

OVERVIEW

This Report contains 28 audit paragraphs (including three general paragraphs), three 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 audit 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 audit 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 26 audit paragraphs, three reviews and the chapter on Internal Control/Internal Audit from the concerned Secretary to the State Government.

1. Finances of the State Government

- The revenue receipts of the State increased by 42.23 *per cent* over the previous year as against the average rate of 12.35 *per cent* during the five year period 1999-2004. While 11 *per cent* of the revenue receipts during 2003-04 have come from State's own resources, central tax transfers and grants-in-aid together contributed 89 *per cent*.
(Paragraph 1.5.2)
- The total expenditure in 2003-04 had increased by Rs.504.34 crore over previous year mainly due to increase in revenue expenditure by Rs.360.53 crore. The expenditure on General Services and interest payments considered as non-developmental, together accounted for 26.77 *per cent* in 2003-04 as against 26.03 *per cent* in 1999-2000. On the other hand, development expenditure accounted for 72.98 *per cent* in 2003-04 as against 73.71 *per cent* in 1999-2000.
(Paragraph 1.6.1)
- Overall revenue expenditure of the State increased from Rs.837.34 crore in 1999-2000 to Rs.1391.90 crore in 2003-04 at an average rate of 13.87 *per cent* per annum. The revenue expenditure increased by 34.96 *per cent* over the previous year from Rs.1031.37 crore to Rs.1391.90 crore.
(Paragraph 1.6.2)
- Interest payment increased steadily by 77.84 *per cent* from Rs.79.80 crore in 1999-2000 to Rs.141.92 crore in 2003-04.
(Paragraph 1.6.2 (iii))
- Return from Government's investment (Rs.16.13 crore) in its Statutory Corporations, Government companies, *etc.*, was below one *per cent* during 1999-2004 while average interest rate paid by Government on

its borrowings was 11.62 *per cent*. This resulted in implicit subsidy of Rs.8.35 crore during the period.

(Paragraph 1.8.2)

- Overall fiscal liabilities of the State increased from Rs.763.28 crore in 1999-2000 to Rs.1417.90 crore in 2003-04 at an average rate of 16.81 *per cent*. Net availability of funds from the borrowings ranged between 11.93 *per cent* and 18.65 *per cent* during the period.

(Paragraph 1.8.6(i))

- As a proportion to State's gross domestic product, the fiscal deficit had increased to 20.84 *per cent* in 2003-04 from 8.35 *per cent* in 1999-2000 and primary deficit to 9.01 *per cent* in 2003-04 from 0.85 *per cent* in 1999-2000.

(Paragraph 1.9.1)

2. Allocative Priorities and Appropriation

- During 2003-04 expenditure of Rs.2039.45 crore was incurred against total grants and appropriation of Rs.2251.54 crore. The net saving of Rs.212.09 crore was the result of saving of Rs.232.24 crore partly offset by excess of Rs.20.15 crore. The excess requires regularization under Article 205 of the Constitution of India.

(Paragraph 2.2)

- Supplementary provision made during the year constituted 53 *per cent* of the original provision. Supplementary provision of Rs.18.28 crore made in 19 cases proved unnecessary in view of aggregate final saving of Rs.54.02 crore.

(Paragraphs 2.3.3 and 2.3.4(i))

- Anticipated savings of Rs.166.63 crore under 50 grants/appropriations were not surrendered.

(Paragraph 2.3.9)

- As of 30 March 2004, 35 AC bills for Rs.1.97 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

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 target in terms of number of units to be audited, financial value of audit observations *etc.*, had been fixed. No record showing number of units audited during a year, IRs received and issued, total number of IRs and paras settled and outstanding, *etc.*, were

maintained. 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 fulfill its stated objective.

(Paragraph 7.1)

4. Reviews

(i) Horticulture Development Schemes

- Shortfall in achievement under State Plan Schemes ranged between 2.08 *per cent* and 94.71 *per cent* during the period from 1999-2000 to 2002-03.
- Materials worth Rs.2.34 crore had been issued to the beneficiaries without ascertaining the actual utilisation of beneficiaries own contribution.
- Excess issue of barbed wire fencing led to extra expenditure of Rs.17.48 lakh.
- Entertainment of excess manpower over the sanctioned strength led to extra expenditure of Rs.73.67 lakh.
- There was loss of Rs.4.82 crore due to low yield of apple fruit.

(Paragraph 3.1)

(ii) Collection of forest receipts in Arunachal Pradesh

The review highlights loss of revenue, non-realisation/short-realisation of revenue, royalty and penalty, blockade of revenue, *etc.*, valued Rs. 17.98 crore which was mainly due to failure of the department to transport timber to safer places, non-realisation/short-realisation of revenue, royalty and penalty, *etc.*

- Failure of the Department to transport timber to a safe place led to deterioration of 66922.391 cum timber with consequential revenue loss of Rs.13.36 crore.

(Paragraph 5.8.6)

- Lifting of timber by APFC without full payment of royalty resulted in loss of revenue of Rs.1.71 crore.

(Paragraph 5.8.7)

- Failure to prepare working plan for operation of cane led to blockage of revenue of Rs.3.43 crore.

(Paragraph 5.8.9)

- Realisation of royalty of Rs.47.01 lakh against Rs.2.35 crore on 2.72 lakh cum of stone/boulder, 0.41 lakh cum of sand and 0.04 lakh kaps of cane led to short-realisation of royalty of Rs.1.88 crore.
(Paragraph 5.8.10)

(iii) Working of Arunachal Pradesh State Transport Services

The Arunachal Pradesh State Transport Services (APSTS) started functioning to provide transport services in an economic and efficient manner. A review on working of APSTS revealed very poor operational performance besides following significant points:

- Every year the APSTS incurred operational losses varying from Rs.9.18 crore to Rs.10.95 crore and net losses varied from Rs.11.99 crore to Rs.13.92 crore.
- Revenue shortfall to target amounted to Rs.2.79 crore and unutilized lapsed provision for procurement of buses was Rs.1.23 crore.
- Extra expenditure of Rs.1.67 crore for excess consumption of HSD and Rs.27.42 lakh for retreading of tyres through private parties had been incurred.

(Paragraph 6.2)

5. Other points of interest

Civil

(i) Unproductive expenditure

Lack of proper planning resulted in the infrastructure created at a cost of Rs.2.26 crore for establishment of chilling plant at Pasighat (Rs.49.22 lakh) and dairy plant at Kharsingsa (Rs.1.77 crore) remaining unutilised.

(Paragraph 4.2)

(ii) Unproductive expenditure and undue financial aid to a consultancy firm

Due to lack of initiative on the part of the Health and Family Welfare Department in establishment of a referral hospital within the stipulated time, the State Government failed to avail TFC grants of Rs.44.38 crore and the expenditure of Rs.5.62 crore incurred on the project including an unwarranted payment of Rupees three crore to a firm remained unproductive.

(Paragraph 4.5)

(iii) Wasteful expenditure on construction of bridge

An expenditure of Rs.38.44 lakh incurred on execution of work for construction of bridge was rendered wasteful due to selection of site without ascertaining the technical viability.

(Paragraph 4.6)

(iv) Extra expenditure due to excess execution of earthwork

Excess execution of 1,33,277.78 cum earthwork by Daporijo Public Works Division resulted in an extra expenditure of Rs.30.61 lakh.

(Paragraph 4.7)

(v) Extension of financial benefit to a firm

Injudicious action of Pashighat Public Works Division in execution of agreements and payment of interest free mobilisation advances prior to finalisation of location of two bridges led to extension of financial benefit of Rs.41.60 lakh to a firm, besides loss of interest of Rs.5.20 lakh on such advances.

(Paragraph 4.8)

(vi) Stores and Stock

There was shortage of materials worth Rs.10.32 lakh resulting in loss to the Government.

(Paragraph 4.9)

Revenue receipts**Loss of revenue**

Due to failure of the department to initiate action against licensee of wood based industries there was loss of revenue of Rs.21.31 lakh.

(Paragraph 5.9)

Non-inclusion of import fee in the ex-bond price of 93,677 cases of IMFL resulted in a loss of revenue of Rs.95.55 lakh.

(Paragraph 5.11)

Penalty of Rs.1.08 crore was not realized due to erroneous regularization of 91,481.92 sq. metre of Government land occupied by 403 private individual.

(Paragraph 5.13)

There was short realisation of land revenue of Rs.1.07 crore besides interest of Rs.57.97 lakh due to erroneous fixation of rate for allotment of 6.46 lakh square metres of land to NEEPCO.

(Paragraph 5.14)

Failure of the department led to unauthorised occupation of 35085 square metre of Government land by 87 private individuals without payment of penalty inclusive of premium and annual lease rent of Rs.36.49 lakh.

(Paragraph 5.15)

Failure of the Commissioner of Taxes to register a dealer led to evasion of tax of Rs.26.04 lakh.

(Paragraph 5.18)

Commercial

(i) Loss due to sale at lower rates

Failure to intimate the increased issue rate of commodities led to loss of Rs.0.17 crore.

(Paragraph 6.4)

(ii) Wasteful expenditure

Wasteful expenditure of Rs.0.83 crore incurred on abandoned works of transmission lines without any physical progress (Rs.0.27 crore) and for lack of proper decision (Rs.0.56 crore).

(Paragraph 6.5)

(iii) Idle outlay

Failure to provide for air freight in estimate, led to blockade of Rs.0.27 crore with loss of interest of Rs.0.08 crore.

(Paragraph 6.6)