

OVERVIEW

This Report includes two chapters on Finance and Appropriation Accounts of Government of Arunachal Pradesh for the year 2000-2001 and six other chapters, comprising 2 reviews and 49 paragraphs, based on the audit of certain selected programmes and activities of the financial transactions of the Government. A synopsis of the important findings contained in this Report is presented in this overview.

1 Accounts of the State Government

- The outstanding liabilities of the State increased by 84 **per cent** from Rs.515.04 crore in 1996-97 to Rs.945.66 crore in 2000-2001. However very little of the borrowings were available for capital formation after meeting the repayment obligation. Of Rs.275.13 crore received during 2000-2001, only Rs.47.95 crore was available for investment after repayment obligation. During 2000-2001 while the liabilities of the State Government grew by 27.52 **per cent**, its assets grew by only 6.66 **per cent** mainly as a result of very high growth in the loans from LIC (100 **per cent**) and Suspense and Miscellaneous balances (100 **per cent**), loan from other institutions (38 *per cent*) and deficit in revenue account. The revenue receipts during the year decreased by 4.71 **per cent** when compared to 1999-2000. Of the total revenue receipts of Rs.961.41 crore, Rs.877.13 crore constituting 91 **per cent** came from State's share of Union taxes and duties and Central grants. There was overall deterioration in the financial condition.
- Revenue expenditure (Rs.979.62 crore) during the year accounted for 79 **per cent** of the total expenditure of the State Government and increased by 17 **per cent** compared to 1999-2000.
- The share of Non-Plan expenditure to Revenue Expenditure during 2000-2001 was 62 **per cent** against 38 **per cent** under plan side.
- The accounts of the State showed a revenue deficit (excess of revenue expenditure over revenue receipts) of Rs.18.21 crore during 2000-2001 for the first time out of last 5 years and a fiscal deficit (excess of revenue and capital expenditure over revenue receipts) of Rs.283.60 crore which was mainly covered by net proceeds of the Public Debt (Rs.95.24 crore) and partly by the surplus from Public Account (Rs.180.44 crore). The fiscal deficit has grown by 219.40 **per cent** in 2000-2001, when compared to 1999-2000.
- The share of Capital expenditure to total expenditure dropped from 31 **per cent** in 1996-1997 to 21 **per cent** in 2000-2001.
- Recoveries of loan and advances given by the Government to Companies etc. had not improved and there was increase in amount advanced resulting increase in closing balance at the end of 2000-2001 by 7.51 **per cent** over the previous year i.e. 1999-2000.

- The payment of interest on borrowings of the Government increased by **127 per cent** from Rs.53.26 crore in 1996-97 to Rs.120.68 crore in 2000-2001.
- Against investment of Rs.12.71 crore as on 31 March 2001 in various companies/Co-operative societies, negligible dividend was received during 2000-2001.

II. Indicators of financial position of the state

- Negative balance of current revenue (BCR) in all the five years indicated Government's depending on borrowing for meeting its plan expenditure.
- Ratio of Capital outlay/Capital receipts showed declining trend and was from 3.45 in 1996-1997 to 1.43 in 2000-2001 indicating lesser revenue receipts were being applied for capital formation.
- During 2000-2001, the State had sustained revenue deficit for the first time during the last five years and the ratio was 0.06 during 2000-2001 indicating worsening financial sustainability. The ratio of assets and liabilities decreased from 4.20 in 1996-1997 to 3.16 in 2000-2001 indicating declining solvency of the State.

(Paragraph 1.1 to 1.12)

III. Appropriation Audit and control over expenditure

- Against the total budget provision of Rs.1451.67 crore (including supplementary) actual expenditure was Rs.1285.03 crore and the overall saving of Rs.166.64 crore was the result of saving of Rs.179.91 crore in 91 grants and appropriations offset by excess of Rs.13.27 crore in 12 cases of grants and appropriations. The excess expenditure requires regularisation by the Legislature under Article 205 of the Constitution of India.
- Supplementary provision made during the year constituted **23 per cent** of original provision as against **15 per cent** in the previous year. Supplementary provision of Rs.9.89 crore made in 19 cases of grants/appropriations during the year proved unnecessary as the expenditure was less than the original budget provision. Further, against the requirement of Rs.103.78 crore in 39 cases, supplementary grants and appropriations of Rs.223.86 crore were obtained resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs.120.08 crore. Substantial non-utilisation/underutilisation of supplementary provision indicated absence of closer scrutiny of the supplementary estimates proposed by the departments.
- Persistent savings ranging from 15 to 100 **per cent** occurred in 14 cases of grants during the three year period from 1998-1999 to 2000-2001

and in 4 cases, expenditure of Rs.0.78 crore was incurred without any provision in the budget.

- Savings of Rs.95.69 crore in 19 grants/appropriations were not surrendered even partially by the concerned departments. On the other hand as against the savings of Rs.5.74 crore available for surrender in 3 cases, Rs.6.69 crore were actually surrendered resulting in excess surrender of Rs.0.95 crore. In one grant, Rs.0.09 crore was surrendered although the expenditure exceeded the grant by Rs.5.16 crore and no savings were available. These instances were indicative of inadequate budgetary control in the respective departments.
- In respect of 74 Drawing and Disbursing Officers (DDO's), DCC bills for Rs.3.15 crore against 117 AC bills drawn during 1998-2001 remained outstanding which indicate a serious deficiency in control over expenditure

(Paragraph 2.1 to 2.6)

IV. Audit reviews on Developmental/Welfare programmes and other activities

1. Prevention and control of Diseases

A review of the implementation of the 4 programmes brought out significant systemic and operational deficiencies. While on one hand, it pointed to the failure of the State Government to utilise Central assistance of Rs.1.44 crore at the end of March 2001, on the other end it showed widespread lacuna in implementation of the programmes viz. non-implementation of Revised Strategy for National Tuberculosis Control Programme (RTNCP), non-establishment of eyebank, unproductive expenditure, blockade of fund and shortfall in achievement of targets fixed for different components of these programmes. Some important findings are given below :

- Against total release of Rs.5.03 crore (RNTCP - Rs.0.27 crore, NPCB – Rs.0.58 crore and NACP - Rs.4.18 crore) by the Government of India, Rs.3.59 crore were utilised during 1996-2001 leaving Rs.1.44 crore (29 **per cent**) unspent.
- Under RNTCP, none of the 4 DTCS could start functioning due to delay in formation of societies.
- Under NTCP in 7 out of 13 districts in the State, no DTC's were established. Even the 6 functional DTC's established were not provided with all the essential equipment.
- Unproductive expenditure of Rs.8.71 lakh due to non-functioning of the State TB Training Demonstration Centre at Naharlagun.
- Nine districts with a population of 5.45 lakh were deprived of the benefit of district mobile eye units (DMUs) due to non-appointment of

eye specialists etc. for 4 districts and non-sanctioning of the DMUs for 5 districts.

- Shortfall in achievement in cataract surgery during 1996-2001 varied from 35 to 73 **per cent**.
- No eye bank was established either in the Government sector nor by NGO's.
- Doubtful expenditure of Rs.7.19 lakh on procurement of consumables, reagents etc.

(Paragraph 3.1)

2. Drinking Water Supply

(a) Rural Water Supply Programme

There are 4298 rural habitations in the state having 7.62 lakh rural population. Though Rs.88.59 crore were spent on the Rajiv Gandhi National Drinking Water Programme, 385 rural habitations (**9 per cent**) in the state were not yet covered and 995 rural habitations (**23 per cent**) were only partially covered. The objective of supplying safe drinking water to 7.62 lakh rural population of 13 districts of the state were not achieved due to non-construction/non-functioning of 13 water testing laboratories in the state and 3328 habitations were provided with untreated water due to non-installation of filtration plants. People's participation under Human Resource Development Programme was Nil. The programme was poorly monitored.

- Due to failure of the Chief Engineer, PHE to utilise the fund, an amount of Rs.19.05 lakh under ARWSP and Rs.1.13 crore under MNP, remained unutilised at the end of March 2001 and delay in release of Central assistance to implementing agencies by the state government ranged from 1 to 15 months.
- The expenditure on O&M under MNP varied from 18 to 28 per cent during 1997-2001 resulting in excess expenditure of Rs.8.48 crore over the norms and consequential shortfall of Rs.10.02 crore on schemes under MNP.
- Nine Public Health Engineering Division irregularly executed 23 rural water supply schemes at a cost of Rs.1.28 crore during 1998-2001 in habitations which were already fully covered.
- Of 4298 habitations targetted to be covered by 2004 AD, only 2918 habitations were fully covered at the end of March 2001 leaving 1380 habitations (PC : 995; NC : 385) to be fully covered.
- There was time over-run of 10 months to 37 months in 32 water supply schemes and cost over-run of Rs.1.72 crore due to laxity in

implementation and monitoring of the programme. The excess expenditure on schemes were irregularly met out of ARWSP funds.

- No water testing laboratories were established in rural areas though an expenditure of Rs.0.35 crore was incurred. As a result, quality problems were not effectively handled by the state government.

(b) Accelerated Urban Water Supply Programme

Accelerated Urban Water Supply Programme (AUWSP) failed to achieve the end objective of providing safe and adequate drinking water facility to the entire population of the towns with a population of less than 20000 as the two schemes (i) Naharlagun water supply scheme and (ii) Itanagar water supply scheme (Phase – I) selected by the SLC and approved by the GOI in March 1997 does not bring about the desired objective due to the fact that the Naharlagun Water Supply Scheme was kept in abeyance (February 1999) by the GOI as the Government of Arunachal Pradesh had kept the GOI in the dark about the problem faced by the department from 1994 while implementing the ongoing WSS of Naharlagun, approved in July 1989 which is not complete till March 2001 while the other scheme i.e. Itanagar Water Supply Scheme (Phase – I) was not eligible for inclusion under AUWSP as the population of the Itanagar township was 53,000 as per 1991 census and the scheme has not yet been completed. Some important findings are given below:-

- Between November 1992 and January 1997, the Chief Engineer, PHE incurred wasteful expenditure of Rs.5.87 crore on “Augmentation of water supply scheme of Naharlagun/Nirjuli”.
- Itanagar water supply scheme was not eligible for inclusion under AUWSP and the expenditure of Rs.10.42 crore incurred on it was irregular and unauthorised.
- Extra expenditure of Rs.1.23 crore was incurred on excess utilisation of 200 mm ERWMS pipe on Itanagar water supply scheme due to defective estimate of the work

(Paragraph 4.1)

V. Other topics :

Civil Departments

(a) Non-Formal Education

- The objective of the scheme to provide elementary education to the children who remained outside the formal system of education and to bring them in mainstream of education was not achieved due to partial implementation of the scheme for just 10 months only (excluding vacation) during 1998-2000 in one project of 69 centres spread over 3

districts (Papumpare, Lower Subansiri and Upper Subansiri) covering a population of 2.53 lakh (29.28 **per cent** of total population of the State of 8.64 lakh as per 1991 census) at a cost of Rs.7.46 lakh. The remaining population of 6.11 lakh (70.72 **per cent**) in 10 districts were not brought under the purview of the programme for reasons not on record. The programme was discontinued from April 2000 by the State Education Department. Further, there was shortfall in opening of 31 centres (Primary – 25, Upper Primary – 6) against the 100 targetted centres though the DDSE-SRC, Naharlagun reported (June 2000) **per cent** opening of centres to GOI. Besides against the actual enrolment of 905 students (Boys 523, Girls 382) averaging 13 children **per centre** against a norm of 20-25, the State reported the enrolment of students to GOI as 2714 (Boys – 996, Girls 883). The reason for shortfall in opening of 31 centres in Upper Subansiri District and inflated report sent to GOI had not been furnished (March 2001). Only 378 (41.77 **per cent**) out of 905 students qualified for coming over to the Upper Primary level (262 students) and 116 students (12.81 **per cent**) to the main stream of formal education. 527 students (58.23 **per cent**) did not appear at the examination and no reasons were on record.

(Paragraph 3.2)

(b) *The Arunachal Pradesh State Pollution Control Board (APSPCB)*

- The para highlights certain major shortcomings in the implementation of the environmental Acts and Rules relating to Air Pollution and Waste Management which include non-functioning of the Arunachal Pradesh State Pollution Control Board (APSPCB) since its creation in July 1993 due to non-construction of its permanent office building, non-recruitment of staff, non-establishment of a C grade laboratory and non-establishment of two air quality monitoring stations at Itanagar. The equipments purchased for two air quality monitoring stations (Rs.0.87 lakh) during April to August 1996 were lying unutilised till date (May 2001). Of the Boards total receipts of Rs.16.45 lakh during 1991-2001 it has incurred an expenditure of Rs.1.95 lakh during 1996-2001 leaving unutilised balance of Rs.14.50 lakh locked up. The Board had however not prepared its Annual Accounts since its creation in 1993-1994. The APSPCB had not taken any action despite its existence for over eight years to ensure compliance with any of the Acts or Rules and did not discharge its specified activities and functions. The Board exists, but only in name.

(Paragraph 3.3)

(c) *Arunachal Pradesh State Social Welfare Board (APSSWB)*

Some important findings are given below :

- The State Board unauthorisedly diverted Rs.16.97 lakh temporarily for a period ranging from 2 to 11 months on twenty occasions from 3 Programme fund without the approval of the Central Board for meeting establishment cost.

- Loss of Rs.3.71 lakh due to non-utilisation of grants under 6 programmes by the VO's because of being blacklisted.
- The Board during 1991-1999 released Rs.33.84 lakh to the Programme implementing institutions under 7 Programmes after delay of 1 to 6 years.
- Of the expenditure of Rs.36.25 lakh expended on creche Programme, no amount was spent for providing services to the children of migratory labourers.
- Implementation of the programme under vocational training course for Adult Women at a cost of Rs.15.34 lakh remained unassessed due to non-maintenance of records.
- Utilisation certificate for Rs.70.90 lakh were outstanding.

(Paragraph 3.4)

Avoidable extra /Extra expenditure

- The Social Welfare Department incurred an avoidable extra expenditure of Rs.19.47 lakh due to procurement of food stuff at higher rate, besides making irregular procurement of food stuff at a cost of Rs.12 lakh. Fund of Rs.53 lakh was also drawn far in advance of requirement.
- DRDA, Tezu incurred an extra expenditure of Rs.6.99 lakh due to procurement of CGI sheet at higher rate.

(Paragraph 3.5)

(Paragraph 3.9)

Unfruitful/Unproductive/Wasteful/Nugatory expenditure

- Unfruitful expenditure of Rs.9.50 lakh as the Chief Engineer, PHED could not finalise the alternative sources of water even after eight years of sanction of the work.
- The Executive Engineer RWD, Roing incurred wasteful expenditure of Rs.7.11 lakh on execution of the work without proper planning.
- The Executive Engineer, Popumpoma Rural Works Division incurred nugatory expenditure of Rs.35.82 lakh due to taking up of a work without proper survey and investigation and clearance from the civil administration.

(Paragraph 4.3)

(Paragraph 4.5)

(Paragraph 4.6)

Locking up/Diversion of fund

- The Director of Horticulture Department unnecessarily drew fund of Rs.1.20 crore in advance of requirement which resulted in blocking up of plan funds of Rs.1.20 crore for more than 33 months.

(Paragraph 3.6)

- The Rural Development Department unnecessarily drew Rs.14 lakh for construction of staff quarters in the Permanent complex at Itanagar under ICDS Programme and the amount was blocked for 9 to 10 years owing to non-construction of the same. Further the fund was unauthorisedly diverted for construction of another project without the approval from GOI.

(Paragraph 3.8)

- Locking up of fund of Rs.7.60 lakh due to idle investment on procurement of a marboat.

(Paragraph 4.4)

Unauthorised utilisation of fund/Idle investment

- Due to unplanned and unauthorised utilisation of fund of Rs.57.23 lakh by the Executive Engineer, capital 'B' Division, Itanagar the work of "Construction of office building for Directorate of Horticulture" remained incomplete even after expiry of more than 2 years from the target date of completion of the work.

(Paragraph 4.2)

- Loss of Rs.13.16 lakh due to injudicious procurement of material besides idle outlay of materials of Rs.15.18 lakh for the period ranging from 4 to 12 years.

(Paragraph 5.1)

Misappropriation, Losses etc.

- Delay in settlement of 31 cases of losses, misappropriation (loss – Rs.839.30 lakh and misappropriation – Rs.0.34 lakh) etc by the 8 Departments resulted in outstanding balance of Rs.839.64 lakh for periods ranging from 3 months to 41 years.

(Paragraph 3.11)

(d) Revenue receipts

Loss of revenue

- Non-tax revenue collections by the state have declined from 66.08 crore in 1996-97 to Rs.63.65 crore in 2000-2001 except for the year 1999-2000.

(Paragraph 6.4)

- Loss of revenue of Rs.10.54 lakh due to incorrect fixation of sale value of 994.9006 cum of sized timber removed based on Transit Passes.

(Paragraph 6.8)

- Loss of revenue of Rs.9.25 lakh due to failure of the department to bring 261 seized logs to a safer place from flood prone area and seizure spots.

(Paragraph 6.9)

- Loss of revenue of Rs.7.90 lakh for sale of 1471.9035 cum of seized timber far below the upset price fixed by the Government.

(Paragraph 6.10)

- Non-realisation of motor vehicles tax of Rs.8.14 lakh and maximum penalty of Rs.2.19 lakh for unauthorised use of 149 commercial vehicles.

(Paragraph 6.14)

(e) Commercial and Trading activities

- As on 31 March 2001 there were five Government Companies (three working companies and two non-working companies) and two Departmentally managed commercial undertakings viz. State Transport Services and State Trading Scheme.

(Paragraph 8.1.3)

- None of the 3 companies had finalised its accounts for 2000-2001. The accounts were in arrears ranging from 4 years to 7 years and the accounts of two non-working companies were in arrears for the period ranging from 16 to 19 years. According to latest finalised accounts of 3 working Government Companies, two companies had incurred an aggregate loss of Rs.0.47 crore and one company earned profit of Rs.4.91 crore.

(Paragraph 8.1.13, 8.1.16 and 8.1.24)

- Of the two loss incurring working Government companies, one company had accumulated losses amounting to Rs.3.48 crore which has exceeded its paid-up capital of Rs.1.43 crore.

(Paragraph 8.1.18)

- As per the latest finalised accounts, the capital employed on 3 working companies was Rs.35.98 crore against which total return was Rs.5.61 crore which was 15.60 per cent as compared to total return of Rs.8.64 crore (39.04 per cent) in 1999-2000.

(Paragraph 8.1.20)

- As on 31 March 2000, the accumulated loss of transport services amounted to Rs.81.38 crore which was 97.63 per cent of Government capital of Rs.83.36 crore.

(Paragraph 8.1.39)

- The power (Electricity) Department has not prepared proforma accounts pending constitution of State Electricity Board. The transmission and distribution losses were excessive during the period from 1998-1999 to 2000-2001 and ranged from 29.07 to 56.12 **per cent** to total power available for sale as against the norms of 15.5 **per cent** fixed by the Central Electricity authority (CEA). During three years upto 2000-2001, the excess T&D loss beyond norm was 139.98 MU or Rs.26.59 crore in financial terms.

(Paragraph 8.1.44 & 8.1.47)

- Laxity in exercising prescribed check and control by the Station Superintendent in maintenance of cash book/subsidiary cash book facilitated misappropriation of Rs.5.73 lakh

(Paragraph 8.2)

- The Government sustained a loss of Rs.7.54 lakh for unauthorised distribution of rice (966.64 quintals) free of cost in excess over approved ceiling of Mengio CPO centre.

(Paragraph 8.3)

- Lack of prescribed checks and control rendered misappropriation of 8875 SDM straps value Rs.13.25 lakh in Rowriah Base Depot.

(Paragraph 8.4)

- Locking up of Rs.74.46 lakh on two incomplete work with consequential loss of interest amounting to Rs.29.23 lakh

(Paragraph 8.6)

- Unauthorised investment made by the Naharlagun Electricity Division in absence of approval of the Government for computerisation of billing of electricity charges etc., rendered the expenditure of Rs.46 lakh unfruitful.

(Paragraph 8.7)