

# EXECUTIVE SUMMARY

## BACKGROUND

This Report on Finances of the Government of Arunachal Pradesh is brought out with a view to objectively assess the financial performance of the State during 2015-16. The aim of this Report is to provide the State Government with timely inputs based on actual data so that there is a better insight into both 'well performing' as well as 'ill performing' Schemes/ Programmes of the Government. To give a perspective to the analysis, an effort has been made to compare achievements with targets envisaged by the State Government in the Budget Estimates of 2015-16 and projections made by the 14<sup>th</sup> Finance Commissions.

Based on audited accounts of the Government of Arunachal Pradesh for the year ending March 2016, this Report provides an analytical review of the Annual Accounts of the State Government. The Report is structured in three Chapters.

## THE REPORT

**Chapter I** is based on the audit of Finance Accounts and makes an assessment of the fiscal position of the Government of Arunachal Pradesh as on 31 March 2016. It provides an insight into the trends in committed expenditure and borrowing patterns.

**Chapter II** is based on audit of Appropriation Accounts and gives a grant-by-grant description of appropriations and the manner in which allocated resources were managed by service delivery Departments.

**Chapter III** is an inventory of compliance to various reporting requirements and financial rules by the Government of Arunachal Pradesh.

## AUDIT FINDINGS AND RECOMMENDATIONS

### ➤ Return to Fiscal Correction

During 2015-16, the State maintained all the fiscal parameters as Surplus. During the current year, while the Revenue Surplus increased by 10.65 *per cent*, Fiscal Surplus and Primary Surplus showed marginal decrease.

### ➤ Revenue Receipts

Revenue Receipts during 2015-16 grew by 15.51 *per cent* (₹ 1417.05 crore) over the previous year. Tax Revenue was 19.78 *per cent* lower than the assessment made by the XIV Finance Commission, however, it was 5.42 *per cent* higher than the assessment made in the Budget Estimates for the year. Collection of Non-Tax Revenue during 2015-16 was lower than the Budget Estimates (20.36 *per cent*).

Central Transfers comprising of the State Share of Central Taxes and Grants-in-Aid from the GoI increased by ₹ 1409.66 crore in 2015-16 and contributed about 91 *per cent* of Revenue Receipts during the year. As such, the State primarily depends on resources transferred by the Central Government. The State's own resources as a percentage of Total Receipts declined from 12.34 *per cent* in 2011-12 to 8.79 *per cent* in 2015-16. This indicates that Central Transfers were the key to the increase in Revenue Receipts of the State.

### ➤ Revenue and Total Expenditure

Revenue Expenditure of the State during 2015-16 increased by ₹ 1206.15 crore over the previous year and constituted 80.65 *per cent* of the total expenditure during the year. Non-Plan Revenue Expenditure during 2015-16, which increased by ₹ 1413.70 crore compared to the previous year, also marginally exceeded the budget estimates assessment made by the State Government by around 1.23 *per cent*. Committed Expenditure, *viz.*, Salaries, Pensions, Interest Payments and Subsidies, constituted more than 49 *per cent* of the Revenue Expenditure during 2015-16.

### ➤ Capital and Development Expenditure

The State Government had given adequate thrust to Capital Expenditure in its budget for 2015-16, but failed to fulfill its commitment. Capital Expenditure during the current year increased over the previous year but fell short of the Budget Estimates by about 30.45 *per cent*. Development expenditure increased by 16.19 *per cent* over the previous year, but fell short of the assessment made in the Budget Estimates by 7.11 *per cent*. However, out of development expenditure, only 22 *per cent* was utilized for Capital expenditure.

### ➤ Debt Sustainability

Fiscal Liabilities which stood at 30.27 *per cent* of the GSDP in 2015-16, was lower than the limit prescribed by the XIV Finance Commission, i.e., steady reduction in augmented Debt Stock of States to less than 33.96 *per cent* of GSDP by 2015-16. These liabilities were around 56 *per cent* of Revenue Receipts. The overall liability was about 5.95 times the State's own receipts at the end of 2011-12, whereas it has become more than six times the State's own resources at the end of March 2016, which is a matter of concern.

The maturity profile of outstanding stock as on 31 March 2016 shows that 49.06 *per cent* of the loans are in the maturity bucket of within seven years, which is high.

*The State Government should make efforts to reduce its Fiscal Liabilities with better debt management keeping in view high repayment liabilities within coming seven years.*

### ➤ **Financial Management and Budgetary Control**

In 2015-16, there were net savings of ₹ 3912.54 crore, which was the result of savings of ₹ 4387.04 crore, offset by excess of ₹ 474.50 crore. The excess of ₹ 474.50 crore, needs to be regularized, as per Article 205 of the Constitution. There were substantial persistent savings in eight Grants for the last five years. There were instances of inadequate provision of funds, expenditure without provision, unnecessary/excessive/inadequate re-appropriations. In many cases, anticipated savings were not surrendered, leaving no scope for utilizing the fund for other development purposes. Detailed Countersigned Contingent bills were not submitted for a large amount of advances drawn on Abstract Contingent Bills.

*All departments may closely monitor the expenditure against the allocations and excess expenditure over allocations be avoided to the extent possible. Funds may be surrendered well before the close of the year so as to enable their utilization for other development schemes.*

### ➤ **Financial Reporting**

Compliance to rules, procedures and directives of the State Government was unsatisfactory, as evident from the delay in furnishing Utilization Certificates for grants given to/by Government Departments. There were inordinate delays in submission of Annual Accounts by various Autonomous Bodies.

*Internal Control in all Departments/Organizations should be strengthened.*

