CHAPTER – III
ECONOMIC SECTOR

CHAPTER – III: ECONOMIC SECTOR

3.1 Introduction

This Chapter of the Audit Report deals with the audit findings on the Departments of the State Government under the Economic Sector.

During 2020-21, total budget allocation of the State Government under the Economic Sector (other than Public Sector Undertakings) was ₹14,244.03 crore, against which the actual expenditure was ₹9,416.08 crore (66.11 *per cent*) whereas during 2021-22 total budget allocation was ₹14,172.77 crore, against which the actual expenditure was ₹10,688.90 crore (75.42 *per cent*). Department-wise budget allocations and expenditure incurred are given in the **Table 3.1.**

Table 3.1: Budget allocation and expenditure under Economic Sector

(₹ in crore)

Sl. No.	Department	2020-21		Expenditure (in *per cent*)	2021-22		Expenditure (in *per cent*)
		Budget	Expenditure		Budget	Expenditure	
1.	Industries	70.53	39.48	55.97	72.66	61.41	84.52
2.	Food and Civil Supplies	159.15	66.67	41.89	197.52	195.00	98.72
3.	Forests	701.03	443.50	63.26	763.46	549.63	71.99
4.	Agriculture	348.65	231.62	66.43	339.41	329.38	97.05
5.	Rural Works	2671.59	2397.04	89.72	2001.95	1936.25	96.72
6.	Panchayats	662.68	650.25	98.12	330.76	259.93	78.59
7.	Animal Husbandry and Veterinary	193.04	168.08	87.07	227.46	199.48	87.70
8.	Co-operation	20.80	17.67	84.95	24.01	23.46	97.72
9.	State Transport	149.91	119.82	79.93	183.07	172.78	94.38
10.	Public Works	2703.03	2089.78	77.31	3192.45	2435.36	76.28
11.	Power	1205.37	1062.64	88.16	1779.21	1514.10	85.10
12.	Economic and Statistics	28.20	27.52	97.59	29.83	27.75	93.05
13.	Legal Metrology and Consumer Affairs	12.30	10.58	86.08	12.79	12.02	93.94
14.	Water Resource Department	588.45	538.78	91.56	631.09	547.90	86.82
15.	Rural Development	614.84	537.30	87.39	496.21	454.34	91.56
16.	Fisheries	50.37	28.17	55.93	54.22	50.59	93.30
17.	Civil Aviation	104.74	64.06	61.16	132.16	120.03	90.82
18.	Horticulture	201.27	92.39	45.91	243.82	169.45	69.50
19.	Science and Technology	26.75	20.57	76.91	32.02	27.94	87.26
20.	Planning	3228.39	496.72	15.39	2799.64	1030.00	36.79
21.	Tourism	76.18	23.50	30.84	94.58	74.87	79.16
22.	Textile and Handicraft	60.87	47.09	77.37	71.65	64.98	90.69
23.	Geology and Mining	21.69	17.36	80.03	25.73	25.09	97.52
24.	Trade and Commerce	4.97	4.09	82.24	6.96	6.04	86.79

Sl. No.	Department	2020-21		Expenditure (in *per cent*)	2021-22		Expenditure (in *per cent*)
		Budget	Expenditure		Budget	Expenditure	
25.	Department of Tirap, Changlang and Longding	67.96	26.36	38.78	51.42	53.31	103.67
26.	Hydro Power Department	228.62	176.92	77.39	327.62	296.78	90.59
27.	Information Technology	42.67	18.12	42.46	51.09	51.07	99.95
Total		**14244.03**	**9416.08**	**66.11**	**14172.77**	**10688.90**	**75.42**

(Source: Appropriation Accounts, 2020-21 and 2021-22)

It could be seen from the **Table 3.1** that:

- During 2020-21, expenditure incurred by the Departments ranged between 15.39 per cent and 98.12 *per cent* of the allocations made whereas during 2021-22 the expenditure ranged between 36.79 *per cent* and 103.67 *per cent*.
- Three Departments have incurred more than 90 *per cent* of total budget allocation *viz*. Economic and Statistics (97.59 *per cent*), Panchayat (98.12 *per cent*) and Water Resource Department (91.56 *per cent*) during 2020-21.
- Fifteen Departments have incurred more than 90 *per cent* of total budget allocation during 2021-22.
- During 2020-21, the expenditure in all the Departments under this sector was less than their respective budgetary allocations for the year whereas during 2021-22 Department of Tirap, Changlang and Longding affairs incurred 103.67 *per cent* of budget allocation made.

3.1.1 Planning and Conduct of Audit

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

Audit was conducted in 56 units of ten Departments and 73 units of 13 Departments involving expenditure of ₹4,155.84 crore and ₹2,728.24 crore (including expenditure of earlier years) respectively during 2020-21 and 2021-22 under the Economic Sector.

Major findings detected in Audit during 2020-21 and 2021-22 pertaining to the Economic Sector *(other than State Public Sector Undertakings*), are discussed in subsequent paragraphs of this Chapter.

Performance Audit

Department of Power

3.2 Implementation of 'Deen Dayal Upadhyay Gram Joyti Yojana (DDUGJY) and Saubhagya' scheme in Arunachal Pradesh

Highlights

A Performance Audit (PA) of the *"Implementation of Deen Dayal Upadhyay Gram Joyti Yojana and Saubhagya scheme in Arunachal Pradesh"* was conducted covering the period from 2014-15 to 2020-21 involving test check of records of projects taken up in four[12] districts. The important findings of the PA on implementation of Scheme in Arunachal Pradesh are as follows:

- ***DDUGJY scheme: As against 2,00,210 rural households (2011 census) in 16 districts of the state, access to electricity has now increased from 1,38,775 (69 per cent) (March 2015) to 1,51,739 (75.79 per cent) (March 2021) after the implementation of DDUGJY scheme.***

  Saubhagya Scheme: Against 0.81 lakh un-electrified rural households in the State (October 2017), 0.41 lakh rural households were declared electrified as on 31 December 2018 under Saubhagya scheme and 0.40 lakh rural households remained un-electrified defeating the scheme objective of 100 per cent household electrification of all un-electrified households in rural areas of the State.

  (Paragraphs 3.2.1.1, 3.2.16.4 and 3.2.13)

- ***The DPRs of DDUGJY projects were prepared without conducting actual field survey despite lapses pointed by REC, 478 UEVs for electrification through on-grid mode included PEVs and depopulated/uninhabited villages. Execution of works without proper survey resulted in unfruitful and wasteful expenditure amounting to ₹4.14 crore.***

  Further, out of 1,058 villages sanctioned for off-grid mode, only 543 were electrified mainly due to inclusion of electrified and partially electrified villages and overlapping of 111 villages with on-grid mode resulting in inflated number of UEVs and sanctioned cost to the extent of ₹109.80 crore.

  (Paragraph 3.2.14.1)

- ***The DPRs for Saubhagya projects were submitted without field survey resulting in surplus quantities of material which remains unutilised at Lower Dibang Valley costing ₹0.35 crore and procurement of additional materials at Papum Pare costing ₹3.01 crore.***

  {Paragraphs 3.2.14.1 and 3.2.16.7 (ii) (iv)}

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[12] Papum Pare, East Siang, Kurung Kumey and Lower Dibang Valley

- ***Against the sanctioned cost of ₹418.93 crore for DDUGJY scheme, an amount of ₹276.65 crore had been released and ₹260.77 crore was spent as on 31 March 2021. There were huge savings for DDG/off-grid projects mainly due to substantial reduction of quantities on account of lesser households. Further, against the sanctioned amount of ₹615.45 crore under Saubhagya scheme, ₹340.38 crore (both central and state) had been released and the entire amount was spent as on 31 March 2021.***

{Paragraphs 3.2.15.1 and 3.2.15 (B)}

- ***Delay in availing Corporate Liquid Term Deposit (CLTD) facility for DDUGJY scheme fund for more than 11 months from the date of receipt of funds (1st tranche) had resulted in loss of interest to the extent of ₹0.57 crore. Similarly, the CLTD facility was not availed from the Bank in respect of Saubhagya funds due to which there was a loss of interest amounting to ₹1.74 crore.***

(Paragraphs 3.2.15.4 and 3.2.15.9)

- ***Non-adherence to bid instructions and CVC guidelines in the tender process led to litigation which not only delayed in award of work ranging from 5 to 291 days but also resulted in avoidable expenditure of ₹0.94 crore in Pupum Pare project. Though completion of 2 out of 16 projects was delayed by 7 to 744 days due to inordinate delay by the contractor, the department failed to levy liquidated damages amounting to ₹1.80 crore.***

{Paragraphs 3.2.16.1, 3.2.16.2 and 3.2.16.3 (i)}

- ***The DT meters installed under DDUGJY were not being used for energy accounting, auditing and checking of energy losses at DTR level by the Electrical Divisions (DoP) resulting in unproductive and wasteful expenditure of ₹3.57 crore. Further, in Lower Dibang Valley and Papum Pare projects, service connections were not released in 29 villages (1,007 HHs) as such creation of LT infrastructures costing ₹11.41 crore has become redundant besides, non-achievement of the scheme objective.***

(Paragraph 3.2.16.3 (ii) (iv)

- ***Defective transformers, energy meters and inverters were not replaced within the warranty period under Saubhagya scheme. In East Siang and Papum Pare, the Division failed to replace the defective transformers and meters (142 cases) resulting in unfruitful expenditure of ₹0.11 crore. APEDA also failed to repair/replace defective inverters (154 cases) in four districts resulting in unfruitful expenditure of ₹0.59 crore.***

(Paragraphs 3.2.16.7 (v) and 3.2.16.8)

- ***Execution of erection works without call of tenders and issue of works orders at higher rates under Saubhagya scheme in Papum Pare had resulted in avoidable expenditure of ₹1.47 crore. Further, in Kurung Kumey and East Siang tender rate of DDUGJY was adopted instead of department approved***

rate resulting in avoidable expenditure of ₹3.33 crore.

The rate of transportation of materials adopted by three Divisions viz. Kurung Kumey, East Siang and Papum Pare were also higher than approved rate of district administration which resulted in avoidable expenditure of ₹1.71 crore. Similarly, APEDA adopted higher rate for transportation of SPV equipment resulting excess expenditure of ₹0.31 crore.

(Paragraphs 3.2.16.7 (vi), (vii) and 3.2.16.7)

- ***Complete verification of infrastructures and BPL HHs connections released as per quality assurance guidelines was not carried out by APDA/DoP in all the four sampled projects of DDUGJY. Similarly, 100 per cent HHs connections and pre-dispatch inspection of all the materials to be utilised under Saubhagya were not carried out by APDA/DoP. Large numbers of defects were observed by REC Quality Mentoring (RQM), i.e. 7,556 defects in 487 villages, out of which 73.80 per cent of defects were, however, rectified as on 15 January 2021.***

(Paragraphs 3.2.17 and 3.2.17.4)

- ***Monitoring mechanism was ineffective due to the fact that only one SLSC meeting was held during the last five years from 2014-15 to 2019-20 and DPRs of both DDUGJY and Saubhagya were submitting to REC without consultation and recommended by SLSC. Further, out of 69 numbers of DEC meetings to be held in four sampled Districts during the period 2015-20, only three meetings were conducted and out of 50 numbers of meetings to be held by DISHA committees, only four meetings were conducted.***

(Paragraphs 3.2.18.3 and 3.2.18.4)

3.2.1 Introduction

3.2.1.1 Deen Dayal Upadhaya Gram Jyoti Yojana

The Ministry of Power (MoP), Government of India (GoI) launched (March 2005) the Rajeev Gandhi Grameen Vidyutikaran Yojana (RGGVY) under the Tenth Five Year Plan (Xth FYP 2002-07) with an objective of electrifying all villages[13] and all Rural Households (RHHs) with free of cost access to electricity and electricity connections to the Below Poverty Line (BPL) families.

The Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) was launched in Arunachal Pradesh in December 2014 by subsuming the targets laid down under the erstwhile RGGVY under XIIth FYP, as a separate rural electrification sub-component by carrying forward the approved outlay for the RGGVY to the DDUGJY with two additional objectives, *viz.*, separation of agriculture and non-agriculture feeders, and strengthening and augmentation of sub-transmission and distribution infrastructure in

[13] A village is considered electrified if basic infrastructure such as transformers and lines are provided in the inhabited locality, electricity is provided in public places like schools, panchayat offices, community/Government health centres /dispensaries *etc*. As per the XIIth FYP, un-electrified villages with population above 100 were considered.

the rural areas including metering at the distribution transformers, and at the feeders and consumers' end.

The DDUGJY scheme was implemented in 16 districts[14] in Arunachal Pradesh with a total sanctioned cost of ₹418.93 crore[15]. It was found that ₹276.65 crore had been released by REC and out of which ₹260.77 crore was spent as on 31 March 2021. Against the sanctioned target for electrification of 1,536 un-electrified villages[16], the state has electrified 1,028 villages (31 March 2021).

As per 2011 Census data, out of the total rural households of 2,00,210 in 16 districts of the state, 1,38,775 (69 *per cent*) had access to electricity (March 2015) prior to implementation of DDUGJY scheme. As against this, access to electricity in rural households has now increased to 1,51,739 (75.79 *per cent*) (March 2021).

3.2.1.2 Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA)

Main focus of the rural electrification up to 2017 was electrification of villages. However, village electrification did not result in electrification of all the HHs, as the village was considered electrified even on the electrification of 10 *per cent* HHs as per the then adopted definition. Hence, the Government of India launched Saubhagya scheme (October 2017) with the scope for:

- Providing last mile connectivity and electricity connections to all un-electrified HHs in rural areas;
- Providing Solar Photovoltaic (SPV) based standalone system for un-electrified HHs located in remote and inaccessible villages / habitations, where grid extension was not feasible or cost effective; and
- Providing last mile connectivity and electricity connections to all the remaining economically poor un-electrified HHs in urban areas.

The total un-electrified households in Arunachal Pradesh as on 10 October 2017 was 0.84 lakh HHs[17] out of which 0.53 lakh HHs[18] were sanctioned for electrification under Saubhagya for both rural and urban. Against the above sanctioned, 0.46 lakh HHs[19] (86.79 *per cent*) were electrified up to 31 December 2018.

For electrification of 0.47 lakh households in the state, MoP sanctioned a total amount of ₹615.45 crore, out of which ₹340.38 crore was released up to March 2021 and the entire amount has been spent.

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14 Tawang, East Kameng, West Kameng, Papum Pare, Lower Subansiri, Upper Subansiri, Kurung Kumey, East Siang, West Siang, Upper Siang, Dibang Valley, Lower Dibang Valley, Lohit, Anjaw, Changlang and Tirap.

15 On-grid: ₹267.20 crore and Off-grid/DDG: ₹151.73 crore

16 On-grid: 478 UEVs and Off-grid/DDG: 1058 UEVs

17 RHHs- 0.81 lakh, UHHs- 0.03 lakh

18 RHHs (Grid)- 0.41 lakh, RHHs (off-Grid)- 0.05 lakh and UHHs (Grid)- 0.07 lakh

19 RHHs (Grid)- 0.35 lakh, RHHs (off-Grid)- 0.05 lakh and UHHs (Grid)- 0.06 lakh

3.2.2 Funding pattern

As per the funding mechanism of DDUGJY as well as Saubhagya schemes, GoI's contribution was 85 *per cent* of the cost as capital subsidy through REC, and state had contribution of 15 *per cent*. GoI also provided capital subsidy to the state through REC for releasing free connections to below poverty line (BPL) consumers.

3.2.3 Role of major stakeholders

The roles of different levels of entities in formulation, approval and implementation of the scheme are shown in **Table 3.2:**

Table 3.2: Roles of various entities in the scheme

Level	Roles
Ministry of Power, GoI	• To set up Monitoring Committee[20] (MC) responsible for: ➢ Sanction of the projects, monitoring and review of implementation of the schemes. ➢ Formulation of scheme guidelines. • Appointment of REC (February 2013) as Nodal Agency for implementation of the scheme.
Rural Electrification Corporation (REC)	• Responsible for implementation of scheme. • Scrutiny and approval of DPRs. • Monitoring of scheme. • Release of funds on behalf of GoI.
Government of Arunachal Pradesh (GoAP)	• Setting up of State Level Committee to examine DPRs prepared by the implementing agency. • Provide support on policy issues on distribution of power in the state. • To provide required land for substations and facilitate in obtaining other statutory clearances (Right of Way, forest *etc.*).
State Level Standing Committee(SLSC)	• Recommending DPR for approval of MC after vetting the physical works covered under the project and ensuring adequacy of upstream network, commensurate with the proposed distribution network and availability of adequate power supply to cater to the load demand of the project area. • Ensuring that there is no duplication / overlapping of works with any other GoI scheme. • Monitoring progress, quality control and resolve issues relating to implementation of sanctioned projects.
Department of Power (DoP)	• Preparing DPRs after actual survey. • To submit DPRs for the approval of state Government and subsequent approval by the GoI through REC. • To execute works of electrification as per the approved DPRs and guidelines.

[20] MC constituted of Secretary (Power) as Chairman, representatives from Ministry of Power, Ministry of Finance, Ministry of Rural Development, Ministry of Agriculture, Central Electricity Authority and Planning Commission and Chairman & Managing Director, REC who shall be the Member Secretary & Convener of the Committee

3.2.4 Scheme implementation

A tripartite agreement was entered into (July 2016) among REC, Government of Arunachal Pradesh (GoAP) and Arunachal Power Development Agency (APDA) for implementation of projects under DDUGJY Scheme. The GoAP has entrusted the responsibility for implementation of the projects in the state to APDA and authorized REC to release the funds directly to APDA.

For implementation of Saubhagya Scheme (on-grid and off-grid), tripartite agreement was entered (September 2018) among REC, APDA and REC Power Distribution Company Limited (RECPDCL) wherein, RECPDCL was engaged for procurement of key materials of distribution network infrastructure for household electrification works.

As per the Scheme Guidelines, projects were to be implemented on turnkey basis. The Department of Power (DoP) awarded works to the contractors selected through open tenders for supply and erection of DDUGJY works on turnkey basis while erection works for Saubhagya scheme were departmentally executed by the DoP. APDA is responsible for implementation of both the Schemes and it has nominated State Nodal Officers[21] (SNO) from the Department of Power and the Executive Engineers of 16 Electrical Divisions were designated as Project Implementing Officers. Off-grid projects were implemented through Arunachal Pradesh Energy Development Agency (APEDA)[22].

3.2.5 Organizational Setup

The Department of Power (DoP), Government of Arunachal Pradesh is headed by a Secretary (Power) who is also the Chairman-cum-Chief Executive Officer of APDA. APEDA is responsible for off-grid projects and headed by the Director. The DoP looks after the day-to-day operations of transmission and distribution of power as well as execution of projects relating to power system in the state. The DoP has four Chief Engineers assisted by the Superintending Engineers and Executive Engineers posted at the head office and field offices.

An organisational structure of the Department is depicted in **Chart 3.1**.

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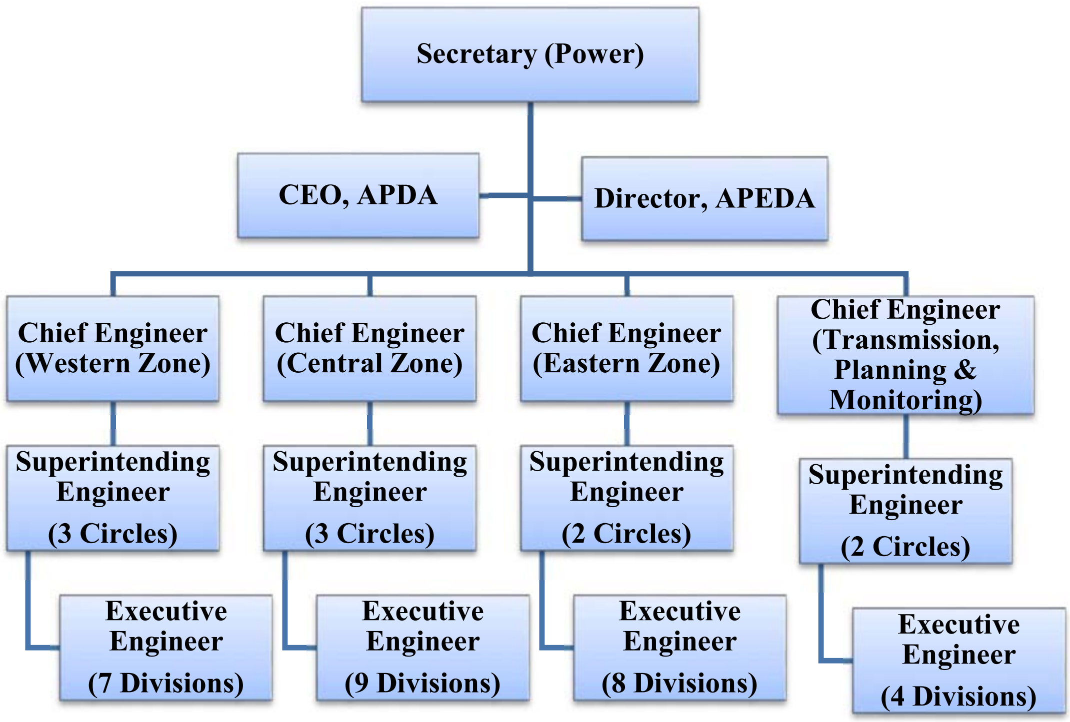
21 Superintending Engineer, Tezu Electrical Circle as SNO for DDUGJY scheme and Chief Engineer, Central Electrical Zone, DoP as SNO for Saubhagya scheme

22 APEDA is the state nodal agency for implementation of solar projects in Arunachal Pradesh

Chart 3.1: Organisational structure of the Department



3.2.6 Audit objective

The Performance Audit was undertaken to ascertain as to whether:

i) electrification of villages and households were carried out as per the scheme objective in an economical, efficient and effective manner in all stages of project implementation *viz.*, planning, execution, financial control and monitoring.

ii) households connected with power were in a position to use it and derive the benefits of development.

3.2.7 Audit criteria

The main sources of audit criteria for the performance audit were:

- Electricity Act 2003;
- DDUGJY/Saubhagya office memoranda and guidelines issued by GoI/REC;
- Instructions/circulars/orders issued by GoI/REC/GoAP;
- Tripartite agreement among REC, GoAP and APDA/RECPDCL;
- Sanctions orders and Utilisation Certificates;
- DPRs and Contract Agreements; and
- Applicable General Financial Rules, CVC guidelines, *etc.*

3.2.8 Audit Scope

The Performance Audit on *"Implementation of DDUGJY and Saubhagya Scheme in Arunachal Pradesh"* was conducted covering the period from 2014-15 to 2020-21. Audit examined records of two nodal agencies *i.e.* APDA and APEDA, Chief

Engineers (EEZ/CEZ) of DoP, Superintending Engineer (E) of Tezu and Naharlagun Circle and four Executive Engineers (E) of the selected projects *viz.* Papum Pare, Kurung Kumey, East Siang and Lower Dibang Valley.

3.2.9 Sampling

Out of 16 DDUGJY projects in the state, 25 *per cent* of the projects *i.e.* four projects were selected. The project sample comprised of 'High risk' stratum limited to five *per cent* of the projects which had high project costs and 'Others' stratum consisting of the remaining projects. While 100 *per cent* of the projects under 'High risk' stratum was taken up for audit, 20 *per cent* sample was drawn for the 'Others' stratum using Simple Random Sampling without Replacement (SRSWOR) method using IDEA Software.

In each identified project, Blocks and villages were selected by using SRSWOR. Two[23] Blocks were selected from each of the projects. From each selected block, based on village-wise average HH power consumption data for 2019-20, to 20 *per cent* villages with nil or low average HH power consumption were treated as 'High Risk' and selected for audit and 10 *per cent* of the remaining villages were selected using SRSWOR.

A minimum of five villages[24] from each selected Block were selected for beneficiary surveys, covering ten beneficiaries including a minimum of five BPL beneficiaries from each selected village.

Records at APDA, DoP and respective PIUs of the selected projects were scrutinized, and beneficiary surveys were carried out by Audit in the selected villages.

In all, four projects with seven blocks, 25 villages and 1,014 RHHs including 497 BPL HHs were selected and test checked in audit.

3.2.10 Methodology

Audit began with holding of an 'Entry Conference' (January 2021) with the Commissioner (Power), GoAP and the Officers of the APDA/DoP wherein audit objectives, scope, criteria, etc. of the PA was discussed. Audit methodologies included issue of questionnaires, queries, collection of available data and analysis thereof, examination of records maintained by APDA, DoP and APEDA. The audit findings were discussed with the Chief Engineers of DoP, Member Secretary of APDA, Director of APEDA and other departmental officials in the Exit Conference (December 2021). Replies of the departments wherever relevant have been incorporated in the report.

23 In East Siang projects only one SAGY village in Pasighat Block was taken up under the scheme, the same was selected.

24 In those blocks having less than five villages, all villages were selected.

3.2.11 Acknowledgement

The Audit team acknowledges the cooperation and assistance extended by APDA as well as officials of the DoP and APEDA during the conduct of the Performance Audit.

Audit findings

Audit findings are discussed in the succeeding paragraphs:

3.2.12 Electrification of Villages under DDUGJY

The status of village electrification, as on 31 December 2014, prior to the launch of the DDUGJY scheme and number of Un-electrified Village (UEV)/Partially Electrified Village (PEV) sanctioned under DDUGJY scheme in the state is detailed in **Table 3.3:**

Table 3.3: Status of village electrification under DDUGJY

Total Villages as per 2011 census	Number of UEV as on December 2014 (prior to taking up of DDUGJY)	Number of PEV as on December 2014	Number of UEV Sanctioned under DDUGJY scheme	Number of PEV Sanctioned under DDUGJY	Number of UEV electrified as on 31 March 2021	Number of PEV electrified as on 31 March 2021
5,589	1,731	-	478 (on-grid) 1,058 (off-grid)	-	384 (on-grid) 543 (off-grid)	101 (on-grid) 0 (off-grid)

(Source: Records of APDA and APEDA)

It can be noticed from **Table 3.3** that the sanctioned coverage was lesser than the number of un-electrified villages as on December 2014 due to inclusion of uninhabited and non-existing villages. During May 2016, the Monitoring Committee (MC) approved 478 UEVs for the state Arunachal Pradesh, it was, however, noticed that 101 PEVs were included and these were not depicted in the DPR. No proper assessment was made to identify the PEVs to be electrified before taking up the scheme. Out of 478 on-grid villages, 18 villages[25] were dropped and additional 25 UEVs were approved by MC (05 December 2017) within the sanctioned outlay for the state. As on 31 March 2021, only 485 villages were covered under on-grid mode which included 384 UEVs and 101 PEVs.

The actual coverage of off-grid mode was only 543 mainly due to overlapping of villages with on-grid mode and inclusion of partially electrified villages in the approved DPR as discussed in the succeeding **Paragraph 3.2.14.1(b).**

The audit finding was brought to the notice of the Department (November 2021), however, the Department did not offer any comment.

3.2.13 Household Electrification under Saubhagya

As per Saubhagya scheme guidelines (Paragraph 2.1 Chapter II), the household electrification was envisaged to be achieved for all households in the country through

[25] eight villages shifted to off-grid mode and three villages un-inhabited/Electrified and seven villages under Tirap not executed

two means *viz.* (i) providing last mile connectivity to households through grid and (ii) providing connections through Stand-alone Photo Voltaic (SPV) Systems in remote and inaccessible areas not feasible to be connected with grid.

The details of rural household electrification under Saubhagya from 11 October 2017 to 31 December 2018 are tabulated in **Table 3.4**.

Table 3.4: Details of electrification of Rural Households

(RHH in lakh)

Total HHs as on 10 October 2017 as per (as per MoP)	Electrified HHs as on 10 October 2017	Balance Un-electrified RHHs as on 10 October 2017	RHHs Progress from 10 October 2017 to 31 December 2018 (when saturation was reported by States)	Additional RHHs electrified from 01 January 2019 Onwards due to Special campaign till 31 March 2020	Total Progress	Balance Un-electrified RHHs	RHHs Electrification (in *per cent*)
1	**2**	**3**	**4**	**5**	**6=4+5**	**7=3-6**	**8**
2.32	1.51	0.81	0.41	Nil	0.41	0.40	50.62

(Source: Records of APDA and APEDA)

The total un-electrified rural households in the state as on 10 October 2017 was 0.81 lakh households of which 0.41 lakh households were declared electrified from 10 October 2017 to 31 December 2018.

It was noticed that there was a shortfall in actual achievement against the sanctioned target under the Scheme as detailed in **Table 3.5**.

Table 3.5: Status of electrified households as on 31 December 2018

Number of HHs to be provided electricity connections as per approved guidelines of MoP		Number of HHs proposed to be electrified as per DPRs prepared by state	Number of HHs sanctioned for providing connections by MC	Number of HHs actually electrified under Saubhagya scheme	HHs electrified against sanctioned (in *per cent)*
Rural Grid	81,000	40,665	40,665	35,532	87
Urban Grid	2,620	6,742	6,742	4,645	69
Rural off-Grid	NA	5,398	5,398	5,398	100
Total	**83,620**	**52,805**	**52,805**	**45,575**	**86**

(Source: Records of APDA and APEDA)

Against the target for electrification of 0.53 lakh households for both rural and urban through grid and off-grid mode, 0.46 lakh households *(i.e.,* 86.79 *per cent*) were electrified up to 31 December 2018. The actual electrification of rural households was only 0.41 lakh households and out of total number of rural households (0.81 lakh) to be provided electricity connections**,** 0.40 lakh rural households remains un-electrified despite reporting saturation. Thus, non-electrification of the remaining households (0.40 lakh) would defeat the scheme objective of 100 *per cent* household electrification.

The audit finding was brought to the notice of the Department (November 2021), however, the Department did not offer any comment.

3.2.14 Planning

A. Deficiencies in Planning under DDUGJY scheme

3.2.14.1 Preparation of Detailed Project Reports without detailed field survey

DDUGJY guidelines (Para 1 (ii) of Chapter II) envisaged that based on the broad scope of work validated by the Nodal Agency at 1st Stage, the PIAs would formulate district/circle/zone-wise DPRs based on detailed field survey for various items of work. Audit observed that DPRs for on-grid projects covering 478 UEVs and off-grid/ Decentralised Distributed Generation (DDG) projects covering 1,058 villages were prepared without detailed field survey as discussed below**:**

a) On-grid projects

APDA submitted NAD (February 2015) covering 2292 UEVs. However, on sample inspection of 168 villages by REC (April 2015), it was found that only 36 villages were un-electrified and the remaining villages were either partially electrified (109 villages) or require off-grid (19 villages) or not found (4 villages). REC requested APDA to review the status of the UEVs and submit DPR on the basis of actual field survey as it felt that the actual number of UEVs may be substantially lower than the proposed by APDA. It was however observed that without conducting actual field survey, APDA on 16 June 2015 submitted a revised 1731 number of UEVs based on census 2011 and village electrification taken up till erstwhile RGGVY scheme.

During August 2015, APDA submitted DPR covering 478 UEVs (on-grid) at the cost of ₹199.22 crore which was approved by the Monitoring Committee (MC). It however included partially electrified villages and places with no habitations as it can be noticed from four sample projects discussed below:

i) In Lower Dibang Valley, one village (Chipuano) was found de-populated during execution of works and three[26] partially electrified villages of Hunli-Kronli Block were included in the DPR despite absence of grid power supply since last five years. During a joint physical verification (April 2021), it was found that no service connections were released and power supply was not available. Thus, the infrastructure created amounting to ₹46.96 lakh remains (December 2021) unfruitful besides exposing to wear and tear and theft of transformers.

ii) In Papum Pare, one village (Yasumso) was found de-populated during the execution of work and three[27] villages under Balijan Block were converted to off-grid as the actual requirement were more than the sanctioned parameters. However, only one village (Dawaso) was electrified and remaining two villages were left un-electrified depriving electricity to about 28 BPL households. It was

[26] Treni (Cen-266082), Akungo (Cen-266081) and Elungo (Cen-266085)

[27] Habia (Cen-262401), Pume (Cen-262405) and Dawaso (Cen-262402)

further noticed that three[28] villages were shifted/ re-habilitated (December 2020) to another location after works were completed due to construction of Greenfield Airport at Holongi. This has resulted in wasteful expenditure amounting to ₹1.84 crore.

iii) In East Siang project (SAGY) the line has not been charged in two habitations (Darang Eda & Rimeng) under Pasighat Block due to non-availability of beneficiaries. Non-utilisation of the infrastructures created in these two habitations amounting to ₹1.83 crore remains (December 2021) unfruitful.

During exit conference (December 2021), the Department stated that though the divisional officers did not physically visit the villages, they are well acquainted and aware of the status of power connection in their jurisdictions. However, inclusion of de-populated villages happened because of incorrect information in the Census 2011.

The Department further stated that the power supply line to villages under Hunli-Kronli block was damaged due to highway construction/cutting and it will be restored after completion of Highway through hydel source. In Balijan Block, the Airport came up after electrification work was completed, hence it was unavoidable. Further, the habitations under Pasighat Block were now being electrified and village electrification certificate was obtained from Gram Panchayat.

The reply is not acceptable as no detailed field survey was conducted despite lapses pointed out by REC. Consequently, the Department failed to consider the reliability of the grid lines in Hunli-Kronli block where households' electrification (three BPL) could have been transferred to off-grid mode. In Balijan Block, the works in three villages was carried out ignoring the fact that the site was proposed for construction of Greenfield Airport and complaint received from the public (September 2017) for erection of poles by the Department. Further, electrification certificate submitted by the DoP for the two habitations under Pasighat showed that it was electrified during January 2018. The lines were however found lying idle during joint physical verification (May 2021) without providing service connections to the intended beneficiaries.

Recommendation: ***The State Government should ensure that DPRs prepared by the Department are based on actual field survey in order to avoid any wasteful expenditure. Necessary steps may also be taken to utilise the materials remaining unutilised in de-populated habitations.***

b) Off-grid (DDG) projects

APEDA submitted DPRs for 1000 DDG projects/UEVs to REC based on survey conducted through a private firm and the same was approved by MC (December 2015). It was however observed that 111 villages covered under on-grid projects were overlapping each other.

[28] Chakma Block-II (Cen-262290), Chakma Block-III (Cen-262295) and Chakma Block-V (Cen-262296)

The MC further approved and sanctioned 206 DDG projects/UEVs (April 2015/ December 2017/ March 2018) which were transferred from on-grid mode including left out UEVs. Out of the total 1,206 projects, Solar Energy Corporation of India (SECI) awarded for electrification of 895 villages across 16 districts of the state. However, the actual DDG projects/ UEVs executed were only 543 villages.

The huge variation in sanctioned and actual execution of the projects was mainly due to overlapping of DDG projects with on-grid mode, inclusion of electrified and partially electrified villages, *etc.* Thus, the above points out to the lack of detailed field survey in consultation with APDA/ DOP, thereby inflating the number of UEVs and sanctioned cost to the extent of ₹109.84 crore[29]. APEDA also failed to electrify the left-out villages which could not be electrified through on-grid mode as discussed in the preceding **Paragraph 3.2.14.1 (a).**

During exit conference (December 2021), APEDA stated that on-grid villages were included in off-grid mode because it was not economical and feasible to electrify through on-grid mode. Further it took considerable time to review and reclassify the villages as some of the villages included were partially electrified and some did not meet the parameters specified for off-grid mode.

The reply is not acceptable as APEDA did not conduct detailed field survey in consultation with the Department of Power/APDA thereby including as many as 111 villages which were already approved under on-grid mode.

3.2.14.2 Non-consultation with the public representatives

DDUGJY guidelines (Paragraph 1(ii) of Chapter II) stipulated that DPRs would be consulted with public representatives including Member of Parliament, and the PIA would furnish a certificate to this effect while submitting the DPRs to the Nodal Agency. Further, the DPRs shall be recommended by State Level Standing Committee (SLSC) headed by the Chief Secretary of the State before submitting to REC. The SLSC shall ensure that there is no duplication of works while recommending the projects to REC.

Audit observed that in out of four sampled projects, consultation with public representative including member of parliament and certificate was not done in two project (Papum Pare and East Siang) while preparing DPRs. Consultation with public representative relating to off-grid/DDG projects were also not taken. Further, DPRs of both on-grid and off-grid/DDG projects were submitted without any consultation and recommendation from SLSC. Consequently, the SLSC failed to review the DPRs and also point out the loopholes in inclusion of PEVs, uninhabited villages and duplication/overlapping of UEVs as discussed in preceding **Paragraph 3.2.14.1**.

The Department while accepting the audit findings stated (December2021) that they will comply to the guidelines in future.

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[29] Total sanctioned cost (₹151.73 crore) – Total awarded project cost by SECI (₹41.89 crore)

3.2.14.3 Non-inclusion of signboard component in DPRs

Ministry of Power intimated (28 April 2016) that display of works being carried out under the scheme in the form of sign board is a proactive measure to ensure transparency and accountability and also to create adequate awareness for the programme so that people can benefit maximum. The pro-active disclosure also helps in monitoring of works by the public at large, who are the ultimate beneficiaries of the programme. The expenditure on sign board may be borne out of contingencies inbuilt in the estimate of the works.

REC circulated (05 July 2016) the template of signboards along with specifications to implementing agencies of the State and requested them to ensure installation of such signboards in villages being electrified under the scheme. The matter had also been discussed in the Review, Planning and Monitoring (RPM) meetings held in July and August 2016 wherein it was emphasized to expedite the work of installation of signboards in villages.

Audit observed that Arunachal Pradesh had not considered the signboard component in all the 16 DPRs. Due to non-inclusion of signboard component in DPRs, in out of 25 villages surveyed under four sampled projects, signboards were not found installed in 20 villages. Thus, it lacks transparency and accountability and also in creating awareness to the people to avail maximum benefit from the programme.

The Department during exit conference (December 2021) stated that inclusion of signboard in DPR was not required as per scheme guidelines. It was further stated that since the instruction was separately issued by REC after the execution of contracts, the department could not insist for installation of signboard by contractors as it was outside the purview of contract.

The reply is not acceptable as the instruction was issued (July 2016) by REC before the award of works (September 2016 to February 2017) and there was huge savings from the scheme funds to cover the cost.

3.2.14.4 Non-formation of dedicated team for implementation of projects

DDUGJY guidelines (Paragraph 10 of Chapter II) prescribed that a Project Implementation Agency (PIA) would create a dedicated team for implementation of the projects and such details including necessary manpower and requisite infrastructure like office, logistics *etc.*, planned to be put in place to ensure smooth implementation, monitoring and redressal of grievances of public and public representatives of the project areas, be included in the DPRs. Audit noticed that DPRs in all the 16 projects did not contain these details. Delays in completion of the projects as pointed out in **Paragraph 3.2.16.1** were also partly attributable to non-formation of dedicated team to closely monitor the execution of projects.

The Department while accepting the audit findings stated (December 2021) stated that they will deploy dedicated teams in future for such schemes.

3.2.14.5 Plan wise project wise details of enabling activities

As per Paragraph 16 (Chapter-IV) of DDUGJY guidelines a provision of 0.5 *per cent* of the total project cost was kept for enabling activities like awareness creation, capacity building, quality monitoring of works, *etc.* Audit however observed that in 16 projects of the State no provisions were kept while preparing DPRs and awareness activities were not carried out to disseminate proper knowledge about the scheme to the public besides, it lacks monitoring from the public at large.

The Department while accepting the audit finding stated (December 2021) that the state Government has separately carried out awareness activities. The Department however, did not furnish any supporting document to audit in spite of the assurance given in the meeting.

3.2.14.6 Non-inclusion of works for Segregation of Agricultural and non-agricultural feeders

DDUGJY guidelines (Paragraph 1.2 of Chapter-I) envisage that providing continuous power supply to non-agricultural consumers and regulated power supply to agricultural consumers would be possible by separating agricultural and non-agricultural feeders.

It was observed that the works for segregation of agricultural and non-agricultural feeders was not taken up in the state of Arunachal Pradesh as there is no large scale dependence on electricity for agricultural irrigation.

The Department stated (December 2021) that due to peculiar geographical feature of the state, the scheme component has very little relevance for the state. The Department though furnished Need Assessment Document including this component to REC, however, REC did not agree to the Department's proposal.

3.2.14.7 Non-inclusion of works for Strengthening and augmentation of sub-transmission and distribution infrastructure

DDUGJY guidelines (Paragraph 1.3 of Chapter-I) envisage that strengthening and augmentation of sub-transmission and distribution infrastructure along with adequate metering arrangements is an essential component to ensure reliable and quality power supply in rural areas and to complete the process of village electrification.

The works for strengthening and augmentation of sub-transmission and distribution infrastructure was not considered in the DPR, however, the DoP later has taken up the works (2020-21) in three districts[30] at a cost of ₹142.74 crore from the savings of the scheme fund as discussed in **Paragraph 3.2.14.1 (b)**. The component of above additional work includes laying of 33 KV line (197.25 ckm), 11 KV (139.57 ckm), LT line (16.5 ckm) and four new 33/11 KV Substations.

Audit observed that the Department while preparing DPRs failed to consider works

[30] Tawang, West Kameng and Namsai

for strengthening of sub-transmission and distribution system in those places where 33KV/11KV infrastructures are required and grid line connectivity was not available. Instance case at Honli-Kronli Block under Lower Dibang Valley, the power supply was not available due to absence of 33 KV Transmission and Distribution lines despite creation of LT infrastructures as discussed in **Paragraph 3.2.14.1 (a)**. Thus, the Department failed to ensure reliable power supply to all the rural households besides, non-achievement of the scheme objectives.

The Department during exit conference (December 2021) stated that at present they are busy with electrification of Un-electrified/Partially Electrified Villages. Hence, this component of the scheme would be implemented later.

The reply is not acceptable as the Department failed to identify and include the requirement for strengthening and augmentation of sub-transmission and distribution infrastructures in the DPRs.

B. Inadequacies in Planning under Saubhagya scheme

3.2.14.8 Non-conducting of detailed field survey and identification of beneficiaries before preparation of DPR

Saubhagya guidelines (Para 8.6 of Chapter-II) stipulated that while implementation of the projects, implementing agencies shall carry out field survey for identification of beneficiaries and village wise/habitation wise details of households. Based on the broad scope of work all eligible entities would formulate DPRs based on detailed field survey.

Audit observed that APDA submitted DPRs without field survey. In four test checked projects/districts huge quantities of materials supplied were unutilised due to lack of assessment of actual requirement as pointed out in **Paragraph 3.2.16.7 (ii) (iv).**

3.2.14.9 Delay in submission of DPRs on Saubhagya DPR portal

As per Saubhagya guidelines (Para11 of Chapter-II), DPRs were to be submitted by 6 November 2017. Audit observed that DPRs of Saubhagya projects were submitted after delay ranging from 209 to 418 days. The delay in submission of DPR led to paucity of time for tendering works in respect of procurement of key materials of distribution network infrastructures which resulted in the work being awarded to RECPDCL on nomination basis by the PIA as pointed out in the **Paragraph 3.2.16.7 (i)**.

The Department during exit conference (December 2021) stated that the delay was unavoidable because information was required to be collected from the Divisions/Districts which are remotely located and poorly connected virtually.

The reply is not tenable as the district-wise DPRs were to be submitted through online mode to REC within one month from the date of sanction of the scheme, whereas, it took a considerable time of more than 06 to 13 months.

3.2.14.10 Execution of Communication Plan

As per (Paragraph 2 of Chapter-III) of Saubhagya guidelines, the Communication campaign, while factoring specifics of the state, shall be executed at:

(a) National Level

(b) State Level (Focus States)

(c) Local Cluster Level

Communication programme at the State and local levels shall be taken up by the State Governments/ PIA and the cost should be included in the DPRs as part of project cost to be approved by the Ministry of Power/Monitoring Committee.

Audit observed that APDA did not keep provisions for such expenditure due to which no outdoor campaign activities for the scheme was conducted in the state. In the absence of such programmes, adequate information was not provided about the scheme and its benefits to the target population about the scheme and to encourage them for availing electricity connections.

The Department while accepting the audit finding stated (December 2021) that the Government has separately carried out awareness activities. However, no supporting documents were furnished despite assurance given in the exit conference to submit by 01 January 2022.

C. Inadequacies in Planning of Solar Photovoltaic (SPV) under Saubhagya Scheme (Off-grid)

Under the Saubhagya Scheme provision for providing SPV based standalone system was made for un-electrified households located in remote and inaccessible villages/habitants where grid extension was not feasible or cost effective. Details of SPV system installed under the Scheme are detailed in **Table 3.6**.

Table 3.6: Status of electrification of off-grid households as on 31 March 2021

Number of HHs proposed to be electrified through SPVs as per DPRs	Number of HHs sanctioned for providing electricity connections through SPVs	Number of HHs actually electrified through SPV under Saubhagya Scheme
(In numbers)		
5,398	5,398	5,398

(Source: Records of APEDA)

3.2.14.11 Non-conducting of detailed field survey and identification of beneficiaries before preparation of DPR for electrification through SPVs

As per Saubhagya guidelines (Paragraph 8.6 of Chapter-II), implementing agencies shall carry out field survey for identification of beneficiaries and village wise/habitation wise details of HHs while implementing the projects. Based on the broad scope of work all eligible entities would formulate DPRs based on detailed field survey. Audit observed that APEDA submitted DPRs without field survey. Thus, in the absence of field survey, APEDA could not ensure to cover all the left out un-electrified households under off-grid mode.

Further, as illustrated at **Table 3.4** of **Paragraph 3.2.13**, there are 0.40 lakh RHHs which remained un-electrified in Arunachal Pradesh.

During exit conference (December 2021) APEDA stated that though the project officers did not physically visit the villages, they being a local or working there, are well aware of the status of power connectivity in their jurisdiction.

The reply is not tenable as APEDA has no proper records on the number of households to be covered under off-grid in the state and DPRs were prepared without consulting with the Department of Power.

3.2.14.12 Submission of DPRs without approval of State Level Standing Committee

As per Saubhagya guidelines DPRs were to be approved by the State Level Standing Committee before sending to REC/ MOP. However, DPRs in respect of SPV projects were submitted to REC without the approval of SLSC. Thus, audit observed that in the absence of oversight by SLSC, APEDA had submitted the DPRs to REC/MOP without conducting field survey.

3.2.15 Financial Management

A. Inadequacies in Financial Management under DDUGJY

3.2.15.1 Release of funds of DDUGJY (on-grid and DDG/Off-grid)

Amount sanctioned to the states, amount released to the states and actual expenditure till 31 March 2020 in DDUGJY was as detailed in the **Table 3.7**:

Table 3.7: Details of DDUGJY funds received and utilised

Year	Amount sanctioned (₹ in crore)			Amount released (₹ in crore)			Actual expenditure incurred (₹ in crore)		
	DDUGJY (On-grid)	DDG (Off-grid)	Total	DDUGJY (On-grid)	DDG (Off-grid)	Total	DDUGJY (On-grid)	DDG (Off-grid)	Total
2015-16	0	111.89	111.89	0	0	0	0	0	0
2016-17	267.20	39.84	307.04	47.98	0	47.98	0	0	0
2017-18	0	0	0	105.63[31]	24.14	129.77	53.05	0	53.05
2018-19	0	0	0	30.14	9.79	39.93	82.35	31.95	114.3
2019-20	0	0	0	58.71	0	58.71	62.98	1.88	64.86
2020-21	0	0	0	0.26	0	0.26	28.56	0	28.56
Total	**267.20**	**151.73**	**418.93**	**242.72**	**33.93**	**276.65**	**226.94**	**33.83**	**260.77**

(Source: Records of APDA and APEDA)

For implementation of DDG (off-grid) under DDUGJY scheme in Arunachal Pradesh, a tripartite agreement was signed (01 March 2017) among REC, Government of Arunachal Pradesh (GoAP) and Solar Energy Corporation of India Limited (SECI).

[31] Including State share of ₹48.98 crore

SECI was entrusted the responsibility for implementation of the projects in identified areas involving system planning, design and engineering, procurement and to construct/implement/commission DDG projects on behalf of GoAP.

It was noticed that out of the sanctioned amount of ₹151.73 crore, SECI awarded DDG projects at a total cost of ₹41.89 crore. This was mainly due to substantial reduction in quantities[32] of the off-grid system to be executed since actual numbers of households were found to be much lesser as discussed in **Paragraph 3.2.14.1 (b)**.

3.2.15.2 Delay in release of funds

DDUGJY guidelines (Paragraph 7 of Chapter IV) stipulated that utilization certificates (UC) should be provided in the prescribed format latest by 30th April of the succeeding year. Audit observed that in respect of 15 projects, UCs for 2nd tranche had been submitted by PIAs (March 2020), however, funds for 3rd tranche (90 *per cent*) of grants have not been released till date (December 2021) resulting in delay of the projects closure.

The Department during exit conference (December 2021) stated that subsequent installments were released based on financial progress and REC did not insist for inclusion of UCs.

The reply of the Department is not tenable as all the works were completed and at the end of March 2021 only six projects have been approved for closure.

3.2.15.3 Non-providing of Audited Accounts relating to receipts of funds

DDUGJY guidelines (Para 7 of Chapter IV) stipulated that PIA will ensure audit of funds received from REC and expenditure incurred against that during the financial year by an Independent Chartered Accountant and furnish a report to REC latest by 30 June of succeeding year. Audit observed that the audited accounts of DDUGJY funds of the respective PIUs of 15 projects for year 2017-18 and 2018-19 were conducted only in the month of March 2020. Further, the funds were parked in APDA account before being disbursed to the concerned PIUs, however, audit of APDA account has not be carried out violating the scheme guidelines.

The Department during exit conference (December 2021) stated that all the Audit Reports have been submitted to REC and the Audit of APDA is already under progress. No supporting documents were however furnished to Audit (November 2022) despite assurance given in the exit conference to reply on or before 01 January 2022.

3.2.15.4 Non-maintenance of bank accounts with CLTD facility

DDUGJY guidelines (Para 2.3.2 of Chapter IV) stipulated that PIA shall open a separate dedicated bank account in a nationalized bank and the nature of the account

[32] Quantities to be executed: 13,179 nos. of Solar Home Lighting System and 4,184 nos. of Solar Street Light, Actual: 6,834 nos. of Solar Home Lighting System and 1,012 nos. of Solar Street Light

shall be current account with Corporate Liquid Term Deposit (CLTD) facility.

APDA maintained a separate account for DDUGJY fund received from REC at Vijaya Bank, now Bank of Baroda (880100301000749). It was, however, observed that CLTD (Auto-sweep) facility was availed after a delay of more than 11 months (17 March 2018) from the date of receipt of funds (1st tranche), thereby sustained a loss of interest[33] to the extent of ₹0.57 crore during the period from 31 March 2017 to 28 February 2018.

During exit conference (December 2021) APDA stated that instruction was given to the bank to provide CLTD facility while opening the bank account, however, it was not done by the bank. Later, when Department noticed this, they requested the bank and CLTD facility was provided.

The reply is not tenable as APDA failed to ensure that the bank account was opened with CLTD facility as per scheme guidelines. Moreover, it took a considerable time of about 12 months to avail the CLTD facility from the Bank.

3.2.15.5 Non-remittance of interest earned on DDUGJY grants

DDUGJY guidelines (Paragraph 6.3 of Chapter IV) required that interest earned on DDUGJY capital subsidy/grant should be remitted to Ministry of Power's bank account on quarterly basis. Audit observed that there was a delay ranging from 70 to 893 days in remitting interest earned by PIAs to the account of MOP**.** APDA earned interest of ₹4.95 crore during the period from 2017-18 to 2020-21, however, only ₹2.86 crore was remitted to the Ministry of Power, GoI on 09 September 2020, retaining an amount of ₹2.00 crore in its account in violation of the scheme guidelines.

The APDA while accepting the audit finding stated (December 2021) that they have transferred a total of ₹3.32 crore to the Ministry of Power, GoI and interest earned on state share would be transferred to the State Government.

The reply is not acceptable as there was no provision in the guidelines for remittance of interest earned to the State Government and APDA failed to remit the interest on quarterly basis.

3.2.15.6 Irregularities in payment

- Papum Pare project covers three[34] Electrical Divisions wherein, Executive Engineer, Naharalagun Electrical Division is the Project Implementing Officer for DDUGJY scheme. A total number of 14,921 consumer meters were sanctioned under Papum Pare district/project and the bills for supply and installation of the consumer meters amounting to ₹445.33 lakh under three Divisions of Papum Pare project was made against Naharlagun Electrical Division. It was however noticed that an excess amount ₹50.13 lakh was drawn (3rd RAB) by Sagalee Electrical Division (1,756 nos.) and Capital Electrical

33 Interest at the rate of four *per cent* per annum.

34 Naharlagun Electrical Division, Capital Electrical Division and Sagalee Electrical Division

Division (17 nos.) towards consumer meters which were already billed against Naharlagun Electrical Division.

- As per Arunachal Pradesh Goods Tax (Amendment) Act, 2005 (11 April 2007) any person responsible for paying sale price was liable to deduct the amount of tax at the time of payment to the work Contractor at 12.5 *per cent* on taxable turnover of the works contract.

  In East Siang projects, the contractor had raised ₹25.25 lakh for VAT towards supply items (prior to GST). Audit however noticed that the Electrical Division, Pasighat had neither deducted VAT at source nor obtained payment challan of entry tax/VAT amounting to ₹25.25 lakh while making payment to the contractor.

No reply was furnished by the Department/APDA despite assurance given during the exit conference (December 2021) to submit by 01 January 2022.

Recommendation: ***The State Government may take action against the concerned officers for extra payments released to the contractors and also recover the amount from the contractor.***

B Inadequacies in Financial Management under Saubhagya

The funds sanctioned under Saubhagya scheme *vis-à-vis* amount released is detailed in **Table 3.8**.

Table 3.8: Details of Saubhagya fund as on 31 March 2021

(₹ in crore)

Proposed by the State	Amount Sanctioned by MoP	Amount released	State share released
666.66	615.45	282.15*	58.23

**includes ₹198.79 crore paid directly by REC to RECPDCL.*

The MoP initially sanctioned (July 2018) an amount of ₹323.32 crore against the proposed project cost of ₹666.66 crore. Thereafter, the Ministry sanctioned (October 2018) an additional amount of ₹292.13 crore for creating additional infrastructure for electrification of remaining un-electrified in the State within the targeted timelines *i.e.* 31 December 2018.

The MoP and the State Government had released an amount of ₹340.38 crore[35] between July 2018 and July 2020 and PIA had utilized the entire fund released till the date of audit.

3.2.15.7 Non-providing of Utilisation Certificates (UCs)

Guidelines stipulated that utilisation certificates should be provided in the prescribed format latest by 30 April of succeeding year. Audit observed that in respect of 16 projects UC had not been submitted by the PIA as of 30 April 2020. Non-submission of UC on time would deprive the department of further release of fund from REC/MOP.

[35] MoP: ₹282.15 crore and State Government: ₹58.23 crore

The Department during exit conference (December 2021) stated that they have submitted UCs to REC. However, copies of UC submitted were not furnished to audit (November 2022) despite assurance given in the exit conference to submit by 01 January 2022.

3.2.15.8 Non-providing of Audited Accounts relating to receipts of funds

As per Saubhagya scheme guidelines (Paragraph 6.1 of Chapter-V), utility will ensure audit of funds received by the utility from REC and expenditure incurred there against during the financial year by an Independent Chartered Accountant and furnish a report to REC latest by 30th June of succeeding year. REC shall consider release of further funds on the receipt of audited report and certificate from Chartered Accountant. Audit observed that PIAs had not submitted the Audit reports to REC in respect of 16 projects. Non-submission of audited Accounts would deprive the department of further release of fund from REC/MOP besides, violation of scheme guidelines

The Department during exit conference stated (December 2021) that all the audit reports have been submitted to REC. However, no supporting documents were furnished to audit (November 2022) despite assurance given in the exit conference to submit by 01 January 2022.

3.2.15.9 Non-maintenance of separate dedicated bank accounts with CLTD facility

As per scheme guidelines, PIA shall open a separate dedicated bank account in a nationalised bank and the nature of the account shall be current account with Corporate Liquid Term Deposit facility. Audit observed that APDA had opened a current account (65450200001460) with Vijaya Bank (now Bank of Baroda), however, no CLTD facility was availed from the Bank due to which there was a loss of interest amounting to ₹1.74 crore[36].

The Department during exit conference (December 2021) stated that instruction was given to the bank for CLTD facility while opening the bank account, however, it was not done by the bank.

The reply of the Department is not tenable as it failed to ensure that the bank account was opened with CLTD facility as per the guidelines. Further, no interest was accrued on Saubhagya scheme. The Department also did not furnish any documents to audit in support of their reply (November 2022).

3.2.16 Implementation

A. Inadequacies in Project Implementation under DDUGJY

3.2.16.1 Time taken in award and completion of Projects

DDGUJY guidelines (Paragraph 8 of Chapter II) stipulated that the works were to be awarded within six months from the date of communication of approval by MC.

[36] Interest calculated at the rate of four *per cent* per annum.

Further, as per Paragraph 9 of Chapter II, the projects under the scheme shall be completed within a period of 24 months from the date of issue of Letter of Award (LOA) by the utility/department, in case of turnkey implementation. For execution on partial turnkey/departmental basis, approved by the monitoring committee, project needs to be completed within 30 months (24 months for implementation and six months for placement of awards for supply and services *i.e.* erection) from date of communication of the approval of the Monitoring Committee.

It was observed that out of 16 projects, 13 projects were awarded after six months with a delay ranging between 5 to 291 days mainly due to litigations as discussed in succeeding **Paragraph 3.2.16.3 (i)**. Though the works were awarded after the settlement of the court cases, in out of 16 projects executed, completion of two projects were delayed by 21 and 744 days. The delays in completion were due to delay in inspection and receipt of materials and inordinate delay by the contractor despite time extension. Further, there was no dedicated team for implementation of the projects coupled with lack of monitoring by the respective district committees to oversee timely completion of the projects. One project was not implemented due to the litigation (Detailed in ***Appendix-3.1)***.

During exit conference (December 2021), the Department stated that the delay in completion of works was partly due to the litigation cases in tendering process.

The reply is not acceptable as the works were awarded after settlement of the court cases except Tirap district. Further, in case of Papum Pare there was inordinate delay in execution of works by the contractor.

3.2.16.2 Time overrun and non-imposition of liquidated damage

As per Clause 21.2 of General Condition of Contract (Volume-I: Section-IV), if Contractor fails to comply with the time for completion for the whole of the facilities, then the Contractor shall pay to the Employer (DoP) a sum equivalent to half *per cent* for each week or part thereof subject to the limit of five *per cent* of the Contract Price as liquidated damages for such default. The Employer may, without prejudice to any other method of recovery, deduct the amount of such damages from any monies due or to become due to the Contractor.

In out of 15 projects executed, completion of one project *i.e.* Papum Pare project was delayed by 744 days. Audit however observed that a Liquidated Damage (LD) amounting to ₹1.80 crore was not levied on the contractor as per the contract agreement despite non-completion of works within the scheduled time.

In the Exit Conference, the Department stated (December 2021) that the delay also occurred because the department could not settle the contractor's bill timely. Hence, it was not possible to impose LD.

The reply is not acceptable as the work was inordinately delayed by the contractor despite time extension given in two occasion up to 30 September 2018. As against the completion time of three months (March 2017) from the date of award (December 2016) for procurement, inspection and dispatch of all the materials, it took three to seven months (June 2017 to October 2017). Contrary to Department's reply, during meeting (October 2018) held with the contractor it was decided to impose liquidated damage as per provision of the agreement in case of failure to complete within 30 November 2018. Moreover, there was no provision in the agreement necessitating the works to be delayed for want of running bills in time.

3.2.16.3 Observations pertaining to deficiencies in award and execution of contracts

(i) Violation in award of contracts

As per Clause 13.2 of the Instruction to Bidders (ITB), the bid security shall, at the bidder's option, be in the form of a closed bank draft/pay orders/bank guarantee from a reputed public sector bank or scheduled commercial banks. Further, Clause 22.4 and 24 provided that the employer's determination of a bid's responsiveness is to be based on the contents of the bid itself without recourse to extrinsic evidence. The employer (Department of Power) would carry out detailed evaluation of bids including independent verification of Bid Security from the issuing bank. On receipt of certification from the issuing bank, eligibility of the bidder shall be decided for opening of the price bids.

Further, the Central Vigilance Commission had advised[37] that whatever pre-qualification, evaluation/exclusion criteria, etc., which the organization wants to adopt should be made explicit at the time of inviting tenders so that basic concept of transparency and interests of equity and fairness are satisfied. The acceptance/rejection of any bid should not be arbitrary but on justified grounds as per evaluation/exclusion criteria leaving no room for complaints, as after all, the bidders spend a lot of time and energy besides financial cost initially in preparing the bids and, thereafter, in following up with the organisations for submitting various clarifications and presentations.

Examination of records in sampled projects revealed the following:

a) In East Siang project, out of seven bidders, four were rejected by the Department due to conflict in submission of Bid Security. Two rejected bidders filed writ petition against the rejection order and a judgment was passed by the Court to set aside the bid rejection order and directed the Tender Opening Board to give opportunity to participate in the tender. Audit observed that rejection of the bids was arbitrary as it was based on the ground that bid securities were submitted in the form of Bank Guarantees instead of Demand Draft or Fixed Deposit which was contrary to the ITB. Thus, timely award of work was delayed as it took considerable time of five months to settle the matter in court which could have been avoided had the Department evaluated and accepted bids based on equity and fairness as per CVC guidelines and ITB.

[37] CVC Order No. 33/7/03 dated 09 July 2003

The Department stated (December 2021) that they will look into the matter and would take remedial measures.

b) In Papum Pare project, out of eight bidders two bidders qualified (30 May 2016), however, L1 bidder[38] was rejected based on complaint filed by L2 bidder[39] that the bid security (FDR) submitted was not issued from the bidder's bank account. A writ petition was filed by L1 against the decision of the Department with a contention that only valid bid security was to be submitted and no restrictions were placed as far as the source is concerned and the Tender Evaluation Committee was ordered by the Court (24 January 2017) to revisit and take appropriate decision. During the intervening period, the execution of agreement with L2 bidder was kept in abeyance. However, L1 withdrew (May 2017) the tender and the work was executed by L2. Thus, it not only took considerable time to commence the work but also resulted in avoidable expenditure to the extent of ₹0.94 crore[40].

The Department during exit conference (December 2021) stated that the rejection of the BG was based on the past experience of the Department, however, in future suitable clause would be incorporated in NIT.

(ii) Unfruitful/infructuous expenditure on installation of meters

Installation of meters at Sub-stations or Distribution Transformers (DTRs) is important to ensure seamless accounting, auditing of energy and checking of commercial losses at different levels including the villages electrified under the Scheme. In three selected projects (Kurung Kumey, East Siang and Papum Pare), 710 DTR meters were installed. However, none of these DTR meters installed were used for energy accounting, auditing and checking of energy losses at DTR level by the Electrical Divisions (DoP). Thus, expenditure incurred on installation of DTR meters valuing ₹3.57 crore[41] was not productive and hence, wasteful.

The Department during exit conference (December 2021) stated that they will look into the audit findings and take necessary action, if necessary.

(iii) Non-operation of DTRs

a. As per scheme guidelines (Paragraph 2(v) of Chapter-II), works already sanctioned under other scheme of the GoI shall not be eligible for coverage under DDUGJY scheme. During the beneficiary survey it was noticed that transformers (16 KVA) installed in five[42] villages under Dambuk Block of Lower Dibang Valley project were not in operation since the date of installation (August 2018) as power supply was provided through another transformer (100 KVA) at Bizari sanctioned

38 M/s ECI Engineering & Construction Co. Ltd., Hyderabad

39 M/s Absolute Projects (India) Ltd., New Delhi

40 ₹48.30 crore (tender amount of L1) – ₹47.36 crore (tender amount of L2) = ₹0.94 crore

41 Kurung Kumey- ₹1.28 crore (261 DT meters), Eat Siang- ₹1.03 crore (203 DT meters) & Papum Pare- ₹1.26 crore (246 DT meters)

42 Tipo, Keara-Ah-Chimu, Gandhi-Lasum, Agam and Gamyoing

(March 2016) under NEC funded project. Audit observed that the villages were located within the vicinity of Bizari, as such installation of transformers overlapping to another scheme proved that no detailed survey and assessment were made before taking up the project. Thus, it tantamount to execution of ineligible work which resulted transformers obsolete leading to uneconomical and wasteful expenditure of ₹22.10 lakh.

The Department during exit conference (December 2021) stated that 16 KVA transformers could not be used for want of required manpower. However, the requisite manpower has now been arranged and transformers are put to use.

The reply is not tenable as the 100 KVA transformer is sufficient to cater power supply to all these villages who are mainly domestic consumers and unused transformers were exposed to wear and tear and theft. Further, no supporting documents were furnished to audit.

DTR (16 KVA) at Tipo kept idle/not charged

DTR (16 KVA) at Keera-Ah (Chimu) kept idle/not charged

DTR (100KVA) at Par Lichi left unattended and not put to operation.

b. DTR installed at Par Lichi in Kimin Block of Papum Pare projects was not charged and put into operation since installation. The DTR (100 KVA) was installed despite having only two households and the remaining households were partially electrified. Thus, installation of 100 KVA DTR was unwarranted and resulted in wasteful expenditure of ₹8.25 lakh.

No reply was furnished by the Department/APDA despite the assurance given during the exit conference (December 2021) to submit by 01 January 2022.

(iv) Redundancy of rural electricity infrastructure

In Lower Dibang Valley district, out of 65 villages sanctioned to be electrified, 24 UEVs[43] with 623 rural Hhs (including 97 BPL Hhs) were not provided service connections even though LT infrastructures were created. The service connections were instead released in other villages which were not covered by DPRs. There was also no evidence of any service connection released to the other consumers other than BPL. Thus, the rural electrification infrastructures created in 24 villages by spending ₹7.57 crore has become redundant besides, non-achievement of the scheme objectives.

Similarly, in Papum Pare district, out of 119 villages sanctioned to be electrified, five villages (384 Hhs) including three[44] UEVs and two[45] partially electrified villages under Doimukh Block were not provided any service connections. Thus, rural electrification infrastructures created by spending ₹3.84 crore remains redundant.

No reply was furnished by the Department/APDA despite assurance given during the exit conference (December 2021) to submit by 01 January 2022.

Recommendation: ***The State Government may take appropriate disciplinary/vigilance/ criminal action after investigation, on the concerned officers for fraudulent way of implementing of the programme viz. creation of electricity infrastructures without actual requirement as per the scheme guidelines.***

(v) Non-maintenance of records of beneficiaries

In Papum Pare district, a total number of 14,921 consumer meters[46] were sanctioned for new connection and replacement of various types of consumer meters. As per closure report all the meters were installed by incurring ₹4.45 crore. However, list of beneficiaries/consumers provided with meters were not available on record as such audit could not ascertain the veracity of the meters installed.

Similarly, in East Siang district, 4296 meters[47] were sanctioned for new connection/replacement of domestic and commercial purpose and the closure report showed that all the meters were installed by incurring ₹1.09 crore. However, list of beneficiaries/consumers were not available in record as such audit could not ascertain the veracity of the meters installed under the scheme.

No reply was furnished by the Department/APDA despite assurance given during the exit conference (December 2021) to submit by 01 January 2022.

Recommendation: ***The State Government may investigate whether all the meters were delivered and installed and take appropriate action against the concerned officers.***

[43] i) Ehili Brwa, ii) Mekong, iii) Tetong, iv) Mobuk, v) Akungo, vi) Treni, vii) Elungo, viii) Moruk, ix) Balngo, x) Daran, xi) Bulukang, xii) Kolom Basti, xiii) Ajiwuya, xiv) Keraa Ati, xv) Kundil, xvi) Ahrmboli (Ichli), xvii) Anuboli, xviii) Injo Palu, xix) Ebranli, xx) Angali, xxi) Rateng, xxii) Zilung, xxiii) Kojejanggo, and xxiv) Lakhow

[44] (i) Yijo Hapa; (ii) Richi; and (iii) Daria Puru

[45] (i) Deriya & (ii) Emchi

[46] Replacement: 5,539 meters and New installation: 9,382 meters

[47] Replacement: 2,901 meters and New installation: 1,395 meters

3.2.16.4 Non-connection of other non-BPL consumers/APL households

In the DPRs of 16 projects, 8,588 non-BPL/APL households were proposed for service connections, however, it was noticed that only 1360 connections were provided in four[48] projects as per closure reports. Thus, 7,228 households were left out and the Department/APDA failed to ensure providing power to all the rural households.

The Department during exit conference stated (December 2021) that no sanction was accorded for release of service connections to non-BPL/APL households.

The reply is not acceptable as the Department had proposed in the DPRs to electrify all the rural households including both BPL and non-BPL/APL consumers. Further, Saubhagya scheme was launched (October 2017) for universal household electrification and any un-electrified households not found eligible as per SECC data would also be provided electricity connection. For release of connection an amount of ₹500 per household would be recovered by the Department in ten installment (₹50 each) alongwith electricity bill.

Thus, the un-electrified non-BPL/APL households would have been taken up under Saubhagya scheme and accordingly service connections are provided by recovering the required amount from the consumer.

B. Inadequacies in Implementation of Household Electrification under Saubhagya

As per CCEA approval, work of electrification of 3.31 crore un-electrified households in the country was required to be completed by 31 March 2019 under Saubhagya scheme. Arunachal Pradesh had reported saturation of 40,177 household upto 31 March 2019 as detailed in **Table 3.9**.

Table 3.9: Details of households left un-electrified upto 31 March 2021

Sanctioned Cost (₹ in crore)	Sanctioned connection (in numbers)		HHs electrified up to 31 March 2019 (in numbers)		Remaining HHs to be electrified after 31 March 2019 (in numbers)	
	Rural Grid	Urban Grid	Rural Grid	Urban Grid	Rural Grid	Urban Grid
615.45	40,665	6,742	35,532	4,645	5,133	2,097

(*Source: Records of APEDA and APDA)*

From the table above, it can be seen that out of the total HHs required to be provided connection, 7,230 HHs were not actually provided connection up to March 2019. Reasons for the same were not found on record.

48 Tawang (182 Hhs), East Siang (36 Hhs), West Siang (162 Hhs) and Changlang (980 Hhs)

3.2.16.5 Inclusion of works already executed before the kick start date (11 October 2017) of Saubhagya

Saubhagya guidelines (Paragraph 3.1 of Chapter-II) stipulated that expenditure incurred by the eligible entities for the electricity connections released with effect from 11 October 2017 would be entitled for funding under the scheme.

Audit observed that the Department had included 107 households in four sampled districts electrified before11 October 2017 under Saubhagya to claim the benefit of central subsidy. Thus, inclusion of such HHs would defeat the scheme's objective of providing electricity to unelectrified HHs. No reply was furnished by the Department (November 2022).

3.2.16.6 Delay in submission of closure project by PIAs

As per the Saubhagya guidelines (Para 10 of Chapter-V), project completion report was required to be submitted by PIA to REC within one year of the completion of project. The works of household electrification in the state under Saubhagya scheme were completed upto 31 March 2020, but closure reports covering 40,177 households were not submitted by the State till March 2021. Thus, non-submission of project completion report would deprive the department of the release of final tranche of grant component from REC/MOP. No reply was furnished by the Department (November 2022).

3.2.16.7 Observations pertaining to Contract Audit under Saubhagya Scheme

Audit observed following irregularities in the implementation of contracts:

(i) Deficiencies in tripartite agreement

As per Saubhagya guidelines (Para 8.3 of Chapter-II), all contracts would be between the States/Power department and contractor/supplier, and REC would not be a party to such contracts. Further, CVC through its Circular (11 July 2018) prescribed that the award of contracts on nomination basis without adequate justification amounts to a restrictive practice eliminating competition, fairness, and equity except in such cases as during natural calamities and emergencies declared by the Government.

It was, however, observed that APDA entered into agreement (14 September 2018) with REC and RECPDCL, wherein, RECPDCL was entrusted on nomination basis to provide services for procurement of materials with service charges amounting to ₹ 4.75 crore[49] in contrary to the CVC and scheme guidelines.

As per the agreement RECPDCL, was to procure and supply key materials of distribution network infrastructures upto the store locations as decided mutually through suppliers appointed via competitive bidding. The supplies were to be completed within 60 days (October 2018) of the award of contracts to the suppliers/vendors.

49 two *per cent* of the cost of materials procured including taxes

Test check in four sampled Districts revealed that materials such as poles and conductors were supplied with a delay upto three months (January 2019). In this connection, RECPDCL had levied LD amounting to ₹7.19 crore from its vendors for delay in supply of materials, however, the amount recovered was neither transferred to APDA nor adjusted in the scheme fund till date (August 2021) due to lack of enabling provisions in the contract agreement between APDA and RECPDCL.

The Department while accepting (December 2021) the audit finding assured that the enabling provisions would be made as part of contract in future.

Recommendation: The State Government should ensure thorough vetting of agreements/contracts to prevent undue benefit to contractors and to safeguard its interest at large.

(ii) Un-utilised materials booked under the Scheme

As per Saubhagya guidelines (Paragraph 6 of Chapter-II), the project cost approved by the MC or Award cost of the project, whichever is less, shall be the eligible cost for determining the Grant under the scheme. In case, the bill of quantities for various items of works as approved by the MC is reduced during implementation of projects due to any reason whatsoever, the eligible project cost shall be reduced in proportion to actual executed bill of quantities and un-utilised material/equipment should not be booked in expenditure under the scheme.

Audit observed that in respect of one District (Lower Dibang Valley) the work was completed during March 2019 and materials valued ₹0.35 crore remained un-utilised, however, the said expenditure was booked/charged under the scheme contrary to the scheme guidelines.

The Department while accepting the audit finding stated (December 2021) that the un-utilised materials pointed out by Audit are physically in possession of the Department and they would take necessary action to account for the same. Un-utilised material is lying in the open and open to risk of damage and theft.

Recommendation: The State Government may take appropriate steps to store the un-utilised material safely and draw up a plan to speedily utilise the un-utilised material/ equipment for electrification works within the Division or the same may be transferred to other needy Divisions.

Un-utilised materials observed during physical verification

ACSR Conductor (Squirrel) and LT Pin Insulators lying unutilized at Roing Divisional Store

(iii) Non-accounting of materials issued against erection work

In three out of the four sampled Districts, Audit observed that materials such as poles, ACSR conductors, LT stay sets and transformers issued for erection works were not entirely utilised. Despite non-utilisation of the same, the surplus materials were neither returned to divisional store nor to other needy divisions. Thus, materials valued ₹3.24 crore[50] issued against erection works remains unaccounted and doubtful.

The Department while accepting the audit finding stated (December 2021) that the unutilized materials pointed out by Audit are physically in possession of the Department and they would take necessary action to account for the same.

Recommendation: ***The State Government may look into the matter and fix responsibility against the concerned officers and ensure that all the materials issued/utilized/un-utilized by the Divisions are accounted.***

(iv) Procurement of extra materials at higher rates

In Papum Pare District, the Division had undertaken additional infrastructure works such as 11 KV lines, LT lines and Distribution transformers and had procured additional items such as poles, conductors, transformers, *etc.*, amounting to ₹1.52 crore without approval from the sanctioning authority. The actual cost of the items as per the RECPDCL rates was only ₹0.65 crore. Thus, the division not only incurred excess expenditure on procurement of extra items but also extended undue benefit to the contractor amounting to ₹0.87 crore (₹1.52 crore - ₹0.65 crore) as detailed in **Table 3.10**.

[50] Lower Dibang Valley- ₹0.74 crore, East Siang- ₹1.17 crore and Papum Pare- ₹1.33 crore

Table 3.10: Details of excess amount on procurement of extra items

(₹ in crore)

Sl. No.	Name of Items	No of items procured by the Department	Procurement rates	Total procurement value	RECPDCL unit rates	Total value as per RECPDCL rates	Excess Amount (5-7)
1	2	3	4	5	6	7	8
1.	9 meter pole	274	19404	5316696	9164	2510936	2805760
2.	7.5 meter pole	179	13860	2480940	6612	1183548	1297392
3.	10 meter pole	16	21168	338688	9860	157760	180928
4.	ACSR Weasel	72.18	48940.80	3532546.94	19500	1407510	2125036.94
5.	ACSR Squirrel	28.54	32500	927550	13000	371020	556530
6.	16 KVA DT 3 Phase	4	100551	402204	40500	162000	240204
7.	25 KVA DT	1	114821	114821	49500	49500	65321
8.	63 KVA DT	5	264333	1321665	88000	440000	881665
9.	HT Stay set	66	3071.21	202699.86	938.75	61957.50	140742.36
10.	11 KV GOAB switch	15	21275	319125	7800	117000	202125
11.	11 KV DO Fuse Unit	13	10925	142025	3200	41600	100425
12.	LT Pin insulator	722	100.80	72777.60	15.50	11191	61586.60
Total				**15171738.40**	**248090.25**	**6514022.50**	**8657715.90**

(Source: Departmental records)

The Department stated (December 2021) that reply will be furnished. However, no reply was furnished to audit (November 2022) despite assurance given in the exit conference to submit by 01 January 2022.

Recommendation: ***The State Government may initiate action against the concerned officers responsible for awarding the works at higher rates without approval from competent authority. Further, ensure that no works are to be executed by the field offices/Divisions without prior approval from the sanctioning authority.***

(v) Non-replacement of defective transformers and energy meters

As per the guarantee certificate furnished by the suppliers, the transformers were covered under warranty/guarantee for a period ranging between 30 to 60 months from the date of dispatch of material and receipt at store respectively and the defective materials would be replaced free of cost.

In two sampled districts, nine transformers failed during the warranty period, however, the Divisions did not take any steps to repair or replace the defective transformers from the suppliers. Thus, the divisions not only failed to replace the defective transformers but also resulted in unfruitful expenditure of ₹0.05 crore[51].

[51] East Siang- ₹0.02 crore and Papum Pare- ₹0.03 crore

As per agreement between the Department of Power and the contractor,[52] a guarantee period of five years would remain for energy meter and the contractor have to replace any failure of the meters as and when reported. Audit observed that 142 numbers of energy meters out of 3,269 numbers were defective, of which 75 numbers were found defective on the date of installation itself (December 2018). No steps were taken by the Division to replace the defective meters resulting in unfruitful expenditure of ₹0.06 crore.

The Department stated (December 2021) that reply will be furnished, however, no reply was furnished to audit (November 2022) despite assurance given in the exit conference to submit by 01 January 2022.

Recommendation: ***The State Government should ensure that the contractor/supplier complies with their defect liability during the warranty period so as to avoid any losses.***

(vi) Execution of erection work without call of tender and issue of work orders at higher rates.

Paragraph 8.3 of Saubhagya guidelines required that all works sanctioned under the scheme shall be awarded by the concerned utilities through e-tendering. Audit, however, observed the following deficiencies in execution of erection work:

a) In the four sampled districts, the erection works were executed by the Divisions/PIUs through various contractors by issuing work orders amounting to ₹28.24 crore[53] without call of tender contrary to the scheme guidelines. The PIUs had also violated the delegation of financial power provided in CPWD Works Manual, 2014 wherein, the PIU had exceeded the annual limit of ₹50.00 lakh in respect of award of work order during the period 2018-19.

b) In two districts, the Divisions (DoP) adopted DDUGJY tendered rate instead of the departmental approved rates while issuing work orders to the contractors. Audit observed that awarded rates were on the higher side compared to the departmental approved rates which had resulted in avoidable expenditure of ₹ 3.33 crore[54].

c) In one district (Papum Pare) the Division had adopted rates which were on the higher side as compared to departmental approved rates for similar nature of works executed by the Division. Thus, adoption of different rates of similar works at higher rate had resulted in avoidable expenditure of ₹1.47 crore.

d) Out of the four sampled Districts, three Districts had carried out excess work for erection/installation of items such as poles, transformer, stay sets, *etc.* beyond the scope of work and quantities actually procured from the contractors, however, reason for such extra expenditure was not found on record. Thus,

52 M/s P.N Associates, Naharlagun

53 Kurung Kumey- ₹6.95 crore, Lower Dibang Valley- ₹4.49 crore, East Siang- ₹9.49 crore and Papum Pare- ₹7.31 crore

54 Kurung Kumey- ₹1.26 crore and East Siang- ₹2.07 crore

execution of work amounting to ₹0.86 crore[55] beyond the scope of work and quantities actually procured was irregular and doubtful.

The Department while accepting the audit findings stated (December 2021) that the constraint in the implementation of Saubhagya scheme was of very limited time (three months) given by the Ministry of Power due to which competitive bidding could not be followed.

Recommendation: ***The State Government should ensure that all the works are awarded through open tenders as per the extant rules and the lowest possible rates are adopted.***

(vii) Adoption of higher rates on transportation of materials from base store to work sites

As per Administrative Approval (Clause 4) issued by APDA, the Divisions/PIUs were to adopt either the prevailing rates of District Administration or Arunachal Pradesh Schedule of Rates of Public Works Department /or that of any works department, whichever is lower for transportation of materials from base camps to work sites, as well as, for loading and unloading of the materials through carriage contractors.

In three sampled districts, the prevailing rates of District Administration were the lowest. Audit observed that the PIUs/Divisions had adopted the rates approved by Superintending Engineer, Circle-I, Naharlagun (September 2018) and Chief Engineer (Power), Central Electrical Zone (March 2019) which were on the higher side compared to the rate approved by the District Administration. Thus, adoption of higher rates for transportation of materials by the PIUs had resulted in avoidable expenditure of ₹1.72 crore[56], besides extending undue benefit to the contractors.

The Department during exit conference (December 2021) stated that because of time constraint in completion of the Scheme and the nature of work involving movement of heavy materials like supply of poles, conductors, transformers, etc, the transportation rate per kilogram were higher compared to District Administration rate which is for civil supply items.

The reply is not tenable as clear instructions were given to all the divisions to adopt the prevailing rate, whichever is lower. Moreover, no rate quotations were obtained from the transport service providers.

Recommendation: ***The State Government may initiate action against the concerned officers responsible for awarding works at higher rates and extending undue benefit to the contractors. Further, ensure that the orders issued by the Government are strictly adhered by the Department.***

[55] Lower Dibang Valley- ₹0.70 crore, East Siang- ₹0.10 crore and Papum Pare- ₹0.06 crore

[56] Kurung Kumey District- ₹0.19 crore, East Siang District- ₹0.72crore and Papum Pare District- ₹ 0.81crore

C. Inadequacies in Implementation of Solar Photovoltaic (SPV)

3.2.16.8 Non-rectification of defective components covered under warranty period

REC Power Distribution Company Limited (RECPDCL) issued (October 2018) a Purchase Order to M/s Rajasthan Electronics & Instruments Limited, Jaipur (contractor) for an amount of ₹21.86 crore for design, manufacturing and delivery of 5,398 solar home lighting systems in Arunachal Pradesh under Saubhagya Scheme.

As per terms and conditions of the Purchase Order, the systems had a warranty period of five years. Further, during the warranty period, RECPDCL shall take up with the appointed supplier for replacement or rectification of any material having manufacturing defects.

Audit observed that 154 cases of defective inverters were reported by four[57] districts during the warranty period, however, in contrary to the terms and conditions, APEDA had offered the repair works to its AMC contractor[58] instead of reporting the matter to RECPDCL. Till date (August 2021) no repairs/replacement works were done resulting in unfruitful expenditure of ₹0.60 crore (Unit price of ₹38,650.50 x 154 units).

APEDA stated (14 December 2021) that the AMC contractor was recommended by RECPDCL and they had written to RECPDCL for correcting the defects noticed but the supplier refused to do the necessary repair/replacement.

The reply is not tenable as APEDA is to ensure that the defects were repaired or replaced within the warranty period as per terms and conditions. Moreover, copy of the correspondences for rectification of defects was not furnished despite assurance given in the exit conference to submit by 01 January 2022.

3.2.16.9 Excess expenditure incurred against mechanical transportation

For mechanical transportation of systems from District Headquarters up to last road head for executing the works under Saubhagya (off-grid) scheme, APEDA had approved rate of ₹750 per set.

Examination of records, however, revealed that the Project Officers (POs) in 10 districts had adopted different rates which were beyond the approved rate for transportation of 4,922 SPV sets. Thus, adoption of higher rates by the POs had resulted in excess expenditure of ₹0.31 crore[59] towards mechanical transportation of the SPV sets.

APEDA stated (December 2021) that approved rates fixed was on approximate basis since the time window allowed was too little to look for competitive rates and the projects were to be completed timely.

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[57] East Kameng District (124 nos.), Anjaw District (26 nos.), Lohit District (03 nos.) and West Siang District (01 no.)

[58] M/s Indian Power System, New Delhi

[59] Transportation cost as per approved rate (4,922 x 750= ₹36.92 lakh) – actual expenditure incurred by PIO (₹67.96 lakh)

The reply is not tenable as the Project Officers were required to execute the work at the rate approved by APEDA (₹750). Moreover, no quotations were obtained from the transport service providers.

3.2.16.10 Delay in submission of closure report by Discoms/ PIAs

As per the Saubhagya guidelines (Paragraph 10 of Chapter-V), project completion report was required to be submitted by PIA to REC within one year of the completion of project. The works of HHs electrification through SPV in the state was completed upto 31 March 2020, and closure reports in respect of 15 projects covering 5,398 HHs were submitted (August 2021) by APEDA**.** Thus, closures of the projects have been delayed and yet to be approved (December 2021).

3.2.17 Quality Assurance Mechanism

3.2.17.1 Non-adherence of quality assurance guidelines by PIA/turnkey contractors and REC under DDUGJY

As per DDUGJY quality mechanism, 100 *per cent* villages with all infrastructures were required to be verified for quality, 100 *per cent* verification of BPL HHs connections released, 100 *per cent* verification of materials utilised under the scheme, 100 *per cent* verification of works done in Metering and SAGY. Audit observed that in four sampled projects complete verification as per the above requirements was not carried out by the PIA. Thus, due to non-adherence to the above-mentioned guidelines, the quality of materials/equipment supplied at site and execution of works carried out under the scheme could not be verified and address the defects timely.

The Department during exit conference (December 2021) stated that all the inspections were carried out and inspection reports were attached with the RA bills and no copies were retained in the office.

The reply is not acceptable as supporting documents for only four projects of Tezu Circle were furnished despite assurance given in the exit conference to reply by 01 January 2022. Further, RA bills were test checked during audit, however, no such reports were found to be attached with the said bills.

3.2.17.2 Ineffective/ deficient Quality Assurance Mechanism under Saubhagya

Saubhagya Projects shall have a single tier Quality Assurance Mechanism (QAM). The single tier QAM shall exclude the in-house process quality checks followed by the PIA during the physical execution of the project. The PIA shall be solely responsible and accountable for assuring quality in Saubhagya works. PIA shall formulate a detailed comprehensive Quality Assurance (QA) plan for the works to be carried out under the scheme with an objective to create quality infrastructure works. The QA and Inspection Plans shall be integral part of the contract agreement with turnkey contractor or equipment supplier and erection agency as the case may be in case of turnkey/partial turnkey/or departmental execution of works. PIA has to ensure that the quality of materials/equipment's supplied at site and execution of works carried out at field under scheme is in accordance to Manufacturing Quality Plan

(MQP)/ Guaranteed Technical Particulars (GTP) and Field Quality Plan (FQP)/ Approved Drawings/ Data Sheets respectively.

As per Saubhagya Guidelines (Paragraph 1 of Chapter-IV), Monitoring mechanism as followed in DDUGJY shall be followed, including the institutional mechanism of District Development Coordination and Monitoring Committee(DISHA).

Audit observed that:

- In four sampled districts, DISHA committees did not conduct meetings at regular intervals. Out of 12 meetings to be held in four sample districts, only two meetings were conducted. Further, DISHA committees did not discuss/oversee the Saubhagya projects in their meetings due to which the Committee failed to monitor the implementation aspect of the scheme as was evident from the procurement of extra materials without prior approval, non-accounting of materials, non-rectification of defects, *etc.* as discussed in **Paragraph 3.2.16.7.**

  The Department while accepting the audit finding stated (December 2021) that due to very little time allotted by the Government for the scheme, it was not possible to maintain the required frequency of the meetings.

- In 16 districts, PIA did not prepare comprehensive QA plan and it was not made integral part of the contract agreement with turnkey contractors. Thus, in the absence of QA plan, in one sampled district (Papum Pare) defective supplies of materials was observed indicating that PIA did not ensure the quality of material/equipment supplied.

  The Department while accepting the audit finding stated (December 2021) that due to the very little time allotted for implementation of the scheme, it was not possible to prepare QA Plan.

3.2.17.3 Observations on quality checks to be ensured by PIA/turnkey contractors

Audit observed following deficiencies in the quality checks

(i) By PIAs:

(a) Pre-dispatch inspection of all the materials to be utilised under Saubhagya was not carried out by APDA/DoP in Arunachal Pradesh.

(b) 100 *per cent* verification of HHs connections released under Saubhagya was not carried out by APDA/DoP in Arunachal Pradesh.

Thus, audit observed that failure to conduct inspections by the PIA resulted in the supply of defective transformers and energy meters as pointed out in the preceding **Paragraph 3.2.16.7 (v).**

The Department stated (December 2021) that pre-dispatch inspections were conducted by RECPDCL. However, due to the very limited time given for the implementation of the scheme, it was not possible for other inspections.

The reply is not tenable as the Department had to ensure that necessary inspections were carried out as per scheme guidelines. Non-adherence to the guidelines for quality check resulted in the failure of the Department to replace defective transformers, energy meters and defective inverters as pointed out in **Paragraphs 3.2.16.7(v)** and **3.2.16.8**. Further, no other inspections were carried out even after completion of the works.

3.2.17.4 Defects under DDUGJY and Saubhagya

The status of inspections, defects observed by RQM and compliance of defects by PIA in respect of DDUGJY and Saubhagya are shown in **Table 3.11:**

Table 3.11: Details of defects under DDUGJY and Saubhagya

DDUGJY		**SAUBHAGYA**	
Village Inspection	**Inspection done by RQM as on 15 January 2021**	**Households Inspection**	**Inspection done by RQM as on 31 March 2021**
UEV	332	Households Inspection to be done	9928
IEV	152	Households Inspection actually done	6438
SAGY	3		
Total	**487**	**-**	**-**
Defect observed	7556	Defect observed	1559
Defect Rectified	5578	Defect Rectified	941
Percentage of compliance (in *per cent)*	73.80	Percentage of compliance (in *per cent*)	60.34

(Source: RQM Report (DDUGJY) and Data as per Sakshya portal (Saubhagya)

It can be seen from the above that a large number of defects were observed by RQM, *i.e.* 7,556 defects in 487 villages. Only 73.80 *per cent* of defects pointed out by RQM were, however, rectified as on 15 January 2021, indicating that the objective of conducting the quality monitoring was not achieved under DDUGJY.

Similarly, under Saubhagya Scheme, it can be seen from the table above that out of 9,928 HHs, only 64.85 *per cent* inspection was carried out. Further, the compliance and rectification of defects pointed out by RQMs was only 60.34 *per cent,* indicating inadequacies in inspection as well as resolving the defects. Thus, failure to rectify the defects has rendered the installed infrastructure wasteful and has also defeated the objectives of the schemes.

The Department stated (December 2021) that they have taken the necessary action. However, copy of the latest compliance report was not furnished despite assurance given in the exit conference to submit by 01 January 2022.

3.2.18 Monitoring

3.2.18.1 Improper maintenance of Management Information System (MIS)

PIUs were to prepare and submit Management Information System through the web portal maintained by REC.

Audit observed that MIS in respect of DDUGJY prepared by PIUs of four sampled projects did not contain details pertaining to financial progress of the projects. Further, the MIS in respect of Saubhagya scheme prepared by DoP also did not contain details pertaining to financial progress of the projects required by Saubhagya guidelines.

Thus, due to deficiencies in the data provided by the PIUs, the stakeholders were deprived from monitoring the implementation of the schemes.

The Department while accepting the audit finding had assured (December 2021) to take corrective measures.

3.2.18.2 Discrepancies in the maintenance of Dashboard

The updated progress of implementation of DDUGJY and Saubhagya Scheme are being reflected at the Dashboards of MOP. Audit noticed inadequacies in the progress reflected on the dash board *vis-à-vis* actual progress as per the records of the APDA which are highlighted in **Table 3.12**.

Table 3.12: Details of discrepancies in dashboards

Particulars	As per the project closure report	DDUGJY dashboard	Difference
11 KV line (Km)	1,016.13	11,482	10,465.87
LT line (Km)	585.48	4,824	4,238.52
DTR (Nos.)	537.00	5,083	4,546.00
Sub-station (Nos.)	537.00	22	515.00

(Source: MoP Dashboard and Closure Report)

It can be seen from the **Table 3.12** that the DDUGJY dashboard showed an excess of 10,465.87 Kms. of 11 KV line, 4,238.52 Kms. of LT line, 4,546 numbers of Distribution Transformer respectively. Further, in respect of Sub-station, the figures in the dashboard showed a deficit of 515 Sub-stations. It reflects on the poor data quality and unreliability in addition to complicating the management decisions that are based on these data.

Similarly, under Saubhagya scheme, the records of APDA/ DoP showed that 40,177 HHs were electrified under the scheme, however, Saubhagya dashboard showed a total of 47,089 HHs with excess depiction of 6,912 HHs. Further scrutiny in four sampled districts/PIUs revealed that there were variations wherein, the dashboards showed 13,835 HHs[60] as against the actual number of 11,560 HHs[61] with an excess of 2,275 HHs, indicating lack of data integrity.

The Department while accepting the audit finding stated (December 2021) that they will reconcile with REC and take corrective measure to sort out the differences in the figures.

[60] East Siang- 3,647 HHs, Lower Dibang Valley- 2,788 HHs, Kurung Kumey- 3,793 HHs & Papum Pare- 3,607 HHs

[61] East Siang- 3,440 HHs, Lower Dibang Valley- 2,350 HHs, Kurung Kumey- 2,441 HHs & Papum Pare- 3,329 HHs

Recommendation: ***The State Government may ensure that data provided by the PIUs/PIA on the dashboard were verified and certified by the field officers in order to avoid dissemination of incorrect information to the users.***

3.2.18.3 Ineffective State Level Standing Committee (SLSC)

The responsibility of SLSC as one of the stakeholders in implementation of the scheme was to examine and recommend the projects/ DPRs before submitting to REC. Audit, however, observed that Projects/DPRs were not recommended by SLSC before submitting to REC. Only one SLSC meeting was held during the last five years. Thus, due to lack of monitoring by SLSC before sending the DPRs has also resulted in inclusion of uninhabited, PEVs and duplication/overlapping of projects as discussed in the preceding **Paragraph 3.2.14.1**.

The Department while accepting (December 2021) the audit finding assured to comply with the requirement in future.

3.2.18.4 Non-formations of required teams/ committees for implementation/ monitoring of the scheme by PIAs

MoP directed (April 2015) states/ UTs to notify a 'District Electricity Committee' (DEC) to review and monitor the implementation of all central schemes. It was also stated that the Committee would meet at least once in three months at the District Headquarters and the Committee should be consulted in preparation of DPRs and monitor the implementation of DDUGJY. Similarly, DDUGJY guidelines stipulated that the implementation of the scheme in the particular district shall be reviewed periodically (once in every quarter) during meeting of District Vigilance and Monitoring Committee (DVMC) under the supervision of District Development Coordination and Monitoring Committee (DISHA).

Audit observed that out of 69 numbers of DEC meetings to be held in four sampled Districts during the period 2015-20, only three meetings were conducted. Further, out of 50 numbers of meetings to be held by DISHA committees, only two meetings were conducted. Moreover, it did not discuss, oversee the DDUGJY as well as Saubhagya projects in DISHA meetings. The above indicated lack of monitoring by the district committees in timely execution of the projects and also avoid wasteful expenditure where there were no beneficiaries as pointed out in **Paragraph 3.2.16.1** and **3.2.16.3.**

The Department while accepting the audit finding stated (December 2021) that meetings could not be held as required because members like MP, MLA are too busy with other public engagements and assured to take corrective measures.

3.2.19 Beneficiary survey

Audit conducted beneficiary survey of 185 HHs in 25 villages to derive the level of benefits from the development of rural electrification infrastructures. Summarised findings of the beneficiary survey are discussed below:

1. As per scheme guidelines, the electricity connection included provision of service line cable, energy meter, single point wiring, LED lamp, erection of pole. The survey, however, revealed that LED lamps in 38 cases and energy meters in 34 cases were not provided.
2. Households surveyed indicated that in case of 118 (63.78 *per cent*) households, there was no increase in income after electrification of village, shops, use of electricity pump sets, *etc.* The expenditure has also not decreased in 89 (48.11 *per cent*) cases after electrification.
3. Out of 185 households surveyed, only 113 (61.08 *per cent*) stated that they were using additional gadgets like TV, fridge, fan etc.
4. Out of 185 households surveyed, 22 (11.89 *per cent*) were notable to get the benefit of extended hours of Study in evening/night due to non-availability of continuous power at the night.
5. 122 (65.95 *per cent*) households reported that the power supply was erratic and largely depends on the grid supply as it remains cut off for more than a week during rainy season.
6. Households surveyed disclosed that in case of 127 (68.65 *per cent*) households, street lights were either not installed or were non-functional resulting in no significant improvement in mobility/security at night.

3.2.20 Conclusion

The State took up project works for electrification of un-electrified villages and last mile connectivity of households under DDUGJY and Saubhagya scheme respectively, however, the state could not achieve universal electrification to all households as on 31 March 2021. The implementation of the scheme was deficient due to the fact that no detailed field survey was conducted before preparation of DPRs despite lapses pointed out by REC. Lack of field survey has led to inclusion of electrified/partially electrified, uninhabited villages and overlapping of UEVs in the DPRs thereby inflating the project cost and also resulting in wasteful and redundancy of projects. It also resulted in huge quantities of surplus materials which remained un-utilized under Saubhagya scheme.

There were lapses in compliance of scheme guidelines in submission of UCs, audited financial statements, opening of bank account with CLTD facility. Non-compliance of guidelines, NIT/bid instructions has led to litigations and delay in timely award of works. The infrastructures such as distribution transformers, DT meters were not put to use as intended resulting in unproductive and wasteful expenditure. In as many as 29 villages, service connections were not released despite creation of electricity infrastructures. Erection works for Saubhagya projects were executed without call of tender and adopting higher rates resulting in avoidable and extra expenditure.

Monitoring mechanism was ineffective due the fact that the only one SLSC meeting was held during the last five years and the DPRs of both DDUGJY and Saubhagya were submitting to REC without consultation and recommended by SLSC. Further, project execution was also not properly monitored by DEC/DISHA committees. Complete verification of infrastructures created and HHs connections released as per quality assurance guidelines were not carried out in both the schemes by APDA/DoP.

The beneficiary survey revealed that the basic accessories like LED lamps and Energy Meters were not provided in various cases and the power supply was erratic and remains cut-off for more than a week during rainy days. Street lights were either not installed or were non-functional resulting in no significant improvement in mobility/security at night.

3.2.21 Recommendations

- The Department should ensure that DPRs are prepared only after detailed field survey so as to include only eligible villages/habitations/households in DPRs in order to avoid wasteful expenditure and procurement of surplus materials.
- Necessary steps may also be taken to utilise the materials remaining unutilized in de-populated habitations.
- The process of project approval, award of work and the compliance should be closely monitored to ensure that any hindrances are timely detected and appropriate corrective measures be taken.
- All the bid parameters should be reflected in the NIT and appropriate control should be introduced to ensure that bid evaluation process is transparent and fair.
- The features of distribution transformer meters which enable energy accounting, auditing and checking of energy losses should be put to use.
- Appropriate control should be ensured that the supplier/PIA complies with their liability during the warranty period.

Performance Audit

Agriculture Department

3.3 Implementation of 'Pradhan Mantri – Kisan Samman Nidhi (PM-KISAN) Yojana' in Arunachal Pradesh

Highlights

A Performance Audit (PA) of the implementation of Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) Arunachal Pradesh was conducted covering the period from 2019-20 to 2020-21 involving test check of records of Directorate of Agriculture and its offices in four districts. The important findings of the PA on implementation of Scheme are as follows:

- ***Duly approved alternate mechanism for identification of beneficiaries as per the guidelines was not developed in Arunachal Pradesh hampering proper implementation of the scheme. Thus, in the absence of approved mechanism for***

eligibility of farmers, the sole criteria for eligibility was self-declaration forms, due to which many ineligible beneficiaries were extended the benefits of the scheme.

(Paragraph 3.3.7.1)

- ***The State Nodal Department could not provide justification or basis for determining potential beneficiaries in the state. Due to this, more than the total available beneficiaries registered in two of the four sampled districts. Further, coverage of the scheme and beneficiaries yet to be registered could not be determined.***

(Paragraph 3.3.7.2)

- ***Self-registration process was not properly implemented in the state leading to undue rejections and 90 per cent of registration attempts pending of validation.***

(Paragraph 3.3.8.1)

- ***A total of 373 beneficiaries were registered without verification of appropriate authorities and benefits of ₹28.22 lakh has already been extended to the unverified beneficiaries.***

(Paragraph 3.3.9.2)

- ***A total benefits amounting to ₹46.98 lakh has been extended to 572 ineligible beneficiaries.***

(Paragraphs 3.3.9.5 & 3.3.10.2)

- ***There was excess disbursement of ₹95.00 lakh form PFMS linked scheme account for which the state nodal department could not justify.***

(Paragraph 3.3.10.3)

- ***The State Project Monitoring Unit did not undertake any activity and there was severe shortage in coverage of "five per cent physical verification" to be undertaken as per scheme guidelines.***

(Paragraph 3.3.11.1 & 3.3.11.2)

3.3.1 Introduction

Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) scheme was launched in February 2019 and aims to provide income support and risk mitigation for farmers. Under this scheme, eligible farmers get income support for meeting expenses related to agriculture and allied activities, as well as for domestic needs.

PM-KISAN is a central sector scheme with 100 *per cent* GoI funding, operated under Direct Benefit Transfer (DBT) mode. Under the scheme, income support of ₹6,000 per annum is provided to all eligible farmer families across the country with specified exclusions[62], in three equal instalments of ₹2,000 every four months. The

[62] All Institutional Land holders; and Farmer families in which one or more of its members belong to following categories:
i. Former and present holders of constitutional posts

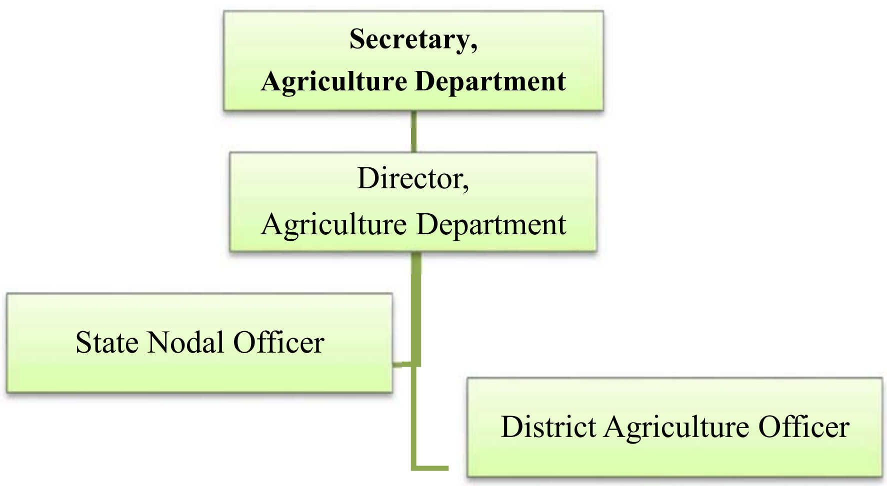
PM-KISAN scheme aims to provide income support to all eligible farmers' families for supplementing their financial needs to meet both their farm related and domestic requirements.

Initially, the scheme was for small and marginal farmers with landholdings up to two hectares, but was expanded *w.e.f.* 01 June 2019 to all farmer families irrespective of the size of the landholding. Farmers falling in certain specified categories denoting better economic status are not covered under the scheme. The scheme has been in operation from the last quarter of 2018-19.

3.3.2 Organisational Set up

In Arunachal Pradesh, PM-KISAN scheme is implemented through the Department of Agriculture, Government of Arunachal Pradesh as the Nodal Department. Under the Department, a state nodal officer at the rank of Agriculture Development Officer at the Directorate of Agriculture has been appointed. **Chart 3.2** illustrates the organisational set-up of implementation of PM-KISAN.

Chart-3.2: Organisational set-up of implementation of PM-KISAN



State Bank of India, Naharlagun Branch has been identified as the sponsoring bank for the scheme.

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ii. Former and present Ministers/ State Ministers and former/ present Members of Lok Sabha/ Rajya Sabha/ State Legislative Assemblies/ State Legislative Councils, former and present Mayors of Municipal Corporations, former and present Chairpersons of District Panchayats
iii. All serving or retired officers and employees of Central/ State Government Ministries / Offices/ Departments and its field units Central or State PSEs and Attached offices/ Autonomous Institutions under Government as well as regular employees of the Local Bodies (Excluding Multi-Tasking Staff (MTS)/ Class IV/ Group D employees)
iv. All superannuated/ retired pensioners whose monthly pension is ₹10,000 or more (Excluding MTS/ Class IV/ Group D employees)
v. All Persons who paid Income Tax in last assessment year
vi. Professionals like Doctors, Engineers, Lawyers, Chartered Accountants, and Architects registered with Professional bodies and carrying out profession by undertaking practices
vii. Non-resident Indians (NRIs) in terms of the provisions of the Income Tax Act, 1961

3.3.3 Audit Objectives

The audit objectives of the Performance Audit on implementation of PM-KISAN were to assess the following:

1. Efficiency and effectiveness of the system put in place for identification and verification of beneficiaries, importantly the identification of beneficiaries by the State Government.
2. Financial Management of the scheme including processing of payments to beneficiaries, DBT, refunds, and their accounting.
3. Efficiency and effectiveness of the monitoring mechanisms for the scheme.

3.3.4 Audit Scope and Methodology

The Performance Audit on implementation of PM-KISAN was conducted covering the period from 2018-19 to 2020-21. Audit examined records of the nodal department *i.e.* Department of Agriculture, Government of Arunachal and selected Directories.

Entry Conference for the Performance Audit was held with the Director, Department of Agriculture on 12 August 2020 wherein the objectives and scope of the performance audit were discussed. Subsequently, audit examined records and other evidences in the Directorate of Agriculture and District Agriculture Officers (DAOs) of the four selected districts. Besides, beneficiary survey of beneficiaries was conducted in the sampled districts. Audit findings were discussed with the Director, Agriculture Department and other departmental officers in the Exit Conference held on 24 November 2021. The replies of the department received in the Exit Conference were suitably incorporated in the report in appropriate places.

3.3.5 Sampling

For the conduct of the Performance Audit, a total of four districts out of 25 districts (16 *per cent*) were selected through Stratified Random Sampling Process taking saturation level as the criteria for stratification. From the four selected districts, a total of eight blocks (two Blocks from each of the four selected districts) were selected for the audit. From each of the eight selected Blocks, a total of 48 villages (six villages from each of the selected blocks) were selected for the purpose of the audit. Selection of both the blocks and villages were done through Simple Random Sampling method. In addition, 1,440 beneficiaries (30 beneficiaries from each of the 48 selected villages) were selected through Simple Random Sampling for verification of beneficiary records. The overall sample size for the audit was shown in **Table 3.13**.

Table 3.13: Details of coverage of audit

Number of Districts	Number of Blocks (02 from each selected districts)	Number of villages (06 villages from each selected block)	Number of beneficiaries for verification (30 from each selected villages)
4[63]	8	48	1,440

(Source: Departmental records)

[63] 1. Lower Subansiri 2. West Siang 3. East Siang 4. Namsai

3.3.6 Audit Criteria

The sources for audit criteria included the following:

1. Appraisal of Expenditure Finance Commission, relevant Cabinet Notes and proposals for the scheme.
2. Operational Guidelines of the scheme.
3. Guidelines and Standard Operating Procedures on fund transfer, refund mechanism, reimbursement of expenses, *etc.* pertaining to the scheme.
4. Correspondence and instructions issued by the Ministry of Agriculture.
5. Minutes of the Monitoring Committee meetings at District, State and Apex level.
6. Instructions/ decisions of Project Monitoring Units set up at State and District level.

Acknowledgement

The Audit team acknowledges the cooperation and assistance extended by the Directorate of Agriculture and State Nodal Officer during the conduct of the Performance Audit.

3.3.7 Beneficiary identification

3.3.7.1 Beneficiary identification mechanism in absence of land records

As per Paragraph 3 of the PM-KISAN Operational guidelines, existing land-ownership system was to be used for identification of beneficiaries. Paragraph 5.5 of the guidelines provided that exception was made in the case of North Eastern States where land ownership was community based and may not be possible to assess the quantum of land holding farmers. In such states, an alternate implementation mechanism for eligibility of the farmers was to be developed and approved by the Committee of Union Ministers of Ministry of Development of North East Region (DoNER), Ministry of Land Resources, Union Agriculture Minister and concerned State Chief Minister or their Ministerial representative, based on the proposal by the concerned state.

Scrutiny of records revealed that for implementation of the scheme, the Arunachal Pradesh Government devised (08 February 2019) a self-declaration format for the purpose of beneficiary identification and instruction was issued to state administrative units to expedite collection and registration of beneficiaries for the same. The self-declaration of the farmers was to be certified as genuine by the district level administrative authorities. However, approval of Committee of Union Ministers of Ministry of DoNER, the Ministry of Rural Development (Department of Land Resources), the Union Agriculture Minister and the concerned State Chief Minister for adoption of beneficiary identification as required by the guidelines was not obtained. Hence, duly approved alternate mechanism for identification of beneficiaries as per the guidelines was not developed in Arunachal Pradesh hampering proper implementation of the scheme. Thus, due to absence of an alternate implementation mechanism in the State, the income support extended to the genuine farmers could not be verified in audit. As a result, many ineligible beneficiaries were extended the benefits of the scheme, as discussed in **Paragraph 3.3.8**.

The Department accepted the findings and stated (November 2021) that due approval for the mechanism for eligibility developed in the State was not obtained due to shortage of time as the scheme was implemented in a short notice. However, steps are being taken to get the same approved by competent authority. The reply is not tenable as many ineligible beneficiaries had already availed the scheme benefits in absence of approved mechanism.

3.3.7.2 Irregularities in determination of potential beneficiaries in the state

As per the Agriculture Census 2015-16 which was taken to determine the quantum of benefits to be given in the state, there were 1,10,300 individual operational holdings of cultivable land in Arunachal Pradesh with operating area of 3,76,300 hectares. This was taken as the baseline for determining the potential beneficiaries under PM KISAN. Information obtained from the Department of Agriculture (Nodal department) shows that the potential beneficiary in the state was 1,15,252 as on February 2019. The Department was unable to provide justification or basis for determining the potential beneficiary number in the State and stated that the potential beneficiaries were indicated by the GoI.

The status of potential beneficiaries reported were verified in the four sampled districts and discrepancies in the number of potential beneficiaries declared by the state authorities were noticed during field audit which is provided in **Table 3.14**.

Table 3.14: Status of beneficiaries' registration in test checked districts

District	Potential Beneficiaries reported in PMKISAN portal	Beneficiaries registered till March 2021	Achievement (In *per cent*)
West Siang	11,547	3,785	32.78
Lower Subansiri	10,339	6,567	63.52
Namsai	6,534	7,475	114.40
East Siang	4,202	4,722	112.38

(Source: PM-KISAN portal and data obtained from district nodal officers)

In West Siang District, the District Nodal Officer reported (April 2021) that the actual number of potential beneficiaries in the District was 6,000 (2020-21) after the breakup of the District for creation of new districts. However, the same have not been updated in the PM-KISAN portal till April 2021. In East Siang and Namsai Districts, the actual registration has already exceeded the reported number of potential beneficiary. Thus, it was clear that the potential beneficiary was not determined in a proper manner. In this situation, ascertaining whether all eligible and needy farmers were covered and numbers needed to be covered for the successful implementation of the scheme was not ensured. District Agriculture Officers did not take any exercise to rectify the actual number of potential beneficiaries.

In reply, the department stated (November 2021) that the higher number of potential beneficiaries as against the Agriculture Census 2015-16 figures can be attributed to increase in population which also leads to increase in operational land holding. The reply is not tenable as increase in population will not necessarily lead to increase in land holdings. Moreover, there was shortfall ranging from 32 to 63 *per cent* in two test checked districts. In any case, the potential beneficiaries were not based on actual data as opposed to properly enumerated figures given in the Agricultural Census which led to the incongruities pointed out above.

3.3.7.3 Shortfall/ Delay in collection/ uploading of beneficiary data

As on the date of launch of the scheme (February 2019), the State Government was already in the process of creation of database of farmers and data of 6,431 small and marginal farmers had already been collected. In the departmental farmers database, most of the requisite attributes and parameters required under PM-KISAN had already been collected and only needed modification and addition as per the scheme requirement. As of March 2019, the Department uploaded the names of 18,503 beneficiaries. But only data pertaining to only 1,824 beneficiaries have been accepted by the portal. Despite having existing database of 6,431 farmers, the department was able to provide requisite data pertaining to only 1,824 beneficiaries towards the first instalment benefit under the scheme (last trimester instalment of 2018-19).

Thus there was huge shortfall in identification of beneficiaries against the total potential beneficiary of 1,15,252 farmers and 4,607 beneficiaries (6,431 – 1,824) were not paid the first instalment in time.

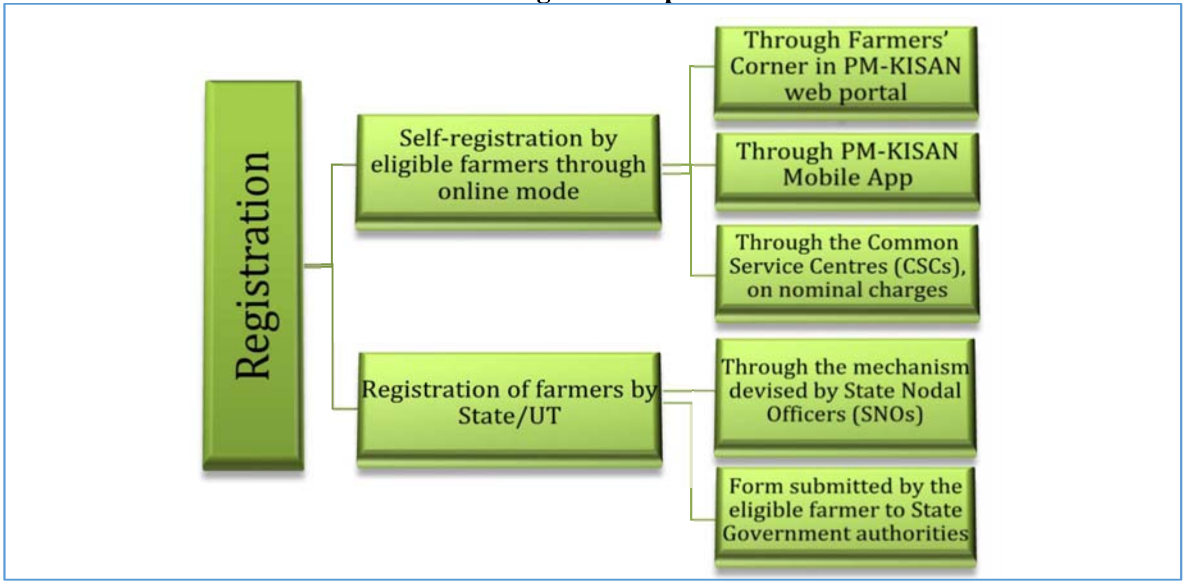
The Department stated (November 2021) that certain beneficiaries were left out from receiving benefits of the first instalment due to issues that might have arisen at GoI/ PFMS level and not due to poor quality of data by the Department. However, the fact remains that only 1,824 beneficiaries were benefited despite having existing database of 6,431 farmers.

3.3.8 Beneficiary registration

3.3.8.1 Registration Processing Mechanism – Self Registration

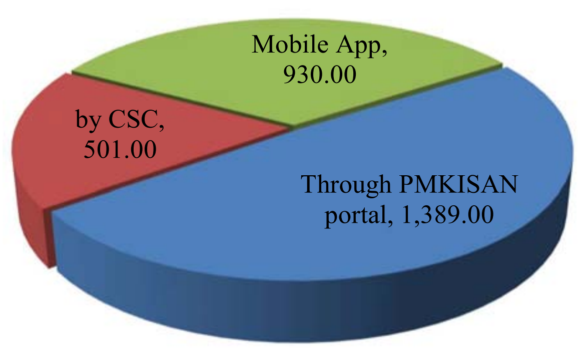
As per para 9.4(a) of the PM-KISAN scheme guideline, if a State / UT has village / district wise list of farmers, they may upload the same in a pre-defined format and with the help of local NIC State Unit. The eligible beneficiaries can also register themselves through online mode via the PM-KISAN web portal, PM-KISAN mobile app or through Common Service Centres (CSCs). The method of registration process for the scheme is as shown in **Chart-3.3**.

Chart-3.3: Registration process



(Source: PM KISAN revised Guidelines)

Chart-3.4: Self Registrations



In Arunachal Pradesh, 98,006 beneficiaries have been registered by the State Nodal Department *i.e.* Agriculture Department through a process devised for this purpose. From the data obtained from the portal, it was noticed that 2,820 beneficiaries had registered through self-registration mode till March 2021.

Out of the 2,820 beneficiaries who registered themselves, only 228 (eight *per cent*) has been approved and 74 beneficiary's registrations have been rejected. Till date, registration of 2,518 beneficiaries remained pending for approval. Thus, there was huge delay in the validation of self-registered beneficiaries. Further, from the rejected 74 applications, 55 registration attempts have been rejected due to land record details not provided and the remaining 19 registrations have been rejected without assigning any reasons. Arunachal Pradesh being a non-land record State, it was not understood as to how non-provision of land record details was cause for rejection of registration. This shows that the self-registration process was not properly implemented in the state leading to undue rejections and 89.29 *per cent* of self-registration attempts pending for validation and approval. Thus, the convenience of self-registration could not be availed by 2,518 potential beneficiaries.

In reply, the department stated (November 2021) that the reason for slow pace of approval of self-registration was due to incomplete/ wrong information. Cases of applicants providing random numbers to bypass the mandatory checks *i.e.* land details were observed. The reply is not tenable as any self-registration attempt with wrong credentials should have been rejected and not kept pending. Further, there is no system of land records in the State and as such wrong or random land details cannot be cause for rejection as long as other details are correct and certified.

3.3.8.2 Non-authentication of beneficiaries record with Aadhaar card

Paragraph 6.1 of the Scheme guideline, states that the States shall prepare database of eligible beneficiary land holder farmer families in the villages capturing the Name, Age, Gender, Category (SC/ST), Aadhaar Number, Bank Account Number and the Mobile Number of the beneficiaries. To ensure this, the registration details of farmers are being processed via a number of validation checks *viz.* Aadhaar authentications so that registered farmer should be in accordance with the Aadhaar details.

Scrutiny of records of the nodal department *i.e.* the Director of Agriculture, GoAP revealed that as of February 2020, a total of 2,949 beneficiaries were rejected due to failed online Aadhaar authentication. Director of Agriculture Department issued instructions (14 February 2020) to District Agriculture Officers to perform necessary online correction of Aadhaar failure cases on priority basis and submit Action Taken Report (ATR) by 24 February 2020. However, as of March 2021, corrective measures have been taken by the State Government for only 940 and 2,009 beneficiaries who had been rejected remain pending for correction as shown in **Table 3.15**.

Table 3.15: Status of Aadhar authentication in the State as of March 2021

Total No. of applications	Total No. of applications accepted	Total rejected pending for correction	Total ineligible applications	Invalid Aadhaar
99,550	97,134	2,009	391	16

(Source: Data obtained from PMKISAN portal through state nodal department).

Further, record of any action taken against these 2,009 rejections were not intimated as of February 2023. Thus, due to non-authentication of Aadhaar number by the department, 2009 beneficiaries were denied the scheme benefits.

The department stated (November 2021) that Aadhaar authentication is an on-going process and hence the remaining authentication will be done in due course. However, no justification for slow progress of authentication was provided.

Recommendation: ***The State Government may expedite the process for validation and Aadhaar authentication so as to ensure that eligible farmers may not be deprived from the scheme benefit.***

3.3.8.3 Non-maintenance of beneficiary details by the State

The State has not prepared any list of beneficiaries for the purpose of the scheme. Applications are collected and verified beneficiaries are directly uploaded to the PM-KISAN portal. Besides the portal data maintained by the Ministry of Agriculture, GoI, the State Government does not have any independent record of beneficiaries nor achievement under the scheme. The State Government should maintain/have access to comprehensive database of beneficiary farmers for the purpose of monitoring and more effective implementation of schemes to ensure that the benefits of the schemes have reached intended beneficiaries.

In reply, the Department stated (November 2021) that list of beneficiaries was maintained at district level. The State Nodal Officer does not have a consolidated list of beneficiaries which reflects on weak monitoring of the scheme.

3.3.9 Audit findings of beneficiary record verification

Records of 1,440 sample selected beneficiaries from the four selected Districts were verified and the following observations are made on the validation and registration process of beneficiaries.

3.3.9.1 Non-uniformity in process for validation of beneficiaries

Paragraph 5.5 of the scheme guideline states that in some of the North Eastern States, the land ownership rights are community based and it might not be possible to assess the quantum of land holder farmers. In such States an alternate implementation mechanism for eligibility of the farmers will be developed and approved by the Committee of Union Ministers of Ministry of Development of North East Region (DoNER), the Ministry of Rural Development (Department of Land Resources), the Union Agriculture Minister and the concerned State Chief Ministers or their Ministerial representatives, based on the proposal by the concerned North Eastern States.

In Arunachal Pradesh no such proposal was sent to the committee for the approval. As per the mechanism notified by the state nodal department (February 2019), the self-declarations furnished by the beneficiaries were to be certified by the Deputy Commissioner or his representatives. In the four sampled District, it was found that different authorities ranging from Additional Deputy Commissioners to Gaon Buras (GBs) certified the eligibility of the beneficiaries. Thus, there was no uniformity in the process of validation of beneficiary adopted in the State.

In absence of uniformity in process for validation of beneficiaries, several deficiencies were observed in implementation of scheme *viz*. scheme benefit extended to more than one member of same family, government employees, *etc.* as discussed in succeeding paragraphs.

The Department stated (November 2021) that all certifications are done by Deputy Commissioners or his representatives. However, there was no uniformity as certifications were done by different authorities in each of the districts covered in the audit.

3.3.9.2 Registering farmer names without verification

During test check of records of four sampled Districts, it was observed that 373 beneficiaries (26 *per cent*) were registered without verification from the appropriate authorities, *i.e.* District Administration or their representatives. Benefits availed by these beneficiaries was cross verified and found that 1,411 instalments amounting to ₹28.22 lakh has already been paid to 364 beneficiaries. The detail of the beneficiaries and number of instalment paid is given in ***Appendix-3.2.***

In reply, the Department stated (November 2021) instances of non-verification were due to huge paperwork and work load which is not tenable as the sole criteria for eligibility was the certification of the administration.

3.3.9.3 Certification of beneficiaries without supporting documents

For the validation of the beneficiaries, certification of eligibility was given on the basis of supporting documents submitted along with application forms. In the four sampled Districts, out of the total 1,440 beneficiaries covered, it was noticed that 148 beneficiaries (10 *per cent*) had not submitted any supporting documents *viz.*, Aadhaar card, Voter ID, Bank Account details *etc.* and the department and administration had verified the self-declaration form of the applicant without necessary supporting documents. Thus, in the absence of documents of the 148 beneficiaries, audit could not ascertain whether the beneficiaries were genuine farmers or not.

In reply, the Department stated (November 2021) that the said application forms and documents could not be provided due to decentralised registration from different locations by different designated officers and also due to large volume of records. The reply is not tenable as records should be properly maintained irrespective of location of registration.

3.3.9.4 Beneficiary application forms unavailable

In the four sampled Districts, application forms of 324 registered beneficiaries (22 *per cent*) were not found on record. Due to unavailability of application forms, it was not clear as to how their eligibility was ensured and audit could not ascertain the existence of such beneficiaries.

In reply, the Department claimed (November 2021) that the filled up application forms proving eligibility could not be provided in East Siang due to transfer of officers which is not tenable as proper records should be maintained irrespective of transfer of officials. Thus, the veracity of these 324 beneficiaries could not be ascertained and the possibility of ineligible beneficiaries extended scheme benefits could not be ruled out.

3.3.9.5 Selection of ineligible/fraudulent beneficiaries

I. Benefit extended to more than one family member

Para 3 of the Scheme guideline defines landholder farmer's family as "a family comprising of husband, wife and minor children who owns cultivable land as per land records of the concerned State/ UT.

It was observed that the department registered more than one family member of 225 households in three sampled districts for availing benefits under the scheme. A cross verification of benefit payment revealed that a total amount of ₹20.20 lakh has been paid to the additional family members of 214 beneficiaries as detailed in ***Appendix-3.3***. Extending benefits to more than one family member without establishing land ownership was irregular and against the scheme guideline.

In reply, the Department stated (November 2021) that the family members noted were already staying separately at their own households with individual operational holding of cultivable land. However, the reply was not tenable as above state beneficiaries had submitted the same ration card mentioning family member along with their application forms. The department further stated that instructions have been issued to ascertain eligibility of the beneficiaries pointed out by audit.

II. Selection of government servant as beneficiaries

Para 4.1 (III) of PM-KISAN guidelines states that service personnel should be excluded under the scheme. Out of the 1,440 beneficiary records verified in four sampled District, it was noticed that benefits under the scheme was granted to 10 beneficiaries (0.70 *per cent*) in three sampled districts who were either into business activities or were service personnel. The district authorities could not produce any other evidence of their eligibility. Hence, the scheme benefit was extended to 10 ineligible beneficiaries and a total of ₹1.02 lakh in 51 instalments (ranged between 3 and 6 instalments each) have been paid to the ineligible beneficiaries as detailed in ***Appendix-3.4***.

In reply, the department stated (November 2021) that payment of scheme benefits to one beneficiary who was found to be in government service has been stopped and recovery will be initiated. The department also claimed that the remaining beneficiaries are not ineligible just by virtue of being businessmen. The reply is not tenable as the scheme benefits are meant for farmers and this eligibility factor has not been established.

3.3.9.6 Denial of benefits to beneficiaries

During test check of records of four sampled Districts, it was noticed that out of 32,283 potential beneficiaries, 26 farmers had submitted applications forms to the Department for availing the benefit of the scheme. However, despite submission of forms as early as March 2019, the names of the farmers were still not registered as detailed in ***Appendix-3.5***. Reasons for neither the rejection of application nor ineligibility were found on record. Due to non-inclusion of the above prospective beneficiaries, they were denied the intended financial benefit of the scheme whereas the department intentionally extended scheme benefit to ineligible farmers.

In reply, the department stated (November 2021) that the listed farmers were not registered due to various reasons like non-matching of farmers credentials in Aadhaar and Bank AC *etc.* However, the reply in not tenable as no such mismatch was found in the application forms and documents.

3.3.9.7 Improper maintenance of beneficiary records

In the absence of land records which was the primary criteria for beneficiary identification, the State Government devised (February 2019) a format for application to be submitted by farmers along with self-declaration to be verified by district administrative authority which was to form the basis for eligibility and registration.

Against audit requisition for beneficiary application records in the four sampled District, only one district, West Siang District was able to provide village-wise records. The remaining three Districts were not able to furnish village-wise records of beneficiary applications and self-declarations. No independent list of farmer's application received, nor verified and registered was found on record. In absence of the above, it was clear that applications as and when received was certified and uploaded without proper record keeping. This was highly irregular, as these records form the sole basis of ascertaining the eligibility of beneficiaries.

A total of 1,440 beneficiaries were selected for beneficiary verification. However, due to unavailability of systematic records, audit was not able to trace records pertaining to 277 selected beneficiaries (19 *per cent*). The shortfall in sample was made up with available records. Due to this, the eligibility of the 277 beneficiaries could not be vouchsafed in audit.

In reply, the department accepted that audit findings and stated (November 2021) that a village-wise record has now been compiled.

3.3.10 Installment disbursement

3.3.10.1 Status of Direct Benefit Transfer (DBT) under the scheme

The Department reported (April 2021) that till date a total number of 98,234 beneficiaries have been identified and registered under the scheme which constitutes 85 *per cent* of the reported 1,15,252 potential eligible beneficiaries in the State. Till date a total of ₹86.50 crore[64] have been disbursed to the beneficiaries in the State through Direct Benefit Transfer (DBT). According to DBT data, 4,934 beneficiaries (5.02 *per cent*) out of the total 98,234 were registered between February 2019 and March 2021. As such, 4,934 beneficiaries availed ₹86.50 crore through PFMS as DBT in the scheme.

3.3.10.2 Benefits availed by the ineligible beneficiaries

As per the data of PM-KISAN portal obtained from the Department, benefits amounting to ₹22.76 lakh were extended to 348 ineligible farmers in 14 districts which have not been recovered till date of audit. Out of 348 ineligible beneficiaries, 11 beneficiaries were still getting the benefit despite being declared ineligible by the district nodal officers. There were 37 income tax paying individuals out of

[64] Through 4,32,505 installments of ₹2,000 each

348 beneficiaries who were given the benefit of the scheme to the tune of ₹2.84 lakh. Thus, a total of ₹22.76 lakh was extended to ineligible beneficiaries in the state.

In reply, the department stated (November 2021) that the state nodal officer has still not been informed of the 11 beneficiaries that have been declared ineligible by the district nodal offices. Due to this, stop payment has not been made yet.

Recommendations:

The State Government should-

- ➢ undertake verification of the beneficiaries and recoveries wherever applicable from ineligible beneficiaries to be initiated.
- ➢ encourage effective measures to ensure that no ineligible farmers are brought under the schemes and scheme benefit strictly extended to eligible farmers.
- ➢ ensure synchronisation between district and state nodal office so as to provide the required information at earliest.

3.3.10.3 Fund administration

Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) scheme being executed through Direct Benefit Transfer (DBT) mode, scheme funds are received in the PFMS linked account of the State Nodal Agency (SNA) and disbursed directly to the beneficiaries. The details of funds received and disbursed under the scheme as of March 2021 are as shown in **Table 3.16**:

Table 3.16: Amount received and disbursed under the scheme during 2018-21

(₹ in lakh)

Year	PM KISAN Amount received	Interest earned	Additional amount given by the State Government	Total amount available	PM KISAN Amount disbursed	Top-Up disbursed	Total Amount disbursed	Closing bank balance
2018-19	-	-	-	-	-	-	-	-
2019-20	2,841.24	0.32	-	2,841.56	2,841.24	-	2,841.24	0.32
2020-21	5,808.86	2.30	720.64	6,531.80	5,808.86	720.44	6,529.30	2.50
Total	**8,650.10**	**2.62**	**720.64**	**9,373.36**	**8,650.10**	**720.44**	**9,370.54**	**2.82**

(Source: Bank Statement of PFMS linked scheme account)

From the bank statement, it was found that a total of ₹86.50 crore of scheme benefits has been received and disbursed to the beneficiaries. However, from the database obtained from the Ministry, it was found that 4,27,741 instalment benefits were successfully paid to beneficiary accounts. The total successful payment according to the database was only ₹85.55 crore (4,27,741 benefit instalment @ ₹2,000 per instalment). No case of refund received back to the scheme account was found. Thus, the purpose for which the remaining amount of ₹0.95 crore was utilised could not be ascertained in audit.

In reply, the Department stated (November 2021) that they were unaware and could not ascertain the discrepancy and action on this issue will be initiated urgently.

3.3.10.4 Non-utilisation of administrative expenses

During the period from 2018-19 to 2020-21, the state nodal department has received ₹0.97 lakh as administrative charges for the scheme against ₹10.77 lakh (0.125 *per cent* of ₹86.50 crore). As on March 2021, the amount remained unutilised.

The Department stated (November 2021) that the administrative charges could not be utilised as it was too less for effective distribution and productive fund application. The amount needs to be enhanced as a higher expense was involved for data collection in far-flung remote and inaccessible areas of the State. The reply of the department is not acceptable as fund may have been utilised on awareness purpose of the scheme as more concerted efforts are required to create better awareness among the farming community on the coverage and benefits of the schemes.

3.3.11 Monitoring mechanisms for the scheme

3.3.11.1 Monitoring of the program or working of State level PMU

Para 8 of the scheme guidelines states that a Project Monitoring Unit (PMU) at Central level is tasked with the responsibility of overall monitoring of the scheme. On the lines of the Central level, states should set up PMU's at state level for overall monitoring of the scheme in the state. The State level Project Monitoring Unit (PMU) consisting of departmental officers was constituted on 13 March 2019. Till date no activity has been undertaken towards monitoring of the scheme by the PMU.

Further, the Department of Agriculture received 75 grievances from 16 districts, however the Department is yet to resolve the 74 grievances. In absence of effective monitoring and grievances redressal mechanism in the state, the programme could not be properly implemented.

3.3.11.2 Five *per cent* physical verification of beneficiaries

As per Section 10.5 of the scheme guidelines, State Governments should ensure checking for around five *per cent* of the beneficiary for the eligibility during the year.

Scrutiny of records and data obtained from PMKISAN portal revealed that no physical verification as stipulated in the guidelines was conducted during the year 2019-20. During 2020-21 it was reported that physical verification of 3,357 beneficiaries was conducted in 22 districts out of total 98,272 beneficiaries in the State. Out of this, the verification process was completed for only 1,799 beneficiaries and verification of the remaining 1,558 beneficiaries have not been completed till date (March 2021). The total percentage of physical verification initiated in the districts ranged between 1.30 and 4.60 *per cent* in 22 districts of the State, which was less than the recommended five *per cent* envisaged in the guidelines and the actual completed verification was also much lesser than stipulated.

Further, in the four sampled district, a total physical verification 697 beneficiaries was reported as undertaken as per the portal data. However, during field audit it was found that the number of physical verification reported as completed in the portal for the year 2020-21 was not as per actual achievement.

Table 3.17: Status of five *per cent* physical verification in test checked districts

Name of the District	Total Beneficiaries	5 *per cent* verification to be carried out	Physical verification conducted as per database (in *per cent*)	Actual verification conducted	Difference
East Siang	4,722	236	63 (1.30)	0	236
Lower Subansiri	6,567	328	239 (3.60)	204	124
West Siang	4,105	205	157 (3.80)	0	205
Namsai	7,465	373	238 (3.20)	0	373
Total	**22,859**	**1,143**	**697**	**204**	**938**

(Source: Physical verification in test checked Districts)

Report of the physical verification process was found only in Lower Subansiri district wherein 204 beneficiaries out of 239 target beneficiaries was completed. No physical verification was under taken in the other three districts *viz.*, Namsai, West Siang and East Siang. During the physical verification undertaken in Lower Subansiri District for the year 2019-20, it was reported that one beneficiary was deceased and six beneficiaries enlisted under the scheme from Yachuli-I Block could not be found and were non-existent. Hence, action taken against this finding was yet to be taken by the district.

Thus, the data uploaded to PM-KISAN portal for physical verification was not as per actual achievement. In addition to the huge shortfall in the actual physical verification undertaken no corrective measures was also taken against the findings of the verification process.

In reply, the Department accepted the findings and stated (November 2021) that progress is being made in the ongoing verification process.

3.3.12 Conclusion

The mechanism for identification of eligible beneficiaries under PMKISAN has not been approved by the Committee of Union Ministers of Ministry of Development of North East Region (DoNER), Ministry of Land Resources, Union Agriculture Minister and concerned State Chief Minister or their Ministerial representative as per the scheme guidelines.

The total potential beneficiaries in the state were also not worked out properly leading to cases where more beneficiaries then the projected potential in the districts have been registered. Also, the coverage of the scheme and quantum of beneficiaries still to be registered in the districts could not be determined.

The self-registration process for convenience of beneficiaries has not been properly implemented in the state. Due to non-uniformity and irregularities in the beneficiary identification process, 940[65] ineligible beneficiaries were extended scheme benefits to

[65] 10 Business/Service Person, 364 Beneficiaries without verification, 214 beneficiaries whose family members also received benefits and 311 beneficiaries rejected by portal due to other reasons.

the tune of ₹72.20 lakh while beneficiaries who were deemed eligible were not registered and hence denied the scheme benefits.

The District nodal offices did not maintain beneficiary records properly due to which records pertaining to 277 beneficiaries out of 1,440 sampled beneficiaries could not be traced. The department was also unaware of the excess disbursement of ₹95.00 lakh.

The state PMU although constituted as per guidelines has not undertaken any activity.

3.3.13 Recommendations

The following recommendations are made:

- Proper alternate mechanism duly approved by Ministry as stipulated in the guidelines for identification of eligible beneficiaries should be developed.
- Efforts should be made to strengthen the verification process so as to ensure that eligible beneficiaries are registered promptly and ineligible beneficiaries are rejected.
- The Self Registration system should have control embedded to ensure that applications are complete with respect to the supporting documents are approved timely and ineligible applicants are rejected by the system.
- Mandatory five *per cent* physical verifications should be completed timely and actionable findings should be acted upon.
- The State level Project Monitoring Unit should take more active role in monitoring of the scheme.

Compliance Audit Paragraphs

Public Works Department (PWD)

3.4: Wasteful Expenditure

Expenditure of ₹45.55 crore on two road projects, which intended to connect 13 villages in East Siang and nine villages in West Siang District, was wasted as the intended habitats remained unconnected due to faulty planning, non-conduct of baseline survey and feasibility assessment.

Paragraph 4.1 (v) (a) of Non Lapse-able Central Pool of Resources (NLCPR) guidelines 2009 stipulates that the Detailed Project Reports (DPRs) would be prepared properly by the State Department concerned as per generic structure given in Annexure II. The Annexure-II provides that the baseline data/survey report should be prepared before formulation of a project. It is essential that the baseline surveys be undertaken in case of large, beneficiary-oriented projects to assess success of project.

Further, according to paragraph 7.1 of the guidelines, once the project is approved by the Ministry of Development of North Eastern Region (DoNER) the State Government should ensure that the tender has been called on competitive basis by giving wide publicity in print media & website *etc.* and the works have been awarded within three months of its sanction, even without waiting for the release of funds from State Government to implementing agency.

Ministry of DoNER, Government of India (GoI) accorded (September 2013) administrative and financial approval for two projects as detailed in **Table 3.18**. The project cost was to be shared between GoI (DONER) and GoAP in the ratio of 90:10.

Table 3.18: Details of road projects sanctioned under MDONER

(₹ in crore)

Sl. No.	Name of Project	Amount of estimated Cost	Length of the proposed road (*in Km*)
1.	**Project-I:** Construction of road from Yembung- Yemsing road to Tarak Village (Phase-I)	28.18	15.85
2.	**Project-II:** Construction of road from Yemsing to Mirem (15 Km upto WBM level)	18.31	15.00

(Source: Departmental records)

Chief Engineer, Central Zone-B, PWD accorded Technical sanction of Project-I during February 2014 and for Project-II in May 2015. The reason for delays in according TS *i.e.* after five months and 20 months respectively after sanction of Project-I and Project-II was not available on records.

The proposed 15.85 Km road under Project-I was intended to connect Yemsing and Tarak village by providing connectivity to 13 villages in East Siang and nine villages in West Siang District enroute. Whereas, proposed Project-II was vital District Road aimed to connect similarly to East Siang and West Siang District by providing connectivity to 13 villages in East Siang and 9 villages in West Siang District enroute. The scope of work and abstract of cost as per original sanction were detailed in ***Appendix-3.6.***

Scrutiny of records (February 2020) of the Executive Engineer, PWD, Boleng Division revealed substantial delay in completion and improper execution of the project which are discussed in succeeding paragraphs:

➢ **Project-I:** The GoI sanctioned the project in September 2013 and stipulated date of completion was August 2016. The GoI released[66] central share ₹25.35 crore between September 2013 and February 2018. However, the same was released[67] by State Government between March 2014 and March 2019 with delay of three months to six months. The corresponding state share of ₹2.81 crore was also released[68] with delay of five months to 38 months. Further, Intimation for Bid (IFB) was approved by the Chief Engineer, PWD, Central Zone-B in June 2014. However, the Division floated Notice Inviting Tender (NIT) in August 2014. The work was awarded (January 2016) to Naharlagun based firm M/s NT Agency on *Turn Key* contract at agreement amount of ₹28.16 crore with delay of more than three years from the stipulated date.

Project-II: Similarly, the stipulated date of completion of the Project-II was August 2016. The GoI released[69] total central share ₹15.66 crore against sanction cost (central share) of ₹16.48 crore between September 2013 and October 2018. However, the same was released[70] by State Government with delay of four to five months. The corresponding state share ₹1.83 crore was also released[71] after four to 38 months. The delay in release of fund by the State Government to implementing agency attributed to delay in completion of project. The Division floated (October 2015) Notice Inviting Tender (NIT) of the project and the work was awarded (December 2016) to a Naharlagun, Arunachal Pradesh based firm M/s N.T Agency, at tender amount of ₹17.39 crore with delay of three years from the stipulated date. The reason for delays was not available on records.

Thus, due to delay in release of funds, delay in NIT and award of work, the projects were delayed in completion. As per work completion certificate, the project-I and Project-II were completed respectively in March 2018 and October 2018 with delay of 19 and 31 months from the stipulated date of their completion and payment of ₹28.16 crore (vide voucher No.76 of March 2019) and ₹17.39 crore (vide voucher No.79 of March 2019) respectively made for the same.

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66 ₹10.15 crore in September 2013, ₹10.13 crore in September 2017 and ₹5.07 crore in December 2018.

67 ₹10.14 crore in March 2014, ₹10.13 crore in March 2018 and ₹5.06 crore in March 2019.

68 ₹1.01 crore in November 2016 and ₹1.80 crore in March 2018.

69 1st installment ₹6.59 crore in September 2013, 2nd installment ₹5.93 crore in November 2017 and 3rd installment ₹3.13 crore in October 2018

70 Release order for 1st installment was not made available, 2nd installment ₹5.93 crore in March 2018 and 3rd installment ₹3.13 crore in March 2019

71 1st installment ₹0.66 crore in November 2016 and 2nd installment ₹1.17 crore in March 2018

➢ **Project-I:** Audit conducted (February 2020) a Joint Physical Verification of the road with department officers/ officials and found that road was motorable only upto chainage 7.20 Km and the road beyond that was not accessible. The block point of the work under **Project-I** is as depicted in the following photographs:

Chainage 7.200 Km: Road was not acessible beyond 7.20 km

As the road works beyond chainage 7.20 Km was not accessible, components of works executed upto this point was verified and the following shortfall were found:

i. Upto this point, *i.e.* Chainage 7.20 Km, total 30 culverts of various span *(1.50 mtr to 6.0 mtr)* were required to be constructed as per the estimate. However, only 17 culverts were found during the site verification. Thus, 13 culverts (30 - 17) having estimated cost of ₹1.50 crore were not executed.

ii. Similarly, there was provision of ₹2.36 crore for 649.00 RMT retaining/ breast wall (3 mtr to 5 mtr height) till 7.20 Km. However, only 82.60 RMT of retaining wall breast wall was found executed during site verification. Thus, 566.40 RMT (649.00 RMT – 82.60 RMT) retaining wall provisioned for ₹2.12 crore was not executed.

Project-II: JPV in case of Project-II revealed that road was not motorable beyond the chainage 4.20 Km and was inaccessible. The block point of the work was as depicted in the following photograph:

Chainage 4.200 Km: Road was not accessible beyond 4.20 km

The road works stated to be constructed beyond chainage 4.20 Km was not accessible and thus, the components of works executed upto this point was verified and the following shortfall was found:

i. Upto this point, *i.e.* chainage 4.200 Km, total 18 culverts of various span *(1.50 mtr to 6.0 mtr)* were required to be constructed as per the estimate. However, only 10 culverts were found during site verification. Thus, 8 culverts (18 - 10) with provisions for ₹0.68 crore were not executed.

ii. Similarly, there was provision of ₹0.65 crore for 170.00 RMT retaining/ breast wall (3 mtr to 4 mtr height) till 4.20 Km. However, no retaining wall breast wall was found executed during site verification. Thus, 170.00 RMT (120.00 RMT + 50 RMT) retaining wall with an estimated cost of ₹0.65 crore was not executed.

Thus, execution of project worth ₹4.95 crore (Project-I: ₹1.50 crore + ₹2.12 crore and Project-II: ₹0.68 crore + ₹0.65 crore) was doubtful. Further, the division executed the work without undertaking feasibility assessment and baseline survey which resulted in preparation of unrealistic DPR and the projects remaining incomplete as the targeted habitations under the connectivity projects remains unconnected. As per completion certificate and Quarterly Progress Report (QPR) of March 2019, the both works were completed in all respect achieving 100 *per cent* intended objective. Thus, the department also misreported in QPR March 2019 as 100 *per cent* physical achievement of project whereas the projects was not motorable beyond 7.20 Km (Project-I) and 4.20 Km (Project-II).

In reply (November 2020), the department stated that the portion of road was washed at chainage 7.20 Km and 4.30 Km due to intense rain and flash flood during 2019-20. Further, it was stated that as per site condition some items of work, which was initially supposed to be executed within 7.20 km in Project-I and 4.20 within Project-II, were shifted respectively beyond 7.20 km and 4.20 Km as per actual site condition.

The reply was not acceptable as audit re-inspected the roads (May 2021) and roads were still not accessible beyond 7.20 Km (Project-I) and 4.20 Km (Project-II) and Project-II and target habitations remained unconnected. Further, there was no specific approval of competent authority for the deviation of work related to the components approved for the chainage upto 7.20 Km (Project-I) and 4.20 Km (Project-II). Besides, the Division could not produce records supporting execution of work worth ₹4.95 crore (Project-I: ₹3.62 crore and Project-II: ₹ 1.33 crore) beyond 7.20 km and 4.20 Km in respect of Project-I and Project-II.

Due to improper planning and irregularities in execution of work, the department failed to provide road connectivity to target habitation. Thus, objective of project could not be achieved and entire expenditure ₹28.16 crore was wasted as the targeted habitation remained unconnected.

Recommendation: ***The State Government may fix responsibility after taking necessary action against the concerned Executive Engineer for improper planning of the project, releasing payment without ensuring work done and misreporting the status of work.***

Rural Works Department (RWD)

3.5 Unfruitful expenditure

Expenditure of ₹115.48 lakh on construction of a Shopping Complex with identified objectives to create better marketing facilities under Hawai Division was unfruitful as the execution of the project was marred with improper planning leading to inordinate delays. The facility remained un-electrified leading to the Complex being unutilised even after lapse of over 8 years.

With a view to promote local products and boosting socio-economic development of the local populace, the Government of Arunachal Pradesh sanctioned (January 2013) a project *'Construction of Shopping Complex at Hawai at Chawba site'* estimated at a cost of ₹130.50 lakh under Special Plan Assistance (SPA) scheme.

As per Detailed Project Reports (DPRs) of the work, lack of adequate infrastructure was among of the major reasons of distress sales in the rural markets. Rural artisans did not have wherewithal to connect themselves to the market as they lacked adequate capacity, market intelligence and negotiation skills. Setting up of the shopping complex in Hawai Township was imperative for catering to the needs of the township and nearby villages. The project was thus envisaged with the objective of extending the following benefits:

i. Creation of better marketing facilities
ii. Enabling the rural poor to sell their products throughout the year
iii. Promotion of hygienic conditions in and around the market area
iv. Quality and hygienic produce is available to the buyers
v. Ensure stable market and reasonable prices

Scrutiny of records (February 2019) of the Executive Engineer, RWD, Hawai Division revealed that the completion of the project was substantially delayed, and the shopping complex was found unutilized for three years since its completion as discussed in the following paragraphs:

- The Division invited tender for the work in August 2013 and the work was awarded (September 2013) to firm, *'M/s Jasvit Construction (P) Ltd.'* for an agreement amount of ₹ 1.15 crore. The stipulated period of the completion of the project was September 2014. The execution of work commenced in September 2013 and as per records, the work was completed in March 2018. The work was completed with delays of more than three years from the stipulated date. The reason for delays was not, however, available on records. Payment of ₹115.47 lakh (vide voucher No.30 of March 2018) was made to the contractor.

- Audit along with the Executive Engineer, RWD, Hawai during (30 April 2021) Joint Physical Verification (JPV) of the project found that the building remained unutilised as on date of inspection for more than three years since its completion, *i.e.* March 2018. Besides, despite expenditure on the components related to the electrification, the building was not found electrified, and window glasses were also found broken as depicted in the photographs:


Building was not electrified and remained unutilised since completion

It was observed that apart from the project report, there was no requisition/demand from the District Administration or any other client Department for establishment of the shopping complex. Records were also silent about the Department which would administer or operate the shopping complex. The District Administration directed (February 2021) the District Medical Officer (DMO), Hawai to take over the building for its use. However, the DMO did not take over the building.

Thus, the Division could not complete the project on time. The project which was to be completed in September 2014 was completed in March 2018 with delays of more than three years from the stipulated date. The Division also failed to establish a mechanism for utilization of the project for the purpose it was built for and the related benefits which were intended to be delivered since August 2014 were not delivered till date (November 2022).

The matter was reported to the State Government (September 2021), however no reply from the Government has been received.

Recommendations: ***The State Government may take appropriate action to lease out the building to market welfare associations/ self-help group and utilise the asset for which it was created.***

Fisheries Department

3.6 Wasteful expenditure

Improper planning and inadequate monitoring/supervision led to some components of the project 'Reclamation of Borbeel with introduction of Pen & Cage culture and backup facilities, Development of Potential area for commercial fish farming/ integrated farming with back up infrastructure at Namsai and Mahadevpur' incomplete despite an expenditure of ₹ 5.83 crore and the objectives related to the project could not be achieved.

The Ministry of Agriculture and Farmer Welfare, Animal Husbandry, Dairying and Fishery Department, Government of India (GoI) launched National Mission for Protein Supplements (NMPS) programme under Centrally Sponsored Scheme, Rastriya Krishi Vikas Yojna (RKVY) during 2012-13. The objective of the scheme was to develop fishery sectors of the states.

According to Para 1 (Reservoir of Fisheries Development) of the NMPS Guidelines 2012-13, projects may be implemented through the Fishermen Cooperative Societies by the State Fisheries Departments or through Public Private Partnership (PPP) on 50:50 cost sharing basis wherever feasible. The Department of Fisheries of the respective States would be the nodal agency for implementation.

Further, Annexure-II (monitoring of the scheme) guidelines, provided that the State Government shall monitor the implementation of project under the Scheme. Quarterly/Annual progress reports indicating parameters of monitoring in terms of physical and financial targets and achievements shall be furnished periodically in proforma as prescribed by State Government.

The GoI earmarked (June 2012) an allocation of central assistance of ₹5.84 crore (released between July 2013 and February 2014) for the project 'Reclamation of Borbeel with introduction of Pen & Cage culture and back up facilities, Development of Potential area for commercial fish farming/ integrated farming with back up infrastructure at Namsai and Mahadevpur, in Arunachal Pradesh'. The project intended to increase fish production, generate revenue and improve socio-economic conditions of the State. The project *inter alia* included fifteen sub-components. The details of sub-components and mode of implementation were in **Table 3.19**

Table 3.19: Details of sub-components and mode of implementation of the programme

Sl. No.	Particulars/ Sub-Scheme	Implementing Department	Mode of Implementation	Sanction amount (in ₹)
1.	Construction of Borbeel cage and shed for cage culture at Borbeel fishery	Fisheries	Contract agreement/ work order	1,41,80,000.00
2.	Pen culture at ponds fishery, Construction of new	Fisheries	Work order	10,45,000.00

Sl. No.	Particulars/ Sub-Scheme	Implementing Department	Mode of Implementation	Sanction amount (in ₹)
3.	New ponds at Government Fish Seed Farm, Lathao	Fisheries	Contract agreement/ work order	24,97,000.00
4.	Renovation/ Repairing of Government Fish seed farm, Lathao	Fisheries	Contract agreement/ work order	24,97,000.00
5.	Reclamation of Borbeel Fishery	Fisheries	Contract agreement/ work order	1,84,96,000.00
6.	Commercial Fish ponds 30 Ha	Fisheries	Work order	72,00,000.00
7.	Magur culture 40 units	Fisheries	Work order	30,40,000.00
8.	Paddy cum fish culture	Fisheries	Work order	3,00,000.00
9.	Installation of portable fiberglass reinforced plastics (FRP) hatchery	Fisheries	Work order	18,20,000.00
10.	Marketing and transportation	Fisheries	Work order	13,61,400.00
11.	Construction of Ice plant for making the Ice cube at Namsai	Water Resource Deptt.	Work order	21,29,000.00
12.	Providing of bore oil for lifting sufficient fresh water for fish seed farm Lathao with pipe line fitting of electric motor and safety room	Water Resource Deptt.	Work order	4,00,000.00
13.	Construction of fish market at Namsai with hygienic condition proper drainage slab fitting tiles and compartment system.	Water Resource Deptt.	Work order	15,50,000.00
14.	Construction of fish market at Mahadevpur with hygienic condition proper drainage slab fitting tiles and compartment system.	Water Resource Deptt.	Work order	15,50,000.00
15.	Construction of landing ground with shed at bank of the Borbeel fishery.	Water Resource Deptt.	Work order	3,74,200.00
Total				**5,84,00,000.00**

(Source: Departmental records)

Scrutiny of records (August 2021) of the Assistant Director of Fisheries (ADF), Namsai, the implementing agency revealed the following:

- The State Government released total sanctioned amount in March 2015 *i.e.* after a delay of almost three years. The reason for delay in release of funds by State Government was not available on record. The delay in release of funds resulted in delay of completion of the Project and the project was completed in March 2019 with delay of three years from the stipulated date.
- The State Government did not constitute Fisheries Cooperative Societies nor did it enter into any PPP for implementation of the programme unlike as envisaged under the scheme guidelines. The Detail Project Report (DPR) of the project also did not provide mechanism for operationalisation of the project post implementation. The implementation of the programme without any mechanism to operationalise it post implementation was not in order and affected revenue generation as discussed in subsequent paragraphs.
- The work commenced in January 2016 and as per bills/ vouchers and progress reports, the project was completed in March 2019 after incurring a total

expenditure of ₹5.84 crore. Further scrutiny of records and Joint Physical Verification (JPV) of project (19 August 2021) revealed the following:

(i) Construction of cage and shed for cage culture at Borbeel Fishery:

This sub-scheme was sanctioned at estimated cost of ₹1.42 crore. The sanctioned cost comprised of ₹79.50 lakh capital components (construction of 24 cages: ₹73.42 lakh and construction of permanent type shed: ₹6.07 lakh) and recurring expenditure related to the fish culture etc. of for 24 months at ₹62.30 lakh[72]. The capital components were executed by the firm M/s Gaurav Career & Enterprises on agreement basis. As per the related bills/ vouchers, the work was completed in March 2019 with total expenditure of ₹1.36 crore.

Audit, however, observed that against provision of 24 cages, the contractor constructed only 20 cages at a cost of ₹65.86 lakh in July 2017[73]. However, only 16 floating cages were found at the site during the JPV. Thus, though paid for, four cages amounting to ₹13.17 lakh were not constructed. Further, entire pond, right from the landing ground to the Cage culture was found to be filled with water hyacinth making it impossible to ply boats, which may be seen in photographs below:

Cage culture was non-operational as pond was full of water hyacinth

Pond was mostly covered with water hyacinth making it impossible for boating

(Source: JPV dated 19 August 2021)

Due to absence of any provision of sustainable operation and maintenance of the project, the Department did not carry out maintenance of the project since its completion, leading to development of the hyacinth.

Further, the target annual revenue from the above sub-component of the project as per DPR was ₹22.80 lakh. However, no revenue was generated since its completion. Similarly, sub-component 'Reclamation of Borbeel Fishery' was also targeted to generate annual revenue of ₹8.48 lakh. The sub-component was completed in March 2019 after incurring ₹1.84 crore against sanctioned cost of ₹1.85 crore.

[72] Amount sanctioned for Cost of fish fingerling's ₹8.00 lakh, Fish feed ₹42.00 lakh, Engagement of 09 men power for 24 months ₹9.60 lakh, other miscellaneous items *viz.* fish net, lab equipment *etc.* ₹2.70 lakh

[73] Vide voucher No. 01 of March 2019.

However, the department failed to achieve intended objectives as detailed in **Table 3.20.**

Table 3.20: Revenue target and achievement

(₹ in lakh)

Sl. No	Sub-component	Revenue Target (per year)	Revenue generated	Per cent (%)
1.	Reclamation of Borbeel Fishery	8.48	0.05	0.58
2.	Construction of cage and shed for cage culture at Borbeel Fishery	22.80	0.00	0.00

(Source: Departmental records)

Thus, it is indicative of the fact that due to failure of the department to establish partnership model to run the programme after implementation, the resources created under the scheme remained idle since its completion without achieving intended objective.

(ii) C/o Ice plant for making Ice Cubes:

Provision of ₹21.29 lakh was made in the estimate for the sub-component 'construction of Ice plant for preserving fishes'. The provision included ₹8.79 lakh for RCC building having 45 Sqm plinth areas and ₹12.50 lakh for installation of Ice machines. The work was executed by Water Resource Department, Tezu Division on work order basis. The project was completed by incurring total sanctioned cost of ₹21.29 lakh through five FF bills in March 2019. The machineries were procured (March 2019)[74] at cost of ₹9.15 lakh. It was, however, observed during JPV that machineries required for making of Ice Cubes were not installed as evident from the image below.

Figure: Image showing non-installation of machinery at the Ice Cube Site:

(Source: Joint Physical Verification during August 2021)

[74] Vide Voucher. No. 107 of March 2019

Thus, the total sanctioned cost of ₹21.29 lakh was paid without actual execution of work. Thus, due to Department's failure in monitoring and supervision over execution, the sub-component of project was not completed as per approved specification and failed to achieve the intended objectives.

Similarly, other sub-schemes *viz.* 'C/o Pen Culture at Borbeel Fishery, 'Nursery Pond at Government Fish Seed farm, Lathao, Installation of Portable FRP hatchery, C/o Market shed at Namsai and Mahadevpur were also inspected during JPV. It was observed that none of the sub-components were operational as given in ***Appendix-3.7***.

In response to the above, the Department accepted (March 2022) and stated that reclamation of Borbeel Fishery was executed during 2019-20. The entire area was free from the hyacinth till 2020. However, due to non-allocation of fund for operation and maintenance, the project was re-infested. Regarding short execution of cage culture, the department stated that due to cost escalation, only 20 cages were procured. Out of which only sixteen were installed by the contractor. As pointed out by the audit, contractor has been directed to install remaining four cages at earliest. The machineries for making ice cube were procured just before pandemic and could not be installed due to non-availability of technician. It was assured that the machineries would be installed at the earliest.

Thus, due to improper execution of project by the Department without collaborating with co-operative societies/ private partner to operationalize the programme post implementation, the project failed to achieve its intended objectives. The Department also failed to monitor and supervise execution of work and payments were released without ascertaining the actual completion of project. The entire expenditure of ₹583.62 lakh, was thus, proven to be wasteful as intended objective could not be achieved.

Recommendations:

The State Government may-

(i) ***take appropriate action against the concerned officers after fixing the responsibility for execution of work without collaborating with co-operative societies/PPP and payment of work without ensuring actual execution of work done.***

(ii) ***take steps to operationalise the scheme by allocating maintenance fund in order to achieve intended objective of the programme.***

Power Department

3.7 Mis-utilisation of fund

Excess funds (₹79.42 lakh) obtained from POWERGRID by inflating estimates were irregularly utilised outside the scope of the agreement.

Central Public Works Department (CPWD) Works Manual 2014, vide Section 2.5.2 (2) stipulate that if subsequent to the issuance of technical sanction, material structural alterations are contemplated, the orders of the authority which sanctioned the estimate technically should be obtained, even if no additional expenditure is involved on account of such alterations.

Further, Section 20.4.3.2 of the Manual states that acceptance of tenders at justified rates with allowable variations up to 5 *per cent* over the justified rates may be ignored. Variations up to 10 *per cent* may be allowed for peculiar situations and in special circumstances. Reasons for doing so shall be placed on records.

In order to execute a work for Power Grid Corporation of India Limited (POWERGRID), Power Department (DoP), Government of Arunachal Pradesh signed (02 May 2017) a Memorandum of Understanding (MoU) with POWERGRID for execution of work 'Construction of 33 KV Double Circuit Transmission line from 132/33 KV Tezu (POWERGRID) to 33/11 KV Tezu (DoP) Substation including associated 33 KV line bays at 33/11/KV Tezu (DoP) Substation'. The Technical Sanction (TS) of the project for ₹507.96 lakh was accorded (July 2017) by the Superintending Engineer (E), Electrical Circle-VII, Tezu. As per the TS, the scope of work included Construction of six 33 KV D/C Lines and two 33 KV Bays.

Scrutiny (December 2019) of related records of Executive Engineer (E.E), Namsai Electrical Division (NamED) revealed the following:

- The Division invited Notice Inviting Tender (NIT) of project on 15 May 2017. The NIT was called for work costing ₹457.84 lakh whereas the according the Technical Sanction the actual cost of work was ₹507.96 for the same components of work. The contract was awarded (July 2017) to M/s Gaurav Electricals, Tinsukia at the cost of ₹485.12 lakh. Thus, it is indicative of the fact that out of total fund of ₹507.96 lakh provided by POWERGRID, NIT was called for only ₹457.84 lakh and the work was awarded to the Contractor at ₹485.12 lakh below the Technical Sanction of ₹507.96 lakh.
- The Division revised (October 2017) the agreement with Contractor and reduced the scope of work by ₹66.29 lakh in respect of four items as detailed in **Table: 3.21**

Table 3.21: Revision of original contract

(Amount in ₹)

Sl. No.	Item	Rate	Original contract		Revised scope:	
			Quantity	Amount	Quantity	Amount
1.	90 KN Disc Insulator	1,505	4,320	65,01,600	1,000	15,05,000
2.	Disc Insulator Kits	1,160	1,440	16,70,400	900	10,44,000
3.	Control Panel	5,94,850	2	11,89,700	1	5,94,850
4.	Relay Panel	4,10,990	2	8,21,980	1	4,10,990
Total			**5,764**	**1,01,83,680**	**1,902**	**35,54,840**

(Source: Departmental records)

The Division reduced the original agreement quantity of work by ₹66.29 lakh (₹101.84 lakh - ₹35.55 lakh) without approval of the competent authority.

The estimate prepared for technical sanction was much above the norms. As per standards norms, for erection of 240 Steel Tubular Poles, only 1,000 numbers of Disc

Insulators and 900 numbers of Insulator Kits were required. Similarly, for 500 MVA Power Transformer, only one Control Panel and one Relay Panel were required. However, Division included 4,320 Disc insulators, 1,440 Insulator Kits, two Control Panels and two Relay Panels and later on minimised these items. As a result, awarded cost of the Project was reduced by ₹66.29 lakh.

Audit observed that out of this amount of ₹89.13 lakh, ₹79.42 lakh was incurred on works which were not in the scope of the agreement as given in **Table 3.22:**

Table 3.22: Details of expenditure incurred

Sl. No.	Particulars	Period	Expenditure (₹ in lakh)
1.	Procurement of two numbers of vehicles	February 2018	23.39
2.	Two work orders issued to M/s Gaurav Electricals – (Jungle clearance and repair and maintenance of vehicles)	February 2018	9.98
3.	14 work orders to six contractors for procurement of electrical items	February and March 2018	46.05
Total			**79.42**

(Source: Departmental records)

Thus, the Division prepared the estimate at escalated cost and obtained fund of ₹507.96 lakh from POWERGRID and in turn the savings of ₹79.42 lakh of project fund was utilised outside the scope of the agreement in gross violation of CPWD Works Manual.

In reply, the Department stated (March 2020) that during final survey it was found that Right-Of-Way (ROW) was not acceptable as deep forest and huge river span (wide) through which construction could not be carried out. Accordingly, new ROW was found safer which resulted in minus deviation of the length thereby reducing overall expenses on the same work. Further, the Department has stated that procurement of two inspection vehicles was very much required as since there was savings as per LOA. Repeated jungle cutting was required during the process of survey and execution of work. Some electrical items goods were procured which were necessary for the urgent completion of construction of 33KV line as per the direction of Honourable Minister, (Agriculture, Horticulture, Animal Husbandry & Veterinary *etc.)* and Deputy Commissioner of Lohit District.

It is evident that the Department included longer ROW in original estimate and reduced scope of work during execution of work. The minimised cost of project was utilised on items totally outside the scope of agreement *viz.* procurement of vehicles (₹23.39 lakh) and repair and maintenance work (₹56.03 lakh). Besides, the Division curtailed scope of the work and procured electrical items without obtaining approval from the higher authority. The inspection vehicles were also procured without obtaining approval from the Finance

Transmission line passes through road side

Department. Thus, procurement of inspection vehicles, other electrical items not in scope of work is tantamount to mis-utilisation of fund.

The matter was referred to the Government in July 2021. However, reply is awaited as on February 2023.

Recommendations: ***The State Government may take appropriate action against the concerned Executive Engineer of Power Department after fixing the responsibility for diverting the project fund.***

Tourism Department

3.8 Fraudulent payment, delay in execution of work and idle expenditure

Implementation of project without need assessment coupled with delays in release of funds resulted in its completion with a delay of over five years of the stipulated time of its completion and after an expenditure of ₹3.81 crore. Besides, fraudulent payment of ₹58.11 lakh was made to contractor based on falsified MBs without ascertaining actual execution of work. Also, the project remained idle from the date of its completion.

Section 7.1 (4) of CPWD Works Manual 2014 states that the payments to Contractors and others for the work done or other services rendered are made on the basis of measurements recorded in the Measurement Book (MB). Section 7.2 (2) states that MB should be considered as very important accounts records and maintained very carefully and accurately as these may have to be produced as evidence in a court of law, if and when required.

Further, according to Section 30.1.A of said Manual, the measurements of complete work shall be recorded, and test checked by JE/AE/EE. The measurements should be checked 100 *per cent* by JE/AE and at least 10 *per cent* by EE. A certificate will also be recorded by JE & AE that work has been executed strictly as per terms and conditions and no part payment shall be allowed for incomplete stage.

The Ministry of Tourism, Government of India (GoI) approved the project *'Construction of Cafeteria cum Picnic Spot at Ramghat, Papum pare District'* at sanction amount of ₹393.42 lakh in March 2013. The project was sanctioned under the Central Financial Assistance (CFA), a 100 *per cent* Central Sponsored Scheme (CSS). The objective of project was to open new source of revenue to the Government and bring long term benefit/ avenue to the local inhabitants. The project was a sustainable and holistic approach to economic development and was to be run by the State Agency through private entrepreneurship. The scope of work and its abstract of cost are provided in **Table 3.23.**

Table 3.23: Scope of work provided in estimate

Sl. No.	Items	Unit	Quantity	Rate	Amount (in ₹)
1.	Cottage	Each	4.00	41,19,962.00	1,64,79,848.00
2.	Cafeteria	Each	1.00	34,33,857.00	34,33,857.00
3.	Picnic Hut	Each	1.00	18,89,212.00	18,89,212.00
4.	Boundary Wall	Each	1.00	51,72,954.00	51,72,954.00
5.	Public Utility Building	Each	1.00	9,83,596.00	9,83,596.00
6.	Internal Foot Path	Each	1.00	23,16,223.62	23,16,223.62
7.	Site Development	Each	1.00	38,58,310.00	38,58,310.00
8.	Illumination	Each	1.00	18,69,700.00	18,69,700.00
9.	Solid Waste Management	Each	1.00	10,80,000.00	10,80,000.00
Add 2 per cent for Architecture					7,41,674.01
Add 1 per cent Labour Cess					3,70,837.01
Add 3 per cent contingencies					11,45,886.35
Total					**3,93,42,097.99**

(Source: Departmental records.)

Scrutiny of records (January 2021) of Tourism Department (Implementing agency) revealed the followings:

➢ According to terms and condition (clause 7 & 10) stipulated in the project sanction order, the State Government will not keep central assistance unutilised for more than six months and next installment will be released on receipt of Utilisation Certificates (UCs).

  The GoI released first installment of ₹78.68 lakh (20 *per cent* of sanction amount) in August 2013. However, in contravention to guidelines the same was released to the implementing agency by the State Government in February 2014 after six months. The UC was also submitted in May 2014 with delay of three months. Due to delay in release of fund and delay in submission of UC, no subsequent fund was released by the GoI. The State Government reviewed (August 2018) the project and decided to complete the project form own resource as no subsequent central assistance was released. The State Government released (06 November 2018) ₹3.02 crore from State Annual Development Agenda (SADA). The stipulated period for completion of project was March 2015. The project was completed in March 2020 with delay of five years.

➢ The execution of work was commenced in September 2013 and as per bills/ vouchers and completion certificate, the work was completed in March 2020 after incurring total expenditure of ₹3.81 crore[75]. Audit found (January 2021) in Joint Physical Verification (JPV) of the project that it was not in use and lying idle since its completion in March 2020. The thick vegetation had grown all around the construction and no electrification work was executed as depicted in the photographs.

[75] Total ₹3.81 crore was released (₹0.79 crore by GoI in August 2013 and ₹3.02 crore by GoAP in November 2018) against sanction cost of ₹3.93 crore.

	
Asset was idle and abandoned since completion	**Electrification work was not found executed**

The Department had incurred an amount of ₹45.51 lakh on electrification work[76] which was also recorded in MBs without actual electrification work. Thus, payment of ₹45.51 lakh was released to Contractor on the basis of falsified MBs. Similarly, ₹30.09 lakh was incurred on the construction of 800.00 sqm. (160.00 mtrs length x 5.00 mtrs width) approach road @ ₹3,750 per sqm with the road width of 5.00 mtrs recorded in MBs. The width of approach road was actually measured as 2.85 mtrs to 2.90 mtrs during the JPV. The Contractor executed only 464.00 sqm (160.00 mtrs length x 2.90 mtrs width) approach road. However, payment of ₹30.00 lakh was released for 800 sqm approach road which led to payment of ₹12.60 lakh released to the Contractor without execution of 336 sqm (800.00 sqm - 464.00 sqm) approach road. Hence, the contractor was paid fraudulently an amount of ₹58.11 lakh (₹45.51 lakh *plus* ₹12.60 lakh) by falsifying the records.

Thus, due to delay in release of fund by the State Government, the State Government lost out the 100 *per cent* Central Funding under CSS and had to incur ₹3.02 crore out of state resources and the project was delayed by five years from stipulated date. Further, the Tourism Department executed the project without assessing necessity resulting to idle expenditure of ₹3.81 crore and project which was intended to generate revenue in March 2015 could not be utilised. Besides, E.E released ₹58.11 lakh (₹45.51 lakh + ₹12.60 lakh) on the basis of fictitious measurement recorded in MB without verifying actual execution of work.

On being pointed out, the State Government accepted and stated (February 2022) that the project was sanctioned during 2012-13 and completed in 2020. The cost escalation was also a factor for adjustment in some component of the Project. The incomplete portion of work has been re-executed by the Contractor. The Department further stated that leasing out of the building was delayed due to pandemic which is expected to be completed very soon.

The audit re-conducted (February and November 2022) JPV and observed that the electrification work, which was claimed to have been executed, was damaged. The site was overgrown with weeds and building was in dilapidated condition. The

76 Bill No. 179 and Voucher No. 08 of March 2019

sanitary and kitchen fittings in the cottages were missing, tiles were broken. Besides, the Department could not lease out the project even post-pandemic and the asset remained idle as on February 2023 *i.e.* even after 35 months from date of its completion and the intended objectives to generate revenue therefrom was yet to be achieved.

Recommendations:

The State Government may-

- ***expedite to lease out the project to generate revenue.***
- ***fix the responsibility of the concerned Executive Engineer for irregular payment to contractor on basis of falsified MBs without ascertaining actual execution of work.***
- ***take appropriate steps to initiate criminal proceedings against the erring official/ officer for falsification of records.***

Department of Industries

3.9 Unfruitful expenditure

The Director of Industry procured industrial equipment in March 2017 for the Industrial Safety and Hygiene Laboratory without ascertaining its requirement and availability of trained staff for its operation. As a result, the equipment has not been installed for five years leading to wasted expenditure of ₹1.20 crore on its procurement.

According to Rule 21 of General Financial Rules 2017, every officer incurring or authorizing expenditure from public money should be guided by high standards of financial propriety. Every officer should also enforce financial order and strict economy.

The Government of Arunachal Pradesh accorded expenditure sanction of ₹150.00 lakh in March 2017 for the implementation of the work "*Up-gradation and modernization of Industrial Safety and Hygiene Laboratory at Directorate of Industries, Itanagar*". The Action Plan prepared (August 2015) by the Director cum Chief Inspector of Factories and Boilers, Department of Industries for obtaining the Technical sanction, having provision of ₹120.00 lakh for procurement of different kinds of testing equipment. However, the specifications in terms of quantity, type, quality *etc*. of the equipment to be procured were not specified in the Action Plan.

Scrutiny of the records of the Director of Industries (August 2021) revealed that an expenditure of ₹119.84 lakh was incurred towards procurement of various equipment pertaining to the Industrial Safety and Hygiene Laboratory from a firm[77] during March 2017 as detailed in **Table 3.24**.

[77] M/s Gollo Enterprises, Itanagar

Table 3.24: Details of items procured.

Sl. No.	Description of items	Quantity (No.)	Amount (₹ in lakh)
1.	Sound level meter	1	7.28
2.	Sound calibrator	1	7.80
3.	Noise Dosimeter	1	5.72
4.	Personal Dust Sampler	1	5.46
5.	Air Flow Calibrator	1	4.94
6.	Area heat stress monitor	1	7.54
7.	Personal heat stress monitor	1	11.96
8.	Particulate and air quality monitoring	1	14.56
9.	Human vibration meter	1	13.78
10.	Portable benzene monitor	1	10.66
11.	Radiation meter	1	4.94
12.	Multi gas detector	1	13.00
13.	Anemometer	1	4.94
14.	Lux meter	1	5.06
15.	Carry case	1	2.18
Total			**1,19.84**

(Source: Departmental records)

The equipment was received and entered in the Stock Register on 05 May 2017. However, no records relating to the issuing of these equipment were found by Audit. The physical verification of Departmental stores (August 2021) revealed that all these items procured were still lying idle there even after four years of procurement as depicted in the photograph given below:

Equipment found lying idle in the store during JPV

The Department claimed (August 2021) that two items, namely Sound Level Meter and Easy View Big Digital Luxmeter were being utilized. However, no evidence for their usage was made available to audit nor these items were shown as issued from the Stock Register. The Department also stated that since Arunachal Pradesh is at an infant stage of industrialization with very few industries and factories, use of these equipment was not felt necessary. Besides, there was shortage of technicians to operate the equipment The State Government stated (May 2022) that a proposal has been submitted to the State government for creation of 3 technician posts required for operating the equipment.

The Department accepted (May 2022) that there was remote probability of using this equipment due to poor state of industrialization in the State; despite that the equipment was procured and proposal for sanction of three posts of technicians for using this equipment were made five years after the procurement. The equipment remained unutilised as on date (January 2023) and an unproductive liability for future.

Thus, the Department procured the industrial equipment for the Industrial Safety and Hygiene Laboratory without ascertaining its actual requirement. The laboratory had no technicians/ trained staff to operationalize the equipment. As a result, the Department was unable to put the equipment into use and the expenditure ₹119.84 lakh incurred has been wasted.

Recommendation: The Department may explore possibilities to utilise idle items as early as possible. Action may also be taken against delinquent officer for procurement of items without assessing actual requirement.

State Council of Science and Technology

3.10 Undue benefit to contractor

The State Council of Science and Technology granted Mobilisation advance of ₹1.40 crore (68 *per cent* of contract amount) to contractor beyond the permissible limit of 10 *per cent.* There was no provision for charging interest which led to undue financial benefi to contractor and loss of ₹59.22 lakh to the Government.

Section 32.5 of CPWD Works Manual 2014 provides that in respect of certain specialized and capital-intensive works with estimate cost put to tender of ₹2.00 crores and above, provision of mobilisation advance may be kept in the tender documents. The Mobilisation advance limited to ten *per cent* of the tendered amount at ten *per cent* simple interest can be sanctioned to the Contractors on specific request as per terms of the contract.

Scrutiny of records of the Director cum Member Secretary, State Council of Science and Technology (May 2021) revealed that the Department awarded (October 2016) the project *"Installation of Siru Rijo (2x50 KW) MHP at Gantak in West Siang District"* to a Contractor, (M/s. T. Gangkak Enterprises, Aalo) for the tendered amount of ₹2.05 crore through a contract. No provision for mobilisation advance or its recovery was kept in the terms of the contract. It was however, observed that an advance of ₹140.00 lakh (₹120.00 lakh on 27-October-2016 and ₹20.00 lakh on 02 Feb 2017) was granted by the Department to the Contractor. The advances were recovered on 01 February 2021 but due to non-inclusion of relevant clause regarding mobilisation advances, recovery of interest on the advance could not be enforced on the contractor as detailed in **Table 3.25.**

Table 3.25: Details of outstanding interest on mobilisation advance

Sl. No.	Mobilisation advance (₹ in lakh)	Date of advance	Date of Recovery	Outstanding period (in days)	Amount of interest not realised (₹ in lakh)[78]
1.	120.00	27.10.2016	01.02.2021	1558	51.22
2.	20.00	02.02.2017	01.02.2021	1460	8.00
Total	**140.00**	**--**	**--**	**--**	**59.22**

(Source: Departmental records)

The advance of ₹140 lakh was given to the Contractor, though the contract agreement did not have any provision for extending advance to the Contractor. Further, the advance (68 *per cent* of contract amount) is beyond the permissible limit of 10 *per cent* and the same was given without keeping any provision for charging interest contrary to what is stipulated in the CPWD Works Manual. Thus, the Department extended undue financial benefit to the contractor and led to loss of ₹59.22 lakh to the Government.

The Department stated (April 2022) that the advance of ₹140.00 lakh was granted against bank guarantees and was done on the recommendation of the Project Implementing authority of the project. The fact that the advance was granted against bank guarantee or recommended by Project Implementing authority does not justify violation of extant rules *i.e.* CPWD Works Manual.

Recommendations:

The State Government may-

(i) ***take appropriate action against the concerned officers after fixing the responsibility for extending an undue advantage to the contractor.***

(ii) ***initiate proceedings to realise outstanding interest on mobilisation advances as per norms and deposit into the Government account.***

[78] Calculated @ ten *per cent* simple interest for the period mobilization advance remained outstanding.