

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 Sadak Yojana	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 lakh¹ 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 lakh² 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 ₹ 1670.60 for 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 Pasighat township. A few years ago, Sibokorong 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 Sibokorong River, the work '*Anti Erosion on Sibokorong 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 <i>per cent</i> 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 Plan (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	Mistubishi 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).