



**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. Chapter I is Introduction to this Audit Report. Chapters II to VI deal with Social, Economic (other than State Public Sector Undertakings), General, Revenue, Economic (State Public Sector Undertakings) Sectors respectively and Chapter VII deals with Follow up of Audit observations.

This Report 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 and 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

Principal Accountant General, Arunachal Pradesh is looking after both the functions of Audit and Accounts in the State. The Entitlement function in Arunachal Pradesh is with the State Government.

The Office of the Principal Accountant General, Arunachal Pradesh conducts audit of the Government Departments, Public Sector Undertakings, Autonomous Bodies and other Institutions<sup>1</sup> under Social, Economic, Revenue and General Sectors, which are spread all over the State as per the mandate of the C&AG. The Principal Accountant General is assisted by one Deputy Accountant General and other staff.

The authority of audit is derived from Articles 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 Principal Accountant General has been entrusted with the audit of all expenditure incurred from the Consolidated Fund of Government of Arunachal Pradesh (GoAP). This office conducts audit of revenue receipts of GoAP under Section 16 of the C&AG's (DPC) Act. This office also 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 the accounts of autonomous bodies

<sup>1</sup> Government funded Non-Governmental Organisations like Rama Krishna Mission, Pui Welfare Society *etc.*

and authorities falling under Sections 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 to the departments/ audit units based on the volume and nature of expenditure incurred, 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 for the next year is formulated to conduct audit.

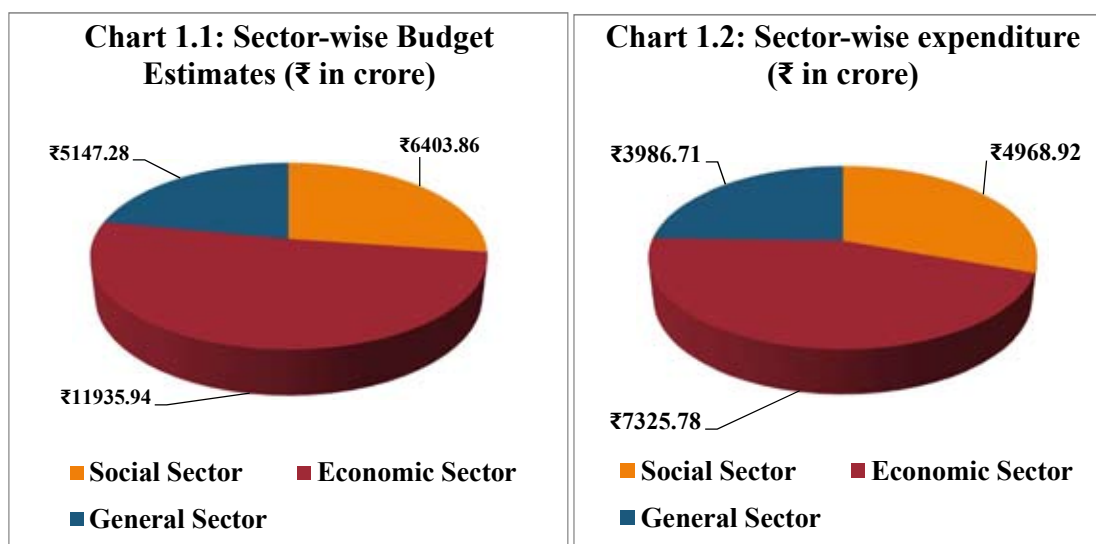
After completion of each audit, Inspection Report (IR) containing audit findings is issued to the Head of the unit with a request to furnish replies within one month of receipt of the IR. Wherever replies are received, audit findings are reviewed and either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at the highest level in the Government, are processed for inclusion in C&AG's Audit Report 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.

Annual Audit Plan for 2019-20 was prepared in such a way that it fitted into the long term and short term goals of audit in consonance with the overall "Vision and Mission" of the Indian Audit and Accounts Department. It was 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 Computerisation (VLC), financial size 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 formulating the plan. A sector-wise analysis of government spending, investment policy of the government in infrastructure development, industrialisation and socio-economic activities along with due consideration of possible audit impact were taken into account in prioritising auditee units for preparing the audit plan.

Considering the availability of resources, focus has been given to areas of high financial risk than to the resources thinly spread out throughout the Government activities. This would have better socio-economic impact and add value to the governance. Out of the total 1,201 audit units (excluding local bodies) under the audit jurisdiction of this office, 202 audit units were planned to be covered in audit during 2019-20. However, 188 units were actually audited during 2019-20.

### **1.4 Significant Audit Observations**

During the year 2019-20, the State Government had incurred an expenditure of ₹16,281.41 crore against the budget provision of ₹23,487.08 crore (69.32 *per cent*) under Social, Economic and General Sectors. Sector-wise expenditure is depicted in the **Chart Nos. 1.1 and 1.2.**



Source: Appropriation Accounts, 2019-20

Out of total expenditure of ₹16,281.41 crore, the State Government incurred ₹12,218.74 crore (75.05 per cent) as revenue expenditure. The remaining ₹4,062.67 crore was capital expenditure (24.95 per cent). Out of total revenue expenditure, ₹4,917.24 crore (40.24 per cent) was incurred on salaries, the details are shown in **Table 1.1**.

**Table 1.1: Details of sector wise expenditure on salary**

Sector	Revenue expenditure	Salary expenditure	Percentage
Social	4,234.42	1,986.10	46.90
Economic	4,438.79	1,677.39	37.79
General	3,545.52	1,253.75	35.36
Total	<b>12,218.74</b>	<b>4,917.24</b>	<b>40.24</b>

Source: Appropriation Accounts, 2019-20

This Report *inter alia* contains 13 compliance audit paragraphs and two performance audit reports viz. “Implementation of the Swachh Bharat Mission in Arunachal Pradesh” and “Development and Promotion of Horticulture in Arunachal Pradesh”. These audit findings are based on test check of the transactions of 188 units<sup>2</sup> involving an expenditure of ₹30,732.27 crore<sup>3</sup> under Social, Economic, General and Revenue Sectors of the GoAP. Significant audit findings are discussed in the respective succeeding chapters.

<sup>2</sup> Social Sector: 65 units, Economic Sector: 70 units, General Sector: 25 units and Revenue Sector: 28 units

<sup>3</sup> ₹23,504.44 crore under Social Sector; ₹4,925.13 crore under Economic Sector and ₹2,302.71 crore under General Sector

