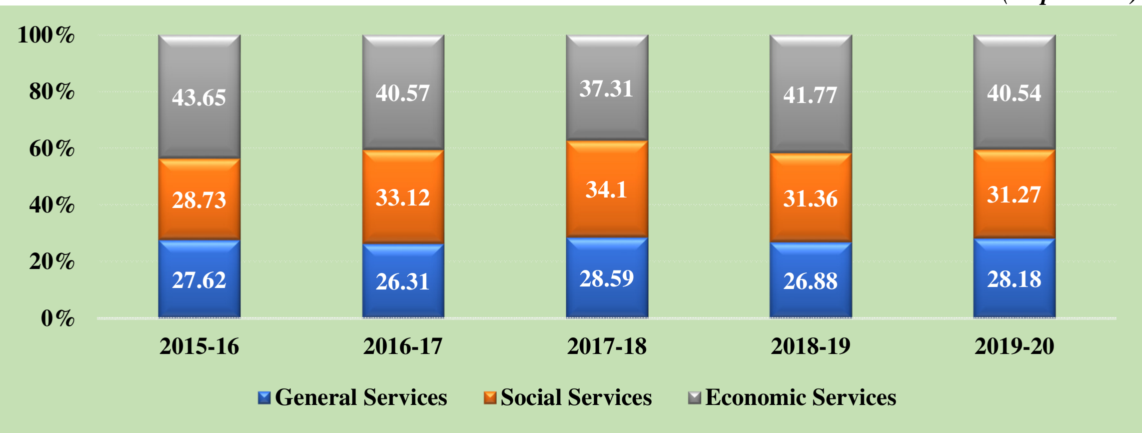
(In per cent)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
General Services	27.62	26.31	28.59	26.88	28.18
Social Services	28.66	33.05	34.08	31.34	31.24
Economic Services	43.53	40.47	37.27	41.66	40.44
Others (Grants to Local Bodies and Loans and Advances)	0.19	0.17	0.05	0.13	0.13

Source: Finance Accounts of the respective years

Chart 2.11: Total expenditure - Expenditure by activities

(In per cent)



Source: Finance Accounts of the respective years

While the proportion of expenditure in General and Social Services has increased over the last five years, the same in respect of Economic Services has declined, indicating that the administrative expenditure outpaced other vital sectors which contribute to the infrastructure and employment growth in the State.

Component-wise major expenditure in Revenue and Capital sections incurred in 2019-20 compared with 2018-19 is in **Table 2.17**.

Table 2.17: Major expenditure components under Revenue and Capital

(₹in crore)

Particulars	Sector	Revenue		Capital	
		2018-19	2019-20	2018-19	2019-20
Education, Sports, Arts and Culture	Social	1,813.55	1,846.89	205.05	107.52
Health and Family Welfare	Social	1,060.85	944.32	56.76	59.08
Water Supply, Sanitation, UD & H	Social	998.39	901.57	810.46	394.50
Energy	Economic	971.12	917.75	340.36	173.35
Irrigation and Flood	Economic	203.97	211.93	164.73	133.72

Source: Finance Accounts of the respective years

There was an overall reduction in the Capital expenditure in the current year over the previous year by 35.52 *per cent*. The reduction in Capital Expenditure in major sectors like Water supply, Sanitation, Urban Development and housing was 51.32 *per cent*, Energy was 49.07 *per cent* and Education, Sport, Art and Culture was 47.56 *per cent*.

2.6.2 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payment of past obligations and does not result in any addition to the State's infrastructure and service network. The Revenue Expenditure, its rate of growth and sector-wise distribution are indicated in **Table 2.18** and **Chart 2.12** respectively**.**

Table 2.18: Revenue Expenditure – Basic Parameters

(₹in crore)

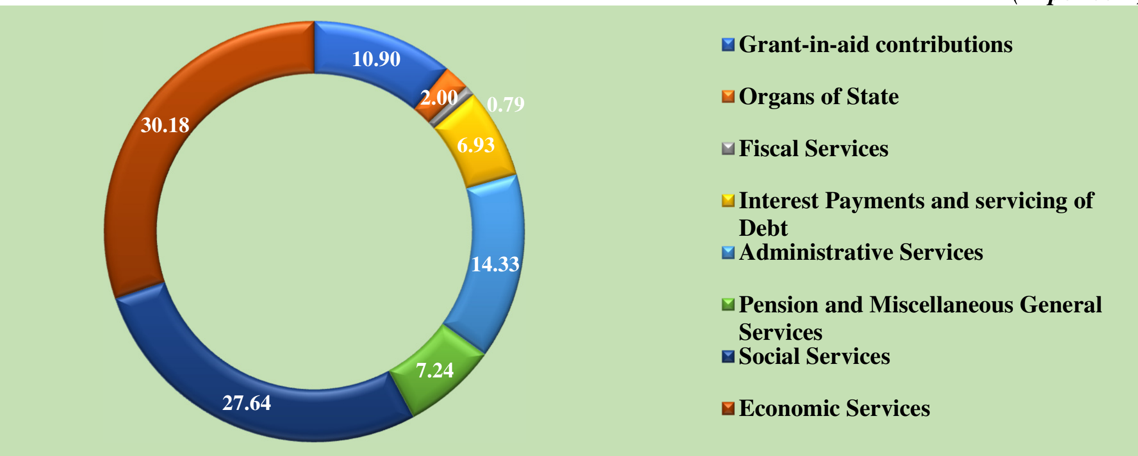
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	10,368.97	10,948.88	14,093.64	18,177.07	15,927.80
Revenue Expenditure (RE)	8,362.74	9,394.54	10,900.47	12,429.48	12,218.73
Rate of Growth of RE (*per cent*)	16.85	12.34	16.03	14.03	(-) 1.70

Revenue Expenditure as percentage of TE	80.65	85.80	77.34	68.38	76.71
RE/GSDP (*per cent*)	45.18	47.34	48.59	50.52	45.19
RE as percentage of RR	79.24	79.75	79.13	76.74	82.07
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	5.51	1.71	1.23	1.45	(-) 0.17
Revenue Receipts (ratio)	1.09	1.06	0.95	0.80	0.21

Source: Finance Accounts of the respective years

Chart 2.12: Sector-wise Distribution of Revenue Expenditure

(in per cent)



Source: Finance Accounts 2019-20

Revenue Expenditure increased by ₹ 3,855.99 crore (46.11 *per cent*) from ₹ 8,362.74 crore in 2015-16 to ₹ 12,218.73 crore in 2019-20 at a CAGR of 9.94 *per cent*. During 2019-20, it decreased by ₹ 210.75 crore (1.70 *per cent*) over the previous year, due to decrease in expenditure under Social Services by ₹ 216.19 crore, Economic Services by ₹ 2.29 crore. The decrease in Revenue Expenditure during the current year was partly offset by marginal increase in General Services by ₹ 7.73 crore. The decrease in expenditure in Social Services over the previous year was mainly due to decrease in establishment expenditure under Urban Development and in Medical Education, Training and Research. The decline in CAGR of Revenue Expenditure during 2018-19 to 2019-20 at (-)1.70 *per cent* was lower when compared with the average of NE and Himalayan states with a CAGR of (-)4.23 during the same period.

The State Government projected to the 14th FC that the total Revenue Expenditure of the State during the five years of 2015-20 would be ₹ 38,347.00 crore, but the FC assessed it as only ₹ 35,997.00 crore during the award period. However, the actual Revenue Expenditure which was ₹ 53,305.00 crore during the period, far exceeded the projections made and also assessment made by the 14th FC. This increase of ₹ 14,958.00 crore over its own projection of the State Government constituting over 39 *per cent* indicates that the State had under estimated its own expenditure.

2.6.2.1 Major changes in Revenue Expenditure

The top six Major Heads where the variation during 2019-20 over the previous year in the Revenue Expenditure is depicted in **Table 2.19**.

Table 2.19: Head-wise variations in Revenue Expenditure over the previous year

(₹in crore)

Major Heads of Account	2018-19	2019-20	Increase (+)/ Decrease (-)
2408- Food, Storage and Warehousing	7.67	246.24	238.57
2415- Agricultural Research and Education	9.71	92.16	82.45
2049- Interest payments	526.10	614.53	88.43
2029- Land Revenue	248.29	67.71	(-)180.58
3054- Roads and Bridges	1036.66	890.39	(-)146.27
2515- Other Rural Development Programmes	355.54	211.68	(-)143.86

Analysis of the reasons for the changes in Revenue Expenditure during 2019-20 over the previous year revealed the following:

- Increase in expenditure in Food, Storage and Warehousing was due to allotment of more assistance towards hill transport subsidy during the year.
- Increase in expenditure in Agricultural Research and Education was due to more expenditure towards crop husbandry during the year.
- Decrease in expenditure in Land Revenue was due to payment of more land compensation during previous year compared to current year.
- Decrease in expenditure in Roads and Bridges was due to less expenditure towards district roads during the year.
- Decrease in expenditure in Other Rural Development Programmes was due to less expenditure towards establishment expenses during the year.
- Increase in expenditure in Interest Payments was due to payment of more interest on internal debt during the year.

2.6.3 Committed Expenditure

Committed Expenditure of the State Government on Revenue Account consists of Interest Payments, expenditure on Salaries, and on Pensions. **Table 2.20** and **Chart 2.13** presents the trends in expenditure on these components and share of Committed Expenditure in total Revenue Expenditure during 2015-20 respectively.

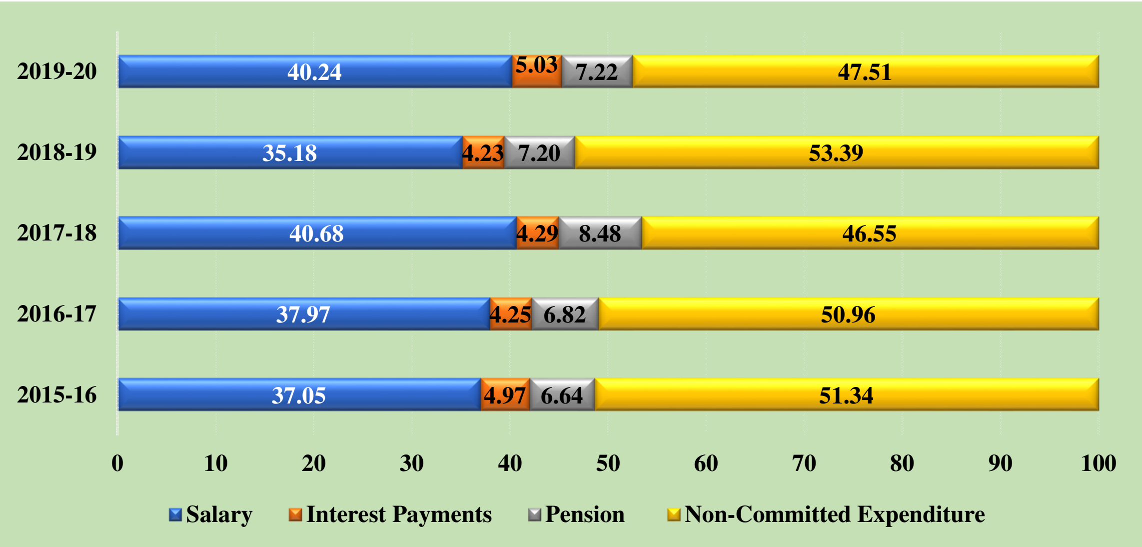
Table 2.20: Components of Committed Expenditure

(₹in crore)

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries	**3,098.20**	**3,566.88**	**4,434.61**	**4,372.49**	**4,917.24**
Expenditure on Pensions	555.25	640.58	923.97	894.37	882.31
Interest Payments	415.64	399.23	467.36	526.10	614.53
Total	**4,069.09**	**4,606.69**	**5,825.94**	**5,792.96**	**6,414.08**
As a *percentage* of Revenue Receipts					
Salaries	*29.36*	*30.28*	*32.19*	*27.00*	*33.03*
Expenditure on Pensions	*5.26*	*5.44*	*6.71*	*5.52*	*5.93*
Interest Payments	*3.94*	*3.39*	*3.39*	*3.25*	*4.13*
Total	***38.56***	***39.11***	***42.29***	***35.77***	***43.08***
As a *percentage* of Revenue Expenditure					
Salaries	*37.05*	*37.97*	*40.68*	*35.18*	*40.24*
Expenditure on Pensions	*6.64*	*6.82*	*8.48*	*7.20*	*7.22*
Interest Payments	*4.97*	*4.25*	*4.29*	*4.23*	*5.03*
Total	***48.66***	***49.04***	***53.45***	***46.61***	***52.49***

During the year 2019-20, there was reduction in the Revenue Expenditure when compared with the previous year. However, as could be seen from the table above, there was no corresponding reduction in the committed expenditure which showed increasing trend over the past five years. This indicates that the decrease in Revenue Expenditure was on maintenance of the assets already created in the State. The increasing share of the committed expenditure in the total Revenue Expenditure also indicates that the funds available for implementing other welfare schemes, and maintenance of assets is getting reduced year after year. The share of committed expenditure to total expenditure is depicted in the chart below:

Chart 2.13: Share of Committed expenditure in total Revenue Expenditure



Source: Finance Accounts of the respective years

Overall Committed Expenditure increased by ₹ 2,344.99 crore (57.63 *per cent*) from ₹ 4,069.09 crore in 2015-16 to ₹ 6,414.08 crore in 2019-20. Committed Expenditure during 2019-20 constituted 52.49 *per cent* of Revenue Expenditure and 43.08 *per cent* of Revenue Receipts.

The Committed Expenditure which was 38.56 *per cent* and 48.66 *per cent* of the Revenue Receipts and Revenue Expenditure respectively during the year 2015-16 increased to 43.08 *per cent* and 52.49 *per cent* of the same during the year 2019-20. This indicated that the pace of increase of Committed Expenditure was faster than the Revenue Receipts as well as Revenue Expenditure, reducing the resources available for other developmental expenditure. Component-wise analysis is given in the succeeding paragraphs.

2.6.3.1 Salaries

During 2019-20, Salaries alone accounted for 40.24 *per cent* of Revenue Expenditure and 33.03 *per cent* of Revenue Receipts. These increased by 58.71 *per cent* over 2015-16 and by 12.46 *per cent* over 2018-19.

The percentage expenditure on Salaries when compared with the Revenue Expenditure during the period 2015-20 increased by over three *per cent* (from 37.05 *per cent* to 40.24 *per cent*). This was mainly because of implementing the pay revision during the period with increase in pay scales of the employees, disproportionate to the increase in both Revenue Receipts as well as Revenue Expenditure. The expenditure on salaries as a percentage of Revenue Receipts is lowest among the North-Eastern and Himalayan States (which ranged between 33.03 *per cent* and 60.58 *per cent*). However, the CAGR of expenditure on Salaries and wages during 2019-20 over previous year in the State was 2.94 while the average of NE&H states was (-)7.07 *per cent*.

2.6.3.2 Interest Payments

During 2019-20, Interest Payments, comprising of interest on Internal Debt, Small Savings, Provident Funds, *etc*., Loans & Advances from the GoI and other obligations, increased by ₹ 198.89 crore (47.85 *per cent)* over 2015-16. The increase over previous year was ₹ 88.43 crore (16.81 *per cent)*. The position of the interest payments during the current year is given in **Table 2.21**.

Table 2.21: Interest Payments in the year 2019-20

(₹in crore)

Year	14th FC assessment	Assessment of State Government in Budget (MTFP)	Actuals
2019-20	519.00	635.06	614.53

Source: 14th FC Report, Budget Documents and Finance Accounts of the respective years

The actual Interest Payments during the current year exceeded the 14th FC assessment but is less than the budgeted amount as reflected in MFTP. The expenditure on Interest Payments during the award period of 14th FC (2015-20) was projected by the State Government at ₹ 2,901.51 crore. However, the 14th FC assessed it as ₹ 2,087.00 crore. The actual Interest Payments during the same period was ₹ 2,422.86 crore which was lower than the State Government projection to the 14th FC but higher than the assessment of the 14th FC. This indicates that the State maintained fiscal discipline with regards to borrowings and its costs. The Interest Payments as a percentage of Revenue Receipts during the year 2019-20 was 4.13 *per cent* which is more than the limit of three *per cent* recommended by 14th FC in fiscal consolidation road map.

2.6.3.3 Pension Payments

Pension Payments (including other Retirement Benefits) increased from ₹ 555.25 crore constituting 5.26 and 6.64 *per cent* of the Revenue Receipts and Revenue Expenditure respectively during the year 2015-16 to ₹ 882.31 crore constituting 5.93 and 7.22 *per cent* over Revenue Receipts and Revenue Expenditure respectively during 2019-20. This indicates that the Pension Payments are growing at a faster pace when compared to the Revenue Receipts as well as Revenue Expenditure. The expenditure on pension payments during the award period of 14th FC (2015-20) was projected by the State Government at ₹ 3,657.48 crore. However, the FC assessed it as ₹ 2,350.00 crore. The actual Pension Payments during the same period was ₹ 3,896.48 crore which was higher than the State Government projection to the 14th FC as well as the assessment made by 14th FC. The increase was despite introduction of NPS in the State from 2008 onwards. This was mainly due to revision of pensions consequent to implementation of Pay Revision Commission Report.

2.6.3.4 *Undischarged liabilities in National Pension System*

The GoI introduced (01 April 2004) a defined, contribution based National Pension System (NPS) to cover all new entrants to Government service. Under the NPS, the option to join the new system was available for State Government employees. According to terms of the Scheme, both the Government and employees were to contribute 10 *per cent* each of basic pay and dearness allowance and the entire amount was to be transferred to the designated fund manager through NSDL/ Trustee Bank.

The Government of Arunachal Pradesh opted for the NPS for the employees recruited on or after 01 January 2008. It was observed that the Government was not contributing its share regularly. The contributions received from both the Government and employees was to be initially credited to the Major Head 8342-117 under Deposit & Advances and are transferred to NSDL/Trustee Bank by debiting the same Major Head of Account. However, the State Government is not following the accounting procedure envisaged (passing the amounts through Public Account) and instead adopted a method of passing the funds through a current bank account outside the Government account. The Government is maintaining one current account and one savings account for this purpose in State Bank of India (SBI).

As of 01 April 2019, the Public Account (Major Head-8342) had a balance of ₹ 40.03 crore and no fresh amount was credited to this account. The State Government transferred ₹ 16.41 crore (₹ 8.20 crore as employees' contribution + ₹ 8.21 crore as Government contribution) out of this amount in Public Account to a Savings Account at SBI Itanagar branch, leaving a balance of ₹ 23.62 crore as on 31 March 2020 yet to be transferred.

As of 01 April 2019, the current account (in SBI, Naharlagun) had a balance of ₹ 21.50 crore (Employee's contribution ₹ 20.50 crore + Interest ₹ 1.00 crore). During the year 2019-20, the State Government credited ₹ 23.53 crore (₹ 23.14 crore as employees' contribution + ₹ 0.39 crore as Government contribution) to this current account with SBI. However, out of the available ₹ 45.03 crore, State Government transferred ₹ 38.71 crore[4] (₹ 37.23 crore as employees' contribution + ₹ 0.39 crore as Government contribution + Interest ₹ 1.00 crore) crore to the Savings Account at SBI Itanagar branch, leaving a balance of ₹ 6.32 crore as on 31 March 2020 yet to be transferred.

As of 01 April 2019, the savings account (in SBI, Itanagar) had a balance of ₹ 50.10 crore (Employee's contribution ₹ 50.00 crore + Interest ₹ 0.10 crore). Along with the transferred amount of ₹ 55.03 crore (₹ 45.43 crore as employees' contribution + ₹ 8.60 crore as Government contribution+ Interest ₹ 1.00 crore) from Public Account and Current account, State Government had transferred another ₹ 117.51 crore (₹ 63.89 crore as employees' contribution + ₹ 53.62 crore as Government contribution) to this savings account. During 2019-20, State Government had also accrued interest of ₹ 10.51 crore from the savings account. However, out of the available amount of ₹ 233.15 crore in

[4] Include ₹ 0.09 crore, which was withdrawn due to wrong booking

savings account, State Government transferred ₹ 127.02 crore to NSDL Account leaving a balance of ₹ 106.13 crore as on 31 March 2020 yet to be transferred.

As of 31 March 2020, a cumulative balance of ₹ 23.62 crore was lying in Public Account, yet to be transferred to NSDL and a cumulative balance of ₹ 6.32 crore and ₹ 106.14 crore was lying in the current account and Savings account respectively also to be transferred to NSDL. Thus, a total amount of ₹ 136.08 crore was yet to be transferred to NSDL as of 31 March 2020. Retention of the huge amounts in the savings and current accounts without transferring the amount to NSDL for investment in the authorised securities have implications for the social security of the employees covered under the NPS. The summary of transactions of NPS during the last five years is given below:

Table 2.22: The summary of the transactions under NPS

(₹in crore)

Year	Opening Balance	Details of Contribution				Transfer to NSDL	Closing Balance (2+6-7)	Interest liability {(2+5)* Rate}
		Employee	Employer	Short (3-4)	Total (3+4)			
1	2	3	4	5	6	7	8	9
2015-16	96.84	34.63	15.51	19.12	50.14	77.86	69.12	9.28
2016-17	69.12	83.71	9.77	73.94	93.48	79.33	83.27	11.16
2017-18	83.27	90.09	64.39	25.70	154.48	141.88	95.87	8.73
2018-19	95.87	74.40	66.45	7.95	140.85	125.19	111.53	8.31
2019-20	111.53	87.05	64.56[5]	22.49	151.61	127.06[6]	136.08	10.72
Total		**369.88**	**220.68**	**149.20**	**590.56**	**551.32**		

Source: Finance Accounts of the respective years

Audit analysis of implementation of NPS revealed the following:

During the period from 2015-16 to 2019-20, State Government contributed ₹ 220.68 crore as against the total Employees' share of ₹ 369.88 crore. Moreover, against the total collected funds of ₹ 687.40 crore (including previous year's balance ₹ 96.84 crore), the Government transferred ₹ 551.32 crore to the designated authority (NSDL). As a result, the total NPS liability of the State Government stood at ₹ 285.28 crore (₹ 149.20 crore-matching share not contributed *plus* ₹ 136.08 crore- short transfer to NSDL) as on 31 March 2020. The State Government has also created avoidable interest liability of ₹ 10.72 crore in 2019-20 on funds not transferred to NSDL.

It was also observed that both the contributions (₹ 151.61 crore) in the current year under NPS were not routed through the Public Account and instead, were routed through the current account. Thus, non-routing of the contributions through the Public Account is in violation of guidelines, besides being vulnerable to risks associated with the normal bank account operations.

There were 22,273 employees who were covered under the NPS as on 31 March 2020 out of which, PRAN numbers were issued to 20,389 employees.

[5] It includes ₹ 10.51 crore as interest

[6] It includes ₹ 2.92 crore towards withdrawal for final payment and wrong booking

In its reply (January 2021), the State Government stated that efforts are being made to transfer remaining funds to NSDL-CRA.

The reply has not addressed the accumulation of Government liabilities over several years, potentially depriving subscribers of mandated benefits.

2.6.4 *Financial assistance by the State Government to Local Bodies and Other Institutions*

The quantum of assistance provided by way of Grants and Loans to Local Bodies and others during 2019-20, relative to previous years is presented in **Table 2.23**.

Table 2.23: Financial Assistance to Local Bodies and other Institutions

(₹in crore)

Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
(A) Local Bodies					
Municipal Corporations and Municipalities	6.73	7.87	1.92	3.74	5.37
Panchayati Raj Institutions	0.00	0.00	0.00	0.00	0.00
Total (A)	**6.73**	**7.87**	**1.92**	**3.74**	**5.37**
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, *etc.*)	7.39	0.00	1.00	5.43	0.00
Cultural Institutions/Voluntary Organisations for promotion of Arts & Culture	2.22	0.00	0.00	0.00	0.00
State Institute of Rural Development	0.66	0.66	0.00	0.00	0.00
Social Welfare	0.44	0.48	0.41	0.54	0.00
Food, Storage and Warehousing	0.00	7.11	15.59	7.67	208.60
Co-operation	1.25	2.99	0.83	1.15	0.92
Other Institutions	7.48	18.76	17.62	36.10	23.36
Total (B)	**19.44**	**30.00**	**35.45**	**50.89**	**232.88**
Total (A+B)	**26.17**	**37.87**	**37.37**	**54.63**	**238.25**
Revenue Expenditure	8362.74	9394.54	10900.47	12429.48	12218.73
Assistance as percentage of Revenue Expenditure	*0.31*	*0.40*	*0.34*	*0.44*	*1.95*

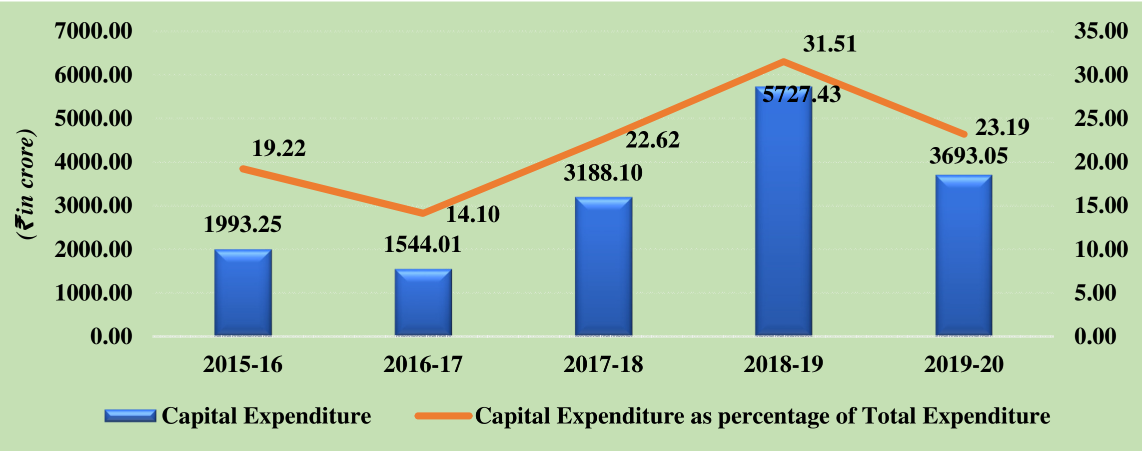
Source: Finance Accounts of the respective years

Financial assistance extended to Local Bodies and other Institutions with inter-year variations increased by 810.24 *per cent* from ₹ 26.17 crore in 2015-16 to ₹ 238.21 crore in 2019-20. No financial assistance was given from State funds to rural local bodies in the past five years.

2.6.5 *Capital Expenditure*

Capital Expenditure is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings *etc*. **Chart 2.14** depicts the trends of Capital Expenditure and its percentage of Total Expenditure over the period 2015-20.

Chart 2.14: Capital expenditure in the State



Source: Finance Accounts of the respective years

Capital Expenditure during 2019-20 (₹ 3,693.05 crore) decreased by ₹ 2,034.38 crore over the previous year due to significant decrease in expenditure on Economic Services (₹ 1,127.92 crore), Social Services (₹ 502.34 crore) and General Services (₹ 404.12 crore). This expenditure constituted 23.19 *per cent* of Total Expenditure during 2019-20 as compared to 31.51 *per cent* during the previous year. The Capital Expenditure as a percentage of Total Expenditure which peaked to 31.51 *per cent* during the previous year, came down to 23.19 *per cent* during the current year.

The CAGR of the Capital Expenditure in 2019-20 over previous year was (-) 35.52 in the State while the average of NER and Himalayan States was (-)15.60, and average of all States was (-) 5.08 during the same period, indicating that the decline was much steep in the State. The actual Capital expenditure fell short of the expenditure approved by the legislature. The available resources for the Capital expenditure were thinly spread over many projects due to which the infrastructure projects could not be completed within the stipulated time frame resulting in blocking of scarce resources. The ratio of Capital Expenditure to Aggregate Expenditure of the State (23.19 *per cent*) is very high when compared with the average of the NE&H states (14.08 *per cent*) indicating that the fiscal priority of the Government is more oriented towards creation of capital assets or to improve the infrastructure of the State which would contribute to increase in the growth of GSDP. However, the State Government could not maintain the Capital Expenditure in line with the projections made in the BEs and REs during 2019-20, and the expenditure fell short of the BEs (₹ 8,006.72 crore) by 53.88 *per cent* and RE (₹ 4,445.42 crore) by 16.92 *per cent*.

2.6.5.1 Major Changes in Capital Expenditure

As there was decrease of ₹ 2,034.48 crore in Capital Expenditure during the current year compared to previous year, **Table 2.24** highlights the cases of significant decrease of over 25 *per cent* in various Heads of Account in Capital Expenditure during the year 2019-20 *vis-à-vis* the previous year.

Table 2.24: Capital Expenditure during 2019-20 compared to 2018-19

(₹in crore)

Major Heads of Accounts	2018-19	2019-20	Decrease (*in per cent*)
4059- Capital Outlay on Public Works	363.07	164.09	198.98 (*54.80*)
4070- Capital Outlay on Other Administrative Services	658.41	436.51	221.90 (*33.70*)
4215- Capital Outlay on Water Supply and Sanitation	416.43	253.07	163.36 (*39.23*)
4217- Capital Outlay on Urban Development	367.17	128.93	238.24 (*64.89*)
5054- Capital Outlay on Roads and Bridges	2,603.05	1,833.43	769.62 (*29.57*)

Source: Finance Accounts of the respective years

Analysis of the reasons for decrease in Capital Expenditure during 2019-20 over the previous year revealed the following:

- Decrease in expenditure in Public Works during the year was due to less emphasis of the State Government towards creation of assets under State Annual Development Agenda (SADA).
- Decrease in expenditure in Other Administrative Services during the year was due to less expenditure towards Border Area Development Programme (BADP) and Untied Funds.
- Decrease in expenditure in Water Supply and Sanitation during the year was due to less creation of assets related to Water Supply under SADA.
- Decrease in expenditure in Urban Development during the year was due to less expenditure towards Integrated Development of Small and Medium Towns.
- Decrease in expenditure in Roads and Bridges was due to less expenditure towards district roads during the year.

2.6.5.2 Capital locked in incomplete projects

As per Finance Accounts of the State for the year 2019-20, there were 101 incomplete/ ongoing projects in six Department as on 31 March 2020. Age profile of incomplete projects based on the year of sanction/ year of start of these projects as on 31 March 2020 is as follows:

Table 2.25: Age profile of incomplete projects as on 31 March 2020 (*₹in crore*)

Year	No of incomplete projects	Estimated cost	Expenditure
2008-09	2	54.67	159.95
2010-11	1	15.45	12.10
2011-12	11	180.57	160.77
2012-13	2	25.49	22.13
2013-14	7	123.09	78.79
2014-15	4	59.96	22.42
2015-16	1	8.31	5.21
2016-17	22	347.22	157.22
2017-18	23	313.69	122.59
2018-19	11	123.83	16.22
2019-20	17	339.21	89.58
Total	**101**	**1591.49**	**846.98**

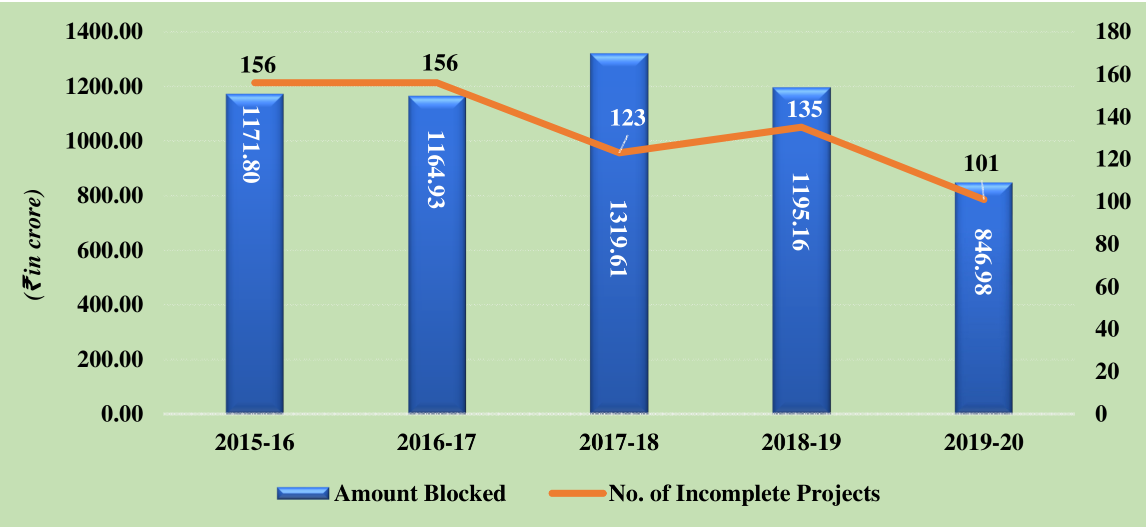
Table 2.26: Department-wise profile of incomplete projects as on 31 March 2020 (*₹in crore*)

Department	No of incomplete projects	Estimated cost	Expenditure
PWD	66	1123.91	546.63
PHED	12	115.96	67.03
WRD	11	194.89	194.82
Hydro Power	8	122.04	31.72
Power	3	29.69	5.50
RWD	1	5.00	1.28
Total	**101**	**1591.49**	**846.98**

Source: Finance Accounts 2019-20

The Government does not have a comprehensive list of capital projects taken up, status of these projects, details of time and cost over run in the execution of these projects, approved cost and revised cost of completing the projects, *etc*. In the absence of a comprehensive database of incomplete projects, information was sought from the implementing departments, and based on the information furnished, it was seen that 101 projects on which an expenditure of ₹ 846.98 crore was incurred, remained incomplete and the resources required for completing these works were not made available. Of these, 23 projects in which expenditure of ₹ 433.74 crore was incurred and remained incomplete were prior to 2014-15. The year-wise details of incomplete projects is shown in the chart below:

Chart 2.15: Year-wise details of incomplete projects



Source: Finance Accounts of the respective years

Even the details of expenditure incurred during the current year on these incomplete works was not available separately. While there are large number of works which remained incomplete over several years, the Government also took up execution of new works during the current year. The Government has been taking up large number of works without ensuring the availability of resources for completing those works within the stipulated timeframe, and available resources are thinly spread over an extended number of works. Time over run of the infrastructure projects would also have the inherent risk of cost over runs.

Effective steps need to be taken to complete all these above projects without further delays to avoid cost and time overrun and reduce extra burden of debt servicing on borrowed funds for projects.

2.7 Quality of investments in Companies, Corporations and other Bodies

The term State Government Public Sector Enterprises (SPSEs) encompasses the State Government owned companies set up under the Companies Act, 2013 and Statutory Corporations set up under the statutes enacted by the Parliament.

Government Company is defined in Section 2(45) of the Companies Act, 2013 as a company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary of a Government Company.

Audit of Government companies and Government controlled other companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG.

As on 31 March 2020, there were seven SPSUs (all Government Companies, including one non-working company) in the State. The turnover of the SPSUs *vis-à-vis* the GSDP of the State in the past three years is as follows:

Table 2.27: Turnover SPSUs *vis-à-vis* GSDP for the last three years

Particulars	2017-18	2018-19	2019-20
Turnover (₹ in crore)	24.86	28.96	26.61
GSDP (₹ in crore)	*22,434.48*	*24,602.88*	*27,036.64*
Percentage of Turnover to GSDP	*0.11*	*0.12*	*0.10*

Source: As per latest finalised accounts of SPSEs

The contribution of the SPSUs to the GSDP in the State was insignificant as the turnover of these Companies constituted less than 0.15 *per cent* of the GSDP in all the three preceding years. None of these Companies were listed on stock exchange.

As on 31 March 2020, there were six working Government Companies and as per latest finalised annual accounts, four companies had accumulated losses of ₹ 29.10 crore. Of the two companies which had earned a profit, the profit earned by one company *i.e.*, AP Police Housing and Welfare Corporation Limited was mainly due to interest on the fixed deposits invested out of the centage charges paid by the Government

The summarised position of the Government's investment (Equity and Loans) in the SPSUs and data on the performance indicators of SPSUs during last three years is as follows:

Table 2.28: Government's investment and performance indicators of SPSUs during 2017-20

Particulars	2017-18	2018-19	2019-20
Equity (₹ in crore)	9.00	9.00	9.00
Loans (₹ in crore)	*36.25*	*36.25*	*36.25*
Turnover (₹ in crore)	24.86	28.96	26.61
Budgetary support (₹ in crore)	5.55	9.88	4.79
Profit (overall) earned by working SPSUs	7.53	6.56	3.58

Source: As per latest finalised accounts of SPSEs

The investment in one non-working SPSU was ₹ 0.24 crore, which had been defunct since 1995. Of the seven SPSUs, the net worth was eroded completely in case of three SPSUs, as detailed below.

Table 2.29: Erosion of Capital of working SPSUs

(₹in crore)

Sl. No.	Company/ Corporation	Latest finalised Accounts	Paid up capital	Accumulated losses
1	Arunachal Pradesh Industrial Development and Financial Corporation Limited	2017-18	4.15	20.42
2	Arunachal Pradesh Forest Corporation Limited	2005-06	4.50	4.58
3	Arunachal Pradesh Donyi Polo Hotel Corporation Limited	2018-19	0.99	2.29

Source: As per latest finalised accounts of SPSEs

Financial statements of the companies are required to be finalised within six months from the close of the relevant financial year, *i.e.*, by end of September, in accordance with the provisions of Section 96 (1) of the Companies Act. None of the Companies have complied with this provision and the accounts of these companies are in arrears ranging from 1 to 20 years.

As per Statement 8 and 19 of the Finance Accounts for 2019-20, as of 31 March 2020, the State Government invested ₹ 250.93 crore in five Government Companies (₹ 9.00 crore) and 150 Co-operative Banks and Societies (₹ 241.93 crore) as detailed in **Table 2.30**.

Table 2.30: Return on Investment

(₹in crore)

Investment/Return/Cost of Borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Investment at the end of the year *(₹in crore)*					
(i) Government Companies	9.00	9.00	9.00	9.00	9.00
(ii) Co-operative Bank/Societies	240.11	241.02	241.02	241.93	241.93
Total	**249.11**	**250.02**	**250.02**	**250.93**	**250.93**
Return *(₹in crore)*	*Nil*				
Average Rate of Interest on Government Borrowings *(per cent)*	6.92	6.93	7.28	6.66	5.93
Difference between Interest Rate & Return rate (*per cent*)	6.92	6.93	7.28	6.66	5.93

Source: Finance Accounts of the respective years

During 2015-16 to 2019-20, average return on investment was '***Nil***', while the Government paid interest at an average rate of 5.93 *per cent* to 7.28 *per cent* on its borrowings during the period.

2.7.1 Loans and Advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, State Government has also provided loans and advances to many institutions/ organisations. **Table 2.31** presents the outstanding loans and advances as on 31 March 2020 along with interest receipts *vis-à-vis* interest payments during the five-year period from 2015-16 to 2019-20.

Table 2.31: Quantum of loans disbursed and recovered during five years

(₹in crore)

Quantum of loans disbursed and recovered	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance of loans outstanding	**59.49**	**66.99**	**73.53**	**72.92**	**88.00**
Amount advanced during the year	12.98	10.33	5.07	20.16	16.02
Amount recovered during the year	5.48	3.79	5.68	5.08	7.03
Closing Balance of the loans outstanding	**66.99**	**73.53**	**72.92**	**88.00**	**96.99**
Net addition	*7.50*	*6.54*	*(-) 0.61*	*15.08*	*8.99*

Source: Finance Accounts of the respective years

The total outstanding loans and advances as on 31 March 2019 were ₹ 96.99 crore. The loans disbursed during the year decreased by 20.54 *per cent* from ₹ 20.16 crore in 2018-19 to ₹ 16.02 crore in 2019-20. Out of the total loans advanced during the year, Economic Services received ₹ 13.28 crore, and the remaining ₹ 2.74 crore were provided to Government servants. Within the Economic Services, Co-operation was the single recipient. Recovery of loans and advances increased by ₹ 1.95 crore from ₹ 5.08 crore in 2018-19 to ₹ 7.03 crore in 2019-20. However, interest receipts in this regard increased by ₹ 2.12 crore during the year.

2.7.2 Expenditure Priorities

Availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. It is important for the State Government to take appropriate expenditure rationalisation by focusing more on Development Expenditure which is expenditure on Social and Economic Services. Apart from improving the allocation towards development expenditure, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to Total Expenditure and the proportion of Revenue Expenditure being spent on Education and Health Sectors. The higher the ratio of these components to Total Expenditure, the quality of expenditure is considered to be better.

Table 2.32 compares the fiscal priority of the State Government with that of NE&H States with regard to Aggregate Expenditure (AE), Capital Expenditure (CE) on Education and Health during 2019-20, taking 2015-16 as the base year.

Table 2.32: Fiscal Priority of the State Government

Fiscal Priority of the State	AE/ GSDP	DE/ AE	SSE/ AE	ESE/ AE	CE/ AE	Education/ AE	Health/ AE
NE&H States' Average 2015-16	24.58	66.34	36.25	30.10	13.96	18.32	5.95
Arunachal Pradesh 2015-16	56.02	72.36	28.73	43.63	19.22	12.22	4.97
NE&H States' Average 2019-20	23.02	64.20	35.42	28.77	14.08	17.42	6.19
Arunachal Pradesh 2019-20	58.91	71.80	31.27	40.53	23.19	11.21	6.19

Source: Finance Accounts of the respective years

AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; ESE: Economic Sector Expenditure; CE: Capital Expenditure.

Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Development Loans & Advances Disbursed.

While the ratio of Aggregate Expenditure to GSDP during 2019-20 increased when compared with 2015-16, the ratio of Development Expenditure to Aggregate Expenditure marginally declined though it is much higher than the NE&H States average. The ratio of expenditure on Education to the Aggregate Expenditure declined both with reference to the base year and also when compared with NE&H States average indicating that the priority given to this sector is not commensurate with other NE&H States. The Capital Expenditure which is meant for creating infrastructure in Education sector constituted 12.27 *per cent* of the Aggregate expenditure while the average of all the states was 16.04 *per cent* and that of NE&H States was 17.42 *per cent*.

2.8 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances, *etc.*, which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.8.1 Net Public Account Balances

Component-wise net balances in Public Account of the State as of end of March 2020 are as follows:

Table 2.33: Component-wise net balances in Public Account as of 31 March 2020

(₹ in crore)

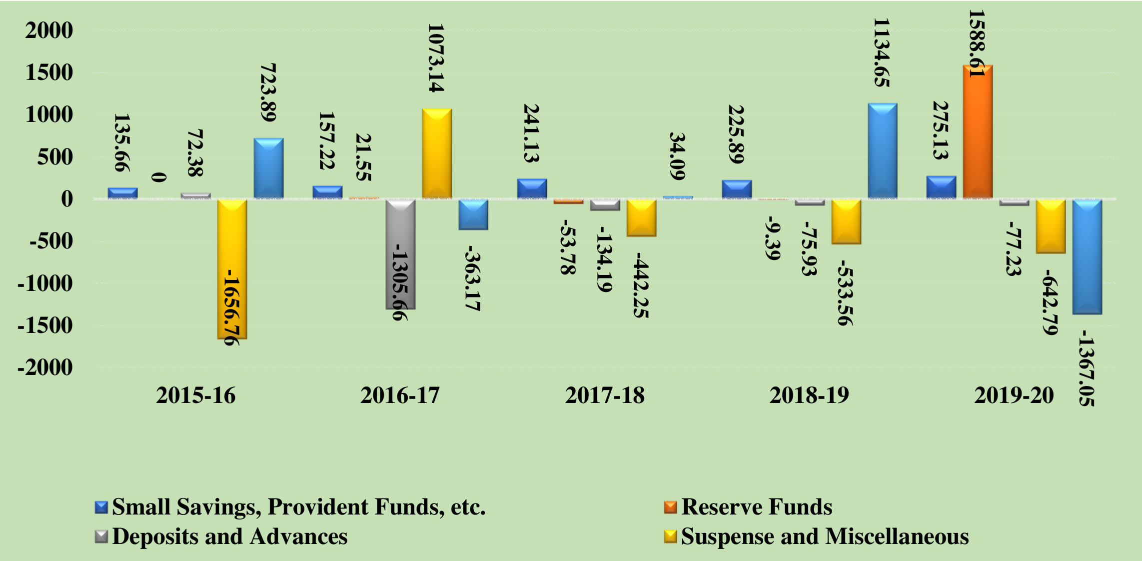
Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
I. Small Savings, Provident Funds, *etc.*	Small Savings, Provident Funds, *etc.*	135.66	157.22	241.13	225.89	275.13
J. Reserve Funds	(a) Reserve Funds bearing Interest	200.00	21.55	(-) 62.63	(-) 0.54	1,588.61
	(b) Reserve Funds not bearing Interest	(-) 200.00	0.00	8.85	(-) 8.85	0.00
K. Deposits and Advances	(a) Deposits bearing Interest	(-) 25.84	1.26	(-) 9.53	(-) 5.48	(-) 13.95
	(b) Deposits not bearing Interest	128.72	(-) 1,028.61	(-) 121.09	(-) 73.02	(-) 61.31
	(c) Advances	(-) 30.50	(-) 278.31	(-) 3.57	2.57	(-) 1.97
L. Suspense and Miscellaneous	(b) Suspense	(-) 454.00	148.74	(-) 404.85	(-) 176.63	(-) 2,678.97
	(c) Other Accounts	(-) 1,202.76	924.40	(-) 37.40	(-) 356.93	2,036.18
M. Remittances	(a) Money Orders, and other Remittances	723.77	(-) 363.15	34.11	1,134.72	(-) 1,367.06
	(b) Inter-Governmental Adjustment Account	0.12	(-) 0.02	(-) 0.02	-0.07	0.01
Total		**(-) 724.83**	**(-) 416.92**	**(-) 355.00**	**741.66**	**(-) 223.33**

Source: Finance Accounts of the respective years

The yearly changes in composition of balances in Public Account over the five-year period 2015-20 are given in **Chart 2.16**.

Chart 2.16: Composition of net Public Account over the period 2015-20

(₹ in crore)



Source: Finance Accounts of respective years

2.9 Transaction under Reserve Funds

The total Outstanding Liabilities of ₹ 12,131.46 crore include balance of ₹ 2,937.39 crore under Reserve Funds as on 31 March 2020. The status of Reserve Funds *viz.*, State Disaster Response Fund (SDRF), State Compensatory Afforestation Fund (SCAF), Consolidated Sinking Fund and Guarantee Redemption Fund are as follows:

2.9.1 State Disaster Response Fund

State Disaster Response Fund (SDRF) was set up by the Government in 2010-11 with contribution of funds from GoI and the State Government in the ratio of 90:10. The 14th FC recommended an amount of ₹ 63.00 crore (Central share ₹ 57.00 crore, State share ₹ 6.00 crore) under SRDF for year 2019-20 and accordingly GoI released ₹ 56.70 crore (in two instalments of ₹ 28.35 crore each) towards SDRF.

As per the guidelines of SDRF fund, the GoI contributions along with State share are to be transferred to the Public Account (Major Head-8121). Expenditure incurred during the year on natural calamities should be adjusted by debiting the Public Account with contra deduct debit to the Expenditure Major Head-2245. The remaining amount of the fund is to be invested. However, contrary to the guidelines, as against ₹ 63.00 crore (Central share ₹ 57.00 crore, State share ₹ 6.00 crore) to be transferred to Public Account, the Government did not transfer the funds to Public Account and instead transferred ₹ 64.50 crore to a Savings Bank Account opened for this purpose in the SBI which includes ₹ 33.00 crore pertaining to 2018-19 (₹ 27.00 crore: Central share 2nd instalment of 2018-19 and ₹ 6.00 crore: State share of 1st & 2nd instalment of 2018-19) and ₹ 31.50 crore of 2019-20 (₹ 28.35 crore: Central share 1st instalment of 2019-20 and ₹ 3.15 crore: State share of 1st instalment of 2019-20) towards SDRF. Since the money was parked in bank account outside the Government account, the expenditure from it is not subject to usual treasury control and other prescribed checks including audit. As such, it was not possible to assess the actual fund utilisation on natural calamities. Further the expenditure in Consolidated Fund was inflated to this extent as the adjustment from the Public Account to reduce the expenditure booked against Major Head-2245 could not be carried out.

As on 31 March 2019, a cumulative balance of ₹ 2.92 crore was lying in the Public Account (Major Head-8121), which remained un-invested.

2.9.2 State Compensatory Afforestation Fund

Government of Arunachal Pradesh has adopted (September 2018) the Compensatory Afforestation Fund Rules. As per Fund Rules, the money received by the State Governments from the User Agencies need to be credited in ‘8336 Civil deposits- 00- 103 State Compensatory Afforestation Deposits’ under interest bearing section in Public Accounts of the State. Out of which 90 *per cent* shall be transferred to the Major Head ‘8121 General and Other Reserve Funds- 00- 129 State Compensatory Afforestation Fund (SCAF)’ and 10 *per cent* credited into the National Fund on yearly basis as per sub-section (4) of Section 3 of the Act; provided that, the credit of 10 *per cent* share of funds should be ensured on monthly basis so that the same is transferred to the National Fund. The applicable rate of interest on balances available under State Compensatory Afforestation Deposits under ‘8336- Civil deposits- 00- 103 State Compensatory Afforestation Deposits’ and ‘8121 General and Other Reserve Funds- 00- 129 State Compensatory Afforestation Fund (SCAF)’ shall be as per the rate declared by the State Government on year to year basis.

After due appropriation of funds, the expenditure on schemes to be financed from State Compensatory Afforestation Fund (SCAF) shall be incurred from the head of account ‘2406 Forestry and Wildlife- 04 Afforestation and Ecology Development- 103 State Compensatory Afforestation (SCA)’ and is to be reimbursed by deduct refund under the Minor Head ‘904 Recoveries” from Public Account Head ‘8121 General and Other Reserve Funds- 00- 129 State Compensatory Afforestation Fund (SCAF)’

During the year 2019-20, the State received ₹ 1,588.72 crore from National Compensatory Afforestation Deposits for the State Compensatory Afforestation Fund. The State Government did not collect any funds under the Head of Account ‘8336 Civil deposits- 00- 103 State Compensatory Afforestation Deposits’ from user agencies during the year. No budget provision was kept under ‘2406 Forestry and Wildlife- 04 Afforestation and Ecology Development- 103 State Compensatory Afforestation (SCA)’and hence, no expenditure was incurred during the year. As on 31 March 2020, the fund had a balance of ₹ 1588.72 crore.

2.9.3 Consolidated Sinking Fund

The State Government set up a ‘Consolidated Sinking Fund’ (CSF) in 1999-2000 for amortisation of market borrowings, other loans and non-debt obligations as per the recommendation of 12th FC. According to the guidelines of the RBI, which is responsible for management of the Fund, State Government is required to contribute a minimum of

0.5 *per cent* of the Outstanding Liabilities of the previous year. Accordingly, the minimum contribution due from the State Government was ₹ 42.94 crore[7]. Against this, the State Government contributed ₹ 240.00 crore to the fund during the year. As on 31 March 2020, the investment against the fund was ₹ 1,344.16 crore.

2.9.4 Guarantee Redemption Fund

The State Government had constituted (February 2018) a *'Guarantee Redemption Fund'* for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Level Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund would be utilised only towards payment of the guarantees issued by the Government and invoked by the beneficiary and not paid by the institution on whose behalf guarantee was issued.

According to the Act, the Government should contribute a minimum of one *per cent* of the outstanding guarantees at the end of the previous year and thereafter minimum 0.50 *per cent* every year to achieve a minimum level of three *per cent* in next five years.

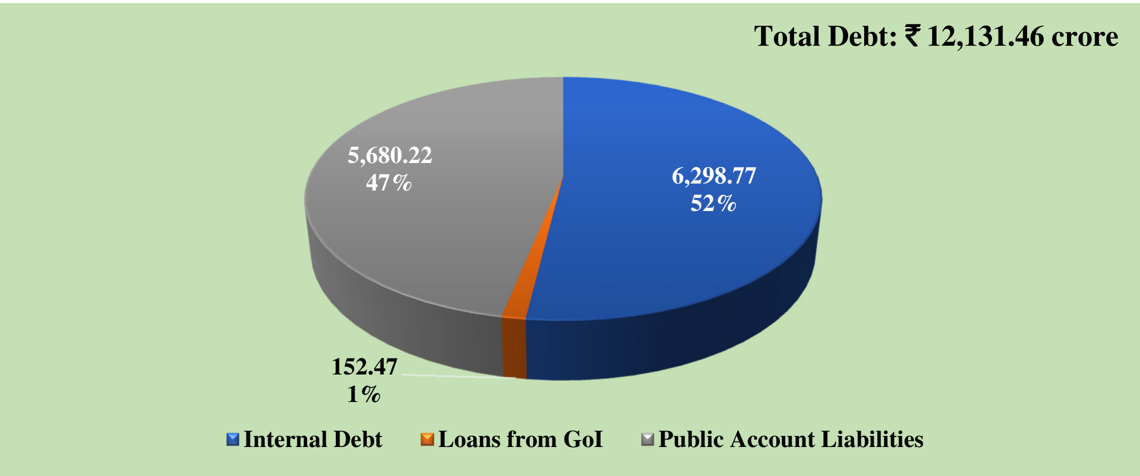
As on 01 April 2019, the fund had a balance of ₹ 1.01 crore. During 2019-20, the State Government contributed ₹ 0.56 crore to the Fund, which was almost 58 *per cent* of ₹ 0.97 crore (*i.e.*, outstanding guarantee at the end of previous financial year). No guarantee was invoked during the year. As on 31 March 2020, the total amount lying in the Fund was ₹ 1.57 crore which stood invested by the Reserve Bank of India, in GoI Securities.

2.10 Debt Management and Sustainability

The total outstanding debt of the State Government at the end of 2019-20 was ₹ 12,131.46 crore. Component-wise break-up of debt is shown in **Chart 2.17**.

Chart 2.17: Break-up of outstanding Debt at the end of March 2020

(₹ in crore)



Source: Finance Accounts 2019-20

7 0.5 *per cent* of the total Outstanding Liabilities of ₹ 8,588.42 crore as on 31 March 2019

Internal debt, which is primarily Market Borrowings through issue of State Development Loans (SDLs), accounts for 42 *per cent* of the total outstanding debt.

2.10.1 Trend of Debt

The details relating to total debt received, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2019-20 are given in **Table 2.34**, as also in **Chart 2.18**.

Table 2.34: Trend of the outstanding Debt

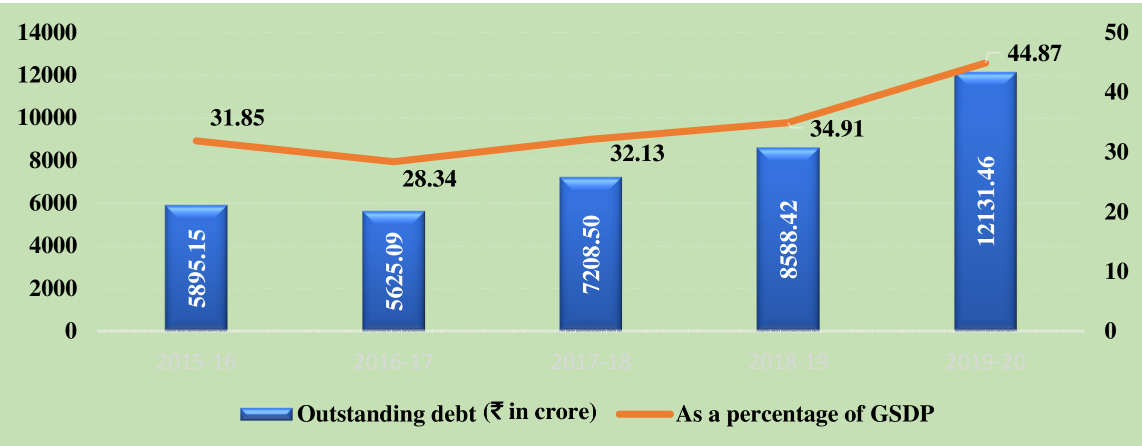
(₹in crore)

Particulars		2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Debt		**5,895.15**	**5,625.09**	**7,208.50**	**8,588.42**	**12,131.46**
Public Debt	**Internal Debt**	2,067.40	2,522.36	3,883.82	4,835.39	6298.77
	Loans from GoI	258.00	231.54	205.11	178.75	152.47
Public Account Liabilities		3,569.75	2,871.19	3,119.57	3,574.28	5680.22
Rate of growth of outstanding debt (*percentage*)		*(-)3.70*	*(-)4.58*	*28.15*	*19.14*	*41.25*
Gross State Domestic Product		18,509.16	19,845.44	22,432.48	24,602.88	27,036.64
Debt/GSDP (per cent)		*31.85*	*28.34*	*32.13*	*34.91*	*44.87*
Total Debt Receipts		3,110.70	2,222.86	2,908.33	2,528.62	4,595.82
Total Debt Repayments		2,921.87	2,093.69	1,792.28	1,674.80	1,667.31
Total Debt Receipts Available		188.83	129.17	1,116.05	853.82	2,928.51

Source: Finance Accounts of the respective years

As could be seen from the table, the outstanding debt has been increasing at a greater pace than the growth of GSDP. The current year registered highest rate of growth of outstanding debt. There had been a continuous increase in the Debt to GSDP ratio in the past five years except in the year 2016-17.

Chart 2.18: Trend of overall debt



Source: Finance Accounts of the respective years

2.10.2 Debt Sustainability

Debt is considered sustainable if the borrower, in this case the State, is in a position to service its debt now, and in future. Debt sustainability indicators accordingly seek to assess the credit worthiness and the liquidity position of the borrower by examining their ability to service the debt through timely interest payments and repay debt out of current and regular sources of revenue.

This section assesses the sustainability of debt of the State Government in terms of debt/ GSDP ratio, Fiscal Deficit, burden of Interest Payments (measured by ratio of Interest Payments to Revenue Receipts) and maturity profile of the State Government debt.

Table 2.35 shows the debt sustainability of the State according to these indicators for the five-year period beginning from 2015-20.

Table 2.35: Debt Sustainability: Indicators and Trends

Indicators of Debt sustainability	2015-16	2016-17	2017-18	2018-19	2019-20
Debt/GSDP (*per cent*)	31.85	28.34	32.13	34.91	44.87
Fiscal Deficit/Surplus to GSDP (*per cent*)	1.02	4.20	(-) 1.40	(-) 8.03	(-) 3.82
Interest Payments/Revenue Receipts Ratio	3.90	3.39	3.39	3.24	4.13
Rate of growth of outstanding Debt (*per cent*)	*(-)3.70*	*(-)4.58*	*28.15*	*19.14*	*41.25*
Rate of growth of Revenue Receipts	*15.51*	*11.62*	*16.94*	*17.58*	*(-) 8.07*
Rate of growth of GSDP (*percentage*)	*3.06*	*7.22*	*13.04*	*9.68*	*9.89*
Interest payment	415.64	399.23	467.36	526.10	614.53
Average interest rate on Outstanding Debt (*per cent*)	6.92	6.93	7.28	6.66	5.93
Available Debt as a percentage of Debt Receipts	6.07	5.81	38.37	33.77	63.72

Source: Finance Accounts of the respective years

The fiscal consolidation roadmap recommended by the 14th FC had set the following targets relating to debt sustainability –

- Debt should be less than 29.62 *per cent* of GSDP; and
- Interest payments should be three *per cent* of Revenue Receipts.

As can be seen from **Table 2.35**, in the last five years, the ratio of debt to GSDP of Arunachal Pradesh has been hovering between 28.34 to 44.87 *per cent*, and in three years out of the five-year period 2015-20, this ratio was above the targets recommended by the 14th FC, and far above the target ceiling for debt of 25 *per cent* set in APFRBM Act. The growth rate of Revenue Receipts has generally outpaced the growth rate of debt during two years out of the last five years, while in the three years commending from 2017-18 the debt grew at a significantly faster rate than the Revenue Receipts. However, in absolute terms, Revenue Receipts were higher than debt during 2019-20. The burden of Interest Payment ranged from 3.24 to 4.13 *per cent* of the Revenue Receipts. These indicate the expectations of 14th FC in fiscal consolidation road map could not be achieved in the State.

However, during the five-year period 2015-16 to 2019-20, while GSDP has grown at a CAGR of 9.94 *per cent*, the outstanding debt has grown at a faster rate of 19.77 *per cent*.

2.10.3 Debt Profile: Maturity and Repayment

Public Debt consists of Internal Debt and Loans and Advances received from GoI. As per Statement 17 of the Finance Accounts for the year 2019-20, the maturity profile of public debt is as follows.

Table 2.36: Maturity Profile of Public Debt

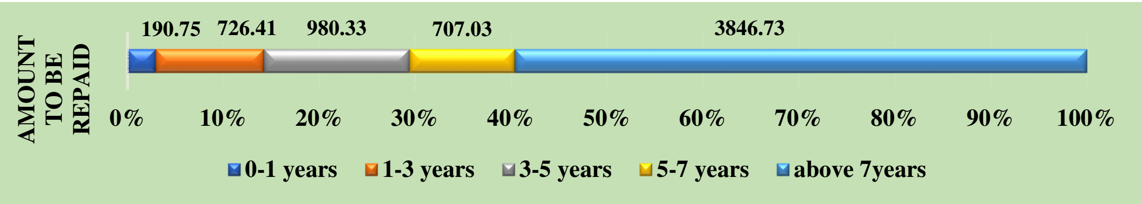
(₹in crore)

Date maturity	Maturity Profile	Amount			*Per cent*
		Internal Debt	Loans & Advances from GoI	Total	
By 2020-21	0-1 year	169.13	21.62	190.75	2.96
Between 2021-22 & 2022-23	Over 1 year to 3 years	683.19	43.22	726.41	11.26
Between 2023-24 & 2024-25	Over 3 years to 5 years	937.11	43.22	980.33	15.19
Between 2025-26 & 2026-27	Over 5 years to 7 years	699.01	8.02	707.03	10.96
2026-27 onwards	Above 7 years	3810.34	36.39	3846.73	59.63
Total		**6298.78**	**152.47**	**6451.25**	**100.00**

Source: Finance Accounts 2019-20

Chart 2.19: Maturity Profile of Public Debt

(₹in crore)



Source: Finance Accounts 2019-20

The maturity profile of outstanding stock of Public Debt as on 31 March 2020 indicates that out of the outstanding Public Debt of ₹ 6,451.25 crore, 40.37 *per cent* (₹ 2,604.52 crore) is payable within the next seven years while the remaining 59.63 *per cent* (₹ 3,846.73 crore) is in the maturity bracket of more than seven years. Of the total outstanding Public Debt, Internal Debt consisting of Market Borrowings, Loans from NABARD and Special Securities issued to NSSF of Central Government constituted 97.64 *per cent* (₹ 6,298.78 crore).

2.10.4 Utilisation of Borrowed Funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. **Table 2.37** presents the trend of utilisation of borrowed funds for repayment of earlier borrowings, Capital Expenditure and Revenue Expenditure.

Table 2.37: Details of utilisation of borrowed funds

(₹in crore)

Year	Total Borrowings	Repayment of earlier borrowings (Principal)	Net Capital Expenditure	Net Loans and Advances	Portion of Revenue expenditure met out of net available borrowings
1	2	3	4	5	6 (2-3-4-5)
2015-16	621.10	1286.44	1993.25	-7.50	NA
2016-17	1015.27	586.77	1544.01	-6.54	NA
2017-18	1767.27	432.24	3188.10	0.61	NA
2018-19	1204.97	279.76	5727.43	-15.08	NA

Year	Total Borrowings	Repayment of earlier borrowings (Principal)	Net Capital Expenditure	Net Loans and Advances	Portion of Revenue expenditure met out of net available borrowings
1	2	3	4	5	6 (2-3-4-5)
2019-20	1790.70	353.60	3693.05	-8.99	NA

Source: Finance Accounts of the respective years

It can be seen from the above table that the State Government utilised total borrowings for repayment of earlier principal debt and on Capital Expenditure during the period 2015-20. This indicated sustainable financial position of the State to the extent borrowings were used for funding capital expenditure.

2.11 Management of Cash Balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMAs), Ordinary or Special, from the RBI has been put in place. The operating limit for ordinary WMAs is reckoned as the three-year average of Revenue Receipts and the operative limit for special WMAs is fixed by RBI from time to time depending on the holding of Government securities. Overdrafts are given by the RBI, if the State has a minus balance after availing of the maximum advances.

Under an agreement with the RBI, the State Government has to maintain a minimum daily balance of ₹ 26.00 lakh with RBI. If the balance falls below the agreed minimum, the Government can take ordinary WMAs from the RBI, in addition, special WMAs are made available against GoI securities held by the State Government.

The State Government availed WMAs amounting to ₹ 38.88 crore during the current year and repaid the same during the year.

The Cash Balances and Investments made by the State Government out of Cash Balances during 2019-20 are shown in **Table 2.38**.

Table 2.38: Cash Balances and Investment of Cash Balances

(₹in crore)

Particulars	Opening balance on 01 April 2019	Closing balance on 31 March 2020
A. General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank	(-) 316.60	256.96
Deposits with other Banks	0.00	0
Remittances in transit – Local	392.00	0
Total (A)	75.40	256.96
B. Investments held in Cash Balance investment account	3,442.42[8]	1,416.05
(a) Total (A+B)	3,517.82	1,673.01

[8] Rectification of error during the year 2009-10

Particulars	Opening balance on 01 April 2019	Closing balance on 31 March 2020
(b) Other Cash Balances and Investments		
Cash with departmental officers	4.87	(-) 4.93
Permanent advances for contingent expenditure with department officers	0.01	0.01
Investment of earmarked funds	1,028.27	1,345.73
Total (b)	1,033.15	1,340.81
Total (a) + (b)	**4,550.97**	**3,013.82**
Interest realised	**78.01**	**59.22**

Source: Finance Accounts 2019-20

The decrease in Cash Balances of the State Government from ₹ 4,550.97 crore in 2018-19 to ₹ 3,013.82 crore in 2019-20 indicated that revenue receipts were insufficient to meet the revenue expenditure. There was a difference of ₹ 25.41 crore (Debit) at the end of accounting year 2019-20 between the General Cash Balance as worked out by the Principal Accountant General (₹ 256.96 crore) and as reported by the RBI (₹ 231.55 crore). This difference was mainly due to misclassification of transactions by bank/ treasuries and reconciliation not carried out by the RBI with the Pr. Accountant General Office.

As of 31 March 2020, the State Government invested ₹ 3,442.42 crore in GoI Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. During 2019-20, Interest of ₹ 59.22 crore was earned on investment of Cash Balances. **Table 2.39** shows the year-wise Cash Balance Investment with interest earned during the last five years.

Table 2.39: Details of Cash Balance Investment with interest earned during the last five years

(₹in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2015-16	2,769.31	3,970.34	1,201.03	38.07
2016-17	3,970.34	3,046.51	(-) 923.83	55.43
2017-18	3,046.51	3,082.39	35.88	45.28
2018-19	3,082.39	3,442.42	360.03	78.01
2019-20	3,442.42	1,416.05	(-) 2,026.37	59.22

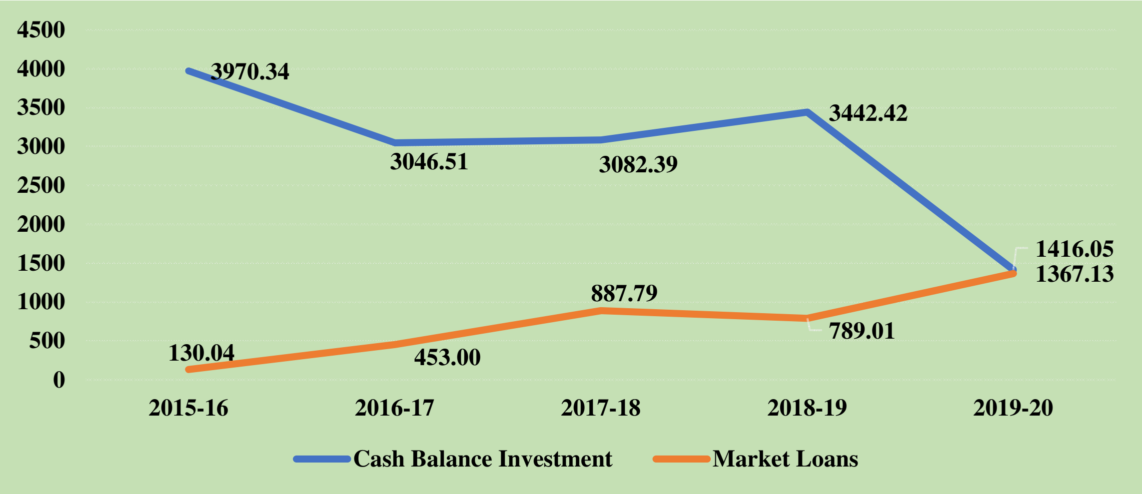
Source: Finance Accounts of the respective years

The trend analysis of the Cash Balance Investment of the State Government during 2015-20 revealed that investment decreased significantly during 2019-20.

Chart 2.20 compares the balances available in the Cash Balance Investment Account and the Market Loans taken by the State during the period 2015-20. Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates. The Government could have lowered its borrowings considering the availability of cash since it borrowed at an average interest rate of 5.93 *per cent* whereas average interest received on Cash Balance Investment was only five *per cent*.

Chart 2.20: Market Loans *vis-à-vis* Cash Balance Investment

(₹in crore)

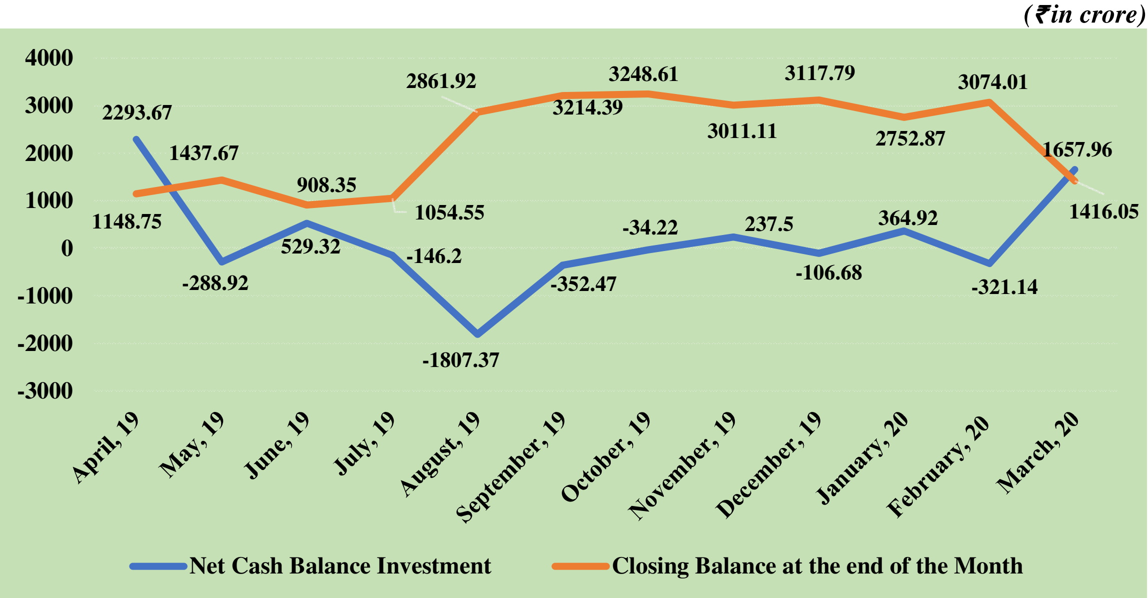


Source: Finance Accounts of the respective years

Chart 2.21 compares the month-wise movement Cash Balances and net Cash Balance Investments during the year.

Chart 2.21: Month-wise movement Cash Balances and Investments

(₹in crore)



Source: Monthly Civil Accounts 2019-20

2.11.1 Issue of cheques by cheque drawing DDOs

Cash management is one of the important function in respect of the effective financial control of the Government. As per the agreement with Reserve Bank of India, the Government had to maintain a minimum balance of ₹ 26.00 lakh with the Reserve Bank every day, so that the monetary transactions of the Government are completed. To ensure maintenance of the minimum balance with the Reserve Bank of India, the Government exercises various controls on the departmental officers having cheque drawing powers with regard to issue of cheques.

Audit scrutiny revealed that the Cheque drawing DDOs of the Works divisions in the State had issued cheques amounting to ₹ 1,909.33 crore in the month of March 2020 without reference to the available cash balance. The cheques issued by the cheque drawing DDOs in the month of March 2020 was highest and constituted 73.00 *per cent* of the total cheques issued by them in the entire year of 2019-20. There was a negative balance of ₹ 321.08 crore in the Cash Balance investment account at the beginning of the March 2020, and the total receipts in the month of March 2020 were ₹ 2,416.69 crore while disbursements excluding these cheques were ₹ 3,008.88 crore The issue of cheques for huge amounts in the month of March by the cheque drawing DDOs resulted in a situation where a large number of cheques amounting to ₹ 703.23 crore relating to Public Works, Rural Works, Urban Development, Water Resources Department and Public Health Engineering Departments *etc.* remained unpaid at the end of the financial year, but the amount was booked as expenditure in the monthly accounts of Works divisions. Accordingly, the total expenditure in the Consolidated Fund of the State was inflated to that extent.

2.12 Conclusion

- Own Tax Revenue (₹ 1228.73 crore) of the State increased by 15.05 *per cent* over the previous year (₹ 1068.04 crore). Non-Tax Revenue (₹ 651.38 crore) of the State increased by 6.98 *per cent* in comparison to the previous year (₹ 608.87 crore).
- During 2019-20, the Central tax transfers decreased by ₹ 1448.57 crore (13.88 *per cent*) over the previous year from ₹ 10436.14 crore to ₹ 8987.57 crore, adversely impacting the total Revenue Receipts of the State during the year.
- Both Revenue and Capital Expenditure decreased by ₹ 210.75 crore (1.70 *per cent*) and ₹ 2,034.38 crore (35.52 *per cent*) respectively over the previous year. Revenue expenditure, which is in the nature of current consumption, accounted for 77 *per cent* of the State's total expenditure during 2019-20, leaving only 23 *per cent* for infrastructure and asset creation.
- Against Budget allocation of Capital Expenditure of ₹ 8006.72 crore, the State could spend 46.12 *per cent* (₹ 3693.05 crore) of the allocation in the Budget. This indicates that State Government did not make sustained efforts to utilise the outlay for creation of capital assets, which would have a bearing on the long term economic growth of the State.
- During 2015-2020, out of ₹ 1322.95 crore recommended by the XIV FC for grants to Local bodies, the State received ₹ 859.28 crore (64.95 *per cent*) leading to a shortfall of ₹ 463.67 crore.
- Though, the State had revenue surplus consistently during the period 2015-16 to 2019-20, the revenue receipts decreased during the current year. Though, the State has done well to augment its tax revenue by expanding its tax base and collecting more from GST, the State's own resources constituted only around 13 *per cent* of the total revenue receipts during 2019-20. This indicated heavy dependence of the State on Government of India funds, which contributed ₹ 13,008.44 crore of the total receipts of ₹14,888.55 crore in 2019-20.

- Under National Pension System, against contribution of ₹ 369.88 crore of the State Government employees, the State Government contributed ₹ 220.68 crore only during 2015-20, resulting in a shortfall of ₹ 149.20 crore in the matching share of the State Government. Further, the State Government was yet to transfer to ₹ 136.08 crore to NSDL till the end of 31 March 2020. The State Government has also created avoidable interest liability of ₹ 10.72 crore on funds not transferred to NSDL. The shortfall/ non-contribution of funds are liabilities of the State Government, which need to be discharged promptly.
- During 2019-20, the Government had invested ₹ 250.93 crore in Government Companies, Co-operative Bank, Societies, *etc.* The average return on this investment was ***Nil*** in the last five years while, the Government paid an average interest rate ranging from 5.93 to 7.28 *per cent* on its borrowings during 2015-20. Out of the six working Government Companies, four companies had accumulated losses of ₹ 29.10 crore and two companies had accumulated profits of ₹ 36.61 crore as per their latest finalised accounts.
- The State did not maintain the details of its investment in capital projects, as well as the status of these projects along with the liabilities likely to arise from delays in completing these projects.
- The Government incurred an expenditure of ₹ 846.98 crore on 101 projects, which remained incomplete and the resources required for completing these works were not made available. Of these, 23 projects in which an expenditure of ₹ 433.74 crore was incurred and remained incomplete, were prior to 2014-15.

2.13 Recommendations

- Decrease of Central tax transfers in long term would negatively affect the overall health of State's finances, which would also slowly put pressure on the existing revenue surplus and other key fiscal parameters. Thus, the State Government needs to address these concerns with the appropriate authorities for stable flow of Central transfers for long term.
- The State needs to plan adequately for rolling out its major policy initiatives and ensure that adequate capacities are developed for consumption of capital expenditure for spending allocated funds for creation of durable assets.
- The State Government needs to adhere to the prescribed procedure for accounting for the NPS transactions scrupulously. It should ensure that Government contribution relating to NPS is fully matched with that of the employees' contribution and that the funds are transferred to NSDL in a timely manner to avoid unlimited liability on the State exchequer. This would also provide an assurance to the pensioners about the returns on their investment.
- The Government may review the contributions to the Consolidated Sinking Fund prudentially.

- The Government may consider reviewing the continuance of loss-making companies from the perspective of their public utility, else improve/turnaround their performance for positive financial results.
- The Government needs to maintain an accurate database with regard to the capital invested in projects which are at various stages of completion and incomplete for several years. It may review its commitment to these and liabilities arising out of inordinate delays and take necessary steps to ensure completion of these projects.

CHAPTER III

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

Chapter III Financial Management and Budgetary Control

3.1 Introduction

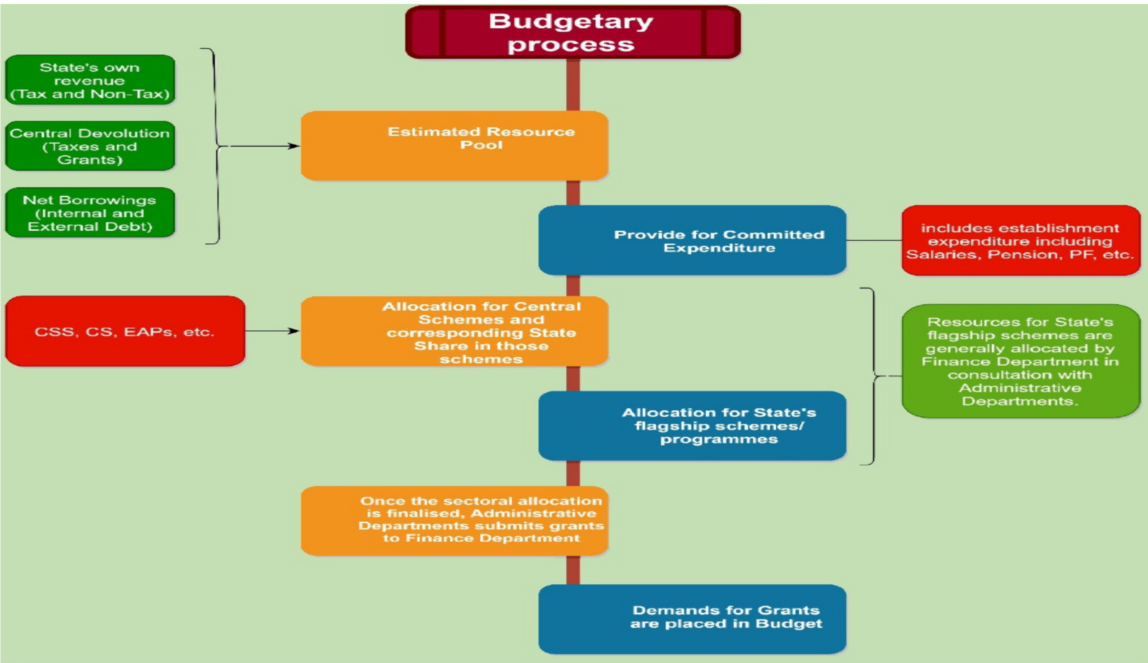
Effective financial management ensures that decisions taken at the policy level are implemented successfully at the administrative level without wastage or diversion of funds. This Chapter reviews the allocative priorities of the State Government and comments on the transparency of budget formulation and effectiveness of its implementation.

3.2 Budget Preparation Process

The Government of Arunachal has not yet prepared a Budget Manual, detailing the processes involved in budget formulation exercise, roles and responsibilities of the persons entrusted with the preparation and implementation of budget, timelines for preparation and submission of budgetary estimates, requirements of supplementary budget, mode of seeking re-appropriations within Grants, assessment of savings, surrenders *etc*. and monitoring and controls to be exercised by the Controlling Officers at all stages of budget preparation and implementation.

In the absence of a Budget Manual, the Government has been following the General Financial Rules, various provisions of the Constitution of India and guidelines issued by the Central and State Governments. The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its annual Budget and 84 Demands for Grants. Normally, every Department has one Demand for Grant, to ensure that the Head of the Department takes responsibility for implementing the policy decisions and expending public funds for the intended purposes.

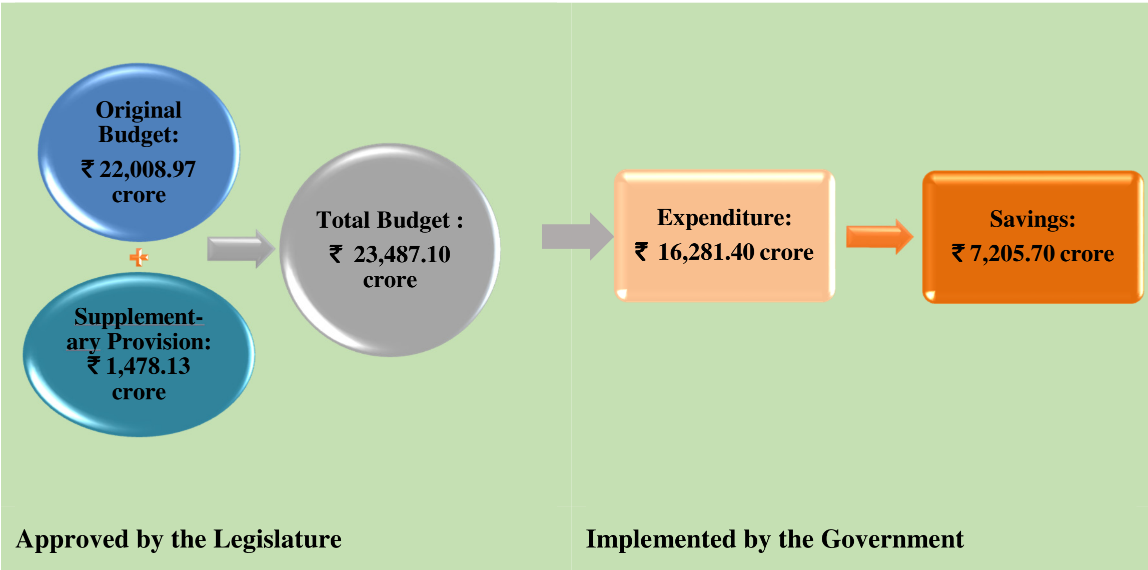
Supplementary or additional Grant/ Appropriation is provided during the course of the financial year for meeting expenditure in excess of the originally budgeted amount or for incurring the expenditure on the items which are not envisaged in the budget. Further, the State Government also re-appropriates/re-allocates funds from various Units of Appropriation where savings are anticipated, to Units where additional expenditure is envisaged (within the Grant/Appropriation) during the year.



3.3 Annual Budget 2019-20

The total amount approved by the State Legislature including the original and supplementary budgets, expenditure and savings during the year 2019-20 is depicted below.

Chart 3.1 Summary of Budget and Expenditure of Arunachal Pradesh for 2019-20



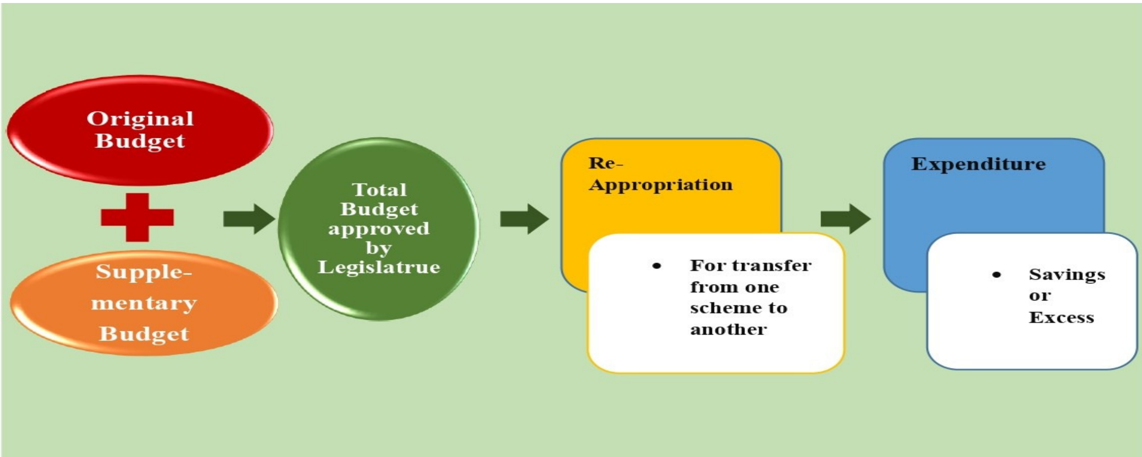
Source :Appropriation Accounts 2019-20

The budget provision for the year 2019-20 was less than the budget provision approved by the Legislature in the previous year by ₹ 3,348.07 crore. The savings in the current year was more than the Supplementary Provision indicating that the entire Supplementary provision was unnecessary and could have been limited to token provisions for the schemes which were not included in the original budget formulation. The actual expenditure fell short of the amount approved by the Legislature by ₹ 7,205.70 crore constituting about 30.68 *per cent* of the budget provisions approved which raises questions about the basic assumptions that went in to formulating what is clearly, an unrealistic budget. The actual expenditure during the year 2019-20 fell short of even the actual expenditure of the previous year.

3.4 Financial Accountability and Budget Review

Details of the figures depicted in the above chart are given in the Appropriation Accounts of the State for the year 2019-20. Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amount of voted Grants and Appropriations charged for different purposes as specified in the Schedules appended to the Appropriation Act. These Accounts list the original budget estimates (BEs), supplementary grants, surrenders and re-appropriations distinctly, and indicate the actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget. The reasons for variation between the actual expenditure and the amounts approved by the legislature are also explained briefly. The Appropriation Accounts thus capture the data along the entire process of budget formulation and implementation **Chart 3.2**.

Chart 3.2: Flow chart of budget implementation



Approved by the Legislature Implemented by the Government

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

3.4.1 Summary of total Provision, actual disbursement and savings/ excess during financial year

A summarised position of total budget provision, actual disbursement and savings/ excess with its further bifurcation into voted/charged is indicated in **Table 3.1**.

Table 3.1: Budget provision, actual disbursement and savings/excess during the financial year

(₹in crore)

Budget Provision		Disbursement		Savings(-) /Excess(+)	
Voted	Charged	voted	Charged	Voted	Charged
21,985.79	1,501.31	15,046.85	1,234.55	(-) 6,938.94	(-) 266.76

Source: Appropriation Accounts 2019-20

The savings in both voted and charged sections of the budget indicates that the State could not incur the expenditure during the year to the extent the Legislature has approved.

3.4.2 Charged and Voted Disbursement

Break-up of the total disbursement into charged and voted during the year 2019-20 along with the trend analysis during the last five years is given in **Table 3.2**.

Table 3.2: Year-wise details of disbursement

(₹in crore)

Year	Disbursement		Savings(-)/Excess	
	Voted	Charged	Voted	Charged
2015-16	9,731.17	1,924.99	(-) 4,130.08	(+) 217.54
2016-17	10,381.00	1,155.32	(-) 4,379.18	(-) 400.29
2017-18	13,403.00	1,123.37	(-) 5,286.96	(-) 327.90
2018-19	17,386.20	1,070.97	(-) 7,847.07	(-) 503.93
2019-20	15,046.85	1,234.55	(-) 6,938.94	(-) 266.76

Source: Appropriation Accounts of the respective years

As could be seen from the **Table 3.2**, there were substantial savings in all the five years in the voted section, indicating that the expenditure was over estimated every year without reference to the availability of the resources to meet the expenditure resulting in huge savings. Continuous savings in all the years would have an impact on the implementing departments as there would be uncertainties over the release of amounts approved by the Legislature during the year.

As against the total savings of ₹ 7,205.70 crore during the year 2019-20, ₹ 5,385.77 crore (74.75 *per cent*) occurred in 13 grants/appropriations indicating serious weakness in the budget formulation in these grants/appropriations. The over estimation of the expenditure also had an impact on implementation of the various schemes announced by the Government from time to time. During the year, 161 schemes encompassing 62 departments could not be implemented due to non-receipt/late receipt of authorisation from the Finance Department and non-sanction of the schemes, resulting in a savings of ₹ 3,199.77 crore constituting 19.65 *per cent* of the total disbursements made during the year. In the earlier years also there were many schemes which could not be implemented. Non-implementation of large number of schemes indicates not only unrealistic budgeting but also that the developmental aspirations envisioned in the budget are not met.

The State Government in their response stated (January 2021) that total savings of ₹ 7,205.70 crore during the year 2019-20 is mainly due to shortfall of resources at REs stage and mainly because of reduction in devolution of central taxes.

Gross savings of ₹ 7,221.46 crore in 75 Grants and five appropriations under Revenue Section and 58 Grants and one appropriation under Capital Section were offset by excess expenditure of ₹ 15.76 crore in three Grants under Revenue and two Grants under Capital Section.

The State Government in their reply stated (January 2021) that it would be noted for future reference.

3.5 Comments on Integrity of Budgetary and Accounting Process

3.5.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this Article 204 of the Constitution. Expenditure should not be incurred on a scheme/service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund.

It was noticed that an expenditure of ₹ 212.34 crore was incurred in 18 schemes under 16 Grants/ Appropriations without any provisions in the original estimates/ supplementary demands and without any re-appropriation orders.

Further, there were four sub-heads under four Grants, where expenditure (more than ₹ 10 crore in each case) of ₹ 173.33 crore (81.62 *per cent* of the total expenditure without budget provisions) was incurred during the year without any budget provision as shown in **Table 3.3**.

Table 3.3: Expenditure incurred without budget provision during 2019-20

(₹in crore)

Sl. No.	Grant/ Appropriation No. and Name	Head of Accounts	Expenditure	Name of Schemes/ Sub Heads
1	11-Social Welfare	08-2236-02-101-03	23.03	Purchase of food grains
2	13-Directorate of Accounts	2071-01-104-01	94.25	Payment of Gratuities
3	31-Public Works	04-4059-80-051-01	39.50	Jail Building
4	65-Department of Tirap, Changlang and Longding	4575-03-800-01	16.55	Development of Tirap & Changlang District
Total			**173.33**	

Source: Appropriation Accounts 2019-20

The drawal of money in the above grants was violation of the provisions of the Constitution. It was the responsibility of the sanctioning authority to ensure that required funds are available by way of provision in the budget before issuing the sanction orders. The authorities while issuing sanctions for incurring the expenditure from the Government account against the schemes mentioned in **Table 3.3** could not ensure existence of budget before issuing such sanction orders. While it was the duty of the Treasury Officer to ensure existence of the budget before admitting the bills, however, the Treasury officers passed the bills based on those sanction orders without any budget provision against those schemes. This shows that bills were passed in treasuries without proper verification of existence of provision in the Budget and strict compliance to the prescribed rules are not adhered to. Since such instances are being found repeatedly year after year, the Government needs to strengthen the mechanism for strict compliance with the rules.

In reply, State Government stated (January 2021) that the observation has been noted and due diligence would be exercised with the concerned departments.

3.5.2 Supplementary provision

The General Financial Rules permits obtaining a Supplementary Grant/ Appropriation if the budgetary provision falls short and a commitment for expenditure has already been made under the orders of the competent authority or expenditure is required to be made against the sub-heads for which no budget provision was made. The State Legislature approved one supplementary of ₹ 1,478.13 crore in 64 Grants/ Appropriations for the year 2019-20. Audit analysis of utilisation of the supplementary allocations showed that a provision of only ₹ 647.55 crore was required in 29 Grants/ Appropriations where the final expenditure exceeded the original budget provision. Details relating to the actual expenditure incurred against the original budget allocation and supplementary provision are given in ***Appendix 3.1***. Since the supplementary was Cash Supplementary which is over and above the original budget provision and resulted in enhancement of the allocation for the Demand/ Grant, obtaining such approval without properly assessing the requirements resulted in large savings at the end of the year proving that ₹ 830.58 crore of the Supplementary provision was either unnecessary or could have been restricted to token amounts. The details of such grants where the Supplementary provision was unnecessary are discussed in the following sub-paragraphs:

3.5.3 Unnecessary or excessive supplementary provision

Supplementary provision aggregating ₹ 119.51 crore (₹ 10.00 lakh or more in each case) obtained in 19 Grants during 2019-20 proved unnecessary, as even the original provision was not fully utilised. Clearly, the Controlling Officers could not assess/ estimate the actual requirement of funds for the remaining period of the financial year realistically. Also, the Finance Department did not release funds as mentioned in **Paragraph 3.5.8**. The position of some of the grants where the total supplementary provision of more than ₹ 10.00 crore obtained in each of the items was unnecessary is given in **Table 3.4**.

Table 3.4: Unnecessary Supplementary Provision

(₹in crore)

Sl. No.	Grant/ Appropriation No. and Name	Original	Supplementary	Actuals	Savings out of original Provisions
Revenue- Voted					
1	8-Police	895.29	17.84	891.92	3.37
2	31-Public Works	301.88	24.97	297.40	4.48
Capital Voted					
3	33-North Eastern Areas	80.10	32.77	62.02	18.08
4	34-Power	195.00	22.01	131.68	63.32
Total		**1,472.26**	**97.59**	**1,383.02**	**89.24**

Source: Appropriation Accounts 2019-20

In Grant No.33- North Eastern Areas, against one sub-head, the original provision was ₹ 32.80 crore against which the actual expenditure was only ₹ 27.75 crore. However, the Department obtained supplementary grants for ₹ 20.00 crore, and the entire supplementary grant proved unnecessary as the expenditure fell short of even the original provision. It was stated that this was due to non-completion of physical work.

State Government in their reply stated (January 2021) that due diligence would be exercised.

3.5.4 Excessive or Inadequate Supplementary Provision

During 2019-20, excessive or inadequate Supplementary Provisions (₹ One crore and above in each case) ranged between one to more than 100 *per cent* of the Supplementary Provisions in 40 cases as detailed in **Table 3.5**.

Table 3.5: Range of excessive or inadequate Supplementary provisions

(*₹ in crore*)

Range of Supplementary Provisions (excess/ less)	Details of Supplementary Provisions		Number of Cases
	Total	Excess (+)/ Less (-)	
0-20 *per cent*	277.06	(-) 13.71	4
21-40 *per cent*	302.71	(+) 108.73	4
41-60 *per cent*	272.29	(+) 73.41	5
61-80 *per cent*	299.02	(-) 212.16	7
More than 81 *per cent*	265.16	(-) 21.58	20
Total	**1,416.24**	**(-) 65.31**	

Source: Appropriation Accounts, 2019-20

Further, under 23 cases, Supplementary Provisions aggregating ₹ 763.68 crore proved excessive by ₹ 404.38 crore; while in 17 cases, Supplementary Provisions aggregating ₹ 652.56 crore proved inadequate by ₹ 469.69 crore.

3.5.5 Error in Classification of Expenditure

Expenditure relating to minor works, repairs and Grants-in-aid is to be classified as revenue expenditure. Capital expenditure is incurred with the object of increasing concrete assets of a material and permanent character or reducing permanent liabilities. As per Government Financial Rules read with Indian Government Accounting Standard, subsequent charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses shall be classified as Revenue expenditure.

As per Detailed Appropriation Accounts for the year 2019-20, the State Government, however, made budget provision and incorrectly incurred ₹ 32.46 crore for maintenance of Transmission Line including Sub-Stations under Capital Section instead of booking the same under Revenue section which had the impact of understating the Revenue expenditure and overstating the Revenue Surplus as detailed given in **Table 3.6**.

Table 3.6: Maintenance expenditure classified as capital Expenditure

(₹in crore)

Sl. No.	Major Head	Sub Major Head	Minor Head	Sub Head	Amount
Grants in aid booked under 'Capital heads'					
1	4801	80	800	06	32.46
Total					**32.46**

Source: Detailed Appropriation Accounts 2018-19

The Government while issuing sanctions for implementation of the schemes did not strictly adhere to the Government Accounting Rules, 1990 with regard to classification of expenditure, which resulted in misclassification of Revenue expenditure as Capital Expenditure and vice-versa. Even the Treasury officers while passing the bills did not take up the matter with the appropriate authority and rectify the misclassification.

In reply, State Government stated (January 2021) that it has been noted for future reference.

3.5.5.1 Non Classification of Expenditure

As per para 25(1) of the GFR 2017, all sanctions shall indicate the details of the provision in the relevant grant or appropriation from which the expenditure has to be met. A test check of the sanctions issued by the Government indicated that in 365 sanction orders issued by the Government involving ₹ 28.61 crore did not indicate the provision in the grant or appropriation from which the expenditure was to be met or the head of account under which the expenditure was to be classified. Non observance of instructions has resulted in booking of expenditure without budget provision by the Drawing and Disbursing Officers (DDOs).

In reply, State Government stated (January 2021) that it would be noted for future reference.

3.5.6 Excessive/ inadequate/ unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a Grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. The authority issuing the re-appropriation order should assess the requirement of funds, expenditure incurred as on the date of issue of re-appropriation of funds, potential savings/ excess, *etc.* along with reasons for such re-appropriation, before issuing such order. It was noticed that such an exercise was not done diligently in many cases proving that either the re-appropriation itself was unnecessary or could have been issued for a different amount to avoid savings/ excess at the end of the financial year. During test check, it was noticed that in as many as 138 cases, the re-appropriation was not made after realistic assessment as the expenditure was less/more than the final appropriated amount pointing to inadequacy of the re-appropriation ordered. The re-appropriation proved inadequate as the expenditure finally was more than the total grant available in 14 cases by ₹ 173.30 crore. Similarly, re-appropriation was injudicious in 75 cases as the expenditure fell short of the available grant proving the entire re-appropriation unnecessary.

State Government in their reply stated (January 2021) that all departments will be advised to follow strict financial propriety.

3.5.7 *Appropriation vis-à-vis Allocative Priorities*

The outcome of appropriation audit showed that savings aggregating ₹ 1,031.76 crore in 25 cases (Revenue) and ₹ 4,757.90 crore in 42 cases (Capital) exceeded ₹ one crore in each case and more than 20 *per cent* of the total provisions. Such huge savings indicate that the budget estimates are not prepared realistically. In 25 such cases, reasons for appropriation have not been appropriately explained in the Appropriation Accounts. Against the net savings of ₹ 7,205.50 crore, savings of ₹ 5,385.77 crore (74.75 *per cent*), exceeding ₹ 100.00 crore in each case, occurred in 14 Grants/ Appropriations as shown in **Table 3.7**.

Table 3.7: List of Grants with Savings of ₹ 100.00 crore and more

(*₹in crore*)

Sl. No.	Number and Name of the Grants	Total	Actual Expenditure	Details of Savings		Reasons for savings
				Amount	*Per cent*	
Revenue Voted						
1	6-District Administration	475.36	319.09	156.27	32.87	Less expenditure on salary and office expenses
2	15-Health and Family Welfare	1,147.36	919.84	227.52	19.83	Reason was not intimated
3	24- Agriculture	329.64	216.34	113.30	34.37	Less requirement under schemes under budget announcement
4	27- Panchayat	203.77	86.71	117.06	57.45	Reason was not intimated
5	76-Elementary Education	1,315.83	1,212.19	103.64	7.88	Reason was not intimated
6	83- Directorate of Tomo Riba Institutes of Health and Medical Sciences	137.45	0.60	136.85	99.56	Lees expenditure on schemes under budget announcement/ State development schemes
Capital Voted						
7	10-Other General Social and Community Services	400.00	0.00	400.00	100.00	Reason was not intimated
8	15- Health and Family Welfare	165.60	51.37	114.23	68.98	Reduction in provision from major works without assigning any reason
9	26- Rural Works	1,236.00	1,007.85	228.15	18.46	Delay in Receipt of expenditure sanction from Finance Department.
10	32-Road and Bridges	1,010.65	825.58	185.07	18.31	Non-sanction of scheme under budget and NLCPR
11	42- Rural Development	116.89	7.74	109.15	93.38	Surrender of fund under major works without assigning any reason.
12	50-Secreteriat Economic Services	3,437.46	412.04	3,025.42	88.01	Non-receipt of LOC authorisation on time

Sl. No.	Number and Name of the Grants	Total	Actual Expenditure	Details of Savings		Reasons for savings
				Amount	*Per cent*	
13	59- Public Health Engineering	449.73	253.07	196.66	43.73	Surrender of fund under major works without assigning any reason
Capital Charged						
14	Public Debt	587.17	314.72	272.45	46.40	Less expenditure on repayment of borrowings
	Grand Total	**11,012.91**	**5,627.14**	**5,385.77**	**48.90**	

Source: Appropriation Accounts 2019-20

- Even under the Grant-Public Debt, there was substantial savings indicating that the preparation of BEs lacked due diligence, as interest liability can be estimated with near accuracy based on the outstanding debt of the government and the interest rates at which the amounts were borrowed and the due date of payment of the interest.
- Under the Grant 10-Other General, Social and Community Services, a provision of ₹ 400.00 crore was made for welfare measures. However, no expenditure was made, resulting in savings of the entire provision. Reason was also not intimated by the department. By nature the Welfare measures should be classified under Revenue Section of the budget, however, it was noticed that the provision was obtained in Capital section of the budget and the entire amount was surrendered at the end of year indicating defect in preparation of the budget.
- Under the Grant 15-Health and Family Welfare, an amount of ₹ 124.97 crore was provided for Human resources in Health and Medical Education in the State. However, the entire amount was surrendered without assigning any reason resulting in non-implementation of the scheme.
- Under the Grant 42-Rural Development, an amount of ₹ 115.73 crore was provided for CM Adarsh Gram Yojana, CM Rural Housing Scheme, setting of quality rural home stay at SHGs *etc*. in the budget against 'Creation of Assets under Budget Announcement/ State Development Scheme'. However, no expenditure was made during the year but an amount of ₹ 98.83 crore only was surrendered without assigning any reason.
- Under the Grant 50-Secretariat Economic Services, an amount of ₹ 1,413.51 crore was provided for Untied Fund (₹ 126.50 crore), MLALADs (₹ 182.00 crore), Infrastructure Development of new Districts (₹ 100.00 crore), Development of Non-BADP districts (₹ 2.00 crore), *etc*. against the sub-head Creation of Assets under SADA, without giving any details of the projects to be taken up from the provision. However, only ₹ 2.35 crore was utilised and ₹ 1,411.15 crore was surrendered without assigning any reason resulting in non-creation of envisaged infrastructure.

  The Government should clearly give details of the assets to be created and projects to be executed under MLALADS and Non-BADP Scheme during the financial year under the Untied Fund for monitoring of the Projects for achievement of targets and also to prevent surrender of funds.

- In the Grant 50- Secretariat Economic Services an amount of ₹ 829.31 crore was provided in the budget for various Infrastructure development projects such as Infrastructure for new districts, Infrastructure development at Divisional headquarters, Deendayal Upadhyay Swavalamban Yojana, *etc*. against the sub-head "Creation of Assets under Budget Announcement/State Development" without identifying the assets on which the expenditure was to be incurred. Out of this amount only ₹ 46.56 crore was spent and the balance amount could not be spent for want of release of fund from the Government.

- In Grant 83-Directorate of Tomo Riba Institute of Health and Medical science (TRIHMS), an amount of ₹ 136.00 crore was provided in the Revenue section for the schemes such as upgradation and construction of Medical College, grants in aid to TRIHMS under budget announcement/ State Development Schemes. However, the entire provision was not spent and surrendered without any reason.

3.5.8 Persistent Savings

During the last five years, there were persistent savings of more than ₹ one crore and by 10 *per cent* or more of the total provisions in 16 Grants as shown in **Table 3.8**.

Table 3.8: List of Grants where persistent savings occurred during 2015-16 to 2019-20

(₹in crore)

Sl. No.	No. and Name of Grant	Amount of Savings				
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Voted						
1	15-Health & Family Welfare	182.36 (20.85)	214.63 (30.50)	101.70 (10.22)	259.20 (20.07)	227.52 (19.83)
2	19-Industries	25.91 (40.58)	30.53 (42.40)	144.26 (83.65)	15.11 (37.77)	18.81 (42.24)
3	68-Town Planning Dept.	47.80(63.46)	26.89 (69.80)	199.43 (83.27)	4.62 (11.47)	29.67 (53.43)
Capital Voted						
4	15-Health & Family Welfare	11.78 (44.86)	5.00 (16.12)	82.76 (66.49)	377.09 (87.64)	114.23 (68.98)
5	18-Research	2.55 (78.90)	6.00 (100)	4.68 (56.08)	6.70 (91.26)	00.40 (25.15)
6	22-Food and Civil supplies	1.77 (20.41)	7.22 (65.96)	13.40 (61.54)	13.62 (49.54)	1.72 (49.71)
7	28-Animal Husbandry and veterinary	10.30 (81.23)	1.45 (74.37)	7.38 (83.58)	60.79 (97.34)	1.10 (41.19)
8	33-North Eastern Areas	22.85 (26.33)	17.31 (22.78)	27.35 (16.35)	43.98 (31.19)	50.85 (45.05)
9	34-Power	40.84 (28.71)	69.67 (37.76)	287.96 (59.41)	56.04 (16.73)	85.32 (39.31)
10	45-Civil Aviation	2.24 (52.77)	19.16 (85.36)	5.25 (59.35)	20.32 (52.78)	43.97 (84.72)
11	47-Administration of justice	9.22 (50.68)	21.75 (97.67)	4.39 (41.74)	5.18 (34.08)	8.33 (53.88)
12	48-Horticulture	118.55 (98.34)	55.00 (100)	2.00 (100)	61.50 (100)	17.77 (88.85)
13	50-Secretariat Economic Services	951.33 (98.96)	635.98 (98.78)	359.74 (98.03)	2,996.46 (82.55)	3,025.42 (88.01)
14	56-Tourism	34.11 (76.43)	17.32 (24.55)	95.58 (75.43)	22.02 (17.90)	14.33 (91.57)
15	57-Urban Development	70.54 (36.91)	75.87 (20.91)	113.45 (32.24)	52.03 (16.79)	28.06 (19.58)
16	74-Social Justice, Empowerment and Tribal Affairs	78.85 (60.21)	51.68 (51.68)	22.24 (12.42)	38.85 (23.54)	22.65 (12.72)
17	75-Higher and Technical Education	5.55 (41.07)	19.41 (33.87)	60.95 (60.69)	37.50 (38.47)	33.47 (44.78)

Source: Appropriation Accounts of respective years
Figures in parentheses indicate percentage of savings to total provision

Analysis of the reasons for the savings during 2019-20 showed that:

- The savings under Health and Family Welfare was due to less utilisation of funds under Office Expenses, Administrative Expenses, other charges Minor Works, Major works Grants-in-Aids, LTCs and Non-sanction of scheme
- The savings under Industries Department was due to non-consideration of various schemes by the State Government.
- The savings under Town Planning Department was due to imposition of 60 *per cent* cut on Letter of Credit (LOC) Authorisation against Augmentation of Waste Management system in the capital complex and Modern Abattoir house.
- The savings under North Eastern Areas was due to less authorisation received from the Finance Department.
- The savings under Power Department was due to non-receipt of LOC authorisation from the Finance Department.
- The reasons for savings under Civil Aviation Department were due to late receipt of sanction order and non-receipt of LOC authorisation by the executing agencies from the Finance Department.
- The huge savings under Secretariat Economic Services was due to non-receipt of LOC authorisation on time from the Finance Department.
- The savings under Tourism Department was due to non-receipt of finance concurrence and expenditure authorisation from the Finance Department.
- The savings under Urban Development Department was due to want of LOC from the Finance Department.
- The reason of savings under Social Justice, Empowerment and Tribal Affairs was not intimated by the department.
- The savings under Higher and Technical Education Department was due to late receipt and receipt of partial authorisation from Finance Department.
- In many cases the expenditure could not be incurred due to non-receipt of finance concurrence and expenditure authorisation from the Finance Department which could be due to daily cash management issues, primarily arising out of mis-match between the receipts and expenditure.

The trend of persistent savings is being highlighted in the C&AG's State Finances Audit Report every year but no corrective measures had been taken by the departments concerned to correct this situation.

State Government in their reply stated (January 2021) that all departments were advised to utilise the funds placed to them within the financial year.

3.5.9 Substantial Surrenders

Substantial surrenders[1] were made in respect of 63 sub-heads under 39 Grants/ Appropriations without assigning any reasons. Out of the total provision amounting to ₹ 5,290.63 crore in these 39 Grants/appropriations, ₹ 4,728.59 crore was surrendered which included 100 *per cent* surrender in 32 sub-heads (₹ 1,891.18 crore).

3.5.10 Savings not surrendered

As per extant Financial Rules, the spending departments are required to surrender the Grants/ Appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the close of 2019-20, out of total savings of ₹ 6,140.00 crore under 56 Grants, savings (₹ one crore and above in each case) of ₹ 1,702.53 crore (27.73 *per cent*) remained to be surrendered. Further, out of the above, there were savings (₹ 10.00 crore and above in each case) of ₹ 834.28 crore (13.59 *per cent*) under 15 Grants but no part of the savings was surrendered by the concerned departments as shown in **Table 3.9**.

Table 3.9: Details of Grants/ Appropriations in which no part of the savings was surrendered (₹ 10.00 crore and above)

(*₹in crore*)

Sl. No.	Number and Name of the Grant/ Appropriation	Total Provision	Expenditure	Savings	Surrender
Revenue Voted					
1	13- Director of Accounts	883.9	835.17	48.73	Nil
2	31- Public works	326.84	297.4	29.44	Nil
3	38-Water Resources Department	262.3	211.93	50.37	Nil
4	59- Public health Engineering	768.51	752.31	16.2	Nil
5	74-Social justice Empowerment and Tribal affairs	201.78	129.97	71.81	Nil
6	76-Elementary Education	1,315.84	1,212.19	103.65	Nil
Capital Voted					
8	32-Road and Bridges	1010.65	825.58	185.07	Nil
9	33- North Eastern Areas	112.87	62.02	50.85	Nil
10	34-Power	217.01	131.68	85.33	Nil
11	57- Urban Development	143.27	115.21	28.06	Nil
12	65- Department of Tirap, Changlang and Longding	65.79	48.26	17.53	Nil
13	74-Social justice Empowerment and Tribal affairs	178.08	155.43	22.65	Nil
14	75-Higher and Technical Education	74.47	41	33.47	Nil
15	76-Elementary Education	44.67	14.2	30.47	Nil
Total		**5,743.66**	**4,909.38**	**834.28**	**59.96**

Source: Appropriation Accounts, 2019-20

[1] Cases where more than 50 *per cent* of total provisions was surrendered

The non-surrender of the savings by the Controlling Officers was partly attributed to the anticipation of the releases from the Finance Department or expenditure authorisation till the end of the financial year, and lockdown in the month of March 2020.

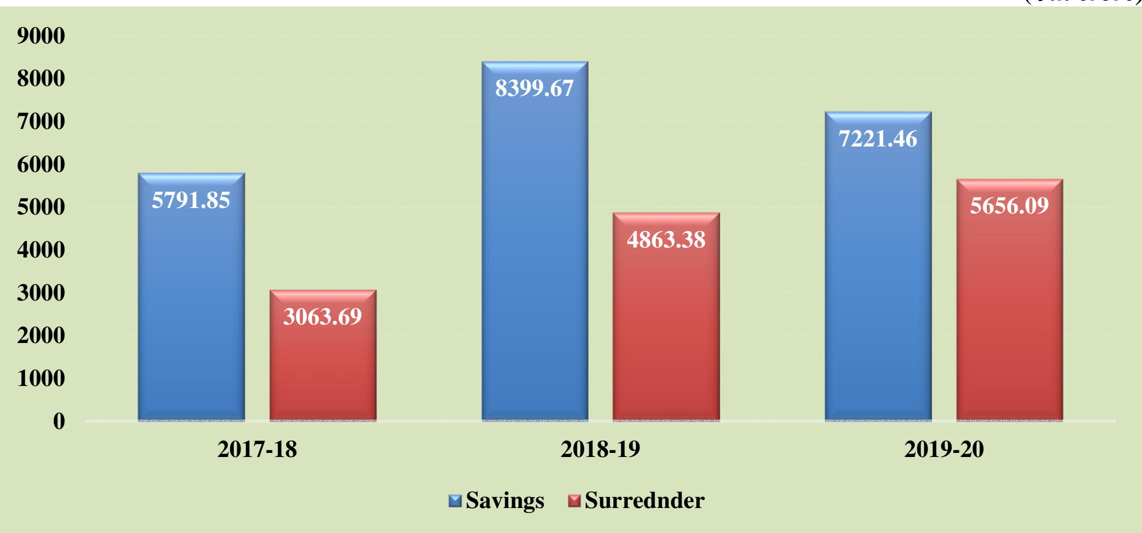
3.5.11 Impact of non-surrender of savings

Rule 61 (1) of General Financial Rules, 2017 prescribe that all the anticipated savings shall be surrendered to the Finance Department by that dates prescribed by that Department and Finance Department shall communicate the acceptance of such surrenders before the close of the Financial year.

However, during 2019-20, against the gross savings of ₹ 7,221.46 crore, various departments of Government of Arunachal Pradesh surrendered ₹ 5,656.09 crore (78.32 *per cent*) during the financial year and entire amount was surrendered on the last day of the financial year. Audit further noticed that in the last three years, all the surrendered against the savings was done on the last day of the financial year as can be seen from the chart given below:

Chart 3.3: Savings and surrender during 2017-18 to 2019-20

(₹in crore)



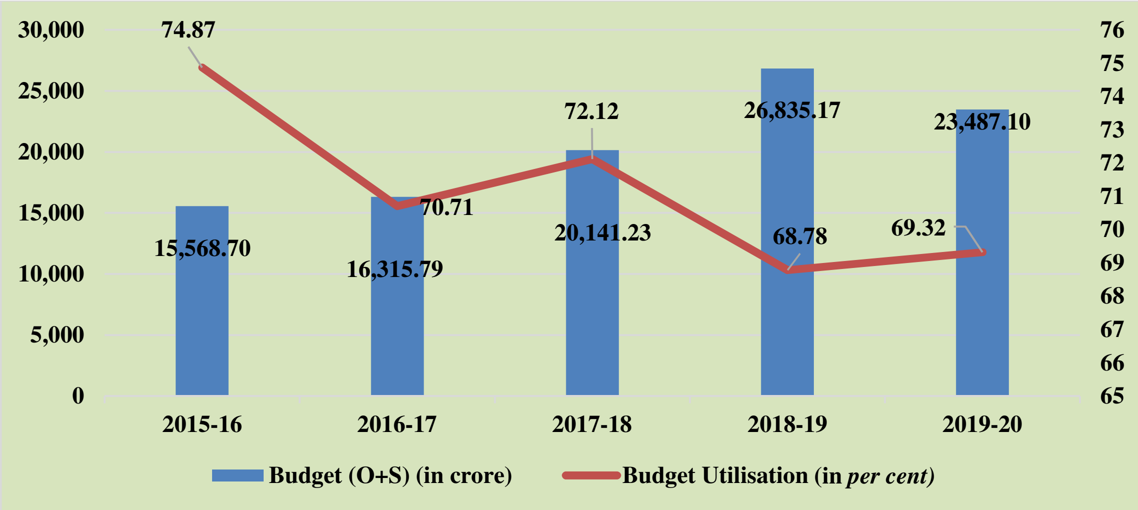
Source: Appropriation Accounts of the respective years

Non-compliance with the rules stated above not only deprives the other needy Departments of resources, but also defeats the objective of achieving efficiency in budget management.

3.5.12 Sub-optimal utilisation of budgeted funds

Utilisation of budgeted funds by the State has been sub-optimal every year during the past few years. The extent of savings during the last five years is given below. As can be seen from the chart below, utilisation of budget has exceeded 70 *per cent* during the period 2015-18, and has declined during 2018-19 and stood at 68.78 *per cent* of budget utilisation but again increased to 69.32 *per cent* in 2019-20. This was despite the stated initiatives taken by the State Government while formulating its budget for the year 2019-20 as detailed in Paragraph 3.2.

Chart 3.4: Budget Utilisation during 2015-16 to 2019-20



Source: Appropriation Accounts of the respective years

Large amount of savings in allocated funds indicate both inaccurate assessment of requirement as well as inadequate capacity to utilise the funds for intended purposes.

During 2019-20, a provision of ₹ 3,199.77 crore (Original *plus* Supplementary) for maintenance work, Centrally Sponsored Schemes (CSS), Schemes under SADA, Budget Announcement, *etc*., under 62 grants was approved. The concerned Departments, however, could not implement the schemes for which budget provision was obtained, resulting in savings of the entire provision. The details of such cases where the entire budget provision exceeding ₹ 10 crore in each case was not utilised are indicated in the table below.

Table 3.10: Savings of entire budget provision during 2019-20

(₹in crore)

Sl. No.	Grant No and Name	Head of Account/ Description	Budget Provision			Savings
			Original	Supplementary	Total	
1	10-Other General, Social and Community Services	08-2235-02-101-06	19.16	0.00	19.16	19.16
		2250-800-02	68.54	0.00	68.54	68.54
		4250-800-05	400.00	0.00	400.00	400.00
2	13-Directorate of Accounts	04-2202-04-800-04	12.89	0.00	12.89	12.89
		03-2202-02-800-16	30.00	0.00	30.00	30.00
		04-4202-01-800-32	57.00	0.00	57.00	57.00
		2071-01-101-02	90.00	0.00	90.00	90.00
		04-2202-02-800-17	99.67	0.00	99.67	99.67
3	15-Health and Family Welfare	04-2230-03-800-16	11.30	0.00	11.30	11.30
		04-4210-80-800-11	18.30	0.00	18.30	18.30
		03-2210-05-200-01	125.00	0.00	125.00	125.00
4	21-Directorate of Sports	04-2204-800-07	13.05	0.00	13.05	13.05
		5055-800-03	16.58	0.00	16.58	16.58
		03-4202-03-800-32	20.00	0.00	20.00	20.00
		3054-04-800-09	20.00	0.00	20.00	20.00
		05-2515-001-03	27.06	0.00	27.06	27.06
5	31-Public Works	03-2810-800-05	14.00	0.00	14.00	14.00
		2705-800-01	20.00	0.00	20.00	20.00
		03-4711-01-800-05	21.60	0.00	21.60	21.60

Sl. No.	Grant No and Name	Head of Account/ Description	Budget Provision			Savings
			Original	Supplementary	Total	
		03-2501-06-800-09	28.79	0.00	28.79	28.79
		04-4801-01-800-26	45.00	0.00	45.00	45.00
		03-4801-80-800-17	45.01	1.14	46.15	46.15
		04-4059-80-800-19	149.00	0.00	149.00	149.00
6	50-Secretariat Economic Services	04-4070-800-14	71.79	0.00	71.79	71.79
		07-4070-800-15	216.41	0.00	216.41	216.41
		07-4070-800-16	250.00	0.00	250.00	250.00
		03-4070-800-13	274.45	0.00	274.45	274.45
7	56-Tourism	3454-01-800-04	46.75	0.00	46.75	46.75
8	59-Public Health Engineering	04-2853-02-800-03	34.44	0.00	34.44	34.44
		04-4215-01-800-28	154.00	0.00	154.00	154.00
		2215-01-102-02	200.00	0.00	200.00	200.00
9	65-Department of Tirap, Changlang and Longding	04-4575-03-800-05	0.00	23.00	23.00	23.00
10	68-Town Planning Department	05-2217-03-800-03	32.43	0.00	32.43	32.43
11	83-Directorate of Tomo Riba Institute of Health and Medical Science	2210-06-800-06	136.00	0.00	136.00	136.00
12	97-Public Debt	6003-110-03	188.29	0.00	188.29	188.29
Total			**2,956.51**	**24.14**	**2,980.65**	**2,980.65**

Source: Detailed Appropriation Account 2019-20

In the above cases, during the year the savings ranged from ₹ 11.30 crore to ₹ 400 crore.

3.5.13 Injudicious surrender

In five grants, there was injudicious surrender of ₹ 56.23 crore as Department made surrender in excess of savings within the grant detailed in **Table 3.11**.

Table 3.11: Surrender in excess of savings

(₹in crore)

Sl. No.	Number and Name of grant	Total Provision	Expenditure	Savings	Surrender	Excess surrender
1	15- Health and Family Welfare (Revenue-voted)	1,147.36	919.84	227.52	238.52	11.00
2	18- Research (Revenue-voted)	22.64	18.05	4.59	6.43	1.84
3	31- Public Works (Capital-voted)	238.95	161.01	77.94	114.76	36.82
4	32-Road and Bridges (Revenue-voted)	830.65	785.10	45.55	51.52	5.97
5	72-Director of Prison (Capital-voted)	29.80	3.10	26.70	27.30	0.60
Total		**2,269.40**	**1,887.10**	**382.30**	**438.53**	**56.23**

Source: Appropriation Accounts 2019-20

In reply, Government stated (January 2021) that the GoI releases the fund at the fag end of the financial year, as a result the implementing agencies were unable to utilise the fund within financial year thereby compelling for surrender. However, Government did not explain the reason for difference between savings and surrender amounts.

3.5.14 Excess expenditure and its regularisation

Article 205(1)(b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. This implies that, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature for the Financial Year.

Although no time limit for regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). The excess amounts remained unregularised from the year as long back as from 1986 onwards. Failure to do so is in contravention of constitutional provisions and defeats the objective of ensuring accountability by the Legislature of the executive over utilisation of public money.

3.5.14.1 Excess Expenditure of current year

As per Article 204 (3) of the Constitution of India, no money shall be withdrawn from Consolidated Fund of the State except under appropriations made by law passed in accordance with the provisions of this Article.

In 2019-20, expenditure (₹ 222.60 crore) in Five cases exceeded the approved provisions (₹ 206.84 crore) by ₹ 15.76 crore.

Moreover, in four Grants, expenditure aggregating ₹ 141.78 crore exceeded the approved budget provision either by ₹ one crore or more in each case or by more than 20 *per cent* of the total provisions as detailed in **Table 3.12**.

Table 3.12: Details of Grants/Appropriations where excess expenditure was more than one crore each or more than 20 *per cent* of the total provisions

(*₹ in crore*)

Sl. No.	Number and Name of the Grants/ Appropriation	Total provision	Details of Expenditure		Excess as *per cent* of Total Provisions	Reasons for excess expenditure
			Total	Excess		
Revenue Voted						
1	40-Housing	47.50	52.47	4.97	10.46	Reason not intimated
2	73-Information Technology	57.82	60.96	3.14	5.43	Drawal on basis of BE but fund was cut during RE
Capital Voted						
3	19-Industries	10.00	11.52	1.52	15.20	Planning department cut the fund during revised estimate
4	71-Department of Tawang and West Kameng	11.59	16.83	5.24	45.21	Reason not intimated
Total		**126.91**	**141.78**	**14.87**		

Source: Appropriation Accounts 2019-20

3.5.14.2 Excess over provisions relating to previous year requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess expenditure over a Grant/ Appropriation regularised by the State Legislature. Administrative Departments concerned are required to submit Explanatory Notes for excess expenditure to PAC through Finance Department. However, excess expenditure of ₹ 3,179.78 crore from 1986-87 to 2018-19 was yet to be regularised. Such excess expenditure over budgetary allocation is a matter of concern, as it is indicative of poor budgetary management and dilutes legislative oversight over public funds. Government needs to view this seriously and take appropriate corrective measures.

The State Government accepted the audit observation and stated (January 2021) that necessary steps in this regard will be taken up in consultation with Finance Department.

3.5.15 Missing/ Incomplete Explanation for Variation from Budget

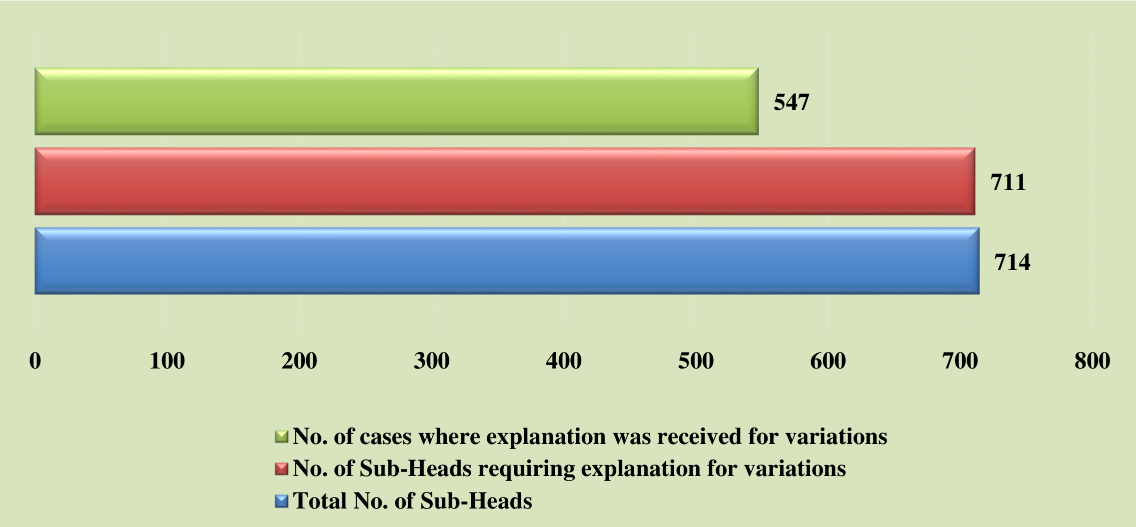
Apart from showing the expenditure against the approved budget, Appropriation Accounts also provide explanation for cases where the expenditure varies significantly from the budgeted provision (Original *plus* Supplementary). The limit beyond which, such variation at the Sub-Head/Sub-Sub-Head level (Unit of Appropriation) are to be explained in the Appropriation Accounts is set by the PAC.

Accounts Wing of office of the Pr. Accountant General provides the draft Appropriation Accounts to the Controlling Officers of the Departments and seeks the reasons/ explanation for the variations in expenditure with reference to approved budgetary allocation. The current limits, being followed in preparation of Appropriation Accounts are as follows

Savings	• *Comments are made if (savings including non-utilisation) overall savings is over five per cent of the total provision.* • *Individual comments under Sub-Heads of Grants/ Appropriations are made if the expenditure is over ₹5.00 lakh and total provision (original plus supplementary) to which the concerned sub-head relates is ₹20.00 crore or less,.*
Excess	• *General comments are made for regularisation of excess over the provision in all cases where there is an overall excess (irrespective of the amount)* • *Comments are made if variations (excesses) under Sub-Heads of Grants/ Appropriations are ₹5.00 lakh and total provision (original plus supplementary) to which the concerned sub-head relates is ₹20.00 crore or less.* • *Comments are made if variations (excesses) under Sub-Heads of Grants/ Appropriations are ₹10.00 lakh and total provision (original plus supplementary) to which the concerned sub-head relates is more than ₹20.00 crore*

Audit of Appropriation Accounts of 2019-20 and an analysis of the underlying accounting data revealed that out of the 84 Grants/ Appropriations, reasons for variation were required in respect of 84 Grants/ Appropriations. However, in respect of four Grants/Appropriations reasons were not furnished by the Controlling Officers of Government Departments. In terms of the Sub-Heads involved, the total number of Sub-Heads in the accounts, those requiring explanation for variation, and the Sub-Heads where explanations were received for variations from allocations, are given in **Chart 3.5**.

Chart 3.5: Summary of unexplained variations *vis-à-vis* budget



Source: Detailed Appropriation Account 2019-20

Absence of explanation for variation between the budgeted allocation and its utilisation limits legislative control over budget as a means of ensuring financial accountability of the Government.

3.5.16 Budgetary Deviations at Primary Unit of Appropriation

Sub-Head is the primary unit of appropriation, and the Appropriation Accounts accordingly bring out instances of deviations from approved expenditure from budgetary provision at this level, as per the criteria specified by the PAC. General Financial Rules states that primary unit of appropriation is the lowest unit of classification denoting the objects of expenditure.

As detailed in **Chart 3.5**, there are 714 such units of appropriation in the Appropriation Accounts of the State with over 20,000 line items in the State budget at the primary unit of appropriation, *i.e.*, at the lowest level of accounting classification. The distribution of Sub-Heads by size and total budgetary allocation is given in **Table 3.13**.

Table 3.13: Distribution of Sub-Heads (Unit of Appropriation) by Size

Budget Allocation	No. of Sub-Heads	Share of Sub-Heads (*Per cent*)	Total Budget (in crore)	Share of Sub-Heads in Budget (*Per cent*)
Less than 15 lakh	109	15.27	3.05	0.01
15 to 50 lakh	57	7.98	17.82	0.08
50 to 1 crore	61	8.54	45.66	0.19
1 to 10 crore	254	35.57	1,000.51	4.26
10 to 100 crore	173	24.23	5,651.05	24.06
More than 100 crore	60	8.40	16,769.01	71.40
Total	**714**	**100.00**	**23,487.10**	**100.00**

Source: Detailed Appropriation Accounts 2019-20

As can be seen from the above table, about 8.40 *per cent* of the Sub-Heads account for 71.40 *per cent* of the total budgetary allocation, while 23.25 *per cent* of the Sub-Heads account for merely 0.09 *per cent* of the total allocation. There is a need for rationalisation of the Unit of Appropriation, both in terms of the number of Heads, and the size of Heads to increase legislative control as well as make budget administration easier.

While a detailed budget with a large number of line items may *prima facie* appear to increase the control exercised by the legislature over executive spend, budget implementation and Appropriation Accounts show that too many instances of deviation lead to large scale non-compliance and reduced accountability for compliance with budget.

3.6 Comments on Transparency of Budgetary and Accounting Process

3.6.1 Huge lump sum provision

Rule 50(3) and Appendix 3 of General Financial Rule, 2017 provide that the detailed estimates of the expenditure shall be prepared by the estimating authorities up to the final unit of appropriation *i.e.*, Object Head under the prescribed major and minor heads for both Revenue and Capital expenditure. It also provides that no lumpsum provision shall be made in the budget except where urgent measures are to be provided for meeting emergent situations or for meeting preliminary expenses on a project which has been accepted in principle for being taken up in the financial year. Contrary to this, the State Government made lumpsum provision of ₹ 872.81 crore in Revenue section and ₹ 2,226.49 crore in Capital section during the year under SADA and Schemes under Budget Announcements/ State Development scheme. The lumpsum provision constituted 10.36 *per cent* and 34.15 *per cent* of the total budgetary provisions for non-salary expenditure in Revenue (₹ 7,301.49 crore) and Capital section (₹ 3,693.05 crore) respectively. The Government started this practise of obtaining lump sum provisions under SADA from the year 2016-17. Initially this practise was started in the year 2016-17 on the plea that there was not enough time to prepare budget estimates with full details in that year. However, the State Government continued the practise in subsequent years also. The details of the provision and actual expenditure under SADA and Schemes under budget provision/ State Development scheme in the past three years is given in **Table 3.14**.

Table 3.14: Details of the provision and actual expenditure under SADA

(₹in crore)

Particulars	2017-18		2018-19		2019-20	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Total Budget in the SADA and Schemes under Budget Announcement/ State Development Scheme	917.29	2,549.61	1,392.51	4,595.06	872.81	2,226.49
Expenditure in the SADA and Schemes under Budget Announcement/ State Development Scheme	706.14	1,513.78	894.23	2,667.05	756.84	1,261.45
Non-Salary actual expenditure	6,465.86	3,188.10	8,056.99	5,727.43	7,301.49	3,693.05
Percentage of expenditure on SADA to Non-Salary actual expenditure	10.92	47.48	11.10	46.57	10.36	34.15

Source; Detailed Appropriation Accounts and Finance Account of the respective years

The substantial lumpsum provision not only violates the rules but, also affects transparency of the budgetary process.

3.7 Comments on effectiveness of budgetary and accounting process

3.7.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure hold the balance of achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal control lead to sub-optimal allocation among various development needs. Excessive savings in some departments deprive other department of the funds which they could have utilised.

3.7.2 Summary of Appropriation Accounts

The summarised position of budget including supplementary budget, actual expenditure, and excess/savings during 2019-20 against 84 Grants/ Appropriations (79 Grants and five Appropriations) is given below.

Table 3.15: Summarised position of Expenditure *vis-à-vis* Budget provision

(₹in crore)

Nature of Expenditure		Details of Grant/ Appropriation		Total	Actual Expenditure[2]	Savings (-)/ Excess (+)	Details of Surrender[3]	
		Original	Supplementary				Amount	*Per cent*
Voted	I– Revenue	12,498.39	803.67	13,302.06	11,337.78	(-) 1,964.28	1,394.59	71.00
	II - Capital	8,006.72	656.83	8,663.55	3,693.05	(-) 4,970.50	4,149.39	83.48
	III - Loans & Advances	8.30	11.88	20.18	16.02	(-) 4.16	0.00	0.00
Total Voted		**20,513.41**	**1,472.38**	**21,985.79**	**15,046.85**	**(-) 6,938.94**	**5,543.98**	**79.90**
Charged	IV - Revenue	908.39	5.75	914.14	880.95	(-) 33.19	4.72	14.22
	VI-Public Debt-Repayment	587.17	0.00	587.17	353.60	(-) 233.57	107.38	45.97
Total Charged		**1,495.56**	**5.75**	**1,501.31**	**1,234.55**	**(-) 266.76**	**112.10**	**42.02**
Grand Total		**22,008.97**	**1,478.13**	**23,487.10**	**16,281.40**	**(-) 7,205.70**	**5,656.08**	**78.49**

Source: Appropriation Accounts 2019-20

As can be seen from the table above, the overall savings of ₹ 7,205.70 crore of total grants and appropriations was more than the size of supplementary budget of ₹ 1,478.13 crore obtained during the year, which raises questions about the budget formulation process.

While the original budget of the State during the year 2019-20 was more than the previous year budget by ₹ 3,356.47 crore, the increase in Capital section was only ₹ 128.86 crore. However, the actual expenditure during the current year was less than the expenditure of the previous year indicating that the increase projected in the budget could not materialise into actuals. The reduction in expenditure over previous year in Capital section was

[2] These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Capital Expenditure (₹ 0.36 lakh)

[3] Entire amount was surrendered on 31 March 2020

disproportionate to the decrease in expenditure in Revenue Section. Substantial savings of ₹ 4,970.50 crore in capital section of the budget constituting over 62 *per cent* of the original budget of Capital section indicate that the funds meant for infrastructure in the State could not be spent.

The actual expenditure of ₹ 16,281.40 crore during the year fell short of even the original budget provision of ₹ 22,008.97 crore indicating that entire supplementary budget of ₹ 1,478.13 crore was unnecessary and it could have been restricted to only token provision wherever necessary.

3.7.3 Inaccuracy in preparation of Revised Estimates

According to Appendix below Rule 52(3) of General Financial Rules 2017 in preparing the Revised Estimates, while previous year's actuals and current year's trends will be material factors to review the original Budget Estimates, special attention should be devoted to make as realistic an estimate as possible of receipts which are likely to materialise during the rest of the financial year. Further, as per Appendix 3 below Rule 52, the Revised Estimates for expenditure should be framed with great care to include only those items which are likely to materialise for payment during the current year, in the light of (i) actuals so far recorded during the current year, compared with the actuals for corresponding period of the last and previous years, (ii) seasonal character or otherwise of the nature of expenditure, (iii) sanctions for expenditure and orders of appropriation or re-appropriation already issued or contemplated and (iv) any other relevant factor, decision or development. The revised estimate of receipts should be the best forecast that the estimating officer can make and the revised estimates for expenditure should not merely be a repetition of the budget figures of the year, but a genuine re-estimation of receipts and requirements. Some, significant cases of variation between the revised estimates and the actuals during 2019-20 under expenditure heads of accounts are given in **Table 3.16**.

Table 3.16: Variation between revised estimated and actual

(₹in crore)

Number and name of head of accounts	Budget Estimates	Revised estimates	Actuals	Variation Excess(+)/ Shortfall (-) *(per cent)*
Expenditure				
2015-Elections	166.69	124.08	88.68	(-) 28.53
2217- Urban Development	207.59	131.21	96.78	(-) 26.24
2220- Information and Publicity	35.88	40.96	32.38	(-) 20.95
4059-Public Works	239.45	127.17	164.08	29.02
4202-Education	172.35	185.69	107.52	(-) 42.10
4216-Capital Outlay on Housing	45.00	39.90	12.49	(-) 68.70
4220-Capital Outlay on Information and Publicity	17.80	8.49	4.29	(-) 49.47
4401-Capital Outlay on Crop Husbandry	20.00	7.67	1.93	(-) 74.84
4403-Capital Outlay on Animal husbandry	1.00	2.63	1.16	(-) 55.89
4515-Capital Outlay on Rural Development Programme	116.89	18.06	7.74	(-) 57.14
4552 - Capital Outlay on North Eastern Areas	80.10	112.87	62.02	(-) 45.05
4575-Capital Outlay on Other Special Area Programme	50.00	65.79	48.26	(-) 26.65

Number and name of head of accounts	Budget Estimates	Revised estimates	Actuals	Variation Excess(+)/ Shortfall (-) *(per cent)*
4801 - Capital Outlay on Power Projects	255.00	268.81	173.36	(-) 35.51
5055 - Capital Outlay on Road Transport	21.90	12.35	6.71	(-) 45.67
5475 - Capital Outlay on General Economic Services	3.93	5.25	2.47	(-) 52.95

Source: Annual Financial Statement 2019-20 and Finance Accounts 2019-20 & 2018-19

Wide variations ranging from 20.95 *per cent* to 74.84 *per cent* under Expenditure heads between the budget provisions and actuals particularly with reference to revised estimates are indicative of aberrations in estimation. The substantial variations of actuals with the revised estimates indicated absence of proper care in estimating the revised estimates by the controlling officers concerned as envisaged in the General Financial Rules, 2017 and failure of the Finance (Budget) Department in exercising adequate checks over the preliminary revised estimates.

3.7.4 Gender Budgeting

Gender Budget of the State discloses the expenditure proposed to be incurred within the overall budget on schemes, which are designed to benefit women fully or partly. Gender Budgeting was introduced in the State in 2010-11. Even after the lapse of more than 10 years of introducing gender budget, State Policy for gender has not been formulated. Gender Budget cell and Gender Data Bank has not been created. No nodal department has been identified for Gender Budgeting.

Gender Budget of the State (2019-20) discloses the expenditure proposed to be incurred within the overall budget on schemes designed to benefit women under category ‘A’ and category ‘B’. Schemes specifically designed to benefit only women are grouped under Category A and the schemes where at least 30 *per cent* of the expenditure would benefit the women are grouped under Category B. The total number of schemes under Category A and B in 2019-20 were 45, of which 39 schemes were under Category A and 6 schemes were under Category B.

Test-check of records revealed that under Category A Schemes even the salaries payable to women employees in Police Department, non-salary expenditure of MNREGA, *etc*. are treated as a scheme benefitting 100 *per cent* women beneficiaries. Test check also revealed that the amounts mentioned to have been in the Gender Budget did not contain the said provisions in the regular budget. To cite an example, in Demand No XXI provision of ₹ 4.00 crore for conducting Hangpangdada Memorial Trophy on Football and Volley Ball (women), Mission Olympics, and State Level Sports Authority, against the Major head 2204-00-001-01-50 Other charges was shown in the Gender Budget but in the regular budget the provision against the said head of account was only of ₹ 26.00 lakh. Similarly, in Demand No. XV, against the head of account 2210-80-800-02-00-31 Grants in aid for salary an amount of ₹ 3.00 crore was shown in the Gender Budget towards Asha incentives but no provision existed against the said head in the regular budget. This indicates that proper matching of the gender budget with the regular budget was not done. Since the funds flow and expenditure authorisation is made with reference to regular budget, such a matching was essential. Gender Budget was prepared in 14 departments involving ₹ 289.93 crore with a target to benefit 6.62 lakh women. The Gender Budget constituted 1.30 *per cent* of total budget for the year 2019-20. The year wise allocations in the gender budget document are detailed in **Table 3.17**.

Table 3.17: Gender budgetary allocations during 2015-16 to 2019-20

(₹in crore)

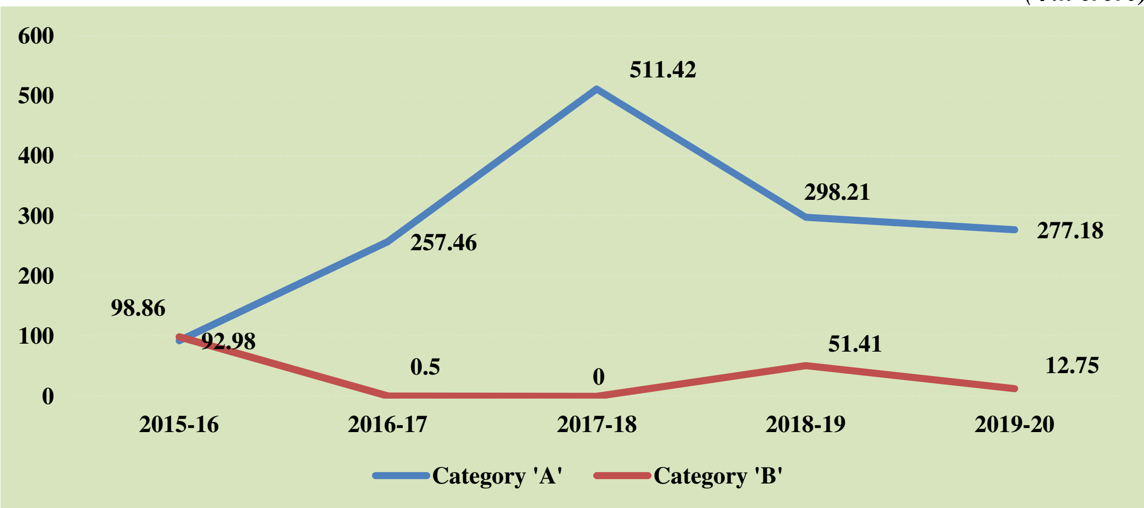
Year	Outlay			Demands Covered	No. of targeted beneficiaries
	Category 'A'[4]	Category 'B'[5]	Total		
2015-16	92.98	98.86	191.84	17	421124
2016-17	257.46	0.50	257.96	16	471791
2017-18	511.42	0.00	511.42	14	440655
2018-19	298.21	51.41	349.62	14	291377
2019-20	277.18	12.75	289.93	14	662432

Source: Gender Budgets of the respective years

The trend of Gender Budgetary allocations under Category 'A' and Category 'B' during 2015-16 to 2019-20 is shown in **Chart 3.6**.

Chart 3.6: Gender Budgetary allocations under Category 'A' and Category 'B'

(₹in crore)



Source: Gender Budgets of the respective years

As seen from the above chart, it was observed that there was substantial decrease in budgetary allocation under Category 'A' from ₹ 511.42 crore in 2017-18 to ₹ 277.18 crore in 2019-20.

Further analysis revealed that a performance report for the year 2018-19 (Allocated ₹ 349.62 crore against 14 departments) was required to be incorporated in the Gender Budget of 2019-20 to ascertain the effectiveness of the schemes targeted to benefit women. It was, however, noticed that no such report was incorporated in the Gender Budget of 2019-20.

4 Budgetary allocation to schemes designed covering 100 *per cent* women beneficiaries

5 Budgetary allocations to scheme designed for covering at least 30 *per cent* women beneficiaries

3.7.5 Implementation of Major policy initiatives in the Budget Speech

The budget speech of the Finance Minister indicated allocations for different schemes both existing as well as new. However, the actual budget provisions could not be specifically made in the Detailed Demand for Grants (DDG) against many schemes mentioned in the budget speech, but only lumpsum provisions were made against the State Annual Development Agenda (SADA), and Scheme under Budget Announcement/ State Development schemes, much against the financial rules. The allocations under the SADA and Scheme under Budget Announcement were finalised and approved by the competent authority with a delay of about three months only in the month of October 2019, although the budget was operative from 1 April 2019. This left very short time for implementation of the schemes/programmes announced in the budget speech. Some instances of the implementation of the budget announcements are discussed hereunder.

- In the budget speech, announcement was made for strengthening the Police Department like procurement of non-lethal equipment like bullet proof jackets, anti-riot equipment, bullet proof vehicles *etc*. In the budget, provision was not made for specific schemes, but only lumpsum provision of ₹ 30.00 crore was made against the schemes under Budget Announcement. It was also observed, the items proposed to be procured are capital in nature, but the lumpsum provision was made in Revenue Section of the budget instead of in Capital section. The planning department gave approval for the scheme only in October 2019. The entire budget provision of ₹ 30.00 crore was withdrawn during the year by re-appropriation. The expenditure against the procurements announced in the budget speech could not be incurred.

- There were a series of announcements in the budget speech on elementary education to enhance enrolment, retention and attendance among children, decentralised planning at district level for critical infrastructure gap, to strengthen overall performance of schools *etc*. The Government instead of providing the budget for each of the announcement separately with details of expenditure, made a lumpsum provision in contravention of the rules amounting to ₹ 164.95 crore against scheme under budget announcement. The entire provision was withdrawn during the year through re-appropriation and allocated mainly to SADA where the details of the schemes were not mentioned. Due to this withdrawal of budget, the implementation of the schemes announced in the budget could not be traced indicating lack of transparency.

- TRIHMS medical college and hospital is the maiden medical college in the State. It was mentioned in the Budget Speech that the funds provided by the GoI for upgradation of hospital and medical college was in sufficient, hence a gap funding of ₹ 90.00 crore and assistance of ₹ 40.00 crore for meeting Revenue Expenditure is provided. In addition, it was mentioned that there was a need to establish specialised units like trauma care, cardiac care *etc*. and for procuring the specialised equipment ₹ 50.00 crore was provided. Accordingly ₹ 136.00 crore was provided in the budget but the funds provided remained unutilised as the proposed grants in aid were not released, resulting in non-implementation of the scheme mentioned in the budget speech.

3.7.6 Unexplained re-appropriations

According to Rule 65(4) of General Financial Rules 2017, re-appropriation of funds shall ordinarily be supported by a statement showing how the excess is proposed to be met. In all orders, sanctioning re-appropriation, the reasons for savings and excess of ₹ one lakh or over and the primary units (secondary units, wherever necessary), affected shall be invariably stated. Scrutiny of Appropriation Accounts revealed that reasons for re-appropriations made during 2019-20 under various head of accounts were not explained in detail. Even in cases where the reasons given for additional provision/withdrawal of provision in re-appropriation orders, they were of general nature like “less requirement of funds”, “less expenditure than anticipated”, “non-receipt of sanction”,” on-approval of Scheme”, “discontinuation of Scheme”, “less claim”, “revised budget outlay” and “reduction of provision” *etc.*

3.7.7 Rush of expenditure

Rush of Expenditure at the end of the financial year can lead to infructuous, nugatory or ill-planned expenditure. As far as possible, Government expenditure is required to be evenly phased over the year. However, it was noticed that in 2019-20, compared to the total expenditure during the year, expenditure during the 4th quarter (January-March) ranged between 60 to 100 *per cent* in 48 major heads of account, as indicated in **Table 3.18**.

Table 3.18: Cases of Rush of Expenditure towards the end of the financial year

(₹in crore)

Sl. No.	Major Head	Total expenditure	Expenditure during January-March 2020	
			Amount	*per cent*
1	2029	67.71	47.01	69.43
2	2048	240.00	240.00	100.00
3	2075	2.07	1.37	66.26
4	2230	39.57	27.27	68.90
5	2250	0.05	0.05	100.00
6	2408	246.24	225.51	91.58
7	2435	2.10	1.68	80.02
8	2506	1.44	1.16	80.61
9	2705	19.65	19.65	100.00
10	2711	3.00	3.00	100.00
11	2810	23.78	14.88	62.56
12	3056	0.29	0.29	100.00
13	3275	33.00	20.54	62.23
14	3425	82.66	58.47	70.74
15	3435	2.78	2.00	71.92
16	3451	46.27	34.92	75.46
17	3452	42.21	28.49	67.50

Sl. No.	Major Head	Total expenditure	Expenditure during January-March 2020	
			Amount	*per cent*
18	4055	54.46	49.71	91.29
19	4058	2.85	2.85	100.00
20	4059	164.09	163.30	99.52
21	4070	436.51	365.21	83.67
22	4202	107.52	98.82	91.91
23	4210	59.08	57.95	98.08
24	4215	253.07	247.26	97.70
25	4216	12.49	12.37	98.99
26	4217	128.93	126.24	97.91
27	4220	4.29	2.97	69.34
28	4235	158.43	155.93	98.42
29	4250	1.15	1.15	100.00
30	4401	1.93	1.93	100.00
31	4403	1.16	1.16	100.00
32	4405	11.90	11.90	100.00
33	4415	1.17	1.17	100.00
34	4425	0.32	0.32	100.00
35	4435	5.78	5.78	100.00
36	4515	7.74	7.74	100.00
37	4552	62.02	37.56	60.56
38	4575	48.26	48.26	100.00
39	4702	8.05	8.05	100.00
40	4711	125.67	125.58	99.93
41	4801	173.36	173.29	99.96
42	4851	11.72	11.72	100.00
43	4853	0.12	0.12	100.00
44	5053	8.02	7.21	89.91
45	5054	1,833.43	1,444.15	78.77
46	5055	6.71	6.20	92.34
47	5452	1.32	1.32	100.00
48	5475	2.47	2.47	100.00

Source: Monthly Civil Accounts

In reply, State Government stated (January 2021) that it would be noted for future reference.

3.8 Outcome of review of selected Grant

3.8.1 Introduction

The financial rules prescribe detailed and specific procedures to be followed in preparation of the budget estimates. The Government also issues every year instructions for the submission of the budget estimates to the controlling officers. To verify the compliance with prescribed procedures in the budget preparation and also to evaluate the effectiveness of the budget formulation process, one grant *i.e.*, Grant 34-Power has been examined in detail and some significant observations follow.

The budget provision, expenditure incurred and savings under the Grant 34-Power for the last five years is given in **Table 3.19**.

Table 3.19: Year-wise budget provision, expenditure incurred and savings

(₹in crore)

Year	Budget Provision			Actual Expenditure			Savings
	Revenue (O + S)	Capital (O+S)	Total	Revenue	Capital	Total	
2015-16	551.40	142.24	693.64	495.63	101.40	597.03	96.91
2016-17	900.41	148.50	1,048.91	708.10	114.83	822.93	225.98
2017-18	689.33	484.33	1,173.66	579.82	196.73	776.55	397.21
2018-19	843.81	334.95	1,177.76	842.53	278.91	1,121.44	56.32
2019-20	813.00	217.01	1,030.01	740.68	131.68	872.36	157.65

Source: Appropriation Accounts of the respective years

3.8.2 Delayed submission of Budget Estimates

The Government of Arunachal Pradesh had not prepared its Budget manual so far. In the absence of the budget manual the officers are guided by the provisions contained in General Financial Rules, Delegation of Financial Powers Rules and instructions issued by the Finance Department for submission of the budget estimates from time to time. The Controlling Officers are required to submit the Budget Estimates of receipts and expenditures for the succeeding year along with revised estimates for the current year to the Finance Department as per the target date stipulated by the Finance Department. Any delay in submission of the Budget Estimates by the Controlling Officers reduces the effectiveness of the required scrutiny by the Finance Department at the time of budget formulation.

Audit observed that there were delays in submission of the Budget Estimates in respect of receipts and expenditures for the years 2016-17 to 2019-20 to the Finance Department as indicated in **Table 3.20**.

Table 3.20: Status of submission of Budget Estimates to Finance Department

Grant No	Year	Target Date	Actual Date	Delays in Submission (in days)
34- power	2016-17	15-11-2016	28-12-2016	13
	2017-18	25-09-2017	26-10-2017	31
	2018-19	24-09-2018	01-10-2018	8
	2019-20	14-09-2019	18-10-2019	34

Source: Data furnished by the State Government

Thus, it can be seen that in none of the years, the Controlling Officer adhered to the timeframe prescribed by the Government. The action taken by the Finance Department in this regard is not known.

State Government in their response, stated (January 2021) that Department will be advised to follow the time frame while submitting the budget proposal strictly.

3.8.3 Unrealistic preparation of Budget Estimates

It was noticed that the actual expenditure under the grant (both under Revenue and Capital Sections) were never closer to the budget estimates during last five years, as there were huge variations when compared to the budget provisions as indicated in **Table 3.21**.

Table 3.21: Persistent savings occurred during 2015-16 to 2019-20

(₹in crore)

Particulars	Year-wise Savings				
	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue (Major Head-2801)	55.87	192.31	109.51	1.28	72.32
Capital (Major Head-4801)	40.84	69.97	287.96	56.04	85.33

Source: Appropriation Accounts of respective years

It was noticed in the budget for 2019-20, in three sub-heads of Revenue section, the budgetary provision of ₹ 35.17 crore proved unnecessary as the entire fund was re-appropriated/surrendered during fag end of the year without assigning any reason. Further, in one sub-head of capital section, budgetary provision of ₹ 45.00 crore proved unnecessary as the entire allocated fund was re-appropriated due to less requirement of fund under major works.

Explicit allocations for the announcements made in the budget speech was also not made in the original budget. The department obtained lumpsum provision in the Capital section under two heads *viz*., State Annual Development Agenda (SADA) and schemes under Budget announcement/ State Development Scheme without giving the details of the works to be taken up. The provision obtained was ₹ 149.95 crore under SADA and ₹ 45.00 crore under Scheme under Budget announcement/State Development Scheme under Capital head. The provision obtained under SADA was for 62 ongoing schemes and 171 new works. Similarly, the provision for SIDF was for 34 ongoing schemes and 24 new works. The allocations for the announcements made in the budget speech were finalised from the lumpsum provision made under SADA only in October 2019. For several GoI schemes, there was no provision in the budget and the department sought the approval of Legislature through Supplementary Budget in February 2020. This indicated that the preparation of budget was not based upon the actual requirement of the Department.

3.8.4 Non-assessment of the liabilities

Rule 50(3) read with Appendix 3 of General Financial Rules 2017 prescribe that the estimates for the expenditure shall include suitable provision for liabilities of the previous years that is to be discharged during the year. The Controlling Officer while sending the budget proposals did not assess the arrears towards work bills and other payments to be discharged, and did not furnish the required information to the Finance Department. Therefore, the budget estimates did not consider the liabilities to be discharged during the year, which is violative of the prescribed financial rule. The liabilities in the form of pending bills for the works done were ₹ 19.81 crore during the financial year 2019-20.

3.8.5 *Lumpsum provision in the budget*

Rule 7 of Delegation of Financial Power Rules, 1978 prohibits making lumpsum provision in the budget without giving details of the schemes and objects against which the expenditure is proposed. It was noticed that ₹ 217.01 crore were provided in the Capital section of the grant in the budget, out of this, ₹ 195.95 crore constituting 90.29 *per cent* of the total budget under capital section was lumpsum provision without giving any details of the assets to be created with the proposed provision. This not only violated the rule position, but also did not provide an opportunity to the Legislature to know the details before the expenditure is authorised. Further, due to lumpsum provisions, the actual execution of the schemes also suffered as only ₹ 61.69 crore was the actual expenditure against the lumpsum provision of ₹ 195.95 crore. It took considerable time in identifying the works and getting the approval for implementation of the proposals which was granted by the State Government only in October 2019 practically after more than six months of the financial year. It was further noticed that there was a lumpsum provision of ₹ 1.00 crore in the budget under SIDF which was withdrawn through re-appropriation. However, an expenditure of ₹ 8.61 crore was booked against this head indicating absence of proper control over the budget management. The State Finance Department needs to be more vigilant towards lumpsum provisioning and stop this incorrect practice.

3.8.6 *Unrealistic demands for Supplementary Grants*

Supplementary Grant as defined in Rule 66 and Appendix 5 of General Financial Rules 2017 means an additional provision included in an Appropriation Act during the course of a financial year, to meet expenditure in excess of the amount previously included in the Appropriation Act for that year. The primary responsibility in regard to proposals for supplementary appropriations rests on the Chief Controlling Officers of the concerned departments, who are required to review their requirements before firming up their proposals to Finance Department.

During the period 2019-20, Audit observed that a supplementary provision of ₹ 22.01 crore was obtained which was totally unnecessary under Capital head. Total expenditure (₹ 131.00 crore) was less than the original budget provision of ₹ 195.00 crore. Under one sub-head original budget was only ₹ 0.01 crore. A supplementary provision of ₹ 1.14 crore was obtained. However, no expenditure could be incurred against this sub-head during the year reportedly due to Non-receipt of LOC authorisation from the Finance Department. Since the Supplementary grant proposals were prepared by the Finance Department itself without any proposal from the department, the Finance Department had unnecessarily obtained the supplementary provision without ensuring availability of the financial resources for funding these items.

In reply, State Government stated (January 2021) that due diligence would be exercised to restrict such lapses.

3.9 Conclusion

- Against the total budget provision of ₹ 23,487.10 crore, Departments incurred an expenditure of ₹ 16,281.40 crore during 2019-20, resulting in overall savings of ₹ 7205.70 crore, which stood at 31 *per cent* of total grants and appropriations. This shows poor financial management by the State.
- In 18 Schemes under 16 Grants, Departments incurred an expenditure of ₹ 212.34 crore during 2019-20, without any budget provision, Supplementary Demands or re-appropriation orders, which is in violation of financial regulations and without the authority of the Legislature.
- During 2019-20, Supplementary grants of ₹ 119.51 crore (₹ 10 lakh & more in each case) provided in 19 grants proved unnecessary as the expenditure did not come up to the level of original provision, indicating that Supplementary grants were provided in an ad-hoc manner.
- In 67 cases, savings exceeded ₹ one crore or by more than 20 *per cent* of total provision during 2019-20. Out of these, 100 *per cent* savings occurred in one Grant viz. Other General, Social and Community Services under Capital voted. Further, there were persistent savings in 16 Grants (₹ one crore & by 10 *per cent* or more) during the last five years 2015-20, indicating lack of systemic and closer budget review by the Government.
- Savings during the year accounted for about a third of the budget. However, the Controlling Officers did not surrender the funds on time. Departments were not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.
- During 2019-20, there were excess over provisions in five Grants/ Appropriations amounting to ₹ 15.76 crore. In addition, excess expenditure amounting to ₹ 3179.78 crore pertaining to the years from 1986-87 to 2018-19, are pending for regularisation. Such excess expenditure over budgetary allocation is a matter of concern, and dilutes legislative oversight over public funds. Government needs to view this seriously and take appropriate corrective measures for regularisation of expenditure in excess of budgetary provision.
- In 48 cases, expenditure of more than 60 *per cent* of the total expenditure for the year 2019-20 was incurred in the last quarter of 2019-20. Of these, in 20 cases, 100 *per cent* of the expenditure was incurred in the last quarter of 2019-20, in breach of financial propriety and lack of adequate planning for spending allocated funds.

3.10 Recommendations

- Savings of budgetary provisions are reflective of inability of the Department to spend the allotted fund. The Government may monitor closely persistent savings and non-surrender of funds by Departments and ensure that budgetary provisions are made for prioritised developmental scheme/projects for a more impactful expenditure.
- Excess of expenditure over budgetary provisions under different grants is a serious lapse against legislative control. Departments which had incurred excess expenditure persistently should be identified to closely monitor their progressive expenditure so that they seek supplementary grants/re-appropriations in time.
- The State Government needs to ensure better management of budgeted funds through re-appropriations.
- Supplementary grants should be provided in such grants only after proper scrutiny and realistic assessment of requirements to avoid under or over spending by the concerned departments.
- Rush of expenditure is a breach of financial propriety leading to wasteful and unplanned expenditure. The Government should strengthen monitoring mechanism in each department to regulate fund flow and their utilisation on quarterly basis to avoid rush of expenditure at the fag end of the financial year.

CHAPTER IV

QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES

Chapter IV QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES

4.1 Introduction

Sound internal financial reporting system and compliance with rules and procedures contribute significantly to good governance. These also ensure relevant, reliable and timely financial reporting and thereby assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and appropriate decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

4.2 Parking of funds in PFMS aligned bank accounts

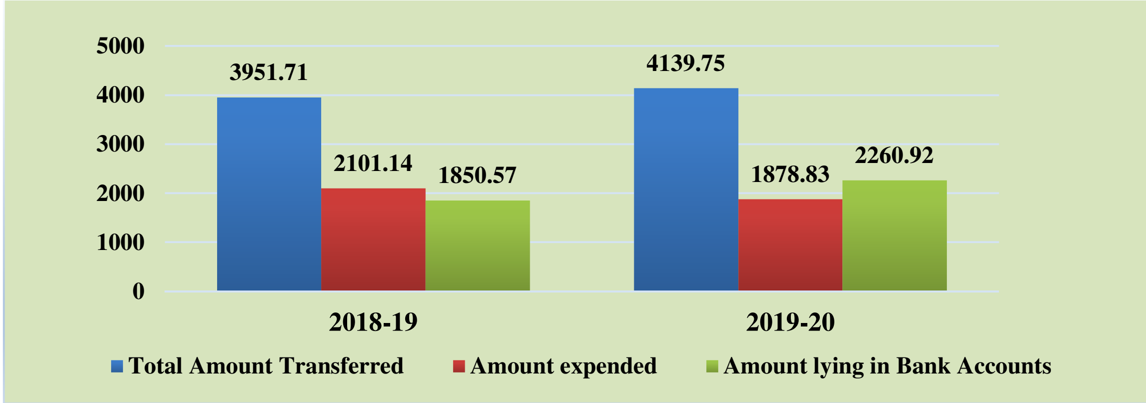
In order to ensure just-in-time budgetary releases and enable monitoring of the end usage of funds, State Government has been using Public Financial Management System (PFMS) to cover all transactions/payments under the Central Sector and Centrally Sponsored Schemes (CSS). To facilitate monitoring of funds of these schemes, all the implementing agencies in the State, whether at State, District, Block, Panchayat or Village level are to register along with the details of their bank accounts, preferably Core Banking Solution (CBS) bank accounts on PFMS. All the implementing agencies of the Central sector schemes registered themselves with the PFMS portal duly giving the details of the bank accounts.

Funds received from GoI for implementation of CSS are to be transferred by Finance Department to the bank accounts of the concerned implementing agencies within a stipulated timeframe. On receipt of funds through PFMS along with the sanction order and credit advice of RBI, the concerned departments charge expenditure from the Consolidated Fund of the State under appropriate Head of Account and prepare a consolidated bill to transfer the amount to the dedicated bank account of the implementing agency. Subsequently, the implementing agencies transfer these funds to the downstream agencies for payment to vendors and beneficiaries.

During 2019-20, the Finance Department transferred ₹ 4,139.75 crore to various departments through PFMS for implementation of various CSS and State funded schemes. The implementing agencies did not transfer the entire amount to downstream agencies/vendors/ beneficiaries as stipulated, defeating the purpose of the schemes. Out of the total amount transferred, ₹ 2,260.92 crore (54.61 *per cent*) remained undisbursed as of end of March 2020 and was parked in the bank accounts aligned to PFMS by 29 departments in respect of 137 schemes as detailed below in **Chart 4.1**.

Chart 4.1: Funds parked in Bank Accounts

(₹in crore)



Source: Data furnished by the State Government

Cases where the departments held more than ₹ 100.00 crore funds in the bank accounts are given below:

Table 4.1: Departments which held more than ₹ 100.00 crore in bank accounts

(₹in crore)

Sl. No.	Department	Amount
1	Education	405.48
2	Health & Family Welfare	298.50
5	Rural Development	140.44
6	Social Justice, Empowerment and Tribal Affairs	185.02
7	Agriculture	113.40
8	Women & Child Development	114.80

Source: Data furnished by the State Government

Parking of these funds not only inflated the expenditure in the Consolidated Fund but also had an impact on the ways and means position of the Government. A similar observation was made in the SFAR of the previous year and the State Government in their reply stated that they would exercise due diligence in future and work out an action plan and a road map to avoid heavy cash balance in PFMS accounts. However, such an exercise was not done effectively as during the current year also, huge funds got parked in the PFMS linked bank accounts, which not only defeated the very purpose of implementing the PFMS but also affects the transparency and correctness of accounts besides not achieving the objectives of the schemes for which the funds were released.

4.2.1 Parking of funds out-side the Government Account

As per Rule 100 (2) of Receipts and Payments Rules 1983, no money shall be drawn from Government Account unless it is required for immediate disbursement. It is not permissible to draw money from Government Account in anticipation of demands or to prevent the lapse of budget grants.

In the scheme, launched under Chief Minister's flagship programme called '***Vidya Scheme***' from the year 2013-14 onwards, government was to provide financial assistance/ incentive to the girl child who successfully passed fifth standard and enrolled in class VI in State government school. The financial assistance of ₹ 10,000/- per beneficiary (revised in 201-16) was to be deposited in STDR/fixed deposit account in State Bank of India in the name of the girl child which would be payable to her after successful completion of Class XII. It was noticed during audit that the DDSE, Longding had withdrawn ₹ 49.00 lakh for implementation of the Vidya Scheme in March 2016 and parked the entire fund initially in current account and later in Savings bank account. The officer had similarly withdrawn ₹ 21.30 lakh in March 2018 and ₹ 22.10 lakh in March 2019 and deposited the same in savings bank account. Thus, funds aggregating to ₹ 92.40 lakh with drawn from the Government and kept in SB account outside the Government account instead of depositing the funds in favour of beneficiaries as per scheme guidelines. The officer however, furnished utilisation certificate as per rules. It was only during January to April 2020 the officer had transferred a partial amount of ₹ 35.40 lakh to 354 beneficiaries leaving a balance of ₹ 57.00 lakh still lying outside the Government account. This not only violated the rules but also reduced the credibility of the system of furnishing Utilisation Certificates besides non-achievement of objective of the scheme.

4.2.2 Payments made without complying Government orders

In order to maintain financial discipline and propriety, Government of Arunachal Pradesh had ordered on 28th March 2019 to close all the Treasuries/sub-treasuries for Government transaction except Election related expenditure. The GoAP permitted (18 April 2019) payment of cheques issued by Works and Forest Departments before 28 March 2019 up to the value of ₹ 5.00 lakh only, issued by the works and forest departments on or before 28 March 2019, and enhanced the limit to ₹ 10 lakh on 07 May 2019. The restrictions on payments were withdrawn by the Government in June 2019.

During test check of records, it was noticed that 8647 unpaid cheques amounting to ₹ 1,372.84 crore pertaining year 2018-19 were paid in the months of April to June 2019 by the Agency Banks disregarding the instructions imposing the restrictions on payment. Out of these cheques paid in violation of Government orders, a further scrutiny of details in respect of 912 cheques amounting to ₹ 318.05 crore revealed that 121 cheques amounting to ₹ 210.47 crore were drawn in favour of Executive Engineer, as self cheques and ₹ 106.00 crore worth of cheques were drawn for payment to third parties like contractors, supplier, *etc*.

In reply, the Government stated that matter was taken up with the lead bank to check how the payment were made in violation of Government Orders. The reply of the government is not acceptable as the cheques were issued in contravention to the extant orders.

4.3 Funds transferred directly to State implementing agencies

The GoI has been transferring a sizeable quantum of funds directly to the Implementing Agencies in the State for implementing various schemes/programmes in Social and Economic Sectors. From 2015-16 onwards, GoI decided to route these funds through the State Budget. Contrary to this decision, however, GoI released ₹ 303.63 crore directly to the implementing agencies/ organisations in the State during 2019-20.

Table 4.2 presents details of fund released (₹ 20.00 crore and above in each case) directly to the Implementing Agencies during 2019-20:

Table 4.2: Funds transferred directly to Implementing Agencies in the State

(₹in crore)

Sl. No.	Name of the schemes/ programmes	Implementing Units	Funds released
1	Electronic Governance	AP State Council for Science and Technology	36.51
2	Border Infrastructure and Management	Rural Road Development	31.00
3	PM Kishan Samman Nidhi	Directorate of Agriculture, GOAP	29.62
4	Organic Value Chain Development of NER	AP Agriculture Marketing Board	21.13

Source: 'Public Financial Management System' Portal of the Controller General of Accounts, GoI

As there is no central monitoring mechanism for utilisation of funds under this category, reliable data on quantum of expenditure against the funds received directly by the Implementing Agencies from GoI, is not readily available to Audit. In view of different accounting practices followed by different implementing agencies, it is difficult to monitor the end use of these direct transfers.

The State Finance Department needs to address the issue suitably by issue of instructions to these and other Implementing Agencies.

4.4 Delay in submission of Utilisation Certificates

Financial Rules provide that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and forwarded to the Accountant General (Accounts) within 12 months from the date of their sanction unless specified otherwise.

Audit scrutiny revealed that 133 UCs in respect of grants aggregating ₹ 887.28 crore given to 12 Departments of the State Government during the period from 2015-16 to 2018-19 have not been submitted to the Accountant General as of 31 March 2020. Age-wise details of delay in submission of UCs is given below:

Table 4.3: Age-wise Arrears of Utilisation Certificates as on 31 March 2019

(₹in crore)

Year	Opening Balance		Additions		UCs Submitted		Outstanding UCs	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2015-16	138	404.18	216	475.86	156	189.88	198	690.16
2016-17	198	690.16	150	729.64	262	1,166.15	86	253.65
2017-18	86	253.65	150	1,013.12	171	829.48	65	437.29
2018-19	65	437.29	213	1,264.24	145	814.25	133	887.28

Source: Finance Accounts of the respective years

The year-wise details of pending UCs and the amounts involved are tabulated in **Table 4.4**.

Table 4.4: Year-wise breakup of pending UCs

(₹ in crore)

Year	Number of UCs	Amount
2015-16	6	4.27
2016-17	2	18.87
2017-18	8	70.66
2018-19	117	793.48
Total	**133**	**887.28**

Source: Finance Accounts of the respective years

It is a matter of concern that the Departmental authorities have not yet explained as to how an amount of ₹ 887.28 crore was spent over the years, as it involves public funds provided to them for implementation of specific programmes/schemes and there is no assurance that the intended objectives of providing these funds have been achieved. In the absence of accountability for expenditure relating to funds provided as far back as 2015-16, the possibility of misappropriation of these funds cannot be ruled out. The Department-wise break-up of outstanding UCs for the grants paid up to the year 2019-20 is given below:

Chart 4.2: Department-wise outstanding UCs

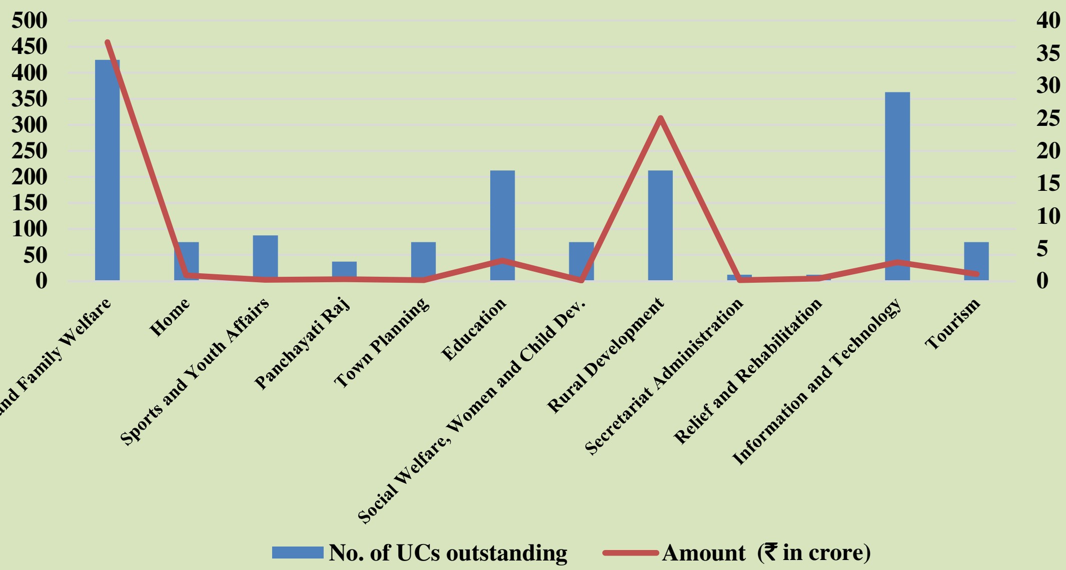


Table 4.5: Department-wise outstanding UCs as on 31 March 2020

Sl. No.	Department	No. of UCs outstanding	Amount involved (₹ *in crore*)
1	Health and Family Welfare	34	458.25
2	Home	06	10.85
3	Sports and Youth Affairs	07	2.47
4	Panchayati Raj	03	3.33
5	Town Planning	06	2.06
6	Education	17	39.21
7	Social Welfare, Women & Child Development	06	1.15
8	Rural Development	17	313.05

Sl. No.	Department	No. of UCs outstanding	Amount involved (₹ *in crore*)
9	Secretariat Administration	01	2.00
10	Relief and Rehabilitation	01	5.00
11	Information and Technology	29	36.28
12	Tourism	06	13.64
	Total	**133**	**887.28**

Source: Finance Accounts 2019-20

This pendency in submission of UCs impacts receipts of subsequent instalments of the Government of India grants for the Centrally Assisted Schemes as commented in Paragraph 2.5.7 of this Report. In the absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which those were given. It is imperative that the State Government monitors this aspect closely and holds the concerned officials accountable for submission of UCs in a timely manner.

4.5 Recording of Grantee Institutions as "Others"

Rule 230 of GFR 2017 governing the principles and procedure for award of grants-in-aid stipulates that the institution or organisation seeking grants-in-aid should also certify that it has not obtained or applied for grants for the same purpose or activity from any other Ministry or Department of the Government of India or State Government. The note below the aforesaid rule also envisaged that in order to obviate duplication in grants-in-aid, each Ministry or Department should maintain a list of Institutions or Organisations along with details of amount and purpose of grants given to them on its website.

It was observed from Appendix III of Finance Accounts for the last five years that an amount of ₹ 364.56 crore has been paid as grants-in-aid by the State Government by recording the Grantee Institution as 'others' as detailed in **Table 4.6**.

Table 4.6: Details of amount paid as GIA to others

(₹ *in crore*)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Amount recorded as 'others'	113.51	154.29	51.37	43.41	1.98
Total Grants-in-Aids paid	964.78	1,279.07	1,566.88	1,869.45	1,332.05
Percentage of amount recorded as 'others' with Total Grants-in-Aids paid	*11.77*	*12.06*	*3.28*	*2.32*	*0.15*

Source: Finance Accounts of the respective years

The details of the grantee and purpose of grants given to them, however, were not mentioned therewith. In the absence of disclosure of such information, receipt of grants by the grantee organisations for the same purpose from other Ministries and Departments could not be ruled out.

4.6 *Abstract Contingent Bills*

Rule 308 and 309 of the Central Treasury Rules provide that for Drawing and Disbursing Officer (DDO) to draw money by preparing Abstract Contingency (AC) Bills subject to the presentation of Detailed Countersigned Contingency (DCC) Bills to the Controlling officer for countersignature and transmission to the Accountant General. Further, a Certificate is to be attached to every AC Bill to the effect that DCC Bills have been submitted to the Controlling Officer (CO) in respect of AC Bills (drawn more than a month before the date of the current Bill) without which no AC Bill is to be accepted.

In contravention of the above mentioned provisions, as of 31 March 2020, two departments of the Government of Arunachal Pradesh had not submitted DCC bills for ₹ 0.29 crore against 17 AC Bills. Details of outstanding AC Bills for the last five years is given below:

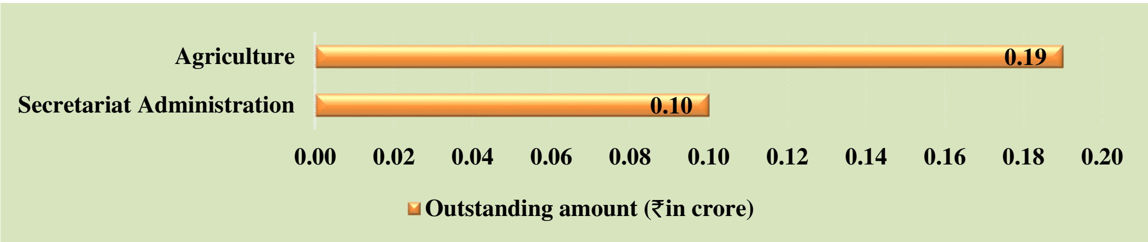
Table 4.7: Details of outstanding AC Bills during the period 2015-16 to 2019-20

Year	Opening Balance		AC Bills drawn		DCC Bills submitted		Outstanding AC Bills	
	Nos.	Amount (₹ in crore)	Nos.	Amount (₹ in crore)	Nos.	Amount (₹ in crore)	Nos.	Amount (₹ in crore)
2015-16	217	19.06	351	3.33	380	10.54	188	11.85
2016-17	188	11.85	296	5.19	419	13.11	65	3.90
2017-18	65	3.90	183	5.70	188	6.26	60	3.34
2018-19	60	3.34	139	5.93	146	5.13	53	4.14
2019-20	53	4.14	84	2.61	120	6.46	17	0.29

Source: Finance Accounts of respective years

Department-wise pending DCC bills for the years up to 2019-20 are detailed below:

Chart 4.3: Department-wise outstanding AC Bills



Source: Finance Accounts 2019-20

During the year 2019-20, out of 84 AC bills amounting to ₹ 2.61 crore drawn, 68 DCC Bills amounting to ₹ 2.32 crore were adjusted leading to 16 outstanding AC Bills worth ₹ 0.29 crore as on 31 March 2020. During the last five years, the Government has decreased substantially the number of outstanding AC bills to 17 involving ₹ 0.29 crore which is noteworthy.

Advances drawn and not accounted for, increase the possibility of wastage/ misappropriation/ malfeasance, *etc.* and therefore, requires close monitoring by the respective DDOs for ensuring submission of DCC bills. Further, to the extent of non-receipt of DCC bills, there is no assurance that the expenditure shown in the Finance Accounts is correct or final.

4.7 Personal Deposit Accounts

The Government of Arunachal Pradesh is authorised to keep funds required for specific purposes in the PD accounts by transfer of funds from the Consolidated Fund. Generally, administrators are required to close such accounts on last working day of the financial year and transfer the unspent balances back to the Government Account. During 2019-20, three PD Accounts having an amount of ₹ 0.22 crore in favour of Animal Husbandry & Veterinary Department and Agriculture Department of Government of Arunachal Pradesh were opened. At the end of the year all the PD accounts were closed. As the end of 31 March 2020, two PD Accounts which have been inoperative since 2010-11, were also closed as indicated in **Table 4.8**.

Table 4.8: Status of Personal Deposit Accounts during 2019-20

Sl. No.	Particulars	Number	Amount (*₹in crore)*
1	Opening balance as on 1 April 2017	02@	0.32
2	Addition during the year	03	0.22
3	Closed during the year	05	0.54
4	Closing balance as on 31 March 2018	Nil	Nil

Source: Finance Accounts 2019-20

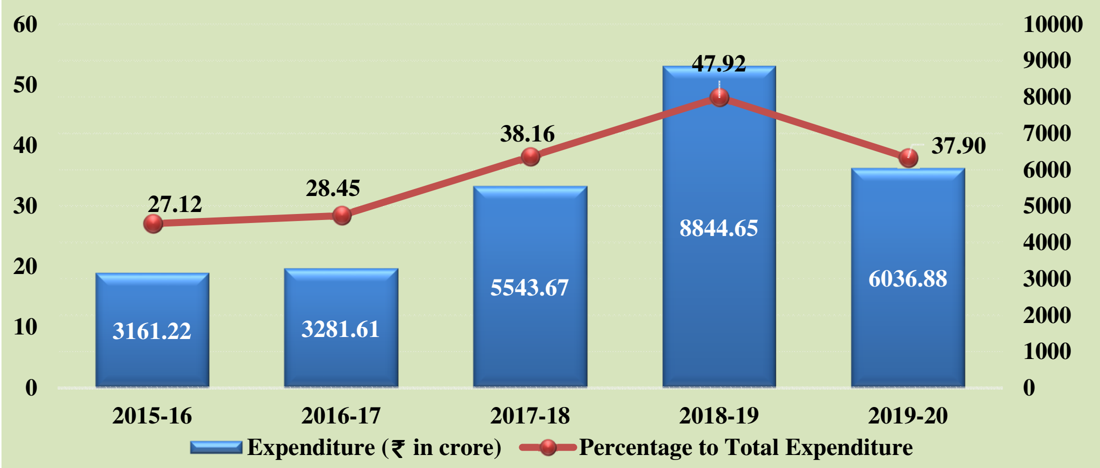
@ These PD accounts were inoperative since 2010-11.

4.8 Indiscriminate use of Minor Head 800

Government Accounting Rules stipulate that the classification of transactions in Government accounts, shall have closer reference to the function, programme and activity of the Government and the object of the revenue (receipt) or expenditure, The omnibus Minor Head 800 relating to Other Receipts/Other Expenditure is to be operated only in cases where the appropriate Minor Head has not been provided under a Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Accountant General (Accounts) and obtain approval to open appropriate Minor Heads. Indiscriminate booking of receipts and expenditure under Minor Head 800 affects transparency and nature of transactions, and renders the accounts opaque.

Government of Arunachal Pradesh has operated this Minor Head extensively during the five-year period 2015-20. The quantum of expenditure booked under this Minor Head showed an increasing trend over the years 2015-16 to 2018-19 as it constituted 27.12 *per cent* of the total expenditure during 2015-16 and stood at 47.92 *per cent* during 2018-19, which declined during 2019-20 and stood at 37.94 *per cent*. During 2019-20, the State Government booked an expenditure of ₹ 6,036.88 crore under Minor Head 800 under 89 Revenue and Capital Major Heads of Account, constituting 37.94 *per cent* of the total revenue and capital expenditure of ₹ 15,911.78 crore. The extent of operation of Minor Head 800 Other Expenditure, as a percentage of total expenditure during 2015-20 is given in **Chart 4.4**.

Chart 4.4: Operation of Minor Head 800 - Other Expenditure during 2015-20



Source: Finance Accounts of the respective years

Scrutiny of transactions of relevant Major Heads showed that under expenditure section, in 28 transactions involving an expenditure of ₹ 897.12 crore, the entire provision was booked under Minor Head 800-Other Expenditure as shown in table below:

Table 4.9: No. of Major Head that booked entire provision under Minor Head 800-OE

(₹in crore)

Range	*Number of Major Heads*
0> 50 crore	23
More than 50 crore	5

Source: Finance Accounts 2019-20

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure. Details of Major Heads where the entire expenditure was booked (where it is more than ₹ 50.00 crore) under the omnibus Minor Head 800 are given below:

Table 4.10: Major Heads where entire expenditure was booked under Minor Head 800-OE

(₹in crore)

Major Head	Description	Total Expenditure under the Major Head	Total expenditure under MH '800-OE
4055	Capital Outlay on Police	54.46	54.46
4215	Capital Outlay on Water Supply and Sanitation	253.07	253.07
4235	Capital Outlay on Social Security and Welfare	158.43	158.43
4552	Capital Outlay on North Eastern Areas	62.02	62.02
4801	Capital Outlay on Power Projects	173.36	173.36

Source: Finance Accounts 2019-20

Even in respect of receipts, during 2019-20, the State Government booked an amount of ₹ 620.62 crore under Minor Head 800 under 44 Revenue Major Heads of Account, constituting 33.01 *per cent* of the total tax and non-tax revenue of ₹ 1,880.11 crore. Details of Major Heads where the entire receipts was booked (where it is more than ₹ 10.00 crore) under the omnibus Minor Head 800 are given in **Table 4.11**.

Table 4.11: Major Heads where entire receipts was booked under Minor Head 800-OR

(₹in crore)

Major Head	Description	Receipts under Minor Head 800	Total Receipts	Percentage
0039	State Excise	144.97	144.97	100
0801	Power	247.95	247.95	100
1055	Road Transport	18.51	18.51	100

Source: Finance Accounts 2019-20

4.9 Outstanding balance under major Suspense and DDR heads

Suspense heads are operated in Government accounts to reflect transactions that cannot be booked initially to their final Head of Account for some reason or the other. These are finally cleared by minus debit or minus credit when the amount is taken to its final Head of Account. If the amounts under suspense heads remain unadjusted, the balances under these heads get accumulated resulting in understatement of Government's receipts and payments.

Remittances embrace all transactions which are adjusting Heads of Account and the debits or credits under these heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting.

The position of gross figures under major suspense and remittance heads for the last three years is given below:

Table 4.12: Balances under Suspense and Remittance Heads

(₹in crore)

Minor Head	2017-18		2018-19		2019-20	
Major Head 8658 - Suspense	**Dr.**	**Cr.**	**Dr.**	**Cr.**	**Dr.**	Cr.
101 - PAO suspense	33.85	0.47	52.60	0.05	68.48	**0.05**
Net		**Dr.33.38**		**Dr.52.55**		Dr. 68.43
102 - Suspense Account-Civil	39.65	23.10	162.37	23.10	38.06	**7.19**
Net		**Dr.16.55**		**Dr.139.27**		Dr. 30.87
107 - Cash Settlement Suspense Account	24.03	4.82	24.03	4.82	24.03	**4.82**
Net		**Dr.19.21**		**Dr. 19.21**		Dr. 19.21
109 - Reserve Bank Suspense - Headquarters	(-) 38.10	(-) 13.89	(-) 16.57	(-)5.44	(-) 16.58	**(-) 5.19**
Net		**Dr. 24.21**		**Dr. (-)11.13**		Dr. (-) 11.39
110 - Reserve Bank Suspense - CAO	1,884.35	1,600.42	1,833.37	1,520.70	1,920.18	**779.44**
Net		**Dr. 283.93**		**Dr. 312.67**		Dr. 1,140.74
112 - Tax Deducted at Source (TDS) Suspense	---	(-) 0.02	---	7.04	---	**6.86**
Net		**Cr. (-) 0.02**		**Cr. 7.04**		Cr. 6.86
113 - Provident Fund Suspense	0.25	---	0.25	**---**	0.25	**---**
Net		**Dr. 0.25**		**Dr. 0.25**		Dr. 0.25
121 - Additional Dearness Allowance Deposit Suspense Account (New)	0.01	0.08	0.01	0.08	0.01	**0.08**
Net		**Cr.0.07**		**Cr. 0.07**		Cr. 0.07

Minor Head	2017-18		2018-19		2019-20	
123 - A.I.S Officers' Group Insurance Scheme	0.02	---	0.02	0.01	0.02	**0.01**
Net		**Dr. 0.02**		**Dr. 0.01**		Dr. 0.01
129- Material Purchase Settlement Suspense Account	19.58	0.02	19.58	0.02	19.58	**0.02**
Net		**Dr.19.56**		**Dr. 19.56**		Dr. 19.56
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	39,382.07	39,481.71	44,063.88	45,306.20	5,487.32	**5,117.33**
Net		**Cr. 99.64**		**Cr. 1,242.32**		Dr. 369.99
103 - Forest Remittances	1,604.94	1,602.73	1,728.87	1,738.30	1,773.73	**1,772.79**
Net		**Dr. 2.21**		**Cr.9.43**		Dr. 0.94
105- Reserve Bank of India Remittances	3.20	352.51	144.91	474.63	592.89	**503.75**
Net		Cr. 349.31		Cr. 329.72		Dr. 89.14

Source: Finance Accounts of the respective years

The outstanding balances are worked out by aggregating the outstanding debit and credit separately. Finance Accounts reflect the net balances under Suspense and Remittance Heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions, *etc.* The implications of the balances under these heads are discussed in the succeeding paragraphs:

4.9.1 Pay and Accounts Office (PAO) Suspense

This minor head is operated for the settlement of inter-departmental and inter-governmental transactions arising in the books of PAOs under the Union Government, PAOs of the Union Territories and the Accountant General. Transactions under this minor head represent either recoveries effected or payments made by an Accounts Officer on behalf of another Accounts Officer against whom the minor head PAO Suspense has been operated. The balances under this suspense head had been increasing continuously during the last three years. The outstanding debit balance under this head was ₹ 68.48 crore and the credit balance was ₹ 0.05 crore the end of the year 2019-20. The outstanding debit balance was mainly in respect of Ministry of Surface Transport, Regional Office, Guwahati (₹ 51.37 crore) Central Pensions Accounting Office, New Delhi (₹ 12.39 crore). These balances are the amounts which the Government has to receive from the respective authorities of GOI which pertain mostly to old years.

4.9.2 Suspense Account (Civil)

The transactions which cannot be taken to the final expenditure/receipt head of account for want of certain information/documents (challans, vouchers *etc*.,) are at the first instance booked under this suspense head. Ideally the treasury officers should obtain the required details and clear the balance under this suspense head before end of the financial year so that the final receipts and expenditure figures depicted in the accounts reflect the correct amounts. The outstanding balance under this Minor Head as on 31 March 2020 was ₹ 38.06 crore (Debit) and ₹ 7.19 crore (Credit) indicating that an amount of ₹ 30.87 crore was required to be adjusted in respect of receipts and expenditure separately to their respective final heads of account. Major debit balances were outstanding in respect of Treasury Suspense (₹ 28.13 crore) and Objection book suspense/ charges placed under Suspense (₹ 6.17 crore) whereas major credit balances were outstanding in respect of transaction of Resident Commissioner, New Delhi (₹ 5.37 crore).

4.9.3 Reserve Bank Suspense, Central Accounts Office

When transfer of huge balances between Central and State Governments take place on account of sanction of loan, grants-in-aid *etc*., the Minor Head 110-Reserve Bank Suspense Central Accounts Office under Major Head-8658 is operated to record the transaction before taking it to its final head of account. The outstanding balances under this head as on 31 March 2020 were ₹ 1,920.18 crore (Debit) and ₹ 779.44 crore (Credit). Most of the balances are legacy balances pertaining to long periods.

4.9.4 Public Works Remittances

Remittances embrace all transactions which are adjusting heads of account and the debits or credits under these heads are eventually cleared by corresponding credit or debit either within the same or in another circle of accounting. Public Works Remittances of ₹ 1,242.32 crore (Credit) lying unadjusted as of 31 March 2019, which was subsequently adjusted in 2019-20 and stood at ₹ 369.99 crore (Debit) as of March 2020. These balances pertaining to previous year have been outstanding due to non-encashment of Government cheques due to freezing of the payments by the State Government.

4.10 Reconciliation of Cash Balances

The balance in the Cash Balance Investment Account (8673-101), as per the books of accounts maintained in Accounts Wing of the AG office should match with the balance communicated by the Reserve Bank of India. As on 31 March, 2020, there was a difference of ₹ 25.41 crore (debit), between the Cash Balance of the State Government, as per the books of Accounts of the Principal Accountant General (A&E), and the Cash Balance reported by the Reserve Bank of India. The net RBD at the end of the year reported by RBI is ₹ 231.55 crore and Accountant General's figure is ₹ 256.96 crore. This difference is mainly due to misclassification by Bank/Treasury and needs to be rectified. It is the responsibility of the State Government also to reconcile the balance with Agency Banks on a continuous basis to ensure that the amounts reported are correct and also there were no delays in reporting of transactions by the Agency Banks. However, such a reconciliation was not being done, due to which the penalty leviable on the Agency banks for not adhering to the timelines for settlement of transactions was not ascertainable.

State Government in their reply, stated (January 2021) that final reconciliation of Cash Balance of State Government is being carried out with the accredited bank and difference of ₹ 25.41 crore (Debit) shall be intimated as soon as reconciliation is completed.

4.11 Accounting of transactions relating to Central Road Fund

As per extant accounting procedure under Central Road Fund, the Central grants received are to be booked under MH 1601. On the expenditure side of the budget, an equivalent amount is provided under MH 3054 Roads & Bridges–797- Transfer to Reserve Fund/Deposit Accounts. This amount is credited to the Public Account (MH 8449, Other Deposits-103 Subventions from CRF). Expenditure on the prescribed road work is accounted for, either in revenue or capital section under MH 3054 or 5054, as the case may be, as deduct refund & by debit to MH 8449-103.

During 2019-20, the State government received GoI grant of ₹ 126.61 crore and booked it under MH 1601-108 Grants from CRF. However, since no corresponding budget provision was made under 3054-797-Transfer to Reserve Fund/Deposit Account under Central Assistance, the amount was not transferred to Public Account under 8449-Other Deposits. This is in violation of the Fund accounting procedure. It is further observed that expenditure of ₹ 137.76 crore was shown under 5054 Capital Outlay on Roads & Bridges under Minor Head 800-Schemes under CRF, during 2019-20. There is no assurance of the correctness of booking of the entire CRF expenditure only for Capital Works and none under revenue or maintenance head. This would also have an effect on the extent of Revenue Deficit/Surplus of the State, which is not quantifiable.

4.12 End use of Cess

Under Section 3 of the Building and Other Construction Workers Welfare Cess Act, 1996, there shall be levied and collected a Cess at such rate not exceeding two *per cent*, but not less than one *per cent* of the cost of construction incurred by an employer, as the Government may, by notification in the Official Gazette, from time to time specify. Rule 5 of the Cess Rules, 1996 provides that the proceeds of the Cess collected shall be transferred by such Government office/ Establishment, as the case may be, to the Arunachal Pradesh Building and Other Construction Workers Welfare Board (APBOCWB).

As per Rule 5(3) of the Building and Other Construction Workers Welfare Cess Rules 1998, the amount collected has to be transferred to the Board within thirty days of its collection.

Section 24 (3) of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 states that no Board shall, in any financial year, incur expenses towards salaries, allowances and other remuneration to its members, officers and other employees and for meeting the other administrative expenses exceeding five *per cent* of its total expenses during the financial year.

The State Government however, did not comply with the prescribed procedure fully. As of 01 April 2019, the State Government was yet to transfer Cess amounting to ₹ 64.14 crore to the Board. During the year another ₹ 25.98 crore was collected as labour Cess by the State Government. Out of the total cess of ₹ 90.12 crore, agencies had not transferred cess collected to the Board during 2019-20, leaving a balance of ₹ 90.12 crore yet to be transferred as on 31 March 2020. The year-wise transactions under Labour Cess was as follows:

Table 4.13: Year-wise transactions in Labour Cess

(₹in crore)

Year	Opening Balance	Amount Collected as labour Cess by State Agencies	Amount Transferred by State Government to Board	Closing Balance
2015-16	29.63	13.71	0.00	43.34
2016-17	43.34	22.93	20.00	46.27
2017-18	46.27	20.68	0.00	66.95
2018-19	66.95	23.46	26.27	64.14
2019-20	64.14	25.98	0.00	90.12

Scrutiny of the Receipt and Payment Account of the APBOCW for 2019-20 showed that out of the total expenditure of ₹ 48.24 crore, an expenditure of ₹ 15.05 crore (31.20 *per cent* of the total expenditure) was incurred towards administrative expenses in contravention of Section 24 (3) which stipulates that the administrative expenditure should not be more than five *per cent*.

It was further observed that no meeting of the Board was held during the year although rules stipulate that at least one meeting shall be held in a period of six months.

4.13 Compliance with Indian Government Accounting Standards

Government Accounting Standards Advisory Board (GASAB) set up by the Comptroller and Auditor of India in 2002, has been formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. As of end of March 2019, three Indian Government Accounting Standards (IGAS) have been notified. The details of these standards and the extent of compliance with these by the Government of Arunachal Pradesh in the Finance Accounts for the year 2019-20 are given below:

IGAS	Essence of IGAS	Status	Impact of Non-Compliance
IGAS 1 Guarantees given by Government Disclosure required	This standard requires the government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked discharged and outstanding at the end of the year	Complied	--
IGAS 2 Accounting and Classification of Grants-in-aid	Grants–in-aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use	Complied	--
IGAS 3 Loans & Advances made by Government	This standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial statement to ensure complete, accurate and uniform accounting practices	Partly complied	Statement as per requirements of IGAS was partially complied with. Disclosure regarding write off of irrecoverable loans and advances, entity wise details of interest credited on loans and advances given by the State Government and details of overdue principal

IGAS	Essence of IGAS	Status	Impact of Non-Compliance
			and interest where detailed accounts are maintained by the State were not reported.

4.14 Non-submission of Accounts by Autonomous Bodies/ Authorities

The CAG has not received 224 annual accounts of 25 Autonomous Bodies/Authorities for audit as of 31 March 2020. Age-wise pendency of these is given below:

Chart 4.14: Age-wise arrears of Annual Accounts due from institutions

Sl. No.	Delay (in Years)	Number of Bodies/Authorities from whom Annual Accounts are awaited	Number of Outstanding Annual Accounts
1	0 – 1	00	00
2	1 – 3	03	07
3	3 – 5	04	20
4	5 – 7	01	06
5	7 – 9	03	25
6	9 above	14	166
Total		**25**	**224**

In the absence of annual accounts and their audit, proper utilisation of the grants and loans disbursed to those Bodies/Authorities and their accountal cannot be vouched. Audit took up the matter of non-submission of accounts of the defaulting Bodies with the authorities concerned from time to time, but without perceptible improvement.

4.15 Timeliness and Quality of Accounts

Finance and Appropriation Accounts of the Government of Arunachal Pradesh have been compiled based on the initial monthly accounts rendered by 27 District Treasuries/ Sub-treasuries, 206 Public Works and 48 Forest Divisions and advices of the Reserve Bank of India. The monthly Accounts were to be submitted to the Accountant General by the Treasuries and Divisions by 10^{th} of the following month. However, there were delays in rendition of monthly accounts ranging from one to 125 days by Treasuries, one to 140 days by Public Works Divisions and one to 144 days by Forest Divisions.

The State Government needs to expedite computerisation of treasuries in the State and ensure rendition of accounts by all the account rendering authorities to the Principal Accountant General on a timely basis, to manage its own budget more effectively.

In reply, State Government stated (January 2021) that due diligence would be exercised for further minimisation of rendition periods.

4.16 Suo-motu Action Taken Notes and discussion of SFAR by the PAC

In his Audit Reports on the Finances of the Government of Arunachal Pradesh, the Comptroller and Auditor General of India has been flagging year after year, issues of concern relating to various aspects of financial and budgetary management, areas of non-compliance with the prescribed procedures, rules and regulations, *etc*. by the State Government departments/ authorities. These Reports can achieve the desired results only when they evoke positive and adequate response from the Government/ administration itself. To ensure accountability of the Executive with regard to the issues contained in the Audit Reports, the Finance Department issued instructions (June 1996), for submission of *suo motu* explanatory notes indicating the action taken or proposed to be taken by the concerned administrative departments within three months from the date of presentation of the Audit Reports to the State Legislature.

Although all the Audit Reports on State Finances (nine) were placed before the State Legislature, *suo motu* explanatory notes on the observations (167 paragraphs) made in the Audit Reports have not been provided by any of the concerned departments.

The Public Accounts Committee (PAC) met in September 2019 and January 2020. It selected a total of 26 Grants in respect of 13 Departments pertaining to the period from 2008-09 to 2017-18 for discussion. The concerned Departments furnished their replies grant-wise to the Accountant General's Office and after vetting, these were forwarded (October 2019 and January 2020) to the PAC. Further action in this regard is awaited.

4.17 Conclusion

- Deputy Director of School Education, Longding parked Scheme funds of ₹ 0.57 crore outside the Government Account, in Savings Bank Account.
- 133 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 887.28 crore given to Departments of the State Government during the period up to March 2020 were not submitted to the Accountant General. Non submission of UCs is fraught with the risk of fraud and misappropriation of funds.
- During 2019-20, ₹ 2.61 crore was drawn through 84 Abstract Contingent (AC) Bills and ₹ 4.14 crore drawn through 53 AC Bills drawn prior to 2019-20 was also outstanding. Against this, 120 Detailed Countersigned Contingent (DC) Bills for ₹ 6.46 crore, were awaited for submission of as on 31 March 2020. Non-adjustment of advances for long period is fraught with the risk of misappropriation and booking of expenditure without supporting documents.
- The State Government classified ₹ 620.62 crore as Receipts under Minor Head 800–Other Receipts constituting 33.01 *per cent* of Tax and Non-Tax Receipts. Similarly, the State booked expenditure of ₹ 6036.88 crore under Minor Head 800–Other Expenditure constituting 37.94 *per cent* of total expenditure, during 2019-20. This rendered the Accounts opaque/ non-transparent.
- During the financial year 2019-20, there were delays in rendition of monthly accounts ranging from 01 to 125 days by the Treasuries, 01 to 140 days by the Public Works Divisions and 01 to 144 days by the Forest Divisions respectively.

4.18 Recommendations

- State Government may enforce compliance to Financial Rules by disbursing officers to ensure that funds are drawn from the treasury only for immediate disbursement.
- The Government may ensure timely submission of all Utilisation Certificates due and particularly those relating to Central Schemes so that they receive sanctioned funds from the GoI in a time bound manner.
- State Government may ensure timely submission of utilisation certificates by the recipients of grants and of DCC Bills within the prescribed timeline as required under the Rules.
- The Finance Department should, in consultation with the Principal Accountant General, conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate detailed /object heads of account.
- The State Government needs to expedite computerisation of treasuries in the State and ensure rendition of accounts by all the account rendering authorities to the Principal Accountant General on a timely basis, to manage the State Budget effectively.

CHAPTER V

FUNCTIONING OF STATE PUBLIC SECTOR ENTERPRISES

Chapter V FUNCTIONING OF STATE PUBLIC SECTOR ENTERPRISES

SUMMARY OF FINANCIAL PERFORMANCE OF STATE PUBLIC ENTERPRISES

5.1 Introduction

This Chapter presents the financial performance of 'Government Companies', 'Statutory Corporations' and 'Government Controlled Other Companies'. The term State Public Sector Enterprises (SPSEs) encompasses the State Government owned companies set up under the Companies Act, 2013 and Statutory Corporations setup under the statutes enacted by the Parliament and State legislature.

A Government Company is defined in Section 2(45) of the Companies Act, 2013 as a company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary of a Government Company.

Besides, any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government controlled other Companies.

5.2 Mandate

Audit of 'Government companies' and 'Government Controlled Other Companies' is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by the CAG.

5.3 Working and non-working SPSEs

As on 31 March 2020, there were seven SPSEs (six working and one non-working) under the audit jurisdiction of the CAG in Arunachal Pradesh as detailed in **Table 5.1**.

Table 5.1: Details of working and non-working SPSEs

Type of SPSEs	Working SPSEs	Non-working SPSEs[1]	Total
Government Companies	6	1	7
Total	**6**	**1**	**7**

[1] Non-working SPSEs are those which have ceased to carry on their operations

Table 5.2 provides the comparative details of working SPSEs turnover and State GSDP for a period of three years ending 2019-20.

Table 5.2: Contribution of SPSEs-turnover to GSDP

(₹in crore)

Particulars	2017-18	2018-19	2019-20
SPSEs-Turnover[2]	24.86	28.96	26.61
GSDP	*22,434.48*	*24,602.88*	*27,036.64*
Percentage of Turnover to GSDP	*0.11*	*0.12*	*0.10*

Source: As per latest finalised accounts of SPSEs.

As could be noticed from the table above, the contribution of the SPSEs to the GSDP of the state was negligible during the last three years (2017-18 to 2019-20). The contribution of SPSEs-turnover to GSDP over the past three years decreased by 0.01 *per cent* from 0.11 *per cent* (2017-18) to 0.10 *per cent* (2019-20). The major contributors to SPSEs-turnover during 2019-20 were Arunachal Pradesh Industrial Development and Financial Corporation Limited (₹ 10.24 crore) and Arunachal Pradesh Forest Corporation Limited (₹ 8.97 crore) ***(Appendix 5.1)***.

5.4 Investment in SPSEs

State Government's investment in SPSEs

The State's investment in the SPSEs was by way of Equity Share Capital and Long Term Loans. The figures in respect of Equity Capital and Loans provided by the State Government as per the records of the SPSEs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of differences in the figures, the SPSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard for last three years is given in **Table 5.3**.

Table 5.3: Equity and Loans outstanding[3] as per the State Finance Accounts *vis-à-vis* records of SPSEs for last three years

(₹in crore)

Year	Amount as per Finance Accounts			Amount as per records of SPSEs			Difference		
	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
Equity	9.00	9.00	9.00	19.39	19.49	19.49	**10.39**	**10.49**	**10.49**
Loans	36.25	36.25	36.25[4]	7.84	8.38	8.38	**28.41**	**27.87**	**27.87**

Source: As per State Finance Accounts and as per records of SPSEs

2 As per the latest finalised accounts of working SPSEs as on 30 September of respective year

3 Figures as per SPSEs' records are provisional and as provided by the SPSEs as none of the SPSEs had finalised their current accounts (2019-20)

4 Represents Loan provided to 'public sector and other undertakings' in four sectors namely, Agriculture & Allied (₹ 20.00 crore); Power (₹ 10.00 crore); Non-ferrous Mining (₹ 0.15 crore) and Industrial Financing (₹ 6.10 crore). SPSE-wise details of Loans not available in the State Finance Accounts

It can be noticed from the table above that, as on 31 March 2020, as per records of SPSEs, the Equity investment and Loan given by Government of Arunachal Pradesh (GoAP) increased from ₹ 27.23 crore in 2017-18 to ₹ 27.87 crore in 2019-20, an increase of 2.35 *per cent* (₹ 0.64 crore). However, there were differences in the figures of Equity (₹ 10.49 crore) and Loan (₹ 27.87 crore) as per two sets of records, which were pending reconciliation for more than 10 years.

Though the Principal Secretary, Finance Department, GoAP as well as the Management of the SPSEs concerned were appraised regularly about the differences impressing upon the need for early reconciliation, no significant progress was noticed in this regard.

The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in a time-bound manner. The Government should correct the system of financing the SPSEs and the Finance Accounts may be updated.

5.5 Budgetary Assistance to SPSEs

The State Government provides financial support to SPSEs in various forms through annual budgetary allocations. The summarised details of budgetary support towards Equity, Loans and Grants/ subsidies in respect of SPSEs during past three years are given in **Table 5.4**.

Table 5.4: Details regarding annual budgetary support to SPSEs

(₹in crore)

Particulars	2017-18		2018-19		2019-20	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity capital to end of the year	-	Nil	-	Nil	-	Nil
Loans given to end of the year	-	Nil	-	Nil	-	Nil
Grants/subsidy from budget	2	5.55	3	9.88	2	4.79
Total Outgo		**5.55**		**9.88**		**4.79**

Source: As per SPSEs records

It can be noticed from the table above that the budgetary support provided by State Government to SPSEs during 2019-20 was lowest in last three years. During the three years from 2017-18 to 2019-20, the State Government had not provided any budgetary support to SPSEs in the form of Equity or Loans. During 2019-20, the recipients of budgetary assistance in the form of Grants/subsidy were Arunachal Pradesh Forest Corporation Limited (₹ 2.60 crore) and Hydro Power Development Corporation of Arunachal Pradesh Limited (₹ 2.19 crore).

5.6 Returns from Government Companies and Corporations

Profit earned and Dividend paid by SPSEs

The position of aggregate profit earned and dividend paid by profit earning SPSEs during the past three years as per the latest finalised accounts as on 30 September of respective year is given in **Table 5.5**.

Table 5.5: Details of profits earned and dividend paid by working SPSEs

Year	2017-18	2018-19	2019-20
Number of profit earning working SPSEs	3	4	4
Aggregate profit earned *(₹in crore)*	10.28	8.18	6.07[5]
Dividend paid	-	-	-

As can be noticed from table above, during last three years, three to four working SPSEs earned profits ranging from ₹ 10.28 crore (2017-18) to ₹ 6.07 crore (2019-20). However, none of these SPSEs had declared any dividend during the past three years. There was no recorded information about the existence of any specific policy of the State Government regarding payment of minimum dividend by the SPSEs.

5.7 Long Term Debt of SPSEs

The position of outstanding Long Term Debts of the SPSEs during the last three years as per their latest finalised accounts is given in **Table 5.6**.

Table 5.6: Position of Outstanding loans of the SPSEs

(₹in crore)

Particulars	2017-18	2018-19	2019-20
Total Loans outstanding (State Government and Others)	31.33	31.50	31.50
Turnover	24.58	24.75	24.75
Interest on Total Loans[6]	0.76	0.76	0.76

It can be noticed from the table above that more than 78 *per cent* of SPSE borrowings during last three years, was outstanding against Loans borrowed from the State Government. Further, during 2019-20, major portion to the extent of ₹ 24.66 crore (including interest overdue: ₹ 17.35 crore) out of total outstanding (₹ 24.75 crore) against the State Government Loans, pertained to one SPSE (Arunachal Pradesh Industrial Development and Financial Corporation Limited). As on 31 March 2020, however, four out of seven SPSEs (all working) did not have any outstanding long term loans.

[5] Including negligible profits of ₹ 12,371.00 earned by Arunachal Pradesh Industrial Development and Financial Corporation Limited

[6] Interest figures as available in the latest finalised accounts of respective SPSEs

5.8 Operating Efficiency of SPSEs

Key parameters

Some of the key parameters of the operational efficiency of working SPSEs for last three years as per their latest finalised accounts as on 30 September of the respective year are given in **Table 5.7**.

Table 5.7: Key parameters of operational efficiency of working SPSEs

(*₹in crore*)

Year	No. of working SPSEs	Paid up capital	Overall accumulated profits (+)/ losses(-)	Overall net profits/ losses(-)	EBIT
2017-18	5	15.80	(+) 1.26	7.53	8.29
2018-19	6	16.79	(+) 7.60	6.56	7.32
2019-20	6	16.79	(+) 7.51	3.58	4.34

From the table above, it can be seen that, over the last three years the position of the Net overall losses and 'Earnings Before Interest and Tax' (EBIT) has declined.

5.9 Return on Capital Employed

Return on Capital Employed (ROCE) is a profitability metric that measures the long term profitability and efficiency of the total capital employed by a company. Companies create value when they generate returns on the capital employed in excess of the cost of capital. ROCE is an important metric for long term lenders. ROCE is calculated by dividing a company's EBIT by the Capital Employed.

During 2019-20, the overall capital employed in respect of six working SPSEs as per their latest finalised accounts was ₹ 54.34 crore. Further, out of six working SPSEs, only three SPSEs had positive ROCE ***Appendix 5.1***.

In comparison, however, the overall capital employed in respect of working SPSEs during the previous two years (2017-18 and 2018-19) was ₹ 46.93 crore and ₹ 54.43 crore respectively.

5.10 Return on Equity (ROE)

Return on equity[7] (ROE) is a measure of financial performance of companies calculated by dividing the 'net income earned' by the Equity. During 2019-20, four out of six working SPSEs earned profits of ₹ 6.07 crore as per their latest finalised accounts as on 30 September 2020 as detailed in ***Appendix 5.1***. The ROE of two profit making SPSEs[8]

[7] **Return on Equity** = (Net Profit after Tax and preference Dividend ÷ Equity) x 100, where **Equity** = Paid up Capital *plus* Free Reserves *minus* Accumulated Loss *minus* Deferred Revenue Expenditure

[8] Arunachal Pradesh Industrial Development and Financial Corporation Limited and Arunachal Pradesh Forest Corporation Limited

was not workable as the accumulated losses (₹ 25.00 crore) of these SPSEs had completely eroded their paid up capital (₹ 8.65 crore). The ROE of remaining two SPSEs, which earned profit was 5.98 *per cent* (Arunachal Police Housing and Welfare Corporation Limited) and 6.69 *per cent* (Hydro Power Development Corporation of Arunachal Pradesh Limited).

5.11 SPSEs incurring Losses

The position of aggregate losses incurred by loss making working SPSEs during the past three years as per their latest finalised accounts is given **Table 5.8**.

Table 5.8: Details of losses of working SPSEs

Year	2017-18	2018-19	2019-20
Total No. of working SPSEs	5	6	6
Number of loss making working SPSEs	2	2	2
Aggregate losses (*₹in crore*)	(-) 2.75	(-) 1.62	(-) 2.49

The details of the losses of working SPSEs incurred during 2019-20 are given in **Table 5.9**.

Table 5.9: Details of loss making working SPSEs during 2019-20

(₹in crore)

Sl. No.	Name of the Company	Latest finalised accounts	Net Loss
1	Arunachal Pradesh Donyi Polo Hotel Corporation Limited	2018-19	2.21
2.	Arunachal Pradesh Mineral Development and Trading Corporation Limited	1999-2000	0.28
	Total		**2.49**

5.12 SPSEs having complete erosion of capital

The paid-up capital and accumulated profits of six working SPSEs as per their latest finalised accounts as on 30 September 2019 were ₹ 16.79 crore and ₹ 7.51 crore respectively. Analysis of investment and accumulated losses of these SPSEs revealed that the accumulated losses of three working SPSEs (₹ 27.29 crore) had completely eroded their paid up capital (₹ 9.64 crore) as detailed in **Table 5.10**.

Table 5.10: Erosion of Capital of working SPSEs

(₹in crore)

Sl. No.	Company/ Corporation	Latest finalised Accounts	Paid up capital	Accumulated losses
1	Arunachal Pradesh Industrial Development and Financial Corporation Limited	2017-18	4.15	20.42
2	Arunachal Pradesh Forest Corporation Limited	2005-06	4.50	4.58
3	Arunachal Pradesh Donyi Polo Hotel Corporation Limited	2018-19	0.99	2.29
	Total		**9.64**	**27.29**

Accumulation of huge losses by these SPSEs had eroded public wealth, which is a cause of serious concern and the State Government needs to review the working of these SPSEs to either improve their profitability or close their operations.

OVERSIGHT ROLE OF COMPTROLLER &AUDITOR GENERAL OF INDIA

5.13 Audit of State Public Sector Enterprises (SPSEs)

Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and supplement or comment upon the Audit Report of the statutory auditor. Statutes governing some corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

5.14 Appointment of Statutory Auditors of SPSEs by CAG

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. The statutory auditors of these SPSEs are appointed by the CAG.

5.15 Submission of Accounts by SPSEs

Need for timely submission

According to Section 394 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG.. This mechanism provides the necessary Legislative control over the utilisation of public funds invested in the companies from the State budget.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite above, annual accounts of various SPSEs were pending as on 30 September 2020, as discussed below.

5.16 Timeliness in preparation of Accounts by SPSEs

The details relating to finalisation of accounts by six working SPSEs during the last three years as of 30 September of respective year are given in **Table 5.11**.

Table 5.11: Position relating to finalisation of accounts of working SPSUs

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
1	Number of Working SPSUs/ other companies	5	5	5	6	6
2	Number of accounts finalised during the year	1	3	2	2	2
3	Number of accounts in arrears	33	35	38	42	46
4	Number of Working SPSUs with arrears in accounts	5	5	5	6	6
5	Extent of arrears (numbers in years)	1 to 16	1 to 17	1 to 18	1 to 19	1 to 20

As can be observed from the above table, the number of accounts in arrears has shown an increasing trend during the five-year period 2015-16 to 2019-20. Out of the total 46 accounts in arrears as on 31 March 2020, 34 Accounts pertained to two PSUs *viz*., Arunachal Pradesh Mineral Development and Trading Corporation Limited (20 Accounts) and Arunachal Pradesh Forest Corporation Limited (14 Accounts). The earliest Accounts in arrears was since 2000-01, which related to Arunachal Pradesh Mineral Development and Trading Corporation Limited.

The Administrative Departments concerned have the responsibility to oversee the activities of these entities and to ensure that the accounts of SPSEs under their control are finalised and adopted by the SPSEs within the stipulated period.

The Principal Accountant General Arunachal Pradesh (PAG) has been regularly pursuing this issue with the Chief Secretary, Government of Arunachal Pradesh and the Administrative Departments concerned for liquidating the arrears in accounts of PSUs. However, the State Government and the PSUs concerned could not address the issue to clear pendency of accounts of the PSUs in a time bound manner

5.17 CAG's oversight - Audit of Accounts and Supplementary Audit

Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

5.18 Audit of Accounts of Government Companies by Statutory Auditors

The statutory auditors appointed by the CAG under Section 139 of the Companies Act 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of the public sector enterprises with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively.
This function is discharged by exercising the power:

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013 and
- to supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

5.19 Supplementary Audit of Accounts of Government Companies

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the Management of an entity.

The statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the Annual General Meeting.

5.20 Result of CAG's oversight role

During 2019-20, two working companies had forwarded two audited accounts to the Principal Accountant General, Arunachal Pradesh. None of the two audited accounts were selected for supplementary audit during the year and hence Non-Review Certificates (NRC) were issued against both the accounts of two companies.

5.21 Conclusion

- As on 31 March 2020, the State of Arunachal Pradesh had total seven SPSEs (all Government companies), which included one non-working SPSE. As on 31 March 2020, there were differences in the figures of State's investment in Equity (₹ 10.49 crore) and Loan (₹ 27.87 crore) of SPSEs as per State Finance Accounts *vis-à-vis* records of SPSEs.
- During 2019-20 the State Government has provided budgetary support of ₹ 4.79 crore to two SPSEs in the form of Grants/subsidy. The recipients of the budgetary assistance were Arunachal Pradesh Forest Corporation Limited (₹ 2.60 crore) and Hydro Power Development Corporation of Arunachal Pradesh Limited (₹ 2.19 crore). The State Government did not provide equity or loan assistance to any SPSE during 2017-20.
- During 2019-20, out of six working SPSEs, four SPSEs earned profits (₹ 6.07 crore) as per their latest finalised accounts. Further, the accumulated losses (₹ 27.29 crore) of three working SPSEs had completely eroded their paid-up capital (₹ 9.64 crore).
- As on 30 September 2020, all six working SPSEs had a total arrear of total 46 Accounts ranging from one to 20 Accounts. The highest pendency of accounts pertained to Arunachal Pradesh Mineral Development and Trading Corporation Limited (20 Accounts) and Arunachal Pradesh Forest Corporation Limited (14 Accounts).

5.22 Recommendations

- The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in the investment figures (Equity and Long term Loans) of the State Government as appearing in the State Finance Accounts *vis-à-vis* SPSE records in a time-bound manner.
- Accumulation of huge losses by three out of six working SPSEs had eroded public wealth, which is a cause of concern and the State Government needs to review the working of these SPSEs to either improve their profitability or close their operations.
- The Administrative Departments overseeing the SPSEs having backlog of Accounts need to ensure that these SPSEs finalise and adopt their Accounts within the stipulated period, failing which financial support to them be reviewed.

Itanagar
The: 14 August 2021

(CHERRING ANGRUP BODH)
Principal Accountant General (Audit),
Arunachal Pradesh

Countersigned

New Delhi
The: 23 August 2021

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

APPENDICES

APPENDIX 1.1

Part – A

Layout of Finance Accounts

Layout of Finance Accounts

The Finance Accounts (Revised format introduced from 2015-16) have been divided into two Volumes – I and II. Volume I represents financial statements of the Government in summarised form, while Volume II represents detailed financial statements along with the Appendices. The layout of the Finance Accounts is chalked out in the following manner:

Layout	
VOLUME - I	
Statement No. 1	Statement of Financial Position
Statement No. 2	Statement of Receipts and Disbursements
Statement No. 3	Statement of Receipts (Consolidated Fund)
Statement No. 4	Statement of Expenditure (Consolidated Fund)
Statement No. 5	Statement of Progressive Capital Expenditure
Statement No. 6	Statement of Borrowings and other Liabilities
Statement No. 7	Statement of Loans & Advances given by the Government
Statement No. 8	Statement of Investment of the Government
Statement No. 9	Statement of Guarantees given by the Government
Statement No. 10	Statement of Grants-in-aid given by the Government
Statement No. 11	Statement of Voted and Charged Expenditure
Statement No. 12	Statement of Sources and Application of Funds for expenditure other than revenue account
Statement No. 13	Summary of Balances under Consolidated Fund, Contingency Fund and Public Account
Notes to Accounts	
VOLUME - II (Part- I Detailed Statements)	
Statement No. 14	Detailed Statement of Revenue and Capital Receipts by Minor Head
Statement No. 15	Detailed Statement of Revenue Expenditure by Minor Heads
Statement No. 16	Detailed Statement of Capital Expenditure by Minor Heads & Sub-Heads
Statement No. 17	Detailed Statement of Borrowings and Other Liabilities
Statement No. 18	Detailed Statement of Loans & Advances given by the Government
Statement No. 19	Detailed Statement of Investment of the Government
Statement No. 20	Detailed Statement of Guarantees given by the Government
Statement No. 21	Detailed Statement on Contingency Fund and other Public Accounts Transactions
Statement No. 22	Detailed Statement on Investment of Earmarked Funds
VOLUME-II (Part- II Appendices)	
I	Comparative Expenditure on Salary by Major Heads
II	Comparative Expenditure on Subsidy
III	Grants-in-aid given by the State Government (Scheme-wise and Institution-wise)
IV	Detailed of Externally Aided Projects
V	Plan Scheme Expenditure A. Central Schemes (Centrally Sponsored Schemes Central Plan Schemes) B. State Plan Schemes

Layout	
VI	Direct Transfer of Central Scheme funds to Implementing Agencies in the State
VII	Acceptance and Reconciliation of Balances in respect of closing balances shown in Statement No. 18 and 21
VIII	I. Financial Results of Irrigation Schemes II. Financial Results of Electricity Schemes
IX	Commitments of the Government-List of Incomplete Capital Works
X	Maintenance Expenditure with segregation of Salary and Non-salary portion
XI	Implications of Major policy Decisions of the Government during the year or New schemes proposed in the Budget for future cash flow
XII	Committed Liabilities of the Government
XIII	Re-organisation of the State-items for which allocation of balances between/among the State has not been finalised

Part – B

Methodology adopted for the Assessment of Fiscal Position

Norms/ceilings prescribed by the 12th Finance Commission for selected fiscal variables along with its projections for a set of fiscal aggregates and commitments/projections made by State Governments in their Fiscal Responsibility Acts and other statements required to be laid in the Legislature under the Act are used to make a qualitative assessment of trends and patterns of major fiscal aggregates. Assuming that Gross State Domestic Product[1] (GSDP) is a good indicator of the performance of a State's economy, major fiscal aggregates like Tax and Non-Tax Revenue, Revenue and Capital Expenditure, Internal Debt and Revenue and Fiscal Deficits have been presented as percentages to the GSDP at current market prices. The buoyancy co-efficient for relevant fiscal variables with reference to the base represented by GSDP have also been worked out to assess as to whether mobilisation of resources, pattern of expenditure, *etc.* are keeping pace with changes in the base or if these fiscal aggregates are also affected by factors other than GSDP. The New GSDP series at current prices (Base Year 2011-12) as furnished by the Directorate of Economics & Statistics of the State Government, have been used in estimating these percentages and buoyancy ratios.

Definitions of some selected terms used in assessing trends and patterns of fiscal aggregates are given below:

List of terms used in Chapter - I & II and basis for their calculation

Terms	Basis of Calculation
Buoyancy of a Parameter (X) with respect to another Parameter (Y)	Rate of Growth of parameter (X)/Rate of Growth of parameter (Y)
Rate of Growth (ROG)	[(Current year Amount/Previous year Amount) -1]* 100
Development Expenditure	Social Services + Economic Services
Average Interest paid by the State	Interest Payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100
Interest Spread	GSDP Growth – Average Interest Rate
Quantum Spread	Debt Stock *Interest Spread
Interest received as *per cent* to Loans Outstanding	Interest Received [(Opening Balance + Closing Balance of Loans & Advances)/2]*100
Revenue Deficit/Surplus	Revenue Receipts – Revenue Expenditure
Fiscal Deficit/Surplus	Revenue Expenditure + Capital Expenditure + Net Loans & Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Compound Annual Growth Rate (CAGR)	Compound Annual Growth Rate (CAGR) is calculated by taking the $\boldsymbol{n}^{th}$ root of the total percentage growth rate, where $\boldsymbol{n}$ is the number of years in the period being considered. CAGR = ((Ending Value/Beginning Value)^$^{(1/\text{period})}$) – 1

[1] GSDP is defined as the total income of the State or the Market Value of goods and services produced using labour and all other factors of production

Terms	Basis of Calculation
Core Public Goods and Merit Goods	**Core Public Goods** are goods which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtraction from any other individual's consumption of that good, *e.g.* enforcement of law & order, security and protection of rights; pollution free air and other environmental goods, road infrastructure, *etc*. **Merit Goods** are commodities that the Public Sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the Government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidised food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water, sanitation, *etc*.

APPENDIX 1.1

Part – C
State Profile

(*Reference: Paragraph 1.1*)

A. General Data		
Sl. No.	**Particulars**	**Figures**
1	Area	83,743 sq. km.
2	Population - 2010-11 (as per 2011 Census)	
	Male	7,13,912
	Female	6,69,815
	Total	13,83,727
3	Density of Population (as per 2011 Census) (All India Average = 382 persons per sq. km.)	17 persons per sq. km.
4	Population Below Poverty Line (All India Average = 29.5 %)	17.6 %
5	Population Growth (2001 to 2011)	25.92 %
6	Literacy (as per 2011 Census) (All India Average = 73 %)	65.38 %
7	Infant Mortality (per 1000 live births) (All India Average = 33 per 1000 live births)	42
8	Gross State Domestic Product (GSDP)	27,036.64 crore
9	GSDP[2] CAGR (2010-11 to 2019-20)	14.12

B. Financial Data					
Particulars		**CAGR 2010-11 to 2018-19**		**Growth 2018-19 to 2019-20**	
		Special Category States	**Arunachal Pradesh**	**Special Category States**	**Arunachal Pradesh**
(a)	Revenue Receipts	12.26	14.66	(-)9.88	(-) 8.07
(b)	Own Tax Revenue	13.29	22.19	(-)8.10	15.05
(c)	Non-Tax Revenue	13.92	1.75	(-)19.72	6.98
(d)	Total Expenditure	12.56	16.38	(-)6.05	(-)12.37
(e)	Capital Expenditure	11.41	16.84	(-)15.60	(-) 35.52
(f)	Revenue Expenditure on General Education	12.75	18.88	(-)8.16	0.73
(g)	Revenue Expenditure on Health & Family Welfare	15.50	22.65	(-)4.96	(-)10.98
(h)	Salaries	12.05	13.49	(-)7.07	12.46
(i)	Pension	16.56	19.01	3.05	(-) 1.35

Source: Serial No. 7: SRS Bulletin May 2019 – Estimated Infant Mortality Rate, 2017

[2] Based on the data furnished by the Directorate of Economics and Statistics, Government of Arunachal Pradesh

APPENDIX 1.2

Fiscal Responsibility and Budget Management Act, 2006

(***Reference: Paragraph 1.11***)

Fiscal Responsibility and Budget Management Act

The State Government enacted the Arunachal Pradesh Fiscal Responsibility & Budget Management (APFRBM) Act, 2006 to

(i) ensure fiscal prudence, stability and efficiency,

(ii) achieve fiscal consolidation for facilitating the generation of Revenue Surplus for enhancing the scope for improvement of investment in the Social and Economic Sectors/Infrastructure,

(iii) ensure Fiscal and Debt Sustainability through progressive reduction of Fiscal Deficit and proper Debt Management System and

(iv) provide a more transparent and accountable system of budgeting that would ensure an efficient and effective system of governance.

The APFRBM Act, 2006, came into effect on 30 March 2006, and the Fiscal Responsibility & Budget Management (FRBM) Rules, 2007, came into force with effect from 12 February 2007. The Rules set the following fiscal targets for the State Government;

- Maintain at least the level of Revenue Surplus in the Base Year (average of 2001-02 to 2003-04) in subsequent years, beginning with Financial Year 2005-06 and ending with 2008-09, and adhere to it thereafter.
- Reduce every year the fiscal deficit by a minimum of 0.03 *per cent* of the GSDP by the end of each financial year, beginning with Financial Year 2005-06, so as to reduce the same to three *per cent* or below by 2009-10 and adhere to it thereafter.

During 2018-19, the Government of Arunachal Pradesh had amended Fiscal Responsibility and Budget Management Act with the following revised targets:

a) To maintain level of revenue surplus for the period from 01 April 2015 to 31 March 2020.

b) To maintain revenue surplus as percentage of GSDP in a consistent manner for the period from 01 April 2015 to 31 March 2020.

c) To reduce fiscal deficit to not more than three *per cent* of the estimated GSDP for the years 2015-16 to 2019-20.

d) To maintain debt-GSDP ratio less than or equal to 25 *per cent* in the preceding year to avail additional borrowing of 0.25 *per cent* of GSDP.

e) To maintain interest payments-Revenue Receipts ratio less than or equal to 10 *per cent* in the preceding year to avail additional borrowing of 0.25 *per cent* of GSDP in a given year for which borrowing limits are to be fixed.

❖ Fiscal Policy Statements

As prescribed in the Act, the State incorporated the following statements in the Budget for the year 2019-20.

- Macro-Economic Framework Statement, giving an overview of the State economy.
- Medium Term Fiscal Plan (MTFP) Statement, prescribing fiscal targets and assumptions for achieving them. As per the MTFP Statement of March 2018, the rolling targets for fiscal indicators for 2019-20 were as under:

Revenue Surplus as percentage of GSDP-	*26*.57
Fiscal Deficit as percentage of GSDP-	1.86
Total outstanding liabilities at the end of the year ***(₹in crore)***	7171.82
Liabilities as percentage of GSDP for the year-	25.57

- Fiscal Plan Strategy Statement of the State for the ensuing year relating to Taxation, Expenditure, Borrowings, Lending, Investments, *etc.*

APPENDIX 2.1

Abstract of Receipts and Disbursements for 2019-20

(*Reference: Paragraph 2.4*)

(₹in crore)

Receipts			Disbursements		
2018-19		**2019-20**	**2018-19**		**2019-20**
Section – A: Revenue					
	I - Revenue Receipts			**I - Revenue Expenditure**	
1,068.04	Own Tax Revenue	1,228.73	**3,823.32**	**General Services**	**3,831.05**
608.87	Non-tax Revenue	651.38	**4,472.42**	**Social Services**	**4,256.22**
10,436.14	State Share of Union Taxes	8,987.57	1,813.55	Education, Sports, Arts & Culture	1,846.89
3,056.16	Grants for CSSs	3,193.17	1,060.85	Health& Family Welfare	944.32
124.57	Finance Commission Grants	380.98	998.39	Water Supply, Sanitation, Housing & Urban Development	901.57
902.18	Other Grants To State With Legislature	446.72	38.42	Information & Broadcasting	32.38
			33.32	Labour & Welfare	39.57
			505.67	Social Welfare & Nutrition	469.90
			22.22	Others	21.59
			4,133.74	**Economic Services**	**4,131.46**
			800.35	Agriculture & Allied Activities	1,146.84
			618.22	Rural Development	440.73
			5.74	Special Areas Programme	4.29
			203.97	Irrigation & Flood Control	211.93
			971.12	Energy	917.74
			97.40	Industries & Minerals	102.58
			1,148.88	Transport	1,007.41
			47.24	Communications	33.00
			73.50	Science, Technology and Environment	85.44
			167.32	General Economic Services	181.49
16,195.96	**Total Receipts**	**14,888.55**	**12,429.48**	**Total Disbursements**	**12,218.73**
	II - Revenue Deficit carried over to Section - B		**3,766.48**	**II - Revenue Surplus carried over to Section - B**	**2,669.82**
Section – B					
2,243.00	**III - Opening Cash Balance, including Permanent Advances and Cash Balance Investment**	**2,607.49**	**-**	**III - Opening Overdraft from RBI**	
Rectification of error during 2009-10		**1,943.48**			
-	**IV - Miscellaneous Capital Receipts**	**-**	**5,727.43**	**IV - Capital Outlay**	**3,693.05**
			1,062.03	**General Services**	**657.91**
			1,227.31	**Social Services**	**724.97**
			205.05	Education, Sports, Arts& Culture	107.52
			56.76	Health & Family Welfare	59.08
			810.46	Water Supply, Sanitation, Housing & Urban Development	394.50
			147.62	Social Welfare & Nutrition	158.43
			7.31	Information & Broadcasting	4.29
			0.11	Others	1.15

Receipts				Disbursements			
2018-19			2019-20	2018-19			2019-20
				3,438.09	**Economic Services**		**2,310.17**
				31.84	Agriculture and Allied Activities		21.28
				34.58	Rural Development Programme		7.74
				128.97	Special Areas Programme		110.28
				164.73	Irrigation & Flood Control		133.72
				340.36	Energy		173.36
				3.49	Industry & Minerals		11.84
				2,629.70	Transport		1,848.16
				0.00	Science, Technology and Environment		0.00
				104.42	General Economic Services		3.79
5.08	**V - Recoveries of Loans & Advances**		**7.03**	**20.16**	**V - Loans & Advances Disbursed**		**16.02**
-	Power Projects	-		-	Power Projects		
2.97	Govt. Servants	3.12		5.14	Govt. Servants	2.74	
2.11	Others	3.91		15.02	Others	13.28	
3,766.48	**VI - Revenue Surplus brought down**		**2,669.82**	**-**	**VI - Revenue Deficit brought down**		**-**
1,204.97	**VII - Public Debt Receipts**		**1,790.70**	**279.76**	**VII - Repayment of Public Debt**		**353.60**
1,204.97	Internal Debt other than WMAs and Overdraft	1,790.70		253.40	Internal Debt other than Ways & Means Advances and Overdraft	327.32	
-	Net transactions under WMAs, incl. Overdraft	-		-	Net transactions under Ways & Means Advances incl. Overdraft	-	
-	Loans and Advances from Central Govt.	-		26.36	Repayment of Loans & Advances to Central Govt.	26.28	
7,411.96	**VIII-Public Account Receipts**		**3,434.93**	**5,996.65**	**VIII - Public Account Disbursements**		**5,376.96**
493.11	Small Savings & Provident Funds	563.00		267.21	Small Savings & Provident Funds	287.86	
316.71	Reserve funds	1,906.18		9.39	Reserve Funds	0.01	
(-)64.61	Suspense Miscellaneous	(-) 2,700.59		112.01	Suspense & Miscellaneous	(-) 21.62	
6,082.17	Remittances	3,313.06		4,947.52	Remittances	4,680.11	
584.58	Deposits & Advances	353.28		660.52	Deposits & Advances	430.51	
	XI-Earmarked Funds			**2,607.49**	**XI - Closing Cash Balance**		**3,013.82**
				392.00	Cash in Treasuries and Local Remittances	--	
				(-) 316.60	Deposits with Reserve Bank and other Banks	256.96	
				4.88	Departmental Cash Balance incl. Permanent Advances	(-) 4.92	

Receipts				Disbursements			
2018-19			**2019-20**	**2018-19**			**2019-20**
				2,527.21	Cash Balance Investment and Investment of Earmarked Funds	2761.78	
14,631.49	**Total**		**12,453.45**	**14,631.49**	**Total**		**12,453.45**

(Source: Finance Accounts of respective years)

APPENDIX 2.2

Time Series Data on State Government Finances

(*Reference: Paragraph 2.5.2.1*)

(₹in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
PART - A *(RECEIPTS)*					
1. Revenue Receipts	**10,553.10**	**11,779.57**	**13,774.60**	**16,195.96**	**14,888.55**
(a) Own Tax Revenue	535.07(5)	708.75(6)	815.57 (6)	1,068.04(7)	1,228.73(8)
Goods and Service Tax	-	-	223.73 (27)	601.00(56)	801.55(65)
Taxes on Sales, Trade, *etc.*	190.22(35)	282.54(40)	285.13 (35)	268.74(25)	219.82(18)
State Excise	86.33(16)	109.05(15)	122.61 (15)	136.73(13)	144.97(12)
Taxes on Vehicles	19.30(4)	24.47(3)	31.40 (4)	32.43(3)	38.12(3)
Stamp and Registration Fees	5.63(1)	5.08(1)	10.42 (1)	9.16(1)	8.14(1)
Land Revenue	8.89(2)	6.44(1)	13.32 (2)	14.58(1)	15.97(1)
Taxes on Goods and Passengers	224.70(42)	281.17(40)	128.96 (16)	5.40(1)	0.16 (0)
(b) Non-Tax Revenue	392.12(4)	544.82(5)	366.18 (3)	608.87(4)	651.38(4)
(c) State Share in Union Taxes & Duties	7,075.58(67)	8,388.30(71)	9,238.79 (67)	10,436.14(64)	8,987.57(61)
(d) Grants-in-aid from GoI	2,550.33(24)	2,137.70(18)	3,354.06 (24)	4,082.91(25)	4,020.87(27)
2. Miscellaneous Capital Receipts	**-**	**-**	**-**	**-**	**-**
3. Recoveries of Loans & Advances	**5.48**	**3.79**	**5.68**	**5.08**	**7.03**
4. Total Revenue and Non-Debt Capital Receipts (1+2+3)	**10,558.58**	**11,783.36**	**13,780.28**	**16,201.04**	**14,895.58**
5. Public Debt Receipts	**621.10**	**1,015.27**	**1,767.27**	**1,204.97**	**1,790.70**
Internal Debt (excluding Ways & Means Advances and Overdrafts)	287.92	761.33	1,250.33	1,204.97	1,790.70
Net Transactions under Ways & Means Advances & Overdrafts	333.18	253.94	516.94*	-	-
Loans &Advances from GoI	-	-	-	-	-
6. Total receipts in the Consolidated Fund (4+5)	**11,179.69**	**12,798.64**	**15,547.55**	**17,406.01**	**16,686.28**
7. Contingency Fund Receipts	-	-	-		-
8. Public Accounts Receipts	6,038.90	6,369.65	5,435.37	7,411.96	3434.93
9. Total Receipts of Government (6+7+8)	**17,218.58**	**19,168.28**	**20,982.92**	**24,817.98**	**20,121.21**
PART - B *(EXPENDITURE/DISBURSEMENTS)*					
10. Revenue Expenditure	**8,362.74**	**9,394.54**	**10,900.47**	**12,429.48**	**12,218.73**
Plan	*2,703.34(32)*	*2,756.14(29)*	*10,900.47*	*12,429.48*	*12,218.73*
Non-Plan	*5,659.40(68)*	*6,638.40(71)*			
General Services (incl. Interest Payments)	2,518.09(30)	2,767.76(29)	3,484.76 (32)	3,823.32(31)	3,831.05
Social Services	2,556.67(31)	3,046.47(33)	3,950.83 (36)	4,472.42(36)	4,256.22
Economic Services	3,287.98(39)	3,580.31(38)	3,464.88 (32)	4,133.74(33)	4,131.46
11. Capital Expenditure	**1,993.25**	**1,544.01**	**3,188.10**	**5,727.43**	**3,693.05**
Plan	*1,983.63(100)*	*1,543.39(100)*	*3,188.10*	*5,727.43*	*3,693.05*
Non-Plan	*9.62(-)*	*0.62 (-)*			
General Services	345.58(17)	113.08	544.92(17)	1,062.03(19)	657.91
Social Services	422.26(21)	579.91	854.80 (27)	1,227.31(21)	724.97
Economic Services	1,225.41(62)	851.02	1,788.38 (56)	3,438.09(60)	2,310.17
12. Disbursement of Loans & Advances	**12.98**	**10.33**	**5.07**	**20.16**	**16.02**
13. Total of Revenue Expenditure, Capital Expenditure and Disbursement of Loans & Advances (10+11+12)	**10,368.97**	**10,948.88**	**14,093.64**	**18,177.07**	**15,927.80**

	2015-16	2016-17	2017-18	2018-19	2019-20
14. Repayments of Public Debt	**1,286.44**	**586.77**	**432.24**	**279.76**	**353.60**
Internal Debt (including Ways & Means Advances and Overdrafts)	1,259.95	560.31	405.81	253.40	327.32
Loans &Advances from GoI	26.49	26.46	26.43	26.36	26.28
15. Appropriation to Contingency Fund	**-NIL**	**-NIL**	**-NIL**	**-NIL**	**-**
16. Total Disbursement out of Consolidated Fund (13+14+15)	**11,655.41**	**11,535.65**	**14,525.88**	**18,456.83**	**16,281.40**
17. Contingency Fund Disbursements	-	-	-	-	-
18. Public Account Disbursements	5,360.99	7,560.96	5,561.32	5,996.65	5,376.96
19. Total Disbursements by the State (16+17+18)	**17,016.40**	**19,096.61**	**20,087.20**	**24,453.48**	**21,658.36**
PART - C *(DEFICIT/SURPLUS)*					
20.Revenue Deficit (-)/ Surplus (+) {1-10}	**(+)2,190.36**	**(+)2,385.03**	**(+) 2,874.13**	**(+) 3,766.48**	**(+)2,669.82**
21. Fiscal Deficit (-)/ Surplus (+) {4-13}	**(+)189.61**	**(+) 834.48**	**(-) 313.36**	**(-) 1,976.03**	**(-)1,032.22**
22. Primary Deficit (-)/ Surplus (+) {21+23}	**(+)605.25**	**(+)1,233.71**	**(+) 154.00**	**(-) 1,449.93**	**(-)417.69**
PART - D *(OTHER DATA)*					
23. Interest Payments (incl. in Revenue Expenditure)	415.64	399.23	467.36	526.10	614.53
24. Financial Assistance to Local Bodies, *etc.,*	26.03	37.67	37.37	54.63	238.21
25. Ways & Means Advances/Overdraft availed (days)	2	12	-	-	-
26. Interest on Ways & Means Advances/ Overdraft	-	-	-	-	-
27. Gross State Domestic Product (GSDP)[3]	18,509.16	19,845.44	22,432.48	24,602.88	27,036.64
28. Outstanding Fiscal liabilities (year-end)	5,895.15	5,625.09	7,208.50	8,588.42	12,131.46
29. Outstanding guarantees (year-end)	0.97	0.97	0.97	0.97	0.97
30. Maximum Amount Guaranteed (year-end)	2.00	2.00	2.00	2.00	2.00
31. Number of incomplete projects	156	156	123	135	101
32. Capital blocked in incomplete projects					
PART - E *(FISCAL HEALTH INDICATORS) {Per cent}*					
I - Resource Mobilisation					
33.Own Tax Revenue/GSDP	2.89	3.57	3.64	4.34	4.54
34.Own Non-Tax Revenue/GSDP	2.12	2.75	1.63	2.47	2.41
35.Central Transfers /GSDP	52.01	53.04	56.14	59.01	48.11
II - Expenditure Management					
36.Total Expenditure[4]/GSDP	56.02	55.17	62.83	73.88	58.91
37.Total Expenditure/Revenue Receipts	98.26	92.95	102.32	112.23	106.98
38.Revenue Expenditure/Total Expenditure	80.65	85.80	77.34	68.38	76.71
39.Expenditure on Social Services/Total Expenditure	28.73	33.12	34.10	31.36	31.27
40.Expenditure on Economic Services/Total Expenditure	43.53	40.47	37.29	41.74	40.54
41.Capital Expenditure/Total Expenditure	19.22	14.10	22.62	31.51	23.19

[3] GSDP figures furnished by the Directorate of Economics & Statistics, Government of Arunachal Pradesh
[4] Revenue Expenditure, Capital Expenditure and Disbursement of Loans & Advances

	2015-16	2016-17	2017-18	2018-19	2019-20
42.Capital Expenditure on Social and Economic Services/Total Expenditure	15.89	13.07	18.75	25.67	19.06
III - Management of Fiscal Imbalances					
43.Revenue Surplus/GSDP	11.83	12.02	12.81	15.31	9.87
44.Fiscal Deficit (-) or Surplus (+)/GSDP	1.02	4.20	(-) 1.40	(-) 8.03	(-) 3.82
45.Primary Deficit (-) or Surplus (+)/GSDP	3.27	6.22	0.69	(-) 5.89	(-) 1.54
46.Revenue Surplus/Fiscal Surplus	1,155.19	285.81	(-) 917.20	(-)190.61	(-)258.65
IV - Management of Fiscal Liabilities					
47.Fiscal Liabilities/GSDP	31.85	28.34	32.13	34.91	44.87
48.Fiscal Liabilities/RR	55.86	47.75	52.33	53.03	81.48
49.Primary Deficit *vis-à-vis* Quantum Spread	1,699.78	369.01	1,181.15	490.94	(-)1,197.84
50.Debt Redemption (Principal + Interest)/Total Debt Receipts	79.04	120.65	130.11	61.63	66.23
V - Other Fiscal Health Indicators					
51.Balance from Current Revenue (₹ in crore)	(-)1,263.61	2,517.93	3,382.16	-	-
52.Financial Assets/Liabilities (ratio)	1.12	1.13	1.12	1.13	

Note: Figures in brackets represent percentages to total of each Sub-heading.
(Source: Finance Accounts of respective years)

**** This was due to rectification of misclassification occurred in 2014-15, the actual ways and means advance is nil during the year.***

APPENDIX 3.1

Cases where Supplementary Provision was required

(*Reference: Paragraph 3.5.2*)

(*₹in crore*)

Sl. No.	Grant No and Name	Section	Original Budget	Expenditure	supplementary required
1	1- Legislative Assembly	Revenue-voted	98.86	101.06	2.20
2	9-Motor Garages	Revenue-voted	15.60	16.40	0.80
3	11 -Social Welfare	Revenue-voted	245.58	251.37	5.79
4	12-Social Security and Welfare	Revenue-voted	5.15	6.20	1.05
5	18 -Research	Capital -voted	0.36	1.19	0.83
6	22-Food and Civil Supplies	Revenue-voted	269.07	289.19	20.12
7	28-Animal Husbandry and Veterinary	capital -voted	1.00	1.56	0.56
8	29-Cooperation	Revenue-voted	14.81	15.68	0.87
		Capital -voted	1.5	13.59	12.09
9	32-Roads and Bridges	Revenue-voted	719.98	785.1	65.12
		Capital -voted	766.21	825.58	59.37
10	38-Water Resources Department	Revenue-voted	176.85	211.93	35.08
		Capital -voted	86.6	133.72	47.12
11	40-Housing	Revenue-voted	47.5	52.48	4.98
12	47-Adminstration of Justice	Revenue-voted	19.72	20.45	0.73
13	49-Science and Technology	Revenue-voted	21.62	21.69	0.07
14	50-Secreteriat Economic Service	Revenue-voted	31.5	45.99	14.49
15	52-Sports and Youth Services	Revenue-voted	13.93	14.07	0.14
16	53-Fire Protection and Control	Revenue-voted	22.37	22.6	0.23
17	57-Urban Development	Capital -voted	80	115.21	35.21
18	62-Directorate of Transport	Capital -voted	0.00	0.42	0.42
19	63-Protocol Department	Revenue-voted	2.26	2.61	0.35
20	64-Trade and Commerce	Revenue-voted	3.85	3.98	0.13
21	68-Town Planning	Capital -voted	10.26	13.72	3.46
22	71-Department of Tawang and West Kameng	Capital -voted	10.25	16.83	6.58
23	73-Information Technology	Revenue-voted	26.69	60.97	34.28
24	74-Social Justice Empowerment and Tribal Affairs	Revenue-voted	126.69	129.97	3.28
		Capital -voted	62.27	155.43	93.16
25	75-Higher and Technical education	Capital -voted	34.83	41	6.17
26	76-Elementry Education	Revenue-voted	1046.8	1212.19	165.39
		Capital -voted	3.50	14.20	10.70
27	77-Guwahati High Court Itanagar bench	Revenue-charged	5.81	8.01	2.20
28	80-Director of Medical Education	Capital -voted	3.75	7.72	3.97
29	81-Director of Family Welfare	Revenue-voted	7.56	18.17	10.61
Total			**3982.73**	**4630.28**	**647.55**

APPENDIX 5.1

(Reference: paragraphs 5.3, 5.9 and 5.10)

Summarised financial results of Government companies for the latest year for which their accounts were finalised as on 30 September 2020

{Figures in Columns 5 (a) to (6) and (8) to (10) are Rupees in crore}

Sl. No.	Sector & Name of Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[ℜ]	Earning before Interest & Tax (EBIT)[ψ]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
FINANCING														
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	2017-18	2019-20	-	-	0.08	-*	10.24	-	4.15	(-) 20.42	8.97	-	-
Total of the Sector				**-**	**-**	**0.08**	**-**	**10.24**	**-**	**4.15**	**(-) 20.42**	**8.97**	**-**	**-**
MINING														
2.	Arunachal Pradesh Mineral Development and Trading Corporation Limited	1999-00	2014-15	(-) 0.27	-	0.01	(-) 0.28	-	-	2.13	(-) 1.81	0.32	(-) 0.28	(-) 87.50
Total of the Sector				**(-) 0.27**	**-**	**0.01**	**(-) 0.28**	**-**	**-**	**2.13**	**(-) 1.81**	**0.32**	**(-) 0.28**	**(-) 87.50**
FOREST														
3.	Arunachal Pradesh Forest Corporation Limited	2005-06	2014-15	4.48	0.76	0.18	3.54	8.97	-	4.50	(-) 4.58	4.72	4.30	91.10
Total of the Sector				**4.48**	**0.76**	**0.18**	**3.54**	**8.97**	**-**	**4.50**	**(-) 4.58**	**4.72**	**4.30**	**91.10**

ℜ *Capital employed represents Shareholders Fund plus Long-Term Borrowings*

ψ *For calculating EBIT (total return on capital employed), interest on borrowed fund is added back to net profit/ loss as disclosed in Profit and Loss account*

* *The Company at serial number A1 has made negligible profits of ₹12,371.00 as per its latest finalised accounts (2017-18) as on 30 September 2020*

Sl. No.	Sector & Name of Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[ℜ]	Earning before Interest & Tax (EBIT)[¥]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
							POLICE							
4.	Arunachal Police Housing and Welfare Corporation Limited	2017-18	2019-20	4.01	-	0.19	2.10	3.82	-	0.02	35.11	35.13	2.10	5.98
Total of the Sector				**4.01**	**-**	**0.19**	**2.10**	**3.82**	**-**	**0.02**	**35.11**	**35.13**	**2.10**	**5.98**
							POWER							
5	Hydro Power Development Corporation of Arunachal Pradesh Limited	2012-13	2017-18	0.51	-	0.08	0.43	1.21	-	5.00	1.50	6.50	0.43	6.62
Total of the Sector				**0.51**	**-**	**0.08**	**0.43**	**1.21**	**-**	**5.00**	**1.50**	**6.50**	**0.43**	**6.62**
							SERVICE							
6	Arunachal Pradesh Donyi Polo Hotel Corporation Limited	2018-19	2019-20	(-)2.16	-	0.05	(-)2.21	2.37	-	0.99	(-)2.29	(-)1.30	(-)2.21	(-)170
Total of the Sector				**(-)2.16**	**-**	**0.05**	**(-)2.21**	**2.37**	**-**	**0.99**	**(-)2.29**	**(-)1.30**	**(-)2.21**	**(-)170**
Total of A				**6.57**	**0.76**	**0.59**	**3.58**	**26.61**	**-**	**16.79**	**7.51**	**54.34**	**4.34**	**7.99**
							B. Non-Working Government Companies							
							CEMENT							
7.	Parasuram Cement Limited	2008-09	2013-14	-	-	-	-	-	-	0.24	(-) 2.66	(-)0.96	-	-
Total of the Sector				**-**	**-**	**-**	**-**	**-**	**-**	**0.24**	**(-) 2.66**	**(-)0.96**	**-**	**-**
Total of B				**-**	**-**	**-**	**-**	**-**	**-**	**0.24**	**(-) 2.66**	**(-)0.96**	**-**	**-**
Grand Total (A+B)				**6.57**	**0.76**	**0.59**	**3.58**	**26.61**	**-**	**17.03**	**4.85**	**53.38**	**4.34**	**8.13**