



CHAPTER – III
ECONOMIC SECTOR



CHAPTER – III: ECONOMIC SECTOR

3.1 Introduction

This Chapter of the Audit Report deals with the audit findings on the Departments of the State Government under the Economic Sector.

During 2022-23, total budget allocation of the State Government under the Economic Sector (other than Public Sector Enterprises) was ₹18,096.54 crore, against which the actual expenditure was ₹13,496.63 crore (74.58 per cent). Department-wise budget allocations and expenditure incurred are given in **Table 3.1**.

Table 3.1: Budget allocation and expenditure under Economic Sector

Sl. No.	Name of the Department	Budget			Expenditure			Expenditure (in Per cent)
		Revenue	Capital	Total	Revenue	Capital	Total	
1.	Agriculture	359.18	118.90	478.08	354.30	3.96	358.26	74.94
2.	Animal Husbandry, Veterinary and Dairy Development	203.67	12.00	215.67	188.17	2.10	190.27	88.22
3.	Civil Aviation	97.50	41.83	139.33	94.05	38.57	132.62	95.18
4.	Co-operation	19.71	1.00	20.71	19.17	1.00	20.17	97.39
5.	Department for Development of Tirap, Changlang and Longding Districts	1.15	50.00	51.15	1.11	44.17	45.28	88.52
6.	Economic and Statistics	29.89	1.00	30.89	29.29	1.00	30.29	98.06
7.	Environment and Forests	798.35	27.64	825.99	506.50	27.64	534.14	64.67
8.	Fisheries	53.31	35.31	88.62	54.13	32.15	86.28	97.36
9.	Food and Civil Supplies	583.60	3.23	586.83	427.34	2.74	430.08	73.29
10.	Geology and Mining	28.28	2.95	31.23	27.97	2.75	30.72	98.37
11.	Horticulture	252.72	0.31	253.03	250.11	0.00	250.11	98.85
12.	Hydro Power Development	470.91	190.59	661.50	284.16	183.70	467.86	70.73
13.	Industries	44.98	23.50	68.48	42.76	23.61	66.37	96.92
14.	Information Technology and Communication	59.00	85.77	144.77	52.91	85.77	138.68	95.79
15.	Legal Metrology and Consumer Affairs	16.43	0.74	17.17	15.75	0.61	16.36	95.28
16.	North Eastern Council	5.05	95.00	100.05	112.73	26.80	139.53	139.46
17.	Panchayati Raj	484.65	0.50	485.15	337.96	0.00	337.96	69.66
18.	Planning and Investment	565.83	2788.11	3353.94	126.19	869.23	995.42	29.68
19.	Power (Electrical)	1360.43	370.70	1731.13	1141.15	360.23	1501.38	86.73
20.	Public Works	1433.63	2556.18	3989.81	1056.63	2362.97	3419.60	85.71
21.	Rural Development	752.04	82.45	834.49	765.78	79.15	844.93	101.25
22.	Rural Works	519.99	2036.34	2556.33	347.37	1985.19	2332.56	91.25

Sl. No.	Name of the Department	Budget			Expenditure			Expenditure (in Per cent)
		Revenue	Capital	Total	Revenue	Capital	Total	
23.	Science and Technology	67.09	0.00	67.09	67.04	0.00	67.04	99.93
24.	State Transport	220.54	13.92	234.46	206.11	13.31	219.42	93.59
25.	Textile and Handicrafts	71.90	7.99	79.89	69.53	2.74	72.27	90.46
26.	Tourism	51.71	22.82	74.53	46.82	12.88	59.70	80.10
27.	Trade and Commerce	11.50	0.00	11.50	11.56	0.00	11.56	100.52
28.	Water Resource	620.18	344.54	964.72	363.15	334.62	697.77	72.33
Total		9183.22	8913.32	18096.54	6999.74	6496.89	13496.63	74.58

Source: Appropriation Accounts, 2022-23.

- During 2022-23, expenditure incurred by the Departments ranged between 29.68 per cent and 139.46 per cent of the allocations made.
- Thirteen Departments have incurred more than 90 per cent but less than 100 per cent of the total budget allocation during 2022-23.
- Three Departments have incurred more than 100 per cent of the total budget allocation viz. North Eastern Council (139.46 per cent), Rural Development (101.25 per cent) and Trade and Commerce (100.52 per cent) during 2022-23.
- The Revenue Expenditure in the sector was ₹6,999.74 crore (51.86 per cent of the total expenditure).
- The Capital Expenditure in the sector was ₹6,496.89 crore (48.14 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 was conducted in 72 units of 12 Departments involving expenditure of ₹2,782.89 crore (including expenditure of earlier years) respectively during 2022-23 under the Economic Sector.

This Chapter contains audit observations on two Performance Audits viz. “Development of Tourism Infrastructure in Arunachal Pradesh” & “Implementation of Pradhan Mantri Gram Sadak Yojana (PMGSY) in Arunachal Pradesh” and eight compliance audit paragraphs.

Performance Audit
Tourism Department
3.2 Development of Tourism Infrastructure in Arunachal Pradesh

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.*

(Paragraph 3.2.7.1)
- *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.*

(Paragraph 3.2.7.3)
- *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.*

(Paragraph 3.2.8.5)
- *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.*

(Paragraph 3.2.9.4)
- *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.*

(Paragraph 3.2.9.4)

- *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.*

(Paragraph 3.2.9.5)

- *Neither the State Level Monitoring Committee nor the State Steering Committee was constituted to review the physical and financial progress of projects.*

(Paragraph 3.2.10)

3.2.1 Introduction

Arunachal Pradesh popularly known as the ‘Land of Dawn-lit-Mountains’ is India’s remotest state and the first Indian soil to greet the rising sun. The State is located on the north-eastern tip of India with its borders touching China, Bhutan and Burma (Myanmar) and is endowed with a dazzling array of flora and fauna. With its numerous turbulent streams, roaring rivers, deep gorges, lofty mountains, snow-clad peaks, thousands of species of flora and fauna and an endless variation of scenic beauty, there is tremendous potential for development of tourism in Arunachal Pradesh especially adventure and eco-tourism. The State has vast potential for offering various attractions to tourists like river rafting, angling, hiking, trekking, mountaineering, hang gliding, snow skiing, *etc.* For wildlife enthusiasts and nature lovers, Arunachal has a number of wildlife sanctuaries, national parks and biosphere reserves and its lushgreen tropical forests teeming with wildlife. Arunachal Pradesh is also famous for the Buddhist Circuit. Some of the places of tourist attractions in the State are Tawang Monastery, Bumla Pass, Talley Valley Wildlife Sanctuary, Pakke Tiger Reserve, Parshuram Kund, Mechuka Lake, Namdapha National Park, *etc.* Arunachal Pradesh ranks fourth in terms of tourist footfall in the eight North Eastern States behind Assam, Sikkim and Meghalaya during the period 2017-2021.

In a bid to promote and develop tourism in the State, the State Government framed its Tourism Policy in 2003. The vision statement of the policy was to develop Tourism Industry as an engine of growth and harness its potential for the benefit of people of Arunachal Pradesh. To realise the vision, the policy laid down the following objectives:

- Sustainable planning for suitable development of tourism.
- Protection of its heritage (natural, cultural as well as traditions and values of the people of the State).
- Reduction of poverty by ensuring revenue capture by the local community.
- Capacity building and creation of mechanisms in support of small and medium enterprises.
- Formulation of strategies that will exploit opportunities and potential of the state.
- Ensuring development policies (including public works and transportation, bus and road networks) that support and promote various attractions of the State.
- Securing involvement of the largest number of stakeholders in decision making and resource allocation and utilisation.

The Government of India (GoI) and the State Government have been funding several tourism projects for creation of infrastructure, brand promotion and human resource development. The infrastructure projects/ schemes implemented during 2017-23 are as follows:

- (i) Swadesh Darshan - ₹116.73 crore
- (ii) Pilgrimage Rejuvenation and Spiritual Heritage Augmentation Drive (PRASHAD) - ₹4.17 crore
- (iii) Product Infrastructure Development at Destinations and Circuits (PIDDC) - ₹119.93 crore
- (iv) Projects under North Eastern Councils (NEC) - ₹51.11 crore
- (v) State Plan schemes/ projects - ₹83.16 crore

3.2.2 Organisational set-up

The Tourism Department of the Government of Arunachal Pradesh (GoAP) is the nodal agency responsible for development of tourism sector in the State. The Secretary to the GoAP is the administrative head of the Department.

The Director of Tourism is the head of the office who is responsible for all tourism related activities. He is assisted by two Deputy Directors, two Assistant Directors, one District Tourism Officer (DTO), four Tourist Information Officers (TIOs) and a Finance and Accounts Officer at the Directorate level.

The Directorate also had an Engineering Wing¹ till 30 June 2020 which was headed by an Executive Engineer. He was assisted by two Assistant Engineers and four Junior Engineers. Engineering Wing of the Department was closed as per Government policy (2020) and the Engineers who were brought in the Department on deputation were repatriated to their parent Department accordingly.

There are 17 DTOs in the State out of which 14 DTOs are posted in the Districts, one in Headquarters Office and one DTO each at Mohanbari, and New Delhi as RTO (Resident Tourism Officer). The number of TIOs in the State is 16 out of which 11 TIOs are posted in Districts, four in Headquarters Office and one in Guwahati.

3.2.3 Scope and Methodology of Performance audit

The Performance Audit covered the period from 2017-18 to 2021-22. However, projects sanctioned prior to 2017-18 but whose implementations was spilled over to the audit period were also considered for the performance audit. Six² districts have been selected based on **Probability Proportional to Size Without Replacement (PPSWOR)** method with expenditure as size. Out of 228 projects (Central projects: 125³ and State projects: 103⁴) implemented in the State at a cost of ₹375.35 crore during the review period, a total of 96⁵ projects implemented at a cost of ₹189.64 crore in the six selected districts were covered

¹ Engineering Wing was created on 05 May 2010 by engaging the staff from Engineering department (PWD and Hydro Power Development) which was discontinued *w.e.f.* 01 July 2020.

² Tawang, Papum Pare, Lower Subansari, East Siang, Shi Yomi, Lohit.

³ Implemented at the cost of ₹292.19 crore

⁴ Implemented at the cost of ₹83.16 crore

⁵ Swadesh Darshan- 21 projects; PRASHAD- 01 project; PIDDC- 43 projects; NEC- 07 projects and State plan schemes/ projects: 24

out of which 72 projects⁶ were Central projects whereas 24 projects⁷ were State projects as detailed in *Appendix-3.1*.

The Performance Audit commenced with an 'Entry Conference' with the Secretary, Tourism Department on 18 July 2022 wherein the objectives and the scope of performance audit were discussed. Subsequently, Audit examined records and other evidences in the Directorate of Tourism and offices of the DTOs along with 17 executing agencies of the six selected Districts. Besides, joint physical verifications of sites of 56 projects were conducted in the selected Districts.

The audit findings of Performance Audit were discussed in the 'Exit Conference' with the Secretary, Tourism Department, Deputy Director of Tourism Department, Finance and Accounts Officer of Tourism Department, Executive Engineer of the erstwhile Engineering Wing of Tourism Department, Executive Engineer, Water Resource Department, Yupia and other Departmental officials held on 07 July 2023. The replies from the Department have been incorporated suitably wherever appropriate.

3.2.4 Audit Objectives

The main audit objectives were to examine and assess whether:

- State Tourism Policies and Plans were formulated in line with National Tourism Policy and implemented effectively.
- Funds at the disposal of the State Government were utilised in an economic, efficient and effective manner.
- Implementation of infrastructure development projects funded under various schemes was in conformity with the prescribed codal procedures and whether they were efficiently managed.
- The monitoring and regulatory mechanisms were in place and were effective.

3.2.5 Audit criteria

Audit findings were benchmarked against the criteria derived from the following sources to achieve the audit objectives:

- National Tourism Policy, State Tourism Policy and Plans.
- General Financial Rules, 2005 and 2017.
- CPWD Works Manual.
- Guidelines, Circulars, and various Orders issued by the Ministry of Tourism, GoI/ State Government.
- Prescribed monitoring mechanism.

3.2.6 Acknowledgement

The Office of the Principal Accountant General, Arunachal Pradesh acknowledges the co-operation and assistance provided by the Tourism Department, GoAP during conduct of this PA.

⁶ Implemented at the cost of ₹162.70 crore

⁷ Implemented at the cost of ₹26.94 crore

Audit Findings

Results of the Performance Audit are discussed in succeeding paragraphs.

3.2.7 Tourism Policy and Plans

Arunachal Pradesh has 12 tourist circuits, *viz.*, (i) Tezpur-Bhalukpong-Bomdila-Tawang, (ii) Itanagar-Ziro-Daporijo-Aalo-Pasighat, (iii) Pasighat-Jengging-Yingkiong-Tuting, (iv) Tinsukia-Tezu-Hayuliang, (v) Margherita-Miao-Namdhapa-Vijoynagar, (vi) Dibru Garh-Deomali-Hakanjuri-Khonsa, (vii) Dibru Garh-Kanubari-Longding, Tezpur-Sejjosa-Bhalukpong, (viii) Ziro-Palin-Nyapin-Sangram-Koloriang, (ix) Doimukh-Sagalee-Pake Kessang-Seppa, (x) Aalo-Mechuka, (xi) Daporijo-Taliha-Siyum-Nacho and (xii) Jairampur-Manmao-Nampong-Pangsau Pass.

All 96 sampled projects were included under the following Circuits *viz.* (i) Tezpur-Bhalukpong-Bomdila-Tawang, (ii) Itanagar-Ziro-Daporijo-Aalo-Pasighat, (iii) Pasighat-Jengging-Yingkiong-Tuting and (iv) Aalo-Mechuka.

Audit observed that the Tourism Department emphasised the development of tourism infrastructure based on circuit-wise attraction of tourists in the State. However, there were gaps in policy framed by the State Government as discussed below.

The National Tourism Policy, 2002 laid down the current tourism scenario in the country *vis-à-vis* strengths, weaknesses, opportunities, threats (SWOT) and its achievements, prospects and development goals.

The GoAP adopted the Tourism Policy in 2003 with a vision statement to develop tourism industry as an engine of growth and to harness its potential for the benefit of its people. Audit, however, noticed that the State Tourism Policy, 2003 only brought out in general the objectives and strategies for promoting tourism in the State, without specifying the present scenario *vis-à-vis* the achievements, strengths, weaknesses, opportunities, threats *i.e.* SWOT analysis⁸ and target and specific areas for future growth projection. Thus, the State Tourism Policy was framed not in line with the National Tourism Policy.

Moreover, as per the State Industrial Policy (SIP), 2008 the State Government identified tourism sector as one of the thrust areas which had huge potential for growth in the State. In order to promote tourism potential of the State, SIP emphasises creation of an investment friendly environment in the State, making Arunachal Pradesh a preferred destination for outside investors, promote handloom and handicrafts, encourage local entrepreneurs to set up enterprises based on locally available raw materials, *etc.* Though SIP has emphasised on promotion and marketing of tourism sector of the State, no such activities could be undertaken due to non-constitution of Arunachal Tourism and Marketing and Promotion Board (ATMPB) by Tourism Department as discussed under **Paragraph 3.2.9.10.**

While accepting the audit observation, the State Government stated (June 2023) that preparation of the Comprehensive State Tourism Policy is under process for the implementation of tourism projects in the State.

⁸ SWOT analysis is a strategic planning and strategic management technique used to help a person or organization identify Strengths, Weaknesses, Opportunities, and Threats related to project planning.

3.2.7.1 Non preparation of Comprehensive Master Plan

State Tourism Policy, 2003 laid specific emphasis on preparation of a Comprehensive Master Plan for development of high potential tourism areas.

Audit, however, noticed that 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 an *ad hoc* basis, without conducting feasibility studies at the ground level. Thus, Tourism Schemes/ Projects were implemented without any integrated tourism development plan, training needs analysis and formulation of marketing strategy/plan as discussed under **Paragraphs 3.2.9.7.**

While accepting the audit observation, the State Government stated (June 2023) that preparation of Tourism Master Plan is under process.

3.2.7.2 Delinked Projects

PIDDC was a centrally sponsored scheme which was delinked/ closed in 2015 and the responsibility to monitor and provide necessary funds for completion of these PIDDC projects was given to the State Government. After the delinking of PIDDC projects, Swadesh Darshan Scheme-1 (SDS-1) was launched in 2015.

Scrutiny of records revealed that out of 43 sampled PIDDC projects which were delinked in 2015 just after the release of first instalment by Ministry of Tourism (MoT), GoI, 25 projects were completed during the review period with additional funds from the State's own resources (as discussed under **Paragraph 3.2.8.3**). Out of the 18 incomplete projects⁹, 14 projects were abandoned after incurring an expenditure of 10 to 94 *per cent* of the agreement amount as discussed under **Paragraph 3.2.9.4**. The role of District Tourism Promotion Council(DTPC) was to prepare feasibility studies and recommend projects to the Directorate of Tourism but no such feasibility studies were carried out and no recommendation for completion of the abandoned projects was made due to which the expenditure of ₹13.65 crore incurred on the abandoned projects was wasteful as discussed under **Paragraph 3.2.9.4**. This also reflects that there was lack of prioritization of projects and monitoring on the overall planning and implementation of the tourism infrastructure development projects at the Directorate level.

Also, since the launch of SDS-1, 40 projects have been sanctioned and executed by incurring an expenditure of ₹116.73 crore. However, the scheme guidelines highlighting the scheme's objectives, planning strategy, implementation procedure, monitoring mechanism and outcome of the scheme have not been finalised till date (June 2023). Thus, the Tourism Department has been implementing 40 projects under SDS-1 on *ad hoc* basis without any scheme guidelines which had resulted in various irregularities, *inter alia*, delays in completion of the projects as discussed under **Paragraph 3.2.9.4**, change of project sites after the projects were sanctioned as discussed under **Paragraph 3.2.7.3**, idling of completed projects as discussed in **Paragraph 3.2.9.5, etc.**

⁹ In four out of 18 projects, no expenditure was found incurred.

The State Government stated (June 2023) that District Tourism Promotion Council (DTPC) is responsible for the planning, implementation, and oversight of district tourism infrastructure within their respective districts. The DTPC provides the Directorate of Tourism with all project feasibility reports, project recommendations, and project completion reports.

The reply of the State Government is not acceptable as it lacked plans for completing abandoned projects. DTPC did not conduct feasibility studies or provide recommendations to Directorate of Tourism, indicating inaction on the part of DTPC and Directorate of Tourism to undertake the abandoned projects so that the projects could be completed and gainfully utilised.

3.2.7.3 Absence of feasibility study

Audit observed that the sites of six projects were shifted from the approved locations as detailed in Table 3.2.

Table 3.2: Change of site

Sl. No.	Name of the project	Original site	New site	Distance	Sanction Date	Status
1.	Development of Jamcharche Park at Lumla under Swadesh Darshan	Jamcharche	Buri	45 km	03.03.2015	Ongoing, already delayed by 73 months
2.	Development of Infrastructure at Bumla Pass under Swadesh Darshan	Bumla Pass	Mangma Gyalam	10 km	03.03.2015	Completed in February 2020 after a delay of 34 months
3.	Construction of Adventure Tourism Camping-cum-Recreation Site at Huto in Doimukh (NEC)	Hutu Village	Chiputa village	2 km	11.12.2015	Completed in May 2019 after a delay of 17 months
4.	Construction of Festival Ground at Mechuka {State Annual Development Programme (SADA)}	Near ITBP Camp in Mechuka	Near DC Office in Mechuka	500 m	22.02.2017	Ongoing, already delayed by 46 months
5.	Development of Heritage Site at Pemaziling, Mechuka (PIDDC)	Pemaziling	Shegang	500 m	28.11.2014	Completed in March 2017, after a delay of more than three months
6.	Mega Festival cum Multipurpose ground with parking facilities and approach road, Tawang NEC	Festival Ground, Tawang	In circuit House & nearby	1 km	21.03.2016	Ongoing for want of funds, already indicating a delay 49 months.

Source: Departmental records

While the sites for Sl. No. 4 and 6 were changed due to land (site) disputes with Sashastra Seema Bal, SSB, Tawang and Indo-Tibetan Border Police, ITBP, Mechuka respectively, the site for Sl. No. 5 was shifted due to claim of ownership of the land by different individuals. The sites for Sl. No. 1 and 3 were changed due to objection from the landowners while the site for Sl. No. 2 was changed due to objection by Indian Army due to security reasons. The shifting of sites indicates that feasibility studies of the site were not properly conducted and availability of land free from encumbrance was not ensured before the sanction of the

project. The Department has not obtained approval of the sanctioning authority *i.e.* MoT, GoI for shifting of sites.

Further, another project “Operation of Toy Train in Tawang” was sanctioned in March 2022 under State Plan but the amount of ₹4.37 crore drawn against the project in March 2022 was surrendered to State Government in September 2022 as the project was found not feasible at the site. This also indicates that proper feasibility study was not carried out before the proposal and sanction of the project.

The State Government stated (June 2023) that they would look into the matter and if needed, ex-post facto approvals will be obtained for the deviations.

However, the State Government had not furnished any *ex-post facto* approval as of July 2023.

Besides, the project “Development of Tawang Walk Through” under Swadesh Darshan, sanctioned in March 2015 at a cost of ₹18.36 crore was initially implemented by Tourism Department. After incurring an expenditure of ₹4.26 crore, the project was handed over to EE, PWD, Tawang in February 2018. After taking over the project, the EE, PWD, Tawang went through the Master Plan and related drawings prepared by Tourism Department and found the size of the site small *vis-à-vis* the Master Plan and drawings. So EE, PWD, Tawang prepared a new Master Plan and drawing as per the site conditions. Due to the changes in the drawings, the bill of quantities was altered and changes were effected in the specification of work. Accordingly, the Division prepared revised estimates for an amount of ₹9.00 crore and an expenditure of ₹7.83 crore had been incurred till date (November 2022) indicating a delay in completion by more than six years. This indicates that proper site survey and investigation were not carried out by Tourism Department before preparation of the DPR and execution of work.

The State Government stated (June 2023) that they would review the matter and if needed, necessary measures will be taken to ensure that DPRs are prepared only after carrying out all the necessary formalities.

3.2.7.4 Public Private Partnership

The State Tourism Policy, 2003 envisaged establishment of contact with domestic private sector agencies in the field of hospitality, travel agents, tour operators, *etc.* Public Private Partnerships (PPP) will be treated as an essential ingredient of the policy for the development and encouragement of structures and delivery mechanisms.

Audit, however, observed that the Department issued a circular communicating a guideline for leasing out tourism infrastructure under PPP Mode in January 2014, however, the Department had not framed a comprehensive PPP policy as of June 2023. Out of the 50 completed projects only nine projects were leased out (as discussed under **Paragraph 3.2.9.5**). Therefore, though the Department felt the need for involving private parties in operation of various assets already created, State Government had not yet formulated a policy in this regard.

The State Government stated (June 2023) that they are already working on the preparation of a comprehensive PPP policy/ guidelines for the State.

For promotion and marketing of tourism potential in the State, “Arunachal Tourism and Marketing and Promotion Board” was to be constituted which is discussed under **Paragraph 3.2.9.10**.

3.2.8 Financial Management

The Ministry of Tourism (MoT), GoI extended financial assistance to the State Government for augmentation of tourist infrastructure facilities through three schemes viz., PIDDC, Swadesh Darshan and PRASHAD during the review period. The Tourism Department of the State Government had also been receiving funds from the North Eastern Council (NEC), GoI. Besides, there were various State schemes and projects funded by the State Government for promotion and development of tourism industry in the State.

3.2.8.1 Budget Provision and actual expenditure

Position of the budget provision and actual expenditure under revenue and capital section for the period 2017-23, is shown in **Table 3.3**.

Table 3.3: Budget and Expenditure

(₹ in crore)

Year	Budget Provision			Actual Expenditure			Saving (-)/ Excess (+) (Per cent)	
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital
2017-18	38.12	140.81	178.93	36.35	39.91	76.26	(-) 1.77 (4.65)	(-) 100.90 (71.66)
2018-19	54.15	126.89	181.04	43.81	104.89	148.71	(-) 10.34 (19.09)	(-) 22.00 (17.34)
2019-20	46.71	16.73	63.44	42.21	3.19	45.40	(-) 4.50 (9.63)	(-) 13.54 (80.92)
2020-21	20.72	25.81	46.53	17.93	11.92	29.85	(-) 2.79 (13.47)	(-) 13.89 (53.81)
2021-22	48.92	64.10	113.01	34.11	42.28	76.39	(-) 14.81 (30.27)	(-) 21.82 (34.04)
2022-23	51.71	34.58	86.29	46.82	24.64	71.46	(-) 4.89 (9.45)	(-) 9.94 (28.74)
Total	260.33	408.94	669.25	221.23	212.12	433.35	(-) 39.10 (15.02)	(-) 196.80 (48.13)

Source: Detailed Appropriation Accounts

It can be seen from the above table that against the total budgetary provision of ₹669.25 crore during 2017-23, the actual expenditure was ₹433.35 crore indicating an overall saving of ₹235.90 crore (35.25 per cent). While the savings in revenue section ranged between 4.65 and 30.27 per cent during 2017-23, the savings in capital section were as high as 80.92 per cent. The savings under capital section are indicative of underutilisation of allocated funds for creation of assets which affected the development of tourist infrastructure in the State. The underutilisation of funds under capital section was basically due to non-receipt/late receipt of finance concurrence/ expenditure authorisation from Finance Department.

The State Government stated (June 2023) that they were aware of the issue, and they have been making efforts and closely monitoring the utilisation of the fund and lately there has been significant improvement in this regard.

The claim of significant improvement is found to be factually incorrect as the savings under revenue and capital section as per appropriation accounts of the Department during 2021-23 were still substantial as reflected in **Table 3.3**.

The matter has been referred to Finance Department (June 2023) and the reply was awaited as of September 2024.

3.2.8.2 Delay in release of fund

MoT, GoI while sanctioning and releasing funds for various infrastructure projects under PIDDC reiterated that the funds released by the GoI to the State Government should not be kept unutilised for more than six months. In case the funds cannot be utilised, the same have to be surrendered to Central Government or their formal approval taken to transfer/adjust the amount against other centrally funded projects.

Scrutiny of records revealed that:

- MoT, GoI had released a total of ₹25.20 crore during March 2013 to December 2014, to the State Government.
- The State Government released the same to implementing agency during January 2014 to February 2017 after a delay ranging between 03 months to 29 months.
- Even when funds were not utilised within the stipulated period of six months, they were neither surrendered to MoT, GoI, nor intimated to the GoI as required under the prevailing instructions.

Further, in case of projects funded by the NEC, funds released were to be transferred to the implementing agency by the State Government within a period of one month. Scrutiny of records revealed that:

- Against NEC's share of ₹39.94 crore for seven projects, an amount of ₹39.36 crore had been released to the State Government in 21 instalments between March 2010 and February 2022.
- The State Government had released the same amount to the implementing agencies between July 2010 and February 2023 after a delay ranging between 02 months 15 days to 54 months 24 days.

Therefore, lack of timely release of funds by the State Government to the implementing agency would adversely affect timely completion of infrastructure projects.

The State Government accepted (June 2023) the audit finding.

3.2.8.3 Inability of the Tourism Department to utilise the sanction

Against the sanctioned amount of ₹101.50 crore for 43 sampled PIDDC projects, ₹25.20 crore was released during March 2013 to December 2014 while the remaining sanctioned amount of ₹76.30 crore was not released by MoT, GoI as the scheme was delinked by GoI in 2015. In an effort to revive the projects, the State Government sanctioned and released an amount of ₹41.41 crore from State's own resources during 2018-19 out of which an amount of ₹36.04 crore was incurred while the remaining amount of ₹5.37 crore was not utilised resulting in lapse of fund to the same extent, when 18 projects were still incomplete. Therefore, inability of the Department to utilise the sanctioned amount coupled with non-release or sanction of fund thereafter rendered the infrastructure so created wasteful as discussed under **Paragraph 3.2.9.4.**

The State Government in its reply stated (June 2023) that the matter would be reviewed. However, no responses have been received as of September 2024.

3.2.8.4 Submission of Utilisation Certificates

Timely submission of Utilisation Certificates (UCs) of funds received is required for subsequent release of instalments by funding agencies.

Utilisation Certificates under NEC scheme

As per the sanction order of NEC projects, the State Government will furnish the certificate of the actual utilisation of the grant within twelve months from the date of closure of accounts.

Audit observed that—

- The Department has furnished UCs amounting to ₹12.22 crore of seven instalments to audit.
- UCs for three out of the seven instalments were found submitted in time.
- UCs for the remaining four instalments were submitted after a delay ranging between 03 and 33 months due to delay in release of fund by State Government coupled with slow progress of work which subsequently led to delay in utilisation of fund.

Utilisation Certificates under PIDDC scheme

Under PIDDC Scheme, funds released by the GoI to the State Government should not be kept unutilised for more than six months.

Audit observed that –

- Out of UCs submitted amounting to ₹17.70 crore for 11 projects, UCs of ₹5.71 crore in respect of five projects were submitted after a delay ranging between 06 and 12 months respectively as the utilisation of fund was delayed due to delay in release of fund by State Government.
- For the remaining amount of ₹11.98 crore (six projects), the Department had submitted the UCs to MoT one month to 19 months before they actually received fund from the State Government which indicates that the submitted UCs did not reflect the actual utilisation of fund. Thus, there was incorrect reporting of utilisation of funds to the higher authority, before their actual utilisation.

The State Government stated (June 2023) that the delay was partly due to the closure of Engineering Wing of Tourism Department and repatriation of the technical staff to their parent Departments. Also, the delay was partly attributed to the Covid pandemic.

The reply of the State Government is not acceptable due to the fact that Covid pandemic started in March 2020 and Engineering Wing of Tourism Department was closed in June 2020 while the due date of submission of most of the UCs was September 2018. The shortfall/ delay in submission of UCs indicates inability of the State Government to utilise funds in time resulting in delay in completion of projects..

3.2.8.5 Drawal of money without immediate requirement for disbursal

Rule No. 100 (2) of Central Government Account (Receipt & Payment) Rules, 1983 states that “No money shall be withdrawn from government account unless it is required for

immediate disbursal. It is not permissible to draw money from Government Account in anticipation of demands or to prevent the lapse of budget grants”.

Scrutiny of records revealed that the 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) as detailed in **Appendix-3.2**. Audit observed that, for the DDs at Sl. no. 1 to 9 of **Appendix-3.2**, the amounts were drawn from government account on the strength of Running Account (RA) bills prepared on the basis of measurement of work done as recorded in measurement books. Out of ₹6.17 crore, DDs amounting to ₹31 lakh (Sl. no. 7 to 9 of **Appendix-3.2**) were disbursed to the concerned contractors during February to July 2023 after more than two to four years since the drawal of money from government account. DDs amounting to ₹1.49 crore (Sl. no. 1 to 6 of **Appendix-3.2**) were still lying undisbursed as of November 2023 though the monies were already drawn from government account almost four to five years back. The Department stated that the DDs will be disbursed as and when the executions of the works are completed. This indicates that monies were drawn from government account on the basis of fictitious measurement and bills prepared for the works/ components which were not yet executed. The same was corroborated during joint physical verification of one¹⁰ of the sampled project, wherein, the items shown executed as per the MB and bills were found actually not executed as discussed under **Paragraph 3.2.9.4**.

The remaining DD amount of ₹4.37 crore (Sl. no. 10 of **Appendix-3.2**) was drawn from government account in March 2022 on the strength of abstract of the estimated cost but was surrendered to State Government in September 2022 as the project was found not feasible. This also indicates that money was drawn from government account without actual execution of work.

Therefore, parking of government money in the form of DDs drawn in favour of the contractors for a period of six months to almost five years indicated that the amount was drawn from government account without immediate requirement for disbursal to prevent the lapse of budget grants which was in violation of the extant rules. Besides, drawal of money from government account and parking of the same in the bank for six months to almost five years tantamounted to blockade of government money to the same extent.

The State Government stated (June 2023) that this was done purposely to avoid the lapse of fund. However, this cannot reoccur since now funds are kept under SNA in PFMS.

Recommendation: The Department may ensure that money is not withdrawn from government accounts to prevent the lapse of budgetary grants unless it is required for immediate disbursal.

3.2.8.6 Diversion of fund

Rule 26 (ii) of General Financial Rules (GFR), 2005 and GFR 2017 stipulates that the Controlling Officer in respect of funds placed at his disposal should ensure that the expenditure is incurred for the purpose for which funds have been provided.

¹⁰ Construction of Tourist Resort at Sidhartha Vihar near Gompa, Itanagar.

As per the sanction orders issued by the MoT, GoI, funds had to be utilised for the purpose for which they were released. During the period from March 2016 to June 2020, audit noticed instances of deviation/diversion of funds for purposes other than the purpose for which they were released as shown in **Table 3.4**.

Table 3.4: Diversion of fund

(₹ in lakh)

Sl. No.	Name of projects	Name of the work which is outside the scope of the work/ diverted to	Amount utilised on the work which is outside the scope of the work	Date of issue of work order	Date of payment
1.	Development of Wayside Amenities under Itanagar-Ziro-Daporijo-Aalo-Mechuka Circuits	Renovation of Tourist Lodge at Daporijo	18.91	28.10.2015	30.03.2016
2.	Destination Development at Mariyang Dr. Ering Wild Life Sanctuary and Borguli	Renovation of Tourist Lodge at Talo Gego	12.99	17.06.2016	19.03.2017
3.	State Insititute of Hotel Management (Construction of Coumpound Wall, Water Supply & Electricity Connection)	Storm Water Drain at Tapo Nallah	3.76	NA	28.03.2018
4.	'Chief Minister's Advance Skill Certificate Course (CMSACC)'	Transferred to Eastern and Western Army Divisions of Indian Army of Arunachal Pradesh for conducting training on various Adventure Sports.	14.00	NA	09.06.2020
5.	Organisation/Creation of Mega Trekking Route in collaboration with NIMAS	Certificate course in adventure tourism	70.00	NA	28.03.2020
Total			119.66	-	-

Source: Departmental records

The expenditure of ₹1.20 crore was incurred on works which were outside the scope of the above projects without the approval of the sanctioning authority. Thus, non-utilisation of the funds for the purpose for which they were sanctioned was in violation of orders *ibid* and tantamounted to diversion of funds to the same extent.

The State Government stated (June 2023) that diversions were unavoidable because of the unforeseen and unavoidable circumstances, however, they would obtain ex-post facto sanctions in respect of the works at Sl.no. 1 to 3. Department clarified that they already have approvals of the competent authority w.r.t. the works at Sl.no.4 to 5 and the relevant records will be produced to audit.

However, the *ex-post facto* sanctions for diversion of fund in respect of works at Sl. No. 1 to 3 along with the approval of the competent authority *w.r.t.* the works at Sl. No. 4 and 5 could not be produced till date (September 2024).

Recommendation: The Department may ensure that the fund is utilised only for the purpose for which it was sanctioned.

3.2.8.7 Short recovery of statutory dues

Building & Other Construction Workers Welfare Cess (BOCWW Cess) is levied @ one per cent on the cost of construction incurred by an employer as per the provisions of sections 3(1) and 3(3) of the Building & Other Construction Workers Welfare Cess Act, 1996.

Clause 30 (2) Receipt and Payment Rules, 1983 stipulates that income tax is required to be deducted at source at the rate of two per cent in all cases of payment to contractors and sub-contractors exceeding ₹10,000 in terms of the provisions of Section 194-C of the Income Tax Act, 1961 (43 of 1961).

Value added tax (VAT) as per Arunachal Pradesh Goods and Tax Act 2005, was applicable in the State till July 2017. Under Simplified Accounting Method for Works Contract, a contractor can opt for VAT @ four per cent of the value of the contract work instead of 12.5 per cent on 75 per cent of the value of the work done.

As per section 194 (c) and 201 (1A) of Income Tax Act 1961, the Drawing and Disbursing Officer (DDO) is responsible for deducting income tax failing which he shall be liable to pay simple interest at one per cent for every month or part of the month on the amount of such tax from the date on which such tax was deductible to the date on which such tax is deducted. Also, failure to deduct VAT shall invite a penalty as per sub-section (10) of section 47A of APGT Act 2005, equal to a sum not exceeding twice the amount deductible besides tax deductible but not so deducted.

Scrutiny of records in the Directorate of Tourism pertaining to execution of tourism infrastructure revealed that for works worth ₹94.56 crore shown executed and paid¹¹ under Swadesh Darshan, there was short recovery/ deduction of statutory dues such as labour cess, income tax and VAT as detailed in **Table 3.5**.

Table 3.5: Short recovery of statutory dues

	(₹ in lakh)			
	Income Tax	Labour Cess	VAT till July 2017	Total
To be deducted	181.99	94.56	247.76	524.32
Actual deduction	152.16	82.13	210.89	445.18
Short deduction	29.83	12.43	36.87	79.14

Source: Departmental records

It could be seen from the above table that against the required deduction of statutory dues amounting to ₹5.24 crore, an amount of ₹4.45 crore only was found deducted resulting in short deduction of ₹79.14 lakh. The short deduction was due to non-consideration of the adjusted amount of mobilisation advance while deducting the statutory dues. Thus, undue benefit was extended to the concerned firms. This also indicates ineffective monitoring of the deduction/ recovery of statutory dues by the Department.

The State Government stated (June 2023) that they have not deducted tax on recovery amount of Mobilisation Advance (MA) and the short amount of ₹79.14 lakh will be recovered from the concerned projects after release of the last and final instalment from GoI.

¹¹ After adjusting mobilisation advance of ₹12.43 crore

Statutory dues should have been deducted from the recovered amount of MA as they are recovered from the value of work done (bill amount) which is due to be paid to the contractor. Thus, non-deduction of the required amount of statutory dues by the Drawing and Disbursing Officer (DDO) of Tourism Department indicated non-compliance to financial rules which had resulted in short deduction of ₹79.14 lakh.

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.

3.2.9 Implementation

3.2.9.1 Status of the projects

During the review period, the Tourism Department, GoAP was implementing two central sector schemes (Swadesh Darshan and PRASHAD), two centrally sponsored schemes (NEC and PIDDC) and State Plan schemes/ projects for augmentation and development of tourism infrastructure in Arunachal Pradesh. The details of the number of projects under the concerned schemes along with the expenditure involved *vis-à-vis* the sampled projects is shown in Table 3.6.

Table 3.6: Details of schemes under Tourism Department

(₹ in crore)

Sl. No.	Schemes	Overall projects for the State		Sampled projects				
		No. of projects	Expenditure	No. of projects	Expenditure	No. of projects		
						Completed	Abandoned	Ongoing
1.	Swadesh Darshan	40	116.73	21	65.66	14	0	7
2.	PIDDC	75	119.93	43	56.42	25	18	0
3.	PRASHAD	1	4.17	1	4.17	0	0	1
4.	NEC	9	51.11	7	36.45	4	1	2
5.	State Plan	103	83.16	24	26.94	20	2	2
Total		228	375.35	96	189.64	63	21	12

Source: Departmental records

Number of projects implemented in the sampled districts and their status along with notable tourist destinations are shown in Table 3.7.

Table 3.7: Sampled district-wise status of projects and notable tourist destinations

Sl. No.	Districts	Total no. of projects	No. of sampled projects	Status of the sampled projects			Notable tourist Destination in the districts
				Completed	Ongoing	Abandoned	
1	East Siang	11	11	5	1	5	Dying Ering Wildlife Sanctuary, Mouling National Park, Sirki waterfall, Dangoria Baba Mandir etc.
2	Lohit	2	2	1	1	0	Parashuram Kund, View point at Tohangam, Kamlang wildlife sanctuary etc.

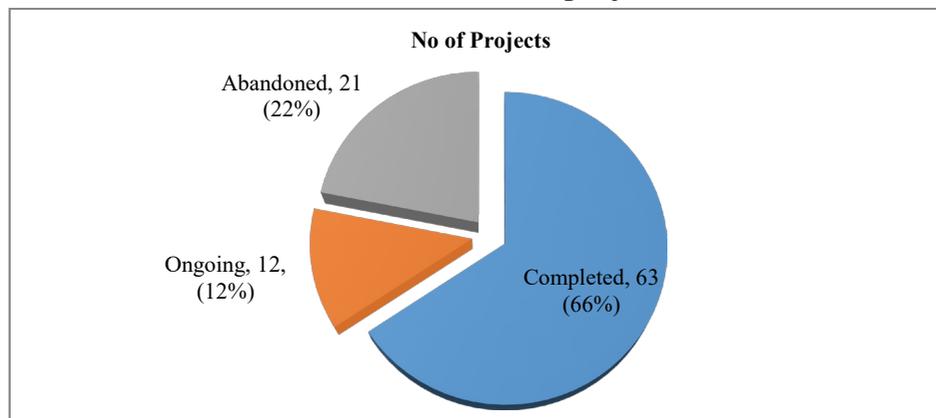
Sl. No.	Districts	Total no. of projects	No. of sampled projects	Status of the sampled projects			Notable tourist Destination in the districts
				Completed	Ongoing	Abandoned	
3	Lower Subansiri	32	16	11	1	4	Shivalinga at Kardo, Tally Valley wild life sanctuary, Siikhe lake, Seeh lake <i>etc.</i>
4	Papum Pare	29	21	12	5	4	Ganga Lake, Gompa, Ita fort, Bodum Langne <i>etc.</i>
5	Shi Yomi	19	17	16	1	0	Siko Dido water fall, Neh Pemashubu, Monasteries, Mechuka <i>etc.</i>
6	Tawang	35	29	18	3	8	Sela Pass, Bumla Pass, Madhuri Lake, Nuranang waterfall, Tawang War Memorial, Monastery <i>etc.</i>
Total		128	96	63	12	21	-

Source: Departmental records

The 96 sampled projects consisted of 79 original works which involved construction of Tourist Lodge, Amusement Park, Wayside Amenities/ Cafeteria, Adventure Tourism Camping-cum-Recreation Site, River Rafting Centre, Picnic Spots, Trekking Trails, Children’s Park, Amphitheatre, Wellness Resort, Modern Luxury Tent Village, Museum, Eco-log Hut, Meditation Centre, Development of Hot Springs, Lake, Waterfall/ Viewing Gallery and Eco-Park Cultural Village. The remaining 17 sampled projects pertained to subsidiary/ peripheral works such as construction of Boundary wall, Protection/ Retaining Wall, Approach Road, Railings Welcome Gate *etc.*

Out of the 96 sampled projects, 63 projects were completed and another 12 projects were ongoing as of March 2023 while the remaining 21 projects were abandoned during the review period as depicted in **Chart 3.1**.

Chart 3.1: Status of projects



Source: Departmental records

Scrutiny of records pertaining to implementation of the projects revealed the following:

3.2.9.2 Non adherence to guidelines/rules

(i) Non-quantification of State Government contribution in DPR

As per clause 7 of PIDDC guidelines, the State Government contribution towards land, rehabilitation package, operation and maintenance (O&M), and external infrastructure like

water supply, electricity and roads should be quantified in the DPR. Also, clause 12 of PIDDC guidelines stipulates that the sustainable maintenance plan for the assets to be created must be built into the project proposal for this purpose.

Scrutiny of records revealed that, in 13 (out of 43 sampled) projects of PIDDC scheme, the State Government contributions were not quantified in the DPR nor was a sustainable maintenance plan envisaged in the project proposal. The projects were sanctioned based on the DPR submitted to MoT. The sites were donated by private individuals to Tourism Department free of cost but the Department had not mutated the land in favour of Tourism Department, GoAP (as discussed under **Paragraph 3.2.9.4**) due to which the execution of a project was obstructed by the land owner as discussed in **Paragraph 3.2.9.4**. As the State Government contributions were not quantified in the DPR, absence of road connectivity, water supply and electricity were noticed in some projects due to non-release of fund by the State Government for execution of the same rendering the infrastructure so created idle as discussed under **Paragraph 3.2.9.5**. As much as 41 projects have remained idle for 07 to 109 months without any maintenance work due to absence of sustainable maintenance plan.

The State Government stated (June 2023) that the components were missed inadvertently. The State Government also added that order was issued to include all the necessary components in DPR.

(ii) Execution of work on work order basis without inviting tender

As per CPWD Manual 2014, Para 14.1, tenders should be called for all works costing more than ₹50,000/-. In urgent cases, or when the interest of the work so demands, or where it is more expedient to do so, works may be awarded without call of tenders after approval of the competent authority. As per CVC Manual 2017, Para 9.9.2 (i) & (ix), the cardinal principle of public procurement is to procure materials/ services/ works of the specified quality, at the most competitive prices and, in a fair, just and transparent manner. The award of any public contract must be through a transparent, fair and competitive process, ensuring at the same time, economy and efficiency of the procurement process.

Scrutiny of records revealed that five projects¹² costing between ₹10.00 lakh and ₹3.46 crore were awarded to contractors on nomination basis without inviting tenders or quotations. Therefore, transparency, fairness and competitive pricing were not ensured in respect of the five works. No approval was found obtained for awarding the work without call of tenders in violation of the above extant rules. By awarding the work without call of tender, Performance Guarantee was not obtained from the contractors to ensure proper performance of the work and Security Deposit of 2.50 per cent was not deducted from the bills to secure execution of the work as intended.

The State Government stated (June 2023) that, in Arunachal Pradesh, competitive bidding is required only for works exceeding ₹50.00 lakh. In all the cases exceeding ₹50 lakh, approval of the competent authority was taken.

¹² (1) Beautification of Sela Lake in Tawang, (2) Maintenance of Tourist Lodge, Tezu, (3) C/o Hump WW-II Museum at Pasighat, (4) C/o 6th Dalai Lama Museum at Kushanthat and (5) Supply & Installation of DG Set at Tourist Lodge, Tawang.

The Department furnished the Arunachal Pradesh District Based Entrepreneurship and Professional (Incentive, Development and Promotional) Amendment Act, 2020, to support their claim.

The reply of the State Government is not acceptable as all five works mentioned were commenced prior to the introduction of the Act rendering it inapplicable to these specific cases.

3.2.9.3 Contract Management

(i) Consequences of Performance Guarantee not being obtained

As per Clause 1 of the Standard Bidding Document of CPWD contracts (applicable for all projects in the State), the contractor shall submit an irrevocable Performance Guarantee (PG) of five *per cent* of the tender amount in addition to other deposits mentioned elsewhere in the contract for proper performance of the contract agreement. As per clause 21.1 of CPWD Manual 2014, letter of commencement of work shall be issued to the contractor only after he submits the performance guarantee in the acceptable form.

Scrutiny of records revealed that 73 out of the 96 sampled projects sanctioned at a cost of ₹268.56 crore were executed on contract basis after inviting tenders out of which PG in respect of only three projects was obtained from the contractors. The successful tenderers in respect of the remaining 70 projects had not deposited performance guarantee amounting to ₹10.18 crore nor did the Tourism Department insist that the contractors submit the same. Without obtaining PG from the contractors, the Department had issued letter of commencement of work to the contractors in violation of the extant rules.

The State Government accepted (June 2023) the audit findings and stated that the internal control mechanism would be strengthened to ensure PG is regularly obtained in all works in future.

Thus, desired guarantee of the projects was not ensured by obtaining PG from the contractors though works were awarded after calling tenders. Due to non-collection of Performance Guarantee, there was no scope of: (i) recovering the outstanding mobilisation advance, (ii) rectifying the execution of work below specification (as discussed under **Paragraph 3.2.9.4**), (iii) recovering the excess payment (as discussed under **Paragraph 3.2.9.4**) and (iv) completing projects for which payment was made without actual execution of work (as discussed under **Paragraph 3.2.9.4**).

(ii) Non-submission of Programme Chart (PERT/CPM/BAR CHART)

As per Clause 1 of the Standard Bidding Document of CPWD contracts (applicable for all projects in the State), the contractor shall prepare an integrated programme chart showing clearly all activities from the start of work to completion and submit the same to Engineer-in-charge within 10 days of award of the contract. A recovery of ₹2,500/- (for works costing upto ₹20.00 crore) or ₹5,000/- (for works costing above ₹20.00 crore) shall be made on per day basis in case of delay in submission of the programme chart. The programme chart should include descriptive note explaining sequence of the various activities, Network (PERT/CPM/BAR CHART) and programme of procurement of materials.

Scrutiny of records revealed that in 73 projects executed through NIT, no programme chart was submitted by the contractor though the execution of the work commenced between May 2015 and July 2021. All the 73 projects were under execution for a period of 18 days to 2,467 days. In absence of the programme chart, the activities taken up under the projects, from the start of work to completion, would not have been systematically planned and programmed.

Further, a total recovery of ₹15.31 crore should have been made from the concerned contractors for non-submission of programme chart as detailed in *Appendix-3.3*. However, no such recovery was made from the contractors nor were the contractors insisted to submit the programme chart.

The State Government stated (June 2023) that they have noted the audit findings and necessary corrective measures will be taken.

The reply of the State Government did not provide an assurance about recovery of ₹15.31 crore from the concerned contractors for non-submission of programme chart as required under the provisions of the contract.

Recommendation: The Department may recover the sum due on account of non-submission of programme chart from the contractors.

(iii) Loss of Government money due to non-recovery of mobilisation advance and interest thereon

As per Clause 10 B (ii) of CPWD contracts (applicable for all projects in the State), Mobilisation Advance (MA) not exceeding 10 per cent of the tender value may be given if requested by the contractor in writing within one month of the order to commence the work. Such advance shall be in two or more instalments while the first instalment shall be released by the engineer in charge to the contractor on a request made by the contractor. The second and subsequent instalment shall be released by the engineer in charge only after the contractor furnishes a proof of the satisfactory utilisation of the earlier instalment. Before any instalment of advance is released, the contractor shall execute a bank guarantee bond from a scheduled bank for the amount equal to 110 per cent of the amount of advance and valid for the contract period. Further, Clause 32.5 of CPWD Manual, 2014 provides that the MA 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.

Scrutiny of records revealed that in 32 out of 73 projects executed through NIT, Tourism Department paid a total amount of ₹12.41 crore as mobilisation advance against the agreement amount of ₹124.09 crore to the contractors between February 2015 and March 2018 without obtaining a Bank Guarantee bond as detailed in *Appendix-3.4*. The advances were also released in one installment in contravention to the extant rules.

Audit, further, observed that:

- The Principal amount of MA for 27 projects amounting to ₹10.27 crore was shown recovered between March 2017 and May 2019 but no interest amounting to ₹1.16 crore was recovered as of March 2023.

Out of 27 projects, three projects (Interest due: ₹16 lakh) were abandoned, 17 projects (Interest due: ₹71 lakh) were completed and remaining seven projects (Interest due: ₹71 lakh) are ongoing.

- In the other five projects, MA amounting to ₹2.13 crore was paid between July 2016 and March 2018. However, neither the principal amount nor the interest amount of ₹1.20 crore was found recovered as of March 2023.

Out of the five projects, four projects (Principal amount: ₹87 lakh, Interest due: ₹57 lakh) were abandoned and the remaining one project (Principal amount: ₹1.26 crore, Interest due: ₹63 lakh) was ongoing.

While the amount due against ongoing projects could be recovered from the contractor's next bill, there is no scope of recovering the amount due against abandoned and completed projects as neither security money of the contractors is lying with the Department nor are there any pending bills to be paid. Besides, there are no other ongoing works of the concerned contractors in the Department.

Thus, the amount due against the eight ongoing projects which stood recoverable from the contractors' next bill as of March 2023 was ₹2.60 crore (Principal amount: ₹1.26 crore, Interest: ₹1.34 crore). And the total amount of ₹2.31 crore (Principal amount: ₹87 lakh, Interest: ₹1.44 crore) due against seven abandoned and 17 completed projects stood as a loss to the State Exchequer as there was no scope of its recovery from the contractors.

The State Government stated (June 2023) that it was a serious issue and will enquire into the matter and appropriate measure will also be taken if necessary.

Due to failure of the Tourism Department in enforcing contractual obligations, the State Government had suffered a loss of ₹2.31 crore while recovery of another ₹2.60 crore from eight ongoing projects is yet to be made as on end of April 2024.

Recommendation: The Department may initiate measures to recover the outstanding mobilisation advance from the contractors of the abandoned and completed projects and also, ensure recovery of the outstanding mobilisation advance from the ongoing projects.

(iv) Non-deduction of Security Deposit

As per Clause 1A of the Standard Bidding Document of CPWD contracts, the person whose tender may be accepted shall permit government at the time of making any payment to him for work done under the contract to deduct a sum at the rate of 2.5 per cent of the gross amount of each running and final bill till the sum deducted will amount to Security Deposit of 2.5 per cent of the tendered value of the work.

Scrutiny of records revealed that in 69 out of the 73 sampled projects executed through NIT, an expenditure of ₹163.74 crore was incurred against the agreement amount of ₹227.80 crore. The security deposit required to be deducted was ₹4.09 crore. However, only an amount of ₹1.06 crore was found deducted resulting in shortfall in deduction of security deposit amounting to ₹3.03 crore. The shortfall was basically due to non-deduction of required security deposit (₹3.03 crore) by Tourism Department for the 66 projects initially implemented by them by incurring an expenditure of ₹121.29 crore. Therefore, due to non/short deduction of security deposit, a sufficient level of protection to the State Government was not ensured for any failure of the contractor to comply with their obligations under the contract.

The State Government agreed (June 2023) to the audit findings and added that they would strengthen the internal control mechanism to stop its recurrence.

3.2.9.4 Execution of works

(i) Non-obtaining of Land Possession Certificate/ Ownership of land

As per clause 2.3.2 of the Manual on Policies and procedure for Procurement of Works, 2006, Ministry of Finance, there should be clear indication about the availability of land required for completion of the whole project. The land shall be made available free of all encumbrances.

Scrutiny of records revealed that out of the 96 sampled projects, 79 projects pertained to original work (Tourist Lodge, Wayside Amenities, Eco-log hut *etc.*) and the remaining 17 projects were peripheral/ additional work on the existing structures (Retaining wall, approach road railings *etc.*). Audit observed that:

- While the district administration certified the availability of land in the DPR of all the 79 original works, Gift Deed was found executed in respect of only 10 projects.
- Though Gift Deed was found executed between the land donor and Tourism Department in respect of 10 projects, no land possession certificate or mutation of the land in the name of Tourism Department, GoAP was obtained from district administration for all the 79 original works/ projects.

In absence of the land possession certificate or mutation, the indisputable title of land on which tourism infrastructure were constructed was not ensured due to which there was change of project sites without the approval of the competent authority in respect of six projects (**Paragraph 3.2.7.3**), execution of a project in private land, delay in completion of work by more than 11 years due to obstruction of execution of work by the land donor.

The State Government stated (June 2023) that according to their policy the project is only sanctioned after LPC/Gift Deed *etc.* are provided.

The reply of the State Government is not acceptable as land possession certificate or mutation of the land in the name of Tourism Department, GoAP was not obtained from the district administration for all the 79 original works/ projects. Thus, the State Government had not ensured indisputable title of land to avoid any dispute in future.

(ii) Commencement of work before sanction of the project

Rule 139 (iii) of GFR, 2017 stipulates that no work shall be undertaken before issue of administrative approval and expenditure sanction by the competent authority on the basis of estimates framed.

Scrutiny of records revealed that in two of the sampled projects (State Projects), execution of the work was found as having commenced before administrative approval and expenditure sanction was accorded by the competent authority as detailed in **Table 3.8**.

Table 3.8: Details of commencement of work before sanction

Sl. No.	Name of the Project	Agreement amount (₹ in lakh)	Date of			
			sanction	agreement	start	completion
1.	Wayside Amenities at Tajgi Yarda under Tajgi Village, Lower Subansari	95.93	06-03-19	28.02.19	26.02.19	20-03-2019
2.	C/o VI th Dalai Lama Museum at Kushing Thang at Tawang	200 (sanction amount)	22.02.17	Work order basis	10-02-17	03-03-2017

Source: Departmental records

It could be seen from the above table that the execution of the two works was shown as having commenced before according administrative approval and expenditure sanction in violation of GFR. Resultantly, the works were shown completed within 09 and 14 days of the sanctioned date.

The State Government stated (June 2023) that this was due to the typographical mistake.

The reply of the State Government is not acceptable as the dates of commencement indicated in **Table 3.8** are as per the concerned MBs and the reply furnished by the Department.

(iii) Award of work to ineligible contractor

As per Arunachal Pradesh District based Entrepreneurs and Professionals (Incentive, Development and Promotional) Act, 2015, the contractors must be registered under the Arunachal Pradesh Contractors Enlistment Rules, 2008 in the appropriate class of category and the registration must be valid on the date of participation of tender. The enlistment order assigned the limit of financial eligibility upto which the contractor could participate in the tender.

Scrutiny of records revealed that while tender for two projects (C/o Convention Centre at Ziro and Joram top to Hubu Putu mountain nature trail under Swadesh Darshan) was invited on 20 May 2016, the validity of registration of the contractor (M/s SPN Construction) to whom the two projects were awarded, had expired on 31 March 2016. The contractor had not renewed the registration when NIT for the work was invited. Moreover, the registration of the contractor was not issued under the Arunachal Pradesh Contractors Enlistment Rules, 2008 but was found issued by the Assam Government. Therefore, the two projects were awarded to ineligible contractors.

Recommendation: The Department may initiate action against the concerned officials after fixing responsibility for award of work to ineligible contractors.

(iv) Undue favour to four contractors

As per clause 4 (ii) (e) of the “The Arunachal Pradesh District based Entrepreneurs and Professionals (Incentive, Development and Promotional) Act, 2015”, in the larger interest of the public and equitable distribution of developmental works amongst the eligible contractors and also to ensure effective management and quality of works, a contractor shall be allowed to have only two works in hand in any Department under GoAP at a time for which he shall make a declaration to be executed in an Affidavit that he is not

engaged in more than any two tenders works under the State Government. He shall also, for participation in any tender be required to submit completion certificate issued by the Engineer-in-charge duly countersigned by the concerned Superintendent Engineer (SE) and Chief Engineer (CE).

Scrutiny of records revealed that the contractors participating in the tenders called by Tourism Department, GoAP for execution of various infrastructure development projects had not submitted the Affidavits declaring that the contractor is not engaged in more than any two tender works under the State Government. The Department had neither insisted upon the contractors to submit the same. In absence of such declaration/ affidavit, audit observed that four contractors were awarded more than two works at a time. The summarised position is shown in **Table 3.9**.

Table 3.9: Details of award of more than two works to contractors

(₹ in lakh)

Sl. No.	Name of the firm	No. of works awarded	Period of award	Cost of the works ranged between	Total amount
1.	M/s Brand Eagles	5	May 2015 to December 2016	595.27 to 2178.70	7253.29
2.	M/s SPN Constructions	4	May 2016 to July 2016	276.72 to 855.34	1950.63
3.	M/s SB Enterprises	5	March 2018	27.73 to 475.93	1572.92
4.	M/s Sedi Allied Agency	3	May 2016	171.65 to 715.56	1220.64

Source: Departmental records

The above four contractors were awarded three to five works at a time in violation of the Act *ibid* resulting in extension of undue advantage/ favour to the four contractors, thereby, depriving the other eligible contractors of equitable distribution of developmental works.

Thus, the Department could not ensure award of not more than two works to contractors at a time which resulted in award of excess work to four contractors which tantamount to extension of undue favour and in-equitable distribution of developmental works amongst the contractors.

The State Government stated (June 2023) that all these cases were finalised based on competitive biddings. However, in future, the Department would obtain relaxation for such deviations from the competent authority.

(v) Execution of wayside amenities in private land

The GoI sanctioned an amount of ₹3.43 crore for Development of Integrated Tourist Centre at Tarajuli Maj rubber garden, Papum Pare under “Development of Tourist Circuit in Itanagar-Ziro-Daporijo-Aalo-Pasighat Circuit in Arunachal Pradesh” in September 2014 out of which an expenditure of ₹3.06 crore (94 per cent) was incurred till February 2019 against the agreement cost of ₹3.25 crore.

During scrutiny of records it was observed that cafeteria, two cottages and boundary wall were shown constructed but there was no proof of the site being donated by the landowner nor was there any evidence of Deeds of Agreement having been executed between the landowner and the Department. No land allotment of the site was also obtained in the name of the Tourism Department, GoAP. This indicates that the project was executed in a private land. During physical verification audit observed that the project was lying deep inside a

private rubber garden with security gate and the project was found partially completed and not functional.

Thus, due to execution of the project on a private land without any record of land being donated to the State Government, there is a possible risk of the asset being taken over by the landowner. Also, execution of the project deep inside a private garden with security gate will make it inconvenient for the tourists to access the spot implying that easy accessibility of site was not considered during project formulation.

The State Government stated (June 2023) that they have ownership documents/LPC for the property and assured to furnish copy of the same.

On examination of the copy of LPC provided to audit, it was observed that the land was still in the name of the land donor and not mutated to Tourism Department, GoAP.

Recommendation: The Department may ensure the mutation of the land in the name of the State Government and acquire the assets created under the project after its completion.

(vi) Delay in completion of works

Completion of projects in a timely manner is necessary to deliver the intended benefits. Scrutiny of records revealed that there were instances of timely completion, delays in completion and abandonment of works with respect to 96 sampled projects during the review period. The summarised position of the status of the projects is discussed below:

- Only 21 out of 96 sampled projects (21.87 per cent) were completed within the stipulated date of completion.
- 42 projects (43.75 per cent) were completed after a delay of more than one month seven days to 69 months 20 days. 14 out of the 42 projects were completed after a delay ranging between 01 month and 12 months while another 14 projects were completed after a delay of 12 months to 24 months. Another 12 projects were completed after a delay of 24 months to 48 months and the remaining two projects were completed after a delay of 58 months and 70 months respectively.
- 12 projects (12.5 per cent) were ongoing which were already behind schedule in their completion ranging from 3 months to 73 months. Out of the 12 projects, 10 projects had already suffered delays ranging from 31 months to 73 months while the other two projects faced a delay of 03 months and 20 months respectively.
- 21 projects (21.87 per cent) were abandoned without completion. In respect of four projects, there was already a delay of 06 months 07 days to 19 months 10 days on the date of last payment made to the contractor.

Though there were delays in completion of projects to the extent of more than five years, no penalty or compensation for delay in completion of projects has ever been recovered from the contractors (as discussed under **Paragraph 3.2.9.3**).

The delays in completion of projects were attributed to award of work to ineligible contractors, delay in release of funds by the State Government (as discussed under **Paragraph 3.2.8.2**), non-ensuring of availability of land etc.

Due to delay in completion of projects, the intended facilities could not be made available for tourist related activities in time.

The State Government stated (June 2023) that the delays are due to non-receipt of funding in time and despite the efforts they have made, they are yet to receive the required funding for completion of the works pointed out by audit. Department added that they would continue their efforts in this regard.

Audit, however, observed that delay in release of fund was not the only factor responsible for delay in completion of projects. The other factors viz. award of work to ineligible contractors, non-ensuring of land availability before the sanction of the project etc., were also responsible for delay in completion of projects.

(vii) Works shown completed within 10 to 20 days with fictitious entry in MB

Scrutiny of records revealed that against the stipulated period of completion of 03 months to 12 months against seven¹³ sampled projects (SADA), works were shown completed within 10 days to 20 days.

As per the measurement book based on which the bills were prepared for the projects shown above, items such as RCC works, flooring, roofing, etc., were shown executed. On joint physical verification of four out of the seven projects, deficiencies were noticed which are detailed in **Table 3.10**.

Table 3.10: Details of deficiencies observed during JPV

Sl. No.	Name of project	Cost of the project (₹ in lakh)	Audit observation during physical verification
1.	Wayside Amenities from Aalo to Mechuka (SADA)	490.00	Wooden floor was found constructed though CC floor was shown constructed on record and no tiles were found laid though payment was made for the same as discussed under Paragraph 3.2.9.4 . The structure was not painted, and MS pipe railing was not found executed though payment was made.
2.	Wayside Amenities at Deten under Silluk, East Siang (SADA)	70.00	Furniture and CC Parking were found not executed though payment was made as discussed under Paragraph 3.2.9.4 .
3.	Wayside Amenities at Peni Village	70.00	Furniture and CC Parking were found not executed though payment was made as discussed under Paragraph 3.2.9.4 .
4.	Approach Road, Protection Wall and Security Fencing at TFC, Ziro	25.00	Less quantity of Security fencing was found executed though payment for the full quantity was made. No RRM was found executed though payment was made.

Source: Joint Physical Verification of the projects

¹³ 1) Wayside Amenities from Aalo to Mechuka, 2) Wayside Amenities at Deten under Silluk, East Siang, 3) Wayside Amenities at Peni Village, 4) Protection Wall and Development of Rafting Centre at Sangdupota, 5) C/o Retaining Wall of Tourist Lodge, Peil Village, 6) Approach Road, Protection Wall and Security Fencing at TFC, Ziro and 7) C/o Staging Hut with Porter Track at Neh-Saram in Mechuka

It could be seen from the above that works were not executed as per specification and payment was made in full without execution or partial execution though shown as executed in full quantity as per specification. This indicates that measurement recorded in the MB was not based on actual execution but was fictitious.

The State Government stated (June 2023) that structures for the project in TFC, Ziro were demolished during execution of highway. As for the remaining 03 projects, the Secretary stated it was a serious issue and he would investigate the matter and take necessary action.

Recommendation: The Department may take action after fixing responsibility against the concerned officials, for the fictitious entries in MBs.

(viii) Excess payment due to errors in the bills and fictitious entry in MB

Rule 26 (iv) of General Financial Rules (GFR) 2005 and 2017 stipulate 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.

Scrutiny of records revealed that there were instances of excess payment due to erroneous summation in the bills of three projects as detailed in **Table 3.11**.

Table 3.11: Details of excess payment due to erroneous summation in bills

(₹ in lakh)					
Sl. No.	Name of the project	Total amount of work done as per RA bills	Total amount paid	Excess payment	Date of payment
1.	Tawang Walk Through	783.43	786.44	3.01	28.08.2021
2.	C/o Heritage site at Pemaziling under PIDDC	475.93	482.39	6.46	23.03.2015
3.	Wayside Amenities at Basar	41.43	42.53	2.09	06.08.2015
Total		1300.79	1311.36	11.56	-

Source: Departmental records

Audit observed that the sum of all the value of the items shown executed as per the RA bill of the project at Sl. No. 1 was ₹7.83 crore which was however worked out by the Department as ₹7.86 crore and the same had been paid to the contractor. Similarly, against the actual sum of ₹4.76 crore and ₹41.43 lakh in respect of the RA bills of the projects at Sl. No. 2 and 3 respectively, the amount worked out and paid by the Department to the contractors were ₹4.82 crore and ₹42.53 lakh respectively. Thus, due to erroneous summation in the bills of the three projects, the Department paid a total amount of ₹13.11 crore against the requirement of ₹13.01 crore resulting in excess payment of ₹11 lakh.

On further scrutiny of records, instances of excess payment for the quantity not executed though already shown executed in the MBs were also noticed in audit as detailed in **Table 3.12**.

Table 3.12: Details of excess payment for quantity not executed

(₹ in lakh)						
Sl. No.	Project name	Items of work shown executed	Qty. executed as per RA bills/ MBs	Qty. actually found executed	Excess qty. shown executed	Excess amount paid
1.	Development of Infrastructure at Tuting Gompa	Boundary wall	663 m	100 m	563 m	70.24
2.	Eco-Tourism Lodge at Ziro	Fencing	300 m	100 m	200 m	2.71
3.	Convention centre at Ziro	Solar street light	8 nos	4 nos	4 nos	2.73
4.	Craft bazaar with amphitheatre at Ziro	Approach Road	538.35 m	150 m	513.10 m	65.39
		Solar street light	16 nos	6 nos	10 nos	5.11
5.	Development of Kardo Hill	Pathways	285.80 m	120 m	165.80 m	8.85
		Fencing	314.65 m	100 m	214.65 m	27.75
		Solar street light	18 nos	6 nos	12 nos	10.22
Total						193.00

Source: Departmental records

It could be seen from the above **Table 3.12** that the entries made in the MBs were fictitious and not based on facts. The total amount required to be paid as per actual quantity executed was ₹69.00 lakh against which an amount of ₹2.62 crore was paid resulting in excess payment of ₹1.93 crore.

Further, in another¹⁴ project viz. 'C/o Tourist resort Building, Site development, Retaining wall, Pavement, Parking area, Boundary wall, Illumination and Approach road' was shown completed in March 2017 as per the MB, while the whole agreement amount of ₹2.72 crore was drawn from government account in March 2019. Out of which a total amount of ₹2.20 crore was already paid to the contractor and the remaining amount of ₹52.00 lakh is still lying with the Directorate of Tourism in the form of Demand Draft indicating drawal of money from government account without immediate requirement as discussed under **Paragraph 3.2.8.5**.

Audit observed that works worth ₹1.34 crore¹⁵ were not actually found constructed. This also indicates fictitious entry of MB without verifying the ground reality. Therefore, the actual amount that should have been paid to the contractor was ₹1.38 crore (₹2.72 crore – ₹1.34 crore). Thus, payment of ₹2.20 crore to the contractor had resulted in excess payment of ₹0.82 crore.

Following photographic evidence had been taken during Joint Physical Verification conducted on 21 October 2022, which proves that the building and approach road were incomplete.

¹⁴ Construction of Tourist Resort at Sidhartha Vihar near Gompa, Itanagar under PIDDC (Development of Itanagar-Doimukh-Sagalee-Circuit).

¹⁵ [CC approach road – ₹04.00lakh, Illumination – ₹13.00lakh, Parking area – ₹04.00lakh, Pavement – ₹04.00lakh, Electrification – ₹09.00lakh, Furniture – ₹18.00lakh, Septic Tank – ₹02.00lakh and Tourist Lodge Building (Roofing, tiles, sanitary works etc.) – ₹79.00lakh].



Tourist Lodge at Siddhartha near Gompa

Approach road to Tourist Lodge at Siddhartha

Therefore, while the excess payment due to erroneous summation was ₹11.56 lakh, the excess payment due to fictitious entry in the MB was ₹2.75 crore (₹1.93 crore + ₹0.82 crore).

Thus, payment of excess amount due to erroneous summation as well as for the quantity not executed is tantamount to extension of undue benefits to the contractors to the same extent. This indicates the absence of adequate control mechanism in the Department to detect and prevent errors and irregularities in financial proceedings in order to avoid waste/ loss of public money.

The State Government stated (June 2023) that less quantities were executed; to meet up the higher cost of construction materials (for works at Sl. No.1 of **Table-3.12**), eight street lights were installed but stolen (for works at Sl. No.3 of **Table-3.12**), the amount saved was used for construction of protection/ retaining wall (for works at Sl. No.2, 4 & 5 of **Table 3.12**). W.r.t. the Tourist Lodge at Siddhartha, the Department stated that they are exploring ways and means to complete the project.

The reply (June 2023) of the State Government confirmed the fact that payments were released without actual measurement and different works were actually executed instead of the original works. With regard to stolen streetlamps, first information report (FIR) about the theft could not be provided to audit.

(ix) Doubtful execution of work

Scrutiny of records revealed that some components of one project were shown executed twice (one as agreement work and the other on work order basis) and paid for as detailed in **Table 3.13**.

Table 3.13: Details of components shown executed twice

(₹ in lakh)						
Sl. No.	Name of the project	Items of work executed twice	Agreement amount executed	Required quantity in the BOQ executed	Amount paid on work order basis	Quantity executed on work order basis
1	Development of Eco-Tourism Circuit at Loki-Partung-Taluaak in East Siang (PIDDC)	Docking pier with retaining wall	72.59	190 m	67.74	177.30 m
		Approach Road	10.40	215 m	10.40	215 m
		Tourist Pathway	3.85	95 m	3.85	95 m
		Electrification	22.44	3 log huts, 1 Tourist Reception Centre	59.99	-
Total			109.28	-	141.98	-

Source: Departmental records

It could be seen from the above that the three items of work were executed and completed in all aspects as per the agreement at a cost of ₹1.09 crore. But it was also found that the same items were executed again Departmentally on work order basis at a cost of ₹1.42 crore. This indicates that there was double payment for the same items of work worth ₹1.09 crore. As works were already completed as per agreement, the actual execution of the items at a cost of ₹1.42 crore on work order basis is not free from doubt.

The State Government stated (June 2023) that the first work was done on agreement basis on receipt of first instalment of 20 per cent only during 2013 and subsequently the scheme was delinked. By the time the second instalment was received during 2018, the structure was washed out by flood. So, the structure was again constructed on work order basis as it was not the fault of the contractor but destructed under natural calamity.

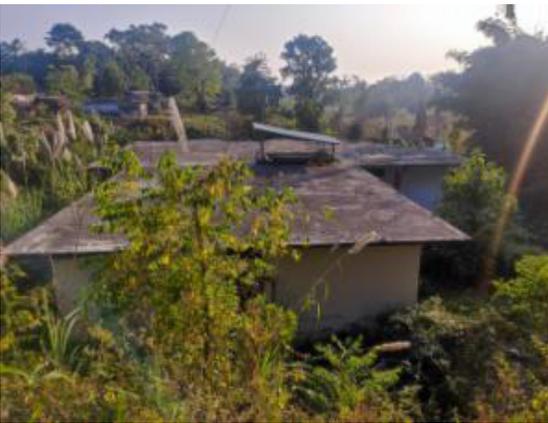
The reply of the State Government is not acceptable as the same items of works were executed twice without the approval of the competent authority and no flood damage report (FDR) in respect of the project could be made available to audit.

(x) Wasteful Expenditure

Scrutiny of records revealed that a total of 21 projects were found abandoned as detailed in **Appendix-3.5** out of which 15 projects (14 PIDDC and 1 NEC) were abandoned after incurring an expenditure of ₹16.48 crore (43.40 per cent) against the agreement cost of ₹37.98 crore while the remaining six projects were abandoned without incurring any expenditure. Audit observed that the 14 projects were abandoned after delinking of PIDDC scheme by MoT, GoI in 2015 with the launching of Swadesh Darshan Scheme in the same year while one NEC project was abandoned due to land dispute with Assam.

Out of the 14 abandoned PIDDC projects, three projects were abandoned after incurring an expenditure of 63 to 94 per cent against the tendered 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 were found considered and 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. Thus, total expenditure of ₹14.01 crore incurred on the 14 projects was rendered wasteful.

Some of the photographs of abandoned projects along with audit findings noticed during joint physical verifications of sites are shown on the next page.

Audit findings	Photographs
<p>1. Dev. of Picnic Spot/ Childrens Play at Lekhi Village</p> <p>An expenditure of ₹48.32 lakh (Boundary Wall – ₹25.09 lakh, Site Development – ₹23.23 lakh) was incurred against the agreement cost of ₹2.44 crore.</p> <p>The project was incomplete and abandoned. The land donated for the children park has been re-occupied by the donor. The site was overgrown with grasses. Even the boundary wall constructed has been dismantled by the land owner. As per interaction with one of the villager, the land owner has sold the land to other individuals and one of his uncles was the buyer.</p>	 <p>Joint Physical Verification was conducted on 22 October 2022</p>
<p>2. Tourist Hut at Borguli</p> <p>An expenditure of ₹19.50 lakh (Site Development – ₹11.77 lakh, Site Clearance – 0.81 lakh, Chain linked Fencing – ₹6.81 lakh) was incurred against the agreement cost of ₹95.31 lakh.</p> <p>During joint Physical verification, it was found to be washed away by flood as shown in the photograph beside. It was informed by the land donor that the incident happened during rainy season while the work was underway.</p>	 <p>Joint Physical Verification was conducted on 25 January 2023</p>
<p>3. Tourist Lodge at Silluk</p> <p>An expenditure of ₹2.09 crore (Lodge – ₹1.90 crore, Boundary Wall with MS Gate – ₹18.51 lakh) was incurred against the agreement cost of ₹3.33 crore.</p> <p>There was no road connectivity to the project site. The lodge was partially completed but boundary wall and MS Gate were not found constructed though ₹18.51 lakh was incurred against the same. The structure was in dilapidated condition and lying idle. As no effort was made to complete the projects, the expenditure so incurred remains wasteful.</p>	 <p>Joint Physical Verification was conducted on 26 January 2023</p>

<p>4. Development of integrated tourist centre at Tarajuli Maj rubber garden</p> <p>An expenditure of ₹3.06 crore (Cafeteria- ₹64 lakh, site development- ₹23 lakh, two cottages- ₹2.02 crore, boundary wall- ₹17 lakh).</p> <p>The project was lying deep inside a private rubber garden with security gates which will make it inaccessible to tourists. A cafeteria with two additional rooms was constructed but the two cottages shown as completed could not be seen. The entire project was executed on a private land without any record of handing over of land in the name of the State Government as discussed under Paragraph 3.2.9.4.</p>	 <p>Joint Physical Verification was conducted on 31 October 2022</p>
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Thus, due to non-arrangement of alternative means to complete the delinked projects and ineffective effort by the State Government to complete these works from its own resources, as many as 14 projects stood abandoned and the expenditure of ₹14.01 crore already incurred on the projects became wasteful and did not fulfilled the intended purpose.

The State Government stated (June 2023) that these projects were lying incomplete for want of funds. However, now, they have received ₹8.86 crore from NEC for completing the incomplete projects.

The reply of the State Government stating that ₹8.86 crore was already received from NEC for completing the incomplete projects could not be substantiated with documentary evidences as the same could not be made available to audit.

Recommendation: The Department may take steps to revive and complete the abandoned projects and ensure that the assets are put into use after their completion.

(xi) Payment made without execution of work

Scrutiny of records revealed that in 25 out of 96 sampled projects, a total amount of ₹8.16 crore was paid for the components which were found actually not executed during joint physical inspections as detailed in **Appendix-3.6** though already shown as executed in the concerned MBs. Thus, payment of ₹8.16 crore made without execution of the work was not only irregular but also fraudulent.

Fraudulent payment against one project was as high as ₹4.15 crore which is elaborated below as a case study.

Case Study

Development of Tawang Walk Through under Swadesh Darshan (Development of Bhalukpong-Bomdila-Tawang, Arunachal Pradesh)

The project was sanctioned on 30-03-2015 at an estimated cost of ₹18.36 crore. After inviting the tender on 24-05-2016, work was awarded to M/s Brand Eagles on 23-06-2016 at the cost of ₹18.25 crore. Total expenditure against the project till the date of audit was ₹12.11 crore and the work was under progress.

Scrutiny of records revealed that the project was initially implemented by the erstwhile Engineering Wing of Tourism Department which incurred an expenditure of ₹4.26 crore (₹4.15 crore on construction of Shopping Complex and ₹11 lakh on site development) on the basis of the measurement recorded in the MB. The project was then handed over to EE, PWD, Tawang in February 2018 which had incurred further expenditure of ₹7.83 crore. During Joint physical verification of site, it was noticed that there was no shopping complex constructed by the erstwhile Engineering Wing of Tourism Department. All the structures found at site were constructed by EE, PWD, Tawang out of the expenditure of ₹7.83 crore. This implies that measurement recorded in the concerned MB by Tourism Department was not based on actual measurement at site but fictitious. Thus, payment of ₹4.15 crore to the contractor by the erstwhile Engineering Wing of Tourism Department without executing the shopping complex was fraudulent.

In reply, the State Government stated (June 2023) that the details of works already executed by the erstwhile Engineering Wing of Tourism Department and handed over to PWD, Tawang in February 2018 are (i) Site Development (Earthwork) – 8123.49 cum (ii) RRM retaining wall – 1766.54 cum (iii) RCC Retaining Wall (06 m height – 14.90 m and 4 m height – 7.89 m), Storm Drain (New Drain – 251 m and Extension of existing Drain – 130 m) and 4 numbers of Food Court (excavation work, RCC foundation/footing, Plinth Beams and RCC columns). The Department further stated that payment was made for the above works.

Audit, however, observed that payment was made against the bill prepared for execution of shopping complex. Therefore, payment made against the bill prepared not based on the items of work actually executed at site was fraudulent.

The matter needs to be investigated and necessary action may be taken after fixing responsibilities against the concerned officers.

3.2.9.5 Idling of assets

Proper utilisation of the available asset is a pre-requisite to providing better facilities to the tourists and also for better upkeep of the assets. The Department after completion of projects should either utilise the assets departmentally or lease out to private parties for running and maintenance of assets.

During the review period, the Department completed 63 projects at a cost of ₹118.60 crore out of which 50¹⁶ projects (₹107.95 crore) pertain to original work (Tourist Lodge, Wayside

¹⁶ Out of 50 projects, 41 projects were lying idle (discussed under this paragraph) and 09 projects were leased out (discussed under this paragraph with sub heading – Leased out projects).

Amenities, Eco-log hut *etc.*) and remaining 13 projects (₹10.65 crore) were subsidiary/peripheral works (Retaining wall, approach road railings *etc.*). There was no effective mechanism put in place for management of the facilities as soon as they were created due to which 41 projects costing ₹87.92 crore (as detailed in *Appendix-3.7*) out of 50 completed projects (original works) had neither been leased out nor manned and run by the Department thereby depriving the tourists visiting the districts of the benefits from the newly created facilities. Thus, the assets were non-functional and were lying idle for the period ranging between 07 and 109 months as on 31 March 2023.

The 41 idle projects were concentrated in five out of six sampled districts and the tourist footfall in these five sampled districts *vis-à-vis* number of projects and tourists destinations is shown in **Table 3.14**.

Table 3.14: Tourist footfall *vis-à-vis* number of projects and tourist destination

Sl. No.	District	Total footfalls during 2017-21		No. of idle Projects	Name of Tourist Destinations	Expenditure incurred on idle projects (₹ in lakh)
		Domestic	Foreign			
1.	Tawang	158581	2009	06	Lhou, Mukto, Kushanhang, Sela Pass Jang, Tawang Town, Zemithang, Lumpo, Geshila	1079.23
2.	Lower Subansiri	75191	3786	09	Ziro, Joram Top & Kardo Hill	2644.31
3.	East Siang	71436	807	04	Maryland Lake at 10 th Mile & Pasighat Town	808.33
4.	Papum Pare	84810	1648	08	Bodum Langne, Ramghat & Dariya Falls	1866.85
5.	Shi-Yomi	12345	635	14	Pemaziling & Shegang	2392.82
Total		402363	8885	41	-	8791.54

Source: Departmental records

Thus, domestic tourists and foreign tourists were deprived of the facilities out of the 41 assets created with an expenditure of ₹87.92 crore during 2017 to 2021. On the other hand, 27 assets created in respect of four sampled districts (Sl. No. 1 to 4) were lying idle.

Conditions of some of the idle projects noticed during joint physical inspection of sites are discussed below:

Audit findings	Photographs
<p><i>C/o Tourist lodge near Pamluk Village in Lower Subansiri</i> was sanctioned in July 2012 under NEC and completed in March 2017 at the cost of ₹2.71crore. The building was being used as storage and accommodation of the road construction workers without the knowledge of the concerned DTO. The asset was not yet leased out and has been lying idle for a period of 6 years as of March 2023.</p>	 <p>Joint Physical Verification was conducted on 03 February 2023</p>

Audit findings	Photographs
<p><i>C/o Tourist resort at Taalo Gego in Lower Subansiri</i> was sanctioned in February 2014 under PIDDC and completed in April 2017 at the cost of ₹91.96 lakh. The building was occupied by road construction workers without the knowledge of the concerned DTO. The asset was not yet leased out and has been lying idle for a period of 5 years and 11 months as of March 2023.</p>	 <p>Joint Physical Verification was conducted on 06 February 2023</p>
<p><i>C/o Cafeteria cum Picnic spot at Ramghat in Papum Pare</i> was sanctioned in March 2013 under PIDDC and completed in March 2017 at the cost of ₹3.81 crore. The building was non-functional and overgrown with weeds and all the structures buildings were in dilapidated condition. The internal electrification and sanitary fittings were found damaged and stolen as the buildings were left abandoned and unlocked.</p> <p>The asset was not yet been leased out and has been lying idle for a period of 6 years.</p>	 <p>Joint Physical Verification was conducted on 02 November 2022</p>
<p><i>Dev. of Bodum Langne trekking trails (Base Camp)</i> was sanctioned in March 2013 under PIDDC and completed in March 2017 at the cost of ₹3.62 crore. The compound was overgrown with weeds and left unattended. As per the estimate, the building was to have six storeys while the executed building was only of two storeys. Even the trekkers' trek was overgrown with weeds indicating that it is rarely visited.</p> <p>The asset was not yet leased out and has been lying idle for a period of six years.</p>	 <p>Joint Physical Verification was conducted on 04 November 2022</p>

Audit findings	Photographs
<p><i>C/o Tourist Lodge at Lhou</i> was sanctioned in September 2013 under PIDDC and completed in February 2017 at the cost of ₹1.40 crore. There was no road connecting the Lodge with the main road. The lodge is not yet leased out and there was no record of any tourist putting up in the lodge and hence no revenue was earned out of it. The asset was lying idle for more than six years.</p>	 <p>Joint Physical Verification was conducted on 17 November 2022</p>
<p><i>Development of Sela Lake</i> was sanctioned in March 2015 under Swadesh Darshan and completed in December 2021 at the cost of ₹2.06 crore. Internal electrification was found not yet joint with external electric supply. The asset is yet to be leased out and has been lying idle for more than one year and three months.</p>	 <p>Joint Physical Verification was conducted on 20 November 2022</p>
<p><i>Infrastructure development at Partung</i> was sanctioned in September 2013 under PIDDC and completed in April 2017 at the cost of ₹1.64 crore. The condition of the road towards the site was appalling. Moreover, the site is inaccessible as it is surrounded by water. The asset is yet to be leased out and has been lying idle for more than 6 years.</p>	 <p>Joint Physical Verification was conducted on 24 January 2023</p>
<p><i>C/o Tourist Lodge and Rejuvenation of Maryland Lake at 10th mile Oyan Circle</i> was sanctioned in September 2017 under NEC and completed in August 2022 at the cost of ₹4.95 crore. Though the structures were completed, they were not yet handed over to Tourism Department. There was shortfall in supply of refrigerators, water filters and TV set. The asset has been lying idle for seven months.</p>	 <p>Joint Physical Verification was conducted on 28 January 2023</p>

Audit findings	Photographs
<p>Development of Heritage Site at Pemazilling Mechuka, was sanctioned in November 2014 under PIDDC and completed in March 2017 at the cost of ₹4.82 crore. The structures were not yet handed over to Tourism Department and were lying idle for more than six years. During JPV (July 2023), sanitary fittings were missing/stolen, floors were littered with cattle dung, one building also had developed serious crack and roof leakage was noticed in another unit. In another two units the false ceiling was coming off and glasses are yet to be fitted in the wooden windows.</p>	 <p>Joint Physical Verification was conducted on 16 January 2023</p>
<p>Destination Development at Mechuka Wellness Resort at Shegang (Organic Farming Traditional SPA) was sanctioned in September 2013 under PIDDC and completed in March 2017 at the cost of ₹4.51 crore.</p> <p>Footpath, Furniture and Internal electrification were not found though it was shown to have been executed. The structures were not yet handed over to Tourism Department and were lying idle for more than six years.</p>	 <p>Joint Physical Verification was conducted on 16 January 2023</p>

Therefore, the expenditure of ₹87.92 crore incurred on 41 assets created during the review period was rendered wasteful and the objectives of the projects have remained unfulfilled as of 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 into use.

The State Government accepted the audit findings and stated (June 2023) that they were aware of the issue, and they are already taking necessary action to lease out the completed projects and also to complete the incomplete projects.

Recommendation: The Department may take appropriate steps for operationalisation of the created assets.

(i) Partial completion of completed projects

Out of the 50 completed projects shown completed, 34 projects were physically inspected out of which in 20 projects, certain components viz. supplying of furniture, pathways, solar lighting etc., were found not executed but paid as discussed under **Paragraph 3.2.9.4**. In

two other projects, some components required to be executed as per the estimates were found not executed and not paid at all though shown completed. Thus, components in as many as 22 projects recorded as completed were actually not completed in totality resulting in partial completion of projects.

The State Government accepted the audit finding and stated (June 2023) that the left-out components will be completed by the contractors before leasing out the assets under the supervision of respective DTOs.

(ii) Leased out projects

Scrutiny of records revealed that nine projects were shown leased out during October 2019 to September 2022 to 10 lessees (as one of the project consisted of construction of two cafeterias at two different locations) as detailed in *Appendix-3.8*. Out of the required security deposit of ₹16.00 lakh to be collected from the 10 lessees, only ₹9.00 lakh was found collected. Only seven lessees have paid the annual rent while there was no evidence of rent payment by the remaining three lessees. In five out of the seven lessees, annual rent of only ₹1.03 lakh was found collected against the requirement of ₹1.97 lakh for the period from the date of leasing to 31 March 2023 resulting in shortfall in collection of rent amounting to ₹0.94 lakh. Thus, there was also shortfall in collection of security deposit and rent indicating lapses in enforcing the contractual provisions.

During Joint Physical Verification (JPV) of sites of seven out of the nine projects leased out, audit observed that only three were operational *i.e.*, the lessee has been running the Cafeteria/ Tourist lodge. But in the remaining four projects, the lessee has not operationalised the leased structures as could be seen from the photographs below:



Tourist Spot at Zemithang
(Cafeteria) (JPV conducting on 15 November 2022)



Development of Thingbu Hot Spring
(JPV conducting on 19 November 2022)



Tourist Infrastructure in PT TSO Lake
(JPV conducted on 16 November 2022)



Cafeteria at Bumla Pass
(JPV conducted on 16 November 2022)

The four lessees had not deposited the required security amount of ₹1.00 lakh each and annual rent in respect of three out of the four projects amounting to ₹3.49 lakh was yet to be collected. This indicates lack of monitoring of timely collection of revenue by the Department from leased out assets. Also due to inability of the Department to monitor and ensure that tourists receive benefits from facilities out of the leased out assets, four leased out assets remained non-functional.

The State Government stated (June 2023) that they have noted the audit findings. They will review it and revert with their response.

However, further responses of the State Government were not received as of September 2024.

Recommendation: *The Department may strictly enforce the contractual provisions and ensure the functioning of the leased out assets to provide services to the visiting tourists.*

(iii) Projects with no road connectivity

During joint physical verification of sites, audit observed that five projects executed at a cost of ₹8.07 crore have no road connectivity to the project sites and conditions of the project observed during the inspection are discussed in **Table 3.15**.

Table 3.15: Details of projects with no road connectivity

Sl. No.	Name of the project	Audit observation during joint physical verification of sites.
1	C/o Tourist Lodge at Lhou under Dev. of Bhalukpong-Bomdila-Tawang Circuits in Arunachal Pradesh (PIDDC)	The work was shown completed on 20-02-2017 at the cost of ₹1.40 crore. The distance between the main road and the lodge was about 50 m but there was no road connectivity. Parking and road work were not found constructed though shown constructed at the cost of ₹9.35 lakh and ₹6.99 lakh respectively. The lodge is not yet leased out and there was no record of any tourist putting up in the lodge or the lodge having earned any revenue.
2	Eco-Tourism Circuit at Loki-Partung-Taluaak in East Siang (PIDDC)	An amount of ₹3.14 crore was incurred till 11-02-2019 against the agreement cost of ₹7.15 crore. The site is situated in a river island of Siang river but neither connected by bridge nor ferry service was available to reach the site. The approach road to the river was also in bad condition.
3	Infrastructure Development at Partung under Destination Development at Mariyang, Dr. Daying Ering Wildlife Sanctuary and Borguli (PIDDC)	The work was shown completed on 12-05-2017 at the cost of ₹1.79 crore. The site is situated in a river island of Siang river but neither connected by bridge nor was ferry service available to reach the site. The road to the river was also in bad condition. The project is not yet leased out and is non-functional.
4	Development of Tourist Picnic Spot at Dariya Falls (SADA)	The work was shown completed on 20-03-2019 at the cost of ₹95.86 lakh. Except for porter track, there was no road connectivity from main road to the project site for a length of about 1 km. The structures (Picnic Hut, Welcome gate) were found to be in dilapidated/appalling and idle condition with overgrown vegetation all around indicating the site was rarely visited by tourists.
5	Wayside Amenities at Deten, Silluk (SADA)	The work was shown completed on 20 March 2019 at the cost of ₹66.93 lakh. There was no road connectivity from main road to the project site for a length of about 200 m. The cafeteria is not yet leased out and non-functional.

Source: Departmental records

It could be seen from the table above that due to absence of road connectivity and ineffective action of the Department to lease out the projects, most of the structures remained non-functional and idle as evident from the following photographs.



The State Government assured (June 2023) that necessary steps will be taken to complete all the required components. It added that they will also explore the possibility of leasing it on 'as is where is' basis.

Thus, the assets have been lying idle for the past four to six years without serving the purpose for which they were sanctioned due to absence of road connectivity rendering the expenditure of ₹8.07 crore infructuous.

(iv) Projects with no water supply and electricity

Scrutiny of records revealed that 13 projects were completed at a cost of ₹46.83 crore during March 2017 to February 2020 after a delay of 04 to 35 months as detailed in **Appendix-3.9**. It was, however, seen in audit that no provision was made in the DPR for external electrical connection and external water supply connection. No additional fund was sought for execution of these items of works and hence, no additional fund was provided as of March 2023. In absence of these basic amenities, the assets were non-functional and have been lying idle for more than three years to six years.

The State Government assured (June 2023) that necessary steps will be taken to complete all the required components. The Department added that they will also explore the possibility of leasing it on 'as is where is' basis.

Thus, the entire expenditure of ₹48.46 crore made on destination development has remained unfruitful due to absence of external water supply and electricity.

Recommendation: *The Department may take steps to connect the completed projects with external water supply and electricity so that the assets could be operationalised at earliest.*

3.2.9.6 Maintenance of assets

As per PIDDC guidelines, the infrastructure and assets created will be maintained and managed by the State/UT Governments or their agencies with no financial commitment to GoI. Terms and conditions of the sanction order of NEC stipulate that recurring expenditure after completion of the project shall be borne by the State Government. Swadesh Darshan guidelines also provide that operation and maintenance of the facilities and assets created under the Scheme on sustainable basis will be essential. The operation and maintenance plan will be part of the DPR and will be evaluated at the time of approval. As per the DPR, the State Government will manage and maintain the assets created under the Scheme.

Scrutiny of records revealed that 50 original works were shown as completed at a cost of ₹107.95 crore {as discussed under **Paragraph 3.2.9.5** out of which 41 projects costing ₹87.92 crore have been lying idle since the last seven months to 109 months (09 years)}. The assets were neither maintained by the Department nor leased out to private individuals. Out of 41 projects, 40 Projects were completed three to nine years ago. Neither had the State Government sanctioned maintenance fund for these projects nor had it leased them nor had the Tourism Department assessed the fund requirement for maintenance.

The State Government stated (June 2023) that they will look into the matter and take necessary corrective action.

Thus, the State Government did not ensure sustainability of the assets so created.

3.2.9.7 Capacity Building Programmes

(i) **Non-functional State Institute of Hotel Management, Catering Technology & Applied Nutrition, Banderdewa**

With a view to foster and facilitate professional education and training specific to tourism, food production and hospitality industry, MoT sanctioned (February 2008) construction of “*Institute of Hotel Management, Catering Technology & Applied Nutrition*” at Banderdewa (Papum Pare District) at a cost of ₹14.33 crore (Central share ₹10.00 crore: State share ₹4.33 crore) with the condition that: (i) the State Government shall transfer, free of cost, a plot of land measuring at least five acres, and (ii) NCHMCT norms in construction should be followed. The Institute was to conduct one Bachelor Degree Course with intake capacity of 120 trainees/students, one Post Graduate Diploma Course and three Certificate Courses with intake capacity of 40 trainees in each course. The project was scheduled to be completed by February 2011.

The project was initially executed by EE, RWD, Poma by awarding the work to the land donor without inviting tender in violation of GFR/ CPWD norms. An expenditure of ₹11.63 crore was incurred till February 2014. The corresponding physical progress of work is shown in **Table 3.16**.

Table 3.16: Details of physical progress

Sl. No.	Particulars	Status
1.	Academic Block	Completed
2.	Type-II Qtr 4 unit	Completed
3.	Type-III Qtr 6 unit	85 per cent completed
4.	Type-IV Qtr 4 unit	Completed
5.	Type-V Qtr 1 unit	Completed
6.	120 bedded boys hostel	86 per cent completed
7.	60 bedded girls hostel	85 per cent completed

Source: Departmental records

However, NCHMCT space norms were not followed for the construction of the building. As against the approved built up area of 5,200 sqm. for the academic block, the construction was undertaken for 1,600 sqm. which is totally inadequate for running of the SIHM. Though GoI had instructed the State Government for rectification/ modification of the buildings, no action in this regard was found taken by the executing agency or by the State Government.

Audit observed that after the project was sanctioned by MOT, GoI, the Department of RWD prepared a DPR based on which the State Government accorded administrative approval and expenditure sanction in March 2009. As per the DPR, the plinth area for the academic block was 2,907 sqm. against the requirement of 5,200 sq.m. as per NCHMCT norms. Thus, the DPR was not prepared as per requirement of NCHMCT. Even during execution of the project, the provisions of the DPR were not followed as only 1,600 sqm. plinth area of the academic block was executed.

After February 2014, no work had been executed by RWD Department. With a view to rectification/ modification of buildings and completion of the project, the State Government sanctioned a total amount of ₹5.70 crore in February 2017 for the following components as detailed in **Table 3.17**.

Table 3.17: Details of sanction

(₹ in lakh)

Sl. No.	Components	Date of sanction	Amount	Firm
1	Compound wall at SIHM	22-02-2017	50.00	M/s Payu Enterprise
2	Approach road and main gate at SIHM	22-02-2017	50.00	M/s Payu Enterprise
3	Water supply & electricity connection at SIHM	22-02-2017	50.00	M/s TZT Trade agency
4	SIHM Meeting Building norms of NCHM&CT	22-02-2017	320.00	Not yet allotted
5	Liability of Retaining Wall at SIHM	22-02-2017	100.00	M/s Nunu Enterprise
	Total		570.00	

Source: Departmental records

Due to slow pace of progress of the work and for not undertaking any rectification work, the Tourism Department changed the implementing agency from RWD to WRD in 2017 but there was no handing and taking over of the projects. In fact, records made available did not indicate any communication between RWD Department and WRD Department.

The above five components were awarded to various contractors except for the component at Sl. No.4 as indicated in the table above. Even Technical Sanction against SIHM Meeting Building norms of NCHM&CT (₹3.20 crore) was not yet accorded and no tender for the same was invited yet.

The expenditure incurred in WRD, Yupia division was ₹1.53 crore against the sanctioned amount of ₹5.70 crore. The expenditure was incurred against liability payment (₹0.99 crore), Approach road and main gate (₹0.50 crore) and the remaining amount of ₹0.04 crore was found diverted to another work. Though main gate was not found constructed during joint physical verification of sites, payment of ₹two lakh was made against it, indicating payment made without execution of work.

Audit observed that the Department had not obtained mutation of the land in the name of the State Government. The Department had also not executed any agreement or set any terms and conditions with the land donor at the time of acquiring the land. As such, the work could not proceed further due to the objection of the land donor on the ground that land was donated by him and the contract work should be awarded to him. Till date, restructuring/reorientation of the building to meet NCHMCT norms, water supply to SIHM, Compound Wall to SHM at the cost of ₹3.20 crore, ₹0.50 crore and ₹0.50 crore respectively remained unexecuted.

During Joint physical inspections of sites, audit observed that the condition of the constructed buildings was seen deteriorating due to prolonged halting of the execution of work. Some of the window panes were broken while the railing of the staircase and first floor were found missing and stolen. The campus is overgrown with grasses and the building structures were all covered with shrubs and bushes as could be seen from the photographs taken during JPV conducted on 31 October 2022, as shown below:



SIHMCT&AN buildings, Banderdewa

Even after a lapse of 11 years from its scheduled date of completion, the construction of the Institute was yet to be completed, despite incurring an expenditure of ₹13.16 crore. Moreover, total amount of ₹17.33 crore was released which was ₹3.00 crore in excess of the original estimate. The Department had also not yet firmed up any plans for recruitment of faculty (permanent/guest), arrangements for internship/on the job training, manner of selection of students and facilities for placements as of March 2023. Thus, the envisaged benefits to the tourism, food production and hospitality industry have not accrued.

The State Government stated (June 2023) that the matter will be taken up with the District Administration to provide security at site to ensure unhindered completion of the project. The State Government also added that an FIR would be filed, if needed.

(ii) Implementation of Hunar Se Rozgaar Tak Scheme

A special training initiative, namely “Hunar Se Rozgaar Tak (HSRT)” for creation of employable skills amongst the youth belonging to economically weaker strata of the society was launched in 2009-10. The basic objective of the scheme was to reduce, through this initiative, the skill gap that affected the hospitality and tourism sector. The programme was to be financed by MoT based on the number of persons trained. The State Government was to make conscious effort to facilitate employment of the passed out candidates from this programme.

Audit observed that a total amount of ₹1.14 crore was incurred for training of 889 participants during 2017-23 as shown in **Table 3.18**.

Table 3.18 : Target and achievement under HSR

(₹ in lakh)					
Sl. No.	Year	Target to be trained	Trained	Placement	Expenditure
1.	2017-18	600	259	69	61.65
2.	2018-19	190	120	30	31.09
3.	2019-20	150	127	25	5.79
4.	2020-21	270	304	45	16.04
5.	2021-22	0	0	0	0
6.	2022-23	180	79	0	0
Total		1390	889	169	114.56

Source: Departmental records

It could be seen from the above that only 889 candidates were trained against the target of 1,390 candidates resulting in shortfall of 501 candidates constituting 36.04 per cent. No training was conducted in 2021-22 reportedly due to covid pandemic. As against 889 persons trained, employment opportunity was created for only 169 persons (19 per cent). This is indicative of inadequate effort made by the Department to facilitate placement to the remaining 720 (81 per cent) persons who completed their training.

The State Government stated (June 2023) that trained candidates were assisted by the Department to get employment and those who voluntarily inform the department after managing to get employment are recorded.

The reply of the State Government indicates absence of proper mechanism to ensure employment to the trained candidates.

(iii) Training

As envisaged in the State Tourism Policy of 2003, under capacity building programme, the Department, in order to create awareness and for promoting programmes and strategies of tourism development among the local people of the State, was to organise training programmes for the hoteliers, trainee police personnel, tour operators and tourist guides, etc.

Audit observed that during the period 2017-22, the Department organised 12 training programmes. Against the target of training 3,550 participants, 3,530 trainees were imparted training by spending ₹2.75 crore in various courses such as Sensitisation of Police Personnel for safety and security of tourist, workshop for Tour Operators & Hoteliers, Paragliding Training cum Competition, etc. Apart from such trainings which are conducted depending upon availability of funds and at irregular intervals, the Department has not brought out any regular training programme in the form of training calendar. There was also no professional training institute in the State. In absence of any professional training institute and any studies on training programmes conducted, the impact on tourism scenario of the State could not be ascertained in audit.

The State Government stated (June 2023) that on the basis of the availability of fund and training needs, an action plan would be prepared and trainings would be conducted accordingly with the approval of competent authority.

Thus, trainings were conducted depending upon availability of funds without bringing out any regular training programme in the form of training calendar.

(iv) Chief Minister's Advance Skill Certificate Course

The State Govt. in the Budget announcement dated 08 July 2019 planned to start a new scholarship scheme 'Chief Minister's Advance Skill Certificate Course (CMSACC)' to train potential unemployed youths at National Institute for Mountaineering and Allied Sports (NIMAS) Dirang as river guides/ Trekking guides/ Life Guards/ in Paragliding/ Mountain terrain biking with a budget allocation of ₹75.00 lakh for 250 beneficiaries.

The State Government accorded administrative approval and expenditure sanction in January 2020 for an amount of ₹75.00 lakh only for CMASCC during 2019-20.

Audit observed that no guidelines for implementation of the project were framed. The Director of Tourism allocated an amount of ₹14.00 lakh to the Eastern and Western Army Divisions of Indian Army of Arunachal Pradesh for conducting training on various Adventure Sports in June 2020. ₹50.00 lakh was separately transferred to NIMAS Dirang on 12-03-2021 for conducting training courses. As the fund was meant for CMASCC to train potential unemployed youths at NIMAS to acquire certificate on advanced skill, transferring of ₹14.00 lakh to the Eastern and Western Army Divisions of Indian Army tantamounted to diversion of fund as discussed under **Paragraph 3.2.8.6.**

Out of ₹50.00 lakh transferred to NIMAS, only 125 beneficiaries were trained against the target of 250 beneficiaries resulting in shortfall in providing training to 125 beneficiaries.

The State Government stated (June 2023) that ₹Seven lakh each were provided to the Eastern and Western Divisions of Indian Army for the training of local youths in adventure

sports as Indian army of these divisions is the best option for providing adventure training to local youths of these remote regions.

The reply of the State Government is not acceptable as the amount was sanctioned for providing advanced skill certificate course to unemployed youths at NIMAS and the Department had not obtained prior approval of the State Government for transferring of ₹Seven lakh each to Eastern and Western Divisions of Indian Army. Thus, due to absence of guidelines for implementation of the scheme coupled with diversion of fund amounting to ₹14.00 lakh, there was shortfall in coverage of 125 beneficiaries in imparting advanced skill training.

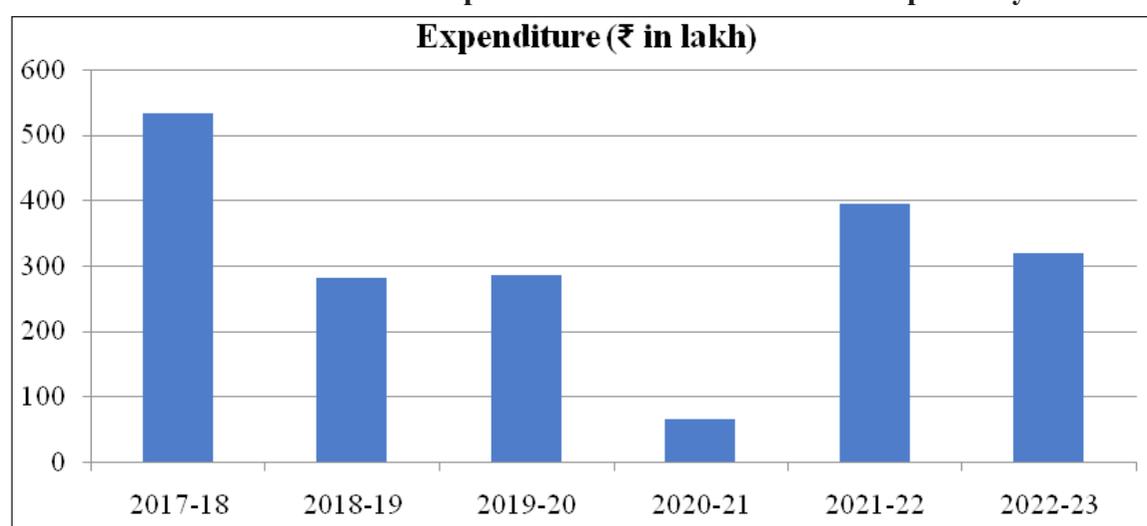
3.2.9.8 Advertisement and publicity

The Tourism Policy 2003 envisaged the State Government's role to develop literature for dissemination of information about the State through guidebooks, first person endorsements, especially celebrities, maps, proper signage, brochures and booklets. Besides, one of the major activities entrusted to Tourism Department was promotion of Arunachal Pradesh as tourist destination through advertisement and publicity. For advertisement and publicity, the Department also identified the brand line "**Gateway to Serenity**".

The Department has an official website www.arunachaltourism.com. The web site contains information on the State's history, people, geography, tourist destinations, accommodations, the procedure of obtaining Inner Line Permit and Restricted Area Permit on tourist arrivals, etc. Audit, however, noticed that information on banks/ATMs, medical facilities, important helpline numbers in case of emergency and Tourist Information Offices are not provided in the website which are essential information for tourists. It was, however, noteworthy to see that the DoT, GoAP have provided links to Facebook, Twitter, Flickr and YouTube for the benefit of tourists.

During the review period (2017-23), the Department had incurred an expenditure of ₹18.78 crore on advertisement and publicity. Audit observed that there was no consistency in expenditure on advertisement and publicity as evident from the pattern of expenditure during 2017-23 as depicted in **Chart 3.2**.

Chart 3.2: Year-wise expenditure on advertisement and publicity



Out of ₹18.78 crore, an amount of ₹7.60 crore was incurred on participation in International and international events like International Tourism Bourse, World Travel Market, and International Tourism Mart during the period under review. The Department did not plan any calendar of events for participation in international and domestic events. As such, the Department participated in such events only on receipt of invitations from the concerned ministries/organisers, etc.

No information and relevant data on number of visitors to the stall, participation in presentations, business generated by participating hoteliers, travel agents, tour operators, voluntary information from the visiting tourists, etc. were collected and analysed by the Department for reference.

The remaining amount of ₹11.19 crore was incurred on various advertisements and publicity like advertisement in local magazines, printing of brochure, coffee table books, travel guide booklets, etc., While no assessment was carried out to assess the impact of such advertisement, the brochures/ guidebook also lacked detailed information like facilities available in between the tourist spots.

3.2.9.9 Tourist footfall

Tourism has a positive impact on local economy in terms of income generation and employment creation. It is linked with a chain of economic activities starting from major infrastructure development to local transport network where local people facilitate last mile connectivity. The increase in arrival of tourists benefits varied sectors of the economy.

The trend of foreign and domestic tourist arrivals in the State and its percentage as compared to tourist trends in the North Eastern Region (NER) during 2017-21 is shown in **Table 3.19**.

Table 3.19: Details of tourist arrivals

Year	Foreign Tourist arrival			Domestic tourist arrival		
	NER	Arunachal Pradesh	Percentage of arrival to NER	NER	Arunachal Pradesh	Percentage of arrival to NER
2017	168786	4612	2.73	9546639	213600	2.24
2018	249014	5279	2.12	9761821	273840	2.81
2019	369743	3747	1.01	9565372	264522	2.77
2020	66291	971	1.46	1870264	42978	2.30
2021	13849	10	0.07	2516541	50710	2.02
Total	867683	14619	1.68	33260637	845650	2.54

Source: Departmental records

As indicated above, tourist arrivals in the State had increased in 2018 but had shown a decreasing trend since 2019 in respect of foreign tourists arrivals. The domestic tourist footfalls indicate a decreasing trend in 2019 and 2020 but increased slightly in 2021. During 2017-21, the percentages of foreign and domestic tourist footfalls in the State *vis-à-vis* other North Eastern States were 1.68 per cent and 2.54 per cent respectively.

In respect of the tourists arriving in the eight North Eastern States, Arunachal Pradesh ranked fourth behind Assam, Sikkim and Meghalaya in terms of tourist footfall during the period 2017-21.

Details of tourist footfall in the six sampled districts for the period 2017-21 are shown in **Table 3.20**.

Table 3.20: Tourist footfalls in the six sampled districts

Sl. No.	District	Total footfall during 2017-21	
		Domestic	Foreign
1.	Tawang	158581	2009
2.	Lohit	90660	1004
3.	Lower Subansiri	75191	3786
4.	East Siang	71436	807
5.	Papum Pare	84810	1648
6.	Shi-Yomi	12345	635

Source: Departmental records

It could be seen from the above table that domestic tourist footfall ranged between 12,345 and 1,58,581 while foreign tourist footfalls ranged between 635 and 3,786 in the six sampled districts during the period 2017-21. While Tawang District has the highest domestic footfall, Lower Subansiri District has the highest foreign tourist footfall among the sampled districts.

The State Government stated (June 2023) that it was factual and hence no comments were offered.

Recommendation: The Department may evolve strategies to successfully attract a larger section of tourists of both domestic and foreign categories arriving in India.

3.2.9.10 Promotional Activities

“Arunachal Tourism and Marketing and Promotion Board” was to be set up for marketing tourism potential of the State but no such board was constituted as on March 2023. In absence of the promotion board, Tourism Department has been looking after the promotional activities. Audit observed that 41 completed projects had remained idle and as much as four out of nine leased out projects had also remained non-operational as discussed under **Paragraph 3.2.9.5**. This reflects inefficiency of the Tourism Department in carrying out promotional activities and marketing the tourist potential of the State.

Recommendation: The Department needs to evolve adequate mechanism for promoting tourist potential of the State.

3.2.10 Monitoring

To execute projects economically and efficiently as well as to watch the physical and financial progress of the projects, an effective monitoring mechanism is a pre-requisite. The following deficiencies were noticed in audit.

3.2.10.1 State Level Monitoring Committee

As per PIDDC guidelines, State level Monitoring Committee would be set up under the Chairmanship of the respective Secretary (Tourism) of the State. This committee will monitor the physical and financial progress of the sanctioned projects and submit the reports to the Ministry on regular basis (quarterly as per sanction order). The Committee will be responsible for completion of projects within the stipulated period.

Also, as per Clause 8.4 of Swadesh Darshan Scheme-2 guidelines of 2020, the meeting of the State Steering Committee shall be held periodically and not less than once in a quarter to review the progress and provide necessary guidance. Further, as per Clause 7.2.2, the Committee is also to review operation and maintenance plans of the facilities being created for sustainability.

Audit observed that neither the State Level Monitoring Committee nor the State Steering Committee was constituted to monitor physical and financial progress of projects due to which the physical and financial progress of the sanctioned projects had not been reviewed and necessary guidance had not been provided with aberration in implementation of projects during the review period.

Due to absence of such monitoring mechanism, audit noticed inordinate delays in execution of projects as discussed under **Paragraph 3.2.9.4**. 41 completed projects were not made functional and were lying idle despite lapse of three years to nine years since the date of completion.

The State Government stated (June 2023) that State Steering Committee was constituted during 2022-23 and recently held one meeting. Also, the State Government assured to furnish the relevant documents.

However, the State Government did not furnish relevant records as of September 2024.

3.2.10.2 Destination Management Committee

As per Clause 8.3 & 7.4.2 of Swadesh Darshan Schemes-2 guidelines 2020, the Destination Management Committees (DMCs) at district level will periodically review the progress of implementation of projects on ground and resolve bottlenecks in implementation. As per Clause 8.1 of Swadesh Darshan guidelines 2020, all proceedings of the review meetings at various levels will also be uploaded on the portal.

Audit, however, observed that DMC were not constituted till date (March 2023) due to which the progress of implementation of project on ground had not been reviewed to resolve bottlenecks in implementation. As such, delay in completion of projects, execution of work below specification, payment without execution of work and idling of assets (as discussed under **Paragraph 3.2.9.5**) had remained unaddressed.

The State Government stated (June 2023) that based on their proposals, the GoI was expected to approve 02 circuit destinations after which DMCs will be constituted.

The reply of the State Government was not acceptable as approval of circuit destination was not precondition for constitution of DMC. Thus, even after a lapse of three years, the DMCs were yet to be constituted.

3.2.10.3 Department-wise monitoring committee

As per NEC guidelines (Paragraph 24.3) the State Governments should constitute Department wise monitoring committees to oversee implementation of NEC projects. The committees may review the progress of implementation on quarterly basis.

Audit observed that no such monitoring committee was formed under the Tourism Department in the State. In absence of monitoring committee, the implementation of the projects was devoid of monitoring, resulting in delays in completion of projects. and wasteful expenditure due to abandonment of one project as discussed under **Paragraph 3.2.9.4**.

The State Government stated (June 2023) that since NEC projects are completed, no action was desired now.

The reply confirms that the Department had executed NEC projects without the monitoring committee.

3.2.10.4 Internal Control Mechanism

Internal controls provide reasonable assurance to the management as to whether financial interests and assets of the organization were safeguarded, and whether reliable information on the functioning of the organization were available to facilitate necessary interventions when called for.

Some of the weaknesses of internal control mechanism observed in audit are mentioned below.

- No Asset Registers were maintained at the Directorate. No periodical physical verification of stock or assets was carried out.
- There is no system of internal audit in the Department of Tourism.
- No activity report was prepared by DoT during the period 2017-23 explaining details of activities; schemes and projects undertaken by the Department.

Thus, the internal control arrangement was not adequate to ensure efficient functioning of the Department/field offices. Instances of loss of government money due to non-recovery of outstanding mobilisation advance (**Paragraph 3.2.9.3**), excess payment, payment without execution of work (**Paragraph 3.2.9.4**), non-adherence to guidelines or rules (**Paragraph 3.2.9.2**) and non-enforcement of contractual obligations on the contractors (**Paragraph 3.2.9.3**) as discussed previously were also indicative of weak internal control mechanism.

Thus, it was observed that no effective monitoring mechanisms were put in place. Lack of adequate and effective monitoring could be partially attributed to poor outcome of tourism infrastructure projects in the state.

The State Government stated (June 2023) that the audit findings were noted and necessary action would be taken.

3.2.11 Impact assessment

Audit observed that despite creation of infrastructure worth ₹107.95 crore (50 projects) during the review period, 41 projects worth ₹87.82 crore (81.35 per cent) were lying idle. Even four out of the nine leased out projects (constructed at a cost of ₹4.40 crore) were non-operational. Percentage of foreign and domestic tourist arrival in the State were only 2.74 per cent (23,768 foreign tourist) and 4.98 per cent (16,57,866 domestic tourist)

respectively as compared to NER region. It is evident from the fact stated above that tourism infrastructure so created did not have a desirable impact on overall development of tourism sector in the State.

The State Government stated (June 2023) that the audit findings were noted and necessary action would be taken.

3.2.12 Conclusion

Tourism infrastructure projects were implemented on ad-hoc basis without formulating comprehensive master plan. There were delays in release of GoI's share to implementing agencies by State Government. Submission of UCs to MoT before the release of fund by the State Government to implementing agency was also noticed. Money was drawn from government account without immediate requirement for disbursement and found parked in Demand Draft. Funds were also found diverted to works which are outside the sanctioned scope of projects. Non-adherence to guidelines/ codal formalities and weak contract management had resulted in short deduction of statutory dues, avoidable expenditure, non-obtaining of performance guarantee, non-recovery of principal amount and interest on MA and shortfall in deduction of security deposit.

No land possession certificate or mutation of the land in the name of Tourism Department, GoAP for the project site was obtained from district administration. There were instances of change of site from the approved locations without the approval of the competent authority, award of work to ineligible contractors and extension of undue favour to contractors. Delays in completion of the projects were also noticed.

There was excess payment due to erroneous summation and fictitious entry in the MB. Expenditure incurred again on items of a project already executed through agreement was doubtful. The expenditure incurred against abandoned projects was wasteful. Payments were also made for works not executed.

Majority of the completed projects have remained idle for the past three to nine years. In respect of the tourists arriving in the eight North Eastern States, Arunachal Pradesh ranked fourth during the period 2017-21. The monitoring mechanisms for implementation of tourism infrastructure were ineffective though put in place. Therefore, the implementation of tourism infrastructure under various schemes was not effective.

3.2.13 Recommendations

- *The Department may ensure that money is not withdrawn from government accounts to prevent the lapse of budgetary grants unless it is required for immediate disbursement.*
- *The Department may ensure that the fund is utilised only for the purpose for which it was sanctioned.*
- *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 recover the sum due on account of non-submission of programme chart from the contractors.*

- *The Department may initiate measures to recover the outstanding mobilisation advance from the contractors of the abandoned and completed projects and also, ensure recovery of the outstanding mobilisation advance from the ongoing projects.*
- *The Department may initiate action against the concerned officials after fixing responsibility for award of work to ineligible contractors.*
- *The Department may ensure the mutation of the land in the name of the State Government and acquire the assets created under the project after its completion.*
- *The Department may take action after fixing responsibility against the concerned officials, for the fictitious entries in MBs.*
- *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.*
- *The Department may strictly enforce the contractual provisions and ensure the functioning of the leased out assets to provide services to the visiting tourists.*
- *The Department may take steps to connect the completed projects with external water supply and electricity so that the assets could be operationalised at the earliest.*
- *The Department may evolve strategies to successfully attract a larger section of tourists of both domestic and foreign categories arriving in India.*
- *The Department needs to evolve adequate mechanism for promoting tourist potential of the State.*

Rural Works Department

3.3 Implementation of Pradhan Mantri Gram Sadak Yojana (PMGSY) in Arunachal Pradesh

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 highlighted below.

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.*
(Paragraph 3.3.4.1)
- *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.

(Paragraph 3.3.4.2)

- *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.*

(Paragraph 3.3.5.1)

- *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.*

(Paragraph 3.3.5.4)

- *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.*

(Paragraph 3.3.5.5)

- *There was excess expenditure to the extent of ₹6.42 crore in ARRDA over the prescribed ceiling of administrative and travel expenses.*

(Paragraph 3.3.5.8)

- *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.*

(Paragraph 3.3.6.3)

- *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.*

(Paragraph 3.3.6.4)

- *The DPIUs released ₹52.68 crore to contractors in seven projects without execution of work or with inflated measurement of works.*

(Paragraph 3.3.6.6)

- *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.

(Paragraph 3.3.6.7)

- *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.*

(Paragraph 3.3.6.8)

3.3.1 Introduction

Rural Road Connectivity and its sustained availability is a key component of Rural Development as it assures continuing access to economic and social services and thereby generates sustained increase in agricultural incomes and productive employment opportunities. It is a vital ingredient in ensuring sustainable poverty reduction which demands a permanent rural connectivity, encompassing a high level of quality of construction followed by continuous post-construction maintenance of the road asset and in fact the entire network.

The Government of India (GoI), acknowledging the expected socio-economic benefits to the rural population from rural roads and with a view to imparting greater thrust to the ongoing efforts, announced a Programme called Pradhan Mantri Gram Sadak Yojana (referred as PMGSY-I hereinafter) on 25 December 2000 to provide all-weather access to eligible unconnected habitations as a strategy for poverty alleviation. Under the scheme rural connectivity was to be provided, by way of a single all-weather road, to the eligible unconnected habitations of designated population size (500+ in plain areas and 250+ in North-Eastern States, Himalayan States and Himalayan Union Territories as per 2001 census). The roads were to be provided with necessary culverts and cross drainage structures to make them motorable throughout the year. Besides, upgradation of existing rural roads was also to be taken up as a second priority work.

The mandate of PMGSY has been subsequently widened to include new interventions. PMGSY-II was launched in the year 2013, with a target to upgrade 50,000 Kms of the existing rural road network to improve its overall efficiency as a provider of transportation services for people, goods and services. PMGSY-III was launched in the year 2019 for consolidation of 1,25,000 Km through routes and Major Rural Links connecting habitations, *inter-alia*, to Gramin Agricultural Markets (GrAMs), Higher Secondary Schools and Hospitals.

Projects under PMGSY-I and II are being implemented from the year 2000-01 and 2019-20 respectively in Arunachal Pradesh. Since, the State did not fullfill eligibility conditons of PMGSY-III, no projects under PMGSY-III, have been approved in the State till March 2022 and thus the State lost opportunity to avail benefit of upgradation of roads under the scheme.

The status of connectivity of habitations during audit period in the State *vis-à-vis* in the sampled districts is depicted in **Tables 3.21** and **3.22**.

Table 3.21 Status of Connectivity of habitations

Year (Upto)	Sanctioned habitations				Status of habitations connected during the audit period			
	1000+	500+	250+	Total	1000+	500+	250+	Total
2017-18	49	126	467	642	47	116	260	423
2018-19	49	126	466	641	49	119	325	493
2019-20	49	126	466	641	49	121	344	514
2020-21	49	126	466	641	49	123	356	528
2021-22	49	126	466	641	49	123	385	557

Source: OMMAS data

Table 3.22: Status of Connectivity of habitations in sampled districts

Sampled district	Sanctioned habitations				Status of habitations connected during the audit period			
	1000+	500+	250+	Total	1000+	500+	250+	Total
Papumpare	0	1	19	20	0	1	18	19
East Kameng	1	3	10	14	1	3	8	12
Lower Siang	0	5	8	13	0	5	7	12
Kurung Kumey	0	1	4	5	0	1	4	5
Upper Siang	0	7	24	31	0	7	23	30
West Siang	0	4	18	22	0	4	18	22
Total				105				100

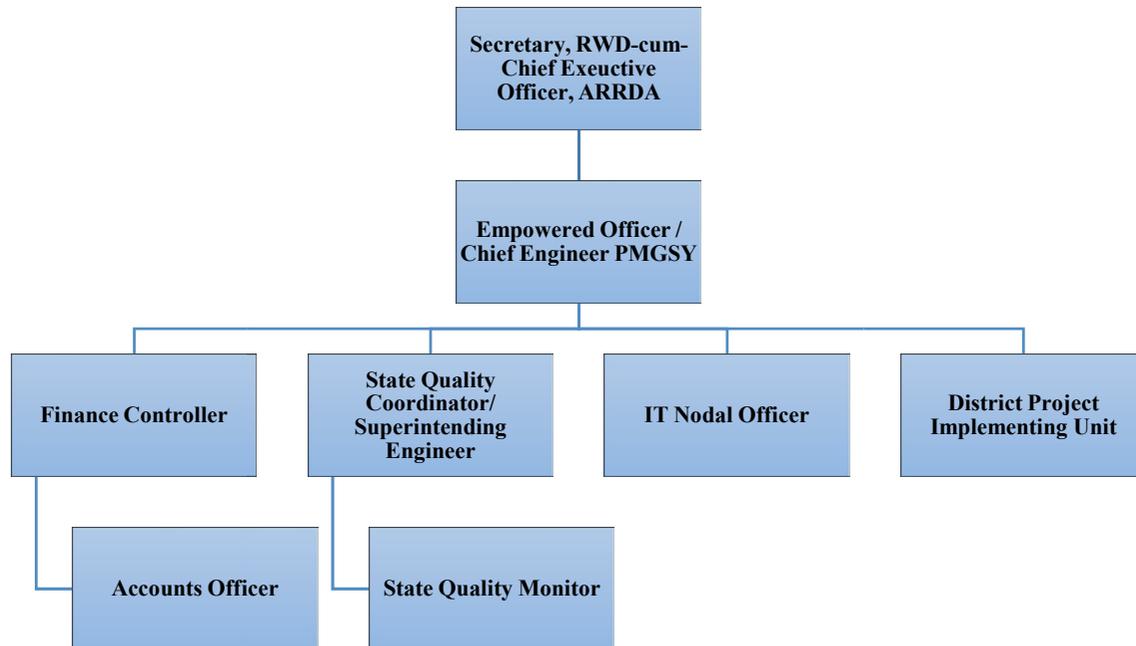
Source: OMMAS data

PMGSY envisaged providing all-weather roads to all unconnected habitations by the end of 2007. However, even after lapse of more than 15 years after the target year, the desired objectives could not be fully achieved in Arunachal Pradesh.

3.3.2 Organisational Setup

The Secretary, Rural Works Department (RWD), Government of Arunachal Pradesh (GoAP) is responsible for implementing the scheme and is the Chief Executive Officer (CEO) of Arunachal Rural Roads Development Agency (ARRDA) a body registered under the Cooperative Societies Act, 1860 to oversee and monitor implementation of PMGSY in the State. He is assisted by the Chief Engineer, PMGSY who is vested with executive responsibilities as the Empowered Officer for overseeing the ARRDA. He is further assisted by seven Superintending Engineers and Executive Engineers, who function as Programme Implementing Units (PIUs). Organogram for implementation of PMGSY Programme is shown in **Chart 3.3**.

Chart 3.3: Organisational Structure



Source: Departmental records

3.3.3 Audit Approach

3.3.3.1 Audit Objectives

The objectives of the Performance audit are to ascertain whether:

- The systems and procedures in place for identification/preparation of Core Network as well as District Rural Road Plan were adequate and conformed to the programme provisions;
- The road works were executed economically, efficiently and effectively;
- The allocation and release of funds under PMGSY were adequate and there was timely release to ensure optimum utilisation of funds; and
- The existing monitoring system and quality control mechanism were adequate and effective for achieving the desired objective.

3.3.3.2 Audit Criteria

The main sources of audit criteria are the following:

- Guidelines of Programme PMGSY-I, PMGSY-II, PMGSY-III and subsequent amendments issued by the Ministry of Rural Development, Department of Rural Development;
- Operational Manual, Accounts Manual, Rural Road Manual, *etc.* of PMGSY;
- Annual Reports/Instructions/Guidelines issued by National Rural Infrastructure Development Agency (NRIDA);
- Periodical reports/returns prescribed by state governments;
- General Financial Rules 2017;

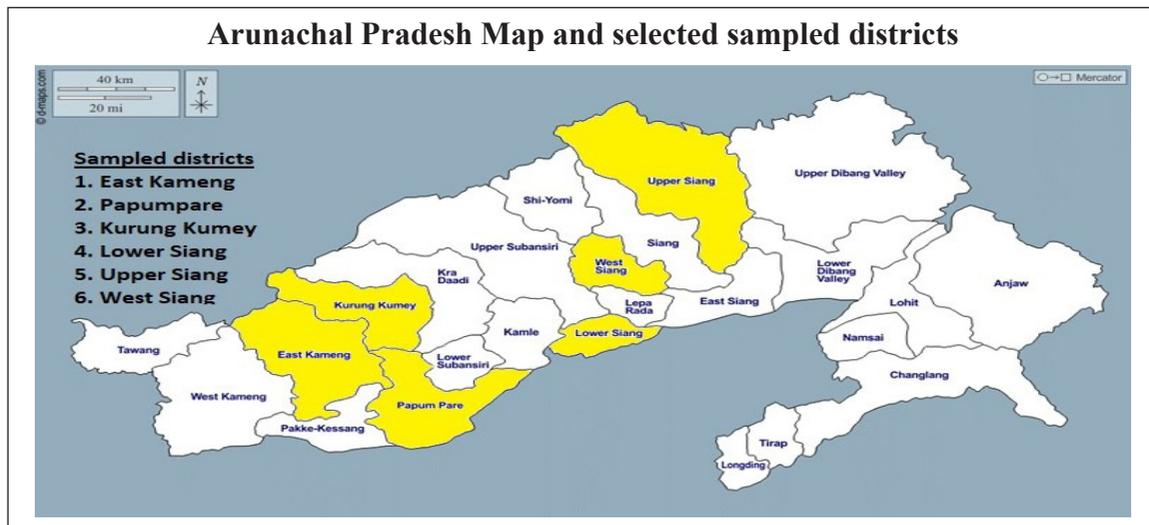
- Circulars/instructions issued by the Department of Rural Development, GoI; and
- Reports of National and State Quality Monitors and National Level Monitors.

3.3.3.3 Audit Sample

The following statistical framework was used for selection of sample:

Stage I: Sample of Districts

As on March 2022, the State has 25 of districts which as per administrative convenience, are divided in two Zones namely Eastern Zone and Western Zone. For the purpose of performance audit, three districts from each zone and altogether six districts (25 per cent) have been selected through Probability Proportional to Size Without Replacement (PPSWOR) method with size measure as PMGSY expenditure during the last five years 2017-22. From Eastern Zone districts namely West Siang, Upper Siang, Lower Siang were selected whereas from Western zone East Kameng, Kurung Kumey, Papumpare were selected. The map of the State along with six sampled districts is shown in the picture.



Source: Departmental records

Stage II: Sample of projects in selected Districts

A total of 217 road packages (Roads 149 and Bridges 68) with sanctioned cost of ₹2,213.36 crore were executed in the sampled districts during 2017-22, out of which 73 road packages (Roads¹⁷ 40 and Bridges 33) valued ₹864.63 crore were scrutinised. These 73 packages included 63¹⁸ New Connectivity projects and 10¹⁹ Upgradation projects under PMGSY-I & II.

Apart from scrutiny of records, physical inspections of roads along with Departmental representatives were also conducted and photographic evidence taken wherever felt necessary to substantiate audit findings.

¹⁷ Roads ₹734.41 crore and Bridges ₹130.22 crore

¹⁸ New Connectivity: ₹767.71 crore

¹⁹ Up-gradation: ₹96.92 crore

3.3.3.4 Audit Scope and methodology

Performance audit of PMGSY was conducted during July-December 2022 covering five-year period 2017-22. Audit methodology involved examination of records of Arunachal Rural Development Agency (ARRDA) and Programme Implementing Units (PIUs) in the six sampled districts. An entry conference was held on 16 August 2021 with the Secretary, RWD-cum-CEO, ARRDA and other Departmental officials wherein the audit scope, objectives, criteria, methodology were discussed.

At the end of the performance audit, the report was shared with the State Government and major audit findings were discussed with the Secretary, RWD-cum-CEO, ARRDA and other Department officials in the Exit Conference held on 06 June 2023. Replies and views of the Department have been incorporated at appropriate places in the Report.

3.3.3.5 Acknowledgement

The Office of the Principal Accountant General, Arunachal Pradesh acknowledges the co-operation and assistance provided by the Rural Works Department, GoAP during conduct of this PA.

Audit findings

The audit findings are brought out in the succeeding paragraphs.

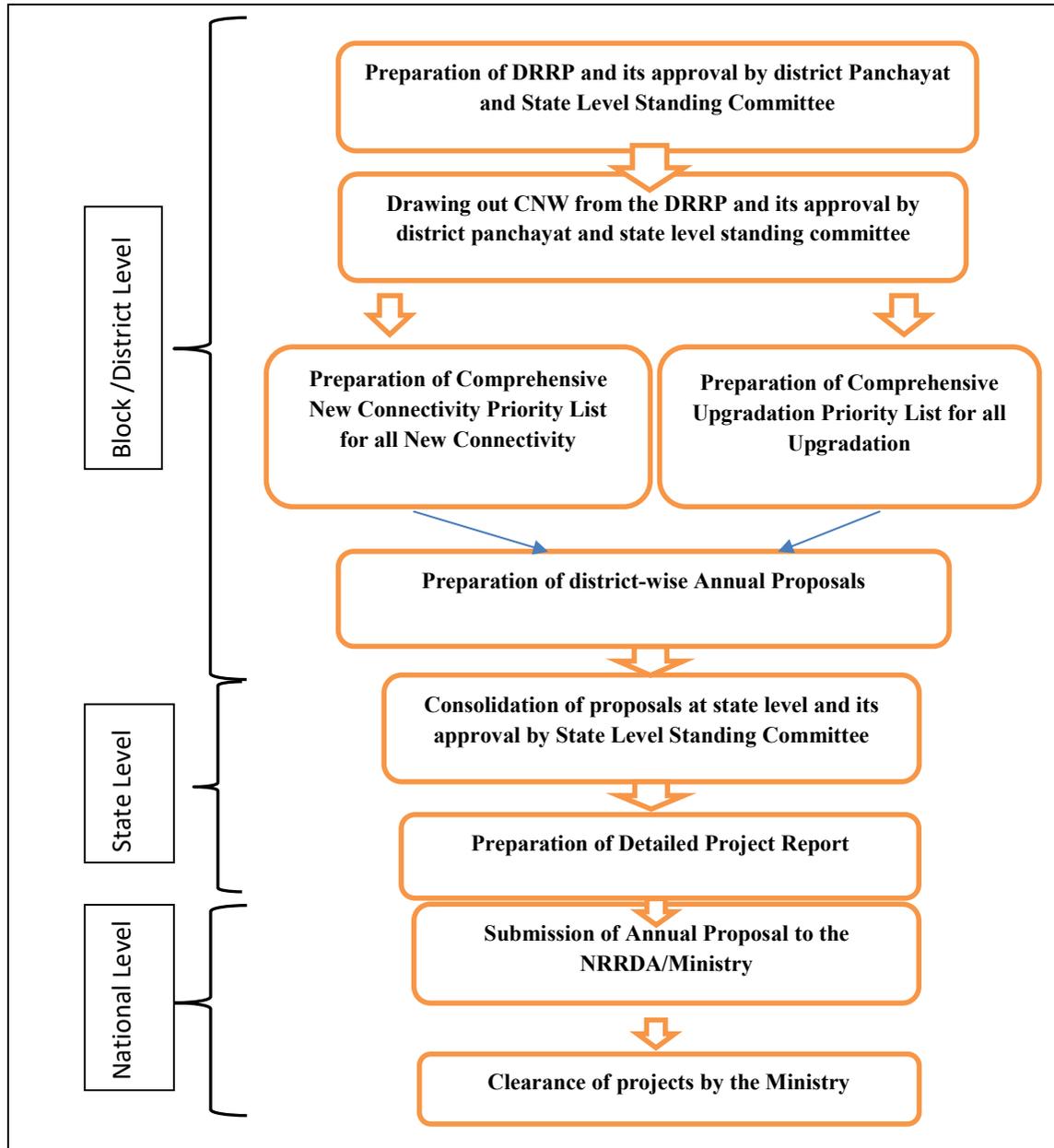
3.3.4 Planning

Proper planning is imperative to achieve the objectives of the programme in a systematic and cost-effective manner. The programme has been implemented in the model of decentralized network planning for rural roads. In planning, special emphasis should be accorded for Identification of Core Network and District Rural Road Plan as discussed in succeeding paragraphs.

3.3.4.1 Identification of Core Network and preparation of District Rural Road Plan

The State, after conducting a detailed survey was required to prepare a master plan for rural roads called the District Rural Road Plan (DRRP). Based on the position of connectivity of habitations in the DRRP, the Core Network (CNW) indicating the shortest single connectivity was to be prepared. Comprehensive New Connectivity Priority List (CNCPL) for all new connectivity and a Comprehensive Upgradation Priority List (CUPL)/ Comprehensive Upgradation cum Consolidation Priority List (CUCPL) for all upgradation works were to be drawn out from CNW. This planning exercise was to be carried out with full involvement of public representatives. The DRRP and CNW were the basis for the planning exercise under PMGSY. Identification and preparation of CNW is shown in **Chart 3.4**.

Chart 3.4: Planning process



Source: Operational Manual of PMGSY

The DRRP was envisaged to be a compendium of the existing and proposed road network system in the district. The plan was to clearly identify the proposed roads for connecting the habitations not connected with all-weather roads in an economic and efficient manner. It was also envisaged that the DRRP shall be prepared at two levels – block and district. Block-wise Road plans shall be based on the priorities spelt out by the District Panchayat. After the block-wise master plans were approved by the Intermediate Level (Block) Panchayat, they were to be forwarded to the District Planning Committee (DPC) for integration into the DRRP. This would be placed before the District Panchayat or District Rural Development Agency (DRDA) where the District Panchayats did not exist, for consideration and approval. The approved DRRP, thereafter was to be submitted to ARRDA for the approval of the State Level Standing

Committee (SLSC) which would form the basis for selection of road works under the PMGSY through the CNW.

Deficiencies observed in audit are discussed in succeeding paragraphs:

(i) Non-preparation of District Rural Road Plans

As per Para 4.2 of PMGSY Guidelines, the State, after conducting a detailed survey was required to prepare a master plan for rural roads called the District Rural Road Plan (DRRP).

Though all six sampled districts claimed to have prepared DRRPs, none could produce the vital record to audit for examination stating that the records pertained to very old period (before 2005). In the absence of records, audit could not ascertain whether the DRRPs had been prepared in accordance with the guidelines and whether CNWs and priority lists (CNCPL and CUPL/CUCPL) were drawn from DRRPs.

The State Government stated (June 2023) that both DRRP and CNW were prepared at the beginning of the PMGSY programme and were the basis of selection of projects. However, due to poor maintenance of records, the records could not be furnished.

(ii) Non approving of Core Network by Intermediate Panchayat

Based on the position of connectivity of habitations in the DRRP, the Core Network (CNW) indicating the shortest single connectivity was to be prepared. The CNW shall be approved by all levels *viz.* Intermediate Panchayat, District Panchayat and SLSC.

Audit scrutiny of records revealed that CNWs of the five districts²⁰ were 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. It indicated that people of affected habitations were not taken into consideration while preparing CNWs.

While accepting the audit findings; the Department stated (June 2023) that CNWs were prepared and approval was obtained in accordance with the guidelines. Reply of the State Government is not acceptable as approval of Intermediate Panchayat was not obtained as mandated under scheme guidelines.

(iii) Preparation of Comprehensive New Connectivity Priority List (CNCPL)/ Comprehensive Upgradation Priority List (CUPL)

Once the CNW was ready, the State was required to prepare CNCPL at block and district level of all proposed road links, grouping them in the order of priority based on population size *i.e.*, 1000+ habitations first, 500+ habitations second and 250+ habitations last. Likewise, a CUPL was prepared for prioritising the upgradation of roads. In order to manage the rural road network for upgradation and maintenance planning, the State had to carry out, every two years, a pavement condition survey of all through routes. The survey would yield a Pavement Condition Index (PCI) on a scale of one to five. Based on the PCI, a CUPL would be prepared. CUPL would be prepared in respect of those districts which were likely to complete new connectivity to eligible habitations within the next one year. The CUPL would be verified on sample basis through the State Technical Agencies (STA)

²⁰ East Kameng, Kurung Kumey, Papumpare, West Siang and Lower Siang

and the National Quality Monitor (NQM). The CUPL was to be placed before the District Panchayat for its approval.

Audit noticed that:

- CNCPL/ CUPL were not prepared at block level in six sampled districts.
- CUPL was prepared without conducting PCI survey every two years as required.
- Neither did STA verify CUPL of any sample district nor was it verified by NQM as required under the guidelines.

Thus, the department not only did not follow a bottom-up approach but also did not exercise due diligence while scurinizing projects.

The Department in its reply stated (June 2023) that CNCPL was prepared block-wise and submitted to MoRD during January 2005. Regarding CUPL, it stated that the data is auto generated in OMMAS.

The reply of the Department is not acceptable, as auto-generation of data in OMMAS is contingent upon manual feeding or uploading of data into the database. Further, the Department's reply was silent on the PCI survey, which is essential for preparing CUPL. Thus, non-conduct of regular biennial surveys renders the generated data historical and outdated, resulting in inaccurate reports.

3.3.4.2 Selection of work without observing priority

Paragraph 6.11 of Scheme Guidelines (PMGSY-I) provides that the order of priority and CNCPL/CUPL will be the twin basis for making proposals. Where road works of a higher order of priority still remain to be taken up, road works of a lower order of priority will not be taken up in the same district except if it is not feasible to execute the road works for reasons of non-availability of land *etc.* While finalising the district proposal, the District Panchayat shall record and communicate the reason in each such case that a higher priority road is left out and lower priority road is proposed.

Audit observed that without observing the above, 34 roads of lower priority were given precedence over roads of higher priority. Such instances were high in Papumpare, East Kameng, Lower Siang, Upper Siang, West Siang and Kurung Kumey District where lower priority roads were taken up as detailed in **Table 3.23**.

Table 3.23: Details of roads not accorded priority

Sl. No.	Name of District	Name of Block	Rank of CNCPL selected for execution	Rank of CNCPL which were ignored	No. of Road which were ignored
1	Papumpare	Balijan	42	3, 21 & 35	3
		Doimukh	46	23, 29 & 45	3
		Sagalee	44	7, 24 & 41	3
		Mengio	40	34	1
Total					10
2	East Kameng	Bana	20	3 and 16	2
		Seppa	47	17, 34 & 41	3
		Bameng	48	46	1
		Chayangtajo	73	55 and 66	2
Total					8

Sl. No.	Name of District	Name of Block	Rank of CNCPL selected for execution	Rank of CNCPL which were ignored	No. of Road which were ignored
3	Lower Siang	Likabali	21	13 and 15	2
Total					2
4	Upper Siang	Yingkiong	10	9	1
		Tuting	25	21	1
Total					2
5	West Siang	Along West	22	10	1
		Along East	17	11	1
		Liromoba	33	30	1
Total					3
6	Kurung Kumey	Sangram	32	6 & 9	2
		Damin	35	7 & 24	2
		Nyapin	44	33 & 40	2
		Koloriang	45	8, 30 & 40	3
Total					9
Grand Total					34

Source: Departmental records

While accepting the facts, the Department stated (June 2023) that if proposals were chosen priority wise, then only a few districts could have been benefited leaving remaining districts unattended. It also added that weightage was also given for the border district having international boundary. Proposal of MP/ MLAs were also considered while according priority to the projects.

The reply of the Department is not acceptable as it did not adhere to the scheme guidelines. It also did not furnish relevant records of proposals of MP/ MLAs and weightage accorded to the border districts which were considered for taking up roads with lower priority in violation of the scheme guidelines.

(i) Upgradation Without Ensuring New Connectivity

As per paragraph 3.3.3 of Operation Manual of PMGSY, CUPL was to be prepared only in those districts where no new connectivity is required to be taken up in view of existing connectivity of the habitations. Further, paragraph 1.6.2 of Operational Manual states that Upgradation of existing rural roads is not central to the programme. However, the programme will permit upgradation of existing rural roads to the prescribed standards in those Districts where all habitations of the designated population size have been provided all-weather connectivity. The provision for upgradation cannot exceed 20 per cent of the State's allocation as long as unconnected habitations still exist in the State.

Audit observed that 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 five²¹ 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.

²¹ Out of total 354 no. of road projects sanctioned under PMGSY-I, 334 no. of projects were sanctioned under New connectivity and remaining 20 no. of projects were sanctioned under Upgradation.

The Department in its reply cited paragraph 1.6.2 of Operational Manual to justify that upgradation works can be taken up in districts still having unconnected habitations.

The Department reply is not acceptable as the said paragraph states that upgradation can only be undertaken after achieving 100 *per cent* connectivity to all eligible habitations. Contrary to this, it was found that a significant number of eligible yet unconnected habitations still exist in these districts.

3.3.4.3 Inadmissible works

According to Paragraph 3.3.3(i) of Operation Manual of PMGSY, only Through Routes (TRs) were eligible to be taken up for upgradation under the scheme.

Scrutiny of records, however, revealed that out of 94 road packages sanctioned under upgradation during 2017-22 in 23 districts, 13 No. of Link Routes measuring 90.24 km (*Appendix-3.10*) were upgraded at a cost of ₹70.07 crore from PMGSY funds in violation of scheme guidelines.

The State Government quoting Paragraph 1.6.2 of Operation Manual replied in Exit Conference that upgradation is allowed in case of Link Routes. The reply of the Department is not acceptable as upgradation of Link Routes is not permissible as per the Operational Manual.

3.3.5 Fund Management

PMGSY was initially 100 *per cent* Centrally Sponsored Scheme. However, from the year 2015-16, the funding pattern was modified to 60:40 between the Centre and States for all States except for special category states *i.e.*, eight North Eastern and three Himalayan States for which the ratio was fixed at 90:10.

Being a special category state Arunachal Pradesh would receive 90 *per cent* funds from Centre and had to contribute 10 *per cent* for implementation of the scheme. The State Government was required to transfer the funds received from GoI along with its share to Arunachal Pradesh Rural Road Development Agency (ARRDA) within three working days after the receipt of funds. The fund flow under PMGSY is shown in **Chart 3.5**.

Chart 3.5: Fund flow of PMGSY



Source: OMMASPortal

The ARRDA maintained three separate accounts for meeting programme expenditure, administrative expenditure and maintenance expenditure under PMGSY as given under:

- **Programme fund account:** The programme expenses related to construction of new connectivity and upgradation works were met through this account.
- **Administrative fund account:** Two *per cent* of programme fund is kept in the account to meet the administrative and travel expenses of PIUs and ARRDA.
- **Maintenance Fund Account:** Maintenance fund for service contracts was budgeted by the State Government and placed at the disposal of the ARDDA under Maintenance Account within the stipulated time *i.e.*, 50 *per cent* by 31 May and remaining 50 *per cent* by 30 November of each financial year.

The financial performance during 2017-22 under PMGSY is discussed in subsequent paragraphs.

3.3.5.1 Allotment and expenditure

The position of release of fund and expenditure under the scheme during the period 2017-18 to 2021-22 is as follows:

Table 3.24: Receipt and Expenditure of PMGSY Fund

Year	Opening balance	State Government proposal for funds	Receipt of Share		Interest	Other	Total	Expenditure Utilisation (in <i>per cent</i>)	Closing balance
			GoI	State					
2017-18	7.58	450	342.63	34.26	1.05	29.58	415.10	395.93 (95)	19.17 (05)
2018-19	19.17	1500	1234.60	138.75	5.26	89.59	1487.37	1067.07 (72)	420.30 (28)
2019-20	420.30	1000	774.04	86.01	12.16	307.68	1600.19	1483.33 (93)	116.86 (07)
2020-21	116.86	1500	1448.36	172.89	2.66	88.00	1828.77	1442.61 (79)	386.16 (21)
2021-22	386.16	1500	1084.32	879.36	3.05	55.96	2408.85	1233.53 (51)	1175.32(49)
Total							7740.28	5622.47 (73)	

Source: Departmental records

From **Table 3.24**, it can be seen that against the total available funds of ₹7,740.28 crore during 2017-22, an expenditure of ₹5,622.47 crore was incurred leaving an unspent balance of ₹1,175.32 crore as of March 2022 with overall utilisation of 73 *per cent*.

Further, during 2017-22, the State Government could not spend the available funds, resulting in significant closing balance ranging between 05 and 49 *per cent*. This was mainly due to delay in taking up the works, non-execution of contracts and slow progress of works, which are discussed in **Paragraphs 3.3.6.4**. 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.

Accepting the audit finding, the Department stated (June 2023) that fund utilisation and scheme execution was adversely affected due to Covid-19 pandemic. It further added that it would monitor programme implementation more closely to ensure better utilisation of funds.

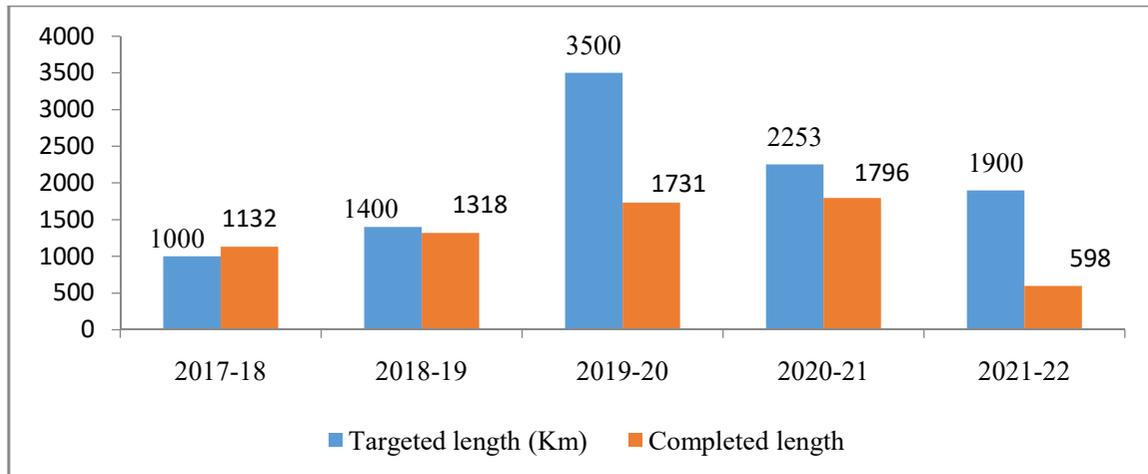
3.3.5.2 Achievement during the last five years

At the end of March 2022, 1,214 roads covering 12,063 Km were completed against 1,625 roads sanctioned (length 14,384 Km) during the last 22 years (2000-22). With coverage of 84 per cent in completion of road length, there was a shortfall of 411 roads (length 2,321 Km). During 2017-22, against the sanction of 392 roads for new connectivity and 107 roads for upgradation, 130 new roads (33 per cent) were constructed and 57 (53 per cent) roads were upgraded by spending ₹3,198 crore.

No New Connectivity projects were sanctioned from 2019-20 onwards and no project for Upgradation was sanctioned from 2020-21 onwards.

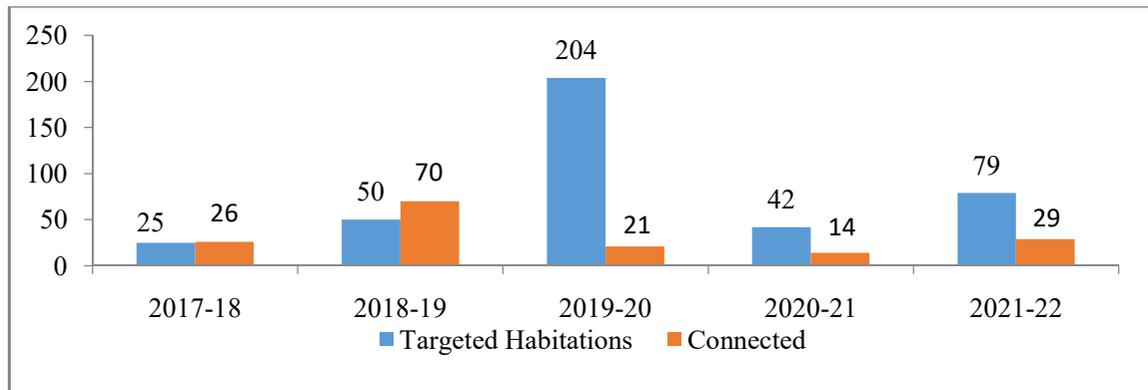
Apart from the above Government of India also fixed physical targets for achieving habitation connectivity and completion of length. Year-wise targets and achievement of length of road is shown in **Chart 3.6** and year-wise targets and achievement of habitation connectivity during 2017-2022 is shown in **Chart 3.7**.

Chart 3.6: Targets and achievement of length of road



Source: Departmental records

Chart 3.7: Targets and achievement of habitation connectivity



Source: Departmental records

As could be seen from **Charts 3.6** and **3.7**, initially there was slightly over achievement in length of road in 2017-18 and habitation connectivity during 2017-18 and 2018-19 due to completion of spill over works. In subsequent years 2019-20 to 2021-22, there was

short achievement of length and habitation connectivity against the target due to Covid-19 pandemic.

3.3.5.3 Special allocation of funds not availed

Under PMGSY, a special allocation of up to five *per cent* of the annual allocation from the rural roads share of the Diesel Cess would be made available to districts sharing international borders. The Department was required to forward proposal to GoI to avail the special allocation.

Audit observed that due to non-submission of proposals to avail additional funds for border sharing district roads to GoI, the benefits under Diesel Cess were not availed by the State though it was eligible to get an amount of ₹79²² crore. This resulted in loss to the State Government to that extent.

Accepting the audit finding, the Department stated (June 2023) that no separate proposal was submitted for availing the special allocation as it contended that the State got allocation amounting to 24 times the diesel cess, which maybe lost if the State submitted a separate proposal for the same.

The reply is not acceptable as the diesel cess is over and above the annual allocations towards rural roads.

3.3.5.4 Loss of interest due to fixation of high ceiling to convert unspent funds into fixed deposit

Paragraph 13.1.5 of PMGSY Operation Manual (February 2005) provides that all the funds over and above ₹50 lakh in the programme and administrative expenses fund of the ARRDA shall be maintained by the bank as fixed deposit. Scrutiny of records revealed that the ARRDA, NRIDA and SBI Bank entered into an agreement in September 2014, according to which any amount in excess of ₹1.00 crore (instead of ₹50 lakh) would be automatically invested in Fixed Deposits. It was further noticed that the anomaly was not corrected till March 2021 when ARRDA signed a new agreement with the Bank and this limit came down from ₹One crore to ₹50 lakh. It was noticed from the accounts that funds in excess of ₹1.00 crore remained idle and were not invested by the bank and therefore could not earn interest. As per report of Chartered Accountant appointed to compute loss of interest, there was loss of interest of total ₹6.88 crore due to non-investment, short investment in last 10 years (2010-11 to 2019-20). The report was forwarded to bank (August 2021) and till July 2022, the bank had not made any credit of the interest. Further, the loss of interest could have been more had it been calculated at the rate of ₹50 lakh. Thus, retention of funds in excess of ₹50 lakh in Savings Account instead of transferring the same to Fixed Deposit led to loss of interest of ₹6.88 crore.

Accepting the audit findings, the Department stated (June 2023) that it had taken up the matter with the State Bank of India (SBI) to credit full amount of ₹6.88 crore and as of June 2023, it had credited back interest amount of ₹1.83 crore with shortfall of ₹5.05 crore. However, non-adherence to the instructions of PMGSY Operational Manual while entering into agreement with SBI led to loss of interest of ₹5.05 crore.

²² Five *per cent* of Central Share of ₹1,577.23 crore during 2017-2019

Recommendation:

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.

3.3.5.5 Delay in transfer of funds by State Government

As per the programme guidelines (as modified from time to time), from 2014-15 onwards, funds are released to the State Consolidated Fund with directions to transfer these funds to SRRDA's account within three days from the date of its receipt failing which the state government is liable to pay interest at 12 *per cent* per annum to SRRDA for the period of delay beyond the specified period.

Audit observed that 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. Similarly, there were delays ranging from 47 to 243 days in the release of administrative funds to ARRDA whereby it was to pay interest of ₹2.29 crore. Thus, the State Government was to pay total interest of ₹169.14 crore for the delay in release of funds. The State Government; however, did not pay anything for the delay in release of funds to the ARRDA till date.

The Department stated (June 2023) that the observation pertains to Finance Department. The matter has been taken up with the Finance Department and the response had not been received from the Finance Department (September 2024).

Recommendation: The State Government may release programme funds in a timely manner along with interest for the delay.

3.3.5.6 Diversion of funds

Rule 26 of General Financial Rules, 2017; says that it is the duty and responsibility of a controlling officer in respect of funds placed at his disposal; to ensure that the expenditure is incurred for the purpose for which funds have been provided. Further, State Government while according administrative approval and expenditure sanction stipulated that the funds should be utilised within specified time and strictly for the purpose for which it has been sanctioned. No diversion of funds is allowed.

Contrary to the rules, ARRDA diverted funds of ₹2.80 crore from Programme Funds to Administrative Expense fund and Maintenance Fund between 2017-18 and 2019-20. Similarly, during 2018-19 and 2019-20, Maintenance Fund of ₹2.50 crore was diverted to Administrative Funds. Thus, total funds of ₹5.30 crore were diverted without obtaining approval of GoI. No reasons were stated for the diversion of funds. Diversion of funds from intended purposes reflected poor fund management besides reducing the fund availability for the desired purposes.

Accepting the audit finding, the State Government replied in Exit Conference that diversion of funds was carried out due to unavoidable reasons. And the Department assured to monitor it closely in future. The reply of the Department is, however, silent about the approval from NRIDA i.e., the apex agency for such diversion of fund.

3.3.5.7 Inadmissible administrative expenditure

As per Sl. No. 12.2 (i) of PMGSY Guidelines and Paragraph 1.4.2 of administrative fund manual; Administrative expenses shall, in addition to usual office expenses, include all expenses incurred in relation to the operation of the OMMAS computers and their maintenance, including internet charges and data entry costs. Amount paid on account of outsourcing of execution and management related functions may also be paid out of administrative expenses within the limits prescribed. However, expenditure on purchase of vehicles, payment of salaries & wages and purchase or construction of buildings is not permissible. The expenditure on payment of salary and purchase of vehicles can be incurred if the State Government provides separate funds for the purpose.

Audit observed that though the State Government did not provide any separate funds the Department incurred an expenditure of ₹7.74 crore during 2017-22 towards inadmissible items such as staff salary (₹5.38 crore) and purchase of vehicles (₹2.36 crore) which were not covered under the programme.

In the Exit Conference, the State Government stated (June 2023) that vehicle purchase is permitted under administrative fund. It also justified payment of staff salary under administrative fund as per accounts manual of PMGSY. The reply of the State Government is not acceptable as Accounts Manual for administrative fund strictly prohibited expenditure on purchase of vehicles, payment of salaries & wages and purchase or construction of buildings, rather the expenditure could have been incurred through the release of separate funds from the State Government.

3.3.5.8 Excess expenditure on administrative and travel expenses

As per Sl. No. 12.2 (ii) of PMGSY guidelines, all staff cost would be borne by the State Government. However, the administrative and travel expenses for PIUs were 01 *per cent* and 0.50 *per cent* respectively while for SRRDA it was 0.25 *per cent* of annual allocation subject to a maximum of ₹75.00 lakh which was enhanced in October 2018 to 100 lakh.

Audit observed that in six sampled districts, excess expenditure of ₹4.21 crore²³ and ₹1.60 lakh²⁴ was incurred by PIUs/DPIUs under administration and travelling expenses respectively during the period 2017-22. Similarly, against the maximum limit of ₹4.75 crore²⁵ for ARRDA, it incurred an expenditure of ₹11.17 crore. Thus, there was excess expenditure to the extent of ₹6.42 crore in ARRDA over the prescribed ceiling of administrative and travel expense. Admitting the audit finding, the Department stated (June 2023) that these kinds of unavoidable expenditure were incurred because of urgency and stated that the same will be monitored closely in future.

The reply of the Department about urgency being the reason for excess expenditure is not acceptable as there was excess expenditure consistently, during the five-years period 2017-2022.

²³ Excess administrative expenditure Papum Pare - ₹4.20 crore and East Kameng ₹1.98 lakh

²⁴ Excess Travel expenditure Papum Pare - ₹1.60 lakh

²⁵ ₹0.75 crore in 2017-18 and ₹1.00 crore each from 2018-19 to 2021-22

Recommendations:

- *The State Government may initiate disciplinary action against the concerned officer(s)/ officials(s) of ARRDA after investigating the matter on incurring excess administrative and travel expenses above the permitted limit set out in the Guidelines.*
- *The Department may monitor the expenditure on administration and travelling expense of PIU and ARRDA so as to restrict them within the permissible limit.*

3.3.6 Programme Implementation

For the effective implementation of projects, Paragraph 4.1 of PMGSY guidelines envisaged formulation of project proposals by involving District Panchayats through consultation and discussion with the community for the approval of State Level Screening Committee (SLSC). The DPIU, after ensuring land availability, would prepare a DPR for each road which will be vetted by the State Technical Agency (STA). After vetting, STA would make confirmatory entry in the On-line Monitoring, Management and Accounting System (OMMAS) software. ARRDA would then, consolidate all the proposals received and send them to NRIDA for consideration of the Empowered Committee. On fulfilling all the programme requirements, the Ministry of Rural Development (MoRD) would accord sanction to the projects.

Audit observations on implementation of the projects are discussed below:

3.3.6.1 Ownership of land not obtained

As per Paragraph 4.3.5 of Operations Manual of PMGSY, State Government would lay down guidelines for voluntary donation or otherwise to ensure availability of land for construction of rural roads. Details of land made available should be reflected in local land records to avoid any dispute in future. Voluntary donations should be documented through agreements with a copy forwarded to local revenue officials for making necessary changes in ownership/possession of land.

Audit observed that DPIUs in six districts; had no records of ownership of land for all test checked 40 works (73 packages). DPRs of the projects only recorded that the land belongs to the community and no compensation payments were required. However, no documentation through agreement was made to take ownership of the land as required under the guidelines.

In absence of documentary evidence on the details of ownership from local land records, the availability of land for the projects could not be verified in audit. Thus, the 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.

Accepting the audit finding, the State Government replied in Exit Conference that the matter of ownership of the land will be taken up with the Government for notification of all the PMGSY roads.

Recommendation: *The State Government may ensure the mutation of the land in the name of the State Government to avoid any land dispute in future.*

3.3.6.2 Less construction of cross drainages

The primary focus of PMGSY is to provide all-weather road connectivity, which is negotiable in all seasons of the year. This implies that the roadbed shall be drained effectively by adequate Cross Drainage(CD) structures such as Culverts, Minor Bridges and Causeways. Physical inspection of 35 road projects revealed that 25 numbers of CDs in respect of three road projects were found short constructed at site as shown in **Table 3.25**.

Table 3.25: Construction of less cross drainages

Sl. No.	Package No.	Name of the road	No. of CDs as per DPR	Actual execution (in no.)	Less execution (in no.)
1.	AR/12/07/027	Road from Pidi Rime to Gedimesi (Full Stage) along with LSB Span 36 m on Sei River	128	114	14
2.	AR/13/04/027	Tuting to Singha (Mankota to Singha)	114	106	08
3.	AR12/04/026	Road from Ringi to Yachungi Garu	19	16	03
Total			261	236	25

Source: Departmental records

It would be seen from the above that PIUs did not execute 25 no. of culverts valued at ₹1.86 crore but were allowed payment for execution. Short construction of CDs might have adverse impact on longevity of roads due to poor drainage of water. Further, vital records viz. progress report, MBs and bills passed for payment were fabricated as they showed execution of CDs as per the DPR, in contrast to the findings during physical inspection, which indicated an undue advantage to the contractors.

The Department stated (June 2023) that variations in numbers occurred to meet span requirement.

The reply of the department was silent on the fabrication of records and the undue advantage to the contractors.

Recommendations: The Department may:

- (i) *investigate the matter and fix responsibilities against the defaulting official(s) for fabricating vital records.*
- (ii) *take action against the contractors for submitting false bills and early action may be taken to recover the excess amount from the contractors.*

3.3.6.3 Tendering process

As per Paragraph 11 of PMGSY guidelines, a well-established procedure for tendering, through competitive bidding, would be followed for all projects. Only the projects scrutinised by the STA and cleared by MoRD will be tendered, as such, no changes shall be made in the work without the prior approval of NRIDA. For this purpose, GoI has prescribed a Standard Bidding Document (SBD) laying down conditions such as time frame for award of tender, eligibility of contractors, collection of security before execution of works, etc. The deficiencies in tendering process noticed in audit are discussed in the succeeding paragraphs.

(i) Delay in award of tender

Paragraph 13.2 of PMGSY guidelines prescribed an average tendering time of 75 days, from the date of clearance of the project by the Ministry. This would include technical sanction and all other activities required to be completed before the award of work.

Audit scrutiny of 73 test-checked packages in the six sampled districts revealed substantial delays in tendering process of 49 projects as detailed in **Table 3.26**.

Table 3.26: Delay in award of tender

Delay in tender				
Delay in months	3 to 6 months	6 to 9 months	9 to 12 months	Total
No. of projects	21	24	4	49

Source: Departmental records

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 as discussed in subsequent paragraph.

Accepting the audit findings, the State Government in Exit Conference stated (June 2023) that it was aware of the delay and taking necessary action to contain the same.

(ii) Non-release of tender premium by the State Government

According to Paragraph 11.5 of PMGSY guidelines of the scheme and GoI's order (January 2008), the State Government was to bear the cost of tender premium resulting from execution of contract agreement at a cost higher than the cost approved by GoI.

Audit scrutiny of records revealed that seven works sanctioned during 2017-22 were awarded by three²⁶ DPIUs at higher cost in comparison to the cost approved by GoI (MoRD plus State Share) as shown in **Table 3.27**.

Table 3.27: Non-release of tender premium

(₹ in lakh)

Sl. No.	Name of work	Sanction amount	Amount of work order	Excess
(1)	(2)	(3)	(4)	(5=4-3)
1.	Jido to Palling Length 34.95 km	4,812.45	5,215.45	403.00
2.	Seppa Chayangtajo road to Jejudada (Stage-II)	467.90	528.08	60.18
3.	Chayangtajo-Yangfo road to Killo (Stage-II)	530.53	575.53	45.00
4.	Pakoti to Tallang-I (TRACK-33), Stage-II	723.17	756.38	33.21
5.	Kurung Bridge	372.00	420.24	48.24
6.	Walling Bridge	310.00	341.04	31.04
7.	Wachi Bridge	310.00	342.62	32.62
Total				653.29

Source: Departmental records

As could be seen from the above, there was an excess cost of ₹6.54 crore over the approved cost which should have been borne by the State Government as tender premium. Contrary to guidelines, the State Government did not bear ₹6.54 crore as tender premium cost and

²⁶ East Kameng, Upper Siang and Kurung Kumey

met the excess expenditure from PMGSY funds received from GoI affecting the availability of funds for execution of other projects as well as their timely execution.

The State Government did not furnish any reply in Exit Conference (June 2023).

Recommendation: The State Government may apart from obtaining approval of NRIDA; recoup tender premium amount to ARRDA so that other projects are not affected due to lesser availability of funds.

(iii) Not inviting tenders separately

Tenders for PMGSY projects in the State are either invited at the level of Superintendent Engineer (Project with construction cost up to ₹10.00 crore) or Chief Engineer level (project cost above ₹10.00 crore) depending on cost of projects. Further, Paragraph 7.6 (vii) of PMGSY guidelines provide that separate DPRs will require to be prepared if length of the bridge exceeds 15 meter. These works will be tendered separately.

Audit noticed that SE/ CE office did not invite tenders separately for 18 no. of Long Span Bridges (LSBs) with total sanctioned cost of ₹57.75 crore but clubbed them with seven related road projects and invited tenders as a single project in violation of the guidelines. As a result, out of 18 LSBs, only six could be completed till December 2022, therefore inviting tenders along with road project was not justified. No reasons for not inviting tenders separately were available in records produced to Audit. Had the execution of LSBs been carried out separately by inviting separate tenders, LSBs could have been completed much earlier.

The State Government in Exit Conference stated (June 2023) that tenders were not invited separately for LSBs purposely because separate contracts for road and bridges lead to complication later in execution and monitoring. The reply of the Department is not acceptable as complications in execution and monitoring cannot arise if site requirements are duly ascertained beforehand and reflected in the DPRs.. Moreover, 12 projects got delayed and could not be completed within the stipulated time due to inviting and awarding LSBs packages with road projects.

(iv) Non forfeiture of earnest money of ₹1.07 crore

Rule 225 (vi) of General Financial Rules, 2017 provides that Contract document, where necessary, should be executed within 21 days of the issue of letter of acceptance. Non-fulfilment of this condition of executing a contract by the Contractor or Supplier would constitute sufficient ground for annulment of the award and forfeiture of Earnest Money Deposit. Further, Paragraph 16.6 of Standard Bid Document provides that the Bid Security may be forfeited: (a) if the Bidder withdraws the Bid after bid opening (technical qualification bid) during the period of Bid validity; in the case of a successful Bidder, if the Bidder fails within the specified time limit to (i) sign the Agreement; and/or (ii) furnish the required Performance Security.

Audit noticed that four lowest bidders in two sampled districts²⁷ who were declared successful in the tendering process and awarded work orders; withdrew their bids and did

²⁷ Papumpare (1, 2 and 3) and Lower Siang (4)

not sign the agreement. However, DPIUs did not forfeit their earnest money of ₹1.07 crore as required under the rules. Details are shown in **Table 3.28**.

Table 3.28: Non-forfeiture of earnest money from defaulters

Sl. No.	Package No.	Name of work	Earnest money (₹ in lakh)	Date of award of work to L1
1	AR/07/01/PIIT04	Hollongi Charali to Balijan HQ	15.50	27.10.2020
2	AR/07/01/PIIT04C	C/o 48-meter-Long Span Bridge (LSB) over river Lenka for the road from Hollongi Charali to Lenka HQ	9.17	10.11.2020
3	AR/07/01/01/PIIT01	Road from Defra to Balijan	80.00	12.11.2020
4	AR21AR1302004	Road NH-52 to Deepa	2.74	31.10.2020
Total			107.41	

Source: Departmental records

No reasons were cited by the DPIUs for non-forfeiture of earnest money of defaulting bidders. Thus, the Department allowed undue benefit to the defaulting contractor by not forfeiting their earnest money of ₹1.07 crore which also led to revenue loss to the government.

While accepting the audit findings, the State Government in Exit Conference stated (June 2023) that it will look into the matter.

Recommendation: The State Government may issue necessary instructions to the PIUs for forfeiture of earnest money in cases of withdrawal of bids by the successful contractors.

3.3.6.4 Execution of works

(i) Grant of mobilisation/machinery advances

Operations manual of PMGSY as well as clause 45 of the GCC prescribes that mobilisation advance (up to five *per cent* of contract value²⁸) to mobilise resources on the works site within 10 days from the commencement of work and machinery advance (upto 10 per cent of contract value) for procurement of machinery and equipment are admissible to the contractor. The advance shall be paid by the Employer against submission by the Contractor of an unconditional Bank Guarantee in the prescribed format by a commercial bank acceptable to the Employer in an amount equal to 110 *per cent* of the amount of the advance payment. The Bank Guarantee shall remain effective until the advance payment has been repaid, but the amount of the guarantee shall be progressively reduced by the amounts repaid by the Contractor. The Contractor is to use the advance payment only to pay for Equipment, plant and Mobilization expenses required specifically for execution of the Works. The Contractor shall demonstrate that the advance payment has been used in this way by supplying copies of invoices or other documents to the Engineer.

²⁸ Contract value is construction cost excluding maintenance cost

Audit observed that:

- i. Two Executive Engineers²⁹ (EEs) paid excess mobilisation advance of ₹10.81 crore to contractors over and above the prescribed limit in 14 no. of road projects for which interest of ₹2.62³⁰ crore stood recoverable from the contractors.
- ii. In 12 no. of projects the EE³¹ did not obtain any bank guarantee from the contractor to secure advance granted to them.
- iii. In three projects³², bank guarantee submitted against mobilisation/machinery advance expired before recovery of mobilisation advance and EEs did not ask for renewal.
- iv. In one project³³, EE paid machinery advance of ₹5.00 crore though invoice of purchase of equipment were in the name of an unknown firm.

Besides, terms of Standard Bidding Document (SBD) provided for recovery of mobilisation advance on proportionate basis from the bills of the contractors. This implied that recovery of advance was not time based but linked with the progress of work, which was inconsistent with Central Vigilance Commission (CVC) guidelines issued in April 2007. Moreover, there was no provision of interest on grant of mobilisation advance in SBD as per the CPWD Manual. Due to this deficiency in the contract terms, contractors were allowed to retain mobilisation advance of ₹10.78 crore in seven delayed works even beyond the original stipulated date of completion (*Appendix-3.11*). Absence of definite time schedule for recovering the advances resulted in loss to the Government on account of loss of interest amounting to ₹2.62 crore. The Department, on its part, did not compel contractors to execute works expeditiously. Thus, contractors were given undue benefits by granting mobilisation and machinery advances.

Accepting the audit finding, the State Government in Exit Conference stated (June 2023) that it will look into the matter.

Recommendations:

The State Government maytake 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.

(ii) Excess expenditure of ₹5.28 crore

Paragraph 11.2 of PMGSY says that all the projects scrutinised by the STA and cleared by the Ministry, will be tendered as such, and no changes shall be made in the work without the prior approval of NRRDA. Further, Paragraph 11.5 says that in case there is material change in the scope of work or quantities, prior approval of NRIDA shall be obtained. Data change in OMMAS in such cases would be made with NRRDA's authorisation.

²⁹ EE RWD Sagalee 12 projects and EE RWD Yingkiong two projects

³⁰ Interest calculated on excess amount of mobilisation advance at the rate of 7.90 per cent (GPF Rate) per annum upto August 2022.

³¹ EE RWD Sagalee -12 projects

³² EE RWD Aalo (Road from Pidi Rime to Gedimesi) EE Yingkiong (Road from Jido to Palling HQ) and EE Laaying Yangte (Road from Damin to Tarbu)

³³ EE RWD Laaying Yangte

Audit scrutiny of records of six works executed during 2017-22 in four sampled districts revealed that DPIUs had incurred excess expenditure of ₹5.28 crore in excess of approved quantity viz. Earth work, Formation cutting, RCC, Protection work, etc. (Details of work wise excess is shown in **Appendix-3.12**). Out of total of ₹5.28 crore, expenditure of ₹3.32 crore in one project³⁴ was not only excess but also unauthorised as the items on which expenditure was incurred, were beyond the scope of work. The DPIUs however did not obtain any prior approval of NRIDA for the change in scope of work or quantities nor did they change data in OMMMAS. Further, excess expenditure of ₹5.28 crore may result into short availability of funds for approved items of the work and therefore affect their execution. The DPIUs did not state any reasons for the excess expenditure.

The Department stated that there was no unauthorised payment and attributed excess expenditure on variations in the project works as per site requirements. However, the Department did not furnish any specific reasons for variations which led to excess expenditure. Moreover, records made available did not indicate that approval from NRIDA, for variations occurred and excess expenditure incurred in the project, was obtained.

Recommendation: The Department may obtain expost facto approval of NRIDA on the material change in the scope of work and also change data in OMMMAS with NRIDA authorisation.

(iii) Non-provisioning of drainage in Detailed Project Report

As per Paragraph 5.9 of Operational Manual (OM) of PMGSY, one of the very important reasons for a very rapid loss in the level of serviceability of most of the rural roads in the country is the lack of attention to appropriate drainage. Ensuring proper drainage during the design life is considered one of the most essential pre-requisites for a satisfactory performance of the road during its service life. It is mandatory under PMGSY to have a drainage plan prepared for each rural road project.

Audit scrutiny of records revealed that construction of three road projects costing ₹47.70 crore was taken up in two sampled districts without provision of drain which is necessary to make the roads serviceable in all-weather. Details of road projects are shown below in **Table 3.29**.

Table 3.29: Details of Road having no-provision of CC Drain

Package No.	Name of the Road	Length of Road	Sanctioned cost (₹ in lakh)
AR/12/07/064	Road from BRO Road to Ruying 5.00 km	5 Km	473.69
AR/12/06/005	Road from New Minmang to Durpai	14 Km	1318.86
AR/12/06/012	Road from Likabali Along BRO Road to Kangku 30km	30 Km	2977.8
Total		49	4770.35

Source: Departmental records

State Technical Agency (STA) was required to ensure that the specifications in DPR were adequate and based on site conditions. However, STA did not advise the DPIUs to make a provision for drains. There were no provisions for drains in the DPRs of the road projects resulting in preparation of faulty DPRs. As of December 2022, DPIUs based on faulty

³⁴ Road from 12 Km point of Domdila-Laching road to Doka (Seppa) (Stage-I)

DPRs; had incurred total expenditure of ₹46.15 crore on construction of 49 Km roads wherein no drains were constructed.

Thus, due to non-provision of drainage work, the division could not ensure the longevity and serviceability of road for the designed period of 10 years.

Accepting the audit finding, the State Government in Exit Conference stated (June 2023) that it will look into the matter.

Recommendation: The Department may make necessary provision of adequate number of CDs in the estimate of road projects for proper drainage to ensure longevity and serviceability of roads.

(iv) Delay in execution of work

According to Paragraph 13.1 of the guidelines, the road projects sanctioned were to be executed by PIUs and completed within a period of 12 months from the date of issue of the work order which includes rainy season. In case the period for execution is likely to be adversely affected by monsoon or other seasonal factors, the time period for execution may be suitably determined while approving the work programme but shall not exceed 12 calendar months in any case.

Following is the status of completion of projects in the State:

Table 3.30: Delay in completion of work

No. of work sanctioned by MoRD during 2017- 22	No. of work taken for execution	No. of work completed beyond stipulated period	
		With a delay upto 12 months	With delay of more than 12 months
388	388	63	287

Source: Departmental records

It would be seen from the above that 350 out of total 388 projects sanctioned during the period 2017-22; involving sanctioned cost of ₹4,861.23 crore, got delayed and could not be completed within the stipulated period. As it can be seen 63 projects were delayed by one year whereas 287 were delayed by more than one year from the stipulated date of completion.

(v) Delay in completion of works in sampled districts

Audit examination of sampled packages in six districts revealed that in contravention of the PMGSY guidelines, 34 packages out of 73 test-checked were completed with delays ranging from 02 to 28 months as shown in **Table 3.31**.

Table 3.31: Delay in completion of work (Completed works)

Delay in months	2 to 12	13 to 20	21 to 28
Number of works	20	9	5

Source: Departmental records

Reasons for the delay were mainly delay in tendering and slow execution of works by the contractors.

In addition, 38 packages (21 roads and 17 bridges) out of 73 packages were in progress with delay ranging from 2 to 28 months as detailed in **Table 3.32**.

Table 3.32: Delay in completion of work (ongoing works)

Delay in months	2 to 12	13 to 20	21 to 28
Number of works	6	9	23

Source: Departmental records

As of December 2022, an expenditure of ₹460.09 crore had already been incurred for execution of these ongoing works. Reasons for non-completion of the works were mainly delay in tendering process and slow execution by contractor (18 packages), interstate boundary issue (02 packages) and land dispute (01 package).

Thus, due to delay in completion of 38 projects, 98 habitations having a population of 13,903 would be deprived of all-weather road till completion of the works.

Accepting the audit findings, the State Government in Exit Conference stated (June 2023) that it was aware of the delay and are taking necessary action for expediting the projects. In-fact a proposal for constitution of Project Monitoring Unit (PMU) is under consideration for expediting the process and monitoring of the execution.

Recommendations:

The Department maytake appropriate steps to avoid abnormal delay in execution of works.

(vi) Release of performance guarantee before expiry of defect liability period

As per the conditions of contract, the PIUs are to obtain Performance Security (PS) before signing agreement with the firm. Further, PIUs are to deduct Security Deposit (SD) for each running bill. Both PS and SD are to deduct to the extent of 10 per cent of agreement value of work. After completion of work to satisfaction of the Department, five per cent amount is released and the balance amount is to be released to the contractor after the five-year period fixed for routine maintenance (defect liability period) is over and the Engineer has certified that the contractor has satisfactorily carried out the routine maintenance work. The GoI, however, reduced (November 2020) retention of security to the extent of three per cent of the value of agreement due to economic slowdown for Covid-19.

Audit scrutiny of test checked projects revealed that DPIUs in sampled districts released PS and SD amounting to ₹1.14 crore and ₹3.15 crore respectively to contractors before completion of work/defect liability period of five-years as shown in **Table 3.33**.

Table 3.33: Release of Performance Security before end of defect liability period

Sl. No.	Name of work	Date of completion	Date of release	Amount released before completion of work/expiry of defect liability period	
				PS	SD
1.	Road from Pidi Rime to Gadimesi	work in progress	September 2022	14.61	124.46
2.	Road from Ringi to Yachugi Garu	May 2022	May 2022	-	32.92
3.	Likabali Along BRO Road to Kangku 30 Km	work in progress	February 2022	-	120.90
4.	PWD road Sagalee Sakinag 14 Km point to Apop Sango (Stage-II)	June 2021	January 2021	10.31	-

Sl. No.	Name of work	Date of completion	Date of release	Amount released before completion of work/expiry of defect liability period	
				PS	SD
5.	Domdila-Laching road to Doka (Stage-I) Length 40.00 km	work in progress	June 2021	95.32	223.96
6.	T01-2 point 5 km point of Seppa Chayangtajo road to Jejudada (Stage-II)	January 2021	January 2021	2.81	26.40
7.	Road from Pakoti to Tallang-I (TRACK-33), Stage-II (14.60km)	June-2021	August 2021	-	58.56
8.	Road from Richikrong HQ to Kampu (Stage-II)	February-2022	February 2022	5.86	5.85
Total				114.31	314.77

Source: Departmental records

It would be seen that from the above that DPIUs released PS and SD in four projects (Sl. No. 2, 4, 6, 7 and 8) well before completion of five years defect liability period, whereas in case of four projects (Sl. No.1, 3 and 5) these were released even before completion of works.

Release of PS & SD before the expiry of defect liability period of five-years would be putting the maintenance work at risk and was an undue financial benefit extended to the contractor.

Accepting the audit finding, the Department assured that necessary control will be introduced to ensure better compliance in future.

(vii) Last mile connectivity not achieved

The intended benefit of the programme can only be achieved if the targeted habitations are provided with last mile connectivity by way of an all-weather road with necessary Culverts/CD/Bridges to make it operational throughout the year.

Audit noticed that this was not achieved in some cases as given below:

Case study 5

The road from Yazali-Sakiang road 40 km point to Pilla (Full Stage) was awarded under package no. AR/07/03/024 by DPIU Sagalee in June 2019. The work was targeted to be completed by Jan 2021 at awarded cost of ₹46.50 crore to connect five habitations through all-weather road. Completion of road was however delayed due to slow implementation of road project and as of September 2022 was still in progress. Audit however noticed that DPIU had executed road work till Arung village only and not upto Nypong village which is approximately 7 km away. DPIUs did not give any reasons for not executing work till Nypong which is one of the five habitations targeted to be provided all weather connectivity.

Thus, due to non-execution of the road till Nypong village, the people of the habitation remained deprived of the scheme benefit of providing all weather connectivity.

Case study 6

The upgradation of road from Hollongi-Charali to Balijan was awarded in November 2020 at a cost of ₹6.89 crore. The work was stipulated to be completed in November 2021, got delayed by nine months due to slow execution by the implementing agency and as of August 2022 was still in progress. Four Long Span Bridges (LSBs) with total cost of ₹22.33 crore were also sanctioned alongside the road. Audit noticed that though all the LSBs have been constructed, approach roads to the bridges were not yet constructed and therefore could not be used. Pictures of bridges without approach roads are depicted below:



48 m long span Bridge over river Balijan

96 m Span Bridge over river Mugoli (Magoni)



72 m Span Bridge over river Tengabari



48 m long span Bridge over river Lenka

Without approach roads, bridges sanctioned at a cost of ₹22.33 crore could not provide necessary connectivity.

Thus, despite expenditure of ₹19.08 crore on construction of four bridges, road connectivity through approach roads to seven habitations was yet to be provided.

The State Government in Exit Conference accepted the audit finding and stated (June 2023) that corrective measures will be taken.

3.3.6.5 Miscellaneous

(i) Non-deduction of statutory dues

As per Geology and Mining Department, GoAP's order No. DGM/REV/MM/2021/2012/103-157 dated 17 April 2013, the Department shall deduct Royalty on Minor minerals from the contractor's bill before making payment to him. The royalty is to be deducted on the basis of Theoretical Consumption (TC) statement prepared by the Division on account of usage of various minor minerals such as sand, shingles, boulders, aggregate *etc.* in the road construction work.

It is seen that DPIU at Sagalee division executed one project "Road from PWD road Sagalee Sakinag 14 Km point to Apop Sango (Stage-II)". The project was sanctioned in October 2018 and completed in June 2021 at a total expenditure of ₹3.72 crore. The DPIU was to deduct an amount of ₹0.31 crore on the basis of TC against the project work. It was however observed that royalty had not been deducted from the contractor and full payment was released. No reasons were furnished for non-deduction of the royalty.

The State Government in Exit Conference stated (June 2023) that it will look into the matter and take corrective measures.

3.3.6.6 Joint Physical Verification of projects

To assess the implementation of PMGSY, Joint Physical Verifications of 35 roads having sanctioned cost of ₹718.72 crore out of 40 sampled road projects in six sampled districts

were carried out by audit teams along with staff of the implementing agencies.

Deficiencies noticed on the basis of JPV are discussed in succeeding paras:

(i) Payment without execution/inflated measurement of works

Audit scrutiny of records as well as Physical Inspection of seven projects out of 35 road projects revealed instances where figures in records *viz.* progress report, bills, MBs, *etc.*; were manufactured and inflated by the DPIUs to make payment in excess of the work actually executed. This led to undue benefit to the concerned contractors at the cost of public money. The details of deficiencies found during physical inspection in respect of seven projects are discussed in succeeding paragraphs.

- (i) In project “BRTF Road to Sipe” in sampled district Kurung Kumey, PIU had shown completion of Black topping work of 15 km out of 26 km, construction of 64 nos. of Cross Drainages (CD) and Minor bridges in records at A total expenditure of ₹32.40 crore (*i.e.*, 96 *per cent* of agreement value of ₹33.70 crore) till December 2022. Further, PIU had also shown completion of all three Long Span Bridges (LSBS).

During joint physical verification of the project, it was noticed that construction of 25 nos. of CD structures and construction of one LSB (Span- 60 m over Kurung river) was completed. The Black topping work had not commenced.

Thus, PIU inflated physical progress and made excess payment of ₹20.37 crore (Black Topping (BT) ₹8.12 crore, CD ₹6.05 crore and LSBs ₹6.20 crore) to the contractor.

- (ii) Out of 31.80 Km Road, under “Road from Damin to Tarbu (Full Stage) along with LSBs” in sampled district Kurung Kumey, PIU had shown completion of Granular Sub Base (GSB) and Water Bound Macdum (WBM) work for entire length of road and Surface Course (Black Topping) for 11 Km in the OMMAS portal. During joint physical verification it was noticed that GSB work was executed in six km, WBM work in two Km and BT work was executed for less than one Km (0.8 Km).

The PIU had shown construction of 67 no. of culverts, however, only 15 number of culverts could be located during joint physical verification.

Similarly, as per MBs, out of three bridges, construction of one bridge (Span- 80 m over Kumey River) and foundation work of other two LSBs were shown as completed. However, during physical verification, one LSB was found completed whereas foundation work of second LSB was found to have just commenced. The construction work of third LSB was yet to commence. Further, it was noticed that the division paid ₹2.33 crore to the contractor in advance for super structure materials for third LSB but the materials were not delivered at site.

- (iii) In project “Road from BRTF road to Langro” the PIU had claimed completion of 23 km road at an expenditure of ₹17.24 crore till December 2022. However, joint physical verification of the project revealed that only 11.00 km (*i.e.* 48 *per cent* of 23 km) of Black Topping (BT) work was executed on the ground level. This had resulted in excess payment of ₹1.49 crore to the contractor for unexecuted BT work of 12 Km.

- (iv) In project “Road from Likabali Along BRO Road to Kangku” in sampled district Lower Siang, PIU claimed that 25.50 km road was completed at an expenditure of ₹29.56 crore. Joint physical verification of the project, however, revealed that BT work was executed upto 13.00 km (*i.e.* 51 per cent of 25.50 km) on the ground level. No work like GSB, WBM were found executed in 5.5 Km. Thus, PIU inflated records and made excess payment of ₹4.81 crore for the unexecuted items like GSB, WBM and BT.

Besides, PIU claimed completion of five LSBs including one LSB (Span-2x50 m) over Ngopi river. Audit, however, noticed that the bridge had not yet been completed as depicted in the following pictures:



Incomplete bridge (Span 2 x 50 m) over River Ngopi at 15.80 Km chainage with Abutment under construction

The PIU, however, released almost full payment of ₹7.08 crore to the contractor, out of the agreement amount of ₹7.10 crore, before completion of bridge.

- (v) Similarly, in project “Road from New Minmang to Durpai” in sampled district Lower Siang, PIU had shown completion of BT work for 14 km out of 26 km, construction of 56 no. cross drainages and Minor bridges for a total expenditure of ₹13.20 crore (*i.e.*, 100 per cent of agreement value) till December 2022.

Further, PIU also showed all three LSBs as completed at an expenditure of ₹4.58 crore. During joint physical verification of the project, construction of 22 number of CD structures and one LSB (Span- 35 m over Durpai river) were found completed. It was seen that BT work was completed for 2.50 km.

Photographic evidence of incomplete LSBs over Champak and Minmang rivers, taken during JPV (conducted on 15 October 2022), are depicted below:



Incomplete LSBs at Champak and Minmang river respectively with Abutment under construction

Thus, PIU inflated records and made excess payment of ₹7.82 crore (BT ₹1.84 crore, CD ₹3.41 crore and LSBs ₹2.56 crore) to the contractor.

- (vi) In upgradation project “NH-52 to Deepa” in sampled district Lower Siang, PIU claimed construction of 60 m long RRM wall valued at ₹10.84 lakh and also recorded this in MB. Physical verification of project site revealed execution of no such work. On these being pointed out, the Department replied that the work will be taken up soon. Thus, PIU had inflated records to make payment to the contractor.
- (vii) In project “Seppa-Pakoti road to Hamba Pinda” in sampled district East Kameng, PIU, Seppa had shown execution of BT work of 14 Kms road out of 15 Km and execution of CC drain for 2,250m and accordingly released full payment to contractor. Jointphysical verification of project revealed execution of Black topping work for 9.2 km and CC drain for length of 1,000 m only at ground level. Thus, the PIU inflated physical progress and made excess payment of ₹79.15 lakh (BT ₹54.14 lakh and CC drain ₹25.01 lakh) against the unexecuted portion of work.

Thus, ₹52.68 crore was paid to contractors in seven projects without execution of work or with inflated measurement of works.

While accepting audit findings, the State Government in Exit Conference stated (June 2023) that it is serious matter. The Secretary, RWD assured to look into the matter and further assured to take necessary remedial measures.

Recommendations:

- (i) *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.*
- (ii) *The Department maytake appropriate action against the contractors for claiming false bills as well as steps to recover the excess payment made to the contractors.*

(ii) Poor construction of road works

Audit came across instances of poor construction of work and lack of maintenance resulting into roads in deplorable conditions as discussed below:

1. The road from Ringi to Yachungi Garu was completed in February 2022 at a cost of ₹4.61 crore. Though the road was completed only eight months ago, it started deteriorating and developed potholes between chainage 0.10 km to 2.60 km as shown below:



Road in deteriorated condition within eight months of construction

2. The road from T01-2 point five km point of Seppa Chayangtajo road to Jejudada (Stage-II) was completed in December 2020 at the expenditure of ₹5.28 crore. Physical

verification revealed that the black topping including WBM-III wearied off at many places and the road developed many potholes causing immense trouble to the daily commuters as depicted in pictures below:



Road from T01-2 point 5 km point of Seppa Chayangtajo road to Jejudada in deplorable conditions

Though road was completed almost 21 months ago, however no maintenance of road was taken up by the contractor.

3. The road from Likabali Along BRO Road to Kangku 30 km (Full Stage) in Lower Siang was claimed to have been completed at a total cost of ₹29.06 crore. Physical verification revealed that the work is still ongoing and was far from completion. Audit also noticed the road in deplorable condition due to damage to culverts and erosion due to poor workmanship as depicted in below pictures:



Road in deplorable condition due to damage to culverts and erosion for poor workmanship

4. The road from Liromoba village to Rise (Stage-II) was completed at a cost of ₹4.48 crore in September 2022. Audit during physical verification noticed damage to retaining wall alongside road. The damage to retaining wall has posed a threat to road as depicted below in the picture:



Damage to retaining wall posing threat to road

PIU stated that maintenance of retaining wall would be taken up soon.

Thus, PMGSY roads were found as having deteriorated, due to non-provision of concrete drainages, insufficient culverts, retaining walls *etc.*

All these road projects fell within defect liability period of five years under maintenance; however, the department officials neither monitored poor condition of roads nor did they take any action to set right the damaged roads.

Accepting the audit findings, the Department stated (June 2023) that it will strengthen quality control and monitoring mechanism to contain such incidence in future.

(iii) No plantation alongside road

Paragraph 21.2 of Guidelines of PMGSY provide that planting of fruit bearing and other suitable trees, on both sides of the roads would be taken up by the State Governments / Panchayats from their own funds or through convergence with other rural development programmes including MGNREGA. CAMPA/ Mineral cess funds may also be utilised for this purpose.

Joint physical verification of 15 completed roads revealed that plantation alongside road was not taken up in any project except one road project.



Lone project “Road from NH-52 to Dipa” with plantation on both side

Road from Richikrong HQ to Kampu without any plantation

PIUs only stated that no funds for the purpose were provided, however they did not explore other schemes for plantation through convergence of schemes.

The State Government while accepting the audit findings in the Exit Conference, stated (June 2023) that it had contacted Rural Development Department for convergence of MGNREGS with PMGSY for labour component for plantation of trees, however, with partial success. It further assured to intensify its efforts to make it more successful.

Recommendation: The State Government may take immediate steps with Rural Development Department for plantation alongside PMGSY roads.

3.3.6.7 Maintenance of PMGSY roads

(i) Non-utilisation of maintenance fund by State

Maintenance helps in preserving the pavement surface, and irregular maintenance of roads may lead to deterioration of the road at a faster rate than usual. Maintenance of rural roads constructed under Pradhan Mantri Gram Sadak Yojana (PMGSY) is the responsibility of the State Government. As per programme guidelines, State Governments are required to undertake maintenance of the road works constructed/upgraded under PMGSY. Para 1.2 of Maintenance fund manual of PMGSY states that the maintenance of PMGSY roads for a period of five years was to be done by the contractor every year after completion of road as per contract with the Department. Funds for maintenance purpose were to be provided by State Government from its own resources and placed at the disposal of ARRDA in a separate Maintenance Account. In order to ensure the sustainability of

assets created under the scheme and to provide traffic worthy road, the Department was required to prepare an Annual Maintenance Plan (AMP) and utilise funds allocated for the purpose.

Scrutiny revealed that 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 as shown in **Table 3.34**.

Table 3.34: Non-utilisation of maintenance fund

(₹ in crore)			
Year	Maintenance fund received	Expenditure incurred under routine maintenance	Short utilisation of fund
2017-22	71.86	26.39	45.47

Source: OMMAS records

The audit observation was confirmed by National Quality Monitors (NQMs) who found that out of 137 road works, 105 works were not maintained at all and 21 works were poorly maintained during 2017-22.

Thus, in absence of maintenance plan the funds could not be utilised during the period.

While accepting the facts, the State Government in Exit Conference stated (June 2023) that action was initiated for utilisation of funds.

(ii) Absence of zonal maintenance contracts

For ensuring adequate maintenance, all PMGSY roads were to be covered by five years maintenance contract, to be entered into along with the construction contract, with the same contractor in accordance with the standard bidding document. The State Government was also required to prepare annual maintenance plan following sound asset management practices for ensuring maintenance of PMGSY roads after the five years contract period. On expiry of five years post construction maintenance, PMGSY roads were required to be placed under zonal maintenance contracts consisting of five-year maintenance including renewal as per cycle. The State Government was to make the necessary budget provision and place the funds to service the zonal maintenance contracts at the disposal of the ARRDA in the Maintenance Account.

However, it was noticed in audit that State Government did not envisage or prepare any zonal maintenance contracts as of March 2022. Thus, the maintenance of roads was not effectively ensured. Reasons for not complying with the guidelines on zonal maintenance contract were not furnished to audit.

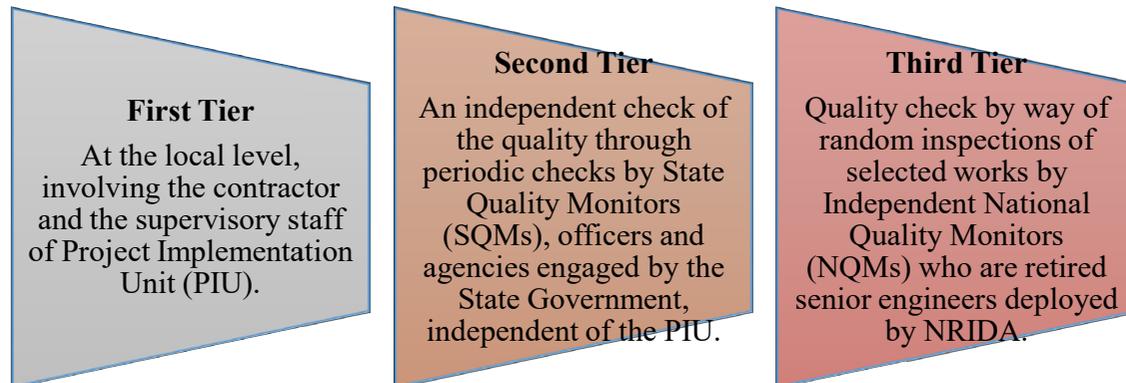
Accepting the audit finding, the State Government in the Exit Conference stated (June 2023) that the proposal for zonal maintenance of roads is under consideration and the Department is already in correspondence with the Government for funding.

3.3.6.8 Quality Control

Since large investments are being made in rural roads, it is desirable that good quality roads meeting the laid-down standards and specifications for durable assets shall be

constructed. Online Management, Monitoring and Accounting System (OMMAS) developed for PMGSY is the chief mechanism for monitoring the programme. A three-tier quality mechanism was institutionalized under PMGSY for maintaining high standard of roads as shown in **Chart 3.8**.

Chart 3.8: Three tier quality control mechanism



(i) Non-establishment of district level Quality Control Laboratories

Paragraph 11.7 of OM provides that the States are required to establish (or cause the Contractor to establish) Field Level Quality Control Laboratories (FLQCL) and District Level Laboratories (DLL) as per provisions of the Rural Road Manual. The laboratories are required to be provided with equipment and trained staff.

Audit observed that though Field Level Quality Control Laboratories were set up by the contractors in their respective road projects, District Level Laboratories were not set up in five sampled districts. Further, one district namely Papumpare³⁵ wherein DLL was established; was found to be non-functional for want of requisite power connection (Three Phase Line). Therefore, equipment and machinery procured for tests in laboratory were lying idle as depicted in pictures that follow:



Equipment lying idle in District level laboratory at DPIU Poma Yupia for want of requisite power connection

Thus, in the absence of DLL, DPIUs in the sampled districts could not ensure execution of quality work through periodic Quality Control Tests.

Accepting the audit finding, the State Government during Exit Conference stated (June 2023) that necessary action will be taken to rectify the gaps. It further assured to make defunct laboratory at Papumpare functional.

³⁵ RWD Poma Division

(ii) Non/Improper maintenance of quality control registers

Paragraph 11.4.3 of the OM envisages that for quality control on material and work management at site, the PIU is to ensure that quality control registers (QCRs) were maintained for each of the road works for recording all tests conducted. The register is to be maintained in two parts, viz., Part-I for record of the tests conducted was to be kept at site of the work and Part-II containing the abstract of the tests. Non-conformance reports are to be maintained by the Assistant Engineers (AEs).

Audit observed that QCR Part-I registers were maintained for all test checked packages except five³⁶ number of packages which could not be furnished. However, Part-II registers were not maintained by the Assistant Engineers in sampled DPIUs which indicated that prescribed quality controls were not followed during 2017-22. Prescribed monthly returns were not submitted by the Assistant Engineers to the Executive Engineers in all test-checked divisions.

The State Government during Exit Conference stated (June 2023) that QCR registers part-2 are maintained in most AE offices and assured to furnish copy thereof. However, the Department did not furnish relevant copies as of July 2023.

(iii) Second Tier/Third Tier quality mechanism

The details of inspections conducted by NQM and SQM in the State are shown in Table 3.35.

Table 3.35: Road works inspected by NQM and SQM during 2017-22

Agency	Total no. of roads required to be inspected	Out of which total no. of roads:		Number of road works graded as:			Action Taken Reports (ATRs) pending
		Inspected	Not inspected	Satisfactory (In per cent)	Unsatisfactory (In per cent)	Satisfactory but Requiring Improvement (SRI) (In per cent)	
1	2	3	4	5*	6**	7***	8
SQM	2896	2824	72	2315 (82)	111 (4)	398 (14)	-
NQM	988	523	465	425 (81)	37 (7)	61 (12)	39
Total	3884	3347	537	2740 (82)	148 (4)	459 (14)	39

Source: Records of OMMAS

* Percentage = {(Col.5/Col.3)*100}

** Percentage = {(Col.6/Col.3)*100}

*** Percentage = {(Col.7/Col.3)*100}

From the above it may be seen that NQM conducted 523 inspections while SQM conducted 2,824 inspections of road projects in the State during 2017-2022. Out of these 607 works were graded as unsatisfactory or SRI. DPIUs had not submitted ATRs on 39 (40 per cent) out of 98 (37 + 61) works. There were 537 works which were not inspected by NQM/SQM even once during the same period indicating shortfall in inspections.

³⁶ C/o 48-meter span Bridge over river Lenka, Bridge over river Tengabari, C/o 96 meter Span Bridge over river Mugoli (Magoni), C/o 48 meter span Bridge over river Balijan for the road from Hollongi Charali to Balijan HQ and Road from 12 Km point of Domdila-Laching road to Doka (Stage-I)

Similarly, in sampled districts, NQM made 215 inspections while SQM made 1,071 inspections during 2017-22. Out of 1,286 inspections of 1286 works conducted, 211 works were graded as unsatisfactory or SRI and remaining were graded as satisfactory. NQM did not conduct inspection of 177 works and SQM did not take up inspections of 19 works.

Thus, there was shortfall of 537 inspections by NQM and SQM resulting in deficiencies/ defects which were not pointed out by NQM/ SQM. The Department also did not furnish records of action taken report (ATR) on works graded as unsatisfactory or SRI.

Accepting the audit finding of shortfall in inspection by NQM, the State Government during Exit Conference stated (June 2023) that it can not reply for NQM. However, it attributed the shortfalls in inspection by SQM to the Covid epidemic and added that it is aware of the shortfall and accordingly is taking appropriate measures. It was also assured that appropriate action on the findings of NQM and SQM inspections will be taken.

3.3.7 Conclusion

The execution of road work suffered due to non-organisation of transect walk and non-obtaining of encumbrance free land for projects. There were instances of selection of ineligible works, outside CNCPL/CUPL. Implementing agencies did not obtain insurance cover of the work to ensure risk coverage, thereby giving undue benefit to the contractors. Substantial amount of mobilisation/ equipment advances remained unrecovered from the contractors. Tendering procedure was deficient and works were awarded after inordinate delay. Project management was weak and there were unexpected delays. There were seven number of cases wherein excess payment was made without completion of work. Maintenance funds were not utilised. Roads constructed under the programme were not properly maintained. The monitoring mechanism was weak as the SLSC meetings were not held. Impact assessment was not carried out as envisaged which indicated weak internal control mechanism.

3.3.8 Recommendations

The State Government may:

- *initiate disciplinary action against the concerned officer(s)/ officials(s) of ARRDA after investigating the matter on incurring excess administrative and travel expenses above the permitted limit set out in the Guidelines.*
- *ensure the mutation of the land in the name of the State Government to avoid any land dispute in future*
- *apart from obtaining approval of NRIDA; recoup tender premium amount to ARRDA so that other projects are not affected due to lesser availability of funds.*
- *issue necessary instructions to the PIUs for forfeiture of earnest money in cases of withdrawal of bids by the successful contractors.*
- *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.*

- *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.*
- *take immediate steps with Rural Development Department for plantation alongside PMGSY roads*
- *release programme funds in a timely manner along with interest for the delay.*

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.*
- *monitor the expenditure on administration and travelling expense of PIU and ARRDA so as to restrict them within the permissible limit.*
- *investigate the matter and fix responsibilities against the defaulting official(s) for fabricating vital records*
- *take action against the contractors for submitting false bills and early action may be taken to recover the excess amount from the contractors*
- *obtain ex post facto approval of NRIDA on the material change in the scope of work and also change data in OMMAS with NRIDA authorisation.*
- *make necessary provision of adequate number of CDs in the estimate of road projects for proper drainage to ensure longevity and serviceability of roads.*
- *take appropriate steps to avoid abnormal delay in execution of works.*
- *take appropriate action against the contractors for claiming false bills as well as steps to recover the excess payment made to the contractors*

Compliance Audit Paragraphs

Animal Husbandry and Veterinary Department

3.4 Misappropriation of Public Money

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.

Rule 149(viii) of General Financial Rules (GFR), 2017 envisages that demand of goods shall not be divided into small quantities to avoid the necessity of obtaining sanction of higher authorities. Rule 158 of GFR states that the Departments shall procure goods giving wide publicity and by following standard method *viz.* Advertised Tender Enquiry (for procurement of goods above ₹25.00 lakh), Limited Tender Enquiry (for procurement upto ₹25.00 lakh), Two Stage Bidding (for procurement of high value goods) and single tender enquiry (if only a particular firm is manufacturing required goods).

Delegation of Financial Power Rules issued (February 2016) by the GoAP delegates sanctioning power upto ₹30,000 to Category 'A'(DC's *etc.*) and ₹20,000 to category 'B' (ADCs (Ind) *etc.*) in respect of contingent expenditure (non-recurring).

Rules 208 and 209 of GFR,2017 provide that all stores received should be examined, counted, measured/weighed, when delivery is taken, and these should be taken into stock by a responsible Government Officer who should see that requisite quality and quantities are correct. The officer receiving the stores should also be required to give a certificate that he has actually received the materials and recorded them in the appropriate stock register.

Scrutiny (August 2021) of records of the District Animal Husbandry & Veterinary Officer (DAH&VO), Boleng showed that an expenditure of ₹8.57 crore had been incurred on procurement of 57,187 bags of 'Pig Feeds Finisher Ration' during 2018-19 to 2020-21. Out of ₹8.57 crore, pig feed worth ₹58.80 lakh³⁷ was procured under Arun Pig Development Scheme (APDS).

The year-wise expenditure incurred, and quantity of pig feeds procured from the supplier are detailed in **Table 3.36**.

Table 3.36: Details of pig feeds procured

Supplier	Year	No of Bills	No of Sub-vouchers	Quantity (in bags)	Amount (₹ in lakh)
M/s T.K. Enterprises, Lumla, Tawang	2018-19	51	1,786	19,136	254.51
	2019-20	101	3,467	32570	495.28
	2020-21	23	783	5481	106.88
Total		175	6,036	57,187	856.67

Source: Departmental Records and Central Audit for vouchers of 2018-19

³⁷ The expenditure in respect of APD Scheme (state plan) was charged to Other Expenses under Major Head 2403 while the remaining expenditure was booked under Office Expenses of the minor head 001 (Direction & Administration) under the same major head.

Audit observed that-

- The pig feeds were procured from a Tawang based firm³⁸ by issuing total 6,036 orders in violation of GFR.
- The payments were released to the supplier through 175 bills between February 2019 and January 2021. The bills were divided into 6,036 sub-vouchers in order to keep value of each sub-voucher within the financial power of the DAH&VO³⁹ (category B) to avoid the necessity of obtaining sanction of the higher authorities.
- DAH&VO, Boleng had procured a total of 13,15,301 Kg (57,187 bags x 23 Kg) of pig feeds worth ₹8.57 crore from the firm between 2018-19 and 2020-21. However, Audit found that the stock account of the pig feeds procured was not maintained and no certificate was appended as per the GFR.

Thus, non-maintenance of stock accounts raised serious concern over the authenticity of the procurement and utilisation of such huge quantity of pig feeds.

- It was also found that there was only one pig breeding farm (Pig Breeding Farm at Jomlo Village) with capacity of 22 pigs under the administrative control of DAH&VO, Boleng. According to the APD Scheme, the requirement of pig feed per day was 1.5 Kg per pig per day. Hence, the maximum requirement of pig feeds for the farm with capacity of 22 pigs should be 29,205⁴⁰ Kg. Thus, the procurement of 13,15,301 Kg was doubtful.
- The GST number⁴¹ mentioned in the bills of M/S T.K Enterprises, Lumla, Tawang had only 14 digits. Audit cross-checked the registration number of the firm on GST Portal and revealed that the number was in fact invalid.

Thus, DAH&VO, Boleng falsified office records by forging 6,036 sub-vouchers for pig feed issued to a firm with invalid GST registration number and misappropriated ₹8.57 crore of public money during 2018-19 to 2020-21.

The Department in its reply stated (September 2022) that the correct GST registration number of the firm M/s T.K. Enterprises, Lumla is '12AYKPG9572D1ZG'. However, 3rd digit 'A' has been mistakenly left out from the bills/ invoice due to typing error. Further, the fund was being received at the fag end of the financial year. Therefore, standard procedures for procurement of pig feeds could not be followed. With regards to procurement of huge quantity of pig feeds, it was accepted that there were only 22 pigs under administrative control of the Department all of which succumbed (August 2020) to a disease outbreak. However, the pig feeds were distributed to the farmers/ beneficiaries in the district. The Department further stated that being a new establishment with inefficient staff, the stock and issue records of pig feeds could not be maintained.

The reply of the Department is not acceptable as typing errors in GST registration number of firm cannot be committed consistently in 6,036 sub-vouchers in multiple years from

³⁸ M/s T.K Enterprises, Lumla, Tawang

³⁹ ₹20,000 in respect of contingent non-recurring expenditure

⁴⁰ 1.50 kg/ day x 22 pigs x 885 days (till August 2020 when all the pigs succumbed to disease outbreak)

⁴¹ Goods and Services Tax (GST) number is a unique 15 digits' alphanumeric number assigned to a firm registered under GST Act

2018-19 to 2020-21. Further, verification of the corrected GST registration number shows that the firm dealt with Limestone and Iron & Steel bars only. The Department's claim regarding distribution of pig feeds to beneficiaries/ farmers in the district was also not supported by beneficiary-wise details of quantity issued, beneficiaries' acknowledgment, etc. Further, no stock register was maintained for accounting of procured pig feeds.

The matter was reported (13 June 2022) to the State Government. However, the reply was awaited (September 2024).

Recommendations:

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 codal formalities.

Public Works Department (PWD)

3.5 Wasteful Expenditure

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 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.

Paragraph 4.1 of Non Lapseable Central Pool of Resources (NLCPR) Guidelines, 2004 stipulates that the baseline data/survey report should be prepared before formulation of a project. It is essential that the baseline surveys be undertaken in case of large, beneficiary-oriented projects to assess success of project. Paragraph 8.6 of Guidelines states that the State Government shall ensure release of fund to the implementing agency within 15 days from the date of release by the Government of India (GoI).

Paragraph 9.1 and 9.2 of the NLCPR guidelines stipulate that the State Government shall quarterly report the progress made in each NLCPR funded project to the Ministry of Development of North Eastern Region (DoNER), GoI. The Chief Secretary of the State shall hold quarterly meeting to review the progress of implementation of the ongoing projects. NLCPR guidelines further state that the State Government shall ensure release of fund to the implementing agency within 15 days from the date of release by GoI. Further, if the project could not be completed within the targeted date, as given in the DPR of the State Government plus six months, DoNER would stop funding.

Further, Section 2.1(ii) of CPWD Manual, 2014 stipulates that no work should be commenced or any liability thereon incurred until an administrative approval has been obtained, and a properly prepared detailed estimate has been technically sanctioned.

Cases of wasteful expenditure on projects executed by Public Works Department are discussed below:

3.5.1 Construction of Road from Hawaii District headquarter to Manchal Administrative Circle (55.77 Km)

The project 'Construction of Road from Hawaii District headquarter to Manchal Administrative Circle (55.77 Km)' was approved by the Ministry of Development of North Eastern Region (DoNER), GoI during 2008-09 under NLCPR. The objective of project was to connect Manchal Administrative Circle with the District Headquarter, Hawaii and provide benefit to 4,012 habitants of 79 villages. Manchal is a remote administrative Headquarters in Anjaw District and unconnected with the rest of the country till date.

DoNER accorded administrative approval and expenditure sanction of ₹32.53 crore for Phase-I in October 2008 and ₹33.31 crore for Phase-II in December 2013. The project cost was to be shared between GoI and State Government on 90 per cent (₹29.27 for phase I and ₹29.97 for phase II) and 10 per cent (₹3.25 for phase I and ₹3.33 for phase II) basis. The scope of work as per the original sanction is detailed in **Table 3.37**.

Table 3.37: Scope of work and abstract of cost

Sl. No.	Phase-I		Phase-II	
	Provision	Amount	Provisions	Amount
1.	Formation cutting 55.77 Km	16.33	RCC Bridge 10.0 mtr Span 4 nos	5.31
2.	Slab Culvert 1.5 Mtr Span 112 Nos	3.56	RCC Bridge 15.0 mtr Span 9 nos	12.79
3.	Slab Culvert 2.0 Mtr Span 80 Nos	4.27	RCC Bridge 30.0 mtr Span 7 nos	15.21
4.	Slab Culvert 4.0 Mtr Span 45 Nos	5.67		
5.	Slab Culvert 6.0 Mtr Span 20 Nos	2.70		
Total		32.53	-	33.31

Source: Departmental Records

The GoI released first instalment of central share of ₹10.24 crore for Phase-I in November 2008 and ₹11.99 crore for Phase-II in December 2013. The same was released by the State Government in February 2009 and March 2014 with delay of two months but its own share to the extent of 10 per cent was not released. Delays in release of fund in violation of NLCPR guideline requiring the release of funds by the State Government to the Implementing Agency within 15 days of date of release by the GoI resulted in delay in utilisation of fund which in turn affected the progress of work.

Scrutiny of records (May 2021) of the Executive Engineer (EE), PWD, Hayuliang Division revealed that against the approved total road length of 55.77 Km under Phase-I, the Division invited tender for only 20 Km (Chainage 0 to 20 Km) road work in December 2008. The work was awarded to M/sSangrila Trade Agency, Bhalukpong for construction of 18 Km road work (2.00 km to 20.00 km) in March 2009 at a negotiated amount of ₹8.38 crore. The road work from 0.00 to 2.00 km was executed on piecemeal work order basis by engaging local contractors.

The Technical Sanction (TS) for the 20 Km road work was accorded by Chief Engineer (Eastern Zone) on 01 November 2012 *i.e.*, after 31 months from the commencement of work. The contractor had completed the work till chainage 14.73 Km. as of January

2014, and no further progress has been made on the work since then. The Division conducted a survey of the project in June 2015 and determined that the road length required to connect Manchal Circle was only 31.60 Km instead of 55.77 Km. as stated in the Detailed Project Report (DPR). Thus, the division prepared revised DPR and initiated the work without conducting the required survey and without obtaining TS from the competent authority.

Phase-II of the project was sanctioned for construction of 20 long span bridges. The Division floated tender for construction of five bridges (10.00 Mtr Span 01 nos, 15.00 Mtr Span 03 nos and 45 Mtr Span 01 no.) in August 2014 on 'Turnkey basis'. The original sanction did not provide for any bridge with 45 mtr span. The work was awarded to firm M/s SR Enterprises, Tawang in December 2014 at an agreement cost of ₹9.71 crore. Audit observed that the division neither had prepared DPR nor obtained TS for the Phase-II. The work was commenced without finalising layout plan, sub-soil investigation (SSI) and ascertaining actual length of bridges resulting in changes later in agreed scope of work from five bridges (10.00 Mtr Span 01 nos, 15.00 Mtr Span 03 nos and 45 Mtr Span 01 no) to six bridges (10.00 Mtr span 04 nos and 15.00 Mtr Span 02 nos) during execution of work. The target date of completion of work was June 2016. However, due to delay in finalisation of layout plan and change in scope of work, the work was delayed by five years from the scheduled date and could not be completed till September 2024.

In a review meeting held on 05 December 2017, the GoAP closed the project on 'as is where is' basis as there was no longer any scope for completion within the sanctioned cost. However, no approval was obtained from the Administering ministry⁴² of NLCPR. The total fund released towards the project was ₹24.71 crore⁴³ out of which ₹21.84 crore⁴⁴ has been utilised as on 31 December 2021 and as per progress reports of the division, total expenditure of ₹11.52 crore⁴⁵ and ₹13.19 crore has been incurred on Phase I and Phase II of the project respectively. Out of the expenditure of ₹13.19 crore shown as incurred under Phase II, an amount of ₹2.87 crore was parked in Deposit Part-V.

Thus, the Department proposed and undertook a major road project without conducting proper survey as evident from the fact that the actual road length was later found to be only 31.60 km as against 55.77 km stated in the DPR and the number and length of bridges changed during the course of execution of the project. The project was ultimately found to be not workable and the Department was forced to close the project after incurring expenditure of ₹21.84 crore (Phase I ₹11.52 crore + Phase II ₹10.32 crore). The expenditure proved wasteful as the objective to connect Manchal administrative circle with District headquarter, Hawaii remained unachieved.

The matter was reported to the Department in June 2021 and the State Government in June 2022. The State Government in its reply stated (August 2022) that the road survey of the project was physically carried out for complete road length and L-Section of the road

⁴² Ministry of Development of North Eastern Region

⁴³ Phase-I: central share ₹10.24 crore, state share ₹1.28 crore, Phase-II: central share ₹11.99. crore, state share ₹1.20 crore.

⁴⁴ Phase-I: ₹11.52 crore, Phase-II: ₹10.32 crore

⁴⁵ ₹8.05 crore agreement work + ₹3.12 crore for 0 to 2.00 km FC on work order basis + ₹0.35 crore maintenance work

were finalised for 55.77 km. The formation cutting of the work could not be continued beyond 14.73 km due to critical landslide in July 2014. The project was non-workable hence proposed for closure. The completed stretch of 14.73 Km road is being utilised by seven villages situated alongside the completed road.

The claim of the Government regarding road survey could not be accepted. If the survey was conducted physically and determined as 55.77 km. then there was no requirement of a second survey, however the revised requirement was fixed as 31.60 km. instead of 55.77 km. Further, if the work could not be continued beyond 14.73 km. due to critical landslide in July 2014, then there should have been no requirement of a revised DPR, which was prepared.

3.5.2 Construction of Motorable Steel Arch Bridge (Span 90 Mtr) over river Yamne at Reglat

The Ministry of DoNER accorded (February 2010) administrative approval and expenditure sanction of ₹6.34 crore for the project 'Construction of Motorable Steel Arch Bridge (Span 90 Mtr) over river Yamne at Reglat' under NLCPR. The project cost was to be shared between GoI and State Government on 90 per cent (₹5.71 crore) and 10 per cent (₹0.63 crore) basis respectively. Scope of work included approach road (₹79 lakh), Sub-structure (₹50 lakh) and Superstructure (₹4.31 crore). The objective of the project was to connect both the banks of Yamne River and reduce the distance to Yingkiong District headquarters by 40.00 km.

Ministry of DoNER released (February 2010) 1st instalment of its share of ₹2.28 crore to the State Government, in turn the same was released to the implementing agency only on 28 March 2011 with a delay of one year. The total fund released against project till date was ₹2.92 crore⁴⁶. However, evidence of release of state share of ₹25 lakh was not produced to audit.

Tender for the work was invited by the Department in July 2010. The work was awarded in February 2011 to a Kolkata based firm 'M/s DK Engineering & Construction Pvt. Ltd.' at a negotiated amount of ₹Five crore. The formal agreement (turnkey basis) was signed between the Department and firm on 08 April 2011 after eight months from NIT date or 14 months after the receipt of 1st instalment from DoNER in violation of NLCPR guideline which states that the work must be awarded within three months of its sanction without waiting for the release of funds from the State Government to implementing agency. The reason for delay was not on record. Further, since the agreement was signed only after release of fund to the implementing agency, further delay was observed in execution of the contract.

The formal work order was issued to the contractor on 08 April 2011 and stipulated date of completion of project as per the agreement was 21 months (08 January 2013). As of March 2015, an expenditure of ₹2.53⁴⁷ crore was incurred on the project.

Scrutiny of records (January 2021) of the Executive Engineer, PWD Mariyang Division

⁴⁶ Central Share ₹2.28 crore in February 2010, State Share ₹0.25 crore in 2014-15 and ₹0.38 crore in 2016-17.

⁴⁷ Bridge work: ₹77.59 lakh (+) Approach Road: ₹87.61 lakh (+) Contingency: ₹8.99 lakh (+) Mobilisation Advance: ₹36.00 lakh (+) Advance made for superstructure: ₹43.15 lakh = ₹253.34 lakh

revealed that during review of progress of work on 18 October 2012, the Division noted that the work had not commenced since the issue of the work order even after lapse of 18 months despite payment of interest free Mobilisation Advance (MA) of ₹49.99 lakh. Audit noted that the contractor commenced the work only in January 2014 after a lapse of three years from the issue of work order. However, due to delays and unresponsiveness of the contractor, the Division declared (February 2016) that the firm was not competent to complete the work technically as well as financially.

According to the payment schedule fixed in the contract, 10 *per cent* of contract value was to be released to the contractor after completion of Substructure, 45 *per cent* after fabrication of Superstructure, 60 *per cent* after delivery of fabricated components of Superstructure at site, 90 *per cent* after complete erection of bridge and 100 *per cent* after load testing and commissioning. It was however noticed that the Division paid ₹1.21 crore (24 *per cent* of contract value) to the contractor as of March 2015 based on five RA bills though only 40 *per cent* of the Substructure and 25 *per cent* of the Superstructure was completed.

Out of ₹1.21 crore paid to the contractor, ₹43.15 lakh was paid as advance towards superstructure and ₹49.99 lakh as interest free Mobilisation Advance (MA).

It was observed that the Division extended undue favour to the contractor by providing interest free MA of ₹49.99 lakh in October 2011 beyond the T&C of contract and also in violation of CPWD Manual⁴⁸. Out of MA paid, ₹13.99 lakh had been recovered from the contractor leaving outstanding balance of ₹36.00 lakh as of March 2021.

Thus, an amount of ₹79.15 lakh (MA ₹36.00 lakh + advance for superstructure ₹43.15 lakh) was due from the contractor. However, without taking any substantive action to recover the amount, the Division terminated the contract in December 2020 unilaterally as the contractor could not complete the work despite repeated efforts of the Division. The Bank Guarantee could not be invoked after its expiry leaving no scope for the Division to recover the outstanding amount. The Division had only Security Deposit of ₹9.94 lakh which was deducted from the running account bills. Thus, total outstanding amount of ₹69.21 lakh (₹79.15 lakh – ₹9.94 lakh) was overpaid to the contractor. Status of incomplete project can be seen in the following photographs:



The project was completely abandoned and there was no progress after March 2015

⁴⁸ CPWD Manual, stipulates 10 *per cent* simple interest on MA

Since, the project could not be completed by the stipulated date, DoNER closed further funding of the project and as such it would create a burden on the State exchequer to complete the project. However, no such proposal has been initiated even after nine years of the project being defunded.

It is pointed out that the project was reviewed by the Division on 18 October 2012 *i.e.*, after 18 months of the issue of work order whereas it was required to be done on quarterly basis. The objective of the project was to reduce distance to Yingkiong District headquarters by 40 km for people who in the absence of a permanent bridge over the river are forced to use foot suspension bridge (FSB). The objective remained unachieved till date thereby denying the intended benefits to the people and the project remains incomplete after spending ₹2.53 crore from the exchequer.

Thus, due to inability of the Division to closely monitor and timely review the implementation of project in addition to the undue favour extended to the contractor, the funding to the project was stopped and expenditure of ₹2.53 crore was rendered wasteful.

The Department accepted (June 2022) the audit observation and stated that the project site has become redundant and the project had to be closed. With regards to the excess payment of ₹79.15 lakh to the contractor also, the Department accepted the audit finding and stated that the matter will be raised before the Dispute Review Expert (DRE) for recovery.

The matter was reported (June 2022) to the State Government. However, the reply was awaited (September 2024).

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

3.6 Undue Favour to Contractor

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.

Paragraph 5.12.1 of CPWD Works Manual, 2019 (SOP NO. 5/20) states that payments to the contractors and others for the work done or other services rendered are made on the basis of measurements recorded in the Measurement Book (MB). Further, Paragraph 5.17.2 of the Manual stipulates that before a work is declared as completed in all respects for release of final payment, the work shall be inspected by the Technical Section Authority.

As per the contract agreement, failure on the part of contractor to complete the work on time would invite liquidated damage of one *per cent* of the initial contract price per week up to maximum limit of 10 *per cent* of the initial contract price.

Scrutiny (July 2021) of records of the Executive Engineer, Rural Works Department (RWD), Tawang Division revealed that an amount of ₹10.00 crore was sanctioned⁴⁹ by the Department of Education, GoAP for implementation of the project “**Construction of Government college, Tawang (Phase-II)**” under the State Annual Development Agenda(SADA) with the objective of creating an institution where the students from the locality can undertake undergraduate courses after 12th grade. The students from the locality were compelled to leave the district to pursue undergraduate courses. The RWD, Tawang undertook it as a Deposit work of the Department of Education. The technical sanction for an amount of ₹9.70 crore was accorded (March 2018)⁵⁰ by the Superintending Engineer, RWD Rupa Circle. The General abstract of cost for the work is detailed in **Table 3.38**.

Table 3.38: Scope of work and abstract of cost

Sl. No.	Sub-head of item of work	Amount (in ₹)
1.	Administrative Building Block (G+2)	34579003.26
2.	Academic Building Block (G+1, F/Floor partly)	50117121.97
3.	RCC Drain (2.0 mtr wide & 2.0 mtr height)	5803189.13
4.	RRM Retaining walls (height – 3.0 mtr)	2571821.50
Sub-total		93071135.86
5.	Add: 3 per cent consultancy services for architectural plan, design & drawing	3000000.00
6.	Add: 1 per cent labour cess	930711.36
Total		97001847.22

Source: Departmental Records.

The work was awarded to M/s. Alliance Trading Co., Lemberdung, Tawang through tendering process at a total cost of ₹9.21 crore scheduled for completion on 23 September 2019.

As per Monthly Progress Report (MPR), the work was shown as completed by October 2020. MB also indicated that the work was completed as per the specifications and payment of ₹9.21 crore (100 per cent) was released to the contractor through five Running Account bills between March 2018 and March 2020. However, during joint physical verification (14 July 2021) with the concerned Junior Engineer of the Department it was found that the work was not actually completed yet. Photographs of the incomplete buildings are shown below:



Front view of Administrative building block



Front view of Academic building block

⁴⁹ Order No. ED/HE/PLG-717/2017 dated 16.02.2018

⁵⁰ RWC/R/SADA/SIDF/TWG-12/2017-18 dated



Further scrutiny revealed that items of works worth ₹2.06 crore were found not completed in contradiction to the Departmental records wherein all works were shown as completed. Items of works with their value, not executed by contractor but paid for, are shown in **Table 3.39**.

Table 3.39: Items of work for which payment was released but not executed by the contractor

Sl. No.	Items of work	Amount (in ₹)
1.	Aluminium works	9363637.03
2.	Steel work	1265580.83
3.	Roofing works	148879.09
4.	Finishing works	1897832.78
5.	Sanitary works	1171154.91
6.	Internal water supply fitting works	151961.10
7.	Miscellaneous works	6558624.30
Total		20557670.04

Source: Departmental Records.

Hence, audit found that the measurements recorded in the MB were fabricated with fictitious entries which were used for payment of ₹2.06 crore to the contractor. Inspection of work before release of final payment as required under CPWD Manual, was not done.

Further, the work remained incomplete after a lapse of 21 months from the scheduled completion date as of July 2021. Hence, the contractor was liable to pay a sum of ₹92.14 lakh (@10 per cent) as liquidated damages as per the terms of contract. However, same was not recovered from the contractor till date.

Consequently, the objective of the scheme to create an institute for undergraduate courses so that students from the district do not have to leave their district for such courses was not met.

The Department confirmed (July 2021) the list of incomplete works as tabulated above, however, it offered no comments on fabrication of MB with fictitious entries and using the same for extending undue benefit to the contractor instead of recovering liquidated damages as per contract. Further, the reply was also silent about recovery effected from the contractor, if any, for payment released without execution of work.

The matter was forwarded (May 2022) to the State Government and the reply was awaited (September 2024).

Recommendations:

The State Government may:

- (i) *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.*
- (ii) *take action against the contractor for claiming bills without executing work and take steps to recover the amount from the contractor.*

Hydropower Development Department

3.7 Wasteful Expenditure

Expenditure of ₹9.96 crore incurred on construction of Pakhan Kha Mini Hydel Station (MHS) was rendered idle as the project could not be made operational even after lapse of sixteen years from date of sanction, thereby, affecting the objective to provide electricity to twelve villages.

As per Central Electricity Authority (CEA)'s guidelines for the formulation of Detailed Project Reports (DPR) for the Hydroelectric Schemes, their acceptance and examination for concurrence stipulates that after signing Memorandum of Agreement (MOA) with the State Government, the developer shall carry out the topographical survey & geological surface mapping of the project and submit the proposed layout of the project and detailed investigation plans to CEA for appraisal and finalisation.

The project 'C/o Pakhan Kha Mini Hydel Station (2 X 250 KW)' was sanctioned⁵¹ (May 2006) for ₹5.24 crore under Pradhan Mantri's (PM's) package. The project was to be constructed at the perennial river Pakhan Kha at Devepuri village in Changlang district, Arunachal Pradesh. The objective of the project was to electrify 12 villages in Changlang district having population of approximately 2,000 people.

Scrutiny of records of the Executive Engineer, Bordumsa Hydropower Division (January 2018) and Assistant Engineer (Independent), Hydro Power Sub-Division, Khonsa (June 2021) revealed that the execution⁵² of the project had commenced in 2009-10. The target date for completion of the project was March 2012. Due to flood damages sustained by the project, the channel alignment was disturbed, and the project site was no more appropriate for the project. An expenditure of ₹5.22 crore had been incurred out of the sanctioned amount of ₹5.24 crore. To revive the project, a revised estimate for ₹11.03 crore was prepared by the Bordumsa Hydropower Division during 2013-14 where a new site downstream was identified. There was no provision for any survey in the revised estimate. The Department conceded (July 2018) that due to the

⁵¹ *Vide* Sanction No. PWRS/HPD/W-1393/2006/1413-21 dated 08/05/2006

⁵² Civil work components of project were executed by Bordumsa Hydro Power Division and Electrical & Mechanical (E&M) components were executed by the Khonsa Electrical/Mechanical Division

shortage of time, proper survey could not be done and the DPRs were prepared on the basis of preliminary survey. However, even copy of the preliminary survey was not furnished to audit. The revised estimate was sanctioned⁵³ (March 2016) by the GoAP, Department of Power.

Audit observed that the total expenditure incurred (₹5.22 crore of the original sanction and ₹4.74 crore of the revised sanction) on the project till date was ₹9.96 crore⁵⁴. Out of this, ₹5.96 crore was incurred by Bordumsa Hydropower Division on Civil work components and restoration works during 2009-10 to 2016-17 and ₹4.00 crore⁵⁵ was incurred on Electrical & Mechanical (E&M) components by the Khonsa Sub Division. Audit observed that the project remained non-operational till the date of audit (June 2021).

A Joint Physical Verification (JPV) conducted in January 2018 by Audit along with the officers of Bordumsa Hydro Power Division revealed that due to the diversion of river upstream, no water was available for the project. Also, JPV found no traces of any structure at the intake point as depicted below:



Intake Point

Upstream River

When the JPV findings were sent to the Khonsa Hydro Power Sub Division in June 2021, the Department stated (September 2021) that the project will be revived by diverting water from the nearest available source. However, copies of any official proposal in this regard were not furnished in support of their reply. Moreover, 61 *per cent* of sanctioned amount had already been utilised leaving meagre amount to revive the project.

Thus, in absence of the required survey while reviving the project, an expenditure of ₹9.96 crore was totally incurred on the project, which was rendered idle as the project could not be made operational even after sixteen years from the date of sanction. Also, no structures were found at the intake point during JPV. Thus, the intended objective for providing electrification to the populace could not be achieved.

The State Government, while accepting the audit finding, stated (June 2022) that due to incessant rainfall and cloud burst (August 2016), heavy damage was caused at project site leading to non-completion of project. There is no progress of work since March 2017 and water discharge of river has also been drastically reduced. Thus, there is no scope to

⁵³ Vide order No. PWRS/HPD/EST-77/2016-17 dated 29 March 2016

⁵⁴ Civil component ₹572.39 lakh + Electrical Mechanical components ₹400.50 lakh+ FDR work ₹23.16 lakh

⁵⁵ ₹321.33 lakh + ₹79.17 lakh = ₹400.50 lakh

revive the project. The civil components of the project viz. Penstock pipe, Sluice valve, Expansion joint, etc. worth ₹1.83 crore and E&M components such as Turbines, Main valve, Governors, etc. worth ₹2.44 crore will be shifted and re-utilised in nearby project.

The Departments' reply is not acceptable as the project was revived without required survey and feasibility assessment, hence the project could not be completed and made operational even after incurring ₹ 4.74 crore, affecting achievement of the intended objective. Moreover, the Department's plan to shift and utilise the work components worth ₹4.27 crore (₹1.83 crore + ₹2.44 crore) in other projects had not been intimated. Thus, despite overall expenditure of ₹9.96 crore on the project, the intended benefits are yet to be achieved.

Recommendations:

The State Government may-

- (i) *conduct feasibility assessment to revive the project.*
- (ii) *take suitable measures to electrify the unelectrified villages.*

3.8 Unfruitful Expenditure

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 rendered unfruitful as the Government is yet to establish powerlines for evacuation of the power generated.

Rule 21 of the General Financial Rules, 2017 states that every officer incurring or authorising expenditure from public moneys should be guided by high standards of financial propriety. Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of his own money.

Scrutiny of records (May-June 2021) of the Assistant Engineer (Independent), Khonsa Hydro Power Sub-Division revealed that two Mini Hydel Stations (MHSs) viz., Sumhok MHS (2x50 KW) and Tahin MHS (2x50 KW) were commissioned by the Department in 2010 and 2012 respectively. Audit observed that due to the non-availability of sufficient discharge of water at source, the Sumhok MHS (2x50 KW) and Tahin MHS could not generate power since 2012 and 2014 respectively.

Audit further observed that Khonsa Hydro Power Sub-Division had incurred ₹1.14 crore (₹88 lakh on Sumhok MHS and ₹26 lakh on Tahin MHS) towards repair and maintenance work during 2017 to 2021. The expenditure was mainly incurred on repairing of power and spillway channel and electro-mechanical components viz., Bearing M22323K for cross flow turbine, AVAR for synchronized operation of the units, etc.

Thus, there was no reasonable prospect to operationalise these MHS as sufficient discharge was not available at source and the two MHS were non-operational since 2012 and 2014 respectively. Despite knowing the facts, the Division had incurred (between January 2017 and November 2019) an expenditure of ₹1.14 crore on repair and maintenance work, which became unfruitful.

The Department replied (June 2022) that the two MHSs had been completed and tested successfully. The reply also noted that no additional expenditure had been incurred on operationalisation of the two MHSs.

However, joint physical verification revealed (May 2023) that the Sumhok MHS had only one of the two units (50 KW) operational as the water supply channel to the second unit was destroyed in 2020 by flood. The Division claimed that Tahin MHS was made operational during June 2022. However, during JPV it was found non-operative. The Division stated that water supply channel had developed multiple cracks due to the fire lit for the Jhum cultivation during March 2022.

However, the Government is yet to establish powerlines for evacuation of power, rendering the expenditure of ₹1.14 crore on repair and maintenance of MHSs unfruitful.

The matter was forwarded to the State Government (May 2023). However, the reply was awaited (September 2024).

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 power that can be potentially generated through the two MHSs and to operationalise the two projects.

3.9 Loss of Revenue

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.

Rule 12 of the GFR, 2017 states that amounts due to Government shall not be left outstanding without sufficient reasons.

Section 49 of Electricity Act, 2003 stipulates that the authority may enter into an agreement with any person for supply or purchase of electricity on such terms and conditions (including tariff) as may be agreed upon by them.

The Power Department, GoAP (GoAP) entered into agreement with an industrial consumer, M/s SMS Smelters Limited on 27 March 2004 for supply of power at nominal voltage of 132 Kilo Volt (KV) at 50 Hertz (Hz). As per agreement, the Department shall supply power to the tune of 35 Mega Watt (MW) at nominal voltage of 132 KV at 50 Hz for industrial purpose⁵⁶ on round the clock basis.

Clause 7.1 (iv) of the agreement states that a minimum charge of ₹50,000/- per MW of the contract power or part thereof shall be payable by the consumer on monthly basis. It may be mentioned that a consumer shall have to pay the minimum charge calculated on the sanctioned connected load if the energy charge amount payable is below the minimum charge in a month and the consumer shall continue to pay minimum charge as long as the assets are in place and not being dismantled after disconnection owing to default or after

⁵⁶ Industrial purpose refers to manufacturing, processing or assembly of materials to finished products or by-products.

permanent disconnection. The minimum charge was abolished from 01 April 2016 through tariff order 2016-17.

Clause 8.1 of the agreement stipulates that the energy bills shall be payable within 21 days from the date of billing to avail rebate wherever applicable. If the amount of the bill inclusive of the arrears, if any, is not received in full within 21 days of due date specified thereon, a surcharge of 18 *per cent* per annum on the bill amount shall be levied. The rate of surcharge was subsequently revised to 02 *per cent* per month after enforcement of Tariff regulation issued by APSERC from 01 April 2013.

The Chief Engineer, Western Electrical Zone, Power Department, GoAP, amended⁵⁷ load sanction order in favor of M/s SMS Smelters Limited from 35 MW to 25 MW in 2006. Further, the Department accorded (July 2010) 18 MW Load Sanction to M/s Shree Salasar Industries⁵⁸ by transferring 18 MW load out of 25 MW allotted to industrial consumer M/s SMS Smelters Limited (sister concern 'M/s Shree Salasar industries'). However, the Department did not execute any agreement with the industrial consumer. As such, the transfer of 18 MW load was in violation of the agreement with 'M/s SMS Smelters Limited'.

Scrutiny (July 2022) of records of the Executive Engineer (EE), Naharlagun Electrical Division revealed that the firm (consumer) M/s Shree Salasar Industries consistently defaulted in payment of electricity bills in full against the allocated load sanction. In view of revision of rates of surcharge by ASPERC from existing 1.5 to 2 *per cent* per month, the Department re-calculated (March 2021 & July 2022) outstanding electricity bills of the firm retrospectively from the date of issue of first bill (November 2010) to June 2022 incorporating the revised rate of surcharge. The Department worked out total revised outstanding bill as of June 2022 as ₹2.17 crore and served demand notices on the consumer for clearance of the same.

Audit observed that the Department did not take into account the minimum charge clause (applicable till March 2016) in calculation of bill amounts for the months in which the total energy charge was below the stipulated charge as per the agreement. Audit further observed that the Department also did not levy surcharge as applicable on payments not realised in full within 21 days of the due date specified. Audit worked out the revised outstanding bill amount as of July 2022 after taking into account the relevant clauses of the contract and revised rate of surcharge as ₹2.17 crore. Thus, the Department under-assessed the outstanding bill amount as on July 2022 by ₹1.03 crore (₹3.20 crore - ₹2.17 crore).

Thus, faulty calculation of revised energy bills of the consumer⁵⁹ resulted in loss of revenue amounting to ₹1.03 crore to the state exchequer besides leading to extension of undue favour to the consumer to that extent.

The matter was forwarded to the State Government (May 2023). However, the reply was awaited (September 2024).

Recommendations:

The State Government may expedite the recovery of outstanding revenue .

⁵⁷ Vide notification number CE(P)/WEZ-P-SALE-II/SIN/05-06 dated 18 January 2006

⁵⁸ Sister concern of M/s SMS Smelters Limited

⁵⁹ M/s Salasar industries

