



**ANNUAL TECHNICAL INSPECTION  
REPORT  
ON URBAN LOCAL BODIES**

**FOR THE YEAR ENDED 31 MARCH 2015**



**GOVERNMENT OF MEGHALAYA**



Presented to the Legislature

14 DEC 2017

**ANNUAL TECHNICAL INSPECTION  
REPORT**

**ON URBAN LOCAL BODIES**

**FOR THE YEAR ENDED  
31 MARCH 2015**

**GOVERNMENT OF MEGHALAYA**

1871  
1872  
1873  
1874  
1875  
1876  
1877  
1878  
1879  
1880  
1881  
1882  
1883  
1884  
1885  
1886  
1887  
1888  
1889  
1890  
1891  
1892  
1893  
1894  
1895  
1896  
1897  
1898  
1899  
1900

## TABLE OF CONTENTS

	<i>Paragraph(s)</i>	<i>Page(s)</i>
<b>Preface</b>		iii
<b>Overview</b>		v
<b>CHAPTER I : OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF URBAN LOCAL BODIES</b>		
Introduction	1.1	1
Organisational set up	1.2	2
Functioning of Urban Local Bodies	1.3	3
Municipal Accounts Committees	1.4	3
Audit arrangement	1.5	4
Response to audit observations	1.6	5
Ombudsman	1.7	6
Social Audit	1.8	6
Meghalaya Property Tax Board	1.9	6
Service Level Benchmark	1.10	7
Internal Audit and internal controls of ULBs	1.11	7
Financial Reporting Issues	1.12	9
Conclusion	1.13	14
<b>CHAPTER II : COMPLIANCE AUDIT</b>		
Collection of Property Tax	2.1	17
Collection of Market Rent	2.2	17
Collection of Parking Fees	2.3	18
Implementation of Special Urban Works Programme	2.4	20
Submission of Utilisation Certificates (UCs)	2.5	21
Inadmissible expenditure	2.6	22
Development of office plot of Shillong Municipal Board at Jail Road	2.7	23
Release of funds without supporting vouchers	2.8	25





## PREFACE

*This Report for the year ended 31 March 2015 has been prepared for submission to the Government of Meghalaya in terms of the Technical Guidance and Support to the audit of Urban Local Bodies under Section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services), Act, 1971.*

*The Report contains significant results of audit of the Urban Local Bodies in the State including the departments concerned.*

*The issues noticed in the course of test audit for the period 2014-15 as well as those that were noticed in earlier years, but could not be dealt within the previous Reports have also been included, wherever necessary.*

*The audit has been conducted in conformity with auditing standards issued by the Comptroller and Auditor General of India.*







# OVERVIEW





## OVERVIEW

This Annual Technical Inspection Report (ATIR) deals with the results of audit of accounts of five<sup>1</sup> Urban Local Bodies (ULBs) in Meghalaya and is presented in two chapters. Chapter I includes an overview of the functioning, accountability mechanism and financial reporting issues of Urban Local Bodies and Chapter II contains audit observations on Urban Local Bodies.

The draft ATIR was sent to the Additional Chief Secretary to the Government of Meghalaya, Urban Affairs Department on 11 March 2016 with a request to furnish replies within six weeks. But reply from the Government to the draft ATIR was not received till June 2017.

### CHAPTER-I : OVERVIEW OF THE ORGANISATION, FINANCES, DEVOLUTION AND ACCOUNTABILITY FRAMEWORK OF URBAN LOCAL BODIES

There are six Municipal Boards(MBs) in Meghalaya which are covered under the Meghalaya Municipal Act, 1973. The Additional Chief Secretary, Urban Affairs Department, Government of Meghalaya is the administrative head of all ULBs in the State and is responsible for exercising overall control and supervision of functions of ULBs.

**(Paragraphs 1.1 & 1.2)**

Against the requirement of 18 functions to be transferred to MBs, the State Government had transferred only 16 functions to the MBs.

**(Paragraph 1.3)**

None of the Municipal Board had constituted the Municipal Accounts Committee to monitor the preparation of Annual Accounts.

**(Paragraph 1.4)**

The State Government was yet to constitute the State Finance Commission which deprived the MBs of their due share of net proceeds of revenue from the State Government.

**(Paragraph 1.12.2)**

---

<sup>1</sup> Jowai, Resubelpara, Shillong, Tura and Williamnagar Municipal Boards.



## CHAPTER-II

### COMPLIANCE AUDIT

Shillong and Tura Municipal Boards could not collect property tax of ₹ 4.36 crore from the private residential buildings and Government buildings till March 2015. Non-realisation of property tax had adverse impact on the financial position of these Boards.

**(Paragraphs 2.1)**

The Tura Municipal Board had not realised rents of ₹ 26.93 lakh from different stalls of three markets under the Tura MB.

**(Paragraph 2.2)**

The Shillong Municipal Board failed to take legal action against the defaulting allottees in paying the amount due to the Board for collecting parking fees which resulted in revenue of ₹ 8.16 lakh remaining unrealised.

**(Paragraph 2.3)**

Special Urban Works Programme was not implemented as per scheme guidelines. Internal controls were not in place to ensure proper implementation of the scheme.

**(Paragraph 2.4)**

Shillong MB gave financial assistance of ₹ 4.60 lakh to four clubs/organisations under Intensive Arts and Culture Development Programme and the Integrated Sports & Youth Development Programme for expenditure on inadmissible items in contravention of the schemes guidelines.

**(Paragraph 2.6)**

The Shillong Municipal Board has failed to ensure that H.M. Cements Limited pay the security deposit of ₹ 72.24 lakh and rent of another ₹ 72.24 lakh for the period from 01 January 2015 to 31 December 2015 for the plot of land at Jail Road, Shillong which was in violation of the deed of agreement. It also gave a no objection certificate to H.M. Cements Limited to mortgage its plot of land without having any provision in the Agreement for charging any security from H.M. Cements Limited for permitting it to mortgage the Government land at Jail Road to protect Government's interest in case of any default on the part of H.M. Cements Limited.

**(Paragraph 2.7)**

Tura Municipal Board released ₹ 11.16 lakh to a beneficiary, Dr. (Mrs) Alba B. Sangma, under the Chief Minister's Special Urban Development Fund Scheme for construction of a retaining wall adjacent to Urban Marketing Hub behind Greendash Building at Ringrey, Tura without any estimates for the work. No supporting vouchers/cash memos were available and there was also no measurement of the work to indicate that the work was actually executed.

**(Paragraph 2.8)**





**CHAPTER-I**  
**OVERVIEW OF THE**  
**FUNCTIONING, ACCOUNTABILITY**  
**MECHANISM AND FINANCIAL**  
**REPORTING ISSUES OF URBAN**  
**LOCAL BODIES**





## CHAPTER I

### OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF URBAN LOCAL BODIES

#### An Overview of the Functioning of the Urban Local Bodies in the State

#### 1.1 Introduction

The 74<sup>th</sup> Constitutional Amendment Act, 1992 paved the way for decentralisation of power and transfer of 18 functions as listed in the Twelfth Schedule of the Constitution to the Urban Local Bodies (ULBs) and to establish a system of uniform structure, conducting of regular elections and regular flow of funds through State Finance Commission. As a follow up, States were required to entrust these ULBs with such powers and authority as may be necessary to enable them to function as institutions of local self-help Government. Post 74<sup>th</sup> Constitutional Amendment Act, an amendment was made to the Meghalaya Municipal Act, 1973 by enacting the Meghalaya Municipal (Amendment) Act, 2012 passed in March 2012. There are six Municipal Boards (MBs)<sup>1</sup> in the State of Meghalaya as on 31 March 2015 and covered under the Meghalaya Municipal Act, 1973.

Meghalaya, emerged as a full fledged State within the Union of India on 21 January 1972, with a total geographical area of 22,429 sq.km and is situated in the North East region of India. The State is bounded on the north by Goalpara, Kamrup and Nowgong Districts of Assam, on the east by Karbi Anglong and North Cachar Hills Districts of Assam and on the south and west by Bangladesh. Shillong, the capital of Meghalaya is located at an altitude of 1496 metres above sea level.

As per 2011 Census, the total population of Meghalaya was 29,66,889 with the decadal growth of 27.95 *per cent* and population density of 132 persons per sq. km. In the State, 80 *per cent* of the population live in rural areas and 20 *per cent* in urban areas. The State had a literacy rate of 75.48 *per cent* and the sex ratio of 989 females per 1,000 males. Meghalaya is divided into 11 districts, four civil sub-divisions and 39 Community and Rural Development Blocks.

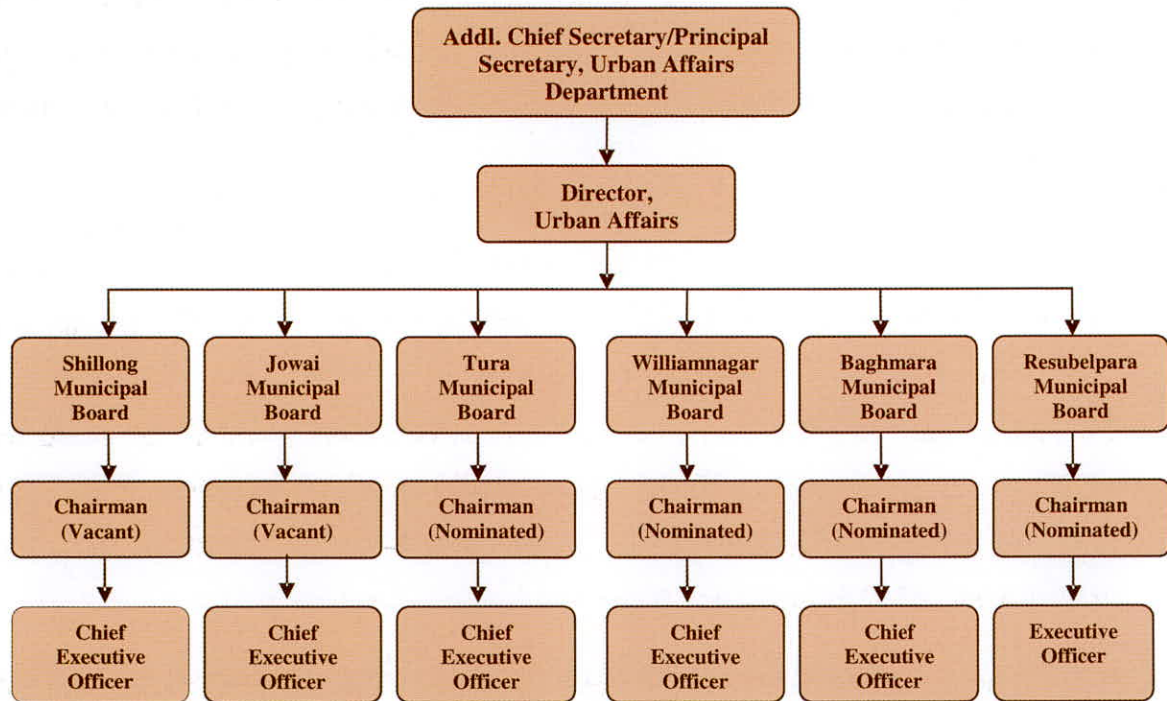
<sup>1</sup> 1. Baghmara Municipal Board, 2. Jowai Municipal Board, 3. Resubelpara Municipal Board, 4. Shillong Municipal Board, 5. Tura Municipal Board and 6. Williamnagar Municipal Board.



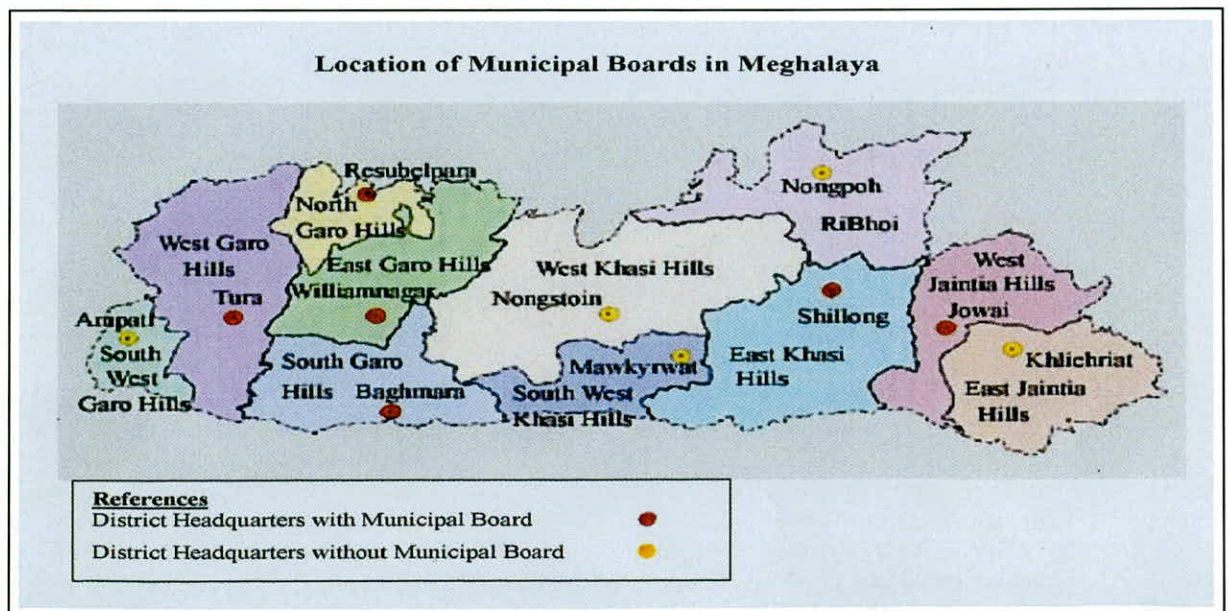
## 1.2 Organisational set-up

The Addl. Chief Secretary/Principal Secretary, Urban Affairs Department (UAD), Government of Meghalaya (GoM) is the administrative head of the ULBs in the State. He is assisted by the Director, Urban Affairs, Meghalaya in allocation of funds and in exercising overall control and supervision of functions and implementation of schemes by the Municipal Boards (MBs).

An organogram of the Urban Affairs Department is shown as follows:



As per the Meghalaya Municipal Act, 1973, the Chairman is the Executive Head of the MB and is to be elected by the elected ward commissioners. During the period covered by audit, there was no elected body in any of the MBs in Meghalaya. In the absence of an elected



Chairman, the power of the Board is vested in the Chief Executive Officer who in such situations functions as the Executive Head.

### 1.3 Functioning of Urban Local Bodies

The 74<sup>th</sup> Constitutional Amendment provides scope for devolution of funds and functions to ULBs by the State Government with respect to preparation of plans and programmes for economic development and social justice relating to 18 subjects listed in the Twelfth Schedule of the Constitution of India. Government of Meghalaya has devolved 16 functions<sup>2</sup> to the ULBs except for (i) Fire Services and (ii) Urban forestry, protection of the environment and promotion of ecological aspects.

### 1.4 Municipal Accounts Committees

Para 49A<sup>3</sup> of the Meghalaya Municipal Act, 1973 (as amended) specifies that the respective Boards may constitute Municipal Accounts Committees. The responsibilities of the Committee *inter alia* include (i) the examination of the accounts of the Board and also checking whether the audit observations and instructions made or given from time to time have been complied with; (ii) undertaking any physical verification of cash, stock and assets of the Board; and (iii) discharging such other function as may be entrusted.

Scrutiny of records of the MBs in the State revealed that contrary to the provisions of the Act, none of the Boards had constituted Municipal Accounts Committees. Due to absence of the Municipal Accounts Committee, there was no authority to monitor and insist upon the preparation of Annual Accounts by the Boards. As a result four out of five MBs were yet to prepare any annual accounts. The details have been highlighted under **paragraph 1.12.5**.

In response (June 2016), the Director, Urban Affairs Department admitted that the Municipal Accounts Committees were not constituted. No reasons were however, furnished for the same.

<sup>2</sup> (1) Urban planning including town planning; (2) Regulation of land-use and construction of buildings; (3) Planning for economic and social development; (4) Roads and bridges; (5) Water supply for domestic, industrial and commercial purposes; (6) Public health, sanitation conservancy and solid waste management; (7) Safeguarding the interests of weaker sections of society including handicapped and mentally retarded; (8) Slum improvement and upgradation; (9) Urban poverty alleviation; (10) Provision of urban amenities and facilities such as parks, gardens and playgrounds; (11) Promotion of cultural, educational and aesthetic aspects; (12) Burials and burial grounds; cremations, cremation grounds, and electric crematoriums; (13) Cattle pounds, prevention of cruelty to animals; (14) Vital statistics including birth and deaths; (15) Public amenities including street lighting, parking lots, bus stops and public conveniences; and (16) Regulation of slaughter houses and tanneries.

<sup>3</sup> Inserted vide Meghalaya Municipal (Amendment) Act, 2012



**Recommendation:**

**Municipal Accounts Committees should be constituted to monitor the preparation of Annual Accounts by the MBs.**

**1.5 Audit arrangement**

**1.5.1 Primary Auditor**

Audit of the ULBs are conducted by the Examiner of Local Accounts (ELA), Meghalaya as per provision of the Assam Local Fund (Accounts and Audit) Act, 1930 and the Rules framed thereunder and the executive instructions issued from time to time as adapted by the Government of Meghalaya. ELA, Meghalaya is the primary auditor of the six ULBs in the State as per Meghalaya Municipal Act, 1973<sup>4</sup>. The ELA, Meghalaya being the primary auditor has however, not prepared any Audit Plan for audit of the six ULBs in the State. Though the ELA had stated during January 2013 that the annual audit plan for audit of the six ULBs would be prepared, no such action had been taken to prepare the audit plan. On being pointed out the Director of Local Fund Audit<sup>5</sup> stated (June 2016) that the office since inception never prepared any audit plan but only tour programme for audit of ULBs were prepared. The reply is not tenable as audit plans provide assurance that auditable entities which are vulnerable to risks and serious financial irregularities have been considered while determining priorities and that there is optimum use of available resources for achieving the short term and long term audit objectives.

**1.5.2 Audit by the Comptroller & Auditor General of India**

Section 151J (2)<sup>6</sup> of the Meghalaya Municipal Act, 1973 specifies that the Comptroller & Auditor General (C&AG) of India shall provide Technical Guidance and Support (TG&S) over the proper maintenance of accounts and audit of the accounts of the Board and shall prepare an Annual Technical Inspection Report on the test check of accounts of the municipalities and forward a copy of the report to the State Government. The audit of accounts of the ULBs had been entrusted to the Comptroller and Auditor General of India (CAG) in March 2012 under Section 20(1) of CAG's (Duties, Powers and Conditions of Services) Act, 1971 by the State Government.

---

<sup>4</sup> Section 151J (1) of the Act as inserted vide Meghalaya Municipal (Amendment) Act, 2012.

<sup>5</sup> The post of Examiner of Local Accounts was re-designated as Director of Local Fund Audit, Meghalaya vide Finance Department's Notification No. FEG.53/89/165 dated 05 October 2015.

<sup>6</sup> Inserted vide Meghalaya Municipal (Amendment) Act, 2012.

The Accountant General (Audit), Meghalaya, Shillong conducted audit of five MBs<sup>7</sup> during October 2015 to December 2015 under TG&S arrangement as per its Annual Audit Plan 2015-16. The audit observations were discussed with the Director, Urban Affairs Department, Meghalaya and the CEOs/representatives of the MBs in an exit conference held on 10 June 2016. Response of the Department/MBs received have been incorporated at appropriate places.

## 1.6 Response to audit observations

### 1.6.1 Inspection Reports

As of March 2015, against the five municipal boards that were audited during October 2015 to December 2015, there were 14 Inspection Reports (IRs) containing 150 paragraphs issued by the Accountant General (Audit), Meghalaya. The position of outstanding IRs and paragraphs against the five MBs in Meghalaya as of March 2015 was as follows:

Table 1.1

Name of the MB	No. of outstanding IRs	No. of outstanding paragraphs	No. of years outstanding	Monetary value (₹ in lakhs)
Jowai	1	15	01	60.69
Resubelpara	1	13	01	17.50
Shillong	10	99	26	4280.72
Tura	1	11	01	168.09
Williamnagar	1	12	01	124.28
<b>Total</b>	<b>14</b>	<b>150</b>		<b>4651.28</b>

While the IRs and paragraphs against Jowai, Resubelpara, Tura and Williamnagar MBs were lying outstanding for the last one year, the IRs and paragraphs against the Shillong MB have been outstanding for period ranging from one to 26 years. Further, Shillong MB had not furnished even the first replies to the outstanding IRs and paragraphs till date (June 2016) indicating a lackadaisical attitude towards settling audit observations.

During the exit conference (10 June 2016), the Director, UAD stated that all the MBs would be directed to prepare replies to the outstanding audit paragraphs.

#### **Recommendation:**

**The MBs should arrange to furnish replies to all outstanding audit paragraphs in a time bound manner.**

<sup>7</sup> Jowai, Resubelpara, Shillong, Tura and Williamnagar.



### **1.6.2 Annual Technical Inspection Report**

The Annual Technical Inspection Report (ATIR) for the year ended 31 March 2014 was laid in the Meghalaya Legislative Assembly on 24 September 2015. The Public Accounts Committee (PAC) of the Meghalaya Legislative Assembly discussed Paragraph 2.4 of the ATIR for the year ended 31 March 2014 on 10 May 2016. Recommendation of the PAC on the paragraph is awaited (August 2016).

## **Accountability Mechanism and Financial Reporting Issues**

### **Accountability Mechanism**

#### **1.7 Ombudsman**

There is no office of the Ombudsman in the State of Meghalaya.

#### **1.8 Social Audit**

There is no Social Audit arrangement for ULBs in Meghalaya.

#### **1.9 Meghalaya Property Tax Board**

According to Section 67 A of the Meghalaya Municipal Act, 1973<sup>8</sup> the State Government shall by notification, constitute a State Level Property Tax Board to enumerate all properties within the jurisdiction of the municipalities; review the present property tax system and make recommendations for the basis of assessment and valuation of properties and modalities for periodic revision.

The State Government constituted the Meghalaya Property Tax Board (MPTB) in March 2012 under the chairmanship of the Principal Secretary, Urban Affairs Department. Despite MPTB's constitution, it had not convened any meeting till date (June 2016) and hence no enumeration of properties and review of property tax was done.

#### **Recommendation:**

**The Department should ensure that the Meghalaya Property Tax Board meets periodically to review the property tax system prevalent in the State.**

---

<sup>8</sup> Inserted vide Meghalaya Municipal (Amendment) Act 2012.

## **1.10 Service Level Benchmark**

The State Government notified the Service Level Benchmarks (SLBs) for water supply, sewerage, storm water drainage and solid waste management in March 2012 only for Shillong Municipal Board to be implemented in 2012-13. No records were available with the Shillong Municipal Board to indicate that the actual achievement against the SLBs had been assessed by the State Government. The Shillong Municipal Board had also not assessed on its own, the actual achievement against the SLBs nor had it put in place any mechanism to monitor the actual achievement vis-à-vis the SLBs for water supply, sewerage, storm water drainage and solid waste management. Moreover after March 2012, no further benchmarking was notified by the State Government.

The service level benchmarking for the other five MBs had also not been notified in the State.

### **Recommendation:**

**The Department should ensure that the Service Level Benchmarks are prescribed and implemented for all the MBs in the State and actual achievements assessed.**

## **1.11 Internal audit and internal controls of ULBs**

### **1.11.1 Internal Audit**

Para 32.15 of the Accounting Manual for ULBs in Meghalaya states that the ULBs may get their accounts audited by internal audit. Audit, however, observed that none of the MBs had any system of internal audit, which was in contravention of the provisions of the Accounting Manual.

Thus, failure to conduct internal audit has resulted in many internal control functions not being carried out by the MBs as pointed out in the following paragraphs.

### **1.11.2 Cash management**

Para 5.33 of the Accounting Manual for ULBs in Meghalaya stipulates observation of internal controls like verification of cash balances, carrying out of bank reconciliation by officers of the ULB, *etc.*

Scrutiny of connected records revealed that contrary to the provisions, physical verification of cash was not carried out by Jowai, Resubelpara and Williamnagar MBs. Bank reconciliation was never carried out by Jowai, Resubelpara, Tura and Williamnagar MBs.



### **1.11.3 Water Supply transactions**

Para 9.38 of the Accounting Manual for ULBs in Meghalaya states that the Head of Accounts Department and the Head of the Water Supply Department shall reconcile the balance at the beginning of the accounting year in respect of year-wise water supply income receivable with the year-wise total of the arrears recorded in the Demand Register. Further quarterly reconciliation shall be carried out by the Head of Accounts Department and the Head of Water Supply Department in respect of amount collected and year-wise outstanding balances.

During the audit of the five<sup>9</sup> MBs in Meghalaya, it was seen that only the Shillong Municipal Board (SMB) supplied water to the habitations under its jurisdiction. The SMB, however, did not undertake any reconciliation of its water supply transactions as prescribed in the Accounting Manual. By failing to carry out the reconciliation as prescribed in the manual, a vital internal control mechanism was not being followed by the SMB.

### **1.11.4 Public Works**

Para 12.77 of the Accounting Manual for ULBs in Meghalaya states that Accounts Department shall maintain the distinction between works of capital and revenue nature. Further, a quarterly reconciliation of the balance as per the Deposit Register maintained at the Public Works Department shall be carried out with the Deposit Ledger Accounts. Para 12.84 also states that the Chief Executive Officer (CEO) shall specify appropriate calendar of returns/ reports for monitoring the Public Works in the ULBs.

Audit however observed that none of the prescribed internal controls on public works were followed by any of the five audited ULBs in State.

### **1.11.5 Stores**

Para 13.43 (c) of the Accounting Manual for ULBs in Meghalaya stipulates that at the end of the financial year, the Stores-in-Charge, the Head of the Accounts and the Municipal Chief Auditor shall physically verify the stock lying in stores and compare it with the stock as per the book records.

Audit observed that none of the five audited ULBs in Meghalaya followed the internal control procedures on stores as prescribed by the Accounting Manual.

---

<sup>9</sup> Jowai, Resubelpara, Shillong, Tura and Williamnagar.

### 1.11.6 Fixed Assets

Para 21.41 of the Accounting Manual for ULBs in Meghalaya states that the Head of Accounts Department shall have a system of conducting physical verification of fixed assets throughout the year so that each fixed asset is verified at least once during the year.

Audit observed that during 2014-15, none of the five audited MBs had undertaken any physical verification of fixed assets which was in violation of the Accounting Manual.

During the exit conference (June 2016) the CEOs/officers of the MBs stated that the respective MBs would take necessary action on the internal control issues raised by audit.

#### Recommendation:

**The MBs should ensure that control mechanisms prescribed in the Accounting Manual for ULBs in Meghalaya are followed.**

## 1.12 Financial Reporting Issues

### 1.12.1 Source of Funds

The sources of funds of the ULBs comprise (A) own revenues, (B) State Government grants (Plan and Non-Plan) and (C) Central Finance Commission grants for maintenance and development purposes.

Under Section 68 of the Meghalaya Municipal Act, 1973 (as amended), the MBs can impose within their limits, taxes on holdings (property tax), water tax, light tax, latrine tax, drainage tax, private markets tax, fees on carts, carriages and animals, registration fees for dogs and cattle and any other tax, toll and fee duly sanctioned by the Government.

The financial position of the five MBs taken up for audit for the financial year 2014-15 was as follows:

**Table 1.2**

(₹ in crore)

Name of MB	Opening Balance	Receipts	Interest Accrued	Expenditure	Closing Balance
<i>Source of Funds: (A) Own Revenue</i>					
Jowai	0.05	0.20	0.01	0.13	0.13
Resubelpara	0.20	0.14	0.04	0.09	0.29
Shillong	4.54	10.84	-	14.58	0.80
Tura	0.15	0.10	-	0.20	0.05
Williamnagar	0.25	0.32	0.02	0.31	0.28
<b>Total (A)</b>	<b>5.19</b>	<b>11.60</b>	<b>0.07</b>	<b>15.31</b>	<b>1.55</b>



Name of MB	Opening Balance	Receipts	Interest Accrued	Expenditure	Closing Balance
<b>Source of Funds: (B) State Government Grants (Plan)</b>					
Jowai	-	-	-	-	-
Resubelpara	0.07	-	-	-	0.07
Shillong	0.02	0.67	0.02	0.69	0.02
Tura	0.41	0.05	0.04	0.05	0.45
Williamnagar	0.03	0.05	-	0.07	0.01
<b>Total (B)</b>	<b>0.53</b>	<b>0.77</b>	<b>0.06</b>	<b>0.81</b>	<b>0.55</b>
<b>Source of Funds: (B) State Government Grants (Non-Plan)</b>					
Jowai	0.19	0.56	-	0.75	-
Resubelpara	0.06	0.08	-	0.05	0.09
Shillong	-	1.90	-	1.90	-
Tura	0.02	0.55	-	0.56	0.01
Williamnagar	0.06	0.02	-	0.02	0.06
<b>Total (C)</b>	<b>0.33</b>	<b>3.11</b>	<b>-</b>	<b>3.28</b>	<b>0.16</b>
<b>Source of Funds: (C) Finance Commission Awards</b>					
Jowai	0.06	0.39	-	0.10	0.35
Resubelpara	0.63	0.17	-	0.62	0.18
Shillong	1.18	2.59	0.07	2.60	1.24
Tura	0.12	0.13	0.01	0.16	0.10
Williamnagar	0.38	0.14	-	0.29	0.23
<b>Total (D)</b>	<b>2.37</b>	<b>3.42</b>	<b>0.08</b>	<b>3.77</b>	<b>2.10</b>
<b>Total (A) to (D)</b>	<b>8.42</b>	<b>18.90</b>	<b>0.21</b>	<b>23.17</b>	<b>4.36</b>

Source: Figures furnished by MBs

From the preceding Table 1.2, it can be seen that:

- Resubelpara MB did not receive any Grants-in-aid (Plan) during 2014-15.
- The receipts from own revenue in case of Tura MB (₹ 0.10 crore) during 2014-15 was the lowest among all the MBs in the State.
- It was also seen that during 2014-15, while the own revenue of the Shillong MB could take care of 74 per cent of its total expenditure, the own revenue of other four MBs, viz, Jowai, Resubelpara, Tura and Williamnagar could take care of only 12 to 45 per cent of their total expenditure. This indicates that these MBs are dependent on the grants-in-aid from the State to meet a major portion of their expenditure. The details are indicated in the following table.

Table 1.3

Name of MB	Total expenditure (₹ in crore)	Expenditure out of own revenue (percentage)
Jowai	0.97	0.13 (13%)
Resubelpara	0.76	0.09 (12%)
Shillong	19.78	14.58 (74%)
Tura	0.97	0.20 (21%)
Williamnagar	0.69	0.31 (45%)
<b>Total</b>	<b>23.17</b>	<b>15.31</b>

Source: Figures furnished by MBs

The receipts and expenditure of the five MBs taken up for audit for the financial year 2013-14 and 2014-15 were as follows:

**Table 1.4**

(₹ in crore)

Name of MB	RECEIPTS									
	Own Revenue		Grants-in-aid (Plan)		Grants-in-aid (Non-Plan)		Finance Commission Grants		Total	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
Jowai	0.02	0.20	-	-	0.56	0.56	1.69	0.13	2.28	0.89
Resubelpara	0.10	0.14	0.05	-	0.08	0.08	0.77	0.01	1.00	0.23
Shillong	7.21	10.84	0.25	0.67	1.90	1.90	6.36	1.90	15.72	15.30
Tura	2.69	0.10	0.15	0.05	-	0.55	2.06	0.18	4.90	0.88
Williamnagar	0.05	0.32	0.11	0.05	0.17	0.02	1.46	-	1.79	0.39
<b>Total</b>	<b>10.07</b>	<b>11.60</b>	<b>0.56</b>	<b>0.77</b>	<b>2.71</b>	<b>3.11</b>	<b>12.34</b>	<b>2.22</b>	<b>25.69</b>	<b>17.69</b>

Source: Figures furnished by MBs

**Table 1.5**

(₹ in crore)

Name of MB	EXPENDITURE									
	Own Revenue		Grants-in-aid (Plan)		Grants-in-aid (Non-Plan)		Finance Commission Grants		Total	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
Jowai	0.02	0.13	-	-	0.64	0.75	1.63	0.10	2.29	0.97
Resubelpara	0.19	0.09	-	-	0.11	0.05	0.79	0.62	1.09	0.76
Shillong	8.16	14.58	0.29	0.69	1.90	1.90	5.93	2.60	16.27	19.78
Tura	2.86	0.20	0.15	0.05	-	0.56	2.04	0.16	5.05	0.97
Williamnagar	0.27	0.31	0.11	0.07	0.23	0.02	1.46	0.29	2.07	0.69
<b>Total</b>	<b>11.50</b>	<b>15.31</b>	<b>0.55</b>	<b>0.81</b>	<b>2.88</b>	<b>3.28</b>	<b>11.85</b>	<b>3.77</b>	<b>26.77</b>	<b>23.17</b>

Source: Figures furnished by MBs

From Tables 1.4 and 1.5, it can be seen that:

- The total receipts of Jowai, Resubelpara, Tura and Williamnagar MBs declined sharply by 61, 77, 82 and 78 per cent respectively during 2014-15 over previous year. In case of Shillong MB, the total receipts decreased marginally by 3 per cent during 2014-15 as compared to 2013-14. The decline in receipts of all the MBs was primarily due to reduction in receipt of Finance Commission grants during 2014-15 as compared to the previous year.
- The total expenditure of Jowai, Resubelpara, Tura and Williamnagar MBs also fell sharply by 58, 30, 81 and 67 per cent respectively during 2014-15 over previous year. Only in case of Shillong MB, the total expenditure increased by 22 per cent during 2014-15 as compared to 2013-14.



**1.12.2 State Finance Commission (SFC)**

The 74<sup>th</sup> Constitutional Amendment mandated the constitution of State Finance Commission every five years to determine sharing of revenue between the State and the local bodies. Accordingly, the Government of Meghalaya enacted the Meghalaya State Finance Commission Act, 2012 on 30 March 2012. As per Section 3(1) of this Act, “*the State Government shall as soon as may be one year from the enactment of the Act and thereafter at the expiry of every fifth year, constitute a body to be known as the Meghalaya State Finance Commission to review the financial position of the traditional bodies, municipalities or municipal boards notwithstanding any term by which ULBs are called in the State*”. As per Section 10 of this Act, the State Government had also framed the Meghalaya Finance Commission Rules, 2013 which was notified in the Gazette of Meghalaya in December 2013. The State Government had, however, not constituted the State Finance Commission and thus, the provision of the Act *ibid* remained unfulfilled and ULBs were deprived of their due share of the net proceeds of revenue from the State Government.

**Recommendation:**

**The State Government should constitute the State Finance Commission as per the provisions of the Meghalaya Finance Commission Act, 2012 to offer timely technical advice on the collection, distribution of resources between the State and municipalities.**

**1.12.3 Recommendation of the Central Finance Commission (CFC)**

As per the recommendations of the 13<sup>th</sup> Finance Commission, an amount of ₹ 432.40 crore was to be released to the Urban Local Bodies in the State. However, the actual release up to March 2015 was only ₹ 173.97 crore. During the year 2014-15, funds amounting to only ₹ 2.36 crore were released to the five MBs as follows:

Sl.No.	Name of the MB	Amount released
1.	Jowai Municipal Board	0.13
2.	Resubelpara Municipal Board	0.01
3.	Shillong Municipal Board	1.90
4.	Tura Municipal Board	0.18
5.	Williamnagar Municipal Board	0.14
<b>Total</b>		<b>2.36</b>

Source: Figures furnished by MBs

## **1.12.4 Maintenance of Records**

### **1.12.4.1 Records of the ULBs**

As per the Accounting Manual for ULBs in Meghalaya, the ULBs are to maintain the following records:

(i) Main Cash Book, (ii) Registers of Movable and Immovable property, (iii) Asset Replacement Register, (iv) Demand Register, (v) Receipt Register, (vi) Register of Bills for Payment, and (vii) Deposit Register.

Scrutiny of records in the five MBs in Meghalaya revealed the following:

- a) Resubelpara, Shillong and Tura MBs did not maintain the Main Cash Book as prescribed by the Accounting manual for routing all the financial transactions.
- b) Jowai, Resubelpara, Shillong, Tura and Williamnagar MBs did not maintain any Register of Immovable property.
- c) The Register of Movable Property was not maintained by Tura and Resubelpara MBs.
- d) Demand Registers, Receipt Register, Register of Bills for Payment and Deposit Registers were not maintained by the Jowai, Williamnagar and Resubelpara MBs.

In the absence of these important records the likelihood of the movable properties being lost/embezzled cannot be ruled out in audit. Besides by not maintaining the Main Cash Book and other important registers, the MBs failed to comply with the prescribed control mechanisms.

### **1.12.4.2 Reports and returns to the State Government**

There was nothing on record to indicate that the State Government had prescribed any reports or returns to be submitted by the ULBs to the State Government so as to regularly monitor their performance or utilisation of funds.

#### **Recommendation:**

**The State Government should prescribe reports/returns to be submitted by the ULBs so as to regularly monitor their performance. The MBs should also be directed to maintain the records as mentioned in the Accounting Manual for ULBs in Meghalaya.**



### 1.12.5 Maintenance of Accounts by MBs

As per the Accounting Manual<sup>10</sup>, the primary responsibility for preparation of Balance Sheet will be of the ULB with the support of any external agency as will be approved by the Directorate of Urban Affairs, Government of Meghalaya. The external agency will also certify the accounts as per prescribed format.

Audit observed that out of the five MBs selected for audit Jowai, Resubelpara, Tura and Williamnagar MBs were yet to prepare any Annual Accounts or engage any external agency to prepare their annual accounts (December 2015). Upto December 2015, the Shillong Municipal Board had also failed to prepare its Annual Accounts for 2014-15 though it was due by 31 July 2015.

#### **Recommendation:**

**All MBs should prepare their Annual Accounts on time. The Accounts should also be maintained as per prescribed format.**

### 1.12.6 Maintenance of database on finances of MBs

Based on the recommendation of the Eleventh Finance Commission (XI FC), the C&AG of India had prescribed database formats for capturing the finances of all ULBs which was also accepted by the State Government. The database formats were prescribed to have a consolidated position of sector-wise resource and application of funds by ULBs, details of works executed by ULBs and their physical progress, *etc.*

Audit observed that out of the five audited MBs, only Tura had started capturing its transaction data. It had however, not yet utilised the computerised data to generate its Annual Accounts.

#### **Recommendation:**

**All MBs should maintain the database capturing their finances as per format prescribed by the C&AG of India.**

### 1.13 Conclusion

- Against the 18 functions listed to be devolved to ULBs, the State Government had so far transferred 16 functions. Two functions were yet to be transferred indicating that full devolution of powers and functions were yet to be achieved.

---

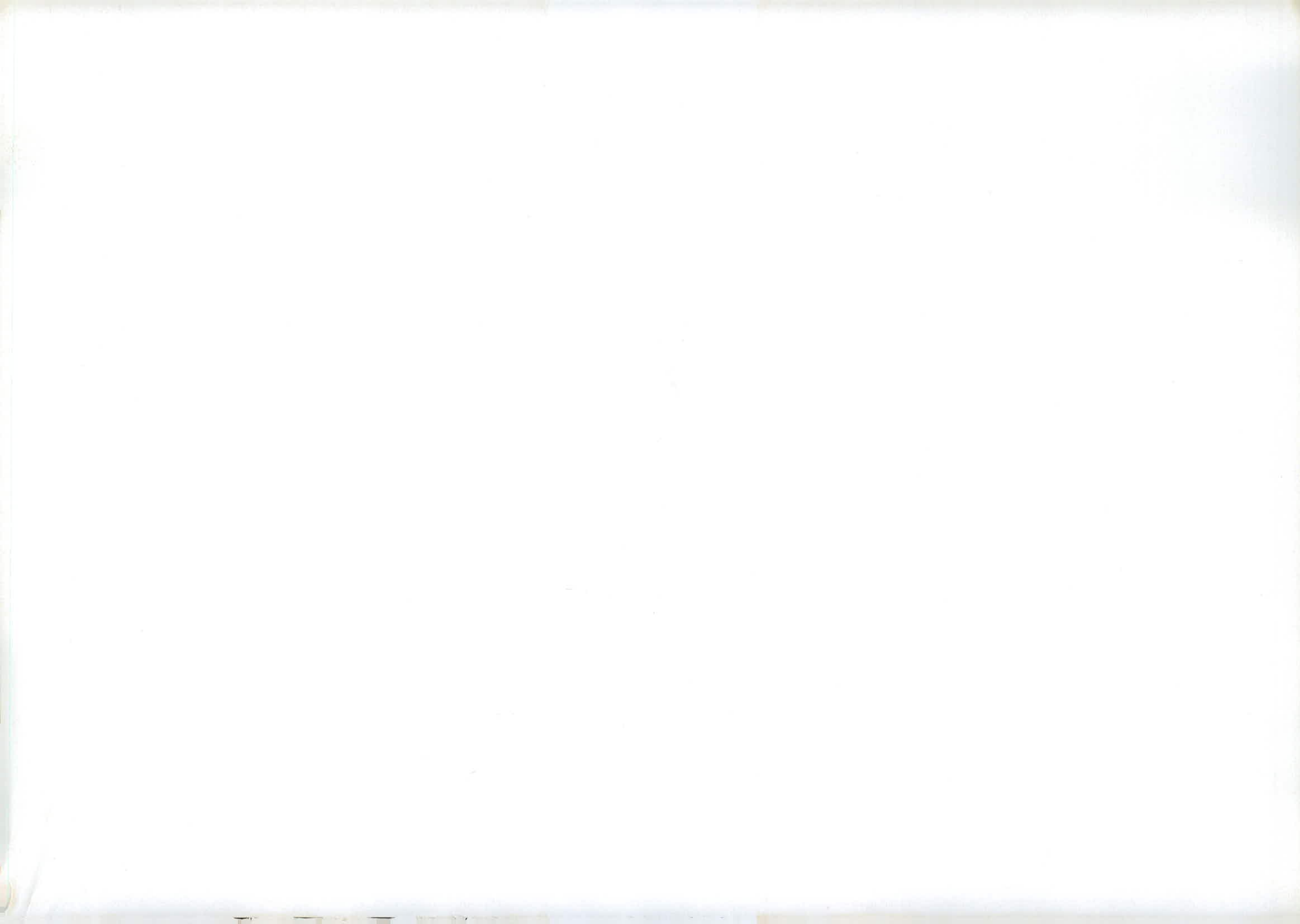
<sup>10</sup> Notified by the Urban Affairs Department on 22 February 2012.

- The State Government was yet to constitute the State Finance Commission due to which the ULBs in the State were deprived of their due share of revenue from the State Government.
- Out of the five MBs selected for audit, the Annual Accounts of four<sup>11</sup> MBs were yet to be prepared.

---

<sup>11</sup> Tura, Jowai, Williamnagar and Resubelpara.





**CHAPTER-II**  
**COMPLIANCE AUDIT**





## CHAPTER II

### COMPLIANCE AUDIT PARAGRAPHS

#### 2.1 Collection of Property Tax

Section 68 (1) (a) of the Meghalaya Municipal Act, 1973 (as amended) provides for the payment of taxes on holdings by the owner within the municipal limits on annual value assessed. Further, Section 69 of the Act provides that '*all municipal taxes in respect of Government holdings shall be payable by Government themselves to the MBs*'. Property tax is the main source of income of ULBs in Meghalaya.

Scrutiny of records of five<sup>1</sup> MBs revealed the following:

- Shillong MB did not collect property tax from private residential buildings, and the total outstanding property tax (from 27 wards) was ₹ 2.30 crore as of March 2015.
- As of March 2015, Tura Municipal Board had not realised an amount of ₹ 2.06 crore of Property Tax from the State and Central Government buildings under its jurisdiction.
- The Jowai, Resubelpara and Williamnagar MBs, have not yet started collecting property tax (for buildings under their jurisdiction) from the residents as well as from the State and Central Governments.

The CEOs of Jowai and Resubelpara MBs have not furnished any reason for not collecting property tax. The CEO, Williamnagar MB stated (June 2015) that the process of assessment of property tax for private and government buildings had started.

#### **Recommendation:**

**The MBs should ensure timely payment of property taxes by all the owners as well as Government establishments. The civic services that are provided by the MBs should be linked with the payment of these dues.**

#### 2.2 Collection of Market Rent

Section 148 (2) of the Meghalaya Municipal Act, 1973 (as amended) stipulates that '*the Board may levy rents, tolls and fees at such rates as it may think proper for the right to expose goods for sale in a municipal market and for the use of such shops, stalls and standings therein.*'

<sup>1</sup> Jowai, Resubelpara, Shillong, Tura and Williamnagar



Scrutiny of records relating to three markets under the Tura MB revealed that the MB had not realised rents of ₹ 26.94 lakh from different stalls of these markets as detailed in the following table:

**Table – 2.1**

(₹ in lakh)

Sl. No.	Name of the market	Amount of rent un-realised
1.	Tura Super market	22.79
2.	Chandmary market	0.92
3.	Urban Marketing Hub, Ringrey	3.23
	<b>Total</b>	<b>26.94</b>

Failure to realise rents from the municipal markets indicated not only lack of efforts to realise the rent but also absence of a robust rent collection system. This had adversely affected the financial health of the Tura MB besides extending undue favour to the shop owners.

**Recommendation:**

**Tura MB should ensure assessment and realisation of rent from all the municipal markets and impose penalty on the defaulters.**

**2.3 Collection of Parking Fees**

Para 11.2 of the Accounting Manual for ULBs in Meghalaya stipulates that one of the incomes of ULBs is from Parking Fees. Further, para 11.44 of the Accounting Manual also prescribes that in case of default, the ULBs can recover their income through legal proceedings.

Scrutiny of records of Shillong Municipal Board (SMB) relating to the collection of Parking Fees revealed the following:

➤ The work of collecting the parking fees from Motphran Parking Lot were entrusted to Shri E. Nongsteng for the period 17 November 2013 to 19 January 2014. SMB entrusted the work to the allottee without inviting any tender or by entering into any agreement. During February 2014, SMB calculated that an amount of ₹ 2.04 lakh was due from the allottee and accordingly issued a demand letter asking him to pay the due amount within five days. Shri E. Nongsteng has neither paid the amount nor has SMB initiated any action to recover the dues, resulting in revenue of ₹ 2.04 lakh not being realised for this period. On this being pointed out by audit, the CEO, Shillong MB stated (June 2016) that necessary legal action against the defaulter is being taken.

The lease for collection of parking fees at Motphran Parking Lot for the period 01 July 2014 to 30 June 2015 was allotted to Shri W. Chyne at an agreed amount of ₹ 14.20 lakh. Shri W. Chyne, however, deposited (24 June 2014) ₹ 10.65 lakh only and defaulted on the balance payment of ₹ 3.55 lakh. No action was initiated against him by SMB, resulting in revenue of ₹ 3.55 lakh not being realised to the Board. On this being pointed out by audit, the CEO, Shillong MB stated (June 2016) that the overbridge at Motphran was demolished on 09 September 2014 and the vendors from the overbridge shifted to the ground floor of the parking lot thereby depleting the collection of parking fee.

The reply is however not tenable as the agreement between the Shillong MB and the lessee was not revised. Further, the Shillong MB should have explored the possibility of collecting fee/rent from the vendors for operating their businesses from the parking lot.

➤ The lease for collection of parking fees at the top floor of parking lot opposite Anjalee Cinema was allotted to the Khasi Hills Sumo Counters Association (KHSCA) for 2011-12 for an amount of ₹ 12 lakh without inviting any tender. Subsequently, the lease was extended for a period of three years (2012-15) with the lease amount increasing annually by five *per cent* above the rate of ₹ 12 lakh fixed for 2011-12. The KHSCA however, short paid an amount of ₹ 1.32 lakh for the period 2013-14 and 2014-15 as per details shown below:

Table – 2.2

(Amount in ₹)

Year	Amount to be paid	Amount actually paid	Short payment
2013-14	13,23,000	12,60,000	63,000
2014-15	13,89,150	13,20,000	69,150
<b>Total</b>			<b>1,32,150</b>

No action was taken by SMB to recover the short payment of ₹ 1.32 lakh from KHSCA. On this being pointed out by audit, the CEO, Shillong MB stated (June 2016) that the annual increment was waived on the basis of an application of the KHSCA that the parking lot was always empty in that particular year due to State General Elections.

The reply is, however, not tenable since the State General Elections were held during February 2013 and not throughout the year. The action on the part of the Shillong MB to award the lease for collection of parking lot to KHSCA without tenders and then waive the annual increment indicated undue favour to KHSCA which is unjustified.

➤ The collection of parking fees at the Police Bazaar Parking Lot was allotted to the Khasi Hills Tourist Taxi Association (KHTTA) for the period January 2014 to December



2014 at an amount of ₹ 4 lakh without inviting any tender. The amount was fixed after the Shillong MB conducted an independent survey. The KHTTA however, deposited only ₹ 2.75 lakh and defaulted on payment of ₹ 1.25 lakh.

On this being pointed out by audit, the CEO, Shillong MB stated (June 2016) that the KHTTA was aggrieved by rate fixed and had represented to the Shillong MB for reduction of the tender amount. Subsequently, Shillong MB re-surveyed the collection and the amount was reduced to ₹ 3.00 lakh against which ₹ 2.75 lakh has been paid. The CEO, Shillong MB also stated that notice for payment of the balance ₹ 0.25 lakh is being served to KHTTA.

The reply is however not tenable since the parking lot is located in one of the busiest area of Shillong and the amount was arrived at after an independent survey. Moreover, the action on the part of the Shillong MB to award the lease for collection of parking lot to KHTTA without tenders and then reduce the annual lease amount indicated undue favour to KHTTA which is unjustified.

Thus failure of SMB to take legal action against the defaulting allottee as well as undue favours to four allottees resulted in revenue of ₹ 8.16 lakh remaining unrealised.

**Recommendation:**

**The Shillong MB should ensure that tenders are invited and agreement are signed with the successful bidders prior to awarding the work for collection of parking fees.**

**The Shillong MB should ensure that all the allottees of different parking lots should deposit the dues promptly and legal action should be taken in case of default.**

#### **2.4 Implementation of Special Urban Works Programme**

The Urban Affairs Department is the Nodal and Administrative Department for implementation of the Special Urban Works Programme (SUWP), a State Plan scheme which seeks to generate wage employment through the creation of socially and economically useful public assets for the improvement of the social, economic and environmental conditions. The SUWP was being implemented in Shillong through the Shillong MB and in Tura through the Tura MB.

As per Para 6.10 of SUWP Guidelines, advances are to be released to the beneficiaries in three instalments in the ratio of 30:30:40. The 1<sup>st</sup> instalment is to be released at the initial stage of the work, and the 2<sup>nd</sup> instalment is to be released only when the 1<sup>st</sup> instalment has been accounted for. The 3<sup>rd</sup> instalment is to be released only when the Competent Authority

has given the completion certificate for the work so undertaken. Para 2.1 of the SUWP Guidelines stipulate that a scheme under this programme should not cost more than ₹ 5 lakh.

Scrutiny of records on the implementation of the scheme at Shillong and Tura MBs revealed violations of SUWP guidelines and lack of internal controls on implementing the SUWP projects by the Shillong and Tura MBs as shown below.

- In all the cases, funds were released either in one instalment (100 per cent) or two instalments in the ratio of 50:50 or 90:10, in violation of SUWP guidelines (*1<sup>st</sup> installment should be released at the initial stage of the work, and the 2<sup>nd</sup> installment is to be released only when the 1<sup>st</sup> installment has been accounted for. The 3<sup>rd</sup> installment is to be released only when the Competent Authority has given the completion certificate for the work so undertaken*).
- During 2013-15, 21 schemes were implemented costing more than ₹ 5 lakh in violation of SUWP guidelines.
- Entries in the measurement books were made only after the works were completed.
- Though assets were created out of SUWP scheme, no asset register was maintained by Shillong and Tura MBs.

On this being pointed out by Audit, the CEOs, Shillong MB and Tura MB stated (June 2016) that the audit observations are noted for future guidance.

**Recommendation:**

**The Shillong and Tura MBs should ensure that the SUWP schemes are implemented as per scheme guidelines and internal controls are in place to monitor and implement the schemes.**

## **2.5 Submission of Utilisation Certificates (UCs)**

According to the scheme guidelines of the State Plan schemes such as Development of Traditional Folk Music (DTFM), Intensive Arts and Culture Development Programme (IA&CDP) and the Integrated Sports & Youth Development Programme (ISYDP), beneficiary organisations/individuals receiving financial assistance under the scheme are required to submit utilisation certificates (UCs) together with Actual Payee Receipts (APRs)/cash memos. While the UCs under DTFM and IA&CDP are to be submitted within



90 days, the UCs under ISYDP are to be submitted within two months from the receipt of financial assistance.

Scrutiny of records revealed that UCs valuing ₹ 7.65 lakh were not submitted by the beneficiary organisations/individuals to the Shillong and Tura MBs as shown in succeeding paragraphs:

➤ The Tura MB released (24 February 2015) an amount of ₹ 2.40 lakh under DTFM under North-Tura Constituency to Shri Samu Sangma for purchase of Garo Wangala traditional instruments. Despite lapse of over nine months, the relevant vouchers showing the actual procurement and utilisation of the amount had not been furnished by the beneficiary (November 2015).

➤ The Shillong MB released (April 2015) ₹ 1.25 lakh to the Raid Laban Sports, Social & Cultural Organisation (RLSS&CO), Shillong under the IACDP scheme. Similarly, under the IACDP scheme Tura MB released (February 2015) ₹ 0.50 lakh to the President, Dokaku Art and Cultural Association, Tura and ₹ 1 lakh to Upper Babupara Development Committee, Tura. The beneficiaries have, however, not furnished the UCs even upto December 2015.

➤ The Shillong MB released (January 2015) ₹ 2.50 lakh to RLSS&CO, Shillong under the ISYDP scheme. Till the date of audit (December 2015), RLSS&CO was yet to furnish the UC.

Action taken by the Shillong and Tura MBs to ensure that UCs were submitted on time were not on record.

On being pointed out, the CEOs of Tura and Shillong MBs stated (June 2016) that the beneficiaries have since submitted the utilisation certificates.

**Recommendation:**

**Utilisation Certificates should be submitted on time for accounting.**

## **2.6 Inadmissible expenditure**

Paras 5.1 and 5.2 of IA&CDP, guidelines specify that the financial assistance is to be given for purchase of arts and culture equipment, instruments and materials, organisation of cultural meets and competitions in dance, drama, music, painting and other art forms including improvement of venues of traditional cultural activities and dances. Scrutiny of records, however, revealed that during 2013-14 Shillong MB gave financial assistance of

₹ 3.55 lakh to three clubs/organisations<sup>2</sup> for expenditure on inadmissible items like procurement of sports items, food items, *etc.* in contravention of the guidelines.

Similarly Para 3.1 of ISYDP guidelines specifies that financial assistance is to be given for purchase of sports goods, equipment, multi-gym or improvement of ground. During 2013-14, Shillong MB however, gave financial assistance of ₹ 1.05 lakh to Greater Laban Community Development Society, Shillong for expenditure on inadmissible item such as procurement of food items and erecting of *Pandal* in contravention of the guidelines.

**Recommendation:**

**The Shillong MB should ensure that the expenditure incurred for implementation of IACDP and ISYDP schemes should be made only on admissible items.**

**2.7 Development of office plot of Shillong Municipal Board at Jail Road**

In order to develop the office plot of the Shillong MB at Jail Road, an agreement was entered by the Shillong MB with H.M. Cements Ltd. for development of the land on 'Build Operate & Transfer' basis under the Public Private Partnership method on 27 February 2009 for a period of 30 years. This agreement was entered into after inviting Request for Proposal for which H.M. Cements Ltd. being the sole bidder was found fit. H.M. Cements Ltd. was to develop the land and construct a five star hotel, and also provide the Shillong MB with 30000 sq.ft of constructed space with an additional 5000 sq.ft of parking area. Since the land at Jail Road belonged to Government and the Government was not a party to the agreement, the Urban Affairs Department entered into a fresh agreement with H.M. Cements Ltd. on 25 June 2010 on Built, Operate and Transfer basis under the Public Private Partnership method on similar terms as provided in the agreement dated 27 February 2009. The land was handed over to H.M. Cements Ltd. on 30 June 2010.

On scrutiny of the records, the following irregularities were noticed:

➤ As per the para 9.1 of the agreement, H.M. Cements Limited was to pay the Shillong Municipal Board a bank guarantee of ₹ 72.24 lakh as security deposit 14 days prior to commercial operations date (COD) or estimated date of completion (EDC) whichever was earlier. As per Paras 4.2 and 4.3 of the agreement H.M. Cements Limited was also to pay another ₹ 72.24 lakh as rent to be payable quarterly at the rate of ₹ 18.06 lakh from the

<sup>2</sup> RLSS&CO, Laban ₹ 1.25 lakh; Bouncers Association of Meghalaya ₹ 1 lakh; and Seng Samla Khliehshnong, Malki ₹ 0.75 lakh



COD/EDC whichever was earlier. The COD/EDC was fixed as 23 July 2011 and later extended by the Government upto 31 December 2013. During December 2013, H.M. Cements Limited, requested for further extension of COD/EDC date by another one year since the Shillong MB was not able to hand over some portion of the land due to litigations with previous occupant. The Urban Affairs Department did not grant the extension (May 2014) but reduced the rent only for the period 01 January 2014 to 31 December 2014 to ₹ 36.12 lakh.

➤ H.M. Cements despite availing the benefits of extension of COD/EDC by two years five months<sup>3</sup> and reduction of rent for the period 01 January 2014 to 31 December 2014 by 50 per cent, it paid (March 2015) only the reduced rent of ₹ 36.12 lakh for the year 2014. H.M. Cements failed to pay the security deposit of ₹ 72.24 lakh and rent of another ₹ 72.24 lakh for the period 01 January 2015 to 31 December 2015 which was in violation of the deed of agreement. The details are shown in the table below:

Table 2.3

(₹ in lakh)

Type of payment to be made	Period for which payment to be made	Amount payable	Amount paid	Amount outstanding
Security deposit	To be paid by 17/12/2013	72.24	Nil	72.24
Rent	01/01/2014 to 31/12/2014	36.12	36.12	0
Rent	01/01/2015 to 31/12/2015	72.24	Nil	72.24
<b>Total</b>		<b>180.60</b>	<b>36.12</b>	<b>144.48</b>

➤ As per the para 8.2 of the agreement, H.M. Cements Limited was given the right to mortgage the land, structures, fixture and fittings and other movable assets /or the project only with prior intimation and approval of Shillong MB without making the Government liable for the same. The mortgage was, however, to be limited to a period not beyond three years prior to the date of the end of the lease term. Though the Shillong Municipal Board gave a no objection certificate (NOC) (19 November 2010) to H.M. Cements Limited to mortgage the land, there was no provision in the Agreement for charging any security from H.M. Cements Limited for permitting it to mortgage the Government land at Jail Road to protect Government's interest in case of any default on the part of H.M. Cements Limited.

On being pointed out, the CEO of Shillong MB stated (June 2016) that a legal notice was served to H.M. Cements Limited in May 2016 for not paying the security deposit and the rent. The CEO also stated that as the agreement was executed by the Government, the extract of audit observation is being sent to the Government for necessary action.

<sup>3</sup> From 24 July 2011 to 31 December 2013

**Recommendation:**

**The Shillong MB should take necessary action to ensure that H.M. Cements deposit the bank guarantee of ₹ 72.24 lakh as specified in the agreement and the rent of ₹ 72.24 lakh for the period from 01 January 2015 to 31 December 2015.**

**2.8 Release of funds without supporting vouchers**

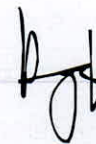
Scrutiny (November 2015) of records of the Tura Municipal Board revealed that under the Chief Minister's Special Urban Development Fund (CMSUDF), an amount of ₹ 11.16 lakh was released to a beneficiary, Dr. (Mrs) Alba B. Sangma, in two instalments (₹ 5.58 lakh in July 2014 and ₹ 5.58 lakh in March 2015) for construction of a retaining wall adjacent to Urban Marketing Hub behind Greendash Building at Ringrey, Tura.

The estimates for undertaking the work were not available on record and no supporting vouchers/cash memos relating to the work were obtained by Tura MB from the concerned individual. Further, scrutiny of records revealed that there were neither measurement of the quantum of work executed nor were any documents available to indicate that the work was actually executed.

On this being pointed out by Audit, the CEO, Tura MB stated (June 2016) that Dr. (Mrs) Alba B. Sangma has since submitted (November 2015) all the required documents. The reply was however, silent regarding the absence of measurement of the quantum of work executed.

**Recommendation:**

**The Tura MB should ensure that work undertaken should be duly measured and the quantum of work executed assessed. Any work which has not been executed or done less should be assessed and the corresponding amount recovered from the concerned beneficiary.**



(Stephen Hongray)  
Principal Accountant General (Audit)  
Meghalaya

Shillong  
The 08 August 2017









