

OVERVIEW

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Chapter-I

Introduction

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from Compliance Audits and test Audit of transactions of various Departments of the Government of Arunachal Pradesh, pertaining to Social, Economic, General and Revenue Sectors. The primary purpose of this Report is to bring to the notice of the State Legislature the significant results of audit.

During 2018-19, out of 784 Units, 199 were planned for Audit after conduct of risk assessment and keeping in view available manpower, out of which 153 Units were actually audited. This Report *inter alia* contains 22 Compliance Audit Paragraphs which include 02 Compliance Audits of '*Development of Sports Infrastructure*' and '*Member of Legislative Assembly Local Area Development Fund*'.

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

Chapter-II: Social Sector

Sports and Youth Affairs Department

Development of Sports Infrastructure

The State Sports Policy 2017 envisaged creation of 1 (one) Football Ground, 1 (one) Athletic Field and 1 (one) Indoor hall in each of the 99 blocks of the State. However, no phase wise targets or annual milestones were fixed to monitor the creation of the intended sports infrastructure. Besides, the Department is yet to create a centralised database and an Asset Register to facilitate an overall picture on the requirements in this field.

The decision to build the sports infrastructure was based on proposals of public/elected representatives and availability of funds, rather than realistic assessment on the actual requirement of facilities, availability of coaches and in coordination with sports federations, local bodies etc. There was also no cognisance taken on the potential for excellence of sports persons in the State in the fields where they had won laurels at international and national levels, while planning the projects. The location of the projects was also skewed in the State as seven districts did not have any infrastructure projects. In districts where these were created, many of them remained incomplete, unutilised and in decrepit state.

Due to ban on creation of new posts in the State, the Department's proposal for creation of 208 posts of coaches in 2016-17 was not sanctioned. The number of coaches and instructors are not commensurate with the physical infrastructure projects

completed/ongoing in the State, which is one of the prime reasons for many facilities lying neglected.

(Paragraph 2.2.6.1 and 2.2.6.2)

During 2014-19, the expenditure under Capital Section (₹ 153.85 crore) was only 58 *per cent* of the capital budget (₹ 264.35 crore) of the department. Inability of the Department to consistently spend the capital provision adversely affected the creation of sports infrastructure in the State. Similarly, the Department could use only 23 *per cent* of the maintenance budget which had a detrimental effect on effective upkeep and maintenance of the projects created.

(Paragraph 2.2.7.1)

During the period 2014-19, the Department could utilise only 60 *per cent* (₹ 201.18 crore) of the funds released by GoI (₹ 346.35 crore). Under Khelo India Scheme, the utilisation of funds was only eight *per cent*, due to receipt of GoI funds at the fag end of the year.

(Paragraph 2.2.7.2)

There were huge delays ranging from six to 41 months in release of funds received from GoI (MDoNER) resulting in time and cost inefficiencies in completion of sports projects.

(Paragraph 2.2.7.3)

A total of 80 sports infrastructure projects were taken up at an estimated cost of ₹ 480.05 crore in the State during 2014-19, 42 projects had been completed at a cost of ₹ 90.28 crore and 26 projects were still ongoing. Works related to nine projects costing ₹ 97.53 crore have not started due to delay in release of funds and finalization of tenders. Three projects sanctioned under SPA were stopped due to discontinuation of the scheme.

(Paragraph 2.2.7.4)

Out of 21 projects taken up in the test checked districts with an outlay of ₹ 243.13 crore, 15 projects costing ₹ 59.59 crore were belatedly completed and six projects with expenditure of ₹ 183.54 crore during 2014-19 were delayed owing to delay in release of funds by the State Government, resulting in non-availability of intended sports facilities on time. The Dorjee Khandu Badminton Academy at Itanagar remained incomplete despite availability of funds of ₹ ten crore with the Dy. Director, Urban Development and Housing Division, Itanagar.

(Paragraph 2.2.7.6)

In violation of the codal provisions of the General Financial Rules, five projects (estimated cost ₹144.00 lakh) were executed by awarding works to local contractors without inviting tenders.

(Paragraph 2.2.7.7)

Eight completed projects were not formally handed over (June 2020) to sports authorities resulting in non-utilisation of these projects for the intended purposes for which they were created.

(Paragraph 2.2.7.8)

The work 'C/o Mini Stadium at Yachuli' (Lower Subansiri District) sanctioned (September 2011) by NEC was completed after a delay of three years. Audit observed that the ground was unusable with uneven surface and thick vegetation growth. Further, the gallery, VIP rostrum and toilet facility were in a dilapidated condition resulting in wasteful expenditure of ₹ 2.43 crore.

(Paragraph 2.2.7.9)

The work 'C/o Outdoor Stadium at Pasighat' was completed in November 2018 at a cost of ₹ 40.90 crore but was not handed over to the Sports Department for reasons not on record. Due to defective DPR there was water logging problem and as a consequence the venue was not utilised and one sports event (25th National Senior Women's Football Championship 2019) had to be shifted from the stadium and held elsewhere.

(Paragraph 2.2.7.10)

High Altitude Sports Complex at Tawang was not completed even after a delay of more than six years. It was being used as classroom/office of a Government college without any authorization for such use, while the site development works still remain incomplete.

(Paragraph 2.2.7.11)

Physical verification of the assets created showed that four projects (two in Chimpupapumpare District and two in Lumla-Tawang District) projects costing ₹ 3.39 crore, constructed during the period 2013-18 were in dilapidated condition, without any sign of maintenance or management by the Department.

(Paragraph 2.2.8)

Recommendations

- ***The Department may formulate long and short term action plan for holistic development of sports infrastructure with prioritization on sports where the State players have high chances of achieving laurels at national and international level. Besides, sports infrastructure facilities created in every district as envisaged under the State's Sports Policy.***
- ***Phase wise targets should be set for efficient monitoring of the completion of the projects, along with creation of a centralised database and Asset Register.***
- ***Additional coaches may be appointed expeditiously for optimal utilisation of completed infrastructure projects.***
- ***The Department should utilize budget under both capital and Revenue sections efficiently and on time. The funds may be released to the implementing agencies promptly so that projects are not held up for want of funds.***

- *A dedicated monitoring cell may be established by the Department of Sports to ensure completion of all ongoing and stalled projects on time, by coordinating with the concerned executing agencies and also ensure timely taking of completed projects.*
- *The completed projects which are lying unused must be utilized so that the intended benefits accrue to the users. This may require allocation of funds for maintenance and repair and appointment of coaches/instructors, if required.*
- *Sports infrastructure created may be used for the intended purposes without any diversions.*
- *The Department may revamp their monitoring mechanism for utilisation of funds, completion of projects and utilisation of infrastructure created.*

Food & Civil Supplies Department

There was unauthorised and excess payment of ₹ 93.60 lakh on account of Hill Transport subsidy payments to a carriage Contractor in Kurung Kumley District.

(Paragraph 2.3)

Recommendation

The excess payment may be recovered immediately and Department may take appropriate action on those responsible for the excess expenditure. Further, internal controls may be strengthened in the department to ensure that all payments are correctly released to agencies.

Public Health Engineering & Water Supply Division

The Executive Engineer (EE), Public Health Engineering & Water Supply (PHE & WS), Khonsa Division did not seek technical sanction for a major work of 'Providing water supply for Boduria and adjoining village in Tirap District' as per delegation of powers in the Department and nor did he invite tenders in violation of manual provisions. The completed work included unverifiable expenditure of ₹ 75.70 lakh on purported excavation work and avoidable expenditure of ₹ 62.23 lakh due to non-utilization of existing water pipe line. Besides, the objective of the project to augment existing water supply remained unfulfilled since the entire work was executed with the existing water head sources.

(Paragraph 2.4)

Recommendation

The Department may fix responsibility in this case for technical sanction not obtained and tenders not invited for a major work. Besides, strict monitoring of the actual execution of works require to be ensured, especially in respect of major projects. The Department may issue instructions to Executive Engineers to not only check

measurement books but also physically verify works before releasing payments to executing agencies.

The Executive Engineer (EE), Public Health Engineering & Water Supply (PHE & WS) Division, Bomdila showed erroneous expenditure of ₹ 53.79 lakh on procurement and purported use of GI fittings for a water supply scheme in and around Thrizino ADC HQRs in West Kameng District.

(Paragraph 2.5)

Recommendation

The State Government may investigate this case further and take appropriate action to fix responsibility on the Chief Engineer and Executive Engineer of the Division. Since the modus operandi was through the Departmental portion of the work by inflating the cost estimates, the Department needs to review the internal controls and checks for Departmentally executed works.

Chapter-III: Economic Sector

Compliance Audit Paragraphs

Public Works Department

The proposed road of 107 km to connect Tamen and Dollungmukh remained incomplete and non-functional on the completed stretch, due to failure of the Department to seek forest clearance and a faulty DPR prepared without survey and investigation work. This resulted in unfruitful expenditure of ₹ 125.20 crore, besides non-fulfillment of the connectivity objectives.

(Paragraph 3.2)

Recommendation

The Department may ensure that DPRs are reviewed diligently and all requisite clearances obtained before award of work. It may also earmark resources to complete the balance portion of the work so that the objectives of the project are fulfilled without further delay. Besides, responsibility be fixed on the Departmental Officers for the abnormal expenditure on excavation of excess quantity of earth work and lack of coordination with the Forest Department.

Despite incurring an expenditure of ₹ 8.50 crore on the project of construction of a Steel Girder bridge over River Pachin, the expenditure was rendered infructuous with the project objectives not being achieved. The EE of the Division Naharlagun made an irregular payment of ₹ 1.73 crore for works not executed conferring undue financial benefit to the contractor.

(Paragraph 3.3)

Recommendation

The Department needs to fix responsibility for payment without actual execution of works and ensure appropriate diligence especially for those projects financed from borrowed funds. The Department may complete the Bridge work considering its alternate uses too and the expenditure already incurred so far.

Executive Engineer, PWD, Tawang Division incurred excess expenditure of ₹ 85.00 lakh due to adoption of higher rates than the approved analysed rates in the technical sanction. Besides, funds of ₹ 74 lakh meant for Improvement of Tawang Township Road were diverted to other projects, affecting the length of the project.

(Paragraph 3.4)

Recommendation

The deviations if any, in rates as per sanctioned estimates should be done with proper approvals, to avoid any misuse of authority. The government may also consider a quality monitoring cell empowered to conduct independent evaluation of the quality and other parameters during execution of the projects above a certain cost threshold.

Due to adoption of incorrect rates, EE, PWD, Bomdila incurred excess expenditure of ₹ 2.74 crore.

(Paragraph 3.5)

Recommendation

The internal controls in the Department needs to be strengthened for proper analysis of estimates and accord of approvals from the competent authorities. The Department may also consider to establish a Technical Examination Wing for better technical controls to secure economy in expenditure as well as financial controls.

The EE, PWD, Chayangtajo incurred avoidable excess expenditure of ₹ 94.00 lakh on formation cutting on a stretch of already existing PMGSY road.

(Paragraph 3.6)

Recommendation

The matter may be further investigated by the Department and the system of preparation of estimates may be strengthened to take into account the actual ground conditions, to avoid duplicity in works and expenditure.

Hydro Power Development Department

Abandoning of Micro Hydel Scheme (MHS) at Vijaynagar in Changlang district, on account of low water discharge and defective installation of Penstock Pipes resulted in infructuous expenditure of ₹ 4.08 crore. Besides, the objective of providing electricity to Vijaynagar area could not be achieved for a long time.

(Paragraph 3.7)

Recommendation

The Department may consider utilizing the idle equipments in other areas having conducive water discharge. They may ensure that independent verification of crucial technical matters is done at project formation stage to obviate such instances of infructuous expenditure in future. Responsibility may be fixed for poor project planning and non-shifting of the idle equipments even after the report of the Chief Engineer in April 2014.

Power Department

The EE, Bomdila Electrical Division procured transformer and connected equipment without proper assessment of requirement leading to wasteful expenditure on idle equipment costing ₹ 71.62 lakh.

(Paragraph 3.8)

Recommendation

The equipment lying idle may be immediately shifted/utilized in other needy Divisions.

Rural Development Department and Public Works Department

The State Planning Department sanctioned the work of Keba Dere-Community Hall at Liromoba Town under the same scheme to two different executing agencies resulting in fraudulent expenditure of ₹ 28.07 lakh.

(Paragraph 3.9)

Recommendation

The case may be further investigated by the Government and appropriate action be taken against the officers responsible for such duplication and fraudulent expenditure and fabrication of records.

Public Works Department

The EE PWD, Jamin Division committed various irregularities in utilization of funds in violation of codal provisions and established procedures resulting in un verifiable expenditure of ₹ 3.50 crore.

(Paragraph 3.10)

Recommendation

The glaring inconsistencies in execution of works in violation of established codal provisions and procedures may be investigated and responsibility fixed on executive and supervising authorities. Besides, the Department may ensure that pending liabilities are recorded in the Divisions and reported to higher authorities. They may make all efforts to clear the contractors bills on time in the interest of sound financial

management and obviate such diversion of funds and irregularities of payments being shown against old unverifiable works.

Chapter-IV: General Sector

Compliance Audit Paragraph

Planning Department

Member of Legislative Assembly Local Area Development (MLALAD) Scheme

The MLALAD Scheme guidelines envisaged taking up of developmental works based on locally felt needs leading to creation of durable assets. The works under the scheme were to be completed within one financial year. However, audit observed that there is no prescribed timeframe for receiving recommendations of works from respective MLAs, scrutinizing the recommendations by the DCs, finalising the annual plans, preparation of estimates and approval, sanction of works and release of funds by the State Nodal Authority to the District Nodal Authority and by the later to the Implementing Agencies. The absence of time lines impacted the completion of the projects within the same financial year. The Scheme had an expenditure of ₹ 554.65 crore during the period 2014-19, covered by the audit.

An expenditure of ₹ 1.44 crore was incurred on non-permissible 25 schemes/works like repair and maintenance of existing assets, procurement of laptops *etc.* not leading to creation of durable assets in contravention of the Scheme Guidelines. Though estimates were prepared for execution of original works, expenditure was actually incurred on repair and maintenance.

(Paragraph 4.4.4)

In the test checked 372 works, the estimates of the works were not based on realistic assessment but were prepared by restricting the cost of each estimate to ₹ 10.00 lakh, which was within the financial power of the Deputy Commissioner.

(Paragraph 4.3.4)

The execution of 77 schemes/works (21 *per cent*) out of 372 scheme/works costing ₹ 5.79 crore had commenced prior to accord of Administrative Approval and Expenditure Sanction for the works in violation of codal provisions of the General Financial Rules. Further, 55 out of the 77 works were initiated even before recommendations of the concerned MLAs in violation of the extant Rules/Guidelines.

(Paragraph 4.4.1)

Five works in Lower Subansiri district were executed without recommendation of MLAs concerned whereas four works taken up were not as per recommendation of the MLAs.

(Paragraph 4.4.2)

There was excess payment of ₹ 52.77 lakh to the suppliers due to application of higher rates in procurement of CGI sheets. There were no records to verify whether the CGI sheets were distributed to the eligible beneficiaries nor any assurance on selection of eligible beneficiaries in three districts of Papumpare, Lower Subansiri and Lower Dibang Valley.

(Paragraph 4.4.3)

Funds under the scheme are to be used for creation of durable assets, the ownership of which should remain with the government, to be available for public use at large. It was observed that works valuing ₹ 47.50 lakh were executed for private individuals in violation of scheme guidelines.

(Paragraph 4.4.6)

During joint site inspections, the condition of nine schemes/works out of 168 physically verified schemes/works at a total cost of ₹ 48.50 lakh were found to be in dilapidated state, either due to lack of maintenance or poor execution of works.

(Paragraph 4.4.7)

During joint verification with department authorities, audit observed several irregularities in execution as against the original proposals and in some cases, the works executed were not found at the sites.

(Paragraph 4.4.8)

Monitoring of the Scheme Works by the DC and implementing agencies was deficient. There was also no monitoring mechanism for upkeep and utilisation of the assets created under the Scheme.

(Paragraph 4.6)

Recommendations

- ***The Department may amend the guidelines to make them specific for setting time lines for receipt of proposals, release of funds to implementing authorities, finalization of Annual Plan of works under the Scheme and submission of UCs by implementing agencies.***
- ***The estimates may be prepared based on actual requirements and site conditions rather than accommodating the financial proposals within the delegation of powers of the DC to ensure durable community assets are created which can be used by the public for longer periods of time.***
- ***Works should only be taken up after recommendation of MLAs and after appropriate AA & ES is given.***
- ***The Department may amend the guidelines to cover distribution of laptops for needy beneficiaries, with approval of the State Government.***

- *It may be ensured that only durable community assets of capital nature are developed under the Scheme and expenditure is incurred only on permissible works.*
- *The State Planning Department may issue instructions for proper handing over of assets created under the Scheme, to local authorities. They may also put in place a monitoring mechanism to ensure that the assets created are gainfully utilised.*
- *For effective monitoring of the works taken up under the Scheme, physical monitoring through field inspection should be carried out by the Deputy Commissioners. Officers of District at the sub-divisional and block level must also closely monitor implementation of the works through visit of work sites.*

Chapter-V: Revenue Sector

During 2018-19, revenue raised by the State Government (₹ 1676.91 crore) was 10 per cent of the total revenue receipts. The balance 90 per cent of receipts during 2018-19 was from the Government of India.

Revenue receipts grew by ₹ 2421.36 crore (18 per cent) over the previous year. The increase was contributed by Tax revenue by ₹ 252.47 crore (31 per cent), non-tax revenue by ₹ 242.69 crore (66 per cent), share of net proceeds of divisible Union taxes and duties by ₹ 1197.35 crore (13 per cent) and Grant-in-aid by ₹ 728.85 crore (22 per cent).

The increase of Tax revenue by ₹ 252.47 crore (31 per cent) in 2018-19 as compared to previous year was mainly on account of increase in collection of State Goods and Services Tax (SGST) by ₹ 377.27 crore (169 per cent increase over 2017-18), increase in Land Revenue by ₹ 1.26 crore and in State Excise by ₹ 14.12 crore which was, however, offset by decrease in Taxes on Goods and Passengers by ₹ 123.56 crore.

During 2018-19, there was increase in collection of Non-tax revenue by ₹ 242.69 crore (66 per cent) over the previous year. The increase was mainly on account of increase in receipts under Power by ₹ 153.68 crore; Interest Receipts by ₹ 41.03 crore and Medical & Public Health by ₹ 24.64 crore.

The total registrations under GST in Arunachal Pradesh were 19211 dealers as of March 2019, of which normal taxpayers including casual taxpayers accounted for 49.10 per cent, tax deductors at source 43.85 per cent and others (TCS, ISD and corporation taxpayers) 7.05 per cent.

(Paragraph 5.1.1 and 5.1.2.1)

Compliance Audit Paragraphs
Tax and Excise Department

Failure of the Superintendent of Tax (ST), Namsai to detect tax liability from two registered dealers led to non-realisation loss of VAT of ₹ 6.45 crore for which interest and penalty are also leviable.

(Paragraph 5.4.1)

Recommendation

Due diligence may be exercised by the Superintendent of Tax while assessing the self-assessed returns submitted by the dealers to avoid evasion of tax.

Failure of the Superintendent of Tax (ST), Roing to detect irregular claim of exemption under Section 6 of APGT Act by a registered tea merchant led to non-realisation of tax of ₹ 37.71 lakh.

(Paragraph 5.4.2)

Recommendation

The Department may review all such cases and realise the due revenue.

Failure of the Excise Officer of the Bonded Warehouse, Changlang to detect unauthorised lifting of IMFL by two Wholesale Vends resulted in non-realisation of excise duty of ₹ 63.84 lakh.

(Paragraph 5.5)

Recommendation

The Department may further strengthen the internal controls by ensuring that the Excise Officers in Bonded Warehouses cross verify the permits issued by the respective Superintendents and authorize lifting strictly in accordance with those permits. It may also consider appropriate MIS Reports to be submitted by the Excise Officers of Bonded Warehouse to the Superintendent on the lifting of liquor cases against the permits issued. The department may conduct an enquiry for excess lifting and fix the responsibility of the officials for the lapse.

Failure of the Superintendents of Tax (ST), Zone-II, Itanagar and Roing to levy and realise penalty from 74 registered dealers for non-submission of returns resulted in non-realisation of revenue of ₹19.00 lakh.

(Paragraph 5.6)

Recommendation

The Department may introduce monthly MIS reports on submission of returns by the dealers and review the status of filing by dealers on a periodic basis.

Failure of the Superintendents of Excise to take action against 44 retail licensees led to non-realisation of renewal fees of ₹ 21.20 lakh.

(Paragraph 5.7)

Recommendation

The Superintendents of Excise may take timely action to review the license renewal registers and related documents to detect the defaulters and issue notices to the retailers to renew their licenses. They should suspend or cancel the licenses of defaulting retail license holders.

Transport Department

Road Tax of ₹ 2.62 crore due from 676 owners of commercial vehicles and penalty of ₹ 65.62 lakh for default in payment of Tax remained unrealized.

(Paragraph 5.8)

Recommendation

The Department needs to issue show cause notices to the vehicle owners and collect road tax along with penalty from these defaulting vehicle owners.

Failure of District Transport Officers (DTOs) to ensure renewal of fitness certificate of 21,366 commercial vehicles resulted in non-realisation of fitness test fee of ₹ 1.95 crore, renewal fee of ₹ 1.09 crore.

(Paragraph 5.9)

Recommendation

The Department should ensure that licenses of unfit commercial vehicles are cancelled/suspended with immediate effect in interest of pollution control and prevention of road accidents.

Irregular issue of temporary road permits to owners of 146 commercial trucks resulted in short recovery of ₹ 13.71 lakh.

(Paragraph 5.10)

Recommendation

The Department/Government may amend extant notification by incorporating Composite tax and Permit fee chargeable for five years on trucks plying in the State, in the interest of revenue.

Chapter-VI: Economic Sector (PSUs)

As of 31 March 2019, there were seven PSUs (all Government Companies) in Arunachal Pradesh. None of these Companies are listed on the Stock Exchange. During the year 2018-19, the audit of one PSU was entrusted to the office of the Principal Accountant General, Arunachal Pradesh.

(Paragraph 6.1.1)

Chapter VII Follow up of Audit Observations

Two Public Accounts Committee (PAC) meetings were held in September 2019 and January 2020 after a gap of over one year. The Committee selected total 86 Paras in respect of 15 Departments pertaining to the period from 2008-09 to 2016-17 for discussion and dropped 81 Paras.

(Paragraph 7.1)

No Audit Committee Meetings were held for discussion and settlement of Outstanding Inspection Reports during 2018-19.

(Paragraph 7.2)

As of March 2019, 5246 Paragraphs relating to 956 Inspection Reports (IRs) pertaining to 440 offices of 61 Departments remained outstanding. 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 313 offices for 455 IRs issued between 1985-86 to 2018-19.

(Paragraph 7.3)

