

OVERVIEW

This Report contains 32 audit paragraphs (including three general paragraphs), two performance reviews and one chapter on Internal Control/Internal Audit apart from comments on the Finance and Appropriation Accounts. According to existing arrangement, copies of the draft audit paragraphs and draft performance reviews are sent to the concerned Secretary to the State Government by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. The Secretaries are also reminded for replies. Besides, the Chief Secretary to the State Government was also requested to arrange for discussion of the issues raised in the draft audit paragraphs, draft performance reviews, *etc.*, for effective inclusion of the views/comments of the Government in the Audit Report. Despite such efforts, no response was received in respect of 27 audit paragraphs, two reviews and the chapter on Internal Control/Internal Audit from the concerned Secretary to the State Government.

1. Finances of the State Government

- Though the revenue receipts of the State increased at an average rate of 9.56 *per cent* during 2000-05, they had decreased by 4.73 *per cent* during the year as compared to the previous year. While 14 *per cent* of the revenue receipts during 2004-05 have come from the State's own resources, central tax transfers and grants-in-aid together contributed 86 *per cent*.

(Paragraph 1.5.2)
- The total expenditure of the State increased from Rs.1,246.61 crore in 2000-01 to Rs.1,890.68 crore in 2004-05 at an average trend rate of 12.24 *per cent* per annum. The rate of growth of total expenditure was higher than the rate of growth of revenue receipts during the year. Expenditure in General Services was generally stable during these years, while the relative share of interest payments in total expenditure had declined. Relative share of expenditure on Economic Services was also generally stable.

(Paragraph 1.6.1)
- Overall revenue expenditure of the State increased from Rs.979.62 crore in 2000-01 to Rs.1,509.64 crore in 2004-05 at an average rate of 13.14 *per cent* per annum. On an average 78 *per cent* of the total expenditure was on current consumption.

(Paragraph 1.6.2)
- Interest payment increased steadily by 21.73 *per cent* from Rs.120.68 crore in 2000-01 to Rs.146.90 crore in 2004-05.

(Paragraph 1.6.2 (iii))
- Return from Government's investment (Rs.16.23 crore) in its Statutory Corporations, Government companies, *etc.*, was below one *per cent*

during 2000-05, while average interest rate paid by Government on its borrowings was 10.94 *per cent*. This resulted in implicit subsidy of Rs.8.24 crore during the period.

(Paragraph 1.8.2)

- Overall fiscal liabilities of the State increased from Rs.945.66 crore in 2000-01 to Rs.1,777.54 crore in 2004-05 at an average rate of 18.02 *per cent*. Net availability of funds from the borrowings ranged between 11.93 *per cent* and 20.29 *per cent* during the period.

(Paragraph 1.8.6(i))

- In proportion to the State's gross domestic product, the fiscal deficit had increased from 11.05 *per cent* in 2003-04 to 15.71 *per cent* in 2004-05 and primary deficit from 4.78 *per cent* in 2003-04 to 9.74 *per cent* in 2004-05.

(Paragraph 1.9.1)

2. Allocative priorities and appropriation

- During 2004-05 expenditure of Rs.2,046.22 crore was incurred against total grants and appropriation of Rs.2,251.64 crore. The net saving of Rs.205.42 crore was the result of saving of Rs.251.88 crore partly offset by excess of Rs.46.46 crore. The excess requires regularisation under Article 205 of the Constitution of India.

(Paragraph 2.2)

- Supplementary provision made during the year constituted 34 *per cent* of the original provision. Supplementary provision of Rs.44.75 crore made in 12 cases proved unnecessary in view of aggregate final saving of Rs.91.09 crore.

(Paragraphs 2.3.3 and 2.3.4(i))

- Anticipated savings of Rs.181.79 crore under 46 grants/appropriations were not surrendered.

(Paragraph 2.3.9)

- As of 30 June 2005, 30 AC bills for Rs.1.43 crore for the period 1998-2002 were not adjusted for want of DCC bills.

(Paragraph 2.3.13)

3. Internal control/internal audit system in Arunachal Pradesh

Internal Control System in the Public Health Engineering and Water Supply Department (PH&WSD) was deficient and led to lack of planning, defective and unrealistic budgeting. Release of funds by CE, PH&WSD through LoC for works not even administratively approved, incurring of expenditure in works beyond sanctioned provision and issue of supply/work orders by the Divisional officers in excess of permissible financial limits indicated lack of

control over expenditure in the department. Inspections required to be conducted at each level of the functionaries also had not been done. Management Information System required for planning and monitoring has not yet been introduced throughout the department. Besides, internal audit of the department has not been done since its inception by the Internal Audit Wing under the Finance Department.

(Paragraph 7.1)

4. Reviews

(i) Pradhan Mantri Gram Sadak Yojana (PMGSY)

- Against Rs.127.46 crore released by the Government of India, during 2000-03 expenditure of Rs.124.81 crore was shown to have been incurred upto March 2005. There was also short release of funds of Rs.1.59 crore by the DRDAs during 2001-03.
- Central fund of Rs.34.95 crore allocated during 2000-01 for completion of incomplete roadworks under BMS were utilised for State Plan Works leading to non-execution of approved projects during the year.
- 100 *per cent* achievement under Phase I during 2000-01 as reported to the Government of India was not based on facts. During 2001-03 physical achievement under Phase II was 87 *per cent* although 98 *per cent* of the funds were utilised. 100 *per cent* achievement in coverage of habitations as shown by the test checked districts was also not correct as six road works remained incomplete till date.
- There was delay in submission of proposals for Phase III by more than two years.
- Due to partial execution of work, intended connectivity to a village could not be provided and the expenditure of Rs.69.06 lakh remained unproductive.
- Improper selection of road-work for providing connection to a village already connected led to injudicious expenditure of Rs.1.29 crore
- Irregular expenditure of Rs.2.99 crore was incurred by changing the scope of approved works without prior approval from the competent authority.
- There was deficiency in supervision of quality control in respect of road works executed by the executing divisions.

(Paragraph 3.1)

(ii) Nutrition Programme under Pradhan Mantri Gramodaya Yojana (PMGY)

- Total additional central assistance of Rs.56.07 crore for nutrition meant exclusively for children below the age of three years was diverted for implementation of the State Plan scheme which covered children in the age group zero to six years, pregnant women and lactating mothers.
- The State failed to implement ICDS scheme in 27 blocks out of 85 in spite of the Supreme Court's judgement. Out of 717 villages in seven CDPOs test checked only 354 villages were covered under the scheme and 363 villages remained uncovered.
- Registration of beneficiaries including children in zero to three years age group below poverty line as well as in marginalised group was not done through proper estimation.
- None of the 117 Anganwadi centres in the seven CDPOs audited had maintained records of distribution of food (take home ration) to children in the age group zero to three. Distribution of food as supplementary nutrition could therefore not be verified in audit.
- Growth monitoring through recording of weight and health checkup of children was not conducted for early detection of growth faltering and prevention of malnutrition.
- Procurement of food with short shelf-life and at a higher rate led to loss of Rs.3.42 crore and extra expenditure of Rs.2.64 crore respectively.
- The monitoring remained ineffective and the impact of implementation of the programme remained un-evaluated.

(Paragraph 3.2)

5. Other points of interest

Civil

(i) Unproductive expenditure

Delay in commissioning of a plant and its subsequent non-operation resulted in avoidable expenditure of Rs.7.22 lakh and unproductive expenditure of Rs.74.39 lakh.

(Paragraph 4.1)

Non functioning/operationalisation of the hospital waste management system at Naharlagun general hospital resulted in unproductive expenditure of Rs.70.88 lakh.

(Paragraph 4.2)

(ii) Extra avoidable expenditure on transportation

Fixing of rates for transportation of DDT in 2002-03 through limited tender as well as unauthorised allowance of 28 trucks including three additional trucks against 10 trucks actually utilised for lifting of DDT in 2003-04 led to extra avoidable expenditure of Rs.26.61 lakh.

(Paragraph 4.3)

(iii) Non-availing of central subsidy

Due to lack of initiative in release of State's share and non-submission of project proposal within the stipulated time, receipt of central subsidy of Rs.18.23 lakh was delayed by two years and the State Government failed to avail further central subsidy of Rs.88.14 lakh depriving the targeted urban slum dwellers of the intended benefit of the scheme.

(Paragraph 4.4)

(iv) Excess payment

The EE, Itanagar PHE Division, finalised supplier's claims at rates higher than the rates of the supply orders and the revised rates in force. This had resulted in excess payment of Rs.27.60 lakh.

(Paragraph 4.5)

(v) Unfruitful expenditure

Public Works Division, Khonsa incurred expenditure of Rs.1.16 crore towards payment of pay and allowances/wages of surplus WC staff and casual labourers.

(Paragraph 4.6)

(vi) Diversion of funds

Funds (Rs.35.56 lakh) provided for clearance of liabilities of a closed work were irregularly diverted by the Executive Engineer, Dumporijo PW Division for purchase of T&P materials by debiting the work.

(Paragraph 4.7)

(vi) Excess expenditure

Excess utilisation of stone aggregate in road works beyond norms resulted in excess expenditure of Rs.19.64 lakh.

(Paragraph 4.8)

(vi) Unproductive expenditure

Public Works Division, Roing undertook a work without clearance from the Forest Department, which resulted in unproductive expenditure of Rs.16.39 lakh.

(Paragraph 4.9)

(vi) Loss due to injudicious procurement of materials

Injudicious procurement of material which was not utilised resulted in a loss of Rs.11.23 lakh and material worth Rs.15.99 lakh were lying idle for periods ranging from 11 to 29 years.

(Paragraph 4.10)

Revenue receipts

Non/short realisation of tax/royalty/licence fee

The Forest Department did not initiate any action to prevent un-authorised extraction of forest produce by the Border Road Task Force nor did they realise royalty of Rs.74.62 lakh.

(Paragraph 5.9)

Failure to detect illicit removal of timber led to loss of revenue of Rs.21.50 lakh.

(Paragraphs 5.10)

Inaction of the Excise Department led to non-realisation of licence fee and penalty of Rs.37.44 lakh.

(Paragraph 5.12)

Failure to assess a dealer on best judgement basis led to non-realisation of tax of Rs.1.16 crore

(Paragraph 5.17)

Loss of revenue

Execution of faulty agreement resulted in undue financial benefit to the lessee and loss of revenue of Rs.50.16 lakh.

(Paragraph 5.13)

Execution of faulty agreement without inclusion of any penal clause led to loss of revenue of Rs.83.25 lakh.

(Paragraph 5.16)

Turnover escaped assessment

Concealment of sale turnover by the dealers led to evasion of tax of Rs.38.69 lakh and penalty of Rs.58.04 lakh.

(Paragraphs 5.18 & 5.19)

Commercial

(i) Non-realisation of revenue

Billing of energy consumption charges in violation of terms and conditions of the agreement resulted in short realisation of revenue of Rs.69.46 lakh.

(Paragraph 6.2)

(ii) Idle outlay

Expenditure of Rs.1.20 crore incurred for electrification of villages remained infructuous for want of power supply

(Paragraph 6.3)

(iii) Idle investment

Formulation and execution of an electrification scheme with wrong projection of availability of power without existence of grid resulted in idle investment of Rs.1.27 crore.

(Paragraph 6.4)