

## OVERVIEW

This Report includes two chapters on Finance and Appropriation Accounts of the Government of Arunachal Pradesh for the year 2001-2002 and five other chapters, comprising 7 reviews and 43 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 2001-2002 increased from Rs.3144.68 crore in 2000-2001 to Rs.3459.91 crore (10.02 *per cent*), while the liabilities grew from Rs.994.33 crore to Rs.1253.81 crore (26.10 *per cent*). This was mainly due to very high growth in the market loans bearing interest (37 *per cent*), loans from other institutions (23 *per cent*) and suspense and miscellaneous balances (250 *per cent*).
- The revenue receipts (Rs.1085.30 crore) during the year exceeded the revenue expenditure (Rs.1029.55 crore) resulting in a revenue surplus of Rs.55.75 crore. Revenue receipts increased from Rs.961.41 crore in 2000-2001 to Rs.1085.30 crore in 2001-2002 which constituted an increase of 12.89 *per cent*.
- Of the total revenue receipts, Rs.983.50 crore constituting 91 *per cent* came from State's share of net proceeds of the divisible Union taxes and duties and Central grants.
- Revenue expenditure (Rs.1029.55 crore) during the year accounted for 77 *per cent* of the total revenue and capital expenditure of the State Government and increased by 5 *per cent* during 2001-2002. The share of non-Plan expenditure to revenue expenditure during 2001-2002 was 56 *per cent* against 44 *per cent* under Plan side.
- The payment of interest on borrowings of the Government increased by 81 *per cent* from Rs.60.26 crore in 1997-98 to Rs.108.99 in 2001-2002.
- Although the capital expenditure showed a rising trend, the share of capital expenditure to total expenditure has dropped from 31 *per cent* in 1997-98 to 23 *per cent* in 2001-2002.
- Return on investment made in companies/corporations was less than one *per cent* (0.0008 to 0.25).
- The fiscal deficit of the State increased to Rs.248.80 crore in 2001-2002 from Rs.122.46 crore in 1997-1998. This deficit during 2001-2002 was covered by public debt and partly by the surplus from the Public Account.

- The Public Debt and other liabilities of the State Government increased by 88 *per cent* from Rs.582.58 crore in 1997-1998 to Rs.1094.48 crore in 2001-2002. However, very little of the borrowings were available for investment after meeting the repayment obligations. Of Rs.291.43 crore received during 2001-2002, only Rs.39.84 crore (14 *per cent*) were available for investment after repayment of obligations.

(Paragraphs 1.1 to 1.10)

### **Indicators of the financial performance of the State Government**

- 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.
- The ratio of capital outlay to capital receipts has come down from 3.42 in 1997-1998 to 1.65 in 2001-2002 indicating lesser revenue receipts were being applied for capital formation.
- The ratio of assets to liabilities decreased from 4.12 in 1997-1998 to 2.76 in 2001-2002 indicating declining solvency of the State.

(Paragraph 1.11)

## **2. Appropriation audit and control over expenditure**

- During 2001-2002, expenditure of Rs.1388.13 crore was incurred against the total grant and appropriation of Rs.1654.59 crore resulting in a saving of Rs.266.46 crore ( 16 *per cent*). The overall saving was the result of savings of Rs.293.54 crore in 90 grants and appropriations offset by excess of Rs.27.08 crore in 13 cases of grants. The above excess of Rs.27.08 crore requires regularisation by the Legislature under Article 205 of the Constitution.
- Supplementary provision made during the year constituted 22 *per cent* of original provision as against 23 *per cent* in the previous year. In 24 cases, supplementary provision of Rs.49.63 crore proved unnecessary in view of the aggregate savings of Rs.121.73 crore. Further, against the requirement of Rs.2.63 crore, supplementary grants and appropriations of Rs.220.71 crore were obtained resulting in savings in each case exceeding Rs.10.00 lakh, aggregating Rs.218.08 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 15 to 86 *per cent* occurred in 12 cases of grants and appropriations during the three years period from 1999-2000 to 2001-2002.

- In 27 cases, expenditure totalling Rs.28.55 crore was met by re-appropriation without the authorisation of the Legislature and in 17 cases, the expenditure of Rs.27.20 crore was incurred without any original or supplementary provision and also by re-appropriation. This constituted a breach of Government financial norms.
- Savings of Rs.148.63 crore in 29 grants/appropriations were not surrendered even partially by the concerned departments. In 15 cases, against the available savings of Rs.143.75 crore (savings of Rs.1 crore and above in each case) the departments had not surrendered any amount at all. This indicated lack of financial control and monitoring.
- 70 drawing and disbursing officers (DDOs) had not accounted for Rs.3.32 crore drawn during 1998-2001 against 100 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) Swarnajayanti Gram Swarozgar Yojana**

The SGSY aims at alleviation of poverty at grass root level targeting the rural population living below the poverty line (BPL). The review highlights failure of the Rural Development Department to identify BPL families and key activities, under-utilisation and diversion of funds, locking up of funds and locking up of subsidy with the banks which adversely affected the implementation of the scheme. Some important findings are given below :

- Under-utilisation of funds to the extent of Rs.1.51 crore during 1999-2002 adversely affected generation of income through self employment programmes of the rural people.
- Unauthorised expenditure of Rs.1.54 crore reduced the availability of funds under the scheme affecting generation of self employment.
- Incorrect reporting of expenditure of Rs.1.52 crore and inflated reporting of excess receipt of Rs.0.83 crore to Government of India during 1999-2001 were noticed.
- Subsidy of Rs.1.19 crore was locked up with the participating banks.
- Despite incurring expenditure of 84 *per cent* of the available fund, the physical performance was only 40.27 *per cent*.

*(Paragraph 3.1)*

**(ii) Indira Awaas Yojana**

A review of the implementation of the scheme during the period from 1997-1998 to 2001-2002 revealed the following significant points :

- Due to failure of the Director (RD&PR) to utilise the fund, an amount of Rs.2.34 crore (new construction – Rs.2.04 crore, upgradation – Rs.0.30 crore) remained unutilised at the end of March 2002.
- Excess expenditure of Rs.13.93 crore was incurred on account of rendering higher assistance to beneficiaries possessing shelter.
- Utilisation of CGI sheets valued at Rs.9.83 crore was doubtful, due to inefficiency in monitoring the implementation of the scheme.
- Funds of Rs.5.11 crore under *Gramin Awaas* were diverted to other unknown activities.
- Extra expenditure of Rs.37.44 lakh was incurred due to procurement of CGI sheets at higher rate.

*(Paragraph 3.2)*

**(iii) Piggery Development Scheme**

A scheme for piggery development was launched in the State during 1974-1978 for upgrading of local stock through cross-breeding with exotic breeds. A review of the scheme revealed the following :

- 4 pig breeding farms were not established despite availability of Central funds of Rs.40.00 lakh for the purpose for a period of over 4 years.
- Shortfall in production of piglets varied from 7 to 29 *per cent* in Central Pig Breeding Farm (CPBF), Karsingsa and 1 to 39 *per cent* in respect of the REPBF, Loiliang during the period from 1997-1998 to 2001-2002.
- Loss incurred by the two farms were Rs.0.75 crore (CPBF, Karsingsa) and Rs.0.71 crore (REPBF, Loiliang) during Ninth Plan period.
- Entertainment of excess staff resulted in extra expenditure of Rs.17.89 lakh.
- Base farm established at Namsai did not function during 1993 resulting in unproductive expenditure of Rs.25.18 lakh. Further, inaction on the part of the farm resulted in loss of Rs.2.50 lakh.

*(Paragraph 3.3)*

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**(iv) Review of Public Works Department, including manpower management**

The basic objective of the Public Works Department (PWD) is to construct new roads, bridges (other than National Highways and border roads) and residential and non-residential Government buildings, as well as to maintain and repair the existing roads, bridges in the State. As of April 2002, the State had (a) surface roads 4990.92 kms (b) unmetalled roads 9498.71 kms covering a total length of 14,489.63 kms. A review of the working of the department revealed the following :

- Budgetary control in the department was weak leading to persistent savings, failure to surrender savings and rush of expenditure during last quarters of the years.
- The department failed to achieve the physical targets set for the road, bridge and building sectors, the shortfall varying from 37 to 62 *per cent* in respect of roads, 4 to 39 *per cent* in respect of bridges and 35 *per cent* in respect of buildings.
- Due to abnormal delay, the cost overrun on 17 completed and 45 ongoing works was Rs.21.13 crore.
- There was wasteful expenditure of Rs.2.17 crore due to abandonment of work after partial execution (Rs.1.84 crore) and taking up of scheme without ascertaining the economic viability and technical feasibility (Rs.0.33 crore). There was also unproductive expenditure of Rs.11.71 crore due to discontinuance of work after partial execution.
- The Banderdewa Store Division (PWD) holds idle stock of water supply materials worth Rs.2.87 crore for periods ranging from 10 to 18 years.
- Claims for Rs.9.43 crore were outstanding against 10 divisions and procurement of materials worth Rs.1.36 crore under DGS&D rate contract was kept out of Government accounts owing to work miscellaneous claim (WMC) memos issued by the Accountant General (A&E) lying unadjusted.
- Excess entertainment of work charged staff with consequential extra expenditure of Rs.68.06 crore was noticed.

*(Paragraph 4.1)*

**(v) Review of Irrigation and Flood Control Department including manpower management**

The Irrigation and Flood Control Department (IFCD) was created in 1995-1996 for providing irrigation facilities in cultivable land and preservation of existing water resources. Prior to creation of IFCD, the work relating to minor irrigation projects (MIP) was executed by Rural Works Department and of flood control by Public Works Department. The review highlights defective

budgeting, failure to bring more areas under irrigation, delay in completion of irrigation schemes, unfruitful and wasteful expenditure and excess entertainment of work charged staff.

- Budgeting of the department was defective.
- Out of the irrigation potential of 15417 ha created during 1997-1998 to 2001-2002 only 4165 ha (27 per cent) was utilised for irrigation purpose and balance of 11252 ha (73 per cent) remained unutilised as of March 2002.
- 932 irrigation schemes due to be completed during the period from March 1997 to March 2002 were not completed although an expenditure of Rs.30.00 crore was incurred as of April 2002.
- Taking up of survey and investigation of two irrigation schemes inspite of adverse feasibility report submitted by the Executive Engineer and lack of initiative in finalisation of DPR in respect of one project, resulted in unfruitful expenditure of Rs.2.03 crore.
- 7688 work orders valued Rs.26.68 crore were issued between 1997-98 and 2001-2002 by the 3 divisions without calling for tenders and work orders amounting to Rs.25.48 crore were issued in excess without regard to emergency/urgency norms.
- Excess entertainment of work charged staff resulted in extra expenditure of Rs.2.73 crore.

*(Paragraph 4.2)*

#### **(vi) Assessment, levy and collection of land revenue**

- There was blockage of revenue of Rs.867.14 crore due to non-assessment of lease rent.
- Land value amounting to Rs.7.54 crore for land already allotted to the departments of the Central and State Government remained unrealized.
- Delay in issue of allotment orders to Central and State Government departments resulted in loss of Rs.3.57 crore by way of land value remaining unrealised.

*(Paragraph 5.8)*

#### **(vii) Review on construction of 132 KV single circuit transmission line from Deomali to Namsai**

The main object of the project was to draw State's share of power from Kathalguri Gas based Power Project and through the network of Power Grid Corporation of India Limited, at 132 KV/33 KV sub-station at Deomali for eastern sector of the State. The work was taken up in March 1995 and suspended in August 1999 after incurring an expenditure of Rs.17.51 crore

with only 30 *per cent* progress due to failure of the Power Department to complete the project within the target date *i.e.* by April 1998. The progress of the work was too slow since inception and no work was carried out by the contractor since August 1999 due to paucity of fund. No remedial action was taken by the department till date to remove such bottlenecks and restart the work. The salient features of the review are as follows :

- Unproductive expenditure of Rs.17.51 crore due to the project remaining incomplete.
- There was an undue and erroneous concession of Rs.1.91 crore to the executing contractor by inflating contract value from Rs.43.68 crore to Rs.45.59 crore.
- Procurement of materials at higher rate amounted to extra expenditure of Rs.6.69 crore and penalty of Rs.2.85 crore was not imposed on the contractor for incomplete work.
- Materials procured at a value of Rs.9.69 crore were lying idle.

*(Paragraph 7.2)*

#### **4. Other points of interest**

##### *(A) Civil*

##### **(i) Diversion of PMGY fund by the Director, Social Welfare Women and Child Development Department, Naharlagun**

Funds of Rs.9.28 crore, provided specifically to eradicate malnutrition in children below 3 years, were diverted for clearing outstanding air lift charges and carriage charges of Public Distribution System items and procurement of Supplementary Nutrition Programme food items for all groups which were not covered under PMGY scheme.

*(Paragraph 3.4)*

##### **(ii) Avoidable extra expenditure on payment of land compensation for construction of 500 bed referral hospital at Naharlagun**

Avoidable extra expenditure of Rs.46.26 lakh was incurred due to failure on the part of the DC, Papumpare to allot land free from all encumbrances to the Health and Family Welfare Department.

*(Paragraph 3.7)*

**(iii) Unfruitful expenditure on Miao - Vijayanagar road**

Improper work and survey without obtaining Environment and Forest clearance certificate by the Jairampur Public Works Division led to unfruitful expenditure of Rs.2.75 crore for a period of over 12 years.

*(Paragraph 4.3)*

**(iv) Infructuous expenditure on development of land at Itanagar**

Expenditure of Rs.0.51 crore became infructuous due to failure on the part of the DC, Papumpare and the Director, Animal Husbandry and Veterinary Department, Nirjuli to ensure that the land allotted was free from all encumbrances.

*(Paragraph 4.4)*

**(B) Revenue**

**(i) Loss of revenue due to short levy of royalty**

Faulty clause in an agreement executed by the Government (April 1991) with the licensee for collection of 'Oleo resin' led to loss of revenue of Rs.9.98 lakh.

Royalty charges of Rs.2.88 lakh out of Rs.4.29 lakh were short realised due to irregular permission for removal of timber without payment of royalty in advance.

Failure of the department to initiate action against two lessees led to royalty/additional royalty of Rs.12.19 crore remaining unrealised.

*(Paragraphs 5.9, 5.10 and 5.14)*

**(ii) Misclassification of IMFL/evasion of excise duty/failure to levy licence fee and penalty**

Failure of the department to levy excise duty of Rs.0.95 crore against Rs.2.58 crore by classifying 1,58,981 cases of brandy as general brand instead of premium brand resulted in short realisation of excise duty of Rs.1.62 crore.

Unauthorised removal of liquor from the bonded warehouse led to evasion of excise duty of Rs.1.56 lakh.

Licence fee of Rs.10.11 lakh was not levied due to inaction of department to levy fee, besides, non-levy of penalty of Rs.4.01 lakh for default in payment.

*(Paragraphs 5.11, 5.12 and 5.13)*



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**(iii) Avoidable loss of revenue**

Undue financial benefit accrued to the lessee by way of execution of faulty agreement by the department resulting in loss of revenue of Rs.2.71 crore.

*(Paragraph 5.15)*

**(C) Commercial****(i) Loss of finished products**

Due to gross negligence of the managements of PCL/APIDFCL, there was loss of Rs.0.28 crore of finished goods.

*(Paragraph 7.3)*

**(ii) Shut down of a company due to mis-management**

Mis-management led to bankruptcy and closure of PCL with blockage of assets (Rs.1.58 crore) and increased liability ( Rs.1.48 crore).

*(Paragraph 7.4)*

**(iii) Loss due to unauthorised removal of coal**

Unauthorised grant of exploration of coal and lack of supervision helped in large scale illegal removal of coal by a private party resulting in a loss of Rs.0.20 crore.

*(Paragraph 7.5)*

**(iv) Idle outlay**

Issue of work orders for delivery of 41 micro hydel sets without specifying the project sites therein resulted in blockage of Rs.9.88 crore with loss of interest of Rs.7.11 crore.

*(Paragraph 7.6)*

**(v) Undue benefit to contractors due to delay in execution of projects**

Undue payments of unsecured mobilisation advances (Rs.2.00 crore) followed by further payments of a bill (Rs.24.30 lakh) to a turnkey contractor for completion of 2 hydel projects not only locked up a fund of Rs.2.24 crore but also resulted in loss of interest of Rs.2.13 crore.

*(Paragraph 7.7)*

**(vi) Undue financial aid and idle outlay**

Execution of faulty agreement and lack of monitoring resulted in undue financial benefits to a firm for Rs.2.49 crore in the shape of unadjusted mobilisation advance and transportation charges, and idle outlay of Rs.8.46 crore on materials remaining unutilised for about 5 years, besides loss of interest of Rs.6.18 crore on total investment/outstandings.

*(Paragraph 7.8)*

**(vii) Undue financial benefit**

Injudicious decision of the department to release the advance in bulk to the supplier resulted in undue financial benefit of Rs.3.93 crore.

*(Paragraph 7.9)*