



CHAPTER – IV
GENERAL SECTOR

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4.1 Introduction

This Chapter of the Audit Report deals with the findings of Audit of the State Government Departments/ units pertaining to the General Sector.

During 2020-21, total budget allocation of the State Government in the Departments under General Sector was ₹5,116.40 crore against which actual expenditure incurred was ₹4,281.53 crore (83.68 *per cent*), whereas during 2021-22, the total budget allocation was ₹5,954.21 crore against which actual expenditure was ₹5178.38 crore (86.97 *per cent*). The Department-wise details of Budget Allocations and Expenditure incurred are shown in **Table 4.1**.

Table 4.1: Budget allocation and expenditure under General Sector

(₹ in crore)

Sl. No	Department	2020-21		Expenditure in <i>per cent</i>	2021-22		Expenditure in <i>per cent</i>
		Budget	Expenditure		Budget	Expenditure	
1.	Legislative Assembly	140.57	130.73	93.00	125.66	113.21	90.09
2.	Governor	9.67	7.08	73.19	10.27	8.24	80.26
3.	Election	26.35	24.93	94.62	27.05	25.67	94.90
4.	Secretariat Administration	218.79	213.72	97.68	287.00	279.33	97.33
5.	District Administration	398.83	322.05	80.75	411.05	394.95	96.08
6.	Finance	2954.75	2374.41	80.36	3350.34	2738.83	81.75
7.	Home	1153.82	1047.78	90.81	1462.43	1411.56	96.52
8.	Gazetter	1.29	1.26	97.33	2.87	2.77	96.78
9.	Land Management	77.31	67.55	87.38	79.83	44.45	55.67
10.	Public Service Commission	14.20	10.49	73.87	29.23	27.80	95.09
11.	Law & Justice	59.83	36.60	61.18	103.99	69.91	67.23
12.	State Tax and Excise	29.00	26.39	91.01	33.74	32.23	95.55
13.	State Lotteries	1.82	1.50	82.54	1.48	1.44	97.39
14.	Printing	13.25	10.98	82.88	12.92	12.45	96.35
15.	State Information Commission	3.78	2.01	53.25	5.02	4.03	80.18
16.	Parliamentary Affairs Department	1.57	1.50	95.17	2.20	2.10	95.80
17.	Administrative Training Institute	11.58	2.54	21.94	9.15	9.42	102.90
Total		5116.40	4281.53	83.68	5954.21	5178.38	86.97

(Source: Appropriation Accounts 2020-21 and 2021-22)

It could be seen from the **Table 4.1** that:

- During 2020-21, the expenditure incurred by the Departments ranged between 21.94 and 97.68 *per cent* of the allocations made, whereas during 2021-22 the expenditure ranged between 55.67 and 102.90 *per cent*.

- Seven Departments have incurred more than 90 *per cent* of total budget allocation viz. Secretariat Administration (97.68 *per cent*), Gazetteer (97.33 *per cent*), Parliamentary Affairs (95.17 *per cent*), Election (94.62 *per cent*), Legislative Assembly (93.00 *per cent*), State Tax and Excise (91.01 *per cent*) and Home (90.81 *per cent*) during 2020-21.
- During 2021-22, twelve Departments have incurred more than 90 *per cent* of total budget allocation.
- During 2020-21, the expenditure in all the Departments under this sector was less than their respective budgetary allocations for the year whereas during 2021-22 Administrative Training Institute Department has incurred 102.90 *per cent* of budget allocation.

4.1.1 Planning and Conduct of Audit

Audit process starts with the assessment of risks faced by various Departments of the Government based on expenditure incurred, criticality/ complexity of activities, level of delegated financial powers and assessment of overall internal controls.

Audit was conducted in 12 units of two Departments and 23 units of seven Departments involving expenditure of ₹1,012.60 crore and ₹1,672.31 crore respectively (including expenditure of earlier years) during 2020-21 and 2021-22 under the General Sector.

After completion of audit of each unit, Inspection Reports containing audit findings were issued to the Heads of Departments for taking appropriate remedial measures on the audit findings. The Departments were requested to furnish replies to the audit findings within one month of the receipt of Inspection Reports. Wherever replies were received, audit findings were reviewed and either settled or further action for compliance was advised. Important audit observations arising out of the Inspection Reports were processed for inclusion in C&AG's Audit Report, which is submitted to the Governor of the State under Article 151 of the Constitution of India, for laying before the State Legislature.

Compliance Audit Paragraph

Planning Department

4.2 Fake expenditure

Absence of internal controls led to fraudulent payment (March 2019) of ₹ 45.00 lakh to Urban Development & Housing, Ziro Division without execution of a work as the same work was subsequently executed by PWD, Ziro at the cost (March 2020) of ₹ 45.00 lakh.

Planning Department, Government of Arunachal Pradesh allocated (January 2019) an amount of ₹ 45.00 lakh to the Deputy Commissioner, Lower Subansiri District, Ziro for 'Renovation of Auditorium of Government Dani Kuniya Higher Secondary School, Ziro' under Untied Fund. The Deputy Commissioner (DC) accorded administrative approval and expenditure sanction and placed (February 2019) the fund with Public Works Department (PWD), Ziro Division for execution of the work.

However, scrutiny of records (February 2021) of the District Planning Officer (DPO), Ziro revealed that the work was shown as executed (March 2019) by another Department, *i.e.*, Urban Development & Housing, Ziro Division. Records showed that the Executive Engineer, Urban Development & Housing, Ziro Division issued 10 work orders for execution of the work and submitted bills⁷⁹. Name of contractor who executed the work was not mentioned in the work orders and bills submitted by the Division. Further, vital information like work order no., MB reference, date of commencement, date of completion, date of measurement are not found on the body of the bills. Despite the discrepancies, the DPO, Ziro passed an amount of ₹ 45.00 lakh in March 2019 for execution of the work and the amount was paid to the Executive Engineer, Urban Development & Housing in a bank draft vide No. 93010 dated 19 March 2019.

Further scrutiny revealed that Planning Department, Government of Arunachal Pradesh again allocated (22 October 2019) an amount of ₹ 45.00 lakh for execution of the same work, *i.e.*, 'Renovation of Auditorium of Government Dani Kuniya Higher Secondary School, Ziro'. The Divisional Commissioner (West), Yachuli placed (March 2020) the fund with PWD, Ziro Division for execution of the work. During March 2020, the Executive Engineer, PWD Ziro Division submitted 13 nos of FF bills⁸⁰ for the work. The work was shown as executed by 'M/s EMR Enterprises & Consultant' during January 2020 to March 2020. The bills were checked and the DPO, Ziro passed the bills worth ₹ 45.00 lakh vide bank draft No.552918 dated 29 March 2020. Both times expenditure was booked under same head 'Major head-4070 Capital outlay, Sub Major Head-00, Minor Head-800, Sub head-19 Untied fund, Detailed Head-00, Object Head-53 Major work, Demand No.50'

⁷⁹ Vide No. 06/Untied/2018-19/1 to 10

⁸⁰ 18/Untied/Ziro/2019-20/1 to 13

Audit along with officials from executing Departments⁸¹ conducted (July 2021) Joint Physical Verification (JPV) and found that the work was actually executed by PW Department not by the UD&H Department. The official from the UD & Housing Department stated that he was unaware of the work executed by the Department. The Principal of the School, who accompanied the joint inspection team, also stated that the work was executed by the PWD.

It is thus evident from records and JPV that two Departments of the Government of Arunachal Pradesh prepared bills worth ₹45.00 lakh in each case for the same work. The UD & Housing Department did not execute any renovation work of the auditorium and fabricated the records by submitting fake bills worth ₹45.00 lakh for the work which was never executed. The DPO, Ziro passed the bills without verifying genuineness of bills viz. checking contractor name, MBs reference, period of execution, etc. in body of bills.

Thus, due to sanction of same work twice by Planning Department, falsification of records by UD&H, Ziro and negligence of DPO, Ziro misappropriation of ₹45.00 lakh from Government account could not be ruled out.

The matter was reported to the State Government (September 2021), however no reply from the Government has been received.

Recommendations:

The State Government may-

- (i) *investigate the matter and take appropriate action against the delinquent officer after fixing the responsibility for such criminal offense by means of misappropriation of the project fund.*
- (ii) *refer the cases to CVC for further investigation.*

4.3 Doubtful expenditure

Expenditure on food items of ₹69.00 lakh meant for 35 camps were spent towards organising only 26 camps (74 per cent). Out of the above, the related payment of ₹42.50 lakh shown to be paid on food items to two doubtful firms through suspected fake bills.

The Government of Arunachal Pradesh (GoAP) introduced State Sponsored Scheme 'Sarkar Aap Ke Dwar (SAKD)' in 2018-19. Under the Scheme, the Deputy Commissioner (DC) of Districts shall conduct Jan Sunvai Sammelan/Camps in different location of the districts by travelling with the entire team of district level officers to resolve public grievance on the spot. The objective of the scheme is to provide service delivery of the Government to the citizens at their doorstep.

⁸¹ PWD and UD & Housing

As per scheme guideline, the participating line Department shall bear all the cost of transportation, advertisement, *etc.* in organizing camps. However, Uniforms, Stall, Banner, *etc.* will be provided by the DC. The refreshment for the camps will also be provided by the DC subject to limit between ₹0.50 lakh to ₹2.00 lakh per camp.

The Planning Department, GoAP accorded administrative approval and expenditure sanction of ₹49.00 lakh for organising 25 SAKD camps during 2018-19 and ₹20.00 lakh for organising ten SAKD camps during 2019-20 in Lower Subansiri District @ ₹2.00 lakh per camp. The fund was placed with the DC, Lower Subansiri District, Ziro. The expenditure was to be incurred on refreshments and other contingency items in accordance with scheme guideline.

Scrutiny of records (February 2021) of the District Planning Officer (DPO), Ziro revealed that the entire allotted amount was incurred and Utilisation Certificates (UCs) was submitted to the Director Planning, GoAP stating that the fund was utilised as per terms and condition of the sanction. However, audit observed that against 35 projected SAKD camps, only 26⁸² camps/ programmes (74.28 *per cent*) were conducted in the District during the period 2018-19 to 2019-20 though entire sanctioned amount was spent. The DC did not monitor and supervise implementation of SAKD scheme in District due to which only 26 SAKD camps were organised against target of 35 camps with shortfall of 25.72 *per cent* as detailed in **Table 4.2**.

Table 4.2: Details of fund sanctioned and SAKD camps organised

Sl. No.	Fund Allotment Order	Amount (₹ in lakh)	Date of submission of UC	Total camps to be organised (@ ₹2.00 lakh per camp)	Camps actually organised
1.	PD(M)/SAKD/2018-19/834-43 Dt. 27 September 2018	25.00	09 January 2019	25	18
2.	PD(M)/SAKD/2018-19/584-89 Dt. 29 March 2019	24.00	02 July 2019		
3.	PD(M)/SAKD/2018-19/884-105 Dt. 04 November 2019	20.00	24 April 2020	10	08
Total		69.00		35	26

(Source: Departmental records.)

Audit further observed that out of total expenditure of ₹69.00 lakh, ₹65.30 lakh was incurred on refreshments/ food items. The DPO, Ziro did not maintain details of expenditure incurred on each camp/ programme. Thus, camp wise expenditure incurred could not be ascertained in audit. As per bills/ vouchers, the Department engaged three firms for supply of refreshment/ food items. The firms were selected on nomination basis without observing transparency and market competitiveness as required under norms. The Department neither invited quotation for supply/ arrangement of the food items nor conducted any market survey before selection of the firms. The supply orders were also not available on record. The payments were released to firms between October 2018 and January 2020 as detailed in **Table 4.3**.

⁸² 18 camps in 2018-19 and 08 camps in 2019-20

Table 4.3: Details of expenditure incurred

				(₹ in lakh)
Sl. No.	Supplier	No of bills/ vouchers	Refreshment provided (packet)	Amount
1.	M/s Aroti Enterprises, Koloriang	56	6,900	25.00
2.	Zimin Ziro Hotel	60	8,835	22.80
3.	M/s R.S. Enterprises, Itanagar	42	7,000	17.50
Total		158	22,735	65.30

(Source: Departmental records.)

As evident from above, the payment of ₹65.30 lakh was released to three firms through 158 vouchers keeping value of each sanction within financial power of DC⁸³ in order to avoid necessity of obtaining approval from higher authority.

Further, audit observed following irregularities in the bills pertaining to two firms, namely, (i) *M/s Aroti Enterprises* and (ii) *M/s R.S. Enterprises*:

- i. Firm '*M/s Aroti Enterprises*' had submitted 56 bills amounting to ₹25.00 lakh on 05 October 2018. The bills were passed by DPO, Ziro on same day, i.e. 05 October 2018. Audit observed that during 2018-19, 18 SAKD camps were organised between September and February 2019. Thus, bills were passed and payment was released to firm when only one camp/ programme was conducted as on October 2018 during 2018-19.
- ii. Firm '*M/s R.S. Enterprises*' had submitted 49 bills amounting to ₹17.50 lakh on 27 January 2020. The bills were passed by the DPO, Ziro on 27 January 2020. Audit observed that during 2019-20 eight SAKD camps were organised between February and March 2020. However, the bills were passed and payment released to firm in January 2020 prior to the organizing of SAKD camps.
- iii. The bills/ invoices of the two firms did not have references of supply orders, invoices number & date. The registration details of firms (GST/ VAT registration number) were also not available on their bills/ invoices. Moreover, unlike other firm *M/s Zimin Ziro Hotel*, the GST provision (five *per cent* on food items) was not included in these two suppliers' bills. Thus, legitimacy of bills submitted in favor of aforementioned two firms is highly doubtful.

Audit ascertained registration details of firms from Tax Department and it was found that one firm *M/s R.S Enterprises, Itanagar* did not exist. Whereas, other firm *M/s M/s Aroti Enterprises, Koloriang* dealt in hardware, electric goods, building material business instead of food & catering work. Thus, the expenditure of ₹42.50 lakh (*M/s Aroti Enterprises, Koloriang-₹25.00 lakh + M/s R.S. Enterprises, Itanagar-₹17.50 lakh*) shown to have been incurred on arrangement of food items by the two firms was not genuine.

⁸³ The financial power of DC as per order dated 22 February 2016 is ₹0.35 lakh for contingent expenditure.

The matter was reported to the Government in September 2021. The State Government stated (March 2022) that audit observation has been noted and Departmental enquiry will be carried out under intimation to audit. However, no action was taken by the State Government as on November 2022.

Recommendation: The State Government may investigate the case and after fixing the responsibility appropriate disciplinary action may be taken against the officers and suppliers concerned.

4.4 Falsification of records and suspected misappropriation of Public money

Suspected misappropriation of ₹50.00 lakh of public money from the Government Accounts was made using falsified records by furnishing bogus bills and scanned copy of Sanction Order.

Rule 21 of General Financial Rule 2017 states that every officer incurring or authorising expenditure from public moneys should be guided by high standards of financial propriety and enforce financial order and strict economy and see that all relevant financial rules and regulations are observed.

Further, Rule 177 of Central Treasury Rule states that the bill, cheque or other document presented as a claim for money shall be received and examined and then laid before the Treasury Officer who will sign the order for payment at the foot of the bill if the claim is admissible, the authority good, the signature and countersignature, where necessary, genuine and in order and the receipt a legal quitance.

Paragraph 4 (b) of the Office Memorandum⁸⁴ issued (02 January 2014) by the Department of Personal and Training, Government of India (GoI) states that suspension may be desirable of a Government Servant in the circumstances of corruption, embezzlement or misappropriation of Government Money, possession of disproportionate assets, misuse of official powers for personal gain.

Scrutiny (July 2021) of vouchers pertaining to DPO, Kamle District, Raga for March 2020 revealed that the project '*Improvement and upgradation of existing and overloaded sub-station under Raga*' was approved (13 January 2020⁸⁵) for ₹50.00 lakh under 'Untied fund' by the Planning Department Government of Arunachal Pradesh. The fund was earmarked (January 2013) to the District Planning Officer (DPO), Kamle District, Raga. It was observed that the DPO, Ziro had submitted single bill⁸⁶ amounting to ₹50.00 lakh on 03 March 2020 in favor of M/s. Jamo Jaggo Associates, Naharlagun. The bill was passed by the District Treasury Officer (DTO), Ziro and money was withdrawn (06 March 2020⁸⁷) from the Government account.

⁸⁴ Applicable in Arunachal Pradesh as State specific service rule were not formulated.

⁸⁵ Sanction order No. DCW/ (AP)/ UF/ Scheme/22/ (Pt 01)/ 2019-20/ 352-64 dated 13 January 2020

⁸⁶ Vide Bill No 8 dated 03.03.2020.

⁸⁷ vide Treasury Voucher (TV) No.9 of March 2020

Audit further observed that the DPO, Raga had again submitted five bills amounting to ₹50.00 lakh in favor of same contractor M/s. Jamo Jaggo Associates, Naharlagun for the same work 'Improvement and upgradation of existing and overloaded sub-station under Raga' on 12 March 2020 (Bill No. 18 dated 12 March 2020). The Department enclosed duplicate copy of original sanction order dated 13 January 2020 along-with bills. The DTO Ziro did not perform his duty sincerely before passing for payment. The bill was passed on 13 March 2020⁸⁸ and money was withdrawn from the Government Account.

To verify the veracity of the sanction order, audit obtained (August 2021) details of total sanctioned fund under 'Untied Fund' from the Director of Planning, Government of Arunachal Pradesh for Kamle District during 2019-20. It was found that only one project 'Improvement and upgradation of existing and overloaded sub-station under Raga' amounting to ₹50.00 lakh was sanctioned by the Government of Arunachal Pradesh during 2019-20 under Untied Fund scheme in Kamle District.

Thus, the DPO, Raga submitted false bills and duplicate copy of the original sanction order, and the DTO, Ziro passed the bill without carrying out necessary scrutiny of bills and veracity of sanction order leading to the misappropriation of public money amounting to ₹50.00 lakh.

The Department accepted and stated (September 2022) that overdrawn amount ₹50.00 lakh has been recovered and deposited to the Government account⁸⁹. However, the reply is silent about the disciplinary/criminal action initiated against the officer for misappropriation of public money. Also, no applicable interest⁹⁰ on misappropriated public money was recovered from the officer.

Recommendation: The State Government must take appropriate disciplinary/vigilance/ criminal action, after investigation, against the officers in DPO, Raga and DTO Ziro involved in the suspected misappropriation. The internal controls may be strengthened to contain reoccurrence of such irregularities in addition to recovering interest on the misappropriated public money from the delinquent officers.

⁸⁸ vide TV No.18 dated 13 March 2020

⁸⁹ Vide treasury challan No.8697 dated 10 March 2022.

⁹⁰ Recovery from the Government servant for the losses by misappropriation of Government money shall be recovered at bank rate as fixed by RBI.

4.5 Excess payment of ₹39.59 lakh to contractor

Tampering of the Government Notification was resorted for manipulating the Envelop SE (laminated) rate of ₹399.90 per piece in place of ₹399.90 per 100 pieces. This led to suspected fraudulent payment of ₹39.59 lakh to the contractor.

Rule 21 of General Financial Rules, 2017 states that every officer incurring or authorising expenditure from public moneys should be guided by high standards of financial propriety and enforce financial order and strict economy and see that all relevant financial rules and regulations are observed.

Paragraph 4 (b) of the Office Memorandum⁹¹ issued (02 January 2014) by the Department of Personal and Training, Government of India (GoI) states that suspension may be desirable of a Government Servant in the circumstances of corruption, embezzlement or misappropriation of Government Money, possession of disproportionate assets, misuse of official powers for personal gain.

The Government of Arunachal Pradesh, Secretariat Administration Department *vide* Notification No. NT-13/2004 dated 28 September 2015 had approved rates of all categories of store items for use in Arunachal Pradesh Civil Secretariat, Itanagar. As per notification, the approved rate of 'Envelop SE-7 (laminated)' was ₹399.90 per 100 pieces.

Scrutiny of records (February 2021) of Director of Planning, Civil Secretariat, Itanagar revealed that the Department had procured 10,000 (ten thousand) pieces of Envelopes SE-7 (laminated) from a private supplier M/s. Home Decora, E Sector, Itanagar during the year 2019-20. The basis of selection of firm was not available on record. The supply order was issued to the supplier in June 2019 and as per supplier's bills and invoice the material was delivered in February 2020 and ₹47.18 lakh was released to the supplier in March 2020. Audit observed that the rate adopted by the Department was ₹399.90 per piece instead of ₹399.90 per 100 pieces as approved by the Government of Arunachal Pradesh. Thus, the Department had adopted 9,922 *per cent* higher rate than the approved rate resulting into excess payment of ₹39.59 lakh to the supplier as detailed in *Appendix-4.1*.

In reply, the Department (October 2021) furnished a copy of notification dated 28 September 2015 which has rate of ₹399.90 per piece. Since, the same Government notification had two different rates for Envelop SE-7 (laminated), Audit obtained original copy of Government notification dated 28 September 2015 from the Secretariat Administration Department, which had issued this Notification and it was found that approved rate of Envelop SE-7 (laminated) was ₹399.90 per 100 pieces. The snapshot of original and tampered Government notification is provided below.

⁹¹ Applicable in Arunachal Pradesh as State specific service rule were not formulated.

Image: Snapshot showing original and tampered Government notification rates for the envelop

Original Government Notification				Tampered Government Notification			
	(Cello / Prestige)				(Cello / Prestige)		
44	Electric tube (20 watts) Bajaj	Piece	62.00	44	Electric tube (20 watts) Bajaj	Piece	62.00
45	Electric tube (40 watts) Bajaj	Piece	62.00	45	Electric tube (40 watts) Bajaj	Piece	62.00
46	Electronic choke (Bajaj)	Piece	278.00	46	Electronic choke (Bajaj)	Piece	278.00
47	Emergency light (BPL / Cello)	Piece	2361.00	47	Emergency light (BPL / Cello)	Piece	2361.00
48	Engagement pad (2015-16)	Piece	67.90	48	Engagement pad (2015-16)	Piece	67.90
49	Envelope SE-5 (75 gsm)	p/100	64.48	49	Envelope SE-5 (75 gsm)	p/100	94.48
50	Envelope SE-5 (Laminated)	p/100	159.00	50	Envelope SE-5 (Laminated)	p/100	159.00
51	Envelope SE-6 (75 gsm)	p/100	81.12	51	Envelope SE-6 (75 gsm)	p/100	81.12
52	Envelope SE-6 (Laminated)	p/100	223.90	52	Envelope SE-6 (Laminated)	p/100	223.90
53	Envelope SE-7 (75 gsm)	p/100	265.00	53	Envelope SE-7 (75 gsm)	p/100	265.00
54	Envelope SE-7 (Laminated)	p/100	399.90	54	Envelope SE-7 (Laminated)	Piece	399.90
55	Envelope SE-8 (16"x12") (Cloth coated)	Piece	8.50	55	Envelope SE-8 (16"x12") (Cloth coated)	Piece	8.50
56	Envelope SE-8 (16"x12") (Laminated)	Piece	7.35	56	Envelope SE-8 (16"x12") (Laminated)	Piece	7.35
57	Face Towel (White) (Bombay Dying)	Piece	105.00	57	Face Towel (White) (Bombay Dying)	Piece	105.00
58	Fax roll (30 mtrs) (Desmat / Century)	Roll	128.00	58	Fax roll (30 mtrs) (Desmat / Century)	Roll	128.00
59	File Board (with cloth coated flap)	Piece	19.90	59	File Board (with cloth coated flap)	Piece	19.90
60	File Board (with cloth coated inside) with	Piece	17.80	60	File Board (with cloth coated inside) with	Piece	17.80

Thus, the Department tampered the Government notification and altered the rate ₹399.90 per piece in place of ₹399.90 per 100 pieces. Tampering of Government records is a serious matter which needs to be investigated by the Department and vigilance/ disciplinary cases, if necessary, should be initiated against the officer(s) responsible for first the overpayment and then for tampering of office records to conceal their action.

In response, the Department stated (March 2022) that the rate list used by them to make this procurement, was actually furnished by the supplier. The Department accepted that they did not verify the correctness of the rates mentioned in order and they will write to the government to black list the supplier. The overpayment was recovered from supplier on 09 March 2022.

The reply is not acceptable as it appears to be an afterthought to protect the officers involved in suspected misappropriation of public funds as it was Drawing and Disbursing Officer (DDO) responsibility to check genuineness of rates before making payment.

Recommendation: The Department should investigate the matter and initiate vigilance/ disciplinary action against the officers involved.