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## OVERVIEW

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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 *ad hoc* 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.