

EXECUTIVE SUMMARY



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Introduction

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

During 2022-23, the Principal Accountant General, Arunachal Pradesh planned for audit of 128 units out of total 1,390 units, after carrying out risk assessment and keeping in view the available manpower. However, 144 units were actually audited.

This Report contains three Performance Audits (PAs) titled “Development of Tourism Infrastructure in Arunachal Pradesh”, “Implementation of Pradhan Mantri Gram Sadak Yojana”, and “Collection of Building and Other Construction Workers Welfare Cess and its utilisation” and 14 Compliance Audit Paragraphs which includes four Subject Specific Compliance Audits (SSCAs) on “Public Health Infrastructure and Management of Primary Health Services”, “National Social Assistance Program”, “Pre and Post-Matric Scholarship Scheme belonging to Scheduled Tribes Students of Arunachal Pradesh” and “Department’s Oversight on GST Payments and Return Filing”.

The Report has 59 appendices, containing data collected from the departments as well as several sources in support of the audit observations.

A synopsis of the important findings contained in this Report is presented below:

Social Sector

Part-I: Performance and Compliance Audits on Departments under Social Sector

Performance Audit

Collection of Building and Other Construction Workers Welfare Cess and its utilisation

LABOUR DEPARTMENT

A Performance Audit (PA) of the “*Collection of Building and Other Construction Workers Welfare Cess and its utilisation*” in Arunachal Pradesh was carried out covering the period from 2017-18 to 2021-22 involving test check of records of four sampled districts, including two works Departments in each sampled district. The performance audit brought out the following significant findings.

Highlights

- Every employer undertaking construction work, would make an application to the registering officer for registration of the establishment within 60 days from the commencement of the work. Only one establishment was registered in 2017 at Itanagar and no establishment was registered with the Department in any other sampled district and no cess assessment was done during 2017-18 to 2021-22. 24

per cent of the registered labour had other occupations *viz.*, government service, business *etc.* However, department failed to ensure registration of establishments. Despite availability of manpower, the Registering Officer and Assessing Officer did not conduct inspection of the establishments to assess the amount of cess payable by the employer in violation of the extant Rules.

- The State Government was yet to transfer cess amount of ₹127.68 crore to the Board as of March 2022, leaving lesser fund for welfare of Construction Labour.
- The designated Chief Inspector and Inspectors at District level did not conduct any inspection on the construction works at site for ensuring compliance and safety of the labour during 2017-18 to 2021-22.
- The Board entered into agreements with two Training Providers (TPs) who were not empanelled with National Skill Development Corporation (NSDC) or Construction Skill Development Council of India (CSDCI). Differences were noticed between the number of beneficiaries to be trained and the number actually trained, resulting in excess payment to the Training Providers.
- Labour bags, tiffin carriers, face masks and sanitizers were procured at higher rates.
- Out of 381 cases of death benefit provided, there were discrepancies *viz.* mismatch in names, blank registration number, *etc.* in the registration records of 108 deceased registered labour *vis-à-vis* the payment advices provided by the Board.
- The Board incurred ₹8.73 crore against procurement of materials *viz.*, computer items, Xerox machine, Air Conditioner *etc.* from four suppliers for which the Board paid GST amount of ₹1.20 crore during 2017 to 2021. However, the 165 invoices submitted by the suppliers had hand-written invoice serial numbers.
- Test check of records of 19 sampled projects showed that fund was sanctioned without feasibility study, administrative approval and accord of technical sanction for construction of labour sheds. The completed labour sheds were either lying without utilisation or were unauthorisedly occupied by local residents.
- In absence of an effective monitoring mechanism in the Board, implementation of skill development programmes and construction of labour sheds *etc.* were not implementing effectively.

Recommendations:

- *The State Government may ensure that every establishment be registered and frequent assessment of the labour cess amount payable by the employer to the Board may be conducted.*
- *The Board may ensure that all labour cess amount lying with the State Government account be transferred to the Board on time so that the Board may better implement the welfare schemes for the registered labour in the State.*
- *The Board may ensure that regular inspection and assessment of establishments is conducted at regular interval as per extant Rules.*

- *The Board may ensure that the administrative expenditure be controlled within the admissible limit as per the extant Rules as well as ensure proper accounting of procured materials.*
- *The Board may ensure that all codal formalities in procurement of materials are followed so that labour cess fund may be spent in an effective manner.*
- *The Board may ensure that the beneficiary cards and registration records available with the Board offices are reconciled at the earliest and death benefit provided to only registered labour after cross verification with registration records and beneficiary card records.*
- *The Board may direct the executing agency to recover the payment made for unexecuted portion of work from the contractor and make plan to utilise the created assets.*

Subject Specific Compliance Audit (SSCA)

Public Health Infrastructure and Management of Primary Health Services

HEALTH AND FAMILY WELFARE DEPARTMENT

A Subject Specific Compliance Audit (SSCA) of the “Public Health Infrastructure and Management of Primary Health Services” providing health facilities at village and block levels in Arunachal Pradesh was carried out covering the period from 2017-18 to 2021-22. The SSCA of Public Health Infrastructure and Management of Primary Health Services brought out the following significant findings.

Highlights

- Overall vacancy position of Doctors/Specialists, Nurses, Paramedics and Others in DHs, CHCs and PHCs in the State ranged between 19 to 73 *per cent*. Shortage was highest in nurses cadre.
- Specialist services of Dermatology & Venereology were not available in any of the DHs/GHs. Specialist services of Pediatrics and General Surgery were available in only one CHC (Pediatrics- CHC Doimukh and General Surgery- CHC Ruksin) out of 53 CHCs.
- Shortfall in availability of beds in Maternity and Child Care Wards ranged from 06 to 94 *per cent* for different wards across the 22 DHs/ GHs in the State. Critical care/ ICU was not available in 14 out of 22 DHs/ GHs. Out of 371, 29 HWCs were functioning without any Medical Officer/ Community Health Officer (MO/ CHO).
- Budgetary provision on health services in the State during the six-year period 2017-2023 ranged from 4.10 *per cent* of the State budget in 2020-21 to 6.62 *per cent* in 2018-19. In none of the years, did the State Government allocate eight *per cent* of its budget to the health sector, despite being envisaged in NHP 2017. Moreover, the Department did not completely utilise the allocated funds during the six-years period 2017-2023 with savings ranging from ₹34.79 crore in 2021-22 to ₹659.12 crore in 2018-19.

- Asymmetric distribution of doctors in the sampled health facilities was observed with 36 per cent excess doctors in CHC Ruksin and a shortfall of 36 to 91 per cent doctors in seven other CHCs.
- Due to non-availability of specialist service in CHCs, patients from rural areas had to travel to DHs for better treatment; thereby increasing out of pocket expenses of the patients and burdening resources of the DHs.
- Out of total sanctioned amount of ₹165.69 crore under Emergency Covid Response Plan Fund II, ₹146.11 crore was allotted for improvement of health infrastructure and ₹85.75 crore remained unspent (as of February 2023), indicating slow progress of infrastructure works despite availability of funds.
- As of March 2023, GoI did not release the balance share of ₹28.31 crore (out of ₹48.98 crore) through North East Special Infrastructure Development Scheme, for procurement of hospital equipment to prepare 10 district hospitals to fight COVID-19 due to non-submission of UC for ₹20.67 crore within the stipulated period of six months.
- Major equipment and Hospital items worth ₹22.48 crore and consumables worth ₹12.45 crore procured for management of COVID-19 were lying idle in the central medical store, six district medical stores and in the 19 sampled health facilities as on 02 March 2023 in absence of an effective mechanism to ensure optimum utilisation of the idle items.
- State was lagging behind all-India average in five indicators of SDG-3 (3.2, 3.3, 3.7, 3.8, 3.c).

Recommendations:

- *The Department may consider to take steps to fill the vacancy and rationalise availability of doctors and other cadre across all health facilities in the State.*
- *The Department may submit UCs to GoI timely for subsequent release of installments under central funding.*
- *The Department may monitor regularly progress of health infrastructure works for early completion and ensure efficient utilisation of earmarked funds*
- *The Department may plan to utilise the assets and equipment which were created or procured during pandemic after proper assessment of requirement and thorough planning.*
- *The State Government may take appropriate actions for adequate funding, filling up of medical and paramedical vacant posts, regular monitoring for impact assessment and achieving targets for SDG indicators.*

National Social Assistance Programme

SOCIAL JUSTICE & EMPOWERMENT AND TRIBAL AFFAIRS DEPARTMENT

An SSCA on “National Social Assistance Programme” was conducted covering the period from 2017-18 to 2020-21 involving test check of records of State Nodal Office for NSAP cum Social Justice & Empowerment and Tribal Affairs Department (SJETA) and

six sampled District Nodal Offices cum Deputy Director of Integrated Child Development Scheme/ Child Development and Project Officers in selected districts. The SSCA on implementation of Scheme in Arunachal Pradesh brought out the following significant findings.

Highlights

- The Department did not maintain a comprehensive database of eligible beneficiaries. Even the list of population Below Poverty Line (BPL) of the State was not available. As a result, the universe of potential beneficiaries in the State was not identified.
- The number of individual beneficiaries during 2017-18 to 2020-21 was 54,652. Out of 34,485 beneficiaries fixed as cap by the Ministry, only 6,294 beneficiaries' data was uploaded in the NSAP portal, indicating a gap in digitization of the 28,191 beneficiaries (81.75 per cent).
- During the period 2017-18 to 2020-21, the Department submitted the proposals for release of funds with a delay ranging between 209 and 575 days.
- Special Verification Teams as required in the guidelines were not constituted in the six sampled districts.
- Out of 75,841 cumulative beneficiaries in six sampled districts, Aadhaar mapping was done for 24,517 beneficiaries (32.33 per cent) and Bank account was seeded with Aadhaar for 43,350 beneficiaries (57.16 per cent).
- Department incurred an expenditure of ₹135.89 lakh on payment of honorarium to its officers from scheme funds (in violation of Guidelines).
- Pension for all the three sub-schemes (IGNOAPS, IGNDPS and IGNWPS) was paid in lump sum once a year instead of regularly, on monthly basis.
- Out of 75,841 approved cumulative beneficiaries, there were 22,126 cumulative beneficiaries, who were approved by the Sanctioning Authority but were not paid assistance by the Pension Disbursing Authority *i.e.* District Nodal Officer. This resulted in deprivation of pension amounting to ₹31.46 crore.
- In six sampled districts, out of 66,405 cumulative beneficiaries paid assistance by the Pension Disbursing Authority, 18,432 were beneficiaries who were from outside the approved list of beneficiaries.
- Under IGNOAPS, the Department paid pensions to 849 beneficiaries at the lower rate of ₹1,500 per month although they had qualified for higher rate of ₹2,000 per month on attainment of 80 years of age. This resulted in short payment of pension to 849 beneficiaries, amounting to ₹25.72 lakh.
- It was noticed that 263 beneficiaries were paid an excess amount of ₹36.26 lakh due to payment of multiple pensions under different sub-schemes (ranging between two and eight times).
- In six sampled districts, 16 beneficiaries whose names were in the approved list had already died but their names continued to feature in the beneficiary list. During the

period from 2017-18 to 2020-21, these beneficiaries were paid an amount of ₹7.33 lakh in their bank accounts.

- There was poor monitoring of the Scheme both at the State and district Level.

Recommendations:

The Department may

- *fix responsibility on the erring officials for non-updation of beneficiary details in the NSAP Portal and for depriving benefits to the eligible beneficiaries.*
- *take immediate steps to complete the seeding of the bank account of the remaining beneficiaries with Aadhaar at the earliest and fix responsibility on the erring officials for the lapses.*
- *promptly address the grievances pointed out by the beneficiaries and pay pension amount on regular monthly basis.*
- *strengthen the monitoring mechanism so as to ensure that eligible beneficiaries are not deprived of their full entitlement.*
- *strengthen monitoring mechanism to cross verify the eligibility of assistance to a beneficiary at different levels, to avoid duplicity.*

Pre and Post Matric Scholarship Schemes Belonging to Scheduled Tribes Students of Arunachal Pradesh

SOCIAL JUSTICE & EMPOWERMENT AND TRIBAL AFFAIRS AND EDUCATION DEPARTMENTS

An SSCA of “Pre and Post-Matric Scholarship Schemes Belonging to Scheduled Tribes Students of Arunachal Pradesh” was conducted covering the period from 2017-18 to 2021-22 involving test check of records of Social Justice & Empowerment and Tribal Affairs Department and Education Department covering 99 institutes (47 for pre-matric and 52 for post-matric) in six selected districts. The SSCA on implementation of Scheme in Arunachal Pradesh brought out the following significant findings.

Highlights

- No database of universe of potential beneficiaries was maintained due to which there was wide variation in estimated number of beneficiaries’ *vis-à-vis* actual number of beneficiaries.
- There was no uniformity from year to year in timeline for receipt and processing of applications at institute and state level.
- A total balance amount of ₹1.90 crore (₹1.71 lakh for pre-matric scholarship and ₹1.88 crore for post-matric scholarship) was still lying unutilised in the scheme account maintained by Social Justice & Empowerment and Tribal Affairs (SJETA) Department. The balance fund was still not transferred to the current scheme nodal departments (Secondary Education Department for pre-matric and Higher & Technical Education Department for post-matric).
- There were delays in payment of scholarships to the students ranging from one to 12 months for pre-matric and from three to 13 months for post-matric.

- Parents/ Guardians of 284 beneficiaries (111 beneficiaries of pre-matric and 173 of post-matric) were serving/ retired Government employees, rendering compliance with income threshold doubtful.
- During 2019-20 and 2020-21, an amount of ₹6.00 lakh was disbursed to 22 post-matric beneficiaries whose parental income exceeded the prescribed limit of ₹2.50 lakh per annum.
- An excess payment of ₹10.12 lakh (₹9.75 lakh for pre-matric and ₹0.37 lakh for post matric) was made to 383 students (346 for pre-matric and 37 for post-matric) of 40 institutes (31 for pre-matric and 09 for post-matric) due to disbursement of scholarship at hosteller's rate instead of day scholar's rate.
- During 2018-2021, against the total enrolment of Scheduled Tribes students in 03 institutes being 834, the actual number of beneficiaries was 1,284. Thus, the total number of beneficiaries had exceeded the enrolment by 450 (54 per cent), which ranged from 13 (06 per cent) to 114 (71 per cent) in individual institutes.
- During 2019-2021, 169 beneficiaries availed benefit from multiple schemes *i.e.* a total amount of ₹46.45 lakh from post-matric scholarship scheme and ₹159.36 lakh from other schemes.
- No committee/mechanism had been formed/created at State and district level for periodic review of the progress of the scheme. Further, no Social Audit of the scheme implementation was conducted during 2017-21. No specific outcome indicators were fixed by the State Government for measuring the impact of the scheme.
- Grievances redressal mechanism for the scheme neither existed at District level nor at State level. The department did not redress the issue relating to non-disbursal of scholarship for the approved 4,730 beneficiaries (1,837 for pre-matric and 2,893 for post-matric).

Recommendations:

- *The Department may formulate uniform timelines for processing of applications by institutes, nodal Department and at NSP level.*
- *The database of the beneficiaries may be maintained and updated periodically through proper verification, to ensure that amount is disbursed to the actual beneficiaries.*
- *The Department may take measures to ensure timely release of funds from the State Government to the implementing agencies.*
- *The State Government may fix specific timelines for processing of applications and disbursement of scholarship.*
- *The Department may put in place an effective system of verification of applications to ensure that scholarship is not awarded to ineligible beneficiaries. Further, Aadhaar seeding with bank accounts of beneficiaries may be ensured to avoid fraudulent payment.*

- *The Department may constitute Committees at the State and District level to monitor the implementation of the scheme.*
- *The State Government may designate Grievance Redressal Officers at the State and District levels.*

Compliance Audit Paragraphs

PUBLIC HEALTH ENGINEERING & WATER SUPPLY DEPARTMENT

Public Health Engineering & Water Supply (PHE & WS) Division, Seppa incurred an avoidable expenditure of ₹55.00 lakh on procurement of Galvanized Iron (GI) & Ductile Iron (DI) fittings at higher rates than the contracted rates besides incurring excess expenditure of ₹26.00 lakh over the estimated provision on procurement thereof.

Recommendation:

The State Government may investigate the matter and take appropriate action after fixing the responsibility for procurement of fittings at a rate higher than the contract rate. Further, the State Government may also take action against excess procurement without proper approval of competent authority.

EDUCATION DEPARTMENT

The Deputy Director of School Education (DDSE) unauthorisedly expended ₹1.64 crore on an unapproved work besides paying an amount of ₹19.41 lakh to the contractor without execution of works from the fund allotted for implementation of Chief Minister Samast Shiksha Yojana (CMSSY) in Kurung Kumey District.

Recommendation:

The State Government may take appropriate action to fix responsibilities against concerned officers/officials for diversion of funds to unauthorised works and for making payments without execution of works while initiating recovery of payment made to the contractor without execution of works.

PANCHAYATI RAJ AND TOWN PLANNING DEPARTMENT

Non-appointment of a regular authority to audit the accounts of Local Governments.

Recommendation:

The State Government may appoint a regular DLFA to ensure timely audit of accounts of Local Governments.

Economic Sector

Performance Audit

Development of Tourism Infrastructure in Arunachal Pradesh

TOURISM DEPARTMENT

A Performance Audit of “Development of Tourism Infrastructure in Arunachal Pradesh” carried out covering the period from 2017-18 to 2021-22 revealed several deficiencies such as inadequacy in State Tourism Policy, diversion of fund, award of work to ineligible contractors, wasteful expenditure, idling of assets, shortfall in training, etc. Significant audit findings are highlighted below:

Highlights

- Though the State Tourism Policy, 2003 emphasised the preparation of a Comprehensive Master Plan, the State Government had not prepared comprehensive master plan for development of high potential tourism areas in Arunachal Pradesh. The Tourism Department in Arunachal Pradesh had executed Tourism Schemes/ Projects on *ad-hoc* basis, without conducting feasibility studies at the ground level.
- Test check showed six projects wherein the project sites were shifted from the approved locations, without obtaining approval of the sanctioning authority i.e. MoT, GoI for shifting of sites.
- Director of Tourism, Itanagar had drawn a total amount of ₹6.17 crore from government account during February 2019 to March 2022 and parked the same in Demand Drafts (DDs) for a period of six months to almost five years indicating the amount was drawn from government accounts without immediate requirement for disbursement to prevent lapse of budget grants which was in violation of Rule No. 100(2) of Central Government Account (Receipt & Payment) Rules, 1983.
- Out of 14 abandoned PIDDC projects, three projects were abandoned after incurring an expenditure of 63 to 94 *per cent* against the agreement amount while the remaining 11 projects were abandoned after an expenditure of 10 to 43.86 *per cent*. Audit observed that neither were the incomplete PIDDC projects taken up under Swadesh Darshan Scheme nor was alternative arrangement provided to complete the projects. The State Government also could not complete the projects from its own resources and total expenditure of ₹14.01 crore incurred on the 14 projects was rendered wasteful.
- A total amount of ₹8.16 crore was paid for the components which were found not executed during joint physical inspections though already shown executed in the concerned MBs. Thus, payment of ₹8.16 crore made without execution of the work was not only irregular but also possibly fraudulent, which needs detailed investigation.
- The 41 assets created at the cost of ₹87.92 crore during the review period had remained non-functional and were lying idle for periods ranging between seven months and 109 months as on 31 March 2023. The Department has not taken action to functionalise the assets created. The conditions of the assets would deteriorate in the near future if not put to use.
- Neither the State Level Monitoring Committee nor the State Steering Committee was constituted to review the physical and financial progress of projects.

Recommendations:

- *The Department may ensure recovery of the short deduction of statutory dues from the concerned firms and impose appropriate penalty against the DDO for such short deduction.*

- The Department may take steps to revive and complete the abandoned projects and ensure that the assets are put into use after their completion.
- The Department may take appropriate steps for operationalisation of the created assets.

Implementation of Pradhan Mantri Gram Sadak Yojana (PMGSY)

RURAL WORKS DEPARTMENT

A PA on “Implementation of Pradhan Mantri Gram Sadak Yojana” in Arunachal Pradesh was conducted covering the period from 2017-18 to 2021-22 involving test check of records of Arunachal Rural Development Agency (ARRDA) and Programme Implementing Units (PIUs) in six sampled selected districts. The important findings of the PA are as follows:

Highlights

- Core Network of five districts was prepared and approved by the concerned Executive Engineers of RWD, without the approval of major stakeholders such as Intermediate Panchayats as required under the guidelines.
- During 2018-19, 20 roads worth ₹203.91 crore were sanctioned for upgradation in nine districts. However, these districts had 212 unconnected habitations, which should have been prioritised. Further, only five per cent of the State allocation was utilised for upgradation, falling short of the targeted 20 per cent. This underutilisation was attributed to non-completion of new connectivity projects in the State.
- Utilisation of funds was satisfactory in the year 2017-18 and 2019-20 only and in the remaining years it was below 80 per cent with the least expenditure incurred during 2021-22 (49 per cent). Because of the poor utilisation of fund, GoI did not provide funds to the State Government and restricted releases to 76, 77 and 72 per cent during 2017-18, 2019-20 and 2021-22 respectively of the projected demand.
- Retention of funds in excess of ₹1.00 crore in Savings Account instead of investing in Fixed Deposit led to loss of interest of ₹6.88 crore. As of June 2023, the bank had credited back interest amount of ₹1.83 crore with shortfall of ₹5.05 crore.
- Programme funds amounting to ₹5,168.21 crore released during 2017-22 were transferred to ARRDA with delays ranging from 13 to 318 days. As a result, the State Government was liable to pay interest of ₹166.86 crore for the delay.
- There was excess expenditure to the extent of ₹6.42 crore in ARRDA over the prescribed ceiling of administrative and travel expenses.
- Department executed 40 works (73 packages) involving total sanctioned cost of ₹864.63 crore, without changing the ownership of land in the name of the Government.
- Due to delay in tendering process, all 49 projects were awarded with delay ranging from 03 to 12 months from the date of sanction by the GoI after accounting for 75 days of tendering time. The delay in the award of work order adversely affected timely completion of projects.

- Absence of definite time schedule for recovering the mobilisation and machinery advances resulted in loss to the Government on account of loss of interest amounting to ₹2.62 crore.
- The DPIUs released ₹52.68 crore to contractors in seven projects without execution of work or with inflated measurement of works.
- During 2017-22, though ARRDA received Maintenance Funds of ₹71.86 crore for roads under Defect Liability Period (DLP) of five years post-construction, it did not prepare any annual maintenance plan. In the absence of maintenance plan, it could utilise only ₹26.39 crore during 2017-22 resulting in short utilisation of funds of ₹45.47 crore.
- District Level Laboratories were not set up in five sampled districts, hence DPIUs in the sampled districts could not ensure execution of quality work through periodic Quality Control Tests.

Recommendations:

- *The State Government may ensure the mutation of the land in the name of the State Government to avoid any land dispute in future*
- *The State Government take up the matter with the Ministry to modify the Standard Bidding Document and adjust the interest on Mobilisation advances appropriately as well as ensure timely recovery of mobilisation and machinery advances*
- *The State Government may ensure fixing responsibility after taking action against erring officials for extending advantage in the form of excess payment to the contractors against incomplete work /without execution of work.*
- *The Department may take up the matter with State Bank of India for early settlement of interest amount and introduce a stringent monitoring system to avoid loss of interest on account of short/ non-investment of funds as per agreement.*
- *The State Government may release programme funds in a timely manner along with interest for the delay*

Compliance Audit Paragraphs

ANIMAL HUSBANDRY AND VETERINARY DEPARTMENT

District Animal Husbandry & Veterinary Officer, Boleng falsified office records by forging supply orders and Bills for pig feed issued to a firm with invalid GST registration, to misappropriate ₹8.57 crore of public money.

Recommendation:

The State Government may investigate the case to fix responsibility and initiate disciplinary action against the officer(s) responsible for misappropriation of public money and breaching of codal formalities.

PUBLIC WORKS DEPARTMENT

Executive Engineer, Public Works Department (PWD), Hayuliang Division proposed and undertook a major road project without conducting any survey which was later found to be

non-workable, and the department was forced to close the project after incurring expenditure of ₹21.84 crore. The expenditure was proven wasteful as the objective to connect Manchal administrative circle with District headquarter, Hawaii remained unachieved. Similarly, in another case due to inability of the Executive Engineer, PWD, Mariyang to closely monitor and timely review the implementation of project in addition to extending undue favor to the contractor, funding to the project was stopped and the project remains incomplete even after nine years from the stipulated date of completion and after spending ₹2.53 crore.

Recommendation:

The State Government may take appropriate action after investigating the cases to fix responsibility against the concerned officers/officials and recover the excess payment made to the contractor.

RURAL WORKS DEPARTMENT

Undue favour was extended to contractor by fabricating MB with fictitious entries and using the same for making payment of ₹2.06 crore to the contractor for work not done. Besides, liquidated damages of ₹92.14 lakh were recoverable from the contractor due to non-completion of work on time as per the contract agreement.

Recommendations:

The State Government may:

- take appropriate steps to initiate necessary proceedings against the EE after investigating the matter on misappropriation of public money by releasing payments to the contractor on the basis of fictitious entries in the MB without conducting required scrutiny/ verification.*
- take action against the contractor for claiming of bills without executing works and take steps to recover the amount from the contractor.*

HYDROPOWER DEVELOPMENT DEPARTMENT

Due to selection of project site without carrying out the required survey and investigation, expenditure of ₹9.96 crore incurred on construction of Pakhan Kha Mini Hydel Station (MHS) proved wasteful as project could not be made operational even after lapse of sixteen years from date of sanction, thereby, defeating the objective to provide electricity to twelve villages.

Recommendations:

The State Government may-

- conduct feasibility assessment to revive the project.*
- take suitable initiative to electrify the unelectrified villages.*

HYDROPOWER DEVELOPMENT DEPARTMENT

Expenditure of ₹1.14 crore by the Assistant Engineer, Khonsa Sub-Division, Hydropower Development Department on repair and maintenance of two Mini Hydel Stations has been unfruitful as the Government is yet to establish powerlines for evacuation of the power generated.

Recommendation:

The State Government may investigate the matter and fix responsibility on execution of MHSs without ensuring adequate water supply and issue directions to the concerned Department to ensure establishment of powerlines at the earliest for evacuation of the power that can be potentially generated through the two MHSs and to operationalise the two projects.

POWER DEPARTMENT

The Naharlagun Electrical Division wrongly calculated the revised electricity bills of an Industrial Consumer without taking into account minimum charge and surcharge clause. The bills were under-assessed by ₹1.03 crore leading to loss of revenue to the state exchequer.

Recommendation:

The State Government may expedite the recovery of outstanding revenue.

Revenue Sector**Trend of Revenue receipts**

The revenue raised by the State Government (₹3,255.22 crore) was 13.68 per cent of the total revenue receipts. The balance 86.32 per cent of the receipts was from the GoI. The total revenue receipts of the State Government had increased by ₹2,556.50 crore (12.04 per cent) over the previous year during 2022-23. The increase was mainly due to rise in the Share of net proceeds of divisible Union taxes and duties by ₹2,045.27 crore (13.96 per cent). The Tax and Non-Tax Revenue of State Government increased by ₹597.56 crore (36.44 per cent) and ₹243.20 crore (31.39 per cent) during the same period. However, the increase was offset by decrease in Grants-in-Aid by ₹329.53 crore (7.89 per cent) during the same period.

During 2022-23, out of 178 auditable units, 30 units (16.85 per cent) were planned for audit under revenue sector and 22 units (12.35 per cent) were actually audited.

Subject Specific Compliance Audit**Department's Oversight on GST Payments and Returns Filing****TAX, EXCISE AND NARCOTICS DEPARTMENT**

An SSCA of "Department's Oversight on GST Payments and Returns Filing" was conducted to review the scrutiny of returns by the Department and verification of taxpayers' records during the period from July 2017 to March 2018 and functions of selected Range during the period 2017-18 to 2020-21. There were three distinct parts of this SSCA namely – i) Audit of Ranges covering four units ii) Centralized Audit of 94 samples across 12 identified parameters, and iii) Detailed audit of records of 15 sampled taxpayers. The important findings of the SSCA are as follows:

- In the four Ranges, there were 1,184 cases of GSTR 3B non-filers who have not filed returns ranging from 01 to 45 months during the period 2017-18 to 2020-21, but none of the ranges have taken any cognizance of the defaulters. No GSTR-3A was served to the defaulters and no action was initiated to assess the tax liabilities of the defaulters on best judgement basis.

- Only one range officer conducted scrutiny of 15 returns during the period 2017-18 to 2020-21 and recovered revenue of ₹1.15 crore from a taxpayer pertaining to the year 2019-20 & 2020-21, but the remaining three range officers failed to conduct any scrutiny of the returns during this period.
- In the four ranges, out of total 416 cases of cancellation on taxpayers request, in 241 cases the cancellations were delayed ranging from 31 to 681 days from date of application. Further, in 1,417 cases of *suo motu* cancellation, in 873 cases the cancellations were delayed ranging from 30 to 755 days from date of initiation of notice.
- Out of total 416 cases of cancellation on taxpayers' request, in 198 cases the Ranges had cancelled registrations with effect from dates prior to the application dates which ranged between 01 to 1128 days.
- In Centralized Audit, out of 94 sample cases, initial responses were yet to be received for 29 inconsistencies communicated to the Department, which represent a potential risk exposure of ₹26.28 crore.

Recommendations:

The State Government may-

- *strengthen the monitoring mechanism in Ranges to detect non-filers of returns and ensure timely action against defaulters.*
- *ensure the scrutiny of returns in a time bound manner before the cases become time barred.*
- *monitor the status of cancellation of registrations and action taken thereon in consonance with the provisions of the Act and Rules utilising the Management Information System (MIS) of the GST portal.*
- *urgently pursue the 29 inconsistencies and deviations pointed out by Audit, for which responses have not been provided and intimate the results to Audit.*
- *conduct data analysis (as conducted by Audit for Centralised Audit) for GST returns and related data to identify inconsistencies and take necessary steps to enhance taxpayer's compliance.*
- *introduce a module to prompt alerts on mismatches in various returns viz., annual return (GSTR-9), reconciliation statement (GSTR-9C), monthly returns (GSTR-1 and GSTR-3B) etc., to aid the proper officer for identifying and verifying the mismatches.*
- *initiate remedial action for all the compliance deviations brought out in this report before they get time barred.*

Economic Sector (PSEs)

As on 31 March 2023, the State of Arunachal Pradesh had seven SPSEs (six working companies and one non-working company), wherein the investment of the State Government (capital and long-term loans) in seven SPSEs was ₹27.72 crore consisting of ₹19.49 crore (70.31 per cent) towards capital and ₹8.23 crore (29.69 per cent) towards long-term loans.

The combined investment of State and Other Stakeholders as on 31 March 2023 in SPSEs under various sectors stood at ₹33.33 crore. The combined investment was highest in the Finance Sector SPSEs (₹12.65 crore) followed by Power Sector SPSEs (₹12.45 crore).

As per the information available as on 30 September 2023, six working SPSEs had arrears of total 40 accounts ranging from two to sixteen years. During 2022-23, four working SPSEs finalised total 16 accounts, while remaining two SPSEs viz., Arunachal Pradesh Industrial Development and Financial Corporation Limited and Arunachal Pradesh Donyi Polo Hotels Corporation Limited, did not submit any accounts during the year 2022-23.

As per information furnished by the SPSEs, during 2022-23, the State Government has provided budgetary support of ₹66.71 crore in the form of grants/ subsidy.

As per the latest finalised accounts of SPSEs as on 30 September 2023, the turnover of six working SPSEs stood at ₹12.52 crore. The accumulated loss (₹29.95 crore) of two working SPSEs had completely eroded their paid-up capital (₹5.20 crore) as per the latest finalised accounts. During 2022-23, four working SPSEs incurred overall loss of ₹0.95 crore as per latest finalised accounts.

Compliance Audit Paragraphs

ARUNACHAL POLICE HOUSING AND WELFARE CORPORATION LIMITED

APHWCL did not ensure correct assessment of Advance Income Tax, file Income Tax Return and did not pay Advance Tax on time resulting in avoidable payment of ₹38.75 lakh as interest and fee for the assessment periods between 2016-17 and 2020-21.

Recommendation:

The State Government should monitor the functioning of the Company to ensure better assessment of its tax liability and avoid payment of penalty. The responsibility may be fixed on the officers concerned for inability to ensure compliance to the Income Tax Act (section 208).

Follow up of Audit Observations

During the year 2022-23, two Public Accounts Committee (PAC) meetings were held in July 2022 and November 2022 after a gap of over 11 months (the PAC met earlier in July 2021). During 2022-23, the Committee selected total 110 paras/ sub-paras in respect of three Departments pertaining to the period from 2009-10 to 2014-15 for discussion and dropped 109 paras/ sub-paras. In 2022-23, no Action Taken Notes (ATNs) in respect of any Departments were taken up for discussion by PAC.

As of March 2023, 7,494 Paragraphs pertaining to 1,378 Inspection Reports (IRs), involving ₹8,505.36 crore were outstanding. Out of 1,378 IRs, the first replies to 1,039 IRs have not been received.

Recommendation:

The State Government may ensure that the replies to IRs/ Audit Paragraphs are sent as per prescribed time schedule and losses/ outstanding advances/ overpayments pointed out in audit are recovered in a time bound manner.

