

CHAPTER-IV
Quality of Accounts and
Financial Reporting Practices

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4.1 Introduction

Sound internal financial reporting system and compliance with rules and procedures contribute significantly to good governance. These also ensure relevant, reliable and timely financial reporting and thereby assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and appropriate decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

4.2 Parking of Funds Outside the Government Account

As per Rule 100 (2) of Receipts and Payments Rules 1983, no money shall be drawn from Government Account unless it is required for immediate disbursement. It is not permissible to draw money from Government Account in anticipation of demands or to prevent the lapse of budget grants.

Drawing and Disbursing officers (DDOs) are required to withdraw money from the Government Account/ Consolidated Fund for making payment on behalf of the Government. Information received from two DDOs (Out of 1,572 DDOs) revealed that ₹242.29 crore was lying in the Savings/ Current Bank Account of DDOs as on 31 March 2021.

The PAG (Accounts) has requested the Government to close all the Savings/ Current Bank accounts of DDOs and to follow the prescribed procedure of Treasury Rules, Receipts and Payments Rules *etc.* for drawal of money from Government Accounts. Amounts in Savings/ Current Bank Accounts being operated by the two DDOs are given in **Table 4.1**.

Table 4.1: Details of unspent amount lying in the Bank Accounts of DDOs

(₹ in crore)

Sl. No.	Drawing and Disbursing Officers	Amount
1.	Director, Disaster Management, GoAP, Itanagar	157.68
2.	Director of Accounts and Treasuries, GoAP, Itanagar	84.61
Total		242.29

Source: Finance Accounts, 2020-21

These funds were meant to incur expenditure on different heads *inter alia*, office expenses, committed liabilities, Central/ State Schemes. Even though these amounts have already been accounted for as expenditure from the Consolidated Fund of the State, they are lying idle outside the Government Accounts. Thus, the expenditure shown in the Finance Accounts could not be vouched as correct to that extent.

4.3 Funds Transferred Directly to State Implementing Agencies

The GoI has been transferring a sizeable quantum of funds directly to the Implementing Agencies in the State for implementing various schemes/ programmes in Social and Economic Sectors. From 2015-16 onwards, GoI decided to route these funds through

the State Budget. Contrary to this decision, an amount of ₹483.79 crore was released directly to the implementing agencies/ organisations in the State during 2020-21. During the current year, the direct transfer of fund increased by ₹180.16 crore (59.34 per cent) over the previous year (₹303.63 crore)

Table 4.2 presents details of fund released (₹10.00 crore and above in each case) directly to the Implementing Agencies during 2020-21.

Table 4.2: Funds transferred directly to Implementing Agencies in the State

(₹ in crore)			
Sl. No.	Name of the scheme/ programme	Implementing Units	Funds released
1.	NER-Textile promotion scheme	Director of Textile and Handicrafts	10.25
2.	National AIDS Control Programme III	Arunachal Pradesh AIDS Control Society	12.36
3.	Rashtriya Gokul Mission	Arunachal Pradesh Livestock Development Society	12.41
4.	Pradhan Mantri Kisan Sampada Yojana- Integrated Cold Chain & Value Addition Infrastructure	Rongoge Mega Food Park Private Limited	12.02
5.	Khelo India	Sports Authority of Arunachal Pradesh	15.81
6.	Organic value chain development of NE Region	Arunachal Pradesh Agriculture Marketing Board	19.54
7.	PM-Kisan	Directorate of Agriculture	56.66
8.	Solar Power-Off grid	Arunachal Pradesh Energy Development Agency	19.76
9.	Mahatma Gandhi National Rural Guarantee Program	Society for Rural Development Arunachal Pradesh	233.56
Sub-Total			392.37
10	Others	Other implementing units and beneficiaries against 44 schemes	91.42
Grand Total			483.79

Source: 'Public Financial Management System' Portal of the Controller General of Accounts, GoI

Out of total amount of ₹483.79 crore, ₹482.98 crore being the Central Assistance/ Share was transferred to the intermediaries (*i.e.* NGOs, Societies *etc.*) and ₹0.81 crore directly transferred to the beneficiaries.

4.4 Delay in Submission of Utilisation Certificates

Rules 238 of General Financial Rules, 2017 envisages that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and forwarded to the Accountant General (Accounts) within twelve months from the date of their sanction unless specified otherwise.

Audit scrutiny revealed that 259 UCs in respect of grants aggregating ₹913.62 crore given to 18 Departments of the State Government during the period from 2017-18 to 2019-20 have not been submitted to the Accountant General (Accounts) as on 31 March 2021. Age-wise details of delay in submission of UCs are given in **Appendix 4.1(Part A)**.

The year-wise details of pending UCs and the amounts involved are tabulated in **Table 4.3**.

Table 4.3: Year-wise breakup of pending UCs

Year	Number of UCs	Amount (₹ in crore)
2017-18	05	1.67
2018-19	66	146.45
2019-20	188	765.50
Total	259	913.62

Source: Finance Accounts of the respective years

It is a matter of concern that the Departmental authorities have not yet explained as to how an amount of ₹913.62 crore was spent over the years, as it involves public funds provided to them for implementation of specific programmes/ schemes and there is no assurance that the intended objectives of providing these funds have been achieved. In the absence of accountability for expenditure relating to funds provided as far back as 2016-17, the possibility of misappropriation of these funds cannot be ruled out. The Department-wise break-up of outstanding UCs for the grants paid up to the year 2019-20 (due for submission in 2020-21) is shown in **Table 4.4**.

Table 4.4: Department-wise outstanding UCs as on 31 March 2021

Sl. No.	Department	No. of UCs outstanding	Amount involved (₹ in crore)
1.	Health and Family Welfare	27	209.50
2.	Home	09	11.65
3.	Sports and Youth Affairs	16	5.75
4.	Panchayati Raj	02	41.29
5.	Directorate of Science and Technology	26	9.46
6.	Town Planning	07	12.81
7.	Education	39	199.25
8.	Social Welfare, Women & Child Development	12	34.21
9.	Culture Affairs	01	1.00
10.	Secretariat Administration	02	5.50
11.	Industries	02	1.60
12.	Relief and Rehabilitation	22	50.38
13.	Rural Development	14	212.29
14.	Urban Development	10	10.58
15.	Information Technology	42	83.04
16.	Tourism	11	16.45
17.	District Administration	01	1.00
18.	Skill Development	01	7.21
19.	Civil Supplies and Consumers	15	0.64
	Total	259	913.62

Source: Finance Accounts, 2020-21

Further, 186 UCs in respect of grants aggregating ₹1,358.48 crore given to 23 Departments (details in **Appendix 4.1, Part B**) of the State Government during the year 2020-21 are due for submission in 2021-22.

In the absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which those were given. Huge pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds.

It is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

4.5 Abstract Contingent Bills

Rules 308 and 309 of the Central Treasury Rules provide that for Drawing and Disbursing Officer (DDO) to draw money by preparing Abstract Contingency (AC) Bills subject to the presentation of Detailed Countersigned Contingency (DCC) Bills to the Controlling officer for countersignature and transmission to the Accountant General. Further, a Certificate is to be attached to every AC Bill to the effect that DCC Bills have been submitted to the Controlling Officer (CO) in respect of AC Bills (drawn more than a month before the date of the current Bill) without which no AC Bill is to be accepted.

In contravention of the above-mentioned provisions, as of 31 March 2021, two departments of the Government of Arunachal Pradesh had not submitted DCC bills for ₹0.32 crore against 23 AC Bills. Details of outstanding AC Bills for the last five years is shown in **Table 4.5**.

Table 4.5: Details of outstanding AC Bills during the period 2016-17 to 2020-21

(₹ in crore)

Year	Opening Balance as on 01 April		AC Bills drawn during the year		AC Bills adjusted through DCC bills		Outstanding AC Bills as on 31 March	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2016-17	188	11.85	296	5.19	419	13.14	65	3.90
2017-18	65	3.90	183	5.7	188	6.26	60	3.34
2018-19	60	3.34	139	5.93	146	5.13	53	4.14
2019-20	53	4.14	84	2.61	120	6.46	17	0.29
2020-21	17	0.29	6	0.03	0	0	23	0.32

Source: Finance Accounts of respective years

As on 31 March 2021 there were 23 outstanding AC Bills (amounting to ₹0.32 crore)¹⁸. Out of which, 17 AC Bills (amounting to ₹0.29 crore) pertains to 2019-20 and six AC Bills (amounting to ₹0.03 crore) pertains to 2020-21. Details of outstanding AC Bills during the period 2016-17 to 2020-21 are given in **Appendix 4.2**.

Advances drawn and not accounted for, increase the possibility of wastage/ misappropriation/ malfeasance, etc. and therefore, requires close monitoring by the respective DDOs for ensuring submission of DCC bills. Hence, the State Government may expedite the process to clear the old AC Bills. Further, to the extent of non-receipt of DCC bills, there is no assurance that the expenditure shown in the Finance Accounts is correct or final.

Moreover, the above details clearly indicate that the Drawing and Disbursing Officers and Treasury Officers concerned failed to ensure compliance with the extant Central Treasury Rules and that AC Bills were drawn without adjustment of previously drawn AC Bills. Thus, there was an environment of financial indiscipline, which calls for action against the officers responsible for the lapse in this regard.

¹⁸ Agriculture Department: ₹0.19 crore and Secretariat Administration: ₹0.13 crore

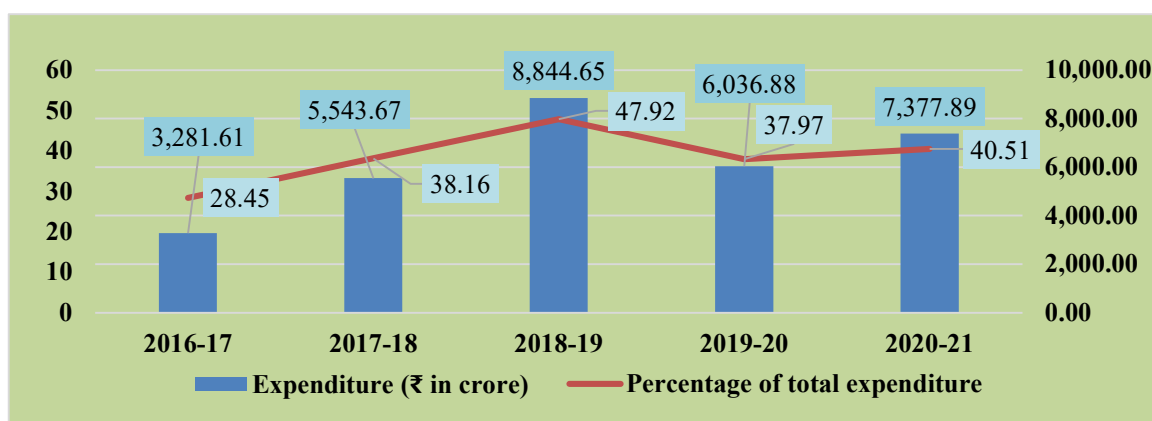
The State Government in its reply (January 2022) stated that the withdrawal and timely settlement of AC Bills would be monitored strictly.

4.6 Indiscriminate use of Minor Head 800

Government Accounting Rules stipulate that the classification of transactions in Government accounts, shall have closer reference to the function, programme and activity of the Government and the object of the revenue (receipt) or expenditure, The omnibus Minor Head 800 relating to Other Receipts/ Other Expenditure is to be operated only in cases where the appropriate Minor Head has not been provided under a Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Principal Accountant General (Accounts) and obtain approval to open appropriate Minor Heads. Indiscriminate booking of receipts and expenditure under Minor Head 800 affects transparency and nature of transactions, and renders the accounts opaque.

Government of Arunachal Pradesh has operated this Minor Head extensively during the five-year period 2016-21. The quantum of expenditure booked under this Minor Head showed an increasing trend over the years 2016-17 to 2018-19 when it increased from 28.45 *per cent* of the total expenditure during 2016-17 to 47.92 *per cent* during 2018-19. This percentage declined during 2019-20 over the previous year and stood at 37.97 *per cent*. During 2020-21, the State Government booked an expenditure of ₹7,477.89 crore under Minor Head 800 under 86 Major Heads, constituting 40.51 *per cent* of the Total Expenditure. The extent of operation of Minor Head 800 Other Expenditure, as a percentage of Total Expenditure during 2016-21 is given in **Chart 4.1**.

Chart 4.1: Operation of Minor Head 800 - Other Expenditure during 2016-21



Source: Finance Accounts of the respective years

Scrutiny of transactions of relevant Major Heads showed that under expenditure section, in 27 transactions involving an expenditure of ₹1,067.87 crore, the entire provision was booked under Minor Head 800-Other Expenditure as shown in **Table 4.6**.

Table 4.6: No. of Major Head that booked entire provision under Minor Head 800-Other Expenditure

(₹ in crore)

Range	Number of Major Heads
0 > 50 crore	22
More than 50 crore	05

Source: Finance Accounts, 2020-21

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure. Details of Major Heads where the entire expenditure was booked (where it is more than ₹50.00 crore) under the omnibus Minor Head 800 are shown in **Table 4.7**.

Table 4.7: Major Heads where entire expenditure was booked under Minor Head 800- Other Expenditure

(₹ in crore)

Major Head	Description	Total Expenditure under the Major Head	Total expenditure under MH '800-OE
4055	Capital Outlay on Police	64.05	64.05
4059	Capital Outlay on Public Works	234.19	234.19
4215	Capital Outlay Water Supply and Sanitation	224.55	224.55
4711	Capital Outlay on Flood Control Projects	167.91	167.91
4801	Capital Outlay on Power Projects	172.70	172.70

Source: Finance Accounts, 2020-21

In respect of receipts, during 2020-21, the State Government booked an amount of ₹909.84 crore under Minor Head 800 under 18 Revenue Major Heads of Account, constituting 5.31 per cent of the total revenue receipt. Details of Major Heads where the entire receipts were booked (where it is more than ₹10.00 crore) under the omnibus Minor Head 800 are given in **Table 4.8**.

Table 4.8: Major Heads where entire receipts was booked under Minor Head 800-OR

(₹ in crore)

Major Head	Description	Receipts under Minor Head 800	Total Receipts	Percentage
0039	State Excise	238.02	238.02	100
0070	Other Administrative Services	367.29	367.29	100
0801	Power	243.28	243.28	100
1055	Road Transport	10.01	10.01	100

Source: Finance Accounts, 2020-21

It was observed that during 2020-21, there were 13 Major Heads (details in **Appendix 4.3 A**) under Receipts where Minor Head 800 was operated. The nature of receipt was found to be recurring in nature for the past three years in all the 13 MHs.

Similarly, it was noticed that there were 80 Major Heads (details in **Appendix 4.3 B**) under Expenditure where Minor Head 800 was operated. The nature of expenditure was found to be recurring in nature for the past three years in all the 80 MHs.

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

The State Government in its reply (January 2022) stated that they are already taking action to transfer allocation from miscellaneous head of accounts to the respective head of accounts. The position would expect to improve significantly in the next financial year.

4.7 Outstanding Balances under Major Suspense and DDR Heads

Suspense heads are operated in Government accounts to reflect transactions that cannot be booked initially to their final Head of Account for some reason or the other. These are finally cleared by minus debit or minus credit when the amount is taken to its final Head of Account. If the amounts under suspense heads remain unadjusted, the balances under these heads get accumulated resulting in understatement of Government's receipts and payments.

Remittances embrace all transactions which are adjusting Heads of Account and the debits or credits under these Heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting.

The position of gross figures under major Suspense and Remittance Heads for the last three years is given in **Table 4.9**.

Table 4.9: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2018-19		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 – Suspense						
101 – PAO suspense	52.60	0.05	68.48	0.05	74.41	0.05
Net	Dr. 52.55		Dr. 68.43		Dr. 74.36	
102 – Suspense Account-Civil	162.37	23.10	38.06	7.19	36.56	7.19
Net	Dr.139.27		Dr. 30.87		Dr.29.27	
107 – Cash Settlement Suspense Account	24.03	4.82	24.03	4.82	24.03	4.82
Net	Dr. 19.21		Dr. 19.21		Dr. 19.21	
109 – Reserve Bank Suspense –Headquarters	(-)16.57	(-)5.44	(-)16.58	(-)5.19	(-)16.44	(-)5.19
Net	Dr. (-)11.13		Dr. (-) 11.39		Dr. (-) 11.25	
110 – Reserve Bank Suspense – CAO	1,833.37	1,520.70	1,920.18	779.44	1948.35	779.51
Net	Dr. 312.67		Dr. 1,140.74		Dr. 1,168.84	
112 – Tax Deducted at Source (TDS) Suspense	---	7.04	---	6.86	-	7.95
Net	Cr. 7.04		Cr. 6.86		Cr. 7.95	
113 – Provident Fund Suspense	0.25	---	0.25	---	0.25	-
Net	Dr. 0.25		Dr. 0.25		Dr. 0.25	

Minor Head	2018-19		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
121 – Additional Dearness Allowance Deposit Suspense Account (New)	0.01	0.08	0.01	0.08	0.07	0.08
Net	Cr. 0.07		Cr. 0.07		Cr. 0.01	
123 – A.I.S Officers’ Group Insurance Scheme	0.02	0.01	0.02	0.01	0.02	0.01
Net	Dr. 0.01		Dr. 0.01		Dr. 0.01	
129- Material Purchase Settlement Suspense Account	19.58	0.02	19.58	0.02	19.58	0.02
Net	Dr. 19.56		Dr. 19.56		Dr. 19.56	
Major Head 8782-Remittances						
102 – P.W. Remittances	44,063.88	45,306.20	5,487.32	5,117.33	51,344.53	51,581.95
Net	Cr. 1,242.32		Dr. 369.99		Cr. 237.42	
103 – Forest Remittances	1,728.87	1,738.30	1,773.73	1,772.79	1,843.35	1,842.62
Net	Cr.9.43		Dr. 0.94		Dr. 0.73	
105- Reserve Bank of India Remittances	144.91	474.63	592.89	503.75	592.89	503.75
Net	Cr. 329.72		Dr. 89.14		Dr. 89.14	

Source: Finance Accounts of the respective years

Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various Heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions, etc. The implications of the balances under these heads are discussed in the succeeding paragraphs.

4.7.1 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 under the Union Government, PAOs of the Union Territories and the Accountant General. Transactions under this Minor Head represent either recoveries effected or payments made by an Accounts Officer on behalf of another Accounts Officer against whom the Minor Head PAO Suspense has been operated. The balances under this suspense head had been increasing continuously during the last three years. The outstanding debit balance under this head was ₹74.41 crore and the credit balance was ₹0.05 crore at the end of the year 2020-21. The outstanding debit balance was mainly in respect of Ministry of Surface Transport, Regional Office, Guwahati (₹51.31 crore) and Central Pensions Accounting Office, New Delhi (₹12.96 crore). These balances are the amounts which the Government has to receive from the respective authorities of GoI which pertain mostly to old years.

4.7.2 Suspense Account (Civil)

The transactions which cannot be taken to the final Expenditure/ Receipt Head of account for want of certain information/ documents (challans, vouchers etc.) are at the first instance

booked under this Suspense Head. Ideally the treasury officers should obtain the required details and clear the balance under this suspense head before end of the financial year so that the final receipts and expenditure figures depicted in the accounts reflect the correct amounts. The outstanding balance under this Minor Head as on 31 March 2021 was ₹36.56 crore (Debit) and ₹7.19 crore (Credit) indicating that an amount of ₹29.27 crore was required to be adjusted in respect of receipts and expenditure separately to their respective final heads of account. Major debit balances were outstanding in respect of Treasury Suspense (₹28.13 crore) and Objection book suspense/ charges placed under Suspense (₹4.40 crore) whereas major credit balances were outstanding in respect of transaction of Resident Commissioner, New Delhi (₹5.37 crore). This balance had the impact of understating the Revenue Expenditure and overstating the Revenue Surplus.

4.7.3 Reserve Bank Suspense, Central Accounts Office

When transfer of huge balances between Central and State Governments take place on account of sanction of loan, grants-in-aid *etc.* the Minor Head 110-Reserve Bank Suspense Central Accounts Office under Major Head-8658 is operated to record the transaction before taking it to its final head of account. The balances under this head of accounts had been increasing for the last three years. The outstanding balances under this head as on 31 March 2021 were ₹1,948.35 crore (Debit) and ₹779.51 crore (Credit). Most of the 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 credit or debit either within the same or in another circle of accounting. Public Works Remittances of ₹237.42 crore (Credit) are lying unadjusted as of 31 March 2021. The details of unadjusted remittances are shown as under:

(₹ in crore)

Sl. No.	Head of Account	Net Balance		Pending from
1.	Remittances into Treasuries	Dr.	368.15	Prior to 2001-02
2.	Public Works Cheques	Cr.	607.61	
3.	Other Remittances	Dr.	2.04	2006-07
Total		Cr.	237.42	--

It can be seen from the **Table** above that there was non-adjustment of the debits or credits head of account under remittances by corresponding credit or debit either within the same or in another circle of accounting. Thus, the Finance Accounts did not depict the actual cash balances.

4.8 Reconciliation of Cash Balances

As on 31 March, 2021, there was a difference of ₹27.01 crore (debit), between the Cash Balance of the State Government, as per the books of Accounts of the Principal Accountant General (Accounts), and the Cash Balance reported by the Reserve Bank of India. The net RBD at the end of the year reported by RBI is ₹20.00 crore and Accountant General's

figure is ₹7.01 crore. This difference is mainly due to misclassification by Bank/ Treasury and needs to be 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 also there were no delays in reporting the transactions by the Agency Banks. However, such reconciliation was not being done, due to which the penalty leviable on the Agency banks for not adhering to the timelines for settlement could be ascertained.

4.9 Accounts of Transactions Relating to Central Road Fund

Government of India provides annual grants under the CRF to the State Government to incur expenditure on specific road projects. In terms of the extant accounting procedure, the grants are to be initially booked as Revenue Receipts under Major Head “1601 Grants-in-Aid”. Thereafter the amount so received is to be transferred by the State Government to the Public Account under Major Head “8449-Other Deposits-103 Subvention from Central Road Fund”, through Revenue Expenditure Major Head “3054 Roads and Bridges”. This process ensures that receipt of the grants do not result in overstatement of Revenue Surplus or understatement of Revenue Deficit in the accounts. The expenditure on prescribed road works under CRF will first be accounted for under the relevant Capital or Revenue Expenditure section (Major Heads 5054 or 3054) and reimbursed out of the Public Account under Major Head 8449 as a deduct expenditure to the concerned Major Head (5054 or 3054 as the case may be).

During the year 2020-21, the State Government received grants of ₹42.03 crore from Central Road Fund and booked it under MH 1601-08-108 Grants from CRF. However, since no corresponding budget provision was made under MH 3054-797 Transfer to Reserve Fund/ Deposit Account under Central Assistance, the amount was not transferred to Public Account under 8449- Other Deposits. This is in violation of the Fund accounting procedure. Non transfer of Central Assistance to the Public Account, liabilities of the state Government were understated. Further, expenditure of ₹100.00 crore was shown under MH 5054- Capital Outlay on Roads and Bridges- under Minor Head 800- Schemes under CRF, during 2020-21.

4.10 Audit of Accounts

The departmental undertakings of Government performing activities of quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually. The Heads of the department was to ensure that the undertaking should prepare proforma accounts and submit the same to the Principal Accountant General for audit by 30 June of subsequent year. The accounts depict the working results of financial operations of the departmental undertakings indicating their performance and efficiency in conducting business.

There is one Government department (State Transport Services Department) performing activities of a quasi-commercial nature. The accounts for 2016-17 was submitted in September 2019. However, the accounts for the year 2017-18 onwards were not submitted as of February 2022.

Thus, in the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of State Legislature and Audit. Consequently, corrective

measures, if any, needed for ensuring accountability and improving efficiency cannot be taken on time. Besides, the delay in finalisation of accounts may also make the system vulnerable to fraud and leakage of public money.

4.11 End use of Cess

Rule 5 of the 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 2020, the State Government was yet to transfer Cess amounting to ₹90.12 crore to the Board. During the year, another ₹19.29 crore was collected as labour Cess by the State Government. State Government had not transferred any amount to the Board during 2020-21, leaving a balance of ₹109.41 crore yet to be transferred to the Board as on 31 March 2021.

As at end of 2020-21, a total of 48,529 workers were registered with the Board. Details of amount collected and actual expenditure incurred during the period from 2016-17 to 2020-21 are shown in **Table 4.10**.

Table 4.10: Statement of Cess Collection and Expenditure incurred (2016-17 to 2020-21)

(₹ in crore)

Year	Opening Balance	Addition during the year		Total Fund Available	Actual Expenditure	Closing Balance
		Cess Collected during the year	Other income*			
2016-17	22.32	47.64	1.69	71.66	55.86	15.80
2017-18	15.80	42.04	1.35	59.18	39.81	19.37
2018-19	19.37	70.62	7.35	97.34	84.21	13.13
2019-20	13.13	42.68	0.76	56.57	48.24	8.33
2020-21	8.33	52.52	0.84	61.70	54.72	6.98

Source: Information furnished by the Board

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

As can be seen from the above **Table**, out of the total available fund of ₹61.70 crore, the APBOCWB expended ₹54.72 crore (88.69 per cent) leaving a balance of ₹6.98 crore.

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 2020-21 revealed that out of the total expenditure of ₹61.70 crore, an expenditure of ₹31.95 crore (51.78 per cent of the total expenditure) was incurred towards administrative expenses by the Board in contravention of the rules *ibid*.

The remaining expenditure of ₹29.75 crore was incurred by the Board mainly on Educational Benefits (₹0.63 crore) to 237 children of the beneficiaries *i.e.* building and other

construction workers, Normal Death Benefits (₹0.75 crore) to 150 beneficiaries, Accidental Death Benefits (₹0.04 crore) to four beneficiaries, Maternity Benefits (₹0.003 crore) to 33 beneficiaries, Medical Benefits (₹0.005 crore) to 14 beneficiaries, Marriage Benefits (₹0.02 crore) to 15 Benefits, funeral Assistance (₹0.02 crore) to 154 beneficiaries and Covid-19 Relief (₹1.07 crore) to 2,687 beneficiaries.

4.12 Compliance with Indian Government Accounting Standards

Government Accounting Standards Advisory Board (GASAB) set up by the Comptroller and Auditor General of India in 2002, has been formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. As of end of March 2019, three Indian Government Accounting Standards (IGAS) have been notified. The details of these standards and the extent of compliance with these by the GoAP in the Finance Accounts for the year 2020-21 are given below.

IGAS	Essence of IGAS	Status	Impact of Non-Compliance
IGAS 1 <i>Guarantees given by Government Disclosure required</i>	This standard requires the government to disclose the maximum number of guarantees given during the year in its financial statements along with additions, deletions, invoked discharged and outstanding at the end of the year	Complied	--
IGAS 2 <i>Accounting and Classification of Grants-in-Aid</i>	Grants-in-Aid are to be classified as Revenue Expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use	Complied	--
IGAS 3 <i>Loans 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.

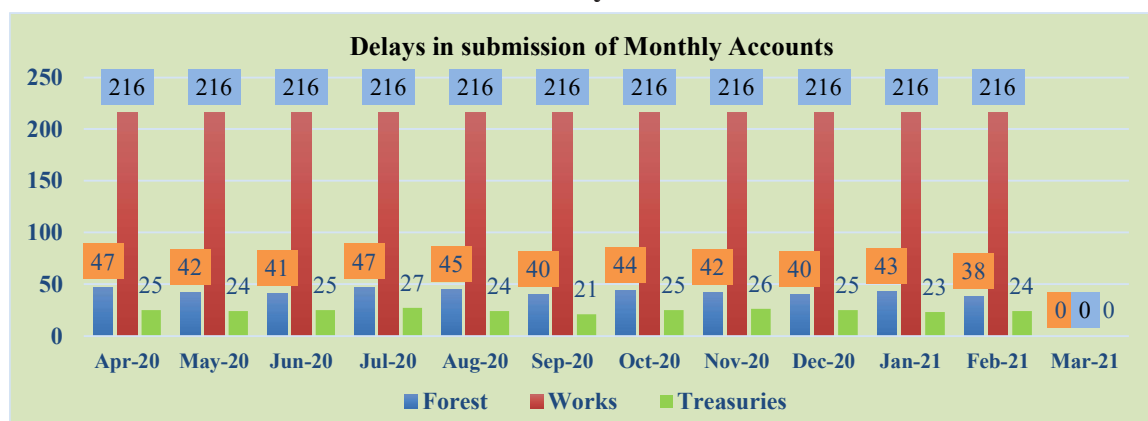
4.13 Timeliness and Quality of Accounts

The accounts of the State Government are compiled by the Principal Accountant General (Accounts) from the initial accounts rendered by district treasuries, sub-treasuries Resident Commissioner, 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 (Accounts).

In Arunachal Pradesh, the Principal Accountant General (Accounts) is required to compile the accounts of the State Government, from the initial accounts rendered by the 27 District Treasuries/ Sub-treasuries, 216 Public Works Divisions and 48 Forest Divisions, apart from the RBI advices.

During the financial year 2020-21, there were delays in rendition of monthly accounts that resulted in accounts excluded from the Monthly Civil accounts. Details of accounts excluded from the monthly Civil Accounts of works divisions are given below:

Chart 4.2: Month-wise delays in rendition of accounts



Source: Information furnished by O/o Principal Accountant General (Accounts)

As can be seen from the **Chart 4.2** above, during the year 2020-21, 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 Monthly Civil Accounts by the Principal Accountant General (Accounts) throughout the year 2020-21, except for March 2021. Therefore, the monthly accounts indicating the receipts and disbursements of the State during the month, rendered by the Principal Accountant General (Accounts) to the State Government were incomplete in all the months, except for the month of March 2021. 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 its monitoring of fund flow to the last mile of implementation, its planned pacing of expenditure on developmental programmes, providing intended benefits to the targeted beneficiaries, functioning of departments *etc.* during the year. In short, the State Government needs to monitor closely and ensure the rendition of accounts by all the account rendering authorities to the Principal Accountant General (Accounts) on a timely basis, to manage its own budget more effectively.

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.

Government in its reply (January 2022) stated that they had a review meeting in this regard and it is expected that the position would improve next year.

4.14 *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 various aspects of financial and budgetary management, areas of non-compliance with the prescribed procedures, rules and regulations *etc.* by the State Government Departments/ Authorities. These Reports can achieve the desired results only when they evoke positive and adequate response from the Government/ administration itself. To ensure accountability of the Executive with regard to the issues contained in the Audit Reports, the Finance Department issued instructions (June 1996), for submission of *suo motu* explanatory notes indicating the action taken or proposed to be taken by the concerned administrative departments within three months from the date of presentation of the Audit Reports to the State Legislature. *Suo motu* explanatory notes on the observations (243 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.

4.15 Discussion of SFAR by the PAC

No Public Accounts Committee meeting was held during the year to discuss the Paragraphs of the State Finances Audit Reports.

4.16 Conclusion

- Non-submission of UCs by Departments for funds drawn for specific developmental programmes/ projects was violative of prescribed financial rules and directives. These point to inadequate internal controls and deficient monitoring mechanism of the State Government.
- Non-adjustment of Abstract Contingent (AC) Bills is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective Drawing and Disbursing Officers for ensuring submission of Detailed Countersigned Contingent (DCC) bills. Further, there is no assurance that the expenditure of the State Government reflected in the Finance Accounts is correct or final due to non-receipt of DCC bills to that extent.
- Indiscriminate operation of omnibus Minor Head 800 – Other Expenditure affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.
- The proforma accounts of State Transport Services Department for the year 2017-18 onwards were not submitted as of February 2022. Consequently, corrective measures, if any, needed for ensuring accountability and improving efficiency cannot be taken on time. Besides, the delay in finalisation of accounts may also make the system vulnerable to fraud and leakage of public money.

- 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.

4.17 Recommendations

- The Government may ensure timely submission of Utilisation Certificates by the departments in respect of the grants released for specific purposes.
- State Government may expedite the process to clear the old AC Bills and ensure timely submission of all Detailed Countersigned Contingent Bills to adjust the outstanding Abstract Contingent Bills within the prescribed timeline as required under the Rules.
- The Finance Department should, in consultation with the Principal Accountant General (Accounts), conduct a comprehensive review of all items presently appearing under Minor Head 800 and ensure that all such receipts and expenditure are in future booked under the Appropriate Heads of account.
- State Government may ensure timely submission of accounts (proforma accounts) in order to assess the financial position and efficiency of the departmental undertaking of Government performing activities of quasi-commercial nature.
- Finance Department should consider evolving 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.

