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Report of the Comptroller and Auditor General of India

For the year ended 31 March 2010

Government of Arunachal Pradesh

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PREFACE

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

2. The Report deals with the findings of performance reviews and audit of transactions in various departments including the Public Works Department and audit of Government Companies and Statutory Corporations.

3. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2009-10 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 2009-10 have also been included wherever necessary.

4. Audit observations on matter arising from the examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2010 are included in a separate Report on State Government Finances.

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

OVERVIEW

This Report contains four performance reviews (including one CCO based audit of a Government department) and 39 audit paragraphs. Copies of the audit paragraphs and performance reviews were sent to the concerned Secretaries to the State Government by the Accountant General (Audit) with a request to furnish replies within six weeks. In respect of 35 audit paragraphs in this Report, no response was received from the concerned Secretaries to the State Government.

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

PERFORMANCE REVIEW

Public Distribution System

Government's food management strategy involves the implementation of a well targeted and properly functioning Public Distribution System (PDS) to ensure food security in the State by regular supply of foodgrain to the economically vulnerable sections of the society at affordable prices. A Performance Audit of the implementation of PDS in Arunachal Pradesh revealed that there were leakages and diversion of foodgrain both at FPS and whole seller level. The reliability of the BPL/AAY beneficiaries identified is questionable. The State failed to lift entire quantity of foodgrain allotted to it by GOI. There were instances of inequitable distribution of foodgrain to the beneficiaries and they were also issued foodgrains at a reduced scale contrary to the spirit of TPDS. Also, the beneficiaries had to pay higher rate for TPDS commodities. Inspections were inadequate and state level vigilance activities were virtually nonexistent and monitoring was casual. Thus, due to these shortcomings the PDS in the State did not achieve the desired objective fully.

(Paragraph 1.1)

Integrated Child Development Scheme

The Integrated Child Development Services (ICDS) programme is Government of India's primary response to nutritional and developmental needs of children below six years, pregnant women and nursing mothers. The scheme is in the forefront of Government of India's efforts to achieve nutrition related Millennium Development Goal (MDG) of halving underweight by 2015. The overall impact of implementation of the scheme was far from satisfactory due to partial implementation of the programme. The budgeting and financial management needed strengthening and stores management required more controls to avoid instances of avoidable expenditure. Programme implementation suffered as there were instances of poor quality and inadequate supply of SNP items.

(Paragraph 1.2)

AUDIT OF TRANSACTIONS

Fraud/Misappropriation/Embezzlement/Loss

Executive Engineer, Aalo Division, Rural Works Department paid ₹ 73.64 lakh during October and November 2009 to a contractor by recording false measurement of the work which was not actually executed.

(Paragraphs 2.1)

Out of 212.44 MT of CGI Sheets procured by District Rural Development Agency, Aalo during 2007-08 for distribution under Indira Awas Yojana, 44.19 MT of CGI Sheets worth ₹ 28.28 lakh appears to have been presumptively misappropriated.

(Paragraphs 2.2)

Presumptive fraud of ₹ 1.11 crore by admission of questionable land transportation subsidy claims for transportation of iodised salt for PDS beneficiaries in Dibang Valley by head load operations.

(Paragraphs 2.3)

Executive Engineer, Roing Division, PWD paid secured advance of ₹ 1.39 crore making fake entry in measurement book to extend undue financial benefit to a firm

(Paragraph 2.4)

During the year 2007-08, the Education Department spent ₹ 8.83 crore towards conversion cost of cooked meal under midday meal programme. At the rate of Rupees two per meal, the cooking cost for 3264.18 MT of rice lifted by the department should have been not more that ₹ 6.53 crore. Hence there was doubtful expenditure of ₹ 2.30 crore.

(Paragraph 2.5)

Public Health Engineerilng Department, Namsai Division short-recovered ₹ 12.21 lakh while making payment to a contractor for the material issued to him.

(Paragraph 2.6)

Excess Payment/ Wasteful Expenditure

Despite availability of NCERT/CBSE text books at cheaper rates, Director of School Education procured text books for the year 2008-09 from private publishers at much higher rates and incurred an avoidable expenditure of ₹ 183.76 lakh.

(Paragraph 2.7)

Execution of an irrigation project without conducting proper survey and investigation to ascertain its technical feasibility, led to wasteful expenditure of ₹ 74.07 lakh besides depriving the targeted beneficiaries of the intended benefits from the planned irrigation project.

(Paragraph 2.11)

Undue favour to Contractors

Inclusion of an item of work in the work order not provided in the approved estimates; and also non-compliance of statutory provision of VAT deduction by DRDA, Seppa resulted in extending undue benefit of ₹ 22.26 lakh to a private contractor.

(Paragraph 2.12)

Executive Engineer, Water Resources Division Itanagar revised, without justification, the carriage rates from 29 paisa to 80 paisa per kg per km for carriage of boulders by preparing a new analysis rate. This resulted in undue benefit to the carriage contractors to the tune of ₹ 25.08 lakh.

(Paragraph 2.13)

Due to non-adherence to negotiated approved rate and less utilisation of stone aggregate, the Department not only extended undue benefit of ₹ 16.49 lakh to the contractors but this also resulted in execution of substandard works.

(Paragraph 2.14)

CHIEF CONTROLLING OFFICERS BASED AUDIT OF GOVERNMENT DEPARTMENT

Chief Controlling Officer based Audit of Public Health Engineering and Water Supply Department

The Public Health Engineering and Water Supply (PHE & WS) Department, Government of Arunachal Pradesh is responsible for supply of safe drinking water to the people in the State. The department is also responsible for implementation of Total Sanitation Campaign (TSC). Even though the number of fully covered habitation has increased from 978 habitations in 2005 to 2619 habitations in 2010, the Department has not been able to provide adequate and safe drinking water to the majority of the population in the State as the planning lacked purpose and direction. The project management was weak leading to delays in execution of works and projects remained incomplete for a long time. Quality control of drinking water was poor for want of adequate infrastructure.

(Paragraph 3.1)

REVENUE RECEIPTS

Audit of transactions

This chapter contains 20 paragraphs relating to non-levy/short levy of taxes, duties, royalty, interest and penalty involving ₹ 48.61 crore. Some of the major findings are mentioned below:

Excise department

Failure of the department to initiate action led to non realisation of renewal fee of ₹ 27.17 lakh including penalty

(Paragraph 4.2)

Geology and Mining department

Failure of the department to initiate action against two lessees for delayed payment of royalty led to non realisation of additional royalty of ₹ 45.61 crore

(Paragraph 4.7)

There was short realisation of royalty amounting to ₹ 18.16 lakh due to suppression of despatch of 15,132 MT of coal

(Paragraph 4.8)

Taxation department

Failure to collect entry tax from 185 vehicles before their registration resulted in non realization of entry tax of ₹ 1.17 crore.

(Paragraph 4.12)

Non registration of five dealers by the assessing officer led to evasion of tax amounting to ₹ 28.34 lakh for which maximum penalty of ₹ 23.16 lakh was also leviable

(Paragraph 4.13)

Two dealers purchased cement of ₹ 144.62 lakh and evaded tax of ₹ 18.08 lakh. Besides, penalty of ₹ 27.12 lakh was also leviable for misuse of C Forms

(Paragraph 4.14)

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Performance Review

Power is an essential requirement for all facets of life and has been recognised as a basic requirement. In Arunachal Pradesh, generation of power is predominantly managed by Department of Hydro Power Development (Department). As on March 2010, the department had 76 hydro generating stations with an installed capacity of 57.39 MW under its jurisdiction.

Capacity Addition

The Department was not able to maintain pace in terms of capacity addition with the growing demand for power in the State. During the review period, actual capacity addition was only 24.73 MW against 122.13 MW required by the State leaving a shortfall of 97.40 MW against the addition required.

Planning

The department followed the approach of taking up and executing small and micro projects only. The department does not have a proper planning process involving preparation of documented plans for augmentation of generating capacity. There was no proper coordination with the other related agencies. The lack of coordination with the transmission utility resulted in non-development of a connected grid transmission facility for completed projects. The State Government created multiple agencies viz APEDA, HPDCAPL etc. with the objective of accelerating power generation in the State, which have not been effective.

This resulted in increased reliance on Central Sector despite the enormous potential for generation of hydro power in the State incurring extra expenditure of ₹ 202.11 crore.

Optimum utilisation of existing facilities

Against 33 units due for being taken up for Renovation and Modernisation/ Life extension (R&M/LE) programmes, only 11 units were actually taken up; of which activities in three units have been completed and eight were under execution. The projects were taken up for renovation after long delays. Twenty two units were not taken up for R&M/LE for want of funds.

Project Management

Out of 101 projects under implementation during review period, there were inordinate delays in case of 66 projects. The execution of 39 projects led to a cost overrun of ₹ **436.62** crore. In five major projects inordinate delay in execution led to a loss of generation of 1179.94 MU.

The failure to assess the water discharge correctly in the case of the Domkhrong project resulted in creation of excess capacity which would remain idle.

Contract Management

There were major lapses in dealing with disputes and conducting legal proceedings which caused huge delays and losses.

Operational Performance

The PLF achieved by the projects was much below the national average resulting in vast underutilisation of capacity to the extent of 403.68 MU.

The total number of hours lost due to planned outages increased from 1.54 per cent to 3.93 per cent of total available hours in the respective years. On the other hand, the forced outages in power stations increased from 61.48 percent to 67.67 per cent of total available hours in the respective years. There were long delays in restoring projects after forced outages.

Auxiliary Consumption

As against the norm of 0.50 percent of the power generated for auxiliary consumption, the actual auxiliary consumption of power stations increased from 2.27 per cent in 2005-06 to 2.74 per cent in 2009-10 resulting in excess consumption of 6.45 MU.

Repairs and maintenance

As reported by the department to the CEA (2008) no advance maintenance schedule was prepared.

The average annual generation after completion of R& M works in Kipti I project based on generation from August 2009 to March 2010 was 1.81 MU only as against the average annual generation obtained from the project prior to R&M works of 2.54 MU. Thus, expenditure on repairs remained unfruitful.

Financial Management

The efficiency in realisation of dues was poor and the revenue realisable as on March 2010 was ₹ 58.35 crore. One of the two central sector companies involved in development of power projects in the State did not pay interest bearing advance and development expenditure in lieu of upfront fee.

Monitoring by top management

The monitoring of generation by the department was inadequate and needs improvement. The corporatisation of power utilities and setting up of a State

Regulatory Commission as envisaged in the Electricity Act 2003 has not been implemented.

Conclusion and Recommendation

The company failed to meet the growth in peak demand due to delay in planning and implementation of capacity addition programmes. The existing generating units were ageing and there were abnormal delays in taking up/executing new projects and renovation and modernization of existing projects. The efficiency of operations and capacity utilization was poor. The review contains seven recommendations which include intensification of capacity addition programmes, improving plant load factor and capacity utilization

CHAPTER-I

PERFORMANCE REVIEWS

CHAPTER I – PERFORMANCE REVIEW

FOOD AND CIVIL SUPPLIES DEPARTMENT

1.1 Public Distribution System

Government's food management strategy involves the implementation of a well targeted and properly functioning Public Distribution System (PDS) to ensure food security in the State. A Performance Audit on the implementation of PDS in Arunachal Pradesh revealed that there were leakages and diversion of foodgrain both at FPS and whole sale nominee cum carriage contractor level. Inspections were inadequate and state level vigilance and monitoring activities were virtually nonexistent. Thus, due to these shortcomings, the PDS in the State did not achieve the desired objective fully.

Highlights

- ***Identification of APL and BPL beneficiaries suffered due to the absence of family based data, resulting in extension of benefit to ineligible families.***

  (Paragraph 1.1.7.1&1.1.7.2)

- ***Sample survey of 74 FPSs and interaction with 229 cardholders of test checked districts revealed that 59 FPSs and 215 beneficiaries did not receive Atta at all while others received it only occasionally. One floor miller cum carriage contractor diverted 22,908 quintals of Atta during May 2008 to March 2010.***

  (Paragraph 1.1.8.5.c)

- ***As per records of FCI, during 2005-10, 3.95 lakh MT of foodgrain was released in the records of Director of Food and Civil Suppllies only 3.52 lakh MT has been recorded as lifted resulting in short accountal 0.43 lakh MT of foodgrain and possibility of misappropriation of the short accounted foodgrain cannot be ruled out.***

  (Paragraph 1.1.8.7 (ii))

- ***Extra expenditure of ₹1.13 crore was incurred on transportation of foodgrain due to irregular enhancement of carriage rate midway of agreement period.***

  (Paragraph 1.1.9(i))

- ***Avoidable expenditure of ₹1.11 crore due to avoidance of open tender system for fixation of rate for transportation of PDS items.***

  (Paragraph 1.1.9(ii))

1.1.1. Introduction

PDS is a programme intended for distribution of essential commodities such as rice, wheat, sugar, kerosene oil, etc. to the Ration Card Holders (RCH) through a network of Fair Price Shops (FPS). The scheme is operated under the joint responsibility of the Central and State Governments. The Central Government is responsible for making bulk allocation of foodgrain for the scheme whereas the State Government is responsible for just and equitable distribution of these commodities through the network of FPSs. The responsibility of lifting the required foodgrain from Food Corporation of India (FCI) godowns to FPS lies with the State Government.

The Targeted Public Distribution System (TDPS) was launched in Arunachal Pradesh in June, 1997 with the objective of providing foodgrain at specially subsidized rate to Below Poverty Line (BPL) families as per the norms prescribed by the GOI. BPL families were to be properly identified and issued with special ration cards. Antyodaya Anna Yojana (AAY) launched in December, 2000 was intended to ensure food availability to the poorest of the poor amongst BPL families by providing rice at specially subsidized rate of ₹ 3 per kg. Distinctive ration cards were to be issued to AAY after identification of such families.

Besides, there is an Annapurna Scheme (launched in April, 2000) under which destitute senior citizens of 65 years and above and who are not in receipt of pension under National Old Age Pension Scheme or State Pension Scheme are entitled to get 10 kg of rice per month free of cost. Under the PDS, the Above Poverty Line (APL) families would continue to get foodgrain from Fair Price Shops (FPS) through ration cards at normal Central Issue Price (CIP).

In Arunachal Pradesh as of March 2010, out of a total of 3,33,178 families (consisting of 13.32 lakh population) 2,34,407 APL, 60,771 BPL, 38,000 AAY families including 4761 senior citizens were drawing foodgrain under PDS /TPDS and Annapurna Schemes from 1,587 FPS (Urban 262 and Rural 1,325).

1.1.2. Organizational Setup

The PDS programme in the State is implemented by the Department of Food and Civil Supplies. The Director of Food and Civil Supply (DF&CS) is the nodal officer responsible for making district wise allocation of foodgrain and overall coordination, management and control at the State level. In the districts, the District Food and Civil Supply Officer (DF&CSO) directly implements the scheme, while the overall control remains with the Deputy Commissioner. The organogram of the Department is given in chart-I.

Chart 1

1.1.3. Audit Coverage

The Comptroller and Auditor General of India, in his Report for the year ended March, 2006, had pointed out systemic inadequacies in the PDS and had recommended the State Government to initiate suitable corrective action to make the PDS more efficient, effective and transparent. The present Performance Audit revealed that many of the irregularities pointed out earlier, were still persisting indicating lack of corrective action by the Government.

Performance Audit of the PDS, covering five years i.e. 2005-2010 was conducted during April-July 2010, covering five[1] out of 16 Districts, involving a population of 5.13 lakh (38.51 *per cen*t of total population of 13.32 lakh), by test check of records of the Director, Food and Civil Supplies, (DF&CS), and five DF&CSOs selected on the basis of stratified simple random sampling without replacement method. Apart from these, 74 FPSs covering 13 Circles were physically verified and interaction with283 individual ration card holders were also conducted during the course of audit.

1.1.4 Audit Objectives

The performance audit was undertaken to evaluate the effectiveness of PDS in ensuring regular supply of foodgrain to the people in the State. The objectives were to assess whether:

- there was an effective system for identification of different categories of beneficiaries;

[1] West Siang, East Siang, Lohit, West Kameng and Papum Pare

- benefits have been extended to eligible families;
- distribution arrangements were effective to ensure that all people have access to foodgrain and distribution was timely and at the prescribed scale and rate; and
- monitoring and control mechanism for implementation of the scheme was adequate and effective.

1.1.5. Audit Criteria

The criteria for assessing the performance under the PDS programme were as follows:

- Guiding principles prescribed by GOI for identification of beneficiaries;
- Provisions of the PDS Control Order 2001 and the Arunachal Pradesh, Public Distribution of Article Order, 2005; and
- Various regulatory / control orders of the State / Central Govt. issued from time to time.

1.1.6. Audit Methodology

The performance review commenced with an Entry Conference with the Department of Food & Civil Supplies in the first week of May, 2010 wherein the audit objectives, scope and criteria were discussed. The major audit findings were discussed in an Exit Conference on 28 October, 2010 and the views of the Department were kept in view while finalizing the draft Performance Audit report. During the Exit Conference, the Department promised to furnish certain documents/information by 10 November 2010, which had not been received (December 2010)

AUDIT FINDINGS

The important points noticed in the performance review are discussed in the succeeding paragraphs.

1.1.7 Planning

Successful implementation of PDS would largely depend upon systematic and proper planning as per the Government of India's PDS Control Order, 2001 and Arunachal Pradesh Public Distribution of Articles Order (APPDAO), 2005. Audit scrutiny in five test checked districts revealed the following shortcomings in the planning:

1.1.7.1. Identification of Beneficiaries

As per the provisions of PDS Control Order, 2001, the State Government was to formulate guidelines for identification of BPL-AAY beneficiaries and also prescribe formats for collection of family data. In the identification process both the departmental designated authority and the representatives of Panchayati Raj Institutions (PRIs) were to be associated.

It was noticed that the Department had not formulated any guidelines for this purpose. No format had also been prescribed for collection of family based data as provided in the PDS Control Order. 41,316 BPL/AAY beneficiaries in the five selected districts were identified at the village level meetings attended by the PRIs and village authority Gaon Bhuras/Head Gaon Bhuras (GBs/HGBs) without preparing any family based data or records for ensuring transparency in selection process. Thus, the BPL-AAY list as used in the TPDS was error-prone with instances of wife/wards of Government employees, public leaders holding BPL-AAY cards.

In response the Department stated (October, 2010) that in the absence of any clear cut guidelines, and due to shortage of manpower, the department has been using household database of DRDA. This indicated Department's inability to comply with the scheme guidelines in letter and spirit.

1.1.7.2. Coverage of BPL-AAY beneficiaries

The number of BPL households fixed by the Government of India was 98,800 on the basis of March 2000 estimation of Registrar General of India. The State had, however, identified 98,771 (BPL 60,771, AAY 38,000) beneficiaries.

In Papum Pare District, 8161 (BPL-6,395; AAY-1,766) households were identified in March 2010 against the estimation of 7,616 households. The excess coverage of 545 beneficiaries was managed by issue of foodgrain below the scale constituting a significant distortion in scheme implementation.

In West Siang District urban BPL beneficiaries were not identified and as a result, the BPL families under 27 FPS of the Aalo urban area remained uncovered and deprived of the scheme benefits. Further, 300 BPL families in the areas under 7 FPS of Mechuka circle remained deprived of the scheme benefits till March 2010[2] due to non-issuance of ration cards and resultant non-allotment of foodgrain.

The Department stated (October, 2010) that prior to 2003, they used data of Department of Economics and Statistics. From 2003 onwards, the Department has fixed the maximum number of AAY and BPL beneficiaries for each village and accordingly, PRIs select the beneficiaries. In case the number of beneficiaries is more than the ceiling, the food items are distributed among all. The coverage of more beneficiaries by issuing quantity lower than the prescribed scale to keep within the ceiling was a departure from the objective of the scheme.

Further, it was stated that in West Siang the coverage was less because it was assumed that the financial health of the urban population was better and thus they were not covered. The reply of the Department is an attempt to cover up its failure to identify the BPL beneficiaries in that area.

1.1.7.3. Periodical review and revision of beneficiary list

As per PDS Control Order, 2001, the beneficiary list of BPL and AAY were to be reviewed on regular basis for the purpose of deletion of the ineligible families and for inclusion of new deserving families. It was found that review was not done by the Department as in test checked districts instances of undeserved families, presence of bogus cards, and misuse of ration cards were noticed as discussed below:

[2] 300 BPL beneficiaries were covered from April 2010

a) BPL-AAY cards to undeserved beneficiaries

Inspection conducted (February 2009) in Daring Circle of West Siang district, revealed 22 to 41 *per cent* non-genuine families being included under BPL-AAY category beneficiaries which included cases of holding of more than one card in a family and holding ration cards in the names of son/daughter/wife by Government employees, public leaders etc. The action for cancellation of ration cards of these undeserving families was, however, not on record.

In response the Department stated (October, 2010) that PRIs are supplied with the list of beneficiaries for updating the list. The system in practice is not satisfactory since undeserving people were getting benefits under the scheme.

b) Non cancellation of bogus cards

In Papum Pare district, 75 bogus cards were detected (August 09) tagged with M/S Yakum Yehi FPS. However, neither these cards were cancelled nor quota of foodgrain curtailed to FPS as of July, 2010.

In absence of the practice of review of beneficiaries list, the possibility of existence of bogus cards and undeserved families gaining benefit could not be ruled out.

The Department stated (October, 2010) that the computerization of PDS activities is in progress and would be extended to the entire State within next two years. The use of IT would certainly help the Department in controlling all PDS related activities.

IMPLEMENTATION

The PDS foodgrain are made available by Government of India through FCI at Central Issue Price (CIP). The monthly bulk allocation for the State is first reallocated district wise and the District Food & Civil Supply Officers arrange lifting of the foodgrain from 12 designated depots of FCI and deliver them to the FPS through wholesale nominees-cum-carriage contractors (WSNCC). Funds to meet the expenditure on transportation of foodgrain from FCI depots to FPS are, however, provided by the Government of India through FCI in the shape of Hill Transport Subsidy (HTS).

To enable the State Government to plan timely lifting of allotted quantities of foodgrain and a cost effective distribution, monthly and sometimes quarterly allocation of foodgrain are made to the State for the full financial year. Under the revised procedure the State and FCI have been allowed a validity period of 50 days to arrange for lifting of the allotted foodgrain.

1.1.8.1. Release/lifting of foodgrain

Foodgrain under PDS are rice and wheat and each RC household under APL, BPL and AAY are entitled to get 35 Kg of foodgrain per month. Allocation of TPDS foodgrain for all categories of beneficiaries (BPL, AAY and APL) are made by GOI in advance on an annual basis and the State Government is given 60 days to lift foodgrain for the allocated month. FCI releases the foodgrain to the State on deposit of the full value which are then lifted by the Government nominated whole sale dealers and distributed through the network of FPSs. Audit scrutiny revealed the following irregularities in the lifting and distribution of foodgrain:

During 2005-10, total requirement of foodgrain based on the number of ration card was 6.79 lakh MT. Against this, GOI allocated 5.27 lakh MT of foodgrain to the State during 2005-10. Even the entire quantity of foodgrain allotted was not lifted by the Department. During 2005-10, only 4.36 lakh MT of foodgrain were lifted by the Department. Year-wise position of allotment of rice *vis-à-vis* lifting by the Department is given below:

Table No.1.1.1

(Quantity in lakh MT)

Year	Quantity allotted by the GOI				Quantity lifted by the Department				Short lifting
	AAY	BPL	APL	Total	AAY	BPL	APL	Total	
2005-06	0.13	0.29	0.77	1.19	0.11	0.26	0.48	0.85	0.34
2006-07	0.15	0.26	0.62	1.03	0.15	0.25	0.51	0.91	0.12
2007-08	0.16	0.26	0.70	1.12	0.15	0.23	0.62	1.00	0.12
2008-09	0.16	0.25	0.51	0.92	0.13	0.20	0.41	0.74	0.18
2009-10	0.16	0.25	0.60	1.01	0.13	0.22	0.51	0.86	0.15
Total	**0.76**	**1.31**	**3.20**	**5.27**	**0.67**	**1.16**	**2.53**	**4.36**	**0.91**

Source: Directorate of F&CS

From the above table it is seen that the State Government short lifted 0.67 lakh MT of APL foodgrain (20.88 *per cent*), 0.15 lakh MT of BPL foodgrain (11.45 *per cent*) and 0.09 lakh MT of AAY foodgrain (11.84 *per cent*) during 2005-10.

During the years 2005-10, in five test checked districts, there was short allotment of 0.84 lakh MT foodgrain by the GOI over the requirement of foodgrain. The State Government also failed to lift the released quantity of foodgrain resulting in further short availability to the extent of 0.97 lakh MT constituting 47 *per cent* as tabulated below:

Table No. 1.1.2

(Quantity in lakh MT)

Name of District	Requirement based on ration card	Allotment/ Release	Short allotment	Lifted by State	Short availabi-lity	Shortage (in *per cent*)
West Siang	4,30,500	2,13,191	2,17,309	1,72,379	2,58,121	59.96
East Siang	3,79,109	1,56,477	2,22,632	1,53,479	2,25,630	62.05
Lohit	4,32,234	2,66,974	1,65,260	2,40,454	1,91,780	44.37
West Kameng	3,17,827	2,12,097	1,05,730	1,87,119	1,30,708	41.13
Papum Pare	5,14,940	3,81,363	1,33,577	3,54,563	1,60,377	31.14
Total	**20,74,610**	**12,30,102**	**8,44,508**	**11,07,994**	**9,66,616**	**46.59**

Source: Records of selected district

In response the Department stated (October, 2010) that short lifting of foodgrain was due to (i) the non availability of food stock in FCI godown, and (ii) hesitation on the part of the nominees to lift food items from some other godown due to higher transportation cost. Reply is not acceptable as short-lifting was also due to abnormal delays in drawal of foodgrain. Besides, action should have been taken by the Department for any hesitation by the Department appointed nominees,.

i) Allotment and Off-take of foodgrain under BPL-AAY in selected districts

During 2005-10, in five test checked districts, the Department failed to lift 33,295 quintal foodgrain (BPL: 27,663 quintal and AAY: 5,632 quintal) against the allotted quantity as tabulated below:

Table No. 1.1.3

(In quintals)

Year	BPL			AAY		
	Allotment	Off-take	Percentage of off-take	Allotment	Off-take	Percentage of off-take
05-06	1,35,568	1,20,890	89.17	39,204	35,554	90.65
06-07	1,26,930	1,19,840	94.41	51,660	49,646	96.10
07-08	1,23,518	1,18,773	96.16	53,436	53,436	100
08-09	1,22,724	1,22,429	99.76	53,436	53,436	100
09-10	1,22,724	1,21,869	99.30	53,436	53,436	100
Total	**6,31,464**	**6,03,801**	**95.62**	**2,51,172**	**2,45,540**	**97.76**

Source: Records of selected district

Thus, due to short lifting of 33,295 quintal of foodgrain, the poorest section of the society was deprived of getting subsidized foodgrain at prescribed scale of 35 kg per family per month.

The Department stated (October, 2010) that in 2004-05 the FCI rate (CIP) was higher than the market rate leading to short lifting. Besides, while drawing food stocks, preference is always given first to AAY quota and then to BPL and finally to APL quota. The reply is an acceptance of the fact that the Department has failed to lift complete allotted quantity even in case of AAY and BPL.

ii) Rice distribution under Annapurna-

Ten kg of free rice is issued to the destitute indigent senior citizens aged 65 years or above who have not been covered under 'Indira Gandhi National Old Age Pension Scheme' or State Pension Scheme. The distribution of rice under the programme was done through the existing FPS network.

It was found that the Department did not have a system in place for compilation and consolidation of the status of funds and foodgrain utilization. In the test checked districts, however, the available funds and foodgrain could not be utilized optimally and funds to the tune of ₹ 10.35 lakh and rice weighing 1,768 quintal lapsed during 2005-10 as shown below:

Table No. 1.1.4

Name of districts	Funds (Rs in lakh)			Rice (in quintal)		
	Allotted	Utilized	Surrendered	Allotted	Lifted	Lapsed
West Siang	15.50	14.72	0.78	2520	2394	126
East Siang	11.80	11.07	0.73	1920	1870	50
Lohit	12.92	9.14	3.78	1908	1145	763
West Kameng	11.44	7.29	4.15	1860	1178	682
Papum Pare	17.18	16.27	0.91	2940	2793	147
Total	**68.84**	**58.49**	**10.35**	**11148**	**9380**	**1768**

Source: Records of selected districts

Thus, due to non-lifting of 1,768 quintal rice within the stipulated period of 50 days 1942[3] senior citizens were deprived of the benefits of free rice for 11 months frustrating the scheme objectives. Further, it was also noticed that the rice distribution under the scheme was not on monthly basis and often was distributed clubbing 3-4 months quota at a time. Thus, the scheme implementation lacked regularity.

In response the Department stated (October, 2010) that sometimes short lifting happened as funds were not received with the stock allotments but at a later date. The reason given by the Department reflects on its failure to mobilize the required funds in time.

1.1.8.2 Release/lifting of Sugar

Sugar, also a subsidized PDS commodity, was priced at the wholesale rate of ₹ 13.50 per kg plus transportation cost as fixed by the DCs of the concerned districts. Monthly entitlement of sugar was 700 gram per family member. During 2005-10, allotment by FCI, the requirement based on an average of four members per ration card and off-take of sugar in the State of Arunachal Pradesh was as follows:

Table No. 1.1.5

(Quantity in MT)

Year	Requirement	Allotment	Short allotment	Lifted	Short lifted
2005-06	10,835	9396	1439	5709	3687
2006-07	10,835	8553	2282	5935	2618
2007-08	10,686	10709	+ 23	8961	1748
2008-09	10,686	10893	+ 207	6499	4394
2009-10	11,195	10301	894	4938	5363
Total	**54,237**	**49,852**	**4385**	**32042**	**17,810(35%)**

Source: Director F&CS

It is evident from the above table that though there was a short allotment of 4,385 MT of sugar, even the allotted quantity was not lifted. The shortfall in lifting was as high as 35 *per cent* by the State. Thus, the committed quantity of 2.80 kg per card could not be distributed/sold at subsidized rate to PDS beneficiaries affecting the objectives of the scheme.

Department stated (October, 2010) that in case of sugar, sometimes the short lifting was due to the poor quality of sugar due to prolonged stocking.

1.1.8.3 Kerosene

Superior Kerosene (SK) oil under PDS is drawn from designated Indian Oil Corporation (IOC) depots through authorized nominees of the IOC. It is distributed to the consumers through a net work of retail outlets (33 No) appointed by the respective DCs and also in some cases through the FPSs.

During the period of five years 2005-10, as against the requirement of 63,762 thousand liters of SK oil on the basis of average holding of RC (3,22,846 in each year), the State was allotted 58,751 thousand liters which was lifted. Due to the short allotment of 5,011 thousand liters, the coverage of all RC holders was affected

[3] West Siang 420, East Siang 400, Lohit 322, West Kameng 310 and Papum Pare 490=1942

adversely. The reason for short allotment over the actual requirement was neither stated nor was on records.

In response, the Department stated that this was a case of short allotment by GOI.

1.1.8.4 Distribution of foodgrain to FPS

a) BPL/AAY foodgrain

GOI made full quota of foodgrain available to the State to ensure distribution of 35 kg of rice/wheat to BPL and 35 kg of rice to AAY families per month.

In West Kameng district, the analysis of allotment of BPL foodgrain to FPSs for the years 2009-10 showed that the allotment by the District to FPSs was not as per the scale of 35 kg per card. Records of 45 FPSs test-checked in audit revealed that during the period from June 2009 to January 2010, there was disparity in quantity of foodgrain allotted to FPSs. 6 FPSs were allotted on an average between 24 kg and 32.24 kg per month per card, which is less than the entitled quantity and where as 5 other FPSs were allotted on an average between 51.61 kg and 72.34 kg per month per card, much in excess of the entitlement. Thus, a certain section of the beneficiaries were provided foodgrain much above their entitlement where as some beneficiaries suffered.

In response , the Department stated (October, 2010) that the variations in distribution was due to the fact that the quantity to be distributed was decided keeping in view relevant factors like market conditions of an area, foodgrain production in an area, the economic health of the population concerned, etc.. The reply is not acceptable as the BPL/AAY households would be maximum sufferers in view of the curtailment in the entitlement, which the Department has failed to recognize.

b) APL foodgrain

The issue scale of APL foodgrain (35 kg per RCH) was not followed in the State due to inadequate release of foodgrain by the GOI. The available quantity was also not evenly distributed to FPS on the basis of card holdings. As per the information furnished by the District F&CS, the utilization of foodgrain in test checked districts for APL card holders ranged between 8.33 kg and 28.08 kg per card holder during 2005-10. Audit scrutiny further revealed that the available foodgrain were not allotted evenly to FPSs by the District authority. Field survey of 74 FPSs showed the inequality in distribution of APL foodgrain. The details of the survey are given in the table below:

Table No. 1.1.6

Average quantity of foodgrain allotted	Number of FPSs affected in district (period)		
	Papum Pare (August 2008 to March 2009)	West Kameng (June 2009 to January 2010)	Lohit (May 2009)
Below 10kg pm	11	9	NIL
10kg to below 20kg pm	61	9	2
20kg to below 30kg pm	28	11	17
30kg to 35kg pm	10	2	4
Above 35kg	15	6	1

Source: Records of Papum Pare, West Kameng and Lohit district

c) *Allotment without correlating with closing Stock*

As per the provisions of PDS Control Order 2001, stock of foodgrain lying with the FPSs should be taken into account while making new allotment to FPSs. Monthly reports of the FPS indicated that the FPSs often had unused stock of foodgrain as on the date of report. However, the monthly allotment of foodgrain to the FPSs was made without making necessary adjustments for the unutilized stocks with the FPSs.

The issuance of foodgrain at varying scale, the higher allotment of foodgrain to a few FPSs and also the non-consideration of closing stock prior to allotment, led to an extension of undue benefit to some FPS owner by giving them scope to divert and sell the undistributed foodgrain in the open market. This fact was confirmed in field survey that owners were selling foodgrain in open market as the beneficiaries do not draw their entitlement.

The Department accepted (October 2010) the audit findings and also added that efforts would be made to streamline the system. It was also stated that the computerization of the PDS system would help a lot on this issue.

1.1.8.5 Distribution of wheat/Atta

On the basis of monthly allotment by the Government of India, the Director, F&CS re-allocates the wheat to respective districts. The district F&CS in turn issues lifting orders to wholesale nominees cum miller cum carriage contractor (WSNCC) after sub-allotting the wheat to FPS under its jurisdiction. After lifting the wheat from designated FCI depots, the WSNCC converts the wheat in to atta after deduction of five *per cent* wastage (permissible limit) and deliver the same directly to the FPSs on realizing the cost of atta from them.

Every month a return indication the position of lifted wheat, conversion in to atta along with the conversion losses and onward distribution of atta to FPSs by the WSNCC is to be furnished to the District F&CS for proper monitoring of wheat distribution in the District. Though the returns were stated to have been submitted by WSNCC but the District authority never compiled and consolidated them and cross-checked the figures compiled from the monthly FPSs reports. The District F&CS are simply furnishing returns to the Directorate showing that the allotted wheat was utilized.

Thus, in absence of compiled records and inadequate monitoring it becomes difficult to ascertain the actual quantity of *Atta* distributed through PDS in the Districts. During 2005-10, in five test-check districts it was seen that as against the allotment of 20,022 MT wheat, 16,370 MT was lifted by the WSNCC and 15,551 MT of *Atta* (after deducting wastage) was stated to have been delivered to FPSs. In this context, audit came across various irregularities as discussed in succeeding paragraphs.

The Department accepted (October, 2010) the audit findings but also added that the Department has been giving more attention to rice but efforts would be made to streamline the wheat system also in future.

1.1.8.6 Diversion of foodgrain

(a) Wheat diversion

M/S Nunu Enterprise, by a deed of agreement (April 2008) was the authorized WSNCC of PDS wheat of the Papum Pare district from May 2008 to March 2010. The nominee was to lift 19,521 quintal (8,807quintal in 2008-09 and 10,714 quintal in 2009-10) of wheat allotted during the period from the designated FCI depots during the period May 2008 to March 2010 and then deliver the 18,545 quintal *Atta,* after deducting the conversion loss, to the FPSs located in Papum Pare district.

It was noticed from a complaint lodged (1 June 2009) with DC Papum Pare by the District FPS dealer Association, Papum Pare that the WSNCC did not deliver *Atta* against the allotted 6,027 quintal of wheat during the period from May 2008 to May 2009 to any of the FPSs. On being questioned by DC (June 2009) about the irregularity through a 'Show Cause Notice', the WSNCC admitted the fact and stated (June 2009) that he had delivered the PDS *Atta* to CRPF/ITBP establishments. It was found in audit that the Department, however, neither initiated any punitive action against the WSNCC nor took the required corrective steps to ensure that the wheat/atta is not diverted to other unauthorized purposes in the future.

Audit team visited nine FPSs of the Capital and Naharlagun area and the verification of records of these FPSs revealed that not a single gram of *Atta* was delivered by the nominee to FPSs between May 2008 and March 2010 against 2,717 quintal of wheat allotted to them. Thus, there is every possibility of diversion of entire quantity of 19,521 quintal of wheat allotted to Papum Pare district during the period from May 2008 to March 2010.

Similarly, it was also noticed that the DF&CS allocated 4,592 quintal wheat (APL: 2898; BPL: 1694) for the Lower Subansiri district from August 2008 to June 2009 and entrusted to M/S Nunu Enterprise for distribution to 104 FPSs. Information available in the records disclosed that the WSNCC had not delivered any *Atta* to any of the FPSs during the period. This implied that the allotted 4,592[4] quintal wheat (equivalent to 4,363 quintal *Atta*) had been diverted by the nominee. This deprived the intended benefit of the scheme to APL-BPL beneficiaries.

Thus, the WSNCC had diverted 22,908 quintals of *Atta* (18,545+4,363) of two districts during the period from May 2008 to March 2010. Had the laid down system of compilation and comparison of the monthly reporting by WSNCC and FPSs existed and properly monitored at District level, these irregularities could have come to the notice of the District F&CS in the very following month. The Department is yet to take any punitive action against the WSNCC and corrective steps, if any, to check the diversion of wheat was also not shown to audit.

[4] During August 2008 to June 2009 (11 months) APL wheat 2898 ql and BPL 1694 ql = **4592 ql**.

Consequent upon the non-distribution of Atta by WSNCC, cost incurred on transportation of wheat/aata from FCI godown to FPSs was inadmissible. When pointed out, the DF&CS stated (September 2010) that the Nominee had neither preferred any claim so far for transportation of wheat/Atta nor submitted any utilization for entire allotted quantity.

Department in their reply stated (October, 2010) that the defaulter Nominee was now no more in the Government panel. However, the reply did not indicate what action was proposed to be taken against the nominee.

b) Rice diversions

i. Inspection conducted (May 2009) by EAC, Mechuka (West Siang district) revealed diversion of APL rice by seven FPSs of Mechuka Circle of West Siang District. As per the inspection report pertaining to May 2009, 220.00 quintal foodgrain were lifted by these FPS for 825 APL families, of which only 121.45 quintal were issued to beneficiaries and the remaining 98.55 quintal **(Appendix 1.1.1)** of foodgrain were neither found physically available nor were distributed to the RC holders

Thus, due to the diversion of 98.55 quintal foodgrain, 282 APL households were deprived of the benefit of subsidized foodgrain. When pointed out, the District F&CS stated (July 2010) that the FPS owner had distributed the balance quantity to the beneficiaries. The contention is not tenable as no supporting documents were produced to counter the findings in the physical verification.

Foodgrain for 142 AAY beneficiaries of four villages viz. Ledum, Mikong, Remi, Mirem under Bilat Circle (West Siang District) were being distributed in a centralized manner through M/s Bilat Cooperative Society. Subsequently, the distribution of the foodgrain was arranged to be made in a decentralized manner from four FPSs of concerned villages. In accordance with the arrangement, the cooperative authority was to make bulk surrender of 49.8 quintal rice per month to these shops against 142 AAY card holders. However, the co-operative authority released only 21.7 quintal rice against 62 families and diverted 978.40 quintal rice (@ 28.10 quintal every month) as shown in **Appendix 1.1.2.**

ii. Scrutiny further revealed that after shifting the allotments of four villages to the four FPSs (discussed above), allotment of 14.00 quintal per month from October 2006 to April 2010 against 40 AAY beneficiaries had remained with M/s Bilat Cooperative Society. But the Society, against the said allotment, actually issued only 5.25 quintals of rice per month to 15 AAY beneficiaries during the entire period. This resulted in diversion of 376.25 quintal rice (@ 8.75 quintal per month) during the period from October 2006 to April 2010.

Thus the Society had diverted total 1355 quintal (376.25 quintals plus 978.30 quintal) foodgrain and deprived 105 (80+25) AAY beneficiaries the benefit of subsidized rice for periods ranging from 23 to 43 months. The prolongation of the irregularity implied inadequacy and delay in deterrent activities in the district.

Department stated (October, 2010) that in Mechuka the rice pointed out by audit was actually distributed late and this was taken by audit as diversion. The Department agreed to supply copies of the distribution records to audit. The reply is not tenable as no supporting records were supplied.

c) *Field survey on FPS and beneficiary interaction on Atta distribution*

Records of 74 FPSs were physically verified in audit. Examination of the relevant records revealed that drawal of Atta during 2005-10 by these FPSs was generally very poor. Of the 74 FPSs, 59 (80 *per cent*) had not drawn/received Atta at all while the remaining 15 (20 *per cent*), had received *Atta* occasionally.

Further, 229 RCHs who were entitled to *Atta* were also interacted with. Out of 229 RCHs, 215 (94 *percent*) stated that they did not receive Atta at all while the remaining 14 were receiving *Atta* occasionally. Under these circumstances, the diversion of the allotted wheat to other unauthorized purposes could not be ruled out in audit.

Department stated (October, 2010) that some of the FPS did not lift *Atta* as the local tribal population don't eat *Atta*. This is a policy issue and if *Atta* is not part of the local food habit, the Government should request Government of India to provide more rice in lieu of *Atta*.

1.1.8.7 Other points of interest

(i) *Improper revenue generation from PDS wheat nominees*

As per PDS Control order, 2001, the State Government shall make arrangements for taking delivery of essential commodities issued by the Central Government by their designated agencies or nominees from the FCI depots/ godowns and ensure their further delivery to FPSs within first week of the month for which allocation is made. Accordingly, the State had adopted the following system for wheat distribution in the State.

- WSNCCs are selected through competitive bidding process for a given term;
- WSNCC lifts wheat from FCI depot, mills Atta and distributes to FPS;
- WSNCC pays wheat cost to FCI and realizes cost of Atta from FPS owner as per the approved rate of Government. Transportation charges (from FCI depot to Mills and from Mill to FPS) incurred by the WSNCC are borne by the Department.

Scrutiny, however, revealed that the contract for the above activities was entrusted to WSNCC based on the basis of highest offer of bid money in a competitive bidding. Three zonal WSNCC for 13 districts, were appointed in May 2008 at an agreed total bid amount of Rs 35.55 lakh. Of this, only ₹ 16.96 lakh was realized and credited to Government account as shown below:

Table No. 1.1.7

(Rupees in lakh)

Sl. No.	Name of Nominees	Name of the district in the zone	Amount of Levy imposed	Amount realized	Balance
1.	M/S Nunu Enterprise, Kimin,-Zone-ii	Lower Subansiri, Papumpara and Kurnny Kumey	27.89	9.30	18.59
2.	M/S. R.S Corporation, Mudoi village, Diyam Circle, Changlang	Lohit, Anjan, Tirap, Changlang, Dibang Valley, LD Valley	3.47	3.47	NIL
3.	M/S YAYUM. Gangkok, Aalo	East Siang, West Siang, Upper Siang, Upper Subansiri	4.19	4.19	NIL
Total			**35.55**	**16.96**	**18.59**

(ii) Short accountal of rice

As per PDS Control order, 2001, the State Government should furnish Utilization Certificate (UC) within a period of two months from the month for which the allocation is made. Audit scrutiny revealed that the State furnished UCs to Government of India up to July, 2007 only. The reasons for non-submission of UCs for the subsequent period, was neither on record nor stated to audit. However, a crosscheck of information furnished by the FCI and the Department disclosed short accountal of 0.39 lakh MT of foodgrain (Rice 0.30 lakh MT and Wheat 0.09 lakh MT) during the years 2005-10 as tabulated below:

Table No. 1.1.8

(In lakh MT)

Category	As per FCI			As per Director of Food & Civil Supplies			Short accountal		
	Rice	Wheat	FG	Rice	Wheat	FG	Rice	Wheat	FG
APL	2.03	0.27	2.30	1.83	0.20	2.03	0.20	0.07	0.27
BPL	0.93	0.12	1.05	0.85	0.10	0.95	0.08	0.02	0.10
AAY	0.60		0.60	0.54		0.54	0.06		0.06
Total	**3.56**	**0.39**	**3.95**	**3.22**	**0.30**	**3.52**	**0.34**	**0.09**	**0.43**

Source: FCI and Director of F&CS records

The possibility of diversion of 0.39 lakh MT of foodgrain to open market could not be ruled out in audit.

In response the Department stated (October, 2010) that the matter was under examination and they would revert back after the required scrutiny. No further response was received in audit.

1.1.9 Transportation of PDS commodities

The expenditure incurred by the State government for moving the stock from the designated 12 FCI base depots to the Principal Distribution Centres of the State, are reimbursed by the Government of India through FCI in form of Hill Transport Subsidy (HTS). The State Government should submit HTS claims showing full details with supporting documents of movement of foodgrain so that the same is verifiable.

The FCI would scrutinize and pass the same for payment in the shortest possible time so that the State Government is not to put to any financial hardship.

In view of the various complaints about the irregularities in the head load carriage system and adoption of disputed norms of carriage i.e. "on actual basis" or otherwise, the FCI suspended the reimbursement of HTS claims with effect from September, 2004. Till March, 2010 except ₹ 24.07 crore (released in September, 2007), no reimbursement was made to the State. As a result, as per the information furnished by the Directorate, there was huge accumulation of unpaid HTS bills which stood at ₹ 569.16 crore as of March 2010 as shown below:

Table No. 1.1.9

(Rupees in crore)

Year	OB of pending HTS claims	Claims raised during the year	Claims cleared by the State	Total amount of pending Claims
2005-06	373.36	56.08	Nil	429.44
2006-07	429.44	36.50	Nil	465.94
2007-08	465.94	9.32	11.61	463.65
2008-09	463.65	92.98	12.46	544.17
2009-10	544.17	30.29	5.30 [5]	569.16

Source: Director, F&CS

The scrutiny of HTS payments by the State during the period covered by the performance audit revealed the following irregularities:

i) Extra excess expenditure

The term of carriage contract of West Siang District for PDS commodities for 2006-07 with M/s.Marpi Wire Products, Aalo, at the rate of ₹ 1.15 per quintal per km fixed by the DC, expired on 31 March 2007. On its expiry, the DC with the consent of the Carriage Contractor (CC) extended the contract at the same rate for the year 2007-08 with the approval of the State Government. Accordingly, in April 2007 an agreement to that effect was also executed by both the parties.

Audit scrutiny, however, revealed that the Government in November, 2007 ignoring the existing extension agreement enhanced the rate from ₹ 1.15 to ₹ 2.25 per quintal /km. The enhancement was made during contract period without inviting competitive tenders as required under GFRs. Therefore, the enhancement of rate from ₹ 1.15 to ₹ 2.25 per quintal / km during the valid contract period and that too without inviting competitive tender, was highly irregular. This led to extra expenditure of ₹ 1.13 crore and excess liability to the extent of ₹ 0.65 crore for carriage of 79,900 quintals of rice during 2007-08.

In response the Department stated (October, 2010) that the matter was under scrutiny and they would revert back after the required scrutiny is complete. No further response has been received in audit.

[5] HTS ₹ 5.30 crore cleared from State resources

ii) Avoidable expenditure

Carriage of foodgrain from FCI base depot to various Principal Distribution Centres and on-road and off-road FPSs under PDS was arranged through WSNCC, to be appointed on competitive bidding basis. As per the existing system, the appointment of a WSNCC initially made for a year was extendable by another year, if the performance in the first year had been satisfactory. Extensions of the term of contract without open tender beyond two years were not permissible under the guidelines. Thus, regulation of carriage rate every two year through an open tender was mandatory.

Test check of records of East Siang District revealed that during the past six years from 2002-03 to 2007-08, the District F&CS Authority instead of regulating the carriage rate biennially through open tender system, allowed extension of approved rate for the year 2002-03 ₹ 3.00 per quintal/km repeatedly over subsequent five years up to 2007-08 to the same carriage contractor M/S Tadong Mibang. The transportation rate for the district for the years 2008-10 was, however, approved by the District F&Cs through open tender at ₹ 1.40 per quintal/Km.

The abnormality of the high transportation rate for East Siang district for 2002-03 which was irregularly extended till 2007-08, is also evident when compared with rates applicable in the case of other districts for the same period which also reflected on the fact that the Department did not do any analysis or comparison of rates available within the Department to ascertain their reasonableness before extending or adopting the same. The district wise rates comparison is tabulated below:

Table No. 1.1.10

(Rate per quintal per km (in Rupees))

Category of district	Name of district	Approved rate during 2005-06 to 2007-08	Approved rate for the years 2008-10
C	**East Siang**	**3.00**	**1.40**
C	Changlang	1.97	1.97
C	Tirap	0.98	1.97
C	Lohit	1.00	1.15
B	Upper Subansiri	1.15	1.15
B	Lower Dibang Valley	1.77	1.80
A	East Kameng	1.90	2.50
A	Dibang Valley	1.73	1.73

Source: Departmental records

The irregular extensions of the high rate in East Siang District for five years also resulted in avoidable financial losses to the Government during 2004-08. The records pertaining to 2004-07 were not made available to audit, hence, the loss could not be calculated. But an expenditure of ₹ 2.07 crore was incurred during 2007-08 on transportation of PDS items @ ₹ 3.00 per quintal/km. Taking in to account the approved rate ₹ 1.40 per quintal/km for the district for the year 2008-10, the continuation of old rate of ₹ 3.00 per q/km resulted in avoidable expenditure of ₹ 1.11 crore besides, the avoidable liability of ₹ 0.34 crore for 2007-08 on pending HTS bills (**Appendix 1.1.3 (A) & (B)).**

In response the Department stated (October, 2010) that the matter was under scrutiny and they would revert back after the required scrutiny is complete. No further response has been received in audit.

iii) Non-realization of lease money from contractor

The Department had leased out some vehicles to carriage contractors for transportation of PDS commodities from FCI depot to principal distribution centres and FPS. The contractors were to pay hire charges at different rates between ₹ 0.50 lakh and ₹ 1.40 lakh per year per vehicle. However, the district authorities of West Siang and Lohit did not realize the lease amount in full from four contractors against 6 vehicles leased to them. Out of the realizable amount of ₹ 41.94 lakh, only ₹ 21.78 lakh was found to have been realized leaving unrealized amount of ₹ 20.16 lakh as of July 2010 which implied serious laxity on the part of the departmental.

The Department stated (October, 2010) that it would recover the dues when assets of the agency is auctioned as it has become bankrupt.

1.1.10. End retail sale of PDS commodities

Higher sale rate

a. PDS foodgrain are made available at subsidized CIP. The Government of India provides funds separately for its transportation to ensure that the sale rate to consumers is undisturbed. As per the scheme provision, profit margin of only 50 paisa per kg (being 24 paisa at wholesale and 26 paisa at FPS) could be added to CIP to determine the effective sale rate. Contrary to this, the authority of West Kameng district with the approval of the State Government escalated the sale rate in the district by addition of ₹ 0.70 per kg to meet the fuel cost and other transportation incidentals. As a result, the end sale rate of PDS foodgrain increased by 70 paisa per kg as shown below:

Table No 1.1.11

(in Rupees)

Items	Category	CIP Per kg (Rs)	Sale price per kg (Rs)		End Sale Rate per kg (Rs)
			Whole sale	Retail	
Rice	i) APL	8.30	8.54	8.80	9.50
	ii) BPL	5.65	5.89	6.15	6.85
	iii)AAY	3.00	3.00	3.00	3.00
Wheat	i) APL	6.10	6.34	6.60	7.30
	ii) BPL	4.15	4.39	4.65	5.35

Source: Records of West Kameng

Due to such additions and enhancement to the retail sale price, three sale outlets realized ₹ 40.08 lakh from the card holders between April 2006 and March 2008 as shown below;

Table No. 1.1.12

(Rupees in lakh)

Name of sale outlet	Period	Amount realized
i) Rupa LAMP	April to June 2006 and August 2007 to March 2008	3.92
ii) Bomdila LAMP	-do-	20.62
iii) Dirang LAMP	-do-	15.53
Total		**40.08**

Source: DF&CSO, West Kameng

b. Out of the 97 FPSs test checked (74 Survey by audit team and 23 by collection of information), 30 FPSs (West Siang-11, East Siang-19) were found to have sold APL foodgrain (rice) at rates extending up to ₹ 15/-, BPL up to ₹ 10/-per kg and AAY up to ₹ 7/- per kg as against the corresponding rates of Rs 8.80 and ₹ 6.15 per kg. The sale of PDS foodgrain at higher rates was not consistent with the scheme objectives.

In response the Department stated (October, 2010) that the matter was under scrutiny and they would revert back after the required scrutiny is complete. No further response has been received in audit.

1.1.11. Inspection

PDS control order, 2001, envisages regular inspection of FPS at least once in 6 months to ensure that PDS commodities entrusted to the FPS dealers are properly distributed to the RCH and that instructions/guidelines of the Government are adhered to. To ensure smooth and effective inspection, officer-wise number of inspections has been prescribed and are to be conducted by the designated officers (DC/ADC – one inspection per month; DF&CSO – three inspections per month; Superintendent of Supply (SS) – four inspections per month; Inspector, Supply (IS) – five inspections per month and Sub-Inspector, Supply (SIS) – seven inspections per month). However, inspection conducted fell short at each level. Huge shortfall in the inspections by the departmental officials, especially at the level of SS, IS and SIS level, is matter of serious concern. The details of inspection carried out by the departmental officials during 2005-10 in five test-checked districts are tabulated below:

Table No.1.1.13

District/ (No. of FPS)	Level of Inspection (No. of inspection prescribed per year)	Yearly status of inspection (Number)					Total during 2005-10			*Per cent* of shortfall
		2005-06	2006-07	2007-08	2008-09	2009-10	Due	Actual	Shortfall	
West Siang (196)	DF&CSO (36)	20	19	18	19	19	180	95	85	47
	SS (48)	18	19	117	20	19	240	193	47	20
	IS (60)	35	33	29	38	26	300	161	139	46
	SIS (84)	40	41	39	39	40	420	199	221	53
East Siang (110)	DF&CSO (36)	20	16	18	24	27	180	105	75	42
	SS (48)	18	82	20	25	23	240	168	72	30
	IS (60)	30	32	30	30	31	300	153	147	49
	SIS (84)	30	38	38	39	40	420	185	235	56
Lohit (60)	DF&CSO (36)	06	08	05	12	25	180	56	124	69
	SS (48)	10	18	16	24	-	240	68	172	72
	IS (60)	20	30	40	45	40	300	175	125	42
	SIS (84)	-		50	36	46	420	132	288	69

District/ (No. of FPS)	Level of Inspection (No. of inspection prescribed per year)	Yearly status of inspection (Number)					Total during 2005-10			*Per cent* of shortfall
		2005-06	2006-07	2007-08	2008-09	2009-10	Due	Actual	Shortfall	
West Kameng (82)	DF&CSO (36)	03	04	01	01	-	180	9	171	95
	SS (48)	05	06	04	03	01	240	19	221	92
	IS (60)	12	14	08	08	05	300	47	253	84
	SIS (84)	16	15	11	10	08	420	60	360	86
Papum Pare (174)	DF&CSO (36)	05	03	06	05	07	180	26	154	86
	SS (48)	12	09	08	07	09	240	45	195	81
	IS (60)	15	13	16	17	19	300	80	220	73
	SIS (84)	27	24	30	24	32	420	137	283	67

Source: Records of concerned DF&CS

To ensure useful inspection system, an inspection plan was necessary but none of the Districts test checked had prepared any such plan. The inspections lacked regularity and were largely conducted to attend complaints.

The Department accepted (October, 2010) the audit findings and also added that necessary steps would be taken to strengthen the existing system.

1.1.12. Quality control

Foodgrain of 'average quality' should be issued under PDS. The PDS Control Order, 2001 provides the following:

- Representative of the State Government or their nominees and FCI should conduct joint inspections of stocks of foodgrain intended for issue to ensure that stocks conform to the prescribed quality specifications.
- FCI should also issue sealed samples of stock of foodgrain to the concerned authority of State Government, to be supplied to them for distribution under PDS.

In five test checked districts, no evidence was made available to audit showing the steps taken by them to ensure foodgrain quality. The FCI also had never sent sealed sample of stock of foodgrain to the State Government. In this regard the DF&CS, West Siang, Aalo stated that he was more concerned about its quantity and not quality. It thus transpires that the foodgrain supplied under PDS went through no quality assurance.

The Department responded (October, 2010) stating that normally the rice received are of good quality and whenever there is problem, they ask for joint inspection with FCI. In case of sugar if it is of poor quality, the same is not lifted.

1.1.13. Vigilance

The PDS Control Order, 2001 envisages for constitution of Vigilance Committees (VC) at the State, district and block level for giving vigilance coverage on the functioning of the PDS at all levels. It also envisages that the periodicity shall not be less than one meeting a quarter at all levels. Number of VC meetings held during 2005-10 is indicated in the following table.

Table No. 1.1.13

VC levels and periodicity of meeting		Year wise details of VC meetings held				
		2005-06	2006-07	2007-08	2008-09	2009-10
State level (Once in quarter)		Nil	1	Nil	Nil	Nil
District level (Once in quarter	West Siang	NA	2	8	5	6
	Siang East	1	1	1	Nil	4
	West Kameng	1	1	2	2	Nil
	Lohit	Nil	2	Nil	2	2
	Papum Pare	Nil	Nil	Nil	Nil	Nil

Source: Records of selected District.

From the above table it is seen that the State level VC met only once in November 2006 during five years period. Except West Siang district during 2007-10, in no other four test checked districts VC meetings were held as prescribed, in Papum Pare district as not even a single VC meeting was held during 2005-10.

In five test-checked districts, blocks level VC meetings were held as per the norms only in West Siang district during 2009-10 and not even single block level VC meetings were held in other four districts during the period 2005-10.

The Department accepted (October, 2010) the audit findings and added that necessary steps would be taken to strengthen the system.

1.1.14. Result of field surveys and its impact on PDS

Audit visited 74 FPSs and also interacted with 283 beneficiaries in the test checked districts. Examination of records and analysis of the information made available to audit revealed following shortcomings.

Aspects checked Relating to FPS	District wise No of FPSs visited in Audit					Total FPS (74)
	West Siang (16)	East Siang (18)	Lohit (13)	West Kameng (9)	Papum Pare (18)	
1. Absence of Sign Board	0	0	2	0	0	2
2. Absence of Display Board	6	18	5	5	1	35
3. Not run by actual licensee	0	6	3	4	4	17
4. Operated from residence/ in a shop dealing with other activities.	4	1	1	1	0	7
5. Used to sell ration items at higher rate	4	6	0	0	0	10
6. Issued APL foodgrain at lesser scale	16	18	13	9	18	74
7. Cash Memos not used	5	14	2	50	0	26
8. Ration Card Register not maintained	5	11	8	10	13	47
9. Non-submission of Monthly returns to District F&CS	0	0	0	4	0	4
Relating to Beneficiaries (Number interacted)	51	53	53	53	73	283
Beneficiaries not aware of their entitlement	29	33	43	37	41	183

Thus, the above deficiencies in the compliance of PDS Control Order, 2001 affected the transparency and effectiveness of PDS.

FPS at Upper Bomdilla without any Sign Board or Display Board

FPS at East Siang without any Sign Board or Display Board

FPS at Bomdilla in a godown of PMGSY without Sign Board or Display Board

FPS at Namsai in a Wine shop without Sign Board or Display Board

The Department accepted (October, 2010) the audit findings and also added that necessary steps would be taken to strengthen the system. Department also added that subletting of FPS has been stopped now. The reply is not factual as FPS subletting is very much in vogue.

1.1.15. Monitoring and evaluation

It was found in audit that the monitoring of scheme at the district level was inadequate. Monthly reports indicating allocation, lifting and distribution are required to be submitted by the FPS to District F&CS. Likewise, monthly report indicating status of drawal, distribution and stock position is also required to be submitted by the wholesale nominees. Although these reports were generally submitted by the FPS and wholesale nominees, none of the District F&CS maintained any control register to watch the submission of the reports or used the available information for cross verifying the issue and actual distribution of PDS items. Therefore, the District F&CS were not able to identify the defaulting FPS or misappropriation by the Nominees. At State level, the reports due from the District F&CS to the Director were submitted timely but the further reporting by the Directorate to GOI was badly delayed since as of September 2010, UCs up to June, 2007 only were submitted to GOI.

The Department accepted (October, 2010) the audit findings and added that necessary steps would be taken to strengthen the system.

1.1.16. Conclusion

The objective of regular supply of essential commodities to the weaker sections of society at reasonable and affordable prices could not be ascertained because of non-finalisation of the list of BPL families. The reliability of the BPL/AAY beneficiaries identified is questionable. The State failed to lift entire quantity of foodgrain allotted to it by GOI. There were instances of inequitable distribution of foodgrain to the beneficiaries and they were also issued foodgrains at a reduced scale contrary to the spirit of TPDS. Also, the beneficiaries had to pay higher rate for TPDS commodities. There were leakages and diversion of foodgrain both at FPS and whole seller level. Undue financial aid was extended to contractor by way of enhancement of agreed rate. Inspections were inadequate and state level vigilance activities were virtually nonexistent and monitoring was casual. Thus, due to these shortcomings the PDS in the State failed to achieve the desired objective.

1.1.17. Recommendation

- A review may be undertaken to weed out ineligible beneficiaries and to ensure that only eligible BPL/AAY households and vulnerable section of the society are covered.
- Ensure distribution of quality foodgrain at the entitlement level of 35 kg.
- Efforts may be made to improve the maintenance of records at the FPS and use of cash memo should be enforced. Records to be maintained should also be prescribed.
- Periodical inspection of FPS should be ensured.
- Frequency of inspections of FPS may be improved and vigilance activities at the State and district level strengthened.

SOCIAL WELFARE, WOMEN AND CHILD DEVELOPMENT DEPARTMENT

1.2 Integrated Child Development Services

The Integrated Child Development Services (ICDS) programme is Government of India's primary response to nutritional and developmental needs of children below six years, pregnant women and nursing mothers. The scheme is in the forefront of Government of India's efforts to achieve nutrition related Millennium Development Goal (MDG) of halving underweight by 2015. The performance audit of ICSD was conducted to ascertain its effectiveness revealed that the overall impact of implementation of the scheme was far from satisfactory due to partial implementation of the programme. Programme implementation suffered as there were instances of poor quality and inadequate supply of SNP items.

Highlights

- ***The excess creation of 54 projects and 1586 AWCs in violation of population norms resulted in excess expenditure of ₹28.09 crore towards payment of salaries and honorarium of ICDS functionaries.***

  (Paragraph 1.2.9)

- ***Under Supplementary Nutrition Programme, 86,982 eligible children (42 percent) in 2005-06 and 91,997 children (43 percent) in 2006-07 were left uncovered. The coverage of expectant and nursing mothers declined from 61 per cent in 2005-06 to 47 per cent in 2009-10.***

  (Paragraph 1.2.10.1)

- ***Against the actual requirement of funds of ₹71.50 crore under SNP, ₹39.37 crore only was released by the State.***

  (Paragraph 1.2.10.2)

- ***Nutrition supplement was provided for 5 to 98 days in 2005-06, 18 to 106 days in 2006-07, 22 to 123 days in 2007-08, 30 to 108 days in 2008-09 and 15 to 71days in 2009-10 against 300 days per year as per guidelines.***

  (Paragraph 1.2.10.3)

- ***There was short supply of SNP ration items worth ₹ 2.16 crore during 2006-09 in 16 test-checked ICDS projects.***

  (Paragraph 1.2.10.3(b))

- ***Against the target for imparting training to 3844 AWWs and 2650 Helpers, training was imparted to only 1260 AWWs (33 percent) and 300 Helpers (11 percent)***

  (Paragraph 1.2.16)

- ***The Department incurred an extra expenditure of Rs 1.51 crore in procurement of utensils and SNP rations during 2007-08 and 2009-10.***

(Paragraph 1.2.18.1 & 1.2.18.2)

1.2.1 Introduction

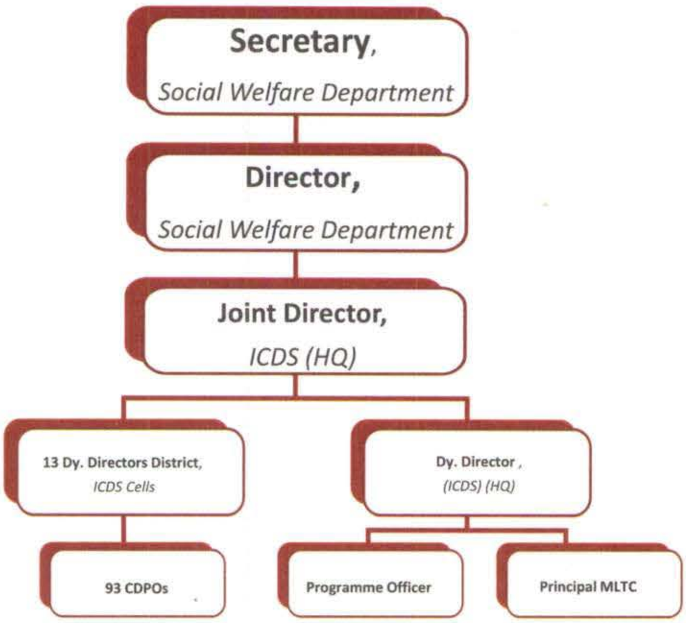
The Integrated Child Development Services (ICDS), a Centrally Sponsored Scheme, was launched in the State in 1979-80 with an aim to improve the nutritional and health status of children in the age group of six months to six years, to lay the foundation for psychological, physical and social development of children, and to enhance the capability of mothers to look after the normal health and nutritional needs of their children through proper nutrition and health education. These objectives were to be achieved through a package of services comprising of (i) Supplementary Nutrition Programme (SNP), (ii).Pre-school Education (PSE), (iii) Nutrition and Health Education (NHED), (iv) Health Check-up & Referral Services (HC&RS) and (v) Immunization.

SNP, PSE and NHED programmes are being implemented directly by the Social Welfare Department, while the Department has to coordinate and establish suitable linkage with Health and Family Welfare Department for HC&RS and Immunization programmes. For implementation of ICDS, the Department has set up 93 ICDS projects and 6028 Anganwadi Centres (AWCs) as of March, 2010.

1.2.2 Organizational Setup

The Social Welfare, Women and Child Development Departments acts as the nodal agency for implementation of the programme. At the State level, the Director of Social Welfare assisted by a Programme Officer is the nodal officer responsible for co-ordination and implementation through Child Development Project Officer (CDPOs) who are in exclusive charge of project areas. The focal point of the delivery of all the services is the AWC.

The organogram of ICDS is given in the following chart.



1.2.3 Scope of audit

The implementation of the Scheme for the period 1992-93 to 1998-99 was reviewed in 1999 and the audit findings were incorporated in Paragraph 3.5 of the Report of the Comptroller and Auditor General of India, for the year 1998-99 (Government of Arunachal Pradesh).

The present Performance Audit conducted during May–September 2010 covers the period from 2005-06 to 2009-10. Five districts out of 16 and 21 Projects[6] out of 93 projects in the selected districts were selected by random sampling without replacement method. Records of the Directorate office, 21 ICDS projects and 80 out of 1,381 AWCs were test checked, covering an expenditure of ₹ 65.74 crore being 40 *per cent* of the total expenditure.

1.2.4 Audit Objectives

The audit objectives were to assess whether: -

- The objectives of the Scheme were achieved, and the implementation of the programme resulted in improvement of health and nutritional status of the children,
- Release of adequate funds by the State on time and its bonafide utilization,
- Requirement of stores were properly assessed and procurement made economically and effectively,

[6] **Papumpare** (Itanagar, Nirjuli, Naharlagun, Balijan, Doimukh, Kimin), **Lohit** (Namsai and Teju), **Changlang** (Bordumsa, Miao, Changlang), **East Siang** (Nari, Ruksin, Pasighat, Mebo) and **West Siang** (Likabali, Basar, Tirbin, Aalo East, Aalo West and Rungong).

- Services of ICDS functionaries were properly utilized, and
- Implementation of the scheme was effectively monitored and evaluated.

1.2.5 Audit Criteria

The audit findings were benchmarked and reviewed against the following criteria: -

- Guidelines issued by GOI;
- Sanction orders of GOI;
- Statutory Rules and Regulations;
- Norms prescribed by GOI for setting up ICDS projects as well as AWCs;
- Quality and quantity assurance norms of nutrition;
- Procurement procedures; and
- Prescribed monitoring mechanism.

1.2.6 Audit Methodology

The audit commenced with an Entry Conference held in May 2010 with the officers of the Directorate of Social Welfare, wherein the audit objectives, scope, criteria and methodology were explained. Districts and ICDS projects were selected on the basis of random sampling without replacement method. The audit findings were discussed in an Exit Conference on 26 October 2010 The minutes of the Exit Conference and replies of the Department received on 26 October 2010 have been incorporated at appropriate places in the Performance Audit report.

Audit findings

The important audit findings noticed during the course of the Performance audit are discussed in the succeeding paragraphs.

1.2.7 Planning

Planning plays an important role in successful implementation of any programme. Audit noticed that the Department did not prepare any perspective or comprehensive action plan identifying the overall strategies of the Department and the broad goals it intended to achieve over a period of time. The Annual Operating Plans (AOPs) prepared by the Department did not indicate any specific strategies and there was no detailed action plan breaking down the targets into actionable areas.

The Government of India (GOI) advised the State Governments to restructure their Annual Programme Implementation Plan (APIP) for ICDS programme by focusing on "Outcomes" instead of "outlays". The APIPs were to have all details of activities that were to be undertaken by a State during the year along with their physical and financial targets.

Audit scrutiny revealed that the Annual operating Plans (AOPs) prepared by the Department during 2005-10 were outlay based and not outcome based and did not mention any detailed activities. Targets were fixed on *adhoc* basis without maintaining any basic data in the Department.

Further, the AOP for 2005-06 had neither any target for SNP nor was there any provision in the budget for State share of expenditure. Moreover, the targets for creation of new ICDS projects and NHED were also not fixed in AOPs for the years 2005-06 to 2009-10.

The Department while accepting the facts stated (October 2010) that the State's share could not be provided in the State budget due to the late receipt of intimation from the GOI about the revised sharing pattern of expenditure and added that target were being fixation under ICDS projects. The reply is not correct as the AOPs for the years covered in review did not have targets for ICDS projects and NHED.

1.2.8 Financial Management

According to the funding pattern, the entire expenditure on ICDS activities (except for SNP) and the expenditure on training of ICDS functionaries were borne by GOI. The expenditure on SNP was shared between the Central and State Government on 50:50 basis from 2005-06 to 2008-09 and thereafter, from 2009-10, on 90:10 basis. The budgetary support provided for implementation of ICDS programme and the actual expenditure thereagainst during the period 2005-2010 are given in the table.

Table – 1.2.1

(Rupees in crore)

Year	Budget provision			Total funds available	Actual expenditure
	ICDS (Salary and Training)	Nutrition			
		State share	Central share		
2005-06	14.09	-	1.13	15.22	15.18
2006-07	23.94	3.00	3.80	30.74	32.04
2007-08	21.19	5.00	8.08	34.27	34.85
2008-09	19.17	4.00	4.80	27.19	29.14
2009-10	39.67	1.00	8.56	49.23	48.80
Total	**118.06**	**13.00**	**26.37**	**156.65**	**160.01**

Source: Detailed Appropriation Account and department's figures

1.2.8.1 Budgeting

The State Government was required to provide adequate budgetary support as its matching share under SNP. Audit noticed that the state share was not provided during 2005-06 reportedly due to late receipt of intimation from the GOI which resulted in availability of Central Share of ₹ 1.13 crore only. Based on the data of beneficiaries targeted under SNP, and the scale of expenditure per beneficiary per day fixed by GOI, it was noticed that the budgetary support provided during the remaining four years from 2006-07 to 2009-10 were insufficient to cover the targeted beneficiaries as detailed in the table below.

Table – 1.2.2

(Rupees in crore)

Year	Beneficiaries targeted C=Children M= Mothers	Requirement of total funds	State share to be provided	State share actually provided	Shortfall in percentage
2006-07	C= 1,40,516 M= 31,987	10.64	5.32	3.00	43
2007-08	C= 2,23,019 M= 43,450	16.38	8.19	5.00	39
2008-09	C= 1,91,243 M= 24,058	13.13	6.56	4.00	39
2009-10	C= 2,55,602 M= 43,649	37.22	3.72	1.00	73

Source: AOPs and information made available by the department.

The Department accepted the audit finding and added that during 2010-11 the Government has provided its share of *10 per cent.*

The records showed that there was persistent excess expenditure under the Head of Account 2235 - SSW, 08 - Central Plan Scheme, 02 - Social Welfare, 800 - Other expenditure, 005 - 05 ICDS during 2006-09 as tabulated below.

Table – 1.2.3

(Rupees in crore)

Year	Budget	Expenditure	Excess
2006-07	23.56	24.84	1.28
2007-08	20.83	21.57	0.74
2008-09	19.04	20.16	1.12
Total	**63.43**	**66.57**	**3.14**

Source: Detailed Appropriation Account.

Though the variation as a percentage was not very high, the excess expenditure of ₹ 3.14 crore needs to be regularized. The Department accepted the audit finding but explained that the excesses were mainly on account of committed liabilities against salary component and thus were unavoidable.

1.2.8.2 Embezzlement/*Misappropriation of funds:*

(a) The Cashbook for the period from 2005-06 to 2006-07 was not made available by CDPO, Aalo West, though called for in audit. Scrutiny of other records indicated that an investigation was carried out in July 2007 by an inquiring authority against the alleged misappropriation of funds. It was confirmed from the Inquiry Report that the cashbook for the period from 04 July 2005 to 20 December 2006 was not maintained. In the absence of cashbook for this period, the actual amount of misappropriation could not be ascertained in audit.

The Inquiry Report (February 2008) brought out the following irregularities that has occurred during 2003 to 2007.

Table – 1.2.4

Sl. No.	Irregularity	Amount involved (in Rupees)
1	Non entering the entire amount drawn from bank in cashbook and consequent non-disbursement	10,65,249
2	Non-disbursement of honorarium/contingency bill to AWW	6,21,282
3	Drawal of false MR bills	4,94,460
4	Drawal of POL and maintenance bills against off road vehicles	1,13,162
5	Misutilisation of KSY funds	2,74,930

This was due to dereliction of duty by Smt Oyam Panor, then CDPO as she failed to maintain records including cashbook by disregarding the rules and regulations. Smt. Oyam Panor, has given a written complain that Shri Lopsang Dondu, UDC-cum-Cashier had drawn honorarium bill of ₹ 6,21,282 by forging her signature and also paid various advances to non-official from the Cash Chest, without her consent and knowledge.

The present status of investigation of misappropriation was neither furnished by CDPO nor by the Director of Social Welfare, Naharlagun. Even after a lapse of over two years, no action has been taken against the guilty officials.

In response, the Department stated (October, 2010) that the matter was under scrutiny and they would send their comments when the scrutiny is complete.

(b) The cashbook of Bordumsa project in Lohit District showed that ₹ 11.78 lakh was drawn and spent towards payment of honorarium to Anganwadi Workers (AWWs) and helpers during 2005-06. However, scrutiny of acquaintance rolls in audit revealed payment of ₹ 8.36 lakh only. Acquaintance rolls and actual payee's receipts for ₹ 3.42 lakh were neither found on records nor made available to audit for scrutiny indicating presumptive misappropriation of funds.

In response, the Department stated (October, 2010) that the matter was under scrutiny and they would send their comments within two weeks. The reply is awaited (December 2010).

1.2.9. Programme implementation

1.2.9. Integrated Child Development Scheme

According to the norms prescribed by GOI, population of 35,000 is to be covered by an ICDS Tribal Project and population of 700 by an AWC. However, in hilly and deserted areas, an AWC could be set up covering a population of 300. Based on the projected population data and norms prescribed by GOI, the number of projects and AWCs required to be created year-wise and the ICDS projects as well as AWCs actually set up by the Department during 2005-10 are shown in table 1.2.5.

Table – 1.2.5

Population	Year	Projected population	No. of ICDS projects			No. of AWCs		
			Set up	Required	Excess	Set up	Required	Excess
10,96,702 (as per census 2001)	2005-06	12,14,707	79	35	44	3121	4049	
	2006-07	12,44,208	79	36	43	4067	4147	
	2007-08	12,73,709	85	37	48	4277	4246	
	2008-09	13,03,210	93	38	55	4277	4344	
	2009-10	13,32,712	93	39	54	6028	4442	1586

It can be seen from the above table that the Department had set up 79 Projects in 2005-06 and 93 Projects in 2009-10 against the admissibility of 35 and 39 Projects respectively. Similarly, 6028 AWCs in 2009-10 were set up against 4442 AWCs required to be set up as per the norms. Thus, the Department had set up 54 Projects and 1586 AWCs in excess as of 31 March 2010. This excess creation of ICDS Projects and AWCs led to an excess expenditure of ₹ 28.09 crore towards payment of salaries and honorarium to the ICDS functionaries. The basis of creation of Projects and AWCs in excess of the norms were not made available on records.

The Department stated (October, 2010) that the population in the State was very thinly distributed due to which many times it is not possible to follow the minimum population criteria.

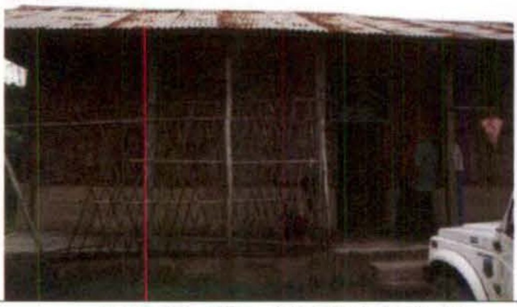
1.2.9.2.1. Construction of AWC buildings

In addition to the funds mentioned above in Table-1.2.1, the State Government received ₹29.75 crore during 2005-10 as a special case for construction of 1787 buildings for AWCs. According to the norms, AWC building should have one room, not less than 5 x 5 metre, one store room of 9 sq m and a friendly toilet. The walls of the building should be 20 mm thick cement bonded, a cemented floored with CGI sheet roofing. Out of 1,787 buildings, constructions of buildings for 1,385 centres were completed and the works for 402 centres were in progress.

Audit observed that 305 AWCs were constructed during 2005-06 by incurring an expenditure of ₹ 381.25 lakh at ₹ 1.25 lakh per centre. Out of 305 AWC buildings so constructed, 10 AWCs were physically verified of which photographs of four buildings are shown below:

New Yumchung AWC (Miao Project)

Loiliang AWC (Teju Project)

	
Jarku Muriline (Pasighat Project)	**Rite Village AWC (Teju Project)**

It would be seen that construction of buildings of these four centres were of bamboo structure and not as per the specification, However, there was no reduction in the construction cost.

The Department accepted the audit finding but stated that the amount of ₹ 1.25 lakh was not sufficient for construction according to the approved design and specification especially in Arunachal Pradesh.

1.2.9.3.Excess payment

Ten AWC's buildings were constructed under Ruksin ICDS project during 2008-09 and 2009-10 in two phases at a total cost of ₹ 17.50 lakh. It was noticed that CGI sheets as roofing materials were procured centrally and supplied to the project. On scrutiny of the bills, it was noticed that the value of CGI sheets for ₹ 3.00 lakh @ ₹ 30,000 per centre was not deducted from the bills. Moreover, four *per cent* VAT amounting to ₹ 70,000 was also not deducted from the contractors' bills. This resulted in excess payment of ₹ 3.70 lakh and undue favour to the contractors.

In response, the Department stated (October, 2010) that the matter was under scrutiny and they would send their comments when the scrutiny is complete.

1.2.10 Supplementary Nutrition Programme (SNP)

The aim of Supplementary Nutrition Programme (SNP) was to supplement nutritional intake for 300 days in a year to children in the age group of six months to six years and expectant and nursing mothers and severely malnourished children as per the norms given below.

Table 1.2.6

Category	Norms (up to 2009-10)		Revised norms from 2009-10	
	Calorie	protein	Calorie	protein
Children up to 6 yrs.	300	8-10 gm	500	12-15 gm
Expectant and nursing	500	15-20 gm	600	18-20 gm
Mothers, malnourished children	600	20 gm	800	20-25 gm

Source: GOI Guidelines

In addition to the above norms, the expectant mothers were to be given iron and folic acid tablets daily and multi-vitamin tablets on alternate days.

As per the norms, there would be 5,950 children in the age group six months to six years and 1,400 expectant and nursing mothers in a tribal project of 35,000 populations. Based on the above data, the beneficiaries required to be targeted *vis-à-vis* the actually targeted and covered by the programme during 2005-10, are shown below

Table-1.2.7

Year	Projected population	Beneficiaries (C-Children M-Mother)			
		To be targeted	Targeted	Claimed to have been covered	Uncovered (*Per cent*)
2005-06	12,14,707	C-2,06,500 M-48,588	NIL	C -1,19,518 M-29,772	C-86,982 (42) M-18,816 (39)
2006-07	12,44,208	C-2,11,515 M-49,768	C-1,40,516 M-31,987	C-1,19,518 M-29,772	C-91,997 (43) M-19,996 (40)
2007-08	12,73,709	C-2,16,530 M-50,94	C-2,23,019 M-43,450	C-1,89,643 M-23,258	C-26,887 (12) M-27,690 (54)
2008-09	13,03,210	C-2,21,546 M-52,128	C-1,91,243 M-24,058	C-1,94,588 M-24,378	C-26,958 (12) M-27,750 (53)
2009-10	13,32,712	C-2,26,561 M-53,308	C-2,55,602 M-43,649	C-1,91,100 M-25,103	C-35,461 (16) M-28,205 (53)

Source: AOPs

The above table indicates that 42 *per cent* of the eligible children in 2005-06 and 43 *per cent* in 2006-07 were left uncovered which is a serious matter. Though the coverage of children during subsequent years (2007-10) improved, the coverage of expectant and nursing mothers declined from 61 *per cent* in 2005-06 to 47 *per cent* in 2009-10.

In response the Department stated (October, 2010) that outsiders and floating population of the State does not enrol their children in AWCs.

1.2.10.1 Outlay and requirement of funds

The norms of expenditure for nutritional intake per day per beneficiary was fixed by Government of India at ₹ 2.00 for children and ₹ 2.30 for expectant and nursing mothers, which was revised to ₹ 4.00 and ₹ 5.00 respectively from April 2009. Based on the norms of the expenditure and beneficiaries actually covered by this programme, actual requirement of funds to provide nutrition for 300 days in a year, and funds released by Government during the period 2005-10, are tabulated below.

Table – 1.2.8

(Rupees in crore)

Year	Beneficiaries claimed as covered	Requirement of fund for 300 days nutrition	Budgetary support			Expenditure
			Central share	State share	Total	
2005-06	C-1,19,518 M-29,772	7.17 2.05	1.13	NIL	1.13	1.13
2006-07	C-1,19,518 M-29,772	7.17 2.05	3.80	3.00	6.80	6.80
2007-08	C-1,89,643 M-23,258	11.38 1.60	8.08	5.00	13.08	13.08

Year	Beneficiaries claimed as covered	Requirement of fund for 300 days nutrition	Budgetary support			Expenditure
			Central share	State share	Total	
2008-09	C-1,94,888 M-24,378	11.69 1.68	4.80	4.00	8.80	8.80
2009-10	C-1,91,100 M-25,103	22.93 3.78	8.56	1.00	9.56	9.56
Total		**71.50**	**26.37**	**13.00**	**39.37**	**39.37**

Source: DAA, AOPs and data furnished by the department.

Audit noticed that against the requirement of ₹ 71.50 crore to cover the beneficiaries claimed to have been covered under the programme during the period 2005-10, only ₹ 39.37 crore was available for implementation of the programme in the State, a shortfall availability of 45 *per cent*. Further, the funds for the year 2009-10 were released by the State Government at the end of March 2010 and due to delay in release of funds, SNP items could not be procured and supplied to the AWCs during 2009-10.

As such, either the number of beneficiaries stated to have been covered was inflated, or the nutritional supplement provided was not as per norms.

The Department admitted (October, 2010) the audit finding and added that it regularly reminds the State Government to release the State share.

1.2.10.2 Procurement of SNP items

Records showed that items of Take Home Rations (THR) like weaning food, fortified biscuits, noodles, peas and horse gram were procured centrally at Directorate level and khitchri items at the project level. As per the recommendation of State SNP Committee (1995), only 45 *per cent* of SNP items should be purchased centrally and remaining 55 *per cent* should be locally procured. According to fund distribution, it was noticed that on an average 80 percent of food items and other stores were procured centrally and remaining 20 percent locally.

Further, audit noticed that the ICDS functionaries, even at project level, were unaware about the quantity of food stuff required to be issued to the beneficiaries to attain the nutritive value in terms of calories and protein contents It was only in July 2009, the State Dietary Committee fixed the norm of 80-90 gm of rations per day for 300 calories and 130-150 gm per day for 500 calories.

Due to non-compliance of earlier recommendation of 1995, it was again reiterated in the Eleventh report of the Estimate Committee (September 2010) that for timely supply of SNP items, 80 *per cent* should be purchased locally and 20 percent centrally. The non-compliance of the order adversely affected the timely supply of rations in the project areas and entailed various financial irregularities as discussed in succeeding paragraphs.

SNP stock register of 16 projects test checked in audit revealed that nutrition supplement provided to beneficiaries ranged from 05-98 days in 2005-06, 18-106 days in 2006-07, 22-123 days in 2007-08, 30-108 days in 2008-09, and 15-71 days in

2009-10 against 300 days per year as per guidelines indicating poor and partial implementation of the programme. Project wise details of nutrition supplemented during 2005-10 are given in **Appendix – 1.2.1**

On this being pointed out in Audit, the Department furnished (November 2010) a statement showing revised quantity of SNP items supplied during 2006-09 to 16 test checked projects. However, the revised quantity stated to have been supplied is not borne out of the fact mentioned in the stock register maintained at project level. As per the detail provided by the Department 2,44,545 kg weaning food, 2,78,203 kg biscuits,78,040 kg dry peas and 1,20,400 kg groundnut were stated to have been supplied during 2006-09. As against these supplies, the stock registers maintained at project levels indicated receipt of 1,51,776 kg weaning food, 1,54,470 kg biscuit, 45,099 kg peas and 59,455 kg groundnut. This resulted in a short supply of SNP items worth ₹ 2.16 crore as tabulated below:

Table- 1.2.9

Quantity in MT

Items of SNP ration	Quantity supplied	Quantity received in projects	Quantity short received	Value (Rupees in crore)
Weaning food	2,44,545	1,51,776	92,769	0.60
Biscuit	2,78,203	10540470	1,23,73,	1.18
Dry peas	78,040	45,099	32,941	0.09
Ground nut	1,20,400	59,455	60,945	0.29

Source: Records of Directorate and Stock register of 16 projects test checked

The short receipt of SNP ration resulted in denial of nutrition equivalent to 82 days to 2783 beneficiaries of each project on an average during the period 2006-09. The government should investigate the matter as this situation could also be prevalent in other projects.

1.2.10.3 Performance of AWCs

- The SNP stock registers maintained in 80 AWCs test checked revealed that rations were not available in the centres for 122 days to 300 days in a year during the period covered in audit. It was also noticed that nutrition supplement was provided to the beneficiaries after a gap of two to three days during the period when rations were available so as to continue the programme with the available quantity of stock.
- The New Yumchum AWC under Miao project was found closed during physical verification. The Anganwadi Worker was called for, but SNP stock register was not made available to audit. However, it was stated verbally by Anganwadi Worker (August 2010) that SNP could be implemented for about fifty days per year and children were not attending the centre in the absence of nutrition.
- The Maithingpum AWC under Miao project was also found closed during physical verification. The SNP stock register made available to audit showed that though the centre started functioning from April 2007, SNP rations of 20 kg horse gram, 20 kg ground nut and two cartoons weaning food only were supplied to the

centre between July and September 2008. As per scale of nutrition, 30 beneficiaries could be supplemented for 33 days during 2007-10.

In reply the Department stated (October, 2010) that the shortfall was mainly due to interruptions in funding and logistic problems. Notwithstanding, efforts were being made to strengthen the system.

1.2.10.4 Non functioning of AWCs

Three ICDS projects (Itanagar, Naharlagun and Nirjuli) in Papumpare District though sanctioned in 2008-09, started functioning from November 2009. But, SNP rations were not supplied to 190 AWCs covered under these ICDS projects as of March 2010. This indicated that nutrition programme was not implemented during 2009-10 and virtually all the 190 centres remained non-functional.

The Monthly Progress Report (MPRs) of 10 ICDS projects showed that out of 658 AWCs, 76 centres during 2005-06, 113 centres in 2006-07, 45 centres in 2007-08, 42 centres in 2008-09 and 109 centres in 2009-10 remained non functional. In case of Bardumsa and Miao projects in Changlang Districts, 40 centres remained non functional during the years from 2005-10 due to political reasons (refugee problem). In case of other projects, the reasons were not on record.

The Department stated (October, 2010) that AWC is intended to provide holistic development of children and lactating mothers besides nutrition support through SNP scheme. Other services were also being delivered in AWC and non supply of SNP items didn't mean that AWC was not functional. The department's reply is not acceptable as it was noticed during field visits by audit that AWC normally gets closed since in absence of SNP items, the beneficiaries don't come to AWCs.

1.2.10.5 Quality Control

In order to ensure that quality services were provided and SNP rations supplied contained the required calories and protein content as per the norms, samples of rations were to be tested in a laboratory. This can be done with the help of Community Food and Nutrition Extensions Unit, GOI, Itanagar. But, it was noticed that the samples of rations were not tested though supply of infested groundnut, peas, and soggy and damp fortified biscuits, expired weaning foods were noticed in Doimukh, Basar and Changlang projects.

As per the scale laid down by the Dietary Committee, rice and dal for '*khitcheri*' are to be mixed in the ratio 4:1. But it was noticed that in some of projects rice and dal were mixed in the ratio ranging from 24:1 to 6:1 and in some projects in ratio from 3:1 to 2:1. Thus, it was noticed that the advice of Dietary Committee were not followed affecting the implementation of the programme adversely.

The Department stated (October, 2010) that SNP items received are tested by the GOI at their laboratory at Kolkata and furnished (November 2010) copies of test reports received in May 2010. The test reports indicated testing of only one component of ration i.e. weaning food.

1.2.11 Non formal Pre-School Education (PSE)

PSE is a child centred programme for 3-6 years old children and focuses on holistic development of children and provides a stimulating play environment for their physical, cognitive and psychosocial development.

The Monthly Progress Report (MPRs) prepared by the CDPOs indicated 100 *per cent* coverage of the children enrolled ranging from 1000 to 2500 though some of the AWCs were non functional. Besides, some AWCs were found closed during physical verification and in many cases children were not attending the centres as they were going to pre-primary schools.

Thus, the performance of the projects as reported does not reflect the true picture.

The Department admitted (October, 2010) the audit finding and also added that the Department would issue a circular to ensure factual reporting by project offices.

1.2.12. Nutrition and Health Education (NHED)

The aim of NHED was to make woman in the age group of 15-45 years aware of the role of nutrition in preventing diseases and promoting good health. The ICDS functionaries were to spread this message through communication strategies like home visits, mothers meetings, cooking demonstrations, slide and film shows and involvement with Mahila Mandals.

In the test-checked projects it was noticed that the implementation of this component of the programme was limited only to a few mothers meeting. Other activities like home visits, cooking demonstrations and slide or film shows were not being carried out.

In response, the Department stated (October, 2010) that the Department was carrying out these activities but also added that a circular would be issued directing all to carry out NHED activities more regularly. The reply is not acceptable, as neither during field visits nor during audit were records produced in support of the above activities.

1.2.13. Growth monitoring

To assess the impact of health and nutritional status of the children through growth monitoring, every child in AWCs was to be provided with an individual growth chart. The AWWs were to record the growth of the children regularly. Records of 18 ICDS projects test checked showed that growth charts were never maintained. Consequently, the impact of health and nutritional status of the children remained unassessed resulting in non-availability of an important performance criteria for measuring the achievement of MDG of halving underweight by 2015.

In response, the concerned CDPOs stated (August, 2010) that the impact on health and nutrition of the children could not be recorded for want of weighing scale and growth charts. The Department stated (October, 2010) that the charts could not be supplied earlier due to fund constraint but charts have been supplied during the current year. Besides, the weighing scale would also be provided in future when the required funds are available for this purpose.

The reply of the Department is acceptance of its failure to implement this component of the scheme. This could have been achieved if the Department had established linkage with Health and Family Welfare Department and involved the SCs/PHCs.

1.2.14 Health check-up and immunization

Records of 18 test checked projects indicated that health camps were not organized in the project areas and no Medical Officer visited any AWC. As a result, the components of the Scheme like Health checkup and immunization were not implemented.

In response, the ICDS functionaries stated that the beneficiaries attended hospitals and health checkup and immunizations were got done by themselves. But, the AWWs were required to maintain the records of immunization beneficiary-wise through home visits. In absence of the relevant records, the status of the actual immunization remained unassessed and the actual implementation of the programme could not be cross verified in audit.

In response the Department stated (October, 2010) that the Government has been trying to converge ICDS, NRHM, SSA and total sanitation programme so that the assets and logistics created under these activities are utilized better and overlapping is avoided. As far as maintenance of immunization records is concerned, the Director, SWW&CD stated that Accredited Social Health Activist (ASHA) workers of NRHM were maintaining this record.

1.2.15 Field visits and supervision

A Supervisor has the responsibility of supervising 20 AWCs each month for planning and organizing delivery of ICDS services and also to guide AWWs in maintenance of records. Similarly, a CDPO is responsible for planning and implementation of the programme in project areas and is required to visit at least 8-10 AWCs every month.

Audit scrutiny of the records of 18 projects revealed inadequate visits of AWCs by 75 Supervisors deployed in project areas. It was noticed that 137 centres per month were visited by the Supervisors during 2005-10 against the requisite visits of 1019 centres per month as per the norms leading to a shortfall of 87 *per cent*. Further, no records were made available to audit to substantiate the visits conducted by CDPOs. Thus, it was noticed that the prescribed responsibilities were not carried out by the CDPOs as well as supervisors.

In response, the Department stated (October, 2010) that the Department has issued a detailed circular on this and also assured that the system of field visits and supervision would be strengthened further.

1.2.16 Manpower Management

For effective implementation of the scheme, manpower is one of the key element. The overall manpower sanctioned vis-à-vis actual personnel in position, though called for, was not furnished by the Department. From the records of 16 projects test checked in Audit, it was noticed that requirement was satisfactory and AWW and AW helpers were stated to have been positioned at each of the AWCs. However, shortcoming in deployment of supervisor were noticed.

Each Supervisor has the responsibility to supervise 20 AWCs each month. Based on this norm and size of the projects, Supervisors are to be deployed. In 14 out of 16 test-checked projects audit noticed irrational deployment of Supervisors. In some projects shortfall in deployment ranged from 33 to 67 *per cent* while in others there was excess ranging from 33 to 200 *per cent*. The above irrational deployment of Supervisors would definitely impact the effective implementation of the programme.

In response the Department stated (October, 2010) that ICDS has a high number of women staffs which creates difficulties in their transfers and postings but efforts would be made to improve the position.

1.2.17 Training

Since the achievement of programme objectives depends upon the effectiveness of frontline workers for improved delivery of packages, the scheme envisaged training of programme functionaries. The AWWs and Helpers are to be imparted job training for three months on joining the services followed by refresher course on completion of two years service. In the State there are five[7] training centres.

It was noticed that out of ₹ 168.19 lakh received during 2005-10, ₹ 56.13 lakh remained unspent. As per data furnished by the Directorate, against the target of 3,844 AWWs and 2,650 helpers, training was imparted to only 1,260 AWWs *(33 per cent)* and 300 Helpers *(11 per cent)* during the last five years. The details of ICDS functionaries which remained untrained, were not furnished. However, it was noticed from the information furnished by the CDPOs that in 15 projects, out of 1,164 AWWs and 1,164 Helpers, 797 AWWs (68 *per cent*) and 996 Helpers (86 *per cent*) were remained untrained.

In response the Department stated (October, 2010) that the saving of ₹ 56.13 lakh pertained to 2009-10 which was regularized and would be used in 2010-11 on training activities.

1.2.18 Store Management: -

Assessment of requirements is a pre-requisite for procurement of any store item. Records of the Directorate showed that take home Rations (SNP) were procured centrally, but assessment of the actual requirement with reference to number of beneficiaries targeted, was never made. Rather, assessment was limited to the funds released by Government. This resulted in adhoc procurement of stores.

1.2.18.1 Excess Expenditure

The Department procured basic utensils like steel plates, spoons and Mugs at a total cost of ₹ 1.26 crore during 2007-08 and 2009-10 through limited tendering. It was noticed that though these items were procured from M/S Arun Enterprises the lowest

[7] Itanangar, Bomdila, Tezu, Aalo and Roing.

tenderer, the reasonableness of the rates (market rates) were not verified. The audit team collected the available market rates for the same utensils and same brand of same specifications from the firm which supplied the items to the Department, and it was noticed that the utensils were procured at much higher rates entailing excess expenditure of ₹ 94.68 lakh as tabulated below.

Table No. 1.2.8

(Rupees in lakh)

Year	Name of utensil and quantity procured	Rate at which procured	Market rate	Difference of rate	Excess expenditure
2007-08	25,050 steel plates 2004 steel spoons 2004 steel mugs	150 150 105	48 90 50	102 60 55	25.55 1.20 1.10
2009-10	27500 steel plates 2200 steel spoons 2200 steel mugs	275 205 135	48 90 50	277 115 85	62.43 2.53 1.87
Total					**94.68**

In response, the Department stated (October, 2010) that the purchase of SNP items of standard quality was made after following the system of limited tendering. The reply is not acceptable as the vast difference in rates as shown in Table 1.2.8 revealed the ignorance of the Committee members and their failure to ascertain the reasonableness of the quoted price.

1.2.18.2 Avoidable Expenditure:

The Directorate procured 5,39,820 Kg groundnuts and 3,69,480 Kg dry peas during 2007-08 through open tenders. It was noticed that by ignoring the workable lowest rates received the procurement was made from two firms (M/S Vishal Trading Co. and M/S Nguffa group) at higher rates recommended by the Purchase Board on the plea to avoid poor quality and short supplies. Further, the Department projected that the wholesale price of the nearest market at Guwahati was higher than the lowest rates quoted by the few firms, the basis of which was neither on records nor made available to audit to substantiate their statement of market study.

Thus, due to non consideration of lower rates and reasonableness of market rates, the Department incurred avoidable expenditure of ₹ 56.09 lakh

Item	Quantity procured (in Kg)	Accepted rate (in ₹)	Lowest rate not accepted (in ₹)	Avoidable Expenditure (₹ in lakh)
Groundnuts	5, 39,820	47.10	37.75	50.47
Dry peas	3, 69,480	26.37	24.84	5.62

The Department stated (October, 2010) that the lowest quoted rates were found unworkable and after collecting wholesale rate from Guwahati, the committee decided the procurement rates for groundnut and peas.

The reply is not factual since not only the prices in Guwahati were much lower than that reckoned by the Committee, but also the Committee failed to furnish any document in support of the wholesale Guwahati prices obtained for this purpose. To ascertain the reasonableness of these rates, the Commission on Agriculture Costs and

Prices (CACP) was contacted to obtain their prices for this purpose. In response, CACP informed that Guwahati wholesale rate during 2007-08 ranged from ₹ 27.00 (May 2007) to ₹ 33.00 (October 2007) in respect of groundnut against department's projection ₹ 42.50.per kg during the year. It was also noticed in audit that in some projects there were complaints regarding poor quality supplies

1.2.19 Monitoring

The ICDS programme is characterized by a built-in monitoring system for promoting assessment, analysis and actions at different levels at which data are generated. The AWWs were to submit monthly progress reports (MPRs) through Supervisors to the CDPO, who was to consolidate all the information of the project and was responsible for forwarding the MPRs to the Directorate. The Directorate, in turn, after consolidating all the MPRs received from the CDPOs were to send the reports to Central ICDS Cell, Government of India.

Records revealed that MPRs for the period from July 2007 to June 2008 were not prepared by CDPO, Bardumsa. It was also noticed that 1142 AWCs in May 2007, 970 AWCs in August 2007, 941 AWCs in September 2007, 219 centres in March 2008 and 67 centres in March 2009 did not submit MPRs at all. The irregular submission of MPRs reflected a poor monitoring mechanism and ineffective MIS.

13 ICDS District Cells were set-up in the State to ensure proper implementation, supervision and monitoring of the programme. It was noticed in audit that respective responsibility of monitoring of the programme was not carried out by the District ICDS Cells due to the absence of specific instructions from the Directorate. Further, the impact of implementation of the programme during 2005-10 was not evaluated.

The Department stated (October, 2010) that the Department has been monitoring the scheme closely and efforts would be made to make it more effective in future.

1.2.20 Conclusion

The overall impact of implementation of the scheme was far from satisfactory due to partial implementation of the programme. The budgeting and financial management needed strengthening and poor stores management required more controls to avoid instances of serious excess and avoidable expenditure. Programme implementation suffered as there were instances of poor quality and inadequate supply SNP items.

1.2.21 Recommendations

- The Department in consultation with the Finance Department should streamline the existing system to ensure that funds are available in time for smooth implementation of the programmes.
- Recommendations of the Legislative Committee and other Committees on procurement of SNP items locally should be strictly followed.
- Foodstuff provided should be of acceptable quality containing prescribed nutritive value in terms of calorie and protein content.

- Prescribed level of visits and inspection of Anganwadi Centres by CDPOs and Supervisors should be enforced.
- Regular training as per norms should be imparted to the frontline workers to upgrade their knowledge and functioning in areas of their operation.
- Monitoring mechanism should be streamlined and implementation of the programme evaluated.

CHAPTER-II

AUDIT OF TRANSACTIONS

CHAPTER II : AUDIT OF TRANSACTIONS

Fraud/Misappropriation/Embezzlement/Loss

RURAL WORKS DEPARTMENT

2.1 Fraudulent payment for work not carried out

Executive Engineer, Aalo Division, Rural Works Department paid ₹ 73.64 lakh during October and November 2009 to a contractor by recording false measurement of the work which was not actually executed.

The Government of Arunachal Pradesh accorded (August 2007) administrative approval and expenditure sanction for ₹ 1028.97 lakh for construction of road (single lane) from Ngomdir to Beye (9.81 km) under PMGSY Scheme. Technical sanction was also accorded (July 2007) by the Chief Engineer, Rural Works Department (CE, RWD). The work was awarded to M/s.Ansari & Co. in March 2008 for ₹ 977.35 lakh with stipulated date of completion as March 2009.

Scrutiny of records by audit revealed that the Executive Engineer, RWD, Aalo Division reported to the CE, RWD (April 2010) that the construction of 24 numbers of 1.5 metre slab culvert and 610.00 metre Retaining/Breast wall (R&B Wall) among other items of work had been completed after incurring an expenditure of ₹ 718.33 lakh out of which ₹ 141.73 lakh was paid to the contractor during October and November 2009 for construction of 24 culverts and 455.60 metre R&B Wall at various chainages of the road as recorded in the measurement book of the Division.

A joint physical verification (16 and 19 May, 2010) of the project site conducted by audit along with departmental officers revealed that as against the 24 slab culverts and 455.160 metre R & B wall reported as completed (April 2010), only 14 numbers of 1.5 metre slab culverts and 100 metre R&B wall were actually completed.

Thus, an amount of ₹ 73.64 lakh was paid on the basis of fictitious measurements recorded in measurement book without the work being actually done which has been accepted by the Executive Engineer (May 2010). This is a serious irregularity, which needs to be thoroughly investigated and strict punitive action taken against the official(s) involved in falsification of records.

The matter was reported to the Government (August, 2010); their reply has not been received (October, 2010).

RURAL DEVELOPMENT DEPARTMENT

2.2 Presumptive misappropriation of CGI Sheets

Out of 212.44 MT of CGI Sheets procured by DRDA, Aalo during 2007-08 for distribution under IAY, 44.19 MT of CGI Sheets worth ₹ 28.28 lakh appears to have been presumptively misappropriated.

Indira Awas Yojana (IAY) is a flagship scheme of the Government of India with the primary objective of helping construction/ upgradation of the dwelling unit of the beneficiaries belonging to SC, ST and BPL families, by providing lump-sum financial assistance. According to the IAY guidelines, the payment should be made to the beneficiaries on a staggered basis depending on the progress of the work. However, it was noticed that, disregarding these guidelines, CGI sheets as roofing materials were procured by District Rural Development Agencies (DRDAs) centrally and distributed to the beneficiaries through the respective Block Development Officers (BDOs).

Test check (March 2010) of the records of Project Director (PD), DRDA, Aalo revealed that the PD procured 212.44 MT of CGI sheets valued at ₹ 127.22 lakh and payments were made to the supplier after verification of the receipt of the materials.

The cross check of procurement records with stock register disclosed that out of the total procurement of 212.44 MT CGI Sheets, 120.566 MT valued at ₹ 77.16 lakh procured during June 2007, October 2007, January 2008 and February 2008 were not accounted for in the stock register of the DRDA. However, the remaining quantity of 91.877 MT CGI Sheets was stated to have been issued to various BDOs. During discussion (March 2010), some additional challans in support of distribution of 76.373 MT of CGI sheets in March 2008 to BDOs were shown to audit. Even after taking into account these 76.373 MTs of CGI sheets, the facts remains that only 168.251 MT against total procurement of 212.444 MT of CGI sheets was issued to 12 BDOs during 2007-08 and this was also corroborated with the records maintained by the BDOs.

On this being pointed out in audit, the department stated (August 2010) that due to absence of the concerned staff, entire issue records could not be produced to audit, and also furnished copies of three Stock Registers maintained by PD office for total quantity of 212.44 MT of CGI Sheets (First for 91.8777 MT; second for 76.373 MT; and third for 44.19 MT).

Scrutiny of Stock Register for 44.19 MTs revealed that PD had distributed these CGI sheets directly to the beneficiaries. The Stock Register for 44.19 MTs appears to have been manufactured after it was pointed out by audit since under the prevalent system for IAY, the scheme benefits are to be extended by BDO and PD has no role in this. Maintaining three different Stock Registers for same item during the same period, creates doubt about their veracity. PD office was not able to make available the relevant stock register during 77 days period while audit of that office was in progress.

Thus, there was presumptive misappropriation of 44.19 MT of CGI sheets valued ₹ 28.28 lakh out of the procurement during 2007-08.

FOOD AND CIVIL SUPPLIES DEPARTMENT

2.3 Presumptive fraud in payment of Land Transport Subsidy for transportation of Iodised Salt.

Presumptive fraud of ₹ 1.11 crore by admission of questionable land transportation subsidy claims for transportation of iodised salt for PDS beneficiaries in Dibang Valley by head load operations.

Consequent upon the discontinuation of transport subsidy on salt, superior kerosene oil and levy sugar by Food Corporation of India, the Government of Arunachal Pradesh decided (May 1997) to allow Land Transport Subsidy (LTS) for transportation of Public Distribution System (PDS) items by head load operation to the interior remote areas of the State. The State Government approved carriage rate of ₹ 125.00 per quintal per Km for head load with effect from April 2003. As per the norms prescribed by the Government of India (GOI), 500 gm of iodised salt are to be issued under PDS to each PDS beneficiary per month. According to the information/data on projected population furnished by the department, the total BPL and AAY population of Dibang Valley was 3,220 (BPL: 928; AAY: 2,292) for whom the monthly salt requirement was 16.10 quintals.

Test check (January 2010) of records of the Director of Food and Civil supplies, Naharlagun, revealed that against the annual requirement of 193.20 quintal of salt, the District Administration, Dibang Valley on four occasions (August 2003, March, May and June 2004) allotted total 1,800 quintal of salt, which was far in excess of the actual entitlement of the district.

The District Administration finalised LTS claims totalling ₹ 191.45 lakh for the head load operations of 1,800 quintal. of salt which was paid by the Directorate to the carriage contractors in August 2009. The LTS paid on transportation of the salt in excess of one year's entitlement was ₹ 139.33 lakh.

On this being pointed out in audit, the department stated (July 2010) that audit has not taken APL population into account whereas under PDS scheme, they are also the entitled beneficiaries. Even after taking into account the APL population, which is 5,414, the total population of Dibang Valley was 8634 and the monthly entitlement of salt works out to 43.17 quintals only. Thus, the annual entitlement of salt would be 518 quintals whereas 1800 quintals of salt was allotted resulting in excess allotment of 1325 quintals. The LTS paid on transportation of the salt in excess of one year's entitlement was ₹ 110.98 lakh (Calculated at the rate of ₹ 125 per quintal per km for an average distance of 64 km).

It is apparent that the entire exercise of allotment and lifting of salt and its transportation to remote locations in the district far in excess of the actual entitlement is an elaborate plan to defraud the Government. Further, the delay in settlement of LTS claim for over five years seems to be intentional as the subsidiary records relating to transportation and distribution of salt is lost with the passage of time.

PUBLIC WORKS DEPARTMENT

2.4 Undue financial benefit to a firm by falsifying the record

Executive Engineer, Roing Division, PWD paid secured advance of ₹ 1.39 crore by making fake entry in measurement book to extend undue financial benefit to a firm.

According to the CPWD Work Manual, secured advance not exceeding 90 *per cent* of the value of material required for the works as brought to the site and measured; and mobilisation advance limited to 10 *per cent* of the tendered amount at 10 *per cent* simple interest could be paid to a contractor on specific request as per the terms of contract.

The Executive Engineer (EE), Roing Division, PWD awarded (March 2009) the work 'Construction of permanent bridge over river Sisiri' (span 270 metre) to M/s Soma-Sarada JV (a Hyderabad based firm) at a negotiated amount of ₹ 16.08 crore with the stipulation to complete the work by November 2011. As per the terms of agreement, the contractor was entitled to mobilisation advance and secured advance but was silent on interest on mobilization advance.

Scrutiny (January 2010) of the records of Roing Division, PWD revealed that (i) mobilisation advance of ₹ 1.61 crore (March 2009) was paid to the firm against Bank Guarantee furnished by it and (ii) secured advance of ₹ 1.39 crore was also paid to the firm on the ground that material valued at rupees two crore was actually brought to the work site.

The payment of secured advance was obviously made on false entry made in the measurement book in view of the following evidence.

a) From the correspondence available on the files of the Division, the firm itself had stated (July 2010) that it placed order for material costing ₹ 49.39 lakh from SAIL in July 2009, where as the secured advance was paid on the date of award of contract i.e., 12 March 2009.

b) The firm also expressed its inability, in July 2009, to make any progress in the work due to hurdles in transportation of machineries, equipment, material, etc. due to the non-opening of RCC Bridge over Siang at Pasighat for vehicular traffic, which according to EE, Pasighat was opened only in August 2010.

c) In response, the EE, Roing Division, PWD, informed (01.10.2010) that the date of receipt of bridge material at site was 12.03.2009 which is improbable as it was the day on which work order was issued to the firm. No information regarding receipt of tools and plants at site has been provided by the Department.

It was also noticed that no mention regarding the mobilization advance was made in 'Notice Inviting Tender' while the tenders were invited for the work. Since the other tenderers were unaware of this facility this tantamount to an undue benefit to the contractor.

Further, even after a lapse of more than a year, there is no significant progress in work including bringing of materials to site for their use in the bridge construction as is evident from the quarterly progress report for the quarter ending September 2010.

Payment of secured advance without materials being actually brought to work site by recording false entries is irregular and resulted in extending undue benefit to the firm. Further, financial interest of the State has been compromised as there is no backup to recover the money advanced to the firm if the firm defaults. The matter needs thorough investigation to fix responsibility and take penal action against the officials who colluded with the firm to pass on the undue benefit to it.

The matter was reported to the State Government (August, 2010); their reply has not been received (October, 2010)

2.5 Doubtful expenditure on cooking cost in mid-day meal scheme

During the year 2007-08, the Education Department spent ₹ 8.83 crore towards conversion cost of cooked meal under midday meal programme. At the rate of rupees two per meal, the cooking cost for 3264.18 MT of rice lifted by the department should not exceed ₹ 6.53 crore. Hence there was a doubtful expenditure of ₹ 2.30 crore.

With a view to enhancing enrolment, retention and attendance and simultaneously improving nutrition level among children, a Centrally Sponsored Scheme, National programme of Nutritional support to Primary Education popularly known as Mid-day-Meal (MDM) programme was launched in Arunachal Pradesh in 2003-04. Central assistance under the scheme consisted of free supply of 100 gm of foodgrain per child per school day. The scheme was revised (2006) to provide cooked meal with 300 calories and 8-12 gm of protein to all children studying in the Government and aided schools. In addition to free supply of foodgrain for states in north-eastern region, the revised scheme provided cooking cost of rupees two per child per school day to be borne in the ratio of 90:10 by Centre and State Government.

In Arunachal Pradesh, on an average the number of school days in a year is 200. During 2007-08, total number of school going children in the State was estimated at 2,70,197 (Primary school stage: 2,34,378; Upper primary school stage: 35,819).

Scrutiny (December 2009) of records of the Director of School Education revealed that:

- During 2007-08, Government of India allotted 5283.20 MT of rice (4558.68 MT for Primary School Stage; 724.52 MT for Upper Primary School Stage) for providing mid-day meal to school going children of the State (except Dibang Valley in case of upper primary school). Against this, the department lifted only 3264.18 MT of rice meant for primary school students and did not lift any rice out of the allotment made for upper primary school stage.

- State Government also released ₹ 10.63 (₹ 9.52 crore for primary and ₹ 1.11 crore for upper primary) as cooking cost which included both Central assistance and State contribution.
- As per the utilization certificate furnished to the Government of India, ₹ 8.83 crore (₹ 8.13 crore for primary and ₹ 0.70 crore for upper primary) was shown as the cooking cost expenditure during the year leaving a balance of ₹ 1.80 crore.

Since 100 gm of rice was required per meal, only 3,26,41,800 meals could have been prepared with 3264.18 MT of rice lifted during the year 2007-08. At the rate of rupees two per meal, the cooking cost should have been not more than ₹ 6.53 crore. Hence there was a doubtful expenditure of ₹ 2.30 crore which needs investigation.

Further, due to short-lifting/non-lifting of rice, school going children were deprived of the benefits of midday meal scheme.

The matter was brought to the notice of the Government (August, 2010); their reply has not been received yet (October, 2010).

PUBLIC HEALTH ENGINEERING DEPARTMENT

2.6 Short recovery from a contractor the cost of items issued.

Public Health Engineering Department, Namsai Division while making payment to the contractor short-recovered ₹ 12.21 lakh for the material issued to the contractor.

In March 2005, Union Ministry of Urban Development sanctioned, ₹ 674.34 lakh for the project "Augmentation of water supply for Namsai Township". 90 *per cent* of the estimated cost was to be borne by the Central Government and balance 10 *per cent* by the State Government. The administrative approval and expenditure sanction for ₹ 674.34 lakh were accorded by the State Government in March 2006. However, the ex-post-facto technical sanction for the work was accorded by the Chief Engineer (Eastern Zone), PHED in December, 2009 after completion of the work.

Test check (February 2010) of records of PHED, Namsai Division revealed that the Executive Engineer (EE) after observing all Codal formalities entered into an agreement (October 2005) and awarded five items of work in connection with the project to a local firm at its negotiated tender value of ₹ 197.00 lakh with stipulation to complete the work within 24 months reckoned from the date of signing the agreement. As per schedule 'B' of Clause 10 of the agreement, the Division was to issue material like MS rod, cement, etc to the firm for incorporation in the works and recover the cost of items issued to the firm. The firm commenced the work in

November 2006 and completed in March 2009 at a total cost of ₹ 197.00 lakh. The final bill was paid to the firm in March 2009.

Audit scrutiny revealed that the Division issued 528.45 MT (₹ 5,380 per MT) of cement and 118.74 MT (₹ 37,408 per MT) of MS Rod to the firm for the work for which ₹ 72.85 lakh was recoverable from the firm, but only ₹ 60.64 lakh was actually recovered from the firm. Thus, ₹ 12.21 lakh was short-recovered from the contractor which needs to be recovered.

The matter was reported to the Government (June, 2010); their reply has not been received (August 2010).

Excess payment /Wasteful Expenditure

EDUCATION DEPARTMENT

2.7 Avoidable Expenditure on procurement of books

Despite availability of NCERT/CBSE text books at cheaper rates, Director of School Education procured text books for the year 2008-09 from private publishers at much higher rates and incurred an avoidable expenditure of ₹ 183.76 lakh.

The Education Department procures text books every year for free distribution to the ST students of class I to VIII under Universalization of Education scheme. The main sources for procurement of text books have been NCERT, CBSE and Private Publishers.

A test check of the records of the Directorate of School Education (DSE) (December 2009) indicated that a Negotiation Committee, constituted for the purpose of fixation of book rates, held a meeting on 27 June 2007 wherein the rates for text books proposed to be procured from private publishers were fixed. It was noticed that the rates so fixed were much higher and were fixed by the Committee without comparing with the NCERT/CBSE rates.

Audit scrutiny revealed that between July and September 2008, even without ascertaining whether NCERT/CBSE was able to supply the books, the department procured various textbooks at a total cost of ₹ 4.91 crore from eight private publishers for free distribution. The payments were released to the publishers after necessary verification of the receipt of the books. The prices of books supplied by the private publishers were higher by one and half to three times than that of NCERT/CBSE published books. Had the department sourced the textbooks from NCERT/CBSE rather than the private publishers it could have saved approximately ₹ 1.84 crore on their purchase.

It was also found in audit that the department always procured books for Class IX to XII from NCERT/CBSE. Books for Class I to VIII for the year 2009-10 were also procured from CBSE/NCERT. Reasons for procuring books in 2008-09 from private publishers without even ascertaining and comparing the rates of NCERT/CBSE, were not available in the records produced to audit. This total disregard to financial prudency in procurement of textbooks resulted in an avoidable expenditure of ₹ 1.84 crore.

The matter was brought to the notice of the Government in May 2010; their reply has not been received yet (September 2010).

URBAN DEVELOPMENT AND HOUSING DEPARTMENT

2.8 Extra Expenditure on hire charges of bulldozers

Department incurred extra expenditure of ₹ 42.82 lakh on hiring of bulldozer D-50 and making payment at hourly rate instead of daily rate.

According to Rule 129(1)(iv) of GFRs and Section 14.1 of CPWD Works Manual competitive bidding with wide publicity should be followed before commencing any work or incurring any liability. The Chief Engineer (Eastern Zone) approved (December 2000) the rate for hiring of the bulldozer D-50 as ₹ 7568.00 per day or ₹ 2523.00 per hour inclusive of the fuel charges in both the cases.

Test check (December 2009) of records of the Deputy Director, Urban Development and Housing, Division, Jairamur revealed that the Division without following the prescribed competitive bidding system hired (September 2008 to December 2008) bulldozers D-50 from four private agencies for execution of earthwork in work of "Improvement of road Network at Jairampur". Records also indicated that the four bulldozers were hired and utilised for a total 2816 hours during the period 03.09.2008 to 20.12.2008 and ₹ 71.05 lakh was paid as hire charges on hourly basis as per details given in the following table.

Table 2.1

Name of Contractor	Period during which hired	No. of days	No. of hours
M/s Changlang Enterprises	03.09.2008 to 10.09.2008	8	49
	16.09.2008 to 18.10.2008	33	230
	19.10.2008 to 15.12.2008	58	489
Total days & Hours		**99**	**768**
M/s Morang Enterprises	03.09.2008 to 03.10.2008	31	451
	04.10.2008 to 07.11.2008	35	
	08.11.2008 to 20.12.2008	43	330
Total days & Hours		**109**	**781**
M/s R R Agencies	03.09.2008 to 30.09.2008	28	183
	01.10.2008 to 04.12.2008	65	477
	05.12.2008 to 20.12.2008	16	147
Total days & Hours		**109**	**807**
M/s M M B Agencies	11.09.2008 to 16.09.2008	6	460
	26.10.2008 to 01.11.2008	7	
	02.11.2008 to 14.12.2008	43	
Total days & Hours		**56**	**460**

The above table shows that these bulldozers were hired for almost continuous periods except in respect of M/s MMB Agencies on one occasion where there was a gap of more than a month. As such the department could have hired the bulldozers on daily basis instead of on hourly basis. Thus, the negligence of the Division in following this simple financial prudency resulted in avoidable extra expenditure of ₹ 42.82 lakh.

In reply the department stated (July 2010) that the bulldozers could not be hired on daily/monthly basis since the division could not assess in advance the time/period for which the machinery was needed.

The department's reply is not acceptable since the very nature of the work necessitates the use of bulldozers for continuous periods and not intermittently.

Thus, the failure of the Division to exercise basic financial prudency resulted in an avoidable extra expenditure of ₹ 42.82 lakh.

PUBLIC WORKS DEPARTMENT

2.9 Wasteful expenditure on construction of a bridge

Execution of Steel Truss Girder Bridge without ascertaining its technical viability led to subsequent change in design of bridge to SAB and in the process an expenditure of ₹ 19.51 lakh incurred on execution of the originally designed Steel Truss Girder Bridge was rendered wasteful

The Union Ministry of Road Transport and Highways accorded (October 2001) administrative approval to the work, "Construction of Steel Truss Girder Bridge over river Dibang" (span 150 metre) at an estimated cost of ₹ 434.88 lakh. Technical sanction was, however, accorded by the Chief Engineer (Eastern Zone), (CE (EZ)) PWD in February 2002 for an amount of ₹ 442.00 lakh. Accordingly, the Division invited tender (March 2002) for construction of Steel Truss Girder Bridge for a span of 150 metre with a mid pier. The tender was finalised (March 2003) in favour of a Kolkata based firm for ₹ 342.05 lakh. Subsequently the estimate had to be revised and revised technical sanction for ₹ 526.63 lakh was accorded by the CE (EZ) PWD (August 2008) by changing the original specification of work.

Audit scrutiny of the records (January 2010) of the Executive Engineer (EE), PWD, Anini revealed that during site inspection (June 2003) by CE, (EZ), PWD along with the representative of the firm, the project was found to be technically unfeasible due to the presence of deep water throughout the year in the foundation area of the Pier. In order to overcome the problem an alternative offer for construction of Steel Arch Bridge with a span of 135 metre with substructure but without any mid pier, was found suitable in March 2004 and awarded to the same Kolkata based firm for ₹ 323.57 lakh. The substructure work was to be done by the Division. The firm commenced the work in February 2005 and as on December 2009, 98 *per cent* of the bridge work was completed after incurring an expenditure of ₹ 512.03 lakh.

However, prior to the change in specification of the bridge, the Division had already incurred expenditure of ₹ 38.00 lakh on the original Steel Truss Girder Bridge. Of this, ₹ 7.21 lakh was incurred on design and drawing, ₹ 5.55 lakh on sub-soil investigation for mid-Pier and ₹ 6.75 lakh on labour charges for abutment work, which became wasteful due to change in the scope of work.

Thus, execution of Steel Truss Girder Bridge without ascertaining its actual technical feasibility led to change in bridge design to Steel Arch Bridge and in the process an expenditure of ₹ 19.51 lakh incurred on execution of the originally designed Steel Truss Girder Bridge was rendered wasteful.

The matter was reported to the Government (June, 2010); their reply has not been received (August 2010).

PUBLIC WORKS DEPARTMENT

2.10 Wasteful expenditure on formation cutting for a road

Due to improper/defective survey and investigation the alignment of the road from 1.2 to 5 km had to be diverted on which the State Government had already incurred expenditure towards formation cutting of ₹ 28.84 lakh which proved to be wasteful

The work "Widening of existing road from 0-1 km and formation cutting from 1-7 km including slab culverts soiling and metalling and black topping of Rima-Montongso road via Wingtong 0-7 km" was administratively approved by the Government of India (March 2007) at an estimated cost of rupees five crore. The work was to be completed by March 2009. The work was technically sanctioned in July 2007 and was funded under Central Road Fund.

Out of the above work, formation cutting from 1.2 to 7 km was taken up and awarded during January to December 2008 to three different contractors at the tendered value of ₹ 114.93 lakh. Accordingly, the work was commenced and completed between February 2008 and January 2009 and the contractors were paid ₹ 115.96 lakh between May 2008 and January 2009.

Scrutiny (December 2009) of records of the EE, PWD, Jairampur revealed that:

- the department had earlier, in September 2000, administratively approved "formation cutting 0-5 km" of the same work at an estimated cost of ₹ 35.58 lakh. The approval was based on survey and investigation report by the Division. However, no technical sanction of the competent authority was obtained. The work was departmentally executed during October 2000 to September 2007 by incurring a total expenditure of ₹ 37.95 lakh.
- the alignment of the road from 1.2 to 5 km had to be diverted and redone while taking up of the work under Central Road Fund in 2008-09, due to the high gradient which made the road unfit for plying vehicles.

Thus, due to improper/defective survey and investigation by the department the alignment of the road had to be diverted and redone and as a result expenditure of ₹ 28.84 lakh incurred earlier out of State fund on formation cutting of 1.2 to 5 km road proved to be wasteful.

The matter was reported to the Government (June, 2010); their reply has not been received (August 2010).

WATER RESOURCES DEPARTMENT

2.11 Wasteful expenditure

Execution of an irrigation project without conducting proper survey and investigation to ascertain its technical feasibility led to wasteful expenditure of ₹ 74.07 lakh besides depriving the targeted beneficiaries of the intended benefits from the planned irrigation project.

The work "Construction of Pipe Irrigation for Deki area at Ramsing–Phase- I", with estimated cost of ₹ 88.99 lakh was administratively approved (March 1994) by the Government for providing pipe irrigation for Deki area consisting 120 hectares of land converted into Tea plantation. The estimate of the project provided for drawing water from the stream by constructing a trench weir and conveying water to the centre of the area through 300 mm diameter M.S pipes for the initial length of 2,000 metres. The project was to be completed by 1996-97.

Scrutiny (February 2010) of the records of the Executive Engineer, Water Resources Division, Yingkiong revealed that the work was taken up for execution without any survey and investigation to ascertain the feasibility of the work. However, the State Government released ₹ 88.62 lakh (₹ 39.13 lakh in March 1994 and ₹ 49.49 lakh in March 1998) against which the Division spent ₹ 74.07 lakh on formation/terrace cutting (₹ 35.04 lakh) and procurement of 1,506 metres of 300 mm diameter M.S pipes (₹ 39.03 lakh).

Thereafter, only in 2005, the department made an attempt to start the headwork but could not do so due to dispute with the landowners of 'Gossang' village (not being the beneficiaries) who objected to tapping of their water source. Consequently, the project work was suspended (December 2006) due to non-settlement of the dispute.

In response to an audit query the Division stated (February 2010) that with the passage of time the formation/terrace cutting executed at a cost of ₹ 35.04 lakh had been damaged by rains/landslides. Besides, the procurement of 1506 metres M.S pipes procured up to September 1996 at a cost of ₹ 39.03 lakh was lying at the work site as of February 2010. Possibility of deterioration in their condition could not be ruled out.

Thus, the taking up of a project without any survey and investigation to ensure guaranteed source of water resulted in a wasteful expenditure of ₹ 74.07 lakh. In response, the Division stated (July, 2010) that the survey and investigation was done departmentally. The reply is not acceptable as no records in support of the reply were provided to audit.

The matter was reported to the Government (August 2010), their reply has not been received (October 2010).

Undue favour to Contractors

RURAL DEVELOPMENT DEPARTMENT

2.12 Undue benefit to a private contractor

Inclusion of an item of work in the work order not provided in the approved estimates; and also non-compliance of statutory provision of VAT deduction by DRDA, Seppa resulted in extending undue benefit of ₹ 22.26 lakh to a private contractor.

An estimate of ₹ 141.37 lakh was technically approved by the Chief Engineer, Water Resources Department (WRD) for the work of construction of 150 meters span foot suspension bridge over the river Pachuk between Lapang and Effa villages in East Kameng District. The estimate was prepared based on the prevailing market rates and working rates of Bameng Division for the year 2008-09. The District Rural Development Agency (DRDA), Seppa was responsible for execution of the work.

Test check (January 2010) of the records of the Director of Rural Development, Itanagar revealed that the rate provided in the estimate included the cost of manufacturing, providing and supplying, fitting and fixing including fabrication of foot suspension bridge. Accordingly, ₹ 149.25 lakh was sanctioned by the State Government in May 2009 and work order for ₹ 149.25 lakh was issued by the DRDA, Seppa to M/s. Buna Traders without inviting competitive bidding as per codal provisions. The work was stipulated to be complete within 120 days.

Audit noticed that work order included an extra element "Carriage charges" for carrying cement, rod, wire, rope etc for ₹ 9.07 lakh which was not provided in the estimate. The work commenced on 11 May 2009 and was completed on 9 July 2009. The total amount of ₹ 149.25 lakh paid to the contractor for the entire work, included extra amount of ₹ 8.27 lakh for carriage charges of 11,500 load. The payment of ₹ 8.27 lakh for carriage charges was not in order as the rate provided in the estimates catered for providing and supply of items.

In addition, the DRDA, Seppa also failed to deduct VAT amounting to ₹ 13.99 lakh (at the rate of 12.5 *per cent* on the value after deduction of 25 *per cent* from gross value of the work) at source. DRDA didn't deduct VAT on the plea that provision for VAT was not included in the original estimate. The contention is not acceptable since deduction of VAT at source is a statutory provision and is to be levied irrespective of any situation.

The matter was reported to the Government (June, 2010); their reply has not been received (August 2010).

WATER RESOURCES DEPARTMENT

2.13 Undue benefit to the carriage contractors.

Executive Engineer, Water Resources Division Itanagar revised, without justification, the carriage rates from 29 paisa to 80 paisa per kg per km for carriage of boulders by preparing the analysis rate. This resulted in undue benefit to the carriage contractors to the tune of ₹ 25.08 lakh.

Government of Arunachal Pradesh accorded (July 2008) administrative approval and expenditure sanction for the work "Flood protection and river training works at Papu Nalha, Naharlagun" for rupees two crore on the basis of preliminary estimates prepared in January 2008. The estimate of the work inter-alia consisted of "Construction of retaining wall with launching of apron/construction of wire crated boulder river training work" for ₹ 1.81 crore. No. Technical sanction was, however, accorded for the work.

Scrutiny (July 2009) of records of the Executive Engineer (EE), Water Resources Department (WRD), Itanagar revealed that the EE spent ₹ 46.48 lakh towards carriage of 67,13,384 kg of boulders by head load during the period from July to August 2007 without issuing any work order. Subsequently, in July 2008 the EE issued 71 work orders on post-facto basis to regularise the works executed during July-August 2007. It was noticed that EE, WRD, Itanagar had allowed two different carriage rates 29 paisa per kg per km for work done on 05 and 06 July 2007 and 80 paisa per kg per km for head load for work done from 05 July to 06 August 2007. Details of payment made are tabulated below:

Table 2.2

Period during which carried (as per MB)	Quantity carried (Kg)	Rate per kg/km	Distance covered	Amount paid *(in Rupees)*
05 and 06 July 2007	24,64,000	29 paisa	1 km	7,14,560
05 July to 06 August 2007	29,13,630	80 paisa	1 km	23,30,904
	13,35,754		1.5 km	16,02,905
Total	**67,13,384**			**46,48,369**

The rates so allowed were on the basis of two sets of analysis of rates by adopting the daily rate as ₹ 55 per day and ₹ 100 per day respectively. However, there was no revision of daily wage rates notified by the Government of Arunachal Pradesh during that period. As such, the action of the EE, WRD, Itanagar adopting higher daily wage rate of ₹ 100 per day while preparing the analysis of rates to arrive at carriage rate of 80 paisa per kg per km was not justified. The matter needs investigation.

Thus, by allowing enhanced rate of 80 paisa per kg per km, the division extended undue financial benefit to the extent of ₹ 25.08 lakh to the carriage contractors for carriage of 42,49,384 kg of boulders during July-August 2008.

The matter was brought to the notice of the Government (August, 2010); their reply has not been received (October, 2010).

PUBLIC WORKS DEPARTMENT

2.14 Undue benefit to the Contractors

Due to non-adherence to negotiated approved rate and less utilisation of stone aggregate, the Department not only extended undue benefit of ₹ 16.49 lakh to the contractors but this also resulted in execution of substandard works.

Union Ministry of Road and Transport and Highways accorded (December 2002) administrative approval to the work "Improvement of Dambuk-Paglam road including realignment from 31.40 km to 46.02 km, construction of culvert and road sign, etc." at an estimated cost of ₹ 13.58 crore. Technical sanction was also accorded (February 2003) by the competent authority. The estimate of the work included inter-alia premix carpeting and seal coat 55.58 km (₹ 3.03 crore).

The records of the Executive Engineer, PWD Roing showed (January 2010) that the works "pre-mix carpeting and seal coat" was divided into three groups and work was awarded (December 2004) to three different contractors after invitation of tenders, (M/s Valley Carriage and Construction, Itanagar from chainage 0 to 7.31 km, 13.32 to 21.13 km and 21.96 to 26.84 km; M/s Chow Chinakong Namchoom from chainage 26.84 to 46.84 km and M/s Urgelling Constructions, Tawang from chainage 46.84 to 62.82 km) for the following items of works at a negotiated rate.

a) Laying 2 cm thick pre-mix carpet surfacing with 3 cum stone aggregate 10 mm size per 100 sq m of road surface and 64 kg of cutback bitumen of approved quality at 0.75 kg per sq m of road surface complete.

b) Providing liquid seal coat type A of pre-mixed sand with cutback bitumen of approved quality using 128 kg of cutback bitumen per cum of sand and 0.75 cum of coarse sand per 100 sq m of road surface complete.

Three contractors commenced (January 2005) the allotted work but could not complete it for want of bitumen. The Division after completion of 1,36,647.56 sq m closed the agreements. ₹ 106.18 lakh was paid to the contractors for the quantum of works executed.

Further scrutiny of records revealed that there were irregularities while making payment to the contractors as discussed in the succeeding paragraphs.

a) The three contractors utilised 2.40 cum stone aggregate of 10 mm size per 100 sqm in pre-mix carpeting instead of 3 cum stone aggregate of 10 mm size per

100 sqm. Thus, there was under utilisation of 819.88 cum[ɤ] stone. However, the contractors claim was not restricted for use of less quantity stone and the payments were made at the rate as though 3 cum stone aggregate of 10 mm size has been used for carpeting 100 sq m for entire quantum of work executed by three contracts. This resulted not only in excess payment of ₹ 10.43 lakh but also in execution of substandard work.

b) the contractors were paid at higher rates than the negotiated rates resulting in extra payment of ₹ 6.06 lakh as tabulated below:

Table 2.3

Contractors	Item of work	Quantity executed (sq m)	Rate as per work order	Rate Allowed	Amount paid	Amount payable	Excess paid
			(Rupees)		(Rupees in Lakh)		
M/s Valley Carriage and Construction, Itanagar	Pre-mixed carpeting	62,187.56	60.88	64.80	40.30	37.86	2.44
	Seal coat		12.03	12.90	8.02	7.48	0.54
M/s Chow Chinakong Namchoom	Pre-mixed carpeting	20,475	61.16	64.80	13.27	12.52	0.75
	Seal coat		12.23	12.90	2.64	2.50	0.14
M/s Urgelling Constructions, Tawang	Pre-mixed carpeting	53,985	61.29	64.80	34.98	33.09	1.89
	Seal coat		12.34	12.90	6.96	6.66	0.30
Total					**106.17**	**100.11**	**6.06**

Thus, the payment for work below specifications and payment at rates higher than the approved rates in violation of the contract provisions resulted in an excess payment of ₹ 16.49 lakh to the contactors.

The matter was reported to the State Government (August 2010); their reply has not been received (October, 2010).

General

2.15 Follow up Action on Audit Reports

As per the instructions issued by the Finance Department (June 1996), the concerned administrative departments are required to prepare an Explanatory Note on the paragraphs/reviews included in the Audit Reports indicating the action taken or proposed to be taken and submit the "Action Taken Note" to the Assembly Secretariat with a copy to (1) Accountant General and (2) Secretary, Finance Department within three months from the date of receipt of the report.

[ɤ] Under utilized quantity of stone aggregate in execution of 136647 sqm area @ 0.60 cum per 100 sqm = 819.88 cum

Review of the outstanding explanatory notes on paragraphs included in the Reports of the Comptroller and Auditor General of India for the years from 1994-95 to 2008-09 revealed that the concerned administrative departments were not complying with these instructions. As of March 2010, *suo moto* explanatory notes on 235 paragraphs of these Audit Reports were outstanding from various departments **(*Appendix-2.1*)**

The administrative departments are also required to take suitable action on the recommendations made in the PAC Reports presented to the State Legislature. The PAC specified the timeframe for submission of such ATNs as one month up to the 51st Report. Review of 13 reports of the PAC containing recommendations on 68 paragraphs in respect of 15 Departments included in Audit Reports as detailed in ***Appendix-2.2*** presented to the Legislature between September 1994 and August 2009 revealed that none of these Departments sent the ATNs to the Assembly Secretariat as of November 2010. Thus, the status of the recommendations contained in the said reports of the PAC and whether these were being acted upon by the administrative departments could not be ascertained in audit.

2.16 Recovery at the instance of Audit

In Paragraph 2.10 of the Audit Report for the year ending March 2009 an excess payment of ₹ 25.91 lakh made by the Executive Engineer Capital-A Division, PWD, Itanagar (AP) over and above the approved rate of wastage was pointed out. The aforesaid amount has been recovered by the concerned PWD Division by adjustment through final payment bill of the contractor.

2.17 Failure to respond to audit observations

695 Paragraphs pertaining to 98 Inspection Reports involving ₹ 157.00 crore were outstanding as of March 2010. Of these first replies to 27 Inspection Reports containing 129 paragraphs had not been received.

Accountant General (AG) conducts periodical inspection of Government Departments to test check the transactions and verify maintenance of important accounting and other records as per the prescribed rules and procedures. When important irregularities detected during inspections are not settled on the spot, these are included in the Inspection Reports (IRs) that are issued to the Heads of the Office inspected, with a copy to the next higher authorities and the Government. The Government instructions provide for prompt response by the executives to the IRs to ensure timely rectificatory action in compliance with the prescribed rules and procedures and to fix responsibility for the serious lapses pointed out in the Inspection reports. Serious irregularities are also brought to the notice of the Heads of the Departments by the Office of the Accountant General. A half-yearly report of the pending IRs is sent to the Commissioner/Secretary of the Department to facilitate monitoring of the audit observations in the pending IRs.

As of March 2010, 695 paragraphs relating to 98 IRs pertaining to 54 offices of three Departments remained outstanding. Of these, 25 IRs consisting of 33 paragraphs had not been replied to/settled for more than 10 years. Even the initial replies, which were required to be received from the Head of Offices within six weeks from the date of issue were not received from eleven offices for 149 paragraphs of 27 IRs issued between 1982-83 to 2009-10. As a result, the following serious irregularities commented upon in these IRs had not been settled as of November 2010.

Table 2.4

(Rupees in lakh)

Sl. No.	Nature of Irregularities	Public Health Engineering Department.		Agriculture Department		Education Department.	
1.	Local purchase of stationery in excess of authorized limits and expenditure incurred without sanction	-	-	-	-	-	-
2.	Non-observance of rules relating to custody and handling of cash, position and maintenance of Cash Book and Muster Roll.	-	-	-	-	-	-
3.	Delay in recovery/non-recovery of Department receipts, advances, and other recoverable charges.	2	12.49	-	-	2	11.15
4.	Drawal of funds in advance of requirements resulting in retention of money in hand for long periods.	-	-	6	35.25	5	137.21
5.	For want of DCC bills.	-	-	7	19.85	13	1468.38
6.	For want of APRs.	-	-	7	37.99	3	63.29
7.	Non-maintenance of proper stores accounts and non-conducting of physical verification of stores.	-	-	-	-	-	-
8.	Utilization Certificates and accounts certified by Audit in respect of grants-in-aid not furnished.	-	-	5	29.42	3	25.41
9.	Sanction to write off loans, losses, etc., not received.	-	-	1	0.07	1	2.61
10.	Idle investment.	16	611.14	4	30.14	7	171.67
11.	Excess/Extra Expenditure.	33	499.35	3	22.92	20	5274.46
12.	Others.	148	2429.23	160	1354.03	249	3437.11
Total		**199**	**3552.21**	**193**	**1529.67**	**303**	**10591.29**

Source: Information furnished by the Departments and Objection Book

The Commissioner/Secretaries of the concerned Departments, who were informed of the position through half-yearly reports, failed to ensure that the concerned officers of the Departments took prompt and timely action. It is recommended that the Government look into this matter and ensure that (a) action is taken against the officials who fail to send replies to IRs/audit paragraphs as per the prescribed time schedule, (b) action is initiated to recover losses/outstanding advances/overpayments pointed out in audit in a time bound manner and (c) there is proper system for expeditious compliance with audit observations.

2.18 Position of Audit Committee Meetings

No Audit Committee Meeting was held during 2009-10.

CHAPTER-III

CCO BASED AUDIT OF GOVERNMENT DEPARTMENT

CHAPTER III – CCO BASED AUDIT OF GOVERNMENT DEPARTMENT

PUBLIC HEALTH ENGINEERING and WATER SUPPLY DEPARTMENT

3.1 Public Health Engineering and Water Supply Department

The Public Health Engineering and Water Supply (PHE & WS) Department, Government of Arunachal Pradesh is responsible for supply of safe drinking water to the people in the State. The Department is also responsible for implementation of Total Sanitation Campaign (TSC). Even though the number of fully covered habitations had increased from 978 habitations in 2005 to 2619 habitations in 2010, the Department has not been able to provide adequate and safe drinking water to the majority of the population in the State as the planning lacked purpose and direction. The project management was weak leading to delays in execution of works and projects remained incomplete for a long period. Quality control of drinking water was poor for want of adequate infrastructure.

Highlights

- ***Budgeting was poor in view of the persistent savings during 2005-10 except in 2008-09 when the expenditure was in excess of the budget provision.***

(Paragraph 3.1.7)

- ***Due to improper planning and thin spread of financial resources, a number of projects remained incomplete resulting in idle investment.***

(Paragraph 3.1.10)

- ***Out of 18 projects covering 2.67 lakh urban population that were due for completion between March 2003 and March 2010, only six projects were actually completed covering 1.16 lakh (43 per cent) population as of March 2010.***

(Paragraph 3.1.12)

- ***Quality control of drinking water was poor for want of adequate infrastructure.***

(Paragraph 3.1.13)

- ***Physical verification of transit stores was not conducted and there were surplus material lying unutilized.***

(Paragraph 3.1.15)

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

(Paragraph 3.1.16)

3.1.1 Introduction:

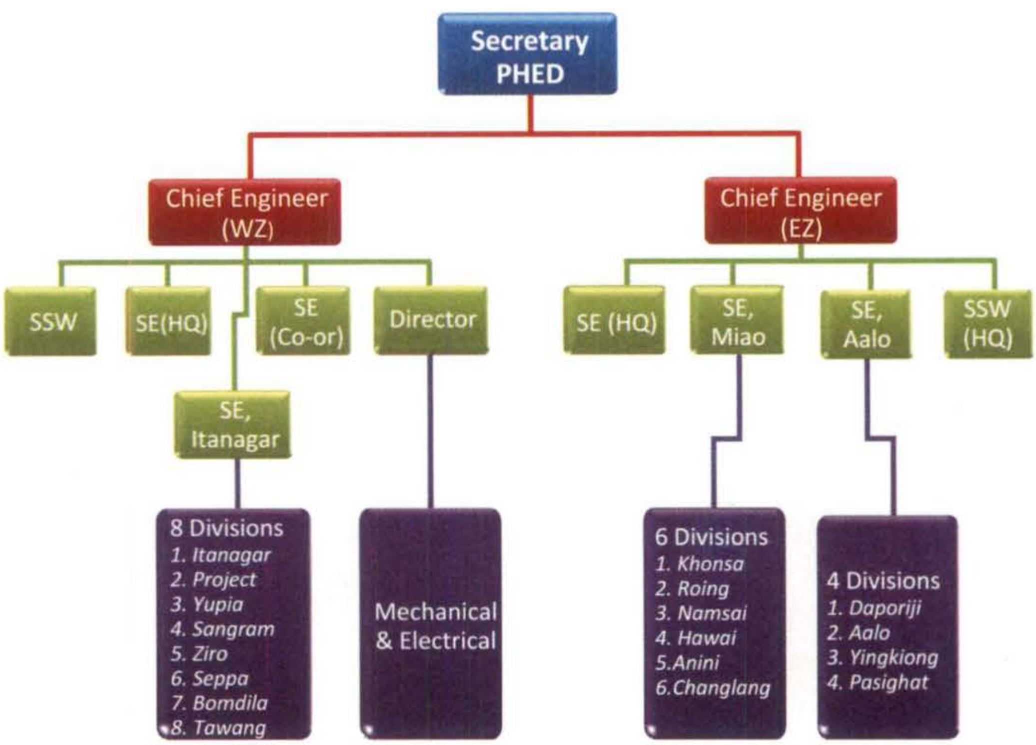
The Public Health Engineering and Water Supply (PHE&WS) Department is responsible for providing adequate and safe drinking water to both the rural and urban population of the State. In Arunachal Pradesh, the presence of iron content and bacteriological/ turbidity problem in water poses a major challenge to the Department. The Department is also responsible for implementation of the Total Sanitation Campaign (TSC) in the State by constructing 1.40 lakh sanitary toilets for APL, BPL and school/ anganwadi children by March, 2012.

The Department undertakes its activities mainly through the centrally sponsored schemes viz Accelerated Rural Water Supply Programme (ARWSP), Accelerated Urban Water Supply Programme (AUWSP), Non-Lapsable Central Pool of Resources (NLCPR) funding, 10 *per cent* lump sum grant for NE States, etc. Some works are also taken up under State Plan under the Additional Central Assistance (ACA) and Rural Water Supply Programme (RWSP).

3.1.2 Organizational Set-up:

There are 19 divisions (including one each of mechanical, electrical & Project) spread over the 16 districts in the State. The divisions headed by Executive Engineers (EEs) are supervised by 3 Superintending Engineers (SE) who along with 5 other SEs and one Director (Communication and Capacity Development Unit) assist the two Chief Engineers (Northern and Eastern Zone). The Administrative Head of the Department is the Secretary, PHE&WS who is also the Chief Controlling Officer (CCO) of the Department. The organogram is as follows:

Chart No. 3.1.1



3.1.3. Audit Objectives

The audit objectives were to assess the performance of the Department on the following parameters:

- Financial Management.
- Planning and Programme Management.
- Stores Management.
- Human Resource Management.
- Internal Controls
- Monitoring and evaluation System.

3.1.4. Audit Criteria

- Annual Operating plan.
- Guidelines of on Departmental Activities/Schemes.
- Financial Rules and Regulations.
- Prescribed monitoring mechanism.

3.1.5. Audit Coverage

Out of the 19 auditable units under the Department, two[1] units (out of four) in capital district of Papum Pare were selected on the basis of their financial profile. Five[2] out of the remaining 15 units covering five districts (out of remaining 15 districts) were selected based on simple random sampling without replacement method. Apart from this, records of the Chief Engineer (Western Zone) and Chief Engineer (Eastern Zone) were also test checked during May 2010 to July 2010. Out of the total expenditure of ₹ 1007.34 crore (both Plan and Non-plan) incurred during 2005-10 by the Department, an expenditure of ₹ 474.71 crore (46.25 *per cent*) was covered in audit.

3.1.6. Audit Methodology

An Entry Conference was held on 10th May 2010 with the PHE&WS officers wherein the audit objectives, scopes, criteria and the method used to select samples for detailed scrutiny were explained to them. Records of the selected units were scrutinized with reference to the audit objectives and criteria. Replies furnished by the Department to audit memos/requisitions, departmental publications, records of the Department and data collected through questionnaires were used as audit evidence. The major audit findings were discussed with the Department in an Exit Conference held on 30 September 2010. The Department's comment/replies have been incorporated in the Performance Audit Report wherever found relevant.

[1] Itanagar and Yupia

[2] Aalo, Pasighat, Changlang, Tawang and Hawai

3.1.7. Financial Management

The budgetary allocations to PHE&WS are made under Grant No. 59. Audit scrutiny of the budgetary allocations and their utilizations revealed certain deficiencies in financial management, including poor budgeting and expenditure control, as discussed subsequently. Details of allotment vis-à-vis expenditure incurred during 2005-10 are indicated in the following table:

Table: 3.1.1.

(Rupees in crore)

Year	Original	Supplementary	Total	Expenditure	Savings(-) Excess (+)
2005-06	35.27	128.54	163.81	159.96	(-)3.85
2006-07	47.67	127.19	174.86	169.43	(-)5.43
2007-08	43.84	183.13	226.97	215.85	(-)11.12
2008-09	46.63	175.04	221.67	255.74	(+)34.07
2009-10	60.08	176.08	236.16	225.46	(-)10.70

Source – Appropriation Accounts.

3.1.7.1 Poor Budgeting.

The State Government does not have any Budget Manual of their own and the provisions of the General Financial Rules are followed for formulation of budget and other financial matters. The Non-plan budget proposals are prepared by the Controlling Officers i.e. Chief Engineers on compilation of the inputs obtained from all the Drawing and Disbursing Officers (DDOs) for their onward transmission/submission to the State Finance Department through the Administrative Department in a consolidated form. In case of the plan budget, the annual plan outlay is finalized in consultation with the State Planning Department. A review of the budget provision and expenditure for the past five years showed that the budgeting process required more attention in view of the persistent savings though not very high, in each year 2005-10 except 2008-09 when expenditure was in excess of the budget provision.

- Savings occurred under both revenue and capital section of the grant. While savings in revenue section ranged between 2.18 and 4.97 *per cent* of the total provision, the savings in capital section ranged between 1.78 and 11 *per cent*. These facts highlight the slower rate of execution of work resulting in underutilization of allocated funds and lack of monitoring and reviewing mechanism at appropriate levels in the Department.

- Lack of foresight was evident in making original budget estimates which necessitated supplementary grants ranging from 266.81 to 417.72 *per cent* of the original grant in each of these years 2005-10. Considering the trend of expenditure in previous years, the original provision could have been enhanced in succeeding years to avoid obtaining of huge supplementary grant at the fag end of each year.

- In 2008-09, an expenditure of ₹ 34.07 crore (15.37 *per cent*) was incurred in excess of the authorized provision in spite of ₹ 175.04 crore of supplementary allocation which was 266 *percent* of the original allocation, indicating inadequacy in assessment of the funds requirement at budget formulation stage and also weak system of control and monitoring of expenditure.
- In capital section, the savings occurred mainly under NLCPR projects due to the delay in finalization of tenders, administrative approvals, delays in timely completion of projects thereby denying the benefits of safe drinking water to the targeted population.
- In 2008-09, ₹ 54.67 crore was spent under ARWSP in excess of the authorised provision even when the Department had sufficient time to regularise the excess expenditure by obtaining supplementary provision.

In response, the Department stated (September, 2010) that the allocation at the supplementary stage was more because funds from the GOI are received very late and thus, they could incorporate them only at the supplementary budgeting stage. In case of the excess of ₹ 54.67 crore under ARWSP, the Department stated that the fund received from the GOI was not released by the State Finance Department but the expenditure was incurred in anticipation of the fund release.

3.1.7.2 Contraction of capital budget and expenditure

Though the overall budget provision and actual expenditure showed an increasing trend, the capital expenditure declined from ₹ 17.06 crore in 2005-06 to ₹ 8.47 crore in 2009-10 **(Appendix 3.1.1)** while revenue expenditure went up from ₹ 142.90 crore to ₹ 216.99 crore.

In response, the Department stated (September, 2010) that the figure of capital expenditure are understated because though a big chunk of expenditure was incurred on creation of assets, this was booked as revenue expenditure. The booking of expenditure incurred on creation of assets as revenue expenditure is not only in violation of GFRs but also results in incorrect accounting figures/information which are subsequently used for important management decisions.

3.1.7.3 Under utilization of Centrally sponsored scheme (CSS) funds.

There were considerable unspent balances every year under CSS funds released by the State Government due to Department's inability to utilize the allocation as shown below:

Table – 3.1.2

Year	Name of the CSS	Funds released by State Govt.	Expenditure	Unspent balances	Unspent balance *(in per cent)*
2005-06	NLCPR	10.00	9.33	0.67	6.70
	ARWSP	99.58	98.01	1.57	1.58
	10% LSD	4.78	4.59	0.19	3.97
	Computer Package(MIS)	1.71	1.37	0.34	19.88

Year	Name of the CSS	Funds released by State Govt.	Expenditure	Unspent balances	Unspent balance *(in per cent)*
2006-07	NLCPR	8.88	8.56	0.32	3.60
	ARWSP	138.20	103.11	35.09	25.39
	10% LSG	6.19	4.18	2.01	32.47
2007-08	NLCPR	11.31	10.50	0.81	7.16
	10%LSG	5.08	4.97	0.11	2.17
	JNNURM	17.38	13.43	3.95	22.73
	Computer package(MIS)	1.32	0.55	0.77	58.33
2008-09	ARWSP	154.86	154.11	0.75	0.48
	10% LSG	8.43	7.50	0.93	11.03
	Computer Package(MIS)	0.77	0.14	0.63	81.82
2009-10	NLCPR	10.13	8.12	2.01	19.84
	10% LSG for NE	3.28	2.17	1.11	33.84
	Computer Package(MIS)	0.64	0.53	0.11	17.19

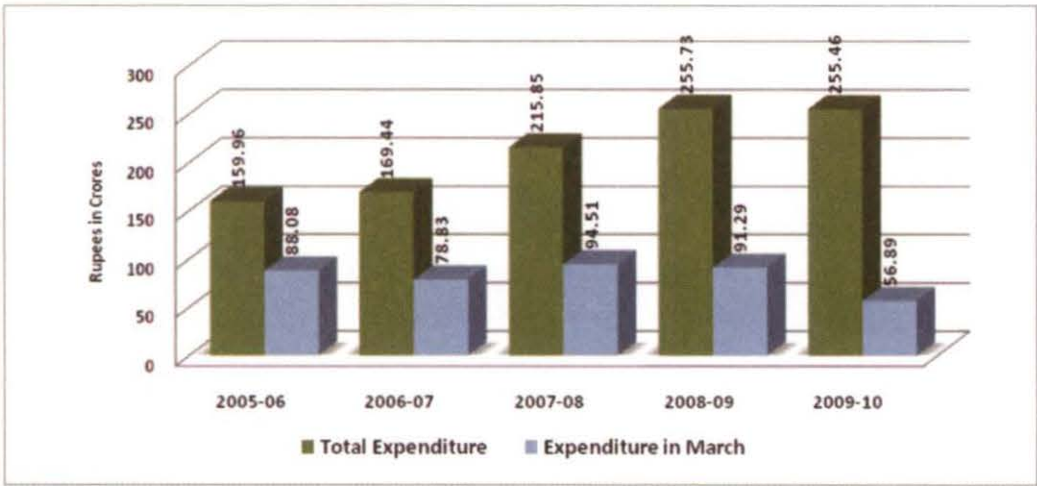
Source: Departmental Figure and Appropriation Account.

The Department accepted (September, 2010) the audit finding and assured that necessary corrective measures would be taken so that this does not occur in future.

3.1.7.4 Rush of Expenditure

Financial Rules and discipline require that Government expenditure be evenly phased over a financial year. This helps financial management and smooth execution of projects. Audit scrutiny revealed that 25 to 55 *per cent* of the total expenditure during 2005-10 was incurred in March as shown in the chart below:

Chart No. 3.1.2



The 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. The Department accepted (September, 2010) the audit finding and assured that necessary corrective measure would be taken so that this does not occur in future.

3.1.7.5 *Parking of Funds:*

At the end of the *each* financial year (2005-10), five divisional officers of PHE&WS (Aalo, Changlang, Tawang, Hawaii, and Yupia) kept substantial funds ranging from

₹ 1.03 crore to ₹ 6.51 crore in '8433' Civil Deposit to avoid lapse of funds and booked them as expenditure as tabulated below*:*

Table No. 3.1.3

(Rupees in lakh)

Year	Along	Changlang	Tawang	Hawai	Yupia	Total
2005-06	78.09	22.81	0.14	-	2.00	103.04
2006-07	13.36	27.35	34.79	53.92	-	129.42
2007-08	71.32	40.52	34.05	41.21	5.14	192.24
2008-09	121.46	81.09	20.88	14.34	5.14	242.91
2009-10	453.00	92.16	79.51	11.59	14.90	651.16

The Department admitted (September, 2010) the audit finding but also added that a major portion of the fund is received from the Finance Department very late in the financial year leaving very little scope for expenditure in the same year. In this situation, the Department has no option but to draw the funds and keep the same in deposits so that this can be used in the subsequent year.

3.1.7.6 Deficiency in maintenance of Expenditure Control Registers.

The CEs exercised control over funds utilization by issuing monthly letter of credit (LOC) against the requirements of the executing divisions. Under the existing system, the CEs are required to compile the monthly expenditure statements received from the executing divisions and submit a monthly consolidated expenditure statement to the Finance Department. Audit scrutiny, however, revealed that the expenditure control register in the CE's office was maintained sub-head wise without indicating allocation of funds which made it difficult to monitor the excess/savings under a sub-head and exercise expenditure control. There were few instances of expenditure in excess of provisions under Grant no. 59. Neither the reasons for the excess expenditure were made available to audit nor was any action taken to regularize the excess expenditure. The register was never reviewed at the level of CE or CCO to monitor the pace of expenditure and the savings/excess.

The Department needs a computerized monitoring system allowing online updating and facilitating monitoring of the expenditure data, detailed head-wise by the primary units of expenditure (division/sub-division). The system could also generate periodic reports to enable the CE/CCO to review the expenditure and exercise control from time to time and make necessary interventions when necessary.

In response the Department stated (September, 2010) that the expenditure control register is being maintained in CE's office. But the fact remains that the expenditure control register was maintained without indicating sub-head wise allocation of funds making it difficult to monitor the excess/savings under various sub-head and exercise required expenditure control.

3.1.7.7 Poor control over departmental receipts and payments.

Audit scrutiny revealed several instances of poor internal control over departmental receipts and payments making the Department vulnerable to malpractices as detailed below:

(a) Avoidable expenditure on payment of electricity bills

The Department of Power allowed two *per cent* rebate on the total amount of the electricity consumption bill paid within the due date of payment as mentioned in the electricity bill itself, failing which an interest @ two *per cent* would be charged on the outstanding amount. Test check of records revealed that between 2007-08 and 2009-10, the Itanagar division incurred an avoidable expenditure of ₹ 14.95 lakh as interest on electricity charges for the period from July 1988 to February 2008 and August 2000 to February 2008 on delayed payment of electricity bills.

Accepting the fact the Department stated (September, 2010) that the payments were delayed due to shortage of funds.

(b) Non recovery of Government dues.

As of March 2010, in six PHE&WS divisions (Aalo, Changlang, Hawaii, Itanagar, Tawang and Yupia), the water charges amounting to ₹ 95.43 lakh were outstanding from 4,522 private consumers, 303 commercial consumers and 322 Government institutions/officed. Pasighat division did not maintain water charges collection register properly as such the outstanding amount of water charges could not be ascertained in audit.

In response, the Department stated (September, 2010) that efforts would be made to collect the outstanding amount.

(c) Non deposit of Government Revenue.

Rule 7(1) of CTR provides that all moneys received by or tendered to Government officers on account of revenue or receipts of the Government shall, without undue delay, be credited in full to Government account. Delays in depositing of Government revenue, tantamount to temporary misappropriation of Government money.

Test check however, revealed that there were inordinate delays ranging from two to 12 months in depositing the revenue by the two divisions.

- Changlang division collected ₹ 1.43 lakh of water charges between November 2009 and December 2009 but did not deposit it into the Government account till July 2010.
- Similarly, water charges of Rs 0.58 lakh collected by Yupia division between May 2009 and March 2010 was not deposited in Government account till May 2010.

The Department stated (September, 2010) that these funds have now been deposited into the Government account but did not to furnish copies of deposit challans for ₹ 1.43 lakh in spite of agreeing to do so in the Exit Conference. Besides, copies of challans dated 18 May 2010 for ₹ 0.58 lakh furnished to audit confirmed the temporary misappropriation of Government funds.

(d) Delay in deposit of Government Revenue

Six divisions (Aalo, Changlang, Hawaii, Itanagar, Tawang and Yupia) collected ₹ 42.68 lakh as water charges and deposited into Govt. account after delays ranging from one to nine months.

The Department stated (September, 2010) that this was indeed a serious matter and suitable directions were already issued to avoid such delays in depositing of funds to the Government account.

(e) Non adjustment of advances

Section 38.6 of CPWD Works Manual provides that maximum advance of 90 *per cent* of the store cost could be made against the dispatched documents. The officer making advance payment to suppliers shall be responsible for their adjustment within a period of one month.

Audit scrutiny revealed that 100 *per cent* advance amounting to ₹ 16.78 crore was paid by three divisions (Aalo, Pasighat and Changlang) during 2000-09 for procurement of GI pipes, cement, rod, etc. as against the admissible 90 *per cent* advance (₹ 15.10 crore). The advance was paid without any dispatch documents from suppliers in violation of the applicable rules, resulting in undue favour to the suppliers. The entire advance remained unadjusted as of March, 2010 though the materials were stated to have been received by the concerned divisions. This is indicative of serious lapse in the internal control system and lack of proper monitoring.

The Department stated (September, 2010) that it actually prepares the bank draft but does not hand it over to the supplier. Instead, a photocopy of the draft is sent to the supplier which gives the supplier an assurance about the timely payment. The reply is not tenable as not only the advances were actually paid without the receipt of the required dispatch documents from the suppliers but also the entire advance remained unadjusted due to lack of monitoring.

3.1.7.8 Non recovery of Arunachal Pradesh Entry Tax.

As against the supply orders issued between 2005-10 by the Chief Engineer and proforma invoice, the Changlang Division paid ₹ 11.43 crore inclusive of four *per cent* Arunachal Pradesh Entry Tax amounting to ₹ 43.95 lakh to a Guwahati based firm as 100 *per cent* advance payment for GI pipes whereas the advances for stores should not exceed 90 *per cent* of the store cost. Since, the pipes were actually delivered at Mohan Bari transit stores (within Assam) as stipulated in the supply orders, the payment of Entry Tax was irregular and was indicative of negligence on the part of divisional officers. Moreover, the payment of 100 *per cent* without receiving the required dispatch documents from the supplier, indicated Department's indifference to the applicable financial rules and undue favour to a private party at the cost of Government. The firm, however, subsequently returned ₹ 24.63 lakh to the Arunachal Pradesh Tax & Excise Department, the remaining balance amount of ₹ 13.80 lakh had neither been refunded to the Department nor recovered from the officer(s) responsible for the gross violations till June 2010.

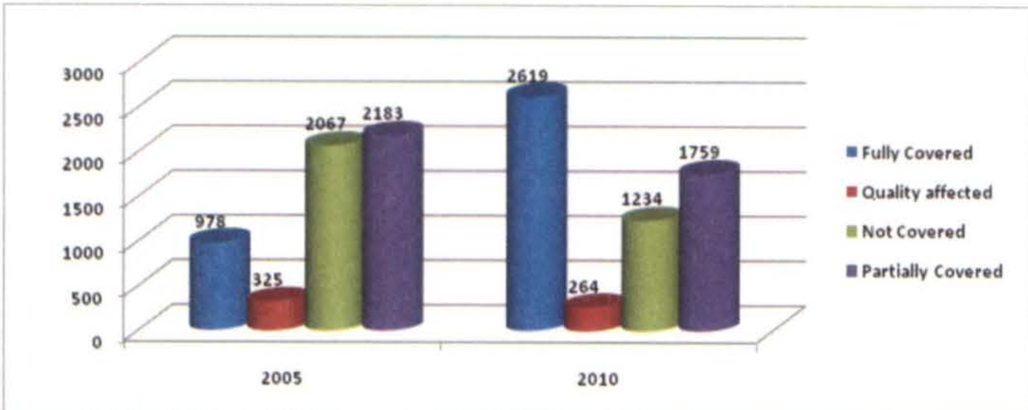
The Department accepted (September, 2010) the audit finding.

3.1.8 Status of Habitation and drinking water coverage

The Department has a major challenge to provide adequate and safe drinking water to all the people living in rural and urban areas of the State. As per norms, habitations with a supply of 40 litre per capita per day (lpcd) of water are categorized as fully covered (FC), those with 10 lpcd or more but less than 40 lpcd categorized as Partially Covered (PC) and those below it are categorized as not covered (NC). Apart from these norms, the quality of water is also a major challenge due to the high content of iron in the water, and the habitations, which do not have quality drinking water, are categorized as NC.

According to the National Survey by the Government of India conducted in 2003, only 978 of 5,228 rural habitations in Arunachal Pradesh were FC, which did not change till March 2005. During 2005-10, considerable progress was made. As of March 2010, number of FC habitations stood at 2,619 and PC and NC habitations has come down to 1759 and 1,234 respectively as shown in the chart below. But it is a matter of concern that out of 2,619 FC habitation as of March 2010, 264 had quality problems.

Chart No.3.1.3



Moreover, as of March 2010, out of 5,612 habitations with 9.93 lakh rural population, the Department could fully cover only 4.48 lakh (45 *per cent*) and partially cover 2.68 lakh (27 *per cent*) of the population.

3.1.9. Planning

Suitable planning is imperative for achieving the objectives of a programme in a systematic and effective manner. Scrutiny of records showed that the Department did not prepare any perspective plan for achieving its mandate by breaking down the targets into actionable schemes/ programmes to be completed in a given timeframe.

However, every year (except 2009-10), the Department prepared an annual operative plan (AOP) showing the number of works (new and ongoing) to be executed during that year without specifically relating it to the overall improvement in the status of habitations to the PC or FC. As a result, a habitation-specific focus to programme implementation was missing.

3.1.10 Rural Water Supply

The rural water supply scheme/programme is implemented in the State through CSS viz Accelerated Rural Water Supply Programme (ARWSP) now renamed as National Rural Water Supply Programme (NRWSP). Under this programme as against total 9,92,595 rural population of the State as of March 2010 only 4,47,618 (45 *per cent*) persons could be fully covered by providing adequate safe drinking water The slow progress was due to the following deficiencies:

3.1.10.1 Implementation

As on 31 March 2005, there were 1,330 ongoing schemes. In addition, GOI sanctioned 3,227 new schemes during 2005-10. The year-wise targets for implementation of schemes/projects fixed by the Department and actually achieved are shown below:

Table 3.1.4

Year	Schemes planned			Achievement			Schemes sanctioned by GOI
	NC	PC	Total	NC	PC	Total	
2005-06	139	240	379	128	201	329	1223
2006-07	29	165	194	31	200	231	384
2007-08	89	140	229	214	244	458	417
2008-09	120	199	319	220	273	493	593
2009-10	520	Nil	520	552	Nil	552	610
Total	**897**	**744**	**1641**	**1113**	**918**	**2031**	**3227**

Source: Departmental Figures.

As against 4,557 (3,227 new and 1,330 ongoing) approved schemes, the Department fixed target of 1,641 schemes for completion during 2005-10 against which 2,031 schemes were completed. The yearly analysis of scheme approved, planned and achieved revealed that while all these years the Department exceeded its targets, the number of schemes targeted for completion was deliberately kept low. As a result, number of ongoing schemes has steadily increased from 1,330 (2005-06) to 2,526 (2009-10) - an increase of 90 *per cent.*

The Secretary stated (September, 2010) that the Department does have a Perspective Plan but failed to supply a copy as of December, 2010 in spite of agreeing to do so in the Exit Conference. Department also stated that achievements were more than the targets during the years 2006-10 due to the fact that the funds received from GOI subsequently were more than what they had expected while formulating targets.

Scrutiny revealed that the Department during 1995-2005 decided to execute 184 works under MNP/PMGY for execution of different water supply schemes at an estimated cost of ₹ 33.81 crore. Out of them, however, the Department actually took up 141 works and spent ₹ 18.54 crore till 2006-07 from the funds provided by GOI and all the 141 schemes remained incomplete due to non-release of funds by the State Government.

Instead of taking up all the works from time to time, the Department could have restricted only to those works, which could have been completed with the available resources. Thus, due to deficiencies in planning and thin spread of available financial resources, large number of schemes remained incomplete for want of further funds. This resulted in an unproductive expenditure of ₹ 18.54 crore besides, depriving the targeted beneficiaries of safe and adequate drinking water.

The Secretary accepted (September, 2010) the audit finding and also added that these schemes were earlier funded under MNP/PMGY but could not be completed due to closure of these schemes. But Department would explore the possibility of completing these schemes through SPA.

3.1.10.2 Execution of works.

The programme implementation of rural and urban water supply schemes was adversely affected by several deficiencies including delays in execution of work, preparation of inflated estimates, excess procurement of material, expenditure incurred beyond estimated provision and deficient monitoring. The deficiencies noticed in implementation of the schemes are discussed in the succeeding paragraphs.

3.1.10.3 Awarding of work without call of tender.

The Department executed all the works departmentally by issuing work orders to the contractors except the works funded by Centrally sponsored schemes which were put to tender. As per the delegation of financial powers, the annual financial limit for awarding work by a divisional officer is ₹ 45 lakh. It was, however, noticed that six divisions (Aalo, Changlang, Pasighat, Itanagar, Hawaii and Tawang) continued to award work orders beyond their annual financial limits in violation of the delegation of financial powers rules. The excess over the prescribed limit varied from ₹ 1.86 crore to ₹ 16.37 crore during the last five years as depicted in the following table:

Table 3.1.5

Division	2005-06		2006-07		2007-08		2008-09		2009-10	
	No. of work order	Amount	No. of work order	Amount	No. of work order	Amount	No. of work order	Amount	No. of work order	Amount
Changlang	1032	705.34	799	578.95	831	527.76	1176	925.89	1495	1270.79
Tawang	860	994.44	790	1135.64	600	859.27	607	1075.96	969	1637.51
Itanagar	225	186.16	247	270.85	390	316.78	490	510.52	416	525.24
Aalo	1390	922.81	1900	1496.52	1128	797.03	1418	1102.32	1178	1033.94
Pasighat	667	379.01	969	642.72	870	555.59	1064	375.73	1010	545.11
Hawai	-	-	1191	562.18	984	467.47	767	573.66	1201	765.57

Source: Departmental Records

There was no mechanism in the controlling offices to monitor the award of work without call of tender, and also to ascertain if anyone violated its delegated financial powers.

The Department stated (September, 2010) that this was a legacy inherited from State PWD and was continued for ensuring the involvement of the local villagers in the execution of schemes so that they get their cooperation and it would make all efforts to go in slowly for competitive bidding system.

3.1.10.4 Cost overrun and irregular booking

ARWSP funds should not be utilized/ adjusted against any cost escalation of the scheme. Any expenditure incurred over and above the approved cost, is to be borne by the State Government from its own resources. Test check, however, revealed that six divisions took up 29 water supply schemes at an estimated cost of ₹ 14.15 crore during 2000-09 and completed them between 2005-10 after delays ranging from two to five years at a cost of ₹ 14.82 crore which, included cost overrun of ₹ 66.43 lakh. The cost overrun of ₹ 66.43 lakh was also booked under the GOI scheme.

The Department stated (September, 2010) that the variations pointed out by audit were within 10 *percent*. The reply is not relevant as the audit finding was about irregular booking of cost overrun against Central share/funds in violation of the ARWSP guidelines.

3.1.10.5 Measurement Books (MBs) not test checked

The Measurement books (MB) are the basis of all accounts of quantities whether works are done by contractor or by labour employed departmentally or material received. Section 7.10.1 and 7.10.2 of CPWD Work Manual provide that AE should exercise test check to the extent of 50 *per cent* while divisional officer at least to the extent of 10 *per cent* of the value of the measurement recorded by the JE before any Running/Final Bill is paid. Records of seven test checked divisions revealed that neither the AE nor the Divisional officer carried out any test checks of the MBs before the payments were made to the contractors/ suppliers.

Test check further revealed that the Divisional Officer, Yupia paid ₹ 0.63 lakh (₹ 0.13 lakh in March 2006 and ₹ 0.50 lakh in March 2010) to the contractor in excess of the admissible amount for execution of works, 'Water supply in community school at Rigo' and 'water supply at Nimte village' due to the wrong calculation recorded by JE in MB. However, the Department recovered ₹ 0.63 lakh from the contractor concerned in September, 2010 at the instance of audit. The absence of test check by DO and AE allowed this irregularity to occur.

3.1.10.6 Non-Execution of work as per the approved specification

'Extension and renovation of water supply at upper Borajan village' and *'Water supply from Rangkatu-kengku Tea Estate'* were executed by Aalo and Changlang Divisions respectively at a total cost of ₹ 1.34 crore against the approved cost of

₹ 1.37 crore. According to the approved estimates of these two works, 21,470 m of GI pipes were required to complete the schemes (Aalo: 7775 m + Changlang: 13,695 m) against which only 10,320 m GI Pipe (Aalo: 4520 m, Changlang: 5800 m) were utilized. As a result of short-laying of 11,150 m of GI pipes and the non execution of work as per the approved estimates, only population of 448 could be covered as against targeted population of 537.

The department assured (September, 2010) that they would look into this but also added that some variations were unavoidable due to the unique requirements of the State.

3.1.11. Urban Water supply

The urban water supply programme is implemented in the State through various Centrally sponsored schemes viz Accelerated Urban Water Supply Programme (AUWSP), Non-Lapsable Central Pool of Resources (NLCPR) funding, 10 per cent lump sum grant for NE States, Jawharlal Neheru National Urban Renewal Mission (JNNURM), and also by obtaining loan from NABARD under Rural Infrastructure Development Fund (RIDF). As of March 2010, in urban areas, out of projected population of 4.27 lakh, the Department could provide safe drinking water facilities only to a population of 1.16 lakh (27 per cent).

Between 2000-10, the Department had taken up for execution 21 urban water supply schemes at an estimated cost of ₹ 274.32 crore to cover 4.27 lakh urban population. Though 18 projects with coverage of 2.67 lakh population were due for completion between March 2003 and March 2010 but the Department could complete only six schemes/projects and covered only 1.16 lakh (43 *per cent*) urban population till March 2010 after incurring a total expenditure of ₹ 163.46 crore. The status of these projects is given below:

Table 3.1.6

Scheme	Number of projects	Approved cost	Fund released	Expenditure	Schemes to be completed by March 2010	Schemes completed as on March 2010
		(Rupees in crore)				
NLCPR	10 (1.93)	106.46	86.57	75.20	9 (1.80)	4(0.82)
10% LSG	4 (0.41)	32.39	31.24	31.24	4 (0.41)	1(0.12)
JNNURM	1 (1.42)	77.25	17.73	13.78	-	-
RIDF	6 (0.51)	58.22	50.61	50.61	5 (0.46)	1(0.22)
Total	**21 (4.27)**	**274.32**	**186.15**	**170.83**	**18 (2.67)**	**6(1.16)**

Figures in brackets projected population in lakh targeted under the scheme
Source: Departmental Records

Out of the above 21 projects, audit selected seven (five ongoing to be completed by March 2010 and two completed projects) for detailed examination. The position relating to funds released, expenditure and status of implementation are given in the following table:

Table 3.1.7

Name of project	Year of approval	Approved cost	Fund released	Fund utilized	Due date. for completion	Status as on Mar-2010
		(Rupees in crore)				
10 per cent Lump sum grant for North-eastern States						
Improvement of WS at Jairampur Township.	2004-05	6.97	5.88	4.88	January 2008	60% completed
Augmentation of WS at Tawang Township.	2004-05	9.49	9.46	9.46	January 2008	90% completed
Rural Infrastructure Development Fund						
Augmentation of WS at Baser Township	2005-06	7.58	7.05	7.05	March 2007	Completed (March 2009)
Augmentation of WS at Likabali Township	2006-07	14.94	12.92	12.92	March 2009	30% completed
Non-Lapsable Central Poll of Resources						
Providing WS facilities to all Adm. Hqr and its villages under 14th Daimukh constituency	2007-08	12.77	10.60	8.11	September 2009	70% completed
Augmentation of W.S. to Naharlagun-Nirjuli Township Ph-I	2002-03	14.90	14.90	14.90	May 2004	Completed (Jan 2008)
Potable drinking WS scheme for villages Sille, Tani, Sikabomin	2006-07	17.42	11.44	10.45	December 2009	60% completed

The photographs of a few ongoing projects are given below:

Improvement of WS at Jairampur Township.

Water Supply at Twang Township

Some of interesting aspects noticed in audit in the execution of the schemes are discussed in the subsequent paragraphs.

3.1.11.1 Inflated estimates

While framing the estimates of a water supply scheme/project, provision for GI/DI fittings should be restricted to 5-10 *per cent* of the total cost of GI/DI pipes required for the scheme/project. Scrutiny, however, revealed that three Divisions framed five estimates with excess provision ranging from 38 to 79 *per cent* involving ₹ 0.55 crore to ₹ 2.55 crore in excess of the stipulation and interestingly these were sanctioned by the competent authority. The works were ongoing and hence, the impact of excess provision could not be worked out as detailed below:

Table 3.1.8

(Rupees in crore)

Project	Provision in estimate for		Provision admissible for GI/DI fittings	Excess provision
	GI/DI pipes	GI/DI fittings		
Augmentation of water supply to Tawang Town in Tawang division	2.31	1.12 (48)	0.23	0.89
Water supply at Balijan Adm. Circle in Yupia division Water supply to Doimukh Adm.Circle in Yupia division Water supply at Kimin Admn. HQr in Yupia division	3.80	3.00 (79)	0.38	2.62
Water supply at Jairampur Township in Changland division	1.94	0.74 (38)	0.19	0.55

Sources: Departmental records.

The Department stated (September, 2010) that the audit finding was noted and they have already issued instructions to avoid such occurrences in future.

3.1.11.2 Delays in finalization of tender.

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

In six divisions in respect of seven projects, audit noticed that there were delays in finalisation of tender ranging from four to 19 months. There were further delays in the execution of the projects and they could not be completed by the scheduled date of completion. While two projects were completed after a delay of 42 and 31 months, five projects are still ongoing even after expiry of the scheduled date of completion. This resulted not only in cost overrun but also delay in making available safe and adequate drinking water to the targeted habitations involving 57,953 beneficiaries. The cost overrun in respect of *'Augmentation of water supply to Naharlagun-Nirjuli Township Phase - I'* project was ₹ 3.12 crore, which has been regularised in March 2006 by according sanction for revised estimate. Likewise, the possibility of cost overrun in respect of five ongoing projects could not be ruled out.

The Department accepted (September, 2010) the audit finding and assured that suitable corrective measure in the existing tender finalization process would be taken.

3.1.11.3 Irregular expenditure

The work *'Augmentation of water supply scheme at Basar Township'* was administratively approved (AA) by the State in March 2006 under RIDF loan linked project at an estimated cost of ₹ 7.58 crore (NABARD: ₹ 6.28 crore and State: ₹ 0.77 crore). The work was to be completed by March, 2007. It was noticed in audit that after one year of AA, civil work of the project was awarded to a local contractor in

March, 2007 at a tender value of ₹ 1.30 crore for completion by March, 2009. The residual works, however, were executed departmentally and the scheme was completed in all respect by March, 2009 after incurring a total expenditure of ₹ 7.05 crore.

Scrutiny revealed that the total expenditure at ₹ 7.05 crore included cost of GI fittings (such as GI socket, elbow, flange, wheel valve, etc.) worth ₹ 19.33 lakh which were procured in March, 2009 after completion of the project. Since the materials were not at all required for the project, these were lying idle in MAS account without any issue till June 2010. Thus, instead of refunding the unspent balance of ₹ 19.33 lakh, the Division resorted to purchase GI fitting which was not only irregular but also led to inflation of the total project cost.

The Department accepted (September, 2010) the audit finding and assured that suitable corrective action would be taken.

3.1.11.4 Avoidable Expenditure

The Chief Engineer (EZ) PWD fixed the rate of hiring charge of excavator at ₹ 2866.00 per hour and ₹ 8597.00 per day. Scrutiny of records the Divisional Officer, Pasighat revealed that two excavators were hired on hourly rate basis for formation cutting work of approach road relating to the project, *"Potable drinking water supply scheme for the villages of Sille, Rani, Sikabamin, etc."*. The excavators were used for 1075 hours during continuous period of 125 days for which ₹ 30.81 lakh was paid as hire charges. Had the excavators been hired on daily rate basis, the division could have saved ₹ 20.06 lakh[3].

The Department stated that it would examine the matter relating to payment of higher charges of excavator by hourly rate.

3.1.11.5 Payment of wages out of Water Supply Schemes.

The Department is maintaining 546 work-charged (WC), 4627 labourers and 384 fixed pay employees for execution and maintenance of the existing water supply schemes and incurring an average annual expenditure of ₹ 26.98 crore towards payment of their wages by charging the entire expenditure against various water supply schemes, without keeping any provision in the estimates. Thus, the practice adversely affected the execution of water supply scheme due to diversion of the funds allotted for their execution.

The Department accepted (September, 2010) the audit finding and assured that they will look into the matter.

[3] *Total working hours*	=	*1075 x ₹2866=*	*₹30.81 lakh*
Total working days	=	*125 x ₹8597 =*	*₹10.75 lakh*
Difference			*₹20.06 lakh*

3.1.12 *Total Sanitation Campaign (TSC)*

With a view to increase the sanitary facilities in the State, the GOI sanctioned between March 2000 and January 2008 1,40,028 sanitary toilets (BPL: 1,15,560, APL: 18,301, School: 3,944, Anganwadi: 1,866, Sanitary compound: 318 and Rural Sanitary Mart: 39) for the State under TSC at a total cost of ₹ 60.74 crore (Central share: ₹ 41.28 crore, State share: ₹ 14.86 crore and beneficiaries contribution: ₹ 4.60 crore) to be executed by 16 divisions of PHED. As per the TSC guidelines, all the toilets are to be completed by 2012. Of these, toilets in school and anganwadi centres were to be completed by March 2008 and March 2009 respectively.

The GOI released ₹ 25.70 crore directly to the executing divisions while State released ₹ 4.14 crore and beneficiaries' contribution of ₹ 0.83 crore was also realized during the period from March 2000 to March 2010.

Following aspects were noticed in audit in implementation and execution of the programme.

- The Department had not prepared year wise target till 2008-09. The Department prepared, only in March 2009, district wise action plan for the years 2009-10 to 2011-12 so that construction of all toilets is completed by March 2012.
- Department has been able to complete only 47,903 toilets (34 *per cent*) as of March 2010 in a period of 10 years by spending ₹ 19.97 crore. At this pace it is unlikely that remaining 92,125 toilets (66 *percent*) would be completed in the next two years i.e. by March 2012.
- Though 3,944 toilets in schools were to be completed by March 2008, even after delay of two years, the Department could complete only 3549 (90 *per cent*) toilets as of March 2010. Similarly, as against 1,866 Anganwadi toilets to be completed by March 2009, the achievement up to March 2010 was only 1,375 toilets (74 *per cent*). This is indicative of lack of proper planning and also ineffective implementation/execution of the works even though funds were available with the Department.

The photographs of sanitation facilities in four test checked schools and individual households are given below.

IHHL under Dodunghar GP

Middle School under Mirem-III GP 'East Siang'

Sec. School under Diyum GP 'Canglang'	IHHL Under Ledum Gram Panchayat 'E.Siang

3.1.13 Water quality

The Department's preparedness to tackle the issue of quality control of the drinking water supplied was lacking due to absence of the required infrastructure, proper planning, and sub-optimal utilization of manpower.

3.1.13.1 Inadequate infrastructure for water testing

The Department had never conducted any survey/test through All India Institute of Hygiene and Public Health or any other agency to assess the quality of water in different districts of the State. However, as per the report furnished to the GOI as of March, 2010, only 263 habitations were affected with iron beyond permissible limit. The Department had 7 water treatment plants (WTP) in urban areas, 180 iron removing plants (IRP) and 1,734 habitations were provided with filtration facilities. There were only 13 laboratories attached with each division in 13 out of 16 districts of the State. In three districts no laboratories existed. The comparatively less developed districts of Dibang Valley, Kurung Kumey and Anjaw have no water testing laboratory.

The Department has prepared (December 2009) a master plan for upgradation of 13 district laboratories and setting up of 30 sub-divisional laboratories in the State. The master plan does not indicate the targeted dates for setting up of the laboratories, requirement of technical manpower for their operation and maintenance and the source of funding.

The Department, however, in March 2010 released ₹ 35.25 lakh to 16 divisions of 16 districts (including 3 districts where no laboratories existed) for water quality monitoring and surveillance. Test check of 7 divisions revealed that none of them utilized these funds till June 2010. The Divisional Officer, Yupia stated (May 2010) that under his division there was no laboratory though an amount of ₹ 2.09 lakh was allotted to the division. Thus, the efforts of the State Government of providing quality drinking water to the State's population lacked proper direction.

The Department stated (September, 2010) that the Anjaw and Kurung Kumey Water testing plants were complete and one at Anini was in progress. The Department also added that fortunately in the State the water quality does not have serious problem like chemicals. In spite of this they are managing water testing facility.

Test check of Hawai Division in Anjaw district showed that though the construction of divisional building was complete (March 2009), there was no electricity connection to the building and infrastructure for water testing.

It was also noticed that the office of Hawai Division is located at Khupa in a temporary building where two laboratory Assistants were posted in November 2007 without any water testing laboratory and, thereby, the services of the two lab assistants could not be utilised optimally.

3.1.13.2 Inadequate testing of water.

As per the existing norms adopted by the Department, each year four water samples of a source was to be tested but the Divisions having testing facilities were found deficit in performing requisite testing as indicated below:

- In Pasighat division, only 9 samples were collected from total 126 sources and tested during 2008-10 against the required testing of 1,008 samples.
- Aalo division collected 67 samples from 29 sources (out of 219) and tested during 2009-10 against the required testing of 876 samples
- Itanagar division collected 195 samples from different sources among 67 sources and tested during 2007-10 against the required testing of 804 samples
- Yupia Division had 182 sources but no test was conducted by the division as it had no water testing laboratory.

Thus, the number of tests conducted by the divisions was less as compared with norms fixed for the purpose. Further, no remedial action were taken by the Department though the results of some of the tests showed presence of iron, turbidity and bacteria in the water.

The Department stated (September, 2010) that the number of water testing samples was less because it was only for testing done on surface water and did not include ground water and added that now these figures are also being taken into account and are being updated online.

3.1.13.3 Absence of technically qualified Staffs

No chemist or technician was posted in the district/divisional laboratories to test the samples for identification of the problems. The Department, however, imparted training on water quality to some general graduates for 15 days in North Eastern Regional Institute of Science and Technology (NERIST) and 15 days in Itanagar at divisional/ district laboratory. On completion of these trainings, they were posted to different divisions as Laboratory Assistants during 2007-08. In the absence of adequate/technically sound staff, the work of quality control was getting hampered and compromised.

The Department stated (September, 2010) that tests conducted were fortunately not very complicated and 15 days of training provided by NERIST was considered enough. Besides, the Department had engaged one Water Quality Expert as consultant who visits the water testing plants in the State and guides the technicians.

3.1.14 Operation and maintenance.

3.1.14.1 No schedule for O&M activities

The Central Public Health Environment and Engineering Organization Manual prescribes that detailed operation and maintenance (O&M) schedules for each component of the water supply system should be established and enforced to preserve the capital investment made and to optimize the related benefits and prevent emergencies. These include regular inspections at supervisory and management levels. However, no such system existed in the Department. The O&M schedules were not prescribed and enforced through inspections by the higher authorities or through a management information system.

The Department stated (September, 2010) that O&M schedule for pump based water plants does exist but agreed that there was no O&M schedule for gravity based plants. The Department assured to take corrective action in this direction.

3.1.14.2 Non-operation of pump house

The CEs office did not maintain centralized records regarding the breakdowns and the response time in attending the breakdowns. Audit scrutiny revealed that two pumps at Polo Colony and one pump at F-Sector, Naharlagun under Itanagar division were not operational since March 2007 and September 2008 respectively affecting the water supply adversely.

The Department stated (September, 2010) that the two pumps were redundant due to the completion of a new scheme, and also added that the Department would shift them to other projects, if found usable.

3.1.15. Store Management

3.1.15.1 Unplanned purchases

The Department did not maintain any designated store for the material procured. GI and DI Pipes are procured each year charging the expenditure to the respective works to be executed during that year. At the beginning of each financial year, the CE obtained requirement of GI/DI Pipes from each executing divisions and supply orders were placed on the respective firms with the instructions to supply the material to four transit stores (Kharsingsa, Bhalukpong, Likabali and Mohan Bari). On the basis of supply orders and consignment note 100 *per cent* advance payments were to be made to the firm by the respective divisional offices and then GI/DI Pipes are lifted from the nearest transit store. The Junior Engineer (JE) was to maintain a Stock Register showing the division-wise receipt and issue of material.

Audit, however, noticed that none of the Divisional Officers of seven test checked divisions lifted the demanded quantities of pipes from these transit stores. As a result, there was huge accumulation of pipes of different sizes valued at ₹ 5.41 crore as on 31 March 2010 at different transit stores. This indicated that either the supply orders by CE were not based on input collected from the divisions indicating unrealistic and unplanned purchases; or there were serious delays in execution of the water supply schemes.

The Department accepted (September, 2010) the audit finding and assured that suitable corrective action would be taken.

3.1.15.2 Physical verification of stores

The divisions under which the transit stores are functioning were never physically verified by any of the Divisional Officers. The receipt and issue of GI/DI Pipes were also not authenticated by the Sub-Divisional Officer, in-charge of store. The absence of physical verification system rendered the stores vulnerable to misappropriation.

The Department accepted (September, 2010) the audit finding and assured that suitable corrective action would be taken.

3.1.15.3 Maintenance of MAS Account

Section 46.2 of CPWD Works Manual provides that at least twice a year the Divisional Officer should check the material-at-site account maintained by JE for each work and then record a certificate to that effect that the materials procured for the work were actually utilized/issued to work. But none of the Divisional Officer of seven test-checked divisions had ever checked the material-at-site account maintained by JE. Scrutiny of material-at-site account disclosed the following irregularities:

- In Aalo division, GI fittings valued at ₹ 2.63 lakh were neither issued to work nor transferred to any other works;
- In Hawai division, GI fittings, MS rods, cement and T&P material valued at ₹ 1.69 lakh were neither issued to work nor transferred to any other works, indicating lack of internal control mechanism in the divisions.

The Department accepted (September, 2010) the audit finding and assured that suitable corrective action would be taken.

3.1.15.4 Non maintenance of Tools and Plants (T&P) ledger.

None of the Sub-Divisions in the test checked divisions produced T&P ledger to audit though requisitioned. As such position of T&P could not be examined.

The Department accepted (September, 2010) the audit finding and assured that suitable corrective action would be taken.

3.1.16. *Internal controls and vulnerability to fraud and corruption.*

The following major weaknesses were noticed in the internal control system of the Department creating possibilities for malpractices, misappropriation, fraud and embezzlement.

- Execution of work without call of tender.
- Test check of MB's not done.
- Absence of physical verification of store.
- Material-at-site account not checked.
- Non-maintenance of T&P Ledger.

Apart from the above following significant aspects pointing towards inadequate internal control system were also noticed in audit.

(a) Arrear in posting of General Provident Fund (GPF)

Test check revealed that posting of Class IV Staffs GPF ledger was completed by Aalo division up to March 2007, Yupia division up to March 2008 and Tawang and Pasighat divisions up to March 2009. In the absence of up to date GPF ledger, the advances/withdrawals, if any, by the subscriber and regular deductions could not be checked. Moreover, there was no indication whether the amount payable to the retired/expired persons were duly paid to the officials/family concerned.

(b) Internal audit arrangement and vigilance mechanism

Internal audit is an important internal control in a Department to ascertain and evaluate the level of compliance to the rules and procedures in the Organization. Test check revealed that the Department did not have any internal audit wing of its own and during last five years none of the test checked divisions were audited by the internal audit wing of the State's Director of Audit and Pension.

(c) Non maintenance of records

Test check of records of 7 divisions revealed that important records like asset register, liability register, contractor ledger, control register etc. were not maintained. As a result, the divisions were not aware regarding the details of their assets, liabilities, up to the date payments made to the contractors during execution of works and project-wise revenue receipts under the relevant head.

(d) Lack of response to Audit

None of the divisions test checked maintained the prescribed control register (Section 54.14 of CPWD work manual) to keep a watch on disposal of Inspection Reports (IR) issued by the Accountant General's Office. As of March 2010, a total of 202 Paragraphs involving ₹ 42.70 crore relating to 41 IR's containing comments relating to amounts recoverable from and undue benefit to contractors, blocking of funds, excess procurement of GI fittings, avoidable/unfruitful expenditure, etc. were lying unsettled for want of replies. Non response to the audit observations and non-maintenance of prescribed control register may lead to recurrence of irregularities.

The Department accepted (September, 2010) the audit finding and assured that suitable corrective action would be taken.

3.1.17. Human Resource management

The Department had not carried out any scientific assessment of manpower requirements category and position-wise taking into account the present and future requirement using well defined work norms. As on 31 March 2010, as against the total sanctioned strength of all categories of staff (both technical and ministerial) of 1134, the men on roll were 1069. The Division-wise sanctioned strength and men-in-position could not be furnished by the CE's Office and as such judicious deployment of the staff could not be ascertained in audit. Though, there were overall shortages of manpower, the Department is entertaining 3 AEs and 47 JEs in excess of the sanctioned strength. The shortage was mainly in ministerial staff in Group C and D cadre. In addition, the Department is maintaining 546 work-charged, 384 fixed pay stafs and 4627 casual labours.

3.1.17.1 Under-qualified staffs

Test check revealed that in 2 divisions (Itanagar and Pasighat), out of the 40 Pump operators none of them had technical qualification (certificate course from ITI) and 4 divisions (Changlang, Pasighat, Hawai and Yupia) had no qualified Divisional Accountant. In the absence of Divisional Accountants, Cashier/Head clerk are functioning as Divisional Accountant. None of the accounting staff were trained either departmentally or through any other agency.

The Department stated (September, 2010) that fortunately the pumps used in the State were very simple which can be maintained even by low qualified technicians. Besides, the pumps were being phased out slowly.

3.1.18. Monitoring

(i) Absence of centralized monitoring system

There is no centralized database of the projects under execution, projects executed during the last five years, critical execution milestones for monitoring. As a result, the monitoring at the CCO level was adhoc and unsystematic. The progress reports were no rendered regularly by the divisions to CCO. Except the annual review meeting, no evaluation study was undertaken by the Department.

The Department stated (September, 2010) that some delay was unavoidable due to the difficult and inaccessible geographical conditions in the state and also added that corrective action would be taken.

(ii) Delay in Submission of MPRs and QPRs and expenditure statement

The Monthly Progress Report (MPR)/Quarterly Progress Report (QPR) submitted to the CE's office by the executing divisions were delayed which ranged from 15 days to

60 days making the monitoring difficult and led to delays in submission of reports to other authorities. A few instances are given below.

- There was delay in submission of QPRs for RIDF schemes to the State Finance Department ranging from 1 to 3 months. QPRs for the quarter ending December 2008, March 2009 and December 2009 were not sent to the Finance Department.
- QPRs for the projects under 10 *percent* Lump sum grant for NE States were sent to GOI with a delay ranging from 1 to 3 months. QPRs for the quarter ending March 2006 to December 2006 and December 2008 were not forwarded to the G.O.I.
- QPRs for the project under NLCPR sent to G.O.I were delayed by 1 to 2 months.

In response, the Department accepted (September, 2010) the audit finding and assured that suitable corrective action would be taken.

(iii) Periodical inspection of divisions not conducted by SE'S

As per CPWD code, the SE is required to inspect the divisions under his control at least once in a year. It was noticed that out of the 7 divisions test checked only 2 divisions (Changlang and Hawai) were inspected by SE, Miao in July and September 2007 respectively. The SE, Naharlagun and S.E, Aalo did not conduct any inspection during the last five years. This indicated inadequacy in the internal control and monitoring of the affairs of the Department.

The Department accepted (September, 2010) the audit finding and assured that suitable corrective action would be taken.

3.1.19 Conclusion

The Government has not been able to provide adequate and safe drinking water to the majority of the population in the State. The planning lacked purpose and direction. The project management was weak leading to delay in execution of works and projects remained incomplete for long period of time. Quality control of drinking water was poor for want of adequate infrastructure. The supervision and monitoring mechanism requires strengthening. The Internal control system was deficient.

3.1.20 . Recommendations:

- The Department in consultation with the Finance Department should streamline the existing system to ensure that funds are available in time for smooth implementation of the programmes;
- On the basis of availability of resources, priority should be given by the Department to complete the ongoing projects before taking up new projects;
- Project monitoring at all levels should be streamlined and implementation schedule should be enforced for timely completion of projects;
- Internal control mechanism should be strengthened; and
- Training needs of the technical and support staff should be assessed and properly trained.

CHAPTER- IV

REVENUE RECEIPTS

CHAPTER IV: REVENUE RECEIPTS

GENERAL

4.1 Trend of revenue receipts

4.1.1 The tax and non-tax revenue raised by the Government of Arunachal Pradesh during the year 2009-10, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

Table: 4.1*

(Rupees in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Revenue raised by the State Government					
	• Tax revenue	62.09	78.24	98.09	136.22	173.44
	• Non-tax revenue	202.36	297.17	656.92	772.01	511.25
Total		**264.45**	**375.41**	**755.01**	**908.23**	**684.69**
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	272.15	347.14	437.87	462.09	475.40
	• Grants-in-aid	1312.81	1869.62	1810.13	2485.64	3134.78
Total		**1584.96**	**2216.76**	**2248.00**	**2947.73**	**3610.18**
3.	Total revenue receipts of the State Government (1 and 2)	1849.41	2592.17	3003.01	3855.96	4294.87
4.	**Percentage of 1 to 3**	**14**	**14**	**25**	**24**	**15.94**

The above table indicates that during the year 2009-10, the revenue raised by the State Government (₹ 684.69 crore) was 15.94 *per cent* of the total revenue receipts against 23.55 *per cent* in the preceding year. The balance 84.06 *per cent* of receipts during 2009-10 was from the Government of India.

4.1.2 The following table presents the details of tax revenue raised during the period 2005-06 to 2009-10:

* All the figures pertaining to the year 2009-10 are provisional.

Table: 4.2

(Rupees in crore)

Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/(-) decrease in 2009-10 over 2008-09
1.	Tax on sales trade etc.	47.69	61.64	77.06	105.67	130.23	+23.24
2.	State excise	9.51	10.98	11.60	16.60	23.79	+43.31
3.	Stamp duty and registration fees						
	Stamps – Judicial Stamps – non-judicial Registration fees	0.41	0.55	0.86	1.25	1.88	+50.4
4.	Taxes on vehicles	2.99	2.93	6.42	7.76	13.07	+68.43
5.	Land revenue	1.11	2.10	2.12	4.90	4.43	-9.59
6.	Others	0.38	0.04	0.03	0.04	0.04	0.00
	Total	**62.09**	**78.24**	**98.09**	**136.22**	**173.44**	**+27.32**

The reasons for variation were neither stated nor on records.

4.1.3 The following table presents the details of the non-tax revenue raised during the period 2005-06 to 2009-10:

Table: 4.3

(Rupees in crore)

Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/(-) decrease in 2009-10 over 2008-09
1.	Interest Receipts	6.98	13.54	29.10	34.80	40.02	+ 15.00
2.	Dairy Development	0.03	0.03	0.03	0.03	0.02	- 33.33
3.	Other Non-tax Revenue	27.19	84.05	62.01	42.75	51.30	+ 20.00
4.	Forestry and Wild Life	13.71	9.03	8.57	12.50	9.99	- 20.08
5.	Mining Receipts Non-ferrous mining & Metallurgical Industries	24.94	47.60	45.82	42.95	57.56	+ 34.02
6.	Miscellaneous General services (including lottery)	5.57	15.85	45.56	20.26	11.39	- 43.78
7.	Power	88.77	119.05	458.06	609.74	329.27	- 46
8.	Medical and Public Health	0.17	0.19	0.37	0.28	0.23	- 17.86
9.	Co-operation	0.11	0.11	0.40	1.03	0.73	- 29.13
10.	Public Works	3.23	2.22	1.59	2.56	4.28	+ 67.19
11.	Police	1.51	2.03	1.22	1.97	1.13	- 42.64
12.	Other administrative services	30.15	3.41	4.19	3.13	5.33	+ 70.29
	Total	**202.36**	**297.11**	**656.92**	**772.01**	**511.25**	**-33.78**

The reasons for variation were neither stated nor on records.

4.1.4 Response of the departments towards audits

On the basis of inspections conducted in various departments of the State Government by sending audit parties from the office of the Accountant General each year, all the irregularities noticed during conduct of audit are discussed on the last day of audit with the head of office. During discussion, objections are dropped where possible while those which are of serious nature are incorporated in the Inspection Report and forwarded to the concerned office with a request to furnish reply within a specific period. Objections of very serious nature are developed into Draft Audit Paras (DAPs) and forwarded to the Secretary of the related Department requesting acceptance of the facts and figures and comments, if any to be communicated within six weeks. In case no reply is received the DAPs are included in the report of the CAG as Audit Paras.

Experience has been that Departmental Heads of the Government seldom furnish replies to the Audit findings.

4.1.5 Failure of Senior Officials to enforce accountability and protect the interest of the State Government

The Accountant General, Arunachal Pradesh conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the departments and the Government.

Inspection reports issued upto June 2010 disclosed that 784 paragraphs involving ₹ 427.97 crore relating to 287 IRs remained outstanding at the end of June 2010 as mentioned below along with the corresponding figures for the preceding two years.

Table: 4.4

	June 2008	June 2009	June 2010
Number of outstanding IRs	243	258	287
Number of outstanding audit observations.	589	661	784
Amount involved (Rupees in crore)	293.93	316.47	427.97

The department-wise details of the IRs and audit observations outstanding as on 30 June 2010 and the amounts involved are mentioned in Table 4.5.

Table: 4.5

(Rupees in crore)

Sl. No	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observation	Money value involved
1.	Finance	Taxes/VAT on Sales, trade etc	45	190	31.37
		Entry tax			
		Electricity duty			
		Entertainments tax, luxury tax, etc			
2.	Excise	State excise	64	113	41.76
3.	Revenue	Land revenue	28	93	95.25
4.	Transport	Taxes on motor vehicles	40	76	17.41
5.	Mines & Geology	Non-ferrous mining and Metallurgical industries	15	36	111.87
6.	Forest & Environment	Forest & Wildlife	92	263	107.63
7.	State Lotteries		3	13	22.68
Total			**287**	**784**	**427.97**

Even the first replies required to be received from the heads of offices within one month from the date of issue of the IRs were not received for 103 IRs issued upto December 2009. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

It is recommended that the Government takes suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/officers who fail to send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.

4.1.6. Departmental audit committee meetings

In order to expedite settlement of the outstanding audit observations contained in the IRs, departmental audit committees are constituted by the Government. These committees are chaired by the Secretaries and attended by the officers of the department concerned and Accountant General's office.

In order to expedite clearance of the outstanding audit observations, it is necessary that the audit committees meet regularly. During the years 2008-09 and 2009-10, no audit committee meeting was held, despite being requested. Thus, the concerned departments failed to take advantage of the audit committee mechanism set up.

4.1.7 Response of the departments to the draft audit paragraphs

The draft paragraphs are forwarded to the Secretaries of the concerned departments through demi official letters drawing their attention to the audit findings and requesting them to send their reply within six weeks. The fact that the replies from the departments had not been received is invariably indicated at the end of each paragraph included in the Audit Report.

Twenty one draft paragraphs proposed for inclusion in the Report for 2008-09 were forwarded to the Secretaries of the respective departments during June 2009 and October 2009. Besides, the Chief Secretary to the State Government was also requested to arrange for discussion of the issues raised in the draft audit paragraphs for inclusion of the views/comments of the Government in the Audit Report. Despite these efforts, no response was received on these draft paragraphs and consequently these had to be included in the Report without the response of the Government. During the current year 23 paragraphs have already been taken up with the Government. Replies are still awaited (November 2010).

4.1.8 Follow up on Audit Reports – summarised position

With a view to ensure accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Shakhder Committee, appointed to review the response of the State Government to Audit Reports, recommended (March 1993), *inter alia*, that the concerned departments of the State Government should without waiting for the receipt of any notice or call from the Public Accounts Committee (PAC), submit *suo motu* replies on all paragraphs and reviews featuring in the Audit Reports within three months, and submit the action taken notes (ATN) in respect of the recommendations of the PAC within the dates as stipulated by the PAC or within a period of six months, whichever is earlier.

While accepting the recommendation (1996), the Government specified a 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.

A review 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 2007-08 revealed that the concerned administrative departments were not complying with these instructions. As of November 2009, *suo motu* explanatory notes on 57 paragraphs of these audit reports were outstanding from various departments.

A review of five reports of the PAC containing recommendations on 19 paragraphs in respect of Forest, Finance and Excise Departments presented to the Legislature between September 2001 and March 2006 revealed that the concerned departments had failed to submit ATNs on the recommendations made by the PAC as mentioned below.

Table: 4.6

Year of the Audit Report	Paragraph numbers on which recommendations were made by the PAC but ATNs are awaited	Number of PAC report in which recommendations were made	Date of presentation of the report of the PAC to the State Legislature
1986-87	6.4, 6.6, 6.7 and 6.8	49th Report	3 March 2003
1991-92	6.4, 6.5 and 6.6	44th Report	21 September 2001
1994-95	6.4	44th Report	21 September 2001
1995-96	6.4, 6.5 and 6.6	46th Report	19 March 2002
	6.7, 6.8 and 6.10	48th Report	-do-
1996-97	6.7	46th Report	-do
1997-98	6.3, 6.5 (i), (ii)	51st Report	21 March 2006
1998-99	6.3.6 (a) and 6.5	51st Report	-do-

Thus, due to the failure of the departments to comply with the instructions of the PAC, the objective of ensuring accountability remained unfulfilled.

The Government may consider taking effective steps against the defaulting departments including fixing responsibility to ensure accountability of the executive.

4.1.9 Analysis of the mechanism for dealing with the issues raised by audit

The following table depicts the position of paragraphs included in the 'Revenue receipts' chapter of the Audit Reports from 2001-02 onwards relating to the Government of Arunachal Pradesh in respect of **Geology and Mining Department**:

Table: 4.7

(Rupees in lakh)

Sl. No.	Year of Audit Report	Paragraph No.	Caption of the paragraph	Amount
1.	2001-2002	7.5	Loss due to unauthorised removal of coal	20.26
2.	2002-2003	6.18	Loss of revenue and short realisation	2.95 4.95
3.	Do	6.17	Short realisation/non-realisation of royalty	21.12
4.	Do	6.16	Non-realisation of additional royalty	83.14
5.	Do	6.15	Loss of revenue due to faulty agreement	175.00
6.	2004-2005	5.13	Loss of revenue due to execution of faulty agreement	50.16
7.	2005-2006	6.10	Short realisation of revenue	364.00
8.	Do	6.9	Short realisation of royalty	11.71
9.	Do	6.8	Non-levy of additional royalty	179.00
10.	2006-2007	6.10	Short realisation of royalty on boulders	4.15
11.	Do	6.9	Loss of revenue due to faulty clause in the agreement	17.06
12.	Do	6.8	Excess adjustment of royalty and non-realisation of additional royalty	40.51
13.	Do	6.7	Non-levy of additional royalty	327.00
14.	Do	6.6	Short realisation of royalty	887.00
15.	2007-2008	6.13	Short realisation of royalty on boulder	10.77
16.	Do	6.12	Short realisation of royalty	1546.00
17.	Do	6.11	Non-levy of additional royalty	3742.00
18.	2008-09	4.6	Non-levy of additional royalty	148.00
19.	Do	4.5	Short realisation of royalty	1428.00
			Total	**9062.78**
				Say ₹ 90.62 crore

It is recommended that the Government may consider taking suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/officers who fail to send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.

4.1.10 Position of Inspection Reports

The summarised position of inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on March 2010 are tabulated below.

Table: 4.8

(Rupees in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value
2000-01	52	126	2.3	22	44	3.22	5	7	0.56	69	163	4.96
2001-02	69	163	4.96	28	46	10.27	4	8	0.65	93	201	14.58
2002-03	93	201	14.58	27	73	42.51	4	10	0.73	116	264	56.36
2003-04	116	264	56.36	27	91	16.44	6	13	0.32	137	342	72.48
2004-05	137	342	72.48	31	62	33.27	5	8	1.02	163	396	104.73
2005-06	163	396	104.73	33	63	45.3	2	3	1.1	194	456	148.93
2006-07	194	456	148.93	27	85	31.6	0	4	0.34	221	537	180.19
2007-08	221	537	180.19	25	63	39.1	0	1	0.2	246	599	219.09
2008-09	246	599	219.09	34	97	32.46	0	0	0	280	696	251.55
2009-10	280	696	251.55	33	75	41.03	0	0	0	313	771	292.58

No Audit Committee meetings were held during 2008-09 and 2009-10.

4.1.11 Recovery of revenue of accepted cases

During the years 2003-04 to 2008-09 the Government/departments accepted audit observations involving ₹ 66.93 crore of which only ₹ 7 lakh had been recovered till October 2010 as mentioned below:

Table: 4.9

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2003-04	23.05	0.27	0.01
2004-05	5.43	1.90	-
2005-06	8.69	6.91	0.06
2006-07	31.53	6.60	-
2007-08	112.38	51.25	-
2008-09	31.87	-	-
Total	**212.95**	**66.93**	**0.07**

Total recovery made as at the end of 2009-10 was not even one *per cent* of the accepted money value.

It is recommended that the Government may consider prescribing more stringent measures, including fixing of responsibility, for recovery of dues in the accepted cases in the interest of revenue.

4.1.12 Action taken on the recommendations accepted by the departments/ Government

The draft performance reviews conducted by the AG are forwarded to the concerned departments/Government for their information with a request to furnish replies. These reviews are also discussed in an exit conference and the department's/Government's views are included while finalising the reviews for the Audit Reports.

The following table indicates the issues highlighted in the reviews on the **Transport, Land Management and Environment & Forest Departments** featured in the last 10 Audit Reports including the recommendations and action taken by the department on the recommendations accepted by it as well as the Government.

Table: 4.10

Year of Audit Report	Name of the review	Number of recommendations	Details of the recommendations accepted	Status
1999-2000	Receipts under Taxes on Motor Vehicle	Nil	Nil	Nil
2001-02	Assessment, levy and collection of land revenue	2	2	Nil
2003-04	Collection of forest receipts in Arunachal Pradesh	5	Nil	Nil
Total		**7**	**2**	**-**

During the period 1999-2000, 2001-02 and 2003-04 three reviews pertaining to Motor Vehicles, Land Management and Environment & Forest Departments were conducted which contained seven recommendations. Out of these only two were accepted. The position regarding the balance five recommendations is awaited.

It is recommended that the Government put in place a monitoring mechanism to ensure timely action on the recommendations accepted by the concerned departments in the interest of the revenue of the state.

4.1.13 Audit planning

The unit offices under various departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* includes critical issues in government revenues and tax administration i.e. budget speech, White Paper on state finances, reports of the Finance Commission (State and Central), recommendations of the Tax Reforms committee; statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years etc.

During the year 2009-10, the audit universe comprised 124 auditable units, of which 24 units were planned and 27 units audited during the year 2009-10 which was 22 *per cent* of the total auditable units.

4.1.14 Results of audit

4.1.15 Position of local audit conducted during the year

Test check of the records of 27 units of commercial tax, State excise, motor vehicles, forest and other departmental offices conducted during the year 2009-10 revealed under assessments/short levy/loss of revenue aggregating ₹ 110.16 crore in 185 cases. The departments recovered ₹ 0.34 crore in six cases during 2009-10.

4.1.16 This Report

This report contains 20 draft paragraphs, selected from the audit detections made during the local audit referred to above, relating to short/non-levy of tax, duty and interest, penalty etc, involving financial effect of ₹ 48.61 crore. No replies to the draft paragraphs have been received (November 2010). These cases are discussed in the succeeding paragraphs from 4.2 to 4.21.

DRAFT PARAGRAPHS

STATE EXCISE DEPARTMENT

4.2 Non-realisation of renewal fee and penalty

Failure of the department to initiate action led to non-realisation of renewal fee of ₹ 27.17 lakh including penalty.

The Government of Arunachal Pradesh notified in May 1994 that licence fee of ₹ 1.5 lakh per annum shall be payable for operating a bonded warehouse or a wholesale vend. The rates of fine for delayed payments in respect of bonded warehouses were also enhanced to ₹ 100 and ₹ 75 for wholesale vends per day with effect from 15 February 2001. Further, the Arunachal Pradesh Excise Act, 1993 provides that the authority who granted any licence may cancel it if the prescribed annual fee payable by the licensee has not been paid.

During audit of the Commissioner of Excise, Arunachal Pradesh, Itanagar in August 2010, it was noticed that five bonded warehouses and ten wholesale vends had not renewed their licences in advance before the expiry of the validity period. No action was taken to cancel the licenses, instead the COE continued to issue import passes to the licensees. The irregular grant of passes without realisation of the licence fee not only violated the Excise Act but also resulted in non-realisation of revenue of ₹ 25.50 lakh. Besides, fine of ₹ 1.67 lakh was also leviable for default in payment of licence fee.

The case was reported to the department/Government in September 2010; reply has not been received (December 2010).

4.3 Non-realisation of establishment charges

Establishment charges of ₹ 11.28 lakh in respect of excise officials posted in different bonded warehouses were not realised.

Under the Arunachal Pradesh Excise Rules, 1994, the Collector shall employ such officers and establishment as the Excise Commissioner may direct, to the charge of a private warehouse. The licensee of the warehouse shall pay to the Government, in advance, a fee in cash equivalent to the establishment cost of such officers for three months as the Excise Commissioner may fix, and a monthly fee in cash equivalent to the monthly cost which the Excise Commissioner may fix, within seven days after the expiry of the month to which the fee relates. The cost of the establishment shall include the pay and allowances as well as the leave salary and pension contribution.

Test check of the records of the Excise Commissioner in July 2010 revealed that the establishment charges of two excise officials posted in two different warehouses at Naharlagun for the period from December 2007 to March 2010 were ₹ 11.28 lakh. However, the department had neither worked out the establishment charges nor submitted any demand which resulted in non-realisation of the establishment charges of ₹11.28 lakh.

The case was reported to the department/Government in September 2010 but reply has not been received (December 2010).

4.4 Non-realisation of renewal fee and penalty

Failure of the department to initiate action against five retail licensees for non-renewal of licenses led to non-realisation of renewal fee of ₹ 6.40 lakh and penalty of ₹ 2.47 lakh.

Under the provisions of the Arunachal Pradesh Excise Rules 1994, a licence granted to a retail vendor shall expire after one year of the date of issue. Further, the Excise Department instructed in March 1996 that if any retail vendor fails to renew the licence on payment of renewal fee of ₹ 40,000 within the stipulated date, he shall be liable to pay, in addition to the renewal fee, a penalty of ₹ 50 per day for the period of default.

Test check of the records of the Superintendent of Excise, Ziro in July 2009 revealed that five retail licences were to be renewed on due dates falling between October 2004 and February 2009. The licensees did not renew their licences and continued their businesses. The Department also did not take any action to realise the renewal fee of ₹ 6.40 lakh and levy penalty of ₹ 2.47 lakh for non-payment of the renewal fee. This resulted in non-realisation of the renewal fees and penalty of ₹ 8.87 lakh.

The cases were reported to the department/Government in October 2009; reply has not been received (December 2010).

4.5 Loss of revenue

Failure of the department to realise licence fee and penalty before cancellation of five licences led to loss of revenue of ₹ 8.42 lakh.

Under the Arunachal Pradesh Excise Act, 1993 and Rules made thereunder, licence granted for dealing in India Made Foreign Liquor (IMFL) shall remain valid for one year from the date of issue. On expiry of its validity period, the licensee shall either return the licence or get it renewed on payment of the prescribed annual fee in advance. If he fails to get the licence renewed before the expiry of the validity period of licence, he shall be liable to pay penalty in addition to the fee, of a sum ranging from ₹ 25 to ₹ 100 per day for the period of default in payment of the fee.

Test check of the records of the Commissioner of Excise, Itanagar in July-August 2009 revealed that licences of one IMFL bonded warehouse, one beer bonded warehouse, two wholesale vends of IMFL and one wholesale vend of country liquor were valid upto different dates between July 2004 and July 2006. On expiry of the validity periods of the licences, the proprietors neither got their licences renewed nor returned the same to the issuing authority. The department did not initiate any action either to realise the prescribed fee and penalty of ₹ 11.42 lakh for non-renewal of the licences or to take over the stock of IMFL/Country liquor for recovery of the dues. All the five licences were, however, cancelled between February 2007 and October 2007 without realising the Government revenue although security deposit of ₹ 3 lakh involved in the cases was forfeited. This resulted in loss of revenue of ₹ 8.42 lakh.

The case was reported to the department/Government in October 2009; their reply has not been received (December 2010).

4.6 Short realisation of excise duty

Failure to levy and collect excise duty at revised rates resulted in short realisation of ₹ 5.35 lakh.

The Government of Arunachal Pradesh in their notification dated 30 December 2009 enhanced the rate of excise duty on General and Premium brand of IMFL from ₹ 60 and ₹ 162 to ₹ 90 and ₹ 210 per case respectively. Similarly, the excise duty on beer and wine was enhanced from ₹ 8 and ₹ 90 to ₹ 18 and ₹ 120 per case respectively. The revised rates came into force with effect from 30 December 2009.

Test check of the permit/pass registers in respect of five bonded warehouses under the jurisdiction of the Commissioner of Excise, Itanagar (July 2010), revealed that 12,289 cases of General brand, 2,292 cases of Premium brand of IMFL and seven cases of wine relating to the period from 30 December 2009 to 2 January 2010 and 5,650 cases of beer relating to the period from 30 December 2009 to 4 January 2010 were allowed to be lifted on realisation of excise duty at the pre-revised rates instead of at the revised rates. This resulted in short realisation of excise duty of ₹ 5.35 lakh.

The case was reported to the department/Government in May 2010 but reply has not been received (December 2010).

GEOLOGY AND MINING DEPARTMENT

4.7 Non-levy of additional royalty

Failure of the department to initiate action against two lessees for delayed payment of royalty led to non-realisation of additional royalty of ₹ 45.61 crore.

The Petroleum and Natural Gas Rules, 1959 envisage that if any royalty is not paid by the lessee to the State Government within the time specified for such payment, the amount of such royalty shall be increased by an additional 10 *per cent* for each month or portion thereof during which such royalty remains unpaid.

Test check of the records of the Director, Geology and Mining (DGM), Arunachal Pradesh, Itanagar in September 2010 revealed that the State Government executed a lease agreement in September 1997 with a lessee (M/s. Oil India Limited) 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 production related. The lessee extracted 35722.70 tons of crude oil between April 2009 and March 2010 for which royalty of ₹ 6.37 crore was paid between July 2009 and May

2010 after delays ranging between one and four months. For the delay in payment of royalty, additional royalty of ₹ 1.04 crore though leviable was not levied and recovered by the department. Thus, failure of the department to issue demand notice for payment of interest led to non levy of additional royalty of ₹ 1.04 crore.

Similarly, another lessee (M/s. Geoenpro Petroleum Limited) extracted 1,62,268.00 tons of crude oil involving royalty of ₹ 43.27 crore between April 2004 and March 2007 for which royalty of ₹ 8.57 crore was paid by the lessee and the balance royalty of ₹ 34.70 crore was paid belatedly between December 2006 and September 2007. For belated payment, additional royalty of ₹ 44.57 crore though leviable, was neither levied nor recovered from the lessee leading to non realisation of revenue of ₹ 44.57 crore.

The case was reported to the department/Government in September 2010 but reply has not been received (December 2010).

4.8 Short realisation of royalty on coal

There was short realisation of royalty of ₹ 18.16 lakh due to suppression of despatch of 15,132 metric tonnes of coal.

In Arunachal Pradesh, royalty on coal is collected by the Arunachal Pradesh Mineral Development and Trading Corporation Limited (APMDTCL), Itanagar and remitted to the Director, Geology and Mining (DGM), Itanagar through cheques deposited into the Government account.

Test check of the records of the DGM, Itanagar in September 2010 revealed that as per the return submitted by APMDTCL, 3506 metric tons (MT) of coal involving royalty of ₹ 4.21 lakh was extracted/despatched by APMDTCL from the Namchik Coal Project, Kharsang during 2001-02. But on cross verification of records with that of the DGM, it was observed that though APMDTCL extracted 8064.88 MTs of coal in 2000-01, it did not file any return for that year. Similarly, the Company extracted 10,574.01 MTs of coal in 2001-02 but showed only 3506 MTs in its return for 2001-02. Thus, APMDTCL extracted a total quantity of 18,638.89 metric tonnes of coal during the period from April 2000 to March 2002 involving royalty of ₹ 22.37 lakh. Therefore, suppressing the actual extraction by 15,132 MTs in their return submitted to the DGM, APMDTCL paid less royalty of ₹ 18.16 lakh.

The case was reported to the department/Government in September 2010; reply has not been received (December 2010).

It is recommended that the Department should prescribe a mechanism for cross check of its records with that of APMDTCL to ensure that extraction of coal is properly reflected in the returns.

4.9 Short realisation of royalty

Application of incorrect rate on 2,62,531.95 MT of coal led to short realisation of royalty ₹ 13.13 lakh.

In exercise of the powers conferred under the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act), the Government of India, Ministry of Coal revised the rate of royalty per metric tonne (PMT) of coal from ₹ 165 to ₹ 130 plus five *per cent* of pit head price of coal w.e.f. 1 August 2007. The pit head price of 'B' grade coal of Arunachal Pradesh is ₹ 1,050 PMT. Based on the minimum notified price of Rs.1,050 PMT, the revised rate of royalty PMT of the above category of coal works out to Rs.182.50.

Test check of the records of the Director, Geology and Mining (DGM), Itanagar in September 2010 revealed that the revised rate of royalty for all grades of coal was fixed at ₹ 177.50 per MT and royalty for 'B' grade coal was not fixed separately.

The records of the DGM, Itanagar were cross checked with those of Arunachal Pradesh Mineral Development and Trading Corporation Limited (APMDTCL), Itanagar and it was found that 2,62,531.95 MT of 'B' grade coal was despatched between February 2009 and June 2010 and royalty of ₹ 4.66 crore was realised at the rate of ₹ 177.50 per MT instead of ₹ 4.79 crore at the correct rate of ₹ 182.50 per MT. Thus, due to application of lower rate of royalty there was short realisation of royalty of ₹ 13.13 lakh.

The case was reported to the department/Government in September 2010 but reply has not been received (December 2010).

STATE LOTTERY DEPARTMENT

4.10 Non-levy of interest

For delayed payment of CPD money interest of ₹ 8.20 lakh, though leviable, was not levied.

As per the agreement entered on 27 February 2002 between the State Government and the distributors, the latter were to deposit the Cost of Participation in the Draw (CPD) money within 30 days after the draw was held. If a distributor failed to pay the amount within the due date, interest @three *per cent* per annum up to a delay of 180 days and @ six *per cent* per annum thereafter was leviable.

During audit of the records of the Commissioner, State Lottery Department, Arunachal Pradesh, Itanagar in August 2009, it was noticed that a distributor was liable to pay CPD money amounting to ₹ 33.41 lakh for draws held between 17 August 2004 and 18 November 2004. The distributor delayed in depositing the amount for a period ranging from 29 days to 1771 days beyond the due date(s). For belated payment of CPD money, interest of ₹ 8.20 lakh leviable was not levied and recovered. This resulted in non-levy of interest of ₹ 8.20 lakh.

The case was reported to the department/Government in October 2009; reply has not been received (December 2010).

4.11 Non-realisation of licence fee

Inaction of the department to levy licence fees on 10 retailers led to non-realisation of revenue of ₹ 2.62 lakh.

Under the provisions of the Arunachal Pradesh State Lottery (amended) Rule; 2005, the retailers dealing with lotteries (including on-line lotteries) of other State Governments within the State of Arunachal Pradesh, were liable to pay a lump sum amount of ₹ 2,000 as licence fee per terminal per month with effect from 24 November 2005.

While auditing the records of the Commissioner, State Lottery Department, Arunachal Pradesh in August 2009, it was noticed that 10 retailers of five[1] districts were engaged in the business of dealing with other State Government lotteries. The retailers neither paid licence fee for the period from November 2007 to July 2009 nor was any action taken by the department to levy and realise it. Thus, laxity on the part of the department led to non-realisation of licence fee of ₹ 2.62 lakh.

The case was reported to the department/Government in October 2009 but reply has not been received (December 2010).

TAXATION DEPARTMENT

4.12 Non-realisation of entry tax

Failure to collect entry tax from 185 vehicles before registration resulted in non-realisation of entry tax of ₹ 1.17 crore.

Under the provisions of the Arunachal Pradesh Goods Tax (APGT) Act, 2005, entry tax at the rate of 12.5 *per cent* shall be paid on the import of a motor vehicle which is not registered in Arunachal Pradesh, at the time of registration of the motor vehicle. In October 2005, the Commissioner of Taxes, Arunachal Pradesh requested all the Deputy Commissioners of the respective districts to ensure payment of the entry tax prior to the registration of the imported vehicles.

The records of the DTO, Tezu were cross checked with those of the Superintendent of Taxes, Tezu in February 2010 and it was found that 185 new motor vehicles valued at ₹ 9.32 crore imported from outside the State were registered between April 2005 and December 2009 without collecting the entry tax amounting to ₹ 1.17 crore.

The case was reported to the department/Government in May 2010 but reply has not been received (December 2010).

[1] West Siang, Changlang, Upper Siang, Upper Subansiri and Lower Subansiri District.

4.13 Evasion of tax by unregistered dealers

Non-registration of five dealers by the assessing officers led to evasion of tax of ₹ 28.34 lakh for which maximum penalty of ₹ 23.16 lakh was also leviable.

Under the provision of the Arunachal Pradesh Sales Tax (APST) Act, 2002, a dealer liable to pay tax shall not carry on business as a dealer unless he is registered and possesses a certificate of registration. The Act empowers the Assessing Officer to register a dealer if he fails to apply for registration. The Act further provides that the tax payable by a dealer in respect of any sale or supply of goods to a Government department shall be deducted at source in the prescribed manner at the specified rate. If a dealer being liable to pay tax fails to get himself registered he is liable to pay penalty, in addition to tax payable by him, of a sum not exceeding the amount of assessed tax.

Further, under the APGT Act, a dealer who is liable to pay tax shall not carry on business unless he has been registered and possesses a certificate of registration. Where a person who is required to be registered under the Act has failed to apply for registration within one month from the day on which the requirement arose, the person is liable to pay, by way of penalty, an amount equal to ₹ 1,000 per day subject to a maximum of ₹ one lakh. The Act, however, did not provide deduction of tax at source in respect of any sale or supply of goods to a department of the Government till March 2007.

4.13.1 The records of the ST, Zone-I, Naharlagun were cross verified with those of two[2] departments of the State Government in May 2009 and it was found that four unregistered dealers sold taxable goods like medicines and medical equipments valued at ₹ 3.55 crore in March 2005 but these dealers had neither applied for registration nor were they registered by the AO as required under the Act. The amount of tax was also not deducted by the purchasing Government departments. Thus, non-detection of the dealers by the AO coupled with non-deduction of tax at source by the purchasing Government departments resulted in evasion of tax of ₹ 23.16 lakh. Besides, penalty upto ₹ 23.16 lakh was also leviable.

4.13.2 The records of the ST, Zone-I, Naharlagun were also cross checked with those of the Director of Tourism, Arunachal Pradesh, Itanagar in May 2009, and it was noticed that one unregistered dealer supplied taxable goods valued at ₹ 41.47 lakh during January 2006. The dealer had neither applied for registration nor this fact was detected by the AO which resulted in evasion of tax of ₹ 5.18 lakh.

The cases were reported to the department/Government in October 2009 but reply has not been received (December 2010).

[2] Director of Health Services, Naharlagun and Executive Engineer, Electrical Division, Ziro.

4.14 Non-levy of tax and penalty for misuse of 'C' form

Two dealers purchased cement of ₹ 144.62 lakh and evaded tax of ₹ 18.08 lakh. Besides, penalty of ₹ 27.12 lakh was also leviable for misuse of 'C' form.

Under the Central Sales Tax (CST) Act, a registered dealer may purchase goods from a registered dealer of another State at a concessional rate by furnishing prescribed declaration in form 'C'. If a person being a registered dealer, falsely represents when purchasing any class of goods, that goods of such class are covered by his certificate of registration, he is liable to pay penalty not exceeding one and half times the amount of tax which would have been levied in lieu of the prosecution.

The records of the Superintendent of Taxes, Zone I, Naharlagun and Zone II, Itanagar were cross verified with those of the Superintendent of Taxes, Shillong in May 2009, and it was noticed that the two dealers dealing in hardware, glasses, plywood and electrical goods imported cement valued at ₹ 1.45 crore between April 2006 and March 2008 which was not included in their certificate of registration. The dealers neither submitted any return nor paid the applicable tax for the aforesaid transaction. Thus, the dealers concealed turnover of at least ₹ 1.45 crore and evaded tax of ₹ 18.08 lakh. Besides, the dealers were also liable to pay penalty of ₹ 27.12 lakh (maximum) for the same. No notice was issued by the AO to the dealers in this regard.

The cases were reported to the department/Government in October 2009 but reply has not been received (December 2010).

4.15 Short levy of interest

Non-inclusion of interest in the requisition sent to the recovery officer resulted in short levy of interest of ₹ 14.46 lakh.

Under the provisions of the APGT Act, where the amount of tax, interest, penalty, composition money or other sum payable remains unpaid, it may be recovered as an arrear of land revenue.

The records of the Superintendent of Taxes (ST), Tezu were test checked in February 2009 and it was noticed that a dealer was assessed in December 2007 and was levied tax, interest and penalty of ₹ 97.04 lakh for the years 2005-06 and 2006-07. The dealer, however, did not pay the above amount although demand notices were served by the Assessing Officer. Since the dealer failed to pay the amount of tax, interest and penalty despite repeated notices, the case was referred to the Recovery Officer (RO) in March 2009 for recovering ₹ 97.04 lakh as arrears of land revenue. The interest of ₹ 14.46 lakh leviable upto 1 March 2009 i.e. the date of sending the case to the RO from the date of assessment, was, however, not included in the requisition sent by the AO to the RO. This resulted in short levy of interest of ₹ 14.46 lakh.

The case was reported to the department/Government in June 2009 but reply has not been received (December 2010).

4.16 Concealment of purchase

Failure of the assessing officer to detect import of taxable goods of ₹ 74.84 lakh led to evasion of tax of ₹ 5.54 lakh; besides, interest of ₹ 3.70 lakh and penalty of ₹ 5.80 lakh was additionally leviable.

Under the APGT Act, if a dealer has evaded in any way the liability to pay tax, he is liable to pay interest for non payment of tax and penalty of a sum of ₹ one lakh or the amount of tax evaded, whichever is greater, in addition to the tax payable by him.

While auditing the records of the ST, Zone I, Naharlagun, Zone II, Itanagar and Pasighat between May 2009 and March 2010, it was noticed that three registered dealers disclosed taxable purchases of ₹ 18.01 lakh between April 2005 and March 2007 in course of inter-State trade.

The assessment records of the aforesaid dealers were also cross verified with those of three dealers registered in Guwahati, Bongaigaon and Tezpur (Assam) respectively and it was found that the Arunachal based dealers had purchased taxable goods like electrical items, lubricants and motor cycles valued at ₹ 74.84 lakh during the aforesaid period. These dealers filed self assessed returns for 2005-06 and 2006-07, which were accepted as such by the department. Thus, the dealers concealed taxable purchase of ₹ 56.83 lakh and evaded the liability to pay tax of ₹ 5.54 lakh. Besides, interest of ₹ 3.70 lakh and penalty of ₹ 5.80 lakh were also leviable.

The cases were reported to the department/Government between October 2009 and May 2010 but reply has not been received (December 2010).

4.17 Evasion of tax by an unregistered dealer

Non-registration of a dealer under APGT Act led to evasion of tax of ₹ 12.30 lakh.

Under the CST Act any dealer liable to pay tax under the sales tax laws of the appropriate State, shall apply for registration in the prescribed form.

Under the APGT Act, if a dealer defaults in making payment of tax he is liable to pay interest ranging between 12 to 24 *per cent* per annum for the period of default on the amount of tax paid short. In addition, the dealer is also liable to pay penalty equal to the amount of tax remaining unpaid.

Test check of the records of ST, Roing in March 2010 revealed that a dealer registered under the CST Act imported motor cycle and spare parts valued at ₹ 45.13 lakh at concessional rate, for resale within the State by utilising 14 'C' forms between April 2008 and December 2009. It was observed that the dealer was neither registered under the APGT Act nor did he pay any tax. The dealer furnished the utilisation statement of 'C' forms but the Assessing Officer (AO) initiated no action to register the dealer and realise the tax under APGT Act. Such laxity on the part of the AO led to evasion of tax of at least ₹ 5.64 lakh. Besides, interest of ₹ 1.02 lakh and penalty of ₹ 5.64 lakh are also leviable for carrying on business without registration.

The case was reported to the department/Government in May 2010 but reply has not been received (December 2010).

4.18 Short levy of entry tax

Entry tax of ₹ 4.87 lakh was levied and realised against ₹ 15.20 lakh leviable leading to short levy of tax ₹ 10.33 lakh.

The APGT Act, 2005 states that every person who is an importer, shall be liable to pay tax on every entry effected by or for him of goods for consumption, use or sale in local area of Arunachal Pradesh other than a non-taxable import.

While auditing the records of Superintendent of Taxes, Tezu in February 2010, it was noticed that 48 dealers imported taxable goods valued at ₹ 1.22 crore between April 2008 and March 2009. Entry tax of ₹ 15.20 lakh was leviable in these cases against which ₹ 4.87 lakh only was levied/realised. This resulted in short realisation of entry tax of ₹ 10.33 lakh.

The case was reported to the Department/Government in May 2010 but reply has not been received (December 2010).

4.19 Non-levy of penalty

Penalty of ₹ 5.60 lakh was not levied and realised from 21 dealers who did not furnish returns within the due date.

Under the APGT Act, if a registered dealer fails to furnish any return by the due date, he is liable to pay penalty of Rs.100 per day for the default subject to a maximum of ₹ 10,000.

While auditing the records of the Superintendent of Taxes, Teju in February 2010, it was noticed that 21 dealers did not furnish their returns for periods falling between April 2005 and March 2009. For non-submission of the returns, though the dealers were liable to pay penalty of ₹ 5.60 lakh, the Assessing Officer did not take any action to levy and realise the penalty. Thus, failure of the Department to monitor such cases resulted in non-levy of penalty of ₹ 5.60 lakh.

The case was reported to the department/Government in May 2010 but reply has not been received (December 2010).

4.20 Under assessment of tax

Non-inclusion of excise duty in sale price of IMFL led to under assessment of tax of ₹ 3.94 lakh and interest of ₹ 2.05 lakh.

Under the APGT Act, 'sale price' means the amount paid or payable as valuable consideration for any sale. In May 2005, the Commissioner of Taxes, Arunachal Pradesh clarified that all duties and fees levied under the Arunachal Pradesh Excise Act shall form part of the sale price. In Arunachal Pradesh, IMFL is taxable at the rate of 20 *per cent*. Interest as per the APGT Act is leviable for delay in payment.

During test check of the records of the Superintendent of Taxes, Ziro in July 2009 it was noticed that two wholesale vends sold 13,736 cases of IMFL between May 2006 and May 2007 and disclosed sale price of ₹ 1.06 crore and paid tax of ₹ 21.20 lakh on the turnover without including the element of excise duty of ₹ 19.72 lakh collected from the purchasers. Since excise duty forms part of the sale price as per the aforesaid clarification, the sale price should have been determined at ₹ 1.26 crore instead of ₹ 1.06 crore. This resulted in under assessment of tax of ₹ 3.94 lakh. Besides interest of ₹ 2.05 lakh was also leviable.

The case was reported to the department/Government in October 2009 but reply has not been received (December 2010).

4.21 Loss of revenue due to non-registration of Government department as a dealer

Non-registration of a State Government department resulted in non-realisation of revenue of ₹ 2.42 lakh and penalty of ₹ one lakh on sale of sand and stone.

Under the APGT Act, a dealer means a person who buys, sells, supplies or distributes goods for cash or deferred payment and includes all departments of the State Government if they sell, supply or distribute goods in the course of specified activities. Further, under Section 19(i) of the Act, every dealer liable to pay tax is required to be registered under the Act. If any dealer fails to register himself he is liable to pay penalty of ₹ 1,000 per day subject to a maximum of ₹ one lakh. In Arunachal Pradesh, sand and stone is taxable at the rate of 12.5 *per cent*.

Test check of the records of the Assistant Mineral Development Officer (AMDO), Pasighat in March 2010 revealed that the Mineral Department sold sand and stone valued at ₹ 19.37 lakh to 37 dealers within the state between April 2005 and June 2008. This information was cross verified with the records of the Taxation Department, Pasighat and it was found that neither the AMDO nor the purchasing dealers were registered. The AO also had not taken any action for their registration as required under the Act which resulted in non-realisation of revenue of ₹ 2.42 lakh and penalty of ₹ one lakh.

The case was reported to the department/Government in May 2010 but reply has not been received (December 2010).

CHAPTER - V

COMMERCIAL ACTIVITIES

CHAPTER-V: GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

5.1 Overview of State Public Sector Undertakings

Introduction

5.1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Arunachal Pradesh, there were seven PSUs (all companies including two non-working). None of these companies was listed on stock exchange.

5.1.2 The State working PSUs registered a turnover of ₹ 7.79 crore for 2009-10 as per their latest finalised accounts as of September 2010. This turnover was equal to 0.12 *per cent* of State Gross Domestic Product (GDP)[♦] Thus the State PSUs occupy an insignificant place in the state economy. Major activities of Arunachal Pradesh State PSUs are concentrated in power sector. The working PSUs incurred an overall loss of ₹ 2.43 crore in the aggregate for 2009-10 as per their latest finalized accounts as of September 2010. They had employed 150 nos[♣] of employees as of 31 March 2010. The State PSUs do not include prominent Departments such as Power, Hydro Power Development, Transport and Transport & Supply which are performing commercial nature of activities. The audit findings of these Government departments are also incorporated in this chapter.

5.1.3 During the year 2009-10, assets of the two non-working PSUs viz., Parasuram Cements Limited and Arunachal Horticulture Processing Industries Limited, were transferred to "Arunachal Pradesh Infrastructure Development Company Limited" a Joint Venture Company created by Arunachal Pradesh Industrial Development & Finance Corporation.

Audit Mandate

5.1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which not less than 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as *per* Section 619-B of the Companies Act.

5.1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by

[♦] The GDP figures in respect of 2009-10 is taken at factor cost by Industry of Origin at Current Prices

[♣] As per the details provided by five PSUs.

CAG as *per* the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

Investment in State PSUs

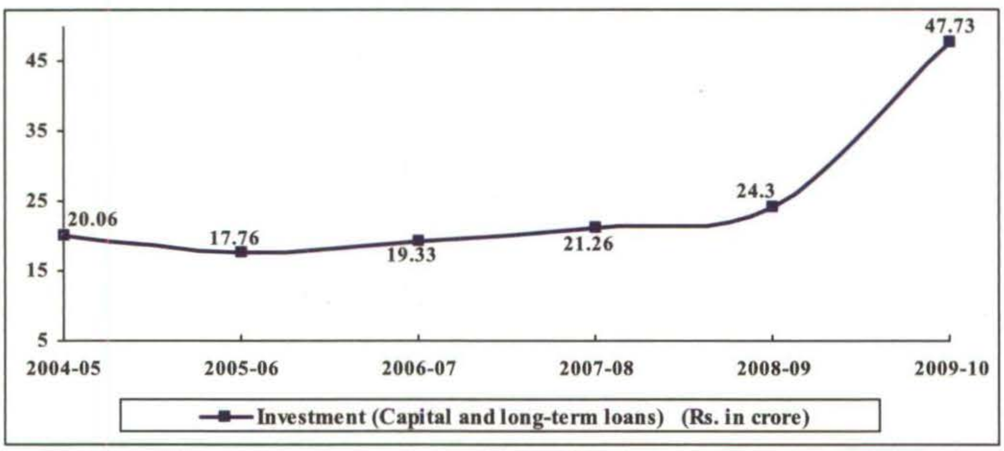
5.1.6 As on 31 March 2010, the investment (capital and long-term loans) in seven PSUs# was ₹ 47.73 crore as *per* details given below.

(Rupees in crore)

Type of PSUs	Government Companies		
	Capital	Long Term Loans	Grand Total
Working PSUs	16.60	27.97	44.57
Non-working PSUs	0.43	2.73	3.16
Total	**17.03**	**30.70**	**47.73**

A summarised position of government investment in State PSUs is detailed in **Appendix-5.1.**

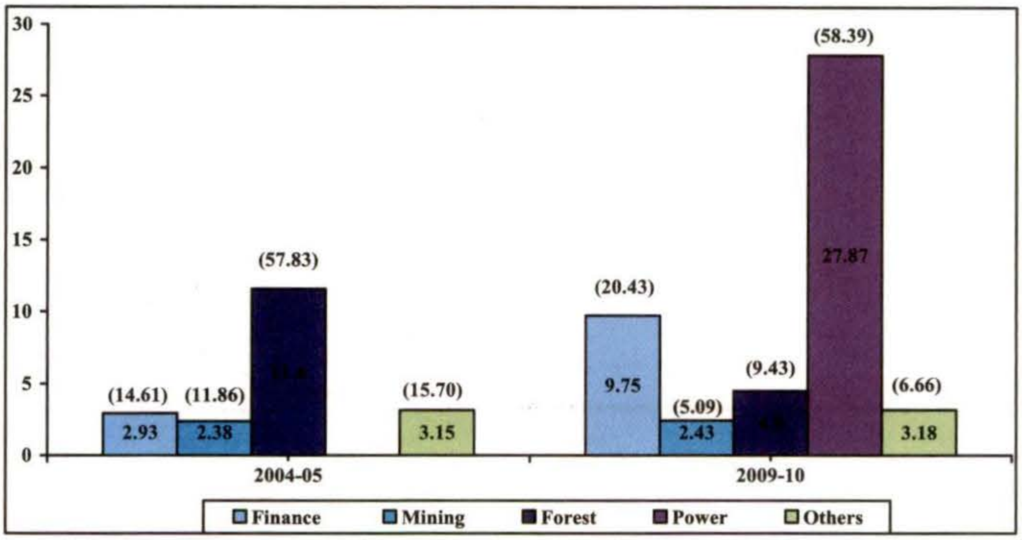
5.1.7 As on 31 March 2010, of the total investment in State PSUs, 93.38 *per cent* was in working PSUs and the remaining 6.62 *per cent* in non-working PSUs. This total investment consisted of 35.68 *per cent* towards capital and 64.32 *per cent* in long-term loans. The investment has increased by 137.94 *per cent* from ₹ 20.06 crore in 2004-05 to ₹ 47.73 crore in 2009-10 as shown in the graph below.



5.1.8 The investment in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart. The thrust of PSU investment was mainly in Power Sector which has 58.39 percentage of investment as of 31 March 2010 as against 'nil' during 2004-05. The entire investment of ₹ 27.87 crore relate to State Government's investment in one power sector company*, out of which ₹ 22.87 crore was extended during 2009-10 in the form of loans (₹ 20.37 crore) and advance against equity (₹ 2.5 crore).

The State had no 619.B company

* Hydro Power Corporation of Arunachal Pradesh Limited



(Figures in brackets show the percentage of total investment)

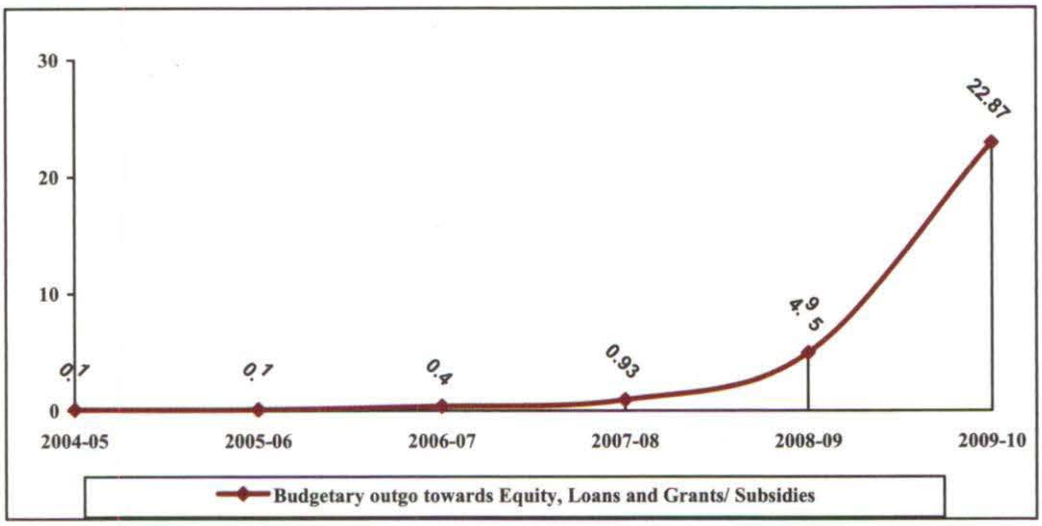
Budgetary outgo, grants/subsidies, guarantees and loans

5.1.9 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued in respect of State PSUs are given in **Appendix-5.3.** The summarised details are given below for three years ended 2009-10.

(Amount Rupees in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	-	-	1	4.95	1	2.50
2.	Loans given from budget	-	-	-	-	1	20.37
3.	Grants/Subsidy received	2	0.93	-	-	-	-
4.	Total Outgo (1+2+3)		0.93		4.95		22.87
5.	Loans converted into equity	-	-	-	-	-	-
6.	Loans written off	-	-	-	-	-	-
7.	Interest/Penal interest written off	-	-	-	-	-	-
8.	Total Waiver (6+7)	-	-	-	-	-	-
9.	Guarantees issued	1	0.97	2	0.77	-	-
10.	Guarantee Commitment	-	-	-	-	1	2.00

5.1.10 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past six years are given in a graph below.



5.1.11 The budgetary outgo towards equity, loans and grants /subsidy has increased significantly from ` 0.10 crore in 2004-05 to ` 22.87 crore in 2009-10 due to extension of budgetary support in the form of advance against equity (` 2.50 crore) and loan (` 20.37 crore) to one power sector company (ie. Hydro Power Development Corporation of Arunachal Pradesh Ltd). As on 31 March 2010, a guarantee commitment of ` 2.00 crore is pending against one PSU viz. Arunachal Pradesh Industrial Development & Financial Corporation Limited. No guarantee commission was payable to the State Government by the Government companies. There was no case of conversion of Government loan into equity, moratorium in repayment of loan and waiver of interest.

Reconciliation with Finance Accounts

5.1.12 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2010 is stated below.

(Rupees in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	9.04	17.03	7.99
Loans	-	27.51	27.51
Guarantees	-	2.00	2.00

5.1.13 We observed that the differences occurred in respect of all PSUs and the differences were pending reconciliation over the period of more than ten years. The matter has been taken up with the Secretary, Finance Department, Government of Arunachal Pradesh, Administrative Department of respective PSUs and the Managing Directors of PSUs periodically to reconcile figures. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

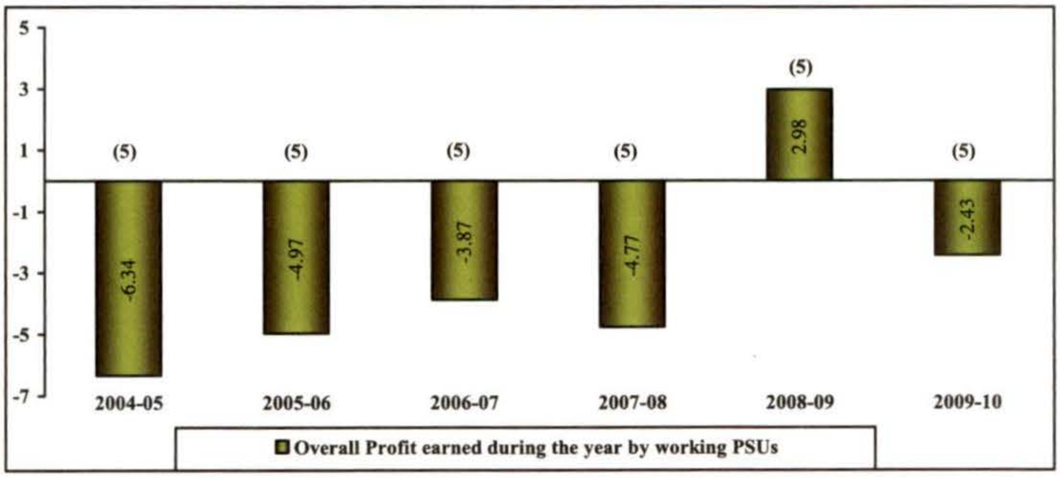
5.1.14 The financial results of PSUs are detailed in **Appendix 5.2.** A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2004-05 to 2009-10

(Rupees in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover[∝]	5.57	5.91	5.94	5.72	5.57	7.79
State GDP	2853	2918	3413	3888	4547	6258
Percentage of Turnover to State GDP	0.20	0.20	0.17	0.15	0.12	0.12

The percentage of turnover to State GDP was on declining trend and reduced from 0.20 in 2004-05 to 0.12 in 2009-10.

5.1.15 Profit (losses) earned (incurred) by State working PSUs during 2004-05 to 2009-10 are given below in a bar chart.



(Figures in brackets show the number of working PSUs in respective years)

5.1.16 During the year 2009-10, out of five working PSUs, three PSUs[^] earned profit of ₹ 0.79 crore and two PSUs incurred loss of ₹ 3.22 crore. The contributors to profit were Arunachal Pradesh Industrial Development and Financial Corporation Limited and Arunachal Police Housing and Welfare Corporation Limited.

5.1.17 The State PSUs and State Government Departments incurred losses, as highlighted in the Audit Reports of CAG each year, mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the working State PSUs and Government Departments (Power, Transport and Supply) incurred losses to the tune of ₹ 26.08 crore and infructuous investment of ₹ 1.57 crore

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[∝] Turnover of working PSUs as per the latest finalised accounts as of 30 September.

[^] Including one company (serial no. A-5 of Appendix 5.2), which earned a profit of ₹26,279.00 only which were controllable with better management. Year wise details from Audit Reports are stated below.

(Rupees in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	Total
Controllable losses as per CAG's Audit Report	1.22	3.21	5.93	15.72	26.08
Infructuous Investment	1.57	-	-	-	1.57

5.1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs/ Government Departments (Power, Transport and Supply and Transport). The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimised (or eliminated or the profits can be enhanced substantially). The PSUs/Government Departments can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs/ Government Departments.

5.1.19 Some other key parameters pertaining to State PSUs are given below.

(Rupees in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed (*Per cent*)*	--	--	--	--	6.09	
Debt	10.69	8.29	9.87	11.76	9.87	10.33
Turnover[ϒ]	5.57	5.91	5.94	5.72	5.57	7.79
Debt/ Turnover Ratio	1.92:1	1.40:1	1.66:1	2.06:1	1.77:1	1.32:1
Interest Payments	0.95	0.95	0.03	0.03	0.39	0.78
Accumulated Profits (losses)	0.56	0.49	(-) 1.62	(-) 3.19	2.64	4.06

5.1.20 As per the latest finalised accounts of *five* working companies, the capital employed was ₹ 53.69 crore and total return thereon amounted to ₹ (-) 1.74 crore in 2009-10 as compared to capital employed of ₹ 50.88 crore and total return on capital employed of ₹ 3.33 crore in 2008-09.

5.1.21 The State Government has not formulated (September 2010) any dividend policy.

Arrears in finalisation of accounts

5.1.22 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2010.

[ϒ] Turnover of working PSUs as *per* the latest finalised accounts as of 30 September.

* Nil figure represents negative return on capital employed.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Number of Working PSUs	3	4	5	5	5
2.	Number of accounts finalised during the year	1	1	1	1	5
3.	Number of accounts in arrears	20	23	27	31	31
4.	Average arrears *per* PSU (3/1)	6.67	5.75	5.40	6.2	6.2
5.	Number of Working PSUs with arrears in accounts	2	3	5	5	5
6.	Extent of arrears in years	7 to 12	1 to 13	1 to 14	1 to 15	1 to 16

5.1.23 The reasons for delay in finalization of accounts are attributable to (i) lack of required control over the companies by Government, (ii) abnormal delay in compilation/approval of the accounts and (iii) inadequacy of manpower.

5.1.24 The State Government had invested ₹ 58.37 crore in six PSUs (Equity: ₹ 8.94 crore, loans: ₹ 29.02 crore and grant/subsidy ₹ 23.06 crore) during the years for which accounts have not been finalised as detailed in ***Appendix-5.4.*** Delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

5.1.25 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed by us, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up with the Chief Secretary/ Finance Secretary periodically to expedite the backlog of arrears in accounts in a time bound manner.

In view of above state of arrears, it is recommended that:

- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**
- **The Government may set up a cell in concerned administrative departments to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**

Winding up of non-working PSUs

5.1.26 There were two non-working PSUs as on 31 March 2010. Of these, no PSUs have commenced liquidation process. However, during the year 2009-10, assets of the two non-working PSUs viz., Parasuram Cements Limited and Arunachal Horticulture Processing Industries Limited, were transferred to "Arunachal Pradesh Infrastructure Development Company Limited" (APIDCoL); a Joint Venture Company created by Arunachal Pradesh Industrial Development & Finance Corporation (APIDFC) The numbers of non-working companies remained two during past five years.

5.1.27 The non-working PSUs (Parasuram Cement Limited and Arunachal Pradesh Horticultural Processing Industries Limited) are required to be closed down as their existence is not going to serve any purpose. These PSUs are non-functioning from 1995 onwards.

Accounts Comments and Internal Audit

5.1.28 Three working companies forwarded their five audited accounts to AG during the year 2009-10 of which, Non Review Certificates were issued on two Accounts. One Account was revised by one company and based on revision, 'Nil' Comment Certificate was issued. Remaining two accounts of two companies were audited and comments were issued on these Accounts. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	2.24	1	2.18	1	0.02
2.	Increase in loss	-	-	-	-	-	-
3.	Increase in profit	-	-	-	-	1	0.05
3.	Non-disclosure of material facts	1	-	1	-	2	-
4.	Errors of classification	-	-	-	-	-	-
5.	General	-	-	-	-	2	-

5.1.29 Some of the important comments in respect of accounts of companies are stated below.

Arunachal Pradesh Industrial Development & Financial Corporation Ltd (2007-08)

- The company has not disclosed treatment of taxes of income as per requirement of AS 22
- Non provision by the company towards interest payable to State Government and Arunachal Pradesh State Cooperative Apex Bank Limited amounting to ₹ 2.18 crore resulted in overstatement of profit to the same extent.

5.1.30 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of one company (Hydro Power Development Corporation Arunachal Pradesh Limited) for the year 2009-10 is given below.

Sl. No.	Nature of comments made by Statutory Auditors
1.	Non-existence of system of Physical Verification of Cash and Imprest balances
2.	Absence of internal audit system commensurate with the nature and size of business of the company
3.	Non maintenance of cost records

Recoveries at the instance of audit

5.1.31 During the course of propriety audit in 2008-09, recoveries of ₹ 37.24 crore were pointed out to the Department of Power, against which, recoveries of ₹ 0.51 crore were admitted and recovered by the Department during the year 2009-10.

Reforms in Power Sector

5.1.32 Arunachal Pradesh has not formed any Electricity Regulatory Commission till date (September 2010) under the provisions of Section 83 of the Electricity Act 2003 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses.

5.1.33 Memorandum of Agreement (MoA) was signed (July 2002) between the Union Ministry of Power and the State Government with a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No.	Milestone	Achievement as at March 2010
1.	State Government will Corporatise the Electricity Department by 2006-07	Power & Electricity Department (P&E) is not yet Corporatised.
2	State Government will set up State Electricity Reforms Commission (SERC)/Joint Electricity Reforms Commission (JERC) by December 2003 and file tariff petition.	Not set up till date.
3	State Government will ensure timely payment of subsidies required in pursuance of orders on the tariff determined by JERC	JERC not set up
4	State Government will achieve 100 *per cent* electrification of villages by 2007	345 out of 402 villages (86 *per cent*) have been electrified (March 2009)

SECTION 'A' PERFORMANCE REVIEW

Performance Review relating to Department of Hydro Power Development

5.2 Power Generating Activities

Executive Summary

Power is an essential requirement for all facets of life and has been recognised as a basic requirement. In Arunachal Pradesh, generation of power is predominantly managed by Department of Hydro Power Development (Department). As on March 2010, the department had 76 hydro generating stations with an installed capacity of 57.39 MW under its jurisdiction.

Capacity Addition

The Department was not able to maintain pace in terms of capacity addition with the growing demand for power in the State. During the review period, actual capacity addition was only 24.73 MW against 122.13 MW required by the State leaving a shortfall of 97.40 MW against the addition required.

Planning

The department followed the approach of taking up and executing small and micro projects only. The department does not have a proper planning process involving preparation of documented plans for augmentation of generating capacity. There was no proper coordination with the other related agencies. The lack of coordination with the transmission utility resulted in non-development of a connected grid transmission facility for completed projects. The State Government created multiple agencies viz APEDA, HPDCAPL etc. with the objective of accelerating power generation in the State, which have not been effective.

This resulted in increased reliance on Central Sector despite the enormous potential for generation of hydro power in the State incurring extra expenditure of ₹ 202.11 crore.

Optimum utilisation of existing facilities

Against 33 units due for being taken up for Renovation and Modernisation/ Life extension (R&M/LE) programmes, only 11 units were actually taken up; of which activities in three units have been completed and eight were under execution. The projects were taken up for renovation after long delays. Twenty two units were not taken up for R&M/LE for want of funds.

Project Management

Out of 101 projects under implementation during review period, there were inordinate delays in case of 66 projects. The execution of 39 projects led to a cost overrun of ₹ 436.62 crore. In five major projects inordinate delay in execution led to a loss of generation of 1179.94 MU.

The failure to assess the water discharge correctly in the case of the Domkhrong project resulted in creation of excess capacity which would remain idle.

Contract Management

There were major lapses in dealing with disputes and conducting legal proceedings which caused huge delays and losses.

Operational Performance

The PLF achieved by the projects was much below the national average resulting in vast underutilisation of capacity to the extent of 403.68 MU.

The total number of hours lost due to planned outages increased from 1.54 per cent to 3.93 per cent of total available hours in the respective years. On the other hand, the forced outages in power stations increased from 61.48 percent to 67.67 per cent of total available hours in the respective years. There were long delays in restoring projects after forced outages.

Auxiliary Consumption

As against the norm of 0.50 percent of the power generated for auxiliary consumption, the actual auxiliary consumption of power stations increased from 2.27 per cent in 2005-06 to 2.74

per cent in 2009-10 resulting in excess consumption of 6.45 MU.

Repairs and maintenance

As reported by the department to the CEA (2008) no advance maintenance schedule was prepared.

The average annual generation after completion of R& M works in Kipti I project based on generation from August 2009 to March 2010 was 1.81 MU only as against the average annual generation obtained from the project prior to R&M works of 2.54 MU. Thus, expenditure on repairs remained unfruitful.

Financial Management

The efficiency in realisation of dues was poor and the revenue realisable as on March 2010 was ₹58.35 crore. One of the two central sector companies involved in development of power projects in the State did not pay interest bearing advance and development expenditure in lieu of upfront fee.

Monitoring by top management

The monitoring of generation by the department was inadequate and needs improvement. The corporatisation of power utilities and setting up of a State Regulatory Commission as envisaged in the Electricity Act 2003 has not been implemented.

Conclusion and Recommendation

The company failed to meet the growth in peak demand due to delay in planning and implementation of capacity addition programmes. The existing generating units were ageing and there were abnormal delays in taking up/executing new projects and renovation and modernization of existing projects. The efficiency of operations and capacity utilization was poor. The review contains seven recommendations which include intensification of capacity addition programmes, improving plant load factor and capacity utilization

Introduction

5.2.1 Power is an essential requirement for all facets of life and has been recognized as a basic human need. The availability of reliable and quality power at competitive rates is very crucial to sustain growth of all sectors of the economy. The Electricity Act, 2003 provides a framework conducive to development of the Power Sector, by promoting transparency and competition and protecting the interests of the consumers. In compliance with Section 3 of the *ibid* Act, the Government of India (GOI) prepared the National Electricity Policy (NEP) in February 2005 in consultation with the State Governments and Central Electricity Authority (CEA) for development of the Power Sector based on optimal utilisation of resources like coal, gas, nuclear material, hydro and renewable sources of energy. The Policy aims at, *inter alia*, laying guidelines for accelerated development of the Power Sector. It also requires CEA to frame NEP for every five years with a 15 years' perspective. The plan envisaged a capacity addition programme to meet the shortage of power in line with the National Policy of Power for all by 2012.

Power Sector in Arunachal Pradesh

5.2.2 In Arunachal Pradesh, the predominant source of power is hydro power. The generation of hydro power is carried out by the Department of Hydropower Development (department) since 2005. The overall management of the department is vested with the Secretary (Power department) to the Government of Arunachal Pradesh. The day-to-day operations of the department are carried out by the Chief engineer (DHPD), who is the Chief Executive of the Department, with the assistance of other technical and non-technical staff. The Department had 76 hydro generating stations with an installed capacity of 57.39 MW under its jurisdiction (March 2010).

While the bulk of the generation of hydro power in the State is carried out by the department, a minor source of generation is the very small hydro electric power plant set up independently by the Arunachal Pradesh Electricity Development Authority (APEDA), a society established in the year 1996. The generation from these projects is utilized by small isolated villages and is managed separately outside the purview of the State Government.

Apart from hydropower, there is generation from 124 thermal (diesel) generating stations with the installed capacity of 25 MW by the Department of Power (DOP), the Transmission and Distribution entity which also manages the purchase of power to meet the shortfall in generation. However, diesel generation is being phased out and the actual generation is minimal (March 2010). Thus, the power generation in the State apart from the hydro power generation by the department is miniscule and insignificant.

From the year 2005-06, the State initiated steps to augment the generation of hydro power with the participation of major public and private companies. To monitor the progress of activities in this regard, a separate office of the Chief Engineer (Monitoring) was constituted (December 2008) under the Department. The State Government also set up (December 2006) a new company, Hydro Power Development Corporation of Arunachal Pradesh Limited (HPDCAPL), for establishing new hydro electric projects.

Present Status of Power System

5.2.3 The Power System in Arunachal Pradesh comprises of scattered and isolated generating stations feeding adjacent areas without interconnectivity. Though the State has very high potential for generating power of 57000 MW, the aggregate maximum demand is met only partially through generation from within the State. The sources of meeting the demand for power are isolated small and micro hydel projects managed by the department (11.32 *per cent*), diesel generating sets managed by DOP (0.53 *per cent*) and purchase from Central Power Sector Companies including free share (88.15 *per cent*).

During 2005-06, normal maximum electricity requirement in Arunachal Pradesh was assessed as 600 Million Units (MU) of which only 549 MU were available leaving a shortfall of 51 MU, which worked out to 8.50 *per cent* of the requirement. The total installed power generation capacity in the State was 57.66 Mega Watt (MW) and effective available capacity was 45.00 MW against the peak demand of 95 MW leaving deficit of 50 MW. During 2009-10, the comparative figures of normal maximum energy requirement and available power were 1575 Million Units (MU) and 487.97 MU with deficit of 1087 MU. Thus, there was a growth in demand of 975 Million Units (MU) during the five years. However, capacity increased to 82.39 MW at the end of 2009-10, with capacity addition of 24.73 MW during the review period.

The turnover of the department representing sale of power effected by the DOP was ₹ 75.81 crore which was equal to 1.21 *per cent* of the State Gross Domestic Product for the year 2009-10. It employed 3070 employees (including casual and work charge staff) as on 31 March 2010.

Scope and Methodology of Audit

5.2.4 The present review conducted during February 2010 to June 2010 covered the performance of the department from 2005-06 to 2009-10, though the functions of DOP were also reviewed to a limited extent related to the generation of power from diesel, management of purchase/drawal of central sector power and creation of transmission facilities for generation capacity of the department. Apart from the offices of the Chief Engineers, the department functions through nine civil divisions and five electromechanical divisions spread throughout the State

The review mainly deals with Planning, Project Management, Financial Management, Operational Performance, Environmental Issues and Monitoring. The audit examination involved scrutiny of records at the offices of the Chief Engineers, three civil divisions at Lhou, Bomdila and Ziro and the related electromechanical divisions at Lhou and Ziro. While the performance of the generating stations was reviewed in general, the records of 16 out of 76 hydro generating stations constituting 43 *per cent* of the installed capacity were reviewed in particular.

The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the management and issue of draft review to the management for comments.

Audit Objectives

5.2.5 The objectives of the performance audit were to assess:

Planning and Project Management

- To assess whether capacity addition programme taken up/ to be taken up to meet the shortage of power in the State is in line with the National Policy of Power for All by 2012;
- To assess whether a plan of action is in place for optimization of generation from the existing capacity;
- To ascertain whether the contracts were awarded with due regard to economy and in transparent manner;
- To ascertain whether the execution of projects were managed economically, effectively and efficiently; and
- To ascertain whether hydro projects were planned and formulated after taking into consideration the optimum design to get the maximum power, dam design and safety aspects.

Financial Management

- To assess the soundness of financial health of the generating undertakings; and
- To assess whether all claims including energy bills and subsidy claims were properly raised and recovered in an efficient manner; and

Operational Performance

- To assess whether the power plants were operated efficiently and preventive maintenance as prescribed was carried out minimizing the forced outages;
- To assess whether the manpower requirement was realistic and its utilization optimal;
- To assess whether the life extension (renovation and modernization) programmes were ascertained and carried out in an economic, effective and efficient manner; and
- To assess the impact of R&M/ LE activity on the operational performance of the units; and

Monitoring and Evaluation

- To ascertain whether adequate MIS existed in the entity to monitor and assess the impact and utilize the feedback for preparation of future schemes.

Audit Criteria

5.2.6 The audit criteria adopted for assessing the achievement of the audit objectives were:

- National Electricity Plan, norms / guidelines of the CEA regarding planning and implementation of the projects;
- Standard procedures for award of contract with reference to principles of economy, efficiency and effectiveness;
- Targets fixed for generation of power ;
- Parameters fixed for plant availability, Plant Load Factor (PLF) etc;
- Performance of best achievers in the regions/all India averages;
- Prescribed norms for various performance parameters.

Financial Position and Working Results

5.2.7 The department follows a system of preparing Accounts as per the format of CPWA code of accounts. Audit obtained the data from the Accounts wing of the department as reconciled with the office of the Accountant General and the depreciation figures were estimated on the basis of the above data. The figures for the year 2009-10 are provisional (based on an accretion factor of 10 *per cent*) as the reconciliation of accounts was pending (August 2010).

The working results like cost of generation of electricity, revenue realisation, net surplus/ loss and earnings and cost per unit of operation for the five years ending 2009-10 are given below:

(Rupees in crore

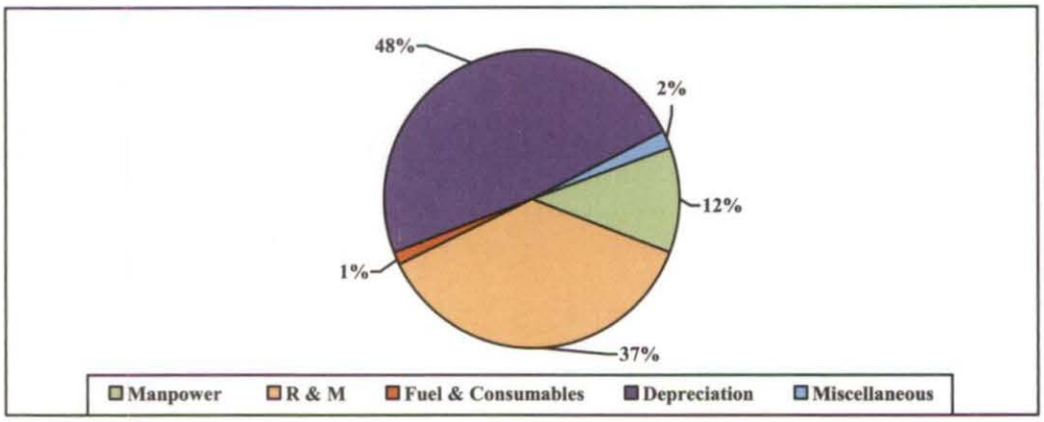
Sl. No.	Description	2005-06	2006-07	2007-08	2008-09	2009-10
1.	**Income *(Dept. of Power)***					
	Generation Revenue	72.86	76.30	109.37	118.00	75.81
	Total Income	**72.86**	**76.30**	**109.37**	**118.00**	**75.81**
2. A	**Generation**					
	Total generation (In MUs)	52.02	57.51	57.10	54.84	58.11
	Less: Auxiliary consumption (In MUs)	1.18	1.69	1.78	1.75	1.59
	Net generation available for Transmission and Distribution (In MUs)	**50.84**	**55.52**	**55.32**	**53.09**	**56.52**
2. B	**Power Purchase (MU)**	**503.33**	**452.91**	**571.01**	**592.21**	**432.40**
	Total Power available for sale	**554.17**	**508.43**	**626.33**	**645.30**	**488.92**
3.	**Expenditure**					
(a)	**Fixed cost**					
(i)	Employees cost	2.37	3.37	3.43	4.59	5.05
(ii)	Administrative and General expenses	2.03	0.99	0.30	0.73	0.80
(iii)	Depreciation	5.39	6.44	8.30	14.46	21.23
	Total fixed cost	**9.79**	**10.80**	**12.03**	**19.78**	**27.08**
(b)	**Variable cost**					
(i)	Fuel consumption (Diesel)	8.42	6.61	5.43	5.18	0.62
(ii)	Lubricants and consumables	6.85	7.94	7.49	14.73	16.21
(iii)	Power purchase	99.81	93.00	88.50	112.51	92.16
	Total variable cost	**115.08**	**107.55**	**101.42**	**132.42**	**108.99**
C.	**Total cost 3(a) + (b)**	**124.87**	**118.35**	**113.45**	**152.20**	**136.07**
4.	**Excess of cost over income**	**52.01**	**42.05**	**4.08**	**34.20**	**60.26**
5.	Realisation (per unit)	1.32	1.50	1.75	1.83	1.56
6.	Fixed cost (per unit)	0.18	0.21	0.19	0.31	0.55
7.	Variable cost (per unit)	2.08	2.12	1.62	2.05	2.24
8.	Total cost per unit (5+6)	2.26	2.33	1.81	2.36	2.79
9.	Contribution (4-6) (per unit)	-0.76	-0.60	0.13	-0.22	-0.68
10.	**Profit (+)/Loss(-) (4-7)**	**-0.94**	**-0.83**	**-0.06**	**-0.53**	**-1.23**

As can be seen from the above, that the department was unable to realize its costs from the revenue. This is mainly on account of the small and uneconomic nature of the micro hydel stations and the inadequacy of the tariff fixed to recoup the costs incurred including the cost of purchase of power.

Elements of Cost

5.2.8 Depreciation and Maintenance constitute the major elements of costs. The percentage break-up of costs for 2009-10 is given below in the pie-chart.

Components of various elements of cost

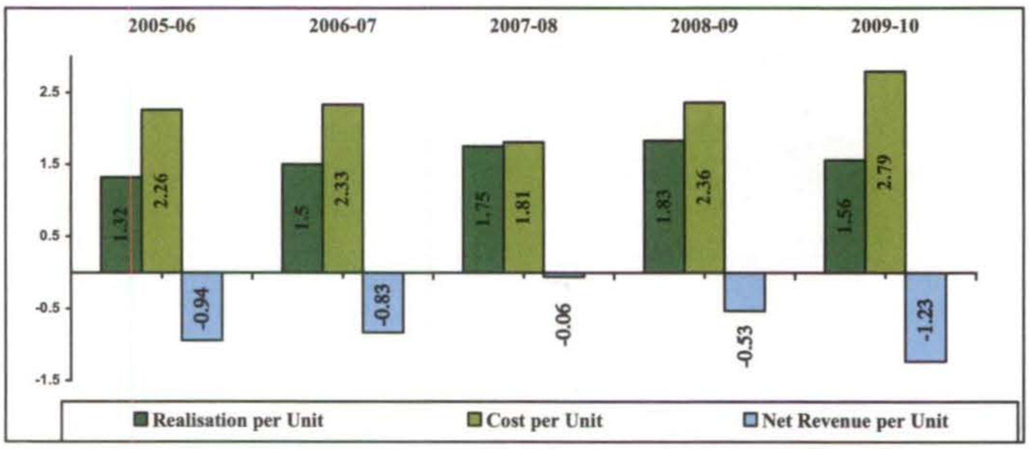


Elements of revenue

5.2.9 Sale of Power constitutes the only element of revenue.

Recovery of cost of operations

5.2.10 The Department was not able to recover its cost of operations. During the last five years ending 2009-10, the net revenue showed a negative trend as given in the graph below:



Had the total revenue earned by Department been sufficient to cover the cost, an additional amount of ₹ 192.60 crore could have been made available for capacity addition/life extension programmes. The main reasons for high cost of generation/supply was poor capacity utilization and huge expenditure on power purchases.

Audit Findings

5.2.11 Audit explained the audit objectives during an 'entry conference' held on 27 January 2010. The audit findings were reported in July 2010 and discussed in an 'exit conference' held on 3 September 2010. The views expressed by the department in the meeting and its written replies were considered while finalising this review. The audit findings are discussed below.

Operational Performance

5.2.12 The operational performance of the Department for the five years ending 2009-10 is given in the ***Appendix*.5.5**. It was seen that the Department was not able to maintain pace in terms of capacity addition with the growing demand for power in the State. While the demand increased by 162.5 *per cent* from 2005-06 to 2009-10, the capacity addition has increased only by 42.89 *per cent*. The gap between demand and capacity addition has increased from 35.83 MW in 2005-06 to 122.40 MW by 2009-10 (excluding diesel capacity which is being phased out). The efficiency of generation was also going down and the PLF decreased from 15.96 *per cent* in 2005-06 to 11.04 *per cent* in 2009-10. Audit findings discussed in the subsequent paragraphs show that there was scope for improvement in performance as the degree of capacity augmentation and efficiency of operations was poor.

Planning

5.2.13 The National Electricity Policy aims to provide availability of over 1,000 Units of per capita electricity by 2012. In accordance with the national policy which emphasized full development of hydro power potential in the country, the State Government formulated policies for development of hydro power. The policies intended to tap the huge hydro potential of the State which was estimated at 57000 MW.

The first policy notified in August 2005, encouraged development of projects by interested developers including the private sector on Build Own Operate /Build Own Transfer basis after executing Memorandums of Agreement (MOA) with the State Government. The State was to be given a minimum free share of 12 *per cent* of the power generated. The MOAs were to be signed after evaluation of the technical and financial credentials of the private developers and after approval of Preliminary Feasibility Reports (PFR) and Detailed Project Reports (DPR) prepared by them.

Subsequently in the year 2008, the State Government notified separate policies for projects with capacity upto 25 MW and projects with capacity above 25 MW. As per policy, after selection on the basis of eligibility and qualification criteria based on their applications, the developers were required to sign MOAs with the State Government. The projects were to be developed on Build, Own, Operate and Transfer (BOOT) basis and handed over to the Government after the expiry of 50 years (small projects) and 40 years (big projects) respectively from the date of commercial operation. The big Projects up to 100 MW were to be awarded through negotiated MOA route and projects above 100 MW through competitive bidding as per the guidelines of GOI. The policies provided for specific quantum of free power to the State after commissioning and payment of non-refundable upfront premium. The projects may also be developed by the State Government through joint ventures in which the Government was to be represented by HPDCAPL/any other agency.

Shortfall in generation

5.2.14 The planning failures have resulted in huge shortfall in generation. During the period from 2005-10, the actual generation was substantially less than the peak as well as average demand as shown below:

Year	Generation (MW)	Peak Demand	Average Demand	Percentage of actual generation to Peak Demand	Percentage of actual generation to Average Demand
2005-06	5.80	95	55	6.11	10.55
2006-07	6.34	115	70	5.51	9.06
2007-08	6.32	144	85	4.39	7.44
2008-09	6.06	180	105	3.37	5.77
2009-10	6.45	225	135	2.87	4.78

As may be seen from the above, the actual generation was only 4.78 to 10.55 *per cent* of the average demand and 2.87 to 6.11 *per cent* of the peak demand.

This resulted in increased reliance on power from Central Sector despite the enormous potential for generation of hydro power in the State. The State's share of Central Sector power which was 118 MW increased to 120 MW from 2008-09.

However, the total supply even after import was not sufficient to meet the peak demand, as shown below:

Year	Peak Demand (MW)	Peak Demand met	Sources of meeting peak demand (MW)		Peak deficit	Peak Deficit (Percentage of Peak Demand)
			Own	Import		
2005-06	95	50	5.80	57.46	45	47.37
2006-07	115	55	6.34	51.70	60	52.17
2007-08	144	75	6.32	65.18	69	47.92
2008-09	180	79	6.06	67.60	101	56.11
2009-10	225	83	6.45	49.36	142	63.11

There remained a shortfall of 44.74 to 142 MW with reference to peak demand (47.09 to 56.11 *per cent*) even after import (purchase).

Though the quota of central sector power was sufficient, due to the shortfall in supply of central sector power during the winter months the State resorted to overdrawal or unscheduled interchange (UI) from the North Eastern Grid to tide over the power shortages. This has caused huge expenditure of ₹ 66.49 crore in the form of UI charges during 2006-7 to 2008-09 which could have been avoided had the department been able to augment the generating capacity.

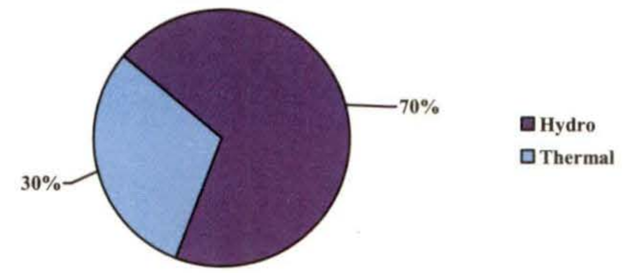
Additional expenditure due to excess cost of central sector power

5.2.15 The increased reliance on the Centre Sector has caused extra expenditure of ₹ 202.11 crore as the cost of central power was higher than own generation as detailed below:

Year	Units purchased (MU) (excluding free power)	Cost per unit	Generation cost per unit	Excess Purchase cost per unit	Total Excess cost (₹ in crore)
2005-06	334.55	2.98	1.49	1.49	49.96
2006-07	340.39	2.73	1.19	1.54	52.49
2007-08	389.49	2.27	1.22	1.05	40.98
2008-09	353.73	3.18	2.26	0.92	32.57
2009-10	310.10	2.97	2.13	0.77	26.11
Total	**1728.26**				**202.11**

Capacity Additions

5.2.16 The State had a total installed capacity of 57.66 MW at the beginning of 2005-06 which increased to 82.39 MW (including diesel) at the end of 2009-10. The breakup of generating capacities, as on 31 March 2010, under thermal (diesel), and hydro is shown in the pie chart below.



To meet the energy generation requirement of 1575 MUs in the State, a capacity addition of about 122.13 MW was required during 2005-06 to 2009-10. However, the State Government did not plan any capacity addition during the review period.

The particulars of capacity additions envisaged, actual additions and peak demand vis-à-vis energy supplied (hydel) during the review period are given below.

Sl. No	Description	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Capacity at the beginning of the year (MW)	57.66	57.66	57.66	58.72	68.72
2.	Actual capacity additions (MW)	-	-	1.06	10.00	13.67
3.	Capacity at the end of the year (MW) (1 + 4)	57.66	57.66	58.72	68.72	82.39
4.	Peak demand (MUs)	600	700	1000	1260	1575
5.	Energy supplied (MUs)					
	a) Energy produced	45.67	51.51	52.21	51.29	55.52
	b) Energy Purchased	503.33	452.91	571.01	592.21	432.40
6.	**Shortfall in demand (MUs)**	**51.00**	**195.58**	**376.78**	**616.50**	**1087.08**

It would be seen from the above that during the review period, the demand increased from 600 MU to 1575 MU increasing the resultant shortfall in availability of power from 51 MU to 1087 MU due to nominal capacity addition of 24.73 MW.

There was no planning of capacity additions to meet the targets. The department did not have any documented proper plan against which it executed the capacity addition and actual additions were made purely on adhoc basis. The department followed the approach of taking up and executing small and micro projects only.

However, in pursuance of the 50000 MW capacity augmentation programme launched by the Prime Minister (May 2003), the State Government framed its own policies on generation of hydro power, which encouraged participation of the private sector in power generation. MOUs were signed for a total number of 122 projects (June 2010) including 120 projects from the year 2005-06 onwards for a total capacity of 41106.90 MW. Four projects each were allotted to the Central power sector companies, viz NHPC and NEEPCO, one project to a State Government company and the remaining 113 to private developers. Of these, one project under the central sector (Ranganadi Stage I) was completed in 2003 and of the remaining, five are under execution. Seven projects were allotted as joint ventures with the State Government. A total amount of ₹ 1025.57 crore was received as upfront premium including processing fee (June 2010).

For many of these projects, DPRs have not been prepared due to non-availability of hydrological data with the developers. The work has not commenced in respect of 115 projects and the proposed commissioning dates of the projects vary from the year 2015 to 2018. Therefore, the benefits of additional power will accrue to the State only after a minimum period of five years.

The department stated that it could not execute big projects due to fund constraints, logistic problems and its policy to encourage small projects. The delay in awarding big projects to private/public sector developers was attributed to lack of Government policy.

Absence of documentation and poor co-ordination

5.2.17 The department does not have a proper planning process involving preparation of documented plans for augmentation of the generating capacity. Neither short run plans nor a long term/ corporate plan is prepared. The department executes projects on ad-hoc basis based on availability of funds and Government policy. The State Government often sanctioned projects without consultation with the department regarding load demand, resulting in setting up of small projects which had unutilized generation capacity which was in excess of demand and could not be utilised in the absence of a connected grid. Structured planning including preparation of a comprehensive documented plan for generation considering load demand and anticipated increases, quantum of own generation/receipt of power from central sector, sources of funds and other factors required to be developed both for the short and long run.

Generation projects are not implemented in consultation with other agencies such as APEDA, HPDCAPL and the State Load Despatch Centre (SLDC) under DOP (which is involved in load studies and load management). Further, as the generation made by the department is to be taken over by DOP through its transmission set up, while embarking on generation projects, the department should ensure that the related transmission network for evacuation of power is being developed by the DOP. However, the generation projects are finalized by the department without considering the planning for transmission by DOP resulting in many a situation where the transmission lines are not ready or the load requirement is non-existent when the projects are completed. The occasional meetings held with the various agencies have not been successful in bringing about effective co-ordination.

The department stated that the DOP faced shortage of funds for developing the transmission part of the projects completed by the department, implying the absence of planning for joint/simultaneous management of funds required for a project by both the departments. Barring a few instances in the PM's package which was allotted to both the departments, the department has followed the approach of arranging funds for its requirements only.

Absence of state wide grid

5.2.18 The DOP failed to develop a state-wide grid in line with the expanding generation capacity of the State resulting in isolated operation of projects with the distribution of power restricted to a limited area. In several cases in the State, the generation from a project was much in excess of load available in the local areas and the absence of a connected grid to transport the power to other needy areas curtailed generation capacity.

Creation of multiple agencies

5.2.19 Though the State Government created multiple agencies, *viz.,* APEDA, HPDCAPL etc. entrusted with the objective of accelerating power generation in the State, they have not been effective as stated below:

- HPDCAPL has no potential for generation of revenue and has commenced execution of one project only through a contract awarded to a firm during the four years of its existence. It is entirely dependent on Government funding for its day to day existence.

- Despite creation of APEDA for development of mini hydel projects below one MW, the department continues to be involved in execution of these projects.

Lack of autonomy

5.2.20 One of the main deficiencies affecting the department is its lack of autonomy. Though the Electricity Act, 2003 requires the unbundling of the Electricity Boards into companies, this has not been implemented in the State as the power utilities function as departments. The department is entirely dependent on the State Government for budgetary support as it does not generate any income of its own. The power generated is transferred to the another department without any levy. The entire responsibility of procuring funds and repaying loans lies with the State Government. The decisions relating to selection of projects for generation and award of contracts also rests with the Government.

Failure in Optimum Utilisation of existing facilities

5.2.21 In order to cope with the rising demand for power, not only was additional capacity required (to be created), but a plan needed to be in place for optimal utilisation of existing facilities and undertaking life extension programme/ replacement of the existing facilities which were near completion of their age and timely repair/ maintenance. The details of the power generating units, which fell due for Renovation and Modernisation/ Life extension programmes during the five years ending 2009-2010 vis-à-vis actually taken up are indicated in **Appendix5.6**. The CEA norms for renovation and modernisation were not applied as the vast majority of the units under the department do not come within the purview of the CEA as the individual capacities were below the minimum of 3 MW set by the CEA.

Against 33 units due for being taken up for Renovation and Modernisation/ Life extension programmes, only 11 units were actually taken up, of which three have been completed and eight were under execution. The projects were taken up for renovation after long delays and many of the projects in operation have exceeded their life span. The remaining 22 units could not be taken up as planned due to non-availability of sufficient funds and delays in finalisation of DPRs etc.

Project Management

5.2.22 Preparation of accurate and realistic Draft Project Reports (DPR) after feasibility study considering factors like creation of infrastructure facility and addressing bottlenecks likely to be encountered in various stages are critical activities in the planning stage of projects.

Project management includes timely acquisition of land, effective actions to resolve bottlenecks, obtaining necessary clearances from Ministry of Forest and Environment and other authorities, rehabilitation of displaced families, proper scheduling of various activities using Programme Evaluation and Review Technique (PERT) / Critical Path Method (CPM) /other techniques, making adequate budget provisions etc. Notwithstanding, time and cost over runs were noticed in the implementation of the projects during review period as discussed in succeeding paragraphs. The particulars of the projects leading to cost and time overrun are given in the **Appendix 5.7**

Time and cost over run

5.2.23 In turnkey projects the department allowed three years time for completion of various projects. However, out of 101 projects implemented/ being implemented during the review period, execution of 66 projects was delayed inordinately. After allowing a completion period of three years, the excess time taken was up to five years in 47 projects, between five to ten years in 4 projects and over 10 years in 15 projects.

The execution of the projects involved a cost overrun of ₹ 436.62 crore in respect of 39 projects. The cost overrun was up to 100 *per cent* in 24 projects, between 100 to 500 *per cent* in 10 projects and above 500 *per cent* in 5 projects.

The main reasons for time and cost overrun as analysed by us were as under:

- Shortage of finance/failure in arranging finance.
- Deficiencies in planning.

- Delays in awarding the work.
- Delays in execution of work.
- Deficiencies in managing disputes.
- Delays in completion of related transmission works.
- Absence of sufficient load for testing and commissioning.
- Unfavorable climate, terrain and natural calamities.
- Lack of effective control over the completion of various packages.
- Changes in design.
- Execution of additional items of work not envisaged in the DPR.

The audit findings relating to major instances of time and cost overrun are discussed below:

Delay in commissioning of Kitpi Hydel Power Project- Phase-II

5.2.24 Kitpi Hydel Power Project Phase II (2 x 1.5 MW) utilising the waters of Nemetrang/Kitpi Nallah was taken over by DOP in 1993. Subhash Projects and Marketing Ltd., Kolkata was awarded the contract (Civil and Electromechanical works) on a turnkey basis (March 1993) for a total cost of ₹ 18.33 crore. The estimated period of completion was 18 months. The turnkey contractor delayed the execution of the project and the contract ran into dispute (1995) for which arbitration proceedings were still continuing (May 2010).

The cost of the project was revised to ₹ 29.59 crore in 2002. The civil works of the project was resumed by the the department in 2004. The Electromechanical (E&M) works was awarded (September 2006) to a firm, Nortech Power Projects Ltd. (NPPL), Kolkata for ₹ 10.80 crore with the planned date of completion of April 2007. The project was delayed due to various factors and was actually commissioned in February 2009. The reasons included poor condition of the roads, natural calamities such as landslides, delays in receipt of drawings from AHEC, the consultant of the department and delays on part of the contractor in providing various data and specifications. There were also lapses on part of the Department as the works undertaken provided for only one 33 KV outgoing bay instead of two incoming and outgoing bays including synchronization arrangement of power supply from the adjacent Nuranang project. The work of creation of additional bays and synchronisation therefore had to be executed separately. As a result of the delays, the cost of the project escalated to Rs 33.82 crore in 2009 resulting in a total cost overrun of ₹ 15.49 crore (₹ 33.82 crore – ₹ 18.33 crore). In addition to this, there was time overrun of 172 months (from October 1994 to January 2009 causing a generation loss of 226.04 MU.

The department stated that the project was delayed on account of arbitration, non-availability of funds, natural calamities and the remoteness of the area. However, the fact remains that the delays were also caused by lapses on part of the department and its consultant.

Delay in commissioning of Kambang MHS

5.2.25 The State Government accorded sanction (March 1994) for construction of the 3X2 MW Kambang project at an estimated cost of ₹ 10.73 crore, which was scheduled to be completed in three years. The project, initially commenced departmentally, was entrusted to NHPC (February 2001) as the project got delayed. However, agreement between the State Government and NHPC (January 2002) was entered into after the lapse of nearly one year. As per the agreement, the project was to be completed within two years from the date of handing over of the project site (March 2002). The total cost of the project was estimated at ₹ 43.59 crore, including expenditure of ₹ 11.17 crore already incurred by the Department.

NHPC awarded sub-contracts for the civil works of the project. The progress of the work was found to be sub-standard and behind schedule. The defects in work and the need for protection works at the intake area to prevent damages to the intake weir and feeder channel were brought to the notice of NHPC (January/February 2005) by the department. However, the floods which occurred in March 2005 badly damaged the desilting tank and CC-by-pass channel structure of the project. The flood damages delayed the project which was substantially complete by that time. After restoration works, the project was completed in November 2009 after a delay of 68 months (including the delay in executing the agreement). The cost incurred (March 2010) was ₹ 47.60 crore resulting in a cost overrun of ₹ 36.87crore.The enquiry into the matter by the State Government held (March 2005) NHPC responsible for the damages due to defective design and construction. However, the State Government could not claim compensation as the agreement did not contain any clause for imposition of penalty for delay in commissioning/sub-standard work/sub-letting of contract. Besides the cost overrun, the delay in commissioning the project caused loss of generation to the tune of 178.70 MU.

Improper estimation of discharge data

5.2.26 AHEC, the consultant prepared (February 1998) the detailed project report for the Halaipani Small Hydroelectric Project on the Hali river proposing installation of three units of 3 MW each. The project was taken up (November 2000) by NHPC on the request of the State Government. However, as the DPR prepared by AHEC was based on discharge data of three months only, NHPC requested detailed discharge data from the department. Based on the detailed discharge data for five years, the DOP requested (August 2001) NHPC to consider revision of the capacity to 12 MW. Accordingly, NHPC in its DPR revised (2002) the capacity to three units of 4 MW each. The work was sanctioned (February 2002) for execution at an estimated cost of ₹ 64.30 crore.

As a matter of policy, the State Government took back (February 2003) the project from NHPC, and approached AHEC for preparation of structural drawings in May

2004. Revised data relating to river bed level and flood level were furnished by the department to the consultant in May 2006, based on which the consultant revised (June 2006) the capacity of the project again from three units of 4 MW each to four units of 4 MW each. As a result, the specifications of various civil and electro mechanical works were changed. The work on the project was commenced from April 2006 and the expenditure incurred till January 2009 was ₹ 19.30 crore, Based on the revised specifications, the estimated cost was ₹ 112.41 crore.

Thus, due to the delays in furnishing accurate water discharge data by the department, the specification was changed two times after commencement of the work. The executing agencies were changed repeatedly. The progress in execution of the project was slow due to these reasons besides lack of funds. Consequently, the project sanctioned in 1997 and commenced in 2000 still remains at preliminary stage with completion of 30 *per cent* of the civil works and 1 *per cent* of the E & M works at a cost of ₹ 32.65 crore (June 2010). Based on the standard period of completion of three years the work should have been completed by November 2003. Based on the department's estimated date of completion of March 2012, the time over run would be 99 months (from December 2003) causing a minimum generation loss of 693.74 MU (August 2010).

The department stated that the change in design was based on technical parameters which were revised beneficially and did not contribute substantially to the delay. But the fact remains that the revised data was provided by the department only in May 2006, thereby delaying the project.

Creation of excess capacity

5.2.27 The contract for the completion of 2 x 1 MW project utilizing the waters of Domkhrong river sanctioned (March 1991) by the State Government was awarded (October 1993) to M/s Boving Fouress Ltd., Bangalore for a total cost of ₹ 12.43 crore. However, due to disputes relating to price variation, cost escalation etc., the contractor stopped work (April 1999) when the project was substantially completed (98 *per cent* of civil works and 100 *per cent* of electromechanical work) and raised a dispute which was referred for arbitration.

As the department sought a direction for the completion of the project, the arbitration tribunal directed (November 2002) the firm to resume and complete the work within six months of the department paying ₹ 50 lakh in cash and ₹ 1.50 crore as bank guarantee. The balance cost incurred on the project was payable on completion of the project. The department failed to act on the order, but implemented the same when given a second chance in the tribunal's final order (March 2006) after a delay of 39 months which caused a loss of generation of 34.16 MU.

Though the project after resumption was scheduled for completion by September 2006, the commissioning was delayed due to low discharge or non-availability of sufficient water for full load testing. The design discharge of water was based on observations carried out in January 1988 and the water discharge had decreased thereafter, which was not ascertained by the department before commencing the project. The work has not been completed so far and the department has not taken over the project (June 2010) despite operation on trial basis from April 2009. The delay in commissioning the project caused a loss of generation of 26.28 MU bringing the total generation loss to 60.44 MU.

On account of the reduced discharge of water the chances of operating the project at full capacity is remote. Consequently, the expenditure incurred on the creation of excess capacity would be unfruitful.

The department stated that the project was designed with the concept of keeping one unit as standby and envisaged generation of one unit at a time only. The reply is not based on facts as this is neither stated in the DPR nor other documents related to the project.

Loss on reviving an abandoned project

5.2.28 The work of turnkey execution of the 2x1 MW HEP at Liromoba was awarded (June 1995) to Subhash Project and Marketing Ltd, Kolkata (SPML) at a cost of ₹ 18.15 crore with a completion period of eighteen months. However the progress in execution of the work was inadequate and the work remained largely incomplete after the lapse of nine years when the contractor terminated (June 2004) the work. As the project ran into disputes and arbitration, the handing over and taking over of E&M items and joint measurements were completed in January 2005. Despite the poor progress of work, the department did not take any action and allowed the firm to prolong the work for nine years till its termination by the latter. This caused idling of the machinery with resultant damages which necessitated additional expenditure of 1.43 crore to commission the project.

The department (March 2006) invited offers for repairs and renovation of machineries which were procured 10 years ago as all equipment suffered damages on account of improper and long period of storage. The work of repairing and commissioning the E & M equipments was awarded (August 2006) to Swamina International Private Limited (SIPL) at a cost of ₹ 1.43 crore with a period of three months for completion. The E & M work was completed by M/s SIPL and the two units were synchronized in January 2009. One of the reasons for the delay was the non-availability of the drawings and manuals for electromechanical equipments. As the governors are functioning in manual mode only the Department has not taken over the project so far. Thus, there has been a delay of about two years in the execution of the project after its revival in August 2006 causing a loss of generation of 21.02 MU.

As on April 2010, the maximum load available in the distribution area of the project was less than one third of its capacity as necessary arrangements for transmission of excess power to needy areas has not been completed.

The department stated that the amount spent of ₹ 1.43 crore cannot be considered as extra expenditure as the works have been executed at the risk and cost of the SPML.

The reply is not logical as the firm had already obtained arbitration awards in its favour.

Improper planning and failure in arranging finance

5.2.29 For the 50 KW capacity project at Jigaon, West Kameng sanctioned in December 2005, the Department prepared a project report for a total estimated cost of ₹ 71.85 lakh and submitted the same to MNRE for funding. Subsequently, the department revised the capacity to 2x100 KW to make full utilisation of the water discharge available and sent a proposal for funding the project with the revised capacity to the Science and Technology (S&T) department of the State. The S & T department failed to fund the project. In the meantime, the project was sanctioned for funding at 50 KW as proposed by MNRE and the execution of the project was commenced in February 2009. The work on the project was stopped due to paucity of funds (March 2010) when it was completed to the extent of 33 *per cent* only with financial progress of ₹ 0.14 crore.

We observed that the planning of the project was faulty from the beginning. Though the capacity of the project was confirmed as 2 x 100 KW, the change in capacity was not brought to the notice of MNRE resulting in the sanction of funding for the project for 50 KW. There were lapses in arranging the finance for the project also as the department failed to include the project under PM's package.

The department has stated the project was undertaken in accordance with the original proposal of 50 KW, on the basis of which MNRE had sanctioned funds for the project. We are of the view that the execution of the project with reduced capacity will cause huge losses in the long run at 0.79 MU per annum.

5.2.30 Setting up of project without proper feasibility study

- The DPR for construction of the 2X250 KW Dusnallah small hydro project at an estimated cost of ₹ 4.05 crore was approved (November 2001) after conducting a limited feasibility study. In July 2004, when the works were at an advanced stage after incurring ₹ 4.14 crore, the entire project except turbines worth ₹ 1.62 crore was washed away by heavy floods. The department did not revive the project due to uncertainty over the stability of the area and the expenditure of ₹ 2.52 crore on civil works was written off (July 2008).

We observed that the department had not made adequate geological studies and risk assessment for floods in the disaster prone area before starting the work on the project. The department also admitted that the study conducted was inadequate. The Chief Engineer declined to revive the project on account of the doubts regarding viability of the project. Had proper geological studies been done and these risks been assessed initially, the loss could have been avoided.

5.2.31 Underutilisation/idling of projects due to failure in arranging transmission net work

- The commissioning tests of the 2 x 1000 KW Rina project were run successfully during early March 2009 under available load of up to 418 KW but full load testing could not be done due to the absence of T&D lines. The project was conditionally taken over by the Department from the turnkey contractor in March 2010. As stated by the department, the DOP is constructing the required transmission facility for facilitating better utilisation of the generation. The operation at less than one-fourth of the capacity will cause huge loss of generation
- The 2x1.5 MW Pacha MHP was ready for operation from January 2009, but was not operated till August 2009 due to coordination problem with DOP as the T & D arrangements were not made. The generation after commissioning was limited to 900 KW due to lower capacity of the 630 KVA transformer/non-availability of transmission lines. The full load testing has not been done so far (August 2010) as the required transmission line from Seppa to Bomdila for evacuation of power has not been completed.
- There was underutilisation of power after commissioning of three projects of 2 x 50 KW capacity (Thingbu, Shakti, Bramdongchung), one project of 1 x 50 KW capacity (Koye) and three projects of 1 x 30 KW capacity (Chellankung phase II, Ankaling and Chambang) due to non-completion of the related transmission facility.

Contract Management

5.2.32 Contract management is the process of efficiently managing contracts (including inviting bids and award of work) and execution of work in an effective and economic manner. The works are generally awarded on turnkey (composite) basis to a single party involving civil construction, supplies of machines and ancillary works. The agreements related to civil works, supply of equipments and other miscellaneous works. Instances of lapses in dealing with disputes and legal proceedings, noticed by us are given below:

Lapses in dealing with disputes

5.2.33 The department awarded contracts relating to turnkey execution of six projects[†] to Subhash Project and Marketing Ltd, Kolkota (SPML) and three projects[‡] to Boving Fouress Limited, Bangalore (BFL) in the year 1993. Disputes were raised by both the firms which are pending (June 2010) after the lapse of seventeen years. Six[§] of the nine projects mentioned above remained incomplete (March 2010).

- There was failure in precise estimation of works awarded by the department in all the cases. Instead of adopting a practical approach, the department refused to

[†] Nuranang, Kipti, Mukto, Sipit, Sidip, Liromoba.
[‡] Sirnyuk, Domkhrong, Kush.
[§] Mukto,Sipit,Sidip,Sirnyuk, Domkhrong, Kush.

compensate the firms for extra work and price variation on the plea that the contracts were awarded on turnkey basis. It could be seen that in the case of Rina project awarded to another contractor, where the disputes were of a similar nature, the department adopted a practical approach and awarded price variation though the contract did not provide for the same. This resulted in prolonged arbitration cases which dragged on for long periods. The department could have avoided the long delays and long periods of abandonment for the projects if the matter could have been settled without prolonged disputes. On the matter being referred for arbitration, the department took over the projects after abandoning them for long periods. The idling of the projects caused damages to the works executed and cost escalation. The pendency of disputes did not preclude the department from executing the projects through other contractors. Instead of letting the projects lie idle for several years, the department should have completed the projects

The department replied that the Work Advisory Board of the Government did not approve the inclusion of price variation clause in the tender. The reply lacks justification as in the case of Rina project, the department had allowed price variation though the agreement did not provide for the same.

5.2.34 Lapses in conducting legal proceedings

In the legal proceedings following the disputes raised by SPML and BFL, the department committed several lapses as detailed below:

- BFL which was awarded the 2 x 1000 KW Kush project procured the E&M equipments before commencing the civil works despite being advised by the department not to do so. The firm had supplied the E& M equipment worth ₹ 8.46 crore at a Government godown at Lilabari, Assam 235 km away from the project site between December 1994 to March 1997, as the site store was not ready. The entire amount was paid by DOP, which was then executing the project. The firm abandoned the project (April 1999) on account of disputes. The Tribunal held that since the firm had abandoned the project after procuring the equipment, it was in breach of contract. However, the Tribunal also held that since no prayer was made by the department to direct the firm to take back the equipments supplied and refund the money, it could not give a similar direction to the firm. The lapse of the department in praying for its basic rights in the arbitration petition points to gross negligence and lacked justification.

  Though the department received legal opinion (April 2006) suggesting limited challenge of the arbitration award under section 34 of the Arbitration and Conciliation Act, 1996 against the failure of the tribunal to direct the firm to take back the equipment and order refund of the amount paid, it did not appeal within time and the award became a decree. Inspections conducted by the department in September 2008/April 2010 revealed that the entire equipment had become useless as it had been lying in the open exposed to weather outside the store building. Trees and bushes have grown around the equipment and it was difficult even to locate it. Thus, the entire investment of ₹ 8.46 crore had become a total loss.

As the department had paid for the equipment and left the same in the custody of BFL merely on account of the site not being ready, it should have taken possession of the same when the firm abandoned the works in 1999. The conduct of the department reflects gross negligence in safeguarding its investment. Though the department intimated BFL (February 2009) that the equipment was in their custody based on the letter issued by the firm's then Manager in March 1996, the chances of recovering the cost of equipment appears remote.

The department's reply that it is awaiting legal advice on the issues of non-award of interest on the mobilisation advance and poor safe keeping of equipment by the firm is not tenable as several years have passed since the judgement.

- In the arbitration proceedings following the dispute, the department was awarded refund of the unutilized mobilization advance of ₹ 1.92 crore for civil works and interest thereon from January 2000. However, no interest was allowed from the year of payment of 1994 till December 1999. The department did not file any claim against the non-award of interest and suffered a minimum loss of interest of ₹ 0.76 crore (computed @ 8 *per cent* for the period of five years from 1995 to 1999).
- The losses sustained by the Department in the form of loss of generation from the projects on account of delay in commissioning and the resultant loss on account of extra expenditure on use of costly alternate fuel for generation (diesel) were disallowed by the Tribunals in both the arbitration cases as the department could not prove the losses. The department's failure to prove these actual losses reflect poor conduct of legal proceedings,

Operational Performance

5.2.35 Operations of the Department are dependent on input efficiency of materials and manpower and output efficiency in connection with Plant Load Factor, plant availability, capacity utilization, outages and auxiliary consumption. These aspects have been discussed later with other aspects affecting the efficiency of the organization.

Manpower Management

5.2.36 The departments have not been unbundled into companies and the staff requirements have not been assessed by the CEA. The position of actual manpower, sanctioned strength & manpower as per CEA recommendation is given below:

(Rupees in lakh)

Sl. No.	Particulars.	2005-06	2006-07	2007-08	2008-09	2009-10
1	Sanctioned strength	191	333	334	335	412
2	Actual manpower (including casual and work charged staff)	NA	NA	2543	2915	3070
3	Expenditure on salaries (₹ in crore)	2.37	3.37	3.38	4.45	4.90

It would be seen from the above that manpower in position was higher than sanctioned strength. However, the excess deployment of staff was on account of the operation of numerous small projects. As a result, the department does not have adequate staff and faces shortage of operation and maintenance staff especially in the electromechanical wing. The daily operations in many of the micro hydel stations are therefore carried out through untrained/temporary staff. Though the department has initiated the process of assessing the staff requirements of various divisions, the same has not been brought to the notice of the State Government so far (June 2010).

Output Efficiency

5.2.37 Shortfall in generation

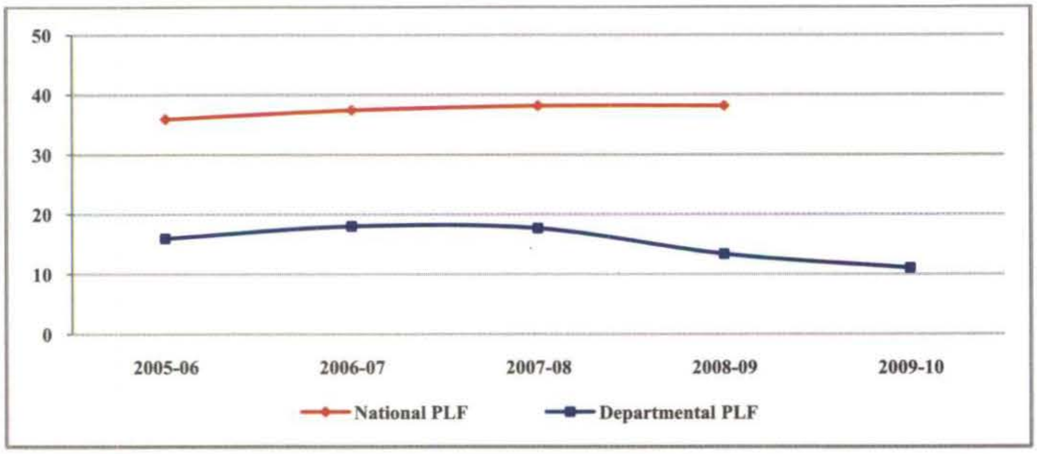
The targets for generation of power for each year are not fixed in the State. The targets fixed by the CEA relate to four projects only as it fixed targets for projects with capacity in excess of 3 MW. We observed that the State was able to generate a total of 269.66 MU of power during 2005-06 to 2009-2010 against the design capacity ranging from 505.10 to 721.74 MUs. This resulted in a net shortfall of 2578.66 MU as shown in the following table:

(Generation in MU)

Year	As per design capacity	Actual	Shortfall
2005-06	505.10	50.84	454.26
2006-07	505.10	55.52	449.58
2007-08	514.39	55.32	459.07
2008-09	601.99	53.09	548.90
2009-10	721.74	54.89	666.85
Total		**269.66**	**2578.66**

Low Plant Load Factor (PLF)

5.2.38 Plant load factor (PLF) refers to the ratio between the actual generation and the maximum possible generation at installed capacity. According to norms fixed by Central Electricity Regulatory Commission (CERC), the PLF for hydro power generating stations should be 80 *per cent,* against which the national average was 35.9 to 38.1 *per cent* during 2005-06 to 2009-10. The PLF achieved by the Department was 15.96, 18.00, 17.67, 13.39 and 11.04 *per cent* during the review period as indicated below:



As the PLF had been designed considering the availability of inputs, the loss of generation during the period 2005-2006 to 2009-2010 indicated that resources and capacity were not being utilised to the optimum level due to design deficiencies, frequent breakdown of units and delay in timely rectification of defects.

The details of actual generation vis-à-vis actual PLF achieved, National PLF, Generation at National PLF, and the difference of generation between actual generation and generation at National PLF are given in the following table:

Sl. No.	Description	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Actual Generation (in MUs)	45.67	51.51	52.21	51.29	55.52
2.	Actual PLF (*per cent*)	15.96	18.00	17.67	13.39	11.04
3.	National PLF (*Per cent*)	35.9	37.4	38.1	38.1	38.1
4.	Generation at National PLF (in MUs) = (1/2 x 3)	102.73	107.03	112.58	145.94	191.6
5.	Generation loss (in MUs) = (4-1)	57.06	55.52	60.37	94.65	136.08

It could be seen from the above table that the shortfall in generation as compared to national PLF, works out to 403.68 MU during 2005-06 to 2009-10. The main reasons for the low PLF, as observed in audit were:

- Low plant availability
- Low capacity utilisation
- Major shut downs and delays in repairs and maintenance
- Operation of small units which are not economically viable

Operation of non-viable units

5.2.39 As worked out by the department, the cost of generation has shown an increasing trend from ₹ 1.49 per unit in 2005-06 to ₹ 2.26 in 08-09 with marginal decrease to ₹ 2.13 in 09-10. However, the cost of generation was very high in some units rendering them unviable. The operational cost of these units was much higher than the average revenue realisation per unit of ₹ 2.50. The loss incurred in the operation of these units was ₹ 10.27 crore.

Though, it was decided in the co-ordination meeting(November 2009) between both the departments (DHPD & DOP) to decommission economically unviable units of power stations with low PLF, no action has been taken in this regard (June 2010).

Low plant availability

5.2.40 Plant availability means the ratio of actual hours operated to maximum possible hours available during certain period.

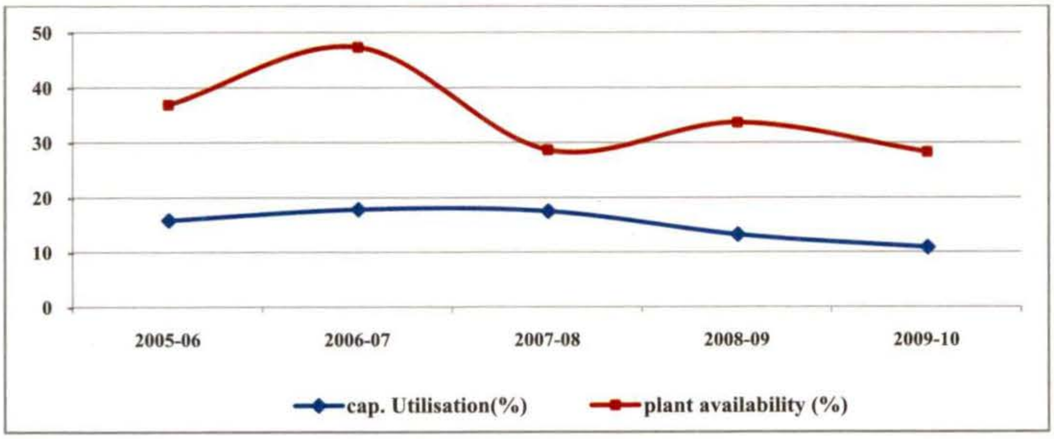
The details of total hours available, total hours operated, planned outages, forced outages and overall plant availability in respect of the State as a whole are shown below (as analyzed for 43 units):

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Total hours available	249270	859190	879700	879702	791816
2.	Operated hours	92191	279668	253377	296916	224875
3.	Planned outages (in hours)	3838	37214	37556	32493	31126
4.	Forced outages (in hours)	153241	542308	588767	550293	535815
5.	Plant availability (*per cent*)	36.98	47.47	28.80	33.75	28.40

The low availability of Power plants was due to longer duration of forced outages caused by inordinate delays in repair and maintenance and non-availability of water discharge.

Low Capacity Utilisation

5.2.41 Capacity utilisation means the ratio of actual generation to possible generation during actual hours of operation. Based on the norm of the CEA, the standard capacity utilisation factor works out to 60 *per cent* for power plants. However, audit analysis revealed that capacity utilisation achieved was 15.96, 18.00, 17.67, 13.39 and 11.04 *per cent* during the review period as given below:



The main reasons for the low utilisation of available capacity during 2005-10, as analysed in audit were:-

- Running of units with partial load/without load;
- Reduced capacity of old generating unit; and
- Constraints on transmission capacity

Generation from Diesel and resultant losses

5.2.42 The State has 124 diesel generating station spread all over the State which are operated by the DOP. Though the installed capacity of all the diesel generating stations together is 25 MW, the actual generation has come down over the years on account of expansion of hydel generating capacity and increase in availability of electricity from the central sector projects. The present generation of only 2.59 MW (2009-10) is mainly utilised as a standby source for major institutions and power supply to VIPs. The cost of generation of power from diesel is much higher at ₹ 13.69 (08-09) per unit compared to the cost of hydel generation of ₹ 2.13 per unit. Thus, on account of non development of hydro generation capacity/failure to extend transmission of central generation, the department has incurred huge losses on account of diesel generation which amounted to ₹ 7.05 crore for the years 2008-09 and 2009-10.

Outages

5.2.43 Outages refer to the period for which the plant remained closed for attending planned/ forced maintenance. Audit observed following deficiencies in planned and forced outages:

- The total number of hours lost due to planned outages increased from 3838 hours in 2005-06 to 31126 hours in 2009-10, i.e., from 1.54 *percent* to 3.93 *percent* of total available hours in the respective years.
- The forced outages in power stations increased from 153241 hours in 2005-06 to 535815 hours in 2009-10, i.e., from 61.48 *percent* to 67.67 *percent* of total available hours in the respective years.

Major Project specific outages

5.2.44 The major instances of outages in respect of specific projects noticed by us are as follows:

- In the case of Rahung MHP (3 x 250 KW), one unit was shutdown from April 1997 till date. Presently, R & M of the units are in progress. The department's reply that one unit at the station was designed as standby does not justify the failure to repair the unit for 13 years. Further, there is loss of generation as all the units can be operated in the summer/monsoon months on account of availability of excess water. The loss of generation from this unit from April 1997 to June 2010 amounted to 17.41 MU.
- The third unit of the Tago Project (3x1500 KW) failed in July 2000 on account of flood and problems with the metro seal resistor in the excitation panel. This unit is proposed (March 2010) for renovation and modernization along with the other two units of the Hydel Station now after the lapse of nearly ten years. The failure to repair a unit with such a high capacity for nearly 10 years lacked justification. The loss of generation from December 2000 to June 2010 for 115 months was 75.5 MU.

- The unit I of Tago Hydel Project was under shut down from January 2010 due to burning of the control panel on account of non-synchronization with the grid voltage. The burning of the panel indicates that the protective devices of the panel to cut off the power supply in the event of failure in synchronization did not operate effectively, which indicated poor maintenance. The work has not been taken up so far (June 2010). There was a loss of generation for six months from January to June 2010 amounting to 3.94 MU.

  The department stated that it faced problems in repairing the units on account of the indifferent attitude of BHEL, the manufacturer of the turbines. There was difficulty in obtaining the spares as BHEL had discontinued the production of small machines. The department also admitted that on account of fund constraints, it could not affect proper maintenance which caused the failure of the protective devices and the burning of the control panel.

- The units I and IV of the Mai Phase I (4x500KW) project were not in operation since 2000 due to problems related to the alternator and the machine foundation. The unit II is also not in operation since February 2008 due to problems related to the alternator. The units have not been repaired so far (June 2010). The failure to repair the three units for such long periods (114 months for units I &IV and 29 months for unit II) lacked justification and have caused loss of generation of 56.28 MU.

- One unit of the Sessa project (3x500KW) at Balukpong remained shutdown from August 2002 due to mechanical defects. The loss of generation upto June 2010 amounted to 20.81 MU. The department's reply that the load demand at Balukpong is only 1000 KW is not logical as the excess power could have been transmitted to needy areas.

- The Dulom project (4x100 KW) project remained shut down from 2008 due to damage of small portion of the power channel. The failure of the department to rectify the damages and commission the unit for more than a year is not justifiable. The loss of generation for the period from January 2009 to June 2010 was 3.15 MU.

  The department stated the delay in repair was due to shortage of funds. The reply is not tenable as the funds position of the department had improved considerably from the year 2008 on account of the PM's package under which it received huge funds which would have enabled use of other funds for the work.

Auxiliary consumption of power

5.2.45 Energy consumed by the power stations themselves for running their equipments and common services is called Auxiliary Consumption. CERC allowed 0.50 percent of the power generated to be used as auxiliary consumption. However, the actual auxiliary consumption of power stations increased from 2.27 *per cent* in 2005-06 to 2.74 *per cent* in 2009-10 resulting in excess consumption of 6.45 MU valuing ₹ 1.29 crore which could not be dispatched to the grid.

Repairs & Maintenance

5.2.46 As reported by the department to the CEA (2008), no advance maintenance schedule is prepared. Instead maintenance is done as and when the necessity arises. To ensure long term sustainable levels of performance, it is important to prepare maintenance schedules and adhere to them. The efficiency and availability of equipment is dependent on the strict adherence to maintenance and equipment overhauling schedules. Non-preparation of a schedule of maintenance carries a risk of forced outages. These factors lead to increase in the cost of power generation due to reduced availability of equipments which affect the total power generated.

Renovation & Modernisation

5.2.47 R&M activities are aimed at overcoming problems in operating units caused due to generic defects, design deficiencies and ageing by re-equipping, modifying, augmenting them with latest technology/systems. Refurbishment activities are aimed at extending economic life of projects.

Many of the Micro Hydel projects in the State have already outlived their normal life requiring total renovation and technology change. The plant load factor of these Hydel Projects is as low as 14.61 *per cent* on account of operation with obsolete electromechanical equipments due to lack of funding for renovation and modernization. Twenty-nine Micro Hydel Stations of the Department required renovation and modernization involving a total outlay of ₹ 36 crore. The renovation works have been completed in respect of Kipti-I, Anini and Deopani projects during December 2009, January 2009 and March 2009 respectively. The works are in progress in respect of Along, Yembung, Sikut, Tirthaju, Rahung, Mai-Ph I, Tissue and Charju projects though the due dates for completion of the works have been over (June 2010). The works at Along was due for completion by July 2007 and the delay has exceeded 34 months. For the other seven works in progress, the delay ranged from four to seven months (June 2010).

The Department is pursuing the matter with GOI since 2007 for arranging funds for the projects through PM's package/ MNRE. As the Department does not have the expertise to prepare the feasibility reports for the work of modernization, the work was outsourced and awarded to Alternate Hydro Energy Centre (AHEC), Indian Institute of Technology, Roorkee for 27 of these projects. The project reports are under preparation by AHEC (March 2010).

In the case of three units (Kipti-I, Dirang and Rahung Projects commissioned in the years 1977, 1977-78 and 1972-73), the department prefered the option of repairing the machineries. The repairs do not have the guarantee of enhanced life which would be given by the replacement option.

Unfruitful R & M works

5.2.48 The 3X500 KW Kitpi Phase-I Project over the river Namethrang was commissioned in 1977 with 11 KV transmission facility. As overall repairs and maintenance were necessitated after the lapse of 27 years, the department entrusted the work of preparation of project report for the R& M works to AHEC. As per the project reports (January 2004), the centre offered two alternatives for the work. While one alternative was for extensive repairs, the second alternative was replacement of major machinery (turbine and generators and governing system). The department prepared (2006) an estimate for ₹ 4.73 crore which recommended the option of repairs only. The civil work was started in the year 2006, and the contract for E & M works was awarded to a private firm (March 2006) and was completed (July 2009)after several delays.

The average annual generation obtained from the project prior to R & M works was 2.54 MU. The average annual generation after completion of R & M works based on generation from August 2009 to March 2010 was 1.81 MU. This revealed that after the repairs, the project failed to generate even the annual average generation before the R& M works. One of the reasons for the reduced generation was the absence of an adequate 33 KV transmission facility.

The department stated that it has initiated action for transmission of power through 33 KV and the generation will improve after completion of the transmission facility.

Operation &Maintenance

5.2.49 The operation and maintenance (O&E) cost includes expenditure on the employees, repair & maintenance including stores and consumables, consumption of capital spares not forming part of capital cost, security expenses, administrative expenses etc., of the generating stations but exclude the expenditure on fuel.

In respect of Hydro generating power stations, O&M expenses per MW for 2009-10 was fixed at Rs 38.45 lakh. Against the above mentioned norms the total O&M cost per MW incurred by the Department was ₹ 13.16 crore ₹ 15.26.00 crore, ₹ 16.04 crore, ₹ 31.03 crore and ₹ 39.81crore from 2005-06 to 2009-10. Audit observed that O&M expenses were higher than the norms fixed by CERC by ₹ 37.70 crore for the period from 2005-06 to 2009-10.

Financial Management

5.2.50 Efficient fund management is the need of the hour in any organisation. This also serves as a tool for decision making, for optimum utilisation of available resources and borrowings at favourable terms at appropriate time. The funds received by the department were mainly utilised to meet payment of power purchase bills, employee and administrative costs, and works of capital and revenue nature. As the main sources of funds were fund allocation by the State Government and subsidies from State/Central Governments and loans arranged by the State Government, the department's role in financial management of actual funds are limited.

Funding

5.2.51 The department's financial requirements are entirely met through funds allotted by the State. Revenue earned by the departments are therefore deposited to the Government Account. The State Government fixes the outlays for spending by the departments at the beginning of the year and the sources from which the funds are to be arranged. The sources for funds include various types of grants by the GOI and the State Government and loans. While the fund allocations from the GOI are received from the State Government, other sources from the GOI comprise of the Prime Minister's package and the grants from MNRE. The loans and other sources of finance are pursued by the State Government which arranges the procurement and repayment of funds.

Prime Minister's package

5.2.52 In the package announced by Prime Minister of India, in January 2008, ₹ 550.00 crore has been earmarked for the power sector in the State, which was to be spent to achieve the ultimate goal of electrification of all households in the State. Of the total amount, ₹ 416 crore was allocated to the department for completion of certain existing incomplete schemes and construction of new small /mini/micro hydel stations, ₹ 86 crore to DOP for evacuation of power generated from small/mini/micro hydel stations constructed by the department and ₹ 48 crore to APEDA for construction of micro hydel stations and providing power through solar photo voltaic system in inaccessible areas. The projects under the package have been developed into three categories namely A, B, and C, against which ₹ 237.46 crore was spent as on March 2010.

Non-payment of development expenditure by NEEPCO

5.2.53 Though as per the MOA for execution of the Kameng project, NEEPCO was also to undertake the execution of the 3 x 2.50 MW Khangten and 3x 1 MW Kipti phase II projects on BOT basis bearing all the expenses including those already incurred by the State. However, NEEPCO did not execute these projects. A subsequent understanding (September 2005) that NEEPCO would execute the 3 x 2000 KW Mukto project utilising its own funds in lieu of the Kipti II project, and would reimburse the department the expenditure of ₹ 1.90 crore incurred for the Khangten project, has also not materialised (June 2010). While Kipti II was subsequently executed by the department, Khangten project has now been awarded to another developer. The Mukto Project is being executed by the department utilising its own funds and the expenses incurred by the department (June 2010) amounting to ₹ 40.91crore have not been claimed from NEEPCO.

Being Central Government companies upfront fee was not collected for the four projects awarded to NHPC and NEEPCO. However, in lieu of upfront fee for one project, NHPC has committed a contribution of ₹ 27 crore for infrastructure development of the State in the case of one project and has paid a 9 *per cent* interest bearing advance (adjustable against free power) of ₹ 225 crore for the three other projects. However, no such condition has been incorporated in the MOAs with NEEPCO. The failure to negotiate the matter with NEEPCO has caused a loss of ₹ 27 crore besides the use of funds receivable as advances.

Claims and Dues

5.2.54 The DOP sells the energy produced by the department and the energy purchased, to consumers within the State and to bulk purchasers outside. Generally the sale prices do not cover the total input costs. The differential amount is absorbed by the Government as the department does not generate any income of its own. As the department does not earn any return on the power generated, there is no incentive to boost generation.

The efficiency of revenue collection by the DOP was poor and as on March 2010, an amount of ₹ 53.85 crore was outstanding towards collection. The bulk of the dues pertained to Government institutions and departments.On the other hand, subsidies sanctioned by MNRE are still pending totaling to ₹ 19 crore in respect of five projects[**].

We observed that the amounts are pending on account of deviations from the MOU conditions relating to payments in the case of Kambang and Sippi project, transfer of fund requirements from MNRE to PM's Package and other reasons. MNRE has requested for details of actual spending with audit reports relating to the projects (September 2009) and details of interest accrued on the funds released for the projects. It may be noticed that the Jigaon project was stopped for want of funds after spending an amount of ₹ 13.56 lakh. The Department needs to take effective follow up action for the realization of the pending dues.

Tariff Fixation

5.2.55 The department has not been able to determine tariff through State Electricity regulatory Commission to recover Annual Revenue Requirement as SERC has not been formed in the State so far. Instead of matching the cost through an approved tariff, in the State, tariff revisions are made on an empirical basis by the State Government. The tariff revision of September 2006 provided for 5 *per cent* increase every year for the next three years which was not scientific. The Department needs to move from this level to a scientific fixation of tariff based on actual cost.

Monitoring by Top Management

5.2.56 The power department play an important role in the State economy. For such a giant organisation to succeed in operating economically, efficiently and effectively, there should be documented management systems of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that their achievement would make an organisation self-reliant. Audit review of the system existing in this regard revealed the following:

[**] Sippi, Kambhang, Halaipani, Jigaon, Along (R&M

Though the CEA is responsible for overall monitoring and supervision of the power sector in the country, the monitoring by the agency of the Department's activities was very minimal as it monitored the performance of projects which had a capacity of 3 MW and above which are very few in the State. Consequently, many of the CEA norms are not applied in the State resulting in absence of control and monitoring mechanism. The online data entry prescribed by CEA is also not operated by the department. Thus, the monitoring by CEA is virtually absent.

Various internal monitoring and control mechanisms set up are not being implemented properly by the department. Though all E & M Divisions were required to submit generation and outage data in prescribed formats for the preceding month to zonal offices by 10th of each month, the reports were not sent in time or were sent in incomplete form by most divisions. The departments (DHPD and DOP) have also prescribed the procedure of Joint meter readings at a fixed time on the 1st day of every month for each hydel station. However, this is not being done in case of most of the generating units in the State.

The communication facilities in the hydel stations are very limited and modern means of communication are non-existent. The only means of communication is through telephones which in many cases are not accessible/ reliable in remote areas. The absence of a modern and efficient communication system pose a great risk and has caused collision of power supply in the Tawang region. As the Nuranang and Kipti II hydel stations in the region are adjacent, the power supply from both stations are synchronised first before being sent out for transmission. On 20th March, 2010, on account of failure of the telephone system, the power supply from Nuranang was charged without ascertaining operation of the Kipti project. As Kipti was already in operation, the unsynchronised simultaneous supply of power from both stations collided causing high voltage and current which overcame the protective systems of the DOP causing huge damages estimated at ₹ 0.22 crore. The distribution system broke down and could be restored only after eight days.

The department has stated that it proposes to install Digital Satellite Phone terminal in 51 remotely located hydel stations.

As per the decisions of the Govt. of India, there shall be Load Despatch Centres at the national, regional and State level (SLDC). The SLDC was to monitor the operations of the State Grid including live monitoring of generation. The generating stations were to intimate targets in advance and adjust generation with requirements as per its requirements. The SLDC of the Department did not have proper facilities such as internet, VSAT connectivity, SCADA system etc resulting in a largely unmonitored operation of the system.

Absence of a State Regulatory Commission

5.2.57 In terms of the Electricity Act 2003, State Electricity Regulatory Commissions are to be set up for the functions of promoting generation of electricity by providing suitable measures for fixation of the tariff for generation, supply, and transmission of electricity. The regulatory commission is also given the mandate to advise the State Government on promotion of competition, efficiency and economy of activities in the industry. The State has not set up a regulatory commission so far and the tariff fixation for distribution is determined by the State Government itself. As the State is setting up major units for power generation with the participation of independent power producers in the private sector and the Central Power Sector companies, the State Government requires taking urgent steps to set up a Regulatory Commission.

Environmental Issues

5.2.58 The Lower Subansiri project under execution by NHPC and some of the projects proposed to be executed through IPP/private developers has raised various environment related issues. These include increase in risks for earthquakes on account of the State being located in a risky seismic zone, submergence of forest land including tiger reserves and bird sanctuaries, submergence of agricultural land located in the projects areas, change of course/ alteration/ reduction of flow of water in the downstream of rivers and consequent reduction in fertility of land etc. Various organisations and media have raised protests against the setting up of these projects on these grounds. The State Government therefore needs to adopt a transparent policy regarding the implementation of the projects on environment by studying/ disclosing the full impact of the projects and finding solutions to the problems.

Conclusion

- The department followed the approach of taking up and executing small and micro projects only though the State had vast capacity for generation of hydro power.
- The department failed to meet the growth in peak demand by 97.40 MW, as the capacity addition was only 24.73 MW against the additional capacity requirement of 122.13MW during 2005-10.
- Inordinate delays in execution of projects caused loss of generation and cost overrun.
- During project implementation the department committed grave lapses in dealing with disputes and legal matters.
- Underutilisation/idling of projects was also on account of lack of coordination with the Department of power.
- Against 33 units due for being taken up for Renovation and Modernisation/ Life extension programmes, only 11 units were actually taken after long delays.
- The PLF achieved by the department was much below the national average resulting in gross underutilisation of capacity to the extent of 403.68 MU resulting in procurement of central sector power at higher cost.

- The level of forced outages was very high and there were long delays in repairing projects which went out of order.
- The process of corporatization of power utilities and setting up of a State Regulatory Commission as envisaged in the Electricity Act 2003 has not been initiated.

Recommendations

The department must

- Intensify its capacity addition programmes to exploit the huge unexploited hydropower potential of the State by close monitoring so as to meet the national objective of power for all by the year 2012.
- Formulate a long term plan for ensuring funding of projects and renovation activities
- Improve coordination with the department of power to ensure development of transmission facility in line with the development of generation capacity.
- Evolve an appropriate mechanism for managing disputes and handling legal matters.
- Improve plant load factor and capacity utilization by controlling the forced outages.
- Carry out the scheduled maintenance of its power stations and expedite the renovation & modernization of the power projects which have exceeded their life span.
- Pursue the conversion of the present department into a corporate entity.

SECTION 'B' PARAGRAPHS

DEPARTMENT OF POWER

5.3. Avoidable payment of compensation

Avoidable payment of compensation of ₹ 3.20 crore due to incorporation of an unfavorable clause in the agreement which was also contradictory to another clause.

The Department of Power, Government of Arunachal Pradesh (Department) entered into an agreement (December 2005) with M/s Global Energy Ltd (GEL), a private operator, for sale of surplus power of 50 MW @ ₹ 4.02 per KWH for peak hours and 45 MW @ ₹ 3.24 per KWH for off peak hours for the period from January 2006 to March 2006. The agreement was extended periodically up to September 2010. As per the Clause 2.3 of the agreement, the quantum of power supply was subject to the availability of surplus power after meeting the requirement of the Government of Arunachal Pradesh. Further, as per clause 3.2 of the agreement, in the event of non-supply or short supply of the confirmed capacity by the Department during the contract period, all charges incurred on account of open access and reservation of transmission capacity till the delivery point and beyond the delivery point to the extent of such non-supply or short supply, in accordance with the CERC (open access in inter-state transmission) regulations, shall be to the account of Department of Power.

On actual execution of the contract, the Department could not supply the contracted quantity on many occasions as the surplus power left after meeting its requirement was not enough. Resultantly, in accordance with clause 3.2 of the agreement, the private operator raised claims for compensation of losses caused by the failure of the Department to supply the contracted quantity. The compensation claims were made on account of open access charges paid by GEL for power not received from Department and for penalties actually levied by the customers of GEL for short supply of power.

The Department allowed (September 2007 & April 2008) the reimbursement of open access charges @ 12 paisa per unit amounting to ₹ 80.39 lakh (for the period from 10th October 2006 to 7th February 2007) and ₹ 209.03 lakh (for the period from November 2007 to February 2008). Besides, the Department also allowed reimbursement of penalty of ₹ 30.68 lakh (period 01.01.2006 to 30.04.2006) paid by GEL to their customer (Assam Electricity Board) for consequent short supply by GEL. Thus the total amount reimbursed to GEL worked out to ₹ 3.20 crore on account of open access charges (₹ 2.89 crore) and penalty (₹ 0.31 crore).

Our analysis revealed that under Clause 2.3 of the agreement, since the power to be sold was only after meeting Department's own requirements, the incorporation of a clause 3.2 making the State liable to compensate the losses for short supply of power, was not only contradictory to clause 2.3 of the contract but was also not in the interest of the Department. We further observed that this contradictory clause (clause 3.2) did not exist in the similar agreement entered into earlier (April 2004) by the Department for sale of power with another private operator (M/s. Adani Exports limited). On realising the mistake, Department unilaterally attempted to alter/delete the said clause 3.2 of the

Contract by issuing corrigendum (7 July 2007), which was not agreed to by GEL. However, the Department continued to renew the contract with GEL on same terms and conditions thereafter July 2007 and July 2008 though it was against the financial interests of the Department.

As regards the reimbursement of penalty paid by GEL to its customer (Assam Electricity Board), we observed that the Department allowed reimbursement of ₹ 0.31 crore out of the total penalty of ₹ 0.92 crore paid (January-April 2006) by GEL, though there was no enabling clause in the contract in this regard. Thus, Department incurred avoidable expenditure of ₹ 3.20 crore due to inclusion of a contradictory and unfavourable clause in the contract and reimbursement of penalty not covered as per terms of contract.

The Department should take proper care while finalising the terms & conditions of contract, and avoid impracticable commitments so that such losses are avoided in future.

The matter was reported (August 2010) to the Government; their reply had not been received (November 2010).

5.4. Irregular grant of rebate

Loss of ₹ 56.42 lakh due to continuation of rebate even when it was not permissible resulting into undue favour to a private party.

The Department of Power, Government of Arunachal Pradesh entered into an agreement (December 2005) with M/s. Global Energy Ltd (GEL), New Delhi for sale of surplus power of 50 MW at a cost of ₹4.02 per KWH for peak hours and 45 MW at a cost of ₹ 3.24 per KWH for off peak hours for the period from January 2006 to March 2006. The validity period of agreement was extended periodically up to September 2010. The terms of agreement relating to the payments stipulated that a rebate for prompt payment on billed amount would be allowed at 2 percent when the payments were received within 7 days from the presentation of weekly bills submitted through fax. The system of weekly billing was modified subsequently to monthly basis vide corrigendum issued on 15th July 2009 by the department as it was not able to prepare bills on weekly basis.

We observed that the Department continued to allow the rebate for prompt payment at the rate of 2 per cent even on the payments received after the due dates of bill, which normally was fixed after allowing one month period from the date of issue of bill. We noticed that Department extended undue favour of ₹ 56.42 lakh to GEL by irregularly allowing prompt payment rebate during August 2007 to November 2009 as detailed below:

(Rupees in lakh)

Month billed	Bill Date	Due date	Payment received on	Billed Amount	Rebate allowed
6/07	14/7/2007	1/8/2007	24/8/2007	752.73	15.05
6/08	2/7/2008	1/8/2008	12/8/2008	1213.90	24.28
6/09	3/7/2009	3/8/2009	19/8/2009	166.23	3.32
8/09	2/9/2009	2/10/2009	5/10/2009	550.84	11.02
9/09	1/10/2009	1/11/2009	12/11/2009	137.37	2.75
Total				**2821.07**	**56.42**

We observed that the very purpose of allowing prompt payment rebate was to improve the liquidity position of the Department by attracting the customer to promptly pay electricity dues. As such, allowing of this rebate against the payments made by the customer after the due date of one month from the date of issue of bill was not justified and was against the financial interests of the Department.

Thus the department suffered a loss of ₹ 56.42 lakh on account of allowing prompt payment rebate to GEL which was irregular and not permissible in terms of the agreement.

The matter was reported (December 2010) to the Government; their reply had not been received (December 2010)

5.5. Undue favour to a private party

Undue favour of ₹ 9.36 crore to a private party due to Cabinet's unjustified decision for payment of claims outside the contract purview.

The Department of Power (Department) awarded (March 1995) the works of construction of 132 KV Single Circuit Transmission Lines from Tenga to Jang in Tawang-West Kameng districts (Tenga work) and from Deomali to Namsai in Tirap-Lohit districts (Namsai work) at costs of ₹ 35 crore and ₹ 45 crore respectively to M/s.Horizon Hi- Tech Engicon(P) Limited, Kolkota (firm). The works were commenced and amounts of ₹ 17.68 crore and ₹ 15.75 crore were paid for the works in Tenga and Namsai respectively by November 1998. However for want of funds, the settlement of further bills on these contracts could not be made by the Department and the contractor abandoned the works. This led to the matter being referred for arbitration by the firm.

Pending settlement of the arbitration case, the Cabinet in their meeting held on 10-02-09 formed (March 2009) a Committee chaired by the Chief Secretary and Commissioner (Finance), Secretary (Power), and senior officers of Power Department as other members to explore the possibility for an out-of-court settlement with the firm. The Committee determined (May 2009) that the value of the total work executed as ₹ 25.27 crore for the Tenga and ₹ 18.81 crore for Namsai. After adjusting the payments already made, the Committee recommended total payment of ₹ 10.64 crore (₹ 7.59 crore for the Tenga work and ₹ 3.05 crore for the Namsai work) to the firm.

The Cabinet after considering (August 2009) the recommendations of the Committee decided to pay the firm a further amount of ₹ 3.00 crore for price variation and ₹ 6.36 crore for interest on late payment of the claims.

Our analysis revealed that the additional amount of ₹ 3.00 crore and ₹ 6.36 crore for price variation and interest on late payment of the claims respectively, awarded by the Cabinet was not justified. Both these claims pertained to non-work items and were duly considered by the Committee. However, while making the final recommendations, the Committee did not allow these items for payment to the firm. We observed that the Committee, which consisted of financial and technical experts as members, had decided for not allowing the said two claims after through examination and on the basis of expert opinion of its members. As such, decision of the Cabinet for allowing payment of these two claims to the firm against the recommendations of the Committee lacked justification.

The Electrical Division, Tawang observed (October 2003) that the works done were in no way useful to the Department as these were carried out in a haphazard manner and not even a single km was completed in full shape. The Department failed to inform the fate of Namsai work in spite of our request.

Thus due to the unjustified decision by the cabinet in agreeing to pay additional amount of ₹ 3.00 crore for price variation and ₹ 6.36 crore as interest on late payment of the claims in spite of their being outside the purview of the contract, the firm was extended undue favour of ₹ 9.36 crores.

The matter was reported (August 2010) to the Government; their reply had not been received (December 2010).

DIRECTORATE OF SUPPLY AND TRANSPORT

5.6. Extra expenditure on head load transportation

Extra expenditure of ₹ 2.50 crore on head load transportation of essential ration commodities.

The Directorate, Supply & Transport (DST), Government of Arunachal Pradesh, Naharlagun, entered into an agreement (August 2002) with M/s Range Enterprises, Itanagar for transportation of Essential Ration Commodities (ERC) from office of Additional Director, Supply & Transport (ADST), Lilabari to Central Purchase Organisation (CPO) Centre, Pipsorang, at an all inclusive rate of ₹ 6795 per quintal. The rate of ₹ 6795/- included carriage by land route amounting to ₹ 450 per quintal for the entire road distance from North Lakhimpur to Tamen and head load rate of ₹ 45/- per quintal per km (PKM) for the distance of 141 Km from Tamen to CPO, Pipsorang fixed by Government.

On actual execution of the contract, 1518.35 quintals equivalent to 7100[□] head loads of 20 kg were transported (December 2003) by the contractors. The head load rate was revised (December 2003) and increased by 456 per cent from ₹ 45.00 per quintal PKM to ₹ 50.00 per 20 kg of head load PKM by the Government w.e.f. 01.04.2003. Accordingly, the contractor preferred bills @ ₹ 7050 per head load of 20 kg (₹ 50 x 141 km) equivalent to ₹ 35250.00 per quintal for 141 km amounting to ₹ 5.07 crore including carriage charge of ₹ 6.83 [††] lakh for land route. The Government sanctioned the payment for ₹ 5.07 crore on 31.12.2008.

Our scrutiny revealed serious systemic deficiencies in the fixation of porterage / head load rates. The Government had fixed (September 2003) a rate of ₹ 25.00 per head load per 20 kg PKM for carriage of PDS items for Directorate of Civil Supplies (DCS), another directorate of the State Government. Now instead of allotting this rate in DST as well, the Government revised (December 2003) after 3 months the rate for DST to ₹ 50 per head load of 20 kg PKM. Government in a roll back to its decision

[□] *The number of head loads and the rate per head load was as per the actual claims of the contractor. These two figures cannot be derived from the para.*

[††] *1518.35 quintals @ of ₹450.00 per quintal*

again directed (January 2004) the DST to adopt DCS rate of ₹ 25.00 per head load as the work of both directorates was of identical nature.

Since the Department had already approved rate of ₹ 25 per km for 20 Kg of head load for DCS, approval of another rate of ₹ 50 within a period of 3 months for DST was not justified. Our finding was also substantiated by Government's orders of January 2004 directing DST to follow the rate of ₹ 25 fixed for DCS. Thus due to unjustified upward revision in the rate of head load for DST by the Government resulted in extra expenditure of ₹ 2.50[♣] crore to the Government.

The matter was reported (August 2010) to the Government; their reply had not been received (November 2010).

Itanagar

The 17 मार्च MAR 2011

(C.A.Bodh)
Accountant General,
Arunachal Pradesh

Countersigned

New Delhi

The 17 मार्च MAR 2011

(VINOD RAI)
Comptroller and Auditor General of India

♣ *(7100 head loads x ₹50 x 141 KM) minus (7100 head loads x ₹25 x 141 KM)*

APPENDICES

Appendix-1.1.1 (Referred to in Paragraph 1.1.8.6 (b))
Foodgrain diverted in Mechuka Circle, West Siang District

(In quintal)

Reporting authority and letter no. and date	Name of FPS	No. RC Holders	Quantity lifted	Quantity issued	Quantity diverted
EAC, Mechuka	(i) M/S Fling Kote(Appum)	72	25.00	8.55	16.45
No-MK-SUP/1631/ 11/EAC/3	(ii) M/S Darre Pusang (Rapum)	52	15.00	7.80	7.20
dated. 29-5-09	(iii) M/s Totum, Ragyor (Mechuka Town)	259	60.00	38.85	21.15
	(iv) M/s Lingdung Chung (Yorko)	93	25.00	13.95	11.05
	(v) M/s Nima Hemi (Mechuka town)	76	25.00	11.40	13.60
	(vi) M/s R. D.Sona (Mechuka town)	157	40.00	23.50	16.50
	(vii) M/s K.D. Naksang (Mechuka town)	116	30.00	17.40	12.60
	Total	**825**	**220.00**	**121.45**	**98.55**

Source: Records of West Siang

Appendix-1.1.2 (Referred to in Paragraph 1.1.8.6 (b))
Cases of diversion of AAY Rice in Bilat Circle, West Siang District

(Quantity in quintal)

Name of the FPS where distribution was arranged to be made from	No. of beneficiaries		Monthly quota due for surrender by the cooperative	Quantity surrendered monthly	Short surrender per month		Period during which short surrender	No. of month	Total quantity of foodgrain involved
	tagged to FPS	for whom Foodgrain to be surrendered			No. of beneficiaries	Quantity of foodgrain			
1)M/sTakam Dupak Ledum	25	13	8.75	4.55	12	4.20	2/07 to 4/09	27	113.40
2)M/sTakum Taboh Mikong	25	13	8.75 "	4.55	12	4.20	6/08 to 4/10	23	96.60
3)M/sBelgum Dapak Remi	34	13	12.00	4.55	21	7.45	2/07 to 4/10	39	290.55
4) M/s Engo Takar Mirem	58	23	20.30	8.05	35	12.25	2/07 to 4/10	39	477.75
Total	**142**	**62**	**49.80**	**21.70**	**80**	**28.10**			**978.30**

Source: Records of East Siang

Appendix-1.1.3 (A) (Referred to in Paragraph 1.1.8.6 (b))
Statement showing bill wise details of avoidable expenditure on carriage

Sl. No.	Bill No. & Date	Actual expenditure (@Rs.3perQtl/km)	Projected expenditure (@Rs1.40perQtl/km)	Avoidable Payment
1.	237 dt 1-2-08	23,82,462	11,11,816	**12,70,646**
2.	281 „	1,07,982	50,350	**57,632**
3.	252 „	7,39,107	3,44,917	**3,94,190**
4.	236 „	3,18,408	1,48,590	**1,69,818**
5.	255 „	4,84,707	2,26,197	**2,58,510**
6.	254 „	1,07,892	50,350	**57,542**
7.	240 „	16,08,093	7,50,817	**8,58,076**
8.	242 „	3,18,408	1,48,590	**1,69,816**
9.	143 „	15,45,873	7,21,407	**8,24,466**
10.	257 „	1,07,892	50,350	**57,542**
11.	258 „	4,84,707	2,26,199	**2,58,510**
12.	260 „	1,07,892	50,350	**57,542**
13.	175 dt 3-9-07	4,81,626	2,25,759	**2,56,867**
14.	173 „	2,87,226	1,34,039	**1,53,187**
15.	226 dt 12-8-07	5,14,185	2,39,953	**2,74,232**
16.	228 „	9,31,185	4,34,553	**4,96,632**
17.	232 „	9,30,692	4,34,323	**4,96,369**
18.	230 „	4,82,490	2,25,162	**2,57,328**
19.	234 dt 20-8-07	29,88,642	13,94,697	**15,93,945**
20.	156 dt 2-7-07	11,42,712	5,33,266	**6,09,446**
21.	151 „	20,26,938	9,45,904	**10,81,034**
22.	153 „	26,88,582	12,54,673	**14,33,909**
	Total	2,07,87,791	97,01,262	1,10,87,239

Source : Records of East Siang

Appendix-1.1.3 (B) (Referred to in Paragraph 1.1.8.6 (b))
Statement showing bill wise details of Excess Committed HTS liability in East Siang for the year 2007-08

Sl. No	Bill No & Date	Amount of claim preferred	Projected liability	Avoidable liability
1	TM/HTS-AAY/07-08/239 dt 1.2.08	3,18,408	1,48,590	**1,69,818**
2	" " " /246 dt 1.2.08	16,82,283	7,85,065	**8,97,218**
3	" " " /245 dt1.2.08	3,18,408	1,48,590	**1,69,818**
4	" " " /261 dtd 1.2.08	5,84,457	2,72,747	**3,11,710**
5	" " " /273 dt 8.3.09	2,65,680	1,23,984	**1,41,696**
6	" " " /272 dt 8.3.09	2,79,651	1,30,504	**1,49,147**
7	" " " /271 dt 8.3.09	4,15,857	1,94,067	**2,21,790**
8	" " " /270 dt 8.3.09	7,49,100	3,49,580	**3,99,520**
9	" " " /276 dt 8.3.09	4,15,857	1,94,067	**2,21,790**
10	" " " /277 dt 8.3.09	2,79,651	1,30,504	**1,49,147**
11	" " " /278 dt 8.3.09	2,70,090	1,26,042	**1,44,048**
12	" " " /275 dt 8.3.09	7,59,600	3,54,480	**4,05,120**
	Total	**63,39,042**	**29,58,220**	**33,80,822**

Source: Director ,F&CS

Appendix-1.1.2 (Referred to in Paragraph 1.2.10.2

Statement showing project-wise details of nutrition supplemented during 2005-2010

Name of the ICDS projects	Year	Number of feedings (meals)			No. of beneficiaries	Nutrition supplemented in days per beneficiary
		THR	Khitchri	Total		
Doimukh	2005-06	-	12,222	12,222	2510	05
	2006-07	28678	53,167	81,845	2912	28
	2007-08	48055	1,51,467	1,99,562	3,723	54
	2008-09	2,67,784	58,044	3,15,828	4058	78
	2009-10	29,671	66,953	96,624	3946	25
Balijan	2005-06	Nil	Nil	Nil	Nil	Nil
	2006-07	1,07,194	81,511	1,88,705	1772	106
	2007-08	1,49,333	1,20,100	2,69,433	2611	103
	2008-09	194,849	75655	2,70,504	2651	102
	2009-10	62,603	71,813	1,34,416	2668	50
Kimin	2006-07	24,000	37,811	61,811	3532	18
	2007-08	167,917	61,867	2,29,784	3328	69
	2008-09	69,679	23,655	93,334	3141	30
	2009-10	27,688	36,040	63,728	2863	22
Namsai	2005-06	1,84,148	62,555	246,703	7461	33
	2006-07	1,52,889	62588	251,477	5329	40
	2007-08	2,74,611	2,26,311	5,00,922	5429	92
	2008-09	453,287	-	4,53,287	6958	62
	2009-10	1,12,891	69,100	1,81,991	8622	21
Tezu	2005-06	45751	20,033	65784	1563	42
	2006-07	52167	4766	56933	1564	36
	2007-08	142,361	58,966	201327	1625	123
	2008-09	108,032	1,40,188	248220	2284	108
	2009-10	25,452	25,280	50732	3092	17
Changlang	2005-06	NA	NA	NA	1549	NA
	2006-07	41,611	37,855	79,466	1832	44
	2007-08	102,500	67,922	1,70,422	1588	107
	2008-09	89,950	30,277	1,20,227	1422	85
	2009-10	51,752	16,613	68,365	2037	34
Bordumsa	2005-06	79,411	13,400	92,811	46,92	20
	2006-07	97,444	1,08,300	205,744	4301	43
	2007-08	246,333	2,16,055	462,388	4487	103
	2008-09	320,896	78,333	3,99,229	5365	74
	2009-10	92,072	81,573	1,73,645	4067	43
Ruksin	2005-06	23550	-	23,550	1515	16
	2006-07	23550	-	23,550	1743	14
	2007-08	62650	45278	1,07,928	2045	53
	2008-09	1,11,437	66889	1,78,326	1998	89
	2009-10	47,098	15,333	42431	2292	19

Name of the ICDS projects	Year	Number of feedings (meals)			No. of beneficiaries	Nutrition supplemented in days per beneficiary
		THR	Khitchri	Total		
Pasighat	2005-06	80,555	10,066	90,621	3922	23
	2006-07	51,457	59,000	1,10,457	3419	32
	2007-08	52,184	26,044	78,228	3601	22
	2008-09	1,17,210	1,32,511	2,49721	3897	64
	2009-10	36,458	40,373	76,831	4966	15
Nari	2005-06	33,997	7111	41,108	1970	21
	2006-07	33,997	47,333	81,330	1947	42
	2007-08	33,997	70,100	1,04,097	1987	52
	2008-09	1,51,991	40788	1,92,779	2099	92
	2009-10	33,717	29,996	63,713	2111	30
Mebo	2005-06	65,359	7778	73,137	2066	35
	2006-07	26,389	27,822	54,211	2101	26
	2007-08	60176	44,444	1,04,622	2214	47
	2008-09	83,920	76,667	1,60,587	2332	69
	2009-10	29,585	23,333	52,918	2296	23
Likabali	2005-06	99,346	19,366	1,18,712	2396	50
	2006-07	34,608	94,666	1,29,274	2539	51
	2007-08	56,607	1,20,855	1,77,462	2695	66
	2008-09	1,12,710	1,71,066	283,776	2866	99
	2009-10	53,475	40333	93,808	3132	30
Aalo East	2006-07	7095	33,911	41,006	2370	17
	2007-08	32,332	1,10,422	1,42,754	2410	59
	2008-09	1,24,413	46,667	1,71,080	2090	82
	2009-10	37,573	39,520	77,093	2029	38
Aalo West	2006-07	7942	83,889	91,831	2910	32
	2007-08	1,01,109	1,32,662	2,33,771	2916	80
	2008-09	1,11,829	44022	1,55,851	2910	54
	2009-10	56,517	57,447	1,13,964	2910	40
Rungong	2005-06	1,82,732	-	1,82,732	2010	91
	2006-07	2,556	25,556	28,112	2018	14
	2007-08	31,567	60,200	91,767	2017	45
	2008-09	52,617	29,389	82,006	2010	42
	2009-10	94,066	47,967	1,42,033	2010	71
Tirbin	2006-07	10,717	40,000	50,717	1335	38
	2007-08	17,888	97,500	1,15,388	1510	76
	2008-09	77,925	55,000	1,32,925	1698	78
	2009-10	32624	61,407	94,031	2101	45

Appendix – 2.1 *(Ref: Para 2.15)*

Details of explanatory notes on paragraphs of Audit Report pending as of March 2010

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 & Family Welfare
1999-2000	21-09-2001	3.4	Urban Development
		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 & Family Welfare
		6.3, 6.4, 6.5 & 6.6	Finance
2002-03	24-06-2004	3.1, 3.5, & 3.6	Health & Family Welfare
		3.2	Planning
		3.4	Civil Supplies
		3.12	Finance
		4.5 & 5.1	Public Work
		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 & Culture
		4.4	Environment & Forests
		4.5	Health & 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
		4.2 & 4.3	Health & 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
2005-06	20-03-2007	3.1, 4.7	Civil Supplies Department
		3.2	Environment and Forests
		3.3	Health & Family Welfare
		3.4, 4.10	Public Works
		4.1	Industries
		4.2 , 4.3	Sports & Youth Affairs
		4.4, 4.11	Tourism
		4.5, 4.6	Agriculture
		4.8	Irrigation & Flood Control
		4.9	Public Health Engineering & Water Supply

Year of Audit Report	Audit Report placed before the State Legislature	Paragraph number for which *suo moto* explanatory notes are awaited	Department
		4.12	Civil Supplies/Relief, Rehabilitation & Disaster Management
		4.13	Irrigation
		5.1	Horticulture
		6.2, 6.3, 6.4, 6.5	Environment and Forests
		6.6, 6.7	Excise
		6.8, 6.9, 6.10	Geology & Mining
		6.11	Land Management
		6.12 to 6.22	Taxation
		6.23 , 6.24	Transport
		7.2, 7.3	Power
		7.4	Arunachal Pradesh Forest Corporation Limited
2006-07	19-03-2008	3.1	Home
		3.3, 4.1, 4.5, 4.15	Education
		3.4	Tourism
		4.3, 6.2, 6.3	Environment & Forests
		4.4	Cultural Affairs
		4.6, 4.7, 4.8 & 4.17	Health & Family Welfare
		4.9,4.10, 4.11, 4.13, 4.18	Public Works
		4.12	Rural Works
		4.14, 5.1	Social Welfare, Women & Child Development
		4.16	Fisheries
		4.19	Civil Supplies
		6.4, 6.5	Excise
		6.6 to 6.10	Geology & Mining
		6.11	Land Management
		6.12 to 6.23	Taxation
		6.24 & 6.25	Transport
		7.2 to 7.6	Power
		7.7	Forest
2007-08	11.08.2009	3.1,4.4	Health
		3.2	Planning
		4.1,4.6,4.8,4.10	Public works
		4.2	Animal Husbandry and Veterinary
		4.3,6.2,6.3,6.4.1,6.4.2,6.5,6.6,6.7	Environment and Forest
		4.5,7.2,7.3,7.4,7.5	Power
		4.7	Home
		4.9	Tourism
		6.8,6.9,6.10	Excise
		6.11,6.12.6.13	Geology and Mining

Year of Audit Report	Audit Report placed before the State Legislature	Paragraph number for which *suo moto* explanatory notes are awaited	Department
		6.14,6.15	State Lottery
		6.16,6.17,6.18,6.19,6.20,6.21	Taxation
		7.6,7.7	Supply and Transport
		5.1	Textile and Handicraft
2008-09	03-09-10	1.1	Horticulture Department
		1.2	Department of planning
		1.3	Water Resources Department
		3.1	Animal Husbandry and Veterinary Department
		5.2	Transport Department
		2.1	Industries Department
		2.2, 2.5, 2.9	Animal Husbandry and Veterinary Deptt.
		2.3, 2.4	Agriculture Deptt.
		2.6	Rural works Deptt.
		2.7, 2.8	Social Welfare, Women & Child Development Deptt.
		2.10	Public Works Deptt.
		2.11	Urban Development & Housing Deptt.
		5.3	Deptt. of Hydro Power Development
		5.4, 5.5	Deptt. of Power
		5.6	Deptt. of Supply & Transport
		5.7	Deptt. of Geology and Mining
		5.8	Deptt. of Forest
		4.2, 4.3, 4.4	State Excise Deptt.
		4.5, 4.6	Deptt. of Geology and Mining
		4.7, 4.8	Land Management Deptt.
		4.9, 4.10	State Lottery Deptt
		4.11, 4.12, 4.13, 4.14, 4.15, 4.16, 4.17, 4.18, 4.19	Taxation Deptt.
		4.20, 4.21, 4.22	Transport Deptt.
	TOTAL	**235 Paragraphs**	

Appendix – 2.2*(Ref: Para 2.15)*

Status of outstanding Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee

Year of 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 Paragraphs		
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 and 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 24th 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, 44th, 45th and 48th	6th March 1997, 21st September 2001, 19th March 2002 and 3rd March 2003
1992-93	3.3, 3.4, 4.3, 4.4 and 5.1	5	39th and 44th Report	6th March 1997 and 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 – 3.1.1 *(Referred to in Paragraph 3.1.7.2)*

Revenue Budget and Expenditure.

(Rupees in crore)

Year	Budget Provision			Expenditure	Saving (-) Excess (+)	Percentage
	Original	Supplementary	Total			
2005-06	27.77	118.31	146.08	142.90	(-) 3.18	2.18
2006-07	36.45	119.88	156.33	151.22	(-) 5.11	3.27
2007-08	36.76	170.91	207.67	197.35	(-) 10.32	4.97
2008-09	37.63	175.04	212.67	247.73	(+) 35.06	16.49
2009-10	51.61	176.08	227.69	216.99	(-) 10.70	4.70

Capital Budget and Expenditure.

(Rupees in crore)

Year	Budget Provision			Expenditure	Saving (-) Excess (+)	Percentage
	Original	Supplementary	Total			
2005-06	7.50	10.23	17.73	17.06	(-) 0.67	3.78
2006-07	11.24	7.31	18.55	18.22	(-) 0.33	1.78
2007-08	7.08	12.23	19.31	18.50	(-) 0.81	4.19
2008-09	9.00	Nil	9.00	8.00	(-) 1.00	11.00
2009-10	8.47	Nil	8.47	8.47	Nil	Nil

APPENDIX –5.1

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2010 in respect of Government companies

(Figures in column 5 (a) to 6 (c) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Department	Month & year of incorporation	Paid-up Capital#				Loans outstanding* at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year)	Manpower (No. of employees) (as on 31.3.2010)
				State	Central	Others	Total	State	Central	Others	Total		
A. Working Government Companies													
FINANCING													
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	Industries	Aug/78	2.15	-	-	2.15	7.14	-	0.46	7.60	3..53:1 (3.32:1)	22
Total of the Sector				**2.15**	**-**	**-**	**2.15**	**7.14**	**-**	**0.46**	**7.60**	**3.53 :1 (3.32:1)**	**22**
MINING													
2	Arunachal Pradesh Mineral Development and Trading Corporation Limited	Geology and Mining	Mar/91	2.43	-	-	2.43	-	-	-	-	- -	30
Total of the Sector				**2.43**	**-**	**-**	**2.43**	**-**	**-**	**-**	**-**	**- -**	**30**
FOREST													
3.	Arunachal Pradesh Forest Corporation Limited	Forest	Mar/77	4.50	-	-	4.50	-	-	-	-	- -	65
Total of the Sector				**4.50**	**-**	**-**	**4.50**					**- -**	**65**
POLICE													
4.	Arunchal Police Housing and Welfare Corporation Limited	Police	Nov/05	0.02	-	-	0.02	-	-	-	-	-	25
Total of the Sector				**0.02**	**-**	**-**	**0.02**	**-**		**-**	**-**	**-**	**25**
POWER													
5	Hydro Power Development Corporation of Arunachal Pradesh Limited	Power	Dec/06	7.50Δ	-	-	7.50	20.37	-	-	20.37	2.12:1	8
Total of the Sector				**7.50**	**-**	**-**	**7.50**	**20.37**	**-**	**-**	**20.37**	**2.12:1**	**8**
Total of A				**16.60**	**-**	**-**	**16.60**	**27.51**	**-**	**0.46**	**27.97**	**1.68:1 (0.51:1)**	**150**

\# *Paid-up-capital includes Share application money also.*

* *Loans outstanding at the close of 2008-09 represents long-term loan only.*

***Note:** Figures are provisional as given by the Companies*

Δ Includes advance against share capital ₹ 2.50 crore

Sl. No.	Sector & Name of the Company	Department	Month & year of incorporation	Paid-up Capital[#]				Loans outstanding[•] at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year)	Manpower (No. of employees) (as on 31.3.2010)
				State	Central	Others	Total	State	Central	Others	Total		
B. Non-Working Government Companies													
CEMENT													
6.	Parasuram Cements Limited	Industries	Jan/85	0.24	-	-	0.24	-	-	1.37	1.37	9.79 :1 (9.79:1)	
Total of the Sector				**0.24**	-	-	**0.24**	-	-	**1.37**	**1.37**	**9.79 :1 (9.79:1)**	-
FRUIT PROCESSING													
7.	Arunachal Horticulture Processing Industries Limited	Industries	May/82	0.19	-	-	0.19	-	-	1.36	1.36	7..15:1 (7.15:1)	-
Total of the Sector				**0.19**	-	-	**0.19**	-	-	**1.36**	**1.36**	**7.15:1 (7.15:1)**	-
Total of B				**0.43**		-	**0.**	-	-	**2.7**	**2.73**	**8.27:1 (8.27:1)**	-
Grand Total (A+B)				**17.03**		-	**17.0**	**27.51**	-	**3.19**	**30.70**	**1.80:1 (1.29:1)**	**150**

APPENDIX – 5.2

Summarised financial results of Government companies for the latest year for which accounts were finalised

(Figures in column 5 (a) to (6) and (8) to (10) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed□	Return on capital employed[ψ]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
A. Working Government Companies														
FINANCING														
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	2008-09	2009-10	0.89	0.69	0.06	0.14	2.63	-	2.15	(-) 12.68	26.35	0.83	3.15
Total of the Sector				**0.89**	**0.69**	**0.06**	**0.14**	**2.63**	**-**	**2.15**	**(-)12.68**	**26.35**	**0.83**	**3.15**
MINING														
2	Arunachal Pradesh Mineral Development and Trading Corporation Limited	1993-94	2000-01	(-) 0.10	-	0.03	(-) 0.13	0.06	-	0.99	(-) 0.25	0.74	(-) 0.13	-
Total of the Sector				**(-) 0.10**	**-**	**0.03**	**(-) 0.13**	**0.06**	**-**	**0.99**	**(-) 0.25**	**0.74**	**(-) 0.13**	**-**
FOREST														
3.	Arunachal Pradesh Forest Corporation Limited	1998-99	2004-05	(-) 2.58	-	0.51	(-) 3.09	3..32	-	4.50	(+) 16.40	24..31	(-) 3.09	-
Total of the Sector				**(-) 2.58**	**-**	**0.51**	**(-) 3.09**	**3..32**	**-**	**4.50**	**(+) 16.40**	**24.31**	**(-) 3.09**	**-**
POLICE														
4.	Arunchal Police Housing and Welfare Corporation Limited	2008-09	2010-11	0.71	-	0.06	0.65	1.78	-	0.02	1.77	2.49	0.65	26.10
Total of the Sector				**0.71**	**-**	**0.06**	**0.65**	**1.78**	**-**	**0.02**	**1.77**	**2.49**	**0.65**	**26.10**
POWER														
5	Hydro Power Development Corporation of Arunachal Pradesh	2007-08	2009-10	0.04	-	0.04	♦ -	-	-	-	-	(-)0.20	-	-
Total of the Sector				**0.04**	**-**	**0.04**	**-**	**-**	**-**	**-**	**-**	**(-)0.20**	**-**	**-**
Total of A				**(-)1.04**	**0.69**	**0.70**	**(-)2.43**	**7.79**	**-**	**7.66**	**5.24**	**53.69**	**(-)1.74**	**(-)3.24**

□ *Capital employed represents net fixed assets (including capital work-in-progress) plus working capital.*

ψ *For calculating total return on capital employed, interest on borrowed fund is added to net profit/ subtracted from the loss as disclosed in profit and loss account.*

♦ -Net profit of the company for the year 2007-08 was ₹ 26,279.00 only

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments[#]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[□]	Return on capital employed[Ψ]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
B. Non-Working Government Companies														
CEMENT														
6.	Parasuram Cements Limited	1992-93	2010-11	0.01	0.09	0.05	(-)0.13	0.45	-	0.14	(-)1.18	0.92	(-)0.04	-
Total of the Sector				**0.01**	**0.09**	**0.05**	**(-)0.13**	**0.45**	**-**	**0.14**	**(-)1.18**	**0.92**	**(-)0.04**	-
FRUIT PROCESSING														
7.	Arunachal Horticulture Processing Industries Limited	1986-87	2009-10	-	-	-	-	-	-	0.19	-	-	-	-
Total of the Sector				-	-	-	-	-	-	0.19	-	-	-	-
Total of B				0.01	0.09	**0.05**	(-)0.13	0.45	**-**	**0.33**	(-)1.18	0.92	(-)0.04	**-**
Grand Total (A+B)				**(-)1.03**	**0.78**	**0.75**	**(-)2.56**	**8.24**	**-**	**7.99**	**4.06**	**54.61**	**(-)1.78**	**(-)3.26**

APPENDIX – 5.3

Statement showing equity/loans, received out of budget, grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and Loans converted into equity during the year and guarantee commitment at the end of March 2010

(Figures in column 3 (a) to 6 (d) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[¥]		Waiver of dues during the year			
		Equity	Loans	Central	State	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
FINANCING													
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	-	-	-	-	0.02	0.02	-	2.00	-	-	-	-
Total of the Sector			**-**	**-**	**-**	**0.02**	**0.02**	**-**	**2.00**	**-**	**-**	**-**	**-**
Power													
3	Hydro Power Corporation of Arunachal Pradesh Limited	2.50□	20.37	-	-	-	-	-	-	-	-	-	-
Total of the Sector		**2.50**	**20.37**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total		**2.50**	**20.37**	**-**	**-**	**0.02**	**0.02**	**-**	**2.00**	**-**	**-**	**-**	**-**

□Advance against share capital pending issue of shares.

APPENDIX -5.4

Statement shown on investments made by the State Government in working PSUs by way of equity, loans, grants and others during the period which the accounts have not been finalized as on 30 September 2010.

(Rupees in crore)

	Name of the PSU	Year upto which Accounts finalized	Paid up capital as per latest finalized accounts	Investment made by State Government during the years for which accounts are in arrears				
				Year	Equity	Loans	Grants	Others (for repayment of loan)
A. Working Companies/Corporation								
1.	**Sector : Financing** Arunachal Pradesh Industrial Development and Financial Corporation Limited	2008-09	2.15	2007-208	--	7.14	--	--
2.	**Sector : Mining** Arunachal Pradesh Mineral Development and Trading Corporation Limited	1993-94	0.99	1994-95	0.32	--	--	--
				1995-96	0.27	--	--	--
				1996-97	0.15	--	--	--
				1997-98	0.12	--	--	--
				1998-99	0.10	--	--	--
				1999-00	0.18	--	--	--
				2000-01	0.20	--	--	--
				2002-03	0.05	--	--	--
				2005-06		--	1.15	--
				2006-07	--	0.15	--	--
				2007-08	--	--	--	--
				2008-09	0.05	--	--	--
				2009-10	--	--	--	--
3.	**Sector : Forest** Arunachal Pradesh Forest Corporation Limited	1998-99	4.50	2003-04	--	--	--	3.72
				2004-05	--	--	--	3.41
				2005-06	--	--	5.00	3.07
				2006-07	--	--	--	2.73
				2007-08	--	--	0.85	2.40
				2008-09	--	--	--	--
				2009-10	--	--	--	--
4.	**Sector : Police** Arunchal Police Housing and Welfare Corporation Limited	2008-09	0.02	2006-07	--	--	--	--
				2007-08	--	--	--	--
				2008-09	--	--	--	--
				2009-10	--	--	--	--
5.	**Sector : Power** Hydro Power Development Corporation of Arunachal Pradesh	2007-08	--	2007-08	--	--	0.73	--
				2008-09	5.00	--	--	--
				2009-10	2.50	20.37	--	--
Total of A			7.66		8.94	27.66	7.73	15.33
B. Non-Working Companies/Corporation								
6.	**Sector : Cement** Parasuram Cements Limited	1992-93	0.14	1990-91 to	--	1.36	--	--
Total of B			0.14		--	1.36	--	--
Grand Total (A+B)			7.80		8.94	29.02	7.73	15.33

Appendix - 5.5

Operational Performance

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1	**Installed capacity**			(kWH)		
a)	Hydel	32.66	32.66	33.72	43.72	57.39
b)	Diesel	25	25	25	25	25
c)	Other	-	-	-	-	-
	TOTAL	57.66	57.66	58.72	68.72	82.39
2	Normal maximum demand	600	700	1000	1260	1575
	Percentage increase/decrease (-) over previous year	N.A.	16.66	42.86	26	25
3	**Power generated**					
a)	Hydel	45.67	51.51	52.21	51.29	55.52
b)	Diesel	6.35	5.70	4.89	3.55	0.81
c)	Other					
	TOTAL	52.02	57.21	57.10	54.84	56.33
	Percentage increase/decrease (-) over previous year	N.A.	9.78	-0.02	-3.96	2.72
4	LESS: Auxiliary consumption					
a)	Hydel	0.90	1.42	1.54	1.51	1.39
	(Percentage)	1.97	2.76	2.95	2.94	2.50
b)	Diesel	0.28	0.27	0.24	0.24	0.05
	(Percentage)	4.41	4.74	4.91	6.76	6.17
c)	Other	-	-	-	-	-
	(Percentage)	-	-	-	-	-
	TOTAL	1.18	1.69	1.78	1.75	1.44
5	Net power generated	50.84	55.52	55.32	53.09	54.89
6	Total demand (in MUs) considering average demand	481.8	613.2	744.6	919.8	1182.6
7	Deficit (-)/ Surplus (+) power (in MU)	-430.96	-557.79	-689.29	-866.71	-1127.71
8	Power purchased (including free share)	503.33	452.91	571.01	592.21	432.40
a)	Within the State	N.A.	N.A.	N.A.	N.A.	N.A.
	(i) Government	N.A.	N.A.	N.A.	N.A.	N.A.
	(ii) Private	N.A.	N.A.	N.A.	N.A.	N.A.
b)	Other States	N.A.	N.A.	N.A.	N.A.	N.A.
9	Power sold	N.A.	N.A.	N.A.	N.A.	N.A.
a)	Within the State	100	141.69	169.73	134.8	*
	(i) Government	N.A.	N.A.	N.A.	N.A.	N.A.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
	(ii) Private	N.A.	N.A.	N.A.	N.A.	N.A.
b)	Other States	219.07	193.37	216.96	246.53	*
10	Net deficit/loss due to non-evacuation	N.A.	N.A.	N.A.	N.A.	N.A.
11	Units generated per MW of installed capacity (in Lakh units)	13.48	15.21	15.30	9.07	9.67
12	Plant load Factor (percentage) hydel only	34.80	31.25	33.47	33.51	26.41
13	Percentage of generation to installed capacity (hydel only)	15.90	18.00	17.67	13.39	11.04

* Figure not available

Appendix - 5.6
Project due for renovation

Sl. No.	Name of Hydel Station	Installed Capacity	Year of commissioning	When due for renovation	When actually taken up
1.	Rahung	3 x 250 KW	1972-73	1993	17.08.09
2.	Rupa	2 x 100 KW	1997-98	2003	Not commenced
3.	Dirang	4 x 500 KW	1977-78	1998	Not commenced
4.	Tago	3 x 1500 KW	1992-93	2003	Not commenced
5.	Patte Nallah	1 x 30 KW	2004-05	2007	Not commenced
6.	Siyum	1 x 30 KW	2005-06	2007	Not commenced
7.	Silik Karo at Maro	1 x 30 KW	2002-03	2007	Not commenced
8.	Dulom	4 x 100 KW	1981-82	2002	Not commenced
9.	Pappey Nallah	1 x 10 KW	1995-96	2004	Not commenced
10.	Mai Ph-I	4 x 500 KW	1977-78	1998	07.10.09
11.	Mai Ph-II	2 x 500 KW	1982-83	2003	Not commenced
12.	Yembung	4 x 500 KW	1994-95	2005	Not commenced
13.	Ali	4 x 100 KW	1987-88	2008	15.6.09
14.	Mechuka	2 x 50 KW	1989-90	2008	Not commenced
15.	Pasighat	2 x 100 KW	1974-75	1995	Not commenced
16.	Silli	2 x 250 KW	1994-95	2005	Not commenced
17.	Sikut	2 x 50 KW	1980-81	2001	15.6.09
18.	Pagi	2 x 50 KW	1972-73	1993	Not commenced
19.	Yinkiong Ph-I & Ph-II	3x50 KW + 2 x 100 KW	1980-81 1992-93	2008	Not commenced
20.	Tissue	4 x 100 KW	1986-87	2007	07.10.09
21.	Charju	3 x 200 KW	1984-85	2005	07.10.09
22.	Thirthaju	4 x 250 KW	1978-79	1999	17.08.09
23.	Abhapani MHS at Simiri	1 x 250 KW 2 x 100 KW	1994-95	2005	Not commenced
24.	Deopani Ph-II	3 x 250 KW	2004-05	2007	Not commenced
25.	Chini Afra	1 x 250 KW	2001-02	2004	Not commenced
26.	Tah Afra	1 x 50 KW	2001-02	2008	Not commenced
27.	Kaho	1 x 10 KW	2004-05	2008	Not commenced
28.	Doorah Nallah	4 x 100 KW	1976-77	1997	Not commenced
29.	Tafragram	1 x 250 KW	1984-85	2005	Not commenced
30.	Kipti ph - I	3x500	1977-78	1998	20.12.05
31.	Along	4x100	1975-76	1996	07.01.07
32.	Anini	3x 50	1994-95	2006	19.10.06
33	Deopani I	3x 250	1986-87	2007	31.12.06

Appendix -5.7
Time & Cost over run

Sl. No.	Project Name	When Sanctioned	Due date of completion	Actual/ Anticipated date of completion	Time over run (months)	Original Estimate Cost	Revised Estimate Cost	Actual Amount Spent	Cost over run
1.	Nuranang MHS at Jang (3 x 2000 Kw)	Dec-91	Dec-94	Nov-10	191	985.00	3458.08	3445.72	2473.08
2.	Kitpi MHS over river Kipti Ph-II (2 x 1500 Kw)	Mar-91	Mar-94	Jan-09	178	500.00	3447.32	3382.00	2882.00
3.	Mukto Micro hydel over river Shaikangchu (3 x 2000 Kw)	Mar-91	Mar-94	Mar-11	204	689.17	7798.70	2941.53	7109.53
4.	Bongleng MHS (2 x 50 Kw)	Jun-05	Jun-08	Oct-09	16	114.27	174.61	163.71	49.44
5.	Mago MHS (2 x 50 Kw)	Jun-05	Jun-08	Mar-11	33	140.44	145.44	79.00	5.00
6.	Thimbu MHS (2 x 50 Kw)	Jun-05	Jun-08	Sep-09	15	126.91	201.19	165.55	38.64
7.	Bramdongchung MHS (2 x 50 Kw)	Jun-05	Jun-08	Oct-08	4	105.30	163.17	163.17	57.87
8.	Khet MHS (2 x 50 Kw)	Jun-05	Jun-08	Jun-10	24	144.27	149.27	64.00	5.00
9.	Chellengkang MHS Ph-II (1 x 30 Kw)	Jun-05	Jun-08	Nov-09	17	54.94	54.94	37.99	0.00
10.	Shakti Nallah MHS (2 x 50 Kw)	Jun-05	Jun-08	Mar-09	9	109.32	178.27	178.27	68.95
11.	Bramdongchung MHS Ph-II (2 x 50 Kw)	Aug-08	Aug-11	Mar-11		134.71	134.71		0.00
12.	Tsechu Nallah MHS (2 x 50 Kw)	Aug-08	Aug-11	Mar-11		157.75	157.75		0.00
13.	Nuranang MHS Ph-II (2 x 500 Kw)	Aug-08	Aug-11	Dec-11	4	1473.78	1473.78		0.00
14.	Tawang Gompachu SHEP (2 x 1500 Kw)	Aug-08	Aug-11	Not started		3782.75	3782.75		0.00
15.	Thingbu SHEP (2 x 1500 Kw)	Aug-09	Aug-12	Not started		4498.92	4498.92		0.00
16.	Nyuri Mago SHEP (2 x 2000 Kw)	Aug-09	Aug-12	Not started		6111.19	6111.19		0.00
17.	Domkhrong MHS at Kalaktang (2 x 1000 Kw)	Jan-02	Jan-05	Mar-12	86	499.00	2898.76	2705.22	2399.76
18.	Ankaling MHP (1 x 30 Kw)	Dec-05	Dec-08	Mar-10	15	66.35	66.35	66.34	0.00
19.	Jigaon MHP (2 x 100 Kw)	Dec-05	Dec-08	Mar-11	27	71.85	195.08	13.55	123.23
20.	Dikshi MHP (1 x 30 Kw)	Dec-05	Dec-08	Jun-10	18	56.86	56.86	19.28	0.00

Sl. No.	Project Name	When Sanctioned	Due date of completion	Actual/ Anticipated date of completion	Time over run (months)	Original Estimate Cost	Revised Estimate Cost	Actual Amount Spent	Cost over run
21.	Zhangdongrong MHS at Sangey (2 x 500 Kw)	Aug-08	Aug-11	Dec-11	4	1406.44	1406.44		0.00
22.	Khajalong MHS at Khajalong (2 x 1000 Kw)	Aug-08	Aug-11	Dec-11	4	2473.08	2473.08		0.00
23.	Khadiyabey MHS (2 x 100 Kw)	Aug-08	Aug-11	Dec-11	4	282.91	282.91		0.00
24.	Pacha MHS at Seppa (2 x 1500 Kw)	Apr-94	Apr-97	Aug-09	149	471.88	3992.80	3992.79	3520.92
25.	Mini Hydel Project over Pakoti river at Seppa (2 x 50 Kw)	Mar-07	Mar-10	Mar-11	12	138.37	138.37		0.00
26.	Patta Nallah at Lumdung (2 x 50 Kw)	Aug-08	Aug-11	Mar-11		140.80	140.80		0.00
27.	Watte Mame MHS at Waii (1 x 50 Kw)	Aug-08	Aug-11	Mar-11		145.50	145.50		0.00
28.	Kade Nallah MHP at Kadea (1 x 50 Kw)	Aug-08	Aug-11	Mar-11		95.09	95.09		0.00
29.	Augmentation of Mai Ph-I, Ph-II and Tago MHS by diverting Pange river to Mai (Civil Works only)	Mar-93	Mar-96	Mar-11	180	103.77	575.00	174.55	471.23
30.	Pange MHP at Hake Tari (2 x 1000 Kw)	Jul-09	Jul-12	Not started		2389.00	2389.00		0.00
31.	Sippi SHP (2 x 2000 Kw)	Mar-91	Mar-94	Aug-08	174	1106.41	3832.92		2726.51
32.	Taksing MHS at Taksing (2 x 250 Kw)	Jun-09	Jun-12	Not started		395.00	395.00		0.00
33.	Pinto Karo MHS near Aki Nirin (1 x 30 Kw)	Aug-08	Aug-11	Mar-11		83.11	83.11		0.00
34.	Sikin Koro MHS under Gusar Circle (2 x 100 Kw)	Aug-08	Aug-11	Dec-11	4	387.61	387.61		0.00
35.	Sinyum-Koro MHS under Dumporijo (2 x 50 Kw)	Aug-08	Aug-11	Mar-11		197.06	197.06		0.00
36.	Kojin Nallah MHS near Taliah (2 x 50 Kw)	Aug-08	Aug-11	Mar-11		184.35	184.35		0.00
37.	Kush MHS at Sangram (2 x 1000 Kw)	Mar-91	Mar-94	Dec-11	213	431.15	2568.97	1530.59	2137.82
38.	Payu MHS at Koloriang (2 x 500 Kw)	Mar-91	Mar-94	Dec-11	213	337.66	1100.50	166.78	762.84

Sl. No.	Project Name	When Sanctioned	Due date of completion	Actual/ Anticipated date of completion	Time over run (months)	Original Estimate Cost	Revised Estimate Cost	Actual Amount Spent	Cost over run
39.	Chambang MHP (1 x 30 Kw)	Sep-05	Sep-08	Mar-11	30	109.55	109.55	10.00	0.00
40.	Kidding MHS (2 x 250 Kw)	Jun-07	Jun-10	Dec-11	18	700.00	700.00		0.00
41.	Pagu MHS under Palin Circle (2 x 1000 Kw)	Mar-09	Mar-12	Mar-11		2274.00	2274.00	73.56	0.00
42.	MHP over Koye river at Leel (1 x 50 Kw)	Aug-08	Aug-11	Mar-10		98.00	98.00	34.58	0.00
43.	Fure MHP at Damin (1 x 50 Kw)	Aug-08	Aug-11	Mar-11		238.69	238.69		0.00
44.	Paya MHS at Hiya (2 x 50 Kw)	Aug-08	Aug-11	Mar-11		237.93	237.93		0.00
45.	Payu MHS at Pinchi (2 x 250 Kw)	Aug-08	Aug-11	Dec-11	4	939.21	939.21		0.00
46.	Liromoba MHS at Liromoba (2 x 1000 Kw)	Jan-02	Jan-05	Apr-09	51	497.49	3073.73	3073.73	2576.24
47.	Kambang MHS (3 x 2000 Kw)	Mar-93	Mar-96	Nov-09	164	1072.61	5636.99	4760.00	3687.39
48.	MHS over river Yingko Sikong at Rapum Village under Tato Circle (1 x 50 Kw)	Mar-07	Mar-10	Mar-10	0	40.14	86.05	40.14	45.91
49.	Micro Hydel Scheme at Angu (1 x 50 Kw)	Mar-07	Mar-10	Sep-10	6	39.46	39.46	17.49	0.00
50.	Shri Korong MHS at Hollong (Lhalung) village under Mechuka Circle (2 x 250 Kw)	Aug-08	Aug-11	Dec-11	4	646.11	646.11		0.00
51.	Solegomang MHS at Lingdungloti village under Mechuka Circle (1 x 50 Kw)	Aug-08	Aug-11	Mar-11		88.83	88.83		0.00
52.	Borung MHS at Monigong (1 x 50 Kw)	Aug-08	Aug-11	Mar-11		175.00	175.00		0.00
53.	Sidip MHS at Mariyang (3 x 1000 Kw)	Jan-02	Jan-05	Dec-11	83	621.91	3509.08	2193.50	2887.17
54.	Sipit MHS at Gette (2 x 1000 Kw)	Jan-02	Jan-05	Dec-11	83	446.53	2187.53	2167.53	1741.00
55.	Angong Nallah MHS near Janbo (3 x 1500 Kw)	Mar-04	Mar-07	Mar-11	48	3470.00	3968.95	2141.76	498.95
56.	Gosang MHS at Gosang (2 x 250 Kw)	Mar-05	Mar-07	Sep-10	42	826.00	835.04	331.89	9.04
57.	Kote MHS at Migging (1 x 50 Kw)	Aug-08	Aug-11	Mar-11		96.70	96.70		0.00

Sl. No.	Project Name	When Sanctioned	Due date of completion	Actual/ Anticipated date of completion	Time over run (months)	Original Estimate Cost	Revised Estimate Cost	Actual Amount Spent	Cost over run
58.	Mayung MHS (1 x 5 Kw)	Aug-08	Aug-11	Mar-10		22.22	22.22	9.06	0.00
59.	Sika MHS at Likor (1 x 15 Kw)	Aug-08	Aug-11	Mar-10		50.00	50.00	20.14	0.00
60.	Sijen MHS at Adi Pasi (1 x 50 Kw)	Aug-08	Aug-11	Mar-11		91.41	91.41		0.00
61.	Pyabung MHS at Rebo (1 x 30 Kw)	Aug-08	Aug-11	Mar-11		74.13	74.13		0.00
62.	Subbung MHS near Supsing village (3 x 1000 Kw)	Mar-96	Mar-99	Mar-11	144	3270.00	3270.00	586.45	0.00
63.	Rina MHS over Simen river (2 x 1000 Kw)	Nov-01	Nov-04	Jun-09	58	2048.28	2947.17	3024.45	976.17
64.	Birem Korang/Ibrom Korong Micro Hydel near Dambuk (2 x 50 Kw)	Jul-06	Jul-09	Not started		123.49	123.49		0.00
65.	Mini Hydel (2 x 200 Kw) over Echi Ahfra near New Anaya under Arju Circle	Oct-02	Oct-05	Apr-06	6	37.42	518.40	518.40	480.98
66.	Aug. of Awapani MHS (Erectionof Turbine and other Civil Allied works	Mar-98	Mar-01	Apr-06	61	516.16	619.22	619.22	103.06
67.	Nee Nalah Micro hydel Project (2 x 20 Kw)	Jul-06	Jul-09	Mar-11	20	75.72	75.72		0.00
68.	Chu Nallah Micro Hydel at Mipi (2 x 20 Kw)	Jul-06	Jul-09	Mar-11	20	73.84	73.84		0.00
69.	Echito Nallah Micro Hydel at Acheso (C.O. Hq.) (2 x 20 Kw)	Jul-06	Jul-09	Mar-11	20	74.04	74.04	11.08	0.00
70.	Rupa Pani Micro Hydel at Punli (2 x 20 Kw)	Jul-06	Jul-09	Sep-10	14	74.65	74.65	10.00	0.00
71.	Awapani MHS near Gepuline (2 x 250 Kw)	Aug-08	Aug-11	Mar-11		714.56	714.56		0.00
72.	Dus Nallah MHS at Dimwe near Tezu (2 x 250 Kw)	Nov-01	Nov-04	Not started/ Washed away		404.87	682.81	414.78	9.91

Sl. No.	Project Name	When Sanctioned	Due date of completion	Actual/ Anticipated date of completion	Time over run (months)	Original Estimate Cost	Revised Estimate Cost	Actual Amount Spent	Cost over run
73.	Yapak Nallah MHS at Walong in Lohit District (2 x 100 Kw)	Nov-01	Nov-04	Apr-07	29	317.71	535.21	535.21	217.50
74.	Mati Nallah MHS at Chingwinti (2 x 250 Kw)	Mar-98	Mar-01	Jun-05	51	598.56	736.19	715.69	137.63
75.	Halaipani HEP (4 x 3000 Kw)	Feb-02	Feb-05	Mar-12	85	6429.93	11240.50	3315.94	4810.57
76.	Langpani MHS at Gimliyang over Langpani river (2 x 200 Kw)	Apr-04	Apr-07	Mar-11	41	543.91	566.43	160.56	22.52
77.	Teepani MHS (2 x 250 Kw)	Mar-05	Mar-08	Sep-09	18	543.91	784.75	675.47	131.56
78.	Tah Nallah MHP (2 x 50 Kw)	Jun-06	Jul-09	Mar-10	8	122.99	122.99	75.80	0.00
79.	Krawti Nallah MHP (2 x 50 Kw)	Jun-06	Jul-09	Mar-10	8	119.07	119.07	84.37	0.00
80.	Ashapani MHP (2 x 30 Kw)	Jun-06	Jul-09	Sep-10	14	99.98	99.98	52.66	0.00
81.	Hathipani MHP (2 x 30 Kw)	Jun-06	Jul-09	Sep-10	14	120.44	120.44	70.60	0.00
82.	Maipani MHP (2 x 30 Kw)	Jun-06	Jul-09	Mar-11	20	98.14	98.14	62.20	0.00
83.	Kachopani MHP (2 x 100 Kw)	Jun-06	Jul-09	Mar-11	20	393.33	398.20	202.49	4.87
84.	MHS over Ngonalo at Vijay Nagar (2 x 50 Kw)	Dec-02	Dec-05	Jun-10	54	408.45	411.91	172.93	3.46
85.	Pakhan Kha MHS near Devapuri (2 x 250 Kw)	May-07	May-10	Dec-11	18	524.00	524.00		0.00
86.	Tissue Ph-II Mini Hydel Project 500 Kw	Jul-06	Jul-09	Not started		617.00	617.00		0.00
87.	Chicklong Mini Hydel Project 50 Kw	Jul-06	Jul-09	Jun-10	11	98.14	98.14	99.00	0.00
88.	Tining Mini Hydel Project (2 x 30 Kw)	Jul-06	Jul-09	Mar-11	20	99.98	99.98	12.01	0.00
89.	Namchik Mini Hydel Project (2 x 250 Kw)	Jul-06	Jul-09	Dec-11	29	696.00	696.00		0.00
90.	Jongkey Nallah MHS near Somlang (1 x 30 Kw)	Aug-08	Aug-11	Mar-11		144.50	144.50		0.00
91.	Namchik Ph-II MHS (2 x 150 Kw)	Aug-08	Aug-11	Mar-11		350.14	350.14		0.00
92.	Nongthe Nallah (2 x 250 KW)	Aug-08	Aug-11	Mar-11		350.14	350.14		0.00

Sl. No.	Project Name	When Sanctioned	Due date of completion	Actual/ Anticipated date of completion	Time over run (months)	Original Estimate Cost	Revised Estimate Cost	Actual Amount Spent	Cost over run
93.	Namgoi Pani (2 x 50 KW)	Aug-08	Aug-11	Mar-11		142.80	142.80		0.00
94.	Tahin Nallah MHS near Dadum Village (2 x 50 Kw)	Aug-08	Aug-11	Mar-11		222.98	222.98		0.00
95.	Tirru Nallah MHS near Rusa Village (2 x 50 KW)	Aug-08	Aug-11	Mar-11		224.50	224.50		0.00
96.	C/o 60 Nos. Small Hydel Stations of different sizes upto 50 Kw capacity in different areas in A.P.	Mar-98	Mar-01			1500.00	1986.73	1986.73	486.73
a)	Sinchung MHS at Sinchung (1 x 50 Kw)	Mar-98	Mar-01	Mar-10	108				
b)	Singa MHS at Singa (1 x 30 Kw)	Mar-98	Mar-01	Mar-10	108				
c)	Silingri MHP at Geling (1 x 50 Kw)	Mar-98	Mar-01	Mar-10	108				
d)	Ngaming MHS at Naming village (1 x 50 Kw)	Mar-98	Mar-01	Feb-10	107				
e)	Kopu MHP near Tuting (1 x 250 Kw)	Mar-98	Mar-01	Apr-06	61				
f)	Sumhok Nallah at Noglo under Lazu Circle (2 x 50 Kw)	Mar-98	Mar-01	Mar-11	120				
	Total time over run				**3726**				**43662.48**