

CHAPTER – I

INTRODUCTION

CHAPTER I: INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) has been prepared in seven Chapters. Chapters II to VI deal with Social, Economic (other than Public Sector Undertakings), General, Revenue, Economic (Public Sector Undertakings) Sectors and Chapter VII deals with Follow up of Audit observations. Chapter I explains about the Audit Office, the audit planning done and audit methodology used in audit.

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from the test audit of transactions of various departments of the Government of Arunachal Pradesh pertaining to Social, Economic (other than Public Sector Undertakings), General, Revenue, Economic (Public Sector Undertakings) Sectors.

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of audit. Auditing standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective action, to frame appropriate policies as well as to issue directives that will lead to improved financial management and contribute to better governance.

This chapter in addition to explaining the planning and coverage of audit, provides a synopsis of significant instances of non-compliance with applicable laws, rules, regulations, various orders and instructions issued by competent authorities.

1.2 Profile of the Office of the Principal Accountant General, Arunachal Pradesh

In March 1984, the Indian Audit & Accounts Department was bifurcated into the Audit Wing and the Accounts & Entitlements (A&E) Wing, and four Accountants General Offices, all with Headquarters at Shillong, were created – (i) Principal Accountant General (Audit) Assam, Meghalaya, Arunachal Pradesh & Mizoram; and (ii) Accountant General (A&E), Assam, Meghalaya, Arunachal Pradesh & Mizoram. In course of time, the office of the Principal Accountant General, Arunachal Pradesh was shifted from Shillong to Itanagar in April 2006. Since then, the Principal Accountant General Arunachal Pradesh is looking after both the Audit and the Accounts & Entitlement functions in the State.

Under the directions of C&AG, the Office of the Principal Accountant General, Arunachal Pradesh conducts audit of government departments, Public Sector Undertakings, Autonomous Bodies and other Institutions¹ under Social, Economic, Revenue and General Sectors, which are spread all over the State. The Accountant General (Audit) is assisted by one Deputy Accountant General.

¹ Government funded Non-Governmental Organisations like RK Mission, Pui Welfare Society etc.

The authority of audit is derived from Article 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (C & AG's (DPC) Act). Under Section 13 of the C & AG's (DPC) Act, the Office of the Accountant General (Audit) has been entrusted with the audit of all expenditure incurred from the Consolidated Fund of Government of Arunachal Pradesh. This office conducts audit of revenue receipts of Government of Arunachal Pradesh under Section 16 of the C & AG's (DPC) Act. This office conducts supplementary audit of the Balance Sheet of all State Government companies under Section 143(6)(a) of the Companies Act, 2013. This office is responsible for audit of accounts of autonomous bodies and authorities falling under Section 14, 15, 19(2), 19(3) and 20(1) of C & AG's (DPC) Act. The C&AG prescribes the principles and methodologies for various audits in the Auditing Standards and the Regulations on Audit and Accounts, 2007.

1.3 Planning and Conduct of Audit

Audit process commences with the assessment of risk of the departments based on their financial profile, criticality/complexity of activities, priority accorded for the activity by the Government, level of delegated financial powers, assessment of internal controls, concerns of stakeholders, previous audit findings, etc. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated to plan and conduct audit during the next year.

After completion of each field audit, Inspection Report (IR) containing audit findings is issued to the Head of the audit unit and a copy to the Head of the Department with a request to furnish replies within one month of the receipt of IR. Wherever replies are received, audit findings are either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at the highest level in the Government, are identified and processed for inclusion in the Audit Reports which are submitted to the Governor of Arunachal Pradesh under Article 151 of the Constitution of India for causing them to be laid on the Table of the State Legislature.

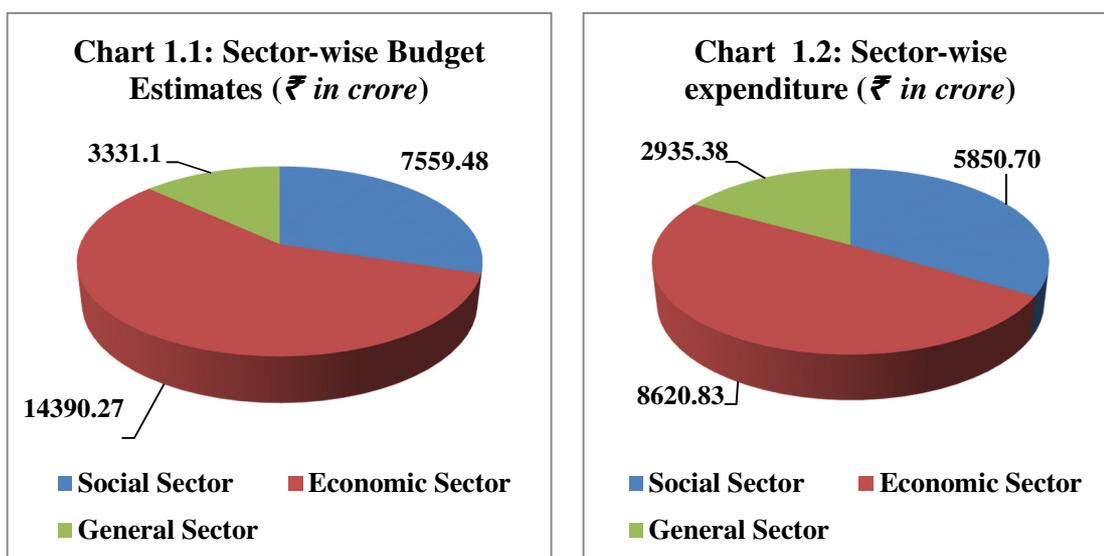
Audit Plan was prepared in such a way that it fits into the long term and short term goals of audit in consonance with the overall "Vision and Mission" of the Indian Audit & Accounts Department. It has been prepared after carrying out risk assessment and keeping in view the available manpower. Elements of the Audit Quality Management Framework (AQMF) viz. materiality, inputs from Voucher Level Computerization (VLC), financial profile of the units, data from various e-governance initiatives taken by government, flagship programme undertaken by auditees, press criticism/ electronic media coverage, expected audit impact and continuous improvement based on past experience, etc. were taken into account to the extent possible while framing out the plan. A sector wise analysis of the government spending, investment policy of the government in infrastructure development, industrialization and socio-economic activities along with the possible audit impact were taken into account in prioritising and shortlisting auditee units for preparing the Annual Audit Plan.

Considering the availability of manpower resources, focus has been given on areas of

high risk than to thinly spreading out the audit resources throughout the Government activities. This is expected to have better socio-economic impact and add value to the governance. Out of 784 units, 199 units was planned for audit during 2018-19, of which 153 units were actually audited during 2018-19.

1.4 Significant Audit Observations

During 2018-19, the State Government incurred an expenditure of ₹ 17406.91 crore against the Budget provision of ₹ 25280.85 crore under Social, Economic and General Sectors with an overall saving of ₹ 7873.94 crore (31.10 per cent) against the budget estimates. Sector wise budget estimates and expenditure is depicted in **Chart Nos. 1.1** and **1.2** below.



Source: *Appropriation Accounts 2018-19*

From above it can be seen that the savings in Social Sector was ₹ 1708.78 crore (23 per cent), Economic Sector; ₹ 5769.44 crore (40 per cent) and General Sector; ₹ 395.72 crore (11.9 per cent) respectively. Department wise details of expenditure against budget allocation and savings is given in detail in the introductory part of the Chapters on various Sectors.

This Report *inter alia* contains 22 compliance audit paragraphs which include two long compliance audit paragraphs titled “Development of Sports Infrastructure” and “Member of Legislative Assembly Local Area Fund” and major findings of audit from test check of the transactions of 153 units² involving an expenditure of ₹ 14312.97 crore³ under Social, Economic, General and Revenue Sectors. Significant audit findings are discussed in the respective succeeding chapters.

² Social Sector: 32 units, Economic Sector: 82 units, General Sector: 17 units and Revenue Sector: 22 units.

³ ₹ 3016.19 crore under Social Sector; ₹ 6431.01 crore under Economic Sector and ₹ 4865.77 crore under General Sector.

