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**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF
INDIA**

on

**(SOCIAL, ECONOMIC, GENERAL,
REVENUE AND ECONOMIC (PSUs) SECTORS)**

FOR THE YEAR ENDED MARCH 2015



**Government of Arunachal Pradesh
(Report No. 1 of 2016)**

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**GOVERNMENT OF ARUNACHAL PRADESH
(REPORT NO. 1 OF 2016)**

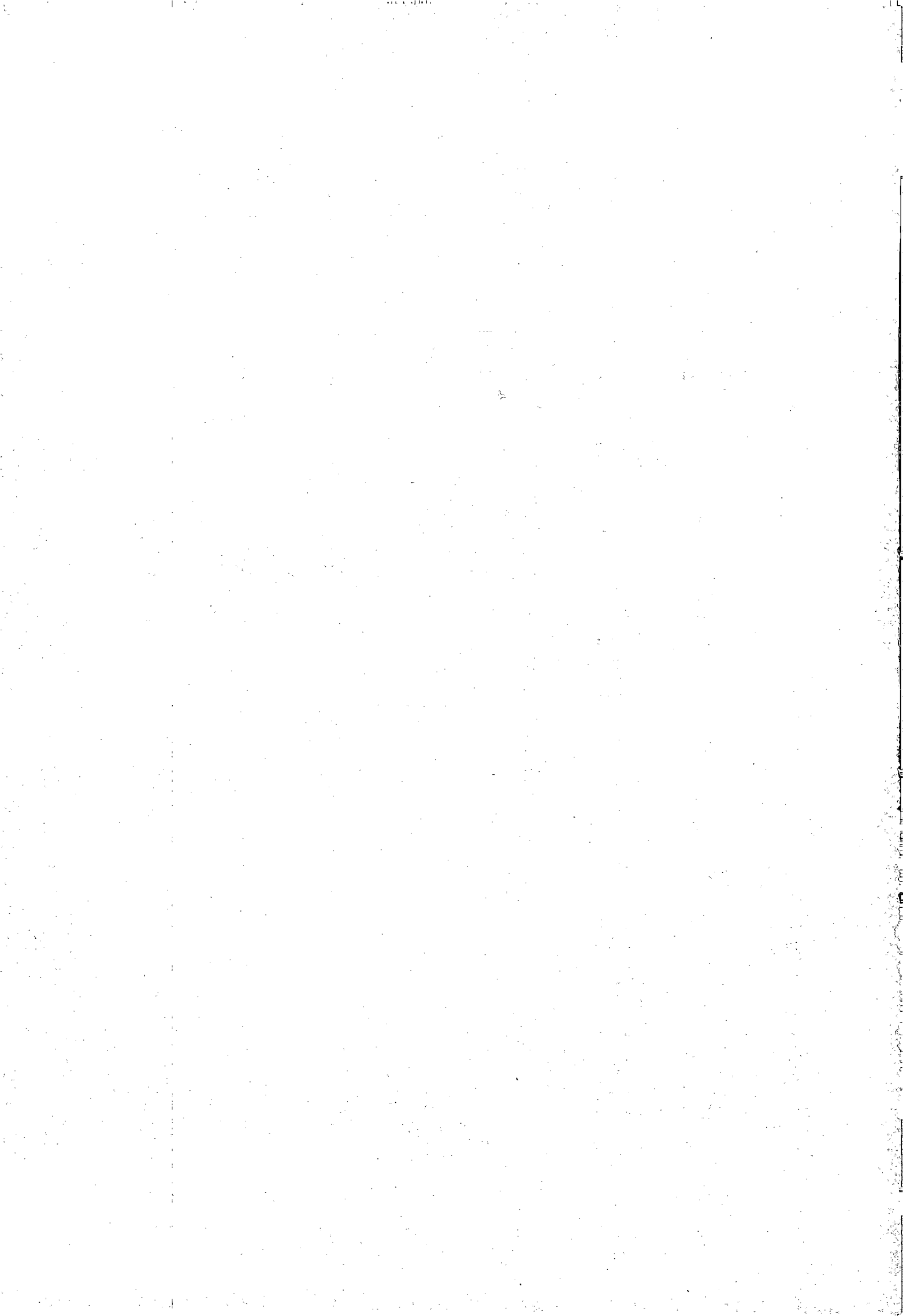


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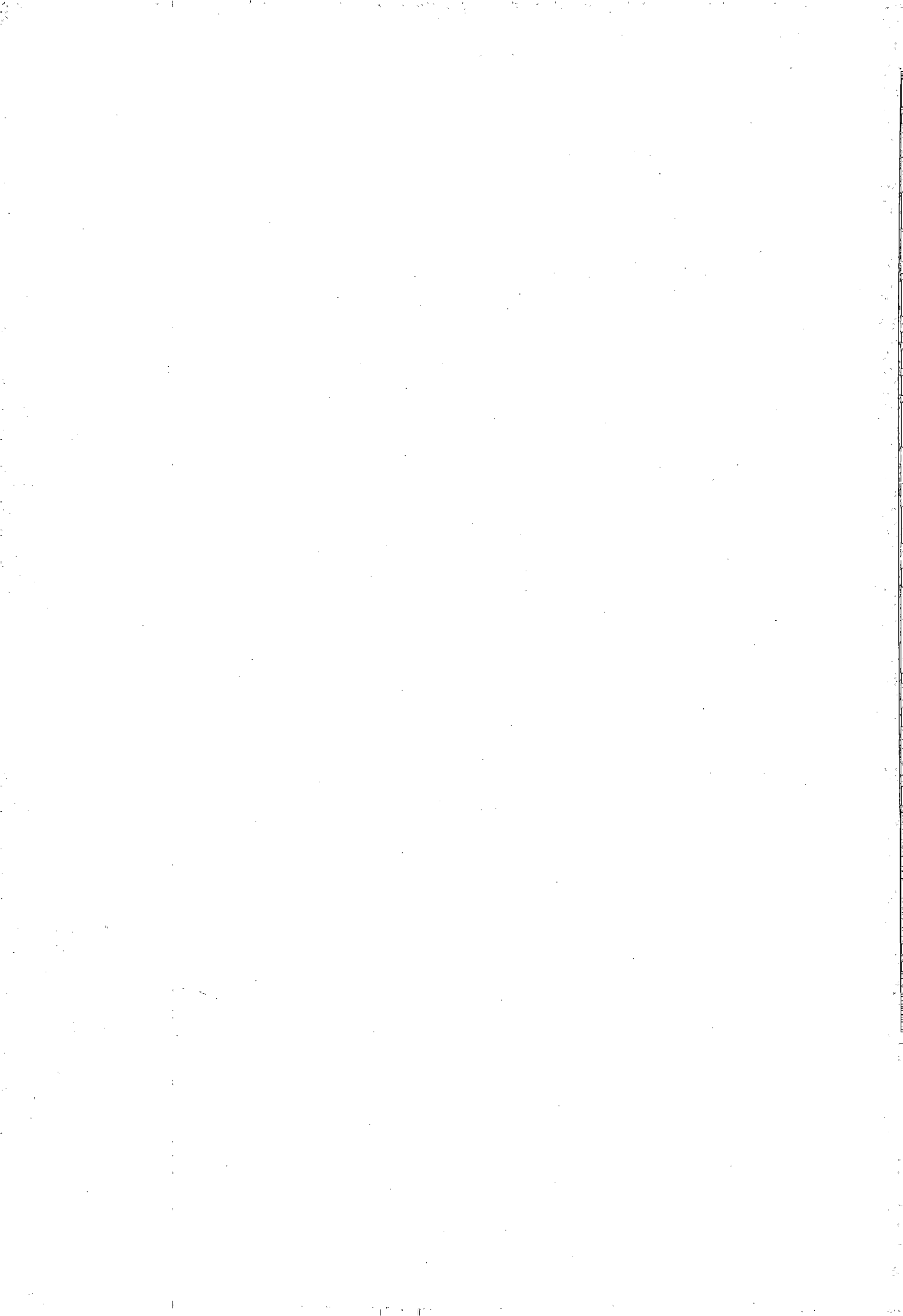
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PREFACE

1. This Report of the Comptroller and Auditor General of India has been prepared for submission to the Governor of Arunachal Pradesh under Article 151 of the Constitution of India.
2. This Report contains significant results of performance audit and compliance audit of the Departments of the Government of Arunachal Pradesh under Social, Economic, General, Revenue and Economic (PSUs) Sectors including Skill Development and Employment Generation Department, Rural Works Department, Tourism Department, Public Works Department, Water Resources Department, Urban Development and Housing Department, Taxation Department, State Excise Department, Land Management Department, Power Department and Industries Department.
3. The cases mentioned in the Report are those which came to notice in the course of test audit during the year 2014-15, as well as those which came to notice in earlier years, but could not be dealt with in the previous Reports. Matters relating to the period subsequent to 2014-15 have also been included, wherever necessary.
4. The audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.



EXECUTIVE SUMMARY

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

This Report contains three Performance audits and twenty-two compliance audit paragraphs. According to the existing arrangements, copies of the draft compliance audit and draft performance reviews were sent to the concerned Secretaries/Principal Secretaries to the State Government with a request to furnish replies within six weeks. The Secretaries/Principal Secretaries were also reminded for replies. Besides, a demi-official letter was also sent to the Chief Secretary to the State Government on the issues raised in the draft audit paragraphs, draft performance reviews *etc.*, for inclusion of the views/comments of the Government in the Audit Report. Despite such efforts, replies were not received in respect of twenty compliance audit paragraphs from the concerned Principal Secretaries/Secretaries to the State Government.

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

Chapter-I: Social Sector

Performance Audit

Skill Development and Employment Generation Department

Functioning of Industrial Training Institutes (ITIs)

The main objective of Industrial Training Institute (ITIs) is to ensure a steady flow of skilled workers in different trades for the industry. ITIs impart industrial training in different trades mainly to the less privileged, poor and down-trodden school leaving youth so that they acquire technical skills for gainful employment. Some of the major audit findings are highlighted below:

Highlights

- *Four newly sanctioned ITIs under Centrally Sponsored Scheme are not likely to be functional by the target date of March 2017.*
- *Nine new trades in three ITIs under upgradation scheme could not commence even after delay of four years and funds of ₹67.89 lakh remained unutilized.*
- *Upgradation of four ITIs under Public Private Partnership model remained incomplete even after target date due to poor utilization of funds ranging between 8.80 and 46.40 per cent.*
- *Funds of ₹ 199.16 lakh released by GoI for supplementing deficient infrastructure in ITIs was kept in the bank account by Arunachal Pradesh Skill*

Development Society without releasing the same to ITIs for period ranging from seven to twenty-five months leading to non-completion of scheme.

- *Upgradation of two out of ten trades at ITI Roing under Vocational Training Improvement Programme remained incomplete in even after eight years from the date of sanction due to slow release of funds.*
- *Non-implementation of Apprenticeship Training Scheme in the state deprived the trainees of the opportunity to upgrade their skills meant for gainful employment.*
- *ITIs lacked adequate infrastructure such as class rooms, workshops, hostels and basic amenities.*
- *Shortage of tools and equipment to the extent of 37 to 61 per cent were noticed in ITIs, which has bearing on the quality of training imparted in ITIs.*
- *There was shortfall in inspection of ITIs conducted at the Directorate and Tripartite level.*

(Paragraph 1.2)

Compliance Audit Paragraphs

The Department of Urban Development and Housing paid an excess amount of ₹ 16.39 crore to Arunachal Pradesh Infrastructure Development Corporation Limited (A joint venture of M/s U.S. Roofs, Mumbai and Arunachal Pradesh Industrial Development & Financial Corporation Limited (APIDFC Ltd) - a State Public Sector Undertaking) without regulating the payment with reference to physical progress of the project for construction of MLA Hostel. The Department did not obtain performance guarantee and security deposit as required under the rules from the firm to ensure the performance of the contract. The construction was abandoned since December 2013. The contract was terminated in July 2015 and ₹ 67.69 crore incurred on the construction has been rendered unfruitful.

(Paragraph 1.3)

Chapter-II: Economic Sector

Performance Audit

Department of Tourism

Development of Tourism Infrastructure

The Department of Tourism is responsible for promotion of tourism in the State through planning and development of infrastructure and marketing of Arunachal Pradesh as tourist destination. A number of schemes were funded by the GoI under Centrally Sponsored Schemes to boost tourism in the State. The State Government has also taken up new initiatives for promotion of tourism such as eco-tourism, rural tourism, adventure tourism, etc. Performance Audit of the department revealed several deficiencies in

planning and in the operationalisation of infrastructure already created for tourism purposes. Some major audit findings are highlighted below:

Highlights

- *The State Government has neither approved the Tourism Master Plan prepared by a Consultant in 2005 nor the Tourism Development Plan developed by Indian National Trust for Art & Cultural Heritage (INTACH) in 2010.*
- *There was underutilization of funds under Capital section during the period 2010-11 to 2014-15 ranging from 15.51 per cent to 56.52 per cent.*
- *Out of 31 projects due for completion by March 2015, only 14 projects were completed within the scheduled time frame, while seven projects were completed with time overruns ranging from 3 to 33 months, and the 10 projects are still incomplete.*
- *Inability of the Department in utilizing the 28 tourist facilities created at a cost of ₹56.40 crore rendered the entire expenditure idle/unproductive.*
- *Capacity building programmes undertaken by the Department have not achieved the desired objectives.*
- *Several deficiencies were noticed in implementation of promotional activities. Assets created for promoting tourism have not been operationised due to non-release of last instalments and manpower constraints.*
- *The monitoring and internal control mechanism were inadequate and need further strengthening.*

(Paragraph 2.2)

Rural Works Department

Pradhan Mantri Gram Sadak Yojana (PMGSY)

Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched by the Government of India (GoI) in December 2000 with 100 per cent central funding with the objective of providing all-weather road connectivity in rural areas. In Arunachal Pradesh, PMGSY has been taken up in 10 phases since 2000. The ninth and tenth phases of the programme were being implemented during 2010-15.

The State has been moderately successful in fulfilling the objective of providing connectivity to the eligible habitations. However, the scheme was not implemented in a time bound manner. Instances of shortcomings/ lapses in the implementation of the scheme such as delay in award of tender, short collection of performance security, non-deduction of security deposit, deviation from technical specification, execution of work without approval, incurring of excess expenditure, delay in completion of work, etc. were noticed. Some major audit findings are highlighted below:

Highlights:

- *Though the block level Comprehensive New Connectivity Priority Lists (CNCPL) were prepared in six sample districts, Panchayat members were not involved in their finalization.*
- *In three sample districts, nine road works were undertaken to provide connectivity for 19 habitations and an expenditure of ₹45.43 crore incurred on the work. These habitations were included in block level CNCPL though these were not eligible under PMGSY as the population of these habitations were below 250.*
- *Sixty six per cent of the selected projects were awarded with delay ranging from two to 29 months due to delay in according technical sanction attributed to deficiencies in the preparation of Detailed Project Reports.*
- *Though target of connecting 49 habitations (1000 + population) and 112 habitations (500 + population) have been fully achieved, under the category of 250 plus population, 46 targeted habitations were yet to be provided connectivity as on 31 March 2015. Further, roads with cumulative length of 1628.69 km for new connectivity and 42.18 km for up gradation were yet to be sanctioned as of March 2015.*
- *There were delays in completion of projects by two to six years in 50 per cent of the completed works. Regarding ongoing projects, the delays ranged between two to five years mainly due to slow release of funds and poor project management.*
- *Shortfall in inspection by State Quality Monitors resulted in non-inspection of 39 works till March 2015.*

(Paragraph 2.3)

Compliance Audit Paragraphs

Executive Engineer, Rural Works Department (RWD), Seppa failed to exercise due diligence while evaluating tenders overlooking the huge difference in rates quoted for two works by the same contractor involving similar items of works being executed almost at same time in close vicinity. As a consequence, higher rates were allowed for one work which resulted in undue benefit of ₹ 102.94 lakh to the contractor.

(Paragraph 2.4)

Executive Engineer, RWD, Ziro Division incurred expenditure of ₹ 493 lakh on formation cutting for a total length of 9.50 km (6 metre width) relating to construction of Road from New Pania to Neuliber (Stage-I). Of this expenditure incurred on formation cutting, the expenditure of ₹ 473 lakh was doubtful as this item of work was already executed by PWD way back in 1987-88 before the same stretch of road was handed over to Rural Works Department in January 2015.

(Paragraph 2.5)

Executive Engineer, Public Works Department, Gensi Division executed works at rates higher than estimated rates without inviting tenders. As a result, undue benefit of ₹ 58.04 lakh was extended to contractors besides leaving one item of work unexecuted.

(Paragraph 2.6)

Due to hiring of bulldozers and Tractor with Trailer at a higher rate than the approved rate of Arunachal Pradesh Schedule of Rates 2012, Mariang Public Works Division incurred an extra expenditure of ₹ 26.77 lakh

(Paragraph 2.7)

Executive Engineer, PWD Tezu Division diverted ₹ 145.17 lakh from a road work under Rural Infrastructure Development Fund financed by National Bank of Agriculture and Rural Development and the work remained incomplete even after three years of scheduled date of completion.

(Paragraph 2.8)

Executive Engineer, Public Works Department, Kalaktang Division withdrew ₹ 198 lakh through a single cheque and paid to a firm in March 2015. In support of this amount, 70 payment vouchers (all dated March 2015) were prepared against five items of works. As per completion report, all those works were shown to have been carried out during August 2014 to March 2015. However, as per the payment vouchers the works were carried out during July 2003 to July 2006. Hence, the possibility of fraudulent payment and misappropriation of funds cannot be ruled out

(Paragraph 2.9)

Construction of road from Shyaro to Jangda sanctioned in February 2008 at an initial estimated cost of ₹ 845.93 lakh being constructed by Executive Engineer, PWD Jang Division was due for completion by March 2011. Even after a time overrun of three years, road connectivity from Shyaro to Jangda could not be achieved despite expenditure of ₹ 1185.46 lakh as a 40 metre bridge remained incomplete (December 2015).

(Paragraph 2.10)

Diversion of funds (₹ 197.75 lakh) by Executive Engineer, PWD, Sagalee Division earmarked for repair and maintenance of Doimukh-Kheel Road led to execution of poor quality road work. The condition of the road has deteriorated within a year of its repair.

(Paragraph 2.11)

As the essential protection wall to check erosion was not built by the Executive Engineer, Water Resource Department, Basar Division, the wet land developed adjacent to the rivers for cultivation of paddy and other agricultural products at a cost of ₹ 500.00 lakh remained vulnerable to damage by river erosion.

(Paragraph 2.12)

Chapter-III: General Sector

Compliance Audit Paragraphs

Arunachal Pradesh Public Service Commission (APPSC)

An expenditure of ₹ 29.81 lakh incurred on development and installation of online registration and tracking system by Arunachal Pradesh Public Service Commission was rendered unfruitful as the system was not installed/commissioned due to non-delivery of software

(Paragraph 3.2)

Chapter-IV: Revenue Sector

Trend of Revenue receipts

During the year 2014-15, the Revenue raised by the State Government (₹ 919.80 crore) was 10.06 *per cent* of the Total Revenue Receipts. The balance 89.94 *per cent* of Receipts during 2014-15 was from the Government of India.

(Paragraph 4.1.1.1)

The Tax Revenue raised by the State Government during 2014-15 (₹ 462.06 crore) increased by 6 *per cent* as compared to the previous year (₹ 434.51 crore). The Non-Tax Revenue during 2014-15 (₹ 457.64 crore) also increased by 13 *per cent* as compared to the previous year (₹ 405.06 crore).

(Paragraph 4.1.1.2 & 4.1.1.3)

Response of the Department/Government towards Audit

Inspection reports issued up to December 2014 disclosed that 974 paragraphs involving ₹ 4180.79 crore relating to 299 IRs remained outstanding at the end of June 2015.

(Paragraph 4.1.6)

Compliance Audit Paragraphs

Taxation Department

Deduction of Value Added Tax (VAT) at source

The Government of Arunachal Pradesh enacted the Arunachal Pradesh Goods Tax (APGT) Act, 2005 and Arunachal Pradesh Goods Tax (APGT) Rules 2005 with effect from April 2005. The Act did not contain any provision for deduction of Value Added Tax (VAT) at Source by Departments/Organisations while making payments to suppliers/contractors. Subsequently, the Government amended the APGT Act with effect from 11 April 2007 and incorporated Section 47A, providing for Tax Deduction at Source (TDS) of VAT from suppliers/contractors. This Section also provides for penalty of twice the amount of tax not deducted/deposited by the Drawing and Disbursing Officers (DDOs). As per provision 43A (i) (a) of APGT Rules (amended in 2010) any

deduction under this Section shall be paid into Government Account within 10 days from the expiry of the month in which the amount was deducted.

Audit of the system of TDS in seven test checked districts covering the period of 2010-15 revealed that three DDOs did not deduct VAT of ₹ 37.44 lakh at source from the suppliers. VAT of ₹ 12.02 crore was not deducted from 86 works contractors by nine DDOs. Audit also noticed short deduction of VAT of ₹ 35.19 lakh from 86 suppliers by five DDOs. Though VAT of ₹ 40.41 lakh was deducted from 16 contractors/suppliers bills, the DDOs did not deposit the same into government account within the stipulated time as prescribed under APGT Act. Further, 19 DDOs short deducted VAT of ₹ 13.52 crore from 2159 bills. There were cases of non-submission of TDS return (FF-19) and non-maintenance of TDS account (FF-20) by the DDOs. The Taxation Department did not exercise the required control over the activities of the DDOs who were entrusted with the responsibilities of TDS.

(Paragraph 4.2)

The Drawing and Disbursing Officer (DDO) did not deduct tax of ₹ 25.63 lakh at source. The dealer also did not disclose it in his return. Both the DDO and dealer are liable to pay penalty of ₹ 51.26 lakh and ₹ 25.63 lakh respectively.

(Paragraph 4.3)

Failure of the Assessing Officer to detect import of taxable goods of ₹ 37.41 lakh led to evasion of tax of ₹ 4.68 lakh. Besides, interest of ₹ 3.27 lakh and a penalty of ₹ 4.68 lakh was also leviable.

(Paragraph 4.4)

Short realization of tax of ₹ 10.55 lakh due to application of lower tax rate at four *per cent* instead of 12.5 *per cent*.

(Paragraph 4.5)

Transport Department

The department failed to realise road tax of ₹ 22.56 lakh and maximum penalty of ₹ 5.64 lakh from owners of 122 commercial vehicles.

(Paragraph 4.7)

Irregular issue of temporary permits to commercial vehicles and non-levy of fine resulted in loss of revenue to the tune of ₹ 7.17 lakh.

(Paragraph 4.8)

State Excise Department

The department failed to realise ₹ 6.44 lakh towards renewal licence fee and penalty on three licences.

(Paragraph 4.9)

Superintendents of Excise failed to collect import fee at revised rates resulting in short realization of ₹ 7.59 lakh.

(Paragraph 4.10)

Chapter-V: Economic Sector (SPSUs)

In Arunachal Pradesh, there were seven SPSUs (all Government Companies including two non-working Companies). Audit of Government Companies is governed by respective provisions of Section 139 and 143 of the Companies Act 2013. The accounts of State Government Companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General (CAG) of India. These accounts are also subject to Supplementary Audit by the CAG.

Investment in SPSUs

As on 31 March 2015, the investment (capital and long-term loans) in seven SPSUs was ₹ 32.14 crore. The investment has decreased by 32.66 per cent from ₹ 47.73 crore in 2009-10 to ₹ 32.14 crore in 2014-15. Thrust of the SPSU investment was mainly in the Power and Finance sectors, which had 38.73 per cent and 38.15 per cent of the total investment respectively.

Performance of SPSUs

Working SPSUs had shown overall negative working results during successive four years ending 2012-13. However, SPSUs earned an overall profit of ₹ 7.60 crore during 2013-14 and ₹ 6.64 crore during the year 2014-15. In the year 2014-15, out of five working SPSUs, three SPSUs earned aggregate net profit of ₹ 8.14 crore and two SPSUs incurred losses of ₹ 1.50 crore.

(Paragraph 5.1)

Compliance Audit Paragraphs

Department of Power

Efficiency in Consumer Billing and Revenue Collection

Department of Power (DoP), Government of Arunachal Pradesh, is the State Government Department assigned to carry out all the activities of Power Sector, enforce the relevant Acts and Rules of Electricity, Power and Energy, co-ordinate among all the power utilities and stakeholders operating in the state and advise the State Government on all matters relating to Power Sector, Electricity and Energy. One of the most important functions of DoP is prompt and effective billing of energy, distribution/sale of maximum energy to its consumers and timely realisation of revenue. At present, the DoP supplies electricity to 1.97 lakh consumers.

Audit observed delay in implementation of the provisions of Tariff Orders during the five year period 2010-11 to 2014-15 in 7 Divisions resulting in loss of revenue to the Government to the extent of ₹ 242.27 lakh. Though the total revenue collection increased during the five years period 2010-11 to 2014-15, the outstanding revenue also showed an

increasing trend. The Department had not taken action against 934 consumers who defaulted in payment of outstanding dues amounting to ₹ 833 lakh for periods ranging between 14 years and 22 years. The Department had failed to collect Security Deposit of ₹ 196.30 lakh from 23 commercial consumers and had not adjusted interest of ₹ 188.04 lakh on consumers Security Deposit from the consumers bills.

(Paragraph 5.2)

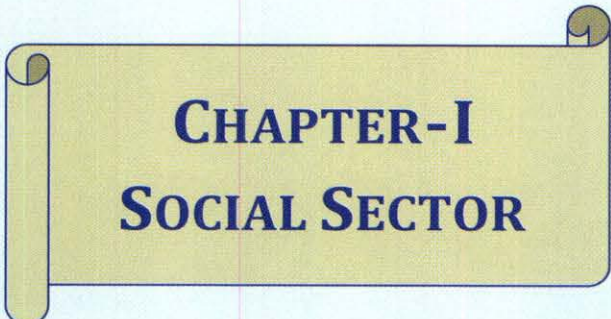
Arunachal Pradesh Industrial Development & Financial Corporation Limited.

Land was allotted by CIDCO¹ on lease to the Government of Arunachal Pradesh in Navi Mumbai for exclusive purpose of constructing a State Guest House. The land was handed over to APIDFC² for development. APIDFC in turn entered into an agreement with a developer to erect building(s) at their own cost. Exclusive rights were given to the developer to use the developed area other than minimum built up area of 6500 sq ft (to be handed over to APIDFC for State Guest House-cum-Emporium), which violated the terms and conditions of original lease agreement. CIDCO has already issued a show cause notice for breach of lease agreement and threatened with termination of lease agreement. Besides, due to non-operationalisation of Guest House, fully furnished 8160 sq ft on second floor handed over in August 2013, APIDFC has foregone profit of ₹ 1.02 crore as projected in its own appraisal to the Board of Directors.


(Paragraph 5.3)

¹ City and Industrial Development Corporation of Maharashtra Limited, a public sector undertaking of Government of Maharashtra.

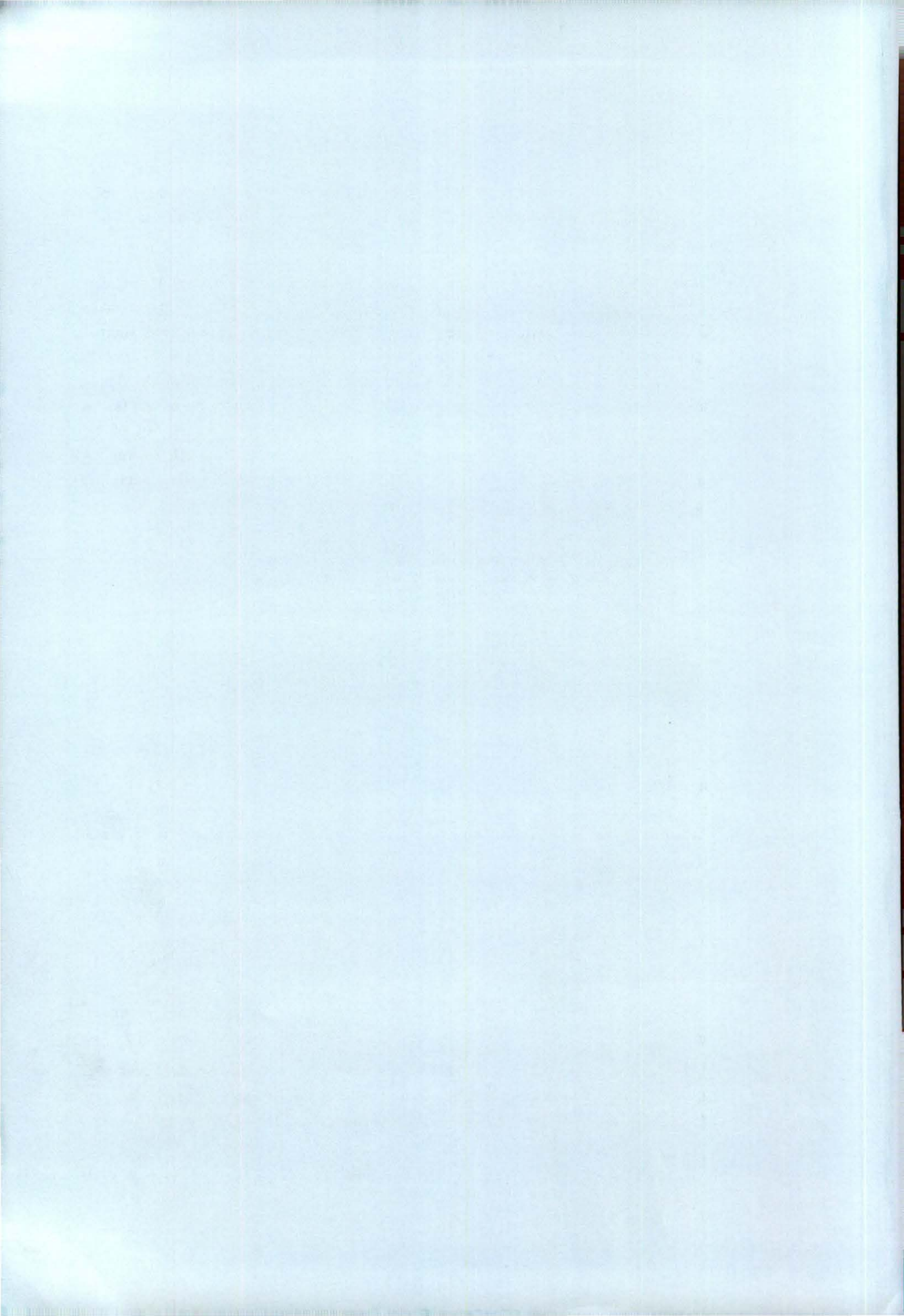
² Arunachal Pradesh Industrial Development and Financial Corporation Limited, a public sector undertaking of Government of Arunachal Pradesh.



CHAPTER-I
SOCIAL SECTOR

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EXECUTIVE SUMMARY



CHAPTER-I: SOCIAL SECTOR

1.1.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2015 deals with Audit findings on State Government units under the Social Sector.

During 2014-15, total budget allocation of the State Government in major Departments under Social Sector was ₹ 3,849.89 crore, against which the actual expenditure was ₹ 2710.87 crore. Details of Department-wise budget allocation and expenditure are given in Table 1.1.1 below:

Table- 1.1.1

(₹ in crore)

SL. No.	Department	Total Budget Allocation	Expenditure
1	Education	1580.04	1024.91
2	Sports & Youth Affairs	124.05	66.43
3	Library	8.20	8.20
4	Social Welfare	164.55	160.08
5	Relief & Rehabilitation	215.08	209.68
6	Food & Civil Supplies	58.94	50.05
7	Labour	6.12	6.12
8	Social & Cultural Affairs	1.39	1.18
9	Health & Family Welfare	658.17	580.24
10	Public Health Engineering	498.24	339.70
11	Urban Development	312.30	184.78
12	Housing	101.14	30.32
13	Panchayat Raj	121.67	49.18
Total		3849.89	2710.87

(Source: Appropriation Accounts 2014-15)

1.1.2 Planning and Conduct of Audit

Audit process starts with the assessment of risks faced by various Departments of the Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of Departments. Audits were conducted involving expenditure of the State Government amounting to ₹ 1,732.73 crore under the Social Sector.

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

Major observations noticed in Audit pertaining to the Social Sector during 2014-15 are discussed in subsequent paragraphs of this Chapter. This Chapter of Audit Report contains one Performance Audit Report on 'Functioning of Industrial Training Institutes' and one Compliance Audit Paragraph.

Performance Audit

Skill Development and Employment Generation Department

1.2 Functioning of Industrial Training Institutes (ITIs)

The main objective of Industrial Training Institutes (ITIs) is to ensure a steady flow of skilled workers in different trades for Industry. ITIs impart industrial training in different trades mainly to the less privileged, poor and downtrodden school leaving youth so that they acquire technical skills for gainful employment. Some of the major audit findings are highlighted below:

Highlights

- *Four newly sanctioned ITIs under Centrally Sponsored Scheme are not likely to be functional by the target date of March 2017.*
(Paragraph 1.2.7.1)
- *Nine new trades could not commence in three ITIs under upgradation scheme even after delay of four years and funds of ₹ 67.89 lakh remained unutilized.*
(Paragraph 1.2.7.2)
- *Upgradation of four ITIs under Public Private Partnership model remained incomplete even after target date due to poor utilization of funds ranging between 8.80 to 46.40 per cent.*
(Paragraph 1.2.7.3)
- *Funds of ₹ 199.16 lakh released by GoI for supplementing deficient infrastructure in ITIs was kept in the bank account by Arunachal Pradesh Skill Development Society without releasing the same to ITIs for period ranging from seven to twenty-five months leading to non-completion of scheme.*
(Paragraph 1.2.7.5)

- *Upgradation of two out of ten trades at ITI Roing under Vocational Training Improvement Programme remained incomplete even after eight years from the date of sanction due to slow release of funds.*

(Paragraph 1.2.7.6)

- *Non-implementation of Apprenticeship Training Scheme in the state deprived the trainees of opportunity to upgrade their skills meant for gainful employment.*

(Paragraph 1.2.7.7)

- *ITIs lacked adequate infrastructure such as class rooms, workshops, hostels and basic amenities.*

(Paragraph 1.2.9.4; 1.2.9.5; 1.2.9.10 and 1.2.9.7)

- *Shortage of tools and equipment to the extent of 37 to 61 per cent were noticed in ITIs, which has bearing on the quality of training imparted in ITIs.*

(Paragraph 1.2.9.8 and 1.2.9.9)

- *There was shortfall in inspection of ITIs conducted at the Directorate and Tripartite level.*

(Paragraph 1.2.11.2)

1.2.1 Introduction

The Government of India (GoI), in order to fulfil the need for skilled manpower, introduced a scheme called the Craftsmen Training Scheme (CTS) in 1950 to ensure a steady flow of skilled workers in different trades for the domestic industry. Under CTS, Industrial Training Institutes (ITIs) were established in various States/Union Territories to upgrade the skills of craftsmen. The National Council of Vocational Training (NCVT), an advisory body established by Government of India (GoI), prescribes standards and curriculum for craftsmen training. Successful trainees are awarded the National Trade Certificates.

In Arunachal Pradesh, the ITIs are functioning since 1971. As of March 2015, there are five¹ ITIs which were established prior to the year 2010 with a total intake capacity of 720 seats. One² ITI which was exclusively for women till year 2012-13 was later converted into general ITI (Co-ed).

1.2.2 Organizational Structure

The Commissioner of Skill Development and Employment Generation is the administrative head of Department. The ITIs function under the control of the Director³ of Skill Development and Employment Generation, assisted by a Deputy Director and a Finance & Accounts Officer (FAO). At the directorate level, a society called Arunachal Pradesh Skill Development Society (APSDS) was formed in March 2011 to coordinate

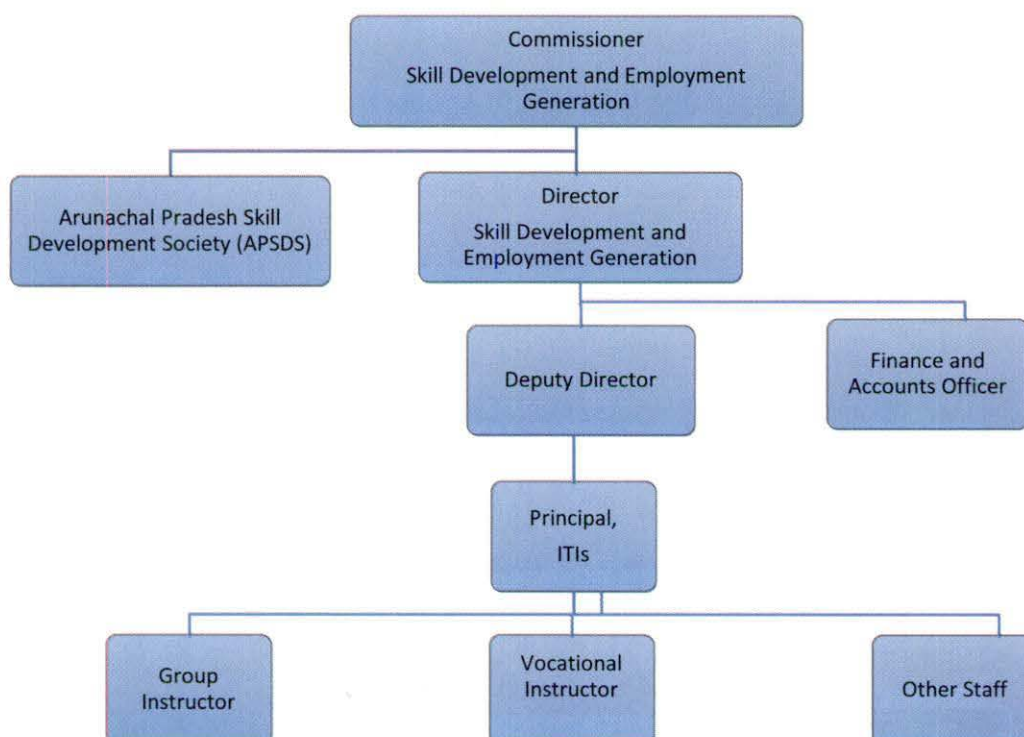
¹ Dirang (West Kameng District); Yupia (Papumpare District); Roing (Lower Dibang Valley District); Tabarijo (Upper Subansiri District); and Balinong (Changlang District).

² Yupia (Papumpare District).

³ Director of industry was the head of the department and was administering ITIs till February 2014.

and monitor implementation of Skill Development Programme. The Commissioner (SD&EG) and Director (SD&EG) are chairman and member secretary of the society respectively. APSDS manages funds received from GoI and other sources for various schemes and in turn releases the same to ITIs for implementation of various schemes/activities.

Each of the ITIs is headed by a Principal assisted by Group and Vocational Instructors. The Group Instructor is responsible for proper co-ordination among all the sections and training programmes. The Vocational Instructors impart training to the trainees in their respective trades. The organizational structure of the department is depicted below:



1.2.3 Scope and methodology of audit

The Performance Audit was conducted between May to August 2015 covering all the five ITIs for the period 2010-11 to 2014-15. The Audit objectives and criteria were discussed with the Commissioner (SD & EG) during an Entry Conference held on 9 June 2015 and inputs of the department obtained. During the audit, records of the Director (SD&EG), Directorate of Industry and all five ITIs were scrutinised. The Audit findings were discussed with the Secretary (SD&EG) during Exit Conference held on 26 November 2015 and response of the Department have been incorporated at appropriate places.

1.2.4 Audit Objectives

The objectives of the performance audit were:

- To examine the adequacy and effectiveness of various skill development training programmes and sponsored activities as per latest industrial/market requirement and technology and the system in place for ensuring placement of trainees.
- To examine the adequacy and effectiveness of financial management and utilization of financial resources in conformity with the applicable rules and regulations;
- To assess the effective utilisation and adequacy of infrastructure such as class room, workshop, hostel and tools and equipment;
- To assess the adequacy of human resources and efficiency in their utilization, performance evaluation and skill upgradation;
- To examine the effectiveness of implementation of programme for improving the standard of training and monitoring and evaluation mechanism in place.

1.2.5 Audit Criteria

The following criteria were used to benchmark the audit findings:

- Training Manual for Industrial Training Institute prescribed by the Director General of Employment and Training (DGE&T), Government of India;
- Government of India/State Government's orders on imparting industrial training to trainees;
- Norms prescribed by the National Council of Vocational Training;
- The Apprentices Act, 1961;
- General Financial Rules; and
- Monitoring and evaluation mechanisms as prescribed by the Department.

1.2.6 Acknowledgement

We place on record our sincere appreciation for the Skill Development and Employment Generation Department, Director of Industry, Government of Arunachal Pradesh and Principal of Govt. ITIs for their assistance in facilitating the audit.

Audit Findings

1.2.7 Skill Development programme and activities in ITIs

Out of 19 districts in the State, only five districts (Papumpare, Lower Dibang Valley, West Kameng, Upper Subansiri and Changlang) have ITIs. Out of the ten most populated districts of the state, ITIs have been established in three districts only, namely, Papum Pare, Changlang and West Kameng.

1.2.7.1 Establishment of new ITIs.

The State Government during 12th Five Year Plan (2012-17) set a target of training 50,000 personnel in skill development by the year 2022. To translate this target into reality, the State Government has proposed to establish eleven new ITIs, in addition to the existing five ITIs. An amount of ₹ 22 crore was proposed as state share during 12th Five Year Plan. Subsequently, in the Annual Plan (2012-13), the Government proposed to set up 13 new ITIs including women ITI with an estimated outlay of ₹ Two crore.

Audit scrutiny revealed that although the State Government projected ₹ 22 crore for the establishment of ITIs in the 12th Five Year Plan and ₹ Two crore in its Annual Plan during 2012-13, no allocation of fund was made for it in the budget.

Based on State Government's proposal (May, July & September 2012), the GoI had sanctioned establishment of four new ITIs (three ITI at New Sagalee, Papumpare district; Manipoliang, Lower Subansiri district; and Mipang, East Siang district in August 2013 and one ITI at Kanubari, Longding district in December 2014) in the State at an estimated cost of ₹ 9.50 crore each. The cost was to be shared between the Centre and the State in the ratio of 90:10. The State Government was to provide appropriate land and arrange for the basic amenities such as water, electricity connection, approach road, etc. from state's own resources to establish the new ITIs.

During 2012-13, the GoI released a total of ₹ 7.23 crore (February 2014) to Arunachal Pradesh Skill Development Society⁴ (APSDS) towards first instalment for the four ITIs together. Subsequent release of funds was to be made after the utilization of fund and submission of Utilization Certificate (UC). The scheme is operational till March 2017. The status of establishment of new ITIs is as following.

- a) New Sagalee, Papumpare: Land identified. PWD Sagalee identified as Project Implementing Unit (PIU) but works not yet commenced.
- b) Manipoliang, Lower Subansiri: Land identified. RWD Ziro identified as PIU but works yet to commence.
- c) Mipang, East Siang: Land and PIU not yet finalized.
- d) Kanubari, Longding: Location of land finalized.

It was noticed in audit that the entire fund received was drawn and kept in bank account after one and half years (September 2015) of release by GoI and no amount was utilized by the APSDS. Moreover, land for construction has been identified in three ITIs but construction work has not commenced as of March 2015. Considering this, the likelihood of new ITIs being established by March 2017 is remote.

The Department, while accepting the audit observation stated (December 2015) that funds could not be utilized owing to delay in finalization of site/land for new ITIs.

⁴ APSDS was formed as registered in March 2011, which is headed by Commissioner (Industry) and functions under State level Skill Development Mission.

1.2.7.2 Upgradation of existing ITIs under Centrally Sponsored Scheme (CSS)

Ministry of Labour and Employment, GoI, under the scheme of “Enhancing Skill Development Infrastructure in North Eastern States and Sikkim,” sanctioned 100 per cent Central financial assistance of ₹ 339.84 lakh for upgradation of three ITIs at Yupia, Dirang and Balinong (₹ 113.28 lakh each) in the State. The scheme was for upgradation of the three ITIs by constructing classrooms/workshops and procurement of machinery and hand tools for ITIs from the session August 2012 onwards. The State Government was required to recruit instructors for the new trades as per NCVT norms. ₹ 316.20 lakh was released as first instalment in May 2011 and balance ₹ 23.64 lakh in August 2014. The expenditure incurred as of March 2015 was as shown in the table below:

Table 1.2.1: Status of expenditure for upgradation of ITIs as of March 2015*(₹ in lakh)*

Name of ITI	New Trades	Amount for Workshops/ Classrooms		Amount for Machinery/Hand tools		Total	
		Released	Expenditure	Released	Expenditure	Release	Expenditure
ITI, Yupia	Draughtsman (Civil)	22.10	20.80	13.03	10.56	35.13	31.36
	Surveyor	22.10	Nil	13.03	12.84	35.13	12.84
	Electrician	22.10	Nil	13.04	15.46	35.14	15.46
	Sub Total	66.30	20.80	39.10	38.86	105.40	59.66
ITI, Dirang	Mechanic (MV)	22.10	22.10	13.04	18.79	35.14	40.89
	Tourist Guide	22.10	22.10	13.03	6.44	35.13	28.54
	Wireman	22.10	22.10	13.03	9.60	35.13	31.70
	Sub Total	66.30	66.30	39.10	34.83	105.40	101.13
ITI, Balinong	Mechanic Computer HW	22.10	22.10	13.04	25.44	35.14	47.54
	Mason	22.10	22.10	13.03	9.15	35.13	31.25
	Plumber	22.10	22.10	13.03	10.27	35.13	32.37
	Sub Total	66.30	66.30	39.10	44.86	105.40	111.16
Total		198.90	153.40	117.30	118.55	316.20	271.95

(Source: Departmental Records)

It was noticed in audit that even after a lapse of more than three years from release of first instalment by GoI to APSDS in May 2011, fund flow from APSDS to the ITIs up to July 2014 was only ₹ 271.95 lakh (86 per cent). Further, this amount was released over a period of three years (₹ 159.84 lakh in 2012-13, ₹ 106.62 lakh in 2013-14 and only ₹ 5.49 lakh in 2014-15). While the unutilised funds of ₹ 67.89 lakh (as of March 2015) were lying with APSDS, the funds were not released to ITIs and the project remained incomplete. Moreover, recruitment process of nine vocational instructors as required under the scheme for nine new trades in three ITIs had not been taken up till March 2015.

The infrastructure created in three ITIs for nine new trades had not been put to use till the date of audit (September 2015) as can be seen in the photographs below:



Tools and equipment of Electrician and MMV trades at Yupia and Dirang lying idle.



MMV Workshop at Dirang and Computer Hardware Workshop at Balinong lying vacant.

Even after a lapse of four years since sanction of the scheme in May 2011, the new trades were yet to be commenced as of August 2015.

The Department while accepting (December 2015) the audit observations, stated that the trades could not be started due to inadequate fund and delay in sanction of posts of vocational Instructors by the State Government.

1.2.7.3 Upgradation under PPP mode

During the 11th Five Year Plan (2007-12), with a view to improve the employability of graduates from the vocational training system, the State Government decided to upgrade the four ITIs into Centre of Excellence (CoE) under Public Private Partnership (PPP). As per the guidelines issued by DGE&T, GoI (April 2008) for each ITI, one Industry Partner identified by the State Government in consultation with Industry Associations, was to lead the process of upgradation. Further, an Institute Management Committee (IMC) headed by Industry Partner as chairman was to be constituted in each selected ITI and registered as society. A Memorandum of Agreement (MoA) was to be signed among the Central Government, State Government and the Industry Partner which laid down the roles and responsibilities of different parties for implementation of the scheme. The expenditure was to be incurred only after delegation of financial and administrative power made by the State Government to IMC.

The GoI under the scheme sanctioned (during March 2008 to October 2010) an interest free loan of ₹ 250 lakh each for 4 ITIs at Dirang, Balinong, Tabarijo and Yupia based on Institute Development Plan (IDP) to be completed within 5 years.

A scrutiny of records revealed that MoAs⁵ for all the four ITIs were signed during 2008 to 2010 and industry partners⁶ were also identified to lead the process of upgradation of ITIs as per the scheme guidelines. The details of loan amount released by GoI and expenditure as of March 2015 was as under:

Table 1.2.2: Implementation of Upgradation of ITIs through PPP

(₹ in Crore)

Name of ITI Sanction date	Loan amount released	Expenditure till March 2015	Percentage of expenditure	Balance as on March 2015
Tabarijo March 2008	2.50	1.16	46.40	1.34
Dirang March 2009	2.50	1.16	46.40	1.34
Balinong August 2009	2.50	0.80	32.00	1.70
Yupia October 2010	2.50	0.22	8.80	2.28
Total	10.00	3.34	33.40	6.66

(Source: Departmental Records)

It could be seen from the above table that in respect of two ITIs at Balinong and Yupia, the expenditure (as of March 2015) even after a lapse of four and five years of release was only 32 per cent and 9 per cent respectively. The expenditure in ITIs at Tabarijo and Dirang stood at 46.40 per cent after lapse of six and seven years respectively after fund was released by GoI. It was also noticed that for incurring the expenditure by ITIs, the necessary delegation of financial and administrative power was not made by the State Government till August 2015. Details of component wise expenditure as of March 2015 were as given below:

Table 1.2.3: ITI wise progressive expenditure

(₹ in lakh)

ITI		Civil Construction	Tools and equipment	Furniture	Books and learning material	Manpower	Consumable	TA/DA	Total
Tabarijo	Component wise cost	63	66	4	6.5	75.5	20	15	250
	Progressive expenditure	38.03	44.43	6.62	1.65	2.42	15.2	8.02	116.3
Dirang	Component wise cost	63	66	4	6.5	75.5	20	15	250
	Progressive expenditure	44.58	46.78	4.7	4.2	2.72	3.02	10.3	116.3
Balinong	Component wise cost	46	80	18	14	9	30	3	200
	Progressive expenditure	33.25	14.88	0	0	4.81	15.9	11.4	80.25

⁵ Tabarijo (March 2008); Dirang (February 2009); Balinong (August 2009); Yupia (2010).

⁶ M/s. NHPC Ltd. (Tabarijo); M/s. Geo Enpro Petroleum Ltd. (Balinong); and M/s. Neepeco Ltd. (Dirang and Yupia).

ITI		Civil Construction	Tools and equipment	Furniture	Books and learning material	Manpower	Consumable	TA/DA	Total
Yupia	Component wise cost	63	66	4	6.5	75.5	20	15	200
	Progressive expenditure	0	0	0	0	0.7		13.8	21.85
Total	Component wise cost	235	278	30	33.5	236	90	48	900
	Progressive expenditure	115.9	106.1	11.32	5.85	10.7	34.1	43.6	334.7

(Source: Departmental Records)

Analysis of the expenditure incurred by the above four ITIs revealed the following:

- (i) *ITI, Tabarijo*: Against ₹ 63 lakh allocated for civil works for construction of semi-permanent type kitchen at Boys' hostel, extension of principal office building, classrooms, renovation of hostels, etc., ₹ 38.03 lakh only (61 per cent) was spent as of March 2015. Similarly, against ₹ 66.00 lakh provided for procurement of tools and equipment ₹ 44.43 lakh was spent but for furniture ₹ 6.62 lakh was spent against ₹ 4.00 lakh allocated. Only ₹ 1.65 lakh had been spent on books and learning materials though ₹ 6.5 lakh was provided in the IDP.
- (ii) *ITI, Dirang*: The expenditure under civil works was ₹ 44.58 lakh (70 per cent) out of ₹ 63 lakh provided. Funds were provided for renovation and extension of existing building and construction of approach road, but only one examination hall was constructed. Similarly, ₹ 44.76 lakh (71 per cent) out of ₹ 66.00 lakh was spent on procurement of tools and equipment. Books and learning materials worth ₹ 4.20 lakh had been purchased out of ₹ 6.50 lakh provided.
- (iii) *ITI, Balinong*: For civil works such as providing and laying of chain link fence, roof paintings, separate chamber for Group Instructor, etc., ₹ 33.25 lakh (72 per cent) was spent out of the ₹ 46 lakh provided. Out of ₹ 50 lakh provided for tools and equipment only ₹ 14.88 lakh was spent on its procurement. An amount of ₹ 18.00 lakh and ₹ 14.00 lakh provided for procurement of furniture and books and learning materials respectively had not been spent till March 2015.
- (iv) *ITI, Yupia*: ₹ 63 lakh for renovation of existing building, new construction/extension of rooms, etc. and ₹ 66 lakh for procurement tools and equipment were provided. However, no expenditure was incurred as of March 2015. Similarly, against ₹ 4.00 lakh and ₹ 6.50 lakh provided for furniture and books & learning material, no amount was spent.

It was noticed in audit that the progress of upgradation of the four ITIs through PPP mode was very slow mainly due to non-delegation of financial and administrative powers to Institute Management Committee (IMC) by the State Government. Thus, the objective of upgradation of ITIs, for achieving better employability for students who had completed their training as envisaged in the scheme has not been achieved.

The Department stated (December 2015) that 50 per cent of the fund was to be kept as corpus fund and necessary delegation of financial and administrative power has been vested to the Principal of ITIs for utilization of fund.

The fact remains that State Government has not delegated financial and administrative powers to IMC for utilisation of fund as per requirement of sanction order of GoI. This was the concern expressed by one of the Industrial Partner (NEPPCO) that IMC has to obtain approval of the department for each and every work which delayed various projects and some of the projects had to be abandoned due to non-approval by the department.

1.2.7.4 Upgradation of MMV trade with Private participation

The State Government signed (March 2013) a Memorandum of Understanding (MoU) with M/s TATA Motors Limited (M/s TML), for upgradation of Mechanic Motor Vehicle trade at ITI Dirang to provide hands-on experience to the trainees with the latest automobile technology and brighten their job prospects after completion of training.

M/s TML supplied (November 2013) live models of different types of Engines, Gear box, Axles, Steering, Brakes, auto electrical, etc., free of cost for setting up a workshop. The existing workshop for MMV was renovated (March 2014) at the cost of ₹ 38.36 lakh and simulator for ₹ 5.00 lakh was procured. As against the required tools and equipment worth ₹ 35.10 lakh, tools and equipment costing ₹ 18.79 lakh were procured. However, training in MMV could not commence due to absence of affiliation from NCVT for the trade.

According to Training Manual of Ministry of Labour and Employment and Training, the State Government was required to obtain National Council of Vocational Training (NCVT)'s affiliation for introduction of new trades. It was, however, noticed that the Department could not obtain (October 2015) the NCVT affiliation due to its failure to recruit vocational instructors and incomplete procurement of tools and equipment. The post of vocational instructor was proposed for the trade as early as 2011-12 but the same was not approved by the State Government till July 2015. As a result, expenditure of ₹ 43.36 lakh incurred on the renovation of workshop and ₹ 18.79 lakh spent on procurement of tools and equipment were unfruitful. Besides, the equipment/tools provided by the company were also lying idle for the last one year as could be seen from the photographs given below:



MMV Workshop and equipment/tools lying idle at ITI Dirang

The Department accepted (December 2015) the audit observations and stated that MMV workshop has been inaugurated on 30 November 2015 and affiliation against the trade is being processed.

1.2.7.5 Funds for deficient infrastructure in ITIs under CSS

Under the 100 per cent Central financed scheme of *Enhancing Skill Development Infrastructure in North East States and Sikkim*, financial assistance of ₹ 347.16 lakh was sanctioned (2011) for three ITIs, at Dirang, Roing and Tabarijo. The assistance was for construction of hostels, boundary walls and procurement of tools/equipment, machineries and replacement of old and obsolete tools and equipment/hand-tools. GoI had released the entire amount in three instalments (₹ 148.80 lakh in May 2011, ₹ 122.57 lakh in March 2013 and ₹ 75.79 lakh in August 2014).

Audit observed that the progressive expenditure as of March 2015 remained at ₹ 148.00 lakh. Even the first instalment amount of ₹ 148.80 lakh received from GoI was released to ITIs in two spells over a period of two years (₹ 132.21 lakh in June 2012 and then after two years ₹ 15.79 lakh in July 2014). No further releases were made to ITIs by APSDS since July 2014. The scheme fund of ₹ 199.16 lakh was kept lying unutilised with APSDS from March 2013 to March 2015. The details of amount released to ITIs and expenditure incurred as of March 2015 were as shown in the table below:

Table 1.2.4: Status of expenditure on infrastructure as of March 2015

(₹ in lakh)

ITI	Hostel		Boundary wall		Machinery/Hand tools		Total	
	Released	Expenditure	Released	Expenditure	Released	Expenditure	Released	Expenditure
Dirang	51.73	51.73	15.15	15.15	3.91	3.91	70.80	70.79
Roing	51.73	51.73	15.15	15.15	7.17	6.42	74.07	73.30
Tabarijo	-	-	-	-	3.91	3.91	3.92	3.91
Total	103.46	103.46	30.30	30.30	14.99	14.24	148.80	148.00

(Source: Departmental records)

The expenditure incurred by each ITI were as follows:

- (i) **ITI Dirang:** Construction of boys' hostel with intake capacity of 30 trainees was completed at ₹ 51.73 lakh. Out of the approved length of 1469 metres boundary wall estimated to cost ₹ 136.45 lakh, only 146.80 metres length was completed at a cost of ₹ 15.15 lakh. Machinery and hand tools worth only ₹ 3.91 lakh was procured against the approved provision of ₹ 54.43 lakh. No further progress was noticed till March 2015.
- (ii) **ITI Roing:** Construction of boys' and girls' hostels for 30 and 10 trainees respectively was completed at cost of ₹ 51.73 lakh in July 2014 but was not put to use till July 2015. 274.50 metres of boundary wall out of the approved

2004.50 metres, was constructed for ₹ 15.15 lakh. ₹ 6.42 lakh was spent towards machinery and hand tools out of approved cost of ₹ 25.50 lakh.

- (iii) **ITI Tabarijo:** In Tabarijo, an amount of ₹ 3.91 lakhs was utilised towards procurement of machinery and hand tools out of the approved provision of ₹ 21.00 lakh. Due to non-release of further funds since October 2012, machinery and hand tools worth ₹ 17.08 lakh was not procured.

It was observed that a total amount of ₹ 199.16 lakh received as second and third instalments from GoI for the balance works of supplementing deficient infrastructure in ITIs as part of the scheme for Enhancing Development of Infrastructure in North East states was kept by APSDS without releasing to ITIs for a period ranging from 7 months to 25 months (March 2015).

Accepting the audit observations, the Department stated (December 2015) that funds are being utilized within the current financial year.

1.2.7.6 Upgradation under Vocational Training Improvement Programme (VTIP)

The project of Vocational Training Improvement Programme (VTIP) was introduced (April 2007) with the objective of providing multi-skilled workforce of world standard by providing appropriate infrastructure, updated syllabus and introduction of new course in selected ITIs. The project was to be implemented through domestic and World Bank assistance. ITI at Roing was selected (September 2007) under the scheme for upgradation of ten trades⁷ with a total project cost of ₹ 350.00 lakh (Central share 90: State share 10). ₹ 308.00 lakh was released to the Directorate (SD&EG) between March 2008 and September 2013 (GoI share of ₹ 288.00 lakh, and State share of ₹ 20.00 lakh).

Audit, however, observed that the Directorate (SD&EG) released only ₹ 290.90 lakh to ITI Roing over a period of 6 years from March 2008 to December 2014 and retained ₹ 18.28 lakh without releasing it as of March 2015. It was noticed in audit that ITI Roing was able to spend all the funds released by the Directorate within the financial year itself in which they were released. Thus, it is evident that due to slow release of funds by the Directorate, the project could not be completed even after 8 years from the date of sanction of the scheme. As a consequence, two trades out of ten trades, namely, Carpenter and Plumber could not be upgraded as envisaged in the scheme. Due to inordinate delays in the implementation of the scheme and consequent non-submission of Audit Certificate, an amount of ₹ 7 lakh out of eligible ₹ 315 lakh had not been released by the GoI as of March 2015..

The Department stated (December 2015) that due to delay in release of funds to the ITI and the slow process of obtaining budgetary support, administrative approval, concurrence from Finance Department, the project could not be completed.

⁷ Plumber; Carpenter; Welder; Wireman; Mechanic Motor Vehicle; Fitter; Draughtsmen(Civil); Surveyor; IT& ESM; Electrician.

1.2.7.7 Apprenticeship Training Scheme and Placement of Trainees

In order to improve the skills of semi-skilled workers and expose them to industrial environment, the trainees who successfully completed training are sponsored to industrial establishment and are given apprentice training under the Apprentices Act 1961. The duration of training varies from six months to four years depending on the trade. The State Government is also required to appoint State Apprenticeship Adviser for implementation of the Act and it is obligatory on the part of an employer to train a certain number of apprentices assigned by the State Apprenticeship Adviser in designated trades. The department also has the power to take penal action against industries which failed to provide apprenticeship training to ITI passed candidates under the Act.

Audit observed that during the period 2010-15, the State Government in every Annual Plan emphasised the need for conducting apprenticeship training for passed out trainees. However, the department did not appoint State Apprenticeship Adviser for the implementation of the scheme as required under the Act. It was evident that 1059 number of trainee (Male 737 and female 322) who passed out during the five year period 2010-15 have not been given apprenticeship training thereby depriving them of the advantage of gaining experience through practical training under the latest industrial/market environment with a view to creating employable skilled workers.

The Department stated (December 2015) that State Apprenticeship Adviser will be appointed soon.

1.2.7.8 Ex-trainee follow up measures

As per DGE&T Manual, ITIs are to maintain "Record Cards" of ex-trainees as a follow-up measure to ensure that ITI trainees, on successful completion of the training, have been able to secure employment. If employed, the name of the employer should be given, failing which, the whereabouts of unemployed trainees should be shown in the record cards. The trainees should also be asked to report periodically till they get employed.

Audit, however, noticed that in none of the ITIs such record cards in respect of ex-trainees were maintained as required under the Manual. There was no follow-up mechanism for ascertaining the employment status of ex-trainees and ensuring their employment. The department did not have any records on feedback of all those trainees who had passed out from their ITIs. The objective of ITI was to impart Industrial training to school leaving youth especially lesser privileged poor to acquire skills in various trades for gainful employment, therefore, unless the trainings imparted to the trainees ultimately resulted in gainful employment of the trainees, this objective would remain largely unfulfilled.

1.2.8 Financial Management

The details of allocation of funds and expenditure thereof during 2010-11 to 2014-15 are given in following Table:

Table 1.2.5: Year-wise Budget allocation and Expenditure

(`₹ in crore)

Year	Budget Allocation				Expenditure				Savings			
	Plan	Non-Plan	CSS	Total	Plan	Non-Plan	CSS	Total	Plan	Non-Plan	CSS	Total
2010-11	0.6	3.72	0.16	4.48	0.59	3.54	0.05	4.18	0.01	0.18	0.11 ⁸	0.30
2011-12	0.9	3.51	-	4.41	0.89	3.5	-	4.39	0.01	0.01	-	0.02
2012-13	3.64	4.23	0.11	7.98	3.59	4.18	-	7.77	0.05	0.05	0.11 ⁹	0.21
2013-14	4.41	5.07	1.19	10.67	4.14	5.07	0.05	9.26	0.27	0.00	1.14 ¹⁰	1.41
2014-15	17.27	5.17	6.5	28.94	2.25	5.15	6.42	13.82	15.02	0.02	0.08 ¹¹	15.12
Total	26.82	21.7	7.96	56.48	11.46	21.44	6.52	39.42	15.36	0.26	1.44	17.06

(Source: Detailed appropriation Accounts)

From the above table, it can be seen that against the total budget allocation of ₹ 56.48 crore during 2010-11 to 2014-15, the department incurred an expenditure of ₹ 39.42 crore (69.79 per cent). There was persistent saving throughout the five year period ranging from 0.45 per cent to 52.25 per cent against the yearly budget allocations. Substantial saving of ₹ 1.41 crore (13.21 per cent) in 2013-14 and ₹ 15.12 crore (52.25 per cent) in 2014-15 was mainly due to non-utilisation of funds received from the Central Government for different schemes.¹²

1.2.8.1 Infertuous expenditure

With a view to provide skill development training to women, the Department established (August 2006) ITI for women at Yupia with four trades, namely, Fashion Technology, Baker & Confectioner, Basic Cosmetology and Secretarial Practice.

A scrutiny of records revealed that the Department incurred an expenditure of ₹ 7.86 lakh on procurement (December 2005 to September 2008) of equipment and tools for conducting the trainings for the Baker and Confectioner trades without carrying out any feasibility studies/ surveys. There was no demand for the trade since inception as nobody took admission. In the meantime, the tools and equipment procured for the trade deteriorated and rusted due to prolonged storage without any utilisation as evident from the photographs given below:



Tools and equipment of Baker and Confectioner trade at Yupia

⁸ Incentive to craftsmen.

⁹ Vocational Training Project.

¹⁰ Vocational Training Project.

¹¹ Establishment Expenses of ITI.

¹² 2013-14 – Vocational Training Improvement Project (₹ 1.13 crore); 2014-15 – Skill Development Mission (₹ 15.14 crore) not related to ITI.

Besides, the department incurred an expenditure of ₹ 12.52 lakh on the salary and other allowances of one instructor posted against the trade.

Thus, an amount of ₹ 20.38 lakh incurred on procurement of tools and equipment and salary of instructor for Baker and Confectioner trade at ITI, Yupia was infructuous.

1.2.8.2 Discrepancy in the cash balance

The department received from the GoI, a total fund of ₹ 1440.15 lakh for various schemes of upgradation of ITIs, supplementing deficient infrastructure, establishment of new ITIs and State Project Implementation Unit (SPIU) under “Enhancing Skill Development Infrastructure in North East States and Sikkim (CSS)” during the five year period 2010-11 to 2014-15.

Audit observed that against the total receipt of ₹ 1440.15 lakh, the department incurred an expenditure of ₹ 414.02 lakh leaving a bank balance of ₹ 1025.95 lakh as on March 2015 as per the records maintained by the Directorate. However, the cash book had a balance of ₹ 1023.10 lakh. Thus, there was a difference of ₹ 2.86 lakh between the cash book and the accounting records of the directorate which needs reconciliation.

1.2.9 Administration of ITIs

1.2.9.1 Trends of admission

Admission in ITIs is made yearly on the basis of merit. The duration of engineering trade varies from one year to two years, whereas the duration of non-engineering trade is one year. The minimum educational qualification for admission to the ITIs is from 8th Standard to Senior Secondary (10+2) depending on trade.

Scrutiny of records revealed that the total intake capacity of ITIs in the State was 720 per year during the last 5 years (2010-11 to 2014-15). However, the actual seats available for admission ranged between 480 to 520 seats as the admission for two year courses was given every alternate year.

The position of sanctioned intake capacity, admission and vacant seats in five ITIs during the period 2010-11 to 2014-15 was as under:

Table 1.2.6: Admission of trainees in ITIs

Admission during	Sanctioned intake capacity	Seats available for admission	Admission			Shortfall	Percentage of shortfall
			Male	Female	Total		
August 2010	720 ¹³	520	228	100	328	192	36.92
August 2011	720	480	212	97	309	171	35.63
August 2012	720	520	272	107	379	141	27.12
August 2013	720	480	252	110	362	118	24.58
August 2014	720	520	295	133	428	92	17.69
Total	3600	2520	1259	547	1806	714	28.33

(Source: Information furnished by ITIs)

¹³ ITI Roing (340 seats); ITI Tabarijo (120 seats); ITI Dirang (100 seats); ITI Balinong (80 seats); and ITI Yupia (80 seats).

Audit observed that against the total number of 2520 seats available for admission during the five year period 2010-11 to 2014-15, only 1806 seats (Male 1259 & Female 547) (71.67 *per cent*) were filled up. The admission was showing an increasing trend for both men and women trainees. Out of the total admission of 1806 given during the five year period, women trainees constituted up to 30.28 *per cent*.

Audit further noticed that the year wise vacancy ranged between 92 to 192 seats i.e., 17.69 to 36.92 *per cent* of the total seats available for admission. Low admission was noticed particularly in such trades as Mechanic – Refrigeration and Air Conditioner (Balinong), Preservation of Fruits and Vegetables (Dirang) and Hair and Skin Care and Fashion Design Technology (Yupia). The average number of seats filled up against these trades in all the three ITIs was only 27.22 *per cent* of the total available seats during the five year period. On the other hand trades such as Draughtsman, Secretarial Practice, Mechanic Motor vehicle/Diesel, Computer Operator cum Programme Assistant had higher admission rate. The reasons for low intake in different trades were not assessed by the ITIs. In the absence of such assessment, corrective action could not be taken.

1.2.9.2 Trends of admission vis-à-vis drop-out

ITIs are generally required to ensure that all trainees who took admission should complete their training without dropping out before completion of the course(s). Details of candidates admitted, appeared in examination and number of drop outs during the period 2010-15 in respect of all five ITIs are shown in the table below:

Table1.2.7: Dropout

Year	No. of candidates admitted			Number of candidates appeared in examination				Number of dropouts			Percentage of dropout	
	Male	Female	Total	Male	Female	Total	Per cent	Male	Female	Total	Male	Female
2010-11	228	100	328	167	66	233	71	23	22	45	10.09	22.00
2011-12	212	97	309	161	78	239	77	30	18	48	14.15	18.56
2012-13	272	107	379	194	93	287	76	46	24	70	16.91	22.43
2013-14	252	110	362	193	97	290	80	36	22	58	14.29	20.00
2014-15	295	133	428	173	106	279	65	36	18	54	12.20	13.53
Total	1259	547	1806	888	440	1328	74	171	104	275	13.58	19.01

(Source: Information furnished by ITIs)

From the above table, it can be seen that out of the total 1806 (Male 1259 and Female 547) admitted, only 1328 candidates (Male 888 and Female 440) which constituted 74 *per cent* appeared in the examination during 2010-15. There was an increasing trend of candidates who appeared in the examination from 2010-11 to 2013-14 ranging from 71 to 80 *per cent*. Trainees who dropped out of the trainings were 275 (Male-171 and Female- 104) which was 15 *per cent* of the total trainees admitted during the five year period. The dropout rate of female candidates stood at 19 *per cent* as compared to 14 *per cent* in respect of male candidates. ITIs had not made an attempt to analyse the reasons for dropout to take remedial action.

1.2.9.3 Infrastructure deficiencies

The NCVT prescribed specific norm for infrastructure requirements for each ITI such as classrooms and workshops. Space requirements for classrooms, workshops, hostel facilities including machinery and equipment for each trade are to be provided as per norms. Besides, basic amenities like doctor/pharmacist, drinking water, canteen, playground, etc., are also necessary for the ITIs.

Audit observations emerging from the scrutiny of records in all five ITIs and the Directorate with regard to infrastructure facilities available in ITIs are discussed in succeeding paragraphs:

1.2.9.4 Classrooms

According to NCVT norms, the number of classrooms required for each ITI depends upon the number of students enrolled and the number of trades for which training imparted. The space for class rooms would measure 30 square metres for each trade. Details of ITI-wise classrooms and space required, and class room and space available as on March 2015 was as shown in the Table below:

Table 1.2.8: Status of existing classrooms

ITI	Number of Trade	Class Rooms required		Class room actually available		Shortage (-) Excess (+)	
		No.	Area (in Sq. m)	No.	Area (in Sq. m)	No.	Area (in Sq. m)
Roing	10	10	300	10	262.4	Nil	(-) 37.6
Balinong	4	4	120	4	144.0	Nil	(+) 24.0
Dirang	5	5	150	5	162.5	Nil	(+) 12.5
Tabarijo	4	4	120	4	320.0	Nil	(+) 200.0
Yupia	4	4	120	Nil	Nil	4	(-) 120

(Source: Information furnished by ITIs)

It was noticed in audit that out of five ITIs, ITI Roing had shortage of space for classrooms to the extent of 37.6 square metres. As no classrooms were provided in ITI, Yupia, training classes for four trades were being held in the workshops (see photograph below).



Classes being held in Workshops at Yupia

In all the other remaining ITIs at Balinong, Dirang and Tabarijo, class rooms were available for all the trades and excess areas provided over the prescribed norm in these ITIs was between 12.5 square metres and 200 square metres.

Non-provision of class rooms as per the prescribed norm would have a bearing on the quality of training imparted in above two ITIs.

1.2.9.5 Availability of space in Workshops

DGET Manual prescribes norms for trade-wise carpet area for each ITI. The status of space available in all the five ITIs as of March 2015 was as indicated in *Appendix 1.2.1*.

It was noticed in audit that overall space available for workshops in all the five ITIs were as per the norms prescribed by the DGET Manual. However, shortage of space for workshops was noticed in ITIs at Yupia, Balinong and Dirang for trades of Basic Cosmetology (shortage of 52 Sq m), Draughtsman (shortage of 10 Sq m) and Preservation of Fruits and Vegetables (shortage of 19 Sq m) respectively.

1.2.9.6 Availability of power supply

NCVT prescribed power supply requirement based on the power requirement for each trade. Further, as per DGE&T Manual, to facilitate uninterrupted training activities at the time of load-shedding/power-cuts, a diesel generator set with sufficient capacity was to be installed in each ITI.

Audit noticed that all the five ITIs had sufficient power supply as per prescribed norm. However, out of five ITIs, only two ITIs at Roing and Tabarijo had installed diesel generators for power back up as per the prescribed norms. The other ITIs at Yupia, Dirang and Balinong have not made power back up arrangement to ensure uninterrupted power supply.

1.2.9.7 Non-availability of basic amenities

As per NCVT norms, basic amenities like water, sports, games, trade related magazines, medical treatment, sanitation and boundary wall, etc., are to be made available in ITIs. Details of basic amenities actually available are as under:

Table 1.2.9: Status of basic amenities in ITIs

Sl. No.	ITI	Basic amenities available	Lack/Inadequacy of basic amenities
1.	Yupia	Potable Water Supply Compound Wall Computer Lab 8 Toilets/Bathrooms for 72 Students	Playground Trade related Magazines Doctor/Pharmacists
2.	Balinong	Potable Water Supply Computer Lab 11 Toilets/Bathrooms for 70 Students	Compound Wall Playground Trade related Magazines Doctor/Pharmacists

Sl. No.	ITI	Basic amenities available	Lack/Inadequacy of basic amenities
3.	Tabarijo	Potable Water Supply Compound Wall Computer Lab 12 Toilets/Bathrooms for 72 Students	Playground Trade related Magazines Doctor/Pharmacists
4.	Dirang	Potable Water Supply Computer Lab 11 Toilets/Bathrooms for 70 Students	Compound Wall Playground Trade related Magazines Doctor/Pharmacists
5.	Roing	Playground Computer Lab 20 Toilets/Bathrooms for 100 Students	Potable Water Supply Compound Wall Trade/related Magazines Doctor/Pharmacists

(Source: Information furnished by ITIs)

It could be seen from the above table that the basic amenities available in all ITIs were not as per norms laid down in the NCVT. None of the ITIs had any arrangement for doctors and pharmacists. Four out of five ITIs did not have playgrounds for sports activities and three ITIs did not have the required compound walls for protection. Thus, lack of adequate amenities would adversely impact the educational atmosphere within the campus.

The Department stated (December 2015) that construction of playground and boundary wall in the deficient ITIs are being taken up.

1.2.9.8 Shortage of tools and equipment

The ITIs are required to maintain adequate basic tools and equipment trade-wise, as prescribed by the NCVT. As per the standard lists of tools and equipment approved by NCVT, for 17 trades out of 18¹⁴ trades being imparted in all the five ITIs, a total of 9452 numbers of tools and equipment were required. However, only 6952 numbers of tools and equipment were available in the ITIs with an overall shortage of 2500 (26 per cent) as of March 2015 as given under:

Table 1.2.10: Shortage in availability of tools and equipment

Sl. No	Name of trade	Shortage (in numbers)						Required	Shortage (%)
		Dirang	Yupia	Roing	Balinong	Tabarijo	Total		
1.	IT&ESM/ ITCSM ¹⁵	-	-	20	-	795	815	1330	61
2.	Basic Cosmetology	-	46	-	-	-	46	81	57

¹⁴ Information Technology and electronic service Maintenance(IT&ESM); Basic Cosmetology; Refrigeration and Air Conditioner (RAC); Draughtsman; Computer Operator cum Programming Assistant; Welder; Fashion Design Technology; Electrician; Diesel Mechanic, Mechanic (Motor Vehicle); Surveyor; Carpenter; Secretarial Practice; Wireman; Electro-Mechanic; Preservation of Fruit and Vegetables(PFV); Fitter; Plumber.

¹⁵ Information Technology and electronic service Maintenance.

Sl. No	Name of trade	Shortage (in numbers)						Required	Shortage (%)
		Dirang	Yupia	Roing	Balinong	Tabarijo	Total		
3.	Refrigeration and Air Conditioner	-	-	-	245	-	245	442	55
4.	Draughtsmen	-	-	73	24	344	441	943	47
5.	Computer Operator cum Programming Assistant	8	-	-	42	-	50	136	37
6.	Welder	96	-	205	-	-	301	1013	30
7.	Secretarial Practice	8	8	-	-	62	78	284	27
8.	Fashion Design Technology	-	86	-	-	-	86	359	24
9.	Electrician	-	-	141	-	40	181	1095	17
10.	Diesel Mechanic	-	-	-	35	-	35	258	14
11.	Mechanic (Motor vehicle)	-	-	61	-	-	61	494	12
12.	Surveyor	-	-	42	-	-	42	353	12
13.	Carpenter	-	-	73	-	-	73	686	11
14.	Wireman	-	-	25	-	-	25	324	8
15.	Electro-Mechanic	14	-	-	-	-	14	476	3
16.	Preservation of Food and Vegetables	5	-	-	-	-	5	611	0.81
17.	Fitter	-	-	2	-	-	2	567	0.35
Total		131	140	642	346	1241	2500	9452	26

(Source: Information furnished by ITIs)

As could be seen from the table, there were substantial shortages in five trades such as IT&ESM/ITCSM, Basic Cosmetology, RAC, Draughtsman and COPA ranging from 37 per cent to 61 per cent. In respect of eight trades (Sl. No. 6 to 13), the shortfall was between 11 and 30 per cent, while the shortage of tools and equipment in four trades (Sl. No. 14 to 17) was found to be negligible. The overall shortage of tools and equipment was significantly high in Tabarijo (60 per cent), followed by ITI Balinong (37 per cent) and ITI Yupia (29 per cent). In ITI at Dirang and Roing the shortfall was to the extent of 7 per cent and 16 per cent of tools and equipment respectively. Such a heavy shortfall in tools and equipment would have hindered the trainees from taking full advantage of the trade skills being imparted by ITIs. In order to meet the standard of training set by NCVT, tools and equipment as prescribed would have to be provided to these ITIs where shortage was found to be most acute.

The Department stated (December 2015) that all necessary tools and equipment will be made available in ITIs as per revised syllabus.

1.2.9.9 Additional tools and equipment for new syllabi

During 2013-14, NCVT introduced new syllabi for engineering and non-engineering trades, which necessitated procurement of additional tools and equipment for effective

conduct of trainings in different trades. The trade-wise availability of tools and equipment for new syllabi as on March 2015 was as shown in **Appendix 1.2.2**.

Shortage of tools and equipment was noticed to the extent of 57.04 *per cent* in 18 trades. The shortage of tools and equipment in ITI Yupia ranged between 40 *per cent* and 100 *per cent*, in ITI Dirang it was 15 *per cent* to 90 *per cent*, in ITI Balinong shortage was in the range of 46 to 83 *per cent*, in ITI Tabarijo shortage ranged between 52 and 76 *per cent* and in ITI Roing shortage was 3 to 77 *per cent*.

Thus, shortage of tools and equipment in the newly introduced courses would adversely impact on the effectiveness and quality of training conducted by ITIs and would hinder acquisition of new trade skills by the trainees and their employability in the job market.

The Department stated (December 2015) that procurement of tools and equipment for trades for all five ITIs will be carried out.

1.2.9.10 Hostel facilities

The DGET Training Manual provides that hostel facilities may be provided for 50 *per cent* of the trainees in each ITI. Position of seats and hostel facilities available in all five ITIs as of March 2015 was as under:

Table 1.2.11: Hostel facilities vis-à-vis seats available.

Name of ITI	Sanctioned seat	Hostel facilities available			Occupancy		
		Male	Female	Total	Male	Female	Total
Dirang	100	50	20	70	33	9	42
Tabarijo	120	48	24	72	48	24	72
Balinong	80	52	18	70	16	25	41
Yupia	80	0	72	72	0	35	35
Roing	340	60	40	100	60	40	100
Total	720	210	174	384	157	133	290

(Source: Information furnished by ITIs)

From the above table it could be seen that sufficient hostel facilities were available in four ITIs at Dirang, Tabarijo, Balinong and Yupia. However, at ITI, Roing, there was a shortage of hostel facilities as only 29 *per cent* was available against the norm of 50 *per cent*. It was also noticed that while the occupancy rates of hostels at ITI, Tabarijo and Roing were 100 *per cent*, in other three ITIs at Dirang, Balinong and Yupia, it ranged between 49 to 60 *per cent*. Further, basic facility such as mess was not available in three ITIs at Dirang, Roing and Balinong. None of the five ITI hostels have boundary walls for safety and security of the inmates.

During physical verification at ITI, Yupia (June 2015), it was noticed that one of the hostels, out of the existing two with a capacity of 36 beds, was lying vacant since April 2010. The condition of the hostel was unfit for habitation unless repair and renovation works were undertaken as shown in the following photographs:



Poor maintenance of Women hostel at Yupia

Further, during physical inspection (July 2015), at ITI Roing, it was noticed that a new hostel building with a capacity of 30 students constructed in September 2014 (₹ 31.87 lakh) was kept unoccupied, despite the dilapidated condition of the old hostel building where the students were accommodated. In the meanwhile, the new hostel building also needed routine maintenance due to non-occupation for a long period of time as shown in the photographs below:



Dilapidated old Hostel Building and New Hostel Building indicating lack of maintenance.

Physical inspection (July/August 2015) of the other hostels at three ITIs at Balinong, Dirang and Tabarijo revealed that condition of the hostels' buildings was satisfactory.

1.2.9.11 Award of stipends to trainees

According to the DGET Manual, stipend of ₹ 100 per month per trainee was to be paid to all the trainees.

A scrutiny of records of all the five ITIs revealed that stipend at the rate of ₹ 550 per month was paid only to Schedule Tribe trainee of Arunachal Pradesh. Thus, other students were deprived of stipend which was in violation of the instruction. As a result, as many as 357 trainees enrolled during the period 2010-15 were not paid stipend as per the Manual.

1.2.9.12 Non-introduction of new trades

Under the scheme of Craftsmen Training Scheme (CTS), new courses in the emerging areas in fast changing industrial environment need to be introduced from time to time. As per DGE&T Manual, the State Government was required to set up Local Advisory Committee (LAC) which will examine the needs for introducing appropriate trainings courses in new emerging areas as per the latest industrial/ market requirements in the

State. During 2010-15, DGE&T introduced eight new Engineering trades¹⁶ and eleven new Non-Engineering trades¹⁷.

It was noticed in audit that the local advisory committee as envisaged was not set up in any of the ITIs. The department has also not conducted any survey to identify the areas in which new trades need to be introduced. If the new trades introduced by DGE&T are not adopted by the ITIs, the trainings programme in different ITIs could not support the much needed capacity building according to the latest technology and Industrial requirements.

Accepting the audit observations, the Department stated (December 2015) that though IMC existed in all five ITIs, constitution of Local Advisory Committee (LAC) will be examined.

1.2.9.13 Non-obtaining of re-affiliation

With a view to upgrade training infrastructure in tune with the change in syllabus of trade(s) to meet demand of the industry, NCVT decided (2011) that affiliation to ITIs would be granted for five years only and all the ITIs which were affiliated prior to five years would be affiliated afresh. GoI accordingly issued instructions (March/July 2014) to the State Government for obtaining re-affiliation of ITIs which had been affiliated more than five years ago within March 2015 to adhere to the standards prescribed by NCVT.

Audit, however, observed that all the five ITIs which were granted affiliation five years back had not obtained re-affiliation as of March 2015. Consequently, all the ITI were imparting trainings in 27¹⁸ trades without re-affiliation as required by the NCVT as of September 2015.

1.2.10 Human resources management

1.2.10.1 Manpower position

DGET prescribed a specific scale of technical staff for ITIs depending on the seat capacity of the institute and the number of trades for which training being imparted in that ITI. The position of posts sanctioned and man in position is as shown in the following Table:

¹⁶ Excavator Operator; Domestic Printer; Stone Processing Machine Operator; Mechanic Mining Machinery; Marine Engine Fitter; Industrial Painter; Rubber Technician and Goldsmith.

¹⁷ Firemen Fire Technology and Industrial Safety Management; Women Resources Executive Marketing Executive; Office Assistant cum Computer Operator; Health Safety and Environment; Multi Media Animation and Special Effect; Spa Therapy; Finance Executive; Para Legal Assistant /Munshi and Counselling Assistant.

¹⁸ ITI Roing-10; ITI Dirang-5; ITI Tabarijo-4; ITI Balinong-4; ITI Yupia-4.

Table 1.2.12: Sanctioned strength vis-à-vis men-in-position in technical cadre

ITI	Group Instructor (Number of posts)			Vocational Instructor (Number of posts)		
	Sanctioned	Filled up	Shortfall	Sanctioned	Filled up	Shortfall
Roing	1	0	1	20	20	0
Tabarijo	1	0	1	9	8	1
Dirang	1	1	0	7	6	1
Yupia	1	1	0	4	3	1
Balinong	1	0	1	7	7	0
Total	5	2	3	47	44	3

(Source: Departmental records)

Against the sanctioned strength of five Group Instructors, only two were in position. There were no Group Instructors in ITI at Roing, Tabarijo and Balinong. In respect of Vocational Instructors, 44 were in position out of 47 instructors sanctioned for five ITIs, with an overall shortage of three (one each ITI at Tabarijo, Dirang and Yupia).

1.2.10.2 Training for craft instructors

The objective of the Craft Instructors' training is to train Instructors in the techniques of transferring hands-on skills, in order to train manpower for industry. Structure of training programme is such that comprehensive training, both in skill development and training methodology, is imparted to the trainees.

Audit observed that out of the total 46 instructors (two Group Instructors and 44 Vocational Instructors) in all five ITIs, only 10 Vocational Instructors underwent craftsmen training scheme at different Institute of Training of Trainers (ITOTs) outside the State. As many as 36 (78 per cent) instructors had not been imparted comprehensive training both in skill development and training methodology during the last five years 2010-15 as required under the Craftsman Instructors Training Scheme, thus compromising on skill upgradation among instructors in the latest training methodology and training techniques which will affect the effectiveness of training being imparted by them.

1.2.11 Monitoring and evaluation

1.2.11.1 Shortfall in inspection of the ITIs

According to the DGET Manual, inspecting officers of the State Directorate should inspect the ITIs in their charge as frequently as possible and at least once in a quarter and give advice on the training. The tripartite inspection (State Director, one representative each from industry and labour organisation) should be conducted once in a year of at least one ITI.

The position of inspections conducted in five ITIs during the five year period was as indicated in the following table:

Table 1.2.13: Status of inspection of ITIs.

Year	Number of inspections to be conducted (as per norms)		Actual inspections conducted		Shortfall (in per cent)	
	Directorate	Tripartite	Directorate	Tripartite	Directorate	Tripartite
2010-11	20	1	0	0	20 (100)	1 (100)
2011-12	20	1	0	0	20 (100)	1(100)
2012-13	20	1	1	1	19 (95)	0
2013-14	20	1	0	0	20 (100)	1 (100)
2014-15	20	1	2	1	18 (90)	0
Total	100	5	3	2	97 (97)	3 (60)

(Sources: information furnished by Department)

From the above, it can be seen that only 3 inspections were conducted during the period 2010-15 at the Directorate level. At the Tripartite level during the last five years, inspection of ITI Balinong was conducted twice (in 2012-13 and 2014-15) and the remaining ITIs at Yupia, Dirang, Roing and Tabarijo were never inspected. This was indicative of inadequate monitoring on the activities of ITIs in the State.

1.2.12 Survey among trainees and faculty

Feedback on the quality of trainings imparted and infrastructural facilities provided in the ITIs is an important indication for ascertaining the level of satisfaction of the trainees so that corrective measures may be taken for qualitative improvement.

Accordingly, audit conducted a survey wherein 88 trainees (Male 61 and Female 27) from ITIs at Roing, Balinong and Tabarijo were given a pre-designed format on different parameters to assess the satisfaction level of the trainees as indicated below:

Table 1.2.14: Beneficiary Survey

Sl. No.	Parameters/Queries	Satisfied (%)	Not satisfied (%)
1	Condition of classrooms in the institution.	76	24
2	Condition of workshops.	68	32
3	Availability/Quantity of tools and equipment.	44	56
4	Quality of trainings provided.	77	23
5	Hostel facility provided by the ITI.	24	76

Out of 88 trainees who responded to the survey, more than two-thirds were satisfied with condition of classrooms, workshops and the quality of trainings provided in the ITIs. When it came to availability of tools and equipment only 44 per cent were satisfied. However, 76 per cent of the trainees were not satisfied with the facilities and amenities provided in the hostels.

During the period 2010-15, 1059 trainees (Male 737 and female 322) passed out from the five ITIs in the State. Audit sent out a questionnaire to 200 ITI graduates. 54 trainees (Male 44 and Female 10) responded to the survey, of which 15 passed out trainees had

secured employment. Of these only 8 are employed in line with their trade at ITI. Further, 24 of ITI graduates had registered themselves with State Employment Exchange awaiting employment offer. 15 trained personnel had neither registered themselves with Employment Exchange nor secured employment as of March 2015.

Audit also interacted with heads of the ITIs. Four heads of Institutes pointed out inadequacy of Group Instructors and other supporting staff as constraints for running the Centre effectively. Heads of all 5 ITIs agreed that there were shortage of tools and equipment as per revised syllabus. One ITI expressed the need for Medical facilities in the ITIs.

1.2.13 Conclusion

Out of 13 new ITIs proposed in the Annual Plan, only four new ITIs under CSS have been sanctioned. The process of setting up of the four new ITIs has not started even after two years of sanction. Upgradation of three ITIs for three new trades each remained incomplete for four years as ₹ 67.89 lakh released was lying unutilised till March 2015. Upgradation of four ITIs under PPP model also remained incomplete as of March 2015 for a period of more than 4 to 7 years due to non-utilisation of ₹ 6.66 crore as on March 2015. Funds of ₹ 199.16 lakh for supplementing deficient infrastructure in ITIs was kept in bank account of APSDS without releasing to ITIs for a period ranging from 7 to 25 months.

Due to slow release of funds by the Directorate, the project for upgradation of 10 trades at ITI Roing under VTIP remained incomplete even after 8 years. Fund of ₹ 60.28 lakh had not been released by the Directorate till March 2015.

The scheme of Apprenticeship Training has not been implemented by the State Government during the review period. Thus, 1059 (Male 737 and female 322) numbers of passed out trainees were deprived of Apprenticeship training to sharpen their skills.

Shortage of classroom space was noticed in ITI Roing and Yupia. Shortage of space for workshop was also noticed in Yupia, Balinong and Dirang for specific trades. Substantial shortage of tools and equipment was noticed to the extent of 37 to 61 *per cent*. The basic amenities in the ITIs were not provided as per NCVT norms.

Inspection of ITIs at the Directorate and Tripartite level were not conducted as per norms. The shortage was to the extent of 90 to 100 *per cent* and 60 *per cent* respectively.

1.2.14 Recommendations

- The State Government should formulate plan for establishment of new ITIs in a time bound manner as envisaged in 12th Five Year Plan.
- The State Government should review various projects/schemes under implementation for upgradation of ITIs to ensure timely release of funds with a view to completing the ongoing schemes/projects within a specific time frame.

- The State Government should ensure implementation of Apprenticeship Training for ITI passed out trainees and should put in place follow up arrangement to monitor placement of passed out trainees in various industrial and service sectors.
- The Department should ensure providing sufficient tools and equipment, basic amenities, and infrastructure in the ITIs in a time bound manner as per NCVT norms.
- The monitoring of ITI activities should be strengthened by conducting regular inspections as per the prescribed norms.

Urban Development & Housing

1.3 Unfruitful expenditure on construction of MLA hostel

The Department paid an excess amount of ₹16.39 crore to Arunachal Pradesh Infrastructure Development Corporation Limited without regulating the payment with reference to physical progress of the project for construction of MLA Hostel. The Department did not obtain performance guarantee and security deposit as required under the rules from the firm to ensure the performance of the contract. The construction was abandoned since December 2013. The contract was terminated in July 2015 and ₹67.69 crore incurred on the construction has been rendered unfruitful.

According to Rule 129 (1) (VI) of GFR 2005, no works shall be commenced or liability incurred until tenders are invited and processed in accordance with rules. Under Para 21.1 (1) (v) and 21.2 (4) of CPWD Manual, successful tenderer or contractor will submit performance guarantee and a security deposit in the form of bank guarantee or otherwise for an amount equal to *five per cent* of the accepted value of work before the start of work; and recover the security deposit of *five per cent* of the tendered amount of work from the running bill of the contractor. The bank guarantee shall be valid till stipulated date of completion of work.

A scrutiny of records of the Deputy Director, Urban Development & Housing, Itanagar Division (May 2015) revealed that Government of Arunachal Pradesh accorded (July 2010) administrative approval and expenditure sanction of ₹ 76.47 crore for 'Construction of MLA Apartment, Itanagar' scheduled to be completed by September 2012. Based on a Cabinet decision of 15 July 2010, the construction work was awarded to Arunachal Pradesh Infrastructure Development Corporation Limited (APIDCoL)¹⁹ (the Agency) on turnkey basis for ₹ 72.50 crore, without following the tendering process in contravention of the provisions of GFR. Accordingly, the Secretary, Urban Development & Housing entered into a Memorandum of Agreement (MoA) with Director & CEO of APIDCoL, in November 2010.

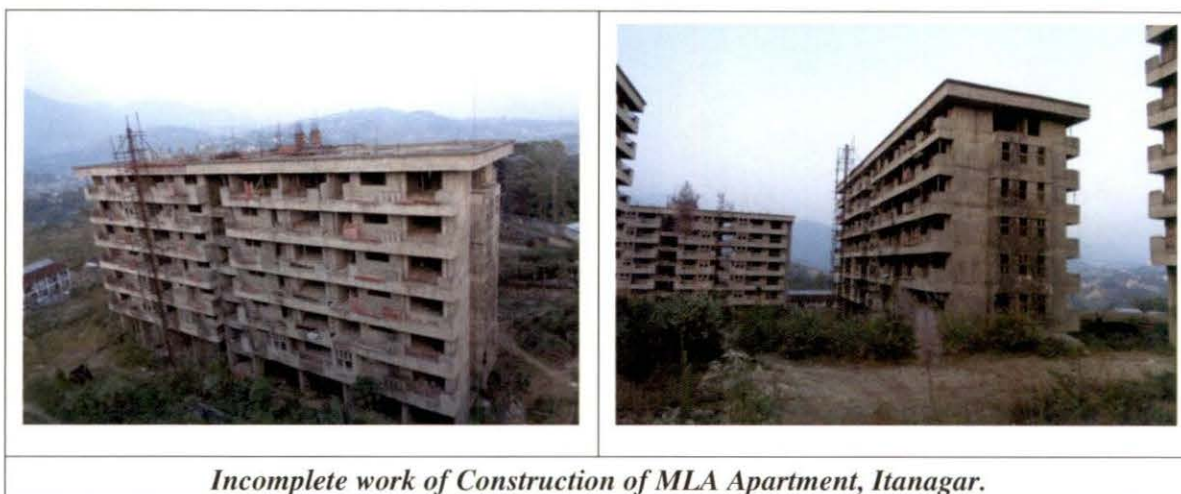
As per MoA, the project was to be executed within a period of 22 months from date of signing of MoA (i.e. by September 2012). The Agency was to mobilize its own resources and not wait for payment from the department for completing the project. The Agency

¹⁹ A joint venture of M/s U.S. Roofs, Mumbai and Arunachal Pradesh Industrial Development & Financial Corporation Limited (APIDFC Ltd) - a State Public Sector Undertaking. The ratio of equity share between the two is 80:20, the management being with the former.

commenced the project on 02 November 2010 which included items of works such as construction of apartments (four blocks), club building (one block), bungalow building (two blocks), garage & servant quarters (two blocks) etc. It was noticed in audit that the Department had failed to incorporate in MoA relevant clauses to safeguard the interest of the government by making provisions for performance guarantee and security deposit.

It was noticed in audit that there were delays in the execution of the work. The progress of work was continuously monitored by the Department and the fact regarding slow progress of work was pointed out to the Agency. Also, the scheduled date of completion was extended from time to time to adjust for the delay already taken place.

The execution of the work came to complete halt by end of December 2013. As per progress report, 70 per cent of the work was completed up to December 2013. It was noticed in audit that ₹ 67.14 crore was paid to the Agency by this time. However, the proportionate payment due to the Agency commensurate with physical progress was ₹ 50.75 crore. Thus, ₹ 16.39 crore was paid in excess to the Agency.



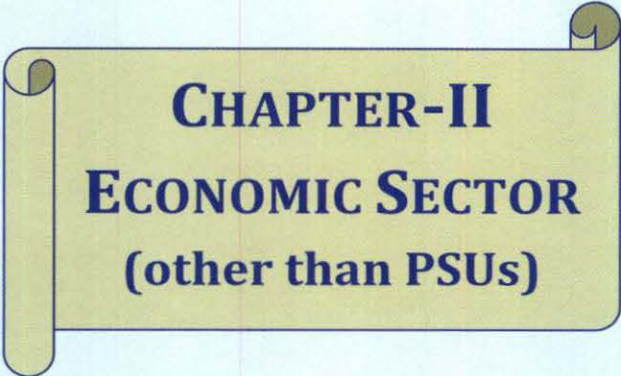
In subsequent review meetings held after the stoppage of work, the Agency gave repeated assurances that it would restart the work. However, the Agency failed in its promise to restart the work. Ultimately, the contract was terminated in July 2015 after issuing show cause notice in December 2014. A penalty of ₹ 195.75 crore on account of delay was also imposed as per Clause 6.1 of MoA.

It was also noticed that ₹ 54.61 lakh was further released to the Agency in October 2014 i.e. 10 months after the work had completely stopped and abandoned. Thus, total amount of ₹ 67.69 crore was released to the Agency which was 93 per cent of the total project cost where as the project had achieved only 70 per cent physical progress. Thus, total excess payment of ₹ 16.94 crore was made to the Agency. When the physical progress of the project was unsatisfactory, the Department ought to have exercised more caution while releasing the payment to the Agency.

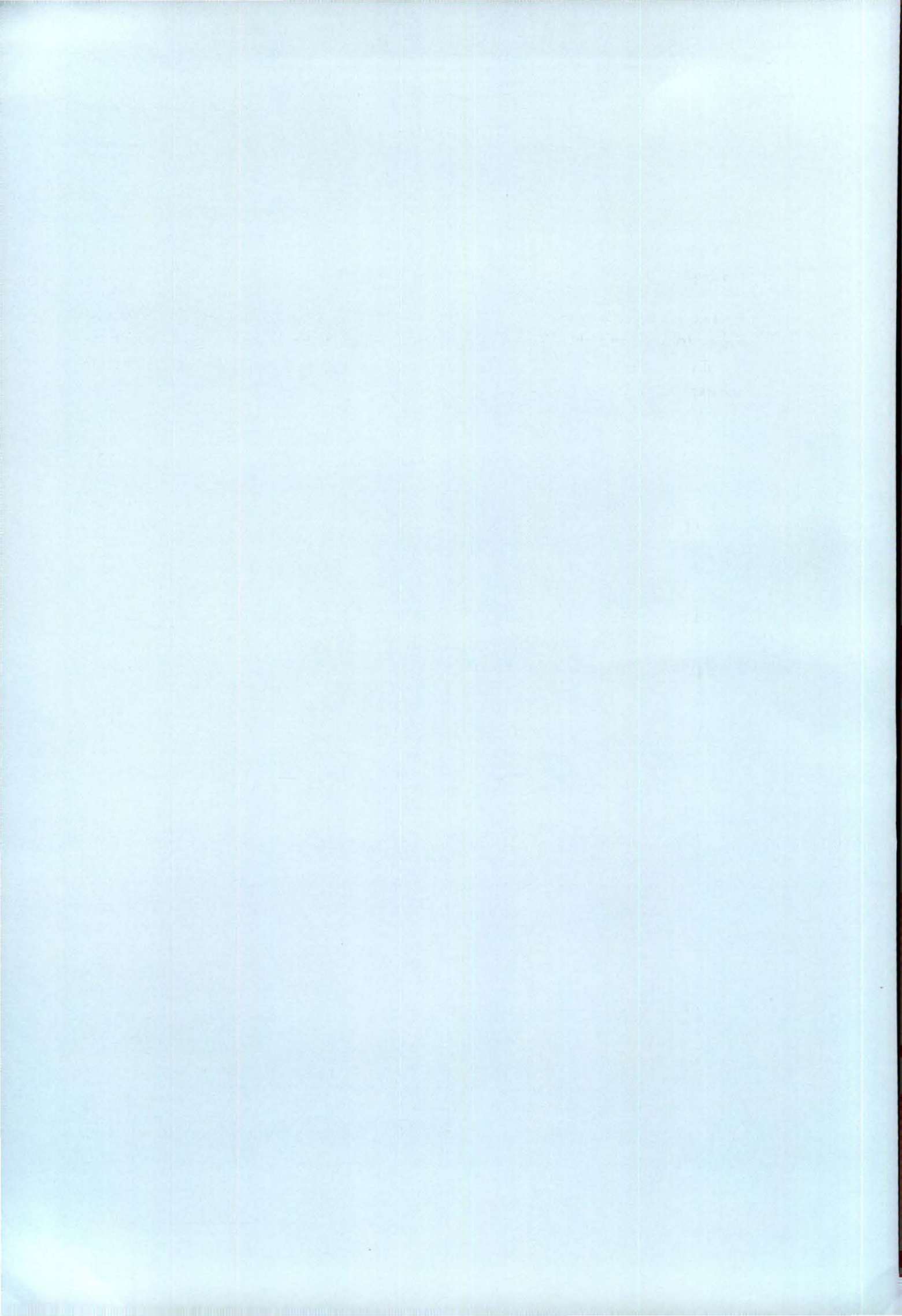
In reply (November 2015) the Department stated that the actual progress was 88 per cent and payment has been made on lump sum basis in proportion to the progress of the work.

The reply of the Department is not acceptable as the overall physical progress achieved was only 70 per cent as of December 2013 and no further work was carried out till the time of the termination of the contract. In the absence of safeguards like performance

guarantee/security deposit, the satisfactory completion of the contract at risk and cost of the Agency was not ensured. Further, the project is in abandoned state for two years and deterioration in condition of already completed work due to exposure to weather could not be ruled out. Thus, the entire expenditure of ₹ 67.69 crore incurred on the construction has remained unfruitful.



CHAPTER-II
ECONOMIC SECTOR
(other than PSUs)



CHAPTER - II: ECONOMIC SECTOR

2.1.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2015 deals with the Audit findings of State Government units under the Economic Sector.

During 2014-15, total budget allocation of the State Government under the Economic Sector (other than Public Sector Undertakings) was ₹ 3,798.91 crore, against which the actual expenditure was ₹ 2,513.79 crore. Details of Department-wise budget allocation and expenditure are given in Table 2.1.1 below:

Table- 2.1.1

(₹ in crore)

SL. No.	Department	Total Budget Allocation	Expenditure
1	Industries	54.32	34.46
2	Textile & Handicrafts	35.75	29.68
3	Tourism	80.37	71.45
4	Rural Development	477.76	143.22
5	Co-operation	29.80	27.77
6	Agriculture	162.08	105.51
7	Horticulture	120.95	62.44
8	Animal Husbandry	102.67	96.83
9	Fisheries	28.54	43.96
10	Research	12.17	11.05
11	Science & Technology	10.60	10.47
12	Public Works	351.96	258.63
13	North Eastern Areas	106.03	103.84
14	Environment & Forests	364.50	236.82
15	Transport	84.19	72.01
16	Power	517.00	467.50
17	Water Resources	270.92	153.08
18	Geology & Mining	13.17	9.70
19	Rural Works	976.13	575.37
	Total	3798.91	2513.79

(Source : Appropriation Accounts 2014-15)

2.1.2 Planning and Conduct of Audit

Audit process starts with the assessment of risks faced by various Departments of the Government based on expenditure incurred, criticality/complexity of activities, level of

delegated financial powers, assessment of overall internal controls and concerns of Departments.

Audits were conducted involving expenditure of the State Government amounting to ₹ 2,265.79 crore under the Economic Sector.

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

Major findings detected in Audit during 2014-15 pertaining to the Economic Sector (other than Public Sector Undertakings), are discussed in subsequent paragraphs of this Chapter. The chapter of Audit Report contains two Performance Audits Reports viz., Implementation of Pradhan Mantri Gram Sadak Yojana (PMGSY) and Development of Tourism Infrastructure and nine Compliance Audit Paragraphs.

PERFORMANCE AUDIT

Department Of Tourism

2.2 Development of Tourism Infrastructure

The Department of Tourism is responsible for promotion of tourism in the State through planning and development of infrastructure and marketing of Arunachal Pradesh as tourist destination. A number of schemes were funded by the GoI under Centrally Sponsored Schemes to boost tourism in the State. The State Government has also taken up new initiative for promotion of tourism such as eco-tourism, rural tourism, adventure tourism, etc. Performance Audit of the department revealed several deficiencies in planning and in the operationalisation of infrastructure already created for tourism purposes. Some major audit findings are highlighted below:

Highlights

- *The State Government has neither not approved the Tourism Master Plan prepared by a consultant in 2005 nor the Tourism Development Plan developed by INTACH in 2010.*

(Paragraph 2.2.7.4)

- *There was underutilization of funds under Capital section during the period 2010-11 to 2014-15 ranging from 15.51 to 56.23 per cent.*

(Paragraph 2.2.8.1)

- *Out of 31 projects due for completion by March 2015, only 14 projects were completed within the scheduled time frame, while seven projects were completed with time overruns ranging from 3 to 33 months, and the 10 projects are still incomplete.*

(Paragraph 2.2.9.1)

- *Inability of the Department in utilizing the 28 tourist facilities created at a cost of ₹56.40 crore rendered the entire expenditure idle/unproductive.*

(Paragraph 2.2.9.3)

- *Capacity building programmes undertaken by the Department have not achieved the desired objectives.*

(Paragraph 2.2.10)

- *Several deficiencies were noticed in implementation of promotional activities. Assets created for promoting tourism have not been made operational due to non release of last instalments and manpower constraints.*

(Paragraph 2.2.12.1; 2.2.12.2; 2.2.12.3; 2.2.12.4)

- *The monitoring and internal control mechanism were inadequate and need further strengthening.*

(Paragraph 2.2.13.1; 2.2.13.2 and 2.2.13.3)

2.2.1 Introduction

Arunachal Pradesh is richly endowed with natural beauty and has immense potential for emerging as an important tourist destination of the country. However, the State has remained isolated due to its geomorphology, relief features, drainage system and climate.

Tourism in the North East India in general had suffered on account of years of insurgency and the resulting security concerns. Though Arunachal Pradesh was affected by insurgency to a lesser extent, being landlocked, the consequences of the security scenario in the North East India as a whole were also felt in the State. For the growth of tourism in the State, the Government of India (GoI) and the State Government have been funding several tourism projects for creation of infrastructure, brand promotion and human resource development. The State Government had declared tourism as an industry in the State with effect from 21 June 1985.

2.2.2 Organizational Set-up

The Department of Tourism (DoT), Government of Arunachal Pradesh (GoAP) is the nodal agency responsible for development of tourism sector in the State. The Secretary, DoT, GoAP is the administrative head of the Department.

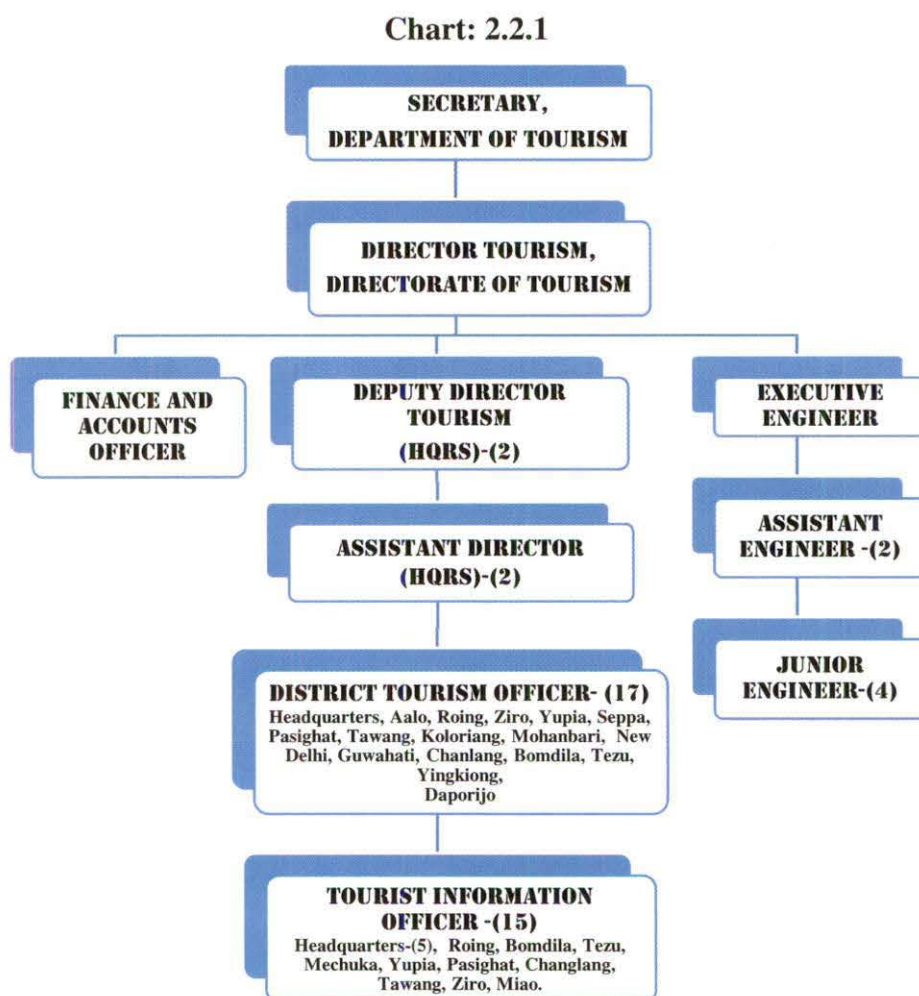
The Directorate of Tourism created in February 1995, under the DoT, GoAP was notified as the implementing agency for the Arunachal Pradesh Tourism Policy 2003.

The activities of the Directorate were to develop tourist infrastructure, publicise and market tourism products, promote tourism activities, facilitate the stakeholders in

tourism, provide capacity building and skill development, operate the infrastructures created, tourist transport facilities, etc.

The Director of Tourism is the head of the Department who is responsible for all tourism related activities. He is assisted by two Deputy Directors, two Assistant Directors, one District Tourism Officer (DTO), five Tourist Information Officers (TIOs) and a Finance and Accounts Officer at the Directorate level. The Directorate has also an Engineering Wing which is headed by an Executive Engineer. He is assisted by two Assistant Engineers and four Junior Engineers. At the District level, thirteen DTOs are posted and assisted by ten TIOs. Besides, one DTO each is posted at Mohanbari, Guwahati and New Delhi.

Organizational set-up of the Tourism Department is depicted in the flow chart below:



2.2.3 Scope of Audit and Methodology

The Performance Audit on “**Development of Tourism Infrastructure in Arunachal Pradesh**” covering the period from 2010-11 to 2014-15 was carried out during May 2015 to September 2015 through test check of the records of Director of Tourism (DoT) including Engineering Wing, District Tourism Offices in nine districts which were selected by using *Probability Proportional to Size Without Replacement (PPSWOR)*

viz., Papum Pare, East Siang, Changlang, Lower Subansiri, Upper Subansiri, Lohit, West Siang, Tawang, West Kameng and eight Works Divisions which were involved in construction of tourism infrastructure.

Development of tourism has been categorized into infrastructure development, brand promotion and marketing and capacity building. Out of these categories, 23 projects sanctioned during the period covered under performance audit were selected for detailed examination by audit. Besides, 25 projects prior to 2010-11 which have a bearing on the tourist development were also examined in audit.

The Performance Audit on “**Development of Tourism Infrastructure in Arunachal Pradesh**” commenced with an ‘*Entry Conference*’ held on 18 May 2015 with the Secretary, DoT, GoAP, where the Audit methodology, objectives, criteria, scope, etc. of the Performance Audit were explained in detail.

An ‘*Exit Conference*’ was held on 27 November 2015 with the The Secretary, DoT, GoAP at the end of the Performance Audit to discuss the audit findings contained in the Draft Audit Report. The report was finalised incorporating the replies of the Department, wherever necessary.

2.2.4 Audit Objectives

The main audit objectives were to examine and assess whether:

- State Tourism Policies and Plans were formulated in line with National Tourism Policy and implemented effectively.
- Funds at the disposal of the State Government were utilized in an economic, efficient and effective manner.
- Implementation of infrastructure development projects funded under various schemes was in conformity with the prescribed codal procedures and whether they were efficiently managed.
- Programmes undertaken by the Department in human resource development for the tourism sector for the State were effective.
- Promotional activities undertaken in the State for the growth of tourism sector was efficient and effective.
- The monitoring mechanism was in place and effective.

2.2.5 Performance Indicators/Audit Criteria

Audit criteria derived from the following sources were used to benchmark the audit findings:

- National Tourism Policy, State Tourism Policies and Plans.
- General Financial Rules.
- Central Public Works Department (CPWD) Manual.

- Guidelines, Circulars/Orders issued by the Ministry of Tourism, GoI/State Government
- Prescribed monitoring mechanisms

2.2.6 Acknowledgement

The Indian Audit & Accounts Department places on record its sincere appreciation of the Department of Tourism, Government of Arunachal Pradesh and other concerned implementing agencies of the schemes/projects for their assistance in facilitating audit.

Audit Findings

Results of the Performance Audit are discussed in the succeeding paragraphs.

2.2.7 Tourism Policy and Plans

2.2.7.1 State Tourism Policy

Planning is primary exercise required to achieve the objective of any programme/scheme. Planning also has an important role in phasing the developmental process, so as to achieve optimum results from each of the sectoral attributes including the spin-off benefits. Planning in tourism sector is essential to control unrestrained development, thereby limiting depletion of scarce resources and mitigating environmental hazards and promoting responsible tourist activity as a means of boosting the economy.

The GoAP adopted the Tourism Policy in 2003 with a vision statement to develop tourism industry as an engine of growth and to harness its potential for the benefit of its people. The mission statement of maximising the positive benefits of tourism and introducing key ideas and actions to guide tourism laid out the following main objectives:

- Suitable planning for sustainable development of tourism.
- Protection of its heritage (natural, cultural as well as traditions and values of the people of the State).
- Capacity building and creation of mechanisms in support of small and medium enterprises.
- Formulation of strategies that will exploit opportunities and potential of the State.
- Ensuring development policies (including public works and transportation, bus and road networks) that support and promote the various attractions of the State.

The Tourism Policy 2003 also laid specific emphasis on preparation of a comprehensive master plan, identification of high potential tourism areas, setting up of Arunachal Tourism and Marketing and Promotion Board (ATMPB), establishment of contact with domestic private sector agencies in the field of hospitality, travel agents, tour operators, etc. and relaxing and simplifying the inner-line entry formalities.

2.2.7.2 *National Tourism Policy 2002 vis-à-vis State Tourism Policy 2003*

The National Tourism Policy 2002 laid down the current tourism scenario in the country *vis-à-vis* strength, weaknesses, opportunities, threats and its achievements, prospects and development goals. The policy document took into consideration seven key areas that will provide the thrust to tourism development: *Swagat* (welcome), *Soochana* (information), *Suvidha* (facilitation), *Swaksa* (safety), *Sahyog* (co-operation), *Samrachana* (infrastructure development) and *Safai* (cleanliness).

Audit, however, noticed that the State Tourism Policy 2003 only brought out in general the objectives and strategies for promoting tourism in the State, without specifying the present scenario *vis-à-vis* the achievements, strength, weaknesses, opportunities, threats i.e. SWOT analysis and target and specific areas for future growth projection.

2.2.7.3 *Perspective Tourism Plan*

The Department had prepared (September 2002) '**Perspective Tourism Plan**' for achieving its long term mandate by breaking down the targets into actionable programmes to be completed in 20 years for sustainable development of tourism sector.

Audit, however, noticed that the Department had not formulated any short term action plan for prioritizing action to be undertaken to realize the long term plan and objectives by identifying activities with specific time frame.

2.2.7.4 *Master Plan for Tourism development.*

In order to develop a '**Master Plan for Tourism Development**', the DoT, GoAP had selected (July 2001) *M/s Creative Research Group*, a Kolkata based consultancy firm for the work of preparation of '**Tourism Master Plan**'. Though the firm submitted in September 2005 the Master Plan which *inter alia* included integrated tourism development, training needs analysis and formulation of marketing strategy/plan as envisaged in the Tourism Policy, the High Powered Working Group constituted to examine the Master Plan has not approved the report even after more than ten years.

Subsequently, the Tourism Development Plan (TDP) for Arunachal Pradesh prepared (February 2010) by the Heritage Tourism Division, Indian National Trust for Art and Cultural Heritage (INTACH) under the aegis of the Ministry of Tourism, GoI was submitted (March 2010) to the State Government for approval. However, the State Government has not conveyed its approval even after a lapse of more than five years.

In response the Department while accepting the fact, stated (December 2015) that the State Government has not yet conveyed its approval for adoption of Tourism Development Plan (TDP) for Arunachal Pradesh, prepared by the INTACH.

Further the Department stated that the National Tourism Policy 2015 is being formulated by GoI. The State Government is also in the process of formulating 'Vision 2030' which should be in line with the National Tourism Policy 2015. Necessary modifications will be made in the State Tourism Policy which will address all the tourism development related issues.

2.2.7.5 Arunachal Tourism and Marketing and Promotion Board not set up.

The Tourism Policy 2003, envisaged setting up of “Arunachal Tourism and Marketing and Promotion Board” for marketing the tourism potential of the State. Audit, however, noticed that no such Board has been set up as of June 2015.

Thus, despite a lapse of nearly 10 years, the State Government has not brought out a Master Plan and not set up the Board which are the key elements emphasised in Tourism Policy 2003.

The Department in reply (November 2015) stated that the setting up of ‘Arunachal Tourism and Marketing and Promotion Board’ is not feasible as the Tourism Department itself is a small Department.

2.2.7.6 Master Plans for North Eastern Region

The North Eastern Council (NEC) undertook preparation of Master Plans for the North Eastern Region through M/s Tata Consultancy Services (TCS), Mumbai. The NEC had identified 5 (five) interstate circuits in Arunachal Pradesh which included - (i) Guwahati-Tezpur-Bhalukpong-Bomdila-Tawang circuit, (ii) Tezpur-Seijosa (Pakhul)-Bhalukpong-Tipi-Tezpur, (iii) Tinsukia-Tezu-Hayuliang, (iv) Dibrugarh-Roing-Mayudia-Anini, (v) Margherita-Miao-Namdapha and intimated (December 2011) to the State Government for approval and earmarking of one tourist circuit (Guwahati-Bomdilla-Tawang-Tezpur-Guwahati) for implementation during the first phase. The State Government was required to appoint a ‘Regional Level Consultant’ (RLC) and ‘State Level Project Management Agency’ (SLPMA) for preparation of DPRs, Bid Process Management, Technical Advisory Services, etc. However, no further action has been initiated by the State Government in that direction as of June 2015.

In response, the Department stated (November 2015) that the development of Tezpur-Bomdila-Tawang Circuit under Circuit Development has already been taken up departmentally.

2.2.7.7 Public Private Partnership (PPP)

The State Tourism Policy 2003 envisaged establishment of contact with domestic private sector agencies in the field of hospitality, travel agents, tour operators, etc.

Audit, however, observed that the Department has not framed any Public Private Partnership (PPP) policy as of June 2015. No private agency has been engaged in tourism development in the State. Though the Department felt the need for involving private parties in operation of various assets already created, so far the State Government has not formulated a policy.

2.2.7.8 Inner line Entry regulation

The Tourism Policy 2003 envisages relaxing and simplifying the Inner Line Permit (ILP) regulation. Accordingly, the State Government has introduced the system of issue of inner line permit to tourists on arrival at the Naharlagun Railway Station and various

entry check gates in the State. Stay permit for foreign visitors has also been extended to 30 days from the earlier permit of 10 days.

Audit, however, noticed that ILP are being issued for a specific district and not for the whole State. Thus, tourists cannot move to other tourist destinations with the ILP of one district which causes restrictions in movements. ILP for other districts will have to be obtained at the designated offices at the entry gate on working days only which add to inconvenience for tourists visiting the State.

2.2.8 Financial Management.

The Ministry of Tourism (MoT), GoI extends financial assistance to the State Government for augmentation of tourist infrastructure facilities. Assistance is provided every year on the basis of specific proposals received from the State Government and in respect of the projects that are short-listed for consideration during that particular year. Besides, the Tourism Department had also been receiving funds from the following sources for infrastructure development of the tourism sector:

- The Finance Commission, GoI. (Special Plan Assistance).
- The Ministry of Development of North Eastern Region (MDoNER).
- The North Eastern Council (NEC), GoI.

2.2.8.1 Budget provision and actual expenditure.

Position of the Budget provision and actual expenditure under revenue and capital section for the period 2010-2015 is as given in the Table below:

Table-2.2.1

(₹ in crore)

Year	Budget provision			Actual expenditure			Savings (-) /Excess(+) (Percentage)	
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital
2010-11	6.33	53.12	59.45	6.33	33.66	39.99	(+)0 (0)	(-)19.46 (36.63)
2011-12	9.64	46.26	55.90	9.51	39.08	48.59	(-)0.13 (1.35)	(-)7.18 (15.52)
2012-13	15.07	60.32	75.39	14.61	26.40	41.01	(-)0.46 (3.05)	(-)33.92 (56.23)
2013-14	19.35	56.97	76.32	19.34	32.81	52.15	(-)0.01 (0.05)	(-)24.16 (42.41)
2014-15	24.15	56.22	80.37	23.95	47.50	71.45	(-)0.20 (0.83)	(-)8.72 (15.51)
Total	74.54	272.89	347.43	73.74	179.45	253.19	(-)0.80 (1.07)	(-)19.70 (7.22)

(Source: Detailed Appropriation Accounts)

From the above table, it can be seen that the savings in capital section ranged between 15.51 and 56.23 per cent. The savings under capital section are indicative of underutilization of allocated funds for creation of assets which adversely affect tourist infrastructure development of the State.

The Department in its reply (December 2015) stated that the funds are released by the State Government at the end of the financial year and the same could not be utilised by

the Department within a short span of time, and thus funds are deposited into Civil Deposit as per State Government orders.

2.2.8.2 Delay in release of funds to the implementing agency.

MoT, GoI while sanctioning and releasing funds for various infrastructure projects reiterated that the funds released by the GoI to the State Government should not be kept unutilised for more than six months. In case the funds cannot be utilised, the same have to be surrendered to Central Government or their formal approval taken to transfer/adjust the amount against other centrally funded projects.

Audit noticed that there were delays in transmission of funds by the State Government to implementing agency in respect of 27 projects valued at ₹ 39.51 crore out of 40 projects funded by GoI as the funds released by the GoI are kept in ‘Civil Deposit’ without utilisation which were later passed on to the Department at the year end only. A summarized position is shown in the table below:

Table-2.2.2

Period of delay	Number of projects
6 to 12 months	18
12 to 18 months	5
18 months to 27 months	4
Total	27

Even when funds were not utilized within the stipulated period of 6 months, they were neither surrendered to MoT, GoI, nor approval for transfer/adjustment of the amount against other Centrally funded projects were obtained as required under the GoI instructions.

Further, in case of projects funded by the NEC, funds released were to be transferred to the implementing agency by the State Government within a period of one month. Audit, however, noticed that there were delays on the part of the State Government in transmission of funds to implementing agency in all the three projects funded by the NEC. A summarized position is shown in the table below:

Table-2.2.3

Period of delay	Number of projects
1 to 6 months	2
6 to 12 months	1

Further analysis in audit revealed that out of total 30 projects, in 16 projects, delay in completion of work could be directly attributed to delays in release of funds to the implementing agencies by the State Government as detailed in *Appendix-2.2.1*. The summarized positions are tabulated below:

Table-2.2.4

Sl. No.	Number of Project	Status of completion	Period of delay in release of funds	Time overrun (as on 30/06/2015)
1.	13 Centrally funded Projects.	07 project completed	03 to 27 months	02 to 21 months
		06 project ongoing	10 to 27 months	03 to 33 months
2.	3 NEC projects	03 projects ongoing	05 to 08 months	16 to 24 months

As could be seen from above table, seven centrally funded projects (total estimated cost of ₹ 17.43 crore) were completed with delays ranging from two to 21 months and there was a time overrun of three to 33 months in six ongoing projects (total estimated cost of ₹ 28.15 crore). Similarly, three NEC funded projects (total estimated cost ₹ 11.85 crore) were running behind schedule by 16 to 24 months.

Thus, failure of the Department in timely release of funds to the implementing agency led to delays in timely completion of infrastructure projects and facilities could not be made available for tourists related activities.

The Department in its reply (December 2015) stated that the delay was due to cumbersome process of obtaining budgetary support and concurrence of the Finance Department as well as delay in submission of Utilisation Certificates by other implementing agencies like PWD, RWD, etc.

2.2.8.3 Diversion of funds.

Rule 26 (ii) of General Financial Rules (GFR), 2005 stipulates that Controlling Officer in respect of funds placed at his disposal should ensure that the expenditure is incurred for the purpose for which funds have been provided.

Further as per the sanction orders issued by the MoT, GoI, funds had to be utilized for the purpose for which they are released. Audit, however, noticed instances of deviation/diversion of funds for purposes other than the purpose for which they were released as shown in Table below:

Table-2.2.5

(₹ in lakh)

Sl. No.	Name of the project	Purpose of sanction	Purpose on which amount utilised	Amount
1	Development of River Island Resort at Aalo, West Siang District.	Construction of Solid Waste Management	Purchase of a luxury Scorpio car	12.93
2	Construction of Eco-Tourism at Hukanjuri' in Tirap District	Construction of Solid Waste Management	Construction of Children park within the Eco-tourism complex.	7.04

Thus, non-utilisation of the funds for the purpose for which they were sanctioned was in violation of orders *ibid*. Consequently, the objectives of providing a clean and hygienic environment to the tourists in respect of the completed projects could not be achieved.

The Department in its reply (December 2015) stated that one vehicle to serve as inspection vehicle was procured after obtaining State Government's approval. Regarding other diversion of funds is being taken up with the Executing Department.

But the fact remains that due to diversion of fund the Solid Waste Management facilities were not constructed.

2.2.9 Infrastructure Development and Management.

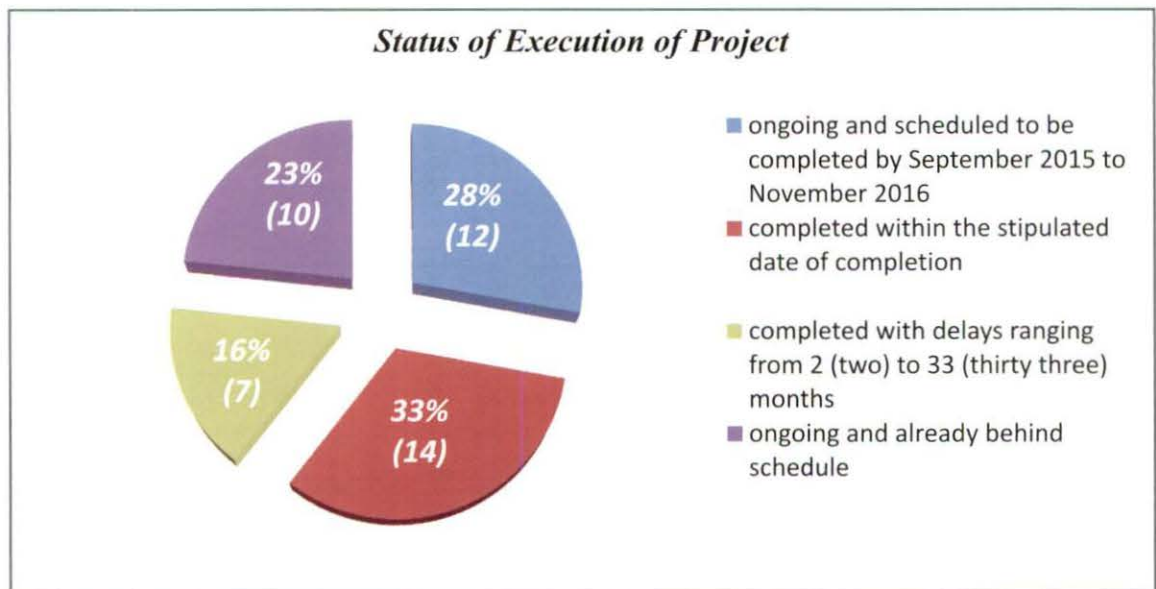
Infrastructure being one of the strongest determinants of accelerating the process of economic progress of a region, adequate importance has to be given on formulating a holistic development environment with tourism as the engine for economic growth. In Arunachal Pradesh, the Department of Tourism implemented a number of schemes under Centrally Sponsored Scheme (CSS).

Audit observed that 43 infrastructure projects (*Appendix-2.2.2*) were under implementation during the period 2010-15 and the audit observations are made in the succeeding paragraphs.

2.2.9.1 Delay in completion of projects

Completion of projects in a timely manner is necessary to deliver the intended benefits. It was seen in audit that out of the 43 projects taken up by the Department during 2010-2015, 40 projects were funded by the GoI through the MoT, while three projects were funded by the NEC. The present status of execution of the projects is depicted in the Pie-chart given below:

Chart: 2.2.2



The status of the 43 projects is given below:

- 14 projects (33 per cent) executed were completed within the stipulated date of completion;
- 7 projects (16 per cent) were completed after delays ranging from two to 33 months;
- 10 projects (23 per cent) which were to be completed by March 2015 are still ongoing and already behind schedule in their completion with delays ranging from three to 33 months as of June 2015. The delays in completion may lead to cost

overrun. If consequential cost overrun is not sanctioned by GoI, there is a risk of compromise in quality of work to keep the cost of construction within the sanctioned cost..

- 12 projects (28 per cent) were ongoing and scheduled to be completed by September 2015 to November 2016.

Thus, due to delay in completion of projects owing to delay in release of funds by the State Government, the intended facilities could not be made available for tourist related activities in time.

2.2.9.2 Lack of proper planning.

A test check of records relating to execution of the projects selected for detailed examination revealed that four projects (total cost ₹ 1.65 crore) which were taken up before the review period (2010-11 to 2014-15) were yet to be operationalised as of July 2015. The reason for non-completion was due to non-release of balance funds as detailed in the table below:

Table-2.2.6

(₹ in lakh)

Sl. No	Name of project	Date of sanction	Sanctioned amount	Amount released	Reasons for delay in completion
1	Construction of Tourist Lodge at Mebo (East Siang District)	December 2001	15.00	11.70	The completion was delayed due to non-release of balance fund by the State Government.
2	Development of Angling facility at Bodak (East Siang District)	March 2002	10.39	8.91	The completion was delayed due to non-release of balance fund by the State Government.
3	Refurbishment of Tawang Monastery	March 2001	92.00	49.13	One of the component, renovations of Library, was not completed due to non-release of balance fund.
4	Development of Rural Tourism project (Hardware) at village Nampong and Rima Putok Circle, Changlang	January 2010	47.66	38.13	The completion was delayed due to non-release of balance fund by the State Government.
			165.05	107.87	

Thus, ₹ 1.08 crore incurred on these four projects remained unfruitful and has not yielded the intended benefits.

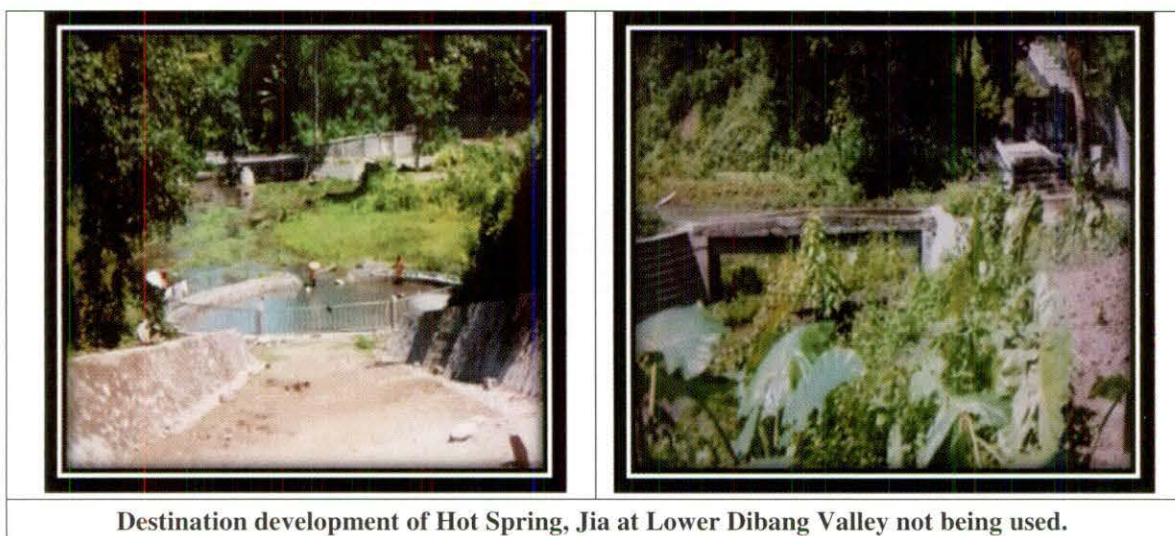
While accepting the Audit observations, the Department in its reply (December 2015) stated that delay in completion of the projects was mainly due to delay in receipt of funds from the GoI coupled with short working seasons.

2.2.9.3 Unfruitful expenditure

MoT, GoI sanctioned (October 2005) project 'Destination Development of Hot Spring, Jia at Lower Dibang Valley' at a cost of ₹ 262 lakh. The project was to be completed

within 24 months from date of issue of sanction. Entire cost of the project was released by GoI in two instalments.

Scrutiny of records revealed that the project was completed in March 2007 by the Water Resources Department, Roing Division after a delay of nine months. It was however, seen in audit that no provision was made in the DPR for external electrical connection, external water supply connection and security fencing/brick wall. Additional funds of ₹ one crore was sought (July 2009) for completion of these item of works. However, no additional fund was provided as of June 2015. Thus, due to absence of these basic amenities the project could not be made functional and since then the project had been lying idle for more than eight years as evident from photographs give below:



Thus, entire expenditure of ₹ 2.62 crore made on destination development remained unfruitful.

2.2.9.4 *Idling of assets*

Proper utilisation of the available asset is a pre-requisite to providing better facilities to the tourists and also for the better upkeep of the assets. The Department after completion of projects either utilises the assets departmentally or leases out to private parties for running and maintenance of assets. During the period 2010-11 to 2014-15 the Department completed 21 out of 43 tourist infrastructure projects at a cost of ₹ 63.80 crore, of which 11 projects (9 Tourist lodges and 2 wayside amenities) costing ₹ 38.76 crore were idling after completion. Besides, 17 projects (7 Tourist Lodges and 10 wayside amenities) completed at a cost of ₹ 17.64 crore prior to review period of 2010-11 were also lying idle. The present position of the idle assets is discussed in following paragraphs.

2.2.9.5 *Tourist lodges/resorts and other tourist infrastructure*

16 tourist lodges/resorts and other tourist infrastructure constructed at a cost of ₹ 51.21 crore during the period from May 2007 to February 2014, were lying idle for a period ranging from 17 months to 123 months, since their date of completion, as detailed in *Appendix 2.2.3*. Some photographs of such idling assets are given below:

	
<p style="text-align: center;">Tourist Lodge at Tirbin</p>	<p style="text-align: center;">Tourist Complex at Tajgi Pith</p>
	
<p style="text-align: center;">Tourist Resort at Holongi</p>	<p style="text-align: center;">Tourist Resort at Patilla</p>

Audit observed that in the above cases, the Department has neither taken any initiative to utilize the assets themselves nor identified suitable parties who could run and manage the assets. An amount of ₹ 51.21 crore invested in tourist infrastructure became unfruitful. Besides, the intent and objective of the projects to provide amenities to tourists were not achieved.

In response, the Department stated (February 2016) that assets were idling due to lack of support infrastructure like roads, poor communication network and manpower constraint. At the same time, the State Government could not find takers to run the assets due to high amount of Security Deposit that a lessee had to deposit and high lease rent fixed by the State Government. A new policy to rationalize the Security Deposit and lease rent is being framed by the Department.

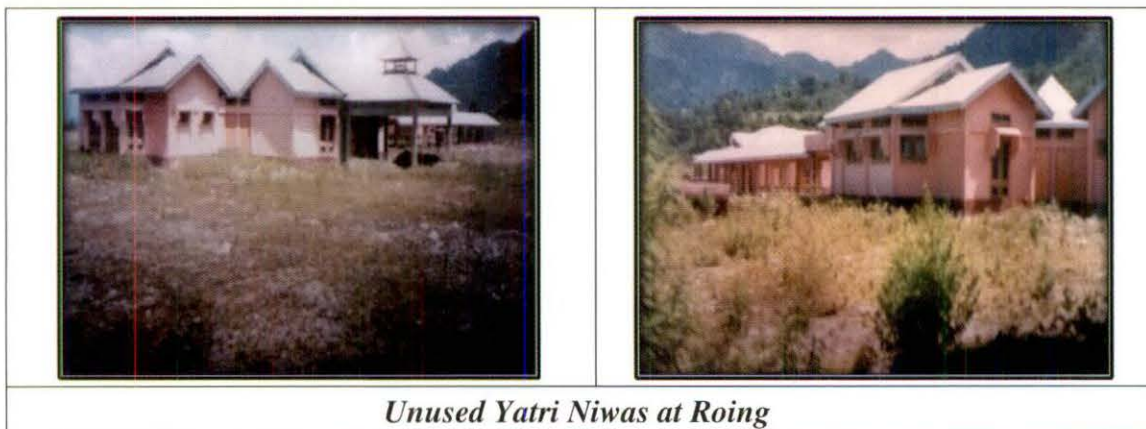
Audit further examined in detail two projects, namely, 'Construction of Yatri Niwas at Roing' and 'Construction of Tourist Complex at Mayudia' and observations are made as under.

2.2.9.6 Construction of Yatri Niwas at Roing.

Construction of 'Yatri Niwas at Roing' Lower Dibang valley District at an estimated cost of ₹ 99.75 lakh was sanctioned (March 2002) by MoT, GoI to be completed in 2004.

Scrutiny of records (June 2015) revealed that ₹ 60.55 lakh was released to the executing agency (RWD, Roing Division) and 80 per cent of the building work was only

completed up to November 2005. However, DoT, GoAP reported (July 2005) to GoI that the construction of 'Yatri Niwas' was completed on 30 March 2005 and commissioned on 07 May 2005 at a total cost of ₹ 99.75 lakh. No progress was made since then and in the meanwhile the building was damaged by miscreants (December 2006). The cost of repair was estimated at ₹ 11.56 lakh. Further, GoI refused (November 2007) to release the balance ₹ 39.20 lakh and dropped the project due to delay in submission of utilization certificate of funds by the GoAP. The work was finally completed in August 2013 under Special Plan Assistance by incurring additional expenditure of ₹ 35.00 lakh.



Thus, the project for construction of 'Yatri Niwas' which was sanctioned in 2002 was completed after a delay of more than 11 years at a cost of ₹ 95.55 lakh. Despite this the building was not put to use till July 2015 due to constraints of manpower and lack of support infrastructure such as roads and communication network, etc.

2.2.9.7 Construction of Tourist Complex at Mayudia.

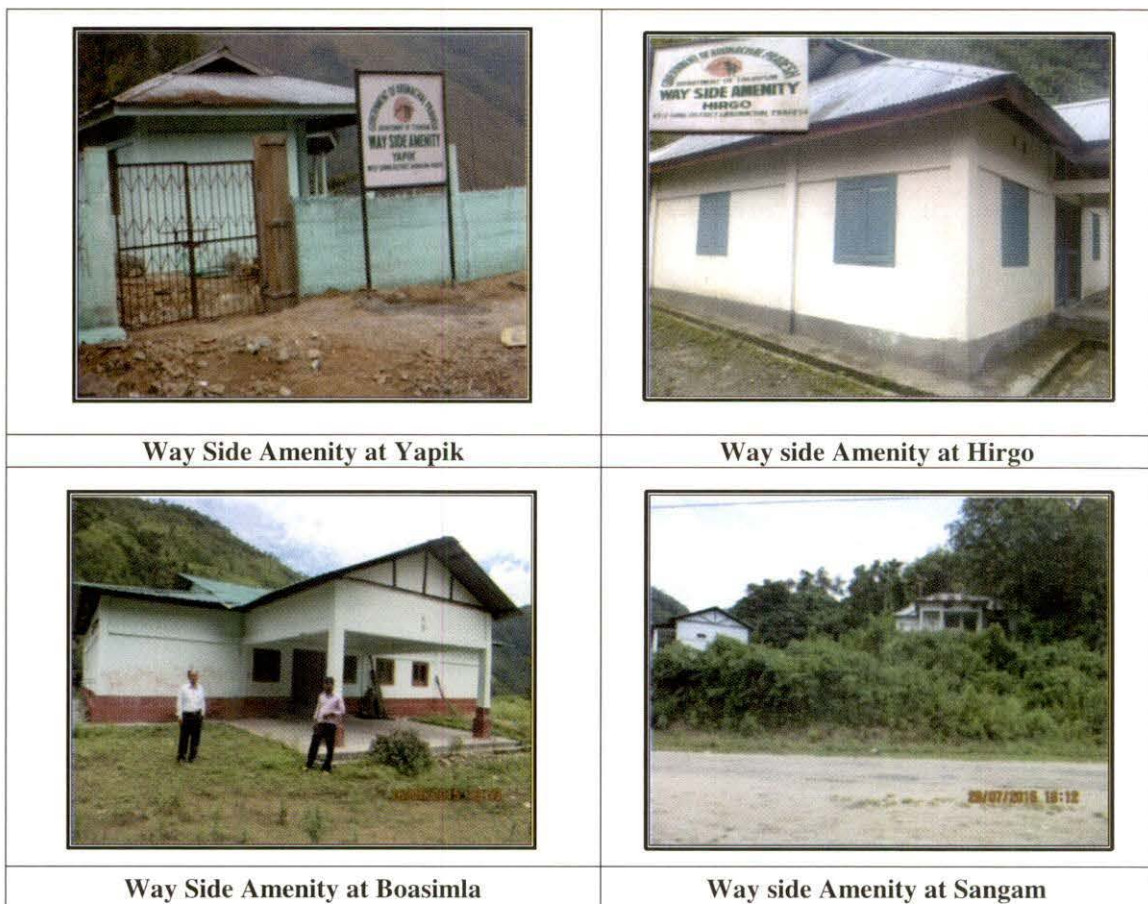
"Construction of Tourist Complex at Mayudia, Lower Dibang Valley Arunachal Pradesh" was sanctioned by the GoI at the cost of ₹ 4.22 crore (August 2007) which was to be commissioned in 2009. It was noticed that though the project was completed in January 2009, the Tourist Complex has not been put to use as of July 2015.

In 2013, a private power company *M/s Etalin Hydro Electric Power Company Limited* expressed intent to run the tourist complex on Public Private Partnership mode at a lease rent of ₹ 5000 per month for a period of ten years. However, no decision on the proposal was taken by the Department as of July 2015. Thus, the investment of ₹ 4.22 crore has remained idle for more than five years.

The Department in its reply (December 2015) stated that the private company which had shown interest to run the tourist complex on PPP mode is no more interested in taking over the building as it is winding up its business in the State. It added that once the Arunachal Pradesh Tourism Development Society, planned to be formed, becomes functional, these assets will be operationalised.

2.2.9.8 Construction of Way-side Amenities.

With a view to provide basic amenities like restaurant, parking, toilet and transit accommodations to travellers at various locations along the tourist circuits in Arunachal Pradesh, ₹ 5.20 crore was sanctioned by GoI. Out of this fund, the GoAP constructed 12 wayside amenities between the period March 2006 and October 2013. But none have been made operational till June 2015. Details of wayside amenities constructed are indicated in *Appendix 2.3.4*. Some photographs are given below:



The assets created at a cost of ₹ 5.20 crore were lying idle for a period ranging from two to ten years. The Department have not finalised any plans to utilize these assets. The expenditure was unproductive and the objectives of the project have remained unfulfilled.

In response, the Department stated that these assets were leased out to tour operators, however, due to lack of professionalism some tour operators/lessees left halfway. The Department has, therefore, initiated the process to lease out the assets by approaching the Defence related establishments.

2.2.10 Human Resource Management.

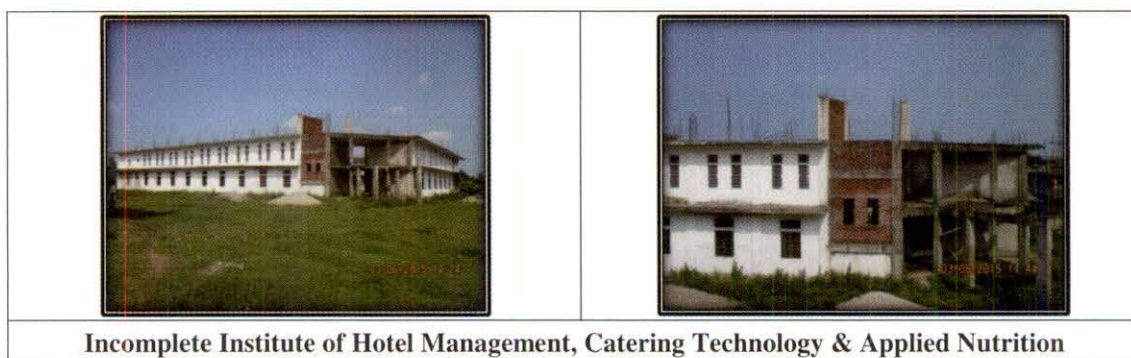
2.2.10 Capacity Building Programmes.

Audit reviewed the implementation of two major capacity building projects and the audit findings are discussed in the succeeding paragraphs:

2.2.10.1 Delay in setting up of State Institute of Hotel Management, Catering Technology and Applied Nutrition, Banderdewa

With a view to foster and facilitate professional education and training specific to tourism, food production and hospitality industry, MoT sanctioned (February 2008) construction of “*Institute of Hotel Management, Catering Technology & Applied Nutrition*” at Banderdewa at the cost of ₹ 14.33 crore (Central share ₹ 10.00 crore: State share ₹ 4.33 crore) with the condition that the central assistance shall be paid to a Society specifically created by the State Government to manage the Institute. The Institute was to conduct one Bachelor Degree Course with intake capacity of 120 trainees/students, one Post Graduate Diploma Course and three Certificate Courses with intake capacity of 40 trainees in each course. The first instalment of ₹ 2.00 crore was released in February 2008 and the project was scheduled to be completed by February 2011.

However, Audit noticed that the Department created a society to run the institute only in December 2009 after a delay of nearly one year. The second instalment of ₹ 3.00 crore was released only in September 2010 by the MoT. As of June 2015, the work was yet to be completed as evident from the photographs given below:



Thus, even after a lapse of four years from its scheduled date of completion, the construction of the Institute was yet to be completed. The Department has also not yet firmed up any plans for recruitment of faculty (permanent/guest), arrangements for internship/on the job training, manner of selection of students and facilities for placements as of June 2015. Thus, the envisaged benefits to the tourism, food production and hospitality industry have not accrued.

The Department while accepting (December 2015) the Audit observations stated that the delay was due to deviation from the approved design of National Council of Hotel Management, Catering Technology and Applied Nutrition (NCHMCT & AN). Modification of the building as per requirement of NCHMCT & AN is being carried out.

2.2.10.2 Implementation of “Hunar Se Rozgaar” scheme.

A special training initiative, namely “*Hunar Se Rozgaar (HSR)*” for creation of employable skills amongst the youth belonging to economically weaker strata of the society was launched in 2009-10. The basic objective of the scheme was to reduce, through this initiative, the skill gap that affected the hospitality and tourism sector. The programme was to be financed by MoT based on the number of persons trained. The

State Government was to make conscious effort to facilitate employment of the passed out candidates from this programme.

It was, however, noticed that the Department took up the scheme from 2013-14 and received ₹ 62.98 lakh for training 500 candidates during 2013-14. The position of release and utilization of funds was as under:

Table: 2.2.7

Year	Amount (₹ in lakh)			Number of persons		
	Sanctioned	Released	Utilised	To be trained	Trained	Provided placement
2013-14	53.51	26.76	26.76	500	500	16
2014-15	9.47	36.22	36.22	-	-	-
Total	62.98	62.98	62.98	500	500	16

As against 500 persons trained, employment opportunity was created for a mere 16 persons (3.2 per cent). Audit further noticed that the data in respect of only 16 trainees who is gainfully employed are available with the Department. The data of the remaining 484 trainees is not available with the Department. Hence, it could not be ascertained whether the remaining trainees were gainfully employed or not. This is indicative of inadequate effort made by the Department to ensure placement to the remaining 484 (97 per cent) passed out trainees.

The Department in reply (December 2015) stated that placement of passed out trainees was not mandatory as per the scheme guidelines.

The reply is not acceptable as in a review meeting held by the MoT, GoI (October 2014) it was stressed that the Department was required to focus and invigorate their efforts to maximise placements post training. Further, funding for the programme would be linked not only to the targets achieved on training but also to the success rate of placements made post trainings.

2.2.10.3 Training Programme

As envisaged in State Tourism Policy of 2003, under capacity building programme, the Department, in order to create awareness and for promoting programmes and strategies of tourism development among the local people of the State, was to organise training programmes for the hoteliers, trainee police personnel, tour operators and tourist guides, etc.

Audit noticed that during the period 2010-15, the Department organised 20 training programmes. Against the target of training 2100 participants, 1815 trainees were imparted training by spending ₹ 160.00 lakh in various courses such as Awareness on Adventure tourism and Sports, Awareness programme for Taxi drivers/Tour operators/Travel agents and Hoteliers, Tourist Guide Training, Sensitisation on Tourism for Police Personnel, Sensitisation of Police on Railway duties, etc.

Apart from such trainings which are conducted depending upon availability of funds and at irregular intervals, the Department has not brought out any regular training programme in the form of action plan or training calendar. In absence of any studies on training programmes conducted, the impact on tourism scenario of the State could not be ascertained in audit.

In response, the Department stated (June 2015) that studies on the impact of training conducted had been taken up during 2013-14. But final report of the studies was awaited (July 2015).

2.2.11 Brand promotion and marketing of tourism.

The Tourism Policy 2003 envisaged the State Government's role to develop literature for dissemination of information about the State through guidebooks, first person endorsements, especially celebrities, maps, proper signage, brochures and booklets. It also envisaged creation of a brand image for Arunachal Pradesh with an aim to maintain its own unique culture without duplicating tourism products of the neighbouring States, as the people of the State must tell their own story.

One of the major activities entrusted to the Department was promotion of Arunachal Pradesh as tourist destination through advertisement and publicity. For advertisement and publicity, the Department also identified the brand line "*Gateway to Serenity*". Audit observed that for brand promotion, the Department tied up with a Mumbai based media consultancy firm (M/s Viacom Media 18 Private Limited).

Deficiencies noticed in promotional activities and marketing are brought out in succeeding paragraphs.

2.2.11.1 Tourist Information/Reception Centre.

Tourist Information/Reception Centre plays an important role in publicity and providing information to prospective tourists. According to State Tourism Policy, the quality of tourist facilities available was to be improved and proper visitor information and interpretation centres established in each place.

The Department constructed one Tourist Information Centre at Doimukh (Papum Pare District) and two Tourist Reception Centres at Kimin (Papum Pare District) and Ruksin (East Siang District) at a cost of ₹ 1.19 crore between July 2007 and January 2012.

However, as of July 2015, the Tourist Information/Reception Centres have not been made functional. Thus, up-to-date information with quick retrieval facilities to the visiting tourists could not be made available even after a lapse of period ranging from three to eight years.

The Department stated (December 2015) that in Tourism Information Centre, Doimukh the facility for issue of Inner Line Permit to tourist has been started. However, the Tourism Reception Centres, Ruksin and Kimin could not be operationalised due to manpower shortage.

2.2.11.2 Participation in international and domestic tourist events.

Participation in international and domestic tourist events is another mode of promotion undertaken by the Department. Total expenditure on participation in international and domestic events during the period 2010-15 was ₹ 278.11 lakh.

As per information furnished by the Department, it had participated in International Tourism Bourse (once.), World Travel Market (thrice) and International Tourism Mart (twice) during the period under review. The Department did not plan any calendar of events for participation in international and domestic events. As such, the Department participated in such events only on receipt of invitations from the concerned ministries/organisers, etc.

No information and relevant data on number of visitors to the stall, participation in presentations, business generated by participating hoteliers, travel agents, tour operators, voluntary information from the visiting tourists, etc. were collected and analysed by the Department for reference.

The Department stated (December 2015) that the issues will be examined for future compliance.

2.2.11.3 Use of Information Technology

Information Technology has an integral role in promoting the tourism sector. In order to facilitate the promotion of tourism through information technology, the GoI sanctioned ₹ 50.00 lakh during 2006-07 towards procurement of equipment for setting up the Local Area Network in the Directorate of Tourism.

It was noticed that the Department has not been able to utilise the funds of ₹ 50.00 lakh as of June 2015 and the entire amount was kept under Civil Deposit. Thus, even after a lapse of more than eight years from sanction of fund, the Department has not implemented the scheme.

The Department stated (December 2015) that a firm was engaged for upgradation of Information Technology. However, as the quality of work of the firm was not satisfactory, the department had cancelled the work order.

2.2.11.4 Website for tourist information

The Department has an official website www.arunachaltourism.com. The web site contains information on the State's history, people, geography, tourist destinations, accommodations, the procedure of observing Inner Line Permit and Restricted Area Permit on tourist arrivals, etc.

Audit, however, noticed that information on banks/ATMs, medical facilities, important helpline numbers in case of emergency and Tourist Information Offices are not provided in the website which are essential information for tourists. It was, however, noteworthy to see that the DoT, GoAP have provided links to Facebook, Twitter, Flickr and YouTube for the benefit of tourists.

2.2.11.5 Standardization of tour operators

For efficient management of the tour operators, the Department issued guidelines in July 1999 for recognition of tour operators to encourage quality, standard and service so as to promote tourism in the State. This was reiterated in the State Tourism Policy 2003 which aims to assist in the networking required to establish credible contact with the tour operators. As per the guidelines, recognition was to be granted to tour operators for a period of three years during which the applicants should fulfil certain laid down criteria.

Audit noticed that though 104 tour operators were initially granted recognition for three years between the period July 1999 and September 2008, only 14 tour operators approached the Directorate for renewal of the recognition on their expiry and therefore are in operation in the State officially as of June 2015.

Besides, the State Government had not evolved any standardized check list for evaluation of the work of tour operators before granting/extending recognition. This indicated that the standardization of the activities of tour operators in the State remained ineffective.

The Department in its reply (December 2015) stated that necessary steps for standardization of the tour operators will be taken.

2.2.12 New initiatives for promotion of Tourism.

Since 2008-09, there has been a slight shift in the priority from mere construction and running of tourist lodges to more innovative and attractive tourism products like eco-tourism, rural tourism and adventure tourism, etc. The new products are expected to generate greater interest among the prospective tourists. The following were noticed in Audit:

2.2.12.1 Eco- tourism

With a view to promote tourism in the country in a responsible and sustainable manner, the GoI has laid emphasis on promotion of eco-tourism. For promotion of eco-tourism in Arunachal Pradesh, three projects for construction of tourist building, reception centre, restaurant, souvenir shop, facilitation centre, public utilities, parking place, solid waste management, etc., were sanctioned by GoI during 2010-12 as detailed in the Table below:

Table-2.2.8

(₹ in lakh)

Sl. No	Name of project	Cost of project	Amount released by GoI	Date of completion	Present status
1	Construction of eco-tourism at Hukanjuri under Deomali Sub-Division in Tirap District.	487.93	487.93	June 2012	Non-functional and lying idle.
2	Construction of eco-tourism at Tego Gamlin Village, West Siang District	370.65	370.65	January 2013	
3	Construction of eco-tourism at Kone Gipong area under Dambuk Sub-Division of Lower Dibang Valley District	468.43	374.74	April 2014	
Total		1327.01	1233.32		

Despite completion of the above three projects during 2012-14, the assets created for eco-tourism purposes were not functional as of June 2015. Efforts made by the DoT for identification of suitable parties, who could run and manage the asset were not on record. Thus, it is observed that though assets have been created to promote tourism, there was no effort to actually put them to use. This also indicates the urgent need for creating tourist friendly environment by aggressively promoting brand image of the State. The promotional activities undertaken by the Department have not created adequate awareness amongst prospective tourists and the infrastructure created under different schemes was lying unutilised.

The Department stated (December 2015) that due to delay in release of the last instalment by the GoI, the assets could not be taken over from the contractors.

2.2.12.2 Rural tourism

With a view to develop rural tourism infrastructure, GoI sanctioned two rural tourism projects consisting of software and hardware components. The software components include awareness campaign, seminars, workshops, entrepreneur development program, gender sensitisation, marketing support, etc. The hardware component consists of construction of tourist cottage (hill type), view point, CC foot path and steps with railing and solid waste management, etc. The status of funds released and utilization was as under:

Table-2.2.9

(₹ in lakh)

Sl. No	Name of project		Cost of project	Amount released by GoI	Date of sanction	Present status
1	Rural Tourism at village Deke, West Siang	Software	17.00	17.00	18.03.2011	Completed on 04/03/2013
		Hardware	45.52	45.52	12.07.2011	Completed on 18/03/2012
2	Rural Tourism at Komkar Village, Upper Siang	Software	20.00	20.00	18.05.2012	Completed on 04/01/2014
		Hardware	40.36	40.36	19.12.2011	Completed on 04/01/2014
Total			122.88	122.88		

Audit noticed that both hardware and software component of the two projects were completed between March 2012 and January 2014 with an expenditure of ₹ 1.23 crore. Though the projects were completed, no manpower to operate the facilities was put in place as of July 2015.

The Department stated (December 2015) that the balance amount of 20 per cent of the fund was not received from the State Government to operationalise the facilities.

2.2.12.3 River and Adventure tourism

Under river and adventure tourism, the Department has taken up development of trekking route and white water rafting at different locations. Following audit observations emerged from the examination of records for the period 2010-15.

2.2.12.3.1 Trekking route.

'Construction of Trekking Hub and Trekkers Trail from Base Camp Yorlung to Pasang Sonam Tso (Lake) in International Border in Mechuka, West Siang District' was taken up in September 2012 at the cost of ₹ 362.35 lakh.

It was noticed that though the project was completed in November 2013, not a single event was conducted/organized. The amenities created for trekkers were not utilised for more than two years. No information was available on the actual use of the facilities to assess the achievement of the project.

The Department stated (February 2016) that it is contemplating to tie up with the Mountaineering Institutes of Dirang and Darjeeling to avail their assistance in making Arunachal Pradesh as a trekking hotspot.

2.2.12.3.2 White Water Rafting

The project of *'Construction of White Water Rafting Front Development at Tai, West Siang District'* sanctioned in March 2012 at a cost of ₹ 475.55 lakh was completed in December 2013.

Efforts made by the Department for organizing rafting events and to promote and publicise the facilities were not on record for verification in Audit. The Department is also not aware about the number of tourists who actually used the facilities. In the absence of such statistics the extent to which the objective of the scheme was fulfilled could not be assessed.

The Department stated (December 2015) that though the above two projects were completed the assets could not be operationalised due to non-receipt of last instalment of fund from the State Government.

2.2.12.3.3 Park Angling and Picnic spot

An amount of ₹ 221.42 lakh was sanctioned (June 2010) for *'Development of Park Angling and Picnic Spot in the confluence of Sie and Rime at ESI Rite in West Siang District'* and the project was completed in March 2011. Since then, the Department has not formally announced its operation till July 2015. This indicates the absence of any arrangement for managing the park in a systematic manner which can also bring in revenue to the department.

The Department stated (December 2015) that the leasing of the asset is under process.

2.2.12.3.4 Wildlife Tourism.

The Perspective Tourism Plan of the State and the Integrated Tourism Master Plan prepared by the NEC has pointed out wildlife tourism as one of the important resources

and identified resource allocation for infrastructure development as an important component for growth of this sector.

The important wildlife parks and sanctuaries in Arunachal Pradesh are *Namdapha National Park and Tiger Reserve, Mouling National Park, Dibang Sanctuary, Pakke Sanctuary, Daying Ering Sanctuary, Mehao Sanctuary* and *Kane Sanctuary*. Among above, Namdapha Tiger Reserve in Changlang District is the biggest tourist attraction and can claim as the home to the four feline species (big cats), namely, tiger, leopard, snow leopard and clouded leopard.

Audit, however, observed, the DoT had taken very little initiative to improve the infrastructure facilities in these tourists attraction sites. Only in March 2013, the Department took some initiative by prioritizing two projects under Destination Development (Dr. Daying Ering Wildlife Sanctuary) and Circuit Development (Tourist Lodge at Miao) as detailed below:

Table: 2.2.10

(₹ in lakh)

Sl. No.	Name of project	GoI's Sanctioned Amount	Amount released.	Date of sanction	Stipulated date of completion	Status of constructions as of June 2015.
1.	Destination Development at Mariyang, Dr. Daying Ering Wild life sanctuary at Borguli	499.20	99.84	30.9.2013	September 2015	10 per cent completed
2.	Development of Miao-Namdapha Circuit (Tribal Area)	780.65	156.13	30.9.2013	September 2015	5 per cent completed

Audit, however, observed that the pace of execution of the work was very slow as could be seen from the above table. There is a likelihood of delays in completion of the projects and the consequent lack of facilities for tourist purposes.

The Department in its reply (December 2015) stated that due to non-release of balance funds by the GoI, there was no further progress of works.

2.2.13 Monitoring and Impact Assessment

To execute the projects economically and efficiently as well as to watch the physical and financial progress of the projects, an effective monitoring mechanism is a pre-requisite. The following deficiencies were noticed in audit.

2.2.13.1 State Level Monitoring Committee (SLMC)

The State Level Tourism Development Committee (SLTDC) constituted in September 2012 held five meetings from the date of constitution till January 2015. The committee reviewed the progress of work of various projects being implemented and suggested certain actions for addressing the bottlenecks noticed in the course of execution. The committee also discussed leasing out of tourism assets under Public Private Partnership (PPP) mode.

Despite such arrangement audit noticed inordinate delays in execution of projects. Even the completed projects were not made functional for one to eight years in most cases. Moreover, action, if any, initiated on remedial measures suggested in the previous meetings were not reviewed in subsequent meetings.

2.2.13.2 District Level Tourism Development Committee

The State Government constituted (August 2009) the District Level Tourism Development Committee, which was renamed as District Tourism Promotion Council (DTPC) in May 2014. The DTPC was headed by the Deputy Commissioner of each District concerned, with seven other members. It was responsible for evaluation and planning of tourism potential of the concerned district.

A scrutiny of records revealed that as of March 2015, 28 meetings were held during the period 2010-11 to 2014-15 in the nine sample districts¹. The following issues were discussed in the meetings.

- (a) Creating eco-friendly infrastructure projects;
- (b) Obtaining feedback from the tourists visiting the State in general and the Districts in particular;
- (c) Seeking sponsorship from Public Sector Units and Private Corporations/Companies for organizing Capacity Building programmes;
- (d) Encouraging homestay under eco-tourism.
- (e) Conducting Tourism Awareness programme/ homestay training programme.
- (f) Opening of traditional souvenir shops of handloom and handicrafts items.
- (g) Leasing of infrastructure facilities created to Private parties.
- (h) Training of unemployed youth as professional guides at places of tourist interest.

Audit, however, observed that there was no follow-up action on the above issues discussed in meetings of DTPC till July 2015 and therefore, all these ideas remain only on paper.

2.2.13.3 Internal Control Mechanism

Internal controls provide reasonable assurance to the management whether financial interests and assets of the organization were safeguarded, and whether reliable information on the functioning of the organization were available to facilitate necessary interventions when called for.

Some of the weaknesses of internal control mechanism observed in audit are mentioned below.

¹ Changlang - 3, East Siang-4, Lohit-2, Lower Subansiri-3, Papum Pare- 3, Tawang-5, Upper Subansiri-2, West Siang-3 and West Kameng-3.

- No Asset Registers were maintained at the Directorate. No periodical physical verification of stock or assets was carried out.
- There is no system of internal audit in the Department of Tourism.
- No activity report was prepared by DoT during the period 2010-15 explaining details of activities and schemes and projects undertaken by the Department.

Thus, the internal control arrangement was not adequate to ensure efficient functioning of the Department/field offices.

2.2.13.4 Impact Assessment

The major positive impact of tourism include contribution to the economy as a whole through multiplier effect, contribution to the government revenue through direct and indirect taxes, generation of employment, creation of new business opportunities, foreign exchange earnings and creation of basic infrastructure for common benefit.

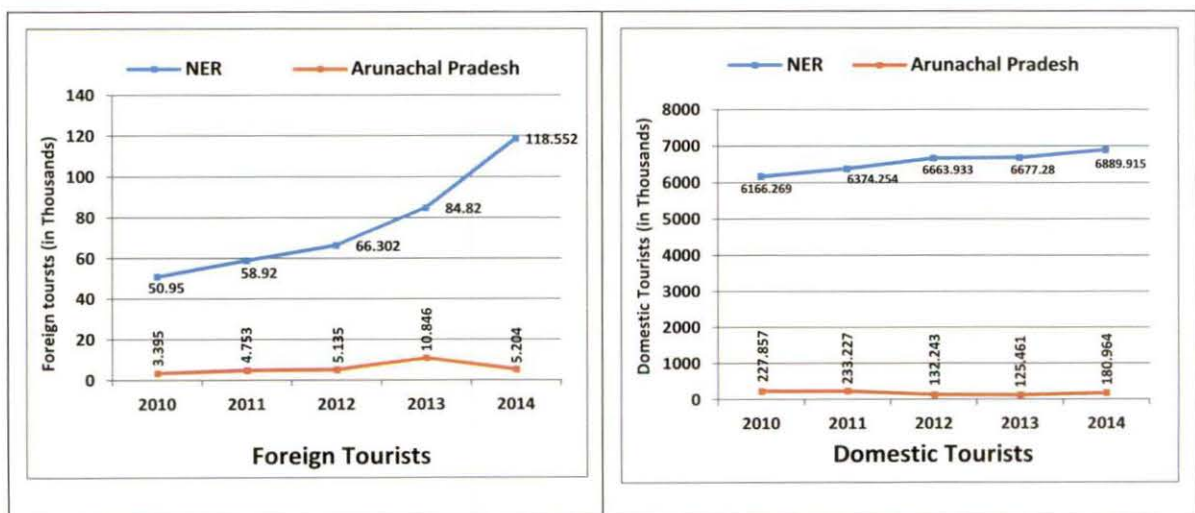
An analysis of trend of foreign and domestic tourist arrivals in the State and its percentage as compared to tourist trend in North Eastern Region (NER) during 2010-15 is as shown below in Table-2.3.11 and graphically depicted in Chart 2.2.3:

Table-2.2.11

Year	Foreign Tourist arrival			Domestic Tourist arrival		
	NER	Arunachal Pradesh	percentage of arrival to NER	NER	Arunachal Pradesh	percentage of arrival to NER
2010	50,950	3,395	6.66	61,66,269	227,857	3.70
2011	58,920	4,753	8.07	63,74,254	233,227	3.66
2012	66,302	5,135	7.74	66,63,933	132,243	1.98
2013	84,820	10,846	12.78	66,77,280	125,461	1.88
2014	118,552	5,204	4.39	68,89,915	180,964	2.63
Total	379,544	29,333	7.73	327,71,651	899,752	2.75

(Source: India Tourism Statistics published by MoT, GoI)

Chart 2.2.3



As indicated in the table and the chart above, though the overall foreign tourists arrivals in the State has shown an increasing trend during 2010 - 2014, however, during the year 2013 there was huge surge in arrival of foreign tourists. In respect of domestic tourists there was a drop in arrival during the years 2012 and 2013 as compared to previous years. It has shown an increase during 2014.

Audit observed that no information has been compiled by the Department regarding contribution of the tourism sector to the State's GDP and to the total employment generated in the state.

2.2.13.5 Environment impact assessment

Tourism activities may lead to a number of negative impacts on the environment both during the construction and operational phases of the projects. Tourism impacts mostly the soil and geology, bio-diversity, water bodies, land use, sanitation and drainage, ambient air and noise, built environment as well as on the cultural environment of the region. Any tourism development programme, therefore, should have the underlying responsibilities of promoting the positive impact and mitigating the negative impact on the socio-economic and physical environment of the areas.

Audit observed that the Department had not formulated any plan for '*zoning*' of tourist attractions and trekking areas. No Environment Impact Assessment (EIA) Studies in line with the provisions of the EIA Notification (1994) of the Ministry of Environment & Forests, GoI was conducted till (June 2015).

2.2.13.6 Tourist Survey

Feedback on the quality of services available for tourist visiting the State is important to carry out retrospective analysis and forward looking corrective measures.

Audit observed that the Department did not conduct any exercise to assess the feedback of tourists visiting the state. There was no mechanism to obtain information regarding use of the facilities created by the Government and the benefits they have generated in the state.

Audit received responses from 31 tourists visiting Arunachal Pradesh in the highest tourists footfall circuit of Tezpur-Bomdila-Tawang circuit during the off-season (August and September 2015) wherein the tourists were requested to respond on a pre-designed format covering the issues related to tourists facilities. The summaries of responses to the queries are shown in the following Table:

Table-2.2.12

Sl. No.	Queries	Satisfied (in per cent)	Not Satisfied (in per cent)
1	Conduct and behavior of drivers	77	23
2	Conduct and behaviour of tour operators	61	39
3	Taxi fare charged	81	19
4	Hotel tariff charged	87	13
5	Quality of meals served	100	Nil
6	Rate (s) charged for meals	84	16
7	Information and assistance provided by the Tourism Department	74	26
8	Availability of tourist infrastructure	61	39

Out of 31 tourists who responded to the survey 9 per cent expressed their tourism experience as excellent/outstanding, 61 per cent very good and 29 per cent as good. A high percentage of 61 to 87 per cent were satisfied with taxi services, hotel tariffs and meals served and with tour operators.

Almost all the tourists interviewed suggested for improvement of road conditions and uninterrupted power supply.

2.2.14 Conclusion

To sum up, the State Tourism Policy 2003 is not in line with National Tourism Policy 2002 and a short term plan for prioritizing of action and realizing the long term plan of the Perspective Plan has not been formulated by the State Government. The State was yet to bring out Tourism Master Plan for harmonious and holistic development of tourism.

There were delays ranging up to 27 months in release of funds to the implementing agency. Consequently, projects could not be completed due to lack of funds. 28 tourist facilities like tourist lodge/resorts and wayside amenities constructed at a total cost of ₹ 56.40 crore were lying idle after completion for a period ranging from 1 to 10 years due to lack of support infrastructure such as roads, communication network and manpower constraints.

The State Institute of Hotel Management, Catering Technology and Applied Nutrition, Banderdewa was yet to be functional. The activities for promotion and marketing have not been implemented in a time bound manner. The scheme for promotion of new products in the field of eco-tourism, rural tourism, adventure and river tourism and wild life tourism has not achieved the desired results.

There was no follow up action taken on the meetings of District level Tourism Development Committee. Internal control mechanism was inadequate.

2.2.15 Recommendations

- The Department should formulate Tourism Master Plan and short term action plan for prioritizing activities in line with long term plan for holistic development and growth of tourism sector in the State.

- The State Government need to ensure timely release of funds and ensure their utilization towards completion of projects in a time bound manner.
- The Government should urgently review all completed projects lying idle and take necessary steps to operationalise the tourist infrastructure created in time bound manner.
- The State Government should institutionalise capacity building efforts by formulating training calendar/action plan with a view to enhance knowledge and skill of those who are directly concerned with tourism development related activities in the state.
- The state should prepare action plan for promoting its brand image and to operationalise the schemes under eco-tourism, rural tourism, adventure and river tourism and wild life tourism in a time bound manner.
- Monitoring mechanism for various infrastructure projects taken up for tourism development should be strengthened for timely completion and operationalising of completed projects.
- Internal control mechanism should be strengthened.

Rural Works Department

2.3 Implementation of Pradhan Mantri Gram Sadak Yojan (PMGSY)

Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched by the Government of India (GoI) in December 2000 with 100 *per cent* central funding with the objective of providing all-weather road connectivity in rural areas. Under the programme, upgradation of existing roads are also taken up in those districts where all the eligible habitations had already been provided all weather road connectivity. In Arunachal Pradesh, PMGSY has been taken up in 10 phases since 2000. The ninth and tenth phases of the programme were being implemented during 2010-15.

The State has been moderately successful in fulfilling the objective of providing connectivity to the eligible habitation. However, the scheme was not implemented in a time bound manner. Instances of shortcomings/ lapses in the implementation of the scheme such as delay in award of tender, short collection of performance security, non-deduction of security deposit, deviation from technical specification, execution of work without approval, incurring of excess expenditure, delay in completion of work, etc. were noticed. Some major audit findings are highlighted below:

Highlights:

- ***Though the block level CNCPL were prepared in six sample districts, Panchayat members were not involved in its finalization.***

(Para- 2.3.7.2)

- *In three sample districts, nine road works were undertaken to provide connectivity for 19 habitations and an expenditure of ₹45.43 crore incurred on the work. These habitations were included in block level CNCPL though these were not eligible under PMGSY as the population of these habitations were below 250.*

(Para-2.3.7.5)

- *Sixty six per cent of the selected projects were awarded with delay ranging from two to 29 months due to delay in according technical sanction attributed to inefficiencies in the preparation of DPRs.*

(Para-2.3.8.3.1)

- *Though target of connecting 49 habitations (1000+ population) and 112 habitations (500+ population) have been fully achieved; under category of 250+ population, 46 targeted habitations were yet to be provided connectivity as on 31 March 2015. Further, roads with cumulative length of 1628.69 km for new connectivity and 42.18 km for up gradation were yet to be sanctioned as on March 2015.*

(Para-2.3.8.4.2 & 2.3.8.4.3)

- *There were delays in completion of projects by two to six years in 50 per cent of the completed works. Regarding ongoing projects, the delays ranged between two to five years mainly due to slow release of funds and poor project management.*

(Para-2.3.8.6.2)

- *Shortfall in inspection of State Quality Monitors resulted in non-inspection of 39 works till March 2015.*

(Para 2.3.10.3)

2.3.1 Introduction

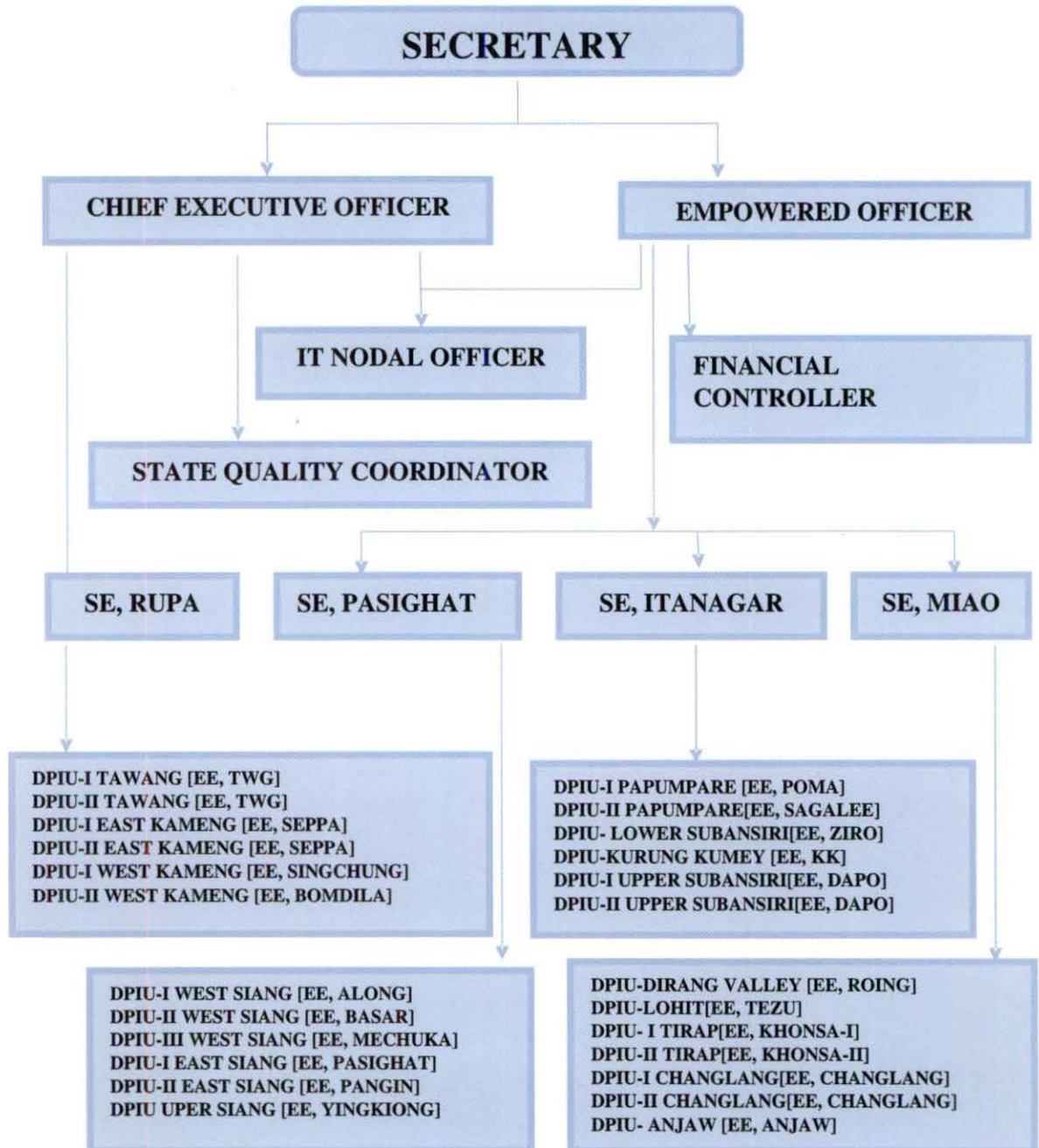
Rural road connectivity is a key component of rural development without which necessary social and economic services cannot penetrate into rural villages and also, the agricultural products of the rural areas cannot find market in the urban areas. Thus, bad road connectivity or absence of road is a stumbling block to development.

Government of India (GoI) had launched the Pradhan Mantri Gram Sadak Yojana (PMGSY) on 25 December 2000 to provide all-weather road (with necessary culverts and cross-drainage structures) access to eligible unconnected habitations in the rural areas with a population of 500 persons and above in Plain areas. In respect of the Hill States², the objective was to connect eligible unconnected habitations with a population of 250 persons and above. PMGSY is a 100 per cent Centrally Sponsored Scheme.

² North-East, Sikkim, Himachal Pradesh, Jammu & Kashmir and Uttarakhand

2.3.2 Organizational set up.

The PMGSY programme is implemented by the Arunachal Rural Roads Development Agency (ARRDA). The Chief Secretary as the Chairman is assisted by the Chief Executive Officer and the Empowered Officer at the Government level. The Secretary, Rural Works Department is responsible for implementing the scheme and is the Chief Executive Officer (CEO). He is assisted by four Superintending Engineers and 25 Executive Engineers, who function as Programme Implementing Units (PIUs). Organogram chart is given below:



2.3.3 Audit Objectives.

The objectives of the Performance audit were to ascertain whether:

- The systems and procedures in place for identification/preparation of Core Network as well as District Rural Road Plan were adequate and conform to the Programme provisions and priority list;
- The road works were executed economically, efficiently and effectively;
- The allocation and release of funds under PMGSY were made in an adequate and timely manner to ensure optimum utilization of funds;
- The existing monitoring system and quality control mechanism was adequate and effective for achieving the desired objective.

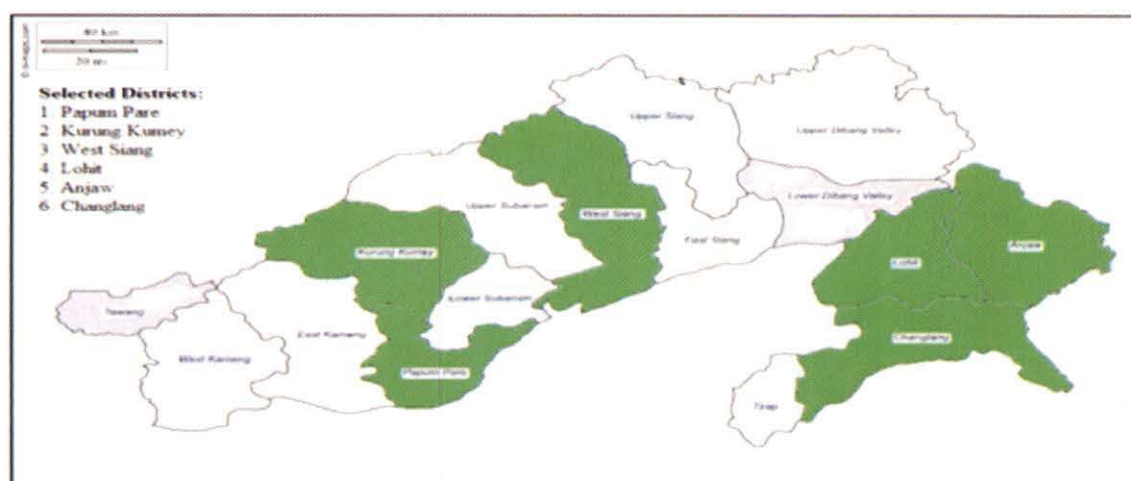
2.3.4 Audit criteria.

Audit findings are benchmarked against the criteria contained in the following sources:

- Guidelines of PMGSY-I;
- Operational Manual, Accounts Manual, Rural Road Manual, etc. of PMGSY;
- Annual Reports/Instructions/Guidelines issued by National Rural Road Development Agency (NRRDA);
- Outcome budget of the Ministry of Rural Development;
- Periodical reports/returns prescribed by State Governments;
- Circulars/instructions issued by the Department of Rural Development, GoI;
- Reports of State Quality Monitors as well as National Level Quality Monitors.

2.3.5 Audit scope and methodology

Performance audit of PMGSY was carried out during May-September 2015 and covered the period 2010-15. Six districts were selected using Probability proportion to size without replacement (PPSWOR) method. The six selected districts are Papumpare, Anjaw, Lohit, West Siang, Kurung Kumey and Changlang. Further, 44 projects (25 completed and 19 ongoing) executed during the period 2010-15 were selected for detailed examination.



Audit methodology involved examination of records of Arunachal Pradesh Rural Development Agency (ARRDA) and Six Programme Implementing Units (PIUs). An entry conference was held in May 2015 with the Commissioner and Secretary, RWD and Chief Executive Officer wherein the audit scope, objectives, criteria, methodology were discussed.

Audit findings were discussed with the Secretary, Rural Works Department (RWD) and the Chief Executive Officer (CEO), ARRDA in the Exit Conference held on 26 November 2015. Replies and views of the Department were incorporated in the report wherever found appropriate.

2.3.6 Acknowledgement

We place on record our sincere appreciation of the Rural Works Department, Government of Arunachal Pradesh, Chief Executive Officer, Arunachal Rural Road Development Agency and other staff dealing with the scheme for their assistance in facilitating our audit.

Audit findings

2.3.7 Identification of Core Network and preparation of District Rural Road Plan

2.3.7.1 Planning

Proper planning is essential for achieving the objective of a programme in a systematic and cost effective manner. As per PMGSY guidelines, planning for rural road connectivity involves preparation of District Rural Road Plan (DRRP) indicating existing road network in the district and identifying eligible unconnected habitations. Based on DRRP, a Core Network was to be prepared for constructing roads to provide access to essential socio – economic services for each of the eligible habitation. Both DRRP and Core Network were required to be prepared at block/mandal levels and consolidated at district level before forwarding to State Level Agency (ARRDA) and National Rural Roads Development Agency (NRRDA) for approval. Based on the approved Core Network, the new connectivity identified was to be prioritized into a Comprehensive New Connectivity Priority List (CNCPL). Additionally, a Comprehensive Up-gradation Priority List (CUPL) was also to be prepared. Thus, CNCPL and CUPL together form the basis for selection of road works.

Deficiencies observed in audit are discussed in succeeding paragraphs:

2.3.7.2 Panchayat not involved in planning process

PMGSY guidelines required that after the CNCPL/CUPL is prepared and verified by State Technical Agency (STA), the same shall be placed before the District Panchayat. The Members of Parliament (MPs)/ Members of Legislative Assembly (MLAs) shall be given a copy of the CNCPL/CUPL. The District Panchayat while according its approval should give due consideration to the suggestion of MPs/MLAs including the lower level Panchayat institutions.

On the PMGSY website, block wise CNCPLs were available. Audit scrutiny, however, revealed that in six sampled districts, the block level CNCPL was not placed before the District Panchayat for approval. Based on the records available/produced to audit, the evidence of involvement of the Panchayat members in finalization of block level CNCPLs could not be confirmed.

In response, the Department stated (December 2015) that District Panchayats, MLAs & MPs were involved in preparation of the DRRP and core network. The reply is not acceptable as facts on the records did not indicate their involvement in the preparation of CNCPL at the block level.

2.3.7.3 CNCPL not prepared at district level

The District Programme Implementation Unit (DPIU) is to prepare block and district level CNCPL containing a prioritized list of unconnected eligible habitations. Audit scrutiny revealed that no District level CNCPLs were prepared in the six sampled districts since the inception of the scheme. In absence of district level CNCPL, adherence to the prescribed norms in selection of works could not be ensured.

2.3.7.4 Inclusion of inadmissible Major District Roads (MDR) in CNCPL

According to the PMGSY guidelines, Major District Roads, State Highways and National Highways are not to be included under the PMGSY, even if they happen to be in rural areas. This applies to new connectivity roads as well as upgradation works.

A test check of the block level CNCPLs revealed that six³ Major District Roads (MDRs) in four out of the six sampled districts were included in the CNCPL. Possibilities of inclusion of such roads in the remaining districts could not be ruled out.

The Department in its reply (December 2015) stated that no road of MDR specification were considered under CNCPL/PMGSY programme.

Audit, however, found that six roads as included in CNCPL at the block level were of MDR specification and the department should ensure adherence to the existing guidelines.

2.3.7.5 Ineligible habitations in CNCPL

In the six sample districts, 164 roads⁴ for connecting 283 habitations each with a population below 250 persons were included in the block level CNCPL which was against the norms of PMGSY. As a result, nine roads in three sample districts were undertaken for execution to provide connectivity to 19 ineligible habitations (*Appendix-2.3.1*). ₹ 45.43 crore has been spent on their execution so far. Of the nine roads, three roads had been completed and remaining six roads were still under execution.

³ (i) Hayuliang to Chaglagam in Anjaw district; (ii) Nakap to Mengio HQ 105 km point of Sagalee to Sakiang PWD road in Papumpare District; (iii) Khunglu to Rupung via Sagalee in Papumpare District; (iv) Pabyuing to NimaSibu in West Siang District; (v) Sarli BRTF road to Fureng in KurungKumey District and (vi) Chote to Sarli in Kurung Kumey District

⁴ 15 in Papumpare District, 26 roads in Anjaw District 22 roads in Lohit District, 44 roads in West Siang District, 40 roads in Kurung Kumey District and 17 roads in Changlang District.

The Department stated (December 2015) as per eligibility criteria, habitations with less than 250 for connectivity can be taken up by considering two or more villages adding up to 250 plus population.

Audit, however, noticed that even after admitting that the total population of the two or more habitations/cluster would be served, these nine road works were ineligible under PMGSY as the population was still lower than 250, the prescribed norm.

2.3.7.6 Works outside the CNCPL

CNCPL should contain a prioritized list of new connectivity which would form the basis for selection of road works.

It was, however, noticed that in six sample districts, 29 roads (*Appendix-2.3.2*) providing connectivity to 48 ineligible habitations were executed without being included in the CNCPL and expenditure of ₹ 112.88 crore has been incurred on their execution. Selection and implementation of works outside of CNCPL was injudicious when 46 eligible habitations could not be served as of March 2015 as shown in table below.

Table -2.3.1

Sl No.	Districts	No. of eligible habitations (as per 2000 census)	Habitations provided connectivity (as on 31-03-2015)	Habitations yet to be provided connectivity.
1	Changlang	27	25	02
2	East kameng	13	09	04
3	East siang	21	20	01
4	Kurung Kumey	09	06	03
5	Lohit	33	25	08
6	Lower Dibang valley	06	05	01
7	Lower subansiri	17	08	09
8	Papumpare	17	16	01
9	Tawang	11	09	02
10	Tirap	32	31	01
11	Upper Siang	26	21	05
12	Upper Subansiri	02	01	01
13	West kameng	17	13	04
14	West Siang	40	36	04
Total		274	228	46

The Department has accepted the audit observation and noted for future compliance.

2.3.7.7 Selection of work without observing the priority

As per PMGSY operational manual, where road works of a higher order of priority still remain to be taken up, road works of a lower order of priority will not be taken up in the same district except when it is not feasible to execute the road work for reasons of non-availability of land etc.

Without observing the above, 48 roads of lower priority were given precedence over roads of higher priority. Such instances were high in West Siang, Lohit and Kurung Kumey District where 14, 10 and 08 lower priority roads respectively were taken up. Reason for taking up roads with lower priority was not on record.

2.3.8 Programme Implementation

For the effective implementation of projects, PMGSY guidelines envisage formulation of project proposals by involving District Panchayats through consultation and discussion with the community for the approval of State Level Screening Committee (SLSC). The DPIU, after ensuring land availability, would prepare a DPR for each road which will be vetted by the State Technical Agency (STA). After vetting, STA would make confirmatory entry in the On-line Monitoring, Management and Accounting System (OMMAS) software. ARRDA would then, consolidate all the proposals received and send them to NRRDA for consideration of the Empowered Committee. On fulfilling all the programme requirements, the Ministry of Rural Development (MoRD) would accord sanction to the projects.

Audit observations on implementation of the projects are discussed below:

2.3.8.1 Ownership of land not obtained

As per Operations Manual of PMGSY, State Government would lay down guidelines for voluntary donation or otherwise to ensure availability of land for construction of rural roads. Details of land made available should be reflected in local land records to avoid any dispute in future. Voluntary donations should be documented through agreements with a copy forwarded to local revenue officials for making necessary changes in ownership/possession of land.

Out of test checked 44 works in six districts, scrutiny of records of 30 Stage I works, which involved such documentation of land records revealed following deficiencies:

- In 21 cases the DPRs simply recorded that the land belongs to the community and no compensation payments required. However, no evidence was documented by the department as required under the guidelines.
- In six works, a certificate of land availability from General Administration Department was obtained.
- In remaining three works, DPRs simply indicated that land was available and land acquisition would not be required without any documentary evidence of local land records.

In absence of documentary evidence on the details of ownership from local land records, the availability of land for the projects could not be verified in audit. Without the basic details the indisputable title of land by the Government on which PMGSY roads were built was not ensured.

The Department stated (December 2015) that NOC from the villagers were obtained through local Panchayat and community leaders which were submitted to district

administration and on receipt, the same will be produced to audit. However, this is yet to be done.

2.3.8.2 Deficiencies in preparation of DPR

Scrutiny of records revealed that DPRs were prepared without proper survey and investigation in four out of the 44 sampled works as per details given in the following table:

Table -2.3.2

(₹ in lakh)

Sl. No.	Name of the road	Estimated cost	Cross Drainage as per DPR		Cross Drainage as per TS	
			Number	Cost	Number	Cost
1	Quibang to Mangung	1029.16	44	390.43	37	314.62
2	PWD road to Matiliang	758.02	37	312.22	27	206.81
3	PWD road to Halaikrong	462.59	25	244.50	23	212.72
4	BRO road to Barfu	1321.38	60	429.03	41	281.37
Total			166	1376.18	128	1015.52

(Source: Departmental records) CD- Cross Drainages

From the above table, it can be seen that the Detailed Project Reports (DPRs) approved by STA for the above four works had a provision for 166 Cross Drainages estimated to cost ₹ 1376.18 lakh. However, the technical sanction was accorded for 128 Cross Drainages at the cost of ₹ 1015.52 lakh. 38 Cross Drainages estimated to cost ₹ 360.66 lakh were deleted while according technical sanction. This indicates discrepancies in survey and investigation before firming up the DPRs.

2.3.8.3 Contract Management

As per PMGSY requirement, a well-established procedure for tendering, through competitive bidding, would be followed for all projects. Only the projects scrutinized by the STA and cleared by the Ministry will be tendered, as such, no changes shall be made in the work without the prior approval of the NRRDA. For this purpose, GoI has prescribed Standard Bidding Document (SBD) laying down conditions such as time frame for award of tender, eligibility of contractors, collection of security before execution of works, etc. The following deficiencies in tendering process were noticed in audit:

2.3.8.3.1 Delay in award of tender

The guidelines prescribed an average tendering time of 75 days, from the date of clearance of the project by the Ministry. This would include technical sanction and all other activities required to be completed before the award of work.

Audit scrutiny of 44 test-checked works (Stage-I & II) out of a total 151 numbers of works in the six sampled districts revealed substantial delays in the award of work. It was noticed that only three works (7 per cent) were awarded in time while in remaining 41 works there were delays of two to 29 months as detailed below:

Table -2.3.3

Range of delay	No. of road works	Percentage
2 to 5 months	14	32
6 to 15 months	20	45
18 to 29 months	07	16

(Source: Departmental Record)

Maximum extent of delays in award of works were noticed in Anjaw district followed by Lohit district, Papumpare district and Changlang district.

Audit observed that the delay in award of work was mainly due to delay in according technical sanction. In as much as 66 per cent of the projects technical sanction itself was accorded after 75 days which was the time allowed for completion of award of work. The delay of technical sanction was attributable for the time required for preparing detailed survey and finalization of bill of quantity (BOQ) even though the projects were cleared by GoI indicating inefficiency in preparation of DPR.

2.3.8.3.2 Credit worthiness of the Contractors not ensured

The Operational Manual of PMGSY envisaged that certificate of access to /availability of credit facilities of the contractor issued by nationalized bank were to be obtained from the contractor.

Audit, however, noticed that in three out of six sampled districts, viz., Papum Pare, Anjaw and Lohit Districts, 18 works were awarded without obtaining the required certificates issued by nationalized banks. Thus, credit worthiness of 18 contractors who have been awarded works with total estimated cost of ₹ 140.04 crore was not ensured before the award of work.

In response the Department stated that as the tenders were finalized in SE office, the EE/PIU could not produce the required documents to audit.

The reply was not acceptable as the department could not furnish copies of Banker Certificates of 18 contractors to audit till date (December 2015)

2.3.8.3.3 Release of performance guarantee before expiry of defect liability period

As per the conditions of contract, the performance security equal to five per cent of the contract price will be repaid to the contractor after the period of the five year fixed for routine maintenance (defect liability period) is over and the Engineer has certified that the contractor has satisfactorily carried out the routine maintenance work.

Audit scrutiny revealed that in two out of the 25 completed works, performance guarantees were released before the expiry of defect liability period as detailed below:

(i) In the case of construction of road from *Kherem to Mankao* (Full stage⁵) in Lohit District, the contractor deposited performance guarantee of ₹ 11.00 lakh and the same

⁵ Full Stage consists of both Stage-I (formation cutting, CD works etc.) and Stage-II (WBM-I, II, III, Prime Coat, PMC etc.).

was released (February 2012) though work was completed only in December 2011. Thus, the PG was released four years before the expiry of defect liability period of five years.

(ii) Road from *Tabasora to Pidi Rime* of 5.58 km length in West Siang District was completed during January 2011 and the defect liability period for five years expired only in January 2016. However, the DPIU, West Siang District released the performance security to the contractor of ₹ 18.52 lakh in November 2013, two years before the expiry of defect liability period of five years.

Release of performance guarantee before the expiry of defect liability period of 5 years would be putting the maintenance work at risk and was an undue financial benefit extended to the contractor.

2.3.8.3.4 Short collection of performance Security and non-deduction of security deposit

As per Clause 46.1 of General Conditions of Contract, the successful bidder shall provide to the employer a performance security (PS) of five *per cent* of the contract price for a period of five years. Two and a half *per cent* of Contract Price would be deposited as PS in the form of Bank Guarantee or Fixed deposit receipt before signing of contract and balance two and a half *per cent* of PS deducted from each payment due to the contractor. In addition, the Employer shall retain security deposit of 5 *per cent* from each payment due to the Contractor until completion of the construction.

On satisfactory completion of work, half of the security deposit is repaid to the Contractor, one-fourth is repaid to the Contractor at the end of second year after completion of work and balance at the end of third year after completion of work. The performance security is repaid to the Contractor when the period of five years fixed for routine maintenance is over and the Engineer has certified that the contractor has satisfactorily carried out the routine maintenance of the works.

Audit noticed short collection of PS as well as failure to deduct SD by the department in respect of three ongoing works as detailed in table below:

Table -2.3.4

(₹ in lakh)

Sl. No.	Name of the road	Agreement amount	Value of work done	PS to be collected/ deducted	PS actually collected	SD to be recovered	SD actually recovered
1	Road from Balijan to Tabretung (Chakka) Stage-I	3201.90	250.00	86.30	6.25	12.50	Nil
2	Road from Hayuliang Kibithu BRO road to Barafu Stage-I	1255.31	971.77	55.68	14.59	48.58	29.18
3	Road from Hawaii P.W.D. Road to Halaikorang	439.46	240.00	16.99	2.63	12.00	5.63
Total		4896.67	1461.77	158.97	23.47	73.08	34.81

(Source: Departmental records)

Against the requirement of ₹ 158.97 lakh and ₹ 73.08 lakh for PS and SD respectively, PS of only ₹ 23.47 lakh was collected and ₹ 34.81 lakh was deducted as SD from the bills of the contractors. There was short collection of PS of ₹ 135.50 lakh and short deduction of SD of ₹ 38.28 lakh. Thus, the three works which are under execution were not covered by adequate security for any possible risk of failure in performance of contractual obligations.

While accepting the audit observation, the Department stated (December 2015) that steps will be initiated for deducting the required Security Deposit from the subsequent bills.

2.3.8.4 Execution of works

2.3.8.4.1 Status of covered habitation

The programme aimed at covering all the unconnected rural habitation with a population of 1000 and above by 2003 and those with a population of 250 and above by the end of 2007.

The status of habitations eligible for connectivity is given as under.

2.3.8.4.2 Target and achievement

The physical performances achieved by the State under PMGSY during 2010-15 as per MPRs are shown in the following table:

Table-2.3.5

Eligible (as per census 2001)			Number of habitation								
			Provided connectivity (as on 31.03.2010)			provided connectivity (as on 31.03.2015)			Remains unconnected (as on 31.03.2015)		
Population on category											
1000+	500+	250+	1000+	500+	250+	1000+	500+	250+	1000+	500+	250+
49	112	274	46	101	192	49	112	228	0	0	46

(Source: Departmental record)

Scrutiny of records produced to audit by ARRDA revealed that as per plan three habitations in 1000+ population category, 11 habitations in 500+ population category and 82 habitations with 250+ population category were remaining to be connected at the end of 2009-10. The target of 49 habitations (1000+ population) and 112 habitations (500+ population) have been successfully connected as on 31 March 2015. However, in the category of 250+ habitations, out of 274 habitations targeted, only 228 have been provided connectivity as on March 2015 leaving a balance of 46 habitations.

2.3.8.4.3 Shortfall in achievement of road length

As per Core Network prepared by State Government for covering a total of 3880 habitations in the State, total road length required was 14750.83 Km under new connectivity and 4656.5 km under road upgradation. Road length of 6370.97 Km for new connectivity and 74.33 Km for upgradation had been sanctioned at the end of March 2015 as given below:

Table-2.3.6

(Length in KM)

Length of road							
as per Core Network (w.r.t. Census 2001)		Sanctioned (as on 31.03.2015)		Covered (as on 31.03.2015)		Balance as per sanction (as of 31.3.2015).	
New connectivity	Up-gradation	New connectivity	Up-gradation	New connectivity	Up-gradation	New connectivity	Up-gradation
14750.83	4656.5	6370.97	74.33	4742.28	32.15	1628.69	42.18

(Source: Departmental records)

However, only 4742.28 Km under new connectivity and 32.15 Km under upgradation have been covered at the end of March 2015 which constituted 74 per cent and 43 per cent of the total road length sanctioned respectively. Balance road length under new connectivity of 1628.69 Km and 42.18 km for upgradation has not been covered as on March 2015.

2.3.8.4.4 Status of coverage of habitations in sample districts

The details of habitations covered under PMGSY from 2000 till March 2015 in six sample districts are as indicated in the following table:

Table-2.3.7

Name of District	No of eligible habitation (as per census 2001)			Habitation provided connectivity as on 31.03.2010			Habitation provided connectivity as on 31.03.2015			Habitation remains unconnected as on 31.03.2015		
	1000+	500+	250+	1000+	500+	250+	1000+	500+	250+	1000+	500+	250+
Papumpare	0	2	17	0	1	10	0	1	6	0	0	1
Anjaw	0	1	2	0	1	2	0	0	0	0	0	0
Lohit	8	20	33	8	19	25	0	1	0	0	0	8
West Siang	1	11	40	1	10	34	0	1	2	0	0	4
Kurung Kumey	0	3	9	0	2	4	0	1	2	0	0	3
Changlang	14	7	27	11	5	17	3	2	8	0	0	2
Total	23	44	128	20	38	92	3	6	18	0	0	18

(Source: Departmental records)

It can be seen from the above table, three habitations for 1000+ population and 6 habitations for 500+ population were outstanding as on 31 March 2010. Similarly, against 250+ population, 36 numbers of habitations were outstanding as on 31 March 2010. During the period 2010 - 11 to 2014 -15, the targeted habitations in 1000+ and 500+ categories have been fully covered. However, 18 habitations in 250+ population category were outstanding at the end of March 2015.

2.3.8.5 Irregularities in execution of works.**2.3.8.5.1 Prescribed norms not adhered to.****i) Coverage of ineligible habitation**

As per guidelines, minimum population of 250 persons for a habitation/ cluster to be eligible for connectivity under PMGSY.

Audit scrutiny revealed that nine roads in three out of the six sampled districts were constructed for providing connectivity to 15 habitations/ clusters whose populations was below 250 during 2006-11 by incurring a total expenditure of ₹ 4542.77 lakh as per details given below:

Table -2.3.8*(₹in lakh)*

Sl. No.	Name of the road	Sanction Phase	Expenditure	Status	Year of completion	Population of target Habitations
1	LKB BRO road to Rakte Nyorak, (West Siang)	2006-07	404.48	Completed	2014-15	217
2	Tabasora to Pidi Rime (West Siang)	2006-07	354.10	Completed	2010-11	78
3	Manmao Changlang road to Tengman (Changlang)	2006-07	332.64	Completed	2012-13	240
4	PWD road to Doko Putu (West Siang)	2006-07	219.65	Ongoing	-	161
5	Chambang-Rai road to Gangte (Kurung Kumey)	2013-14	827.68	Ongoing	-	179
6	Paka to Riamgang, (Kurung Kumey)	2013-14	1494.60	Ongoing	-	80
7	BRTF road to Harang, (Kurung Kumey)	2007-08	482.57	Ongoing	-	201
8	Old Palin to Rakso, (Kurung Kumey)	2007-08	282.84	Ongoing	-	140
9	Changlang Khimiyang road to Chingsa (Changlang)	2006-07	144.21	Ongoing	-	237
Total			4542.77			1533

(Source: Departmental records)

Execution of road works for connecting habitations below 250 persons was in violation of the PMGSY guidelines.

ii) PMGSY signboards not erected

As per guidelines, PMGSY citizen information signboards with logo should be constructed/ erected on the site at both ends of the road within 15 days of the issue of work orders.

However, physical verification of 12 roads in six sampled districts revealed that PMGSY logo were erected only at take off point and not at terminating end of the roads in respect of 10 works.

2.3.8.5.2 Deviation from technical specifications

PMGSY guidelines envisage that connectivity should be provided to eligible unconnected habitations. As per guidelines, all the projects scrutinized by the STA and cleared by the Ministry would be tendered as such and no changes were to be made in the work without the prior approval of the NRRDA.

The following deficiencies were noticed in four works in two out of six test checked districts as discussed below:

i) The road from *BRTF Road to Pagi* of 6.00 km in West Siang which commenced in January 2008 was shown as completed in August 2011 at a cost of ₹ 162.18 lakh. Despite the provision of 163.30 metre long protection work (Retaining wall 3.0 metre height) for ₹ 20.11 lakh, only 144.00 metre (72 metre Retaining wall and 72 metre Breast wall) was actually executed at a cost of ₹ 18.80 lakh and the remaining 19.30 metre (163.30 metre -144.00 metre) Retaining/Breast wall was never constructed. The balance amount of ₹ 1.31 lakh has remained unspent (September 2015).

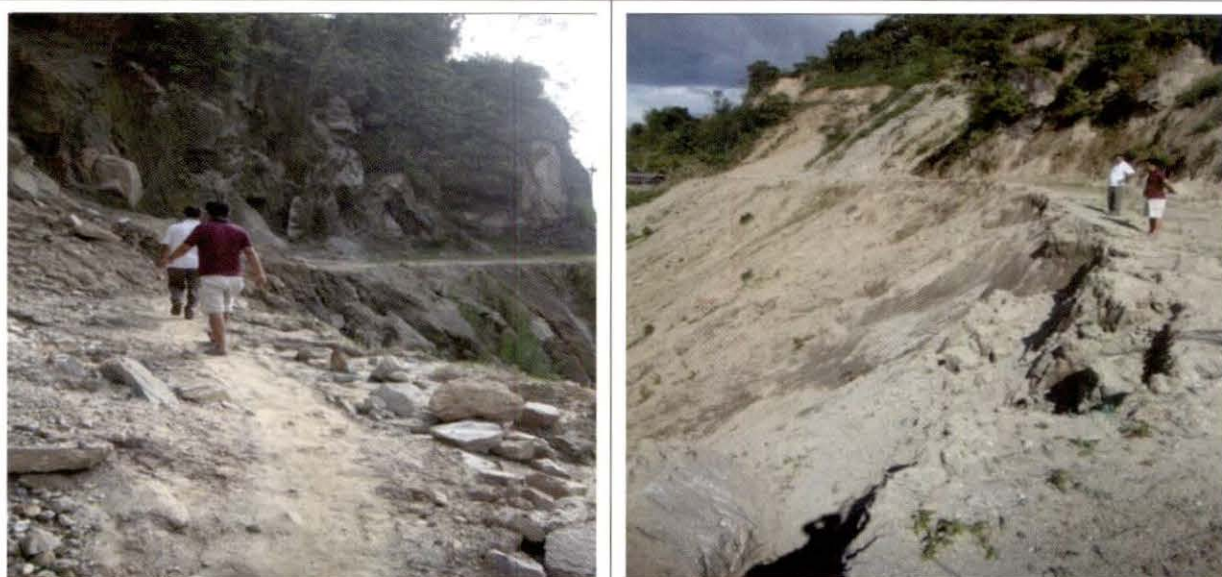
ii) The road from *PWD Road to Doku Putu* of 5.20 km length in West Siang, taken up during December 2007 at an agreed amount of ₹ 237.48 lakh was shown as completed in June 2015 for ₹ 219.65 lakh. Although 3450 metre side drain was provided for in the technical sanction, only 3318 metre was executed by spending ₹ 48.34 lakh. Side drain of 132 metre remains unexecuted of which fund of ₹ 17.83 lakh was still available.

The Department stated that 3449 metre out of 3450 metre side drain executed and the less execution was only one metre.

The reply was not acceptable as no supporting documents/records could be produced to audit.

iii) The road from *Liromoba to Bole (Stage-I)* of 8.46 km length in West Siang District taken up during January 2009 was completed in September 2011 at a cost of ₹ 558.88 lakh. A 'boulder crated wall' of 550.02 cum was executed by incurring an expenditure of ₹ 10.65 lakh. Though 6.5 MT sausage wire was required for construction of 'boulder crated wall', no sausage wire was used as per measurement book. Thus, construction of 550.02 cum of 'boulder crated wall' without sausage wire resulted in execution of sub standard work by the contractor.

iv) The road from *Bokam to Chambang* of 37.96 km (Stage-I) in Kurung Kumey District, taken up during February 2007 was completed in June 2011 at a cost of ₹ 2409.37 lakh. Out of the approved 2475 metre length retaining wall, only 1382.2 metre length was constructed by spending the entire amount of ₹ 312.53 lakh. The remaining 1092.8 metre of retaining wall was not constructed despite the provision for construction. On physical verification, it was found that a portion of the road (100.0 metre Approx.) at the said chainage was washed away by rain.



The road from “Bokam to Chambang, Stage-I” in Kurung Kumey district 100 m washed away due to non-construction of protection wall at chainage 10100.00m(approx).

The Department stated (December 2015) that as per General Condition of Contract (GCC) of Standard Bidding Document (SBD) of PMGSY, upto 40 per cent deviation is allowed and also admitted that a portion of the road has been washed away due to heavy rain.

The reply of the Department was not tenable as there was no such provision for deviation in the SBD of PMGSY.

2.3.8.5.3 Execution of work without approval

According to CPWD manual code 20.4.3.2 (2012), the tendered rates should be reasonable and in case of greater emergency, variation up to plus 10 per cent might be allowed, but in no case, rate higher than 10 per cent should be accepted without obtaining approval of the competent authority.

A test check of records revealed execution of work in deviation of the technical sanction without obtaining the approval of the competent authority as discussed below:

i) Road work from *Wengko PWD Road to Nongtaw Kamti* (Full Stage) in Lohit district, taken up during March 2007 at an estimated cost of ₹ 560.23 lakh and was completed in December 2013. Against the provision for 1253.18 cum WBM-III estimated at ₹ 13.77 lakh (at the rate of ₹ 1098.72 per cum), the department awarded the work for 1994.78 cum (at the rate of ₹ 1298 per cum). However, 2049.63 cum of WBM-III was executed, resulting in excess expenditure of ₹ 10.34 lakh over and above the provision in the technical sanction. No approval of the competent authority was obtained for variation.

ii) Road work from *Bokam to Chambang* (Stage-I) in Kurung Kumey District was taken up for execution in February 2007 at an estimated cost of ₹ 24.09 crore and was completed in June 2011. Against the provision of Breast wall of 360 metre length and

three metre height estimated at ₹ 30.56 lakh, Breast wall of 700.55 metre length was constructed at a total cost of ₹ 55.87 lakh. Thus, there was excess expenditure of ₹ 25.31 lakh for execution of 340.55 metre length Breast wall. No approval of the competent authority was taken for variation.

The Department stated (December 2015) that approval for deviation was obtained from CE, RWD.

The reply of the department is not acceptable as no changes should be made without prior approval of NRRDA as per PMGSY guidelines and the Department did not obtain approval of the competent authority.

iii) Road work from *Bokam to Chambang* in Kurung Kumey District had provision for 200 cross drainages of different spans estimated to cost ₹ 709.76 lakh. However, only 154 cross drainages were constructed at a cost of ₹ 609.68 lakh. No approval was taken for deviation from approved technical sanction.

The Department (December 2015) stated that deviation has been made in some works wherever required as per site condition within permissible limit.

The reply is not acceptable as for the deviation beyond the permissible limit of 10 per cent the approval of NRRDA was required.

2.3.8.5.4 Excess Payment

A test check of records revealed in four out of six sampled districts in respect of 15 road works executed between 2005-06 and 2013-14, the contractors were paid for excavation of 509,447 cum at the rate applicable for hard rock by explosive means. Excavation of the hard rock by blasting by use of explosives was doubtful as there was no evidence on record regarding the quantity of explosive used for blasting and source from which explosives were procured, as the explosives were not issued by the department. Thus, the applicable rates should be the lower one for excavation of ordinary rock. The extra expenditure incurred in this regard is worked in the following table.

Table-2.3.9

(in ₹)

Name of Road	Quantity	Rate for		Difference	Total excess paid
		Hard rock	Ordinary rock		
Sakiang to Mengio (I)	48,563.34	210.00	140.00	70.00	33,99,434.00
Kimin 8 th point of BRTF road to Kakoi	1,510.59	340.00	200.00	140.00	2,11,482.60
Quibang to Mangung	20,822.42	247.00	140.00	107.00	22,27,999.00
PWD road to Matiliang	6,551.33	236.00	137.00	99.00	6,48,581.70
BRTF road to Kugi Pomse	2,249.77	205.72	124.87	80.85	1,81,893.90
Liromoba to Bole	56,335.94	205.23	122.92	82.31	46,37,011.00
BRTF road to Simugong	18,845.70	317.29	177.00	140.29	26,43,863.00
Kamba BRTF road to Kunu Yami	47,802.96	230.38	137.98	92.40	44,16,994.00
PWD road to Doku Putu	9,229.13	225.14	140.97	84.17	7,76,815.90
Nomdir to Beye	51,131.09	211.31	132.46	78.85	40,31,686.00

Name of Road	Quantity	Rate for		Difference	Total excess paid
		Hard rock	Ordinary rock		
Tato HQ to Tato Vil.	23,583.30	86.40	23.00	63.46	14,96,596.20
Koloriang to Tabumna	36,352.41	313.45	166.05	147.40	53,58,345.23
BRTF Road to Sulung-Tapin	33,647.00	260.00	149.00	111.00	37,34,817.00
Parsiparlo to Segriang	86,778.72	273.58	153.45	120.13	104,24,727.63
Paka to Riamgang	66,043.79	484.21	255.81	228.40	150,84,401.63
	509,447.00				592,74,648.80

(Source: Departmental records)

Thus, by adopting a higher rate applicable for excavation of hard rock by blasting an extra amount of ₹ 592.75 lakh was paid to various contractors.

2.3.8.5.5 VAT not deducted or short deducted

As per the Arunachal Pradesh Sales Tax Act 2005, the department shall deduct VAT at source on works contract at the rate of 12.50 per cent on 75 per cent of the value of work done or 4 per cent on total value of work done, in case contractors are registered with the Superintendent of Sales Tax, as applicable.

Audit observed that the total value of work executed during the period 2010-15 in respect of 44 test checked projects was ₹ 215.03 crore. None of the contractors were registered with Superintendent of Sales Tax. As such ₹ 20.16 crore (at the applicable rate of 12.5 per cent of 75 per cent of the value of work) was to be deducted. (Appendix-2.3.3). However, in respect of five works an amount of ₹ 46.83 lakh as VAT was deducted against amount due ₹ 124.33 lakh, resulting in short deduction of ₹ 77.50 lakh toward VAT. Further, in remaining 39 works, no VAT was deducted resulting in loss of revenue to the tune of ₹ 18.92 crore.

The Department has noted the audit observations for compliance and future guidance.

2.3.8.6 Delays in execution of works

2.3.8.6.1 Status of PMGSY road works

During the period 2010-15, there were 433 road works altogether at total estimated cost of ₹ 3428.94 crore. Out of these, 198 road works with total estimated cost of ₹ 2154.74 crore were sanctioned during the period 2010-15. The balance 235 road works estimated at ₹ 1274.20 crore were sanctioned prior to the period 2010-11.

As per PMGSY guidelines, projects have to be completed by PIUs within a period of 9 working months from the date of issue of the work order. In case the period for execution is likely to be adversely affected by monsoon or other seasonal factors, the period for execution shall not exceed 12 calendar months. Time limit up to 18 calendar months would be allowed for completion of Stage – I work of hill roads (in hill states). In hill states where the work is executed in two stages, the time limit for completion of Stage II works would remain twelve months. However, in the State, a period of 12 or 18

months have been given for completion of road works as per the agreement entered into with the Contractors.

2.3.8.6.2 Delay in completion of works in sampled districts

Audit selected 44 road works from six selected districts executed during 2010-15 for detailed examination. Out of these, 25 road works were completed and the remaining 19 works were ongoing as on March 2015.

The details of 25 completed and 19 ongoing road works are as indicated in *Appendix 2.3.4 & 2.3.5* respectively.

i) As regards 25 completed road works as of March 2015 *Appendix 2.3.4*, only two road works (total estimated cost ₹ 389.43 lakh) at Sl. No 24 & 25 commenced during 2007-09 were completed within the target date. In remaining road works there were delays in completion as detailed below:

- Two road works (Sl. No. 1 – 2) at total estimated cost of ₹ 1519.45 lakh, commenced in March 2007 and March 2008 were completed only in December 2013 and April 2014 respectively after a delay of five to six years.
- 11 road works (Sl. No. 3 – 13) at total estimated cost ₹ 6862.82 lakh commenced between 2004-05 and 2008-09 were completed with delays ranging from two to three years.
- 10 road works (Sl. No. 14 – 23) at total estimated cost ₹ 3196.86 lakh commenced during 2006-07 to 2012-13 were completed after one to two years of completion schedule.

It can be seen from above that more than 50 *per cent* of the road works were delayed by two to six years. The delays in completion of the projects were mainly due to slow release of funds. Fund flow to the projects was made in a piecemeal over a period of two to four years. The financial closure was done after the physical completion in almost all the projects.

ii) As regards 19 ongoing road works as of March 2015 *Appendix 2.3.5*, barring one road work (Sl. No. 19) estimated at ₹ 890.05 lakh sanctioned in 2013-14, all the remaining road works were to be completed by March 2015 and those were already running behind schedule as indicated below:

- Three road works (Sl. No. 1 – 3) sanctioned during 2006-07, at a total estimated cost of ₹ 11.79 crore, the time overrun was more than five years.
- Four road works (Sl. No. 4 – 7) sanctioned during 2008-09, at a total estimated cost of ₹ 31.25 crore, were already running behind schedule ranging from three to five years.
- Three road works (Sl. No. 8 – 10) sanctioned during 2009-10, at a total estimated cost of ₹ 66.58 crore delays ranged from two to three years.

- In eight road works (Sl. No. 11 – 18) sanctioned between 2010-11 and 2013-14, at a total estimated cost of ₹ 80.35 crore, the delay ranged between four and nine months.

In respect of the ongoing projects, more than 50 *per cent* of the projects were running behind schedule by more than two to three years. In majority of cases, the financial progress was also lower than the physical progress achieved.

To sum up, there were delays up to six years in the completion of the road works. Almost all ongoing roads works were running behind schedule. The flow of funds to these projects was slow and releases were made in piecemeal in several instalments stretching two to four years or more. The above position was indicative of weak management of project activities and lack of adequate planning of financial resources. Thus, overall project activities and flow of funds needs to be streamlined to ensure the projects are completed within stipulated time frame.

In reply, the Department stated (December 2015) that Arunachal Pradesh has a short working season of around six months only and the frequent rainfall leads to landslides, flash flood each year and roads under construction are damaged time and again. This factor hampers the movement of man and machineries which are beyond the control of department.

The reply of the Department is not tenable as the delay in completion of projects by more than two to three years and even up to six years cannot be wholly attributable to short working season due to rainfall, etc. Audit found that majority of the projects were delayed mainly due to slow release of funds and weak project management despite availability of sufficient fund with the department.

2.3.9 Financial Management

2.3.9.1 Funding pattern

PMGSY is 100 *per cent* funded programme by GoI. Funds for sanctioned projects are released to State Government in lump sum in two instalments. After clearance of projects, in first instalment 50 *per cent* of the approved value of the project (or annual allocation whichever is lower) would be released. Second and subsequent instalments would be released subject to utilization of 60 *per cent* of available funds, and completion of at least 80 *per cent* of road work awarded during the previous year as well as 100 *per cent* of awarded works of all years preceding that year.

2.3.9.2 Fund flow and expenditure

Status of releases of fund and expenditure during the period 2010-11 to 2014-15 was as follows:

Table-2.3.10

(₹ in lakh)

Year	Opening Balance	Amount proposed	Fund Released		Interest	Total Fund	Expenditure	Closing Balance	% age of expenditure against total fund
			Central	State					
2010-11	1839	51731	37716	Nil	214	39769	33274	6495	84
2011-12	6495	24574	23198	Nil	412	30105	19834	10271	66
2012-13	10271	66000	45318	70	147	55806	27036	28770	48
2013-14	28770	35000	Nil	100	1686	30556	27875	2681	91
2014-15	2681	87500	34225	Nil	183	37089	35950	1139	96
Total		264805	140457	170	2642	145108	143969		

Note: The fund up to 2013-14 was released directly by the GoI to the ARRDA and thereafter through the State budget.

(Source: Departmental records)

Against the total available fund of ₹ 1451.08 crore (including interest and state share) during the period 2010-15, ₹ 1439.69 crore was utilised during the same period. Except for the years 2011-12 and 2012-13, the utilization of available funds during a particular year was above 80 per cent.

2.3.9.3 Shortfall in release of first installment from GoI

During the period 2010-11 to 2014-15, 198 projects were sanctioned by GoI. As per guideline, 50 per cent of the project value was to be released by GoI to the State as first instalment. Audit observed a substantial delay in release of first instalment as mentioned below:

- Against 44 road works estimated at ₹ 462 crore, sanctioned in October 2010, the first instalment of ₹ 232 crore was released only during January and March 2013, after more than two years of its sanction.
- For 78 road works estimated at ₹ 611 crore sanctioned in February 2013, ₹ 305 crore was required to be released, however, only ₹ 63 crore was released in September 2014, after more than one and a half years of its sanction.
- Against 63 projects (total estimated cost ₹ 880 crore) sanctioned during June 2013 to February 2014 and 13 projects (total estimated cost ₹ 201 crore) sanctioned in April 2014, no funds had been released by GoI till March 2015 indicating a delay by one to two years.

Thus, there was a delay in release of first instalment after sanction from GoI ranging between one and two year. Reasons for delay in release of first instalment were not on the records of the department. The State Government need to pursue with the GoI for timely release of funds for smooth execution of the projects.

2.3.9.4 Diversion of Central Funds to PMGSY

As per para 17 of PMGSY Guideline, State Governments are required to undertake the maintenance of the entire Core network, of the road works constructed/upgraded under the PMGSY. State Governments are required to develop sustainable sources of funding for undertaking the maintenance functions. In respect of roads constructed/upgraded under the PMGSY, as per the Standard Bidding Document, five year routine maintenance is contracted out along with the construction itself to the same contractor who is constructing the road. Maintenance funds to service the contract will be budgeted by the State Government and placed at the disposal of the State Rural Road Development Agency (SRRDA) in a separate Maintenance Fund Account within the stipulated time i.e. 50 per cent by 31 May and remaining 50 per cent by 30 November of each financial year.

Audit observed that ₹ 3545.34 lakh was released by the State Government to maintenance fund of ARRDA during the period 2010-15. Only ₹ 1350 lakh (38 per cent) of the total amount transferred to Maintenance fund was actually released from State's own resources. The balance ₹ 2195.34 lakh was diverted from other central funds by GoAP as shown below:

Table 2.3.11

(₹ in lakh)

Sl. No	Name of the Scheme from which maintenance fund was made	Amount
1	Special Plan Assistance (SPA)	745.34
2	Flood Damage Restoration (FDR)	450.00
3	Thirteenth Finance Commission (TFC)	1000.00
	Total	2195.34

(Source: Departmental record)

The central funds released for specific purposes by the GoI were irregularly diverted to PMGSY Maintenance fund.

2.3.9.5 Excess expenditure on administrative and travel expenses

As per PMGSY guidelines, all staff cost would be borne by the State Government. However, the administrative and travel expenses of PIUs and SRRDA could be met to the extent of 1 per cent to 0.50 per cent respectively of annual allocation.

Audit observed that in six sampled districts, excess expenditure of ₹ 270.15 lakh and ₹ 33.57 lakh was incurred under administration and travelling expenses respectively during the period 2010-15.

The Department stated (December 2015) that excess expenditure was due to payment out of Administrative and travel expenses pertaining to Independent 2nd tier quality monitors (SQC).

The reply is not tenable as there is a separate provision for expenditure pertaining to Independent 2nd tier quality monitors (SQC).

2.3.9.6 Discrepancies between MPRs and UCs

The position of fund utilization reported through Monthly Progress Report and Utilization Certificates was as under:

Table 2.3.12

(₹ in lakh)

Year	Amounts of utilization report		Difference	Percentage
	as per MPR	As per UC		
2010-11	34,885.58	33,273.90	1611.68	-5
2011-12	17,335.00	19,834.30	-2499.3	+14
2012-13	31,055.00	27,036.00	4019	-13
2013-14	26,338.00	278,75.230	-1537.23	+6
2014-15	34,887.00	35,949.91	-1062.91	+3

(Source: Departmental records)

Audit observed discrepancies between expenditure as reported in MPR and the UC submitted by ARRDA to GoI. The UC figures were higher ranging between 3 to 14 per cent than that of MPRs during 2011-12, 2013-14 and 2014-15. This indicates that the UC figures did not reflect the actual financial and physical progress of the project. This figure needs reconciliation.

2.3.10 Monitoring and evaluation

2.3.10.1 Monitoring and Control Mechanism

A three tier quality control mechanism was envisaged in PMGSY Guidelines with the PIU and State Quality Monitors (SQM) being the first and second tier respectively. These two tiers are to oversee that material utilised and workmanship conformed to the prescribed specifications and that all prescribed tests were carried out at specified time and place by the specified person/authority. NRRDA, as the third tier is to engage National Quality Monitors (NQMs) for inspection of roads at random so as to inspect every road at least three times. The State Quality Coordinator (SQC), functioning under Chief Executive Officer shall be the state level authority to receive and inquire into complaints/representations in respect of quality of works.

2.3.10.2 Complaint Register not maintained

As per guidelines, the SQC shall register all complaints and will get them enquired into by the PIU or if circumstances so require, by deputing a State Quality Monitor.

Audit observed that complaint register was not maintained by SQC. Further, redressal mechanism was not put in place as required under the guidelines.

The Department admitted (December 2015) that complaint redressal mechanism was not in place earlier which was put in place from July 2015 and complaint register maintained with SQC.

However, the details of redressal mechanism put in place were not intimated to audit for verification (September 2015).

2.3.10.3 Shortfall of prescribed Inspections by State Quality Monitors (SQM)

As per para 11.5.7 of Operations Manual of PMGSY, SQC shall draw up programmes for SQM inspections in such a way that every work is inspected at least three times. The first two inspections of every work should be carried out during the execution of work spaced at least 3 months apart and the last inspection should be carried out on the completion of every work, within one month of its completion.

Audit scrutiny revealed out of 433 road works under execution during the period covered under performance audit, in 39 road works no inspection was conducted by SQMs. though execution of the work had commenced more than six months earlier.

Thus, due to non conducting of inspections, the quality of the roads was not assessed and any poor workmanship or use of poor quality material remained unnoticed.

2.3.10.4 Action Taken Reports (ATRs) on NQM and SQM inspections not submitted

The PMGSY guidelines provide that in cases where works inspected were graded 'unsatisfactory' by SQM or NQM, State Government was to ensure replacement of material or rectification of workmanship to ensure that grading is 'satisfactory' through Action Taken Reports (ATRs). The ATRs on the report of NQM and SQM will be submitted to NRRDA and SQC respectively.

- i) Audit noticed that 98 NQM inspections were undertaken in the six sample districts. Against this 21 ATRs were required to be sent to NRRDA during April 2010 to March 2015. The department could produce only 14 ATRs for verification by audit. It is not clear in remaining 7 cases whether ATRs were sent or not.

Further, out of 130 ATRs sent on "Unsatisfactory/Required Improvement" grading, 21 ATRs were not accepted by NRRDA. No further action was taken by concerned PIUs on these till September 2015.

Admitting the audit observations the Department stated that SQM have now been deployed in all the districts to verify the action taken reports. Accordingly the PIUs are expected to submit the pending ATRs by December 2015.

- ii) Out of 90 SQM inspections conducted in the six sampled districts, 42 were graded as "Satisfactory Required Improvement" (SRI) and 12 were graded as "Unsatisfactory" (U). So far, 19 ATRs on SRI and two ATR on U were submitted by concerned PIU. Records of submission of remaining 23 ATRs on SRI and 10 ATRs on U was not produced for verification by audit.

The Department stated (December 2015) that the rectification works on the observations of NQMs and SQMs is in progress and all ATRs are expected to be submitted by concerned PIU.

2.3.10.5 Shortfall in number of meetings of State Level Standing Committee

A State Level Standing Committee (SLSC) set up preferably under the chairmanship of the Chief Secretary would be responsible for close and effective monitoring of the programme and to oversee the timely and proper execution of works. The SLSC was to review quarterly, the following:

- Progress of ongoing works.
- Quality Control (2nd tier at State level).
- Capacity enhancement and training of executing agency.
- Budgeting of maintenance funds.
- Provision of public transport on PMGSY roads created.
- Convergence with rural development and poverty alleviation programmes etc.

Audit observed that SLSC met only twice during the period 2010-15 (15 June 2012 and 03 March 2015) against the requirement of 20 meetings. Thus, monitoring by SLSC was limited.

2.3.11 Conclusion

In Arunachal Pradesh, PMGSY has been taken up in ten phases since 2000. During the period 2010-15, 198 road works (estimated cost of ₹ 2154.74 crore) were sanctioned. Out of 44 road works selected from six sampled districts, 25 road works have been completed and the balance 19 road works were under execution.

Audit noticed that the targeted 49 habitations (1000 plus population) and 112 habitations (500 plus population) have been fully connected but under category of 250 plus population, 46 habitations were yet to be provided connectivity as on 31 March 2015. Similarly, sanction for road length of 1628.69 km for new connectivity and 42.18 km for up gradation were awaited as at the end of March 2015.

The State Government did not involve the Panchayats in preparation of CNCPL as per the guidelines; as many as 29 roads works were outside the approved CNCPL. Nine roads were executed to give connectivity to 19 ineligible habitations at the cost of ₹ 4542.77 lakh during the period.

The works were often awarded with substantial delays. 29 road works (66 per cent) out of 44 selected road works, were delayed for a period ranging between six months to 29 months due to delay in finalization of technical sanction attributable to deficiencies in the approved DPRs.

Execution of works was also delayed by two to six years in more than 50 per cent of the completed works. In ongoing projects, the delays ranged between two to five years mainly due to slow release of funds and poor project management.

There was substantial shortfall in inspections by SQM during the period. As many as 38 works were pending for inspection by SQM till March 2015. Against 21 ATRs required to be sent to NRRDA in the six sampled districts, records of only 14 ATRs could be verified in audit.

2.3.12 Recommendations

- The State Government should ensure that procedure prescribed in the PMGSY Scheme for identification /preparation of core network and CNCPL is strictly followed so that eligible habitations are covered under the programme.
- Project Management needs to be streamlined at all levels. Project implementation schedule for all major milestones should be prescribed and enforced for ensuring timely completion of projects.
- The Department should issue necessary instructions to ensure that the contractual conditions regarding securing Performance Guarantee and Security deposit are strictly enforced by the divisions.
- State Government should ensure timely release of adequate funds to the project implementing agencies for smooth implementation and timely completion of projects.
- The Monitoring and Control Mechanism needs to be strengthened and ATRs are periodically followed up as per guidelines.

Compliance Audit Paragraph

Rural Works Department

2.4 Failure to exercise due diligence resulting in undue benefit to contractor.

Executive Engineer, RWD, Seppa failed to exercise due diligence while evaluating tenders overlooking the huge difference in rates quoted for two works by the same contractor involving similar items of works being executed almost at same time in close vicinity. As a consequence, higher rates were allowed for one work which resulted in undue benefit of ₹ 102.94 lakh to the contractor.

According to Rule 21 of General Financial Rules 2005, every officer incurring or authorizing expenditure from public moneys should be guided by high standards of financial propriety. Every officer should also enforce financial order and strict economy and see that all relevant financial rules and regulations are observed, by his own office and by subordinate disbursing officers.

As per Section 19.4.3 of CPWD Manual a tender accepting authority was to satisfy itself about the reasonability of rates quoted by contractors, and variations may be allowed for particular situations and special circumstances, indicating recorded reasons. Further, Section 20.4.3 of the Manual provides that the tender accepting authority, while deciding the tenders, may refer to the tenders of similar nature of works called within a period of last three months *i.e.* works similar in nature, quantum, specifications and locations which are very close for justification and reasonableness of rates.

With a view to provide rural road connectivity under PMGSY, the Department tendered following two roads works.

Work I: *From Sangbia camp to Paffa- 16.11 Km (Stage-II)*

Work II: *From Pakke camp to Khenewa-15.00 Km (Stage-II)*

The scope of both works included formation cutting, Water Bound Macadam (WBM), black topping, cross drain and retaining wall. The works were to be completed by March 2015. Both the works were awarded (September 2013) on tender basis to same contractor M/s Peno Enterprises.

A scrutiny (August 2015) of records of the Executive Engineer, RWD, Seppa revealed that though the financial bids of the works were evaluated by a Board headed by Superintending Engineer, Rupa Circle on the same day (*i.e.* 6th August 2013) and both the works were to be executed in close proximity (*Distance of 21 Km from the District Headquarter Seppa*), there was wide variation in the rates allowed to the contractor for similar items of work as indicated in the following table. However, no reasons were on record for such variations.

Table 2.4.1

(₹ in lakh)

Sl. No	Items of work	Rate as per BOQ for			Quantity executed	Unit	Excess Expenditure
		First work	Second work	Difference			
1	Earthworks in widening	154	115.6	38.4	62065.65	Cum	23,83,321
2	Earthen shoulder	350	280	70	3561.41	Cum	2,49,299
3	Granular Sub-base with well graded material	1600	1350	250	7329.8	Cum	18,32,450
4	WBM-II	2000	1700	300	3597.93		10,79,379
5	WBM-III	2100	1750	350	3200		11,20,000
6	Prime coat (Medium porosity)	75	45	30	18044.4	Sq m	5,41,332
7	Tack Coat	55	20	35	18044.4	Sq m	6,31,554
8	20 mm thick open graded premix carpet using bituminous binder	198	160.8	37.2	18044.4	Sq m	6,71,252
9	Seal coat	110	75	35	18044.4	Sq m	6,31,554
10	Excavation for structures	250	190	60	1822.59	Cum	1,09,355
11	PCC grade M10-1:3:6 (Hand Mixing)	5600	4400	1200	342.72	Cum	4,11,264

Sl. No	Items of work	Rate as per BOQ for			Quantity executed	Unit	Excess Expenditure
		First work	Second work	Difference			
12	Course rubble masonry (1st sort)	4000	3400	600	58.21	Cum	34,926
13	Course rubble masonry (2 nd sort)	3950	3250	700	690.69	Cum	4,83,483
14	RCC M25	9000	7000	2000	56.83	Cum	1,13,660
15	Providing and laying RCC in superstructure	5000	4500	500	2.69	Cum	1,345
Total							102,94,174

Thus, the department failed to exercise due diligence while evaluating the offers and awarding the work. It overlooked the huge difference in the rates quoted by the same contractor for the similar items of work and allowed higher rates. This resulted in extending undue benefit of ₹ 102.94 lakh to the contractor in execution of construction of road work from Sangbia camp to Paffa.

The matter was reported to the Department/Government (October 2015); reply is still awaited (February 2016).

2.5 Doubtful Expenditure on construction of road

Executive Engineer, RWD, Ziro Division paid ₹ 493 lakh for execution of work of formation cutting for a total length of 9.50 km (6 metre width) in Construction of Road from New Pania to Neuliber (Stage-I) which was completed by PWD in 1987-88. Therefore, the expenditure of ₹ 473 lakh incurred on this work was doubtful.

Under Prime Minister Gram Sadak Yojana (PMGSY), “Construction of Road from New Pania to Neuliber (Stage-I)” covering a length of 9.50 km (width 6.00 metre) was approved by the GoI under package No. AR/06/03/049 at an estimated cost of ₹ 6.84 crore. Technical sanction of the work was accorded in January 2014. The project was scheduled to be completed by May 2015.

The Executive Engineer, Rural Works Division (RWD), Ziro awarded the work to M/s Him Enterprises at a cost of ₹ 650 lakh in March 2014. The work was commenced in May 2014 and completed in July 2015.

Audit noticed that the stretch of road was initially with the PWD and was formally handed over (January 2015) to Executive Engineer, Rural Works Division (RWD), Ziro. While handing over the road, Executive Engineer, PWD, Yazali Division reported that formation cutting of the 8 km road from new Pania to Neuliber (5.95 mtrs width) was earlier completed by Yazali, PWD during 1987-88. Similarly, the formation cutting of 1.50 km road from Neuliber to Pistana (from chainage: 7.5000 to 9.0000) up to 50 bedded Hospital was also completed.

Audit, however, observed that Executive Engineer, Rural Works Division (RWD), Ziro included formation cutting (6 metre wide) for the same stretch of 9.50 km road from new Pania to Neuliber in the detailed estimate (December 2013). The detailed estimate was framed as if the alignment was new with an existing foot tract of only 2.00 to 3.00 metre wide and formation cutting of 6 metre width would be required. The detailed estimate provided ₹ 406.35 lakh for formation cutting. Against this, ₹ 493 lakh was paid to the contractor.

In this connection it is pertinent to point out that, the work was executed based on the detailed estimate prepared in December 2013, before the road was handed over by the PWD. From this, it is clear that the detailed estimate did not take into account the actual physical condition of the road as reported by the EE PWD, Yazali.

Thus, it is evident that ₹ 493 lakh incurred for formation cutting on 9.50 km road (6 metre) from new Pania to Neuliber was not for actual work executed. The estimated cost on formation cutting would be far less than actually paid for. Worked out on proportional basis, the quantum of work involved would be only ₹ 20 lakh⁶. Thus, an amount of ₹ 473 lakh was paid to the contractors without work being actually executed.

The matter needs urgent investigation and appropriate action taken to recover any loss of government funds.

The matter was reported to the Department/Government (October 2015); reply is still awaited (February 2016).

Public Works Department

2.6 Undue benefit to contractors due to execution of works at higher rate

Executive Engineer, PWD, Gensi Division executed works at rates higher than estimated rates without inviting tenders. As a result, undue benefit of ₹ 58.04 lakh was extended to contractors besides leaving one item of work unexecuted.

According to Rule 129 (1) (vi) of GFR, no works shall be commenced or liability incurred in connection with it until tenders are invited and processed in accordance with rules. Further, Section 14.1 of CPWD works Manual stipulates that normally tenders should be called for in all works costing more than ₹ 50,000. In urgent cases, or when the interest of the work so demands, or where it is more expedient to do so, works may be awarded without inviting tenders after approval of the competent authority as per powers delegated.

⁶ Soil-	5788.43 @ 184.73 = ₹ 1069296.67
Rock-	3929.16 @ 156.84 = ₹ 616249.45
Hard Rock-	1098.91 @ 293.97 = ₹ 323046.57

Total: ₹ 20,08,592.69
Or ₹ 20,08,593

GoAP accorded administrative approval and expenditure sanction under (State Plan) for two works, namely, (i) “Construction of Internal Road of Gensi Township area in West Siang” at an estimated cost of ₹ 200.00 lakh (February 2014) and (ii) “Repair and Maintenance of various roads” at an estimated cost of ₹ 300.00 lakh (March 2014) both under Gensi Division. The estimates of the works were prepared based on Arunachal Pradesh schedule of Rate (APSoR) 2012 plus 7.50 per cent cost index (CI).

Scrutiny of records (February 2015) of the Executive Engineer (EE), PWD, Gensi Division, revealed that both the works were executed, on work orders basis without inviting tenders at rates higher than the approved estimated rates based on APSoR-2012.

Audit further noticed that while executing the work for “Construction of Internal Road of Gensi Township area in West Siang”, EE, PWD, allowed higher rates for an item of work of “Excavation work in soil by mechanical means” under Formation Cutting as given below:

Table 2.6.1

(₹ in lakh)

Item of work	Quantity executed (in cum)	Rate per cum			Excess expenditure
		Estimated with 7.50 % CI	Executed	Excess	
Excavation work in soil by mechanical means	23579.30	87.07	135.45	48.37	11.41

Thus, by executing the work at rate higher than the approved rate for the above item of work, an excess amount of ₹ 11.41 lakh was paid to the contractors.

While executing the second work “Repair and Maintenance of various road” during February 2014 to September 2014, the Executive Engineer, PWD, Gensi Division allowed higher rates for components such as Slip clearance, Formation Cutting and Widening compared to rates provided for in the estimate by issuing of work orders to five contractors. The estimated cost of items of work with 7.5 per cent Cost Index and the rates at which the items of work were executed are detailed below:

Table 2.6.2

(₹ in lakh)

Items of work	Quantity executed (in cum)	Rate per cum			Excess Amount
		Estimate with 7.50 % CI	Executed	Excess	
Clearance of landslides in soil and ordinary rock by bulldozer	76955.94	60.20	81.00	20.80	16.01
Landslide clearance in hard rock requiring blasting	32570.40	124.70	137.00	12.30	4.01
Excavation in soil by mechanical means	130292.45	87.08	102.00	14.92	19.44
Excavation in ordinary rock by mechanical means	24594.90	136.53	161.00	24.47	6.02
Excavation in hard rock requiring blasting	9608.05	316.05	328.00	11.95	1.15
Total					46.63

Due to execution of the items of work at rates higher than estimated rates, the entire sanctioned amount was exhausted before the completion of work. Consequently, the Division did not execute one item of work viz., "Embankment" for which there was a provision of ₹ 53.79 lakh in the estimates. This is bound to have an adverse impact on the gradient to be maintained over the stretches of roads wherein repair and maintenance work have been undertaken. Besides, by adopting a higher rate undue financial benefit of ₹ 46.63 lakh was extended to the contractors.

Thus, execution of the works without inviting tenders to ensure competitive rates and by awarding work at higher rates one item of work relating to *Embankment* remained unexecuted and an undue financial benefit of ₹ 58.04 (₹ 11.41 lakh + ₹ 46.63 lakh) was extended to contractors in these two works.

The matter was reported to the Department/Government (July 2015); reply is still awaited (February 2016).

2.7 Extra expenditure on hiring of Bulldozer and Tractor

Due to hiring of bulldozers and Tractor with Trailer at a higher rate than the approved rate of APSOR-2012, Mariang PWD Division incurred an extra expenditure of ₹ 26.77 lakh.

The Schedule of Rates (2012) notified for Roads and Bridges works under PWD of Arunachal Pradesh, Chief Engineer (CE), PWD, Central Zone B (2012) stipulated the rate for hiring of bulldozer-D-80A-12 at the rate of ₹ 3615/- per hour, Tractor with Trailer at the rate of ₹ 427/- per hour and bulldozer D-50A-15 at the rate of ₹ 2632/- per hour.

Scrutiny (August 2014) of records of the Executive Engineer, Mariyang PWD Division, revealed that for execution of earthwork in connection with "*Construction of Motorable Steel Arch Bridge over river Yamne at Parak*" and "*Construction of approach road to Steel Arch Bridge over river Yamne at Byasang (2.50 km) under Geku CD Block*", the EE hired bulldozer and tractor with trailer at higher hourly rates than the rates notified in the APSOR-2012. The EE hired bulldozer-D-80 A-12 at the rate of ₹ 5250 per hour, Tractor with Trailer at the rate of ₹ 620/- per hour and Bull Dozer D-50 at the rate of ₹ 3510/- per hour from the private firms.

The EE hired machinery for a total of 2272 hours (Bull Dozer D-80-A12: 1342 hrs; Tractor with Trailer: 487 hrs and Bull Dozers D-50-A15: 443 hrs) between September 2012 and March 2014. The total expenditure as per the approved rate would be ₹ 62.25 lakh, against ₹ 89.02 lakh that was paid as hire charges as indicated in the following table:

Table 2.7.1

Name of T & P used	Hire period	Total hours utilized	Rate (s) allowed (in ₹.)	Amount paid (₹ in lakh)	Rate (s) as per APSOR (in ₹.)	Amount due (₹ in lakh)	Extra Expenditure (₹ in lakh)
Bull Dozer D-80	09/2012 to 04/2013	988	5250	70.45	3615	48.51	21.94
	01/2014 to 03/2014	354					
Tractor Trailer	09/2012 to 04/2013	112	620	3.02	427	2.08	0.94
	01/2014 to 03/2014	375					
Bull Dozer D-50	09/2012 to 04/2013	443	3510	15.55	2632	11.66	3.89
Total		2272		89.02		62.25	26.77

Thus, the failure of the Division to follow the approved rates for hiring of machinery resulted in extra expenditure of ₹ 26.77 lakh.

The matter was reported to the Department/Government (July 2015); reply is still awaited (February 2016).

2.8 Misutilization of Fund

Executive Engineer, PWD Tezu Division diverted ₹ 145.17 lakh from a road work under RIDF and the work remained incomplete even after three years of scheduled date of completion.

According to Rule 26 (ii) of General Financial Rules 2005, the controlling officer in respect of funds placed at his disposal is to ensure that the expenditure is incurred for the purpose for which funds have been provided.

The GoAP took up a work 'Construction of Road from NH-52 BRO Road to Bhakuliang Village (Length -16.187 km) SH: Raising of existing road formation, WBM-I, WBM-II, WBM-III, black topping and Culvert' under Rural Infrastructure Development Fund (RIDF). The Project was funded by National Bank for Agricultural and Rural Development (NABARD) (October 2009) at an estimated cost of ₹ 656.10 lakh and was scheduled to be completed by February 2013.

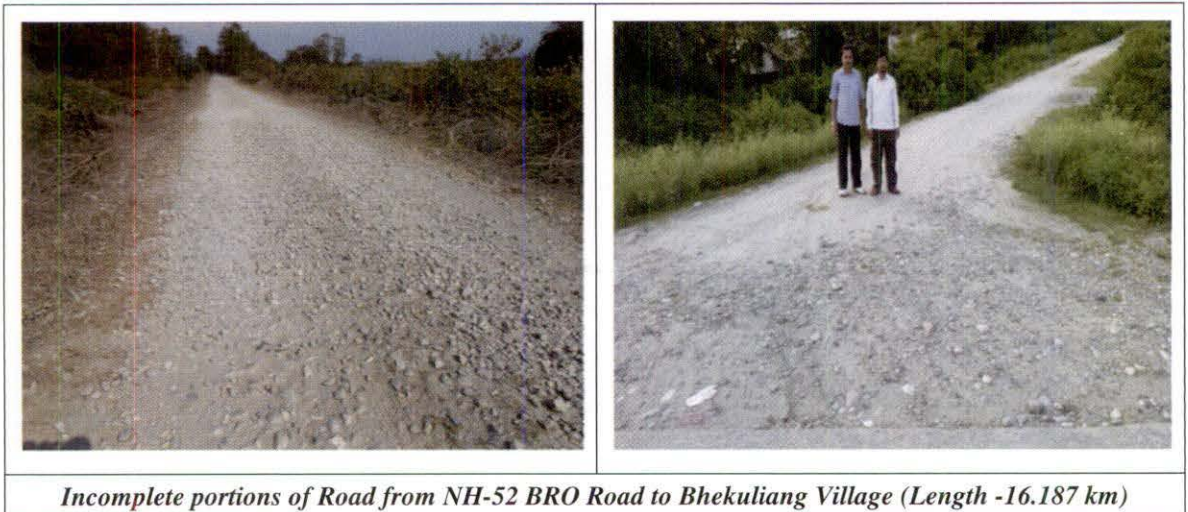
A scrutiny of records (July 2015) of the Executive Engineer, PWD, Tezu Division revealed that the execution of work commenced in February 2010 without obtaining technical sanction of the Chief Engineer as required under the CPWD Manual. The entire sanctioned amount of ₹ 656.10 lakh was shown to have been spent on the work. However, the construction was incomplete even after three years of the scheduled date of completion (July 2015).

It was noticed that out of 30 'RCC Slab Culverts 2 metre span', only 14 were executed; and 'black topping' was executed only for 5.50 km out of the estimated length of 15.82 km. The unexecuted portion of the work was estimated to cost ₹ 165.68 lakh (July 2015) as per details indicated in the following table:

Table 2.8.1

Sl No	Item of work	Quantity			Estimated rate (in ₹)	Value of work not executed (in ₹)
		Estimated	Executed	Not executed		
1	Black topping	15.82 Km	5.50 Km	10.32 Km	8,73,874.54 per Km	90,18,385.25
2	RCC Slab Culvert 2 metre span	30 Nos.	14 Nos.	16 Nos.	4,71,842.01 per each	75,49,472.16
Total						165,67,857.41 Say 165.68 lakh

In reply to audit query, the Executive Engineer, PWD, Tezu Division while intimating the reasons for non-completion of the work within the sanctioned estimate, stated that the original estimate was framed based on APSR 2007, but the work was executed at the end of 2009-10 leading to time and cost overrun. Moreover, VAT at the rate of four *per cent* and Labour Cess at the rate one *per cent* were not provided for in the original estimate.



It was, however, noticed in audit that the rates were inclusive of VAT, Labour Cess etc. which were to be discharged by the contractor as per act. Further, audit noticed that the Executive Engineer, PWD, Tezu Division diverted ₹ 145.17 lakh for different schemes/works. Thus, due to diversion of funds, the project remained incomplete even after three years of scheduled date of completion (February 2016).

The matter was reported to the Department/Government (October 2015); reply is still awaited (February 2016).

2.9 Suspected Misappropriation

Executive Engineer, Public Works Department, Kalaktang Division withdrew ₹ 198 lakh through a single cheque and paid to a firm in March 2015. In support of this amount, 70 payment vouchers (all dated March 2015) were prepared against five items of works. As per completion report, all those works were shown to have been carried out during August 2014 to March 2015. However, as per the payment vouchers the works were carried out during July 2003 to July 2006. Hence, the possibility of fraudulent payment and misappropriation of funds cannot be ruled out.

According to Rule 129 (1) of General Financial Rules (GFR) 2005 and para 2.1 (2) of CPWD Works Manual, no work should normally be commenced or liability thereon incurred until administrative approval and expenditure sanction have been obtained from the competent authority, and a detailed estimate properly prepared and technically sanctioned. Further, Rule 129 (2) of GFR 2005 provides that if on the ground of urgency or otherwise it becomes necessary to carry out the work or incur liability without fulfilling the aforesaid pre-requisites laid down for execution of work, the concerned executive officer should do so on his own judgement and responsibility and simultaneously initiate action to obtain approval from the competent authority.

The Executive Engineer, PWD Kalaktang Division incurred an expenditure of ₹ 200.00 lakh on '*Repair and Maintenance of Roads and Bridges under Kalaktang PWD Division*' in March 2015. Approval for Technical Sanction Estimate (TSE) was issued for ₹ 192.28 lakh by the Superintending Engineer (SE), Rupa Circle on 02 March 2015. No administrative approval and expenditure sanction was obtained before technical sanction was issued by the Superintending Engineer. A Letter of Credit (LOC) addressed to Branch Manager, SBI, Bomdila was issued by Chief Engineer PWD, (WZ) on 16 March 2015 for ₹ 200.00 lakh. The details of works as per the TSE were as under:

Table 2.9.1

Sl. No.	Item	Quantity	Amount (in ₹)
1	Slip Clearance	24440.46 cum	24,83,150
2	Restoration of Rain Cuts	9104.20 cum	12,65,484
3	Maintenance of WBM	22512.80 sq m	24,76,408
4	Hill side drain clearance	9888.00 metre	3,26,304
5	WBM-I (including carriage charge of materials Lead:5.00 Km)	4.450.00 km	30,54,008
6	WBM-II (including carriage charge of materials Lead:5.00 Km)	3.350 km	22,83,812
7	WBM-III (including carriage charge of materials Lead:5.00 Km)	3.255 km	22,52,615
8	Boulder Apron	1380 cum	26,02,680
9	R/Wall-B/Wall (including carriage charge of materials Lead:5.00 Km/ Cement from Bhalukpong-167.00Km)	120 metre	24,83,331
Total			192,27,792 (Say 192.28 lakh)

Audit scrutiny of the records of Executive Engineer, PWD, Kalaktang Division, revealed following lapses/irregularities:

- The work was awarded to a single contractor (M/s Jillen Enterprises) through 71 work orders for ₹ 201.32 lakh on 14 and 15 March 2015, without inviting tenders and even before the LOC was issued by the Chief Engineer.
- As against the 71 work orders, an amount of ₹ 198.00 lakh was drawn in one cheque (No. 0135207 dated 16.3.2015) in favour of M/s Jillen Enterprises which was encashed on 17.3.2015 at State Bank of India, Bomdila Branch.
- In support of the above payment, 70 payment vouchers having a gross amount totalling to ₹ 200.00 lakh, and a net amount of ₹ 197.59 lakh were prepared. The entire amount was paid against five items of work, namely,
 - (i) Slip Clearance: ₹ 19.19 lakh,
 - (ii) R/Wall-B/Wall: ₹ 79.48 lakh,
 - (iii) Road Widening: ₹ 70.94 lakh,
 - (iv) Gabion Structure: ₹ 07.53 lakh and
 - (v) Boulder crated wall: ₹ 20.45 lakh.
- Only two items of work at Sl. No. (i) and (ii) were among the list of items covered in TSE (Sl. No. 1 and 9) and remaining three items for which payment was made were not in the list. Hence, more than 50 *per cent* of the payment was made on the items of work not included in the TSE
- As per the Completion Report by the Executive Engineer, PWD, Kalaktang Division, the work was started on 06 August 2014 which was seven months before the TSE was issued by the SE. Further, the date of completion of the work was 18 March 2015, which was just 3 or 4 days after the work orders were issued.
- The payment vouchers did not bear dates and signature of Junior Engineer but only that of Assistant Engineer, Balemu Sub-Division. All the above five works were shown to have been carried out earlier during July 2003 to July 2006.

The Division could not produce Measurement Books (MBs) to audit in support of the works being carried out either between 06.08.2014 and 18.03.2015 as per Completion Report or during July 2003 to July 2006 as per payment voucher.

Audit further noticed that in respect of two payment vouchers nos. 30 and 31 amounting to ₹ 7.88 lakh (gross amount) for Retaining Wall, no corresponding amount were found in the work orders. Similarly, against three work orders (KTD/WO/14-15/215 dated 14 March 2015; even numbers 223, 226 dated 15 March 2015) amounting to ₹ 8.82 lakh issued for Slip clearance and Retaining Walls, etc., no corresponding amount were found recorded in the payment vouchers.

Thus, from the examination of various records and payment vouchers, Audit could not vouchsafe that the expenditure ₹ 198.00 lakh was incurred for actual works. From the

anomalies in various documents and violation of Rules noticed in Audit, the possibility of fraudulent payment and misappropriation of government funds cannot be ruled out.

The matter needs investigation and appropriate action taken to recover any loss of Government money.

The matter was reported to Government in October 2015 and reply is still awaited (January 2016).

2.10 Unfruitful Expenditure

Construction of road from Shyaro to Jangda sanctioned in February 2008 at an initial estimated cost of ₹ 845.93 lakh was due for completion by March 2011. Even after a time overrun of three years, road connectivity from Shyaro to Jangda could not be achieved despite expenditure of ₹ 1185.46 lakh as a 40 metre bridge remained incomplete (December 2015).

With a view to provide road connectivity to villages and to provide an alternate route to defence forces along the Indo-China border, the GoAP undertook a work 'Construction of Road from Shyaro to Jangda (6.00 km)' under Rural Infrastructure Development Fund (RIDF) for ₹ 845.93 lakh (90 per cent NABARD loan and 10 per cent State share). The components of work included, formation cutting, widening, side drain, RCC slab culvert retaining/breast wall, black-topping, construction of RCC Bridge 40 metre span etc. The work was sanctioned in February 2008 and was stipulated for completion by March 2011.

As per CPWD Manual Para 2.5 1(a), the technical sanction should be accorded by the competent authority before a work is taken up. Further, according to Rule 129 (1) (VI) of GFR 2005, no works shall be commenced or liability incurred until tenders are invited and processed in accordance with rules.

Scrutiny (November 2014) of records of the Executive Engineer, PWD Jang Division revealed that the work was commenced (December 2008) even before technical sanction was accorded. The work was awarded, , on work order basis to several contractors without following tendering process.

It was noticed in audit that up to December 2010, cumulative expenditure of ₹ 523.22 lakh was incurred on the project, out of which an amount of ₹ 442.08 lakh was incurred on formation cutting alone against the estimated cost of ₹ 322.32 lakh. There was variation from the estimated quantity in respect of formation cutting and excess expenditure of ₹ 119.76 lakh was incurred over the estimated cost. Thus, by December 2010 only ₹ 322.71 lakh was the balance available for execution of remaining items of work (including RCC bridge 40 metre span) which was estimated to cost ₹ 487.48 lakh.

While the work was still in progress, the State Government sanctioned an additional amount of ₹ 500.00 lakhs under State Plan (December 2010) for completion of remaining items of works such as Earthwork (₹ 177.21 lakh), Pavement (₹ 211.47 lakh),

Cross Drainage (₹ 52.11 lakh), Road Side Drain (₹ 19.47 lakh), Protection Work (₹ 20.49 lakh), etc. The cost of construction of Bridge was not provided for.

By March 2011, loan amount to the extent of ₹ 601.32 lakh was received from NABARD in instalments and the entire amount was spent on the construction of road. As no further amount from NABARD was received, an additional amount of ₹ 243.78 lakh was provided separately (September 2011) under Special Plan Assistance (SPA) for construction of RCC Bridge. Though the whole project was supposed to be completed in March 2011, the construction of RCC Bridge was taken up only in April 2012 after a lapse of three years from commencement of the project.

By March 2014, the road work except construction of RCC Bridge was completed with a delay of three years after incurring expenditure of ₹ 1101.32⁷. Thus, there was already a cost escalation of ₹ 497.42 lakh. The expenditure on formation cutting, WBM and black topping far exceeded the technical sanctioned amount thereby indicating poor planning and execution of work.

As regards the construction of RCC Bridge, even after taking up of the work (April 2012), the progress continued to remain tardy and by November 2014, i.e., after delay of more than two years from the start of work, only foundation and sub-structure were completed after incurring ₹ 84.14 lakh out of ₹ 234.78 lakh provided for the Bridge under SPA.

Executive Engineer PWD, Jang Division proposed (November 2014) to the Chief Engineer to change the RCC Bridge to Steel Girder Bridge in order to avoid further possible delay in completion of the work which was subsequently approved in March 2015. Steel Girder Bridge as per revised approved proposal was yet to be completed.

Due to delays in completion of the work, the cost of the project escalated to ₹ 1345.10 lakh⁸, a substantial increase of ₹ 499.17 lakh over the original sanctioned cost of ₹ 845.93 lakh. Despite such cost and time overrun, the project had not been completed yet (December 2015).

Thus, in spite of the road work having been completed in March 2014, the objective of providing road connectivity from Shyaro to Jangda could not be achieved due to non-completion of the bridge even after more than four years of the initial completion schedule (March 2011). As a result, the entire expenditure of ₹ 1185.46⁹ lakh incurred on the project remained unfruitful.

The matter was reported to the Department/Government (October 2015); reply is still awaited (February 2016).

⁷ Expenditure incurred on the construction of the road without bridge:

RIDF- ₹ 601.32 lakh & State Plan ₹ 500.00 lakh

⁸ ₹ 601.32 (RIDF) + ₹ 500.00 (State Plan) + ₹ 243.78 (SPA).

⁹ ₹ 601.32 (RIDF) + ₹ 500.00 (State Plan) + ₹ 84.14 (SPA).

2.11 Diversion of fund

Diversion of funds by Executive Engineer, PWD, Sagalee Division earmarked for repair and maintenance of Doimukh-Kheel Road led to execution of poor quality road work. The condition of the road has deteriorated within a year of its repair.

Rule 26 (ii) of GFR requires that a controlling officer in respect of funds placed at his disposal was to ensure that the expenditure is incurred for the purpose for which funds have been provided. As per Para 2.3.4 and 2.5.2 of CPWD Manual, material deviations over original sanctioned scheme that significantly alter the scope of work from the original sanction should not be made without the approval of the authority that accorded administrative approval to the work.

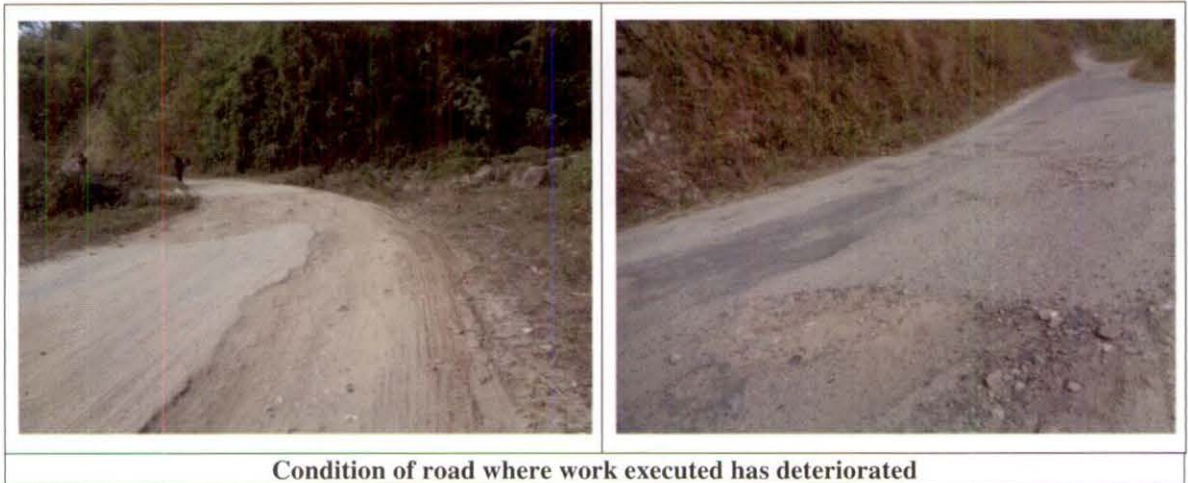
The GoAP accorded (February 2014) administrative approval and expenditure sanction of ₹ 620.86 lakh for 'Repair and Maintenance of Doimukh-Kheel Road – 36.250 Km (SH: Pavement, WBM-I, II, III, Re-carpeting & Earthen Side Drain)'. However, detailed estimate for technical sanction indicated estimated cost as ₹ 602.23 lakh excluding contingencies. The work was commenced in February 2014 without obtaining technical sanction. The work included dismantling of flexible pavements, construction of Water Bound Macadam (WBM) and re-carpeting, CC pavement and kutcha side drain. The work was executed by 44 contractors through 126 work orders. The work was reported completed in March 2015.

Audit scrutiny of records of the Executive Engineer, PWD Sagalee Division (May-June 2015) revealed that the Division booked ₹ 620.82 lakh (including contingencies) against the work. Detailed scrutiny of vouchers revealed the following;

- against ₹ 495.96 lakh provided for WBM and Re-carpeting only ₹ 339.52 lakh was incurred on it.
- no expenditure was incurred on CC pavements though a provision of ₹ 83.78 lakh was made in the estimates.
- ₹ 137.20 lakh and ₹ 27.79 lakh were incurred on Slip clearance and Pothole repair of WBM road respectively. However, there was no provision for the same in the estimates.
- ₹ 32.75 lakh was diverted for repair and maintenance of other existing roads under the division.
- ₹ 48.59 lakh was diverted through transfer entry order (March 2014). No details regarding items to which the funds were transferred were provided by the Division despite repeated requests.

For deviations from the original estimates, no approval was obtained from the competent authority. Due to diversion of funds, the item of work relating to CC pavements was not executed. There was also shortfall in execution of 14 to 77 per cent of the three layers of WBMs. Four layers of blacktopping were done only in 8.129 km as against the required 31.320 km. Thus, quality of the road work was severely compromised. As a result, the

road was extensively damaged within a year of its repair, which was evident during joint physical inspection (January 2016). The following are the photographs depicting deteriorated condition of the road.



Thus, diversion of funds provided for the road work resulted in curtailment in execution of critical components which adversely affected the quality of the road constructed and despite expenditure of ₹ 620.82 lakh the intended purpose was not fully achieved.

The matter was reported to the Department/Government (October 2015); reply is still awaited (February 2016).

Water Resources Department

2.12 Execution of wet rice cultivation field development work without anti erosion protection wall

As the essential protection wall to check erosion was not built by the Executive Engineer, WRD Basar Division, the wet land developed adjacent to the rivers for cultivation of paddy and other agricultural products at a cost of ₹ 500.00 lakh remained vulnerable to damage by river erosion.

The Nyumkoriyo and Bidi Wet Rice Cultivation (WRC) fields of Tribeni area are situated in the middle of two streams viz., Sibi River (Right bank) and Bidi Nallha (left bank). With the objective of developing and providing opportunity to villagers for paddy and other agricultural cultivation to enhance their economy, the work “*Land Development and protection works at Nyumkoriyo and Badi WRC field at Tribeni*” under State Plan was administratively sanctioned (March 2014) by the GoAP at an estimated cost of ₹ 500.00 lakh. According to the administrative approval the project was to be completed with the original scope and specification as specified in the estimate and no revision of the estimate would be entertained. The items of work to be executed and estimated cost for each were as under:

Table 2.12.1

(₹ in lakh)

Sl. No	Particular	Amount
1	Land Development Nyumkorijo WRC (Area:6820 sq m, Earth work: 1,17,600 cum) :	244.75
2	Land Development at Badi WRC (Area 4800 sq m; Earth work; 82,800 cum)	172.32
3	Protection Work (Retaining wall/Breast wall 3 metre height.	29.63
4	Construction of Approach Road	15.14
5.	Provision for contingencies, labour cess, VAT and royalty	38.16
Total		500.00

The estimate contemplated construction of essential protection structures (in the form of Retaining Wall) in the slopes of two rivers to prevent damage to developed WRC fields from river erosion.

Scrutiny (February 2015) of records of the Executive Engineer, WRD Division, Basar revealed that the works were executed during June-July 2014 through three contractors. The entire amount of ₹ 500.00 lakh was spent on Land Development and Approach Road by executing excess earth work over and above the estimated quantity as detailed in the following table.

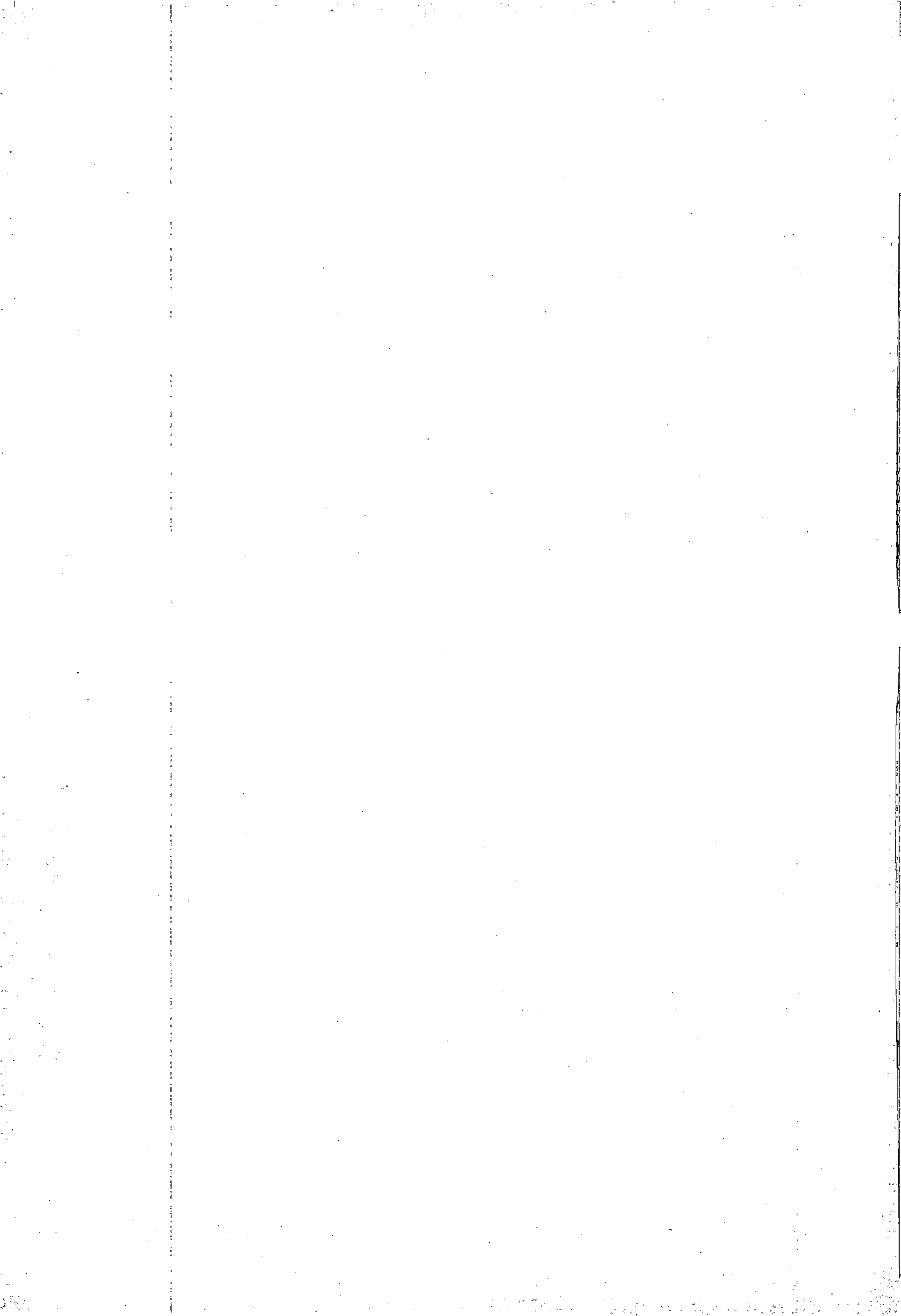
Table 2.12.2

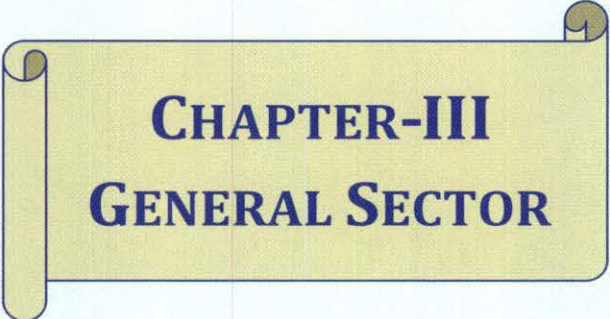
Item	Quantity (in cum)			Rate (in ₹)	Excess Amount (₹ in lakh)
	Estimate	Execution	Excess		
Ordinary Soil	20,632.17	23,594.01	2,961.84	30.80	0.91
Hard Soil	30,948.26	36,215.95	5,267.69	39.80	2.10
Ordinary Rock	154,741.30	179,428.46	24,687.16	146.50	36.17
Total					39.18
Add 75 per cent Cost Index					29.38
Grand Total					68.56

As could be seen from the above table, an expenditure of ₹ 68.56 lakh was incurred on execution of excess earthwork. As a consequence, no funds were left for the execution of the remaining vital component of *Protection Wall* estimated to cost ₹ 29.63 lakh.

As the essential component of protection wall work to prevent damage of developed WRC fields was not executed, the entire expenditure of ₹ 500.00 lakh incurred on the project was exposed to the risk of soil erosion and could be rendered unfruitful.

The matter was reported to the Department/Government (October 2015); reply is still awaited (February 2016).





CHAPTER-III
GENERAL SECTOR

CHAPTER-III: GENERAL SECTOR

3.1.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2015 deals with the findings on Audit of the State Government units under general sector.

During 2014-15, total budget allocation of the State Government in the major departments under General Sector was ₹ 1,384.79 crore against which actual expenditure was ₹ 1,292.48 crore. Details of Department wise budget allocation and expenditure are given in **Table 3.1** below:

Table: 3.1

(₹ in crore)

SL. No.	Department	Total Budget Allocation	Expenditure
1	Governor	4.69	4.46
2	Legislative	37.71	37.49
3	General Administration	518.46	496.27
4	Home	621.56	584.72
5	Legal Metrology	11.92	11.18
6	Election	76.38	53.93
7	Fire Services	15.51	12.34
8	Land Management	23.69	23.65
9	Administration of Justice	32.94	31.44
10	Stationery and Profiting	8.63	7.07
11	Protocol	1.29	1.20
12	Parliamentary Affairs	4.25	3.78
13	Information and Public Relation	16.13	15.43
14	State Public Service Commission	4.30	4.25
15	Administrative Training Institute	4.76	3.19
16	State Information Commission	1.80	1.79
17	State Lotteries	0.77	0.30
Total		1384.79	1292.49

(Source: Appropriation Accounts 2014-15)

3.1.2 Planning and Conduct of Audit

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

Audits were conducted involving expenditure of the State Government amounting to ₹ 942.54 crore under the General Sector.

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

Major observations detected in Audit during 2014-15 pertaining to the General Sector are discussed in subsequent paragraphs of this Chapter. This chapter of Audit Report contains one Compliance Audit Paragraph.

COMPLIANCE AUDIT PARAGRAPHS

Arunachal Pradesh Public Service Commission (APPSC)

3.2 Unfruitful expenditure on online registration and tracking system

An expenditure of ₹ 29.81 lakh incurred on development and installation of online registration and tracking system by Arunachal Pradesh Public Service Commission was rendered unfruitful as the system was not installed/commissioned due to non-delivery of software.

With a view to implement an automated system to ensure accuracy, speed, efficiency and cost effectiveness for management of Combined Competitive examination and other recruitment process, Arunachal Pradesh Public Service Commission decided (April 2011) to "Develop and install online application, registration and Tracking system." No tendering process was followed by the Commission while selecting the vendor for execution of work. Out of two firms who made offers to the Commission, Memorandum of Agreement (MoA) for execution of the work and the work order was issued in March 2012 for ₹ 29.81 lakh to M/S Gourichen Enterprises, P.K. Commercial, Itanagar which offered lower rate, for the following components as detailed in the table:

Sl. No	Components	Amount (₹ in lakh)
i	Software application Development	16.00
ii	Hardware cost	9.81
iii	Maintenance cost for one year	4.00
Total		29.81

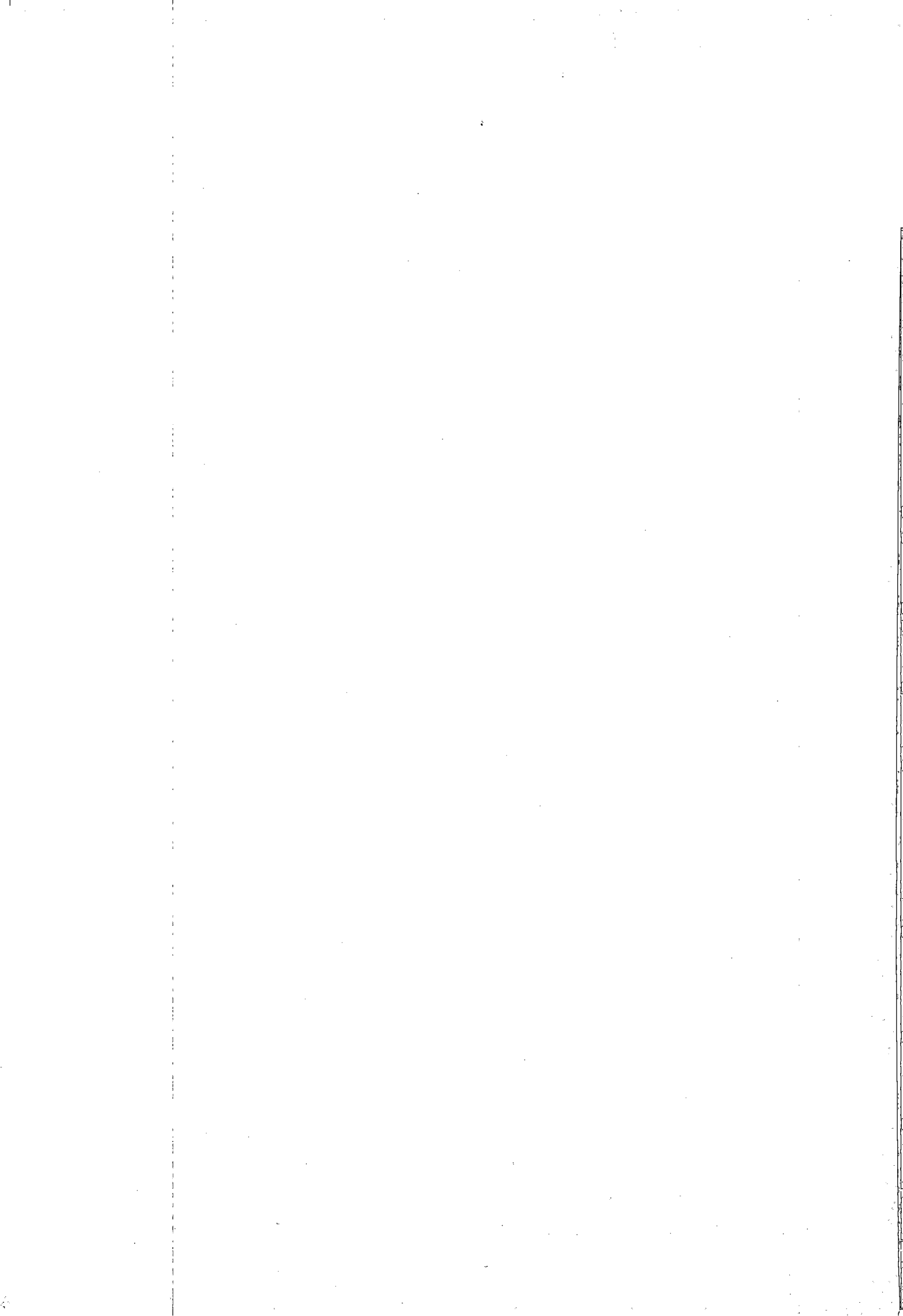
The MoA *inter alia* required the vendor to develop and install the system, carry out testing of the software and train staff members on various functions of the software, and provide service contract after one year warranty period. The project was to be completed within two years of signing the contract. Further, as per the payment terms, the Commission was to pay the development charges in instalments; 70 per cent at the time of signing of the contract, 20 per cent on approval of delivery note, 5 per cent at the time of signing off on approval of the training completion notes and balance 5 per cent at the end of the warranty period.

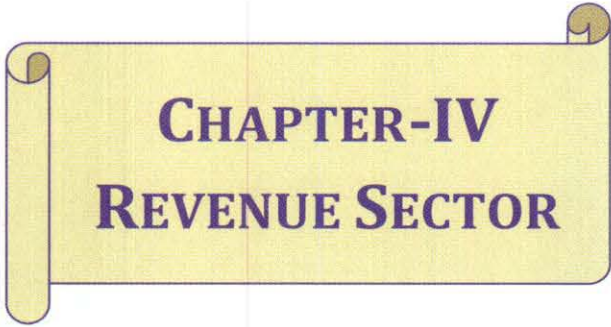
Scrutiny (June 2014) of records of the Commission in audit revealed that the hardware and the software were stated to have been delivered to the Commission on 09 March 2012. However, in contravention of the condition laid down in the MoA, the entire contract amount of ₹ 29.81 lakh was paid to the vendor in September 2012 itself, where as only 70 per cent (₹ 20.87 lakh) was due for payment.

Further, the software delivered to the Commission was not fully proven and was under testing at a lab in Guwahati. It was also not installed as of September 2015. Further, trainings of the staff/faculty on the software were not conducted by the Vendor. Thus, a payment of ₹ 8.94 lakh was inadmissible as certain milestones stipulated in the MoA were not achieved.

In reply, the Commission (September 2015) stated that the system could not be started as the software testing and security audit certification of the online application is in process at Standardisation Testing & Quality Certification (STQC), Directorate, Guhawati after which the installation will be done by the firm. Further they added that the Commission has not been able to recruit manpower for operation of the system though the matter was taken up with the Government.

Audit, however, observed that even after three years and eight months afater signing the agreement, the system has not been commissioned by the vendor. Moreover, due to non recruitment of manpower there is no likelihood of the system being operational in the near future. Thus, an amount of ₹ 29.81 lakh incurred on the project remained unfruitful even after more than three years.





CHAPTER-IV
REVENUE SECTOR

CHAPTER-IV: REVENUE SECTOR

4.1 Introduction

4.1.1 Trend of Revenue Receipts

4.1.1.1 Tax and non-tax revenue raised by the Government of Arunachal Pradesh during 2014-15, the State share of net proceeds of divisible Union taxes and duties assigned to the State, Grants-in-aid received from the Government of India during the year and corresponding figures for the preceding four years are shown in **Table – 4.1.1**

Table – 4.1.1 Trend of Revenue Receipts

(₹ in crore)

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue raised by the State Government						
1.	• Tax revenue	214.99	317.65	316.50	434.51	462.16
	• Non-tax revenue	530.14	360.71	284.22	405.06	457.64
Total		745.13	678.36	600.72	839.57	919.80
Receipts from the Government of India						
2.	• Share of net proceeds of divisible Union taxes and duties	720.18	838.97	957.93	1045.85	1109.98
	• Grants-in-aid	3956.78	3981.73	4202.87	3935.01	7106.27
Total		4676.96	4820.70	5160.80	4980.86	8216.25
3.	Total revenue receipts of the State Government (1 and 2)	5422.09	5499.06	5761.52	5820.43	9136.05
4.	Percentage of 1 to 3	13.74	12.34	10.43	14.42	10.06

The above Table shows that during 2014-15, Revenue raised by the State Government (₹ 919.80 crore) was 10.06 *per cent* of the total Revenue Receipts. The balance 89.94 *per cent* of Receipts during 2014-15 was from the Government of India.

4.1.1.2 Details of Tax Revenue raised from 2010-11 to 2014-15 are given in **Table-4.1.1.2**

Table- 4.1.1.2 Details of Tax Revenue raised

(₹ in crore)

Head of Revenue	2010-11		2011-12		2012-13		2013-14		2014-15		Percentage Increase (+)/ Decrease (-) in 2014-15 over 2013-14	
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
Land Revenue	5.50	3.37	6.05	3.85	6.66	4.70	5.16	11.39	6.21	5.99	(+) 20	(-) 47
Stamp Duty	1.50	1.86	2.27	2.24	2.50	3.05	2.73	4.18	4.03	3.83	(+) 48	(-) 8
State Excise	17.00	29.74	28.78	37.63	32.00	49.11	56.70	55.50	68.74	59.87	(+) 21	(+) 8
Taxes on Sales, Trade, etc	110.00	168.24	173.46	216.36	226.55	161.62	321.80	223.60	338.03	195.24	(+) 5	(-) 13
Motor vehicle Tax	10.00	11.76	17.00	12.41	18.00	13.38	15.64	17.09	17.99	17.78	(+) 15	(+) 4
Taxes on goods and passengers	0.00	0.02	0.00	45.16	0.00	84.64	0.00	122.75	111.94	179.45	-	(+) 46
Total	144.00	214.99	227.56	317.65	285.71	316.50	402.03	434.51	546.94	462.16	(+) 36	(+) 6

The Departments despite being requested (December 2015) did not furnish the reasons for variations in receipts from that of the previous year (February 2016).

4.1.1.3 Details of Non-tax Revenue raised from 2010-11 to 2014-15 are shown in **Table 4.1.1.3**

Table-4.1.1.3: Details of Non-Tax Revenue raised

(₹ in crore)

Head of Revenue	2010-11		2011-12		2012-13		2013-14		2014-15		Percentage increase(+)/Decrease (-) in 2014-15 over 2013-14	
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
Power	182.00	282.18	95.00	145.04	200.67	113.07	110.03	145.41	289.48	182.63	(+)163	(+) 26
Interest Receipts	40.00	111.35	50.00	48.71	55.00	40.32	58.93	24.66	67.77	13.12	(+) 15	(-)47
Forestry & Wild Life	14.00	12.22	15.40	36.76	15.40	7.49	28.98	11.89	55.90	9.28	(+) 93	(-)22
Public works	3.00	3.02	7.34	9.00	4.00	16.17	11.90	29.83	21.39	19.98	(+) 80	(-)33
Miscellaneous General Services	35	1.62	2.00	0.10	15.00	0.02	0.12	0.01	0.03	0.01	(-)75	-
Other Administrative Service	4.75	9.18	6.44	6.69	7.08	7.58	8.09	8.57	10.02	8.29	(+) 24	(-)3
Police	2.50	3.12	2.75	2.82	3.60	2.32	3.41	3.09	3.06	1.29	(-)10	(-)58
Medical & Public Health	0.46	0.35	0.51	0.43	0.51	0.49	0.50	0.71	0.67	0.71	(+) 34	-
Co-operation	1.20	0.70	1.32	0.77	1.45	0.24	0.93	0.48	0.31	0.57	(-)67	(+) 19
Other Non-Tax Receipts	100.92	69.11	109.61	35.44	118.46	42.27	93.89	180.41	581.16	221.76	(+)519	(+) 23
Total	383.83	530.14	290.37	360.71	421.17	284.22	316.78	405.06	1029.79	457.64	(+)225	(+) 13

The Departments despite being requested (December 2015) did not furnish the reasons for variations in receipts from that of the previous year (February 2016).

4.1.2 Analysis of Revenue Arrears

The information on total amount of arrears of revenue as well as amount outstanding for more than five years as on 31 March 2015 was not furnished by the Department/ Government (February 2016).

4.1.3 Arrears in Assessments

Details of cases pending at the beginning of the year, cases due for assessment, cases disposed off during the year and number of cases pending finalization at the end of the year, as furnished by the Taxation Department in respect of Sales Tax, Motor Spirit Tax, Luxury Tax and tax on Works Contracts had not been furnished despite request made to the concerned departments (February 2016).

4.1.4 Evasion of tax detected by the Department

No information in respect of evasion of tax detected was furnished by the Tax and Excise Department (February 2016).

4.1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year (2014-15), claims received during the year, refunds allowed during the year and cases pending at the

close of the year (2014-15), has not been furnished by the Taxation Department (February 2016).

4.1.6 Response of the Government/Departments towards Audit

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

Inspection reports issued upto December 2014 disclosed that 974 paragraphs involving ₹ 4180.79 crore relating to 299 IRs remained outstanding at the end of June 2015, as shown in **Table-4.1.6** below, along with corresponding figures for the preceding two years.

Table- 4.1.6: Details of pending Inspection Reports

	June 2013	June 2014	June 2015
Number of IRs pending settlement	326	229	299
Number of outstanding Audit Observations	929	629	974
Total amount involved (₹ in crore)	432.32	357.29	4180.79¹

4.1.6.1 Department-wise details of the IRs and audit observations outstanding as on 30 June 2015 and amounts involved are shown in **Table-4.1.6.1** below:

Table- 4.1.6.1: Department-wise details of IRs

Sl. No.	Department	Nature of receipts	No of outstanding		Money value involved
			IRs	Audit Observations	
1	Sales Tax	Taxes on Sales, Trade etc	75	298	86.51
2	Excise	State Excise	48	140	6.63
3	Revenue	Land Revenue	32	141	3857.82
4	Transport	Taxes on Motor Vehicles	39	106	15.22
5	State Lottery	Lottery	5	16	18.59
6	Geology & Mining	Non-ferrous Mining & Metallurgical Industries	15	31	87.40
7	Environment & Forest & Wildlife	Forestry & Wild Life	85	242	108.62
Total			299	974	4180.79

¹ The huge increase of the amount was due to the fact that one para based on Para-2 of Part II (A) on accounts of the Director of Land Management, Itanagar for the period April 2006 to March 2008 with the caption 'Blockade of government revenue of ₹ 3798.07 crore due to non-realisation of Lease Rent' which was not included in the earlier reports has been updated in this Report.

Audit did not even receive first replies within one month from the date of issue of IRs from Heads of Offices for 16 IRs issued during 2014-15. This large pendency of IRs due to non-receipt of replies indicated that Heads of Offices and Departments did not initiate action to rectify defects, omissions and irregularities pointed out in the IRs.

The Government may consider to have an effective system for prompt and appropriate response to audit observations.

4.1.6.2 Departmental Audit Committee Meetings

The Government set up Audit Committees to monitor and expedite the progress of settlement of the IRs and Paragraphs in the IRs. However, no departmental Audit Committee meeting was held during 2014-15. As can be seen from Para 4.1.6.1 there is large pendency of IRs. In view of this, the Government may ensure holding of Audit Committee meetings to expedite clearance and settlement of outstanding audit observations.

4.1.6.3 Response of Departments to Draft Audit Paragraphs

Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller & Auditor General of India are forwarded by the Accountant General, Arunachal Pradesh to the Principal Secretaries/Secretaries of concerned Departments, drawing their attention to audit findings and requesting them to send responses within six weeks. The fact of non-receipt of replies from Departments/ Government is invariably indicated at the end of such Paragraphs included in the Audit Report.

Nine paragraphs proposed to be included in the Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2015 were sent to the Principal Secretaries/Secretaries of respective Departments between June and October 2015. The Principal Secretaries/Secretaries of the Government did not furnish replies to any of the paragraphs (February 2016).

4.1.6.4 Follow-up on Audit Reports- summarized position

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. One hundred and eight paragraphs (including two performance audit) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Arunachal Pradesh for the years ended 31 March 2009, 2010, 2011, 2012, 2013 and 2014 were placed before the State Legislature Assembly between 11 August 2009 and 21 July 2015. The action taken explanatory notes from the concerned Departments on these paragraphs were received late with average delay of 24 months in respect of each of these Audit Reports. Action taken explanatory notes in respect of 13 paragraphs from various departments had not been received for the Audit Report year ended 31 March 2014 (February 2016).

The PAC discussed 32 selected paragraphs pertaining to the Audit Reports for the years from 2001-02 to 2012-13 and its recommendations on 2 paragraphs were incorporated in their 60th Report (27 September 2012). Out of 32 paragraphs, 18 paragraphs were settled by the PAC (Public Accounts Committee) and ATNs (Action Taken Notes) have not been received in respect of 14 recommendations of the PAC related to the Audit report for the year 2001-02 to 2012-13 from the Tax & Excise and Geology & Mining Departments as mentioned in the Table 4.1.6.4:

Table 4.1.6.4

Year	Name of the Department	No. of Recommendation
2001-02	Tax & Excise	1
2002-03	Geology & Mining	1
2003-04	Tax & Excise	1
2004-05	Tax & Excise	1
2006-07	Geology & Mining	3
2007-08	Geology & Mining	2
2008-09	Geology & Mining	1
2009-10	Geology & Mining	1
2012-13	Geology & Mining	3
Total		14

4.1.7 Analysis of mechanism for dealing with issues raised by Audit

To analyse the system of addressing issues highlighted in Inspection Reports/Audit Reports by the Department/ Government, action taken on Paragraphs and Performance Audits included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 4.1.7.1 and 4.1.7.2 discuss the performance of the Land Management Department under revenue head 0029 (Land Revenue) and cases detected during the course of local audit during the last 10 years and also cases included in Audit Reports for the years 2004-05 to 2014-15.

4.1.7.1 Position of Inspection Reports

The summarized position of the Inspection Reports issued during the last 10 years, Paragraphs included in the Reports and their status as on 31 March 2015 are shown in Table-4.1.7.1 below:

Table- 4.1.7.1: Position of Inspection Reports

Sl. No	Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance during the year		
		IRs	Para	Money value	IRs	Para	Money value	IRs	Paras	Money value	IRs	Para	Money value
1.	2004-05	5	25	8.03	NIL	NIL	NIL	0	3	1.23	5	22	6.8
2.	2005-06	5	22	6.8	4	13	3.15	NIL	NIL	NIL	9	35	9.95
3.	2006-07	9	35	9.95	4	14	1.63	0	6	1.51	13	43	10.07
4.	2007-08	13	43	10.07	NIL	NIL	NIL	NIL	NIL	NIL	13	43	10.07
5.	2008-09	13	43	10.07	3	14	3827.01	NIL	NIL	NIL	16	57	3837.08
6.	2009-10	16	57	3837.08	NIL	NIL	NIL	NIL	NIL	NIL	16	57	3837.08
7.	2010-11	16	57	3837.08	2	8	0.30	NIL	NIL	NIL	18	65	3837.38
8.	2011-12	18	65	3837.38	1	4	5.09	0	4	3.44	19	65	3839.03

Sl. No	Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance during the year		
		IRs	Para	Money value	IRs	Para	Money value	IRs	Paras	Money value	IRs	Para	Money value
9.	2012-13	19	65	3839.03	NIL	NIL	NIL	NIL	NIL	NIL	19	65	3839.03
10.	2013-14	19	65	3839.03	NIL	NIL	NIL	NIL	NIL	NIL	19	65	3839.03
11	2014-15	19	65	3839.03	2	16	18.79	-	-	-	21	81	3857.82

The Government arranges *ad hoc* Committee meetings between the Department and Accountant General's office to settle the old paragraphs. It is evident from the above table, against five outstanding IRs with 25 paragraphs at the beginning of 2004-05, the number of outstanding IRs increased to 21 with 81 paragraphs at the end of 2014-15. This is indicative of the fact that the Department failed in the settlement of Audit paragraphs resulting in increase of the outstanding IRs and paragraphs.

4.1.7.2 Recovery of Accepted Cases

The position of Paragraphs included in Audit Reports of the last 10 years, those accepted by the Department and amounts recovered are mentioned in **Table-4.1.7.2**

Table – 4.1.7.2

(Money value: ₹ in crore)

SL. No.	Year	No. of Paragraphs included	Money value of the paragraphs	No. of paragraphs accepted having Money value	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases of 31 March 2015
1	2004-05	15	5.44	Nil	Nil	Nil	Nil
2	2005-06	23	23.17	Nil	Nil	Nil	Nil
3	2006-07	24	31.98	6	15.44	Nil	Nil
4	2007-08	21	110.58	3	0.28	0.01	0.01
5	2008-09	21	31.87	1	0.04	Nil	0.01
6	2009-10	20	49.65	3	0.17	0.05	0.06
7	2010-11	19	12.26	Nil	4.80	0.14	0.20
8	2011-12	23	5.51	Nil	0.92	Nil	0.20
9	2012-13	11	27.46	Nil	Nil	Nil	0.20
10	2013-14	12	3.74	Nil	Nil	Nil	0.20
Total		189	301.66	13	21.65	0.20	0.20

From the above table it can be seen that the progress of recoveries, even in accepted cases, was very slow throughout during the last 10 years. Recoveries of accepted cases were to be pursued as arrears recoverable from concerned parties. No mechanism for pursuance of accepted cases was put in place by the Department/Government. Further, arrear cases, including accepted audit observations, were not available with the office of the Commissioner, Excise & Taxation Department. In the absence of a suitable mechanism, the Department could not monitor recoveries of accepted cases.

The Department may take immediate action to pursue and monitor prompt recovery of dues involved in accepted cases.

4.1.8 Action taken on recommendations accepted by Departments/Government

The Performance Reviews conducted by the Accountant General, Arunachal Pradesh are forwarded to concerned Departments/Government for information with a request to

furnish replies. The Reviews are also discussed in Exit Conferences and views of the Department/Government are included while finalizing Reviews for Audit Reports.

Two Performance Audits on 'Receipts under Arunachal Pradesh Goods Tax (APGT) Act, 2005' under Taxation Department and 'Mines & Mineral' under Geology & Mining Department were featured in the Audit Report during last five years. Details of recommendations and their status are given in Table-4.1.8:

Table- 4.1.8

Year of Report	No. of recommendation	Details of recommendation	Status
2012-13	1	An Audit Manual may be prepared.	Compliance to Audit Observations and recommendations has not been intimated to Audit (February 2016).
	2	The internal controls of the Department need to be strengthened	
	3	Industries which irregularly claimed tax exemption under the Industrial Policy and the Tax Incentive Order of 2010 should be directed to deposit the same into Government accounts.	
	4	Central/State Government authorities should be given proper instructions for proper deduction of tax from contractors'/suppliers' bills and promptly deposit the same into Government account.	
	5	The Government may initiate steps to overhaul the functioning of the checkgate at Banderdewa in particular and all the checkgates in general.	
2013-14	1	The Department may ensure co-ordination with the Finance Department for preparation of realistic revenue target and to reconcile the revenue collection figure with AG.	Compliance to Audit observations and recommendations has not been intimated to Audit (February 2016).
	2	A system may be kept in place for accurate and effective collection of data from lessees and completion of assessments and collection of royalty.	
	3	The Government should stop extraction of minor minerals by contractors/Suppliers without valid mining permit.	
	4	Internal Control of the Department needs to be strengthened by creation of a Departmental Manual, Internal Audit Wing, Vigilance Wing, etc. Periodical inspections of the oil field/mines may be conducted to ensure environmental safety.	

The Government needs to devise suitable mechanism to monitor and ensure that the concerned Departments examine the recommendations offered by the audit through the reviews/performance audits etc. to assure good governance, plug scope for leakage and optimize revenue potential.

4.1.9 Audit Planning

Unit offices under various Departments are categorized into high, medium and low risk units, according to their revenue position, past trends of audit observations and other parameters. An Annual Audit Plan is prepared on the basis of risk analysis, which 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 Taxation Reforms Committee, statistical analysis of the revenue earnings, factors of the tax administration, audit coverage and its impact during past five years etc.

During 2014-15, there were 129 auditable units, of which 14 were planned and 29 were actually audited, which is 22.48 *per cent* of the total auditable units. Besides the Compliance Audit mentioned above, one Audit on Deduction of Value Added Tax (VAT) at Source in Arunachal Pradesh was also taken up to examine the efficacy of collection of Tax Receipts.

4.1.10 Results of Audit

Position of Local Audits conducted during the year

Test check of records of 29 units of Sales Tax/Value Added Tax, Forest Receipts and Motor Vehicles Tax Offices conducted during 2014-15 showed under assessment/short levy/loss of revenue aggregating ₹ 71.44 crore in 120 cases. During the course of the year, Departments concerned accepted under-assessment and other deficiencies of ₹ 11.85 crore involved in 40 cases, which were pointed out in audit during 2014-15. Departments collected ₹ 0.47 crore in eight cases during 2014-15, pertaining to audit findings of the previous year.

4.1.11 Coverage of this Report

This Report contains nine paragraphs including one paragraph on result of audit of Deduction of Value Added Tax (VAT) at source in Arunachal Pradesh (selected from audit detections made during local audits referred to above and earlier years, which could not be included in earlier Reports), involving financial effect of ₹ 61.48 crore.

The Department/Government is yet to furnish its reply (February 2016).

COMPLIANCE AUDIT PARAGRAPHS

TAXATION DEPARTMENT

4.2 Deduction of Value Added Tax (VAT) at source

4.2.1 Introduction

The Government of Arunachal Pradesh enacted the Arunachal Pradesh Goods Tax (APGT) Act, 2005 and Arunachal Pradesh Goods Tax (APGT) Rules 2005 with effect from April 2005 to avoid problems like double taxation of commodities, multiplicity of taxes, surcharge and additional tax on Sales Tax, etc. The original Act did not contain any provision for deduction of Value Added Tax (VAT) at Source by Departments/Organisations while making payments to suppliers/contractors. Due to this, the Drawing and Disbursing Officers (DDOs) did not make any deduction of VAT at source from the bills of the suppliers/contractors during the period 2005-06 to 2006-07.

Subsequently, the Government amended the APGT Act with effect from 11 April 2007 and incorporated Section 47A, providing for tax deduction at source (TDS) from suppliers/contractors. Section 47A also provided for imposition of penalty of twice the amount of tax not deducted/deposited on the person responsible for failing to deduct/deposit tax from the bills of suppliers/ contractors.

4.2.2 Audit Findings

Audit of the system of Tax Deduction at Source (TDS) was conducted during May 2015 to September 2015 covering the period of 2010-11 to 2014-15. The Audit findings of the compliance of the provisions of the APGT Act in respect of TDS in Seven test checked districts are discussed in the succeeding paragraphs:

4.2.3 Non-deduction of Tax at source from suppliers

As per APGT Act, in case of supply orders, the rate of TDS is to be as per the VAT applicable on the particular item supplied as specified in the schedules of APGT Act 2005

Scrutiny of records of 36 DDOs in seven districts revealed that three DDOs did not realise VAT of ₹ 37.44 lakh at source from 12 suppliers' bills for supply of galvanized iron (G.I.) pipes and furniture and fittings as per table given below:

Table –4.2.1

							(₹ in lakh)
Sl. No.	Name of the District	Name of DDO	Year	No of suppliers	Value of supply	Rate of VAT (%)	VAT not deducted @ 12.5%
1	Papumpare	Executive Engineer, Public Health Engineering Division (EE, PHED), Yupia Division	2014-15	8	221.16	12.5	27.65
2		North Eastern Regional Institute of Science & Technology (NERIST), Nirjuli	2012-14	3	62.61	12.5	7.83
3	West Kameng	EE, PHED, Bomdila Division	2010-15	1	48.96	4	1.96
Total				12	332.73		37.44

Thus, due to non-deduction of VAT from 12 suppliers by DDOs, the Government loss of revenue to the tune of ₹ 37.44 lakh could not be ruled out. Besides, penalty of ₹ 74.88 lakh (twice the VAT amount) was also leviable on the DDOs.

4.2.4 Non-deduction of VAT from works Contractors

Under the APGT Act, works contracts are taxable at the rate of 12.5 percent on the taxable turnover of the work, i.e. after deducting labour and service charges from the gross turnover. As per Annexure 8 of the APGT Rules 2015, where amount of charges towards labour and services are not ascertainable from the accounts of the dealer, the amount of such charges shall be deducted at the rate of 25 per cent of the total value of the contract in case of civil works like construction of buildings, bridges, roads, dams, barrages, canals and diversions.

During the course of audit, nine cases of non-deduction of VAT from works contractors were noticed as per details in table below:

Table –4.2.2

(₹ in lakh)

Sl No.	Name of the District	Name of DDO	Year	No of suppliers	Total Turnover	Taxable Turnover @ 75 per cent of total turnover	VAT not deducted @ 12.5%
1	Papumpare	NERIST, Nirjuli	2012-14	15	296.57	222.43	27.80
2		Executive Engineer, Public Works Division (EE, PWD), Capital B Division, Itanagar	2012-13	6	17.81	13.36	1.67
3		Regional Officer, Ministry of Road Transport & Highway (RO, MORT&H), Itanagar	2010-15	3	11644.00	8733.00	1092.00
4	West Siang	EE, PWD, Aalo	2012-13	4	179.00	134.00	16.75
5		Executive Engineer, Rural Works Division (EE, RWD), Aalo	2013-14	1	20.47	15.35	1.92
6		EE, PHED, Aalo	2014-15	13	34.49	25.87	3.23
7	West Kameng	EE, PWD, Bomdila	2014-15	28	251.00	188.25	23.53
8		EE, PHED, Bomdila	2014-15	10	71.69	53.77	6.72
9	Tawang	EE, PWD, Tawang	2011-12	6	300.00	225.00	28.12
Total				86	12815.03	9611.03	1201.74

Thus, due to non-compliance to the provisions of the Act, VAT of ₹12.02 crore was not deducted from 86 work contractors. Besides, penalty of ₹ 24.04crore (twice the VAT amount) was also leviable on the DDOs.

4.2.5 Short-deduction of VAT at source from suppliers

Examination of records of DDOs in audit revealed the following cases where VAT was not deducted from the suppliers as per the prescribed rates:

Table –4.2.3

(₹ In lakh)

Sl No.	Name of the District	Name of DDO	Year	No of bills	Total Payment	VAT due @ 12.5%	VAT Deducted	Short-deduction
1	Papumpare	NERIST	2014-15	1	47.00	5.88	1.88	4.00
2		Executive Engineer, Water Resources Division, (EE, WRD), Itanagar	2011-12	33	104.86	13.11	4.21	8.90
3	Lohit	EE, PWD, Tezu	2014-15	2	9.07	1.13	0.36	0.77
4	Changlang	EE, PHED, Changlang	2010-15	34	194.09	24.26	6.99	17.27
5		EE, Hydro Power Development, Bordumsa	2010-11	16	52.01	6.50	2.25	4.25
Total				86	407.03	50.88	15.69	35.19

From the above table it can be seen that DDOs had short-deducted VAT of ₹ 35.19 lakh from 86 suppliers resulting in loss of revenue to the Government.

4.2.6 Non-compliance on deposit of VAT

Rule 43A (1) (a) of the Arunachal Pradesh Goods Tax (Amendment) Rules, 2010 provides that every person who is required to deduct tax under Section 47A shall, within ten days from the expiry of the month, deposit into a designated bank by the appropriate Challan in Form FF-08, the total amount of tax deducted from one or more dealers during the immediately preceding month.

Further, as per Section 47(10) of the Arunachal Pradesh Goods Tax (Amendment) Act, 2007, if any person responsible for making payment to contractor fails to make the deduction or after making the deduction fails to deposit the amount so deducted into the Government account, the Prescribed Authority may direct such person to pay penalty, not exceeding twice the amount deductible under this section, besides tax deductible but not so deducted and, if deducted, not so deposited into the Government account.

Audit observed the following:

4.2.6.1 Non-deposit of TDS into Government Account

Scrutiny of records of the Executive Engineer (EE), Rural Works Division, Tawang revealed that VAT of ₹ 40.41 lakh was deducted from 16 contractors (March 2011 to February 2015) but the DDOs failed to deposit the VAT amount into the government account for periods varying between 6 months to 53 months (September 2015) as detailed in *Appendix – 4.2.1* in violation of the extant rules.

Thus, the DDO failed to deposit the VAT of ₹40.41 lakh within the stipulated time. Further, the DDO is also liable to pay penalty of ₹ 80.82 lakh under Section 47(10) of the Act.

4.2.6.2 Delay in deposit of TDS into Government Account

Scrutiny of records (September 2015) of two DDOs, viz., Executive Engineer(EE), Rural Works Division, Tawang; and Executive Engineer (EE), PHED Division, Tawang, (August 2014 to March 2015) in selected units revealed delay in deposit of TDS of ₹ 8.18 lakh into government account as per details given below:

Table –4.2.4

District	Name of the DDO	Amount of TDS (₹in lakh)	Month of deduction	Month of deposit	Delay in months
Tawang	EE, RWD	3.83	August 2014	March 2015	6
		0.60	September 2014	March 2015	5
		0.95	November 2014	March 2015	3
	EE, PHED	2.80	March 2014	March 2015	11
TOTAL		8.18			

The delays in deposit of TDS amount of ₹ 8.18 lakh ranged between 3 and 11 months.

Delay in deposit of funds into Government accounts was adversely affecting the revenue receipts of the Government.

4.2.7 Deduction of tax on works contracts without opting for the scheme

The Department of Tax & Excise vide notification no. TAX-28/2002/VOL-II dt 31 August 2009 introduced a new '*simplified accounting method for works contract*' whereby a registered dealer can opt for deduction of TDS at the rate of 4 per cent on the total value of the works contract in lieu of the usual rate of 12.5 per cent on the taxable turnover of the contract. Under this method, the registered dealer has to apply to the Superintendent of Taxes (ST) under whom he is registered in form FF-14 that he is opting for the simplified method along with copies of his contract document. Only after the ST satisfies himself and issues the dealer a certificate in form FF-15 in this regard, the DDO can deduct VAT @ 4 per cent.

Scrutiny of records revealed that in two cases VAT was deducted at lesser rates even though the dealers had not opted for the simplified method @ 4 per cent of VAT as confirmed by ST. The details are given in table below:

Table –4.2.5

(₹ in lakh)

Sl No.	Name of DDO	Year	No of bills	Value of work	Taxable value of work	VAT due @ 12.5%	VAT deducted @ 4%	Short-deduction
1	NERIST, Papumpare	2014-15	7	1103	827.25	103.41	44.10	59.31
2	RO, MoRT&H, Itanagar, Papumpare	2010-15	89	62046	46534.50	5816.81	2481.84	3334.97
Total			96	63149	47361.75	5920.22	2525.94	3394.28

Thus, due to non-adoption of applicable rate by 2 DDOs there was loss of revenue to the tune of ₹ 33.94 crore.

4.2.8 VAT deducted at varying rates without opting for the scheme

As per the extant Rule, VAT for works contract was to be deducted @ 4 per cent if State Tax Authority (STA) has allowed such rate, or else it would be deducted @ 12.5 per cent. Audit scrutiny of records revealed that 19 DDOs in seven districts deducted VAT from 2159 bills for work valued at ₹ 269.48 crore (taxable value ₹ 202.11 crore) at different rates ranging from 1.10 per cent to 6.05 per cent without adherence to applicable rate. Details given in *Appendix – 4.2.2*.

Thus, short deduction of VAT ₹ 11.74 crore instead of the applicable amount of ₹ 25.26 crore resulted in loss of revenue to the extent of ₹ 13.52 crore.

4.2.9 Non-compliance to prescribed procedures

4.2.9.1 Non-submission of TDS Return (FF-19) by the DDOs

As per Rule 43A(6)(b) of the APGT Rules, 2005 every person responsible for deduction of tax shall file a return in Form FF-19 within two months from the end of each year to the respective Superintendent of Taxes (ST).

Scrutiny of records of the Superintendent of Taxes (ST) of seven districts revealed that DDOs who submitted Form FF-19 ranged only from 0.93 percent to 9.20 per cent during the five year period 2010-11 to 2014-15 as detailed in *Appendix – 4.2.3*.

Thus, due to non-filing of returns by the DDOs in Form FF-19, the STs would not be able to verify the accuracy and authenticity of tax deductions made against the dealers/contractors. Further, the Assessing Officers would be hindered from having important information required for assessment of contractors/dealers, such as works executed, particulars of the contractors/dealers, amount of contracts, and payment made and tax deducted.

4.2.9.2 Non-maintenance of TDS Account (FF-20) by the DDOs

Under the Provisions of Rule 43A of the APGT Rules, 2005 the DDOs are required to maintain for each year separate account in Form FF-20 showing the amount of tax

deducted, certificate of tax deduction (FF-13) issued, and the particulars of remittances made to the Government Account.

However, scrutiny of records of 36 DDOs in seven districts revealed that, 29 DDOs i.e. 80.55 *per cent* did not maintain Account of TDS (FF-20) as required under the rules as per details given below:

Table – 4.2.6

Sl. No.	District	Tax Officer	Number of DDOs		
			covered in review	maintained FF-20	not maintained FF-20
1.	Papum Pare	ST, Zone – I	3	3 ²	NIL
		ST, Zone-II	5	1	4
2.	East Siang	ST, Pasighat	3	1	2
3.	Changlang	ST, Changlang	7	2	5
4.	Lohit	ST, Tezu	3	NIL	3
5.	West Siang	ST, Aalo	4	NIL	4
6.	West Kameng	ST, Bomdila	5	NIL	5
7.	Tawang	ST, Tawang	6	NIL	6
Total			36	7	29

(Source: Records of DDOs)

It is seen from the above table that only seven DDOs i.e. 19.44 *per cent* out of 36 DDOs maintained the accounts of TDS.

In the absence of maintaining of TDS Account (FF-20), the STs are not in a position to verify the details of deduction of VAT and its timely remittance into government account by the DDOs.

4.2.10 Inadequacy Control mechanism

Internal control is a process for assuring achievement of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.

Audit observed a number of deficiencies in the existing procedure and control mechanism for collection of VAT as discussed below.

4.2.10.1 Non-maintenance of Registers of suppliers/contractors at district levels

Audit observed that most of the Tax Officers at the district level did not maintain the register of suppliers/contractors in seven districts as shown in the table below:

² NERIST, Nirjuli since 2013-14.
EE, PWD, Naharlagun Divn. since 2014-15.
EE, PHED, Yupia since 2014-15.

Table –4.2.7

District	Tax Officer	Register of DDO	Register of Govt. approved supplier/contractors
Papum pare	ST, Zone – I	Yes	No
	ST, Zone-II	Yes (since 09.09.2013)	No
East Siang	ST, Pasighat	Yes	No
Changlang	ST, Changlang	Yes (since 29.02.2012)	No
Lohit	ST, Tezu	Yes	No
West Siang	ST, Aalo	Yes	No
West Kameng	ST, Bomdila	Yes	Yes
Tawang	Tawang	No	No

(Source: CoTE& STs)

From the above table, it can be seen that only S.T, Bomdila maintained the register of Government approved suppliers/contractors out of seven test checked districts. Thus, non-maintenance of such vital records would hamper the tax authority in exercising necessary checks and control on the tax returns over the approved suppliers and contractors with a view to enforce compliance to rules.

4.2.10.2 Shortfall in conduct of Inspections

In order to ensure the correct deduction of tax revenue, regular inspections by the Excise and Taxation Inspector are essential to detect cases of tax evasion by various dealers/suppliers. In order to carry out such inspections the Department of Tax & Excise has an Enforcement Branch headed by an Assistant Commissioner of Taxes.

Audit, however, observed that the Enforcement branch did not conduct any inspections of Departments/DDOs during the 4 year period 2010-11 to 2013-14. However in 2014-15, the Enforcement branch conducted inspection of some Government Departments in Yingkiong, Pasighat, Aalo, Daporijo, Ziro, Roing, Tezu and Namsai.

Audit also noticed that only the ST, Changlang conducted regular inspections out of seven districts during the period from 2010-11 to 2013-14. Even in the case of ST, Changlang, Inspection Reports were not on record. This indicates the weak enforcement mechanism of the Department of Taxation and Excise.

4.2.10.3 Delay in registration of DDOs

As per Rule 43A (6)(a) of APGT Rules, 2005 (Amended in 2010) every person responsible for making deductions under Section 47A of the APGT Act was to apply to the STs for allotment of Sales Tax Deduction Account Number in form FF-17 within 30 days from the date of commencement of the Rules or within 15 days from the date of entering into any contract for the supply of goods or the execution of works contracts or for the transfer of right to use any goods as the case may be.

Scrutiny of records of STs in seven districts revealed that out of 435 DDOs, 184 DDOs were still unregistered till September 2015. Further, the Department of Tax & Excise informed that they have started efforts to register all the DDOs only from 2014-15 onwards, after a lapse of almost 10 years from the date the relevant provisions came into effect. The details of status of registration of DDOs are shown in the table below:

Table –4.2.8

District	Tax Officer	Number of DDOs			
		Total under jurisdiction	Registered till 2013-14	Registered in 2014-15	Remaining unregistered
Papum Pare	ST, Zone – I, Itanagar	82	NIL	11	71
	ST, Zone – II, Itanagar	70	2	60	8
East Siang	ST, Pasighat	59	NIL	3	56
Changlang	ST, Changlang	43	18	19	6
Lohit	ST, Lohit	33	7	0	26
West Siang	ST, Aalo	50	27	6	17
West Kameng	ST, Bomdila	57	57	0	NIL
Tawang	ST, Tawang	41	19	22	NIL
Total		435	130	121	184

(Source: Records of STs)

Thus, due to non- registration of DDOs, the Department of Tax & Excise could not exercise the required control over the activities of the DDOs who are entrusted with the responsibility to deduct tax at source.

The matter was reported to the Department (October 2015); reply is still awaited (February 2016).

4.2.11 Conclusion

Audit observed cases of non/short deduction of TDS and adoption of tax rate without valid certificates. Though VAT was deducted from the contractors/suppliers bills, the DDOs were not promptly depositing the same into government account as prescribed under APGT Act. There was no system for periodic verification of report and returns to detect whether the DDOs had deducted tax correctly at prescribed rate.

There were cases of non-submission of TDS return (FF-19) and non-maintenance of TDS account (FF-20) by the DDOs.

Control mechanism of the department was weak as evidenced by non-maintenance of control register at district levels and, shortfall in inspection conducted by STs, etc. The Taxation Department did not exercise the required control over the activities of the DDOs who were entrusted with the responsibility of TDS.

4.2.12 Recommendations

- The ST should review all cases of non-deductions and short deduction of taxes to recover revenues due to State Government.
- The State government should ensure timely deposits of tax collected /deducted by DDOs into government accounts.
- The State Government Authority should issue strict instructions for maintenance of the required control register for suppliers/contractors at the District level.
- The Commissioner of Tax and Excise should strengthen the system of inspection by prescribing the periodicity and target for coverage.

4.3 Evasion of tax due to non-deduction of tax at source

The Drawing and Disbursing Officer (DDO) did not deduct tax of ₹ 25.63 lakh at source. The dealer also did not disclose it in his return. Both the DDO and dealer are liable to pay penalty of ₹ 51.26 lakh and ₹ 25.63 lakh respectively

Under Section 34 (1) (b), and Section 87(10) of the APGT Act, 2005 if a dealer furnishes incomplete returns, he is liable, in addition to tax evaded, to pay penalty of a sum of ₹ one lakh or the amount of tax evaded whichever is greater. Further, Government of Arunachal Pradesh in their notification in April 2007 instructed all purchasing Government Department/Autonomous Bodies, etc., to deduct tax at source at the time of making payment to the suppliers. Further, as per Section 47A (10) of the said Act, if the Drawing and Disbursing Officer (DDO) fails to deduct tax at source, he is also liable to pay penalty not exceeding twice the amount of tax. In Arunachal Pradesh, declared goods are taxable at four *per cent* as per provision of section 4 (1) of APGT Act, 2005.

Examination of records of ST, Changlang (June 2014) revealed that a dealer (M/s Liani Enterprises) supplied CGI Sheet ³(declared goods under Arunachal Pradesh Goods Tax Act, 2005) valued at ₹ 6.41 crore between October 2010 and July 2012 to the project Director, Director of Rural Development Agency, Changlang. Audit noticed that the DDO while making payment failed to deduct tax of ₹ 25.63 lakh at source. Further, on scrutiny of the returns furnished by the dealer during the aforesaid period, Audit noticed that the dealer disclosed a turnover of only ₹ 6.32 crore in his return without any evidence.

Failure of the dealer to disclose the actual turnover and payment of tax due through his return attracted penalty of ₹ 25.63 lakh in addition to tax of ₹ 25.63 lakh which he had evaded. Besides, the DDO was also liable to pay a penalty of ₹ 51.26 lakh for non-deduction of tax at source.

The case was reported to the Department/Government (August 2014 and October 2015); reply is still awaited (February 2016).

4.4 Concealment of Purchase

Failure of the Assessing Officer to detect import of taxable goods of ₹ 37.41 lakh led to evasion of tax of ₹ 4.68 lakh. Besides, interest of ₹ 3.27 lakh and a penalty of ₹ 4.68 lakh was also leviable

Under Section 87(10) of the Arunachal Pradesh Goods Tax (APGT) Act, 2005, if a dealer submits false, misleading or deceptive returns, he is liable to pay a penalty of a sum of ₹ one lakh or the amount of tax evaded, whichever is higher, in addition to the tax payable. Further, Section 44(2) of the Act stipulates payment of interest ranging between 12 to 24 *per cent* per annum for the period of default in payment of due tax. Cement is taxable @ 12.50 per cent under Section 4(1) (d) of APGT Act, 2005.

³ Corrugated Galvanised Iron Sheet

Scrutiny of records of the Superintendent of Taxes, Zone-II, Itanagar in April 2015, revealed that a registered dealer⁴ disclosed purchase of Cement worth ₹ 11.65 lakh from a dealer registered in Guwahati, Assam against two 'C' Forms during 2011-12 under Inter-State Trade.

On cross verification of records of both the dealers, Audit noticed that the Arunachal based dealer had actually purchased cement valued at ₹ 49.06 lakh during the year 2011-12 by utilizing the two 'C' Forms.

Thus, the dealer submitted false and misleading return. The Assessing Officer also failed to detect the import of taxable goods which led to concealment of taxable purchase of goods of ₹ 37.41 lakh and evasion of tax of ₹ 4.68 lakh. Besides, interest of ₹ 3.27 lakh upto October 2014 and penalty of ₹ 4.68 lakh (@ 24 per cent per annum) were also leviable.

The case was reported to the Department/Government (July 2015 and October 2015); reply is still awaited (February 2016).

4.5 Short-realization of tax due to application of incorrect rate

Short realization of tax of ₹ 10.55 lakh due to application of lower tax rate at four per cent instead of 12.50 per cent

The Government of Arunachal Pradesh in their notification of April 2007 instructed all purchasing Government Departments to deduct tax at source at the rates prescribed in the schedules attached to the Act. However, in case of goods not specified in the said schedules, tax is leviable at the rate of 12.50 per cent under section 4 (1) of APGT Act, 2005.

Scrutiny of records of two Superintendent of Taxes (STs), at Ziro and Tezu between June 2014 and November 2014 revealed that 39 dealers supplied goods taxable at 12.50 per cent to Government Departments for the period from December 2009 to March 2013 valued at ₹ 1.24 crore. The amount of tax deductible at source was ₹ 15.52 lakh calculated at 12.50 per cent on ₹ 1.24 crore. However, the Drawing and Disbursing Officers (DDOs) of the concerned Divisions/Departments⁵ deducted tax of ₹ 4.97 lakh calculated at 4 per cent, resulting in short deduction of ₹ 10.55 lakh. Audit observed that though the detailed statements of deduction were forwarded to the concerned STs, the Assessing officers of both the districts did not take action to recover the balance amount of tax ₹ 10.55 lakh from the dealers (August 2015).

The case was reported to the Department/Government (July 2015 and October 2015); reply is still awaited (February 2016).

⁴ M/s U.S. Reality Pvt. Ltd.

⁵ Executive Engineer, P.W. Division, Namsai; Sr. Station Superintendent, State Transport Service, Ziro

4.6 Loss of revenue due to short deduction of tax by DDOs

Short deduction of tax of ₹ 2.95 lakh by DDOs due to incorrect application of rate

Government of Arunachal Pradesh in their notification in April 2007 instructed all purchasing Government Department/Autonomous Bodies *etc.*, to deduct tax at source at the time of making payment to the suppliers. In Arunachal Pradesh 'Electrical goods' are taxable at the rate of 12.5 *percent* under Section 4 (1) of APGT Act, 2005.

Scrutiny of the Assessment Records of a dealer registered with the Superintendent of Taxes (ST), Pasighat (May 2015) revealed that the dealer sold electrical goods valued at ₹ 34.60 lakh to the two Executive Engineers (Electrical), Pasighat and Yingkiong Divisions between January and March 2012 and the DDOs deducted tax of ₹ 1.38 lakh (at the rate of 4 *per cent*) instead of ₹ 4.33 lakh (at the applicable rate of 12.50 *percent*). Thus, the DDOs short deducted tax of ₹ 2.95 lakh from the dealer and there was a loss of revenue to the government to that extent.

The case was reported to the Department/Government (July 2015 and October 2015); reply is still awaited (February 2016).

Transport Department

4.7 Non-realisation of road tax

The department failed to realise road tax of ₹ 22.56 lakh and maximum penalty of ₹ 5.64 lakh from owners of 122 commercial vehicles

Under Section 4 of the Arunachal Pradesh Motor Vehicles Taxation Act, 1984, Road Tax at prescribed rate shall be levied and collected annually/quarterly/monthly as the case may be, on all motor vehicles used or kept for use in the State, unless an owner of such vehicle is exempted from tax on the basis of his application to the effect that the vehicle would not be used in any public place and the Registration Certificate is surrendered. The Act further provides that in the event of failure to pay the tax by any owner, the Taxation Officer shall, in addition to the tax due, levy and collect penalty not exceeding one-fourth of the annual tax.

Examination of the records of the District Transport Officer (DTO), Ziro, (February 2015) revealed that 122 owners of commercial vehicles neither paid road tax amounting to ₹ 22.56 lakh for different periods ranging from 1 year to 7 years falling between August 2008 and August 2014, nor obtained any exemption by surrendering their Registration Certificates. The maximum penalty of ₹ 5.64 lakh leviable for default in payment of the aforesaid tax was neither levied nor collected. Demand Notices for collection of tax and penalty from defaulting vehicle owners has not been issued by the DTO, Ziro.

Thus, failure of the DTO to issue demand notice to the defaulters and lack of enforcement to ensure compliance resulted in non-realization of a total revenue of ₹ 28.20 lakh.

The case was reported to the Department/Government (April 2015 and June 2015) reply is still awaited (February 2016).

4.8 Loss of Revenue

Irregular issue of temporary permits to commercial vehicles and non-levy of fine resulted in loss of revenue to the tune of ₹ 7.17 lakh

Under provisions of the Motor Vehicle Act, 1988, the State Transport Authority (STA) may grant temporary permits to meet a particular need for a limited period which shall not, in any case, exceed four months. In exceptional circumstances, and on giving reasons which should be recorded in writing, a temporary permit may be extended beyond the period of four months but should not exceed one year. As provided under Section 96(2) (vii), the Transport Department, in its notification of July 2000, fixed the rate of Composite Fee for trucks with regular permits at ₹ 5,000/- per annum and for trucks plying with temporary permits at ₹ 2,000/- per annum.

Further, under Section 192A of the Motor Vehicles Act, 1988 (as amended in 1994), owner of a motor vehicle shall not use or permit the use of the vehicle as a transport vehicle in any public place unless a permit is granted or countersigned by the prescribed authority. Whoever drives or causes or allows a motor vehicle to be used as a public carrier without a permit shall be punishable for the first and subsequent offences with a minimum fine of ₹ 2,000/- and ₹ 5,000/- respectively.

Scrutiny of records of the State Transport Authority (STA), Naharlagun, (October 2014) revealed that in 106 cases, temporary permits were granted for a period of one year each on different dates between May 2012 and October 2014 on realization of Composite Fee of ₹ 2.66 lakh, ranging between ₹ 2,000/- to ₹ 3,200/- per annum, without recording any reason for exceeding the time limit of four months. Audit observed that had the regular permits been issued, the State Transport Authority could have collected a total revenue of ₹ 5.83 lakh.

Thus, due to irregular grant of Temporary Permits, there was short-realization of Composite Fee of ₹ 3.17 lakh⁶.

Further, under the STA, Naharlagun, in October 2014, 200 regular permits granted to owners of transport vehicles expired on different dates between June 2012 and August 2014. However, the owners neither renewed the permits before expiry of validity nor obtained any exemption by surrendering their Registration Certificates. Despite the above, no action was initiated by the STA to issue Demand Notices for collection of penalty from the defaulting vehicle owners which resulted in non-levy of a minimum fine of ₹ 4 lakh⁷.

⁶ ₹ 5.83 – ₹ 2.66 = ₹ 3.17 lakh;

⁷ 200 x 2000 = ₹ 4 lakh.

The cases were reported to the Department/Government in (December 2014 and June 2015); reply is still awaited (February 2016).

State Excise Department

4.9 Loss of Revenue

The department failed to realise ₹ 6.44lakh towards renewal licence fee and penalty on three licences

Under the Arunachal Pradesh Excise Act, 1993, and Rules made thereunder, a licence granted for dealing in Indian Made Foreign Liquor (IMFL) shall remain valid for one year from the date of issue. On expiry of the 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 renew the licence before expiry of the validity period, he shall be liable to pay penalty in addition to the Fee, at the rate of ₹ 75/- per day, for the period of default in payment of the Fee.

Examination of records of the Superintendent of Excise, Aalo, (September 2014) revealed that licences of three wholesale vendors of IMFL expired between November 2010 and January 2013, but the vendors neither renewed their licences by payment of annual fee nor were the licences returned to the issuing authority. The Department failed to issue demand notice for ₹ 8.39 lakh to realize the prescribed renewal fee of ₹ 7.5 lakh and penalty of ₹ 0.89 lakh for a delay of 1186 days in renewing the licences. The department also failed to seize the stock of IMFL for recovery of the dues as prescribed in the act. Instead, all three licenses were later cancelled between February 2012 and May 2014 with forfeiture of security deposits of ₹ 1.95 lakh. This resulted in net loss of revenue of ₹ 6.44 lakh.⁸

The case was reported to the Department/Government (November 2014 and June 2015); reply is still awaited (February 2016).

8

Name	Licence Valid till	Date of cancellation	Licence fee till date of cancellation	Penalty	Total dues	Amount forfeited	Total outstanding
M/s Elixir Wholesale Vend, Likabali	02.01.13	13.05.14	3,00,000	37,125 (495 days)	3,37,125	65,000	2,72,125
M/s K.A. Enterprises, Aalo	26.09.13	09.05.14	1,50,000	16,800 (224 days)	1,66,800	65,000	1,01,800
M/s Karmi Wholesaler, Aalo	08.11.10	17.02.12	3,00,000	35,025 (467 days)	3,35,025	65,000	2,70,025
Total			7,50,000	88,950 (1186 days)	8,38,950	1,95,000	6,43,950

4.10 Short realization of Import Fee

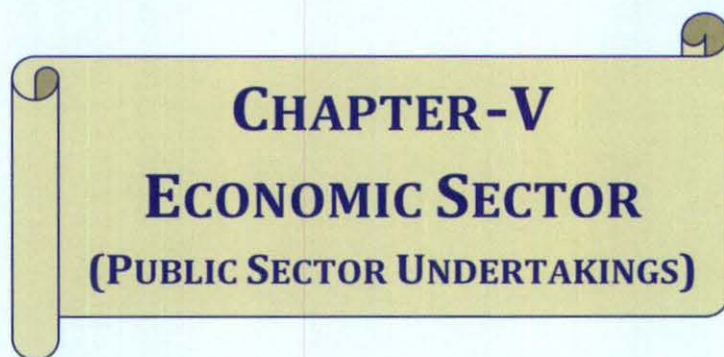
Superintendents of Excise failed to collect import fee at revised rates resulting in short realization of ₹ 7.59 lakh

The Government of Arunachal Pradesh, vide notification dated 26 September 2001, enhanced the rate of import fee of Indian Made Foreign Liquor (IMFL) for both civilian and military/para-military forces to ₹ 30/- per case. The earlier rate of ₹ 10/- per case was revised under notification dated 26 September 2001.

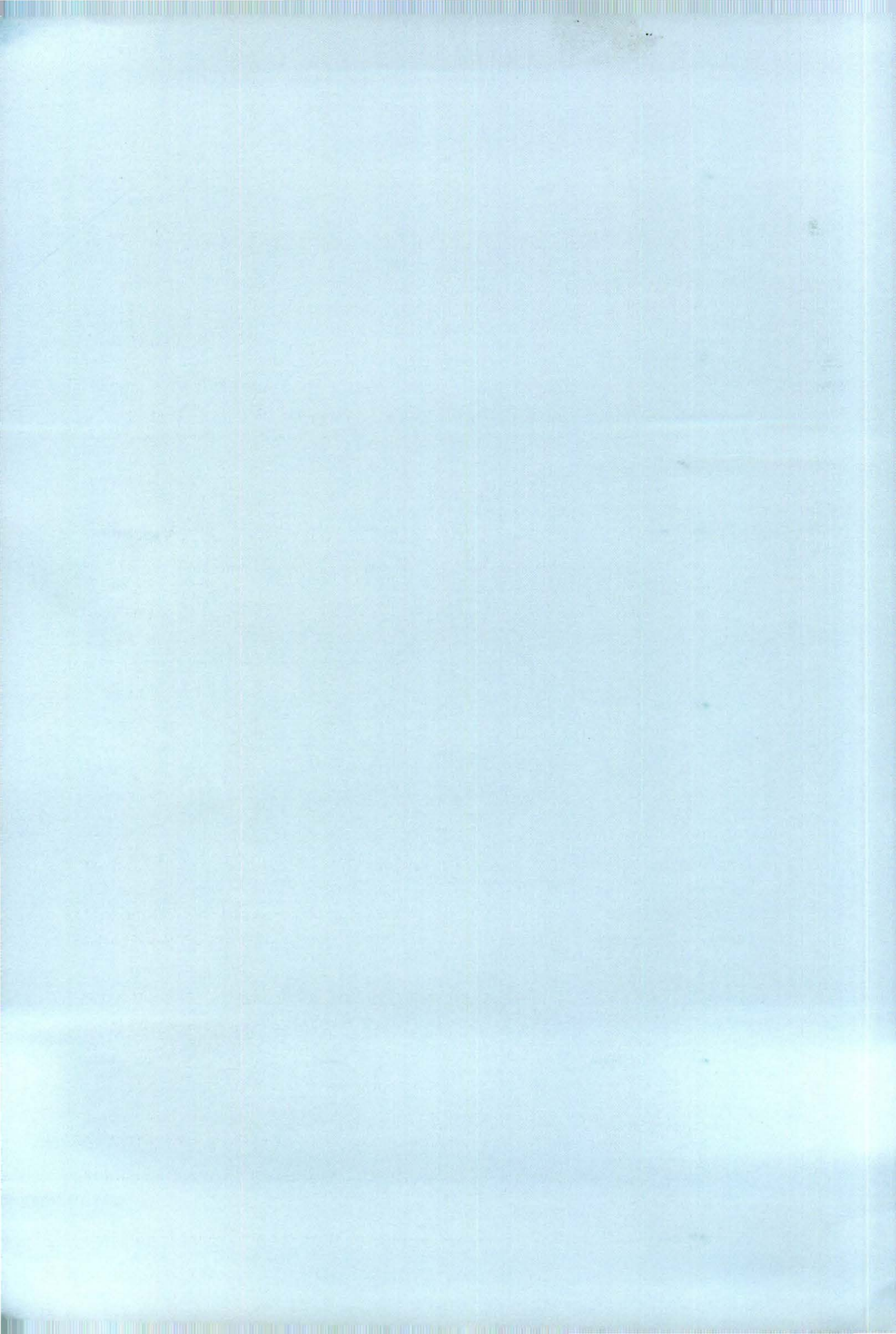
Examination of records relating to import of IMFL by military/para-military forces maintained by the Superintendents of Excise, Tawang (Tawang) and Lower Subansiri (Ziro) Districts revealed that the Superintendent of Excise, Tawang issued 81 import permits for 6 CSD canteens during the period from May 2009 to December 2012. The Superintendent of Excise, Ziro also issued 84 import permits for 3CSD canteens during the period from April 2009 to December 2012.

While issuing the permits, the Superintendents of Excise, Tawang and Ziro charged ₹ 10 per case on 37,950 cases of IMFL (Tawang: 27,756 cases; Ziro: 10,194 cases) in respect of the CSD canteens instead of ₹ 30 per case resulting in short-realisation of a total import fee of ₹ 7.59 lakh.

The matter was reported to the Department/Government (November 2014 and May 2015); reply is still awaited (February 2016).



CHAPTER-V
ECONOMIC SECTOR
(PUBLIC SECTOR UNDERTAKINGS)



CHAPTER-V: ECONOMIC (SPSUs) SECTOR

5.1 Overview of State Public Sector Undertakings

5.1 Introduction

5.1.1 The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs are established to carry out activities of commercial nature keeping in view the welfare of people and also occupy an important place in the State economy. As on 31 March 2015, there were seven SPSUs (all Government Companies, including two non-working companies) in Arunachal Pradesh. None of these companies were listed on stock exchanges. The details of the SPSUs in Arunachal Pradesh as on 31 March 2015 are given below:

Table 5.1.1: Total number of SPSUs as on 31 March 2015

Type of SPSUs	Working SPSUs	Non-working SPSUs ¹	Total
Government Companies ²	5	2	7

The working SPSUs registered a turnover of ₹ 6.66 crore as *per* their latest finalised accounts as of September 2015. This turnover was equal to 0.04 *per cent* of State Gross Domestic Product (GDP) of ₹ 15917.37³ crore for 2014-15. Thus, the SPSUs make a negligible contribution to the State's economy. The working SPSUs earned an aggregate profit of ₹ 6.64 crore as *per* their latest finalised accounts as of September 2015. They employed 236 employees as at the end of March 2015.

As on 31 March 2015, there were two non-working SPSUs existing from last twenty years (since 1995-96) with investment of ₹ 0.43 crore. The investments in non-working SPSUs do not contribute to the economic growth of the State.

Accountability framework

5.1.2 The audit of the financial statements of a company in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of the Companies Act, 2013. However, the audit of a company in respect of financial years that commenced earlier than 1 April 2014 continued to be governed by the Companies Act, 1956.

According to Section 2 (45) of the Companies Act, 2013, a Government Company is one in which not less than 51 *per cent* of the paid-up capital is held by the Central and/or State Government (s) and includes a subsidiary of a Government Company. The process

¹ Non-working SPSUs are those which have ceased to carry on their operations

² Government companies include *Other Companies* referred to in Section 139(5) and 139(7) of the Companies Act 2013.

³ State GDP figures for 2014-15 as furnished by the Director of Economics & Statistics, Government of Arunachal Pradesh.

of audit of Government companies under the Act is governed by respective provisions of Section 139 and 143 of the Act.

Statutory Audit

5.1.3 The financial statements of a Government Company (as defined in Section 2 (45) of the Companies Act, 2013) are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 139 (5) or (7) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

As per the provisions of Section 143 (7) of the Act, the CAG, in case of any company (Government Company or *Other Company*) covered under sub-section (5) or sub-section (7) of Section 139 of the Act, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company (Government Company and *Other Company*) and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit.

Role of the Government and Legislature

5.1.4 The State Government exercises control over the affairs of these SPSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government. The State Legislature also monitors the accounting and utilisation of Government investment in the SPSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies are to be placed before the Legislature under Section 394 of the Act. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Arunachal Pradesh

5.1.5 The State Government's financial stake in these SPSUs is of mainly three types:

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the SPSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the SPSUs as and when required.
- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the SPSUs from Financial Institutions.

Investment in State PSUs

5.1.6 As on 31 March 2015, the investment⁴ (capital and long-term loans) in seven SPSUs was ₹ 32.14 crore as *per* details given below:

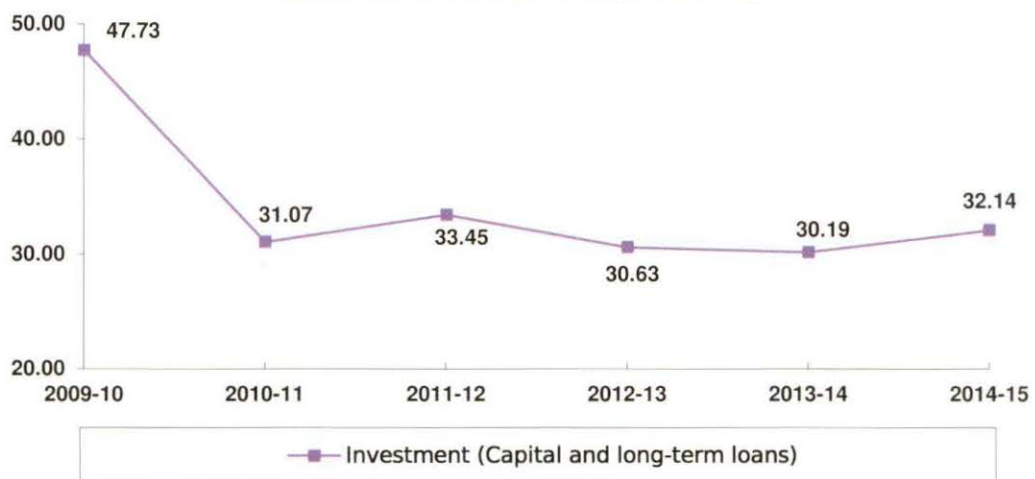
Table 5.1.2: Total investment in SPSUs

(₹ in crore)

Type of SPSUs	Government Companies		
	Capital	Long Term Loans	Grand Total
Working SPSUs	23.60	8.11	31.71
Non-working SPSUs	0.43	-	0.43
Total	24.03	8.11	32.14

Out of the total investment of ₹ 32.14 crore in SPSUs as on 31 March 2015, 98.66 *per cent* was in working SPSUs and the remaining 1.34 *per cent* was in non-working SPSUs. Total investment consisted of 74.77 *per cent* towards capital and 25.23 *per cent* in long-term loans. The investment has decreased by 32.66 *per cent* from ₹ 47.73 crore in 2009-10 to ₹ 32.14 crore in 2014-15 as shown in the graph below:

Chart 5.1.1: Total investment in SPSUs



5.1.7 The sector-wise summary of investments in the State PSUs as on 31 March 2015 is as given below:

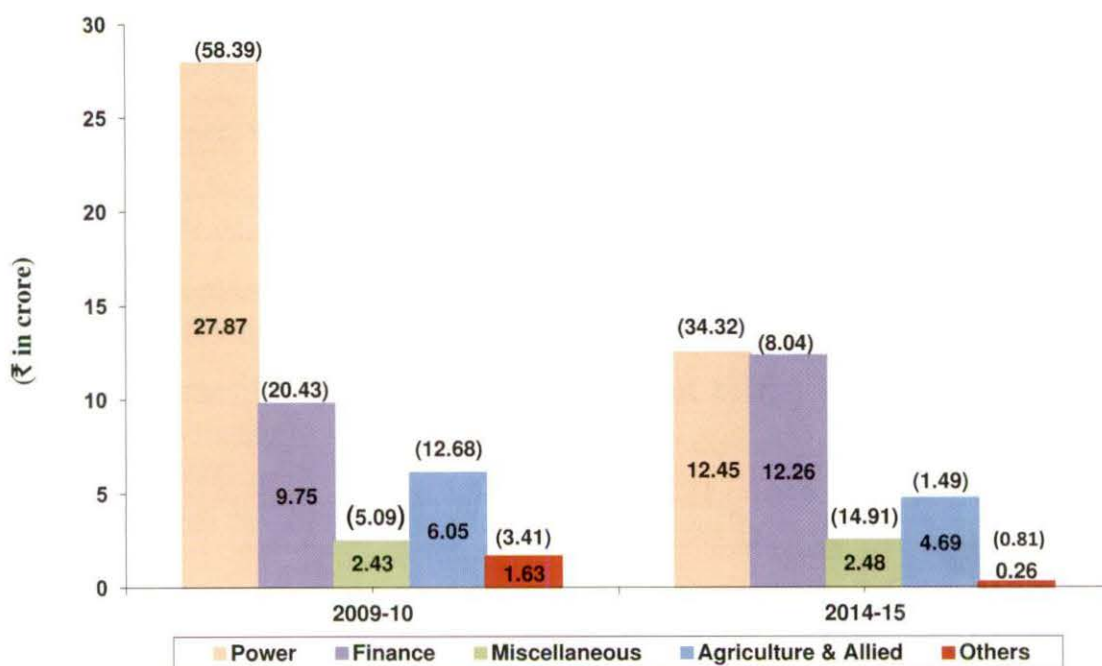
Table 5.1.3: Sector-wise investment in SPSUs

Name of Sector	Government Companies			Investment (₹ in crore)
	Working	Non-Working	Total	
Power	1	-	1	12.45
Manufacturing	-	1	1	0.24
Finance	1	-	1	12.26
Miscellaneous	1	-	1	2.48
Service	-	-	-	-
Infrastructure	1	-	1	0.02
Agriculture & Allied	1	1	2	4.69
Total	5	2	7	32.14

⁴ Includes investment of Central Government and others

The investment in important sectors and percentage thereof at the end of 31 March 2010 and 31 March 2015 are indicated below in the bar chart.

Chart 5.1.2: Sector-wise investment in SPSUs



(Figures in brackets show the percentage of total investment)

It can be observed from the chart above that, the thrust of investment was mainly in the Power and Finance sectors, which had 38.73 per cent and 38.15 per cent of the total investment respectively. Among all sectors, the Power sector had the highest investment of ₹ 12.45 crore. The investment in Power sector represented the equity contribution made by the State Government to SPSUs, namely, Hydro Power Development Corporation of Arunachal Pradesh Limited.

Further, investment in the Finance sector increased from 20.43 per cent in 2009-10 to 38.15 per cent in 2014-15. The increase in investment was due to the equity contribution of ₹ Two crore made by the Ministry of Tribal Affairs, Government of India in June 2013 to Arunachal Pradesh Industrial Development and Financial Corporation Limited.

Special support and returns during the year

5.1.8 The State Government provides financial support to SPSUs in various forms through annual budget. The summarized details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of State PSUs are given below for three years ended 2014-15.

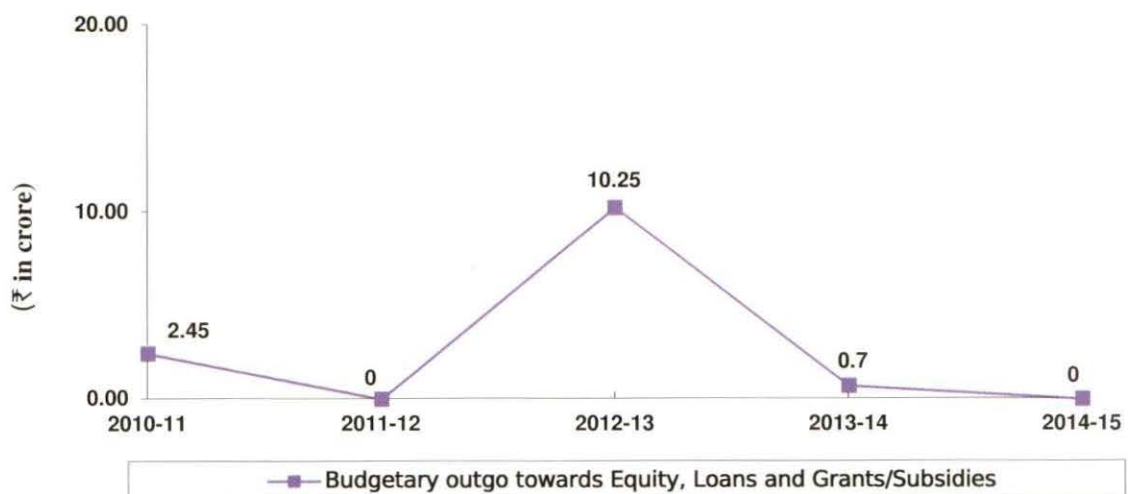
Table 5.1.4: Details regarding budgetary support to SPSUs

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	-	-	-	-	-	-
2.	Loans given from budget	-	-	-	-	-	-
3.	Grants/Subsidy from budget	2	10.25	1	0.70	-	-
4.	Total Outgo (1+2+3)	-	10.25	-	0.70	-	-
5.	Waiver of loans and interest	-	-	-	-	-	-
6.	Guarantees issued	-	-	-	-	-	-
7.	Guarantee Commitment	1	2.00	1	2.00	1	2.00

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

Chart 5.1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



It can be seen from the above that the budgetary outgo to SPSUs during current year (2014-15) was 'nil'. During the period of five years from 2010-11 to 2014-15, the budgetary outgo was highest in 2012-13 at ₹ 10.25 crore while it was 'nil' during 2011-12 and 2014-15. As on 31 March 2015, guarantee commitment of ₹ 2 crore extended by the State Government to one SPSU (viz. Arunachal Pradesh Industrial Development and Financial Corporation Limited) was yet to be availed by the said SPSU. As on 31 March 2015, no guarantee commission was payable to the State Government by any SPSUs. There was no case of conversion of Government loan into equity, moratorium in repayment of loan and waiver of interest during the period.

Reconciliation with Finance Accounts

5.1.9 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 SPSU and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2015 is stated below:

Table 5.1.5: Equity, loans, guarantees outstanding as per finance accounts vis-a-vis records of SPSUs

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
Equity	9.00	19.58	10.58
Loans	Nil	7.84	7.84

Audit observed that the differences occurred in respect of all SPSUs and the differences have not been reconciled over a period of more than ten years. The Accountant General has taken up the matter from time to time with the Secretary, Finance Department, Government of Arunachal Pradesh, Administrative Departments of respective SPSUs and the concerned SPSUs for reconciliation of the differences. However, no significant progress in this direction was noticed. The Government and the SPSUs should take concrete steps to reconcile the differences in a time-bound manner.

Arrears in finalisation of accounts

5.1.10 The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year, i.e. by September end in accordance with the provisions of Section 96 (1) of the Act. Failure to do so, may attract penal provisions under Section 99 of the Act.

The table below provides the details of progress made by working SPSUs in finalisation of accounts as of 30 September 2015.

Table 5.1.6: Position relating to finalisation of accounts of working SPSUs

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Number of Working SPSUs/other companies	5	5	5	5	5
2.	Number of accounts finalised during the year	7	6	5	4	4
3.	Number of accounts in arrears	29	28	28	29	30
4.	Number of Working SPSUs with arrears in accounts	5	5	5	5	5
5.	Extent of arrears (numbers in years)	1 to 15	1 to 15	1 to 15	1 to 15	1 to 15

It can be observed that the number of accounts in arrears has not seen any significant improvement during 2010-11 to 2014-15. The number of accounts finalised during the year has decreased from 7 (2010-11) to 4 (2014-15). Arunachal Pradesh Mineral Development and Trading Corporation Limited has the highest arrears in accounts of 15 years (since 2000-01).

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 SPSUs within stipulated period. As part of regular monitoring of the progress made in this regard, audit

has taken up (December 2015) the issue with the Chief Secretary, Government of Arunachal Pradesh, with request to convene a meeting with the Administrative Heads of the SPSUs concerned and chalk out a time bound action plan to clear backlog of accounts.

5.1.11 The State Government had invested ₹ 11.99 crore in three SPSUs {equity: ₹ 0.35 crore (one SPSUs), loans: ₹ 1.51 crore (two SPSUs) and grants ₹ 10.13 crore (two SPSUs)} during the earlier years for which accounts have not been finalised as detailed in *Appendix-5.1.1*. In the absence of finalisation of accounts and their subsequent audit, it can not be ascertained whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not.

5.1.12 In addition to above, as on 30 September 2015, there were arrears in finalisation of accounts by the two non-working SPSUs. None of the non-working SPSUs was in the process of liquidation though accounts were in arrears for six years (2009-10 to 2014-15). During the year 2009-10, assets of the two non-working SPSUs, viz, Parasuram Cement Limited and Arunachal Horticultural Processing Industries Limited were transferred to Arunachal Pradesh Infrastructural Development Company Limited- a Joint Venture Company with Arunachal Pradesh Industrial Development and Financial Corporation Limited.

Impact of non-finalisation of accounts

5.1.13 As pointed out above (para **5.1.10** to **5.1.12**), the 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 relevant Statutes. In view of arrears of accounts, the actual contribution of SPSUs to the State GDP for the year 2014-15 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, recommended that the Government may set-up a system to oversee the clearance of arrears and set the targets for individual companies and monitor it.

Performance of SPSUs as per their latest finalized accounts

5.1.14 The financial position and working results of working Government companies are detailed in *Appendix-5.1.2*. A ratio of SPSU-turnover to State GDP shows the extent of SPSU-activities in the State economy. Table below provides the details of working SPSUs turnover and State GDP for a period of five years ending 2014-15.

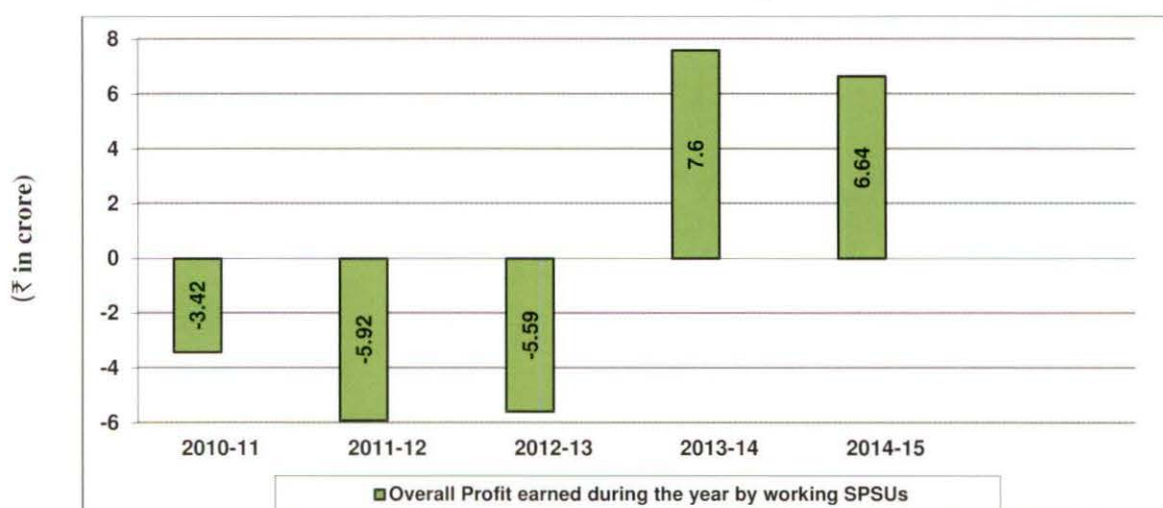
Table 5.1.7: Details of working SPSUs turnover vis-a-vis State GDP

(₹ in crore)					
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover ⁵	6.37	5.82	7.57	6.31	6.66
State GDP	8350.16	11135.53	11942.81	13491.03	15917.37
Percentage of turnover to State GDP	0.08	0.05	0.06	0.05	0.04

It can be seen that during the period of five years, the percentage of turnover to State GDP had reduced from 0.08 in 2010-11 to 0.04 in 2014-15.

5.1.15 Overall profit (losses) earned (incurred) by State working SPSUs during 2010-11 to 2014-15 are given below in a bar chart.

Chart 5.1.4: Profit/Loss of working SPSUs



It can be observed that the working SPSUs showed negative working results during the three years from 2010-11 to 2012-13 ranging between (-) 3.42 crore and (-) 5.92 crore and improved overall profits during 2013-14 and 2014-15. During the year 2014-15, out of five working SPSUs, three SPSUs earned aggregate net profit of ₹ 8.14 crore and two SPSUs incurred losses of ₹ 1.50 crore. The contributors of profit were Arunachal Pradesh Forest Corporation Limited (₹ 3.54 crore), Arunachal Police Housing and Welfare Corporation Limited (₹ 3.87 crore) and Hydro Power Development Corporation of Arunachal Pradesh Limited (₹ 0.73 crore). The heavy losses were incurred by Arunachal Pradesh Industrial Development and Financial Corporation Limited (₹ 1.22 crore) and Arunachal Pradesh Mineral Development and Trading Corporation Limited (₹ 0.28 crore). The working SPSUs had earned aggregate profit of ₹ 6.64 crore during 2014-15 as compared to aggregate profit of ₹ 7.60 crore during 2013-14.

⁵ Turnover as per the latest provisional accounts as of 30 September of the respective years

5.1.16 Some other key parameters of SPSUs are given below:

Table 5.1.8: Key Parameters of State PSUs

(₹ in crore)					
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Return on Capital Employed (Per cent) ⁶	--	--	--	15.99	12.67
Debt	11.69	11.42	8.60	8.21	8.11
Turnover ⁷	6.37	5.82	7.57	6.31	6.66
Debt/ Turnover Ratio	1.84:1	1.96:1	1.14:1	1.30:1	1.22:1
Interest Payments	0.25	0.15	1.22	0.76	0.76
Accumulated Profits (losses)	(3.73)	(16.30)	(22.47)	(14.75)	(11.31)

From the table above, it may be noticed that during the years from 2010-11 to 2014-15, the turnover of working SPSUs showed a mixed trend registering an overall increase of ₹ 0.29 crore in five years period. On the other hand, the debts of the SPSUs had shown a decreasing trend. As a result, the debt-turnover ratio had improved from 1.84:1 (2010-11) to 1.22:1 (2014-15).

During the five years, the SPSUs had accumulated losses ranging between ₹ 3.73 crore (2010-11) and ₹ 22.47 crore (2012-13). Further, in three out of five years (excepting 2013-14 and 2014-15), the SPSUs had negative return on capital employed on account of their negative operational results. During 2014-15, the return on capital employed was to the extent of 12.67 per cent due to overall profits (₹ 6.64 crore) registered by working SPSUs.

5.1.17 The State Government had not formulated (November 2015) any dividend policy to make it mandatory for SPSUs to pay a minimum return on the paid-up share capital contributed by the State Government. As per their latest finalised accounts as on 30 September 2015, three working SPSUs earned an aggregate net profit of ₹ 8.14 crore and none of the SPSUs had declared dividend.

Winding up of non-working SPSUs

5.1.18 The two non-working SPSUs had ceased operation since 1995. The numbers of non-working SPSUs at the end of each year during past five years are given below:

Table 5.1.9: Non-working SPSUs

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
No. of non-working companies	2	2	2	2	2

Since the non-working SPSUs are neither contributing to the State economy nor meeting the intended objectives, the State Government may start the process of winding up or initiate turnaround strategy.

⁶ Nil figures represent negative return on capital employed.

⁷ Turnover of working SPSUs as per latest provisional accounts as of 30 September of the respective years

Comments on accounts

5.1.19 During the year 2014-15, four working companies forwarded their four audited accounts to the Accountant General. Of these, one accounts of one company was selected for supplementary audit. The details of aggregate money value of comments of statutory auditors and CAG are given below:

Table 5.1.10: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	-	-	-	-
2.	Increase in profit	-	-	1	0.48	1	20.37
3.	Decrease in loss	-	-	-	-	-	-
4.	Increase in loss	-	-	-	-	1	3.89
5.	Non-disclosure of material facts	-	-	1	0.23	1	4.10

During the year, the Statutory Auditors had given unqualified certificates for all four accounts. In addition to above, CAG issued comments to only one SPSU (viz. Arunachal Pradesh Industrial Development and Financial Corporation Limited) during supplementary audit.

Response of the Government to Audit

Performance Audits and Paragraphs

5.1.20 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2015, two compliance audit paragraphs (including one on Efficiency of consumer billing and revenue collection) involving Department of Power and Department of Industries were issued to the Secretary of the Department of Power and Secretary Department of Industries with the request to furnish replies within six weeks. However, replies in respect of the both compliance audit paragraphs were awaited from the State Government (February 2016).

Follow up action on Audit Reports

Replies outstanding

5.1.21 The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Arunachal Pradesh issued (June 1996) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any comments/queries from the COPU.

Table No.5.1.11: Explanatory notes pending (as on 30 September 2015)

Year of the Audit Report	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs)/Compliance Audit Paragraphs in the Audit Report		Number of PAs/ Compliance Audit Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2008-09	03.09.2010	1	7	1	2
2009-10	24.03.2011	1	4	1	2
2010-11	27.09.2012	-	4	-	4
2011-12	23.09.2013	1	2	1	2
2012-13	26.09.2014	1	1	1	1
2013-14	21.07.2015	-	3	-	3
Total		4	21	4	14

From the above, it can be seen that out of 25 compliance audit paragraphs/performance audits, explanatory notes in respect of 18 compliance audit paragraphs/performance audits, in respect of four departments and five SPSUs, which were commented upon, were awaited (November 2015).

Discussion of Audit Reports by COPU

5.1.22 The status as on 30 September 2015 of Performance Audits and paragraphs that appeared in Audit Reports (SPSUs) and discussed by the Committee on Public Undertakings (COPU) was as under.

Table No.5.1.12: Reviews/Paras appeared in Audit Reports vis-a-vis discussed as on 30 September 2015

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2008-09	1	7	-	2
2009-10	1	4	-	-
2010-11	-	4	-	-
2011-12	1	2	-	-
2012-13	1	1	-	-
2013-14	-	3	-	-
Total	4	21	-	2

From the above, it can be seen that out of 25 paragraphs/performance audits, for the period from 2008-09 to 2013-14, 23 paragraphs/ performance audits in respect of four departments and five SPSUs were yet to be discussed by the Committee on Public Undertakings.

Compliance to Reports of Committee on Public Undertakings (COPU)

5.1.23 No COPU Reports have been received by the Accountant General (November 2015). Thus, it is recommended that the Government may take steps to ensure: (a) sending of replies to IRs/explanatory Notes/ Audit paragraphs/ performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule;

(b) recovery of loss/ outstanding advances/ overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

Coverage of this Report

5.1.24 This Report contains two compliance audit paragraphs (including one on Efficiency of Consumer Billing and Revenue Collection involving financial effect of ₹ 24.22 crore.

Compliance Audit Paragraphs

Department of Power

5.2 Efficiency of Consumer Billing and Revenue Collection

5.2.1 Introduction

Department of Power (DoP), Government of Arunachal Pradesh, is assigned to carry out all the activities of Power Sector, enforce the relevant Acts and Rules of Electricity, Power and Energy, co-ordinate among all the power utilities and stakeholders operating in the state and advise the State Government on all matters relating to Power Sector, Electricity and Energy. The DoP is headed by Commissioner/Secretary (Power). He is assisted by four Chief Engineers who are heads of four Zones,⁸ and 20 Electrical Divisions (Divisions). At present (October 2015), the DoP supplies electricity to 1.97 lakh consumers.

One of the most important functions of DoP is prompt and effective billing of energy, distribution/sale of maximum energy to its consumers and timely realisation of revenue. As per Electricity Supply Code (ESC), the DoP is required to take the reading of energy consumption of each consumer at the end of the notified billing cycle. After obtaining the meter readings, the Department issues bills to the consumers for consumption of energy. Sale of energy to metered categories consists of two parts, viz., metered and assessed units. The assessed units refer to the units billed to consumers in cases where meter readings are not available due to meter defects, door lock, etc. Billing of all the consumers is done at the Divisional level on monthly basis.

5.2.2 Scope of Audit

The audit covered 10 out of 20 Divisions (WEZ- three Divisions, of Capital, Naharlagun, Seppa; CEZ- four Divisions of Daporijo, Pasighat, Ziro; and EEZ- three Divisions of Deomali, Namsai, and Roing). Audit examination involved scrutiny of records at Office of Chief Engineer in Itanagar and 10 Divisions covering the period from 2010-11 to 2014-15. The compliance audit paragraph was issued to the Government/Department on 07 December 2015. However, replies of the Government/Department were not received

⁸ Western Electrical Zone (WEZ), Eastern Electrical Zone (EEZ), Central Electrical Zone (CEZ), and Transmission Planning & Monitoring (TP&M).

(February 2016). The compliance audit paragraph has therefore been finalised without the reply of the Government/Department.

5.2.3 Audit Objectives

The main objective of audit was to assess whether billing and revenue collection were efficient and effective and to examine whether:

- (i) Consumption of electricity was billed promptly as per applicable tariff orders and provisions of ESC;
- (ii) Collection of revenue from consumers was efficient and effective.

5.2.4 Audit Criteria

The following audit criteria were considered for benchmarking the Audit findings:

- Arunachal Pradesh ESC;
- APERC Tariff Orders;
- Provisions of Electricity Act 2003; and
- General Financial Rules

5.2.5 Audit Findings

The audit findings are discussed in the subsequent paragraphs:

Whether consumption of electricity was billed promptly as per applicable tariff orders

5.2.5.1 Delay in implementation of Revised Tariff resulted in loss of revenue amounting to ₹ 54.99 lakh

With a view to recover the cost of energy from the consumers, the Arunachal Pradesh State Electricity Regulatory Commission (APERC) is required to determine the Aggregate Revenue Requirement (ARR) and issue Tariff Orders every year for supply of electricity to the consumers by the DoP.

APERC's Tariff Orders for 2012-13 and 2013-14 revised (May 2012 and 2013) the electricity charges based on which the DoP was required to bill the consumers. Accordingly, the DoP through Office Orders dated 16 May 2012 and 21 June 2013 revised the tariff rates which were effective from 01 April of the respective financial years.

Audit noted that in three Divisions (Naharlagun, Daporijo and Seppa) consumers were not billed for consumption of electricity on the basis of revised tariff rates for the period ranging between five to 36 months. As a result there was a loss of revenue amounting to ₹ 54.99 lakh (Naharlagun ₹ 51.02 lakh, Seppa ₹ 3.61 lakh and Daporijo ₹ 0.36 lakh) (*Appendix -5.2.1*). Audit further observed that the above loss was mainly due to non-charging of revised tariff rates in Naharlagun Division during the period from April 2012 to May 2015 in respect of North Eastern Electric Power Corporation (NEEPCO) as laid down in the agreement (August 2010).

Thus, failure of the Department to charge the revised tariff rates in the three divisions resulted in loss of revenue ₹ 54.99 lakh.

5.2.5.2 Non-billing of minimum charges at applicable tariff rates

As per Schedule –III, Clause 9 Tariff Order 2006, a consumer is required to pay the minimum charges calculated on the sanctioned load if the energy charges payable are below the minimum charges in a month.

However, Audit noticed that in four Divisions (Naharlagun, Ziro, Aalo and Namsai), the minimum charges in respect of 19 commercial and bulk industrial consumers were not billed (2011-12 to 2014-15), in accordance with the above tariff orders, as shown in the Table below:

Table-5.2.1: Short billing of energy charges

(₹ in lakh)

Sl. No.	Name of the Division	No. of consumers short charged	Energy charges billed	Minimum energy charges to be billed	Short billing of energy charges
1	Naharlagun	10	74.21	226.31	152.10
2	Aalo	1	0.65	3.40	2.75
3	Ziro	5	1.50	3.94	2.44
4	Namsai	3	1.41	2.82	1.41
	Total	19	77.76	236.46	158.70

Against minimum charges of ₹ 2.36 crore to be billed for 19 commercial and bulk industrial consumers, the Department had billed only ₹ 0.78 crore during the period from April 2010 to March 2015. Thus, failure of the Department to bill the consumers at minimum charges, in the above four divisions, as per applicable Tariff Orders resulted in revenue loss of ₹ 1.59 crore.

5.2.5.3 Wrong classification of consumers

Tariff Order 2006, Schedule I, Category 2, defines commercial consumers as those installations of commercial places, Government undertaking, public sector undertaking, commercial houses, markets, optical houses, restaurants, bars, cinemas, hotels, lodging and boarding, private nursing homes and hospitals, religious hospitals, private run schools and hostels and boarding facilities and other educational institute demanding fees, etc.

Audit noticed that in Capital Division, 13 consumers were wrongly classified as bulk mixed consumers (e.g., University Campus, Defence installations, railway complex etc.,) though the nature of consumption of electricity was for commercial purposes like shops, hotels, schools, news agency, vehicle showroom and hardware shops, etc. Consequently, these 13 consumers were billed at lower tariff rates applicable for bulk mixed consumers instead of commercial consumers which resulted into loss of revenue of ₹ 15.27 lakh (*Appendix -5.2.2*).

Further, as per Schedule III General Condition of Supply, Clause 11 of DoP Tariff Order 2006 and APSERC Tariff Order 2013-14, all consumers who are supplied energy at HT

but metered on LT shall be charged an additional 3 *per cent* charge over the metered consumption. Audit noticed that in three divisions (Capital, Aalo and Namsai) the additional three *per cent* charge was not charged on 17 HT consumers who were metered on LT transformers. This had resulted in loss of revenue amounting to ₹ 10.46 lakh (April 2010 to July 2015).

Thus, wrong classification of consumers and non-charging of additional three per cent charge for HT supply had resulted into loss of revenue to the extent of ₹ 25.73 lakh.

5.2.5.4 Non billing of consumers

As per clause 6.4 of the ESC, the Department should issue first bill within two billing cycles of energizing a new connection. Audit noticed that in one Division (Daporijo), 1243 consumers out of 1823 consumers who were provided new connections, were billed after a considerable period of energizing ranging between 6 to 34 months. This had resulted in loss of revenue of ₹ 2.85 lakh (*Appendix – 5.2.3*) during February 2010 to November 2014.

5.2.6 Overview of Outstanding Revenues

5.2.6.1 Collection of revenue from consumers

Revenue as billed against the consumers should be realised promptly to ensure flow of funds for payment of energy costs and other distribution costs. To ensure this, electricity charges from the consumers should be collected within due dates after issuing bills.

During the period under review, the outstanding revenue collection increased from ₹ 113.25 crore in 2010-11 to ₹ 193.33 crore in 2014-15. Though the total revenue collection increased from ₹ 166.74 crore to ₹ 340.31 crore, the outstanding revenue at the end of each year also showed an increasing trend.

The status of year wise outstanding revenues at the beginning, revenue billed, revenue collected and revenue outstanding at the end, for the period 2010-11 to 2014-15 is shown in table below:

Table- 5.2.2: Outstanding Revenues

(₹ in crore)

Sl. No.	Year	2010-11	2011-12	2012-13	2013-14	2014-15
1	Outstanding Revenue at the beginning	97.30	113.25	135.37	156.59	181.40
2	Revenue billed during the year	69.44	89.17	97.32	111.85	158.91
3	Total Revenue to be collected	166.74	202.42	232.69	268.44	340.31
4	Revenue collected during the year	53.50	67.06	76.09	87.04	146.98
5	Outstanding at the end of the year.	113.25	135.37	156.59	181.40	193.33
6	Percentage of collection (%)	32.09	33.13	32.70	32.42	43.19

(Source: Information furnished by the Department)

From the above table it can be seen that although the percentage of collection had increased from 32.09 per cent (2010-11) to 43.19 per cent in 2014-15, the outstanding at the end of the year had also steadily increased. The total revenue outstanding at the end of 2014-15 was ₹ 193.33 crore.

5.2.6.2 Revenue collections in selected Divisions

Details of revenue billed, revenue collected, percentage of revenue collection and cumulative outstanding revenue in respect of the selected 10 Divisions during the period 2010-11 and 2014-15 are shown in the Table below.

Table- 5.2.3: Revenue collections and Outstanding Revenues

(₹ in crore)

Sl. No	Name of the Division	2010-11					2014-15				
		Outstanding at the beginning	Revenue Billed	Revenue Collected	Outstanding at the end	Percentage of collection	Outstanding at the beginning	Revenue Billed	Revenue Collected	Outstanding at the end	Percentage of collection
1	Capital	NA	NA	NA	NA	NA	33.69	4.23	3.15	34.77	8.31
2	Naharlagun	16.00	23.65	21.61	18.04	54.50	36.11	25.56	22.07	39.60	35.79
3	Seppa	2.19	0.86	0.44	2.61	14.43	4.89	1.61	0.53	5.97	8.15
4	Aalo	2.21	2.18	2.48	1.91	56.49	2.88	4.24	3.92	3.20	55.06
5	Daporijo	2.53	1.14	0.73	2.94	19.89	4.18	2.47	1.49	5.16	22.41
6	Pasighat	1.49	1.60	1.45	1.64	46.93	1.79	3.52	3.52	1.79	66.29
7	Ziro	6.01	4.03	1.92	8.12	19.12	22.59	6.89	3.12	26.36	10.58
8	Deomali	7.42	2.36	0.98	8.80	10.02	16.80	6.18	1.46	21.52	6.35
9	Namsai	5.27	3.46	3.25	5.48	37.23	19.72	7.05	2.97	23.80	11.09
10	Roing	1.32	0.71	0.53	1.50	26.11	1.57	1.15	0.85	1.87	31.25
	Total	44.44	39.99	33.39	51.04	39.55	110.53	62.90	43.08	164.04	24.84

(Source: Information provided by the Department)

From the above table, it may be seen that percentage of revenue collection in respect of Naharlagun, Namsai, Aalo, Ziro, Deomali and Seppa Divisions was showing decreasing trend. But in respect of Pasighat, Daporijo, and Roing Divisions, the percentage of revenue collection was showing an increasing trend during the period 2010-11 to 2014-15. In respect of Capital Division, the details of revenue billed, revenue collected and outstanding were not made available to audit for analysis.

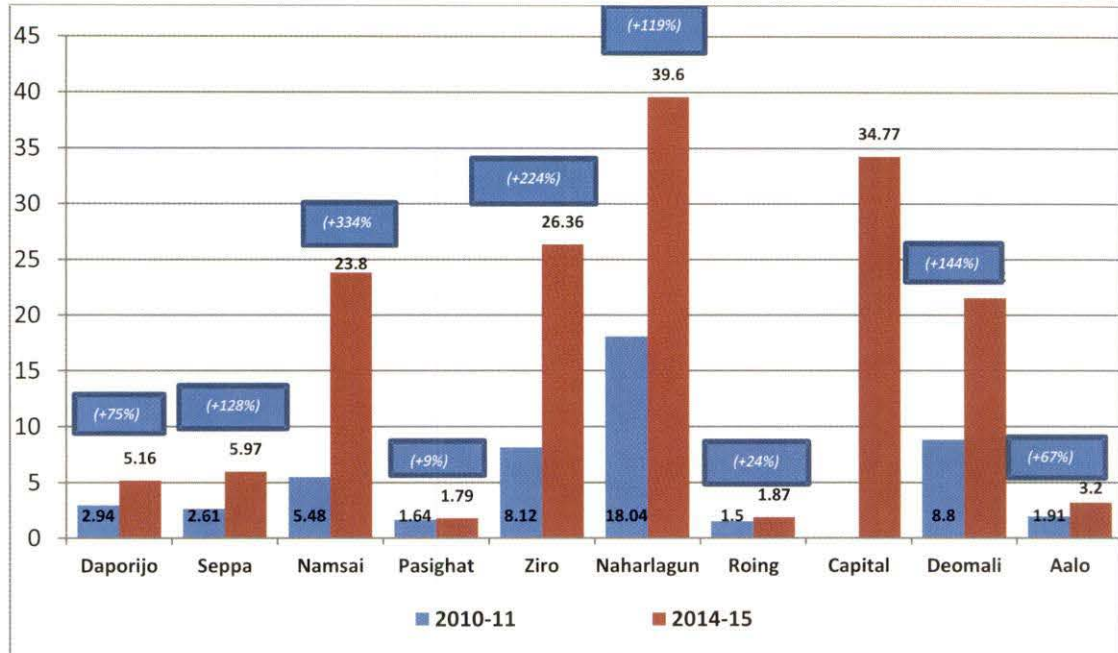
Audit observed that the percentage of revenue collection was below 50 per cent in respect of the seven (Naharlagun, Namsai, Ziro, Deomali, Seppa, Daporijo, and Roing) out of nine Divisions⁹ at the end of 31 March 2015. In respect of Aalo and Pasighat Division, the percentage of revenue collection was 55.06 and 66.29 per cent respectively at the end of 31 March 2015.

⁹ Out of 10 selected Divisions data for 2010-11 was provided for nine Divisions only.

5.2.6.3 Status of Outstanding Revenue of selected Divisions

Outstanding revenue in respect of the 10 selected Divisions during the period 2010-11 and 2014-15 is shown in the Chart below:

Chart: 5.2.1: Outstanding Revenue



From the above Bar Chart, it may be seen that outstanding revenue in respect of all the selected Divisions increased by 9 per cent to 334 per cent during the period 2010-11 to 2014-15. The percentage of increase in outstanding revenue dues in respect of Seppa, Namsai, Ziro, Naharlagun and Deomali Divisions was 100 per cent and above. The revenue arrears for all 10 Divisions work out to ₹ 164.04 crore at the end of 31 March 2015. The main reasons for such huge outstanding revenue are discussed below:

(i) Failure to disconnect service connections

As per the clause 6.28 of the Electricity Supply Code (ESC), the consumer is required to pay the electricity bill by cash (upto ₹ 10,000), cheque and demand draft within the due date. In case of non-payment of electricity dues, the Department is required to issue a disconnection notice in writing as per Section 56 of the Electricity Act 2003, to any consumer who failed on payment of his dues, after giving him a notice period of 15 working days to pay the dues. Thereafter, the Department can disconnect the consumer's service connection on expiry of the said notice period by removing the service line/meter as the Department might deem fit.

Audit noticed that in six Divisions (Daporijo, Deomali, Seppa, Capital, Roing and Namsai), the Department did not issue notices and disconnect connections of 934 consumers who had failed to pay their outstanding dues aggregating ₹ 8.33 crore. Oldest outstandings were since 1992 whereas period of some outstanding was not even known to the Department. (Capital - ₹ 4.68 crore, Deomali - ₹ 0.99 crore, Roing - ₹ 0.03 crore, Seppa - ₹ 1.23 crore, Daporijo - ₹ 0.15 crore and Namsai - ₹ 2.09 crore) as per details given below:

- (i) In respect of 50 customers (domestic and commercial), arrears of revenue amounting to ₹ 4.68 crore remained unrecovered since August 1993 onwards under Capital Division. However, the Division continued the electricity supply to the consumers without initiating action for disconnection of electricity supply as per provisions of ESC.
- (ii) In respect of 424 domestic, non-residential and commercial consumers (Daporijo-146, Seppa 28, Deomali -242 and Roing-8) arrears of revenue amounting to ₹ 1.56 crore remained unrecovered since 2001 onwards. But the Divisions continued supply of electricity to the consumers.
- (iii) In Namsai Division, against four industrial consumers, outstanding dues amounting to ₹ 2.09 crore remained unrecovered since long¹⁰ but no action was taken by the Division for disconnection.

Thus, failure of the Divisions to disconnect the service connection of the consumers as per provisions of the ESC resulted in non recovery of revenue to the tune of ₹ 8.33 crore.

(ii) Inadequate Consumer Security Deposit

Consumer Security Deposit is required to be collected from the consumers to safeguard the Department against default in payment of revenue dues by the consumers.

As per clause 4.120 of the ESC, at the beginning of the financial year, the sub-Division/Division is required to review the consumption pattern of the consumer for the adequacy of the security deposit from April to March of the previous year. The consumer is required to maintain a sum equivalent to his average payment for the period of one billing cycle plus one month as security deposit.

Audit noticed that the Department did not review the consumers' consumption pattern to determine the security deposit at the beginning of each financial year during 2010-11 to 2014-15 in Capital, Seppa, Daporijo, Roing, Ziro, Pasighat and Deomali Electrical Divisions.

As a result, the Department had not secured sufficient consumers security deposit as per average payment amounting to ₹ 359.54 lakh¹¹ in these seven Divisions (Capital - ₹ 131.81 lakh, Deomali - ₹ 77.91 lakh, Ziro - ₹ 54.65 lakh, Pasighat - ₹ 31.14 lakh, Daporijo - ₹ 28.17 lakh, Seppa - ₹ 26.20 lakh, Roing - ₹ 9.66 lakh) (*Appendix -5.2.4*) at the end of March 2015.

(iii) Non-collection of consumer Security Deposit

Audit observed that security deposit amounting to ₹ 17.30 lakh in respect of 23 commercial consumers (whose sanctioned load was 16 KVA each) in Roing Division was not collected since 2010-11.

¹⁰ Period not known to the Department

¹¹ As worked out based on two months average revenue billed for the year 2014-15 and the extent of consumer security deposit available as of 31 March 2015 with the Divisions

In Naharlagun Division, against consumer Security Deposit amounting ₹ 344.00 lakh on M/s SMS Smelters Ltd (load of 18 MW), Security Deposit of only ₹ 165.00 lakh (₹ 75 lakh cash & ₹ 90 lakh Bank Guarantee) was collected leaving a balance of ₹ 179.00 lakh to be collected as of 31 March 2015.

Thus, due to non enforcement of the provisions of ESC on Security Deposit, the Department failed to collect a total of ₹ 196.30 lakh towards Security Deposit from 23 commercial consumers in Roing Division and one consumer from Naharalagun Division.

(iv) Non-levy of late payment surcharge

As per clause 6.36 of the ESC, surcharge at applicable rates (i.e. two per cent as per Tariff Order) should be levied for delayed payment of electricity charges. However, Audit noticed that in two Divisions (Seppa and Capital), the Department had not levied surcharge for delayed payments by the consumers during the period 2010-11 to 2014-15 (*Appendix -5.2.5*) amounting to ₹ 501.43 lakh by all categories of consumers.

(v) Non-adjustment of interest on Consumers Security Deposit

As per Clause 8 of Schedule-II of the Tariff Order (2013-14), components such as Meter Security and Security Deposit (on sanctioned load), which were interest free and refundable/ adjustable in the past, had now been converted into Security Deposit bearing interest and refundable/ adjustable w.e.f.05 April 2013. Accordingly, the Government of Arunachal Pradesh directed (23 January 2014), the Department to transfer the Consumer's Security Deposit from 'Head of Account-8443 Deposit not bearing interest' to 'Head of Account-8336 Deposit bearing interest.'

Further, as per clause 4.119 of ESC 2013, the Department was required to pay interest to the consumer at the State Bank of India base rate prevailing on the 1st of April for the year, payable annually on the consumer's Security Deposit with effect from 05 April 2013. The interest accrued during the year was to be adjusted in the consumer's bill for the first billing cycle of the ensuing financial year. As on March 2015, the Department had an amount of ₹ 14.02 crore as Security Deposit from all consumers which was eligible for transfer to Head of Account 8336 as per the orders of the Government. Audit noticed that the Department had transferred only ₹ 1.08 crore from Head of Account 8443 to Head of Account 8336 as on 31 March 2015 leaving a balance of ₹ 12.94 crore in the non-interest bearing Head of Account 8443.

Audit observed that in the 10 Divisions an interest of ₹ 188.04 lakh (*Appendix -5.2.6*) accrued on consumer's security deposit during the two years period 2013-14 and 2014-15 was not adjusted in favour of consumers.

The matter was reported to the Department/Government (October 2015); reply is still awaited (February 2016).

5.2.7 Conclusion

Audit observed delay in implementation of the provisions of Tariff Orders during the five year period 2010-15 in seven Divisions resulting in loss of revenue to the Government to the extent of ₹ 242.27 lakh. Though the total revenue collection increased during the five

years period 2010-15, the outstanding revenue also showed an increasing trend. The Department had not taken action against 934 consumers who defaulted in payment of outstanding dues amounting to ₹ 833 lakh for periods ranging between 14 years and 22 years. The Department had failed to collect Security Deposit of ₹ 196.30 lakh from 23 commercial consumers and had not adjusted interest of ₹ 188.04 lakh on consumers Security Deposit from the consumers bills.

5.2.8 Recommendations

The Department should:

- (i) formulate an action plan indicating timeline to implement all the provisions of applicable tariff orders for billing the consumers.
- (ii) strengthen enforcement mechanism for effective collection of revenue, outstanding dues and consumer security deposit in compliance to ESC.
- (iii) transfer security deposit from non-interest bearing account to interest bearing account as per the Government orders.

Arunachal Pradesh Industrial Development & Financial Corporation Limited

5.3 Non-operationalisation of Arunachal State Guest House in Navi Mumbai

Allowing a private party to use the property developed by it for purposes other than original one, on the land allotted to Government of Arunachal Pradesh for construction of a State Guest house – cum – Emporium as stipulated in the land lease agreement, may lead to the risk of termination of land lease on which a building has been constructed at a cost of ₹ 41 crore by the private party. Besides, due to non-operationalisation of Guest House, which is part of the constructed building, Arunachal Pradesh Industrial Development & Financial Corporation Limited foregone profit of ₹ 1.02 crore.

City and Industrial Development Corporation of Maharashtra Limited (CIDCO) allotted (August 1997) a piece of land measuring 2331 Sq. m at Vashi, Navi Mumbai to the Department of Industries, Government of Arunachal Pradesh, on lease basis at a premium of ₹ 0.93 crore payable to CIDCO for the purpose of constructing a State Guest House. The Licensee had the right to use the land for the purpose of erecting a building or buildings as a commercial user having a State Guest House and for no other purpose and as soon as the erection of the building completed within five years, CIDCO would grant the Licensee a lease of the land and buildings erected thereon for a term of 60 years from the date of completion of construction of building. As per the clause 9, the Licensee was not allowed to transfer or assign his rights and interests in, or benefit under the agreement in respect of the plot allotted. The Government subsequently handed over the leasehold land to Arunachal Pradesh Industrial Development & Financial Corporation Limited (the Company) for its management, operation and entering into agreement with any private builder for construction of the State Guest House-cum-Emporium by a Notification (April 2006).

Accordingly, the Company entered into an Agreement (October 2007) with M/s U.S. Roofs Ltd., Navi Mumbai (Developer) for construction of the State Guest House-cum-Emporium and handing over a minimum built up area of 6500 Sq. ft. on Build, Operate and Transfer basis within two and half years at their own cost and return the leasehold land after expiry of sixty years. In return, the developer was given exclusive rights to develop and use the areas viz. entire basement, parking spaces and other areas beyond the said built-up area of 6500 Sq ft. of the plot.

Further, as per the Build, Operate and Transfer agreement, the developer paid ₹ 10.01 crore (June 2006 & October 2007) to APIDFC towards non-refundable upfront payments and ₹ 7.60 crore to CIDCO towards settlement of outstanding dues of State Government including lease premium. APIDFC subsequently (December 2010) entered into a modified lease agreement with CIDCO for increasing the land area from 2331.00 Sq. m to 2450.58 Sq. m, on payment of additional lease premium of ₹ 1.93 crore, for the use of State Guest House-cum-Emporium only and for no other purpose and authorizing the Company to act on behalf of the State Government.

The developer completed the building, including the Guest House cum Emporium, in August 2013 at a cost of ₹ 41 crore and provisionally handed over (August 2013) fully furnished built up area of 8160 Sq. ft forming a part of the second floor to APIDFC for their use. The total built up area of the building has not been furnished by the Company in spite of calling for the same (January 2016).

In this connection audit observed the following:

1. Contrary to the terms and conditions that the Company would not transfer or assign its rights, it entered into a separate concession agreement with the developer permitting the developer to utilize the balance portion of the constructed premises (other than 6500 Sq ft) for setting-up a hotel or to grant long term lease to individual units to various prospective lessees or for such other user as the developer deemed fit, necessary or proper for a period of sixty years.
2. The Company had allowed the developer to use the developed area (other than State Guest House cum Emporium) for purposes other than agreed in the original lease agreement with CIDCO. Consequently, CIDCO issued a show cause notice (September 2013) to the Government for breach of the lease agreement and termination of lease due to violation of terms and conditions of lease agreement. However, the Company informed the CIDCO incorporating the reply of the Government and stated (October 2013) that any violation of the terms and conditions may be regularized. Not being satisfied with the reply, CIDCO reiterated (February 2014) its objections. Further in reply to this notice to the Government by CIDCO, the Company stated (June 2014) that it had not violated the land use policy and contested the charges of CIDCO and expressed its willingness to pay such charges/premium as the CIDCO may decide for subletting a portion of the building. Thus, audit observed that the diversion of land use for purposes other than State Guest House cum Emporium by incorporating private parties may involve the risk of cancellation of licence and

agreement. The Company replied (March 2016) that the private developer was allowed to use the leasehold land for the purpose other than Guest House-Cum-Emporium as per Government Notification dated 20.4.2006.

3. The Company also did not operationalise (September 2013 to December 2015) the Guest House cum Emporium space since taking-over (30 August 2013) from the developer. Instead, the Company, immediately upon taking-over requested (30 August 2013) the developer, to look after the Guest House and Emporium till appointment of competent person by the Company. Thus, the Company had foregone profit of ₹ 1.02¹² crore during the above period, as projected in its own appraisal to the Board of Directors (December 2012).

The Company in its reply (March 2015) stated that it had not been fully authorised to take over and manage the guest house and it had not commenced its commercial operation and added that Government would finally take over the Guest House Cum Emporium and run on the basis of Arunachal Bhawan New Delhi. Thus, there was no question of earning profit or loss.

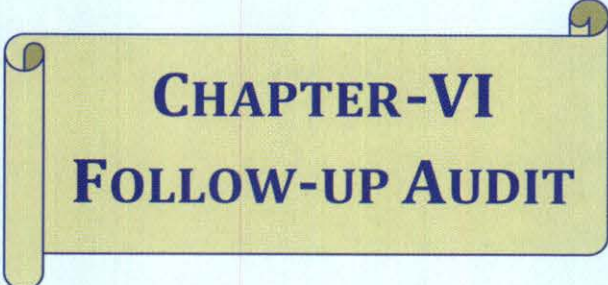
The reply of the Company was not acceptable as the Government notification of April 2006 provided for management, operation of the State Guest House-cum-Emporium by the Company itself.

The matter was reported to the Department/Government (5 March 2015); reply is still awaited (February 2016).

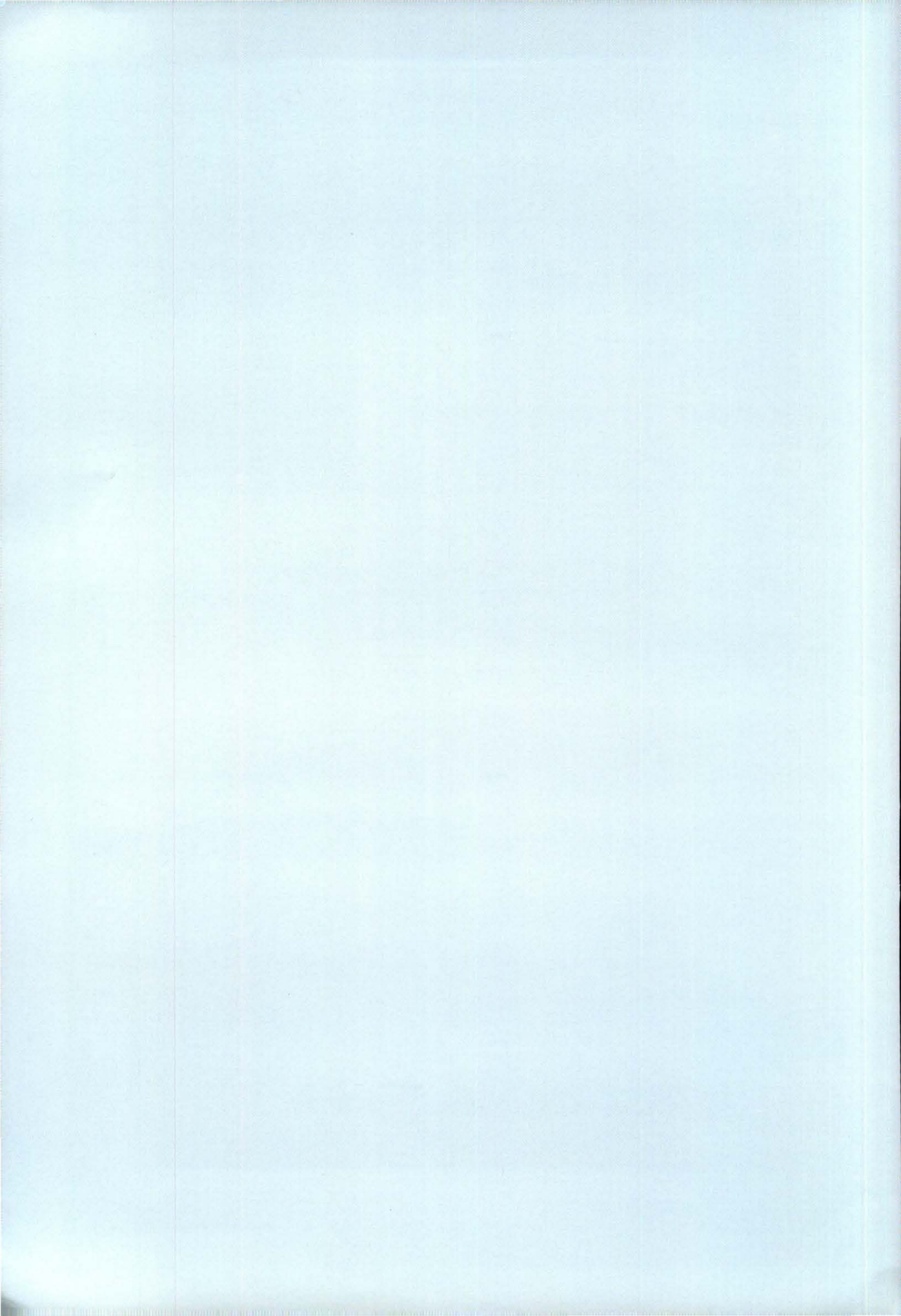
¹² First Year Net Profit - ₹ 35.69 lakh (Sep. 2013 to Aug. 2014)

Second Year Net Profit - ₹ 44.08 lakh (Sep. 2014 to Aug. 2015)

Third Year Net Profit - ₹ 52.17 lakh*5 months/12 months = ₹ 21.74 lakh (Sep. 2015 to Jan. 2016)



CHAPTER-VI
FOLLOW-UP AUDIT



CHAPTER-VI: FOLLOW UP OF AUDIT OBSERVATIONS

6.1.1 Follow-up action on Audit Reports

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

As per decision taken on "Legislature Audit Interface" held on July 5, 2010, every State PAC/COPU has been directed by Headquarter to transfer outstanding Reports/Paras up to 2007-08 to concerned Departments for follow-up action at their end. As such, Accountant General, Arunachal Pradesh transferred 144 Paras pertaining to the period from 1994-95 to 2007-08 in 2011-12 for Action Taken by them, but no Action Taken Report has been received from the concerned Departments (March 2015). However, review of the outstanding Explanatory Notes on paragraphs included in the Reports of the Comptroller and Auditor General of India from 2008-09 to 2013-14 revealed that the concerned Administrative Departments did not comply with these instructions. As of March 2015, *suo moto* Explanatory Notes on 159 Paragraphs of the Audit Reports were outstanding from various Departments (**Appendix-6.1.1**).

The Administrative Departments were also required to take suitable action on recommendations made in the PAC Reports presented to the State Legislature. The PAC specified the time-frame for submission of such ATNs as one month up to the 61st Report. Review of 18 Reports of the PAC containing recommendations on 85 Paragraphs in respect of 25 Departments included in Audit Reports and presented to the Legislature between September 1994 and September 2012, revealed that no Department sent any ATN to the Assembly Secretariat as of March 2015. Thus, status of the recommendations contained in the said Reports of the PAC, and whether these were being acted upon by the Administrative Departments, could not be ascertained in audit (**Appendix-6.1.2**).

6.1.2 Recovery at the instance of Audit

In paragraph 4.2.16 of the Audit Report for the year ending March 2011, an amount of ₹10.30 lakh was not realized by the Superintendent of Excise, Khonsa from the nine retail licensees. The aforesaid amount has been recovered by the concerned Division of the State Excise Department.

6.1.3 Audit Committee Meeting

No Audit Committee Meeting was held during 2014-15.

6.1.4 Response to Audit Observations

3,213 Paragraphs pertaining to 591 Inspection Reports, involving ₹ 1430.17 crore were outstanding as of March 2015 and first replies to the 227 Inspection Reports have not been received.

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

As of March 2015, 3213 Paragraphs relating to 591 IRs pertaining to 307 offices of 54 Departments remained outstanding. Of these, 77 IRs were not replied to/settled for more than ten years. Even initial replies, which were required to be received from the Heads of Offices within one month from the date of issue were not received from 218 offices for 227 IRs issued between 2003-04 to 2014-15. As a result, the following serious irregularities commented upon in the IRs were not settled as on date:

(₹ in lakh)

Sl. No.	Nature of irregularities	Deputy Commissioner		District Rural Development Agency		Public Works Department	
		No. of Para	Amount	No. of Para	Amount	No. of Para	Amount
1	Irregular expenditure under United Fund	-	-	1	119.20	-	-
2	Misuse of Public Money on functions organized by All Arunachal Pradesh Students Union(AAPSU)	-	-	1	56.97	-	-
3	Inadmissible under United Fund	-	-	1	106.61	-	-
4	Execution of the project valued without invitation of tender	1(a)	2310	-	-	-	-

Sl. No.	Nature of irregularities	Deputy Commissioner		District Rural Development Agency		Public Works Department	
		No. of Para	Amount	No. of Para	Amount	No. of Para	Amount
5	Blockade of unutilized balance	1(b)	218	-	-	-	-
6	Unfruitful expenditure on procurement of obsolete software	1(c)	75.66	-	-	-	-
7	Loss of Govt. revenue to the tune	1(d)	26.52	-	-	-	-
8	Loss of interest due to funds lying idle	1(e)	130.66	-	-	-	-
9	Non accounted in the Cash Book against IWWP-II	1	28.80	-	--	-	-
10	Non- recovery of departmentally issued tools after completion of work	1	43.59	-	-	-	-
11	Excess/Undue financial benefit	-	-	-	-	9	377.93
12	Doubtful Expenditure	-	-	-	-	5	281.89
13	Wasteful Expenditure	-	-	-	-	6	1255.46
14	Non-Imposition of Liquidated damages	-	-	-	-	5	688.63
15	Unfruitful Expenditure	-	-	-	-	3	113.16
16	Idle Expenditure	-	-	-	-	5	470.33
17	Irregular Expenditure	-	-	-	-	6	120.83
18	Avoidable Expenditure	-	-	-	-	6	4666.06
19	Non/short deduction of VAT	-	-	-	-	5	529.80
20	Non deduction of Cess	-	-	-	-	4	126.49
21	Inadmissible Expenditure	-	-	-	-	6	260.02
22	Excess Expenditure	-	-	-	-	15	797.53
2	Diversion of fund	-	-	-	-	2	293.93
Total		7	2833.23	3	282.78	13	9982.06

Commissioners/Secretaries of concerned Departments who were informed of the position through half-yearly reports, failed to ensure that concerned officers of Departments took prompt and timely action. It is recommended that the Government look into this matter and ensure that:

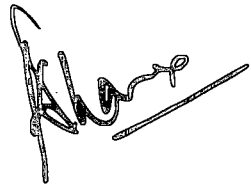
- a) action is taken against officials who fail to send replies to IRs/Audit Paragraphs as per prescribed time schedule;
- b) action is initiated to recover losses/outstanding advances/overpayments pointed out in audit in a time bound manner; and
- c) there is a proper system for expeditious compliance to audit observations.

Itanagar
Dated: the 20 April 2016


(John K Sellate)
Accountant General, Arunachal Pradesh

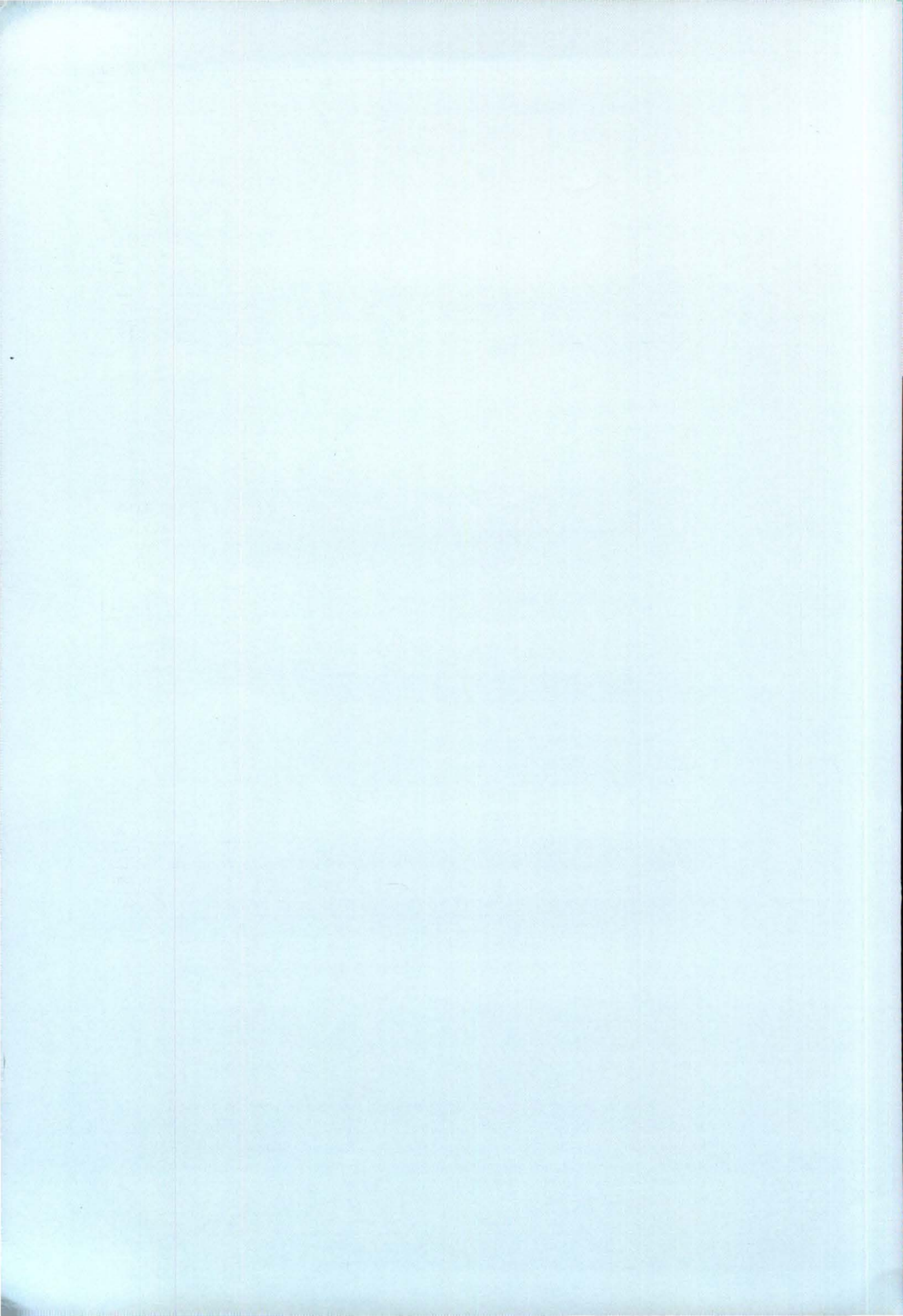
Countersigned

New Delhi
Dated: the 25 April 2016


(Shashi Kant Sharma)
Comptroller and Auditor General of India



APPENDICIES



Appendix: 1.2.1
(Para 1.2.9.5)

Statement of available area vis-à-vis norms of Workshops at ITIs

Name of ITI	Name of the trades	Requirement of space as per norms	Space actually available	Shortage (-) Excess (+)
Roing	Carpenter	120	140.35	(+) 20.35
	Draughtsman	64	64	0
	Electrician	98	111.80	(+) 13.8
	Fitter	88	149.95	(+) 61.95
	IT & ESM ¹	70	108.35	(+) 38.35
	Mech. Motor vehicle	84	143.31	(+) 59.31
	Plumber	80	92.53	(+) 12.53
	Surveyor	64	67.68	(+) 3.68
	Welder	80	137.90	(+) 57.9
	Wireman	88	149.17	(+) 61.17
	Total		836	1165.04
Yupia	Secretarial Practice	48	72	(+) 24
	Basic Cosmetology	70	18	(-) 52
	FDT ²	64	93	(+) 29
	Baker & Confectioner	96	120	(+) 24
	Total		278	303
Balinong	Draughtsman	110	100	(-) 10
	Mechanic Diesel	170	240	(+) 70
	COPA ³	70	160	(+) 90
	RAC ⁴	80	108	(+) 28
	Total		430	608
Tabarijo	Draughtsman	114	150	(+) 36
	Electrician	98	150	(+) 52
	IT&ESM	80	140	(+) 60
	Secretarial Practice	48	180	(+) 132
	Total		340	620
Dirang	COPA	70	77	(+) 7
	Secretarial Practice	48	48	0
	Welder	80	90	(+) 10
	PFV ⁵	96	77	(-) 19
	Electronic Mechanic	56	77	(+) 21
	Total		350	369

¹ IT & ESM: Information Technology and Electronic System Maintenance old name of Information Communication Technology System Maintenance (ICTSM).

² Fashion Design Technology.

³ Computer Operator and Programming Assistant.

⁴ Refrigeration and Air Conditioner.

⁵ Preservation of Fruit & Vegetables.

Appendix: 1.2.2
(Refer Para 1.2.9.9)

Statement showing availability of tools and equipment for new syllabi

Name of ITI	Name of Trade	Number of tools/equipment		Shortfall in percentage
		as per NCVT norm	not available	
Yupia	Secretarial Practice (Manual Typewriter, Duplicating Machine, PC, printers etc)	150	150	100.00
	Basic Cosmetology (Facial Sauna, Hair Dryer, etc)	73	72	98.63
	FDT ⁶ (Embroidery Ring, French Curve, GC Box etc.)	276	109	39.49
Roing	ITCS ⁷ (Neon Tester, Pliers, Soldering Iron etc.)	1094	793	72.49
	Draughtsman (Scale Card Board, Protractor Celluloid etc.	589	436	74.02
	Surveyor (Engineering Instrument Box, Protractor etc.)	598	245	40.97
	Electrician (Steep Tape, Gimlet etc.)	853	55	6.45
	Wiremen (Steel Rule, Screw Driver etc.)	1390	1066	76.69
	Plumber ("V" block, spanners, anvil etc)	518	16	3.09
	Fitter (Steel Rule, TrySquare, Calipers etc)	1654	1087	65.72
	Welder (Leather hand glove, leather apron etc.)	527	375	71.16
Tabarijo	Motor Mechanic Vehicle (AC alternator slip ring puller, air brake assemble etc.)	772	278	36.01
	Draughtsman (Scale Card Board, Protractor Celluloid etc.	352	252	71.59
	ITCSM (Neon Tester, Pliers, Soldering Iron etc.)	1040	786	75.58
	Electrician (Steep Tape, Gimlet etc.)	573	300	52.36
Dirang	Secretarial Practice (Manual Typewriter, Duplicating Machine, PC, printers etc)	104	73	70.19
	COPA ⁸ (PCs, Laptops, Softwares etc.)	165	141	85.45
	Electronic Mechanic (Connecting Screw Driver, Neon Testers, Pliers etc.)	284	98	34.51
	Secretarial Practice (Manual Typewriter, Duplicating Machine, PC, printers etc)	147	133	90.48
	Welder (Leather hand glove, leather apron etc.)	504	74	14.68
Balinong	PFV (Fruit Mill, Stainless steel pricker, Solar Dryer (Cabinet type) etc.)	263	110	41.83
	Draughtsman (Scale Card Board, Protractor Celluloid etc.	309	142	45.95
	COPA (PCs, Laptops, Softwares etc.)	218	180	82.57
	Mechanic Diesel (Allen Key set, Caliper, Dividers etc.)	546	366	67.03
	RAC ⁹ (Files, Scriber, Centre Punch etc.)	1210	768	63.47
	Total	14209	8105	57.04

⁶ Fashion Design Technology.

⁷ Information Communication Technology System Maintenance.

⁸ Computer Operator and Programming Assistant.

⁹ Refrigeration and Air Conditioner.

Appendix-2.2.1
(Refer Para-2.2.8.2)

Delay in release of funds.

Sl. No.	Name of the project	Sanctioned cost	Amount released by Government	Date of release by GOI	Date of release by State Govt.	Delay in released fund by State Govt.
Project under Central Financial Assistance						
1.	C/o Tourist Resort Cum Amusement Park at Karmajuli-Karsingsa, Itanagar.	455.47	22.78 (1 st inst.) 68.32 (2 nd inst.)	30.03.2013	24.03.2014	12 months
2.	Construction of Adventure Tourism on Subansiri River in Upper Subansiri District (Tribal Area)	378.11	18.91(1 st inst.) 56.72 (2 nd inst.)	31.03.2013	11.02.2014	10 months
3.	Development of Bodum Langne (Snake Stone) Trekking Trail, Arunachal Pradesh (Tribal Area).	404.13	20.21 (1 st inst.) 60.62 (2 nd inst.)	31.03.2013	27.02.2014	11 months
4.	Integrated Development of Historical Cum Heritage Destination at Likabali under West Siang District.	418.88	335.10 (1 st inst.) Final inst. not released by GOI	13.09.2011	22.11.2012	14 months
5.	Destination Development at Mariyang, Dr. Daying Ering wild life sanctuary and Borguli in Arunachal Pradesh (Tribal Area)	499.20	99.84 (1 st inst.)	30.09.2013	08.09.2014	11 months
6.	Destination Development at Mechuka Wellness Resort at Shegang (Organic Farming Traditional SPA) in Arunachal Pradesh (Tribal Area)	500.00	100.00 (1 st inst.)	30.09.2013	25.08.2014	11 months
7.	Construction of Tourist Complex at Hunli Lower Dibang Valley Distt. Arunachal Pradesh.	490.26	98.05 (1 st inst.)	10.09.2013	27.03.2015	07 months
8.	Development of Rural Tourism at Komkar Village, Upper Siang District (Software)	20.00	16.00 (1 st inst.) Final inst. not released by GOI	18.05.2012	23.01.2013	08 months

Sl. No.	Name of the project	Sanctioned cost	Amount released by Government	Date of release by GOI	Date of release by State Govt.	Delay in released fund by State Govt.
9.	Development of Tourist Circuit in Itanagar-Ziro-Daporijo-Aalo-Pasighat Circuit in Arunachal Pradesh.	800.00	160.00 (1 st inst.)	30.09.2014	Yet to be released.	09 months already delayed in release of fund (as on June/15)
10.	Development of Heritage Site at Pemaziling Menchuka, West Siang District in Arunachal Pradesh.	500.00	100.00 (1 st inst.)	28.11.2014	Yet to be released	07 months already delayed in release of fund (as on June/15)
11.	Eco-Tourism Resort at Haru Pahar, Roing in Arunachal Pradesh.	500.00	100.00 (1 st inst.)	28.11.2014	Yet to be released.	07 months already delayed in release of fund (as on June/15)
12.	Development of Miao-Namdapha Circuit in Arunachal Pradesh (Tribal Area)	780.65	156.13 (1 st inst.)	30.09.2013	19.03.2015	18 months
13.	Destination Development at Baririjo-Sikarijo-Chumin at Sippi and Buyorlo in Arunachal Pradesh (Tribal Area)	500.00	100.00 (1 st inst.)	30.09.2013	23.03.2015	18months
14.	Development of Adventure Sports Tourism at Bhalukpong Arunachal Pradesh (Tribal Area)	385.75	19.29 (1 st inst.) 57.86 (2 nd inst.)	30.03.2013	25.08.2014	17 months
15.	Mega Tourist Destination at Tawang.	2316.69	463.34 (1 st inst.)	10.09.2013	24.03.2015	18 months
16.	Development of River Island Resort at Aalo West Siang District.	451.94	361.55 (1 st inst.) Final inst. not released by GOI	09.12.2011	17.07.2013	08 months
17.	Development of Wayside Amenities under Itanagar-Ziro-Daporijo-Aalo-Mechuka Circuit Arunachal Pradesh (Tribal Area)	799.95	40.00 (1 st inst.) 119.99 (2 nd inst.) 479.97(3 rd inst.)	31.03.2013	28.01.2014	10 months

Sl. No.	Name of the project	Sanctioned cost	Amount released by Government	Date of release by GOI	Date of release by State Govt.	Delay in released fund by State Govt.
18.	C/o Cafeteria-cum-Picnic Sport at Ramghat under Papumpare District in Arunachal Pradesh (Tribal Area)	393.42	19.67 (1 st inst.) 59.01 (2 nd inst.)	31.03.2013	07.02.2014	10 months
19.	Development of Rural Tourism at Komkar Village, Upper Siang District, Arunachal Pradesh.	40.36	32.29 (1 st inst.) 2 nd inst. not released by GOI	19.12.2011	23.03.2014	27 months
20.	Rural Tourism at Deke Village in West Siang District in Arunachal Pradesh-Software	17.00	13.60 (1 st inst.) 2 nd inst. not released by GOI	18.03.2011	03.02.2012	10 months
21.	C/o White Rafting Front Development at Tai, West Siang District.	475.55	5.00 (1 st inst.) 375.44 (2 nd inst.) Final inst. not released by GOI.	05.03.2012	22.03.2013	13 months
22.	Development of Doble Cultural Centre at Lumla, Arunachal Pradesh.	316.85	253.48 (1 st inst.) 63.37 (2 nd inst.)	31.12.2010	19.10.2012	22 months
23.	C/o Tourist Complex at Bishmaknagar in Lower Dibang Valley Dist. Aurnchal Pradesh.	437.78	350.22 (1 st inst.) 87.55 (2 nd inst.)	28.07.2010	03.02.2011	06 months
24.	Development of Tourist Resort at Patilla (Holongi) in Papumpare District, Arunachal Pradesh.	386.25	309.00 (1 st inst.) 77.25 (2 nd inst.)	01.07.2010	18.02.2011	08 months
25.	Development of Park Angling and Picnic Spot in the Confluence of Sie and Rime River at ESI Rite in West Siang District in Arunachal Pradesh.	221.42	177.14 (1 st inst.) 44.28 (2 nd inst.)	17.06.2010	08.02.2011	08 months
26.	C/o of Convention Centre at Mechuka, Arunachal Pradesh.	332.64	266.11 (1 st inst.) 66.53 (2 nd inst.)	28.05.2010	18.02.2011	09 months
27.	Preservation of Historical Ruin at Kekar Monying in Arunachal Pradesh.	391.48	313.18 (1 st inst.) 78.30 (2 nd inst.)	22.09.2010	15.12.2012	27 months

31 March 2015

Name of the project	Sanctioned cost	Amount released by Government	Date of release by GOI	Date of release by State Govt.	Delay in released fund by State Govt.
1. Under North East Council (NEC) funding Infrastructure Development for Tourism at Tippi under Bhalkpong Circle in West Kameng District.	420.08	151.22 (1 st inst.) 20.00 (1 st inst. of state share) 10.00 (2 nd inst. of state share) 151.22 (2 nd inst.)	20.10.2011	26.03.2012	05 months
2. C/o of Tourist Lodge near Pamruk Village under Kumporijo Circle, Raga Sub-Division, Ziro, Lower Subansiri District.	277.16	99.77 (1 st inst.) 10.00 (1 st inst. of state share) 10.00 (2 nd inst. of state share) 99.77 (2 nd inst.)	06.07.2012	25.03.2013	08 months
3. Development and Beautification of Thanghaphey lakes, in Tawang District, Arunchal Pradesh.	488.16	140.00 (1 st inst.) 48.82 (1 st inst. of state share) 175.73 (2 nd inst.) 123.61 (3 rd inst.)	23.02.2011	09.08.2011	06 months

Appendix-2.2.2
(Refer Para-2.2.9)

Statement of projects under Central Financial Assistance (CFA) and NEC taken up during 2010-11 to 2014-15 (as of June 2015)

Sl. No.	Name of the project	Sanctioned cost	Amount released by Government.	Date of release by GOI	Date of release by State Govt.	Stipulated period of completion	Physical Progress	Status of completion of Project
1.	Development of Bhalukpong-Bomdila-Tawang Circuit in Arunachal Pradesh (Tribal Area)	785.78	157.15 (1 st inst.)	30.09.2013	19.03.2015	24 months (29.09.2015)	10%	Schedule to be completed 29.09.2015
2.	Development of Itanagar-Doimukh-Sagalee-Circuit in Arunachal Pradesh (Tribal Area)	759.75	151.95 (1 st inst.)	30.09.2013	28.02.2015	24 months (29.09.2015)	10%	Schedule to be completed 29.09.2015
3.	Destination Development at Mariyang, Dr. DayingEring wild life sanctuary and Borguli in Arunachal Pradesh (Tribal Area)	499.20	99.84 (1 st inst.)	30.09.2013	08.09.2014	24 months (29.09.2015)	10%	Schedule to be completed 29.09.2015
4.	Destination Development at Mechuka Wellness Resort at Shegang (Organic Farming Traditional SPA) in Arunachal Pradesh (Tribal Area)	500.00	100.00 (1 st inst.)	30.09.2013	25.08.2014	24 months (29.09.2015)	25%	Schedule to be completed 29.09.2015
5.	Development of Eco-Tourism Circuit at Loki-Partung-Taluaak in East Siang District Arunachal Pradesh (Tribal Area)	791.31	158.26 (1 st Inst)	30.09.2013	09.03.2015	24 months (29.09.2015)	30%	Schedule to be completed 29.09.2015
6.	Construction of Tourist Complex at Hunli Lower Dibang Valley Distt. Arunachal Pradesh.	490.26	98.05 (1 st inst.)	10.09.2013	27.03.2015	24 months (09.09.2015)	5%	Schedule to be completed 09.09.2015
7.	Development of Tourist Circuit in Itanagar-Ziro-Daporijo-Aalo-Pasighat Circuit in Arunachal Pradesh.	800.00	160.00 (1 st inst.)	30.09.2014	Yet to be released.	24 months (29.09.2016)		State Govt. has not released the fund.

Sl. No.	Name of the project	Sanctioned cost	Amount released by Government.	Date of release by GOI	Date of release by State Govt.	Stipulated period of completion	Physical Progress	Status of completion of Project
8.	Development of Heritage Site at PemazilingMenchuka, West Siang District in Arunachal Pradesh.	500.00	100.00 (1 st inst.)	28.11.2014	Yet to be released	24 months (27.11.2016)		State Govt. has not released the fund
9.	Eco-Tourism Resort at HaruPahar, Roing in Arunachal Pradesh.	500.00	100.00 (1 st inst.)	28.11.2014	Yet to be released.	24 months (27.11.2016)		State Govt. has not released the fund
10.	Development of Miao-Namdapha Circuit in Arunachal Pradesh (Tribal Area)	780.65	156.13 (1 st inst.)	30.09.2013	19.03.2015	24 months (29.09.2015)	5%	Schedule to be completed 29.09.2015
11.	Destination Development at Baririjo-Sikarijo-Chumin at Sippi and Buyorlo in Arunachal Pradesh (Tribal Area)	500.00	100.00 (1 st inst.)	30.09.2013	23.03.2015	24 months (29.09.2015)	10%	Schedule to be completed 29.09.2015
12.	Mega Tourist Destination at Tawang.	2316.69	463.34 (1 st inst.)	10.09.2013	24.03.2015	24 months (09.09.2015)	5%	Schedule to be completed 09.09.2015
13.	Development of Rural Tourism at Deke West Siang District-Hardware	45.52	36.42 (1 st inst.) Final inst. not released by GOI	12.07.2011	16.12.2011	12 months (11.07.2012)	100%	Completed in schedule time
14.	C/o of Trekking Hub and Trekkers Trail from Base Camp Yorlung to PasangSonamTso (Lake) in International Border in Mechukha.	362.35	289.88 (1 st inst.) 72.47 (2 nd inst.)	17.09.2012 22.12.14 (2 nd)	14.03.2013 24.03.15 (2 nd)	36 months (16.09.2015)	100%	Completed in schedule time

Sl. No.	Name of the project	Sanctioned cost	Amount released by Government.	Date of release by GOI	Date of release by State Govt.	Stipulated period of completion	Physical Progress	Status of completion of Project
15.	Eco-Tourism at KoneGipong area under Dambuk sub Division of Lower Dibang Valley District.	468.43	374.74 (1 st inst.) Final inst. not released by GOI	17.09.2012	04.03.2013	24 months (16.09.2014)	100%	Completed in schedule time
16.	Integrated Development of Historical Cum Heritage Destination at Likabali under West Siang District.	418.88	335.10 (1 st inst.) Final inst. not released by GOI	13.09.2011	22.11.2012	24 months (12.09.2013)	100%	Completed in schedule time
17.	Development of River Island Resort at Aalo West Siang District.	451.94	361.55 (1 st inst.) Final inst. not released by GOI	09.12.2011	17.07.2013	24 months (08.12.2013)	100%	Completed in schedule time
18.	C/o of Wayside Amenities at Verma Point (Jabli) under Yachuli, Lower Subansiri District, Arunachal Pradesh.	140.80	112.64 (1 st inst.) 28.16 (2 nd inst.)	17.09.2012 22.12.13(2 nd)	14.03.2013 25.03.15(2 nd)	24 months (16.09.2015)	100%	Completed in schedule time
19.	Destination Development at Yachuli, Arunachal Pradesh.	417.34	333.87 (1 st inst.) 83.47 (2 nd inst.)	14.09.2012 22.12.14 (2 nd)	23.01.2013 23.3.15(2 nd)	24 months (13.09.2014)	100%	Completed in schedule time
20.	C/o Tourist Lodge at Liromoba under West Siang District.	277.20	221.76 (1 st inst.) 2 nd inst. not released by GOI.	17.09.2012	07.02.2013	24 months (16.09.2014)	100%	Completed in schedule time

Sl. No.	Name of the project	Sanctioned cost	Amount released by Government.	Date of release by GOI	Date of release by State Govt.	Stipulated period of completion	Physical Progress	Status of completion of Project
21.	C/o White Rafting Front Development at Tai, West Siang District.	475.55	5.00 (1 st inst.) 375.44 (2 nd inst.) Final inst. not released by GOI.	05.03.2012 17.09.12(2 nd)	22.03.2013 22.03.13(2 nd)	24 months (04.03.2014)	100%	Completed in schedule time
22.	Development of Doble Cultural Centre at Lumla, Arunachal Pradesh.	316.85	253.48 (1 st inst.) 63.37 (2 nd inst.)	31.12.2010 26.07.13(2 nd)	19.10.2012 12.12.13(2 nd)	24 months (30.12.2012)	100%	Completed in schedule time
23.	C/o tourist complex at Tajgi Pith 13 km away from Lower Subansiri Dist., Arunachal Pradesh.	270.84	216.67 (1 st inst.) 54.17 (2 nd inst.)	16.07.2010 17.09.12(2 nd)	31.08.2010 28.10.13(2 nd)	24 months (15.07.2012)	100%	Completed in schedule time
24.	C/o Tourist Complex at Bishmaknagar in Lower Dibang Valley Dist. Aurnchal Pradesh.	437.78	350.22 (1 st inst.) 87.55 (2 nd inst.)	28.07.2010 14.09.12(2 nd)	03.02.2011 25.03.13(2 nd)	24 months (27.07.2012)	100%	Completed in schedule time
25.	Development of Park Angling and Picnic Spot in the Confluence of Sie and Rime River at ESI Rite in West Siang District in Arunachal Pradesh.	221.42	177.14 (1 st inst.) 44.28 (2 nd inst.)	17.06.2010 24.01.12(2 nd)	08.02.2011 19.10.12(2 nd)	20 months (16.02.2012)	100%	Completed in schedule time
26.	C/o of Convention Centre at Mechuka, Arunachal Pradesh.	332.64	266.11 (1 st inst.) 66.53 (2 nd inst.)	28.05.2010 01.08.12 (2 nd)	18.02.2011 28.03.13(2 nd)	24 months (27.05.2012)	100%	Completed in schedule time

Sl. No.	Name of the project	Sanctioned cost	Amount released by Government.	Date of release by GOI	Date of release by State Govt.	Stipulated period of completion	Physical Progress	Status of completion of Project
27.	Development of Rural Tourism at Komkar Village, Upper Siang District (Software)	20.00	16.00 (1 st inst.) Final inst. not released by GOI	18.05.2012	23.01.2013	12 months (17.05.2013)	100%	Completed on 04.01.2014 with delay of 9 months.
28.	Construction of Eco-Tourism at Hukanjuri under Deomali Sub-Division, Arunachal Pradesh (Tribal Area)	478.93	390.34 (1 st inst.) 97.59 (2 nd inst.)	23.09.2011 16.12.14(2 nd)	07.03.2012 19.03.15 (2 nd)	24 months (22.09.2013)	100%	Completed on 31.12.2013 with delay of 3 months.
29.	Development of Rural Tourism at Komkar Village, Upper Siang District, Arunachal Pradesh.	40.36	32.29 (1 st inst.) 2 nd inst. not released by GOI	19.12.2011	23.03.2014	12 months (18.12.2012)	100%	Completed on 04.01.2014 with delay of 13 months.
30.	Rural Tourism at Deke Village in West Siang District in Arunachal Pradesh-Software	17.00	13.60 (1 st inst.) 2 nd inst. not released by GOI	18.03.2011	03.02.2012	06 months (17.09.2011)	100%	Completed on 04.03.2013 with delay of 21 months.
31.	C/o Eco-Tourism at TegoGamlin Village, West Siang District.	370.65	296.52 (1 st inst.) 74.13 (2 nd inst.)	28.12.2010 30.09.13(2 nd)	01.03.2011 30.10.14(2 nd)	18 months (27.06.2012)	100%	Completed on Jan/2013 with delay of 6 months.
32.	C/o Tourist Lodge at Tirbin in West Siang Dist., Arunachal Pradesh.	429.60	343.68 (1 st inst.) 85.92 (2 nd inst.)	04.10.2010 26.07.13 (2 nd)	03.02.2011 11.03.14 (2 nd)	12 months (03.10.2011)	100%	Completed on 22.03.2012 with delay of 8 months.

Sl. No.	Name of the project	Sanctioned cost	Amount released by Government.	Date of release by GOI	Date of release by State Govt.	Stipulated period of completion	Physical Progress	Status of completion of Project
33.	Development of Tourist Resort at Patilla (Holongi) in Papumpare District, Arunachal Pradesh.	386.25	309.00 (1 st inst.) 77.25 (2 nd inst.)	01.07.2010 17.09.12 (2 nd)	18.02.2011 30.01.13(2 nd)	18 months (31.12.2011)	100%	Completed on 16.03.2012 with delay of 2 months.
34.	Development and Beautification of Thanghaphey lakes, in Tawang District, Arunachal Pradesh.	488.16	140.00 (1 st inst.) 48.82 (1 st inst. of state share) 175.73 (2 nd inst.) 123.61 (3 rd inst.)	23.02.2011 28.08.12(2 nd) 13.03.14(3 rd)	09.08.2011 15.12.12(2 nd) 18.09.14(3 rd)	36 months (22.02.2014)	95%	In progress. Behind schedule.
35.	Development of BodumLangne (Snake Stone) Trekking Trail, Arunachal Pradesh (Tribal Area).	404.13	20.21 (1 st inst.) 60.62 (2 nd inst.)	31.03.2013 02.08.13(2 nd)	27.02.2014 27.02.14(2 nd)	24 months (30.03.2015)	25%	In progress Behind schedule.
36.	C/o Tourist Resort Cum Amusement Park at Karmajuli-Karsingsa, Itanagar.	455.47	22.78 (1 st inst.) 68.32 (2 nd inst.)	30.03.2013 31.07.13 (2 nd)	25.03.2014 25.03.14(2 nd)	24 months (29.03.2015)	20%	In progress Behind schedule.
37.	Construction of Adventure Tourism on Subansiri River in Upper Subansiri District (Tribal Area)	378.11	18.91 (1 st inst.) 56.72 (2 nd inst.)	31.03.2013 02.08.13(2 nd)	11.02.2014 11.02.14 (2 nd)	24 months (30.03.2015)	30%	In progress Behind schedule.
38.	Development of Adventure Sports Tourism at Bhalukpong Arunachal Pradesh (Tribal Area)	385.75	19.29 (1 st inst.) 57.86 (2 nd inst.)	30.03.2013 02.08.13(2 nd)	25.08.2014 25.08.13 (2 nd)	24 months (29.03.2015)	60%	In progress Behind schedule.

Sl. No.	Name of the project	Sanctioned cost	Amount released by Government.	Date of release by GOI	Date of release by State Govt.	Stipulated period of completion	Physical Progress	Status of completion of Project
39.	Development of Wayside Amenities under Itanagar-Ziro-Daporijo-Aalo-Mechuka Circuit Arunachal Pradesh (Tribal Area)	799.95	40.00 (1 st inst.) 119.99 (2 nd inst.) 479.97 (3 rd inst.)	31.03.2013 26.07.13(2 nd)	28.01.2014 28.01.14(2 nd)	24 months (30.03.2015)	30%	In progress Behind schedule.
40.	C/o Cafeteria-cum-Picnic Sport at Ramghat under Papumpare District in Arunachal Pradesh (Tribal Area)	393.42	19.67 (1 st inst.) 59.01 (2 nd inst.)	31.03.2013 02.08.13 (2 nd)	07.02.2014 07.02.14(2 nd)	24 months (30.03.2015)	35%	In progress Behind schedule.
41.	Preservation of Historical Ruin at KekarMonying in Arunachal Pradesh.	391.48	313.18 (1 st inst) 78.30 (2 nd inst)	22.09.2010 26.07.13(2 nd)	15.12.2012 Not released.	24 months (21.09.2012)	30%	In progress Behind schedule.
42.	Infrastructure Development for Tourism at Tippi under Bhalukpong Circle in West Kameng District.	420.08	151.22 (1 st inst.) 20.00 (1 st inst. of state share) 10.00 (2 nd inst. of state share) 151.22 (2 nd inst.)	20.10.2011 07.02.14 (2 nd)	26.03.2012 08.09.14 (2 nd)	By 31.09.2013	80%	In progress Behind schedule.
43.	C/o of Tourist Lodge near Pamluk Village under Kumporijo Circle, Raga Sub-Division, Ziro, Lower Subansiri District.	277.16	99.77 (1 st inst.) 10.00 (1 st inst. of state share) 10.00 (2 nd inst. of state share) 99.77 (2 nd inst.)	06.07.2012 10.09.13 (2 nd)	25.03.2013 28.02.14(2 nd)	12 months (05.07.2013)	80%	In progress Behind schedule.

Appendix-2.2.3
(Refer Para-2.2.9.5)

Statement of projects where completion is delayed due to delay in release of funds

Sl. No.	Name of the project	Sanctioned cost	Amount released by Government	Date of release by GOI	Date of release by State Govt.	Delay in release fund by State Govt.	Stipulated period of completion	Date of completion	Time Over-run (as on June 2015)
1.	C/o Tourist Resort Cum Amusement Park at Karmajuli-Karsingsa, Itanagar.	455.47	22.78 (1 st inst.) 68.32 (2 nd inst.)	30.03.2013	24.03.2014	12 months	24 months (29.03.2015)	In progress	03 months
2.	Construction of Adventure Tourism on Subansiri River in Upper Subansiri District (Tribal Area)	378.11	18.91(1 st inst.) 56.72 (2 nd inst.)	31.03.2013	11.02.2014	10 months	24 months (30.03.2015)	In progress	03 months
3.	Development of Bodum Langne (Snake Stone) Trekking Trail, Arunachal Pradesh (Tribal Area).	404.13	20.21 (1 st inst.) 60.62 (2 nd inst.)	31.03.2013	27.02.2014	11 months	24 months (30.03.2015)	In progress	03 months
4.	Development of Adventure Sports Tourism at Bhalukpong Arunachal Pradesh (Tribal Area)	385.75	19.29 (1 st inst.) 57.86 (2 nd inst.)	30.03.2013	25.08.2014	17 months	24 months (29.03.2015)	In progress	03 months
5.	Development of Wayside Amenities under Itanagar-Ziro-Daporijo-Aalo-Mechuka Circuit Arunachal Pradesh (Tribal Area)	799.95	40.00 (1 st inst.) 119.99 (2 nd inst.) 479.97 (3 rd inst.)	31.03.2013	28.01.2014	10 months	24 months (30.03.2015)	In progress	03 months
6.	Preservation of Historical Ruin at Kekar Monying in Arunachal Pradesh.	391.48	313.18 (1 st inst) 78.30 (2 nd inst)	22.09.2010	15.12.2012	27 months	24 months (21.09.2012)	In progress	33 months
7.	Development of Rural Tourism at Komkar Village, Upper Siang District (Software)	20.00	16.00 (1 st inst.) Final inst. not released by GOI	18.05.2012	23.01.2013	08 months	12 months (17.05.2013)	04.01.2014	08 Months

Sl. No.	Name of the project	Sanctioned cost	Amount released by Government	Date of release by GOI	Date of release by State Govt.	Delay in release fund by State Govt.	Stipulated period of completion	Date of completion	Time Over-run (as on June 2015)
8.	Construction of Eco-Tourism at Hukanjuri under Deomali Sub-Division, Arunachal Pradesh (Tribal Area)	478.93	390.34 (1 st inst.) 97.59 (2 nd inst.)	23.09.2011	07.03.2012	06 months	24 months (22.09.2013)	31.12.2013	03months
9.	Development of Rural Tourism at Komkar Village, Upper Siang District, Arunachal Pradesh.	40.36	32.29 (1 st inst.) 2 nd inst. not released by GOI	19.12.2011	23.03.2014	27 months	12 months (18.12.2012)	04.01.2014	13 months
10.	Rural Tourism at Deke Village in West Siang District in Arunachal Pradesh-Software	17.00	13.60 (1 st inst.) 2 nd inst. not released by GOI	18.03.2011	03.02.2012	10 months	06 months (17.09.2011)	04.03.2013	18 Months
11.	C/o Eco-Tourism at Tego Gamlin Village, West Siang District.	370.65	296.52 (1 st inst.) 74.13 (2 nd inst.)	28.12.2010	01.03.2011	02 months	18 months (27.06.2012)	Jan/2013	06 months
12.	C/o Tourist Lodge at Tirbin in West Siang Dist., Arunachal Pradesh.	429.60	343.68 (1 st inst.) 85.92 (2 nd inst.)	04.10.2010	03.02.2011	04 months	12 months (03.10.2011)	22.03.2012	05 months
13.	Development of Tourist Resort at Patilla (Holongi) in Papumpare District, Arunachal Pradesh.	386.25	309.00 (1 st inst.) 77.25 (2 nd inst.)	01.07.2010	18.02.2011	08 months	18 months (31.12.2011)	16.03.2012	03 months
14.	Infrastructure Development for Tourism at Tippi under Bhalukpong Circle in West Kameng District.	420.08	151.22 (1 st inst.) 20.00 (1 st inst. of state share) 10.00 (2 nd inst. of state share) 151.22 (2 nd inst.)	20.10.2011	26.03.2012	05 months	By 31.09.2013	In progress	21 months

Sl. No.	Name of the project	Sanctioned cost	Amount released by Government	Date of release by GOI	Date of release by State Govt.	Delay in release fund by State Govt.	Stipulated period of completion	Date of completion	Time Over-run (as on June 2015)
15.	C/o of Tourist Lodge near Pamluk Village under Kumporijo Circle, Raga Sub-Division, Ziro, Lower Subansiri District.	277.16	99.77 (1 st inst.) 10.00 (1 st inst. of state share) 10.00 (2 nd inst. of state share) 99.77 (2 nd inst.)	06.07.2012	25.03.2013	08 months	12 months (05.07.2013)	In progress	24 months
16.	Development and Beautification of Thanghaphey lakes, in Tawang District, Arunchal Pradesh.	488.16	140.00 (1 st inst.) 48.82 (1 st inst. of state share) 175.73 (2 nd inst.) 123.61 (3 rd inst.)	23.02.2011	09.08.2011	06 months	36 months (22.02.2014)	In progress	16 months

Appendix-2.2.4
(Refer Para- 2.2.9.8)

Statement of 12 wayside amenities constructed but not made functional as of June 2015

Sl. No	Name of the project	Sanctioned Cost (₹ in lakh)	Date of completion	Remained non unused
1.	Wayside Amenity at Sie (Tai) River	33.24	28.03.2009	75 Months
2.	Wayside Amenity at Bam Tri-junction	32.51	28.03.2009	75 Months
3.	Wayside Amenity at Aalo View	19.33	28.03.2009	75 Months
4.	Wayside Amenity at Hirgo	34.00	28.03.2009	75 Months
5.	Wayside Amenity at Yapik	32.18	28.03.2009	75 Months
6.	Wayside Amenity at Tahaugum	52.49	31.03.2008	87 Months
7.	Wayside Amenity at Dite Dime	33.88	20.07.2008	83 Months
8.	Wayside Amenity at Sangam	20.00	N.A	NA
9.	Wayside Amenity at Tippi	18.00	23.03.2007	99 Months
10.	Wayside Amenity at Kuporijo	65.40	30.03.2006	111 Months
11.	Way-side Amenity at Nyumchi Nyumte in Upper Subansiri District	38.18	March 2011	51 Months
12.	Wayside Amenity at Verma Point (Jabli), Yachuli, Lower Subansiri District	140.80	01.10.2013	21 Months
Sub total		178.98		

Appendix-2.3.1
(Refer Para- 2.3.7.5)

Statement showing 19 eligible habitations in three districts

Sl No.	Name of district	Name of road works	Status of roads.	Amount incurred (₹ in lakh)	No. of ineligible habitations	Population covered
1.	West Siang	LKB BRO road to Rakte Nyorak	Completed	404.48	01	217
2.	-do-	Tabasora to Pidi Rime	Completed	354.10	01	78
3.	-do-	PWD road to Doko Putu	On going	219.65	02	161
4.	Changlang	Manmao Changlang road to Tengman	Completed	332.64	01	240
5.	-do-	Changlang Khimiyang road to Chingsa	Ongoing	144.21	04	237
6.	Kurung kumey	Chambang-Rai road to Gangte	Ongoing	827.68	02	179
7.	-do-	Paka to Riamgang,	Ongoing	1494.60	01	80
8.	-do-	BRTF road to Harang,	Ongoing	482.57	05	201
9.	-do-	Old Palin to Rakso	Ongoing	282.84	02	140
Total				4542.77	19	

Appendix-2.3.2
(Refer Para- 2.3.7.6)

Statement showing Roads not featured in CNCPL

SI No	Road	Package	District	Amount
1.	BRTF Road – Kugi Pomse	AR1202014	West Siang	23840061
2.	Tarsu Mobuk – Tadin	AR1201017	-do-	54155081
3.	BRTF Road – Pira Lombi	AR1203047	-do-	21012231
4.	Yomcha – Pokto	AR1207060	-do-	57009088
5.	BRO Road – Hutong	AR0502070	Anjaw	18943612
6.	Wengko PWD Road – Nongtaw Khamti	AR0504077	Lohit	55512690
7.	Medo – Namgo	AR0506027	-do-	13131717
8.	Namsai PWD Road – Dirakmari	AR0503002	-do-	54098362
9.	Kimin HQ – Durpa I &II	AR0702020	Papum Pare	21624295
10.	Deffra to Kampo	AR0701002	-do-	14211367
11.	Sakiang – Old Mengio	AR0703016	-do-	110386456
12.	Kimin HQ – Durpa I &II	AR0702020	-do-	19282256
13.	Road from PWD Road to Poma	AR0701011	-do-	62761898
14.	Sakiang – Old Mengio	AR0703016	-do-	26145165
15.	Palin – Bokam	AR1405007	Kurung Kumey	50230454
16.	Kuru Bridge point – Pari	AR1403026	-do-	98079136
17.	Parsi Parlo – Segriang	AR1405007	-do-	103648227
18.	8.00 Km Point of gaju borkhet road – Bijoypur - III	AR0101005	Changlang	34983115
19.	Diyun Circle HQ – Haripur	AR0101024	-do-	14955798
20.	1.50 Km pt. of Bordumsa – Mahadevpur Road	AR0101053	-do-	18026565
21.	Bordumsa-Goju-Kherem Bisa-Chaimu-Wagon II-Wagon	AR0101071	-do-	21510159
22.	0.50 Km point of MJ Road – Miao Singhpo	AR0103042	-do-	3128617
23.	12 Km Point of MJ Road Old Plone	AR0103067	-do-	8354690
24.	14.50 Km Point of Stil-Well road – Langka	AR0105018	-do-	26186506
25.	New Rima – Motongsa	AR0105034	-do-	62984282
26.	9.50 Km Point of Stil-Well PWD road – Tikhak Taipy	AR0105074	-do-	9971556
27.	20.80 Km point of Nampong – Tikhak Putak road	AR0105069	-do-	97529079
28.	Bijoypur – I – Bijoypur – II	AR0101004	-do-	24179004
29.	12.25 Km point of Diyun – Namsai road - Udoipur	AR0101055	-do-	2992027
Total				1128873494

APPENDIX-2.3.3
(Refer Para -2.3.8.5.5)

Statement showing non/short deduction of VAT on work contract

(₹ in lakh)

Sl. No.	Name of the Work	Total value of work done	75% of total value of work done	Applicable VAT @12.5% to be deducted	VAT Deducted	VAT non/short deducted
1.	C/O Road from Sakiang to Old Mengio Stage-II(Ongoing):	261.45	196.09	24.51	10.46	14.05
2.	C/O of road from Kimin to Kakoi (Ongoing):	765.55	574.16	71.77	30.62	41.15
3.	12.25 km point of Diyun Namsai-Mudoideep	126.13	94.60	11.82	2.04	9.78
4.	1.50 km point of OIL India Road – Langtom-I	101.67	76.25	9.53	1.87	7.66
5.	10.00 km point of MJ Road – Old Champo	71.41	53.56	6.69	1.84	4.85
6.	Ngomdir - Beye	977.18	732.89	91.61	0.00	91.61
7.	BRTF road - Kugi Pomse	238.40	178.80	22.35	0.00	22.35
8.	Taba Sora to Pidi Reme	354.10	265.58	33.20	0.00	33.20
9.	Basar to Pagi	162.18	121.64	15.20	0.00	15.20
10.	Liromoba – Bole Stage-I	530.90	398.18	49.77	0.00	49.77
11.	Liromoba – Bole Stage-II	96.92	72.69	9.09	0.00	9.09
12.	PWD road to Doko Putu	219.65	164.74	20.59	0.00	20.59
13.	Kamba BRTF Road - Kanu Yami	561.12	420.84	52.61	0.00	52.61
14.	Yomcha to Pokto	570.09	427.57	53.45	0.00	53.45
15.	BRTF road - ITBP Camp	52.80	39.60	4.95	0.00	4.95
16.	Tato Head quarter - Tato village	60.43	45.32	5.67	0.00	5.67
17.	L027 - BRTF road to Simugong (L027)	390.23	292.67	36.58	0.00	36.58
18.	Patum - Pangkeng	197.81	148.36	18.54	0.00	18.54
19.	C/O Road from Sakiang to Old Mengio Stage-I(Completed):	1099.28	824.46	103.06	0.00	103.06
20.	Construction of Road from Dipu to Lenka (4 Kms) (Ongoing):	119.27	89.45	11.18	0.00	11.18
21.	C/O road from Sagalee to Karoi Stage I (Completed):	1460.85	1095.64	136.95	0.00	136.95
22.	C/O road from Balijan HQ to Balijan Nishi (Completed):	114.25	85.69	10.71	0.00	10.71
23.	C/o road from Quibang to Mangung, Stage-I (Completed)	970.64	727.98	91.00	0.00	91.00
24.	Bajigam to Tabretung (Chakka) Stage-I	250.00	187.50	23.44	0.00	23.44
25.	PWD Road to Matiliang (Ongoing):	299.37	224.53	28.07	0.00	28.07

Sl. No.	Name of the Work	Total value of work done	75% of total value of work done	Applicable VAT @12.5% to be deducted	VAT Deducted	VAT non/short deducted
26.	C/O Road from Hayuliang-Kibithu BRO Road to Barafu stage-I (Ongoing):	971.77	728.83	91.10	0.00	91.10
27.	P.W.D Road to Halaikrong. (Stage-I)	240.00	180.00	22.50	0.00	22.50
28.	BRTF Road to Mawai Full Stage	55.86	41.90	5.24	0.00	5.24
29.	C/o road from Namsai PWD road to Dirakmiri Full Stage (Ongoing):	536.90	402.68	50.33	0.00	50.33
30.	C/o road from NH-52 to Wakhetliang Full Stage (Completed):	306.99	230.24	28.78	0.00	28.78
31.	C/O road from 1.5 Tezu-Lohitpur to New Mekhaliang Full Stage (Completed):	186.80	140.10	17.51	0.00	17.51
32.	C/O road from Lathau to Jona –III Full Stage (Completed):	272.22	204.17	25.52	0.00	25.52
33.	C/o road from Kherem to Mankao Full Stage (Completed):	197.73	148.30	18.54	0.00	18.54
34.	C/o Wengko PWD Road to Nongtaw Kamti Full Stage (Completed):	583.41	437.56	54.69	0.00	54.69
35.	1.50 km point of Bodmusa – Mahadevpur Road Mohongmura	180.26	135.20	16.90	0.00	16.90
36.	2.19 km point of Diyum-Namsai Road – Balupathar	185.84	139.38	17.42	0.00	17.42
37.	3.00 Km point of Diyun Deban Road - Dumpani	180.21	135.16	16.89	0.00	16.89
38.	3.77Km pint of Bordumsa-Wakhetna Modoimokhat Road- Dirokpathar	213.71	160.28	20.04	0.00	20.04
39.	Bijoyapur-I – Bijoyapur-II	276.23	207.17	25.90	0.00	25.90
40.	Koloriang - Tabumna	911.30	683.48	85.43	0.00	85.43
41.	BRTF road - Sulung	582.95	437.21	54.65	0.00	54.65
42.	Bokam - Chambang	2404.68	1803.51	225.44	0.00	225.44
43.	Parsi Pario - Segriang	1021.33	766.00	95.75	0.00	95.75
44.	L021 - Paka to Riamgang (VR21)	2143.24	1607.43	200.93	0.00	200.93
Total		21503.11	16127.33	2015.92	46.83	1969.09

Appendix 2.3.4
(Refer para 2.3.8.6.2)

Statement showing delay in completion of 25 completed works

(₹ in lakh)

Sl. No	Name of the Work	Sanctioned cost	Date of commencement	Due date of completion	Date of actual Completion	Delays in month	Progressive Expenditure as on 31 March'15
1.	Ngomdir - Beye Stage-I	1028.79	March '08	March '09	April '14	72	94.98
2.	PWD Road to Nongtaw Khamti Full Stage	490.66	March '07	March '08	Dec. '13	69	113.14
3.	Bokam – Chambang	2092.77	Feb '07	Feb '08	June '11	40	115.21
4.	Bordmusa - Mahadevpur Road to Mohongmura	183.27	Feb '09	Feb '10	March '13	37	98.36
5.	BRTF road - Kugi Pomse Stage-II	250.95	Dec '07	Dec '08	Nov. '11	35	95.00
6.	Tato hqr. - Tato village Stage-I	63.61	July '06	July '07	June '10	35	95.00
7.	Kamba BRTF Road - Kanu Yami	562.25	Feb '09	Feb '10	Dec. '12	34	99.81
8.	Basar to Pagi Stage-II	170.79	Jan '08	Jan '09	Aug. '11	31	94.96
9.	Quibang to Mangung, Stage-I	1028.25	Nov '09	May '11	Oct '13	30	94.83
10.	Diyun Deban Road to Dumpani	181.16	Feb '09	Feb '10	July '12	29	99.48
11.	Sagalee to Karoi Stage I	1598.04	Dec '08	Dec '09	March '12	27	91.42
12.	Lathau to Jona –III Full Stage	306.29	March '06	March '07	May '09	26	89.21
13.	Taba Sora to Pidi Reme	365.44	Dec 07	Dec'08	Jan '11	25	96.90
14.	Liromoba – Bole Stage-I	558.88	Jan '09	Jan '10	Sep '11	20	94.99
15.	NH-52 to Wakhethiang Full Stage	309.43	Nov '09	Nov '10	Dec '11	13	99.41
16.	Kherem to Mankao Full Stage	201.5	Dec '09	Dec '10	Dec '11	13	98.42
17.	1.50 km point of OIL India Road – Langtom-I	103.59	Dec '09	Dec'10	Aug '11	8	97.68
18.	BRTF road - ITBP Camp	55.61	Oct '11	Oct '12	May '13	7	94.95
19.	Sakiang to Old Mengio Stage-I	1103.17	Dec '08	Dec '09	Oct '11	6	100.06
20.	Balijan HQ to Balijan Nishi	115.15	Dec '08	Dec '09	May '10	5	99.22
21.	2.19 km point of Diyum-Namsai Road – Balupathar	218.43	Sep '13	Sep'14	Nov '14	2	62.67

Sl. No	Name of the Work	Sanctioned cost	Date of commencement	Due date of completion	Date of actual Completion	Delays in month	Progressive Expenditure as on 31 March'15
22.	3.77 Km pint of Bordumsa-Wakhetna Modoimokhat Road-Dirokpathar	220.33	Sep '13	Sep'14	Nov '14	2	97.00
23.	Bijoyapur-I – Bijoyapur-II	310.77	Sep '13	Sep '14	Nov '14	2	77.80
24.	Patum - Pangkeng	208.22	March '09	March '10	Feb '10	No delay	95.00
25.	1.5 Tezu-Lohitpur to New Mekhaliang Full Stage	181.21	March '07	March '08	March '08	No Delay	103.28
Total		11908.5					

(Source: Departmental records)

Appendix 2.3.5
(Refer para 2.3.8.6.2)

Statement showing status of completion of 19 ongoing works

(₹ in lakh)

Sl. No.	Name of the Work	Sanction Cost	Date of commencement	Due date of completion	Delays in month	Progressive expenditure	% of Physical progress
1.	BRTF Road to Mawai Full Stage	90.09	Nov '07	Nov '08	80	62.00	90.13
2.	PWD road to Doko Putu	227.26	Dec '07	Dec '08	79	94.65	90.53
3.	Yomcha to Pokto	861.97	Dec '07	Dec '08	79	66.08	73.20
4.	PWD Road to Matiliang	684.39	Nov '09	Nov '10	56	44.15	61.51
5.	PWD Road to Halaikrong (Stage-I)	462.59	Nov '09	Nov '10	56	52.27	72.46
6.	PWD road to Dirakmiri Full Stage	656.96	Dec '09	Dec '10	55	82.35	92.78
7.	BRO Road to Barafu stage-I	1321.38	Dec '09	June '11	49	74.05	73.43
8.	Koloriang - Tabumna	2027.56	Nov '11	Nov '12	32	46.08	76.42
9.	BRTF road - Sulung	1428.89	Nov '11	Nov '12	32	41.78	98.64
10.	Bajigam to Tabretung Stage-I	3201.9	Nov '11	May '13	26	9.12	9.09
11.	Liromoba – Bole Stage-II	423.6	Oct '13	Oct '14	9	22.63	33.91
12.	10.00 km MJ Road – Old Champo	179.1	Oct '13	Oct '14	9	40.77	99.00
13.	Parsi Pario - Segriang	1777.52	March '14	March '15	5	58.31	77.63
14.	Sakiang to Old Mengio Stage-II	725.75	Oct '13	March '15	4	36.02	56.94
15.	Dipu to Lenka (4 Kms)	369.79	March '14	March '15	4	32.25	70.62
16.	Kimin to Kakoi	893.23	Sept '13	March '15	4	85.71	83.94
17.	12.25 km Diyun Namsai-Mudoideep	466.31	Sept '13	March '15	4	6.42	30.30
18.	Paka to Riamgang	5515.92	March '14	March '15	4	27.10	40.03
19.	L027-BRTFroad to Simungong	890.05	Sept '14	March '16	-	36.80	40.00
Total		22114.17					

(Source: Departmental records)

Appendix – 4.2.1
(Refer para 4.2.6.1)

Statement of non-deposit of TDS into Government Account

Sl No	Name of the Contractor	Details of work	Voucher No & date	Amount of VAT deducted but not deposited	Period of Non-deposit (as of September 2015)
1.	M/S Monyul Enterprises	Road from Zemithang to Kharman, St-II	03 dt. 22/10/14	28,075	11 months
2.	M/S GTC Enterprises	C/O Road from Tel-Khet BRO (CWC Point) to Bongleng Village	02 dt. 12/11/14	2,54,973	10 months
3.	M/S GTC Enterprises	C/O Road from Tel-Khet BRO (CWC Point) to Bongleng Village	03 dt. 22/10/14	3,27,257	11 months
4.	M/S G.R. Construction	C/O Road from BRO Road Chhagarh to Marmang Village	01 dt. 12/11/14	3,17,421	10 months
5.	M/S G.R. Construction	C/O Road from BRO Road Chhagarh to Marmang Village	01 dt. 22/10/14	94,211	11 months
6.	M/S R.D. Construction	C/O Road from Rho-Jangdo (Marmang) to Thingbu Village	02 dt. 22/10/14	7,55,886	11 months
7.	M/S Frontier Associates	C/O Road from Bangleng to Saza, Si-I	08 dt. 31/03/11	8,16,625	4 years 5 months
8.	M/S Hi-Tech Construction, Dirang	C/O 50m SPAN Built up Grinder Bridge Over Tawangchu River at 400m Chainage of BRO Road (Gounghar) to Tengten Village	03 dt.22/11/14	1,93,828	10 months
9.	M/S Noomphy Construction (P) Ltd.	Road from BTK to Kobletang, PH-VII	034 dt. 22/10/14	1,13,502	11 months
10.	M/S Tempa Enterprises	C/O Road from BRO Road to Upper Khirmu, ST-ii, ph-ix	01 dt. 12/11/14	2,81,656	10 months
11.	M/S Goleng Construction Co.	C/O Road from Tawang-Nelya BRO Road toThangleng Village,St-I	01 dt. 14/02/15	1,74,258	6 months
12.	M/S Noomphy Construction	C/O Road from BTK to Khobletang	04 dt. 12/11/14	2,83,397	10 months
13.	M/S Brand Eagles	C/O Road from Dudngnar to Surbin	02 dt. 14/02/15	1,19,012	6 months
14.	M/S Brand Eagles	C/O Road from Dudngnar to Surbin,St-I,PH-VIII	03 dt. 12/11/14	1,12,052	10 months
15.	M/S S.N. Enterprises	C/O Road from 1.9 km Point Zemithang-Toiding PWD Road to Socksten Village	02 dt. 11/10/14	66,038	11 months
16.	M/S Gakhil Construction	Road from Kahrteng to Namstering,St-I&II	05 dt. 24/10/14	1,02,763	11 months
Total				40,40,954	

(Source: EE, RWD, Tawang)

Appendix – 4.2.2
(Refer para 4.2.8)

Statement of VAT deducted at varying rates

(₹ in lakhs)

Sl No	Name of DDO	Year	No of bills	Total Turnover	Taxable Turnover	VAT due (12.5%)	VAT deducted	Short-deduction
1.	EE, PWD, Capital B, Itanagar, Papum Pare	2012-14	14	44.26	33.20	4.15	0.55 (1.66%)	3.60
2.	Director cum Secy, APSCS&T, Itanagar, Papum Pare	2011-14	20	255.22	191.42	23.93	9.73 (5.08%)	14.20
3.	EE, PWD, Naharlagun Divn, Papum Pare	2013-15	1285	3907.00	2930.00	366.00	165.00 (5.63%)	201.00
4.	Director, Tourism, Itanagar, Papumpare	2012-14	50	1309.00	982.00	122.72	48.88 (3.73%)	73.84
5.	Dy. Director, UD & Housing, Itanagar, Papumpare	2014-15	28	205.00	154.00	19.22	6.88 (3.36%)	12.34
6	NEIFM, Pasighat, East Siang	2012-15	10	353.51	265.13	33.14	14.14 (5.33%)	19.00
7.	EE, PHED, Changlang	2010-15	23	83.85	62.89	7.86	2.29 (3.64%)	5.57
8.	EE, PWD, Changlang	2014-15	34	1670.00	1253.00	157.00	21.32 (1.70%)	135.68
9.	EE, PWD, Jairampur, Changlang	2014-15	40	1998.00	1498.00	187.00	79.89 (5.33%)	107.11
10.	AGM, AAI, Tezu, Lohit	2011-15	28	2163.00	1623.00	203.00	86.53 (5.33%)	116.47
11.	EE, WRD, Tezu, Lohit	2014-15	52	198.00	148.00	18.55	5.46 (3.69%)	13.09
12.	EE, PWD, Tezu, Lohit	2014-15	1	20.00	15.00	1.88	0.80 (5.33%)	1.08
13.	DPO, Aalo, West Siang	2014-15	5	35.00	26.25	3.28	0.29 (1.10%)	2.99
14.	EE, PWD, Aalo, West Siang	2013-14	9	197.00	148.00	18.47	4.29 (2.89%)	14.18
15.	EE, RWD, Aalo, West Siang	2013-15	4	124.47	93.35	11.67	4.75 (5.08%)	6.92
16.	EE, PWD, Bomdila, West Kameng	2014-15	20	79.60	59.70	7.46	2.21 (3.70%)	5.25
17.	EE, PWD, Tawang, Tawang	2012-15	391	4725.00	3544.00	443.00	148.00 (4.17%)	295.00
18.	EE, WRD, Tawang, Tawang	2014-15	128	308.00	231.00	28.87	12.31 (5.33%)	16.56
Total			2142	17675.91	13257.94	1657.2	613.32	1043.88

(Source: Records of DDOs)

Appendix – 4.2.3
(Refer para 4.2.9.1)

Statement of non-submission TDS Return (FF-19) by Drawing and Disbursing Officers

Sl. No	District	Tax Officer	Year														
			2010-11			2011-12			2012-13			2013-14			2014-15		
			Total DDO	FF-19 submitted	Not submitted	Total DDO	FF-19 submitted	Not submitted	Total DDO	FF-19 submitted	Not submitted	Total DDO	FF-19 submitted	Not submitted	Total DDO	FF-19 submitted	Not submitted
1.	Papum Pare	ST, Zone – I	82	Nil	82	82	Nil	82	82	Nil	82	82	Nil	82	82	2	80
		ST, Zone-II	70	Nil	70	70	Nil	70	70	Nil	70	70	Nil	70	70	Nil	70
2.	East Siang	ST, Pasighat	59	Nil	59	59	Nil	59	59	Nil	59	59	Nil	59	59	3	56
3.	Changlang	ST, Changlang	43	Nil	43	43	Nil	43	43	2	41	43	2	41	43	Nil	43
4.	Lohit	ST, Tezu	32	2	30	32	2	30	33	2	31	33	2	31	33	2	31
5.	West Siang	ST, Aalo	50	2	48	50	2	48	50	4	46	50	3	47	50	8	42
6.	West Kameng	ST, Bomdila	55	Nil	55	55	Nil	55	56	Nil	56	57	53	4	57	13	44
7.	Tawang	ST, Tawang	41	Nil	41	41	Nil	41	41	Nil	41	41	Nil	41	41	12	29
Total			432	4	428	432	4	428	434	8	426	435	60	375	435	40	395
Percentage of DDOs who submitted FF-19			00.93			00.93			01.84			13.79			09.20		

(Source: STs)

Appendix-5.1.1
(Refer Para-5.1.11)

Statement showing investments made by the State Government in PSUs whose accounts are in arrears

(Figures in columns 4 & 6 to 8 are ₹ in crore)

Sl. No.	Name of the Public Sector Undertaking	Year up to which accounts finalised	Paid-up capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A. Working Government Companies							
<i>MISCELLANEOUS</i>							
1.	Arunachal Pradesh Mineral Development and Trading Corporation Limited	1999-00	2.13	2000-01	0.20	--	--
				2002-03	0.05	--	--
				2004-05	--	0.15	--
				2005-06	0.05	--	--
				2006-07	0.05	--	1.13
				2012-13	--	--	7.46
				2013-14	--	--	0.70
				2014-15	--	--	--
<i>AGRICULTURE AND ALLIED</i>							
2.	Arunachal Pradesh Forest Corporation Limited	2005-06	4.50	2006-07	--	--	--
				2007-08	--	--	0.84
				2014-15	--	--	--
Total of A			6.63		0.35	0.15	10.13
B. Non-Working Government Companies							
<i>AGRICULTURE AND ALLIED</i>							
3.	Arunachal Horticultural Processing Industries Limited	2008-09	0.19	2009-10	--	1.36	--
Total of B			0.19		--	1.36	--
Grand Total (A+B)			6.82		0.35	1.51	10.13

Appendix-5.1.2
(Refer Para- 5.1.14)

Summarised financial position and working results of Government companies as per their latest finalised financial statements/accounts
(Figures in columns (5) to 12 are ₹ in crore)

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover ¹⁰	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed ¹¹	Return on capital employed ¹²	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
A. WORKING GOVERNMENT COMPANIES													
FINANCE													
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	2013-14	2015-16	2.15	8.11	(-) 19.09	4.59	(-) 1.22	-	10.60	(-) 1.22	-	30
Total of the Sector				2.15	8.11	(-) 19.09	4.59	(-) 1.22	-	10.60	(-) 1.22	-	30
MISCELLANEOUS													
2.	Arunachal Pradesh Mineral Development and Trading Corporation Limited	1999-00	2014-15	2.13	-	(-) 1.81	-	(-) 0.28	-	2.14	(-) 0.28	-	76
Total of the Sector				2.13	-	(-) 1.81	-	(-) 0.28	-	2.14	(-) 0.28	-	76
AGRICULTURE AND ALLIED													
3.	Arunachal Pradesh Forest Corporation Limited	2005-06	2014-15	4.50	-	(-) 4.58	-	3.54	-	11.66	4.30	36.88	72
Total of the Sector				4.50	-	(-) 4.58	-	3.54	-	11.66	4.30	36.88	72
INFRASTRUCTURE													
4.	Arunachal Police Housing and Welfare Corporation Limited	2013-14	2014-15	0.02	-	16.72	2.07	3.87	-	16.75	3.87	23.10	25
Total of the Sector				0.02	-	16.72	2.07	3.87	-	16.75	3.87	23.10	25
POWER													
5.	Hydro Power Development Corporation of Arunachal Pradesh Limited	2011-12	2014-15	5.00	-	1.07	-	0.73	-	13.52	0.73	5.40	33
Total of the Sector				5.00	-	1.07	-	0.73	-	13.52	0.73	5.40	33
Total of A				13.80	8.11	(-) 7.69	6.66	6.64	-	54.67	7.40	13.54	236

¹⁰ Figures as per provisional accounts for the year ended 31 March 2015.

¹¹ Capital employed represents Shareholders fund and long term borrowings.

¹² For calculating return on capital employed, interest on borrowed fund is added to net profit/ subtracted from the loss as disclosed in the Profit and Loss Account.

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover ¹⁰	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed ¹¹	Return on capital employed ¹²	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
B. NON-WORKING GOVERNMENT COMPANIES													
MANUFACTURE													
6.	Parasuram Cement Limited	2008-09	2013-14	0.24	-	(-) 2.66	-	-	-	3.39	-	-	-
Total of the Sector				0.24	-	(-) 2.66	-	-	-	3.39	-	-	-
AGRICULTURE AND ALLIED													
7.	Arunachal Horticultural Processing Industries Limited	2008-09	2013-14	0.19	-	(-) 0.96	-	-	-	0.33	-	-	-
Total of the Sector				0.19	-	(-) 0.96	-	-	-	0.33	-	-	-
Total of B				0.43	-	(-) 3.62	-	-	-	3.72	-	-	-
Grand Total (A+B)				14.23	8.11	(-) 11.31	6.66	6.64	-	58.39	7.40	12.67	236

Appendix-5.2 1
(Refer Para 5.2.5.1)

Statement showing loss of revenue due to delayed implementation of revised tariff

Name of Division	Sl. No.	Category	Period	Energy Sold (Kwh)	Rate of Energy Billed	Revised Rate	Difference Rate	Total Loss of Revenue	
Seppa	1	Domestic	April 2011 to May 2011	242556	3.6	3.8	0.2	48,511	
			April 2012 to June 2012	390547	3.8	4	0.2	78,109	
	2	Commercial	April 2011 to May 2011	36992	4.3	4.5	0.2	7,398	
			April 2012 to June 2012	64056	4.5	4.75	0.25	16,014	
			April 2013 to Nov 2013	159632	4.75	5	0.25	39,908	
	3	Non-residential	April 2011 to May 2011	133686	4.3	4.5	0.2	26,737	
			April 2012 to June 2012	249135	4.5	4.75	0.25	62,283	
			April 2013 to Nov 2013	328025	5	4.75	0.25	82,006	
					1604629				3,60,966
	Daparoji	1	Commercial	April 2013 to Aug 2013	2475107	4.5	5	0.5	5,336
2		Domestic	April 2012 to June 2012	4656896	3.8	4	0.2	19,906	
3		Public Light	April 2013 to Aug 2013	10600	4.1	5.1	1	10,600	
								30,506	
Naharlagun	1		Mar 2012 to April 2012	348972	6	6.6	0.6	1,54,188	
	2		May 12 to Oct 20 12	884490	3.4	3.8	0.4	3,53,796	
	3		Nov 2012 to Apr 2013	1285569	6	6.9	0.9	8,39,880	
	4		May 2013 to Nov 2013	1757484	3.4	3.8	0.4	14,60,640	
	5		Dec 2013 to April 2014	1081299	6	6.6	0.6	7,15,740	
	6		May 2014 to Oct 2014	1287081	3.4	3.8	0.4	5,14,832	
	7		Nov 2014 to April 2015	1479106	6	6.6	0.6	9,55,780	
	8		May 2015	268258	3.4	3.8	0.4	1,07,303	
					8392259				51,02,159
			Total	10007488				54,93,631	

Appendix-5.2.2
(Refer Para 5.2.5.3)

Short billing due to wrong classification of Commercial consumers as Bulk consumers under Capital Electrical Division

Sl. No	Consumer Name	Billing Address	Period	Total Energy consumed	Bulk rate applied	Commercial rate	Difference of rate	Short billing
1	Smt. Mimi Welly	Chandgr/ REC Pvt ltd	Nov 2013 to July 2015	31848	3.75	5	1.25	39,810
2	Takam Pariyo	akashdeep	Feb 2013 to July 2015	992640	4.2	5	0.8	7,94,112
3	Smt Sisi Jongkey	Ganga market	July 2013 to July 2015	88482	4.2	5	0.8	70,786
4	M/s NE news	Ganga market	July 2013 to July 2015	28299	4.2	5	0.8	22,639
5	Dawnland hotel	Ganga market	Mar 2013 to July 2015	231222	4.2	5	0.8	1,84,978
6	P.K.Commercial	Ganga market	Dec 2013 to July 2015	99794	4.2	5	0.8	79,835
7	B.B.Plaza	Itanagar	Feb 2013 to July 2015	175794	4.2	5	0.8	1,40,635
8	Model English school	Itanagar	Oct 2014 to July 2015	80475	4.2	5	0.8	64,380
9	Gyan Ganga School	Itanagar	Nov 2013 to July 2015	23081	4	5	1	23,081
10	Maya motors	Itanagar	Feb 2013 to July 2015	112844	4.2	5	0.8	90,275
11	M/s Arunachal Iron & Steel Fabrication		Nov 2013 to June 2015	3237	4.2	5	0.8	2,585
12	M/s Thakar Hardware		Nov 2013 to June 2015	8818	4.2	5	0.8	7,054
13	M/s T Y Traders		Nov 2013 to June 2015	8804	4.2	5	0.8	7,043
								15,27,213

Appendix – 5.2.3
(Refer Para- 5.2.5.4)

Statement showing non-billing of BPL consumers

Name of Sub-Division	Name of Package	Energisation period	Total No. of		Sub-Division Unbilled consumers	Period of billing upto May 2015 since last month of energising	Total Unbilled No. of units @4Hrs per day for one point for 30 days per consumer. 0.1 KWx4 hrsx30=12 units	Electricity charges of unbilled BPL consumers @ Rs 2.65 per unit
			Consumers energised as per RGGVY	BPL consumer energy billed				
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)	(8) = (6)x(7) x 12 units	(9) = (8)x 2.65
Dumporijo	Dumporijo	9.2.10 to 31.7.12	442	778	51	34	20808	55,141
Dumporijo	Baririjo	11.6.10 to 15.5.12	387					
Daporijo	Daporijo	15.11.10 to 14.6.12	276	484	375	6	27000	71,550
Daporijo	Giba	24.12.11 to 26.11.12	424					
Daporijo	Puwgeko	30.7.11 to 31.1.12	159					
Taliha	Taliha I	4.5.11 to 12.10.12	404	275	308	6	22176	58,767
Taliha	Taliha II	10.6.12 to 22.11.14	179					
Nacho	Siyum	5.7.11 to 23.8.12	389	286	509	6	36648	97,117
Nacho	Siyum	15.12.12 to 10.11.14	406					
		Total	3066	1823	1243		106632	282,574

Appendix – 5.2.4
{Refer Para-5.2.6.3(ii)}

Short maintenance of consumer Security Deposit

(₹ in lakh)

Sl. No.	Name of the Division	Energy charges billed during 2014-15	Actual Consumer Security Deposit available	Consumer Security Deposit to be collected (average billing for two months)	Short collection of Security Deposit
1	Capital Electrical Division	1828.61	172.95	304.77	131.81
2	Seppa Electrical Division	164.37	1.19	27.39	26.20
3	Daporijo Electrical Division	229.86	10.14	38.31	28.17
4	Roing Electrical Division	128.57	11.77	21.43	9.66
5	Deomali Electrical Division	527.00	9.92	87.83	77.91
6	Ziro Electrical Division	744.42	69.42	124.07	54.65
7	Pasighat Electrical Division	351.71	27.48	58.62	31.14
Total					359.54

Appendix-5.2.5
{Refer Para- 5.2..6.3 (iv)}

Non Levy of Surcharge

Name of Division	Period	Category	Amount billed	Penalty @ 2%
Seppa	April 10 to March 15	Domestic	135,89,29,254	271,78,585
	April 10 to March 15	Commercial	26,77,78,341	53,55,567
	April 10 to March 15	Non-residential	59,73,91,864	119,47,837
	April 10 to March 15	Bulk	2,76,70,141	5,53,403
		Total	225,17,69,600	450,35,392
Capital	Feb 13 to July 2015	Commandant 3rd IRBN	20,62,81,871	41,25,637
	Sept 2010 to July 2015	Upcoming Hotel	11,11,387	22,228
	Sept 2010 to July 2015	Director GSI	45,32,898	9,05,658
	July 14 to July 2015	Deputy Commissioner	5,78,35,507	8,69,424
				51,07,947
				501,43,339

Annexure -5.2.6
(Refer Para- 5.2.6.3 (v))

Non-adjustment of interest on consumer Security Deposit

(₹ in lakh)

Sl. No.	Name of the Division	Consumer security deposit available as on			Interest as per SBI base rate (7.5%)		Total Interest
		31.03.13	31.03.14	31.03.15	01.04.14	01.04.15	
1	Capital Electrical Division	2,13,94,316	2,29,96,558	2,34,19,752	17,24,742	17,56,481	34,81,223
2	Naharlagun Electrical Division		4,68,12,320	6,64,82,501	35,10,924	49,86,188	84,97,112
3	Seppa Electrical Division	85,37,094	1,19,094	1,19,094	8,932	8,932	17,864
4	Aalo Electrical Division		58,78,645	68,01,851	4,40,898	5,10,139	9,51,037
5	Daporijo Electrical Division	5,58,217	14,01,428	29,87,909	1,05,107	2,24,093	3,29,200
6	Pasighat Electrical Division		21,32,476	27,47,747	1,59,936	2,06,081	3,66,017
7	Ziro Electrical Division		61,41,923	69,41,993	4,60,644	5,20,649	9,81,294
8	Namsai Electrical Division		2,20,31,964	2,85,86,558	16,52,397	21,43,992	37,96,389
9	Roing Electrical Division		19,04,687	12,25,407	1,42,852	91,906	2,34,757
10	Deomali Electrical Division		9,91,564	9,91,564	74,367	74,367	1,48,735
	Total		11,04,10,659	14,03,04,376	82,80,799	105,22,828	188,03,628

Appendix-6.1.1
(Refer Para-6.1.1)

Statement showing details of Explanatory Notes on Paragraphs of Audit Report pending as of March 2015

Year of Audit Report	Date of placement before the State Legislature	Paragraph number for which <i>suo moto</i> explanatory notes are awaited	Department
2008-09	03.09.2010	1.1	Horticulture
		1.2	Planning
		1.3	Water Resources
		2.1	Industries
		2.5, 2.9, 3.1	Animal Husbandry & Veterinary
		2.3, 2.4	Agriculture
		2.6	Rural Works
		2.7, 2.8	Social Welfare, Women & Child Development.
		2.10	Public Works
		2.11	Urban Development and Housing
		4.3	State Excise
		5.7	Geology and Mining
		4.7, 4.8	Land Management
		4.9, 4.10	State Lottery
		4.11, 4.12, 4.13, 4.14, 4.15, 4.16, 4.17, 4.18, 4.19	Taxation
		4.20, 4.21, 4.22, 5.2	Transport
		5.4, 5.5	Power
		5.6	Supply and Transport.
		5.8	Forest.
		2009-10	24.03.2011
2.4, 2.5, 2.9, 2.10, 2.14	Public Works		
2.8	Urban Development & Housing		
2.11, 2.13	Water Resources.		
3.1	Public Eng.& Water Supply		
4.2, 4.4, 4.5	State Excise		
4.7	Geology & Mining		

Year of Audit Report	Date of placement before the State Legislature	Paragraph number for which <i>suo moto</i> explanatory notes are awaited	Department
		4.10, 4.11	State Lottery
		4.12, 4.13, 4.14, 4.15, 4.16, 4.17, 4.18, 4.19, 4.20	Taxation
		5.2	Hydro Power Development
		5.3, 5.4, 5.5	Power
		5.6	Supply & Transport
2010-11	27.09.2012	1.1	Education
		1.2	Urban Development & Housing
		2.2	Education
		2.5	Rural Works
		2.8	Science & Technology.
		2.10	Health & Family Welfare
		2.11	Education
		4.2.1, 4.2.2, 4.2.3, 4.2.4, 4.2.6, 4.2.8, 4.2.9, 4.2.10, 4.2.11, 4.2.12	Taxation
		4.2.13, 4.2.14	Transport
		4.2.16, 4.2.17, 4.2.18	State Excise
		4.2.19	Land Management
		5.2, 5.3, 5.4	Power
		5.5	Finance
2011-12	23.09.2013	1.2	Health & Family Welfare
		1.3, 1.4	Sports & Youth Welfare
		1.5	Social Welfare, Women & Child Development
		1.6	Education
		2.3	Tourism
		2.4	Agriculture
		3.2	Secretariat General Administration
		3.3, 5.2.23	Land Management
		4.2, 4.3	Power
		4.2.14, 4.2.15, 4.2.16, 4.2.17, 4.2.18, 4.2.19, 4.2.20, 4.2.21, 4.2.22	State Excise

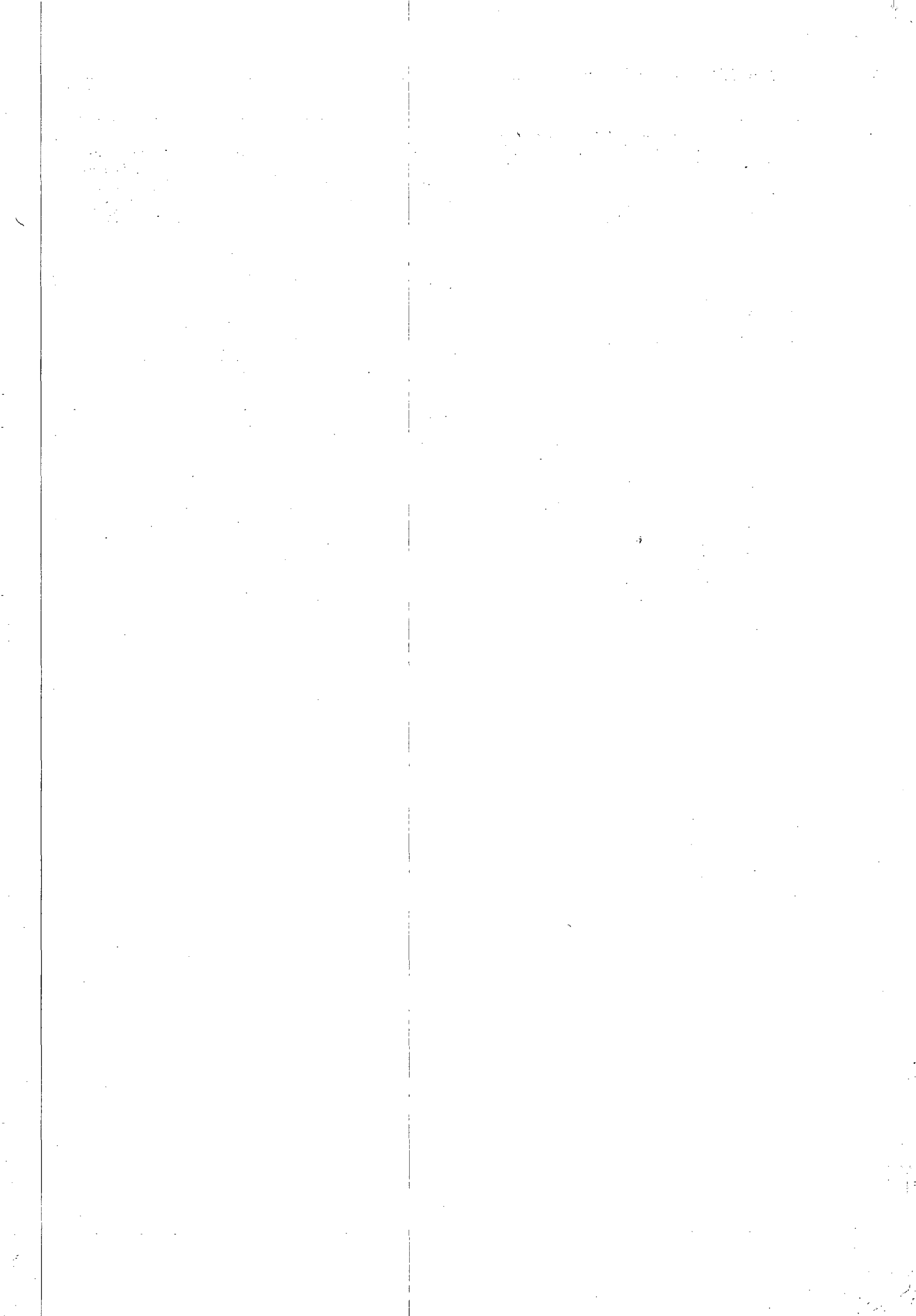
Year of Audit Report	Date of placement before the State Legislature	Paragraph number for which <i>suo moto</i> explanatory notes are awaited	Department
2012-13	26.09.2014	1.5	Education
		2.2	Public Works
		2.3	Science and Technology
		2.8	Horticulture
		2.9	Agriculture
		3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9	Taxation
		4.2, 4.3	Hydro Power Department
2013-14	21.7.2015	1.3	Public Health Engineering & Water Supply
		1.4	Education
		1.5	Rural Development
		2.3, 2.4, 2.5, 2.6, 2.7	Public Works
		2.8, 2.9	Water Resources
		2.10	Horticulture
		3.2	Geology and Mining
		3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10	Taxation
		3.11, 3.12, 3.13, 3.14	State Excise
		4.2,4.3	Hydro Power Development
		4.4	Power
Total		159	

Appendix-6.1.2
(Ref: Para 6.1.1)

**Status of outstanding Action Taken Notes (ATNs) on the recommendations of the
Public Accounts Committee**

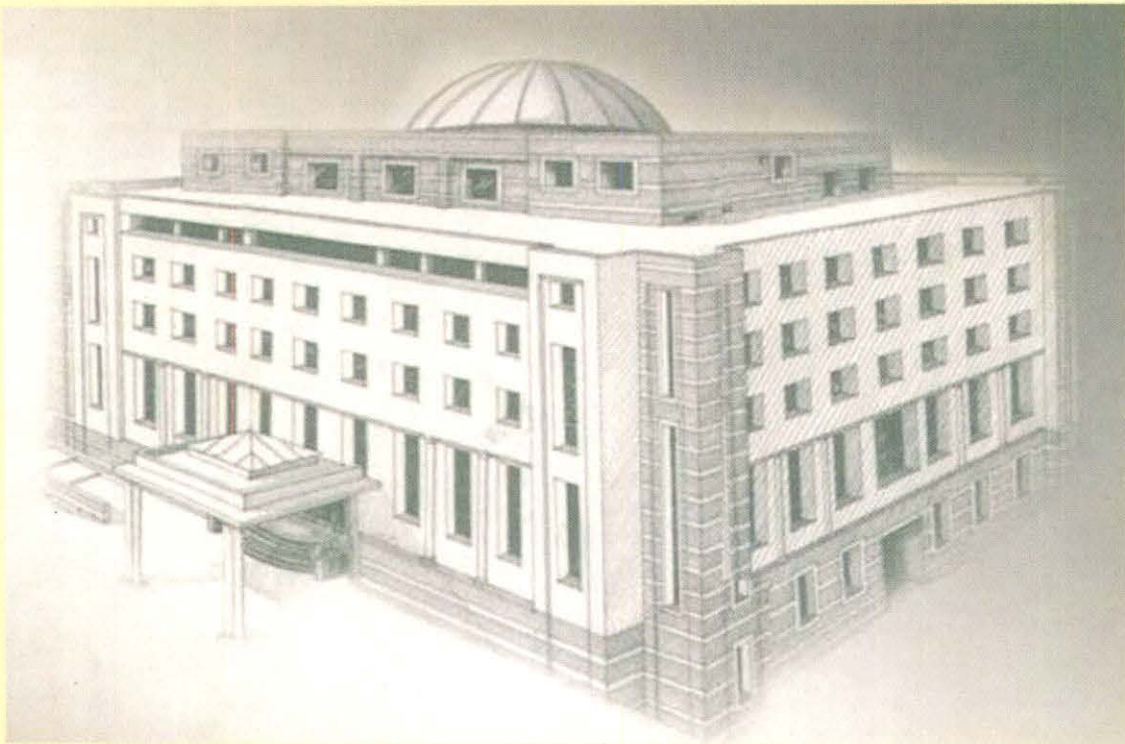
Year of Report	Particulars of paragraph on which recommendation were made by the PAC but ATNs are awaited		PAC Report in which recommendations were made	Date of presentation of the Report of the PAC to the State Legislature
	Paragraph Number	Total Paragraphs		
1986-87	3.1, 3.2, 3.3, 3.7, 3.8, 3.9, 3.10, 3.11, 4.3, 5.2, 7.2 and 7.3	12	27 th , 36 th , 37 th , 40 th , 42 nd , 44 th and 49 th Report	8 th September 1994, 27 th September 1996, 10 th November 1998, 24 th March 2000, 21 st September 2001, 3 rd March 2003
1987-88	3.1, 3.4, 3.5, 3.6, 3.7, 3.9 and 5.1	7	27 th , 36 th , 37 th , 40 th and 42 th Report	8 th September 1994, 27 th September 1996, 10 th November 1998 and 24 th 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	37 th , 38 th , 40 th , 42 nd and 45 th	27 th September 1996, 10 th November 1998, 24 th March 2000 and 3 rd March 2003
1989-90	5.2	1	44 th Report	21 st September 2001
1990-91	3.4, 3.8, 3.9, 7.3 and 7.5	5	39 th , 44 th , 45 th and 48 th	6 th March 1997, 21 st September 2001, 19 th March 2002 and 3 rd March 2003
1991-92	3.1 and 5(b), 3.4	3	39 th , 44 th , 45 th and 48 th 57 th	6 th March 1997, 21 st September 2001, 19 th March 2002 3 rd March 2003 and 27 th September 2012
1992-93	3.3, 3.4, 4.3, 4.4 and 5.1	5	39 th and 44 th Report	6 th March 1997 and 21 st September 2001
1993-94	4.6, 4.7 and 7.2	3	48 th Report	19 th March 2002
1994-95	3.3, 3.4, 3.5, 3.6, 4.3 and 4.10	6	45 th and 46 th Report	19 th March 2002 and 3 rd March 2003
1995-96	3.2 to 3.6 and 3.11, 4.4, 3.7	8	46 th Report, 57 th Report 60 th Report	19 th March 2002 and 27 th September 2012

Year of Report	Particulars of paragraph on which recommendation 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		
1996-97	3.13, 4.10 to 4.14 and 4.16, 3.1.8 4.3.6 (ii), 4.3.6 (iii), 4.3.7, 6.9	12	48 th Report, 57 th Report 60 th Report	19 th March 2002 and 27 th September 2012
1997-98	4.6, 5.1 and 5.4	3	48 th 51 st Report	19 th March 2002 and 21 st March 2006
1998-99	3.6,3.4.8,4..3	3	51 st Report, 57 th Report	21 st March 2006 and 27 th September 2012
1999-00	3.9,	1	57 th Report	27 th September 2012
2000-01	6.11	1	60 th Report	27 th September 2012
2001-02	3.4 3.1.13, 3.1.14, 3.1.15, 3.1.16, 3.1.17 & 3.1.38 to 3.1.40	9	57 th Report 60 th Report	27 th September 2012
Total	85	18		





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