REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2007

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. *Chapters I and II of this report respectively contain audit observations on matters arising from the examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2007.*

3. *The remaining chapters deal with the findings of performance audit and audit of transactions in various departments including the Public Works, Forest, Health and Family Welfare and Civil Supplies Department, revenue receipts, audit of autonomous bodies and departmentally run commercial undertakings*

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 2006-07 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 2006-2007 have also been included wherever necessary.*

OVERVIEW

OVERVIEW

This Report contains 52 Audit Paragraphs (including four general paragraphs), five Performance Reviews and one Chapter on Internal Control/Internal Audit apart from comments on the Finance and Appropriation Accounts. According to the existing arrangements, copies of the draft audit paragraphs and draft performance reviews were sent to the concerned Secretary to the State Government by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. The Secretaries are also reminded for replies. Besides, the Chief Secretary to the State Government was also requested to arrange for discussion of the issues raised in the draft audit paragraphs, draft performance reviews, etc., for effective inclusion of the views/comments of the Government in the Audit Report. Despite such efforts, no response was received in respect of all the paragraphs and three reviews from the concerned Secretary to the State Government.

1. Finances of the State Government

During 2006-07, the State Government succeeded in taking appropriate measures to eliminate revenue deficit and build up revenue surplus. The improvement in fiscal position should however, be viewed in the light of the fact that the State finances are heavily dependent on Central transfers comprising State's share in Union taxes and duties and grants-in-aid from GOI, which accounted for more than 85 *per cent* of its revenue receipts. These transfers contributed a little over 85 *per cent* of incremental receipts of the State during 2006-07 due to which, the State Government was able to enhance the revenue surplus during the year. The expenditure pattern of the State reveals that the revenue expenditure as a *percent*age to total expenditure hovered around the average of 78 *per cent* during the period 2001-07 with inter year variations leaving inadequate resources for expansion of services and creation of assets. Moreover, within the revenue expenditure, non-plan revenue expenditure in 2006-07 was significantly higher than the normative assessment of TFC for the State for the year and the four components – salary expenditure, pension liabilities, interest payments and subsidies – constituted about 87 *per cent* of the NPRE during 2006-07. These trends in expenditure indicate the need for change in allocative priorities. The fiscal liabilities of the State have consistently increased and stood at as high as 82 *per cent* of GSDP in 2006-07 and appear to be quite high especially when compared with the TFC norm of 31 *per cent* to be achieved by the terminal year of its award period. The increasing fiscal liabilities accompanied by negligible rate of return (less than one *per cent*) on Government's investment and inadequate interest cost recovery continued to be a cause of concern and might lead to an unsustainable debt position in medium to long run unless suitable measures are initiated to compress the non plan revenue expenditure and to mobilize the additional resources especially by exploiting the untapped taxable sources in ensuing years as the tax revenue of the State in the current year (Rs.78 crore) is far below the normative assessment of TFC (Rs.121 crore) for the year.

(Paragraph 1.1 to 1.12)

2. Allocative Priorities and Appropriation

During 2006-07 expenditure of Rs.2,787.16 crore was incurred against total grants and appropriation of Rs.3,136.32 crore. The net savings of Rs.349.16 crore was the result of savings of Rs.522.90 crore partly offset by excess of Rs.173.74 crore.

(Paragraph 2.2)

Supplementary provision made during the year constituted 39 *per cent* of the original provision. Supplementary provision of Rs.3.11 crore made in 10 cases proved unnecessary in view of aggregate final savings of Rs.39.62 crore.

(Paragraph 2.3.3 and 2.3.4)

Excess expenditure over provision amounting to Rs.816.83 crore for the years 1986-87 to 2005-06 and Rs.173.74 crore for the current year is required to be regularized according to Article 205 of the Constitution of India.

(Paragraph 2.3.2 (i) and 2.3.2 (ii))

3. Performance Reviews

(i) Modernisation of State Police Force

The Scheme modernization of Police Force (MPF) was launched in 1969-70 by the Government of India (GOI) for modernizing the Police Forces in the country to enable them to effectively face the emerging challenges and internal security. The basic objective of the scheme was to overcome the deficiencies in the State Police Force including enhancement in its infrastructure and to achieve its planned development and modernization. The main component of the scheme were housing, building, mobility, training, equipment, communication and computerization. The objective of the scheme remained unachieved as the plans approved during 2002-07 remained incomplete to the extent of Rs.6.16 crore even at the end of 2006-07. The Department failed to achieve the satisfaction level of housing in the lower subordinates. There was shortfall in availability of weapons in police stations ranging from 8 to 100 *per cent* and in the battalion 13 to 100 *per cent* as compared to BPR&D norms in the test checked PS and battalion. The practice of various weapons conducted per police personal in PTC during 2002-07 fell short by 20 to 100 *per cent*. Police Communication Network could not be made fully functional even after incurring an expenditure of Rs.4.62 crore.

(Paragraph 3.1)

(ii) Drinking Water Supply Schemes

The process of selection and approval of schemes under ARWSP/Swajaldhara was not transparent. Due to lack of vision and financial plan, there was piling

up of incomplete schemes. Poor planning and lack of prioritisation resulted in spreading out resources thinly thereby leaving a majority of schemes incomplete and non-accrual of envisaged benefits. Delay in completion/ taking up of execution of WSS resulted in cost overrun and idle investment. The State Government failed to utilise the available funds depriving people of safe drinking water. The funds were diverted from one scheme to another when diversions were not permitted. Schemes for sustainability of sources and water quality improvement were not taken up in the State. Objectives of the programmes were thus not achieved.

(Paragraph 3.2)

(iii) Nutritional Support to Primary Education

The National Programme of Nutritional Support to Primary Education (commonly known as Mid Day Meal Scheme) was launched as a centrally sponsored scheme on 15 August 1995. The objective of the scheme was to universalize primary education by increasing enrolment, attendance and retention of children in schools and simultaneously impacting on their nutrition in primary classes. The objectives of the scheme remained mostly unachieved due to inadequate provision of funds, delay in release of funds by the State Government, poor utilization of funds, short lifting of food grains from Food Corporation of India (FCI) and non delivery of foodgrains by carriage contractors.

Due to short release of conversion cost of Rs.18.19 crore during 2003-07 the primary school children of the State were deprived of the benefit of cooked meal in the state.

Cooking cost of Rs.23 lakh was reported as utilized in four districts (East Siang, Lower Subansiri, Lohit and Papumpare) during 2003-04 although these districts did not lift any food grains.

(Paragraph 3.3)

(iv) Development of Tourism and creation of Tourist Infrastructure

The Tourism Department, Government of Arunachal Pradesh is responsible for promotion of tourism in the State through planning and development of tourist infrastructure and marketing of Arunachal Pradesh as a tourist destination. There were deficiencies in planning and promotional efforts, delay in completion of Infrastructural Project and inadequate efforts towards development of new tourism products etc.

Ten infrastructure development schemes sanctioned by Government of India (GOI) during March 1997-98 and May 2000-01 at an estimated cost of Rs.3.69 crore were dropped by GOI due to failure of the Department to utilize the funds.

Out of 26 tourist infrastructural projects sanctioned by the GOI during 2002-07 at a cost of Rs.59.98 crore, the department could complete only 13 projects valuing Rs.46.65 crore till March 2007.

The State Government failed to commission swimming pool constructed at a cost of Rs.98 lakh due to non-provision of electricity by the Power Department.

(Paragraph 3.4)

4. Audit of Transactions

Loss

EDUCATION DEPARTMENT

Failure of the department to realize the cost of textbooks from students resulted in loss of Rs.1.04 crore.

(Paragraph 4.1)

PUBLIC HEALTH ENGINEERING DEPARTMENT

Failure of the Departmental to avail of exemption from payment of excise duty resulted in a loss of Rs.61.74 lakh on procurement of pipes.

(Paragraph 4.2)

ENVIROMMENT AND FOREST DEPARTMENT

Parking of funds received for compensatory afforestation in reserve fund not bearing interest instead of in fixed deposit with nationalised banks resulted in loss of interest of Rs. 51.10 lakh.

(Paragraph 4.3)

Wasteful/Infructuous Expenditure

EDUCATION DEPARTMENT

Failure of the Department in completion of the residential and non-residential buildings for the District Institute of Education and Training at Ziro and Khonsa resulted in unfruitful expenditure of Rs.91.91 lakh.

(Paragraph 4.5)

HEALTH AND FAMILY WELFARE DEPARTMENT

Excess deployment of medical officers in General Hospital at Naharlagun resulted in an extra expenditure of Rs.63.94 lakh, while there was less deployment of medical officers in General Hospital, Pasighat, District Hospitals, Ziro, Khonsa and Changlang.

(Paragraph 4.8)

PUBLIC WORKS DEPARTMENT

The Department incurred extra expenditure of Rs.86.65 lakh due to hiring of bulldozers at hourly rate instead of daily rate.

(Paragraph 4.9)

Idle Investment/Establishment

EDUCATION DEPARTMENT

Failure of the Department to take timely action for installation of computers and impart training to the teachers, resulted in idle investment of Rs.5.04 crore.

(Paragraph 4.15)

FISHERIES DEPARTMENT

Failure of the department to complete and commission the project, 'Regional Hatchery for cold water fisheries' rendered the expenditure of Rs.1.58 core unproductive.

(Paragraph 4.16)

HEALTH AND FAMILY WELFARE DEPARTMENT

Purchase of machines/equipment before construction of the building for the Regional Diagnostic Centres as well as non-completion of the buildings resulted in an unproductive expenditure of Rs.8.79 crore

(Paragraph 4.17)

Regulatory issues and others

CIVIL SUPPLIES DEPARTMENT

The department incurred unauthorized expenditure of Rs.43.05 lakh towards carriage of 424 quintals iodised salt by head load in inaccessible areas in violation of Government instructions.

(Paragraph 4.19)

5. Internal Control System and Internal Audit

Internal Controls were inadequate and ineffective in the Social Welfare, Women and Child Development Department. Arrangement of internal audit was also inadequate. Absence of proper internal control in the Department led to non compliance with rules and non observance of budgeting procedures.

(Paragraph 5.1)

6. Revenue Receipts

ENVIRONMENT AND FOREST DEPARTMENT

Failure to prepare a working plan for the operation of cane led to the loss of revenue of Rs. 19.73 lakh.

(Paragraph 6.2)

EXCISE DEPARTMENT

Inaction on the part of the department resulted in non-realisation of security deposit of Rs. 26.80 lakh.

(Paragraph 6.4)

GEOLOGY AND MINING DEPARTMENT

Undue financial benefit extended to a lessee by incorporating lower rate of royalty, in the agreement resulted in short realisation of royalty of Rs. 8.87 crore.

(Paragraph 6.6)

Failure of the department to initiate action against a lessee for delayed payment of royalty led to non-realisation of additional royalty of Rs. 3.27 crore.

(Paragraph 6.7)

Adjustment of payment of royalty of Rs. 58.23 lakh instead of Rs. 32.91 lakh led to excess adjustment of Rs.25.32 lakh and non-realisation of additional royalty of Rs. 15.19 lakh.

(Paragraph 6.8)

Execution of a faulty agreement for extraction of crude oil resulted in undue financial benefit to the lessee and loss of revenue of Rs. 17.06 lakh.

(Paragraph 6.9)

LAND MANAGEMENT DEPARTMENT

Inaction of the department to realise in full the lease rent from the allottees of government land during 2004-05 and 2005-06 led to short realisation of Rs. 2.73 crore.

(Paragraph 6.11)

TAXATION DEPARTMENT

Failure to collect entry tax from 3,454 vehicles before registration resulted in non-realisation of entry tax of Rs.11.31 crore.

(Paragraph 6.12)

Allowance of concessional rate of tax for interstate sale without obtaining declaration forms resulted in underassessment of tax of Rs. 2 crore.

(Paragraph 6.13)

Entry tax of Rs. 1.13 crore was not realised within the stipulated period from seven transporters.

(Paragraph 6.14)

Non-registration of forest divisions resulted in loss of revenue of Rs. 17.30 lakh on sale of timber.

(Paragraph 6.15)

Non-inclusion of interest in the requisition sent to the recovery officer resulted in short levy of interest of Rs. 10.88 lakh.

(Paragraph 6.16)

7. Government Commercial and Trading Activities

As on 31 March 2007 there were five Government companies (three working companies and two non-working companies) and two departmentally managed commercial undertakings *viz.,* State Transport Services and State Trading Scheme as against same number of Government companies and departmentally managed commercial undertakings. The results of audit of the Power (Electricity) Department are also incorporated in the Commercial chapter.

(Paragraph 7.1.1)

Performance Audit on the Implementation of Accelerated Power Development and Reforms Programme (APDRP)

The Accelerated Power Development and Reforms Programme has been implemented in Arunachal Pradesh from June 2004 onwards by the Department of Power, Government of Arunachal Pradesh with the main objective of supplying electricity in all the areas, reducing aggregate technical and commercial losses, outages and interruptions, making the power sector commercially viable and enhancement of consumer satisfaction by upgradation of sub transmission and distribution system.

(Paragraph 7.2.1)

Delay in release of funds by the State Government to the Department of Power has attracted penal interest of Rs.3.67 crore. There was diversion of funds amounting to Rs.5.31 crore attracting penal interest of Rs.53 lakh.

(Paragraph 7.2.10)

The DOP incurred extra expenditure of Rs.2.37 crore for the procurement of three phase consumer meters. The contractor failed to replace defective meters and sub-standard material valuing Rs.1.21 crore.

(Paragraphs 7.2.12, 7.2.13 & 7.2.14)

Delay in completion of works has deprived the DOP of anticipated annual benefit (by way of increase in revenue due to increased energy consumption, improvement in metering and reduction in technical and commercial losses) of Rs.14.62 crore as envisaged in the DPRs.

(Paragraph 7.2.15)

Undue financial benefit of Rs.2.86 crore was extended to turnkey contractors due to non recovery of cost of material issued to the contractors and liquidated damages on account of delay in the execution of works.

(Paragraphs 7.2.17 & 7.2.18)

The DOP failed to achieve the main objectives of targeted reduction of Aggregate Technical and Commercial losses, elimination of revenue gap, non accounting of energy due to delay in installing meters and non compliance of reform measures as envisaged in Memorandum of Agreement.

(Paragraphs 7.2.24 to 7.2.31)

Avoidable excess expenditure of Rs. 54.99 lakh was incurred due to consumption of HSD oil in excess of the norm for generation of electricity.

(Paragraph 7.3)

Expenditure of Rs. 47.23 lakh incurred on village electrification appears to be doubtful.

(Paragraph 7.4)

Injudicious procurement of material resulting in blocking of funds of Rs.1.44 crore.

(Paragraph 7.5)

CHAPTER – I

FINANCES OF THE STATE GOVERNMENT

1.1	Introduction
1.2	Methodology adopted for the assessment of the Fiscal Position
1.3	Trends and Composition of Aggregate Receipts
1.4	Application of Resources
1.5	Expenditure by Allocative Priorities
1.6	Misappropriations, losses, defalcations etc
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1.8	Undischarged Liabilities
1.9	Debt Sustainability
1.10	Management of deficits
1.11	Fiscal Ratios
1.12	Conclusion

CHAPTER – I

FINANCES OF THE STATE GOVERNMENT

CHAPTER – I
FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (Appendix 1.1-Part A). The Finance Accounts of the Government of Arunachal Pradesh are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account. The lay out of the Finance Accounts is depicted in Appendix 1.1 – Part B.

1.1.1 Summary of Receipts and Disbursements

Table 1.1 summarises the finances of the State Government for the year 2006-07 covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts/disbursements as emerging from Statement-1 of Finance Accounts and other detailed statements.

1.1: Summary of receipts and disbursements for the year 2006-07

(Rupees in crore)

2005-06	Receipts	2006-07	2005-06	Disbursements	2006-07		
					Non-Plan	Plan	Total
				Section A: Revenue			
1849.41	I. Revenue Receipts	2592.17	1667.65	I. Revenue Expenditure	1086.21	811.02	1897.23
62.09	Tax revenue	78.24	488.73	General Services	546.49	13.11	559.60
202.36	Non- tax revenue	297.17	571.05	Social Services	200.87	432.72	633.59
272.15	Share of Union Taxes/Duties	347.14	607.87	Economic Services	338.85	365.19	704.04
1312.81	Grants from Government of India	1869.62	---	Grants –in-aid/ contributions	---	---	---
				Section B : Capital			
---	II. Miscellaneous Capital Receipts	---	437.61	II. Capital Outlay	0.14	585.46	585.60
2.82	III. Recoveries of Loans and Advances	2.33	3.68	III. Loans and Advances disbursed	3.19	1.59	4.78
714.07	IV. Public Debt receipts [1]	110.37	250.55	IV. Repayment of Public Debt	---	---	92.44
---	V. Contingency Fund	---	---	V. Contingency Fund	---	---	---
1425.12	VI. Public Account receipts	1484.20	1387.92	VI. Public Account disbursements			1556.07
(-) 229.62	Opening Cash Balance	14.39	14.39	Closing Cash Balance			67.34
3761.80	Total	4203.46	3761.80	Total			4203.46

Following are the significant changes during 2006-07 over the previous year:

- Revenue receipts grew by Rs.743 crore over the previous year. The increase was mainly contributed by grants-in-aid from Government of India (GOI) (Rs.557 crore), Non tax revenue (Rs.95 crore) and State's share of Union taxes and duties (Rs.75 crore).

[1] *Includes net ways and means advances and overdraft*

- Revenue expenditure and capital expenditure increased by Rs.230 crore and Rs.148 crore respectively over the previous year.

- Public debt receipts decreased by Rs.604 crore over previous year mainly due to decrease in market loans by Rs.289 crore, borrowings from GOI by Rs.187 crore and also due to non-obtaining of ways and means advances and overdraft from Reserve Bank of India. Public debt repayments also decreased by Rs.158 crore over previous year mainly due to less disbursement of ways and means advances under loans and advances from Central Government by Rs.188 crore partly offset by increase of Rs.18 crore under loans for State Plan schemes and Rs.12 crore under Internal debt other than ways and means advances and overdraft.

- Public Account receipts and Public Account disbursements increased by Rs.59 crore and Rs.168 crore respectively, over previous year.

- Cash balance of the State increased by Rs.53 crore over previous year.

1.1.2 Fiscal Position by Key Indicators

The fiscal position of the State Government as reflected by the key fiscal indicators during the current year as compared to previous year is given in ***Table 1.2***.

Table: 1.2

(Rupees in crore)

2005-06	Sl. No.	Major Aggregates	2006-07
1849	1.	Revenue Receipts (2+3+4)	2592
62	2.	Tax Revenue	78
202	3.	Non-Tax Revenue	297
1585	4.	Other Receipts	2217
3	5.	Non-Debt Capital Receipts	2
3	6.	*Of which recovery of Loans*	2
1852	**7.**	**Total Receipts (1+5)**	**2594**
914	8.	**Non- Plan Expenditure**	**1089**
4	9.	On Revenue Account	1086
157	10.	*of which Interest Payments*	188
(-) 1	11.	On Capital Account	---
1	12.	On Loans disbursed	3
1165	**13.**	**Plan Expenditure**	**1399**
724	14.	On Revenue Account	811
437	15.	On Capital Account	586
3	16.	On Loans disbursed	2
2109	**17.**	**Total Expenditure (13+8)**	**2488**
(+) 182	18.	Revenue Deficit (-)/Surplus (+) (1-9-14)	(+) 695
(-) 257	19.	Fiscal Deficit (-)/Surplus (+) (1+5-17)	(+) 106
(-) 100	20.	Primary Deficit (-)/ Surplus (+) (10+19)	(+) 294

During the current year revenue receipts increased by Rs.743 crore (40 *per cent)* and revenue expenditure increased by Rs.230 crore (14 *per cent)* over the previous year, resulting in increase of Rs.513 crore in surplus on revenue account. Given the incremental surplus in revenue account, a marginal

decrease of Rupees one crore in non-debt capital receipts accompanied by an increase of Rs.149 crore in capital expenditure including loans and advances, led to a fiscal surplus of Rs.106 crore in 2006-07 compared to the fiscal deficit of Rs.257 crore in previous year. The emergence of a surplus of Rs.363 crore on fiscal front along with an increase of Rs.31 crore in interest payments resulted in primary surplus of Rs.294 crore in 2006-07 as against the primary deficit of Rs.100 crore in 2005-06.

1.2 Methodology adopted for the assessment of Fiscal Position

The trends in the major fiscal aggregates of receipts and expenditure as emerging from the Statements of Finance Accounts were analysed wherever necessary over a period of last five years and observations have been made on their behaviour. In its Restructuring Plan of the State finances, the Twelfth Finance Commission (TFC) recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, TFC also recommended that all States enact the Fiscal Responsibility Act and draw their fiscal correction path accordingly for the five year period (2005-06 to 2009-10) so that fiscal position of the State could be improved as committed in their respective FR Acts/Rules during medium to long run. The norms/ceiling prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments/projections made by the State Government in its Fiscal Responsibility Act and in other Statements required to be laid in the Legislature under the Act were used to make qualitative assessment of the trends and position of major fiscal aggregates during the current year. Assuming that Gross State Domestic Product (GSDP) is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The buoyancy coefficients for tax revenues, non-tax revenues, revenue expenditure *etc,* with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilisation of resources, pattern of expenditure etc, are keeping pace with the change in the base or these fiscal aggregates have also been affected by factors other than GSDP.

Table: 1.3 Trends in Growth of GSDP

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Gross State Domestic Product (GSDP) (Rs.in crore)	1942	1963	2262	2458	2666	2891
Rate of Growth of GSDP (in per cent)	*8.92*	*1.08*	*15.23*	*8.66*	*8.46*	*8.44*

Source: The State Government, Department of Economics and Statistics furnished the figures from 2001-02 to 2003-04 and figures of 2004-05 to 2006-07 are taken from State Fiscal Correction Path.

The key fiscal aggregates for the purpose have been grouped under four major heads: (i) Resources by Volume and Sources, (ii) Application of Resources,

(iii) Assets and Liabilities and (iv) Management of Deficits (**Appendices 1.3 to 1.6**). The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in **Appendix 1.1 Part C.**

1.2.1 The Fiscal Responsibility and Budget Management (FRBM), Act, 2006

The State Government enacted (March 2006) the Arunachal Pradesh Fiscal Responsibility (APFR) Act, 2006 to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability, greater fiscal transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework. The Act set the following fiscal targets for the State Government:

- Reduce revenue deficit to nil within a period of four financial years beginning from 1 April 2005;
- Reduce revenue deficit as a percentage of GSDP in each of the financial years beginning from 1 April 2005;
- Reduce fiscal deficit to not more than three *per cent* of the estimated GSDP within a period of five financial years beginning from 1 April 2005.

1.2.1.1 Fiscal Policy Statement(s) 2006-07

As prescribed in the Act, the State Government has to lay before the Legislature, the Medium Term Fiscal Plan along with the annual budget. However, the State Government had not laid any such plan in the Legislature along with annual budget 2006-07.

1.2.1.2 Roadmap to Achieve the Fiscal Targets as Laid down in FRBM Act/Rules

The State Government has developed its Own Fiscal Correction Path (FCP) indicating the milestones of outcome indicators with target dates of implementation during the period from 2004-05 to 2009-10 (**Appendix-1.2**) keeping in view the fiscal targets laid down in the FRBM Act and/or the rules made there under and the anticipated annual rate of reduction of fiscal deficit of the States worked out by the GOI for the TFC Award. The State picked up the momentum towards achievement of fiscal target, with the current year ending in revenue surplus of Rs.695 crore.

1.2.1.3 Mid–Term Review of Fiscal Situation

To enforce compliance with the fiscal principles and targets laid down in the FRBM Act, 2006, the State Finance Department is to review every half year the trends in receipts and expenditure including the fiscal indicator targets set for the current financial year and place before the State Legislature a statement containing the outcome of such a review. However, the State Government is yet to enforce the provision of the Act in this regard as no mid-term review has been undertaken during the current year.

1.3 Trends and Composition of Aggregate Receipts

The receipts of the State Government consist of revenue and capital receipts. Revenue receipts consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions, commercial banks) and loans and advances from GOI as well as accruals from Public Account. ***Table-1.4*** shows that the total receipts of the State Government for the year 2006-07 were Rs.4,188 crore. Of these, the revenue receipts were Rs.2,592 crore constituting 62 *per cent* of total receipts. The balance came from capital receipts, borrowings, receipts from Contingency Fund and Public Account (**Appendix – 1.6**).

Table-1.4: Trends in Growth and Composition of Aggregate Receipts

(Rupees in crore)

Sources of State's Receipts	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
I. Revenue Receipts	**1085**	**1108**	**1576**	**1502**	**1849**	**2592**
II. Capital Receipts	**142**	**145**	**308**	**218**	**717**	**112**
Recovery of Loans and Advances	2	2	2	3	3	2
Public Debt Receipts	140	143	306	215	714	110
Miscellaneous Capital Receipts	-	-	-	-	-	-
III. Contingency Fund	**-**	**-**	**-**	**-**	**-**	**-**
IV. Public Account Receipts	**948**	**1514**	**958**	**1209**	**1425**	**1484**
a. Small Savings, Provident Fund *etc.*	86	96	141	134	129	133
b. Reserve Fund	2	3	72	11	17	10
c. Deposits and Advances	79	157	137	91	147	230
d. Suspense and Miscellaneous	148	530	(-) 333	47	51	(-) 237
e. Remittances	633	728	941	926	1081	1348
Total Receipts	**2175**	**2767**	**2842**	**2929**	**3991**	**4188**

The total receipts of the State increased from Rs.2,175 crore in 2001-02 to Rs.4,188 crore in 2006-07. The debt capital receipts which create future repayment obligation decreased steeply from Rs.714 crore in 2005-06 to Rs.110 crore in 2006-07.

1.3.1 Revenue Receipts

Statement 11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. Overall revenue receipts, their annual rate of growth, ratio of these receipts to the GSDP and its buoyancy are indicated in ***Table-1.5.***

Table 1.5: Revenue Receipts – Basic Parameters

(Value in crore of Rupees)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Receipts (RR)	1085	1108	1576	1502	1849	2592
Own Taxes *(per cent)*	31 (3)	37 (3)	44(3)	50(3)	62(3)	78(3)
Non-Tax Revenue *(per cent)*	71 (17)	76(7)	121(8)	170(11)	202(11)	297(12)
Central tax Transfers *(per cent)*	91 (8)	122(11)	161(10)	192(13)	272(15)	347 (13)
Grants-in-aid *(per cent)*	893 (82)	873 (79)	1251 (79)	1090(73)	1313(71)	1870(72)
Rate of growth of RR *(per cent)*	12.90	2.12	42.23	(-) 4.70	23.10	40.18
Revenue Receipts/GSDP *(per cent)*	55.87	56.44	69.67	61.10	69.35	89.66
Revenue Buoyancy (ratio) [2]	1.446	1.962	2.772	(-) 0.542	2.730	4.760
State's own taxes Buoyancy (ratio)	5.337	17.916	1.242	1.575	2.836	3.058
Revenue Buoyancy with reference to State's own taxes (ratio)	0.270	0.109	2.231	(-) 0.344	0.962	1.556
GSDP Growth *(per cent)*	8.92	1.08	15.23	8.66	8.46	8.44

General Trends

The revenue receipts of the State increased from Rs.1,085 crore in 2001-02 to Rs.2,592 crore in 2006-07 at an annual average rate of 23.15 *per cent.* While 15 *per cent* of the revenue receipts during 2006-07 have come from State's own resources comprising own taxes and non-taxes, central tax transfers and grants-in-aid together contributed 85 *per cent* of the total revenue. The sharp increase of Rs.743 crore in revenue receipts during 2006-07 over the previous year was mainly on account of increase in non-tax revenue (Rs.95 crore), grants-in-aid (Rs.557 crore) from GOI and central tax transfers (Rs.75 crore).

The actual revenue receipts *vis-à-vis* assessments made by TFC and State Government are given below:

(Rupees in crore)

	Assessments made by TFC	Assessments made by State Government in Fiscal Correction Path	Actual
Tax Revenue	121	63	78
Non-Tax Revenue	92	187	297

The tax revenue increased by 23.81 *per cent* and the non-tax revenue by 58.82 *per cent* over the assessment made by the State Government. Although the

[2] *Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given charge in the base variable. For instance revenue buoyancy at 4.7 during 2006-07 implies that revenue receipts tend to increase by 4.7 percentage points if the GSDP increase by one per cent.*

actual realisation of non-tax revenue has exceeded the assessments made by the TFC the Tax revenue fell short by Rs.43 crore.

Tax Revenue: The tax revenue increased by 25.81 *per cent* during the current year (Rs.78 crore) over the previous year (Rs.62 crore). The revenue from sales tax not only contributed the major share of tax revenue (79 *per cent)*, but also increased by 29 *per cent* over the previous year. The State had implemented Value Added Tax (VAT) w.e.f 1 April 2005. State excise, taxes on vehicles and land revenue are the other major contributors in the State's tax revenue. ***Table 1.6*** below shows the trend of tax revenue during 2001-2007.

Table 1.6: Tax Revenue

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Land Revenue	1.00	0.81	3.57	0.76	1.11	2.10
Stamps and Registrations	0.27	2.10	0.31	0.46	0.41	0.55
State Excise	10.55	14.26	15.42	17.79	9.51	10.98
Sales Tax	16.78	17.62	21.79	28.25	47.69	61.64
Taxes on Vehicles	1.61	1.75	2.02	2.21	2.99	2.93
Other Taxes [3]	0.68	0.72	0.62	0.64	0.38	0.04
Total	**30.89**	**37.26**	**43.73**	**50.11**	**62.09**	**78.24**

Non Tax Revenue: The non tax revenue which constituted 11.5 *per cent* of the total revenue receipts, increased by Rs.95 crore over the previous year, recording a growth rate of 47 *per cent* over previous year. The debt waiver (Rs.20.21 crore) given by GOI under DCRF[4] led to sharp increase in non-tax revenue of the State. The other areas where substantial increase were observed include Power (Rs.30.24 crore), Interest and other receipts under Non-ferrous Mining and Metallurgical Industries (Rs.22.74 crore) and interest realised on investment of cash balances (Rs.6.39 crore).

Central Tax Transfers: The Central tax transfers increased by Rs.74.99 crore over the previous year and constituted 13 *per cent* of revenue receipts. The increase was mainly under Corporation tax (Rs.33.20 crore), Service tax (Rs.13.24 crore) and Taxes on Income other than corporation tax (Rs.12.82 crore).

Grants-in-aid: The Grants-in-aid from GOI increased from Rs.1,313 crore in 2005-06 to Rs.1,870 crore in the current year. The increase was mainly under State Plan Schemes (Rs.323 crore), Centrally Sponsored Schemes (Rs.215 crore) and Central Plan Schemes (Rs.24 crore) partly offset by decrease in Non-Plan grants (Rs.1 crore) and Special Plan Schemes (Rs.4 crore). The Non-plan grants (Rs.388 crore) to State constitute 21 *per cent* of total grants during the year of which, 68 *per cent* (Rs.263 crore) were primarily for meeting the Non-Plan revenue deficit due to the recommendation of TFC. The sharp increase in grants for State Plan Schemes from Rs.726.39 crore in

[3] *Other taxes include taxes on duties on commodities and services.*
[4] *Debt Consolidation and Relief Facility.*

2005-06 to Rs.1048.91 crore in 2006-07 was mainly on account of increase in Block Grant by Rs.303 crore, grant for Central Road Fund by Rupees nine crore, and Areas Programme of Watershed Development Projects in shifting cultivation by Rupees four crore.

Details of grants-in-aid from GOI are given in ***Table 1.7***.

Table 1.7: Grants–in-aid from GOI

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Grants for State Plan schemes	554	519	822	614	726	1049
Non Plan grants	247	243	300	300	389	388
Grants for Central Plan Schemes	5	6	3	13	44	68
Grants for Centrally Sponsored Schemes	74	72	93	129	105	320
Grants for Special Plan Schemes	13	33	33	34	49	45
Total	**893**	**873**	**1251**	**1090**	**1313**	**1870**
Percentage of increase/ decrease over previous year	17.35	(-) 2.24	43.30	(-) 12.87	20.46	42.42

1.4 Application of Resources

1.4.1 Growth of Expenditure

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. State raises resources to perform its sovereign functions, maintain its existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge its debt service obligations. The total expenditure of the State increased from Rs.1,336 crore in 2001-02 to Rs.2,488 crore in 2006-07. Total expenditure, its annual growth rate and ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in ***Table- 1.8***.

Table 1.8 Total expenditure – Basic Parameters

(Value in crore of Rupees and ratios in *per cent*)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Total Expenditure (TE) [5]	1336	1324	1829	1891	2109	2488
Rate of Growth	7.13	(-) 0.90	38.14	3.39	11.53	17.97
TE/GSDP Ratio	68.80	67.45	80.86	76.93	79.11	86.06
Revenue Receipts/TE ratio	81.21	83.69	86.17	79.43	87.67	104.18
Buoyancy of Total Expenditure with						
GSDP (ratio)	0.799	(-) 0.83	2.504	0.391	1.363	2.129
Revenue Receipts (ratio)	0.553	(-) 0.425	0.903	(-)0.721	0.499	0.447

The total expenditure during the current year has increased by Rs.379 crore (Plan: Rs.235 crore and Non-Plan: Rs.144 crore) over the previous year, of which, revenue expenditure shared Rs.230 crore (Plan: Rs.88 crore and

[5] Total expenditure includes revenue expenditure, capital expenditure and loans and advances.

Non-Plan: Rs.142 crore) capital expenditure contributed Rs.149 crore (Plan: Rs.147 crore and Non-Plan: Rs.2 crore) and Rupees one crore by repayment of loans and advances. During the current year, cent *per cent* of total expenditure was met from revenue receipts. The buoyancy of total expenditure to GSDP stood at 2.1 in 2006-07 indicating a tendency to spend more than the increase in income and higher elasticity of total expenditure with respect to GSDP.

Trends in Total Expenditure by Activities: In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, grants-in-aid and loans and advances. Relative share of these components in total expenditure is indicated in ***Table – 1.9.***

Table – 1.9: Components of Expenditure – Relative Share

(in per cent)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
General Services	26.90	28.90	26.77	26.63	23.94	23.38
Interest Payments	8.16	9.47	8.44	7.77	7.42	7.55
Social Services	29.50	27.67	27.86	28.80	31.35	31.09
Economic Services	43.23	43.21	45.12	44.25	44.54	45.34
Loans and Advances	0.37	0.22	0.25	0.32	0.17	0.19
Grants-in-aid	...	...	...	...	...	...

Although the share of Social Services in total expenditure remained at 31 *per cent* during the last two years, its capital expenditure component has increased considerably during 2005-07 indicating impetus now being given to social growth. Payment of loans and advances decreased from 0.37 *per cent* in 2001-02 to 0.19 *per cent* of total expenditure in 2006-07. The share of expenditure on General Services was however maintained at the level of 2005-06. The expenditure on General Services and interest payments which are considered as non-developmental, together accounted for 23.38 *per cent* as against 23.94 *per cent* in 2005-06. On the other hand, development expenditure *i.e.*, expenditure on Social and Economic Services together accounted for 76.43 *per cent* in 2006-07 as against 75.89 *per cent* in 2005-06.

1.4.2 Incidence of Revenue Expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payments, for the past obligations and as such does not result in addition to the State's infrastructure and service network. The overall revenue expenditure, its

rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in ***Table – 1.10.***

Table 1.10: Revenue Expenditure – Basic Parameters

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Expenditure (RE)	1030	1031	1392	1510	1668	1897
Of which						
Non- Plan Revenue Expenditure (NPRE)	575	609	841	931	944	1086
Plan Revenue Expenditure (PRE)	454	422	551	579	724	811
Rate of Growth and Ratios *(per cent)*						
Rate of growth of NPRE	(-) 5.43	5.91	38.10	10.70	1.40	15.04
Rate of Growth of PRE	22.37	(-) 7.05	30.57	5.08	25.04	12.02
NPRE/GSDP *(per cent)*	29.61	31.02	37.18	37.88	35.41	37.56
NPRE as a *per cent* of TE	43.04	46.00	45.98	49.23	44.76	43.65
NPRE as a *per cent* of RR	53.00	54.96	53.36	61.98	51.05	41.90
Buoyancy of Revenue Expenditure with						
GSDP (ratio)	0.572	0.093	2.299	0.979	1.236	1.627
Revenue Receipts (ratio)	0.395	0.047	0.829	(-) 1.804	0.453	0.342

The revenue expenditure increased by 84 *per cent* from Rs.1,030 crore in 2001-02 to Rs.1,897 crore in 2006-07. The NPRE has shown a consistent increase at an annual average rate of 14.81 *per cent* over the period and continued to share the dominant proportion varying from 56 to 62 *per cent* of the revenue expenditure. The growth in plan expenditure on the other hand displayed wide fluctuations varying from a decline of seven *per cent* in 2002-03 to an increase of 31 *per cent* in 2003-04 and further declined to 12 *per cent* in the current year. The increase in NPRE during the current year was mainly due to increase in expenditure on pension (Rupees 8 crore) and salaries (Rs.95 crore). The increase in PRE by Rs.87 crore in 2006-07 over the previous year was mainly due to increase in General Economic Services (Rs.24 crore), Education, Sports, Art and Culture (Rs.19 crore) and Special Area Programme (Rs.18 crore). Expenditure buoyancy at 1.6 during 2006-07 implies that revenue expenditure tends to increase by 1.6 percentage points for every one *per cent* increase in GSDP.

The actual NPRE *vis-a-vis* assessment made by TFC and the State Government are given below:

(Rupees in crore)

	Assessment made by TFC	Assessments made by State Government in Fiscal Correction Path	Actual NPRE
Non-Plan revenue expenditure	777	981	1086

NPRE during current year has exceeded the normative assessment of TFC by Rs.309 crore and the assessment made by the State Government by Rs.105 crore.

1.4.3 Committed Expenditure

1.4.3.1 Expenditure on Salaries and Wages

The trends in expenditure on salaries both under Plan and Non-Plan heads are presented in *Table 1.11*.

Table – 1.11: Expenditure on salaries

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on salaries & wages *of which*	434	446	505	550	575	670
Non-Plan Head	310	327	370	398	421	485
Plan Head **	124	119	135	152	154	185
As a percentage of GSDP	22.35	22.72	22.33	22.38	21.57	23.18
As a percentage of Revenue Receipts	40	40.25	32.04	36.62	31.10	25.85

Source: The State Government furnished the figures of salary and wages from 2001-02 to 2004-05 and figures of 2005-06 and 2006-07 furnished by the AG (A & E) Arunachal Pradesh, Meghalaya etc., Shillong.

** Represents salaries and wages only but excludes salaries & wages spent from grants-in-aid.*

*** Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes.*

Expenditure on salaries under Non-plan and plan during the current year is Rs.485 crore and Rs.185 crore respectively recording a growth rate of 15 *per cent* and 20 *per cent* respectively. Expenditure of Rs.670 crore on salaries during 2006-07 was more by Rs.56 crore than assessed (Rs.614 crore) by the State Government in its FCP. The salary expenditure is 41 *per cent* of revenue expenditure, net of interest and pension payments which is marginally higher than the norm of 35 *per cent* recommended by the TFC.

1.4.3.2 Pension Payments

Table 1.12 Expenditure on Pensions

(Rupees in crore)

Heads	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on Pensions	54	60	66	70	71	79
Rate of growth	12.5	11.1	10.0	6.1	1.4	11.3
As *per cent* of GSDP	2.78	3.06	2.92	2.85	2.66	2.73
As *per cent* of RR	4.98	5.42	4.19	4.66	3.84	3.05
As *per cent* of RE	5.24	5.82	4.74	4.64	4.26	4.16

Source: Finance Accounts 2006-07

Pension payments during the current year have increased by Rupees eight crore, recording a growth rate 11 *per cent* over the previous year. Pension payments during 2006-07 constituted three *per cent* of GSDP, three *per cent* of revenue receipts and four *per cent* of revenue expenditure. The comparative analysis of actual pension payments and the assessment/projections made by TFC and the State Government *(Table 1.13)* reveals that actual pension payments exceeded projections made by the State Government by

Rupees one crore. However, the actual pension payment is less by Rupees one crore than the normative projections made by TFC.

Table 1.13 Pension Payments vis-à-vis projections

(Rupees in crore)

	Assessment made by TFC	Assessment made by State Government in Fiscal Correction Path	Actual Expenditure on pensions
Pension payments	80	78	79

1.4.3.3 Interest Payments

Interest payments, their ratio to revenue receipts and revenue expenditure during the period from 2001-07 are detailed in ***Table 1.14***.

Table 1.14 Interest Payments

Year	Total Revenue Receipts	Total Revenue Expenditure	Interest Payments	Percentage of interest payment with reference to	
	(Rupees in crore)			Revenue Receipts	Revenue Expenditure
2001-02	1085	1030	109	10.05	10.58
2002-03	1108	1031	125	11.28	12.12
2003-04	1576	1392	142	9.01	10.20
2004-05	1502	1510	147	9.79	9.74
2005-06	1849	1668	157	8.49	9.41
2006-07	2592	1897	188	7.25	9.91

Interest payments increased by Rs.31 crore (19.75 *per cent*) during 2006-07 over the previous year. The major sources of borrowings are Market loans at interest rates varying from 5.60 *per cent* to 13.85 *per cent*. The increase in interest payments was mainly due to payment of interest on special securities issued to National Small Savings Fund of the Central Government (Rs.36 crore), Market loans (Rs.2 crore), other internal debt (Rs.2 crore), State Provident Fund (Rs.7 crore) and ways and means advances (Rs.7 crore) which was partly off set by decrease in payment of interest on Non-Plan Schemes (Rs.14 crore) and State Plan Schemes (Rs.4 crore). Interest payment of Rs.188 crore during the current year exceeded the assessments/projections made by TFC by Rs.13 crore and State Government assessment by Rupees seven crore.

1.4.3.4 Subsidies

The trends in subsidies given by the State Government are given in *Table 1.15*.

Table 1.15: Subsidies

(Rupees in crore)

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Subsidies	22	22	31	19	2	3
Percentage of increase (+)/ decrease (-) over previous year	(+) 10	0	(+) 40.9	(-) 38.7	(-) 89.4	(+) 50
Percentage of subsidy in total expenditure [6]	1.65	1.67	1.70	1.00	0.09	0.12

Source: Information furnished by the Finance Department for the years prior to 2005-06, for the years 2005-06 and 2006-07 figures of Finance Accounts of the State are adopted.

During the current year subsidies constituted 0.12 *per cent* of the total expenditure against 0.09 *per cent* in 2005-06 indicating marginal increase in subsidies by the State Government. The increase in subsidies (Rupees one crore) during 2006-07 was mainly on account of increase in payment of subsidies to Crop Husbandry and co-operation.

1.5 Expenditure by Allocative Priorities

1.5.1 Quality of Expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore, ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running the existing social and economic services efficiently and effectively would determine the quality of expenditure. Higher the ratio of there components to total expenditure and GSDP, better the quality of expenditure. ***Table 1.16*** gives those ratios during 2001-07.

Table 1.16: Indicators of Quality of Expenditure

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Capital expenditure	302	290	433	375	438	586
Revenue expenditure	1030	1031	1392	1510	1668	1897
Of which						
Social and Economic Services with	692	667	954	1021	1179	1338
(i) Salary & wages component	267	278	313	328	350	548
(ii) Non-salary & wage component	425	389	641	693	829	790
As *per cent* of total expenditure (excluding loans and advances)						
Capital expenditure	22.67	21.95	23.73	19.89	20.80	23.60
Revenue expenditure	77.33	78.05	76.27	80.11	79.20	76.40
As *per cent* of GSDP						
Capital expenditure	15.55	14.77	19.14	15.26	16.43	20.27
Revenue expenditure	53.04	52.52	61.54	61.43	62.57	65.62

Though no specific norms were laid down for prioritisation of capital expenditure, there was increase in capital expenditure by Rs.149 crore during

[6] *Total expenditure excludes Loans and Advances*

2006-07 over the previous year. Education, Sport, Art and Culture, Health and Family Welfare under Social Services and Transport under Economic services are the beneficiary sectors where capital expenditure was absorbed. The non-salary and wage component constituted 59 *per cent* of revenue expenditure under Social and Economic Services against 41 *per cent* in salary and wage component. These trends indicate improvement in the quality of expenditure and the impetus being given to asset formation.

1.5.2 Expenditure on Social Services

Given the fact the human development indicators such as access to basic education, health services and drinking water and sanitation facilities etc. have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provisions of these services in the State. ***Table 1.17*** summarizes the expenditure incurred by State Government in expanding and strengthening of Social Services in the State during 2001-07.

Table 1.17: Expenditure on Social Services

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Education, Sports, Art and Culture	183.21	165.59	198.66	223.92	240.41	296.77
Revenue expenditure	**164.87**	**154.15**	**182.88**	**204.34**	**216.07**	**248.29**
Of which						
(a) Salary & wage component	118.88	120.29	134.51	137.51	148.42	163.36
(b) Non-salary & wage component	45.99	33.86	48.37	66.83	67.65	84.93
Capital Expenditure	**18.34**	**11.44**	**15.78**	**19.58**	**24.34**	**48.48**
Health and Family Welfare	67.67	62.81	76.28	94.00	75.92	122.88
Revenue expenditure	**61.77**	**58.72**	**67.51**	**77.07**	**70.83**	**92.63**
Of which						
(a) Salary & wage component	44.26	47.43	52.11	56.25	60.46	68.54
(b) Non-salary & wage component	17.51	11.29	15.40	20.82	10.37	24.09
Capital Expenditure	**5.90**	**4.09**	**8.77**	**16.93**	**5.09**	**30.25**
Water Supply, Sanitation, Housing and Urban Development	83.40	82.46	106.56	153.74	198.06	221.12
Revenue expenditure	**62.20**	**60.67**	**86.95**	**124.19**	**153.26**	**165.99**
Of which						
(a) Salary & wage com onent	7.78	8.15	8.79	9.27	10.13	18.35
(b) Non-salary & wage component	54.42	52.52	78.16	114.92	143.13	147.64
Capital Expenditure	**21.20**	**21.79**	**19.61**	**29.55**	**44.80**	**55.13**
Other Social Services	59.83	55.54	109.37	72.90	146.87	132.67
Revenue expenditure	**53.66**	**54.22**	**95.94**	**67.07**	**130.89**	**126.68**
Of which						
(a) Salary & wage component	1.58	1.67	2.18	2.50	1.70	120.80
(b) Non-salary & wage component	52.08	52.77	93.76	64.57	129.19	5.88
Capital Expenditure	**6.17**	**1.32**	**13.43**	**5.83**	**15.98**	**5.99**
Total (Social Services)	**394.11**	**366.40**	**490.87**	**544.56**	**661.26**	**773.44 (31)***
Revenue expenditure	**342.50**	**327.76**	**433.28**	**472.67**	**571.05**	**633.59**
Of which						
(a) Salary & wage component	172.50	177.54	197.59	205.53	220.71	372.29
(b) Non-salary & wage component	170.00	150.22	235.69	267.14	350.34	261.30
Capital Expenditure	**51.61**	**38.64**	**57.59**	**71.89**	**90.21**	**139.85**

* The figure in bracket against Total indicates the percentage of expenditure on social services to total expenditure.

The allocation of social sector increased from Rs.394 crore in 2001-02 to Rs.773 crore in 2006-07 indicating the Government commitment to improve social well being of the society. Expenditure on Social Sector during current year (Rs.773 crore) accounted for 31 *per cent* of total expenditure and 41 *per cent* of development expenditure. Expenditure on Education, Sports, Art and Culture increased by Rs.57 crore over previous year mainly due to more impetus given on Elementary education while the expenditure on Health and Family Welfare showed an increase of only Rs.47 crore over previous year. Recognising the need to improve the quality of education and health services, TFC recommended that the annual increase in salaries under non-plan salary expenditure under education and health and family welfare should not increase more than five to six *per cent* while non-salary expenditure under non-plan head should increase by 30 *per cent* per annum during the award period. However, trends in expenditure (taking expenditure under both plan and non-plan heads) reveal that the salary and wages component under education sector increased by 10 *per cent* over 2005-06 while non-salary and wage component increased only by 26 *per cent*. Similarly, under Health and Family Welfare, the salary and wage component increased by 13 *per cent* while non-salary and wage component increased by 132 *per cent*.

1.5.3 Expenditure on Economic Services

The expenditure on Economic Services includes all such expenditure as to promote directly or indirectly, productive capacity within the States' economy. The expenditure on Economic Services (Rs.1,128 Crore) accounted for 45 *per cent* of the total expenditure and 59 *per cent* of the development expenditure *(Table 1.18)*.

Table 1.18: Expenditure on Economic Services

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Agriculture, Allied Activities	150.19	141.01	214.80	184.39	226.99	241.67
Revenue expenditure	144.50	135.83	208.40	179.55	204.44	226.04
Of which						
(a) Salary & wage component	67.58	71.83	78.86	85.77	90.31	100.89
(b) Non-Sslary & wage component	76.92	64.00	129.54	93.78	114.13	125.15
Capital Expenditure	5.69	5.18	6.40	4.84	22.55	15.63
Irrigation and Flood Control	48.65	50.41	77.22	43.29	51.12	89.06
Revenue expenditure	43.18	45.49	59.57	39.43	45.25	76.73
Of which						
(a) Salary & wage component	7.67	8.00	9.77	10.23	10.84	12.81
(b) Non-salary & wage component	35.51	37.49	49.80	29.20	34.41	63.92
Capital Expenditure	5.47	4.92	17.65	3.86	5.87	12.33
Power & Energy	108.04	126.96	195.36	254.96	227.32	248.53
Revenue expenditure	16.37	14.33	25.00	105.55	103.23	120.25
Of which						
(a) Salary & wage component	7.64	7.96	8.78	9.14	10.34	11.78
(b) Non-salary & wage component	8.73	6.37	16.22	96.41	92.89	108.47
Capital Expenditure	91.67	112.63	170.36	149.41	124.09	128.28
Transport	114.24	117.65	188.67	144.50	165.77	267.68

Revenue expenditure	**45.43**	**43.01**	**81.76**	**58.58**	**70.29**	**81.96**
Of which						
(a) Salary & wage component	11.17	10.93	16.47	15.62	16.61	18.19
(b) Non-salary & wage component	34.26	32.08	65.29	42.96	54.13	63.76
Capital Expenditure	**98.81**	**74.64**	**106.91**	**85.92**	**95.48**	**185.72**
Other Economic Services	**126.38**	**136.35**	**205.05**	**209.46**	**268.00**	**280.83**
Revenue expenditure	**100.24**	**100.39**	**145.69**	**164.84**	**184.66**	**199.06**
Of which						
(a) Salary & wage component	0.97	1.16	1.30	1.31	1.36	31.91
(b) Non-salary & wage component	99.27	99.23	144.39	165.53	183.30	167.15
Capital Expenditure	**26.14**	**35.95**	**59.36**	**44.62**	**83.34**	**81.77**
Total (Economic Services)	**577.50**	**572.37**	**881.10**	**836.60**	**939.20**	**1127.27 (45)**[7]
Revenue expenditure	**349.72**	**339.05**	**520.42**	**547.95**	**607.87**	**704.04**
Of which						
(a) Salary & wage component	95.03	99.88	115.18	122.07	129.46	175.58
(b) Non-salary & wage component	254.69	239.17	405.24	425.88	478.41	528.46
Capital Expenditure	227.78	233.23	360.68	288.65	331.33	423.73

Out of the total expenditure on Economic Services during 2006-07, 24 *per cent* was incurred on Transport, 22 *per cent* on Power and Energy, 21 *per cent* on Agriculture, Allied Activities and eight *per cent* on Irrigation and Flood Control. The salary and wage component in total expenditure on Economic Services ranged between 13 and 17 *per cent* during the period. The non-salary component consistently increased from Rs.239 crore in 2002-03 to Rs.528 crore in 2006-07 at an average annual rate of 20 *per cent* per annum. The trends in revenue and capital expenditure on Economic Services indicate that revenue expenditure consistently increased from Rs.339 crore (59 *per cent*) in 2002-03 to Rs.704 crore (62 *per cent*) in 2006-07, while capital expenditure increased from Rs.233 crore (41 *per cent*) in 2002-03 to Rs.424 crore (38 *per cent*) in 2006-07. Of the revenue expenditure, salary and wage component ranged from 21 *per cent* to 29 *per cent* during 2001-07. It increased from Rs.95 crore (27 *per cent*) in 2001-02 to Rs.176 crore (25 *per cent*) in 2006-07, where as non-salary component increased from Rs.255 crore (73 *per cent*) in 2001-02 to Rs.528 crore (75 *per cent*) in 2006-07 indicating allocative prioritie probably towards their maintenance and better quality of services.

[7] *The figure in the bracket against total expenditure shows percentage of expenditure on Economic Service to total expenditure.*

1.5.4 Financial Assistance by State Government to local bodies and Other Institutions

The quantum of assistance provided by way of goods and loans to local bodies and others during the six years period 2001-2007 is presented in ***Table 1.19***.

Table 1.19: Financial Assistance to local bodies and other institutions

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Universities and Educational Institutions	8.01	10.12	15.89	24.43	16.49	10.14
Cultural Institutions/Voluntary Organisations for promotion of Art and Culture	0.27	0.12	0.21	0.09	5.21	24.62
State Institute of Rural Development	0.15	8.46	16.03	0.85	24.36	-
Social Welfare	0.09	0.50	0.46	0.70	0.15	0.15
Warehousing Corporations	-	0.77	4.77	-	4.94	14.93
Co-operation	0.36	-	-	-	-	-
Zilla Parishads/Village Panchayats *etc.*	-	-	-	0.48	-	-
Other Institutions	0.77	2.43	27.42	15.04	15.97	1.03
Total	**10.46**	**22.40**	**64.78**	**41.59**	**66.94**	**50.87**
Assistance as *percent*age of Revenue expenditure	1.02	2.17	4.65	2.75	4.02	2.68

The grants and loans extended to local bodies and other institutions with inter-year variations decreased by 24 *per cent* to Rs.50.87 crore in 2006-07 from Rs.66.94 crore in 2005-06. The share of grants and loans in revenue expenditure also shows inter year fluctuations which have increased from one *per cent* in 2001-02 to three *per cent* in 2006-07. The sharp increase of assistance under cultural institutions/voluntary organisations during 2006-07 was mainly due to release of more grant (Rs.19.41 crore) for promotion of Art and Culture in the State. Similarly, under the head 'Warehousing Corporation', the increase was due to release of more grants (Rs.9.99 crore) as compared to 2005-06.

1.5.5 Non-submission of Accounts

In order to identify the institutions which attract Audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971 (DPC Act), the Government/Heads of Department are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. Information for the year 2006-07 was called for in May 2007 from 19 institutions, but the reply was awaited from 13 institutions as of October 2007.

1.5.6 Abstract of performance of the Autonomous Bodies

The audit of accounts of the North Eastern Regional Institute of Science and Technology (NERIST) in the State has been entrusted to the Comptroller and Auditor General of India under Section 20(1) of CAG's (DPC) Act, 1971 upto 2011-2012. The preparation and audit of accounts of the Institute are current.

1.6 Misappropriations, losses, defalcations, *etc*

The State Government reported 38 cases of misappropriation, defalcation, *etc*, involving Government money amounting to Rs.8.96 crore upto the period March 2007 on which final action was pending. The department-wise break up of pending cases is given in **Appendix – 1.7.**

1.7 Assets and Liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix–1.3** gives an abstract of such liabilities and the assets as on 31 March 2007, compared with the corresponding position on 31 March 2006. While the liabilities consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets mainly comprise of the capital outlay and loans and advances given by the State Government and cash balances. **Appendix-1.6** depicts the time series data on State Government finances for the period 2001-2007.

1.7.1 Financial Analysis of Government Investments

1.7.1.1 Incomplete Projects

As per information contained in Appendix-II of Finance Accounts, the State Government incurred Rs.150.91 crore as on 31 March 2007 on 473 incomplete projects. A further analysis of the projects costing Rupees one crore or more reveals that there were 22 incomplete projects in department of PHE (10), PWD (3) and Power (9) as on 31 March 2007. The budgeted cost of these 22 projects has been reported to be Rs.117.22 crore, against the cumulative expenditure of Rs.80.96 crore as on 31 March 2007. Of these 22 projects, the revised cost has been furnished by the Government only in case of three projects which was Rs.62.89 crore as against the budgeted cost of Rs.23.63 crore indicating a cost overruns of Rs.39.26 crore on these three projects. These trends indicate that time and cost overruns are likely to be observed in other incomplete projects had their revised costs been made available by the State Government.

1.7.1.2 Government Investments and Returns

As of 31 March 2007, Government had invested Rs.32 crore in Government Companies, Co-operative Societies, Banks etc. **(Table – 1.20)**. The return on this investment was nil in the last four years while the Government paid

interest at the average rate of 7.58 to 10.77 *per cent* on its borrowings during 2001-07.

Table 1.20: Return on Investment

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Investment (Rs.in crore)	15.24	16.08	16.13	16.23	27.77	31.76
Return (Rs.in Crore)	0.0034	0.0028	0.00	0.00	0.00	0.00
Percentage of return	0.02	0.02	0.00	0.00	0.00	0.00
Average Interest Rate [8]	10.69	10.77	10.32	8.90	7.58	7.99
Differences between interest rate and return *(per cent)*	10.67	10.75	10.32	8.90	7.58	7.99

The investment of the State Government at the end of March 2007 included Rs.9.04 crore in five Government Companies *viz.*, Arunachal Pradesh Forest Corporation Limited (Rs.3.80 crore), Arunachal Pradesh Plywood Industries Limited (Rs.0.20 crore), Arunachal Pradesh Industrial Development Financial Corporation Limited (Rs.1.82 crore), Arunachal Pradesh Handloom and Handicraft Development Corporation Limited (Rs.0.83 crore) and Arunachal Pradesh Mineral Development and Trading Corporation (Rs.2.39 crore), Rs.10.53 crore in Arunachal Pradesh State Co-operative Apex Bank Limited and Rs.11.72 crore in 143 Co-operative Societies. However, none of the Companies/Co-operatives declared dividend during the current year.

1.7.1.3 Loans and Advances by State Government

In addition to investment in Co-operative societies, Government Companies and Banks, Government has also been providing loans and advances to many of these institutions/organisations. Total outstanding loans and advances as on 31 March 2007 were Rs.28 crore (Table-1.21). Interest received against these loans advanced was 1.89 *per cent* during 2006-07 as against nil in previous year.

Table 1.21: Average interest received on loans advanced by the State Government

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Opening Balance	16	19	20	21	25	25
Amount Advanced during the year	5	3	3	6	3	5
Amount repaid during the year	2	2	2	2	3	2
Closing Balance	19	20	21	25	25	28
Net Addition	3	1	1	4	-	3
Interest Received	0.69	-	-	0.49	-	0.54
Interest Received as *per cent* to loans advanced	3.83	-	-	2.13	-	2.00
Average Interest rate	10.69	10.77	10.32	8.90	7.58	7.99
Differences between interest paid and received *(per cent)*	6.86	10.77	10.32	6.77	7.58	5.99

[8] *Average interest rate is defined as the per centage of interest payment made to, average financial liabilities of the State during the year i.e (average of opening and closing balances of fiscal liabilities/2) x 100.*

During the current year, major portion of loans was advanced to other Co-operatives (Rs.1.49 crore) and Government servants (Rs.2.39 crore).

1.7.2 Management of Cash Balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA) – ordinary and special – from RBI has been put in place. The operative limit of normal Ways and Means Advances is reckoned as the three year average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by Reserve Bank of India from time to time depending on the holding of Government securities. The Government did not have to resort to WMA during the current year.

The State Government's cash balances at the end of the current year amounted to Rs.67 crore, the major portion of which (Rs.34.90 crore), were invested in GOI Securities. Ways and Means Advances and Overdrafts availed, the number of occasions it was availed and interest paid by the State during 2001-07 is detailed in *(Table 1.22)*. It was however observed that the State Government on the one hand has maintained huge cash balances (Rs.67 crore) at the close of 2006-07 while on the other it had accrued liabilities on account of outstanding ways and means advances and paid interest amounting to Rs.8.18 crore on these liabilities during the current year.

Table 1.22: Ways and Means Advances and Overdrafts of the State and interest paid thereon

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Ways and means Advances						
Taken in the year	14.73	27.39	-	146.65	42.20	-
Outstanding	-	-	-	55.40	88.70	55.64
Interest paid	0.03	0.04	-	0.24	0.21	8.18
Number of Days	5	28	-	74	59	-
Overdraft						
Taken in the year	-	-	-	45.22	201.50	-
Outstanding	-	-	-	0.50	172.98	-
Interest paid	-	-	-	0.50	0.90	-
Number of Days	-	-	-	6	35	-

1.8 Undischarged Liabilities

According to Arunachal Pradesh Fiscal Responsibility Act, 2006, the total liabilities means the liabilities under the Consolidated Fund of the State and the Public Account of the State.

1.8.1 Fiscal Liabilities – Public Debt and Guarantees

There are two sets of liabilities namely public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund – Capital Accounts. It

includes market loans, special securities issued by RBI and loans advances from the Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as my be fixed. However, no law has been passed in the State to lay down any such limit. Other liabilities, which are a part of public account, include deposits under small savings scheme, provident funds and other deposits.

Table 1.23 gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table 1.23 Fiscal Liabilities – Basic Parameters

(Value in Rupees crore and ratios in *per cent*)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Fiscal Liabilities[9]	1094	1227	1525	1778	2337	2371
Rate of growth	15.64	12.16	24.29	16.59	31.44	1.45
Ratio of Fiscal Liabilities to						
GSDP	56.33	62.51	67.42	72.34	87.66	82.01
Revenue Receipt	100.83	110.74	96.76	118.38	126.39	91.47
Own Resources	1072.55	1085.84	924.24	808.18	885.23	632.27
Buoyancy of Fiscal Liabilities with reference to						
GSDP	1.753	11.259	1.595	1.916	3.716	0.172
Revenue Receipt	1.212	5.736	0.575	(-) 3.530	1.361	0.036
Own Resources	0.782	1.128	0.528	0.498	1.572	0.034

Overall fiscal liabilities of the State increased from Rs.1,094 crore in 2001-02 to Rs.2,371 crore in 2006-07. Fiscal liabilities of the State comprised Consolidated Fund liabilities and Public Account liabilities. The Consolidated Fund liability (Rs.1,742 crore) comprised of market loan (Rs.446 crore), loan from GOI (Rs.465 crore) and other loans (Rs.831 crore). The Public Account liabilities (Rs.629 crore) comprise of Small Savings, Provident Fund (Rs.527 crore) interest bearing obligations (Rs.92 crore) and non-interest bearing obligations like deposits (Rs.10 crore). The growth rate of fiscal liabilities was 1.45 *per cent* during 2006-07 over the previous year. The ratio of fiscal liabilities to GSDP increased from 56.33 *per cent* in 2001-02 to 82.01 *per cent* in 2006-07. These liabilities stood at 0.91 times of revenue receipts and 6.32 times of the States own resources at the end of 2006-07. The buoyancy of these liabilities to GSDP during the year was 0.172.

The State Government set up a Sinking Fund during the financial year 1999-2000 for amortisation of open market loans. As of 31 March 2007, the outstanding balance in Sinking Fund was Rs.34.90 crore which is invested in GOI Securities.

[9] *Includes Internal Debt, Loans and Advances from GOI, Small Savings, Provident Funds, etc, Reserve Funds and Deposits.*

1.8.2 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per Statement 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of year since 2001-02 is given in ***Table 1.24***.

Table 1.24: Guarantees given by the Government of Arunachal Pradesh

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Maximum amount guaranteed	-	-	27	14	24	24
Outstanding guarantees	-	-	20	8	6	13
Revenue Receipts	1035	1108	1576	1502	1849	2592
Percentage of maximum amount guaranteed to total revenue receipts	-	-	1.71	0.93	1.30	0.93

Government had guaranteed loans raised by various corporations and others, which at the end of 2006-07 stood at Rs.13 crore and comprises 0.93 *per cent* of revenue receipts. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limit within which Government may give guarantees on the security of the Consolidated Fund of the State. The APFR Act, 2006 also did not indicate any limit for the purpose. The State Government is yet to implement the recommendations of the TFC by setting up a guarantee redemption fund through earmarked guarantee fees.

1.9 Debt Sustainability

Debt sustainability is defined as the ability of the State to maintain a constant debt – GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match the increase in capacity to service the debt. A prior condition for debt sustainability is the debt stabilisation in terms of debt/GSDP ratio.

1.9.1 Debt Stabilisation

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt * rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt – GSDP ratio would be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would

eventually be falling. Trends in fiscal variables indicating the progress towards debt stabilisation are indicated in ***Table – 1.25***.

Table 1.25: Debt Sustainability – Interest Rate and GSDP Growth (in per cent)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average Interest Rate	10.69	10.77	10.32	8.90	7.58	7.99
GSDP Growth	8.92	1.08	15.23	8.66	8.46	8.44
Interest spread	(-) 1.77	(-) 9.69	4.91	(-) 0.24	0.88	0.45
Quantum spread (Rs.in crore)	(-) 19	(-) 199	75	(-) 14	21	11
Primary deficits (-)/Surplus (+)	(-) 140	(-) 88	(-) 108	(-) 239	(-) 100	(+) 294

The trends in ***Table 1.25*** reveal that in three out of six years during 2001-2007, the interest spread was negative. An analysis of the primary deficit vis-à-vis quantum spread reveals that their sums turned out to be negative in five out of six years during 2001-2006 indicating rising debt – GSDP ratio and deteriorating debt position of the State. It was only in 2006-2007 that the quantum spread together with primary deficit turned positive, resulting in decline in debt/GSDP ratio to 82.01 *per cent* in 2006-2007 from 87.66 *per cent* in 2005-2006 indicating a step towards stabilisation.

1.9.2 Net Availability of Borrowed Funds

The debt sustainability of the State also depends on (i) the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and (ii) application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt repayment indicating the net availability of borrowed funds. The solution to the Government debt problem lies in the application of borrowed funds, *i.e.* they are (a) not being used for financing revenue expenditure and (b) being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in Government revenue.

Table 1.26 gives the position of the receipt and repayment of internal debt and other fiscal liabilities of the State as well as the net availability of the borrowed funds over the last six years.

Table 1.26 Net Availability of Borrowed Funds

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Internal debt						
Receipt	86	103	190	240	589	300
Repayment (Principal +Interest)	54	76	67	175	160	340
Net Fund Available	32	27	123	65	429	(-) 40
Net Fund Available *(per cent)*	37.2	26.2	64.7	27	72.8	-
Loan and Advances from GOI						
Receipt	69	67	116	71	203	17
Repayment Principal +Interest)	75	88	252	88	286	105
Net Fund Available	(-) 6	(-) 21	(-) 136	(-) 17	(-) 83	(-) 88
Net Fund Available *(per cent)*	-	-	-	-	-	-

Other Obligations						
Receipt	137	221	318	211	248	308
Repayment (Principal +Interest)	123	180	189	152	191	321
Net Fund Available	14	41	129	59	57	(-) 13
Net Fund Available *(per cent)*	102	18.6	40.6	28.0	23.0	-
Total Liabilities						
Receipt	292	391	624	522	1040	625
Repayment (Principal +Interest)	252	344	508	415	637	766
Net Fund Available	40	47	116	107	403	(-) 141
Net Fund Available *(per cent)*	13.7	12.0	18.6	20.5	38.8	-

The net fund available on account of internal debt and loans and advances from GOI and other obligations after providing for the interest and repayments decreased sharply from Rs.403 crore in 2005-06 to negative balance in 2006-07. The State Government raised internal debt amounting to Rs.300 crore comprising of market loans (Rs.107.73 crore), securities issued to National Small Savings Fund (NSSF) (Rs.130.53 crore) and NABARD and other institutions (Rs.61.48 crore). Against these receipts, Government discharged the past debt obligations (Principal + Interest) amounting to Rs.340 crore resulting in negative net funds available under the debt account. During the current year the Government repaid GOI loans including interest amounting to Rs.105 crore[10] and also discharged other obligations of Rs.321 crore along with interest obligations which exceeded the total receipts resulting in negative net availability of funds during the year. During 2006-07, the focus of Government seems to be on discharging the past debt obligations.

1.10 Management of deficits

The deficit on Government account represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health.

1.10.1 Trends in Deficit

The trends in fiscal parameters depicting the position of fiscal equilibrium in the State are presented in ***Table 1.27***.

Table 1.27: Fiscal Imbalances – Basic Parameters

(Values in Rupees crore and ratio in per cent)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Deficit (-)/Surplus (+)	(+) 56	(+) 77	(+) 184	(-) 8	(+) 182	(+) 695
Fiscal Deficit (-)/Surplus (+)	(-) 249	(-) 124	(-) 250	(-) 386	(-) 257	(+) 106
Primary Deficit (-)/Surplus (+)	(-) 140	(-) 88	(-) 108	(-) 239	(-) 100	(+) 294
RD/GSDP	*	*	*	0.32	*	*
FD/GSDP	(-) 12.82	(-) 6.32	(-) 11.05	(-) 15.70	(-) 9.64	-
PD/GSDP	(-) 7.21	(-) 4.48	(-) 4.77	(-) 9.72	(-) 3.75	-
RD/FD	-	-	-	2.07	-	-

* There was revenue surplus.

[10] *Includes Rs.20.21 crore debt relief from Government of India under DCRF to States.*

Table 1.27 reveals that the revenue account experienced a situation of huge surplus of Rs.695 crore during the current year. The turnaround situation in revenue account during the current year was mainly on account of an increase of Rs.743 crore in revenue receipts (40 *per cent*) against the increase of Rs.229 crore (14 *per cent)* in revenue expenditure. The sharp increase in revenue receipts during 2006-07 was mainly on account of increase in non-tax revenue (Rs.95 crore), grants-in-aid from GOI (Rs.557 crore) and Central tax transfers (Rs.75 crore*)* over the previous year.

The fiscal deficit, which persisted till the previous year took a turnaround and resulted in a fiscal surplus during the current year mainly on account of substantial increase of Rs.743 crore in revenue receipts during the current year.

The primary deficit which persisted in the State budget till 2005-06 also turnaround to primary surplus during the current year. Fiscal surplus together with moderate increase of Rs.31 crore in interest payments resulted into a primary surplus of Rs.294 crore, during the current year.

1.10.2 Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of Primary deficit[11] into primary revenue deficit [12] and capital expenditure (including loans and advances) indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. In the past two years, the RD was wiped out and turned into surplus. During 2006-07 all borrowings (fiscal liabilities) were used in activities resulting in expansion in the asset back up of the State.

The bifurcation of the factors resulting into primary deficit or surplus of the State during the period 2001-2007 reveals (Table – 1.28) that throughout this period, the primary deficit was on account of capital expenditure incurred and loans and advances disbursed by the State Government. In other words, non-debt receipts of the State were sufficient to meet the primary expenditure [13] requirements in the revenue account and left some receipts to meet the expenditure under capital account. But the surplus non-debt receipts were not enough to meet the expenditure requirements under capital account resulting in primary deficit till 2005-06. This indicates the extent to which the primary

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[11] *Primary deficit defined as the fiscal deficit net of interest payments indicates the extent of deficit which is an outcome of the fiscal transactions of the States during the course of the year.*

[12] *Primary revenue deficit defined as the gap between non-interest revenue expenditure of the State and its non-debt receipts indicates the extent to which the non-debt receipts of the state are able to met the primary expenditure incurred under revenue account.*

[13] *Primary expenditure of the State defined as the total expenditure net of interest payments indicates the expenditure incurred on the transactions undertaken during the year.*

deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table – 1.28: Primary Deficit/Surplus – Bifurcation of factors

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and Advances	Primary expenditure	Primary Revenue deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8(2-6)
2001-02	1087	921	302	5	1228	(+) 166	(-) 141
2002-03	1111	906	290	3	1199	(+) 205	(-) 88
2003-04	1579	1250	433	4	1687	(+) 329	(-) 108
2004-05	1504	1363	375	6	1744	(+) 141	(-) 240
2005-06	1852	1511	438	4	1953	(+) 341	(-) 101
2006-07	2594	1709	586	5	2300	(+) 885	(+) 294

1.11 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. *Table 1.29* below presents a summarised position of Government finances over 2001-2007, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their applications, highlights areas of concern and captures its important facts.

Table – 1.29: Indicators of Fiscal Health (in per cent)

Fiscal Indicators	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
I. Resources Mobilisation						
Revenue Receipt /GSDP	55.87	56.44	69.67	61.10	69.35	89.66
Revenue Buoyancy	1.446	1.962	2.772	(-) 0.542	2.730	4.760
Own tax/GSDP	1.59	1.90	1.93	2.03	2.33	2.71
Own Tax Buoyancy	5.337	17.916	1.242	1.575	2.836	3.058
II. Expenditure Management						
Total Expenditure/GSDP	68.80	67.45	80.86	76.93	79.11	86.06
Revenue Receipts/Total Expenditure	81.21	83.69	86.17	79.43	87.67	104.18
Revenue Expenditure/Total Expenditure	77.06	77.87	76.11	79.85	79.07	76.27
Plan Expenditure/Total Expenditure	56.67	53.75	53.61	50.30	55.11	56.14
Capital Expenditure/Total Expenditure	22.56	21.90	23.69	19.83	20.75	23.54
Development Expenditure/Total Expenditure	72.73	70.88	75.02	73.05	75.89	76.43
Buoyancy with TE with RR	0.553	(-) 0.425	0.903	(-) 0.721	0.499	0.447
Buoyancy with RE with RR	0.395	0.047	0.829	(-) 1.804	0.453	0.342
Revenue Deficit (Rs.in crore)	-	-	-	8	-	-
Fiscal Deficit (Rs.in crore)	249	124	250	386	257	-
Primary Deficit (Rs.in crore)	140	88	108	239	100	-
Revenue Deficit/Fiscal Deficit	-	-	-	0.32	-	-
IV. Management of Fiscal Liabilities (FL)						
Fiscal Liabilities/ GSDP	56.33	62.51	67.42	72.34	87.66	82.01
Fiscal Liabilities/RR	100.83	110.74	96.76	118.38	126.39	91.47
Buoyancy of FL with RR	1.212	5.736	0.575	(-) 3.530	1.361	0.036
Buoyancy of FL with own receipts	0.782	1.128	0.528	0.498	1.572	0.034
Interest spread	(-) 1.77	(-) 9.69	4.91	(-) 0.24	0.88	0.45
Net Funds Available	13.7	12.0	18.6	20.5	38.8	-
V. Other Fiscal Health Indicators						
Return on Investment	0.02	0.02	-	-	-	-
BCR (Rs.in crore)	(-) 136	(-) 131	(-) 210	(-) 211	(-) 8.00	37
Financial Assets/Liabilities	2.76	2.46	2.50	2.27	2.09	2.39

The ratio of revenue receipts and State's own taxes to GSDP indicate adequacy of the resources. The buoyancy of the revenue receipts indicates the nature of tax regime and the State's increasing access to resources. Revenue receipts comprise not only of the tax and non tax resources of the State but also the transfers from Union Government. The ratio of revenue receipts to GSDP during the current year was 89.66 *per cent*, an increase of 20.31 percentage points over the previous year. During 2001-07, the ratio of own taxes to GSDP showed continuous improvement.

Various ratios concerning expenditure management of the State indicate quality of expenditure and sustainability of these in relation to its resource mobilisation efforts. The revenue expenditure as a percentage to total expenditure also declined to 76.27 *per cent* in 2006-07 from 79.07 *per cent* in 2005-06. Increasing reliance on revenue receipts particularly from 2005-06, to finance the total expenditure indicates decreasing dependence on borrowed funds. This is also reflected in the decreasing ratio of financial liabilities to revenue receipts, during the current year. Increasing proportion of plan expenditure and capital expenditure in the total expenditure also indicates improvement in both development and quality of expenditure.

Revenue surplus and fiscal surplus during 2006-07 indicates an improvement in fiscal position of the state. The Balance from Current Revenue (BCR) (Rs.37 crore) had turned to positive indicating availability of funds for creation of assets and to meet expenditure under State plan schemes.

1.12 Conclusion

During 2006-07, the State Government succeeded in taking appropriate measures to eliminate revenue deficit and build up revenue surplus. The improvement in fiscal position should however, be viewed in the light of the fact that the State finances are heavily dependent on Central transfers comprising State's share in Union taxes and duties and grants-in-aid from GOI, which accounted for more than 85 *per cent* of its revenue receipts. These transfers contributed a little over 85 *per cent* of incremental receipts of the State during 2006-07 due to which, the State Government was able to enhance the revenue surplus during the year. The expenditure pattern of the State reveals that the revenue expenditure as a percentage to total expenditure hovered around the average of 78 *per cent* during the period 2001-07 with inter year variations leaving inadequate resources for expansion of services and creation of assets. Moreover, within the revenue expenditure, non-plan revenue expenditure in 2006-07 was significantly higher than the normative assessment of TFC for the State for the year and the four components – salary expenditure, pension liabilities, interest payments and subsidies – constituted about 87 *per cent* of the NPRE during 2006-07. These trends in expenditure indicate the need for change in allocative priorities. The fiscal liabilities of the State have consistently increased and stood at as high as 82 *per cent* of GSDP in 2006-07 and appear to be quite high especially when compared with the TFC norm of 31 *per cent* to be achieved by the terminal year of its award period. The increasing fiscal liabilities accompanied by negligible rate of

return (less than one *per cent*) on Government's investment and inadequate interest cost recovery continued to be a cause of concern and might lead to an unsustainable debt position in medium to long run unless suitable measures are initiated to compress the non plan revenue expenditure and to mobilize the additional resources especially by exploiting the untapped taxable sources in ensuing years as the tax revenue of the State in the current year (Rs.78 crore) is far below the normative assessment of TFC (Rs.121 crore) for the year.

CHAPTER – II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1	Introduction
2.2	Summary of Appropriation Accounts
2.3	Fulfilment of Allocative Priorities

CHAPTER – II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget.

Audit of Appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2006-07 against 68 grants/appropriations is indicated in the table below:-

Table 2.1

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure[1]	Saving(-) Excess(+)
Voted	I. Revenue	1616.90	450.84	2067.74	1693.24	(-) 374.50
	II. Capital	313.74	364.46	678.20	586.66	(-) 91.54
	III. Loans	4.43	0.74	5.17	4.78	(-) 0.39
Total Voted:		**1935.07**	**816.04**	**2751.11**	**2284.68**	**(-) 466.43**
Charged	IV. Revenue	192.91	36.81	229.72	204.00	(-) 25.72
	V. Capital	-	-			
	VI. Loans					
	VII. Public Debt	126.20	29.29	155.49	298.48	(+) 142.99
Total Charged:		**319.11**	**66.10**	**385.21**	**502.48**	**(+) 117.27**
Appropriation to Contingency Fund (if any)		-	-			
Grand Total:		**2254.18**	**882.14**	**3136.32**	**2787.16**	**(-) 349.16**

The net saving of Rs.349.16 crore was the result of overall savings of Rs.522.90 crore in 16 grants and appropriations partly offset by excess of Rs.173.74 crore in 19 grants and appropriations.

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[1] *These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue expenditure (Rs.0.01 crore) and Capital expenditure (Rs.1.06 crore).*

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

(i) Out of overall savings of Rs.522.90 crore, major savings of Rs.129.47 crore (25 *per cent*) occurred in 9 grants and one appropriation as mentioned below:

Table 2.2

(Rupees in crore)

Grant No./Name of the Grant	Grant			Actual Expendi-ture	Savings
	Original	Supplementary	Total		
Revenue Voted					
6- District Administration	102.39	23.70	126.09	110.35	15.74
27- Panchayat	16.18	0.03	16.21	2.60	13.61
49- Science & Technology	10.17	1.20	11.37	1.35	10.02
59- Public Health Engineering	36.45	119.88	156.33	151.22	5.11
Revenue Charged					
Public debt	189.69	35.52	225.21	200.52	24.69
Total:	**354.88**	**180.33**	**535.21**	**466.04**	**69.17**
Capital Voted					
14- Education	2.31	45.75	48.06	38.21	9.85
29- Co-operation	1.18	6.11	7.29	5.69	1.60
31- Public works	8.63	16.16	24.79	14.75	10.04
34- Power	69.29	49.31	118.60	92.76	25.84
57- Urban Development	17.67	24.10	41.77	28.80	12.97
Total	**99.08**	**141.43**	**240.51**	**180.21**	**60.30**
Grand Total	**453.96**	**321.76**	**775.72**	**646.25**	**129.47**

Reasons for savings were not intimated by the departments.

Areas in which major savings occurred in these grants/appropriations are given in **(Appendix –2.1)**.

(ii) In 14 cases, net savings aggregating Rs.479.52 crore exceeded Rupees one crore in each case and were also more than 10 *per cent* of the total provision, as indicated in **(Appendix –2.2)**.

2.3.2 Excess requiring regularisation

(i) Excess over provision relating to previous years requiring regularisation: As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs.816.83 crore for the years 1986-87 to 2005-06 was yet to be regularised. Details are given in **(Appendix – 2.3)**.

(ii) Excess over provision during 2006-07 requiring regularisation: The excess of Rs.173.74 crore under 18 grants and one appropriation requires regularisation under Article 205 of the Constitution (**Appendix – 2.4**).

2.3.3 Original budget and supplementary provisions

Supplementary provision made during the year constituted 39 *per cent* of the original provision as against 33 *per cent* in the previous year. Total supplementary grants obtained during the year were Rs.882.14 crore while the ultimate total savings amounted to Rs.349.16 crore.

2.3.4 Unnecessary/excessive/inadequate supplementary provisions

(i) Supplementary provision of Rs.3.11 crore made in 10 cases during the year proved unnecessary in view of the aggregate saving of Rs.39.62 crore in these cases as detailed in (**Appendix – 2.5**).

(ii) In 45 cases, against additional requirement of only Rs.522.66 crore, supplementary grants/appropriations of Rs.689.36 crore were obtained resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs.156.59 crore (**Appendix – 2.6**).

(iii) In 11 cases, supplementary provision of Rs.154.89 crore proved insufficient by more than Rs.10 lakh each leaving an aggregate uncovered excess expenditure of Rs.173.40 crore (**Appendix – 2.7**).

2.3.5 Excessive/unnecessary/injudicious re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. In 43 cases, injudicious re-appropriation of funds proved excessive or resulted in savings of Rs.10 lakh and above in each case (**Appendix – 2.8**).

2.3.6 Expenditure without provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was however, noticed that expenditure of Rs.188.62 crore was incurred in 11 cases, (**Appendix – 2.9**) without any provision in the original estimate/ supplementary demand or re-appropriation order.

2.3.7 Unutilised provision of funds

In 17 cases, there was no expenditure resulting in non-utilisation of entire budget provision of Rs.38.83 crore (**Appendix – 2.10**). Out of these cases, in 10 cases, the savings exceeded Rupees one crore or more. These instances were indicative of ineffective monitoring and control over expenditure.

2.3.8 *Persistent savings/excess*

In 10 cases, there were persistent savings in excess of Rs.10 lakh and 10 *per cent* or more of the provision in each case (**Appendix – 2.11**).

The case of persistent excesses requires investigation by the Government for remedial action.

2.3.9 *Anticipated savings not surrendered*

According to the rules framed by the Government, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. However, at the close of the year 2006-07 there were 41 grants/appropriations in which large savings had not been surrendered by the Department. The amount involved was Rs.201.18 crore. In 23 cases, the amount of available savings of Rupees one crore and above in each case not surrendered, aggregated Rs.193.04 crore. This indicated lack of financial control and monitoring (**Appendix – 2.12**).

2.3.10 *Surrender in excess of actual savings*

In 4 cases, the amount surrendered was in excess of actual savings indicating inadequate budgetary control. As against the savings of Rs.3.01 crore in 4 grants, the amount surrendered was Rs.3.60 crore, resulting in excess surrender of Rs.0.59 crore. (**Appendix – 2.13**).

The above instances of budgetary irregularities are being reported every year. Had the provisions of Arunachal Pradesh Budget Manual been followed, these instances could have been minimised.

2.3.11 *Rush of expenditure*

The financial rules require that Government expenditure should be evenly distributed throughout the year. Rush of expenditure particularly in the closing month of the financial year is to be regarded as a breach of financial regularity and should be avoided. Contrary to these provisions, in respect of 10 heads of accounts, while the expenditure during the three quarters ending December 2006 was between 13 to 18 *per cent* of the total expenditure, it was as high as 55 *per cent* in the last quarter of the year. Expenditure of Rs.232.22 crore constituting 31 *per cent* of the total expenditure was incurred in March 2007 indicating rush of expenditure in March (**Appendix – 2.14**).

2.3.12 *Non-adjustment of Abstract Contingent Bills*

Rules provide that drawals through abstract contingent bills (AC bills) require presentation of detailed countersigned contingent bills (DCC bills) to the controlling officer (CO) and transmission to the Accountant General. A certificate is also required to be attached to every AC bill to the effect that DCC bills have been submitted to the CO in respect of all one month old AC bills (drawn more than a month before the date of that bill).

Records available in respect of 69 Drawing and Disbursing Officers (DDOs) revealed that Rs.17.51 crore were drawn through 1,907 AC bills during 2001-02 (Rs.31.48 lakh in 147 bills), 2002-03 (Rs.68.51 lakh in 384 bills) and 2003-04 (Rs.141.73 lakh in 203 bills), 2004-05 (Rs.925.43 lakh in 431 bills), 2005-06 (Rs.130.71 lakh in 339 bills) and 2006-07 (Rs.453.08 lakh in 403 AC bills) but DCC bills against these drawals had not been furnished to the Accountant General as of March 2007 (Appendix – 2.15). These drawals remained unadjusted for periods ranging from one to five years as of March 2007.

Thus, due to non-submission of DCC bills, the actual expenditure against these drawals remained un-assessed by the Government which indicated serious deficiency in control over expenditure.

The matter was reported to the Government (November 2007); reply had not been received (November 2007).

CHAPTER – III

PERFORMANCE REVIEWS (CIVIL DEPARTMENTS)

3.1	Modernisation of State Police Force
3.2	Drinking Water Supply Schemes
3.3	Nutritional Support to Primary Education
3.4	Development of Tourism and creation of Tourist Infrastructure

CHAPTER – III: PERFORMANCE REVIEWS

HOME DEPARTMENT

3.1 Modernisation of State Police Force

Highlights

The scheme "Modernization of Police Forces" (MPF) was launched in 1969-70 by the Government of India (GOI) for modernizing the police force in the country to enable them to effectively face the emerging challenges to internal security. The priority areas of the scheme were to provide residential accommodation for upper and lower subordinates of police force, construction of Police Stations (PS) and Out Posts (OPs), improving the mobility of Police Force for reducing response time, skill upgradation and capacity enhancement through training. But even after 20 years of implementation of the scheme, the Department failed to attain these objectives primarily due to deficiencies in planning and improper fund management. Lack of proper monitoring also contributed significantly to poor implementation of the scheme.

Between 2002-03 and 2006-07 Central funds ranging from Rs.1.62 crore to Rs.5.50 crore remained unspent at the end of each year mainly due to late release of funds by the GOI as well as the State Government.

(Paragraph 3.1.9.2)

During each of the years 2002-03 to 2006-07 implementation of annual plans were only 9 to 92 *per cent* and funds for the year were mostly utilised in implementation of unimplemented portion of earlier year's plans. Further, plans approved during 2002-03 to 2006-07 remained incomplete to the extent of Rs.6.16 crore even at the end of 2006-07.

(Paragraph 3.1.11.1)

Establishment of Police Housing and Welfare Corporation for execution of Departmental works also did not yield fruitful results. Out of 35 works costing Rs.4.61 crore, only six works were completed during 2005-06 to 2006-07.

(Paragraph 3.1.12.2)

Supply of weapons and equipments to the districts, police stations and battalions were irrational and not in accordance with Bureau of Police Research and Development (BPR&D) norms. Shortfall in availability of weapons in the police stations under test checked districts was eight to 100 *per cent* and in the battalions 13 to 100 *per cent* as compared to BPR&D norms.

(Paragraph 3.1.13.2)

The Department could utilise only 55 *per cent* of the funds approved for procurement of training equipments during 2002-03 to 2005-06. Practice of modern weapons in the training centre fell short by 20 to 100 *per cent*.

(Paragraph 3.1.14.1)

Police Communication Network (POLNET) could not be made fully functional even after incurring an expenditure of Rs.4.62 crore.

(Paragraph 3.1.15.1)

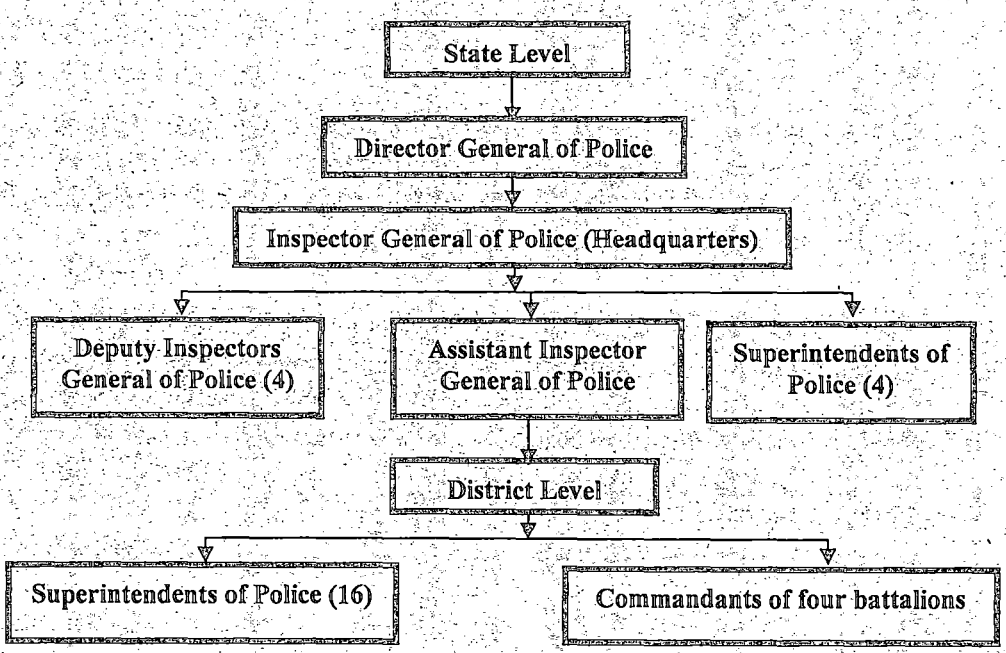
3.1.1 Introduction

The scheme MPF was launched in 1969-70 by the GOI for modernising the police force in the country to enable them to effectively face the emerging challenges to internal security. A revised scheme involving substantial outlay of Central assistance was launched by the GOI in February 2001 for a ten year period starting from 2000-01. The basic objective of the scheme is to overcome the deficiencies in the State police force including enhancement in its infrastructure and achieve its planned development and modernisation. The main components of the scheme were housing, buildings, mobility, training, equipment, communication and computerisation. The scheme is being implemented in Arunachal Pradesh since 1987-88.

3.1.2 Organisational Set Up

The Arunachal Pradesh police force is under the administrative charge of the Commissioner, Home (Police) Department who is responsible for overseeing the implementation of MPF. A State Level Empowered Committee (SLEC) was set up (August 2001) under the Chairmanship of the Chief Secretary to monitor the implementation of the modernisation plan. Organisational structure for implementation of the scheme in the State is detailed in the Chart given below:

Chart-3.1



3.1.3 Audit Coverage

The implementation of the scheme relating to the period 2002-03 to 2006-07 was reviewed by a test-check (March-April 2007) of records of the Director General of Police, Police Training Centre (PTC), Banderdewa and State Forensic Science Laboratory (SFSL), Banderdewa. Five out of 16 districts[1] (21 PS) and one Battalion[2] out of four were selected on the basis of simple random sampling and an expenditure of Rs.23.56 crore (42 *per cent*) out of the total expenditure of Rs.55.51 crore was covered in audit.

3.1.4 Audit Objectives

The main audit objectives were to examine and evaluate the

- efficiency of planning for implementation of various components and major thrust areas of the scheme;
- proper utilization of funds for implementation of the programme;
- implementation of major objectives of the scheme as per norms and targets fixed by the Department;
- efforts of the Government to upgrade the skills of the police force, and increase their striking capabilities and
- effectiveness of monitoring mechanism.

3.1.5 Audit Criteria

The criteria used in the performance review were as follows:

- annual plans prepared by the Department and targets fixed therein;
- scheme guidelines and norms prescribed by the BPR&D;
- prescribed output and bench marks of performance and
- prescribed monitoring mechanism.

3.1.6 Audit Methodology

The performance review commenced with an entry conference with the Deputy Inspector General of Police (HQ) in March 2007 wherein the audit objectives, audit criteria and scope of audit were explained and suggestions as well as perceptions relating to the strengths and weaknesses of the Department in implementing the scheme were discussed. Data relating to various prioritized items was analyzed apart from a test check of relevant records to arrive at audit conclusions. The audit findings were discussed with the Deputy Inspector General (DIG) of Police (HQ) in an exit conference on

[1] *Papumpare (Yupia), Lower Subansiri (Ziro), West Kameng (Bomdila), Lower Dibang Valley (Roing) and East Siang (Pasighat)*
[2] *1st AP Battalion, Papumpare*

6 November 2007 and the replies of the Department have been incorporated in the review at appropriate places.

3.1.7 Audit findings

The review on implementation of the MPF in five test checked districts revealed poor planning, delayed implementation of approved plans, low satisfaction level of housing, shortfall in availability of weapons in the districts, deficiency in practice of modern weaponry, *etc.* Audit findings in detail are discussed in the succeeding paragraphs.

3.1.8 Planning

Proper planning is imperative for achieving the objectives of a programme in a systematic and efficient manner. GOI, while approving further continuance of the scheme from 2000-01, felt the need for submission of a Five-year plan by the State Government to the Union Ministry of Home Affairs (MHA) indicating specific projects required to be implemented each year for modernisation of its police force. It was envisaged that the plan would be a coherent, well-thought-out programme of action for upgradation of capabilities in specific areas and should not be a list of items for procurement. Annual plans to be submitted by the States should flow from the Five year plan already submitted.

GOI pursued with the Government of Arunachal Pradesh (September and November 2000) for submission of the five year plan addressing the present status and future requirements keeping in mind the tasks to be performed.

Audit scrutiny revealed that between January 2001 and July 2001, a five year perspective plan was submitted to GOI three times. This was, however, not accepted by GOI on the ground that the proposals were submitted without proper justification and that it was not prepared in accordance with specified guidelines. Besides, there was insufficient information on availability of land for carrying out various construction activities. The State Government submitted (September 2001), a revised perspective plan for 2001-05 rectifying the deficiencies, but approval of the revised plan has not been conveyed by GOI till date (July 2007).

It was observed that although the perspective plan was to have been prepared by obtaining requirements of each component from the field formations, the justification for proposals was called for from the field units only after submission of the revised perspective plan. During exit conference, the DIG of Police (HQ) while accepting the fact stated that the perspective plan was prepared hurriedly without any feed back from the field units. Thus, it is evident that the perspective plan was not formulated keeping in view the actual requirements. The GOI, however, continued to accord approval to the annual plans received from the State Government from time to time.

Detailed scrutiny of records revealed further deficiencies in planning as detailed below:

- Security items worth Rs.68.16 lakh were procured during 2002-03 to 2005-06 beyond approved annual plan without obtaining approval from GOI.

- Proposal for construction of Medium Improved Basa Type (MIBT) Type II quarters at Bomdila (26 Nos.) and Tawang (12 Nos.) as approved by MHA for Rs.1.14 crore was revised to RCC building as the MIBT quarters were not found suitable.

- Completion of construction of security fencing at 2nd AP Battalion, Along approved by MHA against the annual plan for 2005-06 was delayed by 24 months due to land dispute.

- Construction of a repeater station at Sagalee as per approved plan 2006-07 was changed to Rumgong since availability of land at Sagalee was not confirmed. Approval for the change, either from MHA or SLEC was neither on record nor stated.

Thus, it is evident that proposals were sent to MHA without proper assessment of requirement and feasibility of execution indicating casual approach and poor planning.

3.1.9 Financial Management

3.1.9.1 Funding Pattern

The scheme was funded by the GOI and the State Government on 50:50 basis upto 2002-03. During 2003-04 to 2005-06, 75 *per cent* share was borne by the GOI and 25 *per cent* by the State Government. The scheme is being fully funded by the GOI from 2006-07.

3.1.9.2 Receipt of funds and expenditure

Year-wise funds released by GOI, State's share and expenditure incurred thereagainst in implementation of the scheme during the period from 2002-03 to 2006-07 is shown below. In addition, the Department also received other assistance in kind (viz., weapons, vehicles, other equipment, *etc*) from the GOI during this period.

Table - 3.1.1

(Rupees in crore)

Year	Opening Balance (Central Share)	Central Assistance during the year		State's share		Total funds available	Expenditure			Closing Balance
		Cash	kind	Provided in the budget	Amount released		Central share	State share	Total (Percentage)	Central share
2002-03	0.34	5.03	0.17	4.07	1.57	6.94	1.22	1.57	2.79 (30)	4.15
2003-04	4.15	5.50	1.75	2.20	3.88	13.53	4.15	3.88	8.03 (68)	5.50
2004-05	5.50	2.98	6.15	2.20	4.82	13.30	5.51	4.82	10.33 (97)	2.97
2005-06	2.97	5.32	1.35	2.32	2.31	10.60	5.51	2.31	7.82 (74)	2.78
2006-07	2.78	10.76	0.10	5.10	4.93	18.47	11.92	4.93	16.85 (90)	1.62
Total		29.59	9.52	15.89	17.51	62.84	28.31	17.51	45.82 (75)	

Source: Department of Home (Police) and Finance, Govt of Arunachal Pradesh
Note: Figures in brackets indicate the percentage of expenditure to the total fund available.

It will be noticed from the above, that during 2002-03 the Department was unable to spend the Central assistance fully. Despite carrying forward the unspent balances to the next year, the Department was unable to spend the full Central assistance. Unspent balances carried forward ranged between Rs.1.62 crore to Rs.5.50 crore.

While funds were released late by GOI i.e., in the last quarter of the financial year, the funds did not lapse and were available early in the first quarter of the next financial year. The Department was however, unable to utilize the available funds with the result that the objective of modernization of police force was stifled. Further, the State Government did not also seriously address the task of modernization of police force, as it provided funds to the implementing agencies only at the revised estimates stage during January to February each year. All this deprived the police force of much needed modernization.

3.1.10 Submission of inflated utilisation certificates

Year wise amounts paid to the executing agencies as per approved plans for execution of civil works were certified by the Department to have been utilised. Against expenditure of Rs.9.17 crore including assistance in kind (Rs.1.35 crore) and expenditure from State's share (Rs.2.31 crore) during 2005-06, the Department gave a utilisation certificate (UC) for Rs.12.07 crore. The Department had thus furnished a wrong utilisation certificate to the extent of Rs.2.90 crore.

3.1.11 Implementation

3.1.11.1 Delayed implementation of approved plans

During finalisation of annual plans each year, MHA time and again reiterated the need for accelerated utilisation of funds in implementation of the approved plans and prompt submission of UC's to facilitate smooth release of Central assistance. Scrutiny revealed that the State Government could utilise only nine to 92 *per cent* of GOI funds during the year of approval and most of the funds were utilised for implementation of incomplete items of earlier years. Plans approv d during 2002-03 to 2006-07 (except 2003-04) remained incomplete even at the end of 2006-07. Position is shown below:

Table -3.1.2

(Rupees in crore)

year	Plan approved by GOI	Expenditure incurred during year of approval (Percentage)	Expenditure incurred in subsequent years against plan					
			2003-04	2004-05	2005-06	2006-07	Total	Excess (+) /Shortfall (-)
2002-03	10.40	1.05 (10)	6.77	1.66	-	0.76	10.24	(-) 0.16
2003-04	9.10	0.86 (9)	-	7.54	0.75	0.75	9.20	(+) 0.10
2004-05	12.18	2.39 (20)	-	-	3.04	3.35	8.78	(-) 3.40
2005-06	9.02	5.38 (60)	-	-	-	1.93	7.31	(-) 1.71
2006-07	11.85	10.86* (92)	-	-	-	-	10.86	(-) 0.99
Total	**52.55**	**20.54 (39)**	**6.77**	**9.20**	**3.79**	**6.09**	**46.39**	**(-) 6.16**

** UC is yet to be sent to MHA.*

Source: Information furnished by the Department

The above position indicates the State Government's failure to implement the plans from 2002-03 to 2006-07 during respective years of approval. Failure of the State to fully implement the plans during the years of approval was also pointed out by the GOI (August 2004).

3.1.11.2 Shortfall in implementation

Implementation under certain components of the approved annual plans from 2002-03 to 2006-07 fell short of the target by 10 to 100 *per cent* as shown below:

Table -3.1.3

(Rupees in crore)

Components	Targeted expenditure as per approved plans from 2002-03 to 2006-07	Actual expenditure	Shortfall (Percentage of shortfall)
Buildings (residential & non-residential)	28.54	25.93	2.61 (9)
Security equipment	4.35	4.16	0.19 (4)
Traffic equipment	1.38	0.85	0.53 (38)
Training equipment	1.28	0.70	0.58 (45)
Computerisation	3.46	1.45	2.01 (58)
Forensic science Laboratory	1.16	-	1.16(100)

Source: Approved annual plan and utilisation certificate submitted to GOI

There was no shortfall in procurement of vehicles, arms and ammunition and communication equipment because supply of these items was mostly made by GOI during 2002-07. There was shortfall only in those components where responsibility for implementation rested with the State Government (e.g. construction of residential and non-residential building, FSL, *etc.*). This is indicative of lack of commitment in implementation of the scheme by the State Government.

3.1.12 Buildings

3.1.12.1 Low satisfaction level of housing

The National Police Commission (NPC) recommended housing accommodation for all police persons in the State with special emphasis for lower and higher subordinates. In Arunachal Pradesh, construction of only Type I and Type II quarters were included in the modernization plans. Against the requirement of 5252 and 1924 Type I and Type II quarters respectively as on 31 March 2007, only 280 Type I and 130 Type II quarters were targeted for completion by 2006-07 which was just six *per cent* of the requirement. Even these low targets could not be achieved and there continued to be large shortage of housing as would be evident from the following table:

Table -3.1.4

Year	Targets for completion		Achievement	
	Type I	Type II	Type I (Percentage	Type II (Percentage)
2002-03	66	52	26 (39)	34 (65)
2003-04	40	20	32 (80)	16 (80)
2004-05	54	20	NIL	NIL
2005-06	84	NIL	NIL	NIL
2006-07	36	38	NIL	NIL
Total	**280**	**130**	**58 (21)**	**50 (38)**

Source: Compiled from Departmental reports/returns

Note: Figures in bracket indicate percentage of targets achieved.

The above table shows that targets fixed were much below requirement and even the reduced targets could not be achieved. Achievement for Type I quarters against targets during 2002-07 ranged between 0 to 80 *per cent*. There was no achievement during 2004-07. Similarly for Type II quarters achievement was 0 to 80 *per cent*. There was no achievement during 2004-07. Since these are ongoing projects GOI funds were not a constraint. Overall satisfaction of housing needs for lower and higher subordinates was only 31 *per cent*.

Based on the proposals of State Government, GOI sanctioned Rs.25.53 crore for construction of 416 residential buildings (Rs.15.69 crore) and 143 non-residential buildings (Rs.9.84 crore) during 2002-03 to 2006-07. Year wise allotment of funds and expenditure there against as well as status of completion as of March 2007 is shown in Table 3.1.5 - (A) & (B).

Table -3.1.5 (A)

(Rupees in crore)

Year	Funds approved against works during the year			Expenditure incurred as per UC during the year against approved works		
	Residential buildings	Non residential buildings	Total	Residential buildings	Non residential buildings	Total
2002-03	5.39	4.07	9.46	-	-	-
2003-04	3.10	2.39	5.49	3.58	2.67	6.25
2004-05	3.66	0.63	4.29	3.60	3.56	7.16
2005-06	1.68	2.03	3.71	0.30	2.43	2.73
2006-07	1.86	0.72	2.58	5.92	0.86	6.78
Total	**15.69**	**9.84**	**25.53**	**13.40**	**9.52**	**22.92**

Source: Compiled from Departmental reports/returns

Table -3.1.5 (B)

	Sanctioned by GOI		Works awarded		Works completed		Works remaining incomplete	
	Numbers	Value (Rupees in crore)	Numbers	Value (Rupees in crore)	Numbers	Value (Rupees in crore)	Numbers	Value (Rupees in crore)
Residential	416*	15.69	369	13.40	108	4.54	261	8.86
Non Residential	143	9.84	136	9.52	105	7.19	31	2.33
Total	**559**	**25.53**	**505**	**22.92**	**213**	**11.73**	**292**	**11.19**

Source: Compiled from Departmental reports/returns

** Type -I quarter: 280; Type-II quarter: 130 and Transit camp:6.*

Table 3.1.5 (B) shows that the Department had awarded only 369 residential buildings (Rs.13.40 crore) against the sanction of 416 by GOI, and 136 works under non-residential buildings (Rs.9.52 crore) against 143 sanctioned by GOI to various executing agencies[3] during 2002-07 for a total amount of Rs.22.92 crore. Out of this, only 108 residential buildings (29 *per cent*) and 105 works under non-residential buildings (77 *per cent*) were completed by the executing agencies as of March 2007 at a total cost of Rs.11.73 crore. No work was completed during 2004-07 (Table-3.1.4). Thus, the overall utilisation of funds was only 46 *per cent* of the allocated amount. Against this, the percentage achievement of physical progress against the approved works was 26 *per cent* in respect of residential buildings and 73 *per cent* in respect of non-residential buildings.

There was delay in awarding the works and placement of funds by the Department with the executing agencies. The Department had also not pursued with the executing agencies for timely completion of works. All these factors frustrated the Department's commitment to raise the satisfaction level of housing among the lower subordinates from 35 *per cent* in 2000-01 to 50 *per cent* in 2004-05 as contemplated in the perspective plan and the annual plan.

3.1.12.2 Arunachal Pradesh Police Housing and Welfare Corporation Ltd.

The State Government established (September 2005) the Arunachal Pradesh Police Housing and Welfare Corporation Limited (APPH&WCL) to formulate and execute residential and non-residential housing schemes of police Department and works of other Departments in Arunachal Pradesh as well as outside the state.

Accordingly, GOI released Rs.4.61 crore to APPH&WCL during 2005-06 (Rs.2.03 crore) and 2006-07 (Rs.2.58 crore) for execution of 35 works. Of this, seven works were targeted for completion in 2005-06 and 28 in 2006-07. As of March 2007, six out of 35 works were completed and 20 works were in progress. Out of the remaining nine works, four works were under process of allotment and five were yet to be taken up due to land dispute and selection of site.

Thus, targets set for completion during 2005-06 and 2006-07 remained mostly unachieved with completion of only two works in 2005-06 (29 *per cent* of target) and four works in 2006-07 (14 *per cent* of the target).

3.1.12.3 Cost overrun due to delay in completion of works

The State Government accorded (March 2004) administrative approval for construction of security fencing around 2nd AP Battalion, Along at an estimated cost of Rs.24.41 lakh. Work was to be completed by March 2005.

[3] *Public Works Division, Rural Works Division, District Rural Development Agency and Arunachal Pradesh Police Housing and Welfare Corporation Limited.*

The entire funds were placed (April 2004) in advance with the executing agency (Project Director, DRDA, West Siang). The work had to be suspended following stay order given by the High Court in May 2005 following a writ petition submitted by local inhabitants. The stay order was, however, vacated by the High Court in January 2007, but the work had not resumed till April 2007. The estimate was revised to Rs.35.92 lakh in March 2006 due to increase in cost of material and labour which was administratively approved with expenditure sanction for Rs.12 lakh accorded (March 2006) and fund placed with the executing agency. Thus, awarding the work without ascertaining availability of freehold land led to delay in execution of the work and increase in cost by Rs.12 lakh so far, which is likely to go up further with the delay in completion of the work.

3.1.13 Equipment

3.1.13.1 Procurement of security and training equipment

- MHA, while approving the annual plan for 2003-04 directed (December 2003) the State Government to send its requirement for specified training and security equipment for bulk procurement by MHA. Scrutiny, however, revealed that the State Government, instead of sending the requirement of training and security equipments to MHA, procured these equipment[4] valued at Rs.1.16 crore on its own during 2005-06 against approved plans of 2003-04 and 2004-05.

- Scrutiny further revealed that the Department procured security and training equipment valued at Rs.68.16 lakh during 2002-03 to 2005-06 which were not included in the respective approved plans. On this being pointed out by audit, the Department stated (February 2007) that the matter had been referred (March 2006) to MHA for ex-post facto approval. Reply from MHA was awaited (April 2007).

- Scrutiny also revealed that security equipment[5] valued at Rs.23.11 lakh supplied by three firms was rejected (August 2006) by the Board constituted (January 2006) for inspecting the items on the grounds of inferior quality and low sensitivity. However, on the request of the supplier (October 2006), the Police Department reconstituted a Technical Board (November 2006) to examine the quality and sensitivity of the items supplied. The re-constituted Board on examination (November), found the sensitivity of the items satisfactory and recommended their acceptance.

Reasons for reconstitution of a Technical Board even after rejection of these items by the Director General of Police and acceptance of these items subsequently were neither on record nor stated.

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[4] *Fire Arm Stimulator; Explosive Detector; RSP Tool Kit; Bullet Proof Jacket; LHP with accessories and Jammer*

[5] *Extension mirror telescope; Deep Search Metal Detector; Hand Held Metal Detector and Portable Door Frame Metal Detector.*

- A portable frequency Jammer worth Rs.36.33 lakh installed in December 2005 was found defective in January 2006. The Department did not obtain any guarantee for this equipment and had not taken up the matter with the supplier till August 2006 for repair/replacement of the equipment. No reply from the firm has been received as of April 2007 and the Jammer is lying unused till date.

3.1.13.2 Supply of fighting equipment to district police force, police stations and Battalion

BPR&D, MHA, prescribed scales of weapons required for Indian Police at the districts, urban and rural police stations in both terrorist prone and non-terrorist areas. Accordingly, the State Police authorities were required to provide weapons to the police personnel in the districts, battalions and police stations according to the prescribed norms.

Test check of records of the selected districts revealed that supply and distribution of weapons to the districts was irrational and not according to the norms prescribed by BPR&D. While the non-extremist prone districts were supplied with modern weapons beyond norms, there were also deficiencies in supply of modern weapons in the extremist prone districts as compared to requirement norms. The district-wise position of distribution of weapons is given in Appendix -3.1.1.

Similarly, information on availability of weapons in the police stations under the test checked districts as obtained (March 2007) from the Superintendents of Police of the selected districts revealed that the police stations were also not equipped as per BPR&D norms and the shortfall ranged between eight and 100 *per cent*. Shortfall in availability of weapons in the test checked battalions also ranged between 13 and 100 *per cent*. This state of affairs persisted despite the requirement of arms and ammunition for the State was projected in the annual plans for the years 2004-05 and 2005-06.

Shortage of weapons has a severe impact on the striking ability of the State police force.

3.1.13.3 Cases of Non-procurement/non-receipt of material

GOI's contribution in implementation of the scheme included supply of items under various components. Accordingly, GOI released (March 2005) Rs.1.97 crore to the Director General Ordinance Factories, Kolkata being the cost of arms/ammunition to be procured by the State. Of this, arms/ammunition worth Rs.1.80 crore had not been collected by the State as on date. Reasons for non-procurement of the material or for not requesting the GOI for cancelling the order even after two years of release of payment by GOI were neither on record nor stated.

Out of Rs.3.17 crore released by GOI (July 2005) to various firms for supply of DGS&D items (vehicles & communication equipment) to the State, communication equipment valued at Rs.1.66 crore had not been received by

the Department till the date of audit. The Department except sending a message (August 2005) requesting for details of items for which supply order was placed to the Director (PMR), MHA, had not taken any further action in this regard.

Facts stated above are indicative of lackadaisical approach of the Department in implementation of the scheme.

3.1.14 Training

3.1.14.1 Training and Practice

During 2002-03 to 2006-07, GOI approved plans of Rs.1.28 crore for procurement of equipment required for imparting training. Against this, the Department could procure equipment worth Rs.0.70 crore only (55 *per cent* of the approved Plans).

The number of police personnel trained in Police Training Centre (PTC) was very low. The year-wise number of police personnel who had undergone training in courses like orientation, counter-insurgency, armour, pre-commando VIP security, Bomb disposal *etc.* is given below:

Table -3.1.6

Year	Men in position	No of training programmes conducted	No of personnel trained	Personnel trained as *per cent*age of total police force
2002-03	6896	21	340	5
2003-04	7095	24	493	7
2004-05	7131	6	121	2
2005-06	7258	12	606	8
2006-07	7589	19	703	9

Source: Information furnished by the Department

The percentage of personnel trained ranged between two to nine *per cent*. Besides no targets were fixed by the Department for conducting training programme in PTC.

Further average practice of various weapons conducted per police personnel in PTC, Banderdewa during 2002-07 was far short of the scales prescribed by BPR&D as would be evident from the table below:

Table -3.1.7

Name of Weapons	No. of personnel trained	Total rounds to be fired as per norms	Total rounds actually fired	Average rounds fired by each person	Shortfall (*per cent*age of shortfall)
(1)	(2)	(3)	(4)	(5)	(6)
AK Rifles/5.56 INSAS	673	50	2884	4	46 (92)
7.62 SLR	928	40	10743	12	28 (70)
9 mm carbine	727	50	13754	19	31 (62)
9 mm pistol/.38 revolver	98	40	536	5	35 (88)
12 Bore pump action Gun	Nil	5	Nil	Nil	5 (100)
.303 truncated Antiriot Gun	15	10	33	2.2	7.8 (78)
LMG	10	50	403	40	10 (20)
Grenade	Nil	5 grenades	Nil	Nil	5 (100)

Source: Information furnished by the Department

It is thus evident that shortfall in practice of various weapons in PTC Banderdewa ranged between 20 and 100 *per cent*. No renewal practice was conducted in PTC Banderdewa during the period from 2002-03 to 2006-07.

Annual classification firing practice in the test checked districts was also deficient and the shortfall ranged between 10 and 100 *per cent*. Details are given in Appendix – 3.1.2.

Under provisioning of training facilities as well as deficiencies in practice of modern weaponry will certainly impact the efficiency and striking ability of the police during exigencies.

3.1.15 Communication

3.1.15.1 Police Telecommunication Network (POLNET)

The POLNET is a satellite based integrated network which envisages installation of Very Small Aperture Terminals (V-SAT), Remote Sensing Units (RSUs) and Multi-Access Radio Terminals (MART) to link the national capital with all State capitals.

While intimating (May 2003) the initiation of the process of installation of POLNET, (MHA) informed the State Government that installation of V-SAT in all district headquarters and MART and RSUs in all the police stations and check gates etc. (82) should be completed by September 2004 so that the scheme is made operational in 2005-06.

For providing connectivity to the PS through MART, it was the responsibility of the State to see that district headquarters and the PS have clear Line of Sight (LOS) and was within a range of about 35 kms. The State was also to select sites for tower with suitable height to have LOS with V-SAT site.

Scrutiny of records and information furnished by the Department revealed that as of March 2007 against the required 16 V-SAT, 82 MART and 82 RSUs, only 11 V-SAT, 72 MART and 72 RSUs were installed in 11 out of 16 districts. Out of 82 locations (71 PSs, 5 outposts and 6 check gates) to be covered under POLNET, connectivity could be established in 19 locations (17 PSs and two check gates) as of date (October 2007). In other 63 locations, connectivity could not be provided due to LOS problem (23 locations) and other problems (40 locations).

It was, therefore, evident that the sites for installation of MART were selected without proper survey to ensure clear line of sight leading to non-functioning of the system in most of the PS, check gates and out posts. Expenditure of Rs.27.29 lakh (Rs.43,315 x 63) incurred on procurement of MART (RSUs, etc. supplied by GOI) therefore, remained infructuous.

Thus, even after incurring an expenditure of Rs.4.62 crore (Rs.1.03 crore paid by GOI to the Director of Co-ordination of Police Wireless and Rs.3.59 crore utilised by State Government in procurement of various equipments under

POLNET) as of March 2007, POLNET was not fully implemented and the objective of extending link to all PS was not achieved.

3.1.15.2 Extra expenditure of Rs.16.56 lakh on procurement of material under POLNET

Superintendent of Police (Telecom) invited (November 2004) tender for supply of WT and V-SAT equipment including 120 feet self supported tower and 60 feet Lattice antenna mast.

For supply of 60 feet antenna mast, three tenderers quoted their rates, of which the rate quoted by the 2nd lowest tenderer (Rs.43,315 per unit) was recommended by the Purchase Board on 7 January 2005 rejecting the lowest rate (Rs.23,124.00 per unit) of a Delhi based firm, on the ground that the delivery time of two to five months offered by the lowest tenderer was not acceptable to the State Government.

Scrutiny, however, revealed that for supply of 120 feet self supported tower (in case of another supply order) the lowest rate quoted by the same Delhi based firm was accepted by the Board after negotiating with the firm to execute the works within the required time frame. Reason for not negotiating with the firm to complete the work of supply and installation of 60 feet antenna within the required time frame was neither on record nor stated.

Scrutiny further revealed that between March 2005 and March 2006, the Department placed orders with the 2nd lowest bidder for supply of 82 numbers of 60 feet antenna mast at Rs.43,315 each allowing the firm installation time of 30 to 45 days. The firm, however, completed installation of 23 masts after one year of issue of supply order. Against supply order for 59 masts issued in March 2006, report on completion of only 41 masts was furnished by the firm after six months (September 2006) and reports on completion of the balance number were neither on record nor stated. The supply and installation period thus took at least six months to one year flouting the conditions of supply and installation as laid down in the supply order and tender document. However, payment of Rs.35.52 lakh (82 x Rs.43,315) was released to the firm between July 2006 and February 2007.

Thus, selection of the 2nd lowest bidder instead of the 1st lowest without valid reasons and procurement of 60 feet antenna mast at the higher rate led to extra expenditure of Rs.16.56 lakh[6].

3.1.16 Forensic Science Laboratory

3.1.16.1 Forensic Science Laboratory (FSL) and Mobile Forensic Science units (MFSU's)

The Eleventh Finance Commission (EFC) recommended release of Rs.7 crore for upgradation of the standard of police administration in Arunachal Pradesh,

[6] (Rs.43315 x 82) - (Rs.23124 x 82) = Rs.16.56 lakh

of which Rs.1.56 crore was earmarked for MFSUs and Rs.0.53 crore for upgradation of FSL. The DGP, after inviting tenders (January 2004) issued supply orders for eight sets of equipment[7] of MFSUs (November 2004) and one High Performance Thin Layer Chromatography (HPTLC) for FSL (March 2004) with a local dealer. Payment of Rs.195.78 lakh was made for procurement of equipment for MFSUs (Rs.113.60 lakh), HPTLC (Rs.48 lakh) and eight vehicles (Rs.34.18 lakh) against sanctions accorded (March 2004, January 2005 and March 2005) by the Government.

The equipments for MFSUs were received in May 2005 and were allotted to eight districts only eight months later in January 2006.

Test check of records of six districts (West Kameng, East Siang, Dibang, Lohit, Lower Dibang Valley and Anjaw) revealed that the vehicles along with MFSU equipments deployed in four districts (Dibang, Lohit, Lower Dibang and Anjaw) had not collected any samples till date (April 2007). In West Kameng district, only seven samples were collected and in East Siang district, the equipment was not even installed in the vehicle. Thus, the vehicles as well as the MFSU equipments remained mostly underutilized in the districts.

Further, as regards FSL, five major equipments[8] including HPTLC, are essential for making the FSL fully functional. But apart from the HPTLC no other equipment has been procured despite the GOI providing (March 2006) Rs.116.04 lakh for the purpose. The amount has not yet been released by the State Government as of March 2007.

The HPTLC installed (June 2005) in FSL, PTC Banderdewa in June 2005 is not functional till date (April 2007), since it cannot be operated without a computer which has not been provided to the unit till date (April 2007). Thus the HPTLC, procured at a cost of Rs.48 lakh remained idle for more than three years.

The FSL unit also lacked proper infrastructure and trained manpower. An Assistant Director (FSL) has joined only in January 2007. Besides, against the sanctioned strength of one Scientific Officer, five Scientific Assistants and one Laboratory Assistant, only one Scientific Assistant and one Laboratory Assistant have been appointed as of date (October 2007). Hence, almost all samples collected in districts are sent to FSL Guwahati, Kolkata, New Delhi and Hyderabad for analysis.

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[7] *Poliroy Forensic Light Source; Dust Print Lifting Kit; Narcotic Drug Detection Kit; Cyanowand Kit; Portable Fuming Chamber; Halogen portable Search Light; Tool Mark Investigation Kit; Crime Scene Investigation Kit; Dynamite residue and Explosive Detection Kit; Blood Grouping Test Kit; Semen Test Kit; Crime Scene Evidence Collection Kit; Latent Print Kit; Tyre/Foot Print Casting and Lifting Kit; Encyclopedia for Forensic Science and Polaroid Camera.*

[8] *Ultra Violet Visible Spectrophotometer; High Performance Thin Layer Chromatography; GC with Head Space; AA Spectrophotometer; Portable Video Spectro Comparator.*

3.1.17 Monitoring of the Scheme

While approving the continuance of the scheme for modernization of the State police force in February 2001, the GOI directed the State Government to constitute a SLEC under the Chairmanship of Chief Secretary with Home Secretary and DGP as members among others, to monitor implementation of the projects. The SLEC, was to meet every month and ensure proper implementation of the programme.

Scrutiny revealed that, the SLEC in Arunachal Pradesh was formed in August 2001 and only three meetings were held in August 2001, June 2004 and May 2005. No meeting was held after May 2005 as confirmed by the Department. Thus, the SLEC had very little contribution in monitoring the implementation of the scheme.

3.1.18 Conclusion

In spite of continuance of the scheme in the State for the last 20 years, deficiencies in each of the components of the scheme still persist. Delay in release of funds and defective planning contributed to delayed implementation of annual plans. Plans approved during 2002-03 to 2006-07 remained partially implemented even at the end of 2006-07. Deficiencies in supply of weapons and security equipments to the districts, police stations and battalions as well as irrational distribution of weapons and poor communication facilities proved that the force in the State remained under equipped in dealing with law and order problems. This is also borne out by a marginal increase in crime rate in the State from 197.3 in 2000 to 198.8 in 2005 as per the records of MHA[9] Irrational distribution of weapons and security equipments coupled with shortfall in providing modern weapons in the insurgent prone districts and PS, insufficient training facilities and inadequate practice on modern weapons, inadequate communication network have resulted in most of the objectives of the scheme remaining unfulfilled.

3.1.19 Recommendations

- **Planning should be strengthened to identify the modernisation requirements of the police force as per norms and approved plans should be implemented during the year of approval;**
- **State Government should ensure timely release and utilization of funds to avoid slippages in works/procurement of equipment;**
- **Training facilities should be provided as per prescribed norms so as to provide necessary exposure and practice on use of modern weaponry;**

[9] Rates of Indian Penal Code crimes compiled by National Crime Record Bureau (NCRB), MHA.

- **Timely completion of works must be ensured by the executing agency for providing infrastructure and accommodation;**
- **Measures should be taken immediately to activate the empowered committee for effective monitoring of the progress of the scheme;**
- **There should be a definite time frame for completion of various components of scheme.**

The matter was reported to the Government (September 2007); reply had not been received (November 2007).

PUBLIC HEALTH ENGINEERING DEPARTMENT

3.2 Drinking Water Supply Schemes

Highlights

The Public Health Engineering Department (PHED) is responsible for providing adequate safe drinking water to the rural and urban population of the State. A review of the Rural Drinking Water Supply Schemes revealed that there was shortfall in coverage of 'Not Covered' (NC) and 'Partially Covered' (PC) habitations despite having sufficient funds. Number of slipped back and quality affected habitations increased between 2002 and 2007. Irregularities were noticed in other rural and urban water supply programmes such as inadequate expenditure on water quality, monitoring and surveillance, un-productive and wasteful expenditure, irregular expenditure, and non-execution of work as per approved specification. Despite poor completion rates and increase in number of ongoing schemes, new schemes were taken up every year which is indicative of poor planning.

Instead of taking steps to provide adequate funds for completion of on-going schemes, the Department sanctioned new schemes resulting in spreading out the resources thinly and piling up of incomplete schemes from 652 in 2002-03 to 2,427 in 2006-07.

(Paragraph 3.2.8.2)

The Department failed to utilize 1 to 27 *per cent* of funds available during 2002-03 and 2003-04 under ARWSP and 6 to 17 *per cent* under NLCPR funded projects during 2002-03 to 2006-07 thereby depriving the people of the benefit of safe drinking water. The objective of the Prime Minister's programme was also defeated due to failure in utilization of 51 to 100 *per cent* of funds during 2003-07.

(Paragraph 3.2.9.3)

The Department was deprived of Central fund of Rs.193.11 crore during 2002-03 to 2006-07 due to less expenditure incurred under State Sector Scheme.

(Paragraph 3.2.9.4)

During 2002-03 and 2005-06, 17 water supply schemes (ARWS) were reported to have been completed at a cost of Rs.2.35 crore in villages which were either uninhabited or non-existent as per 2001 census report.

(Paragraph 3.2.11.3)

Delay in selection of alternative alignment for drawing pipelines led to consequential delay in completion thereby locking up funds of Rs.12.44 crore on water supply scheme in Bomdila.

(Paragraph 3.2.15.4)

There was no monitoring and investigation unit in CE's office for controlling/regulating quality of construction in water supply schemes.

(Paragraph 3.2.16)

3.2.1 Introduction

In order to provide adequate safe drinking water facilities to the rural and urban population, the following Central and State sector programmes were implemented in the State:

- Accelerated Rural Water Supply Programme (ARWSP) in Central sector;
- Accelerated Urban Water Supply Programme (AUWSP), in Central sector;
- Rural Piped Water Supply Programme (RPWSP) under MNP in State sector;
- Prime Minister's Gramodaya Yojana (PMGY) in State sector;
- Urban Water Supply Projects (UWSP) funded under NLCPR/DONER.

The ARWSP was introduced by GOI in 1972-73 with 100 *per cent* grants-in-aid to assist the State to tackle water supply problems in identified problem villages[10]. With the introduction of the Minimum Needs Programme (MNP) under State sector, the ARWSP was withdrawn in 1974-75 but re-introduced in 1977-78 to accelerate the pace of coverage of problem villages. In 1986 the programme was given a mission approach with the introduction of National Drinking Water Mission (NDWM), which was renamed as the Rajiv Gandhi National Drinking Water Mission (RGNDWM) in 1991. The RGNDWM covered ARWSP, sector reforms programme, sub-mission projects and support services. The sector reforms programme, which was launched by GOI on a pilot basis during 1999-2000, was modified and launched as Swajaldhara on 25 December 2002. In 2000-01, a new scheme in rural sector under the PMGY was launched by the GOI for taking up projects /schemes on sustainable basis.

The Centrally sponsored AUWSP was launched to provide safe and adequate water supply facilities to towns having population less than 20,000 (as per 1991 census) and to improve the environment and the quality of life for better socio-economic condition of the country within a fixed time frame.

MNP is a State sector scheme launched in 1974-75 with the objective of providing water supply to any habitation regardless of its size/population/number of households. RPWSP and PMGY programmes under State sector are also implemented in the State.

3.2.2 Organisational structure

Under the administrative control of the Secretary, Public Health Engineering Department (PHED), the Chief Engineer (CE), PHED is responsible for planning and implementation of water supply schemes and to provide sanitary facilities. The organizational structure of the Department for implementation

[10] *Problem villages were defined as those villages with no assured source of drinking water within a distance of 1.6 km or within the elevation of 100 m in hilly region.*

of various water supply programmes, sector reforms and Swajaldhara is given in chart 3.2.1 and 3.2.2 below:

Chart-3.2.1

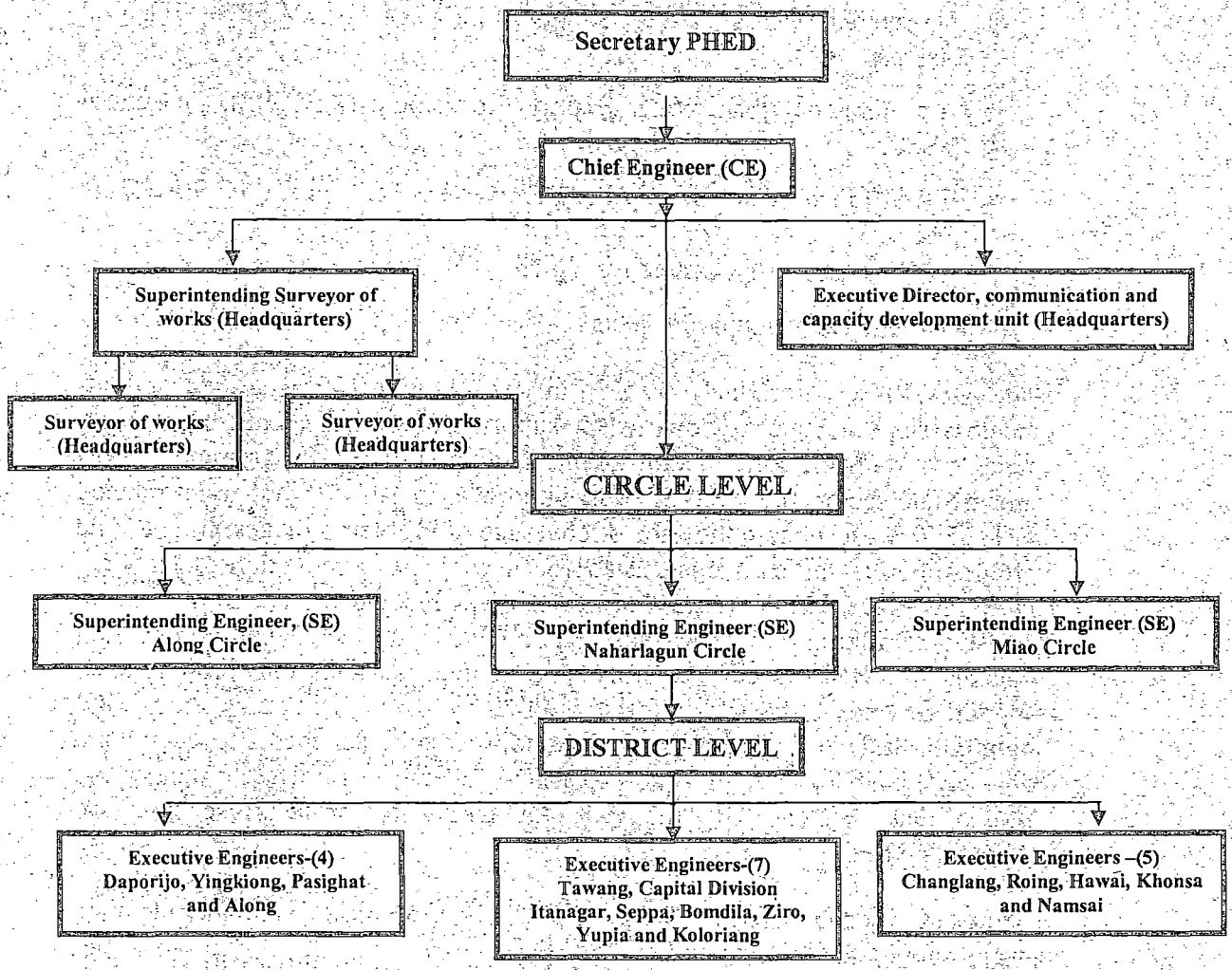
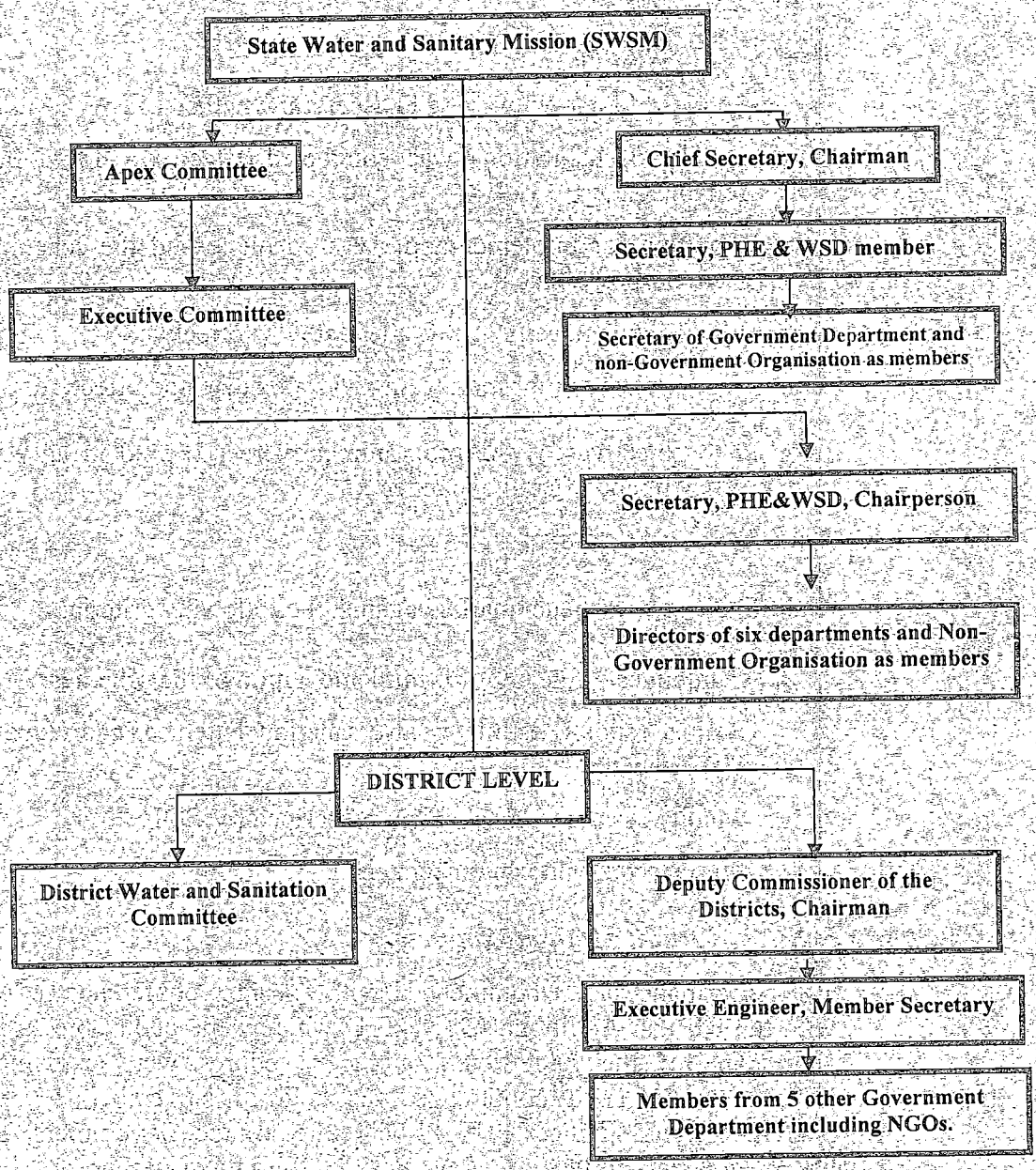


Chart-3.2.2



3.2.3 Scope of Audit

Performance review of various water supply programmes (under CSS and State Plan)[11] covering the period 2002–07 was conducted during April to June 2007. Records of the office of the CE, PHED and six[12] out of 16 divisions in six out of 15 districts were test checked in audit. The divisions and districts

[11] *ARWSP, AUWSP, UWSP under CSS and RPWS, PMGY under State Sector.*
[12] *Districts: Papumpare, Lower Subansiri, West Siang, East Siang, Changlang, West Kameng*
Divisions: Yupia, Ziro, Along, Pasighat, Changlang, Bomdila

were selected on the basis of simple random sampling covering an expenditure of Rs.54.49 crore which is 38 *per cent* of the total expenditure of Rs.142.34 crore during 2002-07.

3.2.4 Audit objectives

The objectives of the review were to ascertain whether:

- Survey of habitations was conducted effectively for authentic and reliable data;
- Planning for implementation was adequate and the schemes/projects were properly executed;
- Financial management was adequate and effective;
- The mechanism for monitoring was adequate and effective;
- The objectives of the programmes were achieved in an economical, efficient and effective manner.

3.2.5 Audit criteria

Audit findings were benchmarked against the following criteria:

- Guidelines of the GOI for implementation of the schemes;
- Project reports, estimates and sanction letters of individual schemes and projects;
- Quality assurance mechanism prescribed by GOI;
- Prescribed monitoring mechanism.

3.2.6 Audit Methodology

The performance audit commenced with an entry conference in April 2007 with the CE and Additional CE, PHED wherein the audit objectives, criteria and scope of the review and audit procedures were explained to the Department. An exit conference was held in November 2007 with the Secretary/Chief Engineer PHED and replies of the Government/Department have been incorporated in the review at appropriate places.

3.2.7 Audit findings

The review revealed improper planning, unproductive and wasteful expenditure, and non-execution of work as per approved specifications, lack of IEC/HRD and water quality monitoring activities, improper utilisation of funds etc. Audit findings are summarised below:

3.2.8 Planning

3.2.8.1 Status of Habitations

For assessing the status of water supply in rural habitations, a national level survey was conducted in 1991 which was validated in 1993-94 and a

Table-3.2.4

(Rupees in crore)

Year	Budget provision		Actual expenditure		Savings (*per cent*age)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2002-03	66.87	4.00	59.59	4.00	7.28(11)	-
2003-04	74.39	4.00	73.43	4.00	0.96 (2)	-
2004-05	117.35	21.43	111.38	19.04	5.97 (5)	2.39 (11)
2005-06	146.08	17.73	142.90	17.06	3.18 (2)	0.67 (11)
2006-07	156.33	18.54	151.22	18.22	5.11 (3)	0.32 (2)
Total	**561.02**	**65.70**	**538.52**	**62.32**	**22.50**	**3.38**

Source: – Appropriation Accounts

It is apparent from the above that there were persistent savings in each year under both revenue and capital heads except during 2002-03 and 2003-04 under capital section. The Department stated (November 2007) that saving was mainly due to financial phasing of the project and less achievement under NLCPR, carry over of 10 *per cent* allocation of ARWSP funds during succeeding years, non release of LIC loans against RPWSP and non release of allotted funds for quality affected habitations and water quality monitoring and surveillance by the State Government. The fact remains that the budget provision for the years was not made on realistic basis.

3.2.9.3 Release of funds by the Centre and the State

The year wise availability of funds (opening balance plus fresh funds released during the year by the Centre and the State) under different water supply programmes[16] and expenditure there against during the period 2002-03 to 2006-07 is given below:

Table: 3.2.5

(Rupees in crore)

	Total funds available	Expenditure	Unspent balance (*per cent*age)
ARWSP			
2002-03	37.60	27.50	10.10 (27)
2003-04	51.14	42.93	8.21 (16)
2004-05	76.46	76.46	Nil
2005-06	107.56	106.12	1.44 (1)
2006-07	104.56	103.28	1.28 (1)
Prime Minister's package			
2002-03	1.17	-	1.17 (100)
2003-04	2.34	1.15	1.19 (51)
2004-05	1.19	-	1.19 (100)
2005-06	1.19	-	1.19 (100)
2006-07	1.19	-	1.19 (100)

[16] *ARWSP, PM's package AUWSP and UWSP (NLCPR funds), RPWS (PMGY and MNP)*

new schemes every year without ensuring completion of ongoing schemes delayed the benefits of those incomplete schemes reaching the targeted habitations.

Thus, poor planning and lack of prioritisation resulted in spreading out resources thinly thereby leaving a majority of schemes incomplete and non-accrual of envisaged benefits.

In addition to this, the Department indicated 214 to 4,384 schemes in AOP (besides 3,400 schemes mentioned in Table-3.2.2) for the years 2002-03 to 2006-07 which were awaiting technical sanction of the SLSCC and expenditure sanction of the State Government. The year wise number of schemes awaiting technical and expenditure sanction is shown in Table-3.2.3 below:

Table-3.2.3

(Rupees in crore)

Year	No. of schemes	Estimated Cost
2002-03	2038	228.04
2003-04	1793	213.54
2004-05	2820	348.22
2005-06	4384	502.22
2006-07	214	38.84

Thus, the AOP did not reflect the actual position of the schemes required to be taken up and actually taken up for execution during these years.

3.2.9 Financial Management

3.2.9.1 Funding pattern

Central assistance for ARWSP is allocated to the State on the basis of matching provision by the State under the State Sector MNP. Release of funds for ARWSP should not exceed the provision made by the State for MNP. The Prime Minister announced a package in August 2002 under ARWSP for (i) installation of hand pumps (ii) coverage of rural lower primary schools which have higher *per cent*age of SC/ST students and girl schools and (iii) revival of traditional water sources. The package is to be implemented on the principles of partial cost sharing i.e. 10 *per cent* of capital cost (five *per cent* for SC/ST communities) is to be borne by the community. AUWSP is financed by Central and State Governments in the ratio of *50:50*. GOI also released funds for water supply schemes in urban areas funded under NLCPR in the ratio of *90:10* share basis (Central and State).

3.2.9.2 Budget provision and expenditure

Budget provision *vis-à-vis* expenditure incurred by the Department for the years 2002-03 to 2006-07 under various schemes[15] is shown in Table-3.2.4.

[15] *ARWSP, AUWSP, PM's package and UWSP under CSS and RPWSP, PMGY under State sector*

respectively. The Department attributed (November 2007) the inclusion of turbidity affected habitations as the reasons for increase in quality affected habitations. But according to instructions of GOI in April 2006 turbidity in water was to be controlled through simple filtration method. Thus categorisation of such habitations as quality affected habitations had no basis.

3.2.8.2 Lack of proper planning

As per guidelines of the RGNDWM, the State Government is to prepare an Annual Operating Plan (AOP) indicating schemes approved by the State Level Schemes Clearance Committee (SLSCC) to be taken up during the year (both ongoing and new schemes), funds required and provision of funds made during the year including targeted date of completion. The SLSCC before approving the schemes examines the schemes keeping in view the coverage of the no safe source habitations, priority being given to SC/ST habitations, quality affected habitations etc. After approval of SLSCC the schemes are included for execution in the AOP which is forwarded by the State Government to GOI for allocation of funds. The works programme as per AOP for the period 2002-07 was as under:

Table-3.2.2

Year	Ongoing Schemes as per approved AOP			New schemes (as per per approved AOP)			New Schemes sanctioned by GOI
	No of schemes	Funds required (Rs.in crore)	Provision (Rs.in crore)	No of schemes	Funds required (Rs.in crore)	Provision (Rs.in crore)	
2002-03	652	48.01	14.42 (30)	655	39.33	6.08 (15)	656
2003-04	738	56.27	20.14 (36)	753	96.26	13.22 (14)	463
2004-05	1203	121.51	21.69 (18)	676	81.58	12.24 (15)	674
2005-06	1331	150.82	37.67 (25)	-	-	-	1223
2006-07	2427	290.16	62.36 (21)	-	-	-	384
Total		666.77	156.28	2084	217.17	31.54	3400

Source: Annual Operating Plan
Note: Figures in parenthesis indicate per centage

During 2002-07, the GOI approved 3,400 new schemes, whereas the AOP exhibited 2,084 schemes during this period. The discrepancy was due to exhibition of 290 more schemes in 2003-04 and non-exhibition of any new schemes during 2005-06 and 2006-07 in the AOP. Further, there was excess depiction of 1,096 (2,427-1,331) ongoing schemes during 2006-07 in AOP.

As per ARWSP scheme guidelines, ongoing schemes should be given priority over new schemes. During 2002-03 to 2006-07 the Department provided only 18 to 36 *per cent* of funds required for completion of ongoing schemes but sanctioned 2,084 new schemes. The allocation of funds for the new schemes was also inadequate and constituted only 14-15 *per cent* of the total requirement of funds. Non completion of both ongoing and new schemes resulted in increase of ongoing schemes to 2,427 as on April 2007. Taking up

Comprehensive Action plan, 1999 (CAP-99) was prepared after further updating the status of habitations during 1994. According to survey guidelines a fresh habitation survey was to be conducted by the Department in 2003-04 based on 2001 census. Though the Department conducted a survey in 2003-04, it was not as per 2001 census figures, due to non availability of census (2001) data. The survey report was submitted (September 2003) to GOI but the findings are yet (October 2007) to be validated by GOI.

According to CAP-99 the total number of habitations in the State was 4,298 (FC: 3,076, PC: 893 and NC: 329). It was envisaged in 10th plan period (2002-07) to cover all NC[13] and PC habitations identified in CAP-99 during 2002-03 and 2003-04. In 2005, for strengthening rural infrastructure, it was also envisaged to cover all the remaining NC habitations of CAP-99, water quality affected habitations and slipped back habitations[14] during 2005-06 to 2008-09.

Out of 4,298 habitations in the State, the position of uncovered habitations/institutions as on 1 April of the years 2003, 2005 and 2007 are shown below:

Table-3.2.1

Particulars	Status as on		
	1 April 2003	1 April 2005	1 April 2007
Habitations including FC	**4298**	**5228**	**5612**
Habitations NC	329	155	18
PC	893	510	144
Schools (NC)	2588	2086	1460
Habitations Slipped back from FC status to			
NC	-	1595	2052
PC	-	1473	2039
Quality affected			
(a) Iron problem	-	325	319
(b) Coliform	-	Nil	43
(c) Multiple quality problems	-	3630	3786

Source: – Information as furnished by the Department.

From the table above it is seen that though there was substantial reduction in NC and PC habitations between April 2005 and April 2007, the slipped back and quality affected habitations increased by 33.34 and 4.87 *per cent*

[13] *Habitations which have a safe drinking water source point within 1.6 kilometers in plains and within 100 metre elevation in hill areas with capacity of the system ranging between 10 to 40 lpcd, are categorized as partially covered (PC) habitations. Habitations where water source/point does not exist within this range or those where the water source is affected by quality problems are categorized as Not Covered (NC).*

[14] *Factors responsible for fully covered habitations slipping back to NC/PC habitations are:*
Sources becoming dry due to lowering of the ground water table;
Sources becoming quality affected;
Systems outliving their lives;
Systems working below rated capacity due to poor operation and Maintenance;
Increase in population resulting into lower per capita availability;
Emergence of new habitations.

	Total funds available	Expenditure	Unspent balance (*per cent*age)
AUWSP			
2004-05	2.37	2.37	Nil
2005-06	0.77	0.77	Nil
2006-07	1.77	1.77	Nil
UWSP (NLCPR funded project)			
2002-03	4.63	4.23	0.40 (9)
2003-04	6.63	6.20	0.43 (6)
2004-05	22.37	18.46	3.91 (17)
2005-06	17.92	16.61	1.31 (7)
2006-07	21.54	18.70	2.84 (13)
RPWS (PMGY AND MNP)			
2002-03	30.09	28.26	1.83 (6)
2003-04	28.33	28.33	Nil
2004-05	33.00	27.87	5.13 (16)
2005-06	19.20	27.27	(-) 8.07 (-42)
2006-07	42.75	41.62	1.13 (3)

Source: Information furnished by the Department

It would appear that the Department failed to utilize one to 27 *per cent* of funds available under ARWSP during 2002-03 and 2006-07, 51 to 100 *per cent* of available funds under PM's package during 2002-03 and 2003-2007and six to 17 *per cent* of available funds under NLCPR projects during 2002-2007. The unspent balance of funds under ARWSP, PMs package and NLCPR/DONER projects as on March 2007 stood at Rs.1.28 crore, Rs.1.19 crore and Rs.2.84 crore respectively. Under RPWSP (PMGY and MNP) except for 2003-04 and 2005-06 there were savings which ranged between three to 16 *per cent* during 2002-07. Failure to utilise available funds deprived the people of safe drinking water due to non-completion/delay in completion of the water supply schemes (WSS).

3.2.9.4 Recovery of ARWSP funds by GOI

According to the guidelines of RGNDWM, release of funds by GOI under ARWSP should not exceed the provision for rural water supply made by the State Government under State sector. The shortfall in provision made under State sector is to be deducted from the last instalment of ARWSP funds for the current financial year.

Details of funds released by the GOI and the provision made by the State under RWSP/PMGY during the period from 2002-03 to 2006-07 are as under:

Table-3.2.6

(Rupees in crore)

Year	Funds released by GOI under ARWSP	Provision made by the State under RWSP (PMGY and MNP)
2002-03	36.51	30.09
2003-04	41.04	28.33
2004-05	68.25	33.00
2005-06	107.69	29.20
2006-07	102.99	42.75
Total	**356.48**	**163.37**

Source: Information furnished by the Department

As would appear from the above table, against the GOI release of Rs.356.48 crore, the State Government provided only Rs.163.37 under RWSP. Thus there was shortfall in provision for the State sector schemes by Rs.193.11 crore. GOI had already recovered Rs.37.39 crore from the last instalment of fund during 2002-03 and 2003-04 under ARWSP. There is also possibility of further deduction of Rs.155.72 crore in this regard.

Thus, in view of the short release of State's matching share, the State was deprived of more funds under ARWSP. This had an adverse impact on the implementation of various water supply schemes, as 2427 ongoing schemes in the State remained incomplete as on April 2007.

3.2.9.5 Diversion of funds

It was observed that funds were diverted from one scheme to another where such diversions were not permitted as may be seen from the following instances:

- The State Government, sanctioned (March 2006) five turbidity control schemes and one sustainability scheme under ARWSP at a total approved cost of Rs.1.39 crore for execution in Lower Subansiri District. As of March 2007 one work (sustainability scheme) was completed at a cost of Rs.35 lakh and another scheme (turbidity control) on which an expenditure of Rs.56 lakh had been incurred was in progress. Though the expenditure was incurred from ARWSP funds, it was booked under PMGY Rural Water Supply scheme during 2005-06 and 2006-07. On this being pointed out, the Department stated (November 2007) that the schemes were taken up from State funds. The contention is not tenable as the schemes were approved under ARWSP and funds were also provided for the purpose by GOI. Hence the expenditure should have been shown under ARWSP.

- Rupees 10 lakh was transferred (March 2006) irregularly from NLCPR funded project "Implementation of Water Supply at Pashighat" to the project "Extension and Augmentation of Water Supply to Pasighat township from Sippi source" under State Sector PMGY programme. Thus, NLCPR fund was diverted unauthorisedly to State sector programme which had an adverse impact on the water supply schemes funded through NLCPR. The Department stated (November 2007) that the amount related to procurement of DI pipes

but the contention of the Department is not tenable as the pipes were initially procured against NLCPR project.

3.2.10 Implementation

3.2.10.1 Targets and achievement

The targets for coverage of habitations/schools under ARWSP and MNP/PMGY and achievement there against during 2002-03 to 2006-07 were as under:

Table-3.2.7

ARWSP

Year	Habitation Target		Achievement		Schools	
	NC/PC to FC	population	NC/PC Habitation	population	Target	Achievement
2002-03	86	25,458	92	24,197	113	117
2003-04	169	19,736	152	17,778	143	146
2004-05	155	19,526	247	31,455	135	300
2005-06	379	50,322	329	45,713	257	347
2006-07	193	39,831	231	41,249	315	403

Source: Information furnished by the Department.

Table-3.2.8

RPWSP/PMGY

Year	Habitations				Schools	
	Target(NC/PC)		Achievement(NC/PC)		Target	Achievement
	No.	population	No.	population		
2002-03	12	2,170	22	5,982	Nil	8
2003-04	9	659	17	3,695	5	4
2004-05	7	3,268	7	1,462	9	6
2005-06	Nil	Nil	Nil	Nil	Nil	Nil
2006-07	20	4,196	14	3,040	11	11
Total	48	10,293	60	14,179	25	29

Source: Information furnished by the Department

There was excess achievement of habitation coverage by seven and 25 *per cent* as compared to targets fixed under ARWSP and MNP respectively. Achievement of coverage of schools was also 36 and 16 *per cent* higher although there were unspent balances in almost all the years as indicated in paragraph 3.2.9.3. This indicates that targets had not been set realistically taking into account availability of funds.

3.2.11 Accelerated Rural Water Supply Programme

3.2.11.1 Poor completion rate of works

During 2002-2007, the Department took up 4,607 schemes under ARWSP for execution, of which 2,443 schemes (53 *per cent*) were completed as of March 2007 and 2,164 schemes were in progress (March 2007). Total expenditure incurred upto March 2007 was Rs.326.23 crore.

Test check of six divisions[17] revealed that out of 1,986 schemes taken up for execution under ARWSP during 2002-07, 1,866 schemes were due for completion by March 2007. Against these, only 1,000 schemes (54 *per cent*) including three schemes which were not due for completion during 2006-07 were completed at the end of March 2007. The work on 557 schemes was in progress whereas 429 schemes were yet to be taken up (March 2007) as detailed in **Appendix-3.2.1.** Reasons for failure in completion of the 869 schemes were not on record. The Department however, stated (November 2007) that poor completion rate of works was mainly due to shortfall in State share. This is not factually correct as ARWSP schemes are fully funded by GOI.

Thus, due to poor completion rate of water supply schemes, the beneficiaries were deprived of getting the benefit of drinking water.

3.2.11.2 Unauthorised expenditure

- In two districts[18] the State Government, during 2002-03 to 2005-06, sanctioned 10 WSS at an estimated cost of Rs.87 lakh without obtaining technical clearance of the SLSCC. Out of these, seven schemes were completed between 2004-05 and 2006-07 at a cost of Rs.70 lakh. Work on the remaining three schemes against which an expenditure of Rs.8 lakh had been incurred was in progress (March 2007). Thus, expenditure of Rs.78 lakh was unauthorized in the absence of the technical sanction of the SLSCC.

- Between 2001-2006, 12 WSS at an estimated cost of Rs.2.21 crore were sanctioned and taken up for execution in six districts. The schemes covered two public sector undertakings, seven Government establishments, one Army camp and two tea estates. As of March 2007, seven schemes were completed; two in progress and works of three schemes were yet to be commenced. As of March 2007, total expenditure incurred was Rs.70 lakh. As no rural habitation was covered under the scheme, providing water supply facilities to the above entities was not within the scope of ARWSP. Thus, the expenditure of Rs.70 lakh incurred against seven completed schemes and five incom lete schemes till March 2007 was unauthorized (**Appendix-3.2.2**).

3.2.11.3 Doubtful expenditure

In five divisions[19] 17 schemes sanctioned between 2002-06 covering 17 habitations were stated to have been completed at a cost of Rs.2.35 crore during 2004-07. **But the villages where the schemes were recorded to have been executed were either uninhabited or non-existent as per 2001 census.** Thus the entire expenditure of Rs.2.35 crore appeared doubtful **(Appendix-3.2.3).**

[17] *Along, Bomdila, Changlang, Pasighat, Yupia and Ziro*
[18] *West kameng and Lower Subansiri*
[19] *Yupia, Ziro, Along, Pasighat & Bomdila*

3.2.11.4 Excess expenditure over approved cost

According to ARWSP guidelines, funds released under ARWSP should not be utilised/adjusted against any cost escalation of schemes. The guidelines also laid down that any expenditure incurred over and above the approved cost was to be met by the State Government from its own resources. Test check, however, revealed that six divisions took up 22 water supply schemes at an estimated cost of Rs.2.85 crore during 1990-2003 and completed them between 2002-07 after a delay ranging from two to 12 years at a cost of Rs.3.44 crore resulting in cost overrun of Rs.59 lakh (**Appendix-3.2.4**). The Department stated (November 2007) that the excess expenditure was within permissible limit of five *per cent*. The contention of the Department is not acceptable as the ARWSP guidelines do not allow any excess expenditure over approved cost.

3.2.11.5 Overlapping of scheme in same habitation

In Lower Subansiri, the State Government sanctioned (2003-04) one scheme (WSS at Byara village), for Rs.12 lakh which was completed in 2004-05 at a cost of Rs.12 lakh. The Department again took up WSS scheme for the same habitation in 2006-07 which was completed during 2006-07 itself at a cost of Rs.14 lakh. The Department stated (November 2007) that there were two habitations with the same name of Byara as per CAP 99. The contention of the Department is not acceptable as, as per census of 2001 Byara is one village with a population of 92 only.

3.2.11.6 Unfruitful expenditure on incomplete WSS

The work "Providing water supply in Lower Bhalukpong" (Estimated cost: Rs.3.18 crore) was administratively approved (March 2003) by the State Government under ARWSP with the stipulated date of completion as March 2004. Till March 2007 the division had incurred an expenditure of Rs.2.86 crore. According to estimates, 37,430 meters GI pipe lines were required to be laid against which, the division laid 27,411 meters leading to short laying of 10,019 meters of pipe length. Although laying of pipe line was recorded as complete, the project remained incomplete (March 2007). Thus, the division after incurring an expenditure of Rs.2.86 crore failed to provide drinking water facility to Lower Bhalukpong. The Department admitted the facts but stated (November 2007) that 29,756.03 meters GI pipes were procured against the project. The fact remains that only 27,411 meters pipes were laid.

3.2.11.7 Non execution of works as per approved specification

In six districts[20] executed 66 WSS were between 2002-07 at a cost of Rs.11.70 crore against the approved cost of Rs.13.27 crore. According to estimates, 3.63 lakh metres GI pipes were required to be laid against which, the divisions laid 1.92 lakh metres. Thus, non-execution of works as per the quantity provided in approved estimates of the WSS resulted in short laying of 1.71 lakh metres of

[20] *Yupia, Pasighat, Ziro, Changlang, Along and Bomdila*

GI pipes valued at Rs.2.46 crore **(Appendix-3.2.5)** and consequently, non coverage of the targeted habitations.

3.2.11.8 Sub-Mission projects

Sub Mission projects under ARWSP are to be taken up by the State for providing safe drinking water to rural habitations facing water quality problems and for ensuring source sustainability through rain water harvesting, artificial recharge etc. As per guidelines, an annual action plan for coverage of habitations with quality related problems is to be formulated and sent to Central Government for fund allocation and monitoring. Scrutiny revealed that no annual action plan was formulated by the Department. The Department however stated (November 2007) that in December 2005 it forwarded an action plan to GOI under "Bharat Nirman programme". Further development was awaited (November 2007).

According to a report of the North Eastern Regional Institute of Water and Land Management for 2006, turbidity in water above permissible limit (> 5 NTU[21]) was found in eight[22] districts (23 locations) of the State. For arresting turbidity and bacteriological problem, construction of slow sand filtration tank, pre-sedimentation tank, provision of chlorine dozer and alum dozer were required to be provided in the estimates for execution of WSS. Test check of records of four divisions (Yupia, Pasigaht, Along and Changlang) revealed that between 2003-06, 12 WSS were sanctioned by GOI and completed by the Department at a cost of Rs.1.52 crore in water quality problem areas. But the estimates of these schemes neither included the items of works required for arresting turbidity and bacteriological problems nor any measure was taken for arresting the turbidity of water. Water testing reports (2003-07) of these divisions showed that turbidity of water in these areas ranged from 11 to 35 NTU.

Thus, non adoption of adequate measures for arresting quality problem of water in the areas exposed the inhabitants of those areas to potential health risks.

3.2.12 Support services

3.2.12.1 Water quality monitoring

The Department established (2001-02) 13 district level water testing laboratories at a cost of Rs.24 lakh with the Central assistance of Rs.48 lakh released between October 1997 and February 2001. Utilisation of balance Rs.24 lakh was not on record. Test check of six districts[23] revealed that no technical persons were appointed till May 2007 and water testing was carried out by the Sub Divisional Officer/Sectional Officer of the division with the

[21] *NTU- Nephelometric Turbidity Unit.*

[22] *Papumpare (Nine locations), West Kameng (one), East Siang (one), East Kameng (three), Upper Subansiri (two), Lohit (one), Tirap (four) and Changlang (two) as recorded in the report/lab manual*

[23] *Papumpare, Lower Subansiri, West Siang, East Siang, Changlang and West Kameng*

help of field kits. In June 2006, the Department signed an MoU with Defence Research Laboratory, Tezpur to act as State Referral Institute (SRI) for community based National rural drinking water quality, monitoring and surveillance programme. But there was no documentary evidence indicating involvement and activity undertaken by SRI. In February 2006, GOI released Rs.22 lakh for IEC and HRD activities and water quality monitoring and surveillance activities, out of which the Department utilized Rs.14 lakh towards procurement of field kits and arranging workshops till March 2007. Balance of Rs.8 lakh remained unutilised. Thus, water quality monitoring and surveillance activities of the Department under ARWSP were inadequate.

3.2.13 Sector reform/Swajaldhara

The main thrust of the programme was to institutionalize rural community participation through enhancement of awareness for generating resources for meeting a part of the capital cost of the project. The beneficiaries were to be properly trained, to plan, implement, operate, maintain and manage the water supply schemes of their choice.

Under Sector Reforms, GOI approved 181 schemes in two districts (West Siang: 102, Lohit: 79) at a cost of Rs.16 crore and released (February 2000 and February 2004) Rs.6.81 crore. In addition, the State Government realized Rs.60 lakh as beneficiaries' contribution and received bank interest of Rs.43 lakh. The Department incurred an expenditure of Rs.7.23 crore and completed 69 schemes till March 2005. The balance 112 schemes along with the balance fund of Rs.61 lakh were transferred (May 2005) to Swajaldhara.

3.2.13.1 Incomplete schemes

Under Swajaldhara, planning and scheme formulation is to be done by District Water Sanitation Committee (DWSC). Schemes technically cleared by DWSC are required to be approved by the State Water and Sanitation Mission (SWSM). In February 2004, GOI released Rs.2.24 crore out of the total allocation of Rs.4.47 crore. The DWSCs, on the basis of availability of funds, sanctioned 90 schemes which were to be completed by March 2007. Out of this, only 35 schemes (39 *per cent*) were completed till March 2007 at a cost of Rs.3.03 crore. Poor rate of completion was on account of non availability of funds. The balance fund of Rs.2.23 crore was released by GOI only in February 2007. Out of 35 completed schemes, only six schemes (Papumpare district) were handed over to the Village Committee as required under the scheme guidelines.

3.2.13.2 Irregular disbursement of honorarium

Between April 2001 and October 2002, the DWSC, West Siang district under Along PHED Division disbursed honorarium amounting to Rs.15 lakh to 72 persons under Sector Reform Pilot Project. This was disallowed by GOI in November 2003. The division on behalf of the DWSC, recovered Rupees one lakh till March 2007 leaving a balance of Rs.14 lakh to be recovered. While

admitting the fact the Department stated (November 2007) that till March 2007 Rs.5 lakh had been recovered.

3.2.13.3 Idle investment of Rs.21 lakh

The DWSC accorded (March 2005) expenditure sanction of Rs.44 lakh for lift water supply at Goju village and water supply at Saching under Swajaldhara. The division (Changlang PHE division) incurred an expenditure of Rs.21 lakh (Lift Water Supply: Rs.19 lakh; Water Supply at Saching: Rs.2 lakh) till March 2007. While civil works of lift water supply were completed (March 2007) supply materials like fittings GI pipes and pump set purchased for Rs.12 lakh were lying unutilized (March 2007).

Though the lift water supply at Goju village was stated (March 2007) to have been completed as per progress report, the scheme was not made functional as of September 2007. Thus the investment of Rs.21 lakh remained idle and the targeted beneficiaries were deprived of the drinking water facilities on time.

3.2.14 Prime Minister's package

3.2.14.1 Improper utilization of fund

Under the Prime Minster's package, the GOI released (August 2003 and 2004) Rs.2.34 crore for installation of 521 hand pumps and revival of 521 traditional water sources. The CE, PHED reported (June 2004) to the GOI that installation of 262 hand pumps and revival of 241 traditional water sources were completed against an expenditure of Rs.1.15 crore. In 2004-05 though the Department targeted to install 265 hand pumps and revive 280 traditional sources, the physical and financial achievement till March 2007 was not on record. However, test check of one division (Yupia) revealed that the division install 17 hand pumps, 18 ring wells and renovated eight water sources at a cost of Rs.11 lakh against the target (2004-05) for construction of 38 hand pumps and revival of 15 water sources. This indicated that the targets under PM's package remains to be achieved in the State.

3.2.15 Water supply programme under Non-lapsable Central Pool of Resource (NLCPR) and AUWSP

3.2.15.1 Slow progress of works

Out of 13 water supply projects (12 projects under NLCPR/DONER and 1 project under AUWSP) taken up during 2000-01 and 2006-07, seven projects were due for completion between March 2003 and March 2007. Out of these, only one project (water supply at Along) was recorded as completed and others remained incomplete (March 2007).

Delay in completion of the schemes was due to lack of proper work plan and poor financial management as discussed below:

3.2.15.2 Incomplete Water Supply Scheme at Hapoli (Ziro) township

Under AUWSP, GOI approved (February 2004) construction of 1.56 MLD capacity Water Treatment plant (WTP) at Hapoli at an estimated cost of

Rs.4.97 crore on *50:50* share basis (Central Government 50 *per cent* and State Government 50 *per cent* including five *per cent* community contribution). The project was to be completed by September 2006. The division increased the capacity of WTP from 1.56 MLD to 2.06 MLD without obtaining approval of the Centre and a revised estimate was prepared for Rs.7.38 crore which was sanctioned by the State Government in March 2006. The division incurred an expenditure of Rs.4.91 crore and 95 *per cent* of the civil works *viz* construction of treatment plant, sedimentation tank, intake, service reservour, etc. were completed till March 2007. Although, the Department sought additional funds of Rs.2.34 crore from the State Government in October 2006, no funds were released till March 2007. The scheme remains incomplete after a lapse of more than three years from the date of approval. This led to not only idle investment of Rs.4.91 crore on the WSS but the beneficiaries were also deprived of safe drinking water.

3.2.15.3 Augmentation of Water Supply at Along-Idle expenditure

The work "Augmentation of Water Supply" at Along in West Siang district was administratively approved by the State Government in March 1996 at an estimated cost of Rs.3.54 crore under the State Plan scheme. The work was to be completed by March 1998. In March 2001, the Department revised the estimated cost to Rs.5.77 crore which was technically cleared by the GOI in August 2000, with the target of completion by March 2003. The Department in March 2002 awarded the construction work to a local contractor at Rs.2.09 crore (excluding materials) with the stipulation to complete the work by March 2004. Test check however, revealed that the estimate was again revised (June 2005) to Rs.8.15 crore with a provision of extra work *viz* laying of DI pipes, construction of clear water reservoir and anchor block etc, which was not technically cleared by GOI till March 2007 and expenditure sanction was also not accorded by the State Government. Though, the division incurred an expenditure of Rs.6.10 crore between March 1996 and March 2007, the project remained incomplete as of March 2007.

Thus, expenditure of Rs.6.10 crore was idle and the objectives of taking up the project were frustrated as the targeted population could not be provided with adequate safe drinking water in time.

3.2.15.4 Incomplete Water supply scheme in Bomdila Township - Locking up of funds

The Union Ministry of Urban Development & Poverty Alleviation in May 2004 technically approved a scheme for construction of a water treatment plant for Bomdila township at an estimated cost of Rs.17.98 crore. The division incurred an expenditure of Rs.12.44 crore towards procurement of DI pipes and partial execution of head work and construction of water treatment plant till March 2007. However, the land allotted by the district authority in January 2005 for the scheme belonged to the Army who disallowed construction and laying of pipelines through their land. In March 2007, the Executive Engineer selected an alternative alignment for laying pipelines.

Thus wrong selection of work site resulted in delay in completion which led to locking up of funds of Rs.12.44 crore.

3.2.15.5 Augmentation of water supply at Naharlagun-Nirjuli township

- ***Extra expenditure***

The GOI in May 2002 technically approved the augmentation of water supply at Naharlagun - Nirjuli township at an estimated cost of Rs.11.78 crore under NLCPR. The State Government after a delay of two years accorded administrative approval and expenditure sanction in March 2004. The civil work was awarded to a contractor in May 2004 at tender value of Rs.4.27 crore with the stipulation to complete the work by December 2006. The division incurred an expenditure of Rs.14.62 crore (including cost of civil work) till March 2007. Thus delay of more than two years in granting approval and consequent delay in completion of work resulted in extra expenditure of Rs.2.84 crore with further liability of Rs.28 lakh required for completion of the project apart from time overrun.

- ***Substandard Execution***

The original estimate for construction of Gravity Main of the above project provided laying of 46,000 metres of 300 mm DI pipes and construction of 1,000 anchor blocks/saddle support. But in the revised estimate, the length of Gravity Main was reduced to 27,200 metres, for which, 544 anchor blocks/saddle supports were required to be constructed. The work was however, executed by constructing only 250 anchor blocks/saddle supports. This raises doubt regarding the quality of work as the work was not executed as per specification.

3.2.16 Monitoring and Supervision

There was no monitoring and investigation unit in the CE's office for controlling/regulating quality of construction in water supply schemes. As per ARWSP guidelines, the State Government is to take up monitoring and evaluation studies on implementation of the rural water supply programmes. No evaluation study was undertaken by the Department. Evaluation was done through annual review meetings with the executing divisions. The Union Ministry of Rural Development, engaged a New Delhi based agency in February 2005 for district level monitoring of Swajaldhara programme in four selected districts (Dibang valley, Lohit, Upper Subansiri and West Siang) in the State for assessing the quantum and quality of implementation of the programme. The report submitted by the agency in February 2005 did not include any comment on performance of Swajaldhara in the State.

The system of monitoring and reporting in respect of NLCPR funded projects was also deficient. The State Planning and Development Department did not put any system in place to get periodic reports/returns from the line Departments. Though the Planning & Development Department was required to review each of the NLCPR projects at least once in a quarter and a written

report on its findings was to be forwarded to the DONER but no such reports were found to have been submitted.

3.2.17 *Conclusion*

The process of selection and approval of schemes under ARWSP/Swajaldhara was not transparent. Due to lack of vision and financial plan, there was piling up of incomplete schemes. Poor planning and lack of prioritisation resulted in spreading out resources thinly thereby leaving a majority of schemes incomplete and non-accrual of envisaged benefits. Delay in completion/ taking up of execution of WSS resulted in cost overrun and idle investment. The State Government failed to utilise the available funds depriving people of safe drinking water. The funds were diverted from one scheme to another when diversions were not permitted. Schemes for sustainability of sources and water quality improvement were not taken up in the State. Objectives of the programmes were thus not achieved.

3.2.18 *Recommendations*

- **The Department should prepare proper work plan before taking up execution of schemes so that timely completion of schemes can be ensured to avoid cost overrun and idle investment;**
- **The Department should ensure that sufficient funds are allotted for completion of ongoing schemes/projects before taking up new schemes;**
- **Fund provision under RPWSP, MNP and PMGY should be made as per funds released by the GOI under ARWSP;**
- **The State Government and the Nodal Department should evolve effective monitoring system for completion of the schemes/projects as scheduled.**

The Department assured (November 2007) compliance with the recommendations at all levels.

EDUCATION DEPARTMENT

3.3 Nutritional Support to Primary Education

Highlights

The objectives of the scheme for providing nutritional support to all children enrolled in primary classes remained mostly unachieved due to inadequate provision of funds and delay in release of funds by the State Government, poor utilisation of funds, short lifting of food grains from Food Corporation of India (FCI) and non delivery of foodgrains by carriage contractors. Impact of the scheme in terms of attendance and retention, reduction in drop-outs for achieving universalisation of primary education was not evaluated by the Department. Similarly, health check-up of children was never conducted to assess the nutritional deficiencies in children for providing area specific nutritional supplements. Monitoring and evaluation was also deficient.

The State Government failed to utilise two to 54 *per cent* of funds available during 2002-03 to 2006-07 indicating ineffective implementation of the scheme.

(Paragraph 3.3.9.2)

There was excess reporting of enrolment of children in Primary classes to the GOI.

(Paragraphs 3.3.10.1)

7,347.39 quintals of rice were not delivered to schools by the carriage contractor.

(Paragraphs 3.3.11.5)

The primary school children of the State were deprived of the benefit of cooked meal due to short release of conversion cost of Rs.18.19 crore during 2003-04 to 2006-07.

(Paragraphs 3.3.12.1)

Cooking cost of Rs.23 lakh was reported as utilised in four districts during 2003-04 when no foodgrains were lifted.

(Paragraphs 3.3.12.2)

Monitoring and supervision of the programme was deficient and effect of implementation of the scheme remained unevaluated.

(Paragraphs 3.3.16)

3.3.1 Introduction

The National Programme of Nutritional Support to Primary Education (commonly known as Mid Day Meal Scheme) was launched as a centrally sponsored scheme on 15 August 1995. The objective of the scheme was to universalise primary education by increasing enrolment, attendance and retention of children in schools and simultaneously impacting on their nutrition in primary classes.

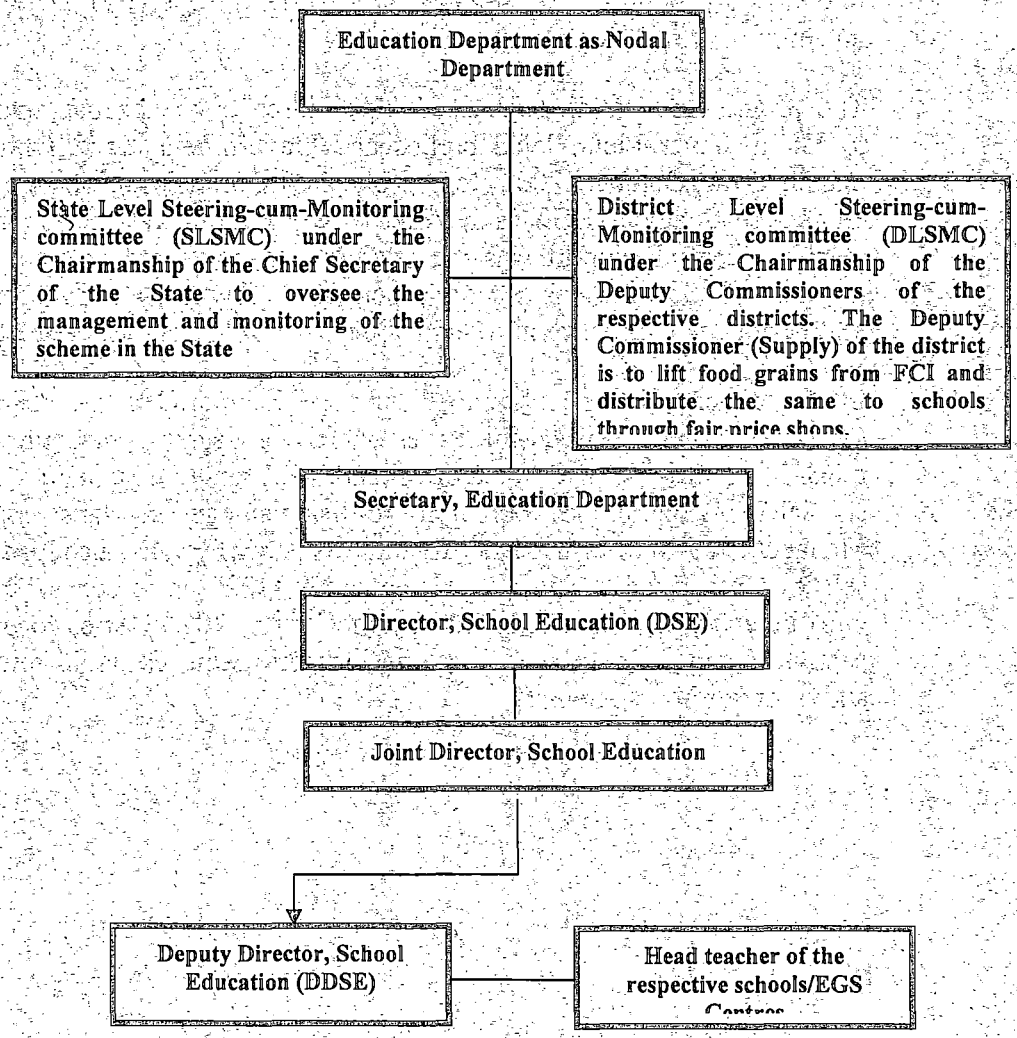
The programme initially focussed on children at the primary stage (class I to V) in Government, local bodies and Government aided schools. It was extended in October 2002 to cover children studying in the Education Guarantee Scheme (EGS) and Alternative and Innovative Education (AIE) Centres. Central support was provided by way of supply of free foodgrains through FCI @ 100 gms per child per school day where cooked meals were served and @ 3/kg per month per student where foodgrains were distributed.

In December 2004 the Union Ministry of Human Resources Development (MHRD) issued revised guidelines which envisaged providing of cooked meals with minimum 300 calories and 8-12 gms of protein content with special focus on children belonging to disadvantaged sections. Assistance for Management, Monitoring and Evaluation (MME) was also provided. The scheme was further revised in September 2006 in order to increase the nutritional value of cooked mid day meal from 300 calories to 450 calories with 12 grams of protein content besides providing essential micronutrients and de-worming medicines.

3.3.2 Organisational set up

Organisational structure for implementation of the scheme in the State is detailed below:

Chart-3.3



3.3.3 Scope of Audit

Performance review of the scheme 'Nutritional Support for Primary Education' covering the period from 2002-03 to 2006-07 was carried out during July-September 2007 through a test check of records of Director of School Education (DSE) and of eight[24] out of 16 districts selected by circular system sampling. Besides, records of 160 schools/centres (20 schools/EGS Centres in each district) involving an expenditure of Rs.16.05 crore being

[24] *Papumpare (Capital District), Lower Subansiri, Upper Subansiri, West Kameng, Tawang, Changlang Tirap and Ziro.*

62 *per cent* of the total expenditure of Rs.25.72 crore were test checked in audit. Results of the review are discussed in the succeeding paragraphs.

3.3.4 *Audit objectives*

Audit objectives were to assess whether:

- objective of universalisation of primary education was achieved by improving enrolment, attendance and retention of children in the primary education in general and in particular to those belonging to disadvantaged sections;
- house hold survey was carried out to identify eligible children and annual work plans were drawn up efficiently to achieve the objectives of the programme;
- nutritional status of the children in primary classes improved;
- adequate funds were released on time to the implementing agencies;
- efficient reporting, inspection and monitoring system exists.

3.3.5 *Audit criteria*

Audit findings were benchmarked against the following criteria:

- Guidelines of the scheme issued by the GOI;
- Annual work plans;
- State Budget;
- Quality assurance norms of food and
- Prescribed monitoring mechanism.

3.3.6 *Audit methodology*

The performance review of the Scheme commenced with an entry conference with the DSE (3 September 2007) wherein the audit objectives, criteria, scope of review and methodology were explained. Audit finding were discussed with Joint Director, Education Department, Government of Arunachal Pradesh in an exit conference (16 November 2007) and the replies of the Department were incorporated in the review at appropriate places.

3.3.7 *Audit findings*

The review revealed failure of the State Government in lifting 1,08,086.12 quintal foodgrains during the period from 2002-03 to 2006-07, undue financial benefit to the carriage contractor, non providing cooked meals to beneficiaries due to non-receipt of cooking cost *etc.*

Audit findings in detail are discussed in the succeeding paragraphs.

3.3.8 Planning

In order to facilitate the operation of the scheme, the State Government was to furnish an annual plan to the GOI indicating *inter alia* the number of primary schools in each block/area, number of children enrolled in primary classes of these schools, the number of school days, the quantity of foodgrains required per school, etc. Scrutiny revealed that the Department had not taken up any survey to assess the number of eligible children in the age group of 6-11 years, district wise children enrolled in primary classes and number of drop out cases. The Department also did not prepare any annual plan for implementation of the scheme. Further, no target was fixed for increasing enrolment, coverage of schools and reducing dropouts under the scheme within a specific time frame. Though no consolidated annual target and achievement report for the years 2002-03 to 2006-07 was available with the DSE, as per information furnished by the DSE, there was an increase in enrolment from 1.67 lakh (2002-03) to 2.19 lakh (2006-07) (31 *per cent).* Absence of any survey for identification of beneficiaries and non-preparation of annual plans is indicative of lack of proper planning by the Department.

3.3.9 Financial Management

3.3.9.1 Funding Pattern

Central assistance is provided to the State by way of (i) free supply of foodgrains from the nearest godown of FCI at the rate of 100 grams of wheat/rice per student per school day (ii) subsidy for transport of foodgrains from the nearest FCI depot to the primary school subject to a maximum of Rs.50 per quintal (revised to Rs.100 per quintal for Special Category States (SCS) from October 2004). The remaining cost of transportation is to be borne by the State. The cost (Central share) of transportation is reimbursed by the GOI to the District Rural Development Agencies (DRDAs). Prior to September 2004, cost of cooking (including ingredients such as pulses, vegetables, cooking oil, condiments, cost of fuel and wages payable to the cooking agency) was being met by the States. In the revised scheme (September 2004), cooking cost at the rate of Re.1 per child per school day is provided as central assistance in addition to 15 *per cent* of Additional Central Assistance (ACA) provided under the Pradhan Mantri Gramodaya Yojana (PMGY) during 2004-05. When the scheme was again revised in June 2006, Central assistance to the SCS was enhanced to Rs.1.80 (provided these States contributed a minimum of 20 paise) with provision of assistance for construction of kitchen-cum-store upto a maximum of Rs.60,000 per unit per school and replacement of kitchen implements at the overall average cost of Rs.5,000 per school.

From 2004-05, GOI also provided assistance for MME at the rate of 0.9 *per cent* of the total assistance on foodgrains, transportation cost and cooking cost. From 2005-06 this was increased to a minimum of 1.8 *per cent* of such assistance.

3.3.9.2 Budget Allocation and Expenditure

The allocation of funds by the Centre and the State and the expenditure thereagainst for the five year period ending March 2007 was as under:

Table-3.3.1

(Rupees in crore)

Year	Allocation of funds			Expenditure	Saving (-)/ Excess (+) (Percentage)
	Centre	State	Total		
2002-03	Nil	Nil	Nil	Nil	
2003-04	1.10	Nil	1.10	0.51	(-) 0.59 (54)
2004-05	9.62	Nil	9.62	8.44	(-) 1.18 (12)
2005-06	5.88	Nil	5.88	5.78	(-) 0.10 (2)
2006-07	11.42	0.35	11.77	10.99	(-) 0.78 (7)

Source: Detailed Appropriation Accounts

From the above table it would be seen that there were persistent savings ranging from two to 54 *per cent* during 2003-07. Reason for savings was mainly due to delay in release of funds by the State Government.

3.3.9.3 Inadequate Budget Provision by State Government

As per scheme guidelines, it was to be ensured that children in every eligible primary school/EGS/AIE centre got cooked meals on every school day without interruption. The State Government was to make adequate provision for the programme in its annual budget in anticipation of Central assistance keeping in view the fact that the Central assistance was committed and would be transferred in due course.

3.3.9.4 Delay in release of funds

There were delays in release of Central funds by the State Government. During 2005-06 and 2006-07, Central assistance was released by the State during fourth quarter of the financial year. Details are as under:

Table-3.3.2

(Rupees in crore)

Year	Funds released by GOI	Date of release	Central fund released by the State Govt.	Date of release by State Govt.	Delay in months
2005-06	3.14	26.07.05	3.14	24.02.06	7
2006-07	2.61	09.11.06	2.61	14.03.07	4
	0.64	17.11.06	0.64	22.03.07	4
	7.07	17.11.06	7.07	22.03.07	4
	0.12	30.11.06	0.12	16.03.07	4

It is evident that there was delay in release of Central assistance by the State Government ranging from four to seven months, which resulted in poor implementation of the scheme in the State during 2005-06 and 2006-07. The Government admitted (November 2007) the facts but did not furnish any reason for the delay in release of Central funds to the implementing agencies.

3.3.10 Implementation

3.3.10.1 Discrepancies in Enrolment of children

Foodgrains required for distribution to the schools are allocated by the GOI on the basis of figures of enrolled children furnished by the State Government. In Arunachal Pradesh no survey was conducted by the State Government as mentioned in paragraph 3.3.8 to assess the number of children enrolled in primary classes and the number of enrolled children was furnished to the GOI without any basis.

Compared to the number of children (6-11 years) enrolled in the schools as per the records of the Sarva Shiksha Abhiyan (SSA), there was excess reporting of enrolled children by the State Government during 2002-07. The details are as under:

Table -3.3.3

Year	Enrolment as per DSE and also reported to GOI for MDM scheme	Enrolment as per SSA	Difference	Percentage of difference
2002-03	1,66,637	1,43,368	23,269	16
2003-04	1,81,606	1,65,749	15,857	10
2004-05	1,77,984	1,64,494	13,490	8
2005-06	2,18,905	1,89,275	29,630	16
2006-07	2,18,905	1,87,255	31,650	17

Source: Director, School Education and State Project Director, SSA.

The above table shows that the figures of enrolled children in primary classes were inflated by eight to 17 *per cent* during 2002-03 to 2006-07 as compared to these reported under SSA. The Government however, stated (November 2007) that the report of SSA covered enrolment of only primary, middle school, EGS/AIE centres whereas the data furnished by the DSE covered enrolment of primary section of Government middle schools, secondary schools, higher secondary schools, Government aided/local body, EGS/AIE centres. The reply is not acceptable as the basis of assessment of enrolment could not be furnished to audit by the Government.

3.3.10.2 Uncovered Eligible Primary Schools and EGS Centres

Scrutiny of records of three test checked districts (East Siang, Tirap and Papumpare) revealed that as on 31 March 2007, 43 primary schools (2,325 students) and 85 EGS centres (2,528 students) remained uncovered under the scheme. Details are as under:

Table-3.3.4

Name of the District	Primary Schools		EGS Centres	
	No. of primary Schools	No. of students	No. of centres	No. of students
East Siang	-	-	18	853
Tirap	4	375	-	-
Papumpare	39	1950	67	1675
Total	43	2325	85	2528

Source: Information furnished by the respective DDSE.

Non-covering of the eligible primary schools and EGS centres indicated that the Department was not serious about implementing the MDM scheme in all the schools/centres.

3.3.11 Lifting of Foodgrains

3.3.11.1 Short lifting of foodgrains

As per guidelines, the allocation of foodgrains is to be made based on the enrolment data of eligible primary schools and EGS/AIE centres, as on preceding 30 September and anticipated enrolment in the next financial year. The position of allocation, release and lifting of foodgrains from 2002-03 to 2006-07 was as under:

Table – 3.3.5

(Quantity in quintals)

Year	Quantity of foodgrains allotted by GOI	Quantity of foodgrains lifted by the State as per FCI off take report	Short fall in lifting	Percentage of short lifting	Number of children deprived of cooked meal due to short lifting *
2002-03	49,991.10	77,58.13	42,232.97	84	1,40,777
2003-04	54,481.80	12,611.49	41,870.31	77	1,39,568
2004-05	35,596.80	31,635.59	3,961.21	11	19,806
2005-06	45,400.89	35,599.59	9,801.30	22	49,007
2006-07	45,586.97	35,366.64	10,220.33	29	51,102
Total	2,31,057.56	1,22,971.44	1,08,086.12		

**(@3kg/child/month for 10 months up to 2003-04 and @ 2kg/child/month for 10 months from 2004-05*
Source: Director, School Education, Govt of Arunachal Pradesh, Itanagar.

From the above, it is noticed that during 2002-03 to 2006-07 the GOI allocated 2,31,057.56 quintals of rice, out of which, 1,22,971.44 quintals (53 *per cent*) of rice was lifted by the State leaving a balance of 1,08,086.12 quintals. The short lifting varied from 11 to 84 *per cent* during 2002-03 to 2006-07. The shortfall in lifting of 1,08,086.12 quintals of rice meant that either all the eligible children were not covered under the scheme, or the quantity of rice/cooked meal distributed to the children was below the approved norms thereby defeating the purpose of the programme. It was also noticed that during 2002-03 and 2003-04, the scheme was implemented only in six districts, leading to short lifting of rice in these years. Since the Directorate did not maintain any consolidated district wise and school-wise data on

requirement of foodgrains, the basis and quantity of foodgrains requisitioned from GOI could not be ascertained in audit. The Government stated (November 2007) that the short lifting of foodgrains was mainly due to non-implementation of the scheme by a majority of districts during 2002-03 and 2003-04. The reasons for short lifting of foodgrains in subsequent years was not however informed.

During 2004-07 the lifting of foodgrains by six test checked districts against the GOI allotment was as under:

Table – 3.3.6

Name of Districts	Foodgrains allotted by GOI (in quintals)	Foodgrains lifted by the districts	Shortfall in lifting of foodgrains	Percentage short lifted
East Siang	10,165.00	9,040.92	1,124.08	11
Upper Subansiri	8,692.24	8,047.95	644.29	7
East Kameng	7,631.00	6,109.20	1,521.80	20
Tawang	3,665.93	2,892.36	773.57	24
Lohit	10,518.71	7,482.16	3,036.55	29
Tirap	8,071.28	3,929.16	4,142.12	51
Total	**48,744.16**	**37,501.75**	**11,242.41**	**23**

Source: Director of School Education, Government of Arunachal Pradesh, Itanagar.

The shortfall in lifting of 11,242.41 quintals of rice resulted in 56,212 children in six districts being deprived of cooked meal.

3.3.11.2 Discrepancy between the lifting report of DSE and FCI off-take report

FCI submits reports to GOI regarding quantity of foodgrains released to each State on the basis of which, GOI reimburses cost of foodgrains to FCI. The year wise position of foodgrains released by the FCI and received by the Department as per its records are shown below:

Table -3.3.7

(in quintal)

Year	Foodgrains delivered as per records of FCI	Foodgrains received as per records of the Department	Difference	Percentage short received
2002-03	7,758.13	Nil	7,758.13	100
2003-04	12,611.49	7,750.23	4,861.26	39
2004-05	31,635.59	31,142.31	493.28	2
2005-06	35,599.59	35,257.23	342.36	1
2006-07	35,366.64	32,101.57	3,265.07	9
Total	**1,22,971.44**	**1,06,251.34**	**16,720.10**	**14**

Source: Director, School Education, Govt of Arunachal Pradesh, Itanagar and FCI

It would be seen from above that during 2002-07 the FCI, delivered 1,22,971.44 quintals of rice to the State. The *per cent*age short received ranged between one to 100 *per cent*. The foodgrains were delivered to the State against allocation made by the GOI. However, as per records of the DSE, only 1,06,725.27 quintals of rice were received from FCI during this period,

resulting in a difference of 16,720.10 quintals (14 *per cent*) of rice valued at Rs.94 lakh (calculated at FCI issue rate of Rs.565 per quintal). This indicates that there was no periodical reconciliation of figures of the Department and FCI regarding lifting of foodgrains. In the absence of reconciliation, the whereabouts of 16,720.10 quintal of food grains lifted from the FCI could not be ascertained in audit. The Government stated (November 2007) that the reconciliation could not be done for 16,720 quintals of rice due to non-receipt of reconciliation statement from the State nodal transport agency.

3.3.11.3 Unauthorised lifting of foodgrains

As per the scheme guidelines, foodgrains are released for a period of 10 academic months in a year. The academic year in Arunachal Pradesh is from June to March. It was however, seen that during 2004-05, the DSE issued (June 2004) orders that the scheme was to be implemented from 1 July 2004 to 31 March 2005 and preparatory work of the scheme should be completed within June 2004. But as per lifting report furnished by the DSE, six[25] districts lifted 1,371.08 quintals of rice allotted for the month of June 2004. Since the scheme was to be implemented from the month of July 2004 allocation made for June 2004 was not required to be lifted by the districts, and hence the lifting of 1,371.08 quintals of rice by six districts for the month of June 2004 was unauthorised. This was not adjusted in later months.

3.3.11.4 Inadequate supply of foodgrains

During 2004-07, 160 schools in eight test checked districts received 28,533.66 quintals of rice against requirement of 35,875.30 quintals. Thus, there was short delivery of 7,341.64 quintals (20 *per cent*) of rice resulting in 36,708 number of children being deprived of cooked meals during that period. Details are given in Appendix-3.3.1.

3.3.11.5 Short delivery of foodgrains by carriage contractors

The State Government declared (June 2004) the Department of Civil Supply as nodal agency for drawal of foodgrains from FCI depot, transportation and distribution of foodgrains to schools through their Public Distribution System (PDS) against the district wise allocation of foodgrains made by GOI.

Accordingly the Deputy Commissioner (DC) of the respective district appointed district carriage contractors for lifting of foodgrains from FCI depot and transport the same to the Fair Price Shops (FPSs).

Test-check of four districts revealed that during 2002-03 to 2006-07 the carriage contractors lifted only 20,563.10 quintals (74 *per cent*) of rice against the allotted quantity of 27,817.22 quintals. Of the lifted quantity (20,563.10 quintals), the contractors delivered only 13,215.71 quintals (64 *per cent*) of rice to the schools. The balance quantity of 7,347.39 quintals of rice valued at Rs.42 lakh remained undelivered till August 2007 (details in Appendix-3.3.2). While the districts involved in short receipt of

[25] *East Kameng, Upper Subansiri, West Siang, Upper Siang, Lower Dibang Valley and Lohit*

foodgrains were the same year after year, the DCs concerned have not initiated any action to ascertain the reason for variation and take appropriate action against the erring officials/contractors considering that there is every possibility of misappropriation/pilferage of foodgrains. The Department also did not take any action against the carriage contractors.

Thus, due to non delivery of rice, the carriage contractors were not only given an undue financial benefit but the students were deprived of nutrition for three months and the objective of regular supply of foodgrains to the students was defeated. The Government stated (November 2007) that since the carriage contractors were appointed by the Civil Supplies Department, the responsibility for short delivery of foodgrains to the schools solely lies with the Civil Supplies Department. The Government further added that in the absence of any irregularity report from the concerned authority, no action could be initiated. The reply of the Government is not tenable due to the fact that no records in support of action taken by the Education Department to obtain reports from the concerned authority were made available to audit. The Government cannot also absolve itself of the responsibility of investigating into the matter by shifting the responsibility to the civil supplies Department, which is also a part of the Government.

3.3.12.1 Non-providing of cooked meals due to non receipt of cooking cost

As per scheme guidelines, cooking cost[26] is to be given for 10 months in a year. However, it was seen that cooking cost was sanctioned for two months in 2003-04, nine months in 2004-05, five months in 2005-06 and four months in 2006-07. Thus, cooked meal was not supplied to the beneficiary children during the remaining months of the respective years. The reason was attributed to less receipt and delayed receipt of funds from the State Government. However, this contention is not tenable since the State Government was required to make adequate budget provision in anticipation of receipt of funds from GOI. In 2004-05 though the State Government made adequate budget provision in anticipation of receipt of funds, yet there was shortfall in providing cooked meal during that year by one month. As a result, during 2003-04 to 2006-07, 4,21,644 children ranging from nine to 91 *per cent* in each year were deprived of cooked meal due to less sanction of cooking cost. The details are as under:

[26] *Cooking cost is the cost of cooking including ingredients such as pulses, vegetables, cooking oil, condiments, cost of fuel and wages of cooks.*

Table -3.3.8

(Rupees in crore)

Year	Enrolment	Rate of cooking cost per child/ months (in rupees)	Fund required for providing cooked meal for 10 months	Fund released	Shortfall	No. of children deprived of cooked meal	Percentage of deprived children
2003-04	1,81,606	37	6.72	0.60	6.12	165391	91.07
2004-05	1,77,984	60	10.68	9.75	0.93	15,499	8.71
2005-06	2,18,905	49	10.73	5.37	5.36	109,350	49.95
2006-07	2,18,905	2 per child per * school day	9.63	3.85	5.78	131388	60.02
Total	7,97,400		37.76	19.57	18.19		

Source: Director, School Education, Govt of Arunachal Pradesh, Itanagar.
** 22 school days per month*

The Government while admitting the fact stated (November 2007) that the students were deprived of cooked meal due to late and less release of fund by the GOI during the period from 2003-04 to 2006-07. The reply furnished by the Government is however not tenable as the Government failed to justify the reasons for not making adequate budget provision in anticipation of receipt of funds from GOI.

- Scrutiny revealed that during 2006-07, the State Government sanctioned (February 2007) Rs.24 lakh to DDSE, East Kameng District towards cooking cost for four months (November 2006 to February 2007). On examination of records (July-September 2007) it was noticed that out of Rs.24 lakh the DDSE had drawn Rs.21 lakh and kept the entire amount in the form of Deposit at Call till August 2007. The DDSE stated (August 2007) that the amount could not be utilised due to non-receipt of foodgrains. Thus, 11,931 students of the district were deprived of the benefit under the scheme. The fact, however, remains that no cooked food was provided to the students (11,931) in the district during the period from November 2006 to February 2007.

3.3.12.2 Doubtful Expenditure on cooked food

The State Government released (November 2003) Rs.32 lakh towards cooking cost to four districts[27]. **Test-check of records revealed that these four districts did not lift any food grains during 2003-04 but the respective DDSE reported (August 2007) that an expenditure of Rs.23 lakh[28] was incurred towards cooking cost. Thus, the utilisation of Rs.23 lakh on serving cooked meals to school children is doubtful.** In reply the Government stated that they were directing the DDSEs for furnishing explanation in regard to utilisation of Rs.23 lakh without serving cooked meal to the children during 2003-04.

[27] *East Siang: Rs.9.96 lakh, Lower Subansiri: Rs.8.57 lakh, Lohit: Rs.0.79 lakh and Papumpare: Rs.12.61 lakh.*
[28] *East Siang: Rs.9.96 lakh, Lower Subansiri: Rs.8.57 lakh, Lohit: Rs.0.79 lakh and Papumpare: Rs.4.16 lakh*

3.3.12.3 Non-accountal of cooking cost

Test-check of records of 20 schools/EGS Centres in Lower Subansiri districts revealed that during 2004-05 to 2006-07 an amount of Rs.16.69 lakh was received from the DDSE of the districts as cooking cost. But as per information furnished to Audit by the DDSE, Rs.21.53 lakh was disbursed to these 20 schools/EGS Centres during 2004-05 to 2006-07 as cooking cost. **Thus there was a discrepancy of Rs.4.84 lakh between the amount shown as disbursed by DDSE (Rs.21.53 lakh) and the amount received by the schools/EGS Centres (Rs.16.69 lakh). This resulted in non-accountal of Rs.4.84 lakh, which has not been investigated by the DSE.** The Government stated (November 2007) that non-accountal of Rs.4.84 lakh was due to poor monitoring as no fund was provided in the district for monitoring during 2004-05 and 2006-07. The reply of the Government is not tenable as it is not just a case of laxity in monitoring but is a reflection of the lack of will on the part of the Department/Government to ensure that the children get the required quantity of nutritious food. Non-reconciliation of figures may also lead to misappropriation of Government money.

3.3.12.4 Incorrect reporting of utilisation

In November 2006, GOI released Rs.7.07 crore for construction of kitchen sheds. Accordingly, the State Government accorded (March 2007) expenditure sanction for Rs.7.07 crore for construction of 1178 kitchen sheds (@ Rs.60,000/per shed)in the State. The DDSE of the districts were advised to furnish utilisation certificate (UC) latest by March 2007 for onward submission to GOI. Test check of records of three districts (Papumpare, Lower Subansiri, East Kameng) revealed that an amount of Rs1.64 crore was sanctioned to these three districts for construction of 274 kitchen sheds, against which, 124 sheds were constructed at a cost of Rs.74.40 lakh leaving an unspent balance of Rs.90 lakh as on March 2007. However, as per UC submitted (May 2007) by DSE to GOI, the unspent balance against construction of kitchen shed as on March 2007 was shown as Rs.45 lakh. Thus, UC furnished by DSE was not based on facts. Details are shown in **Appendix -3.3.3.** The Government stated (November 2007) that utilisation certificates were sent to GOI on the basis of information received from the respective DDSEs of three districts. The contention of the Government is not tenable because it failed to ensure the veracity of the information furnished by the DDSEs before furnishing utilisation certificates to GOI.

3.3.13 Deficiencies in monitoring quality of food grains

As per the revised guidelines of the National Programme for Nutrition Support to Primary Education (NP-NSPE) issued by GOI in 2004, emphasis is on the quality of foodgrains. The Deputy Commissioner of the concerned district is to ensure that quality foodgrains (at least Fair Average Quality) are issued from FCI. For this purpose, before every release of foodgrains by the FCI, there should be a joint inspection by officers from FCI and State Government. However, no such certificate regarding quality of food grains delivered by FCI

was found recorded in the consignee's receipt in respect of Upper Subansiri District and East Siang District. Consignee's receipt was not available in the other test checked districts either. The Government stated (November 2007) that the responsibility of joint inspection bestowed upon the officers of FCI and State nodal transportation agency for ensuring quality foodgrains and that, the Department also issued a letter to the concerned DCs seeking clarification on the matter. The reply is not tenable as the Department/Government could not absolve its responsibility simply by issuing a letter to the DCs.

3.3.14 Functional deficiencies

As per the scheme guidelines, the State Government was to furnish to the GOI monthly attendance figures in primary classes, monthly statement certifying the quantity of foodgrains lifted from the FCI and details regarding the quantity of foodgrains transported every month to the schools. But no such figures/statements were furnished to the GOI. In the absence of this information, actual requirement of foodgrains vis-à-vis quantity actually lifted and utilised and impact of the schemes by way of improvement in attendance, reduction in drop outs for achieving universalisation of primary education could not be assessed in audit. The Government while admitting the irregularities, stated (November 2007) that attempts are being made to furnish information to the concerned authorities in a timely manner.

3.3.15 Deficiencies in Schools/Centres

Information obtained from the selected primary schools/EGS centres (20 from each districts) of eight test-checked districts and test check of records revealed the following deficiencies:

- Out of 2,189 schools/centres in the test checked districts, only 665 primary schools representing 31 *per cent* have pucca kitchen sheds/stores, 1,289 schools/centres representing 59 *per cent* have drinking water facilities and 1,396 schools/centres accounting for 64 *per cent* of total schools/centres were supplied with kitchen devices/utensils. In none of the schools/centres gas based fuel was used.

- Health check-ups were never conducted in any of the test checked schools/centres. As a result, nutritional deficiencies in children were not identified. State Government had not prescribed the number of doses in area-specific nutritional supplements, the number of doses of other nutritional supplements and intervals of giving micro nutrient supplements and de-worming medicines.

- Serving of meals was not monitored by members of Parent Teacher Association (PTA)/School Management-cum-Development Committee (SMDC) to see regularity and wholesomeness of mid-day meal served, cleanliness of cooking devices and utensils, overall quality of mid-day meal, *per cent*age of underweight children and attendance.

- Annual monitoring of sample studies regarding nutritional status, attendance, retention and completion status conducted, if any, was not on record.

- There was no proper maintenance of records/registers of receipts and issue of stores, cooked meals served in the presence of parents during cooking and serving, cash book, mid-day meal attendance.

3.3.16 Monitoring and Evaluation

National level Steering cum Monitoring Committee (NSMC) was constituted (December 2004) with the Secretary, MHRD, Department of Elementary Education & Literacy as Chairperson. The guidelines of the scheme envisaged constituting of State, district and block level Steering cum-Monitoring Committees (SMCs) to oversee the management and monitoring of the programme. The State level committee is to meet at least once in every six months and District and Block level SMCs at least once in a quarter.

Scrutiny revealed that while the State SMC under the chairmanship of Chief Secretary was formed in April 2005 and a meeting was held in October 2005, the district and block level SMCs formed in 2004 have not convened any meeting. The minutes and agenda notes of SMC at the State level was neither available on record nor stated. Consequently, the impact of the scheme could not be analysed and evaluated in audit. The State Government had not yet developed the computerised management information system for proper monitoring of the scheme as envisaged. The Government stated (November 2007) that action is being taken for setting up of MIS in the State provided adequate fund is provided in the State Plan/Central assistance.

3.3.17 Conclusion

The programme implementation was hampered due to absence of accurate data relating to the enrolment of students. Fund management was poor with delay in the release of funds by four to seven months by the State Government. Infrastructure facilities like kitchen-cum store, drinking water etc, were mostly not available. The overall impact of the scheme was far from satisfactory, since the nodal department failed to provide cooked meal to the school children during most of the school days. Health check-ups of children were not conducted at periodical intervals to identify nutritional deficiencies and provide nutritional supplements. The scheme was also not got evaluated independently to ascertain the extent of achievement of objectives.

3.3.18 Recommendations

- **The Government should carry out a survey at periodical intervals to assess the requirement of funds and foodgrains based on actual number of children enrolled;**
- **Students should be provided mid-day meals as per norms both in terms of quality and quantity as well as the number of feeding days;**

- **Reporting system should be improved from school level to Government level, so that the actual position of schools and class wise enrolment of students under each block/district is readily available;**
- **Basic infrastructure facilities should be provided for facilitating effective implementation of the scheme;**
- **Health check ups should be conducted at regular intervals to gauge the health of students, identity nutritional deficiencies and take appropriate measures to provide nutritional supplements;**
- **Monitoring mechanism needs to be strengthened and enforced effectively so as to secure accountability at various levels of programme implementation.**

TOURISM DEPARTMENT

3.4 Development of Tourism and creation of Tourist Infrastructure

Highlights

The Tourism Department is responsible for promotion of tourism in the State through planning and development of tourist infrastructure and marketing of Arunachal Pradesh as a tourist destination. A review of the working of the Department revealed deficiencies in planning and promotional efforts, inadequate efforts towards development of new tourism products and non-adherence to prescribed procedures. The Department also does not have a Tourism Master Plan (TMP).

Swimming pools constructed at a cost of Rs.98 lakh remained non functional after nearly two years of completion due to non-provision of electricity.

(Paragraph 3.4.11.3)

Five schemes estimated to cost Rs.2.80 crore and targeted for completion between December 2000 and December 2002 remained incomplete even after eight years of the date of sanction.

(Paragraph 3.4.11.4)

Ten infrastructure development schemes sanctioned by GOI during March 1997-98 and May 2000-01 at an estimated cost of Rs.3.69 crore were dropped by GOI due to failure of the Department to utilise the funds.

(Paragraph 3.4.11.5)

Computers and peripherals worth Rs.42.68 lakh procured by the Department for setting up a fully interactive website by linking all its tourist lodges has not been implemented after more than five years of sanction.

(Paragraph 3.4.14.1)

3.4.1 Introduction

Arunachal Pradesh is richly endowed in natural beauty and has immense potential for emerging as an important and picturesque tourist destination of the country being haven for multi attraction tourism. The State Government had declared tourism as an industry in the State with effect from 21 June 1985.

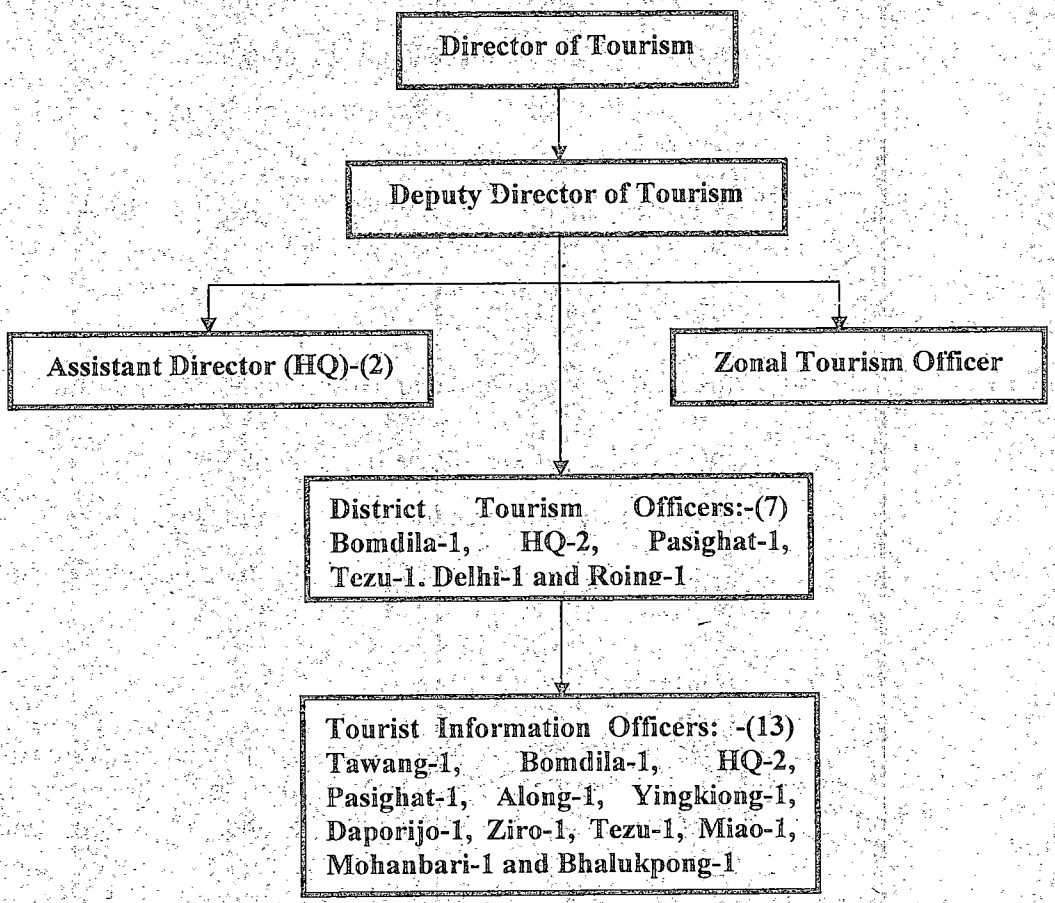
The Tourism Department of the State is responsible for policy formulation, planning and development of basic infrastructure and promotion and marketing of the State as a tourist destination for both foreign and domestic visitors. The commercial aspects of tourism like providing accommodation, sight seeing tours, *etc.* are being carried out through registered private tour

operators. The Government is yet to set up a Tourism Development Corporation in the state.

3.4.2 *Organisational setup*

Organisational structure of the Department is detailed below:

Chart 3.4



In District level, the Deputy Commissioner functions as the DDO and controlling officer.

3.4.3 *Scope of Audit*

Functioning of the Department and implementation/execution of various schemes was reviewed through a test check (August – September 2007) of records of the Director of Tourism and six out of 16[29] District Tourism Officers (DTO) covering the period 2002-07. Results of the review are discussed in the succeeding paragraphs.

[29] *Papumpare, East Siang, Lohit, Changlang, West Kameng and Tawang*

3.4.4 Audit objectives

The audit objectives were to assess whether:

- Department had formulated a long term perspective plan setting out the long term goals and objectives;
- Provision of funds and release thereof were timely, adequate and well planned;
- Projects/schemes were taken up after adequate assessment of project viability and executed efficiently, economically and effectively;
- Tourism promotional measures were adequate;
- Human Resource Development programme and manpower management procedures were adequate;
- Monitoring was effective and had been made to assess the achievement of the desired objectives was evaluated.

3.4.5 Audit Criteria

The following audit criteria were adopted for achieving the audit objectives:

- Perspective plan of the State Government
- Tourism Policy and plan documents of the Department;
- Physical targets and Infrastructure/product/event development documents.

3.4.6 Audit methodology

Before taking up the performance review, an entry conference was held (September 2007) with the Secretary, Department of Tourism and the Officers of the Directorate wherein the audit scope, objectives, criteria and methodology of conducting the performance review were explained. For the purpose of the review, districts were selected on the basis of random sampling.

Audit findings were discussed with the Director of Tourism in November 2007 in an exit conference and the replies of the Department have been incorporated in the report where appropriate.

3.4.7 Audit findings

The audit findings have been discussed in the succeeding paragraphs:

3.4.8 Planning

The State Government prepared (March 2003) a 20 year Perspective Plan to comprehensively undertake all facets of tourism development in the State. Tourism Policy was adopted in 2003 with emphasis on preparation of a comprehensive master plan, identification of high potential tourism areas,

setting up of Arunachal Tourism Marketing and Promotion Board, establishment of contact with domestic private sector agencies in the field of hospitality, travel agents, tour operators etc. and relaxing and simplifying the inner-line entry formalities.

The work of preparation of a Tourism Master Plan (TMP) for development of tourism in the State was awarded (July 2001) to a Kolkata based firm at the tendered value of Rs.8.18 lakh with the stipulation to complete the work by 6 January 2002. The firm submitted a draft report to the Department only in September 2005 and the final report has not been submitted to the Department till the date of audit.

Perspective plan as well as Tourism Policy, 2003 envisaged setting up of "Arunachal Pradesh Tourism Commission/Board" for planning, development and marketing of tourism but till September 2007, no such commission was formed. The Perspective Plan also envisaged diversification and development of new tourism products such as eco-tourism, cultural heritage tourism, wildlife tourism, adventure tourism, etc. but the Department had not prepared any action plan specifying the time frame and cost structure for achieving these objectives. Besides, very little effort was made towards the development of new areas of tourist interest.

Though the State with tremendous tourism potential is a haven for multi attraction tourism and a promising brand, it is no where close to brand building. Brand positioning is essentially about perceptions and to get the markets' acuity about the state in total, the selected approach needs to be taken to the market. The Department, however, did not have a comprehensive tourism promotional plan till date. One of the major activities of the Department was promotion of the State as a tourist destination through advertisement and publicity. Total expenditure on advertisement and publicity during 2002-03 to 2006-07 was Rs.3.47 crore, which constituted only six *per cent* of the total expenditure of the Department during the period.

3.4.9 Financial Management

3.4.9.1 Budget and Expenditure

The budget provision vis-à-vis expenditure during the last five years ending March 2007 was shown in Table-3.4.1.

Table-3.4.1

(Rupees in crore)

Year	Budget Provision			Actual expenditure			Savings (-)/ Excess(+) (Percentage)	
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital
2002-03	3.53	6.07	9.60	3.35	1.39	4.74	(-)0.18 (5)	(-)4.68 (77)
2003-04	3.34	3.97	7.31	3.78	2.42	6.20	(+) 0.44 (13)	(-)1.55 (39)
2004-05	3.30	7.40	10.70	2.80	7.13	9.93	(-)0.50 (15)	(-)0.27 (4)
2005-06	3.89	20.36	24.25	3.49	21.64	25.13	(-)0.40 (10)	(+) 1.28 (6)
2006-07	4.65	15.75	20.40	3.67	14.81	18.48	(-)0.98 (21)	(-)0.94 (6)
Total	**18.71**	**53.55**	**72.26**	**17.09**	**47.39**	**64.48**		

Source: Appropriation Accounts

During the period 2002-07 against the total budget allotment of Rs.72.26 crore, Rs.59.98 crore (including State share of Rs.0.71 crore) was approved by GOI for implementation of 26 projects for development of infrastructure in places of tourist interest under CSS in the State. However, the GOI released only Rs.47.64 crore against its share of Rs.59.27 crore for these projects. The Department spent Rs.46.60 crore till August 2007 leaving a balance amount of Rs.1.04 crore.

It will be seen from table 3.4.1 that there were persistent savings in all the years during 2002-2007 except 2003-04 (Revenue) and 2005-06 (Capital). Wide variations between budget provision and actual expenditure indicated that budgets were not prepared realistically particularly under capital section during 2002-03 and 2003-04 where the savings were 77 and 39 *per cent* respectively. Against savings of Rs.18 lakh under Revenue section during 2002-03, Rs.56,000 was only surrendered and against savings of Rs.50 lakh under Revenue section during 2004-05, Rs.16.45 lakh only was surrendered. No portion of the savings was surrendered under Capital portion during 2002-03 to 2004-05 and 2006-07. The reasons for non-surrendering the savings was neither stated nor on record.

3.4.9.2 Collection of Revenue

The year-wise position of revenue realised from tourists as rent during 2002-03 to 2006-07 is shown below:

Table -3.4.2

Year	No. of tourists stayed in Government Tourist Lodges	Revenue realised (Rupees in lakh)
2002-03	4318	29.70
2003-04	3481	17.33
2004-05	2872	19.76
2005-06	3338	23.18
2006-07	3159	22.75

Source: Information furnished by the Department

The above table shows a decreasing trend of revenue from 2002-03 to 2006-07. Compared to 2002-03, the revenue from tourists declined by 23 *per cent* during 2006-07.

3.4.9.3 Delay in deposit of Revenue realised from tourists

It was noticed from the records maintained by DTO, Bomdila Tourist Lodge, Bomdila that there was delay in depositing the revenue realised from tourists for the period from April - December 2003 ranging from 13 to 43 months. Details are shown below:-

Table 3.4.3

Month of collection	Amount (In Rupees)	Deposited vide Challan No & date	Delay (in months)
4/2003	21,500	17 dt.8.9.04	16
5/2003	23,800	18 dt 8.9.04	15
6/2003	25,950	16 dt.9.9.04	14
7/2003	22,050	17 dt.9.9.04	13
8/2003	15,550	45 dt 2.12.04	15
9/2003	21,050	11 dt.7.12.05	26
10/2003	28,600	23 dt.28.5.07	43
11/2003	28,250	19 dt.28.5.07	42
12/2003	24,500	12 dt.7.12.05	23

Source: Departmental records

From the above it will be noticed that there were delays ranging between 13 months to 43 months in depositing monthly collections. The Departments did not furnish any reasons for the delay in depositing the revenue. Non deposit of revenue promptly is fraught with the risk of temporary misappropriation.

3.4.10 Implementation

3.4.10.1 Less arrival of tourists

The comparative position of projected tourists as per Perspective Plan and the actual number of tourists during 2002-07 is shown in Table-3.4.4.

Table 3.4.4

(in number)

Year	Domestic		Foreign		Total	
	Projected	Actual	Projected	Actual	Projected	Actual (Percentage)
2002-03	7038	4066	493	252	7531	4318 (57)
2003-04	7587	3146	545	335	8132	3481 (43)
2004-05	8178	2492	601	380	8779	2872 (33)
2005-06	8815	3025	664	313	9479	3338 (35)
2006-07	9501	3040	733	119	10234	3159 (31)

Source: information furnished by the department

It is evident that the actual inflow of tourists was far below the projected inflow. The Department stated (September 2007) that the reasons for less arrival of tourists against the projection was because the number of tourists was computed only on the basis of actual number of tourists staying in Government Tourist Lodges only. The Department, however, did not collect data regarding tourists residing in private accommodations.

3.4.11 Infrastructure development

3.4.11.1 Incomplete projects

In order to improve the quality of tourist infrastructure in the State, GOI sanctioned 26 tourist infrastructure development projects in the State during the period from 2002-03 to 2006-07 at a cost of Rs.59.98 crore (Central Share: Rs.59.27 crore and State Share: Rs.0.71 crore). The year-wise number of projects sanctioned along with amount is shown below:

Table 3.4.5

(Rupees in crore)

Year	No of schemes sanctioned by GOI	Sanctioned amount	Share of		Amount released		Expenditure incurred		No of projects completed
			Central Govern-ment	State Govern-ment	Central Govern-ment	State Govern-ment	Central Govern-ment	State Govern-ment	
2002-03	4	2.44	2.44	-	2.44	-	2.44	-	4
2003-04	3	7.91	7.86	0.05	6.48	0.05	6.48	0.05	2
2004-05	9	10.41	10.41	-	8.81	-	8.81	-	5
2005-06	5	18.74	18.74	-	14.98	-	14.98	-	1
2006-07	5	20.48	19.82	0.66	14.93	-	13.89	-	1
Total	**26**	**59.98**	**59.27**	**0.71**	**47.64**	**0.05**	**46.60**	**0.05**	**13**

Source: Information furnished by the Department

Except for three projects (one in 2003-04 and two in 2006-07) all the projects were to be cent *per cent* funded by the GOI. Out of the 26 projects, 13 projects valuing Rs.17.55 crore have been completed and 13 projects valuing Rs.42.43 crore are still in progress (Appendix-3.4.1). The audit findings on the implementation of various infrastructure development projects are brought out in the succeeding paragraphs.

3.4.11.2 Unproductive expenditure on construction of Tourist Lodge

The GOI sanctioned (March 2000) Rs.14.92 lakh (Central share: Rs.13.30 lakh and State share: Rs.1.62 lakh) for construction of a Tourist Lodge at Yachuli with the stipulation that the project should be commissioned within 18 months of the date of sanction. Cost of construction of approach road, site development, compound wall fencing, water supply, electricity and furnishing were to be borne separately by the State Government. The GOI released Rs.10.55 lakh in May 2000 (Rs.3.90 lakh) and November 2003 (Rs.6.65 lakh). The State Government released Rs.3.90 lakh along with its share of Rs.1.62 lakh only in March 2002 and a further sum of Rs.6.65 lakh in February 2004.

Although the Tourist Lodge was completed (October 2004) at a total cost of Rs.14.92 lakh, it could not be commissioned due to non-availability of approach road, site development, water supply, electricity and furnishings. The State Government accorded administrative approval and expenditure sanction of Rs.14.80 lakh for executing these works only in March 2004, *i.e.* four years after the date of sanction by the GOI. Completion of works had not been reported (June 2007) by the Public Works Department (PWD) and the Tourist Lodge had not yet been commissioned. The Department while admitting the fact stated (November 2007) that as and when the building is handed over by PWD, it would be made operational.

Thus, the Department failed to make the tourist lodge functional even after a lapse of three years of its construction rendering the entire expenditure of Rs.12.17 lakh[30] unproductive.

3.4.11.3 Non commissioning of swimming pool

GOI sanctioned (October 2004) Rs.2.43 crore for development of Ganga Lake at Itanagar and released Rs.1.94 crore as first instalment including Rs.98 lakh for construction of two swimming pools. The cost of external water supply, electricity, approach road, *etc.* were to be borne separately by the State Government. The State Government accorded (February and March 2005) expenditure sanction for Rs.98 lakh for construction of two swimming pools through the Rural Work Department (RWD). Though the swimming pools were completed (January 2006), these could not be commissioned (September 2007) due to non-availability of approach road, water supply and electricity.

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[30] *Total project cost Rs.14.92 lakh*
State Government released only Rs.12.17 lakh (Central share: Rs.10.55 lakh and State share: Rs.1.62 lakh).

The Department requested the Power Department for preparation of estimate for electrification of Ganga Lake only in August 2007.

Thus, due to lack of approach road and electricity, the swimming pools remained non-functional even after one and half year of their completion rendering the entire expenditure of Rs.98 lakh unproductive besides failure to provide amenities and added attraction to visiting tourists. During exit conference the Department stated (November 2007) that the approach road to the swimming pool is available and due to certain technical reasons, power connection which is a basic necessity to operate water plant for swimming pool could not be provided by the Power Department. The Department further stated the the matter was discussed with the State Government and it was ensured that the swimming pool would be made operational by 2007-08. The fact remains that the swimming pool remained non functional till November 2007.

3.4.11.4 Incomplete Tourist Infrastructure Development Schemes

GOI sanctioned (March 1999 to May 2000), five infrastructural development schemes at an estimated cost of Rs.2.80 crore (Central share: Rs.1.97 crore and State share: Rs.0.83 crore). The State Government released Rs.1.55 crore along with its share of Rs.9 lakh between March 1999 and March 2002. The schemes targeted to be completed by December 2000 and December 2002, remained incomplete even after seven years from the date of sanction (**Appendix-3.4.2**). The works were executed by the State PWD and RWD and the Department had no information on the progress of work.

Thus, due to delay in completion, the objectives of the scheme were frustrated rendering the expenditure of Rs.1.64 crore unproductive. Delay in completion of the schemes deprived the State of vital tourist infrastructure required to attract additional tourists.

3.4.11.5 Dropped Schemes

For development of Tourist infrastructure in the State, GOI sanctioned (1997-98 and 2000-01) Rs.3.69 crore (Central share: Rs.2.33 crore, State share: Rs.1.36 crore) for 10 schemes and released Rs.0.73 crore with the stipulation to complete the works within 6-30 months from the date of sanction (**Appendix-3.4.3**). The State Government did not release its share of Rs.1.36 crore. Scrutiny revealed that the Department failed to utilise the funds in respect of these schemes within the stipulated period. As such, the GOI dropped (June 2004 and August 2006) all the schemes and adjusted Rs.0.28 crore against new schemes leaving the balance amount of Rs.0.45 crore unadjusted (August 2007).

Thus, failure of the State Government in timely utilisation of funds not only deprived the State Government of the benefit of Central funds but also deprived the State of better tourist infrastructure valued at Rs.3.69 crore.

3.4.11.6 Development of Aero Sports tourism

For development of Aero Sports Tourism in Arunachal Pradesh, GOI sanctioned (March 2002) Rs.1.08 crore (Central share: Rs.97 lakh and State share: Rs.11 lakh) and released (March 2002) Rs.80 lakh as first instalment. The sanction stipulated that the project should be completed within March 2003.

The Department appointed (August 2003), an aero sports consultant but as the firm failed to execute any work, the Department terminated (November 2004) the contract and appointed (March 2005) another firm. The Memorandum of Understanding (MoU) signed (March 2005) between the Department and the consultant envisaged payment of Rs.6 lakh as consultancy fee for providing technical assistance for procurement of equipment, infrastructure development work plan, *etc.* But since no technical assistance was provided by the consultants, no payment was made to them.

The Department invited (March 2006), tenders for procurement of equipment such as para gliders, hot air balloon, motor gliders, *etc.* Instead of providing technical assistance in procurement of equipment, the consultant himself participated in the tender thereby violating the terms of appointment. The Department placed (December 2006) supply order valuing Rs.79.56 lakh on the consultant firm with the condition of 100 *per cent* advance payment. No advance payment was made to the firm and hence no material was supplied by the firm (August 2007). As of August 2007, neither any assistance was provided by this firm nor the Department made any progress in implementation of the project.

Thus, delay by the Department in timely appointment of consultant had not only left the scheme unimplemented even after a lapse of five and half years of its sanction but also deprived the State of better tourist infrastructure. Besides, the amount of Rs.80 lakh could not be utilised for the purpose for which it was released for more than five years. The funds are lying idle in the State exchequer. The Department while admitting the fact stated (November 2007) that the Aero Sports equipments have been received but no payment was made till November 2007. The Department was requested to furnish the details of equipments received. The fact remains as the scheme remains unimplemented till November 2007.

3.4.12 Leasing out of Units

3.4.12.1 Loss of revenue due to leasing out of Cafeteria

The Department leased out (November 2003), a cafeteria at Indira Gandhi Park, Itanagar to the highest bidder at an annual rent of Rs.1.20 lakh for a term of five years. As per clause 5 of the agreement executed with the lessee, the lessee could not sub-let, assign or part with occupation of the cafeteria to any other person. Contrary to this, the lessee sub-let the cafeteria as he was unable to run the same. The Department, instead of cancelling the lease agreement,

permitted the sub-lessee to operate the cafeteria on terms and conditions of the agreement made with the original lessee.

Accordingly, the sub-lessee continued to operate the cafeteria (August 2007) but no rent was paid to the Department since its occupation. The Department also did not take any action against the sub-lessee to recover the outstanding lease rent. Consequently, the Government sustained a loss of Rs.3.60 lakh. During exit conference the Department stated (November 2007) that they had sought the opinion of legal Department regarding further course of action to be taken against original lessee. Thus failure of the Department to take over the possession of cafeteria may result in further loss of revenue to the Department.

3.4.13 Promotion of Tourism

3.4.13.1 Brand Promotion

Though the State has tremendous tourism potential for multi attraction tourism and a promising brand, it is no where close to brand building. Brand building is essentially about perceptions and to get the markets interested about the State in total, but in the absence of brand building the selected approach has to be taken to the markets for optimum attraction of tourists. The fact is that the State has great potential for religious tourism (Buddhist), eco tourism, rafting and adventure tourism and wild life tourism, but has not been able to promote and market these attractions aggressively.

3.4.13.2 Participation in International and Domestic Fairs and festivals to Promote Tourism

Participation in international and domestic fairs and festivals is another important mode of promotion of tourism undertaken by the Department. Total expenditure incurred on these activities during 2002-07 was Rs.1.79 crore. The Department did not plan any calendar of events for participation in international and domestic events. As such, the Department participated in such events only on receipt of invitations from the concerned Ministries/Organisations/Companies *etc.* Further, no efforts were made by the Department to assess the impact of participation in various domestic and international events by way of collecting and analysing relevant data such as number of visitors, participation in presentations, information sought by visiting tourists etc. The Department had been participating regularly in the domestic and International Travel Mart but inflow of tourists from these states/countries was never assessed. During exit conference the Department stated that (November 2007) During exit conference the Department stated (November 2007) that due to non-availability of funds it was difficult for the Department to arrange any prefixed calendar of events for participation. The Department also stated that the number of tourist arrival had increased considerably in the recent past. The contention of the Department is not tenable as there were persistent savings in all the years 2002-07 (except 2003-04) and as regards the arrival of tourists, the Department had no system of collection of data in respect of visiting tourists.

3.4.13.3 Extra avoidable expenditure

GOI along with the Haryana Tourism organises the Suraj Kund Craft Mela at Suraj Kund in Haryana to promote Tourism and also to revive the dying craft of various corners of India. Every year a State or a group of States is designated as the "Theme State" in the Mela and the State is required to construct a permanent commemorative structure in the mela area. In 1998, States of North Eastern India were proposed as 'theme state'. Accordingly, the Department issued (December 1997) a work order to a Kolkata based firm for construction of a commemorative structure based on the picture of "Mallnithan" at a cost of Rs.5 lakh without preparation of estimates and calling of tenders. On completion of the project, the firm submitted (February 1998) a bill for Rs.5 lakh, which was not paid due to objection raised by the Finance Department (March 2002) for not following the codal provisions.

Being aggrieved, the firm filed (July 2005) a suit in the Court of Additional District Judge, Delhi. Thereafter, the Department approached the firm for out of court settlement and paid the bill in August 2005. But the out of court settlement could not be reached and Hon'ble Court directed (March 2006) the Department for payment of interest on the principal amount @18 *per cent* per annum from the date of raising the bill till the date of payment including cost of the suit. Accordingly, the Department had to pay a further sum of Rs.7.71 lakh to the firm in November 2006.

Thus failure of the Department in following the codal provisions and consequent delay in payment of the bill resulted in an avoidable extra expenditure of Rs.7.71 lakh.

3.4.14 Management Information System

3.4.14.1 Computerisation and Information Technology

GOI sanctioned (March 2002) Rs.48.78 lakh for IT and computerisation of Arunachal Pradesh Tourism on 50:50 cost sharing basis (Central:50 and State 50) and released (March 2002) Rs.18.29 lakh as first instalment. The balance amount of Rs.6.10 lakh was to be released on submission of utilisation certificate and successful implementation of the scheme. The sanction also stipulated that proof of placing the supply order for hardware/software be furnished to GOI by 15 May 2002. State Government, however, released Rs.18.29 lakh along with its share of Rs.24.39 lakh only in February 2006 to the Department. In the meanwhile, the Department invited tenders (December 2002) for supply of computer and peripherals, Fax, LCD. Kiosk (Hard ware and Soft ware) and Multimedia CD Rom *etc*. But due to some technical deficiency, re-tendering was done in February 2005 after a lapse of two years from the date of original tender. The Department issued supply order (November 2005) to the lowest tenderers (3 firms) for supply of the above mentioned equipments valued at Rs.42.68 lakh which included Rs.2.45 lakh for configuration and installation of Local Area Network (LAN). The materials were received (November 2005) and payment of Rs.42.68 lakh was

made (March 2006) to the firms although the system was not configured and LAN was not installed.

Scrutiny however revealed that six touch screen kiosks are yet to be installed. The server and equipment for setting up the LAN in the Directorate had also not been installed till September 2007. The other equipments (11 desktop, 3 laptops, and LCD Projector) were distributed within the directorate itself.

Thus, even after a lapse of five and half years and incurring expenditure of Rs.42.68 lakh the Department had not been able to implement the scheme and fulfil its objectives.

3.4.15 Human Resource Development

To create awareness among the local people of the state, the Department also organized training programmes for the hoteliers, tour operators and tourist guides.

The expenditure incurred towards training and number of participants during the year 2002-03 to 2006-07 is as under:

Table – 3.4.6

Year	No. of trainings organised	No of participants	Expenditure incurred (Rupees in lakh)
2002-03	3	25	0.07
2003-04	12	201	13.17
2004-05	3	-	5.10
2005-06	3	88	3.74
2006-07	6	115	3.99

Source: information furnished by the Department.

The table above shows that in 2004-05 the Department spent Rs.5.10 lakh for organising three trainings but the number of trainees who participated were neither on record nor stated.

There was also nothing on record to indicate how the services of the trained personnel were utilized after completion of the training. Hence the impact of conducting such training could not be assessed.

3.4.16 Monitoring and evaluation

In the area of monitoring there were serious deficiencies right from planning to execution. Projects were taken up without proper formulation and research data. There was no systematic monitoring of the physical achievement of various infrastructural projects of the Department. No control register was maintained to record the progress of different projects. No asset register was also maintained to indicate the total number of infrastructure projects of the Department.

There was also no record to show that monitoring through field inspection was carried out and any mechanism was evolved to asses the impact of the scheme. The directorate did not obtain periodic reports/returns from the executing agencies and field offices. Tourist arrival and revenue receipts reports were not regularly sent. This defeated the very purpose of monthly reports which were meant for monitoring the flow of tourists and realisation of revenue and also taking corrective measures wherever necessary. No evaluation was also done at any level to assess the improvement of tourist infrastructure in the State.

3.4.17 Conclusion

Though the State has tremendous tourism potential to showcase itself as a domestic as well as global brand because of its multi attraction tourism, the tourism promotional campaigns through print and electronic media were deficient. A number of projects were not implemented despite availability of sufficient funds. Financial management was weak, as there was delay in implementation of Centrally Sponsored Schemes. The Department was yet to receive the TMP even after the lapse of more than five years from the scheduled date of completion of the work. The target of foreign and domestic tourists could not be achieved during any of the years under review.

3.4.18 Recommendations

- **The Department should formulate a comprehensive tourism promotional plan and set physical targets for achievement within a fixed time frame so as to get a major share of wild life and eco-tourism and adventure tourism.**
- **The Department should ensure optimum utilisation of funds placed at its disposal.**
- **There should be effective monitoring of the progress of work being executed.**
- **The Department should take steps to set up computer network for which computers and peripherals have been purchased.**

CHAPTER – IV

AUDIT OF TRANSACTIONS (CIVIL DEPARTMENTS)

4.1	Unrealised cost of textbooks
4.2	Extra expenditure due to non-availing of exemption of excise duty
4.3	Loss of revenue
4.4	Wasteful expenditure
4.5	Unfruitful expenditure on construction of buildings
4.6	Unfruitful expenditure on procurement of medical equipment
4.7	Unproductive expenditure due to non-functioning of equipment
4.8	Extra expenditure and irrational deployment of medical officers
4.9	Extra expenditure on hire charge of bulldozers
4.10	Extra expenditure due to change in classification of soil
4.11	Extra expenditure
4.12	Extra avoidable expenditure
4.13	Avoidable extra expenditure
4.14	Avoidable expenditure
4.15	Idle investment on construction on buildings for computer training centres and procurement of computer
4.16	Unproductive expenditure
4.17	Unproductive expenditure on construction of Regional diagnostic centres and procurement of machinery/equipment
4.18	Entertainment of idle work-charged staff
4.19	Unauthorised expenditure
4.20	Follow up action on audit reports
4.21	Failure to respond to audit objections and compliance thereof

CHAPTER – IV
AUDIT OF TRANSACTIONS

LOSS

EDUCATION DEPARTMENT

4.1 Unrealised cost of textbooks

Failure of the Department to realize cost of textbooks from students resulted in loss of Rs.1.04 crore.

The State Department of Education procures textbooks for distribution to students as an incentive. Textbooks are distributed to the Scheduled Tribe (ST) students free of cost up to elementary level (Class-VIII) and on realization of 25 *per cent* of the cost from the students of classes IX to XII. For non-ST students, full cost of the books (printed price) is realised.

Scrutiny (August 2006) of records of the Director of School Education (Director), revealed that, during the years 2004-2007 the Department procured and distributed textbooks worth Rs.4.62 crore to 1,08,810 ST students of class IX to XII in the State. Considering that 25 *per cent* of the cost of textbooks is to be realised from the ST students, the amount realisable was a minimum of Rs.1.15 crore. Against this, the Department realised and deposited only Rs.11.59 lakh.

Thus, failure of the Department to realise the requisite cost of textbooks resulted in a minimum loss of Rs.1.04 crore. The Director stated (August 2006) that the matter would be investigated. Outcome of the investigation had not been reported to audit (October 2007).

The matter was reported to the Government in March 2007; reply had not been received (November 2007).

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.2 Extra expenditure due to non-availing of exemption of excise duty

Failure of the Department to avail of exemption from payment of excise duty resulted in a loss of Rs.61.74 lakh on procurement of pipes.

The Union Ministry of Finance and Company Affairs (MF&CA) extended (September 2002) excise duty exemption on pipes meant for delivery of water from source to water treatment plant and from there to storage facility. To avail of this exemption, a certificate from the concerned Collector/District

Magistrate/Deputy Commissioner was to be produced to the Excise Department.

Test-check of records of seven Public Health Engineering Divisions[1] (PHED) revealed that the CE, PHED placed (September 2002 to August 2005) supply orders with Kolkata and Guwahati based firms for supply of DI and MS pipes for different water supply schemes under Non-Lapsable Central Pool of Resources for Accelerated Rural Water Supply Programme. The pipes were supplied (November 2002 to November 2005) by the firms and a total payment of Rs.5.28 crore including excise duty of Rs.61.74 lakh was made (November 2002 to November 2005) by the EEs of the concerned divisions. Though the pipes were required for the purpose for which excise duty exemption was introduced, the EEs did not claim the benefits of exemption.

Thus, due to non-availing the benefit of exemption from excise duty, the divisions incurred an extra expenditure of Rs.61.74 lakh.

The matter was reported to the Government in November 2006 and October 2007; reply had not been received (November 2007).

ENVIRONMENT AND FOREST DEPARTMENT

4.3 Loss of revenue

Parking of funds received for compensatory afforestation in reserve fund not bearing interest instead of in fixed deposits with nationalised banks as provided for under the orders of the Government of India, resulted in loss of interest of Rs.51.10 lakh.

Government of India, Ministry of Environment and Forests (GOI, MOEF) issued directives in March 2004 that funds for compensatory afforestation *etc.* should be deposited by the user agency with Compensatory Afforestation Management and Planning Agency (CAMPA). Since the constitution of CAMPA was sub-judice, the Union Government asked the State Government, to receive the fund for compensatory afforestation from the user agencies and keep it in the form of fixed deposits (FDs) in any nationalised bank in the name of the concerned Divisional Forest Officer or the nodal officer (forest conservation) of the State till CAMPA became operational.

Test check of the records of the Principal Chief Conservator of Forest Arunachal Pradesh, in June 2007, revealed that the Power Grid Corporation Limited in March 2005 had paid Rs.5.98 crore to the State Government for compensatory afforestation, net present value, *etc.* on account of diversion of 67.5 hectares of forest land for non forest purpose. The State Government deposited the entire amount under reserve fund not bearing interest instead of keeping it in the form of FDs in any nationalised bank. The amount was subsequently transferred to adhoc CAMPA on 12 October 2006. This not only

[1] *Along, Bomdila, Changlang, Pasighat, Yupia, Ziro and Daporijo.*

violated the orders of GOI, MOEF but also resulted in loss of interest of Rs.51.10 lakh upto 4 October 2006 which would have accrued had the amount been kept in fixed deposit.

The matter was reported to the department and Government in July 2007; their reply had not been received (November 2007).

WASTEFUL EXPENDITURE/EXTRA EXPENDITURE

CULTURAL AFFAIRS DEPARTMENT

4.4 Wasteful expenditure

The Department failed to set up Multipurpose Cultural Complex due to indecision in selection of site thereby depriving the State of the Central assistance of Rs.1.80 crore, besides incurring wasteful expenditure of Rs.12.72 lakh.

The Union Ministry of Tourism and Culture (MT&C) released (April 2003) Rs.1.30 crore for setting up a Multipurpose Cultural Complex (MCC) at Roing against a total project cost of Rupees two crore (Central: Rs.1.80 crore and State Government: Rs.0.20 crore) stipulating the date of completion as March 2005. The State Government subsequently (July 2003) shifted the project site from Roing to Itanagar citing administrative reasons and released Rs.1.05 crore after 20 to 22 months (March 2005: Rs.0.05 crore and May 2005: Rupees one crore) to the PWD for execution of work.

Scrutiny (February 2006) of records of the Director of Art and Culture and further information collected (June 2007) revealed that the State Government again decided (August 2005) to shift the project site from Itanagar to Yupia stating lack of adequate space at Itanagar. Meanwhile, PWD had already incurred an expenditure of Rs.11.94 lakh on site development, construction of labour shed, enquiry office, *etc* at Itanagar. Besides, the Department incurred (April 2005) an expenditure of Rs.0.78 lakh towards payment of land revenue for allotment of land for the MCC at Itanagar.

Consequently, the Joint Secretary of the MT&C, in a meeting (November 2006) of State Cultural Secretaries directed the State Government to surrender the amount. But the amount was not surrendered (March 2007) and the MT&C adjusted the amount by deducting Rs.1.30 crore from the first installment of Rs.2.70 crore sanctioned (March 2007) for another MCC at Naharlagun.

Thus, failure of the Department to set up MCC resulted in wasteful expenditure of Rs.12.72 lakh, besides depriving the State of the benefit of cultural infrastructure under Central assistance.

The matter was reported to the Government in March 2007, reply had not been received (November 2007).

EDUCATION DEPARTMENT

4.5 Unfruitful expenditure on construction of buildings

Failure of the Department in completion of the residential and non-residential buildings for the District Institute of Education and Training at Ziro and Khonsa resulted in unfruitful expenditure of Rs.91.91 lakh.

Under the Centrally Sponsored Scheme of Restructuring and Re-organisation of Teacher Education, the Union Ministry of Human Resource Development (MHRD) released (March 1996) first installment of Rupees one crore for establishment of the District Institute of Education and Training (DIET) at Ziro and Khonsa at a cost of Rupees one crore each. The balance amount was to be released on receipt of the report of physical progress of work along with utilisation certificate of the first instalment.

Scrutiny (August 2006) of records of the Director of School Education (DSE), Itanagar revealed that the State Government, after a lapse of one to two years, sanctioned (March 1997 and March 1998) Rs.98.51 lakh for construction of non-residential and residential buildings for the DIET at Ziro (Rs.49.01 lakh) and Khonsa (Rs.49.50 lakh). The Department, however, released (March 1997 and March 1998) Rs.91.91 lakh to the PWD for construction of the buildings. But the PWD left the buildings incomplete since September 1999 (Khonsa) and July 2000 (Ziro) and demanded an additional amount of Rs.58.98 lakh to complete the buildings after spending the entire amount released to it. Despite Audit observations (May 2001) and DSE's commitment (September 2002) about taking up the matter with the higher authority for appropriate action, no effective steps had been taken for completion of the buildings. Consequently, the MHRD did not release the balance amount (Rupees one crore) sanctioned for the scheme. The Department also did not take any initiative to complete the works through State finances. There is no evidence of action taken by the Department against the executing agency for its failure to complete the buildings.

Thus, failure of the Department in providing adequate funds and ensuring completion of the buildings by PWD resulted in unfruitful expenditure of Rs.91.91 lakh, besides depriving the State of getting the balance amount of Rupees one crore for non-adhering to the instructions of MHRD.

The matter was reported to the Government in March 2007; reply had not been received (November 2007).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.6 Unfruitful expenditure on procurement of medical equipment

One ICU ventilator procured at a cost of Rs.11.23 lakh remained idle for over six years rendering the expenditure unproductive.

In order to establish accident and emergency care service in Pasighat General Hospital, the Union Ministry of Health and Family Welfare sanctioned (September 2000) Rs.59 lakh for the purchase of an ambulance (Rs.9 lakh) and medical equipment (Rs.50 lakh).

Test check (August 2007) of records of the Deputy Director, Health Services, Pasighat revealed that the Department procured (March 2001) the ambulance and equipment valued at Rs.59 lakh including one ICU ventilator (Rs.11.23 lakh). While the ambulance and most of the equipment were utilized in different wings of the Hospital, the ICU ventilator was lying unutilised due to non availability of space and man-power. There was no evidence on record about the efforts made by the Department to provide the requisite space and staff to man this critical equipment.

Thus, the accident and emergency wing was not established even after incurring an expenditure of Rs.59 lakh. Further, due to the imprudent action of the Department in procurement of the ICU ventilator before creating infrastructure required for its installation, the expenditure of Rs.11.23 lakh on the purchase of the ventilator proved to be unfruitful. Besides, non-installation of the ICU ventilator for more than six years after procurement deprived the accident victims of required treatment. Considering that the nearest hospital where such emergency facilities exist is 256 kms away in Naharlagun, the Department's lack of a sense of urgency in installation and use of this equipment shows it's apathy to provision of adequate medical care to the people.

The matter was reported to the Government in September 2007; reply had not been received (November 2007).

4.7 Unproductive expenditure due to non-functioning of equipment

Ultracision Harmonic Scalpel set with generator and accessories installed in General Hospital, Naharlagun at a cost of Rs.18.67 lakh remained non-functional rendering the expenditure unproductive.

The Director of Health Services, Naharlagun procured (March 2005) one Ultracision Harmonic Scalpel set with generator and accessories at a cost of Rs.18.67 lakh under one time Central assistance. The equipment was installed (March 2005) in General Hospital, Naharlagun. Scrutiny of records of the Chief Medical Officer, General Hospital, Naharlagun revealed that after working for 13 to 14 months, the equipment had stopped functioning (May

2006) due to certain defects. No action was taken by the Department to get the equipment repaired even after the lapse of over one year.

Thus, the equipment procured at a cost of Rs.18.67 lakh, remained non-functional for want of repair rendering the expenditure unproductive, besides depriving patients of the benefit of better health care services.

The matter was reported to the Government in October 2007; reply has not been received (November 2007).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.8 Extra expenditure and irrational deployment of medical officers

Excess deployment of medical officers in General Hospital at Naharlagun resulted in an extra expenditure of Rs.63.94 lakh, while there was less deployment of medical officers in General Hospital, Pasighat, District Hospitals, Ziro, Khonsa and Changlang.

The State Government fixed (October 2001) the following standard staffing pattern of medical officers including specialists for deployment in General/District Hospitals on the basis of available bed strength of the Hospital.

Bed strength	Medical Officers/Specialists required
50-150	22
150-200	48

Scrutiny (July 2007) of records of the Chief Medical Officer, General Hospital, Naharlagun having 148 bed capacity revealed that the Department deployed (January 2005 and June 2007) 67 to 79 medical officers including specialists in General Hospital in excess of prescribed norms resulting in an extra expenditure of at least Rs.63.94 lakh[2] on their pay and allowances as detailed in **Appendix – 4.1**.

In contrast, there was a shortage of 55 medical officers and specialists[3] in the General Hospital, Pasighat and District Hospitals at Ziro, Khonsa and Changlang. The irrational deployment of medical officers indicates an urban bias depriving the rural populace of other districts from availing proper health cares services.

The matter was reported to the Government in October 2007; reply had not been received (November 2007).

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[2] *Extra expenditure was calculated on the basis of minimum of time-scale of pay of medical officers/specialists in General Hospital, the details of which are shown in Appendix-4.3*

[3] *General Hospital: Pasighat-13, District Hospital: Ziro-12, Khonsa-12 and Changlang-18.*

PUBLIC WORKS DEPARTMENT

4.9 Extra expenditure on hire charge of bulldozers

The Department incurred extra expenditure of Rs.86.65 lakh due to hiring of bulldozers at hourly rate instead of daily rate.

According to the rates approved (December 2000) by the Chief Engineer (Eastern Zone), the hire charges for bulldozer D-80 were Rs.20,358 per day or Rs.6,786 per hour.

Test-check (November 2006) of records of the EE, PWD Ziro Division revealed that the EE engaged (November 2005 to February 2006) eight bulldozer D-80 for execution of earthwork in three road works. Though the bulldozers were required for 60 to 140 days, the EE hired these from eight contractors on hourly basis. The EE paid (March 2006) Rs.1.43 crore to the contractors as hire charge of bulldozers for 2,102.10 hours. Reasons for hiring the bulldozers on hourly basis instead of daily basis were not on record. Had the bulldozers been hired on daily basis, expenditure on hire charges would have been restricted to a maximum of Rs.55.98 lakh, as detailed below:

Table 4.1

Sl. No.	Name of work	Number of days on which bulldozers were utilised	Hours of utilization of bulldozers	Payments made on hourly rate	Amount at daily rate
				(Rupees in lakh)	
1.	Extension of road from Deed to Seiya village (5.20 km)	75	632.10	42.89	15.27
2.	Improvement of road from Pitapol on Kimin to Toru (0-27.70 km)	60	441.00	29.92	12.21
3.	Construction of road from BRTF road to Togo Hydel Power House (2.7 km)	140*	1,029.00	69.82	28.50
Total		275	2,102.10	142.63	55.98

Source: Payment vouchers and Measurement Books.

** Two bulldozers were used.*

It was further noticed that in case of work at serial 1 of above table, hire charges for utilisation of bulldozers for 64 days (out of 75 days) were paid at 7.35 hours per day. But for 11 days, hire charges (Rs.10.96 lakh) were paid for 14.70 hours per day. This made the payment of Rs.5.48 lakh (hire charge beyond 7.35 hours per day) questionable inasmuch as utilization of a bulldozer for 14.70 hour in a day is abnormal.

Thus, due to the failure of the EEs to exercise financial discipline in execution of public works; the Department incurred an avoidable extra expenditure of at

least Rs.86.65 lakh[4]. Of this, veracity of expenditure of Rs.5.48 lakh remained doubtful.

The matter was reported to the Government in March 2007; reply had not been received (November 2007).

4.10 Extra expenditure due to change in classification of soil

The Department incurred extra expenditure of Rs.26.86 lakh by allowing higher rates to the contractors for excavation of rock without using explosives.

The Union Ministry of Tribal Affairs sanctioned (September 2001) the first installment of Central assistance of Rs.1.50 crore for construction of Gibu Marging Road estimated to cost Rs.7.17 crore. The estimate of the work *inter alia* consisted of survey and investigation, jungle clearance, formation cutting, *etc.*The EE PWD, Daporijo awarded (between February 2002 and March 2006) "Formation Cutting" work from chainage 21.185 km to 53.93 km to 208 contractors as per approved analysed rate[5].

Test-check (August 2006) of records of the EE revealed that, the Division paid (June 2002 and March 2006) Rs.33.71 lakh to the contractors for executing 34,767 cum. of earth work (soft rock: 18,306.36 cum., hard rock: 16,460.64 cum.) at 208 different chainages at rates applicable for excavation of rock by utilising explosives. But no explosive (gelatine) was issued by the Division to the contractors for excavation of the rock by blasting. This indicated that though rocks were excavated without using explosives (@ Rs.25.70 cum.), payments were made to contractors at higher rates applicable for soft and hard rock involving explosives.

Thus, computed at the rate of Rs.25.70 per cum. applicable for excavation of hard soil, the Division incurred an extra expenditure of Rs.26.86[6] lakh on excavation of earth work.

The matter was reported to the Government in November 2006; reply had not been received (November 2007).

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[4] *Rs.142.63 lakh – Rs.55.98 lakh = Rs.86.65 lakh.*

[5] *Ordinary soil: Rs.19.30 per cum, hard soil: Rs.25.70 per cum, soft rock: Rs.85.90 per cum and hard rock: Rs.129.30 per cum.*

[6] *Payments made after deduction on earth work without involving any lead and lift* — *Rs.33,70,590*

Less: Payments to be made after deduction on earth work without involving any lead and lift. — *Rs. 6,84,910*

Rs.26,85,680

i.e Rs.26.86 lakh.

4.11 Extra expenditure

Excess utilization of materials in Road works beyond prescribed norms resulted in extra expenditure of Rs.13.46 lakh.

Union Ministry of Road Transport and Highways accorded (April 2003) administrative approval to the work "Improvement of Naharlagun Township Roads" at an estimated cost of Rs.2.93 crore. Technical sanction was however accorded (August 2003) by the Chief Engineer, (Western Zone) PWD for Rs.2.77 crore which was subsequently revised (March 2005) to Rs.3.21 crore. The estimate of the work included *inter alia* re-carpeting of 16.707 km (Rs.1.25 crore). The work, taken up for execution (April 2003) departmentally was completed (March 2005) at a total cost of Rs.3.21 crore.

Test check of records of the EE, PWD Naharlagun revealed that for execution of re-carpeting work, the Department utilized screening materials and fire wood in excess of the norms prescribed in Indian Road Congress (IRC) as well as provisions made in the sanctioned estimate. Thus, excess utilization of materials beyond the norms resulted in an extra expenditure of Rs.13.46 lakh as detailed in Appendix – 4.2.

The matter was reported to Government in November 2006; reply had not been received (November 2007).

RURAL WORKS DEPARTMENT

4.12 Extra avoidable expenditure

Issue of 78,770 kg. of sausage wire to 182 contractors for execution of protection work and recovery of the cost of sausage wire at a price lower than the procurement price resulted in an extra avoidable expenditure of Rs.11.42 lakh.

For Protection work of six Wheat and Rice Cultivation (WRC) fields at Tirbin, West Siang District the State Government accorded (February 2006) administrative approval and expenditure sanction for Rs.3.83 crore from Additional Central Assistance. The EE, Rural Works Division, Along awarded (February 2006) one of the items of protection work *viz*, "Providing and laying boulder crated wall in sausage wire, etc" to 226 contractors at the rate of Rs.428 per cum (inclusive of cost of sausage wire). The work was completed (March 2006) at a cost of Rs.3.45 crore.

Test-check of records revealed that out of the total 13,164.50 cum work executed by 226 contractors, 2,780.10 cum works were executed by 44 contractors @ Rs.428 per cum, inclusive of the cost of sausage wire arranged by the contractors themselves. However, in the case of remaining 10,384.40

cum work executed by 182 contractors at the same rate of Rs.428 per cum, the Division supplied 78,770 kg. of sausage wire and recovered the cost of sausage wire @ Rs.29 per kg. from the contractors bills although the Division had procured the material at Rs.43.50 per kg. Since the work was awarded @ Rs.428 per cum as a complete item of work and inclusive of cost of sausage wire, the Division could have executed 10,384.40 cum work through the 182 contractors without providing sausage wire as was done in the case of the 44 contractors.

Thus, issue of 78,770 kg. of sausage wire at a rate lower than the procurement rate resulted in an extra avoidable expenditure of Rs.11.42 lakh[7].

The matter was reported to Government in October 2007; reply had not been received (November 2007).

AVOIDABLE EXPENDITURE

PUBLIC WORKS DEPARTMENT

4.13 Avoidable extra expenditure

Public Works Division, Pasighat executed earth excavation by deployment of D-50 bulldozer instead of using manual labour, which resulted in an avoidable extra expenditure of Rs.31.21 lakh.

A D-50 bulldozer can excavate only ordinary soil, hard shale and floating boulders but not embedded or massive hard rock without usage of air compressor and blasting materials.

The Pasighat PWD executed (March 2005 to May 2005) excavation of earthwork in formation cutting in 4.800 km stretch (46.600 km to 51.400 km) of "Interstate Road from Laimekuri-Nari-Telam-Rema" (65 km) through deployment of D-50 bulldozer. As recorded in the Measurement Book, the total quantity of earth work excavated was 86,739.80 cum. The contractor was paid (August 2005 to March 2006) Rs.58.97 lakh for 1680 hours @ Rs.3510 per hour for deployment of bulldozer D-50 (rate fixed after tendering). Since no blasting materials/air compressors were found to have been issued/utilised in the said work, it is evident that the earth excavated was either ordinary soil or hard shale.

Scrutiny (June 2006) of records of the Division revealed that, in other stretches on the same road, the earthwork was executed (April 2005) manually at the lowest tendered rates of Rs.24 per cum for ordinary soil and Rs.32 per cum for hard shale.

[7] *Rs.14.50 (Rs.43.50 – Rs.29) X 78,770 kg. = Rs.11.42 lakh.*

In this case also, had the entire quantity of earth been excavated manually at the rate of hard shale i.e. Rs.32 per cum., the expenditure would have come to Rs.27.76 lakh only, as against the actual expenditure of Rs.58.97 lakh.

Thus, by executing the work mechanically by deploying D-50 bulldozer, the Division incurred an extra avoidable expenditure of Rs.31.21 lakh.

The matter was reported to the Government in May 2007; reply had not been received (November 2007).

SOCIAL WELFARE, WOMEN AND CHILD DEVELOPMENT DEPARTMENT

4.14 Avoidable expenditure

The Department incurred an avoidable expenditure of Rs.14.33 lakh towards procurement of pre-school materials against 56 non-functional Anganwadi Centres.

Under the Centrally Sponsored Integrated Child Development Services Scheme (ICDS), the State Government released December 2005 to October 2006 Rs.7.85[8] crore for purchase of pre-school material *viz.* toys, pencils, sharpener, plastic scales, slates, *etc.* for 3037 Anganwadi Centres (ACs).

Scrutiny of records of the State Director of Social Welfare, Women and Child Development, revealed that, after inviting tenders, the Department procured (January – December 2006) pre-school materials worth Rs.7.85 crore from local suppliers for 3,037 ACs on the basis of total sanctioned ACs in the State without considering their functional status. Payments (February 2006 to December 2006) were also made to the firm. Although materials were purchased for 3,037 Centres, records relating to their distribution to the ACs were not made available to Audit (March 2007). Further scrutiny of monthly reports received up to December 2006 by the Directorate from the Child Development Project Officers (CDPOs) revealed that 56 ACs under four ICDS projects had not been functioning as of December 2006 although pre-school materials were purchased against these 56 centres as detailed below:

[8] *December 2005: Rs.499.54 lakh; July 2006: Rs.269.85 lakh and October 2006: Rs.15.18 lakh.*

Table 4.2

Sl. No.	Name of the ICDS Projects	Number of Anganwadi Centres projected as functional	Number of Anganwadi Centres actually functional	Number of nonfunctional Anganwadi Centres	Value of materials procured for nonfunctional ACs (Amount in Rupees)
1.	Bordumsa Diyum	94	67	27	6,91,011
2.	Khagam	50	37	13	3,32,709
3.	Along East	35	32	03	76,779
4.	Gensi	50	37	13	3,32,709
	Total	**229**	**173**	**56**	**14,33,208 *i.e* Rs.14.33 lakh**

Source: Monthly Report from CDPOs.

Excess projection of functional ACs led to excess procurement of preschool materials worth Rs.14.33 lakh. Thus, procurement of pre-school material against 56 non-functional ACs resulted in an extra avoidable expenditure of Rs.14.33 lakh.

The Government stated (September 2007) that number of items purchased per AC were lower than the number of beneficiaries on over all assessment and since the items were breakable, the numbers of items purchased were more than the functional ACs. The reply is not tenable because the assessment for purchase of pre-school materials was made on the basis of total sanctioned ACs in the State without taking into consideration their functional status. Besides, the Director also admitted that all the pre-schools materials have not been issued till date (November 2007).

IDLE INVESTMENT/IDLE ESTABLISHMENT

EDUCATION DEPARTMENT

4.15 Idle investment on construction of buildings for computer training centres and procurement of computers

Failure of the Department to take timely action for installation of computers and impart training to the teachers, resulted in idle investment of Rs.5.04 crore.

For providing computer education to school children under the award of the Eleventh Finance Commission, the State Government sanctioned Rs.5.09 crore in a piece meal manner (May 2001 to March 2005) for (i) construction of buildings for 17 computer training centres, (ii) procurement of software/hardware/peripherals, *etc.* and (iii) procurement of computer consumables and furniture. No specific timeframe was fixed for completion of the entire process of construction and procurement.

All the 17 centres were constructed (March to July 2002) through different agencies[9] at a cost of Rs.2.03 crore. However, after a delay of about three years *i.e.* in February 2005 the order for supply of computer software/hardware/peripherals, *etc.* for Rs.2.05 crore was issued by the Director of School Education (DSE) without observing proper tendering procedures. The DSE stated (August 2006) that the delay was due to change in the Government and other political reasons. The supply order and the agreement executed (February 2005) with the firm *inter alia* provided the following conditions:

(i) Supply and installation of computers, peripherals, *etc.* at the selected site to be completed by the firm within 35 days from the date of receipt of supply order;

(ii) The firm was to provide operational training for seven days to two teachers per selected school and

(iii) Payment to be released to the firm after completion of supply and installation of computers, peripherals, *etc* and also after providing operational training.

Test-check of records revealed, that the computers, peripherals, *etc.*, supplied (March to August 2005) by the firm at a cost of Rs.2.05 crore (paid between April and October 2005), could not be installed till December 2005 because of non-availability of furniture. Though the computers were installed (January-March 2006) by the firm after procurement (April and October 2005) of furniture worth Rs.47.33 lakh, training to the teachers was not imparted as of August 2006. Consequently, computers could not be utilized for imparting training to the students. Besides, computer consumables purchased by the DSE during April-July 2006 at a cost of Rs.48.40 lakh also remained unutilised.

Thus, inordinate delay in installation of the computers and failure to take appropriate action to impart training to the teachers, resulted in idle investment of Rs.5.04 crore. Besides, the students were also deprived of the benefit of computer education.

The matter was reported to the Government in December 2005 and March 2007; reply had not been received (November 2007).

[9] *District Urban Development Agencies, District Rural Development Agencies, RWD and PWD.*

FISHERIES DEPARTMENT

4.16 Unproductive expenditure

Failure of the Department to complete and commission the project 'Regional Hatchery for Cold Water Fisheries' rendered the expenditure of Rs.1.58 crore unproductive.

In order to set up a Regional Hatchery Complex for cold water fisheries at Samte, West Kameng District, the North Eastern Council (NEC) initially sanctioned (March 1992) Rs.91.88 lakh which was subsequently revised (September 1993) to Rs.1.62 crore with a stipulation for completion in 1995-96. The objectives of the scheme were:

(i) production of one million trout seeds and 3000 kg fish trout/fish from culture;

(ii) stocking of barren snowfed streams and lakes with trout feeds for propagation and sport and

(iii) demonstrative effect and catering to the needs of trout seed of the neighboring states and defence establishment.

Scrutiny of records of the Director of Fisheries, Itanagar and District Fisheries Development Officer (DFDO), Bomdila revealed that the project was taken up in 1991-92 as per schedule but the various components of the project could not be completed due to escalation in cost of materials, delay in according sanction and release of funds by the State Government. In May 1997, the Department submitted a revised estimate of Rs.1.83 crore to the NEC which was rejected and the Department was advised to complete the essential components of the project within the sanctioned amount of Rs.1.62 crore. The Department, however, did not take any action to complete and commission the project although expenditure aggregating Rs.1.58 crore was incurred by the three[10] implementing departments upto 1999-2000. On this being pointed out in Audit through several Inspection Reports (2001, 2003, 2004 and 2005), the DFDO, Bomdila submitted (December 2005) a detailed estimate of Rs.50.50 lakh to the Director of Fisheries for some items of work which were required for commissioning the project. The detailed estimate was yet to be approved (December 2006) and no further action was taken by the Department to complete the project. On this being pointed out by audit again in March 2006 the Government stated (December 2006) that efforts were being made to make the project operational by February 2007. However, till May 2007, the project remained incomplete.

Thus, the failure of the Department to pursue the matter with the State Government and complete the project even after 11 years of the stipulated date

[10] *(i) Director of Fisheries: Rs.09.41 lakh and DFDO, Bomdila: Rs.94.64 lakh.*
(ii) Electrical Division, Bomdila: Rs.11.43 lakh.
(iii) Rural works Division, Bomdila: 42.20 lakh.

of completion, rendered the expenditure of Rs.1.58 crore unproductive and frustrated the objectives of the scheme.

The matter was reported to the Government in October 2007; reply had not been received (November 2007).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.17 Idle and unproductive expenditure on construction of Regional Diagnostic Centres and procurement of machinery/equipment

Purchase of machines/equipment before construction of the building for the Regional Diagnostic Centres as well as non-completion of the buildings resulted in an unproductive expenditure of Rs.8.79 crore.

In order to set up three Regional Diagnostic Centres (RDC) at Roing, Miao and Ruksin, the State Government sanctioned (January 2003 and March 2005) Rs.8.80 crore (buildings: Rs.1.26 crore; computerised tomography (CT) scan machines: Rs.3.75 crore; diagnostic machinery and equipment: Rs.3.79 crore) with the concurrence of the Finance Department.

Test-check (May 2006 and August 2007) of records of the Director of Health Services (DHS), Naharlagun and District Medical Officers, Changlang and Pasighat revealed that though the Department released (2002-2004) Rs.1.26 crore to the Public Works Department for construction of the buildings for the RDCs, these were not completed till July 2007. Further scrutiny revealed that the Directorate, without ensuring the completion of buildings for the RDCs, made 100 *per cent* advance payment of Rs.3.75 crore to a Kolkata based firm in February 2006 for supply and installation of CT scan machines in the three RDCs against a bank guarantee, validity of which lapsed on 1 June 2006. No agreement was executed with the firm and work order was issued without stipulating the date of supply and installation of scanning machines. There was no evidence of receipt and installation of the scanning machines as of July 2007.

Further, the Department also procured (March 2005) 33 items of diagnostic machinery and equipment for the three RDCs from three firms chosen on a limited tender basis and paid Rs.3.78 crore. These were also not installed and lying idle. Besides, no manpower was sanctioned for functioning of RDCs.

Thus, the imprudent action of the Department in procurement of machines/equipment without ensuring completion of the buildings, and failure to complete the buildings even after a lapse of two years from the date of procurement of diagnostic machinery and equipment despite release of required funds rendered the expenditure of Rs.8.79 crore[11] idle/unproductive and also deprived the patients of the diagnostic facilities. Also, payment of

[11] *Rs.1.26 crore + Rs.3.75 crore + Rs.3..78 crore = Rs.8.79 crore.*

advance of Rs.3.75 crore to the firm without entering into any agreement regarding the terms of supply and installation of equipment and non ensuring extension of validity of bank guarantee amounts to undue benefit to the supplier and the possibility of fraud cannot be ruled out.

The matter was reported to the Government in October 2006; reply had not been received (November 2007).

PUBLIC WORKS DEPARTMENT

4.18 Entertainment of idle work-charged staff

The Division incurred unfruitful expenditure of Rs.24.14 lakh on payment of pay and allowance to 11 idle work-charged staff during 2003-2006.

Mention was made in the Annual Administrative Report of the Naharlagun Public Works Division for the year 2005-2006 that a good number of work-charged drivers, handymen, assistant mechanic, operator and helpers were sitting idle without any vehicles. Vehicles which were procured in early seventies were disposed off in public auction after carrying (November 1993 and August 1996) out a survey. Consequently it was proposed by the division to transfer the idle work charged staff to other needy divisions.

Scrutiny of records (August 2006) revealed that 11 work-charged staff (driver-one, handymen five, assistant mechanic two, operator two and helper one) remained idle during 2003-06. The exact date from which the division had been entertaining these work-charged staff was neither available on record nor stated. Out of 11 work charged staff, four were transferred (November 2005) to other Divisions.

Thus, entertainment of 11 idle work charged-staff for a period of three years 2003-06 without any work assignment resulted in infructuous expenditure of Rs.24.14 lakh in the form of payment of pay and allowances of idle work-charged staff as detailed in **Appendix-4.3**.

The matter was reported to the Government in May 2007; reply had not been received (November 2007).

CIVIL SUPPLIES DEPARTMENT

4.19 Unauthorised expenditure

The Department incurred unauthorised expenditure of Rs.43.05 lakh towards carriage of 424 quintals iodised salt by head load in inaccessible areas in complete violation of Government instructions.

In Arunachal Pradesh, supply of items under Public Distribution System (PDS) in remote and inaccessible areas not covered by motorable road, are made by means of head load. Since the Department concerned had not streamlined the system of carriage by head load and there were a number of complaints regarding its operation, the State Government directed (February 2004) that all head load carriage operations under PDS should be kept in abeyance till further orders. The Government also instructed the concerned department that the remote and inaccessible habitations would be covered from the existing Central Procurement Organisation Centres.

Scrutiny (June 2007) of records of the Director of Civil Supplies, Naharlagun revealed that contrary to State Government instructions, the Deputy Commissioner, East Kameng District transported (between 20 and 24 March 2004) 424 quintals of iodised salt to different locations of the district by head load through two contractors and paid (April 2007) Rs.43.05 lakh. This resulted in an unauthorized expenditure of Rs.43.05 lakh, reasons for which were not on record.

The matter was reported to the Government in July 2007, reply had not been received (November 2007).

GENERAL

4.20 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) Principal Accountant General (Audit) and (2) Secretary, Finance Department within three months from the date of receipt of the report.

Reviews of outstanding explanatory notes on paragraphs included in the Report of the Comptroller and Auditor General of India for the years from 1994-95 to 2006-07 revealed that the concerned administrative departments were not complying with these instructions. As of September 2007, *suo motu* explanatory notes on 59 paragraphs of these audit reports were outstanding from various departments as detailed in **Appendix – 4.4.**

The administrative departments were required to take suitable action on the recommendations made in the Reports of the PAC presented to the State Legislature. Following the circulation of the Reports of the PAC, the Departments were to prepare notes on action taken or proposed to be taken on the recommendations of the PAC and submit the same to the Assembly Secretariat. The PAC specified the time frame 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 – 4.5** presented to the Legislature between September 1994 and March 2007 revealed that none of these Departments sent the ATNs to the Assembly Secretariat as of September 2007. Thus, the status of the recommendations contained in the said reports of the PAC and whether they were being acted upon by the administrative departments could not be ascertained in audit.

The matter was reported to Government in September 2007; reply had not been received (November 2007).

4.21 Failure to respond to audit objections and compliance thereof

751 paragraphs pertaining to 157 Inspection Reports involving Rs.70.87 crore were outstanding as of March 2007. Of these, first replies to twelve Inspection Reports containing 116 paragraphs had not been received.

Principal Accountant General (Audit) conducts periodical inspection of Government Departments to test check transactions and verify maintenance of important accounting and other records as per prescribed rules and procedures. When important irregularities detected during inspection 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. Government orders provide for prompt response by the executives to the IRs to ensure rectificatory action in compliance with the prescribed rules and procedures and to fix responsibility for the deficiencies, lapses, *etc.*, noticed during inspection. Serious irregularities are also brought to the notice of the Heads of the Departments by the office of the Principal Accountant General (Audit). 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.

IRs issued up to March 2007 pertaining to 64 offices of three Departments disclosed that 751 paragraphs relating to 157 IRs remained outstanding at the end of August 2007. Of these 72 IRs consisting of 288 paragraphs had not been replied to/settled for more than 10 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 nine offices for 116 paragraphs of 12 IRs issued between 1982-83 and 2006-07. As a result, the following serious irregularities commented upon in these IRs had not been settled as of August 2007.

Table 4.3

(Rupees in lakh)

Sl. No.	Nature of Irregularities	General Administration Department		Horticulture Department		Public Works 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	-	-	11	44.53	-	-
2.	Non-observance of rules relating to custody and handling of cash, position and maintenance of Cash Book and Muster Roll	30	245.45	22	95.46	-	-
3.	Delay in recovery or non-recovery of Department receipts, advances and other recoverable charges	46	489.86	-	-	-	-
4.	Drawal of funds in advance of requirements resulting in retention of money in hand for long periods	-	-	7	212.36	-	-
5.	For want of D C C bills	13	27.26	12	184.99	-	-
6.	For want of APRs	7	13.91	-	-	-	-
7.	Non-maintenance of proper stores accounts and non-conducting of physical verification of stores	4-	4.07	-	-	-	-
8.	Utilization Certificates and accounts certified by Audit in r/o grants –in –aid not furnished.	14	152.51	-	-	-	-
9.	Sanction to write off loans, losses, *etc.*, not received	1	0.02	-	-	-	-
10.	Idle investment	-	-	-	-	12	549
11.	Excess/Extra expenditure	-	-	-	-	13	429
12.	Others	134	459.23	115	567.10	310	3612.00
Total		**249**	**1392.31**	**167**	**1104.44**	**335**	**4590.00**

Source: Information furnished by the Department

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. No action was taken against the defaulting officers.

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 of expeditious compliance to audit observations.

The matter was reported to the Government (September 2007); reply had not been received (November 2007).



CHAPTER –V

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

5.1	**Internal Control System and Internal Audit in Social Welfare, Women and Child Development Department**

CHAPTER-V

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

SOCIAL WELFARE, WOMEN AND CHILD DEVELOPMENT DEPARTMENT

5.1 Internal Control System and Internal Audit in Social Welfare, Women and Child Development Department

Highlights

Internal control system is an in built mechanism that helps prevent misuse of resources and ensures compliance with rules and procedures. An organisation with a strong and institutionalised internal control mechanism has a higher probability of attaining the desired goals and objectives. Review of the internal control mechanism of Social Welfare, Women and Child Development Department (SWW&CD) revealed weaknesses in internal controls such as non-compliance with rules and procedures resulting in various irregularities such as expenditure in excess of sanction, etc.

There were deficiencies in budgetary control leading to persistent savings in all the years ranging from Rs.1.43 crore to Rs.5.66 crore.

(Paragraphs 5.1.7.1 and 5.1.7.2)

The Department purchased play materials far in excess of number of children enrolled in Anganwadi centres during 2004-05 and 2005-06 resulting in excess expenditure of Rs.62.03 lakh.

(Paragraph 5.1.8.2)

The Directorate incurred expenditure on repair of vehicles and POL expenses, which was far in excess of the ceiling fixed by the Government. For the excess expenditure no prior concurrence or *ex post facto* approval was obtained from the Finance Department.

(Paragraph 5.1.8.3)

There was undue financial benefit of Rs.50 lakh to two firms for construction of AWC's.

(Paragraph 5.1.9.1)

5.1.1 Introduction

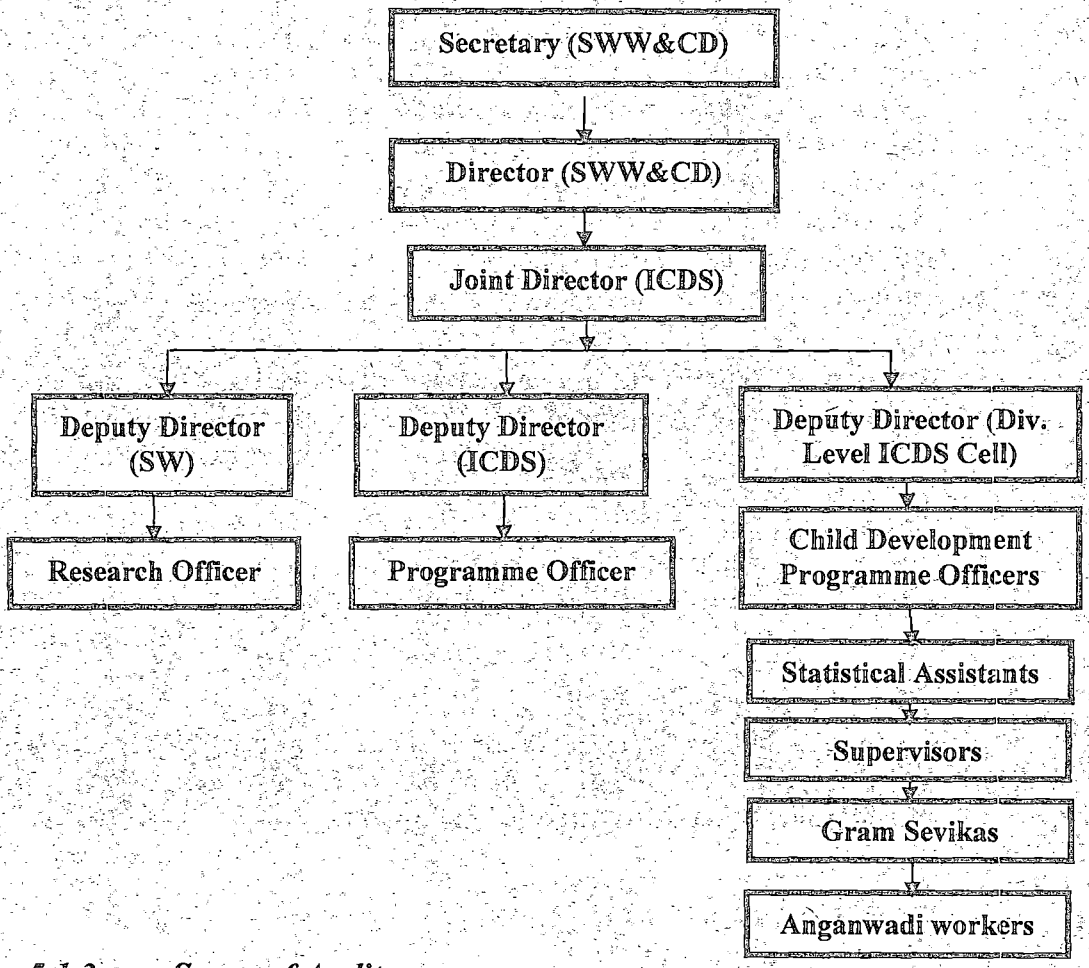
Internal control provides reasonable assurance to the management that financial interests and resources of the organisation are safeguarded, reliable information is available and the objectives of the organisation are being achieved in an economic, efficient and effective manner. Internal auditors, as an independent entity, examine and evaluate the level of compliance of the

organisation with financial and other Departmental rules and procedures and provide assurance to the management on the adequacy or otherwise of the existing internal controls.

The primary objective of the SWW&CD is to implement various programmes, both State and Centrally sponsored, and provide financial assistance to voluntary organisations/Non Government Organisations (NGO's) engaged in various welfare activities in the field of education, health care, *etc.*

5.1.2 Organisational Setup

The organisational structure of the Department is as under:



5.1.3 Scope of Audit

Adequacy and effectiveness of the internal control system including internal audit arrangement in SWW&CD Department was reviewed in audit through a test check (August-September 2007) of the records of the Director, SWW&CD and five Drawing and Disbursing Officers (DDOs) of five districts (out of 16 districts) selected by simple random sampling method. The review covered the activities of the Department during 2002-07.

5.1.4 *Audit objectives*

Audit objectives were to examine and assess the adequacy and effectiveness of internal controls of the Department, particularly with regard to the following aspects:

- Budgetary and Financial controls
- Administrative Operational controls
- Operational controls
- Supervisory controls
- Internal Audit.

5.1.5 *Audit criteria*

The audit objectives were benchmarked against the following criteria:

- Provisions of the General Financial Rules;
- Provisions of Central Treasury Rules;
- Departmental policies/rules and regulations;
- Government notifications/guidelines issued from time to time;
- Procedures prescribed for monitoring and evaluation.

5.1.6 *Audit Methodology*

Before taking up the review, an entry conference was held with the DSWW&CD (21 August 2007) and other officers/officials of the Department wherein, audit objectives, scope and criteria of audit were discussed. The audit findings were forwarded to the Secretary, SWW&CD in October 2007. The Department's replies, wherever relevant and appropriate, have been incorporated in the review.

5.1.7 *Financial control*

5.1.7.1 *Budgetary Control*

Budget provision and actual expenditure of the Department during 2002-07 were as follows:

Table : 5.1

(Rupees in crore)

Year	Budget Provision	Total Expenditure	Savings (Percentage)
2002-03	33.83	30.49	3.34 (10)
2003-04	41.41	35.75	5.66 (14)
2004-05	38.68	36.28	2.40 (6)
2005-06	39.46	37.40	2.06 (5)
2006-07	48.33	46.90	1.43 (3)
Total	**201.71**	**186.82**	

Source:- Departmental figures

The following shortcomings were noticed in budgetary control:

5.1.7.2 Persistent savings

There were persistent savings in all the years during 2002-07, ranging between 3 to 14 *per cent* which indicated inadequate budget management. On this being pointed out by audit, the Department stated (November 2007) that the State Government earmarked allocation of funds for certain schemes/programmes, which led to shortfall in expenditure as the entire funds received under CSS could not be utilised or surrendered. The reply of the Department is not tenable as funds provided in a particular year should be utilised during the year.

5.1.7.3 Delay in submission of Budget estimates

The State Government did not have any budget manual of its own. For preparation of budget estimates, the Department followed the instructions of the Finance Department issued from time to time and the standing procedure for submission of budget estimates. As per the existing procedure, controlling officers are required to submit consolidated estimates to the Finance Department every year within the prescribed date.

It was observed in audit that submission of consolidated estimates for the years from 2002-03 to 2006-07 by the Directorate to the Finance Department was delayed by 13 to 37 days (as detailed below) leaving little scope for the Finance Department to scrutinise the same.

Table : 5.2

Year	Prescribed date for submission of BE to Finance Department	Actual date of submission of BE	Delay (No. of days)
2002-03	30.09.2001	25.10.2001	25
2003-04	30.09.2002	29.10.2002	29
2004-05	30.09.2003	30.10.2003	30
2005-06	30.10.2004	06.12.2004	37
2006-07	15.10.2005	28.10.2005	13

Source: - compiled from Departments records.

Thus, there was lack of proper control in preparing and forwarding the budget estimates in a timely manner leading to persistent savings in all the years during 2002-07.

5.1.7.4 Drawal of funds without utilisation

As per Rule 21 (ii) of the General Financial Rule (GFR) 2005, the expenditure should not be prima facia more than the occasion demands. The DSWW&CD drew Rs.21.97 crore without immediate requirement and retained the same undisbursed in the form of deposit at call receipt (DCR)/cash. The balances as per cash book at the end of each year (31 March) during 2003-07 (upto 30 November 2006) ranged from Rs.0.33 crore to Rs.12.87 crore as shown below:

Table : 5.3

(Rupees in crore)

Year	Month	Amount
2003-04	31.03.04	6.49
2004-05	31.03.05	12.87
2005-06	31.03.06	2.28
2006-07	30.11.06[1]	0.33

The Department stated (November 2007) that the funds were received from the State Government at the fag end of the financial year and as such, could not be utilised for the purpose during the year. But the fact remains that funds were drawn at the end of the year only to avoid the lapse of budget grant and not for utilisation on any particular work/activity, which is against the rules.

5.1.7.5 Drawal of funds through Abstract Contingent Bills

As per Central Treasury Rules, the Officer who draws funds through Abstract Contingent (AC) bills should submit to the Accountant General (A&E) through controlling officer, the related Detailed Countersigned Contingent (DCC) bills within one month from the date of drawal of AC bill. The Rules also prohibit any subsequent drawal of funds on AC bill when submission of DCC bills for earlier drawal is pending. The Department did not have adequate controls in place to ensure prompt adjustment/settlement of AC bills by submission of the related DC bills countersigned by the controlling officers. The DSWW&CD drew funds totalling Rs.19.89 lakh through AC bills during the period from 16 November 2003 to 30 March 2007. However, no DCC bill was submitted in regard thereto till the date of audit (September 2007). The details are shown in **Appendix-5.1.**

This resulted in accumulation of pending DCC bills amounting to Rs.19.89 lakh over the last four years. The non-submission of DCC bills in time is fraught with the risk of temporary misutilisation/misappropriation of Government funds.

[1] *Cash book for the period from 01.12.2006 to 31.03.2007 was seized by the Special Investigation and Vigilance Cell.*

5.1.8 Expenditure Control

5.1.8.1 Expenditure incurred beyond the sanctioned estimate

The State Government sanctioned (March 2007) Rs.3.91 crore for Old Age Pension (Rs.3.10 crore) and National Family Benefit Scheme (Rs.0.81 crore). Against this, the Department incurred an expenditure of Rs.4.05 crore during 2006-07 towards these schemes. Expenditure of Rs.0.14 crore in excess of the sanctioned amount was indicative of lack of control over expenditure. The source from which the excess expenditure of Rs.0.14 crore was met was neither on record nor stated.

5.1.8.2 Extra avoidable expenditure

During 2004-05 and 2005-06 the State Government sanctioned (March 2005 and December 2005) Rs.2.32 crore and Rs.5 crore for purchase of pre-school activity material for 2,359 Anganwadi Centres (AWC's) in the State. Accordingly, the DSWW&CD procured (2004-05 and 2005-06) pre-school activity material worth Rs.4.32 crore (as detailed in **Appendix-5.2**) for 1,19,518 children (0-6 years) enrolled in 2,359 Centres in the State.

It was noticed that against 1,19,518 pre-school children, the Director procured 1,75,400 circus puzzle (@ Rs.95 each) and 1,45,070 Alphabet and Numerical Blocks (@ Rs.35 each). Procurement of 55,882 circus puzzle and 25,552 Alphabet and Numerical Blocks in excess of actual requirement (1,19,518) resulted in an extra expenditure of Rs.62.03 lakh, the reasons for which, were neither stated nor available on record.

Out of 1,45,070 Alphabet and Numerical Blocks, only 4,316 were distributed to the AWCs (2004-05 and 2005-06) and the balance quantity of 1,40,754 valued at Rs.42.26 lakh was lying in stock. The position of circus puzzle could not be ascertained due to non-production of relevant records.

Purchase of material without assessment of actual requirement indicated lack of cor rol over expenditure at the level of the Director.

5.1.8.3 Excess Expenditure on POL and repair of vehicles

The Chief Secretary of the State issued (October 1999) instructions restricting the expenditure on repair/maintenance and POL items of each vehicle to Rs.25,000 and Rs.45,000 per year respectively. It was also mandatory to obtain prior concurrence of the Finance Department, wherever the ceiling for repair of vehicle was expected to be exceeded.

Scrutiny of vouchers along with other relevant records revealed that during 2005-06 the Directorate incurred an extra expenditure of Rs.6.52 lakh on repair and maintenance (5 vehicles) and Rs.7.05 lakh on POL (7 vehicles) violating the government orders. Prior concurrence or *ex-post-facto* approval of the Finance Department was not obtained for the excess expenditure. This

indicates that the Department has no control over expenditure and no mechanism for ensuring compliance with prescribed rules.

5.1.8.4 Purchase of office stationery, furniture, computer and accessories

Scrutiny of vouchers relating to purchase of stationery items, furniture, computer and accessories during September 2004 to March 2006 revealed that a large quantity of stationery items, furniture and computer accessories valued at Rs.16.47 lakh were purchased by the Director, Social Welfare Department Naharlagun from some selected suppliers/firms. In this connection, the following observations are made:

- The purchases were made from selected suppliers/firms against placement of supply orders, keeping the amount around Rs.15,000 in each case, ostensibly to avoid the necessity for obtaining sanction from higher authority;
- The supply order issued does not indicate item wise rates of the material to be purchased, thereby giving scope for the manipulation of rates.

5.1.8.5 Ongoing Vigilance case

A number of documents (purchase files of SNP items, cash book from April 2001 to October 2003 and December 2006 to March 2007 and five vouchers) were seized (September 2006 and July 2007) by Special Investigation and Vigilance Cell due to malpractices in supply of food supplements under Integrated Child Development Scheme (ICDS). After the case was initiated the Department admitted (September 2007) that a number of cases of financial irregularities committed during the last three years have come to light. This clearly indicates the lack of internal control system in the Department to the extent that mal-practices remained undetected for a number of years.

5.1.8.6 Deficiencies in maintenance of Cash book

Rule 77 (II) of Central Treasury Rules (CTR) Volume-II provides that all monetary transactions should be entered in the Cash book and entries are to be attested by the head of the office or his authorised representative in token of check. The head of the office should verify the cash balance at the end of each month and record a signed and dated certificate mentioning therein the cash balance. The following irregularities were noticed in maintenance of cash books:

- Cash book is maintained without classification of accounts;
- Cash book for the month of September 2004 did not have dated signature of Drawing and Disbursing Officer (DDO);
- Entries in the cash book did not reflect the date on which transactions occurred. Voucher numbers and dates were also not entered.

5.1.9 Operational controls

5.1.9.1 Irregularities in construction of Anganwadi Centres

Union Ministry of Human Resource Development released (March 2002) grants-in-aid of Rs.1.87 crore to the State Government being the first instalment for construction of 300 AWCs under the ICDS. The State Government accorded (March 2003) expenditure sanction of Rs.1.87 crore for construction of 150 AWCs @ Rs.1.25 lakh per AWC.

The Department invited (March 2003) tenders for construction of 300 AWCs, with the condition that no advance payment would be made and the works should be completed within three months from the date of issue of work orders. The Board constituted to finalise the tenders, recommended that the work of construction of 150 AWCs be awarded to four firms. The Department, however, issued work orders (March 2003) to only three firms.

It was noticed that till the date of audit (May 2006) two firms had completed construction of only 60 AWCs against work order issued to them for 100 AWCs. Though the construction of 40 AWCs had not been completed, the Department paid Rs.1.25 crore required for 100 AWCs (Rs.93.75 lakh during July 2003 and Rs.31.25 lakh during October and November 2004). Progress of work by other firm was not on record. There was also no evidence of any action taken/penalty imposed on the firms for delay in completing the works.

Thus, payment to the firms before completion of at least 40 AWCs in contravention of the terms and conditions of contract resulted in undue financial benefit of Rs.50 lakh (Rs.1.25 lakh x 40) to the firms. Also the objectives of strengthening the infrastructure for effective implementation of ICDS was frustrated.

This indicates lack of administrative and financial control of the Department.

5.1.9.2 Non-submission of Utilisation Certificate

During 2006-07 the Department paid grants-in- aid to three NGOs and State Welfare Board amounting to Rs.52.63 lakh for implementation of various social welfare programmes and annual maintenance of destitute children homes. The details are given in Appendix-5.3. As of August 2007 no utilisation certificate was submitted by the organisations against the grants-in-aid received from the DSWW&CD. Consequently, the implementation of various social welfare programmes and achievement of objectives as set forth could not be vouched by audit. This also indicates lack of internal control system in the Department to monitor the proper utilisation of funds allocated for development activities.

5.1.10 *Non settlement of Inspection Reports of the Principal Accountant General*

The irregularities noticed during local audit conducted by the Principal Accountant General (Audit) are communicated through Inspection Reports (IRs) to the Heads of Offices inspected with a copy to the next higher authority. A half yearly report of pending IRs is sent by the Principal Accountant General to the Secretary of the concerned administrative Department to facilitate monitoring of action on the reports.

The follow up action for settlement of audit observations in the Department was deficient leading to accumulation of unsettled audit observations. The unsettled audit paras pertaining to the Directorate are detailed below:

Table : 5.4

Year	No. of outstanding Inspection Reports	No. of outstanding paras
2002-03	2	2
2003-04	Nil	Nil
2004-05	1	3
2005-06	3	24
2006-07	1	9
Total	**7**	**38**

5.1.11 *Internal Audit*

Internal audit is necessary to evaluate the efficacy of internal controls. The Director of Audit and Pension, Arunachal Pradesh is responsible for conducting internal audit of the accounts of the Department. It was noticed that the accounts of the Department were not audited during the five year period ending March 2007.

Thus, the adequacy and effectiveness of the internal control system of the Department was not evaluated through an independent agency.

5.1.12 *Evaluation and Monitoring*

Evaluation and monitoring of schemes is a tool of internal control mechanism to ascertain the impact and achievement of the schemes as set forth. The Department had neither created any monitoring cell to analyse the progress of the scheme implemented from time to time nor had evaluated the achievement of the objective of the schemes/programmes. In the absence of such control system the progress and achievement of the schemes/programmes could not be analysed during Audit.

On this being pointed out during audit, the Director stated that there is an in built mechanism at various levels to monitor the progress of implementation of the schemes. He stated that under ICDS scheme, Angawadi workers and field level monitoring staff (Supervisor) submit monthly progress reports to

CDPOs and after compilation they submit monthly progress report to the Directorate.

However no such reports/returns had been produced to audit. Besides, the Department did not introduce any computerised MIS for effective planning, monitoring and implementation of the schemes.

5.1.13 Conclusion

Internal control system in the Department was inadequate and ineffective. The basic tenets of internal control *viz*, budgetary control, financial control, internal audit were deficient.

5.1.14 Recommendations

- **Budget should be prepared on a realistic basis and timely submission of budget estimates should be ensured;**
- **Drawal of funds in advance of requirement to avoid lapse of budget grant should be avoided;**
- **There should be better monitoring and supervision in programme implementation;**
- **Control checks prescribed for the cash books and daily writing and closing of cash books should be ensured;**
- **Internal audit should be undertaken in respect of all units at periodic intervals to evaluate the efficacy of the internal controls.**

CHAPTER –VI

REVENUE RECEIPTS

6.1	Trend of revenue receipts
6.1.5	Variation between budget estimates and actuals
6.1.6	Cost of collection
6.1.7	Arrears in assessment
6.1.8	Arrears of revenue
6.1.9	Results of audit
6.1.10	Failure to enforce accountability and protect the interest of the Government
6.1.11	Response of the departments to draft paragraphs
6.1.12	Follow up on Audit Report – summarised position
6.2	Loss of revenue due to non-preparation of working plan
6.3	Loss of revenue due to execution of faulty agreement
6.4	Non-realisation of security deposit
6.5	Non-realisation of renewal fee and penalty
6.6	Short realisation of royalty
6.7	Non-levy of additional royalty
6.8	Excess adjustment of royalty due to mistake in computation
6.9	Loss of revenue due to faulty clause in the agreement
6.10	Short realisation of royalty on boulder
6.11	Non-realisation of land revenue
6.12	Non-realisation of entry tax
6.13	Irregular assessment of concessional rate without declaration forms
6.14	Short realisation of entry tax
6.15	Loss of revenue due to non-registration of dealers
6.16	Non-levy of interest
6.17	Evasion of tax
6.18	Underassessment of tax due to understatement of purchase
6.19	Non-registration of dealer under the CST Act
6.20	Inadmissible exemption from payment of tax
6.21	Evasion of tax due to concealment of turnover
6.22	Mistake in assessment
6.23	Underassessment of tax
6.24	Unauthorised plying of motor vehicles
6.25	Short realisation of composite fee

CHAPTER- VI
REVENUE RECEIPTS
GENERAL

6.1 *Trend of revenue receipts*

6.1.1 The tax and non-tax revenue raised by the Government of Arunachal Pradesh during the year 2006-07, the State's share of divisible Union taxes 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 : 6.1

(Rupees in crore)

Sl. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07
I.	**Revenue raised by the State Government**					
	Tax revenue	37.26	43.73	50.11	62.09	78.24
	Non-tax revenue	76.30	120.57	170.20	202.36	297.17
	Total	**113.56**	**164.30**	**220.31**	**264.45**	**375.41**
II.	**Receipts from the Government of India**					
	State's share of divisible Union taxes	121.68	160.60	191.95	272.15	347.14
	Grants-in-aid	873.05	1,251.46	1,089.58	1,312.81	1,869.62
	Total	**994.73**	**1,412.06**	**1,281.53**	**1,584.96**	**2,216.76**
III.	***Total receipts of State (I + II)***	**1,108.29**	**1,576.36**	**1,501.84**	**1,849.41**	**2,592.17**
IV.	***Percentage of (I to III)***	**10**	**10**	**15**	**14**	**14**

The above table indicates that during the year 2006-07, the revenue raised by the State Government was only 14 *per cent* of the total revenue receipts (Rs.2,592.17 crore). The balance 86 *per cent* of receipts during 2006-07 was from the Government of India.

6.1.2 The non-plan grants received by the State from the Government of India during the period from 2002-03 to 2006-07 are mentioned below:

Table : 6.2

(Rupees in crore)

Year	2002-03	2003-04	2004-05	2005-06	2006-07
Non-plan grants	242.83	300.04	299.64	388.50	387.54

Thus, non-plan grants received by the State during 2006-07 had increased by *60 per cent* over the level in 2002-03.

6.1.3 The following table presents the details of tax revenue raised during the period from 2002-03 to 2006-07:

Table : 6.3

(Rupees in crore)

Sl. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1.	Sales tax	17.62	21.79	28.25	47.69	61.64	(+) 29.25
	Central sales tax	...	...	...	...	...	...
2.	State excise	14.26	15.42	17.79	9.51	10.98	(+) 15.46
3.	Stamps and registration fees	2.10	0.31	0.46	0.41	0.55	(+) 34.15
4.	Taxes and duties on electricity	...	...	0.01	...	...	---
5.	Taxes on vehicles	1.75	2.02	2.21	2.99	2.93	(-) 2.01
6.	Taxes on goods and passengers	...	...	...	...	...	...
7.	Land revenue	0.81	3.57	0.76	1.11	2.10	(+) 89.19
8.	Taxes on agricultural income	...	...	...	...	...	...
9.	Others	0.72	0.62	0.63	0.38	0.04	(-) 89.47
	Total	**37.26**	**43.73**	**50.11**	**62.09**	**78.24**	**(+) 26.01**

The reason for increase in sales tax was attributed by the concerned department to increase in registration of dealers under AP Goods Tax Act (Value Added Tax Act). The other departments did not inform the reasons for variation despite being requested (May 2007).

6.1.4 The following table presents the details of the major non-tax revenue raised during the period from 2002-03 to 2006-07:

Table : 6.4

(Rupees in crore)

Sl. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1.	Interest receipts	5.97	8.45	5.07	6.98	13.54	(+) 93.98
2.	Dairy development	0.01	0.01	0.03	0.03	0.03	0
	Other non-tax receipts	24.25	30.60	29.08	27.19	84.05	(+) 209.12
3.	Forestry and wild life	15.61	9.62	10.53	13.71	9.03	(-) 34.14
4.	Non-ferrous mining and metallurgical industries	7.44	17.39	28.26	24.94	47.60	(+) 90.86
5.	Miscellaneous general services (including lottery receipts)	6.73	15.64	8.61	5.57	15.85	(+)184.56
6.	Power	12.17	33.62	83.65	88.77	119.05	(+) 34.11
7.	Major and medium irrigation	...	...	...	...	...	...
8.	Medical and public health	0.13	0.27	0.18	0.17	0.19	(+) 11.76
9.	Co-operation	0.03	0.02	0.10	0.11	0.11	0.00
10.	Public works	2.18	1.90	2.35	3.23	2..22	(-) 31.27
11.	Police	0.71	1.81	0.83	1.51	2.03	(+) 34.44
12.	Other administrative services	1.07	1.24	1.51	30.15	3.41	(-) 88.69
Total		76.30	120.57	170.20	202.36	297.11	(+) 46.82

The concerned departments did not inform (October 2007) the reasons for variation despite being requested (May 2007).

6.1.5 Variation between budget estimates and actual

The variations between budget estimates and actual of revenue receipts for the year 2006-07 in respect of the principal heads of tax and non-tax revenue are mentioned below:

Table : 6.5

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actual	Variations excess(+) or shortfall (-) with reference to actual	Percentage of variation
1.	Sales tax	40.00	61.64	(+)21.64	(+) 54.10
2.	State excise	18.00	10.98	(-) 7.00	(-) 39
3.	Stamps and registration fees	0.70	0.55	(-) 0.15	(-) 21.43
4.	Land revenue	1.50	2.10	(+) 0.60	(+) 40
5.	Forestry and wildlife	12.00	9.03	(-) 2.97	(-) 24.75
6.	Other administrative services	1.55	3.41	(+) 1.86	(+) 120

The concerned departments did not inform (October 2007) the reasons for variations between budget estimates and actual despite being requested (May 2007).

6.1.6 Cost of collection

The gross collection under the principal revenue heads, expenditure incurred on the collection and percentage of such expenditure to gross collection during the years 2004-05 to 2006-07 along with all India average percentage of expenditure on collection for 2005-06 are mentioned below:

Table : 6.6

(Rupees in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue[1]	Percentage of expenditure on collection	All India average percentage for 2005-06
1.	Sales tax	2004-05	28.25	1.33	4.71	-
		2005-06	47.69	1.51	3.17	0.91
		2006-07	61.64	2.50	4.06	-
2.	State excise	2004-05	17.79	0.84	4.72	-
		2005-06	9.51	0.31	3.26	3.40
		2006-07	10.98	0.44	4.01	-

Thus, the expenditure on cost of collection of sales tax and state excise during 2006-07 was higher than the all India average for the year 2005-06.

6.1.7 Arrears in assessment

The details of cases pending assessment at the beginning of 2006-07, cases due for assessment during the year, cases disposed during the year and number of cases pending at the end of the year as furnished by the department are mentioned below:

Table : 6.7

Name of tax	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of column 5 to 4
Sales tax/ Central sales tax/VAT/ Motor Spirits	2,024	2,070	4,094	305	3,789	07

Thus, the percentage of pending cases at the end of 2006-07 was 93 *per cent*. The Government has not fixed any norm prescribing the number of assessments to be completed by each assessing officer during a particular period. Immediate action needs to be taken to finalise the pending assessment cases.

[1] *Figures as furnished by the department*

6.1.8 *Arrears of revenue*

The arrears of revenue as on 31 March 2007 in respect of some principal heads of revenue amounted to Rs.43.83 crore out of which Rs.7.23 crore was outstanding for more than five years as mentioned in the table below:

Table : 6.8

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2007	Amount outstanding for more than five years as on 31 March 2007
1.	Land revenue	43.37	7.23
2.	Sales tax	0.10	-
3.	Value added tax	0.36	-
	Total	43.83	7.23

The Transport Department and the Environment and Forest Department did not inform (October 2007) the particulars of arrears of revenue despite being requested (May 2007).

6.1.9 *Results of audit*

Test check of the records of sales tax, land revenue, state excise, motor vehicles tax, forest receipts and other receipts conducted during 2006-07 revealed underassessments/non-levy/short levy/loss of revenue of Rs.54.55 crore in 113 cases. During the year, the departments accepted short/non-levy and underassessment of Rs.7.85 crore in 27 cases pointed out in 2006-07 and in earlier years and recovered Rs.8.03 lakh. No reply has been received in respect of the remaining cases.

This chapter contains 24 paragraphs involving Rs.31.53 crore. The department/Government accepted six cases involving Rs.6.60 crore. A report on recovery in these cases and reply in other cases have not been received (October 2007).

6.1.10 *Failure to enforce accountability and protect the interest of the Government*

The Principal Accountant General (Audit), Meghalaya and Arunachal Pradesh, Shillong conducts periodical inspection of various offices of the Government/departments to test check the correctness of assessments, levy and collection of tax and non-tax receipts and verify the maintenance of accounts and records as per the Acts, Rules and procedures prescribed by the Government/departments from time to time. These inspections are followed by inspection reports (IRs) issued to the heads of offices inspected with copies to the higher authorities. Serious irregularities noticed in audit are also brought to the notice of the Government/heads of the department by the Office of the Principal Accountant General (Audit), Meghalaya and Arunachal Pradesh, Shillong. A half yearly report of pending IRs is sent to the secretaries of the

concerned department to facilitate monitoring and settlement of the audit observations included in these IRs.

IRs issued upto December 2006 pertaining to offices under sales tax, state excise, land revenue, motor vehicles tax and forest receipts disclosed that 510 observations relating to 187 IRs involving revenue of Rs.133.55 crore remained outstanding at the end of June 2007. Of these, 21 IRs containing 39 observations involving revenue of Rs.3.46 crore had not been settled for more than five years.

In respect of the audit observations relating to 21 IRs involving revenue of Rs.39.31 crore issued upto March 2007, even the first reply from the department/Government has not been received (October 2007).

It is recommended that the Government may prescribe a time schedule for regular submission of reply to IRs/paragraphs for settlement.

The position of old outstanding IRs/paragraphs was reported to the Government in July 2007; their reply has not been received (October 2007).

6.1.11 Response of the departments to draft 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 have not been received are invariably indicated at the end of each such paragraph included in the Audit Report.

Twenty four draft paragraphs proposed for inclusion in this Report were forwarded to the secretaries of the respective departments during November 2006 and July 2007. 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 this Report without the response of the Government.

6.1.12 Follow up on Audit Report – 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 motu* replies by the concerned departments. The PAC specified the time frame for submission of ATN on their recommendations as one month upto 49th Report.

Reviews of the outstanding explanatory notes on the paragraphs included in the Report of the Comptroller and Auditor General of India for the years from 1988-89 to 2005-06 revealed that the concerned administrative departments were not complying with these instructions. As of October 2007, *suo motu,* explanatory notes on 57 paragraphs of these audit reports were outstanding from various departments.

Review of four reports of the PAC containing recommendations on 15 paragraphs in respect of Forest, Finance and Excise Departments presented to the legislature between September 2001 and March 2006 revealed that the departments had failed to submit Action Taken Note (ATN) on the recommendations made by the PAC as mentioned below:

Table : 6.9

Year of 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	19 March 2002
1996-97	6.7	46th Report	19 March 2002
1997-98	6.3, 6.5[2] (i), (ii)	51st Report	21 March 2006
1998-99	6.3.6[3] (a) & 6.5	51st Report	--do--

Thus, due to failure of the department to comply with the instructions of the PAC, the objective of ensuring accountability remained unfulfilled.

[2] *The concerned Para were recommended to be dropped by the PAC (51st Report)*
[3] *The concerned Para were recommended to be dropped by the PAC (51st Report)*

PARAGRAPHS

ENVIRONMENT AND FOREST DEPARTMENT

6.2 Loss of revenue due to non-preparation of working plan

Failure to prepare a working plan for the operation of cane led to the loss of revenue of Rs.19.73 lakh.

The Supreme Court instructed (January 1998) that for scientific management of forest, working plans (WP) for extraction and operation of forest produce in all forest divisions should be prepared by the concerned division and approved by the Union Ministry of Environment and Forest (MOEF) within two years. Extraction of forest produce should be carried out strictly in accordance with the approved WPs. The Apex Court also stipulated that in case a regular WP is not prepared and got approved within the time frame, future felling will remain suspended.

To ensure the annual yield of cane on a sustained basis, the cane bearing area are divided into four blocks. One block is operated in a year and put to rest for subsequent three years, maintaining a cycle of four years keeping 25 *per cent* as reserve for supporting the clump as well as for the purpose of regeneration. Thus, non-extraction of cane hinders regeneration of new shoots and results in loss of revenue.

Test check of the records of three[4] forest divisions in August 2006 revealed that two[5] divisions prepared WPs belatedly which were approved by the GOI in May and June 2006 respectively after a lapse of eight years from the date of the order of the Apex court. The other division did not even prepare the WP for reasons not on record. As a result 2.30 lakh kaps[6] of cane could not be extracted during the period from April 2003 to March 2006 which resulted in loss of revenue of Rs.19.73 lakh on account of royalty.

After the cases were pointed out, the Divisional Forest Offices (DFO) Khellong admitted the loss of revenue due to non-availability of approved WP. Reply in respect of the other two divisions has not been received (October 2007).

The cases were reported to the department/Government in November 2006 and April 2007; their reply has not been received (October 2007).

[4] *Banderdewa, Khellong and Shergaon*
[5] *Khellong and Shergaon*
[6] *1 kap = 72 running metres*

6.3 Loss of revenue due to execution of faulty agreement

Execution of faulty agreement with a lessee for extraction of resin led to loss of Rs.14.45 lakh.

The State Government, in April 2001, fixed royalty on pine resin at Rs.17 per blaze[7] per season. The number of trees tapped and blazes put are enumerated by the departmental staff and royalty is realised on the total number of blazes put. The State Government executed (September 2001) an agreement with a lessee for extraction of pine resin for 10 years. The agreement stipulated *inter alia*, that the lessee shall pay the prescribed royalty on the total number of blazes put. The terms and conditions of the agreement however, did not provide any penal clause against the lessee in the event of failure to put blaze on the entire stock of pine trees available as per the approved WP to safeguard Government revenue.

Test check of the records of DFO, Bomdila forest division in September 2006 revealed that 1.70 lakh blazes were available for extraction of pine resin during the period from April 2005 to March 2006 as per the approved WP. But the lessee tapped only 85,000 blazes during the aforesaid period. The balance 85,000 blazes were not tapped by the lessee for no recorded reason. The DFO also could not initiate any action against the lessee in the absence of any penal clause in the agreement. Thus, execution of faulty agreement led to loss of revenue of Rs.14.45 lakh.

The matter was reported to the department/Government in November 2006 and April 2007; their reply has not been received (October 2007).

EXCISE DEPARTMENT

6.4 Non-realisation of security deposit

Inaction on the part of the department resulted in non-realisation of security deposit of Rs.26.80 lakh.

The Excise Department in their notification of 23 March 2004, fixed security for wholesale and retail licences of Indian made foreign liquor (IMFL) at Rs.65,000 and Rs.25,000 respectively with immediate effect.

Test check of the records of the Superintendent of Excise (SE), Pampupare district, Yupia and Ziro in August and September 2004 revealed that two wholesale and 102 retail licence holders had not deposited the security amount of Rs.26.80 lakh. No action was also initiated by the department to realise it. Thus, inaction on the part of the department resulted in non-realisation of security deposit of Rs.26.80 lakh.

The cases were reported to the department/Government in October 2004 followed by reminders in March 2006 and March 2007; their reply has not been received (October 2007).

[7] *Cut mark on the body of the trees through which resin is extracted.*

6.5 Non-realisation of renewal fee and penalty

Failure of the department to initiate action led to non-realisation of renewal fee of Rs.3.17 lakh including penalty.

Under Rule 22 of the Arunachal Pradesh Excise Rules, 1994, a licence granted to a retail vendor shall expire after one year from the date of its issue. Further, the Excise Department had instructed (March 1996) that if any retail vendor fails to renew the licence on payment of the renewal fee of Rs.40,000 within the stipulated date, he shall be liable to pay, in addition to the renewal fee, a penalty of Rs.50 per day for the period of default.

Test check of the records of the SE, Naharlagun in June 2007 disclosed that three retail licences for different periods between September 2005 and May 2008 were to be renewed on due dates between August 2005 and May 2007. However, the licencees did not renew their licences. The department failed to realise renewal fee of Rs.2.40 lakh and also did not levy the penalty of Rs.77,000 for non-payment of renewal fee.

The cases were reported to the department/Government in June 2007; their reply had not been received (October 2007).

GEOLOGY AND MINING DEPARTMENT

6.6 Short realisation of royalty

Undue financial benefit extended to a lessee by incorporating lower rate of royalty, in the agreement resulted in short realisation of royalty of Rs.8.87 crore.

The Government of India (GOI) periodically determines the royalty payable on minerals which is collected and appropriated by the State Government. Accordingly, an agreement is to be executed between the lessee and the State Government stipulating, *inter alia*, that the lessee shall pay to the State Government royalty at the rate prescribed by the GOI from time to time in terms of the provisions of the Petroleum and Natural Gas (PNG) Rules. The rates of royalty prescribed by the GOI during the period January to December 2005 varied between Rs.1,763 and Rs.2,642 per tonne.

Test check of the records of the Director of Geology and Mining (DGM), Itanagar in June 2006 revealed that a mining lease agreement was executed on 21 October 1997 between a lessee and the State Government fixing royalty at Rs.528 per tonne of crude oil for a period of 20 years effective from 16 June 1995 without any reference to the prevalent rates of royalty. The lessee extracted 50,834.424 tonnes of crude oil between January and December 2005 and paid royalty of Rs.2.68 crore at the rate of Rs.528 per tonne against Rs.11.55 crore leviable at the rates prescribed by the GOI from time to time during the aforesaid period. Thus, incorporation of a fixed rate of royalty instead of prevalent rates from time to time in the agreement as was done in

case of the agreement entered into with M/s Oil India Limited, a public sector undertaking, resulted in short realisation of revenue of Rs.8.87 crore besides extending undue financial benefit to the lessee.

The case was reported to the department/Government in July 2006 and March 2007; their reply has not been received (October 2007).

6.7 Non-levy of additional royalty

Failure of the department to initiate action against a lessee for delayed payment of royalty led to non-realisation of additional royalty of Rs.3.27 crore.

Rule 23(1) of the PNG Rules, envisages that if any royalty is not paid by the lessee to the State Government within the time specified for such payment, the amount of such royalty shall be increased by an additional 10 *per cent* for each month or portion thereof during which such royalty remains unpaid.

Test check of the records of the DGM, Itanagar in June 2006 revealed that the State Government executed a lease agreement in September 1997 with a lessee for extraction of crude oil. The agreement, *inter alia*, stipulated that the lessee should pay royalty to the State Government within 30 days of the month to which the operation/extraction relates. Accordingly, the lessee extracted 46,919 tonnes of crude oil between January 2005 and December 2005 and deposited royalty of Rs.10.44 crore between May 2005 and March 2006 after delay ranging between two and four months on which additional royalty of Rs.3.27 crore was not levied by the department.

After the case was pointed out, the DGM while admitting the facts stated in September 2006 that the lessee had been asked to deposit the amount immediately. Recovery of additional royalty has not been intimated (October 2007).

The case was reported to the Government in July 2006; their reply has not been received (October 2007).

6.8 Excess adjustment of royalty due to mistake in computation

Adjustment of payment of royalty of Rs.58.23 lakh instead of Rs.32.91 lakh led to excess adjustment of Rs.25.32 lakh and non-realisation of additional royalty of Rs.15.19 lakh.

Under Rule 14 of the PNG Rule, a lessee shall, within the first seven days of every month, furnish to the State Government a full and proper monthly return showing the quantity of all crude oil obtained during the preceding month. If the State Government is not satisfied with any return, it may ask for further particulars or may appoint officers to further inspect the books, accounts, documents, etc. of the lessee and submit a report. Further, Rule 23(1) of the PNG Rules provides that if any royalty is not paid by the lessee to the State Government within the time specified for such payment, the amount of such

royalty shall be increased by 10 *per cent* for each month or portion of a month during which such royalties, etc. remain unpaid.

Test check of the records of the DGM, Itanagar in July 2007 revealed that a lessee extracted 4,571.26 kilolitres of crude oil involving royalty of Rs.1.46 crore in July 2006. The lessee paid Rs.2.04 crore in September 2006 which was adjusted against the dues for July 2006 and arrears of Rs.25.32 lakh due for May and June 2006. The balance of Rs.32.91 lakh was to be carried forward for adjustment against dues of subsequent month. It was, however, noticed that the lessee carried forward Rs.58.23 lakh instead of Rs.32.91 lakh and adjusted the amount against payment of royalty for the month of November 2006. The department also failed to detect the mistake during the scrutiny of the monthly returns furnished by the lessee. This resulted in excess adjustment of Rs.25.32 lakh. Besides, for short payment of royalty for the month of June 2006, additional royalty of Rs.15.19 lakh calculated upto June 2007 was also not levied.

The case was reported to the department/Government in July 2007; their reply has not been received (October 2007).

6.9 Loss of revenue due to faulty clause in the agreement

Execution of a faulty agreement for extraction of crude oil resulted in undue financial benefit to the lessee and loss of revenue of Rs.17.06 lakh.

The PNG Rules provide that royalty, if not paid to the Government within the stipulated time shall be increased by 10 *per cent* for each month or portion of a month during which such royalty remains unpaid.

Test check of the records of the DGM, Itanagar in June 2006 revealed that an agreement was executed in October 1997 between the State Government and a lessee (M/s Geo Enpro Petroleum Limited) for exploration of crude oil stipulating, *inter alia,* payment of additional royalty at the rate of 10 *per cent* per annum for delayed payment of royalty instead of 10 *per cent* per month as per provisions of the Rules *ibid.* It was further seen that the lessee extracted 36,032.806 tonnes of crude oil between January 2005 and September 2005 and paid royalty of Rs.1.24 crore on 23,552.546 tonnes belatedly between April 2005 and October 2005. As per the agreement, additional royalty of Rs.1.55 lakh for delay in payment was leviable but was not levied. However, as per provisions of the PNG Rules, the lessee was liable to pay additional royalty of Rs.8.61 lakh for the aforesaid period at the rate of 10 *per cent* per month. Thus, due to inclusion of faulty clause in the agreement, the Government sustained loss of revenue of Rs.17.06 lakh. Besides, additional royalty of Rs.1.55 lakh as per the agreement was also leviable.

The case was reported to the department/Government in July 2006 and March 2007; their reply has not been received (October 2007).

6.10 Short realisation of royalty on boulder

Incorrect application of rate of royalty on 7,972.4985 cum of boulders led to short realisation of royalty of Rs.4.15 lakh.

The State Government in their addendum of 18 March 2006 enhanced the rate of royalty on boulders from Rs.79 per cum to Rs.110 per cum with immediate effect.

Test check of the records of the DGM, Itanagar in June 2006 revealed that 7,972.4985 cum of boulders were extracted and utilised in works by the contractors under various user agencies[8] between April and May 2006. The user agencies, however, realised royalty of Rs.4.62 lakh from the contractors' bills instead of Rs.8.77 lakh. The short realised royalty of Rs.4.15 lakh was neither collected by the user agencies nor was any action initiated by the DGM to recover it.

After the cases were pointed out, the DGM stated in September 2006 that the user agencies had been asked to recover the balance amount from the contractors. A report on recovery has not been received (October 2007).

The case was reported to the Government in July 2006 and March 2007; their reply has not been received (October 2007).

LAND MANAGEMENT DEPARTMENT

6.11 Non-realisation of land revenue

Inaction of the department to realise in full the lease rent from the allottees of government land during 2004-05 and 2005-06 led to short realisation of Rs.2.73 crore.

Section 59(1) of the Arunachal Pradesh (Land Settlement and Records) Act, 2000 provides that any instalment of the land revenue or part thereof which is not paid on the due date shall become an arrear of land revenue and the person responsible for the payment shall become a defaulter. Further, Section 60 of the same Act provides that the arrear of land revenue may be recovered by serving demand notice by distraint and sale of the defaulter's movable property or by attachment and sale of immovable property. In Arunachal Pradesh, annual lease rent was fixed at Re. 0.50 and Rs.2 per sqm in respect of land for residential and commercial purposes respectively.

[8] Executive Engineer, IFCD, Pasighat and Seppa; Executive Engineer, Rural Works Division, Tezu

Test check of the records of the Director of Land Management, Arunachal Pradesh in September 2006 revealed that 1,71,56,116[9] sqm of Government land was allotted and was under occupation by different allottees for residential and commercial purposes during 2004-05 and 2005-06 in three[10] districts. Lease rent of Rs.2.85 crore was realisable during 2004-05 to 2005-06 from these allottees against which Rs.11.58 lakh was only realised. The department neither issued demand notices for the balance amount nor initiated penal action as per the provisions of the Act. This resulted in short realisation of lease rent of Rs.2.73 crore.

The cases were reported to the department/Government in November 2006 and April 2007; their reply has not been received (October 2007).

TAXATION DEPARTMENT

6.12 Non-realisation of entry tax

Failure to collect entry tax from 3,454 vehicles before registration resulted in non-realisation of entry tax of Rs.11.31 crore.

Under the provisions of the Arunachal Pradesh Goods Tax (APGT) Act 2005, 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 under the Motor Vehicles Act, 1988 at the time of registration of the motor vehicle. In October 2005, the Commissioner of Taxes (COT), Arunachal Pradesh requested all the deputy commissioners (DC) of respective districts to ensure payment of entry tax prior to the registration of vehicles.

Test check of the records of district transport officer (DTO), Bomdila and Yupia in August 2006 and February 2007 revealed that 3,454[11] new motor vehicles valued as Rs.90.49 crore imported from outside the State were registered between April 2005 and December 2006, but no entry tax on these motor vehicles was collected prior to their registration by the DTOs. This resulted in non-realisation of entry tax of Rs.11.31 crore.

After the cases were pointed out, the DTO Bomdila stated in December 2006 that entry tax on motor vehicles purchased from outside the State could not be levied due to non availability of instructions either from the COT or the Transport Department. The reply is not tenable as collection of entry tax is mandatory as per the provision of the APGT Act. Further, the COT also intimated all the DCs/ DTOs to ensure collection of entry tax. Reply from DTO Yupia has not been received (October 2007).

The case was reported to the Government in December 2006; their reply has not been received (October 2007).

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[9] *Residential = 1,33,65,403 sqm; Commercial = 37,90,713 sqm*
[10] *Chaglang, East Kameng and Lower Dibang Valley*
[11] *Bomdila :80; Yupia: 3,374*

6.13 Irregular assessment at concessional rate without declaration forms

Allowance of concessional rate of tax for interstate sale without obtaining declaration forms resulted in underassessment of tax of Rs.2 crore.

Under Section 8 of the Central Sales Tax Act, sale of declared goods to a registered dealer in course of interstate trade or commerce is taxable at the rate of four *per cent* provided such sale is supported by declaration in form 'C'. Otherwise, tax shall be calculated at twice the rate applicable to the sale or purchase of such goods inside the State. Ores and minerals are declared goods and taxable at the rate of four *per cent* within Arunachal Pradesh.

Test check of the records of the Superintendent of Taxes (ST), Changlang in February 2007 revealed that a dealer sold crude oil valued as Rs.50.07 crore to unregistered dealers in the course of interstate trade as per his returns for the period April 2002 to March 2004. Since the dealer did not furnish any declaration in form 'C', tax was to be levied at the rate of eight *per cent* but the assessing officer (AO) while assessing the dealer in March 2005 levied tax at the rate of four *per cent* on Rs.50.07 crore. The irregular assessment resulted in short levy of tax of Rs.2 crore.

After the case was pointed out, the Deputy Commissioner of Taxes, Arunachal Pradesh while admitting the facts stated in February 2007 that the ST was requested to recover the balance amount. A report on recovery of balance tax has not been received (October 2007).

The matter was reported to the Government in April 2007; their reply has not been received (October 2007).

6.14 Short realisation of entry tax

Entry tax of Rs.1.13 crore was not realised within the stipulated period from seven transporters.

Under the APGT Act, every dealer is liable to pay tax on the entry of taxable goods to the State except when these entered through approved road transporters. The entry tax on goods in possession of an approved transporter is payable at the time of delivery of goods to another person or within 15 days from the date of import of such goods into the State by such transporter whichever is earlier. The Act further provides that if the goods so imported are stored directly in an approved warehouse, the entry tax is payable at the time of sale or delivery to another person or consumption in the State from such warehouse whichever is earlier.

Test check of the records of the ST, Banderdewa checkgate in March 2007 revealed that seven approved transporters were allowed to enter the State between November 2005 and November 2006 carrying goods involving entry

tax of Rs.1.33 crore, but the ST collected tax of Rs.19.95 lakh only. Since the Taxation Department had not approved any warehouse for depositing the goods carried by the aforesaid transporters, the balance entry tax of Rs.1.13 crore was to be collected within 15 days from the date of import of goods into the State. However, it was not collected. This resulted in short realisation of entry tax of Rs.1.13 crore.

After the cases were pointed out, the ST stated in May 2007 that the transporters were asked to pay the balance entry tax. A report on recovery has not been received (October 2007).

The case was reported to the Government in April 2007; their reply has not been received (October 2007).

6.15 Loss of revenue due to non-registration of dealers

Non-registration of forest divisions resulted in loss of revenue of Rs.17.30 lakh on sale of timber.

Under Section 2(7) of the Arunachal Pradesh Sales Tax (APST) Act, a 'dealer' means any person who carries on the business of selling or purchasing goods in the State and includes the Government departments. Further, under Section 10(1) of the Act, no dealer liable to pay tax, shall carry on business unless he is registered and possesses a certificate of registration. The Act empowers the AO to register a dealer if he fails to apply for registration. In Arunachal Pradesh, timber is classified as 'other goods' and taxable at the rate of eight *per cent* from 19 December 2004 to 31 March 2005 and 12.5 *per cent* thereafter.

Cross check of the records of the DFO, Pasighat and Ziro with those of ST, Pasighat and Ziro between September and December 2006 revealed that the forest divisions sold 4,771.2647 cum of timber valued as Rs.1.64 crore between March 2005 and September 2006 to 12 dealers. The DFOs neither applied for registration nor paid any tax on the aforesaid sale of timber. The AO also did not initiate any action to collect the tax from the purchasing dealers. This resulted in loss of revenue of Rs.17.30 lakh.

The cases were reported to the department/Government in between October 2006 and April 2007; their reply has not been received (October 2007).

6.16 Non-levy of interest

Non-inclusion of interest in the requisition sent to the recovery officer resulted in short levy of interest of Rs.10.88 lakh.

Under the provisions of the APST Act, where the amount of tax, interest, penalty or other sum payable remains unpaid, it may be recovered as an arrear of land revenue under the Bengal Public Demand Recovery Act, 1913. The

Act also provides that while forwarding such cases, the amount of interest due on the amount unpaid shall be calculated upto the date on which the case is forwarded to the recovery officer (RO).

Test check of the records of ST, Tawang in September 2006 revealed that a dealer was assessed in June 2005 and tax of Rs.74.34 lakh was levied for the year 2002-03. The dealer paid Rs.51.32 lakh belatedly between July 2002 and June 2006 leaving Rs.23.02 lakh unpaid. For delayed/non-payment of tax, interest of Rs.8.58 lakh was levied. Since the dealer failed to pay the amount of tax and interest despite repeated notices, the case was referred to the RO in May 2006 for recovering Rs.31.60 lakh as arrear of land revenue. The interest of Rs.10.88 lakh leviable upto 10 May 2006 i.e the date of sending the case to RO was, however, not levied and included in the requisition sent by the AO. This resulted in short levy of interest of Rs.10.88 lakh.

The case was reported to the department/Government in November 2006 and April 2007; their reply has not been received (October 2007).

6.17 Evasion of tax

Failure of the assessing officer to detect and disallow import of goods valued as Rs.32.14 lakh by utilising nine 'F' forms which were not issued to him resulted in evasion of tax of Rs.3.86 lakh. Interest of Rs.2.93 lakh and maximum penalty of Rs.5.79 lakh were also leviable.

Under Section 22(g) of the APST Act, if a dealer conceals any part of his gross turnover or furnishes incorrect particulars of such turnover in his return, he is liable to pay in addition to the tax, penalty not exceeding one and a half times the tax due. Further, if a dealer fails to pay the full amount of tax due within the specified time he shall be liable to pay simple interest ranging between 12 to 24 *per cent* for the period of default on the amount of tax short paid.

Test check of the records of the ST, Zone I, Naharlagun in September 2005 revealed that a dealer disclosed taxable turnover of Rs.33.81 lakh for the period from April 2002 to March 2004 and the AO assessed the dealer accordingly. However, on cross verification it was noticed that during 2003-04 the dealer received goods valued as Rs.32.14 lakh by way of stock transfer from a dealer in Guwahati by utilising nine 'F' forms. Since these forms had not been issued to the dealer, tax at the rate of 12 *per cent* should have been levied on the value of the goods. Failure of the AO to detect and disallow import of taxable goods by the dealer utilising declaration forms acquired fraudulently, resulted in evasion of tax of Rs.3.86 lakh. Additionally, maximum penalty of Rs.5.79 lakh and interest of Rs.2.93 lakh were also leviable.

The case was reported to the department/Government in October 2005; their reply has not been received (October 2007).

6.18 Underassessment of tax due to understatement of purchase

Underassessment of tax of Rs.5.78 lakh due to understatement of purchase.

Under Section 18(1) of the APST Act, if the AO has reason to believe that the whole or any part of the turnover of a dealer in respect of any period has escaped assessment to tax, he may after giving the dealer reasonable opportunity of being heard and making such enquiry as he considers necessary, proceed to determine to the best of his judgment, the amount of tax due from the dealer in respect of such turnover.

Test check of the records of the ST, Zone-I, Naharlagun in July 2006 revealed that a dealer imported taxable goods valued as Rs.23.76 lakh during the period April 2002 to March 2005. The AO determined the sales turnover after adding the profit element on such purchases and completed the assessments between December 2004 and April 2006. Verification of the CST records of the dealer, however, revealed that the dealer had actually imported taxable goods (soaps, cosmetics) valued as Rs.70.19 lakh by utilising six 'C' forms during the aforesaid period which escaped the notice of the AO. The dealer thus, concealed sales turnover of Rs.48.16 lakh inclusive of the profit element resulting in underassessment of tax of Rs.5.78 lakh. Besides, penalty not exceeding Rs.8.67 lakh was also leviable.

The case was reported to the department/Government in September 2006 and March 2007; their reply has not been received (October 2007).

6.19 Non-registration of dealer under the CST Act

Failure of the department to register a dealer under the CST Act led to loss of revenue of Rs.4.76 lakh.

Under the provisions of the CST Act, no dealer shall carry on business in course of interstate trade unless he is registered and possesses a certificate of registration. Further, on interstate sale of chemicals, if not supported by declaration in form 'C', tax is leviable at the rate of 10 *per cent*.

Test check of the records of ST, Bomdila in August 2006 revealed that three manufacturers of resinoids, sold 10.52 lakh kg of resinoids valued as Rs.47.60 lakh in the course of interstate trade between April 2004 and March 2006. However, the dealers neither paid any tax nor was any action taken by the AO to register these dealers under the CST Act. Thus, failure of the AO to get the dealers registered and irregularly allowing despatch of taxable goods outside the State resulted in the loss of revenue of Rs.4.76 lakh calculated at the rate of 10 *per cent*.

After the cases were pointed out, the ST stated in December 2006 that the dealers were being asked for payment of tax. A report on recovery, has not been received (October 2007).

The cases were reported to the Government in December 2006 and March 2007, their reply has not been received (October 2007).

6.20 Inadmissible exemption from payment of tax

Grant of inadmissible exemption of taxable turnover of Rs.52.63 lakh led to underassessment of tax of Rs.4.21 lakh.

Under the provisions of APST Act, tax payable by a dealer shall be at the rates specified under Schedule I annexed to the Act. The Act further provides that, sale of goods specified under Schedule II shall be exempted from the payment of tax.

Test check of the records of ST, Zone I, Naharlagun in July 2006 revealed that a dealer dealing in hardware, cement and electrical goods sold taxable goods valued as Rs.60.80 lakh during the period from April 2002 to March 2005 and the AO assessed the dealer in January 2006 after deducting turnover of Rs.52.63 lakh being non taxable sale. Since the dealer did not deal in any non-taxable goods and did not have any sale of tax paid goods either, the grant of exemption of Rs.52.63 lakh was inadmissible and led to underassessment of tax of Rs.4.21 lakh.

The case was reported to the department/Government in September 2006 and March 2007; their reply has not been received (October 2007).

6.21 Evasion of tax due to concealment of turnover

Three registered dealers concealed turnover of Rs.3 crore and evaded tax of Rs.26.74 lakh. Besides, interest of Rs.6.12 lakh and penalty of Rs.38.59 lakh was also leviable for deliberate concealment of turnover.

Under Section 22(1)(g) of the APST Act, if any dealer conceals the particulars of his turnover or furnishes incorrect particulars of such turnover in any return he shall in addition to the tax payable by him be liable to pay by way of penalty, a sum not exceeding one and a half times of the tax due. Further, interest at prescribed rates is also leviable for non-payment of tax

6.21.1 Test check of the records of the ST, Zone II, in December 2005 revealed that a dealer dealing in Hyundai vehicles disclosed turnover of Rs.15.64 crore during the years 2002-03 to 2004-05 from sale of 366 vehicles. This was accepted by the AO and the dealer was assessed accordingly in August 2005. Cross verification with the records of nine[12] out of 14 district transport offices (DTOs) by audit, however, revealed that during this period the dealer had actually sold 457[13] vehicles, the minimum sale value of which

[12] *Santro XP = 328; Santro XG = 36; Santro XX = 17; Getz GLS = 38; Accent = 38*
[13] *Tawang, Seppa, Pasighat, Along, Kurungkumey, Daporijo, Ziro, Bomdila and Papumpare*

was Rs.17.27 crore. Thus, the dealer concealed a turnover of atleast Rs.1.64 crore and evaded tax of Rs.19.64 lakh. In addition, interest of Rs.5.11 lakh and maximum penalty of Rs.29.46 lakh was also leviable.

After the case was pointed out, the ST stated in August 2006 that the dealer sold 366 vehicles during the aforesaid period. The reply is not tenable as the DTOs of nine districts confirmed the sale of 457 vehicles.

The matter was reported to the Government in March 2006; their reply has not been received (October 2007).

6.21.2 Test check of the records of the ST, Zone I, Naharlagun in July 2006 revealed that a registered dealer disclosed turnover of Rs.30.41 lakh in his returns during April 2004 to March 2005 and was assessed in September 2006 accordingly after adding five *per cent* profit element. Scrutiny of the assessment records however, revealed that the dealer actually sold goods valued as Rs.58.60[14] lakh during the aforesaid period. This resulted in concealment of turnover of Rs.28.19 lakh having tax effect of Rs.3.38 lakh. Besides, interest of Rs.1.01 lakh and maximum penalty of Rs.5.07 lakh was also leviable.

The case was reported to the department/Government in September 2006 and March 2007; their reply has not been received (October 2007).

6.21.3 Test check of the records of the ST, Zone I, Naharlagun in July 2006 revealed that a dealer disclosed opening stock and taxable purchase of Rs.49.86 lakh and Rs.1.94 crore respectively during the assessment year 2004-05 and the AO assessed the dealer in August 2005 after adding four *per cent* profit on opening stock and purchase treating the closing stock as on 31 March 2005 as "nil". Scrutiny of the 'C' form utilisation statements revealed that the dealer actually purchased taxable goods valued as Rs.2.59 crore during the aforesaid period. Thus, the dealer understated purchase and concealed turnover of Rs.67.66 lakh (calculated after adding four *per cent* profit element on Rs.65 lakh) which escaped notice of the AO leading to evasion of tax of Rs.2.71 lakh. Besides, penalty not exceeding Rs.4.06 lakh was also leviable.

The case was reported to the department/Government in September 2006 and March 2007; their reply has not been received (October 2007).

6.22 Mistake in assessment

Incorrect recording of opening stock by the assessing officer led to underassessment of tax of Rs.3.09 lakh

Under Section 35(1) of the APST Act, the authority which made an assessment may at anytime within three years from the end of the financial year in which such assessment was made, rectify any arithmetical mistake apparent from the record.

[14] *Sale = Opening stock + purchase – closing stock + 5 % profit*
=Rs.17.40 lakh + Rs.55.62 lakh – Rs.17.21 l;akh + Rs.2.79 lakh =Rs.58.60 lakh

Test check of the records of the ST, Zone I, Naharlagun in July 2006 revealed that a dealer disclosed closing stock of building materials worth Rs.87 lakh taxable at eight *per cent* as on 31 March 2004 which was accepted by the AO while completing the assessments for 2003-04 in March 2005. However, for the assessment year 2004-05, the AO recorded the opening stock as Rs.49.86 lakh instead of Rs.87 lakh and completed the assessment after adding four *per cent* profit on opening stock and purchases made during the year showing nil closing stock as on 31 March 2005. Thus, due to incorrect recording of opening stock by the AO, turnover of Rs.38.63 lakh (including profit element) escaped assessment resulting in underassessment of tax of Rs.3.09 lakh.

The case was reported to the department/Government in September 2006; their reply has not been received (October 2007).

6.23 Underassessment of tax

Turnover of Rs.29 lakh escaped best judgement assessment resulting in underassessment of tax of Rs.2.90 lakh.

Under the provisions of APST Act if a dealer fails to furnish returns or having furnished returns, fails to comply with all the terms of the notice issued, the assessing officer (AO) may assess the dealer to the best of his judgement and determine the tax payable by him. In Arunachal Pradesh, motor vehicles are taxable at the rate of 12 *per cent*.

Test check of the records of the ST, Zone I, Naharlagun in July 2006 revealed that a dealer disclosed the sale of motor vehicles of Rs.1.10 crore during the period from April 2003 to March 2004 in his monthly returns out of which Rs.29 lakh was shown as taxable at two *per cent*. As the dealer failed to produce books of accounts despite repeated notices, the assessment was completed by the AO to the best of his judgement. But against the sale of Rs.1.10 crore disclosed by the dealer Rs.81 lakh was only brought into assessment by the AO. The balance turnover of Rs.29 lakh was neither assessed at 12 *per cent* nor was the dealer asked to deposit the balance tax. This resulted in underassessment of tax of Rs.2.90 lakh calculated at the differential rate of 10 *per cent*.

The case was reported to the department and the Government in September 2006 and March 2007; their reply has not been received (October 2007).

TRANSPORT DEPARTMENT

6.24 Unauthorised plying of motor vehicles

Non-realisation of motor vehicle tax and penalty of Rs.5.50 lakh from the owners of 72 commercial vehicles led to unauthorised plying of vehicles without payment of tax.

Under the provisions of the Arunachal Pradesh Motor Vehicle Taxation Act (APMVT Act) 1984, road tax at the prescribed rate shall be levied on all motor vehicles used or kept for use in the state unless any vehicle is exempted from tax based on an application to the effect that the vehicle would not be used in any public place and the registration certificate is surrendered. The Act further provides that in the event of failure to pay the tax due, the defaulting owners shall, in addition to the tax due, be liable to pay a penalty of one fourth of the annual tax and the prescribed authority shall proceed to recover it as arrear of land revenue.

Test check of the records of DTO, Bomdila in August 2006 revealed that though 72 owners did not obtain any exemption by surrendering their registration certificates, they did not pay road tax of Rs.4.40 lakh due between 2001-02 and 2005-06. The department also did not levy minimum penalty amounting to Rs.1.10 lakh. This resulted in unauthorised plying of vehicles and non-realisation of tax and penalty of Rs.5.50 lakh.

After the cases were pointed out, the DTO stated in December 2006 that demand notices would be issued to all the defaulters for payment of road tax. The reply is, however, silent about the reasons for not issuing the demand notice for realisation of tax and penalty. Further report on recovery of tax and penalty has not been received (October 2007).

The case were reported to the Government in November 2006 and April 2007; their reply has not been received (October 2007).

6.25 Short realisation of composite fee

Irregular issue of temporary permits resulted in short realisation of composite fee of Rs.2.70 lakh.

Under the provisions of the Motor Vehicle Act 1988, the State Transport Authority (STA) may grant temporary permits to be effective for a limited period which shall not in any case exceed four months. Further, the Transport Department in its notification of July 2000, had fixed the rate of composite fee for trucks with regular permits at Rs.5,000 per annum and for trucks plying with temporary permits at Rs.2,000 per annum.

Test check of the records of the STA in June 2006 revealed that in 90 cases, temporary permits were granted for a period of one year each on different dates between April 2004 and April 2005 on realisation of Rs.2,000 per annum. The irregular grant of temporary permits for a period exceeding four months in violation of the provisions of the Motor Vehicle Act resulted in short realisation of composite fee of Rs.2.70[15] lakh.

The cases were reported to the department/Government in July 2006 and April 2007; their reply has not been received (October 2007).

[15] *Being the differential composite fees of Rs.3000 per year in respect of 90 vehicles.*

CHAPTER –VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

7	General
7.1	Overview of Government companies and departmentally managed commercial undertakings
7.2	Implementation of Accelerated Power Development and Reforms Programme (APDRP)
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CHAPTER – VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

7 General

This chapter deals with the results of audit of Government companies and departmentally managed commercial undertakings.

Paragraphs 7.1.1 to 7.1.16 give an overview of Government companies and departmentally managed commercial undertakings. Paragraph 7.2 contains a Performance Review on Implementation of Accelerated Power Development and Reform Programme (APDRP), Department of Power and paragraphs 7.3 to 7.7 deal with miscellaneous topics of interest.

7.1 Overview of Government companies and departmentally managed commercial undertakings

7.1.1 Introduction

As on 31 March 2007, there were five Government companies (three working companies and two non-working companies[1]) and two departmentally managed commercial undertakings *viz.*, State Transport Services[2] and State Trading Scheme[۲] as against same number of Government companies and departmentally managed commercial undertakings as on 31 March 2006 under the control of the State Government. The results of audit of the Power (Electricity) Department are also incorporated in the Commercial chapter (Paragraph 7.1.16 refers). The accounts of Government companies (as defined in Section 617 of Companies Act, 1956) are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the Comptroller and Auditor General of India (C&AG) as per provisions of Section 619 (4) of the Companies Act, 1956. The accounts of departmentally managed commercial undertakings are audited by the C&AG under Section 13 of C&AG's (Duties, Powers and Conditions of Service) Act, 1971.

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[1] *Non working Government companies are those that are in the process of liquidation/ closure/merger, etc.*

[2] *State Transport Services and State Trading Scheme of Transport Department and Supply Department respectively are commercial in nature and proforma accounts are prepared by them*

Working Public Sector Undertakings (PSUs)

7.1.2 Investment in working PSUs

As on 31 March 2007, the total investment in three working PSUs (Government companies) was Rs.16.18 crore[3] (equity Rs.9.04 crore and long term loan[4] : Rs.7.14 crore) as against total investment of Rs.14.60 crore (equity : Rs.9.04 crore and long term loans : Rs.5.56 crore) in three working PSUs (Government companies) as on 31 March 2006.

Increase in investment in 2006-07 as compared to the previous year was mainly due to increase in loan (Rs.6.38 crore) given to Arunachal Pradesh Industrial Development and Financial Corporation Limited.

The summarized statement of Government investment in the working Government companies in the form of equity and loan is given in *Appendix* – 7.1.

As on 31 March 2007, the total investment in working Government companies comprised 55.87 *per cent* of equity and 44.13 *per cent* of loans as compared to 61.92 *per cent* and 38.08 *per cent* respectively as on 31 March 2006.

7.1.3 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues, and conversion of loans into equity by the State Government to working Government companies are given in *Appendices* – 7.1 and 7.3.

The budgetary outgo in the form of grants/subsidies from the State Government to working Government companies for the year 2006-07 was Rs.40 lakh.

The Government did not give any guarantee for the loans taken by Government companies during the year. At the end of 31 March 2007, guarantees amounting to Rs.3.33 crore against two Government companies were outstanding.

7.1.4 Finalisation of accounts by working PSUs

The accounts of Government companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year.

It can be seen from *Appendix* – 7.2 that none of three working Government companies finalised their accounts for the year 2006-07 within the stipulated

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[3] *State Government investment was Rs.9.04 crore (others: Rs.7.14 crore). Figure as per Finance Accounts 2006-07 is Rs.9.04 crore*

[4] *Long term loans mentioned in the para 7.1.2 and 7.1.8 are excluding interest accrued and due on such loans*

period. During the period from October 2006 to September 2007 only one working Government company finalised its account for the year 2005-06.

The accounts of all the three working companies were in arrears for periods ranging from one to 13 years as on 30 September 2007 as detailed below:

Table 7.1

Sl. No.	Number of working Government companies	Year from which accounts are in arrears	Number of years for which accounts are in arrear	Reference to Sl. No. of Appendix-7.2
1.	1	2006-07	1	A-1
2.	1	1999-2000 to 2006-07	8	A-3
3.	1	1994-95 to 2006-07	13	A-2

It is the responsibility of the Administrative Departments to oversee and ensure that the accounts are finalised and adopted by the companies within the prescribed period. Though the concerned Administrative Departments of the State Government and officials of the PSUs were appraised quarterly by the Audit regarding arrears in finalisation of the accounts, no effective measures have been taken by the Government for timely finalisation of accounts and as a result the net worth of these Government companies could not be assessed in audit.

7.1.5 Financial position and working results of working PSUs

The summarised financial results of the working Government companies as per their latest finalised accounts are given in *Appendix – 7.2*.

According to the latest finalised accounts of three working Government companies, all the three companies had incurred an aggregate loss of Rs.3.87 crore.

7.1.6 Loss incurring working Government companies

Out of three loss incurring working Government companies, one company- Arunachal Pradesh Industrial Development and Financial Corporation Limited had accumulated losses of Rs.17.45 crore, which had eroded its paid up capital of Rs.2.07 crore.

7.1.7 Return on capital employed

As per the latest annual accounts of these three Government companies finalised upto September 2007, the capital employed[5] worked out to Rs.49.64 crore and total return[6] thereon amounted to Rs.(-) 3.87 crore as compared to Rs.49.26 crore and total return of Rs.(-) 4.02 crore respectively in the previous year. The details of capital employed and total return on capital employed in case of working Government companies are given in *Appendix – 7.2*.

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[5] *Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in case of Arunachal Pradesh Industrial Development and Financial Corporation Limited, where it represents a mean of aggregate of opening and closing balances of paid-up-capital, free reserves and borrowings (including refinance)*

[6] *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.*

Non-working Public Sector Undertakings (PSUs)

7.1.8 Investment in non-working companies

As on 31 March 2007, the total investment in two non-working Government companies was Rs.3.15 crore (equity: Rs.0.42 crore and long term loans: Rs.2.73 crore). There was no change in the total investment as compared to 2005-06.

The plants of both the non-working Government companies remained inoperative from December 1986 and July 1987 and all the employees had been retrenched. Although no budgetary support was extended during 2006-07 to these non-working companies for disbursement of salaries and wages, the proposals for disposal of assets (including plant and machinery) of these companies were pending for long with the Government.

7.1.9 Finalisation of accounts of non-working Government companies

The accounts of both the non-working companies were in arrear for periods ranging from 19 to 23 years as on 30 September 2007 as can be seen from *Appendix* – 7.2.

7.1.10 Financial position and working results of non-working Government companies

The summarised financial results of non-working Government companies as per their latest finalised accounts are given in *Appendix* – 7.2.

The summarised details of paid-up capital, net worth, cash loss and accumulated loss of one non-working company-Parasuram Cements Limited, as per its latest finalised accounts are given below while the other non-working company- Arunachal Horticulture Processing Industries Limited was in construction stage at the time of closure of its activity.

Table 7.2

(Rupees in lakh)

Year	Paid-up capital	Net worth[7]	Cash loss[8]	Accumulated loss
1987-88	13.50	66.73	11.49	32.09

7.1.11 Internal Audit

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/internal control systems in the companies audited by them 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 need improvement. Accordingly, the Statutory Auditors in their reports qualified that one company (Arunachal Pradesh Industrial Development and Financial Corporation Limited) did not have any internal audit system.

[7] *Net worth represents paid up capital plus free reserves less accumulated loss*
[8] *Cash loss represents loss for the year less depreciation for the year.*

7.1.12 Recommendations for improving performance or closure of Government companies

Even after completion of 28 years of its existence, the turnover of one working Government company, *viz.*, Arunachal Pradesh Industrial Development and Financial Corporation Limited, had been less than Rupees five crore in each of the preceding five years as per its latest finalised accounts. The Company also had been incurring losses for five consecutive years (as per its latest finalised accounts) leading to accumulated loss exceeding its net worth. In view of poor turnover and continuous losses, the Government may take measures either to improve the performance of the Company or consider its closure.

7.1.13 Response to inspection reports, draft paras and reviews

Observations made during audit and not settled on the spot are communicated to the heads of the companies and concerned Departments of the State Government through inspection reports. The heads of the offices/companies are required to furnish replies to the inspection reports through respective Heads of Departments within a period of six weeks. Inspection reports issued upto March 2006 pertaining to seven Government companies/departmental commercial undertakings and Power (Electricity) Department disclosed that 363 paragraphs relating to 52 inspection reports remained outstanding at the end of September 2007. Of these, 16 inspection reports containing 68 paragraphs had not been replied to for more than three years. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2007 is given in *Appendix* – 7.4.

Similarly, draft paragraphs on the working of the Government companies and departmentally managed commercial undertakings are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. Five draft paragraphs which were forwarded to the Department of Power, Forest and Environment Department and Transport Department during July 2006 and May 2007 as detailed in *Appendix* – 7.5 have not been replied to, so far (September 2007).

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who fail to send replies to inspection reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayments in a time bound schedule and (c) the system of responding to audit observations is revamped.

7.1.14 Position of discussion of commercial chapter of Audit Report by the Committee on Public Undertakings (COPU)/Public Accounts Committee (PAC)

The position of reviews/paragraphs of Commercial Chapter of Audit Reports discussed in COPU/PAC as on 31 March 2007 was as follows:

Table 7.3

Period of Audit Reports	Total number of reviews/ paragraphs appeared in Audit Report		Number of reviews/ paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
(1)	(2)	(3)	(4)	(5)
1987-1988	2	2	2	1
1988-1989	-	3	-	2
1989-1990	-	1	-	-
1991-1992	-	4	-	3
1994-1995	-	5	-	3
1995-1996	-	2	-	1
1996-1997	-	5	-	3
1997-1998	-	4	-	3
1998-1999	1	4	-	-
1999-2000	1	4	-	-
2000-2001	-	6	-	3
2001-2002	1	7	-	4
2002-2003	-	4	-	3
2003-2004	1	4	-	-
2004-2005	-	3	-	-
2005-2006	-	3	-	-

7.1.15 Departmentally managed Government commercial and quasi-commercial undertakings

Though the State Transport Services and the State Trading Scheme (Central Purchase Organisation) of Transport and Supply Directorates are commercial in nature and are functioning as such, they had not been declared as commercial organisations by the State Government (September 2007).

Preparation of proforma accounts of the State Transport Services for 2006-07 and of the State Trading Scheme for 2002-03 to 2006-07 were in arrears. The arrear in finalisation of accounts was last brought to the notice of the Government in October 2007.

The financial position, working results and operational performance of the State Transport Services for the three years upto 2005-06 as per finalised accounts are given in *Appendix – 7.6*.

During last three years upto 2005-06, the State Transport Services had incurred operating losses varying from Rs.13.92 crore to Rs.20.26 crore and net losses varying from Rs.20.17 crore to Rs.26.38 crore. As on 31 March

2006, the accumulated loss stood at Rs.171.33 crore which was 95.28 *per cent* of capital of Rs.179.81 crore. As analysed in audit, the losses were attributable to high incidence of operating expenditure which increased from Rs.21.09 crore in 2004-05 to Rs.25.07 crore in 2005-06; poor load factor for low density of population; concession to students and staff; operation of un-economic routes; competition from private bus/sumo operators and high percentage of off-road vehicles.

The working results of the State Trading Scheme (STS) for the three years upto 2001-02 as per finalised accounts are given in *Appendix* – 7.7.

Though selling price of each commodity had been fixed by adding 30 *per cent* to cost price with effect from September 1975 to cover the overhead charges, but the STC continued to incur loss during three years upto 2001-02. The reasons for losses were higher percentage of actual overhead charges to cost of procurement than the norms of 30 *per cent* as detailed below:

Table 7.4

(Rupees in lakh)

		1999-2000	2000-01	2001-02
1.	Overhead charges (items (b) and (c) of trading expenses)	263.64	216.40	390.95
2.	Cost of procurement (opening stock plus purchases less closing stock)	399.17	396.57	239.59
3.	Percentage of overhead cost to cost of procurement (percentage of 1 to 2)	66.05	54.57	163.17

The reasons for higher percentage of overhead charges to cost of procurement were attributable to high incidence of establishment and contingency charges which alone constituted 49.08 *per cent*, 50.99 *per cent* and 121.79 *per cent* of the cost of procurement during three years respectively.

As per the directions of General Manager, Arunachal Pradesh State Transport Services (APSTS), the Station Superintendent, Namsai station was to deposit revenue from sale of tickets into a current account with Arunachal Pradesh State Co-operative Apex Bank Limited, Namsai Branch (Apex Bank) and remit the same from time to time to its Head office, Naharlagun through demand draft. Scrutiny of records (December 2006) revealed that the Station Superintendent, APSTS, Namsai transferred Rs.16.47 lakh (5.40 lakh on 1 October 2005; Rs.6.75 lakh on 7 November 2005 and Rs.4.32 lakh on 28 November 2005) through three demand drafts drawn on the Apex Bank, Namsai Branch. The Demand drafts deposited in the accounts of APSTS with State Bank of India (SBI), Naharlagun Branch were returned with the remarks 'confirmation was required from drawee branch of Apex Bank'. Non-realizing of demand drafts amounting to Rs.16.47 lakh for more than 15 months by APSTS was brought to notice (February 2007 & July 2007) of the Government by audit. On this being pointed out, APSTS, Namsai reported that the revenue collection of Rs.16.47 for the period between September and November 2005 and blocked by Apex Bank had been cleared (August 2007)

by cheque and the same was deposited (August 2007) through treasury challan into Government account.

7.1.16 Power (Electricity) Department

The operational performance of the power Department for the last three years up to 2006-07 is given in ***Appendix* – 7.8.**

The transmission and distribution (T&D) losses ranged from 22.66 to 41.81 *per cent* of the total power available for sale as against norms of 15.5 *per cent* fixed by the Central Electricity Authority (CEA). During three years upto 2006-07, the excess T&D losses beyond norm were 278.76 MUs (Rs.63.28 crore in financial terms).

During two years up to 2006-07, the losses per unit sold were Rs.1.42 per unit and Rs.0.82 per unit respectively.

SECTION – 'A' - PERFORMANCE REVIEW

POWER DEPARTMENT

7.2 Implementation of Accelerated Power Development and Reforms Programme (APDRP)

Highlights

The Accelerated Power Development and Reforms Programme is being implemented in Arunachal Pradesh from June 2004 onwards by the Department of Power (DOP) with the main objective of supplying electricity in all the areas, reducing aggregate technical and commercial losses, outages and interruptions, making the power sector commercially viable and enhancement of consumer satisfaction by upgradation of sub transmission and distribution system.

Delay in release of funds by the State Government to the Department of Power had attracted penal interest of Rs.3.67 crore, there were diversion of funds amounting to Rs.5.31 crore attracting penal interest of Rs.53 lakh.

(Paragraph 7.2.10)

The DOP incurred extra expenditure of Rs.2.37 crore on the procurement of three phase consumer meters. The contractor failed to replace defective meters and sub-standard material valuing Rs.1.21 crore.

(Paragraphs 7.2.12, 7.2.13 & 7.2.14)

Delay in completion of works deprived the DOP of anticipated annual benefit (by way of increase in revenue due to increased energy consumption, improvement in metering and reduction in technical and commercial losses) to the tune of Rs.14.62 crore as envisaged in the DPRs.

(Paragraph 7.2.15)

Undue financial benefit of Rs.2.86 crore was extended to turnkey contractors due to non recovery of cost of material issued to the contractors and liquidated damages on account of delay in the execution of works.

(Paragraphs 7.2.18 & 7.2.19

The DOP failed to achieve the main objectives of targeted reduction of Aggregate Technical and Commercial losses, elimination of revenue gap, non accounting of energy due to delay in installing meters and non compliance of reform measures as envisaged in Memorandum of Agreement.

(Paragraphs 7.2.24 to 7.2.31)

7.2.1 Introduction

The Union Ministry of Power (MOP) launched (February 2001) the Accelerated Power Development Programme (APDP) to accelerate power sector reforms and which was rechristened (March 2003) Accelerated Power Development & Reforms Programme (APDRP). APDRP envisaged up gradation of sub-transmission and distribution (33 KV and below) and to encourage/motivate utilities to reduce cash losses by providing incentives with the financial support of the GOI.

The main objectives of APDRP are to

- reduce aggregate technical and commercial (AT&C) losses;
- bring about commercial viability in the power sector;
- reduce outages and interruptions and
- increase consumer satisfaction.

A Memorandum of Agreement (MOA) was entered (July 2002) between the State Government and the MOP for undertaking reforms in power sector in the State of Arunachal Pradesh with financial help from MOP. APDRP, containing five packages, is being implemented from the year 2004-05 onwards by the Department of Power (DOP). Power Grid Corporation of India (PGCIL), Advisor-cum-Consultant, under the overall guidance of MOP was to monitor the implementation of the APDRP in the State.

The Advisor (Power) is the State Level Nodal Officer for implementation of APDRP. The Chief Engineers (Power), Eastern Electrical Zone (EEZ) and Western Electrical Zone (WEZ) are the Chief Executives of respective zones for overall implementation of APDRP. A Superintending Engineer (Electrical), heading each of the four circles[9] functions as Circle Level Nodal Officer to oversee the implementation of APDRP. Each Circle has three to five divisional offices under their control headed by an Executive Engineer (Electrical) to look after day-to-day operational and financial matters.

7.2.2 Scope of audit

The Performance review, conducted (September 2006 and April 2007) to evaluate the performance of APDRP schemes during 2004-07, covers the examination of funds management, material procurement, execution of works

[9] *Naharlagun, Pasighat, Miao and Dirang*

under different packages of the programme and their achievements with reference to the objectives of APDRP. The related records/files maintained at DOP, Itanagar, all the four circle offices and eight[10] selected electrical divisions (out of fifteen electrical divisions) in respect of all the five packages under progress were examined in detail.

7.2.3 *Audit objectives*

The Performance review was conducted with a view to ascertain whether:

- Detailed Project Reports (DPRs) were prepared realistically to achieve the objectives of APDRP;
- the requirements of funds was realistically assessed and sanctioned/released by the MOP and the State Government in time and the funds were utilized efficiently, economically and effectively;
- the programme has been implemented economically, efficiently and effectively as per the terms and conditions of MOA and the guidelines issued by the MOP and
- the commitments agreed to in the MOA between the State Government and the MOP have been complied with.

7.2.4 *Audit criteria*

The audit criteria adopted for assessing the achievement of audit objectives were:

- targets and benchmarks laid down in the MOA and guidelines issued by MOP and the State Government;
- projections/targets set out in the DPRs.and
- terms and conditions stipulated in various work orders/contract agreements.

7.2.5 *Audit methodology*

The methodology adopted for attaining the audit objectives with reference to audit criteria were examination of:

- terms and conditions of MOA and guidelines issued by GOI/the State Government;
- DPRs of the programme;
- records relating to tendering, evaluation, award and execution of contracts and
- issue of audit observations and interaction with the management.

[10] *Capital, Naharlagun, Bomdila, Pasighat, Miao, Ziro, Along and Tawang*

7.2.6 Audit findings

The audit finding arising from the performance review were reported (July 2007) to the Government and were discussed (September 2007) in an exit conference. The views expressed by the DOP were taken into consideration while finalising the review. Audit findings are discussed in the succeeding paragraphs.

7.2.7 Project planning

7.2.7.1 Preparation of DPRs without adequate coverage

DPRs of all the circles were prepared (2002) by PGCIL, based on the data furnished by the DOP, and were approved (November 2002 and June 2003) by the MOP at a total project outlay of Rs.82.69 crore[11] against the total estimated cost of Rs.84.86 crore as per DPRs. The works under these packages were to be completed within one and half year from the date of approval of DPRs i.e., upto June 2003. The details of each package of the programme to be implemented in all Circles with reference to the DPRs were as below:

Table – 7.5

Sl. No.	Name of Package	Scope of Work	Estimated cost as per DPR (Rs.in crore)
1.	Package 'A'	Metering Systems such as System Meters, DTs and Consumer Meters, MT Bench, CMRI, PC, BCS etc.	13.60
2.	Package 'B'	New Sub Stations upto 33/11 KV level, R&M of existing sub stations and capacity additions.	25.33
3.	Package 'C'	33 and 11 KV line (New) and Re-conductoring of lines.	30.17
4.	Package 'D"	DTs and its associated lines	10.76
5.	Package 'E'	Consumer Indexing and Computerisation of Billing System	2.83
		TOTAL	82.69

Source: Data from Detailed Project Reports

Audit scrutiny revealed that the DPR were not prepared by conducting proper survey of the ground realities in the field and collection of inputs for carrying out cost benefit analysis and analysis of authentic and realistic data. The State Government had informed (August 2005) the GOI that the bill of quantity finalised by PGCIL was not commensurate with the actual requirements as projected during interaction with them. However, the DOP did not revise the DPRs.and submitted them to the MOP for approval (October 2007).

[11] *Circle-wise cost: Naharlagun -Rs.23.90 crore, Pasighat -Rs.18.70 crore, Miao- Rs.22.49 crore and Dirang- Rs.17.60 crore*

7.2.8 Financial Management

7.2.8.1 Funding pattern

Under APDRP, funds were provided by the MOP through a combination of grants and loans to the State Governments in addition to Central Plan Assistance. MOP finances 100 *per cent* of the project cost in respect of Arunachal Pradesh, being a special category state, in the ratio of 90 *per cent* grants and 10 *per cent* soft loans. The funding mechanism under investment component was modified (February 2004) to the extent that the GOI would not act as an intermediary for future borrowings of states and that the states may approach market directly. The loan component of 10 *per cent* for special category states under the Central Assistance Component of APDRP stood dispensed (November 2005) with. The funds were to be released in different stages on the following conditions:

- 30 *per cent* of the Project cost – up front on approval of Project under APDRP.
- After spending 30 *per cent* of the project cost, next tranche of 40 *per cent* to be released.
- Release of 10 *per cent* of the Project cost by FIs/own resources.
- After spending 80 *per cent* of the project cost (70 *per cent* released by MOP and *10 per cent by* FIs), next tranche of 20 *per cent* would be released by MOP.

7.2.9 Funding

MOP released (January 2004) Rs.36.68 crore (Rs.33.01 crore as grant-in-aid and Rs.3.67 crore as soft loan) in lumpsum, instead of project-wise, as first installment for implementation of APDRP in the State. Based on above, the State Government accorded (June 2004) administrative approval and expenditure sanction for implementation of the programme during 2004-07 by the Department of Power. The circle-wise details of the project cost, funds utilized and financial progress of the APDRP are given below:

Table - 7.6

(Rupees in crore)

Name of the Circle	Project cost approved by GOI	Amount released (as on June 2004) by the State Govt.	Expenditure incurred during the year			Total expenditure incurred up to March 2007	Percentage of expenditure to the amount released
			2004-05	2005-06	2006-07		
Naharlagun	23.90	0.48	0.10	2.60	6.43	9.13	1908.08
Pasighat	18.70	16.00	0.88	3.62	3.99	8.49	53.06
Miao	22.49	20.00	2.05	2.72	3.36	8.13	40.65
Dirang	17.60	0.20	1.85	7.73	1.45	11.03	5515.00
Total	82.69	36.68				36.78	100.27

Source: Department's Expenditure Statement upto March 2007.

Against the first installment of Rs.36.68 crore, DOP incurred an expenditure of 36.78 crore as of March 2007. As per the DPRs approved by MOP the works were to be completed within 18 months (December 2004). Since MOP

released (January 2004) and the State Government released (June 2004) funds late, the target dates could not be adhered to. Further, the second installment of Rs.46 crore due in June 2005 (18 months after release of first installment by MOP) had not been released by MOP so far (October 2007). The reasons for the same are not on record. Further the first installment was disproportionately distributed amongst the circles and the progress during 2004-07 was very slow.

7.2.10 The general terms and conditions issued (June 2003) by the MOP for utilization of funds, *inter alia,* included that:

- the utilities shall open a separate bank account in the first instance itself in a scheduled/nationalised bank for the purpose of implementing the schemes under APDRP. Funds from the Government/internal resources or loans from Financial Institutions earmarked for the purpose shall be credited to this account;
- the State Government shall release the funds provided under APDRP to the State Power utility within a week of the said amount being credited in the State Government account by the GOI otherwise it will be treated as diversion of funds; and
- the funds received under APDRP shall not be diverted for other purposes either by the State Government or utilities and if this was done, the equivalent amount would be adjusted with 10 *per cent* penal interest against the next installment of Central Plan assistance to be released to the State Government in that year or in the subsequent year;

Audit scrutiny revealed the following:

- The DOP had not opened a separate bank account in a scheduled/ nationalized bank for accountal of APDRP funds so far (September 2007). The State Government stated (September 2007) that the DOP being a department of the Government could not operate a separate bank account for APDRP funds and specific minor head of accounts was allocated for booking the expenditure against APDRP. The reply is not acceptable as the opening of separate bank account was reqired as per the terms and conditions of release of funds.
- MOP released (29 January 2004) Rs.36.68 crore to the State Government, which was released to DOP after five months (23 June 2004) in violation of the provisions of MOA. This resulted in diversion of funds and thereby attracting provision for payment of penal interest of Rs.3.67 crore (10 *per cent* of Rs.36.68 crore).
- MOP informed (November 2003) the State Government for the closure of APDP and directed it to transfer APDP funds of Rs.6.32 crore to APDRP funds. The DOP informed (May 2005) the MOP after one and half years that, it had already spent Rs.2.44 crore, before receipt of the above decision of GOI for supply and installation of 18622 single phase energy

meters and requested the GOI to allow the transfer of balance amount of Rs.3.88 crore to APDRP. The approval of the MOP to the above proposal was awaited (August 2007). Audit scrutiny also revealed that the DOP had not accounted for the balance APDP funds of Rs.3.88 crore while submitting (December 2006) the utilization certificate of first installment of Rs.36.68 crore to the MOP. Further, the State Government had also not made any budgetary provision for Rs.3.88 crore under APDRP. Thus the possibility of Rs.3.88 crore meant for APDRP being diverted for other than APDRP purposes can not be ruled out.

The State Government admitted (September 2007) the fact that the department has taken up the matter with Budget Department to transfer the unspent balance of APDP to APDRP along with budgetary support for the year 2007-08. The fact remains that by not utilizing the money for APDRP schemes, the State Government had attracted a liability for payment of penal interest of Rs.39 lakh.

- The expenditure of Rs.1.43 crore (3.9 *per cent* of the first installment received from MOP) was incurred (as on 31 March 2007) by the DOP on the following items of works not covered under the scope of approved DPRs.of various APDRP packages:

Table - 7.7

Sl. No.	Name of the Electrical Division/Circle	Amount (Rs.in crore)	Purpose for which the funds diverted	Accounted for under Package
1.	Seppa Electrical Division (Circle IV)	0.08	Purchase of vehicle (Bolero) and other expenditure	Debited to package 'C'
2.	Tawang Electrical Division (Circle IV)	0.67	Purchase of vehicles (Bolero and Maruti Gypsy) and construction of new sub-station	Debited to package 'B'
3.	Bomdila Electrical Division (Circle-IV)	0.19	Purchase of vehicles (Scorpio and 3 Mahindra Pick up vans)	Debited to package 'C'
4.	Capital Electrical Division (Circle-I)	0.30	Purchase of vehicle (Maruti Gypsy), battery charger and maintenance of vehicle	Debited to package 'D'
5.	Along Electrical Division (Circle-II)	0.19	Purchase of transformer (not under scope of APDRP as per DPR)	Debited to package 'B'
Total		1.43		

Source: Payment vouchers and Monthly Accounts

DOP however, submitted utilization certificate to MOP (March 2007) for full amount of Rs.36.68 crore. The State Government stated (September 2007) that the procurement of vehicles for execution of work departmentally was part and parcel of the strategy to implement APDRP packages by deviating a bit from the pre-conditions of the MOP. The reply is not tenable as the above aspects were not considered while preparing the DPRs and this diversion has thus, made the State Government liable to pay penal interest (Rs.14 lakh) besides likely reduction of funds for APDRP by the same amount.

Procurement of material/equipment

7.2.11 Irregular purchase of electrical equipment

As per the guidelines issued (June 2003) by MOP, the projects under APDRP were to be executed by appointing turnkey contractor to ensure quality and timely completion of works. Audit scrutiny of records of Naharlagun and Dirang divisions under Western Electrical Zone revealed that electrical equipment worthRs.15.25 crore (as detailed in Appendix-7.9) were purchased (up to March 2007) for execution of Packages 'C' & 'D' departmentally in violation of the guidelines of APDRP. Further, as per the CPWD manual, Executive Engineer (EE) of a division is empowered to issue work orders without calling for tenders up to Rs.1.25 lakh, subject to annual limit of Rs.7 lakh. It was noticed that the implementing divisions purchased electrical equipment valuing Rs.15.25 crore by splitting the orders and thereby violating the provisions of CPWD manual.

The State Government stated (September 2007) that certain packages were undertaken by the department as per the decision (February 2005) of the State Level Reforms Committee (SLRC) and the works were executed at a rate much cheaper than turnkey contracts. The department would take appropriate action as per rules against the division concerned for violating the delegation of financial powers for the expenditure incurred.

The reply is not tenable as on scrutiny of minutes of the meeting of SLRC it was observed that progress of works relating to APDRP only were discussed in the meeting and no decision to execute the works departmentally was taken in this meeting. Thus, the Department violated the main conditions prescribed by the MOP regarding award of work on turnkey basis i.e., to ensure quality, timely completion of works, performance guarantee and security mechanism in the form of bank guarantee in case of default.

7.2.12 Avoidable extra expenditure on purchase of consumer meters

Miao and Pasighat Circles issued (January/February 2005) Letter of Award (LOA) to Lotus Wires & Cables, (LW&C) Delhi, for supply of 4,478 three phase consumer meters on turnkey basis (at the rate of Rs.5,912 per unit) in respect of Miao circle and 650 three phase consumer meters (at the rate of Rs.6,252 per unit) in respect of Pasighat circle at total contract price of Rs.2.65 crore[12] and Rs.41 lakh[13] respectively under package 'A'. It was noticed that the rates quoted by LW&C were much higher than the estimated cost per meter of Rs.2500, Rs.4000 (including erection charges) in respect of Miao and Pasighat circles respectively as per the DPR. Further, Naharlagun Circle had issued (February 2006) a LOA to the same contractor for supply of 659 three phase consumer meters under the same package 'A' at the rate of Rs.1,339 per meter at a total contract price of Rs.9 lakh[14]. The DOP, however,

[12] *Miao Circle : @ Rs.5912 per unit x 4478 = Rs.2,64,75,189 rounded to Rs.2.65 crore.*

[13] *Naharlagun Circle : @ Rs.1339 per unit x 659 = Rs.8,82,401 rounded to Rs.9 lakh.*

[14] *Pasighat circle:@ 6252/unit x650 = Rs.40,63,800 rounded to Rs.41 lakh.*

did not analyse the unit cost of three phase consumer meters and the reasons for such wide variations between the rates.

The State Government stated (September 2007) that the difference in cost was mainly due to difference in specification, site condition, scope of work, market fluctuations and period of purchase. The reply is not acceptable as the specifications fixed by PGCIL as well as LOAs issued by all the circles were for the similar type of three phase consumer meters. Thus, the DOP incurred avoidable extra expenditure of Rs.2.37 crore on procurement of 5128 (4478 + 650) three phase consumer meters under Miao Circle (Rs.2.05 crore) and Pasighat Circle (Rs.32 lakh) as compared to the rates of Naharlagun Circle.

7.2.13 Non-replacement of defective meters under Package 'A'

Scrutiny of records in Miao and Pasighat Circles revealed, that, LW&C, Delhi supplied (2005-06) different types of electronic meters, out of which 4,334 meters valuing Rs.70 lakh (**Appendix-7.10**) were found defective and the payment was released without inspection of meters.

On this being pointed out (October 2006) by Audit, only 250 energy meters valuing Rs.1.44 lakh were repaired and replaced (April 2007) by LW&C in the Pasighat sub-division. The Circles did not take steps either to get the remaining defective meters (valuing Rs.68.56 lakh) repaired or replaced by the contractor. The remaining meters (4084) have not been replaced by the contractor so far (October 2007).

The State Government stated (September 2007) that the Department is holding bank guarantee against the firm and the matter will be taken care of at the time of closure of the contract/accounts. The reply is not tenable as the defective meters were not repaired/replaced by the supplier since 2005-06 onwards and as such objectives for which these meters were purchased could not be achieved.

7.2.14 Non-replacement of damaged and substandard material under package 'C'

The SE(E), Miao Circle reported (March 2007) to CE (P), EEZ that Everest Engineering House (EEH), Naharlagun, (turnkey contractor) had supplied and erected damaged and substandard material[16] valuing Rs.52.28 lakh under package 'C'. This material was neither replaced nor adjusted from the contractor's bill till date (October 2007), which would result in loss to DOP and also result in undue financial favour to the contractor.

Similarly, in Pasighat Circle, EEH supplied and erected (August 2006) poor quality material,[15] as revealed from the Inspection Report (February 2007) of the Committee of APDRP under package 'C'. The DOP neither quantified the

[15] *ACSR conductor, HT Stray sets etc. relating to construction of transmission lines.*

material nor worked out the value thereof for taking appropriate action against the said turnkey contractor till date (August 2007).

The State Government stated (September 2007) that the projects were under progress and not yet handed over. Further, the department has to pay only 90 *per cent* of the work done and balance 10 *per cent* is still with the department to adjust the amount of defective material at the end as required besides the bank guarantee. The reply is not tenable as the department should initiate action against the contractor to replace the damaged and sub-standard material as per LOA to avoid the cost exceeding 10 *per cent* retention amount and bank guarantee at the end of the project.

Execution of APDRP

7.2.15 Delay in completion of the packages under APDRP

The DPRs envisaged one and half years as the time schedule for completion of all the works (Packages A to E) from the date of preparation of DPRs. Thus, all the works were to be completed by December 2004.

The DOP had incurred a total expenditure of Rs.36.78 crore (March 2007) against the total approved project outlay of Rs.82.68 crore by achieving financial progress of 44.48 *per cent*. The physical progress of the work as on 31 July 2007 was as tabulated below:

Table 7.8

Sl. No.	Package	Status of work
1	A	The percentage completion of work regarding installation of system meters, DT meters and consumer meters was 15.53, 3.08 and 60.88 of total awarded work respectively up to 31 July 2007.
2	B	LOAs were issued (September 2006) by all the circles. The execution of works has not yet commenced (October 2007).
3	C	Erection of poles and conductors partially completed and the remaining works were under execution (October 2007).
4	D	The execution of work was under progress in Naharlagun and Dirang circles but in Pasighat and Miao circles the work has not yet started (October 2007).
5	E	The computerization work has not yet been implemented in any of the circles (October 2007).

Source: DOP's status report of 31 July 2007

The main reason for delay in completion of works as analysed by Audit was late release of funds by the MOP and the State Government as only one installment of Rs.36.68 crore was released (June 2004) against the estimated cost of Rs.82.68 crore.

Thus, delay in the completion of works deprived the DOP of anticipated annual benefit (by way of increase in revenue due to increased energy

consumption, improvement in metering and reduction of technical and commercial losses) of Rs.14.62 crore[16] as envisaged in the DPRs.

The State Government stated (September 2007) that the commencement of work of APDRP in AP was delayed as compared to other states of the Country due to hostile logistic support, peculiar climate condition and difficult hilly terrain.

The reply is not tenable for the reason that slow progress of work in awarded packages by the contractors and non-commencement of work in some of the packages also contributed to delay in implementation of the programme with the time schedule as envisaged in the DPR, which were prepared after taking in to account all the above factors.

7.2.16 Hampering overall implementation due to cost overrun on account of escalation and deviation

The MOP sanctioned a total outlay of Rs.82.69 crore based on DPRs for all the four Circles as approved by the Steering Committee of APDRP, MOP. The DOP awarded 14 packages (10 on turnkey basis and 4 departmentally) valuing Rs.81.48 crore during 2004-07. Audit scrutiny of DPRs and LOAs revealed that total awarded cost was higher than estimated cost of approved DPRs. As a result, there was cost overrun of Rs.6.83 crore over the estimated cost of packages in all Circles as detailed in the Appendix-7.11. The DOP, however, had not taken any steps for obtaining the additional funds sanctioned from MOP for smooth completion of the pending packages so far (October 2007). This would further delay the completion of work of APDRP under other packages due to shortages of funds.

The State Government stated (September 2007) that the DPRs were prepared by PGCIL without considering the ground realities and the department has to deviate from the DPRs because it was not workable. It was decided in all SLRC meetings that the work has to be implemented within sanctioned limit. The reply is not acceptable as the DOP had not approached the MOP for deviation and requirement of additional funds for escalation which would affect the overall implementation of packages for getting anticipated benefits as envisaged in the DPR.

7.2.17 Audit scrutiny also revealed that due to increase in cost of execution the DOP has deleted/reduced certain important works and related matters (costing Rs.7.11 crore) from the scope of works as detailed below:

- While awarding (January 2005 to February 2006) the work for the execution of package "A" (metering system) in all the circles to LW&C (Rs.16.31 crore), there was deviation of quantity valuing Rs.2.68 crore in System, DT and consumer meters as envisaged in the DPR.

[16] *Anticipated Annual benefit as per DPR from Miao Circle Rs.3.26 crore, Pasighat Circle Rs.2.07 crore, Naharlagun Circle Rs.6.66 crore and Dirang Circle Rs.2.63 crore. Total Rs.14.62 crore*

- The work under package "B" involved construction of new sub-stations and renovation and modernization of old sub-stations. The work awarded (July 2006) for package 'B' to EEH (Rs.25.73 crore) did not include the work of renovation and modernization of existing sub-stations valuing Rs.3.82 crore as envisaged in the DPR.

- Dirang circle executed the package 'C' departmentally at a total cost of Rs.8.69 crore against the total estimated cost of Rs.8.88 crore and did not include the work of re-conductoring of 11 KV lines for 36 CKM at an estimated cost of Rs.0.61 crore as per DPR.

By deleting/reducing the important components of APDRP scheme, it is not clear as to how DOP intend to improve the transmission and distribution system.

Deficiencies in Execution of Contracts

7.2.18 Undue financial benefit to turnkey contractor under Package'C'

The SE (E), Pasighat Circle issued LOA (December 2004) to EEH for executing the work of "Re-conductoring feeder by bifurcation and construction of new feeders" under package 'C' of APDRP on turnkey basis at a total contract price of Rs.3.95 crore (supply of equipment-Rs.3.13 crore *plus* cost of erection-Rs.81.90 lakh). As per LOA and DPR, the work was to be completed within 12 months from the date of issue of LOA. The EE (E), Along Division was authorised to make payment to the contractor on completion of the work. The total expenditure of Rs.3.44 crore incurred up to March 2007 against the above work. As per status report of 31 July 2007, all the works were completed by the contractor EEH.

Audit scrutiny of the records, however, revealed the following deficiencies:

- The LOA and terms of agreement did not stipulate any provision/clause for issue of material by DOP to EEH. Further, EEH was also given mobilization advance (Rs.22.81Lakh). It was noticed, that, the EE, Along issued (January 2006 to March 2006) material[17] valuing Rs.74.65 lakh through Transfer Entry Order (TEO) to EEH for execution of work from "Non-lapsable Central Pool of Resources (NLCPR)". The material was issued without specifying the issue rate/market rate of such material and without obtaining the approval from the SE (E), Pasighat circle. The terms and conditions under which departmental material were issued to EEH were neither available on record nor stated. The division did not recover the value of the material of Rs.74.65 lakh from the contractor till date (October 2007).

- EE, Along made payment (September 2006 to March 2007) of Rs.53.29 lakh to a number of small contractors for execution of work

[17] *Relating to construction of new transmission lines such as HT poles, ACSR conductors, cross arm insulator, etc.*

under package 'C' already awarded to EEH. The reasons for giving the work to small contractors were not made available to audit. But the amount was neither recovered nor adjusted in the bills of EEH. Thus, resulting in double payment for the same work.

- Scrutiny of the report submitted (February 2007) by the committee, (constituted in December 2006 by the SE (E), Pasighat Circle under Executive Engineer, Electrical Division Yinkiong) to inspect the sites and to prepare a comprehensive report of work executed by EEH under package 'C' of APDRP revealed that material valuing Rs.91.83[18] lakh issued to EEH were also not returned till date (October 2007). The date of issue of material and the terms and conditions under which the same was issued were not available on record.

EE, Along, thus, extended undue favour to EEH by providing undue financial benefit of Rs.2.20 crore in violation of the terms and conditions of the agreement and LOA. It was also noticed that no action has been taken against the delinquent officials for issue of material so far (October 2007).

The State Government stated (September 2007) that due to urgent need of construction of feeder for immediate connectivity of Kambang Hydro Electricity Project, the EE, Along issued the material (purchased under NLCPR) to the contractor with condition that it would be replaced immediately. The reply is not tenable as EE, Along or the department had not recovered the amount from EEH so far (October 2007). The State Government did not reply regarding payment to small contractors for execution of work already awarded to EEH. Thus, the possibility of the recovery appears remote as no action has been taken against EE, Along or EEH. In the circumstances, work progress made till date could not be vouchsafed.

7.2.19 Non-recovery of liquidated damages from the turnkey contractors

As per LOA, if a contractor fails to perform the work of testing and commissioning of all energy meters (package 'A') and re-conductoring of 33/11 KV line (package 'C') as per contract within the stipulated period (within 10 months and 12 months respectively from the date of issue of LOA), the contractor shall pay, unless extension for execution of work is granted, liquidated damages @ 0.5 *per cent* (half *per cent*) for each week of delay or part thereof subject to maximum of five *per cent* of the total contract price to the DOP.

Scrutiny of records of Pasighat and Miao Circles revealed that liquidated damages amounting to Rs.1.21 crore as detailed in Appendix-7.12 for delay in completion of work were recoverable from LW&C and EEH.

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[18] *(1)The value of ACSR conductor was calculated based at the rate of Rs.53890 per Km x 135.857 KMs = Rs.73.21 lakh (as exhibited in the TEO passed in March 2006).*
(2)In the absence of acknowledgment and non mentioning of height of poles in the Inspection report, the pole height was taken as 12 metre and the value was calculated at the rate of Rs.19390 per pole x 96 poles = Rs.18.62 lakh (as exhibited in TEO passed in March 2006)

On this being pointed out (September 2006), the SE (E), Miao Circle recovered (March 2007) the liquidated damages of Rs.54.55 lakh out of Rs.60.06 lakh from EEH's running account bill. The SE (E), Miao Circle had also issued orders (July 2006) to Miao Electrical Division for recovery of Rs.24.56 lakh from LW&C under package 'A', though the recovery is yet to be effected (August 2007). Thus, recovery of liquidated damage of Rs.66.56 lakh was still awaited (October 2007).

The State Government stated (September 2007) that the liquidated damages, etc. would be recovered only after completion of the scheme. As an Administrator, it does not always hold good to take hard decision based on the agreement without verifying the inner problem lying with the contractor, otherwise, such action may lead to halting of the project. The reply is not tenable as the main object of including liquidated damage clause in LOA was to complete the work within the prescribed time schedule by the contractor, which was agreed to by him at the time of tendering of the contract.

7.2.20 Deviation in execution of work without approval of competent authority

According to an Inspection and Verification report (March 2007) of supply and erection work under package 'C' conducted by the Assistant Surveyor of Works, Miao Electrical Division and Miao Electrical Circle as submitted to SE (E), Miao Circle, EEH carried out deviations[19] in work of 33 KV line from Lalpool to Jairampur Power House and from Lalpool to Nampong without the approval of the competent authority and also in contravention of the provisions of the agreement. The SE(E), Miao Circle reported (March 2007) to CE (P), EEZ that EEH utilized lesser quantity of material worth Rs.25 lakh than specified in approved schedule of LOA, which was recoverable from the contractor. The Miao Electrical Division had not effected the recovery of Rs.25 lakh from EEH, so far (October 2007). Besides, it is also not clear whether the deviation had any affect on the strength and life of the transmission line.

7.2.21 Non–insurance of equipment/material

The DOP issued (2004 to 2006) LOAs valuing Rs.57.47 crore[20] to LW&C and EEH for implementing the packages 'A', 'B' and 'C' in respect of Pasighat and Miao Circles and package 'A' and 'B' for Naharlagun and Dirang Circle under APDRP. According to the special conditions of contract (SCC) of bid manual prepared by PGCIL, as well as the conditions of LOA, the turnkey contractor would obtain transit and erection insurance cover for all the packages and equipments and materials supplied at his cost from the time of dispatch up to the completion of erection and final checking, testing and commissioning at site and subsequent taking over by the DOP.

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[19] *Utilisation of less poles in construction of new transmission lines.*

[20] *Package 'A' awarded to LW&C – Rs.16.11 crore, Package 'B' and 'C' awarded to EEH – Rs.41.36 crore.*

Audit scrutiny revealed that neither EEH provided the insurance cover nor did the DOP insist for the same. Thus, the material and equipment supplied and erected without insurance cover tantamounted to undue financial benefit of Rs.57 lakh approximately per annum (*one per cent* of Rs.57.47 crore) to the turnkey contractor for not paying insurance premium to that extent. Further, in the event of delay in completion of the work beyond the stipulated period or damage, if any, caused to the property due to unforeseen circumstances, the DOP would not be able to recover the value of material and equipment.

The State Government stated (September 2007) that in case of failures/damages, the contractors are replacing and setting them right. The clause for insurance was not an enforceable clause as long as there is no dispute relating to damage/loss, etc. with the contractor. The reply is not tenable as insuring material and equipments while in transit and erection is compulsory as per LOA to avoid the unforeseen loss in the event of natural and unnatural peril such as fire, flood, earthquake and accident, etc., in order to complete the package within the cost and time schedule. The fact is that most of the packages are incomplete and equipment yet to be commissioned and run but full payment has been released. If any damages come to light later on, the contractor may be reluctant to replace the same at his cost.

7.2.22 Non-realisation of dismantle/salvage/scrap material from the contractors

Scrutiny of the LOA and agreement entered into with EEH in respect of package 'B' and 'C' under APDRP revealed that there was no provision/clause for surrendering dismantle/salvage/scrap material of existing items by the contractors to the department in respect of works of re-conductoring of transmission lines and renovation/modernization of old sub-stations under APDRP.

Scrutiny of records of Electrical Division, Along revealed, that, the Division had not properly accounted for the receipt of scrap material in respect of construction of 20 kms reconductoring of lines and feeder bifurcation from Along to Kamba. The Division stated (April 2007) that most of the material like insulator, ACSR conductor etc. were reused in the same work and salvage material were properly recorded and maintained by the concerned JE. The reply is not acceptable as the Division had neither produced records of the receipt of salvage material nor maintained 'Register of Dismantled Material' as required under Para No. 11.31 of the CPWD Manual. Further the work was awarded to the contractor on turnkey basis where he was to use his own material. APDRP guidelines also prohibit use of existing material. Thus nexus between the EE, Along (who gave material worth Rs.74.65 lakh to EEH-paragraph 7.2.18) and the turnkey contractor cannot be ruled out.

The State Government stated (September 2007) that the concerned Division had intimated the maintenance of records in proper format. The reply is not acceptable since EE, Along had not produced the relevant records prepared in

the prescribed format so far (October 2007) despite the reminder (September 2007.

Information Technology (IT) Enabling

7.2.23 Non Implementation of Information Technology Projects (Package 'E')

Information Technology and Computer Aided Tools for revenue increase, outage reduction, monitoring and control play a vital role in the management of distribution of electricity and collection of revenue. IT applications (Package 'E') were to be used in the distribution sector to ensure higher revenue as a result of segregation of T & D losses and controlling commercial losses, especially on account of metering, meter reading, billing, collection and outage reduction. As per approved DPRs, a total amount of Rs.2.87 crore under package 'E' was allocated for computerization in all the circles of DOP. It was, however, noticed the DOP had not started the work of IT applications (package 'E') till date (October 2007).

The State Government stated (September 2007) that the package 'E' is the last part of the APDRP project which will be effective only after completion of other packages like metering, augmentation of sub-station, installation of T&D lines and improvement in distribution/transmission system, etc. The reply is not acceptable as the work of computerisation was also to be taken along with other packages in order to derive complete benefit of implementation of APDRP.

Objectives not achieved

7.2.24 Non-fulfillment of primary objectives

The main objectives of the APDRP *inter-alia* were to reduce Aggregate Technical and Commercial (AT&C) losses; bring about commercial viability in the power sector; reduce outages and interruption; increase consumer satisfaction and bring transparency through computerisation. But till date (October 2007) none of these objectives of APDRP in the State have been achieved as discussed in the succeeding paragraphs.

7.2.25 Aggregate Technical and Commercial Losses

The APDRP guidelines envisaged that to begin with, the AT&C losses should be reduced from 60 *per cent* to 15 *per cent* in five years in urban and high density/consumption areas. This implied that the targeted reduction of AT&C losses was fixed at nine *per cent* per annum. Though the APDRP in the State is being implemented from 2004-05 onwards there was no significant improvement in reduction of the AT&C losses. A comparative study of percentage of AT&C losses furnished by the DOP and the PGCIL revealed that during 2004-07, the DOP failed to achieve the targets as set forth under the APDRP as tabulated below:

Table - 7.9

Year	Percentage of AT&C losses	
	Figure furnished by the DOP	Figure furnished by the PGCIL
2004-05	67.00	65.28
2005-06	54.76	62.75
2006-07	59.86	NA

Source: DOP records

It will be seen that there was marginal reduction of AT & C losses during the period but it was more than the targeted reduction envisaged in APDRP. It was also noticed that DOP did not maintain proper records/returns circle-wise and division-wise as per the format prescribed by PGCIL. Further, the information furnished by the PGCIL did not match with that furnished by DOP. Consequently, the AT&C losses between 2004-05 and 2006-07 as furnished by the DOP could not be vouchsafed for accuracy of data. The main reasons for high AT & C losses, as analysed in audit, were:

- Absence of adequate infrastructute in sub-transmission and distribution system;
- Absence of system metering and high number of defective meters and un-metered consumers; and
- Long low transmission and distribution lines causing huge transmission and distribution losses.

The State Government stated (December 2006) that AT & C losses is a new concept in monitoring of performance indices in power sector for the State and up to 2003-04, the DOP did not monitor AT&C loss on regular basis. But from 2004-05 onwards, AT&C losses are being monitored on monthly basis and circle-wise and division-wise records are being maintained. The State Government further stated (September 2007) that the targeted reduction of loss will be possible only after implementation of all packages under APDRP and the ongoing scheme of APDRP is only an attempt to make technical intervention to solve the problem partially. The reply is not acceptable, as, as per APDRP guidelines AT&C losses should have been negligible after 25 *per cent* investment and progress of work. The fact remains that by not achieving the targeted reduction in AT & C losses, the State has not been able to enjoy the benefits of APDRP. Further during peak season DOP is using

diesel generating sets to augment its power supply. This source is expensive and not environmental friendly and it is necessary for DOP to reduce AT&C losses.

7.2.26 One of the important objectives of APDRP was to narrow down and ultimately eliminate the gap between unit cost of supply and revenue realisation within a specified time frame. No such time frame had been fixed by the DOP so far (October 2007). Further, the DOP had also not fixed annual target to reduce the gap so far (October 2007). The gap between Average Cost of Supply (ACS) and Average Rate of Realisation (ARR) during 2004-05 to 2006-07 is detailed below

Table - 7.10

(Figures in Rupees)

Year	ACS	ARR	Gap
2004-05	1.92	0.76	1.16
2005-06	1.58	0.92	0.66
2006-07	1.93	0.81	1.12

Source – Report on Performance Indices maintained by the CE (Power), EEZ

The above details reveal that there was huge gap between ACS and ARR. It has in fact increased from Rs.0.66 in 2005-06 to Rs.1.12 in 2006-07.

The Department stated (October 2007) that the reasons for fall in ARR in the year 2006-07 was due to sudden rise in the billing on account of installation of meters without corresponding rise in the collection of revenue. The reply indicates the fact that adequate steps were not taken to realize the dues from consumers, which in turn did not help the State to achieve one of the important objectives of APDRP i.e. improvement in the financial viability of the power utilities.

7.2.27 Non-accounting of energy

At the time of formulation of APDRP, 100 *per cent* consumer metering was envisaged, with a view to ensure proper energy accounting and auditing, improved reliability of power, improved billing and collection efficiency and customer satisfaction. In particular, Feeder Metering and Distribution Transformer (DT) metering were highlighted as critical Category – A items targeted to reduce commercial losses. As per LOAs issued (January – February 2005 and February 2006) by the circle offices to LW&C, Delhi, the metering was to be completed within 10 calendar months from the date of issue of LOA i.e. by the month of November 2005 (Miao circle), December 2005 (Pasighat circle) and by December 2006 (Naharlagun and Dirang circles).

The circle wise position of supply and erection of System, DT and Consumer meters as of July 2007 is detailed below:

Table - 7.11

(In units)

Sl. No.	Name of the Circle	System Metering		DT Metering		Consumer Metering	
		Supply	Erection	Supply	Erection	Supply	Erection
1	Naharlagun	60	4	331	42	15140	4317
2	Dirang	8	Nil	303	2	9626	1985
3	Pasighat	178	71	275	108	28063	25619
4	Miao	119	Nil	658	Nil	20489	13266
	Total	**365**	**75**	**1567**	**152**	**73318**	**45187**

Source – Status report as of July 2007

The details in the table reveal the following:

System Metering

Out of 483 meters valuing Rs.2.02 crore ordered (January, February 2005 and February 2006), 365 meters valuing Rs.87 lakh were supplied (up to July 2007), and only 75 meters (20.54 *per cent*) valuing Rs.9 lakh were erected in Naharlagun and Pasighat circle (September 2007). Thus the purpose of installing the meters was defeated as no benefit was achieved.

DT Metering

Out of 1691 meters valuing Rs.1.61 crore ordered (January, February 2005 and February 2006), 1567 meters valuing Rs.1.58 crore were supplied (up to July 2007) ,and only 152 meters (9.70 *per cent*) valuing Rs.14 lakh were installed (September 2007). Thus the purpose of installing the meters was defeated as no benefit was achieved.

Consumer Metering

Out of 74,223 meters valuing Rs.8.18 crore ordered (January, February 2005 and February 2006), 73,318 meters valuing Rs.7.99 crore were supplied and only 45,187 (60.88 *per cent*) valuing Rs.4.94 crore were installed (September 2007). Thus the purpose of installing the meters was defeated as no benefit was achieved.

The State Government stated (September 2007) that the department was taking every action to complete the metering while due to certain unavoidable circumstances, the delay in the process occurred. The reply is not tenable as the delay ranged between nine months to 22 months as on September 2007 as against the time schedule envisaged in the DPR. Thus, delay in installation of meters had adversely affected the veracity of data for energy accounting/billing and computation of AT&C losses and the consumers were charged at the flat rate instead of at actual consumption.

7.2.28 Poor billing and collection efficiency

The details of energy accounting regarding billing efficiency and the collection efficiency for the period between 2004-05 and 2006-07 are tabulated below:

Table - 7.12

(in *per cent*)

Year	Billing efficiency	Collection efficiency
2004-05	52.00	58.00
2005-06	60.60	73.80
2006-07	51.66	72.16
Average	54.75	67.99

Source – Report on Performance Indices maintained by the CE (Power) EEZ.

The above details reveals that the average billing efficiency for three years between 2004-05 and 2006-07 was 54.75 *per cent* indicating that the remaining 45.25 *per cent* energy was not billed. Out of the above billing, 60 *per cent* energy was metered as per electricity tariff and remaining 40 *per cent* was billed on average flat-rate as tabulated below:

Table - 7.13

(Rupees in crore)

Year	Total bill amount	Metered as per tariff (60% of billed amount)	Billed on average flat rate (40% of billed amount)
2004-05	14.35	8.61	5.74
2005-06	48.18	28.90	19.28
2006-07	43.48	26.08	17.40

Source – Report on Performance Indices maintained by the CE (Power) EEZ.

Further, the average collection efficiency for three years between 2004-05 and 2006-07 was 67.99 *per cent*. This also adversely reflects on the unsatisfactory revenue realisation and financial viability of the DOP as discussed in paragraph 7.2.26.

The State Government admitted (September 2007) that the billing and collection efficiency has not reached to its expected level.

7.2.29 Reliability and Quality of Power Supply

The expected benefits of APDRP *inter-alia* were to improve quality and reliability of power supply and to encourage usage of energy efficient equipment/appliances which in turn would lead to improvement in availability of energy. The key performance parameters for quality and reliability were:

- Frequency of feeder tripping and average duration of feeder outages;
- Failure rate of DTs;
- Average Power Factor; and
- Consumer complaints and disposal time.

The DOP, however, did not furnish any record/data to ascertain the above aspects despite requisition (April 2007). Consequently, the key performance parameters as indicated above could not be checked and analysed in Audit.

The State Government stated (September 2007) that attempt would be made to identify feeder-wise details and fixation of responsibility of feeder management staff and officials so that feeder-wise and officer-wise monitoring of key performance parameters could be done and compared. The reliability and quality of power supply would improve after corporatisation of the department which is under active consideration by the State Government. The fact remains that the State government could not implement the reform measures in respect of reliability and quality of power supply as per MOA entered in to with MOP.

7.2.30 Non-compliance of Reform Measures

In order to avail APDRP funds from MOP, the MOA (July 2002) stipulated certain mandatory reform oriented conditions with specific time schedule for implementation of the scheme in the State. Scrutiny of relevant records revealed that those conditions were not complied with by the State Government (as detailed in Appendix-7.13) even after a lapse of 62 months (September 2007) from the date of signing of MOA, (July 2002) and 44 months from the date of sanction (January 2004) of funds by MOP. The reasons for non-implementation of compulsory distribution reform orientated conditions as per MOA were neither on record nor stated. Never the less, non-implementation of these reforms resulted in non-achievement of overall objective of APDRP scheme in up-gradation of sub transmission and distribution system in the state.

The State Government stated (September 2007) that the shortage of required infrastructure to connect total area for power supply has become the hindrance to move forwards the reform programmes. The State Government also admitted that the proposed compulsory distribution reforms could not be implemented.

7.2.31 Distribution circle as profit centre

The DOP has four distribution circles viz. Naharlagun, Pasighat, Miao and Dirang and 158 numbers of 11 KV feeders. Under APDRP 53 numbers of 11 KV feeders were proposed to be erected. A key administrative intervention under APDRP was ensuring accountability at the Circle and Feeder level by:

- Re-designating Distribution Circles as independent profit centres (with adequate delegation of powers) and the Superintending Engineer as the Chief Executive Officer (CEO).
- 11 KV feeders to be operated as business units, with the Junior Engineer designated as the Feeder Manager (FM).
- Ensuring accountability by having MoUs, setting out specific targets to be achieved, executed by the DOP with the CEOs of the Circles, who in turn

were to execute MoUs with their subordinate officials, who would ultimately execute MoUs with the FM.

The details furnished (April 2007) by the DOP revealed that no MoU had been executed to ensure accountability of Circles and Feeders so far and as such the parameters laid down under APDRP scheme remained unachieved.

The State Government stated (September 2007) that reform process of the department is in offing and the parameters laid down under APDRP scheme would be achieved only after corporatisation of the department with the financial assistance provided by the GOI. The reply is not tenable as the State Government has already agreed to implement the reform measures as per MoA.

7.2.32 Vigilance and Theft

As per MOA entered (26 July 2002) into by the DOP, vigilance squad shall be strengthened for theft detection. Summary of achievements of this squad shall be put up to the State level cell on monthly basis. But the DOP had not created the vigilance squad, so far (October 2007).

The State Government stated (September 2007) that financial constraints are the main hindrance in creation of required squad of vigilance. The reply is not tenable as the formation of vigilance squad and enactment of special law for theft detection is an integral part of the APDRP scheme to reduce the commercial losses at desired level.

7.2.33 Evaluation

The APDRP in the State was neither evaluated by the DOP nor by any third party. Consequently, the overall impact of the programme after an investment of Rs.36.78 crore (as of March 2007) remained un-assessed.

Conclusion

The DOP failed to implement the reform measures as stipulated in the MOA and also failed to comply with the guidelines issued by the MOP for opening of separate bank account for APDRP funds. There were diversions of funds from APDRP to other works/schemes. It also failed to complete the projects within the time schedule as stipulated in DPRs resulting in loss of envisaged benefit of the scheme. The DOP allowed undue financial benefits to the contractors due to non recovery of liquidated damages, defective material supplied, deviation in work and non recovery of material supplied to contractors in execution of work. There were shortfalls in achievement of targets by all the Circles as a result of which individual scheme objective and overall objective of "up-gradation of sub-transmission and distribution system" could not be achieved as envisaged. The overall impact of the scheme remained un-assessed due to non-evaluation by DOP or by a third party.

Recommendations

The Department should:

- **Exercise greater financial discipline and should ensure compliance with terms and conditions of funding.**
- **Implement the reform measures as envisaged in MoU.**
- **Ensure timely implementation of projects by enhancing the quality of monitoring and control.**
- **Undertake review of the programme regularly to identify slippages in the schedule, to analyse reasons thereof, and to ensure follow up action.**
- **Fix annual targets for reduction of AT&C losses and eliminate the gap between ACS and ARR.**
- **Take steps to set up Electricity Regulatory authority in the State.**

SECTION – 'B' PARAGRAPHS

POWER DEPARTMENT

7.3 Avoidable excess expenditure

Avoidable excess expenditure of Rs.54.99 lakh was incurred due to consumption of HSD oil in excess of the norm for generation of electricity.

Power is being generated through diesel generating (DG) sets, installed (1989 to 1996) at 11[21] different locations, to meet the increased demand of electricity during peak season, due to less generation in the Hydel Power Plant under the jurisdiction of Bomdila Electrical Division. Scrutiny of records (November 2006) of the Division relating to generation of energy through DG sets and consumption of High Speed Diesel (HSD) oil during 2003-04 to 2005-06 revealed that the Division generated 31,31,871 KW of energy by consuming 11,51,053 litres of HSD oil. Considering the norm of 0.30 litre of HSD oil for producing one Kilowatt energy as fixed by the Department of Power (DoP) of the State Government, 9,39,561 litres of HSD oil for generation of 31,31,871 KW of energy should have been consumed. Thus, 2,11,492 litres of HSD oil valuing Rs.54.99 lakh (calculated at the rate of Rs.26 per litre) was consumed in excess of the norms. The reasons for consumption of excess HSD oil beyond the norms were not on record.

The matter was referred (December 2006 & May 2007) to the Government/the Department; their replies are awaited (October 2007).

7.4 Doubtful expenditure

Expenditure of Rs.47.23 lakh incurred on village electrification appears to be doubtful.

The State Government accorded (July 2004) approval for electrification of 93 villages in the State at an estimated cost of Rs.16.92 crore during the years 2004-05 and 2005-06 under Minimum Need Programme (MNP). Out of the 93 villages, four villages under Bomdila Electrical Division were to be electrified during 2004-05 at an estimated cost of Rs.77.37 lakh as detailed below:

Sl. No.	Name of village	Estimated cost (Rs.in lakh)	Target fixed for providing domestic connections
1	Buchupam	16.23	30
2	Phadam	18.06	20
3	Drigsingpam	21.40	40
4	Dikhiyang	21.68	20
	Total	77.37	110

[21] *Bomdila; Rupa; Shergaon; Kakaktang; Nafra; Tenga; Bhalukpong; Kamengbari; Thrizino; Singchung and Doimara*

All the four villages were declared (March 2005) electrified and provided domestic connections as projected. Audit scrutiny (November 2006) revealed that as per the estimate of the work, the electrification of these four villages required 186 poles of different sizes and 47.90 km of ACSR conductor. Against these, only 31 poles and 7 km of ACSR conductor were used during 2004-05 for electrification of these four villages at a cost of Rs.47.23 lakh. The Department did not provide the details of revenue realized or energy bills raised on the consumers to whom the connections were provided in these villages. Thus, the electrification of villages with only 31 poles and 7 km of conductor by incurring Rs.47.23 lakh against the estimate of 186 poles and 47.90 km of conductor appeared to be doubtful.

The matter was referred (December 2006 & May 2007) to the Government/the Department; their replies are awaited (October 2007.

7.5 Blocking of funds

Injudicious procurement of material resulting in blocking of funds amounting to Rs.1.44 crore.

As per Section 48 of CPWD Manual Volume II, the Executive Engineers are required to get the verification of the stock of various store articles held by their divisions at least once a year. Annual physical verification of stock is one of the internal controls to ensure safeguard and proper utilisation of assets. Further, Para 3 of Section 46 of the Manual provides that all articles of stock which are not likely to be required during the following 12 months shall be disposed off either by sale or transfer to other divisions where these are required.

Scrutiny of records (April 2006) of the Deomali Electrical Division revealed that the Division did not conduct physical verification of stock despite this being pointed out by audit in successive Inspection Reports (April 1998 and December 2000). It was also noticed from records of purchase and utilisation of stores that the Division procured materials between 1987 and 1993-94 without assessing the actual requirements. The materials were purchased though sufficient quantities (Rs.1.44 crore) were lying in store. This resulted in accumulation of surplus stores of Rs.1.44 crore. Of these stores materials worth Rs.1.37 crore was found usable as revealed from the report of physical verification of stores of the Division conducted (October 2004) by a Board constituted (September 2004) by the Department of Power. The Division did not take effective steps to utilise this usable store or transfer them to other needy divisions. With the passage of time, the usable materials may also lose its utility and become unusable/obsolete.

Non-adherence to the codal provisions, weak internal controls and injudicious purchase of materials resulted in blockade of funds of Rs.1.44 crore in addition to avoidable inventory carrying cost.

The matter was referred (September 2006 and May 2007) to the Government/the Department; their replies are awaited (October 2007).

7.6 Infructuous expenditure

Infructuous expenditure of Rs.13.32 lakh was incurred due to procurement of a defective DG set.

The Executive Engineer (Electrical), Deomali Electrical Division, Deomali purchased (February 2000) a 125 KW Diesel Generating (DG) set at a cost of Rs.13.32 lakh locally for installation at Langding Sub-division. The warranty period of the DG set expired in February 2001. The DG set was, however, installed (August 2003) after three and half years of its procurement and the same stopped generating electricity within a month (September 2003) of its installation. The reasons for inordinate delay of over three years in installation of the DG set were neither on record nor stated (April 2006). The division intimated (August 2005) the Chief Engineer, Power (Commercial), Department of Power, Itanagar that the minimum overhauling cost of the DG set would be Rs.2.5 lakh. Due to expiry of the warranty, the repair of DG set by supplier or replacement is ruled out. Non-installation of DG set for three and half years and non-repair for two years thereafter amply proves that the DG set had inherent defects. It also proves without doubt that the purchase of the DG set was not justified. Thus, the entire expenditure of Rs.13.32 lakh on procurement of a defective DG set proved infructuous.

The matter was referred to the Government/the Department (September 2006 and May 2007); their replies are awaited (October 2007).

FOREST DEPARTMENT

ARUNACHAL PRADESH FOREST CORPORATION LIMITED

7.7 Loss of revenue

Continuance of sale of Green Tea Leaves to a private party in contravention of the provision of the agreement resulted in loss of revenue of Rs.20.11 lakh.

The Company entered (August 2002) into an agreement with Namshum Tea Company Private. Limited (firm) to sell Green Tea Leaves (GTL) produced in Medo Tea Estate of the Company at the rate of Rs.6.91 per kilogram (Kg) during 2002-03 on the basis of competitive bidding (April 2002). The firm deposited (between June and July 2002) Rs.12 lakh as security. As per the terms of agreement, payments were to be made within 15 days of the supply. The Company had a right to stop the supply of GTL if the outstanding amount exceeded 50 *per cent* of the security.

Audit scrutiny of the records revealed that despite having an outstanding balance of Rs.14.20 lakh as on 31 March 2003, the Company continued to supply GTL to the firm after expiry of the earlier agreement without executing a fresh agreement with the firm till 8 January 2004, when the firm stopped lifting GTL.

It was further noticed in Audit that the firm paid only Rs.17 lakh between April 2003 and October 2006 (Rs.16 lakh upto September 2003 and Rs.one lakh in October 2006), leaving an outstanding balance of Rs.32.51 lakh. After adjusting security of Rs.12 lakh and earnest money deposit of Rs.0.40 lakh, outstanding amount worked out to Rs.20.11 lakh, the payment of which was still awaited (October 2007).

Continuance of supply of GTL after 28 May 2003 to the firm when outstanding dues exceeded 50 *per cent* of security deposit was in violation of terms of the agreement. The further supply of GTL after March 2003 to the firm without a fresh agreement even when the outstanding dues exceeded the amount of security deposit was not justified. This has resulted in blockade of funds of Rs.20.11 lakh, the chances of recovery of which are bleak.

The matter was referred to the Government/the Department (July 2006 and May 2007); their replies are awaited (October 2007).

Shillong
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(RAJIB SHARMA)
Principal Accountant General (Audit)
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The 11 MAR 2008

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Comptroller and Auditor General of India

APPENDICES

APPENDIX – 1.1

PART - A
Structure and Form of Government Accounts

(Reference: Paragraph 1.1; Page 1)

Structure of Government Accounts: The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund

All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.

Part II: Contingency Fund

Contingency Fund of State established under Article 267(2) of the Constitution is in nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Part III: Public Account

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances *etc* which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and not subject to vote by the State legislature.

PART – B
LAYOUT OF FINANCE ACCOUNTS

(Reference: Paragraph 1.1; Page 1)

Statement	Lay Out
Statement No.1	Presents the summary of transactions of the State Government - receipts and expenditure, revenue and capital, public debt receipts and disbursements etc., in the Consolidated Fund, Contingency Fund and Public Account of the State.
Statement No.2	Contains the summarised statement of capital outlay showing progressive expenditure to the end of current year.
Statement No.3	The State Government had not declared any Irrigation Project as commercial/productive.
Statement No.4	Indicates the summary of debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.
Statement No.5	Gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.
Statement No.6	Gives the summary of guarantees given by the Government for repayment of loans etc., raised by the statutory corporations, local bodies and other institutions.
Statement No.7	Gives the summary of cash balances and investments made out of such balances
Statement No.8	Depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2007.
Statement No.9	Shows the revenue and expenditure under different heads for the current year as a percentage of total revenue/expenditure.
Statement No.10	Indicates the distribution between the charged and voted expenditure incurred during the year.
Statement No.11	indicates the detailed account of revenue receipts by minor heads.
Statement No.12	Provides accounts of revenue expenditure by minor heads under non-plan, State plan and Centrally Sponsored Schemes separately and capital expenditure major head wise.
Statement No.13	Depicts the detailed capital expenditure incurred during and to the end of the current year.
Statement No.14	Shows the details of investment of the State Government in statutory corporations, government companies, other joint stock companies, cooperative banks and societies etc., up to the end of March 2007.
Statement No.15	Depicts the capital and other expenditure (other than revenue account) to the end of the current year and the principal sources from which the funds were provided for that expenditure.
Statement No.16	Gives the detailed account of receipts, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account
Statement No.17	Presents the detailed account of debt and other interest bearing obligations of the Government.
Statement No.18	Provides the detailed account of loans and advances given by the Government of Arunachal Pradesh, the amount of loans repaid during the year, the balances at the end of the year and the amount of interest received during the year.
Statement No.19	Gives the details of balances of earmarked funds.

PART – C
List of terms used in the Chapter-I and basis for their calculation

(Reference: Paragraph 1.2; Page 4)

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter / GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X) / Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	[(Current year Amount/Previous year Amount) –1]* 100
Development Expenditure	Social Services + Economic Services
Average Interest Rate	(Average of opening and closing balances of fiscal liabilities / 2)x 100
Interest spread	GSDP growth – Average Interest Rate
Quantum spread	Debt stock * interest spread
Interest received as *per cent* to Loans Advanced	Interest Received [(Opening balance + Closing balance of Loans and Advances)/2] * 100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipts *minus* all Plan grants and Non-Plan Revenue Expenditure excluding debits under 2048 – Appropriation for Reduction or Avoidance of Debt

APPENDIX – 1.2

Outcome Indicators of the State's Own Fiscal Correction Path

(Reference: Paragraph 1.1.2.1; Page 5)

(Rupees in crore)

	Base Year Estimate	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A. STATE REVENUE ACCOUNT:							
1. Own Tax Revenue	36.84	49.49	96.29	62.80	67.06	71.06	75.06
2. Own Non-tax Revenue	89.16	170.20	224.41	187.49	195.00	202.80	211.00
3. Own Tax + Non-tax Revenue (1+2)	126.00	219.69	320.70	250.29	262.06	273.86	286.06
4. Share in Central Taxes & Duties	124.85	192.57	273.69	273.69	345.98	397.89	458.57
5. Plan Grants	740.52	789.94	1011.50	1149.59	1279.97	1425.18	1587.79
6. Non-Plan Grants	265.18	299.64	319.18	326.42	358.19	340.72	324.62
7. Total Central Transfer (4 to 5)	1130.55	1282.15	1604.37	1749.70	1984.14	2163.79	2370.98
8. Total Revenue Receipts (3+7)	1256.55	1501.84	1925.07	1999.99	2246.20	2437.65	2657.04
9. Plan Expenditure	475.89	579.03	682.45	828.83	912.00	995.00	1100.00
10. Non-Plan Expenditure	675.05	930.61	1019.97	980.68	1103.45	1150.00	1220.00
11. Salary Expenditure	434.24	417.33	579.25	614.00	688.00	760.00	820.00
12. Pension	60.07	70.65	71.29	78.47	85.00	92.00	100.00
13. Interest Payments	126.03	146.90	161.08	180.69	190.00	200.00	210.00
14. Subsidies - General	--	--	--	--	--	--	--
15. Subsidies - Power	--	--	--	--	--	--	--
16. Total Revenue Expenditure (9+10)	1150.94	1509.64	1702.42	1809.51	2015.45	2145.00	2320.00
17. Salary + Interest + Pensions (11+12+13)	620.61	634.88	811.62	873.16	963.00	1052.00	1130.00
18. as % of Revenue Receipts (17/8)	49.39	42.27	42.16	43.66	42.87	43.16	42.53
19.Revenue Surplus/Deficit (8-16)	105.61	-7.80	222.65	190.48	230.75	292.65	337.04
B. CONSOLIDATED REVENUE ACCOUNT:							
1. Power Sector loss/profit net of actual subsidy transfer	Power Sector is Government Department						
2. Increase in debtors during the year in power utility account/Increase (-)							
3. Interest payment on off budget borrowings and Spy borrowings made by PSU/SPUs outside budget.	--	--	--	--	--	--	--
4. Total (1 to 3)	--	--	--	--	--	--	--
5. Consolidated Revenue Deficit (A19 + B4)	105.61	-7.80	222.65	190.48	230.75	292.65	337.04
C. CONSOLIDATED DEBT:							
1. Outstanding debt and liability	--	1587.42	1792.46	1958.96	2125.19	2299.82	2481.06
2. Total Outstanding guarantee of which (a) guarantee on account of budgeted borrowing and Spy borrowing	--	8.05	5.72	3.39	1.06	1.14	1.23

(Rupees in crore)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
D. CAPITAL ACCOUNT:							
1.Capital Outlay	341.63	375.07	562.14	311.74	350.00	392.00	440.00
2.Disbursement of Loans and Advances	3.79	5.97	4.60	4.43	5.00	5.00	5.00
3.Recovery of Loans and Advances	2.15	2.61	1.70	1.75	2.00	2.50	3.00
4.0ther Capital Receipts	--	--	--	--	--	--	--
E. GROSS FISCAL DEFICIT (GFD)							
{(8+D3+D4)-(16+D1+D2)}	(-)237.66	(-)386.23	(-)342.39	(-)123.94	(-)122.25	(-)101.85	(-)104.96
E as % of GSDP	(-)11.56%	(-)15.71%	(-)12.84%	(-)4.29%	(-)3.90%	(-)3.00%	(-)2.85%
F. GSDP at current prices	2055.57	2458.20	2665.67	2890.65	3134.63	3399.19	3686.08
Actual/Assumed Nominal Growth Rate (%)	--	8.66%	8.44%	8.44%	8.44%	8.44%	8.44%

APPENDIX – 1.3

Summarised financial position of the Government of Arunachal Pradesh as on 31 March 2007

(Reference: Paragraphs 1.2 and 1.7; Pages 4 and 18)

(Rupees in crore)

As on 31.03.2006		Liabilities	As on 31.03.2007	
1231.89		**Internal Debt**		1277.84
	345.38	Market loans bearing interest	445.56	
	--	Market loans not bearing interest	--	
	1.79	Loans from LIC	1.79	
	0.14	Loans from GIC	0.12	
	137.94	Loans from NABARD	166.54	
	7.24	Loans from NCDC	4.69	
	104.56	Loans from other Institutions	104.56	
	88.70	Ways and Means and Advances	55.64	
	367.27	Special Securities issued to National Small Savings Fund of the Central Government	496.61	
	172.99	Overdraft from Reserve Bank of India	--	
	5.88	Other Loans	2.33	
492.62		**Loans and Advances from Central Government**		464.60
	40.84	Non-Plan loans	40.36	
	383.59	Loans for State Plan Schemes	358.85	
	2.99	Loans for Central Plan Schemes	2.98	
	7.92	Loans for Centrally Sponsored Plan Schemes	12.04	
	51.20	Loans for Special Schemes	50.37	
	6.08	Other Ways and Means Advances	--	
0.05		**Contingency Fund**		0.05
464.38		**Small Savings, Provident Funds, *etc.***		527.32
56.48		**Deposits**		9.68
58.57		**Suspense and Miscellaneous Balances**		--
116.74		**Reserve Funds**		126.73
2641.44		**Surplus on Government Account**		3336.38
	2459.68	(i) Revenue surplus as on 31 March 2006	2641.44	
	181.76	(ii) Revenue surplus during the year	694.94	
5062.17		**Total**		5742.60
		Assets		
4909.73		**Gross Capital Outlay on Fixed Assets**		5495.33
	27.77	Investment in shares of Companies, Corporations, Cooperatives, *etc.*	31.76	
	4881.96	Other Capital Outlay	5463.57	
25.47		**Loans and Advances**		27.91
	--	Loans for Power Projects	--	
	18.64	Other Development Loans	20.06	
	6.83	Loans to Government servants and Miscellaneous loans	7.85	
12.02		**Civil Advances**		15.32
100.56		**Remittance Balances**		105.24
...		**Suspense and Miscellaneous Balances**		31.46
14.39		**Cash**		67.34
	19.64	Cash in treasuries and Local Remittances	17.04	
	(-) 31.42	Deposits with Reserve Bank and other Banks	(-)24.83	
	1.26	Departmental Cash Balance	0.79	
	0.01	Permanent Advances	0.01	
	--	Cash Balance Investments	39.43	
	24.90	Investment of earmarked funds	34.90	
5062.17		**Total**		5742.60

APPENDIX – 1.4

Abstract of receipts and disbursements for the year 2006-07

(Reference: Paragraph 1.2; Page 4)

(Rupees in crore)

Receipts				Disbursements				
2005-06		2006-07		2005-06		2006-07		
						Non-Plan	Plan	Total
Section – A : Revenue								
1849.41	**I. Revenue receipts**		**2592.17**	**1667.65**	**I. Revenue expenditure**	**1086.21**	**811.02**	**1897.23**
62.09	Tax revenue	78.24[♣]		**488.73**	**General Services**	**546.49**	**13.11**	**559.60**
202.36	Non-tax revenue	297.17		**571.05**	**Social Services**	**200.87**	**432.72**	**633.59**
				216.07	Education, Sports, Arts and Culture	104.07	144.22	248.29
				70.83	Health and Family Welfare	68.94	23.69	92.63
272.15	State's share of Union taxes	347.14[♦]		153.26	Water Supply, Sanitation, Housing and Urban Development	17.24	148.75	165.99
				3.97	Information and Broadcasting	2.79	1.62	4.41
388.50	Non-Plan grants	387.54		2.49	Labour and Welfare	0.94	2.09	3.03
				122.33	Social Welfare and Nutrition	4.11	112.35	116.46
726.39	Grants for State Plan Scheme	1048.91		2.09	Others	2.78	---	2.78
148.80	Grants for Central and Centrally Sponsored Plan Scheme	387.87		**607.87**	**Economic Services**	**338.85**	**365.19**	**704.04**
49.12	Grants for Special Plan Schemes	45.30		204.44	Agriculture and Allied Activities	113.26	112.78	226.04
				54.47	Rural Development	11.55	21.38	32.93
				25.98	Special Area Programme	0.03	44.42	44.45
				45.26	Irrigation and Flood control	8.33	68.40	76.73
				103.23	Energy	118.29	1.96	120.25
				15.63	Industries and Minerals	7.36	10.57	17.93
				70.29	Transport	48.81	33.15	81.96
				22.81	Communications	22.10	---	22.10
				10.35	Science, Technology and Environment	---	1.50	1.50
				55.41	General Economic Services	9.12	71.03	80.15
				--	**Grants-in-aid and Contributions**	--	--	--
--	**II. Revenue deficit carried over to Section B**		--	**181.76**	**II. Revenue surplus carried over to Section B**			**694.94**
Section – B								
(-)229.62	**III. Opening Cash balance including Permanent Advances and Cash Balance Investment**		**14.39**	**...**	**III. Opening Overdraft from RBI**			**...**
	IV. Miscellaneous Capital receipts		**...**	**437.61**	**IV. Capital Outlay**	**0.14**	**585.46**	**585.60**
				16.07	**General Services**	**---**	**22.02**	**22.02**
				90.21	**Social Services**	**---**	**139.85**	**139.85**
				24.34	Education, Sports, Art and Culture	---	48.48	48.48
				5.09	Health and Family Welfare	---	30.25	30.25
				44.80	Water Supply, Sanitation, Housing and Urban Development	---	55.13	55.13
				13.84	Social Welfare and Nutrition	---	5.24	5.24
				--	Information and Broadcasting	---	0.03	0.03
				2.14	Others	---	0.72	0.72

[♣] Excluding share of net proceeds of taxes and duties assigned to State under various heads viz. 0020, 0021, 0028, 0032, 0037, 0038, 0044 and 0045.

[♦] Share of net proceeds assigned to State.

(Rupees in crore)

Receipts			Disbursements				
2005-06		2006-07	2005-06		2006-07		
					Non-Plan	Plan	Total
			331.33	**Economic Services**	**0.14**	**423.59**	**423.73**
			22.55	Agriculture and Allied Activities	0.14	15.49	15.63
			2.41	Rural Development Programme	---	0.92	0.92
			56.28	Special Areas Programme	---	64.47	64.47
			5.87	Irrigation and Flood Control	---	12.33	12.33
			124.09	Energy	---	128.28	128.28
			2.86	Industry and Minerals	---	1.23	1.23
			95.48	Transport	---	185.72	185.72
			--	Science Technology and Environment	---	---	---
			21.79	General Economic Services	---	15.15	15.15
2.82	**V. Recoveries of Loan and Advances**	**2.33**	**3.68**	**V. Loans and Advances disbursed**			**4.78**
---	From Power Projects	---		For Power Projects	---	---	
2.47	From Government servants	2.16	0.80	To Government servants	3.19		
0.35	From others	0.17	2.88	To others		1.59	
181.76	**VI. Revenue surplus brought down**	**694.94**		**VI. Revenue deficit brought down**			**---**
714.07	**VII. Public Debt receipts**	**110.37**	**250.55**	**VII. Repayment of Public Debt -**			**92.44**
345.46	Internal debt other than Ways and Means Advances and Overdraft	299.74	35.88	Internal debt other than Ways and Means Advances and Overdraft	---	47.75	
165.37	Net transaction under Ways and Means Advances including Overdraft	(-)206.04	---	Net transaction under Ways and Means Advances including Overdraft	---	---	
203.24	Loans and Advances from Central Government	16.67	214.67	Repayment of Loans and Advances to Central Government			44.69
---	**VIII. Appropriation to Contingency Fund**	---	---	**VIII. Appropriation to Contingency Fund**			---
---	**IX. Amount transferred to Contingency Fund**	---	---	**IX. Expenditure from Contingency Fund**			---
1425.12	**X. Public Account receipts -**	**1484.20**	**1387.92**	**X. Public Account disbursements -**			**1556.07**
129.45	Small Savings and Provident funds	132.77	61.26	Small Savings and Provident funds		69.82	
16.92	Reserve funds	10.00	0.06	Reserve Funds		---	
51.06	Suspense and Miscellaneous	(-)236.81	140.63	Suspense and Miscellaneous		(-)146.76	
1080.61	Remittances	1347.92	1058.79	Remittances		1352.59	
147.08	Deposits and Advances	230.32	127.18	Deposits and Advances		280.42	
	XI Earmarked Funds		**14.39**	**XI. Closing cash balance**			**67.34**
			19.64	Cash in Treasuries and Local Remittances		17.04	
			(-) 31.42	Deposits with Reserve Bank and other banks		(-)24.83	
			1.27	Departmental Cash Balance including Permanent Advances		0.80	
			24.90	Cash Balance Investment and investment of earmarked funds		74.33	
3943.56		**4898.40**	**3943.56**				**4898.40**

APPENDIX – 1.5

Sources and application of funds

(Reference: Paragraph 1.2; Page 4)

(Rupees in crore)

2005-06	Sources			2006-07
1849.41	1. Revenue receipts			2592.17
2.82	2. Recoveries of Loans and Advances			2.33
463.52	3. Increase in Public debt			17.93
37.21	4. Net receipts from Public Account			(-)71.87
	68.19	Net effect of Small Savings	62.95	
	19.90	Net effect of Deposits and Advances	(-)50.10	
	18.86	Net effect of Reserve Funds	10.00	
	(-)89.56	Net effect of Suspense and Miscellaneous transactions	(-)90.05	
	21.82	Net effect of Remittance transactions	(-)4.67	
---	5. Net effect of Contingency Fund transactions			---
---	6. Decrease in closing cash balance			---
2352.96	Total			2540.56
	Application			
1667.65	1. Revenue expenditure			1897.23
3.68	2. Lending for development and other purposes			4.78
437.61	3. Capital expenditure			585.60
---	4. Net effect of Contingency Fund transactions			---
244.02	5. Increase in closing cash balance			52.95
2352.96	Total			2540.56

Explanatory Notes to Appendix 1.3, 1.4 & 1.5

1. The abridged accounts in the above Appendices have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the surplus/deficit on Government account, as shown in Appendix 1.4 indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation in stock figure, *etc.*, do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, inter-departmental and inter-Government payments and others awaiting settlement.

APPENDIX – 1.6

Time series data on State Government finances

(Reference: Paragraphs 1.2, 1.3 and 1.7; Pages 4, 5 and 18)

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Part A. Receipts						
1. Revenue Receipts	**1085.30**	**1108.29**	**1576.36**	**1501.84**	**1849.41**	**2592.17**
(a) Tax Revenue	30.89 (3)	37.26 (3)	43.73(3)	50.11(3)	62.09(3)	78.24(3)
Taxes on Sales, Trade, *etc.*	16.78(54)	17.62(47)	21.79(50)	28.25(56)	47.69(77)	61.64(79)
State Excise	10.55 (34)	14.26 (38)	15.42(35)	17.79(36)	9.51(15)	10.98(14)
Taxes on vehicles	1.61 (5)	1.75 (5)	2.02(5)	2.21(4)	2.99(4)	2.93(4)
Stamps and Registration fees	0.27 (1)	2.10 (6)	0.31(1)	0.46(1)	0.41(1)	0.55(1)
Land Revenue	1.00 (3)	0.81 (2)	3.57(8)	0.76(2)	1.11(2)	2.10(2)
Other Taxes	0.68 (2)	0.72 (2)	0.62(1)	0.64(1)	0.38(1)	0.04
(b) Non Tax Revenue	70.91 (7)	76.30 (7)	120.57(8)	170.20(11)	202.36(11)	297.17(12)
(c) State's share in Union taxes and duties	90.93 (8)	121.68 (11)	160.60(10)	191.95(13)	272.15(15)	347.14(13)
(d) Grants-in-aid from Government of India	892.57 (82)	873.05 (79)	1251.46(79)	1089.58(73)	1312.81(71)	1869.62(72)
2. Miscellaneous Capital Receipts	...	...	...	...	...	...
3. Total Revenue and non Debt Capital receipts (1+2)	**1085.30**	**1108.29**	**1576.36**	**1501.84**	**1849.41**	**2592.17**
4. Recoveries of Loans and Advances	**1.86**	**2.24**	**2.35**	**2.61**	**2.82**	**2.33**
5. Public Debt Receipts	**139.99**	**143.08**	**305.98**	**215.30**	**714.07**	**110.37**
Internal Debt (excluding Ways & Means Advance and Overdrafts)	71.12	76.06	189.79	47.85	345.46	299.74
Net Transactions under Ways & Means Advances & Overdraft	---	---	---	96.31	165.37	(-) 206.04
Loans and advances from Government of India	68.87	67.02	116.19	71.14	203.24	16.67
6. Total receipts in the Consolidated Fund (3+4+5)	**1227.15**	**1253.61**	**1884.69**	**1719.75**	**2566.30**	**2704.87**
7. Contingency Fund Receipts	---	---	---	---	---	---
8. Public Accounts Receipts	**947.58**	**1513.88**	**958.09**	**1208.86**	**1425.12**	**1484.20**
9. Total Receipts of Government (6+7+8)	**2174.73**	**2767.49**	**2842.78**	**2928.61**	**3991.42**	**4189.07**
Part B. Expenditure/Disbursement						
10. Revenue Expenditure	**1029.55 (77)**	**1031.37 (78)**	**1391.90(76)**	**1509.64(80)**	**1667.65(79)**	**1897.23(76)**
Plan	454.48 (44)	422.47 (41)	550.72(40)	579.02(38)	723.67(43)	811.01(43)
Non-Plan	575.07 (56)	608.90 (59)	841.18(60)	930.62(62)	943.98(57)	1086.22(57)
General Services (including interest payments)	337.33 (33)	364.56 (35)	438.20(31)	489.02(33)	488.73(29)	559.60(30)
Social Services	342.50 (33)	327.76 (32)	433.28(31)	472.67(31)	571.05(34)	633.59(33)
Economic Services	349.72 (34)	339.05 (33)	520.42(37)	547.95(36)	607.87(37)	704.04(37)
Grants-in-aid and contributions	---	---	---	---	---	---
11. Capital Expenditure	**301.51 (23)**	**290.06 (22)**	**433.35(24)**	**375.07(20)**	**437.61(21)**	**585.60(24)**
Plan	302.64 (100)	289.43 (100)	429.74(99)	372.11(99)	438.68(100)	585.46(100)
Non-Plan	(-)1.13 (0)	0.63 (0)	3.61(1)	2.96(1)	(-)1.07(0)	0.14(0)
General Services	22.04 (7)	18.20 (6)	15.08(4)	14.53(4)	16.07(3)	22.02(4)

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Social Services	51.61 (17)	38.65 (13)	57.59(13)	71.89(19)	90.21(21)	139.85(24)
Economic Services	227.86 (76)	233.22 (80)	360.68(83)	288.65(77)	331.33(76)	423.73(78)
12. Disbursement of Loans and Advances	**4.90**	**2.98**	**3.50**	**5.97**	**3.68**	**4.78**
13. Total (10+11+12)	**1335.96**	**1324.41**	**1828.75**	**1890.68**	**2108.94**	**2487.61**
14. Repayments of Public Debt	**31.33**	**38.83**	**206.87**	**57.95**	**250.55**	**92.44**
Internal Debt (excluding Ways & Means Advances and Overdrafts)	10.36	11.40	19.76	31.33	35.88	47.75
Net Transactions under Ways & Means Advances & Overdraft	---	---	---	---	---	---
Loans and advances from Government of India	20.97	27.43	187.11	26.62	214.67	44.69
15. Appropriation to Contingency Fund	...	...	...	...	...	....
16. Total Disbursement out of Consolidated Fund (13+14+15)	**1367.29**	**1363.24**	**2035.62**	**1948.63**	**2359.49**	**2580.05**
17. Contingency Fund disbursements	---	---	---	---	---	---
18. Public Account disbursements	**807.04**	**1314.05**	**969.76**	**1082.82**	**1387.92**	**1556.07**
19. Total disbursements by the State (16+17+18)	**2174.33**	**2677.29**	**3005.38**	**3031.45**	**3747.41**	**4136.12**
Part C. Deficits/Surplus						
20. Revenue Deficit (-)/Revenue Surplus (+) (1-10)	**(+)55.75**	**(+)76.92**	**(+)184.46**	**(-)7.80**	**(+)181.76**	**(+) 694.94**
21. Fiscal Deficit (-)/Fiscal Surplus (+) (3+4-13)	**248.80**	**213.88**	**250.04**	**386.23**	**256.71**	**(+) 106.89**
22. Primary Deficit (-)/Primary Surplus (+) (21+23)	**139.81**	**88.48**	**108.12**	**239.33**	**100.26**	**(+) 294.65**
Part D. Other data						
23. Interest Payments (included in revenue expenditure)	**108.99**	**125.40**	**141.92**	**146.90**	**156.45**	**187.76**
24. Arrears of Revenue (Percentage of Tax & non tax Revenue Receipts)	NA	NA	NA	NA	NA	7.23 (2)
25. Financial Assistance to local bodies *etc.*	**10.46**	**22.40**	**64.78**	**41.59**	**66.95**	**50.87**
26. Ways and Means Advances/Overdraft availed (days)	**5**	**28**	**---**	**80**	**94**	**---**
27. Interest on Ways and Means Advances/ Overdraft	**0.03**	**0.04**	**---**	**0.25**	**1.11**	**8.18**
28. Gross State Domestic Product (GSDP)	**1941.78**	**1962.65**	**2262.29**	**2458.20**	**2665.67**	**2890.65**
29. Outstanding Fiscal liabilities (year end)	**1094.49**	**1226.53**	**1524.81**	**1777.54**	**2337.20**	**2371.27**
30. Outstanding guarantees (year end)	**0.55**	**0.79**	**22.76**	**8.05**	**5.69**	**13.32**
31. Maximum amount guaranteed (year end)	**...**	**...**	**...**	**14.00**	**24.00**	**23.99**
32. Number of incomplete projects	**445**	**17**	**64**	**442**	**345**	**474**
33. Capital blocked in incomplete projects	**61.66**	**1.26**	**172.02**	**3.10 (55)**	**26.64**	**121.00**

Note: Figures in brackets represent percentages (rounded)

APPENDIX – 1.7

Cases of misappropriation reported to audit

(Reference: Paragraph 1.6; Page 18)

(Rupees in lakh)

Sl. No.	Department	Upto 2001-02		2002-03		2003-04		2004-05		2005-06		2006-07		Total	
		N	A	N	A	N	A	N	A	N	A	N	A	N	A
1.	Education	4	3.37	-	-	-	-	-	-	1	1.28	-	-	5	4.65
2.	Forest	11	830.12	2	4.64	-	-	4	45.72	-	-	-	-	17	880.48
3.	General Administration	1	0.03	-	-	-	-	-	-	1	3.10	-	-	2	3.13
4.	Public Works	6	2.93	-	-	-	-	-	-	-	-	-	-	6	2.93
5.	Supply & Transport	6	1.33	(-) 1	0.12	-	-	-	-	-	-	-	-	5	1.21
6.	Information & Public Relation	1	2.65	-	-	-	-	-	-	-	-	-	-	1	2.65
7.	CWC	1	NA	-	-	-	-	-	-	-	-	-	-	1	NA
8.	Public Health Engineering	1	1.08	-	-	-	-	-	-	-	-	-	-	1	1.08
	Total	**31**	**841.51**	**1**	**4.52**	**-**	**-**	**4**	**45.72**	**2**	**4.38**	**-**	**-**	**38**	**896.13**

N : Number of cases
NA : Not available

APPENDIX – 2.1

Statement showing areas in which major savings occurred

(Reference: Paragraph 2.3.1(i); Page 31)

(Rupees in crore)

Grant No./ Major Head	Areas in which major savings occurred	Savings
6	**6 - District Administration (Revenue Voted)**	
3451	United funds	12.48
27	**27 - Panchayat (Revenue Voted)**	
2051 2515	Election	13.61
59	**59 - Public Health Engineering (Revenue Voted)**	
2059	Public Works	5.10
	Public Debt(Revenue Charged)	
2049	Interest on market loans	14.26
2049	Interest on loan for Rural Electrification Corporation Ltd.	4.70
2049	Interest on loan for National Bank to Agriculture Rural Development	3.97
14	**14 - Education (Capital Voted)**	
4202	Construction of building for Education	4.65
4202	Establishment of Polytechnic	3.08
31	**31 - Public Works (Capital Voted)**	
4059	Building under HUDCo Loan	4.81
4059	State Legislative Assembly Building	5.00
34	**34 – Power (Capital Voted)**	
4801	Schemes under APDRP	25.73
57	**57 – Urban (Capital Voted)**	
2217	Grants-in-aid to L.B	1.20
4217	Schemes against HUDCo Loan	2.71
4217	Urban Road at Howai Township	2.02
4217	National Urban Renewable Mission	2.06

APPENDIX – 2.2

Statement showing expenditure which fell short by more than Rs.1 crore and also by more than 10 *per cent* of the total provision

(Reference: Paragraph 2.3.1(ii); Page 30)

(Rupees in crore)

Sl. No.	Number and name of grant/appropriation	Total provision	Actual expenditure	Savings	Percentage with reference to total provision
	Revenue (Charged)				
1.	Public Debt	225.21	200.52	24.69	11
	Revenue Section (Voted)				
2.	6 – District Administration	126.09	110.35	15.74	12
3.	27 – Panchayat	16.21	2.60	13.61	84
4.	37 – Legal Metrology	5.15	2.59	2.56	50
5.	49 – Science and Technology	11.37	1.35	10.02	88
6.	50 – Secretariat Economics Services	368.55	40.32	328.23	89
	Capital Section (Voted)				
7.	13 – Directorate of Accounts	2.50	...	2.50	100
8.	14 – Education	48.06	38.21	9.85	20
9.	31 – Public Works	24.79	14.75	10.04	41
10.	32 – Roads and Bridges	194.73	173.74	20.98	11
11.	34 – Power	118.60	92.76	25.84	22
12.	40 – Housing	9.21	8.11	1.10	12
13.	52 – Sports and Youth Affairs	8.57	7.19	1.38	16
14.	57 – Urban Development	41.77	28.80	12.98	31
	Total	**1200.81**	**721.29**	**479.52**	

APPENDIX – 2.3

Statement showing excess expenditure relating to previous years requiring regularisation

(Reference: Paragraph 2.3.2.(i); Page 31)

(Rupees in crore)

Year	No. of Grant/ Appropriation	Grant/Appropriation(s)	Amount of excess
1986-87 (U.T. Period)	13	1,7,11,12,13,15,17,30,32,34,39,40 and 42	6.56
1986-87 (State Period)	28	1,2,3,6,7,8,10,11,13,14,16,18,19,20,22,24,27,28,29,31, 32,33,34,38,39,40,42 and 43	12.71
1987-88	16	14,18,19,22,23,24,26,30,31,32,33,34,35,40,42 and Public Debt	9.06
1988-89	12	1,13,15,17,21,24,30,31,32,34,40 and Public Debt	54.51
1989-90	15	8,10,15,30,31,32,33,34,38,40,43,45,48,49 and Public Debt	17.49
1990-91	16	5,8,13,15,19,23,24,26,30,31,32,34,40,44,48 and Public Debt	28.61
1991-92	17	4,8,10,14,15,18,19,23,25,28,30,31,34,37,42,43 and Public Debt	63.12
1992-93	11	14,15,18,28,30,31,34,40,43,21 and 38	27.91
1993-94	12	8,15,19,25,28,30,31,32,34,38,40 and 45	30.66
1994-95	18	6,8,11,15,21,22,23,26,28,29,31,32,34,38,40,42,43 and 45	64.45
1995-96	24	8,9,11,13,14,15,16,18,20,21,23,24,28,29,31,32,34,40,4 1,51,53,59,60 and Public Debt	38.41
1996-97	12	1,9,11,13,14,21,28,30,31,34,40 and 51	14.86
1997-98	15	9,10,11,13,15,20,25,30,31,34,41,46,48,59 and 60	25.34
1998-99	15	1,7,13,15,19,20,31,34,36,41,50,53,54,64 and Public Debt	25.26
1999-2000	7	13,31,44,52,53,60 and Public Debt	14.27
2000-01	12	1,3,8,13,19,28,32,34,36,50,52 and 62	13.27
2001-02	13	1,7,8,11,13,14,16,22,28,33,35,48 and 59	27.08
2002-03	14	1,4,5,7,13,19,23,28,31,43,46,58,61 and 62	9.70
2003-04	21	5,13,15,16,24,26,28,31,32,33,35,36,42,43,44,47,56,58, 59,61 and 62	20.15
2004-05	17	8,14,15,18,19,26,28,31,32,33,40,43,48,58,61,65,66 and Public Debt	46.46
2005-06	13	1,5,8,16,25,35,41,43,52,56,58,60,66 and Public Debt	266.95
		Total:	816.83

APPENDIX – 2.4

Statement showing excess expenditure under the grants

(Reference: Paragraph 2.3.2(ii); Page 31)

(Amount in Rupees)

Sl. No.	Number and name of Grant/Appropriation	Total Grant/ Appropriation	Actual Expenditure	Excess
	Revenue Section (Voted)			
1.	5 – Secretariat Administration	24,65,87,000	26,91,35,334	2,25,48,334
2.	11 – Social Welfare	40,89,15,000	41,66,24,608	77,09,608
3.	13 – Director ate of Accounts	81,26,18,000	82,36,37,652	1,10,19,652
4.	15 – Health and Family Welfare	85,93,47,000	92,63,06,682	6,69,59,682
5.	24 – Agriculture	57,16,85,000	57,78,25,717	61,40,717
6.	28 – Animal Husbandry and Veterinary	25,55,14,000	25,57,52,153	2,38,153
7.	29 – Co-Operation	4,73,91,000	4,75,04,219	1,13,219
8.	35 – Information & Public Relations	3,92,95,000	4,40,78,130	47,83,130,
9.	38 – Irrigation & Flood Control	62,01,41,000	76,73,36,234	14,71,95,234
10.	40 – Housing	12,03,62,000	12,03,62,308	308
11.	41- Land Management	2,85,62,000	2,99,61,753	13,99,753
12	58 – Stationery & Printing	1,65,05,000	1,73,59,312	8,54,312
13	60 – Textile & Handicraft	11,45,86,000	11,80,98,399	35,12,399
14	62 – Directorate of Transport	61,50,000	62,78,800	1,28,800
	Total Revenue Section (Voted)	**4,14,76,58,000**	**4,42,02,61,301**	**27,26,03,301**
	Capital Section (Voted)			
1.	33 – North Eastern Areas	38,14,22,000	41,42,54,095	3,28,32,095
2.	36 – Statistics	30,00,000	31,06,618	1,06,618
3.	38 – Irrigation & Flood Control	12,30,00,000	12,33,56,345	3,56,345
4.	48 – Horticulture	1,52,30,000	1,60,97,486	8,67,486
5.	58 – Stationery & Printing	2,61,91,000	2,62,15,783	24,783
6.	61 – Geology & Mining	99,98,000	1,06,76,656	6,78,656
	Total Capital Section (Voted)	**55,88,41,000**	**59,37,06,983**	**3,48,65,983**
	Capital (Charged)			
1.	Public Debt	1,55,49,11,000	2,98,48,36,902	1,42,99,25,902
	Total Capital Section (Charged)	**1,55,49,11,000**	**2,98,48,36,902**	**1,42,99,25,902**
	Total:	**6,26,14,10,000**	**7,99,88,05,186**	**1,73,73,95,136**

APPENDIX – 2.5

Statement showing unnecessary supplementary provision

(Reference: Paragraph 2.3.4 (i); Page 31)

(Rupees in crore)

Sl. No.	Number and name of grant/ appropriation	Amount of Supplementary provision	Amount of saving
	Revenue (Voted)		
1.	10 – Other General Social Services	0.06	0.13
2.	27 – Panchayat	0.03	13.61
3.	43 – Fisheries	0.22	0.28
4.	49 – Science & Technology	1.19	10.02
5.	50 – Secretariat Economic Services	0.01	12.47
	Capital (Voted)		
6.	21 – Food Storage & Warehousing	0.32	0.54
7.	39 – Loans to Government Servants	0.01	0.37
8.	40 – Housing	0.75	1.10
9.	50 – Secretariat Economic Services	0.02	0.15
	Revenue (Charged)		
10.	66 – Power (Civil)	0.50	0.95
	Total:	**3.11**	**39.62**

APPENDIX – 2.6

Statement showing excessive supplementary grants in cases where ultimate savings in each case exceeded Rs.10 lakh

(Reference: Paragraph 2.3.4(ii); Page 31)

(Rupees in lakh)

Sl No	Number & name of Grant/appropriation	Original	Actual expenditure	Additional grant required	Supplementary grant obtained	Net Savings
1	2	3	4	5	6	7
	Revenue (Charged)					
1.	2 – Governor	115.33	143.33	28.00	39.00	11.00
2.	Public Debt	18968.89	20052.41	1083.52	3552.41	2468.89
	Revenue (Voted)					
3.	3 – Council of Ministers	258.03	283.70	25.67	47.43	21.76
4.	6 – District Administration	10239.02	11034.98	795.96	2370.37	1574.41
5.	7 – Treasury and Accounts Administration	204.11	260.79	56.68	58.22	1.54
6.	8 – Police	10191.86	11074.30	882.44	894.04	11.60
7.	14 – Education	19,106.75	23410.42	4303.67	4503.90	200.23
8.	16 – Art & Culture	248.90	287.24	28.34	55.82	17.48
9.	19 – Industries	614.79	633.49	18.70	35.17	16.47
10.	21 – Food Storage & Ware housing	1910.30	2002.42	92.12	314.45	222.33
11.	22 – Civil Supplies	1007.71	2033.96	1026.25	1049.61	23.36
12.	23 – Forest	6025.98	7003.75	977.77	1409.08	431.31
13.	25 – Relief and Rehabilitation	3011.83	7415.44	4403.61	4471.74	68.13
14.	26 – Rural Works	2761.66	3138.43	376.77	495.13	118.36
15.	30 – State Transport	2569.80	3768.78	1198.98	1237.28	38.30
16.	31 – Public Works	3845.52	5205.02	1359.50	1418.23	58.73
17.	32 Roads & Bridges	2502.00	2991.56	489.56	780.65	291.09
18.	33 North Eastern Areas	228.20	483.27	255.07	276.57	21.50
19.	34-Power	10749.85	12006.10	1256.25	1308.12	51.87
20.	36 – Statistics	381.82	454.55	72.73	99.13	26.40
21	37 – Legal Metrology	171.63	258.84	87.21	343.44	256.23
22.	42 – Rural Development	2741.76	2778.30	36.54	120.99	84.45
23.	48 – Horticulture Department	1029.62	1058.08	28.46	39.42	10.96

1	2	3	4	5	6	7
	Revenue (Voted)					
24.	52 – Sports & Youth Affairs	382.05	709.87	327.82	360.00	32.18
25.	56 – Tourism	272.00	365.67	93.67	193.51	99.84
26.	57 – Urban	147.64	384.20	200.56	331.40	130.84
27.	59 – PHE	3644.69	15121.72	11477.03	11987.91	510.88
28.	**Capital (Voted)**					
29.	11 Social Welfare	334.40	524.01	189.61	409.61	220.00
30.	14 – Education	231.29	3821.41	3590.12	4574.53	984.41
31.	15 Health & Family Welfare	760.32	3025.45	2265.13	2362.53	97.40
32.	16 – Art & Culture	4.00	308.02	304.02	326.25	22.23
33.	24 Agriculture	125.00	174.44	49.44	90.08	40.64
34.	26 Rural Works	200.00	1195.73	995.73	1006.00	10.27
35.	29 – Co-Operation	117.56	568.81	451.25	611.16	159.91
36.	31 – Public Works	862.69	1475.30	612.61	1616.01	1003.40
38	32 – Roads & Bridges	9407.42	17374.73	7967.31	10065.27	2097.96
39	34 – Power	6929.35	9275.75	2346.40	4930.90	2584.50
40	42 – Rural Development	62.00	91.79	29.79	69.34	39.55
41	52 Sports & Youth	6.37	719.25	712.88	850.77	137.89
42	56 – Tourism	826.16	1480.96	654.80	749.07	94.27
43	57 – Urban	1767.40	2879.54	112.14	2409.66	1297.52
44	59 – PHE	1123.61	1821.64	698.03	730.65	32.62
45	65 – Department of Tirap	2000.00	2304.24	304.24	341.03	36.79
	Total:	**1,28,089.31**	**1,81,401.69**	**52,266.38**	**68,935.88**	**15659.50**

APPENDIX – 2.7

Statement showing supplementary provision which proved insufficient by more than Rs.10.00 lakh leaving an uncovered excess

(Reference: Paragraph 2.3.4(iii); Page 31)

(Rupees in crore)

Sl. No.	Number and name of Grant	Provision		Total grant	Actual expenditure	Excess
		O	S			
1.	5 – Secretariat Administration (Revenue Voted)	17.43	7.23	24.66	26.91	2.25
2.	11 – Social Welfare (Revenue Voted)	13.60	27.29	40.89	41.66	0.77
3.	13 Directorate of Accounts (Revenue Voted)	80.91	0.35	81.26	82.36	1.10
4.	15 – Health and Family Welfare (Revenue Voted)	68.84	17.09	85.93	92.63	6.70
5.	24 – Agriculture (Revenue Voted)	34.39	22.78	57.17	57.78	0.61
6.	33 – North Eastern Areas (Capital Voted)	0.98	37.16	38.14	41.43	3.29
7.	35 – IPR (Revenue Voted)	3.48	0.45	3.93	4.41	0.48
8.	38 – Irrigation (Revenue Voted)	52.96	9.06	62.02	76.73	14.71
9.	41 – Land Management (Revenue Voted)	2.25	0.60	2.85	3.00	0.15
10.	60 – Textile (Revenue Voted)	7.87	3.59	11.46	11.81	0.35
11.	Public Debt (Capital Charged)	126.20	29.29	155.49	298.48	142.99
	Total	**408.91**	**154.89**	**563.80**	**737.20**	**173.40**

(O=Original Grant, S=Supplementary Grant)

APPENDIX – 2.8

Statement showing excessive/unnecessary/injudicious re-appropriation of funds

(Reference: Paragraph 2.3.5; Page 31)

(Rupees in lakh)

Sl.No.	Number and name of grant/ appropriation and Head of account	Budget provision (original plus supplementary)	Re-appropriation Addition (+) Reduction (-)	Total Grant	Total Expenditure	Excess (+) Saving (-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	11 – Social Welfare Capital outlay on social welfare 4235 –Social Security 02 – Social Welfare 800 - Other Expenditure 1102 – Road Construction	O-225.98 S-401.11	(+) 74.05	701.14	481.14	(-) 220.00
2.	11 – Social Welfare 2235 - Social Security 60 – Other Social Security 200 – Other Programme 04 – Payment of Compensation under M.V. Act	O- 27.00	(-) 3.12	23.88	1.66	(-) 22.22
3.	11 – Social Welfare 2235 – Social Security 60 - Other Social Security 102 – Pension Under Social Security 1085 Old age Pension	O- 477.00	(-) 4.00	473.00	428.50	(-) 44.50
4.	13 – Directorate of Accounts 2071 – Pension & Other Retirement Benefits 01 – Civil 101 – Superannuation allowances 01 – Ordinary Pension	O- 6258.10	(-) 8.10	6250.00	7086.29	(+) 836.29
5.	13 - Directorate of Accounts 2071 – Pension & Other retirement benefits 01 – Civil 102 – Commented Value of Pension 01 – Ordinary Pension	O- 399.50	(+) 0.35	399.85	2.76	(-) 397.09
6.	13 – Directorate of Accounts 2071 Retirement Benefits 01 – Civil 105 – Family Pension 01 – Ordinary Pension	O- 355.50	(-) 0.20	355.30	1.85	(-) 353.45

(1)	(2)	(3)	(4)	(5)	(6)	(7)
7.	**15 – Health & Family Welfare** 2210 – Medical & Public Health 03 – Rural Health Services 110 – Hospitals & Dispensaries 01 – Establishment expenses	O- 4682.00 S - 788.71	(+) 7.60	5478.31	5918.75	(+) 440.40
8.	**15 – Health and Family Welfare** 2210 Medical & Public Health 04 – Rural Health Services 102 – Homeopathy 01 – Establishment Expenses	O - 204.18 S - 11.93	(-) 3.00	213.11	459.27	(+) 246.16
9.	**15 – Health & Family Welfare** 2210 - Medical & Public Health 05 – Medical Education 105 – Allopathy 01 – Training	O - 86.22 S - 50.50	(+) 5.70	142.42	118.30	(-) 24.12
10.	**18 – Research** 2205 – Art & Culture 107 – Museums 1452 – Improvement of Museums	O - 125.00	(-) 32.50	92.50	--	(-) 92.50
11	**22 – Forest** 2406 – Forestry & wildlife 01 – Forestry 102 – Social & Farm Forestry 02 – Compensatory Afforestation	O- 330.00	(-) 50.00	280.00	264.28	(-) 15.72
12	**23 – Forest** 2406 - Forestry & Wildlife 01 – Forestry 001 – Direction & Administration 01 – Establishment Expenses	O -2161.13 S - 110.27	(-) 5.31	2266.09	2234.47	(-) 31.62
13.	**23 – Forest** 2406 - Forestry & Wildlife 02 – Environment Forestry 110 – Wildlife Preservation 1670 – Integrated Forest Protection Scheme	O - 43.24 S - 159.95	(+) 2.92	205.81	190.79	(-) 15.02
14.	**24 – Agriculture** 2415 – Agriculture Research Education 01 Crop Husbandry 004 – Research 1723 – Maintenance of assets	O- 35.00	(-) 3.50	31.50	63.03	(+) 31.53

(1)	(2)	(3)	(4)	(5)	(6)	(7)
15.	29 – Co-Operation 4425 – Capital outlay on Co-Operation 001- - Direction & Administration 2081 – Establishment expenses	O - 20.00 S – 4.00	(+) 10.00	34.00	18.81	(-) 15.19
16.	31 – Public Works 4059 – Capital outlay on Public Works 800 – Other Expenditure 2208 – Construction of State Legislative Assemble Building	S – 465.61	(+) 34.39	500.00	---	500.00
17.	32 Roads & Bridges 5054 – Capital outlay on Road & Bridges 04 – District & other Road 800 – Other expenditure 01 – Scheme on Inter State connectivity under E & I Scheme	O- 20.27	(+) 20.27	---	91.99	(+) 91.99
18.	33 – North Eastern Areas 4552 – Capital outlay on North Eastern Areas 800 – Other expenditure 27 – Naharkatia Khonsa Road	O – 13.75	(-) 13.75	--	374.70	(+) 374.70
19.	33 – North Eastern Areas 4552 – capital outlay on North Eastern Areas 800 – Other expenditure 12 – Nari-Telam-Lipen-Namey-Kora-Koyou-Seren	O - 29.64 S – 330.01	(+) 0.35	360.00	554.00	(+) 194.40
20.	33 North Eastern Areas 4552 – Capital outlay on North Eastern Areas 800 – Other expenditure 28 - Margharita	O- 17.00	(-) 17.00	--	205.51	(+) 205.51
21.	34 – Power 4801 Capital outlay on Power Projects 01 – Hydel Generation 800 – Other expenditure 2337 – Scheme under ARDRP	O- 1000.00 S – 2833.77	(+) 263.30	4097.07	1523.49	(-) 2573.58
22.	34 – Power 4801 – Capital outlay on Power Projects 05 – Transmission & Distribution 800 – Other expenditure 2322 – Ranganadi Transmission	O- 21.70	(+) 5.30	27.00	---	(-) 27.00

(1)	(2)	(3)	(4)	(5)	(6)	(7)
23.	**Irrigation & Flood Control** 2702 – Minor Irrigation 80 General 800 Other expenditure 2416 Accelerated Irrigation Benefits Programme	O – 3200.00 S- 180.40	(+) 19.60	3400.00	3728.84	(+) 328.84
24	**39 – Loans to Government Servants** 7610 – Loans to Government Servants etc 202 – Advances for purchase of motor conveyances 01- - Moter Car etc.	O – 170.00	(-) 2.32	167.68	137.92	(-) 29.76
25.	**49 – Science and Technology** 3425 other Scientific Research 60 – Others 600 – Other Schemes 05 – Establishment of CIC project at CID Block in A.P	S – 89.98	(+) 7.36	97.34	69.87	(-) 27.47
26.	**50 – Secretariat Economic Services** 3451 – Secretariat Economic Services 090 – Secretariat 01 – Establishment expenses	O – 31807.83 S – 0.57	(-) 31574.24	234.16	190.21	(-) 43.95
27	**52 - Sports & Youth Affairs** 4202 – Capital Outlay on Education, Sports, and Culture 03 – Sports and Youth Services 800 – Other expenditure 2837 Outdoor Stadium	S – 308.93	(+) 1.10	310.03	282.22	(-) 27.81
28.	**56 - Tourism** 3452 – Tourism 80 – General 800 – Other expenditure 03 – Capital IT Computer Section	S – 72.99	(-) 2.99	70.00	18.56	(-) 51.44
29.	**56 – Tourism** 3452-Central Plan 80 General 800 – Other expenditure 2912 Brahmaputra Darshan Festival	O- 7.00	(+) 56.09	63.09	23.26	(-) 39.83
30.	**56 - Tourism** 5452 – Capital outlay on tourism 01 – Tourist Infrastructure 102 - Tourist Accommodation 3357 - Development of Acro Sports Centre	O – 5.00 S – 187.07	(-) 112.07	80.00	46.01	(-) 33.99

(1)	(2)	(3)	(4)	(5)	(6)	(7)
31.	**56 – Tourism** 5452 – Capital Outlay on Tourism 01 – Tourist Infrastructure 102 – Tourist Accommodation 3358 – Development of Tourist Circuit Dirak – Wakro- Teju-Hayuliang-Walang	S-184.00	(+) 42.58	226.58	300.00	(+) 73.42
32	**56 – Tourism** 5452 - Capital Outlay on Tourism 01 – Tourist Infrastructure 102 - Tourist Accommodation 3359 - Restoration and Preservation of Historical Heritage & Stone Rapport at Yabgo Dambuk of A.P.	S – 184.00	(+) 202.00	386.00	226.58	(-) 159.42
33	**56 – Tourism** 5452 - Capital Outlay on Tourism 01 – Tourist Infrastructure 102 - Tourist Accommodation 3355 – Construction of Multi Purpose Hall at Pasighat	O – 17.00	(-) 17.00	--	36.52	(+) 36.52
34.	**57 – Urban Development** 4217 – Capital Outlay on Urban Development 60 - Other Urban Development Schemes 800 – Other expenditure 3061 - Scheme against HUDCo Loan	O – 753.00	(-) 481.25	271.75	--	(-) 271.75
35.	**57 Urban Development** 4217 – Capital Outlay on Urban Development 60 – Other Urban Development Schemes. 800 – Other expenditure 3074 – Urban Road at Hawai Township	O – 24.53	(+) 748.11	772.64	570.01	(-) 202.63
36.	**57 – Urban Development** 4217 – Capital Outlay on Urban Development 60 – Other Urban Development Schemes 800 – Other expenditure 51 – National Urban Renewable Mission	S – 445.00	(+) 55.00	500.00	293.75	(-) 206.25
37.	**60 Textiles & Handicraft** 2851 – Village Industries & Small Industries 001 – Direction & Administration 01 – Establishment Expenses	O- 662.10 S – 99.42	(+) 0.33	761.85	796.61	(+) 34.76

38	**Public Debt** 2049 – Interest payment 01 – Interest on Internal debt 200 – Interest on other internal debts 03 – Interest on Loan for National Rule for Agriculture and Rural Development	O– 2160.00	(-) 610.00	1550.00	1152.71	(-) 397.23
39	**Public Debt** 2049 – Interest payment 01 – Interest on Internal Debts 200 – Interest on other Internal Debts 04 – Interest on loan from Rural Electrification Corporation Limited	O - 2095.00	(-) 395.00	1700.00	1229.55	(-) 470.45
40	**Public Debt** 2049 Interest payments 04 – Interest on Loans & Advances from Central Government 101 – Interest on loans to State Union Territory Plan Schemes 01 – Instalment on Small Savings	O - 5028.36	(+) 37.13	5065.49	4860.22	(-) 205.27
41	**Public Debt** 2049 – Interest Payments 01. Interest on Internal debt 200 Interest on other Internal debts 01 – Interest on loan for Life Insurance Corporation of India	O – 30.58	(-) 5.33	25.25	11.80	(-) 13.45
42.	**Public Debt** 2049 – Interest payment. 04 – Interest on loans & Advances for Central Government 106 – Interest on Keys & means Advances 01 – Payment and Interest on Excess drawal of ways & means from RBI	O - 60.00	(-) 40.00	20.00	818.36	(+) 798.36
43.	**Public Debt** 6004 – Loans & Advances from Central Government 12 – Loans for State/Union Territory Plan Schemes 101 – Block Loans 01 – Repayment of Block Loans	O - 1915.40 S – 70.24	(+) 105.40	2091.04	3701.49	(+) 1610.40

APPENDIX – 2.9

Statement showing expenditure without provision of funds and re-appropriation

(Reference: Paragraph 2.3.6; Page 31)

(Rupees in lakh)

Sl. No.	Number and name of Grant	Head	Total appro-priation	Actual expenditure	Excess
(1)	(2)	(3)	(4)	(5)	(6)
1.	15- Health & family welfare	2210- Medical & Public Health 02- Urban Health services other systems of medicines 102- Homeopathy 1322- Supply of essential drugs	-	11.55	11.55
2.	24- Agriculture	2401- Crop Husbandry 103 - Seeds 1728- Strengthening of State seed certification organization.	-	22.43	22.43
3.	31- Public works	2059- Public works 80- General 799- Suspense 01- Stock Debit	-	60.54	60.54
4.	32- Roads & Bridges	5054- Capital outlay & Roads & Bridges 04- District & other Roads 800- other expenditure 01- Scheme on interstate connectivity under E&I scheme	-	91.99	91.99
5.	38- Irrigation & Flood control	2705- Command Area Development 800- other expenditure 01- Scheme under CAD programme	-	13.50	13.50
6.	Public debt	6003- Internal debt of the state government 101- Market loans 0693- Market loans bearing interest - 13.85% AP state development loan	-	468.00	468.00

(1)	(2)	(3)	(4)	(5)	(6)
7.	Public debt	6003- Internal debt of the state government 110- Ways & means advances for the RBI 1086- Shortfall/ over draft	-	17298.30	17298.30
8.	Public debt	6004 - Loans & Advances from the central government 06- ways & means Advance 800- Other ways & mean Advances	-	608.00	608.00
9.	Public debt	6003- Internal debt of the state government 101- Market loans 3386 - 8.50% AP Government power Bonds October 2006	-	120.36	120.36
10.	-do-	6003- Internal debt of the state government 101- Market loans 3387-8.50% AP Power bonds April 2007	-	120.36	120.36
11.	-do-	6003- Internal debt of the state government 101- Market loans 0694 - Market loans bearing Interest 13.75% AP State Development loan 2007	-	47.00	47.00
			Total:	**18,862.03**	**18,862.03**

APPENDIX – 2.10

Statement showing non-utilisation of entire provision of funds in excess of Rs.10 lakh

(Reference: Paragraph 2.3.7; Page 31)

(Rupees in crore)

Sl. No.	Number and name of grant	Head of Account	Total grant	Total expenditure	Saving (-)	Percentage
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	10 - Other General Social and Community Services	2250- Other social services 800 – Other expenditure 01- Subsidy to postal services O -0.13	0.13	-	0.13	100
2.	13 - Directorate of Accounts	2071- Pension and other Retirement benefits 01- Civil 103- Compassionate allowances 01- Ordinary Pension O- 0.13	0.13	-	0.13	100
3.	18- Research	2205- Art & culture 107- Museums 10154- Promotion and Strengthening of Regional and Local Museum S-0.15	0.15	-	0.15	100
4.	27- Panchayat	2515- Other Rural Development Programmes 001- Direction and Administration 01- Panchayat /Local Bodies O - 0.14	0.14	-	0.14	100
5.	31- Public works	4059- Capital outlay on Public works 80- General 800- other expenditure 2208- Construction of state Legislative Assembly Building S- 4.66 R- 0.34	5.00	-	5.00	100
6.	31- Public works	4059- Capital outlay on Public works 80- General 051- Construction 05- Building under HUDCO loan S- 4.81	4.81	-	4.81	100

(1)	(2)	(3)	(4)	(5)	(6)	(7)
7.	32- Roads & Bridges	5054- Capital outlay on roads & Bridges 04 — District and other Roads 800- other expenditure 2268- Construction of Rope way from Taking Monastery to Ani Gompa S – 1.04	1.04	-	1.04	100
8.	34- Power	4801- Capital outlay on Power projects 01- Hydel generation 800- other expenditure 2334- 100% metering system O- 1.16 S- 2.58	3.74	-	3.74	100
9.	34- Power	4801- Capital outlay on power projects 05- Transmission and Distribution 800- other expenditure 2322- Ranganadi Transmission O-0.22 R- 0.05	0.27	-	0.27	100
10.	37- Legal Metrology	3456- Civil Supplies 800- other expenditure 2397- Integrated project on consumer projection S- 2.58	2.58	-	2.58	100
11.	38- Irrigation and flood control	2702- Minor Irrigation, 01- Surface water 102- Lift Irrigation Schemes 02- Schemes under RIDF loan O- 1.00	1.00	-	1.00	100
12.	57- Urban Development	2217- Urban Development 80 - General 191- Assistance to Local Bodies Corporations Urban Development Authorities Town Improvement Boards etc 3014- Grants-in-aid to local Bodies O-0.60 S-0.60	1.20	-	1.20	100
13.	57- Urban Development	4217- Capital outlay on Urban Development 60- Other Urban Development Schemes 800- other expenditure 3096- Infrastructure Development of Secondary School at Koloriang S-0.91	0.91	-	0.91	100

(1)	(2)	(3)	(4)	(5)	(6)	(7)
14.	Public Debt	6004 - Loans and Advances from the Central Government 06- Ways and Means Advances 800- Other ways & means Advance 01- Repayment of Advances taken from Govt. of India under ways and means S-10.00	10.00	-	10.00	100
15.	Public Debt	6003- Internal Debt of the State Govt. 101- Market Loans 02- Open market Borrowing Bearing Interest O-5.15	5.15	-	5.15	100
16.	Public Debt	6003- Internal Debt of the State Govt. 101- Market loans 07- Repayment of loan on Power Bonds S-2.41	2.41	-	2.41	100
17.	Public Debt	6003- Internal Debt of the State govt. 103- Loans from Self Insurance Corporation of India 01- Repayment Loans from LIC O- 0.12 S- 0.05	0.17	-	0.17	100
		Total	**38.83**	-	**38.83**	

APPENDIX – 2.11

Statement showing persistent savings in excess of Rs.10 lakh in each case and 10 *per cent* or more of the provision

(Reference: Paragraph 2.3.8; Page 32)

(Percentage of savings to total provision)

Sl. No.	Number and name of grant/appropriation	2004-05	2005-06	2006-07
	Revenue (Charged)			
1.	12- Social Security	12	14	86
	Revenue (Voted)			
2.	27- Panchayat	19	34	84
3.	50- Secretariat Economic Services	53	94	89
4.	53- Fire protection	12	11	15
5.	57- Urban Development	23	58	27
	Capital (Voted)			
6.	14- Education	35	34	20
7.	24- Agriculture	74	21	19
8.	31- Public works	64	22	40
9.	34- Power	32	37	22
10.	57- Urban Development	79	25	31

APPENDIX – 2.12

Statement showing non-surrender of savings in excess of Rs.20 lakh

(Reference: Paragraph 2.3.9; Page 32)

(Rupees in crore)

Sl. No.	Number and name of the grant / appropriation	Total grant / appropriation	Savings	Un-surrendered savings	Percentage of un-surrendered savings
(1)	(2)	(3)	(4)	(5)	(6)
	Revenue (Charged)				
1.	Public Debt	225.21	24.69	24.69	100
2.	12- Social Security	106.00	90.82	23.16	26
	Revenue (Voted)				
3.	6- District Administration	126.09	15.74	15.74	100
4.	14- Education	236.10	2.00	2.00	100
5.	18- Research	388.81	1.45	1.45	100
6.	21- Food, Storage & warehousing	22.25	2.23	2.23	100
7.	22- Civil Supplies	20.57	0.23	0.23	100
8.	23- Forests	74.35	4.31	4.31	100
9.	25- Relief & Rehabilitation	74.84	0.68	0.68	100
10.	26- Rural works	32.57	1.18	1.18	100
11.	27- Panchayat	16.21	13.61	13.61	100
12.	30- Transport	38.07	0.38	0.38	100
13.	31- Public works	52.63	0.59	0.37	63
14.	33- North Eastern Areas	5.05	0.22	0.22	100
15.	34- Power	120.57	0.52	0.47	90
16.	36- Statistics	4.81	0.26	0.26	100
17.	37- Legal Metrology	5.15	2.56	2.56	100
18.	39- Loans to Govt. Servants	3.56	0.37	0.37	100
19.	42- Rural Development	28.62	0.84	0.84	100
20.	45- Civil Aviation	24.27	1.04	1.04	100
21.	49- Science & Technology	11.37	10.02	10.02	100
22.	53- Fire Protection & control	2.26	0.35	0.35	100
23.	56- Tourism	4.65	1.00	1.00	100
24.	57- Urban Development	4.79	1.31	1.31	100
25.	59- PHE	156.32	5.11	5.11	100

(1)	(2)	(3)	(4)	(5)	(6)
	Capital (Voted)				
26.	14- Education	48.05	9.84	9.84	100
27.	15- Health & Family Welfare	31.22	0.97	0.97	100
28.	21- Food, storage & ware housing	1.74	0.54	0.54	100
29.	24- Agriculture	2.15	0.41	0.41	100
30.	29- Co-operation	7.29	1.59	1.59	100
31.	31- Public works	24.79	10.03	10.03	100
32.	32- Roads & Bridges	194.73	20.98	20.98	100
33.	34- Power	118.60	25.84	25.84	100
34.	42- Rural works	1.31	0.40	0.40	100
35.	52- Sports & youth services	8.57	1.38	1.38	100
36.	56- Tourism	15.75	1.00	1.00	100
37.	57- Urban Development	41.77	12.97	12.97	100
38.	59- PHE	18.54	0.33	0.33	100
39.	65- Deptt. of Tirap & Changlang	23.41	0.37	0.37	100
40.	66- Power (Civil)	36.47	0.95	0.95	100
	Total:	**2359.51**	**269.11**	**201.18**	

APPENDIX – 2.13

Statement showing the number of cases in which the amount surrendered was in excess of actual savings

(Reference: Paragraph 2.3.10; Page 32)

Table

(Rupees in lakh)

SL No.	Grant number	Saving (-)	Amount surrendered	Excess amount surrendered
	Revenue (Voted)			
1.	16- Art & Culture Affairs	(-) 17.48	43.25	25.77
2.	43- Fisheries	(-) 28.52	30.13	1.61
3.	48- Horticulture	(-) 10.96	15.12	4.16
4.	65- Department of Tirap & Changlang	(-) 243.49	271.03	27.54
	Total:	**300.45**	**359.53**	**59.08**

APPENDIX – 2.14

Statement showing rush of expenditure during the month of March

(Reference: Paragraph 2.3.11; Page 32)

(Rupees in crore)

Sl. No.	Heads of accounts	Grant No.	Total provision	Expenditure				Total expenditure	Percentage of expenditure during 4th quarter to total expenditure	Expen-diture during March	Percentage of expenditure during March	
				1st quarter	2nd quarter	3rd quarter	4th quarter				Total provision	Total expen-diture
1.	2055	8	109.34	20.84	26.04	25.57	37.09	109.54	34	21.71	20	20
2.	2202	14	233.48	42.44	46.46	(-) 8.36	151.40	231.94	65	53.39	23	23
3.	2210	15	81.80	14.63	19.23	18.71	34.81	87.38	40	23.53	29	27
4.	2211	15	4.14	0.71	0.87	0.81	2.81	5.20	54	2.30	56	44
5.	2215	59	155.58	3.98	14.66	31.17	100.66	1.50.47	67	72.79	47	48
6.	2235	8,11,12,13 &25	36.77	5.96	7.28	5.16	18.34	36.74	50	9.02	25	25
7.	2401	24&48	66.54	7.32	8.78	9.73	41.04	66.87	61	34.98	53	52
8.	2403	28	24.35	4.30	5.86	5.64	8.62	24.42	35	4.89	20	20
9.	2515	27&42	28.54	2.39	3.06	2.87	6.45	14.77	44	4.89	17	33
10	2851	19&60	15.64	3.26	3.11	2.69	7.35	16.41	45	4.72	30	29
		Total:	**756.18**	**105.83**	**135.35**	**93.99**	**408.57**	**743.74**	**55**	**232.22**	**31**	**31**
Percentage with reference to total expenditure			14	14	18	13	55	98		31		

Source : Accountant General (A&E).

APPENDIX – 2.15

Statement showing the drawal of amount by AC bills

(Reference: Paragraph 2.3.12; Page 33)

Abstract of total number of AC bills awaiting adjustment

Total number of AC bills awaiting adjustment	Amount involved (Rupees)	Age-wise break up of outstanding advances		
		Year	Number of items	Amount (Rupees)
1907	17,50,95,226	2001-02	147	31,47,650
		2002-03	384	68,51,517
		2003-04	203	1,41,73,259
		2004-05	431	9,25,43,346
		2005-06	339	1,30,71,038
		2006-07	403	45308416
		Total:	**1907**	**17,50,95,226**

DETAILS OF AC BILLS AWAITING ADJUSTMENT

(Amount in Rupees)

Sl. No.	Name of the D.D.O/Controlling Officers from whom D.C. bills are awaited	Year	Total number of items	Amount involved
1.	Asstt. Commissioner Excise & Taxation, Itanagar		1	5000
2.	Asstt. Director for Relief & Rehabilitation and settlement		4	18000
3.	Chief Medical Officer, General Hospital Naharlagun		22	155,000
4.	Child Development Project Officer, Doimukh		1	20,67,000
5.	Commandant 1st AAP, BHQ, Itanagar		3	17,86,816
6.	Director of Health Services, Naharlagun		18	1,90,000
7.	Director General of Police, Itanagar		27	5,23,23,051
8.	Director of Accounts and Treasuries, Naharlagun		16	1,40,000
9.	Director of Audit and Pension, Naharlagun		11	1,40,000
10.	Director of Health Services (MED), Naharlagun		3	25,000
11.	Director of Relief and Rehabilitation, Itanagar		2	10,000
12.	Director of Small Saving, Naharlagun		1	15,000
13.	Director of Sports and Youth Welfare, Naharlagun		1	20,000
14.	Director of Social Welfare Department, Naharlagun		2	17,000
15.	District Election Officer, Bomdila		4	3,02,000
16.	District Election Officer, Daporijo		2	4,36,000
17.	District Election Officer, Changlang		4	4,50,000
18.	District Election Officer, Tirap, Khonsa		1	1,54,100
19.	District Medical Officer (MED), Changlang		1	45,608
20.	District Medical Officer (FWL), Changlang		1	1,500
21.	District Medical Officer (FWL), Bomdila		2	20,000
22.	District Relief Rehabilitation Officer, Itanagar		4	19,000
23.	District Medical Officer (FWL), Along		37	3,04,800
24.	District Election Officer (ADC), Roing		1	1,00,000
25.	District Election Officer (DC) Seppa		5	38,00,000
26.	District Election Officer, Along		31	16,27,430
27.	District Election officer, Naharlagun		10	3,36,900

Sl. No.	Name of the D.D.O/Controlling Officers from whom D.C. bills are awaited	Year	Total number of items	Amount involved
28.	District Election Officer, Passighat		1	78,225
29.	District election Officer, Tawang		3	4,25,000
30.	District election Officer, Yingkiang		26	3,44,348
31.	District election Officer, Ziro		1	2,00,000
32.	District Medical Officer (FWL), Pasighat		10	1,30,700
33.	District Medical Officer (FWL), Daporijo		1	20,000
34.	District Medical Officer, Roing		2	60,000
35.	District Medical Officer, Yingkiong		2	30,000
36.	District Medical Officer (MED), Tezu		5	5,20,000
37.	District Medical Officer (MED), Popumpara		6	63,000
38.	District Medical Officer Khonsa		13	90,000
39.	Divisional Commissioner (West), Itanagar		5	10,01,802
40.	Deputy Director of Health Services (T&R) (FWL), Pasighat		8	60,000
41.	Deputy Commissioner (Admn), Tezu		16	7,02,500
42.	Deputy Commissioner (Admn), Itanagar		7	11,62,990
43.	Deputy Commissioner (Admn), Tawang		2	81,000
44.	Deputy Commissioner (LAR), Along		2	154,000
45.	Deputy Commissioner (Admn), Anini		1	28,626
46.	Deputy Commissioner (Admn), Bomdila		1	6000
47.	Deputy Commissioner (Admn), Tirap		1	5600
48.	Deputy Commissioner, Popumpara district		3	3,50,000
49.	Deputy Director stationer & Printing, Naharlagun		2	21,25,000
50.	Deputy Director (Fisheries), Directorate of Fisheries, Itanagar		1	75,000
51.	Deputy Director small saving, Naharlagun		3	40,000
52.	Deputy Superintendent of police (Tele) Itanagar		7	3,34,920
53.	Editor, AP, Gazetteer, Shillong		3	1,49,482
54.	Finance and Accounts Officer Legislative Assembly, Naharlagun		76	12,97,000
55.	Minister of Arunachal Pradesh,		10	83,587
56.	Secretary States Lotteries, Itanagar		139	74,16,400
57.	Social Welfare Woman and child development, Naharlagun		11	19,66,960
58.	Supdt. of Police (PS), Itanagar		8	2,63,717
59.	Supdt. of Police (Tele), Itanagar		275	581,51,933
60.	Treasury Officer, Along		2	72,683
61.	Treasury Officer, Itanagar		1	2,07,951
62.	Under secretary (Establishment), Itanagar		44	19,26,990
63.	Under secretary (Establishment), Law Itanagar		2	8,71,500
64.	Under Secretary to the Governor, Itanagar		239	61,96,991
65.	Under Secretary, Itanagar		200	51,48,783
66.	Under Secretary, Public Service Commission, Itanagar		23	9,77,235
67.	Under Secretary (Establishment), Government of AP, Itanagar		341	1,53,40,298
68.	Under Secretary (Establishment), Office of the Divisional Commission Itanagar		188	24,05,910
69.	Vice Principal, PTC, Banderdewa		1	20,000
	Total:		**1907**	**17,50,95,226**

APPENDIX – 3.1.1

(Reference: Paragraph - 3.1.13.2; Page-45)

Statement showing Supply and Distribution of weapons/equipment in the test checked districts against norms fixed by BPR&D

Components	Extremist Prone Districts												Non-extremist District		
	Papumpare			East Siang			Lower Dibang Valley			West Kameng			Lower Subansiri		
	R	A	Excess(+) Less(-)	R	A	Excess(+) Less(-)	R	A	Excess(+) Less(-)	R	A	Excess(+) Less(-)	R	A	Excess(+) Less(-)
A. Weapons (i) Ak series/ 5.56 INSAS RIFLE	33	62	(+)29	29	25	(-)4	10	10	-	16	15	(-)1	NIL	32	(+)32
(ii) 7.62 SLR	287	120	(-) 167	154	105	(-)49	100	80	(-)20	150	105	(-) 45	10	50	(+)40
(iii) 9 mm carbine	94	43	(-)51	54	39	(-) 15	16	12	(-) 4	18	23	(+)5	NIL	18	(+)18
(iv) 9 mm pistol/.38 revolver	35	57	(+)22	31	25	(-) 6	18	29	(+)11	22	31	(+)9	12	18	(+)6
(v) 12 bore pump action gun	29	NIL	(-) 29	15	NIL	(-) 15	10	ML	(-) 10	15	NIL	(-) 15	10	Nil	(-)10
(vi) Truncated 303 Rifle for rubber bullet	57	4	(-) 53	31	NIL	(-) 31	20	1	(-) 19	30	1	(-) 29	20	1	(-)19
(vii) LMG	2	NIL	(-) 2	2	NIL	(-) 2	2	NIL	(-) 2	2	NIL	(-) 2	-	NA	NA
(viii) Hand grenade	287	NIL	(-) 287	154	89	(-) 65	100	NIL	(-) 100	150	64	(-) 86	-	NA	NA

R: Requirement as per norm
A: Available

APPENDIX – 3.1.2

(Reference: Paragraph - 3.1.14.1; Page-47)

Statement showing year-wise position of Annual Classification Firing conducted in test checked Districts

Sl. No.	Name of Weapon	Annual classification firing as per BPRD norm	2002-03					2003-04					2004-05					2005-06					2006-07				
			Districts					Districts					Districts					Districts					Districts				
			WK	ES	LS	DV	PP	WK	ES	LS	DV	PP	WK	ES	LS	DV	PP	WK	ES	LS	DV	PP	WK	ES	LS	DV	PP
1	7.62 SLR	20 rds every two years	-	-	-	-	15	6 (40)	5 (50)	-	-	15	-	17	-	-	9 (10)	-	-	-	-	-	-	-	-	-	-
2	9mm carbine	20 rds every two years	-	-	-	-	15	9 (10)	-	-	-	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	.38 revolver/ 9mm pistol	20 rds every two years	-	-	-	-	12	-	1 9	-	-	-	-	19	-	-	10	-	-	-	-	-	-	-	-	-	-
4	5.56 INSAS	30 rds every three years	-	-	-	-	15	-	-	-	-	-	-	-	-	-	9 (40)	-	-	-	-	-	-	-	-	-	-
5	AK-47	30 rds every three years	-	-	-	-	10 (33)	-	-	-	-	-	-	-	-	-	10 (33)	-	-	-	-	-	-	-	-	-	-

WK=West Kameng, ES=East Siang, LS=Lower Subansiri, DV=Dibang Valley, PP=Papumpare

Figures in brackets indicate percentage in shortfall

APPENDIX-3.2.1

Details of incomplete water schemes

(Reference: Paragraph-3.2.11.1; Page-64)

Period of sanction	Schemes taken up for execution	Schemes competed till March 2007	Period of comple-tion	Work in progress	Due date for comple-tion	Expendi-ture incurred as of 3/07	Schemes not started till 3/07	Approved cost (Rs.in crore)
Prior to 2002-03	230	223	3/03-3/07	05	3/02-3/03	0.76	02	0.33
2002-03	126	119	3/04-3/07	07	3/04	3.35	NIL	NIL
2003-04	339	293	3/5-3/07	34	3/05	1.56	12	1.86
2004-05	356	206	3/05-3/07	116	3/06	3.30	34	5.84
2005-06	815	156	3/06-3/07	365	3/07	8.86	294	25.79
2006-07	120	03	3/07	30	3/08	0.28	87	30.678
Total	1986	1000 (50%)		557 (28%)			429 (22%)	64.49

Source: information as furnished by the Department

APPENDIX-3.2.2

Details of schemes under taken beyond the scope of ARWSP

(Reference: Paragraph-3.2.11.2; Page-64)

Sl. No	Name of Districts	Name of work	Years of sanction	Sanctioned cost (Rs. in crore)	Expenditure (Rs.in crore)	Status of work
1	Papumpare (Yupia)	W/S at NEEPCO (PSU)	2001-02	0.13	0.12	Completed
		W/S at Boginadi Forest Beat	2002-03	0.04	0.04	Completed
2	Lower Subansiri (Ziro)	W/S at Pitapool market area and NEEPCO complex (PSU)	2002-03	0.19	0.20	Complete
3	West Siang (Along)	Jiyandi Forest Beat	-do-	0.10	--	Work not started
		Laipolia Forest Beat	-do-	0.09	--	-do-
		SDO HQ Yomcha	-do-	0.63	0.03	Work in progress
4	East Siang (Pasighat)	W/S at Donyi Polo Tea Estate	2004-05	0.05	0.05	Completed
		W/S to Santiban Tea Estate	2005-06	0.50	--	Not stated
5	West Kameng (Bomdila)	Kimi Forest officer Complex	2003-04	0.06	0.06	Completed
		W/S at Forest & PHE complex at Shergoan	2006-07	0.23	0.01	Work in progress
6	Changlang (Changlang)	W/S at 7 Km Army Camp Yangchili	2002-03	0.05	0.05	Completed
		W/S at PHE SE Complex Miao	-do-	0.14	0.14	Completed
Grand Total				**2.21**	**0.70**	

APPENDIX-3.2.3

Name of the uninhabited/non existent villages/habitations covered under ARWSP

(Reference: Paragraph-3.2.11.3; Page-64)

District (Division)	Name of schemes	Year of sanction	Sanctioned cost (Rs. in crore)	Expenditure (Rs. in crore)	Year of completion
Papumpare (Yupia)	W/S at Dokte (Dapte)	2002-03	0.16	0.17	2004-05
	W/S at 59 Km	-do-	0.19	0.19	-do-
	W/S at 38 Km	-do-	0.13	0.14	-do-
	W/S at 49 Km (u/peach)	-do-	0.10	0.11	-do-
	W/S at 64 Km (Dardang)	-do-	0.10	0.11	-do-
	W/S at 57 Km (Nimte)	-do-	0.10	0.10	-do-
	W/S at 52 Km Camp (Yazali Taru camp)	-do-	0.10	0.11	-do-
	W/S at 22nd mile Camp	2003-04	0.10	0.10	2005-06
Lower Subansiri (Ziro)	W/S at chimir	2002-03	0.06	0.06	2004-05
	W/S at Pegmir	-do-	0.08	0.08	-do-
	W/S at Kamcho Taram	2004-05	0.10	0.10	2005-06
	W/S at Sarak	-do-	0.20	0.21	-do-
West Siang (Along)	W/S at Mingging	2004-05	0.22	0.22	-do-
	W/S at Rete Riju	-do-	0.18	0.18	-do-
	W/S at Gai	2005-06	0.14	0.14	-do
East Siang (Pasighat)	W/S at 5th mile camp	2005-06	0.37	0.24	2006-07
West Kameng (Bomdila)	W/S at Deputa Village	2005-06	0.09	0.09	2005-06
Grand total			2.42	2.35	

APPENDIX-3.2.4

Statement showing excess expenditure over sanctioned cost against water supply scheme (ARWSP)

(Reference: Paragraph-3.2.11.4; Page-65)

Sl. No	Name of divisions	Name of schemes	Year of sanction	Sanctioned cost (Rs. in lakh)	Expenditure (Rs. in lakh)	Difference (Rs. in lakh) (*per cent*)	Year of completion	Period of completion
1	Yupia	W/s at Meb Village in rose Panchayat	1990-91	1.91	4.25	2.34 (123)	2002-03	12 years
		Extension of W/s at Khemling N school	1995-96	3.24	5.31	2.07 (64)	-do-	7
		W/s at Donipolo Mission School at Sagalee	1996-97	4.41	6.64	2.23 (51)	-do-	6
		W/s at 47th Camp	2000-01	19.75	20.65	0.90 (5)	-do-	2
		Improvement of W/s at Banderdewa	2002-03	30.63	32.04	1.41 (5)	2005-06	2
		Improvement and Augmentation of W/s at Karshinsa	-do-	20.69	21.96	1.27 (6)	2004-05	2
		W/s at M.E. school, Emchi	2003-04	11.92	12.68	0.76 (6)	2005-06	2
		W/s at M.E. School, Dilla	-do-	15.62	17.04	1.42 (9)	2006-07	3
2	Ziro	W/s at Yazali town School	1995-96	13.15	18.67	5.52 (42)	2002-03	7
		W/s at Job	-do-	2.31	4.29	1.98 (86)	-do-	7
		Improvement of W/s at Kemliko Village	2001-02	13.98	14.63	0.65 (5)	2003-04	2
		W/s at M.E. School at Dibo	-do-	7.13	13.09	5.96 (84)	2005-06	2
		W/s at K.G. School, Deed	-do-	20.00	21.00	1.00 (5)	2006-07	3
3	Along	Extension and Modi of W/s at Kaying Village	1992-93	5.85	9.67	3.82 (65)	2002-03	10
		W/s at Ditten	1996-97	4.01	8.32	4.31 (107)	2002-03	6 years
		W/s at Siru L.P. School	1997-98	2.80	4.90	2.10 (75)	2002-03	5 years
4	Pasighat	Reno & improvement at Ngarlung-I	1995-95	5.96	7.34	1.38 (23)	2002-03	7
		W/s at Telam H.S. school & Hospital from Existing boring	1996-97	13.55	16.00	2.45 (18)	2002-03	6
5	Bomdila	W/s at New Kalaktang	2002-03	70.66	74.20	3.54 (5)	2005-06	3
6	Changlang	Improvement of w/s at Sabban	1990-91	1.58	5.77	4.19 (265)	2002-03	12
		W/s at Wagon Village I to IV	1999-2000	16.14	26.02	9.88 (61)	2002-03	3
		Grand total		**285.29**	**344.47**	**59.18**		

APPENDIX-3.2.5

Statement showing less quantity of pipes utilised against the schemes than the requirement as was approved

(Reference: Paragraph-3.2.11.7; Page-66)

(Rs. in crore)

Sl. No.	Name of division	Name of scheme	Year of sanction	Cost	Quantity required as per estimate (Rmt)	Quantity used to work (Rmt)	Difference (Rmt)	Expenditure	Cost of differential quantities of pipes	Year of completion
1.	Yupia	4	2003-04 to 2005-06	0.67	21,765	8,884	12,881	0.67	0.09	2005-06 to 2006-07
2.	Pasighat	11	2001-02 to 2005-06	1.60	47,153	25,720	21,433	1.60	0.34	2004-05 to 2005-06
3.	Ziro	11	2003-04	3.32	67,332	32,437	34,895	1.79	0.20	2004-05 to 2005-06
4.	Changlang	15	2002-03 to 2006-07	3.19	95,511	50,421	45,090	3.27	0.58	2002-03 to 2006-07
5.	Along	14	2004-05 to 2006-07	0.97	37,254	25,559	11,695	0.81	0.45	2004-05 to 2006-07
6.	Bomdila	11	2000-01 to 2005-06	3.52	94,181	49,078	45,103	3.56	0.80	2002-03 to 2006-07
	Total	**66**		**13.27**	**3,63,196**	**1,92,099**	**1,71,097**	**11.70**	**2.46**	

APPENDIX-3.3.1

Statement showing short receipt of food grains against the entitlement by 160 schools of 8 test checked districts

(Reference: Paragraph-3.3.11.4; Page-81)

Requirements of foodgrains calculated= 10 months x total enrolment x quantity of foodgrains per child.

Name of District	2004-05				2005-2006				2006-07				Total			
	Requirement of rice	Qtys actually received	Short receipt	No. of students not covered	Requirement of rice	Qtys actually received	Short receipt	No of students not covered	Requirement of rice	Qtys actually received	Short receipt	No of students not covered	Requirement of rice	Qtys actually received	Short receipt	No of students not covered
	(Quantity in quintals)															
East Siang	576.60	518.00	58.60	293	555.20	277.60	277.60	1388	559.20	257.86	301.34	1507	1691.00	1053.46	637.54	3188
Upper Subansiri	664.74	579.89	84.85	424	656.78	366.49	290.29	1451	669.76	226.12	443.64	2218	1991.28	1172.50	818.78	4094
Lower Subansiri	2709.80	2438.82	270.98	1355	3294.40	2900.00	394.40	1972	3200.80	1161.44	2039.36	10196	9205.00	6500.26	2704.74	13524
Papum Pare	4826.80	4739.30	87.50	437	5751.00	5564.90	186.10	931	5751.00	5175.90	575.10	2876	16328.80	15480.10	848.70	4243
Lohit (Tezu)	757.23	755.20	2.03	10	792.96	633.44	159.52	798	830.34	463.92	366.42	1832	2380.53	1852.56	527.97	2639
Tirap (Khonsa)	526.92	234.74	292.18	1461	560.36	133.90	426.46	2132	571.91	204.82	367.09	1835	1659.19	573.46	1085.73	5429
Tawang	333.60	273.60	60.00	300	329.60	272.92	56.68	283	325.60	261.70	63.90	320	988.80	808.22	180.58	903
East Kameng	485.20	399.26	85.94	430	542.90	533.80	9.10	45	602.60	160.04	442.56	2213	1630.70	1093.10	537.60	2688
Total	10880.89	9938.81	942.08	4710	12483.20	10683.05	1800.15	9000	12511.21	7911.80	4599.41	22997	35875.30	28533.66	7341.64	36708

Students not covered = Short receipt ÷ 0.2 quintals (quantity allocated per child per year)

APPENDIX-3.3.2

Statement showing lifting of foodgrains remained undelivered with the carriage contractors during 2002-03 to 2006-07

(Reference: Paragraph-3.3.11.5; Page-81)

Year	Name of District	Allotment	Qty Release by FCI & lifted	Qty issued to school	Qty remained undelivered	FCI issue rate per quintal	Amount in Rupees
2003-04	Lower Subansiri	2,692.50	347.34	NIL	347.34	565	1,96,247.10
2003-04	Tirap	3,610.20	2,357.97	1,965.58	392.39	565	221,700.35
2004-05	Tirap	2,430.00	2,187.00	1,373.69	813.31	565	459;520.15
2005-06	Tirap	2,820.64	1,690.16	1,423.71	266.45	565	1,50,544.25
	Upper Subansiri	3,221.12	2,898.99	1,290.99	1,608.00	565	9,08,520.00
	East Siang	3,500.50	3,150.25	1,750.00	1,400.25	565	7,91,141.25
2006-07	Tirap	2,820.64	1,882.32	1,131.76	750.56	565	4,24,066.40
	Upper Subansiri	3,221.12	2,899.02	2,879.98	19.04	565	10757.60
	East Siang	3,500.50	3,150.05	1,400.00	1,750.05	565	988778.25
Total		27,817.22	20,563.10	13,215.71	7,347.39	565	41,51,275.35

i.e. Rs.42.00 lakh

Appendix-3.3.3

Statement showing amount spent and unspent on construction of Kitchen sheds

(Reference: Paragraph-3.3.12.4; Page-84)

(Rupees in lakh)

Name of district	Number of kitchen sheds to be constructed	Amount sanctioned and drawn the DDSE	Number of kitchen sheds constructed	Expenditure incurred	Balance as on July 2007
Papumpare	92	55.20	39	23.40	31.80
Lower Subansiri	82	49.20	60	36.00	13.20
East Kameng	100	60.00	25	15.00	45.00
Total	**274**	**164.40**	**124**	**74.40**	**90.00**

Source Information furnished by the respective DDSE.

APPENDIX – 3.4.1

Statement showing year-wise names of the schemes sanctioned by Government of India, fund released and expenditure incurred during the period from 2002-03 to 2006-07

(Reference: Paragraph-3.4.11.1; Page-95)

(Rupees in crore)

Year	Name of the scheme	Amount sanctioned		Amount released		Expenditure incurred		Target date of completion	Actual date of completion	Present status
		Central	State	Central	State	Central	State			
2002-03	Car parking with protection wall at Ganga lake, Itanagar	0.48	Nil	0.48	-	0.48	-	April 2005		Complete
	Footpath, Ms railing at Ganga lake, Itanagar	0.50	Nil	0.50	-	0.50	-	April 2005		Complete
	Hawaggar and children's park at Ganga lake, Itanagar	0.49	Nil	0.49	-	0.49	-	April 2005		Complete
	Construction of multipurpose hall at Gonpatse Monastery, Bomdila	0.97	Nil	0.97	-	0.97	-	July 2007		Complete
2003-04	Integrated Development of Bhalukpong-Bomdila-Tawang Circuit	6.38	Nil	5.00	-	5.00	-			On going
	Wayside Amenities at Karsingsha	0.48	0.05	0.48	0.05	0.48	0.05	24 months	May 2007	Complete
	Extension of Tourist Lodge at Tawang	1.00	Nil	1.00	-	1.00	-	18 months	March 2007	Complete
2004-05	Construction of Wayside amenities at Kuporijo, Upper Subansiri	0.65	Nil	0.52	-	0.52	-	18 months	April 2007	Complete
	Development of Tourist Park at Ganga Lake, Itanagar	0.50	Nil	0.50	-	0.50	-			On going
	Tourist Rest house near near Ganga Lake, Itanagar	0.46	Nil	0.46	-	0.46	-			On going
	Swimming pool for gents at Ganga Lake, Itanagar	0.49	Nil	0.49	-	0.49	-	Not mentioned	January 2006	Complete
	Swimming pool for ladies at Ganga Lake, Itanagar	0.49	Nil	0.49	-	0.49	-	Not mentioned	January 2006	Complete
	Construction of Cafeteria and protection wall at Ganga Lake, Itanagar	0.49	Nil	0.49	-	0.49	-			On going
	Eco-Tourism at Changlang	0.83	Nil	0.66	-	0.66	-	NA	NA	On going
	Destination Development of Along, West Siang Distt.	2.66	Nil	2.13	-	2.13	-	18 months	June 2007	Complete
	Destination Development of Zemithang	3.84	Nil	3.07	-	3.07	-	12 months		Complete
2005-06	Destination Development of Hot Spring, Jia, Lower Dibang Valley	2.62	Nil	2.09	-	2.09	-	24 months	March 2007	Complete
	Destination Development of Gaera Lake Taraso	3.73	Nil	2.98	-	2.98	-	12 months	February 2007	On going
	Circuit Development of Dibrugarh-Pasighat-Dying Ering Wildlife Sanctuary	2.99	Nil	2.39	-	2.39	-	18 months		On going
	Integrated Development of Siang Circuit	7.79	Nil	6.23	-	6.23	-	24 months		On going
	Construction of multipurpose hall at Pasighat/Tourist Lodge at Deomali/WSA at Deomali Entry Gate, Tirap District	1.61	Nil	1.29	-	1.29	-	24 months		Ongoing
2006-07	Restoration and Preservation of historical heritage of stone rampart at Yabgo, Dambuk	2.83	Nil	2.67	-	2.67	-	18 months	March 2007	Complete
	Development of tourist complex at Parasuram Khun	4.62	Nil	3.70	-	3.70	-	18 months		On going
	Development of tourist circuit in Arunachal Pradesh-Dirak-Chowkham-Wakro-Tezu-Hayuliang-Walong	7.72	Nil	6.18	-	6.18	-	24 months		On going
	Development of Tourist Resort at Hollongi	1.67	0.33	1.34	-	1.34	-	24 months		On gong
	Construction of Ropeway from Tawang Monastry to Ani Gompa	2.98	0.33	1.04	Nil	-				On going
	Total	**59.27**	**0.71**	**47.64**	**0.05**	**46.60**	**0.05**			

APPENDIX- 3.4.2

Statement showing list of ongoing schemes sanctioned by Government of India, fund released and expenditure incurred

(Reference: Paragraph-3.4.11.4; Page-96)

(Rupees in crore)

Sl. No.	Name of the scheme	Estimated Cost	Date of sanction		Target date for completion	Amount sanctioned		Amount released		Expenditure incurred		Delay as of September 2007
			By GOI	By State Govt		Central	State	Central	State	Central	State	
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Establishment of basic amenities for pilgrims at Zemithiang, Tawang	82.73	31.3.1999	31.3.2000	30 months (September 2001)	0.70	0.13	0.55	0.06	0.55	0.06	5 yrs 11 months
2	Refurbishment of Gorsam Monastery	96.96	30.3.2000	30.3.2001	30 months (September 2002)	0.64	0.33	0.61	0.02	0.61	0.02	4 yrs 11 months
3	Construction of Multipurpose Hall at Tawang	40.00	31.3.2000	11.2.2002	10 months (September 2001)	0.34	0.06	0.27	0.00	0.27	0.00	5 yrs 11 months
4	Beatification of Sela Lake at Tawang	50.00	19.5.2000	26.1.2002	30 months (December 2002)	0.25	0.25	0.08	0.01	0.08	0.01	4 yrs 8 months
5	C/o Cafeteria at BTK falls	10.00	11.5.2000	18.3.2002	30 months (December 2002)	0.04	0.06	0.04	0.00	0.04	0.00	4 yrs 8 months
Total		**279.69 Say, 280.00**				**1.97**	**0.83**	**1.55**	**0.09**	**1.55**	**0.09**	

APPENDIX- 3.4.3

Statement showing list of schemes dropped by Government of India (GOI)
(Reference: Paragraph-3.4.11.5; Page-96)

Rupees in crore)

Sl. No.	Name of the scheme	Date of sanction	Amount sanctioned		Amount released		Dropped date	Amount adjusted against
			Central	State	Central	State		
1	Construction of Tourist lodge at Changlang	05.3.1998	0.40	0.18	0.13	-	10.6.2004	Multi-purpose Hall at Tawang
2	Construction of Tourist Reception Centre at Miao	31.3.1998	0.30	0.15	0.09	-	10.6.2004	
3	Construction of Yatri Niwas at Bameng	14.6.1999	0.08	0.04	0.02	-	10.6.2004	
4	Construction of Trekkers Hut at Talley Valley	22.5.2000	0.02	0.17	0.01	-	10.6.2004	
5	Construction of dormitory at Malinithan	-	0.12	0.00	0.03	-	10.6.2004	
6	Construction of Wayside amenities at Khimyong	31.3.1998	0.20	0.14	0.06	-	NA	Dropped. To be adjusted against different scheme
7	Construction of Tourist Lodge at Bhalukpong	31.3.1998	0.40	0.23	0.12	-	NA	
8	Construction of Tourist Lodge at Gibbons land	31.3.1998	0.40	0.18	0.13	-	NA	
9	Construction of Wayside amenities at Bhalukpong		0.13	0.00	0.05	-	NA	
10	Construction of Tourist Lodge at Lhou	10.6.1999	0.28	0.27	0.09	-	NA	
Total			**2.33**	**1.36**	**0.73**			

APPENDIX – 4.1

Statement showing excess deployment of medical officers

(Reference: Paragraph- 4.8; Page-108)

Period of deployment	Requirement	Actual deployment	Excess	Extra expenditure
01.01.2005 to 31.03.2005	48	67	19	(Rs.8000 + Rs.1430) x 19 x 3 = Rs.5,37,510
01.04.2005 to 31.03.2006	48	68	20	(Rs.8000 + Rs.1430) x 20 x 12 = Rs.22,63,200
01.04.2006 to 31.03.2007	48	72	24	(Rs.8000 + Rs.1430) x 24 x 12 = Rs.27,15,840
01.04.2007 to 30.06.2007	48	79	31	(Rs.8000 + Rs.1430) x 31 x 3 = Rs.8,76,990
			Total	**Rs.63,93,540 i.e. Rs.63.94 lakh**

APPENDIX-4.2

Statement showing excess utilisation of materials beyond norms

(Reference: Paragraph-4.11; Page-111)

(Amount in Rupees)

Sl. No.	Works executed	Specification of materials used	Quantity of works executed (sqm)	Quantity as per norm & requirement of detailed estimate	Quantity actually utilized	Quantity utilised in excess	Procurement rate per unit	Value of excess materials utilised
1	Screening materials of size 11.20 mm etc.	11.20 mm	12561.24	263.78 m^3	948.21 m^3	684.43 m^3	968	6,62,528
2	Laying 2.50 mm thick premix carpeting etc	Firewood	44713.70	1823.87 qtls	11582.07 qtls	9758.2 qtls	70.00	6,83,074
							Total	**13,45,602 i.e Rs.13.46 lakh**

APPENDIX- 4.3

Statement showing the expenditure on pay and allowances for idle work-charged staff

(Reference: Paragraph-4.18; page-118)

(Amount in Rupees)

Year	Sl. No.	Name (Shri/Smti)	Designation	Gross Pay	Remarks
2003-04	1.	L.C. Das	T/C Driver	104688.00	
	2.	Mahon Chd. B	T/C Helper	73176.00	
	3.	B. Durga Rao	W/C Operator	101628.00	
	4.	Tarde poyum	Asstt. Mechanic	71556.00	
	5.	Sumra Gamang	W/C Handyman	61344.00	
	6.	K.P. Joshi	W/C Handyman	64812.00	
	7.	Tagio Tagok	W/C Handyman	61344.00	
	8.	Hana Tara	W/C Handyman	61344.00	
	9.	Puspa Gogoi	W/C Handyman	61344.00	
	10.	Topu Nabum	Asstt. Mechanic	66847.00	
	11.	Dol Brd. Thapa	W/C Operator	68820.00	
				796903.00	
2004-05	1.	L.C. Das	T/C Driver	104688.00	
	2.	Mahon Chd. B	T/C Helper	73176.00	
	3.	B. Durga Rao	W/C Operator	107904.00	
	4.	Tarde poyum	Asstt. Mechanic	76056.00	
	5.	Sumra Gamang	W/C Handyman	65088.00	
	6.	K.P. Joshi	W/C Handyman	68808.00	
	7.	Tagio Tagok	W/C Handyman	65088.00	
	8.	Hana Tara	W/C Handyman	65088.00	
	9.	Puspa Gogoi	W/C Handyman	65088.00	
	10.	Topu Nabum	Asstt. Mechanic	76056.00	
	11.	Dol Brd. Thapa	W/C Operator	71760.00	
				838800.00	
2005-06	1.	L.C. Das	T/C Driver	104688.00	
	2.	Mahon Chd. B	T/C Helper	73176.00	
	3	Tagio Tagok	W/C Handyman	67092.00	
	4	Hana Tara	W/C Handyman	67092.00	
	5	Puspa Gogoi	W/C Handyman	67092.00	
	6	Topu Nabum	Asstt. Mechanic	78396.00	
	7	Dol Brd. Thapa	W/C Operator	75504.00	
				533040.00	
	1.	B. Durga Rao	W/C Operator	83331.00	All are transferred to CD 'A' w.e.f. November 2005
	2.	Tarde poyum	Asstt. Mechanic	58797.00	
	3.	Sumra Gamang	W/C Handyman	50139.00	
	4.	K.P. Joshi	W/C Handyman	53145.00	
				245412.00	
Grand Total				**24,14,155.00**	

(i.e Rs.24.14 lakh)

APPENDIX – 4.4

Details of explanatory notes on paragraphs of Audit Reports pending as of September 2007

(Reference: Paragraph- 4.20; Page-119)

Year of Audit Report	Audit Report placed before the State Legislature	Paragraph number for which *suo moto* explanatory notes are awaited	Department
1994-95	27-03-1996	4.4, 4.5, 4.6 & 4.7	Power
1997-98	23-07-1999	3.1 & 3.2	Health and Family Welfare
1999-2000	21-09-2001	3.4	Urban Development
		3.8	Land revenue
		4.3 & 4.5	Public Works
		7.2, 7.3, 7.4 & 7.5	Finance
2000-01	28-02-2002	4.2	Public Works
		7.2, 7.3, 7.4 & 7.5	Finance
2001-02	16-02-2004	3.6	Tourism
		3.7	Health and Family Welfare
		6.3, 6.4, 6.5 & 6.6	Finance
2002-2-03	24-06-2004	3.1, 3.5 & 3.6	Health and Family Welfare
		3.2	Planning
		3.4	Civil Supplies
		3.12	Finance
		4.5 & 5.1	Public Works
		7.2, 7.3, 7.4 & 7.5	Finance
2003-04	24-09-2005	4.1	Agriculture
		4.2	Animal Husbandry & veterinary
		4.3	Art and Culture
		4.4	Environment and Forests
		4.5	Health and Family Welfare
		4.6, 4.7, 4.8 & 4.9	Public Works
2004-05	23-03-2006	3.1	Public Works
		3.2	Social Welfare, Women and child Development
		4.1	Animal Husbandry & veterinary
		4.2 & 4.3	Health and Family Welfare
		4.4	Urban Development and Housing
		4.5	Public Health Engineering
		4.6, 4.7, 4.8, 4.9, 4.10 & 4.11	Public Works
Total		**59 Paragraphs**	

APPENDIX – 4.5

Status of outstanding Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee

(Reference: Paragraph- 4.20; Page-120)

Year of Audit Report	Particulars of paragraphs on which recommendations were made by the PAC but ATNs are awaited		PAC Report in which recommendations were made	Date of presentation of the Report of the PAC to the State Legislature
	Paragraph number	Total paragraph		
1986-87	3.1, 3.2, 3.3, 3.7, 3.8, 3.9, 3.10, 3.11, 4.3, 5.2, 7.2 and 7.3	12	27th, 36th 37th 40th 42nd 44th 49th Report	8th September 1994, 27th September 1996, 10th November 1998, 24th March 2000, 21st September 2001, 3rd March 2003
1987-88	3.1, 3.4, 3.5, 3.6, 3.7, 3.9 and 5.1	7	27th 36th 37th 40th and 42nd Report	8th September 1994, 27th September 1996, 10th November 1998 and 24rd March 2000
1988-89	3.1, 3.3, 3.4, 3.10, 3.11, 3.14, 4.5, 4.8, 5.5 and 5.6	10	37th 38th 40th 42nd and 45th	27th September 1996, 10th November 1998, 24th March 2000 and 3rd March 2003
1989-90	5.2	1	44th Report	21st September 2001
1990-91	3.4, 3.8, 3.9, 7.3 and 7.5	5	39th 44th 45th and 48th	6th March 1997, 21st September 2001, 19th March 2002 and 3rd March 2003
1991-92	3.1 and 5 (b)	2	39th and 44th Report	6th March 1997 and 21st September 2001
1992-93	3.3, 3.4, 4.3, 4.4 and 5.1	5	39th and 44th Report	6th March 1997and 21st September 2001
1993-94	4.6, 4.7 and 7.2	3	48th Report	19th March 2002
1994-95	3.3, 3.4, 3.5, 3.6, 4.3 and 4.10	6	45th and 46th Report	19th March 2002 and 3rd March 2003
1995-96	3.2 to 3.6 and 3.11	6	46th Report	19th March 2002
1996-97	3.13, 4.10 to 4.14 and 4.16	7	48th Report	19th March 2002
1997-98	4.6, 5.1 and 5.4	3	48th and 51st Report	19th March 2002 and 21st March 2006
1998-99	3.6	1	51st Report	21st March 2006

APPENDIX -5.1

Statement showing details of Drawal of funds through AC bills

(Reference: Paragraph-5.1.7.5; Page-127)

Sl. No.	AC bill No. & date	Sanction No. & date	Particulars of the bill	Amount (Rupees)
1	398, 16-10-03	WCD-03/2000-01(MV) dated 1-10-03	Cost of POL	15,000
2	399, -do-	-do-	-do-	10,000
3	592, 11-12-03	WCD-03/2000-01	-do-	15,000
4	620, 19-12-03	SW-0604/2002 dated 1-12-03	Tribal State Guest R/day-05	25,920
5	669, 9-1-04	CD-15/81(Environmental) dated 9-1-04	Vehicle NO AR-01/5415	7,000
6	114, 7-7-04	WCD-19/97-98/(M) dated 11-6-04	Vehicle NO AR-01/A-6565	7,000
7	214, 12-08-04	WCD-11/2002-03(MV) dated 1-11-04	Vehicle NO AR-01/A-6667	15,000
8	481, 8-11-04	-do- dated 4-11-04	POL money	15,000
9	536, 13-12-04	WCD-013/2003-04(MV) dated 8-12-04	Vehicle NO AR-01/A-6667	11,000
10	573, 23-12-04	SW-0266/97(pt) dated 23-12-04	Vehicle NO AR-01/A-3753	6,000
11	568, 23-1-07	SW-604/2002 dated16-1-07	Delhi visit by Smt. Y.Lichi CDPO	39,900
12	985, 30.03.07	WCD-S-60/2006(ICDS) dated 30.3.07	Purchase of M/Kit	18,22,200
		Total		**19,89,020**

APPENDIX-5.2

Statement showing procurement of Pre-School materials.

(Reference: Paragraph 5.1.8.2; Page 128)

Sanction Order No	Name of Suppliers	Items	Quantity (in number)	Rate (Rs.)	Amount (Rs.)	Bill No & Date
WCD-22/2001 (ICDS) BGT dated 30-03-2005	Royal Enterprises, Itanagar	• Thick Nylon rope for Tug of War	23590	40.00	9,43,600.00	3010 dated 30-03-05
		• Plastic block with alphabet & numerical	23590	35.00	8,25,650.00	
		• National Flag (Standard size Khadi)	2329	198.50	4,62,306.50	
	D.P. Enterprises, Itanagar	• Circus Puzzle (Plastic Coated)	23590	95.00	22,41,050.00	-Do-
		• Beads (Plastic) containing 1000 pieces in box	16513	497.00	82,06,961.00	
	Saregita, Itanagar	• Rolles hanging chart (5 different charts both binding)	23590	20.00	4,71,800.00	
		• Plastic Puzzle (animals) per set of 6 pieces	18872	8.00	1,50,976.00	
		• Wax Crayon pencil per packet of 12 Nos	21231	25.00	5,30,775.00	
		• Doll for girl children (Nylon) Medium size	21231	60.00	12,73,860.00	
	Lily Enterprises, Itanagar	• Jigsaw Puzzle (plastic coated) per set of 12	21231	20.00	4,24,620.00	3013 dated 30-03-05
		• Building blocks (Hard plastic) per set of 24	21231	50.00	10,61,550.00	
	A.D. Associates, Naharlagun	• Small rubber Ball	23590	25.00	5,89,750.00	3014 dated 30-03-05
		• Football(standard)	23590	100.00	23,59,000.00	
		• Ludo (plastic coated)	21231	45.00	9,55,395.00	
		• Football(medium)	21231	79.00	16,87,864.00	
		• Pictorial Chart(English & Hindi alphabet)	21231	20.00	4,24,620.00	
WCD-22/2001 (ICDS) BGT dated 30-03-2005	M.L. Enterprises, Itanagar	• ABC book alphabet (English)	21231	14.75	3,13,157.25	3015 dated 30-03-05
		• Hindi alphabet book	21231	14.75	3,13,157.25	
WCD-22/2001 (ICDS) BGT dated 26-12-2005	D.P. Enterprises, Itanagar	• Circus Puzzle	151850	95.00	1,44,25,750.00	351 dated 30-03-05
WCD-22/2001 (ICDS) BGT dated 26-12-2005	Royal Enterprises, Itanagar	• Thick Nylon rope for Tug of war	17990	40.00	7,19,600.00	752 dated 30-03-06
		• Alphabet & Numerical block	121480	35.00	42,51,800.00	
		• National Flag	3037	198.50	6,02,844.50	
		TOTAL	**6,64,690**		**4,32,36,608.00**	

i.e. Rs.4.32 crore.

APPENDIX – 5.3

Statement showing details of grant-in-aid paid by Directorate Social Welfare, Women & Child Development Department

(Reference: Paragraph-5.1.9.2; Page-130)

Sl. No.	Sanction Order No & Date	Name of beneficiary	Bill No & date	Amount Disbursed (Rupees)	Year
1	SW-310/98 vol-II dated 22-02-07	Oju Welfare Association, Naharlagun	657 dated 28-02-07	4,82,400	2006-07
2	SW-0033/91 vol-III dated 1-03-07	Rajendra Ashram, Rupa	672 dated 06-03-07	1,17,600	-Do-
3	SW-0033/91 dated 13-03-07	Oju Welfare Association, Naharlagun	779 dated 10-03-07	1,63,000	-Do-
4	SW-0173/94 (Pt) dated 13-03-07	Chairperson, Arunachal Pradesh State Social Welfare Board, Naharlagun	780 dated 16-03-07	10,00,000	-Do-
5	SW-0173/94 dated 15-02-07	-Do-	615 dated 15-02-07	30,00,000	-Do-
6	SW-0173/94 dated 15-02-07	-Do-	680 dated 07-03-07	5,00,000	-Do-
		Total		**52,63,000**	

APPENDIX – 7.1

Statement showing particulars of up-to-date paid-up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2007 in respect of Government companies

(Reference: Paragraphs 7.1.2 and 7.1.3; page-158)

(Figures in Columns 3(a) to 4(f) are Rupees in lakh)

Sl. No.	Sector and name of the company	Paid up capital as at the end of 2006-07#					Equity/loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 2006-07Ψ			Debt equity ratio for 2006-07 (figure in bracket indicates for previous year) 4(f)/3(e)
		State Government	Central Government	Holding company	Others	Total	Equity	Loans		Government	Others	Total	
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A.	**WORKING GOVERNMENT COMPANIES**												
	Sector: Industrial Development and Financing												
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	211.50	--	--	--	211.50	-	-	637.35	-	713.55	713.55	3.37:1 (0.36:1)
	Total of the Sector	**211.50**	--	--	--	**211.50**	-	-	**637.35**	--	**713.55**	**713.55**	3.37:1 **(0.36:1)**
	Sector: Mining												
2.	Arunachal Pradesh Mineral Development and Trading Corporation Limited	243.12				243.12							0:1 (0:1)
	Total of the Sector	**243.12**				**243.12**							**0.1 (0:1)**
	Sector: Forest												
3.	Arunachal Pradesh Forest Corporation Limited	449.72	--	--	--	449.72	--	--	--	--	--	--	0:1 (1.07:1)
	Total of the Sector	**449.72**	--	--	--	**449.72**							**0:1 (1.07:1)**
	Total of A	**904.34**				**904.34**			**637.35**	-	**713.55**	**713.55**	**0.79:1 (0.62:1)**
B.	**NON-WORKING GOVERNMENT COMPANIES**												
	Sector: Cement												
4.	Parasuram Cements Limited	-	-	23.50	-	23.50	-	-	-	-	136.50	136.50	5.81:1 (5.81:1)
	Total of the Sector			**23.50**		**23.50**					**136.50**	**136.50**	**5.81:1 (5.81:1)**
	Sector: Fruit Processing												
5.	Arunachal Horticulture Processing Industries Limited	-	-	18.81	-	18.81	-	-	-	-	136.45	136.45	7.25:1 (7.25:1)
	Total of the Sector			**18.81**	-	**18.81**	-	-	-	-	**136.45**	**136.45**	**7.25:1 (7.25:1)**
	Total of B			**42.31**		**42.31**					**272.95**	**272.95**	**6.45:1 (6.45:1)**
	Grand Total (A+B)	**904.34**	-	**42.31**	-	**946.65C**	-	-	**637.35**	-	**986.50**	**986.50C**	**1.04:1 (0.88:1)**

Note: Figures are provisional as given by the companies.

\# *Paid-up-capital includes Share application money also.*

Ψ *Loans outstanding at the close of 2006-07 represents long-term loan only.*

C State Government investment was Rs.9.04 crore (others :Rs.10.29 crore). Figure as per Finance Accounts 2006-07 is Rs.9.04 crore.

APPENDIX – 7.2

Statement showing summarized financial results of Government companies for the latest year for which accounts were finalised

(Reference: Paragraphs 7.1.4, 7.1.5, 7.1.7, 7.1.9 & 7.1.10; pages-158, 159 & 160)

(Figures in columns 7 to 12 & 15 are Rupees in lakh)

Sl. No	Sector and name of the company	Name of department	Date of incorporation	Period of accounts	Year in which accounts finalised	Net profit (+) /loss (-)	Net impact of audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed#	Total return on capital employed C	Percentage of return on capital employed	Arrears of accounts in terms of years	Turnover	Manpower (number of employee)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
A.	**WORKING GOVERNMENT COMPANIES**														
	Sector: Industrial Development and Financing														
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	Industries	Aug/78	2005-06	2006-07	(-)65.81	-	206.50	(-)1744.72	2459.92	(-)65.81	-	1	256.11	73
	Total of the Sector					(-)65.81	-	206.50	(-)1744.72	2459.92	(-)65.81	-			
	Sector: Mining														
2.	Arunachal Pradesh Mineral Development and Trading Corporation Limited	Geology and Mining	Mar/91	1993-94	2000-01	(-) 12.66	-	99.22	(-) 24.80	73.80	(-) 12.66	-	13	6.14	32
	Total of the Sector					(-) 12.66	-	99.22	(-) 24.80	73.80	(-) 12.66	-			
	Sector: Forest														
3.	Arunachal Pradesh Forest Corporation Limited	Forest	Mar/77	1998-99	2004-05	(-) 308.95	-	449.72	(+) 1639.56	2430.69	(-) 308.95	-	8	332.08	445
	Total of the Sector					(-) 308.95	-	449.72	(+) 1639.56	2430.69	(-) 308.95	-			
Total of A						(-)387.42	-	755.44	(-)129.96	4964.41	(-)387.42	-	-		
B.	**NON-WORKING GOVERNMENT COMPANIES**														
	Sector: Cement														
4.	Parasuram Cements Limited	Industries	Jan/85	1987-88	2006-07	(-) 16-68	-	13.50	(-)32.09	67.62	(-)13.35	-	19	4.14	-
	Total of the Sector					(-) 16-68	-	13.50	(-)32.09	67.62	(-)13.35	-			
	Sector: Fruit Processing														
5.	Arunachal Horticulture Processing Industries Limited	Industries	May/82	1983-84	2004-05	*The operations of the unit were closed in May 1995.*						-	23		--
	Total of the Sector					-	-	-	-	-	-	-	-	-	-
Total of B						(-) 16-68	-	13.50	(-)32.09	67.62	(-)13.35	-	-		
Grand Total (A+B)						(-)404.10	-	768.94	(-)162.05	5032.03	(-)400.77	-	-		

Capital employed represents net fix assets (including capital work-in-progress) plus working capital except in case of Arunachal Pradesh Industrial Development and Financial Corporation Limited, where the capital employed is worked out as a mean of aggregate of opening and closing balances of paid-up-capital, free reserves and borrowings (including refinance).

C 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.

APPENDIX – 7.3

Statement showing grants/subsidy received, guarantees received and guarantees outstanding at the end of 31st March 2007

(Reference: Paragraph 7.1.3; page - 158)

(Figures in Columns 3(a) to 7 are Rupees in lakh)

Sl. No.	Name of the Government company	Subsidy and grants received during 2006-07				Guarantees received during the year and outstanding at the end of the year #					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Govt.	State Govt.	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agree-ment with foreign consul-tant or contracts	Total	Loan repay-ment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
A	WORKING GOVERNMENT COMPANIES															
1.	Arunachal Pradesh Industrial Development & Financial Corporation Limited	---	40.00(G)	-	40.00 (G)	-	- (92.72)			- (92.72)						
2.	Arunachal Pradesh Forest Corporation Limited	-	-	-	-	-	(240.00)	-	--	(240.00)	-	-	-	-	-	-
	Total :	-	**40.00(G)**	-	**40.00 (G)**	-	**(332.72)**	-	-	**(332.72)**	-	-	-	-	-	-

Figures in bracket indicates guarantees outstanding at the end of the year including interest..

APPENDIX –7.4

Statement showing the department-wise outstanding inspection reports (IRs)

(Reference: Paragraph 7.1.13; page - 161)

Sl. No.	Name of Department	Number of Government companies/ departmental undertakings	Number of outstanding IR	Number of outstanding paragraphs	Years from which paragraphs outstanding
1.	Industries	3	5	29	1994-95
2.	Geology & Mining	1	3	7	1994-95
3.	Forest	1	11	73	1991-92
4.	Transport	1	03	07	2004-05
5.	Supply	1	13	64	2001-02
6.	Power[#]	1	17	183	2001-02
Total		**8**	**52**	**363**	

[#] *The results of audit of Power (Electricity) Department are also incorporated in Commercial Chapter.*

APPENDIX – 7.5

Statement showing the department-wise draft paragraphs/reviews replies to which are awaited

(Reference: Paragraph 7.1.13; page - 161)

Sl. No.	Name of department	Number of reviews	Number of draft paragraphs	Period of issue
1.	Power	1	4	Dec 2006 & May 2007
2.	Forest Dept		1	July 2006 & May 2007.
Total		---	5	

APPENDIX – 7.6

Statement showing financial position, working results and operational performance of the State Transport Services for three years upto 2005-06

(Reference: Paragraph 7.1.15; page - 162)

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06
A	**Financial Position**			
1.	Liabilities			
	(a) Government Capital	138.32	158.12	179.81
	(b) Interest on Government Capital	-	-	-
	(c) Sundry Creditors	3.62	5.54	6.59
	Total	**141.94**	**163.66**	**186.40**
2.	Assets			
	(a) Gross Block	43.87	47.08	49.56
	(b) Less Depreciation	32.52	37.06	41.86
	(c) Net fixed Assets	11.35	10.02	7.70
	(d) Current Assets Loans & Advances	5.16	6.50	7.32
	(e) Accumulated Losses	125.43	147.14	171.33
	Total	**141.94**	**163.66**	**186.40 @**
B.	**Working Results**			
1 (a)	Operating			
	(i) Revenue	6.91	7.17	8.57
	(ii) Expenditure	27.17	21.09	25.07
	(iii) Surplus (+)/Deficit (-)	(-)20.26	(-)13.92	(-)16.50
(b)	Non-operating			
	(i) Revenue	-	-	-
	(ii) Expenditure	1.94	1.71	1.93
	(iii) Surplus(+)/Deficit(-)	(-)1.94	(-)1.71	(-)1.93
(c)	Total			
	(i) Revenue	6.91	7.17	8.57
	(ii) Expenditure	29.11	22.80	27.00
2.	Gross Deficit (-)	(-)22.20	(-)15.63	(-)18.43
	Add: depreciation	4.18	4.54	4.80
3.	Working Loss	26.38	20.17	23.23
	Add: interest on capital	-	-	-
4.	Net loss	26.38	20.17	23.23

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06
C.	Operational Performance			
1.	Average no. of vehicles held	230	238	238
2.	Average no. of vehicles on road	128	112	161
3.	Percentage of utilisation of vehicles (Percentage of 2 to 1)	55.65	47.08	67.65
4.	Numbers of routes operated at the end of the year	NA	NA	NA
5.	Kilometres operated effective (in lakh)	73.00	72.00	77.70
6.	Average kilometres covered per bus per day	156	176	132
7.	Average operating revenue per kilometre (Rupees)	10.29	10.34	10.98
8.	Average operating expenditure per Kilometre (Rupees)	25.83	33.36	30.96
9.	Operating loss per Kilometre (Rupees)	15.54	23.02	19.98
10.	Number of operating depots	13	13	14
11.	Passenger Kilometre operated (in crore)	0.73	0.74	0.74
12.	Occupancy ratio (Load factor) (per cent)	54	48	51
13.	Cost of fuel per effective km (Rupees)	9.86	10.93	12.39
14.	Expenditure on tyres and tubes per effective km (Rupees)	19.55	9.10	11.84

APPENDIX – 7.7

Statement showing working results of State Trading scheme from 1999-2000 to 2001-02

(Reference: Paragraph 7.1.15; page - 163)

(Rupees in lakh)

		1999-2000	2000-01	2001-02
A.	Income			
(a)	Sales	348.34	370.37	427.25
(b)	Increase(+)/decrease(-) of stock	(+) 39.17	(-) 47.75	(+)115.42
	Total – A	**387.51**	**322.62**	**542.67**
B.	Trading Expenses:			
(a)	Purchases	438.34	348.82	355.01
(b)	Packing materials	67.74	14.17	99.15
(c)	Establishment and contingent charges	195.90	202.23	291.80
(d)	Air dropping and godown losses	30.95	17.33	13.28
	Total – B	**732.93**	**582.55**	**759.24**
C.	Trading Profit (+)/ Loss (-)(A-B)	(-) 345.42	(-) 259.93	(-)216.57
D.	Non-trading expenses – interest on capital and audit fee (provisions)	23.51	30.68	12.80
E.	Net profit (+)/Loss (-)	(-) 368.93	(-) 290.61	229.37

APPENDIX – 7.8

Statement showing operational performance of Power Department for the three years up to 2006-07

(Reference: Paragraph 7.1.16; page-164)

Sl. No.	Items	2004-05	2005-06	2006-07
1.	Installed Capacity : (M W)			
	(a) Thermal	-	-	-
	(b) Hydro	32.66	32.66	32.66
	(c) Gas	-	-	-
	(d) Others (Diesel)	25.00	25.00	25.00
	Total	**57.66**	**57.66**	**57.66**
2.	Normal maximum demand of the State (M Kwh)	500.00	600.00	700.00
3.	Power Generated : (M K W H)			
	(a) Thermal	-	-	-
	(b) Hydro	41.899	41.180	51.414
	(c) Gas	-	-	-
	(d) Others (Diesel)	5.454	6.348	5.697
	Total	**47.353**	**47.528**	**57.111**
	Less : Auxiliary Consumption (M K W H) (brackets indicated the percentage to Power Generated)			
	(a) Thermal	-	-	-
	(b) Hydro	2.193	2.250	2.270
	(c) Gas	-	-	-
	(d) Others (Diesel)	0.230	0.278	0.274
	Total	**2.423**	**2.528**	**2.544**
4.	Net Power Generated (M K W H)	44.93	45.00	54.567
5.	Power purchased (M K W H)	-	-	-
	KHEP	249.48	63.081	46.550
	AGBPP	-	91.654	92.296
	AGTPP	-	37.343	38.890
	RHEP	-	86.447	58.822
	DHEP	-	11.609	11.626
	LOKTAK	27.42	27.115	21.947
	ABT	-	17.300	70.250
	Total	**276.90**	**334.549**	**340.381**
6.	Free Power received (M K W H)	197.53	168.782	112.532
7.	Total Power available for Sale (M K W H) (4+5+6)	519.36	548.331	507.480
8.	Power Sold (MU)			
	(a) Within the State	100.00	100.00	141.690
	(b) Outside the State	301.629	219.07	193.370
	Total	**401.629**	**319.07**	**335.060**

Sl. No.	Items	2004-05	2005-06	2006-07
9.	Transmission and distribution loss (MU) (7-8)	117.731	229.261	172.420
10.	Load factor (percentage)	-	-	-
11.	Percentage of transmission and distribution losses to total power available for sale (Percentage of 9 to 7)	22.66	41.81	33.97
12.	Number of Villages/towns electrified			
	(a) Villages	70	8	0
	(b) Towns	--	-	-
13.	Number of Pump sets/wells energized	-	-	-
14.	Number of Sub-stations (in MVA)	--	-	47.57
15.	Transmission/distribution lines (in kms)			
	(a) High voltage			220 KV- 19 & 132KV-169
	(b) Medium voltage			33 KV-2622 &11KV-5422
	(c) Low voltage			7778
16.	Connected load (in MW)	90.00	100.00	115.94
17.	Number of consumers			137930
18.	Number of employees			8948
19.	Consumer/employees ratio			15:1
20.	Total expenditure on staff during the year (Rupees in crore)		18.50	10.98
21.	Percentage of expenditure on staff to total revenue expenditure		13.69	10
22.	Unit sold to different category of consumers : (MU) (Percentage of share to total units sold indicated in bracket):			
	(a) Agriculture			-
	(b) Industrial			18.557(5.53%)
	(c) Commercial			8.022(2.39%
	(d) Domestic			44.052 (13.15%)
	(e) Irrigation			-
	(f) Bulk supply			-
	(g) Other categories (P/Lighting, P/Water Works, Non-Residential)	100	100	71.059 (21.21%)
	(h) Inter-State	301.629	219.07	193.37 (57.72%)
	Total	401.629	319.07	335.06(100%)
23.	Revenue (Rupees in crore)	82.37	72.86	76.30
24.	Expenditure (Rupees in crore)			
	(a) Salary & Wages			
	(b) Fuel			
	(c) Spares *etc.*		18.50	10.90
	(d) Power Purchased	88.99	99.81	93.00
	Total		**118.31**	**103.90**
25.	Loss (24 -23)		45.45	27.60
26.	Loss per unit sold (25 ÷ 22)		1.42/unit	0.82/unit

APPENDIX – 7.9

Statement showing division wise details of expenditure incurred for purchase of electrical equipment other than from turnkey contractors

(Reference: Paragraph-7.2.11; Page-172)

(Rupees in lakh)

SL. No.	Name of Electrical Division	Package	No of work orders issued	Total awarded amount	Total expenditure incurred as on 31.3.07
1.	Naharlagun	C	67	36.43	36.00
2.	Naharlagun	D	343	121.73	118.00
3.	Capital Itanagar	C	38	70.95	10.00
4.	Capital Itanagar	D	50	149.80	55.00
5.	Bomdila	C	320	682.37	682.37
6.	Bomdila	D	69	112.00	125.12
7.	Tawang	C	5	13.64	13.64
8.	Ziro	C	27	70.26	70.71
9.	Ziro	D	128	241.62	234.42
10.	Seppa	C	-	195.53	172.00
11.	Seppa	D	-	25.78	7.79
			Total		**1525.05**

APPENDIX-7.10

Statement showing division wise details of value of defective meters supplied by the contractors

(Reference: Paragraph- 7.2.13; Page-173)

Sl. No.	Name of Division under Miao Circle	Specification of meters	Quantity supplied	Quantity found defective	Unit rate as per LOA (Rs.)	Value involved (Rs.)	Remarks
1.	Miao Electrical Division	3ph 4 wire tri-vector 33 kv, 11kv system meter	33	8	7479	59832	Letter no MED/W/36-A 1/726-29 dated 28.08.06
		3 ph 4 wire LTCT operated Trivator meter	281	81	8095	655695	
		3 ph 4 wire LT static energy meter without CT	1627	240	5912	1418880	
		1 ph 2 wire LT static Energy meter	3400	110	612	67430	
2.	Deomali Electrical Division -do-	3ph 4 wire LT static Energy meter without CT	1471	78	7479	461136	Letter no MED/W/36-A 1/726-29 dated 28.08.06
		1 ph 2 wire LT Static Energy meter	4467	52	5912	31876	
3.	Hayuliang Electrical Division (Namsai)	1 ph 2 wire LT static Energy Meter .	4400	37	613	22681	-do-
4.	Namsai	Consumer meter-	-	296	613	181448	Letter no SE/MEC/2500 6-07/305-306 dated 21.8.06
5.	Roing	-do-	-	62	613	38016	-do-
6.	Namsai	Consumer meter-	-	350	613	214550	Letter no NaED/W-8/2006-07/909-13 dated 19.01.07
		3ph 4 wire LT static Energy meter without CT	-	249	5912	1472088	
		3 ph 4 wire LTCT operated Trivator meter	-	53	8095	429035	
		3ph 4 wire tri-vector 33 kv, 11kv system meter	-	13	7479	97227	
7.	Pasighat Circle (Yingkiong, Along, Pasighat Divisions)	1 phase Energy Meter: a) 2.5 -10 Amp	4590	1200	577	692400	Letter No. SE (E) II/ SE-I 8/2006-07/1187-90 dated 28.08.2006
		b) 5 – 20 Amp	1874	500	577	288500	
		c) 10 – 40 Amp	300	56	577	32312	
		3 phase 4 wire tri-vector 33 KV/11 KV System Meter	36	6	6502	39012	
		3 phase 4 wire LT 3 phase Static Meter without CT	100	40	5348	213920	
		3 phase 4 wire LT CT operated tri-vector meter	50	10	7290	72900	
8.	Along subdivision	Consumer meter	-	542	577	312734	Letter dated 26.12.06
9.	Basar subdivision	Consumer meter	-	343	577	197911	Fax dated 01.02.07
Total				**4334**		**6999583**	

APPENDIX – 7.11

Statement of detail variation between estimated cost and LOA to turnkey contractors

(Reference:Paragraph-7.2.16; Page-175)

(Rupees in lakh)

Sl. No	Name of the Circle	Package	Estimated cost as per DPR	LOA cost furnished to GOI	Excess (+) Less (-) over estimates
1	Naharlagun (Circle-I)	A	295.61	353.12	(+) 57.51
		B	729.73	729.74	(+) 0.01
		C	566.87	596.70	(+) 29.83
		D	702.50	701.86	(-) 0.64
Total			**2294.71**	**2381.42**	**(+) 86.71**
2	Pasighat (Circle II)	A	324.00	451.95	(+)127.95
		B	793.00	1282.00	(+) 489.00
		C	530.00	397.92	(-) 132.08
Total			**1647.00**	**2131.87**	**(+) 484.87**
3	Miao (Circle-III)	A	525.00	596.89	(+) 71.89
		B	287.00	328.71	(+) 41.71
		C	1002.00	1201.00	(+) 199.00
Total			**1814.00**	**2126.60**	**(+) 312.60**
4	Dirang Circle	A	230.35	230.23	(-) 0.12
		B	364.95	232.69	(-) 132.26
		C	887.94	869.00	(-) 18.94
		D	226.61	176.78	(-) 49.83
Total			**1709.85**	**1508.70**	**(-) 201.15**
Grand Total			**7465.56**	**8148.59**	**(+) 683.03**

APPENDIX – 7.12

Statement showing details of non recovery of liquidated damage from the turnkey contractors

(Reference:Paragraph-7.2.19; Page-177)

(Rupees in lakh)

Sl. No.	Name of contractor	Item of work (package)	Letter No. and date of LOA	Time schedule	Schedule date of completion as per LOA	Schedule date of completion after time extension	Present Status of work	Total value of the work	Amount of Liquidated damage (5 *per cent* of the contract price)
1.	M/s Lotus Wires and Cables, Delhi	'A	1.1.SE(P) WG-11-13/2004-05 dt. Feb 2005	10 calendar months	December 2005	-	Work in progress	280.94	14.05
			1.2.SE(P)WG-11-11/ 2004-05 dt. Feb 2005	-do-	November 2005	-	-do-	54.07	2.70
			1.3.SE/MEC/Cont (APDRP)/2004-05/2221-26 and 2227-32 dated 17.1.2005	-do-	January 2006		-do	491.21	24.56
2.	M/s Everest Engineering House, Naharlagun	'C'	2.1.SE/APEC-11/ (APDRP/ 04-05/ 2530-34 dt. 21.12.2004	12 calendar months	20.12.2005	-	Work in progress	312.79	15.64
			2.2.SE/APEC-11/ (APDRP/04-05/2535-38 dt. 21.12.2004	-do-	20.12.2005	-	-do-	81.90	4.10
			2.3. SE/MEC/Cont (APDRP)/2004-05/ 1981-86 and 1987-92 dated 15.12.2004	-do-	14.12.2004		-do-	1201.32	60.06
Total									**121.11**
	Recovery in March 2007 in item no 2.3								54.55
	Total undue financial benefit								66.56

APPENDIX – 7.13

Statement showing status of implementation of important Reform measures as per MOA

(Reference: Paragraph-7.2.30; Page-188)

Sl. No.	Mandatory reforms conditions	Time schedule for implementation as per MOA	Present status (as on March 2007)
1.	Corporatisation of Power Department	31.3.2003	Not yet done
2.	Setting up of SERC/JERC and filing tariff petition	March 2005	Not yet done
3.	Energy Audit and Energy Accounting	2005	Not yet done
4.	Install meters on 11 KV feeders	December 2002	Not yet done
5.	100% metering of LT side of distribution transformers	Six month from the date of sanction of fund i.e. by July 2004	Work in progress
6.	Installation of tamper proof, static/high precision meters for all customers	Within 3 months of signing of MOA i.e. by October 2002	Work in progress
7.	Computerisation of billing and Consumer indexing	Within 1 year of signing of MOA i.e. by July 2003	Not yet done
8	Bench mark performance for circle offices	Within 1 month of signing of MOA (August 2002)	Not yet done
9	Designation of feeder manager	Within 1 month of signing of MOA (August 2002)	Not yet done
10.	District level distribution reform committee	Within 1 month of signing of MOA i.e. by August 2002	Not yet done