



CHAPTER – I
INTRODUCTION



CHAPTER – I: INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) has been prepared in seven chapters. Chapter I is Introduction to this Audit Report. Chapters II to VI deal with Social, Economic (other than State Public Sector Enterprises), General, Revenue, Economic (State Public Sector Enterprises) Sectors respectively and Chapter VII deals with Follow up of Audit observations.

This Report relates to matters arising from the test audit of transactions of various departments of the Government of Arunachal Pradesh pertaining to Social, Economic (other than State Public Sector Enterprises), General, Revenue and Economic (State Public Sector Enterprises) 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 Profile of the Office of the Principal Accountant General, Arunachal Pradesh

Principal Accountant General, Arunachal Pradesh is looking after the functions of both Audit and Accounts in the State. The Entitlement function in Arunachal Pradesh is with the State Government.

The Office of the Principal Accountant General, Arunachal Pradesh conducts audit of the Government Departments, Public Sector Enterprises, Autonomous Bodies and other Institutions¹ under Social, Economic, Revenue and General Sectors, which are spread all over the State as per the mandate of the C&AG. The Principal Accountant General is assisted by two Deputy Accountants General and other staff.

The authority of audit is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (C&AG's (DPC) Act). Under Section 13 of the C&AG's (DPC) Act, the Office of the Principal Accountant General has been entrusted with the audit of all expenditure incurred from the Consolidated Fund of Government of Arunachal Pradesh (GoAP). This office conducts audit of revenue receipts of GoAP under Section 16 of the C&AG's (DPC) Act. This office also conducts supplementary audit of the Balance Sheet of all State Government companies under Section 143 (6) (a) of the Companies Act, 2013. This office is responsible

¹ Government funded Non-Governmental Organisations (NGOs) like Rama Krishna Mission, Pui Welfare Society *etc.*

for audit of the accounts of autonomous bodies and authorities falling under Sections 14, 15, 19 (2), 19 (3) and 20 (1) of C&AG's (DPC) Act. The C&AG has prescribed the principles and methodologies for various audits in the Auditing Standards and the Regulations on Audit and Accounts, 2020.

1.3 Planning and conduct of Audit

Audit process commences with the assessment of risk to the departments/ audit units based on the volume and nature of 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, the frequency and extent of audit are decided and an Annual Audit Plan for the next year 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 reviewed and 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 C&AG's Audit Report 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 floor of the State Legislature.

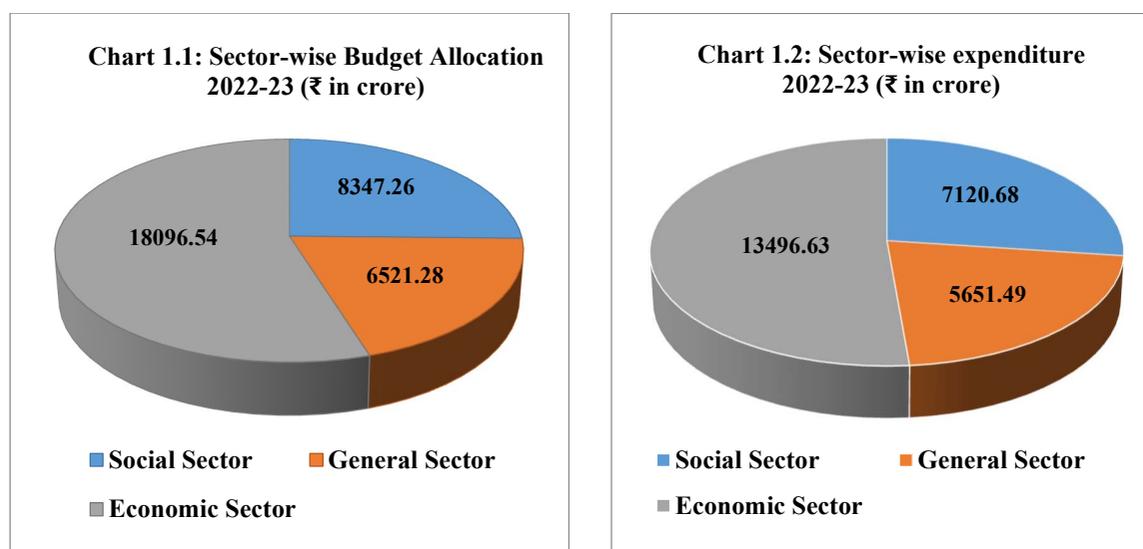
Annual Audit Plan for 2022-23 was prepared in such a way that it fitted into the long term and short-term goals of audit in consonance with the overall "Vision and Mission" of the Indian Audit and Accounts Department. It was prepared after carrying out risk assessment and keeping in view the available manpower. Elements of the Audit Quality Management Framework (AQMF) *viz.* materiality, inputs from Voucher Level Computerisation (VLC), financial size of the units, data from various e-governance initiatives taken by government, flagship programme undertaken by audit units, press criticism/ electronic media coverage, expected audit impact and continuous improvement based on past experience *etc.* were taken into account to the extent possible while formulating the plan. A sector-wise analysis of government spending, investment policy of the government in infrastructure development, industrialisation and socio-economic activities along with due consideration of possible audit impact were taken into account in prioritising audit units for preparing the audit plan.

Considering the availability of resources, focus has been given to areas of high financial risk than to the resources thinly spread out throughout the Government activities. This would have better socio-economic impact and add value to the governance. Out of the total 1,390² audit units under the audit jurisdiction of this office, 128 audit units were planned to be covered in audit during 2022-23. However, 144 units were actually audited during 2022-23.

² excluding audit units of State Public Sector Enterprises, Autonomous Bodies, Government funded NGOs & Local Governments

1.4 Significant Audit Observations

During the year 2022-23, the State Government had incurred an expenditure of ₹26268.8 crore against the budget provision of ₹32965.08 crore (79.69 per cent) under Social (including Local Governments), Economic and General Sectors. Sector-wise expenditure of the State Government during 2022-23 is depicted in the Chart 1.1 and 1.2.



Source: Appropriation Accounts, 2022-23

Out of total expenditure of ₹26268.8 crore during 2022-23, the State Government incurred ₹17606.94 crore (67.03 per cent) as revenue expenditure. The remaining ₹8661.84 crore (32.97 per cent) was capital expenditure. Out of total revenue expenditure, ₹7019.03 (39.87 per cent) crore was incurred on salaries.

The sector wise expenditure incurred on salaries out of total revenue expenditure during 2022-23 is shown in Table 1.1.

Table 1.1: Details of sector wise expenditure on salary

(₹ in crore)

Sector	Financial Year 2022-23		
	Revenue Expenditure*	Expenditure on Salary [#]	Expenditure on Salary (in per cent)
Social	5755.75	3118.18	54.16
Economic	6999.74	2285.29	32.65
General	4851.45	1615.56	33.30
Total	17606.94	7019.03	39.87

Source: *Appropriation Account 2022-23, [#]Finance Accounts 2022-23

This Report *inter alia* contains 10 compliance audit paragraphs, four subject specific compliance audit (SSCA) reports viz. “Public Health Infrastructure and Management of Primary Health Services”, “National Social Assistance Program” and “Pre and Post-Matric Scholarship Schemes belonging to the Scheduled Tribe Students of Arunachal Pradesh” and “Department’s Oversight on GST payments and Return Filing” and three performance audit reports viz. “Collection of Building and Other Construction Workers Welfare Cess and its utilisation”, “Development of Tourism Infrastructure in Arunachal Pradesh” and

“Implementation of Pradhan Mantri Gram Sadak Yojana”. These audit findings are based on test check of the transactions of 144 units³ audited in 2022-23 involving an expenditure of ₹7,284.4 crore⁴ in total under Social, Economic, General and Revenue Sectors of the GoAP. Significant audit findings are discussed in the respective Chapters.

³ Social Sector: 36 units, Economic Sector: 72 units, General Sector: 17 units and Revenue Sector: 19 units during 2022-23.

⁴ ₹3438.22 crore under Social Sector; ₹2782.89 crore under Economic Sector and ₹1,063.29 crore under General Sector.