

CHAPTER– II
ECONOMIC SECTOR

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2.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2016 deals with the Audit findings of State Government units under the Economic Sector.

During 2015-16, total budget allocation of the State Government under the Economic Sector (other than Public Sector Undertakings) was ₹ 4081.53 crore, against which the actual expenditure was ₹ 3297.08 crore. Details of Department-wise budget allocation and expenditure are given in the following table.

Table- 2.1.1

(₹ in crore)

SL.No.	Department	Total Budget Allocation	Expenditure
1	Industries	79.91	49.26
2	Textile & Handicrafts	35.30	33.76
3	Tourism	71.78	35.81
4	Rural Development	377.89	231.33
5	Co-operation	23.84	23.39
6	Agriculture	181.62	144.46
7	Horticulture	168.27	56.74
8	Animal Husbandry	154.16	99.94
9	Fisheries	28.37	62.70
10	Research	18.22	12.22
11	Science & Technology	8.11	6.04
12	Public Works	483.89	473.19
13	North Eastern Areas	103.75	76.57
14	Environment & Forests	313.62	225.70
15	Transport	122.65	103.18
16	Power	693.74	597.03
17	Water Resources	530.82	296.78
18	Geology & Mining	15.79	14.70
19	Rural Works	669.80	754.28
Total		4081.53	3297.08

(Source: Appropriation Accounts 2015-16)

2.1.1 Planning and Conduct of Audit

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

Audits were conducted in 49 units involving expenditure of the State Government amounting to ₹ 1,748.03 crore under the Economic Sector.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the Heads of Departments. The Departments are requested to furnish replies to

the audit findings within one month of receipt of Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations arising out of Inspection Reports are processed for inclusion in the Audit Report, which is submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of legislature.

Major findings detected in Audit during 2015-16 pertaining to the Economic Sector (other than Public Sector Undertakings), are discussed in subsequent paragraphs of this Chapter. The chapter of Audit Report contains *four Compliance Audit Paragraphs*.

Compliance Audit Paragraph

Water Resources Department

2.2 Unfruitful expenditure.

An expenditure of ₹ 92.78 lakh incurred by Executive Engineer, Water Resources Division, Deomali, on construction of Water Harvesting Reservoirs remained unfruitful due to improper selection of site as it failed to meet the intended objectives of providing irrigation for agricultural activity. Besides, ₹ 22.60 lakh was paid to the contractor without execution of work (Recharge Pits and Fencing).

Government of Arunachal Pradesh accorded (January 2015) administrative approval and expenditure sanction for ₹ 199.00 lakh for “*Construction of Rain Water Harvesting Structure to improve Water Sources in different villages under Deomali Sub-Division*” under Special Plan Assistance (SPA) Scheme 2013-14. The objective of the scheme was to improve water availability during the lean period for drinking as well as for irrigation purpose by constructing water harvesting structures in four villages, namely, Notun Kheti village, New Lamlo village, Sipini village and Turet village. The Superintending Engineer, Water Resource Circle, Namsai accorded (January 2015) technical sanction for ₹ 194.00 lakh. Executive Engineer (EE), WRD, Deomali awarded the work on 23 February 2015 to a local contractor (M/s ATWA Enterprises) after tender at a cost of ₹ 186.27 lakh.

The scope of work included construction of three structures as indicated in the following table:

Table 2.2.1

(₹ in lakh)

Sl. No.	Item of work	Rate	Total Amount
(i)	Installation of 12 of Roof top water harvesting (three each in four villages)	5.86	70.32
(ii)	Recharge Pits and Fencing chain link for 12 Roof top water harvesting	1.93	23.17
(iii)	Construction of three Rain Water Harvesting Reservoir one in each three village (Notun Kheti village, New Lamlo village and Sipini village)		92.78
Total			186.27

The work commenced on 25 February 2015 and was reported as completed within 20 days (16 March 2015). ₹ 185.70 lakh was paid to the contractor for execution of work.

Audit during joint physical verification with departmental official (December 2015) at four locations in two villages, (Notun Kheti Village and New Lamlo Village), noticed that Roof top Water Harvesting Tanks constructed were without the Recharge Pits and Fencing.



Tanks without Recharge Pits and Fencing at New Lamlo Village



Tanks without Recharge Pits and Fencing at Notun Khheti Village

Thus, the contractor was paid ₹ 11.58 lakh for this item of work though the work had not been executed and this resulted in undue benefit to the contractor. Similar non execution of work (valued at ₹ 11.02 lakh) in other two villages where the same contractor had carried out the construction cannot be ruled out.

Besides, an amount of ₹ 92.78 lakh was paid for construction of one rain water harvesting reservoir in each of the three villages (Notun Kheti Village, New Lamlo Village and Sipini village). During joint physical verification (December 2015) in two out of three villages, it was observed that these structure were not providing water supply/irrigation facility and no agricultural activities were found in and around the areas.



Earthen Reservoirs at New Lamlo Village

Earthen Reservoir at Notun Kheti Village

Thus, the entire expenditure of ₹ 92.78 lakh incurred on construction of Water Harvesting Reservoirs meant for irrigation purpose failed to achieve the intended objective due to absence of agricultural activity at the sites.

In reply (August 2016) the Department stated that the 12 recharge pit with fencing were constructed. However, since these recharge pits are not like other civil structures, projecting above ground surface the audit team might not have noticed during their visit. Also, the villagers removed the fencing due to difficulty in tapping water from the tank, but the fencing materials were kept secured in respective villages and schools. Further, while accepting audit observations, the Department stated that at the time of visit during joint inspection, there was no developed agricultural field near earthen water reservoir but development of agricultural plot would be taken up during the current financial year 2016-17.

The reply is not acceptable as there was no evidence of digging of soil or any other sign for construction of recharge pit and fencing around the water tanks. The departmental officer had also not able to locate these pits. Moreover, the purpose of construction of water reservoirs was to provide better irrigation in lean period. In the surrounding topography where these earthen reservoirs were constructed there was no agricultural land. The Department should have conducted proper survey and explored the feasibility of development of agricultural land before taking up the work of construction of water reservoirs.

Public Works Department

2.3 Excess payment on hiring charges of Bulldozer.

Due to hiring of Bulldozer at a rate higher than the approved rate, Executive Engineer, Daporijo Division, PWD made an excess payment of ₹ 58.32 lakh.

As per the Arunachal Pradesh Schedule of Rate (APSoR) 2012 for Roads and Bridges works under PWD of Arunachal Pradesh, Chief Engineer (CE), PWD Central Zone B notified (2012) the rate for the hiring of Bulldozer D-80 A-12 at ₹ 3615/- per hour.

Scrutiny of records (November 2015) of the Executive Engineer (EE), Daporijo, PWD Division revealed that during the period between April 2014 and November 2014 Bulldozer D-80 A-12 was hired by the Division from a private firm at a rate of ₹ 4521/- per hour as fixed by the Superintending Engineer, Basar Circle (September 2014) instead of the notified rate of ₹ 3615/- per hour as per APSoR 2012.

Audit observed that the EE, Daporijo, PWD Division hired the Bulldozer for a total of 6,437 hour during April 2014 to November 2014 and incurred an expenditure of ₹ 295.50 lakh instead of ₹ 237.18 lakh which would have been incurred had the approved rate of ₹ 3615/- per hour been followed. This resulted in excess payment of ₹ 58.32 lakh while hiring the machinery as per details given below:

Table 2.3.1

(₹ in lakh)

Hire Period	Total hours utilized	Rate allowed (in ₹)	Total Payment	Rate as per APSOR 2012 (in ₹)	Total payment as per approved rate	Extra Expenditure
01/04/14 to 09/11/14	6437	4521	295.50	3615	237.18	58.32

In reply, the Department stated (August 2016) that rates were adopted as per analysis of rates after taking quotations from various local agencies for the interior roads works which was subsequently approved by the Superintending Engineer, Basar Circle.

The reply of the Department is not acceptable as rates adopted for hiring of Bulldozer D-80 A-12 by the EE, Daporijo, PWD Division was not in accordance with the rate notified as per APSOR 2012 which was applicable for all the divisions under the zone.

Thus, the failure of the Division to follow the notified rates resulted in excess payment of ₹ 58.32 lakh.

2.4 Doubtful Expenditure

Expenditure of ₹ 147.95 lakh incurred on construction of 15 cross drainages and three slab culvert was doubtful. Besides, an expenditure of ₹ 99.41 lakh was incurred on formation cutting and slip clearance without sanction of the competent authority.

Ministry of Development of North Eastern Region (DoNER) sanctioned (December 2010) work of “Construction of road from Janam to Okhaosum-19.00 km” under Non Lapsable Central Pool Resource (NLCPR) at an estimated cost of ₹ 10.86 crore. The work was to be completed by December 2013. The work was technically sanctioned by Chief Engineer (East Zone) in September 2011 and ₹ 10.36 crore was released for the work.

Scrutiny of records (January 2016) of the Executive Engineer, Longding Division revealed that the work commenced in December 2010 even before the technical sanction. As per the Progress Report (March 2015), the work was shown as completed in February 2015 in all respects after incurring an expenditure of ₹ 10.36 crore.

Audit of records indicated the following:

- The estimates provided ‘formation cutting’¹ of 19.00 km at an estimated cost of ₹ 412.67 lakh. However, as per measurement book formation cutting of only 14.00 km at different chainages at the cost of ₹ 341.45 lakh was executed by two contractors² (through 89 work orders). Formation cutting of remaining 5.00 km at the different chainages estimated to cost ₹ 1.09 crore (on proportionate basis)³ was not executed.

Further, as per estimates, expenditure on formation cutting of 14 Km should have been ₹ 304.07 lakh, but actually the Department had incurred ₹ 341.45 lakh on its execution. Thus, there was excess expenditure of ₹ 37.38 lakh in deviation of the approved estimate.

¹ Cutting of soil/rock from a hill or mountain to make way for construction of road.

² M/s Lovely Enterprises and Shri Golem Pansa.

³ ₹ 4.13 crore/19.00 km x 5.00 km = ₹ 1.09 crore.

- Expenditure of ₹ 62.03 lakh was incurred towards 'slip clearance' which was in deviation of approved estimate.
- Construction of 74 cross drainages⁴ were awarded to M/s P.S.K Enterprises, Kanubari at a tender value of ₹ 529.53 lakh in February 2012. The work was shown as completed in March 2015 and ₹ 529.46 lakh was paid to the contractor. However, the measurement book showed that out of 74 cross drainages, 15 cross drainages (cost of ₹ 1.28 crore) were located at chainages where no formation cutting was executed.

Thus, expenditure of ₹ 1.28 crore stated to have been incurred on construction of 15 cross drainage works was doubtful as construction of cross drainage before formation cutting was not feasible.

- An expenditure of ₹ 19.23 lakh was incurred on construction of three slab culverts⁵ at three chainages⁶ on work order through three local contractors, between December 2010 and February 2011, even before the formation cutting in those chainages was done (December 2011).

Thus, the expenditure of ₹ 19.23 lakh stated to have been incurred on construction of three slab culverts was doubtful as construction of slab culverts could not be carried out before formation cutting.

Thus, an expenditure of ₹ 99.41 lakh (₹ 37.38 lakh on formation cutting and ₹ 62.03 lakh for slip clearance) was incurred without sanction of the competent authority. Further, expenditure of ₹ 147.95 lakh (₹ 128.72 lakh for 15 cross drainages and ₹ 19.23 lakh for three slab culverts) was doubtful. In view of the observation made from divisional records it is unlikely that the construction of the road from Janam to Okhaosum was complete as claimed in the progress report.

The matter was reported to the Department/Government (July 2016); reply is still awaited (February 2017).

2.5 Unfruitful expenditure

Construction of RCC Bridge over River Singking remained incomplete for more than seven years, due to diversion of ₹ 154.63 lakh, rendering the expenditure of ₹ 2.45 crore incurred so far on its construction unfruitful.

Rule 26 (ii) of GFR requires that a controlling officer may ensure that funds placed at his disposal should be spent for the purpose it was provided. As per Para 2.3.4 of CPWD Manual, material deviations that significantly alter the scope of work from the original sanction should not be made without the approval of the authority that accorded administrative approval to the work.

⁴ Cross drainage is a structure generally that allows water to flow under a road from one side to the other side.

⁵ A culvert is a structure that allows water to flow under a road, from one side to the other side.

⁶ Chainages 17010, 17800 & 3505.

Project ‘Construction of 10 Bridges of Dambuk Paglam Road’ was funded by Department of Road Transport and Highways, GoI at a cost of ₹ 1447.11 lakh which aimed at providing connectivity between Dambuk and Paglam for availing medical facilities and essential service with towns in Assam. ‘Construction of RCC Bridge (2x40 metre) over river Singking’ on Dambuk-Paglam Road was part of this project. After incurring an expenditure of ₹ 1447.11 lakh as on June 2014, nine bridges had been completed except one bridge over Singking river, which remained incomplete.

Scrutiny of records (August 2015) of Executive Engineer (EE), PWD, Roing revealed that the work of ‘Construction of RCC Bridge (2x40 metre) over river Singking’ was awarded (November 2008) to M/s M. M Projects, Itanagar at a cost of ₹ 399.98 lakh with stipulation to complete the work by June 2010. The work commenced in December 2008 and construction of well foundation and sub-structure was completed. No further work was carried out since June 2014 and ₹ 154.63 lakh sanctioned for the bridge was diverted for the construction of two other bridges. An expenditure of ₹ 245.35 lakh was incurred on execution of well foundation and sub-structure remained unfruitful and blocked due to diversion of ₹ 154.63 lakh.

In reply (June 2016), the Department stated to complete the bridge by constructing superstructure (Steel Girder composite bridge) and embankment of approach road, a proposal of ₹ 4.10 crore was made during 2014-15 under Rural Infrastructure Development Fund-XX (RIDF-XX) with the approval of the State Government, but the amount was yet to be sanctioned. As the work remained incomplete connectivity from Dambuk to Paglam as envisaged in the project also remained unachieved (June 2016) and expenditure incurred of ₹ 245.35 lakh was unfruitful.

