Executive Summary

EXECUTIVE SUMMARY

BACKGROUND

This Report on Finances of the Government of Arunachal Pradesh is brought out with a view to objectively assess the financial performance of the State during 2013-14. The aim of this Report is to provide the State Government with timely inputs based on actual data so that there is a better insight into both 'well performing' as well as 'ill performing' Schemes/Programmes of the Government. To give a perspective to the analysis, an effort has been made to compare achievements with targets envisaged by the State Government in the Budget Estimates of 2013-14 and projections made by the Twelfth/Thirteenth Finance Commissions.

Based on audited accounts of the Government of Arunachal Pradesh for the year ending March 2014, this Report provides an analytical review of the Annual Accounts of the State Government. The Report is structured in three Chapters.

THE REPORT

Chapter I is based on the audit of Finance Accounts and makes an assessment of the fiscal position of the Government of Arunachal Pradesh as on 31 March 2014. It provides an insight into the trends in committed expenditure and borrowing patterns, besides a brief account of Central Funds transferred directly to State implementing agencies through the off-budget route.

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

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

AUDIT FINDINGS AND RECOMMENDATIONS

❖ Return to Fiscal Correction

During 2013-14, the State witnessed significant decrease in all fiscal parameters as Revenue Surplus during the current year decreased by 90.87 *per cent,* Fiscal Deficit increased by 592.15 *per cent* and the primary surplus during the previous year took a turnaround and reached deficit status in the current year.

The State may need to give special attention to the fall in Revenue Surplus and maintain fiscal deficit and primary deficit within limits.

❖ Revenue Receipts

Revenue receipts during 2013-14 grew by 1.02 *per cent* (₹ 58.91 crore) over the previous year. Tax Revenue (₹ 434.51 crore) was 8.08 *per cent* higher than the assessment made in the Budget Estimates for the year. Collection of Non-Tax Revenue (₹ 405.06 crore) during 2013-14 was lower than assessments made by the 13th Finance Commission (14 *per cent*) and the Budget Estimates (27.87 *per cent*). Central Transfers, comprising of the State share of Central taxes and Grants-in-aid contributed about 86 *per cent* of Revenue Receipts during the year. The State primarily depends on resources transferred by the Central Government. The State's own resources as a percentage of total receipts declined from 15.94 *per cent* in 2009-10 to 14.42 *per cent* in 2013-14. This indicates that Central Transfers were the key to the increase in Revenue receipts of the State.

The State should make efforts to increase its own resources and restore the buoyancy in Revenue Surplus in the ensuing years.

❖ Revenue and Total Expenditure

Revenue Expenditure of the State during 2013-14 increased by ₹ 945.16 crore over the previous year and constituted 77.14 *per cent* of the total expenditure during the year. Non-Plan Revenue Expenditure (NPRE) during 2013-14, which increased by ₹ 870.18 crore compared to the previous year, also exceeded the normative assessment made by the 13th Finance Commission by around 71.93 *per cent.* Committed Expenditure, *viz.,* Salaries, Pensions, Interest Payments and Subsidies, constituted about 56.98 *per cent* of the Revenue Expenditure during 2013-14.

❖ Capital and Development Expenditure

The State Government had given adequate thrust to Capital Expenditure in its budget for 2013-14, but failed to fulfill its commitment. Capital Expenditure during the current year increased over the previous year but fell short of the Budget Estimates by about 50.27 *per cent.* Development Expenditure during 2013-14 was 21.69 *per cent* higher than the previous year and also exceeded the assessment made in the Budget Estimates by 43.56 *per cent*, but only 27 *per cent* was utilized for Capital expenditure.

The Government should initiate suitable measures to compress components of Non-plan Revenue Expenditure and emphasize on provision of Development Capital Expenditure.

❖ Debt Sustainability

Prevalence of fiscal liabilities of the State over the period 2009-14, which stood at 36.58 *per cent* of the GSDP in 2013-14, appeared to be quite high, especially when compared with the limit prescribed by the 13th Finance Commission, i.e., steady reduction in augmented Debt Stock of States to less than 25 *per cent* of GDP by 2014-15. The positive Resource Gap during 2012-13 turned into a negative Resource Gap during 2013-14, indicating decreasing capacity of the State to sustain debt in the medium to long run.

The State Government should endeavour to maintain a proper Debt-GSDP Ratio, so that incremental non-debt receipts become adequate to cover the interest burden.

❖ Financial Management and Budgetary Control

During 2013-14, there was an overall savings of ₹ 4178.24 crore, which was the result of savings of ₹ 4244.11 crore offset by excess of ₹ 65.87 crore. The excess of ₹ 65.87 crore was required to be regularized as per Article 205 of the Constitution of India. There were also instances of inadequate provision of funds and unnecessary/excessive re-appropriations. In many cases, anticipated savings were not surrendered and reconciliation of expenditure figures was not done by Controlling Officers.

Budgetary Controls should be strictly observed to avoid deficiencies in Financial Management.

❖ Financial Reporting

Compliance with rules, procedures and directives of the State Government was unsatisfactory, as evident from the delay in furnishing Utilization Certificates for grants given to/by Government Departments. Delays also figured in submission of Annual Accounts by some Autonomous Bodies.

Internal Control in all Departments/Organizations should be strengthened.