

# **CHAPTER – I**

## **Overview**



## **Chapter-I Overview**

### **1.1 Introduction**

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from test audit of transactions of various Departments of the Government of Arunachal Pradesh pertaining to General, Social, Economic and Revenue Sectors.

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective action, to frame appropriate policies as well as to issue directives that will lead to improved financial management and contribute to better governance.

This Chapter, in addition to explaining the planning and coverage of audit, provides a synopsis of significant instances of non-compliance with applicable laws, rules, regulations, various orders and instructions issued by competent authorities.

### **1.2 Planning and conduct of Audit**

Audit process commences with the assessment of risk of the departments based on the expenditure incurred, criticality/complexity of activities, priority accorded for the activity by the Government, level of delegated financial powers, assessment of internal controls, concerns of stakeholders, previous audit findings etc. Based on this risk assessment, frequency and extent of audit are decided and an annual audit plan is formulated to conduct audit.

After completion of each audit, Inspection Report (IR) containing audit findings is issued to the Head of the unit with a request to furnish replies within one month of receipt of the IR. Wherever replies are received, audit findings are either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at the highest level in the Government, are processed for inclusion in the Audit Reports which are submitted to the Governor of Arunachal Pradesh under Article 151 of the Constitution of India for causing them to be laid on the Table of the State Legislature.

### **1.3 Accountability Mechanism**

Heads of Offices and the next higher authorities are required to respond to the observations contained in the IRs and take appropriate corrective action. As of 31 March 2018, 4,185 Paragraphs pertaining to 802 IRs, involving ₹ 3,597 crore were outstanding, and even first replies were not received from 213 offices in respect of 343 IRs issued between 1985-86 to 2017-18.

Lack of action on audit IRs and Paragraphs is fraught with the risk of perpetuating serious financial irregularities pointed out in these Reports, dilution of internal controls in the process of governance, inefficient and ineffective delivery of public goods and services, fraud, and loss to public exchequer.

Finance Department of the Government of Arunachal Pradesh issued instructions (June 1996), to the Administrative Departments to submit a *suo motu* Explanatory Notes

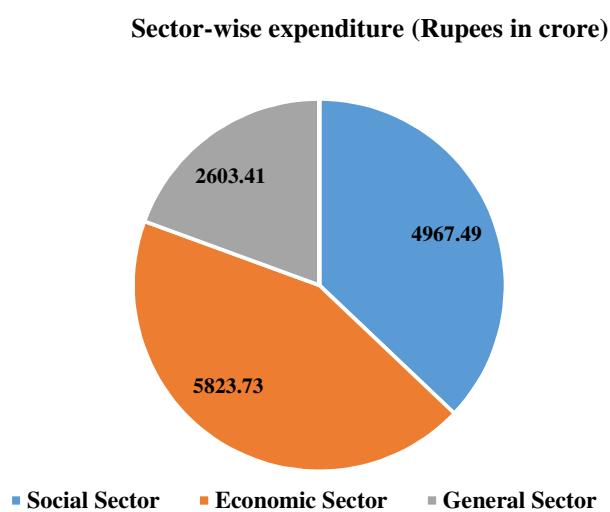
(ENs) on the Paragraphs/Performance Reviews included in the Audit Reports relating to their area of work, indicating the action taken or proposed to be taken, and submit the ‘Action Taken Notes’ (ATNs) to the Assembly Secretariat with a copy to the Accountant General and Secretary, Finance Department, within three months from the date of receipt of the Report.

As per the decision taken in the National level Conference on “Legislature Audit Interface” held in July, 2010, State Public Accounts Committee (PAC)/Committee of Public Sector Undertakings (CoPU) have transferred 144 Paragraphs pertaining to the period from 1994-95 to 2007-08 to the State Government for their follow-up. However, no ATNs on these have been received from the concerned Departments (March 2019).

Further, as regards submission of *suo motu* ENs on Paragraphs included in the Reports of the CAG from 2008-09 to 2016-17, as of March 2019, ENs on 207 Paragraphs of the Audit Reports were outstanding from various Departments (**Appendix-1.1**).

The Administrative Departments were also required to take suitable action on recommendations of the PAC/ CoPU in their Reports presented to the State Legislature. The PAC specified the time-frame for submission of ATNs as one month. Review of 16 Reports of the PAC containing recommendations on 94 Paragraphs in respect of 25 Departments included in Audit Reports presented to the Legislature between September 1994 and September 2015 revealed that, none of the Departments sent ATNs to the Assembly Secretariat as of March 2019. Thus, status of implementation of recommendations of the PAC by the Administrative Departments could not be ascertained in audit (**Appendix-1.2**).

## 1.4 Significant Audit Observations



During the year 2017-18, the State Government had incurred an expenditure of ₹ 13,395 crore against the budget provision of ₹ 18,721 crore under Social, Economic and General Sectors. Sector wise expenditure is depicted in the chart alongside.

This Report contains findings of audit from a test check of the transactions of 118 units<sup>1</sup> in the Social, Economic, General and

Revenue Sectors involving an expenditure of ₹ 6186 crore<sup>2</sup>. Significant audit findings are discussed in the succeeding chapters.

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<sup>1</sup> Social Sector :27 units, Economic Sector :48 units, General Sector :20 units, Revenue Sector :22 units and Public Sector Undertakings: 1 unit.

<sup>2</sup> ₹ 3788.43 crore under Social Sector, ₹ 1486.32 crore under Economic Sector and ₹ 911.70 crore under General Sector.