

# **CHAPTER – II**

## **ECONOMIC SECTOR**

## CHAPTER - II: ECONOMIC SECTOR

### 2.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2017 deals with the audit findings of State Government departments under the Economic Sector.

During 2016-17, total budget allocation of the State Government under the Economic Sector (other than Public Sector Undertakings) was ₹ 4,596.98 crore, against which the actual expenditure was ₹ 3,373.99 crore. Details of Department-wise budget allocation and expenditure there against is given in the table below:

**Table: 2.1.1**

(₹ in crore)

Sl. No.	Department	Total Budget Allocation	Expenditure	Col. 3 as percentage of Col. 2
	(1)	(2)	(3)	(4)
1	Industries	73.88	44.60	60
2	Textile & Handicrafts	44.57	40.88	92
3	Tourism	122.08	84.32	69
4	Rural Development	395.65	376.73	95
5	Co-operation	37.23	27.55	74
6	Agriculture	181.90	164.89	91
7	Horticulture	145.60	91.39	63
8	Animal Husbandry	168.61	112.01	66
9	Fisheries	24.50	41.77	170
10	Research	19.81	10.53	53
11	Science & Technology	9.54	9.51	100
12	Public Works	510.24	314.60	62
13	North Eastern Areas	94.38	77.49	82
14	Environment & Forests	281.43	233.78	83
15	Transport	130.18	117.61	90
16	Power	1,084.91	882.93	81
17	Water Resources	407.84	262.51	64
18	Geology & Mining	23.85	14.69	62
19	Rural Works	840.78	466.20	55
<b>Total</b>		<b>4,596.98</b>	<b>3,373.99</b>	<b>73</b>

(Source: Appropriation Accounts 2016-17)

It will be seen that:

- only 73 per cent of the total budgetary allocation in 2016-17 under the Economic Sector was utilized during the year;
- the expenditure in 18 out of the 19 departments of the GoAP under this Sector was less than their respective budgetary allocations for the year; and
- the exception was Fisheries Department whose expenditure during the year exceeded its budgetary allocation by 70 per cent.

### **2.1.1 Planning and Conduct of Audit**

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

After completion of audit of each office, Inspection Reports containing audit findings are issued to the Heads of departments/offices with the request that replies to the audit findings be furnished within a month of receipt of the 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 being tabled in the State Legislature.

During 2016-17, audit was conducted in 52 offices of the 19 departments of the GoAP under the Economic Sector covering an expenditure of ₹ 4,698.66 crore (including expenditure of earlier years).

Major findings detected in Audit during 2016-17 pertaining to the Economic Sector (other than Public Sector Undertakings), are discussed in subsequent paragraphs of this chapter. This chapter of the Audit Report contains five Compliance Audit Paragraphs.

## **Compliance Audits**

### **Water Resource Department**

## **2.2 Accelerated Irrigation Benefits Programme**

### **2.2.1 Introduction**

The Accelerated Irrigation Benefits Programme (AIBP) was launched by the Ministry of Water Resources (MoWR), Government of India (GoI) during 1996-97 to provide financial assistance to the States for accelerating the implementation of on-going irrigation projects on which substantial investment had already been made but which were beyond the resource capability of the State Governments to complete. The AIBP initially covered only major and medium irrigation projects, but was later extended to minor irrigation projects from 1999-2000. In the case of Special Category States, central assistance under the AIBP was 90 *per cent* of the project cost and the States were to contribute the remaining 10 *per cent*. In Arunachal Pradesh, 315 minor irrigation projects (MIPs) under the AIBP were taken up during 2012-13 to 2016-17 at an estimated cost of ₹ 230.72 crore.

### **2.2.2 Organisational Setup**

The Water Resource Department (WRD), GoAP is the nodal department for implementing the AIBP in Arunachal Pradesh. The Secretary, WRD is the administrative head of the Department and he is assisted by two Chief Engineers (CEs) in charge of Eastern and Western Zones. The CE (Western Zone) is the nodal officer for implementation of projects under the AIBP in the State. In addition, the WRD has four Superintending Engineers supervising the works executed under the AIBP across the State by 15 Executive Engineers (EEs) at the divisional level.

### 2.2.3 Audit Objective

The objectives of the Compliance Audit on the AIBP were to assess whether:

- planning was carried out as per the guidelines;
- funds were released and utilised in a timely manner and projects were executed in an economic, efficient and effective manner; and
- monitoring and evaluation system were in place and effective.

### 2.2.4 Audit Criteria

The Audit findings were benchmarked against the following audit criteria:

- AIBP Guidelines issued by GoI.
- Guidelines issued by Central Water Commission (CWC) for preparation of Detailed Project Reports.
- Central Public Works Manual (adopted by GoAP).
- Related circulars/instructions issued by the MoWR and CWC.

### 2.2.5 Audit Scope and Methodology

Compliance Audit (CA) of the AIBP covering the period 2012-13 to 2016-17 was carried out during April to September 2017. The scope of the CA encompassed:

- scrutiny of records of the office of the CE (Western Zone), WRD;
- scrutiny of records of seven<sup>1</sup> WRD divisional offices headed by EEs (out of a total of 15 WRD divisional offices under the Department) selected through Probability Proportional to Size Without Replacement (PPSWOR) method with size measure as expenditure incurred under the AIBP during the 2012-17;
- examination of records of 56 MIPs<sup>2</sup> (comprising of 315 completed sub-MIPs and 315 ongoing sub-MIPs) costing ₹ 50.34 crore executed by the seven selected WRD divisional offices – these 56 selected MIPs (details given in **Appendix 2.2.1**) were selected through PPSWOR method with size measure as expenditure;
- out of the 630 sub-MIPs in the selected 56 MIPs, 136 sub-MIPs (68 completed sub-MIPs and 68 ongoing sub-MIPs) were also jointly inspected by departmental and audit officials.

An Entry conference (4 April 2017) was held with the Secretary, WRD and officials of the Department wherein the audit objectives, scope of audit and audit methodology were discussed. The draft CA report was issued to the Department on 17 October 2017. Audit findings were also discussed with officers of the Department in an Exit Conference held on 22 November 2017 and their views and responses have been suitably incorporated in this Report.

<sup>1</sup> Itanagar, Seppa, Bomdila, Yingkoing, Pasighat, Tezu and Roing WRD divisional offices.

<sup>2</sup> Out of a total of 315 MIPs costing ₹ 230.72 crore taken up under the AIBP in the State during 2012-13 to 2016-17 ( 92 MIPs costing ₹ 82.63 crore were sanctioned prior to 2012-13; 223 MIPs costing ₹ 148.09 crore were sanctioned during 2012-13 to 2016-17).

## Audit Findings

The findings of the audit are discussed in the succeeding paragraphs.

### 2.2.6 An overview of target and achievement of schemes

During the period covered by this CA (2012-13 to 2016-17), a total of 315 MIPs comprising 2775 sub-MIPs under the AIBP were taken up at an estimated cost of ₹ 230.72 crore. 92 of these MIPs (estimated cost ₹ 82.63 crore) comprising 332 sub-MIPs were sanctioned during 2011-12 and the remaining 223 MIPs (estimated cost ₹ 148.09 crore) comprising 2443 sub-MIPs were sanctioned during the period covered by this CA.

As on 31 March 2017, out of the total of 315 MIPs, 185 MIPs had been completed and 130 MIPs sanctioned by MoWR, GoI in December 2014 were still ongoing. The position, as on 31 March 2017, of irrigation potential (IP) targeted and actually created through the completed/ongoing 315 MIPs is given below:

**Table: 2.2.1**

(₹ in crore)

Month/Year of sanction by GoI	No. of MIPs sanctioned	Estimated Cost	Irrigation Potential target (hectares)	Irrigation Potential created (hectares)	Expenditure incurred	Month/Year of completion
December 2011	92	82.63	7,735	7,704	82.63	March 2014
November 2013	93	77.49	7,577	7,577	77.49	December 2015
December 2014	130	70.60	3,940	2,640	47.80	Ongoing
<b>Total</b>	<b>315</b>	<b>230.72</b>	<b>19,252</b>	<b>17,921</b>	<b>207.92</b>	

(Source: Departmental figure)

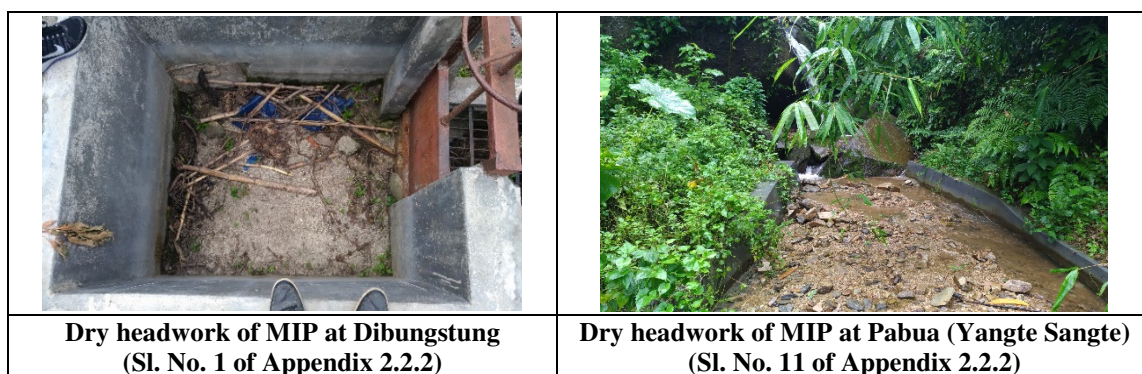
It can be seen from above that against the target of 19,252 hectares of IP envisaged to be created through the 315 MIPs, 17,921 hectares (93 per cent) of IP had so far been created as of March 2017 at a cost of ₹ 207.92 crore.

Although called for by Audit, the Department did not furnish any data as to how much of the IP created was actually being utilized.

#### 2.2.6.1 Survey and investigation

It was observed that joint surveys were carried out by the WRD along with the State's Agriculture Department to identify perennial streams/sources of water to be tapped for the proposed MIPs/sub-MIPs for the purpose of providing year round irrigation to enable double cropping in the targeted Cultivable Command Areas (CCAs).

Joint inspection by departmental and audit officials was carried out during May - August 2017 (rainy season) of 68 completed sub-MIPs and 68 ongoing sub-MIPs. The inspection revealed that there was insufficient or no water at source and headworks were found dry in 16 MIPs, comprising of 10 completed MIPs (13 sub MIPs) and 6 ongoing MIPs (11 sub-MIPs) which were constructed at a cost of ₹179.86 lakh. The 24 sub-MIPs covered a CCA of 141 hectares. The details are given in **Appendix 2.2.2**.



The Department stated (December 2017) that global warming, climate change and its impact on water sources is predominant, as such the source streams have dried up.

The reply only underscores the need for the Department to update its operating procedure for conducting field surveys for identifying water sources for irrigation schemes to take into account sustainability and local environmental issues and to leverage latest technological developments (satellite imagery, GIS, ground radar maps, etc.) in the survey process. This would reduce the mortality rate of irrigation schemes.

## 2.2.7 Financial Management

### 2.2.7.1 Shortfall in release of Funds

The position of release of funds by the GoI and GoAP against the 315 MIPs taken up under the AIBP was as under:

**Table: 2.2.2**

*(₹ in crore)*

Year of sanction	No of MIPs	GoI Share due (90 per cent of approved cost)	GoAP Share due (10 per cent approved cost)	Total GoI share released	Total GoAP share released	Shortfall in release
2011-12	92	74.36	8.27	74.37	8.26	0
2013-14	93	69.74	7.75	69.74	7.75	0
2014-15	130	63.54	7.06	43.02	4.78	22.80
<b>Total</b>	<b>315</b>	<b>207.64</b>	<b>23.08</b>	<b>187.13</b>	<b>20.79</b>	<b>22.80</b>

*(Source: Departmental Records)*

As of March 2017, the GoI was yet to release its share of ₹ 20.51 crore and the GoAP its share of ₹ 2.29 crore which was due against the tranche of 130 MIPs sanctioned under the AIBP in 2014-15. The Department on its part had not taken up this matter with MoWR, GoI or the Finance Department, GoAP.

It was also observed that against the central share release of ₹ 187.13 crore, the Department had submitted Utilisation Certificates for ₹ 112.76 crore to the MoWR, GoI. Utilisation Certificates for the balance of ₹ 74.37 crore were yet to be submitted, reasons for which were not on record.

### 2.2.7.2 Delay in release of Central Share by the State Government

As per the AIBP Guidelines, the Central assistance along with State share should be released by the State Government to the project authorities/executing agency within 15 days of receipt of the Central share from GoI.

The position of release of Central share of AIBP funds by the State's Finance Department to the WRD, GoAP was as under:

**Table: 2.2.3**

Year	Date of release of CA* by GoI	Amount (₹ in crore)	Date of release of CA by State Govt.	Delay beyond 15 days
2012-13	09.05.12	11.16	08.01.13	228
	06.03.13	43.51	25.03.13	3
2013-14	27.12.13	9.85	22.03.14	69
	28.02.14	9.85	12.02.14	0
	21.02.14	20.15	22.03.14	14
	28.03.14	20.15	20.08.14	129
2014-15	11.12.14	14.72	11.03.16	440
2015-16	12.10.15	14.72	19.01.16	83
2015-16	18.03.16	22.50	22.12.16	263
2016-17	04.08.16	20.52	18.01.17	151
<b>Total</b>		<b>187.13</b>		

(Source: Departmental Records); \*CA: Central Assistance

It will be seen that while there was no delay in the release of the Central share by the State's Finance Department to WRD in one instance during February 2014, in all other cases there were delays in release of the Central Share by the Finance Department. The delay ranged from 3 to 440 days during 2012-13 to 2016-17. However, the reasons for such delays were not on record.

### 2.2.7.3 Diversion of funds

Audit noticed cases of diversion of AIBP funds in 16 out of the 56 sampled MIPs test checked. The details are given below:

**Table: 2.2.4**

(₹ in lakh)

Sl. No.	Name of the MIP	Approved Cost	Expenditure incurred	Amount diverted	Purpose of diversion
1	Construction of Cluster of MIP scheme under Toru	70.00	47.70	2.81	Maintenance of existing MIPs
2	Construction of Cluster of MIP at Kirchung, Augolock etc.	135.00	135.80	12.84	Maintenance of existing MIPs
3	Construction of Pipe Irrigation at Rupa and adjacent areas	427.00	427.00	37.07	Maintenance of existing MIPs
4	Construction of Cluster of MIPs under Bomdila Sub Div (Nafra Section)	80.00	54.16	1.80	Maintenance of existing MIPs
5	Cluster of MIPs under Bomdila Sub Division (Dirang Section)	81.00	54.84	4.00	Maintenance of existing MIPs
6	Construction of cluster of under Singchung Sub Division (Bhalukpong Section)	58.00	39.27	4.81	Maintenance of existing MIPs
7	Cluster of MIP under Singchung Sub division (Kalaktang Section)	53.13	35.97	4.28	Maintenance of existing MIPs
8	Cluster of MIP under Singchung Sub Div (Rupa Section)	50.00	33.86	1.80	Maintenance of existing MIPs
9	Cluster of MIP scheme under Magong, Rotgong, etc (Boleng Circle)	48.50	32.84	18.81	Maintenance of various MIPs
10	Cluster of MIP schemes under Upper Lego Banggo, Pasighat sub div	45.00	30.47	28.05	Maintenance of various MIPs



Sl. No.	Name of the MIP	Approved Cost	Expenditure incurred	Amount diverted	Purpose of diversion
11	Cluster of MIP scheme under Magong, Rotgong etc., (Pangin Circle)	58.50	39.61	14.56	Diverted to other works
12	Cluster of MIP scheme under Boleng sub division	180.00	138.20	69.61	Maintenance of existing MIPs
13	Cluster of MI schemes under Tuting Sub-Division	109.00	89.00	13.16	Maintenance of existing MIPs
14	Cluster of MIP/MIC at Roing HQ section	69.00	69.00	3.23	Maintenance of existing MIPs
15	Cluster of MIPs under WR Division Roing (HQ section)	85.00	57.55	2.48	Diverted to flood control works
16	MIP at Batcamp	40.00	40.00	4.77	Diverted to flood control works
<b>Total</b>		<b>1,589.13</b>	<b>1,325.27</b>	<b>224.08</b>	

(Source: Departmental Records)

It can be seen from the above that out of the total approved cost of ₹ 1,589.13 lakh sanctioned for 16 new MIPs for creation of CCA of 1,112.50 hectares, expenditure of ₹1,325.27 lakh was incurred up to 31 March 2017. However, ₹ 224.08 lakh (17 per cent of the total expenditure) was diverted for maintenance of existing MIPs and for other works not related to AIBP which resulted in non-creation of CCA of 189.13 hectares as originally envisaged against these MIPs.

The Department stated (December 2017) that the point has been noted for future corrective measures.

Audit recommends that the Department approach the MoWR to approve/regularise the diverted expenditure of ₹ 224.08 lakh.

It may be noted that this audit finding has been noticed during joint inspection of 56 MIPs only.

The State Government may identify similar cases in the remaining MIPs being executed in the State and take necessary corrective action.

#### **2.2.7.4 Award of works without tendering**

Rule 129(vi), Rule 132(iv), (v), (vi), Rule 150 and Rule 151 of General Financial Rules (GFR) stipulate that no work shall commence without inviting tenders and there should be a formal execution of agreement with the contractors/suppliers for works costing ₹5.00 lakh and above.

Test check of records covering the period 2012-17 of the seven WRD divisional offices covered under this CA revealed that the divisional officers awarded works related to 342 sub-MIPs (each costing ₹ 5.00 lakh to ₹ 129.44 lakh) for ₹ 35.63 crore to various local contractors without inviting tenders. Division-wise details are given in the table below:



Table: 2.2.5

				(₹ in lakh)
Sl. No.	WRD Division	No of projects	No of sub MIPs	Value of works
1	Itanagar	8	36	445.44
2	Bomdila	8	49	779.74
3	Seppa	5	62	374.25
4	Pasighat	5	64	382.00
5	Yingkiong	6	42	308.46
6	Roing	10	81	822.81
7	Tezu	8	8	450.00
	<b>Total</b>	<b>50</b>	<b>342</b>	<b>3,562.70</b>

(Source: Departmental Records)

Audit further observed that formal agreements were not executed in any of the above works allotted to local contractors to safeguard the interest of Government.

Awarding of works without inviting tenders and absence of formal agreements was a serious violation of the provisions of the GFR. This situation was further exacerbated by the fact that the violation appeared widespread as it was found in all the seven WRD divisional offices test checked by Audit. Since the tender procedure was not followed, competitive pricing and transparency was not ensured in the award of these works.

Audit recommends that the Department ascertain the position in the remaining eight WRD divisional offices and fix responsibility for the breach of codal provisions.

### Project Implementation

Audit findings based on scrutiny of records of 56 MIPs and joint inspections of 136 completed/ongoing sub-MIPs are discussed in the succeeding paragraphs:

#### 2.2.7.5 Projects sanctioned in deviation of AIBP Guidelines

As per the AIBP Guidelines, surface MIPs would be eligible for funding provided that:

- group of schemes (within a radius of 5 kms) should have CCA of at least 20 hectares;
- development cost per hectare should be less than ₹ 2.50 lakh;
- repair and renovation work not to be considered; and
- lift irrigation projects not to be covered.

Audit scrutiny revealed that 21 MIPs did not fulfil the above eligibility criteria as discussed below:

(i) 15 MIPs (approved cost ₹ 1,607.78 lakh) comprising clusters of 291 sub-MIPs were located up to 50 kms<sup>3</sup> away from each other as against the prescribed 5 kms radius. These sub-MIPs were located at different villages and were merely clustered together to meet the minimum 20 hectares specified in the AIBP Guidelines for obtaining GoI funding. The above observation was ascertained by the audit from maps of the 15 MIPs

<sup>3</sup> Ascertained by Audit from maps of the 15 MIPs furnished by the Department and also during joint inspection

furnished by the department and also during joint inspection. Details are given in **Appendix 2.2.3.**

(ii) Two lift irrigation projects with electric submersible pumps, comprising of MIP at Telluliang (Lohit District) and MIP at Deobeel (Lohit District) with an approved cost of ₹ 89.00 lakh were not eligible for funding under the AIBP.

(iii) Four MIPs involving six sub-MIPs were for repair and renovation works of existing sub-MIPs (approved cost ₹ 40.29 lakh) and hence not eligible for funding under the AIBP. Details are given in **Appendix 2.2.4.**

In sum, an amount of ₹ 1,737.07 lakh was incurred on 21 MIPs which did not qualify for funding under the AIBP Guidelines.

### 2.2.7.6 Vital components not constructed

During scrutiny of records and in the course of joint inspection, it was observed that essential components of irrigation infrastructure were not constructed in the following 12 MIPs although the cost estimates of these MIPs provided for these components. Further, despite these components not being constructed and hence ought to have led to some cost savings, the entire approved outlays against these MIPs was spent. The details are given below:

**Table: 2.2.6**

Sl. No.	Name of MIP	No. of sub-MIPs	Estimated Cost (₹ in lakh)	Total CCA* to be covered (hectares)	CCA* actually covered (hectares)	CCA* affected or not covered (hectares)	Estimated cost of the affected sub- MIPs (₹ in lakh)	Remarks
1	Cluster of MIP Schemes under Boleng Sub Division	30	180.00	120	0	120	180	Headworks costing ₹53.82 lakh not constructed in all 30 sub-MIPs.
2	Cluster of MIPs under Boleng Sub Division (Panging Circle)	22	58.50	29.25	10.75	18.50	36.50	Headwork, CC Channels and Tanks were not provided and constructed in 16 sub MIPs. Only Earthen Channels were dug and no permanent structure was constructed
3	Cluster of MIP under Boleng Sub Division (Boleng Circle)	20	48.50	24.25	0	24.25	48.50	Headwork, CC Channels and Tanks were not provided and constructed in 20 sub MIPs.
4	Cluster of MIPs under Pasighat Sub Division	29	180.25	150.00	108.00	42.00	50.50	Headwork, CC Channels and Tanks were not provided and constructed in 15 sub MIPs.

Sl. No.	Name of MIP	No. of sub-MIPs	Estimated Cost (₹ in lakh)	Total CCA* to be covered (hectares)	CCA* actually covered (hectares)	CCA* affected or not covered (hectares)	Estimated cost of the affected sub- MIPs (₹ in lakh)	Remarks
5	Cluster of MIPs under Mebo Sub Division	36	150.00	75.00	40.00	35.00	50.00	Headwork, CC Channels and Tanks were not provided and constructed in 16 sub MIPs.
6	Cluster of MIP Scheme under Kheel Area under Sagalee Sub Division.	32	170.00	72.50	41.50	31.00	59.50	13 headworks costing ₹ 21.80 lakh were not constructed in 13 sub-MIPs.
7	Cluster of MIP under Kimin Area	20	249.00	85.00	71.50	13.50	22.00	Three headworks costing ₹ 6.64 lakh not constructed in three Sub-MIPs.
8	Cluster of 12 MIP under 10 <sup>th</sup> Seppa East	12	66.10	63.75	52.75	11.00	16.00	Three diversion headworks costing ₹ 4.94 lakh were not constructed in Three sub-MIPs.
9	Cluster of MIPs under Hunli and Desali	12	80.00	63.75	25.75	38.00	80.00	84 per cent of the project cost was incurred on formation cutting and jungle clearance without completing the vital components such as headwork, distribution tank, etc
10	Cluster of MI Scheme under Jengging Circle	19	50.00	63.75	55.75	8.00	07.94	Three headworks costing ₹ 2.10 lakh were not constructed.- in three sub-MIPs.
11	Cluster of Minor Irrigation Project under Tuting Sub-Div	22	109.00	92.50	83.50	9.00	13.00	Two headworks costing ₹ 1.83 lakh were not constructed in two sub-MIPs.
12	Cluster of MIP at Kirchang, Augolock, Kharkung,	11	135.00	117.57	111.57	6.00	7.10	One diversion headwork in one sub-MIP costing ₹ 3.35 lakh was not constructed.
<b>Total</b>		<b>265</b>	<b>1,476.35</b>	<b>957.32</b>	<b>601.07</b>	<b>356.25</b>	<b>444.86</b>	

\*CCA: Culturable Command Area

The non-construction of vital components of irrigation infrastructure in the above MIPs/sub-MIPs resulted in creation of CCA of only 601.07 hectares against the target of 957.32 hectares. As much as 356.25 hectares (37 per cent) of CCA was not created due

to the fact that the irrigation capacity of 265 sub-MIPs under the 12 MIPs (as detailed in the above table) was adversely affected due to the non-construction of vital components of irrigation infrastructure. Thus, the expenditure of ₹ 444.86 lakh spent on creating the 265 sub-MIPs was not fruitful to the extent envisaged.

Further, the non-installation/construction of the vital structures in the 55 sub-MIPs should have resulted in a saving of ₹ 94.48 lakh<sup>4</sup> which, however, was not the case.

It may be noted that this audit finding has been noticed during joint inspection of 56 MIPs only.

The State Government may identify similar cases in the remaining MIPs being executed in the State and take necessary corrective action.

### 2.2.7.7 Damaged/Non-functional MIPs

Joint inspection of 68 sub-MIPs pertaining to 23 completed MIPs revealed that 19 sub-MIPs constructed at a cost of ₹ 378.89 lakh were found to be non-functional due to damage, siltation, etc., as shown below:

Table: 2.2.7

Sl. No.	Name of Project	No. of sub-MIPs	Estimated cost of MIP (₹ in lakh)	CCA to be covered (in hectares)	No. of sub MIPs affected	CCA not covered due to damage (in hectares)	Cost of the sub MIPs damaged (₹ in lakh)	Remarks
1	Cluster of MIP under Kimin area	19	249.00	326.50	3	257.50	141.44	Headwork damaged.
2	Cluster of MIP under Borum area	10	96.00	50.00	2	14.00	23.10	Headwork damaged.
3	Cluster of MIP at Buragoan, Jamiri, Pokhriba, Khongpan	13	135.00	100.00	1	7.00	7.50	Headwork damaged.
4	Cluster of MIP at 11 <sup>th</sup> Seppa West	10	65.10	51.00	1	5.00	6.00	Headwork damaged.
5	Cluster of MIP at 10 <sup>th</sup> Seppa East	12	66.10	51.00	1	4.50	5.00	Headwork damaged.
6	Cluster of MIP under Jengging Circle	19	50.00	36.50	1	4.00	4.23	Headwork damaged.
7	Cluster of MIP at Batcamp	1	40.00	30.00	1	30.00	40.00	The concrete cement channels and tanks damaged and completely dry.
8	Cluster of MIP at Roing I section under Roing Sub	7	120.00	101.00	7	101.00	120.00	Due to sub-standard construction in

<sup>4</sup> Figure is the summation of the cost of the structures which were not installed/constructed as indicated in the last column of Table 2.2.6.

Sl. No.	Name of Project	No. of sub-MIPs	Estimated cost of MIP (₹ in lakh)	CCA to be covered (in hectares)	No. of sub MIPs affected	CCA not covered due to damage (in hectares)	Cost of the sub MIPs damaged (₹ in lakh)	Remarks
	Division							seven headworks, the project had been damaged resulting in its becoming non-functional.
9	MIP at Deobeel with electric submersible pump	1	59.00	60.00	1	60.00	24.62	As per record, ₹ 24.62 lakh of expenditure was incurred for installation of pumps, electrical connections and branch channels. But during joint inspection, above works were not found to be installed and thus the project had become non-functional.
10	Cluster of MIP under Pasighat Sub Division	29	180.25	114.00	1	5.00	7.00	The existing channel of the sub-MIP was obstructed by construction of a another project taken up under under MLALADS <sup>5</sup> .
	<b>Total</b>	<b>121</b>	<b>1,060.45</b>	<b>920.00</b>	<b>19</b>	<b>488.00</b>	<b>378.89</b>	

It will be seen from the above table that:

- due to the non-functioning of the 19 sub-MIPs, a CCA of 488 hectares remained unirrigated ; and
- the 488 hectares constituted as much as 53 *per cent* of the total CCA of 920 hectares created under the 10 MIPs.

In view of the above, the amount of ₹ 378.89 lakh (representing 36 *per cent* of the cost of the 10 MIPs) incurred on the construction of the 19 sub-MIPs had turned unfruitful.

<sup>5</sup> MLALADS-Member of Legislative Assembly Local Area Development Scheme.

	
<p align="center"><b>Damaged headwork at MIP at Chessa</b> (Sl. No. 2 of the table no. 2.2.7)</p>	<p align="center"><b>Damaged headwork at MIC at Inju Nallah</b> (Sl. No. 8 of the table no. 2.2.7)</p>

Thus, a total of 488 hectares of CCA remained unirrigated due to non-functional of 19 sub MIPs constructed at a cost of ₹ 378.89 lakh.

It may be noted that this audit finding has been noticed during joint inspection of 56 MIPs only.

The State Government may identify similar cases in the remaining MIPs being executed in the State and take necessary corrective action.

### 2.2.8 Monitoring and Evaluation

As per para 5.2.2 of AIBP guidelines, monitoring should be done for at least five *per cent* of the sanctioned projects on sample basis by local office of Central Water Commission (CWC).

The CWC, Guwahati only once during the period 2012-17 conducted monitoring for five projects during 2013-14. The CWC in its reports, *inter alia*, suggested the need for setting up Water User Associations, quality control cell and the Head Quarter Level Committee/Circle Level Sub-Committee is required to conduct site inspection to ascertain the actual physical status of the progress of works and submit the report regularly to the Ministry of Water Resources, Government of India. The Department was yet to act on these recommendation as of March 2017.

### 2.2.9 Conclusion

The Department was able to create IP of only 17,921 hectares against the target of 19,252 hectares of IP) envisaged to be created through the 315 MIPs as of March 2017 at a cost of ₹ 207.92 crore. The joint inspection revealed that there was insufficient or no water at source and headworks were found dry in 10 completed sub-MIPs and 6 ongoing sub-MIPs constructed at a cost of ₹179.86 lakh. There was delay ranging from 3 to 440 days in release of the Central share by the State's Finance Department to WRD during 2012-17. Out of the total expenditure of ₹ 1,325.27 lakh incurred in 16 new MIPs for creation of CCA of 1,112.50 hectares, expenditure of ₹ 224.08 lakh (17 *per cent* of the total expenditure) was diverted for maintenance of existing MIPs and for other works not related to AIBP which resulted in non-creation of CCA of 189.13 hectares as originally envisaged against these MIPs. Instances of projects sanctioned in deviation of AIBP guidelines, projects where expenditure was rendered as unfruitful due to non-construction of vital components and damaged /non-functional projects were also noticed during joint inspection of the projects.



**Public Works Department**

**2.3 Doubtful Expenditure**

**Executive Engineer (EE), PWD, Bomdila paid ₹ 1.37 crore to a contractor for restoration work of ‘Gacham-Morshing Road (24.50km)’ which had already been executed departmentally.**

General Financial Rules (GFR), 2005 prescribes that no works shall be commenced or liability incurred (i) until administrative approval and expenditure sanction have been obtained from competent authority, (ii) tender invited, (iii) a detailed estimate prepared, (iv) technically sanctioned and the work order issued. Even on the ground of emergency, if it becomes necessary to carry out the work, the concerned executive officer should simultaneously initiate action to obtain approval from the competent authority.

Scrutiny of records (September 2016) of the Executive Engineer (EE), PWD, Bomdila Division revealed that restoration works on ‘Gacham-Morshing road (24.50 km)’ damaged by floods/landslides in June 2014 and September 2014 for total length of 3.187 km was undertaken on emergency basis commencing in August 2014. The restoration works were estimated to cost ₹ 82.71 lakh as per details below:

**Table: 2.3.1**

Sl. No.	Date of occurrence of landslides	Damage between the chainages (in kms.)	Quantity (in cum.)	Amount estimated for restoration (₹ in lakh)
1	21-06-2014 to 25-06-2014	0.050 – 17.530	26,553.70	54.62
2	20-09-2014 to 22-09-2014	0.810-16.160	20,628.60	28.09
<b>Total</b>			<b>47,182.30</b>	<b>82.71</b>

Audit observed that the EE, PWD, Bomdila Division, without obtaining the approval of the competent authority, commenced the above works on different dates between August 2014 and January 2015 by engaging seven contractors and without issuing any formal work orders to them. Against the estimated quantity of clearance of 47,182.30 cubic meters (cum) of earth from a total road length of 3.187 kilometres (kms), the EE, Bomdila made payment for clearance of 89,299.462 cum of earth from a road length of 11.319 kms. The works of clearing the landslides were completed between September 2014 and February 2015. The Department subsequently issued 30 work orders to the seven contractors in March 2015 and made a total payment of ₹ 1.22 crore to them in the same month.

It was further seen that the EE, PWD, Bomdila floated a Notice Inviting Tenders (NIT) on 17 February 2015 for awarding the work (in three packages) of clearing of landslides on the same ‘Gacham-Morshing Road (24.50 km)’. The bids were opened just after 10 days on 26 February 2015. Two bidders participated in the NIT and the work (to be completed by August 2015) was awarded on the same day (i.e. 26 February 2015) to the lowest tenderer M/s P K Thungon Builders at his tendered cost of ₹ 138.45 lakh. The quantity of work to be executed, work actually executed and amount paid to the contractor was as shown below:



Table: 2.3.2

Package	Chainages (km)	Quantity to be executed (cum)	Quantity executed (cum)	Amount paid (₹ in lakh)
Package I	0.00 - 8.00	60,815.05	60,131.55	44.15
Package II	8.00 -16.00	56,702.79	56,036.50	41.93
Package III	16.00 - 24.50	69,338.12	68,529.48	50.77
<b>Total</b>		<b>1,86,855.96</b>	<b>1,84,697.53</b>	<b>136.85</b>

The work commenced on 28 February 2015. As against the scheduled completion time of six months (August 2015), M/s P K Thungon Builders completed the work in 20 days (on 20 March 2015) and the Department released a payment of ₹ 136.85 lakh to the contractor on 23 March 2015.

Audit observed that the execution of the work for which ₹136.85 lakh was paid to M/s P K Thungon Builders was doubtful due to the fact that:

- As per the Damage Report for the year 2014-15 submitted by the EE, PWD, Bomdila to his immediate superior<sup>6</sup>, there were no incidents of flood/landslides on Gacham-Morshing Road (24.50km) after 22 September 2014 till March 2015. Since the clearance/restoration work was already being done by seven contractors, there was no requirement of additional clearances/restoration works on the road during this period. Audit could not, therefore, vouchsafe whether the works stated to have carried out by M/s P.K.Thungon Builders were actually executed or not.
- The clearance of landslides on Gacham-Morshing Road (24.50km) had already been completed at different chainages by seven contractors between the period from September 2014 and February 2015. In fact, measurements recorded in the Measurement Books (MB) revealed that the works for 5.698 km of road length executed by M/s P.K.Thungon Builders were overlapping with the works already executed and completed in February 2015 by four out of seven contractors (details are given in **Appendix-2.3.1**).
- The brevity of the time line which spanned just little over a month from 17 February 2015 to 23 March 2015 (in which time the NIT was floated, the tenders were opened, the work was awarded, the work was completed and finally, payment made to M/s P.K.Thungon Builders) also raises further misgivings about the work executed by M/s P.K.Thungon Builders.

In reply (August 2017), the Department stated that the payment for flood damage restoration work on 'Gacham-Morshing Road' was to clear various accrued liabilities for the period from 2008 to September 2014 and payments were made in two parts, (i) ₹ 1.22 crore to seven contractors, and (ii) ₹ 1.37 crore to M/s P K Thungon Builders.

The Department's contention that the above payments were made for clearing various accrued liabilities is curious given that seven contractors were paid ₹ 1.22 crore on the basis of measurements recorded in the MBs for works executed during August 2014 to February 2015 for landslide damage which occurred during June 2014 and September

<sup>6</sup> Superintending Engineer, Rupa Circle, PWD, Arunachal Pradesh.

2014. The payment of ₹ 1.37 crore to M/s P. K Thungon Builders was for landslide clearance works during the period when no such incidents had occurred and further, overlapped with the works already executed by the seven contractors on the same road.

In the light of the above facts, the possibility of fraudulent payment and misappropriation of Government funds cannot be ruled out.

Audit recommends that the Department refer the matter to the State Vigilance Department for investigation.

### Water Resources Department

#### 2.4 Undue benefit to contractor

#### Executive Engineer, WRD, Itanagar awarded works to five contractors without calling of tenders and also extended undue benefit of ₹ 182.22 lakh to a contractor.

Government of Arunachal Pradesh (GoAP) accorded (February 2012) administrative approval and expenditure sanction of ₹ 597.51 lakh for the work “Anti-Erosion and Flood Protection work at Borum Area at Borum” in Dikrong Basin in Papumpare district. The technical sanction for the work was accorded by Technical Advisory Committee in February 2010. The work was to be completed by March 2014.

Scrutiny (September 2016) of records of the Executive Engineer (EE), Water Resources Department (WRD), Itanagar with respect to the above work revealed the following:

- Although the work commenced in February 2010, it was only after a lapse of more than five years that the EE, WRD, Itanagar awarded (in November 2015) the work to five contractors through 91 work orders.
- The works were awarded to the five contractors without inviting tenders which was a serious violation of codal provisions which require that all public authorities should invariably invite tenders for works to ensure transparency and to obtain competitive rates. The details of the work orders issued to the five contractors was as under:

**Table: 2.4.1**

Sl. No.	Name of contractor	No. of work orders issued	Month/ Year of issue of work orders	Scope of work		Value of Work Orders (₹ in lakh)
				Outside the scope of work	As per estimate	
1	Techi Joseph	13	02/12 & 12/13	Channelization, RCC retaining wall & Supply, fitting & placing of HYSD bar	-	41.49
2	Nabam Pekhi	05	02/12	Channelization, RCC retaining wall & Supply, fitting & placing of HYSD bar	-	11.25
3	TK Enterprises	07	02/12, 12/13 & 02/14	Channelization	-	26.00

Sl. No.	Name of contractor	No. of work orders issued	Month/ Year of issue of work orders	Scope of work		Value of Work Orders (₹ in lakh)
				Outside the scope of work	As per estimate	
4	NP Enterprises	03	02/12	-	Construction of earthen quarry road	10.00
5	TK Constructions	63	11/15	-	Construction of wire crated boulder revetment	249.94
<b>Total</b>		<b>91</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>338.68</b>

- As against the rate of ₹ 36.19 per cum/km approved in the estimates for carriage charges ((including loading, unloading, stacking, etc.) of boulders with lead of 20 kms, (awarded to the contractor M/S TK Constructions), the contractor (Sl. No. 5 of the above table) was paid at the rate of ₹ 804 per cum/km for lead of 21 kms for carriage of a total quantity of 1127.57 cum of boulders. This resulted in extension of undue benefit of ₹ 182.22 lakh<sup>7</sup> to the contractor.
- Although the work was to be completed by March 2014, the physical progress was only 29 per cent (406.50 m out of 1394 m) as of March 2016. There was no further progress after March 2016.

The matter was reported to the Department in August 2017; reply was awaited (July 2018).

### Department of Hydro Power Development

#### 2.5 Loss of Government money

**Failure of the Department to revalidate Bank Guarantee and to take timely action has rendered recovery of ₹ 390.90 lakh from a firm doubtful.**

Scrutiny of records (January 2017) of the Department of Hydro Power Development, GoAP revealed that the Department entered (March 2011) into an agreement with M/s Nortech Power Projects Private Limited, Kolkata (NPPL) for supply, erection, testing and commissioning of Electro-Mechanical (EM) equipment for Small Hydro Project (SHP) at Pagu (2X1000 KW)<sup>8</sup> in Kurung Kumey district at an estimated cost of ₹ 904.50 lakh. The project was to be completed by 27 November 2011.

The Department released (March 2011) an interest free Mobilization Advance (MA) of ₹ 210.00 lakh to NPPL, in a single installment against a Bank Guarantee (BG) of ₹ 226.00 lakh (valid up to December 2011) submitted by NPPL. The BG was later

<sup>7</sup> (1127.57 cum X ₹ 804 X 21 kms.) – (1127.57 cum. X ₹ 36.19 X 20 kms. ) = ₹ 182.22 lakh.

<sup>8</sup> The objective of the project was to provide electricity to the administrative circle HQ, Palin having a population of 5000 people and nearby ten villages, besides, establishing and sustaining small scale and rural agro based industries by generating 6.132 MU of electricity and earning a revenue of ₹ 1.50 crore annually.

extended up to November 2013. The Department also obtained (21 March 2011) from NPPL another BG for ₹ 90.45 lakh (valid up to 01 December 2011) as Security Deposit.

Since NPPL failed to supply/erect/commission the equipment as per the agreement, the Department issued (November 2014) a show-cause notice to the firm. The contract was ultimately rescinded in October 2015 with the condition that MA, liquidated damages and penalties would be recovered from NPPL. Audit calculated that apart from recovery of the MA, the liquidated damages and penalties to be recovered from NPPL were as under:

- MA of ₹ 210.00 lakh;
- liquidated damages of ₹ 90.45 lakh (as per the clause 2.19 of the agreement, NPPL was liable to pay liquidated damages calculated at the rate of one *per cent* of contract value per week or part of the week subject to maximum of 10 *per cent* of the contract price for delay in completion of the work); and
- penalty of ₹ 90.45 lakh (as per clause 2.33.25 of the agreement, a penalty of one *per cent* of the cost of equipment, per week of delay in completion subject to a maximum of 10 *per cent* of the total cost was leviable).

Audit observed that the MA, liquidated damages and penalty to the above extent was yet to be recovered from NPPL as of October 2017. This was primarily because the Department failed to ensure revalidation of the BG of ₹ 226.00 lakh (given against the MA) beyond November 2013. It also failed to ensure revalidation of the BG of ₹ 90.45 lakh given by NPPL as SD beyond 01 December 2011. These omissions were further compounded by the fact that the Department did not take timely action to safeguard its interest - it issued the show-cause notice to NPPL three years after the stipulated date of the completion of the work.

Thus, failure of the Department to ensure revalidation of the BGs and to take timely action has rendered the recovery of MA, liquidated damages and penalty amounting to ₹ 390.90 lakh doubtful.

The Department stated that it made various attempts in 2014 for revalidation of the BGs furnished by NPPL. The matter of encashment of BG (₹ 226.00 lakh) was taken up in September 2014 with United Bank of India (Kolkata) who did not respond. The Department further stated that out of ₹ 210.00 lakh, an amount of ₹ 97.56 lakh has been recovered from NPPL and deposited (April 2017) in the government exchequer.

The reply of the Department is not acceptable as (i) the correspondence for revalidation and encashment of BG was initiated only after the expiry of the BG and also response from the bank for not honoring the Department's claim was not on record; and (ii) the recovery of ₹ 97.56 lakh was towards revenue losses for the delay in completion by NPPL of another work (SHP at Subbung) and not against SHP at Pagu.

## Department of Agriculture

### 2.6 Irregular expenditure

**An amount of ₹ 103.89 lakh was diverted and incurred on works not permissible under the Rashtriya Krishi Vikash Yojana guidelines.**

The Government of India (GoI) launched the Rashtriya Krishi Vikash Yojana (RKVY), a 100 per cent centrally funded scheme, during 2007-08 with the objective of bringing quantifiable changes in the production and productivity of various components of agriculture and allied sectors. As per RKVY operational guidelines, expenditure only directly related to the development of agriculture and allied sectors are allowed and no expenditure on maintenance of assets or recurring expenses is covered under any components of the schemes<sup>9</sup> under RKVY.

Scrutiny (July 2016) of records of the Director, Agriculture Department, GoAP revealed that during April 2014 to March 2017, GoI released ₹ 6.23 crore to the State under the 'flexi fund' component of RKVY. Out of this amount, the Director, Agriculture, Naharlagun, Deputy Director of Agriculture (DDA), Yupia, DDA, Pasighat and DDA, Seppa diverted ₹ 103.89 lakh<sup>10</sup> which was meant for setting up of laboratories and testing facilities, storage including cold storages, agriculture marketing, etc. for construction of boundary walls of Commissioner and Director residences, repairs & maintenance of the office buildings, quarters, etc. (details given in **Appendix-2.6.1**) in violation of RKVY guidelines.

The Department in reply (September 2017) stated that all the above works were executed with the approval of State Level Project Screening Committee and subsequently by the State Level Sanctioning Committee of RKVY.

The Department's reply is not acceptable as Appendix - C2 of the RKVY guidelines permitted expenditure under 'flexi fund' only for 'Production Growth' and 'Assets & Infrastructure'.

Thus, expenditure of ₹ 103.89 lakh incurred for construction of boundary walls of Commissioner and Director residences, repairs & maintenance of the office buildings, quarters, etc. was in contravention of RKVY guidelines and therefore, irregular.

Audit recommends that the Department approach GoI to regularize the expenditure of ₹ 103.89 lakh.

<sup>9</sup> (a) Production Growth, (b) Infrastructure and Assets, (c) Special Schemes and (d) Flexi fund.

<sup>10</sup>

Sl. No.	Name of the DDO	Irregular Expenditure
1	Director, Agriculture, Naharlagun	58.91 lakh
2	Deputy Director of Agriculture (DDA), Yupia	33.50 lakh
3	DDA, Pasighat	3.48 lakh
4	DDA, Seppa	8.00 lakh
<b>Total</b>		<b>103.89 lakh</b>

