

## OVERVIEW

This Report includes two chapters on the Finance and Appropriation Accounts of Government of Arunachal Pradesh for the year 1999-2000 and six other chapters, comprising 7 reviews and 36 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.

### I. Accounts of the State Government

- The liability of the State increased from Rs.441.74 crore in 1995-96 to Rs.777.02 crore in 1999-2000. However, very little of the borrowings were available for investment after meeting the repayment obligations. Of Rs.193.88 crore received during 1999-2000, only Rs.30.65 crore was available for investment after repayment obligation. Outstanding debt increased year after year and with such increase the investment would be reduced further. During 1999-2000, while the liabilities of the State Government grew by **16.55 per cent**, its assets grew by only **10.59 per cent**.
- The revenue receipts during the year increased by **9 per cent** compared to 1998-99. Of the total revenue receipts of Rs.1008.92 crore, Rs.928.03 crore constituting **92 per cent** came from State's share of Union taxes and duties and Central grants.
- Revenue expenditure (Rs.837.34 crore) during the year accounted for **76 per cent** of the expenditure of the State Government and increased by **12 per cent** during 1999-2000. The share of Non-Plan expenditure to Revenue Expenditure during 1999-2000 was **64 per cent** against **36 per cent** under plan side.
- Though there was no revenue deficit (excess of revenue expenditure over revenue receipt) during 1999-2000, the account of the State had a fiscal deficit (excess of revenue and capital expenditure over revenue receipt) of Rs.88.79 crore which was covered by Public Debt and partly by the surplus from the Public Account.
- The share of capital expenditure to total expenditure has dropped from **36 per cent** in 1995-96 to **24 per cent** in 1999-2000.
- Amount of loans and advances given by the State Government to companies, corporations, etc. surpassed the improvement in repayment, as a result of which the closing balance at the end of 1999-2000 increased from Rs.13.91 crore in 1995-96 to Rs.15.17 crore at the end of 1999-2000.
- The payment of interest on borrowings of the Government increased by **88 per cent** from Rs.42.41 crore in 1995-96 to Rs.79.80 crore in 1999-2000.

## II. Indicators of financial position of the state

- Balance from Current Revenues (BCR) was negative in last 4 years which indicates limited sustainability of State finances.
- Interest ratio has moved in narrow range of 0.05 to 0.08. A rising interest ratio has adverse implications on the sustainability since it points out to the rising interest burden.
- Borrowed funds were used increasingly for purposes other than capital outlay.
- Return on investment was negligible and less than 1 per cent.

*(Paragraph 1.1 to 1.11.4)*

## III. Appropriation Audit and control over expenditure

- Against the total budget provision of Rs.1291.14 crore (including supplementary) actual expenditure was Rs.1160.12 crore resulting in a saving of Rs.145.29 crore in 96 grants and appropriations. This was offset by excess of Rs.14.27 crore in 6 cases of grants and 1 appropriation. The excess expenditure of Rs.14.27 crore requires regularisation by the Legislature under Article 205 of the Constitution of India.
- Supplementary provision made during the year constituted 15 per cent of the original provision as against 14 per cent in the previous year. Supplementary provision of Rs.11.29 crore obtained in respect of 14 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.63.58 crore in 31 cases, supplementary grants and appropriations of Rs.137.15 crore were obtained resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs.73.57 crore. In 24 cases, expenditure fell short by more than Rs.1 crore in each case and also by more than 10 per cent of the total provision.
- Persistent savings ranging from 15 to 100 per cent occurred in 27 cases of grants during the three year period from 1997-98 to 1999-2000 and in 5 cases, expenditure of Rs.2.51 crore was incurred without any provision in the budget.
- Savings of Rs.63.37 crore in 31 grants and 2 appropriations were not surrendered by the concerned departments. On the other hand, as against the savings of Rs.1.42 crore available for surrender in 3 cases, Rs.1.56 crore were actually surrendered. In one grant, Rs.0.10 crore was surrendered although the expenditure exceeded the grant by Rs.0.11 crore and no savings were available. These instances were indicative of inadequate budgetary control.

*(Paragraph 2.1 to 2.3.11)*

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#### **IV. Audit Reviews on Development/Welfare Programmes, etc.**

##### **1. National Family Welfare Programme**

*The Family Welfare Programme was introduced in the First Five Year Plan in 1952 and was made target oriented and time bound with effect from 1966-67. The programme is a cent per cent Centrally Sponsored Scheme. The main objective of the programme was to stabilize population level consistent with the needs of national development and at the same time improve maternal and child health care. The Review revealed implementing department could not achieve the demographic goal in respect of birth rate, crude death rate etc., though expenditure on this account continued to be on the increase year after year. The couple protection rate during 1995-2000 fell short of the target by a considerable extent.*

- During 1995-2000, Rs.958.59 lakh was spent by the State Government resulting in excess expenditure of Rs.148.93 lakh over the grant released by the Government of India (Rs.809.66 lakh).
- Couple protection during 1995-2000 ranged between 3 and 14 **per cent** against target of 60 **per cent** set under National Health Policy.
- The shortfall in achieving target in respect of DPT ranged between 36 and 67 **per cent**, OPV between 28 and 49 **per cent**, BCG between 32 and 47 **per cent**, measles 49 to 64 **per cent**, TT(PW) between 52 and 76 **per cent** respectively.
- Irregular expenditure of Rs.41 lakh on certain items of works out of the funds provided to SCOVA for implementation of RCH programme was noticed.
- Out of Rs.47.08 lakh released by the GOI for imparting training to Family Welfare staff during the period from 1995-96 to 1999-2000, Rs.23.43 lakh was irregularly spent by the department for payment of salary of the ANMs of sub-centres and Urban Family Welfare Centres during 1995-2000.

##### **2. Working of the Medical Department**

*The major thrust area of the Department inter alia was to provide health care services to all including extension of easy access to Family welfare, Maternity and Childcare facilities besides control of communicable diseases through immunisation, education and training. The review, highlights defective budgeting, irregular deployment of available manpower, unavoidable expenditure of Rs.77.89 lakh towards payment of pay and allowances due to entertainment of 10 specialists and 5 Dental Surgeons in excess of the sanctioned strength of 2 hospitals.*

- There were shortfall of 27, 44 and 59 **per cent** in the targeted establishment of CHC, PHC and HSC respectively.
- Submission of DCC bills against drawal of Rs.48.91 lakh by 27 AC Bills drawn between 1997-98 and 1999-2000 was outstanding as of May 2000 which indicated deficiencies in control over expenditure.
- 3 X-ray machines procured between April 1997 and May 1998 at a cost of Rs.13.54 lakh for use in Sagalee CHC, Rupa PHC and Seppa district hospital had been remaining idle as of May 2000 due to non-posting of radiographer/non-completion of infrastructure. Another 2 X-ray machines procured in April 1997 at a cost of Rs.7.57 lakh for Khonsa district hospital remained idle till January 1999 due to non-availability of infrastructure.

### **3. Members of Parliament Local Area Development Scheme**

*The State of Arunachal Pradesh has three MPs representing the entire State, two for Lok Sabha (LS) and one for Rajya Sabha (RS). The Review revealed deficiency in implementation of MPLAD scheme in the State. During 1997-2000, there were large unspent balance of Rs.3.35 crore. Further, utilisation certificates for 220 works valued Rs.7.70 crore completed during 1997-2000 had not been submitted by any of the nodal DCs.*

- Rs.4.41 lakh was incurred in construction of Government buildings contrary to the GOI guidelines.
- Out of 246 works, 34 works valued Rs.1.84 crore remained incomplete though according to scheme works were to be completed in one or two seasons.

### **4. Urban Employment Generation Programme**

*The Urban Employment Generation Programme (UEGP) is designed to alleviate urban poverty through self-employment and wage employment and also aimed at creation of infrastructure and Civic amenities for urban poor. The review highlights certain major short-comings in the implementation of the programme which inter-alia include non-conducting of survey to identify the target groups of beneficiaries, short utilisation of 62.54 per cent of the available fund, non-submission of physical performance report etc.*

- As on 31 March 2000, there was short release of Central and State share of fund amounting to Rs.19.86 lakh and Rs.61.34 lakh respectively by the State Government.
- 15634 mandays had not been generated among the target groups due to execution of six works through contractors by the two DUDAs and 30 **per**

**cent** women beneficiaries had not been engaged as per provision of the schemes.

- Self Employment programme under NRY, PMIUPEP and SJSRY had not been implemented although Rs.84.63 lakh for subsidy and training under SUME were available with the DUDAs.
- 462 beneficiaries of four districts defaulted in repayment of loan of Rs.330.25 lakh (including interest) under PMRY.
- For lack of monitoring, most of the components of the programmes are yet to be implemented.

## 5. Construction of Roads and Bridges

*Communication system is the basic infrastructure for economic and cultural development of a state. Unlike many other States, roads in Arunachal Pradesh are the only means of communication for socio-economic development of the State. As of April 2000, the State had (a) Surface Roads : 4947.13 Km (b) Unsurfaced Roads : 8940.63 Km; covering a total length of 13,887.76 Kms. The Review revealed mismanagement and deficiency in construction of new roads and bridges and improving the existing ones. Absence of work programme, defective estimation and lack of proper supervision in implementation of schemes by the department resulted in prolonged continuation of work for periods ranging from 2 to 23 years with consequential cost over-run frustrating the objective and economic and cultural development of the state besides wasteful, idle and unfruitful expenditure.*

- The department failed to achieve the physical targets set for both in Road and Bridge Sectors where the shortfall varied from 30 to 60 **per cent** though the percentage of financial achievement was 99.96.
- Inordinate delay ranging from 2 to 23 years in completion of 35 works resulted in cost overrun of Rs.20.12 crore.
- There was unfruitful expenditure of Rs.11.15 crore on 40 schemes owing to discontinuance after partial execution.
- Shortfall in achievement of target under Basic Minimum Services (BMS) ranged from 61 to 84 **per cent** even after utilisation of 100 **per cent** central assistance (Rs.88.31 crore).
- There was avoidable extra expenditure of Rs.31.04 lakh due to non-acceptance of lowest tender.
- Excess engagement of work charged staff (20 to 37 **per cent**) over the permissible limit (2 **per cent**) by 12 divisions resulted in extra expenditure of Rs.66.99 crore beside overburdening the work estimates unnecessarily.

**6. Receipts under Taxes on Motor Vehicle**

*The review highlights non-realisation of taxes, fees, penalties etc., valued Rs.264.68 lakh which was mainly due to the failure of the department to levy and collect taxes, short levy of fees and fines etc.*

- Failure to review the Combined Register of vehicles led to unauthorised use of 1192 transport vehicles without payment of tax of Rs.189.40 lakh and penalty of Rs.47.35 lakh.
- Failure to renew fitness certificates in respect of 933 transport vehicles led to non-realisation of inspection fee of Rs.9.93 lakh.
- Non-imposition of minimum fine as prescribed in the Motor Vehicles Act led to short realisation of fine of Rs.8.08 lakh in respect of 493 vehicle owners.

**7. Commercial and Trading Activities**

**Review on the working of Arunachal Pradesh Industrial Development and Financial Corporation Limited.**

*The company was established with a view to promote and develop industries in the State but restricted its activities in 7 out of 14 districts. The review highlights certain major shortcomings in the working of the company as below :*

- The company had incurred losses every year ranging from Rs.0.89 crore to Rs.3.28 crore and the accumulated loss at the end of 1998-99 stood at Rs.8.55 crore, which has completely eroded the paid up capital of Rs.1.63 crore.
- Short recovery from lending operation led to locking up company's fund of Rs.1.90 crore and actual loan disbursement during five years was Rs.2.19 crore against the target of Rs.3.37 crore.
- Recovery of loan was very low varying from 5 to 30 **per cent** and overdue at the close of March 2000 stood at Rs.5.88 crore.
- Loss of interest of Rs.1.45 crore had been incurred in performing nodal agency services of Government.

**V. Other topics :**

**(a) Civil Departments**

*Extra expenditure*

- (i) Entertainment of teachers in Papumpare and East Siang districts in excess of the prescribed norms resulted in extra expenditure of Rs.119.74 lakh on their pay and dearness allowance alone.

*(Paragraph 3.5)*

- (ii) Procurement of the machines at higher rate resulted in extra expenditure of Rs.34.25 lakh.

*(Paragraph 3.7(b))*

***Unfruitful/Unproductive/Infructuous/Unnecessary/Avoidable expenditure***

- (i) Procurement of books and subsequent ban on its distribution without assigning any reason resulted in infructuous expenditure of Rs.30.25 lakh.

*(Paragraph 3.6)*

- (ii) Failure of the Department to execute the work as per terms and conditions of the contract agreement rendered the entire expenditure of Rs.39.50 lakh unproductive and the objective of the work for construction of office building of SRC remained unachieved for a period of over 11 years.

*(Paragraph 4.2)*

- (iii) Due to non-allotment of site of office building of the Superintending Engineer, Electrical at Itanagar even after a lapse of 10 years from the date of sanction of the work (February 1990), the entire expenditure of Rs.19.27 lakh on procurement of materials and expenditure on site development before final selection of site was unproductive.

*(Paragraph 4.3)*

- (iv) There was unproductive expenditure of Rs.24.25 lakh towards procurement of materials and payment of Railway freight, pay, wages of work charged staff etc., against a water supply scheme, sanctioned without considering feasibility of the scheme through proper survey, which was ultimately abandoned due to technical non-viability.

*(Paragraph 4.5)*

- (v) Unnecessary procurement of materials worth Rs.20.17 lakh and fictitious adjustment of expenditure of Rs.3.18 lakh led to increase in the project cost for construction of Durbar Hall at Raj Bhavan.

*(Paragraph 4.6)*

***Idle investment/Idle stock of materials/Diversion of fund***

- (i) Injudicious procurement of fogging machines without assessment of actual requirement resulted in idle investment of Rs.102 lakh for a period of about 2 years.

*(Paragraph 3.7(a))*

- (ii) Allotment of STI building to other Departments in contravention of the objective of the scheme led to idle outlay of Rs.7.24 lakh and diversion of central fund to the extent of Rs.41.40 lakh.

*(Paragraph 3.8)*

- (iii) Random procurement of stores without assessing the requirement and non-transfer of the same at the time of transfer of the works resulted in idle stock of materials valued Rs.39.60 lakh.

*(Paragraph 5.1(a))*

**(b) Revenue receipts**

***Loss of revenue***

- (i) Loss of revenue of Rs.6.11 lakh due to incorrect cancellation of licences without realising the prescribed annual fee.

*(Paragraph 6.6)*

- (ii) Loss of revenue of Rs.34.63 lakh due to non-transportation of logs to a safer place to prevent deterioration.

*(Paragraph 6.8)*

- (iii) Loss of revenue of Rs.28.03 lakh due to non-levy of monopoly fee.

*(Paragraph 6.9)*

- (iv) Loss of revenue of Rs.10.20 lakh due to incorrect determination of sale value of departmentally processed veneer.

*(Paragraph 6.11)*

**(c) Commercial and Trading activities**

There were five Government Companies (including two subsidiaries) and two Departmentally managed commercial and quasi-commercial undertakings in the State as on 31 March 2000. Out of 5 companies, 3 were working and 2 were non-working companies.

- According to latest finalised accounts of 3 Government companies, one company earned profit of Rs.7.49 crore while two companies incurred loss aggregating Rs.0.14 crore.

*(Paragraph 8.2.4)*

- The accumulated losses of transport services from 1975 to 1996-97 amounted to Rs.47.01 crore against capital of Rs.51.81 crore constituting an erosion of 90.74 **per cent** of investment and the State Trading Scheme had incurred accumulated loss from 1955-56 to 1996-97 amounting to Rs.16.33 crore against capital of Rs.3.88 crore.

*(Paragraph 8.3.2 and 8.3.3)*



- The Power (Electricity) Department has not prepared proforma accounts pending constitution of State Electricity Board. The transmission and distribution losses were excessive and ranged from 44.90 to 55.76 **per cent** for the period from 1997-98 to 1999-2000 as against the norms of 15.5 **per cent** fixed by the Central Electricity Authority (CEA).

*(Paragraph 8.3.4)*