

CHAPTER-IV
Quality of Accounts and
Financial Reporting Practices

Chapter IV: Quality of Accounts and Financial Reporting Practices

4.1 Introduction

A sound internal financial reporting system and compliance with rules and procedures contribute positively to the promotion of good governance. These also ensure that the relevant, reliable and timely financial reporting and thereby assist the State Government in meeting its responsibilities and accountability including strategic planning and appropriate decision-making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during 2022-23.

4.2 Non-transfer of funds to Public Accounts

(a) State Disaster Response Fund (SDRF)

In terms of guidelines on the constitution and administration of the State Disaster Response Fund, the fund should be kept under Major Head- '8121: General and Other Reserve Funds' which is an interest-bearing section. Further, the Central and State Governments are required to contribute to this fund in proportion of 90:10 respectively. During 2022-23, the State Government received ₹210.40 crore as Central Government's share. Contrary to the SDRF guidelines, the State Government parked ₹111.11 crore (Central share ₹100.00 crore and State share ₹11.11 crore) in a Savings bank account (SBI) of the Department of Disaster Management by debiting expenditure from Major Head '2245: Relief on account of Natural Calamities'. There was no transfer to Public Account under Major Head 8121-122 which is in violation of SDRF guidelines. Further, the State did not receive any contribution from GoI towards the National Disaster Response Fund (NDRF) during 2022-23. Similar observation was made in the previous year report.

(b) State Disaster Mitigation Fund (SDMF)

The State Disaster Mitigation Fund (SDMF) is to be constituted under section 48(1)(c) of the Disaster Management Act, 2005. This Fund is exclusively for the purpose of mitigation project of disaster covered under State Disaster Response Fund (SDRF)/ National Disaster Response Fund (NDRF) guidelines and the State specific local disaster notified by the State Government from time to time. The State Government has not created the SDMF as on 31 March 2023 under Major Head 8121-130 State Disaster Mitigation Fund. During 2022-23, the State Government did not receive any fund from the Central Government. The State Government parked the amount of ₹55.55 crore (Central share ₹50.00 crore, State share ₹5.55 crore) pertaining to the year 2021-22 to the Savings bank account (SBI) of the Department of Disaster Management by debiting the expenditure from MH- 2245. There was no transfer to Public Account under MH 8121-130 SDMF.

The State Government (Secretary, Finance) in its reply stated that remedial process for SDRF and SDMF had been originated from the accounting year 2023-24.

Audit recommends the Government to stop the practice of parking of government funds in Savings/ Current Bank accounts of DDOs and to follow the Receipts and Payments Rules for drawal of funds and from Government Accounts and guidelines on SDRF for the parking of SDRF money.

(c) Central Road and Infrastructure Fund (CRIF)

The erstwhile Central Road Fund (CRF) has been renamed as the Central Road and Infrastructure Fund (CRIF) vide GoI's Gazette notification dated 31 March 2018. The CRIF was to be used for development and maintenance of National Highways, Railway projects, improvement of safety in Railways, State and Rural roads and other infrastructures, etc.

In terms of the extant accounting procedure, the grants received by the State from the Centre are to be initially booked as Revenue Receipts under Major Head 1601. Thereafter, the amount so received is to be transferred by the State Government to the Public Account under Major Head 8224-101 Central Road and Infrastructure Fund through functional Major Head.

During 2022-23, the State Government received grants of ₹183.63 crore towards CRIF, but did not transfer ₹183.63 crore to the Fund in the Public Account as on 31 March 2023. This has resulted in understatement of Revenue Expenditure to that extent.

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

Funds in Public Account under Reserve and Deposits sections are of two categories viz., interest bearing and non-interest bearing. State Government is required to pay interest on un-invested balances lying under Reserve Funds and Deposits bearing interest. During 2022-23, the State Government did not discharge interest liability of ₹61.59 crore in respect of balances lying as on 1 April 2022 in the interest-bearing Reserve Funds and Deposits, as shown in **Table 4.1**.

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

(₹ in crore)					
Funds/ Deposits	Balance On 1 April 2022	Basis for calculation of interest	Interest due	Interest paid	Interest short paid
Defined Contribution Pension Scheme for Government Employees	10.72	Interest calculated as per the rate of interest notified by the Government/ payable to General Provident Fund (7.1 per cent)	0.76	0.16	0.60
State Compensatory Afforestation Fund	1,779.51	Interest calculated at the rate of 3.35 per cent.	59.61	Nil	59.61
State Disaster Response Fund (SDRF)	2.61	Interest calculated at the rate of 5.49 per cent, taking average Ways and Means interest rate for the year 2022-23.	0.14	Nil	0.14

Funds/ Deposits	Balance On 1 April 2022	Basis for calculation of interest	Interest due	Interest paid	Interest short paid
Civil Deposit bearing interest (excluding MH-8342)	22.50	Interest calculated at the rate of 4.00 per cent, taking average Ways and Means interest rate for the year 2021-22	1.24	Nil	1.24
Total			61.75	0.16	61.59

Source: Finance Accounts 2022-23

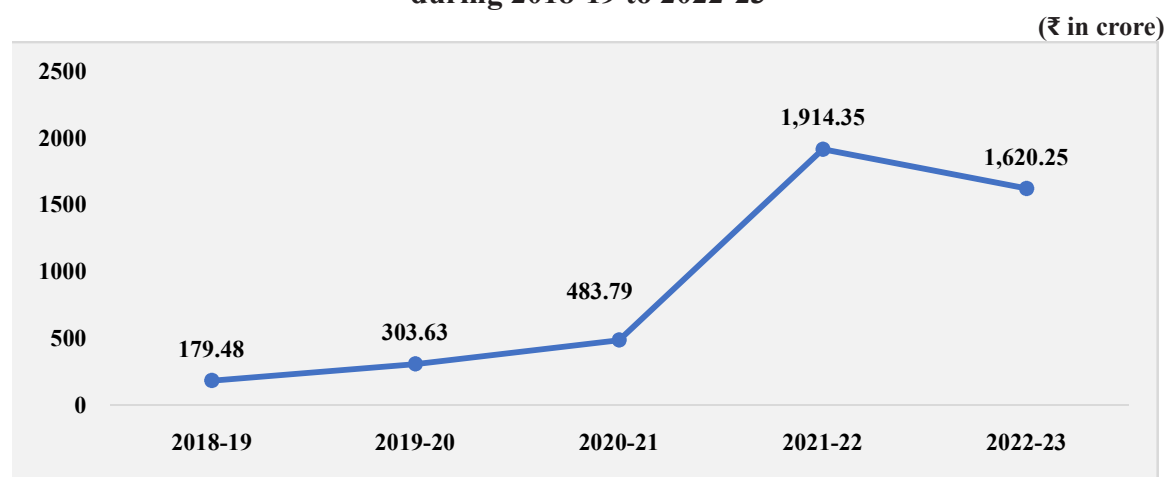
Thus, the undischarged liability of interest in the current year increases the burden on the Government's Revenue Expenditure at a future date.

4.4 Funds transferred directly to the State Implementing Agencies

From 2015-16 onwards, it has been decided by the Government of India (GoI) to release all assistance related to the Centrally Sponsored Schemes (CSS)/ Additional Central Assistance (ACA) to the State Government and not directly to the implementing Agencies. Contrary to this decision, the Government of India transferred an amount of ₹4,501.50 crore directly to State Implementing Agencies in the State during 2018-19 to 2022-23.

Details of direct transfer of funds to the implementing agencies during the period from 2018-19 to 2022-23 is given in **Chart 4.1**.

Chart 4.1: Funds transferred directly to implement agencies during 2018-19 to 2022-23



Source: Finance Accounts of respective year

The Government of India has been transferring funds directly to the Implementing Agencies in the State for implementing various CSS schemes/ programmes in Social and Economic Sectors. During 2022-23, the Government of India transferred ₹1,620.25 crore directly which was ₹1,440.77 crore more than in 2018-19 (₹179.48 crore). Details of all such direct transfers are available in **Appendix-VI** of the Finance Accounts. Some of the

major transfers (₹15.00 crore and above in each case) directly to the State implementing agencies are shown in **Table 4.2**.

Table 4.2 Major transfers directly made to Implementing Agencies in the State

	(₹ in crore)
Organic value chain development of NE Region	16.42
Jal Jeevan Mission (JJM)/ National Rural Drinking Water Mission	1,116.35
Mahatma Gandhi National Rural Guarantee Program	357.52
Pradhan Mantri Kishan Samman Nidhi (PM-Kisan)	53.14

Source: Finance Accounts, 2022-23

Direct releases of funds were more prominent in respect of the Mahatma Gandhi National Rural Guarantee Program (₹357.52 crore) and Jal Jeevan Mission/ National Rural Drinking Water Mission (₹1,116.35 crore) which constitute 22.07 per cent and 68.90 per cent respectively of the total directly transferred amount during 2022-23.

As these funds are not routed through the Consolidated fund of Arunachal Pradesh, the Annual Accounts do not capture the flow, utilisation and parking of such funds. Thus, the State's receipts and expenditure as well as other fiscal variables and parameters derived from the State Accounts do not present the complete picture to that extent.

4.5 Delay in submission of Utilisation Certificates

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

As of 31 March 2023, 349¹ UCs in respect of the grants aggregating ₹1,533.98² crore have not been submitted to the office of Principal Accountant General, Arunachal Pradesh, Itanagar. The year-wise details of pending UCs and amounts involved are given in **Appendix 4.1 (Part A and B)** and **Table 4.3**.

Table 4.3: Year-wise breakup of pending UCs

Year	Opening		Accumulation during the year		Clearance during the year		Closing	
	No. of UCs	Amount	No. of UCs	Amount	No. of UCs	Amount	No. of UCs	Amount
2018-19	233	1,256.47	209	1,198.05	168	819.18	274	1,635.34
2019-20	274	1,635.34	195	773.23	141	748.89	328	1,660.50
2020-21	328	1,660.50	185	1,358.48	69	746.89	444	2,272.10
2021-22	444	2,272.10	298	1,835.68	269	1,721.63	473	2,386.14
2022-23	473	2,386.14	393*	2,284.33*	124	852.15	742	3,818.31

Source: Finance Accounts, 2022-23

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

¹ Opening balance: 473 minus Clearance during the year: 124.

² Opening balance: ₹2,386.14 crore minus Clearance during the year: ₹852.15 crore.

Non-submission of 349 UCs means that the grantees have not yet explained whether and how the funds amounting to ₹1,533.98 crore were spent. This involves public funds provided to them for implementation of the 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 the funds provided as far back as 2018-19, the possibility of misappropriation of these funds cannot be ruled out.

Table 4.4 below provides the department-wise breakup of outstanding UCs for grants paid and due for submission up to the year 2022-23.

Table 4.4: The Department-wise break up of Outstanding UCs, due for submission of UCs

(₹ in crore)		
Name of the Departments	Number of UCs pending	Amount
Education	54	373.93
Home (Police)	4	3.37
Information and Public Relation	35	53.18
Social Welfare, Women and Child Development	67	17.47
Sports and Youth Affairs	28	7.73
Tourism	8	13.35
Civil Supplies and Consumer Affairs	2	0.62
Cultural Affairs	1	1.00
Finance	1	2.35
Planning, Programme Implementation Economic and Statistics	9	35.96
Relief and Rehabilitation	24	192.37
District Administration	8	1.44
Health and Family Welfare	21	111.32
Rural Development and Panchayati Raj	12	451.84
Science and Technology	35	15.75
Secretariat Administration	2	3.10
General Administration	4	4.23
Industries	9	0.15
Personnel Administrative Reforms, Administration and Training	1	4.00
Urban Development, Municipal Administration and Government Estates	24	240.82
Total	349	1,533.98

Source: Information furnished by Office of the Principal Accountant General (Accounts)

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

- There were 54 No. of UCs amounting to ₹373.93 crore which were not submitted as on 31 March 2023. These pertained to GIAs to the State Council for Technical Education, Rajeev Gandhi University, Samagra Shiksha Abhiyan, schools, etc.
- There were 12 No. of UCs amounting to ₹451.84 crore for the years 2019-20 to 2021-22 due for submission by the Department of Rural Development and Panchayati Raj as on 31 March 2023. These pertained to GIAs for Pradhan Mantri Krishi Sinchayee Yojana (PMKSY), MGNREGA, National Rural Livelihood Mission, Pradhan Mantri Awas Yojana (PMAY) and Shyama Prasad Mukherjee Urban Mission.

- There were 24 No. of UCs amounting to ₹240.82 crore for the years 2020-21 and 2021-22 due for submission by the Department of Urban Development as on 31 March 2023. These pertained to Swachh Bharat Mission (U) and Pradhan Mantri Awas Yojana (U).
- There were 21 No. of UCs amounting to ₹111.32 crore due for submission by the Department of Health and Family Welfare as on 31 March 2023 which pertained to Mukhya Mantri Rogi Kalyan Kosh, for Implementation of NRHM in Arunachal Pradesh and Covid-19 emergency response.
- There were 35 No. of UCs amounting to ₹53.18 crore due for submission by the Department of Information and Public Relation as on 31 March 2023 and these pertained to the implementation of e-HRMS and e-Office and in house development of Web Application in the State.

In the absence of UCs, it could not be ascertained whether the recipients had utilised the grants and if utilised, it was for the intended purpose. Huge pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds. It is imperative that the State Government strengthens the relevant internal controls and monitors this closely and hold the concerned persons accountable for submission of UCs in a timely manner.

4.6 Abstract Contingent Bills

In terms of the Rule 312 of Central Treasury Rules, DDOs are required to present Detailed Countersigned Contingent (DCC) bills containing vouchers in support of the final expenditure within a month from the date of completion of the purpose for which the advance was drawn. Further, Rule 309 envisages that a certificate is to be attached to every AC bill to the effect that DCC bills have been submitted to the controlling officer in respect of AC bills drawn more than a month before the date of that bill, without which no AC bill is to be encashed.

In contravention of the above mentioned provisions, as on 31 March 2023, 39 DCC Bills amounting of ₹0.93 crore were outstanding as shown in **Table 4.5**.

Table 4.5: Year-wise progress in submission of DCC bills against AC bills

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
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
2021-22	23	0.32	45	1.35	59	1.38	09	0.29
2022-23	09	0.29	48	1.63	18	0.99	39	0.93

Source: Finance Accounts of respective year

Major Department-wise defaulters in this regard are given in **Table 4.6**.

Table 4.6: Department wise pending of DCC bills

		(₹ in crore)
Name of the Department	Submission of DCC bills against AC bills	Amount
Parliamentary Affairs	13	0.18
Political and Cabinet Affairs	2	0.03
Arunachal Pradesh Civil Secretariat	24	0.72
Total	39	0.93

Source: Information furnished by Office of the Principal Accountant General (Accounts)

Moreover, above details clearly indicated that Drawing and Disbursing Officer (DDO) and Treasury Officers concerned failed to ensure compliance with the extent 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.

Non-submission of DCC bills leading to the non-adjustment of advances is fraught with the risk of fraud and misappropriation of funds. Further, to the extent of non-receipt of DCC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final. Therefore, the State Government needs to strengthen the relevant internal controls and monitor the submission of DCC bills in a timely manner.

4.7 Opaqueness in Accounts

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

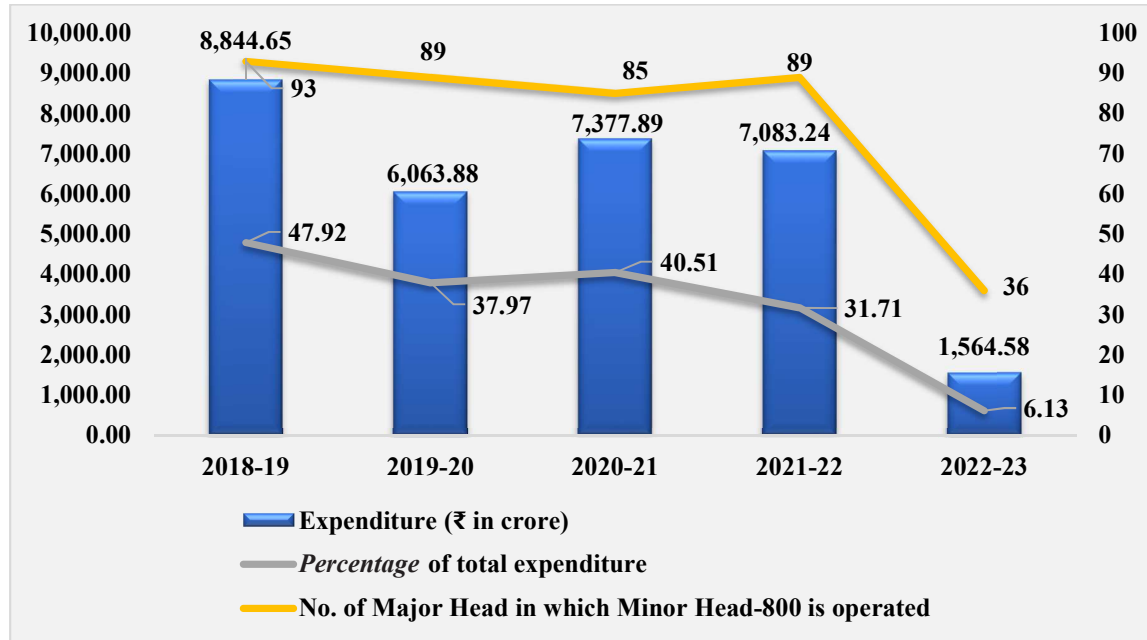
4.7.1 Use of Minor Head: 800-Other Expenditure

Government of Arunachal Pradesh has operated this Minor Head extensively during the last five-year period from 2018-19 to 2022-23. The quantum of expenditure booked under this Minor Head, as a *percentage* of total expenditure, had a decreasing trend from 2020-21 to 2022-23 as can be seen from the **Chart 4.2**. This *percentage* declined from 40.51 *per cent* of total expenditure in 2020-21 to 6.13 *per cent* in 2022-23. The use of Minor Head 800, when seen in absolute terms, has decreased significantly by ₹7,280.07 crore (82.31 *per cent*) in the five-year period from ₹8,844.65 crore in 2018-19 to ₹1,564.58 crore in 2022-23. During 2022-23, the classification of Expenditure under Minor Head-800-Other Expenditure decreased by ₹5,518.66 crore (77.91 *per cent*) over the previous year (₹7,083.24 crore).

During 2022-23, the State Government booked an expenditure of ₹1,564.58 crore under Minor Head: 800 against 36 Major Heads, constituting 6.13 per cent of the Total Expenditure (Revenue and Capital Expenditure).

The extent of operation of Minor Head: 800 Other Expenditure, as a percentage of Total Expenditure during 2018-23 is given Chart 4.2.

Chart: 4.2: Operation of Minor Head 800 - Other Expenditure during 2018-19 to 2022-23



Source: Finance Accounts of the respective year

- During the current year, in respect of Seven Major head amounting to ₹1,279.79 crore as shown in **Appendix 4.2**, substantial proportion *i.e.*, 50 per cent and more was classified under Minor Head 800-Other Expenditure. Details of such Major Heads where the expenditure was more than ₹50.00 crore and more than 50 per cent of expenditure was classified under Minor Head 800-Other Expenditure are shown in **Table 4.7**. This was due to non-availability of dedicated minor heads.

Table 4.7: Major Heads where the expenditure was more than ₹50.00 crore classified under Minor Head 800-Other Expenditure

(₹ in crore)

Major Head	Details of Major Head	TE	Booked Under MH-800	Percentage
2552	North-eastern Areas	112.73	107.68	95.52
3275	Other Communication Services	51.72	51.72	100.00
4070	Capital outlay on Other Administrative Services	957.39	949.69	99.20
4235	Capital Outlay on Social Security and Welfare	152.82	126.96	83.08

Source: Finance Account, 2022-23

- Similarly, in respect of five transactions with an aggregate expenditure of ₹681.58 crore, the entire provision was booked under Minor Head 800-Other Expenditure for the last three continuous financial years, details of which are given in **Table 4.8**.

Table 4.8: Details of Total Expenditure booked under 800-Other expenditure during 2020-23

Major Head	Details of Major Head	2020-21	2021-22	2022-23	2020-23
Revenue Expenditure booked					
2506	Land Reforms	0.72	0.73	0.25	1.70
2810	New and Renewable Energy	22.69	39.05	22.98	84.72
3435	Ecology and Environment	1.66	3.49	1.48	6.63
Sub-Total					93.05
Capital Expenditure booked					
4215	Capital Outlay on Water Supply and Sanitation	224.55	330.45	7.59	562.59
4435	Capital Outlay on Other Agricultural Programmes	4.75	17.43	3.76	25.94
Sub Total					588.53
Grand Total					681.58

Source: Finance Account, 2022-23

Large proportion of classification of expenditure under Minor Head 800-Other Expenditure for the last three continuous financial years was also observed under Capital Outlay on Water Supply and Sanitation (₹562.59 crore) and Revenue Expenditure on New and Renewable Energy (₹84.72 crore) due to non-availability of dedicated minor heads.

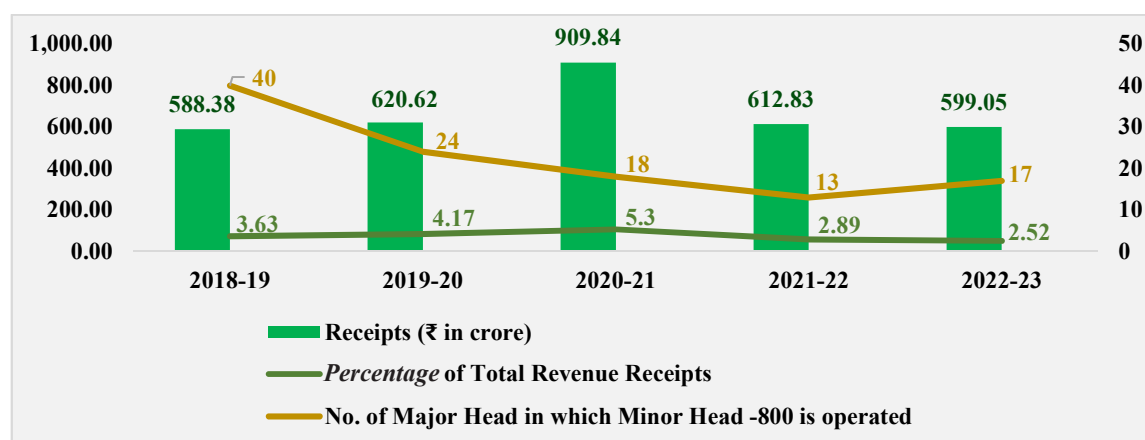
4.7.2 Use of Minor Head 800-Other Receipts

Government of Arunachal Pradesh has operated this Minor Head extensively during the five-year period of 2018-19 to 2022-23. In monetary term, the Receipts classified under the Minor Head peaked at ₹909.84 crore in 2020-21 during the period from 2018-19 to 2022-23 and stood at ₹599.05 crore in 2022-23 as can be seen from the **Chart 4.3**. During 2022-23, the Revenue Receipts classified as 800-Other Receipts decreased by ₹13.78 crore over the previous year.

During 2022-23, the State Government classified an amount of ₹599.05 crore under Minor Head-800 against 17 Major Heads, constituting 2.52 *per cent* of the total Receipts.

The extent of operation of Minor Head 800 Other Receipts, as a *percentage* of Total Revenue Receipts during 2018-23 is given **Chart 4.3**.

Chart: 4.3: Operation of Minor Head 800 - Other Receipts during 2018-19 to 2022-23



Source: Finance Accounts of respective year

In respect of 11 transactions, amounting to ₹2,083.08 crore, which were booked under Minor Head 800-Other Receipts for the last three continuous financial years, details are given in **Table 4.9**. Major proportion of classification of Receipt under Minor Head 800-Other Expenditure for last three continuous financial years was done in Public Works (₹96.87 crore), State Excise (₹354.01 crore), Other Administrative Services (₹390.85 crore) and Power (₹1,160.47 crore)

Table 4.9: Classification under Minor Head 800-Other Receipts during the last three years

(₹ in crore)

Major Head Description	2020-21		2021-22		2022-23		2020-23	
	Total Receipts	800-Other Receipt	Total Receipts	800-Other Receipt	Total Receipts	800-Other Receipt	Total Receipt	800-Other Receipt
39 State Excise	238.02	238.02	115.92	115.92	280.87	0.07	634.81	354.01
49 Interest Receipts	34.12	1.75	47.21	2.53	93.13	2.73	174.46	7.01
59 Public Works	17.33	14.79	83.66	82.08	0	0	100.99	96.87
70 Other Administrative Services	367.29	366.66	18.56	0.2	25.42	23.99	411.27	390.85
235 Social Security and Welfare	0.15	0.15	0.22	0.22	0.05	0.05	0.42	0.42
702 Minor Irrigation	0.37	0.37	1.09	1.09	0.19	0.19	1.65	1.65
801 Power	243.28	243.28	384.35	384.35	532.84	532.84	1,160.47	1,160.47
1054 Roads and Bridges	0.09	0.09	0.36	0.36	1.84	1.21	2.29	1.66
1055 Road Transport	10.01	10.01	18.54	18.54	25.79	25.79	54.34	54.34
1275 Other Communication Services	2.74	2.74	4.48	4.48	4.86	4.86	12.08	12.08
1456 Civil Supplies	0.58	0.58	2.81	2.81	0.33	0.33	3.72	3.72
Total	913.98	878.44	677.2	612.58	965.32	592.06	2,556.5	2,083.08

Source: Finance Accounts of respective year

- In respect of Eight Major head amounting to ₹564.09 crore, the entire provision was classified under Minor Head 800-Other Receipt during 2022-23 as shown in **Table 4.10**. The Power Sector alone classified ₹532.84 crore under Minor Head 800.

Table 4.10: The entire provision was classified under Minor Head 800-Other Receipt
(₹ in crore)

Major Head	Description	Total Receipts under the Major Head	800- Other Receipt	Percentage to Total Receipt under the Major Head
211	Family Welfare	0.03	0.03	100
235	Social Security and Welfare	0.05	0.05	100
702	Minor Irrigation	0.19	0.19	100
801	Power	532.84	532.84	100
875	Other Industries	0.0024	0.0024	100
1055	Road Transport	25.79	25.79	100
1275	Other Communication Services	4.86	4.86	100
1456	Civil Supplies	0.33	0.33	100
Total		564.09	564.09	100

Source: Finance Account, 2022-23

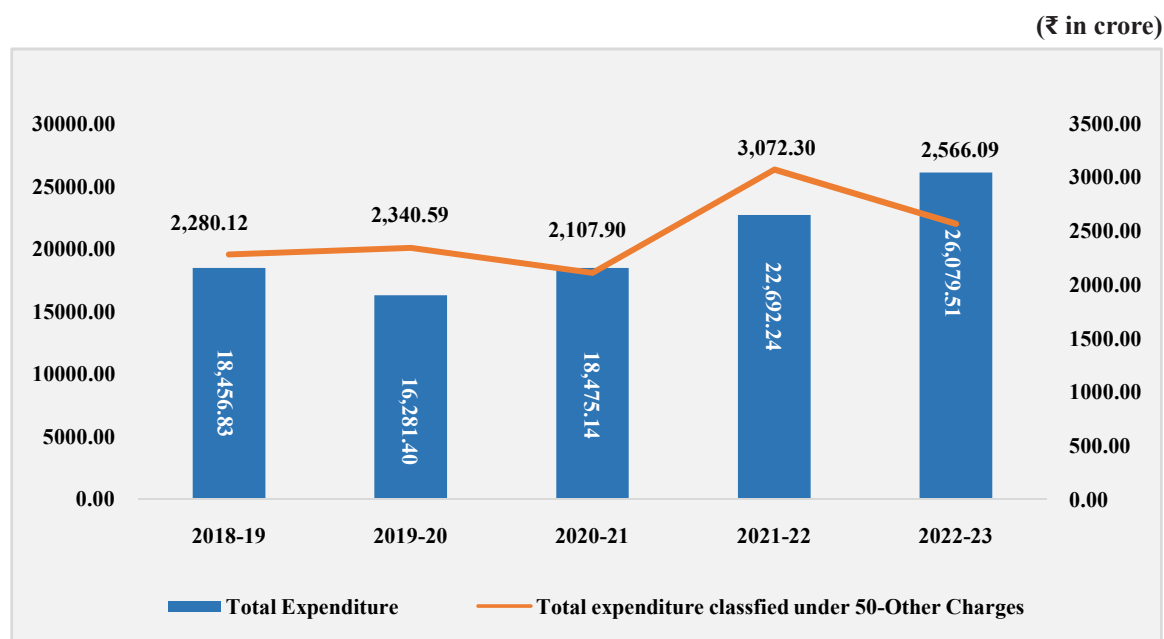
Classification of large amounts under the omnibus Minor Head 800-Other Expenditure/ Receipts last four years significantly higher than the current year. The State government had made efforts to identify the nature of transactions which was previously booked under 800-Other receipts/ expenditure to be booked under respective minor heads. However, classification of amounts under 800-Other receipts/ expenditure discourage the transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure and receipts. Users are not able to see and understand the nature of such transactions booked under Minor Head 800.

Recommendation: *The State Government should make more efforts to strengthen the relevant internal controls and monitors the booking of transactions under the omnibus Minor Head 800-Other Expenditure/ Receipts.*

4.7.3 Classification of huge amount as Other Charges under Object Head-50

Even at Object head level, expenditure was classified as Other Charges making it difficult to identify the nature/ form/ object of the expenditure. Details of expenditure classified as Other Charges during 2018-19 to 2022-23 is shown in **Chart 4.4**.

Chart 4.4: Expenditure details classified as Other Charges during 2018-19 to 2022-23



Source: Finance Accounts of the respective year

Further, test-checked of vouchers pertaining to the month of March 2023, as per details in **Appendix 4.3** ₹41.85 crore was incurred against purchase of stationery items booked under 50-Other charges instead of 13-Office expenses and 31-Grants-in-Aid.

4.8 Outstanding balance under major Suspense and DDR heads

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

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

The position of gross figures under major suspense and remittance heads for the last three years is given in **Table 4.11**.

Table 4.11: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2020-21		2021-22		2022-23	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 – Suspense						
101 – PAO suspense	74.41	0.05	52.53	0.05	28.18	0.05
Net	Dr. 74.36		Dr. 52.48		Dr.28.13	
102 – Suspense Account-Civil	36.56	7.19	29.33	1.46	24.57	1.46
Net	Dr. 29.27		Dr. 27.87		Dr.23.11	
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	(-)16.44	(-)5.19	(-)16.49	(-)5.19	(-)10.42	(-)4.40
Net	Dr. (-)11.25		Dr. (-)11.30		Dr. (-)6.02	
110 – Reserve Bank Suspense – CAO	1,948.35	779.51	1,947.04	772.71	1,975.31	771.89
Net	Dr. 1,168.84		Dr. 1,174.33		Dr.1,203.42	
112 – Tax Deducted at Source (TDS) Suspense	-	7.95	--	7.9	0	7.50
Net	Cr. 7.95		Cr. 7.90		Cr. 7.5	
113 – Provident Fund Suspense	0.25	-	0.25	-	0.25	0
Net	Dr. 0.25		Dr. 0.25		Dr. 0.25	
121 – Additional Dearness Allowance Deposit suspense account (New)	0.07	0.08	0.07	0.08	0.0067	0.08
Net	Cr. 0.01		Cr. 0.01		Dr. 0.0733	
123 – A.I.S Officers’ Group Insurance Scheme	0.02	0.01	0.02	0.01	0.02	0.017
Net	Dr. 0.01		Dr. 0.01		Dr. 0.003	
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	51,344.53	51,581.95	401.35	600.8	391.91	188.01
Net	Cr. 237.42		Cr. 199.45		Dr. 203.90	
103 – Forest Remittances	1,843.35	1,842.62	15.9	25.89	16.70	16.14
Net	Dr. 0.73		Dr. 9.99		Dr. 0.56	
105- Reserve Bank of India Remittances	592.89	503.75	592.89	504.2	592.89	504.19
Net	Dr. 89.14		Dr. 88.69		Dr. 88.70	

Source: Finance Accounts of respective year

4.8.1 Pay and Accounts Office (PAO) Suspense

This minor head is operated for the settlement of inter-departmental and inter-governmental transactions arising in the books of PAOs of the Union Government, Union Territories and the Accountants General. The transactions under this minor head represent either recoveries effected, or payments made by an Accounts Officer on behalf of another Accounts Officer against whom the minor head PAO Suspense has been operated. The outstanding balance under this suspense head as on 01 April 2022 was ₹52.48 crore (debit) which was mainly in respect of Ministry of Surface Transport, Regional Office, Guwahati (₹40.29 crore), Central Pensions Accounting Office, New Delhi (₹10.64 crore)

and Pay and Accounts Office VI, New Delhi (₹1.23 crore). These balances are the amounts which the State Government must receive from the respective authorities of GoI and pertain mostly to old years.

During 2022-23, the Outstanding Balance under this head reduced by ₹24.35 crore (Debit) from ₹52.48 crore (Debit) in 2021-22 to ₹28.13 crore (Debit) in 2022-23 due to a significant clearance of PAO suspense balance in respect of the Ministry of Surface Transport, Regional Office, Guwahati.

4.8.2 Suspense Account (Civil)

The transactions which cannot be taken to their Final Expenditure/ Receipt head of account for want of certain information/ documents (challans, vouchers *etc.*) are at the first instance booked under this suspense head. Ideally, the treasury officers should subsequently obtain the required details and clear the balance under this suspense head before closing of the financial year so that the final receipts and expenditure figures depicted in the accounts reflect the correct figures. The Outstanding Net Balances under this head as on 1 April 2022 was ₹27.87 crore (Debit) which was mainly due to net balances of Treasury Suspense (₹23.44 crore Debit) and Objection Book Suspense (₹4.27 crore Debit).

The Outstanding Balance under this head as on 31 March 2023, was ₹23.11 crore (Debit) which had reduced by ₹4.76 crore over the previous year (₹27.87 crore on 31 March 2022). This was due to the clearance of balances under Treasury Suspense by ₹3.65 crore. Figures depicted in the Annual accounts, did not reflect the correct amounts due to non-clearance of the balances under this suspense head and this balance also had the impact of understating of the Revenue Expenditure and overstating the Revenue Surplus by ₹23.11 crore.

4.8.3 Reserve Bank Suspense, Central Accounts Office

When transfer of balances between Central and State Governments take place on account of sanction of loans, grants-in-Aid *etc.*, the Minor Head 110-Reserve Bank Suspense Central Accounts Office under Major Head-8658 is operated to record such transactions before taking them to their final heads of account. The balances under this head of accounts have been increasing for the last three years. The net outstanding balances under this head as on 31 March 2023 was ₹1,203.42 crore with ₹1,975.31 crore (Debit) and ₹771.89 crore (Credit). This was due to the non-adjustment of advices received from the Reserve Bank of India, for want of complete classification details. Most of these balances are legacy balances pertaining to long periods.

4.8.4 Public Works Remittances

Remittances embrace all transactions which are adjusting heads of account and the debits or credits under these heads are eventually cleared by corresponding credits or debits either within the same or in another circle of accounting. Public Works Remittances of ₹203.90 crore (Debit) were lying unadjusted as on 31 March 2023. Details of unadjusted remittances are shown as under:

Head of Account	Net Balance		Pending from	Reasons for pending	Impact of clearance of Outstanding Balances on Cash Balance
Remittances into Treasuries	Dr.	342.04	Prior to 2001-02	Non-adjustment of transactions by Public Works Division	On clearance increase in cash balances.
Public Works Chques	Cr.	140.18	Prior to 2001-02	Outstanding credits due to non-receipt of debits through treasury accounts against cheques issued by Division	On clearance decrease in cash balances.
Other Remittances	Dr.	2.04	2006-07	Due to non-adjustment of transaction by PWD	On clearance increase in cash balances
-	Dr.	203.90		-	

Source: Finance Accounts, 2022-23

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

4.9 Reconciliation of Accounts

It is necessary to carry out periodic reconciliation of accounts to ensure accuracy and completeness of financial accounts. Reconciliation and verification of figures enables the Chief Controlling Officers (CCOs) to exercise effective control over the budget provided and the expenditures booked there against in addition to ensuring the accuracy of accounts. Financial Rules stipulate that the receipts and expenditures recorded in the books of CCOs of Departments are to be reconciled with the books of the Principal Accountant General, every month/ quarter. The status of reconciliation of expenditure figures is shown in **Table 4.12**.

Table 4.12: Status of Reconciliation of expenditure figures

Years	Total No. of Controlling Officer	Fully Reconciled	Partially Reconciled	Not Reconciled	Percentage of amount reconciled
Expenditure					
2018-19	83	82	01	00	98.80
2019-20	84	75	09	00	89.30
2020-21	84	82	02	00	97.60
2021-22	83	81	02	00	99.65
2022-23	79	75	04	00	98.38

Source: Finance Accounts of respective year

Non-reconciliation of Accounts impacts the assurance that all transactions have been taken into the final Heads of Accounts properly. Failure to exercise this check, resulted in expenditure without budget provision, misclassification of expenditure and excess expenditure against budget provision, **(details are discussed in Paragraphs 3.5.1, 3.5.3**

and 3.5.12.1) and raises concerns over accuracy of Account. It is also a reflection of a weak internal control mechanism within the Government.

4.10 Reconciliation of Cash Balances

There should be no difference between the Cash Balances of the State as per the books of Accounts of the Accountant General (Accounts) and Cash Balance as reported by Reserve Bank of India. Details of Cash Balances as per RBI and books of Accounts of the Accountant General (Accounts) and their differences are given in **Table 4.13**.

Table 4.13: Details of year-wise Cash Balance

(₹ in crore)

Year	Cash Balance as per RBI	Cash Balance as per Accountant General (Accounts)	Net Difference	Reasons for differences
2018-19	Dr.329.83	Cr.316.60	Dr.13.23	Misclassification by/ Treasury
2019-20	Cr.231.55	Dr.256.96	Dr.25.41	
2020-21	Dr.20.00	Dr.7.01	Dr.27.01	
2021-22	Dr.731.98	Cr.2,063.52	Cr.1,331.54	
2022-23	Dr.728.30	Cr.945.59	Cr. 217.29	
Total	Dr. 1,578.56	Cr. 3,061.74	Cr.1,483.18	

Source: Finance Accounts of respective year

As on 31 March 2023, there was a difference of ₹217.29 crore (Credit) in Annual Accounts, between the Cash Balance of the State Government, as per the books of Accounts of the Accountant General (Accounts), and the Cash Balance reported by RBI. The net RBD at the end of year reported by RBI is ₹728.30 crore (Debit) and Accountant General's figure is ₹945.59 crore (Credit). This difference is mainly due to the misclassifications and incorrect reporting by Banks/ Treasuries which need to be reconciled and rectified. It is the responsibility of the State Government to reconcile the balance with Agency Banks on a continuous basis to ensure that the amounts reported are correct and to ensure that there are no delays in reporting of transactions by the Agency Banks. However, such reconciliation was not being done, due to which there was a huge difference of ₹217.29 crore (Credit in Annual Accounts) and the penalty leviable on the Agency banks for not adhering to the timelines for settlement may be ascertained.

4.11 End use of Cess

Rule 5 of Building and Other Construction Workers Welfare Cess Rules 1998, provides that the proceeds of the Cess collected shall be transferred by such Government Office/ Establishment, as the case may be, to the Arunachal Pradesh Building and Other Construction Workers Welfare Board (APBOCWB). Further, as per Rule 5(3) of the Building and Other Construction Workers Welfare Cess Rules 1998, the amount collected has to be transferred to the Board within thirty days of its collection.

As on 01 April 2022, the State Government was yet to transfer Cess amounting to ₹127.68 crore to the Board. Further, during 2022-23, another ₹20.35 crore was collected as Labour Cess by the State Government. However, the State Government transferred

only ₹19.30 crore to the Board during 2022-23, leaving a balance of ₹128.73 crore as on 31 March 2023.

As at end of 2022-23, a total of 65,752 workers were registered with the Board. Details of amount collected, and actual expenditure incurred during the period from 2018-19 to 2022-23 are shown in **Table 4.14**.

Table 4.14: Statement of Cess Collection and Expenditure incurred (2018-19 to 2022-23)

(₹ in crore)

Year	Opening Balance	Addition during the year		Total Fund Available	Actual Expenditure	Closing Balance
		Cess Collected during the year	Other income*			
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	53.24	0.69	62.26	54.72	7.54
2021-22	7.54	80.16	0.93	88.63	81.79	6.84
2022-23	6.84	135.03	0.72	142.59	128.34	14.25

Source: Information furnished by the Board

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

As can be seen from **Table 4.14**, out of the total available fund of ₹142.59 crore in 2022-23, the APBOCWB expended ₹128.34 crore, leaving a balance of ₹14.25 crore at end of the year.

Section 24(3) of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 states that no Board shall, in any financial year, incur expenses towards salaries, allowances and other remuneration to its members, officers and other employees and for meeting the other administrative expenses exceeding five *per cent* of its total expenses during the financial year. Scrutiny of the details of expenditure of APBOCWB for 2022-23 revealed that out of the total expenditure of ₹142.59 crore, an expenditure of ₹7.52 crore (5.85 *per cent* of the total expenditure) was incurred towards administrative expenses by the Board in contravention of the rules *ibid*.

The remaining expenditure of ₹135.07 crore was incurred by the Board on Educational Benefits (₹2.22 crore) to 836 children of the beneficiaries *i.e.* building and other construction workers, Normal Death Benefits (₹0.86 crore) to 163 beneficiaries, Medical Benefits (₹0.007 crore) to 22 beneficiaries and Marriage Benefits (₹0.03 crore) to 32 Beneficiaries *etc.*

4.12 Compliance with Indian Government Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe form of accounts of the Union and of the States. In accordance with this provision, three Indian Government Accounting Standards (IGAS) have been notified to enhance the accountability mechanisms. Compliance to these Accounting Standards by Government of Arunachal Pradesh for the year 2022-23 and deficiencies therein are detailed in **Table 4.15**.

Table 4.15: Compliance with IGAS

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

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

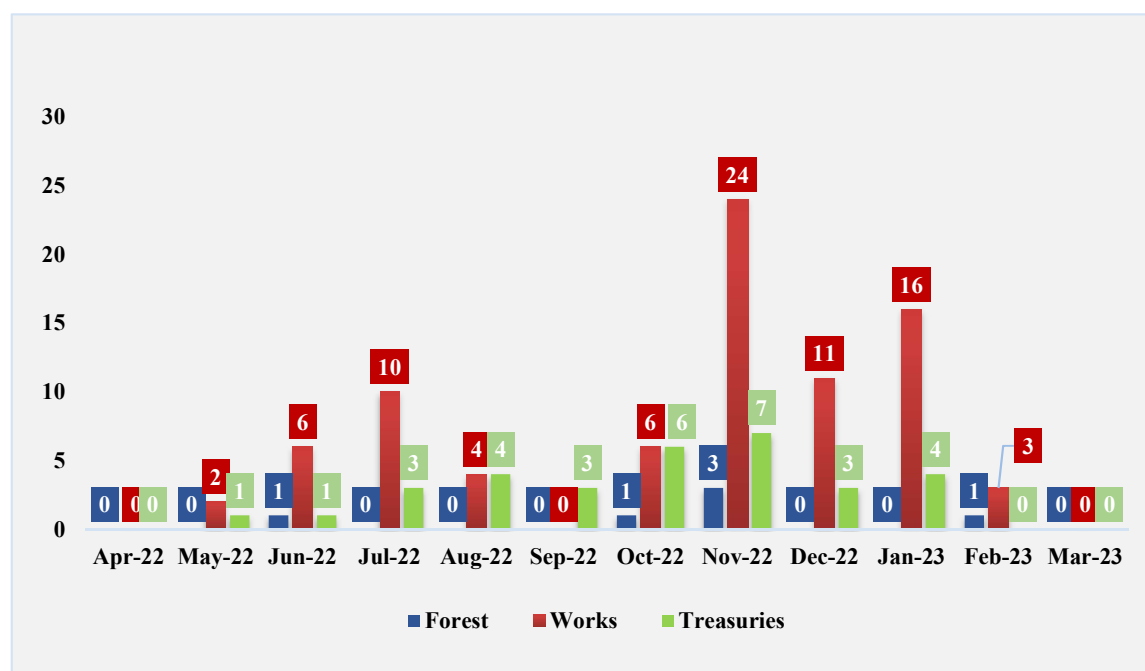
4.13 Timeliness and Quality of Accounts

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

In Arunachal Pradesh, the Principal Accountant General is required to compile the accounts of the State Government, from the initial accounts rendered by the 37 District Treasuries/ Sub-treasuries, 51 Public Works Divisions, 37 Public Health Engineer, 35 Power Divisions, 20 Hydro Power Divisions, 24 Urban Divisions, 31 Rural Works Divisions, 28 Water Works Divisions and 48 Forest Divisions, apart from the RBI advices.

During 2022-23, there were delays in rendition of monthly accounts that resulted in few accounts being excluded from the monthly civil accounts. Details of accounts of works divisions excluded from the monthly Civil Accounts are given **Chart 4.5**.

Chart 4.5: Month-wise exclusion of Accounts from the monthly Civil Accounts



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

As can be seen from the **Chart 4.5** above, during 2022-23, the Public Works Divisions were the major units that delayed the rendition of monthly accounts. Consequently, receipts and expenditure relating to these divisions/ units could not be incorporated in the Civil Accounts in the month of occurrence of the transaction. Due to the failure of the accounts rendering units to furnish accounts on time, these accounts were excluded from the corresponding Monthly Civil Accounts by the Principal Accountant General, Arunachal Pradesh in 11 months of 2022-23, except for March 2023. Therefore, the monthly accounts indicating the receipts and disbursements of the State during these months, rendered by the Principal Accountant General to the State Government were incomplete in all the months, except for the month of March 2023. However, no accounts have been excluded at the end of the year.

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

The State Government needs to monitor closely and ensure the rendition of accounts by all the account rendering authorities to the Principal Accountant General on a timely basis, to manage its own budget more effectively.

4.14 Submission of Annual Accounts by Autonomous Bodies

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

There were four Autonomous Bodies coming under the audit purview of the Principal Accountant General, Arunachal Pradesh as per Section 19 or 20 of the CAG’s DPC Act, which were required to submit their Annual Accounts to CAG before 30 June every year. However, there were delays in submission of Annual Accounts by such ABs to Audit ranging from one to nine years as of September 2023. Details of arrears in accounts submission by ABs is given in **Table 4.16**.

Table 4.16: Details of Arrears of Accounts

Sl. No.	Name of the State Autonomous Bodes/ Authorities	Accounts pending since	No. of Accounts pending as of September 2023
1.	Arunachal Pradesh State Legal Services Authority	2022-23	01
2.	Arunachal Pradesh State Electricity Regulatory commission	2022-23	01
3.	Arunachal Pradesh State Compensatory Afforestation Fund Management and Planning Authority	2013-14	10
Total			12

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

As can be seen from the above table, the Annual Accounts of four ABs (12 Accounts) were not submitted to audit as of September 2023. Further, 10 Accounts of CAMPA were pending from 2013-14 onwards. The State Forest Department which has the responsibility to oversee the activities of CAMPA, did not take effective actions to clear the huge arrears in submission of accounts.

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

4.15 *Suo-motu* Action Taken Notes

In his Audit Reports on the Finances of the GoAP, the Comptroller and Auditor General of India has been flagging year after year, issues of concern relating to the various aspects of financial and budgetary management, areas of non-compliance with the prescribed procedures, rules and regulations *etc.* by the State Government Departments/ Authorities. These Reports can achieve the desired results only when they evoke positive and adequate response from the Government/ Administration. To ensure accountability of the Executive with regard to the issues contained in the Audit Reports, the Finance Department issued instructions (June 1996), for submission of *suo motu* explanatory notes indicating the action taken or proposed to be taken by the concerned administrative departments within

three months from the date of presentation of the Audit Reports to the State Legislature. *Suo motu* explanatory notes on the observations (348 paragraphs) made in the Audit Reports have not been provided by any of the concerned departments, indicating that none of the concerned departments complied with the instructions laid by the Finance Department.

4.16 Discussion of SFAR by the PAC

Public Accounts Committee was held on 17 August 2023 however, no Audit Findings incorporated as Paragraphs in the State Finances Audit Report (SFAR), was discussed.

4.17 Conclusion

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

4.18 Recommendations

The Government may-

- ensure timely submission of Utilisation Certificates by the departments in respect of the grants released for specific purposes.
- expedite the process to clear the old Abstract Contingent (AC) bills and ensure timely submission of all Detailed Countersigned Contingent bills to adjust the outstanding AC bills within the prescribed timeline as required under the rules.

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