

# **EXECUTIVE SUMMARY**



## EXECUTIVE SUMMARY

This Audit Report has been prepared in six Chapters. Chapters I to V deal with Social, Economic (other than Public Sector Undertakings), General, Revenue, Economic (Public Sector Undertakings) Sectors and Chapter VI deals with Follow up of Audit observations.

This Report contains one Performance audit and twenty-one Compliance audit paragraphs. According to the existing arrangements, copies of the draft compliance audits and draft performance audit were sent to the concerned Secretaries/Principal Secretaries to the State Government with a request to furnish replies within six weeks. Replies of the Government/Department wherever received have been incorporated in the Report.

A synopsis of the important findings contained in this Report is presented in this Executive Summary.

### Chapter-I: Social Sector

#### Performance Audit

#### Public Health Engineering & Water Supply Department

#### National Rural Drinking Water Programme (NRDWP)

The NRDWP was launched by the GoI in April 2009 by modifying the earlier 'Accelerated Rural Water Supply Programme'. The main objectives of the NRDWP was to enable all rural households to have access to safe and adequate drinking water within a reasonable distance, providing drinking water facility through piped water supply (PWS) to *Gram Panchayats* (GPs), ensuring all government schools and *anganwadis* have access to safe drinking water and empowering local communities/PRIs to monitor and manage their own drinking water sources and systems in their villages. The NRDWP has six components, viz., 'coverage', 'water quality', 'operation & maintenance', 'sustainability', 'support' and 'water quality monitoring & surveillance' which are highlighted below:

#### Highlights

- *A five-year comprehensive water security action plan to provide sub goals and priorities for coverage of the NRDWP was not prepared.*
- *As of March 2017, out of total 7,582 habitations in the State, 2,910 habitations (38 per cent) were fully covered whereas 4,672 habitations (62 per cent) were still partially covered.*
- *Out of 3,480 schools and 5,515 anganwadis in the State, only 2,898 schools and 1,043 anganwadis had been provided with safe drinking water leaving a balance of 582 schools and 4,472 anganwadis without provision of drinking water as on 31 March 2017.*

- *The water quality testing laboratories were functioning with inadequate manpower and shortfall of capability to analyse parameters. The water quality testing laboratories did not conform to the mandatory requirement.*
- *The State laboratory had the capacity to examine only 38 out of 78 parameters whereas District laboratories of five sampled districts had the capacity to test only 10 out of 34 parameters as laid down in the 'Uniform Drinking Water Quality Monitoring Protocol' due to shortage of machines/equipment and trained manpower.*
- *The shortfall of staff in different level of posts in the State level laboratory was to the extent of eight against fourteen staff required whereas in District laboratories the shortage was upto 34 (85 per cent) against 40 required staff.*
- *Out of 442 schemes approved during 2012-17 in sampled districts test checked, 407 schemes were completed, but the balance 35 schemes estimated to cost ₹17.24 crore were lying incomplete as on 31 March 2017 for five to 60 months.*
- *There was doubtful expenditure of ₹ 24.42 crore incurred on procurement of various types of Galvanised Iron (GI) fittings.*

*(Paragraph 1.2)*

## **Compliance Audit Paragraphs**

### **Department of Women & Child Development**

#### **Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (RGSEAG)**

In November 2010, the Government of India (GoI) launched the Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (RGSEAG) or SABLA, a centrally sponsored scheme, under the platform of Integrated Child Development Services (ICDS) with the objectives of (i) enabling self development and empowerment of adolescent girls (AGs); (ii) improving their nutrition and health status; (iii) spreading awareness on health, hygiene, nutrition, Adolescent Reproductive and Sexual Health (ARSH); (iv) family and child care, and mainstreaming out of school AGs into formal/non formal education, etc.

None of the 80 AWCs inspected under the selected 16 CDPOs out of 28 CDPOs maintained the prescribed registers for recording details of AGs and the services delivered. There was a huge shortfall in allotment of funds provided for the 'nutrition' component. As a result, against the entitlement of ₹ five per day for each AG, the actual allotment worked out between ₹ 0.28 to ₹ 1.96 per day during the period 2012-17. The actual procurement of IFA tablets was less than the requirement – the shortage ranged from 23 per cent to 62 per cent which would have adversely impacted the adolescent growth of AGs. There was shortfall (71 per cent) in conducting 'Kishori Diwas'. Eight out of 16 selected CDPOs<sup>1</sup> did not enrol any *out-of-school* AGs during 2012-17. The number of out-of-school AGs admitted to schools every year in the remaining eight

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<sup>1</sup> Itanagar; Naharlagun; Sagalee; Aalo East; Likabali; Gensi; Basar and Dirang.

CDPOs was just a fraction of the total number out-of-school AGs. The CDPOs prepared the monthly progress reports at their level and forwarded them to the WCD without obtaining reports from the Supervisors and AWWs and without routing the reports through the Deputy Directors (DDs). Thus, the reports of the CDPOs did not reflect the actual services provided under the RGSEAG at the ground level.

(Paragraph 1.3)

### Public Health Engineering & Water Supply Department

EE, PHE & WS, Seppa division issued supply/work orders to the tune of ₹ 786.34 lakh without calling for tenders and expenditure of ₹ 1,140.43 lakh incurred so far was unfruitful as the project scheduled to be completed in March 2014, was still incomplete

(Paragraph 1.4)

## Chapter-II: Economic Sector

### Compliance Audit Paragraphs

#### Water Resources Department

#### Accelerated Irrigation Benefits Programme in Arunachal Pradesh

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.

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. 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 six ongoing MIPs (11 sub-MIPs) which were constructed at a cost of ₹ 179.86 lakh. An amount 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 Culturable Command Area (CCA) of 189.13 hectares as originally envisaged against 16 new MIPs.

The divisional officers of the department awarded works related to 342 sub-MIPs costing ₹ 35.63 crore to various local contractors without inviting tenders. An amount of ₹ 1,737.07 lakh was incurred on 21 MIPs which did not qualify for funding under the AIBP Guidelines. Due to non-construction of vital components against 12 out of the 56 sampled projects, the objective of providing year round irrigation for double

croppings in 356.25 hectares of CCA targeted was not achieved. Further, as 19 sub MIPs were lying non-functional, the envisaged irrigation of targeted CCA of 488 hectares was not achieved. There were shortfalls in monitoring and evaluation of the projects during the review period.

*(Paragraph 2.2)*

#### **Public Works Department**

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

*(Paragraph 2.3)*

#### **Water Resources Department**

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

*(Paragraph 2.4)*

#### **Department of Hydro Power Development**

Failure of the Department to revalidate bank guarantee and to take timely action has resulted in recovery of ₹ 390.90 lakh from a firm doubtful.

*(Paragraph 2.5)*

#### **Agriculture Department**

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

*(Paragraph 2.6)*

### **Chapter-III: General Sector**

#### **Compliance Audit**

#### **Planning Department**

#### **Border Area Development Programme (BADP)**

The Border Area Development Programme (BADP) was started during the Seventh Plan (1985-1990) with two-pronged approach of balanced development of sensitive border areas in the western region on one hand through adequate provision of infrastructure facilities and on other hand promotion of a sense of security amongst the local population. During the Ninth Plan (1997-2002), the programme was extended to 17 States, including Arunachal Pradesh. Arunachal Pradesh has international borders with Myanmar, China and Bhutan which runs into 5,830 kilometers involving 13 border districts of the State.

Audit observed that the Annual Action Plans were prepared without long-term plan/perspective plan for saturation of border villages as required under scheme

guidelines. Priority was not given to villages situated within 0-10 km of the international border as 340 schemes (Tawang – 186; and Upper Subansiri – 154) were taken up in villages situated between 10 km to 23.75 km, and in West Siang, 114 schemes were implemented in 31 villages located beyond 50 km of the border. During 2012-17, there was shortfall in release of Central Share to the extent ₹ 34.40 crore and State Share of ₹ 11.43 crore. Further, an amount of ₹ 355.35 crore received from GoI for the scheme was parked by the State Government for a period of one month to 23 months. Audit noticed cases of idle assets created under BADP, wasteful expenditure, doubtful expenditure, etc. Monitoring mechanism was inadequate and no high ranking State Nodal Officers were appointed during the five-year period. No National Quality Monitors from GoI had inspected any BADP schemes during the audit period.

*(Paragraph 3.2)*

Deputy Commissioner sanctioned ₹ 1.93 crore under ‘Untied Fund’ and District Planning Officer, Changlang incurred expenditure of ₹ 1.62 crore on repairs & maintenance, renovation and extension of official residences/office buildings and celebration of festivals in violation of the Rules.

*(Paragraph 3.3)*

District Planning Officer, Seppa incurred irregular expenditure of ₹ 55.00 lakh on renovation, repairs & maintenance, execution of land development, irrigation channel, retaining wall etc., for private individuals and purchase of vehicles from the ‘MLALADs’ Funds in violation of the extant Rules.

*(Paragraph 3.4)*

### **District Administration**

An amount of ₹ 337.80 lakh sanctioned by GoI for 100 bedded Girl Hostels at Numada and Boulda was utilized subsequently for construction of additional Girl Hostels at Lumla and Bomba without subsequently obtaining approval from GoI and remained unoccupied for more than six to seven years rendering the whole expenditure idle.

*(Paragraph 3.5)*

## **Chapter-IV: Revenue Sector**

### **Trend of Revenue receipts**

During the year 2016-17, Revenue raised by State Government (₹ 1,253.57 crore) was 11 *per cent* of the total Revenue Receipts. The balance 89 *per cent* of Receipts during 2016-17 was from the Government of India.

The Tax Revenue raised by the State Government during 2016-17 (₹ 708.75 crore) increased by 32 *per cent* as compared to the previous year (₹ 535.07 crore). The Non-Tax Revenue during 2016-17 (₹ 544.82 crore) also increased by 39 *per cent* as compared to the previous year (₹ 392.12 crore).

*(Paragraph 4.1.1)*

## **Compliance Audit Paragraphs**

### **Tax and Excise Department**

Failure of the Assessing Officer to detect short-realisation of tax of ₹ 96.68 lakh from registered works contractors due to application of lower tax rate at four *per cent* instead of 13 *per cent*.

*(Paragraph 4.2)*

Failure of the Superintendent of Taxes (ST), Yingkiong to levy and realise penalty from 18 registered dealers for non-submission of returns resulted in loss of revenue of ₹ 19.50 lakh.

*(Paragraph 4.3)*

Two Assessing Officers failed to take action to register 24 unregistered dealers engaged by DDOs for supplies/works and to impose penalty of ₹ 24.00 lakh.

*(Paragraph 4.4)*

Failure of the Commissioner of Excise to initiate action led to non-realisation of licence fee of ₹ 34.50 lakh and penalty ₹ 5.10 lakh from eight wholesale vends<sup>2</sup> of IMFL/Beer.

*(Paragraph 4.5)*

Failure of the Commissioner of Excise to realise renewal fee of brand names/label and penalty resulted in revenue loss of ₹ 45.40 lakh.

*(Paragraph 4.6)*

### **Transport Department**

Road tax of ₹ 85.73 lakh due from 769 commercial vehicles and penalty of ₹ 21.43 lakh remained unrealized for default of payment of tax for more than one year to six years.

*(Paragraph 4.7)*

Failure of the District Transport Officer, Bomdila to collect entry tax of ₹ 19.33 lakh on 27 commercial vehicles imported from outside the State.

*(Paragraph 4.8)*

Failure of five DTOs to ensure renewal of fitness certificates of 526 vehicles resulted in revenue loss of ₹ 13.96 lakh.

*(Paragraph 4.9)*

## **Chapter-V: Economic Sector (SPSUs)**

In Arunachal Pradesh, there were seven SPSUs (all Government Companies including one non-working Companies). Audit of Government Companies is governed by respective provisions of Section 139 and 143 of the Companies Act 2013. The accounts of State Government Companies are audited by Statutory Auditors appointed by the

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<sup>2</sup> Wholesale vend means the vendor exceeding the limit of sale of retail.

Comptroller and Auditor General (CAG) of India. These accounts are also subject to Supplementary Audit by the CAG of India.

### Investment in SPSUs

As on 31 March 2017, the investment (capital and long-term loans) in seven SPSUs was ₹ 32.14 crore. The investment has decreased by four *per cent* from ₹ 33.45 crore in 2011-12 to ₹ 32.14 crore in 2016-17. Thrust of the SPSU investment was mainly in the Power and Finance sectors, which accounted for 39 *per cent* and 38 *per cent* of the total investment respectively.

### Performance of SPSUs

Working SPSUs showed negative working results during the year 2012-13 at (-) ₹ 5.59 crore and improved overall profits during 2013-14 to 2016-17. During the year 2016-17, out of five working SPSUs, three SPSUs earned aggregate net profit of ₹ 9.23 crore and two SPSUs incurred losses of ₹ 2.71 crore. The contributors of profit were Arunachal Pradesh Forest Corporation Limited (₹ 3.54 crore), Arunachal Police Housing and Welfare Corporation Limited (₹ 5.26 crore) and Hydro Power Development Corporation of Arunachal Pradesh Limited (₹ 0.43 crore). The heavy losses were incurred by Arunachal Pradesh Industrial Development and Financial Corporation Limited (₹ 2.43 crore) and Arunachal Pradesh Mineral Development and Trading Corporation Limited (₹ 0.28 crore). The working SPSUs had earned aggregate profit of ₹ 6.52 crore during 2016-17 as compared to aggregate profit of ₹ 6.68 crore during 2015-16.

(Paragraph 5.1)

## Compliance Audit Paragraphs

### Arunachal Police Housing and Welfare Corporation Limited

#### Project execution in Arunachal Police Housing and Welfare Corporation Limited (APHWCL)

Arunachal Police Housing and Welfare Corporation Limited (APHWCL), the principal construction agency of the Police Department, Government of Arunachal Pradesh (GoAP) was incorporated (November 2005) under the Companies Act, 1956 with the objective of undertaking design, construction, repair and allied works for all kind of buildings for the Police Department.

Audit observed that in 12 out of 41 projects estimates were prepared without incorporating several components valuing ₹ 173.64 lakh such as approach road, site development, additional plinth height, etc. as no preliminary site surveys and other requirements of the projects were taken care of at the time of preparation of the estimates. There was huge unspent balance at year end during 2013-14 to 2016-17 ranging from 42 *per cent* to 84 *per cent* of the total funds available. There were substantial delays in release of funds by the Police Department to the Corporation after the projects had been sanctioned. The Department released funds against 20 sanctioned

projects costing ₹ 18.51 crore after a delay of 11 to 12 months. In 11 out of 41 projects, unspent balance of ₹ 90.71 lakh was retained by the Corporation for a period ranging from seven months to 29 months as on March 2017. Utilisation Certificates were submitted to the Police Department showing the unspent balance as liabilities, however, the Corporation did not refund the amount to the Department as required in the sanction orders. There were substantial delay in execution of projects as 59 per cent (24 projects) out of the 41 sampled projects were completed after delays ranging from 13 to 24 months and only 27 per cent (11 projects) were completed within the stipulated date of completion.

*(Paragraph 5.2)*

#### **Arunachal Pradesh Forest Corporation Limited**

Arunachal Pradesh Forest Corporation Limited constructed Eco-tourist Guest House at Lekhi Village, Itanagar at a cost of ₹ 294.02 lakh in 2013 which had remained idle for more than four years.

*(Paragraph 5.3)*