



*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.

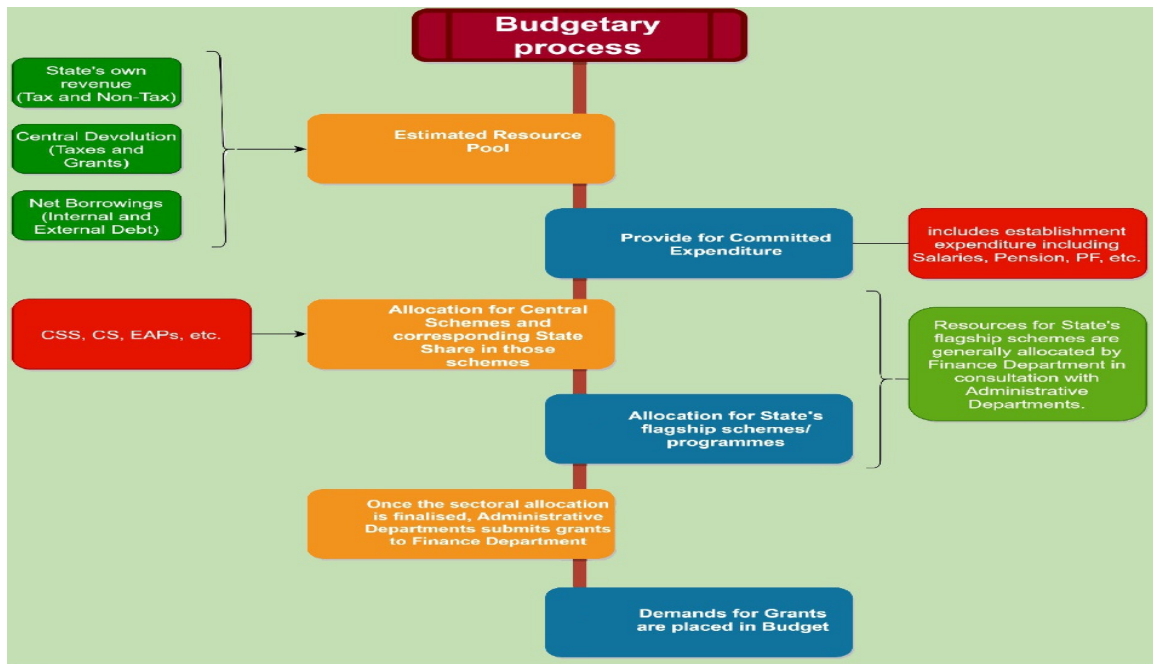
3.2 Budget Preparation Process

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.

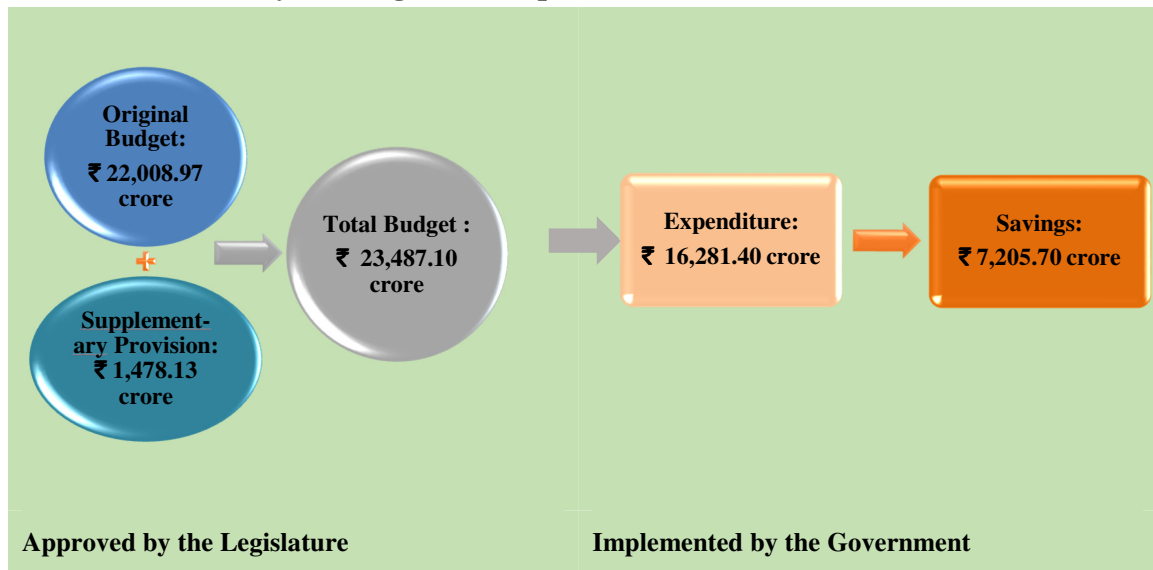
Chapter III: Financial Management and Budgetary Control



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

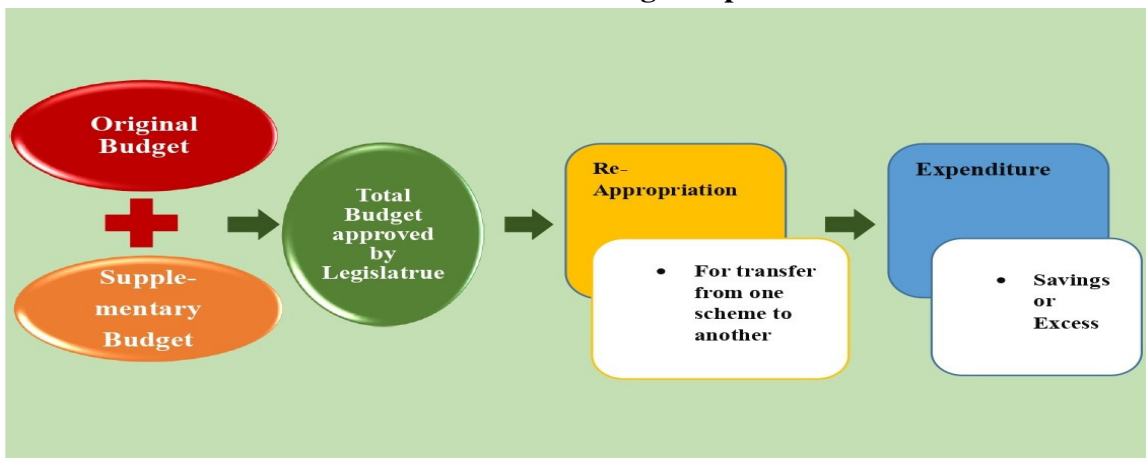
The budget provision for the year 2019-20 was less than the budget provision approved by the Legislature in the previous year by ₹ 3,348.07 crore. The savings in the current year was more than the Supplementary Provision indicating that the entire Supplementary provision was unnecessary and could have 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 <i>per cent</i>	277.06	(-) 13.71	4
21-40 <i>per cent</i>	302.71	(+) 108.73	4
41-60 <i>per cent</i>	272.29	(+) 73.41	5
61-80 <i>per cent</i>	299.02	(-) 212.16	7
More than 81 <i>per cent</i>	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-Secretariat Economic Services	3,437.46	412.04	3,025.42	88.01	Non-receipt of LOC authorisation on time

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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 surrenders¹ 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

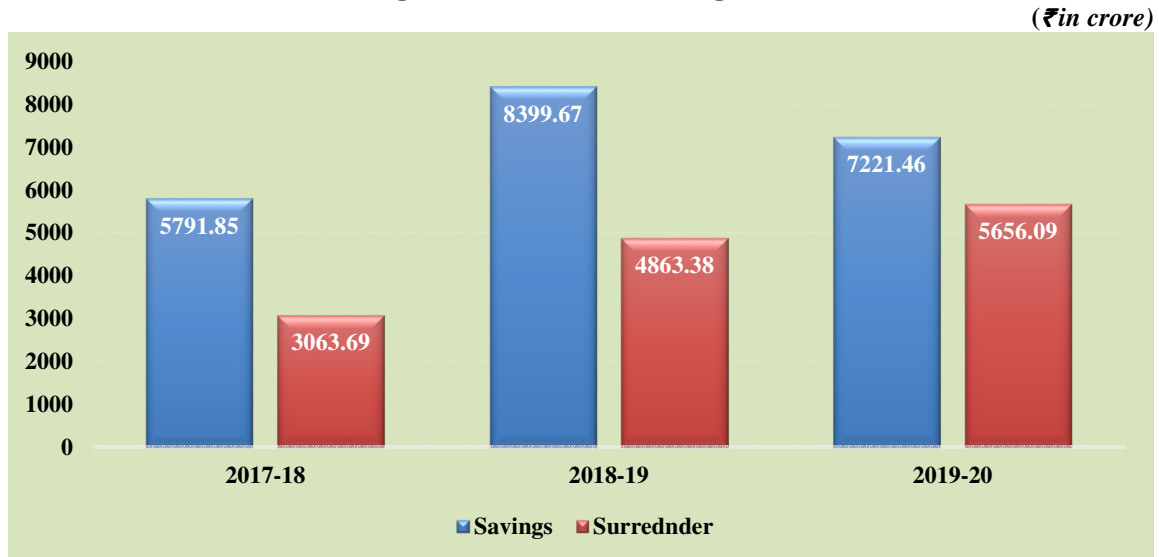
The non-surrender of the savings by the Controlling Officers was partly attributed to the anticipation of the releases from the Finance Department or expenditure authorisation till the end of the financial year, and lockdown in the month of March 2020.

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



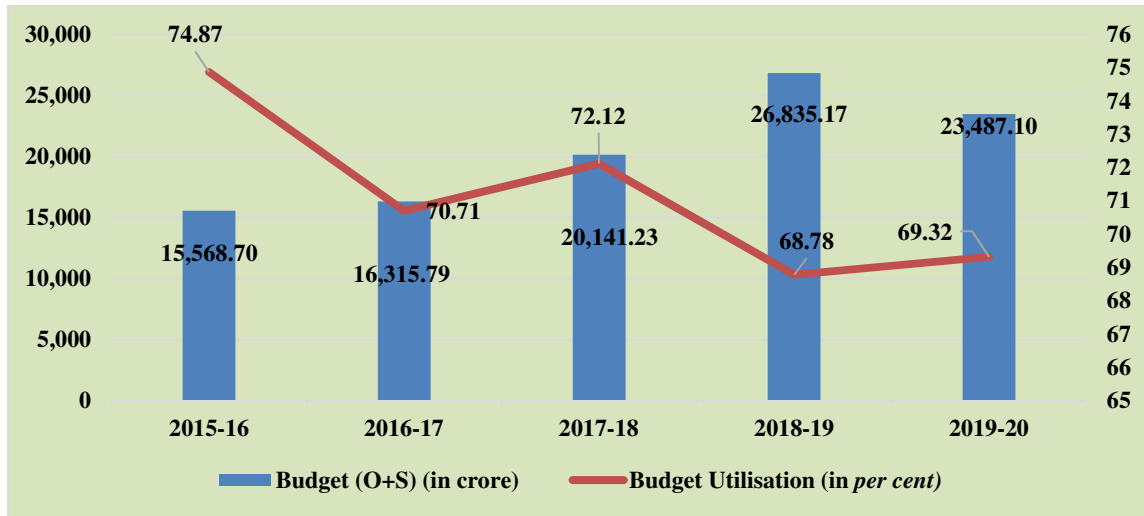
Source: Appropriation Accounts of the respective years

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
5	31-Public Works	05-2515-001-03	27.06	0.00	27.06	27.06
		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

Chapter III: Financial Management and Budgetary Control

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
		04-4070-800-14	71.79	0.00	71.79	71.79
6	50-Secretariat Economic Services	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

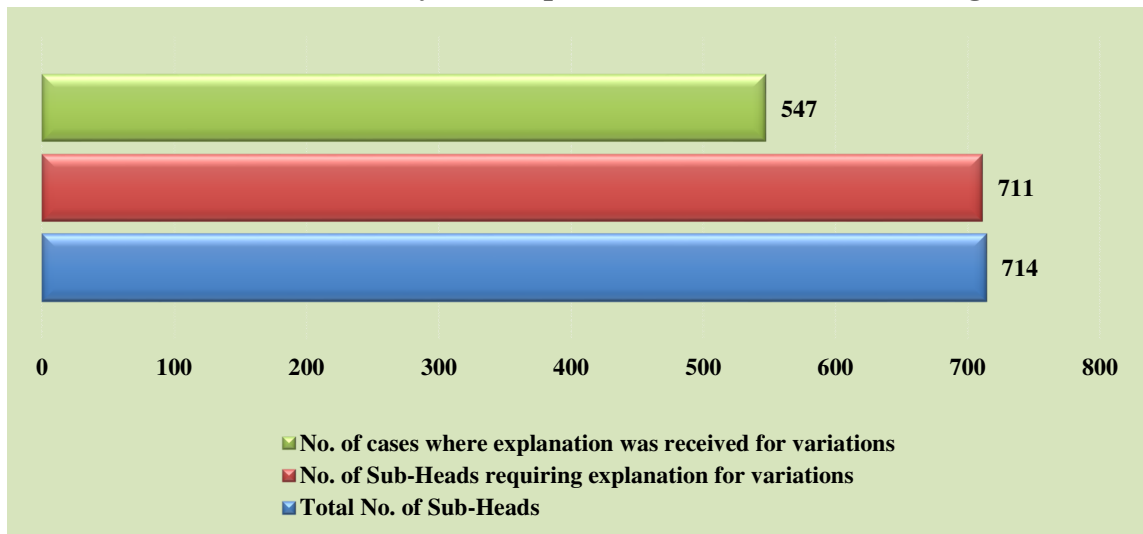
Apart from showing the expenditure against the approved budget, Appropriation Accounts also provide explanation for cases where the expenditure varies significantly from the budgeted provision (Original *plus* Supplementary). The limit beyond which, such variation at the Sub-Head/Sub-Sub-Head level (Unit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

<i>Savings</i>	<ul style="list-style-type: none"> • <i>Comments are made if (savings including non-utilisation) overall savings is over five per cent of the total provision.</i> • <i>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,.</i>
<i>Excess</i>	<ul style="list-style-type: none"> • <i>General comments are made for regularisation of excess over the provision in all cases where there is an overall excess (irrespective of the amount)</i> • <i>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.</i> • <i>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</i>

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	Supplement ary				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)
<i>Expenditure</i>				
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)

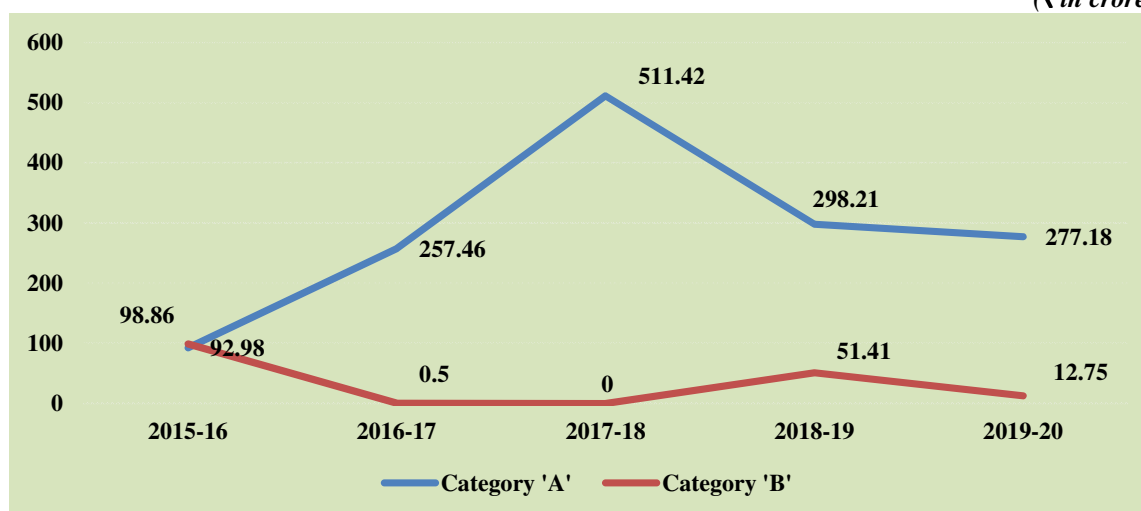
Year	Outlay			Demands Covered	No. of targeted beneficiaries
	Category 'A' ⁴	Category 'B' ⁵	Total		
2015-16	92.98	98.86	191.84	17	421124
2016-17	257.46	0.50	257.96	16	471791
2017-18	511.42	0.00	511.42	14	440655
2018-19	298.21	51.41	349.62	14	291377
2019-20	277.18	12.75	289.93	14	662432

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.