CHAPTER – II : AUDIT OF TRANSACTION

PUBLIC WORKS DEPARTMENT

2.1 Fraudulent purchase of spare parts

Public Works Department, Doimukh Division, misappropriated ₹4.16 crore on purchase of spare parts for two old bulldozers and five old Road Rollers, as the spares were neither accounted for in the Material-at-site account nor was their utilization documented.

Under sub-section 7.2 of the CPWD Works Manual (Chapter-I), the Measurement Book is the basic document wherein all details are required to be entered. It should be so written that the transactions are readily traceable. Further, as per the delegation of financial powers, the Divisional Officer is empowered to issue work orders without inviting tenders only up to ₹ 1.25 lakh in a single case in a year. PWD Doimukh Division has two bulldozers which are 30 years old and five road rollers which are three to 34 years old (one – three year old, one – eight year old, one - 21 year old and two 34 years old). The two bulldozers and five road rollers were originally purchased at a total cost of ₹ 73.53 lakh.

Test check of records (November 2009) of the Executive Engineer, PWD Division, Doimukh, revealed that between February 2008 and March 2009, the Division incurred an expenditure of ₹ 4.16 crore on procurement of spare parts for these vehicles(1026 items) by issuing 344 work orders to 35 local firms. The spare parts were shown to have been received and recorded in the measurement book in March 2009. Besides, these purchase orders were placed without inviting any tenders and were split in such a way that the value of each was within the delegated power of the Divisional Officer, with the intention to avoid seeking approval of the competent authority.

However, these spare parts were neither accounted for in the Material-at-Site account of the Divisional workshop, which is the prescribed system for capturing the movement of spare parts, and nor were these found recorded in the Dismantled register, which monitors the actual utilization of spare parts. Moreover, even after this expenditure of ₹ 4.16 crore was incurred on spare parts, the bulldozers and road rollers were only sparingly used during February 2008 to March 2009.

A market survey revealed that the market price of two new bulldozers and five Road rollers of the same make/brand was only ₹ 1.90 crore.

In view of the above, the entire purported purchases of spare parts appears fraudulent because neither were Stock Accounts maintained and nor could their physical movement/existence be verified. When pointed out, the Department stated (November

2010) that the said payments pertained to procurements made in earlier years. Reply of the department is a deliberate attempt to cover up the fraud, as the records maintained clearly shows that the purchases were made during February 2008 to March 2009.

EDUCATION DEPARTMENT

2.2 Embezzlement of money

Non-adherence to Financial rules/norms and laxity on the part of Deputy Director of School Education, Lower Dibang Valley, Roing, led to **embezzlement of** ***₹13.81 lakh***

Section 13(ii) and (iv) of the Central Government Accounts (Receipt and Payment) Rules, 1983 clearly stipulates that all the transactions (both receipts and payments) should invariably be entered in the Cash Book as soon as they occur and are to be attested by the Head of Office as a token of exercising necessary check. Besides, rules also stipulate that at the end of each month, the Head of Office should verify the cash balance in the Cash Book and record a signed and dated certificate to that effect to ensure correctness of the Cash Book, and if any discrepancy is noticed therein, the same may be dealt with as per instructions contained in Section V of Chapter-2 of the GFR Rules, 1963.

Test check (March 2011) of records pertaining to the Deputy Director of School Education (DDSE), Lower Dibang Valley, Roing, disclosed that during the period March 2007 to November 2008, the DDSE had neither exercised any check nor was the closing balance of the Cash Book ever verified at the close of each month with dated initials and necessary certificate as required under the Financial Rules. As a result, misappropriation of Government funds remained undetected until 21 staff members of the Department submitted written representations between March 2007 and November 2008 that their TA/DA/LTC, etc. amounting to ₹ 1.07 lakh were not paid to them although the same was shown as disbursed in the Cash Book. This embezzlement could have been avoided had action been taken to rectify the lapses pointed out in audit during previous inspection of the unit.

A Board of Enquiry constituted in June 2009 to enquire into the allegation, in its report stated (January 2010) that there was a total misappropriation of ₹ 13.81 lakh between March 2007 and November 2008, during the tenure of Mr. T. Riba, Cashier. In January 2010, Mr. T. Riba, Cashier, through a written statement, admitted to the fact of such misappropriation by him, and prayed for recovery of ₹ 5000/- per month from his salary. The DDSE reported (February 2010) the matter to the Director of School education, Itanagar, with a copy to the Commissioner of Education, without contemplating any action on the defaulting Cashier. Except for effecting the transfer of Mr. Riba (July 2010) to Mayu Government Higher Secondary School to function as a UDC no other action has been taken. The matter was also not reported to the Accountant General, Arunachal Pradesh, Itanagar, as required under the rules.

Thus, failure on the part of the DDSE to act in accordance with prescribed Financial Rules, which was in gross violation of financial discipline in the first instance, followed by his laxity in taking necessary action against the defaulting Cashier led to a loss of Government funds to the tune of ₹ 13.81 lakh due to misappropriation.

The matter was reported to the Government in June 2011; no reply has been received (October 2011).

PUBLIC WORKS DEPARTMENT

2.3 Loss of government revenue and undue financial benefit to contractors

Undue financial benefit was extended to contractors in Sagalee and Yingkiong PWD divisions due to non-deduction of VAT at source, resulting in loss to the Government to the extent of ₹2.34 crore

Government of Arunachal Pradesh had introduced tax deduction at source (TDS) for Value Added Tax (VAT) on all works contracts with effect from 11 April 2007 by making an amendment in the Arunachal Pradesh Goods Act, 2005. The Act stipulated that the person responsible for making payment was liable to deduct the amount of VAT at source at the time of making payment to work contractors at the rate of 12.5 *per cent* on the value of the bill after deduction of 25 *per cent* towards labour and service charges from the gross value of the bill.

Test check (January 2010) of the records of the Executive Engineer (EE), Sagalee Public Works Division, however, revealed that between November 2007 and January 2009, the Division entered into works contracts valued at ₹ 19.02 crore with 18 contractors. Payments totalling ₹ 19.01 crore were finally released by the EE to the 18 contractors from March 2008 to December 2009, without deduction of VAT at source. The amount of VAT that should have been deducted works out to ₹ 1.78 crore.

Similarly, the EE, Yingkiong PWD, entered into works contracts valued at ₹ 5.97 crore with 18 contractors between December 2007 and April 2008 and finally cleared total payments of ₹ 5.97 crore to the 18 contractors between January 2008 and February 2009 without deduction of VAT at source, amounting to ₹ 0.56 crore.

Reasons as to why the EEs of both the Divisions failed to recover the VAT at source were not on record.

Failure of the EEs to deduct VAT at source, despite specific government orders in this regard, showed that the EEs of both Divisions were unaware of the statutory provisions of the State Government and lacked effective control and management of the finances of their Divisions, which resulted in extending undue financial benefit to the contractors in the shape of excess payment to the tune of ₹ 2.34 crore (₹ 1.78 plus ₹ 0.56 crore). Action needs to be taken to recover this amount.

The matter was referred to the Government in May and August 2010; no reply has been received (October 2011).

PUBLIC WORKS DEPARTMENT

2.4 Extra expenditure and excess payment to a contractor

The EE, Doimukh PWD, incurred extra expenditure of ₹ 21.78 lakh on purchase of stone metal at higher rates. There was also an excess payment of ₹ 7.59 lakh due to non-deduction of VAT at source as per statutory provisions of the Government

In September 2000, the Superintending Engineer (SE), Public Works Department, Naharlagun Circle, approved the rates of different sizes of stone metal required for road works by the Doimukh Public Works Division under his circle. The rates so approved were inclusive of carriage charges, irrespective of the distance from quarry to worksites, and remained valid throughout the years 2006-07, 2007-08 and 2008-09 as shown below:

Metal Specification	Size	Rate Approved
Gr.-I	90-45 mm	₹ 630/- per cum
Gr.-II	63-45 mm	₹ 650/- per cum
Gr.-III	53.224 mm	₹ 710/- per cum

Test check (November 2009) of records of the Executive Engineer (EE), Doimukh PWD, revealed that on the basis of limited tender, Superintendent Engineer awarded the job (December 2007) of collection and supply of stone metal of different sizes for the work ***'Improvement of Doimukh – Harmoti Road (6 km.)'***, to a local contractor at negotiated rates (Gr.-I: ₹ 874/- per cum; Gr.-II: ₹ 910/- per cum and Gr.-III: ₹ 940/- per cum) at a total cost of ₹ 81.00 lakh. Accordingly, the EE procured 8902 cum of stone metal of various sizes during the period from December 2007 to February 2008 (Gr.-I: 2622 cum @ ₹ 874 per cum; Gr.-II: 3140 cum @ ₹ 910/- and Gr.-III: 3140 cum @ ₹ 940/- per cum) and the total payment of ₹ 81.00 lakh was released to the contractor between February and June 2008.

Further, it was seen that the EE simultaneously procured stone metal of the same specifications during the same period and subsequently also (i.e. during 2007-08 and

2008-09) at the earlier approved rates of September 2000 for the Division. This clearly indicated that the earlier approved rates remained valid till March 2009.

Computed with reference to the approved rates of the Division prescribed earlier (September 2000) by the SE, the Division incurred an extra expenditure of ₹ 21.78 lakh for purchase of stone metal at higher rates in December 2007 through limited tender as detailed below:

Table 2.1

Size	Qty (m^3)	Rate of procure ment (per m^3)	Amount actually paid	Approved rates of the Divn. by SE (per m^3)	Amount payable	Extra Expenditure
IRC Gr.-I (90-45 mm)	2622.16	874/-	22,91,768/-	630/-	16,52,370/-	6,39,398/-
IRC Gr.-II (63-45 mm)	3140.09	910/-	28,57,482/-	650/-	20,41,059/-	8,16,423/-
IRC Gr.-III (53.22.4 mm)	3140.08	940/-	29,51,675/-	750/-	22,29,457/-	7,22,218/-
			81,00,925/-		**59,22,886/-**	**21,78,039/-**

In addition, the Division failed to deduct VAT of ₹ 7.59 lakh (at the rate of 12.5 *per cent* on the bill value after deduction of 25 *per cent* towards labour and service charges from the gross value of the work) as per statutory provisions of the State Government, which led to excess payment of ₹ 7.59 lakh, resulting in extension of undue financial benefit to the contractor.

On this being pointed out, the Division, while accepting the fact, stated that the purchase was made through a tender and as such, no extra expenditure was incurred. But the contention of the Division is not tenable since the earlier approved rates for the Division were still applicable when the purchase was made in 2007-08.

The matter was referred to the Government in August 2010; no reply has been received (October 2011).

RURAL WORKS DEPARTMENT

2.5 Extra expenditure due to change in classification of soil

The Hawai Rural Works Division incurred extra expenditure of ₹ 38.01 lakh by allowing higher rates to a contractor for excavation of 'ordinary rock without using explosives' by way of change in classification of soil to a higher grade as 'hard rock requiring blasting'.

The work ***'Construction of a Road from Hayuliang (Dalai Bridge Point) to Bajigam (0-9.894 km)'*** estimated to cost ₹ 8.57 crore, was administratively approved by the Ministry of Rural Development, GOI under *Pradhan Mantri Gram Sadak Yojana* in March 2008. The estimate provided for survey and investigation, jungle clearance, formation cutting, etc.; In November 2009, the Executive Engineer (EE), Rural Works Division (RWD), Hawai, awarded 'Formation Cutting' work in different classes of soils from chainage 0 to 9.894 km. to a contractor as per tender approved rates with a stipulation to complete the work within 12 months. i.e. by 10.11.2010.

Test check (October 2010) of the records of EE, RWD, Hawai, revealed that the Division paid ₹ 90.23 lakh in March 2010 to the contractor for excavating 35,524.42 cum of earth work in different chainage from 0 to 9.894 km. at rates applicable for excavation of hard rock by utilizing explosives (@ ₹ 254 per cum). Neither explosives (Gelatine, etc,) were issued by the Division to the contractor for excavation of hard rock by blasting nor any certificate regarding issue and use of blasting materials was found to be recorded on the body of the bill and the measurement book, in terms of Rule 25.3 under Section 25 of the CPWD Works Manual. However, it was seen that payment was made to the contractor for 35,524.42 cum at the higher rate of ₹ 254/- per cum, applicable for hard rock, involving blasting. In the absence of any evidence to prove that excavation was done by the use of explosives, the payment made to the contractor at higher rate (₹ 254/- per cum) instead of the rates applicable for excavation without use of explosive (₹ 147/- per cum) was excessive. This has resulted in undue benefit of ₹ 38.01 lakh to the contractor. Collusion between the departmental officials and the contractor could not be ruled out and the matter needs to be investigated.

The matter was referred to the Government in May 2011; no reply has been received (October 2011).

PUBLIC WORKS DEPARTMENT

2.6 Extra expenditure on hire charge of bulldozers

Due to hiring of bulldozers D-50-A12 on hourly basis in contravention of Chief Engineer's approved rate on daily basis, Boleng Public Works Division had incurred an extra expenditure of ₹ 45.37 lakh.

According to Rule 129 (I) (IV) of the GFR and Section 14:1 of the CPWD Works Manual, before the commencement of any work or incurring any liability, there should be competitive bidding and wide publicity. The Chief Engineer (CE) Western Zone approved (October 2006), the hiring of bulldozer D-5-A-15 @ ₹ 8640/- per day or ₹ 2523/- per hour, inclusive of fuel charges in both cases with a maximum of eight working hours per day.

Test check (January 2011) of records of the Executive Engineer, Boleng PW Division, revealed that the Division without following the prescribed procedure, hired bulldozers (September 2009 to March 2010) from two private agencies @ ₹ 3510 and ₹ 4910 per hour for execution of earthwork in the work ***'Improvement and extension of Dosing-Paren-Sine-Yibuk-Legging Road (0-18 km)'.*** Records also indicated that two bulldozers were hired at rates approved by the EE, ignoring the prescribed rate approved by the CE, which was not within the EE's delegated financial powers. The bulldozers were utilized for a total of 1377 hours from September 2009 to March

2010 and ₹ 60.58 lakh was paid as hire charges on an hourly basis as per details given below:

Table 2.2

Name of Contractor	Hire Period	Days	Total days involved	Total hours utilized	Total payment made on hourly basis	Total payment admissible on daily basis	Extra Expenditure
M/s Dono Polo Enterprises	04.09.09 to 30.09.09	27	176	1377	₹ 60.58 lakh	₹ 15.21 lakh	₹ 45.37 lakh
	03.10.09 to 31.10.09	29					
	04.11.09 to 28.11.09	24					
	01.12.09 to 23.12.09	23					
M/s Mibang Service Station	03.01.10 to 30.01.10	28					
	01.02.10 to 26.02.10	26					
	02.03.10 to 20.03.10	19					

(***Source: Departmental Records, vouchers and measurement books).***

The above table shows that the bulldozers were hired almost continuously except for a few days in between. This clearly indicated that the Department could have hired the bulldozers on a daily basis, which was more economical than hourly basis as the nature of the work necessitated the use of bulldozers for a continuous period.

Failure of the EE to exercise simple financial prudence resulted in avoidable extra expenditure of ₹ 45.37 lakh.

On this being pointed out, the Department accepted the fact, but stated (September 2011) that since the Departmental bulldozers were old and under repair, the only option was to hire from private contractors. The reply is irrelevant as it is not the fact of hiring of machinery that has been questioned, but the mode of hiring.

The matter was referred to the Government in July 2011; no reply has been received (October 2011).

2.7 Extra expenditure due to wrong classification of soil

Due to wrong classification of 94,165 cum of ordinary rock in higher grade of hard rock requiring blasting, the Dumporijo Division incurred an extra expenditure of ₹53.59 lakh, besides extending undue financial benefit of ₹56.16 lakh to the contractor owing to non-deduction of VAT at source.

The work ***'Construction of Road from Dumporijo to Hali (45 km)'*** estimated at ₹ 31.76 crore, was administratively approved and financial sanction was accorded by the Government of India (GOI), Ministry of DoNER under NLCPR Project in March 2008, with the stipulation to complete the work by March 2011. The estimate provided for earthwork in formation cutting from Chainage 23 to 38 km, having a formation width of 6 metres.

On execution of the work between Chainage 23 to 34.564 km, the Executive Engineer, Dumporijo P.W. Division incurred an expenditure of ₹ 5.99 crore from March 2009 to June 2010 on account of earthwork in different classes of soil. Of this, an amount of ₹ 2.93 crore was spent on excavation of 1,98,451 cum of hard rock, requiring blasting.

Test check (March 2011) of records further revealed that the Division (March 2009 to May 2010) issued 7300 kg of gelatine to the contractor for excavation of hard rock by blasting. As per standard norms adopted by the State Public Works Department, 0.07 kg of gelatine was required for excavation of one cum of hard rock by blasting. Accordingly, with the 7300 kg of gelatine issued by the Division, the contractor would have excavated a maximum of 104,286 cum of hard rock. However, the Division claimed to have excavated 198,451 cum of hard rock, in which case, the requirement of gelatine would have been 13,892 kg (198,451 x 0.07) as per norms. As only 104,286 cum of hard rock could have been excavated with the 7,300 kg of gelatine issued by the Division, the remaining 94,165 cum payment made to the contractor at enhanced rate is questionable. Undue benefit passed on the contractor on this account works out to ₹ 53.49 lakh.

Thus, in allowing the enhanced rate (₹ 147.60 per cum) to the contractor due to wrong classification of 94,165 cum of ordinary rock as hard rock requiring blasting, the Division had incurred an extra expenditure of ₹ 53.49 lakh.

In addition, the EE, Dumporijo PW Division, also failed to deduct ₹ 56.16 lakh as VAT at source as statutorily required (@ 12.5 *per cent* of the value of the bill after deduction of 25 *per cent* from the gross value of the bill). This amounted to extending undue financial benefit to the contractor in the shape of excess payment to the extent of ₹ 56.16 lakh and resultant loss to the State exchequer.

On this being pointed out, the Divisional Officer stated that there was no wrong classification of rock but less quantity of explosive was used for blasting due to application of an indigenous method, and that the contractor was asked to do the work without claiming higher rates. The contention of the Division is untenable because as per Schedule of Rates 2009, the rate per cum for excavation of hard rock by indigenous/manual methods is almost four times higher (₹ 583.00 per cum) than the rate applicable for hard rock requiring blasting (₹ 147.60 per cum), at which rate no contractor would be willing to execute any work, inviting such huge losses. The Division remained silent on the issue of non-deduction of VAT.

The matter was referred to the government in July 2011; no reply has been received (October 2011).

DEPARTMENT OF SCIENCE AND TECHNOLOGY

2.8 Non-recovery of advance from a contractor

Advance was paid to a Contractor by State Council of Science and Technology without entering into an agreement/MoU and without a bank guarantee or any other form of security, resulting in non-recovery of ₹232.506 lakh and interest of ₹46.50 lakh

State Wide Area Network (SWAN) is one of the core infrastructure projects under Information Technology launched by the Government of India (GOI). Site preparation or points of presence (POPs) are pre-requisites for implementation of the SWAN Project. On the basis of a proposal submitted by the Government of Arunachal Pradesh, the GOI, Ministry of Communications and Information Technology, released a grant of ₹ 815 lakh for preparation of SWAN points of presence (PoPs) in December 2005. Accordingly, the Government of Arunachal Pradesh accorded administrative approval and expenditure sanction of the same amount in March 2007. The estimate provided for site preparation of 117 PoPs, which included civil works like plinth/foundation, pre-fabricated structures, transportation of fabricated structures and their erection, electrical wiring and fittings, air-conditioning, interior decoration, including painting of steel tresses and interior panels, false ceilings, flooring, furniture etc;.

Test check of records of the Director-cum-Member Secretary (DCMS), State Council of Science and Technology, revealed that the work of site preparation of 117 PoPs was awarded directly to a New Delhi-based firm, M/s ICSL, on Work Order basis in March 2007, amounting to ₹ 775.02 lakh, without entering into any Agreement/Memorandum of Understanding (MoU), with the stipulation to complete the work within 270 days from the date of issue of the Work Order, i.e., by December 2007. While awarding the work, the Department did not invite any tenders to ascertain the lowest competitive market rate available, if any, thereby grossly violating provisions of Rule 129 (I) (IV) of the GFRS and Section 14.1 of the CPWD Works Manual.

Scrutiny further revealed that though the firm took up only the preliminary work of survey and investigation, the DCMS paid an advance of ₹ 232.51 lakh in April 2007, being 30 *per cent* of the work value of ₹ 775.02 lakh, without a bank guarantee or any other form of security. Thereafter, the firm did not execute any further work except for a PoP in Itanagar, which was also found to be sub-standard and not according to specifications, as mutually agreed upon. The firm was warned (August 2007) of Departmental action for dilatory tactics and failure to complete proportionate work in proportionate time. Despite this, the firm did not show any progress of work even after a lapse of almost 11 months, and the DCMS was compelled to cancel the work order with effect from 12th February 2008, as per Clause 8 of the terms and conditions of Work Orders, which stipulated that *"failure to execute the work within the stipulated time will lead to cancellation of the work order and the entire amount of advance paid shall have to be paid back to the Government with interest @ 5 per cent per annum".* The firm was asked (February 2008) to refund the advance of ₹ 232.506 lakh along with interest, which worked out to ₹ 46.50 lakh, on the basis of interest for four years. However, the firm did not respond to department request as of October 2011.

Negligence on the part of the Department in granting an advance without any Bank Guarantee or any other form of security, together with not executing any agreement or MoU, the outstanding advance of ₹ 232.506 lakh, along with penal interest of ₹ 46.50 lakh, could not be recovered from the firm even after a lapse of four years from the date of granting the advance in April 2007.

The matter was referred to the Government in June 2011; no reply has been received (October 2011).

PUBLIC WORKS DEPARTMENT

2.9 Execution of a sub-standard work

Utilisation of below the prescribed quantity of material by Doimukh PW Divsion led to execution of sub-standard pavement work valuing ₹ 3.40 crore.

The work '***Itanagar - Jette - Balijan Road***' was originally sanctioned for ₹ 28.52 crore by the North Eastern Council in a phased manner between December 1999 and March 2004. A revised sanction for the entire road (47 km) was accorded by the NEC in September 2006 for an amount of ₹ 40.11 crore. The revised estimate provided for pavement work (soiling, metalling and carpeting) of a 12 km stretch (35th to 47th km) with a formation width of 5.50 metres at a total cost of ₹ 2.96 crore (₹ 24.63 lakh/km), with the stipulation to complete the work within March 2008. To derive the pavement thickness of 25 cm, the following items of work were stipulated:

(1) Two layers with Gr. II metal of size 65-43 mm shall be applied to derive pavement thickness of 15 cm.

(2) One layer with Gr. III metal of size 53-22.4 mm to derive pavement thickness of 7.5 cm.

(3) Premix carpeting will seal coat with stone aggregates of 11.20 mm size along with coarse sand and bitumen shall be applied to derive pavement thickness of 2.5 cm.

Tests check of records (November 2009) revealed that between September 2006 and March 2009, the Division executed pavement work on the 12 km stretch, covering an area of 66,000 sq m, at a total cost of ₹ 3.40 crore, as detailed below:

Table 2.3

Item of Work	Specification	Quantity			Maximum possible Pavement thickness that can be achieved
		Required as per estimate and as per norms	Actually procured and utilized	(+) Excess (-) Less	
	22.50 cm Base Course				
(i) WBM II	Two layers @ 7.5 cm thickness with Gr. II metal of 63.45 mm size	13,200 cum	10,454.374 cum	(-) 2745.636 cum	$\frac{(22.50 \times 16422.33)}{20,394}$ = 18.11 cm
(ii) WBM III	One layer @ 7.5 thickness	5940 cum	4763.189 cum	(-) 1176.811 cum	
(iii) Screening materials	Stone Aggregate with 11.20 mm size	1254 cum	124.960 cum	(-) 49.040 cum	
		20,394 cum	16,422.523 cum	(-) 3971.487 cum	
	2.5 cm Premix carpeting with seal cost				
(i) Stone Aggregate	Stone Aggregate with 11.20 mm size	1980 cum	991.654 cum	(-) 988.346 cum	$\frac{(2.5 \times 1364.0341)}{2475.00}$ = 1.37 cm
(ii) Course Sand		495 cum	372.380 cum	(-) 122.620 cum	
		2475 cum	1364.034 cum	(-) 1110.966 cum	
(iii) Bitumen	80/100	239.58 MT	119.982 MT	119.598 MT	0.52 cm (Added for bitumen)
Total					**20.00 cm**

(Source: Departmental Records, MBs, MAS a/c etc)

From the above, it would be seen that for the base and sub-base course, the total requirement of different sizes of metals was 20,394 cum, against which only 16,422.523 cum was utilized (shortfall of 3971.487 cum). For premix carpeting and seal coat, against the requirement of stone aggregates and sand of 2475 cum, only 1364.034 cum was utilized (shortfall of 1110.966 cum). Bitumen required was 239.580 MT, against which only 119.982 MT was procured and utilized (shortfall of 119.598 MT). With the quantity of material used maximum road thickness that could be achieved is 20 cm resulting in execution of sub-standard work. Thus, the execution of sub-standard work is bound to reduce the life of the road as well as load bearing capacity.

On this being pointed out, the Department while admitting the fact, stated that the materials were used as per requirements. The contention of the Department is not tenable since from the material utilized maximum road thickness that can be achieved is 20 cm.

The matter was referred to the Government in August 2010; no reply has been received (October 2011).

DEPARTMENT OF HEALTH AND FAMILY WELFARE

2.10 Failure to make functional Ayurvedic Pharmacy & Drug Testing Laboratory

Failure on the part of the Department to make an Ayurvedic Pharmacy and Drug Testing laboratory at Naharlagun functional despite spending a huge amount led to idle investment of ₹ 1.73 crore

On the basis of a proposal submitted by the Department of Health and Family Welfare, Government of Arunachal Pradesh, Itanagar, the GOI, Ministry of Health and Family Welfare, Department of AYUSH, New Delhi, sanctioned Grants-in-Aid of ₹ 95.00 lakh in January 2004 for establishment of a Drug Testing Laboratory (*Building – ₹ 25 lakh, Equipment – ₹ 60 lakh and Engagement of Contractual Employees – ₹ 10 lakh*) and ₹ 100 lakh in September 2004 for setting up an Ayurvedic Pharmacy (*Building – ₹ 35 lakh and equipment – ₹ 65 lakh*) at Naharlagun under Centrally Sponsored Scheme (CSS).

Test check (February 2011) of the records of the Director of Health Services, Naharlagun, revealed that the building for the Drug Testing laboratory (DTL) was completed at a total cost of ₹ 21.75 lakh in January 2006. Besides, equipment and machinery worth ₹ 53.47 lakh were procured in Mach 2007, gases and chemicals worth ₹ 2.18 lakh were also procured in March 2008 from an Itanagar-based local firm to run the DTL.

Similarly, construction of the building of the Ayurvedic Pharmacy was completed in January 2006, at a total cost of ₹ 30.70 lakh. The Department also procured machinery and equipment and other consumable items worth ₹ 65 lakh from the same Itanagar-based local firm in March 2008.

It was, however, noticed in audit that the machinery and equipment procured were neither installed nor commissioned even after a lapse of over four years from the date of purchase as both DTL and the Pharmacy was not made functional. Mean time the warranty period of the equipment had expired. The possibility of deterioration in the condition of the equipment and machinery due to prolonged storage, non-utilization and varying weather condition can not be ruled out. On this being pointed out, In-charge, DTL stated (February 2011) that the proposal was mooted for engagement of required manpower to make the DTL and Pharmacy functional. Further, the department in reply (July 2011) stated that because of dismantling of secretariat building for construction of new secretariat building, the State Government had taken a policy decision to accommodate all the secretariat branches of line departments and as a result the office of the Health Branch of Secretariat was accommodated in DTL/Pharmacy Building, which delayed the process of making the Pharmacy functional. It also added that the process is going on to engage required manpower to make the Pharmacy and DTL functional.

The reply has to be viewed in light of the fact that the policy decision of the State Government has denied the intended beneficiaries of health care facilities for which grants-in-aid was provided by the GOI.

EDUCATION DEPARTMENT

2.11 Loss due to excess supply of textbooks

A loss of ₹ 12.55 lakh was incurred due excess supply of books without ascertaining the actual requirement vis-à-vis change in the syllabus

As per the prevailing system, the Director of School Education (DSE), Itanagar, centrally procures textbooks for both Primary and Higher Secondary students of schools run by the State Government. The books are sent to the various Deputy Directors of School Education (DDSEs) of the State through a carriage contractor appointed by the DSE for onward free distribution to students from Class I to Class VIII and to Arunachal Pradesh Schedule Tribes students of Classes IX to XII on payment of 25 *per cent* of the value of the books. Non-tribal students have to pay the full amount for the books.

Data/information on (i) number of students controlled during a particular year and (ii) opening balance of books available were necessary inputs to assess the actual requirement of textbooks required for distribution. Test check of the records revealed that the DDSEs distributed books to different schools under their jurisdiction on *adhoc* basis without ascertaining the actual requirements. Thus, due to non-observance of the norms compounded by the change in syllabus during 2009-10 which was not considered while distributing the books and also procurement of textbooks from private publisher instead from NCERT, resulted in accumulation of 36,293 books valued at ₹ 12.76 lakh. As these textbooks became obsolete, it was disposed off (2009-10) on weight basis and ₹ 0.21 lakh was realised.

Thus, due to improper assessment of actual requirement of books by the DDSEs coupled with the sudden change in syllabus, a loss of ₹ 12.55 lakh (₹ 12.76 lakh – ₹ 0.21 lakh) was incurred.

The matter was reported to the Government in June 2011; no reply has been received (November 2011).

PUBLIC WORKS DEPARTMENT

2.12 Escalation in project cost due to delay in finalization of tender

Delay of over five years in awarding a work resulted in cost escalation of ₹ 23.69 crore on construction of a bridge over River Siang at the Gandhi Bridge site in Upper Siang District

The work ***'Construction of Motorable Suspension Bridge (320 meters span) over River Siang at the site of Gandhi Bridge'*** in Upper Siang District estimated to cost ₹ 25.22 crore, was administratively approved by the Government of India, Ministry of DoNER, in March 2006 under the Non-lapsable Central Pool of Resources (NLCPR), with the stipulation to complete the work by March 2009. The work was to be financed by the Government of India on a 90:10 basis (Central Share 90 *per cent* and State Share 10 *per cent*). The expenditure sanction was accorded simultaneously and as an initiative for work to start within one month from the date of sanction, the DoNER released the first instalment of ₹ 3.78 crore in March 2006 itself.

Scrutiny of records (February 2010) of the Executive Engineer (EE), Yingkiong PW Division, revealed that

- Notice Inviting Bid (NIB) for "Fabrication and Erection of super structure including Tower" as a part of work was floated only in October 2007 i.e 19 months after date of sanction of the project. Only one firm responded to the tender and the technical bid was approved by Chief Engineer (CE). However, the department cancelled (March 2008) the NIB on the ground of insufficient number of bidders as well as high rate. The rate quoted by the firm was ₹ 8.70 crore plus 59 *per cent* cost index, against the estimated cost of ₹ 8.70 crore.

- Second NIB was floated in March 2009 after delay of 12 months of cancelling the earlier bid. However, no response was received even after extension of time.

- NIB was floated third time in August 2009 but only one firm (M/s Damodor Ropeway and Construction Co. Pvt. Ltd. Kolkata) responded. The rate quoted by the firm was ₹ 12.85 crore plus 47.57 *per cent* above the cost put to tender. The CE recommended to the Government (January 2010) that considering the cost escalation of market prices of materials and labour, the rate quoted by the firm was justified. However, the Government rejected the tender on the ground that it was higher, with a direction to go for a shot notice re-tendering within March 2010.

- Accordingly, in March 2010 short notice NIB was floated and the bid of M/s GPT Infra Project Ltd., Kolkata for ₹ 18.28 crore was accepted by the Government with a stipulation to complete the bridge in all respect by 2013.

- While conveying the approval for acceptance of bid submitted by M/s GPT Infra Project Ltd., Kolkata, the State Govt. had directed the department to locate/arrange this amount before entering into the agreement.

- In compliance with the instruction of the State Government, the department submitted (November 2010) a concept paper to Planning Department Government of Arunachal Pradesh in which it had proposed that ₹ 7.77 crore be made available from the Special Plan Assistance/Additional Central Assistance to meet the immediate contractual obligation for super structure of Gandhi Bridge. Also, an additional amount of ₹ 15.92 crore for completion of the works was sought. As per progress report for the quarter ending December 2010 the expenditure of the project was ₹ 14.84 in connection with the approach road, protection of abutment etc.

- Without getting a firm commitment regarding additional fund requirement, an agreement was entered into with the firm for super structure work at ₹ 18.28 crore with schedule date of completion by March 2013.

- Meanwhile, the State Government sent a modified detailed project report to the Ministry of DoNER in June 2010, revising the estimated cost of project to ₹ 48.91 crore for further release of funds. In response DoNER (August 2010) sought clarification/reasons (i) for the increase in the cost by almost 100 *per cent* (ii) why project could not be completed after more than one year of targeted completion despite release of more than 60 *per cent* of the admissible grant etc.

Thus, the decision of the Government in rejecting bids received in response to NIB of October 2007 and August 2009 on the ground of high rate and limited response despite the recommendation of the CE that the rate quoted was justified, resulted in a cost escalation of ₹ 23.69 crore which could have been avoided had the State Government not resorted to rejection of tenders.

The matter was referred to the Government in August 2010; no reply has been received (October 2011).

GENERAL

2.13. 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.

As per the decision taken on "Legislature Audit Interface" held on July 5, 2010, every state PAC/COPU has been directed by the Headquarter to transfer outstanding Reports/ paragraphs up to 2007-08 to the concern departments for follow up action at their end. As such this Office had transferred 144 paragraphs pertaining to the period of 1994-95 to 2007-08 this year, but action taken report from the concerned Departments have not yet been received. However, review of the outstanding explanatory notes on paragraphs included in the Reports of the Comptroller and Auditor General of India for the years from 2008-09 to 2009-10 revealed that the concerned administrative departments were not complying with these instructions. As of March 2011, *suo moto* explanatory notes on 32 paragraphs of these Audit Reports were outstanding from various departments ***(Appendix-2.1)***

The administrative departments are also required to take suitable action on the recommendations made in the PAC Reports presented to the State Legislature. The PAC specified the timeframe for submission of such 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 2011 revealed that none of these Departments sent the ATNs to the Assembly Secretariat as of November 2011. Thus, the status of the recommendations contained in the said reports of the PAC and whether these were being acted upon by the administrative departments could not be ascertained in audit.

2.14. Failure to respond to audit observations

649 paragraphs pertaining to 87 Inspection Reports involving ₹201.00 crore were outstanding as of March 2011. Of these, first replies to 38 Inspection Reports containing 153 paragraphs had not been received.

Accountant General (AG) conducts periodical inspection of Government Departments to test check the transactions and verify maintenance of important accounting and other records as per the prescribed rules and procedures. When important irregularities detected during inspections are not settled on the spot, these are included in the Inspection Reports (IRs) that are issued to the Heads of the Offices inspected, with a copy to the next higher authorities and the Government. The Government instructions provide for prompt response by the executives to the IRs to ensure timely rectificatory action in compliance with the prescribed rules and procedures and to fix responsibility for the serious lapses pointed out in the inspection reports. Serious irregularities are also brought to the notice of the Heads of the Departments by the office of the Accountant General. A half-yearly report of 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 2011, 649 paragraphs relating to 87 IRs pertaining to 72 offices of three Departments remained outstanding. Of these, 20 IRs consisting of 59 paragraphs had not been replied to/settled for more than nine 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 nineteen offices for 153 paragraphs of 38 IRs issued between 1986-87 to 2009-10. As a result, the following serious irregularities commented upon in these IRs had not been settled as of October 2011.

Table 2.3

(₹in lakh)

Sl. No	Nature of Irregularities	Water Resource Dept.		Tourism		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	6.95	-	-
2	Non-observance of rules relating to custody and handling of cash, position and maintenance of Cash Book and Muster Roll	-	-	1	41.90	-	-
3	Delay in recovery / non-recovery of Department receipts, advances and other recoverable charges	3	18.85	1	19.07	7	51.16
4	Drawal of funds in advance of requirements resulting in retention of money in hand for long periods	-	-	3	105.86	-	-
5	For want of D C C bills	-	-	4	51.86	-	-
6	For want of APRs	-	-	-	-	-	-
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.	-	-	-	-	-	-
9	Sanction to write off loans, losses, etc., not received	-	-	1	88.45	-	-
10	Idle investment	17	196.30	6	68.15	19	520.25
11	Excess/Extra expenditure	46	578.79	3	6.63	67	5724.30
12	Others	88	5105.90	8	271.58	380	7295.65
Total		**154**	**5899.84**	**29**	**660.45**	**466**	**13540.20**

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 timely action. It is recommended that the Government look into this matter and ensure that (a) action is taken against the officials who fail to send replies to IRs/audit paragraphs as per the prescribed time schedule, (b) action is initiated to recover losses/outstanding advances/overpayments pointed out in audit in a time bound manner and (c) there is a proper system for expeditious compliance with audit observations.

2.15. Position of Audit Committee Meetings

No audit committee meeting was held during 2010-11.