

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

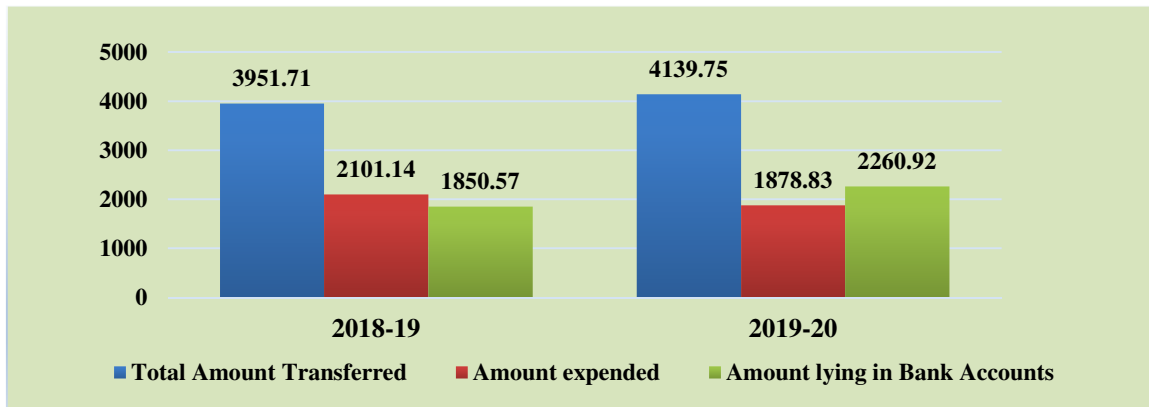
In order to ensure just-in-time budgetary releases and enable monitoring of the end usage of funds, State Government has been using Public Financial Management System (PFMS) to cover all transactions/payments under the Central Sector and Centrally Sponsored Schemes (CSS). To facilitate monitoring of 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

Year	Number of UCs	Amount (₹ in crore)
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:

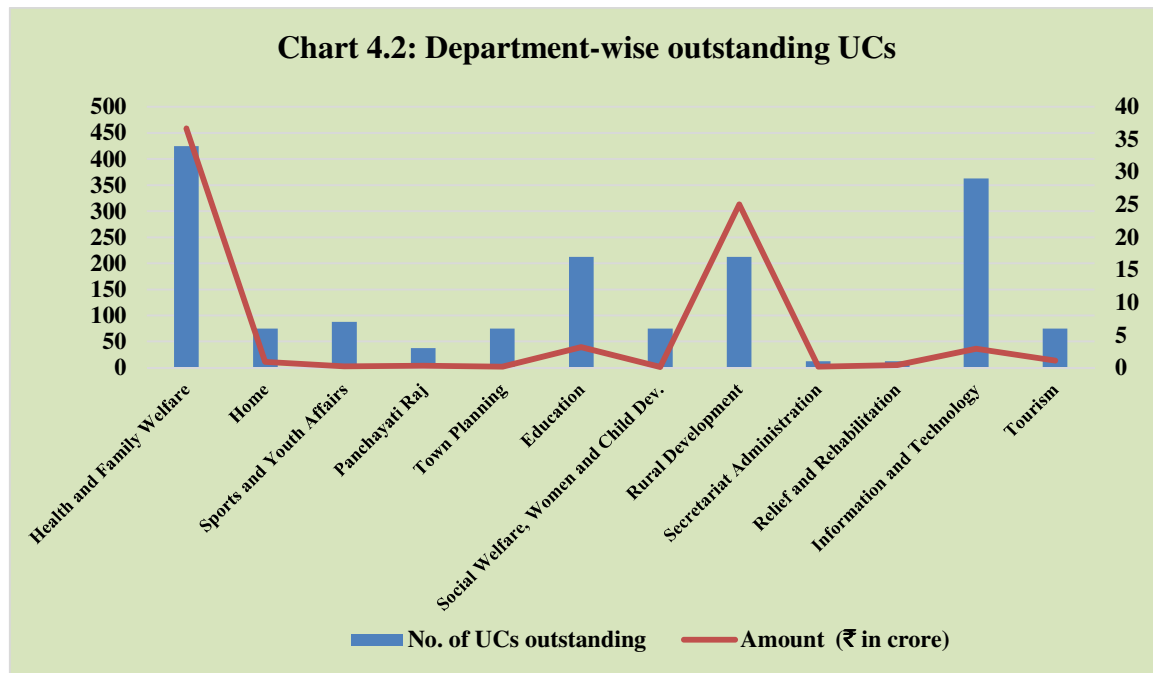


Table 4.5: Department-wise outstanding UCs as on 31 March 2020

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

Particulars	(₹ in crore)				
	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:

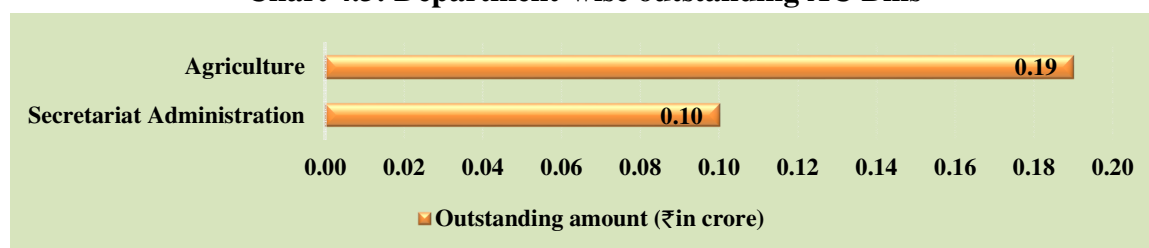
Table 4.7: Details of outstanding AC Bills during the period 2015-16 to 2019-20

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

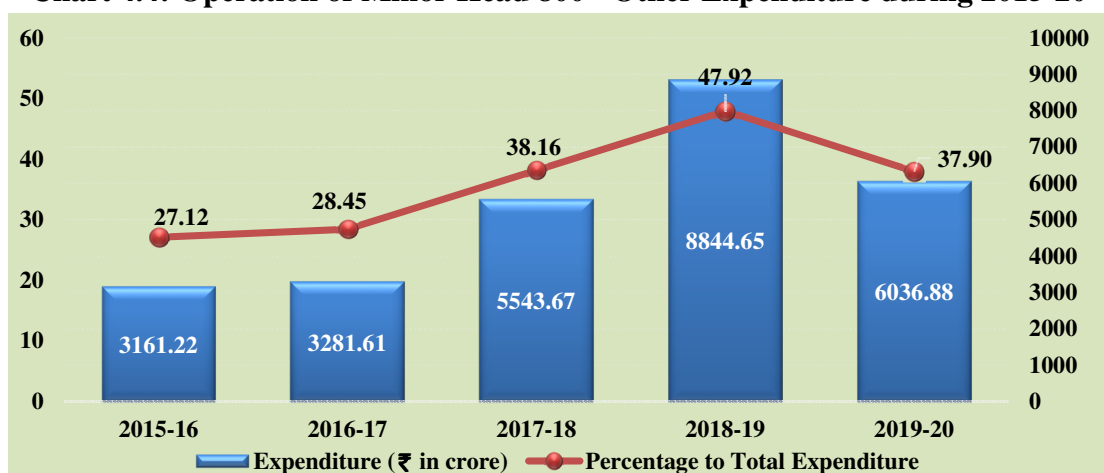
Source: Finance Accounts 2019-20

[@] 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	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 - Suspense						
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 <i>Guarantees given by Government Disclosure required</i>	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 <i>Accounting and Classification of Grants-in-aid</i>	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 <i>Loans & Advances made by Government</i>	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 10th 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.

