

EXECUTIVE SUMMARY

This Audit Report has been prepared in five Chapters. Chapters I to V deal with Social, Economic, General, Public Sector Undertakings and Revenue Sectors. This Report contains two Performance Reviews, one Integrated Audit and 36 Audit Paragraphs based on the audit of certain selected programmes and activities and the financial transactions of the Government including Revenue Receipts, audit of Government Companies and Statutory Corporations.

According to the existing arrangements, copies of the draft audit paragraphs, draft performance reviews and draft Chief Controlling Officer based Audit were sent to the concerned Secretaries/Principal Secretaries to the State Government by the Accountant General with a request to furnish replies within six weeks. The Secretaries/Principal Secretaries were also reminded for replies. Besides, a demi-official letter was also sent to the Chief Secretary to the State Government on the issues raised in the draft audit paragraphs, draft performance reviews *etc.*, for effective inclusion of the views/comments of the Government in the Audit Report. Even after making serious efforts, replies were not received in respect of thirty-one audit paragraphs from the concerned Principal Secretaries/Secretaries to the State Government.

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

CHAPTER-I

SOCIAL SECTOR

1.2 INTEGRATED AUDIT OF HEALTH AND FAMILY WELFARE DEPARTMENT

The Department of Health and Family Welfare is responsible to deliver curative and preventive health care services to the people of the State. This includes family welfare services such as maternal and child health, control of communicable diseases, etc. For this, the Department has an institutional network consisting of Health Sub-Centres (HSCs), Primary Health Centres (PHCs) Community Health Centres (CHCs) and District/General Hospitals.

Performance of the Department for the period 2007-12, and its various functions (excluding National Rural Health Mission (NRHM)), was examined. Mismatch in creation of infrastructure, irrational deployment of available manpower and not making available of requisite qualified manpower to various units were noticed in Audit. These were the main reasons for not utilising the available resources most advantageously. As a result various healthcare facilities created after incurring huge amounts remained non-operational and consequently remained unproductive. Also, the public were deprived of much needed healthcare services. Monitoring and

evaluation mechanism was absent in the Department. Following are the highlights of the more important findings:

- *The Department did not have a Strategic Plan that recognised the long term healthcare requirement of the State and roadmap to create the required infrastructure and facilities so needed.*

(Para 1.2.7)

- *During 2007-12, the department could not spend budgeted funds. Total unspent provisions under Plan expenditure during the period were ₹32.13 crore implying that the department was not able to implement all the activities planned during those years.*

(Para 1.2.8.1)

- *The available manpower was not rationally deployed. There was excess deployment of Medical Officers/Staff Nurses in the Hospitals in urban areas, depriving the rural populace of other Districts proper health care services.*

(Para 1.2.9.1 to Para 1.2.9.3)

- *Bio-Medical Waste Plant was yet to become operational at six District Hospitals. Bio-Medical Waste was disposed off in an unscientific manner.*

(Para 1.2.10.1 and 1.2.14.2)

- *The objective of tele-consultation and dissemination of information, which could have benefitted patients in peripheral and rural hospitals, could not be achieved and did not benefit the Hospitals as Machinery/Equipment worth ₹4.52 crore supplied by the APSCST for setting up of the 'Telemedicine System' were lying idle.*

(Para 1.2.10.2)

- *Ayurvedic IPD wings at three District Hospitals and Drug De-addiction centres remained non-functional even after spending huge amounts on their establishment.*

(Para 1.2.10.3 and Para 1.2.10.4)

- *Several equipment remained idle as the same were purchased/provided without providing the complement infrastructure and manpower required for their functioning.*

(Para 1.2.11.1, Para 1.2.11.2, Para 1.2.11.3 & Para 1.2.11.4)

- *The Department incurred avoidable expenditure of ₹ 70.06 lakh on procurement of medicines.*

(Para 1.2.13.1.1., Para 1.2.13.1.2)

- *Inadequate facilities resulted in unhygienic storage of drugs and medicines in Hospitals and other Health Units. Medicines were distributed/ utilized by Hospitals and other Health Units without carrying out quality testing.*

(Para 1.2.14.3)

Audit Paragraphs

Sports and Youth Affairs Department, Government of Arunachal Pradesh prepared Detailed Project Report (DPR) for 'Improvement of Sports Complex at Chimpu Itanagar', Chimpu based on the Delhi Schedule of Rates instead of Arunachal Pradesh Schedule of Rates, as prescribed in the Work Manual. The work was also got executed at this rates without observing the requisite codal formalities. Due to these factors an extra expenditure of ₹ 94.81 lakh was incurred, besides extending undue benefit to the contractor.

(Paragraph 1.3)

Sports and Youth Affairs Department extended undue benefit of ₹ 1.01 crore to the Contractors by deducting VAT at inapplicable lower rate and consequently loss of revenue to the State Government to that extent.

(Paragraph 1.4)

Due to non-maintenance/availability of records by Social Welfare, Women and Child Development Department, the authenticity of expenditure incurred on procurement and distribution of SNP items could not be vouchsafed. Test check of available MPRs for the period March 2011 to February 2012 revealed doubtful expenditure of at least ₹ 35.48 lakh on claimed distribution of SNP items against non-functional AWCs.

(Paragraph 1.5)

CHAPTER-II

ECONOMIC SECTOR

2.2 IMPLEMENTATION OF MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME (MGNREGS)

The National Rural Employment Guarantee Act (NREGA), 2005 enacted in September 2005, guarantees 100 days wage employment in a financial year to any rural household on demand. In the first phase during 2005-06 in Arunachal Pradesh, the Act was notified in one district and then extended in the second phase during 2007-08 to two other districts and in the third phase during 2008-09 to all the remaining 13 districts.

The rationale of the Act is based on combining the productive capacity of villagers to build and nurture assets along with alleviating the problems of chronic unemployment and poverty. The Act provides opportunities to develop rural infrastructure through watershed development, restoration of water bodies, activities aimed at forestry, land

development, soil erosion and flood control, and construction of roads and institution facilities.

The Performance Audit of the Scheme brought out the following significant findings:

- *Prescribed structural capacity for implementation of the programme was not developed; State MGNREGA Rules, belatedly framed. Technical support was inadequate; and the IEC plan for awareness generation was not formulated.*

[Paras 2.2.6.1 to 2.2.6.5]

- *District Perspective Plans prepared at a cost ₹3.20 crore through outsourced agencies did not serve intended purpose and was a waste as it lacked mandatory aspects.*

[Para 2.2.7.1]

- *Annuals Work Plans were prepared on an ad-hoc basis without involving beneficiaries/PRIIs and without bringing out the parameters of programme outcome, as envisaged in the Act and Guidelines.*

[Para 2.2.7.2]

- *Labour budgets were unrealistic and only 34 to 66 percent of projected employment generation could be created. Annual average employment generation was 15 to 18 days and the percentage of households that completed 100 days work was 0.04 to 18.18.*

[Paras 2.2.8.2]

- *Districts submitted incorrect progress reports and retained unspent balances every year, varying from ₹3.97 crore to ₹9.27 crore, which were adjusted with next year's approved outlay of Central share, which adversely affected the inflow of funds.*

[Paras 2.2.8.7]

- *There were instances of under-payment of wages, engagement of unregistered workers, and delay in payment of wages.*

[Para 2.2.10]

- *Unique identification numbers to avoid duplication and SoR for MGNREGA works were wanting; Citizen Information Charts were not displayed and were not available in work sites. "Preferred works" for the State were not identified.*

[Para 2.3.11.1]

- *77 per cent of total expenditure was spent on creation of low priority works under the scheme.*

[Para 2.3.11.3]

- *In test checked districts, (i) Two works completed at a cost of ₹6.21 lakh were again executed for ₹21.79 lakh (ii) Eight road works executed at a cost of ₹7.49 lakh were of doubtful durability, (iii) An expenditure of ₹137.27 lakh was incurred on nine works which were not permissible under the Guideline, and (iv) 14 works for ₹2.18 crore were executed without administrative approval and technical sanction*

[Para 2.2.11.4 to 2.2.11.8]

- *Physical verification reports of work (10 per cent at District level and 2 per cent at State level) were not available or monitored by the State Government.*

▪ **[Para 2.2.15.2]**

- *The State Government had not appointed State Quality Monitors (SQMs). The Districts had also not identified District Quality Monitors for all aspects of implementation.*

▪ **[Para 2.2.15.3]**

Audit Paragraphs

Tourism Department did not properly planned execution of the project component 'construction/development of multipurpose hall and mini-resort at Zemithang' at an estimated cost of ₹1.90 crore, resulting in the asset created remaining non-functional. Further, gainful utilisation of this asset is doubtful as a tourist lodge, which is few meters away from the newly constructed multipurpose hall and mini-resort, constructed by the same department at a cost of ₹50 lakh was in state of disuse and completely abandoned.

(Paragraph 2.3)

Procurement of High Yield Variety (HYV) Crop Seeds from a firm at higher rate resulted in excess expenditure of ₹49.19 lakh and excess burden amounting ₹45.63 lakh to farmers after availing subsidy.

(Paragraph 2.4)

Rural Works Department allowed higher rate to a contractor for excavation of soil by classifying it as "hard rock requiring blasting" instead of "ordinary rock not requiring blasting" resulting in extra expenditure of ₹61.83 lakh. In another instance, the Department could not levy and realise departmental charges amounting to ₹78.41 lakh not due to its failure to include clause in MoU and estimate for execution of three works carried out by it for a private party.

(Paragraph 2.5 and 2.6)

CHAPTER-III

GENERAL SECTOR

Audit Paragraphs

Due to failure in exercising due diligence by the Controlling Officer/Drawing Disbursing Officer of Secretariat General Services Department, excess medical reimbursement of ₹ 42.72 lakh was obtained by the staff of the Commissioner's Office, Itanagar, by preferring fraudulent medical claims.

(Paragraph 3.1)

Land Management Department awarded Cadastral Survey work to a firm on an unsolicited offer without inviting tenders and also without verifying the credential of the firm. ₹ 68.88 lakh was paid to the firm for services rendered by it, which later turned out to be defective. The amount could not be recovered as the bank guarantee given by the firm was released even before the assessment of the work done was carried out and the whereabouts of the firm could not be traced.

(Paragraph 3.2)

CHAPTER-IV

ECONOMIC SECTOR (Public Sector Undertakings)

Overview of State Public Sector Undertakings

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. As on 31 March 2012, the State of Arunachal Pradesh had seven Public Sector Undertakings (PSUs) (all Government companies including two non-working), which employed 204 employees. The State working PSUs registered a turnover of ₹ 5.82 crore for 2011-12 as per their latest finalised accounts as of September 2012. This turnover was equal to 0.05 *per cent* of State GDP. Thus, the State PSUs made an insignificant contribution in the State economy. The State working PSUs incurred an overall loss of ₹ 5.92 crore for 2011-12 as per their latest finalised accounts as on 30 September 2012.

Investment in PSUs

As on 31 March 2012, the total investment (Capital and long term loans) in seven PSUs was ₹ 33.45 crore. This total investment consisted of 65.86 *per cent* towards capital and 34.14 *per cent* in long-term loans. The investment increased by 73.05 *per cent* from ₹ 19.33 crore in 2006-07 to ₹ 33.45 crore in 2011-12. The thrust of PSU investment was mainly in the Finance and Power Sectors, which represented 32.41 and 37.22 *per cent* of the total investment as on 31 March 2012 respectively.

Performance of PSUs

During the year 2011-12, out of five working PSUs, one PSU namely Arunachal Police Housing and Welfare Corporation Limited earned a profit of ₹ 1.33 crore and remaining four PSUs incurred loss of ₹ 7.25 crore as per their latest finalised accounts as on 30 September 2012. The major losses were incurred by Arunachal Pradesh Forest Corporation Limited (₹ 5.20 crore).

The losses of working PSUs were mainly attributable to deficiencies in the functioning of PSUs. A review of latest three years' Audit Reports of CAG shows that the State working PSUs and Government Departments (Power, Hydro-Power, Transport and Supply & Transport) incurred losses to the tune of ₹ 26.91 crore and infructuous investments of ₹ 8.07 crore, which were controllable with better management.

Thus, with better management, losses can be minimised/profits can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs/Government Departments.

Arrears in accounts and winding up

Five working PSUs had arrears of 28 accounts as of September 2012. The arrears ranged between 1 and 15 years. Government should monitor and ensure timely finalisation of accounts in conformity with the provisions of the Companies Act, 1956. As no purpose is served by keeping two non-working PSUs in existence, they need to be wound up quickly.

(Paragraph 4.1)

4.2. POWER TRANSMISSION ACTIVITIES OF DEPARTMENT OF POWER, GOVERNMENT OF ARUNACHAL PRADESH

Transmission of electricity and grid operations in Arunachal Pradesh are managed and controlled by the Department of Power (Department), Government of Arunachal Pradesh. The present performance audit covered transmission activities of the Department for the years from 2007-08 to 2011-12. The Department prepared Power Master Plan, 2006 and Perspective Action Plan, 2007-22 keeping in view of the requirements upto 2022 for construction of total 28 EHT lines including eighteen 132 KV lines to be constructed during 2007-12. Out of said 18 lines, 9 lines were carried forward for construction during 2012-17. No action was taken to construct balance nine lines except issuing of NIT for one line till December 2012.

The execution of transmission projects by the Department suffered with several deficiencies mainly relating to project planning and preliminary works causing revisions of DPRs after award of work, excess time taken in finalisation of tenders, deficiencies in monitoring of works, etc. As a result, against the capacity addition of five substations (110 MVA) and transmission lines (334.74 ckm) pertaining to previous plans and carried forward for

completion during 2007-12, none of the projects was completed during 2007-12 except one 14.87 ckm line project. The transmission and distribution (T&D) losses during 2007-12 showed increasing trend and the Department could not achieve the CEA norms in any of the five years thereby causing loss of energy to the tune of 981.85 MUs.

The Arunachal Pradesh State Load Despatch Centre (SLDC) did not have any control over the optimum scheduling and despatch of electricity within the State and none of the four 220/132 KV S/Ss were connected with the SLDC to monitor the efficiency of transmission system. No Disaster Management programme was in place thereby exposing the system against the risk of black out situations in case of major break down. The Energy accounting and audit system of the Department was not effective in the absence of proper metering arrangements and authentic estimation of transmission loss.

The Department sustained huge financial losses on sale of energy mainly due to high T&D losses and significant increase in costs of energy transmitted. Though the State Electricity Regulatory Commission (SERC) became functional in February 2011, the Department had been increasing the tariff annually by five per cent without filing Annual Revenue Return and without approval of the SERC.

Audit of Transactions

The investment of ₹ 6.04 crore made by the Department of Power, Government of Arunachal Pradesh in construction of Sub-stations at Sagalee and Yupia remained unutilised due to non-completion of related transmission/feeder lines.

(Paragraph 4.3)

Failure of Hydro Power Development Corporation of Arunachal Pradesh Limited to ensure the recovery of the mobilization advance in a time bound manner contrary to CVC guidelines resulted in loss of interest of ₹ 0.61 crore.

(Paragraph 4.4)

CHAPTER-V

REVENUE SECTOR

Audit Paragraphs

Failure of the Assessing Officer, Taxation Department to detect import of taxable goods of ₹ 20.87 crore led to evasion of tax of ₹ 64.07 lakh; besides, interest of ₹ 38.96 lakh and penalty of ₹ 64.07 lakh was also leviable.

(Paragraph 5.2.1)

A dealer concealed turnover of ₹ 29.92 lakh and evaded tax of ₹ 3.74 lakh as the purchasing government department failed to deduct tax at source, on which interest of ₹ 3.44 lakh and penalty of ₹ 7.48 lakh was also leviable.

(Paragraph 5.2.2)

A dealer registered under Section 7(2) of the CST Act, 1956 imported goods valued at ₹ 21.77 lakh for resale, but did not pay revenue of ₹ 9.25 lakh as he was not registered under the APGT Act, 2005. In another instance, a dealer evaded revenue of ₹ 8.85 lakh due to concealment of sales turnover of cement of ₹ 17.51 lakh, which he imported from outside the State at concessional rates

(Paragraph 5.2.3 and 5.2.4)

Penalty of ₹ 3.40 lakh was not imposed on nine dealers who failed to furnish reports of audit of accounts. Penalty of ₹ 4.80 lakh was not levied and realised from 14 dealers who did not furnish returns within due date.

(Paragraph 5.2.5 and 5.2.12)

Two unregistered dealers imported goods valued at ₹ 72.78 lakh by utilising four 'C' Forms which were lost from the office of the Superintendent of Taxes, Tezu, leading to loss of revenue of ₹ 23.37 lakh. In another case, one unregistered dealer fraudulently procured four 'C' Forms and concealed purchase of taxable goods valued at ₹ 47.48 lakh to evade revenue of ₹ 14.84 lakh, including penalty. In third case, a dealer concealed turnover of ₹ 1.17 crore and evaded tax of ₹ 14.59 lakh due to non-surrender of four 'C' Forms at the time of cancellation of Registration Certificate, for which interest of ₹ 13.42 lakh and penalty of ₹ 14.59 lakh was also payable. In a fourth case, one unregistered dealer illegally procured six 'C' Forms from the Department and utilised them in purchase of goods valued at ₹ 1.28 crore, which remained undetected, resulting in loss of revenue of ₹ 40.08 lakh

(Paragraph 5.2.6, 5.2.7, 5.2.8 and 5.2.10)

Turnover of at least ₹ 2.14 crore was concealed by a dealer when he imported goods from outside the State at concessional rates for resale, resulting in evasion of ₹ 56.85 lakh in the form of tax, interest and penalty

(Paragraph 5.2.9)

Non-registration of a State Government Department resulted in non-realisation of revenue of ₹ 16.81 lakh and penalty of ₹ one lakh on sale of sand and stone.

(Paragraph 5.2.11)

A dealer imported taxable goods valued at ₹ 3.06 crore on which Entry Tax of ₹ 38.20 lakh was leviable which was not levied and recovered

(Paragraph 5.2.1)

State Excise Department failed to realise Establishment charges of ₹ 13.84 lakh in respect of Excise officials posted in different Bonded Warehouses.

(Paragraph 5.2.14)

State Excise Department failed to initiate action against 7 Retail Licensees for non-renewal of licences led to non-realisation of Renewal Fees of ₹ 3.20 lakh and penalty of ₹ 0.44 lakh

(Paragraph 5.2.15)

A dealer imported cement valued at ₹ 66.43 lakh by unauthorisedly utilising declaration forms not issued to him and evaded Tax, Interest and Penalty of ₹ 26.57 lakh. In another instance, A dealer imported taxable goods of ₹ 63.95 lakh and fraudulently evaded tax of at least ₹ 10.75 lakh (including Interest and Penalty).

(Paragraph 5.2.16 and 5.2.17)

Non-registration of seven dealers by the Assessing Officer led to evasion of tax of ₹ 19.90 lakh and penalty of ₹ 7 lakh. In another case, Security deposit of ₹ 3.25 lakh was not realised from 13 retail licensees

(Paragraph 5.2.18 and 5.2.18)

Failure of the Department to realise Licence Fee and Penalty before cancellation of three licences led to loss of revenue of ₹ 4.16 lakh

(Paragraph 5.2.20)

Import Fee of ₹ 12.94 lakh was not realised on import of ₹ 6.47 lakh LPL (London Proof Litre) of spirit by a Bottling Plant.

(Paragraph 5.2.21)

Realisation of initial licence fee of ₹ 1.50 lakh instead of ₹ 5 lakh and non-realisation of security deposit of ₹ 0.75 lakh led to government revenue of ₹ 4.25 lakh not being realised.

(Paragraph 5.2.22)

Failure of Land Management Department to assess and levy lease rent led to non-realisation of revenue of ₹ 2.51 crore on 33,14,644 sq. m. of land allotted to two companies

(Paragraph 5.2.23)