

**CHAPTER-III**  
**Financial Management**  
**and Budgetary Control**



## Chapter III : Financial Management and Budgetary Control

### 3.1 Introduction

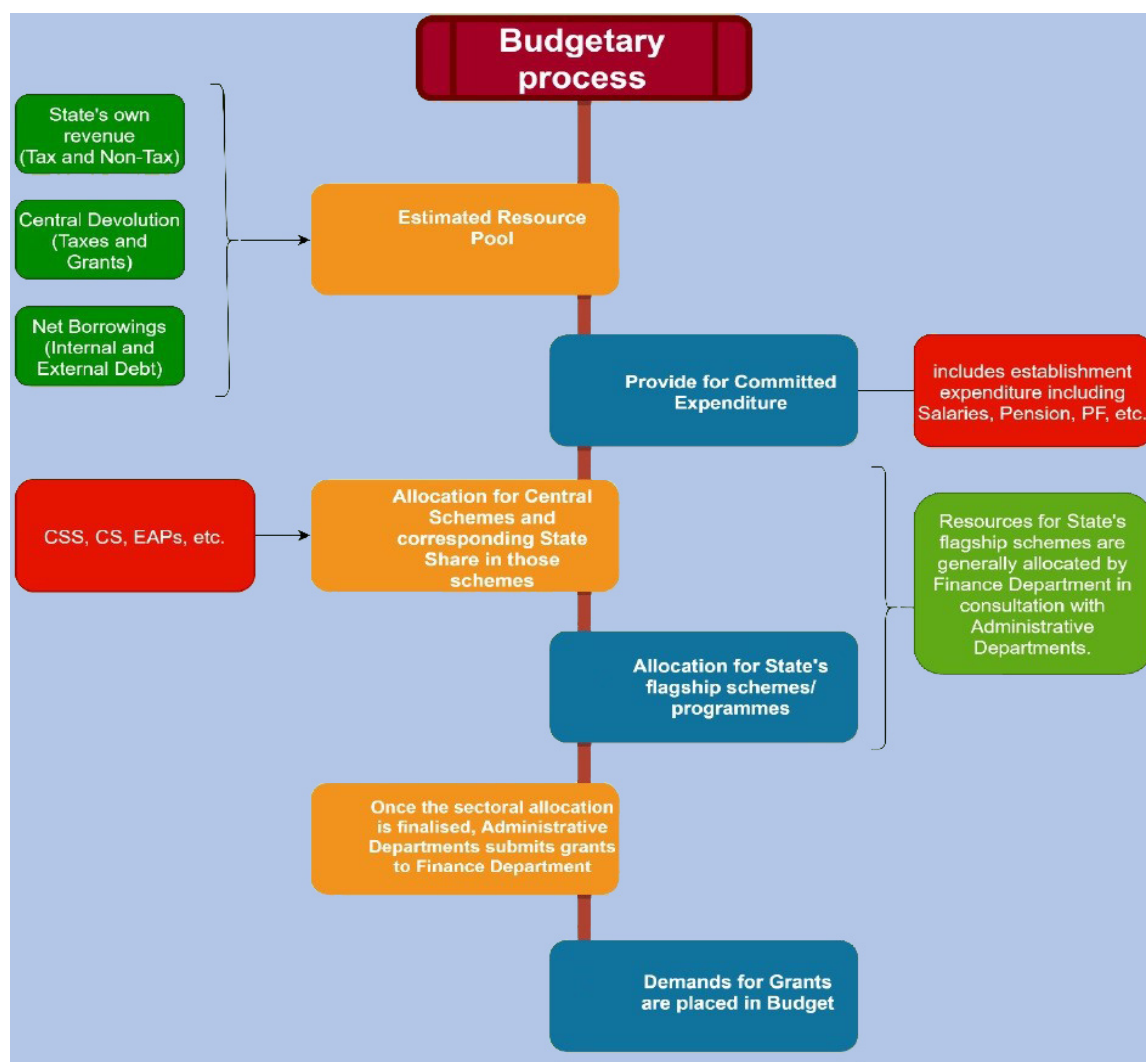
An effective financial management ensures that the decisions taken at the policy level are implemented successfully at the administrative level without wastage or diversion of resources. This Chapter reviews the allocative priorities of the State Government and comments on the transparency of budget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

### 3.2 Budget Preparation Process

The Government of Arunachal Pradesh (GoAP) has not yet prepared a Budget Manual, detailing the processes involved in budget formulation exercise, the roles and responsibilities of the persons entrusted with the preparation and implementation of budget, the timelines for preparation and submission of budgetary estimates and requirements for supplementary budget, the process for seeking re-appropriations within Grants, assessment of savings and surrenders *etc.* and the monitoring mechanisms 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, guidelines issued by the Central and Circular issued by the State Governments. The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its Annual Budget and 83 Demands for Grants. Normally, every Department has one Demand for a Grant to ensure that corresponding to each Demand for a Grant a 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 were 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 (both units being within the same Grant/ Appropriation) during the year. The Budgetary process of the State Government is depicted in **Chart 3.1**.



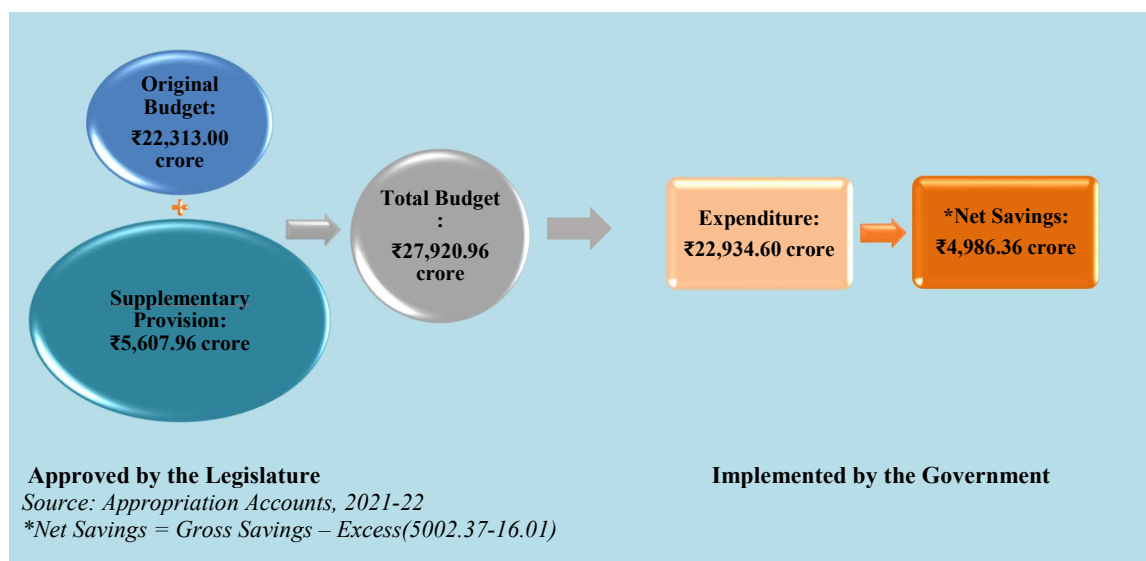
### 3.3 Annual Budget 2021-22

The annual Appropriation Accounts compare the actual expenditure, voted and charged of the Government for each financial year with the amount of voted Grants and charged Appropriation 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 show 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 the 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.

The Comptroller and Auditor General of India's audit of appropriations seek to ascertain whether the expenditures actually incurred under various grants are within the authorisation given under the Appropriation Act and that the expenditures required to be charged under the provisions of the Constitution are so charged. It also ascertains whether the expenditure incurred by the State Government is in conformity with the laws, relevant rules, regulations and instructions.

The total amount approved by the State Legislature including the original and supplementary budgets, expenditures and savings during the year 2021-22 is given in Chart 3.2.

**Chart 3.2 Summary of Budget and Expenditure of Arunachal Pradesh for 2021-22**



The budget provision (₹27,920.96 crore) for the year 2021-22 was more than the budget provision approved by the Legislature in the previous year (₹25,600.80 crore) by ₹2,320.16 crore. The savings in the current year was 88.92 *per cent* of the Supplementary Provision indicating that most of the Supplementary provision was unnecessary and could have been limited to the 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 ₹4,986.36 crore, constituting about 17.86 *per cent* of the budget provisions approved, which raises questions about the basic assumptions that went in to formulating an unrealistic budget. The actual expenditure (₹22,934.60 crore) during the year 2021-22 was excess of the actual expenditure (₹18,674.05 crore) of the previous year by ₹4,260.55 crore.

The Supplementary Grant of ₹5,607.96 crore taken on 14 March 2022 was not required as the total expenditure as on February 2022 was only ₹13,882.11 crore (as per monthly civil accounts submitted by the Treasuries) leaving ₹8,430.89 crore with the State Government for the remaining 17 days. With the Supplementary Grant, total funds available with the State Government were ₹14,038.85 crore which was equal to 101.13 *per cent* of the expenditure incurred during the first 11 months of the financial year. This is indicative of poor financial management.

### 3.3.1 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 their further bifurcation into voted/ charged for the year 2021-22 is given in **Table 3.1**.

**Table 3.1: Budget provision, actual disbursement and savings/excess during the financial year 2021-22**

(₹ In crore)

Budget Provision		Disbursement		Savings		Excess	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
26,186.51	1,734.45	21,568.13	1,366.46	4,634.38	367.99	16.01	0.00

Source: Appropriation Accounts, 2021-22

There was an overall savings of ₹5,002.37 crore offset by excess of ₹16.01 crore during the year 2021-22 resulting in net savings of ₹4,986.36 crore which was 17.86 per cent of total Grants/Appropriations and 21.74 per cent of the total expenditure.

These savings may be seen in context of budget provisions on the expenditure side being ₹27,920.96 crore during the year 2021-22 against the estimated Receipts of ₹ 21,679.37 crore. This implied that the savings were notional, as the funds were not actually available for expenditure.

### 3.3.2 Charged and Voted Disbursement

Break-up of the total disbursement into charged and voted during the year 2021-22 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
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
2020-21	17,395.43	1,278.62	(-) 6,571.49	(-) 355.26
2021-22	21,568.13	1,366.46	(-) 4,634.38	(-) 367.99

Source: Appropriation Accounts of the respective year

As could be seen from the **Table 3.2**, there were substantial savings in all the five years in the voted and charged section. This was due to most of the share from GoI released in last quarter of the financial year leaving very few working months, late provision supplementary grants, Lump-sum provision of budget and over estimation of the expenditure side, indicating that the expenditure was estimated without assessment of the availability of the resources to meet the expenditure.

As against the total savings of ₹5,002.37 crore during the year 2021-22, ₹3,421.06 crore (68.39 per cent) occurred in 11 Grants/ Appropriations (details in **Table 3.7**) indicating serious weakness in the budget formulation in these Grants/ Appropriations. During the

year 2021-22, 21 schemes encompassing 15 departments (**details in Appendix 3.8**) could not be implemented due to the non/late receipt of authorisation from the Finance Department and non-sanction of the schemes, resulting in a savings of ₹736.32 crore constituting 3.21 *per cent* of the total expenditure made during the year. In the earlier years also, there were 102 schemes under 54 departments which could not be implemented due to short release of share in union taxes/ duties.

Gross savings of ₹5,002.37 crore in 81 Grants and two appropriations under Revenue Section and 45 Grants under Capital Section were offset to the extent of ₹ 16.01 crores by excess expenditure in nine Grants under Capital and Revenue Section.

### 3.4 Comments on Integrity of Budgetary and Accounting Process

#### 3.4.1 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 ₹279.92 crore was incurred on eight schemes under six Grants/ Appropriations without any provisions in the original estimates/ supplementary demands and without any re-appropriation orders as shown in **Table 3.3**.

**Table 3.3: Expenditure incurred without budget provision during 2021-22**

(₹ In crore)

Sl. No.	Number and Name of Grants/ Appropriation	Head of Accounts	Expenditure	Name of Schemes/ Sub Heads
1	7-Accounts and Treasuries	2235-60-104-01	0.27	Deposit Linked Insurance Scheme
2	24-Agriculture	04-4415-80-800-02	0.004	Creation of Assets under Budget Announcement/ State Development Schemes
3	25-Disaster Management	08-2245-02-800-04	59.34	National Disaster Response Fund (NDRF)
4	25-Disaster Management	08-2245-05-101-01	111.11	State Disaster Response Fund (SDRF)
5	65-Department for Development of Tirap, Changlang and Longding Districts	4575-03-800-01	0.50	Development of Tirap and Changlang District
6	75-Higher and Technical Education	2202-03-107-04	90.19	Stipend to Post-Matric/ Post Graduate Level of Education
7	76-Elementary Education	04-2202-01-800-14	6.58	Chief Minister Samast Shiksha Yojana
8	76-Elementary Education	04-4402-01-800-31	11.93	Chief Minister Samast Shiksha Yojana
<b>Total</b>			<b>279.92</b>	<b>-</b>

Source: Appropriation Accounts, 2021-22

The drawal of money in the above grants was in violation of the provisions of the Constitution. It was responsibility of the sanctioning authority to ensure that the required funds were available by way of provision in the budget before issuing sanction orders. The authorities while issuing sanctions for incurring expenditure from the Government account against the schemes mentioned in **Table 3.3** did not ensure existence of a budget before issuing such sanction orders. While it was the duty of Treasury Officer to ensure existence of budget provisions before admitting bills, Treasury officers passed bills pertaining to these schemes without budget provisions based on sanction orders. This shows that bills were passed in treasuries without proper verification of existence of provisions in the Budget and compliance with the prescribed rules was not ensured. Since such instances have been found repeatedly, the Government needs to strengthen mechanism for strict compliance with rules and Treasury Officers must strictly adhere to provisions regarding existence of the budget while passing of bills.

### **3.4.2 Supplementary Provision**

The General Financial Rules permit 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 provision of ₹5,607.96 crore in 69 Grants/Appropriations for the year 2021-22 on 14 March 2022 leaving few working days to departments to utilise the fund. Audit analysis of utilisation of the supplementary allocations showed that a provision of only ₹3,878.32 crore was required in 63 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 provision 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 ₹1,729.64 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.

#### **3.4.2.1 Unnecessary or Excessive Supplementary Provision**

Supplementary provision aggregating ₹94.02 crore (₹10.00 lakh or more in each case) obtained in 12 Grants during 2021-22 proved unnecessary (details given in **Appendix 3.2**) as even the original provision was not fully utilised. Clearly, the Controlling Officers could not realistically assess/estimate the actual requirement of funds for the remaining period of the financial year. The position of the grants is given in **Table 3.4** where the total supplementary provision of more than ₹10.00 crore was obtained in each of the items and was later found unnecessary.



**Table 3.4: Unnecessary Supplementary Provision**

(₹ In crore)

Sl. No.	Grant/ Appropriation No. and Name	Original	Supplementary	Actuals	Savings out of original Provisions
<b>Revenue-Voted</b>					
1	14-Secondary Education	468.49	12.43	445.01	23.48
2	26-Rural Works	291.81	10.75	272.90	18.91
<b>Capital Voted</b>					
3	14-Secondary Education	62.10	23.37	46.12	15.98
4	47-Administration of Justice	37.44	25.15	34.95	2.49
<b>Total</b>		<b>859.84</b>	<b>71.7</b>	<b>798.98</b>	<b>60.86</b>

Source: Appropriation Accounts, 2021-22

In Grant No.47-Administration of Justice, against one sub-head (2014-114-‘Advocate General’), the original provision was ₹0.61 crore against which the actual expenditure was ₹0.78 crore. However, the Department obtained supplementary grants for ₹1.07 crore, which is much higher than the required amount (₹0.17 crore). It was stated that this was due to the non-submission of professional fee bills in time. Further against another sub-head (4059-800- ‘Construction of Court Building’), there was no original provision, but the Department obtained supplementary grants of ₹4.54 crore and till the end of the financial year the actual expenditure was only 1.03 crore, that led to savings of ₹3.51 crore. It was stated that savings were due to the non-finalization of specifications for the construction of the court building. All these types of poor budget formulation show the neutrality of the Department towards a realistic budget formulation.

Under Grant No. 02-Governor, in one sub-head (2012-800-‘Repairs/ Maintenance of Official Residence of Governor’), the original provision was ₹0.07 crore against which no expenditure was incurred. However, during the year, the Department obtained supplementary grants for ₹0.20 crore and the entire supplementary grant proved unnecessary as no expenditure was incurred against the sub head.

These types of the unrealistic budgets should be scrutinised by the Finance Department (Budget), Government of Arunachal Pradesh before approval of supplementary grants to the concerned departments. However, the occurrence of such cases every year implies that Budget Division is not paying enough attention to avoiding unrealistic budget formulation.

#### **3.4.2.2 Excessive or Inadequate Supplementary Provision**

During 2021-22, excessive or inadequate Supplementary Provisions (of ₹ one crore and above) were made in 64 cases. Details of these 64 cases, where the deviation from actual requirement ranged between one to more than 100 *per cent* of the Supplementary Provisions, are in **Appendix 3.3**. Ranged wise Summarised position of excessive or inadequate Supplementary Provisions is given 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				
	Total	Excess (+)	Number of Cases	Less (-)	Number of Cases
0-20 per cent	1,892.59	154.86	14	11.63	2
21-40 per cent	925.88	286.06	18	-	-
41-60 per cent	2,325.61	1,104.54	12	-	-
61-80 per cent	109.32	82.76	2	-	-
More than 81 per cent	110.94	884.62	16	-	-
<b>Total</b>	<b>5,364.34</b>	<b>2,512.84</b>	<b>62</b>	<b>11.63</b>	<b>2</b>

Source: Appropriation Accounts, 2021-22

Further, Supplementary Provisions aggregating ₹5,364.34 crore under 62 cases proved excessive by ₹2,512.84 crore under 62 cases and inadequate by ₹11.63 crore under two cases.

### 3.4.3 Error in Classification of Expenditure

Rule 84 of General Financial Rules, 2017 stipulates that significant expenditure incurred with the object of acquiring tangible assets of a permanent nature (for use in the organisation and not for sale in the ordinary course of business) or enhancing the utility of existing assets, shall broadly be defined as Capital Expenditure. 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. Capital and Revenue expenditure shall be shown separately in the Accounts.

- As per Detailed Appropriation Accounts for the year 2021-22, the State Government, however, incorrectly made budget provision of ₹178.16 crore for construction of district roads and Anti Erosion work along Mechang river of Yuibu under Revenue Section instead of booking the same under Capital section, which had the impact of overstating the Revenue expenditure and understating the Revenue surplus.
- Further the State Government incorrectly made budget provision of ₹49.74 crore for the Maintenance of Works 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 details given in **Table 3.6**.

**Table 3.6: Misclassification of Expenditure**

(₹ In crore)

Sl. No.	Grant No. and Name	Classification	Scheme Name	Expenditure Amount	Correct specific classification to be used	Where booked	Where to be booked
1	32-Roads and Bridges	3054-04-800-01	Construction of District Roads	171.40	5054-04-337	Revenue	Capital
2	38-Water Resource Department	2711-01-103-01	Anti-Erosion Work along Mechang river of Yuibu	6.76	4711-01-103	Revenue	Capital
3	59-Public Health Engineering	07-4215-01-800-02	Maintenance of Works	49.74	2215-02-800	Capital	Revenue

Source: Detailed Appropriation Accounts, 2021-22

The Government while issuing sanctions for implementation of the schemes did not strictly adhere to the Government Accounting Rules, 1990 with regard to the 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 to rectify the misclassification.

Observations in this regard have been made in previous reports of CAG of India. However, the State Government has not taken any corrective measures to control the reoccurrence of the misclassifications.

#### **3.4.4 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. However, it was noticed that in as many as 79 cases as details in **Appendix 3.4**, the re-appropriation was not made after realistic assessment as the expenditure was less/more than the final appropriated amount. The re-appropriation proved inadequate as the expenditure finally was more than the total grant available in eight cases by ₹62.21 crore.

Similarly, re-appropriation was injudicious in 71 cases as the expenditure fell short of the available grant proving the entire re-appropriation unnecessary.

#### **3.4.5 Appropriation vis-à-vis Allocative Priorities**

For preparing the budget, the estimating authorities are expected to assess their receipt and expenditure requirements with good care. They are required to be judicious to avoid any imprecise estimation of receipts, since these may lead to avoidable tax burden or exclusion of some important items of expenditure for which provision could have been otherwise made.

The outcome of the appropriation audit showed that cases of significant savings (exceeded ₹ one crore in each case) aggregating to ₹838.57 crore in 14 cases (Revenue) and to ₹2,853.16 crore in 21 cases (Capital) and together amounting to more than 20 per cent of the total provisions, details of which are given in **Appendix 3.5**. Such huge savings indicate that the budget estimates are not prepared realistically. In 34 such cases, reasons for appropriation have not been appropriately explained in the Appropriation Accounts.

Against the net savings of ₹4,986.36 crore, savings of ₹3,421.05 crore (68.61 per cent), exceeding ₹50.00 crore in each case, occurred in eleven Grants/ Appropriations as shown in **Table 3.7**.

**Table 3.7: List of Grants with Savings of ₹50.00 crore and more**

(₹ In crore)

Sl. No.	Number and Name of the Grant	Total Grant	Actual Expenditure	Details of Savings		Reasons for Savings
				Amount	Per cent	
<b>Revenue-Voted</b>						
1	23-Forests	751.46	546.30	205.15	27.30	The amount of monitoring and supervision @12%, Contingency charges and cost overhead under compensatory Afforestation could not be utilised due to procedural and technical reason
2	25-Relief, Rehabilitation and Re-settlement	302.64	190.62	112.02	37.01	Reasons for saving have not been intimated.
3	27-Panchayat	330.76	259.93	70.83	21.41	Due to incurring of expenditure as per release by the Ministry of Finance, Government of India and sanction received from the Finance Department (Budget), Government of Arunachal Pradesh.
4	31-Public Works	438.89	312.87	126.02	28.71	Due to non-filling up of vacant posts
5	32-Roads and Bridges	901.52	696.48	205.04	22.74	Due to non-filling up of vacant posts.
<b>Total</b>		<b>2,725.27</b>	<b>2,006.21</b>	<b>719.06</b>		
<b>Capital -Voted</b>						
6	32-Roads and Bridges	1,315.51	931.33	384.18	29.20	Due to non-completion of physical works.
7	34-Power	422.78	333.18	89.60	21.19	Due incurring expenditure as per work done and LOC authorization received from the Finance Department (Budget), Government of Arunachal Pradesh.
8	48-Horticulture	80.00	0.00	80.00	100.00	Reasons for saving have not been intimated.
9	50-Secretariat Economic Services	2,689.65	922.32	1,767.33	65.71	Due to non-implementation of the scheme within March 2022

Sl. No.	Number and Name of the Grant	Total Grant	Actual Expenditure	Details of Savings		Reasons for Savings
				Amount	Per cent	
10	59-Public Health Engineering	428.80	330.45	98.34	22.93	Non-release of funds by Government of India and non-receipt of budgetary support and LOC authorisation from the Finance Department, Govt. of Arunachal Pradesh.
<b>Total</b>		<b>4,936.74</b>	<b>2,517.29</b>	<b>2,419.45</b>		
<b>Capital-Charged</b>						
11	97-Public Debt	637.25	354.71	282.55	44.34	Reasons for saving have not been intimated.
<b>Total</b>		<b>637.25</b>	<b>354.71</b>	<b>282.55</b>		

Source: Appropriation Accounts, 2021-22

It was found that:

- Under the Grant No. 97-Public Debt, there was substantial savings of ₹312.00 crore under sub head 6003-110- Repayment of Advances Taken for RBI under Ways and Means. However, no part of the available savings was anticipated for surrender during the year. There was savings of ₹14.63 crore under 2049 01-123-01-Interest Payment on NSSF, which indicates that the preparation of BEs lacked due diligence, as interest liability can be estimated with near accuracy.
- Under Grant 32-Roads and Bridges, an original provision of ₹202.32 crore was made and also a supplementary grant of ₹573.71 crore was provided for the creation of assets under Budget Announcement/ State Development Schemes without giving any details of projects to be taken up from the provision. However, only ₹423.07 crore was utilised and ₹352.96 crore was the saving and the reason for the savings has not been intimated.
- Under the Grant 50-Secretariat Economic Services, an amount of ₹2,180.93 crore was provided for the Creation of an Asset, Scheme under CSS, RIDF, NLCPR, SIDF, and District Innovation Fund and the whole amount was re-appropriated without assigning any reason resulting in non-creation of envisaged infrastructure in the BEs.

Government in reply stated (October 2022) that savings were due to most of the share from GoI released in the month of March leaving few days to department to utilise the funds.

### 3.4.6 Persistent Savings

During the last five years, 14 Grants as shown in **Table 3.8** can be observed where persistent savings of more than ₹ one crore in each case existed and the saving exceeded the total provision by 10 *per cent* or more.

**Table 3.8: List of Grants where persistent savings occurred during 2017-18 to 2021-22**

(₹ In crore)

Sl. No.	No. and Name of Grant	Amount of Savings				
		2017-18	2018-19	2019-20	2020-21	2021-22
<b>Revenue Voted</b>						
1	56-Tourism	42.16(54.04)	10.44(19.51)	18.99(31.03)	23.22(56.43)	14.80(30.26)
2	68-Town Planning Department	199.43(83.27)	4.62(11.47)	29.67(53.43)	169.85(61.02)	24.38(10.61)
3	71-Department of Tawang and West Kameng	3.03(70.63)	6.10(71.76)	3.78(54.55)	18.74(87.61)	2.59(41.84)
<b>Capital Voted</b>						
4	15-Health & Family Welfare	82.76(66.49)	377.09(87.64)	114.23(68.98)	38.70(80.79)	5.54(21.13)
5	16-Art and Culture	9.36(52.55)	6.10(45.19)	2.38(41.03)	1.69(84.50)	1.86(21.34)
6	22-Food and Civil supplies	13.40(61.54)	13.62(49.54)	1.72(49.71)	2.07(69)	1.60(37.59)
7	24-Agriculture	5.83(71.53)	221.05(96.13)	6.26(65.62)	104.70(95.62)	8.13(31.55)
8	34-Power	287.96(59.41)	56.04(16.73)	85.32(39.31)	58.22(27.57)	89.60(21.19)
9	40-Housing	40.30(59.61)	9.50(26.13)	32.51(72.24)	18.75(47.40)	14.60(36.98)
10	45-Civil Aviation	5.25(59.35)	20.32(52.78)	43.97(84.72)	19.13(31)	8.71(11.87)
11	47-Administration of justice	4.39(41.74)	5.18(34.08)	8.33(53.88)	18.71(76.88)	27.64(44.15)
12	48-Horticulture	2.00(100)	61.50(100)	17.77(88.85)	15.88(77.09)	80.00(100.00)
13	50-Secretariat Economic Services	359.74(98.03)	2,996.46(82.55)	3,025.42(88.01)	2,389.91(84.53)	1767.33(65.71)
14	56-Tourism	95.58(75.43)	22.02(17.90)	14.33(91.57)	29.47(84.13)	4.90(10.74)

Source: Appropriation Accounts of respective year

Figures in parentheses indicate percentage of savings to total provision

Analysis of the reasons for the savings during 2021-22 showed that:

- Under Tourism, SADA had savings of ₹11.80 crore, due to the late receipt of finance concurrence from the Finance Department, GoAP and saving of ₹3.00 crore under Establishment Expenses due to non-finalisation of MACP and DA in time.
- Under Town Planning Department the substantial saving of ₹22.29 crore under schemes for Urban Local Bodies (ULBs) was due to non-sanction of the schemes by the Finance, Planning and Investment Departments.
- Under the Department of Tawang and West Kameng, there was a total budget provision of ₹6.20 crore, out of which expenditure was ₹3.60 crore and savings was ₹2.59 crore. Out of which the Department has surrendered ₹2.55 crore.
- Under Health and Family Welfare Department, savings of ₹5.54 crore under Creation of Assets under Budget Announcement/State Development Schemes was due to the late receipt of DPR/estimates which resulted into delay in sanction of the schemes and also due to the non-receipt of expenditure authorisation for LOC to executing agencies.

- Under Art and Cultural Affairs, the reasons for savings under Creation of Assets under Budget Announcement/ State Development Schemes have not been intimated.
- The Savings of ₹89.60 crore occurred under Power Department, out of which, reasons for ₹52.13 crore savings under '4801-01-800-26-Creation of assets under Budget Announcement/ State Development Schemes' and ₹16.37 crore under '4801-05-800-20-Schemes under NLCPR' due to non-receipt of LOC authorisation from the Finance Department (Budget), Government of Arunachal Pradesh. Specific reasons for savings of ₹21.06 crore under '4801-05-052-02-Shifting of electric poles from Right of Way (RoW) of Trans Arunachal Highways' has not been intimated.
- The savings of ₹14.60 crore under Housing, were due to the non-completion of work.
- The savings of ₹8.71 crore under Civil Aviation was due to the late receipt of Administrative approval and expenditure sanction from the Finance Department, GoAP.
- The savings of ₹27.64 crore occurred under Administration of Justice Department, out of which, ₹24.13 crore savings under one sub head 'Creation of assets under Budget Announcement/State Development Schemes' was due to non-finalization of design and drawings by PWD Western Zone for vulnerable Witness Deposition Centers at Yupia and Tezu. Savings of ₹2.80 crore under '4070-800-24-creation of assets' was due to non-receipt of LOC authorization by the Finance Department, GoAP.
- The huge savings of ₹56.71 crore under Secretariat Economic Services, under one sub head '01-Special Assistance for Capital Expenditure' was due to the non-implementation of some of the scheme/projects by the March 2022 and in another sub head '18-Scheme under BADP' there was excess expenditure of ₹4.62 crore out of the total provision ₹38.07 crore. This indicated lack of proper assessment at the time of making budget estimates. Out of total savings of ₹1,769.64 crore, ₹1,701.07 crore only was anticipated and surrendered in March 2022.
- The savings of ₹4.90 crore occurred under Tourism Department, out of which, ₹0.94 crore savings under one sub head '03-Creation of Assets under Budget Announcement/ State Development Schemes' was due to the late receipt of concurrence from the Finance Department, GoAP. Out of total savings ₹19.71 crore, ₹3.97 crore only was anticipated and surrendered in March 2022.
- In many cases, the expenditure could not be incurred due to the non-receipt of financial concurrence and expenditure authorisation from the Finance Department which could be due to the daily cash management issues, primarily arising out of the mismatch between the receipts and expenditure.

The trend of persistent savings has been 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.

### 3.4.7 Substantial Surrenders

Substantial surrenders<sup>1</sup> were made in respect of 120 sub-heads under 39 Grants/Appropriations, as detailed in **Appendix 3.6**. Out of the Original provision amounting to ₹6,300.18 crore in these 39 Grants/ appropriations, ₹5,986.90 crore was surrendered which included 100 per cent surrender in 75 sub-heads (₹4,104.32 crore). Further, audit scrutiny found that in one sub head '01-Creation of Assets' under Grant no. 74-Social Justice, Empowerment and Tribal Affairs, there was surrender more than the Original provision (148 per cent) due to the supplementary grant amounting of ₹109.23 crore.

### 3.4.8 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 2021-22, out of the total savings of ₹4,801.69 crore under 59 Grants, Savings (₹One crore and above in each case) of ₹2,057.63 crore (42.85 per cent) remained to be surrendered, as detailed in **Appendix 3.7**. Further, out of the above, there were saving (₹10.00 crore and above in each case) of ₹1,526.94 crore (31.80 per cent) under 20 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	Section	Total Provision	Expenditure	Savings
<b>Revenue-Voted</b>					
1	1-Legislative Assembly	Revenue-voted	104.34	92.43	11.91
2	14-Secondary Education	Revenue-voted	480.92	445.01	35.91
3	15-Health and Family Welfare	Revenue-voted	1,221.56	1,193.11	28.44
4	25-Relief, Rehabilitation and Re-settlement	Revenue-voted	302.64	190.62	112.02
5	28-Animal Husbandry and Veterinary	Revenue-voted	211.37	199.23	12.15
6	42-Rural Development	Revenue-voted	458.91	417.34	41.57
7	56-Tourism	Revenue-voted	48.92	34.11	14.80
8	59-Public Health Engineering	Revenue-voted	1,122.23	960.26	161.98
9	68-Town Planning Department	Revenue-voted	229.93	205.54	24.38
10	76-Elementary Education	Revenue-voted	1,500.35	1,471.36	28.99
<b>Capital-Voted</b>					
11	14-Secondary Education	Capital-voted	85.47	46.12	39.35
12	26-Rural Works	Capital-voted	1,699.38	1,663.35	36.04
13	31-Public Works	Capital-voted	462.77	434.66	28.11
14	32-Roads and Bridges	Capital-voted	1,315.51	931.33	384.18
15	34-Power	Capital-voted	422.78	333.18	89.60
16	38-Water Resource Department	Capital-voted	160.10	147.76	12.34

<sup>1</sup> Cases where 50 per cent and more of original provisions was surrendered



Sl. No.	Number and Name of the Grant	Section	Total Provision	Expenditure	Savings
17	40-Housing	Capital-voted	39.48	24.88	14.60
18	47-Administration of Justice	Capital-voted	62.59	34.95	27.64
19	57-Urban Development	Capital-voted	189.08	174.16	14.93
20	59-Public Health Engineering	Capital-voted	428.80	330.45	98.34
21	74-Social Justice, Empowerment and Tribal Affairs	Capital-voted	322.26	310.69	11.57
22	76-Elementary Education	Capital-voted	78.59	63.04	15.55
<b>Capital-Charged</b>					
23	97-Public Debt	Capital-charged	637.25	354.71	282.55

Source: Appropriation Accounts, 2021-22

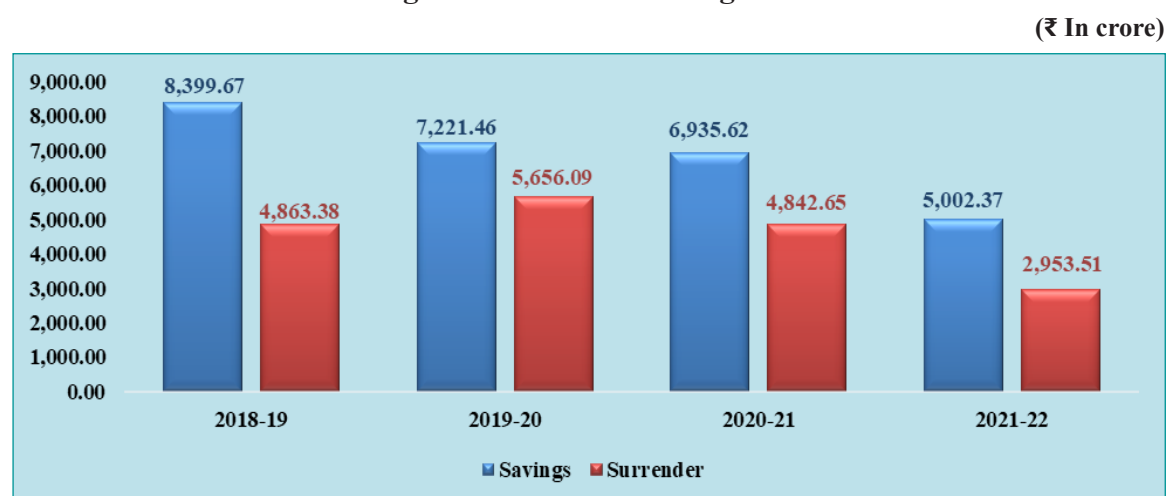
The non-surrender of the savings by the Controlling Officers was partly attributed to the non-release of funds by the Finance Department.

### 3.4.9 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 the dates prescribed by that Department. The Finance Department shall communicate acceptance of such surrenders before the close of financial year.

However, during 2021-22, against the gross savings of ₹5,002.37 crore, various departments of GoAP surrendered ₹2,953.51 crore (59.04 per cent), but the entire amount was surrendered on the last day of the financial year thus making it impossible to utilise these savings for other purposes. It was further noticed that in the last three years, all the surrenders against the savings were done on the last day of the financial year as shown in Chart 3.3.

Chart 3.3: Savings and surrender during 2018-19 to 2021-22



Source: Appropriation Accounts of the respective year

The prescribed date for the surrender of anticipated savings for salary and wages was 20 February 2022 and it was 21 March 2022 for other object heads. However, in 140 cases

(details in **Appendix 3.7**), the anticipated savings were not surrendered by the prescribed date.

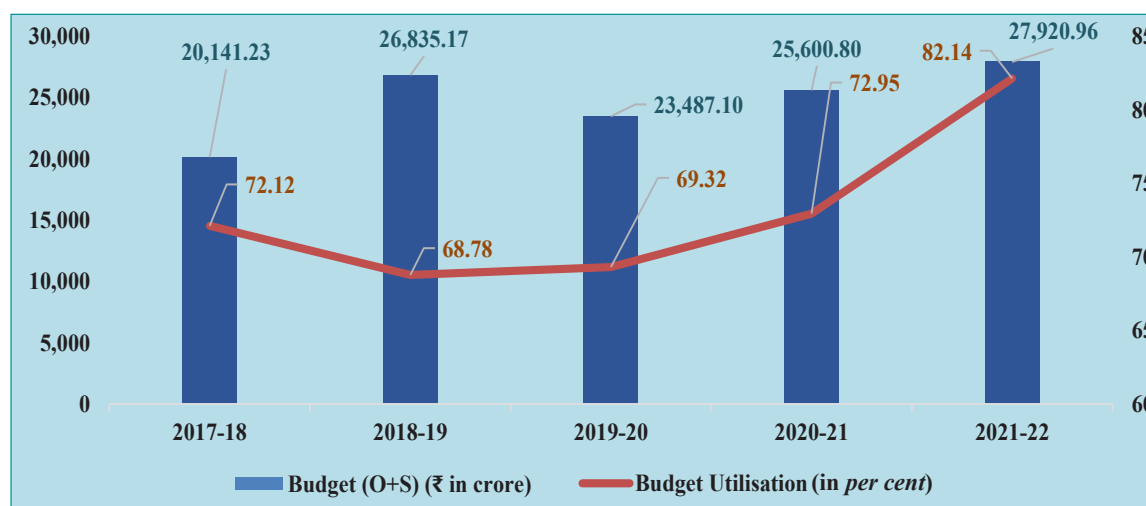
Non-compliance with the rules stated above not only deprives other needy Departments of resources, but also defeats the very objective of achieving efficiency in budget management, which may be an impediment to the speedy development of State.

### 3.4.10 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 3.4**, utilisation of budget stood between 69 and 82 *per cent* during the period 2017-18 to 2021-22 with inter year variation. The utilisation increased from 73 *per cent* in 2020-21 to 82 *per cent* in 2021-22.

**Chart 3.4: Budget Utilisation during 2017-18 to 2021-22**



Source: Appropriation Accounts of the respective year

Large amount of savings in allocated funds indicates poor budget management/ estimation, inaccurate assessment of requirement and inadequate capacity to utilise the funds for intended purposes.

During 2021-22, a provision of ₹736.32 crore (Original, Supplementary *plus* Re-appropriation) for maintenance work, Centrally Sponsored Schemes (CSS), Schemes under Budget Announcement, *etc.*, under 15 grants for 21 schemes as detailed in **Appendix 3.8** 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 ₹5.00 crore in each case was not utilised are indicated in **Table 3.10**.

**Table 3.10: Savings of entire budget provision during 2021-22**

(₹ In crore)

Sl. No.	Grant No. and Name	Head of Accounts and Purpose	Original	Supplementary	Re-appropriation	Total	Savings
1	25-Disaster Management	05-2245-05-101-02 “State Disaster Response Mitigation Funder-Covid-19”	3.79	277.77	0.00	281.56	281.56
2	28-AH & V and Dairy	03-2403-101-14-National Animal Reporting System	0.00	1.00	6.99	7.99	7.99
3	33-North Eastern Areas	09-4552-16-337-02 “Upgradation of Mirem Mikong Jonai Road”	13.75	0.00	(-) 8.35	5.40	5.40
4	34-Power	08-4801-05-052-02 “Shifting of Electric poles from Trans Arunachal Highways”	0.00	21.06	0.00	21.06	21.06
5	57-Urban Development	07-4217-60-51-16 “C/o RCC Bridges”	0.00	6.68	0.00	6.68	6.68
6	75-Higher and Technical Education	2202-03-800-04 “Regular Camping Programme”	71.15	13.17	5.87	90.19	90.19
7	97-Public Debt	6003-110-01 “Repayment of Ways and Means Advances”	312.00	0.00	0.00	312.00	312.00
<b>Total</b>			<b>400.69</b>	<b>319.68</b>	<b>4.51</b>	<b>724.88</b>	<b>724.88</b>

Source: Detailed Appropriation Accounts, 2021-22

In the above cases, during the year the savings ranged between ₹5.00 crore and ₹312.00 crore. This was due to non-release of funds by the Finance Department, GoAP.

### 3.4.11 Injudicious surrender

In six grants, there was an injudicious surrender of ₹19.52 crore as the Departments made surrendered in excess of savings within the grant. However, Government did not explain the reason for the difference between savings and surrender amounts as depicted in **Table 3.11**.

**Table 3.11: Surrender in excess of savings**

(₹ In crore)

Sl. No.	Grant No and Name	Nature of Grant	Total Provision	Actual Expenditure	Savings	Surrender	Excess Surrender
1	11-Social Welfare	Capital-voted	4.59	4.95	0.00	1.14	1.14
2	19-Industries	Capital-voted	23.65	21.77	1.88	1.94	0.06
3	30-State Transport	Capital-voted	18.13	18.05	0.08	0.64	0.56
4	38-Water Resource Department	Revenue-voted	470.99	400.14	70.85	88.46	17.61
5	58-Stationery and Printing	Revenue-voted	12.42	11.95	0.47	0.49	0.02
6	70-Administrative Training Institute	Capital-voted	3.87	4.24	0.00	0.12	0.12
<b>Total</b>			<b>533.65</b>	<b>461.10</b>	<b>73.27</b>	<b>92.79</b>	<b>19.52</b>

Source: Appropriation Accounts, 2021-22

**3.4.12 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, 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 the regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of the discussion of the Appropriation Accounts by the Public Accounts Committee (PAC).

**3.4.12.1 Excess over provisions relating to previous and current years requiring regularisation**

Administrative Departments concerned are required to submit Explanatory Notes for excess expenditure to PAC through Finance Department. However, excess expenditure of ₹3,204.41 crore from 1986-87 to 2020-21 (*Appendix 3.9*) was yet to be regularised. During the current year 2021- 22, in seven Grants, expenditure of ₹426.53 crore exceeded the approved provisions of ₹410.62 crore by ₹16.01 crore. In respect of Sub-Head level, an expenditure of ₹2,811.47 crore exceeded the approved provisions of ₹2,427.50 crore (*Appendix 3.10*). 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. Moreover, the excess expenditure over the grant/ appropriation required regularisation as per Article 205 of the Constitution of India.

The excess amounts remained un-regularised from the year as long back as from 1986 onwards. Failure to do regularise of excess expenditure is in contravention of constitutional provisions and defeats the objective of ensuring accountability over utilisation of public money.

### 3.4.13 Missing/ Incomplete Explanation for Variation from Budget

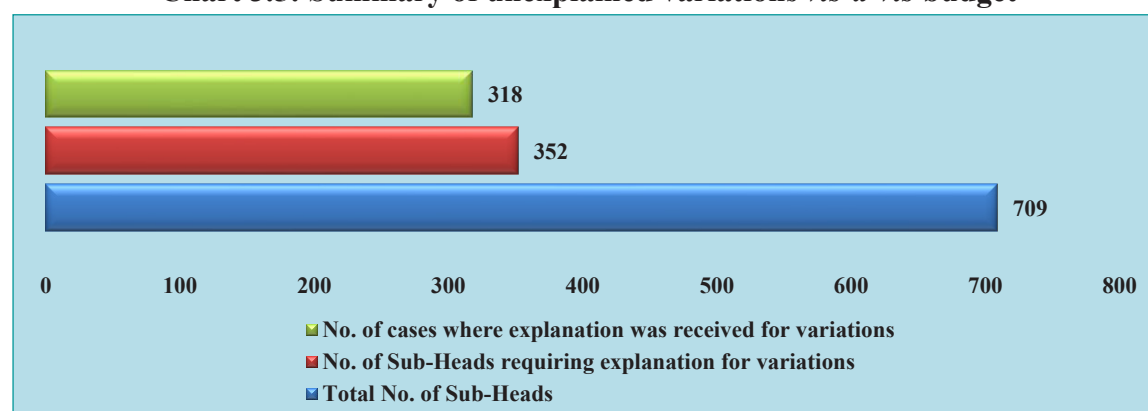
Apart from showing the expenditure against the approved budget, Appropriation Accounts also provide explanation for cases where the expenditure varies significantly from the budgeted provision (Original *plus* Supplementary). The limit beyond which, such variation at the Sub-Head/ Sub-Sub-Head level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

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

Savings	<ul style="list-style-type: none"> <li>Comments are made if (savings including non-utilisation) overall savings is over five <i>per cent</i> of the total provision.</li> <li>Individual comments under Sub-Heads of Grants/ Appropriations are made if the expenditure is over ₹ five lakh and total provision (original <i>plus</i> supplementary) to which the concerned sub-head relates is ₹20.00 crore or less,</li> </ul>
Excess	<ul style="list-style-type: none"> <li>General comments are made for regularisation of excess over the provision in all cases where there is an overall excess (irrespective of the amount)</li> <li>Comments are made if variations (excesses) under Sub-Heads of Grants/ Appropriations are ₹ five lakh and total provision (original <i>plus</i> supplementary) to which the concerned sub-head relates is ₹20.00 crore or less.</li> <li>Comments are made if variations (excesses) under Sub-Heads of Grants/ Appropriations are ₹10.00 lakh and total provision (original <i>plus</i> supplementary) to which the concerned sub-head relates is more than ₹20.00 crore</li> </ul>

Audit of Appropriation Accounts of 2021-22 and an analysis of the underlying accounting data revealed that out of the 83 Grants/ Appropriations, reasons for variation were required in respect of 83 Grants/ Appropriations. However, in respect of seven Grants/ Appropriations, reasons were not furnished by the Controlling Officers of Government Departments. In terms of 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, are given in **Chart 3.5**.

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



Source: Detailed Appropriation Accounts, 2021-22

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 Comments on Transparency of Budgetary and Accounting Process

#### 3.5.1 Huge lump sum provision

Rule 50(3) and Appendix 3 of General Financial Rules, 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 ₹4,052.46 crore for Schemes under Budget Announcements/ State Development scheme under 53 grants in Capital Section and ₹3,050.70 crore under 10 Grants in Revenue Section as detailed in *Appendix 3.11 (Part A & B)*.

Further, it was observed that in respect of 10 Grants/Appropriations, the whole budget provision was lumpsum due to non-submission of Budget proposal to Finance Department by the concerned Departments are given in **Table 3.12**.

**Table 3.12: Details of lumpsum budget provision**

(₹ In crore)

Sl. No.	Number and Name of the Grant	Section	Revenue Section				Capital Section			
			Provision	Expenditure	Saving	Excess	Provision	Expenditure	Saving	Excess
1	1-Legislative Assembly	Voted	8.68	92.43	11.91	0.00	0.00	0.00	0.00	0.00
		Charged	0.77	0.48	0.29	0.00	0.00	0.00	0.00	0.00
2	25-Disaster Management	Voted	298.76	190.62	112.02	0.00	0.00	0.00	0.00	0.00
3	26-Rural Works	Voted	291.81	272.90	29.67	0.00	1,593.00	1,663.35	36.03	0.00
4	31-Public Works	Voted	438.89	312.87	126.02	0.00	100.99	434.66	28.11	0.00
5	34-Power	Voted	1,024.49	1,180.91	175.52	0.00	144.00	333.18	89.60	0.00
6	35-Information and Public Relations	Voted	52.70	42.97	9.73	0.00	4.00	7.84	0.46	0.00
7	56-Tourism	Voted	32.01	34.11	14.80	0.00	45.66	40.76	25.78	0.00
8	59-Public Health Engineering	Voted	727.46	960.26	161.98	0.00	250.00	330.45	98.34	0.00
9	65-Department for Development of Tirap, Changlang and Longding Districts	Voted	1.42	0.87	0.56	0.00	50.00	52.44	0.00	2.44
10	66-Hydro Power Development	Voted	173.71	199.27	24.08	0.00	91.00	97.51	6.76	0.00
<b>Total</b>			<b>3,050.70</b>	<b>3,287.69</b>	<b>666.57</b>	<b>0.00</b>	<b>2,278.65</b>	<b>2,960.20</b>	<b>285.09</b>	<b>2.44</b>

Source: Detailed Appropriation Accounts and Finance Accounts of the respective year

As can be seen from the **Table 3.12**, budget provision amounting to ₹3,050.70 crore under Revenue section and ₹2,278.65 crore under Capital section were given to 10 Grants/Appropriation was Lum sum. There were savings in each of these grants aggregating to ₹951.66 crore (₹666.57 crore under Revenue section *plus* ₹285.09 crore under Capital section) and an excess expenditure of ₹2.44 crore in one Grant (65-Department for Development of Tirap, Changlang and Longding Districts). The substantial lump sum provision not only violates the rules, but also affects transparency of the budgetary process.

### 3.6 Comments on Effectiveness of Budgetary and Accounting Process

#### 3.6.1 Budget Projection and Gap between Expectation and Actual

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

#### 3.6.2 Summary of Appropriation Accounts

The summarised position of budget including supplementary budget, actual expenditure, and excess/savings during 2021-22 against 83 Grants/Appropriations (80 Grants and 03 Appropriations) is given in **Table 3.13**.

**Table 3.13: Summarised position of Expenditure *vis-à-vis* Budget provision**

(₹ In crore)

Nature of Expenditure	Details of Grant/Appropriation		Total	Actual Expenditure <sup>2</sup>	Savings (-)/ Excess (+)	Details of Surrender <sup>3</sup>		
	Original	Supplementary				Amount	Per cent	
Voted	I – Revenue	14,248.75	2,727.56	16,976.31	15,077.18	(-)1,904.77	1,086.47	6.40
	II – Capital	6,328.05	2,875.15	9,203.20	6,488.40	(-)2,725.18	1,831.14	19.90
	III - Loans & Advances	7.00	0.00	7.00	2.56	(-)4.44	2.50	35.71
<b>Total Voted</b>	<b>20,583.80</b>	<b>5,602.71</b>	<b>26,186.51</b>	<b>21,568.14</b>	<b>4,634.39</b>	<b>2,920.11</b>	<b>11.15</b>	
Charged	IV – Revenue	1,095.57	1.62	1,097.19	1,011.75	(-)85.44	33.40	3.04
	VI - Public Debt- Repayment	633.63	3.63	637.26	354.71	(-)282.55	0.00	0.00
<b>Total Charged</b>	<b>1,729.20</b>	<b>5.25</b>	<b>1734.45</b>	<b>1,366.46</b>	<b>367.99</b>	<b>33.40</b>	<b>2.08</b>	
<b>Grand Total</b>	<b>22,313.00</b>	<b>5,607.96</b>	<b>27,920.96</b>	<b>22,934.60</b>	<b>5,002.38</b>	<b>2,953.51</b>	<b>18.92</b>	

Source: Appropriation Accounts, 2021-22

As can be seen from the **Table 3.13**, the overall savings from total grants and appropriations was of ₹5,002.38 crore which was equal to 89.20 *per cent* of the supplementary budget of ₹5,607.96 crore obtained during the year. This indicates that a proper analysis was not done before budget formulation.

<sup>2</sup> These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue Expenditure (₹24,228.66 lakh) and Capital Outlay (₹6.89 lakh)

<sup>3</sup> Entire amount was surrendered on 31 March 2022

The original budget of the State during the year 2021-22, was more than the previous year budget by ₹432.63 crore, the increase in Revenue section was ₹1,136.72 crore and the decrease in Capital section was ₹704.10 crore. Substantial savings of ₹3,012.17 crore in Capital section of the budget constituting over 43.27 per cent of the original budget of Capital section indicate that the funds meant for the infrastructure in the State could not be spent.

The Savings of ₹5,002.38 crore during the year was 89.20 per cent of total Supplementary amount provided in 2021-22, indicating that most of the part of the supplementary budget of ₹5,607.96 crore was unnecessary and it could have been restricted to only token provision wherever necessary.

The Actual Expenditure of ₹22,934.60 crore during 2021-22 which was ₹621.60 crore more than the Original Budget (₹22,313.00 crore) indicating that Supplementary Budget of ₹5,607.96 crore was unnecessary by ₹4,986.36 crore and it could have been restricted to only token provision wherever necessary.

### **3.6.3 Inaccuracy in the preparation of Revised Estimates**

According to the Appendix below Rule 52(3) of General Financial Rules 2017 in preparing the Revised Estimates, while the 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 the 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 2021-22 under expenditure heads of accounts are given in **Appendix 3.12**.

Wide variations ranging from 11.55 to 100 per cent and in monetary term from ₹1.28 crore to ₹771.05 crore under Expenditure heads between the budget provisions and actuals particularly with reference to revised estimates are indicative of aberrations in estimation as detailed in **Appendix 3.12**. Further, the details of some cases of variation more the 50 per cent are given in **Table 3.14**.



**Table 3.14: Variation between revised estimated and actual**

(₹ In crore)

Sl. No.	Number and Name of Head of Accounts	Budget Estimate	Revised Estimate	Actual Expenditure	Variation Shortfall (-)/ Excess (+)	Variation Shortfall (-)/ Excess (+) (In per cent)
1	2029 - Land Records	73.39	42.35	19.15	23.20	(-) 54.79
2	2406 - Forestry and Wildlife	744.53	711.55	300.53	411.01	(-) 57.76
3	2435 - Other Agricultural Programmes	2.50	3.14	0.65	2.49	(-) 79.16
4	2552 - North Eastern Areas	7.45	5.82	2.35	3.48	(-) 59.71
5	2801 - Power	1,165.06	1,538.99	767.94	771.05	(-) 50.10
6	2852 - Industries	20.55	12.33	5.84	6.49	(-) 52.64
7	4205 - Capital Outlay on Education, Sports & Arts and Culture	0.50	2.19	0.00	2.19	(-) 100.00

Source: Annual Financial Statement 2021-22 & 2022-23 and Finance Accounts, 2021-22

As can be seen from the **Table 3.14**, there are seven such heads of account which variation between the revised estimates and the actuals during 2021-22 under expenditure heads of accounts is more than 50 *per cent*, 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.

#### 3.6.4 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 11 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 (2021-22) 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 2021-22 were 42, of which 40 schemes were under Category A and two 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, Rural Development *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 76, provision of ₹36.41 crore for Creation of Capital Assets (KGV B-Type II), against the Major Head 2202-01-88(03)-

11-01-35 was shown in the Gender Budget but no provision existed against the said head in the regular budget. Similarly, in Demand No. 11, against the head of account 2235-02-103-01-00-29, 31-GIA for Grants in Aid to Arunachal Pradesh State Commission for Women, an amount of ₹2.50 crore was shown in the Gender Budget but in regular budget there was only provision of 0.50 crore. 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 ₹313.31 crore with a target to benefit 1.53 lakh women. The Gender Budget constituted 1.12 *per cent* of total budget for the year 2021- 22. Gender Budget during the year was just 4.40 *per cent* than the previous year, which is very low. The year wise allocations in the gender budget document are detailed in **Table 3.15**.

**Table 3.15: Gender budgetary allocations during 2017-18 to 2021-22**

(₹ In crore)

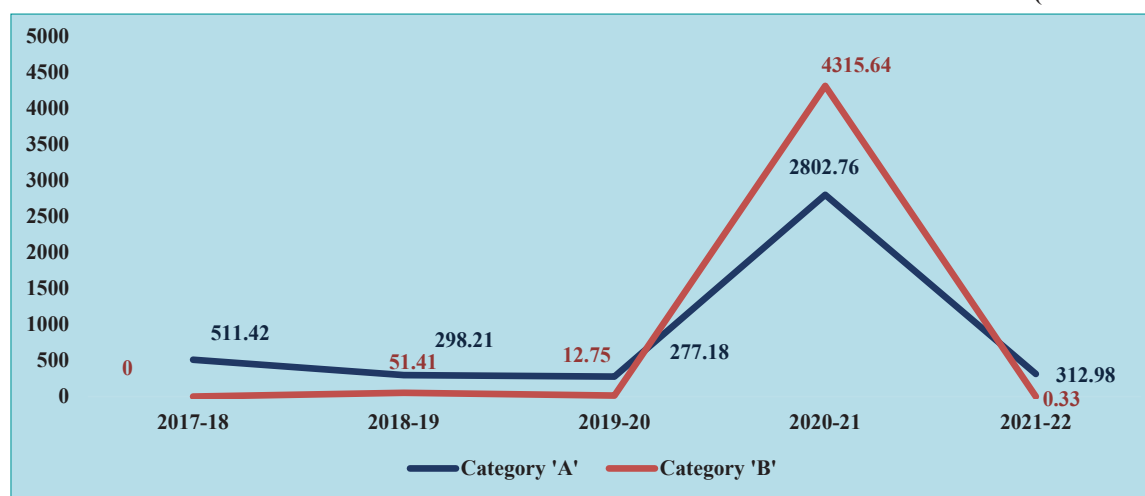
Year	Expenditure			Demands Covered	No. of targeted beneficiaries
	Category 'A' <sup>4</sup>	Category 'B' <sup>5</sup>	Total		
2017-18	511.42	0.00	511.42	14	4,40,655
2018-19	298.21	51.41	349.62	14	2,91,377
2019-20	277.18	12.75	289.93	14	6,62,432
2020-21	2,802.76	4,315.64	7,118.40	13	2,38,708
2021-22	312.98	0.33	313.31	14	1,52,613

Source: Gender Budgets of the respective year

The trend of Gender Budgetary allocations under Category 'A' and Category 'B' during 2017-18 to 2021-22 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 year

As seen from the above **Chart 3.6**, it was observed that there was substantial decrease in budgetary allocation under Category 'A' from ₹2802.76 crore in 2020-21 to ₹312.98 crore

<sup>4</sup> Budgetary allocation to schemes designed covering 100 *per cent* women beneficiaries

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

in 2021-22 and under Category 'B' from ₹4,315.64 crore in 2020-21 to ₹0.33 crore in 2021-22.

Further analysis revealed that a performance report for the year 2020-21 (Allocated ₹7,118.40 crore against 13 departments) was required to be incorporated in the Gender Budget of 2021-22 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 2021-22 due to which the actual achievement of schemes for benefit of women could not be analysed.

### 3.6.5 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. Some instances of the implementation of the budget announcements are discussed hereunder.

- In the Budget speech, the announcement was made for the infrastructure development of secondary and higher schools under Mission Shiksha. An amount of ₹51.00 crore was proposed in the Budget speech however, the same was not provided in the Original Budget, showing a mismatch between the Budget and Budget Speech. Further, Government allocated ₹0.01 crore for the infrastructure development of ME school in Sangram in the Supplementary Budget and ₹0.42 crore through re-appropriation and the department incurred ₹0.43 crore.
- An amount of ₹160.00 crore was announced in the Budget speech to Health Department to consolidate and strengthen the health system. The government provided ₹12.15 crore in Original Budget and ₹14.06 crore in Supplementary Grant. Out of ₹26.21 crore, Department incurred ₹20.67 crore only due to late receipt of DPR/ Estimates from the executing agencies.
- In the budget speech, government proposed to launch the 'Border Village Illumination Programme' with aim to establish small and micro hydel in remote border areas which can be used local grid or off grid mode and proposed to allocate ₹40.00 crore. Government instead of providing the budget separately with details of expenditure, made a lump sum provision in contravention of the rules amounting to ₹91.00 crore in capital section. The department incurred ₹84.93 crore. Further, ₹0.54 crore was withdrawn through re-appropriation where details of schemes were not mentioned. The remaining amount of ₹5.53 crore was not utilised due to non-completion of works and non-receipt of authorisation from the Finance Department. Due to lumpsum provision for implementation of the schemes announced in the budget could not be traced indicating lack of transparency.

### 3.6.6 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 the reasons for re-appropriations made during 2021-22 under various head of accounts were not explained in detail. Even in cases where the reasons were 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”, “non-approval of Scheme”, “discontinuation of Scheme”, “less claim”, “revised budget outlay” and “reduction of provision” etc.

## 3.7 Outcome of Review of Selected Grant

### 3.7.1 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 50-Secretariat Economics Services has been examined in detail and some significant observations follow.

The budget provision, expenditure incurred and savings/ Excess under the Grant 50-Secretariat Economics Services for the last five years is given in **Table 3.16**.

**Table 3.16: Year-wise budget provision, expenditure incurred and savings**

(₹ In crore)

Year	Budget Provision		Actual Expenditure		Revenue	Capital
	Revenue	Capital (O+S)	Revenue	Capital	Excess (+)	Excess (+)
	(O+S)				Savings (-)	Savings (-)
1	2	3	4	5	6	7
2017-18	27.44	749.02	27.68	389.28	(+) 0.24	359.74
2018-19	102.47	3,629.83	43.14	633.36	59.33	2,996.47
2019-20	54.41	3,437.46	45.99	412.05	8.42	3,025.41
2020-21	400.98	2,827.41	59.22	437.5	341.76	2,389.91
2021-22	109.99	2,689.65	107.67	922.32	2.32	1,767.33
<b>Total</b>	<b>695.29</b>	<b>13,333.37</b>	<b>283.7</b>	<b>2,794.51</b>	<b>411.59</b>	<b>10,538.86</b>

Source: Appropriation Accounts of the respective year

There were savings ranging between ₹8.42 crore and ₹341.76 crore under Revenue Section and ₹3.59 crore and ₹3,025.41 crore under Capital Section during the period from 2017-18 to 2021- 22. Total savings under Revenue Section was ₹411.59 crore. There were huge savings of ₹10,538.86 crore during 2017-22 under Capital section.

During 2021-22, there was significant savings of ₹1,767.33 crore under Capital Section. The details of Savings under Capital section during 2021-22 is given in **Table 3.17**.

**Table 3.17: Details of Savings under Capital Section**

(₹ In crore)

Head of Accounts	Nature of Expenditure	Original	Re-appropriation	Total Provision	Actual Expenditure	Savings
08-4070-796-01	Special Assistance for Capital Expenditure	50.00	227.50	277.50	220.79	56.71
03-4070-800-13	Scheme under CSS	700.00	(-) 700.00	0.00	0.00	0.00
03-4070-800-18	Scheme under BADP	120.72	(-) 82.65	38.07	42.69	(+) 4.62
04-4070-800-14	Scheme under infrastructure Development Fund	70.00	(-) 70.00	0.00	0.00	0.00
04-4070-800-16	Scheme under RIDF	250.00	(-) 250.00	0.00	0.00	0.00
04-4070-800-19	Scheme under MLA LAD/Untied Fund	330.00	196.00	526.00	519.05	6.95
04-4070-800-24	Creation of Assests under BA/SDS	948.93	(-) 801.93	147.00	139.78	7.22
05-4070-800-11	District Innovation Fund	25.00	(-) 25.00	0.00	0.00	0.00
07-4070-800-15	Scheme under NLCPR	195.00	(-) 195.00	0.00	0.00	0.00
<b>Total</b>		<b>2,689.65</b>	<b>(-) 1701.08</b>	<b>988.57</b>	<b>922.31</b>	<b>66.26</b>

Source: Appropriation Accounts, 2021-22

The savings under Capital Section against above scheme were mainly due to non-implementation of scheme as on 31 March 2022. Under BADP, Original provision was 120.72 crore and withdrawal of 82.65 crore through re-appropriation resulted in excess expenditure of 4.62 crore which indicates injudicious Re-appropriation.

### 3.7.2 Unnecessary/ Injudicious Re-appropriation

It was noticed that the actual expenditure under the grant (both under Revenue and Capital Sections) were not close to the budget estimates during the last five years, as there were huge variations when compared to the budget provisions as indicated in **Table 3.18**.

**Table 3.18: Persistent savings occurred during 2017-18 to 2021-22**

(₹ In crore)

Particulars	Year-wise Savings(-)/ Excess(+)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue	(+) 0.24	(-) 59.33	(-) 8.42	(-) 341.76	(-) 2.32
Capital	(-) 359.74	(-) 2,996.47	(-) 3,025.41	(-) 2,389.91	(-) 1,767.33

Source: Appropriation Accounts of respective year

It was noticed in the budget for 2021-22, in four sub-head of Capital Section, the Re-appropriation of ₹461.08 crore proved unnecessary as the department failed to utilised to total provision in respect of three Sub-Head resulted in huge savings of under three Sub heads and excess expenditure of ₹4.62 crore in one Sub-head.

### 3.7.3 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 ₹948.93 crore provided for creation of assets under Budget

Announcements/ State Development Scheme under Capital section of the grant in the budget which constitutes 35.28 *per cent* of the total budget under capital section 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. Due to lumpsum provisions, the actual execution of the schemes also suffered as ₹139.78 crore was the actual Capital Expenditure against the lumpsum provision of ₹948.93 crore and the whole amount was classified under Minor Head 800-Other Expenditure. Classification of funds under Minor Head 800, affects the transparency in financial reporting and distorts the proper analysis of allocative priorities and quality of expenditure. Thus, The State Finance Department needs to be more vigilant towards lumpsum provisioning and stop this incorrect practice.

#### **3.7.4 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 2021-22, Audit observed that a supplementary provision of ₹0.21 crore was obtained in one sub-head '3451-090-01 establishment expenses' which was totally unnecessary as total expenditure (₹6.10 crore) was less than the original budget provision of ₹7.24 crore. Since the Supplementary grant proposals were prepared by the Finance Department itself without any proposal from the department, the Finance Department had obtained the supplementary provision without analysing the actual requirement of resources for funding these items.

### **3.8 Conclusion**

- Against the total budget provision of ₹27,920.96 crore, Departments incurred an expenditure of ₹22,934.60 crore during 2021-22, resulting in overall savings of ₹4,986.36 crore, which stood at 17.86 *per cent* of total grants and appropriations. This shows poor financial management by the State.
- These savings may be seen in context of budget provisions on the expenditure side being ₹27,920.96 crore during the year 2021-22 against the estimated Receipts of ₹ 21,679.37 crore. This implied that the savings were notional, as the funds were not actually available for expenditure.
- The Supplementary Grant of ₹5,607.96 crore taken on 14 March 2022 was not required as the total expenditure as on February 2022 was only ₹13,882.11 crore (as per monthly civil accounts submitted by the Treasuries) leaving ₹8,430.89 crore with the State Government for the remaining 17 days. With the Supplementary Grant, total funds available with the State Government were ₹14,038.85 crore

which was equal to 101.13 *per cent* of the expenditure incurred during the first 11 months of the financial year. This is indicative of poor financial management.

- In four Grants, Departments incurred an expenditure of ₹272.92 crore during 2021-22, 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 2021-22, Supplementary grants of ₹94.02 crore (₹10 lakh & more in each case) provided in 12 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. Further, in respect of 64 cases, Supplementary provisions aggregating ₹5,421.07 crore proved excessive by ₹2,512.84 crore under 62 cases and inadequate by ₹11.63 crore under two cases.
- There was misclassification of ₹227.90 crore towards Revenue expenditure as Capital Expenditure and *vice-versa*.
- In 79 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 eight cases by ₹62.21 crore. Similarly, re-appropriation was injudicious in 71 cases as the expenditure fell short of the available grant proving the entire re-appropriation unnecessary.
- In 59 cases, savings (₹one crore or above in each case) during 2021-22 was ₹2,057.63 crore. Out of these, there were savings of ₹10 crore and above under 20 Grants however no part of the savings was surrendered by the concerned department. Further, there were persistent savings in 13 Grants during the last five years 2017-22, indicating lack of systemic and closer budget review by the Government.
- Savings during the year accounted for about one-fifth 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.
- Non-compliance with the rules stated not only deprives other needy Departments of resources, but also defeats the very objective of achieving efficiency in budget management, which may be an impediment to the speedy development of State as in respect of 140 cases, anticipated savings were not surrendered by the prescribed date.
- During 2021-22, there was excess over provisions in 16 Grants/ Appropriations amounting to ₹16.01 crore. In addition, excess expenditure amounting to ₹3,204.41 crore pertaining to the years from 1986-87 to 2020-21, 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.

- 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 Department (Budget).
- Performance report for the year 2020-21 (Allocated ₹7,118.40 crore against 13 departments) was required to be incorporated in the Gender Budget of 2021-22 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 2021-22 due to which the actual achievement of schemes for benefit of women could not be analysed.
- There were delays in submission of the BEs in respect of receipts and expenditures by 10 department for the year 2021-22 to 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. Thus, the formulation of BEs without taking the inputs from the DDOs of the respective departments could not be ruled out, which is indicative of the poor budgetary management and without assessing actual needs of the departments.

### **3.9 Recommendations**

- The State Government may ensure that the Budget Estimates should be formulated after taking the inputs from the respective Drawing and Disbursing Officers of the departments.
- The Government needs to view expenditure incurred without budget provision seriously and take appropriate corrective measures to strengthen the mechanism for strict compliance with the rules and Treasury Officer strictly adheres to the provisions regarding existence of the budget while passing of bills.
- 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. The Finance Department may provide supplementary grants only after proper scrutiny and realistic assessment of requirements of the concerned Departments, to avoid under or over spending by them.