REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

ON

(SOCIAL, ECONOMIC, REVENUE AND ECONOMIC (SPSUs) SECTORS)

FOR THE YEAR ENDED 31 MARCH 2013

The Report has been laid on the table of the State Legislature Assembly on 26-07-2014

GOVERNMENT OF ARUNACHAL PRADESH

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Appendices

PREFACE

1. This Report of the Comptroller and Auditor General of India has been prepared for submission to the Governor under Article 151 of the Constitution of India.

2. This Report presents the results of the audit of the Departments of the Government of Arunachal Pradesh under Social, Economic and Revenue Sectors.

3. The cases mentioned in this Report are those, which came to notice in the course of test audit during the year 2012-13 as well as those, which came to notice in earlier years, but could not be dealt with in the previous Reports. Matters relating to the period subsequent to 2012-13 have also been included, wherever necessary.

4. The audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

This Audit Report has been prepared in five Chapters. Chapters I to IV deal with Social, Economic (other than Public Sector Undertakings), Revenue, Economic (Public Sector Undertakings) Sectors and Chapter VI deals with Follow up of Audit observations.

This Report contains three Performance audits and twenty-three compliance audit paragraphs. According to the existing arrangements, copies of the draft compliance audit and draft performance reviews were sent to the concerned Secretaries/Principal Secretaries to the State Government by the Accountant General (Audit) 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. Despite such efforts, replies were not received in respect of two compliance 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

Performance Audit

Implementation of Indira Awaas Yojana (IAY)

Indira Awaas Yojana (IAY), a flagship scheme, was launched by the Ministry of Rural Development, Government of India with the objective of helping rural BPL people in construction of dwelling units and up-gradation of existing unserviceable *kutcha* houses by providing financial assistance. A Performance Audit of the implementation of the Scheme in Arunachal Pradesh was carried out covering the period from 2008-09 to 2012-13. The Performance Audit of the scheme brought out the following significant findings:

IAY waitlist was faulty and as a result many eligible beneficiaries were left out as highlighted in National Level Monitor's Report. There were instances of non-BPL households being extended benefit as noticed during joint field verification.

(Para 1.2.7)

Due to short-release of State Share, the Government of India deducted Central Assistance of ₹40.98 lakh.

(Para 1.2.8.3)

An amount of ₹56.25 lakh received from the Central Government as natural calamity funds was neither allotted to the districts by the State Government nor utilization of the same shown at State level, but the fund balance was shown as 'Nil'. Thus, actual utilization of funds for the purpose for which it was allotted remained doubtful.

(Para 1.2.8.4)

Inadmissible payment of ₹113.50 lakh was made by DRDA, Anjaw District. Besides, an unauthorised expenditure of ₹5.52 lakh was incurred by DRDA, Papum Pare District.

(Paras1.2.8.6 and 1.2.8.7)

An excess amount of ₹14.11 crore was extended as assistance during the years 2009-10, 2011-12 and 2012-13, which was sufficient to cover 3,344 more beneficiaries.

(Para 1.2.9.2)

DRDA, West Siang District distributed lesser quantity of CGI sheets to beneficiaries for new construction valuing ₹1.63 crore, thereby, depriving 3032 beneficiaries of full benefit of the Scheme.

(Para 1.2.9.3)

DRDA, Lohit extended extra financial benefit of ₹ 328.65 lakh to the beneficiaries of new construction.

(Para 1.2.9.4)

The IAY beneficiaries failed to avail loan under DRI scheme with marginal interest due to lack of awareness.

(Para 1.2.10.5)

In absence of convergence and dovetailing of central sector schemes with IAY, the beneficiaries were deprived of the intended benefits of these schemes.

(Para 1.2.11)

Compliance Audit Paragraphs

Payment of ₹ 4.45 crore as Land Transport Subsidy for transportation of the iodized salt for PDS beneficiaries of interior/remote areas of the Upper Siang District was highly questionable as the quantity to iodised salt stated to have been distributed was sufficient to meet the requirement of the entire population of the district for more than 18 years, pointing towards fraud.

(Paragraph 1.3)

Payment of labour escalation over and above the higher labour rate applied during analysis of tender by the Department and non-compliance of statutory provision of deduction of VAT by PHE & WS Division, Itanagar, resulted in extension of undue benefit of ₹ 1.55 crore to a private contractor.

(Paragraph 1.4)

CHAPTER-II: Economic Sector

PERFORMANCE AUDIT

Roads and Bridges projects funded by Non-Lapsable Central Pool of Resources (NLCPR) and the North-Eastern Council (NEC)

A Performance Audit of implementation of the Roads & Bridges projects funded through Non-Lapsable Central Pool of Resources (NLCPR) and the North-Eastern Council (NEC) covering the period from 2008-09 to 2012-13 revealed that there were delays in completion of the projects due to deficiencies in the planning process, delay/non-release of funds to implementing agencies and inadequate monitoring. Consequently, only 11 (eleven) out of the targeted 49 (forty nine) projects were completed as of March 2013.

Some major audit findings are highlighted below:

There were delays ranging from 7 to 13 months in submission of Priority Lists.

(Para 2.2.9.1)

Records of 25 test-checked NLCPR projects revealed that Detailed Project Reports were prepared without proper survey and investigation.

(Para 2.2.10)

There were delays ranging from 3 to 48 months in release of funds by the State Government to executing agencies.

(Para 2.2.11.2)

The State Government did not contribute its share aggregating to ₹ 12.15 crore (48.41 percent) towards implementation of 25 test-checked NLCPR projects.

(Para 2.2.11.4)

Against the total amount of ₹403.15 released up to 2012-13 for implementation of NLCPR, utilization certificates (UCs) for ₹111.50 crore (30 per cent) were pending as of March 2013.

(Para 2.2.11.5)

In 22 test-checked projects, executing agencies incurred inadmissible expenditure of ₹10.16 crore against NLCPR funds.

(Para 2.2.11.6)

In three projects, executing agencies diverted ₹ 5.26 crore from NLCPR/NEC funds to other projects.

(Para 2.2.11.7)

The completion rate of projects under NLCPR/NEC was far from satisfactory. Out of 49 projects due for completion by March 2013 or earlier, only 11 projects (23 percent), involving an expenditure of ₹105.44 crore, were completed. Even completed projects had huge time overruns ranging from 12 to 24 months.

(Para 2.2.12)

No Evaluation Study was conducted to assess the impact of projects created.

(Para 2.2.18.2)

Adequate transparency and publicity/dissemination of information relating to NLCPR/NEC projects was not ensured through the Local media and Display Boards.

(Para 2.2.18.3)

Compliance Audit Paragraphs

Two mini hydro projects constructed at cost of ₹ 5.83 crore were not commercially exploited even after over two to three years of their completion as the agency or the department responsible for their operation was not identified. As a result, the State Government was deprived of revenue of ₹ 2.63 crore, besides, depriving social benefit to villagers in remote and hilly area**.**

(Paragraph 2.3)

Due to non-compliance to provisions of General Financial Rules in respect of Inventory Management and Control, materials valued at ₹ 4.16 crore were possibly missing.

(Paragraph 2.4)

Failure of the Department to complete construction of a bridge due to commencement of work on defective design and drawing, rendered expenditure of ₹ 4.34 crore unfruitful. Expenditure of ₹ 42.89 lakh deviating from the sanctioned estimate, inadmissible expenditure of ₹ 29.74 lakh, and undue financial aid of` ₹ 17.78 lakh were also noticed.

(Paragraph 2.5)

In absence of any audit trail to substantiate creation of horticulture gardens and raising of crops, utilisation of Government assistance of ₹ 1.03 crore was doubtful.

(Paragraph 2.8)

Due to lapses in implementation of Seed Management component of Macro Management of Agriculture, a centrally sponsored scheme, there was excess expenditure of ₹ 30.80 lakh. As a result, coverage in terms of beneficiaries and area was severely compromised. Besides, seed treatment components for which ₹ 19.13 lakh was sanctioned, was not at all implemented.

(Paragraph 2.9)

CHAPTER-III: Revenue Sector

Performance Audit

Receipts under Arunachal Pradesh Goods Tax (APGT) Act, 2005

Performance Audit of Receipts under APGT Act 2005 revealed following shortcomings:

- The APGT Act, though taken from a uniform format of VAT adopted throughout the country had significant deficiencies. There was no process to identify unregistered dealers or carrying forward the list of dealers from the Repealed Act. The system in place for registration, survey, assessment of returns, audit assessment was either non-existent or weak.

- The Department had almost non-existent internal controls. There was no proper mechanism at the higher management level to monitor the performance and activities of unit offices.

- There were several compliance issues in the functioning of the Department leading to loss of revenue.

- Concerned authorities failed to deduct tax at prescribed rates from contractors/suppliers, leading to non/short deduction and non-deposit of tax into Government account.

- Check Gates were ill-equipped, with non-functional weighbridges, CCTV cameras and were without any loading/unloading facilities.

The cases of loss of revenue noticed in the performance audit are highlighted below:

361 unregistered dealers sold goods valued at ₹26.50 crore and evaded tax of ₹1.59 crore, which the Department failed to detect.

[Para 3.2.8.1

The percentage of assessments by STs varied between 0 and 2.69 per cent during the period of PA.

[Para 3.2.8.2]

10 dealers concealed turnovers of ₹12.23 crore and evaded tax of ₹1.58 crore, for which interest of ₹2.13 crore and penalty of ₹1.59 crore were also leviable.

[Paras 3.2.8.3 and 3.2.8.4]

635 dealers, who were registered under the repealed Act, remained undetected and unregistered under the APGT Act.

[Para 3.2.8.5]

In the absence of a mechanism for monitoring receipt of returns, Superintendents of Taxes (STs) could not detect non-submission of 22675 returns of 1821 dealers between 2008-09 to 2012-13, and consequently, penalty of ₹22.68 crore could not be levied.

[Para 3.2.9]

Not a single audit assessment was completed by the Commissioner of Taxes (CoT).

[Para 3.2.10]

19 dealers claimed input tax credit of ₹ 27.39 crore, which was irregularly allowed by STs.

[Para 3.2.16.1]

Four industrial units irregularly claimed exemption of VAT of ₹ 7.93 crore (including interest) prior to 23 January 2009 and non-issue of necessary Entitlement Certificates by the Department.

[Para 3.2.22]

The Department failed to prefer claims of compensation of VAT, resulting in loss of revenue of ₹15 crore.

[Para 3.3.23]

Compliance Audit Paragraphs

Application of pre-revised rates of Royalty on 54,641 tonnes of Coal led to short-realization of Royalty of ₹ 1.83 crore

[Paragraph 3.10]

Failure of the State Government to raise demand for payment of royalty of ₹ 21.42 crore from the Central Government led to non-realization of revenue to that extent

[Paragraph 3.11]

For delayed payment of Royalty, Additional Royalty of ₹ 1.38 crore was not levied

[Paragraph 3.12]

CHAPTER-IV: Economic Sector (SPSUs)

Overview of State Public Sector Undertakings (SPSUs)

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of the State Government companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General (CAG) of India. These accounts are also subject to Supplementary Audit conducted by the CAG. In Arunachal Pradesh, there were seven SPSUs (all Government Companies, including two non-working Companies).

Investment in SPSUs

As on 31 March 2013, the investment (capital and long-term loans) in seven SPSUs[#] was ₹ 30.63 crore. The investment has increased by 44.07 *percent* from ₹ 21.26 crore in 2007-08 to ₹ 30.63 crore in 2012-13.

[#] ***The State has no 619-B Company.***

Performance of PSUs

Working SPSUs showed overall adverse working results during the six year period ending 2012-13, except during 2008-09. The overall losses of Working SPSUs reached its peak during 2011-12 at ₹ 5.92 crore during the six year period. During 2012-13, out of five working SPSUs, two SPSUs earned profits of ₹ 3.37 crore and three SPSUs incurred losses of ₹ 8.96 crore.

The losses of SPSUs were mainly attributable to deficiencies in financial management, planning, implementation of projects, running of operations and monitoring. A review of the latest Audit Reports of the CAG showed that working State SPSUs and Government Departments - *Power, Hydro-Power, Transport and Supply & Transport* - incurred losses to the tune of ₹ 11.80 crore and made infructuous investments of ₹ 10.89 crore, which could have been avoided with better management.

Compliance Audit Paragraph

Execution of Micro, Mini and Small Hydro Power Projects

As of 31 March 2013, the Department was operating 111 Micro/Mini/Small♣ Hydro Power Projects with a total capacity of 61.31 MW. Out of the 111 projects, 59 projects, with a capacity of 26.84 MW and total project cost of ₹337.60 crore were commissioned between 2008-09 and 2012-13 (remaining 52 projects were commissioned prior to 2008-09). In addition, 40 projects with a capacity of 66.44 MW and project cost of ₹ 749.76 crore were under construction as on 31 March 2013.

Major audit findings are listed below:

- Failure of the Department to conduct proper survey and investigation in respect of 13 hydel projects resulted in an unfruitful expenditure of ₹ 44.32 crore.

- The works done through work orders, without ensuring economy and quality of works done, were very high and constituted 32.30 *per cent* of the total works executed.

- Delay in completion of Halaipani Small Hydroelectric Project due to frequent changes in installed capacity rendered the expenditure of ₹ 109.56 crore (Civil Works - ₹ 74.31 crore and E&M Works - ₹ 35.25 crore)

♣ ***Micro - upto 100 KW; Mini - 101 to 999 KW; and Small - 1000 to 25000 KW.***

unproductive even after 16 years from the first Administrative Approval for the project. Moreover, the 111 targeted villages were also deprived of the intended benefits of this small hydel project.

- Even though turnkey contractors had delayed the completion of 32 projects by 8 to 53 months (as of August 2013), the Department did not levy LD amounting to ₹ 17.09 crore.

- The order for supply of E&M equipment valued at ₹ 8.99 crore was prematurely placed on the contractor as the civil works at site were not completed. Due to this, the E&M equipment remained idle for a long period (16 years), after which it became unusable due to deterioration, rust, wear and tear, etc., resulting in loss of ₹ 8.99 crore to the Department

Chapter - I
Social Sector

CHAPTER I: SOCIAL SECTOR

1.1.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2013 deals with Audit findings on State Government units under the Social Sector.

During 2012-13, total budget allocation of the State Government in major Departments under Social Sector was ₹ 2445.77 crore, against which the actual expenditure was ₹ 1940.22 crore. Details of Department-wise budget allocation and expenditure are given in Table 1.1.1 below:

Table - 1.1.1

(₹in crore)

Sl. No.	Department	Total Budget Allocation	Expenditure
1.	Education	762.53	708.66
2.	Sports & Youth Affairs	39.48	31.87
3.	Library	8.66	6.67
4.	Social Welfare	235.81	178.82
5.	Relief & Rehabilitation	149.51	149.35
6.	Food & Civil Supplies	32.27	24.87
7.	Labour	5.84	5.84
8.	Social & Cultural Affairs	43.76	13.17
9.	Health & Family Welfare	329.58	272.40
10.	Public Health Engineering	248.52	233.15
11.	Urban Development & Housing	229.80	110.08
12.	Rural Works	243.76	162.84
13.	Panchayat Raj	116.25	42.50
TOTAL		**2445.77**	**1940.22**

Source: Appropriation Accounts 2012-13

Besides the above, the Central Government transferred a sizeable amount of funds directly to Implementing Agencies under the Social Sector to different Departments of the State Government. Major transfers for implementation of flagship programmes of the Central Government are detailed in Table 1.1.2:

Table - 1.1.2

(₹in crore)

Scheme/Programme	Implementing Agency	Amount of fund transferred during the year
Adult Education & Skill Development Scheme	Jana Sikshan Sansthan, Naharlagun and State Resource Centre, A.P.	0.98
Rashtriya Madhyamik Shiksha Abhiyan	A.P. Rajya Madhyamik Shiksha Mission	24.37
Sarva Shiksha Abhyan	SSA, Rajya Mission	437.65
Forward Linkages to NRHM (new initiatives in NE)	A.P. State Health Society	13.15
National Aids Control Programme, incl. STD Control	A.P. State Aids Control Society	8.70
National Rural Health Mission (Centrally Sponsored)	A.P. State Health Society	38.66
National Rural Health Mission (NRHM), Central Sector	A.P. State Health Society	0.94
Swarna Jayanti Sahari Rojgar Yojana (SJSRY)	State Urban Development Agency	1.30
Rural Housing – IAY	DRDAs	33.27
National Rural Drinking Water Programme	SWSM, A.P., Agency	223.22

Source: Central Plan Scheme Monitoring System (CPSMS)

1.1.2 Planning and Conduct of Audit

Audit process starts with the assessment of risks faced by various Departments of the Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of Departments. Audits were conducted involving expenditure of the State Government amounting to ₹ 257.73 crore under the Social Sector. The report contains a Performance Audit of Indira Awaas Yojana (IAY) and three Compliance Audit Paragraphs.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the Heads of Departments. The Departments are requested to furnish replies to the audit findings within one month of receipt of Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations arising out of Inspection Reports are processed for inclusion in the Audit Report, which is submitted to the Governor of the State under Article 151 of the Constitution of India.

Major observations noticed in Audit pertaining to the Social Sector during 2012-13 are discussed in subsequent paragraphs of this Chapter.

Department of Rural Development

PERFORMANCE AUDIT

1.2 Implementation of INDIRA AWAAS YOJANA (IAY)

Highlights

Indira Awaas Yojana (IAY), a flagship scheme, was launched by the Ministry of Rural Development, Government of India with the objective of helping rural BPL people in construction of dwelling units and up-gradation of existing unserviceable *kutcha* houses by providing financial assistance. A Performance Audit of the implementation of the Scheme in Arunachal Pradesh was carried out covering the period from 2008-09 to 2012-13. The Performance Audit of the scheme brought out the following significant findings:

IAY waitlist was faulty and as a result many eligible beneficiaries were left out as highlighted in National Level Monitor's Report. There were instances of non-BPL households being extended benefit as noticed during joint field verification.

(Para 1.2.7)

Due to short-release of State Share, the Government of India deducted Central Assistance of ₹40.98 lakh.

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An amount of ₹56.25 lakh received from the Central Government as natural calamity funds was neither allotted to the districts by the State Government nor utilization of the same shown at State level, but the fund balance was shown as 'Nil'. Thus, actual utilization of funds for the purpose for which it was allotted remained doubtful.

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The IAY beneficiaries failed to avail loan under DRI scheme with marginal interest due to lack of awareness.

(Para 1.2.10.5)

In absence of convergence and dovetailing of central sector schemes with IAY, the beneficiaries were deprived of the intended benefits of these schemes.

(Para 1.2.11)

1.2.1 Introduction

Indira Awaas Yojana (IAY), the flagship scheme of the Ministry of Rural Development for fulfilment of housing needs of the rural poor population, was launched in May 1985 as a sub-scheme of Jawahar Rozgar Yojana (JRY). It was implemented as an independent scheme since 1st January 1996. Indira Awaas Yojana aimed at helping rural people below the poverty line (BPL) belonging to SCs/STs, freed bonded labourers and non-SC/ST categories in construction of dwelling units and up-gradation of existing unserviceable *kutcha* houses by providing assistance in the form of full grant. From 1995-96, IAY benefits were extended to widows or next of kin of defence personnel killed in action. Benefits were also extended to ex-servicemen and retired members of the paramilitary forces as long as they fulfilled normal eligibility conditions of Indira Awaas Yojana. Three *percent* of the funds were reserved for disabled BPL persons in rural areas. Since 2006-07, IAY funds were also earmarked for minorities.

1.2.2 Organizational Set-up

The Secretary, Rural Development (RD), Department of Rural Development, is the Nodal Officer responsible for implementation of IAY in the State. He is assisted by a Director. At the District level, the Project Director (PD) of the District Rural Development Agency (DRDA), under the chairmanship of the concerned district Deputy Commissioner, (DC) is responsible for actual implementation of IAY through 88 Blocks, headed by Block Development Officers (BDOs) and 32 Joint Block Development Officers.

1.2.3 Audit Objectives

The Performance Audit was conducted with a view to assess whether:

- the system and procedures in place for identification and selection of the target groups and the processes for allotment, construction and up-gradation of dwelling units were adequate and conformed to the scheme provisions;
- the physical performance under IAY in terms of number of units constructed and upgraded was as planned and targeted and the constructions corresponded to the quality and financial parameters set out in the scheme guidelines;
- the allocation and release of funds under IAY were made in an adequate and timely manner and that these were utilized economically and efficiently in accordance with the scheme provisions;
- the convergence of the IAY activities with other programmes as envisaged was effectively achieved and ensured availability of complete functional dwelling units; and
- the mechanism in place for monitoring and evaluation of the outcomes of the programme was adequate and effective.

1.2.4 Audit Criteria

The criteria used to assess performance were derived from the following sources:

- Scheme Guidelines issued by the Government of India, Ministry of Rural Development, Department of Rural Development;
- District Annual Action Plan;
- Detailed Audit Reports prepared by Districts; and
- Prescribed monitoring mechanism

1.2.5 Audit Approach

The Performance Audit commenced with an ***Entry Conference*** held on 9^{th} May 2013 with the Secretary, Rural Development (RD) Department, wherein audit objectives, criteria, scope and methodology for detailed checking were explained. An ***Exit Conference*** was held on 5^{th} December 2013 with the Department to discuss major audit findings and conclude the audit.

1.2.6 Audit Coverage

Records for from 2008-09 to 2012-13 of the Director of Rural Development (RD), 6 out of 16 District Rural Development Agencies (DRDA) and 12 out of 88 Block Development Officers (BDO) were test-checked between May and November 2013. 37 *percent* (₹ 74.48 crore) of the total expenditure of ₹ 202.30 crore, was covered in the performance audit.

Acknowledgement

The Indian Audit and Accounts Department acknowledges and appreciates the cooperation rendered by the Administrative Department of the Rural Development Department, the Chairmen and Project Directors of the DRDAs, Block Development Officers including Field Level Functionaries of the selected Districts and Blocks during this Performance Audit.

AUDIT FINDINGS

The important points noticed during the Audit are discussed in the succeeding paragraphs:

Audit Objective: To assess whether the system and procedures in place for identification and selection of the target groups and the processes for allotment, construction and up-gradation of dwelling units were adequate and conformed to the scheme provisions.

1.2.7 Identification and selection of beneficiaries and preparation of Permanent Waitlist

As per IAY Guidelines (Para 2.2), District Panchayats/Zila Parishads and DRDAs would decide on the number of units to be constructed/upgraded panchayat-wise during a particular financial year, on the basis of allocations made and targets fixed, which would be intimated to the concerned Gram Panchayats. Thereafter, beneficiaries, restricted to this number, would be selected from the permanent IAY Waitlist prepared on the basis of the BPL List, in order of seniority.

Para 2.2 of IAY Guidelines further provides that the permanent IAY Waitlists so prepared will be displayed at a prominent place either in the Gram Panchayat office or any other suitable place in the village. The lists will also be put on the website by the concerned DRDAs.

Scrutiny of records of selection of BPL families and preparation of the permanent Waitlist in the State revealed that BPL census was conducted in the State in 2002. In the Census Report, there were no district-wise names and addresses of BPL families in the

State. The IAY Waitlist was also prepared without detailed particulars and identities of persons concerned. The BPL List was also not updated in the last 11 years. Thus, identification of IAY beneficiaries in the State was not transparent or fair.

It was noticed in audit that barring few districts, the permanent IAY waitlists were not displayed at Gram Panchayat office or any other prominent places in the village. This fact was also confirmed during the field verification as evident from views expressed by the beneficiaries that they were unaware of the IAY waitlist and Gram Sabha deliberations.

The National Level Monitor's Report for 2012-13 (Phase-II), for implementation of IAY in Papumpare District buttresses the audit findings. The report also highlights that due to faulty waitlist many eligible beneficiaries were left out.

Besides, it was noticed during joint field verification that non-BPL households being extended benefit. Some of the beneficiaries to whom the benefits of IAY were extended were government employees like teachers, peons etc. and others having annual incomes far above the BPL list.

During exit conference (05 December 2013), the Department stated that a fresh BPL list was under preparation and household surveys would also be conducted during the year and beneficiary list would be prepared accordingly.

Audit Objective: To assess whether the allocation and release of funds under IAY were made in an adequate and timely manner and that these were utilised economically and efficiently in accordance with the scheme provisions.

1.2.8.1 Financial Pattern

Indira Awaas Yojana is a Centrally Sponsored Scheme funded on cost-sharing basis between the Government of India and State Governments. In the North-Eastern States and Sikkim, funding is shared between Government of India and the States in the ratio are 90:10.

1.2.8.2 Financial Position

The financial outlay and expenditure for the period covered under audit are shown Table 1.2.1.

Table 1.2.1

(₹in lakh)

Year	Opening Balance	Central Govt. Release	State Govt. Release	Total	Expendi-ture	Closing Balance	Unutilised Funds (%)
2008-09	1545.84	3357.87	937.00	5840.71	3786.36	2054.35	35.17
2009-10	2054.35	1655.86	0	3710.21	3650.67	59.54	1.60
2010-11	59.54	3918.80	43.59	4021.93	3821.75	200.18	4.98
2011-12	200.18	2857.69	1115.99	4173.86	4085.81	88.05	2.11
2012-13	88.05	4243.39	735.58	5067.02	4885.81	181.21	3.58
TOTAL		**16033.61**	**2832.16**		**20230.40**		

It can be seen from the above table that against available funds of ₹ 204.11 crore during 2008-13, ₹ 202.30 crore was utilised, leaving a balance of ₹ 1.81 crore at the end of March 2013. Year-wise unutilized funds against availability ranged from 1.60 to 35.17 *per cent*. It was also noticed that the partial utilization of funds resulted in parking of funds outside Government account at the DRDAs for the maximum period of four months.

1.2.8.3 Deduction of Central Government Allotment

During 2012-13, total allocation of Central Share to West Siang District was ₹ 350.27 lakh, out of which the first instalment of Central Share of ₹ 175.135 lakh was released by the GoI, Ministry of Rural Development. The balance of ₹ 175.135 lakh was to be released as second instalment. But GoI released only ₹ 143.55 lakh during 2013-14, being part of the second instalment of Central Share for 2012-13, after deduction of ₹ 31.58 lakh due to short-release of State Share by the State Government for the same amount.

Similarly, during 2012-13 in Anjaw District, out of the total allocation of ₹ 104.14 lakh, only ₹ 94.74 lakh was released by the GoI after deduction of ₹ 9.40 lakh, due to short-release of State Share by the State Government.

During exit conference (05 December 2013), the department stated that the situation of short-release of State share had improved.

1.2.8.4 Allocation of Funds for Natural Calamities

As per IAY Guidelines (Para 4.4.1), 5 *percent* of total allocated funds under IAY were to be kept apart to meet the exigencies arising out of natural calamities and other emergent situations like riots, arson, fire, rehabilitation under exceptional circumstances etc. with a State-wise ceiling of 10 *percent* of annual allocation (including State Share). Proposals for this purpose have to come from the State Government showing the extent of damage and estimated funds requirement in respect of proposed IAY units, provided assistance for construction of the units was not obtained from other sources.

Scrutiny of the fund allocation and expenditure statement revealed that during 2008-09 and 2009-10, the State Government received ₹ 37.50 and ₹ 18.75 lakh respectively from the Central Government as natural calamity funds. Against the Central Government release, the State Government did not release 10 *per cent* of the total Central Government allocation.

It was also noticed that out of total available funds of ₹ 56.25 lakh, the State Government neither allotted the amount to districts nor showed utilization at State level, but the fund balance was shown as *'Nil'*. Thus, actual utilization of funds for the purpose for which it was allotted remained doubtful.

1.2.8.5 Transfer of fund to beneficiaries

The ceiling on grant of assistance per unit cost under the Indira Awaas Yojana for construction of a new house and upgradation of an unserviceable *kutcha* house was (i) Construction of new house ₹ 45,000 in plain areas and ₹ 48,500 in hilly/difficult areas from 2010-11 to 2012-13 (During 2008-09 and 2009-10 assistance per unit cost for construction of new house was ₹ 35,000 in plain areas and ₹ 38,500 in hilly/difficult areas) (b) Upgradation of un-serviceable house ₹ 15,000 in both the areas for the entire period 2008-13.

Para 4.10 of the IAY Guidelines provide that payment should be made to the beneficiaries on a staggered basis depending on the progress of the work. The entire money should not be paid to them in lump sum. Instalments of payment to be linked to the progress of work can be decided by the State Government or at the District level. Ideally, the funds should be distributed to the beneficiaries in two instalments, first instalment with the sanction order and the second instalment when the construction reaches the lintel level.

Funds under IAY should be transferred directly into the beneficiaries' accounts in a bank or post office. For this purpose, as soon as the beneficiaries are selected, they should be asked to open a Bank/Post Office account, in case they do not already have an account in any Bank or Post Office, and to intimate the account number to the Gram Panchayat/BDO/DRDA, as the case may be.

As per IAY guidelines (Para 2.3) 'the beneficiaries should be involved in the construction of the house. To this end, the beneficiaries may make their own arrangements for procurement of construction material, engage skilled workmen and also contribute family labour. The beneficiaries will have complete freedom as to the manner of construction of the house. Zilla Parishads/DRDAs can help the beneficiaries in acquiring raw material on control rates, if they so desire or request the Zilla Parishads/DRDAs in this regard. This will result in economy in cost, ensure quality of construction, lead to greater satisfaction and acceptance of the house by the beneficiary'.

Under IAY scheme in the State, construction material like CGI sheets and sanitary fittings/items were purchased by DRDAs and issued to beneficiaries for construction of units. Beneficiaries were to construct units making their own arrangements by deploying skilled labour etc. The value of the material distributed was equivalent to the assistance eligible for the beneficiary under the scheme.

This special dispensation was allowed under Government of Arunachal Pradesh, Department of Rural Development Order No: CD (PLG)108/07(IAY) dated 19th March 2009, circulated to Deputy Commissioners of all districts in the State, which stated that the Government of Arunachal Pradesh had approved for distribution of CGI Sheets to beneficiaries under IAY. In the Order, it was also mentioned that the Ministry of Rural Development, Government of India (GoI), had also approved distribution of CGI Sheets under IAY to beneficiaries of Arunachal Pradesh, Nagaland and some Blocks of Rajasthan. However, the GoI communication wherein approval for distribution of CGI sheets was authorised was not furnished to audit, despite request.

1.2.8.6 Unauthorized Expenditure

As per Annual Accounts of 2008-09, DRDA, Yupia, Papum Pare District, spent ₹ 5.52 lakh on miscellaneous payments and for expenditure on office stationery under IAY. Such payments were unauthorized and irregular. There is no provision for such expenditure in IAY Guidelines.

On the basis of Annual Accounts of 2008-09, the Government of India did not release funds during 2010-11. Consequently, the State Government also did not release its matching share. As a result, the programme was not implemented in Districts and deserving BPL families were deprived of the benefit of the scheme during 2010-11.

During exit conference (05 December 2013), the Department accepted the fact and stated that the matter would be looked into. While admitting the fact, the Department also stated that due to unauthorised expenditure incurred by DRDA, Papum Pare District, there was no allotment during 2010-11 from Central and State Government. Thus, due to incurring of unauthorised expenditure by the implementing agencies, the people of the district were denied of the benefits of the Scheme.

1.2.8.7 Inadmissible payment of Entry Tax and VAT

Scrutiny of records of DRDA, Anjaw District revealed that payment of ₹ 851.84 lakh was made to a supplier by the DRDA, Anjaw District, between 2008-09 and 2010-11 for procurement of 1215.105 MT of CGI Sheets @ ₹ 70,104.40 per MT. (inclusive of VAT: 4 per cent, CST: 4 per cent and Entry Tax: 12 per cent).

However, Entry Tax was not applicable as per taxation norms and as such the supplier was not entitled for payment of Entry Tax amounting to ₹ 85.18 lakh. Further, 4 per cent VAT amounting to ₹ 28.40 was also to be deducted from the supplier bills by the DRDA, which DRDA failed to do. Thus, there was inadmissible payment of ₹ 113.50 lakh.

Audit Objective: To assess whether the physical performance under IAY in terms of number of units constructed and upgraded was as planned and targeted and the constructions corresponded to the quality and financial parameters set out in the scheme guidelines.

1.2.9.1 Targets and Achievements

The physical targets and achievements attained thereon in new construction and up-gradation of IAY houses in the State during 2008-13 are given in the following Table:

Table 1.2.2

Year	Targets		Achievements	
	New Construction	Upgradation	New Construction	Upgradation
2008-09	9658	3859	8807	3311
2009-10	8699	2174	6383	2517
2010-11	8079	2186	7705	2210
2011-12	7548	-	7444	0
2012-13	8339	-	9490	1089
Total	**42323**	**8219**	**39829**	**9127**

Sources: Departmental records

It could be seen from the table above that physical achievement during the period 2008-13 in respect of new construction was about 94 *per cent* and in respect of up-gradation of houses it exceeded the target. Against the target for construction of 42,323 new units and up-gradation of 8,219 existing units, the Department constructed 39,829 new units and upgraded 9,127 units as on March 2013.

1.2.9.2 Excess amount spent on construction and up-gradation of IAY Units

During 2009-10, 2011-12 and 2012-13, assistance was provided to 23,317 beneficiaries for new construction and 3,606 beneficiaries for up-gradation of existing houses. The total amount of assistance required to be extended to the beneficiaries in the form of material works out ₹ 112.11 lakh (₹ 106.70 lakh for new construction and ₹ 5.41 lakh for up-gradation).

Scrutiny of fund allocation and expenditure statements for the period covered under audit revealed that during 2009-10, 2011-12 and 2012-13, the Department incurred an expenditure of ₹ 126.24 crore on procurement and distribution of construction material for new constructions and up-gradation of *kutcha* units, against the admissible assistance of ₹ 112.11 lakh as detailed below:

Table 1.2.3

(₹in crore)

Year	No. of Beneficiaries		Actual Amount Required			Actual Amount Spent	Excess Amount
	New	*Up-gradation*	*New*	*Up-gradation*	*Total*		
2009-10	6383	2517	24.57	3.78	28.35	36.50	8.15
2011-12	7444	0	36.10	0	36.10	40.86	4.76
2012-13	9490	1089	46.03	1.63	47.66	48.86	1.20
	23317	3606	106.7	5.41	112.11	126.22	
TOTAL							**14.11**

As can be seen from the above table, an excess amount of ₹ 14.11 crore was spent on material distributed to beneficiaries during 2009-10, 2011-12 and 2012-13. The reasons as to why excess expenditure was incurred during these years were neither available on record nor stated to audit. Had the assistance extended in form of construction material been limited to admissible assistance as laid down in the IAY guidelines, at least 3,344 more beneficiaries could have been covered under the scheme.

During exit conference, the Department stated that the matter would be checked and intimated. However, no further intimation has been received till date (April 2014).

1.2.9.3 Short supply of CGI Sheets to New Construction Beneficiaries

In West Siang District, the quantity of CGI Sheets to be issued for new construction was fixed at 0.478 MT per beneficiary during 2008-09 and 0.6118 MT per beneficiary during 2010-11 to 2012-13. The cost of materials supplied to the beneficiary was equivalent to the unit assistance admissible for new construction as laid down under the IAY Guidelines.

Scrutiny of records of issue of CGI sheets to the beneficiaries for new construction revealed that the DRDA, West Siang District issued lesser quantity of CGI sheets to beneficiaries for new construction as per details given in the following table.

Table 1.2.4

Year	No. of Beneficiaries	Quantity fixed per beneficiary *(in MT)*	Total Requirement *(in MT)*	Actual quantity issued *(in MT)*	Quantity less issued *(in MT)*	Value of CGI sheets less issued *(₹in lakh)*
2008-09	437	0.4781	208.9297	187.7615	21.1682	18.97
2009-10	862	0.4781	412.1222	386.4070	25.7152	22.08
2010-11	932	0.6118	570.1976	487.1230	82.0746	77.08
2011-12	801	0.6118	490.0518	484.3615	5.6903	4.56
Total	**3032**		**1681.3013**	**1546.253**	**135.0483**	**162.69**

As can be seen from the above table, during the period 2008-12, against 1681.30 MT of CGI sheets required to be issued to the beneficiaries as per scale fixed, only 1546.25 MT of CGI sheets was issued to the beneficiaries. Thus, 05 MT of CGI sheets valuing ₹ 1.63 crore was distributed less, thereby, depriving 3032 beneficiaries of full benefit of the scheme. The reason for short-issue of CGI sheets to beneficiaries was not on record.

During exit conference the Department while accepting the fact stated that short supply of CGI sheets to new construction beneficiaries in West Siang District was due to transportation problems.

1.2.9.4 Excess assistance to the beneficiaries

During 2008-09 to 2012-13, grants to provide assistance for 2,934 new constructions and 2,191 up-gradation of *kutcha* units were sanctioned for Lohit District. It was noticed in audit that the entire assistance meant for new construction and up-gradation was extended only to new construction beneficiaries during 2008-09 to 2012-13. As a result, extra financial benefit of ₹ 328.65 lakh *(2191 x ₹ 15,000: assistance for up-gradation per unit)* was provided to new construction beneficiaries. Thus, 2,191 beneficiaries for up-gradation of units were deprived of the benefits in the district during the year.

In reply, the DRDA stated that due to huge difference in unit cost of new construction and up-gradation, beneficiaries were not interested to take the up-gradation based on waitlist. Hence, the assistance was provided under up-gradation to those beneficiaries assisted under new construction. The action of the DRDA was against provisions of the Guidelines.

During the exit conference the Department while admitting the fact stated that both benefits were given to the same beneficiaries so that new constructions would have better benefits.

1.2.10 Construction of houses and quality

1.2.10.1 Cost Effectiveness and Quality of Material

IAY Guidelines (Para 5.2) provides that effort should be made to utilise, to the maximum possible extent, local materials and cost effective disaster-resistant and environment-friendly technologies developed by various institutions. DRDAs should contact various organisations/institutions for seeking expert information on innovative technologies, materials, designs and methods to help beneficiaries in the construction/up-gradation of durable, cost effective houses and disaster-resistant houses. The State Governments may also arrange to make available information on cost effective environment-friendly technologies, materials, designs *etc.* at District/block level.

Also, efforts should be made to ensure that the house is a *pucca* one with permanent walls and permanent roofing. The permanent nature of the walls and roofing shall be determined in a manner such that the house is:

(i) able to withstand the weather conditions of the place throughout the year;

(ii) it should have minimum level of disaster-resistant technology to be able to withstand minor earthquakes, cyclone, floods etc.

(iii) the walls are plastered at least externally.

Scrutiny of records at the State as well as at district level in test-checked districts revealed that no efforts were made by the DRDAs to contact various organisations/institutions for seeking expert information on innovative technologies, materials, designs and methods to help beneficiaries in the construction/up-gradation of durable, cost effective houses and disaster-resistant houses to utilise, to the maximum possible extent, local materials and cost effective disaster-resistant and environment-friendly technologies. Further, the State Government also did not have any arrangement to provide information on cost effective, environment-friendly technologies, materials, designs *etc.* at district/block level.

Scrutiny of records and joint physical inspection disclosed that the dwelling units were constructed with CGI sheets supplied in the form of assistance and other locally available material like wood, bamboo, cane etc. Though the materials were cost effective, they were not durable.

Scrutiny of records and physical verification of dwelling units constructed utilising the assistance provided under IAY, revealed that smokeless *chullhas* were not provided in most of the units constructed. In this regard, the Director (Rural Development) replied (October 2013), that the smokeless *chullhas* was not applicable in the State due to socio-cultural and domestic factors. The reply of Director is indicative of casual approach of the department as National Level Monitor's Report, 2013-14, Phase-I of Lohit District states that houses constructed under IAY have smokeless *chullha*. Therefore, the department needs to make earnest efforts to popularise smokeless *chullhas* in newly constructed houses. During the exit conference the Department stated that due to design of traditional houses, smokeless *chullhas* were not required and added that the villagers preferred the traditional hearth for practical considerations.

In respect of sanitary latrines, it was noticed that some sanitary items were provided to beneficiaries only in West Siang District. But in other Districts, beneficiaries themselves managed latrine facilities at their own cost.

The above audit findings were confirmed by the picture that emerged during joint field verification.

1.2.10.2 Type Design

As per IAY Guidelines (Para 5.3), each State Government will finalise its type designs for IAY houses along with technical and material specifications. It is not necessary to have only one type of design and one state can adopt more than one type of designs depending upon local conditions. The houses should be designed keeping in view the climatic conditions and the need to provide ample space, kitchen, ventilation, sanitary facilities, smokeless *chullhas*, *etc.*

A scrutiny of records of IAY in the test-checked districts revealed that implementing authorities in the State as well as at district level have not prepared any type design along with technical and material specifications for IAY houses in the districts. However, the dwelling units constructed out of the assistance received under IAY were big and long and constructed with locally available materials.

Local design house

Director (Rural Development) stated (October 2013) that the houses are constructed as per local tradition and these houses are built on stilted bamboo/wooden structure on hill slopes which are eco-friendly and earthquake resistance as per traditional design.

1.2.10.3 Location

As per IAY Guidelines (Para 3.5), IAY dwelling units should normally be built on individual plots in the main habitation of the village. Units could also be built in a cluster within a habitation, so as to facilitate development of infrastructure, such as internal roads, drainage, drinking water supply and common facilities etc.

It was noticed in audit that in Arunachal Pradesh no cluster approach was adopted and dwelling units were constructed on land owned by beneficiaries. As a result, development of infrastructure like internal roads, drainage etc. as envisaged under the Scheme could not be accomplished.


Isolated Houses without amenities like roads, drainage etc.

1.2.10.4 Allotment of houses

Para 2.4 of IAY Guidelines provides that the allotment of dwelling units should be in the name of female member of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife. However, if there is no eligible female member in the family available/alive, house can also be allotted to the male member of a deserving BPL family.

Scrutiny of records revealed that in 90 *per cent* cases, dwelling units were also allotted in the name of male members of the house, in contravention of IAY Guidelines.

1.2.10.5 Loans under DRI Scheme

Para 3.1.1 of the IAY Guidelines provide that in addition to the assistance provided under the IAY, an IAY beneficiary can avail a loan of upto ₹ 20,000/- per housing unit under Differential Rate of Interest (DRI) Scheme at an interest rate of 4 *per cent* per annum. The DRDA shall facilitate availing of loan under DRI Scheme to the IAY beneficiary. The loan application may be obtained from the beneficiary while sanctioning an IAY house and may be submitted to the bank. The access to the DRI scheme should be appropriately reviewed in DLCCs and BLCCs.

Scrutiny of the records of test-checked DRDAs revealed that IAY beneficiaries did not avail such loans under the scheme for construction of units due to lack of awareness of availability of loans at minimal rate of interest. Thus, IAY beneficiaries were deprived of availing loans at minimal rate of interest for construction of units.

During the exit conference, the Department stated that loans under DRI scheme was not availed due to lack of awareness of the people about the benefit under the scheme.

1.2.10.6 Training

Para 5.7 of the IAY Guidelines provide that officers dealing with the IAY in the State, District and Block Levels must be trained in various disaster-resistant features to be adopted in the houses and they should ensure that this is complied with during their field visits. In addition, local carpenters and masons should be trained for skill up-gradation and use of low cost technology and local material under the SGSY. The awareness among the beneficiaries must be created about the disaster-resistant and environment-friendly technology through exhibitions of low cost technologies at the District and block level, seminars, workshops *etc.* The services of the State Institutes of Rural Developments (SIRDs) Extension Training Centres may be taken up for this purpose.

Scrutiny of records of the Directorate and Districts revealed that the State Government had not conducted any such training for the officers dealing with IAY at the State, District and Block Levels during the period covered under Performance Audit. Further, the local carpenters and masons had not been trained for their skill up-gradation. Also, no awareness program was conducted among the beneficiaries about the disaster-resistant and environment-friendly technology through exhibitions of low cost technologies at the District and block level, seminars, workshops *etc.*

As a result, ultimately the beneficiaries remained unaware about disaster-resistant technology that could withstand minor earthquakes, cyclone, floods *etc*. and also to improve the quality of the house constructed.

1.2.10.7 Involvement of Non-Governmental Organisations

Further, Para 5.8 of the Guidelines provides that suitable local Non-Governmental Organizations (NGOs) with a proven/good track record wherever available, may be associated for assistance in construction of dwelling units under IAY. Supervision, guidance and the monitoring of construction can be entrusted to the NGOs. In particular, NGOs should be utilized to popularize the use of sanitary latrines, smokeless *chullhas,* innovative technologies, material designs, etc. for cost effective construction.

In Arunachal Pradesh, no NGOs were associated with the implementation of IAY in any District. As a result, the concept to popularise the use of sanitary latrines, smokeless *chullhas,* innovative technologies, material designs, etc. for cost effective construction could not be achieved to the fullest extent in the State.

1.2.10.8 Preparation of Inventory

As per Para 5.8 of the Guidelines, implementing agencies were required to maintain a complete inventory of houses constructed/upgraded under IAY, giving details of the date of commencement of construction/completion, name of Village/Block in which the house is located, occupation and category of beneficiaries etc.

Except in Lohit District, Inventory Registers were not found to be maintained in any of the other test-checked Districts. In the absence of these registers, physical performance as mentioned in Reports/Returns/Proformae could not be verified in Audit.

1.2.10.9 Non-display of IAY Boards and Logo

Para 5.10 of IAY Guidelines stipulates that the completion of dwelling units under IAY should in no case take more than 2 years. On completion of an IAY dwelling unit, the Zila Parishad/DRDA concerned should ensure that for each unit constructed, a display board should be fixed, indicating the Government of India Rural Housing Logo, year of construction, name of the beneficiary etc. Expenditure on this account could be met from funds available under the scheme accruing due to interest. The cost of each logo should not exceed ₹ 30/-.

It was noticed that out of the completed 39,829 units, there was not a single house with a Display Board and IAY logo.

No Display Board or Logo

Audit Objective: To assess whether the convergence of the IAY activities with other programmes as envisaged was effectively achieved and ensured availability of complete functional dwelling units.

1.2.11 Convergence of the IAY activities with other programmes

Para 5.11 of the IAY Guidelines envisages that the DRDA will make concerted efforts to identify the programmes/schemes being implemented by various Ministries/Departments, which could be dovetailed with IAY so as to ensure that IAY beneficiaries also derive the benefits of these schemes intended for rural BPL households. To ensure IAY is converged with (i) Total Sanitation Campaign (TSC), so that all IAY beneficiaries who are sanctioned a house will be sanctioned one toilet each under TSC if eligible, simultaneously and admissible incentives may be provided to the beneficiary from TSC for construction of same; (ii) Rajiv Gandhi Gramin Vidhyutikaran Yojana (RGGVY) so that each IAY beneficiary could get a free electricity connection to the house and (iii) National Rural Water Supply Programme (NRWSP) to provide adequate water for drinking, cooking and other domestic basic needs on sustainable basis.

It was noticed that the concerned DRDAs had not made any concerted efforts to identify the programmes/schemes being implemented by various Ministries/ Departments, which could be dovetailed with IAY during the period covered under Performance Audit.

Thus, in absence of these convergence activities, the IAY beneficiaries could not derive the benefits of these schemes intended for rural BPL households.

Audit Objective: To assess whether the mechanism in place for monitoring and evaluation of the outcomes of the programme was adequate and effective.

1.2.12 Monitoring and Evaluation

1.2.12.1 Monitoring and Evaluation Framework

Para 6.1 of the IAY Guidelines envisage that the officers dealing with the IAY at the State headquarters are required to visit Districts regularly and ascertain through field visits whether the programme is being implemented satisfactorily and whether construction of houses is in accordance with the prescribed procedure. Likewise, officers at the District, sub-division and block levels must closely monitor all aspects of the IAY through visits to work sites. A schedule of inspection which prescribes a minimum number of field visits for each supervisory level functionary from the State level to the Block level should be drawn up and strictly adhered to. The monitoring of the programme at the state level will be the responsibility of State Level Vigilance and Monitoring Committee for Rural Development Programmes. A representative or nominee of the Ministry of Rural Development, Government of India should invariably be invited to participate in the meetings of the Committee.

The Directorate of RD at the State level, DRDAs at District level and BDOs at Block level are responsible for effective implementation of IAY through adequate and effective monitoring. Besides, Extension Officers at GP level were required to monitor the progress of construction of units and submit timely and accurate reports to BDOs, who in turn were to send a report to the DRDAs. Project Directors of DRDAs were responsible for overall supervision and monitoring of IAY projects.

It was noticed during the audit scrutiny that only four meetings of State Level Vigilance and Monitoring Committee were held between 2008-09 and 2012-13. Not even on a single occasion representative from the Ministry of Rural Development, Government of India was present.

Likewise, periodical review meetings of the District Level Vigilance and Monitoring Committees (DLVMC) were not held regularly.

Further, it was noticed in audit that field visits by the supervisory authorities were negligible and impact assessment was absent. Thus, IAY units were constructed without verification by DRDA/Block officials.

1.2.12.2 Status of uploading data on IAY Website

A web-based MIS Programme Software 'AWAASsoft' to capture beneficiary-wise data to monitor the IAY Scheme was launched on 16.7.2010. AWAASsoft is local language enabled workflow based transaction level Management Information System to facilitate e-governance in the system. This is a tool for management and to generate all reports, funds released, progress in construction of houses and tracks convergence of all benefits. The MIS was accessible not only to all the stakeholders including beneficiaries but also citizens at large.

As per IAY guidelines (Para 6.1) the complete and comprehensive data ranging from physical and financial targets/achievements, details of beneficiaries, progress of units sanctioned, funds released, convergence with other schemes, etc, at all levels of implementation should be uploaded only through the Indira Awaas Yojana - Management Information System (IAY-MIS).

However, it was noticed in audit that in the State, the process of posting and updating of data on IAY website not yet completed and as a result the information through MIS was not accessible. Therefore, there was no mechanism at the State or District level to verify the authenticity of data received. Thus, monitoring of implementation of the scheme through MIS was not achieved in the State.

Director, Rural Development stated (October 2013), that few DRDAs have completed the uploading so far.

1.2.12.3 Evaluation

As per IAY Guidelines (Para 6.2), the Central Government may conduct periodic evaluation studies on the implementation of the IAY. These Evaluation studies may be got conducted by institutions and organizations of repute on the implementation as well as the issues thrown up by the Concurrent Evaluation, conducted by the Government of India. The States/UTs may also conduct Evaluation Studies on their own regarding the implementation and impact of the programme in their State. Copies of the reports of these evaluation studies conducted by the States/UTs should be furnished to the Government of India. Remedial action should be taken by the States/UTs on the basis of the observations made in these evaluation studies and also in the Concurrent Evaluation conducted by or on behalf of Government of India.

During the period covered under Performance Audit it was noticed that no evaluation studies were carried out by the State Government on the implementation of the IAY scheme and impact of the programme in the State.

However, in two Districts – Papum Pare and Lohit - two National Level Monitors inspected IAY schemes, along with other rural development schemes being implemented in the State during the period covered under Performance Audit.

As per the National Level Monitor's Report for 2012-13 (Phase-II), for implementation of IAY in Papum Pare District:

- the permanent wait list of IAY beneficiaries was not circulated in the District. It was neither available in Gram Panchayats nor displayed in other locations.
- IAY beneficiaries were provided assistance not in cash but in kind.
- New construction beneficiaries were provided 35 CGI Sheets for construction of one unit. This was not sufficient, so beneficiaries had to procure additional CGI Sheets for construction.
- Almost all units in the District had no sanitary toilet facilities. Units had traditional latrines, which were not hygienic.

It was also pointed out that in the Mengio Block of Papum Pare District, in the last six years (2007-08 to 2012-13), only one beneficiary under IAY was selected for new construction. After that allotment, no beneficiary under IAY was selected from the said Block till 2012-13. As per the Census Report, 2001, there were 651 households with a population of 3845 in the Block. Thus, the entire population of the Block were deprived of IAY benefits.

As per the National Level Monitor's Report, 2013-14, Phase-I of Lohit District:

- the financial assistance was insufficient and needed to be revised to ₹ 0.60 lakh for new constructions.
- the waiting list of IAY, especially in the general category, was quite long. So, targets for districts should be increased.
- there was no association with Non-Governmental Organizations (NGOs) in promoting the scheme and its usefulness.
- The type and design of units needed to be prepared.
- Sign Boards should be displayed in IAY units.
- Up-gradation works needed to be taken up in a phased manner, depending on availability of funds.

It was noticed that no remedial action on the issues that were within control of the State Government, on the basis of the observations made in these studies, was taken so far.

1.2.12.5 Social Audit

Social Audit is a continuous and ongoing process, involving public vigilance and verification of implementation of the scheme. As per Guidelines, Social Audit was to be conducted in every Gram Panchayat at least once in a year, involving mandatory review of all aspects of IAY.

The scrutiny of records in the test-check Districts, revealed that Social Audit was not conducted in any District till the date of audit. Director, Rural Development stated (October 2013) that Social Auditing is being introduced from the month of October 2013.

1.2.13 Findings of joint field verification

During field verification, interaction with 667 beneficiaries in six test-checked districts was carried out. The following observations are made based on the responses received from the beneficiaries during interaction:

- Almost all beneficiaries were unaware of the IAY waitlist, the method of preparation and Gram Sabha deliberations. It was apparent that neither the DRDAs nor BDOs made any effort to make them aware of such a process.

- Some beneficiaries were found to be Government employees like teachers, peons, etc. while others had annual incomes far above the BPL limit, impling that the BPL list was not realistic.
- Some beneficiaries received CGI sheets as assistance under IAY one or two years back, but did not utilize the sheets till the date of verification. On enquiry, it was stated that it would be used later.

CGI sheets not utilised for construction.

- Uniform quality and quantity of CGI Sheets were not distributed in test-checked districts. In Lohit District, local brand CGI Sheets were distributed to beneficiaries instead of approved/superior brand. Further, all beneficiaries did not receive an equal number of CGI sheets.
- Although the limit of assistance under IAY was enhanced from ₹ 38,500/- to ₹ 48,500/- from 2010-11 onwards, the number of CGI Sheets received by beneficiaries remained the same.
- No IAY logo or sign board was displayed in houses constructed under IAY as per requirement.
- Duties of BDOs/Officials were limited only to distribution of CGI Sheets to beneficiaries.
- No expert/information were provided by the Government/Non-Government Organizations in respect of use of innovative material, procurement of low cost material, construction/design of units, cost effectiveness, disaster-resistant technology, etc.
- Beneficiaries did not get any benefit of convergence of IAY with other schemes like Total Sanitation Campaign (TSC), National Rural Water Supply Programme (NRWSP), Rajiv Gandhi Gramin Vidhyutikaran Yojana (RGGVY) and LIC - Janshree Bima, Aam Aadmi Bima etc.

- One of the positive aspect noticed was that the beneficiaries did not face any problem in getting assistance under the scheme and had full freedom in construction of units.

1.2.14 Conclusion

The primary objective of the IAY Scheme is to help the rural BPL SC/ST, free bonded labourers and non-SC/ST categories in construction of dwelling units and up-gradation of existing unserviceable *kuthca* houses by providing lump sum financial assistance.

It was encouraging to note that the State could achieve the target of construction of new houses and upto 94 per cent as regards up-gradation of existing *kutcha* houses during 2008-13.There were lapses in the implementation of the Scheme that need to be addressed, which could have facilitated in much better implementation of the Scheme in the State. The scheme was not implemented in a time-bound manner due to delay in release of State share. Due to lack of awareness, the IAY beneficiaries failed to avail the benefit of loan facility with marginal interest rate under the DRI scheme. There were instances of selection of non-BPL beneficiaries. Most of the officers dealing with the IAY and the IAY beneficiaries remained unaware of various disaster-resistant features which ought to have been adopted in the construction of IAY houses. There was no effort made at dovetailing and convergence of other central sector schemes with IAY with a view to deriving the benefits of the schemes intended for rural BPL households.

1.2.15 Recommendations

The following recommendations are made for improvement in future implementation of the Scheme. While making recommendation the revised guidelines issued by Ministry of Rural Development, GoI in June 2013 have been taken into consideration,

➢ The State Government should scrupulously take necessary steps for implementation of various aspects as envisaged in the revised guidelines issued by Ministry of Rural Development, GoI in June 2013 for more effective implementation of the Scheme

➢ Socio-Economic Caste Census (SECC) 2011 data should be used to identify the landless households and also to revise the existing priority list for IAY. The State Government should prioritise the habitations on the basis of transparent criteria with a five year and annual priority list.

➢ The State Government should conduct a detailed survey with the involvement of the Panchayats to collect details of houses as well as other facilities in the habitations like physical connectivity, power connectivity, water supply, environmental sanitation and social infrastructure and list out all eligible beneficiaries from the selected habitation.

- The State Government should ensure release of its share within the prescribed time limit for timely implementation of the scheme.

- The DRDAs should to contact various organisations/ institutions to seek expert information on innovative technologies, materials, designs and methods to help beneficiaries in the construction/up-gradation of durable, cost effective houses and disaster-resistant houses.

- The State Governments should make available information on cost effective environment-friendly technologies, materials, designs *etc.* at District/block level.

- The State Government should make efforts to converge the programmes/schemes being implemented by various Ministries/ Departments so as to put in place an appropriate system which facilitates (i) construction of toilets, (ii) provision of portable drinking water and (iii) provide electrification to all IAY households

- The State should prepare a capacity building plan to strengthen the quality of implementation. Training of District level officials and other functionaries involved in the implementation of the Scheme should also be undertaken.

COMPLIANCE AUDIT PARAGRAPH

Food & Civil Supplies Department

1.3 Suspected fraud in Land Transport Subsidy for transportation of Iodized Salt

Payment of ₹4.45 crore as Land Transport Subsidy for transportation of the iodized salt for PDS beneficiaries of interior/remote areas of the Upper Siang District was highly questionable as the quantity to iodised salt stated to have been distributed was sufficient to meet the requirement of the entire population of the district for more than 18 years, pointing towards fraud.

Consequent upon discontinuation of transport subsidy on salt, superior kerosene oil and levy sugar by Food Corporation of India (FCI), the Government of Arunachal Pradesh decided (May 1997) to allow Land Transport Subsidy (LTS) for transportation of Public Distribution System (PDS) items by head load operations to interior/remote areas of the State. Deputy Commissioners of the concerned districts are to submit LTS Bills at approved rates for quantity of items actually transported and sold to consumers and actual distance. As per norms prescribed by the Government of India, 500 grams of iodized salt was to be issued to each beneficiary per month.

Scrutiny (February 2014) of the records of the Director of Food & Civil Supplies (DF&CS), Naharlagun, revealed that the Government of Arunachal Pradesh accorded (September 2013) administrative approval and expenditure sanction of ₹ 4.57 crore for making payment of LTS bills for transportation of iodized salt in respect of M/s Reekam Trading Agency, Koloriang, to various Fair Price Shops (FPSs) located in Upper Siang District through land route and head load operation between January 2005 and March 2006. It was stipulated that the Department should ensure that there should not be any lapses/lacunae/suppression/fraud, etc. in the bills at a later date.

It was noticed in Audit that the LTS bills of the firm were finalized by the District Administration and paid by the Directorate of Food and Civil Supplies in September 2013 after lapse of more than seven years of actual transportation. As per the bills submitted, iodised salt was lifted from the FCI Depot, North Lakhimpur, Assam and transported to the various centres at nine different locations viz., Yingkiong, Tuting, Pugging, Palling, Pungoo, Ngaming, Sille, Mosing and Angachi. Of these, Pugging, Ngaming and Angachi involved carriage by head load. The rates fixed by the District Administration were ₹ 2.95 for LTS and ₹ 125 for head load per quintal per kilometre.

According to the data/information furnished by the Department, the total population of the three head load centres was 1319 (Palling: 803; Ngaming: 494 and Angachi: 22). As per the Government of India norms, the total requirement of salt to cover the entire population of the three centres for 15 months (from January 2005 to March 2006) would be 98.96 quintals (Palling: 60.26 quintals, Ngaming: 37.05 quintals and Angachi: 1.65 quintals). However, the District Administration allotted a total of 4008 quintals of iodized salt (Palling: 990 quintals; Ngaming: 1038 quintals and Angachi: 1980 quintals) during the period for carriage to these three centres. As such, 3909 quintals of iodised salt in excess of entitlement was claimed to have been transported and distributed among the population of these three centres.

For transportation of the iodized salt in excess of entitlement/requirement, payment to the tune of ₹ 4.45 crore was made as LTS, as shown below:

Location and Period	Excess Quantity	Motorable Distance	Rate (in ₹)	Amount (*₹ in lakh*)	H/load Distance	Rate (*in ₹*)	Amount (*₹ in lakh*)	Total (*₹ in lakh*)
Palling								
Jan. 2005 to Mar. 2006	930	405	2.95	11.11	30	125	34.88	45.99
Ngaming								
Jan. 2005 to Mar. 2006	993	508	2.95	14.88	32	125	39.72	54.60
Angachi								
Jan. 2005	269	322.41	2.95	2.56	130	125	43.71	46.27
Feb. 2005	269	103	2.95	0.82	130	125	43.71	44.53
Mar. 2005 to Mar. 2006	1427	508	2.95	21.38	130	125	231.89	253.27
TOTAL				**50.75**			**393.91**	**444.64**

Further, the certificate furnished by District authorities for the quantity transported by the firm was not supported by documentary evidence of actual receipt and issue to beneficiaries by the FPSs.

Further, the Screening Committee constituted by the Department in February 2012 opined that the allotment against head load locations admitted by the District authorities in the bills, as claimed by M/s Reekam Trading Agency, the authorized wholesale nominee-cum-carriage contractor was abnormally high and it was not as per actual requirement and not in conformity with the population. In spite of this, the LTS bill was paid to the firm on the basis of administrative approval and expenditure sanction.

The quantity of iodised salt claimed to have been distributed would have been sufficient to meet the requirement of the population of Palling and Ngaming for 16 and 28 years respectively, and in case of Angachi for an astronomical 1200 years. It may not be out of place to mention that the quantity of iodised salt stated to have been allotted and distributed for which LTS was allowed was sufficient to meet the requirement of the entire population of the Upper Siang district for more than 18 years, which as per 2011 census was 36,320. **Thus, the claim of the department that 4008 quintals of iodised**

salt was allotted and distributed between January 2005 and March 2006 at three centres of the district appears to be "highly questionable" and strongly points towards fraud. The entire exercise involved in the payment of LTS needs thorough investigation to punish the officials involved in such irregular practices.

Thus, the entire exercise of allotment of iodized salt far in excess of actual requirement/entitlement and transportation to the remote locations by head load in Upper Siang by District authorities, could have resulted in fraudulent payment of ₹ 4.45 crore.

The matter was reported to the Government in December 2013; reply is still awaited.

Public Health Engineering & Water Supply Department

1.4 Undue Benefit to Contractor

Payment of labour escalation over and above the higher labour rate applied during analysis of tender by the Department and non-compliance of statutory provision of deduction of VAT by PHE & WS Division, Itanagar, resulted in extension of undue benefit of ₹1.55 crore to a private contractor.

Administrative approval was accorded by the State Government in August 2007 for the work *'Augmentation of Water Supply for Itanagar Township – Phase II – 11 MLD'* at an estimated cost of ₹ 14.47 crore. In response to the NIT (February2008 - Estimated Value: ₹ 14.47 crore), two firms (M/s Tamchi Kusuk of Chandannagar and Naharlagun) participated in competitive bidding. The offer of the Naharlagun firm was rejected (March 2008) by the Tender Evaluation Committee on grounds of its inability to satisfy some bidding conditions required by the Department. The offer of M/s Tamchi Kusuk (hereafter the firm) for ₹ 18.27 crore (26 *percent* over the estimated cost of ₹ 14.47 crore) was analysed (August 2008) based on market rates, and its offer (inclusive of taxes, levies, transportation, etc;.) was found justified. An agreement was executed and the work was allotted to the firm in November 2008. The EE, PHE & WS Division, was responsible for execution of the work

Scrutiny (August – September 2013) of the records of EE, PHE & WS Division revealed that the Department, during analysis of the tender in August 2008, daily labour wage rates of ₹ 140 for belder, unskilled labour and coolie; ₹ 170/- for mistry and semi-skilled labours and ₹ 210 for mason were applied against the then prevailing minimum wage rates of ₹ 80, ₹ 90 and ₹ 100 for the respective categories, as notified by the State Government in February 2009.

Till March 2013, the EE, PHE & WS Division made payments totalling to ₹ 19.36 crore till twelfth Running Account Bill (₹ 18.27 crore for work done, ₹ 0.32 crore for substituting higher capacity overhead tank and ₹ 0.78 crore as labour escalation). The labour escalation of ₹ 0.78 crore was arrived at by calculating the differential rate between the minimum wage rates notified in 2009 and the rate applied during tender evaluation. The payment on account of the labour escalation was not admissible as the escalated labour rate was already included in the contract value.

In addition, the Division did not deduct VAT of ₹ 0.77 crore at source (at the rate of 4 *percent* of the value of work) in terms of Rule 11 of the *'Simplified Accounting Method for Works Contract'* of Arunachal Pradesh Goods Tax Rules (APGTR), 2005 (as notified in August 2009), which was to be deposited to the tax authorities by way of prescribed Form FF-08.

Thus, the Departmental action resulted in giving undue benefit of ₹ 1.55 crore to the contractor on account of inadmissible labour escalation costs (₹ 0.78 crore) and non-deduction of VAT (₹ 0.77 crore).

The matter was reported to the Government in January 2014; reply is still awaited.

Education Department

1.5 Short-realization of value of Text Books

Absence of monitoring and adequate checks/ controls over realization of value of Text Books issued to APST and non-APST students led to short-realization of revenue of ₹1.26 crore.

According to the Policy of the State Government, 25 *percent* of the cost of textbooks supplied to the Arunachal Pradesh Scheduled Tribe (APST) boy students and full cost of textbooks supplied to the non-APST students is to be realized by the school authorities. The revenue realized is deposited annually in the Treasury by school authorities and a copy of the Treasury Challan is forwarded to the DSE and concerned DDSE.

In Arunachal Pradesh, the requirement of textbooks for Secondary and Higher Secondary Students (Classes IX to XII) is centrally assessed and Supply Orders are issued by the Director of School Education (DSE) based on the estimated requirement of schools for different classes submitted by Deputy Directors of School Education (DDSEs) of Districts. Books are received by DDSEs against Purchase Orders of the DSE and issued to school authorities for distribution to students.

Registers/records of DSE pertaining to procurement of textbooks and those issued to the students during the academic year 2010-11 were scrutinised in Audit. As per information collated from the records, a total revenue of ₹ 134.54 lakh was required to be realised

(APST boy students: ₹ 36.71 lakh and non-APST students: ₹ 97.83 lakh) for the issue of textbooks as detailed below:

Class	Cost of one set of Textbooks *(in ₹)*	Number of APST Boy Students	Amount Realisable *(in ₹)*	Number of non-APST Students	Amount Realisable *(in ₹)*
IX	558	7596	10,59,642	5495	30,66,210
X	680	6632	11,27,440	4414	30,01,520
XI (Science)	560	1048	1,46,720	751	4,20,560
XI (Humanities)	515	3278	4,22,042	1935	9,96,525
XI (Commerce)	340	290	24,650	356	1,21,040
XII (Science)	695	939	1,63,151	699	4,85,805
XII (Humanities)	850	3308	7,02,950	1816	15,43,600
XII (Commerce)	410	240	24,600	361	1,48,010
TOTAL			**36,71,195**		**97,83,270**

However, against the total revenue of ₹ 134.54 lakh required to be realised for issue of books, it was noticed that an amount of ₹ 8.63 lakh was only realised during this academic year. Further, there was no system in place at the DSE level to monitor the amount to be realised from textbooks supplied to APST boy students and non-APST students of Classes IX to XII.

Thus, due to the absence of proper mechanism in DSE to keep a watch over the realisation of cost of textbooks supplied by the Department to APST boy students and non-APST students of Classes IX to XII, there was a short-realisation of ₹ 125.91 lakh (₹ 134.54 - ₹ 8.63 lakh). Further, the possibility of embezzlement of the amount realised through distribution of textbooks at various levels (viz., School, Block and District) cannot be ruled out.

In reply, the DSE (January 2013) stated that due to communication bottlenecks, copies of Treasury Challans/ Sale Proceeds of some districts/schools may not have reached in time while tabulating the statement. It was also stated that due to poor economic condition, many APST boy students may not have paid the amount in time, leading to delay in depositing the money into Government account. The reply of DSE is an admission of the fact that there were lapses in the realisation of the cost of textbooks supplied by the department.

Chapter - II
Economic Sector

CHAPTER II: ECONOMIC SECTOR

2.1.1 Introduction

This Chapter of the Audit Report for the year ended 31st March 2013 deals with the Audit findings of State Government units under the Economic Sector.

During 2012-13, total budget allocation of the State Government under the Economic Sector was ₹ 2121.01 crore, against which the actual expenditure was ₹ 1567.47 crore. Details of Department-wise budget allocation and expenditure are given in Table 2.1.1 below**:**

Table - 2.1.1

(₹in crore)

Sl. No.	Department	Total Budget Allocation	Expenditure
1.	Industries	34.45	24.87
2.	Textile & Handicrafts	35.84	27.88
3.	Tourism	75.39	41.01
4.	Rural Development	92.58	88.57
5.	Co-operation	13.28	12.62
6.	Agriculture	131.65	98.88
7.	Horticulture	51.48	41.63
8.	Animal Husbandry	84.18	80.37
9.	Fisheries	21.35	39.03
10.	Research	17.43	10.49
11.	Science & Technology	8.08	8.08
12.	Public Works	269.35	168.05
13.	North Eastern Areas	144.48	108.15
14.	Environment & Forests	278.16	122.07
15.	Transport	74.21	72.07
16.	Power	510.24	454.41
17.	Water Resources	265.72	157.89
18.	Geology & Mining	13.14	11.4
TOTAL		**2121.01**	**1567.47**

Source: Appropriation Accounts 2012-13

Besides the above, the Central Government transferred a sizeable amount of funds directly to Implementing Agencies under the Economic Sector to different Departments of the State Government. Major transfers for implementation of flagship programmes of the Central Government are given Table 2.1.2:

Table - 2.1.2

(₹in crore)

Scheme/Programme	Implementing Agency	Amount of funds transferred during the year
Information Publicity & Extension	A.P. Energy Development Agency	1.33
OFF Grid DRDS	A.P. Energy Development Agency	2.02
Aajeevika	District Rural Development Agencies (DRDAs)	2.07
DRDA, Administration	DRDAs	8.34
Integrated Watershed Management Programme (IWMP)	SLNA, AP and DRDAs	20.44
Mahatma Gandhi National Rural Employment Guarantee Scheme	DRDAs	68.34
Pradhan Mantri Gram Sadak Yojana	Rural Development Department	214.26
National Project for Cattle & Buffalo breeding	A.P. Livestock Development Society	2.87

Source: Central Plan Scheme Monitoring System (CPSMS)

2.1.2 Planning and Conduct of Audit

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

Audits were conducted involving expenditure of the State Government amounting to ₹ 225.38 crore under the Economic Sector. The report contains a Performance Audit of *'Roads & Bridges Projects funded through the Non-Lapsable Central Pool of Resources (NLCPR) and North-Eastern Council (NEC)'* and seven Compliance Audit Paragraphs.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the Heads of Departments. The Departments are requested to furnish replies to the audit findings within one month of receipt of Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations arising out of Inspection Reports are processed for inclusion in the Audit Report, which is submitted to the Governor of the State under Article 151 of the Constitution of India.

Major observations detected in Audit during 2012-13 pertaining to the Economic Sector (other than Public Sector Undertakings), are discussed in subsequent paragraphs of this Chapter.

PERFORMANCE AUDIT

Public Works Department

2.2 Roads & Bridges funded by Non Lapsable Central Pool of Resources and North Eastern Council

2.2.1 Background

Roads and Bridges form a crucial part of infrastructure of any country or the state. Without efficient network of roads, other planned developmental activities cannot produce expected results. The road connectivity is a crucial component in the socio-economic development of the people of any state by providing access to amenities like education, health, marketing etc.

Road planning had always been the responsibility of both the Central and State Governments. The road infrastructure is relatively deficient in the North Eastern Region. There has also been a special thrust in building the road infrastructure. Roads in North Eastern States are constructed by multiple agencies, viz., the State Government, Central Government and Border Roads Organisation. The North-Eastern states have essentially depended on central funding for development works, road sector not being an exception. Funds of execution of project under road sector undertaken by the State Government come through Non-Lapsable Central Pool of Resources (NLCPR), North Eastern Council (NEC), Pradhan Mantri Gram Sadak Yojana (PMGSY), Externally Funded Schemes etc., apart from state's own resources

The Government of India created a Non-Lapsable Central Pool of Resources (NLCPR) in the Union Budget for the year 1998-99 with an intent to ensure speedy development of infrastructure in the North Eastern Region by increasing the flow of budgetary financing for new infrastructure projects/schemes in the Region in both physical and social infrastructure sectors such as Irrigation and Flood Control, Power, Roads and Bridges, Education, Health, Water Supply and Sanitation, etc.

The North Eastern Council (NEC) was constituted in 1971 by an act of the Parliament to act as an advisory body in respect of socio-economic development and to ensure balanced development of the entire region. The projects of inter-state nature in the region are funded through the NEC, which has a separate additional budget for the purpose.

The present performance audit covers implementation of Roads and Bridges projects funded by NLCPR and NEC.

2.2.2 Highlights

A Performance Audit of implementation of the Roads & Bridges projects funded through Non-Lapsable Central Pool of Resources (NLCPR) and the North-Eastern Council (NEC) in Arunachal Pradesh was conducted, covering the period from 2008-09 to 2012-13 to review the systems adopted by Departments and efforts of the State Government and to ascertain whether objectives of the scheme were met in an economical, efficient and effective manner.

The Performance Audit revealed that there were delays in completion of the projects due to deficiencies in the planning process, delay/non-release of funds to implementing agencies and inadequate monitoring. Consequently, only 11 (eleven) out of the targeted 49 (forty nine) projects were completed as of March 2013. Some major audit findings are highlighted below:

- ***There were delays ranging from 7 to 13 months in submission of Priority Lists.***

  (Para 2.2.9.1)

- ***Records of 25 test-checked NLCPR projects revealed that Detailed Project Reports were prepared without proper survey and investigation.***

  (Para 2.2.10)

- ***There were delays ranging from 3 to 48 months in release of funds by the State Government to executing agencies.***

  (Para 2.2.11.3)

- ***The State Government did not contribute its share aggregating to ₹12.15 crore (48.41 percent) towards implementation of 25 test-checked NLCPR projects.***

  (Para 2.2.11.4)

- ***Against the total amount of ₹ 403.15 released up to 2012-13 for implementation of NLCPR, utilization certificates (UCs) for ₹111.50 crore (30 per cent) were pending as of March 2013.***

  (Para 2.2.11.5)

- ***In 22 test-checked projects, executing agencies incurred inadmissible expenditure of ₹10.16 crore against NLCPR funds.***

  (Para 2.2.11.6)

- ***In three projects, executing agencies diverted ₹5.26 crore from NLCPR/NEC funds to other projects.***

  (Para 2.2.11.7)

- ***The completion rate of projects under NLCPR/NEC was far from satisfactory. Out of 49 projects due for completion by March 2013 or earlier, only 11 projects (23 percent), involving an expenditure of ₹ 105.44 crore, were completed. Even completed projects had huge time overruns ranging from 12 to 24 months.***

(Para 2.2.12)

- ***No Evaluation Study was conducted to assess the impact of projects created.***

(Para 2.2.17.2)

- ***Adequate transparency and publicity/dissemination of information relating to NLCPR/NEC projects was not ensured through the Local media and Display Boards.***

(Para 2.2.17.3)

2.2.3 Introduction

NLCPR/NEC was established by the GoI for funding specific infrastructure projects in the North-Eastern Region. One of the broad objectives of the scheme, besides others, was to create physical and social infrastructure in sectors like roads and bridges with Inter-State connectivity.

During 2008-13, the Ministry of DoNER/NEC approved 53 roads and bridges projects (NLCPR-51 & NEC-2) in Arunachal Pradesh, involving a total cost of ₹ 892.28 crore.

2.2.4 Institutional arrangements for implementation of NLCPR/NEC Projects

NLCPR/NEC is administered by the Ministry of Development of North-Eastern Region (MoDoNER) through the 'NLCPR/NEC Committee,' which consists of a Chairman (Secretary, MoDoNER), five members and one Member Convener.

In Arunachal Pradesh, the Planning Department is the Nodal Department which monitors the projects/schemes and submits project proposals, Quarterly Progress Reports (QPRs), Utilization Certificates (UCs) and field Inspection Reports (IRs) to the MoDoNER.

Organizational set-up for implementation of NLCPR/NEC financed projects in the State is depicted below:

2.2.5 Scope of Audit

The Performance Audit covered the period from 2008-09 to 2012-13. Out of the 85 projects (NLCPR-76 & NEC-09) approved up to 2012-13 under the NLCPR/NEC scheme, 51 NLCPR and 02 NEC projects pertained to the period 2008-09 to 2012-13. Out of the 85 projects, 27 projects (NLCPR-25 & NEC-02) (32 *percent*) were selected for audit **(Appendix – 2.1).**

Audit was conducted through examination of records and files of the Planning Department, Chief Engineer, PWD (EZ), Chief Engineer, PWD (WZ), Chief Engineer (RWD) and through field inspections of the 12 (twelve) Divisions implementing the projects in 6 (six) Districts ***(Changlang, Upper Siang, East Siang, West Kameng, Lohit and Anjaw)***.

Selection of Districts, Divisions, and Projects were done by the ***Probability Proportional to Size Without Replacement (PPSWOR)*** Sampling Method with a coverage of 32 *percent* at all levels.

Physical verification of works executed under the schemes was also carried out wherever possible, for making an impact assessment of the Scheme(s).

Performance Audit on Non-Lapsable Central Pool or Resources was also conducted in 2008 and audit findings were incorporated in the Audit Report of the Comptroller & Auditor General of India for 2007-08. The audit findings were not discussed by the Public Accounts Committee (PAC) till the date of audit (September 2013).

2.2.6 Audit Objectives

The main audit objectives were to examine and assess whether:

- There was a critical assessment of needs in each of the infrastructural areas and that individual projects were planned appropriately.
- The mechanism in place for approval of projects was strictly adhered to and appropriate checks applied at each stage, prior to approval and after release of funds.
- Adequate funds were released in a timely manner and utilized for specific purposes.
- Projects were executed efficiently and economically to achieve intended objectives.
- There was a mechanism for adequate and effective monitoring and evaluation of projects.

2.2.7 Performance Indicators/Audit Criteria

The criteria used for assessing the performance were derived from the following sources:

- Guidelines of Government of India (GoI) for implementation of NLCPR funded projects.
- Detailed Project Reports.
- Conditions and norms laid down for release of funds/ Sanction Orders.
- Performance indicators relevant to sectors under which the projects were executed; and
- Prescribed monitoring mechanism.

2.2.8 Audit Methodology

The Performance Audit of the scheme commenced with an ***'Entry Conference'*** held on 8th May 2013 with the Management of State Government, where the Audit Methodology, Objectives, Criteria, Scope, etc. of the Performance Audit were explained in detail. Records of the Planning Department, CE, PWD (EZ), CE, PWD (WZ), and CE (RWD) were examined and field inspections of Divisions implementing projects in the Districts were made.

An ***'Exit Conference'*** was held on 4th December 2013 with the Management of the State Government at the end of the Performance Audit to discuss major findings contained in the Draft Audit Report. The report was finalized incorporating the replies of the Departments, wherever necessary.

Acknowledgement

We place on record our sincere appreciation of the Planning Department, Government of Arunachal Pradesh, Chief Engineers, PWD (Eastern/Western Zone), Chief Engineer (RWD) and concerned project implementing Divisional Offices for assistance in facilitating our audit.

Audit Objective 1: To assess whether there was a critical assessment of needs in each of the infrastructural areas and that individual projects were planned appropriately.

2.2.9 Planning

2.2.9.1 Preparation of Annual Priority Lists

The State Government, through its Nodal Department was required to submit every year a comprehensive proposal by 31st December (revised to 30th November in August 2009) an annual shelf/prioritized list of projects to be funded through NLCPR/NEC during the following year, containing *'gap analysis'* of all major sectors and justification for the listed projects to fill these gaps. This was required to be in consonance with the overall planning process of the State, covering Annual and Five Year Plans. Out of this list, the MoDoNER retains/approves some projects, for which Detailed Project Reports (DPRs) are to be prepared by the concerned Department and submitted to the MoDoNER within two months through the Nodal Department. In November 2012, MoDoNER communicated that after retention of projects under NLCPR, the State Government should ensure submission of DPRs at the earliest and not later than eight months from the date of issue of the letter conveying confirmation of retention of projects.

It was seen that the State Government neither prepared any 'Perspective Plan' nor carried out any 'Gap Analysis' for Basic Minimum Services (BMS) and infrastructural development within the State. Further, the District Infrastructure Index (DII) Method was not adopted to facilitate better targeting of Roads & Bridges schemes in the State.

In Arunachal Pradesh, Planning Department is the Nodal Department. During 2008-13, the State Government forwarded priority lists of 132 projects for funding under NLPCR, at a total estimated cost of ₹ 2,938.46 crore to the MoDoNER, which were proposals received from the State Public Works Department. However, there were delays ranging from 7 to 13 months in the submission of priority lists. Out of 132 projects submitted by the State Government, only 50 NLCPR projects (33.56 *percent*) with an estimated cost of ₹ 744.65 crore were retained by the MoDoNER for further techno-economic examination. The year-wise number of NLCPR projects included in the priority lists and the number of projects retained during 2008-13 is tabulated below:

Table 2.2.1

(₹ *in crore*)

Year	Projects sent in Priority List		Priority List Submission			Projects Retained	
	No.	Estimated Cost	Scheduled	Actual	Delay	No.	Estimated Cost
NLCPR							
2008-09	13	311.86	30/11/07	22/12/08	12 months 22 days	11	140.24
2009-10	16	199.66	30/11/08	22/06/09	06 months 22 days	9	140.98
2010-11	39	1103.67	30/11/09	22/07/10	07 months 22 days	7	140.93
2011-12	25	631.95	30/11/10	01/07/11	07 months	8	142.50
2012-13	39	691.32	30/11/11	24/07/12	07 months 24 days	15	180.00
TOTAL	**132**	**2938.46**				**50**	**744.65**

Source: Compiled from information furnished by the Planning Dept.

However, during this period 51 projects at a total estimated cost of ₹ 722.47 crore were approved by the MoDoNER for funding under NLCPR. Of these sanctioned projects, 18 NLCPR projects pertained to the period prior to 2008-13 but approved during 2008-13.

During 2008-13, proposals for 17 projects at a total estimated cost of ₹ 375.90 crore were submitted to NEC for funding. None of these projects were approved by the NEC. However, two projects estimated at a total cost of ₹ 169.78 crore were approved by the NEC during 2009-12 but these pertained to the period prior to 2008-09.

Reasons for non-retention/non-sanctioning of the remaining projects other than those projects retained/approved by MoDoNER and NEC respectively were not on records. As such audit could not ascertain the reasons of non-retention/non-approval of certain projects by MoDoNER and NEC.

Accepting the audit findings, the State Government during the exit conference (04 December 2013) stated that it was under consideration for conducting Basic Minimum Service (BMS) survey for the purpose of prioritizing the projects. As regards delay in the submission of list of project, it was attributed to late receipts of lists from the Divisional Offices located in far flung areas of the State.

Audit Objective 2.	**To assess whether the mechanism in place for approval of projects was strictly adhered to and appropriate checks applied at each stage, prior to approval and after release of funds.**

2.2.10 Project formulation through Detailed Project Reports

Each project proposal should ordinarily be accompanied by a socio-economic feasibility report and a Detailed Project Report (DPR). DPRs should include basic information and must establish technical and economic viability, such as rationale, cost, finances available from other sources and detailed technical specifications. DPRs should also clearly lay down CPM and PERT Charts, year-wise phasing of inputs, project monitoring indicators, quarterly and year-wise physical outputs to be achieved, project implementation schedules and all regulatory and statutory clearances.

Scrutiny (May to September 2013) of records of 25 test-checked NLCPR projects revealed that DPRs were prepared without proper survey and investigation. DPRs were available in two volumes - technical report and costing report. While the technical report discussed the technical viability of the project, besides socio-economic benefits; the costing report quantified and elaborated the cost analysis of the project.

Scrutiny of DPRs submitted revealed that though year-wise phasing of inputs and all regulatory and statutory clearances were incorporated in DPRs, other requirements such as CPM and PERT Charts, project monitoring indicators, quarterly and year-wise physical outputs to be achieved, project implementation schedules, etc. were not incorporated as per the model DPR available in the Guidelines. It was also seen that in 17 (68 *percent*) out of the 25 test-checked NLCPR projects, DPRs submitted by the State Government to the MoDoNER were not as per generic structure as required under paragraph 4.1 (i) (h) of NLCPR Guidelines.

Two illustrative instances, highlighting the consequence of defective DPR leading to change in the specifications of the project mid-way, are brought out in the succeeding paragraphs.

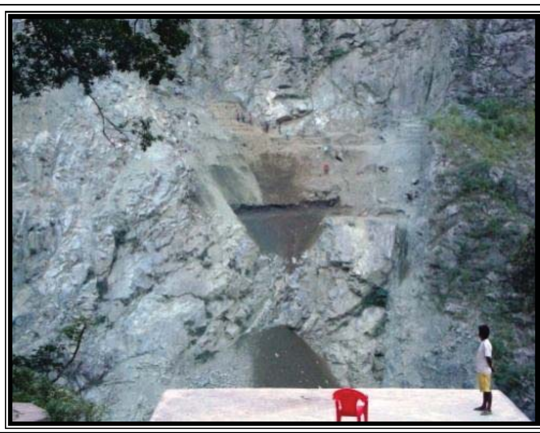
Illustration I: 'Construction of Motorable Suspension Bridge over River Lohit to connect Manchal Administrative Centre (Span 156.55 m)'

The project was sanctioned by the MoDoNER, GoI in December 2005 under NLCPR at an estimated cost of ₹ 13.10 crore, with a time frame for completion of the project within 36 months (i.e. December 2008).

After observing codal formalities, the work *'Construction of Superstructure of the Bridge'* was awarded to *M/s Damodar Ropeways & Construction Company (Pvt.) Limited, Kolkata,-* at a tendered cost of ₹ 7.34 crore to be completed by April 2009. The work order was issued to the contractor in September 2007 but work was not commenced by the contractor. However, in January 2008, the Chief Engineer (Eastern Zone) decided to change the specification of the bridge proper from *'Suspension Bridge*' to *'Steel Arch Bridge.'* The reason propounded for the change was that there was a problem in construction of the Tower Foundation and Anchor Block due to presence of rocky strata in the left bank. Accordingly, the contractor submitted his offer for construction of the Steel Arch Bridge, which was accepted in March 2008, after negotiation, at a cost of ₹ 5.49 crore, with the stipulation that the work on the superstructure of the bridge should be completed in all respects by July 2009.

This implied that there was fault in planning and that a detailed survey was not conducted properly by the Department prior to forwarding the DPR to the MoDoNER for approval. Scrutiny of the records revealed that approval of the State Government and the MoDoNER, GoI was not sought for the change in specification of the superstructure of the bridge till the date of audit (September 2013).

It was further noticed that the contractor had not taken up the construction of superstructure of the bridge, since civil works were not completed till the date of audit (September 2013). Photographic evidence of the same during a joint physical verification with Departmental officials is placed below.




Civil Works in progress on MSB over River Lohit to connect Manchal Administrative Centre

Thus, due to preparation of DPR without adequate technical data, there was change in specification of bridge mid-way and as a result the bridge could not be completed even after lapse of more than five years from the stipulated date of completion.

Illustration II: 'Construction of Single Lane Bailey Bridge (Span 40 m) over Tatsing River between Borguli and Seram Village on Mebo-Dholla Road in East Siang District'

The NLCPR project estimated at a cost of ₹ 3.40 crore was sanctioned by the MoDONER, GoI in March 2009. The original administrative approval and expenditure sanction envisaged for construction of a *'Single Lane Bailey Bridge (Span 40 m)'* However, while obtaining technical sanction to the detailed estimate of the work from the competent authority, the DPR was modified by changing the scope of work from *'Single Lane Bailey Bridge'* to *'PSC Girder Bridge'*. Reasons for this modification were neither found on record nor could be stated to audit.

However, it was noticed that, as per the Quarterly Progress Report for the quarter ended June 2013, the executing Division (PWD, Pasighat Division) achieved physical progress of 90 *per cent* for the superstructure of the project where as the entire project should have been completed by March 2011. Further, the necessary approval of MoDoNER for the major changes made was not obtained till date of audit (July 2013). Following is the photograph of bridge under construction.

Construction of PSC Girder Bridge over Tatsing River

Audit Objective 3: To assess whether adequate funds were released in a timely manner and utilized for specific purposes.

2.2.11. Financial Management

2.2.11.1 Budget Allocation and Expenditure against NLCPR Schemes

Till 2004-05, funds released under the scheme were 90 *percent* 'grant' and 10 *percent* 'loan'. From 2005-06, as per recommendations of the 12^{th} Finance Commission, only the 'grant' portion were to be released to State Governments themselves. The Ministry of DoNER/NEC sanctions funds in instalments to the State Government in the ratio of 40:40:20 for implementation of projects.

As per existing practice, funds are first received from the MoDoNER/NEC by the

Finance Department of the State, which informs the concerned Department to initiate proposals for incorporation in the budget. Details of budget allocation and expenditure during 2009-09 to 2012-13, under NLCPR (Road & Bridges Sector) are given in the table below:

Table 2.2.2

(₹ in crore)

Year	Final Grant/ Appropriation	Expenditure Incurred	Excess (+)/Savings (-) *(percentage)*
2008-09	73.14	34.78	(-) 38.36 ***(52.45)***
2009-10	148.92	113.94	(-) 34.99 ***(23.50)***
2010-11	144.23	103.86	(-) 40.37 ***(28.00)***
2011-12	145.30	99.42	(-) 45.88 ***(31.58)***
2012-13	174.44	113.73	**(-) 60.74** ***(34.81)***

Source: Detailed Appropriation Accounts

It can be seen from the above table, that the State could not utilize budget allocations fully during the entire period from 2008-09 to 2012-13, as there were persistent savings during these years, ranging from 23.50 to 52.45 *percent*. The Department in reply (December 2013) stated that shortfall in utilization of funds was due to receipt of funds at the very end of the financial year.

2.2.11.2 Funds released and expenditure incurred against NEC Schemes

Details of funds released and expenditure incurred against nine NEC projects approved during 2005-06 to 2012-13 are given in the Table below:

Table 2.2.3

(₹ in crore)

Year	No. of Projects	Estimated Cost	Central Share (90 %)	State Share (10 %)	Funds released upto March 2013	Expenditure incurred and UC Submitted	Unspent balance for which UC pending submission
Prior to 2008-09	7	290.93	261.84	29.09	267.63	248.16	19.47 *(7.27)*
2009-10	1	30.16	27.14	3.02	21.00	8.70	12.3 *(58.57)*
2010-11	1	139.62	125.66	13.96	55.00	55.00	-
TOTAL	**9**	**460.71**	**414.64**	**46.07**	**343.63**	**311.86**	**31.77**

Source: Planning Department

It can be seen from the above table that executing agencies were unable to fully utilize the funds released prior to 2008-09 and up to March 2013 as there were unspent balances in 2008-09 and 2009-10, ranging from 7.27 to 58.57 *percent*.

Further, as per information provided by the Planning Department no funds were released by NEC during the years 2011-12 and 2012-13 for road projects. However, it was noticed in audit ₹ 5 crore was released by NEC in January 2013 for the project

'Construction of Laimekuri-Nari-Telam-Rimi Road', which has not been intimated by the Planning Department.

In reply, the Department (December 2013) stated that the shortfall in utilization of funds was due to receipt of funds at the very end of the financial year.

2.2.11.3 Delay in release and utilization of funds

According to Para 8.6 of the NLCPR Guidelines, funds released by the Government of India were to be transferred to the executing agencies by the State Government within 30 days. The Guidelines were amended in August 2009 to tighten the provision and the State Government had to transfer funds to the executing agencies within 15 days.

Scrutiny of records of test-checked projects revealed that there were delays on the part of the State Government in transmission of funds to executing agencies in all the 25 NLCPR projects test-checked. The details of delays in release of funds are shown in **Appendix – 2.2**. A summarized position is shown in the table below:

Table 2.2.4

Period of Delay	Number of Projects
1 to 6 months	08
6 to 12 months	10
12 to 18 months	04
30 months and above	03
TOTAL	**25**

In many cases, non-completion of projects was attributed to delays on the part of concerned authorities in release of funds to the executing agencies. Details of projects where delay in release of funds has led to delay in completion of the projects are tabulated below:

Table 2.2.5

Sl. No.	Project	Status of completion	Delay in release of funds	Time overrun (in months)
1.	Improvement of Road from Changlang to Khimiyang in Changlang District (36.10 km)	Complete	Four months and 5 days	19 months
2.	Construction of Motorable Suspension Bridge (320 m) over River Siang at the site of Gandhi Bridge	Incomplete	Six months and 24 days	36 months
3.	Construction of Steel Suspension Bridge over River Siang and approach road at Kodak near Tuting	Incomplete	Nine months and 10 days	51 months;
4.	Construction of Motorable Road from Jengging to Ramsing in Upper Siang District (30.40 km)	Complete	Four months and 25 days	12 months

Sl. No.	Project	Status of completion	Delay in release of funds	Time overrun (in months)
5.	Construction of Single Lane Bailey Bridge (Span-40 m) over Tatsing River between Borguli and Seram Village on Mebo-Dholla Road in East Siang District	Incomplete	48 months and 16 days	24 months.

Further, as per NLCPR Guidelines, funds released by the Government of India were to be utilized within nine months (as per revised Guidelines from July 2004). The period of nine months prescribed for utilization of funds has since been revised to 12 months in August 2009. In case funds are not utilized within the stipulated period of 12 months, the MoDONER was to be approached for revalidation.

It was found that there were delays ranging from one to more than 30 months in utilization of funds in six projects, as shown in the table below:

Table 2.2.6

Period of Delay	Number of Projects	Unutilized Amount as on 31/03/2013 *(₹in crore)*
1 to 6 months	01	2.37
12 to 18 months	03	12.33
30 months and above	02	1.75
TOTAL	**06**	**16.45**

However, it was noticed that in none of the cases where the funds were not utilized within the stipulated period of 12 months, the MoDONER was approached for revalidation

The State Government needs to streamline and simplify existing procedures to ensure speedy transmission of funds to the executing agencies. For timely execution of projects, the State Government should consider the absorption capacity and technical/professional expertise of implementing agencies and to rationalize fund flow arrangements, so that minimum unspent/excess amounts are left with implementing agencies.

2.2.11.4 Release of State Share under NLCPR/NEC

Financial support available to States under NLCPR/NEC was 90 *percent* of the cost of the project as grants from the GoI and the remaining 10 *percent* was to be contributed by the States themselves.

As per information furnished by the Planning Department, during 2008-09 to 2012-13, the State share, aggregating to ₹ 44.79 crore for 51 projects, was not contributed by the State Government against the Central Share release of ₹ 403.15 crore. The details of release of state share in respect of 25 test-checked NLCPR projects are indicated in **Appendix 2.3**.

It can be seen that as on March 2013, the total Central release against these projects was ₹ 225.93 crore. Against ₹ 25.10 crore to be released as matching state share, the State Government released its share aggregating to ₹ 12.95 crore. Thus, there was short-release of ₹ 12.15 crore (48 *per cent*). However, there were no short-release in respect of two NEC funded projects test-checked. Further analysis of the state matching share in respect of 25 NLCPR projects test-checked reveals that:

- No matching state share was released in respect 11 projects totalling to ₹ 10.00 crore against the total Central release of ₹ 89.96 crore.
- In respect of another six projects, percentage of short release of matching state share ranged between 10 to 63 *per cent* aggregating to ₹ 2.43 crore.
- In remaining eight projects, the State Government released its share as per financing pattern or more (in respect of four projects totalling to ₹ 0.28 crore).

The short-release of matching State Share is bound to impact timely execution of the projects and leading to project remaining incomplete. An illustrative example of impact of non-release of State Share is brought out in the following paragraph:

Illustration: 'Construction of Road from Magopam to Bichom via Namfri, Ditching, Sacheda and Ramu-Sotu (15 km.) Phase-I'

Administrative and Financial approval for the NLCPR project was accorded by the MoDONER, GoI in July 2009 at an estimated cost of ₹ 15.67 crore with the targeted date of completion within 36 months, i.e., July 2012. Full Central Share of ₹ 13.83 crore excluding 2 percent contingency (₹ 0.28 crore) was released for the execution of the project.

It was noticed that the executing Division (PWD, Bomdila) suspended execution of work in December 2012 after completion of 4.5 km of carpeting (black-topping) work out of the total distance of 14.96 km. This was attributed to financial crunch owing to non-release of matching State share of ₹ 1.57 crore even after full release of Central Share. The Water Bound Macadam (WBM) layer had deteriorated to such an extent that it would require another layer of WBM if black topping work was not taken up immediately, thus adding to expenditure causing cost escalation. Besides, the project is already more than one year behind schedule.

Joint physical verification of the site on 23rd August 2013 with the departmental officials revealed that in the absence of carpeting work, the condition of the incomplete road (10.46 km) was deteriorating rapidly due to incessant rains and regular plying of vehicular traffic as evident from the photographs below.

Accepting the Audit findings, the State Government in exit conference (04 December 2013) assured that necessary action would be taken for timely release of State Share.

2.2.11.5 Submission of Utilization Certificates of NLCPR Projects

As per Para 8.4 of the NLCPR Guidelines, Utilization Certificates (UCs), along with physical/financial progress reports of projects, are required to be submitted quarterly to the MoDoNER for subsequent release of funds. Information furnished by the Planning Department revealed that in 51 NLCPR projects approved during 2008-13, the State Government incurred expenditure of ₹ 265.52 crore out of ₹ 403.15 crore released till March 2013. However, UCs for ₹ 111.50 crore (30 percent) were outstanding. The position of outstanding UCs as of March 2013 is given in the table below:

Table 2.2.7

(₹ in crore)

Sl. No.	Year	No. of Projects	Amount released up to 2012-13	Amount for which UCs submitted	UCs Outstanding (Amount)	Percentage
1.	2008-09	14	134.01	113.34	20.67	15.42
2.	2009-10	08	55.35	46.78	8.57	15.48
3.	2010-11	14	109.55	83.85	30.70	28.02
4.	2011-12	12	73.11	21.55	51.56	70.52
5.	2012-13	05	31.13	Not due as of 31 March 2013		
TOTAL		**53**	**403.15**	**265.52**	**111.50**	

Source: Compiled from information furnished by the Planning Department

Delay in submission of UCs, progress reports, etc. by the State Government is bound to result in delay in release of subsequent instalments of funds by GoI, ultimately leading to delaying in the completion of projects, which at times may lead to cost escalations as brought out in relevant places in the report.

The State Government in exit conference (04 December 2014) stated that the delay in submission of the UCs was due to late receipts of funds coupled with persistent savings over the years.

2.2.11.6 Inadmissible Expenditure

As per Para 4.1 (vi) & (viii) of the NLCPR Guidelines, funds were not to be used for staff component (wages), land acquisition, etc. The staff component was to be met from redeployment of surplus manpower in the Department.

However, it was observed that inadmissible expenditure of ₹ 10.58 crore was incurred in 22 (twenty two) test-checked projects towards payment of pay and allowances/wages, on works not related to projects and on components not covered in the project proposals, as shown in the table below:

Table 2.2.8

(₹ in crore)

Inadmissible Expenditure on			TOTAL
Wages/Pay & Allowances	**Works not related to Projects**	**Components not provided in proposals**	
4.52	1.41	4.23	**10.16**

Project-wise details of inadmissible expenditure are given in **Appendix – 2.4**.

During exit conference (04 December 2014) the State Government stated that there were provisions in earlier projects for expenditure on wages/salary which had resulted into inadmissible expenditure. However, the provision for wages/salary was not provided in any of the NLCPR-funded projects.

2.2.11.7 Diversion of NLCPR/NEC Funds

As per Paragraph 2.3 of the NLCPR/NEC Guidelines, funds available under a particular project were not meant to supplement normal Plan programmes of the State Government or other NLCPR/NEC projects.

However, it was seen that expenditure of ₹ 5.26 crore related to other plan programmes and other NLCPR/NEC projects was debited to funds meant for NLCPR/NEC projects, as indicated in Table-8 below:

Table 2.2.9

Scheme	Project	Other projects/works to which funds diverted	Amount (₹ in crore)
NLCPR	Up-gradation of Namchik-Miao-M'Pen Road (37 km)	Clearing of Pending Bills against Damaged Roads of Jairampur Division	3.01
NLCPR	Construction of Road from Magopam to Bichom via Namfri, Ditching, Sacheda and Ramu-Sotu - Phase-II (0 km to 15 km)	Construction of Road from Magopam to Bichom via Namfri, Ditching, Sacheda and Ramu-Sotu - Phase-I	1.45
NEC	Construction of Road from Laimekuri-Nari-Telam-Rema under NEC	Construction and up-gradation of Pasighat-Ledum-Tene-Koyu Road	0.80
TOTAL			**5.26**

As a result, above mentioned three projects were deprived of funds to that extent, thereby adversely affecting the progress of the work.

During exit conference (04 December 2014) the State Government stated that due to urgency sometimes the funds meant for one project had to be temporarily diverted and utilized for another projects and later on adjusted on receipts of funds for the original project. The matter was however, viewed seriously by the Development Commissioner, Government of Arunachal Pradesh and assured proper action in this regard.

Audit Objective 4:	**To assess whether the projects were executed efficiently and economically to achieve intended objectives.**

2.2.12 Project Execution

2.2.12.1 Status of completion of projects

As of March 2013, 85 projects (NLCPR-76 and NEC-09), with a total estimated cost of ₹ 1367.36 crore were sanctioned. The status of completion of projects funded under the NLCPR/NEC is depicted in the Table below:

Table 2.2.10

Number of Projects (as of March 2013)					Percentage of Completed Projects
Scheme	**Sanctioned**	**Due for completion**	**Completed**	**Incomplete**	
NLCPR	76	46	10	66	13
NEC	09	03	01	08	33
TOTAL	**85**	**49**	**11**	**74**	**23**

Audit analysis of projects indicated that:

- Out of 85 projects sanctioned under NLCPR/NEC, 49 projects were due for completion by March 2013 or earlier. However, only 11 projects (10 NLCPR and one NEC) (23 *percent*) were completed as of March 2013. Total expenditure of ₹ 105.44 crore were incurred on their execution.
- None of the 11 projects completed were completed within the scheduled date of completion and there were time overruns ranging from 12 to 24 months.
- Out of 74 incomplete projects, 49 projects *(66 percent*) were due for completion by March 2013 or earlier but still ongoing with a delay of already 08 to 51 months from the scheduled date of completion.

2.2.12.2 Status of Test-Checked Projects

A total of 85 projects for construction of 68 roads, 13 bridges and 4 Porter Tracks - were sanctioned up to 2012-13. Audit examined the execution of 25 NLCPR and 02 NEC projects relating to construction of seven bridges and 20 roads (construction and improvement of 529.627 kms of road). Only five roads (106.50 km) were completed as of March 2013. The remaining 22 projects (Roads - 15 & Bridges - 07) were yet to be completed.

Audit reviewed 27 projects (NLCPR-25 & NEC-02) with approved cost of ₹ 532.97 crore, of which 17 projects were due for completion by March 2013 or earlier. Of these only five NLCPR projects (29 *percent*) involving expenditure of ₹ 32.49 crore, were completed as of March 2013. The five projects were completed with time overrun ranging from 12 to 24 months. There were serious slippages in completion of 12 projects (71 *percent*) which were targeted for completion by March 2013 or earlier.

Delay in completion of projects was attributable to the following reasons:

- Excessive time taken in the process of tendering and award of work;
- Delay by the State Govt. in submission of UCs, Progress Reports, etc, resulted in delay in release of funds by the Ministry, which further delayed the implementation of projects.
- Delay in transmission of funds to executing agencies by the State Government.
- Slow progress of execution by the contractors.

Accepting audit findings; in exit conference (04 December 2014), the State Government attributed poor planning for delay in completion of most of the projects, and assured that periodical reviews of all ongoing projects would be conducted.

2.2.13 Delay in the Tendering Process

As per Para 7.1 of the NLCPR Guidelines, the tendering process should be completed in all respects within a period of three months from the date of issue of Administrative Approval and Expenditure Sanction of a project by observing all the codal formalities. It was noticed that there were delays in tendering process in almost all the projects. Two illustrative instances highlighting inordinate delay in finalising the tendering process are discussed in the following paragraphs.

Illustration I: 'Construction of Motorable Suspension Bridge (320 m) over River Siang at the site of Gandhi Bridge'

The NLCPR project estimated at ₹ 25.22 crore was sanctioned in March 2006 by the GoI, with a time frame for completion of the project within 36 months (April 2009).

First instalment of Central share of ₹ 3.78 crore was released as early as March 2006. However, the executing Division (PWD, Yingkiong) floated the NIB for the bridge proper (superstructure) only in January 2008, after a lapse of almost 24 months after receipt of sanction in March 2006. However, bids were rejected in March 2008 due to high tendered cost. The NIB was floated for the second time in March 2009 after a lapse of one year. As there was no response to the same, the Department floated another NIB in August 2009 after a lapse of another 5 months. However, the Government rejected (December 2009) the bid on the ground of high tendered cost, with a direction to opt for 'Short Notice' re-tendering.

Accordingly, a short notice invitation of bids/tenders was floated in March 2010 for superstructure works of the bridge. The Department kept a provision of only 6 days for the tendering process, i.e., 3 days from 23/03/2010 to 26/03/2010 for sale of bidding documents and another 3 days for submission of technical & financial bids from 26/03/2010 to 29/03/2010. Only 3 firms participated in the bidding process. The tender was finalized in January 2011 and the work was finally awarded in May 2011.

The abnormal delay initially in floating NIB and subsequent delays in retendering the work resulted in delay of over 60 months in finalization of tenders and award of the work, which in turn delayed the progress of the work and ultimately completion of the project.

Further, the hastiness of the Department in not following proper tendering procedures on last occasion not only denied equal opportunity to prospective firms to compete, but also advantage of competitive rates. The work was awarded at a cost of ₹ 18.29 crore, which was 40.38 *percent* higher than the cost put to tender (₹ 13.03 crore).

Illustration II: 'Construction of Steel Suspension Bridge over River Siang and approach road at Kodak near Tuting,'

The NLCPR project estimated at ₹ 13.96 crore, was sanctioned by the GoI in December 2005, with a time frame for completion of the project within 36 months (December 2008).

Although first instalment of Central share ₹ 439.74 lakh was released December 2005, the Division floated the NIB for the bridge proper (superstructure) only in August 2006, after a lapse of almost eight months after receipt of sanction in December 2005. The bids were ultimately rejected due to high tendered cost. The 'NIB' was floated for the second time in June 2007, but rejected on the same ground. The Department took another 21 months to float a fresh 'NIB' in March 2009, which did not get any response. The tender was refloated for the fourth time in August 2009, which was rejected for the reasons not found on record. A short notice invitation of bids/tender was floated for the fifth time in March 2010 and the work was finally awarded after finalisation in January 2011.

The abnormal delay initially in floating NIB and subsequent delays in retendering the work resulted in delay of over 60 months in finalization of tenders and award of work, which in turn is bound to delay the completion of the work.

2.2.14 Award of work without call of tenders

The Para 14.1 of CPWD Manual envisages that tenders should be mandatorily invited for all major works. NEC and MoDoNER instructions also stipulated that works under NLCPR/NEC schemes shall be executed through call of tenders.

Scrutiny (May 2013) of records of the executing Division (PWD, Jairampur) revealed that the item of work, 'Construction of RCC Bridge of 30 m Span at Chainage 39.532 km' under '*Construction and Improvement of Digboi-Pengri-Bordumsa-Namckik (Miao) -Mahadevpur Road in Changlang District (40.83 km),'* estimated at ₹ 1.94 crore, was awarded without calling for tenders, to a local contractor Shri Somlung Mosang of Miao, Changlang, on the basis of his application dated 14 January 2011. An agreement was also drawn up with the contractor for execution of the work at a contract price of ₹ 2.32 crore. The work order to proceed with the work was issued to the contractor in July 2011.

Similarly, in 20 other test-checked projects (NLCPR-19 & NEC-01), it was seen that the 11 executing Divisions[1] incurred an expenditure of ₹ 246.55 crore out of total available funds of ₹ 271.25 crore as on 31st March 2013. Out of the total expenditure of ₹ 246.55 crore, expenditure aggregating to ₹ 168.39 crore was incurred on various works related to the projects by issue of 10,080 Work Orders without calling for tenders. Details of the work executed on Work Order basis without calling for tenders are shown in **Appendix – 2.5**.

Due to failure in following the codal formalities for calling of tenders for work, the government was deprived of the competitive rates and also quality of work.

During exit conference (04 December 2014) the State Government stated that efforts would be made to ensure observance of prescribed codal provision in the tendering process.

[1] *PWD Divisions Yingkiong, Mariyang, Pasighat, Boleng, Bomdila, Dirang, Hayuliang, Namsai, Nari and Jairampur; and RWD Division Pasighat*

2.2.15 Delays in Completion

In most cases, progress of execution was very slow and projects were inordinately delayed for periods ranging from 1 to 5 years or more. Delay in completion of projects are attributable to delay in transmission of funds by the State Government, excessive time taken in the process of tendering and award of work and slow progress of execution by the contractors.

Some cases of inordinate delay are discussed below:

- The NLCPR funded project *'Construction of Motorable Suspension Bridge (320 m) over River Siang at the site of Gandhi Bridge'* estimated at ₹ 25.22 crore, was sanctioned by the MoDONER, GoI in March 2006 with a time frame for completion of the project within 36 months (April 2009).

  The project was not completed even after a delay of 47 months as on March 2013. The physical progress achieved so far was reported to be only 53 *percent.*

- The NLCPR funded project '*Construction of Steel Suspension Bridge over River Siang and approach road at Kodak near Tuting'* estimated at ₹ 13.96 crore, was sanctioned by the MoDONER, GoI in December 2005 with a time frame for completion of the project within 36 months (December 2008).

  The project was not completed even after a delay of 51 months. The physical progress achieved so far was reported to be only 65 *percent.*

- The work: '*Construction and Improvement of Digboi-Pengri-Bordumsa-Namchik (Miao)-Mahadevpur Road in Changlang District (40.83 km)'* estimated at ₹ 49.43 crore, was sanctioned by the NEC in December 2006 under the 10th Five Year Plan of NEC with original probable date of completion within March 2010, which was later revised to March 2012.

  The project was not completed even after a delay of 13 months from the revised date of completion. The physical progress achieved so far was reported to be 85 *percent.*

Three illustrative examples of delays at various stages in the execution of the project leading to delay in completion and consequent cost overruns are elaborated in the following paragraphs.

Illustration I: 'Construction of Motorable Suspension Bridge over River Siang between BRTF Road and Komsing (Span 225 m) at Sangam in East Siang District'

The NLCPR funded project estimated at ₹ 18.34 crore was sanctioned by the MoDoNER, GoI in September 2007 with a time frame for completion of the project within 36 months (i.e., September 2010). The project has not been completed even after a delay of 33 months. The overall physical progress of the project achieved so far was only 35 *percent* for the sub-structure after incurring an expenditure of ₹9.02 crore and 'Nil' for the superstructure.

Scrutiny of records relating to execution of the project revealed that although the first instalment of Central Share (₹ 5.78 crore) was released by the MoDoNER, GoI as early as September 2007, the executing Division (PWD, Boleng) finalized the tenders and awarded sub-structure and superstructure works only in December 2008 more than a year after the release of funds by the GoI.

The work for superstructure was awarded only in April 2011. By that time there was a steep increase in the cost of labour and materials as well as scope of works rendering the earlier estimate, on the basis of which the administrative approval and expenditure sanction of MoDoNER was obtained in September 2007, unworkable. As admitted by the Department, initially estimates were framed on the basis of readily available drawings of other bridge of 18R loading capacity and APSR 2007.

Therefore, in order to meet the increased cost of the project and to complete the work, the Department worked out a modified cost for the bridge to ₹ 42.12 crore (based on the APSR 2010 (R&B) plus cartage plus 22.5 per cent (@ 7.5 % per annum) to account for escalation in cost over APSR 2010 (R&B) for three years). The approval of the State Govt./MoDoNER to the proposal sent in April 2013 was awaited till the date of audit (June 2013).

Thus, due to delay in the tendering process, changes in the scope of work and delay in execution in various stages of construction of the sub-structure and superstructure work, there was cost escalation of ₹ 23.78 crore.

Illustration II and III 'Construction of Steel Suspension Bridge over River Siang and approach road at Kodak near Tuting' and **'Construction of Motorable Suspension Bridge (320 m) over River Siang at the site of Gandhi Bridge'**

Administrative approval and expenditure sanction for the project *'Construction of Steel Suspension Bridge over River Siang and approach road at Kodak near Tuting,'* estimated at ₹ 13.96 crore was accorded by MoDoNER, GoI, in December 2005. However, tenders for the works were finalized only in January 2011.

Similarly, Administrative approval and expenditure sanction for the project *'Construction of Motorable Suspension Bridge (320 m) over River Siang at the site of Gandhi Bridge'* estimated at ₹ 25.22 crore was accorded by MoDoNER, GoI, in March 2006.

The tenders for the above two works were finalized only in January 2011. By that time, there was a steep increase in the cost of labour/materials and scope of the work, as a result the earlier estimates became unworkable. As admitted by the Department, the earlier estimate became unworkable as the estimates were prepared (i) by approximation and drawing inspiration from another bridge at '*Nobu'* over River Siang in Upper Siang District (ii) on the basis of APSR 2005 for 'Schedule Items;' and (iii) Market Rates of 2005 and approved rates for 'Non-Schedule Items

To meet the increased cost of the projects, the Department worked out a modified estimate of ₹ 38.94 crore and ₹ 23.21 crore, based on SOR 2009 and prevailing market rates, for the two projects respectively. The State Government accorded approval in January and February 2011 respectively to the revised cost. The MoDoNER also accorded Administrative approval and Expenditure Sanction to the modified cost in December 2011 for both projects.

Thus, there was cost escalation of ₹ 24.98 crore and ₹ 23.21 crore respectively, aggregating to ₹ 48.19 crore due to delay in the tendering process.

2.2.16 Lapses and irregularities noticed in the execution of works.

Project-wise details of delays as well as lapses and irregularities noticed in the execution of roads and bridges projects funded under NLCPR and NEC are given in **Appendix – 2.6**. Due to non-completion of projects, inhabitants of surrounding areas were deprived of the intended benefits of projects. Some of the major shortcomings and irregularities noticed in the implementation of reviewed projects are discussed in the succeeding paragraphs:

2.2.16.1 Arbitrary reduction in the original scope of work

The NLCPR project '*Construction of Gacham-Morshing Road (24.50 km)'* estimated at ₹ 19.62 crore was sanctioned in September 2008 by the MoDONER, GoI, with a stipulation to complete the work within 36 months (August 2011)

Scrutiny of records (August 2013) relating to the project revealed that a revised estimate framed by the executing Division (PWD, Bomdila), amounting to ₹ 23.62 crore, was forwarded for approval to the MoDoNER, GoI in February 2013. Approval was awaited till the date of audit (August 2013).

The original DPR for the work, on the basis of which the Administrative approval and expenditure sanction of MoDoNER, GoI was obtained in September 2008, became unworkable as it was prepared on the basis of APSR 2007, where the rates were on 'Zero' lead basis. Therefore, necessary provision for cartage of materials as per theoretical requirements and as per actual lead involved from source was kept in the original DPR.

However, it was also seen that the MoDoNER, GoI while according sanction in September 2008, deleted the provisions for cartage, reduced provision for the number of 1.5 m span culverts from 122 to 40, length of retaining walls from 1535 m to 1023 m and totally deleted the provision of lined drain of 10 km proposed by the Department. As a consequence, the estimated cost of ₹ 27.60 crore, originally proposed in the DPR, was reduced to ₹ 19.62 crore.

Besides the above, revision of the estimate was also attributable to other factors:

(i) During execution of the formation cutting and widening, major stretches of the road were found to be full of hard rock;

(ii) Substantial increase in cost of labour, POL, cement, steel and bitumen; and

(iii) Day to day maintenance work due to land slips during actual execution.

In order to meet the increased cost of the project and to complete the work, the Department worked out a modified cost for the project, amounting to ₹ 23.62 crore, based on APSR 2010.

During joint physical verification of the project with Departmental Officers on 21 August 2013, it was noticed that due to drastic reduction in the quantity of actual requirement of retaining walls and lined drains, most stretches of the road became vulnerable to landslides, as can be seen from the photographs below:

Landslides in stretches of Gacham-Morshing Road

The arbitrary decision of MoDoNER, GoI to reduce the scope of the work from the original proposal without considering site conditions and ground reality not only resulted in cost escalation of ₹ 4 crore (₹ 23.62 – ₹ 19.62 crore), but also made the road vulnerable to landslides.

2.2.16.2 Non-imposition of Liquidated Damages for delay in execution of work

The work: *'Construction of Motorable Suspension Bridge (320 m) over River Siang at the site of Gandhi Bridge'* estimated at ₹ 25.22 crore was sanctioned in March 2006 by the GoI under NLCPR, with a time frame for completion of the project within 36 months (April 2009).

Scrutiny of records (June 2013) revealed that the work for the bridge proper (superstructure) was awarded to M/s GPT Infraproject Limited, Kolkata, in January 2011. Accordingly, the `Notice to proceed with the work` (15th June 2011), as per contract documents, was issued in May 2011. As per agreement, the commencement date of the work shall be 21 days from the date of issue of the Notice to proceed with the work (15th June 2011), with intended date of completion within 12 months for the whole work.

Sub-Clause 49.1 of the Agreement (May 2011) for construction of the superstructure of the bridge *'SH: Fabrication and Supply of Steelwork and Erection of Bridge,'* stipulated that the contractor shall pay liquidated damages @ 1/2000th of the Initial Contract Price, rounded off to the nearest thousand, per day for each day delay in completion of works. The maximum amount of liquidated damages for delay in completion of the work was 10 *percent* of the Initial Contract Price, rounded off to the nearest thousand.

The following milestone was fixed for execution of the superstructure –'*SH: Fabrication and Supply of Steelwork and Erection of Bridge'*

Table -2.2.11

Milestone	Physical Works to be Completed	Period from Start Date
Milestone 1	Fabrication of stiffening truss and tower components	6 months
Milestone 2	Delivery of components at site	9 months
Milestone 3	Erection of Bridge	12 months

It was noticed from records made available by the executing Division (PWD, Yingkiong) that erection work for the bridge proper had not started at all, only sub-structure works viz., Tower Foundation, Wind Anchor Block, Main Anchor Block, etc;, were completed. Further, scrutiny of MAS Account revealed that till the date of audit (June 2013), the firm delivered only 750 MT of Fabricated Steel out of 1062 MT to be delivered at site, despite release of interest-free Mobilization Advance of ₹ 1.83 crore in three instalments between October 2011 and January 2012.

It was however, seen that liquidated damages to the tune of ₹ 3.34 crore (limited to ₹ 1.18 crore) were not imposed on the defaulting contractor/firm by the Department as detailed below.

Table – 2.2.12

Date of Commencement	**Target date of Completion**	**Delay as on 15 June 2013** ***(in days)***	**Liquidated Damages Payable** ***(₹ in crore)***
15/06/2011	15/06/2012	365	3.34 ***(limited to 1.83)***

Reasons for non-deduction of liquidated damages were not on record.

The incomplete status of construction is evident from photographs taken during site visit on 20 June 2013 with the departmental officials.

Photographs of various stages of construction

Superstructure Components (Left Bank)

View of Constructed Substructures (Right Bank)

2.2.16.3 Excess expenditure due to deviations from estimates in earth work

The NLCPR project: *'Construction of Road from NH-153 Longvi Village Point to Tengman Village via Khetwa & Jotin Juda (35km) in Changlang District'* estimated at ₹ 21.34 crore, was sanctioned by the MoDoNER in February 2011. Technical sanction to the work was accorded by the competent authority at an estimated cost of ₹ 20.87 crore in August 2011.

As per detailed estimates of the work and Bill of Quantities (BoQ) of the tender agreement, 17469.49 cum of earth work by excavation in hilly areas in hard rock requiring blasting with disposal of cut material with all lift and lead up to 1000 metres, was to be executed on the stretch of road. Against this, the executing Division (PWD, Jairampur) recorded execution of 59424.25 cum of earth work by the contractor. This resulted in excess execution of 41954.76 cum (240 *percent*) of earth work over the estimate and tendered provision, which was beyond the competence of the Divisional Officer, involving extra expenditure of ₹ 1.05 crore as detailed in the table below:

Table – 2.2.13

Description of Item	Qty. of work as per Agreement *(cum)*	Actual Qty. executed and billed for *(cum)*	Excess execution (cum) (*percent*)	Rate per cum (in ₹)	Value of work executed in excess *(₹ in crore)*
Excavation in hilly areas in hard rock requiring blasting (disposal of cut material with all lift and lead up to 1000 m).	17469.49	59424.25	41954.76 *(240 %)*	250	1.05

Scrutiny further revealed that a Deviation Statement was submitted to the SE, Jairampur PWD Circle, for obtaining approval on the deviations purported to have been made in the quantity of various components, involving excess expenditure of ₹ 0.11 crore. It also included the sub-item of earth work which was executed in excess, as mentioned above. However, while submitting the Deviation Statement, approval was sought for execution of only 8996.70 cum of earth work against the provision of 17469.49 cum in the Agreement, whereas the Division had already executed 41954.76 cum (59424.25 - 17469.49 cum) of earth work over the estimate and tendered provision.

The Deviation Statement was deflated to the extent of 50427.55 cum (59424.25 - 8996.70 cum) of earth work against the already executed excess quantity of work.

Thus, the deviation statement submitted for the approval did not disclose the correct picture of the quantity of item of work as quantity of work executed already exceeds the quantity of work included in the deviation statement. In order to keep the total cost of the project within the amount for which the approval is sought compromise has to be made in other items of work which may affect the quality of work.

2.2.16.4 Fraudulent Payment for work not carried out besides execution of sub-standard work

For the project: *'Construction of Motorable Suspension Bridge over River Siang between BRTF Road & Komsing (Span 225 m) at Sangam in East Siang District,'* an Agreement was entered into with M/s Purbanchal Suppliers & Contractors, Dhemaji, by the executing Division (PWD, Boleng) for execution of Sub-Head of work: *SH: 'Approach Road, Slab Culvert, Retaining Wall & R.R Drain'* at an agreed amount of ₹ 0.40 crore.

Scrutiny of records (May 2013) of the executing Division (PWD, Boleng) revealed that as per Bill of Quantities (BoQ), the contractor was required to execute the following items of work against the Sub-Head: '*Construction of Retaining Wall of 45 m length and 3 m height'*:

Table – 2.2.14

Sl. No.	Description of Items	Qty. *(cum)*	Rate *(₹/cum)*	Amount *(₹)*
1.	Excavation for structures a. Ordinary Soil b. Manual Means c. Up to 3 m depth	40.500	49.12	1,989.36
2.	PCC 1:3:6 in Foundation	16.200	2365.75	38,325.15
3.	Stone masonry work in cement mortar 1:3 in foundation complete i) Random Rubble Masonry	139.950	2439.43	341,398.23
4.	Back filling behind abutment with granular material	16.875	777.67	13,123.18

Out of the above four items of work, the contractor executed three items (Sl. No. 1 to 3) as on 29/08/2009, and accordingly, payment of ₹ 3.95 lakh was also made in August 2009.

However, it was revealed from records that the Retaining Wall collapsed in September 2010 and the Divisional Officer, in his report dated 04 November 2010 submitted to the CE, PWD (EZ), stated that though payment was made for the entire 45 metres of the Random Rubble Masonry work, the actual quantity executed was 15 metres, where no quality control measures and specifications were maintained, as seen from the debris of the collapsed wall. The Retaining Wall was to be constructed with a foundation depth of 3 metres in ORIGINAL soil. However, in the present case, although the Retaining Wall was constructed with a foundation depth of 3 metres, it was on filled-up soil, which was 5.80 metres above the ORIGINAL soil, which was the cause of its collapse.

Thus, payment to the contractor was made on the basis of fictitious measurements recorded in the Measurement Book without the work actually being executed in a proper manner. No action was taken against the concerned officials or the Contractor by way of recovery from his performance security deposit.

It cannot be ruled out that the Departmental officials may have colluded with the contractor in inflating the actual work executed and overlooked/compromised on the quality and quantity of materials used.

This is a serious irregularity, which needs to be thoroughly investigated and necessary action taken against the concerned officials.

2.2.16.5 Unauthorized expenditure on Slip Clearance Work

Scrutiny (August 2013) of the technically sanctioned Detailed Estimate of the project '*Construction of Gacham-Morshing Road (24.50 km)*' sanctioned in September 2008 at an estimated cost of ₹ 19.62 crore, revealed that there was no provision for the item of work – '*Slip Clearance*'.

However, it was seen that a Revised Estimate for ₹ 23.62 crore was prepared by the executing Division (PWD, Bomdila) wherein, the above item of work was included and forwarded to the MoDoNER in February 2013 for approval by depicting execution of 168918 *cum* of Slip Clearance work, valued at ₹ 1.81 crore, out of which expenditure of ₹ 1.41 crore was already incurred between March 2009 and March 2013, as revealed from scrutiny of Bills/Vouchers.

The Division in its reply (August 2013) stated that during formation cutting, there were heavy land slips which necessitated the Division to go beyond the scope of the technically sanctioned estimate without the approval of the Competent Authority/MoDoNER.

Similarly, scrutiny (August 2013) of the technically sanctioned Detailed Estimate for the work, '*Improvement of Janagthung-Cherrong-Panchvati-Chhandra Road, West Kameng District (17.100 km),*' revealed that there was no provision for the item of work – '*Slip Clearance*'. However, it was noticed that the executing Division (PWD, Dirang) included the item of work in the 'Working Plan' and depicted execution of Slip Clearance work, valued at ₹ 0.56 crore, in the QPR for the quarter ended March 2013, without depicting the actual volume/quantity of slips cleared.

This resulted in unauthorized expenditure of ₹ 0.56 crore on Slip Clearance work beyond the scope of the technically sanctioned estimate without the approval of the Competent Authority/MoDoNER.

2.2.16.6 Excess expenditure on Earth work over estimated provisions

Scrutiny of records (August 2013) relating to the project *'Improvement of Janagthung-cherrong-Panchvati-Chhandra Road, West Kameng District (17.100 km)'* revealed that the executing Division (PWD, Dirang) incurred excess expenditure of ₹ 1.57 crore over the estimated provision of the technically sanctioned estimate on the following items of the work, as tabulated below:

Table – 2.2.15

(₹ in crore)

Item of Work	Qty. as per Technical Sanction		Actual Quantity Executed		Difference (+) Excess/(-) Less	
	Qty. *(cum)*	Estimated Cost	Qty. *(cum)*	Expen diture	Qty. *(cum)*	Amount
Excavation in Hilly Areas in soil by Mechanical Means (depositing of excavated earth with all lifts and lead upto 1000 m)	83219.3	1.13	70799.4	0.86	(-) 12419.9	(-) 0.27
Excavation in Hilly Areas in Ordinary Rock by Mechanical Means not Requiring Blasting (disposal of cut material with all lift and lead upto 1000 m)	84776.55	1.68	284372	5.01	199595.45	3.32
Excavation in Hilly Areas in Hard Rock Requiring Blasting by mechanical means, incl. trimming of slopes and disposal of cut material with all lifts and lead up to 1000 m.	55999.85	1.48	Nil	Nil	(-) 55999.85	(-) 1.48
TOTAL	**223995.7**	**4.29**	**355171.4**	**5.87**		**1.57**

Thus, failure to conduct proper survey and investigation prior to preparation of the estimate resulted in wrong classification of soil, which led to excess expenditure of ₹ 1.57 crore over provisions made in the technically sanctioned estimate.

2.2.16.7 Extra avoidable expenditure of ₹ 6.27 crore on Hire Charges of Bulldozers

Scrutiny of the records (August 2013) revealed that against four projects: *viz. 'Construction of Gacham-Morshing Road (24.50 km)', 'Construction of Road from Nafra to Nakhu-Nachiban Village (11 km)'* and *'Construction of Road from Magopam to Bichom via Namfri, Ditching, Sacheda, Ramu-Sutu and Uchini (Phase-I and Phase-II),'* the executing Division (PWD, Bomdila), incurred an expenditure of ₹ 2.14 and ₹ 10.51 crore on hire charges for D-50 A-15 and D-80 A-12 bulldozers respectively, which were utilized in formation cutting, widening and slip clearance works on daily basis by adopting the rates of ₹ 14,731/- and ₹ 20,358/- per day respectively, as prescribed by the CE, PWD (EZ), in December 2000, instead of adopting hire charge rates of ₹ 8640/- and ₹ 9920/- per day for D-50 A-15 and D-80 A-12 Bulldozers respectively, as prescribed by the CE, PWD (WZ), in September 2006.

Had the Division adopted the rates prescribed by the CE, PWD (WZ), the expenditure would have been restricted to ₹ 1.26 crore for D-50 A-15 Bulldozers and ₹ 5.12 crore for D-80 A-12 Bulldozers; and the Division could have avoided extra expenditure of ₹ 6.27 crore (₹.5.39 crore for D-80 + ₹ 0.88 crore for D-50). Details of the expenditure are shown in **Appendix – 2.7**.

Reasons for non-adoption of rates prescribed by the CE, PWD (WZ), were not found on record.

2.2.16.8 Payment to suppliers without receipt of materials

Scrutiny of records (June 2013) pertaining to the project '*Construction of Motorable Suspension Bridge (320 m) over River Siang at the site of Gandhi Bridge*` revealed that the executing Division (PWD, Yingkiong) issued seven Supply Orders for supply of 311.39 MT of 'Anchorage/Hanger Fixture & Nut/Bolts' valued at ₹ 5.20 crore, to M/s B.B Steel & Corporation, Itanagar, without calling for tenders.

As per terms and conditions of the Supply Orders, the firm was paid an advance of ₹ 1.42 crore (27.31 *percent*) from July to October 2011 against the Supply Orders. However, scrutiny of the MAS Account revealed that, despite payment of ₹ 1.42 crore, the supplier failed to supply any material till the date of audit (June 2013) against the Supply Orders placed in January 2011.

Similarly, scrutiny (June 2013) of records related to the work: '*Construction of Road from Pugging to Palling (48 km) (SH:- C/o Road from Likar to Palling 0.00 to 20.00 km),'* revealed that the executing Division (PWD, Yingkiong), issued six Supply Orders (two valued at ₹ 0.07 crore to M/s Universal Traders and remaining four valued at ₹ 0.13 crore to M/s KO Enterprises) and also made 100 *per cent* advance payment of ₹ 0.20 crore in March 2011 for procurement of 80 MT Cement and 27.6 MT TMT Rods. However, scrutiny of the MAS Accounts Register revealed that the materials were not received by the Division till date of audit (June 2013), though advance payment of ₹ 0.20 crore was made in March 2011.

It was also seen that for the project '*Construction of Steel Suspension Bridge over River Siang and Approach Road at Kodak near Tuting,'* the executing Division (PWD, Yingkiong), placed a Supply Order valued at ₹ 0.05 crore on M/s Usha Martin, a Kolkata based firm, for supply of 1.65 MT of '20 mm diameter Lock Coil Wire Rope' in January 2012, without calling for tenders and released ₹ 0.05 crore in two instalments (₹ 0.01 crore in January 2012 and ₹ 0.04 crore in December 2012). However, on scrutiny of the MAS Account, it was seen that the firm failed to deliver the material till date of audit (June 2013), despite release of 100 *percent* payment.

2.2.16.9 Procurement of Bitumen valued at ₹ 0.64 crore in excess of actual requirement

Scrutiny (August 2013) of records relating to the NLCPR project '***Construction of Road from Nafra to Nakhu-Nachiban Village (11 km)***' revealed that the executing Division (PWD, Bomdila) procured 322.184 MT of Bitumen 80/100, valued at ₹ 1.08 crore (excluding carriage) for the item of work, 'Black Topping'.

However, analysis of the Theoretical Consumption Statement appended to the technically sanctioned Detailed Estimate of the work, revealed that the actual quantity of Bitumen required for Black Topping 10.00 km (4125 sq. m) of road was 13,365 kg @ 3.24 kg per sq. m. Therefore, the actual requirement of Bitumen for a stretch of 9.94 km would be 132.85 MT (9.94 km x 13365 kg), as detailed in the Table below:

Table – 2.2.16

Item	Quantity required per sq. m *(in kg)*	Area in 1 km *(in sq. m)*	Total Length of Road *(in km)*	Total quantity required. *(in kg)*
Prime Coat	0.6	4125	9.94	24,601.50
Tack Coat	0.20	4125	9.94	8,200.50
Open Graded pre-mix Surfacing	1.46	4125	9.94	59,863.65
Seal Coat	0.980	4125	9.94	40,182.45
Actual requirement of Bitumen for 9.94 km stretch of road				1,32,848.1 kg **or *132.85 MT***
Quantity of material actually procured				322.184 MT
Excess quantity procured				**189.3359 MT**
Total Expenditure (@ ₹ 33,597/MT) on excess procurement of 189.3359 MT				**₹ 63,61,118/-**

Thus, the Division made excess procurement of 189.36 MT of Bitumen 80/100 over the actual requirement of 132.85 MT and thereby incurred an excess expenditure of ₹ 0.64 crore.

In August 2013, the Divisional Officer replied that though 322.184 MT of Bitumen was procured, the excess 189.3359 MT was transferred to other works by crediting the cost of excess quantity to this work. But the necessary Transfer Entry Order (TEO) in this connection could not be produced.

During exit conference (04 December 2014) the State Government while accepting the above audit findings stated that necessary instruction had been issued to all the concerned implementing agencies to take necessary action on the issues raised by audit and to specifically look into the matter regarding non-receipt of materials, irregular payment etc.

2.2.16.10 Mobilization Advance

The Sub-Head of the work, 'Construction of RCC Bridge (Well Foundation) 30 m span at Chainage 39.532 km' under the work 'Construction and Improvement of Digboi-Pengri-Bordumsa-Namckik (Miao)-Mahadevpur Road in Changlang District (40.83 km),' estimated at ₹ 1.94 crore was awarded to a local contractor (Shri Somlung Mosang, Miao) on the basis of his application of January 2011 on Work Order basis without tender at an agreed amount of ₹ 2.32 crore. The order to proceed with the work was issued in July 2011. However, an agreement was drawn up with the contractor only in September 2011. It was noticed that number of clauses were found scored out in the Agreement document, which inter-alia included clause pertaining payment of advance.

Scrutiny of records of PWD Jairampur Division, it was noticed that ₹ 23.00 lakh was paid as mobilization advance to the contractor in October 2011, though the contractor was not entitled, as the clause pertaining of payment of advance was scored out in the agreement entered into with the contractor and moreover, the work was awarded on Work Order basis. Further, the Mobilization Advance was paid without obtaining any unconditional Bank Guarantee and without a specific written request of the contractor. Also, no mention was made about payment of interest, which is normally 10 *per cent* as stipulated in CPWD manual. Thus, undue financial favour was extended to the contractor.

The State Government while accepting (December 2013) the audit findings, stated that the practice of granting Mobilization Advance was stopped from the current year (2013).

Audit Objective 5: To assess whether there was a mechanism for adequate and effective monitoring and evaluation of projects.

2.2.17 Monitoring and Evaluation

2.2.17.1 Monitoring

NLCPR Guidelines prescribed the following measures for monitoring and evaluation of projects sanctioned under NLCPR scheme at State Level:

- Project-wise progress of implementation was to be reported by the State in prescribed Quarterly Progress Reports (QPRs), which should reach the Ministry within 3 weeks after the end of the quarter under report.
- The Chief Secretary of the State should hold quarterly meetings to review the progress of implementation of ongoing projects under NLCPR and make available summary records of such meetings to the Ministry.
- The State Government should also conduct periodical inspection of projects.

It was noticed that these measures were not adequately followed by the State Government:

- ➢ Test-check revealed delays ranging from 1 to 12 months in sending of QPRs. The State government prepared UCs and Progress Reports on the basis of funds released, without feedback from the executing agencies.
- ➢ No Quarterly Meetings were held by the Chief Secretary to review the progress of implementation of ongoing projects under NLCPR.
- ➢ Test-checked projects were never inspected, as no documentary evidence in this regard could be furnished.

It was evident that monitoring at the State Government level was weak and ineffective. This aspect assumes greater importance, given the slow progress in execution and serious delays in implementation of projects.

In exit conference (04 December 2014) the State Government admitted that there was no Monitoring Mechanism for NLCPR Projects and agreed that there should be a Third Party Monitoring.

2.2.17.2 Evaluation

The scheme envisaged creation of assets for improvement of infrastructure, which included construction of roads and bridges, having direct impacts on the day to day life of the people of the State. Hence, it is desirable to conduct a post implementation study to ascertain the efficiency and effectiveness of operation of such infrastructure and to measure its impact on the targeted population/beneficiaries.

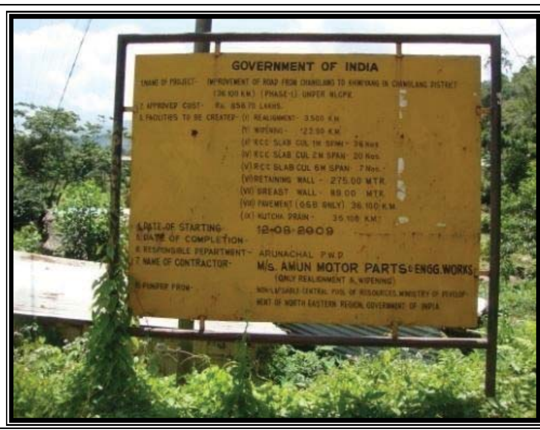
However, no evaluation study on utilization and impact of NLCPR/NEC projects was conducted either by the State Government or the MoDoNER/NEC till September 2013.

In May 2013, the NEC Secretariat intimated the State Government about the entrustment of M/s Webcon Consulting (India) Limited, Kolkata, to undertake evaluation studies of some projects implemented under NEC.

2.2.17.3 Transparency, Information and Publicity about projects

After approval of a project by the Ministry of DoNER, the State Government was required to put up display boards at the project site indicating the date of sanction of project, duration, due date of completion, estimated cost, source of funding, name of contractor and physical targets to be achieved. All schemes/projects supported from the Central Pool were to be given wide publicity in the local media. Even after completion of the projects, the State Government was required to put a permanent display on sites. However, it was noticed in audit that out of 27 reviewed projects, the above the guidelines were adhered to in only three projects.

This indicated that the implementing and nodal departments had not ensured adequate dissemination of information to the general public and also failed to ensure transparency, as envisaged in the guidelines.



Display Board on Changlang to Khimiyang Road in Changlang District and Magopam to Bichom Road (Phase-I) in West Kameng District

Accepting the audit finding, in exit conference (04 December 2014), the State Government assured that proper steps would be taken as per guidelines of the scheme.

2.2.18 Conclusion and Recommendations

2.2.18.1 Conclusion

The success of projects funded through NLCPR/NEC essentially depended on effective implementation of project activities, regular monitoring and efficient financial management. There were inadequacies in all these three key aspects, as brought out in this report.

The execution of projects under NLCPR/NEC was not satisfactory, given that only 11 out of a total of 85 sanctioned projects (as of March 2013) were actually completed by March 2013. Most projects were seriously delayed. Major hurdles in timely completion of projects were lack of adequate planning, delays in transmission of funds through the chain to the executing agencies and non-release of State Share on time. Delays in transmission of funds led to time and cost overruns. There were instances of diversion of funds by executing agencies to other works not related to NLCPR projects and irregular expenditure on unapproved items in violation of the Guidelines.

2.2.18.2 Recommendations

- The Planning process should be strengthened and accountability should be enforced for arbitrary or unexplained deviations.
- Suitable provision of funds for survey/investigation and preparation of DPRs prior to sanction of projects should be made. Further, a shelf of projects for five years should also be prepared for ensuring better planning.
- The State Government should ensure preparation of Detailed Project Reports (DPRs) with authenticated inputs and ensure strict compliance to all pre-requisites, especially land acquisition, clearance from different Departments and timely submission to the concerned authorities for sanction.
- The State Government needs to streamline and simplify existing procedures to ensure timely transmission of funds to the executing agencies. There should be effective co-ordination between the concerned departments for timely release of funds to ensure timely completion of projects and avoid time/cost overruns.
- State Share of matching funds should be released component-wise to facilitate proper implementation of planned projects.
- Government Orders and codal provisions relating to the tendering process should be strictly adhered to. For execution of works, a Contract Agreement with suitable terms and conditions should be entered into to safeguard the interest of the Government.

- Monitoring and supervision of projects should be strengthened at all levels to ensure that projects move in the planned direction at the desired speed. Submission of Reports of Third Party Monitor along with the UC for release of subsequent instalments for projects should be made mandatory.

- Wide publicity must be given by the State Government to the projects executed under NLCPR/NEC to enhance transparency and awareness about such projects.

- Timely impact studies/surveys must be undertaken especially with reference to achievement of outcomes.

COMPLIANCE AUDIT PARAGRAPH

Department of Science & Technology

2.3 Loss of revenue due to non-commercial exploitation of Mini Hydro Power Projects

Two mini hydro projects constructed at cost of ₹5.83 crore were not commercially exploited even after over two to three years of their completion as the agency or the department responsible for their operation was not identified. As a result, the State Government was deprived of revenue of ₹2.63 crore, besides, depriving social benefit to villagers in remote and hilly area.

Micro/Mini/Small (MMS) Hydro Power projects have received great deal of attention from many point of view, first, as a sizable and easily utilisable source of renewable energy and second, for providing electricity to the under developed areas through moderate investment. In Arunachal Pradesh, the potential of Micro/Mini/Small (MMS) Hydro Power schemes has been identified to be over 560 MW in its different river basins. The Arunachal Pradesh State Council for Science and Technology (hereafter the Council) was established with one of the main objectives 'to indicate optimum development of untapped new and renewable sources of energy in the State by application of contemporary scientific research and technology'. The Council was the Nodal Agency for identification and preparation of detailed project reports for MMS hydro projects.

During test-check (January 2012) of accounts of the Director-cum-Member Secretary of the Council, it was noticed that based on the detailed project report submitted by the Council, Ministry of Science and Technology, Government of India (GoI) in March 2008 sanctioned two Mini Hydel Projects with total installed capacity 500 KW at a total estimated cost of ₹ 5.69 crore as detailed below.

Sl. No.	Project	Installed Capacity	Date of Sanction	Sanctioned cost (₹ in crore)	Schedule Date of Completion
1	Sakthang Rong Mini Hydel Project	300 Kw (3 x 100 Kw)	14 March 2008	3.27 crore	March 2010
2	Thongleng Rong Mini Hydel Projectc	200 Kw (2 x 100 Kw)	24 March 2008	2.42 crore	March 2010

The projects were intended to supply stable power to villages in remote/hilly areas for economic activities and development. The DPRs projected economic viability, deriving annual net revenue of ₹ 1.10[2] crore on power generated from the projects.

2

The project was executed by private contractors on turnkey basis. There were delays in commencement of work in respect of both the projects and as a result, the completion of the project got delayed as detailed in the following table. The total cost of completion of both the projects was ₹ 5.83 crore,

Sl. No.	Project	Date of Commencement	Date of Completion	Delay in Completion	Cost of Completion (₹ in crore)
1	Sakthang Rong Mini Hydel Project	April 2009	November 2011	One year and eight months	3.27
2	Thongleng Rong Mini Hydel Projectc	March 2009	November 2010	Eight months	2.56

Further, scrutiny revealed that after completion of the projects the Council did not transfer the responsibility of operation of the plants and generation of electricity to any department of the State Government or other agencies for commercial exploitation and the investment made on the project remained idle (November 2013).

The Director-cum-Secretary of the Council stated (November 2013) that the two demo-based projects were research oriented. After having been in trial, the State Government accorded approval (October 2013) for handing over to the Power Department. It was further added that the field division of the Power Department has been requested to takeover at earliest possible time.

The reply of the Council that the projects were research-oriented is not tenable as the proposal based on which the project was sanctioned had projected earning of revenue from the first year of completion of the projects. The council should have impressed upon the State Government to take over the project soon after the completion of trial period. Thus, as a result of delay in completion/handing over of these projects and failure of State Government to designate the agency to take over the project for commercial exploitation immediately after the completion of trails, the State Government was deprived of revenue on generation of power amounting to ₹ 2.63 crore (Thongleng Rong @ ₹ 42.76 lakh per year for 3 years: ₹ 128.28 crore and Sakthang Rong @ ₹ 67.26 lakh per year for 2 years: ₹ 134.52 crore). Besides, villages in remote/hilly areas were also deprived of the socio-economic benefit of the plants.

The matter was reported to the Government in December 2013; reply is still awaited.

Project	At 90% Load Factor Annual Power Generation (in million units)	Gross Revenue (₹in lakh)	Operation & Maintenance Cost (₹ in lakh)	Net Annual Revenue (₹ in lakh)
Thongleng Rong	1.58	55.30	12.54	42.76
Sakthang Rong	2.37	82.95	15.69	67.26
TOTAL	**4.05**	**138.35**	**28.23**	**110.02**

Public Works Department

2.4 Missing Stock

Due to non-compliance to provisions of General Financial Rules in respect of Inventory Management and Control, materials valued at ₹ 4.16 crore were unaccounted for.

Under Rules 187 (3) and 192(2) of the General Financial Rules (applicable in the State of Arunachal Pradesh), the officer-in charge of stores is responsible for overseeing proper maintenance of stock account and to carry out physical verification of stock at least once in a year and record discrepancies, if any, in the Stock Register for appropriate action by the competent authority. Further, Rule 195 of the General Financial Rules provides that "In case of transfer of Officer-in-charge of the goods, materials etc., the transferred officer shall see that the goods or material are made over correctly to his successor. A statement giving all relevant details of the goods, materials etc., in question shall be prepared and signed with date by the relieving officer and the relieved officer."

Public Works Department (PWD), Government of Arunachal Pradesh, in October 2003, ordered shifting of Banderdewa Stores Division to Jang (Tawang District) and renamed it as PWD Jang Division. The post of Executive Engineer (EE) and ministerial staff attached to office were also shifted. However, Banderdewa Stores Sub-Division, with staff and materials was transferred under the control of the PWD Naharlagun Division. The new PWD Jang Division started functioning from 1st November 2003.

Test check (November 2012) of the monthly accounts of the Executive Engineer, PWD Jang Division for October 2012 revealed that there was a balance stock of materials, valuing ₹ 4.16 crore, since October 2003. However, in the Stock Accounts attached to the monthly accounts, it was recorded that the store (materials) was transferred to the Executive Engineer, PWD Naharlagun Division. The stock valuing ₹ 4.16 crore reflected in the monthly accounts of EE PWD Jang Division was not physical held at the Jang PW Division, but was actually transferred to the Naharlagun PWD Division as a part of arrangement ordered in October 2003.

Further, during the consecutive audits of Executive Engineer, PWD, Naharlagun Division it was noticed that the stock transferred as part of arrangement as per the order of October 2003 of Public Works Department (PWD), Government of Arunachal Pradesh, was not accounted for during these years. While providing information to audit regarding the maintenance of accounts, Executive Engineer, PWD, Naharlagun Division during successive audits stated that as no material was available in the departmental store; hence, the question of physical verification of stores does not arise.

Thus, there was total lack of internal control exercise as stipulated in the General Financial Rules during the process of transferring Banderdewa Stores Sub-Division with staff and materials under the control of the PWD Naharlagun Division as a part of new arrangement ordered in October 2003 and during subsequent years. As a result, the materials valued at ₹ 4.16 crore held by Banderdewa Stores Sub-Division before the new arrangement was ordered remained unaccounted for all these years and possibility of the entire stock missing cannot be ruled out. The matter needs thorough investigation so that the officials responsible for such irregularity may be brought to books for dereliction of the duty.

The matter was reported to the Government in December 2013; reply is still awaited.

2.5 Unfruitful Expenditure on incomplete RCC Bridge

Failure of the Department to complete construction of a bridge due to commencement of work on defective design and drawing, rendered expenditure of ₹ 4.34 crore unfruitful. Expenditure of ₹ 42.89 lakh deviating from the sanctioned estimate, inadmissible expenditure of ₹ 29.74 lakh, and undue financial aid of ₹ 17.78 lakh were also noticed.

The Ministry of Road Transport & Highways Government of India (GoI), accorded administrative approval (March 2003) for the work *'Construction of PSC Grinder and RCC Slab Composite Bridge over River Buri-Dihing (Span: 120 mtr)'* for execution under Central Road Fund (CRF) Scheme at an estimated cost of ₹ 3.34 crore with the stipulation that the technical and financial sanction should be accorded within a period of four months from the date of administrative approval (by July 2003) and work be awarded within one month of the technical sanction (by August 2003) and completed within three years (by 2005-06) to avoid time and cost overrun. The State Government accorded technical sanction for ₹ 3.34 crore in July 2003. Components of the detailed estimate included:

(i)	construction of: sub-structure and super structure :	₹ 243.50 lakh;
(ii)	Approach Road - 563 m	₹ 23.45 lakh;
(iii)	River Training Work :	₹ 30.43 lakh;
(iv)	RCC Counter Fort Wing Wall	₹ 16.60 lakh;
Consultancy Services :		₹ 2.43 lakh;
Quality Control, Work Charge Establishment and Contingencies		₹ 9.93 lakh.

Scrutiny of records (May-June 2013) of the Executive Engineer, Pubic Works Division, Jairampur revealed that:

- The Department could award the work on item rate basis to a contractor (M/s Lohit Enterprises, Wakro) only in April 2005, after a delay of 20 months, and that too only for (i) construction of sub-structure & superstructure; (ii) RCC counter fort wing and (iii) Consultancy Services at a tender value of ₹ 296.48 lakh against estimated cost of ₹ 262.52 lakh. The delay in award of work was due to delay in finalization of design and drawing, finalizing tenders and executing the agreement.
- During execution of the work, the design and drawing of the bridge underwent further significant changes increasing quantities of sub-structure (due to increase in depth of well foundation from 6 to 16 metre), and addition of a new component, *'Construction of Wing Wall,'* causing delay in progress of work. *This indicated that the estimate was prepared without proper design and drawing.*
- The work was stopped in March 2009 after the entire funds (₹ 3.34 crore) released under CRF were exhausted.
- After about 4 years of stoppage of the work, the State Government accorded in (February 2013) another administrative approval and expenditure sanction for ₹ one crore for *'construction of balance work (super structure 2nd and 3rd Span and remaining work of sub-structure)'* under Special Fund Assistance (SPA) against the Division's estimate of ₹ 3.79 crore.
- According to the Status/Progress Report for March 2013, construction of only the sub-structure and first span (40 m) of the bridge was completed. The entire fund of ₹ 4.34 crore sanctioned (₹ 3.34 crore under CRF and ₹ 1 crore under SPA) has been spent on the execution of work completed so far.
- Analysis of expenditure booked against the work disclosed that there was net excess deviation of expenditure of ₹ 42.89 lakh from the sanctioned estimate in construction of sub-structure as indicated below:
  i) execution of excess quantity for five items : ₹ 37.85 lakh;
  ii) substitutes/extra items : ₹ 38.81 lakh; and
  iii) short execution of five items : ₹ 33.77 lakh.
- Further, an expenditure of ₹ 29.74 lakh was incurred on following inadmissible items
  i) Repair of Vehicles : ₹19.76 lakh;
  ii) Slip Clearance : ₹ 5.98 lakh; and
  iii) Hire Charges of Bulldozers : ₹ 4 lakh.
- Besides, undue financial benefit of ₹ 17.78 lakh was extended to the contractor due to (i) non-realisation of Mobilisation Advance: ₹ 7.40 lakh and (ii) Non-levy of interest: ₹ 10.38 lakh.

During joint physical verification on 2nd June 2013 with Departmental officials, it was noticed that construction work of the 2nd Span (40 m) had just started, while 3 major components of the bridge at original estimated cost of ₹ 70.48 lakh (*RCC Counter Fort Wing Wall: ₹16.60 lakh; River Training Work¨₹ 30.43 lakh and Construction of Approach Road - 563 m; ₹23.45 lakh)* had not been taken up for execution so far. The following photograph indicates the status of construction.

Status of construction during joint physical verification on 2nd June 2013

So far the Department has not submitted the revised proposal for incomplete portion of work. Further, the State Government has also not made any efforts to identify the source from which the additional funds that would be required for completion of the balance work would be augmented, so that the bridge could be made operational.

Thus, lapses/shortcomings at different points viz., (i) initially delay in the commencement of work due to delay in finalisation of design and drawing and finalizing tenders, (ii) change in design and drawing during execution of work due to defects in initial design causing increase in quantities of some items of work, (iii) delay in the execution of work and (iv) delay in augmenting enough additional finances to cater to the increase in cost of construction due to time overrun, led to the project remaining incomplete even after a delay of more than seven years of the stipulated date of completion The possibility for completion of the bridge within a reasonable time frame is remote in view of the past experience as brought out above.

The matter was reported to the Government in December 2013; reply is still awaited.

2.6 Blocking of funds due to purchase of materials in excess of requirement

Due to purchase of material without immediate requirement, fund of ₹4.26 crore was blocked on non-moving/slow moving materials. Also, materials valued at ₹0.58 crore remained unaccounted.

Rule 137 of the General Financial Rules 2005 (applicable in Arunachal Pradesh) stipulates that 'Every authority delegated with the financial powers of procuring goods in public interest shall have the responsibility and accountability to bring efficiency, economy, transparency in matters relating to public procurement and care should also be taken to avoid purchasing quantities in excess of requirement to avoid inventory carrying costs'. Further Rule 187 (3) and 192 (2) of the General Financial Rules 2005 also provide that details of the material received should be entered in the appropriate stock register and a physical verification of all the goods and materials should be undertaken at least once in a year and discrepancies, if any, should be recorded in the stock register for appropriate action by the competent authority.

Scrutiny (November 2012) of records of the Executive Engineer, Jang Public Works Division revealed that against sanction of ₹ 4.78 crore (March 2009) under Special Plan Assistance (SPA), the Division between July 2009 and August 2010 incurred an expenditure of ₹ 4.61 crore on procurement of different sizes of wire ropes, 'U' bolts, R.S. Joists, Angles, and Channels. Various items valued at ₹ 3.35 crore were purchased from M/S B.B. Steel and Corporation, Naharlagun. Further, items valuing ₹ 1.05 crore were procured from local suppliers. An amount of ₹ 0.18 crore was incurred as carriage charges. These materials were to be utilised for construction of seven emergency Suspension Bridges in remote areas.

Scrutiny of the Materials at Site (MAS) accounts revealed that during the three years period from July 2009 to October 2012, items worth only ₹ 0.35 crore (7.59 *percent)* were issued to the different sites for utilisation and the remaining stock valued ₹ 4.26 crore remained unused. Thus, due to purchase of material without immediate requirement, an amount of ₹ 4.26 crore spent on procurement of non-moving/slow-moving items, remained blocked.

Annual physical verification of stock was not carried out and prescribed returns were not prepared. Therefore, physical status of the stock could not be vouchsafed. Further, information regarding physical progress of the bridge works and utilisation of materials requested by Audit (January 2014) was awaited.

Further, during test check of vouchers it was also noticed that material valuing ₹ 0.58 crore purchased from local suppliers were not accounted for in the MAS Accounts as stipulated under the Rules. As such, the authenticity of receipt of the material procured of remains doubtful. The matter needs investigation.

The matter was reported to the Government in January 2014; reply is still awaited.

2.7 Undue benefit to contractors due to non-realisation of interest on mobilisation advance

Undue benefit of ₹1.33 crore was extended to contractors due to non-realisation of interest on Mobilisation Advance and loss of revenue to the Government to that extent.

Section 31.5 of the CPWD Works Manual provides that "In respect of certain specialized and capital-intensive works with estimate cost put to tender ₹ 2.00 crore and above, provision of mobilisation advance may be kept in the tender documents. It further stipulates that the mobilisation advance limited to 10 *per cent* of tendered amount at 10 *per cent* simple interest can be sanctioned to the contractors on specific request as per terms of the contract.

Scrutiny of records of two Public Works Divisions (Yingkiong in June 2013 and Roing in November 2013) revealed that the provision for levy of interest on mobilisation advance was not kept in the contract documents in respect of two works executed by the division. Due to this, recovery of interest on the mobilisation advance could not be enforced on the contractors as detailed in the following table.

Work	Tender value *(₹in crore)*	Contractor	Mobilisation Advance		Amount of interest not realised *(₹in lakh)*[3]	Remarks
			Amount released *(₹in lakh)*	Date		
Roing Division						
Construction of permanent bridge over Sisiri (270) on Dambuk Palgam Road	11.87	M/s Soma Sorda - JV Hyderabad	160.84	28.03.2009	117.76	Entire amount of mobilisation advance recovered commencing from May 2012 and completed in December 2012.
Work	**Tender**	**Contractor**	**Mobilisation Advance**		**Amount of**	**Remarks**

[3] *Worked out @ 10 % simple interest for the period mobilisation advance remained outstanding.*

	value (₹in crore)		Amount released (₹in lakh)	Date	interest not realised (₹in lakh)[4]	
Yingkion Division						
Construction of Steel Suspension Bridge over River Siang and Approach Road at Kodak near Tuting	10.17	M/s GPT Intra Projects Ltd., Kolkata	101.72	15.12.2011	15.52[5]	As of March 2013. ₹ 22.97 lakh has been recovered (₹ 11.89 lakh in October 2012 and ₹ 11.08 lakh in February 2013) Balance of ₹ 78.75 lakh awaiting recovery (June 2013).
	TOTAL				**133.28**	

As can be seen from the above table, sanction of mobilisation advance to the contractor without inserting clause in the contract document for levy of interest was in violation of codal provisions. This resulted in extension of undue financial benefit of ₹ 1.33 crore to the contractors. Besides, non-levy of interest on mobilisation advance also led to the loss of revenue to the Government to that extent.

The matter was reported to the Government in February 2014; reply is still awaited.

Horticulture Department

2.8 Doubtful Utilisation of Government Assistance

In absence of any audit trail to substantiate creation of horticulture gardens and raising of crops, utilisation of Government assistance of ₹1.03 crore was doubtful.

Department of Agriculture & Cooperation, Ministry of Agriculture, Government of India is implementing a Centrally Sponsored Scheme '*Horticulture Mission for North East and Himalayan States'* (the Mission) for overall development of Horticulture. One of the objectives of the Mission is to improve the production and productivity of horticulture crops by harnessing the potential of the region. The Mission envisages plantation development programmes through addition of new areas under improved and recommended varieties, to meet current market demand. This was to be achieved through *Area Expansion* by coverage of large areas including the cost of planting material, etc. under improved varieties of horticultural crops. The assistance for bringing new areas under horticultural cultivation depends upon nature of crop.

[4] *Worked out @ 10 % simple interest for the period mobilisation advance remained outstanding.*

[5] *Interest calculated on recovered amount of ₹ 22.97 lakh (out of mobilisation advance of ₹ 101.72 lakh)*

The State Government accorded (February 2011 and March 2012) two administrative approvals and expenditure sanctions totalling to ₹ 4 crore (₹ 2 crore in each sanction) to 17 District Horticultural Officers (DHOs) for implementation of *'Area Expansion'*. The amount was meant as assistance (50 *per cent* of unit cost) to the beneficiaries for creation of horticultural gardens (one hectare per beneficiary) and raising of crops. The beneficiary had to contribute 50 per cent of unit cost towards labour charges (land preparation, erection of fencing, plantation of seeds/grafts, etc.) and locally available materials. The assistance was to be provided in the shape of inputs (barbed wire fencing, pesticides manure, seeds/grafts, etc.) procured by DHOs.

Records of four DHOs were test-checked in Audit between March 2012 and August 2013. It was noticed that an assistance of ₹ 1.03 crore was given to 157 beneficiary units by these four DHOs as shown below:

DHO	Crops	No. of Beneficiary Units	Assistance Amount *(₹ in lakh)*
Tezu, Lohit	Orange	30	17.80
	Litchi	16	8.00
Yupia, Papumpare	Banana	20	10.00
	Orange	8	5.12
	Pineapple	5	7.10
Changlang	Orange	35	19.60
	Banana	10	5.00
Ziro, Lower Subansiri	Orange	10	5.00
	Large Cardamom	13	7.65
	Kiwi	10	17.60
TOTAL		**157**	**102.87**

Scrutiny of the records revealed that the necessary documents for substantiating actual distribution/utilisation of inputs, creation of gardens, raising of crops and yield of crops were not maintained by any of the test-checked DHOs. Further, data on increase in area and productivity attributable to gardens claimed to have been created with the help of assistance, which was required to be maintained according to the guidelines of the Mission implemented in the State was also not made available.

As such, utilization of inputs valued at ₹ 1.03 crore claimed to have been provided to the beneficiaries could not be vouchsafed in Audit. Thus, in the absence of any audit trail to substantiate the claimed distribution and utilization of inputs, the utilization of the government assistance to the tune of ₹ 1.03 crore under the programme remained doubtful.

In response, the DHOs of Lohit (November 2012) and Changlang (January 2013) Districts admitted the fact of non-maintenance of proper records, but without submitting any documented evidence in support, contended that inputs issued to the beneficiaries (selected by PRI members) along with their prescribed contribution were found to have been utilized during field visits and inspections by District office functionaries. The reply is not tenable because the respective DHOs were not able to produce any Inspection Reports in support of their claim. The DHO, Changlang District, also admitted that data on survival and progress of the programme was occasionally sent to the Directorate. Replies of the DHOs Papumpare and Lower Subansiri Districts were awaited (January 2014).

The matter was reported to the Government in February 2014; reply is still awaited.

Agriculture Department

2.9 Excess Expenditure on Seed Management

Due to lapses in implementation of Seed Management component of Macro Management of Agriculture, a centrally sponsored scheme, there was excess expenditure of ₹30.80 lakh. As a result, coverage in terms of beneficiaries and area was severely compromised. Besides, seed treatment component for which ₹19.13 lakh was sanctioned, was not at all implemented.

The Macro Management of Agriculture (MMA) Scheme is one of the Centrally Sponsored Schemes being implemented by the Department of Agriculture & Cooperation, Ministry of Agriculture, Government of India formulated with the objective to ensure that central assistance is spent on focused and specific interventions for the development of agriculture in the states. It became operational in 2000-01 in all states and UTs. The MMA scheme comprised number of components or sub-schemes, focusing on rice, wheat, coarse cereals, sugarcane, soil health, nutrient and pest management, farm mechanization and watershed development. Under the Scheme, financial assistance is provided for purchase of breeder seed, production of foundation seed, production and distribution of certified seed, distribution of seed minikits, distribution of plant protection chemicals, plant protection equipments, etc. to encourage farmers to grow these crops. The maximum permissible assistance to be provided to a farmer under different components of the scheme for different types of crops has been fixed.

During 2011-12, the Government of Arunachal Pradesh sanctioned ₹ 622.50 lakh (December 2011: ₹ 285 lakh; and March 2012: ₹ 260.17 lakh), out of which ₹ 260.17 lakh was provided for *'Seed Management'* component for distribution of certified/ high yield variety seeds (₹ 230.17 lakh) and seed treatment (₹ 30 lakh) as assistance to farmers of the 16 Districts of the State.

The records relating to implementation of the *'Seed Management'* by District Agricultural Officers (DAOs) of four districts (East Siang, Lower Subansiri, Papumpare and Lohit) were scrutinised (February/March 2013) in Audit. It was noticed that a total amount of ₹ 83.55 lakh was sanctioned to these four districts (Seed Assistance: ₹ 64.42 lakh; and Seed Treatment: ₹ 19.13 lakh).

Further, as noticed in audit, the details of different varieties of seeds procured by DAOs of three Districts (East Siang, Lower Subansiri, and Lohit) from local suppliers are indicated in the following table.

Variety of crop	Approved		Actual		Difference in Rate (₹)	Excess Expenditure (*₹ in lakh*)	Shortfall in Procurement (quintal)
	Rate (₹)	Quantity (quintal)	Rate (₹)	Quantity (quintal)			
DAO Pasighat, East Siang District							
Maize	800	425	13700	28.40	12900	3.65	396.60
Paddy	500	1200	2200 to 2990	249.48	1700 to 2490	4.74	950.52
Pea	1200	100	4000	10.00	2800	0.28	90.00
Mustard	1200	100	5000	18.00	3800	0.68	82.00
Black Gram	1200	50	4000 to 11050	30.45	2800 to 9850	0.88	19.55
Total		**1875**		**336.33**		**10.23**	**1538.67**
DAO Ziro, Lower Subansiri District							
Paddy	500	1000	2990	167.23	2490	4.16	832.77
Maize	800	200	8450	18.94	7650	1.45	181.07
Soya Bean	1200	500	6158	9.75	4958	0.48	40.25
Arhar	1200	25	12220	2.46	11020	0.27	22.54
Total		**1725**		**198.38**		**6.36**	**1076.63**
DAO Tezu, Lohit District							
Paddy	500	1500	800 to 17500	442.10	300 to 17000	5.29	1057.90
Maize	800	400	11000 to 11700	28.20	10200 to 10900	2.97	371.80
Soya Bean	1200	110	6158	21.44	4958	1.06	88.56
Arhar	1200	25	15000	2.00	13800	0.28	23.00
Mustard	1200	200	7540	31.80	6340	2.02	168.20
Black Gram	1200	100	11050	10.85	9850	1.07	89.15
Peas	1200	150	6598.00	27.28	5398	1.47	122.72
Total		**2485**		**563.67**		**14.16**	**1921.33**
G. Total		**5635**		**1098.38**		**30.80**	**4536.63**

As could be seen from the above table, in the three districts (viz., East Siang, Lower Subansiri and Lohit), the actual procurement rate of seeds of different varieties of crop was exorbitantly higher than the approved rates for the respective variety of seeds.

Further analysis of the above table reveals the following:

- The procurement cost of Paddy seed (which constituted about 78.59 *per cent* (858.81 quintals) of total quantity of seeds procured in three districts was 1.60 to 5.98 times the approved rate in most of the cases and in one instance the cost of procurement was as high as 35 times the approved cost.
- The procurement cost of Maize seed (which constituted about 6.88 *per cent* of total quantity of seeds procured in three districts) was 10.56 to 17.13 times the approved cost across the three districts.
- Likewise, the procurement cost of Mustard was 4.17 to 6.28 times, Black gram 3.33 to 9.21 times, Peas 3.33 to 5.50 times, Soya bean 5.13 times and Arhar was 10.18 to 12.50 times the approved cost of procurement of seeds for the respective variety of the crop, across these districts

Thus, procurement of seeds of different variety of crops at rates much in excess of the approved rates resulted in excess expenditure of ₹ 30.80 lakh as indicated in the above table. The procurement of seeds at exorbitant cost has to be viewed in light of the fact that DAO, Papum Pare District had purchased the seeds at the approved cost as brought out in succeeding paragraph.

Further, as a result of procurement of seeds by the DAOs of three districts at exorbitant rates, only 1098.38 quintals of seeds (19.50 *per cent*) could actually be procured against the total approved quantity of 5635 quintals of seeds for three districts.

Though the DAO, Papum Pare District, did not procure seeds at higher rates, only 957.13 quintals for different types of seeds were procured against the approved quantity of 3585.50 quintals. The expenditure incurred on procurement was only ₹ 6.47 lakh against the sanctioned amount of ₹ 23.40 lakh as indicated in the following table:

Variety of crop	Approved		Actual		Shortfall in Procurement (quintal)	Expenditure on procurement (₹ in lakh)
	Rate (₹)	Quantity (quintal)	Rate (₹)	Quantity (quintal)		
Maize	800	535.50	750	300.00	235.50	2.25
Mustard	1200	200	1200	100.00	100.00	1.20
Black Gram	1200	100	1201	33.30	66.70	0.40
Peas	1200	150			150.00	
Paddy	500	2500	500	523.83	1976.17	2.62
Soya Bean	1200	100	-	-	50.00	
Total		**3585.50**		**957.13**	**2578.37**	**6.47**

Thus, the coverage of farmers provided with the assistance through distribution of high yield variety seeds was limited to that extent.

It was further noticed that DAOs, Papum Pare and Lohit Districts did not implement the Seed Treatment Programme though ₹ 19.13 lakh was sanctioned for the purpose.

To sum up, the centrally sponsored scheme, *'Macro Management of Agriculture'* was not managed properly resulting in non-achievement of target in all the four test-checked districts. DAOs of three districts viz., East Siang, Lower Subansiri, and Lohit procured seeds at exorbitantly higher rates resulting in excess expenditure of ₹ 30.80 lakh and the matter needs investigation. Besides, the coverage in terms of beneficiaries and area was severely compromised thereby negating the objective of increase in production and productivity in the State. Besides,

In reply (July 2013), the DAO, East Siang, stated that the purchase of seeds was as per requirement of a farming community for a particular variety of seed, the cost of which was higher. Disbursement of assistance was also not easy, as farmers were reluctant to incur travel expenses to collect the amount from the DAO. Replies from the other three DAOs are still awaited.

The matter was reported to the Government in January 2014; reply is still awaited.

CHAPTER - III
REVENUE SECTOR

CHAPTER III: REVENUE SECTOR

3.1 GENERAL

3.1.1 Trend of Revenue Receipt

The tax and non-tax revenue raised by the Government of Arunachal Pradesh during the year 2012-13, the State share of net proceeds of divisible Union taxes and duties assigned to the State and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

Table - 3.1.1

(₹in crore)

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	**Revenue raised by the State Government**					
	• Tax Revenue	136.22	173.44	214.99	317.65	316.50
	• Non-Tax Revenue	772.01	511.25	530.14	360.71	284.22
	TOTAL	**908.23**	**684.69**	**745.13**	**678.36**	**600.72**
	Percentage of increase over previous year	**-**	***(-) 24.61***	***8.83***	***(-) 8.96***	***(-) 11.45***
2.	**Receipts from Government of India**					
	• Share of net proceeds of divisible Union Taxes and Duties	462.09	475.40	720.18	838.97	957.93
	• Grants-in-aid	2485.64	3134.78	3956.78	3981.73	4202.87
	TOTAL	**2947.73**	**3610.18**	**4676.96**	**4820.70**	**5160.80**
3.	Total Receipts of the State Government (1 and 2)	3855.96	4294.87	5422.09	5499.06	5761.52
4.	***Percentage of 1 to 3***	***23.55***	***15.94***	***13.74***	***12.34***	***10.43***

Source: Finance Accounts

Thus, there was negative growth of revenue of 11.45 *per cent* in 2011-12. The negative growth of revenue was mainly due to less receipts under Non-Tax Revenue. Further, during 2012-13, revenue raised by the State Government (₹ 600.72 crore) was 10.43 *per cent* of the total receipts against 12.34 *per cent* in the preceding year. The balance 89.57 *per cent* of receipts in 2012-13 was from the Government of India.

Recommendation: The decrease in percentage of revenue raised by the State Government vis-à-vis total receipts in 2012-13 over 2011-12, needs to be looked into by the Government.

3.1.2 Details of Tax Revenue

Details of tax revenue raised from 2008-09 to 2012-13 are mentioned in Table 3.2 below :

Table-3.1.2

(₹in crore)

Sl. No.	Head of Revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+) /decrease(-) in 2012-13 over 2011-12
1.	***Tax on Sales Trade etc.***	105.67	130.23	168.24	216.36	161.62	*(-) 25.30*
2.	***State Excise***	16.60	23.79	29.74	37.63	49.11	*(+) 30.51*
3.	***Stamp Duty and Registration Fees***						
	Stamps – Judicial ***Stamps – Non-Judicial*** ***Registration Fees***	1.25	1.88	1.86	2.24	3.05	*(+) 36.16*
4.	***Taxes & Duties on Electricity***	-	-	-	-	-	-
5.	***Taxes on Vehicles***	7.76	13.07	11.76	12.41	13.38	*(+) 7.82*
6.	***Land Revenue***	4.90	4.43	3.37	3.85	4.70	*(+) 22.08*
7.	***Others***	0.04	0.04	0.02	45.16	84.64	*(+) 87.42*
TOTAL		**136.22**	**173.44**	**214.99**	**317.65**	**316.50**	***(-)0. 36***

Source: Finance Accounts

Reasons for variations were neither stated nor were on record.

3.1.3 Details of Non-Tax Revenue

Details of non-tax revenue raised during the period 2008-09 to 2012-13 are mentioned in Table 5.3:

Table - 3.1.3

(₹in crore)

Sl. No.	Head of Revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+) /decrease(-) in 2012-13 over 2011-12
1.	Interest Receipts	34.80	40.02	111.35	48.71	40.32	*(-) 17.22*
2.	Dairy Development	0.03	0.02	0.02	0.04	0.02	*(-) 50*
3.	Other Non-tax Revenue	42.75	51.30	69.11	35.44	42.27	*(+) 19.27*
4.	Forestry & Wildlife	12.50	9.99	12.22	36.76	7.49	*(-) 79.62*
5.	Mining Receipts Non-Ferrous Mining & Metallurgical Industries	42.95	57.56	37.27	74.91	54.23	*(-) 27.61*
6.	Misc. General Services (incl. Lotteries)	20.26	11.39	1.62	0.10	0.02	*(-) 80*
7.	Power	609.74	329.27	282.18	145.04	113.07	*(-) 22.04*
8.	Medical & Public Health	0.28	0.23	0.35	0.43	0.49	*(+) 13.95*
9.	Co-operation	1.03	0.73	0.70	0.77	0.24	*(-) 68.83*
10.	Public Works	2.56	4.28	3.02	9.00	16.17	*(+) 79.67*
11.	Police	1.97	1.13	3.12	2.82	2.32	*(-) 17.73*
12.	Other Administrative Services	3.13	5.33	9.18	6.69	7.58	*(+) 13.30*
Total		**772.00**	**511.25**	**530.14**	**360.71**	**284.22**	**(-) 21.21**

Source: Finance Accounts

Reasons for variations were neither stated nor were on record.

3.1.4 Response of Departments/Government to Audit

On the basis of inspections conducted in various Departments of the State Government by sending audit parties from the office of the Accountant General each year, all irregularities noticed during conduct of audit are discussed on the last day of audit with the Head of Office. Inspection Reports (IRs) incorporating audit findings are issued to the Head of Office with a request to furnish replies within one month from the date of issue of IRs. Audit findings of serious nature are processed into Draft Audit Paragraphs (DAP) and forwarded to the Secretary of the concerned Department requesting acceptance of the facts and figures. Comments of the Department, if any, are to be communicated within six weeks.

The response of the Department/Government towards audit is discussed in succeeding paragraphs.

3.1.5 Failure of Senior Officials to enforce accountability and protect interests of the State Government

The Accountant General, Arunachal Pradesh, conducts periodical inspections of Government Departments to test-check transactions and verify the maintenance of important accounts and other records, as prescribed in the Rules and procedures. Inspections are followed up with Inspection Reports (IRs) incorporating irregularities detected during inspections and not settled on the spot, which are issued to the inspected Heads of Offices with copies to the next higher authorities for taking prompt corrective action. The Heads of Offices/Government are required to promptly look into the observations contained in the IRs, rectify omissions and commissions and report compliance through initial reply to the AG within one month from the date of issue of IRs. Serious financial irregularities are reported to Heads of the Departments and the Government.

A Review of IRs issued up to March 2013 disclosed that 929 audit observations relating to 326 IRs and involving ₹ 432.32 crore remained outstanding at the end of June 2013, as shown below, along with the corresponding figures for the preceding two years.

Table - 3.1.4

	March 2011	March 2012	March 2013
Number of outstanding IRs	338	343	326
Number of outstanding Audit Observations	901	939	929
Amount Involved ***(₹in crore)***	**463.34**	**475.89**	**432.32**

Department-wise details of the IRs and Audit Observations outstanding as on 30 June 2013 and the amount involved are mentioned in Table 3.1.5.

Table - 3.1.5

(₹in crore)

Sl. No	Department	Nature of Receipts	Number of outstanding IRs	Number of outstanding Audit Observations	Money Value Involved
1.	**Finance**	Taxes/VAT on Sales, Trade *etc;.* Entry Tax Electricity Duty Entertainment Tax, Luxury Tax, *etc;.*	74	317	54.71
2.	**Excise**	State Excise	71	130	42.80
3.	**Revenue**	Land Revenue	32	100	103.77
4.	**Transport**	Taxes on Motor Vehicles	46	79	17.57
5.	**Stamps & Registration**	Stamp Duty & Registration Fees	-	-	-
6.	**Geology & Mining**	Non-Ferrous Mining & Metallurgical Industries	14	37	86.04
7.	**Environment & Forests**	Forest & Wildlife	85	253	104.75
8.	**Water Resources**	Water Rates	-	-	-
9.	**State Lotteries**		4	13	22.68
Total			**326**	**929**	**432.32**

Even the first replies required to be received from the Heads of Offices within one month from the date of issue of the IRs were not received for 149 IRs issued up to December 2012. This large pendency of IRs due to non-receipt of replies indicated that Heads of Offices/Departments failed to initiate action to rectify the defects, omissions/ commissions and irregularities pointed out in the IRs.

Recommendation: The Government should take suitable steps to install an effective procedure to ensure prompt and appropriate responses to audit observations. Action may be taken against officials/officers who fail to reply to IRs/Paragraphs as per prescribed time schedules and who do not take action to recover amounts realizable/outstanding demands in a time bound manner.

3.1.6 Departmental Audit Committee Meetings

In order to expedite settlement of outstanding Audit Observations contained in IRs, Departmental Audit Committees are constituted by the Government. These Committees are chaired by the Secretaries and attended by concerned Departmental Officers and officers of the Accountant General.

In order to expedite clearance of outstanding Audit Observations, it is necessary that the Departmental Audit Committees meet regularly. Despite several requests, no Departmental Audit Committee Meeting was held during 2011-12 and 2012-13, showing that Departments failed to take advantage of the existing mechanism.

3.1.7 Response of Departments to Draft Audit Paragraphs

Draft Audit Paragraphs (DAPs) are forwarded to Secretaries of concerned Departments through demi-official letters, drawing their attention to audit findings and requesting them to reply within six weeks. The fact that replies from Departments were not received is invariably indicated at the end of each Paragraph included in the Audit Report.

Eleven DAPs proposed for inclusion in the Report for 2012-13 were forwarded to the Secretaries of respective Departments during May, June, September and December 2013. The Chief Secretary was also requested to arrange for discussions on the issues raised in the DAPs for inclusion of views/comments of the Government in the Audit Report. Despite these efforts, no response was received on the DAPs and consequently, the DAPs had to be included in the Report without responses of the Government.

3.1.8 Follow-up on Audit Reports – Summarized Position

With a view to ensure accountability of the executive in respect of all issues dealt with in various Audit Reports, the Shakhder Committee, appointed to review the response of the State Government to Audit Reports, recommended (March 1993), *inter alia*, that concerned Departments of the State Government should, without waiting for any notice or call from the Public Accounts Committee (PAC), submit *suo moto* replies on all Paragraphs and Performance Audits featured in Audit Reports within three months, and submit Action Taken Notes (ATN) in respect of the recommendations of the PAC within the dates as stipulated by the PAC or within a period of six months, whichever is earlier.

While accepting the recommendation (1996), the Government specified the time-frame of three months for submission of *suo moto* replies by concerned Departments. Up to 51st Report, the PAC specified the time-frame for submission of ATNs on their recommendations as one month.

Reviews of outstanding Explanatory Notes on Paragraphs included in the Report of the Comptroller and Auditor General of India from 1990-91 to 2010-11 revealed that concerned administrative Departments did not comply with these instructions. Outstanding Paras featured in Audit Reports up to 2007-08 were transferred to the State Government for necessary action as per the decision taken in the *'National Seminar on Legislative Audit Interface'* of July 2010. As of November 2012, *suo moto* Explanatory Notes on 47 Paragraphs of the Audit Reports were outstanding.

Review of ten reports of the PAC containing recommendations on 21 Paragraphs in respect of Transport, Forest, Finance and Excise Departments, presented to the Legislature between September 2001 and September 2012, revealed that concerned Departments failed to submit ATNs on the recommendations made by the PAC as mentioned below.

Table - 3.1.6

Year of Audit Report	Paragraph numbers on which recommendations were made by the PAC but ATNs awaited	Number of PAC Reports on which recommendations were made	Date of presentation of the PAC Report to the State Legislature
1986-87	6.4, 6.6, 6.7 & 6.8	49th Report	3rd Mar. 2003
1991-92	6.4, 6.5 & 6.6	44th Report	21st Sep. 2001
1994-95	6.4	44th Report	21st Sep. 2001
1995-96	6.4, 6.5 & 6.6	46th Report	19th Mar. 2002
	6.7, 6.8 & 6.10	48th Report	19th Mar. 2002
1996-97	6.7	46th Report	19th Mar. 2002
1997-98	6.3, 6.5 (i) & (ii)	51st Report	21st Mar. 2006
1998-99	6.3.6 (a) & 6.5	51st Report	21st Mar. 2006
1996-97	6.9	60th Report	27th Sep. 2012
2000-01	6.11	60th Report	27th Sep. 2012

Due to failure of Departments to comply with instructions of the PAC, the objective of ensuring accountability remained unfulfilled.

Recommendation: The Government may consider taking effective steps against defaulting Departments, including fixing responsibility, to ensure accountability of the executive.

3.1.9 Position of Audit Paragraphs raised by Audit

The following Table shows the position of Paragraphs included in the *'Revenue Receipts'* Chapter of Audit Reports relating to the Government of Arunachal Pradesh for the last five years in respect of the **Geology & Mining Department**:

Table - 3.1.7

(₹in crore)

Sl. No.	Year of Audit Report	Para No.	Caption of the Paragraph	Amount
1.	2007-08	6.11	Non-levy of Additional Royalty	37.42
2.	2007-08	6.12	Short-realization of Royalty	15.46
3.	2007-08	6.13	Short-realization of Royalty on Boulders	0.11
4.	2008-09	4.5	Short-realization of Royalty	14.28
5.	2008-09	4.6	Non-levy of Additional Royalty	1.48
6.	2009-10	4.7	Non-levy of Additional Royalty	45.61
7.	2009-10	4.8	Short-realization of Royalty on Coal	0.18
8.	2009-10	4.9	Short-realization of Royalty	0.13
9.	2010-11	NA	NA	NA
10.	2011-12	NA	NA	NA
TOTAL				**114.67**

NA: Not Applicable

The summarized position of Inspection Reports issued during the last 5 years, Paragraphs included in the Reports and their status as on March 2013 are given in the following table:

Table - 3.1.8

(₹in crore)

Year	Opening Balance			Addition during the year			Clearance during the year			Closing Balance during the year		
	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value
2008-09	246	599	219.09	34	97	32.46	-	-	-	280	696	251.55
2009-10	280	696	251.55	33	75	41.03	-	-	-	313	771	292.58
2010-11	313	771	292.58	25	133	170.99	-	3	0.23	338	901	463.34
2011-12	338	901	463.34	07	44	12.60	02	6	0.05	343	939	475.89
2012-13	343	939	475.89	09	50	13.47	26	60	57.04	326	929	432.32

No Audit Committee Meeting was held during 2011-12 and 2012-13.

3.1.10 Recovery of Accepted Cases

Position of recovery of accepted cases was as under:

Table - 3.1.9

(₹in crore)

Year of Audit Report	Total Money Value	Accepted Money Value	Recovery Made
2007-08	112.38	51.25	-
2008-09	31.87	-	-
2009-10	49.27	0.42	0.34
2010-11	10.56	0.53	0.10
2011-12	27.40	0.05	0.05
TOTAL	**231.48**	**52.25**	**0.49**

Total recovery made as at the end of 2012-13 was not even one *per cent* of the accepted money value.

Recommendation: The Government may consider prescribing more stringent measures, including fixing of responsibility for recovery of dues in the accepted cases in the interest of revenue.

3.1.11 Action taken on recommendations accepted by Departments/ Government

Draft Reports on Performance Audits conducted by the AG are forwarded to concerned Departments/Government for information, with a request to furnish replies within a stipulated date. Such Performance Audit Reports are also discussed in an Exit Conference, and views of the Department/Government are incorporated in the Audit Reports when they are finalized.

The following Table indicates issues highlighted in the Performance Audits on ***Transport, Land Management and Environment & Forest Departments*** featured in the last 10 Audit Reports, including recommendations and action taken by the Department/Government on accepted recommendations.

Table - 3.1.10

Year of Audit Report	Name of the Performance Audit Report	No. of Recommendations	No of the Recommendations accepted	Status
1999-2000	Receipts under Taxes on Motor Vehicle	-	-	-
2001-2002	Assessment, Levy and Collection of Land Revenue	2	2	-
2003-2004	Collection of Forest Receipts in Arunachal Pradesh	5	-	-
TOTAL		**7**	**2**	**-**

During 1999-2000, 2001-02 and 2003-04 three Performance Audits pertaining to Motor Vehicles, Land Management and Environment & Forest Departments were conducted, and they contained 7 recommendations. Out of the 7 recommendations 2 were accepted. Status of the other 5 recommendations is not available.

Recommendation: It is recommended that the Government may put in place a monitoring mechanism to watch and ensure timely action on accepted recommendations by concerned Departments in the best interest of the revenue of the State.

3.1.12 Audit Planning

Unit Offices under various Departments are categorized into *high, medium* and *low* risk units according to their revenue position, past trend of audit observations and other parameters. An Annual Audit Plan is prepared on the basis of risk analysis, which includes critical issues in Government revenue and tax administration, i.e., Budget Speech, White Paper on State Finances, Reports of Finance Commissions (State & Central), recommendations of the Tax Reforms Committee, Statistical Analysis of revenue earnings during the past 5 years, features of tax administration, audit coverage and its impact during past 5 years etc;.

During 2012-13, audit jurisdiction comprised of 133 auditable units, out of which 16 were planned and audited during the year, which was 12.03 *per cent* of the total auditable units.

Besides Compliance Audit, as mentioned above, a Performance Audit of ***Receipts under Arunachal Pradesh Goods Tax (APGT) Act, 2005***, was taken up to examine the efficacy of tax administration of the receipts.

3.1.13 Results of Audit

3.1.13.1 Position of Local Audit conducted during the year

Test-check of records of 16 units of Commercial Tax, State Excise, Geology & Mining, Forest and other Departmental offices conducted in 2012-13 revealed under assessments/short levy/loss of revenue aggregating to ₹ 93.89 crore in 93 cases. The Departments collected only 0.06 lakh in 3 cases during 2012-13.

3.1.13.2 This Report

This report contains 11 Paragraphs and one performance audit involving monetary value of ₹ 181.95 crore. These are discussed in succeeding Paragraphs, from 3.2.1 to 3.2.25.

TAXATION DEPARTMENT

PERFORMANCE AUDIT

3.2 Receipts under Arunachal Pradesh Goods Tax (APGT) Act, 2005

Highlights

- ***361 unregistered dealers sold goods valued at ₹26.50 crore and evaded tax of ₹1.59 crore, which the Department failed to detect.***

  [Para 3.2.8.1

- ***The percentage of assessments by STs varied between 0 and 2.69 per cent during the period of PA.***

  [Para 3.2.8.2]

- ***10 dealers concealed turnovers of ₹12.23 crore and evaded tax of ₹1.58 crore, for which interest of ₹2.13 crore and penalty of ₹1.59 crore was also leviable.***

  [Paras 3.2.8.3 and 3.2.8.4]

- ***635 dealers, who were registered under the repealed Act, remained undetected and unregistered under the APGT Act.***

  [Para 3.2.8.5]

- ***In the absence of a mechanism for monitoring receipt of returns, Superintendents of Taxes (STs) could not detect non-submission of 22675 returns of 1821 dealers between 2008-09 to 2012-13, and consequently, penalty of ₹22.68 crore could not be levied.***

  [Para 3.2.9]

- ***Not a single audit assessment was completed by the Commissioner of Taxes (CoT).***

  [Para 3.2.10]

- ***19 dealers claimed input tax credit of ₹27.39 crore, which was irregularly allowed by STs.***

  [Para 3.2.16.1]

- ***Four industrial units irregularly claimed exemption of VAT of ₹7.93 crore (including interest) prior to 23 January 2009 and non-issue of necessary Entitlement Certificates by the Department.***

  [Para 3.2.22]

- ***The Department failed to prefer claims of compensation of VAT, resulting in loss of revenue of ₹15 crore.***

[Para 3.3.23]

3.2.1 Introduction

The Government of Arunachal Pradesh Tax and Excise Department repealed the Arunachal Pradesh Sales Tax Act 1999 and enacted the Arunachal Pradesh Goods Tax (APGT) Act, 2005 and Arunachal Pradesh Goods Tax (APGT) Rules 2005, for implementation from 1st April 2005 to avoid problems like double taxation of commodities, multiplicity of taxes, surcharge and additional tax on Sales Tax, etc. The APGT Act put forth the following advantages:

- manufacturers and traders would be given input tax credit for purchase of inputs, including capital goods, meant for use in manufacture or resale;
- multi-point tax system which was levied on each sale of a commodity;
- VAT freed itself from the malady of cascading the rebating of tax paid on inputs;
- dealers would submit self-assessed returns declaring their tax liability under the State level VAT and these would be considered as deemed assessment, except when a notice for the audit of books of accounts of a dealer was issued within the prescribed period;
- Provision of strict penal action because of self-assessment system.

Salient Features of the APGT Act, 2005

Under Section 4 (1) of the APGT Act, the rates of tax payable were as follows:-

(a) in respect of goods specified in the 2nd Schedule, at the rate of one paisa to the rupee;

(b) in respect of goods specified in the 3rd Schedule, at the rate of four paisa to the rupee;

(c) in respect of goods specified in the 4th Schedule, at the rate of twenty paisa to the rupee;

(d) in the case of any other goods, at the rate of twelve and half paisa to the rupee.

3.2.2 Organizational Set-up

At the Government level, the APGT Act is administered by the Secretary, Tax & Excise Department. At the Directorate level, the Commissioner of Taxes (CoT) is the administrative head. He is assisted by one Joint Commissioner, two Deputy Commissioners and one Assistant Commissioner. There is also an Enforcement Branch headed by an Assistant Commissioner. At District level, Superintendents of Taxes (STs) are responsible for collection and assessment of VAT. STs are assisted by Inspector of Taxes (ITs) and other ancillary staff.

3.2.3 Audit Objectives

The Performance Audit (PA) was carried out with the following objectives:

- Whether budget estimates of VAT receipts were realistically framed and whether the actual collection was reconciled?
- Whether there were system deficiencies in enforcing the provisions of the APGT Act/Rules and whether the provisions themselves were adequate to safeguard the revenue of the State?
- Whether there were compliance deficiencies in enforcing the laid down provisions leading to loss of revenue to the State?
- Whether the provisions relating to Tax Deduction at source were properly followed?
- Whether check-gates were functioning properly to prevent leakage of revenue?
- Whether internal controls were in place and adequate?

3.2.4 Methodology and Scope

While conducting the PA between June and August 2013, records pertaining to levy, assessment, collection and administration of the APGT from 2008-09 to 2012-13 were reviewed. Out of a total 17 Superintendents of Taxes in Districts, 7 (seven) units were selected by the 'Probability Proportional to Size Without Replacement (PPSWOR)' sampling method, using random number table.

Dealers in the 7 selected units were stratified on the basis of their turnover and their selection by the PPSWOR method was made as follows:

- Dealers with a turnover of over ₹ 5 crore - 100 *per cent.*
- Dealers with a turnover between ₹ 1 and ₹ 5 crore - 50 *per cent.*
- Dealers with a turnover below ₹ 1 crore - 10 *per cent.*

Details of selected dealers are as follows:

Table – 3.2.1

Units	Total Dealers			Dealers Selected		
	Turnover			Turnover		
	Over ₹ 5 cr.	Between ₹ 1 & 5 cr.	Below ₹ 1 cr.	Over ₹ 5 cr.	Between ₹ 1 and 5 cr.	Below ₹ 1 cr.
Zone-I Naharlagun	15	42	1614	15	21	161
Zone-II Itanagar	07	12	905	07	06	91
Ziro	01	03	201	01	02	20
BFC, Banderdewa	11	14	72	11	07	07
Aalo	07	11	121	07	06	12
Bomdila	06	06	255	06	03	26
Tezu	01	25	130	01	13	13
TOTAL	**48**	**113**	**3298**	**48**	**58**	**330**

In addition to the 7 units, records of the CoT, Arunachal Pradesh, were also examined.

3.2.5 Audit Criteria

The following Acts/Rules/Regulations were followed by audit for carrying out the PA:

- Arunachal Pradesh Goods Tax Act, 2005.
- Arunachal Pradesh Goods Tax Rules, 2005.
- Central Sales Tax Act, 1956.
- Budget documents of the State Government.
- Various orders/notifications issued by the State Government from time to time.

3.2.6 Acknowledgement

This office acknowledges the co-operation extended by the Tax Department during the course of audit. An Entry Conference[1] was held on 21 May 2013, where the Objectives, Methodology, Scope, Criteria, *etc.* of the Performance Audit were explained to the Department. The Exit Conference was held on 26 November 2013, which was attended by the Joint Commissioner, Tax & Excise, Arunachal Pradesh, Itanagar, where the results of audit were discussed. The Department accepted all points raised by audit. The Department, while appreciating the work done by audit, stated that the PA reflected the real picture of the activities of the Department and assured that necessary steps would be taken to rectify lapses.

Audit Findings

The audit findings noticed during the course of PA are mentioned in the following paragraphs:

Audit Objective: Whether Budget Estimates of the VAT receipts were realistically framed and whether actual collection was reconciled?

3.2.7.1 Trend of Revenue

The following table shows the budget estimates and the actual collection of the Department for the last five years:

[1] Attended by the Joint Commissioner of Taxes.

Table – 3.2.2

(₹in crore)

Year	Budget Estimate	Actual Collection	Shortfall (-) Excess (+)	Percentage of Shortfall (-)/Excess (+)
2008-09	76.00	105.68	29.68 (+)	39.05 (+)
2009-10	80.00	130.23	50.23 (+)	62.79 (+)
2010-11	110.00	168.24	58.24 (+)	52.94 (+)
2011-12	173.46	216.36	42.90 (+)	24.73 (+)
2012-13	226.65	161.62	65.03(-)	28.69(-)

Source: Finance Accounts

It may be seen from the above that:

- There was a remarkable increase in VAT revenue by almost 105 *per cent* from ₹ 105.68 crore in 2008-09 to ₹ 216.36 crore in 2011-12.
- Budget estimates were less than the actual realisation of VAT in all the previous five years (except for 2012-13). Thus, it appears that the budget estimates prepared by the Finance Department were not realistic.

3.2.7.2 Reconciliation of Revenue Collected

The Budget Manual stipulated periodical reconciliation of receipts as per books of the Department with those booked by the Accountant General (A&E) by the controlling office.

However, it was noticed that though reconciliation was carried out regularly during the last five years, there were variations between Departmental figures and figures booked by the Accountant General (A&E), as reflected in Departmental records and Finance Accounts. Details are given below:

Table – 3.2.3

(₹in crore)

Year	Departmental Records	Finance Accounts	Difference
2008-09	105.42	105.68	0.26
2009-10	111.80	130.23	18.43
2010-11	162.03	168.24	6.21
2011-12	233.19	216.36	16.83
2012-13	394.00	161.62	232.38

As such, no effective reconciliation was carried out during the last five years resulting in differences ranging between ₹ 0.26 to ₹ 232.38 crore. The difference especially in 2012-13 needs to be investigated since the Finance Accounts' figures show a decrease in actual collection *vis-à-vis* the budget estimates (₹ 226.65 crore) whereas the Department showed a collection of ₹ 394 crore which is 144 *per cent* higher than the Finance Accounts' figures.

Recommendation: The Department should periodically reconcile the actual receipts with the figures booked in the books of the Accountant General (A&E).

Audit Objective: Whether there were system deficiencies in enforcing provisions of the APGT Act/Rules and whether the provisions themselves were adequate to safeguard the revenue of the State?

3.2.8 Registration of Dealers

Registration enables a dealer to charge tax on sales from customers' claim set off in the form of Input Tax Credit (ITC) on local purchases from registered dealers, which can be adjusted against subsequent sales. When the gross turnover exceeds ₹ 5 lakh, a dealer should be registered under Section 20 of the APGT Act and obtain a certificate of registration. However, under Section 19 (4), a dealer with a gross annual turnover below the taxable amount of ₹ 5 lakh, may also voluntarily apply for registration

As per Section 9(1) of the APGT Act, a dealer who sells taxable goods without registration will be assessed to tax on sales at prescribed rates without allowing ITC. Dealing in taxable goods without registration is also a punishable offence under Section 90(1) Act *ibid*, for which the dealer is punishable with up to 3 years imprisonment or a penalty at the rate of ₹ 1000/- for each day of default under Section 87(4) of the Act. The cases detected during the course of PA due to absence of a proper system for identification and registration of dealers are mentioned in the succeeding paragraphs.

3.2.8.1 Evasion of Tax by Unregistered Dealers due to absence of a survey mechanism

With a view to identifying dealers who are liable to pay tax under the Act but have remained unregistered, it is essential that the CoT should undertake a survey of unregistered dealers from time to time.

Inspectors of Taxes (IT) were responsible to undertake surveys of unregistered dealers within their jurisdiction. The duties included:

- Maintenance of a Survey Register in prescribed form
- Submitting the survey to the ST at regular intervals and register unregistered dealers.
- Monthly Reports to be submitted to the CoT on the surveys undertaken by STs

However, it was noticed that no provision for survey was made either in the APGT Act or APGT Rules made thereunder. No executive instruction was also issued either by the Government or the CoT for conduct of surveys by the ITs. As a result, unregistered dealers carried on business on taxable goods and evaded payment of tax. A few cases are illustrated below:

- In ST Ziro and Naharlagun, 3 Divisions[2] were not registered under the APGT Act, but between September 2006 and March 2010, the Divisions imported 'explosives' and 'excavator', valued at ₹ 52.91 lakh (taxable at 12.5 *per cent*) from outside the State at concessional rates by utilizing declarations in Form 'C'. Failure of the Department to register the Divisions resulted in tax evasion of ₹ 6.61 lakh.
- In ST Ziro, two dealers[3] imported goods valued at ₹ 2.19 crore between April 2005 and March 2007 taxable at 12.5 *per cent*, but the ST failed to register the dealers, resulting in tax evasion of ₹ 27.42 lakh. Besides, interest of ₹ 38.90 lakh was also leviable.
- 244 dealers extracted stone, boulders, etc; valued at ₹ 1.68 crore (royalty value) between January 2011 and March 2013 and paid the royalty amount to the Assistant Mineral Development Officer. Cross-verification of records of ST, Tezu revealed that the dealers were not registered, resulting in tax evasion of ₹ 20.97 lakh calculated at 12.5 *per cent*.
- In ST, BFC, Banderdewa, 96 dealers purchased taxable goods from two industries valued at ₹ 18.08 crore between April 2011 and March 2013 for resale within the State. But the dealers were not registered by the ST, resulting in tax evasion of ₹ 72.33 lakh calculated at 4 *per cent*.
- In ST Naharlagun, 16 unregistered dealers executed works contracts valued at ₹ 4.02 crore between March 2008 and March 2013. The Executive Engineer, Capital Electrical Division, deducted VAT of only ₹ 15.39 lakh instead of ₹ 46.79 lakh. There was short-deduction of tax of ₹ 31.40 lakh, which could not be recovered as the dealers were unregistered.

  For carrying on business without registration, the aforesaid 361 dealers were also liable to pay penalty of ₹ 3.61 crore calculated at the rate of ₹ one lakh each as provided under Section 87(4) of the APGT Act, 2005.

Recommendation*: *The Government should amend the APGT Act to include provision for periodical survey of dealers.

3.2.8.2 Assessment of dealers

Under Section 32 of the APGT Act, every return submitted by a dealer should be assessed by the ST to verify correctness of calculation, application of rates, calculation of tax, interest and penalty etc. Assessment of returns by the ST is important as it provides definite and meaningful inputs for effective selection of cases for audit assessment. As per Section 36 of the Act, no assessment or reassessment can

[2] Executive Engineer, PWD, Ziro; RWD, Ziro; PWD, Sagalee (ST, Naharlagun).
[14] M/s Yazzad Traders, Ziro; M/s Tadop Enterprises, Ziro

be made by the STs after expiry of four years from the date the person furnished a return.

The position of assessment of returns by the STs of the seven selected units in respect of 3459 dealers for the year 2008-09 to 2012-13 was as under:

Table – 3.2.4

Unit	Dealers	Returns Received	Assessments Made	Percentage of Dealers Assessed
Zone-I Naharlagun	1671	7510	202	2.69
Zone-II Itanagar	924	5266	13	0.26
Ziro	205	420	-	--
BFC, Banderdewa	97	984	-	--
Aalo	139	1304	-	--
Bomdila	267	1379	03	0.22
Tezu	156	1575	-	--
TOTAL	**3459**	**18438**	**218**	**1.18**

From the above, it can be seen that:

- The percentage of assessment of returns varied between 0 to 2.69 *per cent*, which was abysmally low, though compliance on the part of the dealers in filling returns was very good.
- Out of 7 units, 4 units[4] performed miserably, as they did not make any assessment during the period of PA.
- ST, Naharlagun, made the highest number of assessments followed by STs Itanagar and Bomdila.

In a situation where 100 *per cent* assessment of returns was required to be made by STs, the actual percentage of assessments made was only 1.18 *per cent*, which was an adverse indicator of the efficiency of the tax authorities. Against this backdrop, the fact that there was a persistent rise in VAT revenue in the State between 2008 and 2013 indicated that dealers in the State paid tax voluntarily and the increase in VAT revenue could not be attributed to the efficiency of tax collection efforts of the Department.

On this being pointed out, the Department, while accepting the fact, stated (November 2013) that the arrears in assessments were due to shortage of manpower.

Cross-verification of assessment records of Assam-based dealers with the records of some selected dealers in 7 STs during the course of audit revealed instances of concealment of purchases, short levy of tax, irregular grant of ITC, non/short levy of interest, *etc.* as discussed in the following paragraphs.

[4] STs Ziro, Banderdewa, Aalo and Tezu

3.2.8.3 Concealment of Purchases

Under Section 34 (1) (b) of the APGT Act, if a dealer

(a) has not furnished returns, or

(b) furnished incomplete or incorrect returns, the COT may assess the dealer to the best of his judgment. The dealer is also liable to pay penalty of ₹ 1 lakh or the amount of tax evaded, whichever is greater, as provided under Section 87 (10) of the Act *ibid.* In addition interest at the rate of 24 *per cent* per annum is also leviable for default in payment of tax as per Section 44 (2) of the APGT Act.

- In ST, Aalo, two dealers imported petroleum products valued at ₹ 45.33 lakh from April 2005 to March 2006, but the dealers concealed the entire purchase and evaded tax of ₹ 7.56 lakh, on which interest of ₹ 13 lakh and penalty of ₹ 7.56 lakh were also leviable.
- In ST, Bomdila, two dealers imported petroleum products valued at ₹ 9.55 crore from April 2005 to March 2007, but the dealers disclosed purchase of only ₹ 1.25 crore in the Utilization Statement of Form 'C'. The dealers concealed a turnover of ₹ 8.30 crore and evaded tax of ₹ 1.16 crore, for which interest of ₹ 1.62 crore and penalty of ₹ 1.16 crore were also leviable.
- In ST, Banderdewa, two dealers imported medicines worth ₹ 28.36 lakh during 2006-07, against which the dealers disclosed purchases of only ₹ 2.61 lakh. The dealers concealed purchases of ₹ 25.75 lakh and evaded tax of ₹ 1.03 lakh, for which interest of ₹ 1.07 lakh and penalty of ₹ 2 lakh were also leviable.
- A dealer registered in ST, Zone-II, Itanagar, imported bitumen worth ₹ 86.93 lakh between April 2007 and March 2008 and concealed the entire turnover of purchase, leading to evasion of tax of ₹ 3.48 lakh, for which interest of ₹ 3.34 lakh and penalty of ₹ 3.48 lakh were also leviable.

Since assessment could not be done after the expiry of 4 years, the tax evaded by the aforesaid 7 dealers became time-barred, resulting in loss of revenue of ₹ 4.37 crore to the State Government.

3.2.8.4 Concealment of Sales

- A dealer registered in ST, Naharlagun, imported goods valued at ₹ 78.33 lakh (taxable at 12.5 *per cent*) between April 2007 and March 2009. But the dealer neither submitted any return nor paid any tax. The ST also did not assess the dealer to the best of his judgment. The dealer concealed sales turnover of at least ₹ 78.33 lakh and evaded tax of ₹ 9.79 lakh. Interest of ₹ 10.68 lakh and penalty of ₹ 9.79 lakh were also not levied or recovered from the dealer.
- In ST, Banderdewa, two dealers imported cement valued at ₹ 1.57 crore between April 2007 and March 2010. The dealer neither furnished any return

nor paid any tax. The ST did not assess the dealer to the best of his judgment and the cases were left unattended, resulting in evasion of tax of ₹ 19.68 lakh. Interest of ₹ 23.39 lakh and penalty of ₹ 19.68 lakh were also recoverable.

Thus, due to concealment of sales, the dealers evaded tax of ₹ 29.47 lakh. The dealers were also liable to pay interest of ₹ 34.07 lakh and penalty of ₹ 29.47 lakh.

Recommendation: Immediate action needs to be taken by the Government to fix norms quantifying the number of assessments to be completed by each ST per year, including a mechanism for monitoring the compliance to such orders.

3.2.8.5 Carrying forward of the database of dealers under the repealed Act

Under Section 25 of the APGT Act, in case of dealers registered under the repealed Act, the appropriate registering authority should issue a fresh certificate of registration in lieu of the existing certificate from the notified date of implementation of VAT from 1st April 2005.

It was, however, noticed that there was no mechanism to check the number of dealers registered under the repealed Act and subsequently registering them under the APGT Act. Out of the 7 selected units, the position of registered dealers in 4 Units under the repealed Act and the APGT Act was as follows:

Table – 3.2.5

Unit	No. of Registered Dealers as on 31.03.2005 under the repealed Act	No. of Registered Dealers under the APGT Act during 2005-06	No. of Unregistered Dealers during 2005-06	Total No. of Dealers as on 31.03.2013
Aalo	211	63	148	139
Tezu	112	--	112	156
Bomdila	347	73	274	267
Itanagar	386	285	101	924
TOTAL	**1056**	**421**	**635**	**1486**

It can be seen from the above that:

- Out of 1056 registered dealers under the repealed Act, only 421 dealers were actually registered under the APGT Act. Thus, 635 dealers have remained unregistered, and were liable to pay penalty of ₹ 23.18 crore for carrying on business as unregistered dealers.
- In ST, Tezu, not a single dealer was registered during 2005-06 to 2006-07.
- In STs Aalo and Bomdila, the number of registered dealers as on 31st March 2013 was less than dealers registered under the repealed Act.

Since there was no effective mechanism to trace unregistered dealers and register them under the APGT Act, evasion of tax by unscrupulous unregistered dealers cannot be ruled out.

Recommendation: The Government may take effective steps to trace dealers under the repealed Act and register them under the APGT Act on payment of penalty.

3.2.8.6 Non-publication of particulars of cancelled Certificates of Registration

Under Section 23 (9) of the APGT Act, the CoT should, at intervals not exceeding 3 months, publish in the Official Gazette, the prescribed particulars of dealers whose registration certificates were cancelled.

Scrutiny of records of 4 STs[5] revealed that certificates of registration of 29 dealers were cancelled between April 2008 and March 2013 under the APGT Act, but their particulars were not published in the Official Gazette by the CoT. Non-publication of particulars may lead to carrying on business by such dealers even after cancellation of certificates and consequent revenue loss to the Government.

3.2.9 Submission of Returns

As per the APGT Act and Rules made thereunder, every registered dealer should furnish the following returns:

- monthly returns, when the turnover exceeds ₹ one crore in a particular year [Rule 34 (1) (a)];
- quarterly returns, when the turnover is ₹ one crore or below in a particular year [Rule 34 (1) (b)];
- an Audit Report from a Chartered Accountant, if the gross annual turnover exceeds ₹ 50 lakh (Section 50)
- In addition, the CoT may prescribe any other returns, if required (Section 29).

For non-submission of monthly/quarterly returns, penalty at ₹ 100/- for each day of default, subject to a maximum of ₹ 10,000/- would be leviable under Section 87 (9) of the APGT Act. For non-submission of Audit Report, penalty of ₹ 10,000/- would be leviable under Section 87 (18) of the Act *ibid.*

Audit observed the following:

- The CoT was empowered to prescribe any other return if required. Till date, no move was made by the CoT to introduce annual returns or to prescribe a form for annual returns.

[5] STs of Bomdila – 10; Aalo – 4; Itanagar – 8; Tezu – 7.

- In the absence of annual returns, the utility of Audit Reports was meaningless, as it was not possible to cross-verify annual turnover of sales, purchases, opening/ closing stock at the beginning and end of the year.

It was seen that in the selected 7 units, no register was maintained to monitor filing of monthly/quarterly returns and Audit Reports by the dealer. As such, the STs did not have a database on defaulting dealers and could not initiate penal action as per provisions of the Act.

Examination of records of selected units revealed the following irregularities:

- 1799 dealers did not furnish 22527 quarterly returns from 2008-09 to 2012-13, for which penalty amounting to ₹ 22.52 crore was not levied.
- 22 dealers did not furnish 148 monthly returns from 2008-09 to 2012-13, for which penalty of ₹ 14.80 lakh was not levied.
- 136 dealers did not furnish 399 Audit Reports from 2008-09 to 2012-13 despite their individual annual turnover exceeding ₹ 50 lakh in each of the periods and for which penalty of ₹ 39.90 lakh was not levied.

3.2.9.1 Deficiencies in Deterrent Measures

As per Section 87 (18) of the APGT Act, failure to audit the accounts of dealers with a turnover of more than ₹ 50 lakh attracted a penalty of only ₹ 10,000/-. Though the Act provided for cancellation of registration certificates in case of multiple or recurrent offences, the provision was never invoked. Since audited accounts are the sole basis on which actual sales turnovers, purchases, stocks, *etc*. of a dealer could be ascertained, the nominal penalty (₹ 10,000/-) for non-submission of audited accounts may be misused by the unscrupulous dealers to evade tax.

Recommendation: The quantum of penalty for first, subsequent or continued non-submission of audited accounts may be appropriately fixed so as to make the deterrent measure more effective.

3.2.10 Tax Audit

As per Section 59 (1) of the APGT Act, the Commissioner may serve on any person in the prescribed manner a notice informing him that an audit of his affair shall be performed, and, where applicable, that an assessment already concluded under this Act may be reopened.

Audit scrutiny revealed that although more than 8 years had expired after the introduction of VAT in the State, the CoT had not selected a single dealer for audit assessment. Even the criteria for selection of tax audit were not prescribed by the Department. As a result, assessment records from 2005-06 and 2008-09 became time-barred by 31st March 2013 as no assessment or re-assessment should be made by the CoT after the expiry of 4 years from the date of submission of returns. Tax audit even for the period from 2009-10 to 2012-13 would not be possible as the Department failed in the following:

(a) Prescription of criteria for selection of dealers;

(b) Fixing the percentage of dealers to be selected;

(c) Framing the VAT Manual; and

(d) Constitution of an Audit Team.

Recommendation: The Government may immediately take steps to prescribe the criteria for selection of dealers, fix the percentage of dealers to be selected, compile/frame the VAT Manual and constitute an audit team before taking tax audit.

3.2.11 Norms not fixed for Deployment of Staff

To ensure proper monitoring and assessment of returns filed by dealers, it is essential that the Department prescribe norms with regard to work output and deployment of staff in unit offices to ensure that staff assigned to each unit office is in sync with the workload of that office. It was observed that the Department had not prescribed any such norms. Inspectors of Taxes (ITs) are critical functionaries in a unit office as they assist the ST in survey, inspection, assessment of returns *etc*. The number of dealers registered under each of the 7 selected units *vis-à-vis* the number of ITs posted in these establishments as on 31 March 2013, is shown in the following table:

Table – 3.2.6

Units	Total Number of Registered Dealers	No. of ITs Posted
Zone-I, Naharlagun	1671	2
Zone-II, Itanagar	924	2
Ziro	205	1
BFC, Banderdewa	97	5
Aalo	139	1
Bomdila	267	--
Tezu	156	--
TOTAL	**3459**	**11**

From the table it may be seen that:

- Posting of 5 ITs in BFC, Banderdewa was justified as the ITs were not only assisting the ST in assessments, but also collecting Entry Tax from dealers importing goods from outside the State.
- ST, Zone – I, Naharlagun, had 2 ITs for 1671 dealers, whereas ST, Zone-II, Itanagar, also had 2 ITs for 924 dealers, which is not justified.
- No IT was posted in STs, Bomdila and Tezu.
- STs of Ziro, Aalo and BFC, Banderdewa, made no assessments even though IT/ITs were posted in each of the units.

- ST, Zone-II, Itanagar, despite having two ITs, completed only 13 assessments, whereas ST, Zone-I, Naharlagun, completed 202 assessments with the same number of ITs.

The situation was attributable to failure of the Department to prescribe norms with regard to deployment of staff and work output.

3.2.12 Delay in Issue of Notification for Delegation of Power to Goods Tax Authorities

Under Section 69 of the APGT Act, the CoT may delegate any of his powers to officers as mentioned in Rule 62 of the APGT Rules.

However, it was noticed that the CoT delegated his powers of tax assessment, interest, penalty, collection of assessed tax, under Sections 32, 34, 35, 36 and 37 of the APGT Act to the STs on 6th July 2012, i.e. after more than 7 years from the date of introduction of the APGT Act. Due to the abnormal delay in delegation of powers to the STs, assessment of tax on returns furnished was abysmally low and could adversely affect the realisation of tax, interest and penalty from defaulting dealers.

3.2.13 Preparation of Audit Manual

The Audit Manual is a guide for officers conducting audit of assessment of dealers. It outlines the policy, general rules and procedures to be followed. It also provides a framework for planning, preparation, professional approach and standard techniques to be followed while checking records for audit assessment and making reports.

Although the APGT Act, 2005, was passed by the State Legislature in March 2005 and VAT was in place for more than 8 years, the Department is yet to prepare an Audit Manual. As a result, framework for planning, preparation, professional approach to be followed while conducting tax audit could not be finalized, thereby the Department failed to conduct tax audit even for a single case.

Recommendation: The Government may expedite the preparation of an Audit Manual.

Audit Objective: Whether there were compliance deficiencies in enforcing the laid down provisions leading to loss of revenue to the State

3.2.14 Works Contracts

3.2.14.1 Application of Incorrect Rate of Tax

Under Section 5(2) of the APGT Act, works contracts were taxable at the rate of 12.5 *per cent* on taxable turnover, after deduction of labour charges.

In ST, Itanagar, a dealer[6] disclosed taxable turnover from works contracts valued at ₹ 13.79 crore between October 2010 and March 2013. But the dealer calculated tax of ₹ 55.14 lakh at four *per cent* instead of ₹ 1.72 crore at 12.5 *per cent* on taxable turnover of ₹ 13.79 crore.

Thus, due to incorrect application of rates, there was a loss of revenue of ₹ 1.17 crore. It was also noticed that neither the dealer paid the tax nor the ST initiated action for recovery of tax.

3.2.14.2 Irregular Claims for Excess Deductions

Under Section 5 (2) of the APGT Act, dealers executing works contracts shall be liable to pay tax on the balance turnover after deduction of charges incurred towards labour, services, *etc*. If such charges are not ascertainable from the detailed accounts of dealers, a deduction of 25 *per cent* is allowed from the total turnover.

- In ST, Zone-I, Naharlagun, a dealer executed works contracts valued at ₹ 54.67 crore between April 2011 and March 2013 and claimed deduction of ₹ 31.68 crore. Since the dealer failed to furnish detailed accounts of charges paid towards labour and services, he was entitled to claim deduction of only ₹ 13.67 crore. As such, excess claim of deduction of ₹ 18.01 crore was irregular and led to short-payment of tax of ₹ 2.97 crore.
- In ST, Bomdila, two dealers executed works contracts valued at ₹ 45.78 crore between April 2009 and March 2012. The dealers claimed labour charges of ₹ 29.91 crore but failed to furnish detailed accounts of labour charges. Whereas, deduction of ₹ 11.45 crore was only admissible. As such, the dealers claimed deduction of ₹ 18.46 crore in excess of the admissible amount, resulting in under-assessment of tax of ₹ 2.77 crore.
- Another dealer registered in ST, Ziro, executed works contracts valued at ₹ 1.01 crore during 2010-11 and claimed deduction of the whole amount towards labour and services without submission of detailed accounts of charges. In the absence of detailed accounts, a deduction of ₹ 25.25 lakh was admissible. The dealer thus claimed ₹ 75.75 lakh in excess of the admissible amount, which resulted in under-assessment of tax of ₹ 9.47 lakh.

Thus, excess claim towards labour and service charges without submission of detailed account by four dealers resulted in under-assessment of tax of ₹ 5.83 crore.

3.2.14.3 Short Deduction of Tax

Under the APGT Act, works contracts were taxable at the rate of 12.5 *per cent* on the balance turnover after deducting labour and service charges from the gross turnover.

[6] M/s Sanwar Mal Khetawat

- In ST, Zone-I, Naharlagun, two dealers executed works contracts valued at ₹ 3.16 crore between April 2010 and March 2013. While making payment to the contractors, the prescribed authorities deducted tax of only ₹ 12.64 lakh, calculated at the rate of 4 *per cent* instead of ₹ 29.63 lakh to be calculated at 12.5 *per cent,* after deducting labour charges from the gross turnover. This resulted in short-deduction of tax of ₹ 16.99 lakh.
- In ST, Aalo, two contractors executed works contracts valued at ₹ 63 lakh between April 2012 and March 2013, but the Department deducted tax of only ₹ 1.15 lakh instead of ₹ 5.88 lakh at the rate of 12.5 *per cent*, leading to short-deduction of tax of ₹ 4.73 lakh.
- A dealer registered in ST, Bomdila, supplied electrical goods valued at ₹ 76.24 lakh between April 2011 and March 2012, but tax of only ₹ 3.05 lakh instead of ₹ 9.53 lakh calculated at the rate of 12.5 *per cent* was deducted, resulting in short-deduction of ₹ 6.48 lakh.
- Another dealer of ST Bomdila executed works contracts valued at ₹ 50.62 lakh between April 2012 and March 2013, but tax of only ₹ 2.02 lakh instead of ₹ 4.75 lakh (at 12.5 *per cent*) was deducted, resulting in short-deduction of ₹ 2.73 lakh.
- In ST, Ziro, 4 dealers executed works contracts valued at ₹ 1.21 crore between April 2012 and March 2013, but while making payments to the dealers, tax of only ₹ 4.83 lakh instead of ₹ 11.33 lakh calculated at the rate of 12.5 *per cent* was deducted. This resulted in short-deduction of tax of ₹ 6.50 lakh.
- A contractor registered in ST, Zone-II, Itanagar, executed works contracts worth ₹ 12.96 crore between April 2011 and March 2013. The Department deducted tax of only ₹ 51.86 lakh instead of ₹ 121.54 lakh, calculated at the rate of 12.5 *per cent* resulting in short-deduction of ₹ 69.68 lakh.

Thus, there was a short-deduction of tax of ₹ 1.07 crore from 11 dealers/ contractors by the STs.

3.2.15 Short-realization of Security Deposit

Under Section 26 (4) of the APGT Act and Rule 33 (1) of the Act *ibid*, approved road transporters are required to pay security deposit of ₹ 50,000/- for transport of taxable goods.

Test-check of records of the ST, Naharlagun, revealed that 5 approved road transporters were liable to furnish security deposit of ₹ 2.50 lakh. But the ST realized only ₹ 0.50 lakh at the rate of ₹ 10,000 instead of the prescribed rate of ₹ 50,000 leading to short-realization of security deposit of ₹ 2 lakh.

3.2.16.1 Irregular Grant of Input Tax Credit (ITC)

ITC is a set-off allowed under Section 9 of the APGT Act to registered dealers for tax paid on purchases made from other registered dealers within the State against the tax liability of the dealers in subsequent sales. The ITC is, however, not allowed in the following cases:

(a) for purchase of non-creditable goods;

(b) for purchase of goods in the course of Inter-State trade;

(c) for purchases not supported by Tax Invoices; and

(d) when the amount of tax charged is not shown separately in the Tax Invoice.

Test-check of records of 7 selected units revealed the following irregularities:

- Eleven dealers registered in 5 selected units[7] claimed ITC of ₹ 26.43 crore between April 2008 and March 2013, which was duly allowed by the STs. Further scrutiny revealed that the amount of Input Tax Credit claimed by the dealers was not supported by Tax Invoices. The grant of ITC of ₹ 26.43 crore was not admissible but irregularly granted by the STs.
- Two dealers registered in STs Zone-II, Itanagar and Bomdila purchased HSD[8] valued at ₹ 5.79 crore between April 2011 and March 2013. Though the item 'HSD' falls under 'non-creditable goods' as per Sl. No. 2 of the 7th Schedule attached to the APGT Act, the dealers claimed ITC of ₹ 72.21 lakh, which was accordingly allowed by the STs.
- Two dealers registered in ST Zone-II, Itanagar claimed ITC of ₹ 13 lakh between April 2009 and March 2013 for tax paid under the CST Act on import of goods in the course of Inter-State trade. Though ITC was not allowed for CST paid on import of goods in the course of Inter-State trade, the ST granted ITC of ₹ 13 lakh.
- In STs Tezu and Aalo, 4 dealers claimed ITC of ₹ 11.29 lakh for purchases made between April 2008 and March 2013 and produced Tax Invoices in support of their claim. Further scrutiny of the Tax Invoices revealed that tax was not separately charged. Hence, the claim for ITC was not admissible, but the ST granted ITC of ₹ 11.29 lakh.

Thus, STs irregularly granted ITC of ₹ 27.39 crore as claimed by 19 dealers which was not admissible as per APGT Act.

[7] STs Zone-I, Aalo, Tezu, Ziro, Banderdewa.
[8] HSD – High Speed Diesel.

3.2.16.2 Non/Short-levy of Interest

Under Section 44 (2) of the APGT Act, if a dealer failed to pay tax within the due date, interest at 24 *per cent* per annum was leviable for the entire period of default.

In ST, BFC, Banderdewa, a dealer defaulted in payment of tax of ₹ 25.43 lakh between July 2011 and June 2012. The dealer was liable to pay interest of ₹ 6.05 lakh, in addition to payment of tax of ₹ 25.43 lakh. But the ST did not levy any interest for default in payment of tax, leading to non-levy of interest of ₹ 6.05 lakh.

Another dealer registered in the same unit defaulted in payment of tax of ₹ 13.34 lakh between April 2005 and March 2008. The dealer belatedly paid ₹ 7.41 lakh between March and August 2007, leaving a balance of ₹ 5.93 lakh, which was not yet paid. For the belated/non-payment of tax, interest of ₹ 11.02 lakh was leviable, but the ST levied only ₹ 0.96 lakh as interest, resulting in short-levy of interest of ₹ 10.06 lakh.

Audit Objective: Whether provisions relating to Deduction of Tax at source were properly followed?

3.2.17.1 Delay in introducing Deduction of Tax at source

In the repealed Act, there was provision of deduction of tax at source by Government Departments while making payments to suppliers/contractors. After introduction of VAT from April 2005, no provision was made to deduct tax at source. However, after 2 years (April 2007) the Government amended the APGT Act and made provision to deduct tax at source from suppliers/contractors while making payments as provided under Section 47A. The Act further stipulated that if the concerned authorities failed to deduct tax at source or after deducting tax, failed to deposit the tax into Government account, they would be liable to pay a maximum penalty equal to double the amount of tax.

Due to delay in introducing the system of deduction of tax at source, there was evasion of tax, as repeatedly brought out in past Audit Reports, as detailed below:

Table – 3.2.7

Audit Report (Year)	Para No.	Amount *(₹ in crore)*
31 March 2007	4.16.2	0.09
31 March 2008	6.17.1	1.56
TOTAL		**1.65**

Even after amendment of the APGT Act, the following cases of short deduction, non-deduction and non-deposit of tax deducted were noticed through test-check of records of 7 selected units.

3.2.17.2 Non-deposit of Tax Deducted at Source

In ST, Aalo, the Executive Engineer, Electrical Division, deducted tax of ₹ 1.05 crore between April 2009 and March 2013 from contractors/suppliers, but did not deposit the amount into Government account till date of audit. For non-deposit of tax, a maximum penalty of ₹ 2.10 crore was also leviable on the authorities responsible, as provided under Section 47A of the APGT Act.

3.3.17.3 Non-deduction of Tax at Source

- A dealer registered in ST, Naharlagun, supplied steel fabricated materials valued at ₹ 59.92 lakh to Government Departments between April 2007 and March 2008, but while making payment to suppliers, the concerned authorities neither deducted tax of ₹ 7.49 lakh at source, nor did the dealer pay the amount. Thus, non-deduction of tax at source enabled the dealer to conceal the entire turnover and evaded payment of tax of ₹ 7.49 lakh. The concerned authorities were also liable to pay penalty of ₹ 14.98 lakh for non-deduction of tax at source.

- Another dealer registered in ST, Aalo, supplied electrical goods valued at ₹ 19.91 lakh to Government Departments between April 2009 and March 2010. The Departments neither deducted tax while making payments to the supplier, nor the dealer paid the admissible tax resulting in evasion of tax of ₹ 2.49 lakh. Besides, penalty of ₹ 4.98 lakh was also leviable against the authorities for violation of provision of the Act.

Audit Objective: Whether Check Gates were functioning properly to prevent leakage of revenue?

In order to analyse the system in place to ensure proper functioning of the check gates, the Border Facilitation Counter (BFC) at Banderdewa was selected in PA. The deficiencies noticed in the functioning of the BFC check gate are mentioned below:

3.2.18 Irregularities in functioning of BFC, Banderdewa

Section 102 of the APGT Act empowered the State Government to erect Check Gates or barriers or both to prevent evasion of tax and other dues payable. The BFC at Banderdewa is the most important and primary point for entry and exit of goods from the State. The main function of BFC is to assess and collect 'Entry Tax'[9] and deposit the tax into Government account. Examination of records of BFC, Banderdewa, revealed the following irregularities:

[9] Entry Tax means a tax on the entry of goods for consumption, use or sale and leviable on the import value of goods and payable by every importer of such goods. [Section3(2)]

- Three Iron and Steel Industries registered in ST, BFC, Banderdewa, imported taxable raw materials valued at ₹ 773.54 crore between April 2006 and March 2013 from outside the State. But Entry Tax of ₹ 30.94 crore was neither levied nor collected by the ST.
- The ST collected entry tax of ₹ 40.89 crore during 2012-13. On scrutiny of annual returns furnished to the CoT, it was seen that the ST showed deposit of tax of only ₹ 40.54 crore. Apparently, there was a short-deposit of ₹ 35 lakh, which was not reconciled till the date of audit (August 2013).
- A company registered in ST, Ziro, imported cement valued at ₹ 25.03 crore from outside the State between October 2010 and October 2011, but the ST failed to levy or collect Entry Tax of ₹ 3.13 crore.
- Sagalee PWD Division, registered in ST, Naharlagun, imported a *'Bailey Bridge'* valued at ₹ 96.47 lakh between April 2008 and March 2009, for which Entry Tax of ₹ 12.06 lakh was not realised from the importer.
- A contractor registered in ST, Ziro, imported DG Sets, equipment, etc. valued at ₹ 39.03 lakh between April 2011 and December 2012, but the ST collected Entry Tax of only ₹ 1.56 lakh instead of ₹ 4.88 lakh, resulting in short-collection of Entry Tax of ₹ 3.32 lakh.

3.2.19 Absence of Basic Infrastructure in BFC, Banderdewa

Check Gates should be properly equipped with basic infrastructure like weighbridges, loading/unloading facilities, CCTV cameras, *etc*. in order to prevent evasion of tax by dealers. Installation of weighbridges would enable Check Gate officials to ascertain the actual weight of goods imported and make a correct assessment of Entry Tax payable and installation of CCTV cameras would ensure transparency of the working of officials at Check Gates and prevent law and order problems.

However, in BFC, Banderdewa, it was noticed that though a weighbridge and CCTV cameras were installed in April 2012, both the devices became non-functional within a few days after installation and no efforts were made to make them operational again. Non-functioning of the equipments may adversely affect the proper functioning of the Check Gate.

3.2.20 Computerization and inter-linking of the Taxation Department and Check Gates

Before implementation of VAT, computerization of the Department was to be completed and necessary hardware, power back-up facilities and internet connectivity were to be put in place in all unit offices. A Disaster Recovery System should also have been installed in the National Data Centre of the National Informatics Centre.

Scrutiny revealed that though VAT was introduced from 1st April 2005, all modules of the software could not be implemented till October 2013. Registration, Sales & Purchases, Returns, CST and TDS modules were made operational between February and September 2013, while other modules for capturing data on payment of taxes, refunds, audit & assessment and online connectivity with other offices were yet to be implemented till date. Interlinking of Check Gates with the Commissioner of Taxes and other unit offices was also yet to be implemented. Due to this, the Department failed to effectively track the movement of goods entering the State, resulting in tax evasion as mentioned in the previous paragraphs.

Recommendation: The Government may initiate steps to overhaul the functioning of the checkgate at Banderdewa in particular and all the checkgates in general. The Entry Tax should be properly collected and the equipments needed for effective functioning of the check gates may be made operational at the earliest. The Government should also expedite the process of interlinking Check Gates with the Commissionerate and other unit offices.

Audit Objective: Whether Internal Controls were in place and adequate?

3.2.21 Internal Control Mechanism

Internal Control is intended to provide 'reasonable' assurance of orderly, efficient and effective operation, adherence to laws, regulations and management directives and maintenance of reliable data. Effective Internal Control System is a pre-requisite for efficient functioning of any Department. The following deficiencies were noticed in the Internal Control Mechanism:

Internal Audit: Internal audit is one of the most vital tools of the Internal Control Mechanism and functions as the 'eyes' and 'ears' of the management. It evaluates the efficiency and effectiveness of the Department and also independently appraises the proper functioning of the organization.

It was observed that Taxation Department had no independent Internal Audit Wing. The Director of Audit, Government of Arunachal Pradesh is responsible for conducting Internal Audit of the Department. It was noticed that no Internal Audit was conducted by the Director of Audit, in any of the selected unit offices since the introduction of VAT. Due to non-conduction of internal audit, the CoT failed to evaluate proper functioning of the unit offices resulting in loss of revenue, under-assessment of tax, evasion of tax etc. as mentioned in different foregoing paragraphs of the PA.

Maintenance of Registers in Unit Offices: It was noticed that registers for recording receipt of returns/revised returns were not maintained in any of the selected units. Even in cases where returns were available in assessment files, dates of submission/ receipt were neither recorded by dealers nor the ST. No registers were prescribed to maintain names of assessed dealers. Registers for receipt of audited accounts of dealers with turnovers exceeding ₹ 50 lakh were also not prescribed. For non-maintenance of registers, the ST failed to levy penalty for non-submission/delay in submission of returns/audit reports.

Reports and Returns: The CoT prescribed that a Monthly Report of revenue collection should be submitted to him by each ST within 10th of the following month. However, no other monthly/quarterly/annual return was found to be prescribed.

Scrutiny of records of the CoT revealed that 'C' and 'F' Forms were issued by the CoT to unit offices on the basis of requisition. But no monthly return of utilization of forms showing (1) Opening Balance (2) Receipt from the CoT (3) Forms issued to dealers (4) Closing Balance, was prescribed to cross-verify whether forms issued were correctly received and duly accounted for by unit offices.

However, it was noticed that one book of 'C' Forms containing 100 leaves (GG319701 – GG319800) was issued to the ST, Anini, on 19th August 2008, which was duly initialed by the receiving officer. Scrutiny of correspondence revealed that the ST, Anini, denied receipt of the said 100 forms and claimed that some unauthorized people might have procured the forms by forging his signature and requested for investigation into the matter. Till date, investigation had not started in this case. Cross-verification of records of the CoT revealed that a closed bonded warehouse imported IMFL[10] valued at ₹ 3.51 crore from outside the State by utilizing two of the said 'C' Forms during 2008-09. As the procedure for submission of Monthly Utilization Statements by unit offices was not in vogue, there was loss of revenue of ₹ 70.18 lakh under the APGT Act. The loss could have been avoided had the CoT prescribed monthly report of utilization of 'C' and 'F' forms by each unit office.

Inspection by Supervisory Officers: Regular inspection of Unit Offices/Check Gates by the CoT/JCoT/DCT/ACT is essential to ensure satisfactory functioning of unit offices.

Scrutiny of records revealed that no inspection of any of the selected unit offices was ever carried out by Supervisory Officers. In absence of supervision functioning of the ITs/STs could not be properly evaluated by the CoT.

Other points of interest

3.2.22 Irregular Exemption Claims by New Industries

On 9th July 2010, the Government of Arunachal Pradesh notified the *'Arunachal Pradesh Industrial Incentive Order 2010'* to provide exemption of tax to new industrial units under the Industrial Policy of 2008 with effect from 23rd January 2009. Under the Incentive Order, eligible industrial units should obtain *'Eligibility Certificates'* (ECs) from the Department of Industries and *Certificates of Entitlement* (CoE) from the Taxation Department to claim 99 *per cent* exemption from payment of tax on sale of finished goods.

[10] India Made Foreign liquor.

Scrutiny of records of 4 industrial units revealed the following irregularities:

- Two industrial units registered in ST, BFC, Banderdewa, sold finished goods valued at ₹ 117.98 crore from April 2005 to March 2013 and were thus liable to pay tax of ₹ 4.72 crore. The units, however, claimed tax exemption of ₹ 4.67 crore and paid tax of ₹ 0.05 crore. Further, scrutiny revealed that though ECs were issued to the units by the Industries Department, the CoEs were not yet issued by the ST. Thus, due to irregular claim of exemption for periods prior to 23 January 2009 and non-submission of CoEs thereafter, the units were not eligible for 99 *per cent* exemption on tax payable. The claim of exemption of ₹ 4.67 crore was irregular and not admissible. The dealers were also liable to pay interest of ₹ 2.49 crore.
- Two units (1 each in STs, Banderdewa and Tezu) neither obtained ECs nor CoEs. The units sold finished goods valued at ₹ 6.63 crore between April 2005 and March 2013 and claimed exemption of ₹ 46.94 lakh being 99 *per cent* of tax payable. Thus, due to irregular claim of exemption for periods prior to effective date of grant of exemption and non-submission of ECs and CoEs thereafter, the claim of exemption of ₹ 46.94 lakh was not admissible. For non-payment of tax, interest of ₹ 29.73 lakh was also leviable.

3.2.23 Claim of Compensation for loss due to introduction of VAT

The VAT Act was implemented in Arunachal Pradesh from April 2005. The Government of India (GoI) agreed to compensate the State Government for loss of revenue consequent to the implementation of VAT and Guidelines regarding the modalities for compensation claims were issued in June 2006. As per Guidelines, VAT receipts were to be compared with the revenue of the pre-VAT period, suitably extrapolated on the basis of the average of three best growth rates of revenue of the previous five years. According to norms prescribed by the GoI, the revenue loss was to be worked out by including tax revenue generated from commodities like petrol, diesel, aviation fuel, liquor, *etc*. which were kept outside the ambit of VAT and subjected to 20 *per cent* floor rate of tax. The resultant net revenue was to be compared with the projected tax revenue for working out the loss on account of introduction of VAT. The rates of compensation were to be 100, 75 and 50 *per cent* during the first, second and third years respectively, of the implementation of VAT.

Scrutiny of records of the CoT revealed that the State Government did not prefer any claim from 2005-06 to 2007-08. Further scrutiny revealed that against the projected revenue of ₹ 43.15, ₹ 65.90 and ₹ 100.65 crore for 2005-06, 2006-07 and 2007-08, the actual collection was ₹ 47.67, ₹ 61.64 and ₹ 77.06 crore respectively. The Government did not prefer any claim for compensation of loss of revenue amounting to ₹ 15 crore due to the introduction of VAT.

3.2.24 Conclusion

- The Budget estimates were not realistically framed and the actual collection was not reconciled.
- The APGT Act, though taken from a uniform format of VAT adopted throughout the country had significant deficiencies. There was no process to identify unregistered dealers or carrying forward the list of dealers from the Repealed Act. The system in place for registration, survey, assessment of returns, audit assessment was either non-existent or weak.
- The Department had almost non-existent internal controls. There was no proper mechanism at the higher management level to monitor the performance and activities of unit offices.
- There were several compliance issues in the functioning of the Department leading to loss of revenue.
- Concerned authorities failed to deduct tax at prescribed rates from contractors/suppliers, leading to non/short deduction and non-deposit of tax into Government account.
- Check Gates were ill-equipped, with non-functional weighbridges, CCTV cameras and were without any loading/unloading facilities.

3.2.25 Recommendations

The Government may consider implementation of the following:

- An Audit Manual may be prepared to streamline the working of the Department. A system may be kept in place for timely and effective completion of assessments.
- The internal controls of the Department need to be strengthened. Senior officers need to supervise the unit offices on a regular basis and a system be put in place to ensure that all the prescribed periodical reports and returns are submitted by the unit offices.
- Industries which irregularly claimed tax exemption under the Industrial Policy and the Tax Incentive Order of 2010 should be directed to deposit the same into Government accounts.
- Central/State Government authorities should be given proper instructions for proper deduction of tax from contractors'/suppliers' bills and promptly deposit the same into Government account.
- The Government may initiate steps to overhaul the functioning of the checkgate at Banderdewa in particular and all the checkgates in general. The Entry Tax should be properly collected and the equipments needed for effective functioning of the check gates may be made operational at the earliest. The Government should also expedite the process of interlinking Check Gates with the Commissionerate and other unit offices.

COMPLIANCE AUDIT PARAGRAPH

TAXATION DEPARTMENT

3.3 Evasion of Tax

Failure of the Mission Director (MD), NRHM to deduct tax at source enabled a dealer to conceal turnover of ₹44.85 lakh and evade tax of ₹5.61 lakh for which interest of ₹5.05 lakh and penalty of ₹11.22 lakh was also leviable.

Section 47A of the APGT Act 2005 requires Government Departments/Organisations to deduct tax at source while making payments to contractors/suppliers, failing which the person authorizing the payment shall be punishable with penalty not exceeding double the amount of tax. Under Section 34 of the Act, the Commissioner of Taxes (CoT) shall assess the dealer to the best of his judgement if the dealer has failed to furnish returns within the due date, together with a penalty equal to the amount of tax assessed. Further, under Section 44(2) of the Act ibid, simple interest at the rate of 24 *per cent* per annum on the amount of tax payable is also leviable.

Test check of assessment records of the ST, Zone-I, Naharlagun, in February 2013 revealed that a dealer[11] neither furnished any return nor paid any tax from April 2006 till date. The Assessing Officer also did not initiate any action to complete the assessment to the best of his judgement and case records were left unattended.

However, cross verification of records of the Mission Director (MD), National Rural Health Mission (NRHM), Naharlagun, revealed that the dealer supplied medical equipment and other taxable goods valued at ₹ 44.85 lakh to the Directorate in November 2008, for which the MD paid the amount without deducting VAT of ₹ 5.61 lakh. The ST also failed to detect the aforesaid supply of taxable goods. As such, the inexplicable omission of the MD to deduct tax at source enabled the dealer to conceal the sales of ₹ 44.85 lakh and evade tax of ₹ 5.61 lakh, calculated @ 12.5%, for which the MD was liable to pay penalty of ₹ 11.22 lakh. For wilful evasion of tax, the dealer was also liable to pay interest of ₹ 5.05 lakh (upto January 2013) and penalty of ₹ 5.61 lakh.

The case was reported to the Department/Government in May 2013; reply is still awaited (March 2014).

[11] M/s Ita Drugs and Syringes, Naharlagun

3.4 Evasion of Tax by Unregistered Dealer

Failure of the ST to register a dealer under the APGT Act enabled the dealer to import goods valued at ₹1.12 crore and evade tax of ₹14.08 lakh on which interest of ₹4.66 lakh and penalty of ₹14.05 lakh were also leviable.

Every dealer carrying on taxable goods shall be registered under Section 19 of the APGT Act, 2005. If a dealer is registered under Section 7(2) of the CST Act, 1956 he shall also be registered under Section 19 of the APGT Act *ibid*. Further, if an unregistered dealer imports taxable goods he shall be liable to pay a penalty equal to the amount of unpaid tax, in addition to payment of due tax.

In Arunachal Pradesh, the item '*Pan Masala*' and '*Scented Supari*' are taxable at the rate of 12.5 *per cent*.

Test check of records of the ST, Roing, in April 2013 revealed that the ST did not register a dealer[12] under APGT Act though he was registered under Section 7(2) of the CST Act, 1956. However, it was noticed that the dealer imported *'Pan Masala'* and *'Scented Supari'* amounting to ₹ 1.12 crore between April 2010 and March 2012 from a Guwahati (Assam) based dealer by utilizing 5 (five) 'C' Forms[13]. Failure of the ST to register the dealer under the APGT Act at the time of registration under the CST Act enabled the dealer to import taxable goods of ₹ 1.12 crore and evade tax of ₹ 14.05 lakh. For wilful evasion of tax, interest of ₹ 4.66 lakh (up to February 2013) and penalty of ₹ 14.05 lakh, was also leviable against the dealer.

The case was reported to the Department/Government in June 2013; reply is still awaited (March 2014).

3.5 Loss of Revenue on sale of Timber by Unregistered Dealers

Three unregistered dealers sold sawn timber valued at ₹1.10 crore and claimed exemption from payment of tax by furnishing declarations in Form 'C', but tax of ₹13.75 lakh and penalty of ₹27.50 lakh were not assessed and recovered by the ST.

Under Section 7(1) of the CST Act, while liable to pay tax under the Act, no dealer shall carry on business unless he is registered and possesses a Certificate of Registration. Section 90(1) of the APGT Act provides for prosecution of a dealer who sells goods without registration and imprisonment up to three years, along with a fine or both. In lieu of prosecution, however, penalty at twice the tax payable is leviable

[12] M/s Arunachal Trade Agency, Roing
[13] GG-276992, GG-276995, GG-221598, GG-221600 & GG-209762

by way of composition under Section 94(1) of the Act ibid. The item *'Sawn Timber'* is taxable at the rate of 12.5 *per cent* in the State.

Test check of records of the ST, Roing, in April 2013 revealed that three dealers[14] sold *sawn timber* valued at ₹ 1.10 crores between April 2008 and March 2012 in the course of Inter-State Trade, and claimed exemption from payment of tax by furnishing declarations in Form 'C'. Since the dealers were not registered under the CST Act, the 'C' Forms furnished by the dealers were not valid. The dealers were, thus, liable to pay tax of ₹ 13.75 lakh, but the Assessing Officer did not initiate any action to register the dealers and recover the tax payable. Besides, penalty of ₹ 27.50 lakh was also leviable for selling goods without registration in the course of Inter-State Trade.

The case was reported to the Department/Government in June 2013; reply is still awaited (March 2014).

3.6. Loss of revenue due to Short-deduction of Tax at Source

Loss of revenue of ₹20.54 lakh due to short-deduction of tax from Unregistered Dealers.

Under Section 5(2) of the Arunachal Pradesh Goods Tax (APGT) Act, 2005, a dealer executing works contracts shall be liable to pay VAT on the balance turnover after deduction of charges incurred towards labour, services, *etc*. If such charges are not ascertainable, a deduction of 25 *per cent* is allowed on the total turnover. Further, Section 47A of the Act *ibid* provides for deduction of VAT at source by the Government/Departments while making payment to Suppliers/Contractors and deposit the VAT so deducted into Government account.

Cross-verification of the records of the ST, Roing, with those of the Executive Engineer (EE), Rural Works Division, Roing, in April 2013 revealed that 6 (six) unregistered contractors executed works contracts valued at ₹ 3.75 crore under PMGSY scheme during 2011-12. While making payment to the contractors, the EE deducted VAT of only ₹ 14.66 lakh instead of ₹ 35.20 lakh.

Thus, failure of the EE to deduct VAT at prescribed rates and lack of co-ordination between the Departments led to short-deduction of tax of ₹ 20.54 lakh and enabled the unregistered dealers to evade the amount, since the dealers were not registered both under APGT Act and CST Act, the amount of ₹ 20.54 lakh was a loss of revenue to the State Government.

The case was reported to the Department/Government in June 2013; reply is still awaited (March 2014).

[14] M/s Arunachal Timber Trade, Roing; M/s Associated Timber Trade, Roing; M/s Kengwood Products, Roing

3.7 Evasion of tax by utilizing obsolete 'C' Forms

A dealer evaded tax of ₹17.80 lakh by importing taxable goods of ₹4.45 crore through obsolete 'C' Forms, for which interest of ₹8.50 lakh and penalty of ₹35.60 lakh were also leviable.

Under Section 90(7) of the APGT Act, if any dealer wilfully evades payment of tax, he shall on conviction be punished with imprisonment upto 3 (three) years along with a fine. Section 94(1) of the Act, however, empowers the Commissioner of Tax (CoT) to accept an amount equal to double the amount of tax evaded by way of composition of offence. Under the CST Act, 1956, every dealer shall import taxable goods at concessional rate by utilizing valid 'C' Forms.

Further, 13 (thirteen) 'C' Forms[15] issued to M/s Mama Enterprises, Itanagar, were declared obsolete by the CoT, Arunachal Pradesh, vide Notification dated 18 September 2009 for all purposes with retrospective effect.

Test-check of records of the ST, Zone II, Itanagar, in April 2012 revealed that M/s Mama Enterprises utilized 4 (four) of the aforesaid 'C' Forms already declared obsolete and imported taxable goods valued at ₹ 4.45 crore from 4 (four) Delhi-based dealers on 30 September 2009. But the dealer neither submitted any return nor paid the admitted tax on sale of the goods imported.

Thus, the dealer concealed turnover of at least ₹ 4.45 crore and evaded tax of ₹ 17.80 lakh. For wilful evasion of tax, interest of ₹ 8.55 lakh (up to April 2012) and penalty of ₹ 35.60 lakh were also leviable.

The case was reported to the Department/Government in September 2012; reply is still awaited (March 2014).

3.8 Concealment of Purchase

Failure of the Assessing Officer to detect import of taxable goods of ₹2.65 crore led to evasion of tax of ₹7.63 lakh. Besides, interest of ₹5.80 lakh and penalty of ₹7.63 lakh were also leviable.

Under Section 87 (10) of the Arunachal Pradesh Goods Tax (APGT) Act, 2005, if a dealer submits false, misleading or deceptive returns, he is liable to pay a penalty of a sum of ₹ one lakh or the amount of tax evaded, whichever is higher, in addition to the tax payable.

[15] GG-208614 to GG-208623, GG-208679 to GG-208680 and GG-207156
GG-208679, GG-208680, GG-208621 & GG-208622

Test check of records of the Superintendent of Taxes, Aalo, in July 2013, it was noticed that a registered dealer[16], in statement of utilization of ‘C’ Forms, disclosed taxable purchase of ₹ 73.91 lakh from a dealer registered in Guwahati, Assam, against two ‘C’ Forms during 2009-10 in the course of Inter-State Trade.

On cross-verification of records of both the dealers, it was found that the Arunachal based dealer had actually purchased taxable goods like soap, shampoo, chips, etc; valued at ₹ 2.65 crore during 2009-10 by utilizing the two ‘C’ Forms.

Thus, the dealer submitted false and misleading information in his self-assessed return, which was accepted by the Department. The dealer concealed taxable purchase of ₹ 1.91 crore and evaded tax of ₹ 7.63 lakh. Besides, interest of ₹ 5.80 lakh (upto June 2013) and penalty of ₹ 7.63 lakh were also leviable.

The case was reported to the Department/Government in December 2013; reply is still awaited (March 2014).

3.9 Non-realization of Entry Tax

Failure of the DTO to collect Entry Tax of ₹31.48 lakh resulted in non-realisation of Entry Tax to that extent.

Under provisions of the Arunachal Pradesh Goods Tax (APGT) Act, 2005, Entry Tax at applicable rates shall be paid on the import of a motor vehicle which is not registered in Arunachal Pradesh, at the time of registration of the motor vehicle. In October 2005, the Commissioner of Taxes, Arunachal Pradesh, requested all Deputy Commissioners of respective Districts to ensure payment of Entry Tax prior to registration of imported vehicles.

In Arunachal Pradesh, motor vehicles are taxable at the rate of 12.5 *per cent* and dumpers at the rate of 4 *per cent.*

Records of the District Transport Officer (DTO), Aalo, were cross-checked with those of the Superintendent of Taxes, Aalo, in July 2013. It was found that 47 new commercial motor vehicles valued at ₹ 2.70 crore, imported from outside the State, were registered between October 2010 and November 2012 without collecting Entry Tax of ₹ 31.48 lakh[17].

Thus, due to failure of the DTO to collect Entry Tax of ₹ 31.48 lakh resulted in non-realisation of Entry Tax to that extent.

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[16] M/s Poddar Brothers, Aalo.

[17] @12.5% on ₹ 2,43, 23,780 = ₹ 30, 40,473
@ 4% on ₹ 26,96,226 = ₹ 1, 07,849
Total VAT realisable = ₹ 31, 48,322

The case was reported to the Department/Government in December 2013; reply is still awaited (March 2014).

GEOLOGY AND MINING DEPARTMENT

3.10 Short-realization of Royalty on Coal

Application of pre-revised rates of Royalty on 54,641 tonnes of Coal led to short-realization of Royalty of ₹1.83 crore.

The Government of Arunachal Pradesh, vide Notification of April 2012, enhanced the rate of royalty of 'B' and 'C' grade coal from ₹ 182.50 and ₹ 137.50 to ₹ 522/- and ₹ 364/- per tonne respectively w.e.f. 1st April 2012.

Test-check of records of the Director, Geology & Mining. Itanagar, revealed that a lessee[18] extracted 54,641 tonnes of coal ('B' Grade: 52,327 tonnes and 'C' Grade: 2314 tonnes) between May and June 2012. However, it was seen that the lessee paid royalty of only ₹ 98.68 lakh, calculated at the pre-revised rates, instead of ₹ 2.82 crore as per revised rates. Thus, due to incorrect application of prescribed rates of royalty led to short-realization of royalty of ₹ 1.83 crore.

The case was reported to the department/Government in May 2013;reply is still awaited (March 2014).

3.11 Non-payment of royalty by the Central Government

Failure of the State Government to raise demand for payment of royalty of ₹21.42 crore from the Central Government led to non-realisation of revenue to that extent.

Under provisions of the Petroleum & Natural Gas (PNG) Rules, 1959, a lessee shall pay the State Government a royalty on crude oil obtained from mining operations at rates fixed by the Central Government from time to time within 30 days of the month related to the production.

A mining lease agreement was executed between a lessee[19] and the Government of Arunachal Pradesh under production sharing contract for a period of 20 years with effect from 16 June 1995, for extraction of crude oil from Kharsang area of the State comprising of an area of 11 sq. km. As per terms and conditions of the agreement, the lessee shall pay royalty to the State Government at the fixed rate of ₹ 528/- per Metric

[18] Arunachal Pradesh Mineral Development & Trading Corporation Ltd, Itanagar
[19] M/s Geo-Enpro Petroleum Ltd.

Tonne (MT) of crude oil extracted. Any payment of royalty in excess of the rates would be borne by the Central Government.

Test-check (February 2013) of records of the Director, Geology & Mining, revealed that the lessee extracted 1,12,989 MT of crude oil between October 2010 and December 2011 and paid royalty of ₹ 5.97 crore at the contracted rate of ₹ 528/- per tonne. The rates of royalty on crude oil fixed between October 2010 and December 2011 varied from ₹ 1,767.77 to ₹ 3,375.01 per tonne. As per the agreement the Government of India is liable to pay the balance amount of royalty of ₹ 21.42 crore *i.e.* difference of the rate as fixed for the aforesaid period. However, the State Government has failed to raise the demand for payment of balance amount of the royalty amounting of ₹ 21.42 crore to the Central Government.

Thus, failure of the State Government to raise demand for payment of royalty led to non-realisation of revenue of ₹ 21.42 crore.

The case was reported to the Department/Government in May 2013; reply is still awaited (March 2014).

3.12 Non-levy of Additional Royalty

For delayed payment of Royalty, Additional Royalty of ₹1.38 crore was not levied.

Rule 23 (1) of the Petroleum & Natural Gas (PNG) Rules, 1959, envisages that if any royalty is not paid by the lessee to the State Government within the time specified for such payment, the amount of such royalty shall be increased by an additional 10 *per cent* for each month or portion thereof during which such royalty remains unpaid.

Test-check of the records of the Director, Geology & Mining, Itanagar, in February 2013 revealed that the State Government executed a lease agreement in September 1997 with a lessee[20] for extraction of crude oil. The agreement, inter-alia, stipulated that the lessee shall pay royalty to the State Government within 30 days of the month related to the operation/extraction. Accordingly, the lessee extracted 37,717.66 kilo litres of crude oil between April 2010 and December 2011, for which royalty of ₹ 8.04 crore was paid between June 2010 and March 2012, after delays ranging from one to three months. For the delay in payment of royalty, additional royalty of ₹ 1.38 crore was not levied and recovered by the Department.

The case was reported to the Department/Government in May 2013; reply is still awaited (March 2014)

[20] M/s Oil India Limited.

3.13 Evasion of Royalty

A lessee concealed extraction of 37,890 MT of coal and evaded royalty of ₹52.10 lakh.

Section 9 of the Mines and Minerals (Regulation and Development) Act, 1957, provides payment of royalty by a lessee on the quantity of coal removed from the leased area.

Test-check of records of the Director, Geology & Mining, Itanagar, in February 2013 revealed that a lessee[21] extracted and removed 3,54,110 Metric Tonne (MT) of coal between 2008-09 and 2009-10 from the Namchick Coal Project, Kharsang, as disclosed in his furnished return. Accordingly, the lessee paid royalty of ₹ 2.70 crore, which was accepted by the prescribed authority. However, cross-verification of records of the Indian Mineral Year Book of 2010, published by the Indian Bureau of Mines, Nagpur, revealed that the lessee actually extracted and removed 3,92,000 MT of coal during the aforesaid period.

Thus, the lessee concealed extraction of 37,890 MT of coal in his return and evaded payment of royalty of ₹ 52.10 lakh, calculated at the lowest rate of ₹ 137.50 per MT, which escaped notice of the Director, Geology & Mining.

The case was reported to the Department/Government in May 2013; reply is still awaited (March 2014).

[21] Arunachal Pradesh Mineral Development and Trading Corporation Ltd, Itanagar

Chapter - IV
Economic Sector
(State Public Sector Undertakings)

4.1 Overview of State Public Sector Undertakings

Introduction

4.1.1 State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. SPSUs are established to carry out activities of commercial nature while keeping in view the welfare of the people. In Arunachal Pradesh, there were seven SPSUs (all Government Companies, including two non-working Companies). None of these Companies were listed on the Stock Exchange.

4.1.2 The working SPSUs registered a turnover of ₹ 7.57 crore for 2012-13 as per their latest finalized accounts as of September 2013. This turnover was equal to 0.06 *percent* of the State Gross Domestic Product (GDP).♦ Thus, the SPSUs make an insignificant or negligible contribution to the State's economy. Major activities of Arunachal Pradesh SPSUs are concentrated in the Finance and Power Sectors. The working SPSUs incurred an overall loss of ₹ 5.59 crore in aggregate for 2012-13, as per their latest finalized accounts as on 30 September 2013. They employed 216♣ employees as on 31 March 2013. The SPSUs did not include prominent Departments which performed activities of a commercial nature, such as Power, Hydro-Power Development, Transport or Supply & Transport. However, Audit findings on these Government Departments are incorporated in this Chapter.

Audit Mandate

4.1.3 Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government Company is one where not less than 51 *percent* of the paid up capital is held by Government(s). A Government Company also includes subsidiaries of a Government Company. Further, a Company in which not less than 51 *percent* of the paid up capital is held in any combination by Government(s), Government Companies and Corporations controlled by Government(s) is treated as if it were a Government Company (deemed Government Company) as per Section 619-B of the Companies Act.

4.1.4 Accounts of State Government Companies, as defined in Section 617 of the Companies Act, 1956, are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per provisions of Section 619 of the Companies Act, 1956.

♦ ***State GDP figures in respect of 2012-13 are taken at Factor Cost by Industry of Origin at Current Prices***

♣ ***As per details provided by five PSUs.***

Investment in SPSUs

4.1.5 As on 31 March 2013, the investment (capital and long-term loans) in seven SPSUs[#] was ₹ 30.63 crore, as per details given below.

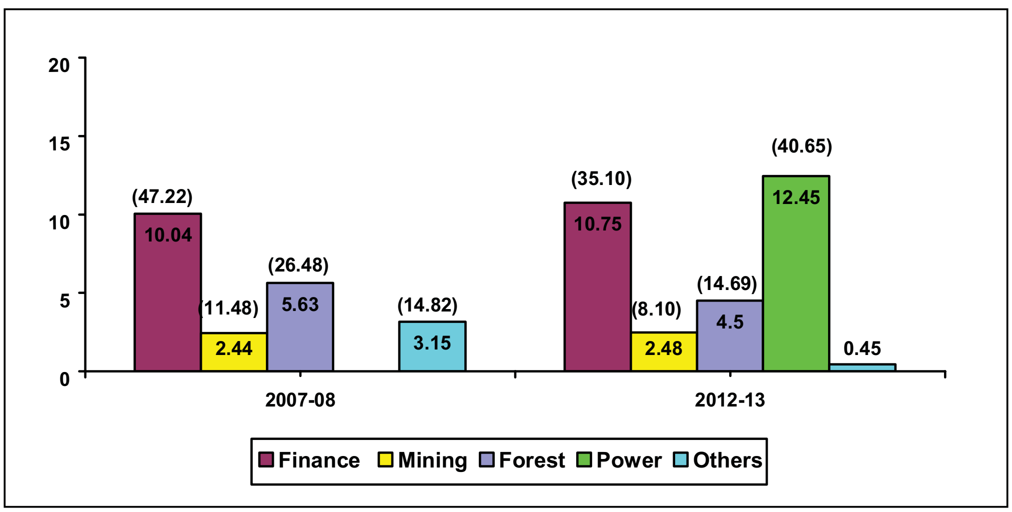
(₹in crore)

Type of SPSUs	Government Companies		
	Capital	Long Term Loans	Grand Total
Working SPSUs	21.60	8.60	30.20
Non-working SPSUs	0.43	-	0.43
TOTAL	**22.03**	**8.60**	**30.63**

The position of Government investment in SPSUs is summarized in **Appendix-4.1.**

4.1.6 As on 31 March 2013, out of the total investment in SPSUs, 98.6 *percent* was in working SPSUs and the remaining 1.4 *percent* in non-working SPSUs. This total investment consisted of 71.92 *per cent* towards capital and 28.08 *percent* in long-term loans. The investment has increased by 44.07 *percent* from ₹ 21.26 crore in 2007-08 to ₹ 30.63 crore in 2012-13, as shown in the following Graph.

4.1.7 Investment in various important sectors and percentage thereof at the end of 31 March 2008 and 31 March 2013 is indicated below in the Bar Diagram.



(Figures in brackets show the percentage of total investment)

It may be noticed that the thrust of SPSU investment was mainly in the Finance and Power Sectors, which had 35.10 and 40.65 *percent* of investment respectively as on 31 March 2013. Among all sectors, the Power Sector had the highest investment of ₹ 12.45 crore. The Power Sector investment represented the equity contribution made

[#] ***The State has no 619-B Company.***

by the State Government in the only Power Sector SPSU, namely, Hydro Power Development Corporation of Arunachal Pradesh Limited.

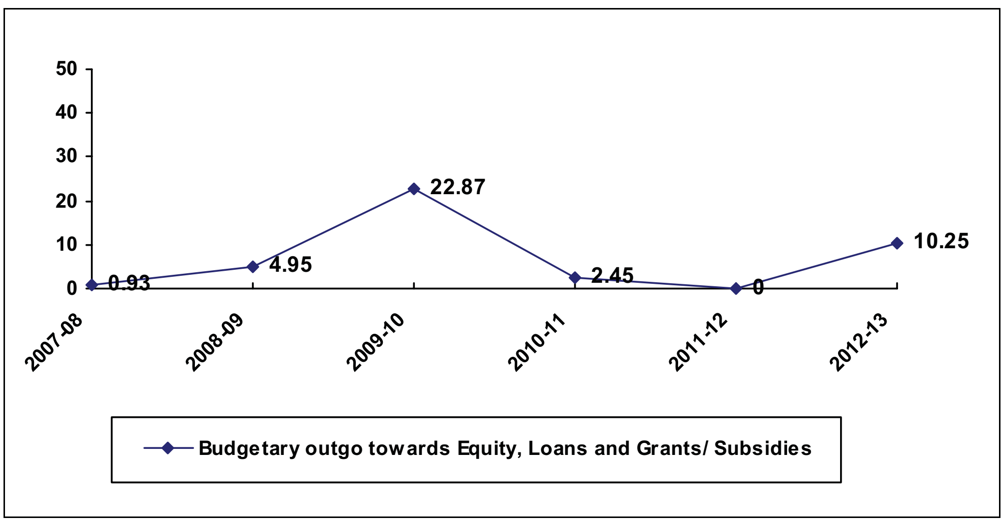
Budgetary Outgo, Grants/Subsidies, Guarantees and Loans

4.1.8 Details regarding budgetary outgo towards Equity, Loans, Grants/Subsidies and Guarantees issued in respect of SPSUs are given in **Appendix - 4.3.** During 2012-13, no financial assistance was provided by the State Government to any of the SPSUs out of the State budget. Summarized details for three years ended 2012-13 are as follows:

(₹in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital Outgo from Budget	-	-	-	-	-	-
2.	Loans from Budget	-	-	-	-	-	-
3.	Grants/Subsidies Received	1	2.45	-	-	2	10.25
4.	Total Outgo (1+2+3)	-	2.45	-	-	-	10.25
5.	Guarantees Issued	-	-	-	-	-	-
6.	Guarantee Commitment	1	2.00	1	2.00	1	2.00

4.1.9 Details regarding budgetary outgo towards Equity, Loans and Grants/Subsidies for the past six years are given in a Graph below.



4.1.10 It can be seen from the above that budgetary outgo was highest in 2009-10 at ₹ 22.87 crore during the six year period from 2007-08 to 2012-13. However, the budgetary outgo reduced thereafter and was at 10.25 during 2012-13. As on 31 March 2013, guarantee commitment of ₹ 2 crore extended by the State Government to one SPSU - *Arunachal Pradesh Industrial Development & Financial Corporation Limited* - was yet to be availed by the said SPSU. No guarantee commission was payable to the State Government by SPSUs. There was no case of conversion of Government loan into equity, moratorium in repayment of loan and waiver of interest.

Reconciliation with Finance Accounts

4.1.11 Figures in respect of equity and loans as per records of SPSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned SPSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2013 is shown below.

(₹in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
Equity	9.04	22.03	12.99
Loans	-	8.60	8.60

4.1.12 It was observed that there were differences in respect of all SPSUs and they were pending reconciliation over a period of more than ten years. The Accountant General has taken up the matter from time to time with the Secretary, Finance Department, Government of Arunachal Pradesh, Administrative Departments of respective SPSUs and Managing Directors of SPSUs for reconciliation of the differences. However, no significant progress in this direction was noticed. The Government and SPSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of SPSUs

4.1.13 The financial results of SPSUs are detailed in **Appendix 4.2.** A ratio of SPSU turnover to State GDP shows the extent of SPSU activities in the State economy. The Table below shows details of working SPSUs turnover and State GDP from 2007-08 to 2012-13.

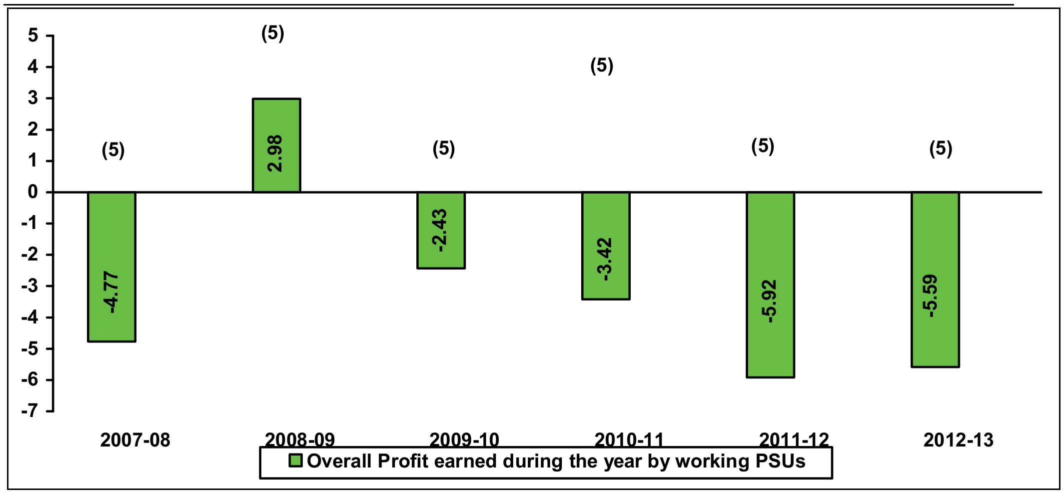
(₹in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Turnover ∝	5.72	5.57	7.79	6.37	5.82	7.57
State GDP	3888	4547	6258	8350.16	11135.53	11942.81
Percentage of Turnover to State GDP	0.15	0.12	0.12	0.08	0.05	0.06

It can be seen that the percentage of turnover to State GDP was on a declining trend and reduced from 0.15 in 2007-08 to 0.06 in 2012-13, which indicated that the annual increase in turnover was not commensurate with the annual growth in the State GDP.

∝ ***Turnover of working PSUs as per the latest finalized accounts as of 30 September 2013.***

4.1.14 Profit earned/losses incurred by working SPSUs during 2007-08 to 2012-13 are given below in a Bar Diagram:



(Figures in brackets show the number of working SPSUs in respective years)

4.1.15 It may be noticed that Working SPSUs showed overall adverse working results during the six year period ending 2012-13, except during 2008-09. The overall losses of Working SPSUs reached its peak during 2011-12 at ₹ 5.92 crore during the six year period. During 2012-13, out of five working SPSUs, two SPSUs earned profits of ₹ 3.37 crore and three SPSUs incurred losses of ₹ 8.96 crore. The contributors to profit were *Arunachal Police Housing and Welfare Corporation Limited* (₹ 2.87 crore) and *Hydro Power Development Corporation of Arunachal Pradesh Limited* (₹ 0.50 crore), while heavy losses were incurred by *Arunachal Pradesh Forest Corporation Limited* (₹ 7.13 crore).

4.1.16 The losses incurred by SPSUs and State Government Departments, as highlighted in the Audit Reports of CAG each year, were mainly attributed to deficiencies in financial management, planning, implementation of projects, running of operations and monitoring. A review of the latest Audit Reports of the CAG showed that working State SPSUs and Government Departments - *Power, Hydro-Power, Transport and Supply & Transport* - incurred losses to the tune of ₹ 11.80 crore and made infructuous investments of ₹ 10.89 crore, which could have been avoided with better management. Year-wise details from Audit Reports are given below.

(₹in crore)

Particulars	2010-11	2011-12	2012-13	Total
Controllable losses as per Audit Report	10.58	0.61	0.61	11.80
Infructuous Investment	2.03	6.04	2.82	10.89

4.1.17 The above losses pointed out by Audit Reports of the CAG were based on test check of records of SPSUs/Government Departments - *Power, Hydro-Power,* *Transport and Supply & Transport*. Actual controllable losses would be much more. With better management, the losses shown in the Table above could be minimized/eliminated and profits enhanced substantially. SPSUs/Government Departments would be able to discharge their roles efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of SPSUs/ Government Departments.

4.1.18 Some other key parameters pertaining to SPSUs are given below.

(₹in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Return on Capital Employed (*percent*)*	--	6.09	--	--	--	--
Debt	11.76	9.87	10.33	11.69	11.42	8.60
Turnover[ϒ]	5.72	5.57	7.79	6.37	5.82	7.57
Debt/Turnover Ratio	2.06:1	1.77:1	1.33:1	1.84:1	1.96:1	1.14:1
Interest Payments	0.03	0.39	0.78	0.25	0.15	1.22
Accumulated Profits (losses)	(-) 3.19	2.64	4.06	(-) 3.73	(-) 16.30	(-) 22.47

4.1.19 It may be noticed that the turnover of working SPSUs during 2007-13 showed a decreasing trend (except in 2009-10). However, debt figures of SPSUs decreased during three out of the six years. As a result, the Debt/Turnover Ratio improved from 2.06:1 (2007-08) to 1.14:1 (2012-13).

Further, returns on capital employed were negative throughout the of six year period from 2007-08 to 2012-13, except for 2008-09, on account of negative working results of the SPSUs.

4.1.20 The State Government had not formulated (November 2013) any dividend policy to make it mandatory for SPSUs to pay a minimum return on the paid-up share capital contributed by the State Government.

Arrears in Finalization of Accounts

4.1.21 Under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, accounts of Companies for every financial year are required to be finalized within six months from the end of the relevant financial year. The Table below shows details of progress made by working SPSUs in finalization of accounts by September 2013.

**** Nil figures represent negative return on capital employed.***
ϒ Turnover of working PSUs as per latest finalized accounts as of 30 September 2013.

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Number of Working SPSUs	5	5	5	5	5
2.	Number of accounts finalized during the year	1	5	7	6	5
3.	Number of accounts in arrears	31	31	29	28	28
4.	Average arrears per SPSU (3/1)	6.2	6.2	5.8	5.6	5.6
5.	Number of Working SPSUs with arrears in accounts	5	5	5	5	5
6.	Extent of arrears in years	1 to 15	1 to 16	1 to 15	1 to 15	1 to 15

4.1.22 It may be seen that the average number of accounts in arrears per SPSU was very high in all the five years, and ranged between 5.6 and 6.2 accounts per working SPSU. Delays in finalization of accounts were mainly attributable to inadequacy of manpower and abnormal delays in compilation/approval of Annual Accounts by the SPSUs. Arunachal Pradesh Mineral Development and Trading Corporation Limited had the highest arrears in accounts of 15 years (since 1998-99). In addition, there were also arrears in finalization of accounts by non-working SPSUs. The two non-working SPSUs had arrears of accounts for 6 to 7 years.

4.1.23 The State Government invested an aggregate amount of ₹ 60.48 crore in five SPSUs (Equity - ₹ 5.73 crore; Loans - ₹ 2.87 crore; Grant/Subsidy - ₹ 40.27 crore; and Others - ₹ 11.61 crore) during the years for which accounts were not finalized, as detailed in **Appendix - 4.4.** Delays in finalization of accounts run the risk of fraud and leakage of public money, apart from violation of provisions of the Companies Act, 1956.

4.1.24 Administrative Departments have the responsibility to oversee activities of these SPSUs and to ensure that accounts are finalized and adopted by them within the prescribed period. Attention of concerned Administrative Departments and the Government on the issue of arrears in finalization of accounts was regularly drawn by the Accountant General on a quarterly basis, emphasizing the need for clearing of arrears. The issue was also periodically taken up with the Chief Secretary/Finance Secretary, Government of Arunachal Pradesh, to expedite the backlog of accounts in a time-bound manner. However, no significant progress was noticed. As a result, the net worth of these SPSUs could not be assessed in audit.

In view of the above position of arrears, it is recommended that:

The Government should monitor and ensure timely finalization of accounts by State SPSUs in conformity with provisions of the Companies Act, 1956.

Winding up of Non-Working SPSUs

4.1.25 There were two Non-working SPSUs in the State as on 31 March 2013. Both of the non-working SPSUs had commenced the liquidation process. Both the Non-working SPSUs - *Parasuram Cement Limited* and *Arunachal Horticultural Processing Industries Limited* - need to be wound up at the earliest as their existence does not serve any purpose to the State.

Comments on Accounts and Internal Audit

4.1.26 Five Working Companies forwarded their five audited accounts to the Accountant General during 2012-13. Non-Review Certificates were issued on all five Accounts. During 2012-13, no Company was selected for Supplementary Audit. Details of aggregate money value of comments of Statutory Auditors and the CAG are given below.

(₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Decrease in Profit	1	2.80	-	-	-	-
2.	Increase in Loss	1	4.17	-	-	-	-
3.	Increase in Profit	-	-	-	-	-	-
4.	Non-disclosure of material facts	1	1.53	-	-	-	-
5.	Errors of Classification	-	-	-	-	-	-
6.	General	1	-	-	-	-	-

4.1.27 Statutory Auditors (Chartered Accountants) were required to furnish a detailed report upon various aspects, including Internal Control/Internal Audit System in the audited Companies, in accordance with directions issued to them by the CAG under Section 619(3) (a) of the Companies Act, 1956, and to identify areas which needed improvement. An illustrative resume of major comments made by Statutory Auditors on possible improvement in the Internal Control/Internal Audit System in respect of three Companies - *Arunachal Pradesh Industrial Development and Financial Corporation Limited, Arunachal Pradesh Forest Corporation Limited* and *Arunachal Pradesh Mineral Development and Trading Corporation Limited* - during 2012-13 was as follows.

Sl. No.	Nature of comments made by Statutory Auditors
1.	Absence of a credit policy, policy of providing for doubtful debts/write-off and liquidated damages.
2.	Deficiency in the internal audit system, i.e., frequency and scope of audit needed to be increased. Compliance mechanism needed to be strengthened.
3.	Absence of an internal audit system commensurate with the nature and size of business of the Company

Reforms in the Power Sector

4.1.28 A single Member Electricity Regulatory Commission was formed (February 2011) in Arunachal Pradesh under provisions of Section 83 of the Electricity Act, 2003, with the objective of rationalisation of Electricity Tariff, advising in matters relating to electricity Generation, Transmission/Distribution in the State and issue of Licenses.

4.1.29 A Memorandum of Agreement (MoA) was signed (July 2002) between the Union Ministry of Power and the State Government with a joint commitment for implementation of a reforms programme in the Power Sector with identified milestones. Progress achieved so far in respect of important milestones is shown below:

Sl. No.	Milestone	Achievement as at March 2013
1.	Corporatization of the Electricity Department by 2006-07	Dept. of Power (DoP) and Dept. of Hydro Power Development (DHPD) are not yet corporatized (Dec. 2013).
2.	Setting up of a State Electricity Regulatory Commission (SERC)	A Single Member Electricity Regulatory Commission constituted (May 2010) and Chairman took charge in February 2011.
3.	State Government will ensure timely payment of subsidies required in pursuance of orders on the tariff determined by SERC.	APSERC fixed (May 2013) the Tariff Order for the financial year 2013-14.
4.	State Government will achieve 100 % electrification of villages by 2007.	3231 out of 4593 villages (70.35 %) were electrified (December 2013).

From the table above, it may be observed that even after a lapse of more than 10 years of signing of the MoA, the milestones set under the Power Sector Reforms Programme could not be fully achieved by the State Government.

Department of Hydro Power Development

4.2 Execution of Micro, Mini and Small Hydro Power Projects

4.2.1 Introduction

The Department of Hydro Power Development (DHPD) was created in November 2003 with a view to develop, operate and maintain micro/mini/small hydro power projects in the State.

As of 31 March 2013, the Department was operating 111 Micro/Mini/Small[♣] Hydro Power Projects with a total capacity of 61.31 MW. Out of the 111 projects, 59 projects, with a capacity of 26.84 MW and total project cost of ₹337.60 crore were commissioned between 2008-09 and 2012-13; (remaining 52 projects were commissioned prior to 2008-09). In addition, 40 projects with a capacity of 66.44 MW and project cost of ₹ 749.76 crore, were under construction as on 31 March 2013.

A Performance Audit of power generating activities of the Department of Hydro Power Development (DHPD) was last conducted by the Comptroller and Auditor General of India (CAG) during 2009-10. The report of CAG laid before the State Legislature (March 2011) has not been discussed by the COPU yet (November 2013).

Total year wise hydro power capacity and overall power generation capacity (micro, Mini and Small Power Projects), in respect of non-conventional energy sources of the State from 2008-09 to 2012-13 is shown below:

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Overall Generation Capacity of the Projects of DHPD (MW)	68.72	68.72	73.61	78.79	78.79
Percentage Increase	-	-	7.12	7.03	-
Hydro Power Capacity of DHPD (MW)	56.52	57.4	57.66	59.34	61.31
Percentage of Hydro Power on Overall Generation Capacity (%)	82.25	83.53	78.33	75.31	77.81

From the above, it can be seen that the hydro power capacity of the DHDP had reduced from 82.25 *per cent* (2008-09).to 77.81 *per cent* (2012-13). This decrease was due to increase in power generation from other sources mainly diesel generation by the DHDP.

[♣] ***Micro - upto 100 KW; Mini - 101 to 999 KW; and Small - 1000 to 25000 KW.***

4.2.2 Scope of Audit

The Audit covered:

i) 59 Hydro Power Projects commissioned during the period from 2008-09 to 2012-13 with a project cost of ₹ 337.60 crore and capacity of 26.84 MW.

ii) 40 Projects, which are still under construction, with a project costs of ₹ 749.76 crore.

The audit examination included scrutiny of records at Chief Engineer's Office of the Department in Itanagar and 9 Civil Divisions and 6 Electro Mechanical (E&M) Divisions.

4.2.3 Audit Objectives

The main objective of audit was to assess whether Micro, Mini and Small Hydro Power Projects were executed and commissioned economically, efficiently and effectively. The focus of the audit was to see that:

I. The viability of the projects was assessed properly.

II. Tendering procedures were followed for award of the projects.

III. Projects were executed economically, efficiently and economically

4.2.4 Audit Criteria

The following Audit Criteria were considered for arriving at the Audit Objectives.

- Standard Tender Procedures and selection of contractors;
- Terms & Conditions of NIT and Agreements;
- Guidelines issued by the Government of India, Government of Arunachal Pradesh; Government of India etc regarding execution of projects.

4.2.5 Audit Findings

The audit objectives were explained to the Department during an 'Entry Conference' held on 7 May 2013. Subsequently, audit findings were reported Department and discussed in an 'Exit Conference' held on 26 November 2013. The views expressed by the Department/Government in the exit conference have been considered while finalising this Thematic Audit Report.

The audit findings are discussed in subsequent paragraphs.

Audit objective: Whether viability of the projects was assessed properly?

4.2.6.1 Inadequate assessment of discharge of water, resulting in projects becoming non-operative/less operative

The first step for construction of any project is adequate survey and proper investigation for establishing its feasibility. From survey and investigation, sufficient and reliable data is gathered for preparation of Detailed Project Report (DPR) and precise assessment of its viability. Thus, gathering of sufficient and reliable data is first and important step for assessment of viability of a project.

In case of Hydel Power projects the viability is dependent on survey for possible site for the project and historical data regarding availability of proper head and discharge of the river on which the project is to be constructed. Any error in collecting adequate data for site and hydrological data can lead to failure of the project or inefficient functioning of power generating equipments. For this purpose, the DPR should be based on hydrological data such as annual rainfall, discharge, flood data etc for a minimum period of two years.

During the period from 2008-09 to 2012-13, the Department executed 59 hydel projects at a cost of ₹ 337.60 crore.

A review of the projects revealed that out of 59 completed micro/mini/small hydel power projects executed by the Department, the viability of 12 projects (**Appendix-4.5**) was established on hydrological data for one to two months only instead of requisite detailed data for a minimum period of three years (as per Government orders). These 12 projects became non-operative/less operative due to less discharge of water after these projects were commissioned indicating faulty planning due to reliance on insufficient hydrological data. As a result, expenditure of ₹ 44.32 crore incurred on the construction of these 13 projects was rendered unproductive.

The Government in its reply stated (November 2013) that due to sudden announcement of the Prime Minister's economic package, in 2008-09, for development of micro/mini/ small hydro power projects during the financial year 2008-09, required hydrological survey of source streams for the listed 12 projects could not be carried out.

The reply of the Department is not tenable as inspite of the fact that hydrological survey is one of the critical aspects for establishing the viability of a hydel project, the Department had not adhered even to its own practice of carrying out hydrological surveys for full two years.

Thus, failure of the Department to conduct proper survey and investigation in respect of 13 hydel projects resulted in an unfruitful expenditure of ₹ 44.32 crore.

Audit Objective: Whether tendering procedures were followed for award of the projects?

4.2.6.2 Execution of Civil Works without open tendering.

Para 14.1 of the CPWD Works Manual provides that tenders should normally be called for all works exceeding ₹ 50,000.

During the period 2008-09 to 2012-13, the Department executed the E&M works in 52 projects (₹196.01) and civil works in 15 projects (₹147.45 crore) after following due tendering procedures. However, in addition above, the DHPD carried out civil works valuing ₹165.78 crore in respect of 38 projects, without following any tendering procedures. The civil works related to these 38 projects were executed by issuing a number of Work Orders without any Technical Sanction and calling for open tenders as per details given in **Appendix – 4.6**.

Audit also observed that the value of works executed through such work orders without following tendering procedures and ensuring technical approvals was very high and ranged between ₹0.43crore (Chu Nallah MHS project) and ₹15.87crore (Pagu SHP Project). Award of works without following tendering procedures was contrary to stipulations of CPWD Manual was also detrimental to the financial interest of the Department.

In reply, the Government stated (November 2013) that for E&P works tendering procedures were adopted; however, Civil Works were carried out through work orders without open tender to encourage employment of local people.

The reply of the Government is not acceptable as the works done through work orders, without ensuring economy and quality of works done, were very high and constituted 32.30 *per cent* of the total works executed.

Audit objective: Whether projects were executed economically, efficiently and effectively.

4.2.6.3 Improper planning and frequent changes in installed capacity of Halaipani SHP(4X4 MW) resulted in unproductive expenditure of ₹ 109.56 crore.

The Government of Arunachal Pradesh accorded (March 1997) Administrative Approval for setting up Halaipani Small Hydroelectric Project, with a capacity of 9MW at an estimated expenditure of ₹ 51.37 crore. The Project was targeted to benefit 111 villages. The Department entrusted the work of preparation of DPR, technical and engineering design and drawing work for the project to Alternative

Hydro Energy Centre (AHEC) of the University of Roorkee. AHEC prepared (1998) the DPR for 9MW (3X3 MW) SHP at Halaipani with the scheduled date of completion in 2000-01. The Department of Power (DoP) took up preliminary and auxiliary works on the project and incurred expenditure of ₹ 6.32 crore (up to September 2001).

However, the Government of Arunachal Pradesh handed over (August 2001) the construction of the project to the National Hydro Power Corporation (NHPC). NHPC prepared a revised DPR (January 2002) after taking over the project from the Government of Arunachal Pradesh based on hydrological data for the period from January 1995 to February 2000. It proposed (January 2002) to increase the capacity of the Halaipani SHP to 12 MW (4 X 3 MW) at a revised cost of ₹ 64.30 crore.

The State Government approved (February 2002) the revised estimate in the following manner - State Government share (₹ 10.45 crore); MNRE grant (₹ 22.50 crore) and Rural Electrification Corporation (REC) loan (₹ 31.35 crore).

In February 2002, the Government again took over the project from NHPC and handed it over (February 2002) to DHPD for execution. The target date of completion was given as December 2004.

After seven years, the Department submitted (January 2009) a revised DPR for enhancing the capacity from 12 to 16 MW at a revised cost of ₹ 112.40 crore, which was approved (February 2010) by the State Government. The target date of completion of the project was revised to September 2011.

During June 2012, there was a heavy flood in Halai river which resulted in heavy losses in the project work. The flood damage loss was estimated at ₹ 0.50 crore and Flood Damage Repair (FDR) cost at ₹ 14.52 crore.

After the floods, AHEC, Roorkee, suggested (August 2012), for providing retaining walls both upstream and downstream, raising of the powerhouse level, shifting of the silting chamber, strengthening of the anchor block, etc. The Department further submitted (May 2013) a revised DPR of ₹ 155.21 crore, which included ₹ 15.31 crore for protection works. The State Government accorded (June 2013) re-revised Administrative Approval for the project at a cost of ₹ 155.51 crore.

Up to the end of March 2013, the Department had incurred an expenditure of ₹109.56 crore on the project (Civil Works - ₹ 74.31 crore & E&M-₹ 35.25 crore) out of a sanctioned amount of ₹ 155.51 crore. The project had not been completed till date (August 2013).

Audit observed that:

1. The Department did not properly plan the project as it had frequently revised the installed capacity of the project as detailed above. This frequent revision of the

installed capacity of the project had resulted in delay in the completion of the project by more than 16 years.

2. Against the initial cost of ₹ 51.37 crore for 9MW capacity SHP, the project cost had increased to ₹ 155.51 crore for 16 MW capacity, out of which the Department had already incurred an expenditure of ₹109.56 crore as on 31 March 2013. Even after incurring an expenditure amounting to twice the original cost, the project had not been completed and remained unproductive.

3. Despite the knowledge (site inspection report of March 2012) that proper safeguards for protection of civil works didn't exist at the work site, the Department had not taken adequate measures to safeguard the material at site. Consequently, the project suffered a loss of ₹ 0.78 crore on account of loss of material: cement, steel and tools and plants when this material was washed due to floods (June 2012).

The Government stated (November 2011) that the delay in completion was mainly attributed to the funding pattern of the Central and State Government respectively. Fresh initiatives towards engagement of Central PSUs (NEEPCO, NHPC etc) were being considered.

The reply of the Government is a clear indication of the fact that the project had not been planned properly.

Thus, delay in completion of the project due to frequent changes in installed capacity rendered the expenditure of ₹ 109.56 crore (Civil Works - ₹ 74.31 crore and E&M Works - ₹ 35.25 crore) unproductive even after 16 years from the first Administrative Approval for the project. Moreover, the 111 targeted villages were also deprived of the intended benefits of this small hydel project.

4.2.6.4 Payment of interest free Mobilization advance in violation of CPWD manual

As per Para 32.5 of CPWD manual[*] 2010, in respect of certain specialised and capital intensive works of estimated cost of ₹ 2 crore and above, mobilisation advance (MA) limited to 10 *per cent* of tendered amount, at 10 *per cent* simple interest per annum, could be sanctioned to a contractor on specific request as per the terms of the contract. Further, MA shall be granted against a bank guarantee (BG) of a scheduled bank for the full amount of advance and shall be released in not less than two installments and subsequent installment shall be released only after furnishing proof of satisfactory utilization of earlier installment of MA.

During the period from 2007-08 to 2012-13, the Department invited tenders for construction of 99 micro/mini/small Hydel projects in the State. Against the tenders, the Department awarded the various E&M and Civil works valued at ₹ 1087.36 crore. The tenders stipulated that MA will be limited to 10 per cent of the value of work in accordance with the above mentioned provisions of the CPWD manual.

[*] As followed in the State Government

Audit observed that the Department released interest free MA of ₹ 52.27 crore (**Appendix – 4.7*****) to the contractors, in nine projects, in contravention to the above provisions of the CPWD manual. In spite of allowing interest-free MA to contractors, the works were not completed within the scheduled time period and MA of ₹16.57 crore was yet to be adjusted from contractors bills as of August 2013.***

The non-adherence to the CPWD provisions, by allowing interest free MA to the contractors, had also resulted in extension of undue benefit to the contractors in the form of interest on MA amounting to ₹10.04 crore[†].

Further, Department had also not secured the MA fully, as Bank Guarantees were either not taken or had lapsed in respect of seven cases (**Appendix – 4.8*****).***

The Government in its reply (November 2013) stated that Mobilization Advances were paid to contractors as per terms and conditions of the agreement and payment of Mobilisation Advance has been discontinued in the State.

4.2.6.5 Non-levy of Liquidated Damages on contractors

As per standard terms and conditions of the agreement entered with the turnkey contractors, the Department is entitled to levy and recover from the contractor(s) Liquidated Damages (LD) for delay in completion of the work @ one *percent* of the contract price per week or part of the week, subject to a maximum of 10 *percent* of the contract price.

It was observed that even though turnkey contractors had delayed the completion of 32 projects by 8 to 53 months (as of August 2013), the Department did not levy LD amounting to ₹ 17.09 crore as per details given in the **Appendix –4.9**.

The Government in its reply (December 2013) stated that it planned to recover liquidated damages, if necessary, while making final payments to the contractor.

4.2.6.6 Non-repair/replacement of defective E&M Equipment

As per general terms and conditions of the Agreement entered into with the E&M turnkey contractors, the contractor was responsible for operating the project successfully for 18 to 24 months or 1800 hours, whichever was earlier. The contractor was also responsible for repair/replacement of damaged equipment during this period.

However, it was observed that the Department did not include any penal clause in the agreement to safeguard departmental interests in cases where defects in the equipment were noticed during the warranty period. Due to this lapse, the Department could not take any action like forfeiture of security deposit, repair/replacement of damaged equipment at the risk and cost of the contractor etc.

It was observed that the contractors did not replace/repair the damaged equipment in *seven* projects (**Appendix-4.10**). Consequently, when the contractors did not replace the damaged equipments in seven projects, these projects had to remain non-operative for a period ranging between 3and 47 months. The shut-down of the seven projects

[†] Simple interest on ₹52.27crore at the rate of 10 per cent for 23 months (June 2011 to April 2013)

due to non-replacement of various damaged equipment, coupled with non-inclusion of any penal clause resulted in loss of revenue amounting to ₹ 30.22 crore as a result of loss of generation of power of 79.52 MUs. Moreover, 127 villages linked to the projects were also denied electricity supply.

The Government in its reply (November 2013) stated that Show Cause Notices would be issued to the defaulting contractors who were yet to take up replacement/restoration work of E&M equipment.

4.2.6.7 Loss of ₹ 8.46 crore due to deterioration of equipment-Kush MHS

The Department of Power (DoP) entered (October 1993) into an Agreement with Boving Fouress Limited (BFL), Bangalore, for construction of Kush MHS (2x1500 KW) at a cost of ₹ 16.05 crore (Civil Works - ₹ 8.14 crore and E&M Works - ₹ 7.91 crore) on lump sum turnkey basis. The project was scheduled to be completed by November 1996. The Department paid (January to August 1994) interest-free MA of ₹ 4.01 crore to the contractor.

Prior to taking up and completing related Civil Works, the contractor supplied (November 1996 to March 1997) E&M equipment valued at ₹ 8.46 crore and kept it at Lilabari (Assam), and kept it in an open space and exposed to the elements of bad weather. The guarantee period of the E&M equipment ended in September 1998. Due to the failure of the Department to provide an approach road to the project site, the equipment was not transported to the site. The contractor abandoned the works and went for arbitration, claiming various amounts from the Department. The arbitration award (February 2006) went in favour of the Department and stipulated that the contractor (BEL) would be responsible for completion of E&M and civil works and commissioning of the project.

In the meanwhile, after inspection, the Department found (October 2010) that the equipment was in dilapidated condition/completely eroded due to rusting and therefore the same was unusable.

The Department submitted (September 2011) a revised estimate of ₹ 40.90 crore in respect of Civil and E&M works for the project.

Up to the end of May 2013, the Department incurred an expenditure of ₹ 13.26 crore on Civil Works.

Audit observed that:

1. The order for supply of E&M equipment valued at ₹ 8.99 crore was prematurely placed on the contractor as the civil works at site were not completed. Due to this, the E&M equipment remained idle for a long period (16 years), after which it became unusable due to deterioration, rust, wear and tear, etc., resulting in loss of ₹ 8.99 crore to the Department.
2. The Department failed to get the works completed by BFL, Bangalore, even after the arbitration went in favour of the Department, which finally resulted in cost overrun of ₹24.85 crore and time overrun of 17 years.

The Government in its reply (December 2013) stated that after award of arbitration, the Department executed the civil works on its own as funds for the same were provided under PM's package.

The reply of the Government was, however, silent on loss of ₹ 8.46 crore due to deterioration of E&M equipment.

Other Observations

4.2.6.8 Avoidable expenditure of ₹ 0.36 crore on construction of Spillway Channel- Sippi MHS:

The Department of Power, Government of Arunachal Pradesh, entered into a MoU with National Hydroelectric Power Corporation Limited (NHPC) for construction of Sippi MHEP, at an estimated cost of ₹ 40.03 crore. The project was scheduled to be completed by October 2003. NHPC completed the project through a turnkey contractor (June 2008) at a cost of ₹ 48.70 crore, after a delay of more than 57 months.

NHPC handed over (August 2008) the project to the Department for operation. Before taking over the project, a joint inspection of the project was conducted (June 2008), wherein it was observed that the RCC Spillway Channel was not sufficient to discharge the huge quantum of spilled water to the Sippi River. It was further observed that the structure was neither permanent nor stable and therefore prone to damages. It was opined that in order to avoid damage to the power house and other equipment/structures in future, construction of a permanent RCC Channel and repair/maintenance of the spillway was necessary.

However, the Department did not take any action on these observations. Consequently, in September 2010, the Spillway Channel was washed out due to heavy rains and the project was shut down (September 2010 to March 2011). During the shut-down period, the Department carried out repair work of the Spillway Channel and constructed a temporary structure at a cost of ₹ 0.36 crore.

Subsequently, the project was again shut down (March 2012 to August 2012) for construction of a permanent Spillway Channel at a cost of ₹ 0.52 crore.

Audit observed the Department even after being fully aware (August 2008), that absence of a permanent structure posed a risk to the power house, it did not construct a permanent structure during the period from September 2008 to August 2010. Even when the Department decided to shut down the project during September 2010 to March 2011, it had not constructed a permanent structure. This had resulted in avoidable expenditure of ₹ 0.36 crore being expenditure incurred on temporary structure.

In addition, the two shut down periods had resulted in avoidable loss of generation of 7.05 MUs of power (revenue of ₹ 2.76 crore).

The Government stated (December 2013) that due to fund constraints under State Plan, the Department could not take up construction of the permanent structure in 2010-11, and the temporary repair work of the damaged Spillway Channel was carried out as stop-gap arrangement. Reasons for delay in completion of the project were non-handing over of land in time, poor law and order situation and extended monsoons, etc.

4.2.6.9 Non-payment of NPV for diversion of forest land, resulting in revocation of in-principle approval -Sippi SHEP:

As per Supreme Court of India Order (December 1996), payment of cost of Compensatory Afforestation and Net Present Value (NPV) was mandatory for conversion of forest land/areas irrespective of ownership and classification under the Forest Conservation Act, 1980. The Government of India (GoI), Ministry of Environment and Forests (MoEF) granted (February 2003) in-principle approval for diversion of 4.986 hectares of forest land for construction of Sippi SHEP in Upper Subansiri District. The Conservator of Forest & Nodal Officer several times requested (April 2005 to April 2012) both the National Hydroelectric Power Corporation Limited (NHPC) and DHPD for payment of NPV of ₹ 45.87 lakh. Despite the requests, the DHPD did not pay the NPV on the plea that no Government/community land was involved in Sippi SHEP and compensation for acquired land was paid to the private land owners.

Since the NPV was not paid by the Department, the Chief Conservator of Forests (CCF), Shillong, revoked (January 2013) the in-principle approval accorded to the project and requested the State Government to ensure that the forest land was under the possession of the Forest Department.

Audit observed that revoking of approval for Sippi SHEP, on account of non-payment of NPV by the Department may ultimately lead to permanent shut-down of the project.

The Department stated (December 2013) that payment of NPV was not required as the land belonged to the local public of the area. However, the Department had taken up the matter with the Government. Reply of the Government was awaited.

4.2.6.10 Failure to provide Air sorties for Engineers resulted in non-commissioning of project-Ngonola MHS

The Department completed Civil Works (₹ 3.54 crore) in respect of Ngonola MHS (2x50 KW) at Vijaynagar, Changlang District in 2009 and E&M Works (₹0.52 crore) through a turnkey contractor in October 2010. The E&M contractor, Hydel Equipments, Guwahati, after completing supply and erection of E&M equipment, operated the machine in individual mode for a few hours, after which the machines were shut down due to low pressure of water. The reason for low pressure/shortage of water was stated to be the damage to the Penstock pipeline. The staff of the contractor left (October 2010) the project site stating that unless water supply was ensured the machines could not be operated. Civil Division, Bordumsa, after repairing the damaged Penstock pipeline, requested the Government for airlifting of engineers to the project site for testing and commissioning. Although, the Government approved the proposal in October 2012, yet the engineers were not airlifted to the project site for testing and commission of the project so far.

Thus, failure of the Department/Government to arrange transportation of the engineers to the site resulted in non-commissioning of the project so far (August 2013). Thus, expenditure of ₹ 4.06 crore incurred on the project remained unfruitful even after more than 36 months from the completion of the project. This had resulted in loss of generation of 1.93 MUs, valued at ₹ 0.73 crore till date (August 2013).

The Department in its reply stated (December 2013) that for arranging transportation of Engineers and Technicians by air sorties, the matter was vigorously taken up with the concerned authority.

4.2.6.11 Non-recovery of Statutory Deductions

The Department failed to recover statutory deductions such as Income Tax: ₹0.69 crore; Labour Cess: ₹ 0.35 crore; and VAT: ₹ 0.62 crore **(Appendix – 4.11)** from payments made to contractors, which resulted in loss of revenue of ₹1.66 crore to the Government, besides extension of undue benefit to the contractors.

The Government stated that statutory deductions such as Income Tax, Labour Cess and VAT would be recovered from remaining Running Account Bills.

4.2.6.12 Conclusions

- Proper preliminary investigations and surveys were not conducted and assessment of hydrological data, i.e. availability of discharge of water, was not done for 36 to 60 months as required, resulting in non-availability of discharge of water after commission.
- The Department failed to adhere to Government instructions regarding calling of open tenders for competitive bidding.
- Projects were not planned properly as there was frequent revision in installed capacity.
- Payment of interest-free Mobilization Advance in excess of the quantum fixed in NIT terms and conditions was detrimental to the financial interest of the Department.
- The Department failed to levy Liquidated Damages on contractors for delay in completion of projects, as per terms and conditions of Agreements.
- The Department failed to get repair/replacement of defective E&M equipment, resulting in non-operation of projects.

4.2.6.13 Recommendations

- Preliminary investigations and surveys should be carried out properly and hydrological data should be assessed for 36 to 60 months as per norms.
- All the works should be executed through competitive bidding to ensure economy and quality of work done.

- A specific Clause regarding replacement/repair of defective equipment within a specific period by the contractor should be incorporated in the Agreements to safeguard the interest of the Department.
- Co-ordination between Civil and E&M Divisions as well as between the Department and DoP should be maintained for timely completion of Civil and E&M Works simultaneously and for providing evacuation facilities respectively.

4.3 Non-achievement of anticipated benefits of the project

The Department could not achieve the anticipated improvement in generation of power despite incurring an expenditure of ₹209.16 lakh on capacity improvement project against the sanctioned cost of ₹104.58 lakh

The Department of Hydro Power Development (DHPD), Government of Arunachal Pradesh, commissioned (2005) Mati Nallah Mini Hydel Station (MHS) (2 x 250 KW) at a cost of ₹ 5.99 crore. The Project catered to the power requirements of Hawai in Anjaw district of the State. In April 2008, the Department proposed to improve the power generation capacity of the project in the lean season[‡] by constructing a channel for diverting water from nearby Nallah "Chingwinti" to the project. For this purpose an estimate of ₹ 104.58 lakh was proposed in the Detailed Feasibility Report (DFR) of the project. It was proposed that drawing of water from Chingwinti river will help in optimum capacity utilisation of the Mati Nallah Mini Hydel Station and shall be completed in two years. However, the Department did not receive any administrative approval for the work.

Subsequently, the Department, submitted (April 2009) another proposal for the same work, i.e. diversion of water[§] from the nearby Changwiti Nallah to Mati Nallah, with an estimate of ₹ 104.89 lakh. It was proposed that the diversion of water will create power potential of about 150 KW (equivalent to 13,14,000 KWh[**] per annum) in the project. The Department of Power (DoP), accorded (June 2009) its administrative approval for the same work[††] under North Eastern Council (NEC) funded Scheme, for an amount of ₹ 104.48 lakh which was concurred (October 2009) by the Government of Arunachal Pradesh.

The Department completed (March 2010) the project after incurring an expenditure of ₹ 209.16 lakh during the period from April 2009 to March 2010.

Audit observed that:

- The Department purchased (March 2009), various materials in connection with the above work, against the estimates of April 2008, and incurred an expenditure of ₹ 104.58 lakh for purchase of cement, steel, cartage etc for the

[‡] October to February
[§] Improvement of Mati Nallah MHS (2X250 kW)
[**] 150 KWx365 days x 24 hrs
[††] Improvement of Mati Nallah MHS (2X250 kW)

project. No administrative approval for the above work was obtained by the Department at the time of purchase of these materials.

- After receiving administrative approval in June 2009, for the work of diversion of water from the nearby Changwiti Nallah to Mati Nallah, the Department further incurred an expenditure of ₹ 104.58 lakh during the period between November 2009 and March 2010 on account of purchase of material for the above works.
- The work was undertaken to improve the actual generation capacity of the project as the project was not able to achieve its capacity generation due to less discharge of water. Before the improvement works were undertaken, the project was able to achieve a maximum generation of only 7,91,737 KWh (90 KW) (18 *per cent*) in 2008-09 against an installed capacity of 43,80,000 KWh per annum (500 KW). The improvement works envisaged improvement of generation to 13,14,000 KWh per annum (equivalent to 150 KW) to the existing actual generation. It was, however, observed that even after incurring an expenditure of ₹ 209.16 lakh for improvement of the generation capacity, the project was able to achieve a maximum generation of 8,90,514 KWh only (102 KW) during 2012-13 as against the envisaged generation of 13,14,000 KWh per annum. Therefore, improvement works had not achieved the desired objective.

Thus, the Department could not achieve the anticipated improvement in generation of power despite incurring an expenditure of ₹209.16 lakh on the project against the sanctioned cost of ₹104.58 lakh.

The Department, in reply, stated (January 2014) that in anticipation of Government sanction, a Letter of Credit (LoC) for ₹ 104.58 lakh was issued (March 2009) to avoid surrender of funds under Non-Plan, and accordingly, the expenditure was incurred by the Executive Engineer. Further, other LoCs for an amount of ₹ 104.48 lakh were also issued (November 2009 to March 2010) against the expenditure sanction from State Government.

The reply of the Department is not acceptable as only one Government sanction was received for works valued at ₹ 104.48 lakh against the total expenditure of ₹209.16 lakh incurred by the Department. Further, the generation of electricity from the project was not in accordance with the proposals submitted for undertaking improvement works on the project.

Chapter - V
Follow Up of Audit Observations

CHAPTER V: FOLLOW UP OF AUDIT OBSERVATIONS

5.1 Follow-up action on Audit Reports

As per instructions issued by the Finance Department (June 1996), concerned Administrative Departments are required to prepare an Explanatory Note on Paragraphs/Reviews included in the Audit Reports indicating the action taken or proposed to be taken and submit the 'Action Taken Notes' to the Assembly Secretariat with a copy to (1) Accountant General and (2) Secretary, Finance Department, within three months from the date of receipt of the Report.

As per decision taken on "Legislature Audit Interface" held on July 5, 2010, every State PAC/COPU has been directed by Headquarter to transfer outstanding Reports/Paras up to 2007-08 to concerned Departments for follow-up action at their end. As such, this Office transferred 144 Paras pertaining to the period from 1994-95 to 2007-08 in 2011-12 for Action Taken by them, but no Action Taken Report has yet been received from the concerned Departments (December 2012). However, review of the outstanding Explanatory Notes on paragraphs included in the Reports of the Comptroller and Auditor General of India from 2008-09 to 2011-12 revealed that the concerned Administrative Departments did not comply with these instructions. As of March 2013, *suo moto* Explanatory Notes on 144 Paragraphs of the Audit Reports were outstanding from various Departments **(Appendix-5.1).**

The Administrative Departments were also required to take suitable action on recommendations made in the PAC Reports presented to the State Legislature. The PAC specified the time-frame for submission of such ATNs as one month up to the 61st Report. Review of 18 Reports of the PAC containing recommendations on 89 Paragraphs in respect of 19 Departments included in Audit Reports and presented to the Legislature between September 1994 and September 2012, revealed that no Department sent any ATN to the Assembly Secretariat as of December 2013. Thus, status of the recommendations contained in the said Reports of the PAC, and whether these were being acted upon by the Administrative Departments, could not be ascertained in audit.

5.2. Audit Committee Meetings

No Audit Committee Meeting was held during 2012-13.

5.3 Respond to Audit Observations

597 Paragraphs pertaining to 124 Inspection Reports, involving ₹ 220 crore were outstanding as of March 2012 and first replies to the said Inspection Reports have not been received.

Accountant General (AG) conducts periodical inspection of Government Departments to test-check transactions and to verify maintenance of important accounting and other records as per prescribed rules and procedures. When important irregularities detected during inspections are not settled on the spot, they are included in Inspection Reports (IRs) that are issued to concerned Heads of Offices, with a copy to the next higher authority and the Government. Government instructions provide for prompt response to IRs by the executive to ensure timely remedial action in compliance to prescribed rules and procedures and to fix responsibility for serious lapses pointed out in IRs. Serious irregularities are also brought to the notice of concerned Heads of Departments by the Office of the Accountant General. A half-yearly report of pending IRs is sent to the Commissioner/Secretary of the Department to facilitate monitoring of the audit observations in the pending IRs.

As of March 2014, 502 Paragraphs relating to 109 IRs pertaining to 53 offices of three Departments remained outstanding. Of these, 02 IRs consisting of 09 Paragraphs were not replied to/settled for more than nine years. Even initial replies, which were required to be received from the Heads of Offices within one month from the date of issue were not received from twenty offices for 189 Paragraphs of 30 IRs issued between 1994-95 to 2013-14. As a result, the following serious irregularities commented upon in the IRs were not settled as on date:

Sl. No.	Nature of Irregularities	Public Health Engineering Department		Urban Development and Housing Department		Education Department	
		No. of Paras	Amt	No. of Paras	Amt	No. of Paras	Amt
1.	Local Purchase of stationery in excess of authorized limits and expenditure incurred without sanction.	-	-	4	8.6	6	69.21
2.	Non-observance of rules relating to custody and handling of cash, position and maintenance of Cash Book and Muster Roll.	3	13.56	-	-	41	77.51
3.	Delay in recovery /non-recovery of Department receipts, advances and other recoverable charges.	32	406.77	20	492.582	11	53.41
4.	Drawal of funds in advance of requirement, resulting in retention of money in hand for long period.	3	212.06	1	58.36	16	130.96
5.	For want of DCC Bills.	-	-	5	263.03	7	2939.36
6.	For want of APRs	-	-	1	119.66	12	665.82
7.	Non-maintenance of proper Stores Accounts and non-conducting of physical verification of stores.	9	122.60	-	-	10	19.80
8.	Utilization Certificates and accounts certified by Audit in respect of Grant-in-aid not furnished.	-	-	1	26.72	3	1514.24

Sl. No.	Nature of Irregularities	Public Health Engineering Department		Urban Development and Housing Department		Education Department	
		No. of Paras	Amt	No. of Paras	Amt	No. of Paras	Amt
9.	Sanction to write off loans, losses, etc. not received.	2	29.19	2	118.74	5	42.34
10.	Idle investment	14	428.61	4	17.39	19	1117.52
11.	Excess/Extra Expenditure	39	687.32	20	1012.565	28	3313.79
12.	Others	50	1468.29	44	12812.3	90	6745.50
TOTAL		**152**	**3368.40**	**102**	**14929.95**	**248**	**16689.46**

Commissioners/Secretaries of concerned Departments who were informed of the position through half-yearly reports, failed to ensure that concerned officers of Departments took prompt and timely action. It is recommended that the Government look into this matter and ensure that:

(a) action is taken against officials who fail to send replies to IRs/Audit Paragraphs as per prescribed time schedule;

(b) action is initiated to recover losses/outstanding advances/overpayments pointed out in audit in a time bound manner; and

(c) there is a proper system for expeditious compliance to audit observations.

(S. A. BATHEW)
Accountant General
Arunachal Pradesh

Itanagar
the

Countersigned

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

New Delhi
the

APPENDICES

Appendix 2.1

District-wise projects selected for detailed scrutiny in Performance Audit in respect of projects funded under NLCPR/NEC

Sl. No.	Name of Project	Approved Cost (₹in lakh)	District
	NLCPR		
1.	Construction of Motorable Suspension Bridge over river Siang at the site of Gandhi Bridge	4843.00	Upper Siang
2.	Construction of Steel Suspension Bridge over Siang River and approach roads at Kodak near Tuting	3894.00	
3.	Construction of Road from Pugging to Palling	1530.19	
4.	Construction of road from Jengging to Ramsing in Upper Siang District (35 Km)	536.62	
5.	Construction of Motorable Steel Arch Bridge over river Yamne at Reglat under Mariyang Division span 90 Mtr. (Mariyang)	634.39	
6.	Construction of road from Rani to Oiramghat (Assam) via Sika Tode-Sika Bamin Village - Jampani and Anchalghat Camp road (25km) in East Siang District	3325.47	East Siang
7.	Construction of Motorable Suspension Bridge over river Siang between BRTF road & Komsing village (Span 225 m) at Sangam point in East Siang District (Boleng)	1834.41	
8.	Improvement & Extension of Dosing, Pareng, Sine, Yibuk, Liging road. (Phase-I) (Boleng)	1826.08	
9.	Construction of road from Sille to Yagrung in East Siang district. (10KM) (RWD)	500.94	
10.	Construction of road from J.N. College Pasighat to Balek, East Siang District	500.26	
11.	Construction of Single lane bailey bridge (span 40 mtr) over Tasing river in between Borguli village and Seram in East Siang district	340.37	
12.	Improvement of Janagthung-Cherrong-Panchvati-Chhanda road, West Kameng District	2510.17	West Kameng
13.	Construction of road from Magopam to Bichom via Namfri, Ditching, Sacheda, Ramu-Sutu and Uchini (Phase-I) in West Kameng District	1567.17	
14.	Construction of road from Magopam to Bichom via Namfri, Ditching, Sacheda, Ramu-Sutu and Uchini (Phase-II) in West Kameng District	2052.43	
15.	Construction of Gacham – Morshing Road (24.50 Km)	1962.49	
16.	Construction of road from Nafra to Nakhu and Nachiban in West Kameng District (11 Km)	754.01	
17.	Improvement of Palizi – Thrizino Road (17.00 Km)	743.9	

<table>
<tr><th>Sl. No.</th><th>Name of Project</th><th>Approved Cost (₹in lakh)</th><th>District</th></tr>
<tr><td>18.</td><td>Construction of road from Hawai to Manchal Bridge point (55.77 KM)</td><td>3252.92</td><td rowspan="2">Anjaw</td></tr>
<tr><td>19.</td><td>Construction of Motorable Suspension Bridge over River Lohit to connect Manchal Administrative Circle (Span 156.55 m)</td><td>1309.79</td></tr>
<tr><td>20.</td><td>Upgradation of Namchik-Miao-M'Pen Road (37 km)</td><td>2079.84</td><td rowspan="3">Changlang</td></tr>
<tr><td>21.</td><td>Construction of Road from Changlang to Khimiyang (36.10 Km)</td><td>858.7</td></tr>
<tr><td>22.</td><td>Construction of road from NH-153 Longbi village point to Tengman village via Khetwa and Jotin Juda (35.00 km)</td><td>2133.6</td></tr>
<tr><td>23.</td><td>Construction of road from New Mohang to Mahadevpur township via Nongkhon (12 km.)</td><td>355.40</td><td rowspan="3">Lohit</td></tr>
<tr><td>24.</td><td>Construction of RCC Bridge over river Kamphai under Wakro Circle (Span 80mtr.)</td><td>608.10</td></tr>
<tr><td>25.</td><td>Construction of road from Mahadevpur town to Krishnapur village Lekang Circle in Lohit district (4.5 km.)</td><td>599.30</td></tr>
<tr><td colspan="4">NEC</td></tr>
<tr><td>26.</td><td>Laimekuri-Nari-Telam-Rimi Road</td><td>7800.00</td><td>East Siang</td></tr>
<tr><td>27.</td><td>Up-gradation of Digboi-Pengeri-Bordumsa Road</td><td>4943.00</td><td>Changlang & Lohit</td></tr>
<tr><td colspan="2">TOTAL</td><td>53296.55</td><td></td></tr>
</table>

Appendix – 2.2

Details showing delay in release of funds in respect of NLCPR Projects

Sl. No.	Project	Funds released by GOI to State Govt.	Date of Release of Fund	Date of Transmission to the Executing Agency	Delay in Transmission to Executing Agency	
					Months	*Days*
1.	Construction of Motorable Suspension Bridge over River Siang at the site of Gandhi Bridge	377.71	27-03-2006	13-10-2006	06	20
2.	Construction of Steel Suspension Bridge over Siang River and approach Roads at Kodak near Tuting	439.74	28-12-2005	06-10-2006	09	12
3.	Construction of Road from Pugging to Palling	540.07	16-02-2010	31-03-2013	37	29
4.	Construction of road from Jengging to Ramsing in Upper Siang District (35 km)	169.04	26-09-2006	14-02-2007	04	21
5.	Construction of Motorable Steel Arch Bridge over River Yamne at Reglat under Mariyang Division Span (90 m) (Mariyang)	228.38	05-02-2010	31-03-2011	13	29
6.	Construction of Road from Rani to Oiramghat (Assam) via Sika Tode-Sika Bamin Village - Jampani and Anchalghat Camp road (25 km) in East Siang District	1195.85	24-10-2011	16-03-2012	04	24
7.	Construction of Road from J.N. College Pasighat to Balek, East Siang District	172.49	22-02-2011	20-09-2011	07	-
8.	Construction of Single Lane Bailey Bridge (Span 40 m) over Tatsing river in between Borguli village and Seram in East Siang district	107.21	28-03-2009	23-03-2013	48	16
9.	Construction of Road from Sille to Yagrung in East Siang District. (10 km) (RWD)	157.8	27-03-2008	07-11-2008	07	15
10.	Construction of Motorable Suspension Bridge over River Siang between BRTF road & Komsing Village (Span 225 m) at Sangam point in East Siang District (Boleng)	577.84	26-09-2007	31-03-2008	06	07
11.	Improvement & Extension of Dosing, Pareng, Sine, Yibuk, Liging Road. (Phase-I) (Boleng)	575.21	31-03-2009	04-02-2010	10	10
12.	Improvement of Janagthung-Cherrong-Panchvati-Chhanda Road, West Kameng District	891.47	28-02-2011	18-07-2011	04	20

Sl. No.	Project	Funds released by GOI to State Govt.	Date of Release of Fund	Date of Transmission to the Executing Agency	Delay in Transmission to Executing Agency	
					Months	*Days*
13.	Construction of Road from Magopam to Bichom via Namfri, Ditching, Sacheda, Ramu-Sutu and Uchini (Phase-I) in West Kameng District	493.65	31-07-2009	27-03-2010	07	29
14.	Construction of Road from Magopam to Bichom via Namfri, Ditching, Sacheda, Ramu-Sutu and Uchini (Phase-II) in West Kameng District	735.76	28-11-2011	31-03-2013	16	09
15.	Construction of Gacham – Morshing Road (24.50 km)	604.31	15-09-2008	11-03-2011	30	07
16.	Construction of Road from Nafra to Nakhu and Nachiban in West Kameng District (11 km)	237.51	19-12-2008	27-11-2009	11	13
17.	Improvement of Palizi – Thrizino Road (17 km)	234.33	21-02-2006	01-03-2007	12	08
18.	Construction of Road from Hawai to Manchal Bridge point (55.77 km)	1024.67	18-11-2008	24-02-2009	03	08
19.	Construction of Motorable Suspension Bridge over River Lohit to connect Manchal Administrative Circle (Span 156.55 m)	412.59	28-12-2005	12-09-2006	08	18
20.	Construction of Road from Changlang to Khimiyang (36.10 Km)	254.09	18-11-2008	26-03-2009	04	08
21.	Upgradation of Namchik-Miao-M'Pen Road (37 km)	747.62	29-09-2011	08-01-2013	15	17
22.	Construction of Road from NH-153 Longbi village point to Tengman village via Khetwa and Jotin Juda (35 km)	767.86	28-02-2011	13-07-2011	04	15
23.	Construction of Road from New Mohang to Mahadevpur township via Nongkhon (12 km)	111.95	18-11-2008	01-04-2009	04	14
24.	Construction of RCC Bridge over River Kamphai under Wakro Circle (Span 80 m) in Arunachal Pradesh	214	24-12-2010	29-03-2011	03	05
25.	Construction of Road from Mahadevpur town to Krishnapur village Lekang Circle in Lohit district (4.5 km)	214.33	27-06-2011	16-01-2012	06	23

Appendix 2.3

Projects-wise details of release of Central & State Share of funds under NLCPR/NEC up to March 2013

(₹ in lakh)

Sl. No.	Name of Project	Approved Cost	Central Share released	State Share released	Shortfall in State Share
	NLCPR				
1.	Construction of Motorable Suspension Bridge over River Siang at the site of Gandhi Bridge	4843.00	2541.89	252.30	
2.	Construction of Steel Suspension Bridge over Siang River and Approach Road at Kodak near Tuting	3894.00	1219.82	139.60	
3.	Construction of Road from Pugging to Palling	1530.19	540.07	***Not released***	60.00
4.	Construction of Road from Jengging to Ramsing in Upper Siang District (35 km)	536.62	482.96	53.66	
5.	Construction of Road from Rani to Oiramghat (Assam) via Sika Tode-Sika Bamin Village - Jampani and Anchalghat Camp Road (25km) in East Siang District	3325.47	1195.85	***Not released***	119.58
6.	Construction of Motorable Suspension Bridge over River Siang between BRTF road & Komsing Village (Span 225 m) at Sangam Point in East Siang District (Boleng)	1834.41	1229.98	50.00	
7.	Improvement & Extension of Dosing, Pareng, Sine, Yibuk, Liging Road. (Phase-I) (Boleng)	1826.08	1231.51	100.00	
8.	Construction of Motorable Steel Arch Bridge over River Yamne at Reglat under Mariyang Division - Span 90 m (Mariyang)	634.39	228.38	***Not released***	25.38
9.	Construction of Road from Sille to Yagrung in East Siang District. (10km) (RWD)	500.94	334.60	50.09	
10.	Construction of Road from J.N. College Pasighat to Balek, East Siang District	500.26	172.49	***Not released***	17.24
11.	Construction of Single lane Bailey Bridge (Span 40 m) over Tatsing River in between Borguli Village and Seram in East Siang District	340.37	229.56	34.00	
12.	Improvement of Janagthung-Cherrong-Panchvati-Chhanda Road, West Kameng District	2510.17	2214.86	***Not released***	251.01
13.	Construction of Road from Magopam to Bichom via Namfri, Ditching, Sacheda, Ramu-Sutu and Uchini (Phase-I), West Kameng District	1567.17	1382.85	***Not released***	156.72
14.	Construction of Road from Magopam to Bichom via Namfri, Ditching, Sacheda, Ramu-Sutu and Uchini (Phase-II), West Kameng District	2052.43	1103.64	***Not released***	110.36
15.	Construction of Gacham – Morshing Road (24.50 km)	1962.49	1731.62	130.00	
16.	Construction of road from Nafra to Nakhu and Nachiban, West Kameng District (11 km)	754.01	678.61	75.39	
17.	Improvement of Palizi – Thrizino Road (17.00 Km)	743.90	669.51	74.39	

Sl. No.	Name of Project	Approved Cost	Central Share released	State Share released	Shortfall in State Share
18.	Construction of Road from Hawai to Manchal Bridge Point (55.77 km)	3252.92	1024.67	**100.30**	
19.	Construction of Motorable Suspension Bridge over River Lohit to connect Manchal Administrative Circle (Span 156.55 m)	1309.79	1144.48	113.98	
20.	Upgradation of Namchik-Miao-M'Pen Road (37 km)	2079.84	747.62	***Not released***	83.07
21.	Construction of Road from Changlang to Khimiyang (36.10 Km)	858.70	757.67	85.90	
22.	Construction of Road from NH-153 Longvi Village point to Tengman Village via Khetwa and Jotin Juda (35.00 km)	2133.60	767.86	***Not released***	85.32
23.	Construction of RCC Bridge over River Kamphai under Wakro Circle (Span 80mtr.)	608.10	214.00	***Not released***	23.78
24.	Construction of Road from New Mohang to Mahadevpur Township via Nongkhon (12 km.)	355.40	319.86	35.54	
25.	Construction of Road from Mahadevpur Town to Krishnapur Village Lekang Circle in Lohit District (4.5 km)	599.30	428.66	***Not released***	47.62
26.	**Total for NLCPR**	**40553.55**	**22593.02**	**1295.15**	**980.08**
	NEC				
27.	Construction of Laimekuri-Nari-Telam-Rimi Road	7800.00	5855.00	662.22	NA
28.	Construction of Digboi-Pengeri-Bordumsa Road	4943.00	4100.00	478.16	NA
	Total for NEC	**12743.00**	**9955.00**	**1140.38**	NA
	GRAND TOTAL (*NLCPR + NEC)*	**53296.55**	**32548.02**	**2435.53**	**980.08**

Appendix 2.4

Details of Inadmissible Expenditure in Test-checked Projects

(₹in crore)

Sl. No.	Name of Project	Item of Inadmissible Expenditure	Amount
1.	Construction of Road from Pugging to Palling in Arunachal Pradesh (48.00 km) (SH:-Construction of Road from Likar to Palling 0.00 to 20.00 km) under NLCPR	Jungle clearing, office building, painting, purchase of vehicle, repair /maintenance of FSB, boulder apron for log bridge (Components not provided).	0.14
2.	Construction of Motorable Suspension Bridge over River Siang at the site of Gandhi Bridge	Procurement of T&P items/procurement of spare parts of vehicles (Components not provided).	1.050
		Wages to work charged staff. (in contravention of Guidelines)	0.282
		Computer parts, etc;. (Component not provided)	0.10
3.	Construction of Steel Suspension Bridge over River Siang and Approach Road at Kodak near Tuting under NLCPR Scheme	Vehicle (Component not provided)	0.045
		Almirahs/CGI Sheets (Component not provided)	0.010
4.	Construction of Motorable Suspension Bridge over River Siang between BRTF Road & Komsing (Span 225 m) at Sangam, East Siang District	Wages to work charged staff. (in contravention of Guidelines)	0.011
		Fuel purchase/hire charges of vehicles/ procurement of T&P items. (Component not provided)	0.176
5.	Construction of Road from NH-153 Longvi Village Point to Tengman Village via Khetwa & Jotin Juda (35 km) under NLCPR Scheme	Repair of vehicles.(Component not provided)	0.20
6.	Upgradation of Digboi-Pengri – Bordumsa-Namchik-Mahadevpur Road under NEC Scheme	Maintenance of T&P under JRP Division and Construction of Staff Quarters, etc. (Works not related to project)	0.15
7.	Construction of Single Lane Bailey Bridge (Span 40 Mtr) over Tatsing River between Borguli & Seram Village on Mebo-Dholla Road.	Fuel purchase, repair/replacement of vehicle spare parts and computer /accessories.(Component not provided)	0.14
8.	Construction of Road from Sille to Yagrung in East Siang District	Wages to work charged staff. (in contravention of Guidelines)	0.024
		Fuel, Stationery, Computers & accessories. (Component not provided)	0.30
9.	Construction of Motorable Steel Arch Bridge (Span 90 m) over river Yamne at Reglat.	Wages to work charged staff. (in contravention of Guidelines)	0.03
		Purchase of Vehicle/Desktop and consultancy charges (Component not provided)	0.192
10.	Construction of Gacham-Morshing road (24.50 km)	Wages to work charged staff. (in contravention of Guidelines)	2.45
		Fuel, Stationery, Computers & accessories (Component not provided)	0.18

Sl. No.	Name of Project	Item of Inadmissible Expenditure	Amount
11.	Improvement of Palizi-Thrizino road (17 km)	Wages to work charged staff. (in contravention of Guidelines)	0.32
		Improvement of Dirang-Tawang Road & repair renovation of CE Office (WZ) Chamber. (Work not related to project)	0.62
12.	Improvement of Janagthung-Cherrong-Panchvati-Chhanda Road, West Kameng District	Wages to work charged staff. (in contravention of Guidelines)	0.158
		Fuel, Stationery (Component not provided)	0.020
13.	Construction of Motorable Suspension Bridge over River Lohit to connect Manchal Administrative Centre (Span 156.55 m)	Wages to work charged staff. (in contravention of Guidelines)	0.214
		R/R of Vehicles/Computer/Computer accessories & Furniture (Component not provided)	0.485
14.	Construction of Road from Nafra to Nakhu and Nachiban in West Kameng District (11 km)	Procurement of T&P items/spare parts of vehicles/ Computer parts (Component not provided)	0.10
		Wages to work charged staff. (in contravention of Guidelines)	0.60
		Consultancy charges, VIP shamiyana/furniture, GI Pipes, jungle cutting (Component not provided)	0.036
15.	Construction of Road from Hawai to Manchal Bridge Point (55.77 km)	Wages to work charged staff. (in contravention of Guidelines)	0.056
		Consultancy charges, Purchase of computer & Purchase of T&P (Component not provided)	0.12
		jungle clearance/WBM (Works not related to the project)	0.40
16.	Construction of Road from Magopam to Bichom via Namfri, Ditching, Sacheda, Ramu-Sutu and Uchini (Phase-I), West Kameng District	Purchase of vehicles (Component not provided)	0.162
17.	Construction of Road from Magopam to Bichom via Namfri, Ditching, Sacheda, Ramu-Sutu and Uchini (Phase-II), West Kameng District	Wages to work charged staff. (in contravention of Guidelines)	0.023
		Campus development of CIHCS (Works not related to project)	0.243
18.	Construction of Road from J.N. College Pasighat to Balek, East Siang District	Wages on W/C Staff (in contravention of Guidelines)	0.088
		Fuel purchase/repair of vehicles and Others (Component not provided)	0.123
19.	Construction of Road from Rani to Oiramghat (Assam) via Sika Tode-Sika Bamin Village - Jampani and Anchalghat Camp Road (25km), East Siang District	Wages to work charged staff. (in contravention of Guidelines)	0.26
		Fuel purchase/repair of vehicles and sausage wire mesh (Component not provided)	0.23
20.	Construction of Road from New Mohang to Mahadevpur Township via Nongkhon (12 km.)	Purchase of vehicles and others, i.e. tarpaulin, sawn timber (Component not provided)	0.043

Sl. No.	Name of Project	Item of Inadmissible Expenditure	Amount
21.	Construction of RCC Bridge over river Kamphai under Wakro Circle (Span 80 m) in Arunachal Pradesh	Consultancy charges (Component not provided)	0.033
22.	Construction of Road from Mahadevpur town to Krishnapur Village Lekang Circle in Lohit District (4.5 km.)	Supply of earth for filling road embankment (Component not provided)	0.35
TOTAL			**10.164**

Appendix – 2.5

Statement showing details of work executed on Work Order basis without calling for tenders

(₹in lakh)

Sl. No.	Name of Project	Approved/ Revised Cost	Expenditure up to March 2013	No. of Work Orders issued	Value of work executed on Work Order	Percentage of expenditure on work order
NLCPR Projects						
1.	Construction of Motorable Suspension Bridge over River Siang at the site of Gandhi Bridge	4843	2794.2	-	2285.11	81.78
2.	Construction of Road from Pugging to Palling	1530.19	536.03	46	111.52	20.80
3.	Construction of Road from Jengging to Ramsing, Upper Siang District (35 km)	536.62	536.62	749	508.61	94.78
4.	Construction of Motorable Steel Arch Bridge over River Yamne at Reglat under Mariyang Division (Span 90 m) (Mariyang)	634.39	115.28	-	62.37	54.10
5.	Construction of Road from Rani to Oiramghat (Assam) via Sika Tode-Sika Bamin Village – Jampani and Anchalghat Camp Road (25km),	3325.47	518.46	157	411.25	79.32
6.	Construction of Road from J.N. College, Pasighat, to Balek,	500.26	172.49	51	142.33	82.51
7.	Construction of Single Lane Bailey Bridge (Span 40 m) over Tasing River between Borguli and Seram Villages,	340.37	263.56	72	113.5	43.06
8.	Construction of Road from Sille to Yagrung, East Siang District (10 km) (RWD)	500.94	319.31	217	153.87	48.18
9.	Construction of Motorable Suspension Bridge over River Siang between BRTF Road & Komsing Village (Span 225 m) at Sangam Point, East Siang District (Boleng)	1834.41	901.85	-	133.8	14.83
10.	Improvement & Extension of Dosing, Pareng, Sine, Yibuk, Liging Road. (Phase-I) (Boleng)	1826.08	1331.51	832	801.18	60.17
11.	Improvement of Janagthung-Cherrong-Panchvati-Chhanda Road, West Kameng District	2510.17	2214.86	682	1976.61	89.24

Sl. No.	Name of Project	Approved/ Revised Cost	Expenditure up to March 2013	No. of Work Orders issued	Value of work executed on Work Order	Percentage of expenditure on work order
12.	Construction of Road from Magopam to Bichom via Namfri, Ditching, Sacheda, Ramu-Sutu and Uchini (Phase-I), West Kameng District	1567.17	1382.79	543	1358.89	98.27
13.	Construction of Road from Magopam to Bichom via Namfri, Ditching, Sacheda, Ramu-Sutu and Uchini (Phase-II), West Kameng District	2052.43	1103.64	341	1162.99	105.37
14.	Construction of Gacham – Morshing Road (24.50 km)	1962.49	1861.62	597	1345.45	72.27
15.	Construction of Road from Nafra to Nakhu and Nachiban (11 km), West Kameng District	754.01	754	0	750.58	99.54
16.	Construction of road from Hawai to Manchal Bridge Point (55.77 km)	3252.92	1124.97	209	212.1	18.85
17.	Construction of Motorable Suspension Bridge over River Lohit to connect Manchal Administrative Circle (Span 156.55 m)	1309.79	981.26	566	544.82	55.52
18.	Construction of Road from New Mohang to Mahadevpur Township via Nongkhon (12 km.)	355.4	349.09	11	17.95	5.14
19.	Construction of RCC Bridge over River Kamphai under Wakro Circle (Span 80 m)	608.1	214	6	14.27	6.66
		30244.21	17475.54	5079	12107.2	
	NEC Projects					
20.	Laimekuri-Nari-Telam-Rimi Road	7800	6280.3	5000	4500	71.65
21.	Up-gradation of Digboi-Pengeri-Bordumsa Road	4943	4229.4	1	231.81	5.48
		12743	10509.7	5001	4731.81	
TOTAL		42987.21	24655.01	10080	16839.01	

Appendix – 2.6
Details of Other Irregularities noticed in execution of Test-checked Projects

Sl. No.	Project Details	Status	Audit Findings
			NLCPR
1.	**Construction of Road from Pugging to Palling (48 km)** Project Year: 2009-10 Approved Cost: ₹ 15.30 crore Release of funds by GoI : ₹ 5.40 crore Due completion date: 31/03/2013 Implementing Agency: PWD, Yingkiong Division	Incomplete	• Physical progress of the project was 35.03 *per cent*. • Delay in floating & finalization of tender by 14 months. • Against two Supply Orders to M/s Universal Traders, valued at ₹ 0.07 crore and four to M/s KO Enterprises, valued at ₹ 0.13 crore, 100 *per cent* advance payment of ₹ 0.20 crore was made in March 2011 for procurement of Cement (80 MT) and TMT Rods (27.6 MT). However, the supplier failed to deliver the materials till date of audit (June 2013).
2.	**Construction of Motorable Suspension Bridge over River Siang at the site of Gandhi Bridge.** Project Year: 2005-06 Approved Cost: ₹ 25.22 crore (Original) ₹ 48.43 crore (Revised) Release of funds by GoI: ₹ 24.52 crore Due completion date: 30/04/2009 (Original) 31/03/2013 (Revised) Implementing Agency: PWD, Yingkiong Division	Incomplete	• Physical progress of the project was 57.70 *per cent*. • Project is already behind schedule by 36 months. • No detailed survey conducted by the Department before forwarding DPR of the project. This led to modification of estimate and consequent cost overrun of ₹ 23.21 crore. • Contractor's lackadaisical attitude delayed completion of the project. However, the Department failed to penalise the contractor. • Though advance payment of ₹ 1.42 crore was made to the supplier M/s B.B. Steel & Corporation, Itanagar, he failed to supply any material till date of audit (June 2013) against Supply Orders placed in January 2011.

Sl. No.	Project Details	Status	Audit Findings
3.	**Construction of Steel Suspension Bridge over River Siang and Approach Road at Kodak near Tuting** Project Year: 2005-06 Approved Cost: ₹ 13.96 crore Release of funds by GoI: ₹ 12.20 crore Due completion date: 31/12/2008 (Original) 31/12/2013 (Revised) Implementing Agency: PWD, Yingkiong Division	Incomplete	• Physical progress of the project was 65 *per cent*. • Project is already behind schedule by 51 months • Delay in floating & finalization of tender by 14 months. • No detailed survey was conducted by the Department before forwarding DPR of the project. This led to modification of estimate and consequent cost overrun of ₹ 24.98 crore. • Contractor's lackadaisical attitude delayed completion of the project. But the Department failed to penalize the contractor. • Supply Order valued at ₹ 0.05 crore was placed to M/s Usha Martin, a Kolkata-based firm, for supply of 1.65 MT of '20 mm diameter Lock Coil Wire Rope' in January 2012 for the Suspension Bridge without calling for tenders. Despite release of 100 *per cent* payment in 2 instalments of ₹ 0.01 crore in January 2012 and ₹ 0.04 crore in December 2012, the supplier, failed to deliver the material till date of audit (June 2013)
4.	**Construction of Motorable Road from Jengging to Ramsing in Upper Siang District (30.40 km)** Project Year: 2006-07 Approved Cost: ₹ 5.37 crore Release of funds by GoI: ₹ 4.83 crore Due completion: 30/09/2009 Implementing Agency: PWD, Yingkiong Division	Completed	• The project was completed in September 2010 with a time overrun of 12 months. • Project works were executed without inviting Tenders.
5.	**Improvement and extension of Dosing-Pareng-Sine-Yibuk Road (Ph-I) (28.47 km)** Project Year: 2008-09 Approved Cost: ₹ 18.26 crore Release of funds by GoI: ₹12.32 crore Due completion: 31/03/2012 Implementing Agency: PWD, Boleng Division	Incomplete	• Physical progress of the project was 72.92 *per cent*. • Project is already behind schedule by 12 months. • Delay in floating & finalization of tender by 31 months. • Insufficient advertising of Notice Inviting Tender. • Contractor's lackadaisical attitude delayed completion of the project. But the Department failed to penalize the contractor. • Interest-free Mobilization Advance of ₹ 68.71 lakh granted to the Contractor without obtaining Bank Guarantee.

Sl. No.	Project Details	Status	Audit Findings
6.	**Construction of Motorable Suspension Bridge over River Siang between BRTF Road & Komsing (Span 225 m) at Sangam, East Siang District** Project Year: 2007-08 Approved Cost: ₹ 18.34 crore Release of funds by GoI: ₹ 11.80 crore Due completion date: 30/09/2010 Implementing Agency: PWD, Boleng Division	Incomplete	• Physical progress of the project was 49.16 *per cent*. • Project is already behind schedule by 30 months. • Delay in floating & finalization of tenders for Sub-structure and Superstructure ranged between 13 to 42 months. • No detailed survey was conducted by the Department before forwarding DPR of the project. This led to modification of estimate and consequent cost overrun of ₹ 23.78 crore. • Contractor's lackadaisical attitude delayed completion of the project, despite payment of interest-free Mobilization Advance of ₹ 88.80 lakh. But the Department failed to penalize the contractor. • Division/Department finalized tender at ₹ 8.89 crore, which was 30.52 *per cent* above the estimated cost of ₹ 6.80 crore.
7.	**Up-gradation of Namchik-Miao-M'Pen Road (37 km)** **Project Year: 2011-12** Approved cost: ₹ 20.80 crore Release of funds by GoI: ₹ 7.48 crore Due completion date: 31/08/2014 Implementing Agency: PWD, Jairampur Division	Incomplete	• Physical progress of the project was 14.65 *per cent*. • Delay in floating of tender by 4 months and its finalization by 15 months. • Project is already behind schedule by 12 months.
8.	**Construction of Road from NH-153 Longvi Village Point to Tengman Village via Khetwa & Jotin Juda(35 km)** Project Year: 2010-11 Approved Cost: ₹ 21.34 crore Release of funds by GoI: ₹ 15.36 crore Due completion date: 31/01/2014 Implementing Agency: PWD, Jairampur Division	Incomplete	• Physical progress of the project was 36 *per cent*. • Delay in floating of tender by 6 months and its finalization by 3 months.
9.	**Improvement of Road from Changlang to Khimiyang in Changlang District (36.10 km)** Project Year: 2008-09 Approved Cost: ₹ 8.59 crore Release of funds by GoI: ₹ 7.58 crore Due completion date: 31/08/2011 Implementing Agency: PWD, Changlang Division	Completed	• The project was completed in March 2013 with a time overrun of 19 months. • There was excess expenditure of ₹ 18.25 lakh due to incurring of expenditure of ₹ 311.02 lakh over the Agreement amount of ₹ 292.77 lakh on construction of Sub-item of works, viz: RCC Slab Culverts, Retaining Wall and Breast Wall.

Sl. No.	Project Details	Status	Audit Findings
10.	**Construction of Single Lane Bailey Bridge (Span 40 m) over Tatsing River between Borguli & Seram Villages on Mebo-Dholla Road.** Project Year: 2008-09 Approved Cost: ₹ 3.40 crore Release of funds by GoI: ₹ 2.30 crore Due completion date: 31/03/2011 Implementing Agency: PWD, Pasighat Division.	Incomplete	• Physical progress of the project was 77.25 *per cent*. • Project is already behind schedule by 24 months. • Project work was executed departmentally on Work Order basis without inviting tenders. • There was irregular expenditure of ₹ 107.21 lakh without expenditure sanction of the State Govt. or Finance Department's concurrence. The expenditure is yet to be regularized by obtaining ex-post- facto approval.
11.	**Construction of Road from Sille to Yagrung, East Siang District (9.637 km)** Project Year: 2007-08 Approved Cost: ₹ 5.01 crore Release of funds by GoI: ₹ 3.35 crore Due completion date: 30/11/2010 Implementing Agency: RWD, Pasighat Division	Incomplete	• Physical progress of the project was 70.41 *per cent*. • Project is already behind schedule by 28 months. • Delay in floating & finalization of the tender by 26 months • Contractor's lackadaisical attitude delayed completion of the project. But the Department failed to penalize the contractor by imposing Liquidated Damages.
12.	**Construction of Motorable Steel Arch Bridge (Span 90 m) over River Yamne at Reglat.** Project Year: 2009-10 Approved Cost: ₹ 6.34 crore Release of funds by GoI: ₹ 2.28 crore Due completion date: 31/03/2013 Implementing Agency: PWD, Mariyang Division.	Incomplete	• Physical progress of the project was 18.17 *per cent*. • Project is already behind schedule. • Delay in floating & finalization of tender by 14 months • Contractor's lackadaisical attitude delayed completion of the project in spite of payment of interest-free Mobilization Advance of ₹ 49.90 lakh. But the Department failed to penalize the contractor by imposing Liquidated Damages. • Payment of interest-free Mobilization Advance resulted in loss of revenue of ₹ 7.34 lakh. • Expenditure of ₹ 12.40 lakh was incurred on items of work (R/Wall & Culvert) without any provision in the Detailed Estimate.

Sl. No.	Project Details	Status	Audit Findings
13.	**Construction of Gacham-Morshing Road (24.50 km)** Project Year: 2008-09 Approved Cost: ₹ 19.62 crore Release of funds by GoI: ₹ 17.32 crore Due completion date: 31/08/2011 Implementing Agency: PWD, Bomdila Division.	Incomplete	• Physical progress of the project was 90 *per cent*. • Project is already behind schedule by 19 months. • Delay in release of balance Central/State share of funds further delayed progress of the work. • Changes in the span of two bridges were made without approval of the MoDoNER. • Tender was floated for the work SH: Black Topping from Chainage 0.00 to 7.00 km. As the successful bidder could not furnish the Performance Guarantee amount within the stipulated time, the Agreement with him was rescinded. Thereafter the Department, instead of inviting fresh tenders, executed the work departmentally on Work Order basis.
14.	**Improvement of Palizi-Thrizino Road (17 km)** Project Year: 2005-06 Approved Cost: ₹ 7.44 crore Release of funds by GoI: ₹ 6.70 crore Due completion date: 28/02/2009 Implementing Agency: PWD, Bomdila Division.	Completed	• Physical progress of the project was 100 *per cent*. • Project was completed in March 2010 with a time overrun of 12 months. • Delay in floating & finalization of the tender by 10 months. • Unauthorized expenditure of ₹ 22.65 lakh on Contingencies, without any provision in the technically sanctioned Detailed Estimate. This was also viewed seriously by the CE (WZ).
15.	**Improvement of Janagthung-Cherrong-Panchvati-Chhanda Road (17 km), West Kameng District** Project Year: 2010-11 Approved Cost: ₹ 25.10 crore Release of funds by GoI: ₹ 22.15 crore Due completion date: 31/01/2014 Implementing Agency: PWD, Dirang Division.	Incomplete	• Physical progress of the project was 88.23 *per cent*. • Non release of balance Central/State Share of ₹ 251.01 lakh adversely affected further progress of work. • About 10.05 MT of Tor Steel worth ₹ 5.26 lakh was procured in excess of actual requirement. • The Division showed completion of widening work at a cost of ₹ 4.29 crore instead of actual expenditure of ₹ 5.87 crore in the Quarterly Progress Report of March 2013.

Sl. No.	Project Details	Status	Audit Findings
16.	**Construction of Motorable Suspension Bridge over River Lohit to connect Manchal Administrative Centre (Span 156.55 m)** Project Year: 2005-06 Approved Cost: ₹ 13.10 crore Release of funds by GoI: ₹ 11.44 crore Due completion date: 31/12/2008 Implementing Agency: PWD, Hayuliang Division.	Incomplete	• Physical progress of the project was 88.23 *per cent*. • Project is already behind schedule by 51 months. • Delay in floating & finalization of the tender for the superstructure of the bridge by 21 months. • Due to delay in execution of Sub-structure works, work on Superstructure was also delayed though bridge components were delivered at the work site by the contractor in September 2009. The possibility of escalation in the cost of erection cannot be ruled out. • Retaining/Breast Walls (485 m) and Side Drain (160 m), worth ₹ 56.16 lakh were constructed without provision in the Detailed Estimate. • Detailed Estimate provided for construction of 3 Slab Culverts at a cost of ₹ 4.65 lakh each. But the Division constructed 2 Culverts at a cost of ₹ 20.34 lakh, thereby incurring excess expenditure of ₹ 11.04 lakh.
17.	**Construction of Road from Nafra to Nakhu and Nachiban, West Kameng District (11 km)** Project Year: 2006-07 Approved Cost: ₹ 7.54 crore Release of funds by GoI: ₹ 6.79 crore Due completion date: 26/03/2009 Implementing Agency: PWD, Bomdila Division.	Complete	• Physical progress of the project was 100 *per cent*. • Completion of project was delayed by 24 months. • Unauthorized expenditure of ₹ 8.61lakh was made on Contingencies without provision in the Sanction Order of MoDoNER and technically sanctioned Detailed Estimate.
18.	Project Year: 2008-09 Approved Cost: ₹ 32.53 crore Release of funds by GoI: ₹ 10.25 crore Due completion date: 08/09/2011 Implementing Agency: PWD, Hayuliang Division.	Incomplete	• Physical progress of the project was 55 *per cent*. • Project is already behind schedule by 18 months. • Contractor's lackadaisical attitude delayed completion of the project. But the Department failed to penalize the contractor by imposing Liquidated Damages.

Sl. No.	Project Details	Status	Audit Findings
19.	**Construction of Road from Magopam to Bichom via Namfri, Ditching, Sacheda, Ramu-Sutu and Uchini (Phase-I), West Kameng District** Project Year: 2009-10 Approved Cost: ₹ 15.67 crore Release of funds by GoI: ₹ 13.83 crore Due completion date: 07/2012 Implementing Agency: PWD, Bomdila Division.	Incomplete	• Physical progress of the project was 92 *per cent*. • Non release of State share of ₹ 156.72 lakh adversely affected progress of work. • Project is already behind schedule by 08 months. • There was excess expenditure of ₹ 70.12 lakh over provision made in the technically sanctioned estimate in execution of Formation Cutting (₹ 58.17 lakh) and Contingencies (₹ 11.95 lakh). • Tender was floated for the work SH: Carpeting from Chainage 0.00 to 7.00 km. The Department rejected bids on grounds of high tender cost. Instead of inviting fresh tenders, the Department executed the work departmentally on Work Order basis.
20.	**Construction of Road from Magopam to Bichom via Namfri, Ditching, Sacheda, Ramu-Sutu and Uchini (Phase-II), West Kameng District (12.30 km)** Project Year: 2011-12 Approved Cost: ₹ 20.52 crore Release of funds by GoI: ₹ 11.04 crore Due completion date: 12/2014 Implementing Agency: PWD, Bomdila Division.	Incomplete	• Physical progress of the project was 58 *per cent*. • Non-release of State share of ₹ 110.36 lakh adversely affected progress of work. • There was expenditure of ₹ 145.11 lakh on execution of works items of Phase-I (0.00 t0 15.00 km) against funds allotted for Phase-II. • There was excess expenditure of ₹ 70.12 lakh over provision made in the technically sanctioned estimate in execution of Formation Cutting (₹ 84.48 lakh).
21.	**Construction of Road from J.N. College Pasighat to Balek, East Siang District (5.12 km)** Project Year: 2010-11 Approved Cost: ₹ 5.03 crore Release of funds by GoI: ₹ 1.73 crore Due completion date: 31/01/2013 Implementing Agency: PWD, Pasighat Division.	Incomplete	• Physical progress of the project was 77.25 *per cent*. • Project is already behind schedule by 24 months. • Delay in floating of tenders by 12 months. • Technical bids on the tender were rejected by the CE (EZ) in September. Instead of inviting fresh tenders, the Department executed the work departmentally on Work Order basis.
22.	**Construction of Road from Rani to Oiramghat (Assam) via Sika Tode-Sika Bamin Village - Jampani and Anchalghat Camp Road (25 km),** Project Year: 2011-12 Approved Cost: ₹ 33.25 crore Release of funds by GoI: ₹ 11.96 crore Due completion date: 31/08/2014 Implementing Agency: PWD, Pasighat Division	Incomplete	• Physical progress of the project was 15.59 *per cent*. • Delay in floating of tenders by 5 months. • Finalization of the tender was awaited as the matter of tendering process was sub-judice in the Hon'ble High Court, Guwahati (Itanagar Permanent Bench).

Sl. No.	Project Details	Status	Audit Findings
23.	**Construction of RCC Bridge over River Kamphai under Wakro Circle (Span 80 m)** Project Year: 2010-11 Approved Cost: ₹ 3.55 crore Release of funds by GoI: ₹ 2.14crore Due completion date: 11/2013 Implementing Agency: PWD, Namsai Division.	Incomplete	• Physical progress of the project was 43 *per cent*. • Delay in floating of tenders by 07 months and subsequent delay in awarding of work by 15 Months • Interest-free Mobilization Advance was paid to the contractor.
24.	**Construction of Road from New Mohang to Mahadevpur Township via Nongkhon (12 km.)** Project Year: 2008-09 Approved Cost: ₹ 3.55 crore Release of funds by GoI: ₹ 3.14 crore Due completion date: 08/2011 Implementing Agency: PWD, Namsai Division	Complete	• Physical progress of the project was 100 *per cent*. • Completion of project was delayed by 19 months. • Delay in floating of tenders by 12 months. • Contractor's lackadaisical attitude delayed completion of the project. But the Department failed to penalize the contractor by imposing Liquidated Damages. • There was non-execution of work items like pothole fillings and direction & identification valued at ₹ 1.75 lakh.
25.	**Construction of Road from Mahadevpur Town to Krishnapur Village Lekang Circle, Lohit District (4.5 km)** Project Year: 2011-12 Approved Cost: ₹ 5.39 crore Release of funds by GoI: ₹ 4.29 crore Due completion date: 06/2013 Implementing Agency: PWD, Namsai Division	Incomplete	• Physical progress of the project was 40 *per cent*. • Though project was targeted to be completed by June 2013, progress of the work was only 40*per cent*. • Delay in floating of tenders by 02 months. • Non-release of State share of ₹ 47.62 lakh adversely affected further progress of work • The Division issued two NITs for items of work under SH: RCC Bridge (40 m Span), but no response was received from. Instead of analyzing the reasons for the lack of response on both occasions, the Department awarded the work on Work Order basis • The Division failed to make proposals for construction of RCC River Training work and Slab Culverts under State Plan, as stipulated in the Sanction Order. In absence of these items of work, damage to the project cannot be ruled out. • The Division incurred excess expenditure of ₹ 8.65 lakh on execution of various items of work under 'SH: 40 m RCC Bridge; Substructure/RCC Well Foundation' at rates higher than estimated provision. The possibility of creation of further liabilities leading to cost escalation of ₹ 43.24 lakh cannot be ruled out if the Division continues to execute the remaining items of work at the same higher rates. • There was unauthorized expenditure of ₹ 34.99 lakh on execution of extra items of work not provided in the Technically Sanctioned Estimate.

Sl. No.	Project Details	Status	Audit Findings
			NEC
26.	**Construction of Laimekuri-Nari-Telam-Rema Road (65 km)** Project Year: 2004-05 Approved Cost: ₹ 62.20 crore (Original) ₹ 78 crore (Revised) Release of funds by GoI: ₹ 58.55 crore Due completion date: 31/03/20 (Original) 31/03/2013 (1st Revised) 31/03/2014 (2nd Revised) Implementing Agency: PWD, Nari Division.	Incomplete	• Physical progress of the project was 82.35 per cent. • Performance Security of ₹ 26.26 lakh @ 5 per cent of contract price was not obtained from Contractors. • Project cost had to be revised to ₹ 78 crore due to delay in completion of the project due to steep increase in the cost of labours, materials, etc. • Out of Departmental Charges of ₹ 3.27 crore, an amount of ₹ 2.93 crore was not found credited to the Revenue Head of Government Account.
27.	**Upgradation of Digboi-Pengri –Bordumsa-Namchik-Mahadevpur Road (40.83 km)** Project Year: 2006-07 Approved Cost: ₹ 49.43 crore Release of funds by GoI: ₹ 41 crore Due completion date: 31/03/2010 (Original) 31/03/2012 (Revised) Implementing Agency: PWD, Jairampur Division & Namsai Divisions	Incomplete	• Physical progress of the project was 87 per cent. • Delay in floating and finalization of tenders for Road portion ranged between 12 to 38 months and Bridges portion up to 52 months. • Contractors' lackadaisical attitude delayed completion of the project. But the Dept. failed to penalize the contractor by imposing Liquidated Damages. • Project was delayed by more than 5 years due to abnormal delay in processing of tenders, ranging from 08 to 61 months, on 5 different occasions. • A corresponding delay of over 5 years in finalization of tenders/award of work led to a time overrun of 1 year from the revised date of completion of the project (31/03/12). • For c/o the road at 3 Chainages i.e. Ch: 17.565 to 21.820 km, 21.820 to 26 km and 26 km to 30 km under Packages I, II & III respectively, the Division recorded excess execution of 14795.09 cum (9.40 per cent) – {3770.71 cum in Package-I, 5445.19 cum in Package-II and 5579.19 cum in Package-III}, of 'Earth work in embankment construction' over the tendered provision of 95925.40 cum (34980 cum, 31332.58 cum and 29612.82 cum of Packages - I, II and III respectively) and also CE's (EZ) additionally approved quantity of 61500.00 cum (22500 cum, 20000 cum and 19000 cum under Packages - I, II and III respectively), involving extra expenditure of ₹ 0.30 crore (calculated @ of ₹ 200/cum).

Appendix – 2.7

Statement showing details of Hire Charges of Bulldozers utilized in different projects

(₹ in crore)

Project	Period of Utilization	Days/Hrs Utilized @ 8 hrs/day		Prescribed Rate C.E (WZ)		Expenditure required to be incurred		Prescribed Rate C.E (EZ)		Actual Expenditure Incurred		Excess		Overall Excess
		D-80	***D-50***	***D-80***	***D-50***	***D-80***	***D-50***	***D-80***	***D-50***	***D-80***	***D-50***	***D-80***	***D-50***	
Construction of Gacham-Morshing Road (24.50 km)	01/2009 to 03/2013	1279	598	9920	8640	1.27	0.52	20358	14731	2.60	0.88	1.33	0.36	1.69
Construction of Road from Nafra to Nakhu-Nachiban Village (11 km)	01/2008 to 09/2009	100	857	-do-	-do-	0.09	0.74	-do-	-do-	0.20	1.26	0.11	0.52	0.63
Construction of Road from Magopam to Bichom - Ph-I	10/2009 to 02/2011	2245	-	-do-	-	2.23	-	-do-	-	4.57	-	2.34	-	2.34
Construction of Road from Magopam to Bichom - Ph-II	03/2012 to 09/2012	1543	-	-do-	-	1.53	-	-do-	-	3.14	-	1.61	-	1.61
		5167	**1455**			**5.12**	**1.26**			**10.51**	**2.14**	**5.39**	**0.88**	**6.27**

APPENDIX –4.1

Statement showing particulars of up to date paid-up capital, loans outstanding and manpower as on 31 March 2013 in respect of Government Companies

{Figures in Columns 5 (a) to 6 (c) are Rupees in crore}

Sl. No.	Sector & Name of Company	Name of the Department	Month/ Year of incorpo-ration	Paid-up Capital#				Loans outstanding♣ at the close of 2012-13				Debt Equity Ratio for 2012-13(Previous year)	Manpower (No. of employees) (as on 31.3.2013)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
	A. Working Government Companies												
	FINANCING												
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	Industries	Aug/78	2.15	-	-	2.15	6.97	-	1.63	8.60	4:1 (4.04:1)	20
	Total of the Sector			**2.15**	**-**	**-**	**2.15**	**6.97**	**-**	**1.63**	**8.60**	**4:1 (4.04 :1)**	**20**
	MINING												
2	Arunachal Pradesh Mineral Development and Trading Corporation Limited	Geology & Mining	Mar/91	2.48	-	-	2.48	-	-	-	-	- -	65
	Total of the Sector			**2.48**	**-**	**-**	**2.48**	**-**	**-**	**-**	**-**	**- -**	**65**
	FOREST												
3.	Arunachal Pradesh Forest Corporation Limited	Forest	Mar/77	4.50	-	-	4.50	-	-	-	-	- -	81
	Total of the Sector			**4.50**	**-**	**-**	**4.50**					**- -**	**81**
	POLICE												
4.	Arunachal Police Housing and Welfare Corporation Limited	Police	Nov/05	0.02	-	-	0.02	-	-	-	-	-	30
	Total of the Sector			**0.02**	**-**	**-**	**0.02**	**-**	**-**		**-**	**-**	**30**
	POWER												
5	Hydro Power Development Corporation of Arunachal Pradesh Limited	Power	Dec/06	10.00	-	2.45	12.45	-	-	-	-	- -	20
	Total of the Sector			**10.00**	**-**	**2.45**	**12.45**	**-**	**-**	**-**	**-**	**- -**	**20**
	Total of A			**19.15**	**-**	**2.45**	**21.60**	**6.97**	**-**	**1.63**	**8.60**	**0.40:1 (0.40:1)**	**216**
	B. Non-Working Government Companies												
	CEMENT												
6.	Parasuram Cement Limited	Industries	Jun/84	0.24	-	-	0.24	-	-	-	-	-	-
	Total of the Sector			**0.24**	**-**	**-**	**0.24**	**-**	**-**	**-**	**-**	**-**	**-**

Paid-up-capital includes Share application money also.

♣ *Loans outstanding at the close of 2012-13 represents long-term loan only.*

***Note**: Figures are provisional as given by the Companies*

Sl. No.	Sector & Name of Company	Name of the Department	Month/ Year of incorpo-ration	Paid-up Capital[#]				Loans outstanding[♣] at the close of 2012-13				Debt Equity Ratio for 2012-13(Previous year)	Manpower (No. of employees) (as on 31.3.2013)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
					FRUIT PROCESSING								
7.	Arunachal Horticultural Processing Industries Limited	Industries	May/82	0.19	-	-	0.19	-	-	-	-	-	-
				0.19	**-**	**-**	**0.19**	**-**	**-**	**-**	**-**	**-**	**-**
	Total of B			**0.43**	**-**	**-**	**0.43**	**-**	**-**	**-**	**-**	**-** **(6.35:1)**	**-**
	GRAND TOTAL (A+B)			**19.58**	**-**	**2.45**	**22.03**	**6.97**	**-**	**1.63**	**8.60**	**0.39:1** **(0.52:1)**	**216**

APPENDIX – 4.2

Summarised financial results of Government companies for the latest year for which their accounts were finalised as on 30 September 2013

({Figures in Columns 5 (a) to (6) and (8) to (10) are Rupees in crore}

Sl. No.	Sector & Name of Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments[#]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[ℜ]	Return on capital employed[ψ]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
FINANCING														
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	2011-12	2012-13	(-) 1.41	-	0.06	(-) 1.47	4.75	-	2.15	(-) 16.51	12.59	(-) 1.47	-
Total of the Sector				**(-) 1.41**	**-**	**0.06**	**(-) 1.47**	**4.75**	**-**	**2.15**	**(-) 16.51**	**12.59**	**(-) 1.47**	**-**
MINING														
2	Arunachal Pradesh Mineral Development and Trading Corporation Limited	1997-98	2012-13	(-) 0.34	-	0.02	(-) 0.36	0.05	-	1.85	(-) 1.25	1.86	(-) 0.36	-
Total of the Sector				**(-) 0.34**	**-**	**0.02**	**(-) 0.36**	**0.05**	**-**	**1.85**	**(-) 1.25**	**1.86**	**(-) 0.36**	**-**
FOREST														
3.	Arunachal Pradesh Forest Corporation Limited	2003-04	2012-13	(-) 5.66	1.22	0.25	(-) 7.13	1.01	-	4.50	(-) 8.71	16.46	(-) 5.91	-
Total of the Sector				**(-) 5.66**	**1.22**	**0.25**	**(-) 7.13**	**1.01**	**-**	**4.50**	**(-) 8.71**	**16.46**	**(-) 5.91**	**-**
POLICE														
4.	Arunachal Police Housing and Welfare Corporation Limited	2011-12	2013-14	3.01	-	0.14	2.87	1.76	-	0.02	7.60	7.68	2.87	37.37
Total of the Sector				**3.01**	**-**	**0.14**	**2.87**	**1.76**	**-**	**0.02**	**7.60**	**7.68**	**2.87**	**37.37**
POWER														
5	Hydro Power Development Corporation of Arunachal Pradesh Limited	2010-11	2013-14	0.57	-	0.07	0.50	-	-	5.00	-	10.29	0.50	4.89
Total of the Sector				**0.57**	**-**	**0.07**	**0.50**	**-**	**-**	**5.00**	**-**	**10.29**	**0.50**	**4.89**
Total of A				**(-) 3.83**	**1.22**	**0.54**	**(-) 5.59**	**7.57**	**-**	**13.52**	**(-) 18.87**	**48.88**	**(-) 4.37**	**-**
B. Non-Working Government Companies														
CEMENT														
6.	Parasuram Cement Limited	2006-07	2013-14	-	-	-	-	-	-	0.24	(-) 2.65	3.39	-	-
Total of the Sector				**-**	**-**	**-**	**-**	**-**	**-**	**0.24**	**(-) 2.65**	**3.39**	**-**	**-**

ℜ *Capital employed represents Shareholders Fund plus Long Term Borrowings.*

ψ *For calculating total return on capital employed, interest on borrowed fund is added to net profit/ subtracted from the loss as disclosed in Profit and Loss account.*

Sl. No.	Sector & Name of Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employedℜ	Return on capital employed$^{\Psi}$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
							FRUIT PROCESSING							
7.	Arunachal Horticultural Processing Industries Limited	2005-06	2013-14	-	-	-	-	-	-	0.19	(-) 0.95	0.33	-	-
Total of the Sector				-	-	-	-	-	-	0.19	(-) 0.95	0.33	-	-
Total of B				**-**	**-**	**-**	**-**	**-**	**-**	**0.43**	**(-) 3.60**	**3.72**	**-**	**-**
GRAND TOTAL (A+B)				**(-) 3.83**	**1.22**	**0.54**	**(-) 5.59**	**7.57**	**-**	**13.95**	**(-) 22.47**	**52.60**	**(-) 4.37**	**-**

APPENDIX – 4.3

Statement showing equity/loans, received out of budget, grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and Loans converted into equity during the year and guarantee commitment at the end of March 2013

(Figures in Columns 3 (a) to 6 (d) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[¥]		Waiver of dues during the year			
		Equity	Loans	Central Govt	State Govt.	Others	Total	Received	Commitment*	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
FINANCING													
1.	Arunachal Pradesh Industrial Development & Financial Corporation Limited	-	-	-	-	-	-	-	2.00	-	-	-	-
	Total of the Sector		**-**	**-**	**-**	**-**	**-**	**-**	**2.00**	-	-	-	-
MINING													
2.	Arunachal Pradesh Mineral Development & Trading Corporation Limited	-	-	-	7.46	-	7.46	-	-	-	-	-	-
	Total of the Sector	**-**	**-**	**-**	**7.46**	**-**	**7.46**	**-**	**-**	-	-	-	-
FOREST													
3.	Arunachal Pradesh Forest Corporation Limited	-	-	-	2.79	-	2.79	-	-	-	-	-	-
	Total of the Sector	**-**	**-**	**-**	**2.79**	**-**	**2.79**	**-**	**-**	-	-	-	-
	GRAND TOTAL	**-**	**-**	**-**	**10.25**	**-**	**10.25**	**-**	**2.00**	-	-	-	-

* *Figure indicate guarantees outstanding at the end of the year*

APPENDIX -4.4

Statement showing investments made by the State Government in the State Government companies by way of equity, loans, grants and others during the period which the accounts have not been finalized as on 30 September 2013.

(₹ in crore)

Sl No.	Name of the PSU	Year upto which Accounts finalized	Paid up capital as per latest finalized accounts	Investment made by State Government during the years for which accounts are in arrears				
				Year	Equity	Loans	Grants	Others (for repayment of loan)
A. Working Companies/Corporation								
SECTOR : MINING								
1.	Arunachal Pradesh Mineral Development and Trading Corporation Limited	1997-98	1.85	1998-99 1999-00 2000-01 2002-03 2004-05 2005-06 2006-07 2008-09 2012-13	0.10 0.18 0.20 0.05 0.15 -- -- 0.05 --	-- -- -- -- -- -- 0.15 -- --	-- -- -- -- -- 1.15 -- -- 7.46	-- -- -- -- -- -- -- -- --
SECTOR : FOREST								
2.	Arunachal Pradesh Forest Corporation Limited	2003-04	4.50	2004-05 2005-06 2006-07 2007-08 2011-12 2012-13	-- -- -- -- -- --	-- -- -- -- -- --	-- 5.00 -- 0.84 0.21 2.79	3.41 3.07 2.73 2.40 -- --
SECTOR : POWER								
3.	Hydro Power Development Corporation of Arunachal Pradesh Limited	2010-11	5.00	2009-10 2010-11 2011-12	2.50 -- 2.50	-- -- --	20.37 2.45 --	-- -- --
Total of A			**11.35**		**5.73**	**0.15**	**40.27**	**11.61**
B. Non-Working Companies/Corporation								
SECTOR : CEMENT								
4.	Parasuram Cement Limited	2006-07	0.24	2007-08	--	1.36	--	--
SECTOR : FRUIT PROCESSING								
5.	Arunachal Horticultural Processing Industries Limited	2005-06	0.19	2006-07	--	1.36	--	--
Total of B			**0.43**		**--**	**2.72**	**--**	**--**
GRAND TOTAL (A+B)			**11.78**		**5.73**	**2.87**	**40.27**	**11.61**

Appendix – 4.5

Non- availability of discharge of water

Sl. No.	Name of the project/ capacity	Month & Year of Commissioning	Project cost incurred (₹ in lakh)	Period of non-operation	Period of assessment of discharge of water
1.	Solegamang MHS (1x 50 KW)	November 2012 (Performance testing)	68.75	May 2010-March 2013	May-2007
2.	Angu MHS (1x 50 KW)	2010-11	77.08	October 2011-March 2013	NIL
3.	Sinchung MHP (1x30 KW)	March 2010	54.49	March 2010-August 2013	March-April 2008
4.	Yingkio Sikiong at Rapum MHS (1x50 KW)	2009-10	67.19	September 2010-May 2013	NIL
5.	Kojin Nallah MHP(2x50 KW)	Not yet commissioned	214	March 2011-August 2013	March - April 2007
6.	Bongleng MHS (2x50 KW)	2009-10	174.61	2009-10 to August 2013	NIL
7.	Bramdongchung Nallah MHS(2x50 KW)	2008-09	153.18	December 2012 to February 2013	NIL
8.	Sumhok Nallah (2x50 KW)	March 2010	98.98	December 2011-September 2012	NIL
9.	Sinyum Koro MHS (2x50 KW)	Not yet commissioned	197.04	May 2010 to August 2013	NIL
10.	Gosang MHS(2x250 KW)	September 2012 (Trial test conducted)	E&M-226	March 2010 to August 2012	NIL
11.	*Domkrong MHS (2x1000 KW)	October 2008	2805	October 2008-August 2013	Jan-1988
12.	Langpani MHS (2x200 KW)	2011-12 (under trial run)	E&M-295.48	2011-12 - August 2013	NIL
		Total	**4431.8**		

* Generation during 2009-10 to 2012-13 was 1.78 MUs against its capacity of 42.05 MUs

NIL - indicates that the period of assessment was not mentioned in the Original DPR

Appendix – 4.6

Project-wise Agreement Cost and Value of Work Done

Sl. No.	Project	Value of Work Done (₹in crore)			
		Through Open Contract		Through Work Orders	
		Civil	Electrical & Mechanical	Civil	Electrical & Mechanical
1.	Zandongrong MHS	-	4.35	7.89	-
2.	Khajalong MHP	-	2.04	10.83	-
3.	Nuranang Ph.II SHP	-	4.3	5.95	-
4.	Halaipani SHP	4.01	35.25	70.3	-
5.	Kidding MHS	3.42	1.76	-	-
6.	Mukto SHP	51.74	24.03	-	-
7.	Angong Nallah SHP	-	8.05	-	-
8.	Subbung SHP	13.51	1.52	-	-
9.	Khadiabey MHS	-	0.77	1.83	-
10.	Pagu SHP	-	2.1	15.87	-
11.	Payu/Pinchi MHS	6.29	1.85	-	-
12.	Payu at Koloriang MHS	3.54	3.1	-	-
13.	Ngonola MHS		0.52	3.54	-
14.	Kush MHS	13.26	8.46	-	-
15.	Rina MHS	20.81	5.93	0.46	-
16.	Yingko Sikiong at Rapum	-	31.99	0.55	-
17.	Solegamang MHS	-	0.14	0.55	-
18.	Borung MHS	-	0.13	-	-
19.	Siri Korang MHS		2.15	3.31	-
20.	Ankaling MHS	-	0.22	0.45	-
21.	Domkhrong MHS	-	28.05	-	-
22.	Jigaon MHS	-	-	0.95	-
23.	Mago MHS	-	0.7	1.75	-
24.	Bongleng MHS	-	0.26	1.49	-
25.	Kojin Nallah MHS	1.4	0.44	-	-
26.	Chambang MHS	-	-	0.9	-
27.	Dumi Dutte MHS	-	0.2	0.8	-
28.	Koye River at Leel MHS	-	-	0.68	-
29.	Fure MHS	1.9	0.49	-	-
30.	Sikin Koro MHS	1.53	0.92	-	-
31.	Sinyum Koro MHS	2.84	0.44	-	-
32.	Pinto Koro MHS	0.56	0.27	-	-
33.	Paya at Hiya MHS	1.94	0.48	-	-
34.	Limeking MHS	-	0.13	0.85	-
35.	Ayingmuri MHS	-	0.97	2.77	-
36.	Liromoba MHS	20.7	8.68	0.64	-

Sl. No.	Project	Value of Work Done (₹in crore)			
		Through Open Contract		Through Work Orders	
		Civil	Electrical & Mechanical	Civil	Electrical & Mechanical
37.	Angu MHS	-	0.09	0.68	-
38.	Kote MHS	-	0.33	-	-
39.	Pakhan Kha MHS	-	0.87	4.82	-
40.	Namchik MHS	-	0.92	3.39	-
41.	Tirru Nallah MHS	-	0.42	1.73	-
42.	Namchik II MHS	-	0.83	3.79	-
43.	Tinning MHS	-	0.3	0.62	-
44.	Sumhok Nallah MHS	-	0.12	-	-
45.	Chu Nallah MHS	-	0.3	0.43	-
46.	Nee Nallah MHS	-	0.17	0.45	-
47.	Tha Nallah MHP	-	0.42	1.26	-
48.	Kachopani MHS	-	2.59	2.54	-
49.	Langpani MHS	-	2.95	4.03	-
50.	Ashapani MHS	-	0.41	1.18	-
51.	Hathipani MHS	-	0.42	1.47	-
52.	Maya/ Maipani MHS	-	0.41	1.47	-
53.	Krawti Nallah MHS	-	0.45	1.29	-
54.	Awapani MHS	-	3.02	3.74	-
55.	Echito Nallah MHS	-	0.3	0.53	-
TOTAL		**147.45**	**196.01**	**165.78**	

<u>Through Open contracts</u>

Civil works (15 Projects) - ₹147.45 crore
E&M works (52 Projects) - ₹196.01 crore
Total - ₹343.46 crore

<u>Through Work Orders</u>

Civil works (38 Projects) - ₹165.78 crore
Total - ₹165.78 crore

Appendix – 4.7

Statement showing loss of interest on payment of Mobilization Advance (MA)

(₹ in lakh)

Sl. No.	Name of the project/ capacity	Name of the contractor	Agreement value	Amount of MA as per NIT	Actual amount of MA paid	Month of payment	Amount of MA adjusted	Loss of interest on payment of MA	Balance amount yet[1] to be recovered
1.	Kush MHS (2x1500 KW)	M/s Boving Fouress Ltd.	1666	NIL	401	January-August 1994	195	-	206
2.	Pagu SHP (2x1000 KW)	M/s Nortech Power Projects Pvt. Ltd & Jully Engineering	904 and 98.30	NIL	210	March-2011	NIL	45.67	210
3.	Mukto SHP (3x2000 KW)	M/s Nortech Power Projects Pvt. Ltd.	6799	NIL	2039	Civil: October 2008 E&M December 2008	1874	471	165
4.	Halaipani SHP (3x4000 KW)	M/s Flovel Mecamidi Energy Pvt. Ltd.	3796 (reduced to 3491)	379.6	1159	March 2009 and May 2011	882	150	276
5.	Khajalong MHP (2x1000 KW)	M/s Nortech Power Projects Pvt. Ltd.	815	-	204	March-2011	NIL	45.83	204
6.	Subbung SHP (2x1500 KW)	M/s Nortech Power Projects Pvt. Ltd.	1350.92	100	390.27	November 2009 February 2010	NIL	82	389.99
7.	Angong Nallah SHP (3x1500 KW)	M/s Nortech Power Projects Pvt. Ltd.	1551	100	439	March-2009	273	95.8	166
8.	Tha Nallah MHP (2x 50 KW)	M/s Ape Power Orivate Ltd.	30.85	NIL	390	-	-	83.81	-
9.	Payu/Pinchi at Phassang MHS (2x250 KW)	M/s Nortech Power Projects Pvt. Ltd.	338	-	84.3	March-2011	44	14.43	40.37
				Total	**5226.57**		**3268**	**988.54**	**1657.36**

[1] August 2013

Appendix – 4.8

Statement showing non-renewal of lapsed Bank Guarantees

Sl. No.	Name of the project	Name of the contractor	Bank Guarantee (₹ In lakh)	Bank Guarantee against		Date of expiry
				Mobilisation Advance (₹In lakh)	*Security Deposit (₹in lakh)*	
1.	Khajalong MHP	M/s Nortech Power Projects Pvt. Ltd.	81.45 & 204	204	81.45	September-11
2.	Nuranang SHP	M/s Biecco Lawrie Ltd.	19.52		19.52	July-11
3.	Subbung SHP	M/s Nortech Power Projects Pvt. Ltd.	390	390		28.09.2012
4.	Pagu SHP	M/s Nortech Power Projects Pvt. Ltd.	90.45		90.45	01.12.2011
5.	Kidding MHS	M/s Amazon Engineering Gurgaon	79.37 (4 nos of BG)	79.37	-	07.06.2010 & 07.09.2010
6.	Payu/Pinchi at Phassang MHS	M/s Nortech Power Projects Pvt. Ltd.	33.75 & 4.30	84.3	33.75	04.07.2011
7.	Payu at Koloriang MHS	M/s Biecco Lawrie	127.5	127.5	-	31.01.2012
			TOTAL	**885.17**	**225.17**	

Appendix – 4.9

Non- recovery of Liquidated Damages

Sl. No.	Name of the project/ capacity	Name of the contractor	Delay in completion (in months)	Reasons for delay	Liquidated Damages (₹ in lakh)
1.	Pakhan Kha MHS (2x250 KW)	M/s Nortech Power Projects Pvt. Ltd.	26 months (August 2013)	E&M: Delay in supply of materials and its erection	E&M- 3.20
2.	Khajalong MHP (2x1000 KW)	M/s Nortech Power Projects Pvt. Ltd.	24 months (August 2013)	E&M: Work not taken up even after a lapse of two years	E&M- 81.5
3.	Angong SHP (3x1500 KW)	M/s Nortech Power Projects Pvt. Ltd.	43 months (June 2013)	Civil: Incomplete civil work E&M: Delay in supply of E&M equipments	Civil- 77 E&M- 155
4.	Nuranang Ph-II SHP (2x500 KW)	M/s Biecco Lawrie Ltd.	36 months (August2013)	E&M: Turbines not supplied& some equipment were in broken condition	E&M- 48
5.	Subbung SHP (2x1500 KW)	M/s Nortech Power Projects Pvt. Ltd.	38 months (August 2013)	E&M: Delay in supply of materials. Delay in completion of E&M works	E&M- 135
6.	Mago MHS (2x50 KW)	M/s Jal Shakti Eng. Pvt Ltd	47 months (August 2013)	E&M: Delay in supply and erection of E&M equipments	E&M- 4.06
7.	Mukto SHP (3x2000 KW)	M/s Nortech Power Projects Pvt. Ltd.	39 months (August 2013)	E&M: Since March 2012 no progress. No time extension sought	E&M- 679.97
8.	Kojin Nallah MHS (2x50 KW)	M/s Gita Flopumps India Pvt. Ltd	40 months (August 2013)	E&M: Due to non-availability of discharge of water the project has not been commissioned since December 2012	Civil - 7.8 E&M- 3.8
9.	Zhangdongrong SHP (2x500 KW)	M/s Biecco Lawrie Ltd	36 months (August 2013)	E&M: Yet to be completed	E&M- 45.03
10.	Kush MHS (2x1500 Kw)	M/s Boving Fouress Ltd.	26 months (June 2013)	Civil: Failure to provide approach road by the Department, the Civil works could not be taken up for more than 5 years	Civil- 29.5
11.	Dumi Dutte MHS (1x30 KW)	M/s Gita Flopumps India Pvt. Ltd	43 months (August 2013)	E&M: Equipments supplied to the project site after a lapse of more than 1 year	E&M- 2.59
12.	Pagu SHP (2x1000 KW)	M/s Nortech Power Projects Pvt. Ltd. & M/s Jully Engineering	8 months (August 2013)	E&M: Contractor neither manufactured nor supplied the E&M equipments. Non-furnishing of drawings, data & information by the Department.	E&M- 90
13.	Nee Nallah MHS(2x25 KW)	M/s Gita Flopumps India Pvt. Ltd	40 months (August 2013)	E&M: Delay in shifting of E&M equipments and commissioning of project	E&M- 2.25

Sl. No.	Name of the project/ capacity	Name of the contractor	Delay in completion (in months)	Reasons for delay	Liquidated Damages (₹ in lakh)
14.	Tinning MHS (2x30 KW)	M/s Gita Flopumps India Pvt. Ltd	43 months (August 2013)	E&M: Delay in commissioning. Defective head turbine supplied by the contractor	E&M- 3.18
15.	Namchik MHS (2x250 KW)	M/s Nortech Power Project Private Ltd	26 months (August 2013)	E&M: Delay in start of work. Delay in supply and shifting of E&M equipments. EOT sought by the contractor	E&M- 34.65
16.	Namchik II (2x150 KW)	M/s Gita Flopumps India Pvt. Ltd	40 months (August 2013)	E&M: Delay in supply and erection of E&M equipments.	E&M- 10.13
17.	Khadiabey MHS (2x100 KW)	M/s Gita Flopumps India Pvt. Ltd	32 months (August 2013)	E&M: Equipments yet to be supplied	9.9
18.	Tahin Nallah MHS(2x50 KW)	M/s Gita Flopumps India Pvt. Ltd	40 months (August 2013)	E&M :Non commissioning for more than three years	E&M- 4
19.	Sinyum Koro MHS (2x50 KW)	M/s Gita Flopumps India Pvt. Ltd	40 months (August 2013)	E&M: Delay in supply and erection of E&M equipments.	E&M- 3.80
20.	Sikin Koro MHS (2x100 KW)	M/s Gita Flopumps India Pvt. Ltd	40 months (August 2013)	E&M: Delay in supply and erection of E&M equipments.	Civil - 14.26 E&M- 8.90
21.	Kote MHS (1x 50 KW)	M/s Gita Flopumps India Pvt. Ltd	40 months (August 2013)	E&M : Delay in completion	E&M- 2.81
22.	Pyabung MHS (1x25 KW)	M/s Gita Flopumps India Pvt. Ltd	40 months (August 2013)	E&M : Delay in completion	E&M- 1.90
23.	Sijen MHS(1x50 KW)	M/s Gita Flopumps India Pvt. Ltd	40 months (August 2013)	E&M : Delay in completion	E&M- 2.30
24.	Paya at Hiya MHS (2x50 KW)	M/s Gita Flopumps India Pvt. Ltd	40 months (August 2013)	Civil: Due to restoration work. E&M: Delay in completion and commissioning of project	Civil- 5.96 E&M- 3.80
25.	Payu/Pinchi at Phassang MHS (2x250 KW)	M/s Nortech Power Projects Pvt. Ltd.	26 months (August 2013)	Civil: Non- completion of machine foundation work E&M: Delay in supply of equipments	Civil- 21.58 E&M- 33.75
26.	Pinto Koro MHS (1x25 KW)	M/s Gita Flopumps India Pvt. Ltd	40 months (August 2013)	E&M : Due to defective runner the project is yet to be commissioned	E&M- 2.10
27.	Fure MHS (2x25 KW)	M/s Gita Flopumps India Pvt. Ltd	40 months (August 2013)	E&M: Non-availability of Air sortie therefore materials could not be transferred from Monipoliyang	Civil- 4.14 E&M- 2.75

Sl. No.	Name of the project/ capacity	Name of the contractor	Delay in completion (in months)	Reasons for delay	Liquidated Damages (₹ in lakh)
28.	Kidding (2x250 KW)	M/s Amazon Engineering Gurgaon	38 months (August 2013)	Civil: Slow progress of civil work. No time extension sought despite several request by the Department. E&M: Delay in supply of equipments	Civil- 25.96 E&M- 31.75
29.	Payu at Koloriang MHS (2x500 KW)	M/s Biecco Lawrie	26 months (August 2013)	Civil: Delay in completion of approach road & Powerhouse E&M : Non shifting of the E&M equipments from North Lakhimpur	Civil- 28.22 E&M- 51.00
30.	Siri Korong MHS (2x250 KW)	M/s Biecco Lawrie	31 months (August 2013)	E&M: Delay in completion of E&M work. EOT not applied	E&M- 30
31.	Hathipani MHS (2x50 KW)	M/s Ape Power Private Ltd.	53 months (August 2013)	E&M: Testing and commissioning of E&M equipments yet to be conducted	E&M- 3.08
32.	Krawti Nallah MHS(2x50 KW)	M/s Biecco Lawrie	53 months (August 2013)	E&M: Testing and commissioning of E&M equipments yet to be conducted	E&M- 4.22
TOTAL					**1708.84**

Appendix – 4.10

Statement showing loss of generation due to non repair/ replacement of defective equipments by the contractor

Sl. No.	Name of the project/ Capacity	Name of Contactor	Month/ Year of commission	Month & Year since machine was shutdown	Loss of generation (MUs)	Value (₹ in crore)	Reasons	Targeted villages
1.	Kambang (3x2000 KW)	M/s Kirloskar Brothers	April 2010 (Full load testing yet to be conducted)	July 2010	33.29	12.65	Defective equipment of Unit III not replaced	40
2.	Liromoba MHS (2x1000 KW)	M/s Swamina Internationa l Pvt. Ltd.	March 2009	November 2012	8.76	3.33	Electric governor not repaired/ replaced by the contractor	34
3.	Chu Nallah MHS (2x15 KW)	M/s Gita Flopumps India Pvt. Ltd	January 2012	January 2012 (to November 2012)	0.07	0.03	Components of panel board of Unit I were defective	3
				May 2013	0.01	0.004	Bearing defect in turbine set of Unit -II	3
4.	Echito Nallah (2x20 KW)	M/s Jalshakti Engineering Pvt. Ltd.	October 2011	March 2013	0.05	0.02	Defects in equipment not repaired	4
5.	Teepani (2x250 KW)	M/s Nortech Power Projects Pvt. Ltd.	July 2009	Not yet commissioned (under trial run since July 2009)	5.47	2.08	Non- repair/ replacement of defective equipments	18
6.	Pacha Nallah SHP (2x1500 KW)	M/s Nortech Power Projects Pvt. Ltd.	2008-09 (full load testing not conducted)	October 2009	30.88	11.73	Non- repair/ replacement of defective equipments of Unit II	22
7.	Gosang MHS (2x250 KW)	M/s Biecco Lawrie Ltd.	September 2012 (Trial test conducted)	December 2012	0.99	0.38	Damage of alternator bearing of Unit I	4
TOTAL					**79.52**	**30.224**		**127**
					79.52 MUs x ₹ 3.8 = ₹ 30.22 crore			

Appendix – 4.11

Non-recovery of statutory deductions- Income Tax, Cess, VAT, etc.

Sl. No.	Name of the project	Name of the contractor	Agreement value (₹ in lakh)	Non-recovery of (₹ in lakh)		
				Income Tax/ Cess	VAT	Labour Cess
1.	Subbung SHP	M/s Nortech Power Projects Pvt. Ltd.	1350.92	12.41	NIL	
2.	Angong SHP	M/s Nortech Power Projects Pvt. Ltd.	1551	34.95	36.3	
3.	Pagu SHP	M/s Nortech Power Projects Pvt. Ltd.	904	4.7	NIL	
4.	Mukto SHP	M/s Nortech Power Projects Pvt. Ltd.	6799	NIL	16.88	34.64
5.	Gosang MHS	M/s Beicco Lawrie	312	4.64	9.01	
6.	Tha Nallah MHP	M/s Ape Power Pvt. Ltd.	30.85	12.41	NIL	
TOTAL				**69.11**	**62.19**	**34.64**

Appendix – 5.1

Details of Explanatory Notes on Paragraphs of Audit Report pending as of March 2013

Year of Audit Report	Date of placement before the State Legislature	Paragraph number for which *suomoto* explanatory notes are awaited	Department
2008-09	03.09.2010	1.1	Horticulture
		1.2	Planning
		1.3	Water Resources
		2.1	Industries
		2.5, 2.9, 3.1	Animal Husbandry & Veterinary
		2.3, 2.4	Agriculture
		2.6	Rural Works
		2.7, 2.8	Social Welfare, Women & Child Dev.
		2.10	Public Works
		2.11	Urban Development and housing
		4.2, 4.3	State Excise
		4.5, 4.6, 5.7	Geology and Mining
		4.7, 4.8	Land Management
		4.9, 4.10	State Lottery
		4.11, 4.12, 4.13, 4.14, 4.15, 4.16, 4.17, 4.18, 4.19	Taxation
		4.20, 4.21, 4.22, 5.2	Transport
		5.3	Hydro Power Development.
		5.4, 5.5	Power
		5.6	Supply and Transport.
		5.8	Forest.
2009-10	24.03.2011	1.1, 2.3	Food and Civil Supplies
		1.2	Social Welfare, Women and Child Development
		2.1,	Rural Works
		2.2, 2.12	Rural Development
		2.4, 2.5, 2.9, 2.10, 2.14	Public Works
		2.7	Education
		2.8	Urban Development & Housing
		2.11, 2.13	Water Resources.

Year of Audit Report	Date of placement before the State Legislature	Paragraph number for which *suomoto* explanatory notes are awaited	Department
		3.1	Public Eng.& Water Supply
		4.2, 4.3, 4.4, 4.5, 4.6	State Excise
		4.7, 4.8, 4.9	Geology & Mining
		4.10, 4.11	State Lottery
		4.12, 4.13, 4.14, 4.15, 4.16, 4.17, 4.18, 4.19, 4.20	Taxation
		5.2	Hydro Power Development
		5.3, 5.4, 5.5	Power
		5.6	Supply & Transport
2010-11	27.09.2012	1.1	Education
		1.2	Urban Development & Housing
		2.1	Public Works
		2.2	Education
		2.3	Public Works
		2.4	Public Works
		2.5	Rural Works
		2.6, 2.7	Public Works
		2.8	Science & Technology.
		2.9	Public Works
		2.10	Health & Family Welfare
		2.11	Education
		2.12	Public Works
		4.2.1, 4.2.2, 4.2.3, 4.2.4, 4.2.5, 4.2.6, 4.2.7, 4.2.8, 4.2.9, 4.2.10, 4.2.11, 4.2.12	Taxation
		4.2.13, 4.2.14, 4.2.15	Transport
		4.2.16, 4.2.17, 4.2.18	State Excise
		4.2.19	Land Management
		5.2, 5.3, 5.4,	Power
		5.5	Finance
2011-12	23-09-2013	1.2	Health & Family Welfare
		1.3, 1.4	Sports & Youth Welfare
		1.5	Social Welfare, Women & Child Development
		1.6	Education

Year of Audit Report	Date of placement before the State Legislature	Paragraph number for which *suomoto* explanatory notes are awaited	Department
		2.2	Rural Development
		2.3	Tourism
		2.4	Agriculture
		2.5, 2.6	Rural Works
		3.2	Secretariat General Administration
		3.3	Land Management
		4.2, 4.3	Power
		5.2.14, 5.2.15, 5.2.16, 5.2.17, 5.2.18, 5.2.19, 5.2.20, 5.2.21, 5.2.22	State Excise
		5.2.23	Land Management