REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2009

GOVERNMENT OF ARUNACHAL PRADESH

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Preface

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

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

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

4. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2008-09 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2008-09 have also been included wherever necessary.

5. Audit observations on matter arising from the examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2009 are included in a separate Report on State Government Finances.

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

OVERVIEW

This Report contains 38 paragraphs and five performance reviews (including integrated audit of Animal Husbandry and Veterinary Department). Copies of draft paragraphs and reviews were sent to the Commissioner/Secretary of the Department concerned by the Accountant General with a request to furnish replies within six weeks. However, in respect of 31 draft paragraphs included in the Report, no replies were received from the Commissioners/Secretaries concerned. A synopsis of the important findings contained in the Report is presented in the Overview.

1. PERFORMANCE REVIEWS

HORTICULTURE DEPARTMENT

1.1. Technology Mission for Integrated Development of Horticulture

Though the Horticulture Department achieved some success in diversification of horticulture crops through successful introduction and cultivation of kiwi, rose and anthurium crops; the overall implementation of the Mission was unsatisfactory. Even after nine years of implementation of the Mission, mere 4.91 *per cent* (88,331 ha) of the estimated potential area of 18 lakh ha have been targeted. Some components of the Mission (programme of medicinal and aromatic crop and apple farming in Ziro) were not successful as these components were executed without carrying out the feasibility study and also due to the lack of technical support and marketability. The benefits of drip irrigation system, *pucca* water tanks, etc. was extended to the farmers with large land holdings ignoring the medium/small farmers, who were to be covered under the Mission. Infrastructures created by spending huge funds were not optimally utilised, thus, rendering the expenditure incurred on their creation wasteful. Most of the marketing infrastructures created under the programme were not put to use either due to locational disadvantages or were being used for purposes other than intended. No impact evaluation study was conducted to evaluate the benefits accruing due to implementation of the Mission in terms of actual increase in production and productivity of horticultural crops.

DEPARTMENT OF PLANNING

1.2 Member of Parliament Local Area Development scheme

Under MPLADS some durable community assets like construction of Community Hall, *Dere*, bridges, class room and boundary wall of schools have been created. However, the implementation of scheme is plagued with problems as instances of regular violation of the scheme guidelines; short-utilisation of the funds; irregularities in maintaining funds; delays in execution of works and execution of ineligible works have been noticed, which were attributable to inadequate supervision and monitoring, etc.

WATER RESOURCES DEPARTMENT

1.3 Implementation of Minor Irrigation Schemes

The overall impact of implementation of the minor irrigation projects was far from satisfactory because of significant shortfall in achievement of target for creation of irrigation potential. Large number of minor irrigation projects was not completed in time and even the completed projects had not been fully utilised. Consequently, the irrigation coverage of 19,775 ha as of March 2009, as claimed by the Department, was in fact only 18,554, which was only 5.15 *per cent* of the ultimate irrigation potential (3.60 lakh ha) in the State. Works under the projects were executed in an unplanned manner resulting in unproductive expenditure and wastage of resources. Apart from non-adherence to financial rules, the Department failed to monitor the schemes during execution. The objective of generating additional irrigation potential to increase the production of cultivable lands, thus, remained largely unachieved. Due to non-finalisation of State Water Policy, the government could not collect any water charges; resultantly it could not avail the conversion of the balance 10 *per cent* loan into grant.

2. AUDIT OF TRANSACTIONS

Non-recovery of dues/Wasteful expenditure

The Transport Subsidy Scheme is applicable to all the Industrial Units (IUs), barring plantation, refineries and power generating units irrespective of their size, both in private and public sectors located in selected States, including Arunachal Pradesh.

During the last seven years (2002-09) the Government of Arunachal Pradesh has received Rs. 32.37 crore for implementation of the scheme. The scrutiny of the claims revealed that some claims were admitted by State Level Committee for disbursement without even verifying the relevant supporting documents such as railway receipts, consignment notes, check-post entry, Central sales tax/ excise payment certificates, etc. Due to departmental laxity to adhere to the scheme guidelines and admission of claims beyond the purview of the scheme, there were questionable reimbursements of Rs. 4.36 crore (13 *per cent* of the total payment of Rs. 32.37 crore). Moreover, in absence of any evaluation, extent to which objectives of the scheme has actually fulfilled remained unassessed.

(Paragraph: 2.1)

Fraud/Misappropriation/Embezzlement

In the absence of any audit trail, an amount of Rs. 33.14 lakh spent on wages of Muster Roll labourers and procurement of CGI sheets appears to have been misappropriated by Deputy Director, Regional Sheep Breeding Farm, Sangti.

(Paragraph: 2.2)

Excess Payment / Wasteful Expenditure

Non realisation of cost exceeding the permissible subsidy on agricultural implements distributed under Macro Management of Agriculture, a Centrally Sponsored Scheme, resulted in extra expenditure of Rs. 30.53 lakh.

(Paragraph: 2.4)

Non-utilisation of carcass utilisation plant

Due to inability of the department to arrange staff for operation of carcass utilisation plant established at a cost of Rs. 2.50 crore, the plant was never used and the investment of Rs. 2.50 crore was rendered unproductive.

(Paragraph: 2.5)

Non-completion of Yatri Niwas

Due to delay in execution of work, GOI did not release balance fund; and expenditure of Rs. 60.35 lakh incurred on Yatri Niwas became idle as the project remained incomplete. Further, assets of Rs. 20.22 lakh were damaged in theft.

(Paragraph: 2.6)

Payment to contractor without ascertaining completion of work

Payment to the contractor for construction of building for 37 Angan Wadi Centres (AWC) was made without obtaining completion reports as required under the agreement. Payment of Rs. 13.75 lakh for construction of 11 AWC building appears to be fraudulent in absence of any supporting document to prove that they were actually constructed. Besides, the contractor was extended undue benefit as the buildings constructed were sub-standard.

(Paragraph: 2.7)

Doubtful distribution of SNP items

Due to inclusion of 74 non-functional AWCs for procurement of special nutrient items under ICDS project, distribution of the item worth Rs. 28.13 lakh remained doubtful.

(Paragraph: 2.8)

Undue benefit to the suppliers

Making payments to the suppliers as claimed without restricting it to the government approved rates, the Directorate extended undue benefit of Rs. 17.27 lakh to the suppliers.

(Paragraph: 2.9)

Undue favour to a contractor

Payment of additional wastage over the approved analysed rate resulted in avoidable expenditure of Rs. 25.91 lakh.

(Paragraph: 2.10)

Non-completion of shopping complex

Unauthorised increase in plinth area of shopping complex and the government's inability to mobilise required resources, the shopping complex was left incomplete resulting in unfruitful expenditure of Rs. 69.20 lakh besides creation of an additional liability of Rs. 82.98 lakh as interest and penal interest. Also due to remoteness of the location, efforts made to dispose off the property failed.

(Paragraph: 2.11)

3. INTEGRATED AUDIT

Animal Husbandry and Veterinary Department

Animal Husbandry & Veterinary Department was set up to stabilise the animal husbandry practices as a profitable profession in the State through integrated programming of production, processing and marketing of the animal products. The thrust area of the department is directed towards providing adequate healthcare facilities besides giving importance to all other livestock activities. Though the department had some positive achievements, the programme implementation was marred from lack of sound budgeting, planning and management practices. The objective of the department to stabilise animal husbandry practice as profitable profession does not seem to have been fully fulfilled. Internal control system in the department was weak and the system of internal audit was totally absent. Project management was also weak leading to delays in execution of the projects, and *adhoc* implementation and idle investments necessitated renovation and reengineering of the existing systems and processes.

4. REVENUE RECEIPTS

Audit of transactions

Test check of the records of Sales Tax, Land Revenue, State Excise, Motor Vehicles Tax, forest and other receipts conducted during 2008-09 revealed under assessments, non/short levy, loss of revenue etc., of Rs. 39.81 crore in 74 cases. This chapter contains 21 paragraphs involving Rs. 31.87 crore.

For delayed payment of royalty, additional royalty of Rs. 1.48 crore though leviable was not levied.

(Paragraph 4.6)

Against lease rent of Rs. 3.21 crore, an amount of Rs. 17 lakh only was realised resulting in short realisation of lease rent of Rs. 3.04 crore; besides, interest of Rs. 45.25 lakh was additionally leviable.

(Paragraph 4.7)

Unclaimed prize money of Rs. 9.23 crore remained out of the Government account due to inaction by the department.

(Paragraph 4.9)

Failure to collect the entry tax from 51 vehicles before registration resulted in non-realisation of the entry tax of Rs. 62.49 lakh.

(Paragraph 4.11)

Non-inclusion of interest in the requisition sent to the recovery officer resulted in the short levy of interest of Rs. 46.80 lakh.

(Paragraph 4.12)

Seven unregistered dealers irregularly procured 'C' forms and imported goods valued at Rs. 4.04 crore resulting in loss of revenue of Rs. 43.10 lakh.

(Paragraph 4.13)

5. COMMERCIAL ACTIVITIES

Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2009, the State of Arunachal Pradesh had five working PSUs and two non-working PSUs (all companies), which employed 151 employees. The working PSUs registered a turnover of Rs. 5.72 crore for 2007-08 as per their latest finalised accounts. The working PSUs earned an aggregate profit of Rs. 2.98 crore and had accumulated profit of Rs.3.33 for 2007-08.

Investments in PSUs

As on 31 March 2009, the investment (capital and long term loans) in seven PSUs was Rs. 24.30 crore. It increased by 4.29 per cent from Rs.23.30 crore in 2003-04 to Rs.24.30 crore in 2008-09. The Government contributed Rs.5.72 crore towards equity and guarantees issued during 2008-09.

Performance of PSUs

During the year 2008-09, out of five working PSUs, one PSU earned profit of Rs.6.20 crore and two PSUs incurred loss of Rs.3.22 crore. The only contributor to profit was Arunachal Pradesh Industrial Development and Financial Corporation Limited. In respect of two new companies, *viz*. Arunachal Pradesh Housing & Welfare Corporation Limited (2006-07 to 2008-09) and Hydro Power Development Corporation of Arunachal Pradesh Limited (2007-08 and 2008-09), the companies are yet to finalise their accounts. The losses are attributable to various deficiencies in the functioning of PSUs. A review of two years' Audit Reports of CAG shows that the State PSUs' losses of Rs. 4.43 crore and infructuous investments of Rs. 1.57 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and enhance profit/ minimise losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for greater professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. In respect of one account finalised during October 2008 to September 2009 report of Statutory Auditors on internal control of the companies indicated three weak areas.

Arrears in accounts and winding up

Five working PSUs had arrears of 31 accounts as of September 2009. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts. There were two non-working companies. As no purpose is served by keeping these PSUs in existence, they need to be wound up quickly.

Discussion of Audit Reports by COPU

The Commercial Chapters included in the Audit Reports for 1987-88 (except 2002-03) onwards are yet to be discussed fully by COPU. These seventeen chapters contained seven reviews and 73 paragraphs of which four reviews and 32 paragraphs have been discussed.

CHAPTER-I

PERFORMANCE REVIEWS

1.	Technology Mission for Integrated Development of Horticulture
2.	Member of Parliament Local Area Development Scheme
3.	Implementation of Irrigation Schemes

CHAPTER – I : PERFORMANCE REVIEWS

HORTICULTURE DEPARTMENT

1.1. Technology Mission for Integrated Development of Horticulture

'Technology Mission for Integrated Development of Horticulture in North Eastern States', a 100 per cent Centrally Funded Scheme was launched by the Government of India in the State in 2001-02. While the Performance Audit of the Mission implementation revealed some achievements like success to some extent in the introduction of Kiwi, Rose and Anthurium in terms of productivity and area under cultivation, it also revealed inadequacies in planning, implementation and monitoring of the scheme; taking up of unviable crops, uneconomical procurements, absence or ineffective monitoring mechanism, etc., adversely impacting the implementation of the scheme. The major audit findings are highlighted below:

Highlights

- *Department followed a centralised planning system without involving the district level functionaries in the planning process. Neither the baseline survey was conducted nor any District Project Report/District Annual Action Plan/ Work Plans were prepared for any District.*

(Paragraph-1.1.7)

- *Out of Rs.124.47 crore funds received during 2001-09, as of March 2009 Rs.5.09 crore (4.10 per cent) was retained by Arunachal Pradesh Small Farmers Agro-business Consortium. Further, funds aggregating to Rs.39.51 crore (33 per cent) released for implementation of the Mission remained unutilised with the Director of Horticulture/ District Horticulture Officers.*

(Paragraph-1.1.8)

- *2308 Drip Irrigation Systems (DISs) were installed in the State without realising the beneficiaries' contribution of Rs.3.29 crore. No survey was conducted to ascertain the working status of DIS installed. All the 15 DISs physically verified were found non-functional and not connected to the water source.*

(Paragraph 1.1.10.3)

- *Against the total production capacity of 122 lakh planting materials in 10 big and 24 small nurseries in six districts, only 2.50 lakh (two per cent) were produced during the last 10 years raising doubt about their utility.*

(Paragraph 1.1.10.4)

- *Out of the 793 units of medicinal and aromatic farms created at a cost of Rs.68.52 lakh, 756 units (96 per cent) were defunct resulting in wasteful expenditure of Rs.65.32 lakh.*

(Paragraph 1.1.10.7)

- *Three newly constructed wholesale markets under the Mission were being used for running offices, schools, pig sty, slaughterhouse, etc., impacting the marketability of the horticulture produce.*

  (Paragraph 1.1.11 (ii))

- *No food processing unit has been set up in the State and as a result the horticulture potential of the State has not been exploited to the fullest extent.*

  (Paragraph 1.1.13)

- *The monitoring and supervision mechanism was not effective and the impact assessment of the programme has never been done.*

  (Paragraph 1.1.13)

1.1.1. Introduction

The undulating topography and varied agro-climatic condition of Arunachal Pradesh offers vast potential for horticulture development for growing varieties of tropical, sub-tropical and temperate fruits and vegetables including off-season vegetables. An estimated area of 2.61 lakh hectares (ha) is under *jhum kheti* (shifting cultivation) in the State which coupled with heavy rains has serious adverse effect on ecology and poses landslide, soil-erosion and silting problems. Keeping this in background, horticulture has the potential to be the backbone and future of the State rural economy providing not only a reliable source of income and employment but also solving the *jhum kheti* and associated environmental problems.

The scheme 'The Technology Mission for Integrated Development of Horticulture' (TM) was launched in the State in 2001-02. The scheme comprises four components, referred to as Mini Missions (MM-I to IV). Each of these components addresses different aspect of the scheme.

The specific objectives of the Technology Mission are:

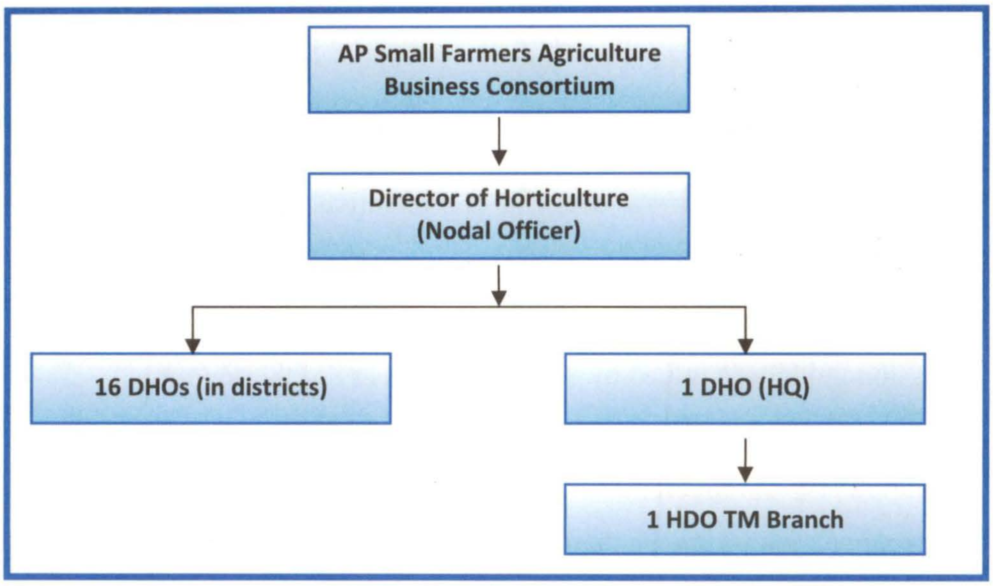
- to improve productivity and quality of horticulture crops through adoption of improved varieties/technologies and upgradation of existing production/ farming technologies.
- to reduce post harvest losses, and improve marketability of the produce and its availability to consumers.
- to promote better utilisation and increased consumption of the produce to ensure higher returns to farmers/ producers and better nutritional health to the people, to promote exports and export oriented growth; and
- to develop a strong base for transfer of technology and human resource development to support developmental activities.

1.1.2. Organisational Setup

The Director of Horticulture (DOH), Arunachal Pradesh is the Nodal Officer responsible for the planning and implementation of the scheme under MM-II and IV.

He is assisted by one District Horticulture Officer (DHO) in each district and one Horticulture Development Officer (HDO) in the Directorate. The activities under the Mission in the districts are implemented through 16 DHOs. The programme under MM-III is implemented by the Director of Agriculture in association with the Agriculture Produce Marketing Committees. The organogram reflecting the prevalent arrangement for scheme coordination, implementation and reporting system in the State is as below:-

Chart.1.1. 1



1.1.3. Scope of Audit

Performance review of the implementation of the Technology Mission for Integrated Development of Horticulture in the State was conducted during April to July 2009 and covered the various activities of the Mission carried out during the period 2001-09. The records of the DOH and six[1] (38 *per cent*) out of the 16 DHOs were selected for detailed scrutiny on the basis of fund allocation and simple random sampling method without replacement. In addition, the records of the Director of Agriculture and Agricultural Products Marketing Committees (APMC) of the selected districts were also test checked. The audit covered an expenditure of Rs.51.08 crore (64 *per cent*) out of the total expenditure of Rs.79.87 crore.

1.1.4. Audit Methodology

The performance audit commenced with the entry conference on 18 May 2009 with the departmental officers wherein the audit objectives, audit criteria, scope of audit and process adopted for the selection of sample units for detailed scrutiny, etc. were explained. The audit findings were discussed in an exit conference held with the departmental officers on 26 October 2009 and the comments of the Department have been suitably incorporated in the report.

[1] Bomdila, Pasighat, Tezu, Roing, Ziro and Aalo.

1.1.5. Audit objectives

The audit objectives were to assess whether:

- the State Action Plan was based on an integrated approach consolidating the district level action plans;
- the implementation of the scheme was efficient, economic and effective and as per the approved plan;
- the objectives of the Mission to increase the production and productivity of the horticulture crops in the State were achieved;
- efforts under all MMs were adequately integrated to ensure the optimum impact of the Mission in terms of production, productivity, marketing, processing and export; and
- the monitoring system was adequate and effective.

1.1.6. Audit criteria

The following major criteria were used to asses the performance:

- Mission guidelines issued by the Union Ministry of Agriculture.
- State annual action plan and District annual action plans.
- Detailed project reports prepared by the department; and
- Prescribed monitoring mechanism.

Audit Findings

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

1.1.7. Planning

The scheme is to be implemented in a project form which involves preparation of a project report for each district integrating all the aspects of horticulture development of the district and address the issues of production, marketing, processing and exports after carrying out a baseline survey. The Annual Action Plans (AAP) setting clear physical and financial targets for the concerned year together with the District Project Report are to be submitted by the DOH to the Director of Agriculture and Co-operation (DAC), New Delhi for release of the required funds. The scheme guidelines emphasise a bottom-up approach in planning.

It was found that:

- ➢ The AAPs were prepared without involving the district level functionaries. Neither the baseline survey was conducted nor was the District Project Report/ District AAP/ Work Plan prepared by any of the districts; and
- ➢ Consequent to the centralised planning process, certain plantation of crops which were ineffective and unviable, such as the programme of aromatic and medicinal plants and apple farming in Lower Subansiri district, continued to be implemented despite these crops being commercially unviable.

1.1.8. Financial Management

Funds of MM-I are released by the DAC directly to the ICAR whereas the funds for MM–II, III and IV are routed by the GOI through the Central Small Farmers Agri-Business Consortium (CSFAC) who is to further release the funds to the Arunachal Pradesh Small Farmers Agro-business Consortium (ASFAC) as per the approved activities. The ASFAC releases funds to the DOH/DHOs on the basis of the approved work plan of the respective district.

Central assistance received by the ASFAC and released further to the DOH/DHOs and expenditure incurred there against during 2001-09 are tabulated below:

Table No. 1.1.1

(Rs in crore)

	OB	Funds released by CSFAC	Total funds	Funds released to DHOs	Fund retained by ASFAC	Exp. Incurred	Unutilised fund with Dept.
2001-02	Nil	6.99	6.99	3.85	3.14	2.18	1.67
2002-03	3.14	12.20	15.34	13.20	2.14	8.75	4.44
2003-04	2.14	13.24	15.38	11.11	4.27	7.21	3.90
2004-05	4.27	15.00	19.27	16.14	3.13	11.03	5.11
2005-06	3.13	13.88	17.01	14.09	2.92	11.39	2.71
2006-07	2.92	12.00	14.92	11.42	3.50	6.19	5.23
2007-08	3.50	30.63	34.13	33.18	0.95	22.73	10.45
2008-09	0.95	20.53	21.48	16.39	5.09	10.39	6.00
Total		124.47		119.38		79.87	39.51

Source: Director of Horticulture.

It is evident from the table that during 2001-09 instead of releasing the entire funds to DOH/DHOs, ASFAC retained substantial part of the funds each year and amount retained as on March 2009 was Rs.5.09 crore. Again out of the funds released, the DOH and DHOs did not utilise significant portion ranging between Rs. 1.67 crore and Rs. 10.45 crore at the end of each year aggregating to Rs. 39.51 crore (33 per cent).

Further, DOH and five test checked districts also did not utilise their available funds ranging between Rs. 1.66 crore and Rs. 9.66 crore during 2001-09 (*Appendix-1.1.1*).

Department accepted the audit findings and also added (October 2009) that ASFAC was not able to release funds timely to the DOH/DHOs due to very late receipt of funds from CSFAC. Keeping the problem in view the State Government needs to closely interact with CSFAC to ensure that the funds earmarked for the State are released timely to ASFAC so that the Mission activities do not suffer for want of funds.

(i) Unauthorised utilisation of Interest

The scheme guidelines provide that the State should submit separate proposal to the Technology Mission Cell, DAC for utilisation of the interest earned on the Mission Fund. However, during 2001-09 the DOH and DHOs earned an interest of Rs.1.75 crore on the Mission funds out of which four DHOs and DOH spent Rs. 29 lakh as detailed below, without the knowledge of the Technology Mission Cell, DAC:

Table No.1.1.2

(Rs. in lakh)

DHO	Purpose	Amount
Itanagar	a. Attending exhibition at Israel b. Attending exhibition at Gangtok	5.00 5.00
Lower Subansiri	a. Kiwi programme b. Floriculture	0.40 0.30
Lower Dibang Valley	On purchase of Generator and Computer	0.43
West Kameng	On purchase of equipment, furniture and transportation.	2.20
DOH Itanagar	On purchase of Scorpio and Bolero	15.67
Total		29.00

Source: Cash book of DOH and vouchers.

The Department stated (November 2009) that the expenditure was incurred with the approval of the Chief Minister, Managing Director, ASFAC and Chairman ASFAC. The reply of the Department is not tenable as scheme guidelines strictly prohibited the utilisation of interest amount without the approval of DAC.

Programme implementation

The Mission comprises four components, referred to as Mini Missions (MM-I to IV). Each of these components addresses different aspect of the scheme.

1.1.9. MM-I: Technological support from ICAR

MM-I aims to provide technological support by way of providing information on best horticultural practices, nucleus planting materials and skill upgradation for adoption of technology. The activities under this mission are vested with the ICAR. To make optimum use of MM-I, the DOH needs to have close liaison with the local ICAR office for obtaining regular and suitable technical support.

Though the implementation of MM-I vests with the ICAR, it was noticed that during the period from 2001-09, ICAR neither developed/recommended any nucleus/basic seeds or planting materials nor did it ever render any technical support to the Mission activities in the State. Moreover, the State had also never approached ICAR for any assistance. Further, there was no coordination between the Joint Director, ICAR stationed at Basar and the departmental authorities on any issue concerning horticulture. In the absence of any technical support from ICAR, the objectives of MM-1 were not achieved in the State and also the efforts of the department for the development of aromatic and medicinal plants in some of the districts and apple orchards in Ziro did not succeed.

1.1.10. MM-II: Production and Productivity

MM-II primarily aims at increasing the quantum of production and productivity of the horticulture crops in the State by supporting the activities such as creation of water resources through community water tank, development of quality planting materials of high yielding varieties through nurseries & greenhouses, training of farmers and staff, and promotion and popularisation of organic farming practices.

The major activities including area expansion, exploitation of water resources, on farm handing, etc. were carried out under MM-II. The Mission had considerable impact in some areas especially in diversification of horticulture crops. Kiwi, Rose and Anthurium were successfully introduced in the State and these three crops have shown significant progress. The area under cultivation of Kiwi fruit has increased from 55 ha to 1000 ha and the production increased from five MT to 90 MT during 2001-08. Rose and Anthurium are also doing well on account of the favourable agro-climatic conditions and infrastructural facilities created for them. The area under these two flower crops is now nearly 1000 ha. In addition to the sales locally and within the country, the export potential of these two flower crops is also being tapped by exporting these abroad.

The physical achievements in almost all of the components under MM-II (*Appendix-1.1.2*) were shown as 100 *per cent.* Audit scrutiny, however, revealed that the claims made regarding achievements were not based on the actual facts as evident from the audit findings in the subsequent paragraphs.

1.1.10.1. Area Expansion:

One of the major activities of MM-II is to increase production through area expansion under various horticultural crops. The State has an estimated potential area of 18 lakh ha for horticulture crops against this as of March 2009, the Department could achieve only 88,331 ha (4.9 *per cent*) indicating poor coverage of potential area.

The Director stated (October 2009) that the potential areas created under horticulture were dependent on the availability of funds. The reply is not factual as out of Rs.124.47 crore received by ASFAC during 2001-09, Rs.5.09 crore (4.10 *per cent*) were retained by ASFAC. Further, out of the Rs.119.38 crore released by ASFAC, Rs.39.51 crore (33 *per cent*) were not utilised by the department.

(i) Cluster Approach: The scheme guidelines require that area expansion should be done following cluster approach through selection of beneficiaries in contiguous areas covering the whole village to benefit from the common infrastructure such as community tank, plant protection and plasticulture and other systems. This approach, however, had not been adopted by the department and the beneficiaries were not selected from the contiguous area, thus, depriving the beneficiaries of the advantages of cluster approach.

The Director stated (October 2009) that due to the small land holdings in the State, the Cluster Approach was not possible. The contention of the department is not acceptable as multiple small holdings can be grouped to form a cluster for the implementation of the scheme.

(ii) Area Expansion under fruit crops: The targets and achievements for area expansion in respect of fruit crops as per the Status Report (as on March 2009), claimed almost 100 *per cent* achievement. The increase in the actual area coverage under fruit crops during 2001-09 was 27,255 ha as against the achievement of

28,117 ha reported to the GOI thereby inflating the achievement by three *per cent*. The actual and claimed area coverage details are shown in the table below:

Table No.1.1.3

Name of fruit Crops	Total area covered 2000-01 (ha)	Total area covered 2008-09 (ha)	Increase during 2001-09 (ha)
Apple	6750	12308	5558
Walnut	2299	4575	2276
Kiwi	00	2010	2010
Citrus (Orange)	19276	29680	10404
Pine apple	7356	10125	2769
Banana	3610	5275	1665
Others	3957	6530	2573
Total	43248	70503	27255

Source: Departmental Status Report

After reconciliation of figures the Department accepted (November 2009) the excess reporting by 862 ha.

(iii) Unrealistic achievement: Rs.32.50 lakh was sanctioned during 2004-05 for 250 units of orange (one ha area in a unit) in the districts of Lower Subansiri (50 units) and Lohit (200 units). As per the schedule furnished by the department, 75,000 planting materials were required (300 planting materials per ha). However, only 30,000 planting materials were procured by the DHOs (Lower Subansiri: 6,000 and Lohit: 24,000). As per the norms, with 30,000 planting materials only 100 units of Orange could be achieved. Thus, the achievement of 100 *per cent* (250 units) as claimed by the department was not based on the facts.

In response the Department stated (November 2009) that remaining quantity of planting materials were arranged by the beneficiaries. The contention of the Department is not acceptable as neither any supporting documents in support of their reply was furnished by the department nor any such record was found when audit was conducted.

1.1.10.2. Performance of other activities:

The scheme targets fixed with respect to the other than the area expansion, and the achievements there against as per the departmental records during 2001-08, are as following:

Table No.1.1.4

Name of the asset/input/unit	Target (No)	Achievements in	
		Numbers	Percentage
Medicinal & Aromatic plant units	5945	5938	99
Drip irrigation & Community Tank	2028	2030	>100
Disease forecasting unit	8	7	88
Plant Health Clinic	3	3	100
Bio-control Lab	1	1	100
Model Floriculture centre	2	2	100
Low cost green house	28,000	28,000	100

Source: Departmental status report and action plan.

However, the achievements claimed were not based on the facts as brought out in the subsequent paragraphs.

1.1.10.3. Water Management:

(i) Drip Irrigation System

DIS is a technology for providing irrigation to plants through a network of pipes. It includes emitting water by micro-sprinklers, mini-sprinklers, micro-jets, etc. As per the scheme guidelines, DIS allotment is to be made to the beneficiary having farming in one or more ha and assistance to the farmers is restricted to 50 *per cent* of the cost subject to a maximum limit of Rs.28,500 per ha.

- The department installed DISs only in farms with five ha or above. Thus the benefits of DIS were extended to farmers with large land holdings and the small/marginal farmers (95 *per cent*) were totally deprived of the benefits intended under the scheme.
- During 2001-09, the department installed 2308 DISs at a total cost of Rs.6.58 crore. However, the department did not realise the 50 *per cent* share (Rs.3.29 crore) from the beneficiaries towards the installation of the DISs in their farms extending undue benefit to rich farmers as brought out in paragraph *ibid*.
- The DHOs of East Siang, Lohit, Lower Dibang Valley and Lower Subansiri districts felt that system was not effective as the farmers did not use them and the systems remained non-functional after six months/one year of their installation. Further, the department had not conducted any survey to ascertain whether the DISs were in working status and also to ascertain the impact of it in achieving the intended goals.

The audit team visited 15 farms[2] where the DISs were installed at a cost of Rs.34 lakh and found that in none of these farms DIS was working. The networks of the pipes were found dislodged, broken and ineffectual. The *pucca* water tanks constructed in most of these farms remained dry without any connectivity to the water source (See following photographs).

2 1.Cholakso Tayang-Lohit; 2.Sohiyan Kellai-Changling;3.Batakso Tayang-Tafragam; 4.Ballong Tindiya- Changling; 5.Dature Miuli-LDV(12km); 6.Smt. Sepa Miuli- LDV(12km); 7.Smt.Simu Megga-Ziro point; 8.Matti Lingi-Injonu; 9.Ayepi Mega-Injonu; 10.Chilico Meto-Koronu 11.Miranda Male-Koronu 12.Hagehally-Hiltop(LSD) 13.Takhe Babu-Duku; 14.Kalung Tatung-Kalung; 15.DHO,Ziro-Ziro.

	
Dislodged Pipe Network	**Dry Water Tank**

In response, the Department stated (October 2009) that the maintenance of the DISs is the responsibility of the farmers, and also added that the targeted beneficiaries are very poor and not able to share the 50 *per cent* cost. The reply is not tenable as the benefit of DIS was extended to farmers with large land holding who cannot be termed as poor and it also violated the Mission guidelines.

(ii) Creation of water sources

The scheme provides for creation of suitable water sources to ensure irrigation for the horticulture crops round the year. As per the scheme guidelines, assistance to the extent of Rs.one lakh was to be given for creating community water tank with a capacity of 3.20 lakh litres for irrigating one ha area. The maximum limit of assistance was to be limited to Rs.10 lakh per tank for irrigating a command area of 10 ha. The assistance was to be provided to a group of farmers or community for creating *pucca* community water tanks so that the intended benefit is maximised.

Though the department utilised the entire allotted fund of Rs.10.19 crore during 2001-09 meant for construction of community tanks, no community-based tanks were actually constructed as all the tanks constructed were in the farmyards of the individual beneficiaries having five ha or more. Thus, similar to DIS, benefit of the community tanks was also restricted to the farmers with large land holdings ignoring the intended objective of the scheme.

In response the Department stated (October 2009) that the water tanks for community could not be created due to non-availability of community land for this purpose. The reply is not acceptable as the medium and small farmers were left uncovered by the activities in violation of the scheme objectives.

Further, as per the norms, each tank should have water storage capacity of 3.20 lakh litres for irrigating one ha of land. However, during 2001-09, in six districts 241 water tanks constructed at a cost of Rs.2.41 crore had total water storage capacity of only 31.75 lakh litres against the envisaged storage capacity of 781.20 lakh litres which works out to an average of mere four *per cent* as tabulated as following:

Table No.1.1.5

Name of district	No. of units (corresponding area)	Total Expenditure (Rs. in lakh)	Prescribed capacity (lakh litre)	Actual capacity created in lakh litres (*per cent*)
West Siang	34No (34 ha)	34	108.80	6.80 (6)
East Siang	48No (48 ha)	48	153.60	4.80 (3)
Lohit	67No (67 ha)	67	214.40	3.35 (2)
L. Dibang valley	60No (60 ha)	60	192.00	12.00 (6)
Lower Subansiri	16No (16 ha)	16	61.20	1.60 (3)
West Kameng	16No (16 ha)	16	51.20	3.20 (6)
Total	241No (241 ha)	241	781.20	31.75 (4)

Source: DHO's records.

Despite incurring expenditure of Rs.2.41 crore on creation of 241 water storage tanks with intended capacity to store 781.20 lakh litres of waters, the actual storage capacity created was only 31.75 lakh litres (4 *per cent).*

In response the Department did not furnish specific reply and stated (October 2009) that the water storage capacity was created depending upon the availability of the funds for this purpose. The reply is not factual as out of Rs.124.47 crore received during 2001 09, Rs.5.09 crore (4.10 *per cent*) were retained by ASFAC. Further, of the fund released, Rs.39.51 crore (33 *per cent*) were not utilised by the department.

Thus, the fact remains that shortage of water storage capacity impacted the implementation of the scheme.

1.1.10.4. Creation of Nurseries

The creation of nurseries plays an important role under MM-II to increase the production and productivity of the horticulture crops. This activity is intended to provide genuine, disease free and healthy planting materials. The big nurseries should have a capacity to produce five lakh plants per year while the small nurseries should produce at least three lakh plants per year; and the State Government was to ensure the quality of the planting material produced by these nurseries through regular checks/ inspections.

During the years 2001-09, the department established 72 nurseries at a total cost of Rs.4.08 crore (nine big and 16 small nurseries in Public Sector and 12 big and 35 small nurseries in Private Sector). The outlay on the Public Sector was Rs.2.10 crore and on the Private Sector was Rs.1.98 crore.

In five test checked districts it was seen that five big and six small nurseries in the Public Sector and five big and 18 small nurseries in the Private Sector set up with an annual production capacity of 122 lakh planting materials, produced only 2.50 lakh (two *per cent*) planting materials. Further, in the five sample districts against the requirement of 199.66 lakh planting materials, only 5.30 lakh (three *per cent)* planting materials were managed from these departmental nurseries and the balance requirement of 194.16 lakh (97 *per cent*) planting materials were procured by DHOs from other sources at a cost of Rs.6.26 crore. The purchase of 97 *per cent* of the planting materials from outside was the result of the poor performance of the department's nurseries.

The Department agreed (October 2009) to the audit findings and assured that the efforts would be made in future to improve the nursery productivity.

1.1.10.5. Centre of Excellence (COE)

Scheme guidelines provide that COE should be established in a compact area of at least 40-50 ha of land comprising the lands of farmers of the same village having suitable transportation facilities. The main purpose of such COEs was to provide necessary demonstration and training to the farmers on modern farming and horticulture practices and to work in close coordination with ICAR who would provide COE with the planting materials and technology for making these centres as resource centre.

In the State, only one COE for Temperate Orchids was established at Dirang during the year 2004-06 at a cost of Rs.236.55 lakh (2004-05: Rs.145.55 lakh, and 2005-06: Rs.91 lakh) with 21 beneficiaries in a compact area and 76 beneficiaries of other villages. Horticulturist in charge of COE reported (May'07) that 90 to 95 *per cent* plants were surviving and the COE was functioning well.

However, presently the Centre site lays deserted without any orchid plants and no activities are being carried out. Further, the Tissue Culture Laboratories (TCL) (photo below) established in October 2005 remained non-functional for want of technical staffs. An amount of Rs.7.90 lakh was spent unnecessarily on purchase of chemicals and glassware (May 2006) for TCL which was non-functional.

The Horticulturist in charge of COE (June 2009) and subsequently the Department stated (October 2009) that the COE was damaged by cyclone. The reply is not convincing as no supporting documents like report sent to the Directorate/ Government about the cyclone or any damage assessment report, etc. was made available to audit. Even the date of the cyclonic event was also not found on record.

TCL

Inoculation Room

- During 2004-05, out of Rs.145.45 lakh provided for the COE, Rs.13 lakh was meant for 'On Farm Handing'. COE utilised Rs.12.99 lakh on procurement of

2685 High Density Plastic (HDP) crates in March 2006 which were to be distributed only to the COE beneficiaries. However, only 665 crates[3] were issued to the four COE beneficiaries and the remaining 2020 crates (75 *per cent*) valued at Rs. 9.77 lakh were issued to 45 individuals who were not COE beneficiaries and thus ineligible.

- Further, as against the maximum limit of Rs.0.50 lakh benefit to a beneficiary, the COE extended benefit of Rs.2.86 lakh to two beneficiaries[4] in violation of the scheme guidelines.
- The Horticulturist in-charge of COE, procured 34,850 planting materials 'CYMBIDUM' variety between September 2005 and May 2006 for Rs.85.78 lakh from four suppliers at different rates ranging from Rs.100 to Rs.700 each without inviting any tender/quotation to ensure economy and quality of planting materials.

Scrutiny and cross referencing of the departmental records disclosed that the same materials were purchased in other districts (West Kameng, Lohit and East Siang) during 2005-08 from M/S. Zoper Exports ltd. and M/s. Sheel Bio-tech ltd. at rates varying from Rs.110 to Rs.120 each. Thus the absence of competitive pricing resulted in avoidable expenditure of Rs.46.19[5] lakh resulting in less quantity of procurement which would further limit the scheme benefit and coverage adversely.

The Director assured (October 2009) that he would verify the position and send his comments. But no further response was received on this from the department.

1.1.10.6. Greenhouse Technology

Greenhouse (GH) technology is used to provide optimum growth conditions i.e. light, temperature, humidity, carbon-dioxide, etc. for the best growth of the plant to achieve the maximum yield and better quality. To ensure maximum yield and best quality of horticulture produce, a maximum area of 1000 sqm should be used under greenhouse for one farm. The assistance for greenhouse was to be provided up to 50 *per cent* of the cost for covering up to 1000 sqm at the rate of Rs.325 per sqm for hi-tech greenhouse and Rs.125 per sqm for normal greenhouse.

The department constructed 535 GHs covering total area of 3.05 lakh sqm (460 of 500 sqm and 75 of 1000 sqm) after spending Rs.427.25 lakh. The following irregularities were noticed:

- In all 535 case of GHs, the department did not realise the 50 *per cent* cost from the beneficiaries as required under the scheme resulting in undue benefit to the beneficiaries to the extent of Rs.213.62 lakh.

[3] S/Shri Jam Tsering: 50. Budumba: 150, Chumpi: 25, and Rinchin Droma: 440

[4] Sh.B. Namthung: 150 crates costing Rs.0.73 lakh and Smt. R.Droma: 440 crates costing Rs.2.13 lakh

[5] 34850 plant costing Rs.88.01 lakh Less @ maximum Rs. 120=Rs.41.82 lakh= Rs. 46.19 lakh

- In four districts, 78 GHs were constructed with an area of 27,300 sft and assistance to the beneficiaries was given @ Rs.325 per sft instead of Rs.325 per sqm resulting into excess expenditure of Rs.69.23 lakh.
- The department had not conducted any study or analysis to ascertain the effectiveness of greenhouses as of July 2009.

The Department in exit conference stated (October 2009) that the rate of Rs.325 sqm was revised to Rs.325 sft with the approval of State Government. The rate revision was invalid as the same was not issued with the approval of GOI

1.1.10.7. Unviable horticulture activities

(i) The department had been implementing programme of medicinal and aromatic crop during 2001-09 and 8444 units of medicinal and aromatic crops were attempted at a total cost of Rs.5.34 crore. However, these crops had not been productive and commercially viable. According to some DHOs the farmers had lost their interest in them because of inadequate profitability, and marketing problems, and thus had shifted to other crops. The field level status of the unit also corroborated to the DHOs' views.

In five test-checked districts, out of 793 units created at a cost of Rs.68.52 lakh, 756 units (96 *per cent*) were found in defunct state. This was due to the lack of technical support and marketability of the medicinal and aromatic crops; and as such expenditure of Rs.65.32 lakh incurred on their creation was wasteful.

The Department stated (October 2009) that in some cases/areas the medicinal and aromatic crops did not succeed due to the poor accessibility/market required for the outputs. The reply is not tenable as the market access is an important factor which department should have addressed before deciding to go for the new plantations. Moreover, the poor market access also reflected on department's poor performance under MM-III under which the department received substantial funding for creation of new markets and expansion of the existing markets.

(ii) During 2001-09 the department attempted apple farming in 261 ha in Ziro under Lower Subansiri district at a cost of Rs. 55.64 lakh. As per the report (July 2009) of DHO, Ziro, the apple cultivation in this region was not commercially encouraging. In spite of discouraging results, the department continued with the apple farming without much justification. It was found that neither any feasibility study or pilot project to ascertain the economic viability of apple cultivation was done nor any efforts to get help from ICAR under MM-I were made by the department. Resultantly, the expenditure of Rs.55.64 lakh incurred on this element has been wasteful.

The Department accepted (October 2009) the audit findings and added that efforts were being made to bring these areas under Kiwi cultivation which has been a huge success in these areas.

1.1.10.8. Idle Infrastructures

Under MM-II, the GOI sanctioned Rs.3.30 crore between 2001-05 for construction of two Model Floriculture Centres (MFCs), one Mushroom Development Centre (MDC), three Plant Health Clinics (PHCs) which included Inoculation Centre and one Bio-Control Laboratory in different places of the State. These infrastructures were created by the department between March and September 2005 after spending Rs.3.29 crore. These are tabulated below:

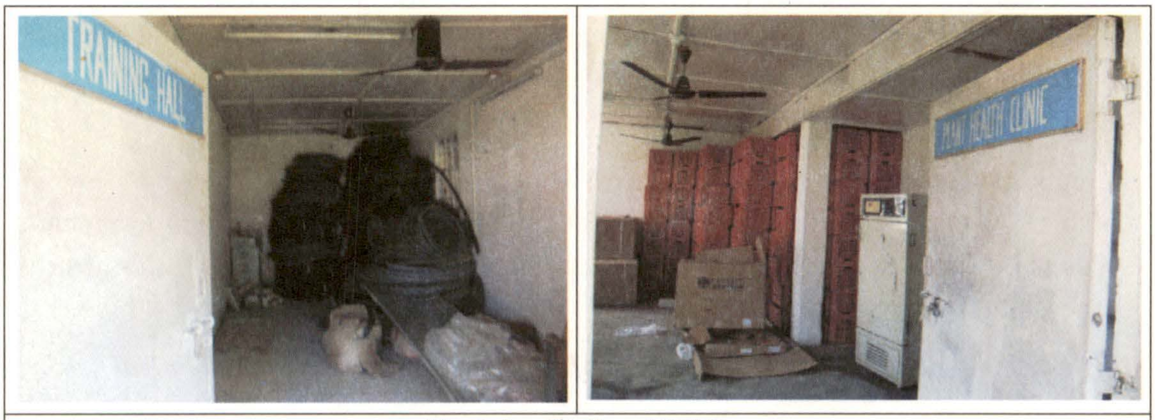
Table No.1.1.6

(Rs. in Lakh)

Name of Lab/ infrastructure	Year of approval	Purpose	Total exp.	Month of completion	Idle for months
MFC, Chimpu	01-02	Multiplying planting materials	70.00	October/04	57
MFC, Roing	04-05	Production of flowers	69.97	April/06	39
Bio Control Lab, Chimpu	04-05	Control of bacteria	80.00[6]	April/06	39
PHC, Chimpu PHC, Dirang PHC, Roing	01-02 04-05 04-05	Control of plant disease	20.00 20.00 20.00	August/05 September/05 July/05	47 46 48
MDC, Pasighat	02-03	Production of mushroom & Training of farmers	48.87	March/05[7]	52
Total			328.84		

Source : DOH's Cash book and voucher

All these infrastructure remained unoperational for periods ranging from 39 to 57 months (as of July 2009) for various reasons such as lack of technically competent manpower and non-procurement of required equipments (see photos below) frustrating the Mission objectives.



Training Hall and PHC

In response the Department stated (October 2009) that they have identified manpower who would be imparted the required training so that the department is able to use these assets.

6 Building:Rs.53.39lakh+Vehicle:Rs.7.95lakh+Equipment:Rs.18.66lakh=Rs.80 lakh

7 This refers to month of procurement of equipments

1.1.10.9. Excess/Extra expenditure on procurements

Instances of shortcomings noticed during the scrutiny of records relating to procurements are indicated in the following paragraphs.

(i) Excess expenditure in procurement of planting materials and seed

From time to time the State Government fixes rates for procurement of seeds, planting materials and other inputs. The rates fixed by the Government in October 2001 remained valid up to November 2008.

The records of five districts test-checked revealed that during 2004-08, the DHOs procured 5.62 lakh kg ginger; 1.74 lakh orange plants; 10,230 walnut plants; 38,241 apple plants and 4.20 lakh banana suckers from different suppliers at comparatively higher rates instead of at the approved rates which resulted in an excess expenditure of Rs.99.80 lakh (*Appendix-1.1.3*).

In reply the Department stated (October 2009) that the rates adopted in October 2001 were very low and it was not possible for the department to procure planting material at these rates. The department added that the rates have now been revised recently in November 2008. The reply is not acceptable as the very purpose of the Government fixing rates centrally is to ensure transparency in the pricing and economy in the procurement and their violation is a serious matter. The reply is also indicative of the Government's failure to monitor the market and revise the rates periodically which cannot now be used as a reason for procurement at higher rates.

(ii) Extra expenditure in procurement of seeds

The records of DHOs Bomdila and Ziro districts revealed that during 2007-09, 245 kg of different variety of seeds were procured from a private party at higher rate than the rate of the authorised supplier *i.e.* National Seed Corporation of India (NSCI) which resulted in an extra expenditure of Rs.69.34 lakh. The reasons for procurement of seeds at higher rate from private party instead of NSCI were not on record.

In reply the Department stated (October 2009) that the rates of NSCI are very low in comparison to the private suppliers and thus it was not possible for them to procure seeds at NSCI rates. The reply is not acceptable as the Department could not justify the reason for not procuring from NSCI.

(iii) Excess expenditure in procurement of protection materials and chemical

The companies pack their product in the container/ packs of different weights and size. Unit price of any product in larger pack is less than the rate of the smaller pack and that is why the large packs are named as 'economy pack'. The financial prudence demands that one should always go, if appropriate, for the larger packs to exploit the price advantage.

The DHOs of LD Valley and West Siang procured 700 litres Tata-Fen-20 E and 15,756 Kg Bio-power in smaller packs of 100 ml and one kg respectively though the same materials were available in larger packs of one litre and 20 kg respectively. Consequently, an excess expenditure of Rs.6.26 lakh was incurred.

In response the Department stated (October 2009) that the per unit cost of chemical is certainly low if procured in bigger packs but the smaller packs were procured purposely as the distribution of the chemicals to the beneficiaries is done only in small quantities. The reply of the department is not factual as according to the norms, quantity of Tata-Fen-20 E and Bio-Power to be distributed per ha is one litre and 60 Kg respectively whereas no farmer with less than one ha was covered in the scheme.

1.1.10.10. Technology transfer through training

MM-II also aims at educating the farmers about the modern technology of horticulture cultivation through training/ demonstration.

During 2001-09, the State spent Rs.2.81 crore on training 12,704 farmers (within the State: 8,904 and outside the State: 3,800) and 104 officials and claimed 100 *per cent* achievement. In six districts the position was, however, not found commensurate with the overall State's claimed achievement. As against the target of 3900 (for 3880 farmers and 20 officials), only 2845 (2830 framers and 15 officials) were imparted training which constituted shortfall of *27 per cent.* Further, in West Siang, out of Rs.3.50 lakh[8] meant for training of seven trainers during 2001-09, Rs.1.80 lakh was diverted to meet the travelling expenses.

The Director agreed (October 2009) to the audit finding and assured that efforts would be made to improve the training performance in future.

1.1.11. MM-III: Post-harvest Management and Marketing

MM-III is concerned with creation of infrastructural facilities for the post-harvest management, marketing and export of the horticultural products. Construction of Wholesale Markets (WSM), Rural Primary Markets (RPM), establishment of State Grading Laboratories (SGLs) and Cold Storages (CS) are taken up under this MM.

The GOI sanctioned Rs.3.88 crore for establishment of six wholesale markets, 23 rural primary markets and two state grading laboratories under the programme and released Rs.3.49 crore in two separate instalments between October 2001 and July 2008. Scrutiny of the records revealed the following:

(i) Location disadvantage: Most of the markets constructed under the programme have location disadvantages as no proper-survey or feasibility study was conducted by the department before their construction. In all the six wholesale markets except one at Tezu, no marketing activity had ever taken place. Further, out of 23 rural primary markets, five were abandoned purely due to their unsuitable locations. Field visits by the audit team indicated market yard 'Ezengo' constructed (August 2003) at a cost of Rs.3.75 lakh was lying in abandoned state due to wrong selection of site. Besides,

[8] 2001-02 Rs.0.50 lakh, 2002-03 Rs.1.00 lakh, 2003-04 Rs.1.00 lakh, 2007-08 Rs. 0.50 lakh 2008-09 Rs.0.50 lakh=Rs. 3.50 lakh

four rural primary markets (three in East Siang and one in West Kameng) constructed at cost of Rs.15 lakh were also in abandoned condition. Further scrutiny also revealed that rural primary market at Hapoli (Ziro) consisting of 27 sheds was renovated at a cost of Rs.7.50 lakh is being used by petty vendors for all kinds of provisions without any trading activities of horticulture produce.

Abandoned Market

Market building being used as Pig Sty

(ii) Unauthorized uses of the Market Yards: The wholesale market at Sinchung constructed at a cost of Rs.10 lakh had been let out in 2006 for functioning of the office-cum-residence of the CDPO while another wholesale market at Jia (Roing), constructed at a cost of Rs.15 lakh has also been let out since 2006 for functioning of a School and its hostel. The wholesale market at Hapoli constructed at a cost of Rs.18.25 lakh is being utilised to keep pigs for the local slaughters.

Thus, the concept of creation and expansion of the horticulture markets under the Mission has not been successful in the State. Despite expenditure of Rs.3.49 crore on this account, the infrastructures created are either incomplete or partially functional or being used for other non-intended purposes, thus defeating the purpose of creation of the post-harvest marketing and management of the horticulture produces.

In response the Department stated (October 2009) that the markets established by the Agriculture Produce Marketing Committees are under the administrative control of the Agriculture Department. The reply is not acceptable as these infrastructures were created from the funds received under the Mission and thus the Department is expected to finalise the marketing strategy and to play an active role in the process to ensure that the markets are established at the appropriate places and are used for the intended purpose.

1.1.12. MM-IV: Fruit Processing

MM-IV aims at promotion of the processing industries for value addition to the horticulture produce by promoting new processing units, upgradation and modernisation of the existing units, market promotion and human resource development. The Director of Industries is the State level implementing authority for this MM.

The MM-IV is very important and has great potential for the State keeping in view the remote location of the State and inaccessibility of the markets for its horticulture produces due to unreliable road conditions and high transport cost.

Fruit processing centres neither existed nor were developed to maximize the economic benefits from the horticulture activities in the State. It was seen in audit that no fund was sanctioned by GOI under MM-IV during the period covered under the Audit nor the State Government has sent any proposal for funding. In the absence of any action on the part of the Department, the State remained completely out of MM-IV depriving the State of great potential benefits.

The Director stated (October 2009) that the proposals to establish fruit processing plant at Panging, East Siang district to cater to the orange and pineapple fruits in that region, and another plant at Chandanagar, Itanagar to extract ginger concentrate were at final stage of their approval. These processing plants once established, would improve the position. The fact is that even after implementation of Technology Mission for nine years, the State Government is yet to establish a fruit processing plant which reflects poorly on the implementation of the scheme in the State.

1.1.13. Monitoring and Evaluation System

The monitoring and evaluation mechanism was poor and ineffective as evident from the following shortcomings noticed in the audit.

- Neither was any baseline survey conducted in any of the Districts nor was any local bodies involved by the District level Co-ordination Committee for identification of beneficiaries as provided in guidelines. Also, the State Level Steering Committee had so far not evolved any system to monitor and evaluate the Mission as stipulated in the Mission guidelines.
- No six-monthly inspection has been conducted by the department and impact assessment as envisaged in the guidelines has also not been done (as of July 2009). No monthly DHO meeting with the Director of Horticulture to review the progress of the mission activities has taken place in last nine years.
- No data was available about the increase in the production or productivity attributable to the Mission activities. The projects/schemes remained largely uninspected and the programme impact remained unassessed.

In response the Horticulture Department stated (October 2009) that recently the department has issued orders constituting a Committee consisting of Director, Joint Directors and Deputy Directors, which from November 2009, onwards would monitor and supervise the horticulture activities in the State. He also stated that the Regional Directors of the Union ministry have visited the State periodically in the past but has submitted their reports to the Union Government.

Audit review also revealed several instances of internal control failures i.e. non-release and under-utilisation of financial resources, violation of scheme guidelines, absence of competitive bidding system and irregularities in procurements, doubtful creation of assets, non-maintenance of basic records, cases of avoidable and extra expenditure, non-maintenance of records for the assets created and inflated reporting as discussed earlier in the review.

1.1.14. Conclusions

The Horticulture Department has some success in diversification of horticulture crops through successful introduction and cultivation of kiwi, rose and anthurium crops. However, the overall implementation of the Mission was unsatisfactory. Even after nine years of implementation of the Mission, mere 4.91 *per cent* (88,331 ha) of the estimated potential area of 18 lakh ha had been targeted. Some components of the Mission (programme of medicinal and aromatic crop and apple farming in Ziro) were not successful as these components were executed without carrying out the feasibility study and also due to lack of technical support and marketability. The benefits of drip irrigation system, *pucca* water tanks, etc. were extended to the farmers with large land holdings ignoring the medium/small farmers, who were to be covered under the Mission. Infrastructures created by spending huge funds were not optimally utilised, thus, rendering the expenditure incurred on its creation wasteful. Most of the marketing infrastructures created under the programme were not put to use either due to locational disadvantages or were being used for purposes other than intended. No impact evaluation study was conducted to evaluate the benefits accruing due to implementation of the Mission in terms of actual increase in production and productivity of horticultural crops. The data/information displayed on the departmental website (http://arunachalpradesh.nic.in/department.htm) is eight to 16 years old.

1.1.15. Recommendations

- District level lower functionaries should be involved in the planning process to make the planning process more participative. Further, Annual Action Plans should be based on district projects incorporating the requirements of all the Mini Missions.
- It should be ensured that cluster approach is followed in the development of horticulture crops. This would facilitate even the smaller farmers to reap the benefits of the development of horticultural crops.
- Appropriate marketing facilities to horticulture farmers should be ensured in order to raise the standards of living of the farmers.
- Proper linkages should be established to ensure value addition through food processing industries.
- The system of supervision and monitoring needs to be strengthened and enforced seriously. An independent impact evaluation should be carried out to ascertain whether the Mission has been able to meet its objectives; and also to know the systemic deficiencies in the implementation of the scheme.

DEPARTMENT OF PLANNING

1.2. Member of Parliament Local Area Development scheme

The Government of India (GOI) introduced the Member of Parliament Local Area Development Scheme (MPLADS) in December 1993 enabling each Member of Parliament (MP) to recommend works for Rs.one crore up to 1997-98 and thereafter Rs.two crore annually for creation of durable community assets and assets of national priority like drinking water, education, public health, sanitation and roads based on locally felt needs. The Performance Audit of the scheme revealed some good and beneficial works was executed under MPLADS through creation of development oriented durable community assets. However, instances of systemic and individual cases of irregularities and inadequacies in planning, budgeting, funding, execution and monitoring were also noticed, which ultimately impacted the successful implementation of the scheme.

Highlights

- *The non-utilization of MPLADS funds during 2004-09 ranged between Rs.81.62 lakh (13.29 per cent) and Rs.235.55 lakh (38.15 per cent) in each year of the implementation which was abnormally high.*

(Paragraph 1.2.8(i))

- *Out of total 708 works recommended by the MPs, 676 works (95 per cent) involving Rs.29.04 crore were projected for completion during 2004-09 of which only 502 works (74 per cent) at a cost of Rs.21.61 crore were actually completed by March 2009 leaving 174 incomplete works involving Rs.6.43 crore.*

(Paragraph 1.2.9)

- *Works costing Rs.64.25 lakh which were not permissible under MPLADS, were funded and executed under the scheme in violation of the scheme guidelines.*

(Paragraph 1.2.7)

- *Neither any user agencies responsible for O&M of 364 assets created during 2004-2009 after spending Rs.13.97 crore were identified, nor were any budgetary support provided for maintenance of these assets.*

(Paragraph 1.2.10)

- *The scheme monitoring and supervision was inadequate and required to be strengthened, and internal control system needs to be revisited.*

(Paragraph 1.2.13)

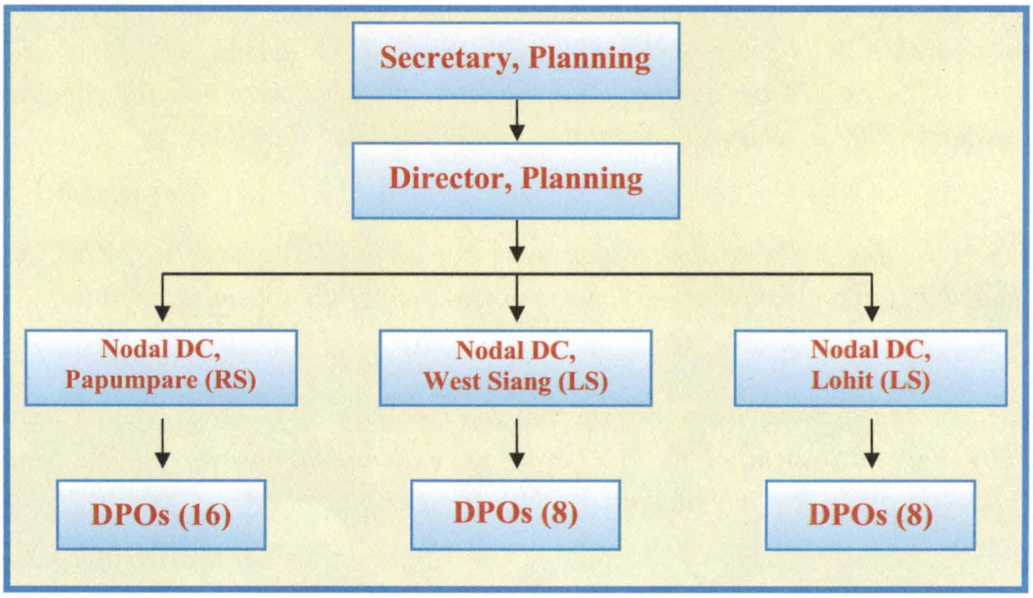
1.2.1. Introduction:

In Arunachal Pradesh, there are two Lok Sabha (LS) Members representing the East and West Parliamentary constituencies covering 16 districts[9] while the State has only one Rajya Sabha (RS) Member. The DC, West Siang at Aalo and DC Lohit district at Tezu are the Nodal District Authorities (NDAs) for implementation of the scheme for West and East LS constituencies respectively. For RS MP, NDA was DC, Papumpare till 2007-08 and thereafter it has been DC, Lower Dibang Valley. Since inception, the State has received total Rs.77.15 crore out of which Rs.29 crore were received during 2004-09.

1.2.2. Organizational Setup:

In the State, the scheme has been brought under the control of the Secretary and Director of Planning and Development (P&D). The overall responsibility for coordination of the scheme activities at district level was vested in the District Planning Officers (DPOs) who are under the direct administrative control of the respective DCs, the district authorities (DAs). The works are implemented by the DAs normally through the Government Implementing Agencies (IAs) like Public Works Department (PWD), Water Resource Department (WRD), District Rural Development Agency (DRDA), District Urban Development Agency (DUDA), etc. The organogram reflecting the prevalent arrangement for scheme coordination, implementation and reporting system in the State is as below:-

Chart.1.2.1



[9] Districts under East Parliamentary Constituency= 1) Lohit,2) Tirap, 3)Changlang, 4) Lower Dibang Valley, 5) Dibang Valley, 6) East Siang, 7) Upper Siang and 8) Anjaw.
Districts under West Parliamentary Constituency= 1) West Siang, 2) Upper Subansiri, 3) Papumpare, 4) Lower Subansiri, 5) Kurum Kumey, 6) East Kameng , 7) West Kameng and 8) Tawang

1.2.3. *Scope of Performance Audit*

A mention was made in the Report of the Comptroller and Auditor General for the year ended March 2000 regarding many systemic inadequacies and recommended to initiate suitable action to make the scheme more efficient and effective. The Public Accounts Committee is yet to discuss the report. The present Performance Audit revealed that many of those irregularities were still persisting. Performance Audit of the scheme covering five years i.e. 2004-05 to 2008-09 was conducted during April-August 2009 by a test-check of the records of five DAs[10] including three NDAs out of the total 16 DAs in the State. These samples were selected on the basis of simple random sampling without replacement method, and covered expenditure of Rs.13.97 crore (65 *per cent*) out of the total expenditure (Rs.21.61 crore) under the scheme during the period audited.

1.2.4. *Audit Objectives*

The Performance Audit objectives were to ascertain whether:-

- The finances were being managed economically and efficiently;
- The intended objectives achieved;
- The works were being sanctioned and executed as per the applicable guidelines; and
- The monitoring and evaluation mechanism was existing and effective.

1.2.5. *Audit criteria*

The following criteria were used to achieve the above audit objectives:

- Guidelines issued by the GOI on MPLAD scheme;
- Details of list of works;
- Recommendation letters of MP, and
- Prescribed monitoring mechanism.

1.2.6. *Audit Methodology*

An entry conference was held in May 2009 with the NDAs wherein the audit objectives, audit criteria, scope of audit and method used to select the sample units for detailed examination were explained. The exit conference was held with the Planning Department on 4 November 2009 and their comments and replies received have been suitably incorporated in the report wherever relevant.

Audit findings

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

[10] Papumpare, West Siang, East Siang, Lower Dibang Valley and Changlang.

1.2.7. Planning

The lacunae noticed during audit scrutiny are discussed below.

- As per the guidelines, the scheme should be brought under the control of a Nodal Department with the overall responsibility for supervision, execution and monitoring of MPLADS implementation; and co-ordination with districts and other Line Departments. In Arunachal Pradesh, the State Planning Department is the Nodal Department and Nodal Officer is Secretary (Planning). Audit scrutiny revealed that the State Planning Department has not been playing any role in the planning and coordination of the scheme implementation as was desired under the scheme guidelines.

  In response the Planning Department stated (October 2009) that there is no active role for them in the planning of the scheme but they have been playing role of a Nodal Department by issuing specific instructions on scheme implementation; passing on the instructions/circulars received from the Ministry of Statistics and Programme Implementation, GOI to the implementing agencies; collecting, consolidating and submitting the reports to the Ministry; conducting training for the district staffs; etc.

- The implementing agencies should maintain a comprehensive list of the recommendations received from the MPs and should have a system for selection and prioritization in place based on the funds availability to ensure transparency in the system. But audit scrutiny revealed that the implementing agencies are not maintaining any such database or list of works recommended.

- The objective of MPLADS is to enable MPs to recommend works of developmental nature with emphasis on the creation of durable community assets. MPLADS guidelines prohibited certain works for taking up under the scheme which included the following:

  - Office and residential building belonging to the Central and State Governments, PSUs, private organizations, co-operative and commercial organizations, etc.;
  - Maintenance works, renovation and repair works; and

    Creation of non-durable assets
  - From November 2005 onwards renovation works of any type are prohibited under the scheme.

However, many inadmissible works were executed at a total cost of Rs.64.25 lakh under MPLADS as detailed below:

- Rs.30 lakh was spent on seven renovation works (Tawang: Three, Lower Dibang Valley: Two, West Kameng and Lohit: one each) during the years 2006-07, in violation of the scheme guidelines.

- Three works (one each in West Siang, West Kameng & Seppa) pertaining to Government activities were taken up at a cost of Rs.15 lakh during the year 2007-08 in violation of the scheme guidelines.
- Two DAs (Papumpare and West Siang), however, spent Rs.18.25 lakh towards eight works of 'Porter tracks' which are basically of non-durable nature as these are normally washed away by the rains, and thus were beyond the purview of the scheme.
- Four maintenance works were taken up at a cost of Rupees one lakh during 2005-06 in violation of the Scheme guidelines.

In response the Planning Department admitted (November 2009) the seriousness of the audit finding. The NDA West Siang stated (October 2009) that those works were executed as per the recommendations of the MP. The contention is not acceptable in audit as those works were taken up beyond the purview of the scheme.

1.2.8. Financial Management

Under MPLADS guidelines, the MPs are to recommend works to the DAs and a copy of the recommendation is also sent to the respective NDAs. Ministry of Statistics and Programme Implementation releases the funds directly to the three NDAs in two equal instalments. The NDAs should further release the funds to the DAs on the basis of the works recommended by the MP for that particular district.

The funds provided under the scheme are non-lapsable and if not utilized, are automatically carried forward to the next financial year. Neither does this require any revalidation process nor has any impact on the fund allocation of the subsequent years. Funds received under the scheme by the NDAs, DAs and Implementing Agencies (IAs) are to be deposited in the nationalized banks and the interest thereon is to be utilized for the scheme activities after following the prescribed procedure for this purpose.

(i) Outlays and Expenditures

The year-wise receipt of funds under MPLADS and expenditure incurred there against during the years 2004-09 are as following:

Table No: 1.2.1

(Rs. in lakh)

Year	OB	Funds received	Interest earned	Total	Exp. incurred	Funds unutilized	
						Amount	*Per cent*
2004-05	5.86	600.00	8.30	614.16	532.54	81.62	13.29
2005-06	81.62	600.00	4.13	685.75	603.61	82.14	11.98
2006-07	82.14	600.00	2.45	684.59	553.21	131.38	19.19
2007-08	131.38	600.00	12.17	743.55	633.25	110.30	14.83
2008-09	110.30	500.00	7.10	617.40	381.85	235.55	38.15
Total	411.30	2900.00	34.15	3345.45	2704.46	640.99	

Source: NDAs records

The Nodal District-wise details of the available funds and expenditure incurred there against have been shown in *Appendix-1.2.1*. However, it would be seen that:

- In spite of the works being identified and recommended by the respective MPs, the NDAs/DAs failed to utilize funds ranging from Rs.81.62 lakh (11.98 *per cent*) to Rs.235.55 lakh (38.15 *per cent*) during the period 2004-09.
- There were huge jump in short-utilization of the available funds during 2008-09 in comparison to the previous years; and the short-utilization has consistently increased year after year from Rs.5.86 lakh in March 2004 to Rs.235.55 lakh in March 2009. Position was alarming in case of DA, Lohit where the unutilised funds ranged from 30 *per cent* in 2005-06 to 100 *per cent* in 2008-09.

In response the Planning Department stated (November 2009) that the audit findings were of serious nature and directed the concerned NDAs and DAs to furnish their comments to audit. However, their response is still awaited.

(ii) Maintenance of Separate Bank Accounts

MPLADS guidelines provide for maintenance of separate bank account and cashbook for the scheme funds by the NDAs, DAs and the IAs. However, the two IAs i.e. WRD, Itanagar and WRD, Basar did not comply with this provision. The said violation made it difficult for the audit to vouchsafe the availability/balance of MPLADS funds, drawals, and interest earnings, etc.

In response the Planning Department stated (November 2009) that the audit finding was of serious nature. The NDA West Siang (October 2009) stated that IAs were maintaining separate accounts for MPLADS fund but no supporting records were furnished with the reply. The reply is not factual as the audit finding is based on the IAs' documents produced during the audit. For example, WRD Basar was keeping MPLADS fund and BADP fund in a combined bank account which had a balance of Rs. 5.95 lakh when audit was conducted.

(iii) Accounting of interest earned

Guidelines provide that the interest accrued on the funds released under the scheme is to be used for permissible works recommended by the MP concerned. The savings for each work, if occurred, shall be refunded by DAs/IAs to the concerned NDA within 30 days of completion of the work. The interest is to be accounted for while arriving at the savings for each work. Audit scrutiny, however, revealed eight instances where DAs and IAs did not report or refund interest to the NDAs amounting to Rs.6.92 lakh.

In response the Planning Department accepted (November 2009) that the audit finding was of serious nature. The NDA, West Siang (October 2009) stated that interest amount was deposited with NDA concerned but no supporting records were furnished with the reply. The reply is not factual as the audit finding is based on the IAs' and DAs' documents produced during the audit.

(iv) Utilization of interest earned on MPLADS funds

The DUDA, Basar under West Siang District (LS) earned an interest of Rs.5.10 lakh on MPLADS fund during 2008-09. Instead of refunding the amount to DAs as required under the scheme guidelines, DUDA unauthorisedly spent the amount on unapproved works without the knowledge of the MP concerned.

(v) Inflated reporting of expenditure

During the period 2004-09, two NDAs (West Siang and LD Valley) had reported expenditure of Rs.10.51 crore (West Siang: 2004-09 Rs.9.13 crore and Dibang Valley: 2008-09 Rs.1.38 crore) to the GOI against the actual expenditure of Rs.6.77 crore (West Siang: Rs.6.65 crore and Lower Dibang Valley: Rs.11.99 lakh) and thereby inflating the expenditure by Rs.3.74 crore (West Siang: Rs.2.48 crore and LD Valley: Rs.1.26 crore). The reporting was made on the basis of the funds released to their DAs without ascertaining the actual utilization of funds.

The NDA West Siang stated (October 2009) that the funds released to the DAs had to be treated as expenditure since they do not receive the monthly expenditure statements regularly from DAs. The expenditure statements were generally received only after the physical completion of the works or at least after 4 to 12 months. The contention is not acceptable as mere release of funds can never be treated as expenditure. The department should revamp the existing system of reporting with the use of information technology so that they are able to get the real picture in time.

1.2.9. Implementation of the scheme

The scheme guidelines provide that once recommendation from an MP is received, the NDA/DA should verify the eligibility and technical feasibility of the work and, if satisfied, should issue sanction order. Further, the works taken up should generally be completed within one year. The NDA-wise position of the works recommended, works sanctioned, and works completed during the period 2004-09 is tabulated as following.

Table 1.2.2

Year	Works recommended					Works sanctioned					Works completed				
	PP	WS	LO	DV	T	PP	WS	LO	DV	T	PP	WS	LO	DV	T
2004-05	41	48	72	-	161	41	48	72	-	161	41	47	71	-	159
2005-06	43	73	55	-	171	43	55	55	-	153	43	49	48	-	140
2006-07	33	56	36	-	125	33	55	36	-	124	33	45	34	-	112
2007-08	52	63	43	-	158	52	54	43	-	149	52	23	11	-	86
2008-09	1	44	-	48	93	1	42	-	46	89	-	3	-	2	5
Total	**170**	**284**	**206**	**48**	**708**	**170**	**254**	**206**	**46**	**676**	**169**	**167**	**164**	**2**	**502**

Source: NDAs' records (PP-Papum Pare, WS-West Siang, LO-Lohit, DV-Dibang Valley and T - Total)

The scrutiny of the works recommended, works sanctioned, and works completed during the period 2004-09 revealed the following shortcomings:

- In cases of 86 out of the total 676 works recommended by MP for execution, there were delays ranging from 13 to 201 days beyond the prescribed time limit of 45 days by the DAs of Papumpare and West Siang districts in sanctioning the work. The reasons for delays were not intimated to the MP/State Government as envisaged in the scheme guidelines.

- Five works involving Rs.18 lakh recommended by the MP (RS) during 2004-08, were not sanctioned even as of August 2009 by the DA Papumpare. The reasons for not sanctioning the scheme were also not reported by the DA to the MP/State Government /GOI as required under the scheme guidelines
- Scrutiny of 174 incomplete works involving Rs.6.43 crore revealed delays ranging between one and three years in their completion beyond the prescribed time limit of one year, resulting in delayed creation of the community assets which further delayed the delivery of the intended benefits to the community.

(i) Non-implementation of scheme in 2008-09

As per scheme guidelines, the second instalment shall be released to NDAs only after the Utilization Certificate (UC) for the previous year has been received from the respective NDAs. Further, NDA should submit Audit Certificate (AC) along with the replies to each audit observation, to the GOI by 30 September of the succeeding year.

Audit scrutiny revealed that in the year 2008-09, the GOI delayed the release of Rs.two crore to the East Parliamentary Constituency (LS), due to the non-receipt of the Action Taken Report on the Audit Certificate for the year 2005-06 from NDA, Lohit. The GOI finally released only Rs.one crore in March 2009. Thus due to non-receipt of funds in time, the scheme could not be implemented during 2008-09 in the East Parliamentary Constituency (LS).

(ii) Non-compliance with the laid down system and procedures

The scheme guidelines provide that the DAs shall follow the established work scrutiny procedures, technical feasibility, work estimation, tendering and administrative system of the State Government concerned while scrutinizing the works recommended by MPs. Audit scrutiny revealed the following:

(a) Execution of works without technical sanction

As per the work procedures in the State of Arunachal Pradesh, execution of any work is to be preceded by technical sanction from the competent authority. However, 146 works involving Rs.6.01 crore were implemented by different DAs without obtaining technical sanctions from the competent authorities for their execution.

(b) Absence of competitive bidding system

Implementing Agencies (IAs) identified by the DAs for execution of the works routinely awarded the works to the private contractors without following any competitive bidding system to ensure possible economy in execution of the works. Scrutiny of records revealed that in all 433 cases of works involving Rs.16.71 crore examined in sample districts (Papum Pare: 163 – Rs.6.70 crore; West Siang: 75 - Rs.3.27 crore; East Siang: 90 - Rs.2.73 crore; LD Valley: 97 - Rs.3.68 crore and

Changlang: 8 - Rs. 0.33 crore) works were executed by IAs through private contractors during 2004-09 without following the competitive bidding system.

The absence of competitive bidding system not only violated the scheme guidelines but also deprived the Government of the possible economy in the execution of these works.

(iii) Shifting of worksite

The work 'Construction of flood protection at Remi River under East Siang' costing Rs.7 lakh was allotted for execution to DRDA in 2007-08 which subcontracted the work to a private contractor and also paid an advance of Rs.5.23 lakh. However, the contractor on his own shifted and executed the work at another site.

In response to an audit query the DPO Pasighat stated (August 2009) that a show-cause notice was issued to the contractor from DRDA but further action was awaited.

(iv) Release of the 2nd and final instalment

The MP (RS) on 20 November 2004 recommended Rs.61.46 lakh as the State matching share for the construction of District Sports Complex at Yupia under the Department of Sports and Youth Affairs, Government of Arunachal Pradesh. Out of the recommended amount, Rs.30.73 lakh being first instalment was released by the DA in December 2004 to the implementing agency. But the second instalment of an equal amount has not been released by the DA as of July 2009. Neither any reason for not releasing second instalment was available on the records produced to audit nor was any reply furnished to audit query issued to them.

(v) Inadmissible charges on MPLADS works

As per the MPLADS guidelines, the DAs and IAs should not levy any administrative charges, centage, salaries, travel costs, etc. for their services in respect of the preparatory works and implementation and supervision of project/works under MPLADS. Scrutiny of records revealed instances of such expenditures being charged to the MPLADS activities.

- During the years 2005-08, the IA, WRD, Roing irregularly charged Rs.1.90 lakh i.e. Rs.1.81 lakh as contingency @ three *per cent* and Rs.0.09 lakh as Cess on the MPLADS works. The department stated (July 2009) that without the contingency provision the works could not be executed.
- Similarly the District Planning Officer (DPO), Yupia under Papumpare district paid an amount of Rs.1.24 lakh as wages and honorarium to the staffs out of the contingency expenses.

(vi) Maintenance of Assets Registers

The DAs are to maintain an Assets Register in the format prescribed under scheme guidelines. However, none of the test checked DAs was maintaining Assets Register in the prescribed format. Consequently, the test checked districts could not even furnish to audit the details/ list of the works implemented during the last five years.

1.2.10. Identification of user agencies/groups

As per the scheme guidelines, the DAs should identify the user agencies/groups for the works/assets under creation either before or after sanction of the works. The DAs are to get firm commitment in advance from the user agency for the operation, upkeep and maintenance of the proposed assets.

Scrutiny of the records of five test checked districts[11], however, revealed that for the proposed 364 numbers of works involving Rs.13.97 crore implemented during 2004-2009, neither user agencies were identified before or after the sanction of works nor were any arrangements made for the maintenance of these assets.

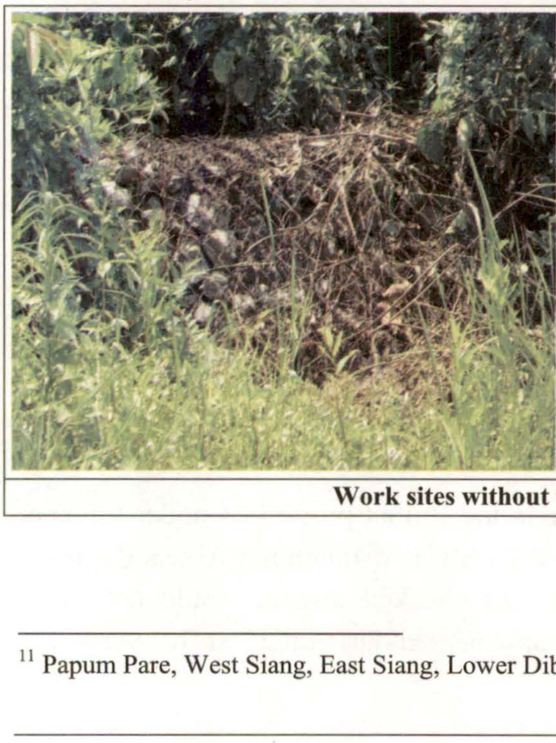
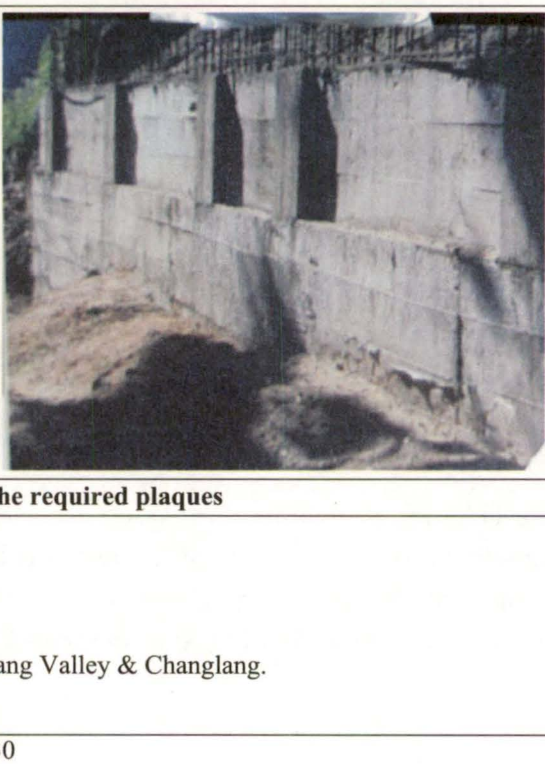
The Planning Department accepted (November 2009) the seriousness of the audit finding. The NDA, West Siang though stated (October 2009) that IAs were asked to handover the completed assets to the user agencies, but no supporting records were furnished along with the reply. The reply is not factual since the user agencies were not identified before or after sanction of the work.

1.2.11. Public Awareness about the works executed

(a) Erection of Plaque at worksites:

Scheme guidelines provide that a plaque carrying the inscription of MPLADS works indicating the cost involved, date of completion, inauguration date, name of the MP, etc. should be erected at every worksite so as to distinguish MPLADS works from the works executed under other schemes. However, in 113 works executed at the cost of Rs.3.94 crore, no plaques were erected.

In response, the NDA West Siang stated (October 2009) that while according sanction the IAs were instructed to erect plaque. Reply is not factual as such instructions were neither recorded in the sanction orders nor provided in the approved estimates.

Work sites without the required plaques

[11] Papum Pare, West Siang, East Siang, Lower Dibang Valley & Changlang.

(b) Displaying works details at the DA's office:

MPLADS guidelines provide that a list of all the completed and ongoing works under MPLADS should be displayed at the DA's office and also posted on the website for the information of the general public. However, the DAs were neither displaying the information outside their offices nor were uploading the information on their website.

Admitting the audit findings NDA, West Siang assured (October 2009) that necessary efforts would be made to display the data on their website.

1.2.12. Imparting of training to district officials

Guidelines provided that the State Government should make arrangements for training of the district officers involved in the scheme implementation. But no records of such training imparted to the district officials within the period covered by audit were furnished to audit.

The Planning Department stated (October 2009) that they did organise training on 29 December 2008. Though the MPLDS is under implementation in the State for 14 years, the sole training conducted indicates the lack of seriousness the department has attached to the training of its officials.

1.2.13. Monitoring, Evaluation and Reporting

(i) Monthly Progress Reports (MPRs) Under MPLADS guidelines IAs are to furnish physical and financial progress of each work to the respective DAs who would pass on the same to the respective NDAs. The NDAs would consolidate and send the MPR to the GOI, State Government and MPs concerned.

However, in none of the sample units covered in audit for detailed scrutiny, IAs had prepared and submitted such reports to the DAs during the period covered under review. This also showed that the MPRs submitted by the NDAs once in a year were incomplete and prepared in absence of inputs from all the IAs.

(ii) Inspection by District Authority: Guidelines further provide that DC was to monitor the progress of works by inspecting at least 10 *per cent* of the works in his district every year with the senior officers of the IAs. The MPs are also to participate to the extent possible in such inspections. Likewise, the sub-divisional and block level officers were responsible to monitor the implementation of works through visit to work sites.

None of the nodal DCs could produce any record to show that such field inspections were carried out at any level. This absence of the prescribed inspection and monitoring system made possible for a private contractor to unauthorizedly shift the work site without the knowledge of DA, IA and the MP concerned as referred to in paragraph 1.2.9(iii) earlier in the report.

(iii) Bimonthly Monitoring Reports: The DAs concerned were also required to submit their bimonthly monitoring report to the MPs and GOI which were not furnished by any of the sample DAs reportedly due to the non-receipt of the format for such reports.

(iv) Formation of the Review Committee: Scheme guidelines make the Nodal Department responsible for coordination with the Union Ministry for proper and effective supervision of the scheme implementation in the State. For this purpose, a Committee under the Chairmanship of the Chief Secretary/Development Commissioner/Additional Chief Secretary is to review the scheme implementation with the DAs and MPs at least once in a year. But no records in support of such coordination or such monitoring meetings were furnished to audit.

(v) Audit of accounts/UCs: MPLADS guidelines emphasized that the accounts and UCs of the DAs should be audited by the Chartered Accountants or the Local Fund Auditors. The DA is to submit annually the audited accounts, UCs, etc. to the GOI, State Government and MPs concerned. However, the accounts of West Siang District for the years 2006-07 to 2008-09 and Papumpare district for the year 2007-08 were not audited as of July 2009. Further, no UC along with the audit certificate was furnished to the GOI.

In response, the Government stated (October 2009) that the Director of Audit and Pension, Arunachal Pradesh would be asked to conduct internal audit regularly to strengthen the internal control mechanism in order to ensure that the schemes are implemented in more efficient manner and to minimize the risk of errors and irregularities and help to protect public resources against loss due to mismanagement. Further, the Government added that the audit findings on non-submission of the UC would also be looked into.

(vi) Evaluation of scheme: Though the MPLDS is under implementation in the State for 14 years since 1994-95, the Government has never conducted any exercise using some suitable third party to ascertain the actual performance of the scheme.

The Planning Department stated (October 2009) that the evaluation could not be done in the past due to manpower constraints. The department further added that efforts would be made in future to improve the position.

Further, performance audit of the scheme revealed several instances of violation of the scheme guidelines; short-utilization of the funds provided; inflated reporting; irregularities in maintaining scheme funds; delays in execution of works; absence of competitive bidding system; execution of ineligible works; unauthorized diversions of funds; etc. which indicated poor internal control system in the agencies involved in the implementation of the scheme.

1.2.14. Action on recommendation made in the previous Audit Report

The Report of the Comptroller and Auditor General for the year ended March 2000 pointed out many systemic inadequacies in the implementation of MPLADS in the State, and had also made many recommendations to make the scheme more efficient and effective. The Public Accounts Committee is yet to discuss the report. The present Performance Audit revealed that many of those irregularities were still persisting. Thus, due to the inaction of the Department on the recommendations made in the Audit Report, the scheme has been deprived of the possible systemic improvements which could have made the scheme more effective and improved its performance.

1.2.16. Conclusion

Under MPLADS some durable community assets like construction of Community Hall, *Dere*, bridges, class room and boundary wall of schools have been created. However, the implementation of scheme is plagued with problems as instances of violation of the scheme guidelines; short-utilisation of the funds; irregularities in maintaining funds; delays in execution of works and execution of ineligible works were noticed, which were attributable to inadequate supervision and monitoring, etc.

1.2.17. Recommendations:

- The system for scrutiny, approval and execution of the works recommended by the Honourable MPs, needs to be reengineered and strengthened. This would also ensure better utilization of the precious resources.
- The Executing and Implementing Agencies should strictly follow the prescribed financial rules and procedures; and the scheme guidelines in scrutiny, approval and execution of the works;
- Scheme guidelines on maintenance of MPLADS funds, interest and its utilisation, refunds, etc. need to be strictly followed;
- User agencies must be identified and assets created should be officially handed over to them. The user agencies should realize user charges which is to be used for the operation and maintenance of the community assets; and
- The supervision, monitoring and evaluation system need to be strengthened and enforced strictly so that the MPLADS is able to realize its objectives.

WATER RESOURCES DEPARTMENT

1.3 Implementation of Minor Irrigation Schemes

The Accelerated Irrigation Benefits Programme (AIBP), a Centrally Sponsored Scheme was conceived in 1996 by the Government of India (GOI) in order to provide financial assistance to the States in completion of the various ongoing irrigation projects so that the envisaged irrigation potential of the projects could be created and thereby extend the irrigation facility to more areas.

While conducting the performance review, Audit noticed a few MIP schemes which were functioning satisfactorily and the farmers were deriving the intended benefits from these schemes. However, the overall impact of implementation of the minor irrigation projects was far from satisfactory because of significant shortfall in achievement of target for creation of irrigation potential. The irrigation coverage of 19,775 ha as of March 2009 as claimed by the Department, is in fact only 18,554 ha, which was only 5.15 per cent of the ultimate irrigation potential (3.60 lakh ha) in the State. The department was able to fully utilise the allocation of Rs.117.92 crore received during the years 2004-08. However, the department needs to bring systemic improvement in the planning, budgeting, implementation and monitoring of the scheme implementation which have been elaborated in the subsequent part of the report.

Highlights:

- *Outcome of the scheme was not encouraging as foodgrain production actually came down by 2.12 per cent annually on an average during the last five years (2004-09) i.e. from 3.27 lakh MTs in 2003-04 to 3.20 lakh MTs during the years 2004-09.*

(Paragraph 1.3.12(ii))

- *Out of the total diversion of Rs.9.45 crore of AIBP funds, Rs.1.49 crore and Rs.7.96 crore were diverted towards other works and for the maintenance of schemes respectively in violation of the financial rules and scheme guidelines.*

(Paragraph 1.3.8.(iv))

- *Delays in release of Central funds received by the department ranged from 28 to 183 days; and 110 inadmissible schemes involving Rs.10.38 crore were included under AIBP in violation of the prescribed guidelines.*

(Paragraph 1.3.7(ii)and 1.3.8(ii))

- *There was wasteful expenditure of Rs.2.91crore due to the abandonment of 34 Non-AIBP schemes as a result of improper planning and lack of the required survey and investigation.*

(Paragraph 1.3.11)

- *The expenditure on the deployment of work charged staff exceeded by Rs.2.12 crore (194.71 per cent) in contravention to CPWD Manual provisions and approvals by the competent authorities.*

(Paragraph 1.3.9(v))

- *Department irregularly diverted and spent AIBP funds of Rs.13.78 crore on O&M of MIPs; and failed to avail the conversion of loan of Rs.10.81 crore into grant due to non-realisation of water charges.*

(Paragraph 1.3.9(vii))

1.3.1. Introduction

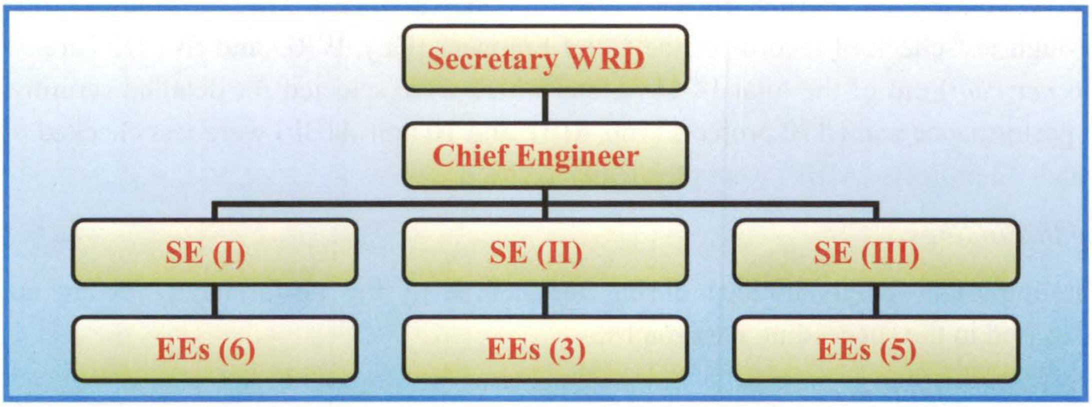
The Accelerated Irrigation Benefits Programme (AIBP) was conceived in the year 1996 by the Ministry of Water Resources, GOI in order to provide financial assistance to the States in completion of the various ongoing irrigation projects so that the envisaged irrigation potential of the projects could be created and the irrigation facility extended to more areas.

In the State, there are no major or medium but only Minor Irrigation Projects (MIPs). The total area of the State is 83.75 lakh ha comprising total cultivable land of 50.24 lakh hectare (ha) and uncultivable land of 33.50 lakh ha. However, the ultimate potential of the State was assessed at 3.60 lakh ha by the Water and Power Consultancy Services India Limited during 1994. As against this, only 0.38 lakh ha (10.55 *per cent*) were brought under irrigation through AIBP of which 0.32 lakh ha were being utilised by the farmers as of March 2009.

1.3.2. Organizational Setup

The organogram reflecting the prevalent arrangement for scheme coordination, implementation and reporting system in the State is as follows:-

Chart. 1.3.1



1.3.3. Audit objectives

The main objectives of the performance audit were to assess whether:

➢ the programme achieved its objectives of creating adequate and targeted irrigation potential; and the potential created was utilized;

- the planning for new projects and prioritization for funding of the ongoing projects was done in a systematic manner;
- the individual projects were executed in an economic, efficient and effective manner;
- the internal control mechanism was adequate and effective; and
- there was an adequate and effective mechanism for monitoring and evaluation of the scheme implementation.

1.3.4. Audit Criteria

Performance was benchmarked against the following audit criteria:

- Guidelines issued by the GOI, Central Water Commission (CWC) and Detailed Project Reports (DPRs);
- Investment appraisal and circulars/instructions issued by the Ministry of Water Resources and CWC;
- CPWD Account Code; and
- Prescribed Monitoring and Evaluation Mechanism.

1.3.5. Audit Methodology

The performance audit was commenced with an entry conference held on 14 May 2009 with the departmental officers wherein the audit objectives, audit criteria, audit scope, audit methodology and procedures were explained. An exit conference was held on 20 October 2009 with the Department to conclude the audit and also to discuss the major audit findings. The replies/comments of the department were recorded and incorporated in the Performance Audit report wherever relevant:

1.3.6. Audit coverage

Performance audit of the MIPs executed with funding from AIBP and non-AIBP sources during the period 2004-09 was conducted during May to August 2009 through test-check of records of the Chief Engineer (CE), WRD and five Divisions[12] (36 *per cent*) out of the total 14 Divisions which were selected for detailed scrutiny. In performance audit 170 projects (160 AIBP and 10 non-AIBP) were test checked of which 32 projects (AIBP) were physically verified.

Audit Findings

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

1.3.7. Planning:

Planning is an integral part of any programme implementation to ensure that it succeeds and performs as intended. Under the AIBP scheme guidelines, the Detailed Project Reports (DPRs) for MIPs were to be examined by the State Technical Advisory Committee (STAC) and they, if satisfied, were to forward it to the Ministry

[12] 1. Itanagar, 2. Basar, 3. Bardumsa, 4. Pasighat and 5. Tawang

of Water Resources for approval on the basis of Benefit-Cost Ratio (BCR) and Development Costs.

Scrutiny of 170 samples[13] of the five test checked divisions in audit revealed that the department had neither conducted any survey or investigation nor prepared any DPR for any MIP. Further, the department had neither any Perspective Plan in place nor had prepared any comprehensive Action Plan with quantified targets broken down into actionable areas and the time schedule prescribed for their implementation. As per the Annual Operating Plans (AOPs), the department fixed the targets for creation of irrigation potential of 29,778 ha during the period 2004-09 without breaking the targets fixed for the Division into individual projects.

In response the department stated (October 2009) that they do have five year Perspective plan in the department and irrigation is one of the components of the plan. In spite of audit request the department did not produce copy of the Perspective plan for the period covered in audit. However, the department furnished (November 2009) a copy of perspective plan for 2007-12.

(i) Benefit Cost Ratio (BCR)

Under the scheme guidelines for the MIPs, the DPRs should include BCR. The audit scrutiny of 170 MIP samples completed during 2005-09 revealed that in 11 (Itanagar Division) cases involving cost of Rs.1.46 crore, the BCR calculation was not done. As a result the impact of MIPs on irrigation potential created could not be assessed.

(ii) Selection of Projects

The scheme guidelines on criteria for inclusion of the projects under AIBP provided as below:

- Surface MIPs having potential of at least 20 ha each.
- For extension, renovation and modernization of the irrigation project (a) having investment clearance of Planning Commission (b) are in advance stage of construction and can be completed during the next four financial year; and (c) are not receiving any other form of financial assistance; and
- BCR to be more than one and development cost of these schemes per ha should not exceed Rs. one lakh.

The audit scrutiny revealed that in 110 cases (65 *per cent)* out of 170 samples test checked, the above selection criteria were not followed as elaborated below:

a) During 2004-05, 63 new MIPs were taken up under AIBP in three test checked Divisions (Bordumsa: 17, Pasighat: 27 and Tawang: 19) and were completed at a cost of Rs.5.29 crore. Similarly, 33 ongoing MIPs under Basar Division were also taken up (2004-06) and completed between March 2006 and March 2009 at a cost of Rs.3.35 crore. All these MIPs were ineligible for AIBP funding since

13 Itanagar: 23, Basar: 72, Bardumsa: 15, Pasighat: 25 and Tawang: 35

their individual irrigation potential was below 20 ha as required under the selection criteria.

b) Test-check of records of nine MIPs of three Divisions, (Bordumsa: Two, Pasighat: Five and Tawang: Two) revealed that the State Government accorded sanction for Rs.74.85 lakh in June 2004 for repair, renovation and maintenance works under AIBP which were completed by March 2006. The repair, renovation and maintenance of MIPs are not covered under the scheme.

c) AIBP scheme does not cover funding of lift irrigation projects for exploitation of the underground water. In Bordumsa Division, it was, however, noticed that Rs.92.19 lakh were spent towards construction/improvement of four[14] lift irrigation projects between 2004-05 and 2007-08. Similarly, during 2006-07 Pasighat Division spent Rs.five lakh of AIBP fund for extraction of ground water towards a lift irrigation project 'C/o Lift Irrigation at Mer Village'.

d) In all these 110 cases the required DPRs were not prepared.

Thus, in sum, fact remains that not only 110 MIPs involving Rs.10.38 crore were taken up for execution without DPR and BCR but also funded from AIBP funds violating the stipulated selection criteria of the scheme.

In response the Department stated (November 2009) that keeping the topography of the State in view, it was not possible to follow the 20 ha criteria. The contention is not acceptable as the Department neither approached GOI for relaxation of the stipulated selection criteria nor requested the GOI for their modification.

1.3.8. Financial Management

According to the scheme guidelines, till the year 1998-99 the cost of MIPs was to be shared by the GOI and the State on 50:50 basis and was revised to 75:25 till November 2006. From December 2006 onwards, the GOI is providing 90 *per cent* of the cost as grant and the remaining 10 *per cent* as loan. The following deficiencies were noticed in the financial management of the scheme:

(i) Financial Outlays and Expenditure

For implementation of Non-AIBP MIPs no fund provision, though needed, was made by the State Government under the State Plan during the period 2004-09. The audit scrutiny of the budget provisions made, funds provided by GOI and the State under AIBP and expenditure incurred there against during the period from 2004-09 revealed that the funds mobilized was less by five to 44 *per cent* during 2004-08 when compared to the funds demanded which affected the scheme implementation. Further, the department could not utilise Rs. 11.52 crore during 2008-09 as indicated in the following table.

[14] 1) Kherembisa (Rs.25.00 lakh), 2) Rajanagar village (Rs.7.35 lakh), 3) Agril Field of Bordumsa village (Rs.49.35 lakh) and 4) Improvement of lift irrigation project at new Khamlang village (Rs.7.35 lakh)

Table No 1.3.1

(Rs. in crore)

Year	Budget provision	GOI release	State release	Total	Shortfall in mobilisation (*per cent*)	Funds	
						Utilized	Saving
2004-05	23.13	10.00	3.00	13.00.	10.13 (44)	13.00	--
2005-06	29.33	18.00	4.50	22.50	6.83 (23)	22.50	--
2006-07	34.00	27.00	3.00	30.00	4.00 (12)	30.00	--
2007-08	66.70	47.18	5.24	52.42	14.28(21)	52.42	--
2008-09	39.79	33.96	3.77	37.73	2.06(5)	26.21	11.52.
Total :	**192.95**	**136.14**	**19.51**	**155.65**	37.30(19)	**144.13**	**11.52.**

Sources: (1) Appropriation ACs and AP Govt. Budget, (2) CE, WRD, AP, Itanagar (Fund)

The WRD stated (October 2009) that the variations between the budgeted figures and the funds actually made available occurred due to the fact that neither the Central nor the State Government released their full share of funds as budgeted and demanded. Notwithstanding, the gap between resources demanded and mobilized represents Government's inability to mobilise the resources required for proper implementation of the scheme.

(ii) Delay in releases of funds:

The funds received from GOI are supposed to be released further by the State Government to WRD within 15 days of their receipt. Audit scrutiny revealed that there were delays in releasing of funds by the State Government to WRD which ranged between 28 and 183 days beyond the prescribed time limit.

In response the department stated (October 2009) that sometimes it faced difficulties in timely receipt of funds from the Finance Department. The departmental reply necessitates that the State Finance and functional departments should thrash out the problem and put in place a system that would ensure the timely flow of funds to the implementing agencies for the developmental activities.

(iii) Rush of expenditure

The financial rules require that the Government departments should plan their expenditure in such a way that it is evenly distributed throughout the financial year.

Records of five sample divisions[15] revealed heavy rush of expenditures in the last quarter ranging from 58 to 88 *per cent* and during the month of March it ranged between 44 and 81 *per cent* of the total expenditure respectively during 2004-09 in violation of the financial rules. The rush of the expenditure at the close of the financial year puts unnecessary pressure on the executing agencies to incur expenditure and is fraught with the risk of unnecessary procurement and infructuous/ill-planned execution.

In reply the department stated (October 2009) that the year end rush were unavoidable as a major portion of the funds was received from the State Finance Department at the close of the financial year.

15 Itanagar, Basar, Bordumsa, Pasighat and Tawang

(iv) Diversion of Funds

The cases of diversion of Rs.9.45 crore during 2004-09 noticed during the course of Performance Audit in respect of the test-checked divisions are discussed below:

(i) The Department diverted Rs.7.96 crore expenditures incurred on wages to the casual labourers deployed on repair and maintenance of MIPs, by directly booking it under AIBP (Plan).

(ii) During 2008-09, the WRD Basar Division, diverted Rs.1.49 crore of AIBP fund towards a Non-AIBP work i.e. 'Construction of Security Fencing of Abo Tani Phillanthropic Multipurpose Farm Hill Area at Tadin'.

The department stated (November 2009) that they had sanction from the State Government for construction of security fencing at Tadin and accordingly the expenditure was incurred. The reply is not acceptable as the said State Government sanction was in violation of AIBP guidelines.

(v) Excess expenditure over the sanctioned amount

According to the CPWD Manual, the expenditure can be exceeded, if so required, during the execution of the work by an officer within the following limits:

(i) Five *per cent* in case of works costing more than Rs. five lakh; and

(ii) 10 *per cent* in case of works costing up to Rs. five lakh.

Thus, any excess beyond these limits would necessitate revised expenditure sanction, which should be applied for as soon as such excess is foreseen. Test check of the records of 127 (75 *per cent*) out of 170 samples of MIPs under three Divisions revealed that the concerned Divisions incurred an expenditure of Rs.1.49 crore in excess of the sanctioned amount of Rs.10.81 crore, beyond their competence as shown in the following table:

Table No. 1.3.2

(Rs. in crore)

Name of Division	No.of MIPs	Year of commence ment	Estimated cost	Actual Exp.	Excess Exp. (*Percentage*)	Date of completion
Basar	30 41	1987-88 2004-05	2.38 3.88	2.83 4.62	1.19 (19)	Mar-2006
Pasighat	41	2004-05	2.97	3.13	0.16 (05)	Mar-2006
Tawang	15	2004-05	1.58	1.72	0.14 (09)	Mar-2006
Total :	**127**		**10.81**	**12.30**	**1.49 (14)**	

Source: Departmental records

Audit noticed that the divisional authorities concerned did not get the excess expenditure regularized by obtaining the required revised expenditure sanctions from the competent authorities.

The EEs, Basar and Tawang divisions accepted the audit findings (November 2009) and stated that the excesses pointed out by audit were inevitable but also assured that efforts would be made for their regularization.

(vi) Unauthorised expenditure

According to the CPWD Manual, before a work is commenced the administrative approval (AA) must be obtained; and the detailed estimate and availability of funds need to be ensured. Further, since many divisions were in the habit of incurring expenditure without the required AA and Expenditure Sanction (ES) leading to serious financial indiscipline and mismanagement besides objectionable procedural lapses, the State Government directed (October 2001) that no expenditure be incurred against any scheme without these approvals.

Audit, however, found that in contravention to the provisions of CPWD Manual and the specific instructions (October 2001) of the State Government, Itanagar Division incurred expenditure of Rs.25.99 lakh in March 2008 on extension of Kanabung MIP prior to the receipt of AA and ES. Subsequently, the Government accorded AA and ES for Rs.20 lakh only in March 2009, one year after completion of the work. The excess expenditure of Rs.5.99 lakh is yet to be regularised (August 2009).

The department accepted (October 2009) the audit finding but also added that as the AA and TS were taking time, the project was executed before their receipt keeping in view its irrigation potential. The department's reply is not acceptable as AA and ES processes are internal to the Government and the delays in their processing cannot be cited as reason to bypass the system and procedures laid down for this purpose.

1.3.9. Project Implementation

(i) Physical Performance

Since inception, the Department executed 1881 MIPs and reportedly completed 1730 MIPs leaving an incomplete 151 MIPs (8 *per cent*). The physical and financial performance of AIBP in the State as of March 2009 is given in the following table:

Table No.1.3.3

Year	No. of MIPs executed				Incomplete	Expenditure (Rs. in crore)
	OB	New	Total	Completed		
Till 2004	-	1262	1262	922	340	57.00
2004-05	340	-	340	340	Nil	13.00
2005-06	Nil	243	243	56	187	22.50
2006-07	187	Nil	187	155	32	30.00
2007-08	32	231	263	182	81	52.42
2008-09	81	145	226	75	151	26.21
Total		**1881**		**1730**	**151**	**201.13**

Source: Departmental records

Out of 619 projects taken up for execution during 2005-09, 170 (including 10 non-AIBP) were selected for detailed scrutiny. These projects were taken up during 1989-90 to 2007-08 at a sanctioned cost of Rs.18.30 crore and were completed between March 2006 and March 2009 at a cost of Rs.19.91crore. The audit scrutiny revealed the followings:

- In none of the 170 sample projects the required DPR was prepared as the MIPs were sanctioned on the basis of detailed estimates.

- In 11 MIPs the required calculation of BCR was not done.
- In 110 (65 *per cent)* out of 170 samples test checked, the selection criteria prescribed by the guidelines were not followed.
- In 13 out of 170 samples there were delays by 12 (2 cases) and 36 months (11 cases) in completion of MIPs.

In response the department stated (October 2009) that the shortfalls in completion of projects were due to the non-receipt of the required and demanded funds.

The reply of the department is not convincing keeping in view the abnormal delays in release of funds; unauthorised utilisation of Rs.7.96 crore on casual labourers, diversion of Rs.15.27 crore (Rs.1.49 crore to other works + Rs.13.78 crore on O&M); and loss of grant (instead of loan) of Rs.10.81 crore (10 *per cent* of grant of Rs.108.14 crore received during 2004-09) due to non collection of the water charges.

(ii) Inflated Reporting

The scrutiny of records in respect of 35 samples of MIPs in three test-checked divisions revealed manipulation and inflated reporting of the irrigation potential created to the extent of 1380.57 ha as indicated in the following table.

Table No. 1.3.4

(In ha)

Division name	No. of MIPs	Irrigation potential		Achievement reported to GOI	Reporting inflated by
		Target	Achievement		
Basar	02	35.43	35.43	58.00	22.57
Pasighat	32	528.00	528.00	1873.00	1345.00
Tawang	01	5.00	5.00	18.00	13.00
Total :	**35**	**568.43**	**568.43**	**1949.00**	**1380.57**

Source: Departmental records

As against the 568.43 ha of irrigation potential actually created, the Department reported creation of 1949 ha leading to an inflated reporting by 1380.57 ha to the GOI.

In the exit conference, CE, WRD accepted (October 2009) that some inconsistencies in reporting were possible at the Divisional level. The EE, Basar Division accepted (November 2009) the audit finding. However, EE, Pasighat Division furnished revised MPR for the same month (March 2006) indicating the possibility of records being manipulated after it is pointed out by the audit since copy of the original set of MPR which was collected during the course of audit, depicts a different picture.

(iii) Unfruitful expenditure

Following instances of unfruitful expenditures were noticed during the audit.

- The scrutiny of records of seven MIPs in test-checked Divisions viz. Itanagar (one) and Pasighat (six) which were sanctioned for Rs.70.16 lakh between

2000-01 and 2006-07 had targeted creation of 133 ha irrigation potential and were stipulated for completion within two years from the date of their sanction.

The project estimates of these schemes envisaged construction of headwork with total estimated cost of Rs.23.41 lakh. But all these seven schemes were completed between March 2005 and March 2008 at the cost of Rs.72.58 lakh without construction of the required headwork. As a result, the assets created at a total cost of Rs.72.58 lakh and with irrigation potential of 133 ha of land remained idle depriving the targeted farmers (*Appendix-1.3.1*) of the intended benefits.

➢ In respect of another MIP viz. 'C/o Takme Rijo MIP at Takme Area at Nari Village' under Pasighat Division, the work was sanctioned (February 2007) for Rs. seven lakh (Rs.3.10 lakh for headwork and Rs.3.90 lakh for earthen channel) to be completed by February 2009 for creation of 10 ha irrigation potential. According to the progress report, the work was completed in March 2007 at a cost of Rs.7.25 lakh.

  Audit scrutiny disclosed that the entire expenditure was incurred on the construction of headwork without execution of the earthen channels rendering the asset idle and depriving the targeted farmers of the intended benefits.

➢ As per the information furnished (July 2009) by WRD, Tawang, three[16] MIPs were sanctioned for Rs.25 lakh between June 2004 and May 2006 for creation of 26 ha of irrigation potential and were stipulated to be completed within two years. These three schemes were stated to have been completed between March 2007 and March 2008 at a cost of Rs.26.39 lakh.

  Audit scrutiny revealed that these schemes could not actually be made functional due to the damage caused to them by landslide. As of August 2009, no action was taken by the department to repair the damage and make them functional. As a result, the farmers were deprived of the intended irrigation benefits making the entire expenditure of Rs.26.39 lakh unfruitful.

In the exit conference held in October 2009, the department stated that the damage caused to the irrigation system by the landslide could not be repaired for want of funds as no funds are allocated under AIBP scheme for maintenance of the MIPs. The reply of the department is not acceptable in audit since the non-availability of the funds for maintenance of MIPs was due to department's own failure in collecting the user charges which was as per the scheme guidelines meant to be used for the operation and maintenance of the MIPs.

With respect to work undertaken by Pasighat Division, the Division stated (November 2009) that in all the projects in question, the required headwork and canals were constructed and beneficiaries were deriving benefits. The reply is not tenable as the detailed measurement record of the Division produced to audit proves that the headwork/canals were not at all constructed.

[16] 1. C/O MIP from Putsupter to Shernup, 2. C/o CC lining for MIP at Khrung, 3. C/o MIP channel from Songmagupat Bomja

(iv) Absence of competitive bidding system

According to the GFRs and CPWD Manual, the department is required to follow the system of competitive bidding to get the best price for execution of the MIPs. In respect of 168 samples of MIPs in five test checked divisions, all the works were executed through contractors on work order basis (3504 valued Rs.17.46 crore) without going for the competitive bidding which deprived the department of the possible economy in their executions. Since no formal agreement is executed when a work is allotted on work order basis, the department was also deprived of the possible performance security which could have been obtained through the mandatory performance guarantee clause in the case of formal contracts. Moreover, these work orders were also issued by the project authorities beyond the financial power delegated to them.

The department stated (October 2009) that keeping in view the small size of MIPs it was not advisable to go for competitive bidding. The reply of the Department is not acceptable since the department could have gone for limited tendering as required under Rule.

(v) Excessive expenditure on Work Charged establishment

As per the CPWD Manual, every work estimate under Plan should have provision of two *per cent* of the estimated cost for meeting the expenditure on Work Charged (WC) staffs which is charged directly to the work concerned. The scrutiny of records of the test-checked divisions viz. Itanagar, Basar, Bordumsa, Pasighat and Tawang revealed that during the years 2004-09, the project authorities incurred expenditure of Rs.3.21 crore on WC staff against the permissible limit of Rs.1.09 crore (two *per cent* of Rs.54.40 crore) which resulted in excess expenditure of Rs.2.12 crore.

In response the department stated (October 2009) that the WC establishment was an essential and unavoidable component which had to be incurred to ensure that the schemes were completed. The reply is not tenable since these expenditures were in contravention to the CPWD Manual as well as the estimates approved by the competent authority.

(vi) Deployment of Casual labourers

The operation and maintenance of MIPs are beyond the purview of the AIBP scheme. It was seen in audit that in the five test-checked divisions the Department spent Rs.7.96 crore during 2004-09 on casual labourers (CLs) deployed on O&M of MIPs resulting in unauthorized expenditure and diversions of the AIBP funds. Moreover, the R&M is a non-plan/revenue activity and transferring of such expenditures to plan/capital is a serious violation of the financial and accounting rules.

The WRD reiterated (October 2009) that the expenditure on casual labourers for R&M had to be incurred as the water charges could not be levied & used for maintenance of MIPs in absence of State Government's Water Policy.

The reply is not tenable as the inability stated by the department was due to the Government's own failure to formulate State Water Policy. Moreover, the audit is of the view that even in absence of the formal State Water Policy, the department has all right to levy and collect the user charges for availing the irrigation facility provided by the Government.

(vii) Handing over of completed MIPs and realisation of water charges

According to the revised scheme guidelines (April 2004), the reforming State in North Eastern Region were to be provided with 100 *per cent* grants instead of 90 *per cent* grants and 10 *per cent* loan by the GOI, provided they enter into MOU with the GOI for each scheme and undertook following economic reforms:

- calculation of data on anticipated collection and actual O&M cost of the schemes;
- revision of the water rates to Rs.225/ha within a period of three years;
- meeting the full O&M cost from the water charges collected; and
- to provide sufficient funds for the maintenance of the schemes and preferably hand over these schemes to the users group/ association when completed.

The scrutiny of the preliminary estimates for the schemes prepared by WRD while seeking approval for these schemes, revealed that the post-project sustainability of these MIPs was to be ensured through the participatory irrigation management; and formation and registration of water user associations who were to operate and maintain these schemes. It was noticed in audit that neither any project as assured was handed over to the users groups/associations as of March 2009 nor concept of realising water charges from the beneficiaries was adopted resulting in:

- State forfeiting the benefit of conversion of 10 *per cent* Central loan received during 2004-09 into grant which was equivalent to Rs.10.81 crore; and
- no fund availability for operation and maintenance of the MIPs and in absence of any funds for O&M it was found in audit that the five test-checked Divisions diverted Rs.13.78 crore (ranging between seven to 51 *per cent* of the total cost in each year) from AIBP funds; and spent on the O&M of 672 completed MIPs during 2004-09 as indicated in the following table.

Table No 1.3.5

(Rs. in crore)

Year	Total works expenditure	Expenditure on O& M	*Percentage*
2004-05	7.45	1.24	17
2005-06	19.21	1.35	7
2006-07	8.28	4.02	49
2007-08	10.55	2.59	25
2008-09	8.91	4.58	51
Total	**54.40**	**13.78**	**25**

Source: Departmental records

The department reiterated (October 2009) that in absence of any formal Water Policy, it was not possible for the department to levy and collect user charges as advised in the scheme guidelines. The reply is not tenable as the inability stated by the department was due to the Government's own failure to formulate State Water Policy. Moreover, the audit is of the view that even in absence of the formal State Water Policy, the department has all right to levy and collect the user charges for availing the irrigation facility provided by the Government.

(viii) Quality Control

As per the information furnished by the project authorities, the department did not have any quality control testing laboratory of its own to ensure quality of the materials being used and work executed. Resultantly, the possibility of supplying inferior quality of materials and execution of substandard work could not be ruled out.

The WRD agreed (October 2009) to the audit finding and stated that the department was making all efforts to upgrade the quality control mechanism; and further added that the State Government was working on an ADB funded project under which laboratory and other testing facilities would be created in the State.

(ix) Non-maintenance of the Assets Register

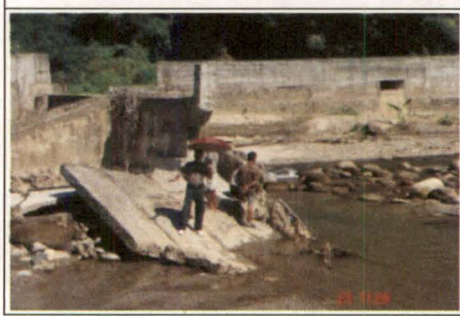
The Assets Register is an important and permanent record of a Division wherein details of all assets including MIPs completed every year and the works-in-progress should be recorded by the Project authorities.

However, it was seen in audit that no Assets Register was being maintained by the Project authorities of the test checked divisions.

The department agreed (October 2009) that some of the divisions were not maintaining the Assets Register but assured that the corrective action would be taken.

1.3.10. Status of Physically Verified Projects

Besides scrutinizing the records pertaining to the implementation of AIBP, the audit also visited the sites of 32 projects to ascertain the status of MIPs. The site visits revealed that six MIPs were totally non-functional whereas another six MIPs were partly functional. The remaining 20 MIPs were working satisfactorily. The photographs with specific audit findings in case of a few of them are illustrated below:

A. Non-functional due to damage of headwork/canals	
	MIP at Kanabung Village under Itanagar Div. Estimated cost - Rs. 30.00 lakh Potential created - 75 ha Potential utilized: NA Expenditure Rs. 30.00 lakh No. of beneficiaries - 400 Year of construction - 2006-07

Specific findings: There was no water supply in the main field canal as the retaining wall at the main head had been completely damaged, reportedly by flood in June 2008. Further, about 500 meters of the main canal was found fully buried under sand and debris.

MIP Naharlagun Model Village, Itanagar Div.

Estimated cost - Rs. 8.00 lakh

Potential created - 50 ha

Expenditure - Rs. 8.00 lakh

No. of beneficiaries: NA

Year of construction - 2006-07

Specific findings: The headwork and main canal in the MI Project was totally damaged, reportedly by flood in June 2008. The 300 meters main channel was fully buried under sand and rocky dunes.

B. Non-functional due to insufficient water at source

Improvemnet of MIP at Songking Village, Bordumsa Division

Estimated cost - Rs. 7.52 lakh

Potential created - 50 ha

Expenditure - Rs. 7.88 lakh

Year of construction - 2004-05

Specific findings: Water at source was not sufficient to reach the main headwork. As a result about 200 m of channel connected with the main head had no water supply.

C. MIPs Partly/Unsatisfactorily Functional

Headwork at Yamerijo at Basar Division.

Estimated cost - Rs. 30.00 lakh

Potential created - 80 ha

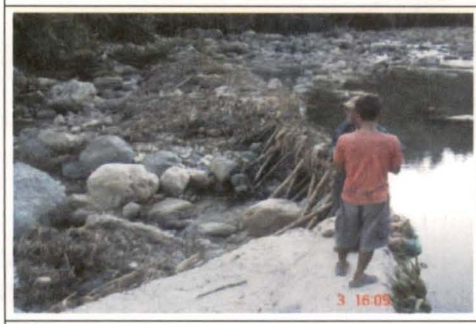
Potential utilized: NA

Expenditure - Rs. 33.23 lakh

No. of beneficiaries: NA

Year of construction: 2007-08

Specific findings: Headwork connected with a sluice gate and main channel in the MI Project were damaged reportedly by the flood in August 2008. As a result, there was no control over the flow of water. When interacted with the beneficiaries it was found that they were afraid that the uncontrolled flow of water could damage their crops.



Sille to Dekam MIPat Ledum, Pasighat Div.

Estimated cost Rs. 7.30 lakh

Potential created - 22 ha

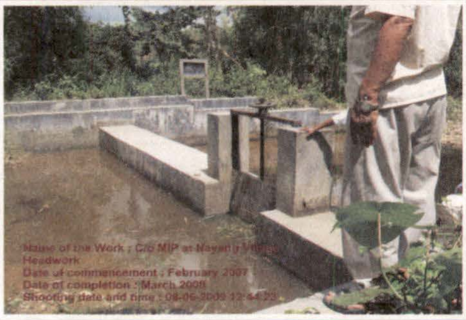
Potential utilized: NA

Expenditure: Rs. 7.60 lakh

No. of beneficiaries: NA

Year of construction: 2007-08

Specific findings: Headwork was completely damaged, and water was being diverted using a temporary headwork created using sausage wire. 50 *per cent* of the water was lost in transit due to leakage. When interacted, the beneficiaries requested construction of the entire earthen embankment

of the channel in *pucca* form.	
D. Projects Functioning Satisfactorily	
	C.C. Lining at Balapu Village in Itanagar Div. Estimated Cost: Rs. 20.00 lakh Potential Created: 78 Ha Potential utilised: NA Expenditure: Rs. 20.00 lakh No. of beneficiaries: NA Year of construction: 2008-09
	MIP at Nayang Village under Bordumsa Div. Estimated Cost: Rs. 20.00 lakh Potential Created: 50 Ha Potential utilised: 40 ha Expenditure: Rs. 21.00 lakh No. of beneficiaries: 50 Year of construction - 2007-08
Specific findings: These projects were found to be functioning satisfactorily and the desired benefits also being derived by the beneficiaries	

1.3.11. Implementation of Non-AIBP MIPs

Besides the AIBP schemes, the State Government also tried to bring more areas under irrigation by creating more MIPs which were to be funded from its own resources and were referred to as Non-Accelerated Irrigation Benefits Programme (Non-AIBP) MIPs. It was seen in audit that 87 MIPs which were taken up for execution under Non-AIBP component between 1984 and 2001 could not be completed due to the non-allocation of State Plan fund for the last five years. So in 2004-05 the Government proposed to transfer these 87 MIPs to AIBP but could transfer only 53 MIPs which were found to be eligible for AIBP funding. Out of them, 24 MIPs taken up during 2004-05 having a total irrigation potential of 893 ha were completed (March 2009) at a total cost of Rs.3.91 crore leaving 29 MIPs still in-progress. Thus during the period covered by this review no new MIP were taken up for execution under Non-AIBP.

The remaining 34 MIPs which did not qualify for AIBP funding because of lack of proper survey & investigation and technical feasibility reports were, finally, abandoned due to funds constraint after incurring total expenditure of Rs.2.91 crore rendering the same wasteful (*Appendix-1.3.2*).

The department agreed (October 2009) to the audit finding and stated that 34 Non-AIBP schemes had to be abandoned due to the non-receipt of the required funds from the State Government. The reply is not tenable as the department should not have gone for these schemes when their funding was not certain. Besides, the closure of schemes before their completion for want of funds represents the Government's inability to mobilize the required financial resources. Lastly, all these 34 abandoned MIPs could have been shifted to AIBP funding had they all commenced after conducting the prescribed survey and investigation and technical feasibility.

1.3.12. Impact assessment

(i) Physical Targets and Achievements

The targets set for the creation of irrigation potential under AIBP and achievements there against during the period 2004-09 are tabulated below.

Table No.1.3.6

Year	No. of MIPs				Irrigation potential (Ha)		
	Ongoing	New	Total	Completed	Target	Created	Used
2004-05	340	-	340	340	2,679	2,679	1,458
2005-06	Nil	243	243	56	8,342	8,339	8,339
2006-07	187	Nil	187	155			
2007-08	32	231	263	182	8,900	6,900	6,900
2008-09	81	145	226	75	9,857	1,857	1,857
Total		**619**		**808**	**29,778**	**19,775**	**18,554**
Till Mar-04	-	1,262	1,262	922	18,975	18,036	13,227
Gr. Total		**1,881**		**1,730**	**48,753**	**37,811**	**31,781**

Source: CE, WRD, Itanagar

It is evident from the above table that against the targeted creation of 29,778 ha of irrigation potential during 2004-09, the department was actually able to create only 19,775 ha (66 *per cent*) with shortfall of 10,003 ha (34 *per cent*). Further, out of the 19,775 ha irrigation potential created, only 18,554 ha was actually utilised for cultivation and the balance 1,221 ha (6 *per cent*) remained unutilised as of March 2009.

In response the department reiterated (October 2009) that the shortfalls in creation of the irrigation potential as planned were due to the non-receipt of the funds demanded. The department added that the shortfall was also due to the non-implementation of CADP which creates field channels required for water distribution, in proportion to the irrigation potential created.

The reply of the department is not convincing keeping in view the abnormal delays in release of funds; unauthorized utilization of Rs.7.96 crore on casual labourers on O&M; diversion of Rs.15.27 crore (Rs.1.49 crore to other works + Rs.13.78 crore on O&M); and loss of Rs.10.81 crore which could have been earned had the department collected the water charges.

(ii) Impact on Foodgrain Production

As the topography of the State does not permit significant increase in the area under foodgrain cultivation, increasing the productivity of the cultivated land by providing irrigation facility, is an alternative to increase the foodgrain production in the State. It was seen that as against the ultimate potential of 3.60 lakh ha in the State (assessed by

WAPCOS India Ltd.), the Department, as of March 2009, reportedly created 0.38 lakh ha of which 0.32 lakh ha is actually being utilized under AIBP scheme.

When the proposals for MIPs were prepared, creation of irrigation potential which would in turn result in increased foodgrain production was projected. However, no system or MIS capturing the crops-wise information, impact on productivity, financial effects on the farmers, etc. was in place to ascertain whether completed MIPs were actually able to deliver benefit as envisaged. On crosschecking with the records of the Agriculture Department, audit noticed that while the irrigated land increased from 191.16 thousand ha in April 2005 to 203.71 thousand ha in March 2009 an increase of 6.57 *per cent*, the actual foodgrain production decreased by 2.12 *per cent* from 3.27 lakh MT in 2003-04 to 3.20 lakh MT on an average during these five years.

The crops-wise increase in area of irrigated land and resultant increase/decrease in their production in irrigated land in the State during 2004-09 are indicated in the following table.

Table No 1.3.7

Crop name	Irrigated Land (in 000'ha)			Production (in 000'MTs)		
	Irrigated land as of (Ha)		Variation in areas	Production in 2003-04	Average production in 2004-09	Production variation (%)
	April 2005	March 2009				
Paddy	119.21	126.80	7.59	237.53	226.70	(-) 10.83 (5)
Wheat	4.15	3.28	- 0.87	6.32	5.91	(-) 0.41 (7)
Mize	38.61	42.90	4.29	54.51	58.53	(+) 4.02 (7)
Millet	22.28	22.26	- 0.02	21.33	20.71	(-) 0.62 (3)
Pulses	6.91	8.47	1.56	7.46	8.36	(+) 0.90 (12)
Total	191.16	203.71	12.55	**327.15**	**320.21**	**(-) 6.94(2.12)**

Source: Director of Agriculture

Moreover, the Department has also not conducted/arranged any survey or detailed analysis to ascertain the ultimate impact, if any, these MIPs have been able to create on the benefited farmers.

In reply the WRD accepted the audit findings and stated (October 2009) that the department did not have any mechanism to ascertain the actual utilization of the irrigation potential created under the scheme but also added that it was the job of the Agriculture department to ensure that the irrigation potential created are used for increasing the production and productivity. The reply is not acceptable since the department must have some system of information collection to ascertain periodically about the actual utilization of the assets it has created and what has been their impact on the agricultural production and productivity.

1.3.13. Monitoring and Evaluation

To ensure that an activity performs well and is able to deliver the intended results to the targeted population, it is imperative that the activity be monitored through periodical inspections, besides the suitable management information system which apprise the senior management about the physical and financial progress of the activity so that timely interventions, if required, can be made to keep the activity on the desired line and speed.

AIBP scheme guidelines stipulate that the progress of MIPs was to be monitored by the State Governments through agencies independent of the construction agencies. The physical and financial progress of the MIPs was to be monitored periodically by the Central Water Commission/ Ministry of Water Resources and Ministry of Programme Implementation at least twice in a year on sample basis with emphasis on quality control. Remote sensing technology was to be used to monitor projects specially to gauge the irrigation potential created and to provide relevant inputs to the GOI from time to time. The monitoring mechanism was not adequate in view of the following facts:

- No Monitoring Cell was established in WRD as envisaged.
- No remote sensing technology was being used.
- CWC (Monitoring and Appraisal Directorate) inspected only 10 MIPs in their two visits to the State during the last five years (once in 2005-06 and 2007-08).
- No periodical inspection by the departmental senior officers was prevalent in the WRD.

The Department had stated (July 2009) that in absence of any Monitoring Cell, the Monitoring was done annually within the existing manpower comprising Superintendent Engineer of respective Circle as Chairman, EE (P&D), AE (P&D), Divisional Accounts Officer and ASWs. But no inspection reports/records in support of the contention could be made available to audit. The department, however, claimed (October 2009) that the Monitoring Cell was in operation in Chief Engineer office but no formal records were being maintained by the Cell. The department further stated that keeping in view the small scale of irrigation schemes it was not advisable to use remote sensing technology.

(i) Evaluation of the scheme

A study covering the period up to March 2008 was conducted through an independent agency i.e. Indian Institute of Management, Calcutta, by the Ministry of Statistics and Programme Implementation, for evaluation of the implementation of AIBP scheme in the State. According to the study report (October 2008), the Government had failed in proper maintenance of the existing MIPs leading to their deterioration during the last five years. The reasons quoted in the report were poor management, over reporting of the irrigation potential created, non-formulation of Water Users Associations (WUAs), non-implementation of water tax, etc.

It was seen in audit that the department has not yet (October 2009) taken any significant action on the report. Incidentally, the department accepted (October 2009) that no study to assess the scheme impact was conducted by the Government and also added that the department was trying to engage Northeast Institute of Land & Water Management as consultant to conduct the scheme evaluation.

1.3.14. Conclusions:

The overall impact of implementation of the minor irrigation projects was far from satisfactory because of significant shortfall in achievement of target for creation of irrigation potential. Large number of minor irrigation projects was not completed in time and even the completed projects had not been fully utilised. Consequently, the irrigation coverage of 19,775 ha as of March 2009, as claimed by the Department, was in fact only 18,554, which was only 5.15 *per cent* of the ultimate irrigation potential (3.60 lakh ha) in the State. Works under the projects were executed in an unplanned manner resulting in unproductive expenditure and wastage of resources. Apart from non-adherence to financial rules, the Department failed to monitor the schemes during execution. The objective of generating additional irrigation potential to increase the production of cultivable lands, thus, remained largely unachieved. Due to non-finalisation of State Water Policy, the government could not collect any water charges; resultantly it could not benefit the conversion of the balance 10 *per cent* loan into grant.

1.3.15. Recommendations

- DPRs including BCRs as required under the scheme guidelines should invariably be prepared to ensure the project feasibility and their economic justification.
- Relevant financial rules & procedures, and scheme guidelines on selection, funding and execution of MIPs should be adhered to;
- Priority should be given for completion of the on-going schemes and their timely completion.
- User groups should be formed and schemes when completed be handed over to them for their operation and maintenance. User charges should be collected which would be used for O & M of MIPs.
- The system of supervision and monitoring using Information system/technology wherever possible, needs to be strengthened. An independent evaluation should be done to ascertain whether the scheme has met its objectives; and also to know the systemic deficiencies in the implementation of the scheme.

CHAPTER-II

AUDIT OF TRANSACTIONS

CHAPTER II : AUDIT OF TRANSACTIONS

INDUSTRIES DEPARTMENT

2.1. *Transport Subsidy Scheme*

The Government of India introduced Transport Subsidy Scheme (TSS) in July 1971, to promote industrialisation in remote, hilly and inaccessible areas. The TSS is applicable to all the Industrial Units (IUs), barring plantation, refineries and power generating units irrespective of their size, both in private and public sectors located in selected States, including Arunachal Pradesh. Transport subsidy up to 90 *per cent* is allowed to Industrial Units (IUs) on movement of raw materials and finished goods to and from the designated railheads (Siliguri) and *vice versa,* and 50 *per cent* from one State to another within the Northeast Region. 75 *per cent* of the air freight for movement of electronic components/products by air from Kolkata was also reimbursable. Guidelines provide that the transport subsidy is admissible for a period of five years from the date of commercial production by an IU. The scheme was extended beyond 31 March 2008 on the same terms and conditions till completion of the evaluation process of the scheme.

During the last seven years (2002-09) the Government of Arunachal Pradesh has received Rs. 32.37 crore for implementation of the scheme. Due to departmental laxity to adhere to the scheme guidelines and admission of claims beyond the purview of the scheme, there were questionable reimbursements of Rs. 4.36 crore (13 *per cent* of the total payment of Rs. 32.37 crore). Moreover, in absence of any evaluation, extent to which objectives of the scheme has actually fulfilled remained unassessed.

The scheme implementation during the seven years period i.e. 2002-09 was reviewed in audit by examining records of the Directorate of Industries (DoI) and 10 sample IUs[1] selected through stratified random sampling without replacement method. Records of the respective District Industries Centres (DICs), check-posts and District Transport Office (DTOs) were also examined, wherever necessary, to cross verify the records of the sample units.

2.1.1. *Funding and disbursement system in TSS*

The GOI initially placed a consolidated fund for all the North-eastern (NE) States with the North Eastern Development Finance Corporation Ltd. (NEDFi) being the Nodal Agency for the scheme in NE region. All NE States were to assess their requirements under TSS and convey to NEDFi. Since 2007-08 onwards, though GOI made State-wise allocation but continued to place the funds with NEDFi for disbursement to the eligible IUs. Scrutiny of records of NEDFi revealed that:-

[1] (i) Rupees one crore and above: Five cases; (ii) Rupees 50 lakh to Rs. 1.00 crore: Two cases; (iii) Rupees 20 lakh to Rs. 50 lakh : One case; and (iv) Below Rs. 20 lakh: Two cases

- During 2002-05, though the State Government did not place any demand for funds under TSS, it recommended 11 cases involving subsidy of Rs. 8.94 crore, which was paid by the NEDFi.
- Against the allocation of Rs. 3.50 crore for the State in 2007-08, NEDFi cleared claim for Rs. 5.58 crore. The expenditure of Rs. 2.08 crore in excess of allocation was met from the unspent balance of the previous years.

2.1.2. Implementation

The scheme provides for scrutiny of the claims of IUs by the State Level Committee (SLC) consisting of the Director of Industries, and a representative each of the State Industries, Finance Departments and the Department of Industrial Policy & Promotion (DIPP) Union Government. The SLC was to scrutinize the transport subsidy claims and recommend the deserving cases to NEDFi for reimbursement to the IUs. However, DIPP representative never attended SLC meetings. In response, the Industry Department stated (November 2008) that the claims admitted by the SLC were sent to NEDFi for conducting pre-disbursement audit by DIPP.

The scrutiny of the claims revealed that some claims were admitted by SLC for disbursement without even verifying the relevant supporting documents such as railway receipts (RRs), consignment notes, check-post entry, Central sales tax/ excise payment certificates, etc. The followings were noticed:

2.1.3. Irregular utilization of interest on TSS fund by NEDFi

GOI's notification (January 2005) prescribed that the funds released to NEDFi are to be kept in Revolving Fund and periodically recouped by the Department. Scrutiny of records of NEDFi revealed that the funds received for three Subsidy Schemes[2] including TSS were kept in bank and interest of Rs.30.03 lakh was earned during 2007-08 of which Rs.18.96 lakh pertained to TSS fund. The entire amount of Rs.30.03 lakh was unauthorizedly utilized by NEDFi on its administrative expenses without any permission from GOI.

2.1.4. Subsidy reimbursement in violation of the Forest Conservation Act

The Apex Court in its verdict on a public interest writ petition, directed (December 1996) stoppage of all non-forest (industrial) activities within the forest areas in any State unless the prior approval of the Central Government was obtained for the same. Therefore, operation of saw mill of any kind in the forest area without the prior approval of the Central Government would be prima-facie violation of the Forest Conservation Act and the verdict of the Supreme Court.

Cross-verification of records of the Principal Chief Conservator of Forests, Itanagar with the records of the Director of Industries, Itanagar revealed that two wood-based Industries namely M/s. Guna Saw and Veneer Mills Ltd., Chowkham and M/s. Tirap Veneer & Saw Mill, Miao were penalized by the High Powered Committee set up by

[2] TSS, Central Capital Investment Subsidy Scheme & Central Interest on Working Capital Subsidy Schemes

the Supreme Court for engaging in illegal wood-based activities in violation of the Forest Conservation Act, and thus were ineligible for TSS benefits. Despite this, SLC recommended (March 2003 and March 2005) subsidy payment of Rs. 150.03 lakh[3] to these two units, and NEDFi paid the recommended claims to them between February 2004 and February 2008.

2.1.5. Reimbursement of claims beyond the scheme purview

From 1 April 1995 onwards the scheme was applicable for a period of five years from the date of commencement of the commercial production by IUs. Resultantly, IUs which had completed five years of production as on 31 March 1995 were ineligible for further benefits under the scheme. IUs which had commenced commercial production within a period of five years prior or after 1 April 1995 were to cease to be eligible once the five year period was complete.

Scrutiny of the claims of M/s. Miglung Wood Products revealed that as per the Permanent Registration Certificate (PRC) issued by the Joint Director of Industries, Pasighat, the date of commencement of the commercial production of the unit was recorded as 22 January 1991 and thus the unit was eligible for subsidy only up to 21 January 1996. However, the SLC recommended (June 2004) and NEDFi paid (January 2006) claims of the unit amounting to Rs. 126.09 lakh pertaining to period from October 1992 to October 1996 out of which claims of Rs. 15.86 lakh pertained beyond the scheme purview i.e. from 22 January 1996 to 16 October 1996. The Department stated (February 2009) that the commercial production was started in January 1992. The reply is not factual since the commencement date has been very clearly recorded as 22 January 1991 in PRC of IU.

2.1.6. Undue financial benefit to Industrial units

(i) M/s. Donyi Polo Saw Mill of East Siang District registered (June 2004), preferred claim of transport cost of finished goods despatched through road and rail relating to the period 1 September 1992 to March 1995. The SLC recommended (June 2004) the claim of Rs.83.87 lakh (Rs.53.99 lakh for cost of transportation by road and Rs.29.88 lakh by rail). The amount was paid to the IU in January 2006.

Scrutiny of claim disclosed that the IU despatched 81,164 quintals of sawn timber during the period mentioned above from the factory site, Ledum to the nearest railway head Murkang Salek and paid admissible freight charges by road amounting to Rs. 53.99 lakh directly. Subsequently, the IU despatched the above quantity of sawn timber to 227 different firms/individuals outside NER by rail i.e. beyond Siliguri Station. The goods were transported through rail on 'freight to pay basis' as revealed from the RRs submitted along with the claim, which also indicated that the freight charges for transportation of the finished goods were borne by the consignee and not by the consignor (IU). SLC admitted freight charges, though not paid by the IU,

[3]

M/S Guna Saw and Veneer Mills Ltd.:	Rs. 72.37 lakh
M/S Tirap Veneer & Saw Mill:	Rs. 77.66 lakh
	Rs. 150.03 lakh

amounting to Rs. 29.88 lakh (90 *per cent*). The reimbursement was paid in January 2006 to IU.

The Department clarified (February 2009) that the finished products were transported by the concerned IU at their cost acting as consignor as well as consignee, and thus there was no question of payment of freight charge by any other party. The reply furnished by the Department is not acceptable as the IU concerned had not furnished any proof of payment of freight charges to the Railway Authority required to substantiate the authenticity of a claim.

(ii) The IUs are entitled to receive 90 *per cent* of transport subsidy for movement of raw materials and finished products between the designated railhead (Siliguri) and the location of the IU and *vice versa*. Scrutiny revealed that subsidy of Rs. 44.56 lakh. 90 *per cent* of the cost of transportation payable up to Siliguri, was paid (June 2006) to M/s.Arunachal Plywood Industries, Namsai on the recommendation of SLC (July 2002) for transportation of 97,297 quintals of finished products from the factory godown at Rupai to different destinations outside NER during the claim period from 1 September 1993 to 31 March 1995.

As per the agreement between consignor (IU) and consignee/purchaser, the consignee was to pay the cost of transportation initially which was to be finally borne by the IU. However, the IU was paid subsidy of Rs. 44.56 lakh without any supporting documentary evidence like records of book adjustment or refund of freights initially borne by the consignee and later on reimbursed by the IU, which were required to substantiate IU's claim for reimbursement.

The Department stated (February 2009) that all the claims were prepared and certified by the Chartered Accountant, and the records relating to the claims were also verified by the Inspecting Auditor of the State Government, DIC, and Director of Industries, etc. The reply is not acceptable as no documents to substantiate the reimbursement claim were furnished by the IU, the claim should not have been admitted.

2.1.7. Payment of inadmissible claims

Scheme guidelines provide that both the existing IUs[4] as well as new IUs[5] are entitled to receive subsidy on transport of the raw materials/finished products imported/ exported by them. The quantum of subsidy to the units was to be based on the input/ output as per their manufacturing capacities fixed at the time of their registration by the DoI. The existing IUs could, however, claim additional subsidy on raw materials, necessitated due to expansion or diversification of their activities. But such benefit was not admissible to new IUs.

It was found that the subsidy amounting to Rs. 17.62 lakh was paid between 1 April 2006 and 10 August 2007 to two new IUs for import of 2226.616 MT of raw material

4 Existing IU means an industrial unit which has set up manufacturing capacity and come into production before the date of commencement of the Scheme.

5 New IU means an industrial unit which has set up manufacturing Capacity and comes into production on or after the date of commencement of the Scheme.

during April 2001 to March 2003. These two IUs were not allowed to expand or diversify their activities during this period. As per the registered manufacturing capacity these two IUs could consume raw materials of only 1193.20 MT during these two years on which transport subsidy of Rs. 8.12 lakh only was admissible. But the Department and SLC both recommended claims to the tune of Rs. 17.62 lakh leading to an excess payment of Rs. 9.50 lakh.

The Department accepted (February 2009) the audit findings and added that the IUs should be encouraged if they exceed their registered capacity of production. The contention is not acceptable as the scheme does not permit payment of claims beyond the approved manufacturing capacity.

2.1.8. Payment of time-barred claims

DIPP advised (May 1993 and reiterated in May 1994) that all the State Governments not to accept the claims filed one year after the date of incurring the expenditure. Subsequently, GOI directed (July 2006) not to admit/sanction any time-barred claims without obtaining relaxation for this purpose from GOI. Scrutiny revealed that time-barred claims of eight IUs amounting to Rs. 185.79 lakh were irregularly recommended by SLC and paid by NEDFi during December 2003 to May 2006.

The Department responded (February 2009) that following the applicable instructions; the time-barred claims were sent to the GOI for their consideration. The reply is not enough as the department did not provide the copy of relaxation order obtained from GOI before recommending the time-barred subsidy claims. Mere forwarding the claim for relaxation does not mean that the relaxation was actually obtained.

2.1.9. Delay in payment of transport subsidy

The GOI Notification (July 1971) required the DOI to draw up procedure and arrangements not only for scrutinizing the TS claims but also to arrange for their prompt settlements. Since the beneficiaries of TSS were to be IUs operating in inhospitable and inaccessible environment, there was a need for timely disbursement of TS claims to ensure the scheme objectives are realized.

However, in respect of 15 IUs, subsidy claims for a total amount of Rs. 10.79 crore were disbursed to them after abnormal delays ranging from eight to 12 years. These delays would certainly have some adverse impact on TSS objectives.

The Department agreed (February 2009) to the audit findings but added that the delays occurred mainly from the NEDFi. The fact, however, remains that Government has failed in its responsibility to make arrangement for prompt payment of the claims.

2.1.10. Monitoring & Evaluation

The Scheme was monitored through 100 *per cent* checking of claims with the original records in the District and Directorate level and also through scrutiny by SLC. The existence of the IUs was ensured through physical inspection. The periodical checking of raw materials and finished goods of industrial units was done through a correlation worked out taking power consumption and finished products with reference to raw materials consumed.

However, no procedures were laid down by the Directorate to ensure the regular inflow of information regarding movement of raw materials and finished goods. No other periodical checking such as RRs was conducted by the Nodal Agency except disbursement of claims to the IUs after clearance by the DIPP.

Further, the System of internal audit for checking of TSS claims did not exist in the Department. However, the Nodal Agency (NEDFi) conducted such audits periodically for all the schemes. But separate checking of claims could not be conducted by NEDFi as no separate account was maintained for TSS. Though the scheme has been under implementation for quite sometime in the State, no survey by the Department itself or through some appropriate third party was conducted to ascertain the actual success of the scheme in promoting industrialization in the State, and also to collect important feedback for the policy formulation purpose. In the absence of these mechanisms, how far the scheme objectives were actually fulfilled could not be ascertained by the Department or audit.

2.1.11. Recommendations

- The scheme guidelines should be strictly followed and internal controls strengthened to avoid admission of inadmissible or ineligible claims.
- To monitor that scheme is contributing to the industrial development in the State, physical and financial targets should be fixed and achievement be monitored through appropriate MIS.
- The supervision and monitoring system for implementation of the scheme should be strengthened.

Fraud/Misappropriation/Embezzlement

ANIMAL HUSBANDRY AND VETERINARY DEPARTMENT

2.2. *Suspected misappropriation of funds*

In the absence of any audit trail, an amount of Rs. 33.14 lakh appears to have been misappropriated.

The State Government sanctioned and released Rs. 67.50 lakh in March 2006 for implementation of the project "Rangeland Development and Sedentarization of Yaks Herdsmen". Out of the sanctioned amount, Rs. 33.81 lakh was earmarked for 'Minor work' of which an amount of Rs. 33.14 lakh was spent (between June 2006 and March 2007) on wages of Muster Roll labourers (Rs. 17.68 lakh) and procurement of CGI sheets (Rs. 15.46 lakh).

Scrutiny of the records of Dy. Director, Regional Sheep Breeding Farm (RSBF), Sangti revealed that during 2006-07, an expenditure of Rs. 17.68 lakh was shown as incurred on 42,000 mandays utilized for boundary fencing and sowing of seeds, whereas no material was procured and issued to the work. There were no supporting records to substantiate the execution of stated work. Further, wages of Rs. 17.68 lakh included double drawal of Rs. 5.05 lakh i.e. first drawal of Rs. 5.05 lakh between November 2006 and February 2007, and second drawal in March 2007.

Scrutiny of the records also revealed that the Dy. Director procured (December 2006) 260 bundles of CGI sheets at a cost of Rs. 15.46 lakh which was claimed to be distributed to 50 beneficiaries directly under the signature of DDO. Neither the recipient's signature nor their addresses were available on record. Similarly, no supporting records reflecting the selection process of the beneficiaries and the criteria used for their selection could be produced to audit.

Thus, in the absence of any audit trails to substantiate the claimed activities and transactions, the possibility of the entire amount of Rs. 33.14 lakh (wages: Rs. 17.68 lakh and CGI sheets: Rs. 15.46 lakh) being embezzled could not be ruled out.

The matter was reported to the Government in September 2009 but no reply has been received yet (December 2009).

Excess Payment / Wasteful Expenditure

AGRICULTURE DEPARTMENT

2.3. Incorrect computation of Cost Index

Extra expenditure of Rs. 14.74 lakh due to incorrect computation of Cost Index.

Scrutiny of records of the Directorate of Agriculture (DoA), Naharlagun, revealed that the work "Construction of 500 MT Seed Storage Godown with dehumidification facility at the Directorate Campus" was sanctioned in March 2008. The preliminary estimate for Rs. 61.40 lakh was prepared by the A.P State Co-operative Union (APSCU) in January 2008 based on the Delhi Plinth Area Rates (DPAR), 1992 (with 100 *per cent* base).

It was noticed that neither detailed estimates, drawing and design, etc. were prepared for the work nor technical sanction was obtained. However, the work was awarded by DoA to a Naharlagun based contractor at an estimated cost of Rs. 61.40 lakh stipulated to be completed by October 2008. The entire amount of Rs. 61.40 lakh was drawn in March 2008 as first and final bill by the APSCU and was paid to the contractor in three installments between July and November 2008.

A preliminary estimate is prepared with some base cost (normally 100) and the cost index is added to this which is arrived at after deducting the base cost. The scrutiny of the preliminary estimates for the work revealed that the Cost Index (CI) of 210 was computed (DPAR 1992) and added to the estimates without deducting the base of 100 which resulted in extra payment of Rs. 14.74 lakh to the contractor.

The matter was brought to the notice of the Government in October 2009 but no reply has been received yet (December 2009).

2.4. Admission of subsidy in excess of permissible limit

Non realisation of cost exceeding the permissible subsidy on agricultural implements distributed resulted in extra expenditure of Rs. 30.53 lakh.

Government of India (GOI) approved (October 2007) the Work Plan for the year 2007-08 of the State of Arunachal Pradesh on Macro Management of Agriculture (MMA), a Centrally Sponsored Scheme, indicating the financial target for Rs. 26.50 crore to be used for scheme activities. Under the component of farm mechanization, Rs. 7.05 crore was available as subsidy as per the approved Work Plan.

Scheme guidelines provide that in case of agricultural implements distributed under farm mechanization component, the subsidy was available @ 25 *per cent* of the cost or Rs. 10,000 per unit whichever is less. The balance amount was to be borne by the beneficiaries themselves.

Test-check of the records (December 2007-August 2009) of the Directorate of Agriculture, Naharalagun revealed that 47 units of different agricultural implements worth Rs. 44.02 lakh were procured in March 2008 from M/s.Kissan Engineering Company through its authorised dealers at Naharlagun and distributed to the beneficiaries through their 16 District Agriculture Offices in August 2008. However, the recovery for the cost exceeding the permissible subsidy amount/limit under the scheme was not made from the beneficiaries in any of these cases. Thus, subsidy of Rs. 34.13 lakh was allowed (March 2008) against the permissible limit of Rs. 3.60 lakh resulting in extra expenditure of Rs. 30.53 lakh.

The matter was brought to the notice of the Government in November 2009 but no reply has been received yet (December 2009).

ANIMAL HUSBANDRY AND VETERINARY DEPARTMENT

2.5. Non-utilisation of carcass utilisation plant

Due to inability of the Department to arrange staff, carcass utilisation plant was never used and the investment of Rs. 2.50 crore became unproductive.

With a view to improve the sanitary and public health conditions and prevent the environmental pollution by removal of putrefactive carcasses, the Government of India (GOI) approved (March 2001) the installation of a carcass utilization plant (the Plant) at Doimukh costing Rs. 301.50 lakh (Centre: Rs. 250.50 lakh and State: Rs. 51 lakh). The GOI released Rs. 30 lakh in March 2001 and Rs. 220.50 lakh in February 2005.

Scrutiny of records of the Director of Animal Husbandry and Veterinary(AH & V) revealed that Rs. 36 lakh was released by the State Government in March 2002 for initiating groundwork and engagement of a Haryana based consultancy firm for Techno Economic Feasibility Report (TEFR). The TEFR showed that to run the plant, carcass would be available not only in the district where plant was to be set up but also in the border areas of Assam.

On receipt of TEFR, tender was invited in November 2005 for installation of the Plant and the work was awarded (December 2005) to a Guwahati based firm at a negotiated rate of Rs. 2.11 crore to be completed by February 2007. State Government released Rs. 220.50 lakh for the purpose in February 2006. The installation of the Plant at Karmajuli, Doimukh was completed in February 2007 at a total cost of Rs. 2.50 crore, and inaugurated in March 2007 with the help of a DG set as the plant was not connected with power supply.

In a meeting held on 4 December 2007 by the Secretary, AH&V to discuss the modus-operandi for running of the Plant, the representative of Industry and Urban Development Department (IUDD), the user department, expressed their inability to run the plant due to shortage of manpower and also expressed doubts about the availability of carcasses for the daily running of the Plant. The Plant was never used and left unguarded. Subsequently, theft of machineries and their parts was noticed in March 2008. After investigation it was found that the Plant was badly damaged and parts including motors were missing. The loss sustained was never assessed and the Plant is still lying unused in a damaged condition.

Front of Carcass Plant

Missing diesel generating set

Damaged building	Unused plant

Thus, due to IUDD's inability to arrange staff and non-availability of carcass, the carcass utilisation plant remained non-operational rendering expenditure of Rs. 2.50 crore incurred on its installation unproductive.

The case was reported to the Department/Government in September 2009 but no reply has been received yet (November 2009).

RURAL WORKS DEPARTMENT

2.6. *Non-completion of Yatri Niwas*

Due to delay in execution of work, GOI did not release balance fund; and expenditure of Rs. 60.35 lakh incurred on *Yatri Niwas* became idle out of which assets of Rs. 20.22 lakh were damaged in theft.

Under the scheme 'Tourist Accommodation', the Government of India (GOI) accorded sanction for the work, 'Construction of Dibang *Yatri Niwas* at Roing' at an estimated cost of Rs. 99.75 lakh (Centre: Rs. 56 lakh and State: Rs. 43.75 lakh). The work was to be executed by the Rural Works Department (RWD), Arunachal Pradesh. The Central share was to be released in three instalments with 30 *per cent* (Rs. 16.80 lakh) as first instalment. Second instalment of 50 *per cent* (Rs. 28 lakh) was to be released subject to the submission of the Utilization Certificate (UC) and Progress Report (PR) by the Director of Tourism (DoT) to the GOI for the first instalment within six months from its release. The balance 20 *per cent* (Rs. 11.20 lakh) was to be reimbursed by GOI after receipt of the completion certificate of the Project. The GOI released the first instalment of Rs. 16.80 lakh in March 2002. The State Government share of Rs.43.75 lakh was released between January 2003 and March 2005.

Scrutiny of records of the RWD, Roing Division revealed that administrative approval and technical sanction for the work were issued in January 2003 and October 2003 respectively. The work for construction of porch, reception hall, kitchen, dormitory and three super deluxe cottages (excluding electrification works) was awarded to a contractor (May 2003) at Rs. 43.14 lakh with a stipulation to complete the work by December 2003. The work finally commenced in June 2003. Due to delay in commencement of work, the submission of UC and PR for first instalment due in September 2002, could be submitted only in July 2005 after delay of 34 months. As a consequence, subsequent instalment of Central share of funds was not released which led to stoppage of work in March 2005. The contractor was paid Rs. 36.75 lakh (fourth running account bill) for the work executed till stoppage. As there was no further progress in the work, RWD in November 2007 requested DoT to release the balance amount so that the remaining work could be completed or else take over the building in the existing condition. In response, DoT informed (November 2007) that the GOI had dropped the project and asked RWD to complete the construction from the State's own fund. However, RWD did not make any efforts to complete the project. As there was no arrangement for guarding the assets, miscreants damaged the property and loss due to damage was estimated at Rs. 20.22 lakh (June 2008). As per the progress report of December 2008, total expenditure of Rs. 60.35 lakh had been incurred on the work.

Thus, delayed commencement of work led to delayed submission of UC and PR to the GOI, which further resulted in non release of the balance Central share. Consequently, the work on construction of *Yatri Niwas* could not be completed for want of funds, and Rs. 60.35 lakh spent hitherto has been rendered unproductive besides the loss of Rs. 20.22 lakh due to damage by miscreants.

The matter was reported to Government in June 2009 but no reply has been received yet (December 2009).

Idle/Unproductive Expenditure/diversion/misutilisation of funds

SOCIAL WELFARE, WOMEN AND CHILD DEVELOPMENT DEPARTMENT

2.7. Payment to contractor without ascertaining completion of work

Payment to the contractor for construction of building for 37 Angan Wadi Centres was made without completion report as required under the agreement. Payment of Rs. 13.75 lakh for construction of 11 AWC building appears to be fraudulent in absence of any supporting document to prove that they were actually constructed. Besides, the contractor was extended undue benefit as the buildings constructed were sub-standard.

The GOI released (March 2002) Rs. 1.88 crore to the State Government for construction of building for 150 Angan Wadi Centres (AWCs). Each AWC building should have one room not less than 5 X 5 m, one store room of nine sqm, and a child friendly toilet. Out of the 150 buildings, work order for the construction of 37 AWC buildings in different districts was awarded to M/s. Angami Trading Company (M/s ATC) in March 2003 for Rs. 46.25 lakh at the rate of Rs. 1.25 lakh per AWC with a stipulation to complete the work by June 2003. Accordingly, an agreement with M/s ATC was entered into on 31 March 2003. As per the condition of the work order, no advance was to be paid and payments against the bills were to be made only after the receipt of completion report from the Technical Authorities and handing over reports from Child Development Project Officers (CDPO). As per work order/

agreement, the walls of the building should be 20 mm thick cement bonded, CGI sheeted roof with cemented floor, enamel painted and a safety tank.

Scrutiny of records of the Director, Social Welfare, Women and Child Development department (February and March 2009) revealed that the date of commencement of work was not on the records produced, however, it was noticed that the contractor had sought (November 2004) extension of time up to January 2005, which was indicative of the fact that work was incomplete as on that date. The approval for extension of the time sought by the contractor was also not available on record. However, the bill for the entire amount of Rs. 46.25 lakh was drawn in March 2003 and payment was made to the contractor in September 2004 without receiving completion reports and handing over reports for 37 AWC buildings as required under the agreement apparently even before the buildings were completed which is evident from contractor requesting extension up to January 2005. These were confirmed by the Director of Social Welfare, Women and Child Development in November 2008. The Directorate also did not produce any measurement records or photograph to prove the completion of the AWC buildings.

The Department forwarded (November 2009) completion reports in respect of 26 AWCs and stated that completion reports of 11 AWC could not be traced. Scrutiny of 26 completion reports furnished by the department revealed that six out of the 26 completion reports furnished did not belong to 37 AWCs allotted to M/s ATC.

The CDPO, Sagalee ICDS project stated (December 2009) that there is no place with name 'Bonoriang' (name provided in list of AWC entrusted to M/s ATC) in his area but added that there is a place by name 'Bokoriang' which has an AWC. Similarly, CDPO, Niausa ICDS project stated (December 2009) that there is no place by name Ledua-1 but there is a place in the name of Zedua-1 which has AWCs.

Four buildings of AWC Bokoriang, Zedua-1, Senua-1 and Miao-1 under ICDS projects Sagalee, Niausa and Khagam were physically verified. Photos of these AWC buildings constructed by M/s ATC at are given below:

Bokoriang, Sagalee

Miao-1, Khagam

	
Zedua, Niausa	**Senua, Niausa**

It could be seen that AWC building at Zedua-1, Senua-1 and Miao-1 are bamboo structures and not as per the specifications given in the agreement. Similar scenario in the remaining AWC building constructed by the said contractor also could not be ruled out. In the absence of completion certificate, the payment of Rs. 13.75 lakh for construction of 11 AWC building appears to be fraudulent. Besides, 26 AWC buildings constructed at a cost of Rs. 32.50 lakh were sub-standard and not according to the specification, thereby, extending undue benefit to the contractor.

2.8. Doubtful distribution of SNP items

Due to inclusion of 74 non-functional AWCs for procurement items under ICDS project, distribution of SNP item worth Rs. 28.13 lakh remained doubtful.

The Government of India (GOI) has been supporting the States at the rate of half of the financial norms laid down for various categories of beneficiaries or 50 *per cent* of the actual expenditure on Supplementary Nutrition Programme (SNP) whichever is less.

Between January 2007 and March 2008, the State Government accorded administrative approval and expenditure sanction for Rs. 18.51 crore for implementation of SNP in the Integrated Child Development Services (ICDS) projects in Arunachal Pradesh. The amount was sanctioned for procurement and transportation of supplementary nutrition and *kitchri* items in respect of 3037 Anganwadi Centres (AWCs) up to June 2007 and 4277 from July 2007 onwards.

Between March 2007 and March 2008, the Directorate of Social Welfare, Women and Child Development incurred Rs. 14.46 crore on procurement and distribution of SNP items but did not maintain any records on these activities. As per ICDS norms, the rates are with reference to per beneficiary per day (normal child: Rs. Two; severely malnourished child: Rs. 2.70; and pregnant women and nursing mother/adolescent girls: Rs. 2.30). The Directorate distributed SNP items without ascertaining the actual number of beneficiaries. The Directorate stated (February 2009) that items were issued among all the AWCs in equal quantity which also meant disproportionate distribution of SNP items in violation of SNP norms.

Scrutiny of records revealed that most of the Child Development Project Officers (CDPOs) were not regularly sending their monthly progress reports (MPRs) for AWCs under their control which was admitted by the Directorate in February 2009. In spite of this, the Directorate sent consolidated statements of MPRs to GOI claiming that all AWCs were functional.

Scrutiny of available MPRs of 14 ICDS projects for few months revealed that total 710 AWCs were sanctioned of which 179 (25 *per cent*) were non-functional. The Directorate did not exclude the non-functional AWCs while undertaking procurement and distribution of SNP items under different ICDS Projects.

In response the department (October 2009) stated that the actual number of AWCs under 14 ICDS was 718 AWCs of which 74 (10 *per cent*) were non-functional. Thus, the inclusion of 74 non-functional AWCs led to excess procurement and distribution of SNP worth Rs.28.13 lakh. As these 74 AWCs were not actually functional, the distribution of SNP items worth Rs. 28.13 is doubtful.

Violation of contractual obligations / undue favour to contractor

ANIMAL HUSBANDRY AND VETERINARY DEPARTMENT

2.9. Undue benefit to the suppliers

Making payments to the suppliers as claimed without restricting it to the government approved rates, the Directorate extended undue benefit of Rs. 17.27 lakh to the suppliers.

The Purchase Board constituted periodically by the Animal Husbandry and Veterinary department fixes rates for purchase of drugs, instrument, appliances, etc. from the firms/ manufacturers/institutions during the specified period, and the rates are valid till they are revised by the Board. The rates for 2007-08 and 2008-09 were revised by the Board in March 2008 and July 2008 respectively.

Scrutiny of records of the Directorate of Animal Husbandry for the years 2007-08 and 2008-09 revealed that supply orders worth Rs. 2.80 crore (2007-08: Rs. 1.30 crore and 2008-09: Rs. 1.50 crore) for supply of drugs, etc. were awarded (between April 2007 and October 2008) to two[6] local firms on the recommendation of the Parliamentary Secretary (AH&DD). Scrutiny also revealed that neither any formal agreements specifying the rates, delivery period, payment system, etc. were entered into with the two suppliers nor the supply orders issued to them mentioned the rates of the drugs to be supplied. This arrangement made the Directorate vulnerable as the suppliers had the liberty to charge any rate.

The scrutiny of the bills raised by the suppliers revealed that the rates claimed by the suppliers on four items were much higher than the Purchase Board approved rates.

[6] (i) M/s Arunachal Drugs and Surgical House, Naharlagun and (ii) M/s Life-Line, Naharlagun

These bills were passed for payment as claimed by the suppliers without restricting them to the applicable approved rates.

In response the State Government stated (September 2009) that payments to the two suppliers were made as per the rates revised by the Purchase Board in March 2008 and July 2008. The reply is not factual as these four items were not in the revised list; hence the payments for these items were to be restricted to the old rates.

Thus, by making payments to the suppliers at higher than the approved rates, the Directorate extended undue benefit of Rs. 17.27 lakh to the drug suppliers resulting in extra expenditure.

PUBLIC WORKS DEPARTMENT

2.10. Undue favour to a contractor

Payment of additional wastage over the approved analysis rate resulted in avoidable expenditure of Rs. 25.91 lakh.

The Chief Engineer, Western Zone, Itanagar approved (March 2007) the analysis rate of Rs. 1,000.34 per sft for marble stone flooring, and Rs. 1,026.50 per sft for marble stone skirting with Australian white marble. The analyzed rate *inter-alia* included 20 *per cent* admissible wastage and 10 *per cent* contractor profit.

Scrutiny of records of the Capital-A division, PWD, Itanagar revealed that while constructing the Chief Minister's Bungalow at Niti Vihar, three work orders were issued in March 2008 to a local firm for providing and fitting of 17,732.97 sft marble flooring and 2072.40 sft of marble skirting as per the approved analyzed rates. The firm executed 15,420.156 sft of marble flooring and 1802.08 sft of marble skirting during February-March 2008.

Scrutiny further revealed that the firm was extended undue favour by paying (March 2008) Rs. 1.98 crore after allowing additional 15 *per cent* wastage on both the items of work, over and above the approved 20 *per cent* wastage. The reason for such additional allowance of wastage was not on record. Thus, payment of additional wastage over the approved analysed rate resulted in an avoidable expenditure of Rs. 25.91 lakh[7].

The Chief Engineer, PWD accepted (July 2009) the audit finding and assured to recover the excess amount from the contractor. But the amount is yet (December 2009) to be recovered from the contractor.

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[7] (17,733.176 x Rs. 1,000.30 + 2,072.39 x Rs. 1,026.50) - (15,420.156 x Rs. 1,000.30 + 1,802.08 x Rs. 1,026.50) = Rs. 25,91,187

URBAN DEVELOPMENT AND HOUSING DEPARTMENT

2.11. Non-completion of shopping complex

Increase in plinth area of shopping complex without the approval of the government and inability to mobilise required resources, the shopping complex was left incomplete resulting in unfruitful expenditure of Rs. 69.20 lakh besides creation of an additional liability of Rs. 82.98 lakh as interest and penal interest. Also due to remoteness of the location, efforts made to dispose off the property failed.

The work 'Construction of Shopping Complex at Gumin Nagar, Pasighat' at an estimated cost of Rs. 1.02 crore was administratively approved by the State Government in May, 2003. Funds were to be arranged by the District Urban Development Agency (DUDA), Pasighat through loans to be raised from HUDCO. However, the estimate was revised (January 2004) to Rs. 3.37 crore by enhancing the plinth area from 1293.90 sqm to 4556.57 sqm without Government approval.

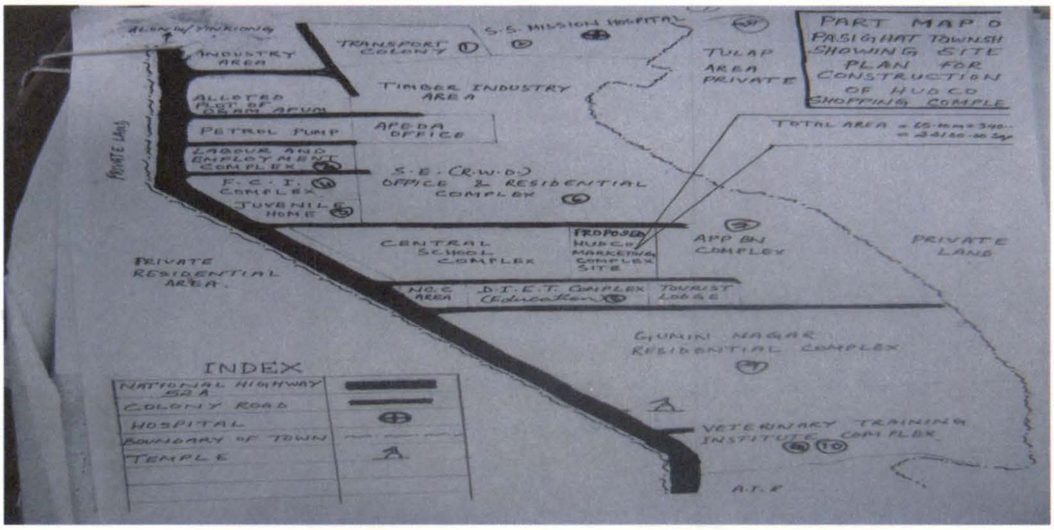
Scrutiny of records of DUDA, Pasighat revealed that the Deputy Director, Urban Development and Housing, Pasighat entered into an agreement (March 2004) with HUDCO for loan of Rs. 90 lakh @ 8.75 *per cent* interest per annum. However, no efforts were made to arrange the balance fund of Rs. 2.47 crore required to complete the project. DUDA was to repay the loan along with interest from the revenue generated by renting and outright sale of the shops. The repayment instalments were to commence from 30 June 2005 and repaid in 34 instalments at an interval of two to three months to be completed by 30 October 2013.

HUDCO released Rs. 69.94 lakh in two instalments (1st instalment of Rs. 25 lakh in July 2004 and 2nd instalment of Rs. 44.99 lakh in February 2005). The work was taken up (September 2004) departmentally and work valued Rs. 69.20 lakh[8] was executed up to January 2006. Further funds were not released by HUDCO due to the non-receipt of loan repayment instalments which was due from 30 June 2005.

Incomplete Shopping Complex

RCC column & Beam

8 Built up plinth area = 1490.77 sqm, 28 room at ground floor, RCC column & Beam up to ground floor, Brick work 75 *per cent* without finishing.



Site Plan of Shopping Complex

The Chairman, DUDA requested (April 2008) the Government to repay the outstanding loan and interest on DUDA's behalf as the project was economically unviable due to its remote location and absence of any human settlements in its vicinity. The contention of the DUDA contradicts its earlier assertion that the proposed shopping complex site is surrounded by 10 habitations as shown in the site plan (see above) while proposing the shopping complex.

In January 2008, DUDA issued expression of intent for selling/leasing of the incomplete shopping complex and in response M/s. Jaiprakash Power Venture Ltd. expressed their willingness (June 2008) to take over the property, but never turned up for negotiation as of August 2009. Meantime, the total loan liability up to March 2009 was Rs. 1.53 crore (Principal Rs. 69.94 lakh + Interest and penal interest Rs. 82.98 lakh).

Thus, due to unauthorised increase in plinth area of the shopping complex and inability to mobilise the required funds, the proposed shopping complex remained incomplete. Due to remoteness of the location the property could not be disposed off resulting into unfruitful expenditure of Rs. 69.20 lakh besides creation of an additional liability of Rs. 82.98 lakh as interest and penal interest, which would increase with the passage of time.

The matter was reported to the Government in September 2009 but no reply has been received yet (December 2009).

GENERAL

2.12. Follow up action on Audit Reports

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

Review of the outstanding explanatory notes on paragraphs included in the Reports of the Comptroller and Auditor General of India for the years from 1994-95 to 2007-08 revealed that the concerned administrative departments were not complying with these instructions. As of March 2009, *suo moto* explanatory notes on 192 paragraphs of these Audit Reports were outstanding from various departments (*Appendix-2.1*)

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

2.13. Failure to respond to audit observations

663 paragraphs pertaining to 89 Inspection Reports involving Rs. 125 crore were outstanding as of March 2008. Of these, first replies to 34 Inspection Reports containing 157 paragraphs had not been received.

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

As of March 2009, 663 paragraphs relating to 89 IRs pertaining to 62 offices of three Departments remained outstanding. Of these, 20 IRs consisting of 35 paragraphs had not been replied to/settled for more than 10 years. Even the initial replies, which were required to be received from the Heads of offices within six weeks from the date of issue were not received from nine offices for 157 paragraphs of 34 IRs issued between 1982-83 and 2008-09. As a result, the following serious irregularities commented upon in these IRs had not been settled as of November 2009.

Table: 2.1

(Rupees in lakh)

Sl. No.	Nature of Irregularities	Education Dept.		Agriculture Dept.		PW Department	
		No. of paras	**Amount**	**No. of paras**	**Amount**	**No. of paras**	**Amount**
1	Local purchase of stationery in excess of authorised limits and expenditure incurred without sanction	-	-	-	-	-	-
2	Non-observance of rules relating to custody and handling of cash, position and maintenance of Cash Book and Muster Roll	-	-	-	-	-	-
3	Delay in recovery / non-recovery of Department receipts, advances and other recoverable charges	-	-	-	-	7	51.16
4	Drawal of funds in advance of requirements resulting in retention of money in hand for long periods	4	26.23	5	10.52	-	-
5	For want of D C C bills	12	973.38	7	19.85	-	-
6	For want of APRs	3	63.29	7	37.99	2	21.66
7	Non-maintenance of proper stores accounts and non-conducting of physical verification of stores	-	-	-	-	-	-
8	Utilization Certificates and accounts certified by Audit in respect of grants-in-aid not furnished.	3	25.41	5	29.42	-	-
9	Sanction to write off loans, losses, etc., not received	1	2.61	1	0.07	-	-
10	Idle investment	7	171.67	2	10.14	35	2298.25
11	Excess/Extra expenditure	15	935.31	3	22.92	54	1248.68
12	Others	226	1120.00	136	1150.00	128	4280.06
Total		**271**	**3317.90**	**166**	**1280.91**	**226**	**7899.81**

Source: Information furnished by the Department and objection book.

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

2.14. Position of Audit Committee Meetings

During 2008-09 three Audit Committee Meetings were held, where in, 234 paragraphs were discussed and 209 paragraphs were dropped as shown below:

Table: 2.2

Department	Audit Committee meeting held	Paras discussed	Paras Dropped	Amount (Rs. in lakh)
Health	1	93	80	291.31
Horticulture	1	137	125	1044.90
Agriculture	1	4	4	8.62
Total	**3**	**234**	**209**	**1344.83**

CHAPTER-III

INTEGRATED AUDIT

Animal Husbandry and Veterinary Department

CHAPTER III : INTEGRATED AUDIT OF GOVERNMENT DEPARTMENTS

ANIMAL HUSBANDRY AND VETERINARY DEPARTMENT

3.1. Animal Husbandry and Veterinary Department

Animal Husbandry & Veterinary Department was set up to stabilise the animal husbandry practices as a profitable profession in the State through integrated programming of production, processing and marketing of the animal products. The thrust area of the department is directed towards providing adequate healthcare facilities besides giving importance to all other livestock activities. The performance of the departmental farms was poor except District Poultry Farms which were running profitably and chicks' morality rate was below the norms.

Highlights

- *Out of the total expenditure of Rs. 137.77 crore incurred during 2004-2009, the Department spent Rs. 100 crore (73 per cent) on establishment leaving little funds for the developmental activities.*

(Paragraphs 3.1.8)

- *Five cattle breeding farms (CBFs) produced 447.75 tonnes of milk during 2004-09, against 744.80 tonnes as per the norm indicating shortfall by 297.05 tonnes (66 per cent). The Central CBF earned revenue of Rs. 57.99 lakh from sale of milk after incurring expenditure of Rs. 202.84 lakh indicating the unviability of the cattle farming.*

(Paragraph 3.1.10)

- *Despite an expenditure of Rs. 170.12 lakh, the department failed to materialise shifting of CCBF even after lapse of 23 years indicating lack of suitable planning and effective execution.*

(Paragraph 3.1.10.1)

- *Against the norm of 9400 piglets required to be produced, three pig breeding farms, test checked, produced 3703 piglets (39 per cent). The shortfall of 61 per cent was mainly attributable to the short supply of feed and lack of hygienic infrastructure.*

(Paragraph 3.1.11)

- *Faulty construction of district poultry farm at Sangti led to unfruitful expenditure of Rs. 69.75 lakh and the farm remained in unusable condition.*

(Paragraph 3.1.12.2)

- *Against the target of 2000 litres per day (LPD) of pasteurized milk to be supplied, the dairy plant at Karsingsa supplied pasteurized milk ranging from 583 LPD to 759 LPD annually during the last three years (2006-09). Against the cost of production of Rs. 25.91, Rs. 27.91 and Rs. 29.80 per litre of milk, the pasteurized* *milk was sold @ Rs. 22.00 per litre. As a result, the department sustained loss of Rs. 40.04 lakh.*

(Paragraph 3.1.16)

3.1.1. Introduction

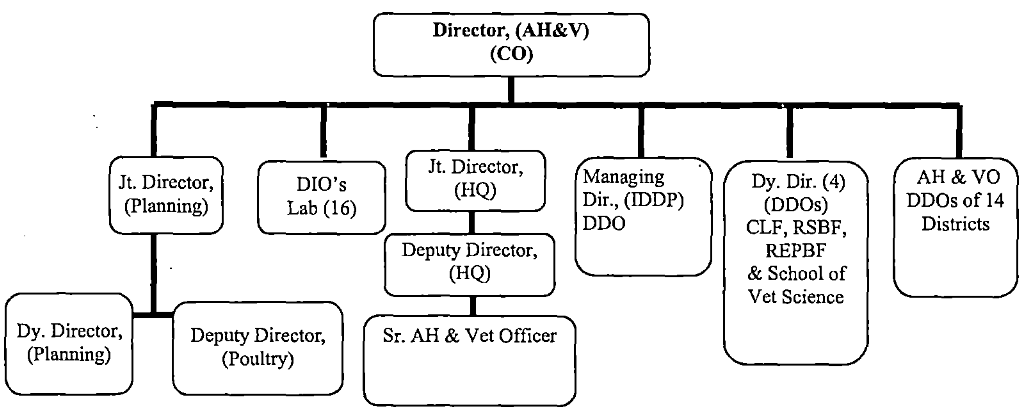
The objective of the Animal Husbandry & Veterinary Department is to stabilise the animal husbandry practices as a profitable profession in the State through integrated programming of production, processing and marketing of the animal husbandry products. The thrust area of the department is directed towards providing adequate healthcare facilities besides giving importance to all other livestock activities.

As per the 17th Livestock Census (2003-04), the livestock population of the State was: Cattle 4.58 lakh, Pigs 3.30 lakh, Goats 2.31 lakh, Mithun 1.84 lakh and others 0.34 lakh (Buffalo: 9500; Yak: 7935; Sheep: 16,527). The department is maintaining 11 Cattle Breeding Farms (CBFs), 16 poultry farms (PFs), six Pig breeding farms (PBFs), one Mithun breeding farm(MBF), one Sheep breeding farm (SBF) and one Veterinary hospital covering 14 districts (out of 16) of the State. The two remaining districts (Kurung Kumey and Anjaw) were not covered under the departmental activities due to lack of infrastructure there. Out of the 15 major ongoing schemes in the State, 11 are State Schemes and four are Centrally Sponsored Schemes (CSS). The funding of three CSSs was 100 *per cent* from the Government of India (GOI) and the remaining one was on 75:25 basis between Centre and the State respectively.

3.1.2. Organisational Setup

Under the administrative control of the Commissioner and Secretary, Animal Husbandry and Veterinary Department (AH&VD), the Director (AH&V) is responsible for budgeting, planning and implementation of various programmes of the Department. The organogram[1] of the Department is as following.

Chart No.3.1.1



1 AHV - Animal Husbandry and Veterinary, CLF- Composite Livestock Farm, RSBF - Regional Sheep Breeding Farm. REPBF- Regional exotic pig breeding farm, IDDP - Intensive Dairy Development programme, DIO - Disease Investigation Officer

3.1.3. Scope of Audit

Out of the 20 auditable units under the Department, four[2] units in Capital district of Papumpare were selected on the basis of their financial profile. Six[3] more out of the remaining 16 units were selected based on simple random sampling without replacement method. The records of 10 selected units covering five out of 11 CBFs, three out of six PBFs, six out of 16 PFs and the lone SBF, Pony Breeding Farm and Yak Demonstration Farm for the period 2004-09 were test-checked during April to July 2009. Out of the total expenditure of Rs. 137.77 crore including non-plan, incurred by the Department during 2004-09, an expenditure of Rs. 34.44 crore (25 *per cent*) was covered in audit.

3.1.4. Audit Objectives

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

- Financial Management ;
- Planning and Programme Management ;
- Stores Management ;
- Human Resources Management ;
- Internal Control mechanism; and
- Vulnerability to fraud and corruption.

3.1.5. Audit Criteria

Audit findings were benchmarked against the following criteria:

- Financial Rules and Regulations.
- Annual Action Plans.
- Guidelines of different schemes.
- Norms on maintenance of livestock farms, and
- Internal Control mechanisms.

3.1.6. Audit Methodology

An entry conference was held in May 2009 with the departmental officers wherein the audit objectives, audit criteria, scope of audit and process adopted for selection of the units for detailed examination were discussed. An exit conference was held with the departmental officers in September 2009 and their comments have been suitably incorporated in the report.

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2 Director of AHV; Dy.Director, Composite Live Stock farm; Managing Director, IDDP and Dist. AH and Vet. Officer, Yupia.

3 Dist. Animal Husbandry and Veterinary Officers of Pasighat, Tezu, Bomdilla and Tawang; Dy.Director of RSBF,Sangti and REPBF, Loiliang.

Audit findings:

The important issues noticed during the course of the integrated audit are discussed in the succeeding paragraphs.

3.1.7. Planning

The Department did not prepare a Perspective Plan for the future planned animal husbandry activities. The Annual Operating Plans (AOPs) prepared by the department did not indicate any long-term or short-term strategies, and no detailed action plans for the implementation of AOPs, were prepared. The target for production of milk was fixed district-wise without fixing any norm for the productivity, availability of milch cows in the farms being maintained, and without assessing the requirement and timely supply of cattle feeds. Similarly, targets for production of eggs were fixed for poultry farms despite non-maintenance of layer birds in the poultry farms except the Central hatchery at Nirjuli.

The Department assured (September 2009) that they would prepare the long term perspective plan at the earliest through proper statistical survey.

3.1.8. Financial Management

The budget of the Department was prepared centrally in the Directorate without obtaining any inputs from the field units. Based on the instructions issued by the State Finance Department, the Non-Plan budget was prepared on the basis of the anticipated expenditure. The Plan budget was prepared based on the lump-sum amount allocated by the Planning Department. In the case of Centrally Sponsored Schemes, the budget provision was made in Supplementary budget if funds were released by the GOI before their preparation, failing which; the budgetary support was sought for in the next financial year. The budgetary allocations and the expenditure of the Department during 2004-09 is given in the table below.

Table No. 3.1.1

(Rupees in Crore)

Year	Original	Supplementary	Total Budget	Expenditure	Savings
2004-05	17.20	3.89	21.09	20.91	0.18
2005-06	22.95	7.20	30.15	27.74	2.41
2006-07	20.79	7.51	28.30	28.21	0.09
2007-08	22.03	8.88	30.91	29.62	1.29
2008-09	24.67	6.62	31:29	31.29	-
Total			**141.74**	**137.77**	

Source: Appropriation Accounts and Budget

Out of the total budget of Rs. 141.74 crore, Rs. 18.33 crore (12.93 *per cent*) was provided under Capital Head of which the Department spent Rs.17.09 crore during the years 2004-09.

In response, the Department accepted (September 2009) that the annual budget was not based on inputs from all the fields units.

Records also showed that against the allocation of Rs. 49.55 crore during 10th Plan period 2002-07, Rs. 37.49 crore (75.66 *per cent)* only was provided by the Planning Department. Similarly, though Rs. 97.76 crore was allocated for 11th plan period, the department did not get funds proportionally. During the financial years 2008-09, Rs. 8.82 crore only was provided under the State plan. Though the department was maintaining different livestock farms, provisions were not made for the procurement of feeds for farm animals. The details of expenditure incurred on salaries and wages; and maintenance and work during 2004-09 is indicated in the following table:

Table No. 3.1.2

(Rs in crore)

Year	Total Expenditure	Salaries & wages		Maintenance and works	
		Expenditure	Percentage	Expenditure	Percentage
2004-05	20.91	16.66	79.67	4.25	20.33
2005-06	27.74	17.43	62.83	10.31	37.17
2006-07	28.21	19.91	70.57	8.30	29.43
2007-08	29.62	22.50	75.96	7.12	24.04
2008-09	31.29	23.50	75.08	7.79	24.92
Total :	**137.77**	**100.00**	**72.23**	**37.77**	**27.77**

Source: Appropriation Accounts.

During 2004-09, the funds ranging from 62.83 *per cent* to 79.67 *per cent* (average: 72.23 *per cent*) were spent on salaries and wages leaving a meagre amount for the maintenance and developmental activities, which had an adverse impact on the department's animal husbandry activities.

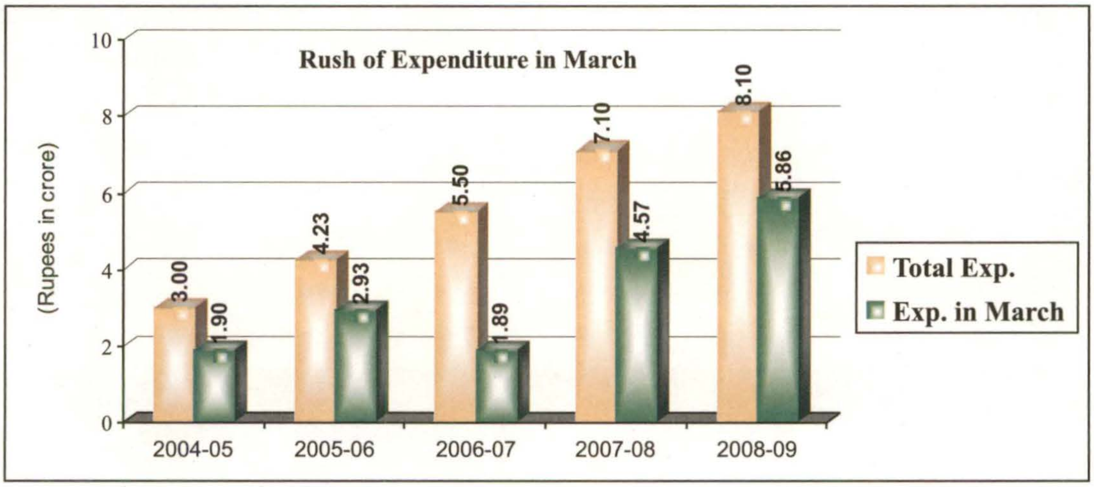
Department accepted (September 2009) that Rs. 12.06 crore was short released by the Government forcing the Department to slash some of the public benefit schemes.

3.1.8.1. Control over expenditure

There was lack of monitoring of expenditure resulting in year end rush of expenditure, excess expenditure, temporary misappropriation, etc.

(i) Rush of expenditure: Financial discipline requires that the expenditure be evenly phased over the financial year. But the Director, AH&VD who is also the Controlling Officer did not compile the monthly expenditure statements of the department due to non-maintenance of Broadsheet and Compilation Register. Further, it was noticed that 34.36 *per cent* to 69.26 *per cent* of the total expenditure was incurred in March during 2004-09 in the Directorate which was partly due to the release of funds by the State Government at the fag-end of the year. However, expenditure was more evenly phased in the test-checked districts.

Chart No. 3.1.2



Source: Directorate's figure

The Department stated (September 2009) that the March rush was unavoidable since the Government every year finalises the budget in the month of February or March. The department's reply necessitates that functional and Finance departments need to work together and reengineer the existing slow and time consuming processes so that funds are made available to the functional departments in time.

(ii) Parking of funds: Out of Rs. 22.26 lakh drawn on AC bills in March 2004 by the Dy. Director, CLF for procurement of dairy cows and feeds only Rs. 7.69 lakh was spent as of October 2004, and the balance of Rs. 14.57 lakh was retained in the form of DCRs for about 5 years (as of August 2009). Thus, the funds to that extent remained blocked while the Department was facing cash crunch and was not able to implement some of its activities.

The department accepted (September 2009) the audit observation and assured that the balance Rs. 14.57 lakh would be used as soon as the new cow shed is ready.

(iii) Expenditure Control Register: Expenditure Control Register maintained in the Directorate recorded monthly expenditure without mentioning any subhead-wise allocation of funds. Out of 20 DDOs, seven DDOs did not furnish monthly expenditure statements for several months depriving the senior management of a useful tool for monitoring the progress of the ongoing activities as well as the trend of expenditure to avoid possible excesses or savings. Scrutiny of Appropriation Accounts revealed three instances of excess expenditure totalling to Rs. 7.61 lakh under three major heads of expenditure in 2004-05 and 2006-07.

The Department accepted (September 2009) that the monthly expenditure statements from many DDOs were not received in time. Budget provision was exceeded sometimes due to increase in salaries and also that some DDOs were able to influence the treasury official to get the work done even when no funds were allotted.

3.1.8.2. Irregular use of departmental receipts:

According to GFRs and the Treasury Rules, funds received by the Department from any source are to be deposited immediately into Government account. Records of the Dy. Director, CLF, Nirjuli revealed that out of Rs. 147.63 lakh realised towards the sale proceeds during 2004-09, Rs. 73.83 lakh was spent on procurement of the animal feed on the strength of a Government order issued in March 2005 which stipulated that the expenditure out of the departmental receipts should be limited to the first quarter expenditure and the same is to be deposited back into the Government account on receipt of the funds. The unit did not deposit the funds into the Government account. Similarly, Rs. 4.70 lakh out of the sale proceeds was spent on procurement of Pig feeds during 2008-09 by the Dy. Director, REPBF and was also not deposited back due to non release of funds by the Government. As these transactions were never made part of the departmental accounts, it is a very serious lapse; as this not only circumvented the legislative process but also led to understatement of the departmental receipts and expenditure.

The Department stated (September 2009) that the sale proceeds were utilized for procurement of animal feed to avoid starvation of animals since funds from the Government are received very late. Audit reiterates that the functional and Finance departments need to work together and reengineer the existing slow and time consuming processes so that funds are made available to the functional departments in time.

3.1.8.3. Cash management

Audit scrutiny of the cash management system revealed instances of improper maintenance of cash book indicating lack of internal controls which increased the vulnerability of the Department to the possible misappropriation and other malpractices in cash management.

- Sale proceeds of Rs. 80,200 being the value of pigs/piglets realised in October 2004 by the Dy. Director, (REPBF), Loiliang was not reflected in the Cash Book. Treasury Challans in support of their deposit into Treasury were also neither shown to audit nor found recorded in the Cash Book which leads to the conclusion that the amounts were possibly misappropriated.
- Rs. 1,36,722 drawn by Dy. Director, CLF between February 2008 and October 2008 was not reflected in the Cash Book. Similarly, three bills amounting to Rs. 57,085 drawn by Dy. Director, REPBF, Loiliang were also not recorded in the Cash book. Actual payee receipts in support of the payments made were neither shown to the Audit team nor found recorded in the Cash book.
- Cash Book of the District AH&VO, Pasighat for the period from August 2008 to March 2009 was not signed by the DDO concerned (May 2009).
- In all the 10 units test-checked in audit, none of the DDOs conducted the required periodical physical verification of cash.
- Sale proceeds of Rs. 147.63 lakh during 2004-2009 and their deposit in to the treasury by the Dy. Director, CLF were not routed through the cash book.

In response the Department stated (September 2009) that the required corrections have been carried out in the cash book and DDOs would be instructed to conduct the required periodical physical verification of cash.

3.1.9. Targets and Achievements

The Department claimed 100 *per cent* achievement in production of milk, eggs, wool and meat during 2004-09. The basis on which targets were fixed and full achievements were claimed, though requested for, was not made available to audit.

As regards achievement in production of milk, the authenticity of the full achievement was doubtful as the quantity of milk produced in departmental farms was far below the quantity that could be produced as per norms[4]. The suspicion is further strengthened by the fact that the Dairy Plant at Karsingsa could produce only 583 to 759 litres of pasteurized milk per day during the last three years against the installed capacity of 5000 litres per day. Similarly, achievement claimed in respect of eggs, meat, etc. was also doubtful as the performance of various departmental farms and hatchery was dismal. The performances of various departmental farms are discussed in the succeeding paragraphs

Performance of Departmental Farms

3.1.10. Departmental dairy farms

(i) Productivity: Records of the three CBFs test checked and information collected in respect of two farms revealed that against 7,44,800 litres of milk required to be produced by the farms during 2004-09, the actual production was 4,47,752 litres resulting in shortfall by 2,97,408 litres (39.93 *per cent*) valued at Rs. 53.47 lakh calculated on average rate of Rs. 18 per litre. Details of the milk produced in these farms are given in the following table.

Table No 3.1.3

Name of the farms5	Average No. of milch cows	Milk to be produced as per norm	Actual yield	Shortfall (per cent)
CCBF, Nirjuli	30.6	4,28,400	3,22,160	1,06,240 (25)
DCBF, Bomdila	7	98,000	48,354	49,646 (51)
LSD, Pasighat	6	84,000	29,343	54,657 (78)
DCBF,Changlang	7.6	1,06,400	41,745	64,655 (61)
DCBF, Ziro	2	28,000	6,150	21,850 (65)
Total		7,44,800	4,47,752	2,97,048 (40)

Source: Departmental figures

The CCBF earned revenue of Rs. 57.99 lakh from the sale of milk during 2004-09, after spending Rs. 202.84 lakh towards salaries of attendants (Rs. 152.48 lakh), wages (Rs. 20.79 lakh) and feed cost (Rs. 29.57 lakh) rendering the project economically unviable. The shortfall in production of other DCBFs ranged from 51 to 65 *per cent.*

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4 10 litres per day per cow for 280 milking day per year

5 DCBF - District Cattle Breeding Farm, LSD - Livestock Demonstration Farm and CCBF- Central Cattle Breeding Firm

It was noticed that even the wages paid to the cattle attendants could not be recovered from the sale proceeds. The performance was affected mainly due to over staffing, short supply of cattle feed and lack of proper infrastructure.

The Department while accepting the fact about the underfeeding of cattle, stated (September 2009) that insufficient allotment of funds was the main reason for not meeting the feed requirement. It added that salary and wages is purely on account of the Government policy which is unavoidable.

(ii) Feeding: Feeding is measured by the contents of dry matter in ration and 1/3rd of it should be from concentrates and 2/3rd from roughages (dry roughages and green fodder). Against the norms of 25 kg green fodder per day per cow fixed by the department, the CLF supplied 10 kg of green fodder during 2004-09 adversely impacting the production of milk

The Department stated (September 2009) that the shortfall of fodder production was mainly due to non-availability of land after handing over of the earlier fodder lands to NERIST and Krishi Vigyan Kendra and also because of the frequent public encroachments of the departmental fodder land.

(iii) Breeding: According to the norms, breeding success should be 65 *per cent* of the cows covered by the artificial insemination. The records of CCBF, Nirjuli indicated that 54 dairy cows were covered by artificial insemination during the last five years out of which 24 calves were born achieving successful fertility of 44 *per cent.*

The Department stated (August 2009) that the success of artificial insemination depends on semen quality, detection of heat and maintenance of cold chain during the semen transportation. Reply is not acceptable as the reasons quoted in the reply were within the control of the department.

(iv) Fodder Cultivation: According to guidelines of Central Fodder Seed Production Farm, Hisargata, Bangalore being followed by the department, 40 MT Napier, 25 MT Maize/Oat and 30 MT Congosignal are to be harvested per acre per year. The fodder farm under CLF was required to produce 6785 tonnes of green fodder during 2004-09 against which, the actual production was only 4301 tonnes (63 *per cent*) as tabulated below.

Table No. 3.1.4

(Production in tonnes)

Year	Land available (in acres)	Area covered (in acres)	Production as per norm	Actual production	Shortfall (*per cent*)
2004-05	52	39	1236	890	346 (28)
2005-06	54	45	1427	875	552 (39)
2006-07	54	47	1490	727	763 (51)
2007-08	52	35	1110	891	219 (20)
2008-09	52	48	1522	918	604 (40)
Total	**264**	**214**	**6785**	**4301**	**2484 (37)**

Source: Departmental figure

The shortfall in fodder production during the period ranged from 20 *per cent* to 51 *per cent.* During 2004-09, the farm produced 4,301 tonnes of green fodder valuing

Rs. 24.69 lakh after incurring expenditure of Rs. 98.85 lakh on seeds, fertilizers, salaries and wages of staff engaged rendering the entire activity economically unviable.

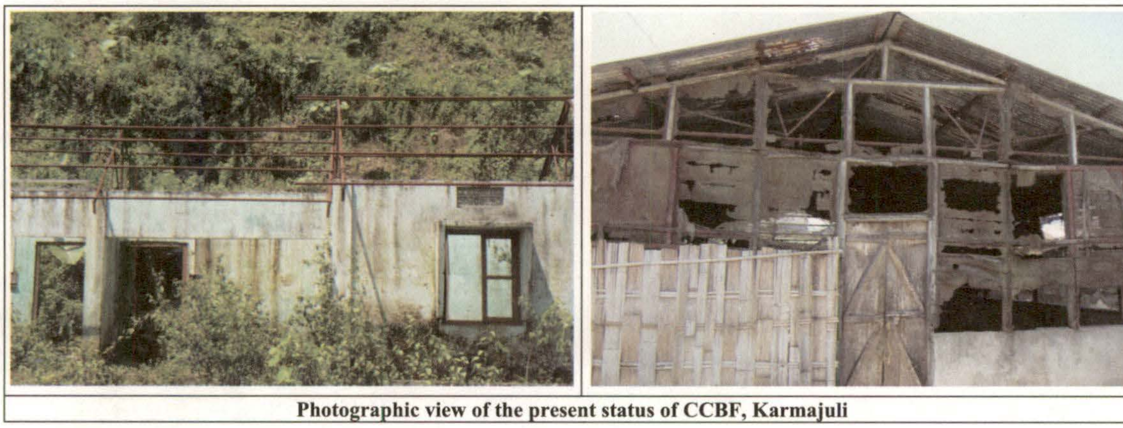
The Department stated (September 2009) that shortfall in fodder production was due to the lack of cultivable area which further depended on rains. The non-receipt of fodder seeds in time also affected the fodder production adversely. Reply is not factual since out of the total 264 acres of land available during 2004-2009, the department used only 214 acres (81 *per cent*) for fodder cultivation.

(v) Feed Mixing Plant: Feed Mixing Plant (FMP) under CLF (capacity 500 kg/hour) to meet feed requirement of departmental CBFs was established in 1981 at a total cost of Rs. 39,500 and renovated in 2004-05 after spending Rs. 5.60 lakh. During last five years only 908 tonnes of feed ingredients were mixed against possible 4800 tonnes worked out at the norm of 240 working days in a year and 8 hours per day. Thus, the plant was underutilised by 81 *per cent.*

3.1.10.1. Failure in shifting of CCBF to Nirjuli II

The CCBF was to be shifted to Nirjuli-II where the department had acquired 43.35 acres of land in 1983 after paying the developmental charges of Rs. 10.86 lakh. Selection of the site was changed number of times leading to unproductive expenditure of Rs. 43.32 lakh since 1995-96. However, the concurrence of the Finance Department for construction of necessary buildings was sought for only in December 2001. An amount of Rs. 115.94 lakh drawn in March 2004 was placed with RWD for construction of 12 residential buildings, five cattle sheds, one dispensary building, internal roads, drainage and compound fencing. Though RWD asked the department to take over the buildings in April 2005, the buildings were actually taken over by the department in June 2008 on as-is-where-is basis after a lapse of three years.

Records further revealed that the buildings including cattle-sheds were badly damaged in July 2008 by flash flood and landslide. No repairs of the buildings had been carried out and the farm has not been shifted till October 2009. Despite an investment of Rs. 170.12 lakh, the department could not shift CCBF even after a lapse of 23 years.



Photographic view of the present status of CCBF, Karmajuli

The Department accepted (September 2009) the audit finding and added that work for completion of the breeding building is in progress and CCBF would be shifted to the new site as soon as the building is complete.

3.1.11. Pig Breeding Farm (PBF)

(i) Performance: The PBFs in the State were set up with an objective to popularize pig breeding and produce genetically good quality piglings, growers, gilts and young boars for distribution/supply to the pig rearers, and commercially marketing the pork. According to the techno-economic parameters followed by the department, 10 piglets are to be obtained per sow per farrowing and each sow is to be farrowed twice in a year. The records of CPBF, Nirjuli, REPBF, Loiliang and PBF, Pasighat revealed that the farms produced 3703 piglets during 2004-09 against the norm of 9400 resulting in shortfall of 5697 piglets (61 *per cent*), as shown below.

Table No. 3.1.5

(In number)

Name of farm	Average number. of sows	Production of piglets		Shortfall	Percentage of shortfall
		as per norm	Actual		
CPBF, Nirjuli	40	4000	1565	2435	61
REPBF, Loiliang	30	3000	1515	1485	49
PBF, Pasighat	24	2400	623	1777	74
Total	**94**	**9400**	**3703**	**5697**	**61**

The shortfall was mainly due to the short-supply of feed, lack of hygienic infrastructure and overage of sows and breeding boars. The records of CPBF showed that against the requirement of pig feeds for Rs. 53.57 lakh, the actual supply was only for Rs. 22.24 lakh (42 *per cent*). Records further indicated that the PBFs earned revenue of Rs. 40.30 lakh during the years (2004-09) after incurring expenditure of Rs. 189.87[6] lakh towards salaries, wages and cost of feeds rendering the farms economically unviable.

The Department stated that (September 2009) the norm of ten piglets per sow was on higher side and accepted that deficiency in mineral reduced their productivity.

(ii) Establishment of Base PBF at Loiliang-Namsai: The extension unit of REPBF, Loiliang named Base PBF was established at Namsai during 1993-94 at a cost of Rs. 25.18 lakh. The base farm was closed down in December 1996 due to the lack of water supply and electricity, and sub-standard construction. With a view to re-open the farm, the NEC sanctioned a project for 100 sows for Rs. 136.10 lakh and released Rs. 134.10 lakh between March 2000 and March 2003. The project was to be completed within two years from the date of its sanction.

Records of REPBF, Loiliang indicated that works for construction of buildings and compound fencing were taken up only in 2005-06; for water supply in 2006-07 and for the installation of power line in 2008-09. Feed mixing plant procured centrally at

6 Wages Rs. 22.77 lakh, Cost of feeds Rs. 40.06 lakh, Salary of Stockman Rs. 29.45 lakh and Salary of Pig attendant Rs. 97.59 lakh.

Rs. 0.39 lakh (June 2008) was not yet installed at Namsai. The records further indicated that only 78 sows were procured against the 100 sanctioned, out of which 20 died and balance 58 sows only were available as of June 2009.

Regarding the utilisation of funds, it was noticed that Rs. 110.16 lakh was released by the State Government during March 2002 to March 2005 against Rs. 134.10 lakh released by NEC, out of which only Rs. 84.48 lakh was spent on the project as of July 2009. The project was incomplete even after lapse of nine years.

The Department stated (September 2009) that PBF could not be completed since NEC did not release the funds and when funds were released, they were released at the end of the year delaying the completion of the farm. The reply of the department attributing delayed/untimely release of funds by NEC for non-completion of the base farm is not factual as the department did not completely utilise even the funds provided and as of September 2009 the unutilised balance was Rs. 49.62 lakh.

3.1.12. Poultry Farms

During the course of audit it was noticed that most of the District Poultry Farms (DPFs) were running profitably. However, certain shortcomings were noticed in the functioning of central hatchery apart from other interesting aspects in the implementation of the schemes relating to poultry development, which are discussed in the subsequent sub-paragraphs.

3.1.12.1. Functioning of Central Hatchery

(i) Egg Production: According to the ICAR norms, the output of eggs to be obtained from exotic birds was 240 eggs per layer per year. Department stated (August 2009) that low input kroiler was maintained as parent stock which produced on an average 180 eggs per year. The production of eggs in the farm during the period 2004-09 is shown below.

Table No. 3.1.6

Year	Layer birds maintained	Eggs to be produced	Eggs produced	Shortfall	Shortfall percentage
2004-05	662	1,19,160	60,733	58,427	49
2005-06	1286	2,31,480	1,14,410	1,17,070	51
2006-07	718	1,29,240	31,694	97,546	75
2007-08	672	1,20,960	1,05,513	15,447	13
2008-09	1178	2,12,040	78,113	1,33,927	63

Source: Departmental figure

It is evident from the table that except for the year 2007-08, the *percentage* shortfall in production of eggs ranged between 49 and 75.

The Department did not agree (September 2009) with the audit calculation since the birds do not lay eggs throughout the year as assumed by audit. The department added that some of their data furnished earlier to audit by the department regarding the strength of the birds were incorrect. The Department's contention is not acceptable as the audit has calculated the shortfalls in the production of eggs on the basis of the norms prepared by the department which indeed would have taken into account all the relevant aspects, including one quoted in the reply of the department. Besides, the department's reply that information supplied earlier was incorrect, seems to be an afterthought as the information used by the audit were supplied by the Farm Manager who maintains the basic records of the hatchery.

(ii) Utilisation of incubator: The capacity of the incubator for setting of eggs was 30,000. Calculating at this capacity, 18 lakh eggs could be set for hatching during the last five years. It was noticed in audit that against the total capacity of 18.00 lakh eggs, the farm hatched only 3.34 lakh eggs resulting in to shortfall by 14.66 lakh (81 *per cent*) attributed to the non-availability of the eggs. The records further indicated that against the actual expenditure of Rs. 1.20 crore towards salaries, wages of staff engaged in the farm and cost of feeds, the farm earned revenue of Rs. 30.72 lakh only rendering the project economically unviable.

The Department agreed (September 2009) to the low utilisation of incubator pointed out by audit but added that the parent stock was of low input technology birds which are slow in growth and are less preferred by entrepreneurs. Besides, the limited number of bird sheds also led to underutilisation of the facility. The reply of the department could not justify the underutilization since the reasons quoted were within the control of the department.

(iii) Mortality: According to the norms, mortality of chicks and poultry birds was 16 and two *per cent* respectively. The record of six PFs test-checked in audit revealed that the mortality rate of chicks was 4 to 12 *per cent*, which was below the norms. However, in Central Hatchery mortality of poultry birds was higher (8 *per cent* in 2005-06; 12 *per cent* in 2004-05 and 2008-09; 25 *per cent* in 2006-07 and as high as 37 *per cent* in 2007-08).

The Department did not agree to the mortality calculation done by the audit since the information/data regarding number of birds maintained, number of birds died, etc. which were furnished earlier by the department to audit, were not correct. They also stated that the farm was keeping all record including the reasons for the mortality. The Department's reply that the information supplied to audit was incorrect, is an afterthought as these information were supplied by the Farm Manager who maintains the basic records of the hatchery.

3.1.12.2. Unfruitful expenditure in establishment of poultry farm

Out of Rs 88.30 lakh received from GOI during 2004-07 for strengthening of the district poultry farm (DPF), Rs. 69.75 lakh was released by the State Government for establishment of DPF and hatchery at Sangti. The project included the construction of buildings for hatchery, including water supply and electrification.

It was noticed that the work for electrification was yet to be completed (July 2009) and estimate was prepared without any supporting drawing and design. The joint physical verification by audit and Dy.Director revealed that the civil constructions done by Irrigation & Flood Control Division, Bomdila was faulty and unusable due to the following reasons:

(a) The setter was installed in a building in such a way that the door of the setter cannot be opened making it unusable (photo below). Further, there was no room for movement, as required, of the egg trolley from setter to hatcher and back.

(b) There was no veranda in the layer house. The walls of the layer house were fitted with net without any window. In this situation, the rain or cold wind would cause high mortality.

(c) Sunlight is very important for chicks in cold areas. But no ventilation or provision for sunlight was provided resulting in non-availability of sunlight in the brooder house increasing the humidity and mortality of chicks.

Egg Setter

Brooder House

Due to the faulty construction, the PF remained non-functional making the investment of Rs. 69.75 lakh unfruitful. The Department agreed (September 2009) to the audit finding and added that a single officer committee would be formed with direction to look into the shortcomings so that the matter can be taken up with the construction agency for rectification.

3.1.12.3. Idle investment in DPF, Tezu

DPF with hatchery (installed capacity 30,000 eggs per batch) was set up in 2004-05 at a total cost of Rs. 25 lakh after renovation of the existing building and layer house, installation of FMP, construction of pump house for DG set. It was found in audit that the plant and other infrastructure remained idle since inception due to the non-maintenance of layer birds/parent stock.

The Department stated (September 2009) that the farm is in running condition and perhaps during the time of audit the existing stock of broiler were exhausted. Department's reply is not acceptable since the farm was not maintaining any layer birds and in their absence the hatchery could not be used.

3.1.13. Sheep and Wool Development Programme

One SBF at Sangti, West Kameng district was set up long back with the objectives to produce crossbreed (F1 and F2) Russian Marino and to increase the production of the raw wool for marketing. The Department did not fix any norms for wool production. However, it stated (August 2009) that two kg of wool per sheep per year can be produced provided the skin of the sheep was not infected with humidity.

The records of the RSBF, Sangti indicated that on an average 140 adult sheep were maintained during the years 2004-09. It was noticed that against 1400 kg wool to be produced during the last five years as per the norms, the farm actually produced only 544 kg wool, thus, shortfall of 856 kg (61 *per cent*). Balanced rations *i.e.* feed concentrates with salt and other minerals are highly essential for the proper growth of the sheep. But it was noticed that feed concentrates were not at all provided to the sheep rather they were fed with green grass throughout the year which could possibly be one of the reasons for their undergrowth and low productivity.

The records further indicated that the farm incurred Rs. 38.40 lakh towards salaries of eight regular sheep attendants deployed during 2004-09, while the revenue earned was Rs. 69,120 during the period indicating the unviabilty of SBF. It was also noticed that finding no market for the sale of rams in the NE Region, the department freely distributed 30 rams of Russian Marino breed to the sheep rearers during 2007-08, which was also not covered by the programme objectives.

The Department agreed (September 2009) to the audit finding and added that the low production of wool was due to inadequate feed and shortage of funds.

3.1.14. Conservation of the Threatened Breeds

For genetic preservation of the indigenous animals, Government of India in 2004-05 sanctioned 100 *per cent* CSS project, 'Conservation of threatened breeds in Yak Demonstration Farm at Chander' and 'Bhutia Pony in Pony Breeding Farm (PBF) at Tawang'. Audit scrutiny revealed followings:

3.1.14.1. Yak Demonstration Farm

GOI released Rs. 50.00 lakh in March 2005 for conservation of 60 female and six male yaks. The records showed that the RSBF, Sangti implemented the project during 2005-07. No budgetary support was made for feeds and wages of yak attendants in subsequent years of 2007-09. It was noticed that neither any deployment was made against the post of Farm Manager, Veterinary Officer, Stockman in the yak farm nor any medicine was procured for treatment of the yaks. As a result, it became practically difficult to maintain the farm at a distance of 45 km from Sangti. As of March 2009, 25 female yaks (42 *per cent*) had died for want of medicines and suitable treatment. Reasons for death of the yaks were never investigated.

3.1.14.2. Pony Breeding Farm

GOI released Rs. 69.39 lakh during March 2005 and December 2005 for conservation of 40 female and four male Bhutia Ponies. It was noticed in audit that two houses with 20 compartments only were constructed where 20 ponies could be accommodated. It was noticed that 44 ponies were procured without constructing the required accommodation for them and were kept in open space. Records indicated that nine parent stock and four young ponies died due to the heavy snowfall and pneumonia. It was also noticed that instead of taking up the responsibilities for maintenance of the project, GOI was approached for sanction of additional Central assistance of Rs. 63.65 lakh for its extension. However, no funds were further sanctioned by GOI till June 2009.

The Department stated (September 2009) that Rs. 20 lakh was received in July-August 2009 for these two farms, and a Committee headed by the Secretary, AH&V was already constituted to finalise the action plan for continuation of these farms.

3.1.15. Animal Healthcare

GOI provided (2004-09) assistance to the State for control of contagious disease under 'Assistance to State for Control of Animal Diseases', (ASCAD) on 75:25 basis. During 2004-09 the department spent Rs. 4.59 crore under the scheme. Under the scheme, Haemorrhagic Septicaemia (HS) disease was to be eradicated from the State during 10^{th} five year plan period (2002-07). Free vaccination was to be provided for Foot and Mouth diseases (FMD), Black Quarter, Pestedestes Petitis of Ruminants (PPR), Entrotimaemia, Rimikhet, Mareks and Rabies. For implementation of ASCAD, the Department was to prepare the targets and achievements towards vaccination of animals for each year showing areas of outbreak and animals affected.

The Department, however, did not prepare the required targets and achievements under ASCAD during 2004-09. Further the scrutiny of the records relating to FMD, Avian Influenza and Tuberculosis and Brucellosis in the State revealed the following:

(i) Foot and Mouth Disease: Controlling of FMD, a highly infectious disease in the livestock, is a major challenge. FMD susceptible livestock populations as per 17^{th} Live Stock Census (2003-04) were Cattle: 4.58 lakh, Mithun: 1.84 lakh, Goat: 2.31 lakh and Pigs: 3.29 lakh. Reports of Network unit of All India Co-ordinated Research Project showed that there had been 156 FMD outbreaks affecting 12,403 animals during the last decade. The disease started in April and continued up to December each year. Though 12,403 animals were affected by FMD, only 420 samples were collected for Sero-typing and all the outbreaks were not attended to for vaccination. Mortality due to FMD in each year was also not recorded and the economic loss suffered by the farmer community was never ascertained.

The Department agreed (September 2009) that sometimes staff are not able to reach in time due to difficult terrain. However, efforts are being made and new techniques i.e. DIVA and LPB have been acquired so that no case of FMD goes undetected.

(ii) Avian Influenza: The Department had not fixed any targets or any norms for disease investigation and immunization of poultry birds. The vaccination programme was being carried out depending upon the specific prevalence of certain diseases. Records showed that 2465 stool tests and 9844 post-mortem of poultry birds were carried out during 2004-09. A good number of poultry birds died each year due to IBD, CRD, Coccidiosis and Enteritis. But the records did not suggest that any preventive measures were taken to control these diseases. For surveillance of Avian

Influenza, only 1399 samples (Sera and Swab) were collected for testing during 2008-09 but the records were silent on the preventive measures taken, if any, and number of mortality due to the bird flu.

The Department stated (September 2009) that disease investigation is retrospective and field sample oriented activity. It is not possible to set target for investigation but certain routine surveillance were being carried out.

(iii) Tuberculosis Brucellosis: According to the GOI instructions, routine screening of pigs for infectious diseases like tuberculosis and brucellosis were to be undertaken regularly. But the records of CPBF, Karsingsa, RPBF, Loiliang and DPBF, Pasighat did not indicate any such routine screenings. Investigation and sample testing against the diseases like Vesicular Stomatitis and Swine Vesicular, the other common diseases prevalent in pigs, were also not done.

Records of the 3 PBFs showed mortality of exotic pigs ranging from 19 to 37 per year during the period from 2005-09. During the same period, a total of 121 pigs died but no reasons for these mortalities were found on record. Post-mortems were also not conducted to investigate the reasons for death of pigs in the departmental farms.

The Department stated (September 2009) that the random representative test is done for pigs and cattle in Government farms against TB and Brucello. But no test is done for vesicular, staomatitis and 'SVE' since these diseases do not prevail in the State. The reply is not tenable as the Department was not able to produce any records stating the reasons for the large number of pig mortality.

3.1.16. Integrated Dairy Development Project

For dairy development activities in the State, under Integrated Dairy Development Project, a 100 *per cent* CSS, a dairy plant (Rs. 1.77 crore) at Karsingsa and a chilling plant (cost Rs. 49.22 lakh) at Pasighat were established during December 2002 and July 2000 respectively. The dairy plant was to cater 5000 litres of pasteurised milk per day for 48,000 people at Itanagar. A mention was made in Paragraph 4.2 of the Audit Report for the year ended March, 2004 regarding the plant remaining unutilised.

Scrutiny of records revealed that the dairy plant at Karsingsa started functioning in 2006. The installed capacity of dairy plant was curtailed to only 2000 litres per day as the capacity of chilling plant attached to it was only 2000 litres per day. Further, even this capacity was not utilised during 2006 to 2008. The average pasteurized supplied per day was 759 litres (2006), 584 litres (2007) and 583 litres (2008). Total pasteurised milk supplied during 2006 to 2008 was 7.03 lakh litres. The shortfall in milk supply against the targeted production ranged between 62 *per cent* and 71 *per cent* despite the availability of proper infrastructure created at a cost of Rs. 1.77 crore.

The Department was supplying milk at Rs. 22 per litre, while the cost of production was Rs. 25.91 in 2006; Rs. 27.91 in 2007 and Rs. 29.80 in 2008 resulting in accumulated loss of Rs. 40.04 lakh during these years.

Records further indicated that the functioning of the Chilling plant at Pasighat was stopped from the year 2008-09 due to the high transportation cost.

According to the Prevention of Food Adulteration Act, 1977, the pasteurized milk should contain three *per cent* fat and 8.5 *per cent* solid non-fat, while the pasteurized milk of the dairy contains 3.5 *per cent* fat and 7.8 *per cent* solid non-fat. In order to obtain the required percentage of solid non-fat in pasteurized milk at 8.5, skimmed milk powder is required to be added with raw cow milk which was not done by the department resulting in supply of the sub-standard milk.

The Department agreed (September 2009) that the capacity of dairy plant was short used by 62-71 *per cent* and attributed it to non establishment of feeder dairy farms along with the dairy plant, which is indicative of poor planning of the department. The department accepted audit observation on supplying of pasteurised milk.

3.1.17. Stores Management

Proper assessment of the requirement is a pre-requisite for procurement of store items. The Stock Register of non-patent drugs and instruments revealed that 24 items valued at Rs. 91.23 lakh remained unutilised at the end of 2008-09 indicating unrealistic assessment. As per the trend of the consumption, the stores would last for two to 18 years resulting in unnecessary locking up of funds. Further, physical verification of stores was not conducted before assessment, indicating laxity in stores management.

The Department stated (September 2009) that these medicines/instruments were received in March 2009 and could not be issued completely due to short span as some time would be required to collect the items from central store because of the transportation problem and added that the present position (September 2009) of unutilised item was almost 'Nil'.

From the consumption trend of last two years, it is apparent that these medicine/instruments had been issued to field unit just to exhaust the stock at central store after the issue of audit observation, without any prospects of their utilisation in the near future.

Stock Registers of feed maintained by the Central FMP for the years 2004-09 revealed huge handling losses of some feed ingredients. The handling loss ranged from 7.7 *per cent* to 9.9 *per cent* which was high. The value of store lost in last five years was Rs. 6.25 lakh. It was also noticed that from time to time the handling losses of feed ingredients were adjusted unauthorizedly by reducing the balance quantity without recording any reason for the same; and without bringing the same to the notice of the higher authorities. The required physical verification of stores was also never conducted, despite sustaining losses every year.

The Department accepted (September 2009) the loss pointed out by audit and stated that the same was unavoidable because maize loses weight with loss of the moisture, loading and unloading losses, rat problem, loss during crushing and mixing, etc.

3.1.18. Human Resources Management

The Department had full complement of (technical 692 and non-technical 486) men-in-position against 1178 sanctioned posts of 26 categories of staff as on 1 August 2009. The department had neither formulated any norms for deployment of staff nor carried out any assessment of manpower requirements category-wise and position-wise taking into account the work norms. Normally, one Veterinary Officer (VO), one Stockman and one attendant are required in the livestock farm. The number of farm attendants depends upon the number of livestock being maintained in a farm. As per the adopted norm, one cattle attendant is required for five cattle. In test checked farms, the deployment was found irrational considering the above norms *vis-à-vis* the livestock population as depicted below:

- In CCBF, Nirjuli, against 41 cattle, three VOs, three Asst. Veterinarians (AV) and 56 cattle attendants (35 regular and 21 contingents) were posted while a maximum of 10 cattle attendants were sufficient as per the specified norms.
- Similarly, in Central Hatchery, against the parent stock ranging from 767 to 1339, 11 regular technical staff and 13 attendants were posted while as per the norms five technical staff (Two VO; One Stockman; One Asst. Veterinarian and One Chick sexer) and three attendants were sufficient to manage the hatchery resulting in excess deployment of six staff and 10 attendants as per the norms.
- In case of YDF, except contingent attendants, there was no deployment of staff against the Farm Manager, Veterinary Officer, Stockmen, etc.
- In respect of REPBF, Loiliang-Namsai where two PBFs with 189 livestock were being maintained, only one VO, two AV, two Stockman and 12 pig attendants were posted. In case of district PBF, Berung where more than 50 pigs were being maintained, only one stockman and four attendants were provided. No Farm Manager or VO was posted.

The Department accepted the audit findings (September 2009) and agreed that several times the department wanted to reduce the number of staff but the efforts did not succeed because of political and other pressures.

3.1.19. Training

The Department did not fix any targets for providing training to the livestock farmers. However, it was noticed in audit that from time to time the training was imparted to the farmers as per the instruction of GOI. The awareness campaign was also conducted during the outbreak of diseases like FMD, Avian Influenza, etc.

Under the programme 'Capacity building and skilled development' all the vets and para-vets staff of the department were to be trained by 31 March 2009 against Avian Influenza. But the Department imparted training to only 60 *per cent* personnel (out of 692 staff, trained 423) by March 2009, and stated (June 2009) that the training would be conducted for the remaining staff soon.

Records further indicated that in May 2007 two officers working in District Investigation Laboratory and looking after the project were trained at PD, FMD and IVRI Mukteswar on typing ELISA and LPB-ELISA. But lack of ELISA reader the practice of typing LPB-ELISA could not be carried out by the trained officers. More than 70 *per cent* vets and 50 *per cent* para-vets of the State are also required to be trained on the technique of sample collection and dispatch.

The Department accepted (September 2009) that no target was fixed for training of livestock farmer but training for departmental vets, para vets and RRT members are imparted under ASCAD. The Department also stated that PD-FMD has provided new ELISA reader with latest software for FMD detection.

3.1.20. Internal Controls and Internal audit

(i) Internal Control System (ICS) is a management tool which provides reasonable assurance that the organization's objectives are being achieved and the entity is functioning in an economical, efficient and effective manner. But audit came across many instances where either ICS was absent or was ineffective exposing the department to risks from malpractice, fraud and corruption. For example:

- Appropriation of the departmental receipts to meet departmental expenditures;
- Drawal of funds not reflected in the Cashbook;
- Non accounting of the sale proceeds;
- Temporary misappropriation of funds; and
- Problems in budget and expenditure management.

(ii) Internal Audit: The Department had neither any internal audit wing nor it engaged any outside party to do the job. It was also seen that none of the units of the department were inspected by the State's Director of Internal Audit.

The Department accepted (September 2009) the audit contention that the internal controls existing at present was ineffective as well as absence of internal audit and assured that it would be looked into.

3.1.21. Monitoring and Evaluation

The department had neither any centralized database nor any comprehensive MIS capturing information about the critical components and activities periodically which affected the monitoring at the CCO/CO level. There was no regular submission of the periodical physical and financial progress reports from all the field units. Records of the minutes of the review meetings, if any held, and the follow-up action taken there against, were also not maintained at the Directorate level.

Expenditure Control Register maintained in the Directorate did not have subhead-wise budget allocation and the expenditure there against making the subhead-wise monitoring difficult for the Directorate. Similarly, non/intermittent furnishing of the monthly expenditure statements by DDOs deprived the senior management of a useful financial control tool for monitoring the progress and trend of the expenditure to avoid possible excesses or savings; and also to interfere, whenever required. Further, the system of departmental inspection by the senior officers did not exist.

The Department stated (September 2009) that the planning and budgeting for the activities suffered because of late approval and late receipt of funds from the Government. Due to the lack of skilled manpower, it is not possible to monitor any scheme but efforts were being made to update the monitoring process through online facilities. The issue of training of technical and supporting staffs would be looked in to and awareness camps would also be started.

3.1.22. Conclusions

Though the department had some good achievements, the programme implementation was marred because of lack of sound budgeting, planning and management practices. The objective of the department to stabilise animal husbandry practice as a profitable profession does not seem to have been fully attained. ICS in the department was weak and the system of internal audit was totally absent. Project management was also weak leading to delays in execution of the projects, and *adhoc* implementation and idle investments necessitated renovation and reengineering of the existing systems and processes.

3.1.23. Recommendations

- The State Finance and the functional departments need to coordinate and reengineer the existing slow and time consuming budgeting and funding system to ensure that the funds earmarked for the developmental activities are provided to the departments concerned in time.
- The perspective as well as the AOPs should be prepared after taking inputs from the lower levels to make it more need based and relevant.
- The various projects and schemes undertaken by the department should be implemented in efficient and time bound manner so that the benefits accrue to the targeted population.
- Monitoring at the levels of the Director/Dy. Director and District AH&VO should be streamlined. An electronic database capturing the major departmental activities and their physical and financial execution should be maintained in the Directorate with online access and updating features.
- Internal control mechanism including the internal audit system needs to be strengthened.
- Manpower management needs reassessment and redeployment based on the work requirement; and their training needs should be assessed and addressed.

CHAPTER- IV

REVENUE RECEIPTS

CHAPTER IV : REVENUE RECEIPTS

GENERAL

4.1. *Trend of revenue receipts*

4.1.1. The tax and non-tax revenue raised by the Government of Arunachal Pradesh during the year 2008-09, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are tabulated below.

Table: 4.1[1]

(Rupees in crore)

Sl. No.	Particular	2004-05	2005-06	2006-07	2007-08	2008-09
I.	**Revenue raised by the State Government**					
	• Tax revenue	50.11	62.09	78.24	98.09	136.22
	• Non-tax revenue	170.20	202.36	297.17	656.92	772.60
	Total	**220.31**	**264.45**	**375.41**	**755.01**	**908.82**
II.	**Receipts from Government of India**					
	• State's share of divisible Union tax	191.95	272.15	347.14	437.87	462.09
	• Grants-in-aid	1,089.58	1,312.81	1,869.62	1,810.13	2,485.64
	Total	**1,281.53**	**1,584.96**	**2,216.76**	**2,248.00**	**2,947.73**
III.	**Total Receipts (I + II)**	**1,501.84**	**1,849.41**	**2,592.17**	**3,003.01**	**3,856.55**
IV.	**Percentage of (I to III)**	**15**	**14**	**14**	**25**	**24**

The above table indicates that during the year 2008-09, the revenue raised by the State Government was only 24 *per cent* of the total revenue receipts (Rs. 3,856.55 crore). The balance 76 *per cent* of receipts was from the Government of India.

4.1.2. The non-plan grants received by the State from the Government of India during 2004-05 to 2008-09 are mentioned below.

Table: 4.2

(Rupees in crore)

Year	2004-05	2005-06	2006-07	2007-08	2008-09
Non-plan grants	299.64	388.50	387.54	380.30	457.97

Thus, non-plan grants received by the State during 2008-09 had increased by 52.84 *per cent* over the level in 2004-05.

4.1.3. The following table presents the details of tax revenue raised during the period from 2004-05 to 2008-09.

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1 All the figures pertaining to the year 2008-09 are provisional.

Table: 4.3

(Rupees in crore)

Sl. No.	Head of Revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Variations in percentage in 2008-09 over 2007-08
1.	Sales tax/VAT	28.25	47.69	61.64	77.06	105.67	(+) 37.13
2.	State excise	17.79	9.51	10.98	11.60	16.60	(+) 43.10
3.	Stamp and registration fees	0.46	0.41	0.55	0.86	1.25	(+) 45.35
4.	Taxes on vehicles	2.21	2.99	2.93	6.42	7.76	(+) 20.87
5.	Land revenue	0.76	1.11	2.10	2.12	4.90	(+) 131.13
6.	Others	0.64	0.38	0.04	0.03	0.04	(+) 33.33
	Total	**50.11**	**62.09**	**78.24**	**98.09**	**136.22**	**(+) 38.87**

The concerned departments did not inform (November 2009) the reasons for variations despite being requested (May 2009).

4.1.4. The following table presents the details of the major non-tax revenue raised during the period from 2004-05 to 2008-09.

Table: 4.4

(Rupees in crore)

Sl. No.	Head of Revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Variations in percentage in 2008-09 over 2007-08
1.	Interest receipts	5.07	6.98	13.54	29.10	34.80	(+) 19.59
2.	Dairy development	0.03	0.03	0.03	0.03	0.03	-
3.	Other non-tax receipts	29.08	27.19	84.05	62.01	42.75	(-) 31.06
4.	Forestry and wildlife	10.53	13.71	9.03	8.57	12.50	(+) 45.86
5.	Non-ferrous mining and metallurgical industries	28.26	24.94	47.60	45.82	42.95	(-) 6.26
6.	Miscellaneous general services (including lottery)	8.61	5.57	15.85	45.56	20.26	(-) 55.53
7.	Power	83.65	88.77	119.05	458.06	609.74	(+) 33.11
8.	Medical and public health	0.18	0.17	0.19	0.37	0.28	(-) 24.32
9.	Co-operation	0.10	0.11	0.11	0.40	1.02	(+) 155.00
10.	Public works	2.35	3.23	2.22	1.59	3.17	(+) 99.37
11.	Police	0.83	1.51	2.03	1.22	1.97	(+) 61.48
12.	Other administrative services	1.51	30.15	3.41	4.19	3.13	(-) 25.30
	Total	**170.20**	**202.36**	**297.11**	**656.92**	**772.60**	**(+) 17.61**

The concerned departments did not inform (November 2009) the reasons for variations despite being requested (May 2009).

4.1.5. Variations between the budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for the year 2008-09 in respect of the principal heads of tax and non-tax revenues are mentioned below:

Table: 4.5

(Rupees in crore)

Sl. No.	Head of Revenue	Budget estimate	Actual	Variation excess (+)/ shortfall (-)	Percentage of variation
1.	Sales tax/VAT	76.00	105.67	(+) 29.67	(+) 39.04
2.	State excise	12.00	16.60	(+) 4.60	(+) 38.33
3.	Non-ferrous mining and metallurgical industries	22.00	42.95	(+) 20.95	(+) 95.23

The concerned departments gave the following reasons for the variations:

Non-ferrous mining and metallurgical industries: The variation was due to impossibility of anticipating the quantity of collection of royalty on minor minerals.

State excise: The increase was attributable to the overall performance of the local bottling plant unit and efforts made by the department to achieve the revenue targets.

The Sales Tax Department did not inform (November 2009) the reasons for variations despite being requested (May 2009).

4.1.6. Cost of collection

The gross collection under the principal revenue heads, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2006-07 to 2008-09 along with the all India average percentage of expenditure on collection for 2008-09 were as under.

Table: 4.6

(Rupees in crore)

Sl. No.	Head of Revenue	Year	Collection	Expenditure on collection of revenue[1]	Percentage of expenditure on collection	All India average percentage for 2007-08
1.	Sales tax/ VAT	2006-07	61.64	2.50	4.06	0.83
		2007-08	77.06	2.89	3.75	
		2008-09	105.67	3.99	3.78	
2.	State Excise	2006-07	10.98	1.82	16.58	3.30
		2007-08	11.60	3.33	28.71	
		2008-09	16.60	3.99	24.04	

Thus, the percentages of expenditure on collection in respect of sales tax and state excise heads were higher than the all India average percentage of expenditure for the year 2007-08. The Excise Department did not inform (November 2009) the reasons

2 Figures as furnished by the department.

for 806.81 *per cent* increase in the expenditure during 2008-09 over 2007-08 though requested.

4.1.7. Arrears in assessment

The details of cases pending assessment at the beginning of 2008-09, cases due for assessment during the year, cases disposed off during the year and number of cases pending at the end of the year as furnished by the department are given below.

Table: 4.7

Name of tax	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of column 5 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales tax/ central sales tax/VAT/ motor spirits	967[3]	1,034	2,001	595	1,406	29.74

Thus, during 2008-09 the percentage of final assessments was only 29.74 *per cent* of the total assessments. The Government has not fixed any norm quantifying the number of assessments to be completed by each assessing officer during a particular period.

4.1.8. Arrears of revenue

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue amounted to Rs. 65.49 crore out of which Rs. 14.16 crore was outstanding for more than five years as mentioned below.

Table: 4.8

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2009	Amount outstanding for more than 5 years as on 31 March 2009
1.	Land revenue	50.45	14.16
2.	Lottery receipts	7.00	-
3.	Transport	0.14	-
4.	Geology and mining	3.00	-
5.	Taxation	4.90	-
	Total	**65.49**	**14.16**

4.1.9. Failure to enforce accountability and protect interest of the Government

The Accountant General, Arunachal Pradesh, Itanagar conducts periodical inspection of various offices of the Government/departments to test check the correctness of assessments, levy and collection of tax and non-tax receipts and verify the maintenance of accounts and records as per Acts, rules and procedures prescribed by

3 The opening balance furnished by the department did not tally with the closing balance reported last year.

the Government/departments from time to time. These inspections are followed by inspection reports (IR) issued to the heads of offices inspected with copies to the next higher authorities. Serious irregularities noticed in audit are also brought to the notice of the Government/heads of the departments, by the office of the Accountant General, Arunachal Pradesh. A half yearly report regarding pending IRs is sent to the Secretaries of the concerned departments to facilitate monitoring and settlement of the audit objections raised in these IRs through intervention of the Government.

Inspection Reports issued upto March 2009 pertaining to offices under sales tax, state excise, land revenue, motor vehicle taxes and forest receipts disclosed that 586 observations relating to 272 IRs involving money value of Rs. 182.42 crore remained outstanding at the end of October 2009. Of these, 120 IRs containing 337 observations involving money value of Rs. 98.37 crore are outstanding for more than five years.

In respect of observations relating to 16 IRs involving money value of Rs. 38.62 crore issued up to March 2009, even first reply from the departments/Government had not been received (November 2009). It is recommended that the Government prescribe a time schedule for submission of reply to the IRs/paragraphs for their expeditious settlement.

4.1.10. Recovery of revenue of accepted cases

During the years 2003-04 to 2007-08, the Government/departments accepted audit observations involving Rs. 66.93 crore of which only Rs. 7 lakh had been recovered till October 2009 as mentioned below.

Table: 4.9

(Rupees in crore)

Year of Audit Report	*Total money value*	*Accepted money value*	*Recovery made*
2003-04	23.05	0.27	0.01
2004-05	5.43	1.90	-
2005-06	8.69	6.91	0.06
2006-07	31.53	6.60	-
2007-08	112.38	51.25	-
Total	***181.08***	***66.93***	***0.07***

Thus, the total amount recovered during the period 2003-04 to 2007-08, was not even one *per cent* of the accepted amount. Recovery of such meagre amount reflects apathy on the part of the departments/Government in taking prompt action for recovery of the Government dues.

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

4.1.11. Audit committee meetings

In order to expedite settlement of the outstanding audit observations contained in the IRs, departmental audit committee is constituted by the Government. These committees are chaired by the secretaries and attended by the officers of the department concerned and Accountant General Office.

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

4.1.12. Response of the departments to draft paragraphs

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

Twenty one draft paragraphs proposed for inclusion in this Report were forwarded to the Secretaries of the respective departments during June 2009 and October 2009. Besides, the Chief Secretary to the State Government was also requested to arrange for discussion of the issues raised in the draft audit paragraphs for inclusion of the views/comments of the Government in the Audit Report. Despite these efforts, no response was received on these draft paragraphs and consequently these had to be included in this Report without the response of the Government.

4.1.13. Follow up on Audit Report – summarised position

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

While accepting the recommendation (1996), the Government specified the time frame of three months for submission of suo motu replies by the concerned departments. The PAC specified the time frame for submission of ATN on their recommendations as one month upto 49th Report.

Reviews of the outstanding explanatory notes on the paragraphs included in the Report of the Comptroller and Auditor General of India for the years from 1988-89 to 2007-08 revealed that the concerned administrative departments were not complying with these instructions. As of November 2009, *suo motu* explanatory notes on 57 paragraphs of these audit reports were outstanding from the various departments.

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

Table: 4.10

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

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

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

4.1.14. Results of audit

Test check of the records of sales tax, land revenue, state excise, motor vehicles tax, forest and other receipts conducted during 2008-09 revealed under assessments, non/short levy, loss of revenue etc., of *Rs.* 39.81 crore in 74 cases. This chapter contains 21 paragraphs involving Rs. 31.87 crore. Reply in all the cases had not been received (November 2009). These are discussed in the succeeding paragraphs 4.2 to 4.22

STATE EXCISE DEPARTMENT

4.2. Non-realisation of establishment charges

Establishment charges of Rs. 15.52 lakh in respect of excise officials posted in different bonded warehouses were not realised

Rule 74 of the Arunachal Pradesh Excise Rules, 1994, lays down that the Collector shall employ such officers and establishment as the Excise Commissioner may direct, to the charge of a private warehouse. The licensee of the warehouse shall pay to the Government, in advance, a fee in cash equivalent to the establishment cost of such officers for three months as the Excise Commissioner may fix, and a monthly fee in cash equivalent to the monthly cost which the Excise Commissioner may fix, within seven days after the expiry of the month to which the fee relates. The cost of the establishment shall include the pay and allowances as well as the leave salary and pension contributions.

Test check of the records of the Excise Commissioner (July 2009) indicated that five excise officials were posted in the different warehouses at Naharlagun. The establishment charges for these officials for the period from March 2007 to June 2009 were Rs. 15.52 lakh. However, the department had neither worked out the establishment charges nor submitted any demand which resulted in non-realisation of the establishment charges of Rs. 15.52 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.3. Non-realisation of renewal fee and penalty

Failure of the department to initiate action led to non-realisation of renewal fee of Rs. 4.45 lakh including penalty

Under Rule 22 of the Arunachal Pradesh Excise Rule, 1994, a licence granted to a retail vendor shall expire after one year from the date of its issue. Further, the Excise Department has instructed (March 1996) that if any retail vendor fails to renew licence on payment of the renewal fee of Rs. 40,000 within the stipulated date, he shall be liable to pay, in addition to the renewal fee, a penalty of Rs. 50 per day for the period of default.

Test check of the records of the Superintendent of Excise, Bomdila in November 2007 indicated that six retail licences were to be renewed on due dates falling between August 2005 and November 2007. The licensees did not renew their licences. The Department also did not take any action to realise the renewal fee of Rs. 4 lakh and levy penalty of Rs. 45,000 for non-payment of the renewal fee. This resulted in non-realisation of the renewal fees and penalty of Rs. 4.45 lakh.

The cases had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.4. Loss of revenue

Failure of the department to realise licence fee and penalty before cancellation of two licences led to loss of revenue of Rs. 4.18 lakh

Under the Arunachal Pradesh Excise Act, 1993 and Rules made thereunder, licence granted for dealing in India made foreign liquor (IMFL) shall remain valid for one year from the date of issue. On expiry of its validity period, the licensee shall either return the licence or get it renewed on payment of the prescribed annual fee in advance. If he fails to get the licence renewed before the expiry of the validity period of licence, he shall be liable to pay penalty in addition to the fee, at the rate of Rs. 75 per day, for the period of default in payment of the fee.

Test check of the records of the Commissioner of Excise, Itanagar (May 2008) indicated that the licences of two wholesale vendors of IMFL were valid upto July 2005 and March 2006 respectively. On expiry of the validity periods of the licences, the proprietors neither got their licences renewed nor returned the same to the issuing authority. The department did not initiate any action either to realise the prescribed fee and penalty for delay in renewal of the licence or to take over the stock of IMFL for recovery of the dues. Both the licences were, however, cancelled in February 2007 without realising the revenue and only forfeiting the security deposit of Rs. 50,000 in each case. This resulted in loss of revenue of Rs. 4.18 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

GEOLOGY AND MINING DEPARTMENT

4.5. Short realisation of royalty

Undue financial benefit extended to a lessee by incorporating lower rate of royalty in the agreement resulted in short realisation of royalty of Rs. 14.28 crore

The Government of India (GOI) periodically determines the royalty payable on minerals which is collected and appropriated by the State Government. Accordingly, an agreement is to be executed between the lessee and the State Government stipulating, that the lessee shall pay to the State Government royalty at the rate prescribed by the GOI from time to time in terms of the provisions of the Petroleum and Natural Gas (PNG) Rules. The rates of the royalty prescribed by the GOI during the period April 2007 to March 2008 varied between Rs. 2,599 and Rs. 4,042 per ton.

Test check of the records of the Director of Geology and Mining (DGM), Itanagar (June 2008) revealed that a mining lease agreement was executed on 21 October 1997 between a lessee and the State Government fixing royalty at Rs. 528 per ton of crude oil for a period of 20 years effective from 16 June 1995 without any reference to the prevalent rates of the royalty. The lessee extracted 53,872.6622 tons of crude oil between April 2007 and March 2008 and paid royalty of Rs 2.84 crore at the rate of Rs. 528 per tonne against Rs. 17.12 crore leviable at the rates prescribed by the GOI from time to time during the aforesaid period. Thus, incorporation of a fixed rate of the royalty instead of the prevalent rates from time to time in the agreement as was done in case of the agreement entered into with M/s Oil India Limited, a public sector undertaking, resulted in short realisation of revenue of Rs. 14.28 crore besides extending undue financial benefit to the lessee.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.6. Non-levy of additional royalty

For delayed payment of royalty, additional royalty of Rs. 1.48 crore though leviable was not levied.

Rule 23(1) of the PNG Rules, envisages that if any royalty is not paid by the lessee to the State Government within the time specified for such payment, the amount of such royalty shall be increased by an additional 10 *per cent* for each month or portion thereof during which such royalty remains unpaid.

Test check of the records of the DGM, Itanagar in June 2008 revealed that the State Government executed a lease agreement in September 1997 with a lessee for extraction of the crude oil. The agreement, inter-alia, stipulated that the lessee should pay royalty to the State Government within 30 days of the month to which the operation/extraction relates. Accordingly, the lessee extracted 44,684.193 tons of crude oil between March 2007 and February 2008 for which royalty of Rs. 13.69 crore was paid between May 2007 and April 2008 after delay ranging between one and two months. For the delay in payment of the royalty, additional royalty of Rs. 1.48 crore though leviable was not levied and recovered by the department.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

LAND MANAGEMENT DEPARTMENT

4.7. Short realisation of lease rent

Against lease rent of Rs. 3.21 crore, an amount of Rs. 17 lakh only was realised resulting in short realisation of lease rent of Rs. 3.04 crore; besides, interest of Rs. 45.25 lakh was additionally leviable.

Under the Arunachal Pradesh Allotment of Government Land Rules, 1988, every allottee/lessee shall pay the lease rent annually to the Government at the rate fixed by the Government from time to time. Further, if any lessee fails to pay full amount of the annual lease rent, he shall be liable to pay interest at the rate of 10 *per cent* and 15 *per cent* per annum on the unpaid amount of lease rent payable for the land allotted for the residential and commercial purposes respectively.

Test check of the records of the Director of Land Management, Itanagar in May-June 2008 revealed that 132.36 lakh square meter and 6.13 lakh square meter of land were under occupation of different allottees for the residential and commercial purposes respectively in three districts[4] from April 2006 to March 2008. The annual lease rent payable by the allottees during the aforesaid period worked out to Rs. 3.21 crore

[4] East Kameng, Lower Dibang Valley and Tirap District.

against which Rs. 17 lakh only was realised by the concerned Deputy Commissioners. This resulted in short realisation of the lease rent of Rs. 3.04 crore. Besides, interest of Rs. 45.25 lakh for non-payment of the balance lease rent was leviable but was not levied.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.8. Short-realisation of land revenue

Erroneous fixation of rate on allotment of 60,705 square meters of land to the NHPC led to short realisation of land revenue of Rs. 33.39 lakh.

The Government of Arunachal Pradesh, Land Management Department instructed (July 1994) all the Deputy Commissioners (DC) to realise value of land allotted to the Central Government Department at Rs. 10 per square metre as one time payment with effect from April 1994. However, if any land in any district is allotted to an organisation other than the Central Government Department for industrial purpose, the land revenue should be realised as a premium (one time payment) at the rate of Rs. 5 per square metre plus annual lease rent at Rs. 2 per square metre with effect from April 1994.

Test check of the records of the DC, Land Revenue, Pasighat in February 2008 indicated that the land measuring 60,705 square metres at Pasighat was allotted to the National Hydroelectric Power Corporation Limited (NHPC) in July 2001 for a lease period of 30 years. The NHPC, not being a Central Government Department, was liable to pay premium including total annual lease rent of Rs. 39.46 lakh on the allotted land for the aforesaid period. But the DC, Pasighat treated the NHPC as a Central Government department and collected (July 2003) land revenue of Rs. 6.07 lakh only as one time payment for price of the aforesaid land. This resulted in short realisation of land revenue of Rs. 33.39 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

STATE LOTTERY DEPARTMENT

4.9. Non-forfeiture of unclaimed prize money

Unclaimed prize money of Rs. 9.23 crore remained out of Government account due to inaction by the department.

Under the Arunachal Pradesh State Lottery Rules, 2001, all unclaimed prize money shall be the property of the State Government. The Government of Arunachal Pradesh executed agreements with three distributors between December 2005 and March 2006 for organising a paper lottery. Clause 9 of the agreement stipulates that all unclaimed prize money shall be deposited with the Government by the distributor upon the settlement of the account which shall be submitted by the distributor to the Government for each draw on or before the 60th day from the date of holding of the respective draws. Audit however, noticed that no penal/deterrent clause was included in the agreement for default in depositing the unclaimed prize money to the Government.

Test check of the records of the Commissioner, State Lottery Department, AP in August 2009 revealed that in respect of 433 draws conducted by three distributors between 19 June 2006 and 27 March 2009, prize money totalling Rs. 9.23 crore remained unclaimed., The unclaimed prize money was neither deposited by the distributors nor was any action taken by the department to recover and forfeit the unclaimed amount even after expiry of the stipulated period of 60 days from the date of holding the draws. The department allowed the distributors to continue with draws despite non-deposit of unclaimed prize money of the earlier draws. This resulted in non-realisation of revenue of Rs. 9.23 crore as well as undue financial benefit to distributors.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

The Government may consider prescribing penal measures for default in the payment of the unclaimed prize money and insert it in the agreement in the interest of the revenue.

4.10. Loss of revenue due to acceptance of time barred claim

Irregular payment of prize money of Rs. 6.40 lakh after a lapse of seven months from the date of draw led to loss of revenue.

Rule 12 (6) of the Arunachal Pradesh State Lottery Rules stipulates that all prizes of each draw shall be claimed by the prize winners within 45 days from the date of draw. However, the State Government may allow disbursing the prize even if the claim is received after 45 days but the maximum period of the same shall, in no way exceed 120 days from the date of draw. Further, all unclaimed prizes shall be the property of the Government and shall be deposited into the Government accounts.

Test check of the records of the Secretary, State Lottery Department in December 2007 revealed that a claim of Rs. 6.40 lakh being winner of second prize of a fortnightly draw held on 3 October 2006 was preferred on 11 May 2007, after a lapse of seven months from the date of draw. The State Government instead of treating the prize money as unclaimed, condoned the belated submission of claim and ordered payment of prize money. Since State Government cannot condone belated submission of claim beyond 120 days from the date of draw as per aforesaid Rules, the payment made was irregular and resulted in loss of revenue of Rs. 6.40 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

TAXATION DEPARTMENT

4.11. Non-realisation of entry tax

Failure to collect entry tax from 51 vehicles before registration resulted in non-realisation of entry tax of Rs. 62.49 lakh.

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

Test check of the records of the District Transport Officer (DTO), Papumpare District, Naharlagun in January 2009 indicated that 51 new motor vehicles valued at Rs. 5 crore imported from outside the State were registered between January 2007 and February 2008, but the entry tax was not collected on these motor vehicles by the DTO. This resulted in non-realisation of the entry tax of Rs. 62.49 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.12. Short levy of interest

Non-inclusion of interest in the requisition sent to the recovery officer resulted in short levy of interest of Rs. 46.80 lakh.

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

Test check of the records of the Superintendent of Taxes (ST), Tezu in February 2009 indicated that a dealer was assessed in December 2007 and was levied tax, interest and penalty of Rs. 3.25 crore for the years 2005-06 and 2006-07. The dealer, however, did not pay the above amount although demand notices were served by the assessing officer. Since the dealer failed to pay the amount of tax, interest and penalty despite repeated notices, the case was referred to the recovery officer in February 2009 for recovering Rs. 3.25 crore as arrear of the land revenue. The interest of Rs. 46.80 lakh leviable upto 3 May 2009 i.e. the date of sending the case to the recovery officer from the date of assessment was, however, not levied and included in the requisition sent by the AO. This resulted in short levy of the interest of Rs. 46.80 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.13. Loss of revenue

Seven un-registered dealers irregularly procured 'C' forms and imported goods valued at Rs. 4.04 crore resulting in loss of revenue of Rs. 43.10 lakh.

Under section 7 of the Central Sales Tax (CST) Act, 1956, any dealer liable to pay tax under the taxation laws of the appropriate State shall possess a certificate of registration granted by the competent authority. Further, the CST (Return and Turnover) Rules, 1957 states that the form 'C' shall be obtained by the purchasing dealer in the State in which he is registered. The Commissioner of Tax is responsible for proper custody and accounting of the declaration form.

Cross verification of the records of the ST, Guwahati with those of the ST, Zone II, Itanagar, Tezu and Roing between February and March 2009 revealed that seven dealers based in Arunachal Pradesh imported taxable goods of Rs. 4.04 crore at concessional rate by utilising nine declaration forms 'C' from dealers of Assam between August 2003 and October 2006 in course of inter-state trade. It was noticed in audit that the dealers were neither registered nor were the 'C' forms issued by the Commissioner of Tax to them. Thus, failure of the Commissioner of Tax to ensure proper custody and accounting of 'C form not only led to fraudulent use of declaration forms causing loss of revenue to the selling State i.e. Assam but also loss of revenue of Rs. 43.10 lakh to the State of Arunachal Pradesh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.14. Loss of revenue due to non-registration of Government department

Non-registration of a forest division resulted in non-realisation of revenue of Rs. 32.13 lakh on sale of timber.

Under the APGT Act, a dealer means a person who buys, sells, supplies or distributes goods for cash or deferred payment and includes all department if it sells, supplies or distributes goods in the course of specified activities. Further, under Section 19(i) of the Act, every dealer liable to pay tax is required to be registered under the Act. In Arunachal Pradesh, timber is taxable at the rate of 12.5 *per cent.*

Cross check of the records of the Divisional Forest Officer (DFO), Namsai with those of the ST, Tezu in February 2009 indicated that the forest division sold 6,119.9233 cubic meter of timber valued as Rs. 2.57 crore. The DFO neither applied for registration nor paid any tax on the aforesaid sale of timber. The AO also did not initiate any action to get the division registered and to collect the tax. This resulted in non-realisation of revenue of Rs. 32.13 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

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

Two dealers purchased cement of Rs. 80.51 lakh and evaded tax of Rs. 10.06 lakh. Besides, penalty of Rs. 15.10 lakh was also leviable for misuse of 'C' form.

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

Test check of the records of the Superintendent of Taxes, Zone II, Itanagar in June 2008 revealed that the two dealers dealing in hardware, glasses and electrical goods, imported cement valued at Rs. 80.51 lakh between April 2006 and March 2007 which was not included in their certificate of registration. The dealers neither submitted any return nor paid due tax for the aforesaid period. Thus, the dealers concealed turnover of atleast Rs. 80.51 lakh and evaded tax of Rs. 10.06 lakh. The dealers were also liable to pay penalty of Rs. 15.10 lakh (maximum) for the same.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.16. Evasion of tax by unregistered dealers

Non-registration of five dealers by the assessing officers led to evasion of tax of Rs. 18.09 lakh.

Under section 10 (I) of the Arunachal Pradesh Sales Tax Act, 2002, no dealer liable to pay tax shall carry on business as a dealer unless he is registered and possesses a certificate of registration. The Act empowers the assessing officers to register a dealer if he fails to apply for registration. The Act further provides that the tax payable by a dealer in respect of any sale or supply of goods to a department of the Government shall be deducted at source in the prescribed manner at the specified rate.

Further under section 19 of the APGT Act, a dealer who is liable to pay tax shall not carry on business unless he has been registered and possesses a certificate of registration. The Act, however, did not provide deduction of tax at source in respect of any sale or supply of goods to a department of the Government till March 2007.

4.16.1. Cross verification of the records of the ST, Zone I, Naharlagun; Zone II, Itanagar and Pasighat with those of two[5] departments of State Government between June 2008 and March 2009 revealed that five unregistered dealers sold taxable goods valued at Rs. 2.88 crore in March 2005. The dealers did not apply for registration nor

[5] Director of Social Welfare, Women and Child Development and Executive Engineer, PWD Pasighat.

were they registered by the assessing officers as required under the Act. The amount of tax was also not deducted by the purchasing Government departments. Thus, non-registration of the dealers by the AOs coupled with non-deduction of tax by the purchasing Government departments resulted in evasion of Rs. 18.09 lakh (tax).

4.16.2. Cross check of the records of the ST, Zone II, Itanagar with those of the Director of Social Welfare, Women and Child Development and the Director of Health Services, Arunachal Pradesh in June 2008 revealed that three unregistered dealers supplied taxable goods valued at Rs. 75.29 lakh between February and March 2006. The dealers neither applied for registration nor were they registered by the assessing officer. The amount of tax was also not deducted as the Act did not contain the provision of deduction of tax at the source during the aforesaid period. This resulted in loss of revenue of Rs. 9.41 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.17. Concealment of purchase

Failure of the assessing officer to detect import of taxable goods of Rs. 31.18 lakh led to evasion of tax of Rs. 2.77 lakh; besides, interest of Rs. 1.27 lakh and penalty of Rs. 2.77 lakh was additionally leviable.

Under the APGT Act, if a dealer has evaded in any way the liability to pay tax, he is liable to pay penalty of a sum of Rs. 1 lakh or the amount of tax evaded, whichever is greater, in addition to the tax payable by him.

Test check of the records of the ST, Tezu in February 2009 revealed that a registered dealer disclosed taxable purchase of Rs. 9.02 lakh between April 2006 and January 2007 in course of the inter-State trade. Cross verification of the assessment records of a dealer registered in Guwahati (Assam), however, revealed that the dealer purchased cement valued at Rs. 31.18 lakh during the aforesaid period. Thus, the dealer concealed taxable purchase of Rs. 22.16 lakh and evaded the liability to pay tax of Rs. 2.77 lakh. Besides, interest of Rs. 1.27 lakh and penalty of Rs. 2.77 lakh was also leviable.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.18. Non-realisation of tax

Delay in completion of assessment led to non-realisation of tax of Rs. 6.33 lakh.

Under APST Act, every registered dealer is required to submit a return along with the proof of payment of the admitted tax. If a dealer fails to submit the returns or after submission of returns fails to produce the books of accounts despite notices, the assessing officer shall complete the assessment on best judgment basis.

Scrutiny of the records of the ST, Zone I, Naharlagun in June 2008 revealed that a dealer submitted returns upto September 2002 and was assessed accordingly in October 2002. Thereafter the dealer neither submitted any return nor paid any tax. However, cross verification of the records of the Director, Social Welfare, Women & Child Development, Naharlagun (June 2008) revealed that the dealer sold taxable goods valued at Rs. 55.92 lakh to the department during March 2005 for which tax of Rs. 6.33 lakh was neither deducted at source nor paid by the dealer. The AO also did not initiate any action either to issue notice for submission of the returns or to assess the dealer on the best judgment basis. Thus, failure of the AO to assess the dealer on the best judgment basis had resulted in non-realisation of tax of Rs. 6.33 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.19. Non-levy of penalty

Penalty of Rs. 3.90 lakh was not levied and realised from 22 dealers who did not furnish returns within due date

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

Scrutiny of the records of the ST, Zone II, Itanagar in June 2008 revealed that 22 dealers did not furnish their returns for periods falling between April 2005 and March 2008. For non-submission of the returns, the dealers were liable to pay the penalty of Rs. 3.90 lakh. But the assessing officer did not take any action to levy and realise the penalty. This resulted in non-levy of the penalty of Rs. 3.90 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

TRANSPORT DEPARTMENT

4.20. Unauthorised use of motor vehicles without payment of tax

Non-realisation of motor vehicles tax of Rs. 19.56 lakh from the owners of 123 commercial vehicles led to unauthorised use of vehicles without payment of tax.

The Arunachal Pradesh Motor Vehicles Taxation Act, 1984, provides that the road tax at the prescribed rate shall be levied and collected annually/quarterly/ monthly, as the case may be, on all the motor vehicles used or kept for use in the State unless an owner of such vehicle is exempted from the tax based on 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 due by any owner, the taxation officer shall, in addition to the tax due, levy and collect penalty of one fourth of the annual tax and proceed to recover the same as arrears of land revenue.

Test check of the records of the District Transport Officer (DTO), Pasighat and Naharlagun in March 2008 and January 2009 indicated that 123 owners of commercial vehicles neither paid the road tax of Rs. 19.56 lakh for different periods falling between March 2000 and December 2008 nor obtained any exemption by surrendering their registration certificates. No action was initiated at the level of these DTOs to issue demand notices for collection of the tax from the defaulting vehicle owners. For default in payment of the aforesaid tax, maximum penalty of Rs. 4.89 lakh leviable in these cases was also not demanded. Thus, failure on the part of the authorities to initiate appropriate and timely action resulted in unauthorised use of these vehicles without payment of tax of Rs. 19.56 lakh and penalty of Rs. 4.89 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.21. Short realisation of tax

Short realisation of one time tax of Rs. 8.01 lakh on 273 personalised vehicles.

The Government of Arunachal Pradesh in December 2006 notified that all new personalised two, three and four wheeler vehicles shall pay one time tax for a period of 15 years at the prescribed rate with effect from 6 December 2006.

Test check of the records of the DTOs, Pasighat and Naharlagun between February 2008 and January 2009 indicated that one time tax in respect of 16 four wheeler personalised vehicles and 257 two wheelers had not been realised at revised notified rates from vehicles newly registered between the period 6 December 2006 and 2 February 2007. This resulted in short realisation of one time tax of Rs. 8.01 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.22. Non-levy of fine

Failure to initiate action against 137 owners of transport vehicles plying without permits led to non-levy of minimum fine of Rs. 2.74 lakh.

Under Section 192 A of the Motor Vehicles Act, 1988 (as amended in 1994), no owner of a motor vehicle shall use or permit the use of the vehicle as 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 public carrier without a permit shall be punishable for the first and subsequent offences with a minimum fine of Rs. 2,000 and Rs. 5,000 respectively. Further, under Section 15 of the Arunachal Pradesh Motor Vehicles Taxation Act, the owner of a motor vehicle may apply to the taxation officer by surrendering his registration certificate to the effect that his vehicle shall not be used as transport vehicle in any public place for a particular period.

Test check of the records of the DTO, Naharlagun in January 2009 indicated that the validity period of 137 permits granted to the owners of 137 transport vehicles expired on different dates between November 2004 and December 2008. These owners neither renewed the permits before expiry of their validity periods nor submitted any application to the taxation officer to the effect that their vehicles would not be used after expiry of the validity periods of permits. No action was initiated by the DTO to issue demand notices for collection of the penalty from the defaulting vehicle owners. Thus, failure on the part of DTO to initiate appropriate and timely action resulted in non-levy of fine to the tune of Rs. 2.74 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

CHAPTER - V

COMMERCIAL ACTIVITIES

CHAPTER V : GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

5.1. Overview of State Public Sector Undertakings

Introduction

5.1.1. The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. The State PSUs registered a turnover of Rs.5.84 crore for 2008-09 as per their latest finalised accounts as of September 2009. This turnover was equal to 0.02 *per* cent of State Gross Domestic Product (GDP). Thus, the State PSUs occupy an insignificant place in the state economy. Major activities of Arunachal Pradesh State PSUs are concentrated in Industrial Finance, Forest etc. The State PSUs earned a profit of Rs.2.80 crore in the aggregate for 2008-09 as *per* their latest finalised accounts. They had employed 151 nos[♣] of employees as of 31 March 2009. The State PSUs do not include prominent Departmental Undertakings (DUs), which carry out commercial operations in four Government departments such as Power, Hydro Power Development, Transport and Supply & Transport. Audit findings of these Government departments are also incorporated in this Chapter.

5.1.2. As on 31 March 2009, there were seven PSUs as *per* the details given below. None of these companies was listed on the stock exchange.

Type of PSUs	Working PSUs	Non-working PSUs[€]	Total
Government Companies	5	2	7
Statutory Corporations	-	--	-
Total	**5**	**2**	**7**

5.1.3. During the year 2008-09, two PSUs were established whereas none were closed down since 1995.

Audit Mandate

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

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

[€] Non-working PSUs are those which have ceased to carry on their operations- Parasuram Cements Limited and Arunachal Pradesh Horticultural Processing Industries Limited

5.1.5. The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as *per* the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as *per* the provisions of Section 619 of the Companies Act, 1956.

Investment in State PSUs

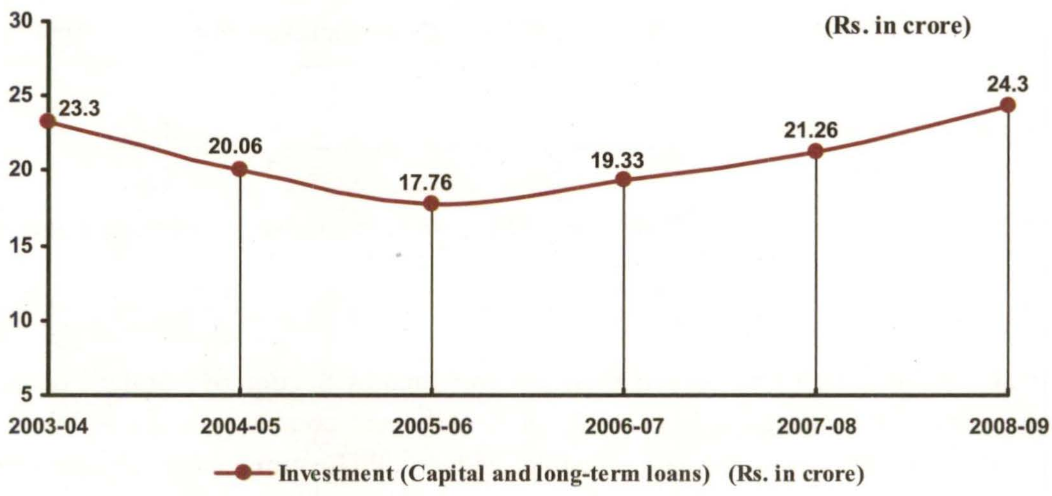
5.1.6. As on 31 March 2009, the investment (capital and long-term loans) in 7 PSUs (including 619-B companies) was Rs.24.30 crore as *per* details given below.

(Rs.in crore)

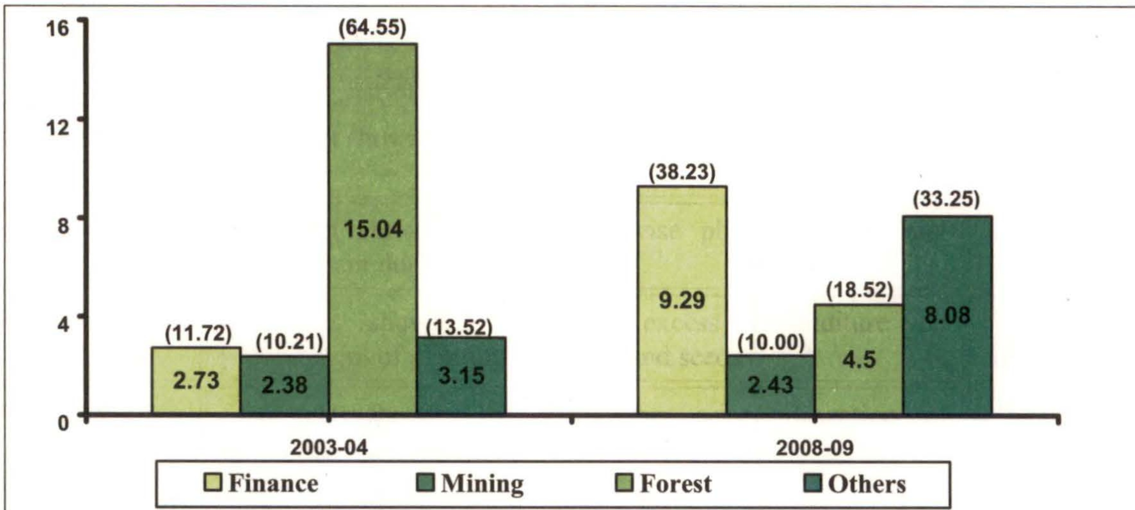
Type of PSUs	Government Companies		
	Capital	Long Term Loans	Grand Total
Working PSUs	14.10	7.14	21.24
Non-working PSUs	0.33	2.73	3.06
Total	14.43	9.87	24.30

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

5.1.7. As on 31 March 2009, of the total investment in State PSUs, 87.41 *per cent* was in working PSUs and the remaining 12.59 *per cent* in non-working PSUs. This total investment consisted of 59.38 *per cent* towards capital and 40.62 *per cent* in long-term loans. The investment has increased by 4.29 *per cent* from Rs.23.30 crore in 2003-04 to Rs.24.30 crore in 2008-09 as shown in the graph below.



5.1.8. The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart. The thrust of PSU investment was mainly in finance sector during the five years which has seen its percentage share rising from 11.72 per cent to 38.23 per cent.



(Figures in brackets show the percentage of total investment)

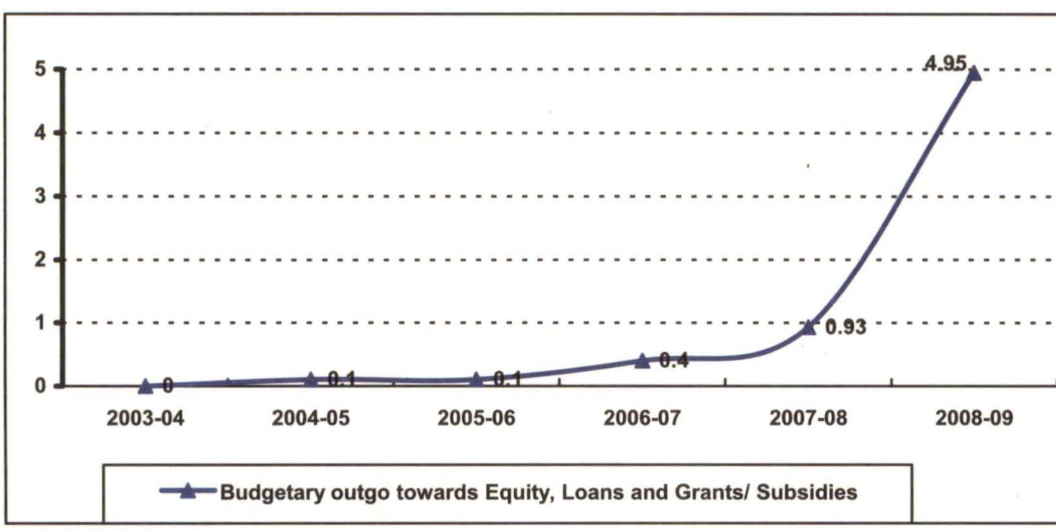
Budgetary outgo, grants/subsidies, guarantees and loans

5.1.9. The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Appendix-5.3.** The summarised details are given below for three years ended 2008-09.

(Amount Rs. in crore)

Particulars	2006-07		2007-08		2008-09	
	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
Equity Capital outgo from budget	-	-	-	-	1	4.95
Grants/Subsidy received	1	0.40	2	0.93	-	-
Total Outgo (1+2+3)	1	0.40	2	0.93	-	-
Guarantees issued	1	3.33	1	0.97	2	0.77

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



5.1.11. As on 31 March 2009, guarantees amounting to Rs.0.77 crore were outstanding against Arunachal Pradesh Industrial Development & Financial Corporation Limited (Rs.0.61 crore) and Arunachal Pradesh Mineral Development and Trading Corporation Limited (Rs.0.16 crore) respectively. No guarantee commission was payable to the State Government by the Government Companies. There was no case of conversion of Government loan into equity, moratorium in repayment of loan and waiver of interest.

Reconciliation with Finance Accounts

5.1.12. The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2008 is stated below.

(Rs. in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	8.01	14.43	6.42
Loans	-	-	-
Guarantees	-	-	-

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

5.1.14. The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Appendix-5.1, 5.2 and 5.3**. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2003-04 to 2008-09.

(Rs. in crore)

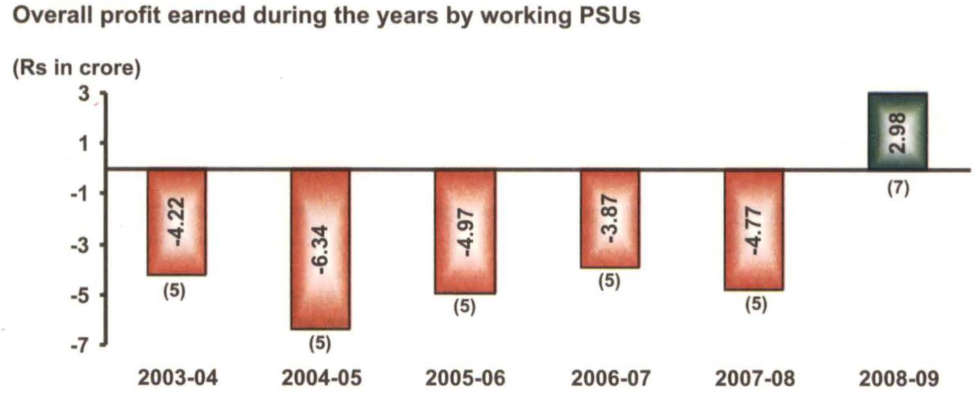
Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover[∝]	6.31	5.57	5.91	5.94	5.72	5.57
State GDP[ℜ]	7257	5364	8572	11282	16870	26415
Percentage of Turnover to State GDP	0.09	0.10	0.07	0.05	0.03	0.02

The percentage of turnover to State GDP declined from 0.09 in 2003-04 to 0.03 in 2007-08 due to decrease in turnover by all PSUs.

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

[ℜ] Total gross revenue of the State including interest and other receipts

5.1.15. Profit (losses) earned (incurred) by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.



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

5.1.16. During the year 2008-09, out of five working PSUs, one PSU earned profit of Rs.6.20 crore and two PSUs incurred loss of Rs.3.22 crore. The only contributor to profit was Arunachal Pradesh Industrial Development and Financial Corporation Limited. The heavy losses were incurred by Arunachal Pradesh Mineral Development and Trading Corporation Limited and Arunachal Pradesh Forest Corporation Limited. In respect of two new companies, the companies are yet to finalise the accounts viz Arunachal Police Housing & Welfare Corporation Limited (2006-07 to 2008-09) and Hydro Power Development Corporation of Arunachal Pradesh Limited (2007-08 and 2008-09).

5.1.17. The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the working State PSUs and Government Departments (Power, Transport and Supply) incurred losses to the tune of Rs.4.43 crore and infructuous investment of Rs.1.57 crore which were controllable with better management. Year wise details from Audit Reports are stated below. (Rs. in crore)

Particulars	2006-07	2007-08	2008-09	Total
Net Profit / Loss (-)	(-) 3.87	(-) 4.77	2.98	(-) 5.66
Controllable losses as per CAG's Audit Report	1.22	3.21	-	4.43
Infructuous Investment	1.57	-	-	1.57

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

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

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (Per cent)	--	--	--	--	--	6.09
Debt	14.03	10.69	8.29	9.87	11.76	9.87
Turnover[ϒ]	6.31	5.57	5.91	5.94	5.72	5.57
Debt/ Turnover Ratio	2.22:1	1.92:1	1.40:1	1.66:1	2.06:1	1.77:1
Interest Payments	0.94	0.95	0.95	0.03	0.03	0.39
Accumulated Profits (losses)	5.15	0.56	0.49	(-) 1.62	(-) 3.19	2.64

5.1.20. As per the latest finalised accounts of *five* working companies, the capital employed worked out to Rs.50.88 crore and total return thereon amounted to Rs.3.33 crore in 2008-09 as compared to capital employed of Rs.36.48 crore and total return on capital employed (-) Rs.3.29 crore in 2003-04. The increase in capital employed and return on capital employed has shown slight improvement during the year 2008-09. The accumulated losses of Rs.1.62 crore during 2006-07 converted to accumulated profit of Rs.2.64 crore.

5.1.21. The State Government has not formulated (September 2009) any dividend policy.

Performance of major PSUs

5.1.22. The investment in working PSUs and their turnover together aggregated to Rs.25.37 crore during 2008-09. Out of five working PSUs, the following three PSUs accounted for individual investment *plus* turnover of more than five *per cent* of aggregate investment *plus* turnover. These three PSUs together accounted for 95.78 *per cent* of aggregate investment *plus* turnover.

(Rs. in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to Aggregate Investment plus Turnover
(1)	(2)	(3)	(4)	(5)
Arunachal Pradesh Industrial Development and Financial Corporation Limited	9.29	2.19	11.48	45.25
Arunachal Pradesh Forest Corporation Limited	4.50	3.32	7.82	30.82
Hydro Power Development Corporation of Arunachal Pradesh	5.00	-	5.00	19.71
Total	18.79	5.51	24.30	95.78

5.1.23. Some of the major audit findings of past five years for above PSUs are stated in the succeeding paragraphs.

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

Arunachal Pradesh Forest Corporation Limited

- Non-execution of agreement and non collection of security deposit resulted in avoidable loss of Rs.13.98 lakh (Para 7.4 of 2005-06)
- Continuance of sale of Green Tea Leaves to a private party in contravention of the provision of the agreement resulted in loss of Rs.20.11 lakh (Para 7.7 of 2006-07)

Arrears in finalisation of accounts

5.1.24. The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2009.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Number of Working PSUs	3	3	4	5	5
Number of accounts finalised during the year	1	1	1	1	1
Number of accounts in arrears	17	19	22	25	31
Average arrears per PSU (3/1)	5.67	6.33	5.50	5.00	5.80
Number of Working PSUs with arrears in accounts	2	2	3	5	5
Extent of arrears in years	6 to 11	7 to 12	1 to 13	1 to 14	1 to 15

5.1.25. The reasons for delay in finalization of accounts are attributable to (i) lack of required control over the companies by Government, (ii) abnormal delay in compilation/approval of the accounts and delayed submission of the same to the Statutory Auditors by the management and (iii) delay in adoption of accounts in Annual General Meeting.

5.1.26. The State Government had invested Rs.29.64 crore (Equity: Rs.6.44 crore, loans: Rs.0.15 crore, grant: Rs.7.72 crore and others: Rs.15.33 crore in *five* PSUs) during the years for which accounts have not been finalised as detailed in ***Appendix-5.4.*** In the absence of accounts and their subsequent audit, it can not be ensured whether the income and expenditure have been properly accounted for and the purpose for which the amount was invested by the State Government has been achieved or not. Thus, the State Government investment in such PSUs remains outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

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

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

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

5.1.28. Findings relating to *(DPs & Reviews) from past five years' report*

Power Department

Deficiencies in planning

- Expenditure of Rs.1.20 crore incurred for electrification of villages remained infructuous for want of power supply (Para No.6.3 of 2004-05)

Deficiencies in implementation

- Formulation and execution of electrification scheme with wrong projection of availability of power without existence of grid resulted in idle investment of Rs.1.27 crore (Para No. 6.4 of 2004-05)
- Expenditure of Rs.47.23 lakh on village electrification appears to be doubtful (Para No. 7.4 of 2006-07)

Non-achievement of objectives

- Wasteful expenditure of Rs.82.87 lakh incurred on abandoned works of transmission lines without any physical progress and for lack of proper decisions (Para No. 6.5 of 2003-04)
- Failure to provide air freight in the estimate led to blockage of Rs.26.64 lakh with loss of interest of Rs.7.78 lakh (Para No. 6.6 of 2003-04)

Deficiencies in financial management

- Billing of energy consumption charges in violation of the terms and conditions of agreement resulted in short realization of revenue of Rs.69.46 lakh (Para No. 6.2 of 2004-05)
- Injudicious procurement of material resulted in blocking of fund amounting to Rs.1.44 crore (Para No. 7.5 of 2006-07)
- Director of Supply and Transport
- Deficiencies in financial management
- Non adherence to the terms of agreement in transportation of essential commodities resulted in extra expenditure of Rs.12.91 crore (Para No. 7.6 of 2007-08)

Conclusion

5.1.29. The above details indicate that the State PSUs/Government Department (Power Department) are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs/Government Department (Power).

Winding up of non-working PSUs

5.1.30. There were two non-working PSUs as on 31 March 2009. Of these, no PSUs have commenced liquidation process. The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
No. of non-working companies	2	2	2	2	2
Total	2	2	2	2	2

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

Accounts Comments and Internal Audit

5.1.32. One working company forwarded its audited accounts to AG during the year 2008-09 to which Non Review Certificate had been issued. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value and comments of statutory auditors and CAG are given below.

(Amount Rs. in crore)

Particulars	2006-07		2007-08		2008-09	
	No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
Decrease in profit	1	2.24	1	2.18	-	-
Increase in loss	-	-	-	-	-	-
Non-disclosure of material facts	1	-	1	-	-	-
Errors of classification	-	-	-	-	-	-

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

- The Company has not disclosed treatment of taxes of income as per requirement of AS 22 (Arunachal Pradesh Industrial Development & Financial Corporation Limited)

- No provision has been made for interest payable to State Government and Arunachal Pradesh State Cooperative Apex Bank Limited amounting to Rs.2.18 crore.

5.1.34. The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of one company (Arunachal Pradesh Industrial Development & Financial Corporation Limited) for the year 2007-08 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as *per* Annexure 2
1.	Non-fixation of minimum/ maximum limits of store and spares	1	VII (4)
2.	Absence of internal audit system commensurate with the nature and size of business of the company	1	XII (1)
3.	Non maintenance of cost record	1	XI (1)

Recoveries at the instance of audit

5.1.35. During the course of propriety audit in 2008-09, recoveries of Rs.11.28 crore were pointed out to the Management of various PSUs, of which, recoveries of Rs. 1.55 crore were admitted by PSUs. No amount was recovered during the year 2008-09.

Reforms in Power Sector

5.1.36. Arunachal Pradesh has not formed any Electricity Regulatory Commission till date (September 2009) under the provisions of Section 83 of the Electricity Act 2003 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses.

5.1.37. The operational performance of the Power (Electricity) Department for the last three years up to 2008-09 is given in **Appendix – 5.5.**

The transmission and distribution (T&D) losses ranged from 33.98 per cent to 40.90 per cent to the total power available for sale against the norm of 15.5 per cent fixed by Central Electricity Authority (CEA). During the three years up to 2008-09, the excess T & D loss beyond the norm was 163.82 MU.

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

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

Discussion of Audit Reports by COPU

5.1.39. The status as on 30 September 2009 of reviews and paragraphs that appeared in Audit Reports (Commercial) and discussed by the Committee on Public Undertakings (COPU) is as under.

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1987-88	2	2	2	1
1988-89	-	3	-	2
1989-90	-	1	-	-
1991-92	-	4	-	3
1994-95	-	5	-	3
1995-96	-	2	-	1
1996-97	-	5	-	3
1997-98	-	4	-	3
1998-99	1	4	1	1
1999-00	1	4	1	-
2000-01	-	6	-	3
2001-02	1	7	-	7
2002-03	-	4	-	4
2003-04	1	4	-	-
2004-05	-	3	-	-
2005-06	-	4	-	1

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2006-07	1	5	-	-
2007-08	-	6	-	-
Total	**7**	**73**	**4**	**32**

5.1.40. The matter relating to clearance of backlog of reviews/ paragraphs was also discussed with Chairperson of COPU in July 2009.

SECTION 'A': PERFORMANCE REVIEWS

TRANSPORT DEPARTMENT

5.2. ARUNACHAL PRADESH STATE TRANSPORT SERVICES

Executive Summary

The Arunachal Pradesh State Transport Services (APSTS) provides public transport in Arunachal Pradesh through its 14 Depots. The APSTS had fleet strength of 230 buses as on 31 March 2009 and carried an average of 3,208 passengers per day during the review period. The performance audit of the APSTS for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the APSTS .

Finances and Performance

The books of accounts of the APSTS are in arrears since 2007-08. Based on provisional figures, it suffered loss of Rs.37.79 crore in 2008-09. The accumulated losses of the APSTS stood at Rs.253.22 crore as at 31 March 2009 (Provisional). The APSTS earned Rs.12.94 per kilometre and expended Rs.60.46 per kilometre in 2008-09. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce costs, so as to limit losses and serve its cause better.

Share in Public Transport

The APSTS could not keep pace with the growing demand for public transport as both the average passengers carried per day to population and number of its buses per one lakh population showed a declining trend since 2005-06 onwards. The percentage of average passengers carried per day to population decreased from 0.37 in 2005-06 to 0.28 in 2008-09. The decline in share was mainly due to its operational inefficiency and lack of effective monitoring by top Management. Vehicle density per one lakh population decreased from 17 in 2005-06 to 13 in 2008-09 indicating deterioration in the level of public transport in the State.

Vehicle profile and utilisation

The APSTS added 32 buses during 2005-09. The overall fleet utilisation of the APSTS increased from 68 in 2004-05 to 89 per cent in 2005-06 and thereafter decreased to 75 per cent in 2008-09, which was less than all India average (AIA) of 90.1 per cent for hill areas. The overall vehicle productivity varied from 97 KMs per day (2005-06) to 127 KMs per day (2008-09) which is less than the AIA of 196 KMs per day for hill areas. Due to poor productivity, the traffic revenue per KM reduced from Rs.13.56 in 2006-07 to Rs.12.75 in 2008-09. In 2008-09, out of 155 routes operated by APSTS, 31 per cent routes were unprofitable and 40 per cent routes were not even earning enough to meet variable cost of operations. The APSTS had not carried out preventive maintenance.

Economy in operations

Manpower and fuel constitute 56 per cent of total cost. Depreciation account for 12 per cent and are not controllable in the short-term. Thus, the major cost saving has to come from manpower and fuel. Manpower cost of the APSTS was Rs.18.74 per effective KM while the manpower productivity per day per person stood at 27.10 KMs against the AIA for hill areas of 38 KMs. The expenditure on repairs and maintenance increased from 0.92 lakh per bus in 2004-05 to Rs.3.03 lakh per bus in 2007-08 and thereafter decreased to Rs.2.60 lakh per bus. The APSTS did not attain AIA for hill area in respect of fuel efficiency. Consumption of fuel in excess of AIA for hill area resulted in excess consumption of 21.56 lakh litres of fuel valued at Rs.6.57 crore during 2004-09.

Revenue Maximisation

The APSTS has 63,979 square metres of land. As it mainly utilises ground floor/ land for their operations, the space above can be developed on public private partnership (PPP) basis to earn steady income, which can be used to cross-subsidise its operations.

Need for a regulator

The State Government fix and revise fares from time to time. Audit noticed that there was no fare policy of the Government. The Government revised the fares in July 2006 from 63 to 88 paise on the basis of increase in diesel price only without considering other variable costs and establishment cost. The fare revision had no scientific basis as it does not take into account the normative cost.

Conclusion and Recommendations

Though the APSTS is incurring losses, it is mainly due to its high cost of operations. The APSTS can control the losses by improving operational efficiency and resorting to tapping non-conventional sources of revenue. This review contains seven recommendations to improve the performance of the APSTS. Creating a regulator to regulate fares and services and tapping non-conventional sources of revenue are some of these recommendations.

Introduction

5.2.1. In Arunachal Pradesh, the public road transport is provided by the State Government department known as Arunachal Pradesh State Transport Services (APSTS), which has been entrusted with the mandate to provide an efficient, adequate, economical and properly coordinated road transport service to the common people.

The APSTS was incorporated in March 1975 as separate State Government Department. It had a fleet strength of 230 buses as on 31 March 2009 and carried an average of 3,208 passengers *per* day during 2004-05 to 2008-09. The APSTS had a turnover of Rs.10.29 crore in 2008-09, which was equal to 0.04 *per cent* of the State Gross Domestic Product. The Department employed 804 employees as at 31 March 2009. The State also allows the private operators to provide public transport. The fare structure is controlled and approved by the State Government.

A review on the working of the APSTS was included in the Report of the Comptroller and Auditor General of India for the year 2004, Government of Arunachal Pradesh. The recommendations of the Public Accounts Committee thereon are still awaited (October 2009).

The Management of the APSTS is headed by a General Manager who is assisted by two Additional General Manager, one Deputy General Manager, one Finance & Accounts Officer and 14 Senior Station Superintendent/ Station Superintendent. The APSTS has a Head Office at Naharlagun, 14 Depots and a Central Workshop at Nirjuli. The bus body building operations are carried out through external agencies. Tyre Retreading operations are carried out at Central Workshop and also through external agencies.

Scope of Audit and Audit Methodology

5.2.2. The present Performance Audit conducted during May 2009 to June 2009 covered period from 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management, fare policy, fulfillment of social obligations and monitoring by the senior management of the organization. The audit examination involved scrutiny of records at the Head Office, the Central Workshop and three out of the 14 depots on the basis of number of buses and composition of fleet (Itanagar, Bomdila and Pasighat depots). The selected Depots had a fleet strength of 84 buses as on 31 March 2009 representing 37 *per cent* of the total fleet.

Audit Objectives

5.2.3. The objectives of the performance audit were to assess:

Operational Performance

- the extent to which the APSTS was able to keep pace with the growing demand for public transport;
- whether the APSTS succeeded in recovering the cost of operations;
- the extent to which the APSTS was running its operations efficiently;
- whether adequate maintenance was undertaken to keep the vehicles roadworthy; and
- the extent to which economy was ensured in cost of operations.

Financial Management

- whether the APSTS was able to meet its commitments and recover its dues efficiently; and
- the possibility of realigning the business model of the APSTS to tap non-conventional sources of revenue and adopting innovative methods of accessing such funds.

Fare Policy and Fulfillment of Social Obligations

- the existence and adequacy of fare policy; and
- whether the APSTS operated adequately on uneconomical routes.

Monitoring by Top Management

- whether the monitoring by the APSTS's top management was effective.

Audit Criteria

5.2.4. The audit criteria adopted for assessing the achievement of the audit objectives were:

- all India averages for performance parameters;
- performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU);
- physical and financial targets/ norms fixed by the Management;
- manufacturers' specifications, norms for life of a bus, preventive maintenance schedule, fuel efficiency norms, etc.;
- instructions of the Government of India (GOI) and Government of State and other relevant rules and regulations;
- corporate policy for investment of funds; and
- procedures laid down by the Department.
- interaction with the APSTS personnel.

Financial Position and Working Results

5.2.5. The financial position of the APSTS for the five years upto 2008-09 is given below. Since the proforma accounts of the APSTS for 2007-08 and 2008-09 were in arrears, provisional figures for 2007-08 and 2008-09 were adopted for the performance review.

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
A. Liabilities					
Paid up Capital	158.12	179.81	211.05	235.00	260.48
Current Liabilities & Provisions	5.54	6.59	6.88	7.08	7.26
Total	**163.66**	**186.40**	**217.93**	**242.08**	**267.74**
B. Assets					
Gross Block	47.08	49.56	53.43	57.03	60.93
Less: Depreciation	37.06	41.86	47.09	51.09	55.09
Net Fixed Assets	10.02	7.70	6.34	5.94	5.84
Current Assets, Loans and Advances	6.50	7.37	7.65	6.71	8.68
Accumulated losses	147.14	171.33	203.94	229.43	253.22
Total	**163.66**	**186.40**	**217 .93**	**242.08**	**267.74**

The working results like operating revenue and expenditure, total revenue and expenditure, net surplus/ loss and earnings and cost *per* kilometre of operation are tabulated below.

(Rs. in crore)

Sl. No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Revenue	7.17	8.57	10.93	10.45	10.29
2.	Operating Revenue[φ]	7.03	8.38	10.93	10.45	10.14
3.	Total Expenditure	24.04	29.29	43.67	44.85	48.08
4.	Operating Expenditure[Ψ]	19.50	24.49	38.44	39.31	42.37
5.	Operating Loss	(-)12.47	(-)16.11	(-)27.51	(-)28.86	(-)32.23
6.	Loss for the year	(-)16.87	(-)20.72	(-)32.74	(-)34.40	(-)37.79
7.	Accumulated Loss	(-)147.14	(-)171.33	(-)203.94	(-)229.43	(-)253.22
8.	Fixed Costs					
	(i) Personnel Costs	8.51	8.00	9.80	10.49	14.90
	(ii) Depreciation	4.54	4.80	5.23	5.54	5.71
	(iii) Other Fixed Costs	0.91	1.04	1.49	1.91	1.99
	Total Fixed Costs	13.96	13.84	16.52	17.94	22.60
9.	Variable Costs					
	(i) Fuel & Lubricants	5.61	7.63	12.11	13.30	12.07
	(ii) Tyres & Tubes	1.23	1.25	1.49	1.47	1.51
	(iii) Other Items/ spares	3.24	6.57	13.55	12.14	11.90
	Total Variable Costs	10.08	15.45	27.15	26.91	25.48
10.	Effective KMs operated (in Lakh)	70.70	75.68	80.62	79.55	79.53
11.	Earnings *per* KM (Rs.) (1/10)	10.14	11.32	13.56	13.14	12.94
12.	Fixed Cost *per* KM (Rs.) (8/10)	19.75	18.29	20.49	22.55	28.42
13.	Variable Cost *per* KM (Rs.) (9/10)	14.25	20.41	33.68	33.83	32.04
14.	Cost *per* KM (Rs.) (3/10)	34.00	38.70	54.17	56.38	60.46
15.	Net Earnings *per* KM (Rs.) (11-14)	(-) 23.86	(-) 27.38	(-) 40.61	(-) 43.24	(-) 47.52
16.	Traffic Revenue[§]	7.03	8.38	10.93	10.45	10.14
17.	Traffic revenue *per* KM (Rs.) (16/10)	9.94	11.07	13.56	13.14	12.75

[φ] Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes etc.

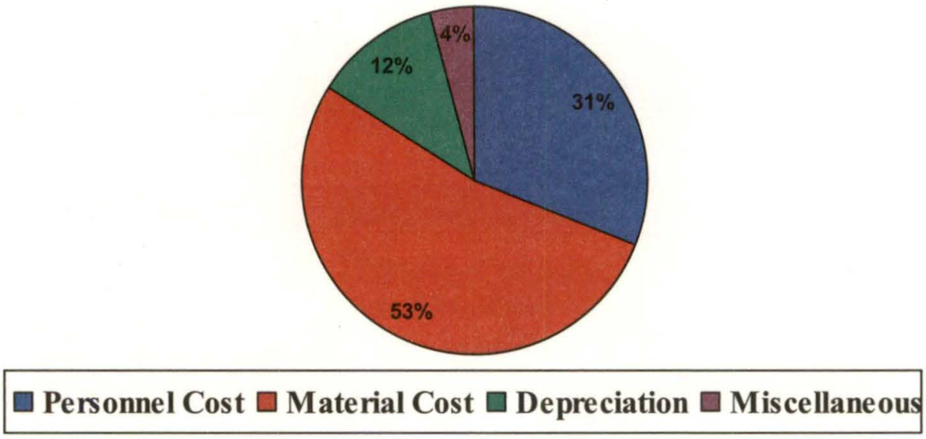
[Ψ] Operating expenditure includes expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licences and taxes and general administration expenses.

[§] Traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.

Elements of Cost

Personnel costs and material costs constitute the major elements of costs. The percentage break-up of costs for 2008-09 is given below in the pie-chart.

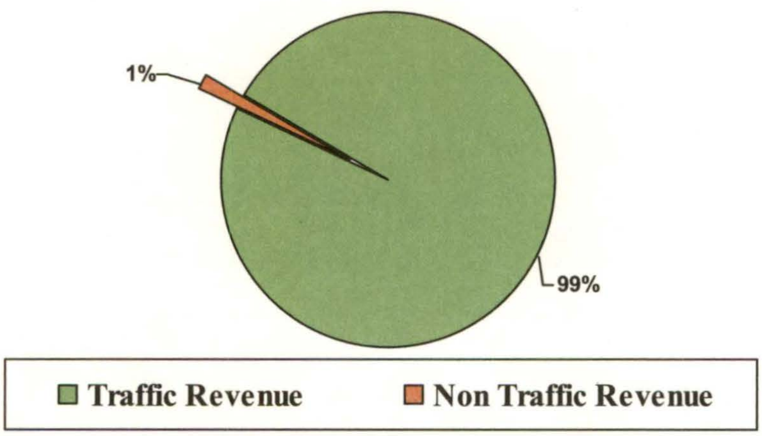
Components of various elements of cost



Elements of revenue

Traffic revenue and non-traffic revenue constituted the major elements of the revenue. The percentage break-up of the revenue for 2008-09 is captured in the following pie-chart.

Components of various elements of revenue



Audit Findings

5.2.6. The audit objectives were explained to the Management during the 'Entry Conference' held on 26 May 2009 which was attended by General Manager and Finance & Accounts Officer of APSTS. The audit findings were reported to the Commissioner, Transport Department in August 2009 and then discussed in the 'Exit Conference' held on 10 August 2009, which was attended by the Commissioner, Transport Department, General Manager, APSTS and other senior officers of the APSTS. The views/responses expressed by them in exit conference have been considered while finalising this review. Audit findings are discussed below.

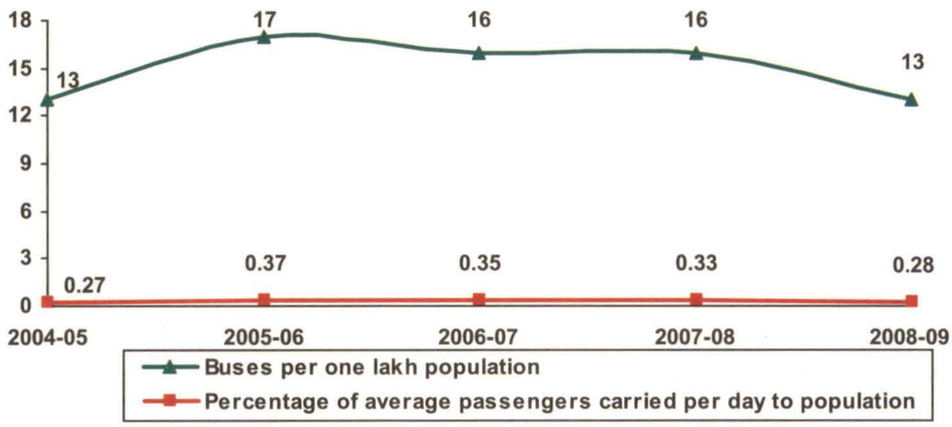
Operational Performance

5.2.7. The operational performance of the APSTS for the five years ending 2008-09 given in the **Appendix–5.6** which was evaluated on various operational parameters as described below. It was also seen whether the APSTS was able to maintain pace with the growing demand for public transport. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show the losses were controllable and there is scope for improvement in performance.

Share of APSTS in Public Transport

5.2.8. The transport policy of the State Government seeks to achieve a balanced modal public transport and to discourage personalized transport. The focus is to be on increasing the mass transport options by providing adequate, accessible and affordable bus service.

Line-graphs depicting the percentage of average passengers carried *per* day by the APSTS to the population of the State during five years ending 2008-09 and its buses *per* one lakh population are as follows.



From the above graph it can be seen that the APSTS could not keep pace with the growing demand for public transport as both the average passengers carried *per* day to population and number of its buses *per* one lakh population showed a declining trend since 2005-06 onwards. Further, the effective KM *per* Capita *per* year showed a declining trend from 2006-07 as shown in the table below.

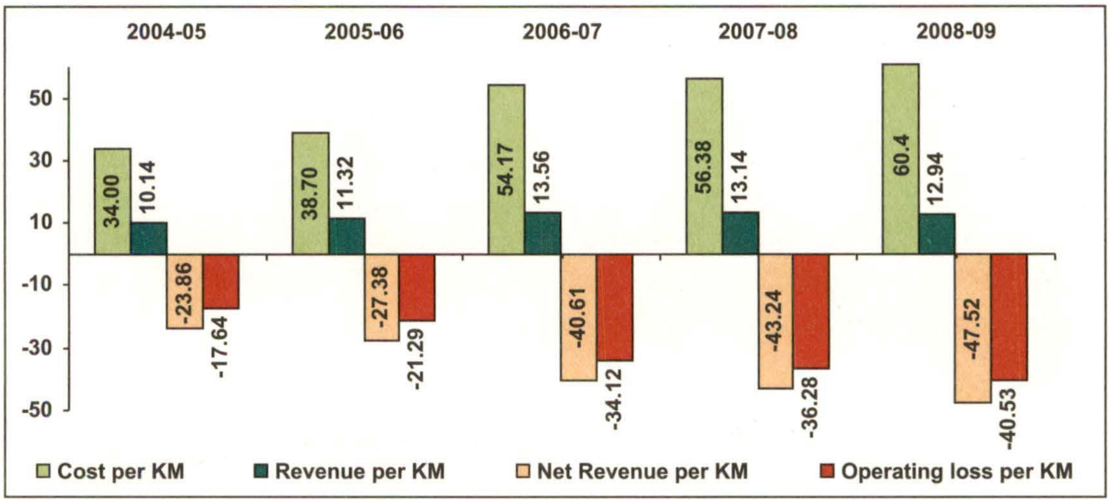
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Effective KM operated (lakh)	70.70	75.68	80.62	79.55	79.53
Estimated Population (lakh)	12.34	12.65	12.97	13.29	13.62
Per Capita KM *per* year	5.73	5.98	6.21	5.99	5.84

Public transport has definite benefits over personalised transport in terms of costs, congestion on roads and environmental impact. The public transport services have to be adequate to derive those benefits. In the instant case, the APSTS was not able to maintain its share in transport mainly due to operational inefficiencies as described later.

The Department responded (August 2009) that due to the entry of the private operators, increase in number of private cars and passengers' preference for luxury coaches, the share of APSTS has gone down.

Recovery of cost of operations

5.2.9. It was noticed that APSTS was never able to recover its cost of operations, the net revenue showed a negative trend during the last five years ending 2008-09 as depicted below:



It can be seen from the above graph that the operating loss has been increasing and the APSTS failed to achieve the all India average for hill areas cost (Rs.24.55 *per* KM) and revenue (Rs.20.34 *per* KM). The deteriorating performance impacted the ability of the APSTS to provide public transport services adequately as it was not able to replace its fleet timely or increase the fleet strength to meet the growing demand.

In hill area, Himachal RTC incurred cost *per* KM at Rs. 24.09 and earned Rs.18.93 *per* KM during 2007-08 (Source : STUs profile and performance 2007-08 by CIRT, Pune)

The Department stated (August 2009) that the cost of operation went up due to implementation of pay commission recommendations, ACP scheme, hike in diesel cost, poor performance by aged buses, etc.

Efficiency and Economy in operations

Fleet strength and utilisation

Fleet Strength and its Age-profile

5.2.10. The APSTS has its own fleet of buses, the position of which is explained in the table below. The Association of State Road Transport Undertaking (ASRTU) has prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. The APSTS, however, has fixed the life of bus as seven years. The table below also shows the age-profile of the buses held during the period of five years ending 2008-09.

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total No. of buses at the beginning of the year	236	238	240	240	242
2.	Additions during the year	13	5	-	14	-
3.	Buses scrapped during the year	11	3	-	12	12
4.	Buses held at the end of the year (1+2-3)	238	240	240	242	230
5.	Of (4), No. of buses more than 8 years old	80	78	112	130	131
6.	Percentage of overage buses to total buses	34	33	47	54	57

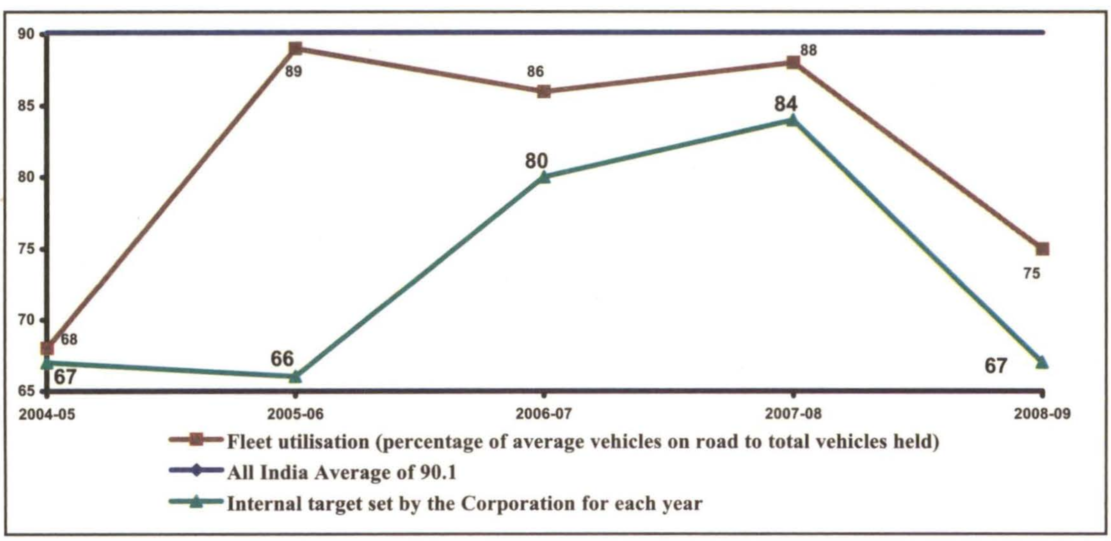
It is evident from the above table that norm regarding age profile of the buses was not met by the APSTS. As on 31 March 2009, the APSTS had 57 *per cent* overaged buses. The overage fleet requires high maintenance and results in extra cost and less availability of vehicles compared to the younger fleet which increases the operational inefficiency and causes loss of revenue.

The Department agreed (August 2009) to the audit findings but also stated that in spite of their efforts, they were not able to acquire new buses due to the budget constraints.

Fleet Utilisation

In hill areas, Himachal RTC registered best fleet utilisation at 97.68 *per cent* during 2007-08. (Source : STUs profile and performance 2007-08 by CIRT, Pune)

5.2.11. Fleet utilisation represents the ratio of buses on road to those held. The APSTS had set internal target of fleet utilisation of 67, 66, 80, 84 and 67 *per cent* during the review period. Against this, the actual fleet utilisation increased from 68 *per cent* (2004-05) to 89 *per cent* (2005-06) and subsequently decreased to 75 *per cent* (2008-09) as compared to all India average of 90.10 *per cent* for hill area as indicated in the graph given below.



The main reasons which contributed to this, as analysed by Audit, were as follow:

- Breakdowns on account of inadequate servicing/ maintenance;
- Want of tyres and mandatory spares;
- Natural calamites such as land slide (71 *per cent* of the operations in mountain); and
- Cancellation due to bandhs/ closures etc.

From the above, it can be concluded that the APSTS was not able to achieve an optimum utilisation of its fleet, which in turn impacted its operational performance adversely. No measures have been taken to improve the performance of utilisation of fleet in respect of first two reasons above.

Vehicle productivity

5.2.12. Vehicle productivity refers to the average Kilometres run by each bus *per* day in a year. The vehicle productivity of the APSTS vis-à-vis the overage fleet for the five years ending 2008-09 is shown in the following table.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Vehicle productivity (KMs run *per* day *per* bus)	122	97	107	103	127
Overage fleet (percentage)	34	33	47	54	57

Himachal RTC registered best vehicle productivity at 222 KMs *per* day during 2007-08. (Source : STUs profile and performance 2007-08 by CIRT, Pune)

Compared to the AIA of 196 KMs *per* day for hill areas, the vehicle productivity of the APSTS was on lower side for all the years under review. It varied from 97 (2005-06) to 127 KMs *per* day (2008-09). Due to poor productivity, the traffic revenue *per* KM reduced from Rs.13.56 in 2006-07 to Rs.12.75 in 2008-09. Short coverage of 3.02 crore KMs during five years with reference to all India averages for hill areas resulted in loss of traffic revenue amounting to Rs.36.84 crore[©] worked out at average traffic revenue *per* bus *per* day. The reasons for poor performance were continuance with old buses without timely replacement, deficient route planning, non-operation of buses to newly evolved routes like Itanagar to Tawang, Bomidila to Tawang etc. Further, Audit observed that no specific measures have been taken by the APSTS to improve productivity.

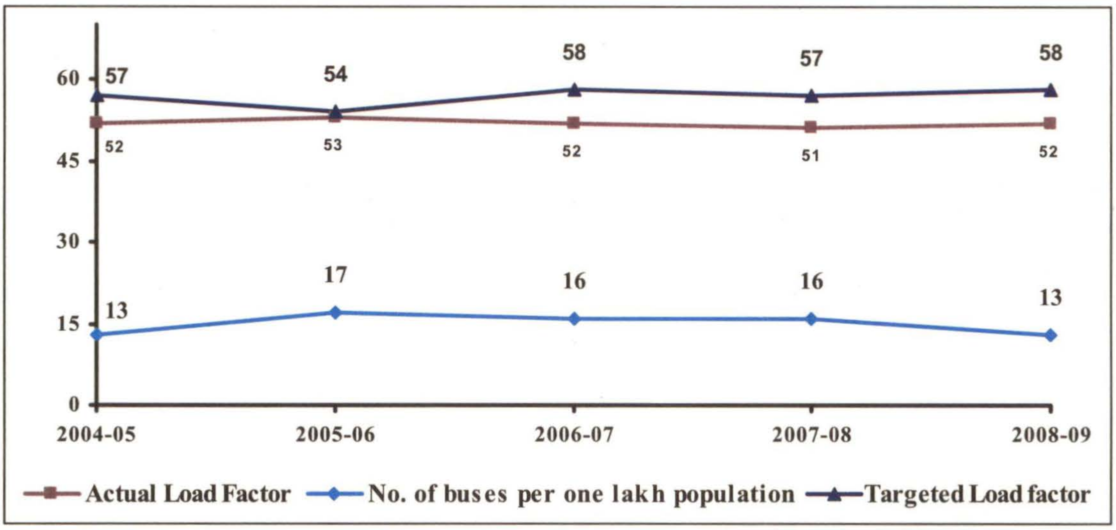
The Department stated (August 2009) that the low productivity of vehicle was due to the over-aged fleet and poor road conditions, etc.

[©] Average number of buses held on road multiplied by short coverage of buses per day with reference to vehicle productivity multiplied by 365.

Capacity Utilisation

Load Factor

5.2.13. Capacity utilisation of a transport undertaking is measured in terms of Load Factor, which represents the percentage of passengers carried to seating capacity. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the load factor. A graph depicting the targeted load factor, actual load factor and number of buses *per* one lakh population is given below.



Though the estimated load factor of the APSTS was set at a lower side when compared to load factor of 63 *per cent* as *per* all India averages for hill areas, even those were not achieved.

Break-even Load Factor

5.2.14. The table below provides the details for break-even load factor (BELF) for traffic revenue. Audit worked out this BELF at the given level of vehicle productivity and total cost *per* KM.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost *per* KM	34.00	38.70	54.17	56.38	60.46
2.	Traffic Revenue *per* KM	9.94	11.07	13.56	13.14	12.75
3.	Traffic Revenue *per* KM at 100 *per cent* Load Factor	19.12	20.89	26.08	25.76	24.52
4.	Break – even Load Factor considering total revenue (*per cent*) 1/3	177.82	185.26	207.70	218.87	246.57

The break-even load factor is quite high and may not be achievable given the fact that the APSTS is also required to operate uneconomical routes. Thus, while the scope to improve upon the load factor remains limited, there is tremendous scope to cut down costs of operation as explained later.

According to the Department (August 2009) the reasons for non achievement of required load was the entry of the private operators on these routes. The private four wheeler service is fast, comfortable and more reliable on these roads.

Since private operators with Sumo/Bolero vehicles have been quite successful in providing better service, the APSTS may like to conduct financial viability study on the operation of mini buses to improve the existing transport service.

Route Planning

5.2.15. Some routes are profitable while others are not. From the route planning done by the APSTS, the profitable and unprofitable routes have been tabulated as below.

Particulars	Total No. of routes	No. of routes making profit (*A routes)	No. of routes not meeting total cost (#B routes)	No. of routes not meeting variable cost (♦C routes)
2004-05	153 (100)	44 (29)	46 (30)	63 (41)
2005-06	153 (100)	44 (29)	46 (30)	63 (41)
2006-07	153 (100)	44 (29)	46 (30)	63 (41)
2007-08	155 (100)	45 (29)	48 (31)	62 (40)
2008-09	155 (100)	45 (29)	48 (31)	62 (40)

(The percentage under the above heads is in brackets for each year).

Though some of the routes now appearing unprofitable would become profitable once the APSTS improves its efficiency, there would still be some uneconomical routes. Given the scenario of mixed routes and social obligation to serve uneconomical routes, the APSTS should decide an optimum quantum of services on different routes so as to optimise its revenue while serving its social mandate also. However, Audit observed that no such exercise has been carried out by the APSTS.

Operational performance can be improved by periodic review of uneconomic routes with a view to assess their continuance, rationalisation of routes and optimum operation of buses on the higher revenue earning routes. Audit noticed that the reasons for losses incurred on C routes were not analysed by the Management. Further, the APSTS did not conduct route rationalisation during the review period to enhance economy on this account.

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* A routes - Earning per Kilometre was more than total cost

\# B-routes - Earning per Kilometre was not meeting total cost but recovering variable cost

♦ C- routes- Earning per kilometer was less than variable cost

Maintenance of vehicles

Preventive Maintenance

5.2.16. Preventive maintenance is essential to keep the buses roadworthy and to reduce the breakdowns/other mechanical failures. APSTS buses of Tata make have been advised with the following schedule of maintenance by the Original Equipment Manufacturers (OEMs).

Sl.No.	Particulars	Schedule
1.	**Engine Oil change**	
1 (a)	Tata make	Every 9000 KMs
1 (b)	Leyland make	Every 10000 KMs
2.	**Brake Inspection**	
2 (a)	Tata make	Every 18000 KMs
2 (b)	Leyland make	Every 24000 KMs

The APSTS had not chalked out a schedule for preventive maintenance. Further, the vehicle log books contained no details of KMs run before maintenance works like engine oil change, brake inspection *etc.* were undertaken. Hence, Audit could not analyse the compliance with OEMs' preventive maintenance schedule. Due to incomplete records maintenance, the Management control over maintenance works was ineffective.

The number of breakdown increased from 495 in 2004-05 to 873 in 2008-09 and the rate of breakdown *per* 10,000 effective KM during review period also increased from 1.3 to 2.1 which were above the all India average of 0.26. Audit observed that these breakdowns were mainly due to failure of engine, brakes, transmission suspension systems *etc.* which could have been minimised had proper preventive maintenance been carried out.

Repairs & Maintenance(R&M)

5.2.17. A summarised position of fleet holding, over-aged buses, repairs and maintenance (R&M) expenditure for the last five years up to 2008-09 is given below.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total buses (No.)	238	240	240	242	230
2.	Over-age buses (more than 8 years old)	80	78	112	130	131
3.	Percentage of over age buses	34	33	47	54	57
4.	R&M Expenses (Rs. in crore)	2.18	3.14	7.28	6.94	5.98
5.	R&M Expenses *per* bus (in Rs.) (4/1) (in lakh)	0.92	1.31	3.03	2.87	2.60

The average expenditure *per* bus on repairs and maintenance has been increased from Rs.0.92 lakh in 2004-05 to Rs.3.03 lakh in 2007-08 and decreased thereafter to Rs.2.60 in 2008-09. The APSTS had not analysed the reasons for increase in expenditure. The decrease in R & M expenditure in 2007-08 and 2008-09 was due to induction of 14 new buses and scrapping of 12 old buses.

A test check of records revealed that the expenditure on repairs at Itanagar, Bomdila and Pasighat depots were very high for the years under review as tabulated below.

Depot	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Itanagar						
1	Average buses on road	45	45	43	37	37
2	Expenditure on R&M (Rupees in lakh)	68.97	27.74	51.33	50.52	42.50
3	R & M expenditure *per* bus (in Rs.) (2/1)	1.53	0.62	1.19	1.37	1.15
Bomdila						
1	Average buses on road	11	13	13	15	15
2	Expenditure on R&M (Rupees in lakh)	12.72	81.49	73.00	44.50	42.58
3	R & M expenditure *per* bus (Rs. in lakh) (2/1)	1.16	6.27	5.61	2.97	2.84
Pasighat						
1	Average buses on road	18	17	17	15	13
2	Expenditure on R&M (Rupees in lakh)	33.55	28.09	40.99	54.99	44.94
3	R & M expenditure *per* bus (in Rs.) (2/1)	1.86	1.65	2.41	3.67	3.46

It can be seen from the table that R & M expenditure *per* bus at Bomdila depot rose upto 6.27 lakh in 2005-06. It was observed in Audit that incurring expenditure of Rs.1.99 crore on repairs for 13 buses during 2005-06 to 2007-08 at Bomdila depot was not justified when procurement of new buses would have cost only Rs.1.33 crore (at an average rate of Rs.10.24 lakh for each bus). The reasons for R & M expenditure in the above depots were not analysed by the Management.

The Department reiterated (August 2009) that the R&M cost was high due to over-aged buses, non availability of spares and skilled persons in time at depot level. However, the analysis in above paragraph reveal that if proper action would have been taken, the number of overage buses would have reduced besides lesser R & M expenditure.

Docking of vehicles for fitness Certificates

5.2.18. To ascertain that the buses are roadworthy the fitness certificate is obtained/renewed from Regional Transport Office (RTO) under Section 62 of the Central Motor Vehicle Rules 1989. A test check of the records at Itanagar, Bomdila and Pasighat depots revealed that the APSTS does not follow a practice of obtaining fitness certificates from the RTO endangering the safety and lives of the commuters.

The Department stated (August 2009) the Act was not applicable to the APSTS and the fitness certificate to their buses was being given by STS's qualified engineer. The reply is not correct as the Motor Vehicle Act is equally applicable to the APSTS.

Manpower Cost

5.2.19. The cost structure of the organisation shows that manpower and fuel constitute 56 *per cent* of total cost. Depreciation – the cost which is not controllable in the short-term account for 12 *per cent.* Thus, the major cost saving can come only from manpower and fuel.

Manpower is an important element of cost which constituted 31 *per cent* of total expenditure of the APSTS in 2008-09. Therefore, it is imperative that this cost is kept under control and the manpower is utilised optimally to achieve the more productivity. The following Table provides the details of manpower, its cost and productivity.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Manpower (Nos.)	802	804	804	804	804
2.	Manpower Cost (Rs. in crore)	8.51	8.00	9.80	10.49	14.90
3.	Effective KMs (in lakh)	70.70	75.68	80.62	79.55	79.53
4.	Cost *per* effective KM (Rs.)	12.04	10.57	12.16	13.19	18.74
5.	Productivity *per* day *per* person (KMs)	24.15	25.79	27.47	27.11	27.10
6.	Average number of buses on road	159	213	206	212	172
7	Manpower *per* bus	5 : 1	3.8 : 1	3.9 : 1	3.8 : 1	4.7 : 1

It would be seen from the above Table that the staff productivity *per* day *per* person in KMs varied from 24.15 (2004-05) to 27.10 *per* KM (2008-09) against the AIA for hill areas of 38 *per* KM.

Himachal RTC registered Manpower *per* bus at 4.37 and Staff Productivity at 50.78 KM per day per person during 2007-08. (Source: STUs profile and performance 2007-08 by CIRT, Pune)

The Department had not fixed any norm of staff strength required *per* bus under different categories. The staff requirement *per* bus was worked out by the Transport Research Wing, Central Institute of Road Transport, Pune to 6.5 (Traffic 5; maintenance 1.15; and administration 0.35) including leave/absenteeism. It was noticed in Audit that the number of employees *per* bus varied between 5 and 3.8. However, there was increase in manpower cost *per* KM from Rs.12.04 (2004-05) to Rs.18.74 *per KM* (2008-09).

The Department stated (August 2009) that as pointed out by the Audit the manpower strength was lower than the relevant norm but the manpower cost was high due to pay revision, implementation of Assured Career Promotion programme, increase in establishment cost, etc. which in turn affected the employees *per* vehicle productivity adversely.

Fuel Cost

5.2.20. Fuel is a major cost element which constituted 25 *per cent* of total expenditure in 2008-09. Control of fuel costs by a road transport undertaking has a direct bearing on its productivity. The Table below gives the targets fixed by the APSTS for fuel consumption, actual consumption, mileage obtained *per* litre (Kilometre *per* litre i.e. KMPL), all India average for hill areas and estimated extra expenditure.

The APSTS does not maintain records for quantum of fuel consumption. The KMPL obtained has been worked out in Audit© on the basis of average cost of diesel *per* litre and actual fuel expenditure during that year.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Gross Kilometres (in lakh)	71	76	81	80	80
Target of KMPL fixed by APSTS	3.40	3.40	3.40	3.15	3.15
Kilometre obtained *per* litre (KMPL)	3.31	3.17	3.09	2.94	2.87
All India average for Hill Areas	3.69	3.69	3.69	3.69	3.69
Actual Consumption (in lakh litres)	21.45	23.97	26.21	27.21	27.87
Consumption as *per* All India average for Hill Areas (in lakh litres) (1/4)	19.24	20.60	21.95	21.68	21.68
Excess Consumption (in lakh litres) (5-6)	2.21	3.37	4.26	5.53	6.19
Average cost *per* litre (in Rs.)	23.11	27.45	31.38	32.41	32.45
Extra expenditure (Rs. in lakh) (7X8)	51.07	92.51	133.68	179.23	200.87

Nagaland ST-DU and Himachal RTC registered mileage of 3.74 and 3.70 KMPL respectively during 2007-08. (Source : STUs profile and performance 2007-08 by CIRT, Pune)

The Department fixed a norm for consumption of diesel oil (HSD) at 3.4 KMs *per* litre up to 2006-07 and thereafter reduced the same to 3.15 KMs *per* litre due to hill areas. It can be seen from the above Table that the mileage obtained *per* litre has continuously shown a declining trend over the period under review. The APSTS consumed 21.56 lakh litres of fuel in excess as compared to all India average for hill areas during 2004-05 to 2008-09 resulting in extra expenditure of Rs.6.57 crore. Even the consumption was more than the norms fixed by the APSTS considering the local situations.

© Average cost per litre divided by fuel cost per KM (based on gross KMs operated and expenditure on fuel)

A test check in Audit of two months Petrol, Oil and Lubricants (POL) statements for each year under review, in three depots (Itanagar, Bomdila and Pasighat), showed that the APSTS had no mechanism in place to monitor vehicle wise or driver wise data for consumption of fuel so as to exercise effective management control. Further, the APSTS had not prescribed for ideal driving speed/ norms so as to enhance fuel economy.

The Department stated (August 2009) that fuel cost was high due to peculiar topographical feature, poor condition of road, old buses, unavailability of expert who can fix/repair the fuel pump and poor/mixed quality of fuel available.

However, the fact remains that the APSTS had fixed its own targets after considering these adverse local conditions. Since the actual mileage obtained was less than actual internal targets, Management should take corrective actions to control fuel expenditure and increase fuel efficiency.

Realignment of business model

5.2.21. The APSTS is mandated to provide an efficient, adequate and economical road transport to public. Therefore it cannot take an absolutely commercial view in running its operations. It has to cater to uneconomical routes to fulfil its mandate. It also has to keep the fares affordable. In such a situation, it is imperative for the APSTS to tap non-traffic revenue sources to cross-subsidize its operations. However, the share of non-traffic revenues (other than interest on investments) was nominal at one *per cent* of total revenue during 2004-09. This revenue of Rs.48 lakh during 2004-09 mainly came from passenger railway commission. Audit observed that the APSTS has non-traffic revenue sources which it has not tapped substantially.

Over a period of time, the APSTS has come to acquire sites at prime locations in cities (Itanagar and Naharlagun) and district (Bomdila, Tawang, Along, Pasighat and Miao) headquarters. The APSTS generally uses the ground floor/ land for its operations, leaving ample scope to construct and utilise spaces above. Audit observed that the APSTS has land (owned by Government) at important locations admeasuring 63,979 square meters as shown below.

Particulars	Cities (Municipal areas)	District Hqrs	Total
Number of sites	2	4	6
Occupied Land (Sq. mtrs)	25,016	38,963	63,979

It is, thus, possible for the APSTS to undertake projects on public private partnership (PPP) basis for construction of shopping complexes, malls, hotels, office spaces, etc. on the existing sites so as to bring in a steady stream of revenues without any investment by it. Such projects can be executed without curtailing the existing area of operations of the APSTS since APSTS normally occupies only first or second floor.

The Department agreed to the audit observation on the possibility of exploiting the prime land of STS for other commercial purposes but also stated that the same could not be done due to the funds constraints. However, tapping of such non revenue sources on PPP projects may not involve huge funds since the APSTS can give land and construction/ utilisation can be done by private partner to get regular income.

Fare policy and fulfillment of social obligations

Existence and fairness of fare policy

5.2.22. The State Government fix and revise fares from time to time. Audit noticed that there was no fare policy of the Government. The Government revised the fares only when it was requested by the APSTS and the last revision was done in July 2006.

Fare Table for ordinary buses

Stages	2004-05	2005-06	2006-07 #	2007-08	2008-09
First 5 KMs	3.15	3.15	4.40	4.40	4.40
First 10 KMs	6.30	6.30	8.80	8.80	8.80
25 KMs	15.75	15.75	22.00	22.00	22.00
100 KMs	63.00	63.00	88.00	88.00	88.00

with effect from 14 July 2006

In July 2006, fare was revised from 63 to 88 paise on the basis of increase in diesel price only without considering other variable costs and establishment cost. The fare revision had no scientific basis as it does not take into account the normative cost. The table below shows how the APSTS could have curtailed cost and increased revenue with better operational efficiency.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Cost *per* KM	34.00	38.70	54.17	56.38	60.46
Traffic Revenue *per* KM	9.94	11.07	13.56	13.14	12.75
Loss of revenue due to less vehicle productivity (*per* KM)	6.04	11.25	11.25	11.89	6.94
Excess cost due to low manpower productivity (*per* KM)	6.90	5.00	4.66	5.30	7.54
Excess cost due to excess consumption of fuel (*per* KM)	0.72	1.22	1.65	2.24	2.51
Ideal revenue *per* KM (2+3)	15.98	22.32	24.81	25.03	19.69
Ideal cost *per* KM [1-(4+5)]	26.38	32.48	47.86	48.84	50.41
Net revenue *per* KM (2-1)	(-)24.06	(-)27.63	(-)40.61	(-)43.24	(-)47.71
Net ideal revenue *per* KM (6-7)	(-)10.40	(-)10.16	(-)23.05	(-)23.81	(-)30.72
Effective KMs (in lakh)	70.70	75.68	80.62	79.55	79.53
Avoidable loss (Rs. in crore) [(8-9) X 10]	9.66	13.22	14.16	15.16	13.51

The above Table does not take into account other inefficiencies such as low fleet utilisation, defective route planning etc. Nonetheless, it shows that the net loss could be lower, if the operations are properly planned and efficiently managed, than what they actually are.

The Department agreed (August 2009) to the audit observation that the APSTS did not have documented fare policy but also added that the fare was revised periodically based on the cost escalation. It also accepted that the 2006 revision was mistakenly based on diesel cost only.

The above facts lead to conclude that it is necessary to regulate the fares on the basis of a normative cost and it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address the grievances of commuters.

Adequacy of services on uneconomical routes

5.2.23. The APSTS had about 29 *per cent* profit making routes as of March 2009 as shown in Table under paragraph 5.2.15. However, the position would change if the APSTS improves its efficiency. Nonetheless, there would still be some routes which would be uneconomical. Though the APSTS is required to cater to these routes, the APSTS has not formulated norms for providing services on uneconomical routes. In the absence of norms, the adequacy of services on uneconomical routes cannot be ascertained in audit. The desirability to have an independent regulatory body to specify the quantum of services on uneconomical routes, taking into account the specific needs of commuters, is further underlined.

The Department stated (August 2009) that it is their social mandate to provide service even on uneconomical routes.

Monitoring by top management

5.2.24. For an organisation like APSTS to succeed in operating economically, efficiently and effectively, there has to be written norms of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that the achievement of which would make an organisation self-reliant. In the light of this, Audit reviewed the system existing in the APSTS. The MIS system of APSTS was not adequate and the monitoring by its top management of key operational parameters and service standards was largely ineffective as detailed below in some cases.

The APSTS had a system of receiving monthly reports from Depots relating to revenue collection, monthly & progressive expenditure and fuel consumption. Other parameters like fuel utilisation, vehicle productivity, load factor etc., were not compiled and monitored by top Management. Though the Department fixes targets for fuel consumption, it was not monitored to take necessary corrective actions. Further, there was no mechanism in place to monitor repairs and maintenance expenditure. In view of these, there was lack of effective management control over the operations of the APSTS.

The top Management of the APSTS is expected to demonstrate managerial capability to set realistic and progressive targets, address areas of weakness and take remedial action wherever the things are not moving on expected lines. However, no such activity was observed from records or performance of APSTS during the period under review.

The Department stated (August 2009) that due to non-availability of technical manpower, MIS could not be implemented and further added that the Department has already engaged Central Institute of Road Transport, Pune as consultant to study and give their recommendations for improvement of the APSTS.

Conclusions

Operational performance

- The APSTS could not recover the cost of operations in any of the five years under review. This was mainly due to operational inefficiencies, overaged buses and ineffective monitoring by top Management.
- The APSTS was not running its operations efficiently as its performance on important operational parameters like fleet utilisation and vehicle productivity were below the all India average for hill areas.
- The APSTS did not carry out the preventive maintenance as *per* the specifications of the OEM affecting the roadworthiness of its buses adversely.
- The APSTS did not ensure economy in operations as its fuel costs were higher than the all India average.
- The repairs and maintenance expenditure of the APSTS rose from Rs. 0.92 lakh *per* bus in 2004-05 to Rs. 2.60 lakh *per* bus in 2008-09.

Financial management

- The APSTS did not have any policy for tapping non-conventional sources of revenue by undertaking Private Public Partnership (PPP) projects on vacant land though it could have brought in steady stream of revenue.

Fare policy and fulfilment of social obligations

- Though the state Government fixes fare on the basis of input costs, the same is not on scientific basis.
- No policy yardstick has been laid down for operation on uneconomical routes. Therefore, the adequacy of operations to serve its social mandate could not be ascertained in Audit.

Monitoring by top management

- The MIS system of APSTS was not adequate and the monitoring by its top management of key operational parameters and service standards was largely ineffective.

Recommendations

Operational Performance

- Since the transport activity is commercial in nature, the Government may consider corporatisation of the APSTS. This would help in effective monitoring of key parameters and increase its operational efficiency.
- The Government may consider allocating adequate budget to the APSTS so that it can acquire more number of buses. This will not only ensure better availability of services to the commuters but also help in controlling the repairs and maintenance expenditure.
- The APSTS may ensure that the preventive maintenance schedules specified by OEM are adhered to so that the repairs and maintenance expenditure is kept under control.
- Considering the topography of the State and operations by private players, the APSTS may consider taking up pilot study for introduction of mini buses/ Sumos/ Balero services.

Financial performance

- The Government/ APSTS may consider devising a policy for tapping non-conventional sources of revenue on a large scale, which will result in steady inflow of revenue without additional investment.

Fare policy and fulfilment of social obligations

- The Government may consider creating a regulator to regulate the fares and also to ensure that the private operators extend enough service to the uneconomical routes as applicable in the case of aviation sector.

Monitoring by top Management

- Suitable mechanism may be devised to monitor various operational parameters like fuel utilisation, vehicle productivity, load factor etc., so that top Management may exercise effective control over the operations of the APSTS.

SECTION 'B': PARAGRAPHS

DEPARTMENT OF HYDRO POWER DEVELOPMENT

5.3. Unauthorized retention of funds outside the Government accounts

Unauthorized retention of funds outside the Government accounts and depriving Government of interest income amounting to Rs.3.12 crore

According to the GFRs (Rule 8) and CPWD Code (Para 6.3.4), Cheques/DDs received in Government account from any source are to be deposited immediately with the State Exchequer. The Government of Arunachal Pradesh has been entering into Memorandum of Agreements (MoAs) with different private parties and PSUs under Built, Own, Operate and Transfer (BOOT) basis for execution of power projects as per the State Power Policy. According to the terms and conditions of MoA the developers were to remit processing fee and upfront money for signing MoAs.

A test-check of records of Chief Engineer (Hydro), Itanagar in audit revealed that 28 DDs for Rs.578.57 crore were received from twelve private parties and National Hydro Power Corporation Limited (NHPCL) towards processing fee and upfront money against power projects for signing MoAs. Audit noticed that the Secretary (Power), instead of remitting the fund to the Government Exchequer, initially retained the money received in current accounts and thereafter kept the funds in short-term deposits. Subsequently, these amounts along with the interest were transferred to Chief Engineer (Hydro Power) through cheques for remitting the same into Government Exchequer. It was found it audit that the short-term deposit of Rs.578.57 crore could have earned interest of Rs.12.78 crore even at the minimum short-term rate (5.5 *per* cent per annum) whereas the Secretary (Power) deposited only Rs.9.66 crore. Thus, the balance interest amounting to Rs.3.12 crore not remitted to the State exchequer resulted in loss. The details are given below:

- Rs.95.77 crore received from Athena Energy Venture Pvt Limited (Rs.93.00 crore) and Velcon Energy Limited (Rs.2.77 crore, initially deposited in Vijaya Bank. The interest received from Vijaya Bank for 3 months was Rs.21.35 lakh [§] against the interest that could have been earned amounting to Rs.1.32 crore [**] resulting in loss of interest of Rs.1.11 crore.

- Rs.258 crore received from ten private parties were initially deposited in the SBI Bank, Itanagar. Subsequently these amounts along with the interest of Rs.2.10 crore for 70 days were transferred by way of cheque [††] to the CE (Hydro) for depositing the same with the State exchequer. The same were deposited into State exchequer on 6 March 2009. The interest on these deposits received was Rs.2.10 crore against the interest that could have been

[§] Vijaya Bank Cheque No.024874 dt.05.05.2008

[**] Rs.95.77 crore X 5.5 *per* cent x 3 months =1.32 crore

[††] SBI Cheque No.236029 dated 4 March 2009

earned amounting to Rs.3.08 crore, resulting in another loss of interest of Rs.0.98 crore.

- Cheque of Rs.225 crore received from NHPCL for three Power projects at Dibang River Vally, Tawang-I and Tawang-II, was deposited on 28 June 2007 in Vijaya Bank, Itanagar. Subsequently, the amount was transferred on 4 August 2007 to Arunachal Pradesh State Co-operative Bank. The amount along with the interest of Rs.7.35 crore (@5.5 *per* cent) for 217 days[‡‡] was repaid to the State Government. However, the interest of Rs.1.03 crore[§§] on Rs.225 crore (after allowing 3 days for clearance) kept with Vijaya Bank for 34 days was not transferred to the Government exchequer.

In response, the management stated (August 2009) that except the drafts/ cheques for processing fee and upfront money along with the interest received from the Secretary (Power), all other relevant records were available with the Secretary (Power).

Thus, not only the funds were kept outside the Government accounts unauthorisedly in violation of the provisions of the R&PRs and GFRs, but the State Government was also deprived of interest income amounting to Rs.3.12 crore.

DEPARTMENT OF POWER

5.4. Undue benefit extended to the contractor

Undue benefit extended to the contractor by allowing reimbursement of VAT besides Inter-State Sales Tax in violation of Central Sales Tax Act resulted in avoidable payment of Rs.62 lakh.

As per the Section-6 of Chapter-III of Central Sales Tax Act, 1956, the dealer is liable to pay Inter-State Sales Tax (Central Sales Tax) for sales which caused the movement of goods from one State to another State and no tax would be levied under the sales tax law of the appropriate State.

The Executive Engineer, Department of Power, Naharlagun awarded (May 2008) a contract to Reniya Enterprises, Itanagar for supply and erection of Rural Electrification works (Electricity Infrastructure and Households Electrifications) at Papum Pare district under the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) scheme at a total cost of Rs.21.91 crore in two packages (Package-1 for Rs.13.85 crore and Package-2 for Rs.8.06 crore).

As per the Section-3 of Chapter-II of Arunachal Pradesh Goods Tax Act 2005, the dealer is liable to pay VAT on every sale of goods effected by him, if the same does not cause movement of goods outside the State.

‡‡ Interest of Rs. 6.76 deposited on 11 March 2008 and Rs.0.59 lakh deposited on 6 May 2008 for the period from 9 August 07 to 7 March 2008

§§ Rs.225 crore X 5.5 *per* cent X 34 days = 1.03 crore for the period from 1st July 2007 to 3 August 2007

Scrutiny of records (May 2008) of the Electrical Division, Naharlagun, revealed that the contractor supplied (December 2008) materials valuing Rs.5.93 crore which also included VAT of Rs.54.71 lakh, Excise Duty of Rs.81.13 lakh and Central Sales Tax (CST) of Rs.19.69 lakh. The Division allowed the reimbursement of the entire amount through running bills. As the supplies were made from other State (Assam), the Division was required to pay only the applicable Excise Duty at the rate of 16.48 *per cent* and CST at the rate of 4 *per cent on ex- works price.* The Division, however, reimbursed the VAT of Rs.54.71 lakh besides CST of Rs.19.69 lakh to the contractor which resulted in excess payment of Rs.54.71 lakh for VAT. This incorrect allowance of VAT reimbursement further led to payment of excess Excise Duty and CST amounting to Rs.8.31 lakh as the taxes were calculated and added in the order of VAT-Excise Duty-CST.

It was also noticed that these reimbursements were made against simple letters instead of the required documentary evidence in support of payment of taxes paid as stipulated in the contract.

Keeping above in view the Department needs to strengthen their internal control mechanism to ensure that the provisions of application and payments of Central Sales Tax Act,1956 and Arunachal Pradesh Goods Tax Act, 2005 are complied with.

The management accepted the audit observation and stated that the VAT payment already made against 1 and 2 running bills and incorrect allowance of VAT etc, would be adjusted from future bills.

5.5. Loss of revenue

Failure to raise bills for penalty on non-payment of dues for sale of energy to North Eastern Electricity Power Corporation Limited as per tariff notification resulted in loss of revenue of Rs.1.36 crore

The Capital Electrical Division, Itanagar sold energy during 1994-95 to 2005-06 amounting to Rs. 19.29 crore to North Eastern Electricity Power Corporation Limited (NEEPCO) for construction of Ranganadi Hydro Electricity Project (RHEP) from 132 KV sub-station, Nirjuli. Out of Rs. 19.29 crore, an amount of Rs. 17.39 crore was received/adjusted (June 2006) and the balance amount of Rs.1.90 crore was still awaited (May 2009) from NEEPCO. The delay in receipt of the balance amount was due to non receipt of reconciliation of energy figures from Regional Energy Accounting (REA) Branch, Shillong. Subsequently, State Load Dispatch Centre (SLDC) re-worked the energy figures and confirmed (September 2007) the due amount as Rs. 2.26 crore.

As per the tariff notification of Department of Power, Government of Arunachal Pradesh (January 2000/ September 2006) as amended from time to time, the penalty at the rate of 2 *per cent* per month is to be levied for non-payment of dues. Audit scrutiny revealed that the Division failed to impose penalty on outstanding amount of Rs. 2.26 crore, which worked to Rs. 1.36 crore at the rate of 2 *per cent* per month for the period from October 2006 to March 2009. On the other hand the Division itself has been paying surcharge at the rate of 1.5 *per cent* per month on the outstanding dues for the energy drawn from NEEPCO as per Power Purchase Agreement.

When pointed out in audit, the Division stated (July 2008) that the payments due to NEEPCO (Rs.2.64 crore) for energy drawn was more than the receivable amount from NEEPCO (Rs.2.26 crore) which is still to be adjusted. The reply is not acceptable as on one hand the Division has been paying surcharge on the outstanding dues to NEEPCO, on the other hand it has not claimed penalty from NEEPCO for the long outstanding dues as per tariff notification.

Thus, the failure of the Division to raise bills for penalty for non-payment of dues as per tariff notification resulted in loss of revenue of Rs. 1.36 crore to the Government. Keeping above in view the Department needs to strengthen their internal control mechanism to ensure that the tariff regulations are complied with; and also ensure that the outstanding amount is recovered from NEEPCO.

The matter was brought to the notice of the Government in June 2009 but no response/comment has been received yet (August 2009).

DEPARTMENT OF SUPPLY AND TRANSPORT

5.6. Temporary misappropriation

Temporary misappropriation of Government revenue of Rs. 83.34 lakh due to lack of effective control over Central Purchasing Organisation Centers

The Central Purchasing Organisation (CPO) guidelines provide that:

- the Store Keeper of CPO Centre should hand over the sale proceeds along with a forwarding memo to the Circle Officer (CO)/Extra Assistant Commissioner (EAC) in-charge of the CPO Centre after closing the daily sales account;
- sale proceeds should regularly be remitted with challans in quadruplicate to Deputy Commissioners (DCs)/Additional Deputy Commissioners (ADCs) for crediting into Government Treasury;
- the CPO Centre should submit monthly return of the sale proceeds deposited into the Directorate, Supply and Transport (DST), Naharlagun through the DC/ADCs concerned on the first day of the following month;
- for conducting physical verification of stores held by CPO by a Board of Officials once in every month and forwarding of such verification report and Board Proceedings to the DST, Naharlagun through DCs/ADCs concerned for follow-up action; and
- inspection of CPO Centers at least twice in a year by Sub-Inspectors/Inspector of supply and once in a year by CO/EACs concerned.

The Public Accounts Committee (PAC) of the Lok Sabha in their 76th Report (1976) criticised the large scale irregularities, misappropriation and heavy loss due to deterioration of CPO stores in Arunachal Pradesh and recommended that there should be strict supervision and regular inspection of all the CPO centers to keep the staff attentive. In order to implement the recommendation of PAC, a directive was issued (July 1976) by DST, Naharlagun to all concerned in which detailed time schedules were prescribed for carrying out the periodical inspections at all levels.

Further in the meeting (August 2005) held by Chairman of DST with Districts Supplies Officers to review the function of CPO centers, particularly non remittance and misappropriation of the sale proceeds, it was decided that supply of essential ration commodities (ERC) shall be suspended to the CPO centers who do not deposit the sale proceeds regularly or who had outstanding sale proceeds yet to be deposited.

It was observed (January 2008) in audit that as against the sale proceeds of Rs. 136.72 lakh in respect of Vijaynagar CPO center for the period from April 2003 to April 2006 and Gelling and Anelih CPO centers for the period from April 2003 to April 2007, Rs. 53.38 lakh was deposited till December 2007, retaining the balance amount of Rs. 83.34 lakh by the Store Keepers. In spite of the fact that the Store Keepers were not remitting the sale proceeds regularly and not submitting the monthly returns, DST has neither conducted physical verification nor were the CPO centers inspected as recommended by the PAC. Further, supply of ERC was also continued to these CPO centers in contravention to the decision taken in the meeting held in August 2005.

Thus, due to non adherence to the CPO guidelines and PAC directives and lackadaisical attitude on the part of authority in exercising timely check and control and allowing the store keeper to retain the sale proceeds facilitated temporary misappropriation of sale proceeds to the tune of Rs.83.34 lakh.

Keeping above in view the Department needs to strengthen their internal control mechanism to ensure the compliance of the prescribed periodical inspection system; discontinuance of ERC supplies to the defaulters and recovery of the outstanding dues without any further delay.

The matter was brought to the notice of the Government in March 2009 but no response/comment has been received yet (August 2009).

DEPARTMENT OF MINING AND GEOLOGY

Arunachal Pradesh Mineral Development & Trading Corporation Limited

5.7. Arrears in finalization of Accounts

Abnormal delay of 15 years in finalisation of its accounts

Section 210 of the Companies Act, 1956, read with Sections 166 and 216, casts the duty on the Board of Directors of a Company to place the accounts of the Company along with Auditor's Report (including supplementary comments of CAG) in the

Annual General Meeting of the shareholders within six months of the close of its financial year. As per Section 210(5), if any person, being a Director of a Company, fails to take all reasonable steps to comply with the provisions of Section 210, he shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to ten thousand rupees or with both. Similar provision exists under Section 210(6) in respect of a person who is not a Director but is charged with the duty of ensuring compliance with Section 210.

In spite of above provisions in the Companies Act, Arunachal Pradesh Mineral Development & Trading Corporation Limited has not been finalising its accounts in time and there are arrears of 15 years in finalisation of its accounts as of 30 September 2009. The Company has finalised its accounts upto 1993-94. Audit has been bringing out the arrears in finalisation of accounts to the notice of the Chief Secretary, State Government. However, there has been no effective action to liquidate the arrears as during past three years no accounts were finalised. The Government has already made an investment in the Company of Rs.1.44 crore (Equity),unsecured loan of Rs.0.15 crore and grant of Rs.1.15 crore during the period for which the accounts have not been finalised.

In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in the Company remains outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act. In view of this, it is recommended that the Government and the Company management may:

- consider outsourcing the work of preparation of accounts to clear the arrears and
- make a time-bound programme to clear the arrears and monitor it on a continuous basis.

The matter was brought to the notice of the Government in July 2009, but no response/comment has been received yet (September 2009).

DEPARTMENT OF FOREST

Arunachal Pradesh Forest Corporation Limited

5.8. Opportunity to recover money ignored

PSU did not either seize the opportunity to recover their money or pursue the matter to their logical end. As a result, recovery of money amounting to Rs. 20.97 lakh remain doubtful

A review of unsettled paras from Inspection reports (IRs) pertaining to periods up to 2003-04 showed that there were two paras in respect of Arunachal Pradesh Forest

Corporation Limited (APFC) involving a recovery of Rs. 20.97 lakh. As per the extant instructions, the Heads of the PSUs are required to furnish replies to the Inspection Reports through respective Heads of the Department within a period of six weeks after receipt of Inspection Report. However, no effective action has been taken to take the matters to their logical end i.e. to recover money from the concerned parties. As a result, APFC has so far lost the opportunity to recover the money which could have augmented their finances.

The details of paras and recovery amount are given below:

Sl. No.	Para	Year of IR	Para No (Part-IIA)	Amount (Rs. in lakh)
1	Non- recovery of dues against supply of Timber	1998-99 to 1999-2000	Para-2	12.86
2	Loss due to excess payment of hire charges to the saw mill	1999-2000 to 2001-02	Para-3	8.11
	Total			**20.97**

Above cases point out the failure of APFC authorities to safeguard their financial interests. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and management periodically, have not yielded the desired results in this case.

The APFC should initiate steps to recover the money and complete the exercise in a time bound manner.

GENERAL

5.9. Lack of remedial action on audit observations

Three Companies and two Departments did not either take remedial action or pursue the matter to the logical end in respect of 38 IR paras, resulting in foregoing the opportunity to improve their functioning

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods up to 2003-04 showed that there were 38 paras in respect of three Companies and two Government Departments, which pointed out deficiencies in the functioning of these Companies and Departments. As per the extant instructions, the Heads of the PSUs are required to furnish replies to the Inspection Reports through respective Heads of the Department within a period of six weeks after receipt of Inspection Report. However, no effective action has been taken to take the matters to their logical end i.e. to take remedial action to address these deficiencies. As a result, three Companies and two Departments have so far lost the opportunity to improve their functioning in this regard. Companies and Departments wise details of paras are given below. The list of individual paras is given in **Appendix-5.7.**

Sl No.	Name of the Company/Department	Department	No of paras
1.	Arunachal Pradesh Forest Corporation Limited	Forest	30
2.	Arunachal Pradesh Mineral Development and Trading Corporation Limited	Mining and Geology	2
3.	Parasuram Cement Limited	Industries	2
4.	Directorate of Supply and Transport	Supply and Transport	3
5.	Department of Power	Power	1
	Total		**38**

The paras mainly pertain to non submission of claim, un-due financial benefit, Injudicous decision in creating tea estate, unfruitful expenditure towards maintenance of Reserve Forest, Irregular payment of mobilisation advance, etc

Above cases point out the failure of respective Companies/Departmental authorities to address the specific deficiencies and ensure accountability of their staff. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and Management periodically, have not yielded the desired results in these cases.

The Companies and Department should initiate immediate steps to take remedial action on these paras and complete the exercise in a time bound manner.

Itanagar
The 17 MAR 2010

(C ANGRUP BODH)
Accountant General
Arunachal Pradesh

Countersigned

New Delhi
The 18 MAR 2010

(VINOD RAI)
Comptroller and Auditor General of India

APPENDICES

Errata

Page 156 - For Appendix-1.1.2 (Ref: Para 1.1.10; Page 7)

Page 156 – Read -1.1.2 (Ref: Para 1.1.10; Page 6)

Page 157 – For Appendix – 1.1.3 (Ref: Para 1.1.10.9(i); Page 15 & 16)

Page 157 – Read – 1.1.3 (Ref: Para 1.1.10.9(i); Page 16)

Page 163 – For Appendix -2.2 (Ref: Para 2.12; Page 70)

Page 163 – Read – 2.2 (Ref: Para 2.12; Page 69 & 70)

Appendix – 1.1.1 *(Ref Para 1.1.8 Page.5)*

Statement showing failure of utilisation of available fund by DHOs

		2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Directorate of Horticulture	O.B.	Nil	20.00	20.96	22.96	2.96	0.01	51.43	38.45
	Fund received	20.00	3.00	2.00	Nil	6.70	74.50	31.67	34.67
	Total funds	20.00	23.00	22.96	22.96	9.66	74.51	83.10	73.12
	Expenditure	Nil	2.04	Nil	20.00	9.65	23.08	44.65	22.52
	Unutilised funds	20.00	20.96	22.96	2.96	0.01	51.43	38.45	50.60
	Percentage of balance	100%	91%	100%	13%		69%	46%	69%
DHO, West Kameng	O.B.	Nil	78.13	109.61	64.56	98.08	50.13	351.79	566.11
	Fund received	80.25	116.14	93.63	109.35	97.15	348.51	493.46	241.82
	Total funds	80.25	194.27	203.24	173.91	195.23	398.64	845.25	807.93
	Expenditure	2.12	84.66	138.68	75.83	145.10	46.85	279.14	442.72
	Unutilised funds	78.13	109.61	64.56	98.08	50.13	351.79	566.11	365.21
	Percentage of balance	97%	56%	32%	56%	26%	88%	67%	45%
DHO, East Siang	O.B.	Nil	5.97	113.26	122.80	93.23	7.84	10.93	22.33
	Fund received	9.08	165.38	84.52	89.60	10.40	132.40	226.53	318.62
	Total funds	9.08	171.35	197.78	212.40	103.63	140.24	237.46	340.95
	Expenditure	3.11	58.09	74.98	119.17	95.79	129.31	215.13	300.94
	Unutilised funds	5.97	113.26	122.80	93.23	7.84	10.93	22.33	40.01
	Percentage of balance	66%	66%	62%	44%	08%	08%	09%	12%
DHO, Lohit	O.B.	Nil	NA	40.66	24.21	53.36	9.29	23.05	204.00
	Fund received	NA	69.67	33.64	89.90	11.05	157.06	384.37	183.99
	Total funds	NA	69.67	74.30	114.11	64.41	166.35	407.42	387.99
	Expenditure	NA	29.01	50.09	60.75	55.12	143.30	203.42	329.04
	Unutilised funds	NA	40.66	24.21	53.36	9.29	23.05	204.00	58.95
	Percentage of balance	NA	58%	33%	47%	14%	14%	50%	15%
DHO, Lower Suban-siri	O.B.	Nil	17.78	52.75	21.98	30.30	14.67	11.00	16.24
	Fund received	23.19	58.02	35.83	26.20	19.55	27.05	50.25	76.11
	Total funds	23.19	75.80	88.58	48.18	49.85	41.72	61.25	92.35
	Expenditure	5.41	23.05	66.60	17.88	35.18	30.72	45.01	89.22
	Unutilised funds	17.78	52.75	21.98	30.30	14.67	11.00	16.24	3.13
	Percentage of balance	77%	70%	25%	63%	29%	26%	27%	03%

		2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
DHO, Lower Dibang Valley	O.B	Nil	24.77	74.34	37.22	93.44	83.64	42.90	119.18
	Fund received	24.77	71.54	45.86	102.90	118.03	95.27	246.59	172.65
	Total funnd	24.77	96.31	120.20	140.12	211.47	178.91	289.49	291.83
	Expenditure	Nil	21.97	82.98	46.68	127.83	136.01	170.31	28364
	Unutilised dfund	24.77	74.34	37.22	93.44	83.64	42.90	119.18	8.19
	Percentage of balance	100	77	31	67	40	24	41	4
Total			411.58	293.73	371.37	**165.58**	491.10	**966.31**	526.09

Appendix – 1.1.2 *(Ref Para 1.1.10 Page.7)*

Component-wise Physical Targets and Achievements during 2001-08

Component/activity	Target	Achievement	percentage
Fruits (in ha)	24,154	24,032	99
Vegetable (in ha)	5,482	5,482	100
Spices (in ha)	7,370	7,370	100
Medicinal plant (in ha)	1,402	1,402	100
Aromatic plants (in ha)	45,43ha	4,543	100
Flower units (per unit =0.2 ha)	1,550	1,780	100 +
Mushroom units	4	4	100
Community water tank	912	912	100
Tube wells	212	212	100
Drip irrigation	2,028	2,028	100
Adoption of IPM (in ha)	3,900	3,700	94
Disease forecasting Unit	8	7	87
Plant health clinic	3	3	100
Bio-control laboratory	1	1	100
Modal floriculture centres	2	2	100
Green house unit (in sq. m)	3,05,000	3,,05,000	100
Low cost tunnel (in sq. m)	2,63,100	2,63,100	100
Earthworm unit	164	160	97
Adoption of organic farming (in ha)	2448	2398	97
Big Nursery(Private)	9	12	100 +
Big Nursery(Public)	9	9	100
Small Nursery (Private)	28	34	100 +
Small Nursery (Public)	13	16	100 +
On farm handing unit (Unit= per beneficiary(	780	780	100+
Training of farmers (within the State)	6,904	6,904	100
Training of farmers (outside the State)	2,600	2,600	100
Training of trainers	94	94	100
Agri-equipments	3,861	3,861	100

Appendix – 1.1.3 *(Ref Para 1.1.10.9 (i) Page.15 & 16)*

Cases of excess expenditure on procurement of planting materials and seeds

Name of the districts	Quantity procured (in number)							
	Ginger (kg	Orange Plants		Walnut Plants		Apple plant		Banana suckers
		Seedlings	Budded	Seedling	Budded	Grafted on seedlings	Grafted on clonal rooted stock	
Pasighat	1,63,200	-	54,000	-	-	-	-	-
Along	33,600	-	43,875	-	-	-	-	-
Tezu	38,400	-	-	-	-	-	-	-
Roing	3,15,200	76,600	-	-	-	-	-	-
Ziro	12,000	-	-	8480	1750	21,603	16,638	-
Director	-	-	-	-	-	-	-	4,19,680
Total	5,62,400	76,600	97,875	8480	1750	21,603	16,638	4,19,680
Due rate (in Rs)	15/kg	8.	20.	10.	35.	15.	25.	7.
Cost at due rate	84,36,000	.6,12,800	19,57,500	.84,800	61,250	.3,24,045	4,15,950	29,37,760
Enhanced rate	20-25/kg	20.	25	15and 25.	80	20 and 30.	40.	14.
Total cost	1,34,60,000[1]	15,32,000	24,46,875	Rs.1,68,000[2]	1,40,000	5,22,090[3]	.6,65,520	58,75,520
Excess expenditure	50,24,000	.9,19,200	4,89,375	.83,200	.78,750	1,98,045	2,49,570	.29,37,760
Total								99,79,900

1 4,42,400kgs X Rs.25=Rs.1,10,60,000
1,20,000kgs X Rs.20=Rs. 24,00,000
Rs.1,34,60,000

2 4080XRs.25=Rs.1,02,000
440XRs.15= Rs. 66,000
Rs.1,68,000

3 9003XRs.30=Rs.2,70,090
12600XRs.20=Rs.2,52,000
Rs.5,22,090

Appendix – 1.2.1 *(Ref Para 1.2.8 (i) Page.25)*

Nodal District wise utilization of fund during 2004-09

(Rs. in lakh)

Year	Opening balance				Fund received				Interest received				Expenditure				Closing balance				TCB
	PP	WS	LO	LDV	PP	WS	LO	LDV	PP	WS	LO	LDV	PP	WS	LO	LDV	PP	WS	LO	LDV	
2004-05	1.73	0.20	3.93	0	200	200	200	0	3.59	4.17	0.54	0.00	200.23	203.50	128.81	0.00	**5.09**	**0.87**	**75.66**	**0.00**	**81.62**
2005-06	5.09	0.87	75.66	0	200	200	200	0	0.62	1.88	1.63	0.00	205.71	202.74	195.16	0.00	**0.00**	**0.01**	**82.13**	**0.00**	**82.14**
2006-07	0.00	0.01	82.13	0	200	200	200	0	0.75	1.20	0.50	0.00	173.03	200.49	179.69	0.00	**27.72**	**0.72**	**102.94**	**0.00**	**131.38**
2007-08	27.72	0.72	102.94	0	200	200	200	0	2.89	0.86	8.42	0.00	230.59	198.87	203.79	0.00	**0.02**	**2.71**	**107.57**	**0.00**	**110.30**
2008-09	0.02	2.71	107.57	0	0	200	100	200	1.30	4.90	0.00	0.90	0.00	198.97	0.00	182.88	**1.32**	**8.64**	**207.57**	**18.02**	**235.55**

NB: PP= Papumpare, WS=West Siang, LO= Lohit, LDV= Lower Dibang Valley and TCB stands for total closing balance.

Appendix – 1.3.1 *(Ref Para 1.3.9 (iii) Page.42 & 43)*

Unfruitful expenditure

Name of MIP	Year of sanction	Sanction amount	Expenditure	Date of completion	IP to be created
WRD Pasighat					
C/o Detak MIP at Depi/Depi Moli village	2006-07	7.00	7.00	3.2007	18
C/o Tabi Korong MIP at Tabi Area Mirku village	2006-07	8.50	9.00	3.2008	20
C/o MIC at book village	2006-07	5.00	5.52	3.2008	15
C/o MIC at Mer village	2004-05	11.7	11.7	3.2006	15
C/o Siju MIP at Kakki	2006-07	6.00	6.45	3.2008	15
C/o Rising Arik MIC at Ngopok village	2007-05	12.15	12.16	Mar-06	15
WRD Itanagar					
C/o Charling Pungim MIP under Ompoli Panchayat	2000-01	19.81	20.75	3.2005	35
Total		**70.16**	**72.58**		**133**

Appendix – 1.3.2 *(Ref Para 1.3.11) Page.48)*

Abandoned schemes under NON-AIBP

Name of Division	No. of Non - AIBP schemes taken up	Year of sanction	Sanctioned amount (Rs. In lakh)	Revised estimated cost (Rs. In lakh)	Expenditure (Rs. In lakh)
Itanagar	7	1994 - 98	32.10	64.00	30.46
Basar	15	1984 - 96	113.57	309.62	119.78
Pasighat	5	1986 - 99	104.90	192.00	92.85
Tezu	6	1994 - 00	44.11	118.21	44.81
Roing	1	2000-01	0.50	15.00	2.67
Total	**34**	**-**	**295.18**	**698.83**	**290.57**

Appendix – 2.1 *(Ref: Para 2.12; Page 69 & 70)*

Details of explanatory notes on paragraphs of Audit Report pending as of March 2009

Year of Audit Report	Audit Report placed before the State Legislature	Paragraph number for which *suo moto* explanatory notes are awaited	Department
1994-95	27-03-1996	4.4,4.5,4.6 & 4.7	Power
1997-98	23-07-1999	3.1 & 3.2	Health & Family Welfare
1999-2000	21-09-2001	3.4	Urban Development
		4.3 & 4.5	Public Works
		7.2, 7.3, 7.4 & 7.5	Finance
2000-01	28-02-2002	4.2	Public Works
		7.2, 7.3, 7.4 & 7.5	Finance
2001-02	16-02-2004	3.6	Tourism
		3.7	Health & Family Welfare
		6.3, 6.4, 6.5 & 6.6	Finance
2002-03	24-06-2004	3.1, 3.5, & 3.6	Health & Family Welfare
		3.2	Planning
		3.4	Civil Supplies
		3.12	Finance
		4.5 & 5.1	Public Work
		7.2, 7.3, 7.4 & 7.5	Finance
2003-04	24-09-2005	4.1	Agriculture
		4.2	Animal Husbandry & Veterinary
		4.3	Art & Culture
		4.4	Environment & Forests
		4.5	Health & Family Welfare
		4.6, 4.7, 4.8 & 4.9	Public Works
2004-05	23-03-2006	3.1	Public Works
		3.2	Social Welfare, Women and Child Development
		4.2 & 4.3	Health & Family Welfare
		4.4	Urban Development and Housing
		4.5	Public Health Engineering
		4.6, 4.7, 4.8, 4.9, 4.10 & 4.11	Public Works
2005-06	20-03-2007	3.1, 4.7	Civil Supplies Department
		3.2	Environment and Forests
		3.3	Health & Family Welfare
		3.4, 4.10	Public Works
		4.1	Industries
		4.2 , 4.3	Sports & Youth Affairs
		4.4, 4.11	Tourism
		4.5, 4.6	Agriculture
		4.8	Irrigation & Flood Control

Year of Audit Report	Audit Report placed before the State Legislature	Paragraph number for which *suo moto* explanatory notes are awaited	Department
		4.9	Public Health Engineering & Water Supply
		4.12	Civil Supplies/Relief, Rehabilitation & Disaster Management
		4.13	Irrigation
		5.1	Horticulture
		6.2, 6.3, 6.4, 6.5	Environment and Forests
		6.6, 6.7	Excise
		6.8, 6.9, 6.10	Geology & Mining
		6.11	Land Management
		6.12 to 6.22	Taxation
		6.23 , 6.24	Transport
		7.2, 7.3	Power
		7.4	Arunachal Pradesh Forest Corporation Limited
2006-07	19-03-2008	3.1	Home
		3.3, 4.1, 4.5, 4.15	Education
		3.4	Tourism
		4.3, 6.2, 6.3	Environment & Forests
		4.4	Cultural Affairs
		4.6, 4.7, 4.8 & 4.17	Health & Family Welfare
		4.9,4.10, 4.11, 4.13, 4.18	Public Works
		4.12	Rural Works
		4.14, 5.1	Social Welfare, Women & Child Development
		4.16	Fisheries
		4.19	Civil Supplies
		6.4, 6.5	Excise
		6.6 to 6.10	Geology & Mining
		6.11	Land Management
		6.12 to 6.23	Taxation
		6.24 & 6.25	Transport
		7.2 to 7.6	Power
		7.7	Forest
2007-08	11.08.2009	3.1,4.4	Health
		3.2	Planning
		4.1,4.6,4.8,4.10	Public works
		4.2	Animal Husbandry and Veterinary
		4.3,6.2,6.3,6.4.1,6.4.2,6.5,6.6,6.7	Environment and Forest
		4.5,7.2,7.3,7.4,7.5	Power
		4.7	Home
		4.9	Tourism
		6.8,6.9,6.10	Excise

Year of Audit Report	Audit Report placed before the State Legislature	Paragraph number for which *suo moto* explanatory notes are awaited	Department
		6.11,6.12.6.13	Geology and Mining
		6.14,6.15	State Lottery
		6.16,6.17,6.18,6.19,6.20,6.21	Taxation
		7.6,7.7	Supply and Transport
		5.1	Textile and Handicraft
TOTAL		**192 Paragraphs**	

Appendix – 2.2*(Ref: Para 2.12; Page 70)*

Status of outstanding Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee

Year of Report	Particulars of paragraphs on which recommendations were made by the PAC but ATNs are awaited		PAC Report in which recommendations were made	Date of presentation of the Report of the PAC to the State Legislature
	Paragraph Number	Total Paragraphs		
1986-87	3.1,3.2,3.3,3.7,3.8, 3.9, 3.10, 3.11, 4.3, 5.2, 7.2 and 7.3	12	27th, 36th, 37th, 40th, 42nd, 44th and 49th Report	8th September 1994, 27th September 1996, 10th November 1998, 24th March 2000, 21st September 2001, 3rd March 2003
1987-88	3.1, 3.4, 3.5, 3.6, 3.7, 3.9 and 5.1	7	27th, 36th, 37th, 40th and 42nd Report	8th September 1994, 27th September 1996, 10th November 1998 and 24th March 2000
1988-89	3.1, 3.3, 3.4, 3.10, 3.11, 3.14, 4.5, 4.8, 5.5 and 5.6	10	37th, 38th, 40th, 42nd and 45th	27th September 1996, 10th November 1998, 24th March 2000 and 3rd March 2003
1989-90	5.2	1	44th Report	21st September 2001
1990-91	3.4, 3.8, 3.9, 7.3 and 7.5	5	39th, 44th, 45th and 48th	6th March 1997, 21st September 2001, 19th March 2002 and 3rd March 2003
1991-92	3.1 and 5 (b)	2	39th, 44th, 45th and 48th	6th March 1997, 21st September 2001, 19th March 2002 and 3rd March 2003
1992-93	3.3, 3.4, 4.3, 4.4 and 5.1	5	39th and 44th Report	6th March 1997 and 21st September 2001
1993-94	4.6, 4.7 and 7.2	3	48th Report	19th March 2002
1994-95	3.3, 3.4, 3.5, 3.6, 4.3 and 4.10	6	45th and 46th Report	19th March 2002 and 3rd March 2003
1995-96	3.2 to 3.6 and 3.11	6	46th Report	19th March 2002
1996-97	3.13, 4.10 to 4.14 and 4.16	7	48th Report	19th March 2002
1997-98	4.6, 5.1 and 5.4	3	48th and 51st Report	19th March 2002 and 21st March 2006
1998-99	3.6	1	51st Report	21st March 2006

APPENDIX – 5.1 *(Reference: Paragraph 5.1.6 & 5.1.14, page No114 & 116)*

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2009 in respect of Government companies

(Rs in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital#				Loans outstanding* at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govt	Central Govt	Others	Total	State Govt	Central Govt	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
A. WORKING GOVERNMENT COMPANIES													
FINANCING													
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	Industries	Aug/78	2.15	-	-	2.15	-	-	7.14	7.14	3..32:1 (3.37:1)	28
Total of the Sector				**2.15**	**-**	**-**	**2.15**	**-**	**-**	**7.14**	**7.14**	**3.32 :1 (3.37:1)**	**28**
MINING													
2	Arunachal Pradesh Mineral Development and Trading Corporation Limited	Geology and Mining	Mar/91	2.43	-	-	2.43	-	-	-	-	-	28
Total of the Sector				**2.43**	**-**	**-**	**2.43**	**-**	**-**	**-**	**-**	**-**	**28**
FOREST													
3.	Arunachal Pradesh Forest Corporation Limited	Forest	Mar/77	4.50	-	-	4.50	-	-	-	-	-	65
Total of the Sector				**4.50**	**-**	**-**	**4.50**					**-**	**65**
POLICE													
4.	Arunchal Police Housing and Welfare Corporation Limited	Police	Nov/05	0.02	-	-	0.02	-	-	-	-	-	22
Total of the Sector				**0.02**	**-**	**-**	**0.02**	**-**	**-**		**-**	**-**	**22**

Paid-up-capital includes Share application money also.

* *Loans outstanding at the close of 2008-09 represents long-term loan only.*

***Note**: Figures are provisional as given by the Companies*

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital#				Loans outstanding♠ at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govt	Central Govt	Others	Total	State Govt	Central Govt	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
POWER													
5	Hydro Power Development Corporation of Arunachal Pradesh Limited	Power	Dec/06	5.00	-	-	5.00	-	-	-	-	-	8
Total of the Sector				**5.00**	**-**	**-**	**5.00**	**-**	**-**	**-**	**-**	**-**	**8**
	Total of A			**14.10**	**-**	**-**	**14.10**	**-**	**-**	**7.14**	**7.14**	**0.51:1 (0.79:1)**	**151**
B. NON-WORKING GOVERNMENT COMPANIEs													
CEMENT													
6.	Parasuram Cements Limited	Industries	Jan/85	0.14	-	-	0.14	-	-	1.36	1.37	9.79 :1 (5.81:1)	-
Total of the Sector				**0.14**	**-**	**-**	**0.14**	**-**	**-**	**1.36**	**1.37**	**9.79 :1 (1:1)**	**-**
FRUIT PROCESSING													
7.	Arunachal Horticulture Processing Industries Limited	Industries	May/82	0.19	-	-	0.19	-	-	1.36	1.36	7..15:1 (7.25:1)	-
Total of the Sector				**0.19**	**-**	**-**	**0.19**	**-**	**-**	**1.36**	**1.36**	**7.15:1 (7.25:1)**	**-**
Total of B				**0.33**	**-**	**-**	**0.33**	**-**	**-**	**2.73**	**2.73**	**8.27:1 (6.45:1)**	**-**
Grand Total (A+B)				**14.43**	**-**	**-**	**14.43**	**-**	**-**	**9.87**	**9.87**	**0.68 :1 (1.24:1)**	**151**

APPENDIX – 5.2 *(Reference: Paragraph 5.1.14, page 116)*

Summarised financial results of Government companies for the latest year for which accounts were finalised

(Rs in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed□	Return on capital employedΨ	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
FINANCING														
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	2007-08	2008-09	6.58	0.35	0.03	6.20	2.19	-	2.15	(-) 12.82	25.83	6.55	25.38
Total of the Sector				**6.58**	**0.35**	**0.03**	**6.20**	**2.19**	**-**	**2.15**	**(-) 12.82**	**25.83**	**6.55**	**25.38**
MINING														
2	Arunachal Pradesh Mineral Development and Trading Corporation Limited	1993-94	2000-01	(-) 0.10	-	0.03	(-) 0.13	0.06	-	0.99	(-) 0.25	0.74	(-) 0.13	-
Total of the Sector				**(-) 0.10**	**-**	**0.03**	**(-) 0.13**	**0.06**	**-**	**0.99**	**(-) 0.25**	**0.74**	**(-) 0.13**	-
FOREST														
3.	Arunachal Pradesh Forest Corporation Limited	1998-99	2004-05	(-) 2.58	-	0.51	(-) 3.09	3..32	-	4.50	(+) 16.40	24..31	(-) 3.09	-
Total of the Sector				(-) 2.58	-	0.51	(-) 3.09	3..32	-	4.50	(+) 16.40	24.31	(-) 3.09	-

□ *Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in case of Arunachal Pradesh Industrial Development and Financial Corporation Limited, where the capital employed is worked out as a mean of aggregate of opening and closing balances of paid-up-capital, free reserves and borrowings (including refinance).*

Ψ *For calculating total return on capital employed, interest on borrowed fund is added to net profit/ subtracted from the loss as disclosed in profit and loss account.*

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments[#]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[□]	Return on capital employed[Ψ]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
POLICE														
4.	Arunchal Police Housing and Welfare Corporation Limited	Incorporated in November 2005 Accounts not yet received		-	-	-	-	-	-	0.02	-	-	-	-
Total of the Sector				**-**	**-**	**-**	**-**	**-**	**-**	**0.02**	**-**	**-**	**-**	**-**
POWER														
5	Hydro Power Development Corporation of Arunachal Pradesh	Incorporated in December 2006 Accounts not yet received		-	-	-	-	-	-	5.00	-	-	-	-
Total of the Sector				**-**	**-**	**-**	**-**	**-**	**-**	**5.00**	**-**	**-**	**-**	**-**
Total of A				**3.90**	**0.35**	**0.57**	**2.98**	**5.57**	**-**	**12.66**	**3.33**	**50.88**	**3.33**	**6.54**
B. Non-Working Government Companies														
CEMENT														
6.	Parasuram Cements Limited	1989-90	2009-10	(-) 0.08	0.04	0.05	(-) 0.18	0.27	-	0.14	(-) 0.69	0.88	(-) 0.18	-
Total of the Sector				**(-) 0.08**	**0.04**	**0.05**	**(-) 0.18**	**0.27**	**-**	**0.14**	**(-) 0.69**	**0.88**	**(-) 0.18**	**-**
FRUIT PROCESSING														
7.	Arunachal Horticulture Processing Industries Limited	1986-87	2009-10	-	-	-	-	-	-	0.19	-	-	-	-
Total of the Sector				-	-	-	-	-	-	0.19	-	-	-	-
Total of B				**(-) 0.08**	**0.04**	**0.05**	**(-) 0.18**	**0.27**	**-**	**0.33**	**(-) 0.69**	**0.88**	**(-) 0.18**	**-**
Grand Total (A+B)				**3.82**	**0.39**	**0.62**	**2.80**	**5.84**	**-**	**12.99**	**2.64**	**51.76**	**3.15**	**6.09**

APPENDIX – 5.3 *(Reference: Paragraph 5.1.9 & 5.1.14, page 115 & 116)*

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2009

(Rs in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[¥]		Waiver of dues during the year			
		Equity	Loans	Central Govt	State Govt	Others	Total	Received	Commit-ment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
	A. WORKING GOVERNMENT COMPANIES												
FINANCING													
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	-	-	-	-	-	-	- (0.61)	-	-	-	-	-
Total of the Sector			-	-	-	-	-	-	-	-	-	-	-
MINING													
2	Arunachal Pradesh Mineral Development and Trading Corporation Limited	-	-	-	-	-	-	- (0.16)	-	-	-	-	-
Total of the Sector		-		-		-		-		-	-	-	-
Power													
3	Hydro Power Corporation of Arunachal Pradesh Limited	4.95	-	-	-	-	-	-	-	-	-	-	-
Total of the Sector		**4.95**		**-**		**-**		**-**		**-**	**-**	**-**	**-**
Grand Total		**4.95**	**-**	**-**	**-**	**-**	**-**	**(0.77)**	**-**	**-**	**-**	**-**	**-**

[¥] *figures in bracket indicate guarantees outstanding at the end of the year including interest.*

APPENDIX - 5.4 *(Reference: Paragraph 5.1.26, page 119)*

Statement shown on investments made by the State Government in working PSUs by way of equity, loans, grants and others during the period which the accounts have not been finalized as on 30 September 2009.

(Rupees in crore)

Sl No.	Name of the PSU	Year up to which Accounts finalized	Paid up capital as per latest finalized accounts	Investment made by State Government during the years for which accounts are in arrears				
				Year	Equity	Loans	Grants	Others (for repayment of loan)
A. Working Companies/Corporation								
1.	**Sector : Financing** Arunachal Pradesh Industrial Development and Financial Corporation Limited	2007-08	2.15	2008-09	--	--	--	--
2.	**Sector : Mining** Arunachal Pradesh Mineral Development and Trading Corporation Limited	1993-94	0.99	1994-95	0.32	--	--	--
				1995-96	0.27	--	--	--
				1996-97	0.15	--	--	--
				1997-98	0.12	--	--	--
				1998-99	0.10	--	--	--
				1999-00	0.18	--	--	--
				2000-01	0.20	--	--	--
				2001-02	--	--	--	--
				2002-03	0.05	--	--	--
				2003-04	--	--	--	--
				2004-05	--	--	--	--
				2005-06	--	--	1.15	--
				2006-07	0.05	0.15	--	--
				2007-08	--	--	--	--
				2008-09	--	--	--	--
3.	**Sector : Forest** Arunachal Pradesh Forest Corporation Limited	1998-99	4.50	1999-00	--	--	--	--
				2000-01	--	--	--	--
				2001-02	--	--	--	--
				2002-03	--	--	--	--
				2003-04	--	--	--	3.72
				2004-05	--	--	--	3.41
				2005-06	--	--	5.00	3.07
				2006-07	--	--	--	2.73
				2007-08	--	--	0.85	2.40
				2008-09	--	--	--	--

Sl No.	Name of the PSU	Year up to which Accounts finalized	Paid up capital as per latest finalized accounts	Investment made by State Government during the years for which accounts are in arrears				
				Year	Equity	Loans	Grants	Others (for repayment of loan)
4.	**Sector : Police** Arunchal Police Housing and Welfare Corporation Limited	Incorporated in Nov 2005 Accounts not yet received	0.02	2006-07 2007-08 2008-09	-- -- --	-- -- --	-- -- --	-- -- --
5.	**Sector : Power** Hydro Power Development Corporation of Arunachal Pradesh	Incorporated in Dec 2006 Accounts not yet received	5.00	2007-08 2008-09	0.05 4.95	-- --	0.73 --	-- --
Total of A			**12.66**		**6.44**	**0.15**	**7.72**	**15.33**
B. Non-Working Companies/Corporation								
6.	**Sector : Cement** Parasuram Cements Limited	1989-90	0.14	1990-91 to 2008-09	--	--	--	--
7.	**Sector : Fruit processing** Arunachal Horticulture Processing Industries Limited	1986-87	0.19	1987-88 to 2008-09	--	--	--	--
Total of B			**0.33**		**--**	**--**	**--**	**--**
Grand Total (A+B)			**12.99**		**6.44**	**0.15**	**7.72**	**15.33**

APPENDIX – 5.5 *(Reference: Paragraph 5.1.37, page122)*

Statement showing operational performance of Power Department for the three years up to 2008-09

Sl. No.	Items	2006-07	2007-08	2008-09
1.	Installed Capacity : (M W)			
	(a) Thermal	-	-	-
	(b) Hydro	32.66	33.72	43.72
	(c) Gas	-	-	-
	(d) Others (Diesel)	25.00	25.00	25.00
	Total	**57.66**	**58.72**	**68.72**
2.	Normal maximum demand of the State (M Kwh)	700.00	1000.00	1260.00
3.	Power Generated : (M K W H)			
	(a) Thermal	-	-	-
	(b) Hydro	51.414	52.21	51.29
	(c) Gas	-	-	-
	(d) Others (Diesel)	5.697	4.89	3.55
	Total	**57.111**	**57.10**	**54.84**
	Less : Auxiliary Consumption (M K W H) (brackets indicated the percentage to Power Generated)			
	(a) Thermal	-	-	-
	(b) Hydro (c) Gas (d) Others (Diesel)	2.270 - 0.274	1.541 - 0.244	1.510 - 0.240
	Total	**2.544**	**1.785**	**1.785**
4.	Net Power Generated (M K W H)	54.567	55.315	53.08
5.	Power purchased (M K W H)	-	-	-
	KHEP	46.550	51.620	59.060
	AGBPP	92.296	92.988	98.250
	AGTPP	38.890	38.277	39.480
	RHEP	58.822	95.100	101.480
	DHEP	11.626	17.154	15.680
	LOKTAK	21.947	28.229	24.260
	ABT	70.250	66.114	65.490
	Total	**340.381**	**389.482**	**403.700**
6.	Free Power received (M K W H)	112.532	181.518	188.480
7.	Total Power available for Sale (M K W H) (4+5+6)	507.480	626.315	645.260
8.	Power Sold (MU)			
	(a) Within the State	141.690	169.732	134.800
	(b) Outside the State	193.370	216.960	246.530
	Total	**335.060**	**386.692**	**381.330**

Sl. No.	Items	2006-07	2007-08	2008-09
9.	Transmission and distribution loss (MU) (7-8)	172.420	239.623	263.930
10.	Load factor (percentage)	-	62	51.19
11.	Percentage of transmission and distribution losses to total power available for sale (Percentage of 9 to 7)	33.98	38.26	40.90
12.	Number of Villages/towns electrified	2552	2552	2580
	(a) Villages			
	(b) Towns	-		-
13.	Number of Pump sets/wells energized	-	15	15
14.	Number of Sub-stations (in MVA)	47.57		
15.	Transmission/distribution lines (in kms)			
	(a) High voltage	220 KV- 19 & 132KV-169	220 KV – 19 & 132 KV – 189	220 KV – 19 & 132 KV – 189
	(b) Medium voltage	33 KV-2622 &11KV-5422	33 KV – 3074 & 11 KV – 5569	33 KV – 2622 & 11 KV – 5422
	(c) Low voltage	7778	7780	7780
16.	Connected load (in MW)	115.94	115	135
17.	Number of consumers	137930	144757	146160
18.	Number of employees	8948	7228	9042
19.	Consumer/employees ratio	15:1	20:1	16:1
20.	Total expenditure on staff during the year (Rupees in crore)	53.68	57.60	19.30
21.	Percentage of expenditure on staff to total revenue expenditure	51.63	56.83	14.6
22.	Unit sold to different category of consumers : (MU) (Percentage of share to total units sold indicated in bracket):			
	(a) Agriculture	-	19.92 (5.15)	-
	(b) Industrial	18.557 (5.54)	77.13 (19.94)	49.23 (12.94)
	(c) Commercial	8.022 (2.39)	9.54 (2.47)	11.11 (2.92)
	(d) Domestic	44.052(13.15)	47.75 (12.35)	40.05 (10.53)
	(e) Irrigation	-	-	-
	(f) Bulk supply	-	-	-
	(g) Other categories (P/Lighting, P/Water, Works, Non-Residential)	71.069 (21.21)	15.39 (3.98)	33.41 (8.78)
	(h) Inter-State	193.37 (57.71)	216.96 (56.11)	246.55 (64.82)
	Total	**335.070 (100)**	**386.690 (100)**	**381.350 (100)**
23.	Revenue (Rupees in crore)	76.30	109.37	118.00
24.	Expenditure (Rupees in crore)			
	(a) Salary & Wages			
	(b) Fuel	10.90	12.85	19.30
	(c) Spares *etc.*			
	(d) Power Purchased	93.00	88.50	112.51
	Total	**103.90**	**101.35**	**131.81**
25.	Loss (24 -23)	27.60	8.02	13.81
26.	Loss per unit sold (25 ÷ 22)	0.82/unit	0.02/unit	0.36/unit

APPENDIX – 5.6 *(Reference: Paragraph No 5.2.7, page 131)*

Statement showing operational performance of Arunachal Pradesh State Transport Services

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Average number of vehicles held	238	240	240	242	230
Average number of vehicles on road	159	213	206	212	172
Percentage of utilisation of vehicles	67	89	86	88	75
Number of employees	802	804	804	804	804
Employee vehicle ratio	5 : 1	3.8 : 1	3.9 : 1	3.8 : 1	4.7 : 1
Number of routes operated at the end of the year	153	153	153	155	155
Route kilometres	71	75	81	80	80
Kilometres operated (in lakh)					
Gross	71	76	81	80	80
Effective	70.70	75.68	80.62	79.55	79.53
Dead	0.30	0.32	0.38	0.45	0.47
Percentage of dead kilometres to gross kilometres	0.42	0.42	0.47	0.56	0.59
Average kilometres covered *per* bus *per* day	121	98	107	103	127
Average operating revenue *per* kilometre (Rs.)	9.94	11.07	13.56	13.14	12.75
Average operating expenditure *per* kilometre (Rs.)	27.58	32.36	47.68	49.42	53.27
Operating Loss (-)/Profit (+) *per* kilometre (Rs.)	(-)17.64	(-)21.29	(-)34.12	(-)36.28	(-)40.52
Number of operating depots	13	13	13	13	14
Average number of break-down *per* 10,000 kilometres	1.34	1.38	1.59	2.03	2.10
Average number of accidents *per* lakh kilometres	4	0	0	0	2
Passenger carried in a year (in lakh)	12.23	17.30	16.42	16.27	13.71
Occupancy ratio (Load Factor)	52	53	52	51	52
Kilometres obtained *per* litre of: Diesel	3.31	3.17	3.09	2.94	2.87

APPENDIX – 5.7*(Reference: Paragraph No 5.9, page 152)*

List of paras involved in deficiencies

Sl. No	Para	Year of IR	Amount (Rs. in lakh)	Remarks
A.	**Arunachal Pradesh Forest Corporation Limited**			
1.	Nugatory expenditure due to wrong site selection of plantation (Para-1 of Part II A)	1987-90	37.21	No reply received from the management
2.	Un-usual concession to contractors- loss of revenue (Para-2 of Part II A)	1987-90	15.37	-Do-
3.	Non submission of claim for Central investment subsidy and consequent loss (Para-3 of Part II A)	1987-90	40.71	-Do-
4.	Loss of revenue on sale of timer due to undue benefit to contractor (Para-4 of Part II A)	1987-90	2.64	-Do-
5.	Injudicious sale- Loss due to less plucking of green tea leaves and for excess charges of cost of plucking (Para-5 of Part II A)	1987-90	3.86	-Do-
6.	Extension of High Tension Power line to Banderdewa Saw Mill & Plywood Industries - Undue delay in getting the lines – Avoidable expenditure (Para-6 of Part II A)	1987-90	4.41	-Do-
7.	Loss of interest due to non realisation of Security deposit (Para-7 of Part II A)	1987-90	1.10	-Do-
8.	Loss due disinvestment of 51% equity share held by corporation in Nocte Timber Company Limited (NTCL) to Namsang Borduria Development Fund (Para-1 of Part II A)	1990-92	8.98	-Do-
9.	Infructuous expenditure due to non resorting to open tender and non-finalisation of rates at lower level. (Para-3 of Part II A)	1992-94	1.82	-Do-
10.	Avoidable expenditure of royalty due to increased royalty rates (Para-4 of Part II A)	1992-94	5.10	-Do-
11.	Idle machineries and chemicals Match unit, Deemali. (Para-5 of Part II A)	1992-94	3.23	-Do-
12.	Irregular allotment of timber to M/sKhachng Udyog, Miao (Para-2 of Part II A)	1994-95	9.47	-Do-
13.	Un-due financial benefit to M/s. Narrottam Udyog Divisional Manager, Khonsa project due to issue of quota of timber which is neither quota allotted nor registered as small scale industry (Para-1 of Part II A)	1994-95	201.28	-Do-

Sl. No	Para	Year of IR	Amount (Rs. in lakh)	Remarks
14.	Non-recovery of value of deteriorated timber from the industries responsible for deteriorating (Para-3 of Part II A)	1994-95	3.17	No reply received from the management
15.	Non recovery of depreciated value due to non lifting of timber by the industries (Para-4 of Part II A)	1994-95	2.45	-Do-
16.	Loss of 4467 logs worth Rs.13.10lakh due to lack of proper supervision (Para-5 of Part II A)	1994-97	13.10	-Do-
17.	Loss of coffee production for want of insurance coverage (Para-6 of Part II A)	1994-97	8.57	-Do-
18.	Unplanned production and consequential loss of revenue due to selling of old stock at discounted rate by appointing selling agent (Para-7 of Part II A)	1994-97	5.41	-Do-
19.	Delay in acceptance of offer resulting in loss (Para-8 of Part II A)	1994-97	2.65	-Do-
20.	Excess expenditure towards Central Sales Tax (Para-9 of Part II A)	1994-97	2.07	-Do-
21.	Infructuous expenditure for sinking tube well without proper soil survey prior to the execution of work (Para-10 of Part II A)	1994-97	1.20	-Do-
22.	Injudicous decision in creation Bene Tea Estate without being registered with the Tea Board resulted expenditure and non receipt of subsidy (Para-1 of Part II A)	1998-99 to 1999-2000	97.00	-Do-
23.	Unfruitful expenditure towards maintenance of Namsang Borduria Reserve Forest (Para-1 of Part II A)	1998-99 to 1999-2000	162.20	-Do-
24.	Improper monitoring on the conversion of Inventorised logs of pelling charges claimed by the party (Para-1 of Part II A)	1997-98 to 1999-2000	8.11	-Do-
25.	Loss due to revision of rates on a lower side in disposal of logs (Para-2 of Part II A)	1997-98 to 1999-2000	16.73	-Do-
26.	Loss due to undue financial benefit to M/s. Nocte Timber Company Ltd due to non lifting of logs by the firm (Para-3 of Part II A)	1997-98 to 1999-2000	19.14	-Do-
27.	Infructuous expenditure on payment of wages to casual labour without any forest activities (Para-4 of Part II A)	1997-98 to 1999-2000	46.53	-Do-
28.	Loss due to whimsical, immature and unauthorised decision of leasing out the tea estate (Para-1 of Part II A)	1999-00 to 2001-02	50.84	-Do-
29.	Loss due to injudicious decision to establish a tea garden without facility of tea processing factory (Para-2 of Part II A)	1999-00 to 2001-02	86.67	-Do-
30.	Allowance of undue benefit to a private firm due to adjustment from outstanding dues (Para-4 of Part II A)	1999-00 to 2001-02	4.23	-Do-

Sl. No	Para	Year of IR	Amount (Rs. in lakh)	Remarks
B.	**Arunachal Pradesh Mineral Development and Trading Corporation Limited**			
31.	Loss of interest due to development and prospecting works remained unproductive and unrealized (Para-1 of Part II A)	1994-98	5.31	No reply received from the management
32.	Allotment of corporation vehicle to the state Ministry-resulting avoidable expenditure (Para-3 of Part II A)	1994-98	2.58	-Do-
C.	**Parusuram Cement Limited, Tezu**			
33.	Avoidable /unfruitful expenditure for repair of DG set (Para-2 of Part II A)	1993-94 to 2000-01	9.87	-Do-
34.	Loss due to improper supervision of stock material (Para-4 of Part II A)	1993-94 to 200-01	11.70	-Do-
D.	**Directorate of Supply and Transport**			
35.	Avoidable transportation charges in air lifting (Para-1 of Part II A)	2000-01	348.01	-Do-
36.	Difference of Rs.22.41 lakh in Central Purchasing Organisation, Mangio between procurement cost and sale proceeds (Para-4 of Part II A)	2001-02	22.41	-Do-
37.	Loss due to prolong storage of food stuffs (Para-5 of Part II A)	2001-02	14.89	-Do-
E.	**Department of Power**			
38.	Unauthorised expenditure due to incurring expenditure in excess of sanctioned estimate (Para-3 of Part II A)	1997-98 to 2001-02	74.90	-Do-