

OVERVIEW

This Report includes two chapters on Finance and Appropriation Accounts of the Government of Arunachal Pradesh for the year 2002-03 and seven other chapters, comprising four reviews and 34 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 assets of the State Government during 2002-03 increased from Rs.3459.91 crore in 2001-02 to Rs.3841.72 crore (11.04 *per cent*), while the liabilities grew from Rs.1253.81 crore to Rs.1558.70 crore (24.32 *per cent*). This was mainly due to very high growth in market loans bearing interest (34 *per cent*), loans from central plan schemes (562 *per cent*) and suspense and miscellaneous balances (86 *per cent*).
- Rate of growth of revenue receipts during 2002-03 was only 2.12 *per cent* and in comparison with 2001-02, it came down by 10.77 *per cent*. GSDP growth also came down from 14.08 *per cent* in 2000-01 to 6.79 *per cent* in 2002-03.
- The overall expenditure comprising revenue expenditure, capital expenditure and loans and advances of the State during 1998-99 to 2002-03 increased at an average annual trend rate of 7.92 *per cent* and for every one *per cent* increase in the State's GSDP, the total expenditure of the State increased by 1.620 *per cent*. Non-development expenditure increased from 25 *per cent* in 1998-99 to 29 *per cent* of total expenditure in 2002-03.
- The gap between revenue receipts and revenue expenditure went down from 19.14 *per cent* in 1998-99 to 6.94 *per cent* in 2002-03 which indicates that revenue expenditure has been growing at a much faster rate and for every one *per cent* increase in GSDP, revenue expenditure increased by 2.035 *per cent*.
- Capital and development expenditure declined from 23.73 and 74.80 *per cent* in 1998-99 to 21.95 and 71.04 *per cent* respectively during 2002-03.
- As a proportion to State's gross domestic product, fiscal deficit had increased to 17.18 *per cent* in 2002-03 from 5.46 *per cent* in 1998-99 and primary deficit to 7.11 *per cent* in 2002-03 from 0.88 *per cent* in 1999-2000.
- On an average for one *per cent* increase in GSDP, the direct fiscal liabilities of the State increased by 3.525 *per cent* and currently the fiscal liabilities including the contingent liabilities of the State were nearly 1.11 times of the revenue receipts of the State.

- Of Rs.391.20 crore (borrowed fund) received during 2002-03, only Rs.46.66 crore (12 *per cent*) were available for investment after meeting repayment obligations.
- Return on investment of Rs.16.08 crore in companies, corporations and co-operative institutions at the end of March 2003 gave insignificant returns of less than one *per cent* during 1998-03.
- The balance from current revenue (BCR) has been negative for 5 years indicating that the State had to depend only on borrowings for meeting its Plan expenditure.

(Paragraphs 1.2 to 1.10)

2. Appropriation audit and control over expenditure

- During 2002-03, expenditure of Rs.1396.10 crore was incurred against the total grant and appropriation of Rs.1709.82 crore resulting in a saving of Rs. 313.72 crore (18.35 *per cent*). The overall saving of Rs.313.72 crore was the result of saving of Rs.323.42 crore in 57 cases of grants and appropriations, offset by excess of Rs.9.70 crore under 16 cases of grants and appropriations. The excess of Rs.9.70 crore required regularisation by the Legislature under Article 205 of the Constitution.
- Supplementary provision of Rs.304.49 crore obtained during 2002-03, which constituted 22 *per cent* of the original budget provision of Rs.1405.33 crore proved unnecessary as the expenditure of Rs.1396.10 crore fell short of even the original budget. Supplementary provision of Rs.130.70 crore obtained in 32 cases of grants and appropriations proved unnecessary in view of the final saving in each grant/appropriation being more than the supplementary provision. Further, against the requirement of Rs.35.64 crore, supplementary grants and appropriations of Rs.286.81 crore were obtained in respect of 43 cases resulting in savings amounting to Rs.251.17 crore. Substantial non-utilisation/under utilisation of supplementary provision indicated absence of closer scrutiny of the supplementary estimates proposed by the departments.
- Persistent savings ranging from 13 to 83 *per cent* occurred in 11 cases of grants and appropriations during the three year period from 2000-01 to 2002-03.
- In 35 cases, the entire provision of Rs.106.44 crore was not utilised and savings of Rs.255.51 crore in 46 grants/appropriations were not surrendered by the concerned departments.
- In six cases, the amount surrendered was in excess of actual savings. As against the total amount of actual savings of Rs.12.92 crore, the amount surrendered was Rs.24.17 crore resulting in excess surrender of Rs.11.25 crore. Further, against the excess expenditure of Rs.104.48 crore in respect of three grants under revenue section, the

amount surrendered was Rs.11.40 lakh, which resulted in injudicious surrender of Rs.11.40 lakh.

- Twenty eight drawing and disbursing officers (DDOs) had not submitted Detailed Countersigned Contingent bills (DCC bills) for Rs.2.38 crore drawn during 1998-01 against 46 AC bills indicating a serious deficiency in control over expenditure.

(Paragraphs 2.1 to 2.5)

3. Audit reviews on developmental/welfare programmes, etc.

(i) National AIDS Control Programme

To contain the spread of the HIV infection in India and to strengthen India's capacity to respond to the HIV/AIDS on a long term basis, Government of India (GOI) launched a hundred *per cent* centrally sponsored National AIDS Control Programme in 1992. The review of the programme in Arunachal Pradesh revealed several deficiencies in its management and implementation. Some important findings are given below :

- Central assistance of Rs.48.88 lakh pertaining to the period 1992-99 was unauthorisedly retained by the State Government for periods ranging between four to 10 years and has not yet been transferred to Arunachal Pradesh State AIDS Control Society (APSACS).
- Despite incurring an expenditure of Rs.1.13 crore, the targets under priority targeted intervention for groups at high risk were not fully achieved.
- Condom delivery system, activities under the IEC and awareness campaigns and the blood safety programme failed to take off.
- Despite having six *per cent* prevalence rate of STD, the achievement of APSACS in strengthening the STD clinics ranged from 0 to 14 *per cent* only.

(Paragraph 3.1)

(ii) Members of Legislative Assembly Local Area Development Scheme (MLALADS)

The Government of Arunachal Pradesh introduced the MLALADS in October 2000 in order to provide for small developmental works of capital nature based on the local needs of the people. A review of the scheme revealed the following:

- Utilisation of CGI sheets valued Rs.1.91 crore was doubtful due to non-maintenance of proper records for distribution of CGI sheets to the beneficiaries.
- Expenditure of Rs.58.32 lakh, incurred by four districts for the year 2000-03 on non-durable works, violated the provisions of the scheme and was thus irregular.
- Eight Deputy Commissioners incurred revenue expenditure of Rs.47.26 lakh for repair/renovation of assets in contravention of the provisions of the scheme.

(Paragraph 3.2)

(iii) Welfare of the Handicapped

For improvement of the condition of disabled people, Persons with Disabilities (Equal Opportunity, Protection of Rights and Full Participation) (PWD) Act, 1995 came into force in 1996 which was also implemented in the State along with other dedicated schemes such as National Programme for Rehabilitation of Persons with Disabilities (NPRPD). A review of the scheme revealed the following :

- There were 10,742 people with disabilities in the State according to the National Sample Survey conducted during 1991. The State Government has taken up neither investigation to find out the cause of occurrence of disease, nor screening of school children for identifying 'at risk' cases.
- Though the State Government had adopted a policy of three *per cent* reservation of posts for PWD in principle, identification of posts or employment for any of the 67 PWD registered in the State has not yet been provided by the Government.
- During the years 1998-99 to 2000-01, the Rural Development Department had covered 18,635 beneficiaries under poverty alleviation scheme, but no handicapped person was allotted any slot as against the three *per cent* envisaged in the Act.
- Out of the Central assistance of Rs.3.67 crore, an amount of Rs.1.66 crore only was spent during 2000-03 resulting in savings of 55 *per cent* under NPRPD. Further, out of this Central assistance, an amount of Rs.12.50 lakh was diverted at the instance of the State Government and Rs.3.54 crore was deposited in current account instead of savings bank account resulting in the nodal department sustaining a loss of interest of Rs.13.47 lakh.

(Paragraph 3.3)

(iv) Review of Rural Works Department, including manpower management

The responsibility of the Rural Works Department (RWD) is to construct rural link roads (RLRs), bridges for connecting the rural villages/habitats to national highways/district roads as well as to execute the works of land protection and soil conservation work. A review of the working of the department revealed the following:

- Budgeting in the department was unrealistic.
- The department failed to achieve the physical targets set for the rural link roads and bridges as well as for land reclamation and land protection works. The shortfall varied from 32 to 43 *per cent* in respect of roads, 73 *per cent* in respect of bridges and from 74 to 87 *per cent* in respect of land protection and land reclamation.
- Lack of proper planning and abnormal delay in completion of works resulted in unproductive expenditure of Rs.7.24 crore on 45 rural link roads works.
- There was fictitious expenditure of Rs.1.44 crore on slips clearance and Rs.35.37 lakh on overlapping works.
- Due to entertainment of 119 staff in excess of sanctioned strength, extra financial liability of Rs.77.92 lakh was borne by the department annually.

(Paragraph 4.1)

(v) Internal control/Internal audit system

The review of the system revealed several deficiencies in its management and control. Scrutiny revealed that the Directorate had neither framed nor adopted any auditing standards and no internal audit manual had so far been brought out by the Directorate/Government. The concept of audit planning was neither prevalent at the Directorate nor at district level. No targets in terms of number of units to be audited, financial value of audit observations *etc.*, had been fixed. The Directorate had not fixed any time limit for issue of inspection reports with the result that remedial action if any to be taken might get delayed. Staff training is one of the important aspects of manpower development. It was noticed that internal auditors were given only one training on accounts for six months. No other training for improvement of the quality of the audit adopting new auditing techniques, refresher course *etc.*, was imparted. Thus, the internal control/internal audit system in the State is still at a rudimentary stage and is not able to fulfil its stated objective.

(Paragraph 9.1)

4. Other points of interest

(A) Civil

(i) Undue financial benefit to carriage contractors

Due to execution of defective agreements, the Civil Supplies department failed to realise outstanding hire charges of vehicles amounting to Rs.1.06 crore and extended undue financial benefit to the lessees for periods ranging from one month to seven years 10 months.

(Paragraph 3.4)

(ii) Extra expenditure due to procurement of K-Othrine at higher rate

The Department of Health and Family Welfare made an extra payment of Rs.24.57 lakh in the purchase of K-Othrine, an anti-malarial chemical.

(Paragraph 3.5)

(iii) Misappropriation of Government money

Government money was misappropriated in the office of the Chief Medical Officer (CMO), Naharlagun to the extent of Rs.10.48 lakh by way of shortage of cash balance (Rs.5.32 lakh) and payment without documentary evidences (Rs.5.16 lakh).

(Paragraph 3.6)

(iv) Unproductive expenditure

Home Department incurred unproductive expenditure of Rs.1.57 crore due to non-completion of construction of 54 quarters even after placement of 100 per cent of the fund with the executing agencies. Besides, there was misuse of Government funds of Rs.10.47 lakh.

(Paragraph 3.7)

(v) Unnecessary drawal resulted in diversion and locking up of funds by the Inspector General of Police (IGP) at Itanagar

Irregular expenditure of Rs.79.69 lakh was incurred on construction of rest room cum toilet for gents in 48 police stations apart from diversion and locking up of funds for more than one year and two months.

(Paragraph 3.8)

(vi) Incomplete road work

Rs.1.12 crore incurred by the Bomdila Public Works Division was unfruitful owing to poor planning and non-utilisation of funds.

(Paragraph 4.3)

(vii) Wasteful expenditure incurred by Along Public Works Division due to frequent change of site of the bridge work

Construction of a bridge at site 'B' without considering its usefulness to the local inhabitants led to abandonment of the work midway resulting in wasteful expenditure of Rs.24.26 lakh. Expenditure of Rs.38.49 lakh is likely to become wasteful on construction of abutments at site 'C' due to taking up of the work without considering the technical viability of the site.

(Paragraph 4.4)

(viii) Banderdewa Store Division incurred extra expenditure and avoidable payment of interest

The procurement of cement at increased rate in contravention of the terms and conditions of the agreement resulted in extra expenditure of Rs.35 lakh beside incurring avoidable payment of interest of Rs.62 lakh.

(Paragraph 5.1)

(B) Revenue**(i) Loss of revenue**

Failure of the department to transport 7970.2959 cum of timber of mixed species to a safer place resulted in loss of revenue of Rs.96.85 lakh.

Execution of faulty agreement and realisation of royalty at a fixed rate of Rs.528 per MT on 54341.4210 MT of crude oil instead of Rs.850 per MT led to loss of revenue of Rs.1.75 crore.

(Paragraphs 6.8 and 6.15)

(ii) Misclassification of IMFL resulted in short realisation of excise duty

Realisation of excise duty of Rs.47.55 lakh against Rs.1.38 crore by classifying 85238 cases of IMFL as general and ordinary brands instead of premium brand resulted in short realisation of excise duty of Rs.90.54 lakh.

(Paragraph 6.12)

(iii) Non-realisation of additional royalty

Failure of the department to initiate action against two lessees for belated payment of royalty led to non-realisation of additional royalty of Rs.83.14 lakh.

(Paragraph 6.16)

(iv) Unauthorised removal of forest produce/use of motor vehicles without payment of tax

Felling and removal of 12415 trees measuring 5931.1462 cum of timber and removal of 1250 cum of sand and 20474.43 cum of stone/boulder from forest areas without obtaining any permit and without payment of royalty resulted in non-realisation of revenue of Rs.19.81 lakh.

Non-realisation of motor vehicles tax of Rs.25.13 lakh from the owners of 179 commercial vehicles led to unauthorised use of vehicles without payment of tax.

(Paragraphs 6.9 and 6.20)

(v) Short realisation of revenue due to application of incorrect rate/royalty/composite tax

Realisation of royalty inclusive of monopoly fee at pre-revised rate instead of revised rate resulted in short-realisation of revenue of Rs.16 lakh.

Realisation of royalty of Rs.1.03 crore on 13388 MT of crude oil against royalty of Rs.1.14 crore at the rate of Rs.850 per MT resulted in short realisation of royalty of Rs.11.09 lakh and non-realisation of additional royalty of Rs.10.03 lakh.

Realisation of composite tax of Rs.4.60 lakh at the rate of Rs.500 to Rs.1500 per annum instead of Rs.27.20 lakh at the rate of Rs.5000 per annum led to short realisation of composite tax of Rs.22.60 lakh.

(Paragraphs 6.10, 6.17 and 6.19)

(C) Commercial

(i) Nugatory investment and wasteful expenditure

Lack of planning in setting up a tea estate and belated decision to close down the created division had led to futile investment (Rs.51.33 lakh) and wasteful expenditure (Rs.86.67 lakh).

(Paragraph 8.2)

(ii) Futile investment and locking up of fund

Un-planned execution and consequent suspension of two works led to blockage of Rs.83.89 lakh on incomplete works from May 1998 (Rs.41.02 lakh) and April 2001 (Rs.42.87 lakh) besides frustrating the objectives for which the schemes were undertaken.

(Paragraph 8.3)

(iii) Locking up of fund on injudicious and unnecessary procurement of materials

Purchase of materials without assessment of requirement and inaction in disposal of surplus/unusable stock resulted in blocking of funds amounting to Rs.4.48 crore on unmoved (Rs.2.72 crore) and slow moving (Rs.1.76 crore) materials for over 8 to 10 years.

(Paragraph 8.4)

(iv) Idle investment on inoperative micro hydel projects

Lack of survey to ascertain physical viability prior to execution of works and inaction to renovate the failed projects have rendered the investment of Rs.96.77 lakh unproductive.

(Paragraph 8.5)