



**CHAPTER – III**  
**ECONOMIC SECTOR**



## CHAPTER – III: ECONOMIC SECTOR

### 3.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2020 deals with the audit findings on the Departments of the State Government under the Economic Sector.

During 2019-20, total budget allocation of the State Government under the Economic Sector (other than Public Sector Undertakings) was ₹11,935.94 crore, against which the actual expenditure was ₹7,325.78 crore (61.38 per cent). Details of Departmentwise budget allocations and expenditure incurred are given in the table below.

**Table 3.1: Budget allocation and expenditure under Economic Sector**

(₹ in crore)

Sl. No.	Department	Budget			Expenditure			Expenditure (in per cent)
		Revenue	Capital	Total	Revenue	Capital	Total	
1.	Agriculture	329.64	9.54	339.18	226.34	3.28	229.62	67.70
2.	Animal Husbandry and Veterinary	209.33	4.47	213.80	187.25	3.94	191.19	89.43
3.	Civil Aviation	51.29	51.99	103.28	39.43	8.02	47.45	45.94
4.	Co-operation	16.15	13.69	29.84	15.68	13.59	29.27	98.09
5.	Economic and Statistics	25.77	1.50	27.27	24.16	0.72	24.88	91.24
6.	Fisheries	27.88	20.00	47.88	26.54	11.90	38.44	80.28
7.	Food & Civil Supplies	292.46	3.46	295.93	289.19	1.75	290.94	98.32
8.	Horticulture	183.83	20.00	203.83	179.25	2.23	181.48	89.04
9.	Hydropower	198.55	60.00	258.55	177.06	41.67	218.74	84.60
10.	Industries	44.53	10.64	55.17	25.72	11.52	37.24	67.50
11.	State Council for Information Technology and EGovernance	57.82	5.00	62.82	60.97	0.00	60.97	97.05
12.	Legal Metrology and Consumer Affairs	11.26	0.29	11.55	10.61	0.00	10.61	91.86
13.	Panchayat Raj	203.77	0.00	203.77	86.71	0.00	86.71	42.55
14.	Power	813.00	223.21	1036.21	740.68	137.62	878.31	84.76
15.	Public work	1157.49	1331.90	2489.39	1082.50	1027.90	2110.40	84.78
16.	Rural Development	423.21	116.89	540.11	364.23	7.74	371.97	68.87
17.	Rural Works	189.39	1236.00	1425.40	177.99	1007.85	1185.84	83.19
18.	State Transport	115.00	23.00	138.00	110.59	6.71	117.30	85.00
19.	Textile & Handicraft	62.30	4.40	66.70	58.58	0.20	58.78	88.13
20.	Tirap, Changlang and Longding	1.08	65.79	66.87	0.94	48.26	49.20	73.57
21.	Tourism	61.33	19.37	80.70	42.21	3.19	45.40	56.26
22.	Trade & Commerce	4.41	0.80	5.21	3.98	0.00	3.98	76.52
23.	Water Resource	262.76	144.25	407.01	212.31	134.72	347.04	85.26
24.	Science & Technology	21.94	1.80	23.74	21.69	0.00	21.69	91.35
25.	Geology & Mining	52.53	2.65	55.18	14.37	0.12	14.49	26.26
26.	Environment & Forests	249.67	7.00	256.67	213.80	2.00	215.80	84.08
27.	Planning	54.41	3,437.46	3,491.88	45.99	412.05	458.04	13.12
<b>Total</b>		<b>5,120.82</b>	<b>6,815.12</b>	<b>11,935.94</b>	<b>4,438.79</b>	<b>2,886.98</b>	<b>7,325.78</b>	<b>61.38</b>

Source: Appropriation Accounts, 2019-20

It could be seen from the above that:

- In the Economic Sector, expenditure incurred by the Departments ranged between 13.12 and 98.32 *per cent* of the allocations made during 2019-20.
- Six Departments have incurred more than 90 *per cent* of total budget allocation viz. Food & Civil Supplies (98.32 *per cent*), Cooperation (98.09 *per cent*), State Council for Information Technology & E-Governance (97.05 *per cent*), Legal Metrology & Consumer Affairs (91.86 *per cent*), Science & Technology (91.35 *per cent*) and Economic & Statistics (91.24 *per cent*).
- The expenditure in all the Departments under this sector was less than their respective budgetary allocations for the year.
- The Revenue expenditure in the sector was ₹4,438.79 crore (60.59 *per cent*) of total expenditure.
- The Capital expenditure in the sector was ₹2,886.98 crore, (39.41 *per cent*) of the total expenditure.

### **3.1.1 Planning and Conduct of Audit**

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

Audit of 70 units of 13 Departments under the Economic Sector involving ₹4,925.13 crore (including expenditure of earlier years) under the Economic Sector was conducted during 2019-20.

Major findings detected in Audit during 2019-20 pertaining to the Economic Sector (*other than State Public Sector Undertakings*), are discussed in subsequent paragraphs of this Chapter.

## PERFORMANCE AUDIT

### DEVELOPMENT AND PROMOTION OF HORTICULTURE IN ARUNACHAL PRADESH

#### Horticulture Department

#### 3.2 An Overview

##### *Highlights*

The objective of Horticulture Department in Arunachal Pradesh is to provide technical and material support to the farmers to make Horticulture the mainstay of the State. To achieve its goal, various interventions such as area expansion in various fruits and spices, farm mechanisation, rejuvenation/ replanting in old senile farms, research and development, strengthening of existing government/private nurseries, etc. were taken up under various Centrally Sponsored Schemes and State Schemes in the State.

A Performance Audit on Development and Promotion of Horticulture in Arunachal Pradesh carried out covering the period from 2015-16 to 2019-20 revealed several deficiencies in implementation of programme/ schemes which are highlighted below.

- *The Department had not prepared long term plan such as Strategic/ Perspective Plan, State Agricultural Policy etc. due to which the State could utilise only 3.50 per cent (0.63 lakh Ha) of potential land available (18.00 lakh Ha) for horticulture activities.*

*The Department prepared the State Annual Action Plans (AAPs) for the years from 2015-16 to 2019-20 for onward submission to the Ministry. However, the State AAPs did not flow from the District Plans. Hence, the AAPs of the State were not demand driven.*

*(Paragraphs 3.2.7.1 & 3.2.7.2)*

- *An overall expenditure of ₹544.31 crore was incurred against the total allocation of ₹598.80 crore during 2015-16 to 2019-20 resulting in savings of ₹54.49 crore (9.09 per cent of total allocation).*

*(Paragraph 3.2.8.1)*

- *Against the total authorisation of only ₹960 lakh under two State Schemes, the Directorate and District Officers drew ₹1,720.41 lakh resulting in excess drawal of ₹760.41 lakh due to drawal of money by the District Officers through treasury even before issue of expenditure authorisation by the Government based on the sanction.*

*(Paragraph 3.2.8.7)*

- *There was decline in the area, production and productivity of the crops which indicated that the Department could not achieve its major objective of enhancing production and productivity of important horticulture crops in the State despite an expenditure of ₹359.53 crore from 2015-16 to 2018-19 (due to Covid, the Department could not update the data for area under cultivation, production and productivity after 2018-19).*

*(Paragraph 3.2.8.9)*

- *Out of 12 projects closed by North Eastern Council (NEC), 11 beneficiary oriented projects had a target of planting 4,305 Ha with a potential of annual income of ₹104.15 crore to farmers out of which the Department achieved 2,365.82 Ha resulting in shortfall of 1,939.18 Ha having a potential to earn ₹44.24 crore. The State Government had not earmarked or spent its own resources to revive these projects. Thus, due to closure of the projects by NEC and non-revival of the projects by the State Government, the intended objectives of the projects were not achieved.*

*(Paragraph 3.2.8.15)*

- *There was total avoidable expenditure of ₹61.30 lakh in the two sampled Districts due to procurement of planting materials at higher rate. Further, barbed wires were procured without assessing the requirement as per guidelines which resulted in excess procurement of barbed wires costing ₹58.04 lakh in three sampled Districts.*

*(Paragraphs 3.2.8.25 and 3.2.8.26)*

- *Due to absence of nurseries for State Horticulture Research and Development Institute (SHRDI) for research on quality planting materials and production of planting materials, the State is still deprived of quality planting materials of its own compelling the Department of Horticulture, GoAP to rely on import of planting materials which is a matter of concern as this has led to entry of foreign diseases affecting the existing garden.*

*(Paragraph 3.2.8.30)*

- *The capacity of one cold storage as per Detailed Project Report (DPR) was 160 MT. As per Mission for Integrated Development of Horticulture (MIDH) guidelines, the cost of 160 MT of cold storage was ₹16.00 lakh of which ₹8.00 lakh (50 per cent) shall be government assistance. However, the Department had released assistance of ₹90.00 lakh resulting in excess payment of ₹ 82.00 lakh.*

*(Paragraph 3.2.9.8)*

- *The Department made advance payment of 90 per cent of contract amount (₹1,350.00 lakh) for construction of three Centres of Excellence (CoEs) to North Eastern Regional Agricultural Marketing Corporation (NERAMAC) Limited in violation of General Financial Rules. Moreover, the Department did not obtain Bank Guarantee (BG)/ Performance Guarantee (PG) to safeguard the interests of the Government. Also, the Department did not impose a penalty of ₹104.30 lakh for non-completion of the work within the stipulated period of six months in absence of the BG/ PG.*

*(Paragraph 3.2.9.12)*

- *The monitoring mechanism needs to be strengthened to achieve the optimum expansion in horticulture sector and the assets created may be utilised for increasing the per capita income of the beneficiaries.*

*(Paragraph 3.2.11)*

### **3.2.1 Introduction**

The Horticulture sector has emerged as a prominent sector in the Indian agricultural scenario contributing to the overall economic growth besides providing nutritional and health benefits, given its wide variety of products that are available round the year.

The State of Arunachal Pradesh, owing to its vast geographical area {83,743 square kilometres (sqkm.)} with varied agroclimatic conditions and a thin population density of 13 persons per sqkm. offers immense scope for horticulture development. The State has about 18.00 lakh hectare (Ha) land available for undertaking horticulture activities of which only about 0.63 lakh Ha (3.50 *per cent*) has been utilised producing 1,72,386 MT of horticulture products as recorded during 2018-19<sup>1</sup>. Major Horticulture crops of the State are Orange, Pineapple, Kiwi, Apple, Large Cardamom, Ginger, Turmeric and Off-season vegetables.

Government of Arunachal Pradesh (GoAP) bifurcated the Agriculture Department and created Horticulture Department in 1991. The Department implements Horticulture programmes and policies of the GoAP and Government of India (GoI). During the period 2015-16 to 2019-20, the Department implemented various Horticulture Development Schemes/ Projects in the State under Centrally Sponsored Schemes (CSS) and State Sponsored Schemes as detailed in **Appendix 3.1**. Mission for Integrated Development of Horticulture (MIDH), a Centrally Sponsored Scheme, is a major horticulture intervention implemented in the State for holistic growth of the horticulture sector with a cost sharing ratio of 90:10 between GoI and GoAP.

### 3.2.2 Organisational Arrangement

The Secretary to the GoAP, Department of Horticulture-cum-Managing Director of Arunachal Pradesh Small Farmers Agri-Business Consortium (APSFAC)<sup>2</sup> is the administrative head and responsible for implementation of policies, programmes and schemes (all Central and State) in the State. He is assisted by the Director of Horticulture (DH)-cum-Mission Director of the State Horticulture Mission (SHM)<sup>3</sup>, Mission for Integrated Development of Horticulture (MIDH). The DH is assisted by two Joint Directors, three Deputy Directors of Horticulture (DDH) and one District Horticulturist at the Headquarters. The Director is also assisted by seven Horticulture Development Officers (HDOs) in dealing with Central Schemes like MIDH, North Eastern Council (NEC), Rashtriya Krishi Vikas Yojana (RKVY), Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) *etc.* and State Schemes such as Chief Minister's Sashakt Kisan Yojana (CMSKY), Cabinet Committee on Infrastructure (CCI), State Government Nurseries *etc.* at the Directorate Office.

At the District level, the DH is assisted by two DDH (one each at Salari-Khazalang and Jomlo Farm), two Horticulturists (one each at Regional Apple Nursery, Dirang and State Horticulture Farm, Shergaon), 25 District Horticulture Officers (DHOs), nine Sub-Divisional Horticulture Officers (SDHOs) and one Sub-Divisional Agriculture Officer (SDAO). At the Block and Circle level, the implementation of the Schemes is being monitored by 86 Horticulture Development Officers (HDOs) who are assisted by the Horticulture Field Assistants.

<sup>1</sup> Due to Covid, the Department could not update the data for area under cultivation, production and productivity after 2018-19

<sup>2</sup> Its function is to catalyse agro industrial growth in different parts of Arunachal Pradesh based on principles of ecological sustainability economic efficiency and social equity

<sup>3</sup> Its function is to develop horticulture to the maximum potential available in the State and to augment production of all horticultural products

### 3.2.3 Audit Scope and methodology

The performance audit of development and promotion of horticulture in Arunachal Pradesh covered a period of five years (2015-16 to 2019-20). The State was divided into two zones viz. Western Zone (WZ) and Eastern Zone (EZ) and by using Simple Random Sampling without Replacement (SRSWOR) method with weightage to the expenditure incurred on schemes<sup>4</sup> in the districts. Two districts from each zone were selected for detailed examination. The four selected districts were: Papum Pare and Lower Subansiri Districts from WZ and East Siang and Upper Siang Districts from EZ. All the four CSS schemes/ projects<sup>5</sup> and six<sup>6</sup> out of 45 State Schemes implemented during the review period were also covered in the performance audit.

The Performance Audit commenced with an Entry Conference with the Secretary, Horticulture Department on 28 September 2020 wherein the objectives and scope of the performance audit were discussed. Subsequently, Audit examined records and other evidences in the Directorate of Horticulture and DHOs of the four selected Districts. Besides, beneficiary survey (320) and joint physical verification of facilities were conducted in the sampled Districts.

Audit findings were discussed with the Director of Horticulture and other departmental officials in the Exit Conference held on 18 October 2021. The replies of the Department received in the Exit Conference were suitably incorporated in the report in the appropriate places.

### 3.2.4 Audit objectives

The main objectives of the Performance audit are to ascertain whether:

1. Effective planning process was in place fixing priorities in consonance with the diverse agro climate features. Whether various schemes/ projects for increase of production area and productivity of horticulture crops were planned effectively;
2. Implementation of the schemes/ projects and provision and utilisation of funds was efficient and effective and has resulted in increased acreage of horticultural crops and diversification of horticultural production as envisaged;
3. The promotion of technology, extension, post-harvest management, processing and marketing for holistic growth of horticulture sector in consonance with comparative advantage in the State/ region was achieved;
4. The skills of the local youth have been developed to create employment opportunities in the horticulture sector; and
5. Monitoring and evaluation system including internal controls were adequate and effective.

### 3.2.5 Audit Criteria

Audit findings were benchmarked against the following criteria:

- Operational Guidelines of MIDH, RKVY, PMKSY *etc.* and other relevant scheme/ project guidelines;

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<sup>4</sup> CSS and sampled State Schemes

<sup>5</sup> MIDH, RKVY, NEC and PMKSY

<sup>6</sup> CMSKY, CCI, Alternative Livelihood for Opium Cultivation (ALOC), Maintenance of Farms & Nurseries, Installation of Large Cardamom Drier and Horti Marketing



- Annual Action Plans;
- Guidelines, Circulars, Notifications and various orders issued by the GoI/ State Government from time to time;
- Departmental Manual/ Rules/ Policies *etc.*; and
- General Financial Rules, Central Public Works Department (CPWD) works manual<sup>7</sup> and Receipt and Payments Rules, 1983.

### 3.2.6 Acknowledgement

The Office of the Principal Accountant General, Arunachal Pradesh places on record its acknowledgement of the State Government in general and Department of Horticulture in particular for their assistance in facilitating this audit.

### Audit findings

Audit findings are discussed in subsequent paragraphs.

### 3.2.7 Planning

#### 3.2.7.1 Preparation of Long Term Plan

Paragraph 4.8 of MIDH guidelines stipulates that State level agency shall prepare Strategic/ Perspective Plan and annual State Level Action Plan (SLAP) in consonance with Mission's goals and objectives. As per Paragraph 4.1 of MIDH guidelines, the plan should invariably contain information on geography and climate, potential of horticulture development, availability of land, *etc.* with focus on crops having comparative advantages and natural potential for development in the State.

Audit noticed that the Department had not prepared Strategic/ Perspective Plan/ State Horticulture Policy to identify the gaps requiring intervention as well as to identify the prospective beneficiary groups. In absence of Strategic/ Perspective Plan/ State Horticulture Policy, information on geography and climate, potential of horticulture development, availability of land, *etc.* with focus on crops having comparative advantages and natural potential for development in the State as a vision of long term sustainable development policy for Horticulture Sector were not considered.

Paragraph 8.3 (Annexure B) of NEC guidelines stipulates that the State Government shall propose a priority list of projects from the shelf of projects to be taken up under NEC during the financial year concerned.

Audit observed that out of five years period (2015-16 to 2019-20), the Department had prepared priority lists only for two years *i.e.* 2016-17 and 2017-18, as shown in **Table 3.2.**

**Table 3.2: List of projects in priority lists**

Year	No. of Projects in priority list	Projects pertaining to Horticulture	No. of projects sanctioned	Year of sanction
2016-17	14	1	1	April 2017
2017-18	58	8	1*	Nil

Source: Departmental records

\* Outside the priority list

<sup>7</sup> Being followed by the State Government

It can be seen from the table above that the NEC sanctioned (April 2017) one horticulture project in the priority list of 2016-17 while one horticulture project was sanctioned (January 2018) against the year 2017-18 which was not in the priority list of 2017-18 in contravention of the NEC Guidelines. Reasons for sending of the proposals for selection of the project outside the priority list were not on record. Further, Audit observed that the project was terminated (April 2020), hence abandoned, after incurring an expenditure of ₹10.00 lakh, as discussed in the **Paragraph 3.2.8.15**. Thus, the State was not benefited even after the preparation of priority list meant for the horticulture sector.

As per Paragraph 5.1 of PMKSY guidelines, District Irrigation Plan (DIP) is the cornerstone for planning and implementation of different components of PMKSY which identifies gaps in irrigation chain after taking into consideration currently available resources and resources that would be added from ongoing schemes, both State and Central.

Moreover, the State Schemes were also sanctioned and implemented without preparing State Horticulture Policy indicating lack of long term vision and policy of horticulture sector.

Thus, the Strategic/ Perspective Plan/ State Horticulture Policy was not prepared to provide the roadmap for long term horticulture development in the State. In absence of the long term policy such as Strategic/ Perspective Plan/, State Horticulture Policy, the State could utilise only 3.50 *per cent* (0.63 lakh Ha) of potential land available (18 lakh Ha) for horticulture activities during the period 2015-16 to 2018-19<sup>8</sup>.

In the Exit Conference (October 2021) the Department had accepted the facts.

### **3.2.7.2 Annual Action Plan**

Paragraphs 4.8 and 5.3 of MIDH envisages State Horticulture Mission (SHM) to conduct baseline survey and feasibility studies in the Districts and Blocks to determine the status, potential, production and demand for horticulture development and that Annual Action Plans (AAPs) for the state are prepared which were to be vetted by State Level Executive Committee (SLEC) and approved by GoI.

It was noticed that the Department prepared the AAPs for the entire State which were vetted by SLEC during the period 2015-16 to 2019-20 for onward submission to GoI in absence of the Strategic/ Perspective Plan. It was also observed that the District Horticulture Officers (DHOs) of the State prepared AAPs for the Districts during 2015-20 for implementation of the horticulture schemes. The District AAPs so prepared were submitted to the SLEC as requirement of the Districts which in turn form the State AAPs. However, AAPs were not prepared on the basis of the Strategic/ Perspective Plan.

It was also noticed that the District AAPs were not prepared in consultation with the District Planning Committee and input from the PRI's. Instead, the AAPs were prepared by the DHOs with the help of the Horticulture Development Officer and Horticulture Field Assistants. Hence, the potentiality for horticulture activities of the Districts were not demand driven.

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<sup>8</sup> Due to Covid, the Department could not update the data for area under cultivation, production and productivity after 2018-19

Moreover, cross verification of the AAPs of the State with the District AAPs of the four sampled districts revealed that no baseline survey and feasibility studies have been conducted in the State by SHM. During the period 2015-16 to 2019-20, the units of Area Expansion and Protected Cultivation required as per the District AAPs of the four sampled districts *vis-à-vis* the total requirement of the State as per the State AAPs are shown in **Table 3.3**.

**Table 3.3: Inputs from Districts *vis-à-vis* State AAP**

Year	Component	Inputs received from sampled districts (in units)					Total inputs considered in the State AAP	Shortfall (-)/ Excess (+)	Shortfall (-)/ Excess (+) percentage
		Lower Subansiri	Upper Siang	East Siang	Papum Pare	Total for four sampled Districts			
2015-16	Area expansion	750	2,145	350	7,600	10,845	2,083	(-) 8,762	(-) 81
	Protected cultivation	1,125	1,510	5,050	190	7,875	567.03	(-) 7,308	(-) 93
2016-17	Area expansion	810	2,145	625	8,950	12,530	2,395	(-) 10,135	(-) 81
	Protected cultivation	1,125	610	50	280	2065	413	(-) 1,652	(-) 80
2017-18	Area expansion	760	3,870	235	14,400	19,265	1,100	(-) 18,165	(-) 94
	Protected cultivation	1,125	1,600	50	500	3,275	412.5	(-) 2,863	(-) 87
2018-19	Area expansion	1,390	1,160	590	8,950	12,090	1,771	(-) 10,319	(-) 85
	Protected cultivation	1,125	410	10,100	280	11,915	79.6	(-) 11,835	(-) 99
2019-20	Area expansion	102	300	260	300	962	2,310	(+) 1,348	(+) 140
	Protected cultivation	516	150	6,025	3	6,694	207.94	(-) 6,486	(-) 97

Source: Departmental records

It could be seen from the above that the total units of Area Expansion and Protected Cultivation required as per the District AAPs of the four sampled districts each year were much higher than the total requirement of the State as per the State AAP (except for Area Expansion for the year 2019-20) ranging between 80 and 99 *per cent* indicating that the requirements of the Districts were not considered while preparing the State AAP. Hence, the AAP of the State did not flow from the District AAPs.

Further, it was also noticed that the three sampled Districts *viz.* Lower Subansiri, Papum Pare and East Siang Districts did not propose the interventions *viz.* Horticulture Mechanisation, Beekeeping, and Rejuvenation/ Replacing Senile Plantation in the District AAPs. However, the interventions were sanctioned and executed in these sampled districts, as shown in **Table 3.4**.

**Table 3.4: Details of interventions not flowing from the District AAPs**

Interventions	Name of sampled Districts	Units sanctioned (in no.)	Amount (₹ in lakh)	Remarks
Horticulture Mechanisation	Lower Subansiri	12	15.00	Excess assistance of ₹0.25 lakh to ₹0.50 lakh were provided beyond the prescribed limit of ₹0.75 lakh, as discussed in <b>Paragraph 3.2.9.2</b> .
	Papum Pare	10	12.50	
Rejuvenation/ Replacing Senile Plantation	Lower Subansiri	245	46.60	Excess subsidy (100 <i>per cent</i> ) was extended to beneficiaries beyond the prescribed limit of 50 <i>per cent</i> as discussed in <b>Paragraph 3.2.9.4</b> .
Beekeeping	Lower Subansiri	655	5.12	The interventions (beekeepings) were not functional and were in dilapidated condition and no bee-hives were found in the boxes as discussed in <b>Paragraph 3.2.9.7</b> .
	East Siang	105	1.20	

Source: Departmental records

It can be seen from the table above that though the interventions were not demanded by the Districts through district-AAPs, however, the same were included in the State AAPs and executed during 2015-20. Hence, the State AAPs were not demand driven.

In the Exit Conference, the Department accepted (October 2021) the facts.

### 3.2.8 Financial Management and Implementation

#### 3.2.8.1 Budget Allotment and Expenditure of the Department

The details of budget allocation and expenditure of the Department of Horticulture as per post reconciliation of Appropriation Accounts during 2015-20 are shown in Table 3.5.

Table 3.5: Details of Budget provision and Expenditure

(₹ in crore)				
Year	Budget Provision	Allocation of funds	Expenditure	Savings (-)/Excess (+)
1	2	3	4	5=3-4
2015-16	144.66	62.52	62.52	0.00
2016-17	99.13	96.80	96.80	0.00
2017-18	113.02	139.86	103.19	(-)36.66
2018-19	91.36	106.77	100.09	(-)6.67
2019-20	194.54	192.86	181.71	(-)11.15
<b>Total</b>	<b>642.71</b>	<b>598.80</b>	<b>544.31</b>	<b>(-)54.49</b>

Source: Appropriation Accounts of the respective years and Departmental records

It can be seen from the table above that an overall expenditure of ₹544.30 crore was incurred against the allocation of ₹598.80 crore during 2015-16 to 2019-20 resulting in savings of ₹54.49 crore (10 per cent). The Department failed to utilise the released fund.

#### 3.2.8.2 Mismatch between the Departmental figures and Appropriation Accounts

For the period 2015-16 to 2019-20, the Department of Horticulture had reconciled 100 per cent in respect of the expenditure with the office of the Principal Accountant General (Accounts), Arunachal Pradesh. On cross verification of the Appropriation Accounts for the respective years (2015-16 to 2019-20) of the State with the departmental figures, Audit observed that there was a mismatch between the figures depicted in the Accounts and the departmental figures in respect of both the receipt and expenditure side. Details of mismatch in expenditure figures are shown in the Table 3.6.

Table 3.6: Mismatch of expenditures figure for the period 2015-16 to 2019-20

(₹ in crore)			
Year	Expenditure as per:		Difference
	Appropriation Accounts	Departmental Figures	
1	2	3	4= 2-3
2015-16	59.45	62.52	(-) 3.07
2016-17	100.97	96.80	(+) 4.17
2017-18	104.07	103.19	(+) 0.88
2018-19	95.04	100.09	(-) 5.05
2019-20	181.48	181.71	(-) 0.23
<b>Total</b>	<b>541.01</b>	<b>544.31</b>	<b>(-) 3.30</b>

Source: Departmental records and Appropriation Accounts of the respective years

It could be seen from the above table that there was difference of ₹3.30 crore in expenditure of the Appropriation Accounts *vis-à-vis* in the departmental figure.

The Department may take necessary steps to reconcile the differences.

### 3.2.8.3 Non/ Short-release of fund

Against the total requirement of ₹167.92 crore<sup>9</sup> under MIDH for the period 2015-20 (as detailed in **Appendix 3.2**), there was a total release of ₹75.55 crore<sup>10</sup> which constituted 45 *per cent* of the total fund requirement. Audit observed that out of the total requirement, there was non/ short-release of fund of ₹92.37 crore<sup>11</sup> constituting 55 *per cent* of the requirement of fund during 2015-20. GoI did not release its share of ₹64.60 crore<sup>12</sup> for 2016-17 and 2017-18 which lapsed due to late submission (October 2017) of UCs for the year 2015-16 by the State Government. Consequently, State matching share of ₹7.18 crore<sup>13</sup> for the years 2016-17 and 2017-18 was not released. Moreover, during 2018-19 and 2019-20, there was short-release of fund amounting to ₹20.57 crore<sup>14</sup>.

Ministry of Development of North Eastern Region (MoDoNER) sanctioned a total amount of ₹78.60 crore<sup>15</sup> during the period from 2005-06 to 2019-20, for implementation of 21 projects (detailed in **Appendix 3.3**). Out of NEC's share of ₹71.22 crore for the 21 projects, an amount of ₹53.29 crore was released by NEC till October 2020 resulting in short-release of ₹17.93 crore. Out of State's matching share of ₹5.92 crore, an amount of ₹4.73 crore was released till July 2021 resulting in short release of ₹1.19 crore.

Under PMKSY (per drop more crop), GoI allocated ₹51.75 crore during 2015-16 to 2019-20 to the State against which GoI released an amount of only ₹15.95 crore (as detailed in **Appendix 3.4**) resulting in short release of ₹35.80 crore due to which state matching share of ₹397.78 lakh remained unreleased. The shortfall in release of funds to the State under PMKSY was due to delay in submission of UC for 2016-17 and nonsubmission of UCs for 2018-19 and 2019-20.

### 3.2.8.4 Delay in release of fund

The Central and State Shares under MIDH were released by GoAP to SHM after a delay ranging between three and 19 months whereas SHM released the fund to the implementing units after a delay of two to 37 months as shown in **Table 3.7**.

<sup>9</sup> GoI's share: ₹151.13 crore and GoAP's share: ₹16.79 crore

<sup>10</sup> GoI's share: ₹68.00 crore and GoAP's share: ₹7.55 crore

<sup>11</sup> GoI's share: ₹83.13 crore and GoAP's share ₹9.23 crore

<sup>12</sup> 2016-17: ₹32.30 crore and 2017-18: ₹32.30 crore

<sup>13</sup> 2016-17: ₹3.59 crore and 2017-18: ₹3.59 crore

<sup>14</sup> GoI's share: ₹18.51 crore and GoAP's share: ₹2.06 crore

<sup>15</sup> NEC share: ₹71.22 crore and State share: ₹7.38 crore

**Table 3.7: Delay in release of fund under MIDH**

(₹ in lakh)

Year	GoI released		GoAP released		Delay in release	Release by Mission Director to districts		Delay from Mission Director
	Amount	Date	Amount	Date		Amount	Date	
2015-16	576.00	17-12-2015	754.16	30-03-2016	03 months	754.16	17-06-2016	02 Months
	1,024.00	19-02-2016	2,974.00	19-01-2017	11 months	2,520.00	11-07-2017	06 Months to 34 Months
	1,950.00	28-03-2016		19-01-2017	09 months			
			216.28	20-10-2017	19 months	Not released		37 Months as on 20-11-2020
2018-19	1,000.00	05-10-2018	1,111.11	08-02-2019	04 months	1,111.11	02-07-2019	05 Months
	1,000.00	28-03-2019	1,111.11	21-11-2019	07 months	1,111.11	17-06-2020	07 Months
2019-20	1,250.00	11-10-2019	555.56	21-01-2020	06 months	Not released		10 Months as on 20-11-2020
			833.33	23-09-2020	11 months			02 Months as on 20-11-2020

Source: Departmental records

Thus, there was an overall delay ranging between five and 56 months in transmitting fund from State Government to implementing units in Districts. Due to delay in release of fund, there was delay in execution of the scheme resulting in non achievement of the physical target of that particular year with a consequential effect of non-submission of UCs in time leading to lapse of fund.

As per sanctioned orders of NEC, the sanctioned amount of fund would be released by the State Government to the Implementing Agencies (IAs) within one month of receipt of fund of the relevant instalment. The amount released by NEC was released to the implementing agencies by the State Government after a delay of one month 18 days to 22 months 18 days against the stipulation that the funds have to be transmitted to IAs within a month. The State Share was released after a delay of three months six days to 73 months 12 days and in 17 out of 32 cases after a delay of more than two years. The delayed release of funds resulted in delayed implementation of schemes which led to termination of 11 projects by the NEC as discussed in **Paragraph 3.2.8.15**.

Further, audit observed that there was delay in release of PMKSY fund by GoAP to Directorate Office which ranged between five months nine days and 15 months 20 days. There was also delay in release of fund by Directorate Office to the scheme implementing agency in districts ranging between one month five days and five months four days. Thus, there was overall delay of eight months nine days to 20 months 24 days by the GoAP to Directorate Office and Directorate Office to the scheme implementing agency in Districts. Due to delay in transmission of funds to districts, the DHOs could submit UCs for an amount of only ₹0.73 crore (2016-17) to the Directorate Office during March 2018 to August 2018 while the DHOs could not submit the UCs for the balance amount of ₹16.46 crore till the date of audit (November 2020).

The Department stated (October 2021) that delays in release of funds were due to lengthy budgetary procedure.

### 3.2.8.5 Under-utilisation of Fund

Against the total MIDH fund of ₹95.64 crore available with the SHM during 2015-20 (including the opening balance of ₹1.57 crore in 2015-16, interest earned of ₹4.65 crore and ₹23.76 crore pertaining to 2014-15), the expenditure incurred was ₹68.64 crore

(71.77 per cent) leaving a closing balance of ₹27.84 crore as of March 2020 (as detailed in **Appendix-3.2**). The expenditure constituted 40.88 per cent of the requirement of fund (AAP). The year-wise percentage of expenditure against the available fund ranged between 5.31 per cent and 71.51 per cent. Despite short-receipt of fund, SHM was not able to utilise the available fund implying that either the projected requirement of fund in the AAP was not based on capability to absorb the projected/ required fund or proper mechanism was not put in place to absorb the fund.

The year-wise shortfall in utilisation of funds ranged between 28.49 and 94.69 per cent with overall shortfall of 27.48 per cent. Due to short utilisation coupled with shortfall and delay in release of funds, as many as 13 interventions under MIDH which were planned for implementation during the period 2015-20 remained partially completed as discussed in **Paragraph 3.2.8.11**.

Audit, further, observed that the fund released to District Offices was treated as expenditure by the Directorate Office without ensuring its actual utilisation as it was seen in two test checked sample Districts (Papum Pare and Lower Subansiri) that against the total released amount of ₹8.90 crore, there was unspent balance each year amounting to ₹0.88 crore (9.89 per cent) during the review period. Thus, the possibility of underutilisation of funds by other districts could not be ruled out. The Department therefore, needs to ascertain the position of fund utilisation in other districts where the scheme was under implementation.

### 3.2.8.6 Utilisation Certificates

#### *Delay in submission of Utilisation Certificates against NEC Fund*

Timely submission of Utilisation Certificates (UCs) of fund received is required for subsequent release of instalment by NEC. Against the total release of ₹50.41 crore for 20<sup>16</sup> projects by NEC till October 2020, Audit observed delays<sup>17</sup> in submission of UCs as discussed below:

- Against the 1<sup>st</sup> instalment for 20 projects, UCs for five projects was submitted timely to NEC. In another six projects, UCs were submitted after a delay of two months nine days to eight months nine days while in the other seven projects, there was delay in submission of UCs by 18 months 22 days to 37 months 13 days. Evidence of submission of UCs in respect of two projects was not on record.
- 2<sup>nd</sup> instalment for 16 projects was released against which submission of UCs for 10 projects could not be made available to audit. Out of the remaining six projects, UC for one project was submitted timely to NEC. In another three projects, UCs were submitted after a delay of two months six days to six months five days while in the other two projects, there was delay in submission of UCs by 44 months 25 days to 51 months 10 days.
- 3<sup>rd</sup> instalment in respect of only five projects was released of which UCs for two projects could not be made available to audit. Out of the remaining three projects,

<sup>16</sup> Out of the total 21 projects, one project (Sl. No. 5 of Annexure-3) is under CBI investigation and the matter is subjudice

<sup>17</sup> Delay is calculated after one year from the date of release of fund by NEC to the date of submission of UCs to NEC by State Government

UC for one project was submitted timely to NEC. In another two projects, UCs were submitted after a delay of six months five days to 11 months two days.

- In respect of one project, 4<sup>th</sup> instalment amounting to ₹12.07 lakh was released by NEC but evidence of submission of UC was not on record.

The delay in submission of UCs to NEC in most cases were attributable to delay in: (i) release of Central share by State Government, (ii) submission of UC by DHO to Directorate Office, (iii) submission of UC by Directorate Office to Planning Department and (iv) submission of UC by Planning Department to NEC. For instance, in one project<sup>18</sup>, the 1<sup>st</sup> instalment of Central Share of ₹129.60 lakh was released on 13 June 2014, the State Government released after a delay of seven months 12 days and DHO of Papum Pare submitted UC with a delay of 03 months 17 days after one year of receipt of fund. The Directorate submitted to Planning Department after a delay of 06 months 23 days while Planning Department submitted to NEC after 15 days. The UC was finally submitted to NEC after more than 18 months from the date of release of fund by NEC. The 2<sup>nd</sup> instalment of ₹129.60 lakh was released by NEC in April 2018 after a gap of almost four years.

Moreover, the funding authority *i.e.* NEC did not monitor the delay in execution of works by the implementing Department for which the funds could not be utilised in due time and UCs were submitted with a delay ranging between 18 months 22 days and 51 months 10 days. Despite the delay in execution of works, NEC released the succeeding instalments without assessing/ monitoring the actual execution and subsequently 11 projects had to be terminated by NEC.

Thus, due to delay in release of Central share and State share and short-release of State share by the State Government coupled with delay in submission of UCs, there were delays in release of subsequent instalment by NEC which delayed the implementation and completion of the projects and subsequently, led to termination of 11 Projects by NEC (as discussed in **Paragraph 3.2.8.15**).

The Department stated (October 2021) that delays in submission of UCs were mainly due to delays in release of funds.

#### ***Deficiencies in submission of UCs under MIDH***

As per the sanction order of GoI, the implementing agency shall submit the UCs as soon as possible after the close of the financial year.

Audit observed that GoI released an amount of ₹35.50 crore during 2015-16 to State Government which in turn released it to the implementing agency in two installments in March 2016 (₹5.76 crore) and January 2017 (₹29.74 crore). State share of ₹1.78 crore was released in March 2016 while another amount of ₹2.16 crore was released in September 2017. The implementing agency submitted UCs amounting to ₹7.54 crore<sup>19</sup> in March 2016 while another provisional UCs for Central Share amounting to ₹23.72 crore was submitted in October 2017. Thus, there was delay in submission of UCs apparently due to delay in release of fund by the State Government. As such, funds

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<sup>18</sup> Establishment of Hi-Tech Garden of Mandarin orange, Guava and large Cardamom Garden under Tegiso, Naya Happa of Pech village in Papum Pare District

<sup>19</sup> Central share: ₹5.76 crore and State share: ₹1.78 crore



for 2016-17 and 2017-18 were not released by GoI. Moreover, there was shortfall in submission of UCs by ₹8.18 crore<sup>20</sup> and no final UCs of 2015-16 were found submitted as of April 2022.

In 2018-19, GoI released an amount of ₹20.00 crore to the State Government which was released to implementing agency by the State Government along with State share in February 2019 (₹11.11 crore<sup>21</sup>) and November 2019 (₹11.11 crore<sup>22</sup>). However, the implementing agency submitted provisional UCs for the Central share of ₹20.00 crore to GoI in September 2019 *i.e.*, before the entire amount of ₹20.00 crore was released to implementing agency. No UC was submitted for State share of ₹2.22 crore. Similarly, in 2019-20, ₹12.50 crore was released by GoI to the State Government which in turn released it to the implementing agency along with State share in January 2020 (₹5.56 crore<sup>23</sup>) and in September 2020 (₹8.83 crore<sup>24</sup>). However, the provisional UC for the entire amount of Central share of ₹12.50 crore was found to be submitted to GoI in February 2020, well before releasing the fund to the implementing agency. No UC was found submitted for State share of ₹1.39 crore. Thus, provisional UC for the Central share were submitted before the entire amounts were released to the implementing agency during 2018-19 and 2019-20. No final UC for the two years were submitted as of April 2022.

### 3.2.8.7 Deficiency in Financial Management under State Schemes

As per modalities for release of funds to the Departments under Public Financial Management System (PFMS) issued vide Office Memorandum of State Government (August 2018), subsequent to the administrative and expenditure sanction, funds could be drawn from Government account only after obtaining expenditure authorisation.

Scrutiny of records revealed that two PFMS on-board beneficiary oriented State Schemes were accorded administrative and expenditure sanctioned during 2019-20 as shown in **Table 3.8**.

**Table 3.8: Fund allocation and release under PFMS**

(₹ in lakh)

Sl. No.	Name of the Scheme	Sanction amount	Sanction date	Amount Released	Amount drawn	Expenditure
1.	CCI	2,000.00	07.03.2020	800.00	1,248.41	1,246.45
2.	Large Cardamom (LC) Drier	400.00	23.12.2019	160.00	472.00	400.00
<b>Total</b>		<b>2,400.00</b>	-	<b>960.00</b>	<b>1,720.41</b>	<b>1,646.45</b>

Source: Departmental records

The State Government accorded expenditure authorisation for only 40 *per cent* of the sanctioned amount in March 2020 against the two Schemes due to paucity of funds. Against the total authorisation of ₹960.00 lakh, the Directorate and District Officers drew ₹1,720.41 lakh resulting in excess drawals of ₹760.41 lakh. This was due to the drawal of money by the District Officers through treasury even before issue of expenditure authorisation

<sup>20</sup> Central share: ₹6.02 crore and State share: ₹2.16 crore

<sup>21</sup> Central share: ₹10.00 crore and State share: ₹1.11 crore

<sup>22</sup> Central share: ₹10.00 crore and State share: ₹1.11 crore

<sup>23</sup> Central share: ₹5.00 crore and State share: ₹0.56 crore

<sup>24</sup> Central share: ₹7.50 crore and State share: ₹0.83 crore

by the Government based on the sanction. It was also observed that some of the District Officers (Seven District Officers under CCI and 15 District Officers under LC Drier) had drawn entire 100 per cent of the sanctioned amount from treasury instead of their restriction to 40 per cent. The Directorate, however, withdrew the entire amount of ₹960.00 lakh (40 per cent) and distributed @ 40 per cent (under CCI) and 100 per cent (under LC Drier) to 23 districts (19 districts under CCI and four districts under LC Drier) which did not draw from treasury. This had left the Directorate with the amount of ₹254.20 lakh (₹179.20 lakh under CCI and ₹75.00 lakh under LC Drier) not distributed to certain districts which was supposed to be returned to Government Account. The Directorate, however, had not surrendered the amount and utilised ₹177.24 lakh on CCI scheme without the approval of State Government and the balance amount of ₹76.96 lakh<sup>25</sup> was unutilised.

The Department accepted (October 2021) the audit findings and stated that they will look into the matter and if required, the financial management and controls will be strengthened.

Therefore, the District Officers and the concerned Treasury Officers were equally responsible for claiming and passing the bills respectively on the strength of only sanction order before obtaining expenditure authorisation. By distributing 100 per cent of fund to districts under LC Drier and by utilising ₹177.24 lakh without the approval of the competent authority, the Director of Horticulture also failed to maintain financial diligence and propriety.

### **3.2.8.8 Inadmissible Expenditure under PMKSY**

Paragraph 22.1 of PMKSY guidelines provided that administrative expenses may be met on pro-rata basis from the programme not exceeding five per cent at each level. However, no vehicles can be purchased from the administrative fund. Further, as per delegation of Financial Powers issued by the State Government, purchase of vehicles cannot be made without concurrence of Finance Department.

Scrutiny of records revealed that out of the total fund of ₹1,771.44 lakh released by State Government under PMKSY, the Directorate of Horticulture released an amount of ₹1,719.07 lakh to Districts and retained an amount of ₹52.37 lakh for administrative expenses at the Directorate. Out of the amount of ₹52.37 lakh, Audit noticed that an amount of ₹22.50 lakh was incurred in procurement of a vehicle 'Innova Crysta' in August 2020 with the approval of the Secretary (Horticulture). However, the concurrence of Finance Department was not obtained. Thus, procurement of vehicle worth ₹22.50 lakh was in violation of the extant rules.

The Department agreed (October 2021) to the audit finding but also added that the vehicle was procured due to the functional necessity.

The justification of the Department was not tenable as the vehicle was procured without concurrence of Finance Department and the scheme guidelines categorically forbid procurement of vehicle out of scheme fund.

### **3.2.8.9 Area production and productivity of crops**

The Department implemented Centrally Sponsored Schemes and State Schemes for increasing the production of crops during the period 2015-16 to 2019-20. The year wise area under horticulture crops and their production and productivity is given in the **Table 3.9**.

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<sup>25</sup> CCI balance: ₹179.20 lakh (-) ₹177.24 lakh = ₹1.96 lakh and LC Drier: ₹75.00 lakh

**Table 3.9: Area production and productivity of crops**

Year	Fruits			Spices			Vegetables			Flowers		
	Area (in Ha)	Production (in MT)	Per Ha production	Area (in Ha)	Production (in MT)	Per Ha production	Area (in Ha)	Production (in MT)	Per Ha production	Area (in Ha)	Production (in MT)	Per Ha production
2015-16	66214.00	306270.19	4.63	16319.98	36130.17	2.21	4002.59	33010.24	8.25	23.56	23.67	1.00
2016-17	51196.01	142982.38	2.79	10978.3	37802.91	3.44	2986.19	20159.68	6.75	0.7	1.66	2.37
2017-18	53538.02	157226.7	2.94	14817.61	27973.82	1.89	2369.98	16434.15	6.93	0	0	0.00
2018-19	48873.52	130928.75	2.68	12718.61	27190.97	2.14	2045.78	14676.93	7.17	0	0	0.00
2019-20 <sup>26</sup>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Source: Horticulture Area Production Information System data of respective years

The Department had incurred an expenditure of ₹113.70 crore during 2015-19 under CSS and State Schemes for area expansion of horticulture crops in the State despite which the following deficiencies in area production and productivity were noticed.

- The area under fruits was 0.66 lakh Ha in 2015-16 which was reduced to 0.49 lakh Ha in 2018-19 while the production also decreased from three lakh MT to 1.30 lakh MT respectively. The productivity also decreased from 4.63 MT/ Ha in 2015-16 to 2.68 MT/ Ha in 2018-19.
- The area under spices has also come down from 0.16 lakh Ha to 0.13 lakh Ha while the production also decreased from 0.36 lakh MT to 0.27 lakh MT from 2015-16 to 2018-19. The productivity fluctuated between 1.89 MT/ Ha and 3.44 MT/ Ha during 2015-16 to 2018-19.
- In case of vegetables, the area was reduced from 4,002.00 Ha to 2,046.00 Ha whereas the production fell from 0.33 lakh MT to 0.15 lakh MT from 2015-16 to 2018-19. The productivity remained between 6.75 MT and 8.25 MT/ Ha during the same period.
- The area under flowers was 23.67 Ha with productivity of one MT/ Ha in 2015-16, however, the area under flower cultivation has become Nil in 2017-18 and 2018-19 with Nil production.

Further, the expenditure of the Horticulture Department increased from ₹59.45 crore in 2015-16 to ₹95.04 crore in 2018-19 while the total expenditure of the Department during 2015-16 to 2018-19 was ₹359.53 crore. Despite increase in expenditure of the Department, there was decline in area under cultivation, production and productivity due to which the Gross State Domestic Product (GSDP) of crops (Agriculture and Horticulture) decreased by ₹529.47 crore from 2015-16 (₹3,627.41 crore) to 2018-19 (₹3,097.94 crore). While the growth rate of all India GDP for Agriculture and Allied Activities ranged between 6.40 *per cent* and 13.07 *per cent* respectively during 2015-16 to 2018-19, the growth rate of crops (Agriculture and Horticulture) of the State was 0.81 *per cent* to (-) 21.07 *per cent* during the period except for the year 2017-18 where the growth rate was 7.32 *per cent*.

The decline in the area, production and productivity of the crops indicated that the Department could not achieve its major objective of enhancing production and productivity of important horticulture crops in the State despite an expenditure of

<sup>26</sup> Due to Covid, the Department could not update the data for area under cultivation, production and productivity after 2018-19

₹359.53 crore from 2015-16 to 2018-19. This was *inter alia* due to deficiency in maintenance of garden/ nurseries (**Paragraphs 3.2.8.13 and 3.2.8.29**), procurement of planting materials from non-accredited nurseries (**Paragraphs 3.2.8.24 and 3.2.9.3**), less coverage of rejuvenation/ replacing of senile plantation (**Paragraph 3.2.9.4**) and lack of imparting training and awareness to the farmers (**Paragraph 3.2.10**).

The Department stated (October 2021) that the area coverage should not have reduced. Hence, they would revisit the data and send their response after that. The Department also stated that the area under vegetables and flowers depends on the demand and supply and area increases/ decreases depending on the demand fluctuations.

The reply of the Department is not acceptable as the area under all types of crops had decreased in 2018-19 as compared with 2015-16 (as could be seen from **Table 3.8.**). The Department's reply on vegetables and flowers is also not acceptable as AAP preparation for the period 2015-16 to 2019-20 was not demand driven as discussed in **Paragraph 3.2.7.2**.

Thus, the Schemes under the Department were not implemented effectively. A few instances of ineffective implementation of schemes are discussed hereunder.

### 3.2.8.10 Implementation of MIDH

MIDH is a centrally sponsored Scheme for the holistic growth of the horticulture sector covering fruits, vegetables, roots & tuber crops, mushrooms, spices, flowers, aromatic plants, coconut, cashew, cocoa and Bamboo. Under MIDH, "Horticulture Mission for North East & Himalayan States (HMNEH)" is one of the sub-schemes implemented in the State.

### 3.2.8.11 Target and achievement under various interventions

The summarised status of physical and financial targets and achievement of various components of the MIDH during 2015-20 are given in **Table 3.10**.

**Table 3.10: Target and Achievement under various interventions**

Component	Unit	Physical		Percentage		Financial (₹ in lakh)		Percentage	
		Target	Achievement	Achievement	Shortfall	Target	Achievement	Achievement	Shortfall
Nursery and planting materials	No.	29.00	5.00	17	83	370.00	46.00	12	88
Establishment of new gardens/ Area expansion	Ha.	9659.00	2794.00	29	71	3223.58	852.91	26	74
Maintenances 1 <sup>st</sup> & 2 <sup>nd</sup> year	Ha.	6927.00	3508.00	51	49	885.92	455.88	51	49
Rejuvenation/ replanting	Ha.	5346.00	2846.00	53	47	1069.20	532.28	50	50
Creation of water resources	No.	502.00	110.00	22	78	451.80	89.10	20	80
Protected cultivation	Ha.	1680.07	1632.02	97	3	2815.13	798.72	28	72
Promotion of IPM/ INM	Ha.	23252.00	8250.00	35	65	291.00	89.10	31	69
Adoption of Organic Farming/ Vermi compost	Ha.	4546.00	4792.00	105	-5	512.60	330.90	65	35
Beekeeping	No.	2477.00	2477.00	100	0	39.63	35.66	90	10
Horticulture Mechanization	No.	5155.00	355.00	7	93	786.91	222.67	28	72

Component	Unit	Physical		Percentage		Financial (₹ in lakh)		Percentage	
		Target	Achievement	Achievement	Shortfall	Target	Achievement	Achievement	Shortfall
Human Resource Development (HRD)	No.	20563.00	3156.00	15	85	384.94	75.66	20	80
Post Harvest Management	No.	1209.00	40.00	3	97	2875.94	158.75	6	94
Markets	No.	368.00	146.00	40	60	730.00	16.50	2	98
Awareness, Survey, Special Intervention etc.	--	365.00	70.00	19	81	1163.12	310.76	27	73
Mission Management	--	--	--	--	--	795.18	305.65	38	62

Source: Departmental records

As can be seen from the above table, except in two components (Adoption of organic farming/ Vermicompost and Beekeeping), the physical target sets under different components of intervention were not achieved. The shortfall in physical achievement ranged between 60 and 97 per cent in respect of nine interventions (nursery & planting material, area expansion, creation of water sources, promotion of INM/ IPM, horticulture mechanization, human resource development, post harvest management, markets and awareness, survey, special intervention). In respect of maintenance and rejuvenation/ replanting, the shortfall in achievement was 49 per cent and 47 per cent respectively.

The reason for shortfall was not only non-release of fund by GoI during 2016-17 and 2017-18 and delay in release of Central and State Share but also under utilisation of the available fund by the Department as discussed under financial management (Paragraph 3.2.8.5). Poor achievements in crucial components indicated that the implementation of one of the flagship programmes in the sector was not implemented effectively.

The Department had accepted (October 2021) the facts.

**Recommendation:** *The State Government may ensure that the allocated amount were released in full and on time to the implementing agency so that the targets fixed under various interventions could be achieved in timely manner. Proper planning for absorption of the available fund may be made to avoid under-utilisation of fund.*

### 3.2.8.12 Area expansion

MIDH guidelines (Paragraph 7.18) envisaged adequate coverage of large areas under improved varieties of horticulture crops. The details of the targets (in Ha) and achievement under the programme are given in Table 3.11.

**Table 3.11: Target and achievement of area expansion programme**

Year	Fruits		Vegetables		Spices		Flowers	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
2015-16	763	608	385	325	935	950	0	0
2016-17	935	543	0	0	1400	550	60	0
2017-18	450	220	150	385	450	385	50	0
2018-19	736	5	350	0	600	0	85	0
2019-20	1,275	100	350	300	600	300	85	0
<b>Total</b>	<b>4,159</b>	<b>1,476</b>	<b>1,235</b>	<b>1,010</b>	<b>3,985</b>	<b>2,185</b>	<b>280</b>	<b>0</b>

Source: Compilation of departmental records

As mentioned at **Paragraph 3.2.8.9**, although the area under different horticulture crops was declining year after year the targets fixed under MIDH were low and even these low targets were not achieved as could be seen from the table above. Although the activity of flower cultivation was declining drastically, a very low target of 280 Ha for five-year period was fixed under the Scheme and even this lower target could not be achieved (achievement was nil).

Further scrutiny of records in the test check districts revealed that there were instances of execution of area expansion programme without beneficiary contribution and partial execution of the scheme despite availability of fund as discussed below:

- a) During 2015-16 to 2017-18, in three<sup>27</sup> out of four test checked districts, 285 Ha of land was shown to have been covered under area expansion for different crops. To cover 285 Ha of land total requirement of plating materials was 6,98,911 nos. However, the Department/ beneficiaries procured only 3,18,464 nos. as detailed in **Appendix 3.5**. The shortage was due to noncontribution by beneficiaries, procurement of planting materials at higher rate and non-release of state matching share. Thus, only 3,18,464 nos. of planting materials were utilised in 285 Ha against the requirement of 6,98,911 nos. resulting in shortfall of 3,80,447 (54.43 *per cent*) which was one of the factors for low productivity as discussed under **Paragraph 3.2.8.9**.
- b) In Upper Siang District, the Department sanctioned ₹15.00 lakh (₹5.40 lakh during 2017-18 and ₹9.60 lakh during 2019-20) for providing Government assistance for establishment of 13 units of Kiwi garden integrated with drip irrigation. However, the Department incurred ₹4.12 lakh for establishment of five units of garden without providing drip irrigation system in two units as the concerned beneficiaries refused installation of the same. This indicates that demands were projected by the DHO without proper survey of beneficiaries' consent. Another amount of ₹1.66 lakh was incurred on procurement of kiwi cutting for the remaining eight units but have neither executed plantation of kiwi till the date of audit (March 2021) nor was the balance amount of ₹9.22 lakh surrendered. Thus, the purpose of establishment of eight Ha of Kiwi garden was not achieved till the date of audit though fund was available at the disposal of the concerned DHO. Moreover, it is clearly, indicative of failure of monitoring on the part of the concerned DHO.

The Department stated (October 2021) that the targets could not be achieved under area expansion mainly due to short receipt and delays in receipt of funds.

However, the Department was silent on execution of area expansion programme without beneficiary contribution and partial execution of the scheme, leading to wasteful expenditure.

### **3.2.8.13 Maintenance of plantation of fruits**

As per MIDH guidelines (Paragraph 7.18, Annexure-5), plantations of fruit plants were to be maintained up to two years *viz.*, 2<sup>nd</sup> year maintenance for one-year-old plantations and third year maintenance for two-year-old plantations. For perennial crops, maintenance assistance for two years at 20 *per cent* each year would be provided

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<sup>27</sup> East Siang, Upper Siang and Lower Subansiri

under the scheme while maintenance assistance for one year at 25 per cent would be provided for non-perennial crops.

Audit observed that targets for maintenance of fruit plants were fixed without considering the quantum of such plantations made in the previous years as shown in **Table 3.12**.

**Table 3.12: Target and achievement of maintenance**

Year	Actual plantation		Target and achievement for maintenance (One year old plants)			Target and achievement for maintenance (Two year old plants)		
	Plant need only 1 <sup>st</sup> year maintenance	Plant need 1 <sup>st</sup> & 2 <sup>nd</sup> year maintenance	To be fixed	Fixed	Achievement	To be fixed	Fixed	Achievement
2015-16	163	445	-	-	-	-	-	-
2016-17	110	433	608	683	632	-	-	-
2017-18	110	110	543	140	189	445	625	0
2018-19	5	0	220	708	0	433	246	0
2019-20	100	0	5	760	763	110	543	246
	<b>Total</b>		<b>1,376</b>	<b>2,291</b>	<b>1,584</b>	<b>988</b>	<b>1,414</b>	<b>246</b>

Source: Departmental records

It could be seen from the above that the targets were fixed without reference to previous year plantations. There was no achievement in 2018-19 due to non-release of fund by SHM to districts in the year. Though overall achievement of one year old maintenance plant was more than what was required to be fixed during 2016-17 to 2019-20, the achievement was less than the target fixed. In case of two year old plant, the overall achievement was less than what was required to be fixed as well as target fixed. The shortfall in achievement *vis-à-vis* the target fixed was due to shortfall in release of fund to the implementing agency.

In the four sampled Districts, the Department had released ₹40.00 lakh as assistance (60 per cent) for raising of perennial plantation in 134 Ha during 2015-16 and these plantations were eligible in 2016-17 for first year maintenance of 20 per cent. Against the requirement of ₹13.33 lakh for first year maintenance, only ₹1.95 lakh was released and an area of only 20 Ha was covered. Thus, due to shortfall in release of fund amounting to ₹11.38 lakh, there was a shortfall in coverage of 114 Ha. Moreover, the amount of ₹1.95 lakh was released in 2017-18 after a delay of one year which cast doubt on the effectiveness of the maintenance work carried out.

While interacting with 320 farmers during beneficiary survey, 93.75 per cent and 95 per cent of the farmers stated that they have not received first year maintenance and second year maintenance respectively.

The Department had accepted (October 2021) the facts.

#### 3.2.8.14 Creation of Water Sources

As per MIDH guidelines (Paragraph 7.24), assistance would also be provided for creating water source through construction of farm ponds/tube wells/ dug wells for individuals. The assistance was to be in conjunction with Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). Only 50 per cent of the cost of the structure can be provided as assistance and the maximum ceiling fixed was ₹1.80 lakh per structure. The specified dimension for pond was 20m x 20m x 3m.

During the period covered by audit, an amount of ₹29.70 lakh<sup>28</sup> was sanctioned for 33 units of water sources @ ₹0.90 lakh (50 per cent of unit cost of ₹1.80 lakh) per unit in three sampled Districts. The programme was not dovetailed with MNREGS as envisaged. Audit observed that the cost of the constructed units as per the bills submitted by the beneficiaries was ₹0.90 lakh each and so the amount to be released to the beneficiaries against Central share was ₹0.40 lakh each. However, 100 per cent cost of structure was allowed as subsidy in the 33 units of water storage structures constructed at the cost of ₹29.70 lakh resulting in excess payment of ₹13.37 lakh. Thus, water sources were constructed out of the sanctioned government assistance of ₹0.90 lakh without any beneficiary contribution. Further, there was no evidence to prove that the dimensions stipulated for the structures were adhered to. During the physical verification, instances of non-adherence to the dimensions prescribed were noticed. In East Siang and Lower Subansiri, it was noticed that the structures were hardly 5m x 3m x 2m and 113 m<sup>3</sup> (triangle size: base-15m x height-15m x depth-1m) respectively as shown in photographs below:



Thus, the construction of water sources below specification was attributable to construction of the structures only out of the subsidy amount without any beneficiary contribution. Further, it was found that the constructed water sources were not linked with sources of water/ irrigation channel due to which the structures were either with no water or with low water level. This indicated that the Department neither assessed the availability of source of water/ irrigation channel nor took steps to dovetail/ ensure convergence with the Water Resources Department for the sources of water before extending the assistances to beneficiaries. As a result, the objective of providing water in horticulture farms throughout the year could not be achieved.

During beneficiary survey of 320 farmers, only 48 per cent of them had irrigation facilities while the remaining 52 per cent farmers were dependent on seasonal rain water for cultivation.

The Department stated (October 2021) that all efforts were made to follow the guidelines. However, cases pointed out by audit are noted and will be looked into and necessary actions will be taken if required.

<sup>28</sup> Central share = ₹26.73 lakh (₹0.81 lakh per unit), State share = ₹2.97 lakh (₹0.09 lakh per unit)



### 3.2.8.15 Implementation of NEC projects

The NEC has sanctioned 21 projects in the state since 2005-06 (as detailed in *Appendix 3.3*). The sanction orders stipulated that each project be completed within a period of one to three years. Scrutiny of records pertaining to NEC project in the office of the Directorate of Horticulture revealed that 19 out of 21 projects implemented during the review period with a scheduled date of completion on or before 31 March 2020 suffered a delay of 10 months to 63 months from the scheduled date of completion of which 11 projects were closed on as is where is basis due to delay in completion for more than two to three years from the scheduled date of completion. The delays were attributed to delayed release of funds to implementing agencies coupled with non-submission of UCs. One more project whose scheduled date of completion was January 2021 was also closed by NEC on the inadvertent recommendation of Project Implementation Committee (PIC). The details of the 12 closed projects are shown in **Table 3.13**.

**Table 3.13: Details of 12 closed projects**

							(₹ in lakh)
Sl. No.	Name of the NEC Project	Sanctioned date	Total Approved cost	Scheduled date of completion	Total released	Date of Closure	Percentage of Physical Achievement
1.	Compact Area Horticulture Garden at Radum (Nyoya) Village (LS District)	26-03-2012	229.60	31-03-2015	204.23	21-05-2018	89.33
2.	Establishment of orange/ Large Cardamom Horti Garden at Rikung village (LS District)	07-09-2012	279.00	06-09-2015	200.88	21-05-2018	61.80
3.	Cultivation of Citronell in Pongchau and Wakka circles Tirap District	23-11-2012	491.80	22-11-2015	177.00	21-05-2018	35.97
4.	Cultivation of Orange Garden at Haider village (US District)	15-02-2013	360.84	14-02-2016	285.78	21-05-2018	79.25
5.	Cultivation of large Cardamom at Khakam, etc. (Longding District)	15-02-2014	500.00	14-02-2017	396.00	20-03-2019	79.20
6.	Cultivation of Orange and Large Cardamom at Dumba (KK District)	28-02-2014	500.00	27-02-2017	396.00	20-03-2019	79.36
7.	Implementation of Community based Plantation at Lazu and Dadam Circle (Tirap District)	16-12-2014	408.00	15-12-2017	161.57	20-03-2019	32.00
8.	Establishment of Large cardamom garden at Nibi-Leba village (KK District)	30-01-2018	480.00	29-01-2021	10.00	22-04-2020	2.08
9.	Establishment of Biotechnology Training and development centre at Ziro, (LS District)	25-03-2011	398.44	24-03-2013	187.44	21-05-2018	47.04
10.	Cultivation of Hi-tech Orange garden at Lutak Area, (West Siang District)	26-03-2012	242.89	25-03-2016	191.50	21-05-2018	78.84

Sl. No.	Name of the NEC Project	Sanctioned date	Total Approved cost	Scheduled date of completion	Total released	Date of Closure	Percentage of Physical Achievement
11.	Organic cultivation of Kiwi and large Cardamom at Ziro, (LS District)	05-09-2011	489.36	31-08-2015	387.57	21-05-2018	81.31
12.	Establishment of Kiwi garden at Dora Morey at Hija Village, (LS District)	23-03-2012	309.78	22-03-2016	247.50	21-05-2018	74.19
<b>Total</b>			<b>4,689.71</b>	--	<b>2,845.47</b>	--	--

Source: Departmental records

The approved cost for the 12 closed projects was ₹46.89 crore out of which NEC's Share was ₹42.68 crore and State Share was ₹4.21 crore. Till the date of closure, NEC had released an amount of ₹26.12 crore leaving a balance of ₹16.56 crore while GoAP had released its share of ₹2.33 crore with a balance of ₹1.88 crore.

Out of these 12 closed projects, 11 projects were beneficiary oriented projects with the intention to create meaningful employment for youths and farmers and sustainable development in the area by growing horticulture crops suitable to the area/ soil and give immediate income to the youths and farmers. These 11 projects have a target of planting 4,305 Ha with a potential of annual income of ₹104.15 crore to farmers out of which the Department achieved 2,365.82 Ha resulting in shortfall of 1,939.18 Ha having a potential to earn ₹44.24 crore. The State Government had not earmarked or spent its own resources to revive these projects. Thus, due to closure of the projects by NEC and non-revival of the projects by the State Government, the intended objectives of the projects were not achieved.

Out of the 12 closed projects shown in **Table 3.13**, outstanding balance to be released by NEC against projects at Sl. No. 3 was as high as ₹314.80 lakh. This project along with one project (Sl. No. 9) pertaining to creation of infrastructure are discussed in detail below:

**(i) Establishment of Biotechnology Training and Development Centre in Ziro**

Horticulture Department, GoAP proposed (February 2010) a Project '**Establishment of Biotechnology Training and Development Centre in Ziro**' costing ₹4.96 crore to the Ministry of Development of North Eastern Region (DoNER), NEC, GoI. Objectives of the project were to bring a new scientific revolution, generate employment opportunities and improve the socio-economic status of the State. The Ministry (NEC) accorded (March 2011) administrative and financial approval of ₹3.98 crore for the project, as the State Government had already committed that ₹97.58 lakh, in addition to the State share, would be borne either from funds available with the local Member of Legislative Assembly (MLA) under the Member of Legislative Assembly Local Area Development (MLALAD) Scheme or from State Government resources. The project was to be funded in the ratio of 90:10 on cost-sharing basis between the Central (₹3.58 crore) and State Government (₹39.00 lakh). The Project was scheduled to be completed by March 2013.

Scrutiny of records of the District Horticulture Officer (DHO), Ziro, Lower Subansiri District, revealed that the work was executed by the Water Resources Department, Ziro Division, by issue of 55 Work Orders to seven local Contractors/ Suppliers, in order to

avoid the necessity of obtaining approval from higher authority. The work commenced in January 2012. As of August 2019, out of total estimated amount of ₹4.96 crore, ₹1.73 crore<sup>29</sup> was released and spent for the project in December 2013, as shown in **Appendix 3.6**.

Audit noticed that:

- out of 14 approved items, only four items were executed;
- only two vehicles (Bolero and Tata Mobile) out of three approved vehicles were purchased;
- there was less execution in SPT-II Building and Septic Tank by two nos. each;
- the Department could execute only 171 mtrs. out of the approved 2,065 mtrs. of Security Fencing. 1,894 mtrs. remained unfenced, though the Department incurred ₹61.41 lakh (93 *per cent*) against the estimated amount of ₹65.79 lakh;
- The Division constructed 364 mtrs. (₹14.22 lakh) of the Approach Road against the approved 100 mtrs. (₹7.05 lakh). There was excess construction of 264 mtrs., resulting in excess expenditure of ₹7.17 lakh.
- Approved vital component - Tissue Culture Laboratory - and other items like Generator, Water Supply and RCC Double Storage Administrative/ Office Building, costing ₹291.52 lakh, were not executed at all due to closure of the scheme by NEC.

Further scrutiny revealed that NEC released (March 2011) 1<sup>st</sup> Instalment of ₹143.44 lakh and the State Government released ₹44 lakh<sup>30</sup> as State share. The Central share of ₹143.44 lakh was released by the State Government in December 2011, after a delay of eight months from the date of release by NEC. Audit also observed that the DHO, Ziro, submitted (March 2013) the UCs for ₹143.44 lakh to the Director of Horticulture, who in turn forwarded (October 2013) it to the Director (Planning), Itanagar, GoAP, after a delay of seven months for onward submission to NEC. Thus, belated release of Central share/ submission of UCs by the State Government delayed implementation of the Project by two and a half years from the date of release of fund by NEC. Further, UCs of only ₹30.00 lakh against State share was submitted (February 2016) to the Director of Horticulture by DHO, Ziro. However, expenditure of ₹14.00 lakh, which was released (January 2012) as State share from MLALAD fund, was not reflected in any record and no item of work was found executed out of this amount. Thus, mis-utilisation of ₹14.00 lakh against the project could not be ruled out.

Further scrutiny revealed that NEC did not release further instalments for the project due to the following discrepancies:

- There was a difference in expenditure figures shown by Audit (₹136.70 lakh) and revised Statement of Expenditure (₹143.44 lakh) submitted by the State Government. In this regard, NEC requested (February 2014) the State Government to get the revised expenditure figure audited and submit a Status Report on the

<sup>29</sup> The NEC released (March 2011) ₹1.43 crore as 1<sup>st</sup> instalment and the State Government released ₹30 lakh (March 2013)

<sup>30</sup> ₹14 lakh from MLALAD Fund (06 January 2012) and ₹30 lakh (26 March 2013)

Project with videography, etc. so that NEC could further process the case for release of the next instalment for the project. However, no action was taken by the State Government.

- NEC requested the State Government several times<sup>31</sup> to initiate corrective measures against deficiencies in design/ implementation of the Project, noticed by the then Secretary, DoNER, while visiting the Project site. But the deficiencies in design/ implementation was not specified by the NEC in the correspondences/ request letters. In order to initiate corrective measures, the State Government corresponded (March 2017 and February 2018) with NEC to specify the deficiencies, but no clarification was received from NEC. Thus, no action could be taken by the State Government.

Subsequently, execution of work was stopped from December 2013 due to nonavailability of funds. The project was declared as closed (May 2018) on 'as is where is' by NEC as the scheme became more than five years old conveying to the State Government that left-over works of the project were to be completed by the State Government from its own funds and the assets be utilised. The outstanding amount to be released by NEC at the time when it was declared closed was ₹215.16 lakh.

During joint physical verification of the work-site by the Department and Audit, it was revealed that (i) the executed Approach Road was damaged; ii) the Administrative Block and Retaining Wall had deteriorated; iii) the work-site was overgrown with wild grass; and (iv) buildings and other completed works remained idle, as evident from the photographs below:



<sup>31</sup> March 2015, November 2015, February 2017, June 2017 and October 2017

Failure of the Department to resolve discrepancies in expenditure figures and deficiencies in design/ implementation of the project, subsequently led to stoppage of funds. Consequently, the expenditure of ₹1.73 crore incurred so far on the project was wasteful, as the project was still incomplete and other items costing ₹291.52 lakh, were not executed at all, including the vital component, Tissue Culture Laboratory. The Project was left abandoned since December 2013. Besides, people of the State were deprived of the benefits envisaged from the project.

In reply (November 2020), the Department stated that neither was any additional fund released against the project nor did the State Government take any initiative to revive the Project from its own resources.

Thus, the Director of Horticulture and District Horticulture Officer, Ziro failed to resolve the discrepancies as pointed out by the NEC which resulted in closure of project and expenditure incurred till date was wasteful. Therefore, the State was still deprived of Biotechnology Training and Development Centre despite incurring expenditure of ₹1.73 crore.

**Recommendation:** *The State Government may fix responsibility for the wasteful expenditure against the concerned District Horticulture Officer. The State Government may also take steps to utilise the created assets appropriately.*

**(ii) Cultivation of Citronella in Pongchan Wakka Circles, Tirap District, Arunachal Pradesh**

The estimated cost for the project was ₹876.80 lakh out of which beneficiaries' contribution would be ₹385.00 lakh. The Detailed Project Report (DPR) projected a total area coverage of 556 Ha under Citronella Plantation, installation of 20 distillation units, and benefit to 278 identified households (two Ha. each). The time-frame for completion of the scheme was three years.

The GoI approved (23 November 2012) the project for ₹491.80 lakh (Central share: ₹442.62 lakh (90 per cent) and State share: ₹49.18 lakh (10 per cent) and sanctioned ₹177.00 lakh as 1<sup>st</sup> installment. The due date of completion of the project was three years from the sanctioning of the project *i.e.* 22 November 2015.

Scrutiny of records revealed that the 1<sup>st</sup> instalment (₹177.00 lakh) of Central share was released by State Government in September 2013 after a delay of about 10 months from the date of release of fund by NEC. Further scrutiny revealed that the DHO, Khonsa, submitted (February 2014) the UC for ₹177.00 lakh (covering 100 beneficiaries against 200 Ha and installation of seven distillation units) to the Director of Horticulture who in turn forwarded to Planning Department in April 2014. Planning Department forwarded the UC to the Secretary, NEC, Shillong on 21 January 2015 *i.e.* after a delay of almost three years from the date of fund release by NEC. The State Government had never released its mandatory pro rata share of ₹17.70 lakh.

In July 2015, NEC requested the State Government to submit detailed information on manuring schedules and input items, type and no. of trainings conducted along with list of participants, photographs of sign boards erected in all the project sites, *etc.*, to avail

the next instalment. However, the State Government had never submitted/ furnished the information to NEC.

Thus, due to delay in release of Central share by State Government, the implementation of the project was delayed by almost 10 months while non-release of the pro rata State share by the State Government also led to delay in completion of the project by two years and six months till May 2018 (date of closure). Besides, nonfurnishing of information/ documents as required by NEC by the State Government led to non-release of 2<sup>nd</sup> installment of Central share by NEC which consequently also led to non-completion of the project even after more than five years from the date of sanction.

Following undue delay in completion of the project, NEC declared the project as closed on 21 May 2018 'as is where is basis'. The outstanding amount to be released by NEC was ₹265.62 lakh which stood a loss to the State Government.

Besides, 100 beneficiaries (200 Ha) were shown covered depriving the remaining 178 beneficiaries (356 Ha) of annual income amounting to ₹309.72 lakh @ ₹1.74 lakh per beneficiary as envisaged in the project and thus, denying increase of per capita income to the 178 beneficiaries. The Department has not maintained any data of income and yield of citronella oil against the coverage of 200 Ha at the cost ₹177.00 lakh. In absence of the mentioned data, the intended outcome of the partially implemented project could not be ascertained in audit.

The Department stated (October 2021) that the reasons for delays in some projects were due to poor accessibility and adverse weather conditions. Further, the Covid pandemic also had its adverse effects during the last two years. The Department assured that henceforth, things will be closely monitored to avoid similar delays in the future. As far as UC is concerned, the Department stated that UC could not be submitted in time due to non-release of state share by the State Government with respect to the closed projects, the Department assured that all possible efforts will be made in future to avoid such closure.

Thus, in the absence of monitoring, as many as 11 projects of ₹28.35 crore were closed by NEC and an expenditure of ₹28.45 crore was wasted in 12 Projects.

#### **3.2.8.16 Partial execution of project**

One of the projects<sup>32</sup> approved by NEC in April 2017 for ₹400.00 lakh was for Large Cardamom plantation in 72.46 Ha. Against this target, a coverage of 500 Ha were shown to have been achieved resulting in excess coverage of 422.54 Ha which was almost six times of the targeted Ha.

Scrutiny of records revealed that unit cost per Ha as per DPR was ₹5.52 lakh while the unit cost allowed by the State Government during implementation was only ₹0.80 lakh. It was seen that the quantity of barbed wire required as per DPR was reduced by 1,386 kg (₹1.73 lakh) per unit during implementation constituting 90.23 per cent of the requirement. Sprayers, organic manure, vermicompost, tools and implements and training of farmers required as per DPR at the cost of ₹2.37 lakh per unit were not considered in the sanction order of the State Government. Similarly, Bio-PP Chemicals

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<sup>32</sup> Large Cardamom Cultivation at Pitam Area of Sindak Village under Siyum Circle, Upper Subansiri District

and TPT to the extent of ₹0.52 lakh per unit was not sanctioned by the State Government though required as per DPR.

The project was shown executed as per sanction order of the State Government. This indicated that either the Department had proposed excess components in the DPR which were actually not required or omission and curtailment of vital components by the State Government resulted in excess execution and coverage of 422.54 Ha indicating partial execution of the project.

The Director (October 2021) agreed with the audit observation and stated that the matter will be looked into and if required necessary action will be taken.

### 3.2.8.17 Implementation of sampled projects

Out of the 21 projects, seven projects implemented in the sampled districts were test checked in audit. Out of the seven sampled projects, two<sup>33</sup> projects were ongoing, one<sup>34</sup> project was completed and remaining four<sup>35</sup> projects were closed.

**Ongoing projects:** In two of the ongoing sampled projects, the eligible beneficiaries were deprived of the benefits out of the projects as discussed below.

One project was sanctioned in June 2014 for ₹360.00 lakh. Out of ₹360.00 lakh, ₹272.16 lakh was released and expended. The achievement was 340 Ha against the target of 450 Ha. The due date of completion was June 2017 but it was still incomplete and ongoing. As per DPR, each beneficiary was to be allotted one unit of one Ha each and Department incurred an expenditure of ₹77.45 lakh on procurement of various seedlings and garden tools, *etc.* which were distributed to the beneficiaries, while the remaining released amounts were also paid to beneficiaries. The coverage till the date of audit (January 2021) was only 340 Ha with 281 beneficiaries and out of these 281 beneficiaries, 36 were allotted two to four Ha per beneficiary depriving 59 eligible beneficiaries (21 *per cent*) of the benefits out of the project. Details of survival rate, quantity produced by beneficiaries *etc.* were not on record.

The other project was sanctioned in April 2016, the entire approved amount of ₹399.00 lakh was spent for achieving 793 Ha against the target of 798 Ha. Under this project, cultivation of cash crops with intercropping of Pineapple/ Banana Garden was to be carried out to cover 751 beneficiaries. Audit observed that although planting material like (Ginger, Pineapple, Banana, Maize and Potato seeds), Barb wire, Tools, Manure *etc.* were procured, the same was distributed to only 444 beneficiaries (including 223 beneficiaries not in the list appended to DPR constituting 50 *per cent*). Therefore, a total of 530 eligible beneficiaries were deprived of the benefits under the project. Even among the 444 beneficiaries, for 278 beneficiaries, no intercropping material was distributed.

<sup>33</sup> (i) Establishment of Mandarin orange, Guava and large Cardamom Garden under Tegiso, Naya Happa of Pech village (ii) Cash crops with intercropping of pineapple/ banana garden at Sika – Bramin Tode, Rani, Magnang, 12-Mile, Sille *etc.*

<sup>34</sup> Integrated Horticulture development in Ambam Area under Lower Subansiri District

<sup>35</sup> (i) Compact Area Horticulture Garden with Orange, Pineapple and Banana Cultivation at Radum, (ii) Establishment of Biotechnology Training and development centre at Ziro, (iii) Organic cultivation of Kiwi and large Cardamom at Ziro, Lower Subansiri, (iv) Establishment of Kiwi garden at Dora Morey at Hija Village under Lower Subansiri

The Department has not received potato seeds (₹5.65 lakh of March 2017) and pineapple suckers (₹4.73 lakh of January 2021) amounting to a total of ₹10.38 lakh from the supplier despite making payment and other materials like tool, fertilisers *etc.* (₹88.47 lakh) already procured were also not issued to the beneficiaries.

The Department stated (October 2021) that in many cases it has happened that when the scheme was discussed with the beneficiaries for preparation of DPR, many showed their willingness. However, DPR approval takes considerable time and by the time the approval is received, many of the beneficiaries opt out of the scheme.

Therefore, depriving the benefits of the projects to 21 to 50 *per cent* of the beneficiaries selected during preparation of DPR indicates that the selection of beneficiaries was done without proper survey and investigation resulting in identification of beneficiaries lacking interest in the project.

***Recommendation:*** *The Department may take steps to recover the amount paid to the suppliers for procurement of potato seeds and pineapple suckers and also take steps to distribute the procured tools at earliest to the needy beneficiaries.*

**Closed projects:** In one<sup>36</sup> out of the four closed projects, ₹70.00 lakh was released by the State Government in November 2015 as 2<sup>nd</sup> installment. The total area to be covered was 15 Ha and the same was shown achieved by incurring the same amount. However, there was less procurement and distribution of vital components of the project such as Kiwi grafts, Barbed wire and T-Bar to the tune of 2,500 nos. (33.33 *per cent*), 400 kgs. (6.67 *per cent*) and 16,327 nos. (31.68 *per cent*) due to procurement of the materials at higher rate. This indicates that the execution of the project covering 15 Ha was below specification.

In another<sup>37</sup> project, an amount of ₹82.66 lakh was released in October 2015 as 2<sup>nd</sup> instalment out of which ₹80.39 lakh was for coverage of 103 beneficiaries (103 Ha). While the entire amount of ₹81.66 lakh was incurred, the total number of beneficiaries covered was only 35. Each beneficiary was provided assistance for two to four Ha. Thus, 68 beneficiaries were deprived of the benefits under the project due to excess allotment of units (Ha) to 35 beneficiaries. Further, though 103 Ha was shown achieved, there was less procurement and distribution of vital components of the project such as Banana suckers, Orange suckers and Barbed wire to the tune of 11,250 nos. (25 *per cent*), 2,418 nos. (20 *per cent*) and 11,124 kg. (36 *per cent*) due to procurement of the materials at higher rate. This also indicates that the execution of the project covering 103 Ha was below specification.

The Department assured (October 2021) to make all possible efforts so that the same is not repeated in future.

### **3.2.8.18 PMKSY**

PMKSY was launched on 01 July, 2015 with the objective to achieve convergence of investments in irrigation sector at field level. The main objective of the component

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<sup>36</sup> Establishment of Kiwi garden at Dora Morey, Hija Village under Lower Subansiri District.

<sup>37</sup> Compact Area Horticulture Garden with Orange, Pineapple and Banana Cultivation at Radum (Nyoya) Village under Kamporijo Circle in Lower Subansiri District



was to promote micro irrigation technologies in water intensive/ consuming crops and increase productivity of crops. As per the guidelines (Paragraph 19.1), the pattern of assistance payable to the beneficiary under the micro irrigation scheme will be 55 *per cent* for small and marginal farmers and 45 *per cent* shall be contributed by the beneficiary. An amount of ₹77.00 lakh for 2016-17 was incurred for covering drip irrigation of 110.10 Ha. It was noticed that full cost of the unit was provided as assistance without any beneficiary contribution. Out of ₹77 lakh, ₹70.00 lakh was Central share. Thus, there was extra expenditure of ₹29.86 lakh which could have been used for more coverage.

Further, an amount of ₹1,694.44 lakh was sanctioned during 2019-20 towards drip irrigation and other water conservation interventions, out of which ₹346.60 lakh was for sampled Districts. An amount of ₹101.21 lakh (on drip irrigation) and ₹62.50 lakh (on other interventions) were incurred in the sampled districts.

Audit observed that a total amount of ₹184.00 lakh was required for installation of Drip irrigation in 306 Ha out of which ₹101.21 lakh<sup>38</sup> will be government assistance and the remaining amount of ₹82.80 lakh will be beneficiaries contribution. Scrutiny of records revealed that the contractor/ firm submitted bills amounting to ₹101.21 lakh against cost of Installation of Drip Irrigation in 306 Ha without indicating the specification of work done. The Department released the whole amount of the bill to the firm without deducting or realising the beneficiaries contribution amounting to ₹40.99 lakh (45 *per cent* of ₹91.08 lakh). Therefore, against the total value of work to be done at the cost of ₹184.00 lakh, works worth ₹101.21 lakh were shown executed without beneficiaries contribution. Works worth ₹82.80 lakh were not executed indicating execution of work was below specification.

On the other hand, total cost of 39 units of Other Intervention was ₹62.50 lakh out of which ₹34.37 lakh (55 *per cent*) would be government assistance and ₹28.13 lakh would be beneficiary contribution. However, the total cost of the project was sanctioned by the Government as assistance. The Department incurred the whole sanctioned amount of ₹62.50 lakh against construction of 39 Units without realising beneficiary contribution. This had resulted in excess expenditure of ₹28.13 lakh<sup>39</sup>.

The Department stated (October 2021) that the scheme was implemented in 2016-17 under National Mission on Micro Irrigation as operational guidelines of PMKSY (PDMC) came only in 2017.

However, even in 2019-20 the entire cost of the units under the scheme were incurred without restricting to 55 *per cent*. Thus, the guidelines were not adhered to during implementation of the scheme.

<sup>38</sup> Central share = ₹91.08 lakh, State Share = ₹10.12 lakh

<sup>39</sup> Central share = ₹25.32 lakh, State share = ₹2.81 lakh

### 3.2.8.19 Implementation of RKVY Schemes

#### 3.2.8.20 Establishment of Vermicompost Units in Government Farms

Scrutiny of records revealed that a total of ₹nine lakh was sanctioned for four units of vermicompost @ ₹2.25 lakh per unit in Government farms in Papum Pare



Vermicompost units in Government Nursery,  
Yupia

District. A total payment of ₹8.91 lakh was made to the supplier (M/s Tarak Achak Enterprises, Naharlagun) for construction of four vermicompost units. However, on physical verification of the site at Government Farms, it was observed that only two units of vermicompost units were constructed but not functional. No vermicompost was found produced in the two units. Instead, vegetables were found sown in the Units as could be seen from the photo aside.

DHO, Papum Pare stated (April 2021) that four vermicompost units were constructed as per specification of the Government.

The reply is not acceptable as only two units with specification of 8 x 25 x 2.5 ft. (Government specification) were found constructed during physical verification of site as shown in the above photograph.

**Recommendation:** *The State Government may take action after fixing responsibility against concerned DHOs.*

#### 3.2.8.21 Plastic crates

Against the estimated cost of ₹six lakh @ ₹600 per piece for 1,000 plastic crates, a total amount of ₹three lakh was sanctioned for 1,000 nos. of Plastic Crates @ ₹300 per piece in February 2019 to be incurred by DHO, Yingkiong, Upper Siang District during 201819 under RKVY while the balance of ₹three lakh was to be borne by the beneficiaries @ ₹300 per piece. Although the scheme was sanctioned in February 2019, it was implemented only during April 2021 to June 2021 after a delay of more than two years. The Department stated that the intervention could not be implemented in time due to Covid pandemic. The reply of the Department is not acceptable as Covid pandemic started in March 2020 while the scheme was sanctioned in February 2019. Thus, due to unpreparedness of the DHO, Yingkiong to implement the scheme on time, there was blockade of Government money to the tune of ₹three lakh for more than two years besides the beneficiaries were deprived of the timely benefits.

Moreover, it may be mentioned here that under special interventions (MIDH), DHO, Yingkiong, Upper Siang District procured 642 nos. of plastic crates at the cost of ₹five lakh (@ ₹778.80 per piece) and all the plastic crates were found distributed to farmers as discussed under **Paragraph 3.2.9.9**. Audit opined that the intervention under RKVY could not be implemented till March 2021 as the requirement of the farmers were met under MIDH.

Audit also observed that DHO, Yingkiong, without collecting beneficiaries contribution had procured only 375 nos. of plastic crates @ ₹800 per no. with the sanctioned amount of ₹three lakh against the approved rate of ₹600 per no. The plastic crates were distributed to 60 beneficiaries @ three to ten nos. per beneficiary. The procurement rate was higher by ₹200 per no. Thus, due to procurement of plastic crates at higher rate by DHO, Yingkiong and without collecting beneficiaries contribution, there was shortfall in procurement and distribution of plastic crates to the tune of 625 nos., apart from extra expenditure.

### 3.2.8.22 Development of Packaging Material

An amount of ₹38.50 lakh was sanctioned in February 2017 for Development of Packaging material in East Siang District (₹22.50 lakh) and Lower Subansiri District (₹16.00 lakh). The component under RKVY Scheme was approved by SLSC for bamboo carat/ baskets to be implemented through SHGs/ progressive farmers only. However, a total amount of ₹37.43 lakh was incurred for procurement of packing box, supply box, designing box, printing of label, sticker *etc.* from suppliers without inviting tender or quotation and was distributed to the farmers and Government nurseries. Therefore, the component was implemented departmentally without involvement of SHGs/ progressive farmers. Also, no bamboo carat/ baskets were found procured and distributed under the Scheme's component.

The Department stated (October 2021) that SHG/ progressive farmers could not be made part of the process due to the high cost of their products.

The reply of the Department was not acceptable as the intervention under the scheme was approved by SLSC for bamboo carat/ baskets to be implemented through SHGs/ progressive farmers to boost their production and procurement from supplier defeated the purpose.

### 3.2.8.23 Implementation of State Schemes

During the review period, the State Government was implementing 45 State Schemes (₹13,492.50 lakh) out of which audit test checked six major projects (₹9,839.04 lakh constituting 73 per cent) which are shown in **Table 3.14**.

**Table 3.14: Details of implementation of six State Schemes**

Sl. No.	Name of State Schemes	Amount (₹ in lakh)
1.	CM's Sashakt Kisan Yojana (CMSKY)	5,651.76
2.	Alternative Livelihood for Opium Cultivation (ALOC)	1,500.00
3.	Cabinet Committee on Infrastructure (CCI)	1,057.30
4.	Upgradation/ Maintenance of Farms and Nurseries	924.98
5.	Installation of Improved Large Cardamom Driers in Farmers field (LC Drier)	400.00
6.	Horti Marketing	305.00
<b>Total</b>		<b>9,839.04</b>

Source: Departmental records

### 3.2.8.24 Non adherence to guidelines

As per the scheme guidelines of CMSKY, CCI, LC Drier and ALFOC, selection of beneficiaries was to be done through a committee/ society duly constituted by the respective DC. Besides, survey of affected areas was to be conducted in consultation with district administration to identify and select beneficiaries for ALFOC. For providing Large Cardamom Drier in farmers' field, selection of beneficiaries has to be done on cluster basis jointly by representatives of production cluster/ FPO (if any) and concerned district officers.

- District level committee was constituted in all the sampled district and beneficiaries' lists were approved by the committee under CMSKY, CCI, ALFOC and LC Drier. Except for the list of the selected beneficiaries, there was no record about the basis for selection of beneficiaries. Even land holding details of these beneficiaries were not available.
- In the case of LC Drier, neither the cluster approach for selection of beneficiaries was followed nor were they jointly selected by the representatives of FPO *etc.* 21 beneficiaries were selected from 17 different villages of 16 different circles.
- For implementation of ALFOC scheme, the Department had not conducted survey to identify the affected areas, or persons involved in poppy cultivation, and even the land holding details of beneficiaries were not available. During interaction with two of the beneficiaries in East Siang District, the two beneficiaries stated that they have never cultivated opium/ poppy on their land.

As per scheme guidelines of CMSKY and CCI, DHO/ HDO shall hold a meeting with selected beneficiaries to address the modality of the programme before commencement of implementation.

Scrutiny of records revealed that no pre-implementation meetings were held in all the sampled districts to address the modality of the programme in contravention to the scheme guidelines.

As per the scheme guidelines of CMSKY and CCI, the beneficiaries shall be made to compulsorily register under HORTNET Portal to be assisted under Area Expansion Programme/ Government Scheme.

Audit observed that the beneficiaries were not found registered under HORTNET Portal in the sampled Districts, except in East Siang District, in contravention to the guidelines.

As per guideline of the CMSKY and CCI, planting materials were to be procured from Government Certified/ accredited Nurseries/ farms. In case of non-availability of planting materials at Government Accredited farms, the purchasing committee may procure from other sources based on the non-availability certificate.

Audit observed that a total of ₹533.98 lakh was incurred during March to July 2020 on procurement of 35,94,696 nos. of planting materials in the four sampled Districts under CMSKY (₹456.29 lakh, 32,60,733 nos.) and CCI (₹77.69 lakh, 3,33,963 nos.) without inviting tenders thereby compromising the competitive rates available in the market.

The planting materials were procured from private nurseries and non-accredited/certified firms without inviting tender or quotation in violation of the guidelines and GFR. Non-availability of the planting materials in the districts was not reported to the Directorate of Horticulture. The implementing Department had also not obtained approval of competent authority as required for procuring from non-accredited/certified agencies. Procurement was also not made based on the requirement assessed taking into account the area, due to which there were instances where some of the beneficiaries were not distributed the required planting material, also instances where the planting material was procured far in excess of the requirement.

The Department stated (October 2021) that the beneficiaries were selected by the concerned DHOs based on the recommendations of PRIs. However, with respect to the other issues pointed out by audit, the Department stated that necessary precautions will be taken in future to ensure compliance to the guidelines.

The reply of the Department is not tenable as evidence of recommendations made by the PRIs in the sampled districts for selection of beneficiaries was not on record.

### 3.2.8.25 Avoidable Expenditure due to procurement at higher rate

An amount of ₹456.29 lakh was incurred on procurement and distribution of 32,60,733 nos. of planting materials in the four sampled districts during the period covered by audit under CMSKY. Audit, however, observed that the purchase rate of seedlings in respect of seven crops – (i) Kiwi, (ii) M. Orange, (iii) Banana, (iv) L. Cardamom, (v) Arecanut, (vi) Black pepper and (vii) Walnut were higher in Papum Pare and Upper Siang Districts compared to the other two sampled districts as detailed in Table 3.15.

**Table 3.15: Details of procurement of seedlings under different rates**

(Amount in ₹)

Sl. No.	Crops	No. of seedlings purchased	Rate of purchase	Total Amount	Lower purchased rate in Lower Subansiri and East Siang	Amount if procured at Lower rate
<b>Papum Pare</b>						
1.	Kiwi	4,950	150	7,42,500	75	3,71,250
2.	Mandarine orange	13,950	50	6,97,500	25	3,48,750
3.	Banana	75,000	25	18,75,000	20	15,00,000
4.	Large Cardamom	1,55,540	15	23,33,100	10	15,55,400
5.	Arecanut	34,000	30	10,20,000	20	6,80,000
6.	Black pepper	34,000	20	6,80,000	10	3,40,000
<b>Total</b>		<b>3,17,440</b>	<b>-</b>	<b>73,48,100</b>	<b>-</b>	<b>47,95,400</b>
<b>Upper Siang</b>						
1.	Large Cardamom	4,53,288	15	67,99,320	10	45,32,880
2.	Walnut	6,600	150	9,90,000	60	3,96,000
<b>Total</b>		<b>4,59,888</b>	<b>-</b>	<b>77,89,320</b>	<b>-</b>	<b>49,28,880</b>

Source: Departmental records

It was observed that DHO, Upper Siang and DHO, Lower Subansiri procured Walnut saplings from the same supplier (M/s Rahman Enterprises, Hojai, Assam) but at different rate *i.e.*, @ ₹150 per sapling in May 2020 and ₹60 per sapling in March 2020 respectively. Thus, there was total avoidable expenditure of ₹54.13 lakh<sup>40</sup> in the two sampled Districts due to procurement of planting materials at higher rate.

The Department stated (October 2021) that the variations in price could be due to the transportation cost and types of seedlings.

The reply of the Department was not acceptable since transportation cost was not considered in computing the avoidable expenditure and all the seedlings were procured from non-accredited nurseries and no specification of seedlings were mentioned in the bills nor in supply orders.

### **3.2.8.26 Procurement and Distribution of Barbed wire**

In the four sampled Districts, a total of ₹521.51 lakh was sanctioned against 3,68,300 kg. of Barbed Wires for fencing 1,175 Ha of horticulture garden under CMSKY and an amount of ₹421.72 lakh was incurred against 3,41,105.63 kg. of Barbed Wires. As per the Scheme guidelines, 356 kg of Barbed Wires was required in one Ha of Perennial horticulture crops garden while 231 kgs. of Barbed Wires were required in one Ha of off-season horticulture crops. However, procurement was done without reference to the requirement as per guidelines. Against the requirement of 1,94,376 kgs. of Barbed Wires in three sampled districts, 2,23,855.60 kgs. was procured resulting in excess procurement of 29,479.63 kgs. costing ₹58.04 lakh. In Lower Subansiri District, the procurement was less than the requirement due to which 629 beneficiaries were issued less barbed wire ranging between 30 to 36 *per cent* of the requirement. In this District, out of the amount saved in less procurement of barbed wire (₹99.72 lakh) an amount of ₹54.15 lakh was spent on distribution of manure which was not covered by guidelines.

In case of CCI, due to non-release of funds the barbed wire could not be distributed to 247 beneficiaries in three districts as per guidelines endangering plantations worth ₹65.14 lakh. However, in East Siang District, excess barbed wire was procured from local firms at different rates ranging from ₹63.56 per kg. to ₹125 per kg., resulting in avoidable expenditure of ₹19.46 lakh.

The Department stated (October 2021) that in future they will comply with the guidelines in procurement and distribution of barbed wire.

Thus, failure of the DHOs of the three districts<sup>41</sup> to comply with the guidelines had resulted in excess expenditure of ₹58.04 lakh under CMSKY and avoidable expenditure of ₹19.46 lakh under CCI. Efforts may be made to reallocate the excess procured material to nearby districts where less procurement was done.

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<sup>40</sup> In Papum Pare District: ₹73.48 lakh (-) ₹47.95 lakh and in Upper Siang District: ₹77.89 lakh (-) ₹49.29 lakh

<sup>41</sup> Papum Pare, East Siang and Upper Siang District

### 3.2.8.27 Implementation of Alternative Livelihood for Opium cultivation

An amount of ₹1,500.00 lakh for implementation of Area Expansion Programme on Major Horticulture Crops on Providing Alternative Livelihood to Opium Poppy Cultivators by Providing Planting Materials for Cash Crops was sanctioned in March 2018 under SADA. The scheme was implemented in two out of the four sampled districts (East Siang and Upper Siang Districts) with the sanction amount of ₹165.97 lakh and ₹165.01 lakh respectively. Under the scheme, assistance would be provided for land development, barbed wire, planting materials, vermicompost *etc.*

In Upper Siang District, an amount of ₹153.61 lakh out of ₹165.01 lakh was transferred to 37 beneficiaries @ ₹4.15 lakh through Direct Benefit Transfer (DBT) during October and November 2018 on the strength of a bill prepared on a plain paper without any evidence of procuring the planting materials by the beneficiaries. Though an amount of ₹28.12 lakh was shown incurred on engagement of labour, there were no muster rolls available to prove that labour was engaged. There was no record to show when the sowing and erection of fencing commenced and were completed. This casts doubt on the plantations as per scheme by beneficiaries.

In East Siang District, out of total amount of ₹165.97 lakh, an amount of ₹56.49 lakh was distributed to 39 beneficiaries in DBT mode towards land preparation and erection of fencing, and another amount of ₹93.47 lakh was incurred on procurement and distribution of materials such as seedlings, barbed wire, U nails, vermicompost *etc.* for onward distribution to 39 beneficiaries. Vermicompost was procured at a higher rate resulting in distribution of less quantity to the beneficiaries ranging between 27 to 38 *per cent.*

The Department stated (October 2021) that the planting materials were procured by the beneficiaries from their own farms. Hence, no bills were available. However, the execution of scheme by the beneficiaries was duly certified by the administrative authority (CO/ ADC).

Therefore, the quality of the planting materials was not ensured by not procuring it from accredited nurseries. Moreover, the Department could not furnish copy of such certifications by the administrative authority to audit. Thus, actual execution of the schemes as per guidelines could not be authenticated in audit.

### 3.2.8.28 Implementation of LC Drier

Under the scheme, 21 units at a cost of ₹78.00 lakh in four sampled districts were sanctioned of which 16 units were completed and an amount of ₹59 lakh was paid. Out of the 16 completed units, 12 units were shown to have been executed by contractors at a cost of ₹45.40 lakh. However, essential details like, measurements, dates of commencement and completion, *etc.* were not available. Even in respect of four units (₹3.40 lakh) completed by beneficiaries, the essential details were not on record.

The Department stated (October 2021) that the concerned DHOs will be asked to take the required measurements and the same will be furnished to audit.

However, no such record of measurement was furnished by the Department as of April 2022.

### 3.2.8.29 Maintenance of Government Nurseries

During the period covered by audit (2015-16 to 2019-20), the GoAP maintained a total number of 27 Government Farms and Nurseries. Out of these, 22 Farms and Nurseries previously existed and five Farms and Nurseries were added during the period of audit. No operating manuals or guidelines have been framed for sustenance and maintenance of these farms and nurseries. From the records made available to audit, it was seen that for the period from 2015-16 to 2019-20, the Department has incurred a total expenditure of ₹8.71 crore on maintenance while earning a revenue of ₹2.37 crore. Thus, there was a gap of ₹6.34 crore between the expenditure and the revenue earned.

The nurseries were poorly maintained which is corroborated from test check of records and site inspection in the four sampled districts. The Department had planted various crops like orange, guava, banana suckers, litchi budded *etc.* in the nurseries but the survival rate was very poor. In Papum Pare District, it was seen that although banana suckers were planted every year in the nursery during 2015-16 to 2018-19 with an expenditure of ₹0.47 lakh with the survival rate of zero *per cent* while in 2019-20 the expenditure was ₹0.10 lakh with the survival rate of only 20 *per cent*. Hence, the expenditure of ₹0.48 lakh<sup>42</sup> was rendered wasteful. Similarly, in other districts the survival rates of some crops were as low as 0.14 to 7.50 *per cent*.

Further, physical verification of the nurseries revealed that:

Sl. No.	Name of Sampled Districts	Observation during inspection
1.	Papum Pare	Four units of Vermicompost not in use, few orange suckers planted on the ground without shade, damaged banana suckers, dilapidated green houses and no mother block.
2.	East Siang	One unused Vermicompost unit, all suckers/ saplings kept under green house shade, no mother block.
3.	Upper Siang	Vermicompost unit not functional, all orange saplings kept in the open with no shade or protection from the weather and animals, no mother block.
4.	Lower Subansiri	Most suckers/ saplings kept under greenhouse shade, but Vermicompost partially used, few suckers kept in the open without shade, no mother block.

Photographic evidences to substantiate the above are shown below:



<sup>42</sup> 2015-16 to 2018-19: ₹0.47 lakh and 2019-20: ₹0.10 lakh





The reasons for poor survival rate in the Government Nurseries were absence of mother block and growing of the suckers/ saplings in open space without shade.

The Department had accepted (October 2021) the facts.

### 3.2.8.30 Research and development programme

The State Government took a policy decision to create the State Horticulture Research and Development Institute (SHRDI) in the year 2015 with the main mandate to: (a) develop quality planting materials, (b) develop location specific cultivation technologies for the State, and (c) conserve and develop import indigenous plant germplasm including medicinal plants. An amount of ₹500.00 lakh was sanctioned in March 2018 as “One time Corpus Fund” for SHRDI and the interest of the corpus was to be utilised for research activities. Till the date of audit (November 2020), the Department earned interest of ₹71.99 lakh and expenditure of ₹14.90 lakh were incurred against purchase of vehicle, travel expenses, payment of land revenue, POL, office expenses *etc.* but no research activity as per the mandate was taken up.

The State Government had neither created nurseries for SHRDI nor handed over or parted with any of the existing 27 Government nurseries for research on quality planting materials and production of planting materials in the State. So far in Arunachal Pradesh, more than 80 *per cent* of the requirement of planting materials were procured from outside the State. Study has found that import of planting materials led to entry of foreign diseases which has devastating effect on existing gardens. Such diseases include Citrus Greening Disease which devastated orange plantation in Wakro and other growing areas of the State. Chirkey and Furkey viral disease from Sikkim has also caused large scale devastation of Large Cardamom plantation.

Thus, due to absence of nurseries for SHRDI for research on quality planting materials and production of planting materials, the State is still deprived of quality planting materials of its own, compelling the Department of Horticulture, GoAP to rely on import of planting materials which is a matter of concern as this has led to entry of foreign disease affecting the existing garden.

The Department stated (October 2021) that for carrying out research and development activities, enough space is required which at present is not available with the Department. Further, the vehicle was procured based on the functional necessity.

Therefore, SHRDI was created in 2015 without ensuring the availability of infrastructure/ enough space indicating lack of proper planning due to which its manpower could not be utilised in research and development activities as desired. The procurement of

vehicle reportedly for functional necessity was not acceptable as the fund was meant for research activities.

### 3.2.9 Promotion of Technology, Extension, Post Harvest Management, Processing and Marketing

#### 3.2.9.1 Selection process of Beneficiaries

As per MIDH guidelines (Paragraph 4.10), selection of the beneficiaries was to be done transparently by District Planning Committee and Panchayati Raj Institutions (PRI).

However, on scrutiny of records made available to audit in the four sampled districts in connection with the implementation of scheme, it was revealed that the beneficiaries were directly selected by the Department on the basis of the applications submitted by the probable beneficiaries. Apart from the above selection criteria prescribed by the guidelines, there was no other selection criteria prescribed by the State Government/ Department. There was evidence of involvement of PRIs in selection of beneficiaries. There was also nothing on record to substantiate that prior scrutiny/ evaluation of the beneficiaries was carried out by District Planning Committee and PRI.

In absence of PRIs in identification of beneficiaries, assistance was provided to beneficiaries without assessing the land holding capacity of the beneficiaries as discussed in Paragraph 3.2.9.4 and 3.2.9.6.

***Recommendation:*** *The State Government needs to strengthen the involvement of PRI's in identification of beneficiaries to ensure the land holding capacity of the beneficiaries and provides assistance to deserving beneficiaries to achieve the required output.*

#### 3.2.9.2 Horticulture Farm Mechanisation

Horticulture mechanisation (HM) is aimed to improve farm efficiency and reduce drudgery of farm work force. As per paragraph 7.43 of MIDH guidelines, assistance in this regard was to be provided for activities such as procurement of power operated machines and tools. Unit cost for Self Propelled Horticulture Machinery is ₹2.50 lakh while assistance will be subject to a maximum of ₹1.25 lakh/ unit. Also, maximum financial assistance to be paid for beneficiaries against Power tiller (8 BHP & above) is ₹0.75 lakh.

During 2015-20, an amount of ₹222.67 lakh was sanctioned for 355 units of Self propelled Horticulture Machinery in the State of which ₹68.75 lakh was for 55 units in the four sampled Districts against the requirement of 125 units as per their AAPs as detailed in Table 3.16.

Table 3.16: Details of HM required and sanctioned

(₹ in lakh)

Sl. No.	Name of the District	Unit required in AAP	Unit sanctioned	Total Unit cost	No. of power tiller procured	Total Assistance
1.	Papum Pare	0	10	12.50	10	12.50
2.	East Siang	60	18	22.50	04	4.14
3.	Upper Siang	65	15	18.75	15	18.75
4.	Lower Subansiri	0	12	15.00	14	15.00
<b>Total</b>		<b>125</b>	<b>55</b>	<b>68.75</b>	<b>43</b>	<b>50.39</b>

Source: Departmental records

It could be seen that a total of 33 units of Self Propelled Horticulture Machinery was sanctioned against the requirement of 125 units in two of the sampled districts indicating a shortfall of 22 units while in the other two districts (Sl. No. 1 and 4), 22 units were sanctioned without requirement. This indicated that sanctioning of the units was not based on the requirement of the implementing units.

Since the AAPs were prepared on an *ad-hoc* basis, the sanctions issued for units of mechanisation were without reference to the requirements/ forecast made in the AAP. In the sampled four Districts, the requirement in AAP was 125 units during 2015-16 to 2019-20, however, only 55 units were sanctioned at a cost of ₹68.75 lakh<sup>43</sup>. Further, only 43 power tillers out of the sanctioned 55 units were procured and provided to beneficiaries at a cost of ₹50.39 lakh. Thus, there was under utilisation of fund which led to short achievement of 12 units. Therefore, despite availability of fund, the target could not be achieved.

In case of 41 out of 43 beneficiaries, excess assistance of ₹0.25 lakh to ₹0.50 lakh were provided beyond the prescribed limit of ₹0.75 lakh per beneficiary as per the guidelines. Therefore, there was excess assistance provided to the extent of ₹11.26 lakh<sup>44</sup> to these beneficiaries. Thus, failure of the DHOs of the sampled districts to restrict the assistance to the limit prescribed by the guidelines resulted in avoidable expenditure of ₹11.26 lakh.

The Department stated (October 2021) that the scheme has many components. There could be excess assistance in some components, however, the Department had ensured that the overall assistance did not exceed the overall limit prescribed by the scheme guidelines.

The reply of the Department is not acceptable as the assistance provided to 43 beneficiaries of power tillers was more than the limit of ₹0.75 lakh per beneficiary prescribed in guidelines.

**Recommendation:** *The State Government may take action after fixing responsibility against concerned DHOs.*

<sup>43</sup> Central share = ₹ 61.87 lakh, State share = ₹6.88 lakh

<sup>44</sup> ₹50.39 lakh – ₹0.75 lakh x 43 – ₹6.88 lakh

### 3.2.9.3 Planting materials

MIDH guidelines (Paragraph 7.8) envisage that all planting materials were required to be procured from accredited nurseries. Since procurement of the material from the accredited nurseries was mandatory, early accreditation of nurseries was desired.

Audit noticed that during the audit period an amount of ₹66.00 lakh was incurred on strengthening and upgradation of six nurseries to meet the accreditation norms. Only two nurseries with an expenditure of ₹19.00 lakh was found accredited by Central Institute of Horticulture (CIH), Medziphema. However, four nurseries were not accredited despite incurring an expenditure of ₹47.00 lakh as the Department had not applied for accreditation till the date of audit (October 2021). Thus, inaction of the Department to upgrade and acquire accreditation against the four nurseries resulted in unfruitful expenditure of ₹47.00 lakh.

The Department procured all planting materials worth ₹131.03 lakh from non-accredited nurseries under MIDH in the four sampled districts during 2015-20 without inviting tender thereby compromising competitive price available in the market. Lack of accredited nurseries in the State had compelled the implementing agencies in the Districts to procure planting materials from non-accredited nurseries. Since the planting materials were procured from non-accredited nurseries, the quality of the planting materials was not ensured.

The Department stated (October 2021) that after the accreditation of two nurseries, CIH were supposed to do the accreditation of other nurseries also. But they never turned up for the same for the rest of the nurseries.

However, there was no record to show that the Department had invited the CIH for accreditation of the remaining nurseries.

### 3.2.9.4 Rejuvenation/ replacing senile plantations

The MIDH guidelines (Paragraph 7.20) envisaged that rejuvenation programme will address orchards and plantations which have low productivity. Assistance for rejuvenation/ replacing senile plantations (RRSP) will be @ 50 per cent of the cost limited to two Ha per beneficiary. Assistance (Unit cost - ₹40,000/ Ha while Government assistance would be 50 per cent of the total cost subject to a maximum of ₹20,000/ Ha) will be available only in respect of rejuvenating/ replanting senile and unproductive plantations through proven technologies. Canopy management will address maintenance of tree architecture as a means for productivity enhancement, particularly for fruit crops and high density plantations. In case of seedling origin, uneconomical orchards will be considered for replanting with improved varieties.

During 2015-20, the Department fixed target for rejuvenation/ replacement of senile plantation including canopy management only for mango. While the area under mango cultivation in the State was only 52 Ha, the target for rejuvenation/ replacement of senile plantation of mango ranging from 500 Ha - 1,850 Ha, in each year was fixed.

Scrutiny of records revealed that ₹532.28 lakh was sanctioned for 2,846 Ha of rejuvenation/ replanting senile and unproductive plantations in the State during 2015-20 out of which ₹180.60 lakh was meant for 945 Ha in the four sampled districts against the requirement of 7,750 Ha as per AAPs as detailed in Table 3.17.

**Table 3.17: Details of RRSP required and sanctioned**

(₹ in lakh)

Sl. No.	Name of the District	Unit required in AAP	Unit sanctioned	Total Unit cost
1.	Papum Pare	5,600	250	48.00
2.	East Siang	250	175	33.00
3.	Upper Siang	1,900	275	53.00
4.	Lower Subansiri	0	245	46.60
<b>Total</b>		<b>7,750</b>	<b>945</b>	<b>180.6</b>

Source: Departmental records

It could be seen that a total of 700 Ha was sanctioned against the requirement of 7,750 Ha in three of the sampled districts (Sl. No. 1 to 3) indicating a shortfall of 6,805 Ha while in the other one district, 245 units were sanctioned without requirement. This indicated that sanctioning of the units was not based on the requirement of the implementing units.

Further scrutiny revealed that in 250 units (Papum Pare-150, East Siang-75, Lower subansiri-25) out of the total 945 units, the Department incurred an amount of ₹50.00 lakh as 50 per cent subsidy against the total value of the bills of ₹100.00 lakh. However, in another 695 units in the four sampled Districts, excess expenditure was found incurred as detailed in **Table 3.18**.

**Table 3.18 Details of excess payment**

(₹ in lakh)

Name of the District	No. of Unit	Unit cost as per bills (in ₹)	Total Unit cost	Amount paid	Actual amount to be paid	Excess payment
Papum Pare	100	29910	29.91	18.00	14.95	3.05
East Siang	100	20000	20.00	18.00	10.00	8.00
Upper Siang	100	16996	16.99	16.99	8.49	8.49
	175	20000	35.00	35.00	17.50	17.50
Lower Subansiri	100	20000	20.00	20.00	10.00	10.00
	120	18000	21.60	21.60	10.80	10.80
<b>Total</b>	<b>695</b>	<b>--</b>	<b>143.50</b>	<b>129.59</b>	<b>71.74</b>	<b>57.84</b>

Source: Departmental records

Thus, there was an overall extra expenditure of ₹57.84 lakh due to assistance as subsidy over 50 per cent against 695 units costing ₹143.50 lakh @ ₹16,996 to ₹29,910 per unit. It was further noticed that department provided assistance for four units per beneficiary in Lower Subansiri in case of 30 beneficiaries (120 units) @ ₹18,000 per unit against the provision of providing a maximum of two Ha per beneficiary which was a clear violation of guidelines.

There was no evidence that only the eligible beneficiaries with low productivity orchards requiring the rejuvenation etc. were provided with the assistance. Further the essential details of the area infected, area covered etc. were also not on record.

Besides, the Department had provided assistance under the intervention without ensuring the land holding capacity of the beneficiaries due to which audit could not ascertain whether the beneficiaries actually possessed the required land for which assistances were provided.

The Department stated (October 2021) that all efforts were made to follow the guidelines. However, cases pointed out by audit are noted and will be looked into and necessary actions will be taken if required.

**Recommendation:** *The State Government should take appropriate measures for ensuring possession of land by the beneficiaries before extending assistance.*

### 3.2.9.5 Protected Cultivation

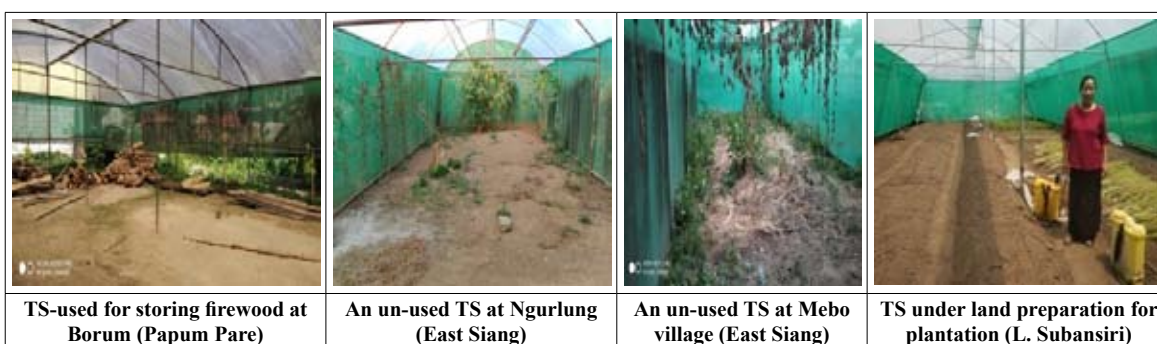
As per MIDH guidelines (Paragraph 7.25) 50 *per cent* of the unit cost (subject to the ceilings fixed in the guidelines) was to be provided as assistance for activities like construction of green houses, shade net house, plastic mulching, and plastic tunnels, anti-bird/ hail nets.

During 2015-20, the Department implemented Protected Cultivation such as Naturally ventilated tubular structure, naturally ventilated wooden structure and Plastic mulching and scrutiny of records in the sampled districts revealed the following:

(i) **Naturally ventilated tubular structure:** During the period covered in the review an assistance amount of ₹97.51 lakh<sup>45</sup> for 50 units to cover an area of 16,000 sqm. in three sampled Districts was sanctioned. It was noticed that in 45 out of 50 units, 100 *per cent* (₹82.47 lakh) cost of the units was given as assistance instead of restricting it to 50 *per cent* as per guidelines resulting in excess expenditure of ₹32.89 lakh<sup>46</sup>.

Except in East Siang District, there was no mention of the dimensions of the units constructed on the bills (nor in any other records) due to which audit could not authenticate the size of the units constructed. Since the cost of the 45<sup>47</sup> out of 50 units (for which assistance was provided) was far below the standard cost per unit mentioned in the guidelines, the possibility of sub-standard construction could not be ruled out. Scrutiny of the records maintained in East Siang District revealed that the dimensions prescribed in the guidelines for these facilities were not followed while sanctioning the assistance. As against the requirement of 200 sqm. per unit of Tubular Structure, only structures of 70 sqm. were created in 20 units.

During joint physical verification with the departmental staff, the size of the tubular structure was found to be hardly 100 sqm. as evident from the photographs given below:



Also, three out of 10 tubular structures physically inspected were not functional as could be seen from the above sampled photographs indicating the expenditure of ₹5.49 lakh against the three structures was unfruitful. This implies that the units were given to the

<sup>45</sup> Central share = ₹87.76 lakh, State share = ₹9.75 lakh

<sup>46</sup> 50 *per cent* of ₹82.47 lakh – State share of ₹8.25

<sup>47</sup> ₹82.27 lakh for 45 units (13,500 sqm.) @₹609.41 per sqm. Standard cost per sqm. is ₹1,290

beneficiary lacking interest in protected cultivation and without awareness training. Also, this indicates lack of monitoring by Departmental Officers after assistances were provided to the beneficiaries.

**(ii) Naturally ventilated wooden structure:** During the period covered in the review, assistance of ₹33.15 lakh for 52.50 units to cover an area of 10,500 sqm. in four sampled districts was sanctioned. It was noticed that in all these units 100 per cent (₹33.15 lakh) cost of the units was given as assistance instead of restricting it to 50 per cent as per guidelines resulting in excess expenditure of ₹13.26 lakh<sup>48</sup>. Thus, failure of the DHOs of the three sampled districts to restrict the assistance within the permissible limit resulted in excess expenditure to the same extent.

There was no mention of the dimensions of the units constructed on the bills (nor in any other records) due to which audit could not authenticate the size of the units constructed. Since the cost of these units (for which assistance was provided) was far below the standard cost per unit mentioned in the guidelines, the possibility of sub-standard construction could not be ruled out.

During joint physical verification of six structures, audit observed that the constructed naturally ventilated wooden structure would be hardly 100 sqm. and in two cases, there was no wooden structure at site. Sample photograph of the wooden structures are shown below:

		
A wooden structure at Moying Village, Upper Siang	A wooden structure at Moying Village, Upper Siang	A wooden structure at Mariyang village, Upper Siang
		
A wooden structure with poor vegetation at Mariyang village, Upper Siang	The location where WS was said to be constructed at Yingkiang village, Upper Siang	The location where WS said to be constructed in Hija village, Lower Subansiri.

The construction of wooden structure smaller than the specified size is attributable to construction of the units out of the subsidy amount without beneficiary contribution. In respect of the two units with no wooden structure, the beneficiaries stated that the wooden structure was constructed but after one year the said wooden structure was dismantled and new vegetables were cultivated in open. This implies that the units were given to the beneficiary lacking interest in protected cultivation and without awareness training.

<sup>48</sup> 50 per cent of ₹33.15 lakh – State Share of ₹3.31 lakh

(iii) **Plastic Mulching:** A total of ₹33.49 lakh was sanctioned for 182 units of Plastic Mulching in the four sampled districts. The assistance was not restricted to 50 *per cent* of the unit cost as stipulated in the guidelines, and the entire cost (₹33.49 lakh) was provided as assistance in violation of guidelines resulting in extra expenditure of ₹13.40 lakh<sup>49</sup>. Further except in East Siang District the dimensions of the units were not recorded. In East Siang against the requirement of 52 Ha of Plastic Mulching, only 7.74 Ha was covered due to non-contribution of beneficiary share. Four units against the maximum of two units per beneficiary were found provided in Lower Subansiri District.

The Department stated (October 2021) that they always ensure that the structures are constructed according to the specifications. However, the subsequent maintenance of the structures depends on the beneficiaries for which the Department cannot be held responsible.

The reply of the Department is not acceptable as the dimensions of the structures wherever found recorded were less than the requirement prescribed by the guidelines. The non-functionality of the structures for protected cultivation indicated lack of monitoring by the Department after assistances were provided to beneficiaries.

**Recommendation:** *The State Government may take action after fixing responsibility against concerned DHOs.*

#### 3.2.9.6 Organic farming/ Vermicompost

MIDH Guidelines (Paragraph 7.30) stipulated that for organic cultivation, assistance will be provided for 50 *per cent* of cost limited to ₹10,000/ Ha for a maximum area of four Ha/ beneficiary, spread over a period of three years for adoption of organic farming. Financial assistance for establishing vermicompost units of permanent structures (Unit cost- ₹one lakh) @ 50 *per cent* of cost subject to a maximum of ₹50,000/ beneficiary for a unit having size of 30' x 8' x 2.5' were to be provided.

For declaring a farm as organic farm, three years' continuous certification was essential, which implies that assistance provided for the purpose of organic farming shall be for three years. It was noticed that, SHM incurred expenditure of ₹39.60 lakh in 2017-18 for adoption of organic farming-1<sup>st</sup> year and ₹29.70 lakh for Organic Certification-1<sup>st</sup> year. In the 2<sup>nd</sup> and 3<sup>rd</sup> year, ₹66.00 lakh and ₹77.00 lakh were earmarked in the AAPs for organic farming and organic certification respectively. However, the State Government has not earmarked any amount for organic farming and organic certification out of ₹20.00 crore and ₹12.50 crore received from GoI in 2018-19 and 2019-20 respectively in contravention of the scheme guidelines. This resulted in wasteful expenditure of ₹69.30 lakh on assistance for certification and farming in the first year.

Scrutiny of records revealed that an amount of ₹56.50 lakh was sanctioned and incurred against 113 vermicompost units in the four sampled Districts during the period covered by Audit. Audit observed that the Department had provided assistance under the intervention without ensuring the land holding capacity of the beneficiaries. Further,

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<sup>49</sup> 50 *per cent* of ₹33.49 lakh – State share of ₹3.35 lakh



in 55 out of 113 units, the 100 per cent (₹27.50 lakh) cost of the units was given as assistance instead of restricting it to 50 per cent as per guidelines resulting in excess expenditure of ₹11.00 lakh<sup>50</sup>.

Five units were shown constructed at the cost of ₹2.50 lakh through a contractor in Upper Siang District and the Department furnished the beneficiary list for whom these units were constructed. But during interaction by audit with one beneficiary, it was stated that no vermicompost unit was constructed. Hence, an amount of ₹0.50 lakh was paid to the contractor without actual construction of vermicompost unit.

It was also noticed that neither the Department nor the beneficiaries nor the contractor procured any earthworms for vermicompost units. During site verification of some units, it was observed that six constructed vermicompost units were non-functional as could be seen from the photo below:

		
A non-functional vermicompost unit in Chiputa Village, Papum Pare	A dilapidated vermicompost unit in Ngrulung village, East Siang.	A vermicompost unit used for seedling production of Areca-nut in Mirem Village, East Siang.
		
A dilapidated vermicompost unit in Gosang village, Upper Siang	A non-functional vermicompost unit in Gosang Village, Upper Siang	A non-functional vermicompost unit in Siro Village, Lower Subansiri

This indicates that the Departmental Officers did not monitor the schemes after assistances were provided to the beneficiaries due to which the cultivation of horticulture crops could not be changed into organic farming.

The Department stated (October 2021) that all efforts were made to follow the guidelines. The process of organic certification could not be continued in the subsequent years for want of funds.

The reply of the Department is not acceptable as the State Government received ₹20.00 crore and ₹12.50 crore from GoI in 2018-19 and 2019-20 respectively but no fund was earmarked for organic farming and certification. This indicated that funds were not allocated on priority basis.

<sup>50</sup> 50 per cent of ₹27.50 lakh – State share of ₹2.75 lakh

### 3.2.9.7 Beekeeping

Paragraph 7.41 of MIDH guidelines envisage that in order to maximize agricultural production, honey-bee can be used as an important input. Assistance will be available for activities on development of nucleus stock of honey bees, bee breeding, distribution of honey hives and bee keeping equipment. As per guidelines, 60 per cent of expenditure was to be realised from beneficiaries.

A total amount of ₹52.94 lakh was sanctioned for establishment of 4,052 units of bee hives in the State out of which an amount of ₹16.40 lakh was for three out of four sampled districts as detailed in **Table 3.19**.

**Table 3.19: Details of Beehives proposed and sanctioned**

(₹ in lakh)

Name of the District	Proposal as per AAP		Sanctioned	
	Unit	Amount	Unit	Amount
Papum Pare	900	72	1,400	10.08
East Siang	0	0	105	1.20
Lower Subansiri	0	0	655	5.12
<b>Total</b>	<b>900</b>	<b>72</b>	<b>2,160</b>	<b>16.40</b>

Source: Departmental records

It could be seen from the above that a total amount of ₹16.40 lakh was incurred against 2,160 units of bee hives for pollination support through bee-keeping. However, 760 units were sanctioned at the cost of ₹6.32 lakh in East Siang and Lower Subansiri District without any proposal. Excess of 500 units were not sanctioned against the proposal of 900 units in Papum Pare District. Thus, the intervention was not sanctioned in consonance with the requirement of the districts.

During physical verification of two units each in the three districts, it was found that the bee-hives were not functional and were in dilapidated condition and no bee hives were found in the boxes. The beneficiaries admitted that just after receiving honey bee-hives, the queen and bees of their boxes fled away. They did not receive any production from the hives. Moreover, no training was found imparted on bee keeping to the beneficiaries. This indicates the failure of the Department to make the intervention as an important input by providing training to the beneficiaries and through proper monitoring.

Photographs of un-used bee hives are given below:





The Department stated (October 2021) that they have conducted training for beneficiaries but the trainings were generic in nature. However, in future efforts will be made to conduct profession specific trainings.

Thus, due to providing assistance under bee keeping to beneficiaries without the knowledge of apiculture and without imparting effective training, the beehives became non-functional without any production.

### 3.2.9.8 Activities under Post Harvest Management

Under Post Harvest Management (Paragraph 7.46 of MIDH guidelines), activities such as Cold Storage, Mushroom shed, spice production unit under credit linked back end subsidy could be taken up. As per norms/ order of GoI, credit linked back ended subsidy is to be released by SHM in two instalments. First instalment is to be released on completion of the civil works, installation of plant and machinery and receipt of satisfactory Joint Inspection Team (JIT) report. Second instalment is to be released after the project comes into commercial operation and receipt of satisfactory JIT report. The implementing agencies will ensure completion of project within the stipulated time not exceeding eighteen months from the date of sanction of project under MIDH.

The State Horticulture Mission had released a total amount of ₹111.75 lakh<sup>51</sup> to the bank in March 2019 on behalf of three beneficiaries for construction of Cold Storage, Mushroom Shed and Spice production unit under credit linked back ended subsidy. The amounts were released on the strength of DPR and bank loan documents submitted by the beneficiaries without conducting any joint inspection and without any evidence of completion of civil works and installation of plant and machinery. Commercial operation of the two<sup>52</sup> projects where entire subsidy was released was also not ascertained by the Department before release of Government assistance.

A joint physical verification of the two units which were in the sampled districts were conducted. On physical inspection of the cold storage at Ziro by audit team in April 2021, the civil works were not fully completed and no plant and machinery were found installed as can be seen from the photographs below:

<sup>51</sup> ₹90.00 lakh for Cold Storage at Ziro, ₹8.00 lakh for Mushroom Shed at Sille (Pasighat), ₹13.75 lakh for Spice Production Unit at Namsai

<sup>52</sup> Mushroom Shed at Sille and Spice production Unit at Namsai



Thus, the release of ₹90.00 lakh by SHM as first instalment against the cold storage without completion of civil works and installation of plant and machinery was in violation of the extant norms.

Further, as per the DPR of the cold storage, the capacity of one cold storage was only 160 MT. As per MIDH guidelines, the cost of 160 MT cold storage is ₹16.00 lakh of which government assistance shall be ₹8.00 lakh (50 per cent of ₹16.00 lakh). However, the Department had paid an amount of ₹90.00 lakh resulting in excess assistance of ₹82.00 lakh.

During joint verification of the mushroom sheds at Sille in Pasighat in February 2021, it was noticed that the construction of the unit was completed but was found unused for the purpose for which it was constructed and had remained idle. Photographic evidence of unused units are shown below:



Thus, release of ₹eight lakh in March 2019 against mushroom shed without ascertaining the commercial operation of the project was in disregard of GoI order.

Moreover, the Department had not created market facilities nor market linkage road due to which the beneficiaries faced difficulties in transporting and selling their products as discussed in **Paragraph 3.2.12**.

The Department further stated (October 2021) that in case of Credit linked back end subsidy, the beneficiaries take loan from the banks and after that the Department pays the assistance amount directly to the bank.

The reply of the Department is not acceptable as the amounts were released to bank without ensuring the completion of the civil works, installation of plant and machinery and commercial operation of the projects in contravention to Government order.

**Recommendation:** *The State Government may look into the matter and necessary action may be taken after fixing responsibilities.*

### 3.2.9.9 Special intervention

Scrutiny of records in the four sampled districts revealed that an amount of ₹30.00 lakh was sanctioned in three out of four sampled districts (East Siang: ₹five lakh, Upper Siang: ₹five lakh, Lower Subansiri: ₹20.00 lakh) for procurement of Plastic Crates for onward distribution to farmers (50 *per cent* subsidy) and public sector establishment (free of cost). But there was no record of demand of the intervention to SHM by these districts.

In East Siang and Upper Siang Districts, each DHO procured 642 nos. of plastic crates @ ₹778.80 per crates without inviting tender or quotation and incurred ₹five lakh each in October 2019. All the plastic crates were shown distributed to farmers without collecting beneficiary contribution. Thus, excess assistance of ₹2.50 lakh was provided to the beneficiaries in each district in violation of the sanction order.

It may be mentioned here that the State Government had sanctioned ₹three lakh for procurement of 1,000 plastic crates @ ₹600/ piece in February 2019 under RKVY as discussed under **Paragraph 3.2.8.21**. Due to sanctioning and implementation of the intervention under special interventions (MIDH), the same intervention under RKVY was not implemented till March 2021 resulting in blockade of Government money to the tune of ₹three lakh for more than two years.

In Lower Subansiri, the DHO, Ziro procured 2,500 nos. of plastic crates @ ₹800/ crate without inviting tender or quotation and incurred ₹20.00 lakh in August 2019. The Department distributed only 272 nos. of plastic crates (15 crates to a Government nursery and 257 nos. of crates to 14 farmers). The beneficiary contribution from the farmers was not collected. The 2,228 nos. of plastic crates worth ₹17.82 lakh have remained in stock since August 2019 as shown in the photo aside.



Plastic Crates in Store, DHO, Ziro.

The Department stated (October 2021) that the crates will be distributed to beneficiaries or allotted to needy districts.

Therefore, the above indicates that the expenditure on procurement was made by the districts without assessing the requirement.

### 3.2.9.10 Horti Marketing

A total amount of ₹305.00 lakh was incurred against the implementation of Horti Marketing in the State during 2015-16 to 2019-20 under State Schemes without even formulating the guidelines. No records or even UCs were available. Among the sampled Districts, only in East Siang this intervention was implemented at a cost of ₹15.00 lakh. The amount was spent on procurement of plastic crates (5,928) in July 2018 and 2,408 crates (₹6.02 lakh) were lying in stock without distribution to the beneficiaries till the date of audit (February 2021). It may be mentioned here that under special interventions (MIDH), 642 nos. of plastic crates were procured at the cost of ₹five lakh

in October 2019 and were distributed to beneficiaries. This indicates that requirement of plastic crates were demanded under two schemes which resulted in non-distribution of the same under Horti Marketing.

The Department accepted (October 2021) that there were no formal guidelines. The Department further stated that the undistributed crates will be distributed to the beneficiaries or allotted to needy districts.

The reply of the Department indicates that the intervention was provided to the district without assessing the requirement.

#### **3.2.9.11 Geographical Indication registration**

State Government sanctioned (March 2018) an amount of ₹50.00 lakh to the Horticulture Department for Geographical Indication (GI) registration of eight products of Arunachal Pradesh to protect the future trade interest of the farmers of the State. The fund was drawn (March 2018) from the treasury and deposited in YES Bank in May 2018. The entire fund including interest was again transferred to Canara Bank between February 2020 and November 2020<sup>53</sup>.

As per the approved guidelines, the project was to be executed by Delhi based North East Foundation, with expertise in GI registration. A Memorandum of Understanding (MoU) was required to be signed with the State Government after being duly vetted by the Law Department, Arunachal Pradesh. However, no MoU was signed as of October 2021 and hence, no GI registration has been made against the eight products till October 2021.

The Department accepted (October 2021) the fact and conveyed that the project would be commenced once MoU is signed.

Thus, due to non-execution of MoU even after a lapse of more than two years seven months since the sanctioned date (March 2018), the future trade interest of the farmers of the State against eight products remained unprotected.

#### **3.2.9.12 Centre of Excellence**

MIDH guidelines (Paragraph 7.32) provide that Centres of Excellence (CoE) may be established for different horticultural products which will serve as demonstration and training centres as well as source of planting material and vegetable seedlings under protected cultivation.

The Government of India sanctioned a total amount of ₹15.00 crore in May 2012 (₹five crore) and June 2013 (₹10.00 crore) for establishing CoEs at Jairampur, Salari and Jomlo. The works of establishment of the three CoEs were awarded to North Eastern Regional Agricultural Marketing Corporation Ltd. (NERAMAC) at ₹15.00 crore without inviting any NIT.

As per GFR 159 (1) of 2005, advance payments to State or Central Government Agency or a Public Sector Undertaking should not exceed 40 *per cent* of the contract value. While making advance payment, adequate safeguards in the form of Bank Guarantee (BG) *etc.* shall be obtained from the firm. The Department signed MoU with the firm

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<sup>53</sup> 17 February 2020: ₹25.00 lakh and ₹22.81 lakh; 17 November 2020: ₹9.13 lakh

between March 2013 and December 2013 for establishment of CoEs with a stipulation to complete the work within six months. The Department made advance payment of ₹13.50 crore (90 per cent of contract amount) to the firm after signing of agreement resulting in excess advance payment of ₹7.50 crore. Even BG or any other security was not obtained to protect the interests of the Government.

Audit observed that the firm has not submitted any bills though stated to have completed the work between March 2015 and March 2016 after a delay of 09 to 21 months reportedly due to law and order problem. No adjustment of the advance payment was made nor was the balance amount released till date of audit (July 2021). The State Government constituted a committee for inspection of the projects in November 2016 but the committee submitted its report only in February 2018. The committee highlighted that some components (Conference cum Training Hall, Tissue Culture Lab, Installation of Generator) were not executed while some others (Insect Proof Net House, Fencing, Internal Road etc.) were poorly executed and incomplete. The committee recommended that the firm should rectify the deficiencies and complete the work within three months. However, no action was found taken by the firm, no taking and handing over was effected and the three CoEs have been lying incomplete/non-functional and idle though an amount of ₹13.50 crore was already incurred. Thus, the projects were not completed even after a delay of more than six years from the stipulated date of completion.

As per MoU, penalty at a rate of ₹10,000/ week of delay in construction was leviable, but no such penalty amounting to ₹104.30 lakh was imposed. No efforts were made to recover the advance payment or penalty from the firm.

In absence of CoEs in the State, the farmers were cultivating horticulture crops in the State through traditional method with the inherited knowledge and therefore, necessary modern technology and innovations were still denied to farmers of the State.

The Department stated (October 2021) that they have taken up the matter with the concerned company NERAMAC (GoI Enterprise) and several meetings have been held. But the response of NERAMAC has not been encouraging.

The fact, however, remains that due to non-functioning of CoE, the objective of establishing the CoEs to serve as demonstration and training centres as well as source of planting material and vegetable seedlings under protected cultivation could not be achieved even after incurring an expenditure of ₹13.50 crore and lapse of more than six years.

***Recommendation: The State Government may look into the matter and necessary action may be taken after fixing responsibilities.***

### **3.2.10 Development of skills of the local youth/ farmers**

#### **3.2.10.1 Training**

MIDH guidelines (Paragraphs 7.33 & 7.38) envisages that training of farmers, entrepreneurs, field level workers and officers for adoption of high yielding varieties

of crops and farming system *etc.* be imparted. The course will be of six months for gardener and three months for entrepreneur.

The details of various trainings to be imparted to the beneficiaries/ farmers as per approved AAP and sanction orders (SOs) during 2015-16 to 2019-20 are shown in **Table 3.20**.

**Table 3.20: Details of training imparted**

(in No.)				
Type of training	Target as per approved AAP	No. of participant to be trained as per SO	Shortfall	Percentage of shortfall
Training of farmers	13,100	3,300	9,800	75
HRD for supervisor/ gardener/ entrepreneur	200	0	200	100

Source: Departmental records

Further, it was noticed that during 2015-20, a total of ₹162.46 lakh was sanctioned/ allotted to SHM for training of farmers, exposure visit, training of technical person outside India *etc.* However, SHM could incur only ₹41.29 lakh (25.42 *per cent*) for covering only 2,337 participants leaving an unspent balance of ₹121.17 lakh in the account of Managing Director, APSFAC. Despite availability of funds, there was huge shortfall in trainings indicating under utilisation of fund.

### 3.2.10.2 Awareness activities

MIDH guidelines {Paragraph 4.8 (h)} stipulates that State level agency will organise workshops, seminars and training programme for all interest groups/ associations at state level, with the help of State Agricultural Universities (SAUs), Indian Council of Agricultural Research (ICAR) Institutes, Krishi Vigyan Kendras (KVKs) and other institutions having technical expertise. A sum of ₹125.80 lakh was sanctioned/ allotted to SHM during 2015-20 for organising seminars, workshops, Kishan Melas *etc.* and SHM could utilise only 26.20 lakh (20.83 *per cent*) leaving an unspent balance of ₹99.60 lakh in the account of Managing Director, APSFAC. SHM could not produce any vouchers, photographs in support of expenditure incurred, nor was there any evidence of undertaking any awareness programme.

### 3.2.10.3 No training under various schemes

Audit observed that trainings were not conducted under various schemes as discussed below:

- Under NEC, it was observed that in one project NEC had approved ₹3.62 lakh for training of farmers @ ₹5,000/ Ha for a total of 72.46 Ha. But no training was conducted. The amount was shown as incurred for cultivating more area.
- In PMKSY, though the Scheme guidelines provided for training of farmers, entrepreneurs, field level workers, officers, micro irrigation technician and farm pond lining technician and trainers' training, no fund was proposed or sanctioned for it. Therefore, no training was conducted under the Scheme.
- Similarly, in one State Scheme's guidelines (LC Drier), provision for training and capacity building was provided but no amount was sanctioned against it and no trainings were found conducted.



During beneficiary survey of 320 farmers, 49 *per cent* of the farmers stated that they received training from the Department and out of that only 51 *per cent* farmers were satisfied with the training.

The Department stated that due to Covid, the training and awareness activities could not be conducted during the last two years. However, in future awareness activities will be conducted as required.

The reply of the Department was not acceptable since lockdown due to Covid pandemic was imposed only from 22 March 2020 in the State. Thus, SHM neither utilised the fund for training and awareness activities nor allocated the same to districts resulting in shortfall of conducting such activities during 2015-20. This indicates that SHM did not prioritise training and awareness activity for development and enhancement of skills of the local youths/ farmers. As a result, some farmers were found lacking interest in horticulture crops as discussed in the foregoing paragraphs.

### 3.2.11 Monitoring and Evaluation

Monitoring and evaluation together provide the necessary data to guide strategic planning, to design and implement the programmes and projects, and to allocate and re-allocate resources in better ways. The deficiencies noticed in monitoring during audit are as under:

- As per guidelines of MIDH (Paragraph 8.8), term end evaluation will be conducted at the end of the XII Plan (2012-17). Concurrent evaluation by suitable agencies, Monitoring Missions through TSG were to be conducted. States also conduct evaluation studies on project basis under State level TSG component. Audit observed that no evaluation on implementation of MIDH has been conducted in the State till the date of Audit (November 2020). Due to lack of monitoring, *inter alia* payment of ₹90.00 lakh was made against the cold storage in Ziro without ensuring completion of civil works and the mushroom shed in Pasighat was not commercially operationalised despite incurring expenditure of ₹eight lakh. Three out of 10 tubular structures physically inspected were not functional indicating lack of monitoring after assistance was provided to the beneficiaries.
- As per NEC guidelines (Paragraph 24.3) the State Governments should constitute Department wise monitoring committees to oversee implementation of NEC projects. The head of the NEC cell in Planning Department should invariably be a member of such committee. These Department-wise monitoring committees may review the progress of implementation on quarterly basis. Audit observed that no such monitoring committee was formed under the administrative head of the Department of Horticulture in the State. In absence of monitoring committee, the implementation of the projects were devoid of monitoring resulting in delays in completion of projects wherein 11 projects were closed by NEC for such delays.
- Under RKVY (Paragraph 12.3), at least 25 *per cent* of the projects sanctioned each year shall have to be compulsorily taken up for third party monitoring and evaluation. However, no monitoring and evaluation was carried out during the entire five-year period (2015-20). Due to absence of such monitoring and evaluation, two vermicompost units were constructed in place of four units in Papum Pare District and vegetables were found sown in the two units. Plastic

crates were also distributed to beneficiaries after a delay of more than two years in Upper Siang District.

- Under various State Schemes, constitution of State level and District level Monitoring committee, appointment of project technical supervisor and team leaders were required as per concerned scheme's guidelines. Audit observed that no State level monitoring committee was constituted in the State and District level monitoring committee was also not constituted in most of the sampled Districts. In Districts where DLMC was constituted, apart from scrutinising DAP and selection of beneficiary and suppliers by the committee, evidence of any monitoring and impact assessment made by the committee on the implementation of the scheme was not on record. Neither project technical supervisor nor team leaders were appointed in the four sampled Districts. Government nurseries were poorly maintained with low survival rate of saplings indicating lack of monitoring by the concerned DHOs and other horticulture officers.

Thus, the mechanism for monitoring and evaluation studies of the activities in the Department as per guidelines of the concerned schemes remained largely inactive. Inadequate monitoring could be partially attributed to poor results in Horticulture schemes.

The Department accepted (October 2021) the audit observation.

### 3.2.12 Impact assessment

During the review period, a total area of 4,671 Ha was expanded under MIDH despite which the total area under horticulture crops in the State has declined from 0.86 lakh Ha in 2015-16 to 0.63 lakh Ha in 2018-19 and the production has also declined from 3.75 lakh MT to 1.72 lakh MT respectively. The decline was attributable to inadequate planning, delayed/ short release of fund, non-functioning of CoEs, procurement of planting materials from non-accredited nurseries, shortfall in rejuvenation/ replacing of senile plantations, lack of training and awareness activities and lack of monitoring.

During beneficiary survey of 320 farmers consisting of 133 females and 187 males across the selected districts of the State during January to April 2021, only 48 *per cent* of them had irrigation facilities while the remaining 52 *per cent* farmers were dependent on seasonal rain water for cultivation. Also, 51 *per cent* farmers stated that they were bound to carry horticulture produce to markets, which were 01 to 85 km. distance by head load, due to non-availability of road for mechanical transportation. Most of the farmers highlighted that they were facing problems of maintenance assistance, irrigation facilities, marketing facilities *etc.* The farmers were still dependent on government assistance to sustain their farming profession.

### 3.2.13 Conclusion

The implementation of various interventions under different horticulture schemes was not effective due to improper planning the State could utilise only 3.50 *per cent* (0.63 lakh Ha) of potential land available (18 lakh Ha) for horticulture activities during the period 2015-16 to 2018-19<sup>54</sup>. Moreover, delayed release of funds, lack of technical support,

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<sup>54</sup> Due to Covid, the Department could not update the data for area under cultivation, production and productivity after 2018-19

defective procurement, poor nurseries, lack of beneficiary contribution, improper storage facilities, poor marketing, lack of research, lack of training and awareness, and poor monitoring. Majority projects taken up under NEC had to be closed due to delayed implementation depriving the beneficiaries of the avowed benefits. The floriculture has become nil and no effort was made to revive it. The productivity of various horticulture crops have been declining.

### 3.2.14 Recommendations

The State Government may-

1. take appropriate steps to prepare the holistic Strategic/ Perspective Plan after consulting with the stipulated agencies and conducting base line survey to provide the roadmap for long term horticulture development in the State.
2. take necessary steps to prepare District-wise Annual Action Plans and it may also be ensured that the State level AAP is prepared by consolidating those district level plans. Further, it may also be ensured that AAPs flow from the Strategic/ Perspective Plan.
3. ensure to release the funds within the stipulated timeframe to the implementing districts for effective implementation of the projects/ schemes.
4. contribute the share of the beneficiary wherever beneficiary contribution is dispensed with.
5. take steps to revamp and upgrade the non-functional vermicompost, greenhouse etc. to make the nurseries more efficient.
6. ensure completion and commercial operation of post-harvest management initiatives like establishment of cold storage facility and processing units where assistance has been extended.
7. strive to develop skills of farmers and local youth through capacity building to create employment opportunities.
8. strengthen the monitoring mechanisms followed by evaluation study to ensure optimum outcome from the implemented projects/ schemes.

### Compliance Audit Paragraphs

#### Rural Works Department

### 3.3 Fraudulent payment

*The Project Director, DRDA, Aalo, West Siang District, incurred fraudulent payment of ₹94.41 lakh on procurement and carriage of Corrugated Galvanised Iron Sheets weighing 130.07 MT in 'Passenger Auto rickshaw' and a 'Motor cab' from procurement point to office store in Aalo much beyond payload capacity of these vehicles. Besides, doubtful expenditure of ₹3.32 crore was incurred as transactions detail was not reflected in suppliers' tax turn over.*

Rule 26(iv) of General Financial Rules (GFR) 2017 stipulates that the Controlling Officer, in respect of funds placed at the disposal, is to ensure that an adequate control mechanism is in place in the Department for prevention, detection of errors and

irregularities in financial proceedings of the subordinate offices and to guard against waste/ loss of public money.

Rural Development Department (RDD), GoAP procured and distributed Corrugated Galvanised Iron (CGI) Sheets to the beneficiaries with the approval (March 2009) of the Ministry of Rural Development, GoI as special dispensation. District Rural Development Agency (DRDA) under the RDD, GoAP issued CGI sheets to Indira Awas Yojana (IAY) beneficiaries for construction of houses. The value of the material distributed was equivalent to the assistance eligible for the beneficiary under the scheme.

The Project Director (PD), DRDA, Aalo, West Siang District, incurred ₹3.32 crore on procurements of 450.44 MT<sup>55</sup> CGI Sheets under IAY and Pradhan Mantri Awas Yojana<sup>56</sup> (PMAY) during 2015-16 to 2017-18. The CGI Sheets were procured from four<sup>57</sup> Suppliers @ ₹73,171.64 per MT and ₹72,200.81 per MT for specification of 0.50 mm and 0.63 mm thickness respectively. The supply orders<sup>58</sup> were issued by the PD, DRDA at the rate approved by the Director, RDD. However, the basis of selection of firms was neither available on record nor produced to audit. Year-wise details of procurement of CGI Sheets are shown in **Table 3.21**.

**Table 3.21: Details of year-wise procurement of CGI Sheets**

(₹ in lakh)

Name of Scheme	Year	Specification of CGI Sheet	Quantity (in MT)	Expenditure Incurred
IAY	2015-16	0.50 mm	60.09	45.77
	2016-17	0.50 mm	108.35	82.53
PMAY	2017-18	0.63 mm	282.00	203.61
<b>Total</b>			<b>450.44</b>	<b>331.91</b>

Source: Departmental records

Audit scrutiny (January 2020) of records of PD, DRDA, Aalo revealed that 27 vehicles were shown to have been engaged by suppliers for carrying 442.02 MT amounting to ₹3.26 crore, out of total quantity of 450.44 MT. The vehicles were engaged for carrying CGI Sheets from the procurement point<sup>59</sup> to office store in Aalo, for a distance of 300 kms. However, details of vehicles for transportation for the remaining 8.42 MT costing ₹6.20 lakh, were not provided in the Suppliers' invoice.

Cross examination of data/ information available in the website<sup>60</sup> of the Ministry of Road Transport & Highways, GoI revealed that 12 out of 27 vehicles purportedly used in transportation of the materials were registered as Goods Carriers/ Trucks, while registration details of 13 vehicles were not available and two vehicles (bearing Registration No: AS-01AC-0696 and AS-07AC-5418) were registered as 'Three Wheeler Passenger Auto rickshaw' and 'Motor cab' respectively as detailed in **Table 3.22**.

<sup>55</sup> One Metirc Tonne = 1,000 kg.

<sup>56</sup> IAY was subsumed by the Pradhan Mantri Awaas Yojana from 01 April 2017

<sup>57</sup> (i) M/s B.B. Steel & Corporation, Aalo; (ii) Arunachal Sales Corporation, Changlang; (iii) M/s J.J.K. Enterprises, Aalo and (iv) M/s M.S. Enterprises, Aalo

<sup>58</sup> October 2015, November 2015, June 2016, March 2017 and August 2017

<sup>59</sup> Banderdewa, Assam

<sup>60</sup> [www.vahan.nic.in](http://www.vahan.nic.in)

Table 3.22: Details of Transportation of CGI Sheets

Sl. No.	No. of vehicles	Type	Quantity carried (in MT)	Remark
1.	12 vehicles	Goods carrier	224.93	Vehicles registered as Goods Carriers/ Trucks
2.	13 vehicles	Data not available	125.93	Vehicle details not available
3.	02 vehicles	Three Wheeler Auto rickshaw and Motor cab	91.16 <sup>61</sup>	Vehicle AS-01-AC-0696 was registered as Three-Wheeler Passenger Auto Rickshaw and AS-07-AC-5418 was registered as Motor Cab
<b>Total</b>			<b>442.02</b>	--

Source: Departmental records and the website of the Ministry ([www.vahan.nic.in](http://www.vahan.nic.in))

It can be seen from the above that two vehicles registered as ‘Three Wheeler Auto rickshaw’ and ‘Motor cab’ supposedly transported total quantity of 91.16 MT of CGI Sheets amounting to ₹66.32 lakh procured from two Suppliers.

As per the suppliers’ invoice, ‘Three-Wheeler Passenger Auto rickshaw’ was used for carrying 13 MT of CGI Sheets in one trip while the ‘Motor cab’ was used for transportation of 78.16 MT in five trips by carrying 12.16 to 20.24 MT in each trip. However, Audit observed that the maximum pay load capacity of the Three-Wheeler Passenger Auto rickshaw and Motor cab was 619 and 715 kgs. respectively. The maximum pay load capacity of the vehicles are much lesser than weight of the material shown to have been carried in each trip for a distance of 300 kms. It was further noticed that one of the vehicles, namely, ‘Motor cab’ was registered in March 2018, but transportation of the material was shown to have been made prior to its registration, i.e., December 2017 which raises further doubt regarding transportation of the CGI Sheets by the Supplier.

Audit also observed that one supplier<sup>62</sup> supplied 38.91 MT of CGI Sheets valued at ₹28.09 lakh to four Blocks under the PD in December 2017, by engaging three vehicles bearing registration numbers AS-07-AG-5523, AS-07-CH-3801 and AS07-DC-1853. However, the District Transport Officer, Lakhimpur, Assam, confirmed that the registration number series of the three vehicles had not started till date (June 2020).

Thus, it can be surmised that the records were fabricated and fraudulently paid an amount of ₹94.41 lakh<sup>63</sup> against procurement and transportation of 130.07 MT<sup>64</sup> of CGI Sheets. Moreover, First Information Report (FIR) may be lodged for fraudulent payment for procurement and carriage of CGI Sheets through Passenger Auto rickshaw/ Motor cab.

In reply (August 2020) the Department stated that total quantity of 450.44 MT of CGI Sheets supplied by the four Suppliers were received in full and issued to concerned Blocks, which was recorded in the Stock/ Issue Registers. Hence, there was no question of lapses/ discrepancies in procurement and distribution of CGI Sheets under the Schemes. The Department also stated that the material was transported along with other loads to recover the truck fare. The Store-in-Charge just acknowledged the *Kutcha Challans*, and Bills in printed memo were submitted much later at the end of March for

<sup>61</sup> (i) M/s Arunachal Sales Corporation, Changlang – 13.00 MT (by Three-Wheeler Passenger Auto rickshaw) and (ii) M/s M.S. Enterprises, Aalo - 78.16 MT (by Motor cab)

<sup>62</sup> M/s M.S. Enterprises, Aalo

<sup>63</sup> ₹66.32 lakh + ₹28.09 lakh

<sup>64</sup> 91.16 MT + 38.91 MT of CGI Sheets

clearance, when the Department seldom had time for proper/ thorough checking. Thus, there were only clerical errors committed inadvertently by the Suppliers.

The reply of the Department does not justify factual discrepancies in transportation of 91.16 MT of CGI Sheets by engaging *Passenger Auto rickshaw* and *Motor cab* with pay load capacities of only 619 and 715 kgs. respectively, but shown to have transported CGI Sheets weighing 12.16 MT to 20.24 MT per trip for 300 km. and engagement of the Motor Cab bearing Registration No. AS-07AC-5418 for transport of material in December 2017, before the registration of this vehicle (March 2018). Besides, no explanation was offered for fabrication of Registration Numbers of three vehicles and doubtful expenditure of ₹28.09 lakh against procurement and transportation of 38.91 MT of CGI Sheets.

Audit cross verified suppliers' return with Tax & Excise Department, GoAP. The suppliers were liable to pay tax and furnish return within 28 days from the end of the tax period in accordance to APGT Rule 2005. The total taxes on procurement of 450.44 MT CGI Sheet were ₹34.98 lakh as detailed in **Appendix 3.7**. It was observed that three out of four suppliers' did not disclose any transactions in their turnover<sup>65</sup> and filed nil return as shown in **Table 3.23**.

**Table 3.23: Details of CGI Sheet procured and amount paid to suppliers**

Sl. No.	Name of supplier	Quantity (in MT)	Bill Amount	Period of procurement	Remark
1.	M/s BB Steel & Corporation, Aalo	60.09	45.77	2015-16	The supplier was not registered during procurement period.
2.	M/s JJK Enterprises, Aalo	66.00	50.27	2016-17	The supplier filed nil return for the period.
3.	M/s MS Enterprises, Aalo	282.00	203.61	2017-18	Nil outward supply reflected in GSTR 3B
4.	M/s Arunachal Sales corporation, Changalng	42.35	32.26	2016-17	NA
<b>Total</b>		<b>450.44</b>	<b>331.91</b>	--	--

Source: Departmental records and information furnished by the Tax & Excise Department

It could be seen from above that the said transactions were not reflected in suppliers' return. As the suppliers' did not disclose any transactions and furnished nil returns, expenditure of ₹3.32 crore incurred by the Department on procurement of CGI sheets was deemed doubtful and mis-utilisation of government money could not be ruled out.

The Department could not furnish any suitable reply for nil transaction details submitted by firms for the above mentioned tax period *i.e.* 2015-16 to 2017-18.

The matter was reported to the State Government in January 2021. The reply is awaited as of April 2022.

**Recommendation:** *The State Government may further investigate the case and appropriate action may be taken against concerned persons after fixing responsibility. The State Government may also lodge FIR for fraudulent payment.*

<sup>65</sup> Rule 36 (1) & (2) of the Arunachal Pradesh Goods Tax (APGT) Rules 2005 stipulates that, every dealer liable to pay tax and shall furnish a return in form FF-01 for each tax period within 28 days from the end of the tax period.

## PUBLIC WORKS DEPARTMENT

### 3.4 Doubtful Expenditure

***The Executive Engineer (E.E.) PWD, Yomcha Division claimed to have incurred an expenditure of ₹1.22 crore on execution of maintenance works with inconsistencies in names of contractors in Work Orders, Measurement Books (MBs) and Abstract of MBs which indicated fabrication of records and lack of authenticity in measurement of works.***

Rule 136 of General Financial Rules (GFR) 2017 stipulates that no work shall be commenced or liability incurred in connection with it until administrative approval and expenditure sanction of funds have been provided and Work Orders have been issued. Rule 58 of GFR 2017 states that to maintain proper control over expenditure, controlling officer shall obtain liability statement from the spending authorities every month.

Paragraph 7.2 of CPWD Works Manual, 2012, stipulates that the Measurement Book is the basis of all accounts of works done by Contractors and it should be so written that transactions are readily traceable. These Books should be considered as very important accounts records and maintained very carefully and accurately, as these may have to be produced as evidence in a Court of Law, if and when required. Paragraph 7.5 also provides that each set of measurements in a Measurement Book should indicate, among other details, the name of the Contractor/ suppliers.

The Executive Engineer (EE), PWD, Yomcha Division incurred (March 2019) ₹4.95 crore on 'Immediate Repair and Maintenance of various Road & Bridges, including Liabilities'. The EE issued 39 Work Orders<sup>66</sup> (October 2018) amounting to ₹1.22 crore to M/s L.K. Enterprises and M/s Siang Earth Movers & Machineries for execution of an item of work 'Clearance of landslide in soil and ordinary rock by Bulldozer D-50'. It was observed that the two Contractors executed the works from May 2011 to April 2015, *i.e.*, three to six years prior to issue of Work Orders, in violation of the extant Rules. The works were stated to be executed prior to issue of Work Orders due to the urgent nature of works. The EE paid (March 2019) ₹1.22 crore to the Contractors against the work.

Audit observed that execution of works, for which ₹1.22 crore was paid to M/s L.K. Enterprises (₹0.98 crore) and M/s Siang Earth Movers & Machineries (₹0.24 crore), was doubtful<sup>67</sup> due to the following facts:

- As per recorded entries in Measurement Books, the works were executed by two different Contractors, *viz.*, CAS Construction and M/s Global Enterprises, from May 2011 to May 2012 and March 2015 to April 2015 respectively.
- Measurements of works were made during the period of execution, *i.e.*, May 2011 to April 2015, while the Abstract of measurements was prepared only in October 2018, along with the issue of work orders, three to six years later.

<sup>66</sup> To avoid obtaining sanction from the higher authority beyond the EE's delegation of financial powers' of ₹eight lakh for execution of Minor Works as per the CPWD Works Manual, 2014

<sup>67</sup> Mention was made in Paragraph 3.10 of AR 2018-19 on objectionable trend of settlement of bills in PW Divisions on purported past liabilities on items of emergency nature

- Bills for ₹1.22 crore were paid to M/s L. K. Enterprises and M/s Siang Earth Movers & Machineries against the total value of work of ₹1.22 crore shown to have been executed by CAS Construction and M/s Global Enterprise.
- Cross-check of transaction records such as Cash Book and Cheque counter foils also revealed that payments for execution of the works were made to M/s L. K. Enterprises and M/s Siang Earth Movers & Machineries, despite the works shown as executed by CAS Construction and M/s Global Enterprise.
- The Department failed to issue work order for more than three years after execution of work. The Department had also not initiated any action to clear the liabilities in subsequent months. Neither any liability statements were sent to controlling authorities *i.e.* Chief Engineer by the division nor controlling officer had asked for the same from division.

From the above facts, Audit inferred that the works were not actually executed, but the EE fabricated issue of belated<sup>68</sup> Work Orders and Abstracts of MBs (detailed in **Appendix 3.8**). Thus, the possibility of fraudulent payment and misappropriation of Government funds cannot be ruled out. Moreover, the EE issued work orders to local unregistered contractors keeping value of each work order within his financial power in order to avoid the necessity of obtaining the sanction of higher authority.

The Department accepted the facts and stated that proceeding to the work and creating liability without ensuring availability of fund was irregular. The site engineer recorded the names differently in the MBs due to anomalies in the names of agencies in different documents.

The matter was reported to the State Government in January 2021. The reply is awaited as of April 2022

**Recommendation:** *The State Government may take appropriate action after fixing responsibility against concerned Executive Engineer/ Sub Divisional Officer/Junior Engineer. Since the modus operandi was creating liabilities without ensuring availability of fund, the Department needs to strengthen internal controls and monitoring over execution of work.*

### 3.5 Loss of Government money

***The Executive Engineer, PWD, Gensi Division failed to levy and collect departmental charges on construction work undertaken on behalf of NHPC Ltd., resulting in loss of Government money to the tune of ₹2.05 crore***

Paragraph 12.1 of the CPWD Works Manual 2010 states that departmental charges are to be levied whenever a Division undertakes work from other Government/ non Government bodies. For works over ₹five crore, executed on behalf of central commercial concerns, non-Government bodies or individuals, departmental charges<sup>69</sup> were leviable @ seven *per cent* of the Project Cost.

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<sup>68</sup> Three to six years after execution of work

<sup>69</sup> Departmental charges is the revenue of the Department



The Executive Engineer (EE) PWD, Gensi- Division undertook two Relief & Rehabilitation works as deposit work, namely, Work-I - 'Rehabilitation & Resettlement Project against Project affected families in Tahrap and Sibe-Rijo', valued at ₹29.23 crore and Work-II - 'Improvement/ Construction of Road from Taramori to Tango Village (24.14 km)', valued at ₹13.89 crore, on behalf of the National Hydroelectric Power Corporation Limited (NHPC Ltd.)<sup>70</sup> in October 2010 and March 2012 respectively. The Relief & Rehabilitation works were undertaken as part of a Corporate-Social Responsibility (CSR)<sup>71</sup> against construction of Lower Subansiri Hydro Electric Project, executed by NHPC in Gerukamukh.

Work-I - 'Rehabilitation & Resettlement Project' against Project affected families in Tahrap and Sibe-Rijo', valued at ₹29.23 crore, included the following three items as detailed in **Table 3.24**.

**Table 3.24: Details of work executed**

(₹ in lakh)		
Sl. No.	Name of Project	Estimated Cost
1.	C/o Approach Road from Tango to Sibe-Rijo (9.695 km.)	1,787.63
2.	Approach Road from Sibe to Tahrap (7.02 km.)	805.06
3.	C/o Different Amenities in Rehabilitation Sites	330.50
<b>Total</b>		<b>2,923.19</b>

Source: Departmental records

Execution of items of Work-I commenced from October 2010 and the Division incurred expenditure of ₹28.62 crore (March 2017). No further expenditure on the balance amount of ₹61.00 lakh was incurred on Work-I as of March 2020.

Further, scrutiny (January 2020) revealed that while the Division levied and collected ₹90.88 lakh @ seven *per cent* as Departmental Charges against Work-II - 'Improvement/ Construction of Road from Taramori to Tango village (24.14 km)' on the actual Project Cost of ₹12.98 crore. However, Audit observed that the EE failed to levy and collect Departmental Charges of ₹2.05 crore<sup>72</sup> from NHPC against Work-I 'Rehabilitation & Resettlement Project against Project affected families in Tahrap and Sibe-Rijo', costing ₹29.23 crore, despite that both works were of similar nature and executed on behalf of same client (NHPC). No reason for not levying Departmental Charges was on record.

The Division submitted (June 2015) revised Estimates with the provision of seven *per cent* departmental charges against Work-I by stating the reason as escalation of cost of labour and material. Thus, it was clear that the Department erred in the first instance by not levying Departmental Charges for Work-I. However, the revised estimates were yet to be approved till date of Audit (January 2020).

The Department accepted (August 2021) audit fact and assured that necessary follow up would be done to recover Departmental Charges of ₹2.05 crore as pointed out by Audit.

<sup>70</sup> NHPC Limited is an Indian Hydropower Generation Company, categorised as a Mini Ratna Category I PSU

<sup>71</sup> CSR, is the concept that a business has a responsibility to do good

<sup>72</sup> (₹29.23 crore x 7 *per cent*)

The matter was reported to the State Government in January 2021. The reply is awaited as of April 2022.

**Recommendation: The Department may expedite recovery of Departmental Charges from client Department.**

### 3.6 Undue Financial Benefit to Contractors

**The Executive Engineer, PWD, Pasighat Division executed work at higher rates instead of rates applicable at the time of execution of the works, which resulted in extending undue financial benefit of ₹1.04 crore to contractors.**

Rule 136 of General Financial Rules, 2017 stipulates that no work shall be commenced or liability incurred in connection with it until administrative approval and expenditure sanction of funds have been provided, technical estimate approved and Work Orders have been issued. On grounds of urgency, the concerned executive officer may do so on his own judgement and responsibility. Simultaneously, the officer should initiate action to obtain approval from the competent authority and also to intimate the concerned Accounts Officer. Further Rule 58 of GFR 2017 states that to maintain proper control over expenditure, controlling officer shall obtain liability statement from the spending authorities every month.

The Government of Arunachal Pradesh allotted (March 2019) an amount of ₹five crore to the Executive Engineer, PWD, Pasighat Division, for the work 'Immediate Repair and Maintenance of various Roads and Bridges, including Clearance of Liabilities accumulated under Pasighat Division'. The Superintending Engineer, PWD, Boleng Circle, accorded Technical Sanction of ₹five crore for the work in March 2019. It was stated in the Work Estimate that due to insufficient provision of fund under Maintenance Head, liabilities were incurred on repair and maintenance of existing roads every year.

Scrutiny (October 2019) of records of the Executive Engineer, PWD, Pasighat Division revealed that the Division executed the work from August 2017 to February 2019 prior to allotment of fund and Technical sanction in March 2019 through six Contractors by issuing 105 Work Orders, without calling for tenders as detailed in **Table 3.25**.

**Table 3.25: Work Order issued to contractors**

Sl. No	Name of contractor	No of work order issued	Amount (in lakh)
1.	M/s Eastern Engineers and Fabricators	10	50.00
2.	M/s Eram Trade Centre	10	50.00
3.	M/s P.G. Enterprises, Pasighat	22	101.82
4.	M/s Legong Enterprise	20	100.00
5.	M/s KMD Enterprises, Pasighat	23	98.18
6.	M/s K.Y. Enterprises, Pasighat	20	99.90
<b>Total</b>		<b>105</b>	<b>499.90</b>

Source: Departmental records

However, Work Orders were issued only in February 2019, i.e., after execution of the work. The entire allotted amount of ₹five crore was spent in March 2019 on execution

of nine items of work. Two items<sup>73</sup> were executed, based on Arunachal Pradesh Schedule of Rates (APSoR), while seven items were executed at rates prepared by the Division without specifying any reason. APSoR for roads and bridges is prepared after collecting basic rates from all PWD Divisions/ Circles and considering existing market rates. Besides PWD, this is also used by a number of Departments, Public Sector Undertakings, etc. in Arunachal Pradesh.

The Division incurred ₹1.80 crore on an item of work - 'Maintenance of Earthen Shoulder (filling with fresh soil)' - executed from September 2017 to January 2019 through three contractors. As per Estimate, the item of work was stated to be executed at rates prepared by the Division. In April 2016, the Division fixed the rate of the item at ₹70 per sqm., which was revised to ₹90 per sqm. in February 2019. The rates prepared by the Division for this item were also similar to APSoR of the corresponding period.

The Division executed 1,88,325 sqm. of earthwork<sup>74</sup> through two contractors<sup>75</sup> from September 2017 to December 2017 by adopting the 2019 revised rate of ₹90 per sqm., as detailed in **Table 3.26**.

**Table 3.26: Details of work executed by three firms**

(Amount in ₹)

Sl. No.	Name of Contractor	Quantity (in Sqm.)	Rate/ Sqm.	Amount (in ₹)	Date of Commencement	Date of Completion
1	2	3	4	5=3X4	6	7
1.	M/s KMD Enterprises, Pasighat	94,125	90	84,71,250	14.09.2017	22.12.2017
2.	M/s P.G. Enterprises, Pasighat	94,200	90	84,78,000	14.09.2017	27.12.2017
3.	M/s Legong Enterprises	15,000	70	10,50,000	12.08.2018	08.01.2019
<b>Total</b>		<b>2,03,325</b>	<b>--</b>	<b>1,79,99,250</b>	<b>--</b>	

Source: Departmental records

There was no basis for adopting the higher rate of ₹90 per sqm., for the work executed in 2017, as the rate of ₹70 per sqm. was applicable. Thus, the correct rate of ₹70 per sqm. was applicable with resulting execution cost of only ₹1.42 crore (₹70/- x 2,03,325 sqm.) instead of ₹1.80 crore. Application of higher rate for execution of the item resulted in extra expenditure of ₹37.66 lakh (₹179.99 lakh – ₹142.33 lakh).

The Division also incurred expenditure of ₹1.03 crore on execution of two works, namely, (i) *Construction of Sub-grade and Earthen Shoulder* and (ii) *Construction of Embankment*. The works were executed through two contractors (M/s K.Y. Enterprises and M/s Legong Enterprises) from April 2018 to February 2019 at local rates prepared by the Division, instead of APSoR 2018<sup>76</sup>, which was applicable during the period of execution.

<sup>73</sup> Clearing and grubbing road land @ ₹6.40/- per sqm. and Maintenance of earthen shoulder @ ₹70 per cum

<sup>74</sup> Total earthwork of 2,03,325 sqm. (1,88,325 sqm. + 15,000 sqm.)

<sup>75</sup> M/s KMD Enterprise and M/s P.G. Enterprises

<sup>76</sup> Applicable with effect from 30 March 2018

Audit observed that rates adopted by the Division for execution of these two works were much higher than existing rates, i.e. rates incorporated in the APSoR 2018. Adoption of higher rates led to extra expenditure of ₹66.02 lakh in execution of the two works, as indicated in **Table 3.27**.

**Table 3.27: Execution of work over APSoR**

(Amount in ₹)

Sl. No.	Item of Work	Unit	Quantity (in sqm.)	Execution Rate/ sqm.	Rate (as per APSoR 2018)	Excess Rate	Excess Expenditure
1.	Construction of Sub Grade and Earthen Shoulders	cum	12,281.76	760	278	482	59,19,808.32
2.	Construction of Embankment		1,379.18	725	230	495	6,82,694.10
<b>Total</b>							<b>66,02,502.42</b>

Source: Departmental records

The Division did not have any recorded reason for not adopting APSoR 2018, which was applicable for the Department at the time of execution of the work. Execution of work without inviting tenders at rates as high as 173 to 215 per cent over APSoR, did not appear to be justified.

Thus, the Division extended undue financial benefit of ₹1.04 crore<sup>77</sup> to contractors by adopting rates higher than the existing rates for execution of the 03 works.

In reply (January 2020), the Department, while accepting the Audit Observation, stated that different rates of ₹70 per sqm. and ₹90 per sqm. were adopted under Bilat SubDivision and Mebo Sub-Division respectively, for the same item of work - *Maintenance of Earthen Shoulder (filling with fresh soil)* - due to lead of cartage of materials of the works. The average lead for transportation of fresh material for Bilat Sub-Division was only three km. whereas it was 12.5 km. in respect of Mebo SubDivision.

The reply of the Department is not acceptable since the claim of lead of 12.50 km. for transportation of material, is not supported by any document. This fact was neither mentioned in the approved estimate nor in any Measurement Books of the work.

The matter was reported to the State Government in January 2021. The reply is awaited as of April 2022.

**Recommendation:** *Government may take appropriate action after fixing responsibility against concerned persons. The Government may also strengthen internal control under the Department to ensure economy and transparency in execution of work.*

<sup>77</sup> For execution of (i) 'Maintenance of Earthen Shoulder (filling with fresh soil)' – ₹37.66 lakh; (ii) 'Construction of Sub-grade and Earthen Shoulder' and (iii) 'Construction of Embankment' – ₹66.02 lakh

### 3.7 Excess payment to contractor

***The Executive Engineer, PWD, Basar, floated Tenders deviating from the Technically Sanctioned estimate and awarded excavation of soil/ rock by mechanical means at the rate of excavation by manual means (higher rate), resulting in undue benefit to the Contractor - ₹43.27 lakh.***

Paragraph 3.2.24 of Rural Infrastructure Development Fund (RIDF)<sup>78</sup> Manual envisages that the time frame for Technical Sanction (TS) and tendering should be within three and six months respectively. Moreover, the execution of work should commence within twelve months from the date of sanction of project.

Further, Section 15.1 of CPWD Works Manual, 2014 stipulates that before inviting tenders for a work, a detailed estimate showing the quantities, rates and amounts of the various items of work should be prepared. Section 15.3 also stipulates that tender documents of work should be prepared, checked and approved by an authority who is empowered to approve the Notice Inviting Tenders (NIT) before it is issued.

National Bank for Agriculture and Rural Development (NABARD) under RIDF XXI sanctioned one Project 'Construction of Road from Deke PMGSY road to Essi Lite' for ₹10.00 crore in December 2015. The fund was released between March 2015 and September 2019<sup>79</sup>. The project was Village Road (VR) with an objective to provide all weather connectivity from Deke Degam PMGSY road to Essi Lite village. The proposed road would also provide connectivity between Essi Lite village and nearby Basar Town. Details of scope of work and abstract of cost (prepared as per the CPWD Manual and the rates were as per the APSoR 2014<sup>80</sup>) are shown in **Table 3.28**.

**Table 3.28: Scope of work and abstract of cost**

Sl. No.	Items	Quantity	Amount (in ₹)
1.	Road widening (in km.)	4.97	2.69
2.	Pavement:		
	a. WBM-I (in km.)	4.97	0.89
	b. WBM-II (in km.)	4.97	0.68
	c. WBM-III (in km.)	5.97	0.69
3.	Black topping (in km.)	4.97	0.87
4.	Protection work:		
	a. Retaining Wall (in mtr.)	431.00	0.88
	b. Breast Wall (in mtr.)	465.00	0.96
5.	CC Drain (in km.)	4.97	0.60
6.	Cross Drainage work:		
	a. Slab culvert 1.00 mtr. Span (in no.)	15.00	0.71
	b. Slab culvert 2.00 mtr. Span (in no.)	10.00	0.74
<b>Total (1 to 6)</b>			<b>9.71</b>
<b>Add: Contingency Charges (Three per cent)</b>			<b>0.29</b>
<b>Grand Total</b>			<b>10.00</b>

Source: Departmental records

<sup>78</sup> Established as a dedicated Fund for rural infrastructure in National Bank for Agriculture and Rural Development (NABARD) in 1995-96

<sup>79</sup> Central Share: 1<sup>st</sup> and 2<sup>nd</sup> instalment- ₹6.00 crore (March 2015); 3<sup>rd</sup> instalment - ₹1.98 crore (July 2018) and 4<sup>th</sup> instalment- ₹1.02 crore (September 2019) State Share: 1<sup>st</sup> instalment- ₹0.89 crore (July 2018) and 2<sup>nd</sup> instalment- ₹0.11 crore (September 2019)

<sup>80</sup> Applicable with effect from 18 September 2014

The target date of approval of TS and NIT was March 2016 and July 2016 respectively. However, the TS was accorded by the Chief Engineer (CE), PWD, Central Zone 'A', Itanagar, for ₹9.61<sup>81</sup> crore in December 2016 with a delay of nine months and the NIT in February 2017 was also delayed by seven months, in contravention of RIDF manual. The project was scheduled to be completed by March 2018. Thus, delay in TS and NIT contributed to delay in completion of the project by more than one year and six months after the scheduled date of completion.

In response of NIT, three bidders<sup>82</sup> submitted tender proposal. Out of the three bidders, the bid opening committee disqualified two firms<sup>83</sup> and the work was awarded (March 2017) to Itanagar based firm, the lowest bidder<sup>84</sup> at ₹9.60 crore. The work commenced in March 2017. Though, the work was completed within the approved cost of ₹9.60 crore, however, the extension of time was not obtained either from NABARD or the CE, PWD in contravention of the CPWD Manual<sup>85</sup>.

Scrutiny (September 2019) of the records of the Executive Engineer (EE), PWD, Basar Division, revealed that out of estimated amount of ₹10.00 crore, ₹2.59 crore was earmarked for road widening work. The details are shown in **Table 3.29**.

**Table 3.29: Details of road widening work**

(Amount in ₹)				
Sl. No.	Items	Quantity	Rate	Amount
1.	Excavation in hilly areas in soil by manual means (in Cum)	32,065.95	159	50,98,486.05
2.	Excavation in hilly areas in ordinary rock by manual means (in Cum)	59,795.82	349	2,08,68,741.18
<b>Total</b>				<b>2,59,67,227.23</b>

Source: Departmental records

Audit observed that -

- The method of excavation from approved manual means to mechanical means was changed in the estimate of the tender document, without changing the rate. The rate of excavation in soil by mechanical means was ₹155 per cum and rate for excavation in ordinary rock was ₹225 per cum as per applicable APSoR, 2014, whereas rate kept in the estimate was ₹159 per cum and ₹349 per cum respectively which is as per manual means without endorsing any reasons. This resulted in adoption of 26.62 *per cent* higher rate over the APSoR (including Cost Index), as the estimates were not correctly adopted in the NIT and tender document.
- The work was executed as per the estimates and the contractor was paid ₹2.58 crore<sup>86</sup> in first Running Account (RA) Bill on March 2017 including the higher amount adopted by the CE/ EE. The details of higher rates leading to excess expenditure are shown in **Table 3.30**.

<sup>81</sup> Difference between the Estimate and TS of ₹.10 crore was in road widening

<sup>82</sup> M/s Barapani Enterprises, M/s NP Construction and M/s KT Enterprises

<sup>83</sup> M/s Barapani Enterprises, Itanagar (due to non-submission of EMD) and M/s KT Enterprises (being second lowest bidder)

<sup>84</sup> M/s NP Construction

<sup>85</sup> Section 29.3 of CPWD works Manual 2014

<sup>86</sup> Ordinary soil 32,065.95 cum x ₹158 + Ordinary rock 59,795.82 cum x ₹348

Table 3.30: Excess expenditure incurred

(Amount in ₹)

Item	Rate as per APSoR 2014	Rate inclusive of Cost Index (22.5 per cent)	Rate adopted by Division in tender	Contract Rate	Difference	Quantity executed (In Cum)	Excess expenditure
1	2	3	4	5	6=5-3	7	8=6x7
Excavation in hilly areas in ordinary rock by mechanical means	225.00	275.63	349.00	348.00	72.37	59,795.82	43,27,423.49

Source: Departmental records

It could be seen from above that due to adoption of enhanced rate in tender document, the work was awarded to contractor at higher rate which in turn resulted in an extra expenditure of ₹43.27 lakh.

The State Government stated (August 2021) that mode of execution of work was changed from manual means to mechanical means in tender document without modifying rate. It was also intimated that the mode of execution was changed without changing quantity of work. Moreover, the work was completed within original scope of work and sanctioned amount.

The reply of the State Government was not acceptable, because if Department had adopted the correct rate, the work could be completed with lesser amount of ₹43.27 lakh. Due to adoption of the higher rate, the Department extended an undue favour to the contractor.

**Recommendations:** *The State Government may take appropriate action after fixing responsibility against concerned person. The State Government may also take steps to recover the excess amount from the contractor.*

### 3.8 Avoidable extra expenditure

***The Executive Engineer (EE), PWD Chayangtajo division incurred an avoidable extra expenditure of ₹65.72 lakh in a project 'Construction of Outdoor Stadium at Chayangtajo in East Kameng District, Arunachal Pradesh' due to award of the work to the highest (L2) bidder by fixing irregular justified rate.***

Paragraph 18.1 of Revised North Eastern Council (NEC) General Guidelines 2015 stipulates that fund released by NEC must be transferred to the implementing agencies by the State Government within 30 days from the date of release of fund along with the State's matching share. Further, as per Paragraph 18.4, the State Government may ensure that the implementing department/ executing agency shall invite tender on competitive basis by giving wide publicity in print media and website preferably through e-tendering and also ensure that the work is awarded within three months from the date of sanctioning of the project. The funding pattern of the scheme was 90:10 between the NEC and the state governments.

Rule 175 of General Financial Rules (GFR) 2005 stipulates that Department shall open the financial bids of only those bidders who have been declared as technically

qualified by the Evaluation Committee. Further Rule 165 states that contract should be awarded to the lowest evaluated bidder whose bid has been found to be responsive and who is eligible and qualified to perform the contract satisfactorily as per the terms and conditions incorporated in the corresponding bidding document.

NEC accorded (15 May 2015) Administrative Approval and expenditure sanction of ₹3.92 crore for construction of a project 'Construction of Outdoor Stadium at Chayangtajo in East Kameng District, Arunachal Pradesh'. The project was executed by the Public Works Department (PWD), Chayangtajo Division. The Technical Sanction of the project was accorded (22 March 2016) by the Superintending Engineer (SE), PWD, Sagalee Circle<sup>87</sup> for ₹3.81 crore. The schedule date of completion of project was three years from the date of the Administrative approval *i.e.* May 2018.

NEC released Central Share ₹3.53 crore<sup>88</sup> between May 2015 and October 2018. Audit, however, observed that the same was released by the State Government to the implementing agency/line department *i.e.* Chayangtajo Division between February 2016 and December 2018 *i.e.* after a delay ranging between 08 and 283 days in contravention of the scheme guidelines. Similarly, the State Government released the State Share<sup>89</sup> to the Chayangtajo Division with a delay ranging between 339 and 677 days. Details of delay in release of the Central and State share are depicted in **Appendix 3.9**.

The delay in release of CS and SS by State Government resulted into delay in completion of project.

The work was sanctioned by the NEC in May 2015. However, the Division issued Notice Inviting Tender (NIT) on 18 July 2016 *i.e.* with a delay of more than eleven months in contravention of the scheme guidelines. The work was awarded to Itanagar based firm<sup>90</sup> and agreement was signed in February 2017. As per completion report, the work was completed (January 2019) with an expenditure of ₹3.86 crore<sup>91</sup>. Thus, delay in release of fund by the State Government impacted on the finalisation of tender which in turn caused the delay in completion of works by eight months from the schedule date of completion.

Scrutiny (January 2020) of records of the Executive Engineer (EE), PWD, Chayangtajo Division revealed that three firms submitted tender documents. Details of bid submitted by the firms and evaluation against each firm are shown in **Table 3.31**.

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<sup>87</sup> PWD, Chayangtajo Division is under the jurisdiction of SE, Sagalee Circle

<sup>88</sup> ₹1.42 crore in May 2015, ₹1.42 crore in February 2018 and ₹0.70 crore in October 2018

<sup>89</sup> ₹0.13 crore in March 2017 and ₹0.39 crore in January 2019

<sup>90</sup> M/s Yana Enterprises

<sup>91</sup> VI and Final Running Accounts Bill



**Table 3.31: Details of firms participating in tender process**

Sl. No	Name of Firms	Bid value (₹ in crore)	Remarks
1.	M/s T.B Enterprises, Tezpur, Assam	NA	Tender was rejected by bid opening committee due to nonsubmission of bid security.
2.	M/s Hem Trading Agency, Itanagar, Arunachal Pradesh	3.20	Tender was rejected by bid opening committee, due to negative variation (15.19 <i>per cent</i> ) over justified rate. However, the price quoted by the bidder was the lowest and fulfilled all the criteria.
3.	M/s Yana Enterprises, Itanagar, Arunachal Pradesh	3.86	The bidder was selected by the bid opening committee, due to positive variation (2.23 <i>per cent</i> ) over justified rate. But, the bidder did not submit requisite qualifying documents <i>viz.</i> PAN card, Banker and Solvency certificate.

Source: Departmental records

It is evident from above table that the Bid Opening Committee<sup>92</sup> compared the bid value with justified rate (considering market rates of labour, materials, cartage *etc.*) merely to select the L2. However, since all these components were already considered during preparation of estimate<sup>93</sup>, thus, there was no reason to compare bid value again with justified rate. The rate of M/s Yana Enterprises was ₹65.72 lakh (₹386.00 lakh – ₹320.28 lakh) higher than M/s Hem trading Agency. This had resulted in not only extra avoidable expenditure of ₹65.72 lakh but also undue benefit to the contractor to that extent. Had the Department awarded the work to L1 bidder *i.e.* M/s Hem Trading Agency at his tender amount, the Division could have avoided extra expenditure of ₹65.72 lakh.

The Department in their reply (September 2020) stated that the work was awarded to M/s Yana Enterprises since rate quoted by firm was within ( $\pm$ )five *per cent* of the justified rate ₹3.78 crore as per clause 20.4.3.1 of CPWD Works Manual, 2014.

The reply of the Department could not be accepted as the base price (as mentioned under note 10C of clause 20.4.3.1 of CPWD works manual 2014) of all the material was already mentioned in the NIT.

The matter was reported to the State Government in May 2021. The reply is awaited as of April 2022.

**Recommendations:** *The State Government may take appropriate action to fix the responsibilities against the concerned person(s).*

<sup>92</sup> Comprising of SE, Sagalee Circle, EE (Planning) Sagalee Circle, EE and AE, PWD, Chayangtajo Division

<sup>93</sup> Estimate was prepared based on APSOR 2007 including 45 *per cent* cost index

## HYDRO-POWER DEVELOPMENT DEPARTMENT

### 3.9 Extra avoidable Expenditure

***Procurement of Electro-Mechanical (E&M) equipment for Payu SHP (2 x 500 KW) in Koloriang without setting up of Project Stores, or dovetailing completion of Approach Road up to work site, led to storage of equipment in an open yard for more than three years and resulted in avoidable expenditure of ₹2.99 crore on repair and maintenance and transportation of equipment.***

The project 'Construction of Payu Small Hydel Project (SHP) at Koloriang' was sanctioned for ₹11.00 crore under Prime Minister's Package for Illumination and Power Supply to remote villages located in the Indo-China border in 2007-08. The sanction cost consisted of civil works component (*Approach road, Intake chamber, feeder & power channel, penstock pipe, etc.*) ₹5.40 crore and Electro Mechanical (E&M) components ₹5.60 crore. The Technical Sanction (TS) of the work was neither available nor produced to audit. The E&M component of work was awarded (September 2010) to the firm M/s Biecco Lawrie Limited<sup>94</sup>, Kolkata at an agreement amount of ₹5.10 crore. As per agreement, the firm was responsible for supply, erection, testing and commissioning of the project. The stipulated date of completion of project was July 2011. However, the Project was commissioned in September 2018 after a delay of seven years from target date with total expenditure ₹8.30 crore. Audit scrutiny of records (September 2019) of the Executive Engineer, Electro-Mechanical (E&M), Ziro Division, revealed several deficiencies as discussed in the subsequent paragraphs.

#### (i) *Undue advantage to the firm*

- As per clause 2.11.1 of the agreement, the firm was required to submit 10 per cent of contract value as security deposit within 30 days of award of contract. However, division failed to obtain the 10 per cent security deposit amounting to ₹51.00 lakh from M/s Biecco Lawrie Limited and extended an undue advantage to the firm. Due to this, the recovery from the security deposit could not be effected.
- The Division paid Mobilisation Advance (MA) ₹127.50 lakh to the firm in November 2010. The Department recovered (March 2011 and March 2012) ₹58.17 lakh from the firm and balance amount of ₹ 69.33 lakh (₹127.50 lakh - ₹58.17 lakh) was adjusted against the supply bills. The firm had delivered equipment worth ₹3.58 crore between March 2011 and December 2012 against which firm was again paid ₹2.83 crore by department. Thus, total payment released to firm was ₹3.52 crore (₹2.83 crore + MA ₹69.33 lakh).

It was also noticed that the Department failed to include the clause of the interest @ 10 per cent (simple interest) on MA as stipulated in CPWD Works Manual<sup>95</sup>, hence, an amount of ₹17.46<sup>96</sup> lakh from the RA Bills was not deducted. Thus, the Department extended an undue advantage to the firm to that extent.

<sup>94</sup> Biecco Lawrie Limited is a government corporation under the ownership of Ministry of Petroleum and Natural Gas, GoI

<sup>95</sup> The Mobilisation advance limited to 10 per cent of tendered amount at 10 per cent simple interest can be sanctioned to the contractors on specific request as per term of the contract

<sup>96</sup> Interest for MA of ₹58.17 lakh: ₹58.17 lakh x 153/365 x 10/100 = ₹2.44 lakh  
Interest for MA of ₹69.33 lakh: ₹69.33 lakh x 791/365 x 10/100 = ₹15.02 lakh  
Total: ₹2.44 lakh + ₹15.02 lakh = ₹17.46 lakh

**Recommendation:** *The State Government may take appropriate steps against the concerned Chief Engineer/ Superintendent Engineer/ Executive Engineer for extending an undue advantage to the firm.*

**(ii) Non-completion of approach road**

The equipments were delivered at two different locations<sup>97</sup> instead of the Project site Payu in Kurung Kumey District due to non-completion of approach road to project site. The firm had requested (December 2011) the Department to provide suitable space/ shelter to store the equipment and take custody of materials. However, the Department neither provided space/ shelter nor took custody of equipment. As a result, the equipment were kept in open yard and left exposed for deterioration.

**Recommendation:** *The State Government may take appropriate steps against the concerned Executive Engineer for non-completion of the approach road in due time and non-provision of proper space/ shelter, which led to deterioration of equipment.*

**(iii) Extra avoidable expenditure**

The Department directed (November 2012 and January 2013) the firm to shift the equipment to work site as approach road has been completed. However, it was noticed that the approach road was constructed only in August 2014 and despite several reminders, the firm did not shift equipment to the project site. The contract was terminated by the Chief Engineer, Hydropower (WZ) in August 2013 due to inordinate delay in execution of work by the firm. Under prevailing circumstances and breach of contract, the Department engaged local contractors to shift equipment from Lakhimpur, Assam to project site between December 2014 and February 2015 by incurring ₹28.10 lakh as transportation cost after the completion of approach road in October 2014.

The equipment were reported to have been damaged due to dumping without proper cover leading to exposure to rain and water over a period of time. A Technical Committee was constituted (August 2015) for inspection of the equipment. Based on the recommendations of Technical Committee, the Department incurred an expenditure of ₹4.50 crore on procurement of E&M component and repair/ maintenance/ replacement work between October 2016 and July 2017 as shown in **Table 3.32**.

**Table 3.32: Details of additional expenditure incurred**

(₹ in crore)

Sl. No.	Name of supplier	Period of expenditure	Expenditure incurred		
			E&M component	Repair/ maintenance/ replacement	Total
1.	M/s Kundu Electric, Kolkata	October 2016 to May 2017	0.96	0.54	1.50
2.	M/s Pentaflor Hydro, Pvt. Ltd. New Delhi	March 2017	0.40	2.17	2.57
3.	M/s Rudra Enterprise, Tezpur	October 2016 to April 2017	0.43	0.00	0.43
<b>Total</b>		--	<b>1.79</b>	<b>2.71</b>	<b>4.50</b>

Source: Departmental records

<sup>97</sup> E&M Equipment valued at ₹2.75 crore was delivered in March 2011 and December 2012 in North Lakhimpur, Assam; ₹82.57 lakh was delivered in Tago Hydel Project in March 2012

It could be seen from above that the Department paid an additional amount of ₹4.50 crore to three Firms, out of which, ₹2.71 crore was incurred on repair and replacement of E&M equipment which was damaged due to Departments' negligence in providing proper store/ shelter for the expensive equipment as detailed in **Appendix 3.10**. The Project was finally commissioned in September 2018 after a delay of seven years from the target date (July 2011) of completion after spending ₹8.30 crore<sup>98</sup>.

Thus, procurement of E&M equipment without ensuring timely completion of approach road or availability of proper stores/ shelter resulted in extra avoidable expenditure of ₹2.99 crore viz. ₹2.71 crore on repair & maintenance of the equipment and ₹28.10 lakh additional transportation charge of equipment to work site. Moreover the Department extended undue advantage to the firm by not obtaining security deposit (₹51.00 lakh) and non-inclusion of the interest provision of MA in the Agreement.

In reply (June 2020), the Department stated that the contract agreement was on turnkey basis and accordingly supply, erection and commissioning of project lies with contractor. As per progress of approach road and undertaking submitted by contractor, the department allowed the commencement of work. The total ₹3.52 crore was paid to M/s Biecco Lawrie Limited, against supply of E&M equipment, as per terms & conditions of the contract. Whereas, expenditure incurred up to successful completion and commissioning of the Project was ₹1.94 crore, at risk and cost of M/s Biecco Lawrie Ltd. Hence, additional expenditure incurred was only ₹36.00 lakh,<sup>99</sup> which would be recovered from the Firm as and when idling assets of the Firm are put to productive use after meeting all liabilities, in accordance with extant GoI Guidelines.

The reply of the Department is factually incorrect as in addition to ₹3.52 crore paid to M/s Biecco Lawrie Limited, the Department incurred ₹28.10 lakh additional transportation charge of materials to work site and paid ₹4.50 crore to three Firms for repair, overhauling, replacement, erection, commission of project. Total of ₹8.30 crore was incurred on the Project against original agreement amount of ₹5.10 crore. Further, neither had the security deposit been obtained from the firm to facilitate any recovery nor did the Department approach the concerned Ministry of GoI controlling M/s Biecco Lawrie Limited, for recovery from the firm. Moreover, the Department did not state the reason for not ensuring completion of approach road in time despite the availability of fund, or a proper shelter for equipment leading to dumping of equipment in open yard for more than three years which resulted in damage and deterioration of equipment.

The matter was reported to the State Government in January 2021. The reply is awaited as of April 2022.

**Recommendation:** *The State Government may take appropriate action after fixing responsibility against the concerned Chief Engineer/ Superintendent Engineer/ Executive Engineer for the extra avoidable expenditure due to non-completion of the approach road, extending undue favour to and non-recovery from the concerned firm.*

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<sup>98</sup> ₹3.52 crore (Payment to M/s Biecco Lawrie Limited) + ₹4.50 crore (Payment to 03 Firms) + ₹0.28 crore additional transportation cost of materials to project site

<sup>99</sup> (₹3.52 crore + ₹1.94 crore) - (₹5.10 crore)