EXECUTIVE SUMMARY

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THE REPORT

This report provides an analysis of the finances of the State Government based on the audited accounts of the Government of Arunachal Pradesh for the year ended March 2017. The Report has three Chapters.

Chapter I *is based on the Finance Accounts and makes an assessment of Arunachal Pradesh Government's fiscal position as on 31 March 2017. It presents and analyses the State Government's resources and their application.*

Chapter II *is based on audit of the Appropriation Accounts and reviews the allocative priorities of the State Government and the manner in which the allocated resources were managed by the various Departments.*

Chapter III *gives an overview and status of the State Government's compliance with various financial rules, procedures and directives during 2016-17.*

The Report has 20 appendices containing additional data collated from several sources in support of the findings.

AUDIT FINDINGS

Analysis of Finances of the State Government

- *State's Own Resources (Own Tax and Non-Tax Resources) were only about 11 per cent of the Revenue Receipts. As such, the State primarily depends on resources transferred by the Central Government.*

- *Central Transfers, comprising of the State Share of Central taxes and Grants-in-aid from Government of India, increased by ₹ 900.09 crore in 2016-17 over 2015-16 which constituted about 89 per cent of Revenue Receipts.*

- *Revenue Receipts during 2016-17 grew by 11.62 per cent (₹ 1226.475 crore) over the previous year.*

- *During 2016-17, Revenue Expenditure, with an increase of ₹ 1031.80 crore over the previous year, accounted for 86 per cent of the State's Total Expenditure, which was in the nature of current consumption, leaving only 14 per cent for Capital Expenditure (investment in infrastructure and asset creation).*

- *Non-Plan Revenue Expenditure, with an increase of ₹ 979.00 crore over previous year, constituted about 71 per cent of the Revenue Expenditure* *during 2016-17. It had ranged between 59 to 71 per cent during the last five years.*

- *Committed Expenditure, viz., Salaries, Pensions, Interest Payments and Subsidies, constituted more than 49 per cent of the Revenue Expenditure during 2016-17.*

- *The State Government had given adequate thrust to Capital Expenditure in its budget for 2016-17, but failed to fulfill its commitment. Capital Expenditure (₹ 1544.01 crore) during 2016-17 decreased over the previous year (₹ 1993.25 crore) and also fell short of the Budget Estimates (₹ 2605.86 crore) by 40.75 per cent.*

- *The ratio of Development Expenditure of the State stood at an average of 74 per cent of the Total Expenditure during the period 2012-17 which was way above the combined average (61.00 per cent) of Special Category States.*

- *During 2016-17, the return to the Government on its investments in Government Companies, Co-operative Bank, Societies, etc. was 'NIL' while the Government paid an average interest rate ranging from 6.35 to 6.93 per cent on its borrowings during 2012-17. Out of the five working Government Companies, accumulated losses in two Companies had exceeded their paid-up capital and in one Company, the accumulated loss was more than 80 per cent of the paid-up capital; the remaining two Companies were in profit.*

- *During 2016-17, the State maintained all the fiscal parameters as Surplus-the Revenue Surplus increased by 8.89 per cent, Fiscal Surplus by 340.10 per cent and Primary Surplus by 103.84 per cent.*

- *Fiscal Liabilities which stood at 23.38 per cent of the GSDP in 2016-17, was lower than the limit prescribed by the XIV Finance Commission.*

- *The State's Fiscal Liabilities were about seven times the State's Own Resources at the end of 2012-13, whereas it had reduced to about four times the State's Own Resources at the end of 2016-17.*

(Chapter-I)

Financial Management and Budgetary Control

Sound financial management requires advance planning and accurate estimation of revenues and expenditure. There were instances of excess expenditure or substantial savings with reference to provisions made during the year, exhibiting weakness in expenditure monitoring and control.

- *In 2016-17, there were total savings of ₹4779.47 crore, which was the result of gross savings of ₹5124.39 crore partially offset by an excess of ₹ 344.92 crore.*

- *Out of the total savings of ₹4,779.47 crore, total surrender amounted to ₹3,574.38 crore (76.90 per cent). Further, in 41 sub-heads, the surrenders amounted to more than 50 per cent of the budgetary provisions.*

- *Excess expenditure over the budgetary allocations amounting to ₹2,636.22 crore pertaining to the years 1986-87 to 2015-16 was not regularised till February 2018. The cases of excess expenditure over grants are serious breaches of legislative intent.*

- *Detailed Countersigned Contingent Bills were not submitted for ₹3.90 crore drawn on 65 Abstract Contingent Bills. In the absence of Detailed Countersigned Contingent Bills, it was not possible to ascertain whether expenditure had taken place or not. Non-adjustment of AC Bills for long periods in violation of prescribed rules was fraught with the risk of embezzlement.*

(Chapter II)

Financial Reporting

Audit observed various instances of non-observance of financial rules and procedures and absence of financial controls.

- *Utilisation Certificates were not furnished in 198 cases for ₹690.16 crore. There were delays in submission of annual accounts by 25 Autonomous Bodies/ Authorities which diluted accountability and defeated the very purpose of preparation of accounts.*

(Chapter III)