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Report of the
Comptroller and Auditor General of India
on
(Social, Economic, Revenue and Economic (SPSUs) Sectors)

For the year ended 31 March 2014

Government of Arunachal Pradesh
(Report No. 1 of 2015)

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

ON

(SOCIAL, ECONOMIC, REVENUE AND ECONOMIC (SPSUs) SECTORS)

FOR THE YEAR ENDED 31 MARCH 2014

GOVERNMENT OF ARUNACHAL PRADESH
(REPORT NO. 1 OF 2015)

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PREFACE

This Report for the year ended March 2014 has been prepared for submission to the Governor of Arunachal Pradesh under Article 151 of the Constitution of India.

The Report presents results of the audits of the Departments of the Government of Arunachal Pradesh under the Social, Economic including State Public Sector Undertakings and Revenue Sectors.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2013-14 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2013-14 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Audit General of India.

Executive Summary

EXECUTIVE SUMMARY

This Audit Report has been prepared in five Chapters. Chapters I to IV deal with Social, Economic (other than Public Sector Undertakings), Revenue, Economic (Public Sector Undertakings) Sectors and Chapter V deals with Follow up of Audit observations.

This Report contains three Performance audits and twenty-four compliance audit paragraphs. According to the existing arrangements, copies of the draft compliance audit and draft performance reviews were sent to the concerned Secretaries/Principal Secretaries to the State Government by the Accountant General (Audit) with a request to furnish replies within six weeks. The Secretaries/Principal Secretaries were also reminded for replies. Besides, a demi-official letter was also sent to the Chief Secretary to the State Government on the issues raised in the draft audit paragraphs, draft performance reviews *etc.*, for inclusion of the views/comments of the Government in the Audit Report. Despite such efforts, replies were not received in respect of twenty-one compliance audit paragraphs from the concerned Principal Secretaries/Secretaries to the State Government.

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

Chapter-I: Social Sector

Performance Audit

Public Health Engineering Department

Implementation of Total Sanitation Campaign (TSC)/Nirmal Bharat Abhiyan (NBA) in Arunachal Pradesh

The Performance Review on the implementation of ***Total Sanitation Campaign (TSC)***/ ***Nirmal Bharat Abhiyan (NBA)*** covering the period 2009-14 revealed there were shortfalls in achievement of targets in all eight sample Districts. As a result, the overall objective of *Nirmal Bharat* by 2022 (now October 2019 as per ***Swachh Bharat Abhiyan***) seemed remote. Some important audit findings are highlighted below:

- Based on the baseline surveys conducted by the Implementing agencies, Project Implementation Plan was revised in 2012-13, which was yet to be approved by the National Scheme Sanctioning Committee. Inconsistencies in the number of BPL/APL households were noticed, which needed rectification, a fact agreed by the department
- There were consistent shortfalls in achievement of target in each component of the scheme every year during the period covered under performance audit (*i.e.*, 2009-14).

- There was persistent underutilisation of funds. Instances of financial mismanagement such as diversion of funds, delay in transfer of funds to implementing agencies, non-existence of revolving fund, diversion of interest earned, loss interest, *etc.* were noticed.
- A number of IHHLs constructed prior to March 2012 have become defunct
- Failure to achieve target in time imposed extra financial burden of ₹ 293.13 lakh on the government.
- In three sample districts, sanitary material valued at ₹ 183.76 lakh was lying unused/idle for prolonged periods.
- 12 Community Sanitary Complexes were constructed at a cost of ₹ 20.46 lakh in public places like Community halls, Markets, near Police Station, etc. contrary to the spirit of the Scheme Guidelines which envisaged that toilets were to be made for residential purposes. Besides two more CSCs were constructed at a cost of ₹ 0.61 lakh in two educational institutions.
- In Changlang district, 384 schools toilets constructed at total cost of ₹ 76.80 lakh had only two rooms (one each for girls and boys) against the approved design of four rooms (two each for boys and girls). Such instances were also noticed in West Siang district.
- None of the *Anganwadi* toilets constructed during period were infant friendly.
- Solid and Liquid Waste Management in the State was still at a nascent stage and no concrete work had been done in this sphere.
- No IEC campaign was undertaken at the State level. IEC activities were confined to the district level with no funds being allotted to blocks and PRIs.
- No regular inspections by State and District level officers were made to monitor the progress of implementation at grass root level.

(Paragraph 1.3)

Education Department

Implementation of Mid-Day Meal Scheme

The 'National Programme of Nutritional Support to Primary Education', a Centrally Sponsored Scheme, commonly known as 'Mid-Day Meal' (MDM) Scheme, was launched with the primary objective of boosting the universalisation of primary education by increasing enrolment, retention & attendance and simultaneously improving nutritional status of primary school children. Performance Audit of the scheme revealed that the Department covered all Government Primary/Upper Primary Schools (3116), Government-aided Primary/Upper Primary Schools (68) and EGS/AIE Centres (155) in the State under the scheme. However, there were deficiencies like inadequate financial management, short-lifting of food grains, delay in release of funds to schools for meeting cooking costs, inadequate infrastructural facilities in schools and lack of monitoring by the Department. Some major audit findings are highlighted below:

- No household surveys were conducted to identify the total number of children not enrolled at the Primary stage. No attempt was also made to encourage high level of enrolment through publicity, etc.
- In 2010-11, against GoI total allocation of 6,687.66 MT of food grains for Primary/Upper Primary level, the Department lifted only 5,928.37 MT and during 2013-14, against the allocation of 6,625.01 MT of food grains for Primary/Upper Primary levels, only 6,598.95 MT were lifted, leading to short-lifting of 785.35 MT of food grains.
- There was a shortfall in provision of 47,360 meals due to short receipt of food grains in 137 schools.
- In six schools of West Kameng and Lohit District, 46.61 quintals (23 *per cent*) of the allotted rice was issued as dry rations instead of cooked meals, violating directives of the Hon'ble Supreme Court of India.
- In 150 test-checked schools, *pucca* kitchen sheds were not available in 130 (87 *per cent*) schools; drinking water facilities in 35 (23 *per cent*) schools; gas-based *chullahs* in 148 (99 *per cent*) schools; and cooking utensils in 9 (6 *per cent)* schools.
- During the period 2009-14, there were persistent savings ranging from 1 per cent to 32 *per cent*.
- From 2009 to 2014, there were delays ranging up to 21 months in release of Central assistance by the State Government to the Nodal Department.
- The State Government did not contribute its share, aggregating to ₹ 12.93 crore (63.69 *per cent*), towards Conversion Costs, Honorarium to cooks-cum-helpers and MME costs.
- There were deficiencies in meetings of the State, District and Block Level Monitoring Cells to monitor implementation of the scheme.
- Findings of evaluation studies conducted by an Independent Agency to assess the impact of the scheme were not discussed by the State SMC to address the deficiencies pointed out in the Evaluation Reports.

(Paragraph 1.4)

Compliance Audit Paragraphs

Rural Works Department

Under the IAY Scheme, the claimed distribution of 203.79 MT of CGI Sheets worth ₹ 142.86 lakh by the BDO, Dumporijo to 419 beneficiaries was doubtful as supposed beneficiaries names were not found in the BPL List/IAY Wait List. Besides, unauthorized Carriage Charges of ₹ 29.78 lakh for CGI Sheets was incurred by the PD, DRDA, Daporijo

(Paragraph 1.5)

Chapter-II: Economic Sector

Compliance Audit Paragraphs

Public Works Department

Executive Engineer, Public Works Department, Mechukha Division admitted the doubtful claim for carriage of 33.26 MT steel fabricated plates which led to payment of inadmissible head load charges of ₹ 22.36 lakh. Further, an excess expenditure of ₹ 48.61 lakh was incurred on head load charges due to allowing higher rate while making payment. As a result, abutment work of the bridge was not executed raising doubt about the construction of the bridge itself.

(Paragraph 2.3)

Executive Engineer, Public Works Department, Kanubari failed to exercise due diligence while awarding the work by overlooking the huge difference in the rates quoted by two contractor for the similar items work being executed at same time in close vicinity. As a consequence, higher rates were allowed to the contractors and resulted in undue benefit of ₹ 40.68 lakh to the contractors.

(Paragraph 2.4)

Executive Engineer, PWD, Bomdila Division under NLCPR got items of works executed without competitive bidding on tender basis, at inflated estimated rates. As a result undue benefit of ₹ 178.94 lakh was extended to contractors

(Paragraph 2.5)

Due to execution of formation cutting work departmentally, Executive Engineer, PWD Aalo Division incurred avoidable expenditure of ₹ 98.60 lakh. Besides, the contractor was paid an extra ₹ 16 lakh due to overlapping of Chainage in formation cutting.

(Paragraph 2.6)

Due to execution of earthwork by manual means on maintenance of roads approachable by mechanical means, the Executive Engineer, PWD Aalo Division incurred an excess expenditure of ₹ 61.79 lakh.

(Paragraph 2.7)

Water Resources Department

Due to non-execution of head work including provision for heavy duty sluice gates to regulate the supply of water, the entire expenditure of ₹ 100 lakh incurred on the execution of 'Renovation and restoration of Lodder Minor Irrigation Project' remained largely unfruitful as it would not be possible to provide assured irrigation water that would be the needed for adopting multi-cropping pattern by the farmers.

(Paragraph 2.8)

Due to less utilisation of sausage wire in the main components of the anti-erosion work (i.e., Apron and Pitching), the stabilization of river bank could not be achieved to the best possible extent. As a consequence, the anti- erosion work executed at cost of ₹ 749.56 lakh may not last long and the risk of flooding of the low lying area persist causing loss of life and damage to properties.

(Paragraph 2.9)

Horticulture Department

Director of Horticulture and Project Director, HMNEH, prior to finalization of beneficiaries, made payment of ₹ 300.50 lakh to five firms, diverting ₹ 128.05 lakh from other development activities. Besides, entire amount including beneficiaries contribution was released to three firms resulting in extra payment of ₹ 150.74 lakh. In nine districts for which information is available, only about 34 *per cent* and 57 *per cent* of tractors and power tillers respectively allotted to them have been lifted by the farmers. The wisdom of the Horticulture department at the first instance in submitting the proposal to GoI for obtaining the financial assistance under Horticulture Mechanization activity, without considering the ground reality was questionable

(Paragraph 2.10)

Chapter-III: Revenue Sector

Trend of revenue receipts

During the year 2013-14, the Revenue raised by the State Government (₹ 839.57 crore) was 14.42 *per cent* of the Total Revenue Receipts (₹ 5820.43 crore). The balance 85.58 *per cent* (₹ 4980.86 crore) of Receipts was from the Government of India.

(Paragraph 3.1.1)

The Tax Revenue raised by the State Government during 2013-14 (₹ 434.51 crore) increased by 37.29 *per cent* as compared to the previous year (₹ 316.50 crore). The Non-Tax Revenue during 2013-14 (₹ 405.06 crore) also increased by 42.52 per cent as compared to the previous year (₹ 284.22 crore).

(Paragraph 3.1.3.12 & 3.1.1.3)

Response of the Department/Government towards Audit

Inspection reports issued up to December 2013 disclosed that 629 paragraphs involving ₹ 357.29 crore relating to 229 IRs remained outstanding at the end of June 2014.

(Paragraph 3.1.6.1)

Performance Audit

Geology and Mining Department

Mines and Minerals

Some major audit findings of Performance Audit on Mines and Minerals are highlighted below:

- The budget of the Geology and Mining Department was not prepared realistically. There was huge variation between the budget estimates and actual revenue collection during the five year period 2009-14
- The Director, Geology and Mining Department finalised royalty on the basis of monthly returns submitted by the lease holders and there was no system of maintenance of cross-linking of important data/information.
- Permit Book were not printed as per the prescribed Form 'K' as detailed in the Arunachal Pradesh Minor Minerals Concession Rules, 2002 and did not contain details of issue/expiry date of permits, purpose and other relevant columns.
- During 2009-14, 5160 mining permits were issued without realization of Application Fees of ₹ 25.80 lakh.
- Difference in royalty arising out of revision in rates, in excess of ₹ 528 per tonne, payable by the Central Government worked out to ₹ 52.22 crore.
- The Directorate, Geology and Mining did not maintain any Demand and Collection Register, which was necessary for effective monitoring and control over assessment and collection of royalty and other Government dues.
- Due to non-compliance of Rule 97 of Oil and Mines Regulation, 1984 by Oil India Limited the chances of major accident and environmental damage could not be ruled out in Ningru oil field.

(Paragraph 3.2)

Compliance Audit Paragraphs

Taxation Department

The DTO failed to collect Entry Tax of ₹ 34.80 lakh on vehicles imported from outside the State resulting in non-realization of revenue to that extent.

(Paragraph 3.3)

Two un-registered dealers sold Veneer/ Sawn Timber valued at ₹ 3.87 crore and claimed exemption from payment of tax by furnishing declarations in Form 'C'. However, ST failed to assess tax of ₹ 48.37 lakh as Form 'C' were not acceptable as both dealer being unregistered.

(Paragraph 3.4)

Seven unregistered contractors executed works contracts valued at ₹ 5.97 crore, on which the EE deducted VAT of ₹ 6.85 lakh only instead of ₹ 55.93 lakh, leading to loss of revenue of ₹ 49.08 lakh.

(Paragraph 3.5)

Non-deduction of tax at source and carrying on business without registration by a dealer led to loss of revenue of ₹ 3.23 crore.

(Paragraph 3.6)

Non-assessment of dealer by the Superintendent of Taxes, Ziro, within the specified period led to loss of revenue of ₹ 1.29 crore.

(Paragraph 3.7)

Contractor concealed import of taxable goods valued at ₹ 80.70 lakh and thereby evaded Government revenue of ₹ 26.57 lakh (*including Interest and Penalty*).

(Paragraph 3.8)

Concealment of turnover and failure of the ST to cross-verify the return furnished by a dealer, resulted evasion of tax of ₹ 6.87 lakh.

(Paragraph 3.9)

State Excise Department

Failure of the Department to initiate action led to non-realization of Renewal Fee of ₹ 46.50 lakh and Fine of ₹ 5.18 lakh.

(Paragraph 3.11)

Establishment Charges of ₹ 5.52 lakh in respect of an Excise official posted simultaneously in two different Bonded Warehouses were not realized

(Paragraph 3.12)

Chapter-IV: Economic Sector (SPSUs)

Overview of State Public Sector Undertakings

In Arunachal Pradesh, there were seven SPSUs (all Government Companies including two non-working Companies). Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. The accounts of State Government Companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General (CAG) of India. These accounts are also subject to Supplementary Audit conducted by the CAG.

Investment in SPSUs

As on 31 March 2014, the investment (capital and long-term loans) in SPSUs was ₹ 30.19 crore. The investment has increased by 24.24 *per cent* from ₹ 24.30 crore in 2008-09 to ₹ 30.19 crore in 2013-14. Thrust of the SPSU investment was mainly in the Finance and Power Sectors, which had 34.32 and 41.24 *per cent* of the total investment respectively.

Performance of SPSUs

Working SPSUs had shown overall negative working results during four years from 2009-10 to 2012-13. However, SPSUs earned an overall profits of ₹ 7.60 crore during 2013-14. During 2013-14, out of five working SPSUs, three SPSUs earned aggregate profits of ₹ 9.29 crore and two SPSUs incurred losses of ₹ 1.69 crore.

A review of latest Audit Reports of CAG shows that the SPSUs incurred losses to the tune of ₹ 1.59 crore and made infructuous investment of ₹ 52.74 crore which were controllable with better management.

(Paragraph 4.1)

Compliance Audit Paragraph

Investment of ₹ 43.88 crore by the Department of Hydro Power Development on two mini hydro projects proved infructuous, due to inadequate and improper feasibility study of project sites at planning stage.

(Paragraph 4.3)

Failure of the Department of Power to comply with the provisions of the Electricity Supply Code had deprived the consumers of the benefits of interest amounting to ₹ 0.52 crore on security deposits.

(Paragraph 4.4)

CHAPTER - I
SOCIAL SECTOR

CHAPTER I: SOCIAL SECTOR

1.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2014 deals with Audit findings on State Government units under the Social Sector.

During 2013-14, total budget allocation of the State Government in major Departments under Social Sector was ₹ 2,945.83 crore, against which the actual expenditure was ₹ 2,532.69 crore. Details of Department-wise budget allocation and expenditure are given in Table 1.1.1 below:

Table-1.1.1

(₹ in crore)

Sl. No.	Department	Total Budget Allocation	Expenditure
1.	Education	823.38	794.20
2.	Sports & Youth Affairs	46.79	34.21
3.	Library	10.14	10.35
4.	Social Welfare	152.13	141.29
5.	Relief & Rehabilitation	164.81	165.49
6.	Food & Civil Supplies	135.75	129.33
7.	Labour	5.59	5.73
8.	Social & Cultural Affairs	38.52	31.07
9.	Health & Family Welfare	390.97	340.17
10.	Public Health Engineering	296.48	296.38
11.	Urban Development	428.74	278.28
12.	Housing	42.22	38.37
13.	Rural Works	248.13	196.06
14.	Panchayat Raj	162.18	71.76
Total		**2945.83**	**2532.69**

Source: Appropriation Accounts 2013-14

Besides this the Central Government transferred a sizeable amount of funds directly to Implementing Agencies under the Social Sector to different Departments of the State Government. Major transfers for implementation of flagship programmes of the Central Government are detailed in Table-1.1.2:

Table-1.1.2

(₹in crore)

Scheme/Programme	Implementing Agency	Amount of fund transferred during the year
Adult Education & Skill Development Scheme	Arunachal Pradesh State literacy Mission Authority	14.18
MPs Local Area Development Scheme MPLADS	Deputy Commissioners- Lower Dibang valley, Lohit & West Siang Districts	15.00
Sarva Shiksha Abhyan	SSA, Rajya Mission	192.62
Forward Linkages to NRHM (new initiatives in NE)	A. P. State Health Society	16.89
National Aids Control Programme, incl. STD Control	A.P. State Aids Control Society	9.80
National Rural Health Mission (Centrally Sponsored)	A. P. State Health Society	64.95
Rajiv Gandhi Panchayat Sashaktikaran Abhiyan (RGPSA)	State Institute of Rural Development (SIRD)	10.07
SwarnaJayantiSahariRojgarYojana (SJSRY)	State Urban Development Agency	2.42
Rural Housing – IAY	DRDAs	57.07
National Rural Drinking Water Programme	SWSM, A.P., Agency	237.31

Source: Central Plan Scheme Monitoring System (CPSMS)

1.2 Planning and Conduct of Audit

Audit process starts with the assessment of risks faced by various Departments of the Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of Departments. Audits were conducted involving expenditure of the State Government amounting to ₹ 588.04 crore under the Social Sector. The report contains two Performance Audit of Total Sanitation Campaign (TSC) and Mid-Day Meal (MDM) and one Compliance Audit Paragraph.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the Heads of Departments. The Departments are requested to furnish replies to the audit findings within one month of receipt of Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations arising out of Inspection Reports are processed for inclusion in the Audit Report, which is submitted to the Governor of the State under Article 151 of the Constitution of India.

Major observations noticed in Audit pertaining to the Social Sector during 2013-14 are discussed in subsequent paragraphs of this Chapter.

PERFORMANCE AUDIT

Public Health Engineering & Water Supply

1.3 Implementation of Total Sanitation Campaign (TSC)/Nirmal Bharat Abhiyan (NBA) in Arunachal Pradesh

The Government of India started the Central Rural Sanitation Programme (CRSP) in 1986 with the objective of improving the quality of life of rural people through proper sanitation facilities and to provide privacy and dignity to women. The Government modified the CRSP in 1999 by changing the 'high subsidy supply driven approach' to 'incentive based demand driven approach' and renamed the programme as ***Total Sanitation Campaign (TSC)***. TSC was renamed as ***Nirmal Bharat Abhiyan (NBA)*** with effect from 01 April 2012. In Arunachal Pradesh, each District was taken as one project where the EE, (PHE & WS) was designated as Member Secretary, District Water & Sanitation Mission, under whom the implementation of various components of the scheme was undertaken. The Performance Review covered three years of TSC (2009 to 2012) and two years of NBA (2012 to 2014). The Performance Review on the implementation of TSC/NBA revealed that a good number of IHHLs constructed became defunct by 2012-13 and components like construction of Rural Sanitary Marts (RSMs), Production Centres (PCs), Solid & Liquid Waste Management (SLWM) were not taken up so far except in Lohit District, where the constructed RSM was not satisfactory and construction of SLWMs was in the initial stages.

Highlights

Some important audit findings are highlighted below:

- **Based on the baseline surveys conducted by the Implementing agencies, Project Implementation Plan was revised in 2012-13, which was yet to be approved by the National Scheme Sanctioning Committee. Inconsistencies in the number of BPL/APL households were noticed, which needed rectification, a fact agreed by the department**

  (Para 1.3.9.1)

- **There were consistent shortfalls in achievement of target in each component of the scheme every year during the period covered under performance audit (*i.e.*, 2009-14).**

  (Para 1.3.11.1)

- **There was persistent underutilisation of funds. Instances of financial mismanagement such as diversion of funds, delay in transfer of funds to**

implementing agencies, non-existence of revolving fund, diversion of interest earned, loss interest, *etc.* were noticed.

(Para 1.3.10.1 to 1.3.10.13)

- **A number of IHHLs constructed prior to March 2012 have become defunct**

(Para 1.3.11.3.3)

- **Failure to achieve target in time imposed extra financial burden of ₹ 293.13 lakh on the government.**

(Para 1.3.11.3.4)

- **In three sample districts, sanitary material valued at ₹ 183.76 lakh was lying unused/idle for prolonged periods.**

(Para 1.3.11.3.6

- **12 Community Sanitary Complexes were constructed at a cost of ₹ 20.46 lakh in public places like Community halls, Markets, near Police Station, etc. contrary to the spirit of the Scheme Guidelines which envisaged that toilets were to be made for residential purposes. Besides two more CSCs were constructed at a cost of ₹ 0.61 lakh in two educational institutions.**

(Para 1.3.11.4.1)

- **In Changlang district, 384 schools toilets constructed at total cost of ₹ 76.80 lakh had only two rooms (one each for girls and boys) against the approved design of four rooms (two each for boys and girls). Such instances were also noticed in West Siang district.**

(Para 1.3.11.5.1)

- **None of the *Anganwadi* toilets constructed during period were infant friendly.**

(Para 1.3.11.6)

- **Solid and Liquid Waste Management in the State was still at a nascent stage and no concrete work had been done in this sphere.**

(Para 1.3.11.9)

- **No IEC campaign was undertaken at the State level. IEC activities were confined to the district level with no funds being allotted to blocks and PRIs.**

(Para 1.3.12.1 and 1.3.12.7)

- **No regular inspections by State and District level officers were made to monitor the progress of implementation at grass root level.**

(Para 1.3.15.2)

1.3.1 Introduction

Nirmal Bharat Abhiyan (NBA) earlier known as Central Rural Sanitation Programme (CRSP) or Total Sanitation Campaign (TSC) is a community-led total sanitation programme which aimed at improving the quality of life of rural people through proper sanitation facilities and to provide privacy and dignity to women. It focused on changing cultural norms to prevent open defecation. The objective of the scheme *inter alia* was to motivate communities and Panchayati Raj Institutions to promote sustainable sanitation facilities through awareness and education and to accelerate sanitation coverage in rural areas to achieve the vision of Nirmal Bharat by 2022 with all Gram Panchayats in the country attaining *Nirmal* status. Villages that achieve this status receive monetary rewards and high publicity under a program called Nirmal Gram.

1.3.2 Objectives of the Programme

The objectives of the Projects/Schemes are to -

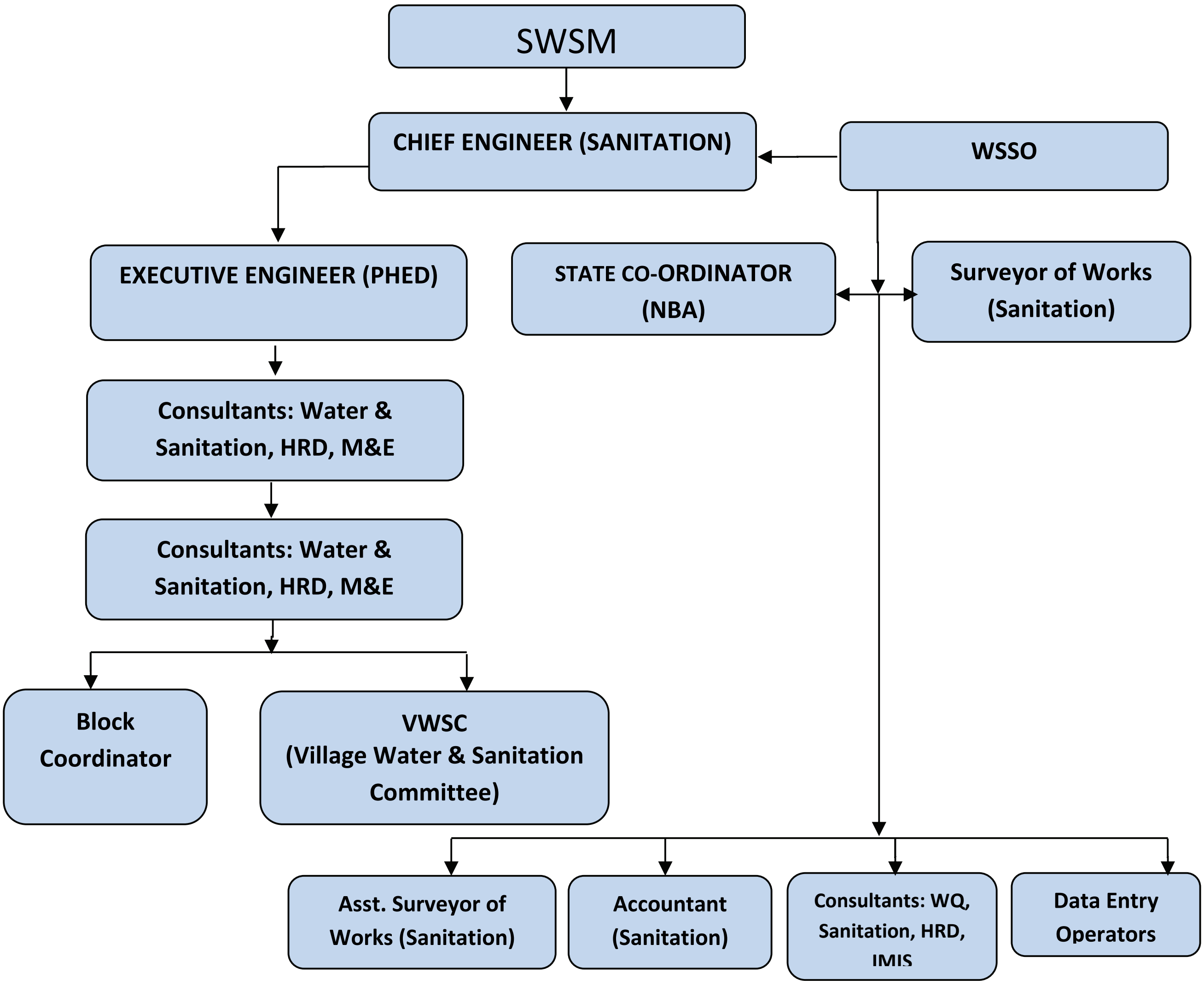
- Bring about an improvement in the general quality of life in rural areas.
- Accelerate sanitation coverage in rural areas to achieve the vision of Nirmal Bharat by 2022 with all Gram Panchayats in the country attaining *Nirmal* status.*(Under TSC Guidelines 2007 and 2010, access to toilets to all in rural areas was to be achieved by 2012 and in the Guidelines of 2011, the same was to be achieved by 2017)*.
- Motivate communities and Panchayati Raj Institutions to promote sustainable sanitation facilities through awareness and education.
- To cover remaining schools not covered under Sarva Shiksha Abhiyan (SSA) and Anganwadi Centres in rural areas with proper sanitation facilities and undertake proactive promotion of hygiene and sanitary habits among students. *(In the 2007 Guidelines, schools were to be covered by 2008 and Anganwadis by 2009; in the 2010 Guidelines, both were to be covered by 2012; and in the 2011 Guidelines, by 2013).*
- Encourage cost effective and appropriate technologies for ecologically safe and sustainable sanitation.
- Develop community managed environmental sanitation systems focusing on solid and liquid waste management for overall cleanliness in rural areas.

1.3.3 Organizational Set-up

The State Water & Sanitation Mission (SWSM) is responsible for planning and implementation of the Scheme at the State Level. The Chief Engineer, PHE & WS (Sanitation) is the Member Secretary, SWSM, whose Department functions as the State

Nodal Department, assisted by the Water & Sanitation Supporting Organization (WSSO). Executive Engineers (PHE & WS) in each District function as Member Secretaries, District Water & Sanitation Mission (DWSM), under whom the scheme is implemented in the District. The Organizational Chart of TSC/NBA, is shown below:

Chart-1.3.1



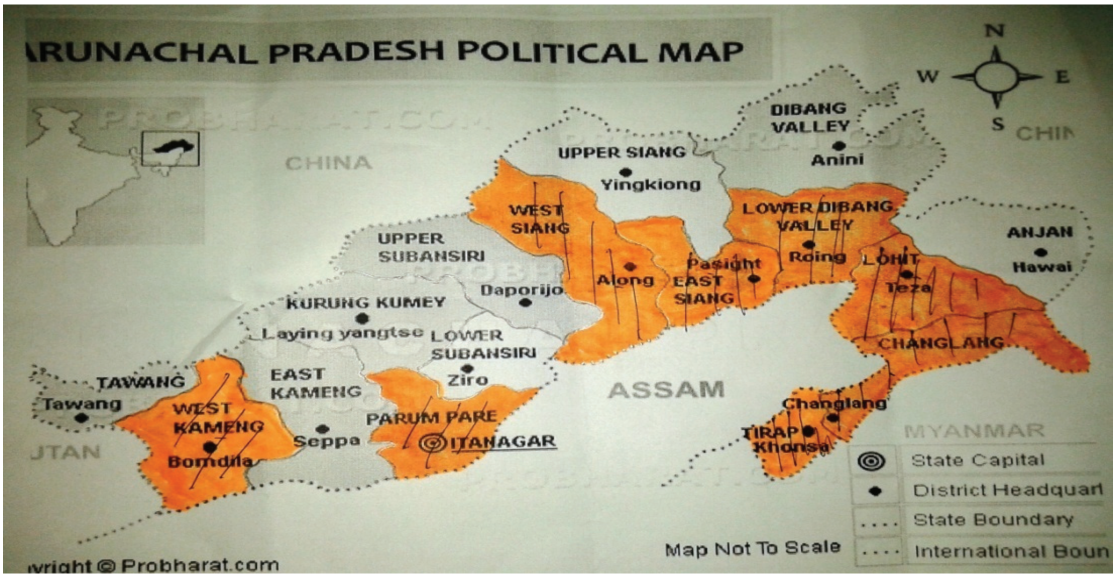
1.3.4 Scope of Audit

The Performance Review on implementation of TSC/NBA covering the period from 2009-10 to 2013-14 was conducted from May to the 1st week of September 2014 through-

- Scrutiny of records of the CE (Sanitation), Itanagar, (Nodal Agency),
- Scrutiny of records of Member Secretaries, DWSMs,

- Physical Verification, and
- Beneficiary Surveys in the 7 selected Districts.

Out of 17 District, (one District was recently created), eight districts were selected through Probability proportional to size without replacement (PPSWR) Sampling Method. The Districts selected for the State Report were West Kameng, Changlang, East Siang, West Siang, Lower Dibang Valley, Lohit, Tirap and Papum Pare.



Further, in each selected District 20 *per cent* rural Blocks (16 blocks of eight sample district) were selected and from each selected Block 25 *per cent* of GPs (subject to a maximum of 10) (in all 67 GPs of 16 selected blocks) were selected through the simple random sampling without replacement (SRSWOR) Sampling Method.

As most beneficiaries were away in the fields due to their agricultural pre-occupations, only beneficiaries (limited to 10) found in the villages were selected within selected GPs for physical verification and beneficiary survey. Besides, sanitation facilities/structures in schools and *Anganwadi* Centres in the selected GPs were also physically verified.

1.3.5 Audit Objectives

The audit objectives were to assess whether:

i. Planning of implementation of the Scheme at different levels was adequate and effective and aimed towards achievement of objectives of the Scheme;

ii. Funds were released, accounted for and utilized by the Central and State Governments in compliance with the Guidelines issued under the Scheme;

iii. Construction/up-gradation of infrastructure under various components of the Scheme was in compliance with the financial and quality parameters set out in the scheme Guidelines;

iv. Information, education and communication strategies under the Scheme were effective in generation of demand for TSC/NBA services through community mobilization;

v. Convergence of NBA activities with other programmes/stakeholders, as envisaged, was effectively achieved; and

vi. The mechanism in place for monitoring and evaluation of the outcomes of the programme was adequate and effective.

1.3.6 Audit Criteria

Audit findings were benchmarked against criteria contained in following sources:

- TSC Guidelines 2007, 2010 and 2011 and NBA Guidelines 2012; Notifications and Circulars issued by the Ministry of Drinking Water & Sanitation;
- IEC Guidelines, 2010, issued by the Ministry;
- State Government Orders relating to implementation of the TSC/NBA;
- Guidelines for engagement of *Swachchhata Doots/Prerak*;
- Guidelines for engagement of skilled and unskilled workers from MGNREGS;
- Guidelines for the *Nirmal Gram Puraskar;*
- Provisions of Financial Hand Books; and
- Physical and financial progress reported under the Management Information System available in the website of the Scheme.

1.3.7 Audit Methodology

The Performance Audit commenced with an Entry Conference on 20th May 2014 with Departmental Officers, where the Audit Objectives, Scope, Criteria, processes adopted for selection of sample units for detailed checking, etc;, were explained. Audit findings were discussed with the Commissioner, Public Health Engineering Department and the Chief Engineer (Sanitation) in the Exit Conference held on 27th November 2014. Replies and views of the Department were considered for incorporation in the Review, wherever relevant and appropriate.

1.3.8 Acknowledgement

We place on record our sincere appreciation for co-operation of the Chief Engineer (Sanitation) -cum-Member Secretary, SWSM, Itanagar, and Executive Engineers

(PHE & WS) –cum-Member Secretaries, DWSMs, of the sample Districts for facilitating our audit. However, the CE (Sanitation), in spite of audit requisition dated 21.05.2014 and reminder dated 18.06.2014, could not provide replies to the Audit Questionnaire and Data Table till date.

Audit Findings

The Performance Audit on implementation of Total Sanitation Campaign (TSC)/ Nirmal Bharat Abhiyan (NBA) in the State revealed that deficiencies in the planning process, failure in achieving annual physical targets, non-execution of some components of the Scheme, etc;. Major audit findings are discussed in the succeeding paragraphs.

1.3.9 Planning

Audit Objective: ***To assess whether planning of implementation of the Scheme at different levels was adequate and effective and aimed towards achievement of objectives of the Scheme.***

Implementation of TSC/NBA is proposed by Gram Panchayat at grassroots level and District is treated as the project. A Project Implementation Plan (PIP) that emanates from a District is scrutinized and consolidated by the State Government and transmitted to the Government of India (Ministry of Drinking Water and Sanitation) as a State Plan.

1.3.9.1 Project Implementation Plan

A preliminary survey to assess the status of sanitation and hygiene practices, attitude of the people and demand for improved sanitation, etc, was to be conducted with the aim to prepare District TSC/NBA project proposals for seeking Government of India assistance. The Project Implementation Plan (PIP) should be prepared on the basis of a Baseline Survey (BLS). The cost of the preliminary survey, baseline survey and preparation of PIP would be met from funds under Start-up Activities, which should not exceed five *percent* of the total project cost.

PIP is a long term plan where in implementation planned for about five year period is documented. In the sample Districts, PIPs was revised in 2012-13 based on the baseline surveys conducted by the implementing agencies. The revised PIPs were not yet approved by the NSSC. Targets as per earlier PIPs (approved between 2002-03 and 2005-06) and proposals made in the revised PIPs, which is yet to be approved are shown in **Appendix-1.3.1**.

Scrutiny of records revealed the following facts.

1.3.9.1.1 Inconsistency in the approved PIPs/proposal in revised PIP

Number of BPL and APL households as per baseline survey 2012-13 in the sample districts and the targeted number of BPL/APL households in the approved PIP and the addition proposed in the revised PIPs are shown in the following Table:

Table-1.3.1

Sl. No.	District	Category of Household	Number of BPL/APL Households			
			As per Baseline Survey 2012-13	Targeted in the approved PIP	Difference	Proposed in the revised PIP
1.	West Kameng	BPL	5,619	5,664	-45	4,243
		APL	5,670	252	5,418	3,666
2.	Changlang	BPL	7,948	15,716	-7768	653
		APL	9,356	2,799	6557	349
3.	East Siang	BPL	7,407	8,222	-1,841	7,407
		APL	2,972	4,723	-2,170	2,972
4.	West Siang	BPL	9,857	11,472	-1,615	5,462
		APL	4,126	1,395	2,731	2,929
5.	Lohit	BPL	13,052	8,800	4,252	8,426
		APL	8,294	-	8,294	1,131
6.	Lower Dibang Valley	BPL	2,787	2,366	421	4,252
		APL	1,674	1,200	474	8,294
7.	Tirap	BPL	12,377	5,780	4,970	7,569
		APL	2,250	470	1,895	2,250
8.	Papum Pare	BPL	11,536	1,268	10,268	11,536
		APL	2,709	3,778	-1,069	2,709
Total of eight sample districts		**BPL**	**70,583**	**59,288**	**8,642**	**49,548**
		APL	**37,051**	**14,617**	**22,130**	**24,300**

Source: Departmental records

As could be seen from the above table:

- As per Baseline Survey 2012-13 total number of BPL households in eight sample districts were 70,583 where as 59,288 BPL households were targeted for coverage in the approved PIP and thus, 8,642 BPL house households were not covered. However, in the revised PIP total number of BPL households proposed for coverage was 49,548. Some of the addition was due to IHHL constructed earlier becoming defunct.
- the number BPL households targeted for coverage was more than number of BPL households as per baseline survey 2012-13 in three districts of Changlang (7,768), East Siang (1,841) and West Siang (1,615). Number of household targeted in PIP being more than number of households as per baseline survey is intriguing. This is

indicative of the fact that the target fixed in PIP was not based on the fact. It appears to have been inflated to get more funds from Central Government. Inclusion of ineligible households in the PIP may lead to probable fictitious expenditure.

- Number of BPL household targeted for coverage in the approved PIP was less than the number of BPL households as per baseline as per 2012-13 in four districts of Lower Dibang Vally (421), Lohit (4,252), Tirap (4,970) and Papum Pare (10,268). Therefore, all the households in these district would not be covered under PIP period due to this mismatch.

However, the Department replied that there was a need for correction in number of APL/BPL households in all districts, but was silent about a plan of action for arriving at credible numbers.

1.3.9.1.2 Inflated proposal for execution of BPL/APL IHHLs

Number of BPL/APL households as per baseline survey 2012-13 in the sample districts, and the number of BPL households provided with IHHLs as of 31 March 2012, number of households to be provided with IHHLs and addition proposed in the revised PIPs are tabulated below.

Table-1.3.2

Sl. No.	District	Category	Number of BPL/APL Households				
			As per Baseline Survey 2012-13	Approved Project Target	Provided with IHHLs as of 31.03.12	Remaining to be provided	Proposed in the revised PIP
1.	West Kameng	BPL	5619	5,664	3,744	1,920	4,243
		APL	5,670	252	252	0	3,666
2.	Changlang	BPL	7,948	15,716	7,295	8,421	653
		APL	9,356	2799	2,450	349	349
3.	East Siang	BPL	7,407	8,222	4,271	3,951	5,106
		APL	2,972	4,723	803	3,920	2,972
4.	West Siang	BPL	9,857	11472	6,686	4,786	5,462
		APL	4,126	1,395	1,395	0	2,929
5.	L/Dibang Valley	BPL	2,787	2,366	1,437	929	1,960
		APL	1,674	1,200	1,200	0	1,131
6.	Lohit	BPL	13,052	8,800	8,410	390	8,426
		APL	8,294	0	1,129	-1,129	8,294
7.	Tirap	BPL	12,377	5,780	4,808	972	7,569
		APL	2,250	470	0	470	2,250
8.	Papum Pare	BPL	11,536	1268	267	1,001	11,536
		APL	2,709	3778	0	3,778	2,709
Total of eight sample districts		**BPL**	**70,583**	**59,288**	**36,918**	**22,370**	**44,955**
		APL	**37,051**	**14,617**	**7,229**	**7,388**	**24,300**

Source: Departmental record

As could seen from the table:

- In eight sample districts, the total number of BPL households as per baseline survey 2012-13 was 70,583. Out of which 36,918 household were provided with IHHLs up to 31 March 2012, leaving a balance of 33,665 households to be covered. The sample districts in their revised proposal, which is yet to be approved by NSSC, projected a target of 47256 IHHLs against the balance of 33,665 left uncovered as of 31 March 2012. Thus, the proposed IHHLs - BPL households were inflated by 13,591(47,256 – 33,665).
- Prior to NBA Guidelines 2012, APL households were not eligible for incentives; they were covered through awareness campaigns. As could be seen from the table not much effort was made to motivate the APL households to construct IHHLs through awareness campaign and as result even the target set in the approved PIP was not achieved in four out of eight sample districts. It was also noticed that respective DWSCs of the sample districts proposed in their revised PIP proposal 24,300 households.

One of the major implications of not covering the targeted APL households before the NBA Guidelines 2012 became effective would entail additional financial burden as majority population in the State are STs and each of such household without IHHLs would be eligible for financial assistance.

1.3.9.2 Annual Implementation Plan

AIPs were to be prepared by identification of Gram Panchayats which could be saturated through 100 *per cent* coverage for attaining the project objectives (Nirmal Grams). These GP Plans were to be consolidated into Block Implementation Plans and further into District Implementation Plans. The State Water and Sanitation Mission had to suitably consolidate the District Implementation Plans as the State Implementation Plan.

Changlang District could not produce AIPs except for 2012-13 and Tirap District could not produce any AIPs from 2011-12 to 2013-14. Further scrutiny of records revealed the following:

1.3.9.2.1 Non-achievement of AIP Targets

Annual Implementation Plans became operative since 2011-12, where annual targets to be covered for each component were set for each district. Though annual targets were set in seven of the sample districts, the targets were not achieved.

In the State during the period 2009-14, there were constant shortfalls in achievement of each component every year against targets fixed as discussed in the subsequent paragraphs. No steps were taken to mitigate the shortfalls in achieving the target in the sample districts and the State as a whole.

Further, a bottom-up approach was not adopted for preparation of Annual Implementation Plans (AIPs) in the sample districts.

1.3.9.3 IEC Annual Action Plan

No IEC Annual Action Plan was prepared in the sample Districts.

To sum up, with shortcoming in the planning process as discussed in the preceding paragraphs and non-achievement of the target set for accomplishment by the State for achieving the Nirmal status were not adequate to meet India's commitment towards Millennium Development goals to achieve the vision of *Nirmal Bharat* by 2022 *(which has been advanced to 01 October 2019 under "Swachha Bharat Abhiyan")* with all Gram Panchayats in the State attaining *Nirmal* status.

1.3.10 Financial Management

Audit Objective: ***To assess whether funds were released, accounted for and utilized by the Central and State Governments in compliance with the Guidelines issued under the Scheme.***

TSC/NBA is a centrally sponsored programme. Funding is shared between the GoI, State Government and the beneficiary/community. Funds under TSC/NBA are released to the State Water and Sanitation Missions. The SWSM had to operate a single Savings Bank account, through which State Government funds would be operated for all transactions relating to TSC/NBA, including Central share, State share, beneficiary contributions or any other receipt.

Up to 2010-11, funds were to be released to SWSMs in four instalments in the ratio of 30:30:30:10 and thereafter funds were to be released in two equal instalments.

Scrutiny of records revealed the following:

1.3.10.1 Utilisation of Funds

Details of funds received and expenditure incurred at the State Level is indicated in the following Table:

Table-1.3.3

(₹ in lakh)

Year	Opening Balance	Fund received		Interest	Total	Expenditure	Closing Balance	%Fund Utilization
		Central Share	*State Share*					
2009-10	99.63	1621.36	10.00	25.24	1756.23	721.75	1034.48	41.10
2010-11	1034.48	258.23	164.02	37.22	1493.95	715.13	778.82	47.87
2011-12	778.82	139.80	350.00	26.38	1295.00	548.48	746.16	42.35
2012-13	746.16	382.89	350.00	22.12	1501.17	413.55	1087.82	27.54
2013-14	1084.66	761.81	228.88	42.99	2118.34	1232.92	885.42	58.20

Source: CA Audit Report; CA Audit from 2009-10 to 2012-13 & Departmental records for 2013-14

There was a huge closing balance every year and under-utilisation of funds by the implementing agencies resulted in non-achievement of annual targets. This indicated improper planning and in-effective/insufficient awareness campaigns under IEC.

1.3.10.2 Improper/Irregular accounting of TSC/NBA Funds

Information on the fund position provided by the Department was as indicated in the following Table:

Table-1.3.4

Year	Opening Balance	Fund Received		Interest	Total	Expenditure		Total	Closing Balance
		Central Share	*State Share*			*Central Share*	*State Share*		
2009-10	99.63	1621.36	10.00	25.24	1756.23	658.54	63.21	721.75	1034.48
2010-11	1034.48	258.00	164.02	36.72	1493.22	612.73	102.40	715.13	778.09
2011-12	778.32	139.88	350.00	37.97	1306.17	400.22	4.59	404.81	901.36
2012-13	745.66	373.10	350.00	22.13	1490.89	258.41	148.62	407.03	1083.86
2013-14	1084.66	761.81	228.88	42.99	2118.34	912.574	320.35	1232.92	885.42

Source: Departmental records

As could be seen from the above table the fund position made available by the CE (Sanitation), Itanagar and fund position reflected in the Chartered Accountant's Audit Report as shown in Table 1.3.3 do not tally. This reflected improper accounting of funds.

1.3.10.3 Diversion of Funds

Though records of the CE, PHE & WS (Sanitation), Itanagar as well as Chartered Accountant's Audit Report showed that State share of ₹ 10 lakh and ₹ 164.02 lakh during 2009-10 and 2010-11 respectively had been released, copies of Sanction Orders of the State Government as proof of Finance Department concurrence and LOC copies could not be made available. The possibility of diversion of funds from other schemes/heads by the CE, PHE & WS (Sanitation) in order to avail Central Share could not be ruled out in audit.

1.3.10.4 Non-release of Funds in instalment basis

The guidelines envisaged that funds should be released in three instalments till 2011-12 and two instalments thereafter. It was notice in audit that the sample districts received funds only once in a year in most cases.

1.3.10.5 Delay in Transfer of funds to District Implementing Agencies

The SWSM delayed release of funds to District implementing agencies, ranging from one to 30 months.

1.3.10.6 Delay in release of State Matching Share

State matching share was not released to districts during 2009-10 and there were delays in release of State matching share, ranging from one to 20 months during the years 2010-11 to 2013-14.

1.3.10.7 Funds at SWSM not accounted in CA's Audit Report till 2011-12

During the period 2009-10 to 2013-14, funds ranging from ₹ 38.73 to ₹ 195.29 lakh were not projected in the statement of Receipt & Payment Accounts of TSC/NBA.

It was also observed that during 2011-12, the actual unspent balance amount in SWSM account was ₹ 80.44 lakh. However, this amount was not disclosed in the Chartered Accountant's audited account of TSC/NBA for the year. In the following year, out of the said amount, an amount of ₹ 77.80 lakh was shown as funds received during 2012-13 in the Chartered Accountant's Audit Report, 2012-13. Thus, an amount of ₹ 2.64 lakh was still not taken into TSC/NBA account.

1.3.10.8 Closing Balance of Districts and State did not tally

In West Siang and East Siang Districts, the closing balance projected in the CA's Audited Report of DWSMs was ₹ 83.38 lakh (2012-13) and ₹ 46.14 lakh (2011-12) respectively, which did not match with the closing balance of the consolidated CA's Audited Report of SWSM (₹ 83.26 and ₹ 48.90 lakh respectively) for the mentioned years. Besides, funds shown as received under Central share, State share and interest figures of the CA's Audit Report of East Siang District for 2012-13 did not match with the closing balance of consolidated CA's Audit Report of SWSM for the same year.

The matter was reported (September 2014) to CE (Sanitation), Itanagar but reply is still awaited.

1.3.10.9 Unsettled Advances

Advances at three DWSC level were lying unadjusted for a long period as indicated in the following Table:

Table-1.3.5

Sl. No.	DWSC	Advance Paid	Year of Payment
1.	DWSC, Yupia (Papum Pare District)	4,00,000/- 13,00,000/- 5,00,000/- 28,26,871/-	2006 – 07 2008 – 09 2009 – 10 2010 – 11
2.	DWSC, Bomdila (West Kameng District)	767/- 6,00,000/- 50,203/- 455/-	2006 – 07 2009 – 10 2010 – 11 2011 – 12
3.	DWSC, Changlang (Changlang District)	3,62,178/- 5,909/-	2008 – 09 2009 – 10 (Swajaldhara)

Source: Departmental records

Thus, an amount of ₹60.46 lakh advanced during 2006-07 to 2009-10 remained unadjusted till date.

1.3.10.10 No Revolving Fund was created

As per TSC/NBA Guidelines, a sum of up to ₹ 50 lakh, subject to the restriction of 5 *per cent* earmarked for alternate delivery mechanism (which included the cost for setting up RSMs and PCs), which may be granted to each TSC/NBA project as Revolving Fund. This fund may be further granted by the Project Implementing Agency to Co-operative Societies or Self Help Groups, whose creditworthiness is established, for providing cheap finance to their members. Loans from this fund should be recovered in 12-18 instalments. This revolving fund can be accessed by APL households also. The sharing pattern of this fund between the Centre and State was in the ratio of 80:20.

Scrutiny of records revealed that no fund was earmarked for the Revolving Fund. The provision for revolving fund was incorporated since inception of the TSC Guidelines. Lack of interest on the part of implementing agencies could be one of the reasons why the Revolving Fund was still not created till date. Non-creation of revolving funds, which APL household could have accessed, may be one of the reasons for large number of APL household not having IHHLs.

1.3.10.11 Non-release of Funds to VWSCs

Guidelines envisaged that States/UTs shall release Central grants received along with the matching State share to District implementing agencies within 15 days of receipt of the grants. District Implementing Agencies were required to transfer the funds for works to Gram Panchayats (Village Water and Sanitation Committees (VWSCs) in States where GPs do not exist) within 15 days of receipt of the funds.

In the sample districts, funds were not transferred to VWSCs by District Implementing Agencies for implementation of the scheme. The scheme was implemented by the Executive Engineer, Public Health Engineering & Water Supply-cum-Member Secretaries, DWSCs, of districts.

Beneficiary contributions were not taken into TSC/NBA accounts in the sample Districts.

1.3.10.12 Central and State Shares not apportioned

The Nodal Department transferred the Central share to District Implementing Agencies through RTGS and State matching Share through LOC till 2012-13. From 2013-14, the SWSM transferred both the Central and State share through Real Time Gross Settlement (RTGS) without any formal document/letter/order mentioning the amount against each share. So, though District Implementing Agencies received funds in the TSC/NBA account, component-wise Central and State shares could not be determined. Coupled with delays in receipt of the State matching share, component-wise apportionment of the final expenditure between the Central and State share was not made in the sample districts.

1.3.10.13 Interest

The TSC/NBA funds (Central and State) were to be kept in a bank account. Interest accrued thereon was to be treated as part of scheme resources. Scrutiny of records revealed the following irregularities.

1.3.10.13.1 Diversion of Interest earned

Interest of ₹ 8 lakh which accrued on TSC/NBA funds was kept out of TSC/NBA account of the SWSM. Thus, diversion/ misappropriation/mis-utilization of Scheme funds could not be ruled out.

1.3.10.13.2 Loss of Interest as State's share was not deposited in TSC/NBA Account

State matching share was released to District Implementing Agencies through LOC. In West Kameng District, till 2012-13, the State matching share was not reflected in the TSC/NBA Bank account or in the TSC/NBA Cash Book. During 2010-11 and 2011-12, State matching share of ₹ 22.81 and ₹ 16.20 lakh respectively, was received through LOC was not taken into TSC/NBA Bank account. Hence, no interest was earned from the State matching share. Besides, the unspent balance of ₹ 58,658 was still lying outside the TSC/NBA account.

1.3.10.13.3 Loss of interest due to maintenance of TSC/NBA Funds in Current Account

TSC/NBA funds of West Kameng were maintained in a Savings Bank Account till 14 September 2011. Thereafter, the Executive Engineer, PHE & WS-cum-Member Secretary, DWSC, Bomdila, transferred the fund to a Current Bank Account hence no interest was earned from TSC/NBA Funds. Reasons for transfer of funds to a Current Bank Account were not record or stated. Had the funds been maintained in a Savings Bank account, interest of ₹ 3.12 lakh could have been earned.

1.3.11 Components of the Scheme and their Execution

Audit Objective ***To assess whether the construction/up-gradation of infrastructure under various components of the Scheme was in compliance with the financial and quality parameters set out in the scheme Guidelines***

1.3.11.1 Physical Targets and Achievements

Physical targets and achievements of the State from 2009-10 to 2013-14 are shown below:

Table-1.3.6

Year		TSC Component					
		IHHL (BPL)	*IHHL (APL)*	*School Toilet*	*Toilet*	*Community Sanitary Complex*	*Solid Liquid Waste Management*
2009-10	Target	33,941	10,256	510	722	-	-
	Ach.	13,412	3,270	111	201	21	-
	% Ach.	*39.51*	*31.88*	*21.76*	*27.84*	-	-
2010-11	Target	51,266	7,357	401	303	175	-
	Ach.	13,412	3,270	111	201	21	-
	% Ach.	*26.16*	*44.45*	*27.68*	*66.33*	*12*	-
2011-12	Target	24,514	8,461	66	192	60	-
	Ach.	23,659	4,122	4	76	39	-
	% Ach.	*96.51*	*48.72*	*6.06*	*39.58*	*65*	-
2012-13	Target	12,345	1,048	-	-	63	39
	Ach.	4,775	985	-	-	35	-
	% Ach.	*38.68*	*93.98*	-	-	*55.56*	-
2013-14	Target	11647	633	-	108	81	58
	Ach.	14653	644	-	154	45	-
	% Ach.	*125.81*	*101.74*	-	*142.59*	*55.56*	*0*

Source: Departmental records

As could be seen from the above table, except 2013-14, there were consistent shortfalls in achievement of target every year in each component of the programme.

1.3.11.2 Start-up Activities

Start-up activities contemplated conducting preliminary surveys to assess the status of sanitation and hygiene practices, attitude of the people and demand for improved sanitation, conducting a Baseline Survey (BLS), preparation of a Project Implementation Plan (PIP), initial orientation and training of key programme managers at the District level and preparation of a State Plan. The cost of start-up activities should not exceed

5 *per cent* of the total project cost. Under NBA, the expenditure was to be met from IEC funds with a ceiling of ₹ 10 lakh. Additional fund requirements would be met by the States.

Though implementing agencies conducted baseline survey in all eight sample districts and prepared revised PIPs during 2011-12/2012-13, no expenditure was incurred on this survey.

1.3.11.3 Individual Household Latrines (IHHLs)

The construction of household toilets was to be undertaken by the BPL household itself. Only after completion would the cash incentive be given to the household in recognition of its achievement. A duly completed household sanitary latrine would comprise of a Basic Low Cost Unit with a super structure.

The unit cost of an Individual Household Latrine (IHHL) under TSC, Central and State Government share of incentive during the period 2009-10 to 2013-14 are indicated in the following table.

Table-1.3.7

Period	Unit cost of IHHL	Central Government share of incentive	State Government Share of incentive
2009-10 to 2010-11	3000	2000	700
2011-12	4000	2700	1000
2012-13 onwards	10,500	3700 + 4500	1400

Further, State Governments were allowed the flexibility to provide higher incentives for household toilets of the same or higher unit costs from their own funds. BPL households could also contribute to value addition to the basic unit at its own expense. APL households would take up construction of household latrines on their own till 2011-12 through motivation, but from 2012-13 onwards they also became eligible for incentives.

Scrutiny of records in the sample districts revealed the following:

1.3.11.3.1 Failure to adhere to Guidelines

The Guidelines envisaged construction of IHHL units to be undertaken by beneficiaries themselves and incentives to be given on completion of functional toilets.

It was noticed in audit that in all eight sample districts material for construction was procured by implementing agencies from suppliers and distributed to beneficiaries or contractors as the case may be.

It was also noticed that in five sample districts (*viz.*, Lohit, Tirap, Changlang, East Siang and West Kameng Districts) implementing agencies executed works by issue of work orders to local contractors and also supplied construction materials, which were later adjusted against the incentive amount. Total 12,827 IHHL units were shown as constructed at a cost of ₹ 284.90 lakh in these districts. Since beneficiaries were not being involved in the construction of toilets, advocacy was obviously compromised and involvement of stakeholders in achieving Swachh Bharat objective was diluted.

In the remaining two sample districts (*viz.*, Lower Dibang Valley and West Siang districts) the IHHLs were constructed by the beneficiaries themselves. The material need for construction was issued to beneficiaries and after the completion of construction the balance amount of incentive after deduction the cost material supplied was paid to the beneficiaries in Cash.

In Papum Pare district, no IHHL units for BPL households were constructed from 2009-10 to 2013-14.

1.3.11.3.2 Unauthorised Execution/Expenditure

In Tirap District, as per the approved PIP 5,780 IHHL units were to be constructed. However, 5,928 IHHL units were shown as covered by the end of March 2013, which exceeded the approved PIP target by 148 units. The financial implication works out to ₹ 4.00 lakh. Further, it was noticed that during 2013-14, another 1,477 units were shown as constructed at a cost of ₹ 44.31 lakh. Thus, total excess construction over and above the number of IHHLs approved in PIP was 1,625 IHHL units on which ₹ 48.31 lakh.

Hence, there was unauthorized expenditure of ₹ 48.31 lakh made by Member Secretary, DWSC, Khonsa, on construction of IHHL units in Tirap District. Possibilities of either benefits going to ineligible households or the entire expenditure was fictitious in nature cannot be ruled out.

1.3.11.3.3 Defunct IHHL Units

Scrutiny of records revealed that during baseline survey in 2012-13, number of IHHL units constructed till March 2012 had become defunct, which are detailed below:

Table-1.3.8

Sl. No.	District	No. of IHHL Units constructed till 2012-13	No. of IHHL Units became Defunct
1.	West Kameng	3744	2357
2.	Changlang	7295	363
3.	East Siang	4271	1256
4.	West Siang	6686	1828
5.	Lower Dibang Valley	1437	610
6.	Lohit	8410	3784
7.	Tirap	4808	4808
8.	Papum Pare	267	267

Source: Departmental records

Thus, assets created worth ₹ 65.41 lakh became defunct (₹ 625/- per unit taken assuming that IHHLs constructed first became defunct first). On this being pointed out, the Department replied that IHHLs were constructed prior to 2008 at very low cost of ₹ 625/- and ₹ 2500/- with split bamboo walling, and it was found that these units had outlived their life span. Moreover, it may be mentioned that except in Changlang and Tirap districts, the defunct toilets were included in yet to be approved revised PIP of other sample districts for coverage afresh.

1.3.11.3.4 Avoidable Expenditure

Scrutiny of records revealed that though annual targets were set in seven out of the eight sample Districts, they were not achieved, as detailed in **Appendix-1.3.2**. It may be mentioned that the incentive extended to beneficiaries per IHHL unit during 2011-12 was ₹ 3700/- and was enhanced to ₹ 5100/- from 2012-13 onwards. Construction of IHHLs for APL households was done through motivation till 2011-12. From 2012-13 APL households also became eligible for incentives for IHHL units

Scrutiny of records pertaining to achievement of target and construction of IHHLs in the sample districts revealed following.

- Against the annual physical target of construction of 6,413 BPL-IHHL units to be achieved by West Siang (2289 units), East Siang (2431 units) and West Kameng (1693 units) districts during 2011-12, actual physical achievement in the three districtas during year was only 2,285 IHHL units, West Siang (1350 units), East Siang (582 units) and West Kameng (353 units). Had the annual physical target of 6,413 units been achieved in the same year, the financial assistance payable would have been only ₹ 237.32 lakh (₹ 3700 x 6413). As these districts could physically achieve only 2,285 IHHL units during 2011-12, balance 4,128 units had to be covered during 2012-13. For construction of remaining units, financial assistance at enhanced rate of ₹ 5100/- per unit had to be extended. Thus, there was extra avoidable expenditure of ₹ 57.79 lakh (₹ 1400 x 4128 units).
- In Lohit District, being normal area the financial assistance admissible was ₹ 2500, ₹ 3200 and ₹4600/-from during 2010-11, 2011-12 and 2012-13 respectively. Against the annual targets of construction of 1929 BPL-IHHL units in 2010-11, only 632 units were constructed during the year. The balance 1297 units had to be covered during next year i.e. 2011-12, at higher cost involving extra avoidable expenditure of ₹9.08 lakh. Similarly, during 2011-12 against the target of construction of 1297 BPL-IHHL units, the achievement was only 907 IHHL units. The remaining 390 IHHL units had to be covered during subsequent year, i.e. 2012-13. Since the unit cost of construction has gone up from ₹ 3200/- in 2011-12 to ₹ 4600/- in 2012-13, to cover unachieved target of 390 units, the extra

expenditure involved would be ₹ 5.46 lakh, which could have been avoided had the entire physical target fixed been achieved during the same year. Thus, total avoidable expenditure was ₹ 14.54 lakh

- In Lower Dibang Valley district, against the physical targets of coverage of 400 units and 907 units of BPL-IHHL the actual achievement was 56 units and 217 units during 2010-11 and 2011-12 respectively. The shortfall in achievement was 344 units and 690 units in respective years. To cover the shortfall in achievement of 1034 units, extra expenditure of ₹ 17.92[1] lakh had to be incurred due to increase financial assistance admissible in the year 2012-13.
- Avoidable expenditure due to non-achievement of target (BPL-IHHLs) could not be worked out in respect remaining three sample district (viz., Changlang, Tirap and Papum Pare) due non furnishing of required data.
- Annual target for APL households for West Kameng and East Siang Districts in 2011-12 was 4769 units. However, only 784 units were physically achieved. Almost entire remaining 3978 APL households would be entitled for financial assistance @ ₹ 5100/- per unit, as almost all households belong to SC/ST category who entitled to financial incentive as per revised NBA guidelines. Thus, there would be extra expenditure of ₹ 202.88 lakh, which could have been avoided had the annual target been achieved.

Thus total probable extra avoidable expenditure owing to inability to meet annual physical targets comes to ₹ 293.13 lakh.

1.3.11.3.5 Non-convergence with MGNREGS

Though NBA Guidelines envisaged for convergence of construction of IHHLs with MGNREGS, convergence was still not effective in any of the sample Districts.

1.3.11.3.6 Stock remaining idle

DWSC, Papum Pare District procured material for implementation of TSC/NBA scheme as detailed below:

Table-1.3.9

l. No.	Year of Purchase	Item	Amount
1.	2006 – 07	Fibre Glass Pan &Trap	10,19,955
2.	2009 - 10	Fibre Glass Pan &Trap	11,00,000
Total		**-**	**21,19,955**

[1] {[344 x (₹ 5100 - ₹ 2700)] = ₹ 8,25,600} + {[690 x (₹ 5100 ₹ 3700)] = ₹ 9,66,000} = ₹ 17,91,600 (say ₹ 17.92 lakh)

It may be mentioned here that till March 2009, 267 IHHLs units were completed. Even after considering ₹ 2.64 lakh as the cost of material adjusted, materials worth ₹ 18.56 lakh was still lying idle in the Division till date.

Notwithstanding the availability of stock, the Division procured sanitary material (Roto Squatting Plates & Traps) valued ₹ 90.69 lakh during 2013-14. Further, it was observed that from February to April 2014, 316 IHHL units were shown to be physically achieved by engaging contractors and payment of which was made during June/July 2014. The cost of squatting plates and traps valued at ₹ 4.74 lakh was deducted from the contractors bill. Balance stock valuing ₹ 85.95 lakh were remaining idle.

Thus, in Papum Pare district, the material (Fibre Glass Pans &Traps) worth ₹ 18.56 lakh and Roto Squatting Plates and Traps worth ₹ 85.95 lakh were lying idle. The possibilities of the items getting damaged due to prolonged storage could not be ruled out.

Similarly, in West Kameng and Tirap Districts, sanitary material worth ₹ 23.67 lakh and ₹ 55.54 lakh respectively, were lying idle.

To sum up, in three sample districts *viz.* Papum Pare. West Kameng and Tirap Districts stock worth ₹ 183.76 lakh remained idle and unused till the date of audit. This was indicative of improper/incorrect assessment of requirement of materials.

1.3.11.4 Community Sanitary Complex

Community Sanitary Complexes (CSCs) are an important component of the TSC. CSCs should be constructed in residential areas where there are space constraints which do not permit household toilets. These Complexes, comprising an appropriate number of toilet seats, bathing cubicles, washing platforms, wash basins, etc. can be set up in a place in the village acceptable and accessible to women/men/landless families. Maintenance of such complexes is very essential for which Gram Panchayats should take the ultimate responsibility or make alternative arrangements at the village level. User families may be asked to contribute reasonable monthly user charges for cleaning and maintenance. The maximum unit cost prescribed for a Community Sanitary Complex is up to ₹ 2 lakh. The sharing pattern between the Central Government, State Government and community was in the ratio of 60:20:20 till 20010 and 60:30:10 from 2010 onwards.

In eight sample Districts, 110 CSCs were constructed through local contractors by issuing work orders and an expenditure of ₹ 187.59 lakh incurred on construction between 2009-10 and 2013-14.

Scrutiny of records pertaining to construction of CSCs revealed the following lapses and shortcomings in the implementation of the programme:

1.3.11.4.1 Non Adherence to Guidelines

- 12 CSCs were found constructed at public congregation places like community halls, markets, near Police Stations, etc. Further, it was noticed that in Tirap District CSCs were constructed in two educational institutions (WRGD College, Deomali and Don Bosco School, Zedua).
- Two CSCs were constructed at a cost of ₹ 61,410.29 per unit against the provision for ₹ 2 lakh per unit. Against the total value of work only ₹ 70,000/-was paid to the contractor (after reduction of ₹ 52,821/-). Hence, the quality/durability of the toilets constructed became questionable.
- The cost sharing pattern for construction of CSCs between the Centre, State and Beneficiary was revised as 60:30:10 from 2010, but the old sharing pattern of 60:20:20 was still followed in three sample Districts (7 units in West Kameng District, 11 units in Tirap District and 11 units in Lohit District). Thus, communities were made to contribute an extra of ₹ 5.80 lakh.

1.3.11.4.2 Irregularity in Execution

Scrutiny of records revealed that the estimates were attached with work orders, but without any detailed measurements. There were also no detailed measurement records in the relevant MBs. The recorded measurements shown in the MBs were a copy and paste of the work order estimates. As such, doubt arises whether the work was done as per specifications.

1.3.11.4.3 Maintenance

The maintenance of CSCs is very essential, for which Gram Panchayats/communities should take the ultimate responsibility or make alternative arrangements at the village level. User families may be asked to contribute reasonable monthly user charges for cleaning and maintenance.

There were no records to indicate that either of GPs/Communities taking responsibility for their operation and maintenance or of expenditure made by the Department for their maintenance. Records of alternative arrangements made at the village level could also not be produced. In absence of responsibility for maintenance by communities, durability and sustained usage of the CSCs is remote.

1.3.11.5 School Toilets

Toilets in all Government Schools - Primary, Upper Primary, Secondary and Higher Secondary should be constructed and emphasis should be given to toilets for girls.

Funding for school sanitation in a TSC Project is provided by the Central and State Government in the ratio of 70:30. Accordingly, Central assistance per unit would be restricted to 70 *per cent* for a unit cost of ₹ 38,500/- in case of hilly and difficult areas.

Separate toilets for girls and boys should be provided in all co-educational schools, which were to be treated as two separate units and each unit was entitled to Central assistance. The number of toilet units to be constructed should be adequate to meet the requirements of the school as per the strength of the students attending the school.

In addition to creation of infrastructure in schools, it was essential that hygiene education be imparted to children on all aspects of hygiene. For this purpose, at least one teacher in each school must be trained in hygiene education, who would train children through interesting activities and community projects that emphasized hygienic behaviour. Expenditure for this purpose may be met from IEC funds earmarked for the project. District and Panchayat implementing agencies should ensure good co-ordination with the Department of Education, Health and others to fulfil the objective of SSHE, *i.e.* to provide a safe, healthy learning environment to all children.

As per scheme Guidelines, a toilet unit consisting of a toilet and minimum of two urinals should be constructed in all Government Schools. Separate toilet units for girls and boys should be provided in all co-educational schools, which were to be treated as separate units and each unit was entitled to Central assistance. The SWSM, Arunachal Pradesh, Itanagar, notified the design and drawing of school toilets at an estimated cost of ₹ 40,000/-for Arunachal Pradesh. As per the design and drawing, four room toilets (two toilets and two urinals) for girls and boys were to be constructed for each school.

Scrutiny of records made available during the performance audit revealed following irregularities/lapses in the execution of the construction school toilets.

1.3.11.5.1 Execution of work not according to specifications

In Changlang District, construction of 384 school toilets at ₹ 76.80 lakh (@ ₹ 20,000/- per unit) was sanctioned during 2004-2005 and physically achieved prior to 2009-10. The DWSC, Changlang, also prepared a drawing and design of four-room school toilets two rooms for girls and two rooms for boys. But it was noticed that the DWSC, Changlang, constructed only two room school toilets (one for girls and one for boys). As such, 384 school toilets were constructed without following the model drawing & design. Thus, ₹ 76.80 lakh incurred on the construction of 384 school toilets were inflated by 50 *per cent,* needs to be investigated. Also, concerned school children were deprived of facilities as envisaged.

In West Siang District, in some cases, only one room school toilets were constructed, depriving school children of required sanitary facilities. On this being pointed out, the DWSC, West Siang District, stated that in remote places where there was no motorable road, the rate for school toilets, as provided in the Guidelines, was not sufficient.

1.3.11.5.2 Unauthorized Execution/Expenditure

- In West Siang District, construction of the approved 378 units of school toilets was completed during 2008-09. However, scrutiny of records revealed that between 2009-10 and 2013-14, another 38 units were constructed at a cost of ₹ 12.97 lakh (9 units @ ₹ 20,000/- per unit and 29 units @ ₹ 38,500/- per unit), which was beyond the approved number of units. Thus, expenditure of ₹ 12.97 lakh on construction of 38 units was unauthorized.

  On this being pointed out, the Member Secretary stated that the 38 school toilets were constructed as funds were available. Further, it was noticed from photos submitted by contractors along with their bills, that in some schools one room toilets instead of the approved four room toilets were constructed.

- In Lohit District, physical and financial targets of approved PIPs pertaining to construction of 240 school toilets, were achieved during 2009-10. However, it was noticed that during October 2009, the DWSC, Namsai, constructed two school toilets at a cost of ₹ 70,000/- @ ₹ 35,000/- per unit.

Since the revised PIP was yet to be approved by the NSSC, GoI, construction of the above school toilets was unauthorized. Thus, expenditure of ₹ 13.67 lakh on construction of the school toilets was unauthorized and reflected deviation from norms.

1.3.11.5.3 Inflated reporting of School Toilets

In Tirap District, as per the approved PIP of 2008-09, the target for construction of school toilets was 304 at ₹ 60.80 lakh (@ ₹ 20,000/- per unit), which was completed (as per Monthly Progress Report) by the end of March 2009, showing financial progress of ₹ 41.72 lakh. Further, Scrutiny of the records showed that out of the remaining amount of ₹ 19 lakh, 95 school toilets in 48 schools were constructed during 2009-10.

Thus, 304 school toilets were constructed by utilising about 69 *per cent* of total admissible amount, which raises the question about the quality of construction of schools toilets constructed or whether the number of toilets claimed to have constructed were actually constructed in the first place. The physical achievement of 304 school toilets stated to have been completed by incurring ₹ 41.72 lakh and also reported by the Member Secretary, DWSC, Khonsa, to the higher authorities, was questionable.

1.3.11.5.4 Irregular deduction from Contractors' Bills

As per Guidelines, there would be no community contribution for construction of school toilets. However, scrutiny of records in respect of the Member Secretary, DWSC, Papum Pare revealed that a Clause was inserted in the terms & conditions of the work order that 10 *per cent* of the total bill amount as community contribution would be deducted from Contractors' Bills. Accordingly, payments were made after deducting 10 *per cent* as community contribution from Bills by the Member Secretary, DWSC, Papum Pare as detailed below:

Table-1.3.10

Year	No. of Units	Rate per Unit	Total Value of Work Done	10 *per cent* Deduction	Net Amount Paid
2009-10	28 (withheld amount)	20,000/-	5,60,000/-	56,000/-	5,04,000/-
	15 (new)	20,000/-	3,00,000/-	30,000/-	2,70,000/-
2010-11	08	20,000/-	1,60,000/-	16,000/-	1,44,000/-
2011-12	02	20,000/-	40,000/-	4,000/-	36,000/-
TOTAL	**53**	**20,000/-**	**12,80,000/-**	**1,28,000/-**	**9,50,000/-**

As no community contribution would be forthcoming,, chances of compromise in the quality of construction to keep the construction cost within the net amount admissible, cannot be ruled out.

1.3.11.6 Anganwadi Toilets

In order to change the behaviour of the children from the early stages of life, it is essential that *Anganwadis* are used as a platform of behavioural change of the children and mothers attending the *Anganwadis*. For this purpose each *Anganwadi* should be provided with an infant friendly toilet. The cost of construction of one unit could up to ₹10,000/- in case of hilly and difficult areas, where incentives given by the Central Government would be restricted to ₹7,000/-. Additional expenses may be met by the State Government, Panchayats or funds from the 12^{th}/13^{th} Finance Commissions, MPLADS, MLALADS, Revolving Fund, etc.

Scrutiny of records revealed that in eight sample Districts, toilets were constructed at several *Anganwadis* during the period covered under performance audit but none of them were infant friendly.

Further, the following irregularities were noticed during the scrutiny of records made available during the performance audit.

1.3.11.6.1 Unauthorized execution/expenditure

- In West Siang District, against the approved two *Anganwadi* toilets, the implementing Agency constructed 44 units (20 units during 2008-09 @ ₹ 5000/- per unit and 24 units during 2009-10 to 2013-14 @ ₹ 10,000/- per unit). Thus, there was unauthorized expenditure of ₹ 3.30 lakh (18 units @ ₹ 5000/- and 24 units @ ₹10,000/-).
- In Tirap District, construction of 150 *Anganwadi* toilets approved/targeted was shown as physically and financially completed during 2009-10. It was also noticed that during 2010-11, without any approval from the competent authority,

the EE-cum-Member Secretary, DWSC, Khonsa, constructed 44 units at ₹ 2,11 lakh in 32 *Anganwadi* Centres. Thus, there was expenditure of ₹ 2.11 lakh incurred on its construction was unauthorised.

- In Lohit District, the DWSC, Namsai, constructed 07 units in excess of approved target of 180 *Anganwadi* toilets. The cost of construction of these seven toilets was ₹ 0.56 lakh, which was unauthorized.

Since the revised PIP was not yet approved by the competent authority, construction of toilets beyond the approved number was unauthorized. Thus, the total unauthorized expenditure incurred on *Anganwadi* toilets was ₹ 5.97 lakh.

1.3.11.6.2 Lack of Co-ordination with other line Departments

Physical targets of *Anganwadi* and schools toilets were shown to have been achieved before 2009-10 in West Kameng District. From 2009-10 to 2013-14, only payments were released to contractors, without obtaining Sub-vouchers for procurement of raw material, as shown in theoretical consumption. None of the bills were countersigned/ recommended by school or ICDS authorities.

In Changlang District, construction of 250 *Anganwadi* toilets, valued at ₹ 13.05 lakh, was shown as completed during 2013-14 against the 239 units which were actually completed up to March 2014. The Dy. Director, ICDS, Changlang, replied to the audit requisition that 55 *Anganwadi* Toilets were constructed under TSC funds till March 2014. Thus an excess of 195 Anganwadi toilets were shown as constructed by implementing agencies. The cost incurred on construction of 195 *Anganwadi* amounting to ₹ 9.75 lakh (@ ₹ 5000/- each) was doubtful.

The DWSM did not contact any organization/institution for seeking expertise and information on innovative technologies, materials, designs and methods to help beneficiaries in the construction of durable, cost effective IHHLs/CSCs/ Institutional toilets.

1.3.11.7 Maintenance of facilities created under TSC/NBA

Maintenance of facilities created under TSC/NBA was also a new component introduced under NBA, which was to be undertaken through motivation in case of IHHLs. PRIs would be responsible for maintenance of Community Sanitary Complexes and concerned Departments for Institutional Toilets. No cost was involved in this component.

Records of steps taken to assure that the structure created under TSC/NBA would be maintained by concerned stakeholders, as stated above, could not be produced.

1.3.11.8 Rural Sanitary Marts (RSMs)/ Production Centres (PCs)

Rural Sanitary Mart (RSM) is an outlet dealing with the material, hardware and design required for construction of sanitary latrines and other sanitation/hygiene accessories. It is a commercial venture with a social objective. Production Centres (PCs) are the means to improve production of cost effective affordable sanitary materials. PC/RSM could be opened and operated by SHGs/Women's Organizations/Panchayats/NGOs, etc. Financial assistance may be provided in the form of interest free loans up to ₹ 3.50 lakh from the Revolving Fund, recoverable after attaining a level of sustainability (TSC Guidelines). Under NBA Guidelines, loans were recoverable in 12-18 instalments after one year from the date of receipt of the loan. Funding for this component would be in the ratio of 80:20 between the Centre and the State.

Scrutiny of records revealed that between 2009-10 and 2013-14, none of the sample Districts, except Lohit District, executed this component. One RSM was constructed in Lohit District during 2010-11 at a cost of only ₹ 80,655/-.

1.3.11.9 Solid and Liquid Waste Management

Under Solid Liquid and Waste Management (SLWM), activities like compost pits, vermi-composting, common and individual bio-gas plants, low cost drainage, soakage channels/ pits, re-use of waste water and a system for collection, segregation and disposal of household garbage, *etc.* were to be undertaken. Under TSC, up to 10 *per cent* of the project cost could be utilised for meeting capital costs incurred under this component. The fund sharing pattern between the Centre, State and Panchayats/Communities would be in the ratio of 60:20:20. Under NBA, up to ₹ 7 lakh per GP having up to 150 households, ₹ 12 lakh up to 300 households, ₹ 15 lakh up to 500 households and ₹ 20 lakh for more than 500 households, could be utilized under this component and the cost-sharing ratio between the Centre and State was 70:30.

Scrutiny of records revealed that this component was not executed in any of the sample Districts from 2009-10 to 2013-14. Construction relating to SLWM began during the last quarter of 2013-14 and was in the initial stages and under progress.

1.3.12 IEC Activities

Audit Objective: ***To assess whether Information, education and communication strategies under the Scheme were effective in generation of demand for TSC/NBA services through community mobilization.***

Information, Education & Communication (IEC) is an important component of the Programme. These intended to trigger the demand for sanitary facilities in rural areas through behavioural changes. IEC activities were to be conducted at all tiers - Centre, State, District, Block and Gram Panchayats. Emphasis was to be given on inter-personal communication by engaging village level motivators (*Swachchhata Doots*). IEC costs, including cost of start-up activities, would be limited to 15 *per cent* of the total project cost. The fund sharing pattern between Centre and State was in the ratio of 80:20.

1.3.12.1 IEC Annual Action Plan

No IEC Annual Action Plan for the period 2009-10 to 2013-14 could also be produced by the SWSM. However, it was noticed in audit that no IEC campaign was undertaken at State level. Year-wise expenditure on IEC activities in the sample Districts were as under:

Table-1.3.11

(₹ in lakh)

District	2009-10	2010-11	2011-12	2012-13	2013-14	Total
West Kameng District Bomdila	2.00	26.06	5.95	-	-	34.00
Changlang District, Changlang	-	27.50	27.19	10.70	18.02	83.41
East Siang District, Pasighat	5.29	0.85	2.60	14.23	9.97	33.06
West Siang District, Along	19.43	3.53	0.05	22.98	0.03	46.02
Lower Dibang Valley, Roing	1.80	-	1.66	0.31	1.58	5.35
Papum Pare District, Yupia	-	15.30	16.46	7.05	-	38.81
Lohit District, Namsai	2.72	8.10	7.30	5.19	6.07	29.38
Tirap District, Khonsa	0.41	-	4.07	4.72	28.18	37.39
Total	**31.65**	**81.34**	**65.28**	**65.18**	**63.85**	**307.40**

Scrutiny of records revealed further irregularities as discussed in the following paragraphs.

1.3.12.2 Infructuous Expenditure on production of a documentary

A documentary on sanitation was made at an expenditure of ₹ 8.90 lakh out of Communication and Capacity Development Unit (CCDU) funds during 2009-10 by the Nodal Department. But records of the said documentary being telecast or aired in any media could not be made available.

1.3.12.3 Irregular outsourcing to NGOs for IEC Activities

Scrutiny of records of the EE, PHE-cum-Member Secretary, DWSC, West Kameng District revealed that an agreement was drawn between the Tukpen Welfare Society, Rupa and the DWSC on 12th April 2008 for campaigning of IEC Programmes in Kalaktang Block, West Kameng District, at an agreed amount of ₹ 5.96 lakh. Work was stipulated to be completed on 30.04.09. But, the Deputy Commissioner-cum-Chairman, DWSC, extended the date of completion to 27.10.09. The EE-cum-Member Secretary, DWSC, made partial payment of ₹ 2 lakh to the society, without obtaining any Actual Payee Receipt (APR). EE-cum-Member Secretary, DWSC, in December 2008, requested the Society to furnish (a) Cash Book (b) Voucher File and (c) Expenditure Statement, for the above sanctioned amount. Though the Society did not furnish the supporting records for ₹ 2 lakh previously paid to it, another ₹ 2 lakh was paid to the Society, in July 2009, through a hand-written receipt.

Further, scrutiny of records revealed that till date of audit (June 2014), the Society had still not furnished any Progress Report, Expenditure Statement or Completion Report to the EE-cum-Member Secretary, DWSM. There was no record of the EE-cum-Member Secretary insisting for the records mentioned. Thus, in absence of such records, mis-utilisation of ₹ 4 lakh could not be ruled out.

Similarly, during 2009-10 to 2013-14, ₹ 14.58 lakh was paid to Women's Welfare Society, Bomdila for awareness campaign under IEC activities. But supporting vouchers or other evidence for the activities undertaken were not produced. In absence of vouchers in support mis-utilisation of ₹ 14.58 lakh could not be ruled out.

1.3.12.3 CA's Audit Report on Women's Welfare Centre, Bomdila

Scrutiny of records revealed that Member Secretary, DWSC, Bomdila, paid ₹ 2.81 lakh to Women's Welfare Centre (WWC), Bomdila, for campaigning of IEC Programmes in West Kameng District. However, the Receipt & Payment Accounts of CA's Audit Report for 2009-10 revealed that ₹ 2.81 lakh was shown as repayment of loan. There was also nothing available on record to show that ₹ 2.81 lakh was utilised on implementation of IEC Campaign Programmes. Thus, in absence of any evidence for expenditure of ₹ 2.81 lakh, mis-utilisation of the TSC funds could not be ruled out.

1.3.12.4 NGOs & IEC Activities in Papum Pare District

In Papum Pare District a total of ₹ 38.81 lakh was incurred in IEC activities from 2009-10 to 2013-14. Scrutiny of vouchers revealed that ₹ 26.73 lakh from a total of ₹ 38.81 lakh was paid to three Societies for conducting TSC/NBA Sanitation Campaigns in the District. Details of payments are tabulated below:

Table-1.3.12

Sl. No.	Voucher No. & Date	Amount	Firm/ Society
1.	210 of. 08/02/10	14,00,000/-	M/s CCRD Sommanoy Co-operative Society
2.	216 of. 26/01/12	73,500/-	N. N. Charitable Society
3.	217 of. 29/02/12	3,00,000/-	-do-
4.	224 of. 23/03/12	6,00,000/-	-do-
5.	226 of. 09/05/14	2,00,000/-	-do-
6.	229 of. 18/06/12	1,00,000/-	M/s Sun Land Society

The above payments were made without executing any Deed of Agreement with the NGOs. Reasons for release of payment to the NGOs without executing Deeds of Agreement were not on record. Any document maintained by the NGOs showing the number of people who attended the awareness campaigns were neither found on record nor produced, though called for through audit requisitions. Moreover, no Impact Assessment Report was on record. In absence of the above mentioned documents, the campaigning of IEC by the NGOs could not be ascertained.

1.3.12.5 Doubtful procurement of Books, Banners & Maps

Scrutiny of vouchers of the Executive Engineer, PHE & WS, Bomdila, West Kameng District, related to TSC/NBA funds revealed that the Division incurred ₹ 10,21 lakh on procurement of Books, Banners and Maps from local suppliers. However, the material procured was neither entered in the MAS Account nor Cash Memos/ Sub-Vouchers in support were on record.

1.3.12.6 Other irregularities in execution of IEC Activities

- IEC Annual Action Plans were not formulated in the sample Districts. IEC activities were implemented only at DWSC level, and no funds for IEC were released to Blocks and PRIs.
- No sanitation day/week/fortnight was observed in the sample Districts.
- *Swachchhata Doots* were not engaged in GPs in the sample Districts, except in Lohit District. Though the implementing agency in East Siang District furnished a list of motivators employed in each GP, records of surveys or works executed by them; payments made to the motivators was not be made available to audit.
- In the sample Districts, no field functionaries were engaged as motivators.
- Training of VWSC/PRI members, Block/District functionaries and grass root functionaries was stated to have been conducted at State level, but supporting records could not be made available either at District or State level.

1.3.12.7 Nirmal Gram Puraskar (NGP)

It is a separate sub-scheme under TSC/NBA, which aimed to incentivize PRIs to make villages Open Defecation Free (ODF) and to adopt Solid and Liquid Waste Management (SLWM). Following aspects were noticed during the scrutiny of records.

- No annual targets were made to attain NGP in the sample Districts.

- The GoI had awarded NGP to 16 Gram Panchayats between 2009 and 2011. The award money was handed over to the concerned Gram Panchayat authorities but with delays.
- Kaimai GP of Tirap District was awarded the NGP award in 2009, but the prize money was released only in 2012-13, after a delay of more than 2 years. Likewise, four PRIs in West Siang district received the NGP award in 2009-10 but the award money was released in 2010-11.
- Two GPs in East Siang District were selected during 2012-13 but had not received the award money till date of audit.

As per NGP Guidelines, award money should be utilised in sanitation works by Gram Panchayat authorities only and Utilisation Certificates for the same should be submitted to the EE-cum-Member Secretary, DWSM for onward submission to the SWSM.

However, there was no record or Utilisation Certificates in support for expenditure of the award money being submitted by concerned Gram Panchayats. In the absence of vouchers or Utilisation Certificates, utilisation of the award money for intended purposes could not be verified.

1.3.12.8 Capacity Building

Capacity building was a new component introduced under NBA, which focused on training of VWSC/PRI members, Block/District functionaries, grass root level health and education functionaries and self-help groups. The cost on capacity building will be limited to 2 *per cent* of the IEC budget. The cost-sharing pattern between Centre and State was in the ratio of 80:20.

Though implementing Agencies in the sample Districts and Nodal Office stated to have conducted training for VWSC/PRI members, Block/District functionaries, grass root level health and education functionaries and self-help groups, related records on such expenditure could not be produced.

1.3.13 Results of physical verification

(i) **CSCs:** Out of 15 CSCs inspected, two were non-functional**.**

(ii) **School &*Anganwadi* Toilets:** During joint physical verification 54 school toilets physically inspected. Of which 47 units which were constructed prior to 2009-10, had become defunct/non-functional. Following are photos of some defunct School toilets.

School toilet at Sange, Dirang, West Kameng District

School toilet at Wanghoo, Singchung Block, West Kameng District

(iii) Similarly, out of 25 Anganwadi toilets physically inspected, 19 units had become defunct. Following photo describe the sorry state of them.

Anganwadi Toilet at Khamlang GP Nampong Block, Changlang District

Aganwadi Toilet at Pamya Bagdu, Aalo East, West Siang District

1.3.14 Convergence with other programmes

Audit Objective: ***To assess whether convergence of NBA activities with other programmes/stakeholders, as envisaged, was effectively achieved.***

1.3.14.1 Co-ordination with other State Departments

The SWSM at State level should ensure co-ordination and convergence with State Departments. Similarly, DWSMs at the District Level should ensure co-ordination and convergence with line departments.

Implementing agencies in the sample Districts claimed that co-ordination with other line Departments in implementing the TSC/NBA scheme was maintained. But records of such co-ordination could not be produced neither at State nor at District Level. Cross verification with Dy. Directors of School Education(DDSEs) and Dy. Directors, Integrated Child Development Scheme(ICDS) of line departments in some sample Districts revealed they either could not provide or had no knowledge of details of School and Anganwadi toilets constructed under TSC/NBA.

1.3.14.2 Non-convergence with other Schemes

As there was no effective co-ordination with other line Departments, convergence with other schemes like MGNREGA, MPLAD, *etc.* was not effective till date.

1.3.15 Monitoring and Evaluation

Audit objective: ***To assess whether the mechanism in place for monitoring and evaluation of the outcomes of the programme was adequate and effective.***

1.3.15.1 Credibility of IMIS data

All TSC/NBA project Districts were required to submit Physical and Financial Progress Reports on-line.

Table-1.3.14: Financial Achievement

(₹. in lakh)

Sl. No.	Components	MIS Figures	MPR Figures	Actual Figures as per Vouchers
1.	IHHLs	1147.37	882.61	681.04
2.	Sanitary Complex	167.60	142.43	176.65
3.	School Toilet	174.61	152.57	120.93
4.	Aganwadi Toilet	62.62	44.29	19.00
5.	Rural Sanitary Mart	-	-	-
6.	Production Center	-	-	-
7.	IEC Activities	275.53	258.48	274.36
8.	Capacity Building/Training	-	-	-
Total		**1827.73**	**1480.38**	**1271.98**

(data excluding East Siang District)

Table-1.3.15: Physical Achievement

Sl. No	Components	MIS Figures	MPR Figures	Actual Figures as per Vouchers
1.	IHHLs for BPL	31,294	26,407	22,245
2.	IHHLs for APL	8478	5,990	-
3.	Sanitary Complex	107	101	102
4.	School Toilet	40	10	513
5.	Aganwadi Toilet	304	253	323
6.	Rural Sanitary Mart	-	-	-
7.	Production Centre	-	-	-

(data excluding East Siang District)

Scrutiny of records revealed that the data uploaded in IMIS did not tally with Monthly Progress Reports (MPRs). IMIS and MPRs information did not tally with actual execution data. Discrepancies and anomalies on Financial and Physical Achievement can be seen from the Tables above.

It was observed that no periodical field data validation was conducted. Credibility of MIS data was not ensured by cross-checking data received through Monthly Progress Reports. Though implementing agencies in East Siang and West Siang Districts stated to have ensured this, scrutiny of records revealed that IMIS and actual execution figures did not tally.

MPRs were not maintained in East Siang District. On this being pointed out, the implementing agency stated that the Guidelines did not encourage maintenance of MPRs in hard copy. The reply is not tenable, as uploading of data in IMIS first requires the data in hard copy.

1.3.15.2 Inspection by State Level Officers and District level officers

Periodical Inspection by State level officers, though provided in the Guidelines, was not defined. Inspections were to be conducted to check that construction work was done as per norms, the community was involved in construction, that latrines were not polluting water sources, whether there was correct selection of beneficiaries, proper use of latrines after construction and to ensure that TSC/NBA information was displayed transparently in Gram Panchayats.

No regular inspections by State and District level officers were made to verify the progress of implementation at grass root level and to ensure that the execution of works was in accordance with prescribed procedures and specifications. Though implementing agencies in West Siang District stated to have conducted regular inspections, Inspection Reports could not be produced.

Besides, against the mandatory 10 State Water Sanitation Mission (SWSM) Meetings required to be held from 2009-10 to 2013-14, only 7 meetings were held.

From 2009-10 to 2013-14, District Water Sanitation Committees (DWSCs) met only once (June 2009) in West Kameng District, eight times in Tirap District, six times in Lohit District, five times in Changlang District, two times in Papum Pare District and once in East Siang District. In West Siang and Lower Dibang Valley Districts, though implementing agencies stated to have conducted DWSM Meetings at least once in a year, minutes of such Meetings were not maintained.

1.3.15.3 Periodical review by expert panel

Periodical review of projects by a panel of experts available in the State was provided in the Guidelines.

However, there was no record of constitution of a panel of experts or any periodical review by such panel.

1.3.15.4 State review mission

A State Review Mission, headed by a Joint Secretary level officer of the Nodal Department with three members from other linked Departments and representatives from reputed organizations in the field of sanitation, was required to be constituted to assess the release of second and subsequent instalments of funds. However, records of constitution of such Review Mission could not be produced to audit.

Also, as per Guidelines, the Secretary (Rural Sanitation) was required to conduct a quarterly review of the progress with the District Officials. But no record of such review was made available.

1.3.15.5 Panel of experts for review not constituted

District Project authorities had to constitute a team of experts to conduct a quarterly review of the implementation in different Blocks. CEOs of District Panchayats/Secretaries of DWSCs were to review the progress of the project with Block Officials on a monthly basis. PRI/Block level officials also had to review progress in Gram Panchayats.

However, it was noticed that no reviews on progress of work were conducted by Block/PRI level officials or CEOs of District Panchayats/ Secretaries of DWSCs.

1.3.15.6 Shortfall in Observance of Sanitation Day/Week/Month

Gram Panchayats had to earmark a particular day of the month 'Swachchhata Diwas' (Sanitation Day) to record monthly progress, identification of individual demands, projection of monthly plans, identification of slip-back cases and verification of expenditure made on various activities in the previous month, including disbursement of incentive amounts, construction and other works/activities.

In the sample Districts, it was noticed that no particular day was earmarked to be observed as Sanitation Day as envisaged in the Guidelines. Sanitation Day was observed once or twice a year on Public Holidays/Events.

1.3.15.7 Gram Swachchhata Sabha (GSS)

Gram Swachchhata Sabhas (GSSs) were to be convened by Gram Sabhas every six months to review the progress made under various Monthly Plans.

No Monthly Plan was made by GPs and no GSSs were conducted in the GPs. Moreover, no grievance redressal mechanism was in place at District/Block/GP levels.

1.3.16 Conclusion

The revised PIP (2012-13) was still not approved by the NSSC till date. The State Water Sanitation Mission (SWSM) failed to utilise available funds, depriving people of sanitation facilities. There were shortfalls in achievement of targets in all eight sample Districts. As a result, the overall objective of *Nirmal Bharat* by 2022 (now October 2019 as per ***Swachh Bharat Abhiyan***) seemed remote.

Many assets created under the scheme were defunct in the absence of maintenance.

1.3.17 Recommendations

- PIPs and AIPs should invariably be prepared and approved timely to ensure timely completion of projects;
- Central and State shares should be released component-wise to facilitate proper implementation of planned projects. Scheme Guidelines on maintenance of TSC/NBA funds, interest, its utilisation, *etc*. need to be strictly adhered to;
- IEC activities on user awareness to take responsibility for maintenance of assets created should be strengthened;
- The system of supervision and monitoring through physical visits, timely conduct of review meetings and timely submission of MPRs need to be strengthened; and
- Independent evaluation should be made to ascertain any systematic deficiencies in implementation of the scheme.

Department of Education

1.4 Implementation of Mid-Day Meal Scheme

The 'National Programme of Nutritional Support to Primary Education', a Centrally Sponsored Scheme, commonly known as 'Mid-Day Meal' (MDM) Scheme, was launched in August 1995 with the primary objective of boosting the universalisation of primary education by increasing enrolment, retention & attendance and simultaneously improving nutritional status of primary school children, country wide in a phased manner by 1997-98. Performance Audit of the scheme revealed that the Department covered all Government Primary/Upper Primary Schools (3116), Government-aided Primary/Upper Primary Schools (68) and EGS/AIE Centres (155) in the State under the scheme. However, there were deficiencies like inadequate financial management, short-lifting of food grains, delay in release of funds to schools for meeting cooking costs, inadequate infrastructural facilities in schools and lack of monitoring by the Department.

Highlights

Some major audit findings are highlighted below:

- **No household surveys were conducted to identify the total number of children not enrolled at the Primary stage. No attempt was also made to encourage high level of enrolment through publicity, etc.**

  (Para 1.4.9.2)

- **In 2010-11, against GoI total allocation of 6,687.66 MT of food grains for Primary/Upper Primary level, the Department lifted only 5,928.37 MT and during 2013-14, against the allocation of 6,625.01 MT of food grains for Primary/Upper Primary levels, only 6,598.95 MT were lifted, leading to short-lifting of 785.35 MT of food grains.**

  (Para 1.4.11.1)

- **There was a shortfall in provision of 47,360 meals due to short receipt of food grains in 137 schools.**

  (Para 1.4.15.8)

- **In six schools of West Kameng and Lohit District, 46.61 quintals (23 *per cent*) of the allotted rice was issued as dry rations instead of cooked meals, violating directives of the Hon'ble Supreme Court of India.**

  (Para 1.4.11.9)

- **In 150 test-checked schools, *pucca* kitchen sheds were not available in 130 (87 *per cent*) schools; drinking water facilities in 35 (23 *per cent*) schools;**

gas-based *chullahs* in 148 (99 *per cent*) schools; and cooking utensils in 9 (6 *per cent)* schools.

(Para 1.4.12.1 and 1.4.12.2)

- **During the period 2009-14, there were persistent savings ranging from 1 per cent to 32 *per cent*.**

(Para 1.4.15.3)

- **From 2009 to 2014, there were delays ranging upto 21 months in release of Central assistance by the State Government to the Nodal Department.**

(Para 1.4.15.4)

- **The State Government did not contribute its share, aggregating to ₹ 12.93 crore (63.69 *per cent*), towards Conversion Costs, Honorarium to cooks-cum-helpers and MME costs.**

(Para 1.4.15.6)

- **There were deficiencies in meetings of the State, District and Block Level Monitoring Cells to monitor implementation of the scheme.**

(Para 1.4.16.2)

- **Findings of evaluation studies conducted by an Independent Agency to assess the impact of the scheme were not discussed by the State SMC to address the deficiencies pointed out in the Evaluation Reports.**

(Para 1.4.16.3)

1.4.1 Introduction

The Government of India launched the ***'National Programme of Nutritional Support to Primary Education (NPNSPE),'*** commonly known as the Mid-Day Meal (MDM) Scheme on 15th August 1995, as a Centrally Sponsored Scheme for primary school children (Classes I to V) in Government, Local Body and Government-aided schools. The scheme was renamed as ***'National Programme of Mid-Day Meals in Schools'*** from September 2007. It was also extended (October 2002) to children studying in Education Guarantee Scheme (EGS) and in Alternative & Innovative Education (AIE) Centres.

MDMS was further extended (April 2008) to recognized *Madrasas/Maqtabs* supported under Sarva Shiksha Abhiyan (SSA) as Government-aided Schools and *Madrasas/ Maqtabs* which did not have to be registered or recognized. These were, however, supported under SSA as EGS/AIE interventions in co-ordination with State Project Directors of SSA.

The scheme was extended to the Upper Primary Stage in educationally backward Blocks from 2007-08 and across the country from 2008-09.

The scheme was initially implemented in the State by issuing dry rations to each child @ 3 kg. per month for 10 months a year. In December 2004, the Guidelines were revised, wherein it was emphasized that cooked meals with a minimum of 300 calories and 8-12 grams of protein content was to be provided. Assistance for management, monitoring and evaluation was also provided.

The revised Guidelines, with effect from September 2006, made it mandatory that cooked meals be served to eligible children with a calorific content of 450 calories, protein content of 12 grams and adequate quantities of essential micronutrients and de-worming medicines. The calorific value of the mid-day meal for the Upper Primary stage was fixed at 700 calories and 20 grams of protein.

Central support was provided by way of supply of free food grains through the nearest FCI Godown @ 100 grams/150 grams per child per school day in Primary/Upper Primary schools. The GoI also provided funds for cooking costs, financial assistance for construction of kitchen sheds-cum-stores, purchase of kitchen devices, transportation cost of food grains and expenditure on Management, Monitoring and Evaluation (MME).

1.4.2 Objectives of the revised Scheme (September 2006)

The objective of the scheme sought to address two of the most pressing problems for the majority of children in India, namely, hunger and education, by:

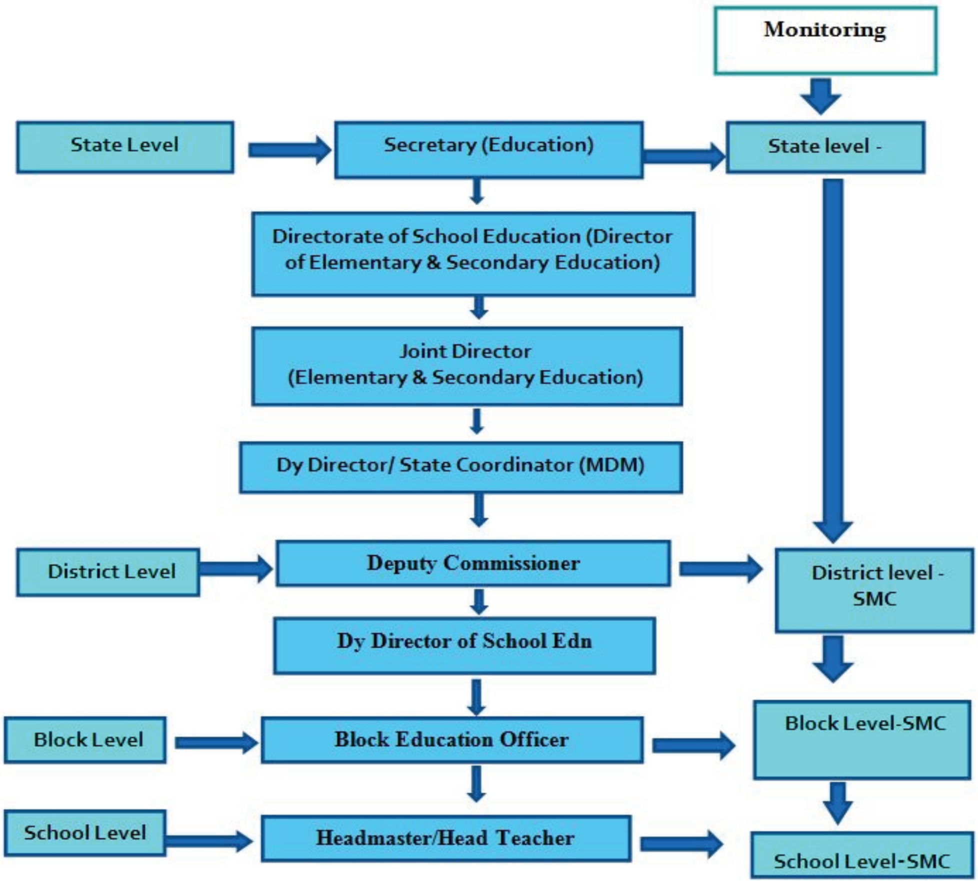
- Improving the nutritional status of children in Classes I to VIII in Government, Local Body and Government-aided schools, EGS and AIE Centres;
- Encouraging poor children belonging to disadvantaged sections to attend school more regularly and helping them to concentrate on classroom activities; and
- Providing nutritional support to Primary school children in drought affected areas during summer vacations.

1.4.3 Organizational Set-up

The Secretary to the Government of Arunachal Pradesh, Education Department, is the head of the MDM Programme in the State. The Director of School Education (DSE) is the State Level Nodal Officer (SNO) responsible for planning, implementation and monitoring of the programme. He is assisted by the Joint Director (Elementary & Secondary Education) and the Deputy Director/State Co-ordinator (MDM). The Deputy Commissioner (DC) of each District acts as the District Nodal Officer (DNO). He is assisted by the Deputy Director of School Education (DDSE) and Headmasters of respective Schools/EGS/AIE Centres.

The Organizational set-up for implementation of the MDM Programme in the State is depicted in the Flow Chart below:

Chart-1.4.1



1.4.4 Scope of Audit

The Performance Audit of the scheme 'National Programme of Mid-Day Meals in Schools,' covering the period from 2009-10 to 2013-14 was conducted from August 2014 through test-check of records of the Director of School Education (DSE) and Deputy Directors of School Education (DDSE) of five *(30 per cent*) out of a total of 17 Districts *viz.*, **Papum Pare**, **East Siang, West Siang** , **West Kameng** and **Lohit**; selected by the *Probability Proportional to Size Without Replacement (PPSWOR) Sampling Method* in the 1st Stage. Besides, records of 150 Schools/Centres {20 Primary and 10 Upper Primary Schools in rural/urban areas of 4 (four) Blocks of each District} selected by the *Simple Random Sampling Without Replacement (SRSWOR) Sampling Method* in the 2nd Stage were test-checked in audit, involving an expenditure of ₹ 48.18 crore (47.69 *per cent* of the total expenditure of ₹ 101.02 crore). Results of the Performance Audit in respect of the sample Districts are discussed in the succeeding paragraphs.

1.4.5 Audit Objectives

The main audit objectives were to examine and assess whether:

- The scheme was being implemented in a planned manner to cover all eligible Primary and Upper Primary level school children;
- The scheme achieved its objective of enhancing enrolment, retention and attendance in Primary education;
- The scheme achieved its objective of improving the nutritional status of children in Primary/Upper Primary classes;
- Funds allocated were utilized in an economic and efficient manner; and
- Implementation of the scheme was being effectively monitored.

1.4.6 Performance Indicators/Audit Criteria

Audit findings are benchmarked against the criteria contained in the following sources:

- Scheme Guidelines on National Programme of Nutritional Support to Primary Education (MDM) 2006.
- Guidelines for decentralization of payment of cost of food grains to the FCI at District level under MDM (February 2010).
- Guidelines to ensure quality, safety and hygiene under MDMS (dated 22 July 2013).
- Norms framed by respective States for expenditure under MDM.
- Administrative Orders, Notifications, Circulars, instructions issued by the MHRD/State Governments/UTs.
- Annual Work Plans/Budget prepared by various States.
- General Financial Rules.
- Evaluation Reports of the scheme.

1.4.7 Audit Methodology

The Performance Audit of the scheme commenced with an ***'Entry Conference'*** held on 6th August 2014 with the Management of State Government, where the Audit Methodology, Objectives, Criteria, Scope, etc; of the Performance Audit were explained. Records of the Director of School Education (DSE) were examined and field inspections of Deputy Directors of School Education (DDSE) and 150 schools (100 rural/50 urban) implementing the scheme in the sample Districts were made.

An ***'Exit Conference'*** with the Management of the State Government was held on 21 January 2015 to discuss findings contained in the Draft Audit Report. The report was finalized incorporating the replies of the Department, wherever relevant.

1.4.8 Acknowledgement

We place on record our sincere appreciation of the Education Department, Government of Arunachal Pradesh, Director of School Education (DSE), Deputy Directors of School Education (DDSEs) and other concerned implementing agencies of the scheme in the sample Districts for the assistance in facilitating our audit.

Audit Objective:	**Whether the scheme was being implemented in a planned manner to cover all eligible Primary and Upper Primary levels**

1.4.9 Planning

Adequate planning based on information maintained at school level and aggregated in Block, District and State levels is the necessary first step to achieve objectives of the scheme as mentioned in the Guidelines. It envisages a bottom-up approach to planning. Hence, it is necessary that there is documentation of the process of plan preparation to ensure that they were prepared at school level through a participatory planning process.

In Arunachal Pradesh, for effective planning, core planning teams at different levels, consisting of different sections of society with proper representation from women groups, were formed as under:

(i) School/Village Level: School Management Committee (SMC), headed by a Gaon Bura/PRI Member;

(ii) Block Level: Committee headed by the Administrative Officer of the respective Block;

(iii) District Level: Planning Committee under the Chairmanship of the Deputy Commissioner of the respective District; and

(iv) State Level: Planning Team under the Chairmanship of the Secretary/ Commissioner (Education).

For collection of data at various levels, micro-planning processes were taken up in Districts. In this process, Block Education Officers (BEOs), Cluster Resource Centre Coordinators (CRCCs), Block Resource Centre Coordinators (BRCCs) and teachers were engaged in collection of data on school children (Age Group - 6 to 14) enrolled in various educational institutions and the actual number of Government, Local Body and Government-aided schools and EGS/AIE Centres (including Community Schools under State Plan) and *Madrasas/Maqtabs* supported under Sarva Shiksha Abhiyan (SSA) which were availing MDMS benefits.

At the Block level, the information/data collected from schools were compiled manually and were used for preparing the Block Plan. Though the data collection process at Block level was completed by September each year, computerization of the same at the District level was not done due to lack of capacity building. As such, the data required for planning purposes was obtained from the manually compiled data at Block level for preparation of Annual Work Plans and Budget (AWP&B) of concerned Districts. For preparation of AWP&B at State level, the data available in Districts and school-based data available with the Deputy Directors of School Education of each District were taken into account.

Audit also noticed following shortcomings which would impact on achieving in the objectives of MDMS:

- The Department had no data regarding the actual number of schools run by EGS and AIE Centres across the State.
- The Department did not collect or document the year-wise data of children who had attained the age for Primary education but not enrolled by conducting Household/Census/Survey. Consequently the Department did not have a reliable database to capture details of children identified and eligible but not enrolled.
- No criteria were fixed for identification of children of poor and disadvantaged sections. As such, the number of such children was not identified.

1.4.9.1 Awareness campaign

The scheme Guidelines envisaged the formulation of specific plans to create awareness about the scheme among parents of children identified and eligible but not enrolled, by way of TV, Radio, print media, *etc*.

No efforts/initiatives had been made to create awareness among the parents of the children through TV, Radio, print media, *etc.* to ensure enrolment.

This indicated that the State Government/Department had not ensured adequate dissemination of information to parents to ensure enrolment of identified and eligible children, as envisaged in the Guidelines.

1.4.9.2 Coverage of Children

Details (year-wise) of the number of children enrolled and covered under the MDMS in the State from 2009-10 to 2013-14, as per information furnished by the DSE, are shown in the following Table:

Table-1.4.1

Year	Number of Children Enrolled			Number of children covered under MDM			Percentage of Coverage		
	Primary	Upper Primary	Total	Primary	Upper Primary	Total	Primary	Upper Primary	Total
2009-10	201463	68100	269563	188418	57239	245657	93.52	84.05	91.13
2010-11	201855	70747	272602	201855	70747	272602	100.00	100.00	100.00
2011-12	201755	72476	274231	201755	72476	274231	100.00	100.00	100.00
2012-13	202620	74111	276731	202620	74111	276731	100.00	100.00	100.00
2013-14	192846	73825	266671	189060	71463	260523	98.04	96.80	97.69

Source: Departmental records

As could be seen from the above table that coverage of children under the MDMS for both Primary and Upper Primary levels *vis-à-vis* enrolment, ranged from 91.13 to 100 *per cent* during 2009-14.

However, it was noticed that enrolment of children at Primary and Upper Primary levels had declined from 2,76,731 in 2012-13 to 2,66,671 in 2013-14, *i.e.* a decline of 3.64 *per cent* in enrolment. This has to be viewed in light of the fact that no household survey was conducted during the period covered under performance audit to identify the number of children who had already reached the age for enrolment in the Primary stage but not enrolled.

During the audit scrutiny it was noticed that there was difference between the enrolment figure furnished by the Department and enrolment figure as per Sarva Siksha Abhiyan Mission (SSA), as detailed below:

Table-1.4.2

Year	Enrolment figure			Percentage of variation *w.r.t.* to SSA
	As per SSA	Of the Department	Difference	
2009-10	2,79,527	2,69,563	(-) 9,964	3.56
2010-11	2,80,858	2,72,602	(-) 8,256	2.94
2011-12	2,72,050	2,74,231	(+) 2,181	(-) 0.80
2012-13	2,60,651	2,76,731	(+) 16,080	(-) 6.17
2014-15	2,48,406	2,66,671	(+) 18,265	(-) 7.35

Source: Enrolment figures furnished by the Department & SSA figures

Scrutiny of records of five sample Districts revealed that the enrolment data in respect of Primary/Upper Primary stages and EGS/AIE Centres available at the District level was at variance with data relating to the concerned District maintained at the State Government level, as can be seen from the details tabulated below:

Table-1.4.3: State-wise & District-wise Enrolment Data

District	Level at which data provided	Year-wise Enrolment				
		2009-10	2010-11	2011-12	2012-13	2013-14
Papum Pare	State Level	38742	38692	38577	38552	35943
	District Level	38742	38692	38577	38577	35943
West Kameng	State Level	11340	11356	11170	11157	10359
	District Level	11072	11356	11165	11184	10359
East Siang	State Level	20810	21513	21176	21030	19414
	District Level	27365	27783	28197	25110	21810
West Siang	State Level	28353	28353	28173	28173	27784
	District Level	20720	28141	28173	28042	27782
Lohit	State Level	24402	24402	27578	27310	26692
	District Level	23375	24402	27578	27310	26691

Source: Compilation Sheets of District/State level data collected during field visit

As could be seen from the above table, there was wide variation in the figure of enrolment maintained at district and at State level in respect of East Siang District during entire period 2009-14 covered under performance audit. Such wide variation was also noticed in respect of West Siang and Lohit district during the year 2009-10. Reasons for these discrepancies were not found in the records of the SNO/DNO.

In view of the differences in figures, data furnished by the State Government to the GoI for allocation of funds for various interventions relating to the scheme could not be vouched for.

Scrutiny of records (Annual Work Plan and Budgets) revealed that during 2009-10, the State Government projected 2,52,197 and 78,138 children under Primary and Upper Primary stages respectively, as eligible for availing Mid-Day Meals in its Annual Work Plan and Budget. However, the GoI, curtailed the State Government's proposal and accorded approval for 1,81,349 children, (1,20,699 and 60,650 children under Primary and Upper Primary stages respectively). As the enrolment figure proposed by the State Government was inflated, the GoI was forced to curtail the allocation and allotted food grains based on the enrolment figure of previous years. The fact that enrolment figure proposed by the State Government was inflated gets confirmed by the fact that the enrolment figure projected by the State Government in the subsequent years was never in the vicinity of the enrolment figure projected in 2009-10, which reinforce the fact that the State Government had inflated the figure. Thus, the Annual Work Plan and Budget, which is the basis for allocation of resources for the implementation of the MDMS was faulty.

During Exit Conference the Department stated that the enrolment data was taken from SSA/RMSA, which was based on cluster level Manual survey. However, no digital survey was made. It was further stated that from 2013-14 the data used for planning was filtered from SSA/RMSA and was more reliable. Regarding EGS/AIE centres, it was stated that these centres had been discontinued from April 2014. It was further stated that the parents of children in Arunachal Pradesh are well aware of MDMS and did not require any awareness campaign.

The reply is not very credible in view poor literacy level of the State at 66.96 (as per 2011 Census) and poor penetration of mobile telephony, reach of rail services, road length per person and other quick methods of communication.

1.4.9.3 Coverage of Schools

The different categories of Government Schools, Government-aided schools, EGS and AIE Centres, etc. targeted by the Programme Approval Board (PAB) and actually covered between 2009-10 and 2013-14 in the State as per information furnished by the DSE are detailed in the following Table:

Table-1.4.4

Year	Total number of Schools/EGS & AIE Centres/Madrasas/Maktabs		Percentage of Coverage
	Operation in the State	Covered under MDM	
2009-10	5048	4431	87.78
2010-11	4431	4431	100.00
2011-12	4358	4358	100.00
2012-13	4228	4228	100.00
2013-14	3344	3339	99.85

Source: Departmental records

From the above table, it can be seen that the overall achievement in coverage of various institutions was between 87.78 and 100 *per cent* during 2009 to 2014.

Further, 5048 Schools/EGS & AIE Centres/Madrasas/Maktabs stated to be in operation, which were required to be covered under the scheme during the year 2009-10 was *prima facie* inflated. This fact gets confirmed as GoI imposed 50 *per cent* cut while sanctioning the funds. The number of institutions in operation for coverage under the MDMS has come down in the subsequent years was due to closing down of Education Guarantee Scheme (EGS) and Alternative & Innovative Education (AIE) Centres.

1.4.9.4 Coverage of children in drought affected areas

MDM Guidelines provided for mid-day meals to also be provided in schools during summer vacations in areas formally notified by the State Government as 'drought affected'.

However, the State Government has not yet notified any area of the State as **'drought affected'** till date of audit (November 2014).

1.4.9.5 Convergence with other Development Programmes

MDMS Guidelines envisaged that the programme should be implemented in close convergence with several other development programmes to ensure that all requirements of the programme are fully met in the shortest possible time-frame.

Various development programmes, *inter alia,* included, Sampurna Grameen Rozgar Yogana (SGRY), Basic Services for Urban Poor (BSUP), Integrated Housing & Slum Development Programme (IHSDP), Swarna Jayanti Shahri Rozgar Yogana (SJSRY), Backward Region Grant Fund (BRGF) for construction of Kitchens-cum-Store, Sarva Shiksha Abhiyan (SSA) for new school construction, Accelerated Rural Water Supply Programme (ARWSP), 'Swajaldhara' Scheme to meet water supply requirements and National Rural Health Mission (NRHM) for school health programme.

However, in Arunachal Pradesh, it was seen that the Department did not interact with or obtain inputs relating to construction of kitchen sheds, provision of drinking water, school health programmes, etc;, from concerned Departmental functionaries leading to disjointed efforts of various agencies towards the same goal.

During Exit Conference the Department stated that MDMS was implemented in close convergence with PHED in respect of water supply and NRHM in respect of Child Health. It was assured that initiatives would be taken to improve convergence with other schemes as well.

To sum up, though the children enrolled in the schools were covered by the MDM Scheme, there was no data to indicate that all eligible children (of the age group 06-14 years) were enrolled, nor were any attempt made to encourage high level of enrolment through publicity, interaction with civil society representatives and take in inputs through convergence with other similar schemes in the State.

1.4.9.6 Community Support

MDMS Guidelines envisaged that school management should be encouraged to draw support of the community. For this, Gram Panchayats and Village Education Committees may be approached for nomination of community members on a rotation basis to help the school management in ensuring efficient cooking, serving and cleaning operations. The scheme could also provide opportunities for involvement of Self Help Groups (SHGs) in management of the programme, thus ensuring that the teaching-learning process in the classroom was not affected, while SHGs would take responsibility for regular procurement, cooking and distribution.

However, it was seen that community participation was not ensured in any of the 150 test-checked schools in the sample Districts. Due to absence of community participation, teachers bore the brunt of implementing the scheme, *i.e.*, apart from taking classes and other academic activities, they were also responsible for lifting of food grains and other items from Block level stores.

The Department during Exit Conference stated that in rural areas of Arunachal Pradesh, as the women were busy in cultivation/agricultural activities, there is no/less supervision or participation in MDMS.

Audit Objective: ***Whether the scheme achieved its objective of enhancing enrolment, retention and attendance in Primary and Upper Primary Education***

1.4.10 Impact on enhancing enrolment, retention and attendance

The MDM Scheme was introduced by the GoI with the prime objective of enhancing enrolment, retention and attendance and simultaneously improving nutritional levels among children.

In Arunachal Pradesh, household surveys were not conducted during the period under performance audit to identify the total number of children not enrolled at the Primary stage, so data relating to children who had already reached the age for enrolment in the Primary stage but not enrolled, was not available with the Department.

It was also seen that the Department did not establish any system to capture data on retention/dropout rate of children in Primary/Upper Primary schools and its consolidation at State and Block levels. Thus, the impact of MDM on the dropout rate could not be analyzed in audit.

However, from information furnished by the Department it was seen that the attendance rate had increased considerably over the last five years (2009-14), which increased from 56.03 *per cent* in 2009-10 to 97.21 *per cent* in 2013-14 in Primary and 91.30 *per cent* in 2009-10 to 93.70 per cent in 2013-14 in Upper Primary level. Details of attendance in Primary and Upper Primary stages from 2009 to 2014 are shown in the following Table:

Table-1.4.5

Year	Number of School/Centres/Madarsas/Maktabs			
	Primary Level	Average daily attendance (in *per cent*)	Upper Primary Level	Average daily attendance (in *per cent*)
2009-10	3479	56.03	952	91.30
2010-11	3479	99.44	952	100.00
2011-12	3338	99.00	1020	97.53
2012-13	3193	97.64	1035	95.20
2013-14	2284	97.21	1055	93.70

Source: Departmental records

On the issue of lack of any system of data capturing on retention/drop-out rate, the Department stated that a system for the purpose existed in SSA. It was also stated that the drop-out rate of children reduced from 19 *per cent* in 2012-13 to 12 *per cent* in 2013-14. It was assured to furnish the records to substantiate the claim but the data was yet to be produced (March 2015).

1.4.10.2 Adverse impact on teaching

Out of 150 schools test-checked in Papum Pare, East Siang, West Kameng, West Siang and Lohit Districts, information furnished by the schools revealed that sufficient numbers of cooks were appointed in these schools. Except for supervision of cooking of MDM, teachers were not found engaged in cooking mid-day meals. Hence, the education aspect at primary/upper primary level was not found compromised on this account.

To conclude, from available data, it appeared that the MDM scheme did achieve the purpose of improve attendance in the schools where it was implemented. However, there was no reliable data on retention/dropout which could have helped Audit to come to a conclusion regarding these issues also.

Audit Objective: ***Whether the scheme achieved its objective of improving the nutritional status of children in the Primary and Upper Primary classes***

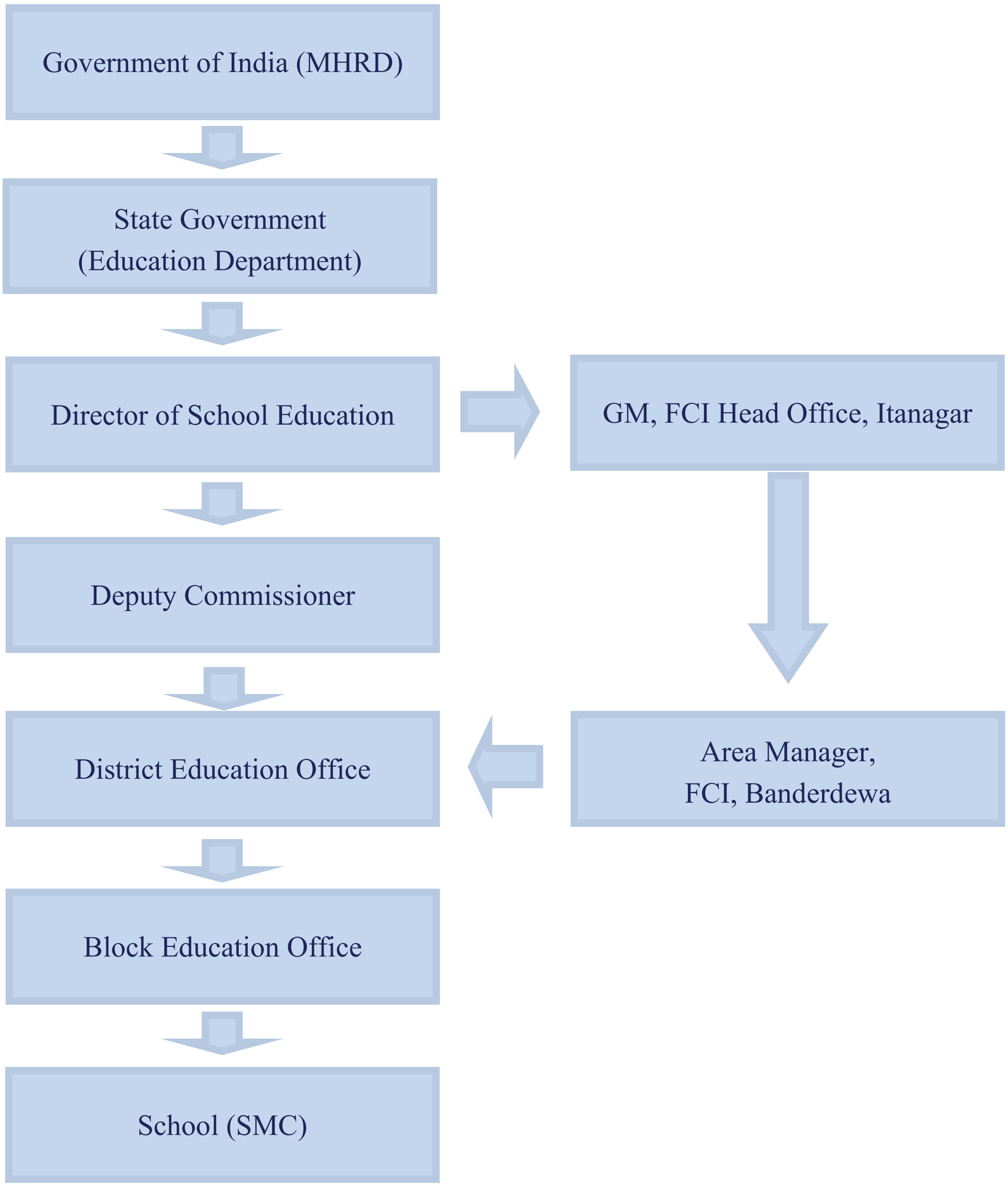
1.4.11 Food Grains Management

1.4.11.1 Allocation of Food Grains

The MDM scheme provided for supply of food grains (Rice/Wheat) free of cost by the GoI at the rate of 100 grams/150 grams per child per school day for Primary/Upper Primary students.

In Arunachal Pradesh, the food grains were allotted by the GoI on the basis of plans approved by Programme Approval Board of Mid-Day Meal (PAB-MDM). Thereafter, food grains were sub-allocated to Districts, Blocks and schools proportionately, according to the number of eligible students and school working days for the year. Allocation and flow of food grains is shown in the Flow Chart below:

Chart-1.4.2



The position of allocation, lifting and utilisation of food grains from 2009-10 to 2013-14 are detailed in the following Table:

Table-1.4.6

Year	No. of children enrolled		Food Grains Allocated (in MT)		Food Grains Lifted (in MT)		Food Grains Utilised (in MT)	
	Primary	Upper Primary	Primary	Upper Primary	Primary	Upper Primary	Primary	Upper Primary
2009-10	201463	68100	2413.98	1819.50	2413.98	1819.50	2413.98	1819.50
2010-11	201855	70747	4407.55	2280.11	3836.47	2091.90	3836.47	2091.90
2011-12	201755	72476	4399.98	2276.97	4399.97	2276.94	4399.97	2276.94
2012-13	202620	74111	4334.00	2277.00	4333.91	2276.96	4333.91	2276.96
2013-14	192846	73825	4333.27	2291.74	4311.55	2287.40	4311.55	2287.40
Total	**1000539**	**359259**	**19888.78**	**10945.32**	**19295.88**	**10752.70**	**19295.88**	**10752.70**

Source: Departmental records

As could be seen from the above table, during the period 2009-14 except in the year 2010-11 and to some extent during the year 2013-14, entire stock of food grains allotted were lifted by the State Government and distributed. During 2010-11 against the total allocation of 6687.66 MT of food grains for Primary/Upper Primary levels, the Department lifted only 5928.37 MT and during 2013-14 against the allocation of 6625.01 MT of food grains for primary/upper primary level, only 6598.95 MT were lifted. Reasons for short-lifting of food grains during the two years 2010-11 and 2013-14 was neither on the records nor stated.

Year-wise detail of number of children enrolled in primary and upper Primary Stages, quantity of food grains required (as per entitlement) *vis-a-vis* quantity of food grains lifted and utilised is shown in the Table below.

Table-1.4.7

Year	No. of children enrolled		Food Grains requirement (as per entitlement) (in MT)			Food Grains Lifted (in MT)			Short lifted (in *per cent*)
	Primary	Upper Primary	Primary	Upper Primary	Total	Primary	Upper Primary	Total	
2009-10	201463	68100	4029.26	2043.00	6072.26	2413.98	1819.50	4233.48	30.28
2010-11	201855	70747	4440.81	2334.65	6775.46	3836.47	2091.90	5928.37	12.50
2011-12	201755	72476	4438.61	2391.71	6830.32	4399.97	2276.94	6676.91	2.25
2012-13	202620	74111	4457.64	2445.66	6903.30	4333.91	2276.96	6610.87	4.24
2013-14	192846	73825	4242.61	2436.23	6678.84	4311.55	2287.40	6598.95	1.20
TOTAL	**1000539**	**359259**	**21608.93**	**11651.25**	**33260.18**	**19295.88**	**10752.70**	**30048.58**	--

Source: Departmental records

As could be seen from the table, there was a huge shortfall in quantity of food grains lifted during the years 2009-10 (30.28 *per cent*) and 2010-11 (12.50 *per cent*) *vis-a-vis* the quantity required as per entitlement. This was likely to have affected the calorific and nutritional value of MDM supplied to the children during those years. However, quantity of the short-lifted food grains has come down drastically in the subsequent years.

Scrutiny of records revealed that during 2009-10, 6,727 children of Upper Primary stage of three districts, viz., West Kameng (2,950), Upper Siang (2,964) and Anjaw (813), were not approved by the PAB. However, food grains were allocated to these districts (West Kameng - 764.52 qtls; Upper Siang - 633.40 qtls; and Anjaw - 162.28 qtls.) by the SNO from within the GoI's allocation made up to the 4th Quarter.

Scrutiny of records (at district-level) further revealed that:

- In 2009-10, against the total allocation of 618.484 MT of food grains, 604.604 MT were lifted by the DNO, Papum Pare District, resulting in short-lifting of 13.88 MT (2.24 *per cent*). The short-lifted quantity of food grains would have been sufficient for 107,623 students (75,788 Primary and 31,835 Upper Primary) for almost five days.
- In 2013-14, the total allocation of food grains was 947.70 MT and the entire quantity was lifted by the DNO, Papum Pare District, of which only 821.361 MT was utilized during the year leaving an unutilized balance of 126.33 MT (13.33 *per cent*), which was in excess of 10 *per cent* of the allocated/lifted quantity of food grains during the year. The unutilised balance was due to reduction in enrolment of 2,744 students in both Primary and Upper Primary stages during 2013-14. However, no balance stock was held at any of the Schools in the district and exact location where unutilised stock was held was neither on record nor stated. The possibility of misappropriation or theft of food grains could not be ruled out.
- During 2010-11 to 2013-14, against the total allocation of 1068.01 MT of food grains, the DNO, East Siang District lifted 1063.755 MT, resulting in short-lifting of 4.255 MT of food grains. Records pertaining to lifting of food grains during 2009-10 could not be furnished.

On the issue of short lifting of food grains in some years, in the Exit Conference, the Department attributed the same due to disruption in rail connectivity, non-co-operation of FCI authorities in not allowing lifting after/before the scheduled time. However, there was nothing on record to indicate that the State Government/the department had made efforts with the concerned authorities to overcome the problem.

1.4.11.2 Discrepancy between the Lifting Report of DSE and FCI Off-take Report

The year-wise position of food grains released by FCI and received by the Department as per its records is shown in the following Table:

Table-1.4.8

(in metric tonnes)

Year	Food grains		Difference (+) Excess/ (-) Short receipt	Percentage of (+) Excess/ (-) Short receipt
	Delivered (as per FCI records)	Received (as per Dept. records)		
2009-10	3921.150	4233.480	(+) 312.330	(+) 7.970
2010-11	6041.590	5928.370	(-) 113.220	(-) 1.870
2011-12	6808.745	6676.908	(-) 131.837	(-) 1.940
2012-13	6610.958	6610.870	(-) 0.088	(-) 0.001
2013-14	6600.949	6598.950	(-) 1.999	(-) 0.030
TOTAL	**29983.392**	**30048.578**	**(+) 65.186**	**--**

Source: Information furnished by DSE & FCI Regional Office, Itanagar

It can be seen from the above table that:

- ❖ During 2009-10, FCI delivered 3921.15 MT of food grains against the GoI's allocation of 4233.48 MT. However, as per records of the DSE, the entire quantity of 4233.48 MT of rice allocated by the GoI was shown as lifted from FCI during the year, resulting in a difference of 312.33 MT (7.97 *per cent*).
- ❖ During 2010-11 to 2013-14 as per FCI records 26062.242 MT of rice was delivered to the State. However, as per records of the DSE, only 25815.098 MT of rice was received from FCI during this period, resulting in a difference of 247.144 MTs (0.95 *per cent*). The short-receipt of food grains ranged between 0.001 to 1.94 *per cent*.

This indicated that there was no periodical reconciliation of figures between the Department and FCI regarding lifting of food grains. In absence of reconciliation, the whereabouts of 247.144 MT of food grains lifted from FCI could not be ascertained.

The Department during Exit Conference assured to reconcile the figures with FCI.

1.4.11.3 Procurement, distribution and supply of food grains

As per Paragraph 3.8 of the scheme Guidelines, as the transportation of food grains from the nearest FCI Depot to Primary and Upper Primary Schools/EGS and AIE Centres was a major logistical responsibility, State Governments were expected to make their own arrangements and where appropriate, designate a single Government/Semi-Government agency with State-wide jurisdiction and network, which was responsible for lifting food grains from FCI Godowns and delivering them to designated authorities at the Block level. The State Government also needed to make fool-proof arrangements to ensure that the food grains were delivered from the Block level to Schools/EGS and AIE Centres in a timely manner. Alternatively, Districts/Panchayats may be assigned the responsibility for different Districts/Blocks or group of Districts/Blocks in the State.

In Arunachal Pradesh, the Food Corporation of India (FCI), Regional Office, Itanagar, and its Area Manager, District Office, Banderdewa, were the primary agencies to release food grains to respective Districts for lifting in time by the District Nodal Agency (District Education Department).

The schedule of lifting of food grains and submission of FCI Bills, which was introduced in the State for timely/efficient release of funds by the SNO, is shown in the Table below:

Table-1.4.9

Sl. No.	Activity	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1.	Drawing & lifting of food grains from FCI Depot	1st to 25th June	1st to 25th July	1st to 25th Oct.	1st to 25th Jan.
2.	Submission of Bills by FCI	15th July	15th August	15th November	15th February

Source: Departmental records

From 2009-10 onwards the Deputy Director of School Education (DDSE) of each District acted as the nodal agency for drawing food grains from FCI Depots and their transportation/distribution to schools through Carriage Contractor(s) against the District-wise allocation made by the State Government/GoI.

Deputy Commissioners (DCs) of respective Districts appointed Carriage Contractors for lifting of food grains from FCI Depots and their transportation to Schools/Blocks of the respective Districts. Appointment of carriage contractors/transporters was made by the District Administration as per financial norms existing in the State.

However, the systems devised had serious lacunae in that it failed to devise a mechanism to make food grains available to schools located in interior rural areas of the districts. It only envisaged supply of food grains up to Block level instead of the door steps of schools by Carriage Contractors. As a result, teachers had to spare time in lifting food grains from the Block, which interfered with the teaching/learning process.

1.4.11.4 Transportation of food grains and cost involved

Arunachal Pradesh, being a State prone to heavy rain, faces many difficulties in transportation of food grains from District Headquarters to Blocks/Schools by road during the monsoon season due to landslides in hilly areas and floods in the foothills. In such situations, food grains are transported by head load up to the schools. The present rate (flat rate of ₹ 2600/- per MT per km) for transportation of food grains, which included incidental head-load charges from roads/transhipment points to schools, was found to be insufficient. This was the prime reason for carriage contractors to supply the food grains only up to the Block level.

In view of the above, the Department thought of making a proposal to the MHRD, GoI, for enhancement of the cost of transportation to ₹ 5,200/- per MT per km from the financial year 2014-15 onwards. However, action taken by the Department on the issue was not available in records of the SNO.

During Exit Conference the Department stated that the State Government has agreed in principle to make a formal request to GoI to increase the rate of transportation cost from the existing rate.

1.4.11.5 Quality Control of Food Grains

Revised guidelines of the scheme issued by GoI in 2006, emphasised on the quality of food grains. In Arunachal Pradesh the Deputy Commissioners of concerned Districts, assisted by an Officer from the Education Department and an Official from FCI were to ensure that quality food grains (at least Fair Average Quality) were issued from the FCI. For this purpose, prior to each release of food grains by the FCI, there should be a joint inspection by officers of the FCI and State Government. The FCI should also keep samples of such food grains supplied for three months for future verification/analysis in case of any complaint.

However, in the sample Districts, it was seen that no monitoring team was appointed by the District Administration for joint inspection by FCI and State Government officials to ensure that quality food grains were issued to the District. No Certificate was also recorded regarding quality of food grains delivered by FCI in the Consignee's Receipt in respect of the sample Districts.

Further in terms of Ministry Guidelines (July 2013), the State Government was required to engage reputed Institutes with standardized laboratories like the *Council of Scientific & Industrial Research (CSIR)/National Accreditation Board for Laboratories (NABL)* for testing food samples to ensure quality meals severed to the children.

In Arunachal Pradesh, the State Government did not engage any laboratory for testing of food samples till date of audit (November 2014).

However, from 2009 to 2014, out of 150 schools test-checked in the sampled Districts, there was not a single instance of a school returning food grains due to sub-standard quality.

The Department stated during Exit conference that the State Health Department had agreed to send samples of food grains to laboratories at Kolkata for testing.

1.4.11.6 Storage of Food Grains

It was seen that there was acute shortage of '*Stores*' for storage of food grains at the District/Block levels. Food grains had to be stored in rented buildings before distribution to respective schools. At the school level, in the sample Districts, it was seen that position of storage facilities was very poor. 130 out of 150 (87 *per cent*) test-checked schools did not have *pucca* kitchens-cum-store. It was seen during joint physical verification that in most schools the food grains were either stored in chambers of the Headmaster/Head Teacher or in class rooms. However, in a few test-checked schools it was seen that school authorities made their own arrangements for storage of food grains by pooling resources from school management funds. Following photographs taken during the joint physical verification depicting the way food grains are stored in the schools.

Food grains stored in the Headmaster's chamber in Govt. Primary School, Nirjuli, Papum Pare District; and in Classroom of Govt. Primary School, Tebo Village, East Siang District.

Own arrangements for storage of food grains in Government Middle School, G-Sector, Naharlagun, Papum Pare District; and Government Middle School, GTC, Pasighat, East Siang

The effort of school authorities making their own arrangements for storage of food grains by pooling resources from school management funds is commendable and needs to be replicated in other schools.

Buffer Stock was not maintained in any of the test-checked schools of the sample Districts due to non-availability of proper storage facilities.

Due to lack of proper storage facilities, the food grains were prone to damage by rodents, insects or moisture during the rainy seasons.

On the issue of storage problem the Department stated that the kitchens-cum-stores were constructed prior to 2009 and were in dilapidated conditions and required immediate repair. The State government was unable to take up repair work due to poor financial health and assistance from GoI is also not forthcoming.

1.4.11.7 Provision of Cooked Meal

The GoI introduced provision of cooked meals from September 2004, replacing the earlier system of issuing dry food grains. The scheme provided for serving of cooked meals on all 6 school days. For this, the State Government was required to notify specific Guidelines to ensure that a daily cooked meal of good quality was available to children without any interruption/delay.

As per the scheme Guidelines, identification of Voluntary Organizations was to be made by nodal implementing agencies to determine their suitability for supply of cooked mid-day meals for a school/group of schools. The assignment of this responsibility to NGOs could either be done by City level SMCs for towns with Municipalities or District level SMCs for all other areas.

In Arunachal Pradesh, the SNO notified (October 2009) specific Guidelines to ensure that a daily cooked meal of good quality was made available to children without any interruption/delay. However, till date of audit (November 2014), contrary to norms/ Guidelines, no NGOs were engaged by the Department for supply of meals. Meals were cooked in the schools itself.

It was seen during field visits that in almost all schools of sampled Districts, one teacher was made in-charge of MDM, who was fully involved in ensuring that quality food was served to children. The food was also tasted by the teacher before being served to the children. However, neither mothers were present to ensure that a good quality meal was served every day to children in any of the test-checked schools nor were mothers found involved in supervision of preparation of meals and feeding of children. No nutritional experts were also found involved in evaluation of menus and quality of food served. Though weekly menus were displayed in most of the sampled schools, which included one egg on three days of week, only *'Kitchiri'* was found served. Only occasionally egg was served.

1.4.11.8 Shortfall in number of feeding days

Nutritional support envisaged continuity in feeding to maintain the nutritional levels of children. In Arunachal Pradesh meals were cooked in the schools itself so that fresh and hot cooked meals could be served to children. Usually *'kitchiri'* was served to children of both Primary and Upper Primary levels.

It was seen from records that the PAB-MDM approved the following feeding days during 2009 to 2014 based on number of school days:

Table-1.4.10

Year	Number of Days MDMs Served	
	Primary	Upper Primary
2009-10	200	200
2010-11	200	220
2011-12	220	220
2012-13	220	220
2013-14	220	220

Source: Departmental records

The information provided by the School authorities of 150 test-checked schools revealed that the number of days school was open varied between 52 and 269 days. No reasons why the number of days schools were open varied was either on record or stated.

From the analysis of the information provided it was noticed that only in 10 schools out of 150 Primary/Upper Primary Schools test-checked in the sample Districts' the cooked food was served on all the school days. In 137 schools cooked meals were not served on all school days. No information was furnished by three schools.

It was also seen that during 2009-14 there was a shortfall in provision of 47,360 meals due to short receipt of 5836.72 quintals of food grains in 137 schools. A summarized position is shown in the following Table:

Table-1.4.11

(in quintals)

District	No. of Schools	Food grain requirement	Food grains short received	Shortfall in provision of No. of meals
Papum Pare	27	4472.55	430.918	2829.74
West Kameng	30	1729.352	792.135	11001.20
East Siang	27	2377.986	461.077	3563.30
West Siang	29	3604.971	2327.63	15016.90
Lohit	24	3087.254	1824.96	14949.10
Total	**137**	**15272.113**	**5836.72**	**47360.24**

Source: Departmental records

Further analysis of the data pertaining to three years *viz.*, 2010-11, 2012-13 and 2013-14 revealed that during three years period:

- On 105 occasions involving 52 schools, cooked meal was not served for more than 50 *per cent* of school days;
- On 89 occasions involving 55 schools, the percentage of schools days on which cooked meal was not served ranged between 20 *per cent* and 50 *per cent*; and
- On 44 occasion involving 30 schools, the percentage of schools days on which cooked meal was not served ranged between 10 *per cent* and 20 *per cent*.

The Evaluation report of Department of Education, Rajiv Gandhi University, Rono Hills, Doimukh corroborate the above audit finding that cooked meals were not served on all the days the school was functioning.

Admitting the finding the department during the exit conference stated that it was due to short lifting of food grains.

This had to be view in the backdrop of the fact that during these years short lifting of food grains against the requirement as per enrolment was just 2.25 *per cent*, 4.24 *per cent* and 1.20 *per cent*. As such, there was mismanagement in the allotment of food grains to the school and possible pilferage of food grains could not be ruled out.

This showed that the implementation of the Scheme in the State was not total as no cooked meal was served on all schools days in most number of schools in the five sample districts. The scenario may not be different and could be much worse as most of the remaining districts are even more remote in nature.

1.4.11.9 Issue of Dry Rations

Scrutiny of the records revealed that in 6 out of 150 test-checked schools, out of 201.24 quintals of rice issued during 2009-2014 to schools, 154.57 quintals was utilised for preparing cooked meals and the remaining 46.61 quintals was stated to have been issued as dry rations, as shown in the following Table:

Table-1.4.12

District	Schools	Year	Total quantity of rice (in qtls.)			Percentage issued as dry ration
			Received	Utilised for Cooked Meals	Issued as Dry Rations	
West Kameng	Government Secondary School, Kakaling, Bomdila	2011-12 to 2013-14	132.81	125.75	7.00	5.27
	Government Middle School, Tippi	2009-10	7.50	-	7.50	100.00
Lohit	Government Middle School, Mekaliang	2009-10, 2010-11 & 2013-14	29.88	10.05	19.83	66.37
	Government Primary School, Chongkham	2011-12 to 2013-14	17.60	10.10	7.50	42.61
	Government Primary School, Enterpathar	2011-12 & 2013-14	10.37	7.07	3.30	31.82
	Government Primary School, Thowang	2011-12 & 2013-14	3.08	1.60	1.48	48.05
Total			**201.24**	**154.57**	**46.61**	**-**

Source: Audit findings from School records

As could be seen from the above table, in 5 schools, 31.82 *per cent* to 100 *per cent* of the allotted rice was claimed have been issued as dry rations instead of serving cooked meals, in violation of the directives of the Hon'ble Supreme Court of India.

Admitting the fact, concerned School authorities stated that serving of cooked meals was disrupted due to delayed receipt of funds for cooking and hence, dry rations were issued to avoid spoilage of rice. However, they were silent on how the cooking cost which was received delayed was spent and possible misappropriation of the food grains and cooking costs could not be ruled out. Further, in absence of proof/documentary evidence of distribution of rice to children, pilferage cannot be ruled out.

Viewing the matter seriously the department stated during the Exit Conference that appropriate action would be taken against the school disregarding directives of the Hon'ble Supreme Court of India.

1.4.11.10 Kitchen Gardens to supplement MDM

During joint physical verification of schools in West Kameng District, it was noticed that school authorities of Government Middle School, Tenga, West Kameng District, had taken up a good initiative of kitchen gardens in school premises to grow vegetables and supplement the mid-day meals, as seen from the following photographs:

Kitchen Garden in Government Middle School, Tenga, West Kameng

Therefore, it is recommended that this good practice be encouraged by the SNO/DNOs and replicated in other schools wherever possible, so schools may become at least partially self-sufficient in meeting their vegetable needs, instead of solely depending on the Government for support in implementation of the programme.

The Department appreciated the recommendation of audit during the Exit Conference for highlighting the point and assured to instruct all the schools to replicate the practice.

1.4.11.11 Safety and Hygiene Specifications

MDM Guidelines stipulated that safety and hygiene standards must be set and practiced with rigour. Guidelines envisaged that special attention must be paid to the following:

(i) Provision of kitchen-cum-store should be made in each school covered under the MDMS, as absence of this facility may expose children to food poisoning, fire accidents and other health hazards. The kitchen-cum-store should be separate from classrooms, preferably located at a safe but accessible distance.

(ii) Smokeless *chullahs* should be used to the extent possible.

(iii) All cooks, helpers and other functionaries should be trained in hygienic habits, such as regular trimming of nails, washing hands/feet with soap before commencement of cooking/serving, *etc*.;

(iv) Ingredients used for cooking, food grains, pulses, vegetables, cooking oil and condiments should be stored in proper containers and should be free from adulteration/pest infestation. They should be used only after proper cleaning and washing.

(v) Cooking and serving utensils should be properly cleaned and dried daily after use.

In the 150 test-checked schools of the sample Districts, it was seen that 130 schools (87 *per cent*) had no *pucca* kitchens-cum-store. In most schools, cooking was done in spare classrooms or in makeshift kitchen sheds using firewood/ dried bamboo as fuel, exposing children to the risk of food poisoning, fire accidents and other health hazards.

While training in hygienic habits was given to all cooks, helpers and other functionaries in Papum Pare District, but the same was not done in the remaining four sample districts. Ingredients used for cooking such as pulses, vegetables, cooking oil and condiments were found stored in proper containers and free from adulteration/pest infestation in almost all the schools. However, the problem of storage of food grains (rice) was seen in most of the test-checked schools. Cooking materials were used after proper cleaning and washing under supervision of the teacher in charge of MDMS in all the test-checked schools.

Cooking and serving utensils, wherever provided, were also found properly cleaned and dried daily after use.

1.4.12 Status of infrastructural back-up

Infrastructural back up like construction of *pucca* kitchen-cum-store, gas-based *chullahs,* safe drinking water facilities, kitchen equipment/utensils, *etc.*, are vital components for smooth implementation of the scheme.

1.4.12.1 Status of construction of Kitchens-cum-Store

Scheme Guidelines envisaged that kitchen sheds/kitchens-cum-store should be constructed in all schools to facilitate cooking within the schools to ensure that fresh and hot cooked meals are served to the children.

Kitchens-cum-store constructed should be able to cater to the entire strength of school children. Further, they should be well ventilated and lit with raised platforms for cooking, along with arrangements for drainage and waste disposal.

Up to 2008-09, the cost of construction of kitchen sheds @ ₹ 60,000/- per unit was totally borne by the GoI. Norms for construction of kitchen sheds were revised by the GoI in December 2009. It was decided to construct kitchen sheds on the basis of State Schedule of Rates (SOR) and the plinth area norm prescribed by the GoI, depending on the number of students. In case of NER States, cost of construction was to be shared between Centre and States in 90:10 ratios.

In Arunachal Pradesh, no construction of kitchen-cum-store was undertaken during the period covered under audit (2009 to 2014).

However, it was revealed from records that prior to 2009-10, Kitchen Sheds were constructed according to local terrain and weather conditions. Against the physical target for construction of 4,085 kitchen sheds in eligible Schools/EGS and AIE Centres, the physical progress of completion of construction was reported as 4,084 (99.97 *per cent*), after incurring expenditure of ₹ 2,450.40 lakh (99.98 *per cent*) out of ₹ 2,450.87 lakh, sanctioned during 2006-07 to 2008-09.

In 2010-11 the GoI accorded sanction of ₹ 44 lakh for construction of 46 kitchens-cum-store. However, as the number schools came down, the requirement of kitchens-cum-store also reached saturation point. With approval from MoHRD, the sanctioned amount was then re-appropriated for replacement of kitchen devices during financial year 2012-13. The proposal for re-appropriation was flawed as a number of schools in the State either did not have a kitchen-cum-store or the kitchen-cum-store constructed earlier had deteriorated and was in urgent need of renovation. This was evident from joint physical verification exercise conducted by Audit in the sampled district.

In the 150 test-checked schools in five sample districts, it was seen during joint physical verification that *Pucca* Kitchen Sheds were available in only 20 test-checked schools (13 *per cent*) and in 63 schools (42 *per cent*) Kitchen Sheds were not constructed. The remaining 67 schools (45 *per cent*) had *kutcha* kitchens-cum-store - bamboo structures with CGI Sheet roofing, which had deteriorated and required immediate repairs, as can be seen from the photographs below:

Dilapidated Kitchens for MDM at Government Primary School, Yari Babar, Papum Pare District and Dr. Daying Ering Memorial, Government Middle School, Pasighat, East Siang District

Further, the existing Kitchen Sheds did not have any provision for ventilation, lighting, drainage or waste disposal. It was also seen during joint physical verification that in most schools, cooking was done in spare classrooms, in the open or in makeshift Kitchen Sheds, as seen below:

Meals cooked in spare classrooms in Government Middle School, G-Sector, Naharlagun and Government Middle School, Lekhi, Papum Pare District

Meals cooked in open space in Government Middle School, Mobuk and Government Upper Primary School, Oyan, East Siang District

Meals cooked in makeshift Kitchen Sheds in Government Primary School, Tippi, West Kameng District and Government Upper Primary School, Tigdo, Papum Pare District

Thus the report that kitchen sheds had been constructed in all schools except one school was incorrect. State Government needs to investigate as to how just wrong reports could be generated. Moreover, in spite of availability of funds, deteriorated kitchens-cum-store were not renovated and MDM Scheme suffered due to lack of infrastructure facilities.

1.4.12.2 Availability of kitchen devices and clean drinking water

Out of 150 Primary/Upper Primary schools in the sample Districts joint physical verification with the Departmental officials revealed that 35 Primary/Upper Primary schools representing 23 *per cent*, did not have clean drinking water facilities. In one school in Papum Pare District, it was noticed that water for MDM was used from an unhygienic spring water source. However, some schools did use hygienic water. Following photographs depict the dichotomy as it exists on the ground:

Unhygienic spring water source Government Primary School, Yari Babar

Hygienic tap water source - Government Primary School, Nirjuli-II, Papum Pare District

Only 02 schools (mere 1 *per cent*) out of the 150 test-checked schools, used gas-based (LPG) stoves for cooking meals. The remaining 148 (99 *per cent*) used fire wood. Fire extinguishers were not provided in 91 (61 *per cent*) schools. Cooking utensils were not provided in 09 (6 *per cent*) test-checked schools. As such these schools made their own arrangements of cooking utensils. In 104 (69 *per cent*) out of 150 test checked schools, eating plates were not provided. So children had to bring their own plates/lunch boxes or meals were served on leaves/paper, as seen from the photographs below:

Children eating meals in their own lunch boxes - Government Primary School, Mirbuk, Pasighat; and on paper& leaf - in Government Town Middle School, Ruksin & Upper Primary School, Mebo, Pasighat (East Siang District)

Availability of infrastructural facilities in schools was very poor and inadequate.

Accepting the audit findings the Department during the Exit Conference stated that corrective measures would be taken to provide all basic infrastructures to schools.

1.4.13 Nutritional Support

MHRD GoI issued instructions that children in Primary classes were to be provided with *Pulse-20 gms, Vegetables-50 gms, Oil-5 gms* and children in Upper Primary classes were to be provided with *Pulse-30 gms, Vegetables-75 gms and Oil-7.5 gms.*

1.4.13.1 Provision of vegetables and other nutrients

A uniform menu was introduced for the State, which included rice, dal, green vegetables and one egg thrice a week, fruit twice a week and *kitchiri* with leafy vegetables twice a week, with a calorific value of 450 KCL and 750 KCL and protein content of 12 grams and 20 grams in Primary and Upper Primary stages respectively. Weekly menu are also displayed in some of the Schools as seen in the photograph below:

Weekly Menu under MDM displayed in Government Middle School, Jollang, Papum Pare District

However, audit of sampled schools revealed that usually only *'kitchiri'* - prepared by mixing rice, some pulse (*moong/masur dal*), some edible oil and occasionally some leafy vegetables, potato, soyabean chunk or gram *(chana)* - was served to children of both Primary and Upper Primary levels. No nutritional expert was found involved in implementing and evaluation of quality of food served. It was also noticed that none of the test-checked schools maintained any register to record the calorie content of cooked meals served. Hence, the required calorie and protein content of meals served to children availing mid-day meals could not be ascertained.

Audit of records of DNO, West Kameng and Lohit District, revealed that instead of providing conversion cost directly to schools, District authorities directly supplied 'nutritional items' such as *dal*, oil, turmeric, dry chillies and salt to schools through suppliers who were selected based on tendering process. For vegetables and firewood, schools were provided 15 and 20 *per cent* of the cooking cost respectively. Records relating to purchase and distribution of pulses, oil, *etc.* centrally purchased during the years 2012-13 and 2013-14 were produced to audit and records of earlier three years covered under performance audit were not produced.

Scrutiny of the records produced for audit revealed that:

- Against the required quantity of 20 and 30 grams of pulses/*dal* in Primary and Upper Primary levels respectively, only 0.18 to 0.20 grams and 0.19 to 0.30 grams were provided in meals during 2012-13 and 2013-14 respectively.
- Similarly, against the required quantity of 5 and 7.5 grams per day of oil/fat in Primary and Upper Primary levels respectively, 1.91 to 4.13 grams and 1.71 to 5.91 grams respectively were provided during 2012-13 and 2013-14.

Audit of the records of the DNO, *Lohit* District (for the years 2010-11, 2012-13 and 2013-14 that were produced to audit) revealed that:

- in primary and upper primary levels, only 2.14 to 17.36 grams and 5.04 to 17.36 grams of *Dal* respectively were provided in Mid day meal.
- Likewise, in primary and upper primary levels, only 0.34 to 0.90 grams and 0.46 to 0.88 grams Oil/Fat respectively were provided.

Thus, the quality of food was compromised by way of providing items with less nutrient value. Reasons for depriving children of quality food was neither found on record nor stated.

During the Exit Conference the Department stated that the amount allocated per child per day under the scheme was very low, and was not sufficient to provide all the nutrients prescribed under the scheme. This was also stated to be the reason that only *'Kitchiri'* was served under the scheme.

The State Government was, however, silent about remedial measures against this inadequate provisioning and also how lit sought to overcome the funding gap.

1.4.13.2 Assessment of Nutritional Status

Guidelines envisaged that mid-day meals should also be complemented with appropriate interventions relating to provision of micro-nutrient supplements and de-worming, through administration of:

(a) 6-monthly doses for de-worming and Vitamin-A supplements;

(b) weekly Iron, Zinc and Folic Acid supplements; and

(c) other appropriate supplements, depending on common local deficiencies.

Further, only iodized/double fortified (iron and iodine) salt should be used for cooking.

Scrutiny of records in audit of the 150 test-checked schools in the sampled Districts it was noticed that iodized salt was used for cooking,. However, de-worming and other specific medication were not administered as a preventive measure to check the spread of area specific diseases among children. Moreover, no exercise was undertaken by the State Government to identify common local deficiencies that were to be addressed. Health monitoring of children by periodical weighing was also not conducted as most of the weighing equipment supplied to schools during 2006-07 were out of order.

Proper health Check-Up Registers was not maintained. As a result, it could not be ensured if there was gradual increase in / maintenance of proper body weight of children and if they were anaemic or not.

The status of under-nutrition and underweight children remained un-assessed, defeating the very objective of providing micro-nutrient supplements to children under the scheme.

The Department during the Exit Conference stated that since 2013-14 steps were taken to address the issue.

1.4.14 Dissemination of information under RTI Act

Paragraph 6.3 of the Schemes guideline envisaged display of information under the RTI Act in all schools in respect on a weekly/monthly basis regarding quantity/quality of food grains received, *etc.* Out of 150 test-checked schools in the sample Districts, the above Guidelines were not adhered to by any school.

This indicated that the implementing schools did not ensure adequate dissemination of information to the general public and also failed to ensure transparency, as envisaged in the Guidelines.

It was assured by the Department during the Exit Conference that necessary instructions would be issued to all the schools to display the required information as pointed out by audit.

Audit Objective: ***Whether funds allocated were utilized in an economic and efficient manner***

1.4.15 Financial Management

1.4.15.1 Funding Pattern

In terms of scheme Guidelines, funds released by the GoI to the State were to be released to the State Nodal Officer, who then released them to the District Nodal Officer (DNO). The DNO subsequently disbursed funds to schools, based on actual enrolment of children. Central assistance was provided to States as indicated below:

- ***Food Grains***

Supply of free food grains (wheat/rice) by the GoI @ 100 grams/150 grams per child per school day in Primary/Upper Primary levels from the nearest Food Corporation of India (FCI) Godown.

- ***Transportation cost of food grains from the nearest FCI Godown to Schools***

Reimbursement of the actual cost incurred in transportation of food grains from the nearest FCI Godown to schools, subject to the following ceiling:

(a) ₹ 100/- per quintal (revised to ₹ 125 per quintal *w.e.f.* 01/12/2009) for 11 Special Category States - Arunachal Pradesh, Assam, Meghalaya, Mizoram, Manipur, Nagaland, Tripura, Sikkim, J&K, Himachal Pradesh and Uttaranchal.

(b) ₹ 75/- per quintal for all other States and UTs.

- ***Cost of Cooking, i.e., Conversion Cost***

Cooking cost would be shared between the Centre and the NER States on a 90:10 basis. Assistance for cooking cost per child per school day was given at the following rates:

Table-1.3.13

(amount in ₹)

Period	Primary Level		Upper Primary Level	
	NER States		NER States	
	Centre	State	Centre	State
from September 2006	1.80	0.20	2.30	0.20
from December 2009	2.25	0.25	3.38	0.37
from April 2010	2.39	0.27	3.63	0.40
from April 2011	2.54	0.29	3.90	0.43
from July 2012	2.80	0.31	4.19	0.46
from July 2013	3.01	0.33	4.50	0.50

Source: Departmental records

Cooking Cost was enhanced from time to time as shown in the Table above, which was inclusive of the cost of pulses, vegetables, oil & fats, salt & condiments and fuel, but exclusive of labour and administrative charges.

- ***Infrastructure***

Assistance for construction of kitchens-cum-store in a phased manner up to a maximum of ₹ 60,000/- per unit per school. The expenditure on this component was to be shared between the Centre and NER States on a 90:10 basis.

- ***Kitchen Devices***

Assistance for provision and replacement of kitchen devices in a phased manner, at an average cost of ₹ 5,000/- per school.

- ***Honorarium to Cooks-cum-Helpers***

Honorarium of ₹ 1000/- per month as was given to cooks-cum-helpers, which was shared between the Centre and NER States on a 90:10 basis.

- ***Management, Monitoring and Evaluation (MME)***

Assistance to States/UTs for Management, Monitoring & Evaluation (MME) @ 1.8 *per cent* of the total assistance on (a) free food grains; (b) transport costs; (c) cooking costs; and (d) honorarium to cooks-cum-helpers. Another 0.2 *per cent* of the above amount would be utilised by the Central Government for management, monitoring and evaluation.

1.4.15.2 Fund Flow

In Arunachal Pradesh, for implementation of the scheme funds from the GoI along with State matching share of 10 *per cent* are obtained for budgetary support/concurrence from the State Finance Department (FD) before the funds are placed at the disposal of DDSE (DNO) of concerned Districts.

1.4.15.3 Budget Allocation & Expenditure incurred under MDMS

As per existing practice, funds were first received from the MHRD by the Finance Department of the State, which directs the concerned Department to initiate proposals for incorporation in the budget. Details of funds released by Centre and State Government, funds received by the department (both Centre and State Share) *vis-a-vis* expenditure during the period from 2009-10 to 2013-14 are as indicated in the following table.

Table-1.4.14

Year	Opening balance	Funds released		Total fund available	Funds received by the department		Total Funds Available with the depart-ment	Expenditure out of funds received from		
		Centre	State		Centre	State		Centre	State	Total
2009-10	1.00	1663.82	41.60	**1706.42**	1112.93	41.60	**1154.53**	1103.41	41.60	**1145.01**
2010-11	551.41	1985.83	99.63	**2646.87**	1702.11	99.63	**1801.74**	1539.34	99.63	**1638.97**
2011-12	845.16	2091.75	505.61	**3605.13**	2765.21	505.61	**3270.82**	2704.48	505.61	**3210.09**
2012-13	334.31	3133.42	200.00	**3667.73**	3423.73	200.00	**3623.73**	3421.81	200.00	**3621.81**
2013-14	44.00	4028.60	485.61	**4558.21**	2760.52	485.61	**3246.13**	2733.00	485.61	**3218.61**

Source: Information furnished by DSE, Itanagar

It was seen from the table that the State Government retained 1 to 32 *per cent* of available funds during 2009-14 without releasing the full amount received from the Central Government to the implementing department in any year. Reasons for short-release was neither found on records nor stated.

The Department during the Exit Conference stated that funds were provided at the fag end of the financial year which resulted in under utilisation and accumulated balances.

1.4.15.4 Delay in release of Central Assistance

According to the scheme Guidelines, the State Nodal Department needed to ensure that the State Finance Department released the Central assistance intended for the MDMS expeditiously.

The Guidelines further stipulated that if there were hierarchical delays for level-wise releases from the State level to District, Block, Gram Panchayat and School levels, the States/UT Administration may, where possible, consider electronic transfer of funds from State to Village levels through banking channels.

However, it was seen from the information furnished by the SNO, that there were delays ranging up to 21 months in release of Central assistance by the State Government to the Nodal Department and there was no delay in release of funds from the Nodal Department to Districts and release of funds from the Districts to Schools.

The reason attributable for delays in transmission of funds by the State Government to the Nodal Department and from the Nodal Department to Districts was stated to be the cumbersome process of obtaining budgetary support and concurrence/expenditure sanction from the State Finance Department, which took 2 to 3 months.

Consequently, there were delays in receipt of Conversion Cost at school levels, which was received after almost 6 to 8 months and sometimes at the end of the financial year.

The delay in release of funds by the State Government to implementing agencies had an adverse impact on implementation of scheme at school levels. Interaction with teachers during joint physical verification with Departmental officials in respect of schools implementing the Scheme in the sample Districts revealed that, in order to prevent disruption in serving MDMs, teachers procured cooking items from local stores and also made honorarium payment to Cooks-cum-helpers either by pooling resources from their own pockets or on credit basis.

This fact was also brought out in the Review Report of the 4th Review Mission on MDMS conducted by MHRD, GoI, in November 2012 and also in the 3rd Half Yearly Review Report of the independent monitoring Institution (Rajiv Gandhi University, Doimukh) conducted in October/ November 2011.

In order to streamline and simplify existing procedures to ensure speedy transmission of funds to implementing agencies, the Department mooted the proposal to the State Finance Department for introduction of ***'Green Channel Scheme,'*** which is already in operation in the Andhra Pradesh, during the current financial year. The State Government/Finance Department approval to the above proposal was still awaited till the date of audit (November 2014).

The Department during the Exit Conference stated that a proposal was submitted to the State Government for adoption of the scheme in September 2012; approval to the same however, was awaited till date (January 2015).

1.4.15.5 Expenditure for Management, Monitoring & Evaluation (MME)

As per of the Guidelines, 2 *per cent* of the cost on food grains, transportation and cooking would be available for Management, Monitoring & Evaluation (MME). This amount would be allocated to the Central Government and States/UTs in the following proportion:

(i) Central Government: 0.2 *per cent*

(ii) States/UTs: 1.8 *per cent*

States/UTs would have the flexibility to utilise 50 *per cent* of funds at various levels other than the school level for MME of the scheme, depending on the need of the State/UT. However, the remaining 50 *per cent* earmarked funds for school level expenses would have to be spent on schools.

Scrutiny of records revealed that during the period 2009-14, only ₹ 168.98 lakh was released by the Central Government towards MME against ₹ 217.83 lakh to be released. Further, the State Government released only ₹ 0.18 lakh in 2012-13 against ₹ 18.02 lakh to be released during 2009-2014 towards MME. Thus, there was short release of

₹ 48.85 lakh toward MME. Reasons for the short-release of State share were neither found on record nor stated.

It was also noticed that the entire fund available under MME in the sample Districts was spent at the District level and no fund was released for school level expenses. The impact of short-release of funds under MME was that 104 (69 *per cent*) of the test-checked schools in the sample Districts were unable to provide plates for serving meals and glasses for drinking water to children, as highlighted earlier.

1.4.15.6 Release of State Share under MDMS

Financial support available to States under the MDM Scheme was 90 *per cent* Central assistance and 10 *percent* State share. Only the food grains component was supplied free of cost by the Central Government (GoI).

As per information furnished by the Education Department, from 2009-10 to 2013-14, against the total Central share release of ₹115.15 crore (excluding cost of kitchen devices), the State Government released its share aggregating to ₹7.37 crore, leaving a balance of ₹12.93 crore yet to be released as 10 *per cent* matching State share, as indicated in the following table:

Table 1.4.15

Details of release of State Share against Central assistance (2009-14)

(₹ in crore)

Total No. of Districts	Central Share (90%) released by Ministry	State Share (10 %) to be released by the State	State Share actually released up to March 2014	Short release of State Share
17	115.15	20.30	7.37	12.93

Source: Compiled from information furnished by the DSE

It is evident from the above, that the State Government did not release its share, representing 63.69 *per cent* of the amount actually due to be released.

The reason for inability of the State Government to make its matching share available was attributed to the unsound fiscal position of the State. As a result, there were shortcomings in certain interventions as detailed in the Audit.

1.4.15.7 Avoidable expenditure of ₹ 2.11 lakh in procurement of Kitchen implements

Scrutiny of records of the DNO, *East Siang* District revealed that procurement of kitchen implements for 2009-10 (₹ 5 lakh) and 2011-12 (₹ 3.50 lakh) were made without inviting Tenders/Quotations in violation of GFR. Due to lack of tenders, the kitchen implements were procured at higher rates, evident on comparison of rates at which the items were procured during 2013-14, as detailed in the table below:

Table 1.3.16

Year	Rate of procurement (₹)					
	Aluminium Saucepan	Aluminium Bucket	Iron Oven *(Chullah)*	Steel Spoon	Container for storing	
					ingredients	Grains
2009-10	400/- per kg	400/- per kg	1000/- each	118/- each	80/- each	950/- each
2011-12	1050/- per kg	1050/- per kg	700/-each	80/- each	60/- each	1500/- each
2013-14	380/- per kg	380/- per kg	700/- each	80/- each	70/- each	1400/- each

Due to procurement of the items at higher rates during 2009-10 and 2011-12 in comparison to rates at which similar items were procured during 2013-14, there was an avoidable expenditure of ₹1.60 lakh.

It was also noticed that ₹ 50,836/- was incurred in 2011-12 on transportation of the Kitchen implements to five Blocks/ Circles of the District through a private Carriage Contractor, resulting in an extra avoidable expenditure of ₹ 0.51 lakh.

Whereas, the reasons for procurement of the kitchen implements during 2009-10 without inviting tenders was not found in the records of the DNO, the Supply Order for procurement of 2011-12 was issued to a local firm (*M/s Capital Tent House, Itanagar*) on the recommendation of then Education Minister of the State, without inviting tenders.

1.4.15.8 Maintenance of Bank Accounts under the Scheme

Paragraph 3.3 (iii) of the Scheme Guidelines stipulated that if there were hierarchical delays for level-wise releases from State level to District, Block, Gram Panchayat and School levels, the State/UT Administration may, where possible, consider electronic transfer of funds from State to Village levels through banking channels.

In Arunachal Pradesh, the mode of release of funds under MDMS being the Treasury mode, no Bank Accounts were opened in Nationalized Banks to exclusively maintain scheme funds either at the State, District, Block or School levels. It was noticed that though Conversion Costs were released to schools in cash by District authorities, none of the 150 test-checked schools had Bank Accounts to maintain scheme funds due to non-issue of specific instructions from the State Government/SNO/DNO in this regard.

Had bank account been maintained then even the funds received from GoI at the fag end of the financial year as stated by The State Government in their reply could have been transferred to these accounts and there would have been less disruption in MDM activities. The teachers would not have had to rely on credit/use of own resources, to run the basic programme.

Audit Objective: ***Whether implementation of the scheme was being effectively monitored***

1.4.16 Monitoring and Evaluation of the Programme

1.4.16.1 Establishment of Management Information System (MIS)

In terms of Paragraph 6.1 of the scheme Guidelines, a sound and reliable system of accounting procedures and reporting as well as a computer-based Management Information System (MIS) for the scheme was to be established.

The State Government of Arunachal Pradesh initiated the process to develop a web-enabled MIS in close co-ordination with the National Informatics Centre (NIC) during 2012-13. However, the Department stated (October 2014) that the above plan was abandoned as the MHRD, GoI, started the MDM-MIS Web Portal from 2012-13, and since then all School/Block/District-wise MDM data entry work was done through the MDM-MIS Web portal of GoI.

1.4.16.2 Monitoring of the Programme

The scheme provided for formation of Steering-cum-Monitoring Committee (SMC) at the National, State, District and Block levels for monitoring & co-ordination and initiating remedial action on reports of independent functionaries. The State level SMC was to meet at least once every 6 months and District/Block level SMCs were to meet at least once a month.

Chief Secretary/Additional Chief Secretary/Development Commissioner is the Chairman of State level SMC and Principal. Secretary/Secretary School Education is Member Secretary.

Scrutiny of records revealed that between 2009-10 and 2013-14; only during the year 2012-13 two meeting were held as envisaged and no meeting was held during the year 2010-11. In the remaining years only one meeting was held.

The following important decisions were taken in the State level SMC Meetings.

(a) Registration of a Society for operation of Bank Accounts to maintain Scheme funds;

(b) Maintenance and renovation of existing Kitchens-cum-Store through convergence;

(c) Co-ordination with the Health Department for timely conduct of health check-ups at school level;

(d) Adequate release of State Share on priority basis;

(e) Introduction of 'Green Channel Scheme' for early release of MDM funds;

(f) Enhancement of transportation cost of food grains; and

(g) Supply of supplementary minerals like Iron Folic and De-worming tablets to schools.

However, follow-up actions to the above decisions taken during State level SMC Meetings were pending till the date of audit (November 2014).

At district level, DC is the chairman of the District level Steering cum Monitoring Committee and DDSE is Member Secretary. At block level, Sub-Divisional Officer/Block Panchayat Officer is the chairman of the Block level Steering cum Monitoring Committee and Block Education Officer being Member Secretary.

As against norm at least one meeting per month at district level, scrutiny of records revealed that in five sample districts (a) no meeting was held in West Siang and East Siang districts during the entire period 2009-14, (b) in West Kameng only one meeting was held during the year 2012-13, (c) in Lohit district only two meeting was held during the year 2012-13 and 2013-14 and (d) in Papum Pare district three meeting were held during the year 2013-14 and no meeting was held in 2012-13 and only one meeting was held during the remaining years.

The position was no different in the block level. In most of the blocks in the sample districts no meeting were held in the entire period. This could be perceived from the fact that against 1200 meeting to be convened over a period of five years in 20 sample blocks (four each in five sample districts) only 37 meetings were held.

Reasons for the shortfall in convening SMC meetings at the State, District and Block levels as per prescribed norms were not found in records of the SNO/DNO. While the concerned authorities responsible for conveying the meeting of SMC at District and Block level were negligent in discharging their duty of conveying the meeting of SMC as per prescribed periodicity, whereas at the State level the Secretary of School Education Department, Government of Arunachal Pradesh being State Level Nodal Officer for implementation of MDM Scheme also failed to ensure that proper monitoring at regular interval were carried at District and Block level.

Non-convening of SMC Meetings at the State, District and Block levels, as pointed out above, defeated the very purpose of securing accountability at various levels of programme implementation.

Admitting the audit finding the Department during the Exit Conference assured that steps would be taken to hold SMC meetings to monitor the scheme as per norms.

1.4.16.3 Programme Evaluation

The Department assigned the work of Programme Evaluation in the State to the *Dean, Department of Education, Rajiv Gandhi University, Rono Hills, Doimukh*. The University undertook monitoring and submitted its findings. Some of the major findings were as indicated below:

(a) MDM is not served on all the schools days. Generally, MDM is provided on two to three working days,

(b) The schools were facing problem in relation to the availability of cooking cost in time. Also, problems were noticed in the delivery of food grains at the school level.

(c) The quality of food was found just average. The micronutrients are not being provided in any of the schools.

(d) The status of kitchen was not satisfactory and needed repair or had to be constructed newly.

However, no Action Taken Report(s) (ATNs) on remedial measures taken up to redress the deficiencies pointed out in the Reports at State/District levels was produced.

Besides the above, the Department entrusted the responsibility of internal monitoring/evaluation of scheme implementation in the State to the *State Council of Educational Research & Training (SCERT)* and the *District Institutes of Education & Training (DIETs).*However, no Evaluation Report has been submitted by these Institutions to the SNO till date of audit (November 2014).

1.4.16.4 Regularity in monitoring of programme Implementation and its impact

As per Paragraph 6.2 of the scheme Guidelines, the Mid-Day Meal Programme would need to be monitored to assess:

(i) Programme parameters, namely, the manner in which the programme was being implemented in terms of all children regularly getting a meal of satisfactory quality, and

(ii) Impact parameters, namely, the effect, if any, on improving the nutritional status of children, regularity of attendance and retention and completion of Primary Education.

On an average, at least 25 *per cent* of Primary/Upper Primary Schools and EGS/AIE Centres should be visited every quarter, and all Primary/Upper Primary Schools and EGS/AIE Centres should be visited at least once a year.

States were to evolve suitable formats for Questionnaire (Data Capture Form) to be filled by officials during field visits. Findings should be documented and reported in SMC Meetings at all levels. Suitable remedial/corrective measures should be initiated without delay.

In Arunachal Pradesh, the State Government appointed two Joint Directors and one Deputy Director of School Education for overall monitoring and supervision of schools in the State. Besides, District Education Officers (DSEs) have been instructed to conduct inspections of schools and supervise and monitor all Flagship Programmes, including the MDM Scheme. Block Education Officers are required to inspect at least 10 schools under their Blocks and submit Performance Reports.

During audit it was seen that on-line MDM software for monitoring did not exist at the Block level.

The position of inspection of schools in the State during last three years of the period covered under performance audit (i.e., 2011-12 to 2013-14) was 100 *per cent*. However, it was noticed that Inspection Reports were neither prepared nor submitted to the SMCs. This implied that findings during inspections were not documented and reported in SMC Meetings at any level for taking suitable remedial/corrective measures.

The Department stated during the Exit Conference that a format "*Surprise Inspection Report*" was developed for the purpose and regular inspection were conducted by authorities. It was further assured that documents in this regard would be furnished to audit to substantiate the claim.

1.4.16.5 Establishment of Grievance Redressal Cell

As per the scheme Guidelines, a grievance redressal mechanism was required to be established at the State and District levels to address and resolve complaints.

A ***'Grievance Redressal Cell'*** was set up at the State level in the Directorate of School Education and at the District level in the office of the District Education Officer of the 16 Districts implementing the programme. At the State level, the Nodal Officer (MDM) and State Co-ordinator (MDM), and at the District level, the Deputy Director of School Education (DDSE) and District Co-ordinator (MDM) have been appointed as Grievance Redressal Officers and Co-ordinators to address and resolve complaints, as and when received. Follow-up action is taken up at State/District level on the basis of suggestions made by stakeholders such as NGOs, Student Organizations and PRIs for improvement of scheme implementation.

In the State, a Toll Free Telephone number was installed and dedicated for public utility to address complaints pertaining to scheme implementation. However, on scrutiny, it was found that the telephone number was not working, which defeated the intended purpose. Further, the State did not had another grievance redressal mechanism such as through e-mail, social media, etc in place.

The Department during the Exit Conference stated that due to financial crunch the toll free telephone connection could not be made functional.

1.4.16.6 Submission of periodic Reports/Returns

In terms of the scheme Guidelines, the State Nodal Department was required to furnish Progress Reports on the scheme to the MHRD as per the time schedules indicated in the following Table:

Table-1.4.17

Sl. No.	Title of Return	Due date for receipt in the Ministry
1.	Monthly Report on off-take of food grains	15^{th} of the following month
2.	Quarterly claim towards Transport Subsidy	15^{th} of the month following the Quarter
3.	Quarter Progress Report (QPR)	Within one month from the end of the Quarter

The QPR, *inter alia,* included information on coverage of children, progress of provision of infrastructure and unspent balances of Central assistance at the end of the quarter.

However, it was, noticed that there were delays in submission of QPRs from 2009 to 2014, which ranged from 01 to 110 days.

Other reports/returns were regularly submitted on-line.

On the issue of delay in submission of QPRs, the Department during the Exit Conference attributed the same to poor connectivity and communication problems.

1.4.16.7 Maintenance of records of MDMS at School level

The major area of concern in implementation of the scheme in the State is poor maintenance of records at school levels.

Scrutiny of records of 26 out of 30 schools (76 *per cent*) in East Siang, 7 out of 30 schools (23 *per cent*) in West Siang and 6 out of 30 schools (20 *per cent*) in West Kameng District revealed that schools did not maintain essential records Viz., Daily Attendance Registers recording details of children availing MDM, Stock Books for food grains/other cooking items, Cash Books for cooking costs, honorarium to Cooks-cum-

Helpers, etc. In the absence of such vital records, proper and uninterrupted implementation of MDM scheme could not be ascertained. Failure to maintain essential records also indicated that no/inadequate training was imparted to school authorities for proper maintenance of scheme related records. In the remaining two districts viz. Lohit and Papum Pare the required records were being maintained properly.

While viewing the same seriously the Secretary to the Department during the Exit Conference assured that strict action would be taken against the defaulting schools.

1.4.17 Conclusion and Recommendations

1.4.17.1 Conclusion

The success of a scheme funded through Central assistance essentially depends on effective implementation of scheme activities, regular monitoring and efficient financial management. There were inadequacies in all these three key aspects, as brought out in this Report.

Implementation of scheme was not satisfactory, given that it did not achieve its objective of providing nutritious meals to eligible children and improve their enrolment and retention levels. Major hurdles in implementation of the scheme were the inability to utilize available food grains, delays in transmission of funds through the hierarchical chain to implementing agencies and non-release of State share in time. The nutritional status of children was not addressed and infrastructural facilities in schools were inadequate. The monitoring system was deficient due to irregular SMC Meetings at Block/District/State levels and the absence of reliable centralized data on retention/dropout rates of children of Primary/Upper Primary Stages.

1.4.17.2 Recommendations

- ***The State Government should ensure preparation of Annual Work Plans & Budget (AWP&B) with authenticated inputs and ensure strict compliance to all pre-requisites, especially reliable data on enrolment, attendance and coverage of students.***

- ***The State Government needs to streamline and simplify existing procedures to ensure timely transmission of funds to implementing agencies.***

- ***State share of matching funds should be released component-wise to facilitate proper implementation of the scheme.***

- ***Requirement of food grains should be assessed on basis of reliable inputs from the school level. Allotted quantities food grains should be lifted and distributed on a timely basis.***

- ***Basic infrastructure facilities should be provided on a priority basis in all schools.***

- ***The monitoring mechanism and supervision of the scheme should be strengthened and enforced effectively at all levels so as to secure accountability at various levels of programme implementation.***

- ***Wide publicity must be given by the State Government to the programmes implemented under the scheme to enhance transparency and awareness about the scheme.***

- ***Impact studies/surveys must be undertaken more vigorously, especially with reference to achievement of outcomes. Deficiencies pointed out need to be addressed on priority for effective implementation of the Scheme.***

COMPLIANCE AUDIT PARAGRAPH

Department of Rural Development

1.5 Doubtful distribution of construction material and irregular expenditure

Under the IAY Scheme, the claimed distribution of 203.79 MT of CGI Sheets worth ₹ 142.86 lakh by the BDO, Dumporijo to 419 beneficiaries was doubtful as supposed beneficiaries names were not found in the BPL List/IAY Wait List. Besides, unauthorized Carriage Charges of ₹ 29.78 lakh for CGI Sheets was incurred by the PD, DRDA, Daporijo.

India Awaas Yojana (IAY), a flagship scheme launched by the Government of India with the objective of helping rural Below Poverty Line (BPL) People in New Construction (NC) of dwelling units and Up-gradation (UG) of unserviceable *kutcha* houses by providing financial assistance at a ceiling rate of a) ₹ 48,500 for New Construction and ₹ 15,000/- for Up-gradation of unserviceable houses.

In Arunachal Pradesh, construction materials like CGI Sheets are procured centrally by the Project Director (PD), District Rural Development Agencies (DRDAs) and distributed to beneficiaries through respective Block Development Officers (BDOs) for value equivalent to the assistance eligible to beneficiaries under the scheme.

IAY implementation guidelines provided that District Panchayat/Zilla Parishad and District Rural Development Agency (DRDA) would decide on the number of units to be constructed/upgraded (Panchayat-wise) during a particular financial year. The allocations made and targets fixed would be intimated to Gram Panchayats concerned. Accordingly, beneficiaries would be selected from the permanent IAY Wait List prepared on the basis of the BPL List, in order of seniority.

Scrutiny (February 2014) of records of the PD, DRDA, Daporijo, and BDO, Community Development (CD) Block, Dumporijo, revealed that:

a) The PD issued a total of 263.17 MT of CGI Sheets (Size: 10 x 3 ft; thickness: 0.63 mm) - 79.98 MT in 2011-12 and 184.19 MT in 2012-13 – valued at ₹ 184 lakh (@ ₹ 70104.40 per MT) under the Scheme to the BDO, Dumporijo, through Challans, though the BDO made no indent for the requirement. No supporting beneficiary list (out of the wait list) selected for distribution was also available with the PD. However, during the scrutiny of records it was noticed that out of the stock issued from 2011 to 2013, 11,713 CGI Sheets (231.68 MT),[2] were

[2] *Standard weight per sheet (Size 10′ x 3 ft. and 0.63 mm thickness) = 19.78 kg. 11,713 Sheets x 19.78*

issued to 475 beneficiaries with receipts, leaving a balance of 31.49 MT (263.17 MT – 231.68 MT), valued at ₹ 22.07 lakh.

Cross-verification of distribution records and receipts with BPL List/Wait List of the Block disclosed that only 1410 CGI Sheets (27.89 MT) valued at ₹ 19.55 lakh were distributed to 56 *bonafide* beneficiaries as per the BPL List, which was indicated by the BPL Serial numbers in the receipts. The claim of the BDO that the remaining quantity of 10,303 CGI Sheets (203.79 MT),[3] valued at ₹ 142.86 lakh were distributed to the remaining 419 beneficiaries (NC: 225 & UG: 194) was unfounded, as names of the supposed beneficiaries did not exist in the BPL List/Wait List and the BPL Serial numbers were not indicated in the receipts. Thus, actual distribution of the CGI Sheets was doubtful.

b) IAY Guidelines did not provide for expenditure on transportation of material out of scheme funds. However, the Planning Department allowed (April 2008) for carriage of CGI Sheets only from the nearest depot to the District Headquarters @ ₹ 10/- per MT/km. Scrutiny of records of DRDA, Daporijo, revealed that between 2010 and 2013 the PD incurred unauthorized expenditure of ₹ 27.98 lakh out of IAY funds, being Carriage Charges of 1904.53 MT of CGI Sheets from District Headquarters to nine CD Blocks. Had the unauthorized expenditure of ₹ 27.98 lakh on Carriage Charges not been used incurred, either 58 more beneficiaries could have been provided financial assistance under new construction by using this amount.

The matter was reported to the Government in August 2014; and their reply is awaited (March 2015).

[3] *10,303 Sheets x 19.78*

Chapter - II
Economic Sector

CHAPTER II: ECONOMIC SECTOR

2.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2014 deals with the Audit findings of State Government units under the Economic Sector.

During 2013-14, total budget allocation of the State Government under the Economic Sector was ₹2254.82crore, against which the actual expenditure was ₹1789.99 crore. Details of Department-wise budget allocation and expenditure are given in Table 2.1.1 below**:**

Table-2.1.1

(₹ in crore)

Sl. No.	Department	Total Budget Allocation	Expenditure
1.	Industries	37.14	33.98
2.	Textile & Handicrafts	34.68	31.37
3.	Tourism	76.31	52.15
4.	Rural Development	82.09	80.85
5.	Co-operation	20.91	19.48
6.	Agriculture	130.06	105.62
7.	Horticulture	48.34	47.51
8.	Animal Husbandry	102.88	101.18
9.	Fisheries	29.63	29.85
10.	Research	16.55	16.12
11.	Science & Technology	6.30	5.54
12.	Public Works	381.21	287.34
13.	North Eastern Areas	114.56	90.20
14.	Environment & Forests	346.25	161.84
15.	Transport	85.67	83.83
16.	Power	484.14	445.07
17.	Water Resources	247.23	188.15
18.	Geology & Mining	10.87	9.91
Total		**2254.82**	**1789.99**

Source: Appropriation Accounts 2013-14

Besides this, the Central Government transferred a sizeable amount of funds directly to Implementing Agencies under the Economic Sector to different Departments of the State Government. Major transfers for implementation of flagship programmes of the Central Government are given Table-2.1.2:

Table-2.1.2

(₹ in crore)

Scheme/Programme	Implementing Agency	Amount of funds transferred during the year
Information Publicity & Extension	A.P. Energy Development Agency	0.92
OFF Grid DRPS	A.P. Energy Development Agency	6.79
Aajeevika	A.P. State Rural Livelihood Mission	3.58
DRDA, Administration	DRDAs	13.00
Integrated Watershed Management Programme (IWMP)	SLNA, AP and DRDAs	112.34
Mahatma Gandhi National Rural Employment Guarantee Scheme	DRDAs	158.53
Pradhan Mantri Gram SadakYojana	Rural Development Department	8.00
National Project for Cattle & Buffalo breeding	A.P. Livestock Development Society	4.38

Source: Central Plan Scheme Monitoring System (CPSMS)

2.2 Planning and Conduct of Audit

Audit process starts with the assessment of risks faced by various Departments of the Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of Departments.

Audits were conducted involving expenditure of the State Government amounting to ₹ 790.78 crore under the Economic Sector. The report contains eight Compliance Audit Paragraphs.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the Heads of Departments. The Departments are requested to furnish replies to the audit findings within one month of receipt of Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations arising out of Inspection Reports are processed for inclusion in the Audit Report, which is submitted to the Governor of the State under Article 151 of the Constitution of India.

Major observations detected in Audit during 2013-14 pertaining to the Economic Sector (other than Public Sector Undertakings), are discussed in subsequent paragraphs of this Chapter.

COMPLIANCE AUDIT PARAGRAPHS

Public Works Department

2.3 Doubtful/Excess expenditure on carriage of material by head load operation

Executive Engineer, Public Works Department, Mechukha Division admitted the doubtful claim for carriage of 33.26 MT steel fabricated plates which led to payment of inadmissible head load charges of ₹ 22.36 lakh. Further, an excess expenditure of ₹ 48.61 lakh was incurred on head load charges due to allowing higher rate while making payment. As a result, abutment work of the bridge was not executed raising doubt about the construction of the bridge itself.

The Government of Arunachal Pradesh accorded (September 2011) administrative approval and expenditure sanction of ₹ 1.99 crore for the work - ***'New construction of Porter Tracks, Foot Suspension Bridge, Log Bridge on strategically important Border Tracks leading to Indo-China Border (SH: Maintenance of existing and construction of new Porter Tracks and Foot Suspension Bridges/log bridges for Border Patrol of Security forces)'***. The project was taken up to improve and construct Porter Tracks, Foot Suspension/Log Bridges and Ladders considering the geographical and strategic importance of the area. Mechuka is situated in an isolated high altitude location. Connectivity to villages and Border Out-posts are generally through porter tracks only. Some tracks leading to the international border need to be constantly maintained for patrolling and logistic movements. Looking into the needs of military forces like Army, ITBP, etc. the Government earmarked the fund for this project.

The project was funded through 'Special Plan Assistance' from Government of India. Provisions for main items of the work were (a) Construction of Iron Bridge with 3 feet wide steel plates (252 m) - ₹ 166.15 lakh (b) Construction of ladders with steel plates (56 m) - ₹ 14.97 lakh, and (c) Improvement of Porter Tracks (64.50 km) - ₹ 11.24 lakh. The estimate provided ₹ 8.98 lakh for Carriage Charges by head load 59.09 MT steel fabricated plates (49.94 MT under Iron Bridge with steel plates and 9.15 MT under ladder with steel plates) to work-site locations. The rate for carriage by head load was provided @ ₹ 0.40 per km/kg for an average lead of 38 km.

Scrutiny (September 2014) of records of the Executive Engineer, PWD Mechukha Division, revealed that the work was stated to have been completed in March 2013 at a total cost of ₹ 2.12 crore, which included ₹ 62.09 lakh[1] towards head load carriage

[1] 30.51MT @ ₹ 0.40 per kg/km for ₹ 4.62 lakh; and 61.84 MT @ ₹ 2.60 per kg/km for ₹ 57.47 lakh;

charges of 92.35MT of fabricated steel plates from the road site to work site locations. Further scrutiny revealed that:

- The fabricator (M/S B.W. and Co, Pasighat) delivered (February - March 2013) 59.09 MT of fabricated steel plates. Thus, the unfounded excess quantity of 33.26 MT (92.35 – 59 .09 MT), claimed to have been carried by head load, for which payment of ₹ 22.36 lakh (worked out at average rate of ₹ 0.6723 lakh[2] per MT) was doubtful.
- Besides, out of 92.35 MT, head load charges for 30.51 MT was paid @ ₹ 0.40 per kg/km as per estimate provision. But without any authorisation or recorded reasons, for transportation of the remaining quantity of 61.84 MT by head the payment was made a higher rate of ₹ 2.60 per km/kg, incurring excess expenditure of ₹ 48.61 lakh.
- Further, the abutment work of the bridge, for which there was a provision of ₹ 80.46 lakh in the estimate, was not executed at all. Thus, construction of the bridge was doubtful.

The matter was reported to the Government in October 2014; The reply is awaited (March 2015).

2.4 Failure to exercise due diligence leading to extension of undue benefit to contractors

Executive Engineer, PWD, Kanubari failed to exercise due diligence while awarding the work by overlooking the huge difference in the rates quoted by two contractor for the similar items work being executed at same time in close vicinity. As a consequence, higher rates were allowed to the contractors and resulted in undue benefit of ₹ 40.68 lakh to the contractors.

The Government of Arunachal Pradesh administratively approved (June 2012) and released funds of ₹ 2.70 crore for the works – *'Construction of Kanubari Township Road'* Group-I (Estimated cost: ₹ 2 crore) and Group-II (Estimated cost: ₹ 1 crore). The scope of works included construction of WBM, Slab Culvert, *Pucca* Drain, and MS Railings. Estimates for the works were based on Arunachal Pradesh Schedule of Rates (APSR), 2010. The estimate for the work was prepared by the Executive Engineer, PWD, Kanubari.

The works were awarded (March 2013) on tender basis to M/s SK Enterprises for Group-I and to Sri Honpa Tishkhatra for Group-II. The tender was finalized and

[2] ₹ 62.09 lakh/92.35 = ₹ 0.6723 lakh

Technical Sanction of the estimate was accorded by the Superintending Engineer, Jairampur PWD Circle.

Section 19.4.3 of CPWD Manual Vol-II provides that the tender accepting authority was to satisfy itself about the reasonability of rates quoted by contractors, and variations may be allowed for particular situations and special circumstances, indicating recorded reasons. It further provides that the tender accepting authority, while deciding the tenders, may refer to tenders of similar nature of works called within a period of last three months, *i.e.* works similar in nature, quantum, specifications and locations which are very close.

Scrutiny (July 2014) of records of the Executive Engineer, PWD, Kanubari revealed that though the tender for both the Group of works were finalised on the same day (16 March 2013) and both the works were to executed in the close proximity, there was variation in the rates allowed to two contractor for similar items of work.. No reasons were on record as why such variation was allowed. While a little variation in the rates allowed to two contractors for execution of similar items of works is understandable, huge variation without proper explanation on record was not justifiable.

- The rates allowed to the contractor of Group-I in respect of certain items were higher than those allowed to the contractor for Group-II for similar item for work. Items in respect of which variations were in excess of 10 *per cent* are tabulated below: This led to extension of undue benefit of ₹ 20.53 lakh to the contractor of Group-I, as detailed below:

Table 2.4.1

(Amount in ₹)

Items of Works	Quantity executed by Group-I	Rate allowed to Group-I	Rate allowed to Group-II	Difference (3 - 4)	Excess Amount (2 x 5)
1	2	3	4	5	6
WBM-II	575.14 cum	3,030	2,700	330	1,89,796
WBM-III	575.14 cum	3,220	2,850	370	2,12,802
Storm Water Drain					
Earthwork in Excavation of Soil	748.33 cum	192	145	47	35,172
Providing & laying of Cement Concrete 1:4:8	105.53 cum	5,750	3,300	2,450	2,58,548
Providing & laying of Cement Concrete 1:3:6	215.91 cum	6,200	4,250	1,950	4,21,025
Reinforced Cement Concrete in Suspended Flows, Roofs & Landing	76.73 cum	7,820	6,050	1,770	1,35,812
20 mm Cement Plaster	1918.80 sq. m	238	210	28	53,726

Items of Works	Quantity executed by Group-I	Rate allowed to Group-I	Rate allowed to Group-II	Difference (3 - 4)	Excess Amount (2 x 5)
MS Railing					
Excavation of Soil by Manual Means	171.00 cum	272	210	62	10,602
Pucca Drain					
Earthwork in Excavation of Soil	360.00 cum	192	145	47	16,920
Providing and laying of foundation & Plinth Cement Concrete	60.00 cum	5,750	3,300	2,450	1,47,000
Half Brick Masonry	1000.00 sq. m	895	600	295	2,95,000
Total					**20, 53,380**

- Likewise, in respect of few items the rates allowed for the contractor of Group-II were higher than the rates allowed to the contractor for Group-I. Two items in respect of which huge variations (77 and 131 *per cent*) were noticed are indicated in the following table. This led to extension of undue benefit of ₹ 20.15 lakh to the contractor of Group-II, as detailed below:

Table 2.4.2

Items of Works	Quantity Executed	Rate allowed for Group-II	Rate of Group-I	Difference (3 - 4)	Excess Amount (2 x 5)
1	2	3	4	5	6
Storm Water Drain					
Centring and shuttering including strutting	1502.20 sq. m	410	232	178	2,67,392
MS Railing					
Tubular Steel Railing on Medium Weight Steel	950 m	3,240	1,400	1,840	17,48,000
Total					**20,15,392**

Thus, failure of Executive Engineer, PWD, Kanubari to exercise due diligence while awarding the work, by overlooking the huge difference in the rates quoted by two contractor for the similar items work and allowing higher rates, the Department had extended undue benefit of ₹ 40.68 lakh (₹ 20.53 + ₹ 20.15 lakh) to the contractors.

The matter was reported to the Government in October 2014 and their reply is awaited (March 2015).

2.5 Undue benefit to contractors due to execution of work at inflated estimated cost.

Executive Engineer, PWD, Bomdila Division under NLCPR got items of works executed without competitive bidding on tender basis, at inflated estimated rate. As a result undue benefit of ₹ 178.94 lakh was extended to contractors.

According to Rule 129 (1) (IV) of GFR and Section 14.1 of the CPWD Works Manual, before commencement of any work or incurring any liability, there should be competitive bidding and wide publicity. Ministry of Development of North-Eastern Region (MoDoNER) instructions also stipulated that for Schemes under the Non-Lapsable Central Pool of Resources (NLCPR), the State Government should ensure that tenders are called on competitive basis by giving wide publicity in print media, website, *etc.*

Audit noticed (September 2014) that the Executive Engineer, Bomdila PWD Division under the NLCPR Project *'Construction of Road from Magopam to Bichom via Namfri, Diching, Sacheda, Ramu-Satu and Lichini (15 km to 27.30 km) under Phase-II'* (Estimated Cost: ₹ 20.52 crore), got executed the items of works viz., WBM-I (₹ 2.26 crore) and WBM-II (₹ 1.44 crore) by issue of work orders at estimated rates without calling for tenders, thus depriving the Government of competitive rates. ₹ 3.70 crore was incurred on it.

Further, it was mentioned in the DPR that item rates provided in the estimate were as per Arunachal Pradesh Schedule of Rates (APSoR) 2010, including Carriage Charges. However, the item rates put to estimate were ₹ 3158.09 per cum for WBM-I and ₹ 2895.82 per cum for WBM-II, as against SoR rate ₹ 1507.82 for WBM-I and ₹ 1670.60for WBM-II.

In reply, the Divisional Engineer (December 2012) stated that Phase-I of the work on the Road started in 2010 (still in progress) and was done through local village contractors. It was also stated that there were no directions from the Government for floating of tenders and that the practice of execution of work through locals prevailed in the State. The fact remained that the work was executed by the Divisional Engineer without competitive bidding in violation of mandatory provisions and scheme Guidelines.

The APSoR 2010 item rates included all elements of cost plus 20 *per cent* Overhead Charges (adding 10 *per cent* contractor profit). Transport cost of aggregate material from nearby quarry sites was to be included at the prescribed rate/km, including loading, unloading and stacking. The Department allowed 7.5 *per cent* cost index increase per year to the year of APSoR for estimate purposes only.

Audit scrutiny revealed that the rates put in the DPR for the items were inflated, leading to extension of undue benefit of ₹ 178.94 lakh (excluding transportation cost of materials from quarry site to work site) to contractors, as tabulated in the following table:

Table 2.5.1

(₹in lakh)

Item of Work	Rate per cum as per estimate (₹)	APSoR rate per cum (₹)	Rate difference per cum (₹) (2-3)	Quantity executed (cum)	Undue Benefit extended (4x5)
1	**2**	**3**	**4**	**5**	**6**
WBM-I	3158.09	1508.82	1650.27	7154.33	118.07
WBM-II	2895.82	1670.60	1225.22	4968.35	60.87
Total					**178.94**

Transportation Cost could not be worked out due to absence of distance from the nearest quarry site to work site in the DPR and for not annexing the theoretical consumption of materials in paid bills.

Thus, in absence of competitive bidding and due to execution of work at inflated estimates and incorporating inadmissible *'Overhead Charges'*, which already existed in the SoR item rates, undue benefit of at least ₹ 178.94 lakh was extended to contractors.

The matter was reported to the Government in October 2014 and their reply is awaited (March 2015).

2.6 Avoidable expenditure in execution of formation cutting work.

Due to execution of formation cutting work departmentally, Executive Engineer, PWD Aalo Division incurred avoidable expenditure of ₹ 98.60 lakh. Besides, the contractor was paid an extra ₹ 16 lakh due to overlapping of Chainage in formation cutting.

The work *'C/o road from Nyorak to Rime-Moku Village in West Siang District 20 km (Ph-I 0.00-9.00 km) under NLCPR'* was administratively approved (June 2007) by the Ministry of DoNER for ₹ 989.75 lakh. Technical Sanction was accorded (August 2008) by the Chief Engineer for ₹ 1,056.23 lakh.

The work commenced in March 2008 and completed in July 2013 at a cost of ₹ 989.75 lakh. The work was partially done by the Department and partially by the contractor through agreement.

Scrutiny of records of the Executive Engineer, PWD Aalo Division (September 2014), revealed that out of 9.200 km of formation cutting work (including clearance of grass, removing of rubbish and cutting of trees), 5.700 km (Chainage 3.500 km to 9.200 km) was awarded to M/s Siang Engineering by way of two lump sum agreements at ₹ 20 lakh per km. The construction firm commenced work in February 2008 and completed it in March 2009, for which it was paid ₹ 1.30 crore. Formation cutting work of the remaining Chainage - from 0.000 km to 3.500 km was executed departmentally by incurring ₹ 152.60 lakh. The total expenditure on formation cutting was ₹ 282.60 lakh, as shown in the Financial Progress Report.

Had the Division awarded the work to the same construction firm (M/s Siang Engineering) by way of lump sum contract, the total expenditure on formation cutting would have been ₹ 184 lakh calculated at the lump sum rate of ₹ 20 lakh per km. Thus, by executing the work departmentally, the Division incurred extra expenditure of ₹ 98.60 lakh (₹ 282.60 – ₹ 184 lakh).

Further, it was noticed that the 1st lump sum agreement was made with the firm (M/s Siang Engineering) from Chainage 3.500 km to 5.00 km (1.50 km), and accordingly, the firm was paid ₹ 30 lakh (@ ₹ 20 lakh per km). The 2nd lump sum agreement was made with the firm for Chainage 4.200 km to 9.200 km at a cost of ₹ 100 lakh. Thus, the firm was paid twice for Chainage 4.200 to 5.00 km (0.80 km). Due to overlapping of Chainage, the Division incurred extra expenditure of ₹ 16 lakh (20 lakh x 0.80 km).

Due to excess expenditure of ₹ 98.60 lakh incurred on formation cutting, the Division reduced the scope of the technically approved RCC Bridge from a span of 30 metres to 24 metre, without assigning any reason. In addition, some other components of work were either less executed or not at all executed, as detailed in the following Table:

Table-2.6.1

Sl. No.	Item	Quantity as per		Less Executed
		Estimated Provision	Actual Execution	
1.	Granular Sub-Base	3.10 km	3.0 km	(-) 0.10 km
2.	RCC Slab Culvert 2 m Span	20	11	(-) 09
3.	Slab Culvert 4 m Span	05	03	(-) 02
4.	Breast Wall	350 m	169 m	(-) 181 m
5.	Unlined Surface Drain	7280 m	-	(-) 7280 m
6.	Road Signs	197	-	(-) 197

Source: Departmental records

Thus, compromises in quantity of some items of work were made due to deviation from the estimated provision so that the total cost of work could be restricted within the sanctioned cost while execution. This bound to adversely affect on the quality of the work.

The matter was reported to the Government in October 2014 and their reply is awaited (March 2015).

2.7 Excess expenditure due execution of earthwork by manual means.

Due to execution of earthwork by manual means on maintenance of roads approachable by mechanical means, the Executive Engineer, PWD Aalo Division incurred an excess expenditure of ₹ 61.79 lakh.

Scrutiny of records of the Executive Engineer, PWD Aalo Division (September 2014), revealed that from February to March 2014, the Division incurred ₹ 2.13 crore on execution of earthwork, *viz.* '*Excavation In Hill Areas In Ordinary Rock by Manual Means (Excavation in Ordinary Rock using Manual Means including loading in a truck and carrying of excavated material to embankment site with a lift up to 1.5 m and lead up to 20 m'*. Arunachal Pradesh Schedule of Rates (APSoR), 2010 was adopted for execution of 62,275.11 *cum* of earthwork. ₹ 2.13 crore was incurred on maintenance work of two roads, namely, i) Maintenance of Road from Lipu Bagra to Jeye Bagra *via* Pigi Bagra Village (8.00 km) and ii) Maintenance of Road from Higi Bagra to Jeye Bagra Village (5.00 km). The amount was paid at the rate of ₹ 279.50 per *cum* with 22.5 *per cent* Cost Index over the APSoR 2010 rate, applicable for manual labour rate.

Excavation work was executed for maintenance of the two existing roads. Since the roads were approachable by mechanical means, the Division could have executed the work by engaging machinery at rates much lower than manual labour rates. Had this been done, the Division could have restricted the expenditure to ₹ 1.51 crore, as calculated below:

Table 2.7.1

Work Executed (in cum)	Rate (Mechanical) as per APSoR 2010	Amount (in ₹)	Add 22.5 *per cent* Cost Index	Total Amount (in ₹)
62275.11	198.50	1,23,61,609.34	2781362.10	1,51,42,971.44

Thus, the Division incurred extra expenditure of ₹ 61.79 lakh (₹ 2.13 – ₹ 1.51 crore) due to execution of work through manual instead of mechanical means.

The matter was reported to the Government in October 2014; the reply of the Government is awaited as of March 2015.

Water Resources Department

2.8 Unfruitful expenditure on renovation and restoration of a Minor Irrigation Project

Due to non-execution of head work including provision for heavy duty sluice gates to regulate the supply of water, the entire expenditure of ₹ 100 lakh incurred on the execution of 'Renovation and restoration of Lodder Minor Irrigation Project' remained largely unfruitful as it would not be possible to provide assured irrigation water that would be the needed for adopting multi-cropping pattern by the farmers.

Based on the proposal of Executive Engineer, Water Resources Division, Ziro, Government of Arunachal Pradesh, Water Resources Department accorded the administrative approval and expenditure sanction for the Project 'Construction of Revamping Traditional Irrigation System under TFC at Ziro' at an estimated cost of ₹ 100 lakh in March 2012. The main object of the project was renovation and restoration of Lodder Minor Irrigation Project completed during 1987 at Hong Village in Apatani Plateau, to provide assured irrigation water to the paddy field which would help to motivate the farmers to adopt multi-cropping method instead of adopting old age mono-cropping system of cultivation. The project envisaged the replacement of dilapidated sluice gate as well as complete CC lining of the channel replacement of sluice gates to increase water tapping capacity of head work. The proposal underlined that socio-economic status of Hong Village was solely dependent on this project and so was invariably necessary to restore the project and also to take steps on priority to improve the irrigation network for the benefit of the farmers.

The main components of the project were:

(i) RCC pick-up Weir,

(ii) Two heavy duty sluice gates for diversion of water, and

(iii) Trapezoidal Type Channel Section as main channel for conveyance of irrigation water.

The scope of work as indicated in the estimate and amount there against were as indicated in the following table:

Table 2.7.1

Sl. No.	Item	Quantity	Amount (in ₹)
1.	Jungle Clearance/Formation Cutting	O/Soil 20 *per cent* - 4813 *cum* and O/Rock 80 *per cent* - 19255.50 *cum*	37,90,000/-
2.	Channel Digging	2400 RMT	81,600/-
3.	Head Work	1 Job	11,86,000/-
4.	Slip Clearance	1 Job	15,00,000/-
5.	CC Lined Channel	831 MT	31,51,983/-
Total			97,09,583/-
Add 3 *per cent* Contingencies			2,91,287/-
Grand Total			**1,00,00,870/-**
			Say 1,00,00,000/-

While according the administrative approval it was stressed that the project should be completed with the original scope and specification as specified in the estimate and no revision of estimate would be entertained.

Examination of records of the Executive Engineer, WRD, Ziro Division, (June-July 2014) revealed that the work was taken up for execution of without obtaining mandatory Technical Sanction. The work was commenced in March 2012 and claimed as completed in March 2013. An expenditure of ₹ 100 lakh was incurred on the execution of following item of work as detailed below:

(i) Formation Cutting ₹ 58 lakh

(ii) Slip Clearance ₹ 15 lakh

(iii) CC Lined Channel ₹ 27 lakh

As could be seen that even though entire amount of ₹ 100 lakh has been incurred, no work relating to Head Work was executed for which a provision of ₹ 12 lakh was made in the estimates. It is obvious that the original head work, which was constructed 20 years back was continued to be used as source of water supply. In this connection, it is pertinent to mention that in the project proposal submitted for obtaining the administrative approval it was clearly stated that due to financial crunch being faced by the State Government periodic maintenance could not be done for the last several years and as a result the head work as well as earthen channel became unserviceable to full fill the water demand at command area. Without execution of head work including provision for heavy duty sluice gates to regulate the supply of water, it would not be possible to increase water tapping capacity of the head work to provide assured irrigation water to the paddy field.. Thus, the entire expenditure of ₹ 100 lakh incurred on the execution of the project remained largely unfruitful as it failed to fulfil the intended objective to provide assured irrigation water that would be the needed for adopting multi-cropping pattern by the farmers.

The matter was reported to the Government in October 2014 and their reply is awaited (March 2015).

2.8 Execution of sub-standard anti-erosion work

Due to less utilisation of sausage wire in the main components of the anti-erosion work (i.e., Apron and Pitching), the stabilization of river bank could not be achieved to the best possible extent. As a consequence, the anti- erosion work executed at cost of ₹ 749.56 lakh may not last long and the risk of flooding of the low lying area persist causing loss of life and damage to properties.

Sibo Korong River is the largest hill stream which flows through the heart of Psighat township. A few years ago, Sibo Korong River overflowed its right bank submerging all the low lying areas of Pasighat Township and causing enormous damage. The flood water was impounded on the countryside by the earthen embankment constructed on the right bank of Siang River for protection of Pasighat Township. The impound water resulted in washing away 40 metre stretch of earthen embankments along with a cross drainage structure. There was likelihood of the river changing its course, which if it occurred, would lead to devastation of many low-lying areas of Pasighat Township. With the objective to protect Pasighat Township and adjoining villages, which were threatened annually by the recurrent floods of the Sibo Korong River, the work ***'Anti Erosion on Sibo Korong River to protect Boying, Yapgo, Mirbuk, Diking, Mirku Villages, Pasighat Township and adjoining agricultural land areas'*** (Length 2280 mtr.; Estimated Cost: ₹ 749.56 lakh) under Flood Management Programme (FMR) was administratively sanctioned (March 2010) by the Government of Arunachal Pradesh. Out of the total sanctioned cost of ₹ 749.56 lakh, an amount of ₹ 674.60 lakh was funded by Government of India and the remaining amount was borne by the State Government.

Items of work to be executed were (a) Earthen Embankment: 72138 *cum;* (b) Boulder Crated Apron: 12312 *cum;* (c) Boulder Crated Toe Cage: 3078 *cum;* (d) Boulder Pitching: 8702 *cum;* and (e) Laying of Filter Media: 870 *cum*.

Scrutiny (*September 2014*) of records of the Executive Engineer, WRD, Pasighat Division, revealed that as per Progress Report for March 2011, the work was completed after incurring a total expenditure of ₹ 749.56 lakh. From the further scrutiny it was noticed in audit that the work was not executed as per estimated provisions. 8 SWG Sausage Wire utilised was much less than the quantity required as per estimate. The Department utilised only 25,670 Sheets against the requirement of 48,185 Sheets. The requirement of 8 SWG Sausage Wire for the boulder structures and what was actually utilised, is shown below:

Item	Quantity Required	Quantity Utilised	(+) Excess/(-) Deficit
Toe Cage	6,156 Sheets	6,538 Sheets	(+) 382.00
Apron & Pitching	42,028.20 Sheets	19,132 Sheets	(-) 22,896.20

From the above, it can be seen that against the requirement of 6,156 Sheets of Sausage Wire for construction of Boulder Crated Toe Cage, 6,538 sheets were utilised. Whereas, in the case of Boulder Crated Apron and Boulder Pitching, only 19,132 Sheets of Sausage Wire were utilised against the requirement of 42,028.20 Sheets, resulting in less utilization of 22,896.20 Sheets, valued at ₹ 154.47 lakh, calculated at the procurement rate of ₹ 674.65 per Sheet.

Thus, due to less utilisation of sausage wire in the main components of the anti-erosion work (i.e., Apron and Pitching), the stabilization of river bank could not be achieved to the best possible extent. As a consequence, the anti- erosion work executed may not last long and the risk of flooding of the low lying area persist causing loss of life and damage to properties.

The matter was reported to the Government in October 2014 and their reply is awaited (March 2015).

Horticulture Department

2.10 Unplanned and imprudent implementation of Horticulture Mechanisation activity leading to unfruitful expenditure.

Director of Horticulture and Project Director, HMNEH, prior to finalization of beneficiaries, made payment of ₹ 300.50 lakh to five firms, diverting ₹ 128.05 lakh from other development activities. Besides, entire amount including beneficiaries' contribution was released to three firms resulting in extra payment of ₹ 150.74 lakh. In nine districts for which information was available, only about 34 *per cent* and 57 *per cent* of tractors and power tillers respectively allotted to them have been lifted by the farmers. The decision of the Horticulture department at the first instance in submitting the proposal to GoI for obtaining the financial assistance under Horticulture Mechanization activity, without considering the ground reality was questionable.

Government of India (GoI) under Mini Mission II of *'Horticulture Mission for North-East and Himalayan States (HMNEH)'* Scheme introduced the 'Horticulture Mechanization (HM activity. The objective of HM activity was to promote mechanization of horticulture operations to improve farm efficiency reducing drudgery of farm work force. Assistance in this regard would be provided for activities such as procurement of power operated machines and tools, etc.

Under HM activity, maximum permissible cost and pattern of assistance given by GoI is indicated in the following Table:

Table-2.10.1

Sl. No.	Item	Maximum permissible cost	Pattern of assistance
1.	Power Operated Machines/Tools including Power Saw and Plant beneficiary. Protection Equipments, *etc.*	₹ 35,000	50 *per cent* of cost limited to one set per beneficiary. The remaining amount was to be borne by the farmers/beneficiaries.
2.	Power Machines (upto 20 BHP) with Rotavator/Equipment	₹ 1.20 lakh	
3.	Power Machines (20 HP and above) including Accessories/Equipments	₹ 3.00 lakh	

Source: Departmental records

Based on the Annual Action Pan (AAP) submitted in March 2012 by the Government of Arunachal Pradesh, the GoI allocated (May 2012) ₹ 172 lakh as subsidy for 2012-13 under HM activity for 75 Power Machines of 20 HP, and 340 power operated machine tools.

Scrutiny (June 2014) of records of the Director of Horticulture and Project Director (PD) HMNEH revealed that:

- 11 months after the GoI allocation for 2012-13, a Screening Board of the Department finalised (April 2013) the make, type, specification and rate of tractors, power tillers and tools/kits to be procured under the activity, based on manufacturers' rates submitted by authorized companies/firms.

- After a further delay of about 3 months, against the subsidy allotted by GoI for 75 Power Machines (Tractors) of 20 HP and 340 power operated machine tools, the Director of Agriculture allocated (July 2013) 125 Tractors (Mahindra: 100 and Mitsubishi VST: 25), 50 Power Tillers and 390 sets of power sprayers/tools to 17 Districts and the Directorate.

  Reasons for deviation in number of power machines and power operated machine than those authorised by the GoI was not record.

- Respective District Horticultural Officers (DHOs) were requested (April and July 2013) by the Director to submit the list of beneficiaries.

  However, no criteria for selection of beneficiaries and/or source of beneficiary contributions were spelt out for the Directorate.

- Supply Orders stipulated that farmers/beneficiaries' contribution shall be made in as booking price and Government subsidy would be released only after delivery.

Scrutiny of vouchers, invoices of firms, cash book and bank statements revealed that Supply Orders on five firms were issued in April 2013 for supply of 50 number Mahindra Tractors of 42 HP, 25 number Mitsubishi Tractors of 18.5 HP, 50 number Power tillers and 340 sets of power sprayer tools. The Director of Horticulture made a payment of ₹ 294.26 lakh (after deducting ₹ 6.24 lakh towards taxes) to five firms (between August 2013 and March 2014) based on the bills submitted by them as indicated in the following table.

Table-2.10.2

(₹ in lakh)

Sl. No.	Name of Farms	Make of model	Bill Amount	Taxes deducted	Net amount paid	Cheque No. and Date
1.	M/S M.D Enterprises, Pasighat	VST Shakti Mitsubishi Power Tiller (30 No)	18.00	0.72	17.28	809111 date 22/01/2014
2.	M/S Megha Maax Agro. Co., Itanagar	Mahindra Tractor Model MM 475 (42 HP) (50 No)	75.00	3.00	72.00	809109 date 22/01/2014
3.	M/S Agency Enterprises, Naharlagun	Mistsubishi VST 180 D (18.5 HP) (25 No)	113.41	0.20	147.82	809124 date 25/03/2014
		VST Shakti Mitsubishi 130 DI Power Tiller (20 No)	34.61			
		Power Sprayer/Tools (150 sets)	26.25	0.99	25.26	534107 date 29/08/2013
4.	M/S Tader Kioda Enterprises, Naharlagun	Power Sprayer/Tools (60 sets)	10.50	0.42	10.08	534105 date 29/08/2013
5.	M/S Tani Enterprises, Itanagar	Power Sprayer/Tools (130 sets)	22.73	0.91	21.82	534109 date 29/08/2013
Total			**300.50**	**6.24**	**294.26**	**-**

Source: Departmental records

Of the total amount of ₹ 300.50 lakh paid to five firms, ₹ 172 lakh was paid from the fund allotted by GoI under HM activity and balance ₹ 128.50 lakh was paid by diverting from other development activities of HMNEH.

Audit noticed that *identification of beneficiaries and obtaining their assurance for making the beneficiaries contribution for lifting of allotted tractors, tools, etc. was not carried out before the amount was paid to the firms.*

Further scrutiny of records revealed that:

- Three suppliers submitted Bills for the full amount including beneficiary contribution and the PD, HMNEH released the entire amount including beneficiaries' contribution, as detailed below:

(₹ in lakh)

Firm	Particulars	Qty.	Bill amount & paid	Permissible limit of Subsidy	Permissible limit to be paid as Subsidy	Excess payment to Beneficiary Contribution
M/s Agency Enterprises, Naharlagun	Tractors	25	113.41	0.60	15.00	98.41
	Power Tillers	20	34.61	0.60	12.00	22.61
	Power Sprayers/ Tools	150	26.25	0.0875	13.13	13.12
M/s Tader Kioda Enterprises, Naharlagun	Power Sprayers/ Tools	60	10.50	0.0875	5.25	5.25
M/S Tani Enterprises, Itanagar	Power Sprayers/ Tools	130	22.73	0.0875	11.38	11.35
Total		**-**	**207.50**	**-**	**56.76**	**150.74**

Action of MD, HMNEH by not restricting the amount to subsidy payable, ₹ 150.74 lakh was paid in excess to three firms, thereby extending undue financial benefit. Further, had the amount restricted to the subsidy admissible, the department need not had to resort to diversion of ₹ 128.50 lakh from other development activities of HMNEH.

Audit further examined the aspect of lifting of tractors and power tillers allotted to various districts. Status of lifting of tractors and tools by the farmer was intimated by nine District Horticulture Officers. From the analysis of the information provided by these Horticulture Officers it could be seen that:

- Out of 61 tractors (51 Mahindra + 10 Mitsubishi) allotted to these nine districts only 21 tractors (14 Mahindra + 07 Mitsubishi) (about 34 *per cent*) have been lifted.
- In East Siang District, 12 out of 15 tractors allotted were lifted where as in West Siang District 8 out of 15 tractors allotted were lifted.
- While one tractor (out of allotted 6 tractors) was lifted in Upper Siang District, no tractors (out of total allotment of 25 tractors) were lifted in remaining six districts (viz., Kurung Kumey, West Kameng, Upper Subansiri, Lohit and Anjaw district).
- As regards Power tiller, the status of lifting was better. Out of 28 power tillers allotted to these nine districts, 16 power tillers (about 57 *per cent*) were lifted.
- In East Siang, West Siang and Upper Siang districts, all the five power tillers allotted to each district were lifted by the farmers. Only one out of three power tiller allotted was lifted in Upper Subansiri district.

- As in the case of tractors, no power tillers (out of total allotment of 10 power tillers, two power tiller to each district) were lifted by the farmers in Kurung Kumey, West Kameng, Lohit and Anjaw districts.
- As regards, Power Sprayer/tools it was stated that the items have been distributed free of cost to the farmers.
- As intimated by the majority of the Horticulture Officers, the main reasons for not lifting of tractors and power tillers were reluctance of farmers to procure them.

It is apparent from the foregoing that there were no demands of tractors and power tillers except East Siang and West Siang districts. This may be primarily due to small land holding pattern among the majority of the farmers as most part of the State is hilly terrain. Especially, the tractors may not be of benefit to the farmer particularly in view of the fact that remaining cost of tractors other than assistance provided under HM has to be borne by the farmers themselves. As such, the decision of the department at the first instance in submitting the proposal to GoI for obtaining the financial assistance, without considering the ground reality was questionable.

Thus, the entire process of implementation of the activity was dealt in an unplanned and imprudent manner, with scant regard to financial propriety. This resulted in most of the expenditure incurred on the implementation of horticulture mechanisation activity being rendered unfruitful.

The matter was reported to the Government in August 2014. The reply of the Government is still awaited (March 2015).

Chapter - III
Revenue Sector

CHAPTER III: REVENUE SECTOR

3.1 Introduction

3.1.1 Trend of Revenue Receipt

3.1.1.1 Tax and non-tax revenue raised by the Government of Arunachal Pradesh during 2013-14, the State share of net proceeds of divisible Union taxes and duties assigned to the State, Grants-in-Aid received from the Government of India during the year and corresponding figures for the preceding four years are shown in **Table-3.1.1.**

Table-3.1.1: Trend of Revenue Receipts

(₹ in crore)

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue raised by the State Government						
1.	**Tax Revenue**	173.44	214.99	317.65	316.50	434.51
	Non-tax Revenue	511.25	530.14	360.71	284.22	405.06
TOTAL		**684.69**	**745.13**	**678.36**	**600.72**	**839.57**
Receipts from the Government of India						
2.	**Share of Net Proceeds of divisible Union Taxes & Duties**	475.40	720.18	838.97	957.93	1045.85
	Grants-in-Aid	3134.78	3956.78	3981.73	4202.87	3935.01
TOTAL		**3610.18**	**4676.96**	**4820.70**	**5160.80**	**4980.86**
3.	**Total Revenue Receipts of the State Government *(1 + 2)***	4294.87	5422.09	5499.06	5761.52	5820.43
4.	***Percentage of 1 to 3***	***15.94***	***13.74***	***12.34***	***10.43***	***14.42***

The above Table shows that during 2013-14, Revenue raised by the State Government (₹ 839.57 crore) was 14.42 *per cent* of the Total Revenue Receipts. The balance 85.58 *per cent* of Receipts during 2013-14 was from the Government of India.

3.1.1.2 Details of Tax Revenue raised from 2009-10 to 2013-14 are given in **Table-3.1.2**.

Table-3.1.2: Details of Tax Revenue raised

(₹ in crore)

Sl. No.	Head of Revenue	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage Increase (+)/ Decrease (-) in 2013-14 over 2012-13	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1.	Land Revenue	5.00	4.43	5.50	3.37	6.05	3.85	6.66	4.70	5.16	11.39	(-) 22.52	(+) 142.34
2.	Stamp Duty	1.00	1.88	1.50	1.86	2.27	2.24	2.50	3.05	2.73	4.18	(+) 9.20	(+) 37.05
3.	State Excise	15.00	23.79	17.00	29.74	28.78	37.63	32.00	49.11	56.70	55.50	(+) 77.19	(+) 13.01
4.	Taxes on Sales, Trade, etc.	80.00	130.23	110.00	168.24	173.46	216.36	226.55	161.62	321.80	223.60	(+) 42.04	(+) 38.35
5.	Motor Vehicle Tax	8.00	13.07	10.00	11.76	17.00	12.41	18.00	13.38	15.64	17.09	(-) 13.11	(+) 27.73
6.	Taxes on goods and passengers	0.00	0.04	0.00	0.02	0.00	45.16	0.00	84.64	0.00	122.75	0.00	(+) 45.03
Total		**109.00**	**173.44**	**144.00**	**214.99**	**227.56**	**317.65**	**285.71**	**316.50**	**402.03**	**434.51**	**(+) 40.71**	**(+) 37.29**

The Departments despite being requests (March 2015) did not furnish the reasons for variations in receipts from that of the previous year.

3.1.1.3 Details of Non-tax Revenue raised from 2009-10 to 2013-14 are shown in **Table-3.1.3**:

Table-3.1.3: Details of Non-Tax Revenue Raised

(₹ in crore)

Sl. No.	Head of Revenue	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of Increase (+)/Decrease (-) in 2013-14 over 2012-13	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1.	Power	152.00	329.27	182.00	282.18	95.00	145.04	200.67	113.07	110.03	145.41	(-) 45.17	(+) 28.60
2.	Interest Receipts	37.00	40.02	40.00	111.35	50.00	48.71	55.00	40.32	58.93	24.66	(+) 7.15	(-) 38.84
3.	Forestry & Wild Life	15.00	9.99	14.00	12.22	15.40	36.76	15.40	7.49	28.98	11.89	(+) 88.18	(+) 58.74
4.	Public Works	2.50	4.28	3.00	3.02	7.34	9.00	4.00	16.17	11.90	29.83	(+) 197.50	(+) 84.48
5.	Miscellaneous General Services	28.00	11.39	35.00	1.62	2.00	0.10	15.00	0.02	0.12	0.01	(-) 99.20	(-) 50.00
6.	Other Administrative Services	4.30	5.33	4.75	9.18	6.44	6.69	7.08	7.58	8.09	8.57	(+) 14.27	(+) 13.06
7.	Police	1.30	1.13	2.50	3.12	2.75	2.82	3.60	2.32	3.41	3.09	(-) 5.28	(+) 33.19
8.	Medical & Public Health	0.42	0.23	0.46	0.35	0.51	0.43	0.51	0.49	0.50	0.71	(-) 1.96	(+) 44.90
9.	Co-operation	0.30	0.73	1.20	0.70	1.32	0.77	1.45	0.24	0.93	0.48	(-) 35.86	(+) 100.00
10.	Other Non-Tax Receipts	77.59	51.30	100.92	69.11	109.61	35.44	118.46	42.27	93.89	180.41	(-) 20.74	(+) 326.80
	Total	**318.41**	**511.25**	**383.83**	**530.14**	**290.37**	**360.71**	**421.17**	**284.22**	**316.78**	**405.06**	**(-) 24.79**	**(+) 42.52**

The Departments despite being requests (March 2015) did not furnish the reasons for variations in receipts from that of the previous year.

3.1.2 Analysis of Revenue Arrears

The information on total amount of arrears of revenue as well as amount outstanding for more than five years as on 31 March 2014 was not furnished by the Department/ Government (March 2015).

3.1.3 Arrears in Assessments

Details of cases pending at the beginning of the year, cases due for assessment, cases disposed off during the year and number of cases pending finalization at the end of the year, as furnished by the Sales Tax Department in respect of Sales Tax, Motor Spirit Tax, Luxury Tax and tax on Works Contracts had not been furnished despite request made to the concerned departments (March 2015).

3.1.4 Evasion of tax detected by the Department

No information in respect of evasion of tax detected was furnished by the Tax and Excise Department (March 2015).

3.1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year (2013-14), claims received during the year, refunds allowed during the year and cases pending at the close of the year (2013-14), has not been furnished by the Tax & Excise Department (March 2015).

3.1.6 Response of the Government/Departments towards Audit

The Accountant General, Arunachal Pradesh, conducts periodical inspection of Government Departments to test-check transactions and verify maintenance of important accounts and other records, as prescribed in the rules and procedures. These inspections are followed up with Inspection Reports (IRs) incorporating irregularities detected during inspections and not settled on the spot, which are issued to Heads of Offices inspected, with copies to the next higher authorities for taking prompt corrective action. Heads of Offices are required to promptly comply to observations contained in the IRs, rectify commissions/omissions and report compliance through initial replies to the Accountant General, Arunachal Pradesh within one month from the date of issue of IRs. Serious financial irregularities are reported to the Heads of Departments and the Government.

Inspection reports issued upto December 2013 disclosed that 629 paragraphs involving ₹ 357.29 crore relating to 229 IRs remained outstanding at the end of June 2014, as shown in **Table-3.6.1** below, along with corresponding figures for the preceding two years.

Table-3.6.1: Details of pending Inspection Reports

	June 2012	June 2013	June 2014
Number of IRs pending settlement	343	326	229
Number of outstanding Audit Observations	939	929	629
Revenue Involved (₹ in crore)	**475.89**	**432.32**	**357.29**

3.1.6.1 Department-wise details of the IRs and audit observations outstanding as on 30 June 2014 and amounts involved are shown in **Table-3.6.1** below:

Table-3.6.1: Department-wise details of IRs

(₹ in crore)

Sl. No.	Department	Nature of Receipts	No. of Outstanding IRs	No. outstanding Audit Observations	Money Value Involved
1.	**Sales Tax**	Taxes on Sales, Trade etc	70	166	38.09
2.	**Excise**	State Excise	48	110	8.84
3.	**Revenue**	Land Revenue	20	84	68.98
4.	**Transport**	Taxes on Motor Vehicles	21	57	14.37
5.	**State Lottery**	Lottery	2	11	16.76
6.	**Geology & Mining**	Non-ferrous Mining & Metallurgical Industries	53	176	70.75
7.	**Environment & Forest & Wildlife**	Forestry & Wild Life	15	25	139.50
Total			**229**	**629**	**357.29**

Audit did not even receive first replies within one month from the date of issue of IRs from Heads of Offices for 14 IRs issued during 2013-14. This large pendency of IRs due to non-receipt of replies indicated that Heads of Offices and Departments did not initiate action to rectify defects, omissions and irregularities pointed out in the IRs.

The Government may consider to have an effective system for prompt and appropriate response to audit observations.

3.1.6.2 Departmental Audit Committee Meetings

The Government set up Audit Committees to monitor and expedite the progress of settlement of the IRs and Paragraphs in the IRs. However, no departmental Audit Committee meeting was held during 2012-13. As can be seen from Para 3.6.1 there is large pendency of IRs. In view of this, the Government may ensure holding of Audit Committee meetings to expedite clearance and settlement of outstanding audit observations.

3.1.6.3 Response of Departments to Draft Audit Paragraphs

Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller & Auditor General of India are forwarded by the Accountant General, Arunachal Pradesh to the Principal Secretaries/Secretaries of concerned Departments, drawing their attention to audit findings and requesting them to send responses within six weeks. The fact of non-receipt of replies from Departments/ Government is invariably indicated at the end of such Paragraphs included in the Audit Report.

Twelve Draft Paragraphs and one Performance Audit were sent to the Principal Secretaries/Secretaries of respective Departments between September and December 2014. The Principal Secretaries/Secretaries of the Government did not furnish replies to 12 Draft Paragraphs, although reminders were issued (January 2015). In the case of Performance audit the Secretary of the Government participated in the exit conference and the written replies were furnished by the Jt. Director of the Department.

3.1.6.4 Follow-up on Audit Reports - summarized position

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. Ninety-five paragraphs (including one performance audit) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Arunachal Pradesh for the years ended 31 March 2009, 2010, 2011, 2012 and 2013 were placed before the State Legislature Assembly between 11 August 2009 and

29 July 2013. The action taken explanatory notes from the concerned Departments on these paragraphs were received late with average delay of 24 months in respect of each of these Audit Reports. Action taken explanatory notes in respect of 12 paragraphs from one department (Tax & Excise) had not been received for the Audit Report year ended 31 March 2013 (March 2015).

The PAC discussed 11 selected paragraphs pertaining to the Audit Reports for the years from 1998-99 to 2002-03 and its recommendations on 11 paragraphs were incorporated in their 60th Report (27 July 2012). Out of eleven paragraphs ten paragraphs were dropped by the PAC (Public Accounts Committee) and ATNS (Action Taken Notes) have not been received in respect of one recommendations of the PAC related to the Audit report for the year 2000-01 from the Environment and Forest Departments.

3.1.7 Analysis of mechanism for dealing with issues raised by Audit

To analyse the system of addressing issues highlighted in Inspection Reports/Audit Reports by the Department/ Government, action taken on Paragraphs and Performance Audits included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 3.7.1 to 3.7.2 discuss the performance of the Tax & Excise Department under revenue head 0039 (State Excise) and cases detected during the course of local audit during the last 10 years and also cases included in Audit Reports for the years 2003-04 to 2012-13.

3.1.7.1 Position of Inspection Reports

The summarized position of the Inspection Reports issued during the last 10 years, Paragraphs included in the Reports and their status as on 31 March 2014 are shown in **Table-3.7.1** below:

Table-3.7.1: Position of Inspection Reports

(₹ in crore)

Sl. No.	Year	Opening Balance			Addition during the year			Clearance during the quarter			Closing balance during the year		
		IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value
1.	2003-04	7	12	61.62	4	5	73.98	1	0	-	11	17	104.73
2.	2004-05	11	17	135.60	5	7	37.56	-	-	-	16	24	173.16
3.	2005-06	16	24	173.16	1	2	10.03	-	1	9.91	17	25	173.28
4.	2006-07	17	25	173.28	5	10	19.65	-	-	-	22	35	192.93
5.	2007-08	22	35	192.93	6	11	243.55	1	3	5.86	27	43	430.62
6.	2008-09	27	43	430.62	5	10	52.30	-	1	12.74	32	52	470.18
7.	2009-10	32	52	470.18	3	8	69.23	-	1	0.53	35	59	538.88
8.	2010-11	35	59	538.88	6	22	149.89	-	1	0.70	41	80	688.87
9.	2011-12	41	80	688.87	3	12	106.70	-	-	-	44	92	795.57
10.	2012-13	44	92	795.57	4	18	88.60	-	-	-	48	110	884.17

The Government arranges *adhoc* Committee meetings between the Department and Accountant General's office to settle the old paragraphs. It is evident from the above table, against seven outstanding IRs with 12 paragraphs at the beginning of 2003-04, the number of outstanding IRs increased to 48 with 110 paragraphs at the end of 2012-13. This is indicative of the fact that the Department failed in the settlement of Audit paragraphs resulting in increase of the outstanding IRs and paragraphs.

3.1.7.2 Recovery of Accepted Cases

The position of Paragraphs included in Audit Reports of the last 10 years, those accepted by the Department and amounts recovered are mentioned in **Table-3.7.2**:

Table-3.7.2

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases as of 31 March 2014
2003-04	2	100.75	2	100.75	Nil	Nil
2004-05	1	37.44	1	37.44	Nil	Nil
2005-06	2	16.70	2	16.70	Nil	Nil
2006-07	2	29.97	Nil	Nil	Nil	Nil
2007-08	3	14.24	Nil	Nil	Nil	Nil
2008-09	3	24.15	1	0.04	Nil	Nil
2009-10	5	61.09	Nil	Nil	Nil	Nil
2010-11	3	19.24	Nil	Nil	Nil	Nil
2011-12	6	42.08	Nil	Nil	Nil	Nil
2012-13	Nil	Nil	Nil	Nil	Nil	Nil

From the above table it can be seen that the progress of recoveries, even in accepted cases, was very slow throughout during the last 10 years. Recoveries of accepted cases were to be pursued as arrears recoverable from concerned parties. No mechanism for pursuance of accepted cases was put in place by the Department/Government. Further, arrear cases, including accepted audit observations, were not available with the office of the Commissioner, Excise & Taxation Department. In the absence of a suitable mechanism, the Department could not monitor recoveries of accepted cases.

The Department may take immediate action to pursue and monitor prompt recovery of dues involved in accepted cases.

3.1.8 Action taken on recommendations accepted by Departments/Government

Draft Performance Reviews conducted by the Accountant General, Arunachal Pradesh are forwarded to concerned Departments/Government for information with a request to furnish replies. The Reviews are also discussed in Exit Conferences and views of the Department/Government are included while finalizing Reviews for Audit Reports.

There was only one Performance Audit on 'Receipts under Arunachal Pradesh Goods

Tax (APGT) Act, 2005' under Taxation Department featured in the Audit Report during last five years. Details of recommendations and their status are given in **Table-3.8.1**:

Table-3.8.1

Year of Report	No. of recommendations	Details of recommendations	Status
2012-13	1	An Audit Manual may be prepared.	Compliance to Audit observations and recommendations has not been intimated to audit.
	2	The internal controls of the Department need to be strengthened.	
	3	Industries which irregularly claimed tax exemption under the Industrial Policy and the Tax Incentive Order of 2010 should be directed to deposit the same into Government accounts.	
	4	Central/State Government authorities should be given proper instructions for proper deduction of tax from contractors'/suppliers' bills and promptly deposit the same into Government account.	
	5	The Government may initiate steps to overhaul the functioning of the checkgate at Banderdewa in particular and all the checkgates in general.	

3.1.9 Audit Planning

Unit offices under various Departments are categorized into high, medium and low risk units, according to their revenue position, past trends of audit observations and other parameters. An Annual Audit Plan is prepared on the basis of Risk Analysis, which includes critical issues in Government Revenues and Tax Administration, *i.e.* Budget Speech, White Paper on State Finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings, factors of the Tax Administration, audit coverage and its impact during past five years etc.

During 2013-14, there were 129 auditable units, of which 14 were planned and audited, which is 10.85 *per cent* of the total auditable units. Besides the Compliance Audit mentioned above, one Performance Audit on mines and mineral was also taken up to examine the efficacy of collection of Mineral Receipts.

3.1.10 Results of Audit

Position of Local Audits conducted during the year

Test check of records of 14 units of Sales Tax/Value Added Tax, Forest Receipts and Geology & Mining Offices conducted during 2013-14 showed under assessment/short levy/loss of revenue aggregating ₹ 90.98 crore in 85 cases. During the course of the year, Departments concerned accepted under-assessment and other deficiencies of ₹ 2.16 crore involved in 7 cases, which were pointed out in audit during 2013-14. Departments collected ₹ 0.13 crore in 2 cases during 2013-14, pertaining to audit findings of the previous year.

3.1.11 Coverage of this Report

This Report contains twelve Paragraphs (selected from audit detections made during local audits referred to above and earlier years, which could not be included in earlier

Reports), and one Performance Audit on 'Mines and Minerals', involving financial effect of ₹ 66.23 crore.

The Department/Government is yet to furnish its reply (March 2015).

PERFORMANCE AUDIT

Geology and Mining Department

3.2 Mines and Minerals

Highlights

- **The budget of the Geology and Mining Department was not prepared realistically. There was huge variation between the budget estimates and actual revenue collection during the five year period 2009-14**

(Paragraph 3.2.7.1)

- **The Director, Geology and Mining Department finalised royalty on the basis of monthly returns submitted by the lease holders and there was no system of maintenance of cross-linking of important data/information.**

(Paragraph 3.2.8.1)

- **Permit Book were not printed as per the prescribed Form 'K' as detailed in the Arunachal Pradesh Minor Minerals Concession Rules, 2002 and did not contain details of issue/expiry date of permits, purpose and other relevant columns.**

(Paragraph 3.2.8.2)

- **During 2009-14, 5160 mining permits were issued without realization of Application Fees of ₹ 25.80 lakh.**

(Paragraph 3.2.9)

- **Difference in royalty arising out of revision in rates, in excess of ₹ 528 per tonne, payable by the Central Government worked out to ₹ 52.22 crore.**

(Paragraph 3.2.16)

- **The Directorate, Geology and Mining did not maintain any Demand and Collection Register, which was necessary for effective monitoring and control over assessment and collection of royalty and other Government dues.**

(Paragraph 3.2.17.4)

- **Due to non-compliance of Rule 97 of Oil and Mines Regulation, 1984 by Oil India Limited the chances of major accident and environmental damage could not be ruled out in Ningru oil field.**

(Paragraph 3.2.18.2)

3.2.1 Introduction

The State of Arunachal Pradesh is endowed with sizeable deposits of minerals like coal, petroleum & natural gas, limestone, iron-ore, *etc*. The deposits of coal, petroleum & natural gas have been explored and are being commercially extracted, but prospects of other minerals in the State are yet to be fully ascertained. Further, the State is also rich in minor minerals like stone, boulders, gravel, sand, clay, *etc.* Minerals, being a valuable resource, need to be properly extracted through scientific mining methods with the aim to ensure optimise utilisation on a sustainable basis. In Arunachal Pradesh, most mineral reserves are in forest areas, hence, mining in the State has environmental implications. Moreover, due to the tribal system prevalent in the State, there is the problem of acquisition of land for mining.

The Department of Geology & Mining was created by the Govt. of Arunachal Pradesh during 1995-96 for the primary purpose of development of minerals through mineral surveys and investigations, mineral exploration, control/monitoring of production and for earning revenue in terms of royalty, etc. The Department also administers mining in the State by granting Reconnaissance Permits (RPs), Prospecting Licenses (PLs), Mining Permits (MPs) and Mining Leases (MLs).

The Mines & Minerals (Development & Regulation) Act, 1957, enacted by the Government of India (GoI), lays down the legal framework for regulation of mines and development of minerals. The Mineral Concession Rules, 1960, and the Mineral Conservation & Development Rules, 1988, were accordingly framed under the MMDR Act for conservation and systematic development of minerals and for regulating grant of permits, licences and leases. The conservation, development and extraction of petroleum & natural gas are governed by the Oil field (Regulation & Development) (ORD) Act, 1948, and the Petroleum & Natural Gas (PNG) Rules, 1959. The Coal Mines (Conservation & Development) Act, 1974, the Colliery Control Rules, 2004, and other related Acts and Rules enacted by the GoI regulates the conservation, development and extraction of coal. Further, the Government of Arunachal Pradesh introduced the Arunachal Pradesh Minor Mineral Concession Rules, 2002, to regulate the mining of minor minerals in the State.

3.2.2 Organizational Set-up

The Secretary (Geology & Mining) is the Head at the Government level and is responsible for the administration of Mines and Minerals in the State. The Director of Geology & Mining (DGM) is the Head of the Department. The Director is assisted by one Joint Director, one Assistant Director, one Geologist and other allied staff at Headquarters. At the District level, Assistant Mineral Development Officers (AMDOs) are responsible for collection and assessment of Royalty, etc; on minerals.

3.2.3 Audit Objectives

The main Audit Objectives were to ascertain whether:

- budget Estimates of mining receipts were realistically framed and whether actual collection was reconciled;
- there was any system deficiency involving assessment, realization of revenue and other activities, leading to leakage of revenue;
- the Internal Control System and enforcement measures were in place and effective to prevent leakage of revenue.
- there was compliance with Acts/Rules and any leakage of revenue due to non-compliance to provisions of Acts/Rules; and
- there was environmental damage due to non-conformity to provisions of Acts/Rules.

3.2.4 Audit Scope and Methodology

The Performance Audit (PA) on Mines & Minerals was conducted from May to October 2014, covering the 5-year period from 2009 to 2014. Six[1] sample Districts out of 16 were selected using the Probability Proportional to Size With Replacement (PPSWR) Method of sampling. An additional District, West Kameng, was also covered on request of the Department, as there was huge extraction of minerals in the area due to ongoing infrastructure projects. Besides the selected Districts, the Arunachal Pradesh Mineral Development & Trading Corporation Limited (APMDTCL), the Directorate of Geology & Mining and Offices of Assistant Mineral Development Officers (AMDOs) of the 6 selected Districts were covered in Audit.

The PA began with an Entry Conference on 30 May 2014, attended by the Director, Geology & Mining in which the audit objectives, scope and criteria were explained and concluded with an Exit Conference on 16 December 2014, attended by both the Secretary and the Director, Geology & Mining in which the draft Audit Reports were discussed.

3.2.5. Audit Criteria

The following Acts/Rules/Regulations are the criteria for conduct of the Performance Audit:

- Mines & Minerals (Development & Regulation) (MMDR) Act, 1957;
- Mines Act, 1952;
- Mineral Concession Rules (MCR), 1960;
- Mineral Conservation & Development Rules (MCDR), 1988;
- Coal Mines (Conservation & Development) Act, 1974;

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[1] East Siang, Changlang, Papumpare, West Siang, Tawang & Lower Dibang Valley

- The Colliery Control Rules, 2004;
- Oilfield (Regulation & Development) (ORD) Act, 1948;
- Petroleum & Natural Gas (PNG) Rules, 1959, (amended up to April, 2003);
- Arunachal Pradesh Minor Minerals Concession Rules, 2002;
- Forest Conservation (FC) Act, 1980;
- Environment (Protection) Act, 1986.

3.2.6 Audit Findings

Audit findings are given in the ensuing paragraphs:

Audit Objective: ***Whether Budget Estimates of mining receipts were realistically framed and whether actual collection was reconciled***

3.2.7 Trend of Revenue and Financial Analysis

3.2.7.1 Budget Estimates vis-à-vis Actuals

The Budget Estimate and Actual Collection for the five year period is detailed in the Table below:

Table-3.2.1

(₹ in crore)

Year	Budget Estimate	Actual Collection	Shortfall (-)/ Excess (+)	Percentage of Shortfall (-)/Excess (+)
2009-10	26.00	57.56	(+) 31.56	(+) 121.38
2010-11	45.00	37.27	(-) 7.73	(-) 17.18
2011-12	69.33	74.91	(+) 5.58	(+) 8.05
2012-13	75.00	54.23	(-) 20.77	(-) 27.69
2013-14	58.69	107.44	(+) 48.75	(+) 83.06

Source: Finance Accounts

It can be seen from the above table that, there were huge variation between the Budget Estimates and actual revenue collection during the five year period. In 2012-13, the shortfall of revenue over Budget Estimates was ₹ 20.77 crore (27.69 *per cent*), mainly due to suspension of coal mining operations; whereas in 2013-14 there was an excess of ₹ 48.75 crore (83.06 *per cent*) mainly due to payment of arrear royalty on crude oil by the Government of India.

The growth of revenue over the 5 year period also showed an uneven trend.

This indicated that budgeting was unrealistic and there was need for improvement in the budget, planning and collection of revenue.

The Department, while accepting the facts (January 2015), stated that the Budget Estimate (Revenue Target) was fixed by the Finance Department unilaterally without participation of the Department of Geology & Mining. The target was fixed based on the previous year's achievement and the Department was unable to achieve the targets in some years due to belated payment of differential Royalty on petroleum by the Government of India (GoI) and fluctuating requirement of Minor Minerals by new/ongoing mega projects.

3.2.7.2 Reconciliation of Revenue Collection

The Budget Manual stipulates periodical reconciliation by the Controlling Office of receipt figures as per Departmental books with those booked by the Accountant General.

However, it was noticed that though the Department claimed that periodical reconciliation was carried out during the last 5 years, there were variations between Departmental figures and figures booked by the Accountant General, as reflected in Departmental records and Finance Accounts. Details are given below:

Table-3.2.2

(₹ in crore)

Year	Departmental Figures	Finance Accounts	Difference
2009-10	57.35	57.56	0.21
2010-11	62.15	37.27	24.88
2011-12	34.25	74.91	40.66
2012-13	46.09	54.23	8.14
2013-14	100.80	107.44	6.64

Source: Finance Accounts

This indicated that no effective reconciliation was carried out during the last five years, resulting in differences ranging between ₹ 0.21 crore to ₹ 40.66 crore between Departmental figures and figures booked in the Finance Accounts of the State Government.

The Department, in reply (January 2015), stated periodical reconciliation would be carried out.

Audit Objective: ***Whether there was any system deficiency involving assessment, realization of revenue and other activities, leading to leakage of revenue***

3.2.8 System Deficiencies

3.2.8.1 Absence of a mechanism to obtain relevant data/records from lease holders

The Oilfield (Regulation & Development) (ORD) Act, 1948, and Rules provide for levy of royalty in respect of oil and natural gas extracted from a leased area at prescribed rates.

The Rules also provided that a lease holder of oil and natural gas shall furnish full and proper return showing the quantity of crude oil, condensate and natural gas extracted during the preceding month from mining operations undertaken under provisions of the lease.

However, it was noticed that the Director, Geology & Mining finalized royalty on the basis of monthly returns submitted by lease holders, and there was no system of maintenance and cross-linking of important data/information like:

i) Lease-wise Annual Quantity Tally Statement for Oil,

ii) Trading & Manufacturing Account,

iii) Profit & Loss Account and Balance Sheet,

iv) Monthly details of opening stock, gross production, dispatch details, internal use, transit loss, wastage, losses due to human error, loss due to theft, closing stock, *etc*.

As such, assessments were finalized exclusively on the basis of monthly returns furnished by lease holders. The Department also did not conduct any periodical inspection/monitoring of leased areas.

In reply, the Department stated (January 2015) that crude oil is under the purview of the Central Government and the State Government was not required to maintain any records for the same.

The reply of the Department is not acceptable as the royalty is being received by the State Government on the crude oil and hence it is required to keep all related records to avoid loss of revenue.

The Department collected Royalty of ₹ 118.17 crore on Minor Minerals during 2009-14. But it was unable to provide detailed quantity of Minor Minerals extracted, as related records were not maintained. The year-wise royalty collected by the Department is shown in the Table below:

Table-3.2.3

Year	Quantity (cum)	Royalty (₹ in crore)
2009-10	Not available	22.26
2010-11	Not available	36.60
2011-12	Not available	19.70
2012-13	Not available	21.44
2013-14	Not available	18.17
Total	**-**	**118.17**

Source: DGM

In the absence of details of Minor Minerals extracted, the Directorate was not in a position to verify the accuracy of revenue royalty figures submitted by Districts.

The Arunachal Pradesh Mineral Development & Trading Corporation Ltd. (APMDTCL) extracted 8,45,276 metric tonnes (MT) coal during the five year period - 2009-14 - and paid Royalty of ₹ 15.02 crore, as detailed below:

Table-3.2.4

Year	Coal Production (MT)	Royalty Paid ((₹ in crore)
2009-10	250647	4.00
2010-11	300012	4.33
2011-12	221249	5.70
2012-13	73368	0.99
2013-14	No production	NIL
Total	**845276**	**15.02**

Source: DGM

However, scrutiny of records at the Directorate revealed that the Department did not have any system in place for calculation of royalty on coal and assessment was based entirely on returns furnished by the APMDTCL. The APMDTCL paid royalty by Cheque/Draft, based on figures submitted by the corporation.

In reply, the Department stated (January 2015) the APMDTCL calculated the royalty based on the notifications of Ministry of Coal, Government of India.

The Department's reply is not acceptable as in the absence of essential records the Directorate was not in a position to check the accuracy of royalty paid by the lessee.

3.2.8.2 Non-conformity of Permits with approved Form 'K'

According to Rule 30(1) of the Arunachal Pradesh Minor Mineral Concession Rules, 2002, an application for grant of mining permit is to be made in Form 'K' containing permit no, date of issue, name and address of the permit holder, date of expiry of the permit, name and description of minor minerals and purpose for which it will be used and quantity of minor minerals to be removed and details of royalty. Also, Condition No. 1 of Form 'K' stated that minor minerals shall have to be removed within the prescribed time limit.

Scrutiny of records of the Assistant Mineral Development Officers (AMDOs) of six test-checked Districts[2] revealed that Permit Books, issued by the Directorate to respective AMDOs, were not printed as per prescribed Form 'K' as detailed in the Arunachal Pradesh Minor Mineral Concession Rules, 2002, and did not contain dates of issue or expiry of a permit, the purpose for which the permits were used and other relevant columns.

[2] **Changlang District** (Changlang, Kharsang, Miao & Jairampur); **East Siang District** (Pasighat, Ruksin & Nari);**West Siang District** (Likabali & Aalo);**West Kameng District** (Bomdila); **Tawang District** (Tawang & Jang); and **Papumpare District (**Capital Complex & Yupia)

In absence of essential details in the permits, the Department was not in a position to check proper extraction of minor minerals within the purview of fixed time period.

3.2.8.3 Non-fixation of validity period of Mining Permits (Form 'K')

The DGM did not fix any maximum/minimum limit for validity of permits of minor minerals. As a result, it was noticed that different AMDOs of Districts issued permits with validity ranging from 2 to 180 days. The details of permit issued with validity period are given in the Table below:

Table-3.2.5

Sl. No.	District	AMDO	Validity period of Permits	
			Minimum	Maximum
1.	Changlang	AMDO,Changlang	35 days	115 days
		AMDO, Kharsang & Miao	30 days	153 days
2.	Lower Dibang Valley	AMDO, Roing	02 days	27 days
3.	East Siang	AMDO,Pasighat	10 days	33 days
		AMDO, Ruksin & Nari	28 days	93 days
4.	West Siang	Likabali	21 days	93 days
5.	Tawang	AMDO, Tawang	06 days	180 days
		AMDO, Jang	Period not mentioned	
6.	Papumpare	AMDO, Capital Complex	-do-	

Source: Departmental records

In reply, the Department while accepting the audit observation stated (January 2015) that AMDOs would be instructed to specify a maximum of three months validity period in the permits. This will also be incorporated in the proposed amendment of the Arunachal Pradesh Minor Minerals Concession Rules (APMMCR).

The reply is not tenable as had the Department fixed the specific validity periods the Government could have earned more revenue for issue of fresh permits.

3.2.8.4 Supply of Minor Minerals to Works Departments without valid Mining Permits

As per the Arunachal Pradesh Minor Mineral Concession Rules, 2002, a Mining Permit is required for extraction and removal of minor minerals.

Cross-check of records of Assistant Mineral Development Officers (AMDOs), Changlang, Pasighat, and Tawang with those of the Executive Engineer, PHE & WS Division, Changlang (July 2013 to March 2014), District Planning Officer, RWD and WRD, Pasighat (2011-12 to 2013-14), and PWD, Doimukh (March 2013) and Government Departments 110 individuals and 55 firms in respect of Tawang revealed that no mining permits were issued to the contractors/suppliers by the concerned AMDOs. However, the Department realized royalty of ₹ 32.60 lakh on minor minerals (sand, shingle, boulder, gravel and aggregate) from contractors/ suppliers (Changlang 144, Pasighat 273 and Tawang 165)

The details of minor minerals extracted and royalty paid by the above contractors/suppliers are as under:

Table-3.2.6

Sl. No.	District	Item	Quantity extracted (in cum)	Rate (per cum)	Amount Payable	Amount Paid
1.	Changlang	Sand	819.789	65/-	3,09,638/-	3,09,638/-
		Shingle	1245.384	78/-, 103/-, 104/-		
		Boulder	869.874	143/-		
2.	Pasighat	Sand	6859.50	50/-	8,54,346/-	8,59,483/-
		Shingle	3220.14	60/-		
		Boulder	1182.94	110/-		
		Gravel	293.38	79/-		
		Aggregate	2005.76	80/-		
		Earth	125.71	35/-		
3.	Tawang	Sand	4365.435	50/-	20,89,050/-	20,91,012/-
		-Do-	859.262	65/-		
		Aggregate	9800.45	80/-		
		-do-	488.521	104/-		
		Boulder	6633.57	110/-		
		-do-	1611.054	143/-		
		Shingle	256.542	78/-		

Source: Departmental records

Thus, in absence of valid mining permit extraction of minor minerals by contractors/suppliers was illegal.

3.2.8.5 Non-disposal of Seized Coal

On examination of records it was noticed that the Department seized approximately 20,000 MT of coal in February 2012 on 'as is where is' basis, which was illegally extracted during November-December 2011. The Investigation Officer (IO) handed over the seized coal to the Assistant Mineral Development Officer (AMDO), Jairampur, in June 2012.

The Secretary (G & M), instructed (June 2012) for immediate disposal of seized coal at basic price of ₹ 1,050/- per MT and royalty at ₹ 147/- per MT (@14 *per cent* of the basic price) to be payable by the successful bidder.

However, the AMDO, Jairampur, stated that the coal was yet to be disposed of (July 2014).

Thus, due to the delay of more than two years in disposal, the seized coal valued ₹ 239.40 lakh (Basic Price: 20,000 X ₹ 1,050 = ₹ 210.00 lakh + Royalty: 20,000 X

₹ 147 = ₹ 29.40 lakh), was losing its quality and value from exposure to the vagaries of nature.

In reply, the Department stated (January 2015) that the matter has been taken up with the Deputy Commissioner for early disposal of the seized coal.

No further reply has been received from the Department till date (March 2015).

Audit Objective:	***Whether there was compliance to Acts/Rules and whether there was any leakage of revenue due to non-compliance to the provisions of Acts/Rules***

Compliance Issues

3.2.9 Loss of revenue due to non-realization of Application Fees for Mining Permits

According to Rule 30 (1) of the Arunachal Pradesh Minor Mineral Concession Rules, 2002, an application is to be made in Form 'K' to the competent authority for grant of a Mining Permit to any person to extract and remove from any specified land any minor minerals not exceeding three thousand cubic meters in quantity under one permit on pre-payment of royalty at rates specified in the Schedule.

Further, as per Rule 31 (1) (a) of the Rules *ibid*, an application for a Mining Permit shall be accompanied by a Fee of ₹ 500/-.

Examination of records of different Assistant Mineral Development Officers (AMDO)s revealed that from April 2009 to March 2014, 5160 Mining Permits were issued without realization of Application Fees of ₹ 25.80 lakh. The detailed break-up of non-realization of Application Fees are given below:

Table-3.2.7

Period	District	AMDO	No. of Permits Issued	Money Value (in ₹)
2009-14	Changlang	Changlang	17	8,500/-
		Kharsang &Miao	309	1,54,500/-
		Jairampur	23	11,500/-
	Lower Dibang Valley	Roing	3169	15,84,500/-
	Papumpare	Capital Complex	09	4,500/-
		Yupia	13	6,500/-
	East Siang	Pasighat	180	90,000/-
		Ruksin & Nari	206	1,03,000/-
	West Siang	Aalo	26	13,000/-
		Likabali	67	33,500/-
	Tawang	Tawang	501	2,50,500/-
		Jang	360	1,80,000/-
	West Kameng	Bomdila	280	1,40,000/-
Total			**5160**	**25,80,000/-**

Source: Departmental records

Thus, due to non-realisation of application fee from the permit holders led to loss of revenue to the tune of ₹ 25.80 lakh to the Government.

3.2.10 Submission of Monthly Returns by Works Departments

To ensure proper deposit of Royalty on minor minerals, the Director of Geology & Mining (DGM) instructed in March 2006 to all Works Department of the State/Central Governments and other Government Organizations/ Undertakings engaged in any type of construction activity in the State to deposit royalty on minor minerals under the Head of Account – '0853 Non- ferrous Mining and Metallurgical Industries 800- Other Receipts' -and required them to submit details of such Royalty paid in Form No: G&M-1 containing name and address of contractor, treasury challans/draft no., supply work order no., name of project/scheme, details of minor minerals, rate and quantity, amount by the 15th of succeeding months.

Examination of the records of PWD/PHED and different construction agencies[3] revealed that the Divisions had either submitted monthly returns which were not in conformity with Form No: G&M-1 or had not submitted returns at all. The AMDOs also failed to issue Notices to the Works Departments for non-submission of returns in proper format during the period 2009-14.

In the absence of details of deductions of Royalty at source, the accuracy and authenticity of deductions could not be verified by AMDOs.

While accepting the audit comments the Department stated in their reply (January 2015) that the AMDOs have been instructed to take up the matter with the works department.

3.2.11 Delay in deposit of Revenue by Works Departments

As per Rule 6(1) of the Central Government Account (Receipts and Payments) Rules,1983 which is followed in Arunachal Pradesh, all moneys received by or tendered for Government officers on account of revenues or receipts or dues of the Government shall be deposited into Government Account without undue delay.

Cross-check of records of Assistant Mineral Development Officers (AMDOs) and Works Divisions of the four selected Districts[4] revealed that the Divisions delayed the deposit of royalty on minor minerals (sand, aggregate, boulder, shingle, etc.) deducted at source from Suppliers' Bills into Govt. Account during the period from 2011-12 to 2013-14. The delay was ranged between 17 to 1095 days and kept the amount in Cash/Bank.

[3]Office of the Executive Engineers PWD and PHED, Changlang; DPIU-II Division, Miao; WRD, Bordumsa; PWD, Jairampur; RWD, WRD and UD & Housing, Itanagar, Executive Engineer, Pasighat Highway Division, RWD,WRD, PWD and 44 Border Roads Task Force (BRTF), Aalo, different Works Divisions/Construction Companies/Firms/Suppliers in r/o Yupia, Tawang and Bomdila.

[4] – Kharsang, Miao & Jairampur in Changlang District, Roing in Lower Dibang Valley District, Aalo in West Siang District and Yupia in Papumpare District.

Details are shown in the following Table:

Table-3.2.8

District	AMDO	Amount (₹ in lakh)	Range of Delay	
			Minimum	Maximum
Changlang	Kharsang & Miao	3.33	17	38
	Jairampur	299.10	30	293
L. Dibang Valley	Roing	118.80	180	365
West Siang	Aalo	59.17	180	1095
Papumpare	Yupia	9.34	60	210

Source: Departmental records

Thus, due to delay in deposit of royalty to Government Accounts the possibility of temporary misappropriation of Government money could not be ruled out.

In reply, the Department stated (January 2015) that the AMDOs have been directed to pass proper instructions to all works departments for timely deposit of royalty.

3.2.12 Short realisation/non-deduction of Royalty from Suppliers' Bills by Works Departments

Examination of monthly returns submitted by Works Departments to AMDOs of Changlang, East Siang,West Kameng and Papumpare Districts of Arunachal Pradesh, revealed that Departments deducted royalty from contractors' bills by applying incorrect rates on minor minerals - sand, boulder, shingle resulted short realisation of revenue amounting to ₹ 15.39 lakh during 2013-14 as shown in **Annexure-3.12.1**.

Further, Cross-verification of records of the AMDO, Changlang, with those of the Executive Engineer, RWD, Changlang, revealed that the Division made payment of ₹ 33.19 lakh in October 2013 to a supplier, M/s Amin Enterprises, Itanagar, against 10 Bills for supply of 5492.75 cum of 'earth' during June and July 2013 without deducting royalty @ ₹ 46/- per cum as fixed by the Department of Geology & Mining, effective from 1st May 2013. Thus, failure on the part of the Executive Engineer to exercise his responsibility led to non-deduction of royalty of ₹ 2.53 lakh (5492.75 cum x ₹ 46).

In reply, the Department stated (January 2015) that concerned AMDOs were instructed to realize the royalty from the concerned works departments.

The current status of realisation has not been intimated (March 2015).

3.2.13 Outstanding Royalty from GREF & PWD

Cross-verification of records of the Assistant Mineral Development Officer (AMDO), Roing in Lower Dibang Valley District, with those of the Officer Commanding, 62 RCC (GREF), Roing, and the Officer Commanding, 1446 BCC (GREF), Roing, revealed the following:

a) The Officer Commanding, 62 RCC (GREF), Roing utilised river bed materials for two construction works from July to December 2012 and from January to December 2013. In the first work, the unit utilised 124555.57 Cum minor minerals *i.e.* Sand, Boulder, River Bed Materials (RBM) between July and December 2012 accruing royalty of ₹ 101.16 lakh. However, royalty of only ₹ 50.61 lakh was paid in December 2013. The balance amount of royalty of ₹ 50.55 lakh remained unrealized till date (March 2015). The details are shown below:

Table-3.2.9

Sl. No.	Period	Types of Minor Minerals	Quantity (in cum)	Rate (per cum)	Amount (₹ in lakh)
1.	July to December 2012	Sand	1490.96	50/-	0.74
2.	-do-	Boulder	6532.21	110/-	7.19
3.	-do	RBM	116532.40	80/-	93.23
Total			**124555.57**		**101.16**
Less : Royalty Paid					**50.61**
Outstanding Royalty					**50.55**

Source: Departmental records

In case of another work, the unit utilized 166513.08 cum of minor minerals, *i.e.* sand, boulders and river bed material (RBM), from January to December 2013, accruing Royalty of ₹ 155.29 lakh. However, the entire amount remained outstanding till date (March 2015) as per details given below:

Table-3.2.10

Sl. No.	Period	Types of Minor Minerals	Quantity (in cum)	Rate (per cum)	Amount (₹ in lakh)
1.	January to April 2013	Sand	962.09	50/-	0.48
2.	-do-	Boulder	1527.13	110/-	1.68
3.	-do	RBM	71982.86	80/-	57.59
4.	May to December 2013	Sand	614.17	65/-	0.40
		Boulder	2431.30	143/-	3.47
		RBM	88995.53	103/-	91.66
Total			**166513.08**	-	**155.28**

Source: Departmental records

b) The Officer Commanding, 1446 BCC (GREF), Roing, also utilised 24075.61 cum of minor minerals between January to March 2014, accruing royalty of ₹ 24.69 lakh, which had not been paid till date (March 2015) as per details given below:

Table-3.2.11

Sl. No.	Period	Types of Minor Minerals	Quantity (in cum)	Rate (per cum)	Amount (₹)
1.	January to March 2014	Boulder	1173.10	143/-	1.68
2.	-do-	S/Metal	1472.56	104/-	1.53
3.	-do-	Sand	1562.45	65/-	1.02
	-do-	RBM	19867.5	103/-	20.46
Total			**24075.61**	**-**	**24.69**

Source: Departmental records

Despite repeated reminders issued by the Assistant Mineral Development Officer, Roing, Royalty of ₹ 230.53 lakh (50.55 lakh + 155.29 lakh + 24.69 lakh) remained unrealized from the two units of GREF.

c) Similarly, cross-verification of records of the AMDO, Yupia, with those of the Executive Engineer, Doimukh PWD Division and Executive Engineer, Capital 'A' Division, PWD, Itanagar, revealed that the two Divisions utilised minor minerals during 2013-14, accruing royalty of ₹ 13.77 lakh (₹ 4.56 lakh + ₹ 9.21 lakh), which had not been paid. The AMDO, Yupia, failed to issue Notices to the Divisions for recovery of the same.

While accepting the facts the Department in their reply stated (January 2015) that the AMDOs - Roing and Yupia - have been instructed to realize the outstanding royalty of ₹ 244.30 lakh from the concerned Departments.

3.2.14 Non-realization of Surface Rent

Rule 13 (2) (b) of the Petroleum & Natural Gas Rules (PNG) Rules, 1959 (amended up to April, 2003), provided that the lessee shall pay Surface Rent for the area of land actually used by him/her on operations conducted under lease at such rates not exceeding the land revenue assessed or assessable on the land or as specified by the State Government with the approval of the Central Government.

The Government of Arunachal Pradesh drew up a Petroleum Mining Lease with M/s Oil India Ltd. for Ningru Oil Field in November 1983 and another one with M/s GeoEnpro Petroleum Ltd. for Kharsang JVC Block in June 1995. As per Clause 1(b) of Part V of the Agreements, Surface Rent was fixed at the rate of ₹ 46.73/- per hectare per annum and was to be paid at the end of each half year. Further, Clause 4 of Part VI of the Agreements provided that any payment to be made within the time specified for such payment, if not paid within the time specified, shall be increased by 10 *per cent* for every month or portion of a month during which such payment remained unpaid.

Scrutiny of Register of Surface Rent maintained by the Director, Geology & Mining, revealed the following:

- M/s Oil India Ltd. did not pay Surface Rent on a 75 sq. km (7500 ha.) area of petroleum mining operations since January 2002 till date of audit (May 2014).

  Thus, ₹ 3.53 crore (Surface Rent : ₹ 0.42 crore + Late Penalty : ₹ 3.11 crore) remained unrealized from M/s Oil India Ltd.

- M/s GeoEnpro Petroleum Ltd. did not pay Surface Rent on a 11 sq. km (1100 ha.) area of petroleum mining operations since April 2004 till date of audit (May 2014).

Thus, ₹ 35.47 lakh (Surface Rent : ₹ 5.14 lakh + Late Penalty : ₹ 30.33 lakh) remained unrealized from M/s GeoEnpro Petroleum Ltd.

The Department of Geology & Mining also failed to issue Demand Notices to the two lessees for recovery of the outstanding Surface Rent, totalling ₹ 3.88 crore including penalty.

In reply, the Department stated (January 2015) that the matter has been taken up with the lessees - M/s Oil India Ltd. and M/s GeoEnpro Petroleum Ltd.

3.2.15 Loss of Revenue due to flaring up of Natural Gas

The Petroleum & Natural Gas Rules (PNG) Rules, 1959 (amended up to April 2003), stipulated that a lessee shall pay to the State Government Royalty at 10 *per cent* of the value at well-head for natural gas obtained by the lessee from the leased area.

It was noticed in audit that a lessee, M/s Oil India Ltd. extracted 947.36 lakh Standard Cubic Metres (SCUM) of natural gas from the Kumchai Oil Field from 2009 to 2014. The Company utilized 148.91 lakh SCUM for production of Petroleum and flared-up the remaining 798.45 lakh SCUM natural gas.

In 2006, the Company requested the State Government to allow it to construct a pipeline for transportation of the gas to Assam, where there was a market for the same. But the State Government was yet to take a decision till date (March 2015). As a result, the Company could not optimally utilize the extracted gas and continued to flare-up the gas.

Another lessee, M/s GeoEnpro Petroleum Ltd., extracted 761.67 lakh Standard Cubic Metres (SCUM) of natural gas from Kharsang Oil Field from April 2009 to March 2014. The Company consumed 246.51 lakh SCUM natural gas for its own use and flared up the remaining 515.16 lakh SCUM natural gas.

As such, there was loss of royalty to the State Government due to flaring-up of 1313.61 lakh SCUM (798.45+ 515.16) of natural gas during the five year period 2009-14. The details of production, utilisation and flaring up of natural gas by Oil India Limited and GerEnpro Petroleum Limited during the last five year is given in the following table:

Table-3.2.12; Details of flaring of Natural Gas in Arunachal Pradesh

Year	Production of Natural Gas (in lakh SCUM)		Natural Gas utilized in the production of Petroleum (in lakh SCUM)		Natural Gas flared up due to non-tapping (in lakh SCUM)	
	Oil India	Geo-Enpro	Oil India	Geo-Enpro	Oil India	Geo-Enpro
2009-10	213.68	124.46	29.75	38.31	183.93	86.15
2010-11	172.76	207.23	29.83	43.80	142.93	163.43
2011-12	179.25	156.43	29.83	54.90	149.42	101.53
2012-13	192.29	149.82	29.75	54.75	162.54	95.07
2013-14	189.38	123.73	29.75	54.75	159.63	68.98
Total	**947.36**	**761.67**	**148.91**	**246.51**	**798.45**	**515.16**

Source: Departmental records

3.2.16 Outstanding Royalty on Crude Oil

Under the provisions of the Petroleum and Natural Gas (PNG) Rules, 1959, a lessee shall pay to the State Government royalty on Crude Oil and casing head condensate obtained from the mining operation at the rate fixed by the Central Government from time to time within 30 days of the month to which the production relates.

A mining lease Agreement was executed in October 1997 between M/s GeoEnpro Petroleum Ltd. and the Government of Arunachal Pradesh under Production Sharing Contract (PSC) for a period of 20 years from 16th June 1995 for extraction of crude oil from Kharsang Area of Arunachal Pradesh, measuring 11 sq. km. The Agreement was made with prior approval of the Government of India. As per terms and conditions of the Agreement for extraction of crude oil, the lessee was to pay royalty to the State Government at the fixed rate of ₹ 528/- per tonne, and any difference arising out of any subsequent revision in rates of royalty would be borne by the Government of India from the Oil Industries Development Board (OIDB) Fund.

The lessee, M/s GeoEnpro Petroleum Ltd. extracted 2,10,751.0333 tonnes of crude oil between January 2012 to March 2014 and paid royalty of ₹ 11.13 crore to the State Government at the rate of ₹ 528/- per tonne, as fixed by the Government. The prescribed rates for extraction of crude oil fixed by the Government of India during January 2012 to March 2014 varied, ranging from ₹ 2224.94 to ₹ 3702.70, and Royalty worked out to ₹ 63.35 crore, calculated at these prescribed rates. The differential royalty payable by the Central Government in excess of ₹ 528/- per tonne was worked out to ₹ 52.22 crore (₹ 63.35 - ₹ 11.13 crore), as detailed in **Appendix-3.12.2**. The amount of ₹ 52.22 crore was not yet reimbursed by the Central Government, though the matter was taken up by the Department.

Audit paragraph on similar issue related to the period from October 2010 to December 2011 appeared (paragraph No. 3.11) in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2013, Government of Arunachal Pradesh.

The Department stated (January 2015) that the State Government has taken up the matter with the Government of India for payment of the outstanding royalty for the period 2012-13 and 2013-14 and accordingly an amount of ₹ 65.62 crore was received from the Government of India as payment of differential royalty for the period from October 2010 to March 2012. The Department has also intimated that the outstanding royalty related to the financial year 2012-13 and 2013-14 was taken up with the concerned authorities.

Audit Objective:	***Whether the Internal Control System and enforcement measures were in place and were effective to prevent leakage of revenue***

3.2.17 Internal Controls

Internal Control is a management tool that provides reasonable assurance that the objectives of an organization are being achieved in an efficient, effective and adequate manner. It ensures that financial interests and resources of the organization are safeguarded, reliable information is available to the management and activities of the entity comply with applicable rules, regulations and laws.

3.2.17.1 Non-preparation of a Departmental Manual

It was noticed that the Department did not have a Departmental Manual, specifying functions and responsibilities of officers/staff at all levels/categories as per instructions issued by the Government/Department. In the absence of such a Departmental Manual, Departmental officers did not have any reference point, even for routine activities of the Department.

In reply, the Department stated (January 2015) that it would prepare a departmental manual as suggested by audit.

3.2.17.2 Information Technology

Computerization of the Department is a must in order to streamline various processes - issue of mining leases, assessment, levy/collection of mining receipts, sharing of information with prospective investors, *etc.*

However it was noticed that the Department was yet to implement any computerized system to issue of mining lease, assessment, collection etc.. The level of computerization was limited to word-processing and other offline activities.

In the absence of computerization, the Directorate was unable to have real-time access with AMDOs in Districts. Had there been a computerized network system, the information gap between the Directorate and AMDOs on the issue/receipt of Permit Books, outstanding Royalty, delay in deposit of Royalty, quantity of minerals extracted, *etc.* could have been prevented.

The Department while accepting the fact stated (January 2015), that it was in the process of computerisation of the Department.

3.2.17.3 Internal Audit

Internal audit helps an organization to accomplish its objectives and add value and improve its operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

It was noticed that there was no Internal Audit mechanism in the Department of Geology and Mining. Only periodical audit was conducted by the Directorate of Audit, Arunachal Pradesh.

The Department accepted the fact and stated (January 2015) that it would take necessary action in this regard.

3.2.17.4 Non-maintenance of Control Registers

The Directorate did not maintain any Demand and Collection Register, which was necessary for effective monitoring and control over assessment and collection of royalty and other Government dues.

In the seven selected Districts, at the unit level, several instances of non-maintenance of vital registers/ records were noticed. A few examples are given below:

1) Stock Register of Permit Books;
2) Revenue Realization Register;
3) Register of notified quarries in the area;
4) Register of stone crusher units in the area; and
5) Permit Issue Register.

In the absence of maintenance of such Registers there was a possibility of malpractices and underscored financial discipline.

3.2.17.5 Irregularities in stock-keeping of Permit Books

Scrutiny of records during Performance Audit revealed that the number of Permit Books which were issued by the Directorate to the respective AMDOs did not tally with the AMDOs figure as shown below:

Table-3.2.13

Sl. No.	District	AMDO	No. of Permit Books Issued	No. of Permit Books Recd.	Difference
1.	Changlang	Changlang	-	-	-
		Kharsang	01	-	(-) 01
		Miao	10	-	(-) 10
		Jairampur	01	01	-
2.	Lower Dibang Valley	Roing	-	50	(+) 50
3.	Papumpare	Capital Complex	05	05	-
		Yupia	04	03	(-) 01
4.	East Siang	Pasighat	10	10	-
		Ruksin	04	05	(+) 01
		Nari	02	-	(-) 02
5.	West Siang	Aalo	12	-	(-) 12

Sl. No.	District	AMDO	No. of Permit Books Issued	No. of Permit Books Recd.	Difference
		Likabali	23	-	(-) 23
6.	Tawang	Tawang	07	04	(-) 03
		Jang	-	03	(+) 03
7.	West Kameng	Bomdila	10	-	(-) 10

Source: Issue/Receipt Register of Director, G&M and AMDOs

Thus, due to discrepancies on permit books issued/receipt the possibility of misuse of permit books for illegal extraction of minor minerals could not be ruled out.

While accepting the audit observation, the Department stated (January 2015) that it will carry out reconciliation and results will be intimated thereof.

However, no reply was received (March 2015).

3.2.17.6 Inconsistencies in manpower allotment in Check Gates

Check Gates are a control mechanism to minimize the risk of unauthorized transport of minerals without payment of Royalty and the resultant loss of revenue. Hence, Check Gates need to have optimum allotment of manpower to be efficient and effective.

The manpower position in Check Gates of the test-checked Districts, is given below:

Table-3.2.14

Sl. No.	District	AMDO	No. of Check Gates	Mineral Guards Posted
1.	Changlang	*Changlang*	-	04
		Miao	-	04
		Kharsang	02	05
		Jairampur	-	-
2.	Lower Dibang Valley	*Roing*	01 (Non-functional)	05
3.	Papumpare	*Capital Complex*	02 (Defunct)	04
		Yupia	03	03
4.	East Siang	*Pasighat*	01	04
		Ruksin & Nari	01	06
5.	West Siang	*Aalo*	02	03
		Likabali	01	04
6.	Tawang	*Tawang*	01	06
		Jang	-	02
7.	West Kameng	*Bomdila*	-	03

Source: Departmental records

It can be seen from the table above that though there were no Check Gates at Changlang and Miao, four (4) Mineral Guards were posted, whereas though there were three (3) Check Gates at Yupia, only 3 Mineral Guards were posted. This indicated lack of proper man-power management in the Department, which resulted in the inconsistencies.

In reply, the Department stated (January 2015) that it had taken up the matter with the State Government. However, no further reply has been received till date (March 2015).

3.2.17.7 Non-existence of a Vigilance Wing

The Department did not have a Vigilance Wing to inspect unit offices, leased areas, quarries of minor minerals and other areas of mineral deposits. In the absence of a Vigilance Wing, the Department could not conduct periodical checks during the five year period under review. Due to the non-inspection, loss of revenue due to concealment of production figures by lease holders and illegal extraction of minor mineral could not be ruled out.

The Department stated (January 2015) that it has taken up the matter with the State Government. However, no further reply has been received till date (March 2015).

3.2.17.8 Non-reconciliation of Revenue Deposits

To ascertain the correctness of deposit of Government revenue through Treasury Challans and its accountal into the appropriate receipt head of account, the Treasury Advice List for every month is required to be obtained from the Treasury for reconciliation with figures of revenue deposit.

Records of the different Assistant Mineral Development Officers (AMDOs) like West Kameng District (Bomdila) and Tawang District (Tawang and Jang) and Papumpare District (Capital Complex and Yupia) revealed that the concerned AMDO's neither obtained the Treasury Advice List from the Treasury nor was it reconciled with remittances. In the absence of the Treasury Advice List, the authenticity of revenue deposits could not be checked.

In reply, the Department stated (January 2015) that it has instructed all the AMDOs to carry out monthly reconciliation with the treasury.

Audit Objective: ***Whether there was environmental damage due to non conformity to provisions of Acts/Rules***

3.2.18 Environmental Aspects

Environmental effects associated with mining activities start at the exploration stage, extend through the extraction and processing of minerals and continue even after closure of the mines. Legislation for mining requires before a mine is developed and operated in an environmentally sound manner with the least adverse impact on the environment.

As on date, in Arunachal Pradesh, there is only one open-cast coal mining lease at Namchik, in Changlang District, operated by the Arunachal Pradesh Mineral

Development and Trading Corporation (APMDTCL) and two Petroleum Mining leases in Kharsang, Changlang District, operated by GeoEnpro Petroleum, Ltd. and in Ningru, Changlang District, operated by Oil India, Ltd. Environment issues on-site inspections of the three mining areas are discussed in the subsequent paragraphs:

3.2.18.1 Flooding of Open-cast Coal Mine due to cessation of operations

Acid Mine Drainage (AMD) is the outflow of acidic water from coal mines, coal stocks and coal handling facilities. It is caused by the oxidation of pyrite ad sulphur in the presence of water leading to the formation of sulphuric acid. Coal mines are rich source of sulphur and thus AMD worldwide hazard associated with large scale mining. Coal mines releases toxic amount of minerals and AMD in water can occurs which may affect the surrounding environment.

Arunachal Pradesh Mineral Trading & Development Corporation Ltd. (APMDTCL), was granted a 20-year lease for the mining of coal in a 133.65 hectare area of Namchik, Changlang District from February 2007. The APMDTCL, in turn, engaged a contractor for extraction of coal, which was marketed by the Corporation. In May, 2012 the Ministry of Coal, Government of India (GoI), banned coal operations due to the suspected involvement of insurgents in coal mining in the area. Subsequently, the contactor withdrew from the area and all operations ceased.

Joint inspection of the mines along with the General Manager (Mining), APMDTCL, in June 2014 revealed that the entire mining pit area was filled up with rain-water up to the rim. The GM (Mining), APMDTCL, informed that the water could not be pumped out mining pit area as the water pumps was not functioning.

As such, chances of water spilling out of the mine pit and causing damage to the nearby areas cannot be ruled out.

Pic. 1

Mining pit of Namchik Open-cast Mine, Changlang District

3.2.18.2 Lack of Safety Measures in Oil Rigs

Oil drilling has many harmful ecological and environmental effects. The process of drilling and extraction of oil is complex and leaves many opportunities for error or accident. Oil spills, accident and illegal dumping of oil barrels and produced water may lead to devastating ecological and health consequences.

In order to ensure safe exploration of oil & natural gas and prevent environmental damage to areas near oil wells/rigs, the Government of India framed the Oil Mines Regulations, 1984.

Rule 97 of the Regulations state that:

1) The Christmas Tree (Oil Drilling Rig) provided at any well on land shall be kept securely fenced with access gates securely locked.

(2) The protected area surrounding every drilling or work over installation. Production installation, storage tanks and flare stacks shall be provided with fences of not less than 1.8 metres in height.

(3) (a) Precautions shall be taken to prevent any unauthorized person from having access to any place which has been duly fenced.

(b) Every fence shall at least once every seven days be examined by a competent person. A Report of every such inspection shall be recorded in a bound paged book kept for the purpose and shall be signed and dated by the person who made the examination.

(4) If any doubt arises as to whether any fence, guard, barrier or gate provided under these regulations is adequate, proper or secure, it shall be referred to the Chief Inspector for a decision, and whose decision thereon shall be final.

Three oil wells were inspected during the course of joint inspection (Review Audit Party and Oil India Staff) in September 2014 of the Ningru Oil Field, Changlang District, operated by Oil India Limited, It was noticed that none of them had proper fencing. Cattle and goats were found grazing within metres of the oil rigs. There were no danger/hazard signboards in sight.

Thus, due to non-compliance of Rule 97 of the Oil Mines Regulations, 1984 the chances of a major accident and environmental damage could not be ruled out.

Pic. 2	Pic. 3
	
Ningru Oil Field, Changlang District	*Ningru Oil Field, Changlang District*

3. 2.18.3 Continuation of Mining Operations without Forest Clearance

As per provisions of the Forest (Conservation) Act, 1980, Compensatory Afforestation is the most important condition stipulated by the Central Govt. while approving proposals for de-reservation or diversion of forest land for non-forest uses.

Scrutiny of records during the Performance Review revealed that the Government of India approved the grant of Petroleum Mining Lease for oil exploration purposes by M/s Oil India, Ltd. in an area of 540.668 sq. km., known as Ningru Oil Field, for a period of 20 years in 1984. The Mining Lease was valid from November 1983 to November 2003. M/s Oil India, Ltd. applied for re-grant of the Mining Lease, and the Ministry of Petroleum & Natural Gas, GoI, accorded approval in January 2004. M/s Oil India Ltd. requested the Government for diversion of forest land in respect of the aforesaid oil field and the proposal was forwarded to Ministry of Environment & Forests (MoEF), GoI. The MoEF, in its Forest Advisory Committee Meeting held in August 2007, desired that the proposal for diversion be bifurcated according to the requirement of forest land and separate proposals submitted - one for exploration and another for diversion of land for oil well drilling, infrastructure facilities, *etc.* M/s Oil India, Ltd. finally submitted the bifurcated proposal in June 2013. However, the Ministry of Environment & Forests, GoI, is yet to give clearance to the proposal till date.

Since the validity period of the lease already expired in November 2003 and neither any approval for re-grant of the lease was accorded nor any working permit issued by the State Government to Oil India Ltd. thereafter, exploration for crude oil in the oil fields of Ningru Area would be illegal and in violation of mining laws and the Forest Conversation Act, 1980.

The State Government allowed M/s Oil India Ltd. to continue extraction of crude oil from the aforesaid oil field for more than 10 years after expiry of the validity period of the lease, in contravention of environmental rules.

In reply, the Department stated (January 2015), that the matter has been taken up with Oil India Limited and GoI.

3.2.19 Conclusion

The budget estimates of the Department were not prepared realistically. There was huge variation between budget estimate and actual revenue collection during the period 2009-14. There was no effective system of reconciliation of revenue collection between the Departmental figures with that of figures booked by Accountant General (A&E). The Department had failed to put in place a system for accurate and effective collection of data on mining operation from the lease holders, the assessment of royalty was based on the return furnished by the APMDTCL. There was no mechanism in place for issuing of permit as per provisions in Arunachal Pradesh Minor Mineral Concession Rules, 2002. The internal control mechanism was not effective in the department to prevent leakage of revenue. Due to non observance of the conditions as laid down under Rule 97 of Oil and Mining Regulation, 1984 the chances of a major accident and environmental damage could not be ruled out.

3.2.20 Recommendations

- The Department may ensure co-ordination with the Finance Department for preparation of realistic revenue target and to reconcile the revenue collection figure with AG.
- A system may be kept in place for accurate and effective collection of data from lessees and completion of assessments and collection of royalty.
- The Government should stop extraction of minor minerals by contractors/ suppliers without valid mining permit.
- Internal Control of the Department needs to be strengthened by creation of a Departmental Manual, Internal Audit Wing, Vigilance Wing, *etc.* Periodical inspections of the oil field/mines may be conducted to ensure environmental safety.

COMPLIANCE AUDIT PARAGRAPHS

Taxation Department

3.3 Non-realization of Entry Tax

The DTO failed to collect Entry Tax of ₹ 34.80 lakh on vehicles imported from outside the State resulting in non-realization of revenue to that extent

Under provision of the Arunachal Pradesh Goods Tax (APGT) Act, 2005, Entry Tax at applicable rates shall be paid on the import of a motor vehicle which is not registered in Arunachal Pradesh, at the time that the motor vehicle is so registered. In October 2005, the Commissioner of Taxes, Arunachal Pradesh, directed Deputy Commissioners of all Districts to ensure payment of Entry Tax prior to registration of imported vehicles.

In Arunachal Pradesh, motor vehicles are taxable at the rate of 12.5 *per cent* and bulldozers, dumpers, tippers, *etc.* at the rate of a 4 *percent*.

Audit cross-checked the registration records of the District Transport Officer (DTO), Bomdila, with those of the Superintendent of Taxes, Bomdila, in September 2013. It was found that 51 new commercial motor vehicles valued at ₹ 6.23 crore, imported from outside the State were registered between January 2010 and September 2013. The entry tax, of ₹ 34.80 lakh[5], on 51 commercial motor vehicles was neither paid by the importers at the time of import of the vehicles nor collected from the owners at the time of registration of the vehicles.

Thus, due to failure of the DTO to collect entry tax resulted in non-realization of revenue of ₹ 34.80 lakh.

The case was reported to the Department/Government in February 2014; reply is still awaited (March 2015).

3.4 Loss of Revenue on sale of Veneer/Sawn timber by unregistered Dealers

Two un-registered dealers sold Veneer/ Sawn Timber valued at ₹ 3.87 crore and claimed exemption from payment of tax by furnishing declarations in Form 'C'. However, ST failed to assess tax of ₹ 48.37 lakh as Form 'C' were not acceptable as both dealer being unregistered.

Under Section 7 (1) of the CST Act, while liable to pay tax under the Act, no dealer shall carry on business unless he is registered and possesses a Certificate of Registration. Section 90 (1) of the Arunachal Pradesh Goods Tax Act, 2005, provides

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[5] @ 12.5 *per cent* on ₹ 1,16,43,460/-	=	₹14,55,433/-
@ 4 *per cent* on ₹ 5,06,24,436/-	=	₹ 20,24,977/-
Total Entry Tax payable	=	**₹ 34,80,410/-**

for prosecution of a dealer who sells goods without registration. It also states that the dealer could be imprisoned for up to three years, along with a fine, or both. Further, Section 94 (1) of the Act *ibid* provides that penalty at twice the tax payable is leviable by way of composition in lieu of prosecution. The item Veneer and Sawn Timber are taxable at the rate of 12.5 *per cent* in the State.

Scrutiny of records of the ST, Tezu, in June 2014 revealed that two dealers[6] sold Veneer and Sawn Timber valued at ₹ 3.87 crore between April 2007 and March 2009 in the course of Inter-State Trade, and claimed exemption from payment of tax by furnishing declarations in Form 'C'. The 'C' Forms furnished by the dealers were not valid as the dealers were not registered under the CST Act. Thus, the dealers were liable to pay tax of ₹ 48.37 lakh besides, penalty of ₹ 96.77 lakh was also leviable for selling goods without registration in the course of Inter-State Trade. The Assessing Officer also did not initiate any action to register the dealers and recover the tax payable.

The case was reported to the Department/Government in August 2014; reply is still awaited (March 2015).

3.5 Loss of Revenue due to short-deduction of VAT at Source

Seven unregistered contractors executed works contracts valued at ₹ 5.97 crore, on which the EE deducted VAT of ₹ 6.85 lakh only instead of ₹ 55.93 lakh, leading to loss of revenue of ₹ 49.08 lakh

Under Section 5(2) of the Arunachal Pradesh Good Tax (APGT) Act, 2005, a dealer executing works contracts shall be liable to pay Value Added Tax (VAT) on the balance turnover after deduction of charges incurred towards labour, services, *etc.* If such charges are not ascertainable, a deduction of 25 *percent* is allowed on the total turnover. Further, Section 47 A of the Act *ibid* provides for deduction of VAT at source by the Government/Departments while making payment to suppliers/contractors and deposit the VAT so deducted into Government account.

Cross-verification of the records of the ST, Changlang, with those of the Executive Engineer (EE), DPIU-II, Rural Works Division, Pradhan Mantri Gram Sadak Yojana (PMGSY), Changlang, in June 2014 revealed that 7 (seven) unregistered contractors executed works contracts valued at ₹ 5.97 crore under the PMGSY scheme during 2013-14. While making payment to the contractors, the EE deducted VAT of only ₹ 6.85 lakh instead of ₹ 55.93 lakh.

Failure of the EE to deduct VAT at prescribed rates led to short-deduction of tax of ₹ 49.08[7] lakh and enabled the unregistered contractors to evade the amount. Since the

6 M/s Chowkham Saw & Veneer Mills Pvt. Ltd., Chowkham and M/s Tafragam Saw Mills Pvt. Ltd., Chowkham

7 Value of Works Contract: ₹ 5,96,64,429/-
Less 25 *per cent* being cost of Labour & Services: ₹ 1,49,16,107/-

contractors were not registered either under the APGT Act or CST Act, the amount of ₹ 49.08 lakh was a loss of revenue to the State Government.

The case was reported to the Department/Government in August 2014; reply is still awaited (March 2015).

3.6 Loss of Revenue due to non-deduction of tax at source

Non-deduction of tax at source and carrying on business without registration by a dealer led to loss of revenue of ₹ 3.23 crore

Section 19 of the APGT Act, states that a dealer who is liable to pay tax shall not carry on business unless registered and possesses a Certificate of Registration. Rule 5 (1) of the APGT Rules stipulates that the Government Department is responsible for deduction of tax at source at the time of making payment to works contractors at the rate of 12.5 *per cent* after deducting charges towards labour and services. However, where the amount of charges towards labour and services cannot be ascertained, the amount of such charges shall be calculated at the rate specified in *'Annexure 8'* of the Rules. In accordance with the aforesaid Annexure, a deduction of 25 *per cent* from the contract value is allowed towards cost of labour and services in respect of civil works.

Further, the dealer was also liable to pay penalty equal to the amount of tax evaded as stipulated in Section 87 (10) of the Act *ibid*.

Cross-check of records of the ST, Pasighat, with those of the Executive Engineer (EE), Rural Works Division, Pasighat, in September 2014 revealed that a contractor executed two works contracts, valued at ₹ 16.11 crore, between January and December 2013 and final payment thereof was also made in June 2013 and March 2014 respectively, without deducting any tax from Bills of the contractor. Further, records of the ST, Pasighat, revealed that the contractor was neither registered nor paid any tax on the value of works executed. Thus, the dealer was liable to pay Tax of ₹ 1.51 crore, besides Interest of ₹ 21.41 lakh for non-payment of tax (calculated upto Aug 2014 @ 24 *per cent per annum*), and penalty of ₹ 1.51 crore for carrying on business without registration.

Since the dealer was not registered, the entire outstanding revenue of ₹ 3.23 crore would ultimately lead to loss of revenue to the State exchequer.

The case was reported to the Department/Government in October 2014; reply is still awaited (March 2015).

Material Value of Contract:	₹ 4,47,48,322/-
VAT realizable @ 12.5 *per cent* on ₹ 4,47,48,322:	₹ 55,93,540/-
VAT deducted by the EE:	₹ 6,85,143/-
Short Deduction:	₹ 49,08,397/-

3.7 Loss of revenue due to irregular grant of exemption

Non-assessment of dealer by the Superintendent of Taxes, Ziro, within the specified period led to loss of revenue of ₹ 1.29 crore

A dealer is not liable to pay tax on sale of exempted goods as specified in Schedule-I attached to the APGT Act.

Under Section 36 of the APGT Act, unless the Commissioner has reason to believe that tax was not paid by reason of fraud or evasion on the part of the person, no assessment or re-assessment shall be made by the commissioner after expiry of four years.

Scrutiny of records of the ST, Ziro, in September 2013 revealed that a dealer imported taxable goods like DG Sets, Cranes, Welding Machines, etc;, valued at ₹ 3.10 crore between April 2006 and March 2009 by utilizing 'C' Form/ Way Bills from outside the State. However, the dealer submitted a single return in March 2009 for the aforesaid period and disclosed a turnover of ₹ 3.10 crore, but claimed exemption from payment of tax, and accordingly paid no tax. Since the dealer did not deal in goods specified in Schedule-I of the Act, he was not eligible to get exemption from payment of tax. But the ST did not initiate any action to complete the assessment of the aforesaid period and recover the admitted tax from the dealer. The dealer had evaded tax of ₹ 38.75 lakh, calculated at 12.5 *per cent* on ₹ 3.10 crore. Since four years had already expired from the end of the tax period of March 2009, assessment for the aforesaid period became time-barred, leading to loss of revenue of ₹ 1.29 crore (including Interest of ₹ 51.76 lakh @ 24 *per cent per annum* upto August 2013 and Penalty of ₹ 38.75 lakh).

The case was reported to the Department/Government in February 2014; reply is still awaited (March 2015).

3.8 Concealment of turnover

Contractor concealed import of taxable goods valued at ₹ 80.70 lakh and thereby evaded Government revenue of ₹ 26.57 lakh (*including Interest and Penalty*)

Under Section 34(1) (b) of the APGT Act, if the Commissioner is not satisfied with the return furnished by a dealer, he may assess or re-assess the tax due for a tax period.

Further, Section 44 (2) of the Act *ibid* provides payment of Interest ranging between 12 and 24 *per cent* per annum for the entire period of default in payment of tax. For submission of false return, the dealer is also liable to pay Penalty of ₹ 1 lakh or the amount of tax evaded whichever is greater, as per Section 35 (1) and Section 87 (10) of the Act. Scrutiny of Road Permits of the ST, Pasighat, in September 2014 revealed that a contractor imported taxable goods valued at ₹ 80.70 lakh between April 2009 and March 2012. However, cross-verification of quarterly returns furnished by the dealer for the aforesaid period revealed that the dealer neither disclosed the aforesaid purchase in his return nor paid the due tax. The Assessing Officer (AO) also accepted the returns furnished by the dealer. As a result, a turnover of at least ₹ 80.70 lakh was concealed and tax of ₹ 9.88 lakh was evaded by the dealer, which escaped notice of the AO. In addition to tax, Interest of ₹ 6.81 lakh @ 24 *per cent* (up to August 2014) and Penalty of ₹ 9.88 lakh was also leviable but not levied.

Thus, the dealer concealed purchase turnover of ₹ 80.70 lakh and evaded Government revenue of ₹ 26.57 lakh including interest and penalty.

The case was reported to the Department/Government in October 2014; reply is still awaited (March 2015).

3.9 Evasion of tax due to Concealment of Turnover

Concealment of turnover and failure of the ST to cross-verify the return furnished by a dealer, resulted evasion of tax of ₹ 6.87 lakh

Section 34 of the APGT Act stipulates that the Commissioner may assess or re-assess a dealer when he is not satisfied with the return submitted by any dealer.

Further, Sections 87 (10) and 44 (2) of the Act provide for penalty equal to the amount of tax payable and levy of interest for default in payment of tax at prescribed rates respectively.

Verification of the Utilisation Statement of 'C' Forms furnished by the dealer, which were available in case records, revealed that a dealer purchased taxable goods (*medicines*), valued at ₹ 1.72 crore, from outside the State between July to September 2009. However, test-check of records of the ST, Pasighat, in September 2014 revealed that the dealer submitted a 'Nil' return for the aforesaid period and the ST accepted the return as correct.

Thus, failure of the ST to cross-verify the purchase of medicines made by the dealer, as available in the case records, before accepting the '*Nil*' turnover return led to evasion of tax of ₹ 6.87 lakh. The dealer was also liable to pay Interest of ₹ 7.14 lakh (@ 24 *per cent* per annum calculated upto Aug 2014) for non-payment of tax and Penalty of ₹ 6.87 lakh for willful concealment of turnover.

The case was reported to the Department/Government in October 2014; reply is still awaited (March 2015).

3.10 Evasion of tax

A dealer concealed turnover of ₹ 81.76 lakh and evaded tax of ₹ 3.27 lakh, for which Interest of ₹ 2.49 lakh and Penalty of ₹ 3.27 lakh was also leviable.

Under Section 34 of the APGT Act, if the Commissioner is not satisfied with the return submitted by a dealer, he may assess or re-assess the dealer. Further, the dealer is also liable to pay penalty equal to the amount of tax evaded, as stipulated in Section 87 (10) of the Act *ibid*.

Examination of the assessment records of the ST, Aalo, in July 2013 revealed that a dealer purchased taxable goods (*taxable between 4 and 12.5 per cent*), valued at ₹ 94.59 lakh, from one Guwahati (Assam) based dealer by utilizing one 'C' Form between July and September 2009. However, the dealer submitted a return turnover of only ₹ 12.84 lakh during the aforesaid quarter, which was duly accepted by the ST. The dealer also did not furnish opening and closing stock in the quarterly return. Thus, the dealer concealed a turnover of ₹ 81.75 lakh and evaded tax of ₹ 3.27 lakh, calculated at the minimum rate of four *per cent*. The tax effect would be even more if the element of profit and appropriate rate of tax could be ascertained.

Since the dealer did not furnish Closing Stock in the return it can be confirmed that entire purchase was sold during the quarter.

Thus, the dealer was liable to pay Tax of at least ₹ 3.27 lakh on concealment of sales, in addition Penalty of ₹ 3.27 lakh for wilful evasion of tax, and Interest of ₹ 2.49 lakh (@ 24 *per cent per annum* calculated upto June 2013) for default in payment of tax, were also leviable.

The case was reported to the Department/Government in February 2014; reply is still awaited (March 2015).

State Excise Department

3.11 Non-realization of Renewal Fees and Penalty

Failure of the Department to initiate action led to non-realization of Renewal Fee of ₹ 46.50 lakh and Fine of ₹ 5.18 lakh

The Government of Arunachal Pradesh notified in May 1994 that Licence Fee of ₹ 1.5 lakh *per annum* shall be payable for opening a Bonded Warehouse or a wholesale vend. The rates of fine for delayed payments in respect of Bonded Warehouses and wholesale vends were also enhanced to ₹ 100/- and ₹ 75/- per day respectively, with effect from 15 February 2001. Further, the Arunachal Pradesh Excise Act, 1993, provides that the authority who granted any licence may cancel it if the prescribed Annual Fee payable by the licensee has not been paid.

During audit of the Commissioner of Excise, Arunachal Pradesh, Itanagar, in June 2014, it was noticed that six Bonded Warehouses and 18 wholesale vends had not renewed their licences falling between October 2010 and June 2015 in advance before the expiry of the validity period. No action was taken to cancel the licences. Instead, the CoE continued to issue import passes to the licensees. The irregular grant of passes without realization of the Licence Fee not only violated the Excise Act but also resulted in non-realization of revenue of ₹ 46.50 lakh. Besides, Fine of ₹ 5.18 lakh was also leviable for default in renewal of Licence.

The case was reported to the Department/Government in August 2014; reply is still awaited (March 2015).

3.12 Non-realization of establishment charges

Establishment Charges of ₹ 5.52 lakh in respect of an Excise official posted simultaneously in two different Bonded Warehouses were not realized

Rule 74 (a) of the Arunachal Pradesh Excise Rules, 1994, lays down that the Collector shall employ such Officers and establishment, as the Excise Commissioner may direct, to the charge of a private Warehouse for the purpose of supervision. The licensee of the Warehouse shall pay to the Government, in advance, a Fee in cash equivalent to the establishment cost of such Officers for three months, as the Excise Commissioner may fix. The cost of the establishment shall include the pay and allowances, as well as leave salary and pension contributions.

Audit of the records of the Excise Commissioner in June 2014 revealed that an Excise official was posted in two different private Warehouses at Hollongi[8] and Naharlagun[9]. Establishment Charges for the official from January 2013 to March 2014 were ₹ 5.52 lakh as worked out by Audit and accepted by the Excise Commissioner. However, the Department neither worked out the Establishment Charges nor raised any demand for payment of the same. The private Warehouses also did not make any payment towards Establishment Charges for the aforesaid period. Failure of the Department to raise demand led to non-realization of Establishment Charges of ₹ 5.52 lakh, as worked out by Audit.

The case was reported to the Department/Government in August 2014; reply is still awaited (March 2015).

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[8] M/s Dekrom Beverages, Holongi

[9] M/s Majestic Bonded Warehouse, Naharlagun

3.13 Loss of revenue

Failure of the Department to realize Licence Fee and Penalty before cancellation of three licences led to loss of revenue of ₹ 4.83 lakh

Under the Arunachal Pradesh, Excise Act, 1993, and Rules made thereunder, a licence granted for dealing in Indian Made Foreign Liquor (IMFL) shall remain valid for one year from the date of issue. On expiry of the validity period, the licensee shall either return the licence or get it renewed on payment of the prescribed Annual Fee in advance. If he fails to get the licence renewed before expiry of the validity period of the licence, he shall be liable to pay penalty in addition to the Fee at the rate of ₹ 75/- *per day* for the period of default in payment of the Fee.

Examination of records of the Commissioner of Excise in June 2014 revealed that licences of three wholesale IMFL vendors were valid up to different dates between September 2011 and September 2013. On expiry of the validity periods of the licences, the proprietors neither renewed the licences nor returned them to the issuing authority. The Department did not initiate any action to either realize the prescribed Licence Fee of ₹ 6.00 lakh and Penalty of ₹ 0.78 lakh for non-renewal of the licences or to take over the stock of IMFL for recovery of the dues. However, all three licences were cancelled between July 2012 and May 2014 by the Excise Commissioner without realizing Government revenue and only forfeiting the security deposit of ₹ 1.95 lakh from 3 wholesale IMFL vendors (@ ₹ 65,000/- in each case). This resulted in loss of revenue of ₹ 4.83 lakh.

The case was reported to the Department/Government in August 2014; reply is still awaited (March 2015).

3.14 Non-realization of Renewal Fees and Penalty

Failure of the Department to initiate action against Retail Licencees for non-renewal of licences led to non-realization of Renewal Fees of ₹ 4.40 lakh and Penalty of ₹ 0.76 lakh

Under provisions of the Arunachal Pradesh Excise Rules, 1994, a licence granted to a retail IMFL vendor shall expire after one year from the date of issue. Further, the Excise Department instructed in March 1996, that if a retail vendor fails to renew the licence on payment of a Renewal Fee of ₹ 40,000/- within the stipulated date, he shall be liable to pay, in addition to the Renewal Fee, a Penalty of ₹ 50/- day for the period of default.

In order to monitor prompt payment of Licence Fees, a Register shall be maintained by the Superintendent of Excise. The Superintendent of Excise shall review the Register periodically and issue Notices to defaulters for payment of the prescribed fee and penalty.

Audit of records of the Superintendent of Excise, Tezu, in June 2014 revealed that 11 retail licences were to be renewed between October 2013 and May 2015. The licensees, however, did not renew the licences, as required under the Rules. The Superintendent of Excise also did not take any action to either review the Register or detect the defaulters and realize the prescribed Renewal Fee of ₹ 4.40 lakh and Penalty of ₹ 0.76 lakh. This resulted in non-realization of revenue of ₹ 5.16 lakh.

The case was reported to the Department/Government in August 2014; reply is still awaited (March 2015).

CHAPTER - IV

ECONOMIC SECTOR

(STATE PUBLIC SECTOR UNDERTAKINGS)

Government Commercial and Trading Activities

4.1 Overview of State Public Sector Undertakings

4.1 Introduction

4.1.1 The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. SPSUs are established to carry out activities of commercial nature while keeping in view the welfare of the people. In Arunachal Pradesh, there were seven SPSUs (all Government Companies, including two non-working Companies). None of these Companies was listed on the Stock Exchange.

4.1.2 The working SPSUs registered a turnover of ₹ 6.31 crore for 2013-14 as per their latest finalized accounts as of September 2014. This turnover was equal to 0.05 *per cent* of the State Gross Domestic Product (GDP) of ₹ 13,491.03 crore[1]. Thus, the SPSUs make a negligible contribution to the State's economy. Major activities of Arunachal Pradesh SPSUs are concentrated in the Finance and Power Sectors. The working SPSUs earned an overall profit of ₹ 7.60 crore in aggregate for 2013-14, as per their latest finalized accounts as on 30 September 2014. They employed 237[2] employees as on 31 March 2014. The SPSUs did not include prominent Government Departments which performed activities of commercial nature, such as, Department of Power, Department of Hydro-Power Development, Department of Transport and Directorate of Supply & Transport. The Audit findings relating to these Departments are, however, incorporated in this Chapter.

Audit Mandate

4.1.3 Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government Company is one where not less than 51 *per cent* of the paid up capital is held by Government(s). A Government Company also includes subsidiaries of a Government Company. Further, a Company in which not less than 51 *per cent* of the paid up capital is held in any combination by Government(s), Government Companies and Corporations controlled by Government(s) is treated as if it were a Government Company (deemed Government Company) as per Section 619-B of the Companies Act.

4.1.4 The accounts of State Government Companies, as defined in Section 617 of the Companies Act, 1956, are audited by Statutory Auditors, who are appointed by

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1 State GDP figures for 2013-14 as furnished by the Director of Economics & Statistics, Government of Arunachal Pradesh

2 As per details provided by five PSUs

the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per provisions of Section 619 of the Companies Act, 1956.

4.1.5 The Government of India (Ministry/Department of Corporate Affairs) has notified (September 2013) the Companies Act, 2013. However, the provisions of the new Act shall be applicable on Government Companies from the next accounting year 2014-15 (*viz.* from the accounting periods commencing on or after 1 April 2014) and audit of the accounts of Government Companies pertaining to the periods prior to 1 April 2014 shall continue to be governed by the Companies Act, 1956.

Investment in SPSUs

4.1.6 As on 31 March 2014, the investment (capital and long-term loans) in seven SPSUs[3] was ₹ 30.19 crore, as per details given below.

Table-4.1.1

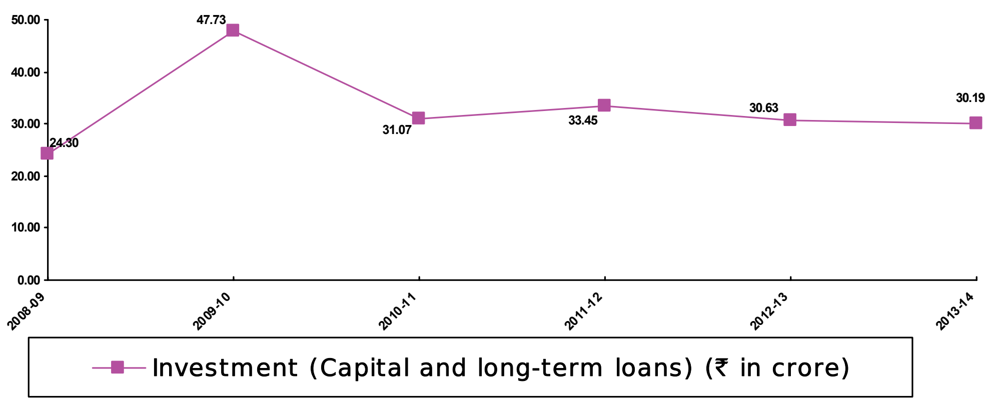
(₹ in crore)

Type of SPSUs	Government Companies		
	Capital	Long Term Loans	Grand Total
Working SPSUs	21.55	8.21	29.76
Non-working SPSUs	0.43	-	0.43
TOTAL	**21.98**	**8.21**	**30.19**

The summarised position of Government investment in SPSUs is detailed in **Appendix-4.1.1**.

4.1.7 As on 31 March 2014, of the total investment in SPSUs, 98.58 *per cent* was in working SPSUs and the remaining 1.42 *per cent* in non-working SPSUs. This total investment consisted of 72.81 *per cent* towards capital and 27.19 *per cent* in long-term loans. The investment has increased by 24.24 *per cent* from ₹ 24.30 crore in 2008-09 to ₹ 30.19 crore in 2013-14, as shown in the following Graph:

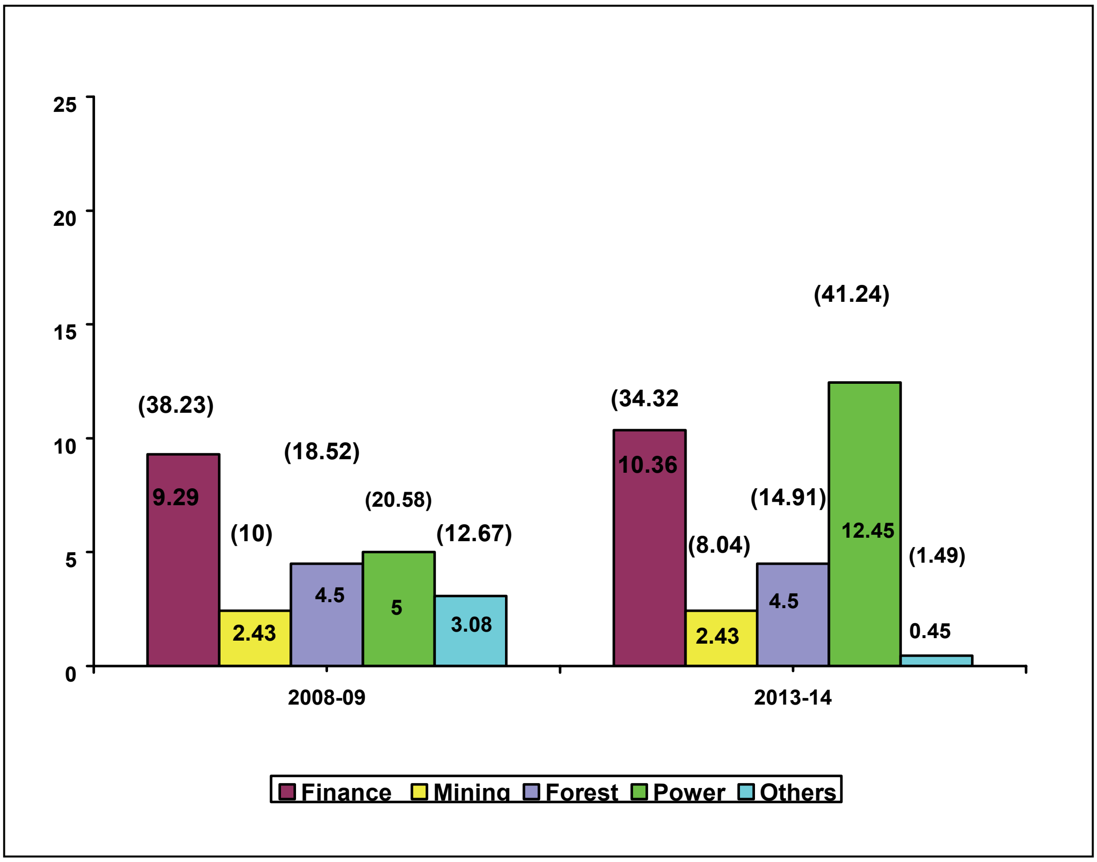
Graph-4.1.1



[3] The State has no 619-B Company

4.1.8 Investment in various important sectors and percentage thereof at the end of March 2009 and March 2014 is indicated below in the Bar Chart:

Bar Chart-4.1.1



(Figures in brackets show the percentage of total investment)

It may be noticed that as on 31 March 2014, the thrust of SPSU investment was mainly in the Finance and Power Sectors, which had 34.32 and 41.24 *per cent* of the total investment respectively. Among all sectors, the power sector had the highest investment of ₹ 12.45 crore. The investment in power sector represented the equity contribution made by the State Government in the only power sector SPSU, namely, Hydro Power Development Corporation of Arunachal Pradesh Limited.

Budgetary Outgo, Grants/Subsidies, Guarantees and Loans

4.1.9 Details regarding budgetary outgo towards Equity, Loans, Grants/ Subsidies and Guarantees issued in respect of SPSUs are given in **Appendix-4.1.3.** The summarised details of the budgetary outgo to SPSUs for three years ended 2013-14 are shown in **Table 4.1.2**:

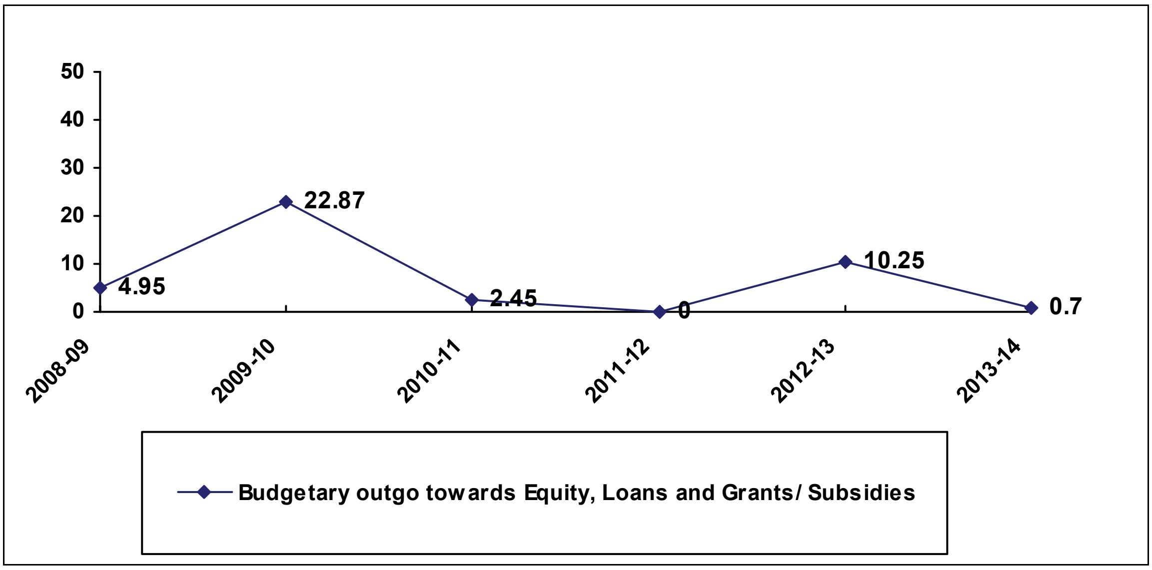
Table-4.1.2

(₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital Outgo from Budget	-	-	-	-	-	-
2.	Loans from Budget	-	-	-	-	-	-
3.	Grants/Subsidies Received	-	-	2	10.25	1	0.70
4.	Total Outgo (1+2+3)	-	-	-	10.25	-	0.70
5.	Guarantees Issued	-	-	-	-	-	-
6.	Guarantee Commitment	1	2.00	1	2.00	1	2.00

4.1.10 Details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past six years are given in **Graph** below:

Graph-4.1.2



4.1.11 It could be seen from the above that during the period of six years from 2008-09 to 2013-14, the budgetary outgo was highest in 2009-10 at ₹ 22.87 crore while it was lowest at 'nil' during 2011-12. The budgetary outgo to SPSUs during current year (2013-14) was, however, at ₹ 0.70 crore. As on 31 March 2014, guarantee commitment of ₹ 2 crore extended by the State Government to one SPSU (*viz. Arunachal Pradesh Industrial Development & Financial Corporation Limited*) was pending to be availed by the said SPSU. As on 31 March 2014, no guarantee commission was payable to the State Government by any SPSUs. There was no case of conversion of Government loan into equity, moratorium in repayment of loan and waiver of interest.

Reconciliation with Finance Accounts

4.1.12 The figures in respect of equity and loans extended by the State Government and remaining outstanding as per the records of SPSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned SPSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2014 is summarised in below Table:

Table-4.1.3

(₹in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
Equity	9.04	19.53	10.49
Loans	Nil	7.86	7.86

4.1.13 It was observed that there were differences in respect of all SPSUs and the differences were pending reconciliation over a period of more than ten years. The Accountant General has taken up the matter from time to time with the Secretary, Finance Department, Government of Arunachal Pradesh, Administrative Departments of respective SPSUs and the concerned SPSUs for reconciliation of the differences. However, no significant progress in this direction was noticed. The Government and SPSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of SPSUs

4.1.14 The financial results of SPSUs as per their latest finalised accounts as on 30 September 2014 are detailed in **Appendix-4.1.2.** A ratio of SPSU turnover to State GDP shows the extent of SPSU activities in the State economy. The Table below shows details of working SPSUs turnover and State GDP for the years from 2008-09 to 2013-14.

Table-4.1.4

(₹in crore)

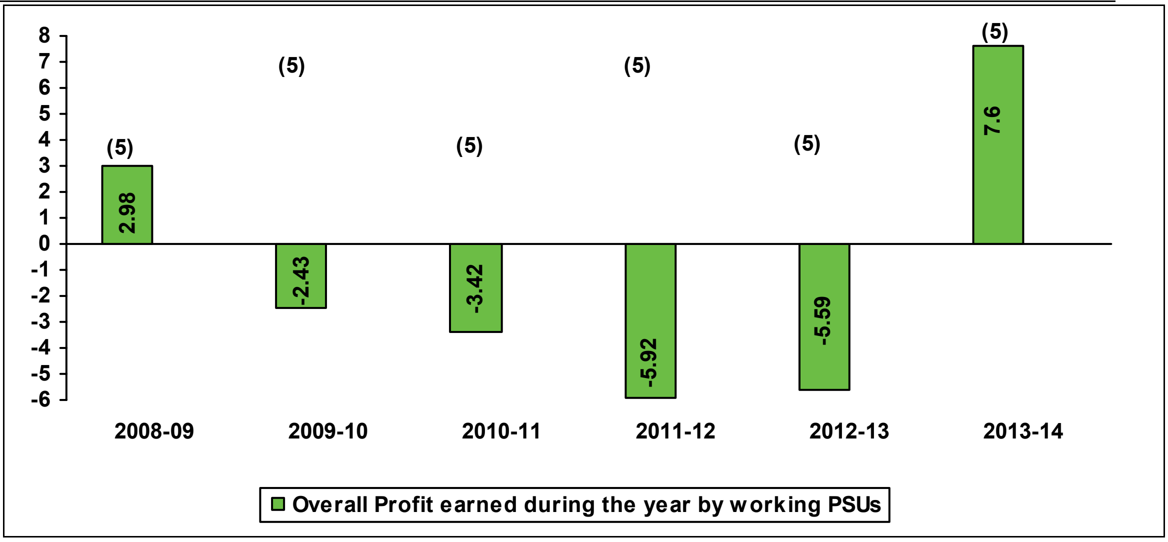
Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Turnover[4]	5.57	7.79	6.37	5.82	7.57	6.31
State GDP	4547	6258	8350.16	11135.53	11942.81	13491.03
Percentage of Turnover to State GDP	0.12	0.12	0.08	0.05	0.06	0.05

It can be seen that during the period of six years, the percentage of Turnover to State GDP had reduced from 0.12 in 2008-09 to 0.05 in 2013-14. The declining trend of said percentage was indicative of the fact that the Turnover of the working SPSUs was not encouraging as compared to year-wise growth in the State GDP figures.

4 Turnover of working SPSUs as per their latest finalised accounts as of 30 September

4.1.15 Profit earned/losses incurred by working SPSUs during 2008-09 to 2013-14 are given below in a Bar Chart:

Bar Chart-4.1.2



(Figures in brackets show the number of working SPSUs in respective years)

4.1.16 It may be noticed that after 2008-09, working SPSUs showed overall negative working results during the subsequent four years from 2009-10 to 2012-13. During the year 2013-14, however, the working SPSUs had earned an overall profit of ₹ 7.60 crore mainly because of the profit (₹ 3.54 crore) earned by one SPSU (*viz.* Arunachal Pradesh Forest Corporation Limited) as against the loss (₹ 7.13 crore) incurred during 2012-13. During 2013-14, out of five working SPSUs, three SPSUs earned aggregate profits of ₹ 9.29 crore and two SPSUs incurred losses of ₹ 1.69 crore. The contributors to the profits were *Arunachal Pradesh Forest Corporation Limited* (₹ 3.54 crore), *Arunachal Police Housing and Welfare Corporation Limited* (₹ 5.25 crore) and *Hydro Power Development Corporation of Arunachal Pradesh Limited* (₹ 0.50 crore). The heavy losses were incurred by *Arunachal Pradesh Industrial Development and Financial Corporation Limited* (₹ 1.41 crore).

4.1.17 A review of latest Audit Report of CAG shows that the SPSUs[5] incurred losses to the tune of ₹ 1.59 crore and made infructuous investment of ₹ 52.74 crore which were controllable with better management. Year-wise details from Audit Reports are given below.

Table-4.1.5

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	Total
Controllable losses as per Audit Report	0.61	0.61	0.37	1.59
Infructuous Investment	6.04	2.82	43.88	52.74

5 Including Department of Power and Department of Hydro Power Development

4.1.18 The above losses pointed out by Audit Reports of the CAG were based on test check of records of SPSUs/Government Departments. The actual controllable losses would be much more. With better management, the losses could be minimized or eliminated. SPSUs/Government Departments would be able to discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for improving professionalism and accountability in the functioning of SPSUs/ Government Departments.

4.1.19 Some other key parameters pertaining to SPSUs are given below.

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Capital Employed (*per cent*)[6]	6.09	--	--	--	--	15.99
Debt	9.87	10.33	11.69	11.42	8.60	8.21
Turnover[7]	5.57	7.79	6.37	5.82	7.57	6.31
Debt/Turnover Ratio	1.77:1	1.33:1	1.84:1	1.96:1	1.14:1	1.30:1
Interest Payments	0.39	0.78	0.25	0.15	1.22	0.76
Accumulated Profits (+) / losses (-)	2.64	4.06	(-) 3.73	(-)16.30	(-)22.47	(-)14.75

4.1.20 From the table above, it may be noticed that during the years from 2008-09 to 2013-14, the turnover of working SPSUs showed a mixed trend registering an overall increase of ₹ 0.74 crore in six years period. On the other hand, the debt of the SPSUs had showed decreasing trend after 2010-11. As a result, the debt-turnover ratio had improved from 1.77:1 (2008-09) to 1.30:1 (2013-14).

During the first two years (viz. 2008-09 and 2009-10) of six years period, the SPSUs had accumulated profits. In the subsequent four years, however, the SPSUs had accumulated losses ranging between ₹ 3.73 crore (2010-11) and ₹ 14.75 crore (2013-14). Further, in four out of six years (excepting 2008-09 and 2013-14), the SPSUs had negative return on capital employed on account of their negative operational results. During 2013-14, the return on capital employed was to the extent of 15.99 *per cent* due to overall profits (₹ 7.60 crore) registered by working SPSUs.

4.1.21 The State Government had not formulated (November 2014) any dividend policy to make it mandatory for SPSUs to pay a minimum return on the paid-up share capital contributed by the State Government. As per their latest finalised accounts as on 30 September 2014, three working SPSUs earned aggregate profit of ₹ 9.29 crore and none of the SPSUs had declared dividend.

[6] Nil figures represent negative return on capital employed

[7] Turnover of working SPSUs as per latest provisional accounts as of 30 September 2014

Arrears in Finalization of Accounts

4.1.22 Under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, accounts of Companies for every financial year are required to be finalised within six months from the end of the relevant financial year. The Table below provides details of progress made by working SPSUs in finalisation of accounts by September 2014.

Table-4.1.6

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-04
1.	Number of Working SPSUs	5	5	5	5	5
2.	Number of accounts finalized during the year	5	7	6	5	4
3.	Number of accounts in arrears	31	29	28	28	29
4.	Average arrears per SPSU (3/1)	6.2	5.8	5.6	5.6	5.8
5.	Number of Working SPSUs with arrears in accounts	5	5	5	5	5
6.	Extent of arrears in years	1 to 16	1 to 15	1 to 15	1 to 15	1 to 15

4.1.23 It may be seen that the average number of accounts in arrears ranged between 5.6 and 6.2 accounts per working SPSU. Delay in finalisation of accounts was mainly attributable to inadequacy of manpower and abnormal delays in compilation/approval of Annual Accounts by the SPSUs. Arunachal Pradesh Mineral Development and Trading Corporation Limited had highest arrears in accounts of 15 years (since 1999-00). In addition, there were also the arrears in finalization of accounts by non-working SPSUs. The two non-working SPSUs had backlog of five years accounts each.

4.1.24 The State Government invested an aggregate amount of ₹ 54.88 crore in five SPSUs (Equity - ₹ 5.30 crore; Loans - ₹ 2.88 crore; Grant/Subsidy - ₹ 38.50 crore; and Others - ₹ 8.20 crore) during the years for which their accounts were not finalised, as detailed in **Appendix-4.1.4**. Delays in finalisation of accounts may result in the risk of fraud and leakage of public money apart from violation of provisions of the Companies Act, 1956.

4.1.25 Administrative Departments have the responsibility to oversee activities of these SPSUs and to ensure that accounts are finalised and adopted by them within the prescribed period. Attention of concerned Administrative Departments and the Government on the issue of arrears in finalisation of accounts was regularly drawn by the Accountant General on quarterly basis, emphasizing on the need for clearing of arrears. The issue was also periodically taken up with the Chief Secretary/Finance Secretary, Government of Arunachal Pradesh, to expedite the backlog of accounts in a time-bound manner. However, no significant progress was noticed. As a result, the net worth of these SPSUs could not be assessed in audit.

In view of the above position of arrears, it is recommended that ***the Government should monitor and ensure timely finalization of accounts by SPSUs in conformity with provisions of the Companies Act, 1956.***

Winding up of Non-Working SPSUs

4.1.26 There were two non-working SPSUs in the State as on 31 March 2014. Both the non-working SPSUs had commenced the liquidation process. The non-working SPSUs (*Parasuram Cement Limited* and *Arunachal Horticultural Processing Industries Limited*) need to be wound up at the earliest as their existence does not serve any purpose to the State.

Comments on Accounts and Internal Audit

4.1.27 During October 2013 to September 2014, four working Companies forwarded their four audited accounts to the Accountant General. Of these, three accounts of three companies were selected for supplementary audit while one account of one company was given 'non-review certificate'. Details of aggregate money value of comments of Statutory Auditors and the CAG are given in below Table:

Table-4.1.7

(₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Increase in Profit	-	-	-	-	1	0.48
2.	Non-disclosure of material facts	-	-	-	-	1	0.23
3.	General	-	-	-	-	1	-

4.1.28 Statutory Auditors (Chartered Accountants) were required to furnish a detailed report upon various aspects, including Internal Control/Internal Audit System in the audited Companies, in accordance with directions issued to them by the CAG under Section 619(3) (a) of the Companies Act, 1956, and to identify areas which needed improvement. An illustrative resume of major comments made by Statutory Auditors on possible improvement in the Internal Control/Internal Audit System in respect of three[8] Companies during 2013-14 was as follows:

[8] Arunachal Pradesh Industrial Development and Financial Corporation Limited, Arunachal Pradesh Forest Corporation Limited and Arunachal Pradesh Mineral Development and Trading Corporation Limited

Sl. No.	Nature of comments made by Statutory Auditors
1.	Absence of a credit policy, policy of provisioning against doubtful debts/write-off and liquidated damages.
2.	Deficiency in the internal audit system, *i.e.*, frequency and scope of audit needed to be increased and compliance mechanism needed to be strengthened.
3.	Internal audit system was not commensurate with the nature and size of business of the Company

COMPLIANCE AUDIT PARAGRAPHS

Department of Hydro Power Development

4.2 Avoidable Expenditure

In the absence of an appropriate clause in the contract regarding mode of computation of the revised contract value in case of subsequent revision in the work scope, the Department incurred avoidable expenditure of ₹ 0.37 crore

The Chief Engineer, Department of Hydro Power Development (Department) entered (March 2009) into a lump sum turnkey contract with M/s Flovel Mecamidi Energy Private Limited, Faridabad (Contractor) for supply, erection, testing and commissioning of Electro-Mechanical (EM) and Hydro-Mechanical (HM) equipment for Halaipani Small Hydro Power Project (3 x 4 MW) at a cost of ₹ 37.97 crore. The scope of work included construction of a 132/33 KV Switchyard for evacuation of power from the project.

As the Department of Power (DoP) decided to construct a 33 KV Double Circuit Line in place of 132 KV Transmission Line, for evacuation of power from the project, the DHPD informed (April 2009) the Contractor to delete some items of work relating to the 132 KV Switchyard from the scope of contract. The value of the excluded items was jointly assessed by the Contractor/Department at ₹ 4.05 crore, which included apportioned portion of common factory overheads (₹ 1.01 crore[9]) and profit margin (₹ 0.41 crore[10]).

It was observed that the agreement entered with the Contractor did not contain any specific clause regarding revision in the work scope and mode of computation of the revised contract value in case of increase or decrease in the scope of work. In the absence of an enabling clause, the Department based on the request of the Contractor had agreed to reduce the original contract value by ₹ 3.06 crore (net) against the deleted works after allowing ₹ 0.99 crore towards common factory overheads

[9] 25 *per cent* of total cost (*viz.* ₹ 4.05 crore)

[10] 10 *per cent* of total cost (₹ 4.05 crore)

(₹ 0.71 crore [11]) and profit margin (₹ 0.28 crore [12]) against the deleted items. Accordingly, the work scope of the contract was reduced and the contract value was revised (October 2009) from ₹ 37.97 crore to ₹ 34.91 crore. The Contactor supplied the materials and payment of ₹ 28.50 crore was released (June 2013).

It was observed that the work was awarded on lump-sum turnkey basis and hence, allowing of the apportioned common factory overheads (₹ 0.71 crore) in respect of excluded items of works was acceptable. However, the profit margin of ₹ 0.28 crore allowed by the Department against unexecuted items of works was not justified and tantamount to undue favour to the Contractor.

Thus, in absence of an appropriate clause in the contract regarding mode of computation of the revised contract value in case of subsequent revision in the work scope, the Department incurred avoidable expenditure of ₹ 0.28 crore on account of the profit margin allowed to the Contractor against unexecuted items of works.

During March 2011, the Department entered into another agreement with the same Contractor for supply, erection, testing and commissioning of EM and HM equipment for one additional unit of 4 MW of Halaipani SHP at a cost of ₹ 8.40 crore. The contract value of this additional work was determined based on the proportionate rates of the revised agreement of October 2009. Accordingly, the contract value fixed in respect of the additional work included ₹ 0.30 crore towards factory overheads and profit margin. The component of irregular profit margin included in the base contract rates had inflated the contract value of the second contract by ₹ 0.09 crore[13] .The Contractor supplied the materials (2011-12) against the second contract and was paid ₹ 6.75 crore (June 2013). The materials valued at ₹ 35.25 crore procured for the project against the two agreements were, however, pending for erection by the Contractor for want of power house (August 2014).

Failure of the Department to include an appropriate clause in the agreement regarding mode of revision of contract value in case of subsequent increase or decrease in the work scope resulted in avoidable expenditure of ₹ 0.37 crore[14] in two contracts.

The Government replied (November 2014) that the agreement entered into for the work was purely a lump-sum turnkey contract unlike rate contract agreement. As such, the price break-up of each item was quoted by the tendering firms only for the purpose of billing and release of payment so as to facilitate the turnkey contractor to execute the work as per the schedule. As such, the quoted price of the turnkey contractor for the deleted items of work was not the real cost but was taken as base rate by the Department to reduce the cost of the lump-sum agreement that was drawn.

[11] (₹ 0.99 crore * 25)/35

[12] (₹ 0.99 crore *10)/35

[13] (₹ 0.30 crore * 10) / 35

[14] ₹ 0.28 crore **plus** ₹ 0.09 crore

Hence, no undue advantages were extended to the turnkey contractor while making amendments in the agreement.

It was further stated that the turnkey contractor had agreed to carry additional work of one Unit of 4 MW at proportionate rate of earlier revised agreement. As such, no additional payment was made to the contractor since there was price escalation of 15 *per cent* over two years from 2009 to 2011. It was also stated that inviting fresh tender would have consumed more time and increase the project cost, *etc.*

The reply is not acceptable considering the fact that the profit margin allowed against unexecuted items of works was in addition to the actual costs incurred by the Contractor and hence, was not justified. Further, while entering into second agreement with the same Contractor for additional works, the Department should have incorporated suitable clause in the agreement for increase or decrease of items of works instead of fixing the contract value on the basis of proportionate rates of previous contract, which were irregularly inflated.

4.3 Infructuous Expenditure

Due to inadequate and improper feasibility study of project sites at planning stage investment of ₹ 43.88 crore on two mini hydro projects proved infructuous.

With a view to meet the demand for power in East Siang District, the Public Works Department (PWD), Government of Arunachal Pradesh, sanctioned (March 1991) two mini hydro projects (MHPs) namely Sipit MHP (2 MW) and Sidip MHP (3 MW) at estimated cost of ₹ 4.47 crore and ₹ 6.21 crore respectively. The Sipit and Sidip MHPs were to be constructed on Sipit and Sidip Nallahs respectively on Siang River in Upper Siang District. As per the Detailed Project Reports (DPRs) prepared (1991) by PWD, project areas for both the MHPs were rugged with steep slopes and covered by dense jungle. The DPRs were prepared based on the inspection of the topography of the project areas. It was, however, observed that while preparing the DPRs for the projects, no detailed geological survey and geo-physical investigations was conducted by PWD to assess the feasibility of the project sites for construction of two MHPs. In 1993, the Department of Power (DoP) was created and both the MHPs were handed over (June 1994) to DoP for execution.

The DoP awarded (March/ November 1993) the work for implementation of two projects on turnkey basis to M/s Subhash Projects & Marketing Limited (Contractor) at a contract value of ₹ 16.90 crore (Sidip MHP) and ₹ 15.07 crore (Sipit MHP). The works of Sidip MHP and Sipit MHP were to be completed by October 1994 and June 1995 respectively.

It was observed that the progress of project works (November 1993 to September 1999) was very slow owing to several controllable and uncontrollable reasons like, slow progress of contractor's work, frequent incidents of floods, landslides, etc. In

September 1999, the Contractor had completely stopped the work alleging the DoP for delay/non-release of payments and went for arbitration.

In an interim order, the Arbitration Tribunal issued (December 2001) directions to the DoP for release of interim payments to the Contractor with the stipulation that the Contractor would complete both the projects within 8 months (Sidip MHP) and 2 months (Sipit MHP) from the date of interim payment. Accordingly, the DoP released (October 2002) the payment of ₹ 5.60 crore to the Contractor. It was, however, observed that despite the payment released by the DoP, there was no improvement in execution of the project works by the Contractor and thus, the projects could not be completed within the agreed time schedule. The DoP approached (February 2003) the Arbitration Tribunal for refund of payment released to the Contractor but the petition was not heard by the Arbitrator. The contract was finally terminated (June 2004) and subsequently, the Department of Hydro Power Development (DHPD)[15] had taken up (January 2005) the work departmentally for the construction of damaged (2002) components of Sipit Project caused by landslides/soil erosion.

Meanwhile, the cost estimates for Sipit and Sidip MHPs were revised (January 2002) to ₹ 21.48 crore and ₹ 34.05 crore respectively on account of cost escalation due to delayed execution and increase in quantities and other related items. There was no significant progress of works under two projects thereafter. During 2007-08, DHPD again revised the cost estimates of Sidip and Sipit MHPs to ₹ 21.87 crore (Sipit MHP) and ₹ 35.09 crore (Sidip MHP) and submitted the same for sanction of additional funds under the Prime Minister's Package. The Planning Commission of India released (2008-09) ₹ 0.60 crore and ₹ 13.26 crore for Sipit and Sidip MHPs respectively.

There was no progress in the projects works even after release of additional funds under Prime Minister's Package. Execution of projects had further suffered due to incessant rainfall (May 2010) thereby causing damages to civil structures i.e., power channel, forebay tank, spillway channel, penstock pipe, anchor, saddle blocks, etc. It was stated that out of the project fund of ₹ 13.86 crore released by the Planning Commission, the DHPD had incurred (March 2011) ₹ 0.68 crore on two MHPs and diverted (March 2011) the remaining funds of ₹ 13.18 crore towards the works relating to Halaipani Small Hydro Project without approval of the Planning Commission.

In August 2011, DHPD constituted a Technical Committee[16] to study the technical and economic viability of two projects. The Technical Committee (TC) reported (October 2011) that construction of both projects was technically unviable as the

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[15] The Department of Power (DoP) was bifurcated (12 November 2003) into two departments viz. Department of Power (DoP) and Department of Hydro Power Department (DHPD).

[16] Shri. Taki Tatin, Executive Engineer (C), Geku Civil Division as Chairman, Shri. Ninya Bagra, Executive Engineer (E&M), Aalo E&M Division as Member, and Shri. K.P. Tripathi, Surveyor of Works (C), O/o the Superintending Engineer, Jengging as Member

valleys on which construction was planned had steep slopes with young and fragile geographical formation. The TC opined that the stability of the projects in the near future would be threatened. The TC noticed that the projects were uneconomical as it involved additional expenditure of ₹ 10.11 crore for Sipit MHP and ₹ 10.15 crore for Sidip MHP. Hence, the TC recommended for scrapping of the two projects.

Accordingly, the DHPD requested (November 2011) the State Government for scrapping and write off of both projects. While accepting the proposal, the State Government directed (September 2012) the DHPD to assess the salvage value of E&M equipment, penstock pipes and power house structure for use in other hydro projects with the same technical parameters.

It was observed that as of September 2012, total expenditure of ₹ 43.88 crore (including ₹ 0.68 crore out of the PM's Package[17]) had already been incurred on the two projects. It was further observed that even after a lapse of two years of deciding for scrapping of the two projects, the DHPD had not assessed the salvage value of the equipment for appropriate use in other hydro projects ignoring the directions (September 2012) of the State Government in this regard.

Thus, due to inadequate and improper feasibility study of the project sites at planning stage, the investment of ₹ 43.88 crore made in two MHPs proved infructuous. Besides, the State was also deprived of the potential generation of 5 MW per year from these MHPs. Further, inaction on part of the DoP to make alternative use of the equipment of the projects valued ₹ 17.44 crore had exposed the said equipment against the wear and tear, rust, *etc.*

The Government stated (November 2014) that after taking over the projects from the PWD, consultancy services for preparation of DPRs was assigned (1992-93) to Alternative Hydro Energy Centre (AHEC), University of Roorkee. DPRs for both projects were prepared in October 1993. During 1998-99, different components of the projects were damaged due to landslides. The Department consulted AHEC for sub-soil investigation and geological studies and based on the report submitted (April 2010) by AHEC, preventive measures were taken. However, such measures did not yield desired results. It was stated that E&M equipment and other machinery were kept unutilised pending completion of legal proceedings. It was, however, added that proposals for write-off of the projects were submitted by the Department to the Government.

The reply is not tenable as the Department should have first carried out the sub-soil investigation and geological studies during preparation of the DPRs (1992-93). Further, the additional expenditure of ₹ 0.68 crore incurred (March 2011) from the

[17] PM's Package amounting to ₹ 550 crore was sanctioned for illumination/electrification of villages located in Border Districts of Arunachal Pradesh in 2008. Out of ₹ 550 crore, ₹ 416 crore was sanctioned to DHPD

Prime Minister's Package was not justified as no fruitful results were obtained against the preventive measures taken based on AHEC report (April 2010).

Department of Power

4.4 Interest on Consumer's Security Deposit

Failure of the Department to comply with the provisions of the Electricity Supply Code had deprived the consumers of the benefits of interest amounting to ₹ 0.52 crore on security deposits

As per the Tariff Order[18] for 2013-14 issued (May 2013) by the Arunachal Pradesh State Electricity Regulatory Commission (APSERC) read with Para 4.119 of the Arunachal Pradesh Electricity Supply Code, 2013 (Electricity Supply Code) notified (April 2013) by APSERC, interest free deposits collected by the licensee (Department of Power) from the consumers would be converted into interest bearing securities. The interest on consumers' security deposits was to be paid annually, by the Department of Power (Department) at the State Bank of India base rate prevailing on the 1st day of April each year. The interest accrued during the year was to be adjusted in the consumer's bill for the first billing cycle of the ensuing financial year. The orders were effective from 5 April 2013.

During test check of Monthly Divisional Accounts (August 2013, March 2014 to May 2014) relating to 2 out of 19 divisions of the Department it was observed that as of May 2014, said 2 divisions had collected a sum of ₹ 4.56 crore[19] from consumers against Meter Security and Security Deposit. It was observed that contrary to the provisions of the Tariff Order, 2013-14 and Electricity Supply Code 2013, the above deposits had been reflected by the Department under Deposit Part-V (Miscellaneous)-Head of Account - *8443- Deposits not bearing Interest'*. It was further observed that despite the directions issued (23 January 2014) by the Government of Arunachal Pradesh, the said deposits had not been transferred to 'Head of Account - *8336-Deposits bearing Interest'* (October 2014). The total interest liability of the Department against the security deposits of ₹ 4.56 crore for the period from April 2013 to May 2014 worked out at ₹ 0.52 crore[20], which should have been passed on to the consumers by way of adjustment in the consumers' bill for the first billing cycle of ensuing financial year 2014-15[21].

[18] Clause 8 of Schedule-II (Miscellaneous Charges) of the Tariff Order for 2013-14

[19] Capital Electrical Division (₹ 2.33 crore) and Namsai Electrical Division (₹ 2.23 crore)

[20] ₹ 4.56 crore x 9.7 *per cent* (SBI Base rate as on 1 April 2013) x 14 months/12 (April 2013 to May 2014)

[21] First billing cycle for 2014-15 was April 2014 and bills are raised during the first week of the following month (*viz.* May 2014).

Thus, non-compliance by the Department with the provisions of the Electricity Supply Code had deprived the consumers of the benefits of the interest amounting to ₹ 0.52 crore on security deposits for the period from April 2013 to May 2014.

The Government stated (November 2014) that due to non-existence of a computerized billing and collection system, increased number of consumers, lack of manpower and ministerial staff, the said provisions could not be implemented. It was further stated that all efforts were being put in by Divisions to implement the directives of APSERC.

The reply is not tenable since the Arunachal Pradesh Electricity Supply Code, 2013 and Tariff Order 2013-14, were issued in April and May 2013 respectively and despite a lapse of 19 months, no initiative was taken by the Department (till October 2014) to transfer the said Security Deposits to an interest bearing account.

CHAPTER -V

FOLLOW UP OF AUDIT OBSERVATIONS

CHAPTER V: FOLLOW UP OF AUDIT OBSERVATIONS

5.1 Follow-up action on Audit Reports

As per instructions issued by the Finance Department (June 1996), concerned Administrative Departments are required to prepare an Explanatory Note on Paragraphs/Reviews included in the Audit Reports indicating the action taken or proposed to be taken and submit the 'Action Taken Notes' to the Assembly Secretariat with a copy to (1) Accountant General and (2) Secretary, Finance Department, within three months from the date of receipt of the Report.

As per decision taken on "Legislature Audit Interface" held on July 5, 2010, every State PAC/COPU has been directed by Headquarter to transfer outstanding Reports/Paras up to 2007-08 to concerned Departments for follow-up action at their end. As such, this Office transferred 144 Paras pertaining to the period from 1994-95 to 2007-08 in 2011-12 for Action Taken by them, but no Action Taken Report has yet been received from the concerned Departments (December 2013). However, review of the outstanding Explanatory Notes on paragraphs included in the Reports of the Comptroller and Auditor General of India from 2008-09 to 2012-13 revealed that the concerned Administrative Departments did not comply with these instructions. As of March 2014, *suo moto* Explanatory Notes on 145 Paragraphs of the Audit Reports were outstanding from various Departments **(Appendix-5.1.1)**.

The Administrative Departments were also required to take suitable action on recommendations made in the PAC Reports presented to the State Legislature. The PAC specified the time-frame for submission of such ATNs as one month up to the 61st Report. Review of 18 Reports of the PAC containing recommendations on 89 Paragraphs in respect of 19 Departments included in Audit Reports and presented to the Legislature between September 1994 and September 2013, revealed that no Department sent any ATN to the Assembly Secretariat as of December 2014. Thus, status of the recommendations contained in the said Reports of the PAC, and whether these were being acted upon by the Administrative Departments, could not be ascertained in audit.

5.2 Recovery at the instance of Audit

In Paragraph 2.6 of the Audit Report for the year ending March 2010 - Short recovery of ₹ 12.30 lakh from a Contractor in the cost of items issued made by the Public Health Engineering Department (PHED), Namsai Division was pointed out. The above said amount has been recovered by the concerned PHED Division.

5.3 Audit Committee Meetings

No Audit Committee Meeting was held during 2013-14.

5.4 Respond to Audit Observations

2813 Paragraphs pertaining to 540 Inspection Reports, involving ₹ 1536.20 crore were outstanding as of March 2014 and first replies to the 191 Inspection Reports have not been received.

Accountant General (AG) conducts periodical inspection of Government Departments to test-check transactions and to verify maintenance of important accounting and other records as per prescribed rules and procedures. When important irregularities detected during inspections are not settled on the spot, they are included in Inspection Reports (IRs) that are issued to concerned Heads of Offices, with a copy to the next higher authority and the Government. Government instructions provide for prompt response to IRs by the executive to ensure timely remedial action in compliance to prescribed rules and procedures and to fix responsibility for serious lapses pointed out in IRs. Serious irregularities are also brought to the notice of concerned Heads of Departments by the Office of the Accountant General. A half-yearly report of pending IRs is sent to the Commissioner/Secretary of the Department to facilitate monitoring of the audit observations in the pending IRs.

As of March 2014, 2813 Paragraphs relating to 540 IRs pertaining to 287 offices of 48 Departments remained outstanding. Of these, 191 IRs were not replied to/settled for more than ten years. Even initial replies, which were required to be received from the Heads of Offices within one month from the date of issue were not received from twenty offices for 508 IRs issued between 1994-95 to 2013-14. As a result, the following serious irregularities commented upon in the IRs were not settled as on date:

(₹ in lakh)

Sl. No.	Nature of Irregularities	Public Health Engineering Department		Medical Department		Agriculture Department	
		No. of Paras	Amount	No. of Paras	Amount	No. of Paras	Amount
1.	Expenditure without estimated provision/excess over estimated provision/inflated estimated/ beyond prescribed norm	58	829.69				
2.	Unfruitful expenditure/incomplete project /delay in project	12	1725.89			7	99.03
3.	Short recovery/loss/non-accounting of stores	13	284.97				
4.	Irregular payment/unauthorized expenditure	15	542.53				
5.	Doubtful expenditure on off-road vehicles and non-functional machineries			1	0.58	1	4.44
6.	Short/Non-deduction of VAT	5	84.24	1	2.31	2	1.79
7.	Unfruitful Expenditure					1	15.66
8.	Idle expenditure	9	292.64				
9.	Idle investment on X-Ray and Blood Bank due to non-deployment of trained staffs			3	19.16		
10.	Idle stock			3	10.97		
11.	Work without inviting tender	5	186.10				

Sl. No.	Nature of Irregularities	Public Health Engineering Department		Medical Department		Agriculture Department	
		No. of Paras	Amount	No. of Paras	Amount	No. of Paras	Amount
12.	Avoidable expenditure	9	167.58				
13.	Substandard works/below specification	4	139.27				
14.	Doubtful expenditure	5	256.12				
15.	Undue aid to contractors	6	52.16				
16.	Non-production/maintenance of records	5	54.37				
17.	Outstanding water charges	11	105.74				
11.	Wasteful Expenditure			1	3.53		
12.	Splitting up of Sanction Order to avoid higher authorities approval			1	29.00		
13.	Others						
	Total	**157**	**4721.50**	**10**	**65.55**	**11**	**120.92**

Commissioners/Secretaries of concerned Departments who were informed of the position through half-yearly reports, failed to ensure that concerned officers of Departments took prompt and timely action. It is recommended that the Government look into this matter and ensure that:

(a) action is taken against officials who fail to send replies to IRs/Audit Paragraphs as per prescribed time schedule;

(b) action is initiated to recover losses/outstanding advances/overpayments pointed out in audit in a time bound manner; and

(c) there is a proper system for expeditious compliance to audit observations.

Itanagar
the

(S. A. BATHEW)
Accountant General, Arunachal Pradesh

Countersigned

New Delhi
the

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

APPENDICES

Appendix 1.3.1

Statement showing (A) Target set in the Revised PIP, yet to be approved by NSSC

Districts ⇨	West Kameng (Bomdila)					Changlang (as on March 13)				
Components ⇩	**A**	**B**	**C**	**D**	**E**	**A**	**B**	**C**	**D**	**E**
IHHL (APL)	252	252	-	2392	3666	2799	2450	349	-	349
IHHL (BPL)	5664	3744	1920	4243	4243	15716 (7948 actual BPL)	7295	8421 (653)	363	653
CSC	25	22	3	-	5	25	24	1	-	1
School Toilets	306	306	-	-	55	384	384	-	-	-
Anganwadi Toilets	111	111	-	-	225	250	228	22	-	22
RSM/PC	4	-	4	-	4	7	-	7	-	-
Districts ⇨	**East Siang (Pasighat)**					**West Siang (Aalo)**				
Components ⇩	**A**	**B**	**C**	**D**	**E**	**A**	**B**	**C**	**D**	**E**
IHHL (APL)	4723	803	3920	113	2972	1395	1395	-	-	2929
IHHL (BPL)	8222	4271	3951	1256	5106	11472	6686	4786	1828	5462
CSC	25	-	25	-	12	25	5	20	-	291
School Toilets	244	244	-	-	606	378	378	-	-	370
Anganwadi Toilets	42	42	-	-	218	2	20	(-)18	-	666
RSM/PC	6	-	6	-	6	3	-	-	-	-
Districts ⇨	**Lower Dibang Valley (Roing)**					**Papumpare (Yupia)**				
Components ⇩	**A**	**B**	**C**	**D**	**E**	**A**	**B**	**C**	**D**	**E**
IHHL (APL)	1200	1200	-	610	1131	3778	267	3778	-	2709
IHHL (BPL)	2366	1437	929	-	1960	1268	03	1001	267	11536
CSC	-	-	-	-	60	17	140	14	-	73
School Toilets	134	134	-	-	82	140	113	-	-	1864
Anganwadi Toilets	82	82	-	-	61	113	02	-	-	506
RSM/PC	01	-	-	-	03	08	-	06	-	-
SLWM	-	-	-	-	60	-	-	-	-	76

Districts ⇨ / Components ⇩	Lohit (Namsai) A	Lohit (Namsai) B	Lohit (Namsai) C	Lohit (Namsai) D	Lohit (Namsai) E	Tirap (Khonsa) A	Tirap (Khonsa) B	Tirap (Khonsa) C	Tirap (Khonsa) D	Tirap (Khonsa) E
IHHL (APL)	-	1129	-1129	1129	8294	470	-	470	-	2250
IHHL (BPL)	8800	8410	390	3784	13052	5780	4808	972	-	7569
CSC	26	23	03	-	46	25	14	11	-	15
School Toilets	240	240	-	-	810	304	304	-	-	100
Anganwadi Toilets	182	182	-	-	362	150	150	-	-	238
RSM/PC	04	01	03	-	4	06	-	06	-	10
SLWM	-	-	-	-	133	-	-	-	-	-

A = *Project Objective*, **B** = *Project Performance up to 31.03.2012*, **C** = *Balance of (A-B)*, **D** = *defunct toilets/structure noticed during baseline survey*, **E** = *Unit proposed in revised PIP*

(B) Number of BPL and APL Household as per approved Project PIP and as per Baseline Survey 2012-13

Sl. No	Number of BPL/APL household of in the District	West Kameng BPL	West Kameng APL	Changlang BPL	Changlang APL	East Siang BPL	East Siang APL	West Siang BPL	West Siang APL
1	As per Baseline Survey 2012-13	5619	5670	7948	9356	7407	2972	9857	4126
2	No. of targeted BPL and APL households in the approved PIP	5664	252	15716	2799	8222	4723	11472	1395
3	Difference (1-2)	(-)45	5418	-7768	6557	-818	-1751	-1615	2731

Sl. No	Number of BPL/APL household of in the District	Lohit BPL	Lohit APL	Papumpare BPL	Papumpare APL	Lower Dibang Valley BPL	Lower Dibang Valley APL	Tirap BPL	Tirap APL
1	As per Baseline Survey 2012-13	13052	8294	11536	2709	2787	1674	12377	2250
2	No. of targeted BPL and APL households in the approved PIP	8800	-	1268	3778	2366	1200	5780	470
3	Difference (1-2)	4252	8294	10268	-1069	421	474	4970	1780

Appendix 1.3.2

Statement showing District-wise Physical Targets and Achievements

District/Components	Target/ Achievement	2009-10	2010-11	2011-12	2012-13	2013-14
West Siang						
IHHL (BPL)	Target	-	-	2289	1600	700
	Achievement	1335	1331	1350	1006	288
IHHL (APL)	Target					
	Achievement					
School Toilet	Target	-	-	-	-	-
	Achievement	156	14	14	08	02
Anganawadi Toilet	Target			-	-	-
	Achievement			09	10	05
CSC	Target			05	03	20
	Achievement			02	01	04
RSM	Target					
	Achievement					
SLWM	Target				03	02
	Achievement				-	-
East Siang						
IHHL (BPL)	Target	-	3930	2431	1250	2000
	Achievement	-	841	582	266	869
IHHL (APL)	Target	-	3296	4713	3920	800
	Achievement	-	-	784	609	-
School Toilet	Target					
	Achievement					
Anganawadi Toilet	Target			0	0	0
	Achievement			13	-	2
CSC	Target			8	25	4
	Achievement			-	4	4
RSM	Target		4	0	0	1
	Achievement		-	-	-	-
SLWM	Target				50	2
	Achievement				-	-

District/Components	Target/ Achievement	2009-10	2010-11	2011-12	2012-13	2013-14
West Kameg						
IHHL (BPL)	Target	1678	1694	1693	1900	1900
	Achievement	617	508	353	02	671
IHHL (APL)	Target	142	52	49		
	Achievement	135	-	-		
School Toilet	Target	-				-
	Achievement	198				01
Anganawadi Toilet	Target	-	-			
	Achievement	53	42			
CSC	Target	-	-			
	Achievement	09	06	02	05	03
RSM	Target			02	02	-
	Achievement					
SLWM	Target					
	Achievement					
Changlang						
IHHL (BPL)	Target	7948	-	2361		
	Achievement	2052	-	647		
IHHL (APL)	Target	2799	-	2757		
	Achievement	42	-	-		
School Toilet	Target	PIP Target of 384 was physically achieved prior to 2009-10				
	Achievement					
Anganawadi Toilet	Target	250	-	36		
	Achievement	78	-	04		
CSC	Target	25	-	02		
	Achievement	01	-	02		
RSM	Target					
	Achievement					
SLWM	Target					
	Achievement					

District/Components	Target/ Achievement	2009-10	2010-11	2011-12	2012-13	2013-14
Lower Dibang Valley						
IHHL (BPL)	Target	503	400	550	453	300
	Achievement	-	102	227	209	192
IHHL (APL)	Target					
	Achievement					
School Toilet	Target					
	Achievement	06				
Anganawadi Toilet	Target				08	
	Achievement	17			08	
CSC	Target					
	Achievement					
RSM	Target					
	Achievement					
SLWM	Target					
	Achievement					
Lohit						
IHHL (BPL)	Target	1270	1929	1297	390	390
	Achievement	1281	632	907	-	390
IHHL (APL)	Target					
	Achievement					
School Toilet	Target		01			
	Achievement		01			
Anganawadi Toilet	Target	26	22	03		
	Achievement	26	22	03		
CSC	Target					
	Achievement					
RSM	Target					
	Achievement					
SLWM	Target					
	Achievement					

District/Components	Target/ Achievement	2009-10	2010-11	2011-12	2012-13	2013-14
Papum Pare						
IHHL (BPL)	Target			250	1268	1268
	Achievement			250	267	267
IHHL (APL)	Target			3778	*3778*	3788
	Achievement			-	*3778*	3788
School Toilet	Target			01	140	140
	Achievement			01	140	140
Anganawadi Toilet	Target				113	113
	Achievement				113	113
CSC	Target				17	17
	Achievement				03	03
RSM	Target					
	Achievement					
SLWM	Target					
	Achievement					

Appendix –3.2.1

Statement showing details of short-realization of royalty during the period 2013-14.

District	Dept.	Item	Quantity *(in cum)*	Rate *(per cum)*	Amount Payable (₹)	Amount Paid (₹)	Short Realization (₹)
Changlang	PHED & WS	Sand	11.875	65/-	21,366/-	17,494/-	3,872/-
		Boulder	139.136	143/-			
		Shingle	8.976	78/-			
	WRD, Bordumsa	Sand	520.250	65/-	1,08,340/-	84,368/-	23,972/-
		Aggregate	409.043	104/-			
		Boulder	223.660	143/-			
	PWD, Jairampur	Gravel	14.090	103/-	27,845/-	23,605/-	4,240/-
		Shingle	156.210	78/-			
		Aggregate	136.630	104/-			
	PWD, Highway Divn.	Sand	4823.870	65/-	12,34,247/-	9,49,421/-	2,84,826/-
		Aggregate	8852.840	104/-			
East Siang	WRD, Pasighat	Sand	78.420	65/-	4,51,012/-	3,43,562/-	1,07,450/
		Aggregate	462.700	104/-			
		Boulder	2781.780	143/-			
West Kameng	PWD, Bomdila	Sand	962.980	65/-	6,52,520/-	4,61,557/-	1,90,963/-
		Boulder	3144.620	143/-			
		Aggregate	1144.420	104/-			
		Gravel	206.070	103/-			
Papumpare	RWD, Capital Complex	Sand	2572.605	65/-	8,10,016/-	6,02,283/-	2,07,733/-
		Aggregate	2375.691	104/-			
		Boulder	2502.749	143/-			
		Shingle	318.120	103/-			
		-do-	64.950	78/-			
	UD & Housing, Capital Complex	Sand	7012.700	65/-	14,98,104/-	11,49,433/-	3,48,671/-
		Aggregate	9912.669	104/-			
		Boulder	79.440	143/-			
	PWD, Doimukh	Aggregate	572.010	104/-	1,80,512/-	1,38,524/-	41,988/-
		Sand	168.590	65/-			
		Boulder	769.680	143/-			
	PWD, Capital 'A' Divn.	Sand	3622.840	65/-	12,06,812/-	8,81,008/-	3,25,804/-
		Shingle	46.880	78/-			
		Aggregate	8542.2896.000	104/-			
		Boulder	554.347	143/-			
Total					61,90,774/-	46,51,255/-	15,39,519/-

Appendix – 3.2.2

Statement showing details of differential in royalty due from the Government of India

Month &Year	Quantity of Crude Oil (MT)	Total amount of Royalty paid by M/s GeoEnpro Petroleum Ltd at fixed rate of ₹ 528 per PSC	Rates of Royalty as per Market Rate (per KLS) (in ₹)	Total Royalty as per Market Rate (in ₹)	Differential Royalty to be paid by Central Government (in ₹)
Jan. 2012	7575.6144	39,99,924.00	2,224.94	1,68,55,287.50	1,28,55,363.10
Feb. 2012	7251.5736	38,28,831.00	2,224.94	1,61,34,316.17	1,23,05,485.30
Mar. 2012	8007.3188	42,27,864.00	2,224.94	1,78,15,803.89	1,35,87,939.56
Apr. 2012	8209.7571	43,34,752.00	3,359.75	2,75,82,731.42	2,32,47,979.67
May. 2012	8310.6100	43,88,002.00	3,169.03	2,63,36,572.41	2,19,48,570.33
Jun. 2012	7934.3508	41,89,337.00	2,499.89	1,98,35,004.22	1,56,45,667.00
Jul. 2012	7459.3218	39,38,522.00	2,585.82	1,92,88,463.50	1,53,49,941.59
Aug. 2012	7489.5553	39,54,485.00	3,152.21	2,36,08,651.11	1,96,54,165.91
Sep. 2012	8204.5607	43,32,008.00	3,034.70	2,48,98,380.36	2,05,66,372.31
Oct. 2012	8838.9342	46,66,957.00	2,922.87	2,58,35,055.61	2,11,68,098.35
Nov. 2012	8264.3373	43,63,570.00	2,961.38	2,44,73,843.19	2,01,10,273.10
Dec. 2012	8428.7802	44,50,396.00	2,976.39	2,50,87,337.10	2,06,36,941.15
Jan. 2013	8701.1080	45,94,185.00	3,114.64	2,71,00,818.88	2,25,06,633.88
Feb. 2013	7925.9148	41,84,883.00	3,303.25	2,61,81,277.97	2,19,96,394.97
Mar. 2013	8658.4327	45,71,652.00	2,983.24	2,58,30,182.77	2,12,58,530.30
Apr. 2013	8216.6024	43,38,366.00	2,719.35	2,23,43,817.74	1,80,05,451.67
May. 2013	8059.5191	42,55,426.00	2,749.37	2,21,58,600.03	1,79,03,173.94
Jun. 2013	7981.2857	42,14,119.00	3,101.63	2,47,54,995.17	2,05,40,876.32
Jul. 2013	8097.8696	42,75,675.00	2,958.29	2,39,55,846.66	1,96,80,171.51
Aug. 2013	7579.6214	40,02,040.00	3,574.29	2,70,91,764.97	2,30,89,724.87
Sep. 2013	7315.7401	38,62,711.00	3,702.70	2,70,87,990.87	2,32,25,280.10
Oct. 2013	7562.5155	39,93,008.00	3,361.54	2,54,21,698.35	2,14,28,690.17
Nov. 2013	6882.0483	36,33,722.00	3,356.15	2,30,97,186.4	1,94,63,464.90
Dec. 2013	6968.6741	36,79,460.00	3,395.29	2,36,60,669.48	1,99,81,209.56
Jan. 2014	6898.4362	36,42,374.00	3,199.38	2,20,70,718.81	1,84,28,344.50
Feb. 2014	6748.5934	35,63,257.00	3,307.51	2,23,21,040.16	1,87,57,782.84
Mar. 2014	7179.9579	37,91,018.00	3,153.49	2,26,41,925.44	1,88,50,907.67
	210751.0333	**11,12,76,546.00**		**63,34,69,980.2**	**52,21,93,434.57**

APPENDIX –4.1.1

Statement showing particulars of up to date paid-up capital, loans outstanding and manpower as on 31 March 2014 in respect of Government Companies

{Figures in Columns 5 (a) to 6 (c) are Rupees in crore}

Sl. No.	Sector & Name of Company	Name of the Department	Month/ Year of incorpo-ration	Paid-up Capital#				Loans outstanding♣ at the close of 2013-14				Debt Equity Ratio for 2013-14(Previous year)	Manpower (No. of employees) (as on 31.3.2014)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
	A. Working Government Companies												
	FINANCING												
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	Industries	Aug/78	2.15	-	-	2.15	7.86	-	0.35	8.21	3.82:1 (4:1)	30
	Total of the Sector			**2.15**	**-**	**-**	**2.15**	**7.86**	**-**	**0.35**	**8.21**	**3.82:1 (4 :1)**	**30**
	MINING												
2	Arunachal Pradesh Mineral Development and Trading Corporation Limited	Geology & Mining	Mar/91	2.43	-	-	2.43	-	-	-	-	- -	78
	Total of the Sector			**2.43**	**-**	**-**	**2.43**	**-**	**-**	**-**	**-**	**- -**	**78**
	FOREST												
3.	Arunachal Pradesh Forest Corporation Limited	Forest	Mar/77	4.50	-	-	4.50	-	-	-	-	- -	75
	Total of the Sector			**4.50**	**-**	**-**	**4.50**					**- -**	**75**
	POLICE												
4.	Arunachal Police Housing and Welfare Corporation Limited	Police	Nov/05	0.02	-	-	0.02	-	-	-	-	-	26
	Total of the Sector			**0.02**	**-**	**-**	**0.02**	**-**	**-**		**-**	**-**	**26**
	POWER												
5	Hydro Power Development Corporation of Arunachal Pradesh Limited	Power	Dec/06	10.00	-	2.45	12.45	-	-	-	-	- -	28
	Total of the Sector			**10.00**	**-**	**2.45**	**12.45**	**-**	**-**	**-**	**-**	**- -**	**28**
	Total of A			**19.10**	**-**	**2.45**	**21.55**	**7.86**	**-**	**0.35**	**8.21**	**0.38:1 (0.40:1)**	**237**
	B. Non-Working Government Companies												
	CEMENT												
6.	Parasuram Cement Limited	Industries	Jun/84	0.24	-	-	0.24	-	-	-	-	-	-
	Total of the Sector			**0.24**	**-**	**-**	**0.24**	**-**	**-**	**-**	**-**	**-**	**-**
	FRUIT PROCESSING												
7.	Arunachal Horticultural Processing Industries Limited	Industries	May/82	0.19	-	-	0.19	-	-	-	-	-	-
				0.19	**-**	**-**	**0.19**	**-**	**-**	**-**	**-**	**-**	**-**
	Total of B			**0.43**	**-**	**-**	**0.43**	**-**	**-**	**-**	**-**	**-**	**-**
	GRAND TOTAL (A+B)			**19.53**	**-**	**2.45**	**21.98**	**7.86**	**-**	**0.35**	**8.21**	**0.37:1 (0.39:1)**	**237**

Paid-up-capital includes Share application money also.

♣ *Loans outstanding at the close of 2013-14 represents long-term loan only.*

***Note**: Figures are provisional as given by the Companies*

APPENDIX – 4.1.2

Summarised financial results of Government companies for the latest year for which their accounts were finalised as on 30 September 2014

{Figures in Columns 5 (a) to (6) and (8) to (10) are Rupees in crore}

Sl. No.	Sector & Name of Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-): Net Profit/ Loss before Interest & Depreciation	Net Profit (+)/ Loss (-): Interest	Net Profit (+)/ Loss (-): Deprecia-tion	Net Profit (+)/ Loss (-): Net Profit/ Loss	Turnover[ϕ]	Impact of Accounts Comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[ℜ]	Return on capital employed[ψ]	Percentage return on capital employed
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
FINANCING														
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	2012-13	2013-14	(-) 1.32	-	0.09	(-) 1.41	4.42	-	2.15	(-) 17.87	11.76	(-) 1.41	-
Total of the Sector				**(-) 1.32**	**-**	**0.09**	**(-) 1.41**	**4.42**	**-**	**2.15**	**(-) 17.87**	**11.76**	**(-) 1.41**	**-**
MINING														
2.	Arunachal Pradesh Mineral Development and Trading Corporation Limited	1998-99	2013-14	(-) 0.26	-	0.02	(-) 0.28	-	-	1.95	(-) 1.53	1.96	(-) 0.28	-
Total of the Sector				**(-) 0.26**	**-**	**0.02**	**(-) 0.28**	**-**	**-**	**1.95**	**(-) 1.53**	**1.96**	**(-) 0.28**	-
FOREST														
3.	Arunachal Pradesh Forest Corporation Limited	2005-06	2014-15	4.48	0.76	0.18	3.54	-	-	4.50	(-) 4.58	11.66	4.30	36.88
Total of the Sector				**4.48**	**0.76**	**0.18**	**3.54**	**-**	**-**	**4.50**	**(-) 4.58**	**11.66**	**4.30**	36.88
POLICE														
4.	Arunachal Police Housing and Welfare Corporation Limited	2012-13	2014-15	5.37	-	0.12	5.25	1.89	-	0.02	12.85	12.88	5.25	40.76
Total of the Sector				**5.37**	**-**	**0.12**	**5.25**	**1.89**	**-**	**0.02**	**12.85**	**12.88**	**5.25**	**40.76**
POWER														
5	Hydro Power Development Corporation of Arunachal Pradesh Limited	2010-11	2013-14	0.57	-	0.07	0.50	-	-	5.00	-	10.29	0.50	4.86
Total of the Sector				**0.57**	**-**	**0.07**	**0.50**	**-**	**-**	**5.00**	**-**	**10.29**	**0.50**	**4.86**
Total of A				**8.84**	**0.76**	**0.48**	**7.60**	**6.31**	**-**	**13.62**	**(-) 11.13**	**48.55**	**8.36**	**17.22**
B. Non-Working Government Companies														
CEMENT														
6.	Parasuram Cement Limited	2008-09	2013-14	-	-	-	-	-	-	0.24	(-) 2.66	3.39	-	-
Total of the Sector				**-**	**-**	**-**	**-**	**-**	**-**	**0.24**	**(-) 2.66**	**3.39**	**-**	**-**
FRUIT PROCESSING														
7.	Arunachal Horticultural Processing Industries Limited	2008-09	2013-14	-	-	-	-	-	-	0.19	(-) 0.96	0.33	-	-
Total of the Sector				-	-	-	-	-	-	0.19	(-) 0.96	0.33	-	-
Total of B				**-**	**-**	**-**	**-**	**-**	**-**	**0.43**	**(-) 3.62**	**3.72**	**-**	**-**
GRAND TOTAL (A+B)				**8.84**	**0.76**	**0.48**	**7.60**	**6.31**	**-**	**14.05**	**(-) 14.75**	**52.27**	**8.36**	**15.99**

[ϕ] *Figures as per provisional accounts for the year ended 31 March 2014.*

[ℜ] *Capital employed represents Shareholders Fund plus Long Term Borrowings.*

[ψ] *For calculating total return on capital employed, interest on borrowed fund is added to net profit/ subtracted from the loss as disclosed in Profit and Loss account.*

APPENDIX – 4.1.3

Statement showing equity/loans, received out of budget, grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and Loans converted into equity during the year and guarantee commitment at the end of March 2014

(Figures in Columns 3 (a) to 6 (d) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[¥]		Waiver of dues during the year			
		Equity	Loans	Central Govt	State Govt.	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
FINANCING													
1.	Arunachal Pradesh Industrial Development & Financial Corporation Limited	-	-	-	-	-	-	-	2.00	-	-	-	-
Total of the Sector			**-**	**-**	**-**	**-**	**-**	**-**	**2.00**	**-**	**-**	**-**	**-**
MINING													
2.	Arunachal Pradesh Mineral Development & Trading Corporation Limited	-	-	-	0.70	-	0.70	-	-	-	-	-	-
Total of the Sector		**-**	**-**	**-**	**0.70**	**-**	**0.70**	**-**	**-**	**-**	**-**	**-**	**-**
GRAND TOTAL		**-**	**-**	**-**	**0.70**	**-**	**0.70**	**-**	**2.00**	**-**	**-**	**-**	**-**

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* *Figure indicate guarantees outstanding at the end of the year*

APPENDIX -4.1.4

Statement showing investments made by the State Government in the State Government companies by way of equity, loans, grants and others during the period which the accounts have not been finalized as on 30 September 2014.

(Rupees in crore)

Sl No.	Name of the PSU	Year upto which Accounts finalized	Paid up capital as per latest finalized accounts	Investment made by State Government during the years for which accounts are in arrears				
				Year	Equity	Loans	Grants	Others (for repayment of loan)
A. Working Companies/Corporation								
Sector : Mining								
1.	Arunachal Pradesh Mineral Development and Trading Corporation Limited	1998-99	1.95	1998-99 2000-01 2002-03 2004-05 2005-06 2006-07 2012-13 2013-14	-- 0.20 0.05 -- 0.05 -- -- --	0.01 -- -- 0.15 -- -- -- --	-- -- -- -- -- 1.13 7.46 0.70	-- -- -- -- -- -- -- --
Sector : Forest								
2.	Arunachal Pradesh Forest Corporation Limited	2005-06	4.50	2005-06 2006-07 2007-08 2011-12 2012-13 2013-14	-- -- -- -- -- --	-- -- -- -- -- --	5.00 -- 0.84 0.21 2.79 --	3.07 2.73 2.40 -- -- --
Sector : Power								
3.	Hydro Power Development Corporation of Arunachal Pradesh Limited	2010-11	5.00	2009-10 2010-11 2011-12	2.50 -- 2.50	-- -- --	20.37 -- --	-- -- --
Total of A			**11.45**		**5.30**	**0.16**	**38.50**	**8.20**
B. Non-Working Companies/Corporation								
Sector : Cement								
4.	Parasuram Cement Limited	2008-09	0.24	2008-09	--	1.36	--	--
Sector : Fruit Processing								
5.	Arunachal Horticultural Processing Industries Limited	2008-09	0.19	2009-10	--	1.36	--	--
Total of B			**0.43**		**--**	**2.72**	**--**	**--**
GRAND TOTAL (A+B)			**11.88**		**5.30**	**2.88**	**38.50**	**8.20**

Appendix-5.1.1

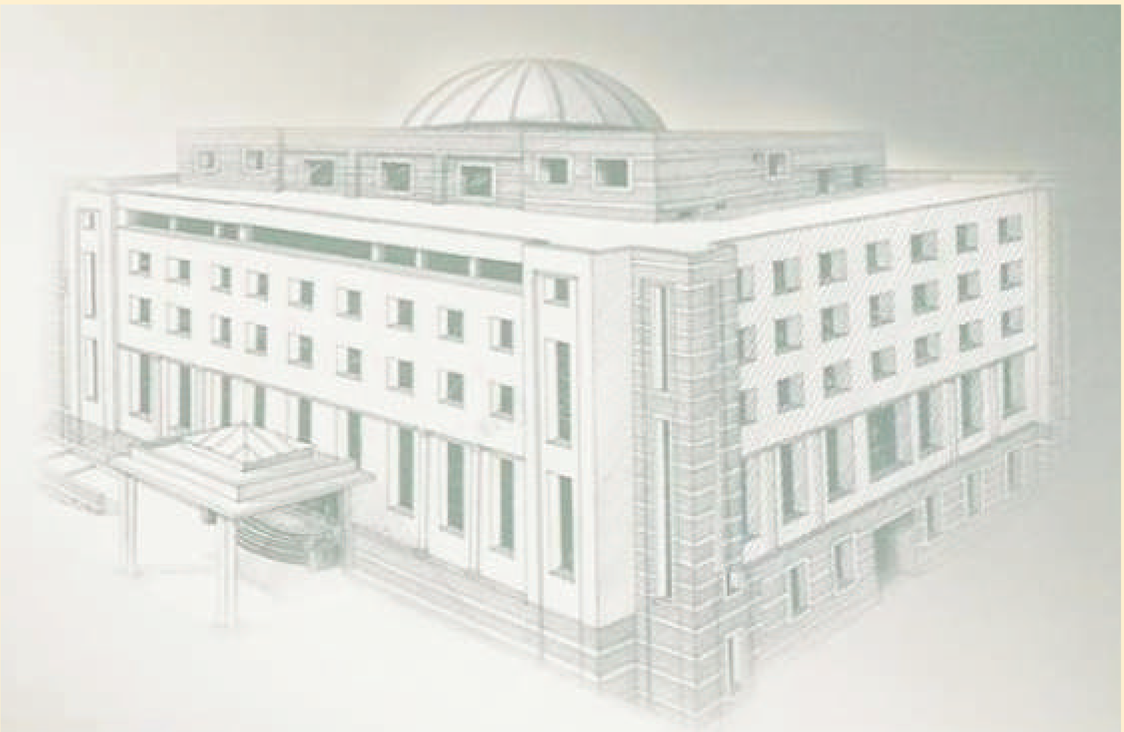
Statement showing details of Explanatory Notes on Paragraphs of Audit Report pending as of March 2014

(Reference: Paragraph-5.1; Page-   )

Year of Audit Report	Date of placement before the State Legislature	Paragraph number for which *suo moto* explanatory notes are awaited	Department
2008-09	03.09.2010	1.1	Horticulture
		1.2	Planning
		1.3	Water Resources
		2.1	Industries
		2.5, 2.9, 3.1	Animal Husbandry & Veterinary
		2.3, 2.4	Agriculture
		2.6	Rural Works
		2.7, 2.8	Social Welfare, Women & Child Dev.
		2.10	Public Works
		2.11	Urban Development and housing
		4.3	State Excise
		5.7	Geology and Mining
		4.7, 4.8	Land Management
		4.9, 4.10	State Lottery
		4.11, 4.12, 4.13, 4.14, 4.15, 4.16, 4.17, 4.18, 4.19	Taxation
		4.20, 4.21, 4.22, 5.2	Transport
		5.4, 5.5	Power
		5.6	Supply and Transport.
		5.8	Forest.
2009-10	24.03.2011	2.1	Rural Works
		2.12	Rural Development
		2.4, 2.5, 2.9, 2.10, 2.14	Public Works
		2.7	Education
		2.8	Urban Development & Housing
		2.11, 2.13	Water Resources.
		3.1	Public Eng.& Water Supply
		4.2, 4.4, 4.5	State Excise
		4.7	Geology & Mining

Year of Audit Report	Date of placement before the State Legislature	Paragraph number for which *suo moto* explanatory notes are awaited	Department
		4.10, 4.11	State Lottery
		4.12, 4.13, 4.14, 4.15, 4.16, 4.17, 4.18, 4.19, 4.20	Taxation
		5.2	Hydro Power Development
		5.3, 5.4, 5.5	Power
		5.6	Supply & Transport
2010-11	27.09.2012	1.1	Education
		1.2	Urban Development & Housing
		2.1, 2.4, 2.6, 2.7, 2.9, 2.12	Public Works
		2.2	Education
		2.5	Rural Works
		2.8	Science & Technology.
		2.10	Health & Family Welfare
		2.11	Education
		4.2.1, 4.2.2, 4.2.3, 4.2.4, 4.2.5, 4.2.6, 4.2.7, 4.2.8, 4.2.9, 4.2.10, 4.2.11, 4.2.12	Taxation
		4.2.13, 4.2.14	Transport
		4.2.16, 4.2.17, 4.2.18	State Excise
		4.2.19	Land Management
		5.2, 5.3, 5.4	Power
		5.5	Finance
2011-12	23-09-2013	1.2	Health & Family Welfare
		1.3, 1.4	Sports & Youth Welfare
		1.5	Social Welfare, Women & Child Development
		1.6	Education
		2.2	Rural Development
		2.3	Tourism
		2.4	Agriculture
		3.2	Secretariat General Administration
		3.3, 5.2.23	Land Management
		4.2, 4.3	Power

Year of Audit Report	Date of placement before the State Legislature	Paragraph number for which *suo moto* explanatory notes are awaited	Department
		5.2.14, 5.2.15, 5.2.16, 5.2.17, 5.2.18, 5.2.19, 5.2.20, 5.2.21, 5.2.22	State Excise
2012-13	26-09-2014	1.5	Education Department
		2.2, 2.4, 2.5, 2.6, 2.7	Public Works Department
		2.3	Department of Science and Technology
		2.8	Horticulture Department
		2.9	Agriculture Department
		3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9	Taxation Department
		4.2, 4.3	Department of Hydro Power Department



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