

OVERVIEW

This Report contains 43 audit paragraphs (including four general paragraphs), four 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 35 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

The fiscal position of the State as reflected in terms of key parameters viz. revenue deficit, fiscal and primary deficit indicates substantial improvement in the fiscal position of the State during the year over the previous year. The revenue receipts of the State increased from Rs.961.41 crore in 2000-01 to Rs.1849.41 crore in 2005-06. While 14.30 *per cent* of the revenue receipts during 2005-06 have come from the State's own resources, central transfers contributed 85.70 *per cent* of the total revenue. The improvement in the fiscal position during the year was essentially on account of an increase of Rs.303.43 crore in central transfers. Both the revenue and capital expenditure of the State during 2005-06 have increased by 10.47 *per cent* and 16.67 *per cent* respectively. The overall fiscal liabilities of the State increased from Rs.1777.54 crore in 2004-05 to Rs.2337.20 crore in 2005-06. The consistent increasing fiscal liabilities of the State accompanied with negative quantum spread (QS) together with continuous primary deficit resulted in ever increasing debt/GSDP ratio and indicates towards vulnerable debt position of the State. The compression of NPRES alongwith raising the buoyancy of domestic resources seem to be an inevitable option to address the fiscal problem and other development requirements of the State in medium to long run.

(Paragraphs 1.1 to 1.11)

2. Allocative priorities and appropriation

During 2005-06 expenditure of Rs.2,441.89 crore was incurred against total grants and appropriation of Rs.2,765.30 crore. The net saving of Rs.323.41 crore was the result of saving of Rs.590.35 crore partly offset by excess of

Rs.266.94 crore. The excess requires regularisation under Article 205 of the Constitution of India.

(Paragraph 2.2)

Supplementary provision made during the year constituted 33 *per cent* of the original provision. Supplementary provision of Rs.16.28 crore made in 10 cases proved unnecessary in view of aggregate final saving of Rs.40.31 crore.

(Paragraphs 2.3.3 and 2.3.4(i))

Anticipated savings of Rs.228.29 crore under 45 grants/appropriations were not surrendered.

(Paragraph 2.3.9)

As of 31 March 2006, 1,632 AC bills for Rs.16.14 crore for the period 2001-06 were not adjusted for want of DCC bills.

(Paragraph 2.3.13)

3. Performance reviews

(i) Food Security, Subsidy and Management of Foodgrains

Due to FCI not having sufficient stock and consequent short lifting of 2.44 lakh tonnes foodgrains during 2000-01 to 2005-06 for distribution to BPL/AAY families, 7,44,542 cumulative monthly period of BPL families and 1,80,173 cumulative monthly period of AAY families were deprived of the intended benefits of the scheme.

In 32,140 out of 98,972 cases (32.54 *per cent*) test checked, it was seen that documents relating to identification of beneficiaries under Targeted Public Distribution System (TPDS) contained deficiencies as the procedure for identification was not strictly followed.

Due to introduction of the Head Load carriage of Public Distribution System (PDS) items, the freight bills reimbursed by the FCI against Hill Transport Subsidy (HTS) increased from Rs.4.43 per Kg. in 2001-02 to Rs.32.78 per Kg. in 2003-04.

Excess allotment of foodgrains beyond the prescribed norms led to excess claim of HTS amounting to Rs.29.91 crore.

Double billing of HTS claim against same release orders – Rs.1.85 crore.

Avoidable excess claim towards road transport charges amounting to Rs.2.87 crore.

Due to non-recovery of hire charges from the carriage contractors, the Department gave undue financial benefit of Rs.1.12 crore.

(Paragraph 3.1)

(ii) Wild life preservation under Centrally Sponsored Scheme

The MPs of 11 out of 12 Protected Areas (PA) were neither approved by the State Government nor submitted to the GOI.

Due to delay in release of funds by the State Government, in two to nine months the PA managers were unable to utilise the full funds leading to savings in each year. These savings in turn deprived the PAs of Central Assistance (CA) of Rs.4.50 crore.

The Department unauthorisedly released and utilised Rs.1.19 crore and Rs.88.29 lakh in areas outside the notified Elephant Reserve (ER).

The Department installed 33 wireless sets including generators which remained inoperative leading to unfruitful expenditure of Rs.66.33 lakh.

In three PAs, Rs.66.26 lakh was spent in 13 cases where the works were neither executed nor the material received.

Failure to declare 10 Km area around the PAs as eco-fragile zone adversely affected the wildlife habitats including loss of interest of Rs.46.74 lakh in Pakke PT and Eagle nest Wild Life Sanctuary (WLS).

462 people who encroached into 131 hectares of land in core zone of National Project Tiger (NPT) were not evicted. Fine of Rs.4.22 crore though leviable was also not levied.

13670 local tourists with 2070 vehicles entered the NPT without permits and without payment of entry fee of Rs.3.44 lakh. Besides, fine of Rs.34.17 crore though leviable in these cases was not levied.

(Paragraph 3.2)

(iii) Rural Health Services

There was irrational and excess establishment of rural health institutions in contravention of norms.

There was idle stock of health care kits worth Rs.41.19 lakh.

Rupees 27.72 lakh pertaining to rural health care services was diverted to urban health services.

Rupees 25.71 lakh was paid to a supplier on the basis of fictitious stock entry before actual receipt of the medicines.

(Paragraph 3.3)

(iv) North Eastern Council (NEC) funded road sector projects

There was a discrepancy of Rs.0.58 crore as on 31 March 2006 between unspent balance as per the Departmental records (Rs.8.54 crore) and that reported by NEC (Rs.9.12 crore).

Rupees 3.98 crore was diverted towards other works.

Enhancement of rates on construction of culverts and retaining wall without any specific reasons resulted in extra expenditure of Rs.20.60 lakh.

Substandard execution of works resulted in unfruitful expenditure of Rs.16.42 crore.

Excess utilisation of material/awarding of higher rates for construction of a bridge resulted in an extra expenditure of Rs.34.86 lakh.

Continuation of road works even after deciding on handing over the road to Border Roads Organisation, resulted in irregular/unauthorised expenditure of Rs.6.73 crore.

Projects were not properly monitored or inspected by any authority other than executing authority. Success of the scheme in the State was also not evaluated.

(Paragraph 3.4)

4. Audit of transactions

(i) Loss of interest

The Department failed to recover interest on mobilisation advance in terms of the agreement resulting in loss of interest of Rs.31.86 lakh.

(Paragraph 4.1)

(ii) Misappropriation of Government money

Drawal and retention of Government money without procuring the material led to misappropriation of Rs.28.41 lakh.

(Paragraph 4.2)

(iii) Loss to Government

There were shortages of sports material worth Rs.9.95 lakh and damage of materials worth Rs.0.73 lakh resulting in loss of Rs.10.68 lakh to the Government.

(Paragraph 4.3)

(iv) Infructuous expenditure in production of documentary films on tourism

Advance payment of Rs.18.74 lakh to a firm without any work order/agreement stipulating terms and conditions rendered the amount infructuous.

(Paragraph 4.4)

(v) Unfruitful investment in production of video films on cultivation of crops

Documentary films on cultivation of crops, produced at a cost of Rs.10.20 lakh, were lying idle for want of action on the part of the Department for their telecast on Doordarshan Kendra, thereby frustrating the objective of their production.

(Paragraph 4.5)

(vi) Unproductive expenditure in construction of cold storage

Failure of the Department to utilise the cold storage, led to unproductive expenditure of Rs.1.10 crore.

(Paragraph 4.6)

(vii) Avoidable expenditure

The Department incurred avoidable expenditure of Rs.10.02 lakh due to payment of headload at enhanced rate due to delay in allocation of Superior Kerosene Oil (SKO) quota.

(Paragraph 4.7)

(viii) Avoidable expenditure

The Division incurred an avoidable expenditure of Rs.18.25 lakh for collection and carrying of boulders.

(Paragraph 4.8)

(ix) Unfruitful expenditure

The Division incurred unfruitful expenditure of Rs.1.31 crore including an unauthorised expenditure of Rs.45.87 lakh on the scheme “Improvement of water supply at Seppa Township” which remained incomplete even after seven years of its stipulated date of completion.

(Paragraph 4.9)

(x) Unfruitful expenditure

The Division incurred unfruitful expenditure of Rs.1.76 crore including loss of Rs.7.39 lakh towards the construction of R.C.C. Bridge over river Berrang alongwith flood protection works.

(Paragraph 4.10)

(xi) Unproductive expenditure on construction of Tourist Lodge

Due to inability of the Department in utilising the tourist lodge constructed at Zemithang in Tawang District, the expenditure of Rs.50 lakh remained unproductive for a period of over three years.

(Paragraph 4.11)

(xii) Extra expenditure

The Department incurred extra expenditure of Rs.6.61 crore due to allowance of higher rate of carriage by headload.

(Paragraph 4.12)

(xiii) Extra expenditure due to adoption of higher rates

The Division incurred an extra expenditure of Rs.13.29 lakh due to adoption of inflated rates.

(Paragraph 4.13)

5. Internal control/internal audit system in Arunachal Pradesh

Internal control is an integral process by which an organisation governs its activities to effectively achieve its objectives. An evaluation of the Internal Controls and Internal Audit System in the Horticulture Department revealed weakness in the internal controls in vogue in the Department, non-compliance with the rules in the areas of financial control, expenditure control, procurement control, organisational control, operational controls. Arrangements for internal audit too were inadequate.

(Paragraph 5.1)

6. Revenue receipts

(i) Loss of revenue

Penalty of Rs.12.53 crore was not levied on 785 offenders for unauthorised occupation of 2824.7812 hectares of land in reserve forest.

(Paragraph 6.2)

Faulty agreement, failure to detect concealment in number of blazes and delay in finalisation of working plan led to loss of revenue of Rs.83.68 lakh.

(Paragraph 6.5)

Failure of the Excise Department to realise licence fee and penalty before cancellation of two licences resulted in loss of revenue of Rs.8.45 lakh.

(Paragraph 6.7)

A non registered dealer imported taxable goods of Rs.37.69 lakh by irregularly procuring and utilising one declaration in form 'C' which led to loss of revenue of Rs.11.30 lakh.

(Paragraph 6.18)

(ii) Non/Short realisation of tax/royalty/revenue

Geology and Mining Department failed to initiate action against a lessee resulting in non realisation of royalty and additional royalty of Rs.1.91 crore.

(Paragraphs 6.8 & 6.9)

Undue financial benefit ensured to a lessee by incorporating lower rate of royalty in the agreement led to short realisation of royalty of Rs.3.64 crore.

(Paragraph 6.10)

Erroneous allotment of 5.17 lakh sq m of land to NEEPCO led to non realisation of revenue of Rs.67.25 lakh and recurring loss of revenue of Rs.10.35 lakh every year.

(Paragraph 6.11)

(iii) Evasion of tax

Two registered dealers concealed taxable turnover of Rs.2.01 crore and evaded tax of Rs.48.03 lakh including penalty.

(Paragraphs 6.12 & 6.16)

A non registered dealer executed works contract valued at Rs.1.33 crore and evaded tax of Rs.5.30 lakh.

(Paragraph 6.19)

Three dealers sold cement valued at Rs.3.29 crore but disclosed turnover of Rs.1.81 crore and evaded tax of Rs.27.48 lakh and penalty.

(Paragraph 6.22)

(iv) Underassessment of tax

Underassessment of tax of Rs.5.25 lakh due to mistake in computation.

(Paragraph 6.14)

Underassessment of tax of Rs.17.63 lakh due to grant of inadmissible deduction of Rs.2.07 crore from taxable turnover.

(Paragraphs 6.15 & 6.17)

7. Government commercial and trading activities

(i) Extending undue favour to a consumer

Undue favour to a consumer through non observance of the provisions of the power purchase agreement and consequent short/non-billing of energy valued at Rs.3.12 crore and surcharge of Rs.0.74 crore.

(Paragraph 7.2)

(ii) Unfruitful expenditure

Unfruitful expenditure of Rs. 1.29 crore was incurred by Power Department due to faulty execution of a project besides forgoing revenue amounting to Rs. 1.12 crore.

(Paragraph 7.3)

(iii) Avoidable loss

Non-execution of agreement and non-collection of security deposit resulted in an avoidable loss of Rs.13.98 lakh to Arunachal Pradesh Forest Corporation Limited.

(Paragraph 7.4)