

CHAPTER-III
Financial Management
and Budgetary Control

Chapter III: Financial Management and Budgetary Control

3.1 Introduction

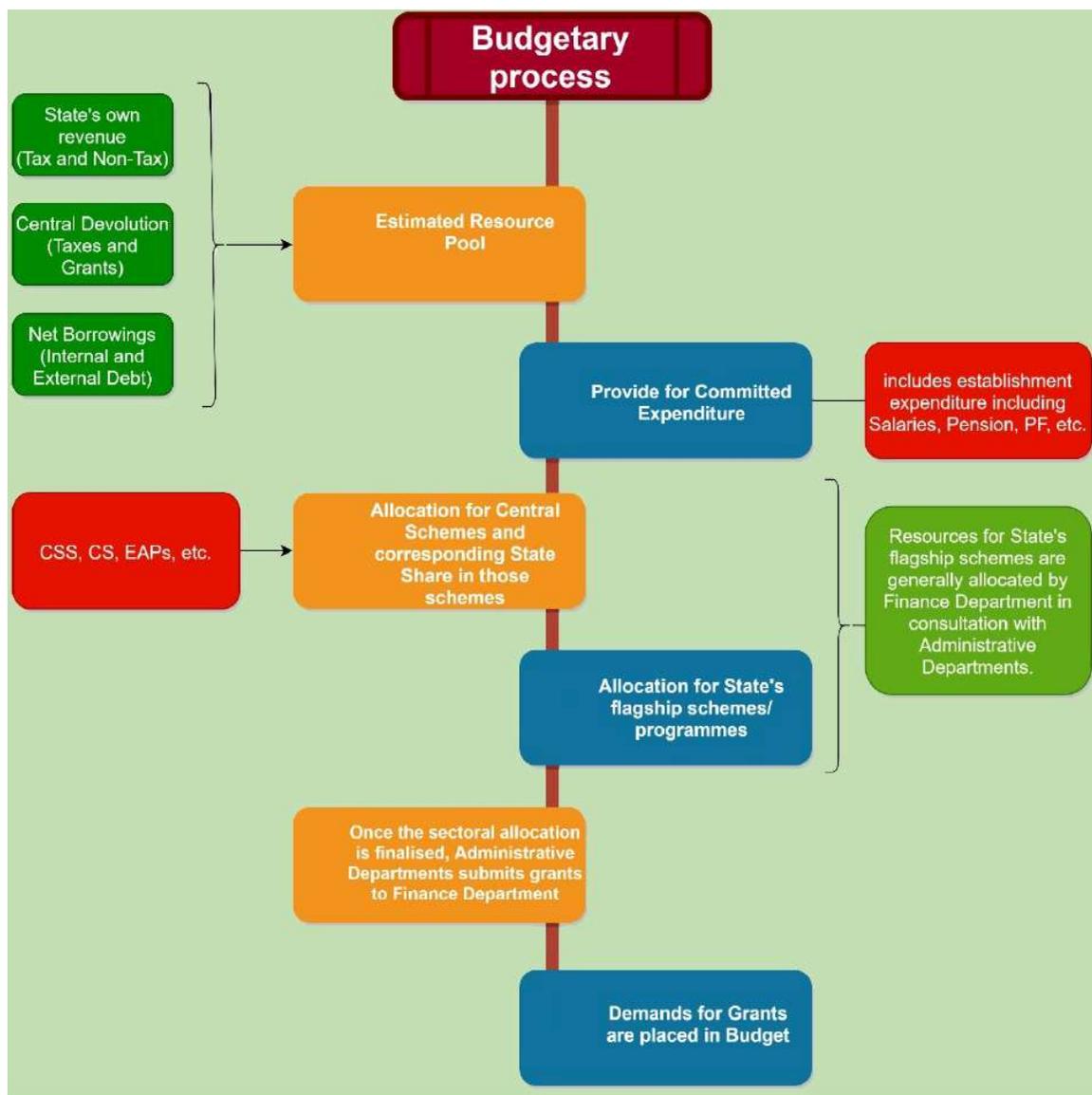
Effective financial management ensures that decisions taken at the policy level are implemented successfully at the administrative level without wastage or diversion of funds. This Chapter reviews the allocative priorities of the State Government and comments on the transparency of budget formulation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

3.2 Budget Preparation Process

The GoAP has not yet prepared a Budget Manual, detailing the processes involved in budget formulation exercise, roles and responsibilities of the persons entrusted with the preparation and implementation of budget, timelines for preparation and submission of budgetary estimates, requirements of supplementary budget, mode of seeking re-appropriations within Grants, assessment of savings, surrenders *etc.* and monitoring and controls to be exercised by the Controlling Officers at all stages of budget preparation and implementation.

In the absence of a Budget Manual, the Government has been following the General Financial Rules, various provisions of the Constitution of India and guidelines issued by the Central and 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 84 Demands for Grants. Normally, every Department has one Demand for Grant, to ensure that the Head of the Department takes responsibility for implementing the policy decisions and expending public funds for the intended purposes.

Supplementary or additional Grant/ Appropriation is provided during the course of the financial year for meeting expenditure in excess of the originally budgeted amount or for incurring the expenditure on the items which are not envisaged in the budget. Further, the State Government also re-appropriates/ re-allocates funds from various Units of Appropriation where savings are anticipated, to Units where additional expenditure is envisaged (within the Grant/ Appropriation) during the year. The Budgetary process of the State Government is depicted below:



3.3 Annual Budget 2020-21

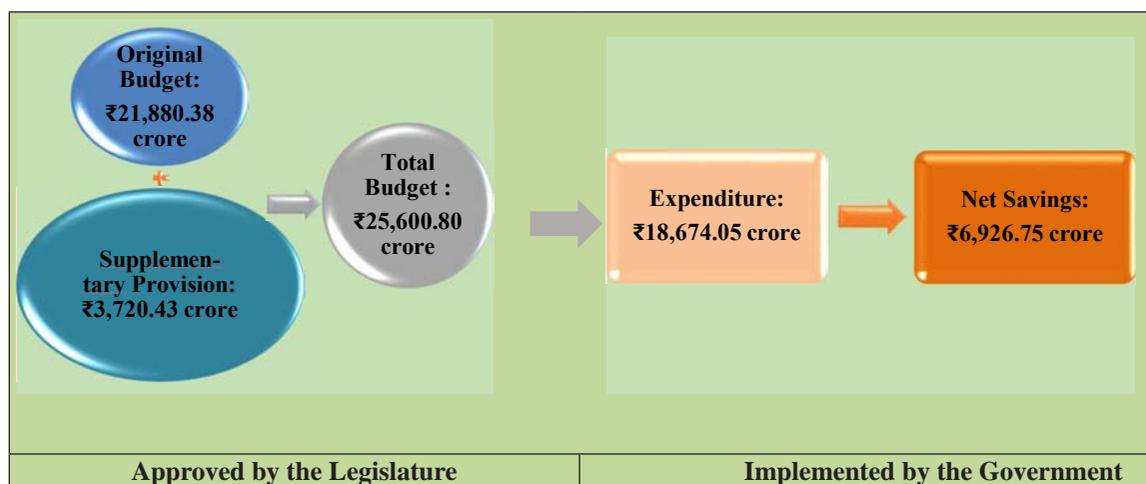
Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amount of voted Grants and Appropriations charged for different purposes as specified in the Schedules appended to the Appropriation Act. These Accounts list the original Budget Estimates (BEs), Supplementary Grants, Surrenders and Re-appropriations distinctly, and indicate the actual capital and Revenue Expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget. The reasons for variation between the actual expenditure and the amounts approved by the Legislature are also explained briefly. The Appropriation Accounts, thus, capture the data along the entire process of budget formulation and implementation.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is

so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

The total amount approved by the State Legislature including the Original and Supplementary budgets, expenditure and savings during the year 2020-21 is given in **Chart 3.1**.

Chart 3.1 Summary of Budget and Expenditure of Arunachal Pradesh for 2020-21



Source: Appropriation Accounts, 2020-21

The budget provision (₹25,600.80 crore) for the year 2020-21 was more than the budget provision approved by the Legislature in the previous year (₹23,487.09 crore) by ₹2,113.71 crore. The savings in the current year was more than the Supplementary Provision indicating that the entire Supplementary provision was unnecessary and could have been limited to token provisions for the schemes which were not included in the Original budget formulation. The actual expenditure fell short of the amount approved by the Legislature by ₹6,926.75 crore constituting about 27.06 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 (₹18,674.05 crore) during the year 2020-21 was excess of the actual expenditure (₹16,281.40 crore) of the previous year by ₹2,392.65 crore.

The above **Chart** indicates that the Supplementary Grant of ₹3,720.43 crore was not required as Supplementary Grant was taken on 06 March 2021 and Total Expenditure as on February 2021 was only ₹16,442.94 crore as per Monthly Civil Accounts submitted by the Treasuries, leaving ₹5,437.44 crore with the State Government for the remaining 25 days. With the Supplementary Grant, total funds available with the State Government were ₹9,157.87 crore which was equal to 56 per cent of the expenditure incurred during the first 11 months of the financial year. This was indicative of over estimation and 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 its further bifurcation into voted/charged is given in **Table 3.1**.

Table 3.1: Budget provision, actual disbursement and savings/ excess during the financial year
(₹ in crore)

Budget Provision		Disbursement		Savings		Excess	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
23,966.92	1,633.88	17,395.43	1,278.62	6,580.36	355.26	8.87	0.00

Source: Appropriation Accounts, 2020-21

There was an overall savings of ₹6,935.62 crore offset by excess of ₹8.87 crore during the year 2020-21 resulting in net savings of ₹6,926.75 crore which was 16 per cent of total Grants/ Appropriations and 19 per cent of the expenditure.

These savings may be seen in context of over estimation of Receipts of ₹21,999.20 crore by the State Government and estimation on the expenditure side being ₹25,600.80 crore during the year 2020-21. 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 2020-21 along with the trend analysis during the last five years is given in **Table 3.2**.

Table 3.2: Year-wise details of disbursement

Year	Disbursement		Savings(-)/Excess (+)	
	Voted	Charged	Voted	Charged
2016-17	10,381.00	1,155.32	(-)4,379.18	(-)400.29
2017-18	13,403.00	1,123.37	(-)5,286.96	(-)327.90
2018-19	17,386.20	1,070.97	(-)7,847.07	(-)503.93
2019-20	15,046.85	1,234.55	(-)6,938.94	(-)266.76
2020-21	17,395.43	1,278.62	(-)6,571.49	(-)355.26

Source: Appropriation Accounts of the respective years

As could be seen from the **Table 3.2**, there were substantial savings in all the five years in the voted and charged section. This was due to short receipt of fund by ₹4,332.71 crore (share in Union taxes and duties *plus* GIA) from GoI against Budget Estimate (₹19,188.59 crore). During the current year, the actual devolution of all sharable taxes was also less by ₹4,578.52 crore against the projection of XV FC (₹15,051.10 crore), indicating that the expenditure was estimated without assessment of the availability of the resources to meet the expenditure, resulting in huge savings

As against the total savings of ₹6,926.75 crore during the year 2020-21, ₹4,228.32 crore (61.04 per cent) occurred in nine Grants/ Appropriations (details in **Table 3.7**) indicating serious weakness in the budget formulation in these Grants/ Appropriations. Non-receipts of fund from GoI as per the recommendations of XV FC as well as BEs also had an impact on implementation of the various schemes announced by the Government from time to time. During the year, 102 schemes encompassing 54 departments (**details in Appendix 3.9**) could not be implemented due to non-receipt/ late receipt of authorisation from the Finance Department and non-sanction of the schemes, resulting in a savings of ₹3,594.89 crore constituting 19.25 per cent of the total disbursements made during the year. In the earlier years also, there were 161 schemes under 62 departments which could not be

implemented due to short release of share in union taxes and duties Non-implementation of large number of schemes, due to non-availability of resources, indicating that State Government had estimated more devolution of revenue from the Centre which impacted adversely on developmental aspirations envisioned in the budget.

Gross savings of ₹6,935.62 crore in 77 Grants and four Appropriations under Revenue Section and 58 Grants and one Appropriation under Capital Section were offset by excess expenditure of ₹8.87 crore in one Grant under Capital 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 ₹0.92 crore was incurred in three schemes under four 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 2020-21

(₹ in crore)

Sl. No.	Grant/ Appropriation No. and Name	Head of Accounts	Expenditure	Name of Schemes/ Sub-Heads
1	6-District Administration	3451-102-07	0.30	Schemes under State Annual Development Agenda
2	7-Treasury and Accounts Administration	2235-60-104-01	0.39	Deposit linked Insurance Scheme
3	22-Food and Civil Supplies	2408-02-800-01	0.15	Grants towards National Food Security Act
4	25-Relief, Rehabilitation and Re-settlement	2551-60-800-01	0.08	Establishment Expenses
Total			0.92	-

Source: Appropriation Accounts, 2020-21

The drawal of money in the above grants was in violation of the provisions of the Constitution. It was the responsibility of the sanctioning authority to ensure that required funds are available by way of provision in the budget before issuing the sanction orders. The authorities while issuing sanctions for incurring the expenditure from the Government account against the schemes mentioned in **Table 3.3** could not ensure existence of budget before issuing such sanction orders. While it was the duty of the Treasury Officer to ensure existence of the budget before admitting the bills, however, the Treasury Officers passed the bills based on those sanction orders without any budget provision against those schemes. This shows that bills were passed in treasuries without proper verification of existence of provision in the Budget and strict compliance to the prescribed rules was not ensured. Since such instances are being found repeatedly, the Government needs 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.

3.4.2 Supplementary Provision

The General Financial Rules permits obtaining a Supplementary Grant/ Appropriation if the budgetary provision falls short and a commitment for expenditure has already been made under the orders of the competent authority or expenditure is required to be made against the sub-heads for which no budget provision was made. The State Legislature approved one supplementary of ₹3,720.43 crore in 64 Grants/ Appropriations for the year 2020-21. Audit analysis of utilisation of the supplementary allocations showed that a provision of only ₹2,490.21 crore was required in 37 Grants/ Appropriations where the final expenditure exceeded the original budget provision. Details relating to the actual expenditure incurred against the original budget allocation and Supplementary provision are given in **Appendix 3.1**. Since the supplementary was Cash Supplementary which is over and above the original budget provision and resulted in enhancement of the allocation for the Demand/ Grant, obtaining such approval without properly assessing the requirements resulted in large savings at the end of the year proving that ₹1,230.22 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.

3.4.3 Unnecessary or Excessive Supplementary Provision

Supplementary provision aggregating ₹1,096.68 crore (₹10.00 lakh or more in each case) obtained in 12 Grants during 2020-21 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. Also, the Finance Department did not release funds as mentioned in **Paragraph 3.4.8**. The position of some of the grants where the total Supplementary provision of more than ₹10.00 crore obtained in each of the items was unnecessary is given in **Table 3.4**.

Table 3.4: Unnecessary Supplementary Provision

(₹ in crore)					
Sl. No.	Grant/ Appropriation No. and Name	Original	Supplementary	Actuals	Savings out of original Provisions
Revenue- Voted					
1	15-Health and Family Welfare	933.00	41.47	908.38	24.62
2	68-Town Planning Department	177.81	100.55	108.50	69.30
3	76-Elementary Education	1,013.53	49.07	994.88	18.66
Capital Voted					
3	32-Roads and Bridges	950.00	291.77	889.93	60.07
4	34-Power	188.76	22.38	152.92	35.84
5	59-Public Health Engineering and Water Supply	279.30	39.38	224.55	54.75
Capital Charged					
6	84-Public Debt	544.39	32.16	259.49	284.90
Total		4,086.70	576.78	3,538.65	548.14

Source: Appropriation Accounts 2020-21

In Grant No.68-Town Planning Department, against one sub-head, the original provision was ₹111.00 crore against which the actual expenditure was only ₹77.95 crore. However, the Department obtained supplementary grants for ₹85.68 crore, and the entire Supplementary Grant proved unnecessary as the expenditure fell short of even the original provision. It was stated that this was due to non-sanction of schemes by the Finance Department, Government of Arunachal Pradesh.

Under Grant No. 84-Public Debt, in one sub-head (6003-110- 'Ways and Means Advances from the Reserve Bank of India'), the original provision was ₹300.00 crore against which no expenditure was incurred. However, during the year, the Department obtained supplementary grants for ₹12.00 crore and the entire supplementary grant proved unnecessary as no expenditure was incurred against the sub head.

3.4.4 Excessive or Inadequate Supplementary Provision

During 2020-21, excessive or inadequate Supplementary Provisions (₹One crore and above in each case) ranged between one to more than 100 *per cent* of the Supplementary Provisions in 72 cases as detailed in *Appendix 3.3*.

Table 3.5: Range of excessive or inadequate Supplementary provisions

(₹ in crore)

Range of Supplementary Provisions (excess/ less)	Details of Supplementary Provisions		Number of Cases
	Total	Excess (+)/ Less (-)	
0-20 <i>per cent</i>	2,159.83	236.50	10
21-40 <i>per cent</i>	228.75	55.43	5
41-60 <i>per cent</i>	527.18	304.66	5
61-80 <i>per cent</i>	84.32	55.78	1
More than 81 <i>per cent</i>	584.16	5,253.35	51
Total	3,584.24	5,905.92	72

Source: *Appropriation Accounts, 2020-21*

Further, under 72 Cases, Supplementary Provisions aggregating ₹3,584.24 crore proved excessive by ₹2,321.68 crore.

3.4.5 Error in Classification of Expenditure

Expenditure relating to minor works, repairs and Grants-in-Aid is to be classified as Revenue Expenditure. Capital Expenditure is incurred with the object of increasing concrete assets of a material and permanent character or reducing permanent liabilities. As per Government Financial Rules read with Indian Government Accounting Standard, subsequent charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses shall be classified as Revenue Expenditure.

As per Detailed Appropriation Accounts for the year 2020-21, the State Government, however, made budget provision and incorrectly incurred ₹76.08 crore for maintenance of Transmission Line including Sub-Stations and maintenance of various Water Supply schemes under Capital Section instead of booking the same under Revenue Section as

per details given in **Appendix 3.4 A** which had the impact of understating the Revenue Expenditure and overstating the Revenue Surplus as detailed given in **Table 3.6**.

Table 3.6: Maintenance expenditure classified as Capital Expenditure

(₹ in crore)

Sl. No.	Major Head	Sub Major Head	Minor Head	Sub Head	Amount
1	4801	80	800	06	32.43
2	4215	01	800	02	43.65
Total					76.08

Source: Detailed Appropriation Accounts, 2020-21

The Government while issuing sanctions for implementation of the schemes did not strictly adhere to the Government Accounting Rules, 1990 with regard to classification of expenditure, which resulted in misclassification of Revenue Expenditure as Capital Expenditure and *vice-versa*. Even the Treasury Officers while passing the bills did not take up the matter with the appropriate authority and rectify the misclassification.

The State Government in its reply (January 2022) stated that corrective measures have already been taken to rectify the misclassifications in future.

3.4.5.1 Non-Classification of Expenditure

As per para 25(1) of the GFR 2017, all sanctions shall indicate the details of the provision in the relevant grant or appropriation from which the expenditure has to be met. A test check of the sanctions issued by the Government indicated that six sanction orders issued by the Government involving ₹2.66 crore (details in **Appendix 3.4 B**) did not indicate the provision in the grant or appropriation from which the expenditure was to be met or the head of account under which the expenditure was to be classified. Non-observance of instructions has resulted in booking of expenditure without budget provision by the Drawing and Disbursing Officers (DDOs).

3.4.6 Excessive/ Inadequate/ Unnecessary Re-appropriation of Funds

Re-appropriation is transfer of funds within a Grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. The authority issuing the re-appropriation order should assess the requirement of funds, expenditure incurred as on the date of issue of re-appropriation of funds, potential savings/ excess, *etc.* along with reasons for such re-appropriation, before issuing such order. It was noticed that such an exercise was not done diligently in many cases proving that either the re-appropriation itself was unnecessary or could have been issued for a different amount to avoid savings/ excess at the end of the financial year. During test check, it was noticed that in as many as 102 cases (details depicted in **Appendix 3.5**), 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 seven cases by ₹619.14 crore. Similarly, re-appropriation was injudicious in 95 cases as the expenditure fell short of the available grant proving the entire re-appropriation unnecessary.

3.4.7 Appropriation vis-à-vis Allocative Priorities

For preparing the budget, the estimating authorities are expected to assess their receipts and expenditure requirements with good care. They are required to be judicious to avoid any 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 appropriation audit showed that savings aggregating ₹1,562.34 crore in 30 cases (Revenue) and ₹4,090.63 crore in 44 cases (Capital) exceeded ₹One crore in each case and more than 20 per cent of the total provisions, details are given in **Appendix 3.6**. Such huge savings indicate that the budget estimates are not prepared realistically. In 36 such cases, reasons for appropriation have not been appropriately explained in the Appropriation Accounts. Against the net savings of ₹6,926.75 crore, savings of ₹4,228.32 crore (61.05 per cent), exceeding ₹100.00 crore in each case, occurred in nine Grants/ Appropriations as shown in **Table 3.7**.

Table 3.7: List of Grants with Savings of ₹100.00 crore and more

(₹ in crore)

Sl. No.	Number and Name of the Grant	Total	Actual Expenditure	Details of Savings		Reasons for savings
				Amount	Per cent	
Revenue Voted						
1.	14-Secondary Education	496.29	352.44	143.85	28.98	Due to receipt of less numbers of proposals of transportation of NCERT books and stipend to students of class XI and XII from the Districts
2.	23-Forests	684.45	443.50	240.95	35.20	Reasons for saving have not been intimated
3.	50-Secretariat Economic Services	400.98	59.22	341.76	85.23	Less requirement of funds towards contractual services and other charges
4.	68-Town Planning	278.35	108.50	169.85	61.02	Reasons for saving had not been intimated
5.	74-Social Justice, Empowerment and Tribal Affairs	179.86	11.47	168.39	93.62	Less requirement of funds under Grants-in-Aid to Eklavya Model Residential School (Salaries)
Capital Voted						
6.	24-Agriculture	109.50	4.80	104.70	95.61	Reasons for savings had not been intimated
7.	32-Roads and Bridges	1,241.77	889.93	351.85	28.33	Saving was due to non-completion of physical works
8.	50-Secretariat Economic Services	2,827.41	437.50	2,389.91	84.53	Saving was due to release of payment as per physical progress of works
Capital Charged						
9.	Public Debt	576.55	259.49	317.06	54.99	Reason for saving had not been intimated
Grand Total		6,795.16	2,566.85	4,228.32	62.22	

Source: Appropriation Accounts 2020-21

- Under the Grant No. 84-Public Debt, there was substantial savings of ₹312.00 crore under sub head 6003-110- Repayment of Ways and Means Advances from the Reserve Bank of India. However, no part of the available savings was anticipated for surrender during the year. Moreover, there was a savings of ₹23.45 crore under 2049-interest payments. This indicates that the preparation of BEs lacked due diligence, as interest liability can be estimated with near accuracy based on the outstanding debt of the government maintained in Liability Register along with the interest rates to be paid based on the repo rate declared by the RBI.
- Under the Grant 32-Roads and Bridges, a provision of ₹768.79 crore was made for creation of assets under SADA without giving any details of projects to be taken up from the provision. However, ₹478.95 crore was utilised and ₹289.84 crore was saving due to non-completion of physical works.
- Under the Grant 50-Secretariat Economic Services, an amount of ₹1,269.00 crore was provided for Centrally Sponsored Schemes and whole amount was surrendered without assigning any reason resulting in non-creation of envisaged infrastructure in the BEs.
- In the Grant 50- Secretariat Economic Services an amount of ₹610.81 crore was provided in the budget for various Infrastructure development projects against the sub-head “State Infrastructure Development Fund/ State Development” without identifying the assets on which the expenditure was to be incurred and whole amount was surrendered without assigning any reason. Due to non-compliance of above rules, many projects remain incomplete which was discussed in *Paragraph 2.6.5.2*.

3.4.8 Persistent Savings

During the last five years, there were persistent savings of more than ₹one crore and by 10 per cent or more of the total provisions in 16 Grants as shown in **Table 3.8**.

Table 3.8: List of Grants where persistent savings occurred during 2016-17 to 2020-21

(₹ in crore)

Sl. No.	No. and Name of Grant	Amount of Savings				
		2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Voted						
1	56-Tourism	20.43(39.64)	42.16(54.04)	10.44(19.51)	18.99(31.03)	23.22(56.43)
2	68-Town Planning Department	26.89 (69.80)	199.43 (83.27)	4.62 (11.47)	29.67 (53.43)	169.85(61.02)
3	71-Department of Tawang and West Kameng	6.92(89.18)	3.03(70.63)	6.10(71.76)	3.78(54.55)	18.74(87.61)
Capital Voted						
4	15-Health & Family Welfare	5.00 (16.12)	82.76 (66.49)	377.09 (87.64)	114.23 (68.98)	38.70(80.79)
5	16-Art and Culture	14.73(92.08)	9.36(52.55)	6.10(45.19)	2.38(41.03)	1.69(84.50)
6	22-Food and Civil supplies	7.22 (65.96)	13.40 (61.54)	13.62 (49.54)	1.72 (49.71)	2.07(69)
7	24-Agriculture	6.70(100)	5.83(71.53)	221.05(96.13)	6.26(65.62)	104.70(95.62)
8	30-Transport	7.49(37.23)	1.46(10.60)	4.36(36.33)	15.60(71.23)	6.04(60.40)

Sl. No.	No. and Name of Grant	Amount of Savings				
		2016-17	2017-18	2018-19	2019-20	2020-21
9	34-Power	69.67 (37.76)	287.96 (59.41)	56.04 (16.73)	85.32 (39.31)	58.22(27.57)
10	40-Housing	16.47(81.90)	40.30(59.61)	9.50(26.13)	32.51(72.24)	18.75(47.40)
11	42-Rural Development	7.16(16.71)	159.04(98.09)	58.92(63.02)	109.15(93.38)	59.26(63.14)
12	45-Civil Aviation	19.16 (85.36)	5.25 (59.35)	20.32 (52.78)	43.97 (84.72)	19.13(31)
13	47-Administration of justice	21.75 (97.67)	4.39 (41.74)	5.18 (34.08)	8.33 (53.88)	18.71(76.88)
14	48-Horticulture	55.00 (100)	2.00 (100)	61.50 (100)	17.77 (88.85)	15.88(77.09)
15	50-Secretariat Economic Services	635.98 (98.78)	359.74 (98.03)	2,996.46 (82.55)	3,025.42 (88.01)	2,389.91(84.53)
16	56-Tourism	17.32 (24.55)	95.58 (75.43)	22.02 (17.90)	14.33 (91.57)	29.47(84.13)
17	57-Urban Development	75.87 (20.91)	113.45 (32.24)	52.03 (16.79)	28.06 (19.58)	39.59(59.12)

Source: Appropriation Accounts of respective years

Figures in parentheses indicate percentage of savings to total provision

Analysis of the reasons for the savings during 2020-21 showed that:

- Under Tourism, the savings was of ₹35.57 lakh, under Office Expenses, Wages and Advertising due to less requirement of funds and saving of ₹2.44 crore under SADA due to Non-receipt of finance concurrence from the Finance Department, Government of Arunachal Pradesh (GoAP).
- Under Town Planning Department the savings of ₹169.85 crore (61.02 per cent) under schemes for Urban Local Bodies (ULBs) was due to non-sanction of various schemes by the Finance Department, GoAP.
- Under Department of Tawang and West Kameng, savings of ₹15.50 crore were under SADA which was further surrendered mainly from Scholarship/ Stipend without assigning any reason and savings of ₹13.45 lakh were due to incurring less expenditure under salaries, Office Expenses and Domestic Travel Expenses.
- Out of the total Savings of ₹38.70 crore under Health and Family Welfare, ₹35.22 crore was surrendered from major works due to non-receipt of Utilisation Certificates from the executing agencies.
- There were savings of ₹104.70 crore under Agriculture Department under Capital Head. However, ₹108.55 crore was injudiciously surrendered in March without assigning any specific reason (as discussed in **Paragraph 3.4.13**).
- The Savings of ₹58.22 crore occurred under Power Department, out of which, ₹57.53 crore savings under one sub-head 'creation of assets under SADA' was due to non-receipt of Letter of Credit (LoC) authorisation from the Finance Department.
- The reasons for savings of ₹59.26 crore under Rural Development, were non-receipt of LOC authorisation from the Finance Department and less requirement of funds towards Major works. Out of available saving of ₹59.26 crore, ₹59.06 crore was surrendered in March 2021.
- The savings of ₹19.13 crore under Civil Aviation was due to non-utilisation of allotted fund fully by executing agencies and non-submission of Utilisation Certificates. However, ₹19.86 crore was surrendered injudiciously in March 2021 (as discussed in **Paragraph 3.4.13**).

- The savings of ₹18.71 crore under Administration of Justice was due to less requirement of funds towards Major Works and was surrendered without assigning any specific reason. Out of total savings of ₹18.71 crore, only ₹7.45 crore was surrendered in March 2021.
- The huge savings of ₹2,389.91 crore under Secretariat Economic Services was due to non-receipt of LOC authorisation from the Finance Department. This indicated lack of proper assessment at the time of making budget estimates. Out of total savings of ₹2,389.91 crore, ₹2,208.37 crore only was anticipated and surrendered in March 2021.
- The savings of ₹29.47 crore under Tourism Department was due to late receipt of finance concurrence and expenditure authorisation from the Finance Department. Out of total savings of ₹29.47 crore, ₹16.63 crore was anticipated and surrendered in March 2021.
- The savings of ₹39.59 crore under Urban Development Department was due to non-receipt of LOC from the Finance Department. Out of the total savings of ₹39.59 crore, ₹19.80 crore (50.00 *per cent*) was anticipated and surrendered in March 2021.
- In many cases, the expenditure could not be incurred due to non-receipt of finance concurrence and expenditure authorisation from the Finance Department which could be due to daily cash management issues, primarily arising out of mis-match between the receipts and expenditure.

The trend of persistent savings is being highlighted in the C&AG's State Finances Audit Report every year but no corrective measures had been taken by the departments concerned to correct this situation.

3.4.9 Substantial Surrenders

Substantial surrenders¹² were made in respect of 165 sub-heads under 72 Grants/ Appropriations, as detailed in **Appendix 3.7**. Out of the total provision amounting to ₹9,227.55 crore in these 72 Grants/ Appropriations, ₹8,312.64 crore was surrendered which included 100 *per cent* surrender in 72 sub-heads (₹3,013.14 crore).

3.4.10 Savings not Surrendered

As per extant Financial Rules, the spending departments are required to surrender the Grants/ Appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the close of 2020-21, out of total savings of ₹5,584.81 crore under 61 Grants, savings (₹One crore and above in each case) of ₹2,158.49 crore (38.64 *per cent*) remained to be surrendered, as detailed in **Appendix 3.8**. Further, out of the above, there were savings (₹10.00 crore and above in each case) of ₹1,528.73 crore (27.40 *per cent*) under 14 Grants but no part of the savings was surrendered by the concerned departments as shown in **Table 3.9**.

¹² Cases where 100 *per cent* of total provisions was surrendered

Table 3.9: Details of Grants/ Appropriations in which no part of the savings was surrendered (₹ 10.00 crore and above)

(₹ in crore)

Sl. No	Number and Name of the Grant/ Appropriation	Total Provision	Expenditure	Savings	Surrender
Revenue Voted					
1	15-Health and Family Welfare	974.47	908.34	66.09	Nil
2	24-Agriculture	239.15	226.82	12.33	Nil
3	74-Social Justice, Empowerment and Tribal Affairs	226.78	219.19	168.39	Nil
4	76-Elementary Education	1,062.60	994.88	67.72	Nil
Revenue Charged					
5	84-Public Debt	1,015.14	991.68	23.45	Nil
Capital Voted					
6	26-Rural Works	2,409.71	2,230.08	179.62	Nil
7	31-Public Works	284.32	228.54	55.78	Nil
8	32-Roads and Bridges	1,241.77	889.93	351.85	Nil
9	34-Power	211.14	152.92	58.22	Nil
10	38-Water Resource Department	215.97	171.34	44.64	Nil
11	40-Housing	39.56	20.81	14.97	Nil
12	59-Public Health Engineering	318.68	224.55	94.12	Nil
13	76-Elementary Education	86.33	11.84	74.49	Nil
Capital Charged					
14	84-Public Debt	576.55	259.49	317.06	Nil
Total		8,902.17	7,530.41	1,528.73	Nil

Source: Appropriation Accounts, 2020-21

The non-surrender of the savings by the Controlling Officers was partly attributed to the non-release of fund by the Finance Department due to less/ non-receipt of fund from the GoI.

3.4.11 Impact of Non-surrender of Savings

Rule 61 (1) of General Financial Rules, 2017 prescribe that all the anticipated savings shall be surrendered to the Finance Department by the dates prescribed by that Department and Finance Department shall communicate the acceptance of such surrenders before the close of the Financial year.

However, during 2020-21, against the gross savings of ₹6,935.62 crore, various departments of GoAP surrendered ₹4,842.65 crore (69.82 per cent), but the entire amount was surrendered on the last day of the financial year. Audit 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 3.2**.

Chart 3.2: Savings and surrender during 2018 to 2020-21

(₹ in crore)



Source: Appropriation Accounts of the respective years

The prescribed date for surrender of anticipated savings for salary and wages was 15 February 2021 and it was 15 March 2021 for other objects. However, in 115 cases (details in **Appendix 3.8**), where anticipated savings was not surrendered on prescribed date.

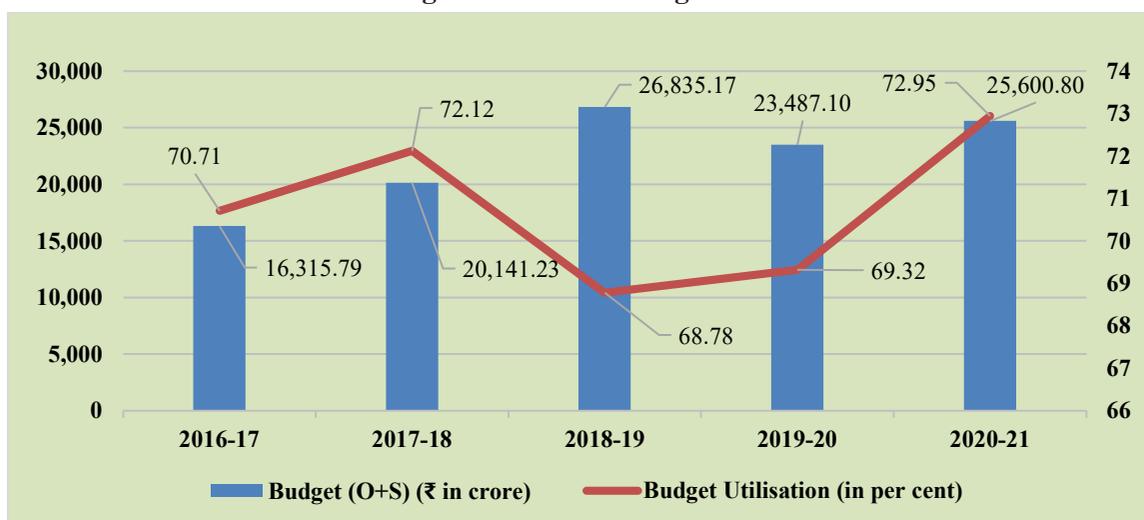
Non-compliance with the rules stated above not only deprives the other needy Departments of resources, but also defeats the objective of achieving efficiency in budget management.

3.4.12 Sub-optimal Utilisation of Budgeted Funds

Utilisation of budgeted funds by the State has been sub-optimal every year during the past few years. The extent of savings during the last five years is given below.

As can be seen from the **Chart** below, utilisation of budget stood between 71 and 73 *per cent* during the period 2016-17 to 2020-21 with inter year variation. The utilisation increased from 69 *per cent* in 2019-20 to 73 *per cent* in 2020-21. This was despite the stated initiatives taken by the State Government while formulating its budget for the year 2020-21 as detailed in **Paragraph 3.2**.

Chart 3.3: Budget Utilisation during 2016-17 to 2020-21



Source: Appropriation Accounts of the respective years

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 2020-21, a provision of ₹3,594.89 crore (Original *plus* Supplementary) for maintenance work, Centrally Sponsored Schemes (CSS), Schemes under Budget Announcement, *etc.*, under 54 Grants for 102 schemes as detailed in **Appendix 3.9** was approved. The concerned Departments, however, could not implement the schemes for which budget provision was obtained, resulting in savings of the entire provision. The details of such cases where the entire budget provision exceeding ₹10.00 crore in each case was not utilised are indicated in **Table 3.10**.

Table 3.10: Savings of entire budget provision during 2020-21

(₹ in crore)

Sl. No.	Grant No. and Name	Head of Accounts	Original	Supplementary	Total	Savings
1	8-Police	2055-104-03	19.53	0.00	19.53	19.53
		2408-02-190-01	29.32	0.00	29.32	29.32
2	22-Food and Civil Supplies	2408-02-190-02	52.01	0.00	52.01	52.01
		2408-02-800-01	12.20	0.00	12.20	12.20
3	23-Forests	04-4406-01-800-03	16.57	0.00	16.57	16.57
4	31-Public Works	04-4059-80-800-19	200.00	0.00	200.00	200.00
5	40-Housing	04-4216-80-800-03	39.56	0.00	39.56	39.56
6	42-Rural Development	04-2515-800-13	42.55	0.00	42.55	42.55
		03-4515-800-08	40.00	0.00	40.00	40.00
7	50-Secretariat Economics Services	03-4070-800-13	1269.00	0.00	1269.00	1,269.00
		04-4070-800-14	610.81	0.00	610.81	610.81
		04-4070-800-16	250.00	0.00	250.00	250.00
8	52-Sports and Youth Services	04-4202-03-800-31	13.60	0.00	13.60	13.60
9	65-Department of Tirap, Changlang and Longding	04-2575-03-800-04	31.80	0.00	31.80	31.80
10	71-Department of Tawang and West Kameng	2205-800-08	15.50	0.00	15.50	15.50
11	74-Social Justice, Empowerment and Tribal Affairs	04-2235-02-800-32	87.00	0.00	87.00	87.00
12	74-Social Justice, Empowerment and Tribal Affairs	08-2235-02-800-17	62.00	0.00	62.00	62.00
		08-2235-03-102-01	10.00	0.00	10.00	10.00
		04-2202-01-800-31	80.33	0.00	80.33	80.33
13	79-Department of skill development and entrepreneur	03-2230-03-003-02	10.00	0.00	10.00	10.00
14	97-Public Debt	6003-110-01	300.00	12.00	312.00	312.00
Total			3,191.78	12.00	3,203.78	3,203.78

Source: Detailed Appropriation Accounts, 2020-21

In the above cases, during the year the savings ranged between ₹10.00 crore and ₹1,269.00 crore.

3.4.13 Injudicious Surrender

In five grants, there was injudicious surrender of ₹94.28 crore as the Departments made surrender in excess of savings within the grant. However, Government did not explain the reason for difference between savings and surrender amounts as depicted in **Table-3.11**.

Table 3.11: Surrender in excess of savings

(₹ in crore)							
Sl. No.	Number and Name of grant	Nature of Grant	Total Provision	Expenditure	Savings	Surrender	Excess surrender
1	1-Legislative Assembly	Revenue Charged	0.67	0.43	0.24	8.39	8.15
2	24-Agriculture	Capital Voted	109.50	4.80	104.70	108.55	3.85
3	45-Civil Aviation	Capital Voted	61.70	42.57	19.13	19.86	0.73
4	48-Horticulture	Revenue Voted	180.67	87.67	93.00	96.01	3.01
5	59-Public Health Engineering	Revenue Voted	936.26	885.35	50.91	129.45	78.54
Total			1,288.8	1,020.82	267.98	362.26	94.28

Source: Appropriation Accounts, 2020-21

3.4.14 Excess Expenditure and its Regularisation

Article 205(1) (b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. This implies that, it is mandatory for a State Government to get excesses over Grants/ Appropriations regularised by the State Legislature for the Financial Year.

Although no time limit for regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC).

3.4.14.1 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 ₹3,195.54 crore from 1986-87 to 2019-20 (**Appendix 3.10**) was yet to be regularised. During the current year 2020-21, in Grant 25-Relief, Rehabilitation and Re-settlement (under Revenue voted), expenditure of ₹324.83 crore exceeded the approved provisions of ₹333.69 crore by ₹8.87 crore. 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 so is in contravention of constitutional provisions and defeats the objective of ensuring accountability by the Legislature of the executive over utilisation of public money.

3.4.15 Missing/ Incomplete Explanation for Variation from Budget

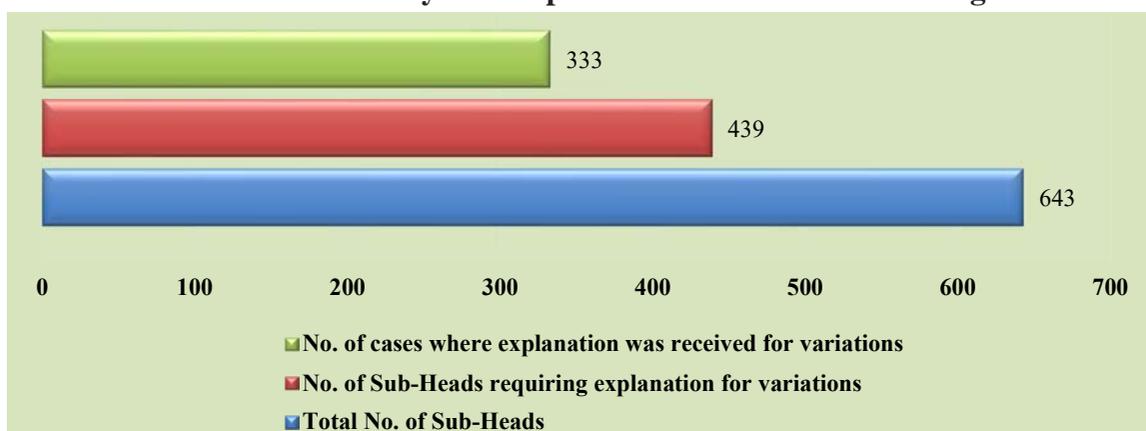
Apart from showing the expenditure against the approved budget, Appropriation Accounts also provide explanation for cases where the expenditure varies significantly from the budgeted provision (Original *plus* Supplementary). The limit beyond which, such variation at the Sub-Head/ Sub-Sub-Head level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

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

Audit of Appropriation Accounts of 2020-21 and an analysis of the underlying accounting data revealed that out of the 84 Grants/ Appropriations, reasons for variation were required in respect of 84 Grants/ Appropriations. However, in respect of seven Grants/ Appropriations, reasons were not furnished by the Controlling Officers of Government Departments. In terms of the Sub-Heads involved, the total number of Sub-Heads in the accounts, those requiring explanation for variation, and the Sub-Heads where explanations were received for variations from allocations, are given in **Chart 3.4**.

Chart 3.4: Summary of unexplained variations *vis-à-vis* budget



Source: Detailed Appropriation Account 2020-21

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 ₹599.90 crore in Revenue Section and ₹2,268.53 crore in Capital Section during the year under SADA and Schemes under Budget Announcements/ State Development scheme. The lumpsum provision constituted 6.51 *per cent* and 28.60 *per cent* of non-salary expenditure in Revenue (₹8,029.02 crore) and Capital Section (₹5,123.35 crore) respectively. The Government started this practise of obtaining lump sum provisions under SADA initially from the year 2016-17 on the plea that there was not enough time to prepare budget estimates with full details in that year. However, the State Government continued the practise in subsequent years also. The details of the provision and actual expenditure under SADA and Schemes under budget provision/ State Development scheme in the past three years is given in **Table 3.12**.

Table 3.12: Details of the provision and actual expenditure under SADA

(₹ in crore)

Particulars	2017-18		2018-19		2019-20		2020-21	
	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital
Total Budget in the SADA and Schemes under Budget Announcement/ State Development Scheme	917.29	2,549.61	1,392.51	4,595.06	872.81	2,226.49	599.90	2268.53
Expenditure in the SADA and Schemes under Budget Announcement/ State Development Scheme	706.14	1,513.78	894.23	2,667.05	756.84	1,261.45	522.31	1465.38
Non-Salary actual expenditure	6,465.86	3,188.10	8,056.99	5,727.43	7,301.49	3,693.05	8,029.02	5,123.35
Percentage of expenditure on SADA to Non-Salary actual expenditure	10.92	47.48	11.10	46.57	10.36	34.15	6.51	28.60

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

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

3.6.2 Summary of Appropriation Accounts

The summarised position of budget including supplementary budget, actual expenditure, and excess/ savings during 2020-21 against 84 Grants/ Appropriations (80 Grants and 04 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 ¹³	Savings (-)/ Excess (+)	Details of Surrender ¹⁴		
	Original	Supplementary				Amount	Per cent	
Voted	I – Revenue	13,214.79	1,599.95	14,814.74	12,267.28	(-)2,547.46	1,873.26	12.64
	II – Capital	7,119.75	2,023.79	9,143.54	5,123.35	(-)4,020.19	2,955.10	32.32
	III – Loans & Advances	8.64	0.00	8.64	4.80	(-)3.84	3.19	36.92
Total Voted	20,343.17	3,623.75	23,966.92	17,395.43	6,566.69	4,831.55	20.16	
Charged	IV – Revenue	992.81	64.52	1,057.33	1,019.13	38.20	11.10	1.05
	VI – Public Debt- Repayment	544.39	32.16	576.55	259.49	317.06	0.00	0.00
Total Charged	1,537.20	96.68	1,633.88	1,278.62	355.26	11.10	0.67	
Grand Total	21,880.37	3,720.43	25,600.80	18,674.05	6,926.75	4,842.65	18.92	

Source: Appropriation Accounts, 2020-21

As can be seen from the **Table** above, the overall savings of ₹6,926.75 crore of total grants and appropriations was more than the size of Supplementary budget of ₹3,720.43 crore obtained during the year, which indicates the unrealistic budget formulation.

While the original budget of the State during the year 2020-21, was more than the previous year budget by ₹2,113.70 crore, the increase in Revenue section was ₹1,655.87 and in Capital Section was only ₹468.45 crore. However, the actual expenditure during the current year was less than the Budget provision indicating that the increase projected in the budget could not materialise into actuals. Substantial savings of ₹4,024.03 crore in Capital

¹³ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue Expenditure (₹19,890.71 lakh) and Capital Expenditure (₹0.36 lakh)

¹⁴ Entire amount was surrendered on 31 March 2021

Section of the budget constituting over 56 per cent of the original budget of Capital Section indicate that the funds meant for infrastructure in the State could not be spent. This was due to short release of funds from the GoI, as State was heavily depend on transfer from the GoI.

The actual expenditure of ₹18,674.05 crore during the year fell short of even the original budget provision of ₹21,880.37 crore indicating that entire Supplementary budget of ₹3,720.43 crore was unnecessary and it could have been restricted to only token provision wherever necessary.

3.6.3 Inaccuracy in Preparation of Revised Estimates

According to Appendix below Rule 52(3) of General Financial Rules 2017 in preparing the Revised Estimates, while previous year's actuals and current year's trends will be material factors to review the original Budget Estimates, special attention should be devoted to make as realistic an estimate as possible of receipts which are likely to materialise during the rest of the financial year. Further, as per Appendix 3 below Rule 52, the Revised Estimates for expenditure should be framed with great care to include only those items which are likely to materialise for payment during the current year, in the light of (i) actuals so far recorded during the current year, compared with the actuals for corresponding period of the last and previous years, (ii) seasonal character or otherwise of the nature of expenditure, (iii) sanctions for expenditure and orders of appropriation or re-appropriation already issued or contemplated and (iv) any other relevant factor, decision or development. The revised estimate of receipts should be the best forecast that the estimating officer can make and the revised estimates for expenditure should not merely be a repetition of the budget figures of the year, but a genuine re-estimation of receipts and requirements. Some significant cases of variation between the revised estimates and the actuals during 2020-21 under expenditure heads of accounts are given in **Table 3.14**.

Table 3.14: Variation between revised estimated and actual

(₹ in crore)

Number and Name of Head of Accounts	Budget Estimate	Revised Estimate	Actuals	Variation Shortfall (-)/ Excess (+) (In per cent)
2071-Pension and Other retirement benefits	1,280.00	1,308.30	1,085.30	(-)17.05
2216-Housing	40.40	68.8	54.00	(-)21.60
2217-Urban Development	313.10	402.6	222.70	(-)44.70
2402-Soil and Water Conservation	87.60	92.70	72.30	(-)22.06
2406-Forestry and Wildlife	279.70	681.10	242.90	(-)64.33
2408-Food Storage and Warehousing	93.50	16.30	4.90	(-)69.83
4059-Capital Outlay on Public Works	200.00	290.00	234.20	(-)19.24
4070-Capital outlay on Other Administration Services	2,866.00	640.70	445.60	(-)30.44
4215-Capital outlay on Water Supply and Sanitation	279.30	318.70	224.60	(-)29.54
4217-Capital outlay on Urban Development	71.70	124.70	104.90	(-)15.87
4575-Capital outlay on Other Special Areas Programme	30.00	35.10	25.40	(-)27.74
4702-Capital outlay on Minor Irrigation	127.30	12.70	3.40	(-)73.03

Number and Name of Head of Accounts	Budget Estimate	Revised Estimate	Actuals	Variation Shortfall (-)/ Excess (+) (In per cent)
4711-Capital Outlay on Flood Control	0.00	203.30	167.90	(-)17.40
4801-Capital Outlay on Power Projects	232.50	243.90	172.70	(-)29.20
5054-Capital Outlay on Roads and Bridges	2,156.80	3,651.50	3,120.00	(-)14.55
5452-Capital Outlay on Tourism	35.00	18.40	5.60	(-)69.76

Source: Annual Financial Statement 2021-22 and Finance Accounts 2020-21

Wide variations ranging from 14.55 to 73.03 *per cent* under Expenditure heads between the budget provisions and actuals particularly with reference to revised estimates are indicative of aberrations in estimation. The substantial variations of actuals with the revised estimates indicated absence of proper care in estimating the revised estimates by the controlling officers concerned as envisaged in the General Financial Rules, 2017 and failure of the Finance (Budget) Department in exercising adequate checks over the preliminary revised estimates.

3.6.4 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 10 years of introducing gender budget, State Policy for gender has not been formulated. Gender Budget cell and Gender Data Bank has not been created. No nodal department has been identified for Gender Budgeting.

Gender Budget of the State (2020-21) 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 2020-21 were 41, of which 30 schemes were under Category A and 11 schemes were under Category B.

Test-check of records revealed that under Category A Schemes even the salaries payable to women employees in Police Department, non-salary expenditure of MNREGA, *etc.* are treated as a scheme benefitting 100 *per cent* women beneficiaries. Test check also revealed that the amounts mentioned to have been in the Gender Budget did not contain the said provisions in the regular budget. To cite an example, in Demand No 74, provision of ₹51.51 crore for Indira Gandhi Old Age Pension Scheme, against the Major head 04-2235-60-102-01-00-50 was shown in the Gender Budget but in the regular budget the provision against the said head of account was only of ₹10.00 crore. Similarly, in Demand No. XV, against the head of account 04-2210-00-800-01-00-31 for Dulari Kanya Scheme, an amount of ₹six crore was shown in the Gender Budget but no provision existed against the said head in the regular budget. This indicates that proper matching of the gender budget with the regular budget was not done. Since the funds flow and expenditure authorisation is made with reference to regular budget, such a matching was essential. Gender Budget was prepared in 13 departments involving ₹7,118.40 crore with a target to

benefit 2.39 lakh women. The Gender Budget constituted 27.80 *per cent* of total budget for the year 2020- 21. Gender Budget during the year was more than the previous year by 2,355.21 *per cent*. The year wise allocations in the gender budget document are detailed in **Table 3.15**.

Table 3.15: Gender budgetary allocations during 2016-17 to 2020-21

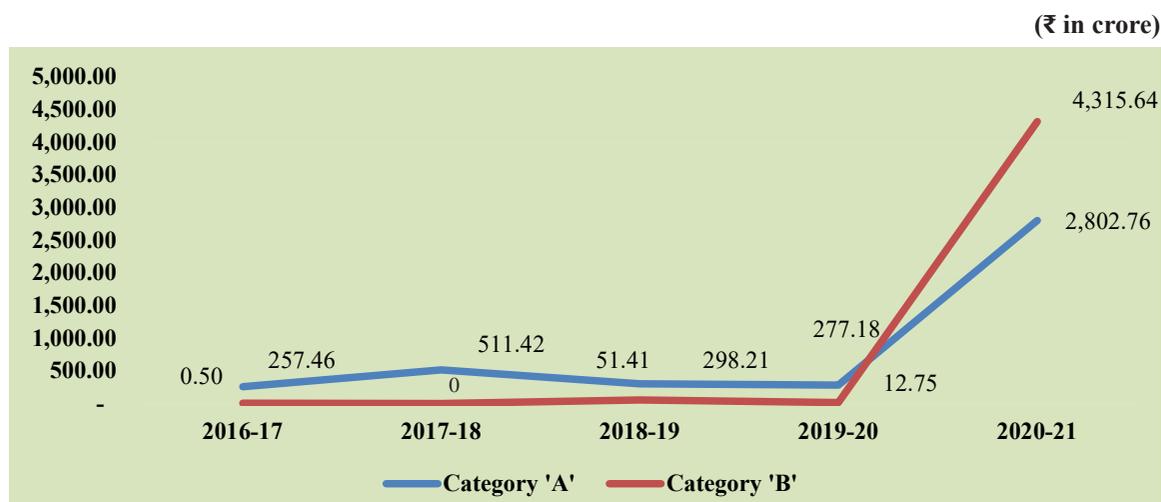
Year	Outlay			Demands Covered	No. of targeted beneficiaries
	Category 'A' ¹⁵	Category 'B' ¹⁶	Total		
2016-17	257.46	0.50	257.96	16	4,71,791
2017-18	511.42	0.00	511.42	14	4,40,655
2018-19	298.21	51.41	349.62	14	2,91,377
2019-20	277.18	12.75	289.93	14	6,62,432
2020-21	2,802.76	4,315.64	7,118.40	13	2,38,708

(₹ in crore)

Source: Gender Budgets of the respective years

The trend of Gender Budgetary allocations under Category 'A' and Category 'B' during 2016-17 to 2020-21 is shown in **Chart 3.5**:

Chart 3.5: Gender Budgetary allocations under Category 'A' and Category 'B'



Source: Gender Budgets of the respective years

As seen from the above **Chart**, it was observed that there was substantial increase in budgetary allocation under Category 'A' from ₹277.18 crore in 2019-20 to ₹2,802.76 crore in 2020-21 and under Category 'B' from ₹12.75 crore in 2019-20 to ₹4,315.64 crore in 2020-21. The sizable increase in Gender Budget during the year over the previous year was due to increase in Gender Budget provision under Demand no. 74 for Pre-Matric and Post Matric Scholarship.

Further analysis revealed that a performance report for the year 2019-20 (Allocated ₹289.93 crore against 14 departments) was required to be incorporated in the Gender Budget of 2020-21 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 2020-21 due to which the actual achievement of schemes for benefit of women could not be analysed.

¹⁵ Budgetary allocation to schemes designed covering 100 *per cent* women beneficiaries

¹⁶ Budgetary allocations to scheme designed for covering at least 30 *per cent* women beneficiaries

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. The allocations under the SADA and Scheme under Budget Announcement were finalised and approved by the competent authority with a delay of about three months in the month of October 2020, although the budget was operative from 01 April 2020. This left very short time for implementation of the schemes/ programmes announced in the budget speech. Some instances of the implementation of the budget announcements are discussed hereunder.

- In the budget speech, announcement was made for Mukhyamantri Neel Kranti Abhiyan for strengthening of fisheries sector. In the budget, provision was not made for specific schemes, but only lumpsum provision of ₹21.55 crore was made against the schemes under Budget Announcement. The planning department gave approval for the scheme only in October 2020. Out of ₹21.55 crore, Department incurred only ₹1.43 crore and remaining amount of ₹20.12 crore was surrendered during the year by re-appropriation.
- There were a series of announcements in the budget speech on Health and well-being to enhance the Health infrastructure and to ensure 100 per cent immunisation enrolment of families under Chief Minister Arogya Arunachal Yojana (CMAAY), decentralised planning at district level for critical infrastructure gap, to strengthen overall performance of Hospitals etc. The Government instead of providing the budget for each of the announcement separately with details of expenditure, made a lumpsum provision in contravention of the rules amounting to ₹354.85 crore in Revenue section and ₹47.90 crore in Capital section against scheme under budget announcement. The Department incurred ₹60.96 crore under Revenue Section and ₹3.46 crore under Capital section. Further, the remaining amount of ₹293.88 crore under Revenue section and ₹40.95 crore under Capital Section was withdrawn during the year through re-appropriation and allocated under Budget announcements where the details of the schemes were not mentioned. Due to this withdrawal of budget, the implementation of the schemes announced in the budget could not be traced indicating lack of transparency.

The State Government in its reply (January 2022) stated that non-implementation of budget announcements was mainly due to delays in finalisation of Detailed Project Report and guidelines by the implementing agencies which are required before spending money.

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 reasons for re-appropriations made during 2020-21 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 59-Public Health Engineering has been examined in detail and some significant observations follow.

The budget provision, expenditure incurred and Savings/ Excess under the Grant 59-Public Health Engineering 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			Savings(-)/ Excess (+)
	Revenue (O+S)	Capital (O+S)	Total	Revenue	Capital	Total	
1	2	3	4 = 2+3	5	6	7 = 5+6	8 = 4-7
2016-17	495.29	24.16	519.45	514.37	131.17	645.54	(+)126.09
2017-18	767.49	362.87	1,130.36	670.34	302.52	972.86	(-)157.50
2018-19	744.58	460.23	1,204.81	732.57	416.43	1149	(-)55.81
2019-20	768.51	449.73	1,218.24	752.31	253.07	1,005.38	(-)212.86
2020-21	936.26	318.67	1,254.93	885.35	224.55	1,109.9	(-)145.03

Source: Appropriation Accounts of the respective years

There was overall savings ranging between ₹55.81 crore and ₹212.86 crore during the period from 2016-17 to 2020-21.

During 2020-21, there was an overall savings of ₹145.03 crore (Revenue Section: ₹50.91 crore and Capital Section: ₹94.12 crore). The savings under Revenue Section (₹50.91 crore) in 2215- Water Supply and Sanitation was mainly due to non-execution of minor works.

Similarly, under Capital Section in 4215- Capital Outlay in Water Supply and Sanitation the savings (₹94.12 crore) was mainly due to inclusion of un-encashed cheques pertaining to 2019-20.

3.7.2 Delayed Submission of Budget Estimates

The Government of Arunachal Pradesh had not prepared its Budget manual so far. In the absence of the budget manual the officers are guided by the provisions contained in

General Financial Rules, Delegation of Financial Powers Rules and instructions issued by the Finance Department for submission of the budget estimates from time to time. The Controlling Officers are required to submit the Budget Estimates (BEs) of receipts and expenditures for the succeeding year along with revised estimates for the current year to the Finance Department as per the target date stipulated by the Finance Department. Any delay in submission of the Budget Estimates by the Controlling Officers reduces the effectiveness of the required scrutiny by the Finance Department at the time of budget formulation.

Audit observed that there were delays in submission of the BEs in respect of receipts and expenditures during 2016-17, 2018-19 and 2020-21, to the Finance Department as indicated in **Table 3.17**.

Table 3.17: Status of submission of Budget Estimates to Finance Department

Grant No.	Year	Target Date	Actual Date	Delays in Submission (in days)
59-Public Health Engineering	2016-17	31.08.2016	30.11.2016	91
	2017-18	30.09.2017	25.09.2017	-
	2018-19	31.07.2018	15.08.2018	15
	2019-20	22.05.2019	22.05.2019	-
	2020-21	30.05.2020	09.06.2020	09

Source: Data furnished by the State Government

Thus, it can be seen that only in two out of five years, the Controlling Officer adhered to the timeframe prescribed by the Government.

The Secretary, Finance Department, GoAP in its reply (February 2022) stated that there was no such department who submitted the BE of the respective years after the target date for submission of the BEs.

The reply of the Secretary could not be accepted as there were delays in submission of inputs to the Finance Department by the DDO of the respective department in range of 09 to 91 days. 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.

3.7.3 Unrealistic Preparation of Budget Estimates

It was noticed that the actual expenditure under the grant (both under Revenue and Capital Sections) were not close to the budget estimates during 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 2016-17 to 2020-21

(₹ in crore)

Particulars	Year-wise Savings(-)/Excess(+)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue (Major Head-2215)	(+)19.08	(-)97.15	(-)12.01	(-)16.20	(-)50.91
Capital (Major Head-4215)	(+)107.01	(-)60.35	(-)43.80	(-)196.66	(-)94.12

Source: Appropriation Accounts of respective years

It was noticed in the budget for 2020-21, in one sub-head of Revenue Section, the Re-appropriation of ₹189.01 crore proved unnecessary as the expenditure exceeded the total provision by ₹90.00 crore. Further, as per Detailed Appropriation for the year 2020-21, State Government made Budget provision and incorrectly incurred ₹43.75 crore for maintenance of works under capital section instead of booking the same under revenue section.

3.7.4 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 ₹936.26 crore and ₹318.68 crore were provided in the Revenue and Capital section of the grant in the budget. Out of this, ₹65.77 crore and ₹163.65 crore constituting 7.02 and 51.35 per cent of the total budget under revenue and capital section respectively were lumpsum provision without giving any details of the assets to be created with the proposed provision. It was also noticed that the Department made a lumpsum provision of ₹300 crore under Development Activities. The reasons for preparation of lumpsum budget were due to non-submission of budget documents to the Finance Department in due time as discussed in **Paragraph 3.7.2**. This not only violated the rule position, but also did not provide an opportunity to the Legislature to know the details before the expenditure is authorised. Further, due to lumpsum provisions, the actual execution of the schemes also suffered as ₹163.65 crore was the actual Capital Expenditure against the lumpsum provision of ₹256.69 crore. The State Finance Department needs to be more vigilant towards lumpsum provisioning and stop this incorrect practice.

3.7.5 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 2020-21, Audit observed that a supplementary provision of ₹39.37 crore was obtained which was totally unnecessary under Capital head. Total expenditure (₹224.55 crore) was less than the original budget provision of ₹318.68 crore. Under one sub-head, a supplementary provision of ₹0.001 crore was obtained. However, actual expenditure incurred against this sub-head during the year was ₹53.60 crore which was more than the supplementary provision. 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.

3.7.6 Non-formulation of Budget Estimates by the State Lottery Department

Rule 3(17) of the Lotteries (Regulation) Rules 2010 provides that the organising state shall ensure that proceeds of the sale¹⁷ of lottery tickets, as received from the distributors or selling agents or any other source, are deposited in the Public Ledger Account or in the Consolidated Fund of the organising state. Rules also envisage that the organising State shall pay to the distributors or selling agents any, commission due to them and prize amounts disbursed by the distributors or selling agents to the winners, if any, out of the money deposited in the Public Ledger Account or in the Consolidated Fund of the organising state.

It was observed that neither the State Lottery Department nor the Finance Department formulated budget provision both for the receipts and the expenditure in respect of receipts against lottery and payout of prize money to the winners. It was also noticed that the distributors neither deposited the sale proceeds to the Consolidated Fund of the State nor was it demanded by the Government. The net sale proceeds (2020-21: ₹0.01 crore) after disbursing the commission to the distributors and selling agents and prize amounts to the winners was only deposited in Government account.

Thus, the total receipts against lottery and disbursement as payout of prize money to the winners could not be captured in the Accounts, hence, not quantified. Moreover, crediting of only net receipts after deducting the prize money *etc.* was violative of the rules prescribed and as the correct budget provision was not made, the picture in this regard was, hence, not reported to the Legislature. Besides, there is no assurance on the correctness of the amount so collected by sale of tickets and there remain apprehensions of under reporting of sale figures by the distributors. This has resulted in understatement of the Non-Tax Revenues and disbursement from the Consolidated Fund.

The State Government may ensure to formulate/ prepare the Budget Estimates both for the receipts and expenditure against the State Lottery so as to ensure the sale proceeds may be routed through the Government Accounting processes. It is also recommended that the State Government should take necessary steps to deposit the gross sale proceeds, calculated at face value of the tickets sold, to the Consolidated Fund/ Public Account of the State.

3.8 Conclusion

- Against the total budget provision of ₹25,600.80 crore, Departments incurred an expenditure of ₹18,674.05 crore during 2020-21, resulting in overall savings of ₹6,926.75 crore, which stood at 27.05 *per cent* of Total Grants and Appropriations. This shows poor financial management by the State.
- These savings may be seen in context of over estimation of Receipts of ₹21,999.20 crore by the State Government and estimation on the expenditure side being ₹25,600.80 crore during the year 2020-21. This implied that the savings were notional, as the funds were not actually available for expenditure.

¹⁷ “Sale Proceeds” have been defined in Rule 2(h) of Lotteries (Regulation) Rules 2010 as the amount payable by the distributor to the organising state in respect of sale of tickets calculated at the face value printed on each ticket in respect of lotteries of a particular draw or scheme or both

- The Supplementary Grant of ₹3,720.43 crore was not required as the gross expenditure was ₹3,206.33 crore more than the Original Provisions. It is pertinent to mention that Supplementary Grant was taken on 06 March 2021 and total expenditure as on February 2021 was only ₹16,442.94 crore as per monthly civil accounts submitted by the Treasuries, leaving ₹5,437.44 crore with the State Government for the remaining 25 days. With the Supplementary Grant, total funds available with the State Government were ₹9,157.87 crore which was equal to 56 *per cent* of the expenditure incurred during the first 11 months of the financial year. This was indicative of over estimation and poor financial management.
- In four Grants, Departments incurred an expenditure of ₹0.92 crore during 2020-21, 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 2020-21, Supplementary grants of ₹1,096.68 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.
- In 61 cases, savings were ₹one crore or above during 2020-21. Out of these, there were savings of ₹10 crore and above under 14 Grants however no part of the savings was surrendered by the concerned department. Further, there were persistent savings in 16 Grants during the last five years 2016-21, indicating lack of systemic and closer budget review by the Government.
- Savings during the year accounted for about a third of the budget. However, the Controlling Officers did not surrender the funds on time. Departments were not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.
- During 2020-21, there was excess over provisions in one Grant/ Appropriation amounting to ₹8.87 crore. In addition, excess expenditure amounting to ₹3195.54 crore pertaining to the years from 1986-87 to 2019-20, 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 2019-20 (Allocated ₹289.93 crore against 14 departments) was required to be incorporated in the Gender Budget of 2020-21 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 2020-21, due to which the actual achievement of schemes for benefit of the women could not be analysed.

- The budget speech of the Finance Minister indicated allocations for different schemes both existing as well as new. However, the actual budget provisions could not be specifically made in the Detailed Demand for Grants (DDG) against many schemes mentioned in the budget speech, but only lumpsum provisions were made against the State Annual Development Agenda (SADA), and Scheme under Budget Announcement/ State Development schemes, much against the financial rules. The allocations under the SADA and Scheme under Budget Announcement were finalised and approved by the competent authority with a delay of about three months only in the month of October 2020, although the budget was operative from 01 April 2020.
- There were delays in submission of the BEs in respect of receipts and expenditures for the years 2016-17 to 2020-21 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 accessing actual needs of the departments.
- It was observed that neither the State Lottery Department nor the Finance Department formulated the budget provision both for the receipts and the expenditure in respect of receipts against lottery and payout of prize money to the winners. Hence, the sale proceeds were not reported to the State Legislature.

3.9 Recommendations

- The State Government may ensure that the Budget Estimates should be formulised 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.
- The State Government may ensure to formulate/ prepare the Budget Estimates both for the receipts and expenditure against the State Lottery so as to ensure the sale proceeds and payout of prize money to the winners may be routed through the Government Accounting processes. It is also recommended that the State Government should take necessary steps to deposit the gross sale proceeds, calculated at face value of the tickets sold, to the Consolidated Fund/ Public Account of the State.

