

Report of the Comptroller and Auditor General of India

For the year ended 31 March 2011

(REPORT NO. 2)

Government of Arunachal Pradesh

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PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. The Report deals with the findings of performance reviews and audit of transactions in various departments including the Public Works and Irrigation, audit of stores and stocks, audit of autonomous bodies, departmentally run commercial undertakings

3. The Report also contains observations arising out of audit of Statutory Corporations, Boards and Government Companies and revenue receipts.

4. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2010-11 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2010-11 have also been included wherever necessary.

5. Audit observations on matter arising from the examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2011 are included in a separate Report on State Government Finances.

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

OVERVIEW

This Report contains three performance reviews (including one on Chief Controlling Officer based audit of a Government) and 35 audit paragraphs based on the audit of certain selected programmes and activities and the financial transactions of the Government, audit of Government Companies and Statutory Corporations.

Copies of the audit paragraphs and performance reviews were sent to the concerned Secretaries to the State Government by the Accountant General (Audit) with a request to furnish replies within six weeks. In respect of 33 audit paragraphs in this Report, no response was received from the concerned Secretaries to the State Government.

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

PERFORMANCE REVIEWS

Elementary Education Programme

Education is one of the most important indicators of social progress of a nation. Both the State and GOI have been spending enormous funds on increasing enrolment, retention and providing quality education at the elementary level. To achieve this, Government of India had formulated the National Education Policy in the year 1986 and a Right to Education Act in 2009 which inter alia provided universal elementary education of good quality for children of the age group 6-14 years. This was to be achieved through provision of schools with appropriate infrastructure and within an approachable distance. The policy is being implemented under the flagship programme *Sarva Shiksha Abhiyan* (SSA) financed by the Government of India and the State Government in the ratio of 90:10. Sarva Shiksha Abhiyan was launched in Arunachal Pradesh in 2001. Another flagship programme Mid-day Meal (MDM) was also introduced to boost the universalisation of elementary education by providing mid day meals in order to improve the nutrition level of the children and to increase school enrolment and attendance. Even after more than ten years of its implementation, the Department failed to attain the objectives of the programme. The overall impact of different programmes was far from satisfactory. Implementation of various programmes relating to elementary education in the State was hampered due to improper fund management in most of the programmes like SSA, MDM, etc. The actual impact of the programmes could not be ascertained as no evaluation of the programme was carried out at any time by the department. Some of the highlights of audit findings are summarised below.

- No household survey was conducted. Annual Plans were prepared in an adhoc manner. As of March 2011, 124 habitations, which were eligible for primary schools, were without primary schools.

- Though out of school children had come down from 9.64 per cent in 2006-07 to 3.24 per cent in 2010-11, the State had missed its target of universal enrolment by 2003. Many upper primary schools had no Maths, Science and Language teachers. These factors had adversely impacted on the quality of education imparted in those schools.

- There were 758 single teacher schools, with an enrolment of 25,561 children, in the State due to irrational deployment of available teachers. Presence of large percentage (76.32 per cent) of untrained teachers was a matter of concern. as evident from the fact that pass

percentage at elementary level in government schools was poor when compared with private schools.

- Large percentage of schools was housed in semi-pucca buildings. Few schools had either no building or were functioning in kuchcha buildings. More than 50 per cent of the schools did not have basic facilities like drinking water, toilets, etc. About 47 per cent schools required major repair or new construction.

- Approximately 900 girl students were deprived of residential school facility under Kasturba Gandhi Balika Vidhyalaya due to delay in construction of building.

- An expenditure of ₹ 108.53 lakh incurred on Computer Aided Learning System (CAL) programme remained unfruitful as computer teachers had not been posted depriving students of 52 schools in Changlang District, the benefit of the programme.

- There were irregularities in issue of textbooks. Arunachal Pradesh Scheduled Tribe students were not provided with stipend as per entitlement.

- Students were not provided with cooked meal on school days as envisaged under Mid-day Meal programme. Kitchen sheds constructed under Mid-day meal programme was not as per specifications. The food was cooked in unhygienic conditions and it was fraught with risk of food poisoning.

(Paragraph 1.1)

Implementation of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) in Arunachal Pradesh

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched on 3rd December 2005 with the objective of reforms driven and fast track development of cities across the country with focus on sustainable development of physical infrastructure in cities, including development of technical and management capacity for promoting holistic growth with improved governance. The mission period is seven years i.e. up to 2012. In Arunachal Pradesh, under JNNURM 16 projects with a total outlay of ₹ 283.37 crore (Central Share:₹ 255.03 crore; State Share: ₹ 28.34 crore) had been sanctioned. As of March 2011, total central assistance of ₹ 92.17 crore had been released in respect of 16 sanctioned projects and all the projects were under various stages of execution. Performance review of the implementation of JNNURM revealed that the mandatory and optional reforms to be adopted by the State Government in order to access central assistance under the Mission were not carried out. Physical achievements of the works, as of March 2011, ranged between 0 to 50 *per cent*. Delay in the progress of work was due to financial constraints. The project was facing constraints of funds as the central government was not releasing subsequent instalments. Non-release of subsequent instalments was mainly due to non-completion of some mandatory urban sector reforms and non-constitution of Urban Municipal Corporation in Itanagar. As a result of delay in execution of the project, there was already time overrun in all the projects, which may result in cost over runs. There were instances of diversion, blocking and non-release of state as well as central share of funds including slow progress of work, etc. Award of work without calling tender and getting the work done by issuing work orders was an issue of concern. No follow up action had been taken on the suggestion/recommendation made by independent review and monitoring agency, thereby defeating the very purpose for which it was created. One of the repeated observations made by it was failure to set up any field

laboratory to conduct test of material used in construction.

(Paragraph 1.2)

AUDIT OF TRANSACTIONS

Fraud/Embezzlement/Misappropriation/Loss

Public Works Department, Doimukh Division, misappropriated ₹ 4.16 crore on purchase of spare parts for two old bulldozers and five old Road Rollers, as the spares were neither accounted for in the Material-at-site account nor was their utilization documented.

(Paragraph: 2.1)

Non-adherence to Financial rules/norms and laxity on the part of Deputy Director of School Education, Lower Dibang Valley, Roing, led to embezzlement of ₹ 13.81 lakh.

(Paragraph: 2.2)

Undue financial benefit was extended to contractors in Sagalee and Yingkiong PWD dvisions due to non-deduction of VAT at source, resulting in loss to the Government to the extent of ₹ 2.34 crore

(Paragraph: 2.3)

Excess payment/Wasteful expenditure

The Executive Engineer , Doimukh Public Works Division incurred extra expenditure of ₹ 21.78 lakh on purchase of stone metal at higher rates. There was also an excess payment of ₹ 7.59 lakh due to non-deduction of VAT at source as per statutory provisions of the Government.

(Paragraph: 2.4)

The Hawai Rural Works Division incurred extra expenditure of ₹ 38.01 lakh by allowing higher rates to a contractor for excavation of 'ordinary rock without using explosives' by way of change in classification of soil to a higher grade as 'hard rock requiring blasting'.

(Paragraph: 2.5)

Due to hiring of bulldozers D-50-A12 on hourly basis in contravention of Chief Engineer's approved rate on daily basis, Boleng Public Works Division had incurred an extra expenditure of ₹ 45.37 lakh.

(Paragraph: 2.6)

Due to wrong classification of 94,165 cum of ordinary rock in higher grade of hard rock requiring blasting, the Dumporijo Division incurred an extra expenditure of ₹ 53.59 lakh, besides extending undue financial benefit of ₹ 56.16 lakh to the contractor owing to non-deduction of VAT at source.

(Paragraph: 2.7)

Unfruitful/Unproductive/Idle expenditure

Advance was paid to a New Delhi based firm M/s ICSL by State Council of Science and Technology without entering into an agreement/Memorandum of Understanding and without a bank guarantee or any other form of security, resulted in non-recovery of ₹ 232.506 lakh and interest of ₹ 46.50 lakh.

(Paragraph: 2.8)

Utilisation of below the prescribed quantity of material by Doimukh Public Works Division led to execution of sub-standard pavement work valuing ₹ 3.40 crore.

(Paragraph: 2.9)

Failure on the part of the Department to make an Ayurvedic Pharmacy and Drug Testing laboratory at Naharlagun functional despite spending a huge amount led to idle investment of ₹ 1.73 crore.

(Paragraph: 2.10)

Delay of over five years in awarding a work resulted in cost escalation of ₹ 23.69 crore on construction of a bridge over River Siang at the Gandhi Bridge site in Upper Siang District.

(Paragraph: 2.12)

CHIEF CONTROLLING OFFICER BASED AUDIT OF RURAL WORKS DEPARTMENT

The Rural Works Department (RWD) is one of the major engineering departments in Arunachal Pradesh dealing with Rural Link Roads and Soil and Water Conservation. The RWD is also implementing Pradhan Mantri Gram Sadak Yojana, a centrally sponsored scheme of Ministry of Rural Development, Government of India.

As on April 2011, 868 villages (22.36 per cent) were connected by road (388 under State Fund and, 480 under PMGSY) and 3014 villages (77.64 per cent) were still unconnected. In five years during 2006-11, a mere six per cent more villages were provided with road connectivity. No data on the length of roads were available. A performance review of the functioning of the Department revealed that there was deficiency in planning and execution of schemes. Some of the highlights of audit findings are summarised below.

- No comprehensive plan was in place in the State for connectivity. The state had no prospective plan and annual operative plans were prepared on the allocation made by the Planning Department.
- No new work were taken up during the period 2006-10 under Roads and Bridges as well as Soil and Water Conservation schemes in State Plan. As of March 2011, 228 works pertaining to Road and Bridges and 246 Soil and Water Conservation works was remaining incomplete and majority of these works remaining incomplete since 2005-06 as no funds was provided for their completion.
- There were delays in completion of the projects leading to time and cost overruns. There were also several lapses in the execution of the work. Execution of sub-standard works was noticed in selected sample.
- Internal control system had several weaknesses exposing the Department to fraud and misappropriation.
- Tender processes, other than in PMGSY works, were not yet followed/introduced. Supervision and monitoring required strengthening. The Internal Control System was inadequate.

(Paragraph : 3.1)

REVENUE RECEIPTS

Test check of records of Sales Tax, Land Revenue, State Excise, Motor Vehicles Tax, Forest and Other receipts conducted during 2010-11 revealed that there were under assessments, non/short levy, loss of revenue, etc. amounting to ₹ 10.56 crore.

Taxation Department

Non-registration of State Government Departments resulted in non-realization of tax of ₹ 23.94 lakh and penalty of ₹ three lakh on sale of timber, sand and stone.

(Paragraph 4.2.1)

Non-registration of two dealers under APST Act led to evasion of Tax of ₹ 9.59 lakh**.** Besides, Interest of ₹ 15.27 lakh and Penalty of ₹ 9.59 lakh were not levied.

(Paragraph 4.2.2)

Two registered dealers evaded payment of Tax of ₹ 19.89 lakh. Besides, Interest of ₹ 27.83 lakh and Penalty of ₹ 39.78 lakh was also leviable.

(Paragraph 4.2.3)

Two dealers imported taxable goods without payment of Entry Tax of ₹ 1.54 crore. Besides, Entry Tax of ₹ 11.89 lakh was short levied against 99 dealers.

(Paragraph 4.2.4)

Two cement dealers evaded Tax of ₹ 36.71 lakh by misusing 'C' Forms. Besides, penalty of ₹ 55.06 lakh was also leviable.

(Paragraph 4.2.5)

An unregistered dealer evaded Tax of ₹ 42.53 lakh due to irregular issue of 'F' Forms to him. Besides, interest of ₹ 51.04 lakh and penalty of ₹ one lakh was also leviable.

(Paragraph 4.2.7)

Failure to assess a dealer who discontinued business resulted in loss of revenue of ₹ 85.72 lakh.

(Paragraph 4.2.8)

Three dealers fraudulently evaded tax on imported goods at least of ₹ 63.18 lakh, including interest and penalty.

(Paragraph 4.2.9)

Failure to collect Entry Tax from 63 vehicles before registration resulted in non-realisation of tax of ₹ 34.81 lakh.

(Paragraph 4.2.10)

Non-registration of nine dealers by Assessing Officers led to evasion of tax of ₹ 23.63 lakh and penalty of ₹ nine lakh.

(Paragraph 4.2.12)

State Excise Department

Failure of the Department to initiate action against nine retail licensees for renewal of licences led to non-realisation of renewal fees of ₹ 9.20 lakh and penalty of ₹ 3.07 lakh.

(Paragraph 4.2.16)

Land Management Department

Failure to raise demand or to serve notices to the occupants of Government land resulted in short realization of lease rent of ₹ 3.73 crore. Besides, interest of ₹ 74.90 lakh was also leviable.

(Paragraph 4.2.19)

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Overview of State Public Sector Undertaking

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by Comptroller and Auditor General of India (CAG).These accounts are also subject to supplementary audit conducted by CAG. As on 31 March 2011, the State of Arunachal Pradesh had seven Public Sector Undertakings (PSUs) (all Government companies including five working and two non-working), which employed 165 employees. The working PSUs registered a turnover of ₹ 6.37 crore for 2010-11 as per their latest finalised accounts as of September 2011. This turnover was equal to 0.08 *per cent* of State Gross Domestic Product. Thus, the State PSUs occupy an insignificant place in the State economy. The State working PSUs incurred an overall loss of ₹ 3.41 crore in the aggregate for 2010-11 as per their latest finalised accounts as on 30 September 2011.

Investments in PSUs

As on 31 March 2011, of the total investment in State PSUs, 90.15 *per cent* was in working PSUs and the remaining 9.85 *per cent* in two non-working PSUs. This total investment consisted of 62.38 *per cent* towards capital and 37.62 *per cent* in long-term loans. The investment has increased by over 74.94 *per cent* from ₹ 17.76 crore in 2005-06 to ₹ 31.07 crore in 2010-11.

Performance of PSUs

During the year 2010-11, out of five working PSUs, two PSUs namely Arunachal Police Housing Corporation Limited and Hydro Power Development Corporation of Arunachal Pradesh Limited earned profit of ₹ 1.64 crore and remaining three PSUs incurred loss of ₹ 5.05 crore. The major losses were incurred by Arunachal Pradesh Forest Corporation Limited (₹ 4.29 crore). The losses of working PSUs were mainly attributable to deficiencies in financial management, planning, implementation of projects, operations and monitoring. A review of latest Audit Reports of CAG shows that the working State PSUs and Government Departments (Power, Transport and Supply & Transport) incurred losses to the tune of ₹ 32.23 crore and infructuous investment of ₹ 2.03 crore which were controllable with better management. Thus, there is tremendous scope to improve the functioning of PSUs and minimise losses.

Arrears in accounts

Five working State PSUs had arrears of 29 accounts as of September 2011. The PSUs need to set targets for the work relating to preparation of accounts with special focus on arrears. There were two non-working companies as on 31 March 2011. As no purpose was served by keeping these non-working companies in existence, Government needed to expedite their closure.

Audit of Transactions

Transaction audit observations included in this Report highlight deficiencies in the management of State PSUs and Department of Power, which resulted in serious financial implications. Gist of some of the important audit observations is given below:

Implementation of RGGVY in the State could not achieve the desired results due to deficiencies in award of works and utilization of scheme funds by the Department of Power.

(Paragraph 5.2)

The billing operations of the Department of Power were deficient due to absence of proper metering of 46.86 *per cent* consumers and incorrect application of tariff provisions.

(Paragraph 5.3)

The Department of Power failed to collect Security Deposit as per revised rates leading to short collection of ₹ 10.60 crore in two cases test checked.

(Paragraph 5.4)

CHAPTER –I

ELEMENTARY EDUCATION DEPARTMENT

1.1 Elementary Education in Arunachal Pradesh

The Government of India had formulated the National Education Policy in the year 1986 and a Right to Education Act in 2009 which inter alia provided universal elementary education of good quality for children of the age group 6-14 years. This was to be achieved through provision of schools with appropriate infrastructure and within an approachable distance. The policy is being implemented under the flagship programme Sarva Shiksha Abhiyan (SSA) financed by the Government of India and the State Government in the ratio of 90:10. Sarva Shiksha Abhiyan was launched in Arunachal Pradesh in 2001.Another flagship programme Mid-day Meal (MDM) was also introduced to boost the universalisation of elementary education by providing mid day meals in order to improve the nutrition level of the children and to increase school enrolment and attendance. Even after more than ten years of its implementation, the Department failed to attain the objectives of the programme due to deficiency in planning, improper fund management, etc.

Highlights

- ***No household survey was conducted. Annual Plans were prepared in an adhoc manner. In five test-checked districts, village and habitation level education plan were not prepared. Though 1,094 elementary level schools were added during five-year period 2006-11, as of March 2011, 124 habitations, which were eligible for primary schools, were without primary schools. This information was not reliable as eight habitations in Bordumsa-Diyam Block of Changlang District which satisfied the criteria for having primary school did not figure in the list***

  [Para - 1.1.8, 1.1.10 and 1.1.10.1]

- ***The backlog of State Share under SSA as of March 2011 was ₹.45.90 crore. Funds were released at the end of the financial years resulting in non-implementation of the various interventions during those years. Unauthorized expenditure of ₹ 692.70 lakh was incurred over and above the PAB approval.***

  [Para – 1.1.9.2 and 1.1.9.4]

- ***Out of school children had come down from 9.64 per cent in 2006-07 to 3.24 per cent in 2010-11. But the State had missed its target of universal enrolment by 2003.***

  [Para- 1.1.10.2]

- ***Total number of drop out children had declined from 38,079 in 2006-07 to 15,753 in 2010-11. Steps should be taken to bring them back to school to achieve the objective of universal retention.***

  [Para- 1.1.10.3]

- ***Pupil-Teacher Ratio in both primary and upper primary level schools were better than those provided under norms. However, as of March 2011, there was 758 single teacher schools, with an enrolment of 25561 children, in the State due to irrational deployment of available teachers.***

[Para- 1.1.11.2]

- ***Presence of large percentage (76.32 per cent) of untrained teachers was a matter of concern. Many upper primary schools had no Maths, Science and Language teachers. These factors had adversely impacted on the quality of education imparted in those schools as evident from the fact that pass percentage at elementary level in government schools was poor when compared with private schools.***

[1.1.11.3 and 1.1.21]

- ***Infrastructure for training of teachers was poor. State Institute of Education Management and Training was yet to become functional. ₹50 lakh spent on incomplete building had been rendered unfruitful due to non-release of further funds by GoI.***

[Para1.1.11.6 and 1.1.11.7]

- ***Large percentage of schools were housed in semi-pucca buildings. Few schools had either no building or were functioning in kuchcha buildings. More than 50 per cent of the schools did not have basic facilities like drinking water, toilets, etc. About 47 per cent schools required major repair or new construction. 289 upper primary schools with 47,474 students enrolled were without furniture.***

[Para- 1.1.12]

- ***₹26.95 crore remained blocked with various executing agencies. Neither the buildings had been handed over nor funds refunded.***

[Para- 1.1.12.1 and 1.1.12.2]

- ***Approximately 900 girl students were deprived of residential school facility under Kasturba Gandhi Balika Vidhyalaya due to delay in construction of building. Funds to the extent of ₹5.20 crore had remained as loan with SSA Rajya Mission resulting in non-implementation of programme within specified time.***

[Para- 1.1.13.1 and 1.1.13.1]

- ***An expenditure of ₹108.53 lakh incurred on Computer Aided Learning System (CAL) programme remained unfruitful as computer teachers had not been posted depriving students of 52 schools in Changlang District, the benefit of the programme.***

[Para-1.1.14.1]

- ***There were irregularities in issue of textbooks. All students were not provided with books on all the subjects. In Lohit District, textbooks valuing ₹41.45 lakh was delivered after closure of academic year 2009-10, thereby depriving the students of their benefits. In West Siang District, during 2007-08 and 2008-09, textbooks***

valued ₹39.50 lakh meant for issue to Arunachal Pradesh Schedule Tribe students were not distributed despite availability.

[Para- 1.1.17]

- ***Arunachal Pradesh Scheduled Tribe students were not provided with stipend as per entitlement. Shortfall ranged between 09 and 43 per cent in primary level and 14 to 45 per cent in upper primary level.***

[Para- 1.1.18]

- ***Students were not provided with cooked meal on school days as envisaged under Mid-day Meal programme. Backlog of State Government matching share stood at ₹201.52 lakh as of March 2001. 351.642 MT of rice (West Siang District between November 2005 and March 2006) and 972.84 quintal of rice (Changlang District between June and December 2007) lifted was not distributed to schools by carriage contractors depriving students of mid-day meals***

[Para - 1.1.20.5, 1.1.20.2 and 1.1.20.4]

- ***Kitchen sheds constructed under Mid-day meal programme was not as per specifications. The food was cooked in unhygienic conditions and it was fraught with risk of food poisoning.***

[Para- 1.1.20.6]

- ***In Lohit District, ₹five lakh meant for depositing in the name of 100 girl students (@ ₹5000 each) under Prativa Khoj scheme had been misappropriated for other purposes such as purchase of material, payment of TA/DA etc., there by denying the benefit of the scheme to eligible girl students. In Kurung Kumey District, ₹five lakh was distributed in cash, instead of being put in the deposit in the name of the girls that too before the completion of elementary education.***

[Para-1.1.14]

- ***Robust monitoring mechanism should be put in place to oversee the creation of infrastructure facilities. An impact assessment of implementation of various schemes needs to be conducted.***

[Para- 1.1.23]

1.1.1. Introduction

Education is one of the most important sectors of development and has been acknowledged to have a lasting effect on all aspects of human development. Government of India moved education into the concurrent list in the year 1976 and also brought out a National Policy of Education in 1986, which was updated in 1992. The Right to Education (RTE) Act of 2009 was another significant milestone in this area which guarantees eight years of education. In July 2010, the State Government framed the Arunachal Pradesh Right of children to free and compulsory education Rules 2010.

As on March 2011, there were 3,054 primary schools and 1,171 upper primary schools in Arunachal Pradesh. Of these, 2,718 primary schools and 998 upper

primary schools were government and government-aided schools. Remaining were unaided private schools. During 2010-11, out of a total child population of 3,49,223 (Boys - 1,78,785; Girls - 1,70,438) in the age group of 6 to 14 years, 3,37,880 children (Boys - 1,73,191; Girls - 1,64,689) were enrolled in schools. Of which, 2,93,597 children (2,15,000 boys and 78,597 girls) were enrolled in government and government-aided schools (87 *per cent)*. There were 12.816 teachers (Regular - 6663 and Contractual - 6153) deployed in the elementary level schools of the State.

Government of Arunachal Pradesh is implementing two centrally sponsored flagship programmes viz., *Sarva Siksha Abhiyan* (SSA) and Mid-day-Meal (MDM) to achieve the goal of universal education. SSA emphasised expanding schooling facility to cover all locations and achieve 100 *per cent* enrolment while the objective of MDM is to boost the universalisation of the primary education by providing mid day meals and also improving their nutrition level.

Besides the matching contribution for implementation of SSA and MDM, the Government of Arunachal Pradesh also incurs expenditure from its own budget for the elementary education which was spent mostly on teachers' salary.

Elementary Education covers the primary and upper primary stages of education. Elementary education pattern followed in Arunachal Pradesh is the primary stage of education from classes I to V and Upper primary stage from classes VI to VIII..

1.1.2. Programme Objectives

The Annual Operating Plan of the School Education Department of Arunachal Pradesh envisaged the following broad objectives of Elementary Education in the State:

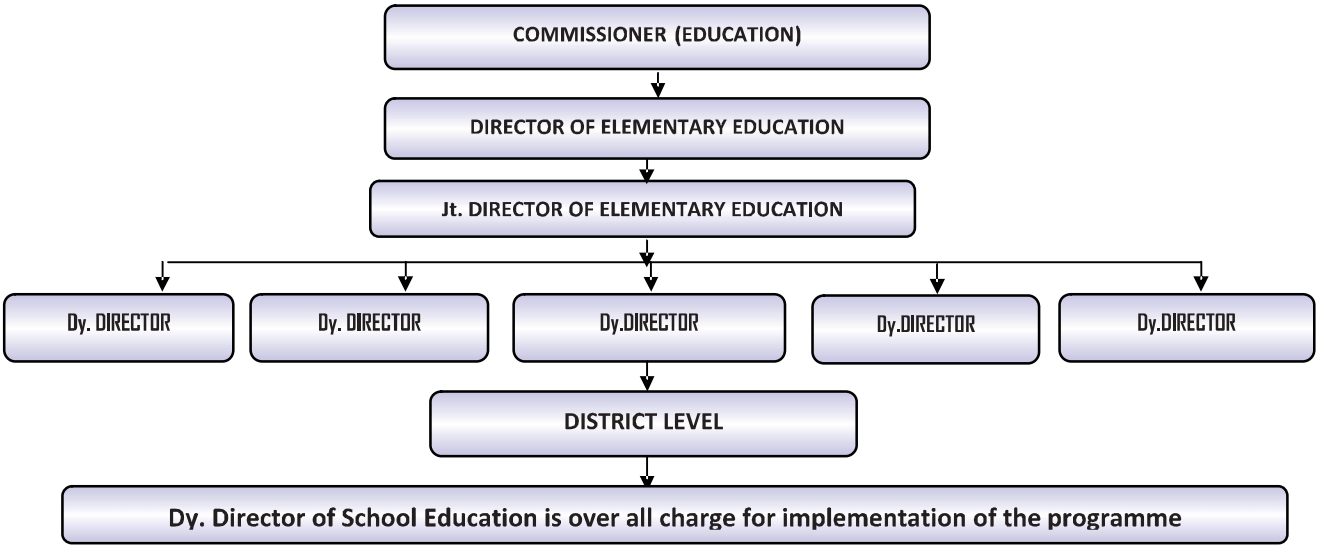
- Universalization of Elementary Education (UEE);
- Providing free and compulsory education to children in the 6-14 age-group;
- Focus on elementary education of satisfactory quality and make education relevant to life by promoting life skills;
- Promotion and encouragement of Girls' Education and bridging gender gaps;
- Promoting teachers' motivation by better management of teaching cadres and implementing effective strategies for training;
- Providing better infrastructure facilities and improvement of schools;
- Providing information and communication technological skills to children through computer education;
- Provisions for Children with Special Needs (CWSN)/physically challenged children; and
- To provide cooked Mid-Day meals to children (6-14 age group) to enhance nutrition, enrolment, retention and reduction of dropouts.

1.1.3. Organizational Set-up

The Organizational set-up under Elementary Education in the State is as follows:

CHART: 1.1

STATE LEVEL



1.1.4. Scope of Audit

Implementation of the Elementary Education programme in Arunachal Pradesh during the period 2006-07 to 2010-11 was reviewed in audit from May to September 2011 through test check of records of the Directorate of School Education, Rajya Mission, Sarva Siksha Abhiyan (SSA), Itanagar, and Dy. Director of School Education (DDSE) of five Districts, viz. Papum Pare, Changlang, Lohit, Kurung Kumey and West Siang out of 16 Districts of the State. The units were selected for detailed checking through simple random sampling method. During the course of audit in four out of five test-checked districts 67 schools were physically verified.

1.1.5. Audit Objectives

The main objectives of the Performance Audit were as follows:

- Examine and evaluate the efficacy of planning for implementation of various components of programmes.
- Examine whether the funds were adequate for implementation of programmes and has been used in effective.
- Assess whether major interventions were carried out as per norms fixed.
- Assess whether the efforts of the Government to improve the quality of educational standards were effective.
- Assess whether meaningful research activities were undertaken under Programmes within specified periods.

- Assess whether the outreach of education for girls, Scheduled Castes and tribal children had expanded and whether the infrastructure provided was optimum.
- Efficacy of monitoring of various programme connected with imparting of elementary education in the State.

1.1.6. Audit Criteria

Audit findings were benchmarked against the norms, rules and regulations, terms and conditions contained in the following sources, which were relevant to implementation of the programme.

- SSA Guidelines.
- Annual Work Plan and Budget (AWP &B).
- District Work Plan and Budget.
- Prescribed monitoring mechanism.
- MDM Guidelines.

1.1.7. Audit Methodology

The Performance Audit commenced with an Entry Conference on 25th May 2011 with Director of School Education (DSE), Dy. State Project Director (SPD), SSA and other nodal officers responsible for implementation of Programmes, wherein the objectives, criteria and scope of audit were explained. Audit findings were discussed with the Secretary of Education, Director of School Education and the Dy. SPD, SSA in the exit conference held on 24 October 2011. The replies and views of the Department had been incorporated in the review wherever the views were relevant.

Audit Findings

The performance review on implementation of Elementary Education Programmes in the State revealed that there were some noteworthy achievements of the State Government. However, there were deficiencies in planning process, failure in achieving assigned tasks in time, deficiencies in providing basic facilities in schools, inadequate infrastructure facilities, shortfalls in providing free and quality education, etc. Major audit findings are discussed in the succeeding paragraphs.

1.1.8. Planning

Planning is an integral part of any programme implementation to ensure that it succeeds. The scheme envisaged preparation of village/habitation level education plans with the effective involvement of grass-root level organizations, viz. Panchayati Raj Institutions, School Management Committees, Village and Urban Slum Level Education Committees, Parent-Teacher Associations, etc. These were to be aggregated and subsequently compiled at Cluster, Block, District and State levels to prepare the Annual Works Plan and Budget (AWP&B) for the State.

With a view to provide free and compulsory education to children of all sections of society within the 6-14 age-group, a Perspective Plan and AWP&B were prepared and

submitted to the GOI for the 16 Districts of the State.

Audit scrutiny of records revealed that there were certain deficiencies in the planning process as discussed below:

1.1.8.1. Household Surveys

Household Surveys is the most important component of preparatory activities to identify children in the 6-14 age-group for different categories.

No household survey was conducted during 2006-07 to 2010-11. This indicated that the Annual Plan had been prepared in an *adhoc* manner without obtaining basic inputs.

Admitting the lapse SSA Rajya Mission stated (October 2011) that the districts would be asked to undertake basic survey during this financial year.

1.1.8.2. Annual Work Plan and Budget (AWP&B)

In the five test checked districts, village and habitation level education Plans were not prepared. District Annual Plans were prepared on the basis of data collected from Block Resource Centres (BRCs). The scheme also envisaged for creating Groups/Core teams at district and block levels comprising of faculty members of DIETs, representatives from BRCs, Cluster Resource Centres (CRCs), Non-Government Organisations (NGOs), Teachers' Unions, Women's Groups, etc., to undertake extensive visits in the District, covering every habitation/village/urban slum for preparation of habitation level and District Plans. It was noticed that such teams were not formed during 2006-07 to 2010-11. The DPOs of the five test checked districts could not produce any records regarding preparation of village/habitation plans and formation of core teams. Thus, AWP&B was not formulated as per guidelines.

Accepting the audit observations (October 2011) the SSA Rajya Mission assured that the district level functionaries would be given training to undertake required activities in preparation of AWP&B for the district.

1.1.8.3. Appraisal of District Plans

The guidelines provided that appraisal teams, jointly constituted by the National and State Missions, would make regular visits to districts to monitor the quality of preparatory activities and for appraisal of District Plans. In the State, no appraisal team was formed by the State Mission to monitor the implementation of the programme. There were also no visits by the national teams, in Arunachal Pradesh.

Accepting the audit contention SSA Rajya Mission stated (October 2011) that the matter would be taken care of by forming the State-level team to undertake the supervision of preparation of AWP&B at district level.

1.1.9. Financial Pattern

Funds are allocated through the State Budget for carrying out various activities in the field of elementary education. In addition, funds were received directly by the

implementing agencies for educational developmental programmes sponsored by the GOI along with the State Government's matching share. Government of Arunachal Pradesh is implementing two centrally sponsored flagship programmes viz., *Sarva Siksha Abhiyan* (SSA) and Mid-day-Meal (MDM) to achieve the goal of universal education.

SSA was funded by the Central and State Governments in the ratio of 75:25 up to 2006-07 and thereafter in the ratio of 90:10. Under Mid-Day Meal Scheme (MDM), Central Government provided rice free of cost and transportation cost of ₹100 per quintal. Besides, Central assistance was also provided as cooking cost at rates prescribed (per child per school day for primary and upper primary students) from time to time for conversion of foodgrains into cooked meal. State Government also provided matching contribution for this purpose. GOI also provided ₹ 60,000 per unit per school for construction of kitchen-cum-store and ₹ 5,000 for kitchen devices.

1.1.9.1. Funds under State Budget

Details of budget allocation and expenditure under Elementary Education for the period of 2006-07 to 2009-10 and percentage of expenditure on salary as against total expenditure is shown in the following table.

Table: 1.1.1

(₹ in crore)

Year	Budget allocation			Expenditure			Expenditure on salary	Percentage of expenditure on salary
	Plan	Non-plan	Total	Plan	Non Plan	Total		
2006-07	62.12	62.92	125.04	62.02	57.92	119.94	105.84	88.24
2007-08	132.27	64.84	197.11	127.02	64.81	191.83	128.74	67.11
2008-09	73.5	142.56	216.06	76.92	142.55	219.47	161.81	73.73
2009-10	90.05	51.27	141.32	84.08	51.27	135.35	97.26	71.86
2010-11	106.78	237.77	344.55	103.41	237.81	341.22	236.25	69.24

Source –Accounts of Accountant General, Arunachal Pradesh

It is evident from the above that around 70 per cent of the total expenditure by State Government under elementary education was on salary.

Expenditure incurred for strengthening of school, grants in aid, State share of MDM and incentives to tribal student, during 2006-11 are given in the following table:

Table: 1.1.2

(₹in crore)

Year	Budget Allocation	Expenditure	(+) Excess/ (-)Saving
2006-07	66.77	66.67	-0.1
2007-08	99.87	99.46	-0.41
2008-09	47.05	49.71	2.66
2009-10	20.31	19.64	-0.67
2010-11	25.95	19.86	-6.09
Total	259.95	255.34	-4.62

Source: Director of School Education

- Savings of ₹ 609.40 lakh during 2010-11 was due to
  - Short utilization of ₹ 200.00 lakh under State share of Mid-Day Meal (MDM) was due to release of State share at the end of Financial Year.
  - ₹ 409.40 lakh was allotted under the XII Finance Commission Grant to the Elementary Education Programme at the end of the financial year, resulting in the entire amount not being utilized.
- Excess of ₹ 266 lakh during 2008-09 was on account of excess expenditure under Incentive to tribal students.

1.1.9.2. Funds under SSA

Funds of the State Implementing Society, SSA consisted of:

- Grants-in aid made by the GOI and State Government.
- Income from assets of the State Implementing Society, including interest, and other sources.

As per information furnished by the SSA Rajya Mission, the position of funds received and expenditure in the last five years under SSA, NPEGEL, and KGBV was as follows:

Table: 1.1.3

(₹ in crore)

	Opening balance	Receipts			Net (+)increase/ (-) decrease in loans, advances adjustable	Total fund available	Expendi-ture	Closing balance
		Central share	State share	Other Income				
2006-07	3.24	92.44	20.42*	0.74	2.75	119.59	107.06	12.53
2007-08	12.53	107.72	12.50	0.55	24.13	157.43	124.28	33.15
2008-09	33.15	118.10	10.99*	2.14	-4.28	160.10	147.83	12.27
2009-10	12.27	101.38	12.59	1.56	4.45	132.25	123.06	9.19
2010-11	9.19	195.57	1.35	2.08	1.26	209.45	203.87	5.58

Source: SSA, Rajya Mission * *includes amounts released by MoDoNER as State Share*

- During 2006-07 and 2008-09, Ministry of Development of North Eastern Region (MoDoNER), GoI contributed ₹ 16.42 crore and ₹ 5.07 crore respectively towards the State Government share.

- As per Financial Statement furnished by the SSA Rajya Mission, the cumulative State Share due as on March 2011 was ₹ 45.90 crore. In fact, there was a steady increase in backlog of State Share from ₹ 84.40 lakh in 2001-02 to ₹ 45.90 crore in 2010-11.

SSA Rajya Mission admitting the fact (October 2011) stated that steps are being taken to receive the backlog during the current financial year (2011-12) from the State Government. Given the fact that the State share was outstanding since 2001-02, the extent to which backlog would be cleared is a matter of concern.

1.1.9.3. Release of Funds

During 2010-2011, the SSA State Society released the following amounts to the Districts in the end of the financial year which were actually received by the District in the next financial year. Details are shown below:

Table: 1.1.4

Interventions	Date of Release by the SSA Society	Date of Receipt by the District	Amount (₹ in lakh)
RBC/NRBC	25.03.2011	02.05.2011	51.03
Girl Education and SC/ST	25.03.2011	02.05.2011	38.00
IE	25.03.2011	02.05.2011	129.81
MC	25.03.2011	02.05.2011	14.00
Civil Works under suppl. Budget – 1st Instalment	25.03.2011	02.05.2011	614.26
Civil Works under suppl. Budget – 2nd Instalment	25.03.2011	02.05.2011	2192.18

Source: Test checked District records

As a result, the interventions indicated above could not be undertaken during the financial year.

1.1.9.4. Expenditure over approved budget

Expenditure on any intervention/activity over the approved budget is unauthorized. Scrutiny of the Annual Accounts of the SSA State Society for the period from 2006-07 to 2010-2011revealed that there was excess expenditure of ₹ 631.37 lakh on different interventions over and above the amount approved by Plan Approval Board (PAB). The details of excess expenditure over the approved budget on different interventions, including spillover from previous year. are shown in the following table.

Table: 1.1.5

(₹ in Lakh)

Year	*Item/Interventions*	*Approved Amount*	*Expenditure*	*Excess*
2006-07	Civil Work	5316.50	5389.81	73.31
	School Maintenance Grant	140.40	237.68	97.28
	Management Cost	304.32	426.36	122.04
	Research & Evaluation	21.49	26.37	4.88
	Teacher Learning Equipment	115.80	156.78	40.98
	Community Training	11.07	24.04	12.97
	Management Information System	-	24.95	24.95
2007-08	Integrated Education for disabled	40.63	46.09	5.46
	Research and Evaluation	53.73	60.21	6.48
	Community Training	5.53	14.18	8.65
	Major Repairs	21.45	27.80	6.35
2008-09	Teachers' Training	95.70	107.48	11.78
2009-10	Teacher/PRIs Training	181.29	204.65	23.36
	Interventions for out-of-school Children	1842.29	1891.29	49.00
	Innovation Activity	1311.57	1454.24	142.67
	Research and Evaluation	43.23	44.44	1.21
Total		**9505.00**	**10136.37**	**631.37**

Source: Annual Account

Similarly, under West Siang District, the following expenditures were incurred 0ver and above the amount approved by PAB:

Table: 1.1.6

(₹ in Lakh)

Year	Items/Interventions	Approved Amount	Expenditure	Excess
2007-08	Innovative Activity	58.72	60.99	2.27
2008-09	Intervention for Out-of School Children	122.64	138.30	15.66
	Management Cost	33.35	33.42	0.07
2009-10	-do-	173.62	175.30	1.68
	ECCE	15.00	31.87	16.87
	CAL	36.64	56.00	19.36
	IED	7.03	12.30	5.27
	School Management Grant	21.00	21.08	0.08
	Management Cost	41.00	41.07	0.07
	Total	**509.00**	**570.33**	**61.33**

Source: Annual Accounts

Admitting the facts SSA Rajya Mission stated (October 2011) that due to ignorance of respective DDSE, the problem was caused in financial management and GOI was also aware of the issue and wanted to settle the issue by re appropriation of funds, In the Exit Conference, the Department assured that ex post facto sanction would be taken to regularize the excess expenditure and such practices would not be allowed in future.

Implementation of interventions under Elementary Education and SSA

1.1.10. Access to school

As per norms adopted by the State, the eligibility for providing Primary Schools were:

(i) Population of the habitation - 150 and above.

(ii) Availability of child population in the age group of 6 to 11 with a minimum of 20 enrolments.

(iii) Distance from village to school within a radius of one km.

Norms for upgradation of primary to upper primary was:

(i) Population of the habitation/village - 250 and above.

(ii) A minimum of 20 passed out primary school children.

(iii) Minimum two feeder school is necessary for a upgraded upper primary school

(iv) Existence of no another upper primary school within a radius of three km.

As on March 2011, there were 3,054 primary schools and 1,171 upper primary schools in the State as shown in the following table.

Table No. 1.1.7

Category of schools	Government including Local bodies	Government aided	Unaided private (Registered)	Unaided private (Unregistered)	Total
Primary Schools/ Primary section in Upper primary schools or secondary schools	**2674**	**44**	**280**	**56**	**3054**
Upper Primary Schools/ Upper Primary section in secondary schools	**954**	**44**	**155**	**18**	**1171**

Source: AWP & B

As of March 2011, 2,718 primary schools and 998 upper primary schools were government and government aided schools. Since the commencement of SSA in 2000-01, 1,142 primary schools and 461 upper primary schools were added till 2010-11. Of this, 981 primary schools and 113 upper primary schools were opened during the five-year period 2006-11.

1.1.10. 1. Habitations without Primary Schools

SSA norms provided that Primary Schools should be set up subject to availability of child population in the age-group of 6 to 11 with a minimum enrolment of 20 children in those areas which do not have any school within one kilometre of habitation. The Right to Education Act (RTE), 2009, envisaged that every child in the age group of 6 to 14 would be provided eight years of Elementary Education in an age appropriate class in the vicinity of his/her neighbourhood.

As per the AWP&B 2011-12 of SSA Rajya Mission, Itanagar, there were 124 habitations in the State in different Districts eligible for Primary Schools and as of March 2011, there were no schools. As a result, 3809 children in those habitations were deprived of school facilities.

However, Audit noticed that there were 8 villages under Bordumsa-Diyum Block in Changlang District which satisfy the criteria for having primary schools. But these villages were not included in the list of habitation shown in Annual Work Plan & Budget (AWP&B). Details are given below:

Table: 1.1.8

Sl. No.	*Village*	*Population*
1	Gidding Adivasi	300
2	Ucha Bam	350
3	Momong Mura	335
4	Koria Pani	150
5	Bijoypur-II	450
6	Kusum Pather	250
7	Wagun-II	150
8	Wagun-IV	357

Source: District Records

As such the information provided in AWP&B was not complete.

SSA Rajya Mission admitting the facts stated (October 2011) that all children will be admitted by setting up of new primary schools during the year 2012-13, otherwise these children would be given admission in nearby residential schools. But the fact remained that the children were out of school till 2012-13. In the Exit Conference the Government agreed and stated that the matter would be looked into. It also stated that in some cases the residents of the habitations themselves were not in favour of schools being opened in their habitation.

1.1.10. 2. Child Population, Enrolment and Out-of-School Children

The position of enrolment in the State during the period 2006-11 is tabulated below:

Table: 1.1.9

Year	Child Population	Enrolment			Out of school children	Percentage
		Primary	Upper primary	Total		
2006-07	316 907	195108	91237	286345	30562	9.64
2007-08	331545	217869	91606	309475	22070	6.65
2008-09	345647	229789	97536	327325	18322	5.30
2009-10	355880	238478	101549	340027	15853	4.45
2010-11	349223	241063	96817	337880	11343	3.24

Source: AWP & B

It can be seen that during 2010-11, out of a total child population of 3,49,223 (Boys - 1,78,785; Girls - 1,70,438) in the age group of 6 to 14 years, 3,37,880 (Boys - 1,73,191; Girls - 1,64,689) were enrolled in schools leaving 11,343 (3.24 *per cent*) out-of-school children.

Out of school children (both in number and percent) had declined during last five years and stood at 3.24 *per cent* in 2010-11. However, the State had failed to achieve 100 *per cent* enrolment by 2003 as targeted.

The position of child population, enrolment and out-of-school children in different Districts of the State is given in the table below:

Table: 1.1.10

	District	Child population 6-14 years			Enrolment 6-14 years			Out-of-school children 6-14 years		
		Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
1	Anjaw	2596	2343	4939	2491	2229	4720	105	114	219
2	Changlang	15138	13452	28590	14826	3056	27882	312	396	708
3	Dibang Valley	712	708	1420	703	690	1393	9	18	27
4	East Kameng	9400	18661	28061	9100	8948	18048	300	313	613
5	East Siang	11945	11325	23270	11842	11217	23059	103	108	211
6	Kurung Kumey	12227	11230	23457	11695	10434	22129	532	457	989
7	Lohit	15208	13658	28866	15058	13480	28538	150	178	328

	District	Child population 6-14 years			Enrolment 6-14 years			Out-of-school children 6-14 years		
		Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
8	Lower Dibang Valley	7008	6529	13537	6993	6421	13359	70	108	178
9	Lower Subansiri	11430	1088	22238	11128	10520	21648	302	288	590
10	Papum Pare	34229	34202	68431	32089	31709	63798	2140	2493	4633
11	Tawang	3330	4033	7363	3280	3962	7242	50	71	121
12	Tirap	12586	10745	23331	12280	10428	22708	306	317	623
13	Upper Siang	5087	4755	9842	4990	4674	9664	97	81	178
14	Upper Subansiri	12550	12638	25188	12486	12571	25057	64	67	130
15	West Kameng	7994	7769	15763	7338	7419	14757	656	350	1006
16	West Siang	17345	17321	34666	16947	16931	33878	398	390	788
Total		**178785**	**170438**	**349223**	**173191**	**164689**	**337880**	**5594**	**5749**	**11343**

Source: AWP & B

Out of children enrolled during 2010-11, 2,93,597 in age of 6-14 years (2,15,000 boys and 78,597 girls) are enrolled in government and government aided schools (87 *per cent)*.

Thus, the SSA's objectives to enrol all children in Schools, Education Guarantee Scheme (EGS) Centres, Alternative & Innovate Schools (AIS) and Back to School Camps by 2003 could not be fully achieved.

The SSA Rajya Mission stated (October 2011) the out of school children are the hard to reach category of children in remote, far flung areas of the State and the children would be enrolled in nearby residential schools. But no timeframe for their admission/enrolment has been indicated. The reply of SSA Rajya Mission has to be viewed in the backdrop of the fact that around 40 *per cent* of the out of the schoolchildren belongs to Papum Pare district with the State Capital, which is of one the most accessible and well-networked district of the State.

1.1.10. 3. Dropout Children

The position of dropout children in Primary and Upper Primary Schools during 2006-07 to 2010-11 was as follows:

Table: 1.1.11

Year	Primary	Upper Primary	Total
2006-07	24583	13496	**38079**
2007-08	18907	11658	**30565**
2008-09	12254	9816	**22070**
2009-10	10483	7839	**18322**
2010-11	8840	6913	**15753**

Source: SSA Rajya Mission

There was a decreasing trend in the dropout of children in both the Primary and Upper Primary Level. However, steps must be taken to bring them back to School so that the objective of SSA that all children complete eight years of elementary education could be fulfilled.

Sharing the Audit concern SSA Rajya Mission assured to take necessary steps and bring the dropout children back to school but no target date was indicated.

1.1.11. Deployment of Teachers and Teachers' Training

1.1.11. 1. Pupil-Teacher Ratio

SSA provided for a Pupil-Teacher Ratio (PTR) of 1:40, which was modified to 1:30, but every Primary School should have at least two teachers and one teacher for every class in Upper Primary School. It was seen that there were 12.816 teachers (Regular – 6,663 and Contractual - 6,153) deployed in the elementary level schools of the State.

Taking the State as a whole, the PTR at Primary level was 1:26 and at Upper Primary level, it was 1:16. Though at the Primary Level, teachers were deployed near to the prescribed norms, in the Upper Primary level the deployment of teachers was more

The details of Teacher-Pupil Ratio for five test-checked districts are shown in the following table:

Table: 1.1.12

Sl. No.	Block	Primary Schools			Upper Primary Schools		
		No. of Students	No. of Teachers	PTR	No. of Students	No. of Teachers	PTR
A. Changlang District							
1	Changlang	3887	151	1:26	1344	97	1:14
2	Miao	5596	178	1:32	2408	93	1:26
3	Bordumsa	7250	196	1:37	3389	119	1:29
4	Nampong	2707	110	1:25	1349	62	1:22
Total		**19940**	**635**	**1:31**	**8490**	**371**	**1:23**
B. West Siang District							
1	Along (U)	3353	120	1:28	1646	153	1:11
2	Along (W)	3270	95	1:34	1540	106	1:14
3	Rumgong	1370	81	1:16	465	37	1:13
4	Kaying Payum	1339	61	1:21	338	8	1:42
5	Liromoba	3505	116	1:30	980	77	1:13
6	Basar	2765	104	1:22	1418	138	1:10
7	Gensi Likabali	2493	104	1:16	309	13	1:13
8	Mechuka	1641	97	1:16	309	13	1:24
Total		**19736**	**802**	**1:28**	**767**	**609**	**1:11**

Sl. No.	Block	Primary Schools			Upper Primary Schools		
		No. of Students	No. of Teachers	PTR	No. of Students	No. of Teachers	PTR
C. Papum Pare District							
1	Mengia	3635	65	1:55	619	29	1:21
2	Sagalee	6381	283	1:22	2071	69	1:30
3	Balijan	4926	188	1:27	1193	41	1:29
4	Kimin	1918	76	1:25	685	43	1:16
5	Doimukh(R)	4171	165	1:25	4029	125	1:32
6	Doimukh(U)	9733	456	1:22	8059	315	1:26
Total		**30764**	**1233**	**1:25**	**16656**	**622**	**1:27**
D. Kurung Kumey District							
1	Palin-Yangte	3142	91	1:35	822	50	1:16
2	Chambang-Yangte	2539	80	1:32	453	40	1:11
3	Tali-Pipsorang	3217	73	1:44	495	39	1:13
4	Nyapin-Phassang	2124	74	1:29	435	47	1:90
5	Sangram	1925	46	1:42	308	24	1:13
6	Koloriang	2187	61	1:36	323	25	1:12
7	Damin Parsupurlo	2239	36	1:62	251	11	1:23
8	Sarli	1552	38	1:41	117	9	1:13
Total		**18925**	**499**	**1:38**	**3204**	**245**	**1:13**
E. Lohit District							
1	Tezu-Sunpura	5455	178	1:31	2666	99	1:27
2	Wakro	1341	50	1:27	377	19	1:19
3	Chongkham	2974	93	1:32	1079	45	1:24
4	Namsai	6066	208	1:29	2586	147	1:18
5	Lekhang	4086	137	1:30	1836	56	1:32
Total		**19922**	**666**	**1:30**	**8544**	**366**	**1:23**

Source: AWP & B

The position shown above indicates that teachers were not deployed in a rational manner. The position needs to be reviewed and remedial action taken.

Admitting the fact (October 2011) the SSA Rajya Mission assured to rationalize the teachers' deployment in schools as per norms. But no time frame for such rationalization has been indicated.

1.1.11. 2. Single Teacher Schools

As per SSA norms, a minimum of two teachers for Primary School and one teacher for every class in Upper Primary School should be provided. In the entire State, there are still 758 Single Teacher Schools with an enrolment of 25,561 students. But, scrutiny of records of three test checked Districts revealed that there were 169 Single-Teacher Primary Schools (Lohit – 57; Kurung Kumey - 84 and Changlang - 28), where enrolment ranged from 19 to 71 children.

It is again indicative that teachers' deployment in the State was not rational and as per norms.

As a result, children/students in those schools would be the sufferers, as quality education cannot be imparted to them.

SSA Rajya Mission stated (October 2011) that the district authorities would be asked to rationalize the teacher's deployment within a time period of six moths and all the 758 single teacher would be converted to double teachers' school by posting of teachers.

1.1.11. 3. Availability of subject teachers

Quality education can be imparted only on the basis of availability of teachers in all important subjects like mathematics, science, social sciences, language, etc. To manage the schools, co-ordinate classes, etc, the presence of a Head Master is crucial.

The following was the position of availability of Head Masters and subject teachers in Upper Primary Schools in the State during 2010-11.

Table: 1.1.13

District	District-wise number of Schools in respect of teacher availability (Upper Primary)					
	Total	with less than 3 teachers	without Maths & Science teachers	without Language teachers	without Social Science teachers	without Head masters
Tawang	40	0	32	32	12	40
West Kameng	39	0	14	9	0	39
East Kameng	50	14	32	27	24	44
Papum Pare	90	1	47	36	0	0
Lower Subansiri	80	0	34	73	0	80
Kurung Kumey	66	20	26	52	5	66
Upper Subansiri	55	16	31	11	0	55
West Siang	91	23	34	10	0	91
East Siang	64	0	22	0	0	0
Upper Siang	23	0	12	0	0	23
Lohit	82	3	29	17	0	70
Anjaw	30	10	10	0	0	25
Changlang	56	3	8	1	0	56
Tirap	43	2	26	36	0	43
Lower Dibang Valley	32	0	0	0	0	32
Dibang Valley	9	3	7	0	0	9
State	850	95	364	304	41	673

Source: Status of Teachers Availability

Out of 850 Upper Primary Schools in the State, there are 95 schools where there are less than three teachers, 364 schools where there were no Mathematics and Science teachers, 41 schools were without Social Science teachers, 304 schools had no language teachers and 673 schools were without a Head Master.

Though there was a favourable PTR, however, in absence of the teachers in Mathematics, Science and languages, children could not be provided quality education.

SSA, Rajya Mission admitted (October 2011) the fact and assured to redeploy the teachers judiciously as per need. With regard to subject teachers, it stated that the State did not had sufficient candidates for appointment and after relaxing the appointment policy the required subject teachers were being appointed.

1.1.11.4. Deployment of teachers without enrolment

Records of Lohit District revealed that there were two Government Primary Schools, viz, GPS Danglat, New Basti, and GPS Danglat, Mepo Basti, under Tezu Sunpura Block, which had no student enrolment. There were three working teachers drawing regular pay and allowances in these two schools. During 2011-12, another teacher was proposed for appointment in a single teacher school. Thus, indicate the laxity of the Department in deployment of teachers.

SSA Rajya Mission stated (October 2011) that the DDSE cum DDO, Tezu is being asked to undertake special campaign at the location of different schools to find out the solution for enrolling the available children within two months.

1.1.11.5. Untrained teachers

Deployment of qualified teachers is one of the most important components under education as quality education depends upon the quality of teachers. Therefore, more emphasis had to be given on teachers' training so that quality education can be imparted to the students. As per available information, there were 12,816 teachers deployed in schools, out of which only 3,035 (23.68 *per cent*) were trained. The remaining 9,781 (76.32 *per cent*) were untrained teachers. District-wise details of untrained teachers are shown below:

Table: 1.1.14

District	Regular	Contract	Total	Untrained Teachers	Percentage
Anjaw	42	225	267	241	90.26
Changlang	570	436	1006	564	56.06
Dibang Valley	22	70	92	91	98.91
East Kameng	203	517	720	606	84.17
East Siang	951	341	1292	1047	81.04
Kurung Kumey	84	663	747	627	83.94
Lohit	571	483	1054	829	78.65
Lower Dibang Valley	307	197	504	305	60.52
Lower Subansiri	381	639	1020	793	77.75
Papum Pare	1109	744	1853	1280	69.08
Tawang	212	258	470	416	88.51
Tirap	281	370	651	617	94.78
Upper Siang	225	272	497	429	86.32
Upper Subansiri	370	268	638	594	93.10
West Kameng	325	269	594	472	79.46
West Siang	1010	401	1411	870	61.66
State as a whole	**6663**	**6153**	**12816**	**9781**	**76.32**

Source: AWP & B

The analysis of the table indicates that 98.91 *per cent* of the teachers were untrained in Dibang Valley, followed by Tirap District with 94.78 *per cent*, Upper Subansiri with 93.10 *per cent* and Anjaw District with 90.26 *per cent*. The presence of untrained teachers is bound to affect the quality of education being imparted at the schools, which is a matter of serious concern and needs to be addressed. This is evident from the performance of students of government schools as brought in paragraph 1.1.21.

SSA Rajya Mission replied that the SSA Mission has framed a contingency plan to train all untrained teachers of primary school level though distance mode in a timeframe of three years. But no details about the training of upper primary school teachers were given.

1.1.11.6. Infrastructure for Teachers' Training, Research, etc.

There are only eleven District Institutes of Education and Training (DIETs) in the State for training and updating the knowledge and skills of teachers. But these Institutes are poorly staffed and had very little facilities for research and training activities.

1.1.11.7. State Institute of Education Management and Training

The State Institute of Education Management and Training (SIEMAT) was sanctioned during 2002-03 at a cost of ₹ 3 crore by the GoI, and ₹ 50 lakh was released to the State. As per condition of GoI, the SIEMAT was to become functional by December 2008 or funds would be curtailed. Construction of the SIEMAT building started without getting clearance from the GoI. Thereafter, no further work was undertaken by the State Authorities. In response to audit queries, the State Project Director, SSA Rajya Mission, Itanagar, stated that the SIEMAT had not yet been set up and ₹ 50 lakh was spent for construction of SIEMAT building which was constructed up to plinth level of first floor and GoI was not providing funds for further construction.

Thus, starting of the construction of the building without getting GoI clearance and non-pursuance by the authorities resulted in unfruitful expenditure of ₹ 50 lakh, besides stalling of educational research activities in the State.

1.1.11.8. State Council of Education, Research and Training:-

The State Council of Education, Research and Training (SCERT) is the nodal agency for educational research and training and responsible for research, innovation, curriculum development, teachers training activities were not in evidence. in the state.

But records revealed that SCERT had not been set up in the State as a result no research, innovation, curriculum development activities were not being conducted in the area of educational development in the State.

1.1.12. Infrastructure and basic facilities at schools

As of March 2011, out of 3,628 government primary and upper primary schools, 1,540 schools were housed in semi-pucca building and 45 in kuchcha building and 40 schools did not had a building.

The position of availability of different infrastructures and basic facilities provided in government schools, as on 2010-11, is shown below:

Table: 1.1.15

District	Target	Ach	Short fall	Ach	Short fall	Ach	Short fall	Ach	Short fall	Ach	Short fall
	Total no. of schools	Drink-ing water		Girls toilet		Boys Toilet		H/M Room		B/Wall	
Anjaw	112	0	112	60	52	0	112	8	104	16	96
Changlang	237	216	21	110	127	50	187	27	210	30	207
D/Valley	40	13	27	33	7	12	28	1	39	20	20
E/Kameng	290	179	111	30	260	45	245	0	290	3	287
E/Siang	292	116	176	50	242	48	244	26	266	18	274
K/Kumey	225	120	105	10	215	70	155	0	225	15	210
Lohit	346	178	168	130	216	25	321	43	303	15	331
L/Dibang Valley	117	40	77	15	102	15	102	0	117	10	107
L/Subansiri	313	80	233	46	267	28	285	0	313	63	250
P/Pare	364	95	269	87	277	80	284	51	313	57	307
Tawang	160	42	118	45	115	18	142	7	153	25	135
Tirap	264	85	179	10	254	20	244	48	216	6	258
U/Siang	104	54	50	75	29	20	84	22	82	27	77
U/Subansiri	246	162	84	41	205	35	211	28	218	6	240
W/Kameng	199	117	82	63	136	30	169	12	187	6	193
W/Siang	319	230	89	40	279	30	289	58	261	20	299
Total	**3628**	**1727**	**1901**	**845**	**2783**	**526**	**3102**	**331**	**3297**	**337**	**3291**

Source: SSA Rajya Mission

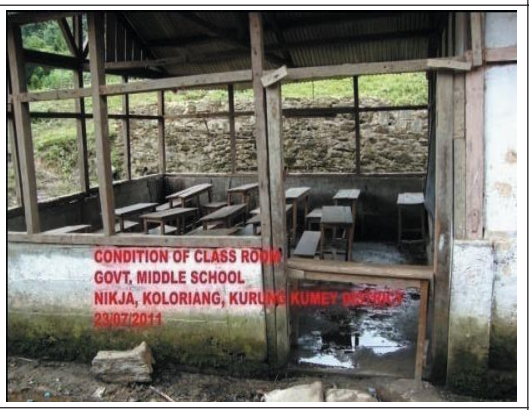
Out of 3,628 government schools, only 1,727 (48 *per cent*) had drinking water facility; 845 (23 *per cent*) had girls' toilets; 526 (14 *per cent*) had boys' toilets; 331 (9 *per cent*) had head master room; and 337 (9 *per cent*) had boundary walls. There were still 28 primary and 19 upper primary schools which are in dilapidated condition, requiring immediate major repairs/new construction. Not even 50 *per cent* of the total schools of the State had been provided with basic facilities and 47 (13 *per cent*) schools still required major repairs/new construction even after ten years of implementation of SSA indicates slow pace in providing necessary infrastructure and facilities to the schools. The lack of proper infrastructure and basic facilities is bound to adversely affect on the quality of education being imparted in those schools.

Admitting the facts SSA Rajya Mission stated (October2011) that the gaps in infrastructural development would be planned during the year 2012-13 and the schools requiring major repairs would also be included in the plan. But the facts remains that even after 10 years of implementation of SSA, the basic infrastructure of education had not improved.

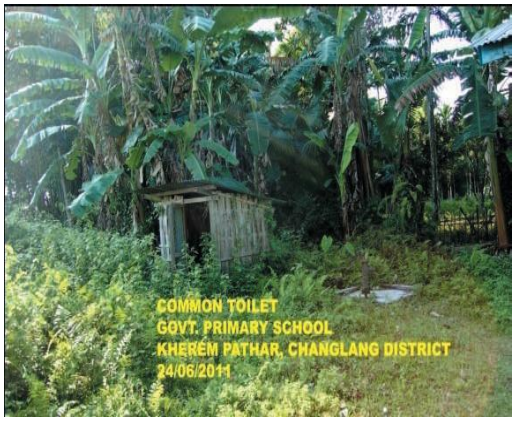
PHOTOGRAPHS OF SOME OF THE POOR INFRASTRUCTURE SCHOOLS



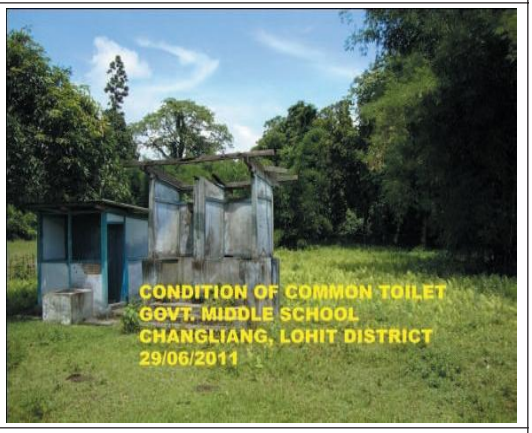
Condition of classroom in Hr.Sec.School (U/Primary section), Balijan



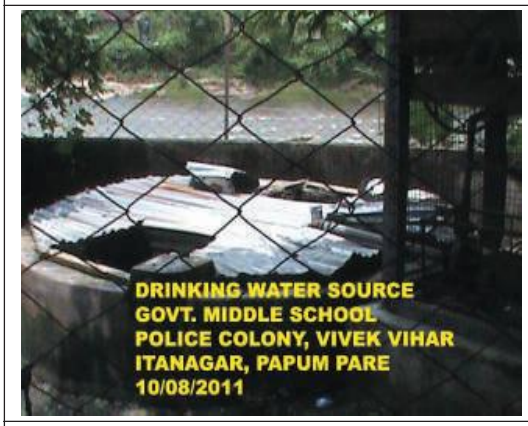
Condition of classroom in Govt. Middle School, Koloriang



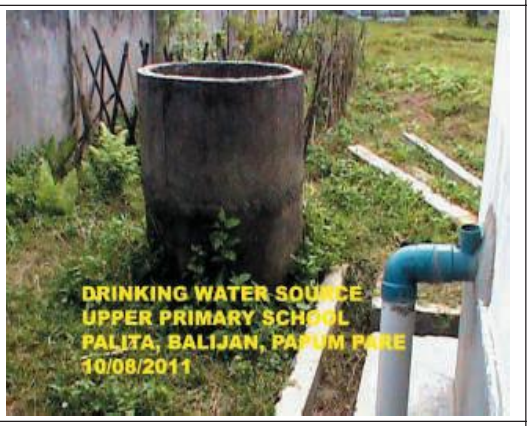
Govt. Primary School, Kherem Pathar



Govt. Middle School, Changiang



Drinking water source in Govt. Middle School, Vivek Vihar, Itanagar



Drinking water source in Upper Primary School, Palita, Balijan

1.1.12. 1. Improvement of school infrastructure

During the period 2007-08 to 2009-10, Director of School Education under Elementary Education assigned 209 works at a total estimated cost of ₹ 19.77 crore relating to infrastructure development to different executing agencies for execution, with a stipulation to complete the works within one year from the date of awarding the works.

But after more than one to three years of awarding of works and depositing of the funds with executing agencies, Utilization Certificates confirming the actual completion of works and handing over of buildings to the respective schools could not be furnished by the implementing agencies. There were no replies from the executing agencies, so the possibility of unauthorized utilization of funds of ₹ 19.77 crore could not be ruled out. Delay in handing over the infrastructure severely affected the academic atmosphere of the State.

In Exit Conference (October 2011), the department informed that 68 utilisation certificate had been recently received and would be submitted for reconciliation. But the fact remains that children were already deprived of quality education in standard classroom for a period of more than two years.

1.1.12. 2. Construction of school buildings in Lohit District

In Lohit District, during the years 2005-06 and 2006-07, an amount of ₹ 7.18 crore was paid to the different executing agencies for construction of school buildings, additional classrooms, CRC buildings, drinking water facilities, etc;. The works were directly allotted to the executing agencies without involving School Management Committees (SMCs) for their participation in construction works as per norms. Details of such agencies are shown below:

Table: 1.1.16

Agency	No. of Schools	Date of Payment	Amount (in lakh)
IFCD, Tezu	16	27/03/06	66.50
-do-	6	27/03/06	33.00
-do-	2	27/03/06	13.00
-do-	5	29/03/06	20.00
DRDA, Tezu	45	27/03/06	98.00
-do-	2	27/03/06	8.00
-do-	43	08/03/07	234.50
-do-	28	30/03/07	125.00
RWD, Tezu	12	29/03/07	67.00
BDO, Lekang	13	30/03/07	53.00
Total	**172**		**738.95**

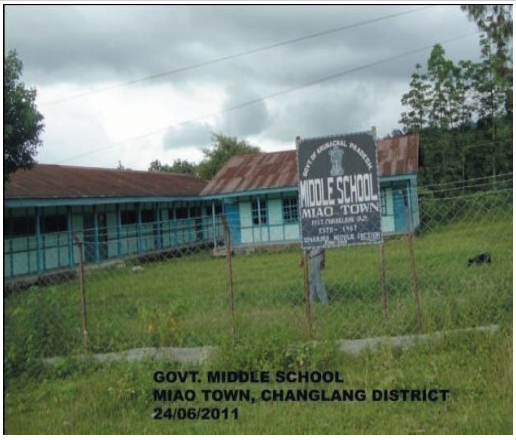
Source: Records of DDSE, Lohit District.

Till March 2011, neither were the buildings handed over by the implementing agencies nor had Utilization Certificates confirming the execution of assigned tasks been submitted. There were no records to indicate that any action was taken against the implementing agencies either to get refund of the amount deposited or to hand over the school buildings.

Due to non-action of the district authorities, resources of the programme remained blocked with the executing agencies. As a result, the children of respective schools were deprived of quality education through standard school buildings.

In response to audit queries, the District Authority, SSA, stated that the reasons for non-handing over of the school buildings was not known. In spite of repeated reminders, the executing agencies had not intimated the status of construction of school buildings. In the absence of replies from the executing agencies, the possibility of unauthorized utilization of funds could not be ruled out.

PHOTOGRAPHS OF SOME THE SCHOOL BUILDINGS



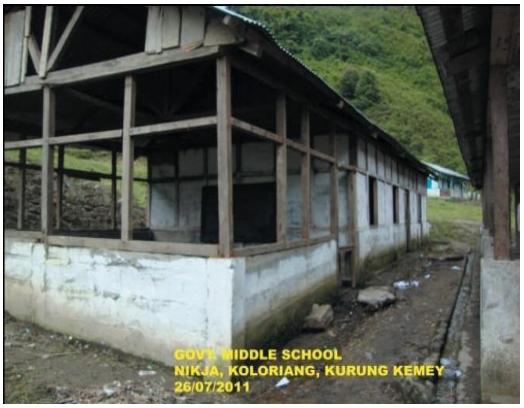
Good School building- GMS Miao Town



Sub-standard School building - GMS Kherem Bisa



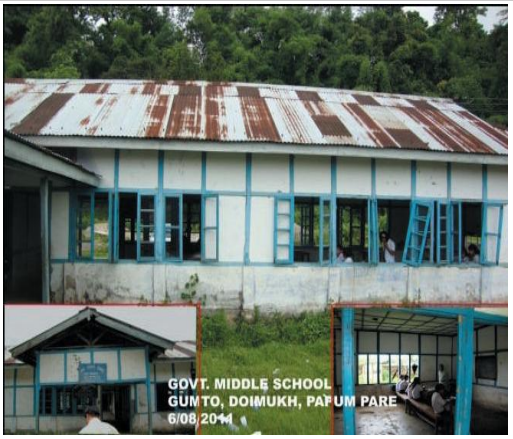
Average School - GMS Police Colony, Itanagar



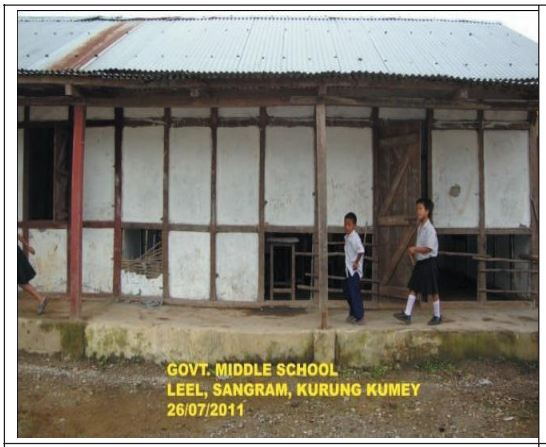
Sub-standard school - GMS Nikja, Koloriang



Good School building- MS Poma, Papum Pare



Sub-standard School building-GMS, Gumto, Doimukh



Sub-standard school building - GMS Leel, Sangram



Good School building - UPS Niti Vihar, Itanagar

1.1.12. 3. Upper Primary Schools without school furniture

According to norms, Teacher Learning Equipment (TLE) was to be provided to new Upper Primary Schools, upgraded Upper Primary Schools and existing Upper Primary Schools not covered under Operation Black Board (OBB) scheme. Records of following Districts revealed that there was no school furniture in 289 Upper Primary Schools not covered under OBB scheme.

Table: 1.1.17

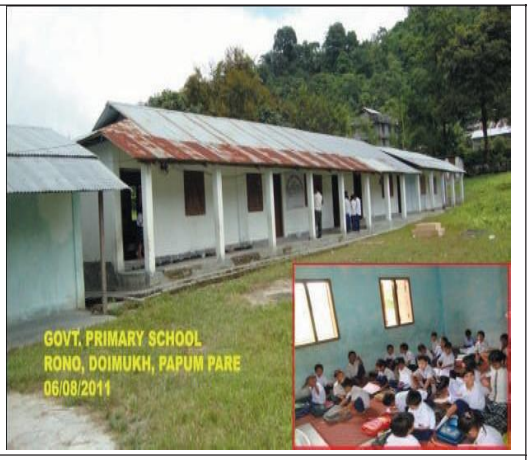
District	No. of Upper Primary Schools without furniture	Enrolment in these Schools
Anjaw	10	616
Changlang	34	7725
Dibang Valley	3	181
East Kameng	28	5163
East Siang	26	4954
Kurung Kumey	11	1286
Lower Dibang Valley	16	1520
Lower Subansiri	10	2944
Papum Pare	37	8355
Tawang	22	725
Tirap	6	278
Upper Siang	9	575
Upper Subansiri	36	9891
West Kameng	27	1075
West Siang	14	2186
Total	**289**	**47474**

Source: AWP& B

It indicated that in spite of the provision of TLE/Furniture under the programme, schools were deprived of this facility. Consequently, there were adverse effects on imparting quality education to children.



GPS (SSA) Nirjuli, Papum Pare



GPS Rono, Doimukh, Papum Pare

Admitting the fact (October 2011) SSA Rajya Mission stated that within two to three years furniture will be provided to all the Schools.

Education for Girl SCs/STs

1.1.13. Kasturba Gandhi Balika Vidyalaya (KGBV)

The Kasturba Gandhi Balika Vidyalaya (KGBV) Scheme was launched by the GoI in August 2004 for setting up residential schools at upper primary level for girls belonging predominantly to SC, ST, OBC and minorities in different areas. The scheme was merged with SSA as a separate component of the programme. The objectives of KGBV were to ensure access and quality education to girls of disadvantaged groups of society by setting up residential schools at upper primary level.

In Arunachal Pradesh, 48 KGBV were sanctioned by GoI between 2004-05 and 2010-11. Of this, 36 KGBV are functional, as of March 2011, wherein 3,488 students are enrolled. All theses KGBV are run by NGOs.

It was seen that the Upper Dibang Valley District, an educationally backward District of the State, was not covered under the scheme, Out of 48 KGBV, 10 are concentrated in East Siang District, and the rest are scattered over the other 14 Districts.

During the last five years (2006-07 to 2010-11), out of available fund of ₹ 43.50 crore, an expenditure of ₹ 39.37 crore (around 90 *per cent*) was incurred during these years. As AWP&B 2011-12, construction 12 buildings of KGBV were under progress. Of these, nine KGBV buildings were sanctioned in 2008-09 and construction of the building commenced in the same year. However, even after two years the buildings are not complete and KGBV yet to start functioning. As a result of delay in completion of these buildings approximately 900 girl students (100 girls per school) had been deprived of the benefits of the scheme.

Photographs of Kasturba Gandhi Balika Vidyalaya (KGBV) Buildings	
	
KGBV Building at Khagan, Miao	*KGBV Building at Wakro, Lohit*

SSA Rajya Mission stated (October 2011) that the fund for construction of KGVB buildings were given by the GoI on the basis of rate prior to April 2009 due to which the buildings are not completed as per requirement and norms. The reply is not acceptable as the matter should have been brought to the notice of concerned authority and additional funds sought so that construction could be completed without further delay to avoid unnecessary cost escalation as a result of delay.

1.1.13. .1. Diversion of Funds

Transfer of funds from one component to another without approval of the PAB amounts to unauthorized diversion of funds, results in delay in implementation of approved programmes.

Records of SSA, Rajya Mission, Itanagar, revealed that during 2009-10, an amount of ₹ 560.97 lakh pertaining to KGBV education for girls was transferred to the accounts of Rajya Mission as loan. At the end of the year (2009-10), ₹ 41.21 lakh was refunded to the KGBV accounts and balance ₹ 519.76 lakh still remained as loan with Rajya Mission as of March 2011. Consequently, the programme could not be implemented within the specified time, depriving poor girl children of the State of the benefits of the programme.

SSA Rajya Mission stated (October 2011) that SSA and KGVB come under same umbrella and transfer of funds from one programme to another was resorted to keeping in view urgent need of funds to complete a work within specific timeframe.

1.1.13. .2. Unfruitful Expenditure

During 2007-08, without verifying the antecedents of a Non-Government Organization (NGO), ₹ 13.41 lakh was paid to the NGO for running the KGBV at Mechuka. However, the NGO failed to run the KGBV, Mechuka. The amount paid was also not refunded by the NGO. The DDSE did not take any action, either to recover the money or to compel the NGO to execute the work. However, the DDSE accounted the payment as expenditure in its Annual Accounts for 2007-08.

Confirming the fact, SSA Rajya Mission stated (October 2011) that the KGVB branch of the State unit was asked to initiate criminal proceeding against the NGO but till date (October 2011) the NGO was absconding and could not be traced.

1.1.14. Prativa Khoj

Prativa Khoj is an incentive for promotion of girls' education under the Centrally Sponsored Scheme, SSA. This scheme was to be carried out under the head 'innovative activity'.

The main objectives of the scheme are to achieve 100 *per cent* retention and impart quality education. Under the scheme, ₹ 5000/- per girl would be deposited in a SBI Joint Account (Fixed Deposit) for five years. A girl would be entitled to the matured amount only when she completes Elementary Education. She must also continue with her studies till the maturity of the amount.

During 2006-07, in Lohit District, ₹ 5.00 lakh meant for 100 girls (₹ 5000 each) under Prativa Khoj to be deposited in the bank (fixed deposit) for five years and payment thereof, with interest, made to the girls. But, instead DDSE, Lohit in gross violation misappropriated the amount for other purpose such as (i) purchase of material – ₹ 4.69 lakh; (ii) payment of TA/DA - ₹ 0.18 lakh and (iii) cash award - ₹ 0.13 lakh.

Thus, the benefit of the scheme could not be availed by 100 girls of the District. The matter needs to be investigated and suitable punitive action taken against the erring official.

Similarly, during the same period, in Kurung Kumey District, ₹ 5.00 lakh was distributed to 100 Primary School girls (₹ 5000/- each) in cash before completion of their elementary education, which was in violation of the norms. Thus, the release of money to 100 girl students in violation of the prescribed norms defeated the very purpose of the scheme.

SSA Rajya Mission assured the matter would be investigated and the erring officials penalised.

1.1.15. Children with Special Needs (CWSN) under Inclusive Education

As per available information, during 2010-11, there were 17,641 CWSN identified in the State. Out of this, Papum Pare District had highest number of CWSN – 3,800, followed by Changlang District – 1,814 and East Siang District – 1,127.

Out of the identified 17,641 CWSN, 16,558 (94 *per cent*) were enrolled in schools, leaving 1,083 (6 *per cent*) for home-based education. Of 17,641 CWSN, children with learning disability (11,203) were majority followed by hearing impaired (2,011); visually impaired (1,784); speech impaired (1,083); orthopedically impaired (867); mentally retarded (302); multiple disability (261) and cerebral pulse (130).

Scrutiny of records revealed that in the State, hearing aid (738); auxiliary crutches (200); elbow crutches (150); spectacles (1,062); blink sticks (35); Braille kit (35) and wheel chairs (180) were provided to these children.

Further, SSA authorities stated that, in the State, 557 schools had been made barrier-free for CWSN and remaining 16,001 schools yet to be made barrier-free. However, in the exit conference (October 2011) the departmental authorities categorically stated that there was not a single school in the State with infrastructure to provide CWSN facilities.

Thus, the information furnished by SSA authority regarding barrier free school building for CWSN which was not based on fact and the CWSN remain isolated without basic facilities for their education.

1.1.16. Computer Aided Learning System (CAL)

During 2005-06, the Computer Aided Learning System (CAL) Programme was approved under Innovative Education for elementary level children in the State. Under this Programme, Computer Education was to be imparted to students of 850 Upper Primary Schools. Along with Computer Education, other subjects like English, Mathematics, Science, etc. were also to be taught in schools through computer applications.

Scrutiny of records revealed that till 2010-11, out of 850 Upper Primary Schools, only 431 (50.70 *per cent*) schools with 28,709 students (28 *per cent* of a total student - 1,01,549) had been covered under the programme even after five years of implementation of the programme.

1.1.16.1. Non-conducting of computer classes

A test check of Changlang district revealed that from 2007-08 to 2010-11, 52 schools were connected under CAL Programme. 156 computers were provided in the schools. But due to non-posting of computer teachers, no classes were held all these years. During the period an expenditure of ₹ 108.53 lakh was incurred under the programme in the District.

Thus, the expenditure incurred under the programme was unfruitful. In response to audit observation the SSA Rajya Mission assured to investigate the matter and suitable penal action taken against the agency conducting the CAL programme.

1.1.16.2 Unrealistic fixation of amounts for services.

During 2006-07, an amount of ₹ 152.75 lakh was paid to a company (M/s Tele Data, Chennai) by the State Mission Director, SSA for running CAL programme. Out of which an amount of ₹ 120 lakh was treated as expenditure during the year and ₹ 32.57 lakh as advance to the company.

But as per expenditure details of the company during the year, there was excess payment to the company as explained in the following paragraph.

The company paid ₹ 18 lakh to 45 facilitators for 10 months @ ₹ 4000/- per month. The administrative cost of the company was ₹ 1.50 lakh per month, which amounted to ₹ 18 lakh per year. Thus, the total expenditure incurred by the company during the year was ₹ 36 lakh (18 + 18 lakh), whereas the actual payment made to the company

during the year was ₹ 120 lakh. Even after allowing profit margin, the amount paid for the services rendered by the firm was unrealistic.

The Rajya Mission SSA could not furnish specific reply.

1.1.17. Distribution of textbooks

Under the Elementary Education Programme, there was a provision for free textbooks to all female SC/ST children up to Class VIII. But after implementation of the Right to Education (RTE) Act, all children under Elementary Education were entitled to free textbooks.

1.1.17.1 Delay in distribution of textbooks

During the years 2007-08 to 2010-11 in Papum Pare District, textbooks on different subjects for Classes I to VIII were issued to students long after the commencement of the academic session, which begins from the month of June in the State. The delay in issue ranged from one to seven months. Details are shown below:

Table: 1.1.18

Sl. No.	Year	Period During Which Text Books Were Received By Concerned Deputy Director	Period during which text books were distributed to schools
1	2007-08	April 2007	April to August 2007
2	2008-09	April to May 2008	April to August 2008
3	2009-10	May to September 2009	May to December 2009
4	2010-11	April to June 2010	June to September 2010

Source: Records of DDSE, Papum Pare District

Apart from delay in distribution, it was also noticed that the number of books distributed to students on different subjects was not uniform. This was more widespread in upper primary class. This is evident from the details of books distributed in the Papum Pare District during the year 2007-11 as tabulated below:

Table: 1.1.19

Year	Textbook distribution position							
	Class I	Class II	Class III	Class IV	Class V	Class VI	Class VII	Class VIII
2007-08	3968	2600	2800	2800	2800	2600	2600	3300
2008-09	3100	2600	2600	2800	2800	2600	2600	3300
2009-10	9000	5900	4100	3600	3200	2700	2500	2200
2010-11	8200	6300	5500	5000	5000	5000	4500	4200

Source: Records of DDSE, Papum Pare District

Thus, it is apparent that all students were not provided with books on all the subjects. It was also noticed that number of books distributed on Science, Maths and Social Sciences were less than other subject books. As such, students were deprived of the benefits of free textbooks.

1.1.17.2. Unfruitful expenditure

During 2009-10 records in the DDSE Lohit district revealed that 1,62,400 text books meant for class I-VIII amounting to ₹ 41.45 lakh were delivered by the supplier after closure of the academic year 2009-10 and the books could not be distributed to the children for the said academic session. Hence, the children of the elementary education level were denied the benefit of free issue of textbooks during the year and the expenditure incurred thereof resulted in unfruitful expenditure.

In reply, DDSE, Lohit stated (May 2011) that the books would be issued during the academic year 2010-11 hence there would be nothing in the stock. But the fact remains that the intended benefit of free textbooks could not be availed by the children during 2009-10 and had carry out their studies without textbooks.

1.1.17.3 Unutilized textbooks

Test check of records of DDSE, West Siang District for 2007-08 and 2008-09 revealed that 1,53,235 text books valued at ₹ 39.50 lakh, meant to be issued to the Arunachal Pradesh Scheduled Tribes (APST) students from Classes I to VIII free of cost, though procured and supplied centrally by the Directorate of School Education, were not distributed to the students. Due to this lapse, besides denying benefits to intended students would also bound to affect the quality of education of these children.

The Government stated (October 2011) that after verification necessary action would be taken against the responsible officials.

1.1.18. Stipends by the State Government

The State Government paid stipends to Arunachal Pradesh Scheduled Tribe (APST) students under elementary level education. Stipends were paid to the students staying in residential schools/hostels, etc; in lieu of rations. Stipends were paid for 10 months in an academic year. Entitlement of stipend during the period 2006-11 for different category of students is given in the following table.

Table: 1.1.20

Year	Category of Student	Entitlement
2006-07 to 2008-09	Primary Class students (studying in Class 6 to 8)	₹ 260 per month (ie., ₹ 2600 per academic year)
	Upper Primary Class students (studying in Class 1 to 5)	₹ 275 per month (ie., ₹ 2750 per academic year)
2009-10 and 2010-11	Primary Class students (studying in Class 1 to 5)	₹ 360 per month (ie., ₹ 3600 per academic year)
	Upper Primary Class students (studying in Class 6 to 8)	₹ 375 per month (ie., ₹ 3750 per academic year)

The position of actual expenditure incurred on payment of stipend vis-à-vis the requirement of funds to distributed the stipend as per entitlement and the amount of

stipend that could had been disbursed to each student during the period 2006-11 is tabulated in the following table:

Table: 1.1.21

Year	Enrolment	Actual expenditure incurred *(₹in lakh)*	Maximum amount of stipend that could had been disbursed to each student	Percentage of shortfall	
				Primary class student	Upper primary class student
2006-07	41,369	691	₹ 1670	36	39
2007-08	42,488	1006	₹ 2367	09	14
2008-09	35,403	703	₹ 1986	24	28
2009-10	44,487	910	₹ 2046	43	45
2010-11	24,834	Information not furnished			

Source: Records of Director of School Education

As could be seen from the above table, the students were not provided with stipend as per their entitlement. It was notice that the State Government distributed stipends only for a part period during 2009-10 and 2010-11. This could had affected the presence or performance of the students.

1.1.19. Free Issue of School Uniforms

In order to encourage education and motivate poor children to attend school, free textbooks and school uniforms were provided to children belonging to ST, SC and other weaker sections of the society. Till 2009-10, there was no provision in the State budget for free issue of school uniforms to children in the elementary level. It was only during 2010-11 that school uniforms were provided to students in elementary level under the SSA Programme. Details of achievement in the distribution of free school uniform during 2010-11 is indicated in the following table.

Table: 1.1.22

Primary School	Physical	Finance (₹ in lakh)	U/ Primary School	Physical	Finance (₹ in lakh)
All girls	11135	445.34	**All girls**	42319	169.28
SC boys	592	2.37	**SC boys**	126	0.50
ST boys	90213	360.85	**ST boys**	33890	135.56
BPL boys	338	1.35	**BPL boys**	118	0.81
	202478	809.91		76453	305.81

Source: PAB Supp. 2010-11

Thus, the Elementary level student community benefited from the free distribution of school uniforms during 2010-11. It also encouraged and motivated the poor children to attend school.

1.1.20. Mid Day Meal (MDM) Scheme

Mid Day Meal (MDM) is a centrally sponsored scheme, which was implemented in Arunachal Pradesh from 1st January 2004, covering all children under Primary Education in Government/Govt. Aided Schools, Education Guarantee Scheme and Alternative and Innovative Education Centres. From 2007-08, the scheme was extended to Upper Primary School. The objective of the scheme was to provide nutritional support to children, thereby boosting enrolment, retention and learning capability of the children.

Under Mid-Day Meal Scheme (MDM), Central Government provided rice free of cost and transportation cost of ₹100 per quintal. Besides, Central assistance was also provided as cooking cost at rates prescribed from time to time; ₹ 60,000 per unit per school for construction of kitchen-cum-store and ₹ 5,000 for kitchen devices.. State Government also contributed certain amount as cooking cost.

Scrutiny of the records of implementation of the scheme revealed the following shortfalls and irregularities.

1.1.20. 1. Fund Allocation and Expenditure

As per records furnished by the School Education Department, the following was the fund allotted and expenditure there against under MDM Programme during the period from April 2006 to March 2011:

Table: 1.1.23

(₹ in lakh)

Year	Fund Allotment	Expenditure	Savings/Excess	Percentage of Savings
2006-07	1176.82	1098.88	(-) 77.94	7
2007-08	2684.69	2546.16	(-) 138.53	5
2008-09	828.72	827.72	(-) 1.00	Less than one per cent
2009-10	1758.90	1172.06	(-) 586.84	33
2010-11	1658.39	1638.96	(-) 19.43	1

Source: Records of School Education Department.

There were persistent savings during 2006-11. The main reason for the savings was delay in release of funds by the State Government.

During 2010-11, the second instalment of recurring central assistance for MDM, amounting to ₹ 457.77 lakh, received on 24-03-2010, was kept for utilization during 2011-12.

Due to inadequate budgetary provision in the State budget, the Central Assistance of ₹ 97.55 and ₹ 44.00 lakh for procurement of kitchen implements and construction of Kitchens-cum-Store respectively could not be utilized during 2010-11 and was kept for utilization during 2011-12.

1.1.20. 2 Backlog of State Share

As per records furnished by the Directorate of School Education there was a continuous backlog of State share liability since 2007-08. The liability during 2007-08 was ₹ 6.97 lakh and as on 31st March 2011 it stood at ₹ 201.52 lakh. The backlog of state share is mainly on account of cooking cost, which includes cost of ingredients, e.g. pulses, vegetables, cooking oil and condiments. It also includes cost of fuel and wages/ remuneration payable to personnel, or amount payable to an agency (SHG, VEC, SMC) responsible for cooking. Non-release of matching State share had severely effected in providing cooked nutritious meals regularly to the children.

Scrutiny of records on implementation of the MDM Scheme revealed the following shortfalls, irregularities in providing nutritious meals to students:

1.1.20. 3 Lifting of Foodgrains (Rice)

The following was the position of allotment of foodgrains (rice) and lifted in the State during the period of 2006-07 to 2010-11.

Table: 1.1.24

(in MT)

Year	Allocation	Lifted	Short-lifted	Percentage of shortfall
2006-07	455.87	321.87	134	29
2007-08	4558.70	3264.18	1294.52	28
2008-09	4233.46	4233.46	0	0
2009-10	4233.48	4233.48	0	0
2010-11	6687.66	5928.37	759.29	11

Source: Director of School Education records

During 2006-11, except 2008-09 and 2009-10, in the remaining three years entire quantity of the foodgrains allotted was not lifted by the department. Short lifting during these years ranged between 11 and 29 per *cent*. It is apparent that due to short lifting of foodgrains many students had been deprived of the benefits of nutritious meals under MDM programme.

In the Exit Conference, the department stated (October 2011) that the facts would be verified and added that it might be due to non-availability of foodgrains in the FCI Godown. However, the fact remained that the students were deprived from the getting of benefit of MDM Programme.

1.1.20. 4 Non-distribution of Rice

Test check of records of Changlang District revealed that during 2007-08, under the MDM Programme, 3,360 quintal rice was allotted to Changlang District for feeding 16,124 primary school children.

Out of the allotted quantity, 2,918.52 quintal was lifted by the Carriage Contractor (M/s R.S. Trader, Miao) from the FCI godown. Out of the lifted quantity, only 972.84 quintal was distributed to the different schools of the District. The remaining 1,945.68 quintal was retained by the carriage contractor, during the period June to December 2007, instead of distributing it to the respective schools. No action was taken against the carriage contractor for non-distribution of the rice.

Similarly, during 2005-06 and 2006-07, in West Siang District, the Carriage Contractor (M/s Tomo Basar) lifted 351.642 MT of foodgrains between November 2005 and March 2006. However, entire quantity of foodgrains lifted was not distributed to the schools by the carriage contractor, reportedly due to non-receipt of transportation cost.

Non-distribution of food grains by the carriage contractor resulted in deprivation of primary school children from the benefit of the nutritious mid-day meal programme. This also reflects poor supervision and control by the Department.

1.1.20. 5. Conversion cost

For getting the meals cooked, the rate at which assistance is provided by GOI under cooking cost component (per student per school day) and the matching share of the State Government, during the period 2006-11, is tabulated below.

Table: 1.1.25

Period	Primary Class Stage (1 to5)		Upper Primary Class Stage (6 to 8)	
	Central Assistance	State Share	Central Assistance	State Share
July 2006 to November 2009	₹ 1.80	₹ 0.20	₹ 2.30*	₹ 0.20*
December 2009 to March 2010	₹ 2.25	₹ 0.25	₹ 3.38	₹ 0.37
April 2010 to March 2011	₹ 2.42	₹ 0.27	₹ 3.63	₹ 0.40

**Extended Upper primary Classes w.e.f October 2007*

Following table indicates the cooking cost released during the period 2006-11.

Table: 1.1.26

(₹ in lakh)

Year	Cooking cost released		
	For Primary school	For Upper primary school	Total
2006-07	362.90	-	362.90
2007-08	813.04	69.70	882.74
2008-09	376.58	236.53	613.11
2009-10	481.53	302.37	783.90
2010-11	641.38	344.02	985.40

**Source; Departmental records*

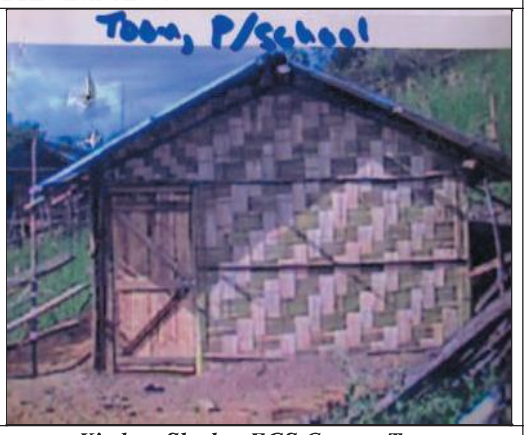
With quantum of foodgrains (rice) lifted and cooking cost released during the period 2006-11, it was not possible to provide cooked mid-day meal to all the enrolled students in the primary and upper primary government schools on all school days. This is evident from the interaction held with guardians of students in three test-checked districts and Lower Subansiri District while conducting district centric audit.

1.1.20. 6. MDM Kitchen Sheds in Lower Subansiri district

In district centric audit of Lower Subansiri District, the following facts about the status of MDM kitchen sheds constructed in the District were noticed.

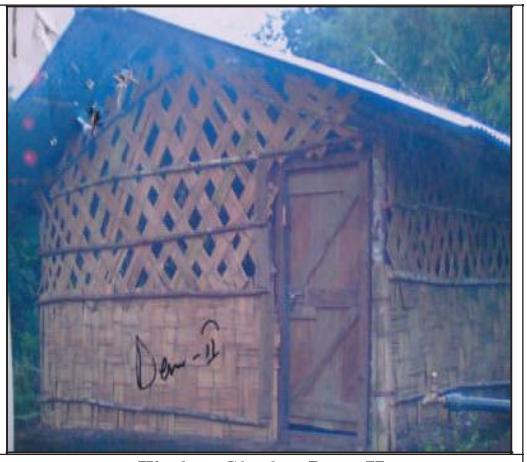
Test check revealed that 190 kitchen sheds were to be constructed in the district with the specifications, i.e., total built-up area (including wall) 24.76 sq m. These kitchen sheds were to be built at a total cost of ₹ 1.14 crore, out of which ₹ 0.51 crore (44.98 *per cent*) was retained by the Mission Directorate for central purchase of CGI sheets and ridging (including VAT and transportation charges). Work Orders were issued between September and December 2008 for construction of these kitchen sheds. The contractors were issued with 23 CGI sheets and 5 ridging for construction of each kitchen shed. The actual number of kitchen sheds constructed in the District was not available on record and measurement book was not maintained. Dates of commencement and completion were not recorded Bills. Payment of ₹ 62.72 lakh was made to the contractors between October 2009 and March 2010.

From the photographic evidence gathered by Audit, it could be seen that out of 190 kitchen sheds in Lower Subansiri district only 37 were as per specifications and the rest are substandard. Some of the photographs are given below.

Condition of MDM Kitchen Sheds	
	
Kitchen Shed at, Komp	***Kitchen Shed at EGS Centre, Toon***



Kitchen Shed at Migo Joram



Kitchen Shed at Dem-II

The Department stated (November 2010) that the Kitchen sheds could not be constructed as per specifications due to local conditions. The construction was done as per availability of local materials and as per local conditions in different parts of the District, and that in some cases, the sanctioned amount was not enough to meet the specifications. Interaction with the Anchal Chairperson, ZPMs, GPMs and ASMs confirmed the fact that almost all the Kitchen sheds were of the "kuccha" type and but they however, expressed that mid-day meals were served regularly, barring 2008-09. However, interaction with 12 public representatives revealed that during that period, midday meals were served irregularly in six schools; once in a month in two schools; once in a year in two schools; twice a year in one school; and in one school, not served at all.

Further, scrutiny of the records of the department revealed that during 2008-09, 2009-10 and 2010-11, the number of students enrolled in the district was 18,022, 21,197 and 21,648 respectively. However, number of students for whom sanction was accorded for serving the cooked food under mid-day meal programme during 2008-09, 2009-10 and 2010-11 was 12,539, 12,539 and 16,152 respectively (i.e., 70 *per cent,* 59 *per cent* and 77 *per cent* of the students enrolled in that particular year). The basis on which the number of students was determined was neither stated nor on record. With the given amount it was not possible to serve cooked meal to all eligible students on all school day during the period, thus, the objective of the programme to provide nutritious meal to the students on all schooldays was frustrated.

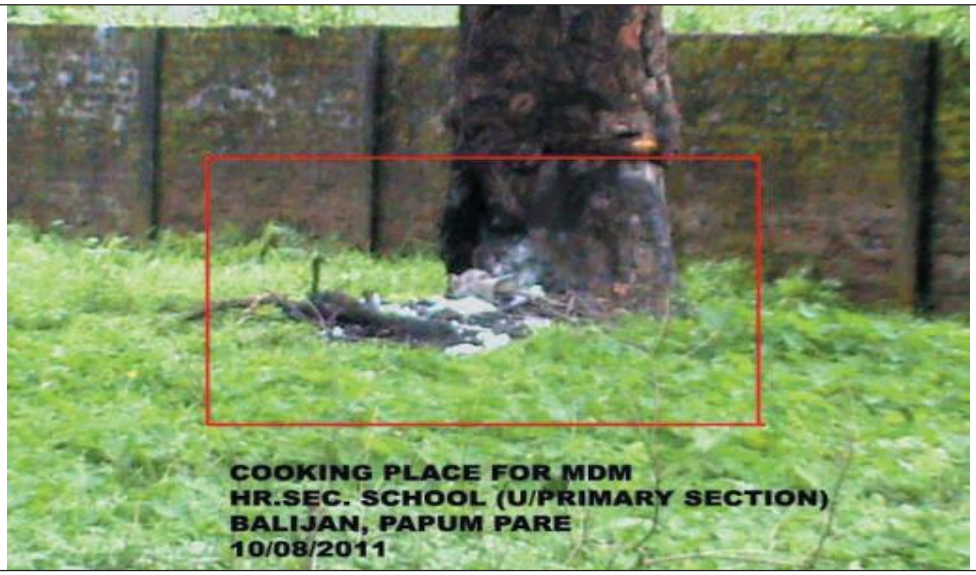
1.1.20.7. Interactions with guardian - Deficiencies in providing MDM

During the course of audit in the three selected Districts, the interaction with guardians of students of Primary and Upper Primary Schools revealed the following deficiencies in the MDM Programme.

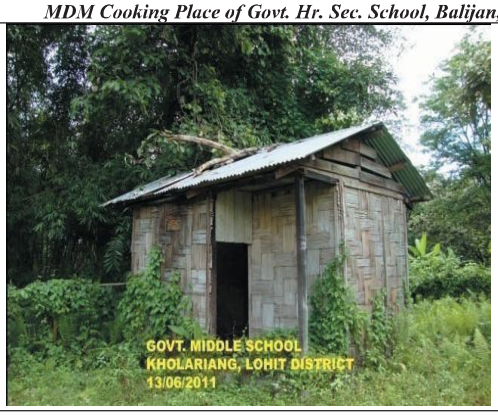
- In Kurung Kumey District, nine guardians interacted with reported that midday meal were provided only twice a week. It was also stated that the quality of meal was not good.

- In Changlang District, ten guardians interacted with reported that midday meal was provided twice to four times a week and the quality of meal was not bad. They also reported that cooks/helpers were appointed and all the kitchen sheds were '*kuccha'* (temporary type).
- In Lohit District, 15 guardians interacted with stated that midday meal were provided once or twice a week.

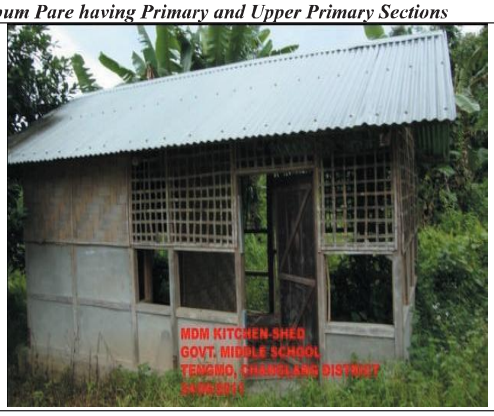
Thus, the midday meal were not regular in the schools and not provided as per guidelines. All the kitchen sheds were of temporary type. Photographs depicting condition of MDM Kitchen sheds in three test-checked districts is given below.



MDM Cooking Place of Govt. Hr. Sec. School, Balijan, Papum Pare having Primary and Upper Primary Sections



MDM Kitchen Shed of GMS Koloriang, Lohit District



MDM Kitchen Shed of GMS Tengmo, Changlang District

1.1.21. Performance of Students

The following was the position of performance of students in four out of five test-checked Districts for four years from 2006-07 to 2009-10.

Table: 1.1.27

Year	Class - V		Class - VIII	
	Passed (*per cent*)	Passed with > 60 *per cent*	Passed (*per cent*)	Passed with > 60 *per cent*
Kurung Kumey District				
2006-07	72	29	61	25
2007-08	87	31	90	29
2008-09	82	32	83	31
2009-10	94	48	92	47
Lohit District				
2006-07	95	29	87	24.90
2007-08	96	33	88	29
2008-09	97	38	89	31.80
2009-10	98	43	91	44
Changlang District				
2006-07	85	30	86	25
2007-08	86	35	88	28
2008-09	88	36	90	30
2009-10	92	40	94	31
Papum Pare District				
2006-07	82	13	73	12
2007-08	83	14	74	13
2008-09	85	14	76	14
2009-10	88	16	82	16

Source: APW&B

But it was observed that in Capital District Papum Pare, the private management schools were performing better than Government schools. The details of performance of two private schools are shown below:

Table: 1.1.28

School	Location	Percentage Pass at Elementary Level		
		2008-09	2009-10	2010-11
Good Shepherd Public School	**Naharlagun**	**100**	**100**	**100**
Little Star School	**Naharlagun**	**99**	**98.5**	**98.75**

Source: Field Data

Thus, the performance of students of Government schools in four of the test-checked districts lagged behind the private schools in performance. One reason could be that the teachers of government schools were not uniformly distributed and many of them were not adequately trained as brought out in paragraph 1.13.3 and 1.13.5 supra.

SSA Rajya Mission agreed with the audit finding and stated (October 2011) that in order to improve the performance of the students at the terminal stage of Primary and Upper Primary, the teacher training module will be designed to develop the moral values of the teachers towards their duties. But no specific period of action indicated.

1.1.22. Results of Physical verification of Schools

During the course of audit 67 schools in four out of five test-checked districts were physically verified. Three in Lohit District (due to vacation), 13 in Changlang District, 39 in Papum Pare District and 12 in Kurung Kumey was visited. Due to bad road conditions in West Siang District, physical verification could not be done. The following was the position of minimum facilities available in the physically verified schools.

- In 38 schools (Lohit - three, Changlang - nine and Papum Pare - 26) no Teachers Learning Equipment (TLE) provided, and there was also an acute shortage of schools furniture.
- 18 schools (Changlang - five, Papum Pare - eight and Kurung Kumey - five) were in dilapidated condition, requiring immediate major repairs, and one school in Changlang was a temporary structure.
- In 39 schools (Changlang - four, Papum Pare - 23 and Kurung Kumey - 12) there were no separate toilets for girl students, though there were a large number of girls enrolled in those schools.
- In 26 schools (Changlang - three and Papum Pare - 23), there were no drinking water facilities for students.
- In 29 schools (Changlang - five and Papum Pare - 24) there was no boundary wall.
- In all the 67 schools visited, there was no provision for child with special needs (CWSN) students.
- In 5 schools of Changlang District, textbooks provided were not adequate and no textbooks were distributed to the students in two schools in Papum Pare District.

In spite of having enough funds, the Department could still not provide the basic minimum facilities to schools, like good school buildings, TLE, separate toilets for girl students and drinking water facilities.

1.1.23. Monitoring and Evaluation

As per records, except monitoring by the Rajiv Gandhi University in a phased manner, no proper and comprehensive monitoring of the entire programme was done. There was no systematic monitoring of the physical achievements of various school infrastructure projects in the different districts. No control register was maintained at any level to record the progress of different works undertaken at the school level.

There was, also, no record to show that monitoring through field inspections, etc; was carried out and no mechanism was evolved to assess the impact of the schemes. No programme evaluation was done at any level to assess the impact and quantum of improvement of education in the State.

Admitting the lapse SSA Rajya Mission emphasised the need to improve monitoring activities of the education as a whole by forming a joint team both from SSA and Elementary Education Directorate in the State during the current year onward. But the fact remained that there was no monitoring and evaluation of the educational activities in the State as a whole to ascertain the impact of implementation of different programme under the education.

1.1.24. Conclusion

Implementation of various programmes relating to elementary education in the State was hampered due to improper fund management in most of the programmes like SSA, KGBV, MDM, etc. There were delays and backlog in release of State's matching contribution. The overall impact of different programmes was far from satisfactory. Most of the schools were lacking in the basic facilities. Large percentage of untrained teachers and absence of teachers in Maths, Science and Languages in government and government-aided elementary schools had adversely impacted on the quality of education being imparted at these schools. The actual impact of the programmes could not be ascertained as no evaluation of the programme was carried out at any time by the department.

1.1.25. Recommendations

- The Department should ensure that the funds available under education should not be blocked, delayed or misused.
- The State SSA Society, in consultation with Education Department, should streamline the existing system to ensure that funds are allotted to Districts as per schedule, so that all interventions under the Programmes are implemented effectively.
- The State Government should release its due share under SSA as per schedule.
- The Education Department should ensure that all basic facilities as required in schools should be provided.
- Training of teachers should be given high priority to ensure quality education.
- Monitoring of Programmes at all levels should be streamlined and the implementation schedule should be enforced as per SSA Guidelines.

URBAN DEVELOPMENT AND HOUSING DEPARTMENT

1.2 Implementation of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) in Arunachal Pradesh

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched on 3rd December 2005 with the objective of reforms driven and fast track development of cities across the country with focus on sustainable development of physical infrastructure in cities, including development of technical and management capacity for promoting holistic growth with improved governance. The mission period is seven years i.e. up to 2012. In Arunachal Pradesh, under JNNURM 16 projects with a total outlay of ₹ 283.37 crore (Central Share:₹ 255.03 crore; State Share: ₹ 28.34 crore) had been sanctioned. As of March 2011, total central assistance of ₹ 92.17 crore had been released in respect of 16 sanctioned projects and all the projects were under various stages of execution. Performance review of the implementation of JNNURM revealed that the mandatory and optional reforms to be adopted by the State Government in order to access central assistance under the Mission were not carried out. Physical achievements of the works, as of March 2011, ranged between 0 to 50 *per cent*. Delay in the progress of work was due to financial constraints. It was also seen that there were instances of diversion, blocking and non-release of state as well as central share of funds including slow progress of work, etc. Some important audit findings are highlighted below:

Highlights

- ***Programme Management Unit and Programme Implementation Unit, two bodies that would have facilitated better management and execution of the programme were not formed in the State.***

  (Para - 1.2.3.2)

- ***Even technical advisory group which would have assisted state-level nodal agency and project executing agencies by providing valuable inputs for effective implementation of the programme was also not formed.***

  (Para - 1.2.5.2)

- ***In State, though 74th constitutional amendment act had been adopted but no urban local bodies have yet been formed. Even the urban area had not been demarked.***

  (Para - 1.2.4)

- ***The pace of implementation of mandatory and optional reforms is very slow. Even some of the vital mandatory reforms (like rent control laws, repeal of urban land ceiling and regularisation act, property tax, municipal accounting,***

etc.) committed for obtaining the central assistance have not been implemented in the State.

(Para - 1.2.4.1)

- ***There were delays ranging up to 24 months in the release of central funds as well as state's matching share to programme executing agencies leading to delays in the execution of the projects sanctioned under the mission.***

(Para - 1.2.6.2)

- ***In some cases the State Government had not released its matching share and as a result the progress of work on those projects was hampered.***

(Para - 1.2.6.1)

- ***In three out of six test-checked projects there were delays in finalisation of tenders and commencement of work.***

(Para - 1.2.8.1, Para 1.2.9.1 and Para 1.2.12.1)

- ***Mobilisation advance of ₹5.80 crore was paid to the contractors in three cases without obtaining bank guarantee to safe guard the interest of the state. No clause for levy of interest on the amount of mobilisation advance was included thereby extending undue benefit to the contractors.***

(Para – 1.2.10.2, 1.2.11.1 (i) and 1.2.11.2 (ii))

- ***Instances of diversion of funds (₹25.91 lakh), deviation in execution of work and execution of work not included in DPR (₹1.10 crore), blocking of funds due to unnecessary procurement of stores (₹8.31 crore), idling of assets due to non-synchronisation of work (₹5.81 crore), etc were noticed in the case of six test-checked projects.***

(Para - 1.2.8 to 1.2.13)

- ***Award of work without calling tender and getting the work done by issuing work orders was an issue of concern. This was one of the issue pointed by independent review and monitoring agency in their report on the project 'Storm Water Drainage at Seppa'.***

(Para 1.2.12.4)

- ***No follow up action had been taken on the suggestion/recommendation made by independent review and monitoring agency, thereby defeating the very purpose for which it was created. One of the repeated observations made by it was failure to set up any field laboratory to conduct test of material used in construction.***

(Para - 1.2.13.1)

1.2.1 Introduction

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched on 3rd December, 2005 with the objective of reforms driven and fast track development of cities across the country, with focus on sustainable development of physical infrastructure in cities, including development of technical and management capacity for promoting holistic growth with improved governance. The mission period is seven years i.e. up to 2012.

The main objectives of JNNURM are as follows

a) Integrated development of infrastructural Services in the cities covered under the Mission.

b) Ensure adequate investment of funds to fulfil deficiencies in the urban infrastructures services.

c) Plan development of identified cities so that urbanization takes place in a dispersed manner.

d) To take up urban renewable programme, i.e. redevelopment of inner (Old) cities areas to reduce congestion.

e) Provision of basic services to urban poor, including security of tenure at affordable prices, improved housing, water supply and sanitation.

f) As far as possible, providing housing near the work place of the urban poor.

The objectives of the mission were to be achieved through implementation of four sub missions and components.

(i) Urban infrastructure and Governance (UIG)

This component provides for urban infrastructure projects relating to water supply (including sanitation), sewerage, solid waste management, road network, urban transport and redevelopment of inner (old) cities areas etc. in the mission cities.

(ii) Basic services to Urban Poor (BSUP)

Housing and Slum development through projects for providing shelter, basic services and other related civic amenities in mission cities will be part of BSUP.

(iii) Urban Infrastructure Development Scheme for Small & Medium Towns (UIDSSMT)

This component provides for urban infrastructure project relating to Water supply, sewer, Solid waste management, road etc in small and medium towns (other than the mission cities identified under UIG and BSUP).

(iv) Integrated Housing and Slum Development Programme (IHSDP)

This component provides for housing and integrated slum development in non-mission cities/towns.

Ministry of Urban Development (MoUD), Government of India (GoI) is responsible for release of funds and monitoring of various projects under UIG and UIDSSMT, and Ministry of Housing and Urban Poverty Alleviation (MoHUPA), GoI is responsible for projects under BSUP and IHSDP.

1.2.1.1. Mission Strategy

A planned urban perspective frame work, for a period of 20-25 years (with five yearly up dates) indicating policies, programmes and strategies of meeting fund requirements, was to be prepared by every identified city. This Perspective Plan is followed by preparation of City Development Plans integrating land use with services, urban transport and environment management. Detailed Project Reports (DPR) are prepared for undertaking projects under identified areas by the cities/urban agglomerations/parastatals. Funds from the Central and State Government flow directly as grants-in-aid to the State Level Nodal Agency (SLNA) designated by the state. The funds for identified projects across cities are to be disbursed to the Urban Local Body (ULB)/Parastatal agency through the designated SLNA as a soft loan or grant-cum-loan or grant. The SLNA/ULBs in turn are to leverage additional resources from other sources like financial institutions/private sector/ capital market.

1.2.2 Audit Approach

1.2.2.1 Audit objective

To assess whether:

- the City Development Plan comprehensively outlines the vision and
- development strategy for sustainable future development of the city;
- there was any critical assessment of needs in each infrastructural area for city development and whether individual projects were properly planned;
- projects were executed efficiently and intended objectives achieved;
- financial control was adequately exercised;
- the reform agenda sought was achieved; and
- adequate provision for O & M was made.

1.2.2.2 Audit criteria

Audit findings are benchmarked against the following criteria;

- Guidelines/Instructions/Orders issued by MoUD, MOF;
- MOAs and DPRs of selected Projects;
- CDPs of city identified and covered under the Mission;
- Tools Kits issued by MoUD/MoHUPA; and
- Guidelines of BSUP Projects.

1.2.2.3 Scope of audit and coverage

Performance Audit of the implementation of JNNURM was conducted during May-August 2011 through detailed scrutiny of six selected projects out of 16 projects sanctioned with a total outlay of ₹ 284.36 crore. THE following six projects with a total outlay of ₹ 253.63 crore were selected for detailed audit scrutiny:

(i) Augmentation of water supply for Itanagar city (UIG)

(ii) Karsingsa Housing Project (BSUP)

(iii) Storm Water Drainage at Seppa (UIDSSMT).

(iv) Creation of Infrastructure for urban transport including roads and parking lots (UIG)

(v) Solid Waste Management at Jairampur (UIDSSMT).

(vi) Solid Waste Management at Changlang (UIDSSMT)

Out of total expenditure of ₹ 104.15 crore (as of 31 March 2011) incurred on implementation of JNNURM, ₹ 83.88 crore (80 *per cent*) had been incurred on execution of six projects selected for detailed scrutiny.

1.2.2.4 Audit Methodology

The audit was conducted though examination of records and files in the Directorate of Urban Development which is the State Level Nodal Agency (SLNA), five Project Executing Agencies (PEAs) (viz., Itanagar, Nirjuli, Seppa, Jairampur & Changlang Divisions of Urban Development Department and Public Health Engineering Department, Itanagar) and also through field visits.

The Performance Audit commenced with Entry Conference on 25 May 2011 with Director-cum-Chief Engineer of Urban Development and Housing Department (SLNA), Deputy Directors (PEAs), Project Engineer (PHED) and other nodal officers responsible for implementation of the programme, wherein the objectives, criteria and scope of audit were explained. Audit findings were discussed with Department of Urban Development & Housing in the Exit Conference held on 27 September 2011

and the replies of the Department had been incorporated in the review, wherever relevant and appropriate.

1.2.2.5 Acknowledgement

We place on record our sincere appreciation for co-operation of the Urban Development & Housing Department, Itanagar, and Public Health Engineering Department, Itanagar in facilitating our audit.

1.2.3 Implementation of JNNURM in the State

According to the census 2011, out of total population of 13.82 lakh (provisional) in Arunachal Pradesh about 3.13 lakh lived in urban areas. The percentage of people living in urban areas in the state increased from 20.4 *per cent* in 2001 to 23 *per cent* in 2011.

1.2.3.1. Mission Coverage in Arunachal Pradesh

Only Itanagar has been taken up as mission city for implementation of UIG and BSUP sub components of JNNURM under category-'C' (identified cities with less than one million population and also capital city). In addition to the mission city, Seppa, Anini, Basar, Daporijo, Khonsa, Pasighat, Jairampur and Changlang had been selected for implementation of UIDSSMT. Roing had been selected for implementation of IHSDP.

As of March 2011, four projects under UIG (₹ 184.80 crore); two projects under BSUP (₹ 49.25 crore); nine projects under UIDSSMT (₹ 39.36 crore) and one project under IHSDP (₹ 9.95 crore) were sanctioned by the Central Steering and Monitoring Committee (CSMC) of Government of India (GOI).

1.2.3.2. Organization set up/ Frame work

At the state level, an apex body namely State Level Steering Committee (SLSC) is responsible to identify, prioritise and recommend the projects for inclusion in JNNURM. It shall also monitor the implementation of the projects and review the progress of urban reforms in the State. A State Level Nodal Agency (SLNA) would assist SLSC in pursuing this task. The State level Committees would be supported by nodal agencies that will invite project proposals, appraise them, and manage and monitor the JNNURM.

In Arunachal Pradesh SLSC headed by the Chief Minister was constituted in February 2006. Urban Development and Housing Department (UD&HD) was designated SLNA.

To strengthen the capacity of SLNA to manage and implement the composite array of tasks associated with JNNURM, a Programme Management Unit (PMU) at the state

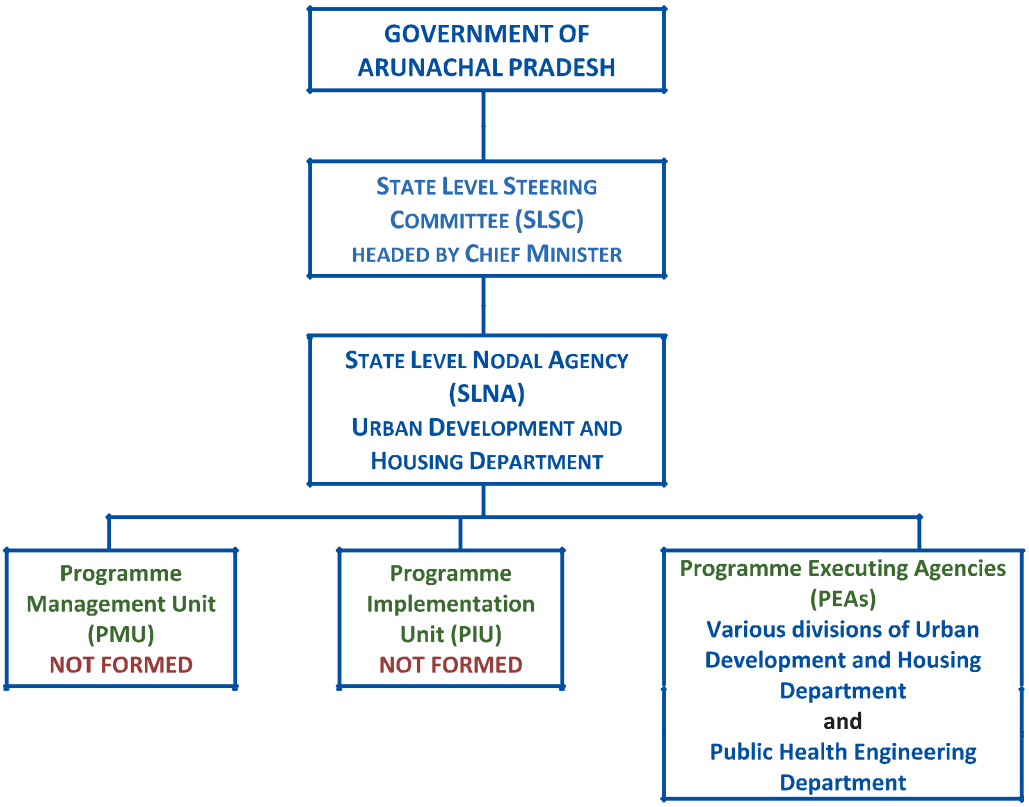
level was to be set up. The objective of PMU was to assist the SLNAs in discharging their roles and responsibilities assigned as per the JNNURM. Likewise, a Project Implementation Unit (PIU), an operations unit for supplementing and enhancing the existing skill of ULBs to enhance the ace and quality of the mix of implementation of JNNURM was also to be set up.

However, no PMU and PIU were set up in Arunachal Pradesh. UD&HD (also SLNA) stated (November 2011) that selection process for recruitment/hiring the services of the professionals on contract basis for establishment of Programme Implementation Unit (PIU) and Programme Management Unit (PMU) had been completed (August 2009). However, these professionals could not be engaged due to non-receipt of budgetary support from the State Government, even though the salary of officials was reimbursable by GOI. According to department's own admission, non-establishment PMU and PIU is adversely hampering the implementation and monitoring of the project which are mostly in progress.

Various divisions of Urban Development and Housing Department and Public Health Engineering Department are the Programme Executing Agencies.

The organisation set up, in Arunachal Pradesh, for implementation of JNNURM is given in the following chart.

CHART 1.2.1



1.2.4 Implementation of Reforms

To provide reforms driven, fast track, planned development of identified cities with focus on Urban Local Bodies, JNNURM sought implementation of the 74th Constitutional Amendment act as one of the mandatory reforms to be adopted by the state Government in order to access Additional Central Assistance (ACA) under the Mission for bringing about infrastructure improvements.

The State Governments, Urban Local Bodies and parastatal agencies were required to accept implementation of an agenda of reforms. The proposed reforms broadly fall into two categories, viz., (i) Mandatory reforms and (ii) Optional reforms. There will be two sets of mandatory reforms. Core reforms at ULB/Parastatal level aims at process re-engineering through deployment of technology to enable more efficient, reliable, timely services in a transparent manner. The other set of reforms are framework related at State level. All the mandatory and optional reforms were to be implemented by the State/ULB/ Parastatals within the mission period.

The State Governments and the ULBs including parastatal agencies where necessary were to execute Memorandum of Agreement (MoA) with Government of India indicating their commitment to implement identified reforms. MoA would spell out specific milestones to be achieved for each item of reform.

Further, MoUD, GOI had developed in the year 2003, the Model Municipal Law, to assist ULBs in the areas of accounting reforms, resource mobilization and entry of private sector partnership. It aimed at simplification of municipal byelaws, provision for enhanced borrowing, allowing the entry of private sector and authorizing concessionaires to penalize users for non-payment of tariffs.

1.2.4.1. Slow pace in implementation of reforms

In Arunachal Pradesh, though 74th constitutional Amendment Act had been adopted but no ULBs have been formed, even urban area had not been demarcated.

During audit it was noticed that the agenda of reforms had not been implemented. Point wise status in this regard, as of March 2011, is as under:

1. No primary survey had been conducted to identify urban poor/people below poverty line to enable BPL families to take advantage of various schemes of central and State Government.
2. Mapping of slums and urban poor areas had not been done. As such photo identity and aerial survey of slum dwellers and slum areas respectively had not been undertaken to eliminate discrimination in identification of slum poor and slum areas.

3. Citizen Charter was not prepared as ULB was not formed. Due to non-preparation of citizen charter services to be provided and obligation of citizen to follow do's and don'ts were also could not be indicated.

4. Data bank component under National Urban Information System (NUIS) scheme was not being used. Town profile with baseline data such as population, age and sex composition, growth trends, number of households, number of houses, number of properties assessed for taxation purpose, level and status of services and social infrastructure, etc had not been developed for wide use of the public.

5. Annual and quarterly statements of expenditure and revenue on various items was not being compiled and published for information and knowledge of public to bring about transparency and accountability.

Audit noticed that the pace of implementation of reforms in Arunachal Pradesh had been slow. Status of implementation of reforms at the State level and Urban local body/Parastatal level as of 31st March 2011 is shown in ***Appendix 1.2.1.***

In reply to audit query, the Director, Urban Development & Housing, Itanagar intimated that so far only 'Arunachal Pradesh Municipal Act, 2007' had been enacted but not implemented.

1.2.5 Planning

1.2.5.1 Capacity Building

In order to prepare City Development Plan (CDP), Detailed Project Reports (DPRs), training & capacity building, community participation, information, education and communication (IEC), a provision of five *per cent* of the central grant or the actual requirement, whichever is less, was provided in the guidelines to cities/towns covered under the Mission. The guidelines further provided for appointment of consultant for training and capacity building and assessment to be made in respect of personnel required to be trained and actually trained at State level. For the above, the GOI had empanelled, in March 2007, nine agencies for the consultancy job.

An amount of ₹ 4.38 lakh was allotted by MoHUPA (March 2007) as first instalment of grants-in-aid for capacity building activities including research, training for implementation of BSUP & IHSDP schemes, preparation of State/City Urban poverty/Slum profile, State/City Strategy/Action plan for poverty Alleviation.

Out of nine empanelled agencies, the Government of Arunachal Pradesh selected three agencies in December 2007. However, all the three agencies expressed their inability to take up the work. Consequently, the capacity building programme was stated to have been conducted departmentally in respect of departmental officers by preparing concept paper for capacity building activities including research , training for implementation of sub mission BSUP & IHSDP, preparation of state/city urban poverty/slum profile, State/city strategy/Action plan for poverty alleviation in January

2010. While departmental initiatives in this regard was appreciative, the reasons for the consultants inability to take up the work needs to be analysed by the State Government and SLNA. This fact has to be brought to the notice of the nodal ministries of the Union Government for taking required remedial action.

1.2.5.2 Non formation of Technical Advisory Group (TAG)

To assist the State Level Sanctioning Committee (SLSC), State Level Nodal Agency (SLNA) and ULBs, the Technical Advisory Group (TAG) comprising professionals across the legal, environment, social and urban infrastructure sector was required to be formed.

SLNA in response to audit query intimated that no such group had been formed as the matter was referred to the GOI for some additional inputs/ clarification in January 2007. The response of GoI is still awaited.

It was however, stated that necessary directions for constitution of city voluntary technical group (CVTC) at Mission City, Itanagar had been given to the District Urban Development Agency of capital complex.

1.2.5.3 Preparation of City Poverty Reduction Strategy Report

While preparing City Development Plan (CDP), a strategy report should be simultaneously prepared by the ULB/SLNA and it should be ensured before the approval of the projects that the strategy for reduction of the poverty is clear. However, no clear-cut strategy had been framed for the purpose.

In response to an audit query the SLNA intimated that besides, poverty reduction scheme under sub mission BSUP and IHSDP, the department had taken up various schemes like *Swarna Jayanti Shahari Rozgar Yojana* (SJSRY), *Valmiki Ambedkar Malin Bastee Awas Yojana* (VAMBAY), etc.

1.2.5.4. Community Participation Fund (CPF)

A community Participation Fund (CPF) was to be established to engage the community in the process of JNNURM with the objective to encourage innovation at local level. A Community Development Network (CDN) aims at Participation of poor through network of Community Development Security, Self Help Group (SHG) and other community level organization for poverty reduction and livelihood development. The network had to play a key role towards building up vision of JNNURM through participation techniques towards achieving slum free and poverty free city agenda.

However, CPF and CDN had not been introduced till August 2011.

1.2.6 Financial Management

1.2.6.1. Funding pattern

Funding pattern applicable to Arunachal Pradesh in respect of all the four sub component of the Mission was 90 *per cent* central grant and 10 *per cent* state share.

GOI share under JNNURM is in the form of Additional Central Assistance (ACA) and released to the State Government or its designated State level agency. Usually the funds are released in four instalments. First instalment of 25 *per cent* was to be released on signing of the Memorandum of Agreement (MOA) by the State Government/ULB/Parastatal agency. The balance amount was to be released in three instalments upon receipt of utilisation certificates to the extent of 70 *per cent* of the Central fund and also that of State share and subject to achievement of milestones agreed.

In Arunachal Pradesh, 16 projects with a total outlay of ₹ 283.37 crore (Central Share: ₹ 255.03.crore; State Share: ₹ 28.34 crore) had been sanctioned under JNNURM. Financial status of 16 projects sanctioned under JNNURM in the State, as of 31 March 2011 is given ***Appendix 1.2.2***.

It could be seen from the appendix, as of March 2011, total central assistance of ₹ 92.17 crore had been released in respect of 16 sanctioned projects. In addition, state government had released matching share of ₹ 12.34 crore. Against the total available funds of ₹ 104.50.crore, total expenditure incurred on 16 projects as on 31 March 2011 was ₹ 104.15 crore.

Though the state government had released its overall matching share in excess of proportionate share due for release, which works out to ₹ 10.24 crore, however, the State Government had not uniformly released its matching share across all projects being funded under JNNURM and in respect of six projects state government had not released its share. Further, there were delays in release of central assistance to implementing agencies.

1.2.6.2. Delay in transferring funds to the implementing agencies

As per Ministry of Finance, GOI sanction/release orders, State Government is to pass on the central funds along with its matching share to the implementing agencies immediately.

Audit scrutiny of six projects selected for detailed scrutiny and information furnished by the SLNA, however, revealed that there were delays ranging from one month to 24 months in the release of funds by the state/SLNA, as shown in ***Appendix 1.2.3.***

The delays in the release of the funds imply that the funds have been either parked idle or have been temporarily diverted for the purpose not intended. This is bound to

have an adverse effect on the progress of the project and may ultimately result in cost overruns.

1.2.6.3. Non- Creation of 'Revolving Fund'

As per guidelines, the SLNA is required to maintain a revolving fund both for the Sub-Mission UIG and BSUP projects. Whenever Central and State funds are released to the implementing agencies as soft loan or grant-cum-loan, it was to be ensured that against UIG and BSUP projects at least 25 *per cent* and 10 *per cent* respectively of the funds released are recovered and ploughed into a Revolving Fund. This fund would be utilized to leverage market funds for financing of further investment in infrastructure projects and to meet the O & M expenses on the assets created under UIG and BSUP projects respectively.

It was however, noticed that no such fund was created in Itanagar.

1.2.6.4. Non Maintenance of separate Books of Accounts

As per Ministry of Finance, GoI sanction/release orders, separate Books of Accounts are required to be maintained for execution of the projects by the PEAs.

Audit scrutiny, however, revealed that two PEAs out of five test-checked are not maintaining Separate Books of Accounts. In the absence of the same mismanagement of the fund cannot be ruled out.

1.2.7 Execution of the Projects

In Arunachal Pradesh, 16 projects with a total outlay of ₹ 283.37 crore (Central Share:₹ 255.03 crore; State Share: ₹ 28.34 crore) were sanctioned under JNNURM. As of March 2011, total central assistance of ₹ 92.17 crore had been released in respect of 16 sanctioned projects. Besides, the state government had released matching share of ₹ 12.34 crore. Against the total available funds of ₹ 104.50 crore, total expenditure incurred on 16 projects as on 31 March 2011 was ₹ 104.15 crore. All the 16 projects were under different stages of execution as of March 2011.

Execution of six projects sanctioned at a total approved outlay of ₹ 253.63 crore were examined in detail and all these projects were under different stages of execution. In respect of six selected projects for detailed examination that were under execution, the State Government released ₹ 73.97 crore to PEA being central share along with its matching share of ₹ 9.75 crore. As of March 2011, total expenditure incurred on the execution of these projects by PEAs was ₹ 78.45 crore.

Significant points noticed in the execution of these projects are discussed in the subsequent paragraphs.

1.2.8 Solid Waste Management at Changlang

The project ***"Construction of Solid Waste Management at Changlang"*** under UIDSSMT was sanctioned, in February 2009, at a cost of ₹ 261.62 lakh. The project was stipulated for completion by March 2012. Technical Sanction to the work was accorded in November 2009, at a cost of ₹ 250.36 lakh (excluding three *per cent* contingencies and one *per cent* cess) by the competent authority, after a lapse of seven months of sanctioning of the project.

In March 2009, ₹ 117.73 lakh was released for the execution of the project by GoI. The State Government released this amount to the PEA in four instalments between December 2009 and March 2011. However, matching state government share had not been released for execution of work.

As per progress report of March 2011, an expenditure of ₹ 117.73 lakh had been incurred on the execution of the project with overall progress of 73.02 *per cent*. The construction work relating to sanitary landfill site, leaching tank, surface tank, shed for waste receipt, surface drain, etc. were under various stages of completion. Procurement and installation of bio-converter, one of the main components of the project, was yet to be initiated.

The slow progress in execution of work was attributed to incessant rain. However, delay in finalisation of tenders and delay in release of funds for execution of work actually caused slow progress of work as evident from the facts brought in the review.

1.2.8.1. Delay in finalization of bids and commencement of works

As of March 2011 works valued at ₹ 178.20 lakh was put to tender and the balance works valued ₹ 83.42 lakh was taken up for execution through departmentally/work order basis.

Rule 23 of CPWD Works Manual provides that the tender should be finalized by the competent authority within one month from the date of opening of the tender.

For the project which was to be executed partially through contract a 'Notice Inviting Tender (NIT)' was floated in November 2009. However, the work was awarded to a local contractor in September 2010 after a delay of nine months from the date of opening of tender (excluding one month time for processing of the tender) at the tendered amount of ₹ 178.20 lakh to complete the work within 18 months (March 2012).

It was noticed that though the contractor was directed to commence work from 28 September 2010 i.e. after seven days from the date of issue of the work order, no effort was made till January 2011 by the contractor for commencing the work, despite

issue of repeated reminders by the department. The department also failed to take any action against the contractor for the delay.

1.2.8.2. Blocking of funds

Scrutiny of the record of PEA revealed that special tools & plants valued ₹ 52.71 lakh were supplied (February 2011) and payment was also made (February 2011) to the contractor as per terms of agreement.

But due to non-execution of civil portion of the work, the special Tools & Plants supplied by the contractor were lying idle which resulted in unnecessary blocking of funds to the tune of ₹ 52.71 lakh.

1.2.8.3. Diversion of funds

Section 36.4 (2) of the CPWD Works Manual envisages that purchase of Motor Cars, Trucks, Jeeps and other plant & machinery will be regulated by special orders of the Government.

Scrutiny (August 2011) revealed that the department procured (January 2010) one inspection vehicle (Bolero SL x 2WD) at a cost of ₹ 6.44 lakh from a local dealer against the scheme without keeping any specific provision in the detailed estimate.

Thus, there was irregular and unauthorized diversion of funds to the tune of ₹ 6.44 lakh.

1.2.8.4. Creation of liabilities

Scrutiny (August 2011) of records revealed that works valued at ₹ 26.50 lakh were executed through a local contractor but the payment for the same were outstanding (August 2011) due to paucity of funds. This could have been avoided had the State Government released its share of fund.

Non–release of state share and non-carrying out of reforms may be reasons for non-release of further amount for the execution of the project by the GoI. Further, the utilisation certificate in respect of funds sanctioned by GoI was submitted only in February 2011.

1.2.9 Solid Waste Management at Jairampur

The project ***"Construction of Solid Waste Management at Jairampur"*** under UIDSSMT was sanctioned, in February 2009, for an amount of ₹ 253.33 lakh. The project was stipulated for completion by March 2012. Technical Sanction for the work was accorded by the competent authority at a cost of ₹ 242.42 lakh (excluding three *per cent* contingencies and one *per cent* cess), in November 2009, after a lapse of seven months.

Assistance of ₹ 114.00 lakh was released by the Centre in November 2009. The State released this amount to the PEA in five instalments between November 2009 and January 2011. State share of ₹ 25.00 lakh was released in March 2011.

As of March 2011, the overall physical progress of the project was 68.91 *per cent* after incurring an expenditure of ₹ 139.00 lakh. The construction work relating to sanitary landfill site and leaching tank, HDPE Liner/pipe were in initial stages. Procurement and installation of bio-converter, one of the main component of the project, yet to be initiated. The component of work completed or nearing completion was peripheral component of the project like office building, CC platform, shade for material storage, shade for tank receiving waste, etc. Following photographs indicate the various stages of completion of the project.



Photographs of various stages of construction of solid waste management at Jairampur.

1.2.9.1. Delay in finalization of bids

The works valued ₹ 157.36 lakh was put to tender and the balance works valued ₹ 96.17 lakh was taken up for execution through departmentally/ work order basis.

For the portion of the project which was to be executed through contract, a 'Notice Inviting Tender' (NIT) was floated in December 2009. The work was awarded to a contractor in August 2010, after a delay of seven months from the date of opening the tender (excluding one month allowed for processing of tender as per CPWD works

manual). The agreement was drawn up with the contractor and written order to commence the work was also issued on 28 August 2009.

1.2.9.2. Blocking of funds

Scrutiny (August 2011) revealed that Special Tools & Plants valued ₹ 53.29 lakh were supplied (August 2010) and payment was also made (January 2011) to the contractor as per terms of agreement.

But due to non-execution of civil portion of the works the Special Tools & Plants supplied by the contractor were lying idle which resulted in idle investment of funds to the extent of ₹ 53.29 lakh.



Idle Special Tools & Plants of Solid Waste Management at Jairampur

1.2.9.3. Creation of liabilities

Scrutiny (August 2011) of records as well as joint physical verification of the site conducted by audit with departmental officers revealed that works valued ₹ 28.45 lakh were executed through the contractor, but payment on the same were outstanding (August 2011) due to paucity of funds. Thus, the department had created committed liabilities of ₹ 28.45 lakh.

Reasons for non-release of subsequent instalments by the GoI despite submission of utilisation certificate, in June 2010, in respect of utilisation of the amount releases in

the first instalment was not forthcoming from the records of the PEA. The late release of the matching share by the State Government (subsequently released only in March 2011) and non-carrying out of the reforms were the reasons for non-release of further instalments by the GoI.

1.2.10 Construction of Karsingsa Housing Project

The project ***"Construction of Karsingsa Housing Project",*** Itanagar was approved, in July 2009, at a cost of ₹ 4515.25 lakh. The project was stipulated for completion by March 2012. Central assistance of ₹ 1014.81 lakh was released in July 2009. The State Government released this amount to the PEA in instalments only in January 2011 (₹ 535.44 lakh) and March 2011 (₹ 479.37 lakh). However, as of March 2011, the State Government had not released its share.

The project envisages the construction of 752 dwelling units for which a MoU was drawn up with M/S National Project Construction Corporation Limited, New Delhi (M/s NBCC) on 04-08-2009 and written order to commence work was also issued to the agency on the same day.

Urban Development Department, Itanagar in reply to audit questionnaire had indicated that an expenditure of ₹ 1014.81 lakh had been incurred on the project as of March 2011. The veracity of the expenditure figure was doubtful as ₹ 479.37 lakh was release by the State Government to the PEA only on 22 March 2011. Out of the amount released in January 2011, ₹ 450.00 lakh had been paid as mobilisation advance to M/s NBCC. In this connection, it is pertinent to mention that no progress report had been prepared by the PEA/SLNA.

On the spot inspection (July 2011) of the site of Karsinga Housing Project revealed actual construction activity had not been started, which was evident from the following photographs.





Photographs showing hardly any construction at Karsinga Housing Project

Thus, the State Government even after the receipt of central assistance of ₹1014.81 lakh in July 2009 had not made any serious effort to start the project and the assistance provided by the GoI was either laying idle or diverted for other than intended purpose.

1.2.10.1. No Beneficiaries' contribution

Guidelines for BSUP stipulated that housing should not be provided free to beneficiaries by the State Government. A minimum of 12 *per cent* beneficiaries' contribution should be stipulated, which, in case of SC/ST/BC/PH and other weaker sections, shall be 10 *per cent*. However, no beneficiary contribution was stipulated in the project for Itanagar Mission city viz. Karsingsa Housing Project in contravention of the guidelines.

Further, the records regarding selection of beneficiaries for the project could not be furnished to audit. In the absence of the information on this aspect the genuineness of the beneficiaries could not be verified by Audit and possibilities of irregularities in the allotment could not be ruled out.

1.2.10.2. Payment of Mobilisation Advance without Bank Guarantee

According to CPWD Work Manual, Mobilisation Advance limited to 10 *per cent* of the tendered amount at 10 *per cent* simple interest could be paid to a contractor on specific request and after obtaining a Bank Guarantee Bond from a scheduled bank for the amount of advance to be released and valid during the currency of contract period.

The work for construction of 752 dwelling unit of Housing project at Karsingsa was awarded to M/S NBCC at an estimated cost of ₹ 4515.25 lakh with the stipulation to complete the work by March 2012. As per terms of agreement the contractor was entitled to mobilisation advance of 10 *per cent* of contract value, but was silent on interest on mobilisation advance.

Scrutiny (July 2011) revealed that the agency M/S NBCC was paid mobilisation advance of ₹ 450.00 lakh in two instalments (₹ 100.00 lakh in January 2011 and ₹ 350.00 lakh in March 2011), though no specific request for the same from the agency could be found on record and that too without obtaining a Bank Guarantee Bond in violation of the rule ibid.

Thus, the payment of mobilization advance without adequate security in the shape of Bank Guarantee and without 10 *per cent* interest led to extending undue financial benefit to the firm.

1.2.10.3. Diversion of fund

Scrutiny of records in audit revealed that an amount of ₹ 7.00 lakh was incurred as expenditure on procurement of HSD, Brake oil, coolant, etc and booked the expenditure against the funds sanctioned for the project.

1.2.11. Improvement and Creation of Infrastructure of Urban Transport including Roads and Parking Lots project

The project ***"Improvement and Creation of Infrastructure of Urban Transport including Roads and Parking Lots"*** was approved in February 2009 at a cost of ₹ 9128.50 lakh with the stipulation to complete the work by March 2012. The project involved execution of following four sub-projects:

(i) Improvement of Road Network at Itanagar (₹ 5800.44 lakh)

(ii) Construction of Inter State Bus Terminal (ISBT) (₹ 1980.31 lakh)

(iii) Construction of Inter State Truck Terminal (ISTT) (₹ 630.06 lakh)

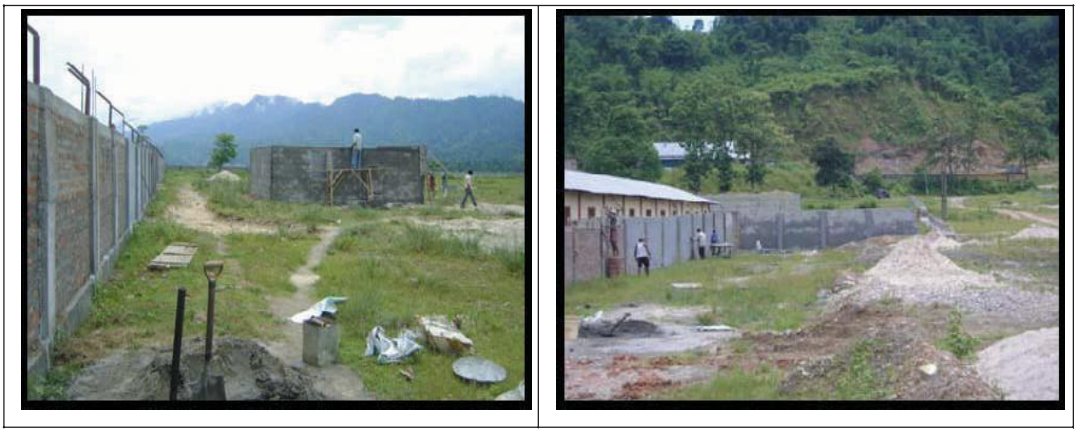
(iv) Parking Lot and Development of MG Park (₹ 451.84 lakh)

Though the Centre had released ₹ 2053.91 lakh as early as in March 2009, however, technical sanctions for execution of sub-projects 'Inter State Bus Terminal (ISBT)' and 'Inter State Truck Terminal (ISTT), were accorded in December 2010 and November 2010 respectively. As a result agreements for actual construction was concluded only in March 2011. Thus, central funds were either laying idle or temporarily diverted for other purposes.

1.2.11.1. Sub-project: Inter State Bus Terminal (ISBT)

The competent authority accorded (December 2010) the technical sanction for the work 'Construction of ISBT' for ₹ 1980.31 lakh (excluding three *per cent* contingencies).

Scrutiny revealed that out of ₹ 250.00 lakh released (January 2011), an expenditure of ₹ 198.70 lakh was incurred as of March 2011. About 50 *per cent* of the expenditure booked have been utilised to make payment of mobilisation advance to the contractor awarded with the work of actual construction of ISBT in March 2011. Actual construction of the ISBT was yet to commence as was evident for the photographs (taken in July 2011) below:



Photographs of the site of construction of Inter State Bus Terminal

As of 31 March 2011, only two *per cent* of physical progress had been achieved against the targeted 25 *per cent*. The observation made by IRMA team after its visit of the site on 20.04.2011 that construction of pillars of boundary wall of bus terminal was in progress confirms the fact that no work was undertaken till March 2011 though funds for execution of the project were provided by GoI as early as March 2009.

1.2.11.1 (i) Payment of Mobilisation Advance without Bank Guarantee

The work for construction of ISBT at Lekhi was awarded (March 2011) to a contractor M/s Takar construction at a tendered amount of ₹ 1030.00 lakh with the stipulation to complete the work by March 2012. As per the terms of agreement of the work, the contractor was entitled to Mobilisation Advance of 10 *per cent* of the contract Value, but was silent on interest on Mobilisation Advance.

Scrutiny (July 2011) also revealed that the said firm was paid (March 2011) Mobilisation Advance of ₹ 100.00 lakh, without obtaining a Bank Guarantee Bond and that too without any specific request from the contractor. Thus, the payment of interest free mobilization advance and that too without keeping adequate security in the shape of Bank Guarantee had resulted in extending undue financial benefit to the contractor.

1.2.11.1 (ii) Diversion of fund

Scrutiny revealed that an amount of ₹ 7.13 lakh was incurred as expenditure on procurement of computer and accessories and HSD oil leading to diversion of funds on items/purposes other than the purpose for which it was sanctioned.

1.2.11.1 (iii) Deviation in execution of work

The detailed estimate for construction of ISBT (SH: Retaining wall) envisages execution of 4146.11 cum of Random Rubble Masonry work in cement mortar 1:3 at the rate of ₹ 2445.00 per cum. It was however, noticed that instead of doing the above item of work, a local contractor (M/s K. Square Enterprises) was issued a work order

for execution of Coursed Rubble Masonry in cement mortar 1:6. The contractor was also paid (March 2011) for execution of 440 cum of the said work at the rate of ₹ 3861.00 per cum.

Thus, due to change in specification of work, an extra expenditure of ₹ 6.23 lakh had already been incurred, with further liability of ₹ 52.48 lakh.

1.2.11.1 (iv) Execution of work not included in DPR

Scrutiny of the records revealed that an expenditure of ₹ 9.57 lakh was incurred on works which were not originally included in the Detailed estimate for the work 'Construction of ISBT (SH: Boundary wall)' as detailed below:

Table 1.2.1

Sl. No.	Item of work	Quantity executed	Amount paid (in ₹)
1	Providing and laying cement concrete 1:3:6	118.80 cum	3,00,445
2	Half Brick masonry in cement mortar 1:4 in foundation and plinth	1270.50 cum	4,98,798
3	Extra work for half brick masonry in super structure above plinth level up to floor two level	1270.50 cum	19,312
4	Providing and fixing angle iron posts, etc in the complete shape	1980 kg	1,38,600
Total			**9,57,155**

Thus, this had resulted in unauthorised expenditure of ₹ 9.57 lakh.

1.2.11.2 Inter State Truck Terminal (ISTT) Project

The competent authority accorded (December 2010) the technical sanction for the work 'Construction of ISBT' for ₹ 630.07 lakh (excluding three *per cent* contingencies).

Like in the case of ISBT, out of ₹ 150.00 lakh released (January 2011), an expenditure of ₹ 149 lakh was incurred as of March 2011. About 20 *per cent* of the expenditure booked have been utilised to make payment of mobilisation advance to the contractor awarded with the work of actual construction of ISTT in March 2011. As such the construction of the ISTT was yet to commence as evident for the photographs (taken in July 2011) below:





Construction of Inter State Truck Terminal at Lekhi (UIG)

As of 31 March 2011, only two *per cent* of physical progress had been achieved against the targeted 25 *per cent*. In this case also IRMA team had made similar observation as in the case of ISBT.

1.2.11.2 (i) Payment of mobilisation advance without bank guarantee bond

The work construction of ISTT at Lekhi was awarded to a contractor M/S Nabam Tadap Agency at a tendered amount of ₹ 303.00 lakh with the stipulation to complete the work by March 2012. As per the terms of agreement the contractor was entitled to Mobilisation advance of 10 *per cent* of the contract value, but was silent on interest on Mobilisation Advance.

Scrutiny (July2011) revealed that the said firm was paid (March 2011) Mobilisation Advance of ₹ 30.00 Lakh without obtaining a Bank Guarantee Bond and that too without any specific request from the contractor.

Thus payments of interest free Mobilization Advance of ₹ 30.00 lakh without obtaining adequate Bank Guarantee led to extending undue financial benefit to the contractor.

1.2.11.2 (ii) Deviation in execution of work

The detailed estimate of the work had provision for execution of 1210.60 cum of Random Rubble Masonry work in cement mortar 1:3 at the rate of ₹ 2445 per cum.

Scrutiny (July 2011) however, revealed that instead of Random Rubble Masonry, execution of Course Rubble Masonry work in cement mortar 1:3 was done at the rate of ₹ 2560 per cum. Thus, this deviation there was an excess expenditure of ₹ 1.39 lakh.

It was also noticed that provision was made in the detailed estimate for execution of only 1210.60 cum of the Random Rubble Masonry work, but the Department executed 1941.18 cum of the Course Rubble Masonry i.e., 730.58 cum over and

above the estimated quantity of Random Rubble Masonry work by incurring an excess expenditure of ₹ 18.70 lakh.

1.2.11.3 Improvement of Road Network

Sub-project 'Improvement of Road Network at Itanagar' was sanctioned at a cost of ₹ 5800.44 lakh with schedule date of completion as March2011. The scope of work involved improvement/laying of road of 7.50 m wide (20.140 km), 3.75 m wide (54.800 km) and 3.00 m wide (15.520 km); road side drain (53.325 km); retaining wall (11.891 km) and slab culvert (80 No). Work was being executed both departmentally and through contractors.

As on 31 March 2011 only 16 *per cent* physical progress had been achieved against targeted 60 *per cent*. IRMA team which inspected the work pointed out following discrepancies in the execution of the work and advised to take remedial steps.

- Proper camber on road was not maintained and advised to use proper form of work template for laying of bituminous concrete, care should be taken for maintaining the camber on the road.
- No quality assurance plan had been initiated and no laboratory had been setup by either UD&H department or by the contract agencies. IRMA team advised that a field laboratory as per Chapter 121 of MORTH guidelines should be setup for facilitating the entire required construction material test.

1.2.12. Storm Water Drainage at Seppa

The project 'Storm Water Drainage System at Seppa town', the district headquarters of East Kameng was taken up for execution under JNNURM with the objective of solving the problem of water logging faced by the town during the rainy season. The project envisaged the construction RCC drains and cross drainage culverts.

The project was approved by CSMC at a cost of ₹ 1380.00 lakh in March 2007, which was also subsequently approved by the SLSC in November 2008. The 1st instalment of Central Share of assistance of ₹ 621.00 lakh was released by GoI in February 2009. However, there were delays in release of the Central funds by the State Government to the PEA and was released in Dec 2009 (₹ 6.00 lakh), March 2010 (₹ 300 lakh) and December 2010 (₹ 315 lakh). The state government had released ₹ 93.00 lakh in March 2011.

The technical sanction by the competent authority to the work was accorded in October 2009. As per progress report for quarter ending March 2011, 80 to 95 *per cent* physical progress of drain and 85 to 90 *per cent* physical progress of different types of culvert were shown as achieved after incurring an expenditure of ₹ 714 lakh. The claim of the department was doubtful as only about 52 *per cent* of project cost had been incurred on the project so far.

1.2.12.1. Delay in Finalisation of bids

Scrutiny of the records revealed that, out of the total project cost of ₹ 1380.00 lakh, works valued only ₹ 944.00 lakh was put to tender and the balance works valued ₹ 436.00 lakh was taken up for execution through departmentally /work order basis.

The NIT for the said work valued ₹ 944.00 lakh was floated in December 2009 for six packages. For each package only one bidder participated. The Department awarded contract to six contractors in March 2010. Thus, there was delay in finalization of bids by one year from the date of release of the central share of funds.

1.2.12.2. Excess expenditure

Provision of three *per cent* of the total project cost (₹ 1380.00 lakh) as contingencies was made in the DPR, which works out to ₹ 41.40 lakh.

Scrutiny of the records revealed that out of total fund of ₹ 714.00 lakh received (Central share ₹ 621.00 lakh & State share ₹ 93.00 lakh) an amount of ₹ 45.26 lakh was incurred on procurement of Office Stationeries, Vehicle for inspection, etc.

Thus, an excess expenditure of ₹ 3.86 lakh had been incurred on contingencies. As a result funds to that extent would be less available for the actual execution of the project.

1.2.12.3. Avoidable Extra Expenditure

For construction of drains, provision was made in the Detailed Estimate for execution of particular item of work viz. Reinforced concrete work in foundation, footings bases of column, etc and mass concrete excluding cost of centering, shuttering and reinforcement in foundation and plinth.

The average rate(s) quoted by the contractors for execution of the said item of work was ₹ 3326.47 per cum.

Scrutiny, however, revealed that the department executed 1747.24 cum of the above item of work departmentally on work order basis @ ₹ 4024.40 per cum which was ₹ 697.93 per cum higher over the rate(s) quoted by the contractors.

Had the work been done through the contractor(s), the extra expenditure of ₹ 12.19 lakh (1747.24 cum x ₹ 697.93) could have been avoided.

1.2.12.4. Award of work without calling of tender

The department executed works departmentally by issuing work orders to the contractors valued ₹ 436.00 lakh. As per the delegation of financial powers, the annual financial limit for awarding work by a divisional officer is ₹ 45 lakh. It was, however noticed that the PEA continued to award work orders beyond his annual financial limits in violation of the Delegation of Financial Power Rules. The excess over the prescribed limit was ₹ 189.00 lakh (81 work orders) during 2009-10 and ₹ 118.00 lakh (84 work orders) during 2010-11. Besides, it was also noticed 33 work

orders valued ₹ 117.98 lakh were issued to a single firm[1] in 2010-11, resulting in undue favour to the particular firm.

The Department in its reply stated that the work order issued by the PEA beyond his competence have regularised by according (June 2011) ex-post facto sanction of the competent authority.

The fact, however, remained that the works were getting executed without inviting bids and this was one of the concerns expressed by IRMA team after their visit of the site of the project in April 2010 when the project was in nascent stage and suggested that bidding for remaining work at the earliest. This suggestion of the IRMA team had not been followed as works were continued to be got executed departmentally by issuing work orders.

1.2.13. Augmentation of Water Supply at Mission City Itanagar

The project of 'Augmentation of Water Supply for Itanagar City' was approved by CSMC for ₹ 7725.00 lakh in March 2007. As per DPR, the project was scheduled for completion by June 2009. An amount of ₹ 3476.40 lakh had been released by GoI for execution of the project in two instalments. (₹ 1738.00 lakh each in June 2007 and May 2009). The State government had also released ₹ 707.45 lakh as its share. (₹ 35.17 lakh in 2007-08, ₹ 199.00 lakh 2008-09 and ₹ 398.58 lakh and ₹ 74.70 lakh 2010-11). While there was marginal delay of one month in release of central share to PEA, delays in release of state share ranged from two to 20 months.

Under the project construction of one of Pump house, two of RCC overhead tanks (OHT) and 10 of Underground Water Reservoirs (UWR), one Water Treatment Plant (WTP), one Intake with dislodging arrangements, 16 units Type I, II and III Quarters, Compound Wall, one number Bailey Bridge and Approach Road including procurement of machineries and Equipments and Site Development were to be carried out.

According to quarterly progress report for the quarter ending 31 March 2011, the overall progress of the project was around 60 *per cent*. The expenditure incurred on the project as of March 2011 was ₹ 4183.85 lakh (i.e., complete amount released for the project). Paucity of funds was main reason for delay in completion of the project. Third instalment of central grant has not been released (March 2011). Reasons for non-release of third instalment of central grant was attributed by Chief Engineer, PHE&WS Department (PEA) to non completion of some mandatory urban sector reforms leading to non constitution of Urban Municipal Corporation in Itanagar. An amount of ₹ 2928.08 lakh was estimated as requirement of funds during the quarter January – March 2011, against which mere ₹ 74.78 lakh had been incurred on the execution of the project.

[1] M/S Kakum Enterprises



Different stages of construction activity in respect of the project 'Augmentation of Water Supply at Mission City Itanagar"

As of March 2011, the different components of work were under various stages of completion. Work relating to 'Submersible trench weir drop inlet type intake with dislodging arrangements' and 'Sedimentation tank' has not yet started. Despite the recommendation of IRMA team after its visit in October 2010, to take up immediately work on sedimentation tank, no action had been taken (March 2011). IRMA team again in April 2011 had reiterated that sedimentation tank should be taken up immediately.

IRMA team in October 2010 had pointed out that there was going to be large cost over run due to escalation in cost of pipes and other material and recommended that the PEA may immediately revise the project cost and submit it to competent authority for allocation of additional fund. It had cautioned that if this was not done in time, all the work executed would remain unutilised. However, no action had been taken in this regard.

1.2.13.1. Deviation of Work

Provision was made in the detailed estimate of the work 'Augmentation of Water Supply (Phase II) at Itanagar' for construction of three lakh litres capacity, underground Water Storage Tank (WST) at 'Nithi Vihar' at a cost of ₹ 37.05 lakh.

Audit scrutiny revealed that against the construction of the underground WST of three lakh litres capacity, an overhead WST of same capacity was constructed during 2009-10 by incurring an expenditure of ₹ 51.52 lakh. Thus, due to deviation in construction work, there was an unauthorised excess expenditure of ₹ 14.47 lakh.

Chief Engineer, PHE&WS Department (PEA) stated (October 2011) that approval had been obtained before the deviation in work plan was carried out and was within the power of Superintendent Engineer as per delegation of financial power as envisaged in the CPWD work manual. The reply was not acceptable as the project was approved by GoI, any deviation should have the approval of GoI.

1.2.13.2. Blocking of funds

For the work, G.I. fittings and G.I. pipes of various specifications valued ₹ 299.00 lakh and ₹ 862.00 lakh respectively were procured between January 2008 to September 2010.

Audit scrutiny (June 2011) of the Material at Site Accounts (MAS) revealed that G.I. fittings valued ₹ 58.16 lakh were issued to the work leaving a balance of the said material valued ₹ 241.00 lakh unutilized in store.

Similarly, G.I. pipes valued ₹ 272.00 lakh were sold to other division for execution of works not related to JNNURM and the balance of the said material valued at ₹ 590.00 lakh remained unutilised in store.



Photographs of material purchased under project 'Augmentation of Water Supply at Mission City Itanagar" lying unutilised.

Thus, procurement of the above materials before their actual requirement had resulted in unnecessary blocking of funds to the tune of ₹ 831.00 lakh, which could have been gainfully utilised had proper planning made and to that extent funds crunch could have been avoided.

1.2.13.3. Diversion of funds

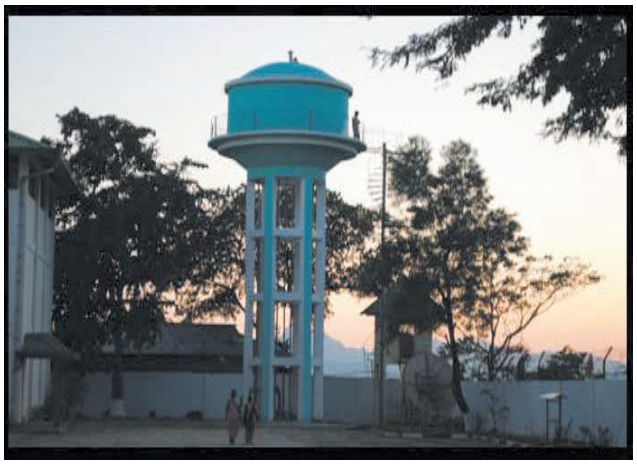
Section 36.4 (2) of the CPWD Works Manual envisages that purchase of Motor Cars, Trucks, Jeeps and other Plant & Machineries will be regulated by special orders of the Government.

Audit Scrutiny (June 2011) revealed that the PHE Division procured (October 2007) one Gypsy Hard Top at a cost of ₹ 5.34 lakh from a local dealer and charged the expenditure against three *per cent* contingencies of the scheme for which specific provisions were neither kept in the detailed estimate nor the specific orders from the Government were obtained. This resulted in diversion of funds to the tune of ₹ 5.34 lakh.

Chief Engineer, PHE&WS Department (PEA) stated (October 2011) the project division was created by the State Government without any infrastructure and Engineer-in-charge had to cover vast areas to mobilize and monitor the different component of the work in different locations, as such the PEA had to procure a vehicle by charging against the three *per cent* contingencies of the project.

1.2.13.4. Execution of unauthorised work

Audit scrutiny revealed that 50,000 litres capacity overhead water storage tank was constructed at Chief Minister's bungalow at a cost of ₹ 9.72 lakh by issue of five work orders during 2009-2010. Though the above construction was not included in the estimated provision, the entire expenditure was charged to 'Augmentation of Water Supply (Phase II) at Itanagar'. This resulted in diversion of scheme funds to the tune of ₹ 9.72 lakh.



Chief Engineer, PHE&WS Department (PEA) stated that due to urgent requirement for providing water supply connection to newly constructed bungalow of Chief Minister, the overhead tank was executed by incurring expenditure against three *per cent* contingencies till the funds were arranged from other resources, which had now been adjusted against additional fund provided by the State Government under special plan assistance from its own resources.

1.2.13.5. Acceptance of tender in excess of permissible limit

As per Para 19.4.3.2 of CPWD Works Manual 2007 it is envisages that enhancement of tender amount above 10 *per cent* should not be accepted.

Audit scrutiny (June 2011) revealed that a 'Notice Inviting Tender (NIT)' was floated (February 2008) for the work 'Augmentation of Water Supply (Phase II) at Itanagar' at an estimated cost of ₹ 1447.14 lakh. It was, however, noticed that the tender submitted by a local contractor at ₹ 1826.63 lakh (26 *per cent* above the tender amount) was accepted.

To an audit query, it was stated by the Department (PHED) that the enhancement was within the powers of the competent authority under conditions envisaged in Para 18.4.3 and 18.12.1 of CPWD Works Manual. The reply of the Department was not tenable as the limit of enhancement as worked out by department was not valid and not permitted under CPWD works manual. The department should have resorted for retendering or obtained the permission of the authority which sanctioned the project at the first instance.

1.2.13.6. Blocking of funds

Scrutiny revealed that 10 storage tanks were constructed at a cost of ₹475.00 lakh between May 2009 to December 2010 and all of these are lying unutilized due to non completion of construction of intake point, water treatment plant (WTP) as well as laying of D.I pipes, etc. as the same are still under progress.

As such the construction of WST without synchronising with construction of intake, WTP, etc led to blocking of government money to the tune of ₹ 475.00 lakh.



Photographs completed storage tanks lying unused due to incompletion of work intake point etc in the project 'Augmentation of Water Supply at Mission City Itanagar'

1.2.14 Monitoring and Evaluation

MoUD/MoHUPA, GoI is required to monitor periodically the scheme through designated officers of the Ministry. It was however, noticed that periodical monitoring of the projects were not carried out by the official(s) of the Ministry.

MoUD has evolved a state level mechanism for third party monitoring and review by Independent Review and Monitoring Agencies (IRMAs) appointed by SLNA. To

enable the SLNAs set in motion the process of appointing IRMA for monitoring and review of all projects implemented under JNNURM by the ULBs, etc a tool kit had been issued.

MSV International, Gurgaon, Haryana, from the list of agencies shortlisted by MoUD, was appointed as IRMA as late as in November 2009, whereas the project relating to Water Supply was sanctioned as early as March 2007. As such IRMA did not remain involved during pre construction stage for review of DPR documents, detailed design drawing, design and construction specification, BoQ, tender document etc.. The first visit IRMA team to the various project site was only during October 2010. There after IRMA team had visited some project sites in April 2011. It was also not clear whether IRMA had inspected other projects as the concerned PEA/SLNA had not produced relevant records.

Similarly, MoHUPA has also evolved mechanism to appoint Third Party Inspection and Monitoring Agencies (TPIMAs) for review and monitoring in respect of BSUP and IHSDP, to bring transparency and quality in the implementation of BSUP and IHSDP projects. The duty of TPIMA is to monitor the quality, physical and financial position of the project. Necessary assistant to the State for TPIMA is provided by GOI.

However, as of March 2011, no TPIMA has been appointed for 'Karsingsa Housing Project' at Mission city Itanagar.

1.2.14.1. Action on the recommendations of IRMA

Action taken on the observations made and recommendation suggested was not forthcoming from the records. IRMA itself in its review report (April 2011) on 'Augmentation of water supply for Itanagar city' had highlighted that no action taken report on their previous review report had been received. This indicates the lack of the seriousness PEAs/SLNA to the review report. As such, the objective of having IRMA got defeated.

IRMA in almost all its review report had observed that PEA had not set up any field laboratory to conduct test of material used in construction and had suggested for establishing it. However, no such field laboratory had been set up and in the absence of it the quality of the material used in the construction could not be assured which may lead to poor quality of construction.

IRMA had recommended that a third party project monitoring and evaluation unit was necessary as Urban Development and Housing Department, Government of Arunachal Pradesh had no prior experience of execution of Municipal Solid Waste Treatment and Processing Unit. Action on the recommendation is yet to be taken.

1.2.15 Conclusion

The pace of implementation of JNNRUM project in the state was very slow. The project was facing constraints of funds as the central government was not releasing subsequent instalments. Non-release of subsequent instalments was mainly due to non-completion of some mandatory urban sector reforms and non-constitution of Urban Municipal Corporation in Itanagar. As a result of delay in execution of the project, there was already time overrun in all the projects, which may result in cost over runs. To this effect IRMA had already given the indication in the case of 'Augmentation of water supply for Itanagar city'.

1.2.16 Recommendations

Government of Arunachal Pradesh should

- Ensure that mandatory urban reforms should be completed so that central government would not withhold subsequent instalments for funds required for execution of the project;
- Should release state's share for execution of the projects;
- Ensure release of central and states matching shares to PEA without any delay so that work on the project could progress smoothly;
- Remedial action should be taken on the recommendations of IRMA;
- Third party monitoring and evaluation unit where ever necessary and recommended should be set up so that its advice could be utilised to obtain better results;
- Instances of diversion of funds, blocking of funds, etc should be scrupulously avoided;
- Ensure the quality of construction material and set up field laboratory where ever required; and
- Prescribed monitoring mechanism should be adhered to.

CHAPTER – II : AUDIT OF TRANSACTION

PUBLIC WORKS DEPARTMENT

2.1 Fraudulent purchase of spare parts

Public Works Department, Doimukh Division, misappropriated ₹4.16 crore on purchase of spare parts for two old bulldozers and five old Road Rollers, as the spares were neither accounted for in the Material-at-site account nor was their utilization documented.

Under sub-section 7.2 of the CPWD Works Manual (Chapter-I), the Measurement Book is the basic document wherein all details are required to be entered. It should be so written that the transactions are readily traceable. Further, as per the delegation of financial powers, the Divisional Officer is empowered to issue work orders without inviting tenders only up to ₹ 1.25 lakh in a single case in a year. PWD Doimukh Division has two bulldozers which are 30 years old and five road rollers which are three to 34 years old (one – three year old, one – eight year old, one - 21 year old and two 34 years old). The two bulldozers and five road rollers were originally purchased at a total cost of ₹ 73.53 lakh.

Test check of records (November 2009) of the Executive Engineer, PWD Division, Doimukh, revealed that between February 2008 and March 2009, the Division incurred an expenditure of ₹ 4.16 crore on procurement of spare parts for these vehicles(1026 items) by issuing 344 work orders to 35 local firms. The spare parts were shown to have been received and recorded in the measurement book in March 2009. Besides, these purchase orders were placed without inviting any tenders and were split in such a way that the value of each was within the delegated power of the Divisional Officer, with the intention to avoid seeking approval of the competent authority.

However, these spare parts were neither accounted for in the Material-at-Site account of the Divisional workshop, which is the prescribed system for capturing the movement of spare parts, and nor were these found recorded in the Dismantled register, which monitors the actual utilization of spare parts. Moreover, even after this expenditure of ₹ 4.16 crore was incurred on spare parts, the bulldozers and road rollers were only sparingly used during February 2008 to March 2009.

A market survey revealed that the market price of two new bulldozers and five Road rollers of the same make/brand was only ₹ 1.90 crore.

In view of the above, the entire purported purchases of spare parts appears fraudulent because neither were Stock Accounts maintained and nor could their physical movement/existence be verified. When pointed out, the Department stated (November

2010) that the said payments pertained to procurements made in earlier years. Reply of the department is a deliberate attempt to cover up the fraud, as the records maintained clearly shows that the purchases were made during February 2008 to March 2009.

EDUCATION DEPARTMENT

2.2 Embezzlement of money

Non-adherence to Financial rules/norms and laxity on the part of Deputy Director of School Education, Lower Dibang Valley, Roing, led to* embezzlement of ₹*13.81 lakh

Section 13(ii) and (iv) of the Central Government Accounts (Receipt and Payment) Rules, 1983 clearly stipulates that all the transactions (both receipts and payments) should invariably be entered in the Cash Book as soon as they occur and are to be attested by the Head of Office as a token of exercising necessary check. Besides, rules also stipulate that at the end of each month, the Head of Office should verify the cash balance in the Cash Book and record a signed and dated certificate to that effect to ensure correctness of the Cash Book, and if any discrepancy is noticed therein, the same may be dealt with as per instructions contained in Section V of Chapter-2 of the GFR Rules, 1963.

Test check (March 2011) of records pertaining to the Deputy Director of School Education (DDSE), Lower Dibang Valley, Roing, disclosed that during the period March 2007 to November 2008, the DDSE had neither exercised any check nor was the closing balance of the Cash Book ever verified at the close of each month with dated initials and necessary certificate as required under the Financial Rules. As a result, misappropriation of Government funds remained undetected until 21 staff members of the Department submitted written representations between March 2007 and November 2008 that their TA/DA/LTC, etc. amounting to ₹ 1.07 lakh were not paid to them although the same was shown as disbursed in the Cash Book. This embezzlement could have been avoided had action been taken to rectify the lapses pointed out in audit during previous inspection of the unit.

A Board of Enquiry constituted in June 2009 to enquire into the allegation, in its report stated (January 2010) that there was a total misappropriation of ₹ 13.81 lakh between March 2007 and November 2008, during the tenure of Mr. T. Riba, Cashier. In January 2010, Mr. T. Riba, Cashier, through a written statement, admitted to the fact of such misappropriation by him, and prayed for recovery of ₹ 5000/- per month from his salary. The DDSE reported (February 2010) the matter to the Director of School education, Itanagar, with a copy to the Commissioner of Education, without contemplating any action on the defaulting Cashier. Except for effecting the transfer

of Mr. Riba (July 2010) to Mayu Government Higher Secondary School to function as a UDC no other action has been taken. The matter was also not reported to the Accountant General, Arunachal Pradesh, Itanagar, as required under the rules.

Thus, failure on the part of the DDSE to act in accordance with prescribed Financial Rules, which was in gross violation of financial discipline in the first instance, followed by his laxity in taking necessary action against the defaulting Cashier led to a loss of Government funds to the tune of ₹ 13.81 lakh due to misappropriation.

The matter was reported to the Government in June 2011; no reply has been received (October 2011).

PUBLIC WORKS DEPARTMENT

2.3 Loss of government revenue and undue financial benefit to contractors

Undue financial benefit was extended to contractors in Sagalee and Yingkiong PWD divisions due to non-deduction of VAT at source, resulting in loss to the Government to the extent of ₹2.34 crore

Government of Arunachal Pradesh had introduced tax deduction at source (TDS) for Value Added Tax (VAT) on all works contracts with effect from 11 April 2007 by making an amendment in the Arunachal Pradesh Goods Act, 2005. The Act stipulated that the person responsible for making payment was liable to deduct the amount of VAT at source at the time of making payment to work contractors at the rate of 12.5 *per cent* on the value of the bill after deduction of 25 *per cent* towards labour and service charges from the gross value of the bill.

Test check (January 2010) of the records of the Executive Engineer (EE), Sagalee Public Works Division, however, revealed that between November 2007 and January 2009, the Division entered into works contracts valued at ₹ 19.02 crore with 18 contractors. Payments totalling ₹ 19.01 crore were finally released by the EE to the 18 contractors from March 2008 to December 2009, without deduction of VAT at source. The amount of VAT that should have been deducted works out to ₹ 1.78 crore.

Similarly, the EE, Yingkiong PWD, entered into works contracts valued at ₹ 5.97 crore with 18 contractors between December 2007 and April 2008 and finally cleared total payments of ₹ 5.97 crore to the 18 contractors between January 2008 and February 2009 without deduction of VAT at source, amounting to ₹ 0.56 crore.

Reasons as to why the EEs of both the Divisions failed to recover the VAT at source were not on record.

Failure of the EEs to deduct VAT at source, despite specific government orders in this regard, showed that the EEs of both Divisions were unaware of the statutory provisions of the State Government and lacked effective control and management of the finances of their Divisions, which resulted in extending undue financial benefit to the contractors in the shape of excess payment to the tune of ₹ 2.34 crore (₹ 1.78 plus ₹ 0.56 crore). Action needs to be taken to recover this amount.

The matter was referred to the Government in May and August 2010; no reply has been received (October 2011).

PUBLIC WORKS DEPARTMENT

2.4 Extra expenditure and excess payment to a contractor

The EE, Doimukh PWD, incurred extra expenditure of ₹ 21.78 lakh on purchase of stone metal at higher rates. There was also an excess payment of ₹ 7.59 lakh due to non-deduction of VAT at source as per statutory provisions of the Government

In September 2000, the Superintending Engineer (SE), Public Works Department, Naharlagun Circle, approved the rates of different sizes of stone metal required for road works by the Doimukh Public Works Division under his circle. The rates so approved were inclusive of carriage charges, irrespective of the distance from quarry to worksites, and remained valid throughout the years 2006-07, 2007-08 and 2008-09 as shown below:

Metal Specification	Size	Rate Approved
Gr.-I	90-45 mm	₹ 630/- per cum
Gr.-II	63-45 mm	₹ 650/- per cum
Gr.-III	53.224 mm	₹ 710/- per cum

Test check (November 2009) of records of the Executive Engineer (EE), Doimukh PWD, revealed that on the basis of limited tender, Superintendent Engineer awarded the job (December 2007) of collection and supply of stone metal of different sizes for the work ***'Improvement of Doimukh – Harmoti Road (6 km.)'***, to a local contractor at negotiated rates (Gr.-I: ₹ 874/- per cum; Gr.-II: ₹ 910/- per cum and Gr.-III: ₹ 940/- per cum) at a total cost of ₹ 81.00 lakh. Accordingly, the EE procured 8902 cum of stone metal of various sizes during the period from December 2007 to February 2008 (Gr.-I: 2622 cum @ ₹ 874 per cum; Gr.-II: 3140 cum @ ₹ 910/- and Gr.-III: 3140 cum @ ₹ 940/- per cum) and the total payment of ₹ 81.00 lakh was released to the contractor between February and June 2008.

Further, it was seen that the EE simultaneously procured stone metal of the same specifications during the same period and subsequently also (i.e. during 2007-08 and

2008-09) at the earlier approved rates of September 2000 for the Division. This clearly indicated that the earlier approved rates remained valid till March 2009.

Computed with reference to the approved rates of the Division prescribed earlier (September 2000) by the SE, the Division incurred an extra expenditure of ₹ 21.78 lakh for purchase of stone metal at higher rates in December 2007 through limited tender as detailed below:

Table 2.1

Size	Qty (m^3)	Rate of procure ment (per m^3)	Amount actually paid	Approved rates of the Divn. by SE (per m^3)	Amount payable	Extra Expenditure
IRC Gr.-I (90-45 mm)	2622.16	874/-	22,91,768/-	630/-	16,52,370/-	6,39,398/-
IRC Gr.-II (63-45 mm)	3140.09	910/-	28,57,482/-	650/-	20,41,059/-	8,16,423/-
IRC Gr.-III (53.22.4 mm)	3140.08	940/-	29,51,675/-	750/-	22,29,457/-	7,22,218/-
			81,00,925/-		**59,22,886/-**	**21,78,039/-**

In addition, the Division failed to deduct VAT of ₹ 7.59 lakh (at the rate of 12.5 *per cent* on the bill value after deduction of 25 *per cent* towards labour and service charges from the gross value of the work) as per statutory provisions of the State Government, which led to excess payment of ₹ 7.59 lakh, resulting in extension of undue financial benefit to the contractor.

On this being pointed out, the Division, while accepting the fact, stated that the purchase was made through a tender and as such, no extra expenditure was incurred. But the contention of the Division is not tenable since the earlier approved rates for the Division were still applicable when the purchase was made in 2007-08.

The matter was referred to the Government in August 2010; no reply has been received (October 2011).

RURAL WORKS DEPARTMENT

2.5 Extra expenditure due to change in classification of soil

The Hawai Rural Works Division incurred extra expenditure of ₹38.01 lakh by allowing higher rates to a contractor for excavation of 'ordinary rock without using explosives' by way of change in classification of soil to a higher grade as 'hard rock requiring blasting'.

The work ***'Construction of a Road from Hayuliang (Dalai Bridge Point) to Bajigam (0-9.894 km)'*** estimated to cost ₹ 8.57 crore, was administratively approved by the Ministry of Rural Development, GOI under *Pradhan Mantri Gram Sadak Yojana* in March 2008. The

estimate provided for survey and investigation, jungle clearance, formation cutting, etc.; In November 2009, the Executive Engineer (EE), Rural Works Division (RWD), Hawai, awarded 'Formation Cutting' work in different classes of soils from chainage 0 to 9.894 km. to a contractor as per tender approved rates with a stipulation to complete the work within 12 months. i.e. by 10.11.2010.

Test check (October 2010) of the records of EE, RWD, Hawai, revealed that the Division paid ₹ 90.23 lakh in March 2010 to the contractor for excavating 35,524.42 cum of earth work in different chainage from 0 to 9.894 km. at rates applicable for excavation of hard rock by utilizing explosives (@ ₹ 254 per cum). Neither explosives (Gelatine, etc,) were issued by the Division to the contractor for excavation of hard rock by blasting nor any certificate regarding issue and use of blasting materials was found to be recorded on the body of the bill and the measurement book, in terms of Rule 25.3 under Section 25 of the CPWD Works Manual. However, it was seen that payment was made to the contractor for 35,524.42 cum at the higher rate of ₹ 254/- per cum, applicable for hard rock, involving blasting. In the absence of any evidence to prove that excavation was done by the use of explosives, the payment made to the contractor at higher rate (₹ 254/- per cum) instead of the rates applicable for excavation without use of explosive (₹ 147/- per cum) was excessive. This has resulted in undue benefit of ₹ 38.01 lakh to the contractor. Collusion between the departmental officials and the contractor could not be ruled out and the matter needs to be investigated.

The matter was referred to the Government in May 2011; no reply has been received (October 2011).

PUBLIC WORKS DEPARTMENT

2.6 Extra expenditure on hire charge of bulldozers

Due to hiring of bulldozers D-50-A12 on hourly basis in contravention of Chief Engineer's approved rate on daily basis, Boleng Public Works Division had incurred an extra expenditure of ₹ 45.37 lakh.

According to Rule 129 (I) (IV) of the GFR and Section 14:1 of the CPWD Works Manual, before the commencement of any work or incurring any liability, there should be competitive bidding and wide publicity. The Chief Engineer (CE) Western Zone approved (October 2006), the hiring of bulldozer D-5-A-15 @ ₹ 8640/- per day or ₹ 2523/- per hour, inclusive of fuel charges in both cases with a maximum of eight working hours per day.

Test check (January 2011) of records of the Executive Engineer, Boleng PW Division, revealed that the Division without following the prescribed procedure, hired bulldozers (September 2009 to March 2010) from two private agencies @ ₹ 3510 and ₹ 4910 per hour for execution of earthwork in the work ***'Improvement and extension of Dosing-Paren-Sine-Yibuk-Legging Road (0-18 km)'.*** Records also indicated that two bulldozers were hired at rates approved by the EE, ignoring the prescribed rate approved by the CE, which was not within the EE's delegated financial powers. The bulldozers were utilized for a total of 1377 hours from September 2009 to March

2010 and ₹ 60.58 lakh was paid as hire charges on an hourly basis as per details given below:

Table 2.2

Name of Contractor	Hire Period	Days	Total days involved	Total hours utilized	Total payment made on hourly basis	Total payment admissible on daily basis	Extra Expendi-ture
M/s Dono Polo Enterprises	04.09.09 to 30.09.09	27	176	1377	₹ 60.58 lakh	₹ 15.21 lakh	₹ 45.37 lakh
	03.10.09 to 31.10.09	29					
	04.11.09 to 28.11.09	24					
	01.12.09 to 23.12.09	23					
M/s Mibang Service Station	03.01.10 to 30.01.10	28					
	01.02.10 to 26.02.10	26					
	02.03.10 to 20.03.10	19					

(***Source: Departmental Records, vouchers and measurement books).***

The above table shows that the bulldozers were hired almost continuously except for a few days in between. This clearly indicated that the Department could have hired the bulldozers on a daily basis, which was more economical than hourly basis as the nature of the work necessitated the use of bulldozers for a continuous period.

Failure of the EE to exercise simple financial prudence resulted in avoidable extra expenditure of ₹ 45.37 lakh.

On this being pointed out, the Department accepted the fact, but stated (September 2011) that since the Departmental bulldozers were old and under repair, the only option was to hire from private contractors. The reply is irrelevant as it is not the fact of hiring of machinery that has been questioned, but the mode of hiring.

The matter was referred to the Government in July 2011; no reply has been received (October 2011).

2.7 Extra expenditure due to wrong classification of soil

Due to wrong classification of 94,165 cum of ordinary rock in higher grade of hard rock requiring blasting, the Dumporijo Division incurred an extra expenditure of ₹ 53.59 lakh, besides extending undue financial benefit of ₹ 56.16 lakh to the contractor owing to non-deduction of VAT at source.

The work ***'Construction of Road from Dumporijo to Hali (45 km)'*** estimated at ₹ 31.76 crore, was administratively approved and financial sanction was accorded by

the Government of India (GOI), Ministry of DoNER under NLCPR Project in March 2008, with the stipulation to complete the work by March 2011. The estimate provided for earthwork in formation cutting from Chainage 23 to 38 km, having a formation width of 6 metres.

On execution of the work between Chainage 23 to 34.564 km, the Executive Engineer, Dumporijo P.W. Division incurred an expenditure of ₹ 5.99 crore from March 2009 to June 2010 on account of earthwork in different classes of soil. Of this, an amount of ₹ 2.93 crore was spent on excavation of 1,98,451 cum of hard rock, requiring blasting.

Test check (March 2011) of records further revealed that the Division (March 2009 to May 2010) issued 7300 kg of gelatine to the contractor for excavation of hard rock by blasting. As per standard norms adopted by the State Public Works Department, 0.07 kg of gelatine was required for excavation of one cum of hard rock by blasting. Accordingly, with the 7300 kg of gelatine issued by the Division, the contractor would have excavated a maximum of 104,286 cum of hard rock. However, the Division claimed to have excavated 198,451 cum of hard rock, in which case, the requirement of gelatine would have been 13,892 kg (198,451 x 0.07) as per norms. As only 104,286 cum of hard rock could have been excavated with the 7,300 kg of gelatine issued by the Division, the remaining 94,165 cum payment made to the contractor at enhanced rate is questionable. Undue benefit passed on the contractor on this account works out to ₹ 53.49 lakh.

Thus, in allowing the enhanced rate (₹ 147.60 per cum) to the contractor due to wrong classification of 94,165 cum of ordinary rock as hard rock requiring blasting, the Division had incurred an extra expenditure of ₹ 53.49 lakh.

In addition, the EE, Dumporijo PW Division, also failed to deduct ₹ 56.16 lakh as VAT at source as statutorily required (@ 12.5 *per cent* of the value of the bill after deduction of 25 *per cent* from the gross value of the bill). This amounted to extending undue financial benefit to the contractor in the shape of excess payment to the extent of ₹ 56.16 lakh and resultant loss to the State exchequer.

On this being pointed out, the Divisional Officer stated that there was no wrong classification of rock but less quantity of explosive was used for blasting due to application of an indigenous method, and that the contractor was asked to do the work without claiming higher rates. The contention of the Division is untenable because as per Schedule of Rates 2009, the rate per cum for excavation of hard rock by indigenous/manual methods is almost four times higher (₹ 583.00 per cum) than the rate applicable for hard rock requiring blasting (₹ 147.60 per cum), at which rate no contractor would be willing to execute any work, inviting such huge losses. The Division remained silent on the issue of non-deduction of VAT.

The matter was referred to the government in July 2011; no reply has been received (October 2011).

DEPARTMENT OF SCIENCE AND TECHNOLOGY

2.8 Non-recovery of advance from a contractor

Advance was paid to a Contractor by State Council of Science and Technology without entering into an agreement/MoU and without a bank guarantee or any other form of security, resulting in non-recovery of ₹ 232.506 lakh and interest of ₹ 46.50 lakh

State Wide Area Network (SWAN) is one of the core infrastructure projects under Information Technology launched by the Government of India (GOI). Site preparation or points of presence (POPs) are pre-requisites for implementation of the SWAN Project. On the basis of a proposal submitted by the Government of Arunachal Pradesh, the GOI, Ministry of Communications and Information Technology, released a grant of ₹ 815 lakh for preparation of SWAN points of presence (PoPs) in December 2005. Accordingly, the Government of Arunachal Pradesh accorded administrative approval and expenditure sanction of the same amount in March 2007. The estimate provided for site preparation of 117 PoPs, which included civil works like plinth/foundation, pre-fabricated structures, transportation of fabricated structures and their erection, electrical wiring and fittings, air-conditioning, interior decoration, including painting of steel tresses and interior panels, false ceilings, flooring, furniture etc;.

Test check of records of the Director-cum-Member Secretary (DCMS), State Council of Science and Technology, revealed that the work of site preparation of 117 PoPs was awarded directly to a New Delhi-based firm, M/s ICSL, on Work Order basis in March 2007, amounting to ₹ 775.02 lakh, without entering into any Agreement/Memorandum of Understanding (MoU), with the stipulation to complete the work within 270 days from the date of issue of the Work Order, i.e., by December 2007. While awarding the work, the Department did not invite any tenders to ascertain the lowest competitive market rate available, if any, thereby grossly violating provisions of Rule 129 (I) (IV) of the GFRS and Section 14.1 of the CPWD Works Manual.

Scrutiny further revealed that though the firm took up only the preliminary work of survey and investigation, the DCMS paid an advance of ₹ 232.51 lakh in April 2007, being 30 *per cent* of the work value of ₹ 775.02 lakh, without a bank guarantee or any other form of security. Thereafter, the firm did not execute any further work except for a PoP in Itanagar, which was also found to be sub-standard and not according to specifications, as mutually agreed upon. The firm was warned (August 2007) of Departmental action for dilatory tactics and failure to complete proportionate work in proportionate time. Despite this, the firm did not show any progress of work even after a lapse of almost 11 months, and the DCMS was compelled to cancel the work

order with effect from 12th February 2008, as per Clause 8 of the terms and conditions of Work Orders, which stipulated that *"failure to execute the work within the stipulated time will lead to cancellation of the work order and the entire amount of advance paid shall have to be paid back to the Government with interest @ 5 per cent per annum"*. The firm was asked (February 2008) to refund the advance of ₹ 232.506 lakh along with interest, which worked out to ₹ 46.50 lakh, on the basis of interest for four years. However, the firm did not respond to department request as of October 2011.

Negligence on the part of the Department in granting an advance without any Bank Guarantee or any other form of security, together with not executing any agreement or MoU, the outstanding advance of ₹ 232.506 lakh, along with penal interest of ₹ 46.50 lakh, could not be recovered from the firm even after a lapse of four years from the date of granting the advance in April 2007.

The matter was referred to the Government in June 2011; no reply has been received (October 2011).

PUBLIC WORKS DEPARTMENT

2.9 Execution of a sub-standard work

Utilisation of below the prescribed quantity of material by Doimukh PW Divsion led to execution of sub-standard pavement work valuing ₹ 3.40 crore.

The work '***Itanagar - Jette - Balijan Road'*** was originally sanctioned for ₹ 28.52 crore by the North Eastern Council in a phased manner between December 1999 and March 2004. A revised sanction for the entire road (47 km) was accorded by the NEC in September 2006 for an amount of ₹ 40.11 crore. The revised estimate provided for pavement work (soiling, metalling and carpeting) of a 12 km stretch (35th to 47th km) with a formation width of 5.50 metres at a total cost of ₹ 2.96 crore (₹ 24.63 lakh/km), with the stipulation to complete the work within March 2008. To derive the pavement thickness of 25 cm, the following items of work were stipulated:

(1) Two layers with Gr. II metal of size 65-43 mm shall be applied to derive pavement thickness of 15 cm.

(2) One layer with Gr. III metal of size 53-22.4 mm to derive pavement thickness of 7.5 cm.

(3) Premix carpeting will seal coat with stone aggregates of 11.20 mm size along with coarse sand and bitumen shall be applied to derive pavement thickness of 2.5 cm.

Tests check of records (November 2009) revealed that between September 2006 and March 2009, the Division executed pavement work on the 12 km stretch, covering an area of 66,000 sq m, at a total cost of ₹ 3.40 crore, as detailed below:

Table 2.3

Item of Work	Specification	Quantity			Maximum possible Pavement thickness that can be achieved
		Required as per estimate and as per norms	Actually procured and utilized	(+) Excess (-) Less	
22.50 cm Base Course					
(i) WBM II	Two layers @ 7.5 cm thickness with Gr. II metal of 63.45 mm size	13,200 cum	10,454.374 cum	(-) 2745.636 cum	(22.50 x 16422.33) 20,394 = 18.11 cm
(ii) WBM III	One layer @ 7.5 thickness	5940 cum	4763.189 cum	(-) 1176.811 cum	
(iii) Screening materials	Stone Aggregate with 11.20 mm size	1254 cum	124.960 cum	(-) 49.040 cum	
		20,394 cum	16,422.523 cum	(-) 3971.487 cum	
2.5 cm Premix carpeting with seal cost					
(i) Stone Aggregate	Stone Aggregate with 11.20 mm size	1980 cum	991.654 cum	(-) 988.346 cum	(2.5 x 1364.0341) 2475.00 = 1.37 cm
(ii) Course Sand		495 cum	372.380 cum	(-) 122.620 cum	
		2475 cum	1364.034 cum	(-) 1110.966 cum	
(iii) Bitumen	80/100	239.58 MT	119.982 MT	119.598 MT	0.52 cm (Added for bitumen)
Total					20.00 cm

(Source: Departmental Records, MBs, MAS a/c etc)

From the above, it would be seen that for the base and sub-base course, the total requirement of different sizes of metals was 20,394 cum, against which only 16,422.523 cum was utilized (shortfall of 3971.487 cum). For premix carpeting and seal coat, against the requirement of stone aggregates and sand of 2475 cum, only 1364.034 cum was utilized (shortfall of 1110.966 cum). Bitumen required was 239.580 MT, against which only 119.982 MT was procured and utilized (shortfall of 119.598 MT). With the quantity of material used maximum road thickness that could be achieved is 20 cm resulting in execution of sub-standard work. Thus, the execution of sub-standard work is bound to reduce the life of the road as well as load bearing capacity.

On this being pointed out, the Department while admitting the fact, stated that the materials were used as per requirements. The contention of the Department is not tenable since from the material utilized maximum road thickness that can be achieved is 20 cm.

The matter was referred to the Government in August 2010; no reply has been received (October 2011).

DEPARTMENT OF HEALTH AND FAMILY WELFARE

2.10 Failure to make functional Ayurvedic Pharmacy & Drug Testing Laboratory

Failure on the part of the Department to make an Ayurvedic Pharmacy and Drug Testing laboratory at Naharlagun functional despite spending a huge amount led to idle investment of ₹ 1.73 crore

On the basis of a proposal submitted by the Department of Health and Family Welfare, Government of Arunachal Pradesh, Itanagar, the GOI, Ministry of Health and Family Welfare, Department of AYUSH, New Delhi, sanctioned Grants-in-Aid of ₹ 95.00 lakh in January 2004 for establishment of a Drug Testing Laboratory (*Building – ₹ 25 lakh, Equipment – ₹ 60 lakh and Engagement of Contractual Employees – ₹ 10 lakh*) and ₹ 100 lakh in September 2004 for setting up an Ayurvedic Pharmacy (*Building – ₹ 35 lakh and equipment – ₹ 65 lakh*) at Naharlagun under Centrally Sponsored Scheme (CSS).

Test check (February 2011) of the records of the Director of Health Services, Naharlagun, revealed that the building for the Drug Testing laboratory (DTL) was completed at a total cost of ₹ 21.75 lakh in January 2006. Besides, equipment and machinery worth ₹ 53.47 lakh were procured in Mach 2007, gases and chemicals worth ₹ 2.18 lakh were also procured in March 2008 from an Itanagar-based local firm to run the DTL.

Similarly, construction of the building of the Ayurvedic Pharmacy was completed in January 2006, at a total cost of ₹ 30.70 lakh. The Department also procured machinery and equipment and other consumable items worth ₹ 65 lakh from the same Itanagar-based local firm in March 2008.

It was, however, noticed in audit that the machinery and equipment procured were neither installed nor commissioned even after a lapse of over four years from the date of purchase as both DTL and the Pharmacy was not made functional. Mean time the warranty period of the equipment had expired. The possibility of deterioration in the condition of the equipment and machinery due to prolonged storage, non-utilization and varying weather condition can not be ruled out. On this being pointed out, In-charge, DTL stated (February 2011) that the proposal was mooted for engagement of required manpower to make the DTL and Pharmacy functional. Further, the department in reply (July 2011) stated that because of dismantling of secretariat building for construction of new secretariat building, the State Government had taken a policy decision to accommodate all the secretariat branches of line departments and as a result the office of the Health Branch of Secretariat was accommodated in DTL/Pharmacy Building, which delayed the process of making the Pharmacy

functional. It also added that the process is going on to engage required manpower to make the Pharmacy and DTL functional.

The reply has to be viewed in light of the fact that the policy decision of the State Government has denied the intended beneficiaries of health care facilities for which grants-in-aid was provided by the GOI.

EDUCATION DEPARTMENT

2.11 Loss due to excess supply of textbooks

A loss of ₹ 12.55 lakh was incurred due excess supply of books without ascertaining the actual requirement vis-à-vis change in the syllabus

As per the prevailing system, the Director of School Education (DSE), Itanagar, centrally procures textbooks for both Primary and Higher Secondary students of schools run by the State Government. The books are sent to the various Deputy Directors of School Education (DDSEs) of the State through a carriage contractor appointed by the DSE for onward free distribution to students from Class I to Class VIII and to Arunachal Pradesh Schedule Tribes students of Classes IX to XII on payment of 25 *per cent* of the value of the books. Non-tribal students have to pay the full amount for the books.

Data/information on (i) number of students controlled during a particular year and (ii) opening balance of books available were necessary inputs to assess the actual requirement of textbooks required for distribution. Test check of the records revealed that the DDSEs distributed books to different schools under their jurisdiction on *adhoc* basis without ascertaining the actual requirements. Thus, due to non-observance of the norms compounded by the change in syllabus during 2009-10 which was not considered while distributing the books and also procurement of textbooks from private publisher instead from NCERT, resulted in accumulation of 36,293 books valued at ₹ 12.76 lakh. As these textbooks became obsolete, it was disposed off (2009-10) on weight basis and ₹ 0.21 lakh was realised.

Thus, due to improper assessment of actual requirement of books by the DDSEs coupled with the sudden change in syllabus, a loss of ₹ 12.55 lakh (₹ 12.76 lakh – ₹ 0.21 lakh) was incurred.

The matter was reported to the Government in June 2011; no reply has been received (November 2011).

PUBLIC WORKS DEPARTMENT

2.12 Escalation in project cost due to delay in finalization of tender

Delay of over five years in awarding a work resulted in cost escalation of ₹ 23.69 crore on construction of a bridge over River Siang at the Gandhi Bridge site in Upper Siang District

The work ***'Construction of Motorable Suspension Bridge (320 meters span) over River Siang at the site of Gandhi Bridge'*** in Upper Siang District estimated to cost ₹ 25.22 crore, was administratively approved by the Government of India, Ministry of DoNER, in March 2006 under the Non-lapsable Central Pool of Resources (NLCPR), with the stipulation to complete the work by March 2009. The work was to be financed by the Government of India on a 90:10 basis (Central Share 90 *per cent* and State Share 10 *per cent*). The expenditure sanction was accorded simultaneously and as an initiative for work to start within one month from the date of sanction, the DoNER released the first instalment of ₹ 3.78 crore in March 2006 itself.

Scrutiny of records (February 2010) of the Executive Engineer (EE), Yingkiong PW Division, revealed that

- Notice Inviting Bid (NIB) for "Fabrication and Erection of super structure including Tower" as a part of work was floated only in October 2007 i.e 19 months after date of sanction of the project. Only one firm responded to the tender and the technical bid was approved by Chief Engineer (CE). However, the department cancelled (March 2008) the NIB on the ground of insufficient number of bidders as well as high rate. The rate quoted by the firm was ₹ 8.70 crore plus 59 *per cent* cost index, against the estimated cost of ₹ 8.70 crore.

- Second NIB was floated in March 2009 after delay of 12 months of cancelling the earlier bid. However, no response was received even after extension of time.

- NIB was floated third time in August 2009 but only one firm (M/s Damodor Ropeway and Construction Co. Pvt. Ltd. Kolkata) responded. The rate quoted by the firm was ₹ 12.85 crore plus 47.57 *per cent* above the cost put to tender. The CE recommended to the Government (January 2010) that considering the cost escalation of market prices of materials and labour, the rate quoted by the firm was justified. However, the Government rejected the tender on the ground that it was higher, with a direction to go for a shot notice re-tendering within March 2010.

- Accordingly, in March 2010 short notice NIB was floated and the bid of M/s GPT Infra Project Ltd., Kolkata for ₹ 18.28 crore was accepted by the Government with a stipulation to complete the bridge in all respect by 2013.

- While conveying the approval for acceptance of bid submitted by M/s GPT Infra Project Ltd., Kolkata, the State Govt. had directed the department to locate/arrange this amount before entering into the agreement.

- In compliance with the instruction of the State Government, the department submitted (November 2010) a concept paper to Planning Department Government of Arunachal Pradesh in which it had proposed that ₹ 7.77 crore be made available from the Special Plan Assistance/Additional Central Assistance to meet the immediate contractual obligation for super structure of Gandhi Bridge. Also, an additional amount of ₹ 15.92 crore for completion of the works was sought. As per progress report for the quarter ending December 2010 the expenditure of the project was ₹ 14.84 in connection with the approach road, protection of abutment etc.

- Without getting a firm commitment regarding additional fund requirement, an agreement was entered into with the firm for super structure work at ₹ 18.28 crore with schedule date of completion by March 2013.

- Meanwhile, the State Government sent a modified detailed project report to the Ministry of DoNER in June 2010, revising the estimated cost of project to ₹ 48.91 crore for further release of funds. In response DoNER (August 2010) sought clarification/reasons (i) for the increase in the cost by almost 100 *per cent* (ii) why project could not be completed after more than one year of targeted completion despite release of more than 60 *per cent* of the admissible grant etc.

Thus, the decision of the Government in rejecting bids received in response to NIB of October 2007 and August 2009 on the ground of high rate and limited response despite the recommendation of the CE that the rate quoted was justified, resulted in a cost escalation of ₹ 23.69 crore which could have been avoided had the State Government not resorted to rejection of tenders.

The matter was referred to the Government in August 2010; no reply has been received (October 2011).

GENERAL

2.13. Follow up action on Audit Reports

As per the instructions issued by the Finance Department (June 1996), the concerned administrative departments are required to prepare an Explanatory Note on the paragraphs/reviews included in the Audit Reports indicating the action taken or proposed to be taken and submit the 'Action Taken Note' 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 the decision taken on "Legislature Audit Interface" held on July 5, 2010, every state PAC/COPU has been directed by the Headquarter to transfer outstanding Reports/ paragraphs up to 2007-08 to the concern departments for follow up action at their end. As such this Office had transferred 144 paragraphs pertaining to the period of 1994-95 to 2007-08 this year, but action taken report from the concerned Departments have not yet been received. However, review of the outstanding explanatory notes on paragraphs included in the Reports of the Comptroller and Auditor General of India for the years from 2008-09 to 2009-10 revealed that the concerned administrative departments were not complying with these instructions. As of March 2011, *suo moto* explanatory notes on 32 paragraphs of these Audit Reports were outstanding from various departments ***(Appendix-2.1)***

The administrative departments are also required to take suitable action on the recommendations made in the PAC Reports presented to the State Legislature. The PAC specified the timeframe for submission of such ATN as one month up to the 51st Report. Review of 13 reports of the PAC containing recommendations on 68 paragraphs in respect of 15 Departments included in Audit Reports as detailed in Appendix-2.2 presented to the Legislature between September 1994 and August 2011 revealed that none of these Departments sent the ATNs to the Assembly Secretariat as of November 2011. Thus, the 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.

2.14. Failure to respond to audit observations

649 paragraphs pertaining to 87 Inspection Reports involving ₹201.00 crore were outstanding as of March 2011. Of these, first replies to 38 Inspection Reports containing 153 paragraphs had not been received.

Accountant General (AG) conducts periodical inspection of Government Departments to test check the transactions and verify maintenance of important accounting and other records as per the prescribed rules and procedures. When important irregularities detected during inspections are not settled on the spot, these are included in the Inspection Reports (IRs) that are issued to the Heads of the Offices inspected, with a copy to the next higher authorities and the Government. The Government instructions provide for prompt response by the executives to the IRs to ensure timely rectificatory action in compliance with the prescribed rules and procedures and to fix responsibility for the serious lapses pointed out in the inspection reports. Serious irregularities are also brought to the notice of the Heads of the 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 2011, 649 paragraphs relating to 87 IRs pertaining to 72 offices of three Departments remained outstanding. Of these, 20 IRs consisting of 59 paragraphs had not been replied to/settled for more than nine years. Even the initial replies, which were required to be received from the Heads of offices within six weeks from the date of issue were not received from nineteen offices for 153 paragraphs of 38 IRs issued between 1986-87 to 2009-10. As a result, the following serious irregularities commented upon in these IRs had not been settled as of October 2011.

Table 2.3

(₹in lakh)

Sl. No	Nature of Irregularities	Water Resource Dept.		Tourism		PW Department	
		No. of paras	Amount	No. of paras	Amount	No. of paras	Amount
1	Local purchase of stationery in excess of authorised limits and expenditure incurred without sanction	-	-	2	6.95	-	-
2	Non-observance of rules relating to custody and handling of cash, position and maintenance of Cash Book and Muster Roll	-	-	1	41.90	-	-
3	Delay in recovery / non-recovery of Department receipts, advances and other recoverable charges	3	18.85	1	19.07	7	51.16
4	Drawal of funds in advance of requirements resulting in retention of money in hand for long periods	-	-	3	105.86	-	-
5	For want of D C C bills	-	-	4	51.86	-	-
6	For want of APRs	-	-	-	-	-	-
7	Non-maintenance of proper stores accounts and non-conducting of physical verification of stores	-	-	-	-	-	-
8	Utilization Certificates and accounts certified by Audit in respect of grants-in-aid not furnished.	-	-	-	-	-	-
9	Sanction to write off loans, losses, etc., not received	-	-	1	88.45	-	-
10	Idle investment	17	196.30	6	68.15	19	520.25
11	Excess/Extra expenditure	46	578.79	3	6.63	67	5724.30
12	Others	88	5105.90	8	271.58	380	7295.65
Total		**154**	**5899.84**	**29**	**660.45**	**466**	**13540.20**

Source: Information furnished by the Department and objection book.

The Commissioners/Secretaries of the concerned Departments, who were informed of the position through half-yearly reports, failed to ensure that the concerned officers of the Departments took prompt and timely action. It is recommended that the Government look into this matter and ensure that (a) action is taken against the officials who fail to send replies to IRs/audit paragraphs as per the 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 with audit observations.

2.15. Position of Audit Committee Meetings

No audit committee meeting was held during 2010-11.

CHAPTER – III : CCO-BASED AUDIT

3.1 RURAL WORKS DEPARTMENT

The Rural Works Department (RWD) is one of the major engineering departments in Arunachal Pradesh dealing with Rural Link Roads and Soil and Water Conservation. The RWD is also implementing Pradhan Mantri Gram Sadak Yojana, a centrally sponsored scheme of Ministry of Rural Development, Government of India.

There are 3880 villages in the State. As of March 2006, 628 villages were provided with road connectivity.. During 2006-2011, 240 more villages (20 from State Fund and 220 from PMGSY) were connected. The total number of villages connected up to 2011 was 866 (22.36 *per cent*). The remaining 3014 villages (77.64 *per cent*) are still unconnected till date (August 2011). A performance review of the functioning of the Department revealed that there was deficiency in planning and execution of schemes. Inadequate monitoring and internal control led to delay/non-completion of work.

Highlights

- ***No comprehensive plan was in place in the State for connectivity. The state had no prospective plan and annual operative plans were prepared on the allocation made by the Planning Department.***

  (Paragraph 3.1.8)

- ***The Department under the Commissioner of Rural Works Department stated that as on April 2006, 628 villages (16.18 per cent) were connected by road (368 under State Fund and 260 under PMGSY) and 3254 villages (83.82 per cent) were still unconnected. Against this, on April 2011, 868 villages (22.36 per cent) were connected by road (388 under State Fund and, 480 under PMGSY) and 3014 villages (77.64 per cent) were still unconnected. In five years during 2006-11, a mere six per cent more villages were provided with road connectivity. No data on the length of roads were available.***

  (Para - 3.1.7)

- ***There was persistent savings both under Revenue and Capital section, which is indicative of poor budgeting and slow progress in execution of work by the department.***

  (Para - 3.1.6)

- ***No new work were taken up during the period 2006-10 under Roads and Bridges as well as Soil and Water Conservation schemes in State Plan. As of March 2011, 228 works pertaining to Road and Bridges and 246 Soil and Water Conservation works was remaining incomplete and majority of these works remaining incomplete since 2005-06 as no funds was provided for their completion.***

  (Para - 3.1.9 and 3.1.10)

- ***There were delays in completion of the projects leading to time and cost overruns. There were also several lapses in the execution of the work. Execution of sub-standard works was noticed in selected sample.***

  (Para - 3.1.9.2, 3.1.9.3, 3.1.10.4, 3.1.11.1, 3.1.13.1 and 3.1.13.2))

- ***Expenditure of ₹13.86 crore on three flood damaged roads in Seppa Division could not be vouched in Audit.***

  (Para - 3.1.12 (iii))

- ***₹ 18.79 crore meant for Soil and Water Conservation under Special Plan Assistance (SPA) was diverted for execution of rural road and bridges. ₹85.94 lakh spent on execution of a catchment area treatment project under SPA was rendered unfruitful due to execution of sub-standard work.***

  (Para - 3.1.13)

- ***Internal control system had several weaknesses exposing the Department to fraud and misappropriation.***

  (Para - 3.1.8)

3.1.1 Introduction

The Rural Works Department (RWD) is one of the major engineering departments in Arunachal Pradesh dealing with Rural Link Roads and Soil and Water Conservation. In addition to these, various types of other works of other Departments like Agriculture, Horticulture, Animal Husbandry & Veterinary, etc. as and when assigned by the District Administration are also executed by the Department. The RWD is also implementing Pradhan Mantri Gram Sadak Yojana (PMGSY), a centrally sponsored scheme of Ministry of Rural Development, Government of India.

3.1.2 Organizational Structure

RWD functions under the overall guidance and supervision of the Commissioner, who is the Head of Department. The Chief Engineer, RWD, is the Nodal Officer responsible for implementation of Rural Link Roads and Bridges, Soil & Water Conservation and also functioning of State Land Use Board. The Chief Executive Officer (CEO) Arunachal Pradesh Rural Road Development Agency (ARRDA) is chief of the PMGSY programme and the Chief Engineer is the empowered Officer of ARRDA.

The Chief Engineer is assisted by the Superintending Surveyor of Works, Director of State Land Use Board (SLUB), Superintending Engineers and Senior Finance & Accounts Officer. There are four Superintending Engineers and under them, 15 Divisions headed by Executive Engineers, who are responsible for execution of works under the State Plan as well as PMGSY. There are four District Project Implementation Units for the execution of PMGSY works only. In addition there are three independent Soil Conservation Officers. The organization structure of the Department is as depicted in **Appendix-3.1.1.**

3.1.3 Audit Objectives

The objectives of Audit were to assess and evaluate whether

- planning was adequate
- there was compliance with State/MORD Guidelines
- funds allotted were utilized economically, effectively and efficiently for achieving the scheme objectives
- prescribed quality parameters were adhered to by the executing agencies
- there was adequate infrastructure (systems, manpower, etc.) to effectively implement and monitor the Projects
- there was any evaluation to ascertain the impact of the Programmes, and
- there was any monitoring and Internal Control System

3.1.4. Audit criteria

The CCO-based audit of the Department was benchmarked against the following audit criteria.

- Plan documents/Annual works programmes/Project reports;
- Guidelines for implementation of PMGSY programme;
- Guidelines of NABARD assisted projects; and
- Financial Rules and Regulations, etc.

3.1.5 Audit Methodology and Coverage

The Chief Controlling Officer (CCO) based audit was conducted from May to August, 2011. It covered the period from 2006-07 to 2010-11. The Offices of the Chief Engineer, RWD, Chief Executive Officer, ARRDA, two out of the four Superintending Engineers, four[1] out of the fifteen Divisions (covering five[2] out of 16 districts) and one out of three Soil Conservation Officer were selected on random statistical sampling without any substitution. An Entry Conference with the CEO, ARRDA and Officers of the Chief Engineer was held on 2nd June, 2011, where the Audit Objectives and criteria were discussed. The major audit findings were discussed with the department in an exit conference held on 25 October 2011. The Department's comment/replies have been incorporated in the Performance Audit Report wherever found relevant.

Audit Findings

Significant points noticed are discussed in the subsequent paragraphs

1 Laaying-Yangte, Roing, Changlang and Seppa division
2 Kurum Kumey, Lower Dibang Valley, Dibang Valley, Seppa and Changlang districts

3.1.6. Financial Management

Budgetary allocations to RWD are made under Grant No. 26. Audit observations of the budgetary allocations and their utilization revealed certain deficiencies in Financial Management, including poor budgeting and expenditure control. Details of allotment *vis-a-vis* expenditure incurred during 2006-11 are indicated in the following table:

Table No.: 3.1.1

(₹ in crore)

Year	Allotment		Total	Expenditure		Total	Savings(-) Excess (+)	
	Revenue	Capital		Revenue	Capital		Revenue	Capital
2006-07	31.57	12.06	43.63	31.38	11.96	43.34	(-)0.19	(-)0.10
2007-08	46.72	30.95	77.67	40.98	8.39	49.37	(-)5.74 (12.29)	(-)22.56 (72.89)
2008-09	135.34	86.67	222.01	121.67	78.39	200.06	(-)13.67 (10.10)	(-)8.28 (9.55)
2009-10	195.59	53.36	248.95	107.59	12.74	120.33	(-)88.00 (44.99)	(-)40.62 (76.12)
2010-11	159.57	88.57	248.14	157.72	88.57	246.29	(-)1.85 (1.16)	-
Total	**568.79**	**271.61**	**840.40**	**459.34**	**200.05**	**659.39**		

(Source: Appropriation Accounts)

Following aspects were noticed in the financial management:

a) The State Government does not have a Budget Manual, and provisions of the General Financial Rules are followed for formulation of budget and other financial matters. Non-Plan Budget proposals are prepared by the Controlling Officer, i.e. the Chief Engineer, on receipt and compilation of inputs obtained from the Drawing and Disbursing Officers (DDOs) for onward transmission/submission to the State Finance Department in a Consolidated Form. In case of Plan Budget, the Annual Plan outlay is finalized in consultation with the State Planning Department. A review of the budget provision and expenditure for the past five years showed that the budgeting process required more attention in view of the persistent savings.

b) Funds allotted for Capital Expenditure was only 32 *per cent* of the total allocation for the last five years.

c) There were savings under both the Revenue and Capital sections of the Grant. While savings in the Capital Section was more than 70 *per cent* during the years 2007-08 and 2009-10, savings in the Revenue Section during the year 2009-10 was 45 *per cent*. This highlights the slower rate of execution of work,

resulting in underutilization of allotted funds and lack of a monitoring and reviewing mechanism at appropriate levels in the Department.

d) Even the expenditure incurred during each year do not reflect the correct position as huge amounts were kept under Part V- Civil Deposit during these years as indicated in the following table.

Table No.: 3.1.2

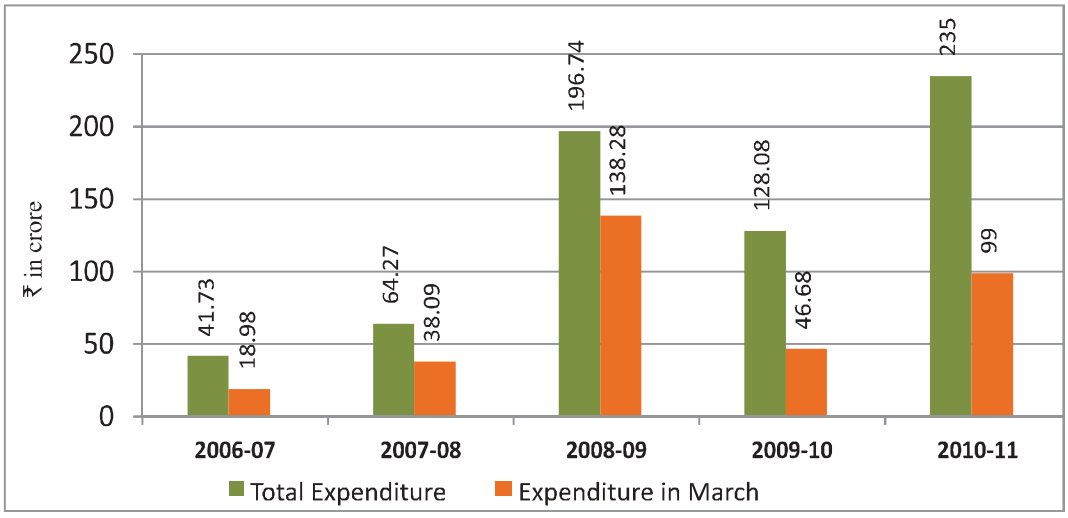
Year	Amount (₹ in core) (As percentage of total expenditure during the year)
2006-07	33.12 (76.42%)
2007-08	37.30 (75.55%)
2008-09	136.65 (68.30%)
2009-10	52.33 (43.49%)
2010-11	65.41 (27.75%)

(Source: Accounts of the Accountant General, Arunachal Pradesh)

3.1.6.1 Rush of Expenditure

Financial rules and discipline require that Government expenditure should be evenly phased over a financial year. This helps financial management and smooth execution of projects. Audit scrutiny revealed that 36 to 70 *per cent* of the total expenditure during 2006-11 was incurred in March as evident from Chart 3.1.1.

Chart No. 3.1.1



(Source: Departmental records)

The rush of expenditure, particularly in the closing month of the financial year, may lead to improper utilization of funds and should be avoided.

The Department stated in the exit conference (October 2011) that the rush of expenditure was due to late sanction of work at the end of the financial year.

3.1.6.2 Delay in Submission of Monthly Accounts and Deficiency in the Maintenance of Expenditure Control Register

The CEs exercised control over fund utilization by using monthly Letters of Credit (LOCs) against requirements of executing Divisions. Under the existing system, the CEs are required to compile monthly expenditure statements received from the executing Divisions and submit a monthly Consolidated Expenditure Statement to the Finance Department. Audit scrutiny, however, revealed that the Expenditure Control Register in the CE's Office was not maintained as per norms. The monthly accounts of Divisions should reach CE's Office by the 5th of the following month of transaction to enable the CCO to exercise his check with a view to control expenditure. Audit scrutiny revealed that none of the Divisions submitted their accounts on schedule as given in Table 3.1.3.

Four Divisions were regular defaulters and the delay in submission of their accounts ranged from 29 and 98 days as detailed below:-

Table No.: 3.1.3

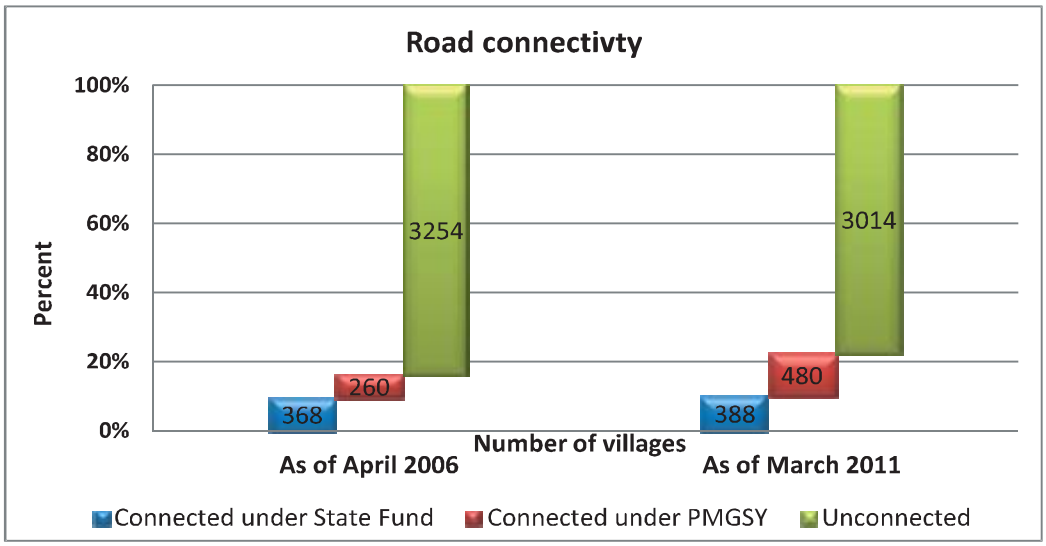
Name of Division	Delay (months)	Days	
		From	To
Tawang	7	38	78
Seppa	6	29	98
Daporijo	3	29	41
Yingkiong	2	39	69

(Source: Departmental records)

The delay in submission of monthly accounts may be avoided in future. The Department accepted the audit observation at the time of exit conference and assured action for timely submission of monthly accounts.

3.1.7 Road connectivity scenario.

As per the information provided by the CE, RWD, there are 3880 villages in the state of which 628 (368 from State Fund and 260 from PMGSY) were connected by road up to 2006. During 2006-2011, 240 more villages (20 out State Plan Fund and 220 under PMGSY programme) were given road connectivity. The total number of villages connected by road up to March 2011 was 866 and the remaining 3014 villages remained unconnected till date (August 2011).



(Source: Departmental records)

From the graph it can be seen that during five-year period (2006-11), percentage of villages connected by road has increased by merely six (from 16.13 *per cent* at the beginning of April 2006 to 22.37 *per cent* as of March 2011). This indicates that the State Government had not given due attention to provide proper communication which would have gone a long way in improving the economic standards of the people of the State.

Information furnished by four test-checked divisions, road connectivity provided in five districts under jurisdiction during 2006-11 was as follows.

Table No.: 3.1.4

District	No. of inhabited villages	Villages connected up to March 2006			Villages connected from io01/04/06 to 31/03/11			Total villages covered	Percentage of villages connected
		State Plan	PMGSY	Total	State Plan	PMGSY	Total		
Kurum Kumey	426	8	Nil	8	32	8	40	48	11.27
Lower Dibang Valley	127	16	Nil	16	2	2	4	20	15.75
Dibang Valley	100	14	Nil	14	4	0	4	18	18.00
Seppa	310	61	Nil	61	0	7	7	68	21.94
Changlang	338	157	16	173	0	18	18	191	56.51

(Source: Information furnished by four test checked divisions)

There is inconsistency in the information provided by CE, RWD and the Laaying Yangte division of Kurum Kumey, as the total number of villages in the State provided with road connectivity under State Plan during the period 2006-11 was 20 whereas as per information provided by the division, in Kurum Kumey district alone 32 villages were provided with road connectivity under State Plan during the same period. As such it is difficult to rely on the information provided.

3.1.8 Planning

Suitable planning is imperative to achieve the objective of a programme in a systematic and effective manner. Scrutiny of records showed that the Department did not prepare any Perspective Plan to achieve the mandate by breaking down targets into actionable schemes/programmes to be completed within a given time frame. The Department either centrally or at division-level has records indicating the actual length of road under its jurisdiction.

Suitable planning is all the more important as the Department undertakes rural developmental works like roads & bridges and soil & water conservation funded from different sources viz.,. State Plan, PMGSY, Additional Central Assistance, Special Plan Assistance and Rural Infrastructure Development Fund. In the absence of proper planning, there is a possibility for duplication of work leading to misappropriation; haphazard execution of work leading to delay in completion, abandonment of work midway, etc., resulting in wasteful expenditure, etc.

The Department prepared Annual Operative Plans (AOPs) on the allocation given by the Planning Department and approved by the State Planning Board. Role of the Commissioner in respect of approval of AOPs was not furnished even after several formal requests and personal interaction. The AOPs were prepared by the Division and submitted directly to the Chief Engineer. The Superintending Engineer had no role in the finalization of AOPs.

AOP prepared by the department provides only details in respect of number of roads to be taken up during the year from different source of funding and does not indicate the actual length of the roads to be constructed under each scheme/programme and even in a particular work planned for execution.

As per Annual Operative Plan (AOP) for 2010-11, as many as 402 Roads and Bridges and 345 Soil & Water Conservation Schemes taken up for execution between 1985-86 and 2003-04 remained incomplete as no funds were given for execution of these works since 2000. These schemes were in different stages of progress.

Execution of the schemes

Execution of works in the State under various schemes are discussed in the subsequent paragraphs.

3.1.9. Roads & Bridges under State Plan

As per Annual Operative Plan (AOP) for 2010-11, 402 Roads and Bridges, taken up for execution between 1985-86 and 2003-04 at an estimated cost of ₹ 5.28 crore and to be completed between 1997 and 2005, remained incomplete at the beginning of 2010-11. An amount of ₹ 37.05 crore was spent on their execution and progress of work ranged between 34 and 71 . An additional amount of ₹ 28.23 crore was required

to complete these works, However, only ₹ 11.13 crore was provided in the AOP for completion of 235 schemes. The year wise position of Roads and Bridges works executed during 2006-11 is shown below:

Table No.: 3.1.5

Year	OB	New works taken up	Works Completed	Balance incomplete works	Works transferred to other programme
2006-07	689	0	0	689	-
2007-08	689	0	0	689	-
2008-09	689	0	97	592	15
2009-10	577	0	31	546	144
2010-11	402	61	235*	228	-
Total works completed in 2006-11			**363**		

*(Source: Information provided by the department * tentative figure)*

As could be seen from the above table, as of March 2011, 228 works remained incomplete, of which 61 works were sanctioned during 2010-11 and remaining 167 works had been taken up for execution between 1985-86 and 2003-04 and not funded/partially funded during.2010-11.

Interesting points noticed in execution of works under taken by four test-checked divisions covering five districts are discussed in the following paragraphs.

3.1.9.1 Laaying-Yangte division

Laaying-Yangte division of RWD is responsible for execution of works in Kurum Kumey district. 42 works were taken up during 1985-86 to 1997-98 at an estimated cost of ₹ 4.23 crore, against which ₹ 2.28 crore were spent up to March 2010. Against the requirement of ₹ 1.95 crore for their completion, only ₹ 0.33 crore was provided to the Division for the completion of nine works mainly relating to wire rope suspension bridges (WRSB) and rural link roads (RLR). These works have been shown as actually completed.

Test check of records of the division in respect of twelve works of the 42 works taken up revealed that the division did not have any records relating to Estimates, Technical Sanctions (TS) and Material at Site Accounts. Of these, four works[3] have been completed at a total cost of ₹ 0.74 crore and in remaining eight works ₹ 0.36 crore has been booked as expenditure but no progress in the work have been made as funds for

[3] *(i) C/o of RLR from Leel to Yakitamlang*
(ii) C/o of RLR from Richi to Mange (Ph-I)
(iii) C/o of RLR from PWD road to Radang
(iv) c/o Security fencing and CC Steps from PWD road to RWD complex at Sangram

its completion was not provided. In the absence of relevant records it not certain whether these works were sanctioned at the first instance.

3.1.9.2 Roing Division

This division is responsible for execution of works in the districts of Dibang Valley and Lower Dibang Valley. ₹ 0.93 crore was spent up to March 2010 on execution of 28 works that were taken up during 1999 to 2000-01 at an estimated cost of ₹ 2.43 crore. Against the requirement of ₹ 1.50 crore to complete these works, only ₹ 0.65 crore was provided to the Division for the completion of 12 works, which claimed as completed.

Physical verification of two works revealed lapses in the execution work as depicted below.

<table>
<tr><td colspan="2">Soiling and Metalling of RLR from Roing-Santipur PWD road to Meka Village</td></tr>
<tr><td>No. and Date of sanction: April 2000
Estimated cost : ₹ 6.54 lakh
Expenditure up to 2003-04: ₹ 5.17 lakh</td><td>Expenditure incurred in 2010-11:₹ 1.37 lakh
Work done: Soiling and Metalling</td></tr>
<tr><td colspan="2"> 
</td></tr>
<tr><td>Audit finding:</td><td>Though the work was shown as completed, soiling and metalling was not visible.</td></tr>
</table>

Black Topping of RLR from Roing-Santipur Road to Ashali Village	
Date of Sanction: 1999-2000 Estimated Cost: ₹ 10.03 lakh Expenditure up to 03-04: ₹ 2.14 lakh	Expenditure incurred in 2010-11: ₹ 2.53 lakh Work Done: Water bound Macadam
	
Audit finding:	***No water-bound Macadam works has been carried out as claimed which is evident from the photograph***

3.1.9.3 Changlang Division

This division carries out the work in district of Changlang. As of March 2010, ₹ 84.03 lakh was spent on execution of 17 schemes that were taken up during 1992-93 to 1999-2000 at an estimated cost of ₹ 118.22 lakh. Against the requirement of ₹ 34.19 lakh to complete these works, only ₹ 20 lakh were provided to the Division for the completion of 15 works, which were shown as completed. Test-check of two works, viz., RLR from Diyum-Namsai Road to Innao-Chimai and RLR connecting Khagam-Singphoo to Phup Village with the existing Diyum-Deban Road revealed no deficiency.

During 2006-09, the Division incurred ₹ 1.25 crore for the maintenance of RLR under Manmao Sub-division. Further, during 2009-10, a sum of ₹ 50 lakh was incurred on maintenance of RLR by the Sub-division by diverting funds meant for Soil and Water Conservation works. However, the details regarding the RLR on which these amounts were spent were not on record.

3.1.9.4 Seppa Division

This division cover the district Seppa. As of March 2010, ₹ 203.82 lakh was spent on 28 works which were taken up during 1995-96 to 2003-04 at an estimated cost of ₹ 329.89 lakh. Against the requirement of ₹ 126.02 lakh to complete the works, only ₹ 70.10 lakh was provided to the Division for the completion of 22 works, which were

shown as complete. Physical verification of works was conducted by Audit. Findings of the physical verification is indicated below:

Name of Work: ***Construction of Steel Bridge over Kamu Nalla to Seppa Pabua, including upstream training work***	
Date of Sanction: March 1998 Estimated Cost: ₹ 27.69 lakh	Date of completion: During 2010-11 Expenditure: ₹ 27.69 lakh
	
Audit finding: Work completed and found to be satisfactory	
Name of Work: ***Soiling and Metalling of RLR from Seppa to Pabua***	
Date of Sanction: December 1997 Estimated Cost: ₹ 15.50 lakh Expenditure up to 1997: ₹ 14.81 lakh	Expenditure incurred in 2010-11: ₹ 0.69 lakh Work Done: Preparation of sub-grade
	
Audit finding: Water accumulation on the road	

3.1.9.5 Financial Progress without Physical Progress

In the Annual Operative Plan (AOP) for the year 2010-11, against 44 works estimated at a total cost of ₹ 5.72 crore, amount totalling ₹ 198.08 lakh was shown as financial progress. However, no physical progress was mentioned.

Test check of records of Roing Division revealed that

- An amount of ₹ 1.30 lakh was shown as spent on purchase of materials in respect of work 'Construction of WRSB over Kalaw River between Marango and Hunli Village (70 m)'. However, the materials were transferred to other works.
- Similarly, ₹ 6.74 lakh was shown as spent on purchase of materials in respect of work 'Construction of WRSB over Chini River between Desali and Mitika', however, these materials were transferred to other works.

Thus, the actual position of expenditure and physical progress was not correctly mentioned in the AOP.

3.1.10 Soil and Water Conservation

Land and water resources conservation and development are crucial for sustained agricultural production. The main objectives of the programme are:-

a. Prevention of land degradation by adoption of multi-disciplinary integrated approach of Soil Conservation and Watershed Management in catchment areas.

b. Improvement of land capability and moisture regime in the Watershed.

c. Promotion of land use to match land capability.

d. Prevention of soil loss from catchment areas to reduce siltation of multi-purpose reservoirs and to enhance moisture conservation and surface rain water storage in catchment areas to reduce flood peaks and volumes of run-off.

High priority was to be given to vegetative measures like afforestation, growing grasses and shrubs, agro-forestry, horticulture and plant fuel, fodder, timber and fruit tree species.

As per Annual Operative Plan for year 2010-11, 345 works were taken up between 1992-93 & 2004-05 at an estimated cost of ₹ 14.32 crore and were to be completed between 1994-95 and 2006-07. However, these works remained incomplete as of March 2010. An amount of ₹ 7.28 crore was spent on these works. Physical progress achieved ranged between 11 and 48 . ₹ 5.65 crore was required to complete these schemes. However, ₹ 4.62 crore was released.

An analysis of these works, further revealed that 82 of works (282 works) was for land protection by engineering method and the remaining 18 works were related to

vegetative plantation. High percentage of work by engineering method was contrary to the guidelines of Soil Conservation schemes which stipulated that high priority should be given to vegetative measures.

Position of Soil Conservation schemes as furnished by the Chief Engineer is as follows:

Table No: 3.1.6

Year	OB	Number of new works taken up	Number of works completed	Balance
2006-07	398	0	2	396
2007-08	396	0	4	392
2008-09	392	0	9	383
2009-10	383	0	5	378
2010-11	378	9	246	141

From the above table it could be seen that no new works were taken up during 2006-10 as no funds were provided for the purpose. Only 20 works that were remaining incomplete for long period were completed during this period. Only in 2010-11, 246 pending works were completed, leaving a total of 141 works incomplete which included nine works sanctioned in 2010-11.

3.1.10.1 Doubtful Expenditure

Test check of the records of the office of the Chief Engineer, RWD, revealed that during March 2007, the Soil Conservation Officer, Naharlagun, procured seedlings/budded plants for ₹ 13.61 lakh from 24 suppliers. Payments were released to them by the Chief Engineer Office in May 2010 after obtaining a certificate from Soil Conservation Officer, Naharlagun, that the seedlings were actually received by him.

Further, scrutiny revealed that seedlings so procured were shown to have been issued to site, but records relating to site preparation, pit digging, site of plantation, planting of trees, watering, etc. were not on record. The Plantation Journal for recording works executed at the plantation was also not maintained. Moreover, there was no physical verification report from any officer as to whether the seedlings/budded plants were surviving, fruiting, etc.

In view of the above, the entire amount of ₹ 13.61 lakh spent on purchase of seedling appear to be doubtful.

3.1.10.2 Expenditure in contravention of guidelines

The guidelines stressed on engagement of daily labourers for the execution of work and strictly prohibited engagement of contractors.

Test check of the records of the office of the Chief Engineer, RWD, revealed that in respect of work relating to 'Soil Conservation for enhancing productivity of degraded lands in the Dikrong catchment of micro water shed various jobs like drainage line treatment, contour trenching, gibbon, micro-watershed, vegetative line fencing, etc

were awarded to 31 contractors at a total cost of ₹ 16.25 lakh on work order basis between October 2006 and March 2007. Awarding the work to the contractors was gross violation of the conditions stipulated in the guidelines.

Further, it was seen that that Soil Conservation Officer, Naharlagun, had drawn entire amount of ₹ 16.25 lakh in cash as wages bills for labourers from the cashier of the Chief Engineer Office between August 2006 and February 2007, but the entire amount was shown as paid to the contractors by recording the work in the Measurement Book. The measurement so recorded did not indicate the exact location and nomenclature of works executed. As such doubt arises that whether these jobs were actually carried out.

Test check of eight works in three divisions (Roing - three; Changlang – three; and Seppa - two) revealed the following:

3.1.10.3 Roing Division

In Roing Division, three works selected for audit were in progress. However, a partial photo of one work (i.e. land protection work at Abango cultivation field for Jawa River) is shown below:

Land protection work at Abango cultivation field for Jawa River	
Date of Sanction: March 1995 Estimated Cost: ₹ 9.20 lakh	Expenditure incurred upto 2010-11: ₹ 8.20 lakh
	
Audit finding: The spur guard wall constructed during 2010-11 at a cost of ₹ 1.72 lakh is partially damaged due to flood. Condition of work constructed up to 2002-03 at a cost of ₹ 6.48 lakh is also damaged	

3.1.10.4 Changlang Division

Out of the three works selected for audit, two works were completed. Audit findings are listed below:

- Land protection work at Chatphung, near Tirap River at Longkang was sanctioned in December 1994 at an estimated cost of ₹ 3.99 lakh. An expenditure ₹ 2.39 lakh was incurred on the work up to March 2004, During 2010-11only earthwork for ₹ 1.60 lakh was done and project was declared complete. Mere earthwork alone cannot protect the land.

- Soil Conservation Wing, Rupa, till 2005-06 did some soil conservation works like avenue plantation and soil survey works. However, from 2006-07, under Centrally Sponsored Scheme, 'River Valley Project/Flood Prone River (RVP/FPR)'/'Reclamation and development of Acid Soil (RADAS)' the wing took up number of schemes in '*Jia Bharali Catchment area'*.as per the priority of All India Soil Survey and Land Use Planning, Government of India.

  Fund allotted and expenditure incurred during 2006-11 were as follows:-

Table No: 3.1.7

(₹ in lakh)

Year	Allotment			Expenditure		
	Plan	Non-plan	Total	Plan	Non-plan	Total
2006-07	52.84	16.55	69.39	52.09	13.78	65.87
2007-08	168.24	14.40	182.64	165.82	11.55	177.37
2008-09	130.12	42.95	173.07	130.10	41.74	171.84
2009-10	164.24	104.40	268.64	164.22	30.87	195.09
2010-11	372.36	102.82	475.18	371.79	100.76	472.55

Out of the above mention amounts, expenditure of ₹ 33.00 lakh and ₹ 57.89 lakh was incurred for implementation of schemes in Tenga Village and New Bomdila and Pedung Village respectively. However, physical verification revealed that all the seedlings planted for both the schemes (viz., orange, mausambi, walnut, pear and apple) were covered by undergrowth as could seen from the following photographs.



Covered with undergrowth - seedlings died



Seedlings covered with undergrowth

	
Seedlings covered with undergrowth	**Apple fruiting - three year old plant**

As a result, there was high percentage of mortality and therefore, 57 *per cent* gap filling has to be carried out against norms of 10 *per cent* in schemes.

3.1.11 Rural Infrastructure Development Fund (RIDF)

There are six spill-over schemes under RIDF-X, out of which four schemes were completed in March 2009. Two more schemes were commenced during 2009-10 under RIDF XV. The details are shown below:

Table No: 3.1.8

(₹ in lakh)

Scheme	Date of commencement	Stipulated date of Completion	Estimated Cost	Expenditure.	Present Status
Construction of Bailey Steel Bridge over Pacha River in Seppa-Pabua-Jujudada Road at Ch. 4.80 km	2004-05	March '07	170.34	170.97	Work completed in March '09
Construction of Motorable Steel Truss Bridge over Dikrong River at Laptap Peach Hoj Village	2004-05	March '08	371.14	378.54	Work completed in March '09
Construction of RCC Cantiliver bridge over Dri river at Angrim valley	2004-05	March '08	213.92	219.22	In progress.
Construction of RCC Bridge over Kundil River in between Iduli and Kabang Village	2004-05	March '08	109.36	109.36	In progress
Construction of RCC Bridge over Denning Nallah	2004-05	March '07	39.50	39.50	Work completed in March '09
Construction of Steel Girder Bridge on Noglu-Chinan Road at Ch. 1020 m and 1224 m	2004-05	March '07	124	130.74	Work completed in March '09
Construction of Road from Hari Bridge Point to Watte	2009-10	March '12	400	165	In progress
Construction of Road from Papu Bridge to Gumtung	2009-10	March '12	400	165	In progress

Significant points noticed in execution of these works are discussed below:

3.1.11.1 Construction of RCC Bridge over Kundil River between Iduli and Kabang Village.

The work *"Construction of RCC Bridge over Kundil River between Iduli and Kabang Village,"* including River Training Works and approach filling was administratively approved at an estimated cost of ₹ 109.36 lakh and the work was to be completed by March 2008.

Test check revealed that between June 2005 and October 2006, two contractors carried out survey and soil investigation work and an expenditure of ₹ 5.95 lakh incurred. The consultants proposed a bridge span of 42 m instead of 31.40 m. Moreover, a pier with well foundation of 12.614 m was recommended instead of 6.78 m, as proposed in the Preliminary Estimate.

In order to economize the cost of construction of the foundation and to adopt a technically feasible super-structure, a steel bridge was proposed. A working estimate was prepared as per design submitted by the Consultancy Firm, with a view to keep the cost of the construction within the sanctioned amount. Tenders for the bridge were floated in November 2006 and bids were opened in December 2006. The Department then cancelled the tender in February 2007 and the work was executed on work order basis.

Excavation of the foundation started by awarding three work orders to a single contractor in February 2007 and the work was completed in March 2008. There is nothing on record as regards to the work carried out between April 2008 and March 2009. During the period from April 2009 to March 2010, works such as Gibon structures, abutments and erection of steel superstructures were executed by awarding 65 work orders to five contractors. The bridge was completed at an amount of ₹ 132.73 lakh including liability of ₹ 24.06 lakh.

It was further seen that the bridge was neither painted nor was a proper approach to the bridge made as evident from the following photograph.



Steel Bridge over Kundil River between Iduli and Kabang Village

A revised estimate for ₹ 216.13 lakh, with an additional amount of ₹ 106.77 lakh, was submitted to the NABARD, but the same has not yet been sanctioned (August 2011). As a result, the time overrun of 3 years and cost overrun of ₹ 106.77 lakh would have been reduced.

3.1.11.2 Construction of Steel Truss Bridge over Dri River at Anini

The construction of *"RCC Cantilever Bridge over Dri River at Angrim Valley"* was administratively approved in March 2005 at an estimated cost of ₹ 213.92 lakh. The work was to be completed by March 2008.

After sub-soil investigation by the Consultancy Firm in December 2005 (₹ 7.70 lakh was paid to them), there was a recommendation to increase the span of the bridge from 76 m to 81.50 m. Another firm had prepared the design of the superstructure between August 2006 and March 2007 at a cost of ₹ 1.65 lakh. In order to economize the cost of construction, a design for a steel truss bridge instead of a RCC Cantilever Bridge was proposed.

Tenders for the above bridge were floated in November 2006 and opened in December 2006. The tender was cancelled in February 2007 as the rates quoted by the bidders (number of bidders not mentioned) were not only above the tender amount, but the percentage of rates quoted above the tender amount was also absent.

The work commenced in April 2007 by issuing 77 work orders to seven contractors. An expenditure of ₹ 219.22 lakh has been incurred on the work (March 2009). The work remained incomplete. No further progress on work has been made till date (October 2011). Meantime, the Division had submitted a revised estimate (November 2007) for ₹ 388.65 lakh, but this was yet to be approved (August 2011).

Thus, even after lapse of more than three years of schedule date of completion and an expenditure of ₹ 219.22 lakh, the work remains incomplete and as a result the villagers of Angrim, Acheso and Dambin were deprived off connectivity.

3.1.12 Additional Central Assistance (ACA)

During the period 2006-11, an amount of ₹ 113.69 crore was provided under Additional Central Assistance for maintenance works under Rural Works and Re-construction of damage of infrastructure by floods/natural calamities during 2005 (Phase I and II) and the entire amount was spent.

Scrutiny of work under taken in four test-checked divisions revealed the following.

(i) Four works were under taken by Roing Division, an expenditure of ₹ 1.24 crore incurred and the works were executed as per specifications.

(ii) In Changlang Division seven works were analyzed in detail. The status of the works was as follows:

Table No: 3.1.9

Sl. No.	Name of Work	Estimated Cost (₹ in lakh)	Date of commencement	Date of completion	Expenditure (₹ in lakh)
1.	RLR Miao-Jagun Road (MJ Road) to Kharsang	10.00	April 2009	May 2009	5.64
2.	MJ Road to Tibetan Refugee Camp	20.00	April 2009	May 2009	19.99
3.	RLR MJ Road to Palin	10.00	April 2009	April 2009	9.99
4.	Widening of RLR from Mammai to Kharsang	10.00	Not recorded		5.93
5.	Manmao to Hanalthand	10.00	Not recorded		10.00
6.	Restoration of RLR under Kharsang Sub-division (4 Roads)	39.96	March 2010	Sept 2011	35.36
7.	RLR from Chainage 4 km New Khandu to 5 km Khandu	10.00	Not recorded		10.00

a) In respect of works undertaken at Sl. No 4 and 5 of the above table, the vouchers produced did not contain details regarding date of commencement and completion of work and further, no measurement book was made available to the audit.

b) In the case of Miao-Jagun Road to Tibetan Refugee Camp, an amount of ₹ 19.37 lakh was spent for the same purpose from SPA. As such, the entire matter needs to be investigated.

(iii) Scrutiny of records of Seppa Division revealed three works were executed in Phase I and II of 'Reconstruction of damaged infrastructure by flood and natural calamity during 2005'. However, these roads were taken up for construction under PMGSY Stage –II as discussed in the subsequent paragraphs

- Flood damaged road works for Link Road from BRTF Road to Veo were under taken under PMGSY Stage - II during the period 2010-11 and an amount of ₹ 4.75 lakh was incurred on it. However it is seen that this road was taken up for construction under PMGSY Stage - II in December 2007 and completed at a cost of ₹ 104.70 lakh in March, 2011. Thus, there is possibility of misappropriation of the funds and needs investigation.

- An expenditure of ₹ 110.00 lakh was incurred between August 2010 and March 2011 in respect of flood damaged road works for Link Road from Seppa to Loffa. This road was constructed under PMGSY funds in 2006 at a cost of ₹ 2.68 crore, hence, not eligible under the reconstruction of the infrastructure damaged by flood during 2005. This requires investigation.

- Like wise, an expenditure of ₹ 23.81 lakh was spent between November 2010 and January 2011 in connection with flood damaged road works for Link Road from PWD Pachi Road to Attarangsinghi. However, this road was constructed under PMGSY funds during 2007-09 at a cost of ₹ 201.70 lakh, hence, not eligible under the reconstruction of the infrastructure damaged by flood during 2005. This requires thorough investigation.

3.1.13 Special Plan Assistance (SPA)

Under Special Plan Assistance, during 2006-10, a total amount of ₹ 125.29 crore was received from Government of India for execution of works relating to Rural Roads and Bridges and Soil Conservation.

69 Rural Roads and Bridges and 6 Soil Conservation schemes were executed and total expenditure incurred on them was ₹ 125.29 crore. However, it is seen that expenditure incurred on 15 schemes under Rural Roads and Bridges totaling to ₹ 18.79 crore was wrongly booked against Soil and Water Conservation (Plan).

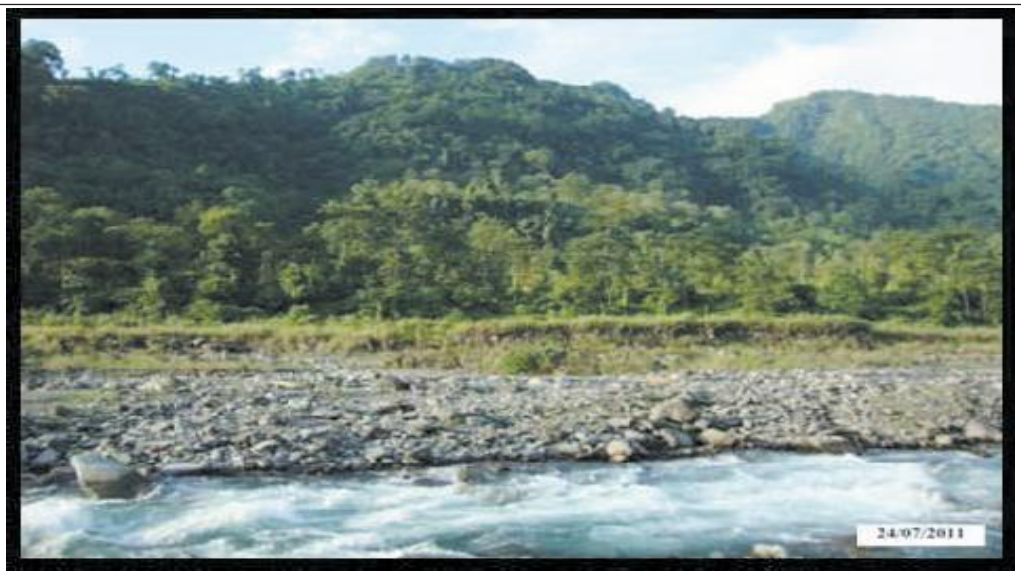
Significant points noticed in the execution of schemes under SPA which were checked in detail by Audit is discussed in the subsequent paragraphs.

3.1.13.1 Catchment Area Treatment of Deopani River

The work *"Catchment Area Treatment of Deopani River"* MHS Phase - I to protect Roing Township Water Supply Project under Lower Dibang Valley District, was administratively approved in July 2008 and was to be completed by March 2009. The work commenced in July 2008 and was completed in September 2008. The works executed by engineering method were spur, earthen embankment, percolation pond, etc. at a cost of ₹ 59.73 lakh; and by vegetative method were land development and plantation, brushwood check dam, fencing, page-wire fencing and nursery work of seeds and manure at a cost of ₹ 24.40 lakh. All the work done by engineering method was on the riverbed, which was found intact. However, the plantation created by vegetative method could not be located as the riverbank was full of natural vegetation as evident from the photographs.



Structure in river bed



River bank full of natural vegetation

3.1.13.2 Upper Catchment Area - Ephipani River at Roing

The work *"Upper Catchment Area Ephipani River"* was administratively approved in March, 2009 for ₹ 99.50 lakh and the work was to be completed by 31st March, 2010. The work commenced in 22/03/2009 and completed on 19/06/2009.

Test check revealed that the Department incurred ₹ 58.03 lakh towards apron, guide bund, check dam, etc., and ₹ 27.91 lakh was incurred for Vegetative Method.

However, third party monitoring and the evaluation report revealed that no quality control register was maintained, and no detailed feasibility survey was conducted.



Physical verification on 24th July 2011 revealed that the spur, apron, guide bund and check dam were broken due to use boulders of disproportionate sizes as evident from the photograph. Moreover, only around 20 seedlings could be seen at the time of physical verification.

Thus the entire expenditure ₹ 85.94 incurred on the scheme has been rendered fruitless.

3.1.13.3 Construction of RLR from Nampong to Sangwal Village of Changlang District

The work was administratively approved in March 2009 for ₹ 199 lakh against the estimated cost of ₹ 200 lakh. The stipulated date of completion was not mentioned either in the estimate or the administrative approval. The work commenced in November 2008 and was completed in March 2009 through 16 contractors by issuing 244 work orders. An amount of ₹ 194.20 lakh was paid to the contractors against the estimated provision of ₹ 194.18 lakh. However, it was seen that the estimate included excavation of 113990.95 cum of ordinary rock, and the rate allowed was ₹ 123 per cum, which included cost of blasting materials and wages of drillers.

As the excavation of ordinary rock does not require blasting materials and driller, hence, the inclusion of the cost of blasting materials and wages of drillers in the rate allowed was not in order, If the element of cost relating to blasting materials and wages of drillers is excluded the applicable rate works out to ₹ 100 per cum

The Department, thus, incurred excess expenditure of ₹ 26.22 lakh, being payment for excavation of 113990.95 cum of ordinary rock @ ₹ 123 per cum.

3.1.14 Pradhan Mantri Gram Sadak Yojana (PMGSY)

PMGSY was launched in December 2000 to provide all-weather access to unconnected habitations. PMGSY is a Centrally Sponsored Scheme fully funded by GoI. The primary objective of PMGSY is to provide connectivity by way of all weather roads with necessary culverts and cross drainage structures, operable throughout the year. In respect of Hill States, the objective is to connect habitations with a population of 250 and above.

Funds for cleared projects are made available to the State Rural Road Development Agency (SRRDA) in two instalments. The first instalment of 50 *per cent* and the release of the second instalment in a year was subject to the following main conditions:

a. Utilization Certificate for funds released earlier;

b. Certificate by Bank Manager indicating the balance on the date of the certificate and the interest credited; and

c. Certificate regarding the requisite physical completion of works.

The State Government was to credit funds for maintenance to the Maintenance Account. The State Government was also to credit the Programme Account funds in order to meet work related expenses not found eligible to be funded under PMGSY, and to meet cost escalation, tender premium and other programme expenses which are the responsibility of the State Government.

In Arunachal Pradesh, Rural Works Department is nominated as the Nodal Department and Arunachal Pradesh Rural Road Development Agency receives the funds from the Union Government for implementation of the programme.

In drawing up the annual list of the road works, the District Panchayat was to ensure that the order of priority for new connectivity/upgradation was strictly followed. The only exceptions (in new connectivity links) from the order of priority are in respect of routes of the core network that include village panchayat headquarters, market centres, educational/medical institutions, essential services or those which stand notified by the State Government as places of tourist interest and places of strategic defence importance. These can be taken up irrespective of the population size.

The position of funds allotted and expenditure incurred during the period 2006-11 is indicated in the following table.

Table No: 3.1.10

(₹ in crore)

Year	Opening Balance	Funds Received	Total fund available	Funds Utilized	Closing Balance	Percentage of unspent fund during the year
2006-07	179.46	54.22	**233.68**	63.96	(-) 169.72	73
2007-08	169.72	102.03	**271.75**	136.62	(-) 135.13	50
2008-09	135.13	104.49	**239.62**	159.00	(-) 80.62	34
2009-10	80.62	282.51	**363.13**	251.13	(-) 112.00	31
2010-11	112.00	369.87	**481.87**	348.85	(-) 133.02	28

(Source: Information furnished by the Chief Engineer)

It can be seen from the above table that although amount of funds utilized during during the period 2006-11 has increased there was substantial unutilized funds at the end of each year.

Further, an amount of ₹ 10.18 crore was earned as interest from 2006-07 to 2010-11. Out of the interest, ₹ 3.00 crore was accorded (December 2008) for creation of a digital database for Rural Roads Planning in border areas of the state by procurement of hardware, software, etc. and engagement of consultants for preparation of DPR.

3.1.14.2 Execution of Work

The position of number of schemes taken up and completed during the period 2006-11 is indicated in the following table.

Table No: 3.1.11

Year	Opening balance	Number of Schemes taken up	Total number of schemes	Number of schemes Completed	Closing Balance
2006-07	66	43	109	13	96
2007-08	96	73	169	33	136
2008-09	136	104	240	31	209
2009-10	209	64	273	38	235
2010-11	235	46	281	67	214

(Source: Information furnished by the Chief Engineer)

As could be seen from the above table, at the beginning of 2006-07 there were 66 ongoing schemes and another 330 were taken up during 2006-11. Against this only 182 schemes were completed and the remaining 214 schemes are yet to be completed.

3.1.14.3 Finalization of Tenders

The Rural Works Department would invite tenders after the project proposals are cleared and technical sanction accorded,. There is a well established procedure for tendering through competitive bidding. The time allowed for finalization of a tender is 75 days from the date of clearance by Ministry.

In four test-checked divisions, no tenders were finalized by the divisions within the stipulated time of 75 days. There were delays ranging between 21 days to 125 days in finalization of tenders in respect of 34 works for which technical sanction was given as shown in the following table:

Table No. 3.1.12

Sl. No.	Division	No. of Works	Date of Technical Sanction (TS) between	Date of Work Order between	Time taken between T.S. and Work Order	Period of delay beyond permissible 75 days
1	Laaying-Yangte	7	Sep. 08 & Nov 08	27 Apr 09 & 01 Jul 09	159 and 228 days	84 to 153 days
2	Roing	2	30 May 07	17 Dec 07	200 days	125 days
		8	08 Jun 09	05 Nov 09	148 to 179 days	73 to 104 days
3	Changlang	3	10 Jul 07	09 Jan 08 & 01 Feb 08	183 to 205 days	92 to 130 days
		4	20 Oct 08	02 Feb09 & 04 Feb 09	165 to 167 days	90 to 92 days
		3	24 Jul 09	04 Dec 09 & 29 Oct 10	96 to 147 days	21 to 72 days
4	Seppa	3	31 Jul 07	12 Dec 08	133 days	58 days
		1	18 Nov 08	23 Jul 09	247 days	172 days
		3	06 Jul 09	04 Jan10 & 22 Feb 10	181 to 230 days	106 to 155 days

3.1.14.4 Non-maintenance of completed PMGSY Roads

It was seen in Audit that expenditure of ₹ 3.50 lakh incurred on maintenance of four ongoing works[4] was booked (in March 2011) against *"55 km Dambuk-Paglam Road to Keba Village"* road which was completed in March 2007. This is not only irregular but also creates doubts whether such expenditure was incurred in first place.

[4] *1. PMGSY Road from Old Abali to Injino*
2. m/o PMGSY Road under RWSD, Anini
3. m/o PMGSY road from old Abali to Injino
4. M/o PMGSY Road from Old Abali to Injino

3.1.14.6 Delay in Completion of Works

In 13 works in two test-checked divisions delay in issue of work orders ranging from two to 27 months was noticed as listed below

Table No: 3.1.13

Division	No. of Works	Year	Date of Technical Sanction	Date of Work Order	Stipulated Date of Completion	Date of Completion	Delay in Completion (months)
Seppa	4	2006-07	03 Jul 07	09 Dec 07 & 02 Dec 08	09 Dec 08 & 12 Dec 08	Mar 2010 & Mar 2011	15 & 27
	2	2007-08	13 Oct 08 & 01 Dec 08	05 Mar 09	04/03/10	Mar. 2011	11
	1	2008-09	06/07/09	04/01/10	3/1/11	Feb. 2011	1
Changlang	2	2006-07	04/07/07	22/1/08 & 01/02/08	21/1/09 & 31/01/09	Mar. 2011	26
	2	2007-08	20/10/08 & 04/11/08	04/02/09	03/02/10	Nov. 2010	9
	2	2008-09	24/07/09	14/Dec/09	10/Dec/10 & 19/Dec/10	Mar. 2011 & Mar. 2011	3 & 2

3.1.14.7. Works executed in violation of population norms

Koloriang - Nikja Road (catering population of 38) and Old Palin - Rakso Road (catering population of 72) were taken up in May 2009 at an estimated cost of ₹ 74.82 and ₹ 164.05 lakh respectively, in violation of the population norm of a minimum 250 habitation. Incidentally, these two places were neither place of tourist attraction nor were of strategic defence importance.

3.1.15 Monitoring

There is no centralized database of projects under execution or projects executed during the last 5 years, except for PMGSY, where monitoring was carried out by the EEs & AEs, and sometimes by the Superintending Engineer and Chief Engineer through field visits. There was also no monitoring of schemes undertaken under State Plan Schemes and Centrally Funded Schemes routed through the budget.

There was no Citizens' Charter of the Department. In case of Projects under State Plan, no milestones could be recorded due to uncertain flow of funds. Monitoring virtually was non-existence in the department.

3.1.16 Internal Control and vulnerability to fraud and corruption

The following major weaknesses were noticed in the Internal Control System of the Department, giving scope for malpractices, misappropriation of funds and embezzlement.

i) Execution of works without calling for tenders

ii) Award of works on single tender basis

iii) Material-at-site Accounts not checked

Apart from the above following significant aspects showing inadequate Internal Control System were also noticed in audit.

- Physical verification in three Divisions showed that the cash balance was not recorded in the Cash Book. Reports on surprise checks were also not maintained. In Seppa Division, payments exceeding ₹ 10, 000 were made in cash in violation of the prescribed rules and regulation.
- The Commissioner (RWD) had no role to play in Internal Control through any vigilance mechanism.
- Due to lack of adequate Internal Control in Seppa Division, (minus) ₹ 35.27 lakh was lying in deposit Part – III, though regular accounts were submitted by the Division to the Chief Engineer's Office for verification.
- None of the Divisions were audited by the Internal Audit Wing of the Department during the period covered by audit.
- As per the CPWD Code, the SE is required to inspect the Divisions under his control at least once in a year. It was noticed that SE, Itanagar had never visited Laaying-Yangte Division in the last five years.
- Only positive aspect noticed was SE, Rupa, visited all the PMGSY works under his Circle.

3.1.16.1 Maintenance of MAS Accounts

Section 46.2 of the CPWD Works Manual provides that the Material-at-site Account, maintained by the JE for each work, should be checked at least twice a year and a certificate to the effect that materials procured for the work were actually utilized/issued to the work is to be recorded.

- In Laaying-Yangte Division, six WRSBs were sanctioned in 1996-97 and 1997-98 at an estimated cost of ₹ 67.10 lakh. An amount of ₹ 34.63 lakh was incurred on procurement of materials, but the MAS Accounts could not be traced.

- In Roing Division, in the work *"Upper Catchment Area Treatment on Ephipani River"* there was shortage of 485 kg. sausage wire. Material worth ₹ 0.57 lakh were lying in the site account of the work *"SPT Type Qtr. for Staff"*.

- In Seppa Division, not a single site account could be produced to audit.

3.1.17 Outstanding observations of previous years

121 Paras (Part II-A – 30 and Part II-B - 91) with a money value of ₹ 63.80 crore (Part II-A – ₹ 22.59 crore and Part II-B – ₹ 41.21 crore) issued between June 1984 and October 2010 are not settled till date.

3.1.18 Conclusion

The Government was not able to provide connectivity in a timely manner to a majority of the rural population of the State. Planning lacked purpose and direction. Project Management was weak, leading to delay in execution of works and projects, a large number of which remained incomplete for long periods. Tender processes, other than in PMGSY works, were not yet followed/introduced. Supervision and monitoring required strengthening. The Internal Control System was inadequate.

3.1.19 Recommendations

- The Department, in consultation with the Finance Department, should streamline the existing system to ensure that funds are available in time for smooth implementation of Programmes.
- On the basis of availability of resources, resources should be appropriately distributed between ongoing projects and new projects with emphasis on completing ongoing projects.
- Project monitoring at all levels should be streamlined and the implementation schedule should be enforced for timely completion of projects.
- Tendering of all works should be done as per rules prescribed by State Government.
- Work orders should be issued without undue delay after technical sanction is accorded.
- The Internal Control Mechanism should be strengthened.

CHAPTER IV: REVENUE RECEIPTS

GENERAL

4.1 Trend of Revenue Receipts

4.1.1 The tax and non-tax revenue raised by the Government of Arunachal Pradesh during the year 2010-11, the State's 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: 4.1

(₹in crore)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Revenue raised by the State Government					
	• Tax revenue	78.24	98.09	136.22	173.44	214.99
	• Non-tax revenue	297.17	656.92	772.01	511.25	530.14
	Total	375.41	755.01	908.23	684.69	745.13
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	347.14	437.87	462.09	475.40	720.18
	• Grants-in-aid	1869.62	1810.13	2485.64	3134.78	3956.78
	Total	2216.76	2248.00	2947.73	3610.18	4676.96
3.	Total revenue receipts of the State Government (1 and2)	2592.17	3003.01	3855.96	4294.87	5422.09
4.	***Percentage of 1 to3***	***14***	***25***	***24***	***15.94***	***16.12***

The above table indicates that during the year 2010-11 the revenue raised by the State Government (₹ 745.13 crore) was 13.74 *per cent* of the total revenue receipts against 15.94 *per cent* in the preceding year. The balance 86.26 *per cent* of receipts during 2010-11 was from the Government of India.

4.1.2 The following Table presents the details of tax revenue raised during the period 2006-07 to 2010-11:

Table: 4.2

(₹ in crore)

1	Head of Revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+)/(-) decrease in 2010-11 over 2009-10
1.	Tax on Sales, Trade, etc.	61.64	77.06	105.67	130.23	168.24	(+) 29.19
2.	State Excise	10.98	11.60	16.60	23.79	29.74	(+) 25.01
3.	Stamp Duty and Registration Fees						
	Stamps – Judicial	0.55	0.86	1.25	1.88	1.86	(-) 1.06
	Stamps – Non-Judicial						
	Registration Fees						
4.	Taxes and Duties on Electricity					0.000006	
5.	Taxes on Vehicles	2.93	6.42	7.76	13.07	11.76	(-) 10.02
6..	Land Revenue	2.10	2.12	4.90	4.43	3.37	(-) 23.93
7.	Others	0.04	0.03	0.04	0.04	0.02	(-) 75.00
Total		**78.24**	**98.09**	**136.22**	**173.44**	**214.99**	**(+) 23.95**

The reasons for variations were neither stated nor on records.

4.1.3. The following table presents the details of the non-tax revenue raised during the period 2006-07 to 2010-11:

Table: 4.3

(₹ in crore)

Sl. No.	Head of Revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+)/(-) decrease in 2010-11 over 2009-10
1.	Interest Receipts	13.54	29.10	34.80	40.02	111.35	(+) 178.24
2.	Dairy Development	0.03	0.03	0.03	0.02	0.02	
3.	Other Non-tax Revenue	84.05	62.01	42.75	51.30	69.11	(+) 34.72
4.	Forestry and Wild Life	9.03	8.57	12.50	9.99	12.22	(+) 22.32
5.	Mining Receipts Non-Ferrous Mining & Metallurgical Industries	47.60	45.82	42.95	57.56	37.27	(-) 35.25
6.	Miscellaneous General services (Including Lotteries)	15.85	45.56	20.26	11.39	1.62	(-) 85.78

Sl. No.	Head of Revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+)/(-) decrease in 2010-11 over 2009-10
7.	Power	119.05	458.06	609.74	329.27	282.18	(-) 14.30
8.	Medical and Public Health	0.19	0.37	0.28	0.23	0.35	(+) 52.17
9.	Co-operation	0.11	0.40	1.03	0.73	0.70	(-) 4.11
10.	Public Works	2.22	1.59	2.56	4.28	3.02	(-) 29.44
11.	Police	2.03	1.22	1.97	1.13	3.12	(+) 176.11
12.	Other Administrative Services	3.41	4.19	3.13	5.33	9.18	(+) 72.23
Total		**297.11**	**656.92**	**772.01**	**511.25**	**530.14**	**(+) 3.69**

The reasons for variations were neither stated nor on records.

4.1.4 Response of Departments towards 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 the irregularities noticed during conduct of audit are discussed on the last day of audit with the Head of Office. During discussions, objections are dropped where possible and the objections which are of serious nature are incorporated in Inspection Report and forwarded to the concerned office with request to furnish reply within a specific period. Objections of very serious nature are developed into Draft Audit Paras (DAP) and forwarded to the Secretary of the related Department requesting acceptance of the facts and figures and comments, if any, to be communicated within six weeks. In case no reply is received the DAPs are included in the report of the CAG as Audit Paras.

4.1.5 Failure of Senior Officials to enforce accountability and protect the interest of the State Government

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

Inspection Reports issued upto June 2011 disclosed that 677 paragraphs involving ₹ 463.34 crore relating to 338 IRs remained outstanding at the end of June 2011, along with the corresponding figures for the preceding two years, as mentioned in the following table.

Table: 4.4

	June 2009	June 2010	June 2011
Number of outstanding IRs	258	287	338
Number of Outstanding Audit Observations	661	784	677
Amount Involved (Rupees in crore)	316.47	427.97	463.34

The Department-wise details of the IRs and Audit Observations outstanding as on 30 June 2011 and the amounts involved are mentioned in Table 4.5.

Table: 4.5

(₹ in Crore)

Sl. No	Name of the Department	Nature of Receipts	Number of outstanding IRs	Number of outstanding Audit Observations	Money Value Involved
1.	Finance	Taxes/VAT on Sales, Trade, etc;	67	273	39.63
		Entry Tax			
		Electricity Duty			
		Entertainment Tax, Luxury Tax, etc;			
2.	Excise	State Excise	73	136	42.01
3.	Revenue	Land Revenue	32	93	95.25
4.	Transport	Taxes on Motor Vehicles	45	76	17.41
5.	Stamps & Registration	Stamps & Registration Fees	-	-	-
6.	Mines & Geology	Non-ferrous Mining and Metallurgical Industries	20	43	138.28
7.	Forest & Environment	Forest & Wildlife	97	43	108.08
8.	Water Resources	Water Rates	-	-	-
9.	State Lotteries		04	13	22.68
Total			**338**	**677**	**463.34**

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 119 IRs issued upto December 2010. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the Heads of Offices and Heads of the Departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

It is recommended that the Government may take suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/officers who fail to send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time-bound manner.

4.1.6. Departmental Audit Committee Meetings

In order to expedite settlement of the outstanding audit observations contained in the IRs, a Departmental Audit Committee is constituted by the Government. These Committees are chaired by the Secretaries and attended by officers of the Departments concerned and Accountant General's Office.

In order to expedite clearance of the outstanding audit observations, it is necessary that the Audit Committees meet regularly. During the year 2009-10 and 2010-11, no Audit Committee Meeting was held, despite being requested. Thus, the concerned Departments failed to take advantage of the Audit Committee mechanism set up.

4.1.7. Response of the Departments to Draft Audit Paragraphs

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

Twenty Draft Paragraphs proposed for inclusion in the Report for 2009-10 were forwarded to the Secretaries of the respective Departments during June 2010 and September 2010. Besides, the Chief Secretary to the State Government was also requested to arrange for discussion of the issues raised in the Draft Audit Paragraphs for inclusion of the views/comments of the Government in the Audit Report. Despite these efforts, no response was received on these Draft Paragraphs and consequently these had to be included in the Report without the response of the Government. During the current year 23 Paragraphs have already been taken up with the Govt. Replies are still awaited (October 2011).

4.1.8. Follow-up on Audit Reports – Summarised Position

With a view to ensure accountability of the executive in respect of all the 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 the concerned departments of the State Government should without waiting for the receipt of any notice or call from the Public Accounts Committee (PAC), submit *suo motu* replies on all paragraphs and reviews featuring in the Audit Reports within three months, and submit the 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 recommendations (1996), the Government specified the time frame of three months for submission of *suo moto* replies by the concerned Departments. The PAC specified the time-frame for submission of ATNs on their recommendations as one month upto the 49th Report.

Reviews of the outstanding Explanatory Notes on the paragraphs included in the Reports of the Comptroller and Auditor General of India for the years from 1990-91 to 2009-10 revealed that the concerned Administrative Departments were not complying with these instructions. The paras outstanding upto the year 2007-08 of the Audit Report have been transferred to the State Government for necessary action as per the decision taken in the 'National Seminar on Legislative Audit Interface' held in July 2010. As of November 2011, *suo motu* Explanatory Notes on 41 paragraphs of these Audit Reports were outstanding from the various Departments.

Review of five reports of the PAC containing recommendations on 19 paragraphs in respect of Forest, Finance and Excise Departments presented to the Legislature between September 2001 and March 2006 revealed that the concerned Departments had failed to submit ATN on the recommendations made by the PAC as mentioned in the following table.

Table: 4.6

Year of the Audit Report	Paragraph numbers on which recommendations were made by the PAC but ATNs are awaited	Number of PAC Report on which recommendations were made	Date of presentation of the Report of the PAC to the State Legislature
1986-87	6.4, 6.6, 6.7 and 6.8	49th Report	3 March 2003
1991-92	6.4, 6.5 and 6.6	44th Report	21 September 2001
1994-95	6.4	44th Report	21 September 2001
1995-96	6.4, 6.5 and 6.6	46th Report	19 March 2002
	6.7, 6.8 and 6.10	48th Report	-do-
1996-97	6.7	46th Report	-do
1997-98	6.3, 6.5 (i), (ii)	51st Report	21 March 2006
1998-99	6.3.6 (a) and 6.5	51st Report	-do-

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

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

4.1.9 Position of the Audit Paragraphs raised by Audit

The following is the position of paragraphs included in the 'Revenue Receipts' Chapter of the Audit Reports relating to the Government of Arunachal Pradesh for the last ten years in respect of the Land Management Department:

Table: 4.7

(₹ in lakh)

Sl. No.	Year of Audit Report	Paragraph No.	Caption of the Paragraph	Amount
1.	2000-2001	-	-	-
2.	2001-2002	-	-	-
3.	2002-2003	-	-	-
4.	2003-2004	5.13	Non- realisation of Penalty	108.00
5.	-do-	5.14	Short realisation of Land Revenue	164.97
6.	-do-	5.15	Unauthorised Occupation of Government Land without payment of Land Revenue	36.49
7.	-do-	5.16	Short realisation of Lease Rent	26.59
8.	-do-	5.17	Non-realisation of Land revenue	8.68
9.	2004-2005	5.14	Short-realisation of Revenue	16.67
10.	-do-	5.15	Loss of Revenue	6.25
11.	2005-06	6.11	Non-realisation of Land Revenue	77.60
12.	2006-07	6.11	Non-realisation of Revenue	273.00
13.	2007-2008	-	-	-
14.	2008-2009	4.7	Short realisation of Lease-Rent	349.25
15.	-do-	4.8	Short realisation of Land Revenue	33.39
16.	2009-2010	-	-	-
Total				**1100.89**
				Say Rs. 11.01 crore

It is recommended that the Government may consider taking suitable steps to install an effective procedure for prompt and appropriate response to audit observations

The summarised position of Inspection Reports issued during the last 10 years, paragraphs included in these reports and their status as on March 2011 are given in the following table.

Table: 4.8

(₹ in crore)

Year	Opening Balance			Additions during the Year			Clearance during the Year			Closing Balance during the Year		
	IRs	Para graphs	Money Value	IRs	Para graphs	Money Value	IRs	Para graphs	Money Value	IRs	Para graphs	Money Value
2000-01	52	126	2.3	22	44	3.22	5	7	0.56	69	163	4.96
2001-02	69	163	4.96	28	46	10.27	4	8	0.65	93	201	14.58
2002-03	93	201	14.58	27	73	42.51	4	10	0.73	116	264	56.36
2003-04	116	264	56.36	27	91	16.44	6	13	0.32	137	342	72.48
2004-05	137	342	72.48	31	62	33.27	5	8	1.02	163	396	104.73
2005-06	163	396	104.73	33	63	45.3	2	3	1.1	194	456	148.93
2006-07	194	456	148.93	27	85	31.6	0	4	0.34	221	537	180.19
2007-08	221	537	180.19	25	63	39.1	0	1	0.2	246	599	219.09
2008-09	246	599	219.09	34	97	32.46	0	0	0	280	696	251.55
2009-10	280	696	251.55	33	75	41.03	0	0	0	313	771	292.58
2010-11	313	771	292.58	25	133	170.99	0	3	0.23	338	901	463.34

No Audit Committee Meetings were held during 2009-10 and 2010-11.

4.1.10 Recovery of Accepted Cases

Position of recovery of accepted cases is given in the following table:

Table: 4.9

(₹ in crore)

Year of Audit Report	Total Money Value	Accepted Money Value	Recovery Made
2003-04	23.05	0.27	0.01
2004-05	5.43	1.90	-
2005-06	8.69	6.91	0.06
2006-07	31.53	6.60	-
2007-08	112.38	51.25	-
2008-09	31.87	-	-
2009-10	49.27	0.42	0.34
Total	**262.22**	**67.35**	**0.41**

Total recoveries made as at the end of 2010-11 was not even one *per cent* of the accepted money value.

It is recommended that 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.

4.1.11 Action taken on the recommendations accepted by the Departments/ Government

The draft Performance Reviews conducted by the AG are forwarded to the concerned Departments/Government for their information with a request to furnish replies. These reviews are also discussed in an Exit Conference and the Department's/Government's views are included while finalising the reviews for the Audit Reports.

The following table indicates the issues highlighted in the reviews on the **Transport, Land Management and Environment & Forest Departments** featured in the last 10 Audit Reports, including the recommendations and action taken by the Departments on the recommendations accepted by it as well as the Government.

Table: 4.10

Year of Audit Report	Name of the Review	No. of Recommendations	Details of the recommendations accepted	Status
1999-2000	Receipts under Taxes on Motor Vehicles	Nil	Nil	-
2001-02	Assessment, levy and collection of Land Revenue	2	2	-
2003-04	Collection of Forest receipts in Arunachal Pradesh	5	Nil	-
Total		**7**	**2**	**-**

During the period for 1999-2000, 2001-02 & 2003-04, three reviews pertaining to the Motor Vehicles, Land Management and Environment & Forest Departments were conducted which contained Seven recommendations. Out of seven recommendations, two were accepted. Position of the balance five recommendations is not available.

It is recommended that the Government may put in place a monitoring mechanism to watch and ensure timely action on the recommendations accepted by the concerned Departments to improve revenue collection.

4.1.12 Audit Planning

The unit offices under various Departments are categorised into high, medium and low risk units, according to their revenue position, past trends of audit observations and other parameters. The Annual Audit Plan is prepared on the basis of risk analysis which, *inter-alia*, includes critical issues in Government Revenues and Tax Administration, i.e. Budget Speech, White Paper on State Finances, Reports of the Finance Commission (State and Central), recommendations of the Tax Reforms Committee, Statistical Analysis of the revenue earnings during the past five years, features of the Tax Administration, audit coverage and its impact during past five years, etc.

During the year 2010-11, the audit universe comprised of 127 auditable units, of which 24 units were planned against which 25 units were audited during the year 2010-11 which is 20 p*er cent* of the total auditable units.

Besides the compliance audit mentioned above, no Performance Reviews were taken up to examine the efficacy of the tax administration of these receipts.

4.1.13 Position of Local Audit conducted during the year

Test check of the records of 25 units of Commercial Tax, State Excise, Motor Vehicles, Forest and other Departmental Offices conducted during the year 2010-11 revealed under assessments/short-levy/loss of revenue aggregating ₹ 170.99 crore in 133 cases. The Departments collected ₹ 0.10 crore in three cases during 2010-11.

4.1.14 Results of Audit

Test check of the records of Sales Tax, Land Revenue, State Excise, Motor Vehicles Tax, Forest and Other receipts conducted during 2010-11 revealed under assessment, non/short levy, loss of revenue, etc. of ₹ 10.56 crore in 19 paragraphs. Replies in all the cases had not been received (February 2012). These are discussed in succeeding paragraphs 4.2.1 to 4.2.19.

TAXATION DEPARTMENT

4.2.1 Loss of Revenue due to non-registration of Government Departments

Non-registration of State Government Departments resulted in non-realisation of revenue of ₹ 23.94 lakh and penalty of ₹ three lakh on sale of timber, sand and stone

Section 2(l) (ii) read with Section 19 (i) of the Arunachal Pradesh Goods Tax (APGT) Act, 2005 provides that each Government Department, if it sells, supplies or distributes goods in the course of specified activities, falls within the definition of a dealer and is required to be registered under the Act. As per Section 87(4), if any dealer fails to register himself, he is liable to pay a penalty of ₹ 1000 per day, subject to maximum of ₹ one lakh. In Arunachal Pradesh, timber was taxable at the rate of 12.5 *per cent* upto 13 August 2008 and thereafter, exempted from tax. Sand and stone are, however, taxable at the rate of 12.5 *per cent.*

4.2.1(i). On cross checking the records of the Divisional Forest Officer (DFO), Khellong Forest Division, Bhalukpong, with those of the Superintendent of Taxes, Border Facilitation Counter, Bhalukpong, in March 2011, it was observed that the Forest Division sold 2134.825 cubic metres of timber valued at ₹ 76.59 lakh to authorised wood-based industries in 2005-06 and 2006-07. The DFO neither applied for registration nor paid any tax on the aforesaid sale of timber. The Assessing Officer (AO) also did not initiate any action to get the Division registered and to collect the tax. This resulted in non-realisation of revenue of ₹ 9.57 lakh and penalty of ₹ one lakh.

4.2.1(ii). Test check of the permit books for sale of sand and stone of the Assistant Mineral Development Officers (AMDO), Tezu and Roing in January-February 2011, revealed that the Mineral Department sold sand and stone valued at ₹ 1.15 crore to 627 dealers within the State between April 2005 and January 2011.

On cross verification with the records of the Taxation Department, Tezu and Roing it was found that neither the AMDOs nor the purchasing dealers were registered. The AO also had not taken any action for their registration which resulted in non-realisation of revenue of ₹ 14.37 lakh and penalty of ₹ two lakh.

The cases were reported to the Department/Government in May 2011 but reply has not been received (October 2011).

4.2.2. Evasion of Tax by two Unregistered Dealers

Non-registration of two dealers under APST Act led to evasion of tax of ₹ 9.59 lakh for which interest & penalty of ₹ 24.86 lakh was also recoverable

Under Section 7 (2) of the Central Sales Tax (CST) Act, 1956, any dealer liable to pay tax under the appropriate sales tax laws of the State, shall apply for registration in the prescribed form. Similarly, under Section 10(1) of the Arunachal Pradesh Sales Tax (APST) Act, 1999 no dealer shall carry on business of taxable goods unless he is registered and possesses a certificate of registration. Under Section 22 (l) (a) and Section 21 (1) (i) (i) of the APST Act, if any dealer liable to pay tax under the Act, fails to get himself registered is, in addition to any tax or interest payable by him, liable to pay by way of penalty a sum not exceeding the amount of assessed tax.

Cross verification of the records of two dealers registered in ST, Khonsa with those of two Assam-based dealers in December 2010 revealed that the dealers imported cement and electrical goods valued at ₹ 1.20 crore between April 2002 and April 2005 by utilising four 'C' Forms. The dealers were, however, registered under the CST Act only and did not apply for registration under the APST Act. The AO also did not initiate action to register the dealers and realise tax on import of taxable goods. This led to evasion of tax of at least ₹ 9.59 lakh. Besides, interest of ₹ 15.27 lakh, penalty of ₹ 9.59 lakh was also leviable for carrying on business without registration.

The cases were reported to the Department/Government in May 2011, but reply has not been received (October 2011).

4.2.3. Evasion of tax by dealers registered under the CST Act

Two registered dealers evaded payment of tax of ₹ 87.50 lakh (including Interest and Penalty) by fraudulently using 'C' Forms issued to them.

Under Section 8 of the CST Act, a registered dealer may purchase goods from a registered dealer of another state at a concessional rate by furnishing the prescribed declaration in Form 'C'. Further, the provision under section 10 states that if a person furnishes a declaration form which he knows or has reasons to believe to be false, he is punishable with simple imprisonment which may extend upto six months or with fine or with both.

While auditing the records pertaining to the years April 2000 to March 2010 of ST, Khonsa in December 2010, it was noticed that M/s. Chakban Crushing Unit and M/s. Tezam Enterprises, registered under the CST Act in Khonsa Unit Office, procured declarations in Form 'C' from the Assessing Officer to purchase goods from outside the State. The dealers did not submit any Utilisation Certificate in support of the declaration forms used.

During cross verification of declaration forms received from Assam, it was noticed that by utilisation of four 'C' forms[1] issued to these dealers, cement valued at ₹ 2.49 crore during 2003-04 and 2004-05 was imported from M/s. Lafarge India (P) Limited, a Guwahati-based dealer. As per records of M/s. Lafarge India (P) Limited, two forms issued to M/s. Chakban Crushing Unit were utilised by M/s. N. T. Enterprise and two forms issued to M/s. Tezam Enterprises were utilised by M/s.T.J. Enterprise for purchase of cement valued at ₹ 1.81 crore and ₹ 67.22 lakh respectively. The ST, Khonsa intimated that both the dealers in whose name the forms were utilised were not registered. The fraudulent method adopted by M/s. Chakban Crushing Unit and M/s. Tezam Enterprises to evade tax escaped notice of the ST. The dealers, thus, concealed turnover of ₹ 2.49 crore and evaded tax of ₹ 19.89 lakh payable under the APST Act. Besides, interest of ₹ 27.83 lakh and Penalty of ₹ 39.78 lakh were also leviable. Fraudulent use of declaration forms calls for prosecution as provided under the CST Act.

On this being pointed out in May 2011, the Department issued demand notices in the names of the unregistered dealers in whose names the forms were used and goods imported. This action on the part of the Department was not correct as steps were required to be taken against the registered dealers to whom the forms were issued and who were liable to ensure their proper utilisation.

The cases were reported to the Department/Government in May 2011, but reply has not been received (October 2011).

4.2.4. Short/non-levy of Entry Tax

Entry Tax of ₹ 11.89 lakh was short levied on import of goods valued at ₹ 1.40 crore. Similarly, two dealers imported taxable goods of ₹ 15.99 crore without payment of Entry Tax of ₹ 1.54 crore

Section 3 (2) (b) of the APGT Act states that every person who is an importer shall be liable to pay tax on every entry effected by or for him on goods for consumption, use or sale in local areas of Arunachal Pradesh other than a non-taxable import.

4.2.4 (i): While auditing the records of Superintendent of Taxes, Tezu, Roing and Pasighat in January and February 2011, it was noticed that 99 dealers imported taxable goods valued at ₹ 1.40 crore between April 2009 and March 2010. Entry Tax of ₹ 17.48 lakh was leviable in these cases, against which only ₹ 5.59 lakh was levied/realised. This resulted in short realisation of Entry Tax of ₹ 11.89 lakh due to wrong application of rate of tax.

[1] No.GG 081666 and GG 081667 issued to M/s.Chakban Crushing Unit.
No. GG 327513 and GG 327514 issued to M/s. Tezam Enterprises

4.2.4 (ii): Similarly, it was noticed during test check of records of the Officer-in-charge of the Border Facilitation Counter (BFC), Santipur and Bhalukpong in February and March 2011, that two importers imported taxable goods valued at ₹15.99 crore between April 2006 and November 2010 from outside the State. The Officers in-charge of the BFCs, however, allowed the goods to enter the State without collecting Entry Tax at the prescribed rates. On scrutiny of the records of the dealers available with the Department, it was noticed that the dealers neither submitted any tax return nor paid the due tax. Thus, import of goods without payment of entry tax led to non-realisation of revenue of ₹ 1.54 crore.

The cases were reported to the Department/Government in May 2011 reply has not been received (October 2011).

4.2.5. Non-levy of Tax and Penalty for misuse of 'C' Forms

Two dealers purchased cement of ₹ 2.94 crore and evaded tax of ₹ 36.71 lakh. Besides, penalty of ₹ 55.06 lakh was also leviable for misuse of 'C' forms

Under Section 8 of the CST Act, a registered dealer may purchase goods from a registered dealer of another State at a concessional rate by furnishing the prescribed declarations in Form 'C'. Further, under Section 10 (b), if a person, being a registered dealer, falsely represents when purchasing any class of goods, that goods of such class are covered by his certificate of registration, he is liable to pay penalty in lieu of the prosecution not exceeding one and a half times the amount of tax which would have been levied.

On cross verification of the records of the Superintendent of Taxes, Zone-I, Naharlagun and Zone-II, Itanagar, with those of the Superintendent of Taxes, Shillong, in April-May 2010, it was noticed that between April 2006 and March 2009, two dealers dealing in hardware, glasses, plywood and electrical goods, imported cement valued at ₹ 2.94 crore, which was not included in their certificates of registration, at a concessional rate of tax against eight declarations in Form 'C'. The dealers neither submitted any return nor paid the applicable tax for the years from 2006-07 to 2008-09. Thus, the dealers concealed turnover of at least ₹ 2.94 crore and evaded tax of ₹ 36.71 lakh. Besides, the dealers were also liable to pay Penalty of ₹55.06 lakh (maximum) for using the declaration forms for import of cement which was not specified in the registration certificate of the dealers. No notice was issued by the Assessing Officer (AO) to the dealers in this regard.

The cases were reported to the Department/Government in August 2010, but reply has not been received (October 2011).

4.2.6. Concealment of Purchase

Failure of the Assessing Officer to detect import of taxable goods of ₹ 15.76 lakh, led to evasion of tax of ₹ 1.82 lakh. Besides, interest of ₹ 1.71 lakh and penalty of ₹ 1.82 lakh was also leviable

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

While auditing the records of the Superintendent of Taxes, Zone-II, Itanagar, in April-May 2010, it was noticed that a registered dealer, in the statement of utilisation of 'C' forms, disclosed taxable purchase of ₹ 1.20 lakh from a dealer registered in Guwahati, Assam against a 'C' Form during April 2005 and March 2006 in the course of inter-State trade.

On cross verification of the records of both the dealers it was found that the Arunachal-based dealer had actually purchased electronic goods valued at ₹ 15.76 lakh during the year 2005-06 by utilising that 'C' Form. The dealer had thus submitted false and misleading information in his return, which was accepted by the Department. Thus, the dealer concealed taxable purchase of ₹ 14.56 lakh and evaded the liability to pay tax of ₹ 1.82 lakh. Besides, interest of ₹ 1.71 lakh and penalty of ₹ 1.82 lakh was also leviable.

The case was reported to the Department/Government in August 2010, but reply has not been received (October 2011).

4.2.7. Evasion of tax by an unregistered dealer

An unregistered dealer imported taxable goods valued at ₹ 3.40 crore by utilising 'F' forms issued to him and evaded Tax of ₹ 42.53 lakh on which interest of ₹ 51.04 lakh and penalty of ₹ one lakh was leviable

Under Section 19 (1) (b) of the APGT Act, every dealer is required to apply for registration if the dealer's taxable turnover in any financial year exceeds ₹ five lakh. Further, under Rule 15 of the APGT Rules, 2005, an application for registration shall be made within a period of 30 days from the date of becoming liable to pay tax under the Act, failing which, under Section 87 (4) of the Act, he is liable to pay penalty of ₹ one lakh. In addition, the dealer, under Section 44 (2), is liable to pay interest upto 24 *per cent* per annum on the amount that remained unpaid for the entire period of default.

Section 8 (3) of the CST Act, 1956, provides that the registered dealer is entitled to effect interstate purchase of goods, specified in the certificate of registration which are intended for resale by him by utilising the prescribed forms.

It was noticed during test check of records of the Superintendent of Taxes, Zone–I, Naharlagun, in May 2010 that 11 'F' Forms were issued to a dealer registered under

the Central Sales Tax Act, for import of goods. The dealer neither applied for registration under the APGT Act nor did the Department initiate any action. On further scrutiny, it was noticed that the dealer imported butter valued at ₹ 3.40 crore during 2005-06 by utilising two 'F' forms from a dealer of Uttar Pradesh which escaped notice of the ST. Further, since under CST Act, goods can be imported which are intended for resale, butter imported by the dealer would have been re-sold. As the dealer was not registered under the State Taxation Act he did not submit any return along with payment of admitted tax on the aforesaid import of butter. This resulted in evasion of tax of ₹ 42.53 lakh. Besides, interest of ₹ 51.04 lakh and penalty of ₹ one lakh was also leviable.

The case was reported to the Department/Government in August 2010, but no reply has been received (October 2011).

4.2.8. Loss of Revenue due to non-completion of Assessment

There was loss of revenue of ₹ 85.72 lakh due to non-completion of assessment on best judgement basis

Under Section 16 (5) of the APST Act, if any dealer fails to furnish returns along with payment of admitted tax as per return or fails to comply with the requirement of notice served on him, the Assessing Officer (AO) may assess the dealer on best judgement basis. Further, as per Section 22 (1) (e), a dealer who fails to furnish without reasonable cause any return in the prescribed manner within the prescribed time, is liable to pay, in addition to the tax and interest thereon, a penalty not exceeding one half of the assessed tax.

It was noticed during test check of records of the ST, Khonsa, in December 2010 that a dealer registered under the APST Act neither submitted returns nor paid any tax since April 2002. The ST did not initiate any action to complete the assessment on best judgement basis as per the provisions of the Act.

On cross verification of the records of the aforesaid dealer with one Assam-based dealer registered in Dibrugarh, it was found that the dealer imported cement valued at ₹ 3.23 crore during 2002-03 by utilising seven 'C' Forms issued to him. Since the dealer did not file any return during the year, he concealed a turnover of at least ₹3.23 crore and evaded tax of ₹ 25.82 lakh. Besides, interest of ₹ 46.99 lakh for default in payment of tax and penalty of ₹ 12.91 lakh for evasion of tax by non-submission of returns, was also leviable. The Department did not assess the dealer on best-judgement basis and raise the demand as provided in APST Act. Failure on the part of the ST to assess the dealer resulted in loss of revenue of ₹ 85.72 lakh as the dealer discontinued his business and did not apply for registration under the APGT Act.

The case was reported to the Department/Government in May 2011, but reply has not been received. (October 2011).

4.2.9. Unchecked misuse of Declaration Forms by fraudulent dealers

Three dealers imported taxable goods of ₹ 2.68 crore and fraudulently evaded tax of at least ₹ 63.18 lakh (including interest and penalty)

Under Section 90 (7) of the APGT Act, if a person willfully attempts to evade payment of tax, he is liable for rigorous imprisonment for a term of not less than six months but not exceeding three years and with a fine. The Commissioner under Section 94 (1) may accept by way of composition of offence a sum not exceeding ₹ 5,000 or double the amount of tax evaded, whichever is greater.

4.2.9 (i): It was noticed during test check of records of the Superintendent of Taxes, Zone–II, Itanagar, in April-May 2010 that a dealer was registered under both the APGT and CST Acts and 'F' Forms were issued to the dealer for import of goods into the State. The dealer had not furnished the Utilisation Statement of the forms till date (October 2011).

On cross verification of the records of the aforesaid dealer with one Assam-based dealer it was found that the 'F' Forms issued to him were utilised in the name of an unregistered dealer and taxable goods valued at ₹ 1.85 crore were imported between 2006-07 and 2007-08. In order to evade the liability to pay tax, the dealer imported the goods in the name of an unregistered dealer and concealed the entire turnover of ₹ 1.85 crore. Such misutilisation of 'F' Forms resulted in evasion of tax of at least ₹ 7.40 lakh. Besides, interest of ₹ 4.30 lakh and penalty of ₹ 14.80 lakh by way of composition of offence was also leviable.

4.2.9 (ii): In another case, information was received from the Audit Office, Assam, Guwahati, regarding purchase of taxable goods valued at ₹ 82.65 lakh by two dealers under the jurisdiction of ST, Tezu, from two Assam-based dealers during 2006-07 and 2007-08 by utilising five declarations in form 'C'.

On cross verification of this information with the records of ST, Tezu, in February 2011 it was found that the aforesaid two purchasing dealers were not registered there. On further scrutiny of the 'C' Form Issue Register, it was noticed that the 'C' Forms were issued to four different dealers registered under the jurisdiction of ST, Tezu. Thus, these four registered dealers misused the declaration forms and imported taxable goods valued at ₹ 82.65 lakh in the name of unregistered dealers. This resulted in evasion of tax of ₹ 10.33 lakh and interest of ₹ 5.69 lakh. Besides, penalty of ₹ 20.66 lakh by way of composition of offence is also leviable.

The cases were reported to the Department/Government between August 2010 and May 2011, but replies have not been received (October 2011).

4.2.10. Non-realisation of Entry Tax by DTOs

Failure to collect Entry Tax from 63 vehicles before registration resulted in non-realisation of tax of ₹ 34.81 lakh.

Under the provisions of the APGT Act, Entry Tax at the rate of 12.5 *per cent* 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 the Deputy Commissioners (DCs) of the respective Districts to ensure payment of the Entry Tax prior to the registration of the imported vehicles.

On cross verification of the records of the District Transport Officers (DTO), Khonsa and Roing with those of the Superintendent of Taxes, Khonsa and Roing between December 2010 and February 2011, it was found that 63 new motor vehicles valued at ₹ 2.78 crore, imported from outside the State were registered between April 2005 and January 2011, without collection of Entry Tax amounting to ₹ 34.81 lakh.

The case was reported to the Department/Government in May 2011, but reply has not been received (October 2011).

4.2.11. Non-levy of penalty

Penalty of ₹ five lakh was not levied and realised from 17 dealers who did not furnish returns within the due date

Under the APGT Act, if a registered dealer fails to furnish any return by the due date, he is liable to pay a Penalty of ₹ 100 per day for the default, subject to a maximum of ₹ 10,000.

While auditing the Superintendent of Taxes, Pasighat, in February 2011, it was noticed from the assessment records that 17 dealers did not furnish their returns for the period between April 2005 and March 2010. For non-submission of the returns, the dealers were liable to pay penalty of ₹ five lakh. The Assessing Officer, however, did not take any action to levy and realise the penalty. Thus, failure of the Department to monitor such cases resulted in non-levy of penalty of ₹ five lakh.

The cases were reported to the Department/Government in May 2011, but their reply is awaited (October 2011).

4.2.12. Non-realisation of tax due to evasion by unregistered dealers and non-deduction of tax at source by Government Departments

Non-registration of nine dealers by the Assessing Officers led to evasion of tax of ₹ 23.63 lakh and penalty of ₹ nine lakh.

Under Section 19 of the APGT Act, a dealer who is liable to pay tax shall not carry on business unless he has been registered and possesses a certificate of registration. As per Section 47 A (2) of the APGT Act, deduction of tax at source (TDS) is required to be done for sale or supply of taxable goods to Government failing which penalty not exceeding twice the tax deductible was to be paid. Further, under Section 87 (4) of the Act ibid, if any unregistered dealer carries on business of taxable goods, he is liable to pay penalty not exceeding ₹ one lakh.

On cross verification of the registration records of the Superintendent of Taxes, Zone-I, Naharlagun, and Zone-II, Itanagar, with those of two Departments[2] of the State Government between April and May 2010, it was noticed that nine unregistered dealers supplied taxable goods like medicines, medical equipment and machine parts valued at ₹ 2.26 crore between September 2007 and June 2008. The dealers had neither applied for registration nor were they registered by the Assessing Officers. Tax was also not deducted by the purchasing Government Departments at the time of making payment. This resulted in evasion of tax of ₹ 23.63 lakh. Besides, penalty of ₹ nine lakh was also leviable.

The Departments were also liable to pay upto ₹ 47.26 lakh towards penalty for non-deduction of tax at source as provided in the Act.

The cases were reported to the Department/Government in August 2010, replies are awaited (October 2011).

TRANSPORT DEPARTMENT

4.2.13. Short-realisation of Composite Fee due to irregular grant of Temporary Permits

Irregular issue of Temporary Permits resulted in short-realisation of Composite Fee of ₹ 7.20 lakh

Under the provisions of the Motor Vehicles (MV) Act, 1988, the State Transport Authority (STA) may grant Temporary Permits to meet a particular need to be effective for a limited period which shall not, in any case, exceed four months. In circumstances of exceptional nature, the reasons for which should be recorded in writing, the Temporary Permit may exceed the period of four months but should not exceed one year. As provided under Section 96 (2) (vii), the Transport Department, in

[2] Mission Director (NRHM), Director of Health Services, Naharlagun, and Executive Engineer, PWD, Capital Division – A.

its notification of July 2000, had fixed the rate of Composite Fee for trucks with regular permits at ₹ 5,000 per annum and for trucks plying with temporary permits at ₹ 2,000 per annum.

On test check of the records of the State Transport Authority (STA), Naharlagun in April 2011, it was noticed that in 240 cases, Temporary Permits were granted for a period of one year each on different dates between April 2005 and March 2011 on realisation of ₹ 2,000 per annum, without recording any reason for exceeding the time limit. In respect of the aforesaid cases, regular permits were to be issued and Composite Fee of ₹ 5,000 realised in each case. Thus, due to irregular grant of Temporary Permits, there was short-realisation of Composite Fee of ₹ 7.20 lakh[3].

The case was reported to the Department/Government in July 2011, but reply has not been received (October 2011).

4.2.14. Non-levy of Fines

Failure to initiate action against 180 owners of transport vehicles plying without permits led to non-levy of minimum fine of ₹ 3.60 lakh

Under Section 192 A of the MV Act, 1988, (as amended in 1994), no owner of a motor vehicle shall use or permit the use of the vehicle as a transport vehicle in any public place unless a permit is granted or countersigned by the prescribed authority. Whoever drives or causes or allows a motor vehicle to be used as a public carrier without a permit shall be punishable for the first and subsequent offences with a minimum fine of ₹ 2,000 and ₹ 5,000 respectively. Further, under Section 15 of the Arunachal Pradesh Motor Vehicles Taxation Act, the owner of a motor vehicle may apply to the Taxation Officer by surrendering his registration certificate to the effect that his vehicle shall not be used as a transport vehicle in any public place for a particular period.

On test check of the records of the STA, Naharlagun, in April 2011, it was noticed from the Permit Registers that the validity period of 180 permits granted to owners of transport vehicles expired on different dates between February 2005 and March 2011. The owners neither got the permits renewed before their expiry nor submitted any application to the Taxation Officer to the effect that their vehicles would not be used as transport vehicles after expiry of the permits. No action was initiated by the STA to issue Demand Notices for collection of penalty from the defaulting vehicle owners. Thus, failure on the part of the STA to initiate appropriate action resulted in non-levy of fine to the tune of ₹ 3.60 lakh.

The case was reported to the Department/Government in July 2011, but reply has not been received (October 2011).

[3] Being the differential composite fee of ₹ 3000 p.a.in respect of 240 vehicles.

4.2.15. Unauthorised use of motor vehicles without payment of tax

Non-realisation of motor vehicles tax of ₹ 9.00 lakh and penalty of ₹ 2.25 lakh from owners of 52 commercial vehicles led to unauthorised use of motor vehicles without payment of tax

Under Section 4 of the Arunachal Pradesh Motor Vehicles Taxation Act, 1984, the road tax at the prescribed rate shall be levied and collected annually/ quarterly/monthly, as the case may be, on all motor vehicles used or kept for use in the State, unless an owner of such vehicle is exempted from tax on the basis of his application to the effect that the vehicle would not be used in any public place and the Registration Certificate is surrendered. Section 13 of the Act further provides that in the event of failure to pay the tax by any owner, the Taxation Officer shall, in addition to the tax due, levy and collect penalty not exceeding one-fourth of the annual tax. Further, under Section 18 (b) of the Act, any police officer not below the rank of Sub-Inspector or any other prescribed officer, can stop such vehicle from plying for the purpose of satisfying himself that due tax in respect of such vehicle has been paid.

On test check of the combined registers[4] of the District Transport Officer (DTO), Bomdila, in May 2010, it was seen that 52 owners of commercial vehicles neither paid road tax amounting to ₹ nine lakh for different periods falling between February 2007 and March 2010, nor obtained any exemption by surrendering their Registration Certificates. The maximum penalty of ₹ 2.25 lakh leviable for the default in payment of the aforesaid tax was neither levied nor collected. No action was initiated at the level of the Deputy Commissioner to issue Demand Notices for collection of the tax and penalty from the defaulting vehicle owners. The vehicles were also not stopped from plying by the authorised office of the Department. Failure on the part of the authorities to initiate appropriate and timely action resulted in unauthorised use of these vehicles and non-realisation of revenue of ₹ 11.25 lakh[5].

On this being pointed out in July 2010, the DTO, Bomdila, stated in September 2010 that Demand Notices were issued to the vehicle owners for payment of tax. No report on recovery has, however, been received (September 2011).

The cases were reported to the Department/Government in July 2010, but reply has not been received (October 2011).

[4] Containing registration and road tax payment details of the vehicles.
[5] Road tax ₹ 9.00 lakh + penalty ₹ 2.25 lakh

STATE EXCISE DEPARTMENT

4.2.16. Non-realisation of Renewal Fees and Penalty

Failure of the Department to initiate action against nine retail licensees for non-renewal of licences led to non-realisation of Renewal Fees of ₹ 9.20 lakh and Penalty of ₹ 3.07 lakh

Under the provisions of the Arunachal Pradesh Excise Rules 1994, a licence granted to a retail vendor of IMFL shall expire after one year from the date of issue. Further, the Excise Department had instructed in March 1996, that if a retail vendor fails to get the licence renewed on payment of a renewal fee of ₹ 40,000 within the stipulated validity of licence, he shall be liable to pay, in addition to the renewal fee, a penalty of ₹ 50 per day for the period of default.

On test check of the Licence Fee Register of the Superintendent of Excise, Khonsa, in December 2010, it was noticed that nine retail licences expired during the period from May 2006 to November 2010. The licensees however, did not get their licences renewed and continued with their business.

The SE also did not take any action to review the Licence Fee Register to detect the defaulters and realise the prescribed Renewal Fee of ₹ 9.20 lakh and penalty of ₹ 3.07 lakh[6]. Laxity on the part of SE resulted in non-realisation of revenue of ₹ 12.27 lakh.

The cases were reported to the Department/Government in March 2011 but reply has not been received (October 2011).

4.2.17. Non-realisation of Security Deposit

Security Deposit of ₹ 5.50 lakh was not realised from 22 retail licensees

The Excise Department, in its notification of 23 March 2004, fixed with immediate effect, a security of ₹ 25,000 for retail licences of Indian Made Foreign Liquor (IMFL) and country liquor. Accordingly, the Commissioner of Excise instructed in June 2004, all Deputy Commissioners in the State in June 2004 to realise the prescribed security deposit at the time of renewal of licences.

Test check of the records of the Superintendent of Excise, Khonsa, in December 2010, revealed that 22 retail licence holders who were issued licences prior to the notification, had not deposited the Security Deposit at the time of renewal of their licences. No action was initiated by the Department despite the specific instructions of the Commissioner of Excise. This resulted in non-realisation of Security Deposit of ₹ 5.50 lakh.

The cases were reported to the Department/Government in March 2011 but reply has not been received (October 2011).

[6] Calculated upto 10 December 2010

4.2.18. Non-realisation of Establishment Charges

Establishment Charges of ₹ 10.67 lakh in respect of excise officials posted in different Bonded Warehouses were not realised

Rule 74 (a) of the Arunachal Pradesh Excise Rules, 1994, lays down that the Collector shall employ such officers and establishment, as the Excise Commissioner may direct, to the charge of a private warehouse. The licensee of the warehouse shall pay to the Government, in advance, a fee in cash equivalent to the establishment cost of such officers for three months, as the Excise Commissioner may fix. The cost of the establishment shall include the pay and allowances as well as the leave salary and pension contributions.

Test check of the Register of Establishment Cost of the Excise Commissioner in June 2011, revealed that three excise officials were posted in three different private warehouses at Banderdewa. The Establishment Charges as calculated by us and verified by the Department for these three officials for the period from July 2009 to March 2011 were ₹ 10.67 lakh. However, the private warehouses did not make any payment towards Establishment Charges for the aforesaid period. The Department neither worked out the Establishment Charges nor raised any demand for payment of the same. Thus failure of the Department to raise demand led to non-realisation of Establishment Charges of ₹ 10.67 lakh.

The cases were reported to the Department/Government in September 2011 but reply has not been received (October 2011)

LAND MANAGEMENT DEPARTMENT

4.2.19. Short-realisation of Lease Rent

Short realisation of Lease Rent of ₹ 3.73 crore, besides interest of ₹ 74.90 lakh

Under the Arunachal Pradesh Allotment of Government Land Rules, 1988, every allottee/lessee shall pay lease rent annually to the Government at the rate fixed by the Government from time to time. Further, if any lessee fails to pay the full amount of lease rent he shall be liable to pay interest at the rate of 10 *per cent* and 15 *per cent* per annum on the unpaid amount of lease rent payable for the land allotted for residential and commercial purposes respectively.

On test check of the revenue returns of the Director of Land Management, Itanagar, in July 2011, it was noticed that 131.40 lakh square metres and 1.17 lakh square metres of land were under occupation of different allottees for residential and commercial purposes respectively in two Districts[7] from April 2009 to March 2011. The annual lease rent payable by the allottees during the aforesaid period worked out to ₹ 4.05 crore, against which only ₹ 31.84 lakh was realised by the concerned Deputy

[7] Lower Dibang Valley and Upper Dibang Valley Districts

Commissioners. The Department did not raise any demand or serve any notice to the occupants for payment of lease rent and interest. This resulted in short realisation of lease rent of ₹ 3.73 crore. Besides, interest of ₹ 74.90 lakh for non-payment of the balance lease rent was also leviable.

The cases were reported to the Department/Government in September 2011 but reply has not been received (October 2011).

CHAPTER-V: GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Overview of State Public Sector Undertakings

Introduction

5.1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of the people. In Arunachal Pradesh, there were seven PSUs (all Government companies including two non-working companies). None of these companies was listed on stock exchange.

5.1.2 The State working PSUs registered a turnover of ₹ 6.37 crore for 2010-11 as per their latest finalised accounts as of September 2011. This turnover was equal to 0.08 *per cent* of State Gross Domestic Product (GDP) ♦ Thus the State PSUs occupy an insignificant place in the State economy. Major activities of Arunachal Pradesh State PSUs are concentrated in Finance and Power sectors. The working PSUs incurred an overall loss of ₹ 3.41 crore in the aggregate for 2010-11 as per their latest finalized accounts as on 30 September 2011. They had employed 165 nos♣ of employees as of 31 March 2011. The State PSUs do not include prominent Departments such as Power, Hydro Power Development, Transport and Transport & Supply which are performing commercial nature of activities. The audit findings of these Government Departments are, however, incorporated in this chapter.

5.1.3 During the year 2009-10, assets of the two non-working PSUs viz., Parasuram Cements Limited and Arunachal Horticulture Processing Industries Limited, were transferred to "Arunachal Pradesh Infrastructure Development Company Limited" a Joint Venture Company created by Arunachal Pradesh Industrial Development & Finance Corporation.

Audit Mandate

5.1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which not less than 51 *per cent* 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, 1956.

♦ The GDP figures in respect of 2010-11 as depicted in VMW Analytic Services site
♣ As per the details provided by five PSUs.

5.1.5 The accounts of the 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* the provisions of Section 619 of the Companies Act, 1956.

Investment in State PSUs

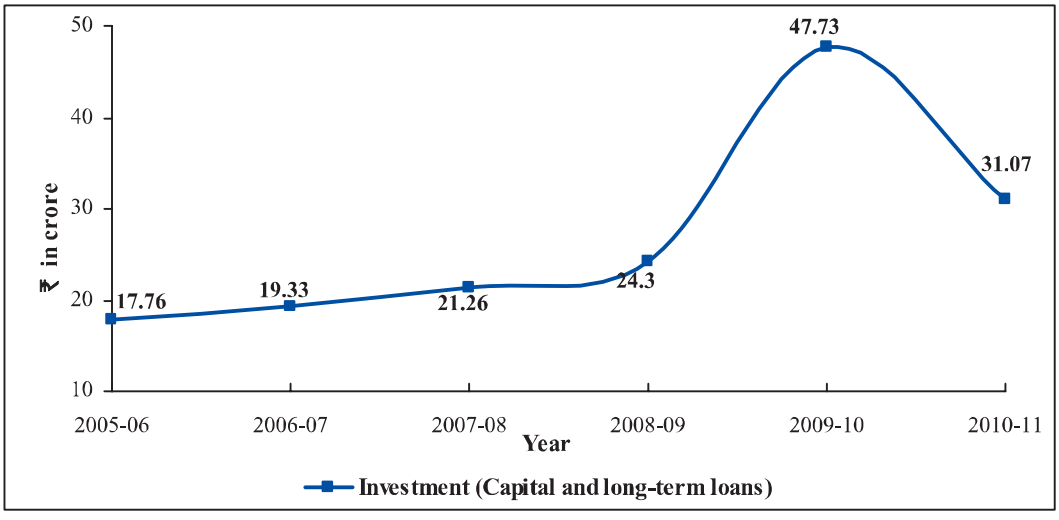
5.1.6 As on 31 March 2011, the investment (capital and long-term loans) in seven PSUs[#] was ₹ 31.07 crore as *per* details given below.

(₹ in crore)

Type of PSUs	Government companies		
	Capital	Long Term Loans	Grand Total
Working PSUs	19.05	8.96	28.01
Non-working PSUs	0.33	2.73	3.06
Total	**19.38**	**11.69**	**31.07**

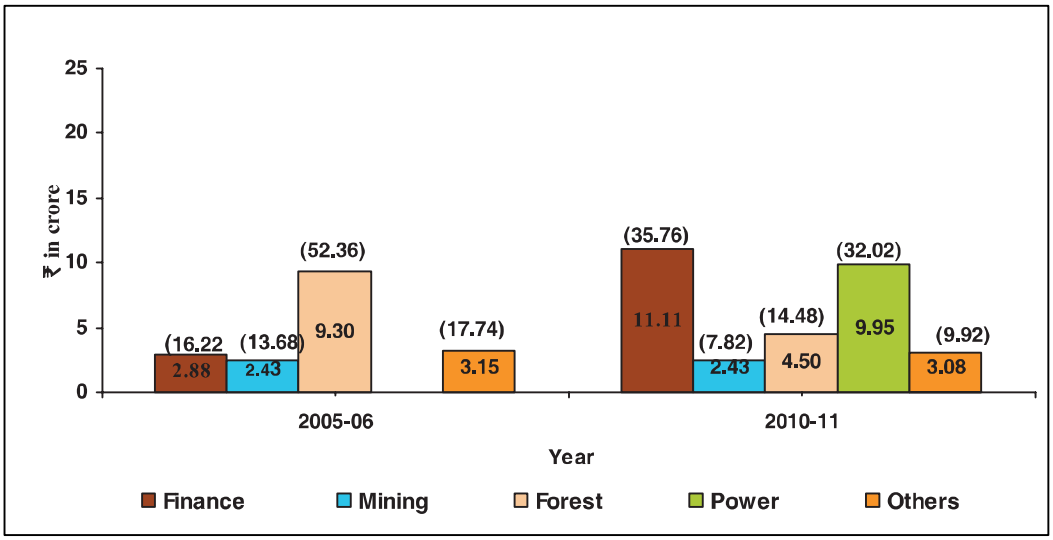
A summarised position of Government investment in State PSUs is detailed in **Appendix-5.1.**

5.1.7 As on 31 March 2011, of the total investment in State PSUs, 90.15 *per cent* was in working PSUs and the remaining 9.85 *per cent* in non-working PSUs. This total investment consisted of 62.38 *per cent* towards capital and 37.62 *per cent* in long-term loans. The investment had increased by 74.94 *per cent* from ₹ 17.76 crore in 2005-06 to ₹ 31.07 crore in 2010-11 as shown in the graph below.



[#] The State had no 619.B company

5.1.8 The investment in various important sectors and percentage thereof at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart. The thrust of PSU investment was mainly in Finance and Power sectors during five years which registered rise in their percentage share from 16.22 to 35.76 *per cent* (Finance sector) and from 'nil' to 32.02 *per cent* (Power sector) respectively. The entire investment of ₹ 21.06 crore of two PSUs* in Finance and Power sectors belonged to the State Government.



(Figures in brackets show the percentage of total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

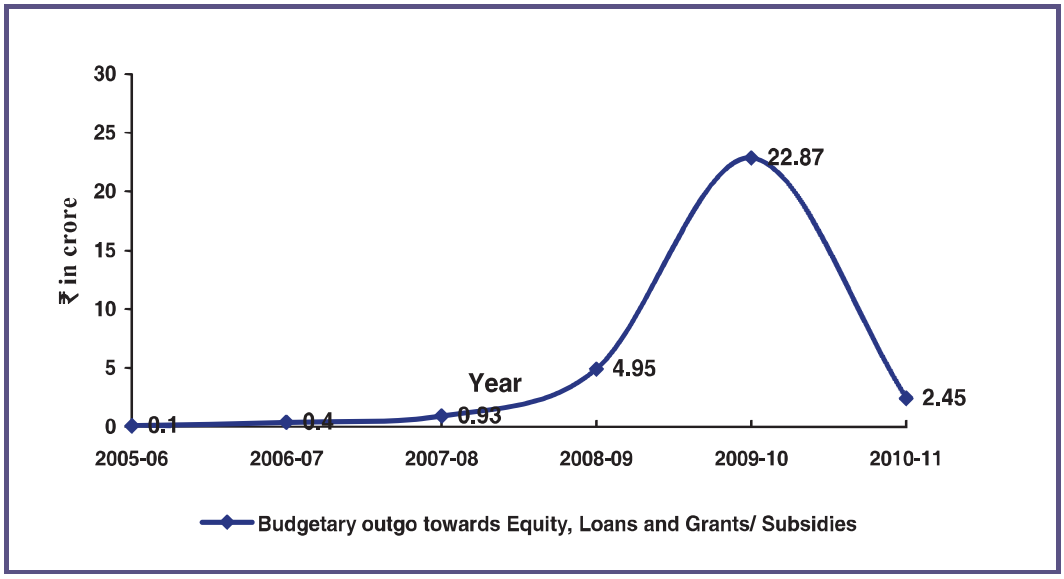
5.1.9 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued in respect of State PSUs are given in **Appendix-5.3.** The summarised details are given below for three years ended 2010-11.

(Amount ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity Capital outgo from budget	1	4.95	1	2.50	-	-
2	Loans given from budget	-	-	1	20.37	-	-
3	Grants/Subsidy received	-	-	-	-	1	2.45
4	Total Outgo (1+2+3)	-	4.95	-	22.87	-	2.45
5	Guarantees issued	2	0.77	-	-	-	-
6	Guarantee Commitment	-	-	1	2.00	1	2.00

* Arunachal Pradesh Industrial Development and Financial Corporation Limited and Hydro Power Development Corporation of Arunachal Pradesh Limited.

5.1.10 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past six years are given in a graph below.



5.1.11 As can be noticed from above, the budgetary outgo during 2009-10 was all time high at ₹ 22.87 crore in past six years. As against this, during 2010-11 the budgetary outgo was restricted to ₹ 2.45 crore extended to one PSU (Hydro Power Development Corporation of Arunachal Pradesh Limited) by way of grants. As on 31 March 2011, a guarantee commitment of ₹ 2.00 crore was pending against one PSU (viz. Arunachal Pradesh Industrial Development & Financial Corporation Limited). No guarantee commission was payable to the State Government by the Government companies. There was no case of conversion of Government loan into equity, moratorium in repayment of loan and waiver of interest.

Reconciliation with Finance Accounts

5.1.12 The figures in respect of equity and loans as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2011 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	9.04	19.38	**10.34**
Loans	**-**	**11.69**	**11.69**

5.1.13 We observed that the differences occurred in respect of all six PSUs and the differences were pending reconciliation over the period of more than ten years. The Accountant General (AG) had taken up (October 2011) the matter with the

Secretary, Finance Department, Government of Arunachal Pradesh, Administrative Departments of respective PSUs and the Managing Directors of PSUs from time to time to reconcile figures. No significant progress in this direction was, however, noticed. The Government and the PSUs needed to take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

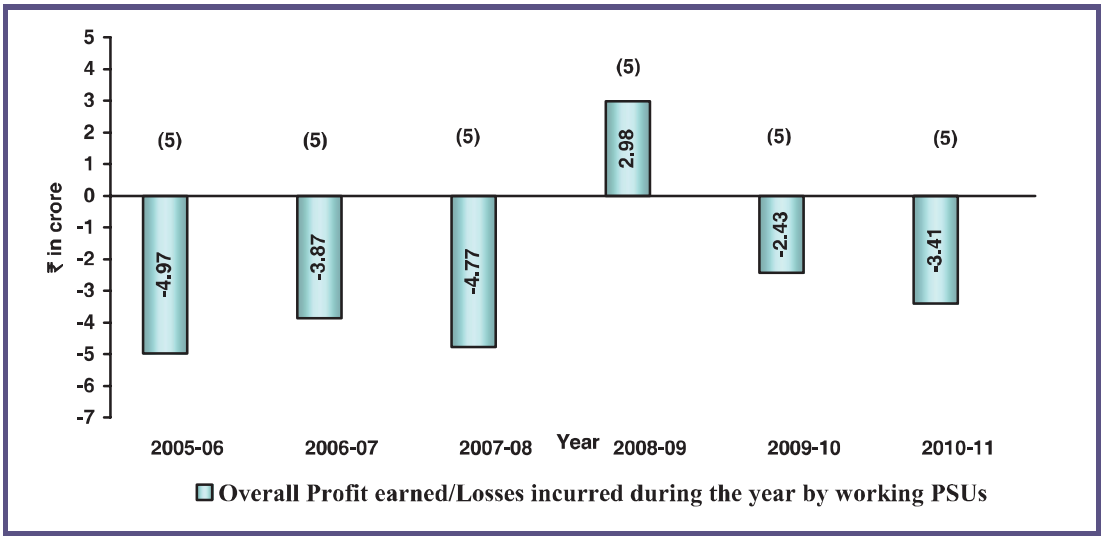
5.1.14 The financial results of PSUs are detailed in **Appendix 5.2.** A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2005-06 to 2010-11

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover[∝]	5.91	5.94	5.72	5.57	7.79	6.37
State GDP	2918	3413	3888	4547	6258	8350.16[†]
Percentage of Turnover to State GDP	*0.20*	*0.17*	*0.15*	*0.12*	*0.12*	*0.08*

It can be noticed that the percentage of turnover to State GDP was on declining trend and reduced from 0.20 in 2005-06 to 0.08 in 2010-11, which was indicative of the fact that annual increase in turnover was inadequate and not commensurate with the annual growth in the State GDP.

5.1.15 Profit (losses) earned (incurred) by State working PSUs during 2005-06 to 2010-11 are given below in a bar chart.



(Figures in brackets show the number of working PSUs in respective years)

[∝] Turnover of working PSUs as per the latest finalised accounts as of 30 September.
[†] Figures were provisional as furnished by the Government of Arunachal Pradesh.

5.1.16 During the year 2010-11, out of five working PSUs, two PSUs[^] earned profit of ₹ 1.64 crore and three PSUs incurred loss of ₹ 5.05 crore. The major contributor to profit was 'Arunachal Police Housing and Welfare Corporation Limited' (₹ 1.63 crore) while heavy loss was incurred by 'Arunachal Pradesh Forest Corporation Limited' (₹ 4.29 crore).

5.1.17 The State PSUs and State Government Departments incurred losses, as highlighted in the Audit Reports of CAG each year, mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the working State PSUs and Government Departments (Power, Transport and Supply & Transport) incurred losses to the tune of ₹ 32.23 crore and infructuous investment of ₹2.03 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	Total
Controllable losses as per Audit Report	5.93	15.72	10.58	32.23
Infructuous Investment	**-**	**-**	**2.03**	**2.03**

5.1.18 The above losses pointed out by Audit Reports of CAG were based on test check of records of PSUs/ Government Departments (Power, Transport and Supply & Transport). The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimized (or eliminated or the profits can be enhanced substantially). The PSUs/Government Departments can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs/ Government Departments.

5.1.19 Some other key parameters pertaining to State PSUs are given below.

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (*per cent*)*	--	--	--	6.09	-	-
Debt	8.29	9.87	11.76	9.87	10.33	**11.69**
Turnover[ϒ]	5.91	5.94	5.72	5.57	7.79	**6.37**
Debt/ Turnover Ratio	1.40:1	1.66:1	2.06:1	1.77:1	1.32:1	**1.84:1**
Interest Payments	0.95	0.03	0.03	0.39	0.78	**0.25**
Accumulated Profits (losses)	***0.49***	***(-) 1.62***	***(-) 3.19***	***2.64***	***4.06***	***(-) 3.73***

[^] Including one company (serial no. A-5 of Appendix 5.2), which earned a profit of ₹77,667.00 only
[ϒ] Turnover of working PSUs as *per* the latest finalised accounts as of 30 September.
* Nil figures represent negative return on capital employed.

5.1.20 As per the latest finalised accounts of five working companies as on 30 September 2011, the Capital Employed was ₹ 38.51 crore and total return thereon amounted to ₹ (-) 3.26 crore in 2010-11 as compared to capital employed of ₹ 53.69 crore and total return on Capital Employed of ₹ (-) 1.74 crore in 2009-10.

5.1.21 The State Government had not formulated (November 2011) any dividend policy to make it mandatory for the PSUs to pay a minimum return on the paid up share capital contributed by the State Government.

Arrears in finalisation of accounts

5.1.22 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2011.

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Number of Working PSUs	4	5	5	5	5
Number of accounts finalised during the year	1	1	1	5	7
Number of accounts in arrears	23	27	31	31	29
Average arrears *per* PSU (3/1)	5.75	5.40	6.2	6.2	5.8
Number of Working PSUs with arrears in accounts	3	5	5	5	5
Extent of arrears in years	1 to 13	1 to 14	1 to 15	1 to 16	1 to 15

5.1.23 It may be noticed that average number of accounts in arrears per PSU was very high in all five years and ranged between 6.2 and 5.4 accounts per working PSU. The delays in finalization of accounts were mainly attributable to inadequacy of manpower and abnormal delays in compilation/approval of the Annual Accounts by the PSUs.

5.1.24 The State Government had invested an aggregate amount of ₹ 57.15 crore in five PSUs (Equity: ₹ 3.35 crore, loans: ₹ 29.02 crore, grant/subsidy ₹ 9.45 crore and others ₹ 15.33 crore) during the years for which accounts had not been finalised as detailed in ***Appendix-5.4.*** Delay in finalisation of accounts might result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

5.1.25 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. The attention of the concerned administrative departments and officials of the Government on the issue of the arrears in finalization of accounts was regularly drawn by the Accountant General on

quarterly basis emphasising on the need of clearing the arrears. The AG had also taken up the issue with the Chief Secretary/ Finance Secretary, Government of Arunachal Pradesh periodically to expedite the backlog of accounts in a time bound manner. No significant progress was, however, noticed in the matter. As a result, the net-worth of these PSUs could not be assessed in audit.

In view of above state of arrears, it is recommended that the Government should monitor and ensure timely finalization of accounts by the State PSUs in conformity with the provisions of the Companies Act, 1956.

Winding up of non-working PSUs

5.1.26 There were two non-working PSUs in the State as on 31 March 2011. None of the two PSUs had however, commenced the liquidation process. The numbers of non-working companies remained the same during past five years.

5.1.27 Both the non-working PSUs viz. Parasuram Cement Limited and Arunachal Pradesh Horticultural Processing Industries Limited were needed to be closed down as their existence was not going to serve any purpose.

Accounts Comments and Internal Audit

5.1.28 Five working companies forwarded their seven audited accounts to AG during the year 2010-11 of which two accounts of two companies were selected for supplementary audit. The Audit Reports of Statutory Auditors appointed by CAG and the Supplementary Audit of CAG indicate that the quality of maintenance of accounts needed to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given below.

(₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	1	2.18	1	0.02	1	2.80
2	Increase in loss	-	-	-	-	1	4.17
3	Increase in profit	-	-	1	0.05	-	-
4	Non-disclosure of material facts	1	-	2	-	1	1.53
5	Errors of classification	-	-	-	-	-	-
6	**General**	**-**	**-**	**2**	**-**	**1**	**-**

5.1.29 Some of the important comments in respect of accounts of companies are stated below.

Arunachal Pradesh Forest Corporation Ltd (2000-01)

- The Committee, consisting of the DFO, Deomali Forest Division, DFO, Southern Resources Survey Division and Divisional Manager, Khonsa Project Division, reported 100% deterioration of round timber. However, no provision was made in the accounts for the round timber, valued at ₹ 58.05 lakh. No provision was also made for the deteriorated stock of Veneer amounting to ₹ 1.74 lakh. This resulted in overstatement of Stock in Trade and understatement of loss by ₹ 59.79 lakh each.

- Sundry Debtors included ₹ 3.57 crore dues from various parties towards un-lifted timber after imposition of the ban by the Hon'ble Supreme Court of India. Further, Note No. 14 of the Notes forming part of account, states that there was least possibility for realization of the said amount. However, no provision in this regard was made in the accounts, which resulted in overstatement of Sundry Debtors and accumulated profit by ₹ 3.57 crore each.

Arunachal Police Housing & Welfare Corporation Ltd (2009-10)

- Due to wrong recognition of interest of ₹ 2.80 crore (including ₹ 1.10 crore for current year) on unspent Government Grants not belonging to the Company, the 'Accumulated Profits' were overstated by ₹ 2.80 crore with corresponding understatement of 'Current Liabilities' by ₹ 2.80 crore.

5.1.30 The Statutory Auditors (Chartered Accountants) were required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them 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 the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of one company (Hydro Power Development Corporation Arunachal Pradesh Limited) during the year 2010-11 is given below.

Sl. No.	Nature of comments made by Statutory Auditors
1	Non-existence of system of Physical Verification of Cash and Imprest balances
2	Absence of internal audit system commensurate with the nature and size of business of the company
3	Non maintenance of cost records

Recoveries at the instance of audit

5.1.31 During the course of propriety audit in 2009-10, recoveries of ₹ 22.72 crore were pointed out to the Management of various PSUs and Departmental Undertakings, of which, recoveries of ₹ 0.58 crore were admitted by PSUs. No amount was, however, recovered during the year 2010-11.

Reforms in Power Sector

5.1.32 Arunachal Pradesh had formed a Single Member Electricity Regulatory Commission (February 2011) under the provisions of Section 82 of the Electricity Act 2003 with the objective of rationalisation of Electricity Tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses.

5.1.33 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 reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No.	Milestone	Achievement as at March 2011
1	Corporatisation of the Electricity Department by 2006-07.	Department of Power (DOP) and Department of Hydro Power Development (DHPD) were not yet Corporatised (November 2011)
2	Setting up of State Electricity Reforms Commission (SERC)/Joint Electricity Reforms Commission (JERC) by December 2003 and file tariff petition.	Single Member Arunachal Pradesh Electricity Regulatory Commission (APERC) took charge in February 2011 and is yet to start functioning (November 2011)
3	State Government will ensure timely payment of subsidies required in pursuance of orders on the tariff determined by JERC.	APERC was yet to start functioning (November 2011)
4	State Government will achieve 100 *per cent* electrification of villages by 2007.	***3231*** out of 4593 villages (70.35 *per cent*) have been electrified

AUDIT OF TRANSACTIONS

DEPARTMENT OF POWER

5.2 Implementation of Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)

Implementation of RGGVY in the State could not achieve the desired results due to deficiencies in award of works and utilization of scheme funds by the Department

The National Electricity Policy stipulated that the key objective of development of the power sector was to supply electricity to all areas including rural areas for which the Government of India (GOI) and the State Governments would jointly endeavor to achieve this objective. Accordingly, the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), which aimed at providing access to electricity for all households in five years with 90 *per cent* capital subsidy, was launched by GOI in April 2005. The Department of Power, Government of Arunachal Pradesh (Department) commenced the implementation of RGGVY in the State by inviting tenders in December 2006.

5.2.1 We observed that for implementation of Rural Electricity Infrastructure and Household Electrification in all the sixteen Districts, contracts were awarded during different periods from April 2008 to July 2009 to be completed within 24 months from the date of agreement (i.e. upto June 2011). The scheme envisaged electrification of 2129 un-electrified villages, including 331 de-electrified [1], intensification[2] of 1756 electrified villages and provision of electricity to 76407 out of 1,84,515 Rural House Holds (RHHs) (41.41 per cent) and 40810 Below Poverty Line House Holds (BPL) out of 42730 (95.51 per cent). Though the entire works under the scheme were to be completed before 30 June 2011, the actual status of completion of works as on 30 September 2011 was not satisfactory as detailed below:

	Un-electrified Village Incl. De-electrified	Intensification of Electrified Villages	RHHs (Incl. BPL)	BPL House Holds
Sanctioned Coverage	2129	1756	76407	40810
Achievement as on 30 September 2011	936	651	17719	17905
Achievement in per cent	*44*	*37*	*23*	*44*

We observed that the completion of the schemes were delayed due to frequent revisions of Detailed Project Reports (DPR), delay in award of works, and inordinate delays in execution of works by the turnkey contractors etc.

[1] *De-electrified villages represent those villages electrified during earlier years but later on supply of power to them were discontinued due to damage/loss of infrastructure on account of natural calamities, flood, theft of materials, absence of connectivity to the distribution system etc.*

[2] *Intensification of electrified villages by providing additional distribution transformers, supply lines and service connections.*

The Department stated (November 2011) that the progress was slow due to non-availability of skilled/unskilled labour in the State, inadequate manufacturing of goods ordered in the region forces the contractor to outsource materials from far-off places etc. Reply was not acceptable as at the time of preparing DPRs and fixing target dates for completion of works under works contracts, all the said constraints were known to the Department and accordingly, should have factored the same in planning. Thus, the delay in completion of works was indicative of deficient planning of the Department.

5.2.2 Funds utilization

The Department received funds under RGGVY for Rural Electrification through Arunachal Pradesh Development Agency (APDA), a nodal agency for implementation of RGGVY. To avail financial assistance for implementation of the scheme, a tripartite agreement was entered between Rural Electrification Corporation (REC)[3], Department of Power (Department) of Government of Arunachal Pradesh and APDA for availing financial assistance. Of the total project cost, 90 *per cent* of the cost was to be provided in the form of subsidy and remaining 10 *per cent* as loan carrying interest at the rate of 10.40 *per cent*. As per the conditions of the agreement, the project should be executed within a period of two years from the release of the first installment. In the event of non-completion of scheme works within two years, the amount of capital subsidy would be converted into interest bearing loan.

We observed that though the Department received funds to the extent of ₹ 646.07 crore for implementation of the scheme during 2007-11, they could utilize ₹ 429.53 crore (66.48 *per cent*) only up to the end of March 2011.

The Department stated (November 2011) that the funds were obtained from REC based on the achievement of the progress and the interest earned on the unutilized funds would be returned to REC/Ministry of Power, GOI as per the terms of RGGVY guidelines. The Government also endorsed (November 2011) the views of the Department. The reply, however, did not address the reasons for non-utilization of scheme funds to the full extent within the scheduled period of implementation of the RGGVY defeating the intended objectives of the scheme.

5.2.3 Adverse impact on implementation of RGGVY scheme due to non-compliance with the directions of the Central Vigilance Commission

As per the Central Vigilance Commission (CVC) Guidelines, in case the L-1 bidder backed out, there should be a re-tendering. The Department invited (February 2007) tenders for implementation of RGGVY in Papumpare district, wherein three packages with an estimated amount of ₹ 5.18 crore pertaining to Balijan block under Capital

[3] *REC is a Central Government owned Public Sector Undertaking*

Electrical Division (CED) of the Department were included. The bids were opened in June 2007. Of the three bidders participated in the tender, one (Firm A) was disqualified on grounds of infirmity in the Bank Guarantees, while the other was disqualified on technical grounds. The third bidder (Firm B) had quoted ₹ 11.67 crore for the above work. After prolonged negotiations for price discounts, Firm B agreed (March 2008) to undertake the work for ₹ 8.41crore and accordingly a Notice of Acceptance of bids was issued (April 2008) after expiry of 11 months from the date of opening of tender. Subsequently, the firm expressed (May 2008) its inability to accept the offer on the grounds of steep increase in the market price of material due to abnormal delay in placement of orders. In July 2009, the Department on the plea to save time and avoid probable cost escalation in re-tendering entrusted the work to another firm M/s Reniya Enterprises, Itanagar (Firm C), at the same rate with the same terms and conditions as contained in the Letter of Award issued to Firm B. An amount of ₹ 2.03 crore was paid to Firm C towards advance payments against which material valuing ₹ 1.15 crore was also supplied by Firm C at work site. Meanwhile, based on the writ petition filed (February 2010) by Firm A who was earlier disqualified on the ground of infirmity in the Bank Guarantees, the Honourable Guwahati High Court adjudged (January 2011) that the impugned process leading to issuance of work orders in July 2009 was unauthorized and illegal and quashed the same. Thus, due to award of work by the Department to Firm C without following the tendering process, which was contrary to CVC Guidelines, resulted in blockage of ₹ 2.03 crore with Firm B besides the non implementation of projects under RGGVY Scheme in Balijan Block (November 2011).

Though the issue was reported to the Government/Department (October 2011), no specific reply was offered by them in the matter.

5.2.4 Non-recovery of interest on Mobilization Advance

The Central Vigilance Commission (CVC) suggested (April 2007) that the recovery of Mobilization Advance should be time based and not linked with progress of work. This would ensure that even if the contractor was not executing the work or executing at a slow pace, the recovery of advance could commence and scope for misuse of such advance could be reduced. Further, the CVC circular also suggested that there should be a clear stipulation of interest to be charged on delayed recoveries either due to late submission of bills by the contractor or any other reason. On a review of terms & conditions of contracts and tender documents relating to RGGVY works, we observed that there were no clauses for time based recovery of the Mobilization Advance and recovery of interest thereon. Thus, failure of the Department to include clauses regarding time based recovery of the Mobilization Advance and recovery of interest thereon had resulted in substantial losses of interest to the Department.

During the test check of 8 out of 60 projects in 4 out of 17 Divisions, we noticed that out of ₹ 12.57 crore paid to the contractors towards Mobilization Advance an amount of ₹ 4.27 crore was pending for recovery from the contractors as on 31 March 2011 and the delays in those cases ranged from 20 to 36 months as on that date. In the absence of the enabling clause for recovery of penal interest on the unrecovered Mobilization Advances, the funds to the extent of ₹ 4.27 crore were locked up with the contractors, during that period thereby causing interest loss of ₹ 1.14 crore[4] to the Department.

The Government/Department replied (November 2011) that non-inclusion of condition regarding recovery of interest on mobilisation advance was in lines with REC Guidelines on procurement of Goods and Services. The reply was not acceptable as exclusion of said clause for recovery of penal interest on mobilsation advance was in violation to the directions of CVC and was also against the financial interests of the Department.

5.2.5 Loss on purchase of materials of same specification

On a test check of purchase of materials for RGGVY scheme in Ziro Electrical Division, we observed that the Department entered (May to June 2008) into separate agreements with Huma Enterprises, Guwahati (Firm H) and Electrokings, Jorhat (Firm E) for supply and Erection of materials in two Blocks (Ziro I&II) and one Block (Raga Block) respectively. We observed that though the specifications of most of the materials required under three contracts were same, the Letter of Awards for procurement of these materials on the above two suppliers were issued at different rates. The extra expenditure on purchase of seven such materials worked out to ₹ 4.36 crore as detailed in **Appendix 5.5**.

The Department stated (November 2011) that the award of works for RGGVY have been on turnkey basis as per the guidelines provided by Rural Electrification Corporation (REC). Accordingly the works were awarded to the technically qualified, competent and experienced contractor through the widely published and transparent bidding process on turnkey basis. It was further contented that the item rates might vary from place to place and package to package depending on the costing price adopted by the bidder. The Government also endorsed (November 2011) the views of the Department. The reply was not acceptable as the loss pointed out by us related to the price difference of materials of same specification falling within the jurisdiction of same Division, which was indicative of Department's failure in taking reasonable care and prudence in finalizing the rate of materials under supply orders.

[4] *Interest worked at the rate of six per cent which was received on deposit of unutilized portion of funds.*

5.2.6 Diversion of funds for purchase of Assets

The cost of purchase of assets for the Department were met from the annual plan outlay through the Annual Operating Plan (AOP) submitted to the Government. We observed that an amount of ₹ 5.13 crore was diverted by the Department from the funds allotted for implementation of RGGVY Scheme for purchase of various assets like vehicles, computers, camera, photocopiers, fax machine etc.

The Government/Department replied (November 2011) that the assets were purchased from the contingencies/overhead provisions of sanctioned DPRs and were being used for inspection/monitoring and supervision of the project. The reply was not acceptable since the RGGVY funds were provided with the specific aim to achieve the envisaged objectives through execution of approved projects. Thus, the Department should have purchased assets only through its AOP and diversion of RGGVY funds should have been strictly avoided.

5.2.7 Non-Utilisation of infrastructure available in de-electrified villages

Several villages, which were electrified during earlier years, were subsequently de-electrified due to damage/loss of infrastructure on account of natural calamities, flood, theft of materials, absence of connectivity to the distribution system etc. We observed that 331 of such villages were planned for re-electrification under the RGGVY Scheme. However, materials such as lines, poles, transformers etc. installed during earlier electrification and available in these villages were not considered while finalising the DPRs and awarding the work for re-electrification. The Department also did not take any action either to dispose of or utilise these materials kept idle in these villages. Though the Government/Department stated (November 2011) that the DPRs have been prepared after taking into account the usable materials, no supporting documents/evidences were provided for verification so as to substantiate their stand.

5.2.8 Hilly and inaccessible terrain

Because of hilly and inaccessible terrain, the Department did not have a full fledged inter connected grid in the State. Power supply to some of the villages like Kamengbari, Doimara and Tato was being met by stand alone Diesel Generating sets. RGGVY scheme provided for De-centralised Distributed Generation (DDG) facilities to remote villages where grid connectivity was either not feasible or not cost effective so that every household could get access to electricity. We observed that the Department did not consider these villages for DDG facilities under RGGVY and thereby these villages were deprived of availing the benefits of the scheme.

The Department stated (November 2011) that DDG programme came into existence after the onset of RGGVY works; hence no scheme could be taken up. The Government also endorsed (November 2011) the views of the Department. The reply

was not acceptable since the RGGVY had envisaged for the provision of centralised DDG facilities to remote villages and therefore, it was the responsibility of the Department to initiate timely steps in this direction for achieving the scheme objectives.

To sum up-

The RGGVY was launched in the State with the primary aim of providing electricity to all households including rural areas. Achievement of the Department against RGGVY schemes objectives was not satisfactory with regard to the following-

- ***poor utilisation of scheme funds;***
- ***deficiencies in award of scheme work contracts;***
- ***diversion of scheme funds.***

DEPARTMENT OF POWER

5.3 Billing Efficiency

The billing operations of the Department were deficient due to absence of proper metering of 46.86 *per cent* consumers and incorrect application of tariff provisions

The efficiency of the Department of Power (Department) in billing of energy lies in timely realisation of the revenue against sale of energy to consumers. As per procedure prescribed in the Schedule of Tariff 2006 issued by the Department, the billing cycle should be on monthly basis for all consumers. After obtaining the meter readings, bills would be raised on consumers against the energy consumed by at sub-division/section office level. We observed that out of 1.75 lakh consumers of various categories existing as on 31 March 2011, 0.55 lakh consumers (31.43 *per cent*) utilise energy without energy meters. Though meters were provided to the remaining 1.19 lakh consumers, 0.27 lakh (22.68 *per cent*) of them were defective. Hence 0.82 lakh consumers i.e. 46.86 *per cent* of the total consumers were utilizing energy without meters or through defective meters as on 31 March 2011. Thus the Department could issue bills on consumption of 34 to 45 *per cent* of energy available for sale within the State during the period from 2006-07 to 2010-11. We observed various deficiencies in billing of energy by the Department, which have been discussed in succeeding paragraphs.

5.3.1 Incorrect application of tariff

As per tariff order 2006, the Public Sector Undertakings (PSUs) were to be billed under the category of Commercial Consumers (Non-Industrial). However, from the records of Daporijo and Bomdila Electrical Divisions we observed that the Central

PSUs and State PSUs such as Bharat Sanchar Nigam Limited, Food Corporation of India, Assam State Tourism Corporation, Commercial banks etc. were billed at lower tariff applicable to Non-Commercial Consumers (Domestic) category. This led to revenue loss of ₹ 0.48 crore during 2006-11 in these Divisions. We further, observed that in Daporijo Electrical Division services to Street Light were wrongly classified and billed as Non-Commercial Consumers (Domestic) instead of under Public Lighting & Water Supply Consumers, whose rates were higher than the rates charged for Domestic Consumers. Thus, wrong classification of Street Light services by the Divisions resulted in a revenue loss of ₹ 0.18 crore during the period 2006-11.

5.3.2 Un-assessed revenue

We observed that the Daporijo and Ziro Electrical Divisions of the Department did not install energy meters on 1186 services provided for Street Lights. As a result, the consumption against these connections remained unaccounted. We further noticed that both the Divisions did not raise any bills towards recovery of energy charges, interest on outstanding dues etc. against the said connections. This had resulted in revenue un-assessed and loss to the Department to the extent of ₹ 0.20 crore[5] during 2006-11.

5.3.3 Non-recovery of monthly minimum charges

The Schedule of Tariff 2006, which was effective from October 2006 fixed (September 2006) separate monthly minimum charges for each category of consumers based on their connected load. Accordingly the monthly minimum charges for the domestic consumers was recoverable based on connected load ranging from ₹ 25/KW to ₹ 29/KW between October 2006 and March 2011. We observed from the records of the Daporijo Electrical Division that the domestic consumers were billed on point basis[6] instead of on the basis of monthly minimum charges as per the connected load in violation to the extant tariff provision. The actual loss on this account however, could not be worked out due to veracity of service connections.

5.3.4 Belated implementation of revision of tariff

The revised tariff based on Schedule of Tariff 2006 was to be implemented with effect from 1 October 2006 and with an Automatic Annual Increment of five *per cent* with effect from 1st day of April each year following the year of notification (2006). Accordingly, energy charges and miscellaneous charges were automatically revised four times in April each year during 2007 to 2011. We observed that the Daporijo and Seppa Electrical Divisions did not implement the revision of tariffs till October 2010 and thereby incurred a loss of revenue to the Department to the extent of ₹ 0.82 crore.

[5] *worked out based on the monthly minimum charges of the tariff*

[6] *at the rate of ₹18 per point per month up to May 2009, at the rate of ₹19 per point per month (June 2009 to June 2010) and ₹20 per point per month (w.e.f. July 2010), worked out based on energy provided five hours a day for 30 days to one point with 40 watt bulb*

Though the said two Divisions started revising the tariff as per the requirement after October 2010, the loss of ₹ 0.82 crore pertaining to April 2007 to October 2010 remained unrecovered (November 2011).

Though the issue was reported to the Government/Department, no specific replies were offered by them (November 2011).

5.3.5 Non Billing of penalty on outstanding Dues

As per the General Conditions of Supply in Schedule of Tariff 2006, if the payment was not received within last date of the payment the bill was to be treated as invalid and the amount outstanding was to be carried over to the next month's bill as arrear. Interest at the rate of two *per cen*t was to be charged as penalty on outstanding amount for each 30 days successive period or part thereof until the amount was paid in full. We, however, observed that the Seppa and Daporijo Electrical Divisions did not add penalty at the rate of two *per cen*t on the accumulated outstanding amounts to the subsequent bills issued to the defaulted consumers and thereby incurred a loss of ₹ 3.40 crore towards revenue against penal charges.

Though the issue was reported to the Government/Department, no specific replies were offered by them (November 2011).

To sum up-

Though the efficiency of the Department in billing of energy lies in timely realisation of the revenue against sale of energy to consumers, we observed that the Department failed in proper billing of energy supplied to consumers by not providing proper energy meters to 46.86 per cent of consumers existing as on 31 March 2011. The Department also failed in timely implementation of the tariff orders in its letter and spirit, which led to recurring revenue losses.

DEPARTMENT OF POWER

5.4 Short collection of Security Deposit

Department failed to collect Security Deposit as per revised rates leading to short collection of ₹ 10.60 crore in two cases test checked

In order to safeguard the financial interests of the Department of Power (Department) against possible default in payment of electricity dues by the consumers, the extant Tariff provisions stipulated for collection of interest-free Security Deposit (SD) by the Department at the rates prescribed from time to time for each category of consumers. The Schedule of Tariff, 2006 (Schedule) notified in September 2006, besides prescribing routine revision in the rates of SD with effect from 1 October 2006, also

provided for automatic progressive hike of five percent per year in the prescribed rate of SD for all categories of consumers on 1 April each year. The first hike was to be made from 1 April 2007. Thus, after notification of the Schedule, total six revisions should have been effected in the SD rate till April 2011. While communicating the Government Notification on the Schedule of Tariff 2006, the Chief Engineer (P) Eastern Electrical Zone, specifically instructed that SD as per Clause 9 of Miscellaneous Charges to be leveled up after adjustment with the existing accounts of each and every consumer as per the provisions of the Tariff. We, however, observed that though the Department had 1.38 lakh consumers in 2006-07, which increased to 1.75 lakh consumers as on 31 March 2011, SD from none of these consumers were leveled up during all the six revisions made during the period from 1 October 2006 to 1 April 2011.

During test audit to verify the collection of SD by the Department as per tariff requirement, we examined two cases as under-

Case I: SMS Smelters Limited, Naharlagun (SMS) was sanctioned a load of 35 MW under Bulk Industrial Power supply and accordingly SD of ₹ 1.75 crore was collected by the Department at the applicable rate of ₹ 500 per KW (equivalent to ₹ 5.00 lakh per MW). We observed that since 2004, no revisions were made in the amount of SD for the consumer. As per the rate of SD applicable with effect from 1 April 2011, the Department was required to collect total SD of ₹ 11.17 crore (i.e. SD at the rate of ₹0.3191 crore per MW for 35 MW). Hence, there was short collection of SD from SMS to the extent of ₹ 9.42 crore by the Department.

Case II: Similarly, the Department sanctioned (August 2009) the load of 2 MW in favour of North Eastern Electric Power Corporation Limited (NEEPCO) under Bulk Supply category and also collected the SD of ₹ 10.00 lakh as per the applicable rate of ₹ 5.00 lakh per MW. Subsequently, the sanctioned load of NEEPCO was enhanced (September 2009) to 4 MW. Further, the per MW rate of SD for Bulk Supply category was also revised to ₹ 0.3191 crore per MW of sanctioned load with effect from 1 April 2011. Accordingly, the Department was required to collect total SD of ₹ 1.28 crore against enhanced sanctioned load of 4 MW. Thus, there was short collection of SD from NEEPCO to the extent of ₹ 1.18 crore.

Thus, the Department failed to level up the SD amount as per the revised rates leading to short collection of SD by ₹ 10.60 crore in two cases.

We, however, could not work out the actual financial impact in the cases of the rest of the consumers due to non-maintenance of consolidated data on collection of security deposit by the Department.

The above issues were reported (August 2011) to the Government/Department; their replies had not been received (November 2011).

DEPARTMENT OF FINANCE

5.5 Non-compliance with the provisions of the Companies Act

Non compliance with the Provisions of the Companies Act, 1956 by the State Government companies in holding minimum number of Board's meetings, placement of audited accounts in Annual General Meetings, etc.

The primary duty of the Board of Directors (BOD) of Companies is to ensure compliance to the provisions of law, accountability and the transparency expected by stakeholders. For this purpose, every Company should hold BOD meetings at regular intervals. Section 285 of the Companies Act, 1956, (Act) provided that a BOD meeting should be held at least once in three calendar months and at least four such meetings should be held every year. We observed that one working Company♣ had conducted only eight BOD meetings during the last five years from 2006-07 to 2010-11 with a time gap of 1 to 46 months and the time gap in the case of the other four♦ working Companies varied from 1 to 10 months.

Section 166 of the Act provided for every Company to hold an Annual General Meeting (AGM) and not more than fifteen months should elapse between the date of one AGM and the next AGM. Section 210 of the Act also required the BOD to lay the audited accounts of the company along with their Statutory Auditors` Report thereon and comments of the Comptroller and Auditor General of India and other specified documents in the AGM within six months from the close of the financial year i.e. by 30 September. Default in holding a meeting was punishable under Section 168 of the Act. We noticed as of September 2011, accounts of all the five working Companies were in arrears from 1 to 15 years. Further, the time gap in holding the AGM by these Companies varied from 1 to 73 months during the last five years from 2006-07 to 2010-11 as shown in the **Appendix 5.6**.

By not following the provisions Section 166 of the Act, we observed that the BOD of the State Government companies were not reporting to the shareholders about maintenance of adequate accounting records in accordance with the provisions of the

♣ *Arunachal Pradesh Mineral Development and Trading Corp. Ltd.*

♦ *Hydro Power Development Corporation of Arunachal Pradesh Ltd, Arunachal Pradesh Forest Corp. Ltd., Arunachal Pradesh Industrial Development & Financial Corp. Ltd., Arunachal Police Housing & Welfare Corp. Ltd.*

Act for safeguarding the assets of the Company, prevention and detection of fraud and other irregularities by way of Board's Report and Director's Responsibility Statement required to be attached with the audited accounts under Section 217 and 217(2AA) of the Act for placement in the AGM.

The matter was reported (November 2011) to the Government/Management of the concerned PSUs; their replies had not been received.



(S.A.Bathew)
Accountant General
Arunachal Pradesh

Itanagar
The

Countersigned



(Vinod Rai)
Comptroller and Auditor General of India

New Delhi
The

Appendix 1.2.1
(Referred to in paragraph 1.2.4.1 page 49)
Statement showing status of implementation of reforms (as of 31st March 2011) committed in Memorandum of Agreement

Sl. No.	Reforms as committed in Memorandum of Agreement	Timeline	Status as on March 2011
MANDATORY REFORMS			
(A) State Level			
1	Implementation of 74th Constitutional Amendment Act	Year - 3 (2007-08)	Enacted but not implemented
2	Integration of City Planning and Delivery functions	Year - 4 (2008-09)	ULB/ Municipality has not yet been formed
3	Rent Control Laws	Year - 5 (2009-10)	Bill drafted and under consideration of State Govt.
4	Rationalisation of Stamp Duty shall be introduced @ 5per cent by the end of next seven years	4 Year (2008-09)	Enacted
5	Repeal of Urban Land Ceiling and Regularisation Act	Not applicable	Act was not enacted or adopted by the state
6	Community Participation Law	Year – 3 (2007-08)	Arunachal Pradesh Nagar Raj Bill & Rules finalized and under examination of State Government.
7	Public Disclosure Law	Year – 4 (2008-09)	Enacted
(B) Urban Local Body/ Parastatal Level:			
1	E-Governance	Year – 3 (2007-08)	Not adopted
2	Municipal Accounting	Year – 4 (2008-09)	Not adopted
3	Property Tax	Year – 4 (2008-09)	Not introduced
4	User charges	Year – 4 (2008-09)	Flat System of user charges adopted. An Excel template for computation of user charges for water prepared but not yet adopted.
5	Internal earmarking of budgets for basic services to the urban poor.	Year-5 (2009-10)	Rules notified but not adopted.
6	Provision of Basic Services for Urban Poor	Year-3 (2007-08)	Rules notified but not adopted

Sl. No.	Reforms as committed in Memorandum of Agreement	Timeline	Status as on March 2011
OPTIONAL REFORMS (Common to State Level and ULBs/ Parastatal)			
1	Structural Reforms	Year – 6 (2010-11)	Under examination of the State Government
2	Encouraging Public Private Partnership	Year – 4 (2008-09)	Adopted
3	Introduction of Property Title Certification System	Year – 6 (2010-11)	Under examination of the State Government
4	Revision of Building Bye-Law to Streamline the approval	Year – 4 (2008-09)	Approved & notified
5	Revision of Building Bye-Laws to make Rain Water Harvesting mandatory in all buildings to come up in future and adoption of Water for Conservation measures	Year -3 (2007-08)	Notified
6	Earmarking at least 20-25 *per cent* of developed land in all housing projects for EWS/ LIG Category with a system of Cross-subsidisation	Year – 4 (2008-09)	Notified
7	Simplification of legal and procedural frameworks for conversion of agricultural land for non-agricultural purposes	Year – 6 (2010-11)	Notified

Appendix 1.2.2

(Referred to in paragraph 1.2.6.1 page 51)

Statement showing particulars of projects sanctioned under JNNURM in Arunachal Pradesh along with information relating the project cost, Central/State share and actual assistance released, etc

(₹ in lakh)

Sl. No.	Name of Projects	Year of sanction by GOI	Project Cost	Central Share	State Share	Central assistance released	State share due for release	State share released	Excess (+)/ Shortfall (-) in release of State Share	Expenditure as on 31 March 2011
Urban infrastructure and Governance (UIG)										
1.	Setting up of Municipal Solid Waste management in Scientific ways for Capital Complex, Itanagar.	June 2007	1194.38	1074.94	119.44	537.48	59.72	119.43	(+) 59.71	656.91
2.	**Augmentation of Water Supply for Itanagar City.**	**February 2007**	**7725.32**	**6952.79**	**772.53**	**3476.40**	**386.27**	**707.45**	**(+) 321.18**	**4148.68**
3.	**Improvement and Creation of Infrastructure of Urban Transport including roads and parking lots.**	**February 2009**	**9128.50**	**8215.65**	**912.85**	**2053.91**	**228.21**	**150.00**	**(-) 78.21**	**2203.91**
4.	Purchase of Buses for Urban Transport System at Itanagar.	February 2009	432.00	388.80	43.20	195.00	21.67	43.00	(+) 21.33	238.00
	Total		***18480.20***	***16632.18***	***1848.02***	***6262.79***	***695.87***	***1019.88***	***(+) 324.01***	***7247.50***
Basic services to Urban Poor (BSUP)										
5.	Construction & Improvement of shelter for Urban Poor/ Safai Karmachacharis at Pappu Nalah at Naharlagun (Phase I).	December 2007	410.20	369.18	41.02	167.80	18.64	20.00	(+) 1.36	187.80
6.	**Karsingsa Housing Project**	**July 2009**	**4515.25**	**4063.73**	**451.52**	**1014.81**	**112.76**	**Nil**	**(-) 112.76**	**1014.81**
	Total		***4925.45***	***4432.91***	***492.54***	***1182.61***	***131.40***	***20.00***	***(-) 111.40***	***1202.61***
Urban Infrastructure Development Scheme for Small & Medium Towns (UIDSSMT)										
7.	Storm Water Drainage at Anini.	February 2009	159.24	143.32	15.92	71.66	7.96	Nil	(-) 7.96	71.66

Sl. No.	Name of Projects	Year of sanction by GOI	Project Cost	Central Share	State Share	Central assistance released	State share due for release	State share released	Excess (+)/ Shortfall (-) in release of State Share	Expenditure as on 31 March 2011
8.	**Solid Waste Management at Changlang.**	**February 2009**	**261.62**	**235.46**	**26.16**	**117.73**	**13.08**	**Nil**	**(-) 13.08**	**117.73**
9.	Solid Waste Management at Roing.	February 2009	351.78	316.60	35.18	158.30	17.59	Nil	(-) 17.59	158.30
10.	**Solid Waste Management at Jairampur.**	**February 2009**	**253.33**	**228.00**	**25.33**	**114.00**	**12.67**	**25.00**	**(+) 12.33**	**139.00**
11.	**Storm Water Drainage at Seppa.**	**February 2009**	**1380.00**	**1242.00**	**138.00**	**621.00**	**69.00**	**93.00**	**(+) 240**	**714.00**
12.	Providing Basic amenities & Land protection at Basar.	February 2009	74.07	66.66	7.41	33.33	3.70	Nil	(-) 3.70	33.33
13.	Improvement of Road Network at Daporijo.	February 2009	476.52	428.87	47.65	214.43	23.83	30.00	(+) 6.17	244.43
14.	Development of Internal road at Khonsa.	February 2009	518.52	466.67	51.85	233.33	25.93	Nil	(-) 25.93	233.33
15.	Protection & anti-soil erosion work along Siboh-Korong at Pasighat.	February 2009	460.90	414.81	46.09	207.41	23.05	46.00	(+) 22.95	253.41
	Total		***3935.98***	***3542.38***	***393.59***	***1771.19***	***196.8***	***194.00***	***(-) 7.96***	***1965.19***
Integrated Housing and Slum Development Programme (IHSDP)										
16.	Integrated Low Income Housing and Infrastructure Development for the town of Roing.	December 2010	995.10	895.59	99.51	-		-	-	-
	Total		***995.10***	***895.59***	***99.51***	**-**		**-**	**-**	**-**
GRAND TOTAL			**28336.73 say ₹ 283.37 crore**	**25503.06 say ₹ 255.03 crore**	**2833.66 say ₹ 28.34 crore**	**9216.59 say ₹ 92.17 crore**	**1024.07 say ₹ 10.24 crore**	**1233.88 say ₹ 12.34 crore**	**209.81**	**10415.30 say ₹ 104.15 crore**

Projects in bold letters are those projects that has been selected for detailed examination in the performance audit of the JNNURM

Appendix 1.2.3

(Referred to in paragraph 1.2.6.2 page 51)

Statement showing delays in release of funds by State Government to programme executing agencies in respect of six projects selected for detailed examination

Sl. No	Name of project	Assistance released by GOI (₹ in lakh)	Month of release	Amount released by State Govt. including state share (₹ in lakh)	Month of release	Delay in release
1	Improvement & Creation of Infrastructure for Urban Transport including Roads & Parking lots(UIG)	2053.91	March 2009	773.24	March 2010	11 months
				1280.67	February2011	22 months
				150.00 (S.S.)	March 2011	23 months
2	Karsingsa Housing Project (BSUP)	1014.81	July 2009	83.94	January 2011	17 months
				451.50	January 2011	17 months
				479.37	March 2011	19 months
3	Solid Waste Management at Jairampur	114.00	February 2009	6.30	November 2009	8 months
				15.00	January 2010	10 months
				35.00	March 2010	12 months
				50.00	December 2010	20 months
				7.70	January 2011	21 months
				25.00 (S.S.)	March 2011	23 months
4	Solid Waste Management at Changlang	117.73	February 2009	6.46	December 2009	9 months
				40.00	March 2010	12 months
				56.04	February 2011	23 months
				15.23	March 2011	24 months
5	Storm Water Drainage at Seppa	621.00	February 2009	6.00	December 2009	9 months
				300.00	March 2010	12 months
				315.00	December 2010	20 months
				93.00 (S.S.)	March 2011	24 months
6	Augmentation of Water Supply at Itanagar	1738.20	June 2007	1738.20	August 2007	1 month
				35.17 (S.S.)	September2007	2 months
				199.00 (S.S.)	February 2009	19 months
		1738.20	May 2009	1738.20	July 2009	1 month
				398.58 (S.S)	September 2010	15 months
				74.70 (S.S)	February 2011	20 months

Appendix – 2.1

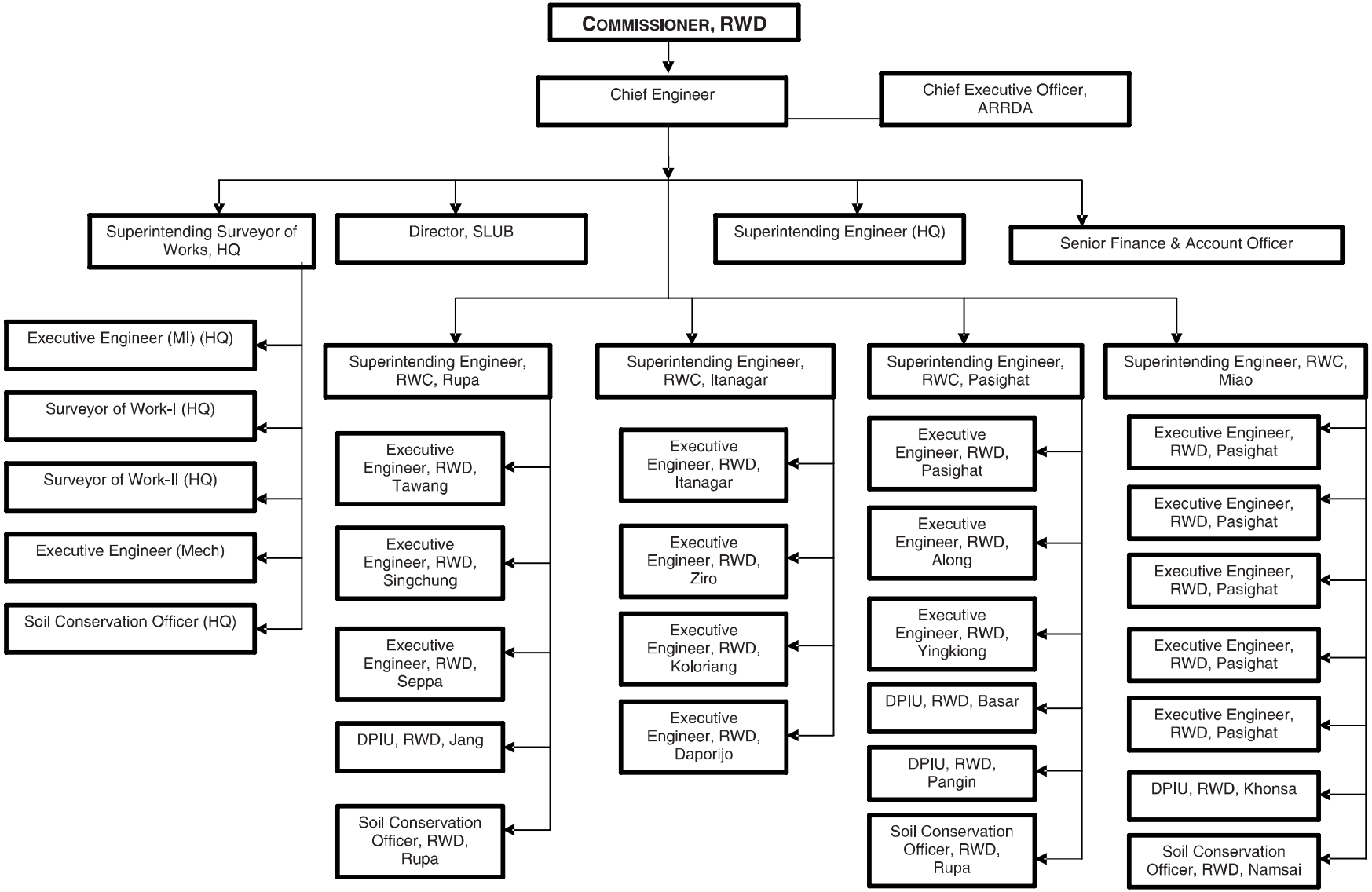
(Referred to in paragraph 2.13 page 88)

Details of explanatory notes on paragraphs of Audit Report pending as of March 2011

Year of Audit Report	Audit Report placed before the State Legislature	Paragraph number for which *suo moto* explanatory notes are awaited	Department
2008-09	03-09-2010	1.1	Horticulture Department
		1.2	Planning Department
		1.3	Water Resources Department
		2.1	Industries Department
		2.2,2.5,2.9,3.1	Animal Husbandry and Veterinary
		2.3,2.4	Agriculture Department
		2.6	Rural Works Department
		2.7,2.8	Social welfare, Women and Child Development Department
		2.10	Public Works Department
		2.11	Urban Development and housing Department
		4.2,4.3,4.4	State Excise Department
		4.5,4.6,5.7	Geology and Mining Department
		4.7,4.8	Land Management Department
		4.9,4.10	State Lottery Department
		4.11,4.12,4.13,4.14,4.15,4.16,4.17,4.18,4.19	Taxation Department
		4.20,4.21,4.22,5.2	Transport Department
		5.3	Department of Hydro Power Development
		5.4,5.5	Department of Power
		5.6	Department of Supply and Transport
		5.8	Department of Forest.
2009-10	24.03.2011	1.1,2.3	Food and Civil Supplies Department
		1.2	Social Welfare, Women and Child Development Department
		2.1,	Rural Works Department
		2.2,2.12	Rural Development Department
		2.4, 2.5,2.9,2.10,2.14	Public Works Department
		2.6	Public Health Engineering Department
		2.7	Education Department
		2.8	Urban Development and Housing Department
		2.11,2.13	Water Resources Department
		3.1	Public Engineering and Water Supply Department
		4.2,4.3,4.4,4.5,4.6	State Excise Department

Year of Audit Report	Audit Report placed before the State Legislature	Paragraph number for which *suo moto* explanatory notes are awaited	Department
		4.7,4.8,4.9	Geology and Mining Department
		4.10,4.11	State Lottery Department
		4.12,4.13,4.14,4.15,4.16,4.17,4.18,4.19,4.20, 4.21	Taxation Department
		5.2	Department of Hydro Power Development
		5.3,5.4,5.5	Department of Power
		5.6	Directorate of Supply and Transport

Appendix 3.1.1 - Organization Chart of Rural Works Department, Government of Arunachal Pradesh



APPENDIX –5.1

(Referred to in paragraph 5.1.6 page 144)

Statement showing particulars of up to date paid-up capital, loans outstanding and manpower as on 31 March 2011 in respect of Government companies

(Figures in column 5 (a) to 6 (c) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital#				Loans outstanding♣ at the close of 2010-11				Debt equity ratio for 2010-11(Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	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	8.96	-	-	8.96	4.17:1 (3.53:1)	21
Total of the Sector				**2.15**	**-**	**-**	**2.15**	**8.96**	**-**	**-**	**8.96**	**4.17 :1 (3.53:1)**	**21**
MINING													
2	Arunachal Pradesh Mineral Development and Trading Corporation Limited	Geology and Mining	Mar/91	2.43	-	-	2.43	-	-	-	-	- -	35
Total of the Sector				**2.43**	**-**	**-**	**2.43**	**-**	**-**	**-**	**-**	**- -**	**35**
FOREST													
3.	Arunachal Pradesh Forest Corporation Limited	Forest	Mar/77	4.50	-	-	4.50	-	-	-	-	- -	68
Total of the Sector				**4.50**	**-**	**-**	**4.50**					**- -**	**68**
POLICE													
4.	Arunachal Police Housing and Welfare Corporation Limited	Police	Nov/05	0.02	-	-	0.02	-	-	-	-	-	23
Total of the Sector				**0.02**	**-**	**-**	**0.02**	**-**	**-**		**-**	**-**	**23**
POWER													
5	Hydro Power Development Corporation of Arunachal Pradesh Limited	Power	Dec/06	7.50	-	2.45	9.95	-	-	-	-	- (2.12:1)	18
Total of the Sector				**7.50**	**-**	**2.45**	**9.95**	**-**	**-**	**-**	**-**	**- (2.12:1)**	**18**
Total of A				**16.60**	**-**	**2.45**	**19.05**	**8.96**	**-**	**-**	**8.96**	**0.47:1 (1.68:1)**	**165**

Paid-up-capital includes Share application money also.

♣ *Loans outstanding at the close of 2010-11 represents long-term loan only.*

***Note**: Figures are provisional as given by the Companies*

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital#				Loans outstanding@ at the close of 2010-11				Debt equity ratio for 2010-11(Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
B. Non-Working Government companies													
CEMENT													
6.	Parasuram Cements Limited	Industries	Jun/84	0.14	-	-	0.14	-	-	1.37	1.37	9.79 :1 (9.79:1)	-
Total of the Sector				**0.14**	-	-	**0.14**	-	-	**1.37**	**1.37**	**9.79 :1 (9.79:1)**	-
FRUIT PROCESSING													
7.	Arunachal Horticulture Processing Industries Limited	Industries	May/82	0.19	-	-	0.19	-	-	1.36	1.36	7..15:1 (7.15:1)	-
				0.19	-	-	**0.19**	-	-	**1.36**	**1.36**	**7.15:1 (7.15:1)**	-
Total of B				**0.33**	-	-	**0.33**	-	-	**2.73**	**2.73**	**8.27:1 (8.27:1)**	-
Grand Total (A+B)				**16.93**	-	**2.45**	**19.38**	**8.96**	-	**2.73**	**11.69**	**0.60:1 (1.80:1)**	**165**

APPENDIX – 5.2

(Referred to in paragraph 5.1.14 page 147)

Summarised financial results of Government companies for the latest year for which their accounts were finalised as on 30 September 2011

(Figures in column 5 (a) to (6) and (8) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the 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	Depreciation	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	2009-10	2011-12	(-) 0.45	-	0.06	(-) 0.51	2.71	-	2.15	(-) 13.40	13.16	(-) 0.51	-
Total of the Sector				**(-) 0.45**	**-**	**0.06**	**(-) 0.51**	**2.71**	**-**	**2.15**	**(-)13.40**	**13.16**	**(-) 0.51**	**-**
MINING														
2	Arunachal Pradesh Mineral Development and Trading Corporation Limited	1995-96	2011-12	(-) 0.22	-	0.03	(-) 0.25	0.08	-	1.58	(-) 0.66	0.91	(-) 0.25	-
Total of the Sector				**(-) 0.22**	**-**	**0.03**	**(-) 0.25**	**0.08**	**-**	**1.58**	**(-) 0.66**	**0.91**	**(-) 0.25**	**-**
FOREST														
3.	Arunachal Pradesh Forest Corporation Limited	2000-01	2011-12	(-) 3.80	0.15	0.34	(-) 4.29	2..19	-	4.50	(+) 8.59	16..54	(-) 4.14	-
Total of the Sector				**(-) 3.80**	**0.15**	**0.34**	**(-) 4.29**	**2..19**	**-**	**4.50**	**(+) 8.59**	**16.54**	**(-) 4.14**	**-**
POLICE														
4.	Arunachal Police Housing and Welfare Corporation Limited	2009-10	2010-11	1.77	-	0.14	1.63	1.39	-	0.02	(+) 3.40	3.90	1.63	41.79
Total of the Sector				**1.77**	**-**	**0.14**	**1.63**	**1.39**	**-**	**0.02**	**(+) 3.40**	**3.90**	**1.63**	**41.79**
POWER														
5	Hydro Power Development Corporation of Arunachal Pradesh Limited	2008-09	2011-12	0.08	-	0.07	0.01	-	-	5.00	-	4.00	0.01	0.25
Total of the Sector				**0.08**	**-**	**0.07**	**-**	**-**	**-**	**5.00**	**-**	**4.00**	**0.01**	**0.25**
Total of A				**(-) 2.62**	**0.15**	**0.64**	**(-) 3.41**	**6.37**	**-**	**13.25**	**(-) 2.07**	**38.51**	**(-) 3.26**	

ℜ *Capital employed represents net fixed assets (including capital work-in-progress) plus working capital.*

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 the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed$	Return on capital employed¥	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
B. Non-Working Government companies														
CEMENT														
6.	Parasuram Cements Limited	1994-95	2011-12	(-) 0.19	0.10	0.05	(-)0.34	0.04	-	0.14	(-)1.54	0.89	(-)0.24	-
Total of the Sector				**(-) 0.19**	**0.10**	**0.05**	**(-)0.34**	**0.04**	-	**0.14**	**(-)1.54**	**0.89**	**(-)0.24**	-
FRUIT PROCESSING														
7.	Arunachal Horticulture Processing Industries Limited	1988-89	2011-12	(-) 0.04	-	0.03	(-) 0.07	0.03	-	- ♦	(-) 0.12	(-) 0.12	(-) 0.07	-
Total of the Sector				**(-)0.04**	**-**	**0.03**	**(-) 0.07**	**0.03**	**-**	-	**(-) 0.12**	**(-) 0.12**	**(-) 0.07**	**-**
Total of B				**(-) 0.23**	**0.10**	**0.08**	**(-)0.41**	**0.07**	-	**0.14**	**(-) 1.66**	**0.77**	**(-)0.31**	-
Grand Total (A+B)				**(-) 2.85**	**0.25**	**0.72**	**(-) 3.82**	**6.44**	-	**13.39**	**(-) 3.73**	**39.28**	**(-) 3.57**	-

♦ *Against paid up capital, the company (serial no. B-7)had Share Application Money of ₹ 200 only as on 31 March 2011*

APPENDIX – 5.3

(Referred to in paragraph 5.1.9 page 145)

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 2011

(Figures in column 3 (a) to 6 (d) are ₹ 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 Government	State Government	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 and Financial Corporation Limited	-	-	-	-	-	-	-	2.00	-	-	-	-
Total of the Sector			-	-	-	-	-	-	**2.00**	-	-	-	-
Power													
2	Hydro Power Corporation of Arunachal Pradesh Limited	-	-	-	2.45	-	2.45	-	-	-	-	-	-
Total of the Sector		-	-	-	**2.45**	-	**2.45**	-	-	-	-	-	-
Grand Total		-	-	-	**2.45**	-	**2.45**	-	**2.00**	-	-	-	-

♠ *Figure indicate to guarantees outstanding at the end of the year.*

APPENDIX -5.4

(Referred to in paragraph 5.1.24 page 149)

Statement shown on 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 2011.

(₹ 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 Government companies								
1	**Sector : Financing** Arunachal Pradesh Industrial Development and Financial Corporation Limited	2009-10	2.15	2007-08	--	7.14	--	–
2	**Sector : Mining** Arunachal Pradesh Mineral Development and Trading Corporation Limited	1995-96	1.58	1996-97	0.15	--	--	–
				1997-98	0.12	--	--	–
				1998-99	0.10	--	--	–
				1999-00	0.18	--	--	–
				2000-01	0.20	--	--	–
				2002-03	0.05	--	--	–
				2005-06		--	1.15	–
				2006-07	--	0.15	--	–
				2008-09	0.05	--	--	–
3	**Sector : Forest** Arunachal Pradesh Forest Corporation Limited	2000-01	4.50	2003-04	--	--	--	3.72
				2004-05	--	--	--	3.41
				2005-06	--	--	5.00	3.07
				2006-07	--	--	--	2.73
				2007-08	--	--	0.85	2.40
4	**Sector : Power** Hydro Power Development Corporation of Arunachal Pradesh	2008-09	5.00	2009-10	2.50	20.37	--	–
				2010-11	-	--	2.45	–
Total			**13.23**		**3.35**	**27.66**	**9.45**	**15.33**
B. Non-working Government companies								
5	**Sector : Cement** Parasuram Cements Limited	1994-95	0.14	2007-08	--	1.36	--	–
Total of B			**0.14**		**--**	**1.36**	**–**	**--**
Grand Total (A+B)			**13.37**		**3.35**	**29.02**	**9.45**	**15.33**

APPENDIX 5.5

(Referred to in paragraph 5.2.5 page 156)

Loss on purchase of materials of same specification at different rates for implementation of RGGVY in Ziro Electrical Division

	Name of the Block/ project	Name of the contractor	Description of materials	Expenditure as per the agreement			Excess Expenditure compared to the lowest price for supply of same material to the other project of the Division			
				Quantity	Rate (₹)	Amount (₹ in crore)	Quantity	Rate as per the lowest (₹)	Amount payable (₹ in crore)	Excess Expendi-ture (₹ in crore)
1	ZIRO-II	HUMA ENTERPRISES	9M Steel TUBULAR POLE FOR 11 KV	1782	7100	1.27	1782	7100	1.27	0
2	ZIRO-I	HUMA ENTERPRISES	9M STEEL TUBULAR POLE FOR 11 KV	512	17000	0.87	512	7100	0.36	0.51
3	RAGA	ELECTROKINGS	9M STEEL TUBULAR POLE FOR 11 KV	1830	16276	2.98	1830	7100	1.30	1.68
4	ZIRO-II	HUMA ENTERPRISES	3.35 MM ACSR CONDUCTOR FOR 11 KV	450	30716	1.38	450	27716	1.25	0.13
5	ZIRO-I	HUMA ENTERPRISES	3.35 MM ACSR CONDUCTOR FOR 11 KV	132	27716	0.37	132	27716	0.37	0
6	RAGA	ELECTROKINGS	3.35 MM ACSR CONDUCTOR FOR 11 KV	471	46947	2.21	471	27716	1.31	0.90
7	ZIRO-II	HUMA ENTERPRISES	7.5MM STEEL TUBULAR POLE FOR 1-PH LT	535	6345	0.34	535	6345	0.34	0
8	ZIRO-I	HUMA ENTERPRISES	7.5MM STEEL TUBULAR POLE FOR 1-PH LT	219	11000	0.24	219	6345	0.14	0.10
9	RAGA	ELECTROKINGS	7.5MM STEEL TUBULAR POLE FOR 1-PH LT	460	11337	0.52	460	6345	0.29	0.23
10	ZIRO-II	HUMA ENTERPRISES	STEEL TUBULAR POLE10 M FOR DTs	110	11475	0.13	110	11475	0.13	0
11	ZIRO-I	HUMA ENTERPRISES	STEEL TUBULAR POLE10 M FOR DTs	54	19000	0.10	54	11475	0.06	0.04
12	RAGA	ELECTROKINGS	STEEL TUBULAR POLE10 M FOR DTs	112	23652	0.26	112	11475	0.13	0.13

	Name of the Block/ project	Name of the contractor	Description of materials	Expenditure as per the agreement			Excess Expenditure compared to the lowest price for supply of same material to the other project of the Division			
				Quantity	Rate (₹)	Amount (₹ in crore)	Quantity	Rate as per the lowest (₹)	Amount payable (₹ in crore)	Excess Expendi-ture (₹ in crore)
13	ZIRO-II	HUMA ENTERPRISES	GUARD BRACKET 3.5 M LONG FOR 11 KV	594	3888	0.23	594	2102	0.12	0.11
14	ZIRO-I	HUMA ENTERPRISES	GUARD BRACKET 3.5 M LONG FOR 11 KV	170	3888	0.07	170	2102	0.04	0.03
15	RAGA	ELECTROKINGS	GUARD BRACKET 3.5 M LONG FOR 11 KV	610	2102	0.13	610	2102	0.13	0
16	ZIRO-II	HUMA ENTERPRISES	MS ANGLE BRACING 3.1 M LONG FOR 11 KV	594	4617	0.27	594	1798	0.11	0.16
17	ZIRO-I	HUMA ENTERPRISES	MS ANGLE BRACING 3.1 M LONG FOR 11 KV	170	4617	0.08	170	1798	0.03	0.05
18	RAGA	ELECTROKINGS	MS ANGLE BRACING 3.1 M LONG FOR 11 KV	610	1798	0.11	610	1798	0.11	0
19	ZIRO-II	HUMA ENTERPRISES	DISC INSULATOR 90 KN-11 KV	3564	693	0.25	3564	693	0.25	0
20	ZIRO-I	HUMA ENTERPRISES	DISC INSULATOR 90 KN-11 KV	1022	693	0.07	1022	693	0.07	0
21	RAGA	ELECTROKINGS	DISC INSULATOR 90 KN-11 KV	3660	1468	0.54	3660	693	0.25	0.29
	TOTAL									**4.36**

APPENDIX 5.6

(Referred to in paragraph 5.5 page 162)

Details of the meetings of the Board of Directors and Holding of Annual General Meetings by the State Government companies in Arunachal Pradesh during the period from 2006-07 to 2010-11.

Sl. No	Name of the Company	Meetings of BOD			Annual General Meetings		
		Total No. of Meetings	Gap between two Meetings (Months)		Total No. of AGMs	Gap between two AGMs (Months)	
			From	To		From	To
1	Arunachal Pradesh Mineral Development and Trading Corp. Ltd.	8	1	46	3	1	73
2	Hydro Power Development Corporation of Arunachal Pradesh Ltd	13	1	6	1	1 AGM on 11.06.2010	
3	Arunachal Pradesh Forest Corp. Ltd.	12	1	10	2	Adjourned AGMs for 1998-99 & 1999-2000	
4	Arunachal Pradesh Industrial Development & Financial Corp. Ltd.	21	1	9	7	4	12
5	Arunachal Police Housing & Welfare Corp. Ltd.	20	1	6	5	7	21