

OVERVIEW

This Report contains four performance reviews (including one CCO based audit of a Government department) and 39 audit paragraphs. Copies of the audit paragraphs and performance reviews were sent to the concerned Secretaries to the State Government by the Accountant General (Audit) with a request to furnish replies within six weeks. In respect of 35 audit paragraphs in this Report, no response was received from the concerned Secretaries to the State Government.

A synopsis of the important findings contained in this Report is presented in this overview.

PERFORMANCE REVIEW

Public Distribution System

Government's food management strategy involves the implementation of a well targeted and properly functioning Public Distribution System (PDS) to ensure food security in the State by regular supply of foodgrain to the economically vulnerable sections of the society at affordable prices. A Performance Audit of the implementation of PDS in Arunachal Pradesh revealed that there were leakages and diversion of foodgrain both at FPS and whole seller level. The reliability of the BPL/AAY beneficiaries identified is questionable. The State failed to lift entire quantity of foodgrain allotted to it by GOI. There were instances of inequitable distribution of foodgrain to the beneficiaries and they were also issued foodgrains at a reduced scale contrary to the spirit of TPDS. Also, the beneficiaries had to pay higher rate for TPDS commodities. Inspections were inadequate and state level vigilance activities were virtually nonexistent and monitoring was casual. Thus, due to these shortcomings the PDS in the State did not achieve the desired objective fully.

(Paragraph 1.1)

Integrated Child Development Scheme

The Integrated Child Development Services (ICDS) programme is Government of India's primary response to nutritional and developmental needs of children below six years, pregnant women and nursing mothers. The scheme is in the forefront of Government of India's efforts to achieve nutrition related Millennium Development Goal (MDG) of halving underweight by 2015. The overall impact of implementation of the scheme was far from satisfactory due to partial implementation of the programme. The budgeting and financial management needed strengthening and stores management required more controls to avoid instances of avoidable expenditure. Programme implementation suffered as there were instances of poor quality and inadequate supply of SNP items.

(Paragraph 1.2)

AUDIT OF TRANSACTIONS

Fraud/Misappropriation/Embezzlement/Loss

Executive Engineer, Aalo Division, Rural Works Department paid ₹ 73.64 lakh during October and November 2009 to a contractor by recording false measurement of the work which was not actually executed.

(Paragraphs 2.1)

Out of 212.44 MT of CGI Sheets procured by District Rural Development Agency, Aalo during 2007-08 for distribution under Indira Awas Yojana, 44.19 MT of CGI Sheets worth ₹ 28.28 lakh appears to have been presumptively misappropriated.

(Paragraphs 2.2)

Presumptive fraud of ₹ 1.11 crore by admission of questionable land transportation subsidy claims for transportation of iodised salt for PDS beneficiaries in Dibang Valley by head load operations.

(Paragraphs 2.3)

Executive Engineer, Roing Division, PWD paid secured advance of ₹ 1.39 crore making fake entry in measurement book to extend undue financial benefit to a firm

(Paragraph 2.4)

During the year 2007-08, the Education Department spent ₹ 8.83 crore towards conversion cost of cooked meal under midday meal programme. At the rate of Rupees two per meal, the cooking cost for 3264.18 MT of rice lifted by the department should have been not more than ₹ 6.53 crore. Hence there was doubtful expenditure of ₹ 2.30 crore.

(Paragraph 2.5)

Public Health Engineering Department, Namsai Division short-recovered ₹ 12.21 lakh while making payment to a contractor for the material issued to him.

(Paragraph 2.6)

Excess Payment/Wasteful Expenditure

Despite availability of NCERT/CBSE text books at cheaper rates, Director of School Education procured text books for the year 2008-09 from private publishers at much higher rates and incurred an avoidable expenditure of ₹ 183.76 lakh.

(Paragraph 2.7)

Execution of an irrigation project without conducting proper survey and investigation to ascertain its technical feasibility, led to wasteful expenditure of ₹ 74.07 lakh

besides depriving the targeted beneficiaries of the intended benefits from the planned irrigation project.

(Paragraph 2.11)

Undue favour to Contractors

Inclusion of an item of work in the work order not provided in the approved estimates; and also non-compliance of statutory provision of VAT deduction by DRDA, Seppa resulted in extending undue benefit of ₹ 22.26 lakh to a private contractor.

(Paragraph 2.12)

Executive Engineer, Water Resources Division Itanagar revised, without justification, the carriage rates from 29 paisa to 80 paisa per kg per km for carriage of boulders by preparing a new analysis rate. This resulted in undue benefit to the carriage contractors to the tune of ₹ 25.08 lakh.

(Paragraph 2.13)

Due to non-adherence to negotiated approved rate and less utilisation of stone aggregate, the Department not only extended undue benefit of ₹ 16.49 lakh to the contractors but this also resulted in execution of substandard works.

(Paragraph 2.14)

**CHIEF CONTROLLING OFFICERS BASED AUDIT OF
GOVERNMENT DEPARTMENT**

Chief Controlling Officer based Audit of Public Health Engineering and Water Supply Department

The Public Health Engineering and Water Supply (PHE & WS) Department, Government of Arunachal Pradesh is responsible for supply of safe drinking water to the people in the State. The department is also responsible for implementation of Total Sanitation Campaign (TSC). Even though the number of fully covered habitation has increased from 978 habitations in 2005 to 2619 habitations in 2010, the Department has not been able to provide adequate and safe drinking water to the majority of the population in the State as the planning lacked purpose and direction. The project management was weak leading to delays in execution of works and projects remained incomplete for a long time. Quality control of drinking water was poor for want of adequate infrastructure.

(Paragraph 3.1)

REVENUE RECEIPTS

Audit of transactions

This chapter contains 20 paragraphs relating to non-levy/short levy of taxes, duties, royalty, interest and penalty involving ₹ 48.61 crore. Some of the major findings are mentioned below:

Excise department

Failure of the department to initiate action led to non realisation of renewal fee of ₹ 27.17 lakh including penalty

(Paragraph 4.2)

Geology and Mining department

Failure of the department to initiate action against two lessees for delayed payment of royalty led to non realisation of additional royalty of ₹ 45.61 crore

(Paragraph 4.7)

There was short realisation of royalty amounting to ₹ 18.16 lakh due to suppression of despatch of 15,132 MT of coal

(Paragraph 4.8)

Taxation department

Failure to collect entry tax from 185 vehicles before their registration resulted in non realization of entry tax of ₹ 1.17 crore.

(Paragraph 4.12)

Non registration of five dealers by the assessing officer led to evasion of tax amounting to ₹ 28.34 lakh for which maximum penalty of ₹ 23.16 lakh was also leviable

(Paragraph 4.13)

Two dealers purchased cement of ₹ 144.62 lakh and evaded tax of ₹ 18.08 lakh. Besides, penalty of ₹ 27.12 lakh was also leviable for misuse of C Forms

(Paragraph 4.14)

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Performance Review

Power is an essential requirement for all facets of life and has been recognised as a basic requirement. In Arunachal Pradesh, generation of power is predominantly managed by Department of Hydro Power Development (Department). As on March 2010, the department had 76 hydro generating stations with an installed capacity of 57.39 MW under its jurisdiction.

Capacity Addition

The Department was not able to maintain pace in terms of capacity addition with the growing demand for power in the State. During the review period, actual capacity addition was only 24.73 MW against 122.13 MW required by the State leaving a shortfall of 97.40 MW against the addition required.

Planning

The department followed the approach of taking up and executing small and micro projects only. The department does not have a proper planning process involving preparation of documented plans for augmentation of generating capacity. There was no proper coordination with the other related agencies. The lack of coordination with the transmission utility resulted in non-development of a connected grid transmission facility for completed projects. The State Government created multiple agencies viz APEDA, HPDCAPL etc. with the objective of accelerating power generation in the State, which have not been effective.

This resulted in increased reliance on Central Sector despite the enormous potential for generation of hydro power in the State incurring extra expenditure of ₹ 202.11 crore.

Optimum utilisation of existing facilities

Against 33 units due for being taken up for Renovation and Modernisation/ Life extension (R&M/LE) programmes, only 11 units were actually taken up; of which activities in three units have been completed and eight were under execution. The projects were taken up for renovation after long delays. Twenty two units were not taken up for R&M/LE for want of funds.

Project Management

Out of 101 projects under implementation during review period, there were inordinate delays in case of 66 projects. The execution of 39 projects led to a cost overrun of ₹ **436.62** crore. In five major projects inordinate delay in execution led to a loss of generation of 1179.94 MU.

The failure to assess the water discharge correctly in the case of the Domkhong project resulted in creation of excess capacity which would remain idle.

Contract Management

There were major lapses in dealing with disputes and conducting legal proceedings which caused huge delays and losses.

Operational Performance

The PLF achieved by the projects was much below the national average resulting in vast underutilisation of capacity to the extent of 403.68 MU.

The total number of hours lost due to planned outages increased from 1.54 per cent to 3.93 per cent of total available hours in the respective years. On the other hand, the forced outages in power stations increased from 61.48 percent to 67.67 per cent of total available hours in the respective years. There were long delays in restoring projects after forced outages.

Auxiliary Consumption

As against the norm of 0.50 percent of the power generated for auxiliary consumption, the actual auxiliary consumption of power stations increased from 2.27 per cent in 2005-06 to 2.74 per cent in 2009-10 resulting in excess consumption of 6.45 MU.

Repairs and maintenance

As reported by the department to the CEA (2008) no advance maintenance schedule was prepared.

The average annual generation after completion of R& M works in Kipti I project based on generation from August 2009 to March 2010 was 1.81 MU only as against the average annual generation obtained from the project prior to R&M works of 2.54 MU. Thus, expenditure on repairs remained unfruitful.

Financial Management

The efficiency in realisation of dues was poor and the revenue realisable as on March 2010 was ₹ 58.35 crore. One of the two central sector companies involved in development of power projects in the State did not pay interest bearing advance and development expenditure in lieu of upfront fee.

Monitoring by top management

The monitoring of generation by the department was inadequate and needs improvement. The corporatisation of power utilities and setting up of a State

Regulatory Commission as envisaged in the Electricity Act 2003 has not been implemented.

Conclusion and Recommendation

The company failed to meet the growth in peak demand due to delay in planning and implementation of capacity addition programmes. The existing generating units were ageing and there were abnormal delays in taking up/executing new projects and renovation and modernization of existing projects. The efficiency of operations and capacity utilization was poor. The review contains seven recommendations which include intensification of capacity addition programmes, improving plant load factor and capacity utilization