

**CHAPTER IV**  
**QUALITY OF ACCOUNTS AND**  
**FINANCIAL REPORTING**  
**PRACTICES**



## Chapter IV: Quality of Accounts and Financial Reporting Practices

### 4.1 Introduction

A sound internal financial reporting system and compliance with rules and procedures contribute positively to the promotion of good governance. These also ensure that the relevant, reliable and timely financial reporting and thereby assist the State Government in meeting its responsibilities and accountability 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 2023-24.

### 4.2 Funds transferred to DDO Bank Accounts

As per Rule 290 of Central Treasury Rule, no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants. Treasuries of the Government of Arunachal Pradesh transferred funds of ₹648.44 crore to Bank Accounts maintained by 16 Drawing and Disbursing Officers (DDOs). As per information received from the State Government, as on 31 March 2024, an amount of ₹104.38 crore was still lying unspent in the Bank Accounts of these Drawing and Disbursing Officers (DDOs). Further, scrutiny of challans revealed that Bank Accounts have been opened for 13 DDOs for State CAMPA, but the details of amount transferred and unspent amount lying in the Bank Accounts of these 13 DDOs were awaited from the State Government.

The Commissioner, Finance Department, GoAP in its reply (03 April 2025) stated that the matter would be examined so as to resist the parking of fund through opening of bank account by the DDOs.

### 4.3 Non-discharge of interest liability in respect of interest-bearing Reserve Funds and Deposits

Funds in Public Account under Reserve and Deposits sections are of two categories viz., (i) interest bearing and (ii) non-interest bearing. State Government is required to pay interest on un-invested balances lying under Reserve Funds and Deposits bearing interest. During 2023-24, the State Government did not discharge interest liability of ₹59.05 crore in respect of balances lying as on 01 April 2023 in the interest-bearing Reserve Funds and Deposits, as shown in **Table 4.1**.

**Table 4.1: Details of interest-bearing Reserve Funds and Deposits**

(₹ in crore)

Funds/ Deposits	Balance On 01 April 2023	Basis for calculation of interest	Interest Due	Interest Paid	Interest short paid
Defined Contribution Pension Scheme for Government Employees	10.72	Interest calculated as per the rate of interest notified by the Government/ payable to General Provident Fund (7.10 per cent)	0.60	Nil	0.60
State Compensatory Afforestation Fund	1,600.60	Interest calculated as per the circulars issued by the Ministry of Environment, Forest and Climate Change, which is 3.35 per cent for 2023-24.	56.61	Nil	56.61
State Disaster Response Fund (SDRF)	2.61	Interest as per the rate notified by the SDRF guidelines. At present, this is taken 2.00 per cent above the average WMAs which is 8.50 per cent.	1.09	Nil	1.09
Civil Deposit bearing interest (excluding MH- 8342)	28.75	Interest calculated at the rate of 6.50 per cent, taking average Ways and Means interest rate for the year 2023-24	0.75	Nil	0.75
<b>Total</b>			<b>59.05</b>	<b>Nil</b>	<b>59.05</b>

Source: Finance Accounts 2023-24

Thus, the undischarged liability of interest in the current year was not only understated the Revenue expenditure of 2023-24 but also increased the burden on the Government's Revenue Expenditure at a future date.

#### 4.4 Funds transferred directly to the State Implementing Agencies

From 2015-16 onwards, it has been decided by the Government of India (GoI) to release all assistance related to the Centrally Sponsored Schemes (CSS)/ Additional Central Assistance (ACA) to the State Government and not directly to implementing Agencies. Contrary to this decision, the GoI transferred an amount of ₹5,565.54 crore directly to the State Implementing Agencies in the State during 2019-20 to 2023-24. Details of direct transfer of funds to the implementing agencies during the period from 2019-20 to 2023-24 is given in **Chart 4.1**.

Chart 4.1: Funds transferred directly to implement agencies during 2019-20 to 2023-24  
(₹ in crore)



Source: Finance Accounts of respective year

The Government of India was transferred the funds directly to the Implementing Agencies in the State for implementing various CSS/ programmes in Social and Economic Sectors. During 2023-24, an amount of ₹1,243.52 crore was directly transferred by GoI, which was ₹939.89 crore more than in 2019-20 (₹303.63 crore). Details of all such direct transfers are available in **Appendix-VI** of the Finance Accounts (Vol-II). Some of the major CSS/ programmes transfers (₹15.00 crore and above in each case) directly to the State implementing agencies are shown in **Table 4.2**.

Table 4.2 Major CSS/ programmes transfers directly made to Implementing Agencies in the State during 2023-24

Name of the CSS/ Programme	Amount (₹ in crore)
Rashtriya Gokul Mission	19.65
Jal Jeevan Mission (JJM)/ National Rural Drinking Water Mission	771.21
Mahatma Gandhi National Rural Guarantee Program	288.26
Krishionnati Yojana	25.75
Khelo India-National Programme for development of Sports (An Umbrella Scheme)	20.85
National AIDS Control Programme III	23.79
Border Infrastructure and Management	15.54

Source: Finance Accounts, 2023-24

Direct releases of funds were more prominent in respect of the Mahatma Gandhi National Rural Guarantee Program (₹288.26 crore) and Jal Jeevan Mission/ National Rural Drinking Water Mission (₹771.21 crore) which constitute 23.18 and 62.02 *per cent* respectively of the total directly transferred amount during 2023-24. As these funds were not routed through the Consolidated fund of the State Government, hence, the Annual Accounts did not capture the flow, utilisation and parking of such funds. Thus, the State's receipts and expenditure as well as other fiscal variables and parameters derived from the State Accounts did not present the complete picture to that extent.

## 4.5 Delay in submission of Utilisation Certificate

In terms of Rules 238 of General Financial Rules and Rule 16.9 of Manual of Standing Orders (A&E) Vol-I, Utilisation Certificates (UCs) in respect of Grants-in-Aid received should be furnished by the grantee to the authority that sanctioned it, within 12 months from the closure of the financial year or before applying for a further grant on the same object, whichever is earlier. To the extent of non-submission of UCs, there is a risk that the amount shown in Finance Accounts may not have reached the beneficiaries.

As of 31 March 2024, 561<sup>26</sup> UCs in respect of the grants amounting to ₹2,785.36<sup>27</sup> crore have not been submitted to the office of Principal Accountant General, Arunachal Pradesh, Itanagar. The year-wise details of pending UCs and amounts involved are given in **Appendix 4.1 (Part A and B)** and **Table 4.3**.

**Table 4.3: Year-wise breakup of pending UCs**

(₹ in crore)

Year	Opening		Accumulation during the year		Clearance during the year		Closing	
	No. of UCs	Amount	No. of UCs*	Amount	No. of UCs	Amount	No. of UCs	Amount
2018-19	233	1,256.47	209	1,198.05	168	819.18	274	1,635.34
2019-20	274	1,635.34	195	773.23	141	748.89	328	1,660.50
2020-21	328	1,660.50	185	1,358.48	69	746.89	444	2,272.10
2021-22	444	2,272.10	298	1,835.68	269	1,721.63	473	2,386.14
2022-23	473	2,386.14	394	2,201.17	124	852.16	743	3,735.15
2023-24	743	3,735.15	-	-	182	949.79	561	2,785.36

Source: Finance Accounts, 2023-24

\* Addition during the year, due for submission to next financial year.

Non-submission of 561 UCs means that the grantees have not yet explained whether and how the funds amounting to ₹2,785.36 crore were spent. This involves public funds provided to them for implementation of the specific programme/ 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 the funds provided as far back as 2018-19, the possibility of misappropriation of these funds cannot be ruled out. **Table 4.4** below provides the department-wise breakup of outstanding UCs for grants paid and due for submission up to the year 2023-24.

<sup>26</sup> Opening balance: 743 minus Clearance during the year: 182

<sup>27</sup> Opening balance: ₹3,735.15 crore minus Clearance during the year: ₹949.79 crore.

**Table 4.4: The Department-wise break up of Outstanding UCs, due for submission of UCs**  
(₹ in crore)

Name of the Departments	Number of UCs pending	Amount
Education	105	548.02
Home (Police)	6	5.42
Information and Public Relation	45	75.61
Social Welfare, Women and Child Development	45	38.47
Tourism	11	17.35
Civil Supplies and Consumer Affairs	17	1.33
Cultural Affairs	5	1.90
Planning Programme Implementation Economics and Statistics	9	28.42
Relief and Rehabilitation	22	367.66
District Administration	10	1.01
Health and Family Welfare	53	425.25
Rural Development and Panchayati Raj	54	850.42
Science and Technology	71	65.70
General Administration	5	2.90
Sports and Youth Affairs	40	44.12
Industries	14	1.59
Urban Development, Municipal Administration and Government Estates	43	286.41
Power	3	8.28
Textile and Handicrafts	2	0.11
Personnel Administrative Reforms, Administration and Training	1	15.39
<b>Total</b>	<b>561</b>	<b>2,785.36</b>

Source: Information furnished by Office of the Principal Accountant General (Accounts Wing), Arunachal Pradesh

Department-wise analyses of the above table revealed as following:

- There were 105 UCs amounting to ₹548.02 crore which were not submitted as on 31 March 2024. These pertained to only being 2nd, 3rd and final installment of central and state share released, GIA to Centre for Buddhist Studies, (RGU) Doimukh, for upgradation of Infrastructure of RKM, Aalo, GIA to Sainik School, Niglok, East Siang District, GIA to RKM Narottam Nagar and Dirang, GIAs to the State Council for Technical Education, Rajeev Gandhi University, Samagra Shiksha Abhiyan, schools, etc.
- There were 54 UCs amounting to ₹850.42 crore for the years 2020-21 to 2022-23 due for submission by the Department of Rural Development and Panchayati Raj as on 31 March 2024. These pertained to Central Share of PMAY-Gramin, central share of Watershed development component of Pradhan Mantri Krishi Sinchai Yojana, National Rural Livelihood Mission, Pradhan Mantri Awas Yojana.
- There were 43 UCs amounting to ₹286.41 crore for the years 2021-22 and 2022-23 due for submission by the Department of Urban Development as on 31 March 2024. These pertained to Swachh Bharat Mission (U) and Implementation of Project 15 Finance Commission.

- There were 53 UCs amounting to ₹425.25 crore due for submission by the Department of Health and Family Welfare as on 31 March 2024 which pertained to Gap fund for c/o Block-II building for increase bed strength from 300 to 500-700 bedded hospital, Mukhya Mantri Rogi Kalyan Kosh.
- There were 22 UCs amounting to ₹367.66 crore due for submission by the Department of Relief and Rehabilitation as on 31 March 2024 and these pertained to Central and State Share of SDRF, Minister Relief fund for financial assistance to medical patient/ex-gratia.

In the absence of UCs, it could not be ascertained whether the recipients had utilised the grants and if utilised, it was for the intended purpose. Huge pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds. The State would also lose out on central funds for want of UCs in due time and/or there would be delay in release of next instalment by GoI. It is imperative that the State Government strengthens the relevant internal controls and monitors this closely and hold the concerned persons accountable for submission of UCs in a timely manner.

The Commissioner, Finance Department, GoAP, in its reply (03 April 2025) stated that the matter would be taken up with the concerned departments.

## **4.6 Opaqueness in Accounts**

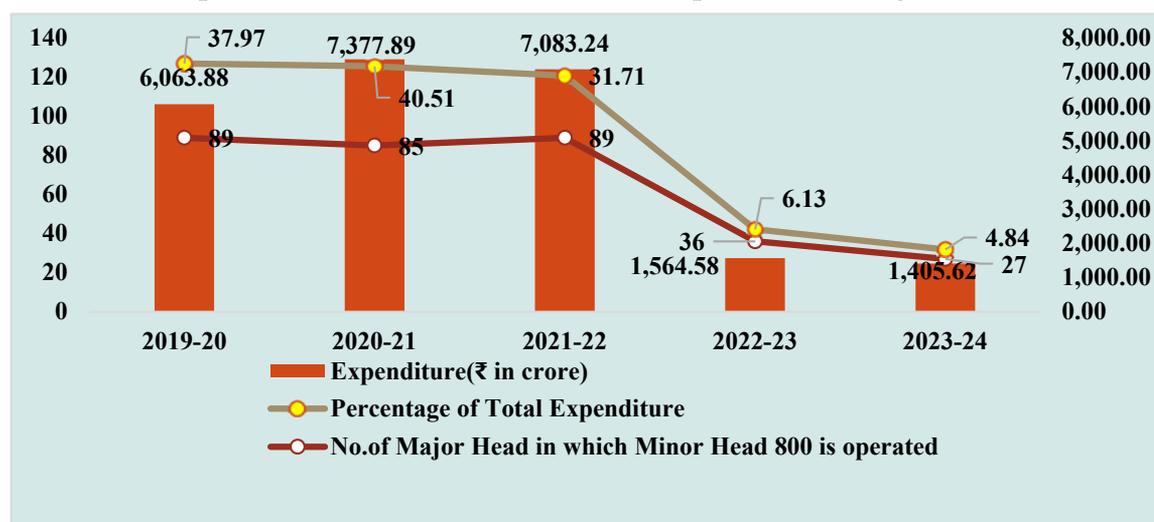
Government Accounting Rules stipulate that the classification of transactions in Government accounts, shall have closer reference to the function, programme and activity of the Government and to the object of Revenue (Receipt) or Expenditure. The omnibus Minor Head: 800 relating to Other Receipts/ Other Expenditure is to be operated only in cases where the appropriate Minor Head is not 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 the transparency of accounts and makes them opaque as the users are not able to see and understand the nature of transactions booked under Minor Head: 800.

### **4.6.1 Use of Minor Head: 800-Other Expenditure**

Government of Arunachal Pradesh has operated this Minor Head extensively during the last five-year period from 2019-20 to 2023-24. The quantum of expenditure booked under this Minor Head, as a *percentage* of total expenditure, had a decreasing trend from 2020-21 to 2023-24 as can be seen from the **Chart 4.2**. This *percentage* declined from 40.51 *per cent* of total expenditure in 2020-21 to 4.84 *per cent* in 2023-24. The

use of Minor Head 800, when seen in absolute terms, has decreased significantly by ₹4,658.26 crore (76.82 per cent) in the five-year period from ₹6,063.88 crore in 2019-20 to ₹1,405.62 crore in 2023-24. During 2023-24, the classification of Expenditure under Minor Head-800-Other Expenditure decreased by ₹158.96 crore (10.16 per cent) over the previous year (₹1,564.58 crore). During 2023-24, the State Government booked an expenditure of ₹1,405.62 crore under Minor Head: 800 against 27 Major Heads, constituting 4.84 per cent of the Total Expenditure (Revenue and Capital Expenditure). The extent of operation of Minor Head: 800 Other Expenditure, as a percentage of Total Expenditure during 2019-23 is given **Chart 4.2**.

**Chart: 4.2: Operation of Minor Head 800 - Other Expenditure during 2019-20 to 2023-24**

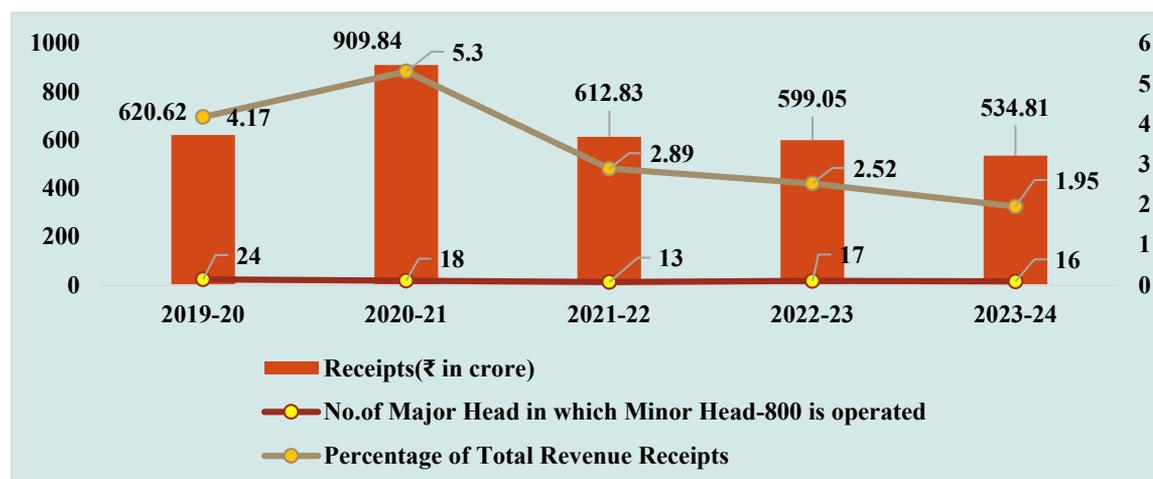


Source: Finance Accounts of the respective year

#### 4.6.2 Use of Minor Head 800-Other Receipts

Government of Arunachal Pradesh has operated this Minor Head extensively during the five-year period of 2019-20 to 2023-24. In monetary term, the Receipts classified under the Minor Head peaked at ₹909.84 crore in 2020-21 during the period from 2019-20 to 2023-24 and stood at ₹534.81 crore in 2023-24 as can be seen from the **Chart 4.3**. During 2023-24, the Revenue Receipts classified as 800-Other Receipts decreased by ₹64.24 crore over the previous year. During 2023-24, the State Government classified an amount of ₹534.81 crore under Minor Head-800 against 15 Major Heads, constituting 1.95 per cent of the total Receipts. The extent of operation of Minor Head 800 Other Receipts, as a percentage of Total Revenue Receipts during 2019-24 is given **Chart 4.3**.

Chart: 4.3: Operation of Minor Head 800 - Other Receipts during 2019-20 to 2023-24



Source: Finance Accounts of respective year

#### 4.7 Outstanding balance under major Suspense and DDR heads

Suspense heads of accounts are operated in Government accounts to reflect transactions that cannot be booked initially to their final Head of Accounts for some reason or the other. These are subsequently cleared by debit or credit when the amount is transferred 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 the 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 in **Table 4.5**.

Table 4.5: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2021-22		2022-23		2023-24	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
<b>Major Head 8658 – Suspense</b>						
101 – PAO suspense	52.53	0.05	28.18	0.05	35.84	0.05
<b>Net</b>	<b>Dr. 52.48</b>		<b>Dr. 28.13</b>		<b>Dr. 35.79</b>	
102 – Suspense Account-Civil	29.33	1.46	24.57	1.46	22.01	1.46
<b>Net</b>	<b>Dr. 27.87</b>		<b>Dr. 23.11</b>		<b>Dr. 20.55</b>	
107 – Cash Settlement Suspense Account	24.03	4.82	24.03	4.82	24.03	4.82
<b>Net</b>	<b>Dr. 19.21</b>		<b>Dr. 19.21</b>		<b>Dr. 19.21</b>	
109 – Reserve Bank Suspense– Headquarters	(-)16.49	(-)5.19	(-)10.42	(-)4.40	(-)10.42	(-)4.40
<b>Net</b>	<b>Dr. (-)11.30</b>		<b>Dr. (-)6.02</b>		<b>Dr. (-)6.02</b>	
110 – Reserve Bank Suspense – CAO	1,947.04	772.71	1,975.31	771.89	1,945.72	771.72
<b>Net</b>	<b>Dr. 1,174.33</b>		<b>Dr. 1,203.42</b>		<b>Dr. 1,174.00</b>	
112 – Tax Deducted at Source (TDS) Suspense	--	7.9	0	7.5	0	7.48
<b>Net</b>	<b>Cr. 7.90</b>		<b>Cr. 7.5</b>		<b>Cr. 7.48</b>	

Minor Head	2021-22		2022-23		2023-24	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
<b>Major Head 8658 – Suspense</b>						
113 – Provident Fund Suspense	0.25	-	0.25	0	0.25	0
<b>Net</b>	<b>Dr. 0.25</b>		<b>Dr. 0.25</b>		<b>Dr. 0.25</b>	
121 – Additional Dearness Allowance Deposit suspense account (New)	0.07	0.08	0.0067	0.08	0.0067	0.08
<b>Net</b>	<b>Cr. 0.01</b>		<b>Dr. 0.0733</b>		<b>Dr. 0.0733</b>	
123 – A.I.S Officers’ Group Insurance Scheme	0.02	0.01	0.02	0.017	0.02	0.02
<b>Net</b>	<b>Dr. 0.01</b>		<b>Dr. 0.003</b>		<b>Dr. 0.00</b>	
129- Material Purchase Settlement Suspense Account	19.58	0.02	19.58	0.02	19.58	0.02
<b>Net</b>	<b>Dr. 19.56</b>		<b>Dr. 19.56</b>		<b>Dr. 19.56</b>	
<b>Major Head 8782-Remittances</b>						
102 – P.W. Remittances	401.35	600.8	391.91	188.01	399.75	115.19
<b>Net</b>	<b>Cr. 199.45</b>		<b>Dr. 203.90</b>		<b>Dr. 284.56</b>	
103 – Forest Remittances	15.9	25.89	16.7	16.14	17.31	24.05
<b>Net</b>	<b>Dr. 9.99</b>		<b>Dr. 0.56</b>		<b>Dr. (-) 6.74</b>	
105- Reserve Bank of India Remittances	592.89	504.2	592.89	504.19	592.89	514.2
<b>Net</b>	<b>Dr. 88.69</b>		<b>Dr. 88.70</b>		<b>Dr. 78.69</b>	

Source: Finance Accounts of respective year

#### 4.7.1 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 of the Union Government, Union Territories and the Accountants General. The 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 outstanding balance under this suspense head as on 01 April 2023 was ₹28.13 crore (debit) which was mainly in respect of Ministry of Surface Transport, Regional Office, Guwahati (₹13.73 crore), Central Pensions Accounting Office, New Delhi (₹11.88 crore). and Pay and Accounts Office VI, New Delhi (₹2.22 crore). These balances are the amounts which the State Government must receive from the respective authorities of GoI and pertain mostly to old years.

During 2023-24, the Outstanding Balance under this head increased by Dr. ₹7.66 crore over the previous year.

#### 4.7.2 Suspense Account (Civil)

(Debit) from ₹28.13 crore (Debit) in 2022-23 to ₹35.79 crore (Debit) in 2023-24 due to a significant clearance of PAO suspense balance in respect of the Ministry of Surface Transport, Regional Office, Guwahati. The transactions which cannot be taken to their 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 subsequently obtain the required details and clear the balance under this suspense head before closing of the financial year so that the final receipts and expenditure figures depicted in the accounts reflect the correct figures. The Outstanding Net Balances under this head as on 01 April 2023 was ₹23.11 crore (Debit) which was mainly due to net balances of Treasury Suspense (₹19.80 crore Debit) and Objection Book Suspense (₹3.78 crore Debit). The Outstanding Balance under this head as on 31 March 2024, was ₹20.55 crore (Debit) which had reduced by ₹2.56 crore over the previous year (₹23.11 crore on 31 March 2023). This was due to the clearance of balances under Treasury Suspense by ₹3.65 crore. Figures depicted in the Annual accounts, did not reflect the correct amounts due to non-clearance of the balances under this suspense head and this balance also had the impact of understating of the Revenue Expenditure and overstating the Revenue Surplus by ₹20.55 crore.

#### 4.7.3 Reserve Bank Suspense, Central Accounts Office

When transfer of balances between Central and State Governments take place on account of sanction of loans, grants-in-Aid *etc.*, the Minor Head 110-Reserve Bank Suspense Central Accounts Office under Major Head-8658 is operated to record such transactions before taking them to their final heads of account. The net outstanding balances under this head as on 31 March 2024 was ₹1,174.00 crore with ₹1,945.72 crore (Debit) and ₹771.72 crore (Credit). This was due to the non-adjustment of advices received from the Reserve Bank of India, for want of complete classification details. Most of these balances are legacy balances pertaining to long periods.

#### 4.7.4 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 credits or debits either within the same or in another circle of accounting. Public Works Remittances of ₹284.56 crore (Debit) were lying unadjusted as on 31 March 2024. Details of unadjusted remittances are shown as under:

Head of Account	Net Balance		Pending from	Reasons for pending	Impact of clearance of Outstanding Balances on Cash Balance
Remittances into Treasuries	Dr.	349.88	Prior to 2001-02	Non-adjustment of transactions by Public Works Division	On clearance increase in cash balances.
Public Works Cheques	Cr.	67.36	Prior to 2001-02	Outstanding credits due to non-receipt of debits through treasury accounts against cheques issued by Division	On clearance decrease in cash balances.
Other Remittances	Dr.	2.04	2006-07	Due to non-adjustment of transaction by PWD	On clearance increase in cash balances
-	Dr.	284.56		-	

Source: Finance Accounts, 2023-24

It can be seen from the table above, that there was non-adjustment of Debits and Credits heads of account under remittances by corresponding Credits or Debits either within the same or in another circle of accounting. Thus, the Finance Accounts did not depict the correct and complete cash balances.

#### 4.8 Reconciliation of Accounts

It is necessary to carry out periodic reconciliation of accounts to ensure accuracy and completeness of financial accounts. Reconciliation and verification of figures enables the Chief Controlling Officers (CCOs) to exercise effective control over the budget provided and the expenditures booked there against in addition to ensuring the accuracy of accounts. Financial Rules stipulate that the receipts and expenditures recorded in the books of CCOs of Departments are to be reconciled with the books of the Principal Accountant General, every month/ quarter. The status of reconciliation of expenditure figures is shown in **Table 4.6**.

**Table 4.6: Status of Reconciliation of expenditure figures**

Years	Total No. of Controlling Officer	Fully Reconciled	Partially Reconciled	Not Reconciled	Percentage of amount reconciled
<b>Expenditure</b>					
2019-20	84	75	09	00	89.30
2020-21	84	82	02	00	97.60
2021-22	83	81	02	00	99.65
2022-23	79	75	04	00	98.38
2023-24	79	76	03	00	96.87

Source: Finance Accounts of respective year

Non-reconciliation of Accounts impacts the assurance that all transactions have been taken into the final Heads of Accounts properly. Failure to exercise this check, resulted in expenditure without budget provision, misclassification of expenditure and excess expenditure against budget provision, (details are discussed in **Paragraphs 3.5.1, 3.5.3 and 3.5.12.1**) and raises concerns over accuracy of Account. It is also a reflection of a weak internal control mechanism within the Government.

#### 4.9 Reconciliation of Cash Balances

There should be no difference between the Cash Balances of the State as per the books of Accounts of the Accountant General (Accounts) and Cash Balance as reported by Reserve Bank of India. Details of Cash Balances as per RBI and books of Accounts of the Accountant General (Accounts) and their differences are given in **Table 4.7**.

**Table 4.7: Details of year-wise Cash Balance**

(₹ in crore)

Year	Cash Balance as per RBI	Cash Balance as per Accountant General	Net Difference	Reasons for differences
		(Accounts)		
2019-20	Cr.231.55	Dr.256.96	Dr.25.41	
2020-21	Dr.20.00	Dr.7.01	Dr.27.01	Misclassification by/ Treasury
2021-22	Dr.731.98	Cr.2,063.52	Cr.1,331.54	
2022-23	Dr.728.30	Cr.945.59	Cr. 217.29	
2023-24	Dr.94.62	Cr.104.07	Cr. 9.45	
<b>Total</b>	<b>Dr. 1,343.35</b>	<b>Cr. 2,849.21</b>	<b>Cr.1,505.86</b>	

Source: Finance Accounts of respective year

As on 31 March 2024, there was a difference of ₹9.45 crore (Credit) in Annual Accounts, between the Cash Balance of the State Government, as per the books of Accounts of the Accountant General (Accounts), and the Cash Balance reported by RBI. The net RBD at the end of year reported by RBI is ₹94.62 crore (Debit) and Accountant General's figure is ₹104.07 crore (Credit). This difference is mainly due to the misclassifications and incorrect reporting by Banks/ Treasuries which need to be reconciled and rectified. It is the responsibility of the State Government to reconcile the balance with Agency Banks on a continuous basis to ensure that the amounts reported are correct and to ensure that there are no delays in reporting of transactions by the Agency Banks. However, such reconciliation was not being done, due to which there was a difference of ₹9.45 crore (Credit in Annual Accounts) and the penalty leviable on the Agency banks for not adhering to the timelines for settlement may be ascertained.

#### 4.10 End Use of Cess

Rule 5 of Building and Other Construction Workers Welfare Cess Rules 1998, 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). Further, 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.

As on 01 April 2023, the State Government was yet to transfer Cess amounting to ₹128.73 crore to the Board. Further, during 2023-24, another ₹23.41 crore was collected as Labour Cess by the State Government. However, the State Government transferred only ₹108.38 crore to the Board till 2023-24, leaving a balance of ₹43.76 crore as on 31 March 2024.

As at end of March 2024, a total of 45,976 workers were registered with the Board. Details of amount collected, and actual expenditure incurred during the period from 2019-20 to 2023-24 are shown in **Table 4.8**.

**Table 4.8: Statement of Cess Collection and Expenditure incurred (2019-20 to 2023-24)***(₹ in crore)*

Year	Opening Balance	Addition during the year		Total Fund Available	Actual Expenditure	Closing Balance
		Cess Collected during the year	Other income*			
2019-20	13.13	42.68	0.76	56.57	48.24	8.33
2020-21	8.33	53.24	0.69	62.26	54.72	7.54
2021-22	7.54	80.16	0.93	88.63	81.79	6.84
2022-23	6.84	135.03	0.72	142.59	128.34	14.25
2023-24	14.25	198.41	20.45	233.11	174.12	58.99

Source: Information furnished by the Board

\* Other income includes registration fees, interest accrued from bank account, fixed deposits etc.

As can be seen from **Table 4.8**, out of the total available fund of ₹233.11 crore in 2023-24, the APBOCWB expended ₹174.12 crore, leaving a balance of ₹58.99 crore at end of the year.

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. Scrutiny of the details of expenditure of APBOCWB for 2023-24 revealed that out of the total expenditure of ₹174.12 crore, hence, the limit of administrative expenditure would be ₹8.71 crore. But the Board incurred an expenditure of ₹9.50 crore (5.45 *per cent* of the total expenditure) in contravention of the rules *ibid*.

The remaining expenditure of ₹164.62 crore was mainly incurred by the Board on Educational Benefits (₹1.91 crore) to 695 children of the beneficiaries *i.e.* building and other construction workers, Normal Death Benefits (₹0.52 crore) to 102 beneficiaries, Accidental Death Benefits (₹0.11 crore) to 11 beneficiaries, Funeral Assistance (₹0.01 crore) to 112 beneficiaries and Marriage Benefits (₹0.03 crore) to 39 Beneficiaries *etc.*

#### 4.11 Compliance with Indian Government Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe form of accounts of the Union and of the States. In accordance with this provision, three Indian Government Accounting Standards (IGAS) have been notified to enhance the accountability mechanisms. Compliance to these Accounting Standards by Government of Arunachal Pradesh for the year 2022-23 and deficiencies therein are detailed in **Table 4.9**.

**Table 4.9: Compliance with IGAS**

IGAS	Essence of IGAS	Compliance by the State Government	Deficiencies notified in Compliance
<b>IGAS 1</b> <i>Guarantees given by Government Disclosure required</i>	This standard requires the government to disclose maximum amount of guarantees given during the year in its financial statements along with the additions, deletions, invoked discharged and outstanding at the end of the year.	Partially Complied	The Government does not follow commitment accounting and the commitments are neither recorded nor the liability against commitment recognised in accounts.
<b>IGAS 2</b> <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	Fully Complied	--
<b>IGAS 3</b> <i>Loans and Advances made by the 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	Partially 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 and interest where detailed accounts are maintained by the State were not reported.

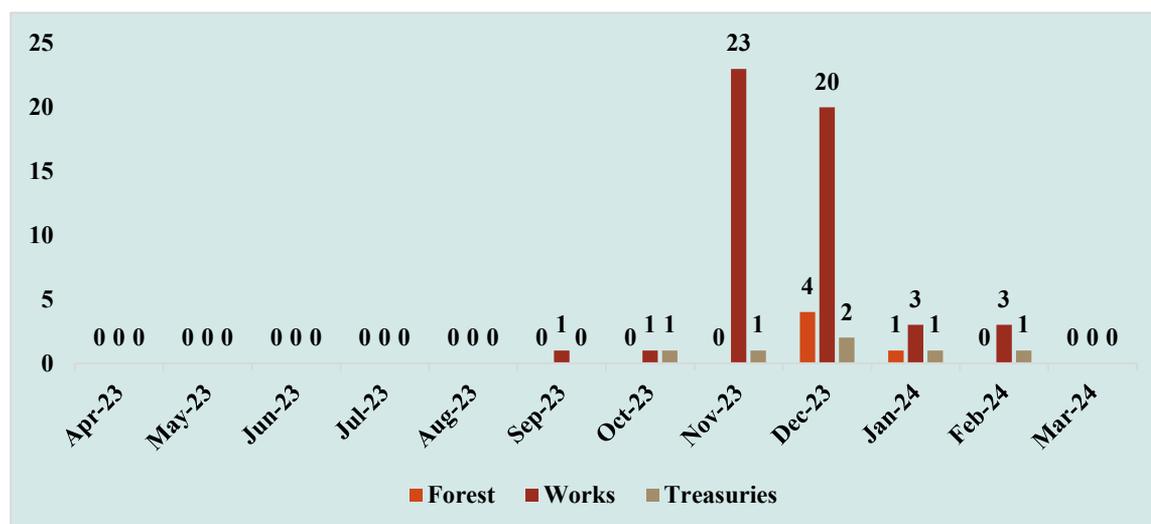
Not fully complying with IGAS would affect the objective of financial statements to present a true and fair view of the financial position.

#### 4.12 Timeliness and Quality of Accounts

The accounts of the State Government are compiled by the Principal Accountant General (Accounts) from the initial accounts rendered by the district treasuries, sub-treasuries, Resident Commissioners, public works divisions and forest divisions, apart from the RBI advices. There are often delays in rendition of monthly accounts. Due to the failure of the account rendering units to furnish accounts on time, some accounts are excluded from the monthly Civil Accounts by the Principal Accountant General office.

In Arunachal Pradesh, the Principal Accountant General is required to compile the accounts of the State Government, from the initial accounts rendered by the 38-District Treasuries/ Sub-treasuries, 54-Public Works Divisions, 37-Public Health Engineer, 35-Power Divisions, 20-Hydro Power Divisions, 28-Urban Divisions, 31-Rural Works Divisions, 29-Water Works Divisions and 48-Forest Divisions, apart from the RBI advices. During 2023-24, there were delays in rendition of monthly accounts that resulted in few accounts being excluded from the monthly civil accounts. Details of accounts of works divisions excluded from the monthly Civil Accounts are given **Chart 4.4**.

Chart 4.4: Month-wise exclusion of Accounts from the monthly Civil Accounts



Source: Information furnished by Office of the Principal Accountant General, AP

As can be seen from the **Chart 4.4** above, during 2023-24, the Public Works Divisions were the major units that delayed the rendition of monthly accounts. Consequently, receipts and expenditure relating to these divisions/ units could not be incorporated in the Civil Accounts in the month of occurrence of the transaction. Due to the failure of the accounts rendering units to furnish accounts on time, these accounts were excluded from the corresponding Monthly Civil Accounts by the Principal Accountant General, Arunachal Pradesh in 11 months of 2023-24, except for March 2024. Therefore, the monthly accounts indicating the receipts and disbursements of the State during these months, rendered by the Principal Accountant General to the State Government were incomplete in all the months, except for the month of March 2024. However, no accounts have been excluded at the end of the year.

Exclusion of accounts not only distorts the budgetary position of the Government, but also impacts government functions like monitoring of fund flow to the last mile of implementation, planning the pacing of expenditure on developmental programmes, providing intended benefits to the targeted beneficiaries, monitoring the functioning of departments *etc.* during the year.

The State Government needs to monitor closely and ensure the 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.

#### 4.13 Submission of Annual Accounts by Autonomous Bodies

Audit of Accounts of Autonomous Bodies (ABs) set up by the State Government is conducted under Section 19 or 20 of “Comptroller and Auditor General of India (Duties, Powers and Conditions of Service Act) 1971”.

There were four Autonomous Bodies coming under the audit purview of the Principal Accountant General, Arunachal Pradesh as per Section 19 or 20 of the CAG’s DPC Act,

which were required to submit their Annual Accounts to CAG before 30 June every year. However, there were delays in submission of Annual Accounts by such ABs to Audit ranging from one to nine years as of September 2024. Details of arrears in accounts submission by ABs is given in **Table 4.10**.

**Table 4.10: Details of Arrears of Accounts**

Sl. No.	Name of the State Autonomous Bodes/ Authorities	Accounts pending since	No. of Accounts pending as of September 2024
1.	Arunachal Pradesh State Legal Services Authority	2023-24	01
2.	Arunachal Pradesh State Electricity Regulatory commission	2023-24	01
3.	Arunachal Pradesh State Compensatory Afforestation Fund Management and Planning Authority	2015-16	09
4.	Arunachal Pradesh Building & Other Construction Worker's Welfare Board	2023-24	01
<b>Total</b>			<b>12</b>

Source: Information furnished by the Commercial wing of the Office of the Pr. Accountant General, AP

As can be seen from the above table, the Annual Accounts of four ABs (12 Accounts) were not submitted to audit as of September 2024. Further, 09 Accounts of CAMPA were pending from 2015-16 onwards. The State Forest Department which has the responsibility to oversee the activities of CAMPA, did not take effective actions to clear the huge arrears in submission of accounts.

Delays in the submission of accounts to audit reflects weak internal controls and inadequate monitoring by the State Government in addition to the lack of accountability from these Autonomous/ Authorities for the funds released by the State Government. It may also make the system vulnerable to fraud and leakage of public money.

#### **4.14 Submission of Accounts by SPSEs need for timely submission**

Section 96 (1) of the Companies Act, 2013 provides that the financial statement of the companies is to be finalised within six months after the end of the financial year *i.e.* by 30 September of the next financial year. Further, under Section 394 of the Act, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. This mechanism provides the necessary Legislative control over the utilisation of public funds invested in the companies from the State budget.

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

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

Despite above provisions, there was pendency in submitting the annual accounts by the SPSEs as on 30 September 2024, as discussed below.

#### 4.15 Timeliness in preparation of Accounts by SPSEs

The details relating to finalisation of accounts by six working SPSEs during the last five years as of 30 September of respective year are given in **Table 4.11**.

**Table 4.11: - Position relating to finalisation of accounts of working SPSEs**

Sl. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
1.	Number of Working SPSEs/ other companies	6	6	6	6	6
2.	Number of accounts finalised during the year	2	3	5	16	7
3.	Number of accounts in arrears	46	49	50	40	39
4.	Number of working SPSEs with arrears in accounts	6	6	6	6	6
5.	Extent of arrears (numbers in years)	1 to 20	1 to 21	1 to 22	2 to 16	2 to 17

*Source: As per latest finalised accounts of SPSEs*

As can be observed from the above Table, the number of accounts in arrears has shown an increasing trend during the period from 2019-20 to 2021-22 but decreased in 2023-24 due to finalization of 07 accounts by SPSEs in 2023-24. Out of the total 39 accounts in arrears as on 30 September 2024, 28 Accounts pertained to two SPSEs *viz.*, Arunachal Pradesh Mineral Development and Trading Corporation Limited (17 Accounts) and Arunachal Pradesh Forest Corporation Limited (11 Accounts). The earliest Accounts in arrears was since 2006-07, which related to Arunachal Pradesh Mineral Development and Trading Corporation Limited.

The Administrative Departments, which have the responsibility to oversee the activities of the SPSEs, have to ensure that the SPSEs finalise and adopt their accounts within the stipulated period. In view of the position of arrears of accounts indicated above, the actual contribution of SPSEs to the GSDP for the year 2023-24 could not be ascertained and their contribution to State exchequer could not be reported to the State Legislature.

#### 4.16 *Suo-motu* Action Taken Notes

In his Audit Reports on the Finances of the GoAP, the Comptroller and Auditor General of India has been flagging year after year, issues of concern relating to the 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. 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. *Suo motu* explanatory notes on the observations (348 paragraphs) made in the Audit Reports have not been provided by any of the concerned departments, indicating that none of the concerned departments complied with the instructions laid by the Finance Department.

#### **4.17 Discussion of SFAR by the PAC**

Public Accounts Committee was held on 27 August 2024 and 22 and 23 October 2024 however, no Audit Findings incorporated as Paragraphs in the State Finances Audit Report (SFAR), was discussed.

#### **4.18 Conclusion**

- Non-submission of Utilisation Certificates by Departments for funds drawn for specific developmental programmes/ projects and was violative of prescribed financial rules and directives. Also, huge pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds.
- non-submission of accounts by Autonomous, Development Bodies and Authorities was violative of prescribed financial rules and directives. This points to inadequate internal controls and deficient monitoring mechanism of the State Government.
- Exclusion of accounts not only distorts the budgetary position of the Government but also impacts its monitoring of fund flow to the last mile of implementation, its planned pacing of expenditure on developmental programmes.
- Delayed rendering of accounts by the account rendering units/ authorities distorted the accurate depiction of monthly transactions of the State and impacted effective budgetary management.
- Delays in the submission of accounts to audit reflects weak internal controls and inadequate monitoring by the State Government in addition to the lack of accountability from these Autonomous/ Authorities for the funds released by the State Government. It may also make the system vulnerable to fraud and leakage of public money

#### **4.19 Recommendations**

**The Government may-**

- ensure timely submission of Utilisation Certificates by the departments in respect of the grants released for specific purposes. Also, the State Government strengthens the

relevant internal controls and monitors this closely and hold the concerned persons accountable for submission of UCs in a timely manner.

- monitor closely and ensure the rendition of accounts by all the account rendering authorities to the Principal Accountant General on timely basis to manage its own budget more effectively.
- evolve a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position.

**Itanagar**  
**The 06 May 2025**

  
**(VANLAL CHHUANGA)**  
**Principal Accountant General (Audit)**

*Countersigned*

**New Delhi**  
**The 09 May 2025**

  
**(K. SANJAY MURTHY)**  
**Comptroller and Auditor General of India**

