

EXECUTIVE SUMMARY

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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)