

# **EXECUTIVE SUMMARY**



# OVERVIEW

## Chapter –I: Introduction

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from the test audit of transactions of various departments of the Government of Arunachal Pradesh pertaining to General, Economic and Revenue Sectors. The primary purpose of this Report is to bring to the notice of the State Legislature the significant results of audit.

During 2019-20, total 202 units out of 1,201 units, were planned for audit after carrying out risk assessment and keeping in view the available manpower, of which 188 units were actually audited during 2019-20. This Report *inter alia* contains 13 compliance audit paragraphs and two performance audits *viz.* “Implementation of the Swachh Bharat Mission in Arunachal Pradesh” and “Development and Promotion of Horticulture in Arunachal Pradesh”. A synopsis of the important findings contained in this Report is presented in this Executive Summary.

## Chapter-II: Social Sector

### Public Health Engineering & Water Supply and Urban Development & Housing Departments

#### Performance Audit on ‘Implementation of the Swachh Bharat Mission in Arunachal Pradesh’

A Performance Audit on ‘Implementation of the Swachh Bharat Mission (SBM) in Arunachal Pradesh’ was carried out covering the period from 2014-15 to 2019-20 revealed which several deficiencies in implementation of programme/ schemes as highlighted below.

State Sanitation Strategy, which defines the state targets, resource allocation and unified approach for Urban Local Bodies (ULBs) to achieve strategic goals in a systematic time-bound manner, and City Sanitation Plan for 28 urban centers which is defined as short, medium and long term measures for ULBs on issues of governance, technical, financial, capacity building, raising awareness, pro-poor interventions, *etc.* was not prepared in SBM (Urban).

The objectives of SBM (Gramin), were not achieved by 02 October 2019 due to non-inclusion of all the households without toilet in the baseline survey, in the absence of effective Village Water Sanitation Committees (VWSC). As a result, the Department had to construct excess of 44,712 IHHLs (during the period 2014-15 to 2019-20) than the target set in Project Implementation Plan to cover the households which were not included in the baseline survey. Also, District Swachhata Plans (DSP) at five selected sample Districts were not prepared in SBM (G).

ODF status was not declared in SBM (U) as the targets for construction of IHHL, Community Toilet (CT) and Public Toilet (PT) in SBM (U) were not achieved. In SBM (G), ODF was declared without ensuring access to functional toilets by students in schools and anganwadi centres.

In absence of strong monitoring mechanism and evaluation studies by the State Government or any state appointed agency, the State Government had missed the opportunity to acquire timely actionable insight into usage and maintenance of the facilities created through SBM.

***Recommendations:***

***The State Government may-***

- ***ensure that the targets for Open Defecation Free status under SBM (Urban) could be achieved at earliest.***
- ***constitute and involve District Swatch Bharat Mission Management Committee in preparation of District Sanitation Plan at district level. Also, Village Water Sanitation Committee may be actively involved during survey for further inclusion of Individual Households (IHHs) with defunct, insanitary and emerging new IHHs without toilets for achieving Open Defecation Free status under SBM (Gramin).***
- ***expedite the process for preparation of City Sanitation Plan for 28 urban centres and State Sanitation Strategy under SBM (Urban).***
- ***ensure to provide/ make functional the toilets to the schools and anganwadi centers with water supply and also take steps to provide toilets to the IHHs whose toilets became defunct.***
- ***introduce effective monitoring mechanism for proper implementation of the Mission objectives and conduct evaluation studies through reputed institutions/ organisation and take periodical remedial action on the basis of the observations made in these evaluation studies. Moreover, steps may also be taken for conducting Social Audit.***

**(Paragraph 2.2; Page 7)**

### **Urban Development & Housing Departments**

Deputy Director, UD&HD, Bomdila Division misappropriated Government money of ₹1.43 crore in nine components under the project “Construction of Vendors Market Shed at Dirang” leading to non-completion of project as per approved specification and the project remaining idle for more than three years from the date of completion.

***Recommendation:***

***The State Government may take appropriate action against the concerned Deputy Director after fixing the responsibility for certifying incomplete building as completed. Further, the State Government may also take action against the contractor for claiming of bills without executing works and steps may be taken to recover the amount from the contractor. The assets created may be utilised appropriately.***

**(Paragraph 2.3; Page 46)**

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## Chapter-III: Economic Sector

### Horticulture Department

#### Performance Audit on ‘Development and Promotion of Horticulture in Arunachal Pradesh’

A Performance Audit on Development and Promotion of Horticulture in Arunachal Pradesh, carried out covering the period from 2015-16 to 2019-20, revealed several deficiencies in implementation of programme/schemes which are highlighted below.

The Department had not prepared long term plan such as Strategic/ Perspective Plan, State Agricultural Policy *etc.* due to which the State could utilise only 3.50 *per cent* (0.63 lakh Ha) of potential land available (18.00 lakh Ha) for horticulture activities. The Department prepared the State Annual Action Plans (AAPs) for the years from 2015-16 to 2019-20 for onward submission to the Ministry. However, the State AAPs did not flow from the District Plans. Hence, the AAPs of the State were not demand driven. An overall expenditure of ₹541.01 crore was incurred against the budget provision of ₹642.71 crore during 2015-16 to 2019-20 resulting in shortfall of ₹101.70 crore (16 *per cent*) basically due to delays in transmission of Government of India (GoI) funds by the Government of Arunachal Pradesh (GoAP) to the scheme implementing agency besides delay in submission of Utilisation Certificates, and consequent failure of GoAP to avail the subsequent instalments from the GoI. Against the total authorisation of only ₹960.00 lakh under two State Schemes, the Directorate and District Officers drew ₹1,720.41 lakh resulting in excess drawal of ₹760.41 lakh due to drawal of money by the District Officers through treasury even before issue of expenditure authorisation by the Government based on the sanction.

There was decline in the area, production and productivity of the crops which indicated that the Department could not achieve its major objective of enhancing production and productivity of important horticulture crops in the State despite an expenditure of ₹359.53 crore from 2015-16 to 2018-19 (due to Covid, the Department could not update the data for area under cultivation, production and productivity after 2018-19). Out of 12 projects closed by North Eastern Council (NEC), 11 beneficiary oriented projects had a target of planting 4,305 Ha with a potential of annual income of ₹104.15 crore to farmers out of which the Department achieved 2,365.82 Ha resulting in shortfall of 1,939.18 Ha having a potential to earn ₹44.24 crore. The State Government had not earmarked or spent its own resources to revive these projects. Thus, due to closure of the projects by NEC and non-revival of the projects by the State Government, the intended objectives of the projects were not achieved.

There was total avoidable expenditure of ₹61.30 lakh in the two sampled Districts due to procurement of planting materials at higher rate. Further, barbed wires were procured without assessing the requirement as per guidelines which resulted in excess procurement of barbed wires costing ₹58.04 lakh in three sampled Districts. Due to absence of nurseries for State Horticulture Research and Development Institute (SHRDI) for research on quality planting materials and production of planting materials, the State is still deprived of quality planting materials of its own compelling the Department of Horticulture, GoAP to rely on import of planting materials which is a matter of concern as this has led to entry of foreign diseases affecting the existing garden.

The capacity of one cold storage as per Detailed Project Report (DPR) was 160 MT. As per Mission for Integrated Development of Horticulture (MIDH) guidelines, the cost of 160 MT of cold storage was ₹16.00 lakh of which ₹8.00 lakh (50 per cent) shall be government assistance. However, the Department had released assistance of ₹90.00 lakh resulting in excess payment of ₹82.00 lakh. The Department made advance payment of 90 per cent of contract amount (₹1,350.00 lakh) for construction of three Centres of Excellence (CoEs) to North Eastern Regional Agricultural Marketing Corporation (NERAMAC) Limited in violation of General Financial Rules. Moreover, the Department did not obtain Bank Guarantee (BG)/ Performance Guarantee (PG) to safeguard the interests of the Government. Also, the Department did not impose a penalty of ₹104.30 lakh for non-completion of the work within the stipulated period of six months in absence of the BG/ PG. The monitoring mechanism needs to be strengthened to achieve the optimum expansion in horticulture sector and the assets created may be utilised for increasing the per capita income of the beneficiaries.

**Recommendations:**

**The State Government may-**

- *take appropriate steps to prepare the holistic Strategic/ Perspective Plan after consulting with the stipulated agencies and conducting base line survey to provide the roadmap for long term horticulture development in the State.*
- *take necessary steps to prepare District-wise Annual Action Plans and it may also be ensured that the State level AAP is prepared by consolidating those district level plans. Further, it may also be ensured that AAPs flow from the Strategic/ Perspective Plan.*
- *ensure to release the funds within the stipulated timeframe to the implementing districts for effective implementation of the projects/ schemes.*
- *contribute the share of the beneficiary wherever beneficiary contribution is dispensed with.*
- *take steps to revamp and upgrade the non-functional vermicompost, greenhouse etc. to make the nurseries more efficient.*
- *ensure completion and commercial operation of post-harvest management initiatives like establishment of cold storage facility and processing units where assistance has been extended.*
- *strive to develop skills of farmers and local youth through capacity building to create employment opportunities.*
- *strengthen the monitoring mechanisms followed by evaluation study to ensure optimum outcome from the implemented projects/ schemes.*

(Paragraph 3.2; Page 53)

**Compliance Audit Paragraphs**

**Rural Development Department**

The Project Director, DRDA, Aalo, West Siang District, incurred fraudulent payment of ₹94.41 lakh on procurement and carriage of Corrugated Galvanised Iron Sheets

weighing 130.07 MT in ‘Passenger Auto rickshaw’ and a ‘Motor cab’ from procurement point to office store in Aalo beyond payload capacity of these vehicles. Besides, doubtful expenditure of ₹3.32 crore was incurred as transaction details were not reflected in suppliers’ tax turn over.

**Recommendation:**

***The State Government may further investigate the case and appropriate action may be taken against concerned persons after fixing responsibility. The State Government may also lodge FIR for fraudulent payment.***

***(Paragraph 3.3; Page 107)***

### Public Works Department

The Executive Engineer (E.E) PWD, Yomcha Division claimed to have incurred an expenditure of ₹1.22 crore on execution of maintenance works with inconsistencies in names of contractors in Work Orders, Measurement Books (MBs) and Abstract of MBs which indicated fabrication of records and lack of authenticity in measurement of works.

**Recommendation:**

***The State Government may take appropriate action after fixing responsibility against concerned Executive Engineer/ Sub-Divisional Officer/ Junior Engineer. Since the modus operandi was creating liabilities without ensuring availability of fund, the Department needs to strengthen internal controls and monitoring over execution of work.***

***(Paragraph 3.4; Page 111)***

The Executive Engineer, PWD, Gensi Division failed to levy and collect departmental charges on construction work undertaken on behalf of NHPC Ltd., resulting in loss of Government money to the tune of ₹2.05 crore.

**Recommendation:**

***The Department may expedite to recover Departmental Charges from the client Department.***

***(Paragraph 3.5; Page 112)***

The Executive Engineer, PWD, Pasighat Division executed work at higher rates instead of rates applicable at the time of execution of the works, which resulted in extending undue financial benefit of ₹1.04 crore to contractors.

**Recommendation:**

***Government may take appropriate action after fixing responsibility against concerned persons. The Government may also strengthen internal control under the Department to ensure economy and transparency in execution of work.***

***(Paragraph 3.6; Page 114)***

The Executive Engineer, PWD, Basar, floated Tenders deviating from the Technically Sanctioned estimate and awarded excavation of soil/ rock by mechanical means at the rate of excavation by manual means (higher rate), resulting in undue benefit to the Contractor - ₹43.27 lakh.

**Recommendation:**

***The State Government may take appropriate action after fixing responsibility against concerned person. The State Government may also take steps to recover the excess amount from the contractor.***

***(Paragraph 3.7; Page 117)***

The Executive Engineer (EE), PWD Chayangtajo division incurred an avoidable extra expenditure of ₹65.72 lakh in a project 'Construction of Outdoor Stadium at Chayangtajo in East Kameng District, Arunachal Pradesh' due to award of the work to the highest (L2) bidder by fixing irregular justified rate.

**Recommendation:**

***The State Government may take appropriate action to fix the responsibilities against the concerned person(s).***

***(Paragraph 3.8; Page 119)***

### Hydro-Power Development Department

Procurement of Electro-Mechanical (E&M) equipment for Payu SHP (2 x 500 KW) in Koloriang without setting up of Project Stores, or dovetailing completion of Approach Road up to work site, led to storage of equipment in an open yard for more than three years and resulted in avoidable expenditure of ₹2.99 crore on repair and maintenance and transportation of equipment.

**Recommendations:**

- ***The State Government may take appropriate steps against the concerned Chief Engineer/ Superintendent Engineer/ Executive Engineer for extending an undue advantage to the firm.***
- ***The State Government may take appropriate steps against the concerned Executive Engineer for non-completion of the approach road in due time and non-provision of proper space/ shelter, which led to deterioration of equipment.***
- ***The State Government may take appropriate action after fixing responsibility against the concerned Chief Engineer/ Superintendent Engineer/ Executive Engineer for the extra avoidable expenditure due to non-completion of the approach road, extending undue favour to and non-recovery from the concerned firm.***

***(Paragraph 3.9; Page 122)***



## Chapter-V: Revenue Sector

### Trend of Revenue receipts

The total Revenue Receipts of the State Government declined by ₹1,307.41 crore (8.07 per cent) over the previous year. The decrease was mainly due to fall in the Share of net proceeds of divisible Union taxes and duties by ₹1,448.57 crore (13.88 per cent) and Grants-in-Aid by ₹62.04 crore (1.52 per cent). The Tax and Non-Tax Revenue of State Government increased by ₹160.69 crore (15.05 per cent) and 42.51 crore (6.98 per cent) during the same period.

*(Paragraph 5.1.1; Page 127)*

During 2019-20, out of 153 auditable units, 31 units (20 per cent) were planned for audit under revenue sector and 28 units (18 per cent) were actually audited.

*(Paragraph 5.2; Page 133)*

### Compliance Audit Paragraphs

#### Geology and Mining Department

Geology and Mining Department failed to realise additional Royalty of ₹1.94 crore from the Oil Industries Development Board (OIDB) for delay in payment of differential Royalty.

**Recommendation:**

*The State Government may take up action with OIDB and additional royalty may be realised.*

*(Paragraph 5.4; Page 134)*

#### Land Management Department

Failure of three District Land Revenue Settlement Officers (DLRSOs) to realise Annual Lease Rent (ALR) of ₹45.58 lakh from private individuals against allotted Government land for residential and commercial purposes.

Failure of the District Land Revenue Settlement Officer (DLRSO), Pasighat to realise Land Premium of ₹0.91 lakh, Annual Lease Rent (ALR) of ₹26.06 lakh and interest of ₹19.91 lakh from a Hydropower company resulted in loss of revenue of ₹46.88 lakh.

**Recommendation:**

*The State Government may expedite action to recover outstanding Land Revenue.*

*(Paragraphs 5.5.1 and 5.5.2; Pages 135 and 136)*

#### Tax and Excise Department

Superintendent of Taxes (ST), Banderdewa failed to realise Entry Tax of ₹14.79 lakh from an importer for which interest of ₹4.63 lakh is also leviable.

**Recommendation:**

***The State Government may take appropriate action for immediate recovery of the tax and interest from the dealer.***

***(Paragraph 5.6; Page 137)***

The Superintendent of Taxes, Changlang failed to levy penalty of ₹19.79 lakh from 29 VAT Registered Dealers for non-submission of returns (FF-01) within due date.

**Recommendation:**

***The State Government may expedite action to recover balance outstanding amount from the dealers.***

***(Paragraph 5.7; Page 138)***

The Commissioner, Tax & Excise, Department failed to mandate the use of holograms by the Manufacturers/ Bottlers/ Bonded Warehouses operating in the State resulting in loss of revenue of ₹3.10 crore.

**Recommendation:**

***The State Government may ensure the implementation of rules enacted by the State Legislature.***

***(Paragraph 5.8; Page 139)***

## **Chapter-VI: Economic Sector (PSUs)**

As of 31 March 2020, there were seven PSUs (all Government Companies) in Arunachal Pradesh. None of these Companies are listed on the Stock Exchange. During the year 2019-20, no SPSU was added to the audit jurisdiction of Principal Accountant General, Arunachal Pradesh. No existing SPSU was closed down during the year.

***(Paragraph 6.1.1; Page 141)***

### **Investment in SPSU**

As of 31 March 2020, the State's investment in the seven PSUs was ₹27.87 crore, comprising 69.93 per cent towards capital and 30.07 per cent in long-term loans, which remained constant during last five years. The thrust of investment was mainly in the Finance and Power sectors, which had around 38 per cent and 37 per cent of the total investment respectively, as on 31 March 2019.

***(Paragraph 6.1.2; Page 141)***

### **Rate of Real Return on Government Investment**

During the year 2019-20, out of six working PSUs, four PSUs earned profit (₹ 6.07 crore), while the remaining two PSUs incurred loss (₹ 2.49 crore) as per their latest finalised accounts. Based on the historical value of investment, the Return for 2019-20 on State Government investment worked out to 8.84 per cent as against the Rate of Real Return

of 2.88 *per cent* on the investment at present value. This difference in percentage of return was on account of the adjustment made in the investment amount for the time value of money.

*(Paragraph 6.1.9; Page 148)*

### **Chapter VII Follow up of Audit Observations**

During 2019-20, two Public Accounts Committee (PAC) meetings were held in September 2019 and January 2020 after a gap of eleven months. The Committee selected total 86 Paragraphs in respect of 15 Departments pertaining to the period from 2008-09 to 2016-17 for discussion and dropped 81 Paragraphs.

*(Paragraph 7.1; Page 151)*

As of March 2020, 6,292 Paragraphs relating to 1,091 Inspection Reports (IRs), involving ₹6,366.73 crore were outstanding. Out of 1,091 IRs, the first replies to 485 IRs have not been received.

***Recommendation:***

***The State Government may ensure the replies to IRs/ Audit Paragraphs are sent as per prescribed time schedule and losses/ outstanding advances/ overpayments pointed out in audit are recovered in a time bound manner.***

*(Paragraph 7.3; Page 152)*

