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on ...19 MAR 2010

**Report of the
Comptroller and Auditor General
of India**

For the year ended 31 March 2009

(Civil and Commercial)

Government of Meghalaya

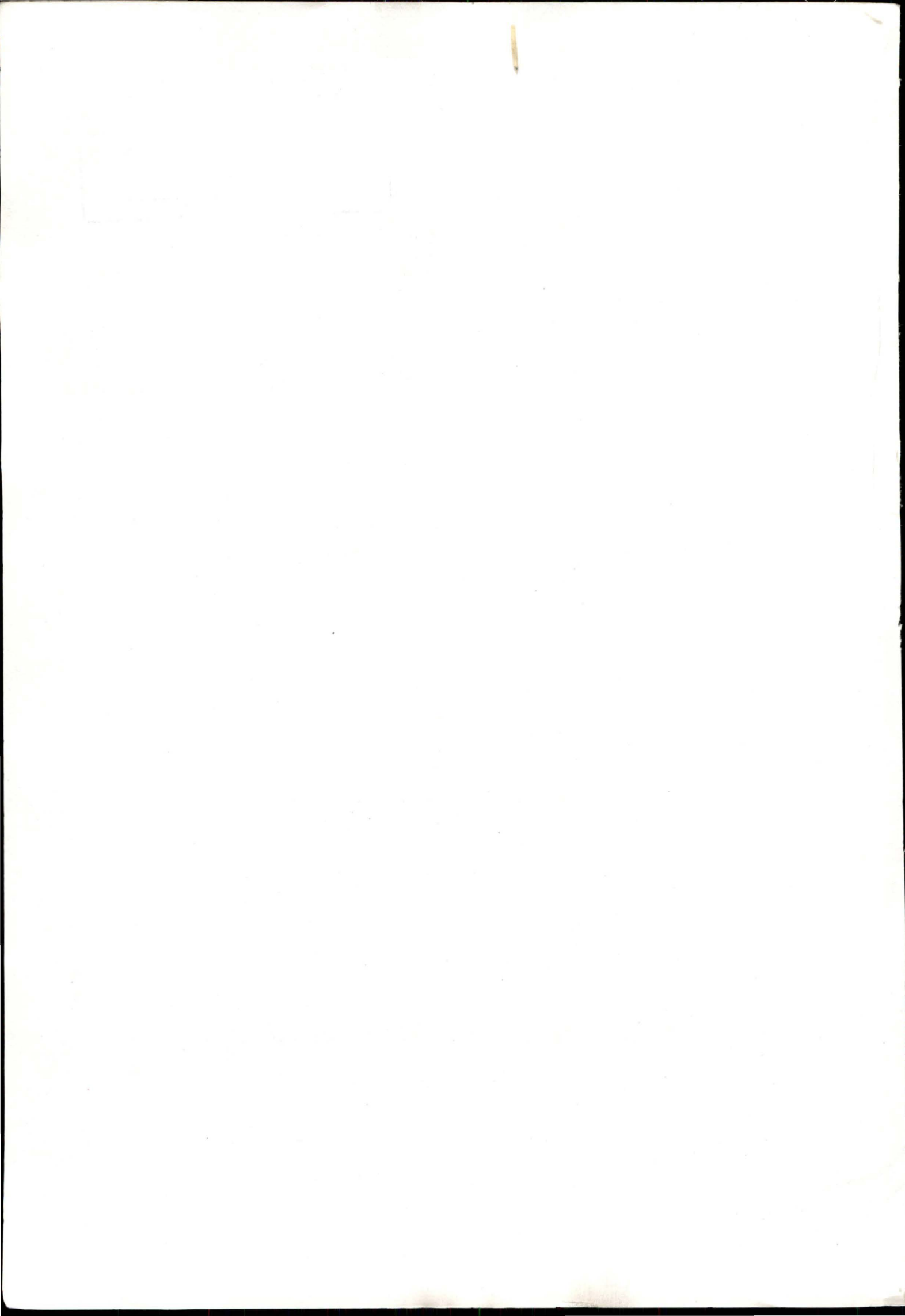


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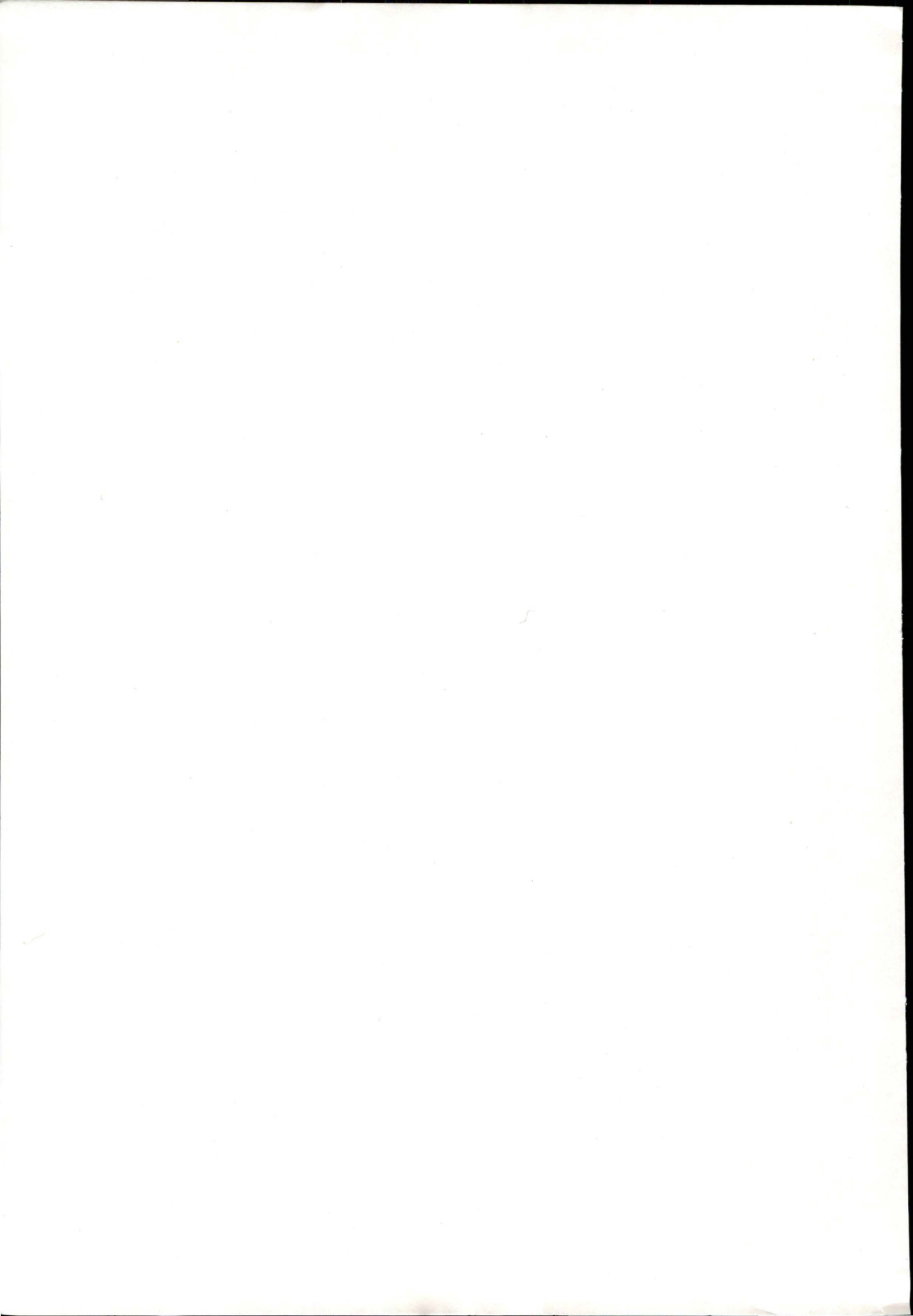
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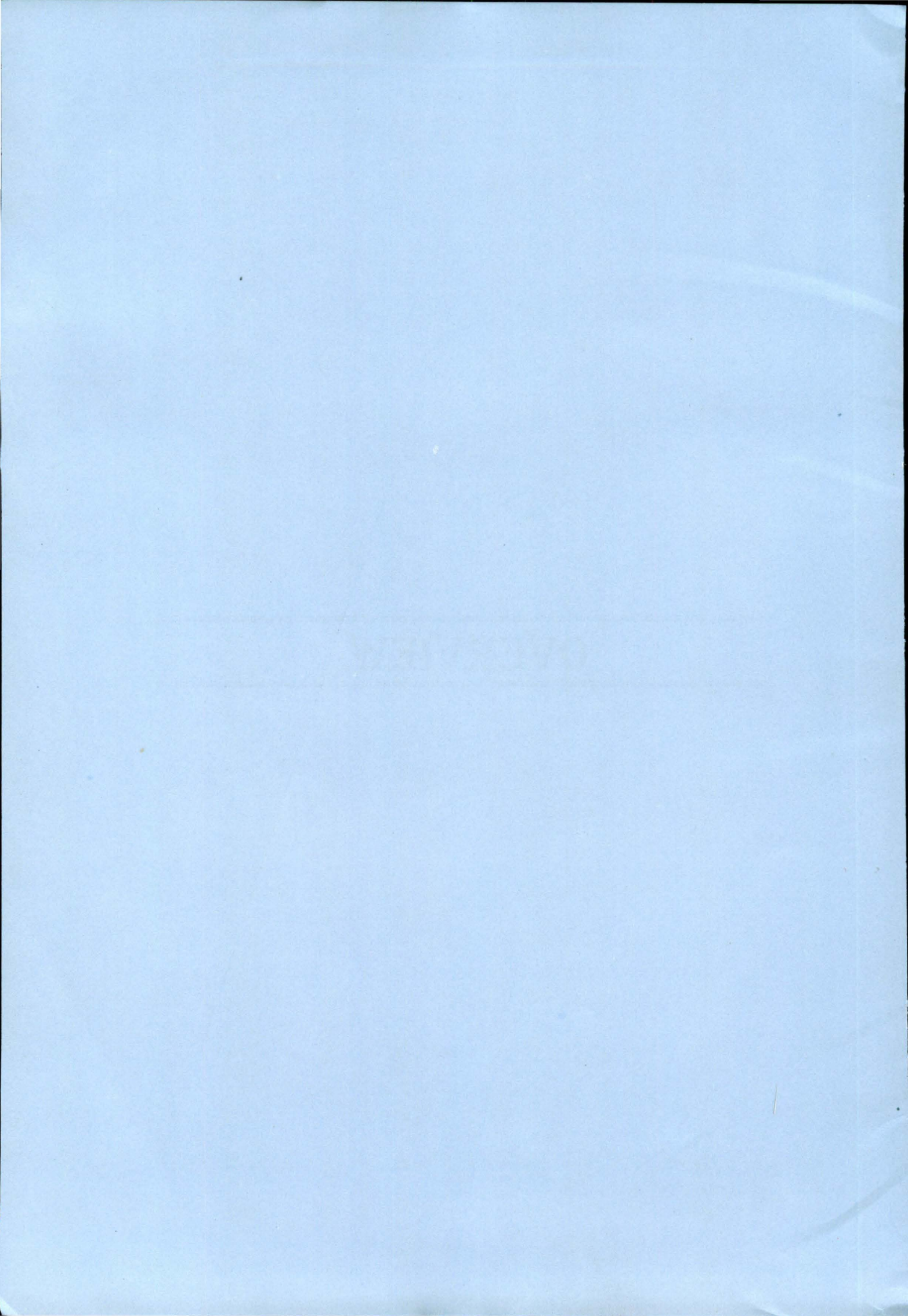
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PREFACE

1. *This Report has been prepared for submission to the Governor under Article 151 of the Constitution.*
2. *The Report deals with the findings of performance reviews and audit of transactions in various departments including the Public Works Department and audit of Government Companies and Statutory Corporations.*
3. *The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2008-09 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2008-09 have also been included wherever necessary.*
4. *Audit observations on matter arising from the examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2009 are included in a separate Report on State Government Finances.*
5. *The audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.*



OVERVIEW



OVERVIEW

This Report contains Civil and Commercial chapters comprising five performance reviews (including one on integrated audit of a Government department) and 25 audit paragraphs, based on the audit of certain selected programmes and activities and the financial transactions of the Government, audit of Government Companies and Statutory Corporations.

Copies of the audit paragraphs and performance reviews were sent to the concerned Secretaries to the State Government by the Accountant General (Audit) with a request to furnish replies within six weeks. In respect of four reviews and 15 audit paragraphs in this Report, no response was received from the concerned Secretaries to the State Government.

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

PERFORMANCE REVIEWS

(i) Minor Irrigation Projects

Performance review on various minor irrigation projects in the State revealed that only 13 *per cent* of total irrigation potential in the State was covered under irrigation till March 2009. Even the irrigation potential created was not fully utilised, as a result, agriculture production in the State was almost stagnant. Large number of minor irrigation projects were not completed on time. Even the completed projects had not been fully utilised. Some of the completed projects became defunct due to various reasons like flash floods, drying up of source of water and heavy silting, *etc.* Against the irrigation coverage of 29,313.84 ha as of March 2009 as claimed by the Department, the actual coverage was only 22,849.03 ha, which was only 10.48 *per cent* of the total irrigation potential (2.18 lakh ha) in the State. Works under the projects were executed in an unplanned manner resulting in unproductive expenditure and wastage of resources. The objective of generating additional irrigation potential to increase the production of cultivable lands, thus, remained largely unachieved.

(Paragraph 1.1)

(ii) Implementation of Developmental Programmes in East Khasi Hills District

District East Khasi Hills was created in October 1976 consequent to the re-organisation of the State of Meghalaya. While the rate of literacy in the District is quite high at 76.1 *per cent* against the national average of 64.8 *per cent*, the district fared poorly on poverty alleviation front as 50,997 rural families in the District live below the poverty line. Health care in the district was far from satisfactory due to

inadequate facilities coupled with shortage of medical/para-medical staff. The supply of drinking water still remained a problem area in the District. Nearly 39 per cent rural habitations did not have water supply system. Under rural road works programmes, 35 per cent of works were yet to start though funds were made available. While the Indira Awas Yojana had been successful in providing houses to 4,789 below poverty line families, the employment generated under National Rural Employment Guarantee Scheme was only 19 per cent of the target.

(Paragraph 1.2)

(iii) Non Lapsable Central Pool of Resources

Non Lapsable Central Pool of Resources (NLCPR), created by the Government of India (GOI) in 1998 for speedy development of infrastructure in the North Eastern Region, revealed that the assets created out of scheme funds have helped the State to bridge the infrastructural gap to some extent. Programme objective of ensuring speedy development of infrastructure in the State by increasing the flow of financing for specific viable infrastructure projects in various sectors and reduce the critical gaps in the basic minimum services, such as roads and bridges, water supply, education and power, was, however, constrained as these gaps were not identified properly due to lapses in planning. There were cases of diversion of funds, undue favour to the contractors, excess expenditure in deviation from the sanctioned Detailed Project Reports, unauthorised revision of the structure of the work. There were delays in the completion of the projects, as a result, intended benefit could not accrue to the beneficiaries. Evaluation was never attempted to gauge the extent of development of infrastructure and reducing the gaps in basic minimum services.

(Paragraph 1.3)

AUDIT OF TRANSACTIONS

(i) Fraud/Misappropriation/Embezzlement

Weak internal control mechanism resulted in fraudulent payment of Travelling Allowance/Leave Travel Concession claims amounting to Rs. 70.23 lakh.

(Paragraph 2.1)

Payment of travelling allowance claims on the basis of fake documents and without supporting documents for expenditure resulted in inflated payment of Rs. 1.67 crore.

(Paragraph 2.2)

Government money amounting to Rs. 30.61 lakh was retained in personal savings accounts amounting to temporary misappropriation. Besides, absence of proper maintenance of assets created out of the State Exchequer resulted in unproductive expenditure of Rs. 23.85 lakh.

(Paragraph 2.4)

Expenditure of Rs. 26.78 lakh shown to have been incurred on procurement of corrugated galvanised iron sheets remained doubtful.

(Paragraph 2.5)

(ii) Excess Payment/Excess, Wasteful and Unauthorised Expenditure

The Meghalaya Legislative Assembly Secretariat made excess payment of Rs. 2.83 crore on execution of painting works and incurred excess/unauthorised and wasteful expenditure totalling Rs. 10.22 crore on renovation of quarters, shifting and re-installation of the sound system, construction of foundation stone and cleaning and levelling of the ground of the proposed Assembly complex at Upper Shillong and appointment of temporary staff in excess of sanctioned strength.

(Paragraphs 2.6, 2.7, 2.9, 2.10 & 2.18)

The Meghalaya Legislative Assembly Secretariat incurred exorbitant expenditure of Rs. 2.59 crore on supply of articles at the official residence of the Speaker, of which articles valued at Rs. 52.77 lakh were not returned even after one year and installed items valued Rs. 1.94 crore were not found installed on vacation of the residence by the Speaker.

(Paragraph 2.8)

(iii) Idle/Unfruitful/Unproductive Expenditure

Inordinate delay in acquiring land required for construction of Shillong Bye-Pass Road free from all encumbrances resulted in idle expenditure of Rs. 7.83 crore.

(Paragraph 2.14)

The Baljek airport constructed by the Transport Department remained non-functional rendering the expenditure of Rs. 12.77 crore unfruitful.

(Paragraph 2.15)

(iv) Undue favour to Contractors

The General Administration Department extended undue financial benefit of Rs. 4.42 crore to a firm engaged for construction of residential cum commercial complex at Kolkata in the shape of mobilisation advance and incurred extra expenditure of Rs. 65.27 lakh on payment for the work not actually executed.

(Paragraph 2.16)

(v) Regulatory Issues and Others

Calamity relief fund of Rs. 67.54 lakh meant for the flood affected people of West Garo Hills District remained undisbursed for four years thereby depriving the beneficiaries of the benefit of flood relief.

(Paragraph 2.19)

The Meghalaya Urban Development Authority incurred unauthorised expenditure of Rs. 2.89 crore on appointment of temporary staff in excess of sanctioned strength.

(Paragraph 2.20)

INTEGRATED AUDIT OF GOVERNMENT DEPARTMENTS

Border Areas Development

The objectives of the Border Areas Development Department to improve the economic condition of the border villages through implementation of various development schemes remained largely unachieved because of significant shortfall in completion of the targeted 139 schemes under the Border Areas Development Programme (BADP). The Department could not absorb the available funds provided by the GOI. There were cases of misrepresentation of facts about utilisation of central funds, retention of heavy cash balance and unfruitful expenditure due to non-utilisation of assets. Inadequate monitoring over implementation of schemes coupled with submission of incomplete physical progress reports adversely affected the programme. According to the evaluation study of implementation of BADP conducted by a University, the achievement of the programme did not appear noteworthy.

(Paragraph 3.1)

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2009, the State of Meghalaya had 13 working Public Sector Undertakings (PSUs) (10 companies and three Statutory corporations) and one non-working company, which employed 5,261 employees. The working PSUs registered a turnover of Rs. 386.20 crore for 2008-09 as per their latest finalised accounts. This turnover was equal to 4.02 *per cent* of State Gross Domestic Product indicating a moderate role played by State PSUs in the economy. However, the working PSUs incurred overall loss of Rs. 20.07 crore in 2008-09 and had accumulated losses of Rs. 516.16 crore.

Investments in PSUs

As on 31 March 2009, the investment (Capital and long term loans) in 14 PSUs was Rs. 1292.09 crore. It increased by over 127.65 *per cent* from Rs. 567.58 crore in 2003-04 mainly because of increase in investment in power sector. Power Sector accounted for 79.26 *per cent* of total investment in 2008-09. The Government contributed Rs. 48.42 crore towards equity, loans and grants/subsidies during 2008-09.

Performance of PSUs

During the year 2008-09, out of 13 working PSUs, four PSUs earned profit of Rs. 2.04 crore and nine PSUs incurred loss of Rs. 22.11 crore. The major contributors to profit were Meghalaya State Electricity Board (Rs. 1.48 crore) and Meghalaya Government Construction Corporation Limited (Rs. 0.54 crore). The heavy losses were incurred by Meghalaya Transport Corporation (Rs. 12.90 crore) Mawmluh Cherra Cements Limited (Rs. 3.10 crore) and Meghalaya Mineral Development Corporation Limited (Rs. 1.91 crore).

The losses are attributable to various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the State PSUs' losses of Rs. 66.98 crore and infructuous investments of Rs. 10.59 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning of PSUs and minimise losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of nine accounts finalised by working companies during October 2008 to September 2009, six accounts received qualified certificates. There were eight instances of non-compliance with Accounting Standards. All five accounts of Statutory Corporations finalised during October 2008 to September 2009 received qualified certificates. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts

Thirteen working PSUs had arrears of 61 accounts as of September 2009. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts. There was one non-working company. As no purpose was served by keeping this non-working company in existence, Government needs to expedite closure of this company.

Discussion of Audit Reports by COPU

The commercial chapters included in the Audit Reports (Civil) from 1984-85 onwards (except the commercial chapter for 2004-05) containing 95 paras and reviews are yet to be discussed fully by COPU.

Performance Review

Meghalaya Transport Corporation

The Meghalaya Transport Corporation provides public transport in the State through its seven depots. The Corporation had a fleet strength of 62 buses as on 31 March

2009 and carried an average of 1000 passengers per day during 2008-09. The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation suffered a loss of Rs. 0.35 crore in 2008-09 without considering prior period adjustments. Its accumulated losses stood at Rs. 75.78 crore as at 31 March 2009. The Corporation earned Rs. 34.64 per kilometre and expended Rs. 35.91 per Kilometre in 2008-09. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce costs, so as to earn profit and serve its cause better.

Declining share

The percentage share of the Corporation in providing public transport declined marginally from 6 *per cent* in 2004-05 to 4.4 *per cent* 2008-09. The decline in share was mainly due to its operational inefficiency (leading to non-availability of adequate funds to replace old buses/add new buses) and lack of support from the State Government.

Vehicle profile and utilisation

Of its fleet strength of 62 buses, 48.39 *per cent* were overage, i.e, more than eight years old. The percentage of overage buses increased from 46.55 *per cent* in 2004-05 to 48.39 *per cent* during 2008-09.

Corporations' fleet utilization at 63 *per cent* in 2008-09 was below all India Average (AIA) of 90.1 *per cent* in hill area region category. Its vehicle productivity at 192 kms per day per bus (2008-09) was below the AIA of 196 kms for hilly regions. On the other hand, its load factor at 54 *per cent* (2008-09) remained higher than the AIA of 45.73 *per cent* in the category. The Corporation could not perform well on all operational parameters except load factor, and its schedule of buses was unprofitable due to high cost of operations and non-reimbursement of cost of free/concessional passes by the Government. The Corporation did not adhere to the preventive maintenance schedule prescribed by the OEMs.

Economy in operations

Manpower and fuel constituted 76.93 *per cent* of the total cost. Interest, depreciation and taxes accounted for 4.78 *per cent* and are not controllable in the short term. Thus, the controllable expenditure is to come from manpower and fuel.

The manpower per bus of the Corporation decreased from 6.59 in 2004-05 to 5.32 in 2008-09. The expenditure on repairs and maintenance was Rs. 0.42 lakh (per bus) in 2008-09. The Corporation did not fix targets for fuel consumption.

Revenue maximization

The Corporation did not claim from the State Government reimbursement of free/concessional passes issued to teachers and students. Further, the Corporation has about 0.96 lakh square meters of land. As it mainly utilises ground floor land for its operations, the space above can be developed on PPP basis to earn steady income which can be used to cross-subsidize its operations. The Corporation has not framed any policy in this regard.

Need for a regulator

The fare per km stood at Rs. 0.76 (2008-09). Though the Government approves the fare increase, there is no scientific basis for its calculations. The Corporation has also not formed norms for providing services on uneconomical routes. Thus, it would be desirable to have an independent regulatory body (like SERC) to fix the fares, specify operations on uneconomical routes and address grievance of commuters.

Inadequate monitoring

The fixation of targets for various operational parameters and an effective management information system (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. The shortfall in operations is required to be deliberated upon in the Board of Directors meetings with suitable remedial actions to be taken by the Depots. However, the Corporation lacked in these aspects and could not control the cost and increase the revenue.

Conclusion and recommendations

Though the Corporation is incurring losses, it is mainly due to its high cost of operation and not due to low fare structure. The Corporation can control the losses by resorting to hiring of buses and tapping non-conventional sources of revenue. This review contains six recommendations to improve the Corporation's performance. Carrying out preventive maintenance as planned, creating a regulator to regulate fare and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of the recommendations.

(Paragraph 4.2)

Transaction audit observations

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

Failure to ensure execution of the project without any hindrance and procurement of the Turbine and Generation set before completion of the civil works as well as delivery of the same at a site other than the work site resulted in extra expenditure of Rs. 37.48 lakh to Meghalaya State Electricity Board, besides idle expenditure of Rs. 3.08 crore.

(Paragraph 4.3)

Procurement of Turbine Generator set by Meghalaya State Electricity Board, without having a clear site for its installation same resulted in idle expenditure of Rs. 2.18 crore.

(Paragraph 4.4)

Extension of undue financial benefits of Rs. 32.23 lakh by Meghalaya State Electricity Board, to the suppliers due to unjustified increase in price on procurement of disc insulators against firm price supply orders, besides non-imposition of penalty of Rs. 3.46 lakh for delayed supplies.

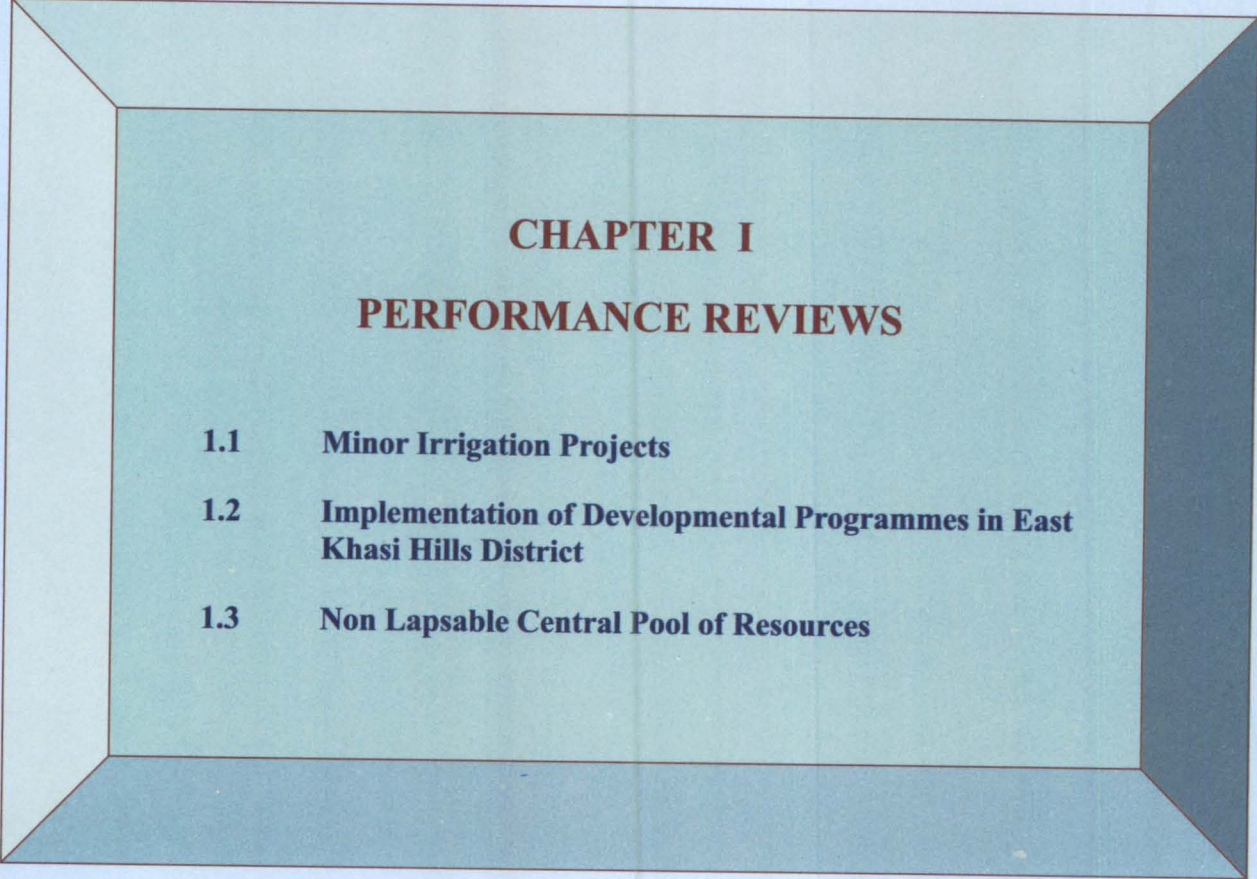
(Paragraph 4.5)

Inordinate delay in repairing the defects of the two units of Meghalaya State Electricity Board, Umiam Stage-I Power plant resulted in loss of generation of 412.93 MU of power.

(Paragraph 4.6)

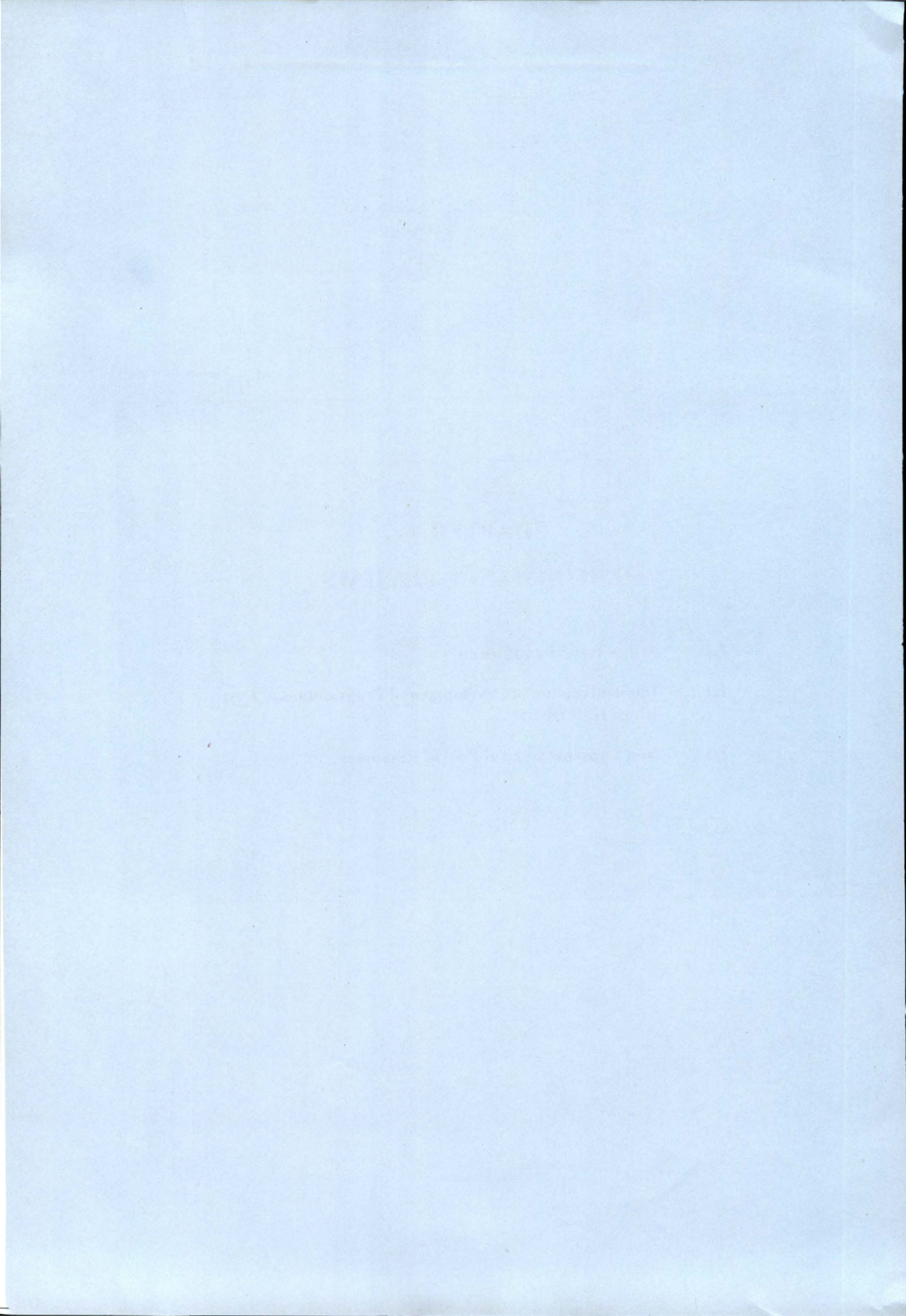
The Meghalaya Transport Corporation sustained loss of Rs. 47.44 lakh on operation of helicopter service.

(Paragraph 4.7)



CHAPTER I
PERFORMANCE REVIEWS

- 1.1 Minor Irrigation Projects**
- 1.2 Implementation of Developmental Programmes in East Khasi Hills District**
- 1.3 Non Lapsable Central Pool of Resources**



CHAPTER I : PERFORMANCE REVIEWS

AGRICULTURE DEPARTMENT (IRRIGATION WING)

1.1 Minor Irrigation Projects

The execution of minor irrigation projects in the State is vested with the Irrigation Wing of the Agriculture Department. Performance review on various minor irrigation projects in the State revealed that only 13 per cent of ultimate irrigation potential in the State was covered under irrigation till March 2009. Even the irrigation potential created was not fully utilised which adversely affected the contribution of minor irrigation projects. There was no significant increase in agricultural production as the area of cultivable land did not register any increase.

Highlights

Though the department claimed creation of irrigation potential of 29,313.84 hectares of land, the actual area was 22,849.03 hectares as 40 projects completed at a cost of Rs. 2.26 crore had become non-functional due to various reasons between 1982-99 depriving irrigation to an area of 6,378.61 hectares of land was one of the major contributing factor.

(Paragraph 1.1.11.2)

Achievement of the target for coverage of cultivable area under surface water during 2004-09 was only 36 per cent.

(Paragraph 1.1.11.4)

Execution of Madan Nongthrad Flow Irrigation Project without conducting sub-soil investigation and geo-physical survey, led to discontinuation of the project mid-way thereby rendering the expenditure of Rs. 2.44 crore wasteful.

(Paragraph 1.1.13.1)

Due to use of 21 year old pipe taken out from a non-functional project on execution of Ichamati Flow Irrigation Project, there is every possibility of the project completed at Rs. 3.01 crore becoming non-functional.

(Paragraph 1.1.13.4)

The Department incurred unproductive expenditure of Rs. 4.61 crore due to execution of the project without proper survey, delay in completion of headwork and inaction to repair the defects of the project.

(Paragraphs 1.1.13.2, 1.1.14.1 & 1.1.14.2)

1.1.1 Introduction

Meghalaya is basically an agrarian State with about 70 per cent of its population depending on agriculture and allied activities for their livelihood. The State is, however, deficit in foodgrain production. Therefore, the irrigation sector has a vital

role to play for lifting the economic condition of the people and the development of the State as a whole. Providing assured irrigation to agriculture sector is undoubtedly one of the major inputs for increasing the production of both food and commercial crops. Thus, the ultimate goal of the irrigation sector is to increase the production of cultivable lands by way of providing irrigation facilities thereby enabling the farmers to go in for double or multiple cropping cultivations.

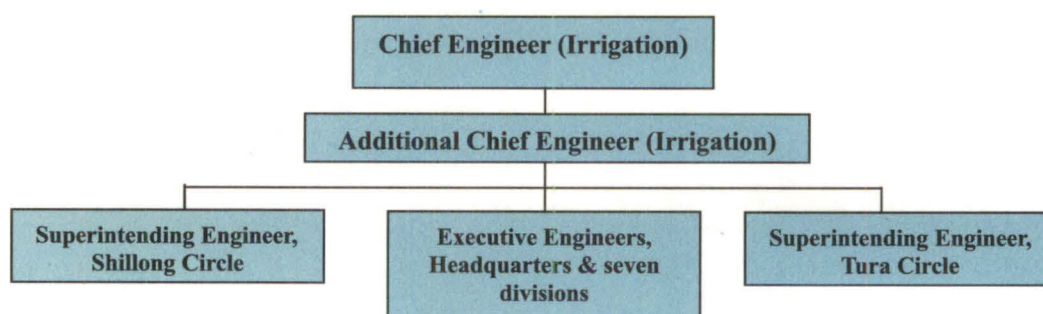
The identified ultimate irrigation potential in the State is 2.18 lakh hectare (ha) under agriculture sector. As against the coverage of ultimate irrigation potential of 78 *per cent* at the National Level, the irrigation coverage in Meghalaya was anticipated to be only 13 *per cent* (28,340 ha) up to the end of Tenth Plan period (2002-07). During the Eleventh Plan (2007-12), 16,500 ha is targeted to be brought under irrigation.

The 'Irrigation Wing' under the Agriculture Department is responsible for providing irrigation facilities for cultivable land wherever necessary through Deep Tube Well, Flow Irrigation, Lift Irrigation, *etc.* Since its creation (1974-75), the Irrigation Wing is implementing various State Plan Schemes for creation of irrigation potential in the State. Meanwhile, the Government of India launched the Accelerated Irrigation Benefits Programme (AIBP) in 1996-97 to provide central loan assistance to States to expedite completion of major and medium surface irrigation projects. During 1999-2000, surface minor irrigation schemes (both new and ongoing) of special category States were also brought under the purview of AIBP.

1.1.2 Organisational set up

At the Government level, the Principal Secretary of the Agriculture Department is responsible for overseeing the implementation of the minor irrigation projects. The organisational structure for implementation of the projects in the State is detailed below:

Chart 1.1.1



1.1.3 Scope of Audit

Performance review of minor irrigation projects (AIBP and State sector) covering the period 2004-09 was conducted (April-June 2009) through a test-check of the records of the Chief Engineer (CE), Irrigation and three out of seven Executive Engineers (EE) covering 27 *per cent* (Rs. 31.81 crore) of the total expenditure (Rs. 118.18 crore) incurred during the period. Out of 73 minor irrigation projects under execution

in the selected three districts¹ (out of seven) during 2004-09, 28 projects (AIBP: 11; State sector: 17) were selected for detailed check during audit.

1.1.4 Audit Objectives

The performance audit was conducted with the objective of assessing whether:

- the objective of creating adequate and targeted irrigation potential was achieved and the irrigation potential created was utilised fully;
- the planning for new projects and prioritisation for funding the ongoing projects was done in a systematic manner;
- adequate funds were released in time and whether these were utilised properly;
- the individual projects were executed in an economic, efficient and effective manner; and,
- implementation of the projects was effectively monitored and periodically evaluated.

1.1.5 Audit Criteria

Audit objectives were benchmarked against the following criteria:

- guidelines for AIBP issued by the GOI;
- State Financial Rules and Works Code;
- detailed project reports of the selected projects; and,
- monitoring mechanism prescribed.

1.1.6 Audit Methodology

For conducting the performance review, an entry conference was held (June 2009) with the Joint Secretary, Agriculture Department and Chief Engineer (Irrigation), wherein the audit objectives and criteria were explained. Districts were selected on the basis of probability proportionate to size with replacement method. Audit findings were discussed with the Deputy Secretaries, Agriculture and Finance Departments and Additional CE (Irrigation) in an exit conference (October 2009) and the replies of the Department have been incorporated in the report at appropriate places.

1.1.7 Audit Findings

The important points noticed during the course of the performance review are discussed in the succeeding paragraphs.

1.1.8 Planning

Planning for implementation of various minor irrigation projects in the State is formulated by the EE (Irrigation) on the basis of proposals received from the beneficiaries/farmers with the recommendations of the Members of Parliament/Legislative Assembly, *etc.* After preliminary investigation, the project is

¹ East Khasi Hills, Jaintia Hills and West Garo Hills Districts.

prepared for further detail survey and design if found to be economically and technically viable. The concerned divisions then submit the detailed project report (DPR) including design/estimate, *etc.* to the respective Superintending Engineer (I) who further scrutinises the technical and economic aspects. Based on the availability of funds, the projects are prioritised according to the need of the farmers as well as the size of the command area. The concerned SEs submit the proposals to the CE for technical sanction and also for getting administrative approval by the Department.

The following shortcomings were noticed in planning:

- Hydrological and metrological investigations were carried out only for discharge of water without having data of rainfall, gauge, sediment, water quality and evaporation. Neither weekly/fortnightly crop water requirement at canals nor present position of irrigation in the command area through existing canal, *etc.* as well as availability of potential ground water were assessed before taking up of a project. The DPRs did not mention about existence of trial cum distribution farm and input centres in and around command area as well as adequacy of marketing centres. There were also instances of conducting geo-technical investigation after completion and damage of scheme, non-functioning of completed projects, inadequate distribution of water, *etc.* as discussed in the succeeding paragraphs. Thus, the planning was defective.
- The Department took up execution of 138 new projects during the period 2004-09 while numerous existing projects were yet to be completed, as detailed below:

Table 1.1.1

Year	Number of projects			
	Ongoing at the beginning of the year	New sanctioned	Completed	Incomplete at the end of the year
2004-05	44	09	20	33
2005-06	33	32	13	52
2006-07	52	15	12	55
2007-08	55	38	08	85
2008-09	85	44	06	123
Total		138	59	

Source: Information furnished by the CE.

Audit analysis revealed that due to poor planning, the Department spread its resources thin over many projects without completion of the ongoing projects (as discussed in paragraph 1.1.11.4), which stood at 123 at the end of 2008-09.

During exit conference, the Department stated that proper planning could not be done due to fund constraints. The reply is not convincing because taking up of new schemes without ensuring completion of the ongoing schemes was not a prudent exercise.

1.1.9 Benefit Cost Ratio

The Department calculated the benefit cost ratio (BCR) of the projects while preparing the project reports. But after completion of the projects, evaluation of the

productivity of area covered under the projects was not done at any level. Thus, the calculation of BCR at the project report stage was an exercise in futility.

1.1.10 Financial Management

Provisions for the State sector projects are made in the State budget. Since April 2004, AIBP funding was in the ratio of 75:25 (Centre:State) and the Central share was in the form of 90 per cent grant and 10 per cent loan to be arranged by the State. With effect from December 2006, funding under AIBP was in the form of 90 per cent Central grant and 10 per cent to be arranged by the State. Besides, the National Bank for Agriculture and Rural Development (NABARD) is also providing loan assistance for execution of minor irrigation projects.

Budget allocation *vis-à-vis* expenditure incurred by the Irrigation Wing during the period 2004-09 was as under:

Table 1.1.2

(Rupees in crore)

Year	Section	Budget allocation			Expenditure			Savings (-) Excess (+) (per cent)
		State Sector	AIBP	Total	State Sector	AIBP	Total	
2004-05	Revenue	11.29	-	11.29	10.39	-	10.39	(-) 0.90 (8)
	Capital	0.56	4.65	5.21	3.23	0.80	4.03	(-) 1.18 (23)
2005-06	Revenue	11.61	-	11.61	12.10	-	12.10	(+) 0.49 (4)
	Capital	1.24	4.65	5.89	2.15	0.86	3.01	(-) 2.88 (49)
2006-07	Revenue	13.32	-	13.32	13.31	-	13.31	(-) 0.01 (0.08)
	Capital	1.27	4.45	5.72	1.00	2.12	3.12	(-) 2.60 (45)
2007-08	Revenue	19.74	-	19.74	18.74	-	18.74	(-) 1.00 (5)
	Capital	2.13	6.67	8.80	2.36	0.14	2.50	(-) 6.30 (72)
2008-09	Revenue	25.20	-	25.20	24.57	-	24.57	(-) 0.63 (2)
	Capital	5.18	23.05	28.23	5.22	21.19	26.41	(-) 1.67 (6)
Total	Revenue	81.16	-	81.16	79.11	-	79.11	
	Capital	10.38	43.47	53.85	13.96	25.11	39.07	

Source: Detailed Appropriation Accounts.

The table above shows variation between budget provision and actual expenditure ranging from 0.08 per cent and 72 per cent. Wide variations between budget allocation and actual expenditure under capital section during 2004-08, which ranged between 23 per cent and 72 per cent, indicated poor budgeting. The CE stated (August 2009) that savings were due to disruption of construction activities because of flood and heavy rains. The reply is not acceptable because these are annual occurrences and should have been foreseen while preparing the budget proposal.

1.1.11 Programme Implementation

For providing assured irrigation to agricultural land, the Irrigation Wing has been implementing (a) Flow Irrigation Projects (FIP), (b) Lift Irrigation Projects (LIP) using surface water and (c) Shallow Tube Well (STW) and Deep Tube Well (DTW) using ground water.

1.1.11.1 Implementation of the irrigation projects

Till 2008-09, the wing had completed 266 projects at a cost of Rs. 70.32 crore in an area of 29,313.84 ha covering 19,757 beneficiaries. However, irrigation potential utilised in the State was only 0.17 lakh ha due to completed projects becoming non-functional, defects in projects, *etc.* as discussed in succeeding paragraphs. The remaining 123 projects were ongoing. District-wise position is given below:

Table 1.1.3

District	Number of projects			Area covered (in hectare)	Beneficiaries (Families)	Estimated cost	Expenditure
	FIP	LIP	DTW / STW			(Rupees in crore)	
East Khasi Hills	42	-	-	2,658.60	1,831	13.78	13.06
West Khasi Hills	30	01	-	2,525.18	1,477	7.66	7.40
Ri-Bhoi	20	01	-	3,519.60	1,360	10.27	10.18
Jaintia Hills	53	03	-	5,307.77	4,367	13.52	13.45
East Garo Hills	31	04	-	4,320.70	1,684	9.45	9.39
West Garo Hills	53	05	09/01	9,695.05	8,399	12.84	13.19
South Garo Hills	12	01	-	1,286.94	639	3.65	3.65
Total	241	15	10	29,313.84	19,757	71.77	70.32

Source: Information furnished by the CE.

The irrigation potential created in the State since inception of the Irrigation Wing was 29,313.84 ha, which constituted only 13 *per cent* of the identified ultimate potential of 2.18 lakh ha. This was indicative of the fact that creation of irrigation potential by the State was at a very slow pace and at this pace it would take more than two centuries to achieve ultimate potential of 2.18 lakh ha unless suitable measures are taken by the Department to accelerate irrigation potential in an effective manner.

1.1.11.2 Status of completed projects

Out of 266 completed projects, 40 projects completed at a cost of Rs. 2.26 crore between 1974-75 and 1998-99 in an area of 6,378.61 ha became non-functional during 1982 to 1999 owing to damage by flash floods (15 projects), seasonal source (12 project), water source dried up, diversion of source erosion of stream bank, *etc.* (13 projects). According to the CE, out of 40 non-functional projects, revival of 12 projects having irrigation potential of 2782.75 ha were under consideration with the divisions concerned. In respect of two projects, estimate for revival was sanctioned and a new scheme was sanctioned in lieu of another project.

Further, the Department had not taken any action to revive the 15 projects even after a lapse of 10 to 27 years where the possibilities of revival was promising because of

repairable defects, thereby depriving irrigation facility to 3,591 ha land covering 2,856 beneficiaries.

During exit conference, the Department stated that detailed survey had been made and committed that attempts would be made to revive the schemes.

1.1.11.3 Status of Minor Irrigation Projects under AIBP

A total of 117 projects estimated to cost Rs. 130.80 crore were taken up for execution under AIBP since the commencement of the programme in 1996-97. Out of 117 minor irrigation projects taken up for execution under AIBP by the Department, 45 projects covering an area of 4,918.42 ha were completed up to March 2009 at a cost of Rs. 29.64 crore. The remaining 72 projects estimated to cost Rs. 101.25 crore were ongoing as shown below:

Table 1.1.4

District	Number of projects taken up	Estimated cost	Completed projects				Incomplete projects	
			Number	Expenditure	Area covered (in ha)	Beneficiaries (Families)	Number	Estimated cost
East Khasi Hills	31	22.87	9	5.17	808.10	474	22	17.80
West Khasi Hills	11	13.62	2	0.66	106.72	34	9	12.96
Ri-Bhoi	11	18.43	2	2.34	360.00	176	9	16.10
Jaintia Hills	21	19.44	12	5.03	994.60	376	9	14.26
East Garo Hills	15	7.78	11	5.93	1,041.00	688	4	2.00
West Garo Hills	16	34.56	5	7.73	1,329.00	535	11	26.83
South Garo Hills	12	14.10	4	2.78	279.00	167	8	11.30
Total	117	130.80	45	29.64	4,918.42	2,450	72	101.25

Source: Information furnished by the CE, Irrigation.

1.1.11.4 Targets and achievement

During 2004-09, the Department did not take up any ground water irrigation projects for execution. The physical targets fixed for surface flow minor irrigation projects during 2004-09 and achievement thereagainst are given below:

Table 1.1.5

Year	Target	Achievement	Shortfall	(In hectare)
				Percentage of shortfall
2004-05	1,881	397.74	1,483.26	79
2005-06	2,809	547.79	2,261.21	80
2006-07	2,561	981.86	1,579.14	62
2007-08	1,800	179.75	1,620.25	90
2008-09	2,070	1,891.86	178.14	09
Total	11,121	3,999.00	7,122.00	64

Source: Annual Plan Proposal and information furnished by the CE.

Against the target for coverage of 11,121 ha of cultivable land under surface flow minor irrigation projects during 2004-09, the Department covered 3,999 ha only leaving 7,122 ha uncovered under the projects. The overall achievement during the period was only 36 per cent. According to the CE (August 2009), shortfall was due to disruption of construction activities owing to flood and heavy rains. The contention is

not acceptable because the Department should have taken into consideration these factors which are annual occurrences.

The Department also took up new projects for execution without completing the ongoing projects as mentioned in paragraph 1.1.8. While it did not provide sufficient budget provision to complete the existing projects, taking up of new projects resulted in spreading out the meagre resources resulting in non-completion of a number of projects, as brought out in table below:

Table 1.1.6

(Rupees in crore)

Year	Amount required for completion	Budget provisions	Shortfall in budget provisions	Estimated cost of the new projects
2004-05	16.91	9.01	7.90	0.50
2005-06	18.11	9.08	9.03	12.99
2006-07	32.88	10.40	22.48	17.77
2007-08	28.32	15.14	13.18	29.42
2008-09	50.05	43.17	6.88	68.46
Total	146.27	86.80	59.47	129.14

Source: Detailed Appropriation Accounts and information furnished by the CE.

Further, out of 10 minor irrigation projects due for completion by 2008-09 for coverage of 858.91 ha of cultivable land, works on one project had not even started and nine projects were still under execution as of March 2009. The reasons for non-completion of six projects² were attributed to delay in procurement of pipes, commencement of work, obtaining forest clearance, approval of tender, bad weather and delay on the part of the contractor. Reasons for delay in completion of four projects³ were not furnished.

In three projects, completed at a cost of Rs. 2.89 crore, the irrigation potential was created in 237.04 ha area against the target of 323.24 ha because of less water at the tail end of the project due to unequal and improper distribution (Lyngkhoi FIP: 60 ha), improper alignment of pipeline (Madan Jynru FIP: 16 ha) and excessive seepage from the earthen canal (Madan Wahlang FIP: 10.20 ha). No effective step had yet been taken to set right the defects and thus, the projects failed to extend the irrigation potential to an area of 86.20 ha despite expenditure of Rs. 2.89 crore. Thus, the claim of the Department about achievement of 3,999 ha irrigation potential during 2004-09 was not correct because of shortfall of 86.20 ha.

1.1.12 Implementation of selected projects

Out of 28 projects covered under review, 16 were completed and the remaining 12 projects were under progress. Out of 16 completed projects, nine projects were completed after a delay ranging from one to six years from the stipulated date of completion with cost overrun of Rs. 10.45 lakh.

² Ichamati, Dardara & Champarani, Shilliang Myndong, Madan Sophaw, Korbangla and Mynrud Moopasor FIPs.

³ Pynthor Lyngkha Droin, Chibra Agal, Umriliang and Wahkrem Ksiar FIPs.

1.1.13 State Sector Minor Irrigation Projects

Status of 17 State sector Minor Irrigation projects test-checked in detail are as indicated in the table below:

Table 1.1.7

Name of Project	Year of commencement	Schedule date of completion (Actual date of completion)	Status as on 31 March 2009	Targeted irrigation potential	Achievement	Estimated cost	Expenditure
			(In per cent)	(In hectare)		(Rupees in lakh)	
East Khasi Hills District							
Madan Wahlang	2001-02	2003-04 (March 2007)	100	35.20	35.20	37.25	37.39
Reno. at Lyngkhoi	2005-06	2007-08 (March 2007)	100	(Restoration works)		18.54	18.54
Umli	2005-06	2007-08 (March 2009)	100	96.48	96.48	94.62	94.19
Khawd	2006-07	2008-09 (March 2009)	100	85.36	85.35	65.96	65.93
Kroh Kharthangwaw	March 06	March 08 (March 2008)	100	60.11	-	56.89	58.20
Lapalang Wahthli	2002-03	2004-05 (March 2005)	100	115.43	115.00	68.87	70.44
Madan Nongthrad	1990-91	NA	Work suspended	400.75	-	263.14	254.01
Ichamati	2003-04	2006-07	92	410.50	-	470.98	300.71
Jaintia Hills District							
Amksi	2007-08	2009-10	50	62.00	-	56.81	39.38
Korbangla	2005-06	2007-08	88	25.30	-	24.82	16.10
Kuliang	2001-02	2003-04 (March 2005)	100	33.00	20.00	20.59	20.62
Niriang	2005-06	2007-08 (March 2008)	100	24.00	21.00	24.00	24.00
Umlanghong	2001-02	2004-05 (March 2005)	100	75.13	70.00	62.73	62.64
Shilliang Myndong	2001-02	2004-05	45	168.00	-	177.39	133.54
West Garo Hills District							
Dardara & Champarani	2007-08	March 2009	80	150.00	-	130.11	104.68
Matchikolgiri	2006-07	Sept'2008 (Sept' 2008)	100	8.00	8.00	7.98	7.74
Rongdathgiri (RE)	Feb 1998	March 2000 (March 2002)	100	60.00	60.00	62.09	62.00

Source: Progress report and information furnished by the CE.

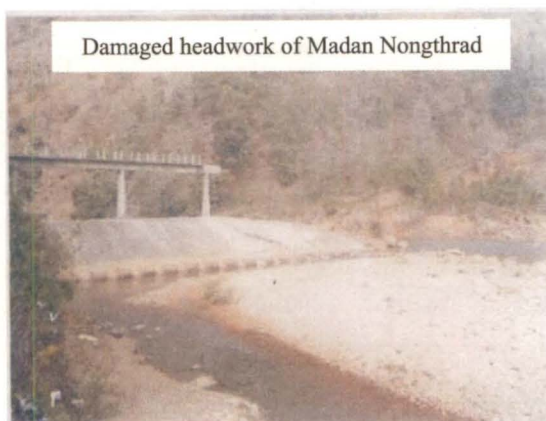
Major irregularities noticed during audit of the selected projects are discussed below:

1.1.13.1 Execution of project without proper survey

For the benefit of 142 families in East Khasi Hills District, Government sanctioned (December 1990) "Madan Nongthrad FIP" for covering an area 400.75 ha at an estimated cost of Rs. 68.74 lakh. The project was taken up without conducting any sub-soil and geo-technical investigation. The estimate of the project was, however, revised (March 1994) to Rs. 2.63 crore due to price escalation of material, extra cost for carriage of sand and modification of headwork design in view of the site conditions. After execution of 95 per cent of the work on the project and incurring expenditure of Rs. 2.44 crore on payment of contractor's bill (Rs. 2 crore) and other

works (Rs. 0.44 crore) till May 1995, the work on the project remained suspended due to damage in the abutments and weir because of heavy rainfall and flood.

After the damage, the sub-soil investigation was carried out by the Directorate of Mineral Resources (DMR) in January 1996, which observed that the project site was unsafe for any thrust effective structure like dam. Again in April 2003, the SE (Irrigation) requested the DMR for geo-technical investigation of the headwork. On investigation, the Geologists from the DMR observed (June 2003) that the joint



pattern in the structural set up of the area made the area unstable and unsafe for any thrust effective structures like dam and discouraged any headwork construction in that stretch of the river valley. Notwithstanding the observation of DMR, further expenditure of Rs. 10.14 lakh was incurred on this project during March 2004 to December 2007 on temporary construction of diversion bunds.

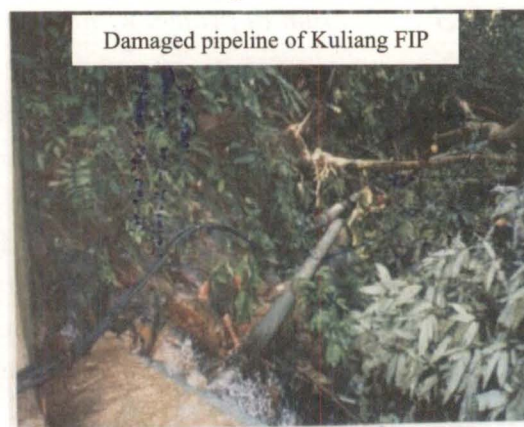
Thus, execution of the project on an unstable and unsafe area and without conducting sub-soil investigation and geo-physical survey before taking up the project led to discontinuation of the project mid-way due to damage, thereby rendering the expenditure of Rs. 2.44 crore wasteful.

During exit conference, the Chief Engineer stated that henceforth, sub-soil and geo-physical survey would be conducted for the projects costing more than Rs. 50 lakh.

1.1.13.2 Damage of the completed project

State Government sanctioned (March 2001) Kuliang FIP, estimated to cost Rs. 20.59 lakh, with the target for creation of irrigation to an area of 33 ha for the benefit of 31 families of Jaintia Hills District. The work, taken up during 2001-02, was targeted for completion during 2003-04. But it was completed after a delay of one year in March 2005 at an expenditure of Rs. 20.62 lakh. Out of the total targeted command area of 33 ha, achievement was only 20 ha.

Immediately after completion, the project got damaged (May 2005) due to landslide. Again during July 2006, due to heavy landslide, headwork of the project was damaged and hampered the regular flow of water. Further, a truck fell down on down stream portion of the project causing damage to a portion of pipeline thereby interrupting the flow of water. The project



was again damaged (July-August 2007) due to heavy rainfall. Consequently, water was not flowing from the main lines near the headwork to the distribution tanks of pipeline of the scheme and the whole command area became dry. The Department also did not make any effort to repair the damages of the project.

It was further noticed that between February and September 2008, 34 pipes laid under the project valued at Rs. 0.52 lakh were stolen.

Thus, due to the failure of the Department in getting the damages of the project repaired, the project remained non-functional even after four years of completion rendering the expenditure of Rs. 20.62 lakh unproductive, besides depriving the targeted families of the benefit of irrigation.

During exit conference, the CE stated that the Department had been trying to revive the project and already attained 70 *per cent* success. Documentary evidence in support of the reply, however, had not been furnished.

1.1.13.3 Execution of project on a disputed land

Shilliang Myndong FIP, estimated to cost Rs. 1.77 crore, was administratively approved (March 2002) by Government for a command area of 168 ha. The estimate of the project provided for laying of four rows of 150 mm dia pipes for the initial length of 3,640 metres. Though the project, taken up for execution during 2002-03, was stipulated for completion by March 2005, the physical progress on the project was only 45 *per cent* despite an expenditure of Rs. 1.34 crore up to March 2009.

During execution, the Chief Forest Officer, Jaintia Hills Autonomous District Council (JHADC), Jowai raised (November 2002) objection on execution of the project as the proposed work passed through the reserve forest. Necessary forest clearance was, however, received by the Department in September 2003.

The execution of the project was again suspended in August 2004 due to land dispute with the landowners of the village. The execution of the work on the project resumed during 2004-05 after settlement of the dispute through an agreement executed (January 2005) with the village headman with the condition to change the proposed command area. Consequently, the estimate of the project was modified with the provision for three rows of pipes against the original provision for four rows for the initial length of 3,640 metres, thereby reducing the targeted command area to 126 ha⁴ against the original provision of 168 ha. The modified estimate was approved by the Government in April 2006.

Thus, taking up of a project for execution on a land not free from all encumbrances and also without obtaining necessary forest clearance led to a decrease in the targeted irrigation potential by 42 ha, besides depriving the beneficiaries of the benefit of irrigation for over three years.

⁴ Original provision: 168 ha using four rows of pipe ÷ 4 x 3 rows: 126 ha.

1.1.13.4 Execution of sub-standard work

For the benefit of 80 families in East Khasi Hills District, State Government accorded (July 2003) administrative approval for "Ichamati FIP" covering 410.50 ha command area at an estimated cost of Rs. 3.90 crore without stipulating the date of completion. The estimate was revised (March 2007) to Rs. 4.71 crore due to increase in the cost of CS pipes, etc. stipulating March 2010 as the date of completion. As per progress report for the quarter ending March 2009, the physical progress on the project was 92 per cent against expenditure of Rs. 3.01 crore.

The estimate of the work provided for 3,716 CS pipes (150 mm dia: 3,642; 100 mm dia: 74). But the EE procured 2,806 pipes (150 mm dia: 2762; 100 mm dia: 44) at a cost of Rs. 1.14 crore. For the remaining length of the pipe line, laid pipes under two non-functional projects (Katrang FIP: 150 mm dia - 763 nos; Chidrong FIS: 150 mm dia: 212 nos and 100 mm dia: 12 nos.) were obtained as per the decision of the CE (August 2007).

Pipes for one of the above non-functional projects, viz. Katrang FIP (completed in 1991) were procured 21 years back in March 1988. As per the manufacturer's certificate, the minimum shelf life of CS pipes is 20 years. Out of 763 old pipes obtained from Katrang FIP, 506 pipes were utilised for laying of pipeline under the new Ichamati project till March 2009. Thus, due to use of 21 year old pipe, taken out from a non-operational project, on the execution the Project there is every possibility of the project completed at Rs. 3.01 crore becoming non-functional.

1.1.14 Minor Irrigation Projects under AIBP

Status of 11 Minor Irrigation projects under AIBP test-checked in detail are as indicated in the table below:

Table 1.1.8

Name of Project	Year of commencement	Schedule date of completion (Actual date of completion)	Status as on 31 March 2009 (In per cent)	Target for creation of irrigation potential	Achievement	Estimated cost	Expenditure
				(In hectare)			
East Khasi Hills District							
Madan Jynru	2001-02	2003-04 (March 2006)	100	48.84	48.84	47.20	49.00
Snoin	2008-09	2009-10	28	138.24	-	112.53	81.88
Lyngkhohi	2000-01	2001-02 (March 2008)	100	240.00	240.00	192.72	202.26
Nonglait	2008-09	2009-10	-	40.35	-	36.34	16.04
Jaintia Hills District							
Mynnrud Moopasar	1999-00	2000-01	95	80.00	-	73.87	73.45
Amdep	2001-02	2004-05 (March 2006)	100	295.00	280.00	155.90	155.87
West Garo Hills District							
Kalchangpara	Not started	2010-11	Material procured	478.00	-	477.22	35.76
Kharigaon	-do-	2010-11	Material procured	141.00	-	131.63	26.51

Name of Project	Year of commencement	Schedule date of completion (Actual date of completion)	Status as on 31 March 2009 (In per cent)	Target for creation of irrigation potential	Achievement	Estimated cost	Expenditure
				(In hectare)			
Anderkona	April 2002	April 2004 (December 2006)	100	326.00	326.00	330.33	330.31
Ringdee	September 2000	September 2002	69	540.00	-	595.63	262.42
Selsella	March 1997	March 2000 (February 2007)	100	192.00	-	105.56	104.99

Source: Progress report and information furnished by the CE.

Major audit findings of the test-checked projects are discussed below:

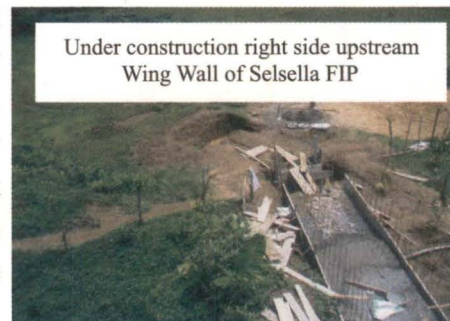
1.1.14.1 Non-completion of projects due to ill planning

As per the planning procedure, the minor irrigation projects are required to be taken up for execution after detail survey. This procedure was not followed by the Department in respect of two projects, as discussed below:

➤ Selsella FIP (estimated cost: Rs. 81.29 lakh) was taken up (March 1995) for execution for creation of irrigation potential of 192 ha for the benefit of 150 families without conducting any survey. On investigation of the site of headwork of the project, it was noticed that due to heavy deforestation, the river water was carrying heavy silt which might pose threat to the headwork. Accordingly, the estimate was revised (November 1996) to Rs. 1.06 crore replacing the original provision for concrete weir type by concrete barrage.

It was noticed that the execution of headwork was allotted (March 1997) to a contractor at Rs. 47.34 lakh, stipulating completion by June 1998. There was no penalty clause in the agreement for delay in completion of the work. Taking advantage of the faulty agreement, the contractor took his own time and completed the work after a delay of 10 years in February 2007 at an expenditure of Rs. 47.23 lakh. The Department also could not take any effective step to get the work done by the contractor within the stipulated date, except issue of reminders.

While the work was in progress, the embankment and wing wall under the project were completely damaged during July 2001 due to heavy rainfall. The headwork was completed only in February 2007 and the improvement work on the project was still in progress (March 2009), as a result the benefit of irrigation was not extended to the beneficiaries. But, the Executive Engineer, West Garo Hills reported the CE about completion of the project in March 2006 at a cost of Rs. 1.05 crore.



Under construction right side upstream
Wing Wall of Selsella FIP

Thus, due to preparation of original estimate without proper survey and delay in completion of headwork by the contractor as well as in completion of improvement

work rendered the expenditure of Rs. 1.05 crore unproductive, besides depriving 150 families of the facility of irrigation.

➤ Similarly, another minor irrigation project, viz. Mynrud Moopasar FIP, estimated to cost Rs. 64.63 lakh, was sanctioned by the Government in September 1997 with the target for creation of irrigation potential of 80 ha for the benefit of 30 families of Jaintia Hills District and was stipulated for completion by 2000-01, could not be completed by the Department even after eight years of the stipulated date of completion because of improper survey.

It was noticed that the estimate of the project was revised to Rs. 73.87 lakh in March 2005 on the ground that during execution, higher classification of soil was encountered which required cement concrete canal, retaining wall, etc. This was indicative of the fact that the original estimate of the project was prepared without conducting proper survey, because the soil condition should have been ascertained during sub-soil survey. As of March 2009, the project was yet to be completed despite expenditure of Rs. 73.45 lakh. As a result, the envisaged benefit is yet to reach the stake holders.

1.1.14.2 Delay in completion of the project

For providing irrigation facilities to 131 families by creating irrigation potential of 540 ha, Government sanctioned (February 1999) 'Ringdee FIP' at an estimated cost of Rs. 2.72 crore. Though, the work was scheduled to be completed by September 2002, the physical progress on the project after 10 years of sanction was only 68 per cent despite an expenditure of Rs. 2.62 crore up to March 2009.

The works for construction of headwork and approach road under the project (estimated cost: Rs. 1.35 crore) were awarded (August 2000) to a contractor stipulating the date of completion as 149 weeks of working seasons from August 2000. The contractor executed the work at a slow pace and ultimately refused (November 2007) to continue the work. Payments for Rs. 1.16 crore were made (December 2007) to the contractor after forfeiting the security deposit of Rs. 3.24 lakh for non-completion of the allotted works.

Though, the headwork was not completed, the Department constructed the earthen canal of the project in February-March 2002 at a cost of Rs. 55.89 lakh through other contractors, by which time only 34 per cent of the headwork was completed. Since the headwork, which is the source for supply of water to the earthen canal, was not completed, the earthen canal could not be put to use for over six years. The EE, West Garo Hills Irrigation Division on visiting (February 2008) the sites observed that the earthen canals required complete re-sectioning as these had been constructed several years back. Thus, unplanned execution of works resulted in wasteful expenditure of Rs. 55.89 lakh.

Since the project had not been completed even after 10 years of sanction, the entire expenditure of Rs. 2.62 crore incurred on the project remained unproductive, besides depriving the targeted families of the benefit of irrigation potential.

The EE, West Garo Hills Irrigation Division stated (June 2009) that delay in completion of the project was due to damage of culverts and timber bridge by flood and that the estimate of the project was revised (March 2009) to Rs. 5.66 crore. The reply was an afterthought to cover up the delay in completion of the project which was due to discontinuation of the work by the contractor. As a result, the cost of the project increased to more than double.

1.1.14.3 Revision of the structure of the project

According to the Meghalaya Financial Rules, 1981 (MFR), revised administrative approval is to be obtained if the original proposals are materially departed, even if there is no increase in cost. Cases of unauthorised deviation from the originally sanctioned estimate noticed in audit are discussed below:

➤ The estimate of Snoin FIP, sanctioned (September 2008) by the Government at a cost of Rs. 1.13 crore, provided Rs. 69.15 lakh for procurement of GI pipes. Against this, the EE, East Khasi Hills Division incurred an expenditure of Rs. 79.33 lakh on procurement (September 2008 and March 2009) of GI pipes. The excess expenditure on procurement of pipes was due to escalation of price of GI pipes.

For execution of the project within the sanctioned cost, the CE approved (July 2008) a working estimate with provision for 54 supporting pillars and 300 anchor blocks against 80 supporting pillars and 1,374 anchor blocks for 6,949 metre long pipeline as per technical sanction, thereby compromising the quality of work. As of March 2009, the physical progress on the project was 28 *per cent* against expenditure of Rs. 81.88 lakh (72.46 *per cent*).

➤ Similar action was taken by the CE in case of Nonglait FIP, approved (September 2008) by the Government at a cost of Rs. 36.30 lakh. As of March 2009, the expenditure on the project was Rs. 16.05 lakh which was incurred on procurement of GI pipes (Rs. 15.11 lakh) and conducting survey (Rs. 0.94 lakh) and there was no physical progress. The technically sanctioned estimate provided for 208 supporting pillars and 255 anchor blocks for 2,774 metre long pipeline. To keep the expenditure within the sanctioned cost, the CE approved (July 2008) a working estimate with provisions for 200 anchor blocks and 116 supporting pillars by compromising the quality of work.

In both the above cases, revised administrative approval for deviation from the sanctioned estimate was not obtained and thus, the action of the CE was unauthorised. Besides, the possibility of compromising with the standard of work could also not be ruled out because of provision of lesser anchor blocks and supporting pillars than the actual requirement.

1.1.15 Command Area Development

A gap exists between the irrigation potential created and the potential utilised. This was due to various reasons like inadequate provision of field channels, necessity for land shaping/land levelling, *etc.* In order to bridge this gap, the Department had been

implementing a Centrally Sponsored Scheme, viz., Command Area Development (CAD), which was funded on 50:50 basis between Central and State Governments.

It was noticed that during 2004-09, the Department incurred expenditure of Rs. 1.51 crore under the CAD programme to bridge the gap of 1,377.71 ha. Despite this, there was a gap of 12,418.84 ha as of March 2009, because the irrigation potential utilised in the State was only 16,895 ha against creation of 29,313.84 ha. Thus, 42 per cent of the total irrigation potential created till March 2009 remained unfruitful, which indicated that the CAD programme was yet to get momentum in the State.

During exit conference, the CE stated that it was not possible to carry on with the work as the cost of development as per norms was very low.

1.1.16 Participatory Irrigation Management

As per the policy adopted by the GOI, all the State Governments were to introduce Participatory Irrigation Management (PIM) where the responsibility for operation, maintenance and management of the completed minor irrigation projects should be transferred to the Farmers' Association. No such PIM had yet been introduced in the State. The Irrigation Wing spent Rs. 3.70 crore during 2004-09 on labour payment, cost of material, tools and plant, etc. for operation and maintenance of the completed projects

The CE stated (August 2009) that the PIM in the State was still at the infant stage and 125 Water Users' Association had so far been formed. The reply is not acceptable because had the PIM been introduced and the responsibility for operation and maintenance of completed projects transferred to the Farmers' Association, expenditure of Rs. 3.70 crore could have been largely avoided.

1.1.17 Impact on agricultural productivity

To increase production of foodgrains in the State, the Annual Plan proposals emphasised provision of assured irrigation so that farmers can take up double/triple cropping. Target for production of foodgrains during 2004-08 were not fixed and actual production of foodgrains during 2008-09 not assessed by the Agriculture Department. The year-wise position of actual production and productivity per hectare of principal foodgrains in the State during 2004-08 is given below:

Table 1.1.9

(Production in tonne, Area in ha & Productivity in tonne per ha)

Year	Rice			Wheat			Maize		
	Actual production	Area covered	Productivity	Actual production	Area covered	Productivity	Actual production	Area covered	Productivity
2004-05	1,93,719	1,11,550	1.737	1,564	863	1.812	24,000	16,875	1.422
2005-06	2,08,277	1,06,071	1.964	1,198	670	1.788	24,424	16,898	1.445
2006-07	2,00,209	1,04,325	1.919	1,183	658	1.798	25,334	17,039	1.487
2007-08	2,00,077	1,06,320	1.882	1,120	622	1.801	25,138	17,048	1.475

Source: Information furnished by the Director of Agriculture.

While there was increase in yield per ha by 8 per cent in rice and 4 per cent in maize over the four year period ending 2007-08, in case of wheat, the yield per ha reduced

marginally by 0.61 *per cent*. The total production under rice and maize increased by 3 *per cent* and 5 *per cent* respectively with a decrease of 28 *per cent* in wheat production. However, the area under cultivation during the same period had decreased by 4 *per cent*, even after spending an aggregate amount of Rs. 67.20 crore during 2004-08 and there was no significant increase in agricultural production as the Irrigation Wing could not increase the overall area brought under cultivation.

The ultimate goal of the irrigation sector to increase the production of cultivable lands through irrigation was not achieved. It was further seen that the Irrigation Wing had never analysed the impact of implementation of minor irrigation schemes. Thus, due to damage of completed project, execution of project on a disputed land, non-completion/delay in completion of projects, failure to repair the damaged projects in time and under-utilisation of potential created, as brought out in the preceding paragraphs, the execution of minor irrigation projects did not have the desired impact on the agriculture production.

The Director of Agriculture stated (September 2009) that the cultivable area was reduced due to rapid urbanisation and conversion of some areas for fruit and vegetable cultivation and there were some new inputs every year through providing irrigation facilities.

The fact remains that decline in production of major foodgrains during 2007-08 over previous year indicated that irrigation potential was not effectively utilised by the Department.

1.1.18 Monitoring and Evaluation

To ensure proper implementation of the projects, monitoring of the work was to be done at State level through collection and analysis of periodical reports/returns from the executing divisions. It was, however, seen that during the period of review, no cell was functioning in the Department to monitor and evaluate the implementation of the projects.

As per guidelines of the AIBP, State Level Monitoring Committee (SMC) and Project Level Monitoring Committee (PMC) were to be formed from time to time to monitor the programme. The SMC was to meet quarterly and visit the project twice a year and submit their report to the technical committee at National level. The PMC was to meet every month to take steps to improve the progress of the programme and remove the bottlenecks, if any. The PMC was also to visit the projects at least once in a quarter and submit their report to the technical committees at State and Central levels. Besides, Central Water Commission (CWC) was to monitor the implementation of the projects periodically on sample basis and evaluate performance of completed projects.

Neither the SMC nor PMC were formed as of date to monitor the implementation of the projects. The CWC also did not monitor the implementation of the projects during 2004-09. The overall impact of the completed projects was also not evaluated at any level.

During exit conference, the CE stated that creation of monitoring cell was under process.

Therefore, fact remains that as a result of improper monitoring of the project, timely measures could not be taken to address the problem of non-utilisation of the irrigation facility created.

1.1.19 Conclusion

The overall impact of implementation of the minor irrigation projects was far from satisfactory because of significant shortfall in achievement of target for creation of irrigation potential. Large number of minor irrigation projects were not completed on time. Even the completed projects had not been fully utilised. Some of the completed projects became defunct due to various reasons like flash floods, drying up of source of water and heavy silting, etc. Consequently, the irrigation coverage of 29,313.84 ha as of March 2009, as claimed by the Department, is in fact was only 22,849.03 ha, which was only 10.48 per cent of the ultimate irrigation potential (2.18 lakh ha) in the State. Works under the projects were executed in an unplanned manner resulting in unproductive expenditure and wastage of resources. Apart from non-adherence to financial rules, the Department failed to monitor the schemes during execution. The objective of generating additional irrigation potential to increase the production of cultivable lands, thus, remained largely unachieved.

1.1.20 Recommendations

- **Planning for implementation of the projects should focus on the basic requirements of survey, land acquisition, forest clearance and study of feasibility to avoid delay in execution of projects and wastage of resources.**
- **The Department should focus on completing the ongoing projects on priority basis before taking up new projects.**
- **Irrigation facilities created should be optimally utilised.**
- **Monitoring and execution of the projects should be strengthened to ensure completion of all components of the work in a time bound manner and accountability should be fixed at various levels for timely completion of the projects.**
- **A system of evaluation of the completed projects should be evolved to assess the impact of execution of the projects on agricultural production.**

Audit findings were reported to the Government in August 2009; reply had not been received (November 2009).

COMMUNITY & RURAL DEVELOPMENT, HEALTH & FAMILY WELFARE, INFORMATION TECHNOLOGY, PLANNING, PUBLIC WORKS AND PUBLIC HEALTH ENGINEERING DEPARTMENTS

1.2 Implementation of Developmental Programmes in East Khasi Hills District

District East Khasi Hills was created in October 1976 consequent to the re-organisation of the creation of the State of Meghalaya. While on one side, the rate of literacy in the District is quite high at 76.1 per cent against the national average of 64.8 per cent, on the other side, 50,997 rural families in the District live below the poverty line. This audit covered the development initiatives and the associated expenditure in the District whether from Central or State funds, and focused on the role and responsibilities of the implementing agencies in providing the essential public services and improving the general standard of living of the people of the District. Significant deficiencies noticed in audit are highlighted below.

Highlights

2.09 lakh rural population of the District could not get the benefit of affordable health care as envisaged under NRHM due to shortfall of 70 health sub-centres.

Building constructed for the Mawphlang Community Health Centre (CHC) could not be put to use due to non-availability of power supply resulting in idle expenditure of Rs. 1.43 crore.

(Paragraph 1.2.9.3)

Expenditure of Rs. 2.98 crore incurred on seven water supply schemes had become unproductive, as these schemes remained incomplete even after expiry of the stipulated date of completion.

(Paragraph 1.2.10.2)

Road works executed under Mawsynram and Shillong South Divisions were either de-sanctioned (12 works) or pre-closed (18 works) rendering the expenditure of Rs. 5.22 crore wasteful.

(Paragraph 1.2.12.3)

Failure of the Community and Rural Development Department to complete 45 per cent of the sanctioned works as well as non-utilisation of released funds resulted in locking up of Rs. 40.89 crore for one to four years.

(Paragraph 1.2.13.2)

Basic facilities of a clean environment and sanitation were not provided to 1,627 houses constructed at a cost of Rs. 44.74 lakh for the beneficiaries under the Indira Awas Yojana.

(Paragraph 1.2.14.3)

1.2.1 Introduction

District East Khasi Hills was created in October 1976 consequent to the re-organisation of the State of Meghalaya. It is bounded by Ri-Bhoi District in the north, Jaintia Hills District in the east, West Khasi Hills District in the west and Bangladesh in the south. The District spans an area of 2820 sq km. It lies between 25° 07" and 25° 41" North Latitude and 91° 21" and 92° 09" East Longitude. Highest Peak of the State at the height of 1,965 metres (6,445 feet) called 'Shillong Peak' is situated in Shillong which is the Headquarters of the District as well as the capital of Meghalaya.



The District accounts for about 28.50 per cent (6.61 lakh) of the population of the State (23.19 lakh) with 58 per cent of them residing in rural area. With a view to cater to rural development, the District has been divided into eight community development blocks with 962 villages as per Census 2001. The rate of literacy in the District is quite high at 76.1 per cent as against 62.6 per cent at the State level and the national average of 64.8 per cent. However, 50,997 families live below the poverty line (BPL) in the rural areas.

1.2.2 Administrative Set up

The District Planning and Development Council is the apex body at the district level for considering the shelf of schemes for development of the District. The Deputy Commissioner (DC) is in charge of the district and is the sanctioning authority for the development programmes⁵ in the District. The DC is also the Chairman of the District Rural Development Agency (DRDA) who is to ensure co-ordination between DRDA, field officers and the departments concerned of the State Government dealing with these programmes.

The DC is assisted by an Additional DC, who is the District Planning Officer, for consolidating the District Annual Plans prepared by the District Sectoral Heads of the

⁵ (i) Traditional and Folk Music Programme, (ii) Intensive Sports and Youth Development Programme, (iii) Intensive Arts and Cultural Development Programme, (iv) Chief Minister Special Rural Development Funds, (v) Member of Parliament Local Areas Development Schemes, (vi) Special Rural Works Programme, (vii) Construction of Rural Roads Programme, (viii) National Old Age Pension Scheme, (ix) National Family Benefit Scheme, (x) Total Sanitation Campaign, (xi) Water Supply Scheme, "Swajaldhara", etc.

development departments and place the same before the District Planning and Development Council for consideration before submission to Government.

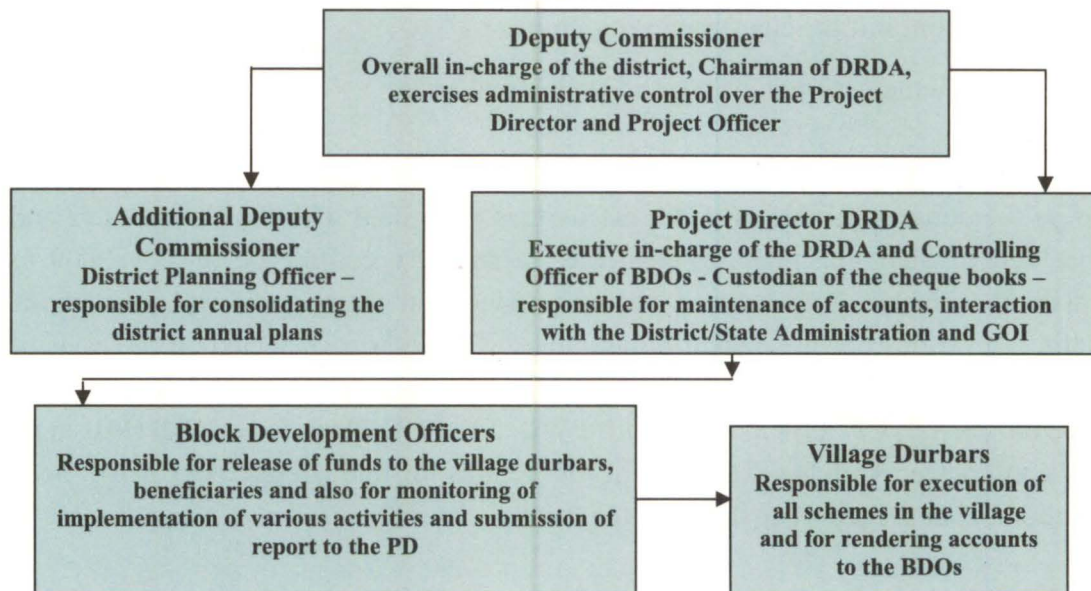
The DRDA is the main organ at the district level to oversee the implementation of various development programmes. It is responsible for planning of programmes, co-ordination with other agencies - governmental, non-governmental, technical and financial, for successful programme implementation; enabling the community and the rural poor to participate in the decision making process. It is also responsible for overseeing the conduct of various surveys relating to BPL families, *etc.* in the rural areas by the State Government from time to time.

As Part IX of the Constitution of India does not apply to Meghalaya, there is no Panchayati Raj system in the State. Hence, all major development projects/works are being sanctioned by the line departments and funds are made available to the departmental heads for execution in the District.

The DC functions as the Chairman of the DRDA. He exercises administrative control over the Project Director (PD) and the Project Officer (PO). The PD is also executive in-charge of the DRDA. He/She reports to the Secretary, Community and Rural Development Department (C&RD) through the Director, C&RD and ensures co-ordination with the implementing agencies at the village level through Block Development Officers (BDOs) for implementation of various rural development programmes. The PD is also the controlling officer of all the BDOs.

The Administrative set up of the District is shown below:

Chart 1.2.1



1.2.3 Scope of Audit

Audit of East Khasi Hills District involved a review of the significant socio-economic development programmes implemented in the District during the period 2004-09. Audit was based on a scrutiny of the records in the State Planning Department, the

offices of the Director, C& RD, DC, DRDA and selected Blocks⁶, Chief Engineers of Public Works Department (PWD) and Public Health Engineering Department (PHED), Executive Engineers of four PWD divisions⁷ and three PHE divisions⁸, District Informatics Officer, Information Technology Department; District Medical and Health Officer (DM&HO), Directors of Health Services, MI, FW&MCH and Research, four hospitals⁹ and selected PHCs/CHCs.

1.2.4 Audit Objectives

The performance audit was conducted with the objective of assessing whether:

- the annual planning process for different programmes was adequate and effective;
- the developmental programmes were executed as per targets and in an economical and efficient manner;
- the procedure for receipt, utilisation and accounting of funds was adequate and effective; and,
- implementation of the projects/schemes was effectively monitored and periodically evaluated to assess the impact on the people.

1.2.5 Audit Criteria

Audit objectives were benchmarked against the following criteria:

- District Plans and Annual Plans.
- Guidelines of the concerned Programmes.
- Requirement of monitoring and evaluation system.

1.2.6 Audit Methodology

Before the commencement of audit, discussions were held with the stakeholders and other departmental functionaries involved, in an entry conference in July 2009 to explain the objectives and scope of audit and obtain their inputs and perceptions relating to various developmental programmes. Blocks were selected on the basis of simple random sampling. Audit findings were discussed with the Secretary & Director, C&RD, CE, PHE, Deputy CE, PWD, SE, PHE (Rural) and DHS (MI) in an exit conference (October 2009) and the replies of the Department have been incorporated in the report at appropriate places.

⁶ Mawphlang, Myllem, Mawryngkneng and Mawsynram Blocks.

⁷ Mawsynram Division, Shillong South Division, Sohra Division and District Programme Implementation Unit under PMGSY.

⁸ Investigation Division, Hills Division and Sohra Division.

⁹ Civil Hospital, Ganesh Das Hospital, R.P. Chest Hospital and Meghalaya Institute of Mental Health and Neurological Sciences.

Audit Findings

The important points noticed in the course of review are discussed in the succeeding paragraphs.

1.2.7 Planning

Government of India envisages an inclusive and participative planning process for the development of districts. The 74th Amendment to the Constitution mandated the establishment of a District Planning Committee (DPC) for consolidating the plans prepared by the Panchayats and municipalities in the district into an integrated District Plan. All the three tiers of local administration viz. DRDA, Blocks and GPs were to prepare an Annual Action Plan (AAP) at the beginning of each financial year equivalent in value of about 125 per cent of their share of funds allocated in the preceding year and no work was to be taken up unless it forms part of the AAP.

The District Planning and Development Council (DPDC) for East Khasi Hills District was constituted by the Governor in May 2003/January 2004 with one Member of Legislative Assembly (MLA) as Chairman and DC, all MLAs, Chief Executive Member of Autonomous District Council and Additional DC/DPO of the district as members. The DPDC was to function as the formulator of district development plans, co-ordinate in the implementation of the plans and programmes to be executed in the district and to monitor and review the progress of implementation of these plans and programmes. The Governor re-constituted the DPDC in April 2008/June 2008 with Parliamentary Secretary as Chairman and MP, MLAs, Chief Executive Member of Autonomous District Council as members.

Scrutiny revealed that the consolidation of the plans prepared by the District Sectoral Heads of all the departments was considered duly by the DPDC before submission to Government. The Council had met on 19 May 2005, 16 February 2006, 23 January 2007 and 19 December 2007. The DPDC had held only one meeting in February 2006 to review the progress of implementation of the developmental schemes in the District.

1.2.8 Financial Management

Funds are allocated to the district through the State Budget for various developmental activities. In addition, funds are also released to the DRDA and implementing agencies for various socio-economic programmes by the State and Central Governments. The DRDA releases funds to the blocks and other executing agencies based on the approved allocation for the individual schemes.

GOI funds are received for specific programmes and are routed through the DRDA to the Blocks and implementing agencies/beneficiaries at the village level. The sanctions governing many of these programmes require that separate bank accounts are opened for operating the funds received for specific programmes and accordingly separate bank accounts for various schemes at the District, DRDA and Blocks level are maintained.

Funds received by the district sectoral heads and other executing agencies during 2004-09 and expenditure in respect of certain significant programmes⁽¹⁰⁾ covered under the review are given below:

Table 1.2.1

(Rupees in crore)

Scheme	Funds provided	Expenditure incurred
National Rural Health Mission (NRHM)	17.55	10.35
Pradhan Mantri Gram Sadak Yojana (PMGSY)	51.27	17.04
Construction of Rural Roads Programme (CRRP)	2.80	1.61
Special Rural Works Programme (SRWP)	23.92	13.28
State/Central Sponsored Programme (other than PMGSY)	212.90	181.72
Water Supply	93.85	94.86
Swajaldhara	1.56	1.21
Total Sanitation Campaign (TSC)	2.54	2.54
Sampoorna Grameen Rozgar Yojana (SGRY) / National Rural Employment Guarantee Scheme (NREGS)	50.00	44.47
Swarnajayanti Gram Swarozgar Yojana (SGSY)	4.24	3.65
Indira Awas Yojana (IAY)	11.91	11.73
Total	472.54	382.46

Source: Information furnished by concerned departments.

Scrutiny of the records of the Empowered Officer, State Rural Road Development Authority (PMGSY); District Water and Sanitation Mission (DWSM), District Health (NRHM), DC, DRDA and the test checked blocks revealed that the system of recording and accounting receipts is adequate. Funds are transferred by the Controlling Officers to the Units/Blocks through cheques/demand drafts and by the Blocks to the beneficiaries, etc., at the village level. However, funds are shown as expenditure soon after release to the blocks and the blocks in turn show utilisation on release to the beneficiaries, etc. The details of funds received under SGRY, NREGS and IAY in the four blocks covered under the review during 2004-09 *vis-à-vis* expenditure are given below:

Table 1.2.2

(Rupees in crore)

Scheme	Year	Opening Balance	Funds Received from DRDA	Other Receipts	Total	Funds utilised by the sampled Blocks	Unspent Balance
SGRY	2004-07	1.01	10.42	0.11	11.54	11.19	0.35
	2007-08 ¹¹	0.19	0.18	-	0.37	0.28	0.09
NREGS	2007-09	-	8.93	0.30	9.23	9.14	0.09
IAY	2004-09	0.46	4.51	0.10	5.07	4.62	0.45

Source: Information furnished by concerned BDOs.

⁽¹⁰⁾ District-wise allocation not available in respect of National AIDS Control Programme (NACP) and E-Governance.

¹¹ Mawphlang Block (up to July 2007).

Social Services

Social sector has been receiving priority in funding both by the Central and State Governments. Implementation of the flagship programmes like National Rural Health Mission (NRHM) and Accelerated Rural Water Supply Programme (ARWSP) brought out the successful efforts of the State and District in improving the basic infrastructure in health sector. However, there is a need to provide adequate and skilled manpower in this sector to be able to use the infrastructure to achieve the intended objective of providing quality health care, water and basic civic amenities to the people of the district, as can be seen from the audit findings relating to this sector enumerated below.

1.2.9 Health

The District Medical and Health Officer, East Khasi Hills, Shillong, functioning under the State Health and Family Welfare Department, is responsible for providing health care services to the people of the District through a network of four hospitals. The health care services in the rural areas are delivered through six Community Health Centres (CHCs), 22 Primary Health Centres (PHCs) and 58 Sub-Centres (SCs).

1.2.9.1 Planning

As a first step towards provision of accessible, affordable and equitable health care under NRHM, household and facility surveys were to be carried out to identify the gaps in health care facilities in rural areas. Scrutiny revealed that the process of assessing the health care requirements and gaps in infrastructure, equipment, manpower, *etc.*, started in 2006 and expected to be completed by 2010-11. The work relating to the surveys was in progress.

The District Health Society (DHS) was to prepare a Perspective Plan for the entire Mission period (2005-12) and Annual Plans for the district with inputs from the lower tiers of Government. Community involvement was required to be ensured in planning, implementation and monitoring of the programme. Annual Plans for only 2007-08 and 2008-09 were prepared by the DHS.

The Mission activities needed convergence with other departments' programmes and working of non-governmental stakeholders, Village Health Sanitation Committees (VHSCs) and Rogi Kalyan Samitis (RKSSs). But the DHS did not interact with or obtain inputs from the concerned departmental functionaries relating to drinking water, sanitation and hygiene, nutrition, *etc.* resulting in disconcerted efforts by various agencies towards the same goal. Community participation in planning, implementation and monitoring of the programme was also not ensured.

1.2.9.2 Finance

During 2005-09, central funds of Rs. 11.23 crore were released for Family Welfare and Maternal & Child Health. Of this, Rs. 10.35 crore was utilised leaving an unspent balance of Rs. 0.88 crore as of March 2009. Failure in utilisation of substantial

amount of central funds at the end of each year 2005-09 (Rs. 0.88 crore to Rs. 2.70 crore) indicated that the implementation of scheme under health sector got delayed thereby denying the health care facilities to the targeted population.

Untied funds were to be provided to Village Health and Sanitation Committees (VHSC) for various health activities including information, education and communication (IEC), household survey, preparation of health register, organisation of meetings at the village level. Accordingly, budget provisions are made at the rate of Rs. 10,000 for each functional VHSCs. As of March 2009, 1,033 VHSCs and Rogi Kalyan Samitis (RKSs) were formed/Registered in six CHCs and 22 PHCs in the District.

Out of the untied fund of Rs. 2.01 crore released during 2007-09, only Rs. 65.77 lakh (33 *per cent*) was utilised by the VHSCs. Shortfall in utilisation of 67 *per cent* of the available funds indicated that the desired objectives of households survey, IEC, *etc.* were not achieved.

1.2.9.3 Health Centres

According to GOI's norms, in hilly and tribal areas, SC was to be established for every 3,000 population, PHC for 20,000 and CHC for 80,000 to one lakh population. Accordingly, the requirement of CHCs, PHCs and SCs worked out to 5, 19 and 128 respectively. The District, however, had six CHCs, 22 PHCs and 58 SCs as of March 2009.

While there was a shortfall of 70 SCs, the number of CHC and PHC exceeded the prescribed norm. SC is the basic contact point between the primary health care system and the community. Consequently, 55 *per cent* (2.09 lakh) of the rural population in the District was deprived of the benefit of basic health care facilities.

➤ Review of the status of six works relating to construction of new buildings for the existing centres under execution during 2004-09 in the District revealed delay ranging from one year to about three years in completion of building for three CHCs despite expenditure of Rs. 4.75 crore against estimated provisions for Rs. 3.86 crore. Besides, construction of three PHC buildings (estimated cost: Rs. 2.04 crore) stipulated for completion between October 2004 and August 2006, remained incomplete till March 2009. As of March 2009, the physical progress on these three works were 73 to 95 *per cent* against expenditure of Rs. 2.25 crore. The delay in completion of these six buildings, thus, led to cost overrun of Rs. 1.10 crore. It is obvious that there would be further cost escalation in respect of the three works yet to be completed.

During exit conference, the DHS (MI) stated that the delay was due to fund constraints.

➤ Despite completion of the building for Mawphlang CHC in February 2005, this was not handed over (October 2009) to the Health Department because of non-laying of service line by the Meghalaya State Electricity Board. Consequently,

the building remained unutilised rendering the expenditure of Rs. 1.43 crore idle for over four years, besides depriving the rural populace of the benefit of health care facilities supposed to be delivered by the CHC. The EE (Engineering Wing), DHS, Shillong stated (August 2009) that delay was due to non-availability of skilled labourers in the State, handing over of land by the Village Community (free of cost), remoteness of the site and adverse weather condition. As regards cost overrun, the EE stated that revised estimates had been submitted to the competent authority for necessary sanction.

1.2.9.4 Basic Health Care Services

The basic health care services that were required to be provided in the health centres were not available at many of the centres. The details in this regard are tabulated below:

Table 1.2.3

Particulars	Status of the service
X-Ray Machine	Lone machine installed each in Pynursla and Ichamati CHCs was not functioning. One out of two machines installed in Mawsynram and Sohra CHCs was not functioning since May 2000 and June 2001 respectively.
OT facilities in CHC	Not available in all six CHCs.
Radiology facilities in CHC	
Blood Storage facilities in CHC	
Diagnostic Services available	
Emergency Services available	
AYUSH Doctors available	In five PHCs
Availability of Labour Room	In six CHCs and 22 PHCs

Source: Information furnished by the DM&HO and DHS (MCH&FW).

1.2.9.5 Indoor patients care

A CHC comprises 30 beds and PHC with 6-10 beds for treatment of indoor patients. But indoor patient departments of five CHCs and eight PHCs were totally ineffective as the percentage of beds occupied in a year ranged between 0.01 *per cent* and 4.83 *per cent*.

Poor occupancy of beds in the health centres were due to the following factors:

- All CHCs were functioning without the required specialist doctors.
- Many PHCs were without vehicles.
- Many health institutions lack adequate facilities like furniture, examination tables, delivery tables, etc.

It was further noticed that indoor patient were not admitted in one CHC due to posting of only one Medical Officer and absence of dietary provisions in 14 PHCs as confirmed (August 2009) by the DM&HO. This showed the apathy of the Department in providing health care facilities to the rural populace.

During exit conference, the DHS (MI) admitted the fact and stated that tender committee had been formed for supply of diet to overcome the problem.

1.2.9.6 Manpower

As per norms of Indian Public Health Standard (IPHS), there should be four medical specialists (surgeon, physician, gynaecologist and paediatrician) and 21 paramedical and other staff in each CHC, one medical officer and 14 paramedical and other staff in each PHC and two health workers/ANM (One male and one female) in each SC.

While the shortfall in deployment of medical officers in six CHCs was 12.5 per cent, paramedical and other staff deployed in these CHCs exceeded the prescribed norm by 43 per cent. Deployment of medical officers and paramedical and other staff in 22 PHCs exceeded by 36 per cent and 13 per cent respectively. The position of SCs was also far from satisfactory. As per norms, SCs were to be manned by two Auxiliary Nurse cum Midwives (one male and one female). It was, however, seen that in 25 SCs one ANM was deployed and no ANM was posted in 39 SCs. Thus, lack of manpower planning rendered the SCs only partially functional.

1.2.9.7 Mobile Medical Unit

Though a Mobile Medical Unit was set up in the District in November 2008 and an expenditure of Rs. 0.54 lakh was incurred during 2008-09 on payment of salary to the driver and maintenance of vehicle, activity report of the unit was not produced to Audit. As such, the outcome of this unit could not be assessed in audit.

1.2.9.8 Achievement against Performance Indicators Reproduction and Child Health Care (RCH)

To achieve the NRHM goal of reducing the Infant Mortality Rate (IMR), Maternal Mortality Rate (MMR), Total Fertility Rate (TFR), birth rate (BR) and death rate (DR), the State Government prescribed various health indicators to be achieved by 2009. Following is the progress of achievement of the crucial health indicators of the East Khasi Hills District *vis-à-vis* State and All India position:

Table 1.2.4

Indicator	All India	Meghalaya	East Khasi Hills
IMR	55	56 (SRS 2008)	37 per 1000
MMR	301	450 (Targets fixed by Planning Commission for Tenth Plan)	254.71 per lakh
TFR	2.7	3.8 (NFHS-3)	4 per 1000
BR	22.22	24.4 (SRS 2008)	26 per 1000
DR	6.4	7.5 (SRS 2008)	6 per 1000

Source: Information furnished by the DHS (MCH&FW).

The IMR, MMR and DR in the District was less than All India and the State averages. However, the TFR and BR were marginally higher than the All India and State levels.

1.2.9.9 Antenatal Check-up

Scrutiny revealed that the requisite 100 Iron Folic Acid (IFA) tablets and two doses of Tetanus Toxoid (TT) were not administered to all the pregnant/targeted women in the District, with the shortfall in respect of IFA (ranging between 28 *per cent* and 70 *per cent*) and TT (19 *per cent* and 44 *per cent*). There was also no significant improvement in antenatal health check-up even after introduction of the NRHM in 2005-06 and was around 52 to 56 *per cent*, except in 2007-08 where 76 *per cent* of the registered pregnant women were provided with health check-ups.

1.2.9.10 Immunisation Programme

The overall achievement with regard to fully immunised children of zero and one year age group covering BCG, OPV and Measles was 31 *per cent* to 67 *per cent* during 2004-09 as percentage of children immunised against measles was low when compared to immunisation against other diseases, which is evident from the fact that incidence of measles during 2004-09 was between 138 and 248 (2004-05: 248; 2005-06: 140; 2006-07: 231; 2007-08: 138; 2008-09: 179).

The shortfall in achievement of targets in the secondary immunization of children during 2004-09 ranged between 0 *per cent* and 75 *per cent* for DT, 9 *per cent* and 67 *per cent* for TT (10 years age group) and 32 *per cent* and 73 *per cent* for TT (16 years age group).

Cases of infant and child diseases like neonatal tetanus (2004-05: 1), diphtheria (2007-08: 1), whooping cough (2004-05: 52 and 2005-06: 10) were detected during 2004-09. No case of tetanus was detected during the period covered under audit.

Pulse polio immunization was launched under RCH II to eradicate polio and ensure zero transmission by the end of 2008. No new cases of polio were detected during 2004-09 in the district.

1.2.9.11 National Aids Control Project

National Aids Control Project (NACP) – Phase II, launched by the GOI in 1999 with the objectives of reducing the spread of Human Immunodeficiency Retro Viruses (HIV) infection and strengthening of India's capacity to respond to the HIV/AIDS on a long term basis, was being implemented in Meghalaya through the Meghalaya AIDS Control Society.

Three Integrated Counselling & Testing Centres, *viz.* Shillong Civil Hospital, Ganesh Das Hospital and North Eastern Indira Gandhi Regional Institute of Health and Medical Sciences (NEIGRIHMS) were functioning in the District. Out of 7,850 persons screened in the District till July 2009, 193 persons were found HIV positive. There was an increasing trend in the HIV positive cases inasmuch as against four positive cases during 2004, 59 were found during 2008. The sero positivity in the District ranged between 0.59 *per cent* and 7.66 *per cent* for general clients during 2004-09.

The NACP aimed at reducing the spread of HIV by identifying the high risk groups like female sex workers (FSWs), immigrant labourers and truck drivers, and providing peer counselling, condom promotion, treatment of Sexually Transmitted Infection (STI) and client programmes for these groups. These activities were to be taken up through Non-Governmental Organisations (NGOs). The District Aids Programme Officers were to supervise the working of NGOs in their districts. In the District, two Targeted Intervention Projects were sanctioned at a cost of Rs. 60.11 lakh for implementation by two NGOs¹². Records of the Project Director, Meghalaya Aids Control Society, Shillong showed that 5,159 persons were covered by the NGOs till July 2009. Target for coverage was, however, not fixed till March 2009 and one NGO (Impulse NGO Network) discontinued its working since April 2009.

Among the important means envisaged by the GOI for combating AIDS is strengthening and upgrading the infrastructure facilities, providing counselling in the Sexually Transmitted Disease (STD) clinics in every district/medical college hospital and providing training to medical/paramedical personnel in clinics. The District has two STD clinics (Civil Hospital, Shillong and Ganesh Das Hospital, Shillong) and the measures envisaged under programme are implemented in these clinics.

Increasing trends in the HIV positive cases, however, is indicative of the fact that measures taken up in the State were not enough and need further improvement to reduce such cases.

1.2.9.12 Blood Safety

Under blood safety component, the existing blood banks were to be modernised and new blood banks opened. Blood component separation facility centres and skilled manpower were also to be made available. There are five blood banks in East Khasi Hills District, *viz.* Pasteur Institute Blood Bank (State Sector), Nazareth Hospital Blood Bank, K.J.P Synod Hospital Blood Bank (Private Sector), Military Hospital Blood Bank and North East Indira Gandhi Regional Institute of Health and Medical Sciences Blood Bank (Central Sector) - all situated at Shillong. In the Regional Blood Pasteur Institute, Shillong, trained medical officers and paramedical staff are available.

To sum up, the health indicators of the district reflect gaps in the implementation of the various activities which need to be addressed and monitored.

1.2.10 Water Supply

Provision for adequate and safe drinking water to all the citizens, especially those living in the rural areas, has been a priority area for both the Central and the State Governments. The water supply schemes are executed under (i) Minimum Needs Programme (MNP) and (ii) Accelerated Rural Water Supply Programme (ARWSP).

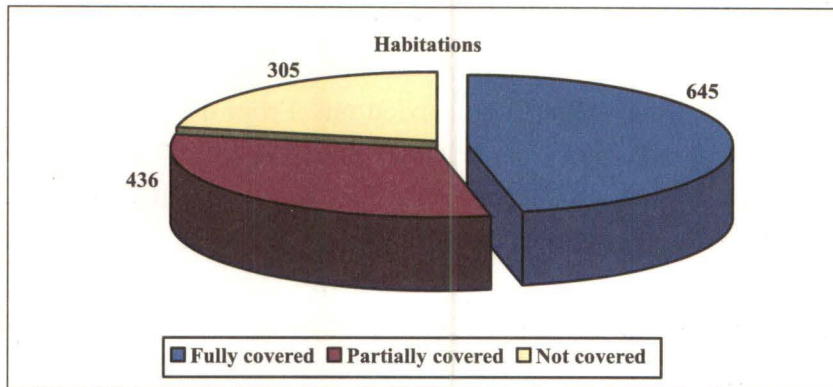
1.2.10.1 Survey

A survey was carried out in the District in 2003 to identify the status of habitations for water supply. The Survey revealed that out of 1,386 habitations in the district, 47 *per*

¹² Impulse NGO Network and Manbha Foundation.

cent of habitations were fully covered with drinking water facility as per the norms specified by the GOI, 31 per cent were partially covered and the remaining 22 per cent were uncovered. The position is pictorially depicted below:

Chart 1.2.2



In the three test-checked divisions¹³ of the District, only 347 habitations were covered during 2004-09 against the target of 567.

1.2.10.2 Incomplete Water Supply Schemes

From the details furnished by the two test-checked divisions, it was noticed that seven out of 10 water supply schemes/works (estimated cost: Rs. 4.22 crore) sanctioned between March 2005 and March 2007 under MNP, ARWSP and RWSS for coverage of 27,789 population and targeted for completion by March 2009, remained incomplete as of March 2009.

One water supply scheme under MNP remained incomplete even after two years of the stipulated date of completion. Though the remaining six schemes were targeted for completion by March 2009, the physical achievement on these schemes as of March 2009 ranged between 40 per cent and 80 per cent. Thus, expenditure of Rs. 2.98 crore incurred on these schemes remained unproductive so far (March 2009).

It was also noticed that three water supply schemes/works under Sohra Division, sanctioned between November 2007 and March 2008 at an estimated cost of Rs. 11.78 lakh for the benefit of 114 population, were stipulated for completion by March 2010. However, works on these schemes had not even started as of March 2009.

The EE, Sohra Division stated (August 2009) that due to heavy and extensive lime stone quarry activities in and around the site of two schemes, an alternative piped water supply scheme was under process and that the third scheme could not be started due to land dispute. The reply is indicative of the fact the schemes were taken up by the Division without proper survey and without obtaining the land free from all encumbrances.

From the details furnished by the three test-checked divisions, it was noticed that 44 water supply schemes/works sanctioned between December 1996 and March 2007 at

¹³ Hills Division, Investigation Division and Sohra Division.

an estimated cost Rs. 14.43 crore were completed at a cost of Rs. 14.46 crore after a delay of one to seven years beyond the scheduled date of completion. Four out of 44 schemes/works completed after a delay of two to six years beyond the scheduled period of completion resulted in excess expenditure of Rs. 19.16 lakh.

1.2.10.3 Quality of Water

To ensure supply of safe potable water to the people, physio-chemical and bacteriological testing of water were to be carried out. From the details furnished by the District Water Testing laboratory under Chief Engineer PHED Meghalaya, 1,672 samples were tested during 2004-09. However, the laboratory did not maintain any records to indicate the quality of the water tested by it. From the details furnished by the three test-checked divisions, it was noticed that 159 samples were tested and 127 samples were found to be safe for drinking. In remaining 32 samples where it was found unfit, follow-up action such as chlorination were carried out subsequently.

1.2.10.4 Swajaldhara

Considering the need to scale up reforms in the water sector for rural population, sector reforms project was improved by the GOI and launched as 'Swajaldhara' on 25 December 2002. Funds for the scheme were to be provided by the GOI and the community in the ratio of 90:10. Since August 2007, the funds were to be equally shared by the GOI and State Government. During 2004-09, funds totalling Rs. 1.40 crore were released by the GOI for implementation of the scheme, while the beneficiaries' contribution was Rs. 15.59 lakh. Out of Rs. 1.56 crore, expenditure of Rs. 1.21 crore was incurred leaving a balance of Rs. 0.35 crore with the implementing agencies. However, no fund was released by the State Government during the period.

Scrutiny revealed that during 2004-05, three villages were covered under two C&RD Blocks. Though, five villages under three C&RD Blocks were to be covered during 2005-06, works on four projects had not been started till August 2009. The Superintending Engineer, PHE (Rural) cum Member Secretary, DWSM stated (October 2009) that three of these projects were completed and the other would be completed by March 2010.

In short, there was shortfall in providing quality drinking water to the people, which needs to be bridged.

1.2.11 Total Sanitation Campaign

The Central Rural Sanitation Programme (CRSP) was launched in 1986 by the Union Ministry of Rural Development and Department of Drinking Water Supply primarily with the objective of improving the quality of life of the rural people and also to provide privacy and dignity to women. In December 2007, the CRSP was improved and changed the format moving towards a "demand driven" approach titled "Total Sanitation Campaign (TSC)" emphasising more information, education and communication (IEC), human resources development, capacity development activities to increase awareness among the rural people and generation of demand for sanitary facilities.

Though, some infrastructure¹⁴ were created during 2007-09 at a cost of Rs. 2.54 crore, no physical achievement with reference to the target could be assessed due to non-fixation of any target under the project and also non-assessment of the problem to be tackled.

Economic Services

Good infrastructure will go a long way in enhancing the growth potential of the district and bridging the gap between the urban and rural areas. It will also bring the remote and backward areas closer to the district headquarters and bring about equity and inclusive growth. Infrastructure include provision of good all weather roads, adequate electricity for all households, industrial and irrigation needs, railway connectivity, air services and reliable communication facilities.

A review of the development of roads in the district revealed that a majority of villages were yet to be provided road connectivity and the progress in construction of roads was quite slow, hampering the integration of rural, remote and backward areas with the mainstream development. Audit findings in this regard are discussed below:

1.2.12 Roads

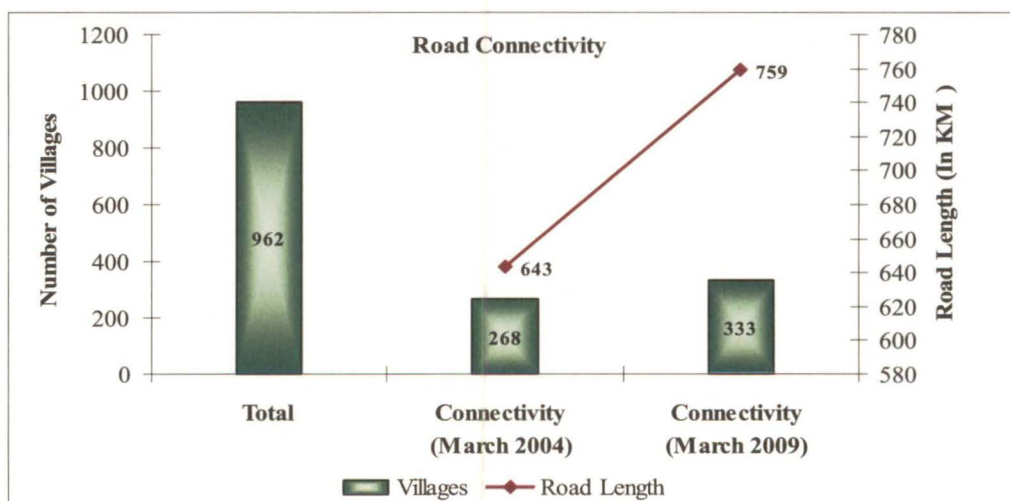
1.2.12.1 Status of Road Connectivity

There are 962 villages in the District. The distance of various places from the District headquarters ranges from 14 km (Mawiong) to 104 km (Shella).

GOI and the State Governments have been providing enormous funding for providing roads - both State level and National highways and plans have been formulated for ensuring connectivity to all the villages and from the villages to the district headquarters.

The status of road connectivity of the three sampled divisions in the district as of March 2009 is given below:

Chart 1.2.3



¹⁴ Individual household latrine (5,696 numbers), Sanitary complex for women (16 numbers), School toilets (462 numbers) and Toilets for Anganwadis (76 numbers).

As can be seen from the above chart, there has been a marginal improvement in the length of roads provided and the number of villages connected through roads during the last five years. While the length of road increased from 642.56 km in March 2004 to 758.93 km in March 2009, the number of villages provided with road connectivity increased from 268 in March 2004 to 333 in March 2009.

The most important scheme being implemented for the construction/ development of roads is the Centrally Sponsored Pradhan Mantri Gram Sadak Yojana (PMGSY) and Bharat Nirman Programme. Other important schemes which are specifically aimed at construction of roads or have construction/improvement of roads as one of the components of the scheme are Construction of Rural Roads Programme (CRRP), Special Rural Works Programme (SRWP) and Member of Parliament Local Area Development Scheme (MPLADS).

The progress with regard to implementation of some of these schemes is discussed below:

1.2.12.2 Pradhan Mantri Gram Sadak Yojana

This programme was launched in December 2000 and aimed at connecting every habitation that has a population of 1,000 or more through good all weather roads within three years, i.e. by 2003 and habitations with 500 people or more, by the end of Tenth Plan.

Funds amounting to Rs. 51.27 crore were provided for this programme by the GOI during 2001-02 and 2003-06 for Phase II to Phase V. Of this, Rs. 17.04 crore was spent as of March 2009. Out of eight works sanctioned by the GOI during 2004-06, one was completed and four works targeted for completion by January 2009, were yet to be completed (March 2009). The remaining three works were yet to be taken up for execution. The following further irregularities in implementation of the scheme were noticed:

- Ten out of 12 road works (estimated cost: Rs. 15.90 crore) sanctioned during 2001-05 and due for completion between March 2003 and January 2009 remained incomplete as of March 2009. It was further noticed that though the construction work of one of these works, viz. 'Road from Nongsder to Nongkwai', was not started due to land dispute, the Division concerned (DPIU – PMGSY) purchased (May 2006) hume pipes valuing Rs. 6.75 lakh and kept the same unutilised for over three years.
- The funds under PMGSY provides for creation of capital assets only, namely, new roads, upgraded roads, etc. Expenditure on purchase of vehicles, payment of salaries and wages and purchase or construction of buildings was not permissible. Scrutiny of records of the District Programme Implementation Unit, PMGSY, Shillong revealed that during 2004-09, the unit procured two vehicles (cost: Rs. 17.48 lakh) and furniture (cost: Rs. 3.21 lakh) from the interest accrued on the PMGSY funds. Diversion of funds provided for the PMGSY was not only unauthorised but also reduced the availability of funds for implementation of the projects under

PMGSY. During exit conference, the Deputy CE, PWD (Roads) stated that the amount was refunded to PMGSY fund.

1.2.12.3 Status of Road Works

Twenty road works (estimated cost Rs. 25.98 crore) sanctioned between November 1993 and March 2007 for execution by two test-checked divisions (Mawsynram and Shillong South Divisions) and targeted for completion by March 2009, remained incomplete as of March 2009. An expenditure of Rs. 13.26 crore was incurred on these incomplete projects. While three projects remained incomplete even after a lapse of around 10 years from the scheduled date of completion, one project remained incomplete even after a lapse of eight years. In other 16 projects, though the delay as of March 2009 ranged between three years and less than one year, considering the physical achievement, further delays in completion is obvious. Reasons for delay, though called for (August & September 2009), had not been furnished. Thus, expenditure of Rs. 13.26 crore on these incomplete road works remained unproductive (March 2009).

Apart from above, 12 road works (total length: 22.724 km) sanctioned in March 2006 at an estimated cost of Rs. 8.58 crore were de-sanctioned by the CE, PWD (R&B) after incurring expenditure of Rs. 22.46 lakh. Besides, other 18 road works (total length: 31.924 km; estimated cost: Rs. 11 crore) sanctioned between August 1995 and March 2006 were pre-closed after incurring an expenditure of Rs. 5 crore up to March 2009. Reasons for such action, though called for (August & September 2009), had not been furnished. Thus, expenditure of Rs. 5.22 crore incurred on these 30 road works was rendered wasteful.

It was noticed that 82 road works sanctioned between June 1991 and March 2007 at an estimated cost of Rs. 36.36 crore were completed at a cost of Rs. 34.12 crore. Of this, 26 works estimated to cost Rs. 12.11 crore were completed at a cost of Rs. 10.21 crore after a delay of 11 months to three years. Besides, 12 out of the 82 completed road works were completed after a delay ranging from four to five years from the scheduled date of completion incurring an excess expenditure of Rs. 9.42 lakh over the estimated cost.

Thus, delay in completion of Road works resulted in denying the benefits of providing connectivity which would have contributed to the economic growth of the district.

1.2.13 Rural Works

1.2.13.1 Construction of Rural Roads Programme

Construction of Rural Roads is a programme being implemented by the C&RD Department as a part of poverty alleviation measure by transferring certain funds from roads and bridges sector to community and rural development sector. The programme envisages improvement of rural road network by active involvement of village community for construction of link roads in the villages of rural areas to boost rural

economy. The scheme was implemented through village community and local durbars under the supervision of the respective DC of the District.

During 2004-08, the DC sanctioned and released Rs. 2.80 crore to the implementing agencies (no fund was released during 2008-09) for execution of 734 works. Of this, 360 works were completed at a cost of Rs. 1.25 crore. Out of the remaining 374 works, 115 works were in progress, the expenditure against which was Rs. 36 lakh as of March 2009. The remaining 259 works had not yet started, indicating poor achievement of the programme. Out of the released amount of Rs. 2.80 crore, Rs. 1.61 crore was spent during the period and the balance amount of Rs. 1.19 crore was lying with the implementing agencies.

The Director, C&RD stated (November 2009) that the works were approved by the MLAs concerned, but not executed due to their defeat during subsequent election. The reply is indicative of the fact that the works approved were more of a choice of the MLA than need based on the requirement of local populace. Consequently, the villagers under these constituencies were denied of the benefit envisaged under the scheme.

1.2.13.2 Special Rural Works Programme

The schemes under the Special Rural Works Programme (SRWP) are selected by the MLAs and implemented through local committees/beneficiaries' organisations under the supervision of the respective DC of the District. Funds for the programme are released by the C&RD Department to the Director, C&RD, who in turn releases the funds to the DRDAs. The DC (who is also the Chairman of the DRDA) places the sanctioned amount at the disposal of the BDOs, who releases the funds in instalments to the implementing agencies.

Under the SRWP, Rs. 54.18 crore was released by the C&RD Department during 2004-08 to ensure that rural works like construction of gallery, school buildings, community hall, library, classroom, fencing of school/church compound, playground, footpath, public shed, watching place, drinking well, approach road, VIP Restaurant, purchase of CGI Sheets, *etc.* are taken up in the respective constituencies of MLAs. Of Rs. 54.18 crore released to the DRDAs, Rs. 23.92 crore was released by the DC to the implementing agencies for execution of 1,637 works. Out of 1,637 works, 682 works were completed at a cost of Rs. 11.56 crore and 221 were in progress after incurring an expenditure of Rs. 1.73 crore till March 2009. The remaining 734 works estimated to cost Rs. 10.63 crore were yet to be started. Thus, out of the total amount of Rs. 54.18 crore, only Rs. 13.29 crore was utilised and the balance amount of Rs. 40.89 crore was lying unutilised with the DRDAs (Rs. 30.26 crore) and implementing agencies (Rs. 10.63 crore). Failure to complete 45 *per cent* of the sanctioned works as well as non-utilisation of released funds not only showed the apathy of the authorities concerned in proper implementation of the schemes under the SRWP but also resulted in locking up of Rs. 40.89 crore for one to four years.

During 2008-09, though Rs. 14 crore was released by the Director, C&RD to the DRDAs, the works were not approved by the MLAs till March 2009.

The Director, C&RD stated (November 2009) that the works were approved by the MLAs concerned, but not executed due to their defeat during subsequent election and Rs. 37.15 lakh meant for two constituencies were refunded to Government by the DC. Consequently, the villagers under these constituencies were denied of the benefit envisaged under the scheme. The reply again highlights the fact that works approved were driven by the individual choice of the MLA rather than need based.

1.2.14 Employment Generation

The three most important schemes sponsored by the Central Government for providing employment in the rural areas as a means of poverty alleviation are Sampoorna Gramin Rozgar Yojana (SGRY), Swarnajayanti Gram Swarozgar Yojana (SGSY) and the Indira Awas Yojana (IAY). The SGRY programme was subsequently subsumed in National Rural Employment Guarantee Scheme (NREGS) in December 2007. While SGSY had the objective of promoting self-employment, SGRY/NREGS was to generate wage employment. The IAY was geared towards providing dwelling houses to the BPL families in the rural areas. In the later case, there was also a wage component as the dwelling houses had to be constructed by the beneficiaries themselves.

The expenditure incurred on these three schemes in the District during 2004-09 *vis-a-vis* the State as a whole as well as target and achievement was as under:

Table 1.2.5

Particulars	Target		Achievement		Expenditure (Rupees in crore)	
	Entire State	East Khasi Hills District	Entire State	East Khasi Hills District	Entire State	East Khasi Hills District
SGSY (Number of beneficiaries)	No target fixed		5,629	573 (10)	17.71	2.86 (16)
IAY (Number of beneficiaries)	33,006	3,836 (12)	17,761	4,789 (27)	58.80	11.91 (20)
<i>Achievement against target (percentage)</i>	-	-	53.81	123.97	-	-
SGRY/NREGS (Mandays in lakh)	54.85/ 270.00	-/ 157.02(58)	63.61/ 167.31	20.53 (32)/ 30.01 (18)	67.02/ 166.91	15.55 (23)/ 30.57 (18)
<i>Achievement against target (percentage)</i>	-	-	-	-	115.97/ 61.97	-/ 19.11

(Figures in brackets represent *per cent*)

Source: Information furnished by the Director, C&RD.

1.2.14.1 Swarnajayanti Gram Swarozgar Yojana (SGSY)

The SGSY aimed at bringing BPL families above the poverty line by ensuring sustainable level of income of at least Rs. 2,000 per month by organising the rural poor into Self Help Groups (SHGs) and linking them to bank credit as well as Government subsidy for acquiring income generating assets and starting income earning occupation.

During 2004-09, GOI released Rs. 3.76 crore to the DRDA, Shillong for implementation of the scheme. Of this, Rs. 3.65 crore was released to eight BDOs leaving a balance of Rs. 0.11 crore with DRDA as of March 2009.

As of March 2009, 1,011 SHGs were formed since inception in April 1999, out of which 71 were defunct.

The selection of key activities for the SHGs to be financed by banks was generally made without any detailed techno-economic feasibility studies making them susceptible to unviability and closure. There was no assessment as to whether members of the SHGs actually earned minimum of Rs. 2,000 per month after repayment of loan as stipulated under the SGSY.

In so far as creation of durable assets under SGSY was concerned, the selection of the asset to be created had seldom any link with the wage or income sought to be generated by such investment. In most cases, no details like use of the infrastructure by the beneficiaries, inventory of assets created, benefits derived, maintenance of assets, *etc.* were maintained in the test-checked blocks. Thus, any reliable assessment of the benefits accruing to the beneficiaries was not possible.

1.2.14.2 National Rural Employment Guarantee Scheme (NREGS)

The primary objective of NREGS was to provide 100 days guaranteed wage employment in a financial year to every household who is willing to work. Scrutiny revealed that during 2007-08 and 2008-09, only 0.09 *per cent* and 36.60 *per cent* of households were provided 100 days of employment. Failure to provide 100 days employment despite availability of required funds indicated that the programme had not yet gathered momentum in the District.

It was further noticed that during 2008-09, 49,276 households were issued job cards, of which 38,806 households demanded job against which 38,676 were provided employment generating 28.15 lakh mandays. Only 14,156 households (37 *per cent*), who were provided with employment, completed 100 days in the financial year. Though, as per guidelines, the remaining 130 households were to get unemployment allowances within 15 days of demand of employment, such allowances were not provided. Thus, needy households were deprived of the benefit envisaged under the programme.

During exit conference, the Department stated that as the scheme was new, the primary objective could not be achieved during the first year of implementation.

1.2.14.3 Indira Awas Yojana (IAY)

The IAY aims at providing low cost houses to SC/ST and free bonded labourers living below the poverty line (BPL) free of cost. 80 *per cent* of the total allocation was being utilised for the construction of new houses and the remaining 20 *per cent* for conversion of unserviceable *kutcha* houses into *pucca* houses.

The year wise position showing the achievement of new construction and upgradation of houses under the District is given below:

Table 1.2.6

(in units)

Year	Annual target		Houses constructed		Houses in progress	
	New construction	Upgradation	New construction	Upgradation	New construction	Upgradation
2004-05	1290	349	1128	305	162	44
2005-06	2059	465	1768	438	291	27
2006-07	945	465	883	180	62	285
2007-08	457	306	454	116	3	190
2008-09	776	185	596	172	180	13
Total	5527	1770	4829	1211	698	559

Source: Information furnished by the PD, DRDA.

It was noticed that 1,627 houses, constructed at a cost of Rs. 44.74 lakh during 2004-09 under IAY in the four test-checked blocks, did not have sanitary latrine and smokeless *chullahs* though these were essential components of the scheme. Thus, the beneficiaries were deprived of the basic facilities of a clean environment and sanitation.

The IAY guidelines provide that the implementing agencies should have a complete inventory of houses constructed, giving details of the date of start and date of completion of construction, name of the village and block in which the house is located, name, address, occupation and category of beneficiaries and other relevant particulars. In the four test-checked blocks, the inventory of houses was not maintained in respect of all the new houses constructed. The BDOs concerned, however, assured that this would be maintained henceforth.

It was further noticed that in Mawphlang Development Block, 66 houses were constructed under IAY during 2004-09 costing Rs. 50,300 each with financial assistance of Rs. 27,500 to each beneficiary and the balance Rs. 22,800 was borne by the individuals. Substantial contribution (45.32 *per cent*) by the beneficiaries was not only contrary to the norm of 20 *per cent* prescribed in the guidelines but also casts a doubt about the genuineness of owners belonging to BPL category.

Thus, the employment generation programmes being implemented in the district have not provided the targeted population enough number of mandays of employment as envisaged in the programme despite availability of funds.

General Services

1.2.15 E-Governance

National Informatics Centres (NIC) had set up a District Informatics Centre (DIC) in Shillong way back in 1990-91 to support the district administration and spread awareness about the use of information technology (IT) in various departments. NIC is providing video-conferencing, internet services, e-mail, *etc.* through SCPC VSAT as well as leased line connectivity.

1.2.15.1 Services

E-governance initiatives/ICT related projects initiated during the last five years by the District Informatics Centre and envisaged services are being provided were as under:

Table 1.2.7

Certificate	Certificate relating to caste, digital signature, vehicle fitness report, fee and tax.
Registration	Registration of vehicles of Transport Department.
Licenses/Permits	Issue of registration certificates of new vehicles, commercial vehicle permit and challans, ration cards of above poverty line beneficiaries.
Agriculture/ Horticulture	A pilot phase (2009) for information services/portal services/internet portal for Agriculture Department/G2G services.
Social Services	Recording of court room proceedings of the district court, data transmission for integrated disease surveillance projects/data management, analysis and rapid response in case of impending outbreaks/strengthening surveillance system with various communicable diseases and risk factors of non-communicable diseases under health and family welfare.
Utility	Monthly pay roll processing of all branches of DC office including generation of pay slip, etc.

Source: Information furnished by the DIC.

1.2.15.2 Community Service Centre

The State Government executed (July 2008) a Master Service Agreement (MSA) with BASIX (Bhartiya Samruddhi Investments and Consulting Services), a micro-finance multinational company, to launch a novel citizen-friendly facility called Community Service Centre (CSC) in the State replacing the Community Information Centre (CIC). It aimed at furthering the Government's e-governance outreach and to bring administration closer to the people and bring about a whirlwind revolution in the rural economy. BASIX was to provide all infrastructural needs in setting up CSCs through Village Level Entrepreneurs (VLE) in the designated villages at zero cost from the Government of Meghalaya.

Scrutiny of records revealed that CSCs in 57 Villages in the District were set up out of which 31 CSCs were opened as of September 2009. In setting up of CSCs, 442 numbers of VLEs were trained as per agreement.

1.2.16 Inspection and Reporting

Physical inspection was carried out by the specified officials from the Union Ministry of Rural Development for roads works under PMGSY. As per grading made during inspection, 17 out of 26 completed works and seven out of 13 ongoing works executed during 2001-02 and 2003-05 were unsatisfactory.

1.2.17 Monitoring and Evaluation

As no Panchayati Raj System is applicable in the State of Meghalaya, major developmental projects were being sanctioned by the line departments. Accordingly, heads of departments through whom funds were released were responsible for monitoring the progress of implementation of various developmental programmes in the District and ensuring that these are executed within the specified time frame and

approved budget. While most of the Central and State plan schemes specified the monitoring requirements, in general, most schemes required that the heads of departments including DC monitor the progress on a monthly/quarterly basis. The District Planning and Development Council was also to monitor and review the progress of implementation of schemes. Review of the execution of schemes was also to be done through periodical review reports and statements of expenditure (SOE) to be sent from various levels - village durbars/councils to the blocks, blocks to the DRDA/DC, DC to the State Government and onwards to the GOI with regard to the Central schemes.

Scrutiny revealed that monitoring and evaluation of the progress of implementation of various schemes in the District was perfunctory. The District Planning and Development Council met only once since its constitution in February 2006 to review the progress of the schemes.

The State Planning Department stated (June 2009) that physical monitoring of selected welfare schemes in East Khasi Hills started only in July 2008-09 and monitoring reports were still under the process of finalisation. No Evaluation study had been conducted during the period. However, from 2009-10, evaluation study on implementation of five schemes/programmes in the whole State, viz. ARWSP, Mid-Day Meal, Rural Employment Generation Scheme, Technology Mission under Horticulture Department and Border Area Development Programmes, had been outsourced to organise both from outside and within the State; and the studies were in progress.

1.2.18 Conclusion

Patient care in the district suffered due to non-utilisation of hospital infrastructure and inadequate facilities in rural areas. While the basic health care activities such as attending to patients, immunisation, *etc.* was taken care of, the implementation of health programme, i.e. creating more awareness among the population to get tested for AIDS, needed substantial improvement.

The supply of drinking water still remained a problem area in the District. Nearly 39 *per cent* rural habitations did not have water supply system.

Under rural road works programmes, 35 *per cent* of works were yet to start though funds were made available.

While the IAY had been successful in providing houses to 4,789 BPL families, the employment generated under NREGS was 19 *per cent* of the target.

1.2.19 Recommendations

- **Community involvement should be ensured at every stage in planning, implementation and monitoring of the programme.**

- **Funds should be utilised for creation of basic health infrastructure and amenities so that the health care centre provides intended services to the beneficiaries.**
- **Coverage of 'not covered habitations' for drinking water should be given priority over others.**
- **Effort should be made to provide employment opportunities as envisaged under the respective programme.**
- **The amenities to ensure a clean environment and sanitation to the beneficiaries along with the housing facility should be provided.**
- **Monitoring mechanism needs to be strengthened at all the tiers of local administration to ensure that the programmes are executed on time and within cost and timely corrective action is taken in cases of slippage.**

The matter was reported to the Government in September 2009; reply had not been received (November 2009).

EDUCATION, PLANNING, PUBLIC HEALTH ENGINEERING, POWER AND PUBLIC WORKS DEPARTMENTS

1.3 Non Lapsable Central Pool of Resources

The Non Lapsable Central Pool of Resources (NLCPR) was created by the GOI in 1998 for speedy development of infrastructure in the North Eastern Region by increasing the flow of budgetary financing for specific viable infrastructure projects in various sectors and to reduce the critical gaps in the basic minimum services. The assets created out of scheme funds have helped the State to bridge the infrastructural gap to some extent. The planning for implementation of the projects in the State was not effective. The financial management of the projects was poor and allocated funds could not be utilised. Evaluation was never attempted to gauge the extent of development of infrastructure and reducing the gaps in basic minimum services.

Highlights

The unutilised central funds with the State Government ranged between 42 per cent and 70 per cent during 2004-09, indicating ineffective implementation of the projects.

(Paragraph 1.3.8)

There were cases of diversion of central funds of Rs. 8.50 crore for execution of works/items not covered under the NLCPR funds.

(Paragraph 1.3.8.1)

The implementing department incurred excess expenditure of Rs. 10.71 crore due to execution of works in deviation of the sanctioned estimates.

(Paragraph 1.3.10.1)

Non-completion of the work within the stipulated date resulted in idle/unfruitful/unproductive expenditure of Rs. 20.49 crore.

(Paragraphs 1.3.10.2, 1.3.10.3 & 1.3.10.4)

The implementing departments extended undue favour of Rs. 31.66 lakh to the contractors engaged for implementation of various projects under NLCPR.

(Paragraph 1.3.11.4)

1.3.1 Introduction

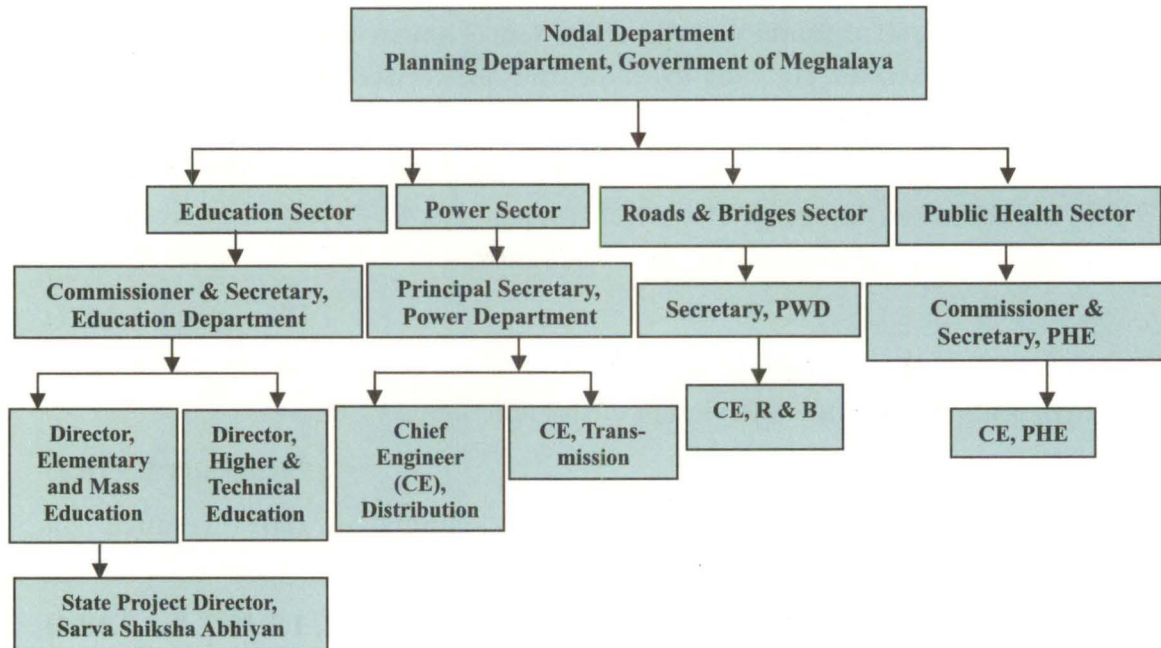
The Non Lapsable Central Pool of Resources (NLCPR) was created in 1998 out of the unspent balance of 10 per cent provided in the budget of central ministries / departments for the North Eastern Region (NER). The broad objectives of the scheme are to:

- ensure speedy development of infrastructure in the NER by increasing the flow of budgetary financing for new infrastructure projects/schemes in the region; and,
- provide support under the central pool for both physical and social infrastructure sectors such as irrigation and flood control, power, roads and bridges, education, health, water supply and sanitation.

1.3.2 Organisational Set up

The State Planning Department is the Nodal Department for implementation of the schemes implemented under NLCPR. At the Government level, Principal Secretary, Power Department, the Commissioners & Secretaries, Education and Public Health Engineering (PHE) Departments and Secretary, Public Works Department (PWD) are responsible for overseeing the implementation of schemes under the respective sector. The organisational structure for implementation of projects in various sectors¹⁵ under NLCPR in the State is given below:

Chart 1.3.1



1.3.3 Scope of Audit

Implementation of 20 schemes¹⁶ (out of 60) funded under NLCPR, covering the period 2004-09, was reviewed in audit through a test-check (June-September 2009) of records of the Planning, Public Works (R&B & NH), PHE, Education and Power Departments and Transmission & Distribution of Meghalaya State Electricity Board (MeSEB) covering 73 per cent (Rs. 136.99 crore) of the total expenditure of Rs. 186.74 crore incurred during the period.

¹⁵ Excluding transport, community & rural development, district councils and agriculture sectors.

¹⁶ Roads and Bridges: 7; Education: 6, Power: 4; Water Supply: 3.

1.3.4 Audit Objectives

The objectives of the performance review were to assess whether

- there was a critical assessment of needs in each of the infrastructural areas and whether the individual projects were planned properly;
- adequate funds were released in a timely manner and utilised for the specified purpose in accordance with the scheme guidelines and Detailed Project Reports (DPR);
- projects have been executed in an efficient and economic manner and achieved their intended objectives; and,
- there is a mechanism for adequate and effective monitoring and evaluation of projects.

1.3.5 Audit Criteria

Audit objectives were benchmarked against the following criteria:

- Guidelines of the Government of India in respect of NLCPR funded schemes;
- Detailed Project Reports;
- Performance indicators relevant to the sectors (roads & bridges, water supply, education and power) under which the projects were executed; and,
- Prescribed monitoring mechanism.

1.3.6 Audit Methodology

For conducting the performance review, an entry conference was held (July 2009) with the Secretary, Planning Department, Officer on Special Duty, Education Department, Additional CE, PHE, Deputy CE, PWD (Roads), Executive Engineer (Transmission), MeSEB, wherein the audit objectives, criteria and methodology were explained. Schemes were selected on the basis of probability proportionate to size with replacement method. Utilisation of funds received from the GOI and State Governments, adherence to project guidelines, implementation of various projects, *etc.* were analysed to arrive at audit conclusions. Audit findings were discussed with the Principal Secretary, Planning Department, Commissioner & Secretary, Power Department, CEs, PWD & PHE and Director, Education in an exit conference (October 2009) and the replies of the Government/Department have been incorporated in the report at appropriate places.

Audit Findings

The important points noticed are discussed in the succeeding paragraphs.

1.3.7 Planning

Guidelines for implementation of NLCPR funded projects provided for preparation of a Perspective Plan by the State Government after analysis of the gaps in infrastructure sector. The projects for inclusion in the priority list for consideration for funding under NLCPR was to be picked up strictly from the Perspective Plan. The State

Government was to submit, through the nodal department, an annual profile of projects in terms of a shelf of projects (called 'Shelf' or 'Priority list' hereafter) latest by 31 December for the next financial year. This was to be in consonance with the overall planning process within the State, covering annual plans and five year plans. The State should also indicate that these projects had not been taken up or proposed to be taken up with any other funding mechanism. For deciding the size of the projects on the 'Shelf', the State was to take the last three years' cumulative expenditure that it had utilised under NLCPR as the indicator. Each project proposal should be accompanied by a socio-economic feasibility report and a Detailed Project Report (DPR). The projects with their DPRs were to be submitted by the nodal department to the Union Ministry for Development of North Eastern Region (MoDONER) for appraisal.

The State Government had neither prepared any Perspective Plan nor carried out a gap analysis in infrastructure sector. Priority list had been submitted by the State Government to the MoDONER on the basis of project proposals received from various departments. Three years cumulative expenditure required to be taken for deciding the size of the projects had also not been taken into consideration on the ground of non-release of funds by the MoDONER within the stipulated period of nine months. Thus, the vital requirements of the guidelines remained unfulfilled, leading to delay in completion of schemes, preparation of inflated estimate, overlapping of scheme as discussed in the succeeding paragraphs.

1.3.8 Financial Management

The MoDONER was to sanction funds in instalments to the State Government for implementation of the projects. The first instalment was not to exceed 35 per cent of the total project cost unless there are special circumstances. Up to 2004-05, the funds released under the scheme were 90 per cent grant and 10 per cent loan. As per the recommendations of the Twelfth Finance Commission (TFC), only grant was being released to the State with effect from 2005-06. The balance 10 per cent being loan component was to be raised by the State Government.

Funds released by the GOI during 2004-09 for implementation of various schemes under NLCPR and expenditure incurred thereagainst were as under:

Table 1.3.1

(Rupees in crore)						
Year	Opening balance with the State Government	Funds released	Total funds available	Funds released to the implementing authorities	Unspent funds with the State Government (Per cent)	Expenditure reported by the implementing authorities
2004-05	41.98	21.70	63.68	29.33	34.35 (54)	32.77
2005-06	34.35	27.50	61.85	18.49	43.36 (70)	21.36
2006-07	43.36	38.58	81.94	42.38	39.56 (48)	38.67
2007-08	39.56	60.86	100.42	58.19	42.23 (42)	47.68
2008-09	42.23	94.82	137.05	45.57	91.48 (67)	46.26
Total		243.46		193.96		186.74

Source: Sanction orders of MoDONER and State Government and expenditure statements furnished by the implementing authorities.

As of April 2004, there was an unspent balance of NLCPR funds amounting to Rs. 41.98 crore with the State Government. During 2004-09, the MoDONER released Rs. 243.46 crore to the State Government for implementation of various schemes. Out of the total available funds of Rs. 285.44 crore, Rs. 193.96 crore was released by the State Government to the implementing authorities and the balance amount of Rs. 91.48 crore had not been released as of March 2009. The unutilised central funds lying with the State Government ranged between 42 per cent and 70 per cent during 2004-09.

1.3.8.1 Diversion of Funds

According to the administrative and financial approval of the projects accorded by the MoDONER, funds released for implementation should be utilised strictly for the purpose for which these were sanctioned and there should not be any diversion of funds. Four departments diverted funds aggregating Rs. 8.50 crore¹⁷ for meeting the cost on clearance of land slips, stone aggregates, cutting road side drains, purchase of photocopier, work charged establishment, computer, accessories, stationeries, construction of approach road, brick walls, drawings and design, etc. Diversion of funds provided for the NLCPR schemes without approval of the MoDONER was not only unauthorised but also reduced the availability of funds for implementation of the projects under NLCPR.

1.3.8.2 Reporting/Delay in submission of Utilisation Certificates

Audit scrutiny revealed the following cases:

➤ Out of Rs. 35.42 crore released by the MoDONER to the State Government for implementation of three power projects¹⁸, Rs. 28.27 crore was released by the State Government to the MeSEB. The difference of Rs. 7.15 crore was mitigated from the own sources of the MeSEB. The completion reports submitted (October 2006 and May 2007) to the MoDONER, however, showed receipt and utilisation of the entire released amount of Rs. 35.42 crore. Thus, the report submitted to the MoDONER did not exhibit the actual state of affairs.

➤ For commissioning of transformer at Khliehriat, the MoDONER released Rs. 1.64 crore in January 2003 (Rs. 80 lakh) and May 2004 (Rs. 84 lakh). Though one 132/33KV, 20 MVA outdoor power transformer, procured (October 2001) prior to approval of the project by the MoDONER at a cost of Rs. 53.05 lakh was installed under this project, NLCPR funds of Rs. 1.64 crore was shown as utilised in the utilisation certificates and progress reports submitted (April 2004 and November 2005) to the MoDONER by the MeSEB through the nodal department. Since the cost of these transformers was not incurred out of the NLCPR funds, the reports submitted to the MoDONER did not exhibit the actual state of affairs.

¹⁷ PWD (R&B) Department: Rs. 61.61 lakh; PHE Department: Rs. 63.82 lakh; Education Department: Rs. 6.40 lakh; Power Department: Rs. 718.21 lakh.

¹⁸ Sub-Transmission and Distribution Scheme-Master Plan for distribution of Power, Construction of 132 KV double circuit transmission line from Sarusajai to Byrnihat and Transmission & Distribution Scheme-Commissioning of transformer at Khliehriat.

➤ There was delay ranging from two months to over three years in submission of utilisation certificates in respect of 16 out of 20 projects involving Rs. 55.80 crore. The major delay was on the part of the PWD (one to over three years) followed by the Power Department (two months to one year).

1.3.8.3 Unnecessary release of NLCPR funds

Sarva Shiksha Abhiyan (SSA) is an important programme of the GOI to universalise elementary education in the country in a mission mode. The programme was being implemented in Meghalaya by the Sarva Shiksha Abhiyan State Mission constituted on 13 March 2002. The programme was being financed by the Union and the State Governments on 75:25 basis during the Tenth Plan (2002-07) and 50:50 thereafter.

As a special dispensation for the years 2005-06 and 2006-07, MoDONER accorded (March 2006) approval for meeting 15 per cent of the State's share under SSA from the NLCPR funds. Accordingly, MoDONER released Rs. 3.85 crore and Rs. 8.59 crore to the State Government during 2005-06 and 2006-07 respectively, which were released to the SSA by the State Government during 2006-07 (Rs. 3.85 crore) and 2007-08 (Rs. 8.59 crore). Since NLCPR funds are meant for speedy development of infrastructure in the NER, release of the same to the SSA through the State Government as a special dispensation was not justified, because the SSA State Mission was unable to utilise the funds ranging between Rs. 37.55 crore and Rs. 58.32 crore provided (2005-08) under SSA by the Union Government.

1.3.9 Project Implementation

MoDONER sanctioned 60 NLCPR projects, estimated to cost Rs. 627.41 crore, for execution in the State during 1998-09, of which Rs. 378.29 crore was released. The State Government incurred expenditure of Rs. 282.75 crore and completed 18 projects at a cost of Rs. 141.67 crore as indicated in the following tables.

Table 1.3.2

(Rupees in crore)

Sector	Number of projects sanctioned	Approved cost	Funds released	Fund utilised
Roads and Bridges	24	154.51	93.28	65.87
Water Supply	05	97.94	86.10	85.65
Education	13	65.51	51.79	42.76
Power	12	276.17	134.47	83.39
Miscellaneous ¹⁹	06	33.28	12.65	5.08
Total	60	627.41	378.29	282.75

Source: Planning figures, sanction orders of MoDONER and State Government and expenditure statement.

As of March 2009, the overall status of projects implemented under NLCPR was as under:

¹⁹ Baljek Airport, Iawmusiang market, Ginger Processing Plant at Byrnihat, Shopping Complex-cum-Auditorium near Lumshad and New Nongstoin Market Complex.

Table 1.3.3

Sector	Completed projects		Incomplete projects			
	Number	Expenditure incurred	Number	Approved cost	Due for completion by March 2009	Expenditure (as of March 2009)
Roads and Bridges	4	18.64	19	135.87	4	47.23
Water Supply	1	35.79	04	62.15	3	49.86
Education	3	21.91	11	41.55	2	20.85
Power	9	63.43	03	211.75	-	19.96
Miscellaneous ²⁰	1	1.90	05	31.38	-	3.18
Total	18	141.67	42	482.70	9	141.08

Source: Planning figures, sanction orders of MoDONER and State Government and expenditure statement.

Some of the important projects viz., ‘Electrification of ‘ten’ tribal villages, improvement of power supply at Shillong’, ‘132 KV DC Transmission line from Sarusajai’, ‘Commissioning of transformer at Khliehriat’, ‘School building, teachers’ quarters and students’ home at Ramkrishna Mission, Cherrapunjee’, ‘Strengthening and widening of four roads’, ‘Upgradation of market at Lad Mawngap’, etc. were created out of the scheme funds. This has helped the State to bridge the infrastructural gap to a large extent.

1.3.9.1 Time over run

There was delay of three months to two years in completion of seven out of 18 projects (target date for completion of 11 projects was not available). The remaining 42 projects (Rs. 482.70 crore) were ongoing as of March 2009. Of these, nine projects targeted for completion between March 2005 and December 2008, had not been completed till March 2009. Out of the remaining 33 projects, 18 were targeted for completion during 2009-12 and target dates for completion of the 15 projects were not available.

1.3.9.2 Status of test-checked projects

Status of the 20 projects (out of 60 projects) test checked in detail under four sectors (Roads and bridges: seven; Water supply: three; Education: six; Power: four) as of March 2009, is given in the following table.

Table 1.3.4

(Rupees in crore)

Sector Name of the Project	Date of Approval by MoDONER	Approved cost	Stipulated date of completion	Expenditure up to March 2009	Physical progress as of March 2009 (Per cent)
ROADS AND BRIDGES					
Re-construction of Bridges and Approaches on Mawphlang- Balat (10 Bridges)	October 2005	9.01	November 2008	6.57	95
Upgradation of double lane and strengthening of Dkhiah- Sutnga-Saipung-Moulsei - Haflong Road (9-16 th Km)	October 2005	4.46	November 2008	4.45	100

²⁰ Baljek Airport, Iawmusiang market, Ginger Processing Plant at Byrnihat, Shopping Complex-cum-Auditorium near Lumshad and New Nongstoin Market Complex.

Sector Name of the Project	Date of Approval by MoDONER	Approved cost	Stipulated date of completion	Expendi- ture up to March 2009	Physical progress as of March 2009 (Per cent)
Improvement, widening, strengthening including Reconstruction of Bridges and Culverts of Rymbai- Iapmala-Suchen Road (1-17km)	December 2005	18.77	June 2008	16.48	95
Improvement, widening including Metalling and Black Topping of Dkhiah- Sutnga- Saipung- Moulsei- Haflong Road (29- 44 km)	March 2007	7.22	March 2010	6.71	85
Construction of RCC Bridge over river Daru on Ampati- Purakhasia Road (2 nd km) to Ampati village, Approach Road	December 2005	4.54	December 2007	2.37	65
Strengthening of Baghmara- Maheshkhola Road (35-74 km)	April 2001	1.86	March 2003	1.86	100 (March 2005)
Strengthening including widening of existing pavement into intermediate lane of 5.5 m width of Mawshynrut- Nongdaju-Nongchram Road (0-53.3 km)	April 2001	7.33	February 2002	6.59	100 (March 2005)
WATER SUPPLY					
Nongpoh (Urban) Water Supply Scheme	March 2007	17.47	March 2010	10.26	61
Jowai Water Supply Scheme	March 2003	15.41	March 2007	11.12	65
Mairang Water Supply Scheme	December 2005	7.69	December 2008	5.79	80
POWER					
Sub -Transmission and Distribution Scheme. Master Plan for distribution of Power in Meghalaya	January 2003	24.00	2007-08	22.84	100 (May 2007)
Construction of 132 KVDC Transmission line from Sarusajai to Byrnihat in Meghalaya	March 2004	9.78	2007-08	9.78	100 (May 2007)
Transmission & Distribution Scheme- Commissioning of Transformer at Khliehriat	January 2003	1.64	2007-08	1.64	100 (May 2007)
Tura Improvement Scheme	October 2000	12.03	NA	12.03	100 (October 2005)
EDUCATION					
Construction of School Building for Sutnga Presbyterian Higher Secondary School at Sutnga	February 2006	2.34	August 2007	0.73	30
SAC Expansion Programme - Developing the Employment Potential of NE Region in the New Economy & Promoting and Documenting Regional Talent	December 2006	4.24	December 2010	1.33	40
Campus Development Project of Building Infrastructure of Thomas Jones Synod College, Jowai	November 2006	3.37	April 2009	2.02	80
Construction of Tikrikilla College Complex, West Garo Hills	December 2006	5.43	NA	-	-
Mawsynram Border Area College	November 2005	2.86	October 2007	1.53	63
Sarva Shiksha Abhiyan (2005-07)	September 2006	12.44	-	12.44	100
Total				136.54	

Source: Sanction orders of MoDONER and State Government and expenditure statements furnished by the implementing authorities.

The important Audit findings with regard to contract management and execution of these projects are discussed in the succeeding paragraphs.

1.3.10 Project execution

Significant audit findings with regard to the projects covered under the review are discussed in the subsequent paragraphs.

1.3.10.1 Deviation from sanctioned estimates and excess utilisation of construction material than required

In seven projects, cases of execution of different items of work in excess of the estimated provision and utilisation of construction material in excess of norms/actual requirement were noticed, which led to excess expenditure of Rs. 10.71 crore as detailed in the following table.

Table 1.3.5

(Rupees in lakh)

Project	Items of work executed in excess of estimated provision	Excess expenditure
Improvement, widening, strengthening including reconstruction of bridges and culverts of Rymbai-Iapmala-Suchen Road (1-17 km)	Earthwork, Culverts, Retaining Wall and Superstructure	505.71
	Utilisation of Hume pipes in excess of requirement	56.68
Improvement, widening, strengthening of Dkhiah-Sutnga-Saipung-Moulsei-Haflong Road (9-16 km)	Granular Sub-Base for construction of granular sub-base, Grade II and III metal for Water Bound Mecadum	62.03
	Utilisation of Hume pipes in excess of requirement	19.21
Improvement, widening including metalling and blacktopping of Dkhiah-Sutnga-Saipung-Moulsei-Haflong Road (29-44 km)	Hume Pipe Culverts-Execution of earthwork and random rubble stone masonry in excess of estimated provisions	226.26
	Utilisation of Hume pipes in excess of requirement	34.66
Strengthening including widening of existing pavement into intermediate lane of 5.5 m width of Mawshynrut-Nongdaju-Nongchram Road (0-53.3 km)	Excess utilisation of bitumen	13.68
Re-construction of 10 bridges and approaches on Mawphlang-Balat Road:	Procurement of Hume pipes without requirement	13.61
Renovation of Jowai Water Supply Scheme - Construction of Approach Road – 6.5 km	Earthwork, metalling and blacktopping and Construction of RCC Hume Pipe culvert in excess of estimated provisions	65.32
Mairang Water Supply Scheme	Excess procurement of DI pipes	73.97
Total		1071.13

Source: DPRs, contractors' bills, Measurement Books and payment vouchers.

The EE, Electrical Division, Jowai stated (September 2008) that the increase in the volume of earthwork under “**Renovation of Jowai Water Supply Scheme - Construction of Approach Road – 6.5 km**” was due to increase in the height of earthwork including encountering of different type of soil than those estimated, there was no provision for construction of culvert along the approach road in the DPR, construction of hume pipe culvert was carried out considering the absolute necessity of the storm water for avoiding submergence and damage of road in the event of storm. Reasons for excess expenditure in respect of metalling and blacktopping work despite actual execution was less than the estimate had not been furnished. This

indicated that the estimate of the work was prepared without proper survey of the site of the work.

➤ The DPR of 'Renovation of Jowai Water Supply Scheme', provided estimated cost of Rs. 4.36 crore for procurement of MS pipes of different diameters. The Department, however, incurred expenditure of Rs. 2.01 crore on procurement of these MS pipes. The actual expenditure constituted only 46 *per cent* of the estimated cost, indicating that the cost of pipes provided in the estimate was unrealistic, thereby inflating the estimated cost of the scheme.

➤ In project 'Improvement, widening, strengthening including reconstruction of bridges and culverts of Rymbai-Iapmala-Suchen Road (1-17 km)', sand filling for foundation trench required to be done for foundation work of bridge No.1/7 was not executed. Besides, drilling holes in foundation were executed 300 metre instead of 70.14 metre. 70.14 tonnes of HYSD bars estimated for foundation work was also not utilised for the work.

The possibility of execution of sub-standard work under the project also could not be ruled out because of non execution of estimated items of works.

1.3.10.2 Non-completion of work leading to idle expenditure

Construction work for stretch 1-9 km of "**Improvement, strengthening including reconstruction of bridges and culverts of Rymbai-Iapmala-Suchen Road (1-17 km)**" was awarded to a contractor in June 2006 at his offered rate of Rs. 7.07 crore, stipulating the date of completion by June 2008. As per the agreement executed (June 2006) with the contractor, the items of allotted work included earthwork, base and surface course, hume pipe culverts and retaining wall.

According to the 5th Running Account Bill of the contractor, except base and surface course work, all other items were completed by September 2007 at a cost of Rs. 6.87 crore. Thereafter, the road had been lying unattended in the form of a metalled road, because of non-execution of base and surface course involving bituminous work, rendering the expenditure of Rs. 6.87 crore idle. Reasons for discontinuation of the work on the road, though called for (August 2009), had not been furnished. The possibility of additional expenditure on the road could also not be ruled out because of deterioration of the metalled road due to passage of time, particularly because the area falls under heavy rainfall zone as mentioned in the DPR.

1.3.10.3 Delay in completion of the work

Under "**Renovation of Jowai Water Supply Scheme**" one of the item of the project, *viz.*, 'Construction of raw water pumping system, intake structure, intake pump house, approach bridge, intermediate RCC sump, intermediate pump house, raw water main reservoirs, laying of raw water rising main and pumping machineries including all appurtenant works' was awarded (August 2004) by the CE, PHE to a contractor at a cost of Rs. 4.37 crore. As per conditions of work order, the contractor was to obtain trading licence from the Jaintia Hills Autonomous District Council (JHADC) before

starting the work. Though, the contractor had applied for the licence in August 2004, the JHADC issued the same in March 2005, which was revalidated in April 2005. Consequently, the tender agreement for the work was executed in May 2005 with the stipulation to complete the work by April 2007. But the work remained incomplete till March 2009 even after two years of the stipulated date of completion. Expenditure of Rs. 1.79 crore was incurred by the Department on the work till March 2009 against physical achievement of 65 *per cent*, which has been rendered unfruitful.

1.3.10.4 Non-completion of the project rendering the expenditure unproductive

To reduce the transmission and distribution (T&D) loss of energy (9.2 *per cent* from the existing 15.6 *per cent* by 2002) of ‘**Tura Electric Supply System**’ and modernise the existing system through system improvement, the MoDONER accorded administrative approval for the project “Tura Improvement Scheme” in October 2000 for an amount of Rs. 12.03 crore which was released to the State Government during 2000-01. The State Government, however, released (2000-06) Rs. 11.83 crore to the MeSEB, of which Rs. 8.40 crore was released as loan. Reasons for release of NLCPR funds as loan, though called for (August 2009) from the GOM, had not been furnished. As per the records of the MeSEB, Rs. 11.83 crore was released by the MeSEB to three executing divisions during 2000-08 (Tura Division: Rs. 1.81 crore; Garo Hills Civil Division: Rs. 0.88 crore; Material Management (MM) Division: Rs. 9.14 crore). As per the certificate furnished to the State Power Department by the Member (Technical), MeSEB in February 2006, the project was completed in October 2005 at a cost of Rs. 12.03 crore. Even after submission of completion certificate, the MeSEB incurred expenditure of Rs. 84.40 lakh by charging under this scheme (cost of material: Rs. 76.63 lakh; labour cost: Rs. 7.77 lakh).

It was, however, noticed that the objective to reduce the T&D loss was not achieved. Instead of reduction, the T&D loss scenario has even worsened and the average T&D loss during 2006-09 reached the level of 38.27 *per cent*, which is four times the limit envisaged after implementation of the project. Failure to bring down T&D loss has to be viewed in the light of the fact that out of Rs. 11.83 crore released to three executing divisions for electrical and civil works and for procurement of material for the works, Rs. 4.65 crore only was utilised for the specified purpose and the balance amount of Rs. 7.18 crore was diverted for the purposes not covered under the NLCPR²¹.

Thus, Rs. 11.83 crore released by MoDONER remained unproductive as the MeSEB failed to achieve the desired objective of reducing the T&D loss and diverted the funds without the knowledge of the MoDONER.

²¹ Material Management Division: Rs.600.27 lakh; Tura Civil Division: Rs.9.43 lakh; Tura Distribution Division: Rs.108.51 lakh.

1.3.10.5 Execution of substandard work

Audit scrutiny revealed the following shortcomings:

➤ EE, NEC Division, Jowai engaged (June 2006) two contractors for construction of pipe culverts required for the project “Improvement, widening, strengthening including re-construction of bridges and culverts of Rymbai-Iapmala-Suchen Road (1-17km)”. The items of work allotted to the contractors *inter alia* included cement concrete work of 1:2:4 ratio at the rate of Rs. 2,503 per cum, which was fixed taking into account the cost of 330 kg of cement. Up to third running account bill, the contractors executed 500.21 cum (283.80 cum + 216.41 cum) cement concrete work. As per utilisation statement attached to the bills, the contractors utilised 170 kg of cement for execution of one cum of cement concrete work. Thus, the contractors utilised 85,035.7 kg of cement against the requirement of 1,65,069.30 kg. But payments (Rs. 12.52 lakh) were made (March 2007) to the contractors at the agreed rate without deduction for the cost of 80,033.6 kgs (1,601 bags) not utilised in the work. Failure of the EE to get the work executed by the contractors as per specification not only led to execution of sub-standard work but also resulted in an extra expenditure of Rs. 3.20 lakh due to payment for 1,601 bags of cement (at the rate of Rs. 200 per bag) not utilised by the contractors.

➤ For executing the foundation work of another project (Construction of RCC Bridge over River Daru on Ampati Purakhasia Road - 2nd Km), the contractor executed 2,138.37 cum of cement concrete work up to sixth running account bill. As per utilisation statement attached to the bill, the contractor utilised 17,106.96 bags of cement for execution of the cement concrete work. The “Consumption of Cement Register” maintained at construction site of the works, however, showed utilisation of 13,473 bags of cement by the contractor for execution of 2,138.37 cum of cement concrete work. But payments (Rs. 98.72 lakh) were made (June 2008) to the contractor by the EE, Ampati Division without deduction for the cost of 3,633.96 bags (181.698 tonnes) of cement not utilised in the work, which resulted in extra expenditure of Rs. 9.68 lakh (at the rate of Rs. 5,330 per tonne) to the contractor. Besides, execution of work by utilising less quantity of cement also led to execution of sub-standard work.

The EE, NEC Division, Jowai stated (September 2008) that utilisation of 170 kg of cement instead of actual utilisation of 330 kg was inadvertently shown in the utilisation statement, which was subsequently corrected. The reply is not tenable because the EE could not produce the relevant documents in support of procurement of the required quantity of cement by the contractors and it is an attempt to cover up the fraud perpetrated. Reply from the EE, Ampati Division had not been received.

➤ As per the DPR, MS pipes can withstand sufficiently high pressure, chance of leakages at joints is far less compared to other pipes, these are very flexible and can be easily laid even in undulated hilly terrains. Accordingly, the approved DPR of the scheme provided funds for laying of MS pipes for gravity main and for laying of GI pipes under gravity feeder main as these pipes were considered advantageous over

other pipes. Contrary to the DPR, the EE, PHE Nongpoh Division proposed (June 2007) to implement the scheme with Ductile Iron (DI) pipes and executed the work. The action of the EE was irregular as it did not have the approval of the MoDONER on one side and on the other side, is also fraught with the risk of execution of sub-standard work under the scheme because MS and GI pipes were considered advantageous over other pipes.

1.3.11 Contract Management

Scrutiny of records in audit revealed instances of excess expenditure on carriage of material, undue advantage to contractor, execution of work without recording detailed measurements, *etc.* as brought out in the succeeding paragraphs.

1.3.11.1 Tendering procedures

According to Meghalaya Financial Rules, 1981, when a work is to be done by a contractor, sealed tenders should be invited and a deed of contract should be executed. Scrutiny of records of 20 projects selected for detailed examination revealed that the implementing departments had followed the codal formalities relating to tendering for execution of the project work through contractors in respect of all the projects except in the case of ‘Construction work of the hostel buildings’ wherein contract was awarded to a contractor at Rs. 1.90 crore without inviting tenders. However, an agreement was executed in April 2006. As a result, opportunity of getting comparative rates was missed.

1.3.11.2 Excess expenditure on carriage of material

Under the project “Upgradation of double lane and strengthening of Dkhiah-Sutnga-Saipung-Moulsei-Haflong Road (9-16km)” the carriage cost of material (stone metal, stone boulders, GSB, stone chips, earth from cutting/burrow pit, bituminous pre-mix) were paid at a higher rate preferred by the contractor against the rate duly approved by the MoDONER resulting in excess expenditure of Rs. 16.63 lakh.

During exit conference (October 2009), the Department stated that the excess expenditure was due to oversight and that the detailed reply would be furnished.

1.3.11.3 Execution of works without recording detailed measurement

As per procedure for lump sum contract prescribed in Rule 324 of Meghalaya Financial Rules, 1981, for incomplete items, rough measurement should be recorded in the Measurement Book.

The construction work of “raw water pumping system, intake structure, *etc.*” was awarded to a contractor in August 2004 at Rs. 4.37 crore on lump sum basis. Though, payments of Rs. 1.78 crore were made to the contractor up to sixth running account bill, measurement of work done by the contractor was not recorded in the MB. In the absence of recorded measurement of works, actual execution of works as per required specification could not be ascertained in Audit.

1.3.11.4 Undue benefit to the contractor

➤ For construction of hume pipe culverts under project “**Improvement, widening, strengthening including re-construction of bridges and culverts of Rymbai-Iapmala-Suchen Road (1017 km)**”, the EE, NEC, Jowai Division procured (January 2007) hume pipes at a cost of Rs. 98.13 lakh from a supplier. Though, there was a delay of five months in supply of the pipes and extension of time was also not granted by the CE, the EE did not impose any penalty on the suppliers as per Clause 2 of the agreement which provided for imposition of penalty at the rate of one *per cent* for each day of delay subject to a maximum of 10 *per cent* of the estimated cost. Consequently, the supplier was given undue financial benefit of Rs. 9.81 lakh (10 *per cent* of the tender value of Rs. 98.13 lakh).

The EE stated (September 2008) that the delay was due to bad condition of the road which was not motorable during summer season. The reply was not tenable because the condition of road should have been taken into consideration while fixing the date of delivery.

➤ Construction material like cement, MS pipe, torsteel, valued at Rs. 1.71 crore were supplied by the Department to the contractor engaged for construction work of ‘raw water pumping system, intake structure, *etc.*’ under “**Renovation of Jowai Water Supply Scheme**”. Though, payment of Rs. 1.78 crore was made to the contractor (up to the sixth running account bill), the value of the material issued for construction of the work was not deducted as per Clause 10 of the agreement which stipulates that the value of material required to be supplied to the contractor for the purpose of the work should be deducted from any sum due to the contractor under the contract. Further, in absence of detailed measurement indicating the quantity of work done and material utilised, the amount of undue financial benefit extended to the contractor could not be worked out in audit.

➤ Further, the agreement executed with the contractor engaged for construction work of ‘raw water pumping system, intake structure, *etc.*’, provided for recoverable advance for mobilisation at 5 *per cent* of the contract amount. Accordingly, the EE paid (March 2006) Rs. 21.85 lakh (5 *per cent* of Rs. 4.37 crore) as advance to the contractor. But recovery of the advance was not effected till the sixth running account bill of the contractor paid in March 2009 (Rs. 1.78 crore). The action of the EE was not only contrary to the Meghalalya Financial Rules (MFR) but also failed to protect the interest of the Government and led to undue favour to the tune of Rs. 21.85 lakh to the contractor.

The EE stated (September 2008) that the works done against mobilisation advance were establishment of camp site, mobilisation of manpower and infrastructural facilities for commencement of the work. The reply was not tenable because payment of mobilisation advance without the security of the material brought at site by the contractor was contrary to the MFR.

1.3.12 Quality Control

DPRs of the schemes implemented under NLCPR stipulate execution of these schemes in accordance with the standards prescribed in Specifications for Road and Bridge Works published by Indian Roads Congress (IRC). As per IRC specifications, all materials should be subjected to an acceptance test prior to their immediate use. Independent testing of cement for every consignment should be done by the contractor at site in the laboratory approved by the Engineer before use. The contractor should furnish test certificates from the manufacturers/supplier of materials along with each batch of materials delivered to site. The testing of all the materials should be carried out by the Engineer or his representative for which the contractor should make all the necessary arrangements and bear the entire cost.

Though, cement and torsteel required for execution of four test-checked projects²² were purchased by the contractor from the market, the quality of these materials was not ensured through proper test or obtaining quality test certificates/reports from the contractors. Consequently, the quality of different works executed under these projects remained uncertain.

1.3.13 Monitoring and Evaluation

Except monitoring of the execution of works under different projects by the MoDONER and the implementing departments through the quarterly progress reports submitted by the executing divisions/implementing agencies, no other measures were initiated by the Nodal Department to streamline the monitoring system, as is evident from the following:

- **Quarterly meeting:** Instead of holding quarterly meetings to review the progress of implementation of the projects, monthly meetings were conducted by the Chief Secretary. During the five year period ending March 2009, monthly meetings were conducted by the Chief Secretary only 22 times and two review meetings were held under the chairmanship of the Secretary, MoDONER.
- **Field Inspection by Ministry:** Field inspections by officers of the MoDONER and impact studies, social studies and evaluation were not conducted by Government/independent agencies during the period covered by audit.
- **Independent supervision:** Half-yearly supervision for making mid course correction in the projects and its implementation procedures was never conducted.
- **Evaluation:** No evaluation studies of the projects implemented during the period covered under review had been conducted by the departments concerned to correlate the works with the expenditure incurred and to ensure that the objectives of the NLCPR were achieved.

²² Improvement, widening, strengthening including reconstruction of bridges and culverts of Rymbai-Iapmala-Suchen Road (1-17 km), Upgradation of double lane and strengthening of Dkhiah-Sutnga-Saipung-Moulsei-Haflong Road (9-16 km), Improvement, widening including metalling and blacktopping of Dkhiah-Sutnga-Saipung-Moulsei-Haflong Road (29-44 km) and Construction of Mawsynram Border Area College.

1.3.14 Conclusion

Implementation of NLCPR schemes in the State has brought about some improvement in creation of infrastructure in various sectors. The assets such as electrification of 'ten' tribal villages, improvement of power supply at Shillong, 132 KV DC Transmission line from Sarusajai, commissioning of transformer at Khliehriat, school building, teachers' quarters and students' home at Ramkrishna Mission, Cherrapunjee, strengthening and widening of four roads, upgradation of market at Lad Mawngap, etc. created out of scheme funds have helped the State to bridge the infrastructural gap to some extent.

Programme objective of ensuring speedy development of infrastructure in the State by increasing the flow of financing for specific viable infrastructure projects in various sectors and reduce the critical gaps in the basic minimum services, such as roads and bridges, water supply, education and power, was, however, constrained as these gaps were not identified prior to implementation of schemes. There were cases of diversion of funds released by the MoDONER, undue favour to the contractors, excess expenditure in deviation from the sanctioned DPRs, unauthorised revision of the structure of the work and misrepresentation of facts. Evaluation was never attempted to gauge the extent of development of infrastructure and reducing the gaps in basic minimum services.

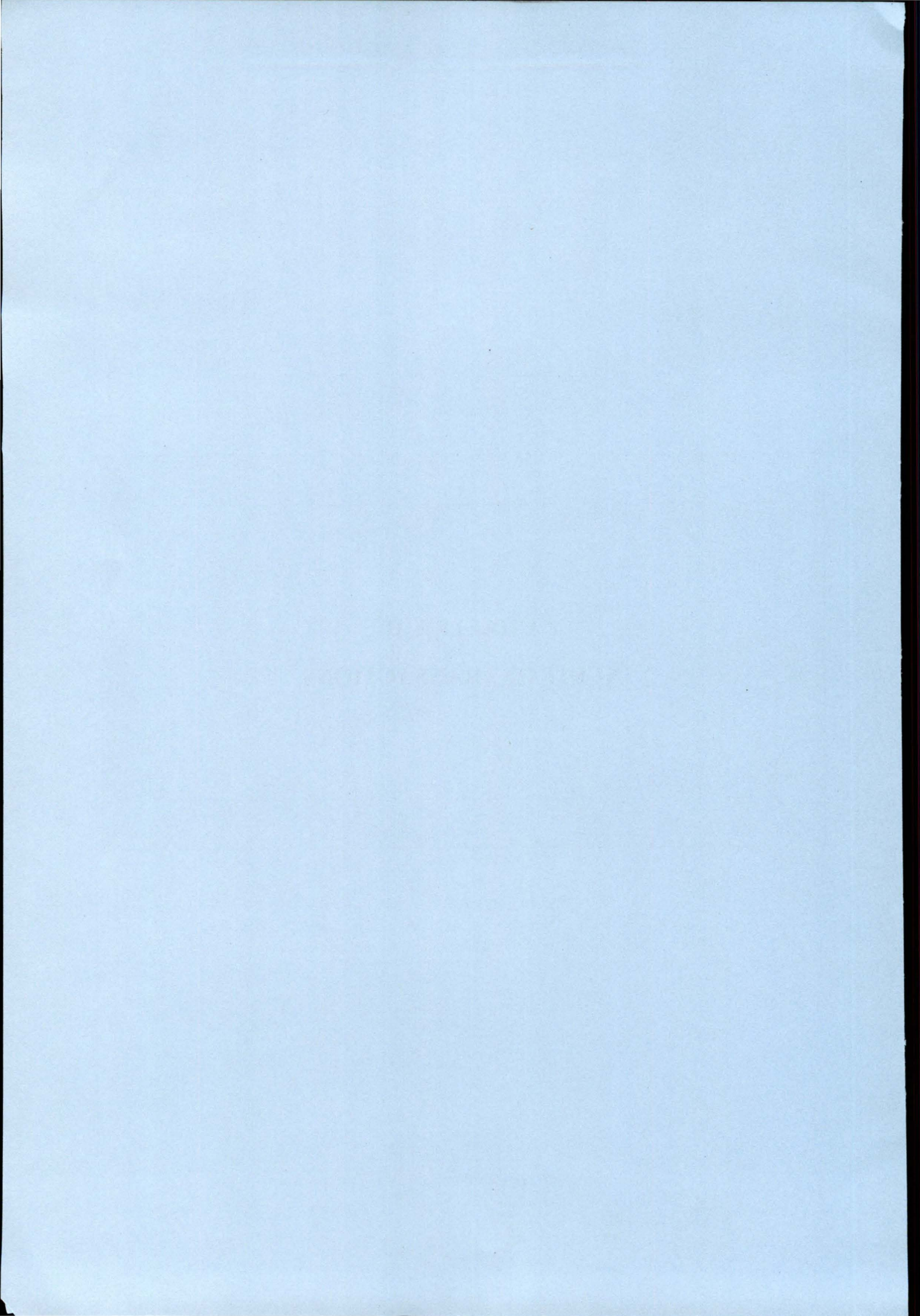
1.3.15 Recommendations

- **Efforts should be made to allocate funds in accordance with the components of the projects and diversion and blocking of funds should be monitored for prompt remedial action.**
- **Executing authorities should strictly adhere to the provisions of the sanctioned DPRs to avoid excess expenditure.**
- **Monitoring mechanism needs to be strengthened and accountability should be fixed for ineffective implementation of the projects in a time bound manner to serve the objectives envisaged under the scheme.**

The matter was reported to the Government in September 2009; reply had not been received (November 2009).



CHAPTER II
AUDIT OF TRANSACTIONS



CHAPTER II : AUDIT OF TRANSACTIONS

Fraud/Misappropriation/Embezzlement

SECRETARIAT ADMINISTRATION DEPARTMENT/ MEGHALAYA LEGISLATIVE ASSEMBLY

2.1 Fraudulent drawal of Travelling Allowance and Leave Travel Concession claims

Weak internal control mechanism resulted in fraudulent payment of Travelling Allowance/Leave Travel Concession claims amounting to Rs. 70.23 lakh.

According to the Meghalaya Legislative Assembly Members Salaries and Allowances Rules, 1972 (as amended), the travelling allowance of a member shall be regulated by the corresponding rules for the time being in force for officers of the senior grade appointed by the State Government. Meghalaya Travelling Allowance Rules, 1985 stipulate that it is the duty of the controlling officer to scrutinise the necessity, frequency and duration of journeys and to disallow the whole or any part of the travelling allowance claimed for unnecessary or unduly protracted journeys. He also must ensure that provision of Office Memorandum issued (January 2005) by the State Finance Department stipulating prior written approval of the Chief Minister or Deputy Chief Minister (in the absence of Chief Minister) has been adhered to.

Test-check (September 2008 and May 2009) of TA vouchers pertaining to 202 travel claims preferred by the Parliamentary Secretaries, Ministers, Members of the Legislative Assembly (MLA) and officers/staff of the Meghalaya Assembly Secretariat for tours outside the State and on Leave Travel Concession (LTC) during the period from February 2006 to April 2008 and paid by the Treasury between March 2006 and April 2008 revealed that-

- there had not been any indication in the payment vouchers of Parliamentary Secretaries about the approval of the Chief Minister/Deputy Chief Minister having been obtained before undertaking tours outside the State;
- the specific purpose for which such tours had been performed by Parliamentary Secretaries outside the State was not mentioned; as a mere mention about 'meeting with the counterparts' was quite vague;
- instead of supporting air travel claims by attaching boarding passes along with air tickets, only photo copies of air tickets/printouts of e-tickets/copies of tickets/money receipts were furnished in support of claims for air travel.

Information received from the concerned Airlines, whose tickets were submitted in support of air travels, revealed serious anomalies, details of which are given below:

Table 2.1

(In rupees)

Nature of anomalies in air tickets	Number of cases			Amount involved		
	Parliamentary Secretaries/Ministers	MLAs and officers/staff of Assembly Secretariat	Total	Parliamentary Secretaries/Ministers	MLAs and officers/staff of Assembly Secretariat	Total
Travelling Allowance on Tour						
Details of tickets not traced –journeys not performed, ticket not utilised	41	3	44	12,75,399	97,866	13,73,265
Incorrect air ticket numbers/different flight date/data not traced	22	40	62	9,27,625	16,92,584	26,20,209
Journeys performed by 'other' persons instead of by the claimants	17	-	17	4,73,247	-	4,73,247
Ticket numbers repeated in many claims	9	-	9	1,67,292	-	1,67,292
Refund claimed and ticket sectors being different	3	39	42	71,116	13,05,830	13,76,946
	92	82	174	29,14,679	30,96,280	60,10,959
Travelling Allowance on LTC						
Refund claimed/Sectors different/flight date different	-	16	16	-	6,69,535	6,69,535
Ticket number is incorrect	-	12	12	-	3,42,695	3,42,695
	-	28	28	-	10,12,230	10,12,230
Total	92	110	202	29,14,679	41,08,510	70,23,189

Source: Payment Vouchers and information received from the concerned Airlines.

The table above shows that in 44 cases, journeys on the air tickets attached with payment vouchers were not performed. In 62 cases, either the numbers of air tickets were not correct or flight dates were different, indicating that no journeys had been performed on these tickets. In 17 cases, TA was claimed on the basis of tickets bearing numbers on which journeys were performed by other persons and on different dates. In nine cases, copies of air tickets bearing same numbers were attached with the payment vouchers, though as per an authorised travel agent, "air tickets bear a number which is issued to one passenger only and different passengers can not have the same ticket number". Evidently, journeys were not performed on these tickets as confirmed by the Airline concerned. In the remaining 42 cases, refund had been claimed on the air tickets attached with the payment vouchers. Obviously, air journeys were not performed on these tickets.

As regards LTC claims, in 16 cases, either the air tickets were got refunded as claimed or sectors were different and in 12 cases, ticket numbers were incorrect, indicating that air journeys were not performed on these tickets.

The total cost of air fare, daily allowances and road mileage paid to the Parliamentary Secretaries/MLAs/officers/staff for journeys not performed amounted to Rs. 70.23 lakh.

All the above instances indicated the failure in control over expenditure coupled with weak internal control mechanism of Secretariat Administration Department/Assembly Secretariat over such claims, resulting in fraudulent payment of TA/LTC claims amounting to Rs. 70.23 lakh. As the audit conducted only a test-check, there is every possibility that many such cases would have escaped detection.

Regarding TA claims of the Parliamentary Secretaries, the Government stated (December 2008) that since the Parliamentary Secretaries are self Drawing and Disbursing Officers, on receipt of their tour diaries, the Secretariat Administration Department prepares the TA bills and sends the same for their signature and the Treasury Officer passes the bills after check. The reply is not acceptable because there was no proper check on genuineness of these claims which led to fraudulent drawal of claims as discussed above.

The Secretary, Meghalaya Legislative Assembly stated (September 2009) that Rs. 2.82 lakh was recovered from one ex-MLA and one officer and action would be taken in respect of other cases. Government (Secretariat Administration Department) admitted the fact about Parliamentary Secretaries and stated (September 2009) that all the Parliamentary Secretaries were directed to refund the amount and Rs. 0.55 lakh was refunded by one Parliamentary Secretary. However, Rs. 66.86 lakh out of Rs. 70.23 lakh was still to be refunded by the Parliamentary Secretaries/Ministers/MLAs/officers/staff.

MEGHALAYA LEGISLATIVE ASSEMBLY

2.2 Entertainment of inflated travelling allowance claims

Payment of travelling allowance claims on the basis of fake documents and without supporting documents for the claims preferred resulted in inflated payment of Rs. 1.67 crore.

According to the instructions of the Cabinet Secretariat, GOI, political clearance from the Union Ministry of External Affairs and necessary permission from Union Ministry of Finance, Department of Economic Affairs is required before the Ministers of State Governments/Members of State Legislatures/ officials as members of official delegations undertake official visits abroad. Clearance from the security angle by the Union Ministry of Home Affairs is also required for undertaking such visits.

On the request (June 2006) from the then Speaker of the Meghalaya Legislative Assembly to the Speaker of the House of Commons for a study tour to the United Kingdom (UK), the Commonwealth Parliamentary Association, UK Branch extended (August 2006) an invitation for the visit of 15 members delegation headed by the former Speaker, Meghalaya Legislative Assembly along with two officials of the Assembly Secretariat for visiting British Parliament for one day on 9 October 2006, subject to the condition that the expenditure would be borne by the State Government.

Scrutiny (November 2008) of records of the Secretary, Meghalaya Legislative Assembly revealed the following irregularities:

- Though, the delegation had received invitation for one day's visit to British Parliament on 9 October 2006, the 17 member delegation visited Paris (France), Rome (Italy) and Amsterdam (Netherlands) during 11 October to 20 October 2006. Except clearance from Foreign Contribution Regulation Act angle in respect of the Speaker; no other documents in support of mandatory political and security clearances from the concerned Ministries/departments of the GOI for such visits by the members of the delegation were produced to Audit. The mandatory prior approval of the State Government (Finance Department) for undertaking such visits was also not obtained by the said delegation.
- In support of their visits abroad, 14 members of the delegation submitted travelling allowance (TA) claims at a uniform rate of Rs. 12.10 lakh and remaining three members for Rs. 11.06 lakh, Rs. 12.06 lakh and Rs. 12.08 lakh, which were paid by the Assembly Secretariat between November 2007 and February 2008. All the members of the delegation claimed at the rate of Rs. 4.55 lakh, Rs. 0.67 lakh and Rs. 5.94 lakh per person as (a) Air Fare for the sector Delhi-Amsterdam-London, Paris-Rome-Amsterdam-Delhi, (b) Euro Star Train fare from London to Paris and (c) Taxi fare for local journeys abroad, respectively, besides domestic air fare, daily allowance for foreign tour, personal incidental, *etc.*
- Air fare at the rate of Rs. 4.55 lakh for the journeys was claimed by the members of the delegation on the basis of a certificate issued by a Shillong based travel agency 'A'. But the air tickets and itinerary attached to the TA claims of these members showed that these were actually purchased from another Shillong based travel agency 'B'. According to information received from agency 'B', they had arranged air tickets for 17 member delegation for the said sectors at the rates ranging between Rs. 52,234 and Rs. 70,416 per person and that the fare of Rs. 4.55 lakh claimed by the members was not shown in the itinerary given by them. The air fare for the Speaker, being the business class, was Rs. 1.28 lakh for the entire tour.
- Each of the members of the delegation also claimed Rs. 6.61 lakh as Euro Star Train fare from London to Paris (Rs. 0.67 lakh) and taxi fare for local journeys (Airport to hotel, hotel to Airport, sightseeing, *etc.*) abroad (Rs. 5.94 lakh). Evidence in support of rail and taxi fare, e.g., tickets, money receipts, however, was not produced along with the TA claims and the claims were passed and paid on the basis of self certificate given by them.
- The booking for journey by Euro Star Train from London to Paris by the delegation was arranged by the Shillong based agency 'B' through a Mumbai based tour operator. According to this tour operator, all arrangements (08 to 20 October 2006) for journey from London to Paris by Euro Star train, local transportation from different airports to hotels/hotels to airports (except journey from hotel in London to the British Parliament and *vice versa*), hotel accommodation in London, Paris,

Amsterdam and Rome and local sightseeing at all locations for 17 persons¹ were made by them at a total cost of Rs. 12.21 lakh. The details are as under:

Table 2.2

(In rupees)

Number of person	Euro Star Train fare		Cost for all other arrangements		Total amount
	Per person	Total	Per person	Total	
Sixteen persons	3,073	49,168	68,998	11,03,968	11,53,136
One person	3,073	3,073	64,634	64,634	67,707
Total		52,241		11,68,602	12,20,843

Source: Information received from the Mumbai based tour operator.

As can be seen from the above table, the tour operator claimed Rs. 3,073 per person as Euro Star train fare for journey from London to Paris. Against this, each of the member of the delegation claimed Rs. 67,500, which was paid to them by the Assembly Secretariat.

Similarly, tour operator claimed Rs. 68,998 per person from 16 member delegation and Rs. 64,634 from one member for all other arrangements, viz; hotel accommodation & local journeys at different places abroad. Against this, each member of the delegation claimed Rs. 5.94 lakh as taxi fare for local journeys only indicating inflated and unimaginative distances varying from 400 km to 950 km as indicated in **Appendix 2.1**.

➤ Instances of such serious inconsistencies relating to distances between different places and such places claimed to have been visited by the members as per their TA bills and places actually visited by them as per the tour operator have also been noticed. These details are given below:

- According to TA bills, members of the delegation visited Pisa (Rome) on 15 October 2006 for which they claimed taxi fare of Rs. 45,000 per person for a distance of 950 km (including return journey). But as per tour operator, on that day, the delegation had actually visited Florence for full day; the distance between the Hotel at Rome and Florence and back being 568 km only.

- Again, during their visit to Amsterdam (Netherlands), the members claimed to have visited Brussels in Belgium on 18 October 2006, covering a distance of 950 km and claimed Rs. 45,000 per person as taxi fare. But, as per the tour operator, the delegation performed city tour of Amsterdam on that day.

- As per his TA bill, the former Speaker, i.e. one of the members of the delegation returned to India on 21 October 2006 but according to tour operator, he returned to India on 18 October 2006 without completing the said tour along with others. Further, as per TA bill, during his stay at Amsterdam, he had visited Brussels in Belgium on 18 October 2006 and Hague and places of interest in Amsterdam on

¹ 16 members of delegation during 08 to 20 October 2006 and one member (Speaker) of the delegation from 08 to 18 October 2006. The Speaker returned to India on 18 October 2006.

19 October 2006 covering a distance of 950 km on each day and claimed Rs. 90,000 as taxi fare for these two days.

➤ The details of the claims preferred by 17 members of the delegation (except the admissible amount of DA abroad), amount paid and actual expenditure incurred by them are given below:

Table 2.3

(Rupees in lakh)

Sl. No.	Items	Amount per member claimed by travel agency / tour operator	Amount claimed and paid to each member	Total amount paid	Amount paid to travel agency / tour operator	Excess amount paid to members of the delegation
1.	Air fare for the sector Delhi-Amsterdam-London, Paris-Rome-Amsterdam-Delhi					
	- For 16 members	0.52 to 0.70	4.55	72.80	8.90	63.90
	- For one member	1.28	4.55	4.55	1.28	3.27
2.	Euro Star tickets from London to Paris (17 members)	0.03	0.67	11.39	0.51	10.88
3.	Hotel charges and taxi fare for local transport and sightseeing					
	- For 16 members	0.69	5.94	95.04	11.04	84.00
	- For one member	0.65	5.94	5.94	0.65	5.29
Total				189.72	22.38	167.34

Source: Payment Vouchers and information received from travel agency/tour operator.

Even computed with reference to the payments made to the travel agency/tour operator and expenditure for the days not covered under the package of the tour operator, the Assembly Secretariat made excess payment of Rs. 1.67 crore due to entertainment of inflated claims submitted with fake documents and without submission of supporting documents in support of their expenditure/claims. Necessary approval required for journeys abroad was also not obtained by the delegation from Centre and State Government. In the circumstances, appropriate steps need to be taken to realise the excess amount from the persons concerned so as to avoid loss of Government funds.

The matter was referred to the Meghalaya Legislative Assembly Secretariat in June 2009; reply had not been received (November 2009).

2.3 Inadmissible payment of Mileage Allowance claims

Payment of mileage allowance of Rs. 38.95 lakh made by the Meghalaya Legislative Assembly Secretariat was inadmissible because the mode of journeys indicated by the claimants in their travelling allowance claims was incorrect.

According to the Meghalaya Legislative Assembly Members Salaries and Allowances Rules, 1972 (as amended), the travelling allowance of a member shall be regulated by the corresponding rules for the time being in force for officers of the senior grade appointed by the State Government. Meghalaya Travelling Allowance (MTA) Rules, 1985, mileage allowance for journeys by road within the State by own car is

admissible to the entitled Government servants at the prescribed rates for each km. travelled. As per MTA Rules, 1985, it is the duty of the controlling officer to scrutinize the necessity, frequency and duration of journeys, halt and distance entered in travelling allowance bills and to disallow the whole or any part of the travelling allowance claimed for unnecessary or unduly protracted journeys or halt of excessive duration.

Scrutiny of TA vouchers pertaining to 208 travel claims preferred by 28 Members of Legislative Assembly (MLA) of the Meghalaya Legislative Assembly revealed that between September 2003 and April 2008, road mileage amounting to Rs. 38.95 lakh was paid by the Assembly Secretariat to these MLAs for tours during the period from August 2003 to December 2007. The type and registration number of vehicles utilised by the claimants for performing the journeys were also recorded in the TA bills.

The cross check of the records of five District Transport Officers (DTOs)² of the State by Audit revealed that the type of vehicles the claimants claimed to have utilised for their journeys were not correct. Few instances of such anomalies are given below:

Table 2.4

Number of claims	Type of vehicles recorded in the TA bills with Vehicle Number	Information furnished by the DTOs	
		Type of vehicles, etc. bearing number against which the TA was claimed	Owner of the vehicles
206	Jeep	Motor Cycle, Maruti Car, Ambassador, LMV car, Truck, Bolero, Sumo, Scooter, etc.	In most of the cases, vehicles, etc. shown under column 3 belonged to the persons other than the claimants of the TA bills.
1	Gypsy	Truck (Commercial)	Vehicle shown under column 3 belonged to some other person
1	Hired Baleno	Bolero (Private)	Vehicle shown under column 3 belonged to some other person

Source: TA Bills and information furnished by the DTOs concerned.

As can be seen from the above, though the claimants of the TA bills neither performed journeys by jeep nor by their own vehicles, their claims were accepted and paid by the Meghalaya Assembly Secretariat/Treasuries concerned. This indicated the failure in control over expenditure and weak internal control mechanism of the Assembly Secretariat over such claims, which resulted in payment of inadmissible TA claims amounting to Rs. 38.95 lakh. In the circumstances, appropriate steps need to be taken to recover the inadmissible amount from the persons concerned so as to avoid loss of Government funds.

As the audit conducted only a test-check, there is every possibility that many such cases would have escaped detection. As such, it is recommended that the Assembly Secretariat should review all such cases and take necessary steps to avoid the recurrence of such lapses in future.

² Shillong, Tura, Jowai, Baghmara and Williamnagar.

The matter was reported to the Meghalaya Legislative Assembly Secretariat in October 2009; reply had not been received (November 2009).

BORDER AREAS DEVELOPMENT AND FOREST & ENVIRONMENT DEPARTMENTS

2.4 Temporary misappropriation of Government money and unproductive expenditure on construction of a Park

Government money amounting to Rs. 30.61 lakh was retained temporarily in personal savings accounts and out of this, amount of Rs. 23.85 lakh was spent on creation of a park which is unutilised due to non-maintenance.

To promote tourism under the Border Areas Development Programme³ (BADP), the State level Screening Committee accorded (March 2000) approval for construction of a Park at Syndai village in Jaintia Hills at an estimated cost of Rs. 59.42 lakh. Accordingly, Government sanctioned and released Rs. 30.61 lakh (March 2001, November 2001 and March 2002) on the basis of an estimate containing 12 items of work prepared by the Chief Conservator of Forests (CCF), Social Forestry & Environment (SF&E). The work (initially entrusted to Soil and Water Conservation Department in March 2000) was entrusted (July 2002) to the Forest and Environment Department for execution. The Director, Border Areas Development Department (BADD) released the entire sanctioned amount of Rs. 30.61 lakh to the CCF (April 2003: Rs. 10.61 lakh; August 2004: Rs. 10 lakh; March 2005: Rs. 10 lakh).

The CCF initially retained the funds in his own personal savings bank account (2 April 2003: Rs. 10.61 lakh; 10 August 2004: Rs. 10 lakh; 17 March 2005: Rs. 10 lakh) and subsequently released Rs. 23.85 lakh to the DFO in four instalments (24 April 2003: Rs. 8 lakh; 25 August 2004: Rs. 6 lakh; 6 June 2006: Rs. 9.24 lakh; 7 July 2006: Rs. 0.61 lakh) after a delay ranging from 14 days to over one year. The balance amount of Rs. 6.76 lakh had not been released till date (October 2009). Retention of Government money in a personal savings bank account tantamounts to misappropriation and undue financial benefit as at least Rs. 1.27 lakh would have accrued as interest.

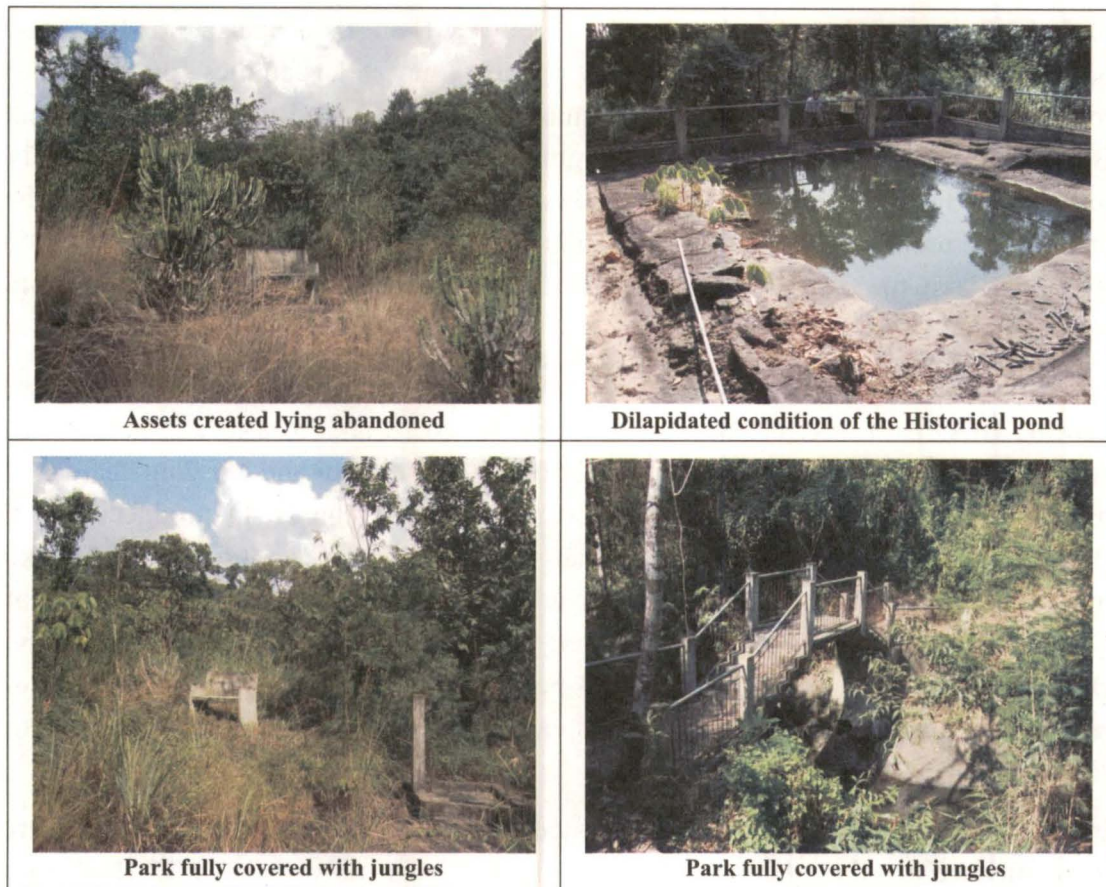
Further, scrutiny (September-October 2009) of records of the Director, BADD, CCF and Divisional Forest Officer (DFO), Social Forestry Division, Jowai further revealed that the construction of the Park remained incomplete even after the lapse of over four years from the date of release (March 2005) of last instalment. No time schedule was fixed for completion of the work.

Though the work was taken up departmentally by the DFO in March 2004, it remained suspended since March 2005 due to non-receipt of funds from the CCF. The work was, however, re-started in May 2007 and claimed to have been completed

³ A 100 per cent Centrally Sponsored Programme under the Union Ministry of Home Affairs funded under the Special Central Assistance.

in February 2008 at a cost of Rs. 23.85 lakh, except one item, viz. two units Grade IV staff quarters inside the park (estimated cost: Rs. 4.28 lakh). The reasons for the delay and non-completion of the work were attributed by the DFO to receipt of funds in a piecemeal manner without ensuring its regular flow as per the requirement of work.

To ascertain the actual position of work done and present status of the Park, a joint physical verification of the Park was conducted on 14 October 2009 by the Audit team and the DFO. It was noticed during physical verification that the Park was totally abandoned and covered with wild bushes. The historical pond was filled with stagnant and filthy water and the water supply system was not functioning. Besides, only two out of the three gates were constructed and the path from historical pond site to two view points and small gate was incomplete. The assets created were left without any maintenance and there was no caretaker or staff posted to look after the assets. The photographs given below would indicate actual state of affairs of the Park:



Thus, due to retention of funds by the CCF in his personal account and non-release of funds and inaction of the Forest and Environment Department in proper maintenance of the assets created out of the State Exchequer, the objective of construction of the Park remained unachieved as no one was visiting the Park due to lack of adequate facilities/attractions. Consequently, the entire expenditure of Rs. 23.85 lakh rendered unproductive. Departmental proceedings has to be initiated against CCF for misappropriation of the Government money by depositing it in his personal bank

account and still retaining Rs. 6.76 lakh in his personal bank account. The Department should also take immediate action to recover the balance amount along with interest earned.

The matter was reported to the Government in October 2009; reply had not been received (November 2009).

COMMUNITY AND RURAL DEVELOPMENT DEPARTMENT

2.5 Presumptive embezzlement of Government money

Expenditure of Rs. 26.78 lakh shown to have been incurred on procurement of corrugated galvanized iron sheets remained doubtful.

Under the Special Rural Works Programme (SRWP)⁴ for the year 2008-09, the State Level Committee accorded approval (November 2008) for purchase and distribution of 594 bundles of Corrugated Galvanised Iron (CGI) sheets at the rate of Rs. 4,500 per bundle for distribution to 198 below poverty line (BPL) families (three bundles for each family) of '37-Baghmara Assembly Constituency', Rongara Development Block, South Garo Hills District. As per guidelines, SRWP scheme should be directly implemented by beneficiaries' organisation and no contractor should be engaged. The Deputy Commissioner, South Garo Hills, Baghmara released (December 2008) Rs. 26.73 lakh for the purpose to the Block Development Officer (BDO), Rongara Development Block.

Scrutiny (June 2009) of records of the BDO, Rongara Development Block revealed that the BDO paid in cash (December 2008) Rs. 26.78 lakh to a local contractor as cost of 499 bundles of CGI sheets (Rs. 22.50 lakh) and labour and carrying charges of these sheets (Rs. 4.28 lakh). In support of payment, the BDO produced a bill (Rs. 4.28 lakh) for labour and carrying charges and a money receipt for Rs. 26.78 lakh by a contractor. Records like payment vouchers indicating quantity, rate and make of CGI sheets, delivery challan, stock register, were not produced to Audit. Though, the BDO furnished (July 2009) a list of 198 beneficiaries, this did not indicate proof of receipt of CGI sheets by them and also did not indicate full address of 15 beneficiaries.

In reply to an audit query, the BDO stated (July 2009) that the beneficiaries were recommended by the Member of the Legislative Assembly (MLA), 37-Baghmara Assembly Constituency. BDO further stated that the supply order for supply of 499 CGI sheets was issued by concerned MLA. Scrutiny of records revealed that while forwarding a list of 198 beneficiaries, the MLA, 37-Baghmara Assembly Constituency directed the BDO to release Rs. 26.78 lakh to the Government supplier for purchase of CGI sheets from the Guwahati based firm who incidentally happens to be the Secretary of the beneficiaries' organisation appointed by the concerned MLA.

⁴ SRWP is one of the programmes being implemented with the involvement of Members of Legislative Assembly.

The Guwahati based firm from which the CGI sheets were supposed to be procured, in response (July 2009) to an Audit query, stated that though it had issued a quotation for 499 bundles of CGI sheets to the contractor in November 2008, these sheets were not purchased by the contractor from them. The MLA of the concerned Constituency also certified (July 2009) that the CGI sheets were not purchased against the quotation of the Guwahati based firm. Obviously, the CGI sheets were neither procured by the contractor nor distributed to the beneficiaries, but payment was made on the basis of fake documents.

The BDO stated (July 2009) that the distribution of CGI sheets was in progress and the supporting record would be submitted after completion of the distribution. The reply is not convincing because the CGI sheets were not purchased by the contractor from the Guwahati based firm and there was no other document in support of procurement of these sheets by the contractor.

Thus, the CGI sheets, meant for the BPL families of Rongara Development Block were not provided to them and Government money amounting to Rs. 26.78 lakh has presumably been embezzled.

The matter was reported to the Government in July 2009; reply had not been received (November 2009).

Excess Payment/Excess Expenditure/Wasteful Expenditure

MEGHALAYA LEGISLATIVE ASSEMBLY

2.6 Excess expenditure on painting works

The Meghalaya Legislative Assembly Secretariat incurred excess payment of Rs. 2.83 crore due to execution of painting works flouting the provisions of Financial Rules.

According to the Meghalaya Financial Rules (MFR), 1981, for every work, other than petty works, initiated by or required by any department, it is necessary to obtain administrative approval and technical sanction before undertaking the work. It also provides that the departments concerned are required to follow the schedule of standard cost laid down by the PWD. When a work is to be done by a contractor, sealed tenders should be invited and a deed of contract should be executed.

Scrutiny (October-November 2008) of records of the Secretary, Assembly Secretariat revealed the following irregularities:

Painting of outside portion of the Member of Legislative Assembly Hostel

The work for painting of outside portion of the Member of Legislative Assembly Hostel was allotted (November 2004) by the Meghalaya Legislative Assembly Secretariat (the Secretariat) to a contractor at PWD Schedule of Rates (SOR) without any detailed plan and estimate, administrative approval and also without indicating

the quantum of work. Tenders for obtaining the competitive rates were also not invited before allotment of the work. The Secretariat neither had the definite measurement of the area of outside portion, i.e., the quantum of work, nor had they ascertained this from the Meghalaya Government Construction Corporation (MGCC)⁵. As ascertained by Audit from the MGCC, the total area of outside portion of the MLA Hostel was 4,999 sq m. Computed at the rate (Rs. 88 per sq m) prescribed in the SOR for the year 2004-05 prevalent during the period of allotment of work, the actual value of painting work for the actual existing area of outer portion worked out to Rs. 4.79 lakh only (including taxes). Against this, the total area of painting work was shown to have been executed as 54,226.46 sq m⁶, for which payment of Rs. 1.32 crore (including taxes) was made to the contractor at different rates in February 2005 (45,202 sq m @ Rs. 84 per sq m: Rs. 42.05 lakh) and June 2005 (97,142 sq ft @ Rs. 84 per sq ft: Rs. 89.96 lakh) leading to excess payment of Rs. 1.27 crore.

Thus, payment for the painting work for an area of 49,227.46 sq m in excess of the actual existing area resulted in an excess payment of Rs. 1.27 crore, which may be recovered from the contractor. Besides, the responsibility for lapses resulting in excess payment needs to be fixed.

Painting of four buildings

Between December 2006 and April 2008, the Secretariat executed four works at a cost of Rs. 3.17 crore through four contractors without any detailed plan and estimate, administrative approval and technical sanction. The works were also allotted to the contractors without inviting tenders to obtain the competitive rates. Though, the Secretariat did not have any technical manpower either to supervise the work or take measurement to assess the quantum of work carried out, the work was undertaken by the Secretariat instead of entrusting the same to the PWD or the MGCC. The Table given below indicates the details of these works, the amount paid to the contractor and excess amount paid with reference to PWD SOR.

Table 2.5

(Rupees in lakh)

Sl. No.	Details of work	Quantity of work reckoned for making payment	Rate at which paid	Value of work claimed & paid (including VAT)	Maximum rate as per SOR (Rupees per sq m)	Amount payable as per SOR (including VAT)	Excess expenditure
1.	Newly constructed building of Grade IV quarter in MLA Hostel						
	Painting	6,000 sq ft (557.398 sq m)	300 per sq ft	20.25	119	0.75	19.50
2.	Meghalaya Assembly Session Hall						
	Painting of internal wall	8,000 sq ft (743.197 sq m)	400 per sq ft	36.00	119	0.99	35.01
	Painting of exterior wall	10,000 sq ft (928.997 sq m)	350 per sq ft	39.38	119	1.24	38.14

⁵ The agency which had constructed the Meghalaya Legislative Assembly Hostel Building.

⁶ 45,202 sq m + 9,024.46 sq m (97,142 sq ft) = 54,226.46 sq m.

Sl. No.	Details of work	Quantity of work reckoned for making payment	Rate at which paid	Value of work claimed & paid (including VAT)	Maximum rate as per SOR (Rupees per sq m)	Amount payable as per SOR (including VAT)	Excess expenditure
3.	MLA Hostel						
	Painting of rooms with distemper	96,931 sq ft (9004.859 sq m)	40 per sq ft	43.62	32	3.24	40.38
	Painting of one room with enamel paint	1,691 sq ft (157.093 sq m)	300 per sq ft	5.71	83	0.15	5.56
4.	MLA Hostel (outside and passages inside the Hostel)						
	Painting including polishing of doors and wooden wall of the passages inside the Hostel	49,416 sq m	310 per sq m	172.34 (Amount paid: Rs.80 lakh)	112	62.26	110.08
	Total			317.30		68.63	248.67
							92.34
							156.33

Source: Work orders, payment vouchers and PWD Schedule of Rates.

Out of Rs. 3.17 crore (including taxes), the Secretariat paid Rs. 2.25 crore to the contractors during August 2007 to December 2008 and the balance amount of Rs. 0.92 crore had not yet been paid (October 2009). Contrary to the provisions of the MFR, contractors' bills were admitted for payment as these were claimed without restricting the amount payable at rate laid down in SOR. Computed with reference to the rates for the similar works provided in the PWD SOR prevalent during the period of allotment of works, the value of these works worked out to Rs. 68.63 lakh.

Even in respect of the work mentioned at Sl. 4 above, uniform rate of Rs. 310 per sq m was allowed to the contractor despite execution of different types of work, i.e., painting of wall and polishing of doors and wooden wall.

Thus, allotment of works without observing any provisions of the MFR and also without ascertaining the competitive rates to safeguard the financial interest of the State resulted in excess expenditure of Rs. 1.56 crore. The excess expenditure would further be increased by Rs. 0.92 crore on payment of outstanding liabilities.

Thus, the entire excess payment made to the contractors was due to non-observance of provisions of MFR and lack of financial control. The excess payment should be recovered from the contractors and responsibility for lapses resulting in the said excess payment needs to be fixed.

The Secretary, Assembly Secretariat stated (March 2009) that necessary action would be taken after enquiry on the basis of the audit findings mentioned in the paragraph. Further development had not been received (November 2009).

2.7 Excess expenditure on construction of quarters and shed

The Meghalaya Legislative Assembly Secretariat incurred excess expenditure of Rs. 50.91 lakh due to execution of renovation work of four Grade IV quarters and one *chowkidar* shed without any estimate and without assessing the competitive rates by inviting tenders.

According to the Meghalaya Financial Rules (MFR), 1981, it is a fundamental rule that no work shall be commenced without a detailed plan and estimate. When a work is to be done by a contractor, sealed tenders should be invited and a deed of contract should be executed.

Test-check (October-November 2008) of records of the Secretary, Assembly Secretariat revealed that between May 2005 and August 2007, the Assembly Secretariat incurred an expenditure of Rs. 66 lakh for renovation of four Grade IV quarters of *chowkidar, mali*, peon and sweeper at MLA's Hostel and construction of a *chowkidar* shed at the new Assembly site, Upper Shillong through two contractors without any detailed plan and estimate, administrative approval and technical sanction. Besides, the works were allotted to the contractors without inviting tenders to assess the competitive rates. Though, the Assembly Secretariat did not have any technical manpower, both the works were undertaken by the Assembly Secretariat instead of the entrustment of the same to the State Public Works Department which is the competent technical department for such activities. The Table given below indicates the details of these works:

Table 2.6

(Rupees in lakh)

Sl. No.	Details of work	Month and year of issue of work order	Month and year of payment	Expenditure incurred
1.	Renovation of four Grade IV quarters	April 2005	Between May 2005 and August 2007	42.00
2.	Construction of <i>chowkidar</i> shed with complete sanitary system, water supply and electricity connection	December 2006	July 2007	24.00
Total				66.00

Source: Work orders and payment vouchers.

In both the above cases, work orders were issued without indicating item-wise quantity and rate of the work to be executed by the contractors. Measurement Book which records details of measurement of all works executed and which forms the basis of all accounts of quantities was also not maintained by the Assembly Secretariat and whatever amount was claimed by the contractors in their bills was paid by the Assembly Secretariat.

Though, the plinth area of Grade IV quarters that were renovated, called for (May 2009) from the Assembly Secretariat, had not been furnished, yet according to the norms prescribed by the Government, the maximum plinth area for construction of Grade IV staff quarters is 33 sq m and the plinth area rate for new construction of these quarters during 2005-07 was Rs. 7,950 per sq m plus 15 per cent of the cost of

building for water supply, sanitation and electrification. Thus, the cost of construction of each new Grade IV quarters as per prescribed norms/rates was Rs. 3.02 lakh⁷. Even compared with the cost for new construction of this type of quarters, there was excess expenditure of Rs. 29.93 lakh⁸ on renovation of four Grade IV quarters of the Assembly Secretariat.

As regards construction of a *chowkidar* shed, 148.64 sq m of work was shown to have been executed by the contractor, payment (Rs. 24 lakh) for which was made at the rate of Rs. 16,146 per sq m. Even compared with the plinth area and rate for new construction of Grade IV quarters, not only the quantity of work was higher by 115.64 sq m (148.64 sq m – 33 sq m) but also the rate was higher by Rs. 7,003 per sq m (Rs. 16,146 – Rs. 9,143). Consequently, the Assembly Secretariat incurred an excess expenditure of Rs. 20.98 lakh⁹ on construction of a *chowkidar* shed.

Thus, allotment of works without observing any provisions of the MFR and also without ascertaining the competitive rates to safeguard the financial interest of the State resulted in excess expenditure of Rs. 50.91 lakh (Rs. 29.93 lakh + Rs. 20.98 lakh).

The Secretary, Assembly Secretariat stated (October 2008 and January 2009) that the Assembly Secretariat had not maintained documents like detail estimate, measurement books, *etc.* and that as far as the Assembly is concerned, the execution and completion of works by the party concerned is generally accepted on trust basis on the approval of the Speaker and admitted that such irregularities would not recur in future. The reply is not acceptable as the State Legislature has not been accorded any special dispensation as regards the expenditure by it and any expenditure incurred by it should have been made as laid down in prescribed rules and procedure. Further, the cost of renovation of four Grade IV staff quarters was more than three times the cost of construction of new quarters, which warrants thorough investigation and fixing of responsibility.

⁷ Rs.7,950 per sq m x 33 sq m = Rs.2,62,350 +15 per cent:	Rs. 3,01,702
⁸ Expenditure incurred on renovation of four Grade IV quarters:	Rs. 42,00,200
Expenditure on construction of four new Grade IV quarters as per norm: (Rs.3,01,702 x 4)	<u>Rs. 12,06,808</u>
Excess expenditure:	<u>Rs. 29,93,392</u>
⁹ Expenditure incurred on construction of <i>chowkidar</i> shed:	Rs. 24,00,000
33 sq m @ Rs.9,143 per sq m:	<u>Rs. 3,01,719</u>
Excess expenditure	<u>Rs. 20,98,281</u>

2.8 Excessive expenditure on furnishing of official residence

The Meghalaya Assembly Secretariat incurred exorbitant expenditure of Rs. 2.59 crore on supply of articles at the official residence of the Speaker, of which articles valued at Rs. 52.77 lakh were not returned even after one year and installed items valued Rs. 1.94 crore were not found installed on vacation of the residence by the Speaker.

According to the Meghalaya Speaker's (Allowances and Privileges) Rules, 1973, every residence provided to the Speaker shall be initially furnished with furniture, carpets, screens and other articles as per scales and the total expenditure by Government on this account shall not exceed Rs. 20,000. If any article is lost or damaged, except through normal wear and tear, the loss to Government shall be made good by the Speaker. The articles shall be physically verified at least once in a year by the Estate Officer, who shall maintain stock books. When the Speaker vacates the residence, the Estate Officer shall physically verify the articles supplied at the residence and take over the articles under his custody. As informed (June 2009) by the State Finance Department, no further amendment to monetary limit had been made.

Scrutiny (October-November 2008) of records of the Secretary, Assembly Secretariat revealed that material valued at Rs. 65.25 lakh were provided by the Meghalaya Assembly Secretariat between March 2004 and May 2007 at the official residence of the then Speaker during his term of office (March 2003 to March 2008). The details are given in the Table below:

Table 2.7

(Rupees in lakh/ Quantity in number)

Sl. No.	Material	Month of purchase	Quantity	Cost
1.	Cycling machine, Tread Mill, Weight Machine, Pixna, TFT Monitor, Revolving chair	March 2004	01 each	2.24
2.	Air Conditioner	August 2005	05	7.34
3.	Wall Fan	August 2005	27	2.11
4.	PIV Lenova	March 2006	04 sets	5.63
5.	Laserjet printer & UPS	March 2006	02 each	2.66
6.	Dining Table	April 2006	02	1.03
7.	Carpet	June 2006	2857.14 sq m	23.00
8.	Sony LCD TV 50"	May 2007	03	11.81
9.	Inverter	May 2007	01	8.44
10.	Stabiliser, Ward Rope	May 2007	03 each	0.99
	Total			65.25

Source: Suppliers' bills

Besides CCTV, Additional camera and Intercom PABX valued at Rs. 1.94 crore were also installed between August 2005 and October 2007 at the residence of the Speaker increasing the total value of material supplied and installed at his residence to Rs. 2.59 crore.

The scale and monetary limit prescribed in 1973 is, however, unrealistic after 30 years. Even compared with the maximum amount of Rs. 2 lakh in case of a Minister¹⁰ of Government of Meghalaya, the expenditure incurred on supply of articles, *etc.* at the residence of the then Speaker was exorbitantly higher by Rs. 63.25 lakh. There was also no record of physical verification of these articles by the Estate Officer as required under Rules. According to the Secretary, Meghalaya Legislative Assembly, there was no inventory of items supplied/installed at the residence of the then Speaker and whatever material asked for by the Speaker were supplied by the Assembly Secretariat.

Although the Speaker vacated his official residence in May 2008, articles valued at Rs. 12.48 lakh¹¹ only (out of Rs. 65.25 lakh) were returned by him. There was also no record of physical verification of these articles required to be done by the Estate Officer after vacation of residence. Though, the articles valued at Rs. 52.77 lakh were not returned by the Speaker even after the passage of one year of vacation of residence, the Assembly Secretariat did not take any initiative to get back the same. The Secretary, Meghalaya Legislative Assembly, however, requested (April 2009) the Speaker to return the articles in good condition at the instance of Audit. Further developments had not been intimated (October 2009) to Audit. When the Speaker vacated the residence (May 2008), the security related items such as CCTV, Additional cameras and Intercom PABX valued at Rs. 1.94 crore were neither handed over nor were these found installed by the General Administration Department and no articles were left behind for use by the new occupant.

Thus, there was lack of control over expenditure in the Assembly Secretariat. Consequently, the Assembly Secretariat supplied and installed various items at the residence of the Speaker without any limit, the value of which jumped to the level of Rs. 2.59 crore. Besides, because of non availability of installed items, the department had sustained a loss Rs. 1.94 crore. The loss would further increase by Rs. 52.77 lakh if the remaining articles are not taken back in good condition without further delay.

The matter was referred to the Meghalaya Legislative Assembly Secretariat in July 2009; reply had not been received (November 2009).

2.9 Wasteful expenditure on sound system

Shifting and re-installation of the sound system without ensuring its proper maintenance rendered the expenditure of Rs. 79 lakh wasteful.

The Meghalaya Assembly Secretariat commissioned (February 2001) a sound system at a cost of Rs. 43.26 lakh in the State Central Library Auditorium for conducting Assembly Session.

¹⁰ Meghalaya Ministers' Allowances and Privileges Rules, 1989 (amended in February 2009).

¹¹ Two Sony LCD TV 50": Rs.7,87,500; One set of PIV Lenova: Rs.1,40,712; One Air Conditioner: Rs.1,92,440; Three Wall fan: Rs.23,400; Two Dining Table: Rs.1,03,500 = **Rs.12,47,552.**

Scrutiny (October-November 2008) of records of the Assembly Secretariat revealed that in September 2004, the Assembly Hall was shifted from the Auditorium to the Arts and Culture (A&C) Building, Rilbong. The work of dismantling and re-installation of the sound system from the Auditorium to the A&C Building was awarded (September 2004) by the Assembly Secretariat to a contractor without execution of any agreement indicating the cost of work and post installation maintenance services. The work was completed in December 2004 at a lump sum cost of Rs. 79 lakh which was paid during the same month which was nearly double the cost at which the sound system was commissioned. The sound system developed defects (April 2005) only after utilisation for 26 days in December 2004 (four days), March 2005 (11 days) and April 2005 (11 days). Instead of getting the defects of the existing sound system repaired, the Assembly Secretariat installed a new sound system in December 2005 through another contractor at a cost of Rs. 2.29 crore. The work was also allotted to the contractor without inviting tenders to assess the competitive rate. The defective sound system had been lying unutilised in the store of the A&C Building.

Thus, shifting and re-installation of the sound system without ensuring its proper maintenance through execution of an agreement not only showed the apathy of the Assembly Secretariat in proper utilisation of the asset created out of State Exchequer but also led to damage of the system only after four months of re-installation thereby rendering the expenditure Rs. 79 lakh wasteful.

The Secretary, Assembly Secretariat stated (March 2009) that necessary action would be taken after enquiry on the basis of the audit findings mentioned in the paragraph. Further development was awaited (November 2009).

2.10 Wasteful expenditure on foundation stone ceremony and undue benefit to a contractor

Construction of foundation stone and cleaning and levelling of the ground of the proposed Assembly complex at Upper Shillong before taking a final decision on the site for construction of the complex resulted in wasteful expenditure of Rs. 33.48 lakh.

According to the Meghalaya Financial Rules, 1981 (MFR), it is a fundamental rule that works shall not be commenced without a detailed plan and estimate. When a work is to be done by a contractor, sealed tenders should be invited and a deed of contract should be executed.

Consequent upon damage of the existing Meghalaya Legislative Assembly building (Khyndai Lad junction, Shillong) due to a fire incidence in January 2001, the High Power Committee (HPC) headed by the Ex-Speaker of the Meghalaya Legislative Assembly unanimously decided (March 2001) that the existing old site was most suitable for the construction of the permanent Assembly building. However, actual construction did not commence and the HPC selected different sites at different times between August 2003 and August 2006 and decided (August and December 2006) to

construct the building at Upper Shillong and lay the foundation stone at this place. The work for construction of foundation stone and cleaning and levelling of the ground of the proposed Assembly complex at a site in Upper Shillong was allotted (October 2007) by the Assembly Secretariat to a contractor without any detailed plan and estimate, administrative approval and also without indicating the quantum and value of work instead of entrusting the work to be executed through the Public Works Department, which is the competent technical department for such activities, through a well laid down and prescribed procedure. Tenders were also not invited before allotment of the work to obtain the competitive rates. Payments totalling Rs. 33.48 lakh were made (December 2007) to the contractor on the basis of bills submitted by him without any measurement.

Test-check (October-November 2008) of records of the Secretary, Assembly Secretariat revealed the following irregularities:

➤ Though, the foundation stone was laid (December 2006) at Upper Shillong involving expenditure of Rs. 33.48 lakh, the HPC in its meeting held in November 2008, took a turnaround about the site of the new Assembly complex and decided to construct the complex at the existing old site as was initially decided in March 2001.



➤ The firm claimed Rs. 11.25 lakh as labour charges at the rate of Rs. 250 per day for deployment of 250 labourers for 18 days for cleaning, final dressing and levelling the site at Upper Shillong. According to the Schedule of Rates (SOR) - 2007-08 of the PWD, the rates of each skilled and unskilled labour per day were Rs. 250 and Rs. 100 per day respectively. Since the work executed by the firm did not require skilled labour, payment to the contractor should have been restricted to Rs. 5.18 lakh¹². Computed with reference to the rate of unskilled labour provided in the SOR and also providing 15 per cent contractor's profit and overhead charges, the Assembly Secretariat made an excess payment of at least Rs. 6.07 lakh (Rs. 11.25 lakh – Rs. 5.18 lakh).

➤ The firm claimed Rs. 15.20 lakh for excavation of earth and levelling the site mechanically by using JCB machinery for 304 hours (@ Rs. 5,000 per hour). As per SOR, the hire charge of loader cum excavator (including operational charge and cost of fuel) was Rs. 890 per hour. Even by allowing 15 per cent as contractor's profit and overhead charges over the SOR rate, the Assembly Secretariat made excess payment of Rs. 12.09 lakh¹³ to the firm.

¹² 250 labourers @ Rs.115 (including 15 per cent for contractor's profit and overhead charges) x 18 days = Rs. 5.18 lakh.

¹³ Amount paid: Rs. 15.20 lakh
Amount admissible as per SOR rate (304 hours x Rs. 890 + 15 per cent): Rs. 3.11 lakh
Excess payment: Rs. 12.09 lakh

Thus, action of the Assembly Secretariat in execution of work before taking a firm decision about the site of the new Assembly complex, rendered the entire expenditure of Rs. 33.48 lakh wasteful. Further, by not restricting the claim in accordance with SOR, the contractor was extended undue benefit of Rs. 18.16 lakh, which needs to be recovered.

The Secretary, Assembly Secretariat stated (March 2008) that as the work was to be undertaken on urgent basis, the Assembly Secretariat was left with no alternative but to engage the said contractor to undertake the work urgently. The reply is not acceptable because the action was contrary to the MFR.

PUBLIC WORKS DEPARTMENT

2.11 Wasteful expenditure on construction of helipad

Construction of a helipad only for landing of VVIP for laying of foundation stone of the Rajiv Gandhi Indian Institute of Management and non-utilisation of the same for the purpose for which the same was constructed, resulted in wasteful expenditure of Rs. 42.87 lakh.

According to the Meghalaya Financial Rules, 1981, for every work, other than petty works, initiated by or required by any department, it is necessary to obtain administrative approval of the department concerned to the proposal before technical sanction. The accord of administrative approval in no way dispenses with the necessity for technical sanction, which must be obtained before commencement of construction.

To facilitate landing of helicopter carrying VVIPs, who were to attend the foundation stone laying ceremony of the Rajiv Gandhi Indian Institute of Management (RGIIM) at a site (Umsawli village) situated at a distance of 15 km from Shillong, the Department prepared an estimate amounting to Rs. 47.72 lakh for construction of helipad at Umsawli. The justification for construction of helipad was that the proposed location for the laying of foundation stone was far from the State capital where travelling by road was unsafe and inconvenient. Administrative approval and technical sanction to the estimate were accorded by the Government and the Chief Engineer, PWD (Roads) in July 2006. The estimate provided for execution of earthwork in excavation (Rs. 35.98 lakh), construction of embankment (Rs. 2.65 lakh), metalling and blacktopping of approach road to helipad (Rs. 3.79 lakh) and work charged, contingency, *etc.* (Rs. 5.30 lakh).

Scrutiny (May 2009) of records of the Executive Engineer (EE), National Highway Bye Pass Division, Shillong revealed that contrary to the MFR, the execution of the work was taken up (January 2006) by the Division much before accord of administrative approval. Work orders were issued (January 2006, February 2007 and April 2007) to four contractors for execution of different items of work. Except

blacktopping work of the approach road, all the other items were completed by May 2007 at a total cost of Rs. 42.87 lakh.

The foundation stone for the RGIIM was, however, laid on 1 December 2007 at another site (Mayurbhanj complex, Nongthymmai), where the RGIIM started functioning temporarily. Consequently, the helipad constructed at a cost of Rs. 42.87 lakh was not at all utilised. The utilisation of the helipad in near future is also not possible, because of deterioration due to passage of over two years time without any maintenance.

Thus, construction of a helipad only for landing of VVIP for one day for laying of foundation stone and non-utilisation of the same for the purpose for which the same was constructed rendered the entire expenditure of Rs. 42.87 lakh wasteful.

Government stated (October 2009) that as the site of the helipad is within the proposed new Shillong Township, more projects would come up and the helipad would ultimately be useful in near future. Even if the contention of the Government is accepted, use of the helipad would not be possible without incurring further expenditure because of deterioration in condition due to non-maintenance.

Idle/Unfruitful/Unproductive Expenditure

ELECTION DEPARTMENT

2.12 Idle expenditure on purchase of handy cams

Purchase of handy cams without assessment of actual requirement resulted in idle expenditure of Rs. 55.07 lakh.

To ensure free, fair and peaceful conduct of Lok Sabha Elections, 2009 by video recording of the poll process in polling stations, the Chief Electoral Officer (CEO), Meghalaya directed (January 2009) the Deputy Commissioners (DC) (Elections) of all the seven districts of the State and the Sub-Divisional Officers¹⁴ (SDO) (Elections) to furnish report on the number of video cameras available with them and additional requirement of such cameras. As per the reports of the DCs and SDOs, there was a stock of 480 cameras out of the purchases made during Assembly Election 2008 and the additional requirements were for 386 cameras.

Scrutiny (September-October 2009) of records of the Election Department revealed that against requirement of additional 386 cameras, the CEO purchased (March 2009) 400 handy cams along with carrying cases at a cost of Rs. 95.36 lakh (Handy cam @ Rs. 22,950 each: Rs. 91.80 lakh; Carrying cases @ Rs. 890 each: Rs. 3.56 lakh (Rs.22,950 each), out of the funds (Rs. 13.33 crore) released by the State Government in March 2009 for conducting the 15th General Election to the Lok Sabha, 2009. Out

¹⁴ Khliehriat, Sohra, Mairang, Mawkyrwat, Resubelpara and Ampati.

of 400 handy cams and carrying cases, 391 were distributed (March 2009) to seven DCs and six SDOs and two were distributed (May 2009) to the Joint CEO and Additional District Magistrate (ADM), Nongpoh leaving seven handy cams in stock.

Out of the total 871 handy cams held by seven DCs and six SDOs, only 649 were utilised during Lok Sabha Elections and the balance 222 handy cams were not utilised. The handy cams (two) issued to the Joint CEO and ADM were lying unutilised with them. It was also noticed that in two Sub-Divisions, the quantity issued by the CEO was more than the requirement submitted by them, while in another Sub-Division (Sohra), 10 handy cams were issued without any requirement.

Thus, the purchase of 400 handy cams with carrying cases was made injudiciously without assessment of actual requirement. Consequently, 231 handy cams (including carrying cases) valued at Rs. 55.07 lakh remained unutilised rendering the expenditure incurred on their purchase idle.

The State Election Department stated (November 2009) that assessment could not be perfect specially when the situation was never static, the excess cameras were actually the reserves and the cameras would last long for utilisation during future elections. The reply is not convincing because the procurement of cameras in excess of about 34 *per cent* of the requirement placed by the DCs/SDOs was not a prudent exercise particularly when the warranty period of these handy cams would be over after three years.

The matter was reported to Government in October 2009; reply had not been received (November 2009).

PUBLIC HEALTH ENGINEERING DEPARTMENT

2.13 Idle expenditure on construction of quarters

Construction of quarters without providing power supply, water supply and approach road rendered the expenditure of Rs. 42.42 lakh idle, besides avoidable expenditure of Rs. 3.52 lakh.

The work "Construction of Residential Accommodation for the officers and staff of Greater Shillong Water Supply Scheme at Mawphlang", estimated to cost Rs. 38.17 lakh, was administratively approved by the Government in December 2000. Technical sanction to the estimate was accorded by the Chief Engineer in September 2001. The estimate of the work provided for construction of 15 quarters¹⁵ without provision for power supply, water supply and approach road.

¹⁵ Type II: 1 for Executive Engineer; Type III: 1 for Sub-Divisional Officer, Assistant Engineer, Divisional Accounts Officer; Type IV: 3 for Head Assistant, Junior Engineer, Junior Divisional Accountant, Line Man, Technical Gr. I; Type V: 5 for Section Assistant, Electrician, UDA, LDA, *etc.*; Type VI: 5 for Khalasi, Security Guard.

Scrutiny (January 2009) of records of the Executive Engineer (EE), PHE Electrical Division, Mawphlang revealed that construction of all the quarters was completed in March 2005 at a cost of Rs. 42.42 lakh. But these were not allotted to any officer/staff due to non-availability of power supply, water supply and approach road. The important essential items could not be put in place simultaneously along with the completion of construction of the quarters as required provision for the same was not catered for in the sanction, which is indicative of defective planning. Consequently, all the quarters had been lying unoccupied and possibility of deterioration due to lack of preventive maintenance could not be ruled out. Besides, an expenditure of at least Rs. 3.52 lakh¹⁶ has been incurred during April 2005 to March 2009 on payment of house rent allowances to the officers/staff for whom the quarters were constructed which could have been entirely avoided.

The EE stated (January 2009) that power supply, water supply and approach road were beyond the scope of the sanctioned estimate and as such, estimate for these items were submitted to the Government in September 2006 for sanction. Though, the Government sanctioned this estimate in March 2008, the execution of the work had not been started because of non-availability of budget provision.

Thus, the failure of the Department to synchronise the provision for approach road, power supply, *etc.* to match with the completion of construction of quarters rendered the expenditure of Rs. 42.42 lakh idle for over four years, besides entailing avoidable expenditure of Rs. 3.52 lakh on payment of house rent allowances. Significant delay in obtaining the required sanction for providing approach road, power supply and make necessary budget provision showed the apathy of the Department to put to use the assets created out of State exchequer.

Government stated (August 2009) that the provision for approach road was excluded from the original estimate due to paucity of fund and under normal circumstances, the Department had been utilising and maintaining assets created out of State exchequer, but in this case, assets could not be utilised timely due to paucity of funds. The reply is not convincing because taking up of any work for execution without ensuring its proper utilisation was not a prudent exercise and was indicative of ill planning.

¹⁶ **House Rent Allowance for the period from April 2005 to March 2009, i.e. 48 months**

Type II: 1 x Rs.700 x 48 months = Rs.33,600; Type III: 1 x Rs.600 x 48 months = Rs.28,800; Type IV: 3 x Rs.550 x 48 months = Rs.79,200; Type V: 5 x Rs.500 x 48 months = Rs.1,20,000; Type VI: 5 x Rs.375 x 48 months = Rs.90,000 : **Total: Rs.3,51,600.**

PUBLIC WORKS DEPARTMENT

2.14 Idle expenditure on construction of Shillong Bye-Pass Road

Inordinate delay in acquiring the land required for construction of Shillong Bye-Pass Road free from all encumbrances resulted in idle expenditure of Rs. 7.83 crore.

To divert the national highway traffic and ease the traffic congestion of Shillong city, the Union Ministry of Surface Transport sanctioned (June 2000) Rs. 8.63 crore to the State for acquisition of land required for construction of Shillong Bye-Pass Road (47.6 km) with a stipulation to complete the requisite formalities within six months.

Scrutiny (May 2009) of records of the Executive Engineer, National Highway, Shillong Bye Pass Division revealed that 5,23,330.10 sq m of land required for construction of the road was acquired in East Khasi Hills District (2,43,086.99 sq m) and Ri-Bhoi District (2,80,243.11 sq m) by the Deputy Commissioners concerned at a cost of Rs. 7.83 crore. The acquired land was, however, handed over to the Department in February and May 2004 without completion of the demarcation process. The delay in demarcation was attributed by the Chief Engineer (NH), PWD (Roads) to objections by some of the land owners and pending finalisation of litigation because of a Court case filed by some land owners.

Although the Union Ministry of Shipping, Road Transport and Highways decided (October 2005) to construct the road by entrusting the work to the National Highways Authority of India (NHAI), the land for the road could not be handed over to the NHAI due to a legal dispute due to which the work on the road could not be started as of August 2009.

Thus, due to inordinate delay in acquiring the required land free from all encumbrances, the construction of the Shillong Bye-Pass Road could not be started thereby frustrating the desired objectives rendering the expenditure of Rs. 7.83 crore idle for over four years. Resultantly, the traffic congestion of Shillong city due to manifold increase in the number of vehicles had become a regular phenomenon causing great hardship to the local populace.

The CE stated (August 2009) that though all the disputes had been solved by 2008, the process of demarcation of land was yet to be completed. The reply is indicative of the casual approach of the Department in early completion of the proposed road, because the work could not be undertaken even after a lapse of over four years after taking possession of the land.

The matter was reported to the Government in July 2009; reply had not been received (November 2009).

TRANSPORT DEPARTMENT

2.15 Idle expenditure on construction of Baljek Airport

Baljek airport constructed at a cost of Rs. 12.77 crore remained non-functional rendering the entire expenditure incurred on its construction idle.

For the socio-economic development of the area and quick and reliable communication with the other parts of the country, the Government of Meghalaya (GOM) acquired (1986 and 1989) a plot of land measuring 61.97 hectares (ha) at a cost of Rs. 56.18 lakh for construction of a short take off and landing (STOL) airport at Baljek in Tura. The proposed airport was meant for operation of light 20 seater aircraft (Dornier-228).

The plot of land for the airport was handed over to the Airport Authority of India (AAI) in October 1989 for execution of the project. The AAI submitted an estimate for Rs. 7.20 crore for the project in January 1995 which was revised (September 1995) to Rs. 12.21 crore due to the change in the scope of work and cost escalation. A Memorandum of Agreement was executed (July 1997) between the GOM and the AAI stipulating the completion of the project by July 1999. Rs. 12.21 crore (Central funds: Rs. 10.18 crore; State funds: Rs. 2.03 crore) was paid to the AAI between August 1995 and September 2001.

Scrutiny (August 2009) of records of the Department revealed that the airport was completed in November 2003 except furnishing and fixing of fixtures in the terminal building, but could not be made operational because the runway was inadequate for landing of the ATR-42 aircraft. Accordingly, the GOM requested (November 2003) the AAI for preparation of the detailed project report, *etc.* The AAI, however, took four more years for furnishing and fixing and finally completed the airport in February 2008 at a cost of Rs. 12.54 crore (Rs. 33 lakh was yet to be paid) after a delay of over eight years from the stipulated date of completion. The delay in completion of the airport was attributed to law and order problems.

The airport was inaugurated by the President of India on 23 October 2008, but it could not be made operational because no scheduled airlines have Dornier type (20 seater) of aircrafts. Additional 19.42 ha (48 acres) of land was required for further extension of runway to accommodate ATR type (50 seater) aircraft. Despite knowing the fact of inadequacy of the runway (November 2003), the Department did not take effective steps to acquire the land required for extension of the runway (August 2009).

Thus, due to ill planning, the Baljek airport, though completed after eight years of the scheduled date of completion, remained inoperative. The possibility of operation of the airport in near future is also remote because the cost (Rs. 80 crore) for improvement and development of the existing airport estimated to be over six times of the expenditure (Rs. 12.54 crore) so far incurred which is not an easy proposition for a resource crunch State. The estimated cost might increase further because of damages

and deterioration of the airport which had been lying unutilised without maintenance. This not only showed the apathy of the GOM in proper utilisation of the assets created for the socio-economic development of the area and for better communication, but also rendered the expenditure of Rs. 12.77 crore idle (including cost of land), besides an undischarged liability of Rs. 33 lakh.

Government stated (November 2009) that steps were being taken to invite expression of interest from private airlines to operate commercial aircrafts.

Undue Favour to Contractors

GENERAL ADMINISTRATION DEPARTMENT

2.16 Undue financial benefit and extra expenditure on construction of residential cum commercial complex, Kolkata

The Department extended undue financial benefit of Rs. 4.42 crore to a firm engaged for construction of residential cum commercial complex at Kolkata and incurred extra expenditure of Rs. 65.27 lakh on payment for the work not actually executed.

The Government of Meghalaya (GOM) executed (June 2001) an agreement with a Kolkata based firm (selected after inviting tenders) for construction of office cum commercial complex on joint venture basis having guest house (two suits and 34 rooms) and 19 quarters by dismantling the 100 years old and unsafe premises at Russel Street (presently Anadilal Poddar Sarani), Kolkata, which was acquired in 1977 for establishing Meghalaya House.

The State Cabinet decided (November 2001) to withdraw the agreement as there was a wide spread public protest against the agreement, which allowed a lease for 100 years in favour of the firm. Aggrieved with the decision of the Government, the firm filed a case in the Arbitral Tribunal set up for the purpose under the provisions of the Arbitration and Conciliation Act, 1996. In pursuance of the order (January 2003) of the Tribunal, the firm offered out of Court settlement of the matter subject to the conditions of monetary compensation of Rs. 43.29 crore or to allot the construction work of the residential-cum-commercial complex on the plot of land as a turnkey contractor. The GOM agreed to the demand of the firm and engaged (June 2005) the firm as turnkey contractor for construction of residential-cum-commercial complex (built up area 1,29,000 sq ft¹⁷) at a lump-sum cost of Rs. 22.12 crore, stipulating the completion of work within 30 months. Administrative approval for the above construction at an estimated cost of Rs. 24.50 crore (based on plinth area rate) was, however, accorded by the GOM in July 2005. Technical sanction to the estimate

¹⁷ Commercial purpose, such as, creation of shopping mall, emporium, business centres, conference room and a multipurpose auditorium: 0.90 lakh sq ft.; residential facilities for visiting VIPs and other guest: 0.26 lakh sq ft; residential quarters for staff: 0.13 lakh sq ft.

required to be obtained as per Rule 243 of Meghalaya Financial Rules 1981 was, however, not obtained. As of March 2009, the physical progress of the work was 60 *per cent* against payment of Rs. 13.27 crore.

Scrutiny (March 2009) of records of the Shillong Building Division revealed the following irregularities:

- Since a part of the building (0.90 lakh sq ft) was proposed for commercial purpose (at a cost of Rs. 15.43 crore), the economic viability of the project was required to be assessed. Though, the Government was requested (August 2009) to intimate whether any feasibility study was conducted to ascertain the economic viability of the project, their reply had not been received (August 2009).
- There is another Meghalaya House at Shanti Pally, Kolkata. The land for this Guest House was taken over by the GOM from the Calcutta Metropolitan Development Authority in June 1991 on lease for a period of 99 years on outright payment of Rs. 44.24 lakh. The Meghalaya House on this land was commissioned in September 2001 with provisions for two suits for VVIPs, eight suits for VIPs, 20 AC rooms, four non-AC rooms and 70 dormitories. During the last five years (2004-09), the rate of occupancy of this House ranged between 66 *per cent* and 70 *per cent* of its capacity. When the existing capacity of the Meghalaya House was not being utilised fully, decision for construction of another residential complex for the VIPs and others at a cost of Rs. 4.46 crore was not a prudent exercise.
- The statutory clearance required to be obtained by the firm from the Kolkata Municipal Corporation (KMC) within six months, was obtained after a lapse of one year in June 2006. Despite knowing the fact that the execution of work would not commence within six months, a provision for payment of mobilisation advance within one month from the date of execution of agreement was made in the agreement, without provision for levy of interest. Accordingly, mobilisation advance of Rs. 4.42 crore was paid (July 2005), which was subsequently adjusted through five running account bills paid till March 2009. Consequently, the firm was allowed undue financial benefit of Rs. 4.42 crore for one year from July 2005 to June 2006 as mobilisation advance. Had there been a provision for levy of interest at least as per Central Public Works Department Manual (10 *per cent* per annum), the Department could have earned revenue of Rs. 1.39 crore as interest on such advance.
- The estimate for the work provided for piling work of 600 piles in the ground coverage of 4194.30 sq m worth Rs. 2.02 crore (@ Rs. 33,642 per pile). But the actual execution of work was done as per the plan approved by the KMC which provides for 406 piles.

Though as per actual execution, the contractor executed only 406 piles with ground coverage of 2033.13 sq m, payment was made for 600 piles. Thus, cost for piling work for 194 piles valued at Rs. 65.27 lakh (194 x Rs. 33,642) was paid to the contractor although the firm had not executed any work for 194 piles. This resulted in an excess payment of Rs. 65.27 lakh.

From the foregoing paragraphs it is observed that –

- the agreement executed with the firm was, in fact, in exchange of earlier agreement and at the dictate of the firm, thereby extending a concealed benefit of Rs. 4.42 crore to the firm in the shape of mobilization advance, besides excess payment of Rs. 65.27 lakh for works not actually executed by the firm.
- in the absence of any record regarding assessment of the economic viability of the commercial complex and non-availability of sufficient guests for the existing guest house, proper utility of the proposed residential cum commercial complex after its completion at a cost of Rs. 22.12 crore remained questionable.

The matter was reported to Government in June 2009; reply had not been received (November 2009).

Regulatory Issues and Others

ELECTION DEPARTMENT

2.17 Unauthorised expenditure on purchase of vehicles

The Department incurred unauthorised expenditure of Rs. 1.11 crore on purchase of vehicles by diverting funds provided for conducting General Elections of the Lok Sabha.

According to the basic policy of sharing of expenditure on elections circulated (August 2003) by the Union Ministry of Law and Justice (Legislative Department) to the Chief Electoral Officers of all States, the expenditure incurred on the Lok Sabha Elections is borne entirely by the Union Government when such elections are held independently. The Government of India, however, does not share any expenditure on any capital item such as motor cars, buildings, furniture, *etc.* incurred in connection with elections, as these items will be an acquisition to the State Government after the elections are over and the Union Government will have no use for them.

For conducting the 15th General Elections to the Lok Sabha, 2009, Government of Meghalaya accorded (March 2009) sanction for drawal of Rs. 13.33 crore on Abstract Contingent (AC) Bill with the stipulation to regularise the AC bill by submission of Detailed Countersigned Contingent (DCC) bill within one month. Accordingly, the amount was drawn by the Election Department on 10 March 2009 on AC bill. Though, the General Elections to the Lok Sabha, 2009 were over on 16 April 2009 in Meghalaya, DCC bill against drawal of Rs. 13.33 crore on AC bill was not submitted even after five months (September 2009) of the stipulated period (09 April 2009).

Scrutiny (June, September and October 2009) of records of the Chief Electoral Officer (CEO), Meghalaya Shillong further revealed that though the sanction order for Rs. 13.33 crore did not provide for purchase of vehicles, the Department utilised

Rs. 1.11 crore on purchase of 17 vehicles¹⁸ valued at Rs. 1.13 crore (including one Chevrolet Captiva luxury vehicle worth Rs.18.69 lakh). The supply orders for all these vehicles were issued (23 April, 18 May and 29 July 2009) after the election was over (16 April 2009). All the vehicles were received during April-September 2009 and allotted to the CEO (Chevrolet Captiva), Joint Chief Electoral Officer (Safari), seven districts and eight Sub-divisional Officers in-charge of Elections (15 Bolero).

Thus, purchase of 17 vehicles (including one luxury vehicle) at a cost of Rs. 1.11 crore by diverting funds provided for conducting General Election was not only contrary to the basic policy of sharing of expenditure on elections but also avoidable, because the purchase was made after the general election. Further, one of the 17 vehicles allotted to the Sub- Divisional Officer (Election), Ampati Civil Sub-Division was stolen on 24 August 2009 from the residential complex of Additional Deputy Commissioner at Tura, for which First Information Report was lodged with the Police. Thus, possibility of loss of Rs. 5.60 lakh (cost of stolen vehicle) could not be ruled out.

The State Election Department stated (October and November 2009) that their office was not aware of the fact that the capital items like vehicles were not permissible, the expenditure would not be claimed for reimbursement from Government of India, the State Government accorded *post facto* sanction to the procurement of vehicles from its budget, there was acute shortage of vehicles in the Government including Election Department and the sanction of vehicles is the discretion of the Government. The reply is not acceptable because the basic policy was circulated to all the CEOs by the GOI in August 2003. Besides, the requirement for purchase of any vehicle for conduct of Parliamentary Elections or for any other purpose was not provided by the State Government in the sanction order of Rs. 13.33 crore. Further, placing of supply orders for these vehicles after completion of the election process indicated that the vehicles were not required for election purposes.

The matter was reported to the Government in October 2009; reply had not been received (November 2009).

MEGHALAYA LEGISLATIVE ASSEMBLY

2.18 Unauthorised expenditure on engagement of excess staff

The Meghalaya Assembly Secretariat incurred unauthorised expenditure of Rs. 8.59 crore on appointment of temporary staff in excess of sanctioned strength.

Article 187 of the Constitution of India provides for framing rules regulating the recruitment and the conditions of service of the persons appointed to the Secretariat of the Legislature of the State. As per Meghalaya Delegation of Financial Power Rules (MDFPR), 1981 (as amended), creation of temporary post beyond a period of 12

¹⁸ Chevrolet Captiva (01): Rs.18.69 lakh; Safari (01): Rs.10.02 lakh; Bolero (15 @ Rs. 5.60 lakh each including taxes): Rs.84 lakh . Total cost: Rs. 1.13 crore; Amount paid up to August 2009: Rs.1.11 crore.

months invariably requires the approval of the Finance Department. For direct recruitment, Government laid down that there should be a written examination and personal interview (if necessary) for Group 'C' posts and interview for Group 'D' posts amongst the candidates recommended by the Employment Exchange.

Test-check (October-November 2008) of records of the Secretary, Meghalaya Legislative Assembly revealed that despite Constitutional requirement, no rules regulating the recruitment and the conditions of service of the persons appointed to the Secretariat of the Legislature were framed even after 37 years of constitution of the Meghalaya Legislative Assembly (1972). Though, the existing strength (sanctioned by the Finance Department) of the Assembly Secretariat was 327 staff (218 permanent posts and 109 temporary posts), the Secretariat appointed (January 2000 to May 2008) an additional 417 staff (Group 'C': 160; Group 'D': 257) on temporary basis in excess of the sanctioned strength at a fixed rate of pay plus allowances. These persons were appointed on 'pick and choose' policy without adhering to any selection criteria and these appointments were made without obtaining any approval/sanction from the Finance Department and also without conducting any examination/interview and recommendations from the Employment Exchange.

Thus, the appointment of 417 temporary employees in excess of the sanctioned strength was contrary to the MDFPR and Government's instructions. Out of 417 staff, the services of 199 staff were terminated in April 2008 after incurring an expenditure of Rs. 47.05 lakh on their pay and allowances on the ground of being 'overstaff'. Computed with reference to the fixed basic pay of these staff, the Assembly Secretariat incurred unauthorised expenditure of Rs. 8.59 crore on entertainment of 417 staff during January 2000 to June 2009 in excess of the sanctioned strength.

The Secretary, Meghalaya Assembly Secretariat stated during audit that as per practice and procedure of Parliament, the independent position of the Secretariat has been safeguarded both under the Constitution and the Lok Sabha (Recruitment and Conditions of Service) Rules, 1955, which is followed by all Legislative Assemblies of India and that appointment of temporary staff with effect from the year 2002 was necessitated due to gutting of Assembly building and having a temporary Assembly Chamber in the State Central Library, Shillong from February 2001 and Art and Culture Building, Rilbong from September 2004 onwards. The reply is not acceptable because the posts required for the Assembly Secretariat are sanctioned by the Finance Department and as such, the appointment of staff without the approval of the latter as well as without observing the procedure prescribed under Office Memorandum of August 1970 was irregular, particularly when there are no rules for regulating the service matters of the Assembly Secretariat. In its judgement (16 June 2008) on a writ petition filed by 179 out of 199 employees who had been removed from their services in April 2008, the Gauhati High Court (Shillong Bench) decreed that "had the Assembly framed Recruitment Rules, there would have been no scope for whimsical

and excess appointment on temporary basis”. The writ petition was accordingly dismissed by the Court. The Secretary further stated (September 2009) that the Assembly Secretariat had moved Finance Department for regularisation of posts since 2006.

REVENUE DEPARTMENT

2.19 Denial of relief to the flood victims and blocking of funds

Calamity relief funds of Rs. 67.54 lakh meant for the flood affected people of West Garo Hills District remained undisbursed for four years thereby depriving the beneficiaries of the benefit of flood relief.

For providing wage employment to 44,583 persons of West Garo Hills District who had been rendered unemployed due to flood of June-July 2004, Government had sanctioned (August 2005) Rs. 67.54 lakh out of the Calamity Relief Fund. The amount released (September 2005) to the Deputy Commissioner (DC), West Garo Hills was to be utilised keeping in view the guidelines of Special Components of Sampoorna Grameen Rozgar Yojana (SGRY), i.e., providing food grains as part of wages @ 5 kgs per manday, subject to a minimum of 25 *per cent* of wages to be paid in cash.

Scrutiny (June 2009) of records of the DC (Relief), West Garo Hills, Tura revealed that the amount (Rs. 67.54 lakh) received by the DC was lying unutilised in the savings bank account of National Calamity Relief Fund since October 2005. On being requested (July 2009) by Audit about the reasons for non-utilisation of funds, the Additional Deputy Commissioner, in charge of Revenue & Relief (ADC) stated (July 2009) that beneficiaries were yet to be identified and the SGRY guidelines were not available with them which resulted in non-utilisation of funds. The ADC further stated that no proposal for sanction of Rs. 67.54 lakh against BPL and APL families was sent to the Government as there was no such record with the relief branch. The reply is not acceptable because the SGRY guidelines were available with the Project Director, District Rural Development Agency (DRDA), Tura and the DC is the Chairman, DRDA. Obviously, there was lack of interest and commitment in providing relief to the flood affected people because the DC failed to obtain the guidelines and identify the beneficiaries during the last four years. The basis on which the sanction was accorded by the Government specifying the number of beneficiaries, though called for (September 2009) from the Commissioner and Secretary of the Revenue Department, had not been received.

Thus, due to an apathetic approach of the DC and lack of coordination and monitoring on the part of the Government, the flood affected people were deprived of the benefit of flood relief, besides blocking of Rs. 67.54 lakh for four years.

While admitting the facts, the Government stated (November 2009) that they had viewed the matter seriously and they were not aware of the unspent amount of

Rs. 67.54 lakh and the amount was refunded by the DC in November 2009. The fact, however, remains that the flood victims were the ultimate sufferers for non-disbursement of the funds meant for flood relief.

URBAN AFFAIRS DEPARTMENT

2.20 Unauthorised expenditure on engagement of excess staff by the Meghalaya Urban Development Authority

The Meghalaya Urban Development Authority incurred unauthorised expenditure of Rs. 2.89 crore on appointment of temporary staff in excess of sanctioned strength.

The Meghalaya Urban Development Authority (MUDA) had passed a resolution in April 2001 that no Grade III and IV staff should be appointed in excess of the sanctioned posts.

Scrutiny (September 2009) of records of MUDA revealed that as of September 2009, against 119 sanctioned posts of various categories, the persons-in-position were 90. 29 posts of technical and other important nature were vacant. The Chairman, MUDA, in violation of the resolution of April 2001, appointed between 2003-04 and 2009-10 (September 2009) 137 persons (monthly salary: Rs. 2,400 and above) over and above the sanctioned posts. The details are given below:

Table 2.11

(Rupees in lakh)

Sl. No.	Designation	Number of persons appointed	Expenditure incurred on pay and allowances (up to August 2009)	Sl. No.	Designation	Number of persons appointed	Expenditure incurred on pay and allowances (up to August 2009)
1.	Checker	01	3.57	14.	Lower Division Assistant	13	32.33
2.	Chowkidar	02	4.09	15.	Typist	01	4.78
3.	Cleaner	04	6.36	16.	Muster Roll on fixed pay	04	0.75
4.	Computer Assistant	01	7.04	17.	Parking Attendant	18	18.06
5.	Driver	04	6.30	18.	Personal Assistant	01	2.73
6.	Electrician	01	3.74	19.	Process Server	06	8.97
7.	Enforcement Inspector	01	3.41	20.	Peon	01	5.24
8.	Home Guard	13	15.20	21.	Record Keeper	02	4.65
9.	In-charge	11	7.77	22.	Sectional Assistant	26	75.64
10.	Investigator	03	11.90	23.	Stenographer	01	4.14
11.	Jr. Division Accountant	07	27.52	24.	Sweeper	05	6.74
12.	Khalasi	03	8.15	25.	Tracer	06	15.59
13.	Lower Division Assistant cum Typist	02	3.98				
Total						137	288.65

Source: Information furnished by the MUDA.

As can be seen from the above, the MUDA incurred an expenditure of Rs. 2.89 crore on pay and allowances of 137 persons till August 2009. These persons were appointed by the Chairman, MUDA on 'pick and choose' policy without obtaining any approval/sanction from the State Government and also without adhering to any selection criteria, such as conducting examination / interview and recommendations from the Employment Exchange. The requirement for such additional staff was also not supported by any norm.

Thus, the appointment of 137 temporary employees in excess of the sanctioned strength was not only contrary to Rule, 1973 *ibid* and the resolution (April 2001) of MUDA, but also resulted in an unauthorised expenditure of Rs. 2.89 crore on pay and allowances of these employees. In the circumstances, corrective action needs to be taken to avoid recurrence of such unauthorised expenditure besides fixing responsibility for the lapses in the matter.

The matter was reported to the Government in October 2009; reply had not been received (November 2009).

General

2.21 Follow up action on Audit Reports

With a view to ensure accountability of the executive about the issues contained in the various Audit Reports, the Public Accounts Committee (PAC) of Meghalaya Legislative Assembly issued instructions (July 1993) for submission of *suo motu* explanatory notes by the concerned administrative departments within one month of presentation of the Audit Reports to the State Legislature. These instructions were applicable for the Reports with effect from 1986-87 onwards. Review of outstanding explanatory notes on paragraphs included in the Reports of the Comptroller and Auditor General of India for the years from 1986-87 to 2006-07¹⁹ revealed that the concerned administrative departments were not complying with these instructions. As of March 2009, *suo motu* explanatory notes on 237 paragraphs of these Audit Reports were awaited from various departments.

The administrative departments were required to take suitable action on the recommendations made in the Report of the PAC presented to the State Legislature. Following the circulation of the Reports of the PAC, the departments were to prepare action taken notes (ATNs) indicating action taken or proposed to be taken on the recommendations of the PAC and submit the same to the Assembly Secretariat. The PAC specified the time frame for submission of such ATNs as six weeks up to 32nd Report of the PAC and six months in 33rd Report. Review of 13 Reports of the PAC involving 14 departments (containing recommendations on 52 paragraphs of Audit Reports) presented to the Legislature between April 1995 and December 1997 (10 reports), in June 2000 (one report) and April 2005 (one report) and April 2007 (one

¹⁹ Audit Report for the year 2007-08 was placed before the State Legislature on 24 June 2009.

report) revealed that none of these departments had sent the ATN to the Assembly Secretariat as of March 2009. Thus, the fate of the recommendations contained in the said reports of the PAC and whether they were being acted upon by the administrative departments could not be ascertained in audit.

The matter was reported to Government in August 2009; reply had not been received (November 2009).

2.22 Lack of response to Audit

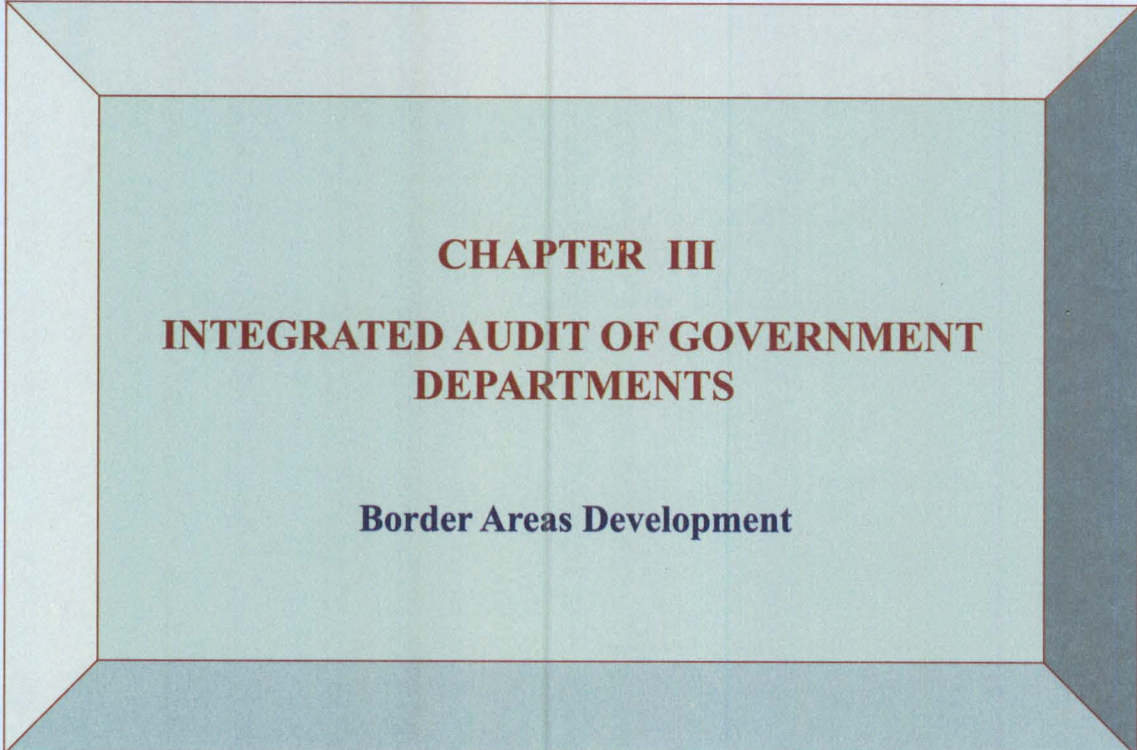
The Meghalaya Financial Rules, 1981 provide for prompt response by the executive to the Inspection Reports (IR) issued by the Accountant General (Audit) of the State (AG) to ensure rectificatory action in compliance with the prescribed rules and procedures and accountability for the deficiencies and lapses noticed during inspection. The Heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the AG. Serious irregularities are also brought to the notice of the Heads of the Department by the AG through a half-yearly report in respect of pending IRs to facilitate monitoring of the Audit observations and for taking appropriate corrective action.

Ten Audit Committee meetings were held during 2008-09 wherein 786 audit paragraphs relating to transactions of civil and works departments were discussed and 596 paragraphs settled.

At the end of March 2009, 896 IRs involving 3,301 paragraphs pertaining to the period 1986-87 to 2008-09 were outstanding.

Lack of response to Audit indicated inaction on the part of the departments concerned which facilitated recurring of serious irregularities and loss to Government even after being pointed out in audit.

As such, it is recommended that the Government should look into this matter and revamp the system to ensure proper and quick response of the departments to the audit observations in a time bound manner, which would help in facilitating reduction in financial irregularities and lapses of various types leading to good governance.



CHAPTER III
INTEGRATED AUDIT OF GOVERNMENT
DEPARTMENTS

Border Areas Development

CHAPTER III : INTEGRATED AUDIT OF GOVERNMENT DEPARTMENTS

BORDER AREAS DEVELOPMENT DEPARTMENT

3.1 Border Areas Development

The Border Areas Development Department is responsible for improvement of economic conditions of the border villages through implementation of various development schemes and the centrally sponsored "Border Areas Development Schemes" in particular. There was a significant shortfall in achievement of targets fixed for implementation during 2004-09. Evaluation of the schemes undertaken by the Department was not done and as such, the impact of implementation of these schemes remained unassessed. A review of the functioning of the Department revealed the following.

Highlights

The Department failed to utilise 28 per cent of funds provided by the Government of India (GOI) under the Border Areas Development Programme (BADP) during 2004-09 indicating ineffective implementation of the schemes.

(Paragraph 3.1.8.1)

The Department furnished fictitious utilisation certificates to the GOI for Rs. 3.49 crore for implementation of schemes during 2004-08 as the amounts were lying unutilised with the Director, Assistant Director and Border Areas Development Officers of the Department.

(Paragraph 3.1.8.2)

In violation of the BADP guidelines, the Department incurred expenditure of Rs. 2.87 crore for implementation of schemes in non-border areas.

(Paragraph 3.1.9.3)

The Department incurred unfruitful/unproductive expenditure of Rs. 1.93 crore due to non-utilisation of assets like market godown and market stall created under the BADP, non-providing of basic amenities in hostel and non-completion of a link road.

(Paragraphs 3.1.9.4, 3.1.9.5 & 3.1.9.6)

Interest of Rs. 59.59 lakh earned on investment of funds provided by the GOI for implementation of schemes under BADP was utilised for the purposes not covered under BADP.

There were cases of retention of heavy cash balance at the end of each month during 2007-09, which stood at Rs. 94.90 lakh at the end of March 2009.

(Paragraph 3.1.12)

3.1.1 Introduction

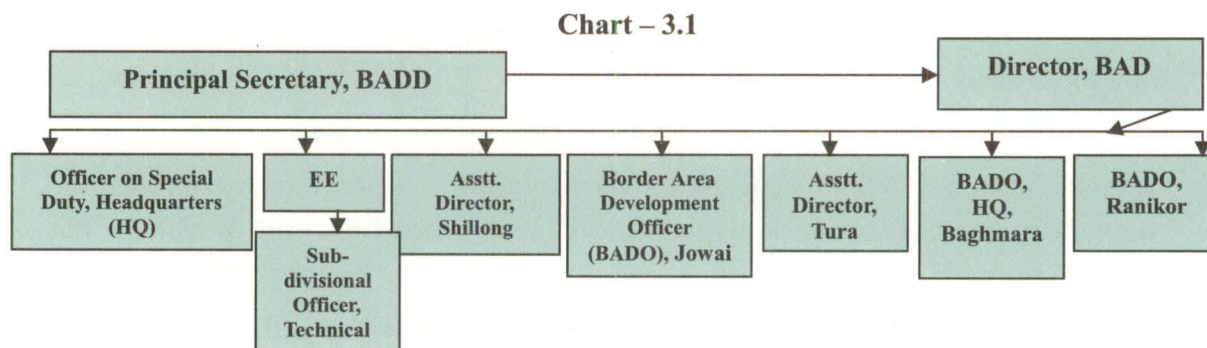
Border Areas Development Department (BADD) in Meghalaya was set up in 1973 to look after the integrated development and to implement such schemes and activities in the border villages which would help and improve their economic condition. The function of the Department is to formulate, approve, implement and monitor various developmental schemes for the border villages.

The most important scheme which the Department is implementing is the 100 per cent centrally sponsored “Border Areas Development Programme (BADP)” funded by the Union Ministry of Home Affairs as Special Central Assistance (SCA). The BADP was launched during 7th Plan with twin objectives of balanced development of sensitive border areas through adequate provision of infrastructural facilities and promotion of a sense of security amongst the local people. During Eighth Plan (1992-97), emphasis was laid on meeting the special developmental needs of the people living in remote and inaccessible areas along the international border. In Meghalaya, the programme was being implemented since 1993-94 in five border districts covering 443 km of international border with Bangladesh. The programme covers 1,566 villages in 17 blocks (either fully or partially) with population of 4.83 lakh.

Besides, the BADD is also implementing schemes funded by the Government of India (GOI) under Article 275(1) of the Constitution of India and Additional Central Assistance and State sector schemes for providing scholarships to border students, construction of rural roads in the border areas and acquisition of land and construction of departmental buildings. However, the Department is not implementing the scheme for providing border scholarships to border students directly, but channels the funds through the Education Department, which sanctions scholarships to the students of border villages of the State.

3.1.2 Organisational Set up

The Principal Secretary of the BADD is responsible for overseeing the implementation of various border areas development schemes. The organisational structure for implementation of the schemes in the State is detailed below:



3.1.3 Scope of Audit

The functioning of the Department during 2004-09 was reviewed in audit through a test-check (April-June 2009) of the records of the Director of Border Areas Development (BAD), 11¹ out of 14 units in four² out of five border districts, covering 86 per cent (Rs. 59.13 crore) of the total expenditure (Rs. 68.95 crore).

3.1.4 Audit Objectives

The audit objectives were to assess whether:

- the objectives of the Department were achieved;
- adequate funds were provided by the Central/State Government and funds were utilised for the intended purpose;
- the targets fixed for various schemes were achieved;
- implementation of the schemes were as per approved plan;
- implementation of schemes was monitored effectively and evaluated periodically

3.1.5 Audit Criteria

Audit findings were benchmarked against the following criteria:

- Budget Manual and sanction orders of funds;
- Meghalaya Treasury Rules, 1985;
- GOI guidelines; and,
- Prescribed monitoring mechanism.

3.1.6 Audit Methodology

Before taking up the integrated audit, an entry conference was held (May 2009) with the Principal Secretary, Director, BAD and other departmental officers, wherein the audit objectives, criteria and methodology were explained. The Directorate has been selected as compulsory unit. Four districts covering all the units were selected for detailed scrutiny on the basis of probability proportionate to size with replacement method. Audit findings were discussed (October 2009) with the Secretary, BADD and Director, BAD in an exit conference and the replies of the Department have been incorporated in the report at appropriate places.

Audit Findings

The important points noticed in the course of the integrated audit are discussed in the succeeding paragraphs.

¹ BADO, Sohra, Pynursla, Mawsynram, Ranikor, Dalu, Ampati, Kalaichar, Baghmara, Gasuapara and Assistant Director, Shillong and Tura.

² East Khasi Hills, West Khasi Hills, West Garo Hills and South Garo Hills.

3.1.7 Planning

Schemes under the BADP in each district and various areas of border blocks are approved by the State Level Screening Committee (SLSC) chaired by the Chief Secretary of the State. The SLSC included representative of the Union Ministry of Home Affairs (MHA), Department of Border Management, Border Guarding Forces operating in the State border and State Planning Secretary. The SLSC is to meet at least once in a year preferably before March in order to finalise the schemes for the following year and assess the progress of schemes under the programme. A list of schemes proposed to be implemented is to be sent to the Department of Border Management, MHA within March every year for release of funds.

The schemes approved by the SLSC are communicated by the Border Areas Development Officer (BADO) to the respective village committees with the request to furnish (a) name of members of local committee/development committee/managing committee, (b) registration certificate of the group/committee, (c) no objection certificate from village Headman showing that the committee have a land to implement the scheme and (d) authorisation letter to draw the fund from BADO and to look after the project work.

It was noticed that delays in holding of SLSC meetings every year during 2004-09 ranging from two to five months, resulted in delay in sanctioning of schemes and release of funds by the GOI to State Government and State Government to implementing agencies. Consequently, the Department failed to achieve the yearly target in time. The Director did not furnish specific reason for the delay in holding meeting of the SLSC but stated (August 2009) that the delay was beyond his control. During exit conference, the Secretary, BAD stated that steps would be taken for holding SLSC meeting in time from next year onwards.

For implementation of BADP, the Department followed the guidelines issued by the GOI during 2004-05 and the guidelines issued subsequently (2007 & 2008) by the GOI were not taken into consideration. According to the subsequent guidelines, the State should prepare district plan for each year based on village/block plan for which base line survey of each border block/village to be conducted and community were to be involved in sharing of 10 to 15 *per cent* cost of projects implemented under SCA. The impact of non-consideration of the subsequent guidelines would be evidenced from the fact that assets created during 2007-08 under model villages remained unutilised indicating absence of proper survey and non-completion of 139 schemes indicating lack of community involvement.

3.1.8 Financial Management

Provisions for the State sector programmes are made in State budget. For BADP, funds are allocated by the GOI to the State on the basis of length of international border, area and population of border blocks. Besides, 15 *per cent* weightage is given to hilly areas because of difficult terrain, scarcity of resources and the relatively higher cost of construction. The Department of Border Management under the MHA

intimates the amount of funds allocated to the State for the next year as Special Central Assistance (SCA) for the BADP, before the commencement of each financial year. Funds are released to the State Government in two instalments. State Government is required to have a separate budget head for the BADP. Funds to the implementing agencies are initially released as 50 per cent advance as first instalment on receipt of request from the respective committees and subsequent instalments are released based on the progress report of work.

Budget provision *vis-à-vis* expenditure of the Department during the last five years ending March 2009 was as under:

Table 3.1.1

(Rupees in crore)

Year	Budget provision			Expenditure			Savings State Sector (per cent)
	State Sector	Central Sector	Total	State Sector	Central Sector	Total	
2004-05	2.30	3.13	5.43	1.56	3.13	4.69	0.74 (13)
2005-06	2.50	10.81	13.31	1.76	10.81	12.57	0.74 (30)
2006-07	2.96	13.13	16.09	2.04	13.13	15.17	0.92 (31)
2007-08	3.97	10.64	14.61	3.69	10.64	14.33	0.28 (7)
2008-09	5.79	16.66	22.45	5.53	16.66	22.19	0.26 (4)
Total	17.52	54.37³	71.89	14.58	54.37	68.95	2.94

Source: Information furnished by the Director, BAD.

➤ A review of the budget provision and expenditure during the last five years ending March 2009 revealed that budgeting was unrealistic and lacked credibility in view of the persistent and substantial savings, which ranged between 4 per cent and 31 per cent in all the years during 2004-09.

The Director, BAD stated (July 2009) that the savings were due to non-release of budget provisions by the State Government because of fund constraints. Persistent savings year after year, however, did not justify the reply because this aspect should have been anticipated while framing the budget estimates for the subsequent years.

3.1.8.1 Release of Central funds and utilisation of available funds

Under the BADP, funds were to be released by the GOI on receipt of utilisation certificate of the entire amount released to the State during previous years, except the preceding year (first instalment) and depending on physical and financial progress (second instalment). Funds so released were to be released to the implementing agencies within 15 days from the date of release by the GOI. Scrutiny revealed the following irregularities in release and utilisation of funds:

➤ There was inordinate delay ranging from 55 days to 175 days in release and drawal of Central funds (SCA for BADP: Rs. 51.02 crore; ACA: Rs. 3 crore) by the State Government and the Director, BAD during 2004-09. There was further delay on the part of the Director in drawal of fund as released by the State Government under

³ Funds released by the GOI - SCA for BADP: Rs. 51.02 crore; ACA for construction of road: Rs. 3 crore; Central Assistance under Article 275(1): Rs. 0.35 crore.

SCA. During 2004-09, the delay in drawal of fund with reference to GOI release order ranged between 56 and 222 days. During 2005-07 and 2008-09, funds totalling Rs. 14.18 crore were released by the State Government on 31 March of the respective year.

➤ According to the Director, BAD, central funds of Rs. 54.02 crore (SCA: Rs. 51.02 crore; ACA: Rs. 3 crore) released by the State Government during 2004-09 were utilised during the period. Scrutiny, however, revealed that out of Rs. 54.02 crore, Rs. 15.05 crore (28 per cent) remained unutilised with the Director, BAD, Deputy Commissioners of five districts, 11 BADOs and Assistant Director, Shillong in savings bank account. The details are as under:

Table 3.1.2

(Rupees in lakh)

Authority keeping the unutilised funds	Unutilised funds at the end of the year					Total
	2004-05	2005-06	2006-07	2007-08	2008-09	
Director, BAD	69.65	22.29	55.30	46.76	747.56 ⁴	941.56
Deputy Commissioners, Tura, Baghmara, Shillong, Nongstoin, Jowai	1.83	1.20	4.66	27.35	165.86	200.90
BADOs, Dalu, Kalaichar, Ampati, Baghmara/ Gasuapara, Mawsynram, Sohra, Pynursla, Nongstoin, Ranikor, Dawki, Khliehriat	1.68	2.01	17.84	81.85	231.54	334.92
Assistant Directors, Shillong & Tura	7.73	-	1.30	8.33	10.10	27.46
Total	80.89	25.50	79.10	164.29	1,155.06	1,504.84

Source: Information furnished by the Director, BAD, DCs, Assistant Director and BADOs.

Even Rs. 26.30 lakh released during 1998-04 were lying unutilised with the Director, BAD (Rs. 7.18 lakh), DC, East Khasi Hills (Rs. 9.11 lakh), DC, West Garo Hills (Rs. 5.30 lakh), BADO, Ranikor (Rs. 4.71 lakh) till March 2009. Non-utilisation of the available funds indicated ineffective implementation of the schemes, as discussed in paragraph 3.1.9.1.

Government stated (October 2009) that delay in release of funds was due to receipt of GOI funds at the fag end of the year. The reply is not acceptable because there were delays in release of funds which were not received in the fag end of the year.

3.1.8.2 Report on utilisation of Central funds

Out of Rs. 38.35 crore released by the GOI under BADP during 2004-08, Rs. 3.49 crore was lying unspent with the Director, BAD (Rs. 1.94 crore), DCs (Rs. 0.35 crore), Assistant Directors, Shillong and Tura (Rs. 0.17 crore) and BADOs (Rs. 1.03 crore) at the end of March 2009. But, certificates in support of utilisation of the entire available funds were furnished to the GOI in December 2004, December 2006,

⁴ Including Rs. 126.70 lakh lying in Civil Deposit.

January 2008 and May 2009. Obviously, fictitious utilisation certificates were furnished to get the funds released by the GOI, which was highly irregular.

During exit conference, the Department committed that the utilisation certificates would be furnished on the basis of actual utilisation of funds.

3.1.8.3 Parking of Central and State funds

Central and State funds of Rs. 11.75 crore drawn by the Director, BAD in March 2006 (Rs. 1.65 crore), March 2007 (Rs. 5.83 crore), and March 2009 (Rs. 4.27 crore), were initially parked in “8443 - Civil Deposit”. Similarly, State funds of Rs. 4.22 crore drawn by the Director in March 2006 (Rs. 0.17 crore), March 2008 (Rs. 1.73 crore) and March 2009 (Rs. 2.32 crore) for construction/repair of office building, road, etc. under State plan schemes were retained in civil deposit in March of the respective year. Both the Central and State funds were withdrawn from the civil deposit during the month of May of the subsequent year and kept in savings bank account for utilisation from time to time. This was contrary to the State Treasury Rules, 1985, which prohibit drawal of money in anticipation of demand or to prevent lapse of budget grants. The fact of drawal of money from Treasury and deposit into civil deposit were also not recorded in the Cash Book of the Director. The Director stated (August 2009) that the amounts were recorded in the Cash Book after drawal from the civil deposit, but did not give reason for parking of funds in the civil deposit.

Government admitted the fact of irregular parking of funds and stated (October 2009) that receipt of funds at the end of the year was the reason for such irregular practice.

3.1.8.4 Unauthorised drawal of Government money

According to the Meghalaya Treasury Rules, 1985, cheques payable to officers of the Government to enable them to make disbursement of pay and allowances of staff, contingent expenditure, etc., on behalf of the Government, shall be issued in favour of the Government official concerned by designation, the word ‘only’ being added after the designation of the payee officer on the cheque. Such cheques shall not be crossed but shall bear the superscription “Not transferable”.

It was noticed that a cheque for Rs. 7.50 lakh issued (December 2007) by the DC, West Garo Hills in favour of the Assistant Director, BAD, Tura for release of funds for three schemes⁵ was sent to the bank through the peon of the Assistant Director for credit in his bank account. But this cheque was drawn by the Secretary, Construction Committee of one of these schemes who was entrusted with the work for construction of RCC foot bridge over Malsom stream at an estimated cost of Rs. 5 lakh. According to the Bank, the cheque was a bearer one, which was drawn by the said Secretary. This was indicative of the fact that the cheque was issued without observing the procedure prescribed in the Treasury Rules. The Secretary paid Rs. 2.50 lakh to the Secretary of another scheme and the balance amount of Rs. 5 lakh

⁵ Link road from PWD road to Kujikura, Link road from Gongbanga to BRTF road and RCC foot bridge over Malsom stream at Karong Nokat village.

was retained by him, though the value of work done by him was Rs. 1.45 lakh only. Though, the Assistant Director requested (October 2008) him to complete the allotted work, the same had not been completed (July 2009).

Thus, due to non-observance of prescribed procedure, the cheque was unauthorisedly drawn by the Secretary, which was fraught with the risk of loss to the Government to the extent of Rs. 3.55 lakh.

During exit conference, the Department stated that to avoid recurrence of such incidence, money would be released directly to the Assistant Director instead of through the DCs.

3.1.9 Programme Implementation

The activities of the Department are centred around the improvement of economic condition of the people of border villages through implementation of various schemes and activities⁶ under the BADP. During 2004-09, the Department had implemented various schemes under BADP for the development of these activities.

Sector-wise position of implementation of the schemes under BADP during 2004-09 is given below:

Table 3.1.3

(Rupees in crore)

Sector	Number of projects sanctioned	Approved cost / Fund released	Fund utilised	Completed projects		Incomplete projects		
				Number	Expenditure	Number	Approved cost	Expenditure up to March 2009
Education	509	7.15	4.61	398	4.43	111	2.90	0.18
Health	26	0.38	0.40	25	0.37	1	0.03	0.03
Agriculture & Allied	114	4.39	3.20	69	2.50	45	2.59	0.70
Infrastructure	901	28.47	21.59	718	19.68	183	10.71	1.92
Social	259	2.74	1.81	197	1.66	62	1.24	0.15
Miscellaneous	13	6.88	9.84	11	6.35	2	4.02	3.48
Total	1,822	50.01⁷	41.45	1,418	34.99	404	21.49	6.46

Source: Minutes of SLSC.

According to the Department, an expenditure of Rs. 41.45 crore was incurred during 2004-09 on the implementation of 1,822 schemes against the allocation of Rs. 50.01 crore (excluding Rs. 3 crore transferred to PWD for construction of road). However, the performance of the Department was far from satisfactory, which would be evidenced from the position discussed below.

⁶ **Education Sector:** Construction of school/hostel building, playgrounds; **Medical Sector:** Procurement of medical equipment for Community Health Centres; **Agriculture Sector:** Animal husbandry, poultry and piggery farms, horticulture, floriculture, minor irrigation, etc.; **Infrastructure Sector:** Construction of approach road, village road, culverts, suspension bridges, foot bridges, footpath, tourist centre, mini stadium, ropeways; **Social Sector:** Construction of community hall, recreation youth centre; **Miscellaneous Sector:** Development of model villages in border areas.

⁷ Excluding Rs. 1.01 crore for maintenance charges.

3.1.9.1 *Targets and achievements*

The Director, BAD claimed a hundred *per cent* achievement of the targets fixed during 2004-08. Scrutiny of records of the Director, BAD, eight BADOs⁸ and Assistant Director, Shillong, however, negated the claim of the Director inasmuch as 139 out of 1,338 schemes targeted during 2004-08 remained incomplete as on 31 March 2009. None of 265 schemes targeted during 2008-09 were completed during the year. Non-completion of schemes resulted in the accumulation of huge unspent balance at different levels as mentioned in paragraph 3.1.8.1.

Out of released amount of Rs. 8.82 crore, Rs. 6.46 crore was spent on implementation of these 139 schemes and the balance amount of Rs. 2.36 crore were lying unutilised with the respective implementing officers.

The Director stated (July 2009) that due to non-submission of utilisation certificates by the respective village development committees after receipt of first instalment of funds, second instalment was not released as a result of which works/projects could not be completed. This was indicative of Department's failure in proper monitoring of implementation of schemes sanctioned under BADP. The reply was, however, silent about incorrect information for the years 2004-08 furnished by him to Audit as well as action taken to get the required utilisation certificates from the village development committees.

Government stated (October 2009) that action was being taken to utilise the unspent balance.

3.1.9.2 *Allocation of funds for security related schemes*

According to the BADP guidelines, security related schemes, such as construction of link roads to border out posts, offices/residential units for Police Station/Police Posts, *etc.* may be taken up under BADP and the expenditure on such schemes should not exceed 10 *per cent* of the total allocation under SCA in a year.

During 2004-05 and 2006-08, only 1 *per cent* to 7 *per cent* of total funds were released in security sector against the norm of 10 *per cent*. But no funds were released by the State Government during 2005-06 and 2008-09 for security purpose. Thus, emphasis was not given by the Department on the security of the border areas.

Out of Rs. 1.62 crore, Rs. 34.16 lakh was released during 2007-08 for construction of immigration check posts at Dalu and Dawki. To ascertain the actual position of utilisation of funds, joint physical verification (October 2009) of these two check posts and water supply scheme sanctioned during 2006-07 (Cost: Rs. 6.82 lakh) for Border Security Force at Border Out Posts, Latangtilla and Dawki was conducted by Audit and Sub-Divisional Officer, Technical. It was noticed that one of the check posts, *viz.* Dawki, was completed and the amount of Rs. 17.08 lakh pertaining to the other check posts was lying unutilised with the State Police. The water supply

⁸ Kalaichar, Dalu, Ampati, Pynursla, Baghmara, Mawsynram, Sohra and Ranikor.

scheme, though constructed at a cost of Rs. 6.82 lakh, remained non-functional because of the damage of laid pipes.

Government stated (October 2009) that in future all the security agencies would be communicated the allocation of funds under BADP for submission of scheme proposal in accordance with the GOI guidelines.

3.1.9.3 Spending of BADP funds in non-border areas

The programme guidelines stipulated that the schemes financed by SCA should be implemented within the border areas/border blocks only. The border areas have been defined and demarcated as territory to the distance of 10 km inside the State from the international border with Bangladesh.

It was noticed that during 2004-08, SCA of Rs. 75.86 lakh was spent by the BADO, Ranikor on 44 schemes in 15 villages. As per report of the State Forest Department, the aerial distance of these 15 villages from Bangladesh Border was more than 13 km. Thus, the expenditure incurred on implementation of these 44 schemes was in violation of the BADP guidelines. During 2008-09, the department further sanctioned nine schemes involving expenditure of Rs. 36.35 lakh in those 15 villages, the work on which was in progress (March 2009).

Similarly, 187 schemes costing Rs. 2.81 crore were taken up by the Department for implementation during 2004-09 in the villages of three test-checked development blocks⁹ which do not have any international border.

As of March 2009, 167 out of 187 schemes sanctioned during 2004-08 were completed at a cost of Rs. 2.11 crore and the remaining 20 schemes sanctioned during 2008-09 were in progress.

The Director, BAD stated (August 2009) that the Department notified (1974, 1982 and 1992) border villages on the basis of the dependency on border trade with Bangladesh, economic backwardness and 10 km. crow-fly distance from the international border. Regarding 187 schemes, the Director stated (August 2009) that the villages falling under each BADO is known as border block. The replies are not acceptable because -

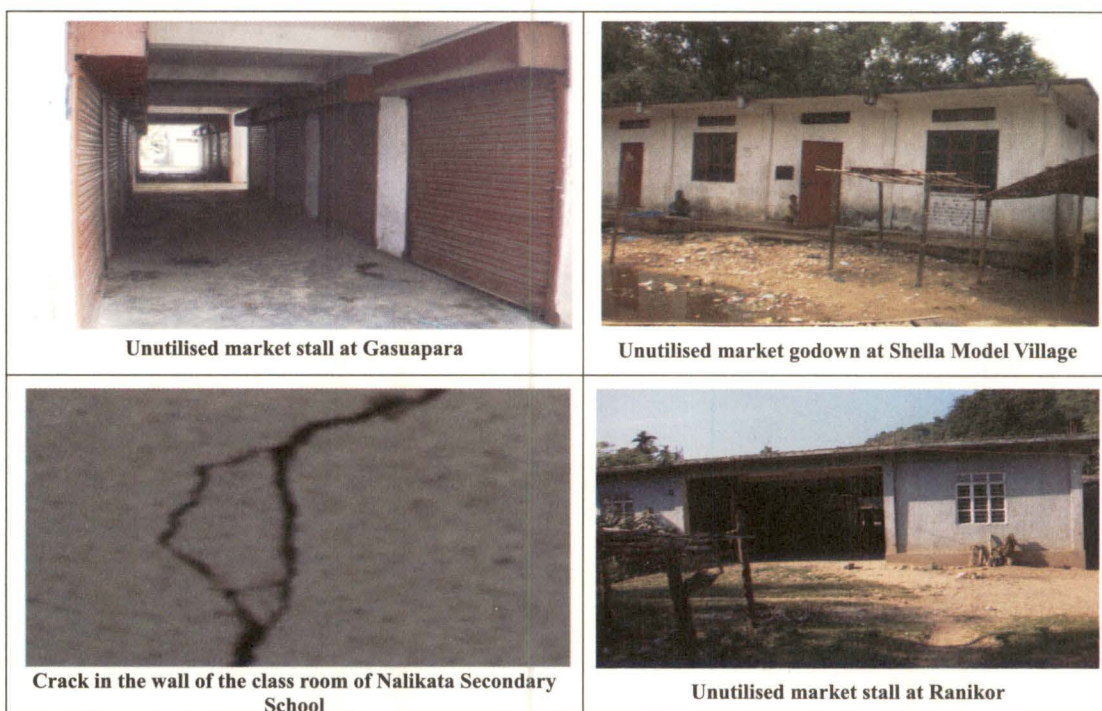
- The distance of these villages from the international border was arrived at on assumption without any scientific method.
- As per GOI's instructions, blocks having no international border line with Bangladesh should not be treated as border block and no scheme should be approved for these blocks.

During exit conference, the Department agreed to review the position.

⁹ Betasing, Chokpot and Mawkynrew Blocks.

3.1.9.4 Non-utilisation of assets

According to the existing procedure, all assets created under the BADP are to be handed over to the village committees, managing committees, *etc.* for utilisation, management and maintenance. Under the scheme “Construction of Model Village¹⁰” (covered under BADP), eight assets¹¹ were created in three border villages (Shella, Ranikor and Gasuapara) between November 2007 and March 2008 at a cost of Rs. 1.31 crore. Of these, three assets created in Gasuapara were handed over to the village committee immediately after completion and the remaining assets were still to be handed over (July 2009). It was, however, noticed during joint verification (April, June and October 2009) that six out of the eight assets remained unutilised thereby rendering the expenditure of Rs. 99.60 lakh unfruitful. The school building and the hostel at Ranikor were constructed without provision for water supply, electricity, toilets, bath room, kitchen and boundary wall. Besides, there were cracks on the walls of the class rooms of the school. Consequently, the inmates of the hostel were taking bath in nearby river, utilising nearby jungle and agricultural field as toilet, cooking their meal inside the hostel room and sleeping on the school benches in absence of cots. This indicated that the school and hostel buildings were constructed without providing for the basic amenities, rendering the expenditure of Rs. 31.54 lakh largely unfruitful. The photographs given below would indicate the actual state of affairs of the assets created out of the programme funds.



¹⁰ Composite development of one village having sizeable population surrounded by five or more villages close to the border.

¹¹ **Shella:** Market Godown (Rs.6.54 lakh) completed in September 2008; **Ranikor:** Market Stall (Rs.27.48 lakh) completed in March 2008, Market Godown (Rs.6.54 lakh) completed in December 2008, Buildings for Nalikata Secondary School and Boys’ Hostel (Rs.21.93 lakh & Rs.9.61 lakh) completed in March 2008; **Gasuapara:** Market Godown (Rs.6.54 lakh) completed in November 2007, Market Stall (Rs.27.49 lakh) completed in January 2008 and Boys’ Hostel (Rs.25.01 lakh) completed in May 2008.

The BADO, Gasuapara stated (June 2009) that since the assets were handed over to village committee, it was their responsibility to utilise the same properly. This was indicative of the fact that there was lack of interest on the part of the BADO in proper utilisation of assets created out of Central funds. The BADOs of Sohra and Ranikor did not furnish any reason for non-utilisation of assets.

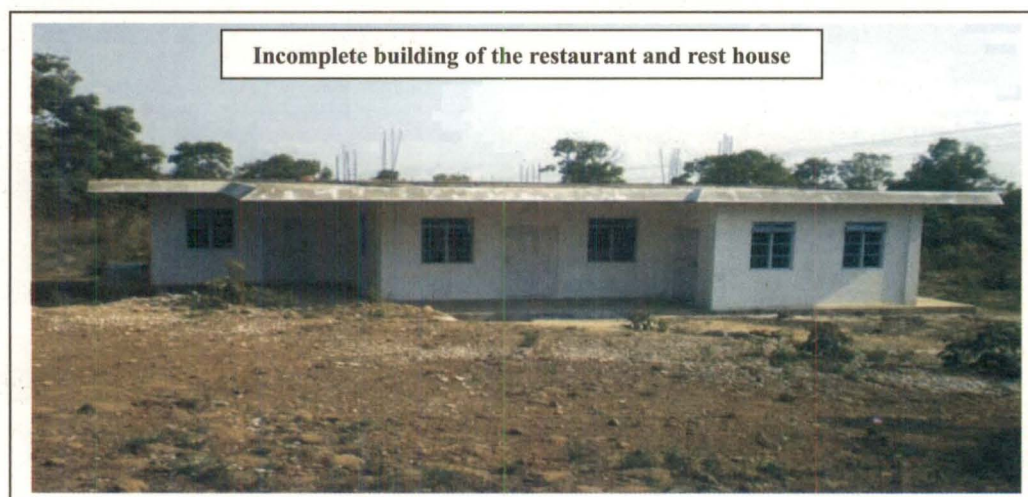
Government stated (October 2009) that necessary steps were being taken for proper utilisation of the assets created under model villages.

3.1.9.5 Non-completion of a park

To improve the economic condition and employment opportunity of the people of Laitkynsiew village, Sohra, East Khasi Hills District through tourism, an estimate for construction of park at Laitkynsiew was sanctioned (2004-05) by the Government for an amount of Rs. 26.80 lakh. The estimate of the work *inter alia* provided for construction of restaurant including rest house (Rs. 10.77 lakh), railing post (Rs. 10.66 lakh), intake arrangement, water supply, *etc.* (Rs. 2.10 lakh) and footpath (Rs. 1.47 lakh).

According to the Director, BAD (January 2009), the proposed works of the park were completed in May 2008 at a cost of Rs. 26.80 lakh. Besides, the Department spent (September 2008 to July 2009) a further amount of Rs. 25 lakh for the development of the park (four RCC bridges: Rs. 12.05 lakh; chowkidar quarters: Rs. 3.62 lakh; public toilet: Rs. 5.19 lakh; parking place: Rs. 2.65 lakh; retaining wall: Rs. 1.49 lakh).

It was noticed during field visit (March 2009) by Audit that the construction of park was not completed because of non-completion of the first floor of the two storey building for the restaurant and rest house. The photograph given below would indicate the actual state of affairs of the building:



Thus, the contention of the Director, BAD about completion of the park was not correct. Failure to complete the building for the restaurant and rest house was indicative of lack of planning and monitoring during execution which resulted in

unproductive expenditure of Rs. 51.80 lakh, besides depriving the village populace of the desired benefit.

Government stated (October 2009) that steps would be taken to complete the park at the earliest.

3.1.9.6 Non-completion of a road

Under the scheme 'Model Village at Gasuapara 2006-07', the Department constructed (May 2008) one link road from Kondok to Anggratuli via Babrakona (3 km length) at a cost of Rs. 10.23 lakh. But, the road could not be made operational because of non-construction of one RCC bridge which was not included in the approved plan and estimate of the link road, rendering the entire expenditure unproductive. The BADO, Gasuapara stated (July 2007) that proposal for construction of RCC bridge was under process. Construction of a road even without a provision for the required bridge was not only an imprudent exercise but also indicative of Department's apathy in providing road connectivity to the villagers.

Government stated (October 2009) that steps would be taken for construction of RCC bridge to make the road functional.

3.1.9.7 Wasteful expenditure on the schemes

Audit check disclosed unfruitful expenditure of Rs. 7.72 lakh on execution of two projects under BADP, as discussed below:

➤ For construction of a foot bridge over river Rom at Amongpara, Dalu, the Director, BAD paid (May and November 2006) Rs. 6.22 lakh to a development committee. When 65 *per cent* of work was complete, the BADO, Dalu had expressed (April 2007) concern over the unsatisfactory work. But, no action was taken to improve the quality of construction, which ultimately led to the collapse of the bridge in June 2007, rendering Rs. 6.22 lakh incurred on its construction a waste. Non-completion of the foot bridge, which is the lifeline of the socio economic development of the area, had a significant impact on the mobility of the general public.

➤ Cement concrete dam across Doreng Jasi stream at Babelapara, which was nearing completion, collapsed. Defective specification and utilisation of poor quality of material, were attributed to the dam's collapse. Thus, Rs. 1.50 lakh incurred on construction of the dam was rendered wasteful. Collapse of the concrete dam adversely affected the irrigation facilities to agricultural land of the area with consequential less productivity of agricultural products.

3.1.10 Display of sign board in front of assets

The programme guidelines stipulated that display boards showing funding of the scheme/projects under BADP should be placed in front of all the assets created under the scheme. It was, however, noticed during field visit of projects sites in four test-checked districts that display boards were not placed in front of 64 out of 91 projects

executed under BADP in West Khasi Hills and South Garo Hills districts. As such, one of the vital requirement of the BADP guidelines remained unfulfilled which indicated absence of proper monitoring system in the Department.

Government stated (October 2009) that steps would be taken to display the sign boards for all projects implemented under BADP.

3.1.11 Training of staff

According to BADP guidelines, to enhance the effectiveness of the programme the institutional arrangements for planning and staffing of the department in border blocks were to be strengthened. The staff members engaged in the field were to be properly trained. The State Government was to reserve a portion of funds out of the allocation of the State under BADP for training of the staff and monitoring of the programme. But funds were not allotted by the State Government for training and monitoring and thus, no training was imparted to the staff. Consequently, the schemes were implemented under the BADP with the help of untrained staff.

Government stated (October 2009) that steps had been taken for imparting training to the officers and staff on office procedure, financial management and technical aspects for implementation of BADP.

3.1.12 Internal control

Internal control provide reasonable assurance to the management that organizational objectives are achieved, financial interest, assets and other resources of the organization are safeguarded and reliable information is available.

According to the Director, BAD and Assistant Directors of East Khasi and Garo Hills Districts, internal control system in the Department was in force by way of supervision of project work by the Director, DCs of border districts, technical wing of the Directorate and respective BADOs. But inspection reports in support of supervision of schemes were not produced to Audit. An evaluation of the internal controls of the Department revealed the following irregularities:

- Funds released by the Central and State Governments for implementation of various schemes are first kept by the Director, BAD in a savings bank account opened with the Meghalaya Co-operative Apex Bank and then released to the Deputy Commissioners of border districts by cheque/demand draft for release to the implementing agencies (BADOs/Assistant Director). Permission of the Government for opening such accounts, as required under the Treasury Rules, was, however, not obtained. This indicated absence of internal control by the Director, BAD on the functioning of the field offices. During exit conference, the Secretary, BAD stated that the bank account would be transferred to State Bank of India with the approval of the Government.

It was further noticed that interest of Rs. 59.59 lakh earned during 2004-09 on retention of BADP funds in savings bank accounts was diverted by the Director, BAD

(Rs. 57.20 lakh) and Assistant Director, Shillong (Rs. 2.39 lakh) for the purpose¹² not covered under the BADP. This was contrary to the BADP guidelines, which provide for utilisation of funds for the schemes in the identified border blocks only and not for normal State Plan flows.

Government stated (October 2009) that funds were utilised by the Director, BAD for purchase of vehicles, computers, *etc.* with the approval of the administrative department. The reply is not acceptable because the funds were diverted without the approval of GOI and the funds to that extent were not available for implementation of the border area depriving the benefit to targeted group.

➤ According to Meghalaya Treasury Rules, 1985, no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands. In violation of this stipulation, huge amounts were withdrawn by the BADO, Baghmara from his bank account without any immediate requirement and kept the same as cash balance. During 2007-08, the cash balance of the BADO, Baghmara at the end of each month (May 2007 to March 2008) ranged between Rs. 4.53 lakh and Rs. 50.10 lakh. The position further worsened during 2008-09, when the cash balance ranged between Rs. 13.58 lakh and Rs. 78.67 lakh during April 2008 to February 2009 and stood at Rs. 94.90 lakh at the end of March 2009. This indicated absence of internal control by the Director, BAD on the functioning of the field offices.

The BADO, Baghmara stated (July 2009) that heavy cash balance was retained for disbursement to the implementing agencies and major portion of the cash balance was already disbursed and that action would be taken to reduce the balance by withdrawing money for immediate requirement. The retention of heavy cash balance month after month was not only a serious deficiency in the control over expenditure but also fraught with the risk of misappropriation or loss of Government money.

Government stated (October 2009) that the BADO, Baghmara had been instructed to explain reason for retention of heavy cash balance.

➤ Seven out of nine BADOs covered under audit also admitted about non-existence of any internal control system.

3.1.13 Maintenance/production of records

It was noticed that except the BADOs of Ampati, Dalu and Kalaichar, none of the remaining eight test-checked units and the Director, BAD maintained any asset register for assets created under BADP. Besides, bills in support of works executed by three Junior Engineers (Shillong, Ranikor and Jowai) against Rs. 2.22 crore advanced to them for execution of 40 works were not produced to Audit. The

¹² **Director, BAD** - Purchase of vehicles: Rs.32.97 lakh; Computer accessories: Rs.8.09 lakh; Bank commission: Rs.2.83 lakh; Fruit processing unit: Rs.2.31 lakh; Seminar: Rs.2 lakh; Payment to the Managing Director, Development of tourism: Rs.5 lakh; Camera, hotel expenses, *etc.*: Rs.4 lakh. **Assistant Director**: Photo copier: Rs.1.05 lakh, Furniture, Camera & spare parts of vehicles: Rs.1.34 lakh.

Director, BAD stated (August 2009) that there were no instructions from the Government for maintenance of asset register. The reply was not acceptable because the Director himself directed (September 2006) the Assistant Directors and BADOs to maintain asset register for all assets created since 2001-02.

Government stated (October 2009) that instructions had already been issued to all Assistant Directors and BADOs for maintenance of asset records.

3.1.14 Monitoring and evaluation

3.1.14.1 Survey/progress report

Effective monitoring system is a pre-requisite for a department for its smooth functioning and achievement of its targets and objectives. There was a prescribed procedure for submission of quarterly progress reports to the Directorate of BAD regarding achievement of targets from field units. As per BADP guidelines, the State Government would closely monitor the implementation of the works/schemes being undertaken under BADP. They must carry out inspection from time to time so as to ensure quality and timely completion of the works. The report of the inspection carried out by the officers of the State Government should be sent to the Ministry of Home Affairs on quarterly basis.

Audit scrutiny revealed the following shortcomings:

- Quarterly progress reports submitted by the field units to the Director, BAD did not indicate reasons for non-completion of projects within the target date and remedial measures initiated to complete the projects.
- Survey was never conducted by the Department to verify whether the schemes implemented were functioning properly.
- The Director, BAD stated (August 2009) that the departmental officers and the DCs visited the site of the schemes from time to time for monitoring, quality control and overall supervision. But no record/register indicating the date of visit and their findings were maintained by the Director. In the absence of relevant records, Audit could not verify the genuineness of such visits.
- The performance of the Department had never been evaluated till March 2009. However, the Directorate of Programme Implementation and Evaluation of the State engaged (February 2009) Martin Luther Christian University, Shillong for evaluation of the implementation of BADP. As per the report on evaluation study submitted (September 2009) by the University to the Director, BAD, the achievement of the programme did not appear noteworthy. The report further mentioned that the BADP in the State was found to be surging ahead and to a large extent contributed towards creating and enabling environment for undertaking normal economic activities in border areas and expanding development opportunities for the local population. The degree of success, however, varied between States and across sectors in a State. However, the report was yet to be accepted by the State Government.

Government stated (October 2009) that necessary steps were being initiated for proper submission of the progress report by the BADOs and Assistant Directors and also to ensure systematic documentation of various projects.

3.1.14.2 Centralised monitoring framework

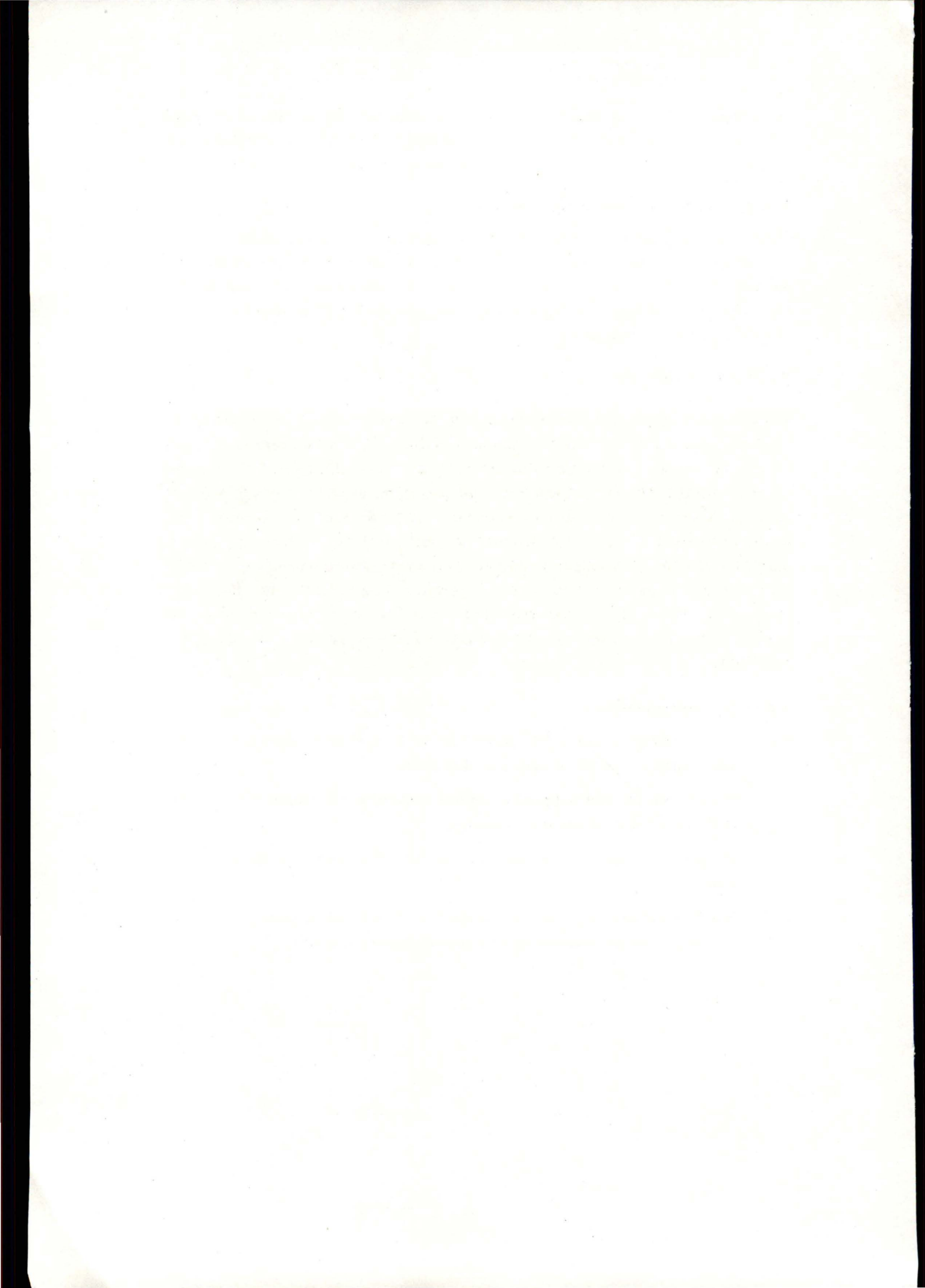
There was no centralised database of the projects with critical milestones for monitoring. As a result, the monitoring at the CCO/CO level was ad-hoc and unsystematic. There was no systematic record of the minutes of the review meeting taken by the Minister/Secretary/Director, the discussion taken therein and the follow-up action required/taken.

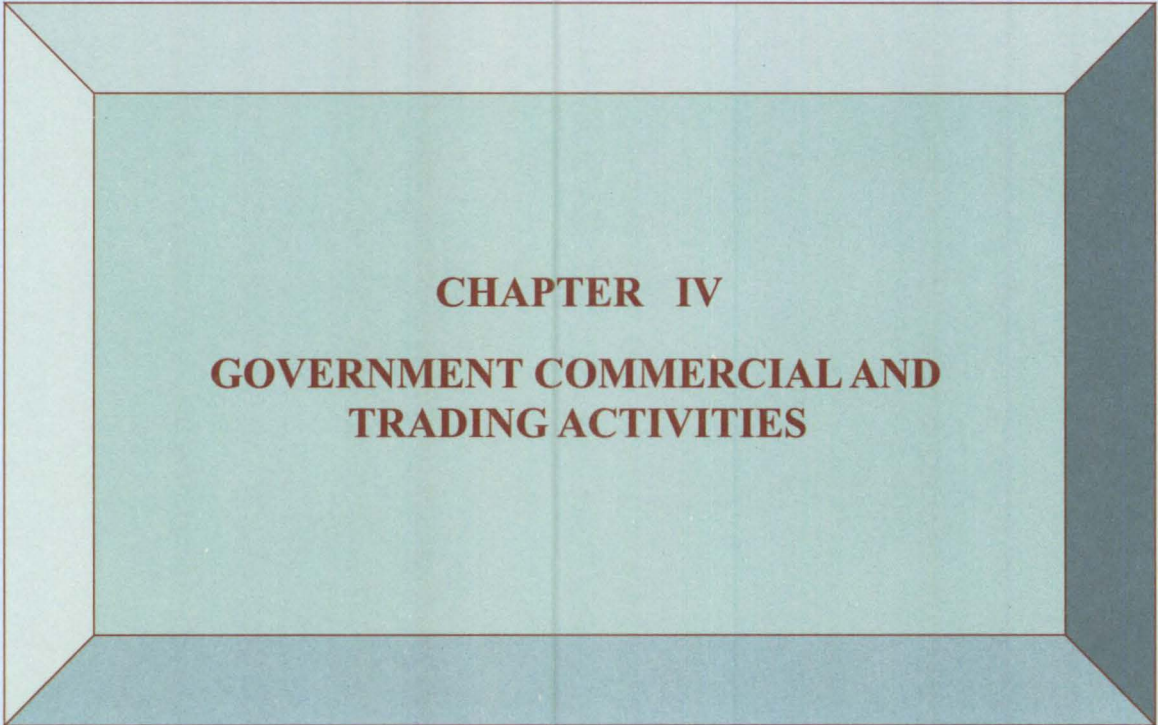
3.1.15 Conclusion

The objectives of the Department to improve the economic condition of the border villages through implementation of various development schemes remained largely unachieved because of significant shortfall in completion of the targeted 139 schemes under the BADP. The Department could not absorb the available funds provided by the GOI. There were cases of misrepresentation of facts about utilisation of Central funds, retention of heavy cash balance and unfruitful expenditure due to non-utilisation of assets. Inadequate monitoring over implementation of schemes coupled with submission of incomplete physical progress reports adversely affected the programme. According to the evaluation study of implementation of BADP conducted by a University, the achievement of the programme did not appear noteworthy.

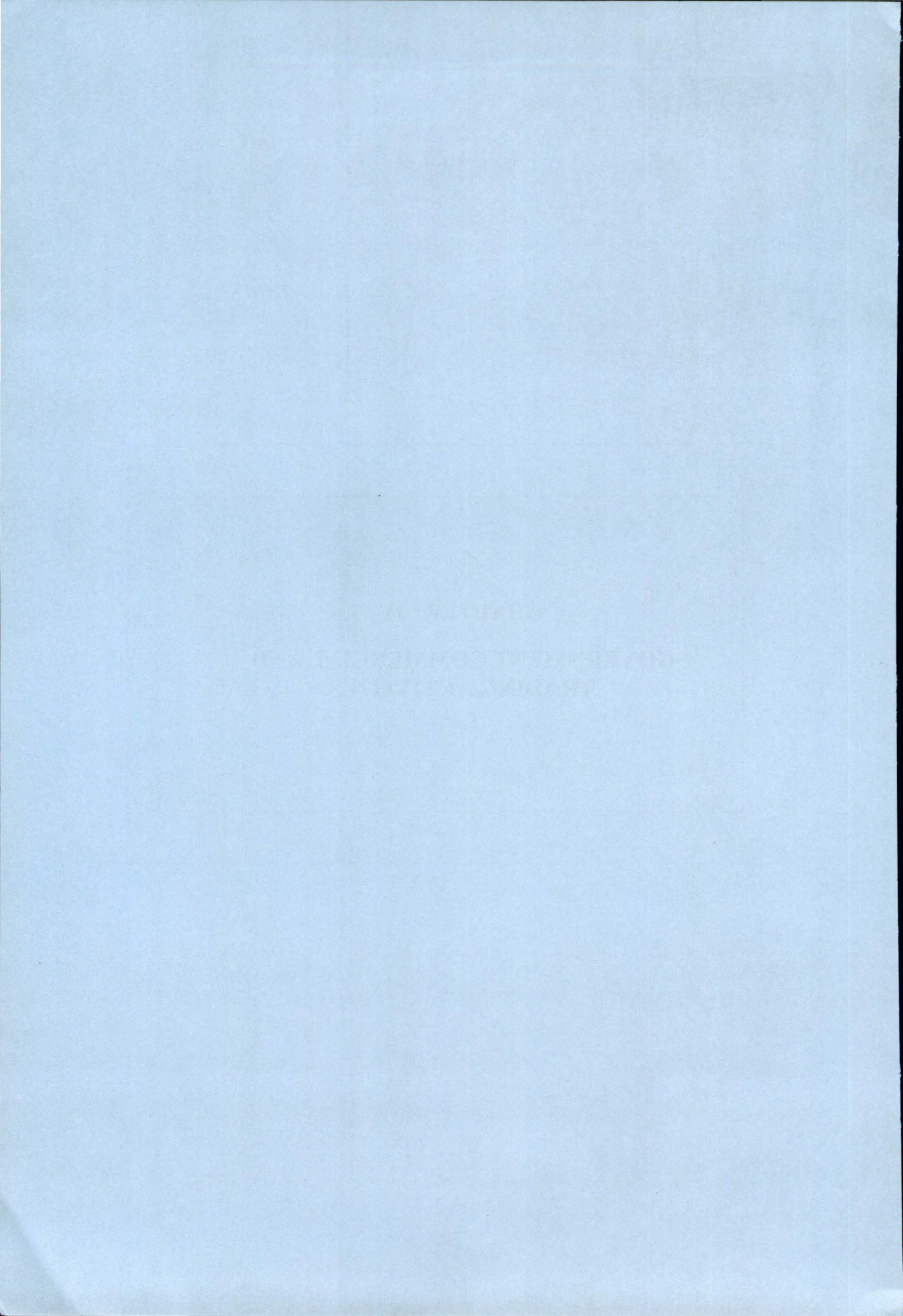
3.1.16 Recommendations

- **The meeting of the SLSC should be held in time so that the schemes sanctioned by the SLSC reach GOI in time.**
- **Timely release and proper utilisation of fund with reference to planned activities should be made mandatory.**
- **Proper utilisation of assets created out of Central funds should be ensured.**
- **Monitoring and internal control mechanism should be strengthened and the impact of the schemes should be periodically assessed.**





CHAPTER IV
GOVERNMENT COMMERCIAL AND
TRADING ACTIVITIES



CHAPTER IV : GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

4.1 Overview of State Public Sector Undertakings

Introduction

4.1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Meghalaya, the State PSUs occupy a moderate place in the State economy. The State working PSUs registered a turnover of Rs. 386.20 crore for 2008-09 as per their latest finalised accounts as of September 2009. This turnover was equal to 4.02 *per cent* of State Gross Domestic Product (GDP) for 2008-09. Major activities of Meghalaya State PSUs are concentrated in power sector. The State PSUs incurred an overall loss of Rs. 20.73 crore in the aggregate for 2008-09 as per their latest finalised accounts. They had employed 5,261[♦] employees as of 31 March 2009.

4.1.2 As on 31 March 2009, there were 14 PSUs as per the details given below. Of these, no company was listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs ^ψ	Total
Government Companies [♦]	10	1	11
Statutory Corporations	3	-	3
Total	13	1	14

4.1.3 During the year 2008-09, no new PSU was established nor any existing PSU was closed down.

Audit Mandate

4.1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which not less than 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

4.1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by

[♦] As per the details provided by 11 PSUs. Remaining PSUs did not furnish the details.

^ψ Non-working PSUs are those which have ceased to carry on their operations.

[♦] Includes one 619-B Company (non-working) namely, Meghalaya Phyto Chemicals Limited.

Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

4.1.6 Audit of Statutory corporations is governed by their respective legislations. Out of three Statutory corporations, CAG is the sole auditor for Meghalaya State Electricity Board and Meghalaya Transport Corporation. In respect of Meghalaya State Warehousing Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Investment in State PSUs

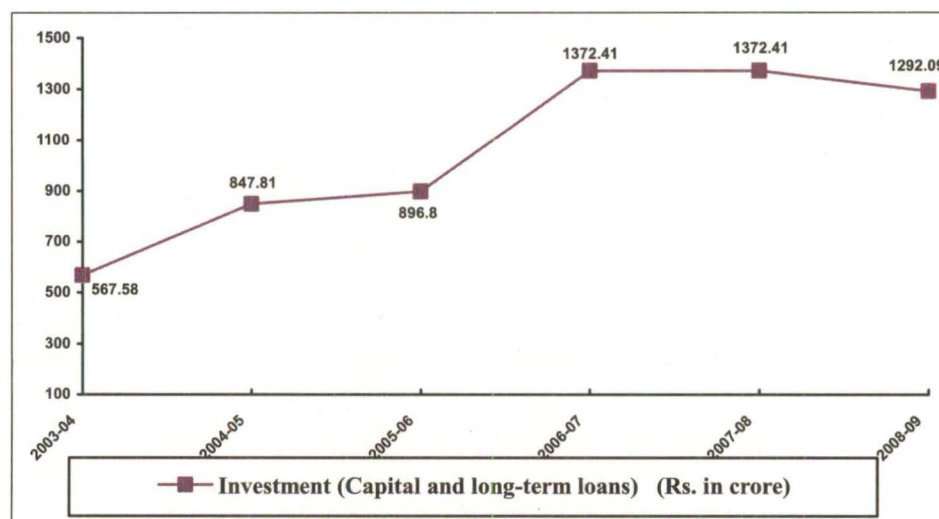
4.1.7 As on 31 March 2009, the investment (capital and long-term loans) in 14 PSUs (including one 619-B company) was Rs. 1,292.09 crore as per details given below.

(Rupees in crore)

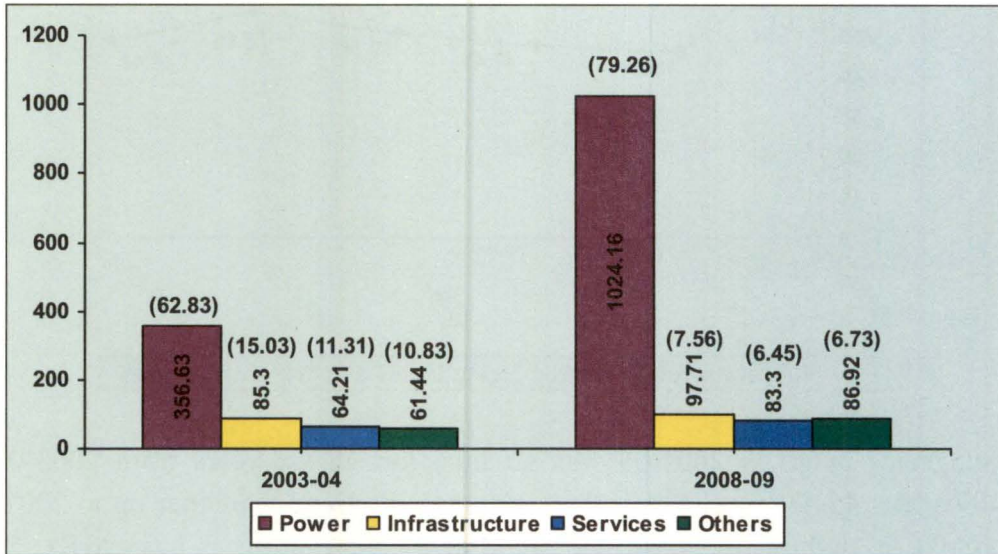
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	148.78	42.60	191.38	277.80	822.16	1099.96	1291.34
Non-working PSUs	0.75	-	0.75	-	-	-	0.75
Total	149.53	42.60	192.13	277.80	822.16	1099.96	1292.09

A summarised position of Government investment in State PSUs is detailed in **Appendix 4.1**.

4.1.8 As on 31 March 2009, of the total investment in State PSUs, 99.94 per cent was in working PSUs and the remaining 0.06 per cent in one non-working PSU. This total investment consisted of 33.07 per cent towards capital and 66.93 per cent in long-term loans. The investment has grown by 127.65 per cent from Rs. 567.58 crore in 2003-04 to Rs. 1,292.09 crore in 2008-09 as shown in the graph below.



4.1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart. The thrust of PSU investment in the State was mainly in Power Sector during the five years which has seen its percentage share rising from 62.83 per cent in 2003-04 to 79.26 per cent in 2008-09.



(Figures in brackets show the percentage of total investment)

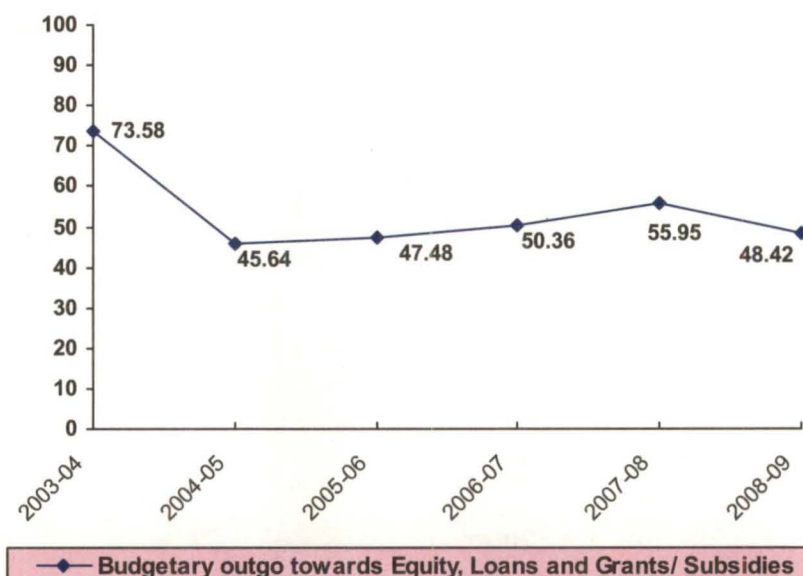
Budgetary outgo, grants/subsidies, guarantees and loans

4.1.10 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Appendix 4.3**. The summarised details are given below for three years ended 2008-09.

(Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	5	12.95	5	10.38	5	18.20
2.	Loans given from budget	1	9.66	1	8.43	1	11.04
3.	Grants/Subsidy received	2	27.75	6	37.14	6	19.18
4.	Total Outgo (1+2+3)		50.36		55.95		48.42
5.	Loans converted into equity	1	202.00	-	-	-	-
6.	Guarantees issued	-	-	-	-	1	150.49
7.	Guarantee Commitment	2	376.90	3	501.23	3	607.24

4.1.11 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in a graph below.



The budgetary outgo in 2004-05 was all time low in six years from 2003-04 to 2008-09 at Rs. 45.64 crore, which showed increasing trend thereafter up to 2007-08. In 2008-09, it slightly decreased and stood at Rs.48.42 crore as against Rs. 55.95 crore in 2007-08.

4.1.12 The guarantee commitment by the State Government against the borrowings of State PSUs was showing an increasing trend. Guarantees for Rs. 376.90 crore (two PSUs) were outstanding as at the end of 2006-07 which increased to Rs. 607.24 crore (three PSUs) at the end of 2008-09. Fresh guarantees for Rs. 150.49 crore were issued by the State Government during 2008-09 to one PSU.

Reconciliation with Finance Accounts

4.1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2009 is stated below.

(Rupees in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	153.71	412.53	258.82
Loans	*	151.99	-
Guarantees	638.91	607.24	31.67

4.1.14 Audit observed that the differences occurred in respect of ten PSUs and some of the differences were pending reconciliation since a long period. Though the

* State Government's loans to State PSUs are extended through the Government Departments. These Government Departments reallocate the loan funds to different PSUs. Hence, the PSU-wise figures of State Government loans are not available in the Finance Accounts.

Principal Secretary, Finance Department, Government of Meghalaya as well as the PSUs concerned were apprised by Audit about the differences stressing upon the need for reconciliation, no significant progress was noticed. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

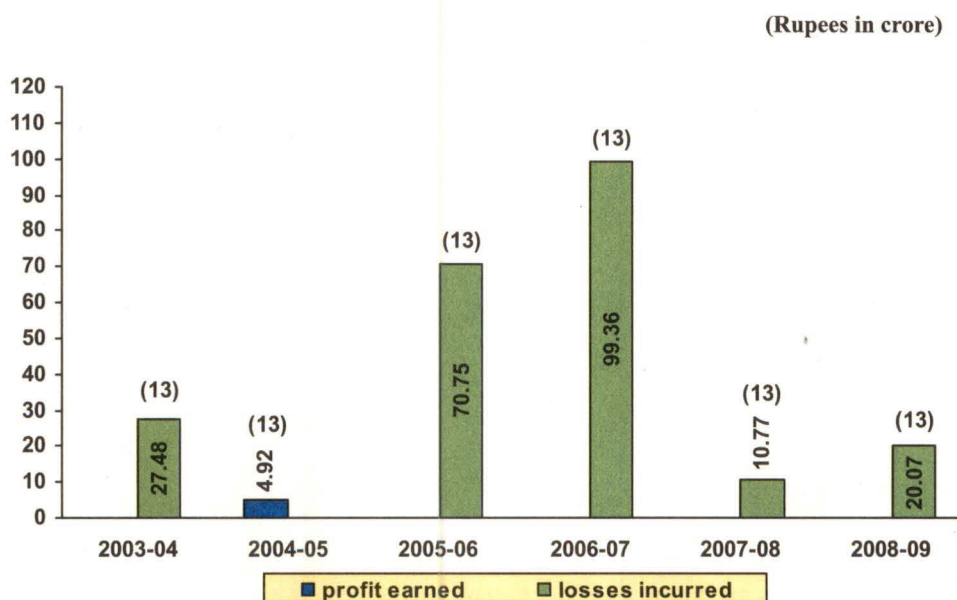
Performance of PSUs

4.1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Appendix 4.2, 4.5 and 4.6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2003-04 to 2008-09.

Particulars	(Rupees in crore)					
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover*	210.83	279.18	300.64	278.18	365.47	386.20
State GDP	5280	5805	6445	7330	8472	9611
Percentage of Turnover to State GDP	3.99	4.81	4.66	3.80	4.31	4.02

It can be seen from the above that during six years period ending 2008-09, the percentage of turnover to State GDP had declined during three years (*viz.*, 2005-06, 2006-07 and 2008-09) as the turnover of PSUs did not increase in the proportion of corresponding increase in GDP.

4.1.16 Profit earned/losses incurred by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.



(Figures in brackets show the number of working PSUs in respective years)

* Turnover as per the latest finalised accounts as of 30 September.

During 2003-09, the State working PSUs incurred losses every year except during 2004-05. The overall losses incurred by working PSUs were all time high during 2006-07 (Rs. 99.36 crore) and stood at Rs. 20.07 crore during 2008-09. During the year 2008-09, out of 13 working PSUs, four PSUs earned profit of Rs. 2.04 crore and nine PSUs incurred loss of Rs. 22.11 crore. The major contributors to profit were Meghalaya State Electricity Board (Rs. 1.48 crore) and Meghalaya Government Construction Corporation Limited (Rs. 0.54 crore). The heavy losses were incurred by Meghalaya Transport Corporation (Rs. 12.90 crore), Mawmluh Cherra Cements Limited (Rs. 3.10 crore) and Meghalaya Mineral Development Corporation Limited (Rs. 1.91 crore).

4.1.17 The losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of Rs. 66.98 crore and infructuous investment of Rs. 10.59 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

(Rupees in crore)				
Particulars	2006-07	2007-08	2008-09	Total
Net Loss	99.36	10.77	20.07	130.20
Controllable losses as per CAG's Audit Report	41.50	24.28	1.20	66.98
Infructuous Investment	-	5.33	5.26	10.59

4.1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimised substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

4.1.19 Some other key parameters pertaining to State PSUs are given below.

(Rupees in crore)						
Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (Per cent)	1.72	5.10	-	-	2.93	1.87
Debt	412.20	484.71	512.92	892.37	968.28	864.76
Turnover ^Y	210.83	279.18	300.64	278.18	365.47	386.20
Debt/ Turnover Ratio	1.96:1	1.74:1	1.71:1	3.21:1	2.65:1	2.24:1
Interest Payments	34.74	30.09	51.38	32.11	38.08	37.69
Accumulated Losses	340.07	403.34	403.34	508.72	524.13	518.36

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

4.1.20 The percentage of return on capital employed was all time high at 5.10 in 2004-05 during last six years and it stood at 1.87 in 2008-09. It was, however, negative during 2005-06 and 2006-07. The accumulated losses showed increasing

^Y Turnover of working PSUs as per the latest finalised accounts as of 30 September.

trend during six years period and the same increased by more than 1.5 times from Rs.340.07 crore (2003-04) to Rs. 518.36 crore (2008-09).

4.1.21 The State Government had not formulated any dividend policy for payment of any minimum return by PSUs on the paid up share capital contributed by the State Government. As per their latest finalised accounts, four PSUs earned an aggregate profit of Rs. 2.04 crore. However, none of the PSUs had declared dividend.

Performance of major PSUs

4.1.22 The investment in working PSUs and their turnover together aggregated to Rs. 1677.54 crore during 2008-09. Out of 13 working PSUs, the following three PSUs accounted for individual investment *plus* turnover of more than five *per cent* of aggregate investment *plus* turnover. These three PSUs together accounted for 91.64 *per cent* of aggregate investment *plus* turnover.

(Rupees in crore)				
PSU Name	Investment	Turn over	Total (2) + (3)	Percentage to Aggregate Investment plus Turnover
(1)	(2)	(3)	(4)	(5)
Meghalaya Industrial Development Corporation	92.81	3.99	96.80	5.77
Mawmluh Cherra Cements Limited	65.27	29.96	95.23	5.68
Meghalaya State Electricity Board	1024.16	318.15	1342.31	80.01
Total	1182.24	352.10	1534.34	91.46

4.1.23 Some of the major audit findings of past five years relating to above PSUs are stated in the succeeding paragraphs.

Meghalaya Industrial Development Corporation

The turnover of the Company increased from Rs. 3.77 crore in 1999-2000 to Rs. 3.99 crore during 2001-02. The Company earned profit of Rs. 0.61 lakh, Rs. 4.25 lakh, Rs. 0.14 lakh during the years 1999-2000, 2000-01 and 2001-02 respectively. The accounts of the Company were in arrears from 2002-03 onwards. Some of the major audit findings of past five years are stated below.

Deficiency in implementation

- Irregular sanction of loan of Rs.3.50 crore to sick units contrary to Government directives resulting in the loan becoming doubtful of recovery. (paragraph 6.4 of Audit Report 2003-04).

Deficiency in monitoring

- Inadequate follow up action and imprudent business practices adopted by the Company resulted in doubtful recovery of loan of Rs. 4.42 crore. (paragraph 7.3 of Audit Report 2006-07).
- Failure to take effective action for recovery of dues resulted in loss of Rs. 25.67 crore and further sanctioning of bridging loan to the subsidiaries to the tune of Rs. 1.83 crore. (paragraph 7.4 of Audit Report 2006-07).

Mawmluh Cherra Cement Limited

The turnover of the Company was Rs. 31.21 crore, Rs. 34.79 crore and Rs. 29.96 crore during 2005-06, 2006-07 and 2007-08 respectively. The Company earned a profit of Rs. 0.83 crore in 2005-06, Rs. 1.45 crore in 2006-07 and incurred a loss of Rs. 3.10 crore during 2007-08. Some of the major audit findings of past five years are stated below.

Deficiency in planning

- Improper assessment of demand of electricity by the Company resulted in incurring extra expenditure of Rs. 0.47 crore on electricity charges. (paragraph 7.5 of Audit Report 2006-07).

Meghalaya State Electricity Board

The turnover of the Board was Rs. 254.30 crore in 2005-06, Rs. 233.17 crore in 2006-07 and Rs. 318.15 crore during 2007-08. The Board incurred losses of Rs. 41.19 crore in 2005-06, Rs. 93.97 crore in 2006-07 and earned a profit of Rs. 1.48 crore during 2007-08. Some of the major audit findings of past five years are stated below.

Deficiency in planning

- Purchase of transformer without considering the progress of work, resulted in blockage of funds of Rs. 2.44 crore besides expiry of the guarantee before the transformer was put to commercial use. (paragraph 6.4 of Audit Report 2004-05).
- Excess procurement of material than required resulted in idle investment of Rs.1.58 crore. (paragraph 7.2.20 of Audit Report 2006-07).

Deficiency in implementation

- Extra expenditure of Rs. 3.39 crore was incurred on procurement of electro mechanical meters not provided in the DPR. (paragraphs 7.2.13 and 7.2.14 of Audit Report 2006-07).
- Additional expenditure of Rs. 6.46 crore was incurred due to Board's failure to negotiate the rates quoted in turnkey contract to bring them at par with the issue rate of its own stores. (paragraph 7.2.18 of Audit Report 2006-07).

- Failure to negotiate the rates quoted in the turnkey contract to bring them at par with rates finalised during the same period resulted in additional expenditure of Rs. 5.23 crore. (paragraph 7.3.13 of Audit Report 2007-08).
- MeSEB incurred infructuous expenditure of Rs. 3.19 crore and extended undue financial benefit of Rs. 2.17 crore to a contractor due to non-inclusion of a suitable clause in the work agreement for recovery rate. (paragraph 7.4 of Audit Report 2007-08).
- MeSEB extended undue financial benefit of Rs. 4 crore to Assam State Electricity Board due to execution of a faulty agreement besides incurring a loss of Rs. 0.70 crore. (paragraph 7.5 of Audit Report 2007-08).

Deficiency in monitoring

- Due to non-revision of Load Security Deposit, MeSEB had to forgo Rs. 24.10 crore in respect of Industrial consumers only, adversely affecting its funds position. (paragraph 6.2.6 of Audit Report 2003-04).
- MeSEB had to incur loss of revenue of Rs. 5.29 crore due to failure to insert monthly minimum charges clause in tariff by MeSEB. (paragraph 6.2.7 of Audit Report 2003-04).
- Delay in raising of energy consumption bills resulted in delay in collection of revenue of Rs. 3.49 crore by 30 days (paragraph 6.2.8 of Audit Report 2003-04).
- No steps were taken for realisation of arrears of Rs. 153.72 crore outstanding from Assam State Electricity Board (ASEB) for inter-State sale of power. (paragraph 6.2.13 of Audit Report 2003-04).

Non-achievement of objectives

- Non-reduction of T&D losses and AT & C losses defeating the main objective of implementation of APDRP scheme. (paragraphs 7.2.26 to 7.2.27 of Audit Report 2006-07).
- MeSEB did not open a separate bank account on receipt of funds of Rs. 122.82 crore for implementation of Rural Electrification works under RE (MNP)/PMGY. Therefore the utilization of funds, diversion of funds for other purposes and balance remaining unutilized was not susceptible for verification in audit. (paragraph 7.3.3 of Audit Report 2007-08).

Deficiency in financial management

- MeSEB spent Rs. 13.11 crore over and above the allocated funds for RE works and incurred avoidable interest of Rs. 1.31 crore due to borrowings of short term loan for meeting its working capital requirements. (paragraph 7.3.6 of Audit Report 2007-08).

Conclusion

4.1.24 The above details indicate that the State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

4.1.25 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies, Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2009.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of Working PSUs	13	13	13	13	13
2.	Number of accounts finalised during the year	11	11	11	13	14
3.	Number of accounts in arrears	56	58	60	60	61
4.	Average arrears <i>per</i> PSU (3/1)	4.31	4.46	4.61	4.61	4.69
5.	Number of Working PSUs with arrears in accounts	12	12	12	12	13
6.	Extent of arrears	1 to 14 years	1 to 15 years	1 to 15 years	1 to 15 years	1 to 15 years

4.1.26 It can be seen from the above that the quantum of arrears in accounts was on the rise during all the years and the average stood at more than four accounts per PSU.

4.1.27 In addition to above, there were also the arrears in finalisation of accounts by one non-working PSU since 1984-85.

4.1.28 The State Government had invested Rs. 116.43 crore (Equity: Rs. 86.08 crore, grants: Rs. 6.55 crore and subsidy: Rs. 23.80 crore) in 10 PSUs during the years for which accounts have not been finalised as detailed in **Appendix 4.4**. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

4.1.29 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As

a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up (August 2009) with the Principal Secretary, Finance Department to expedite the backlog of arrears in accounts in a time bound manner.

4.1.30 In view of above state of arrears, it is recommended that:

- The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.
- The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.

Winding up of non-working PSUs

There was one non-working PSU as on 31 March 2009. The PSU had not commenced the liquidation process. The Company was defunct and no accounts after 1984 (calendar year) had been prepared.

4.1.31 The non-working PSU is required to be closed down as its existence is not going to serve any purpose.

Accounts Comments and Internal Audit

4.1.32 Nine working companies forwarded their nine audited accounts to Accountant General during the year 2008-09. Of these, three accounts of three companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	1	0.59	-	-
2.	Increase in loss	1	0.08	-	-	1	0.47
3.	Non-disclosure of material facts	-	-	2	12.48	1	1.94
4.	Errors of classification	1	0.04	-	-	-	-

4.1.33 During the year, the Statutory auditors had given unqualified certificates for three accounts, qualified certificates for six accounts. The compliance of companies with the Accounting Standards remained poor as there were eight instances of non-compliance in eight accounts during the year.

4.1.34 Some of the important comments in respect of accounts of companies are stated below.

Meghalaya Watches Limited (2005-06)

- Payments under Voluntary Retirement Scheme (Rs. 2.87 crore) and payment of Salary arrears (Rs. 3.83 crore) received from Government of Meghalaya and fully utilised were not reflected in the Profit and Loss (P&L) Account.
- The Company exhibited a sum of Rs. 10.51 lakh as assembly charges under production cost in the P&L Account even though it has ceased all production activity.

Meghalaya Handloom & Handicrafts Development Corporation Limited (2001-02)

- Government Grant in aid of Rs. 3.50 lakh received from Government of India for addition of fixtures and fittings meant for sales emporium was reflected as Other Income.

Meghalaya Tourism Development Corporation Limited (1992-93)

- Encashment of Bank Guarantee of Rs. 25.60 lakh due to non-completion of civil works by contractor was adjusted against Capital Work-in-Progress instead of accounting as Other Income.
- No disclosures was made as required under Para No.8.1 of Accounting Standard-4 regarding out of court settlement amounting to Rs. 1.94 crore with a contractor against Arbitration award in respect of Crow borough Hotel Complex.
- Current liabilities were understated due to non-inclusion of Rs. 1.02 crore being funds received from Government of Meghalaya for implementation of Government projects.

4.1.35 Similarly, three working statutory corporations forwarded their five accounts to Accountant General during the year 2008-09. Of these, four accounts of two Statutory corporations pertained to sole audit by CAG which was completed. The remaining one account was selected for supplementary audit. The audit reports of statutory auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of CAG are given below.

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	-	-	3	108.09
2.	Increase in loss	1	9.50	2	8.11	3	19.65
3.	Non-disclosure of material facts	-	-	-	-	1	4.91
4.	Errors of classification	-	-	1	1.23	1	4.19

It can be seen from the above that the average impact of comments causing 'decrease in profits' was at Rs. 36.03 crore per account during 2008-09 as against 'nil' in

preceding two years. Average money value of the classification errors also increased from Rs. 1.23 crore (2007-08) to Rs. 4.19 crore (2008-09) per audited account.

4.1.36 During the year, all the five accounts of three Statutory corporations received qualified certificates.

4.1.37 Some of the important comments in respect of accounts of statutory corporations are stated below.

Meghalaya State Electricity Board (2007-08)

- Short provision of liability for purchase of power and un-scheduled interchange charge from North Eastern Electric Power Corporation resulted in overstatement of surplus by Rs. 13.36 crore.
- Short provision of liability for purchase of power from NTPC by Rs. 1.93 crore and wrong account of Rs. 2.01 crore as receivable from NTPC resulted in overstatement of sundry receivable by Rs. 2.01 crore and overstatement of surplus by Rs. 3.94 crore.
- Non-provision of Rs. 1.70 crore towards reimbursement of income tax claimed by North Eastern Electric Power Corporation resulted in understatement of liability and overstatement of surplus.
- Non-provision of Rs. 78.21 lakh towards interest for delayed payment of unscheduled interchange charges resulted in overstatement of surplus and understatement of other current liabilities.
- Overstatement of stock and surplus by Rs. 88.12 crore due to difference as per physical verification report figures and as shown in the books.
- The actual Uninterrupted Interchange charge receivable for sale of power was Rs. 25.15 crore as per the statement furnished by North Eastern Regional Load Despatch Centre against which the Board booked Rs. 21.48 crore resulting in understatement of Sundry Debtors and Surplus by Rs. 3.67 crore.

Meghalaya Transport Corporation (2002-03, 2003-04 and 2004-05)

- Non provision of liability towards interest and penal interest resulted in understatement of loss by Rs. 2.01 crore.
- Payments made to CPF authorities amounting to Rs. 61.29 lakh were credited to CPF account instead of debiting the same resulting in overstatement of current liabilities and provisions and cash at bank by Rs. 1.23 crore.
- Non-provision of liability towards penal interest payable on outstanding PF dues resulted in understatement of loss by Rs. 75.34 lakh.

- Investments includes Fixed/Term Deposits of Rs. 1.62 crore in various banks which should have been classified as Cash balance at Banks as Fixed Deposits instead of investments, resulting in overstatement of investments by Rs. 1.62 crore.

4.1.38 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control / internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of five companies[£] for the year 2007-08 and four companies^µ for the year 2008-09 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	2007-08		2008-09	
		Number of companies where recommendations were made	Reference to serial number of the companies as per Appendix 4.2	Number of companies where recommendations were made	Reference to serial number of the companies as per Appendix 4.2
1.	Auditors Report & Comments / Draft paras/Mini Reviews not discussed in Audit Committee	-	-	2	A-2, A-9
2.	Non prescribing of Maximum / Minimum level of stock	-	-	2	A-9, A-10
3.	No ABC analysis adopted to control the inventory	4	A-3,A-4 A-9, A-10	1	A-10
4.	Inadequate scope of Internal Audit	5	A-3,A-4,A-5 A-9, A-10	2	A-7, A-9
5.	Absence of proper maintenance of Fixed Asset Register	-	-	3	A-7,A-9, A-10
6.	Inadequate credit policy	-	-	1	A-9
7.	Inadequate system of giving discount	-	-	1	A-9
8.	Inadequate system for timely recovery of outstanding dues	-	-	1	A-9
9.	No system of obtaining confirmation of balances from debtors.	-	-	1	A-9

Recoveries at the instance of audit

4.1.39 During the course of propriety audit in 2008-09, recoveries of Rs. 3.96 crore were pointed out to the Management of various PSUs, of which, recoveries of Rs. 0.62 crore were admitted by PSUs. An amount of Rs. 0.51 crore was recovered during the year 2008-09.

[£] Sl. No. 3,4,5,9 and 10 in Appendix – 4.2

^µ Sl. No. 2,7,9 and 10 in Appendix – 4.2

Status of placement of Separate Audit Reports

4.1.40 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Meghalaya State Electricity Board	2005-06	2006-07 2007-08	12 May 2008 14 June 2009	The Government has not furnished reasons for non-placement of the SAR.
2.	Meghalaya Transport Corporation	1999-2000	2000-01 2001-02 2002-03 2003-04 2004-05	22 September 2007 29 February 2008 20 October 2008 23 January 2009 1 April 2009	The Government has not furnished reasons for non-placement of the SAR.
3.	Meghalaya State Warehousing Corporation	2004-05	2005-06 2006-07 2007-08	22 April 2008 14 May 2008 8 May 2009	The Government has replied (September 2009) that the SAR would be placed in the Assembly soon.

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the legislature(s).

Disinvestment, Privatisation and Restructuring of PSUs

4.1.41 During the year 2008-09, no exercise was undertaken by the Government of Meghalaya for the Disinvestment, Privatisation and Restructuring of PSUs.

Discussion of Audit Reports by COPU

4.1.42 The status as on 30 September 2009 of reviews and paragraphs that appeared in the Commercial Chapters of Audit Reports (Civil) and discussed by the Committee on Public Undertakings (COPU) is as under.

Period of Audit Report	Total number of reviews and paragraphs appeared in the Commercial chapter of the Audit Report		Number of reviews and paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1984-85	3	3	2	2
1985-86	1	3	1	-
1986-87	1	3	-	1
1987-88	1	4	-	1
1988-89	1	4	1	1
1989-90	1	4	1	1
1990-91	2	4	-	2
1991-92	1	4	-	1

Period of Audit Report	Total number of reviews and paragraphs appeared in the Commercial chapter of the Audit Report		Number of reviews and paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1992-93	1	4	-	-
1993-94	1	4	1	-
1994-95	2	4	-	-
1995-96	1	4	-	1
1996-97	1	4	-	1
1997-98	1	4	-	1
1998-99	1	2	-	-
1999-00	2	7	-	2
2000-01	2	4	-	-
2001-02	1	6	1	1
2002-03	1	4	-	3
2003-04	1	5	1	2
2004-05 [†]	1	3	1	3
2005-06	1	3	1	-
2006-07	1	6	-	-
2007-08	1	4	-	-
Total	30	97	10	23

[†] All the reviews / paras appeared in the Commercial Chapter, 2004-05 have been fully discussed by the COPU.

PERFORMANCE REVIEW

TRANSPORT DEPARTMENT

4.2 Meghalaya Transport Corporation

Executive Summary

The Meghalaya Transport Corporation provides public transport in the State through its seven depots. The Corporation had a fleet strength of 62 buses as on 31 March 2009 and carried an average of 1000 passengers per day during 2008-09. The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation suffered a loss of Rs. 0.35 crore in 2008-09 without considering prior period adjustments. Its accumulated losses stood at Rs. 75.78 crore as at 31 March 2009. The Corporation earned Rs. 34.64 per kilometre and expended Rs. 35.91 per kilometre in 2008-09. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce costs, so as to earn profit and serve its cause better.

Declining share

The percentage share of the Corporation in providing public transport declined marginally from 6 per cent in 2004-05 to 4.4 per cent 2008-09. The decline in share was mainly due to its operational inefficiency (leading to non-availability of adequate funds to replace old buses/add new buses) and lack of support from the State Government.

Vehicle profile and utilisation

Of its fleet strength of 62 buses, 48.39 per cent were overage, i.e., more than eight years old. The percentage of overage buses increased from 46.55 per cent in 2004-05 to 48.39 per cent during 2008-09.

Corporations' fleet utilisation at 63 per cent in 2008-09 was below all India Average (AIA) of 90.1 per cent in hill area region category. Its vehicle productivity at 192 kms per day per bus (2008-09) was below the AIA of 196 kms for hilly regions. On the other hand, its load factor at 54 per cent (2008-09) remained higher than the AIA of 45.73 per cent in the category. The Corporation could not perform well on all operational parameters except load factor, and its schedule of buses was unprofitable due to high cost of operations and non-reimbursement of cost of free/concessional passes by the Government.

The Corporation did not adhere to the preventive maintenance schedule prescribed by the OEMs.

Economy in operations

Manpower and fuel constituted 76.93 per cent of the total cost. Interest, depreciation and taxes accounted for 4.78 per cent and are not controllable in the short term. Thus, the controllable expenditure is to come from manpower and fuel.

The manpower per bus of the Corporation decreased from 6.59 in 2004-05 to 5.32 in 2008-09. The expenditure on repairs and maintenance was Rs. 0.42 lakh (per bus) in 2008-09. The Corporation did not fix targets for fuel consumption.

Revenue maximization

The Corporation did not claim from the State Government reimbursement of free/concessional passes issued to teachers and students. Further, the Corporation has about 0.96 lakh square meters of land. As it mainly utilises ground floor land for its operations, the space above can be developed on public private partnership (PPP) basis to earn steady income which can be used to cross-subsidize its operations. The Corporation has not framed any policy in this regard.

Need for a regulator

The fare per km stood at Rs. 0.76 (2008-09). Though, the Government approves the fare increase, there is no scientific

basis for its calculations. The Corporation has also not formed norms for providing services on uneconomical routes. Thus, it would be desirable to have an independent regulatory body (like SERC) to fix the fares, specify operations on uneconomical routes and address grievance of commuters.

Inadequate monitoring

The fixation of targets for various operational parameters and an effective management information system (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. The shortfall in operations is required to be deliberated upon in the Board of Directors meetings with suitable remedial action to be taken by the Depots. However, the Corporation lacked in these aspects and could not control the cost and increase the revenue.

Conclusion and recommendations

Though, the Corporation is incurring losses, it is mainly due to its high cost of operation and not due to low fare structure. The Corporation can control the losses by resorting to hiring of buses and tapping non-conventional sources of revenue. This review contains six recommendations to improve the Corporation's performance. Carrying out preventive maintenance as planned, creating a regulator to regulate fare and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of the recommendations.

Introduction

4.2.1 In Meghalaya, the public road transport is provided by Meghalaya Transport Corporation (Corporation), which is mandated to provide an efficient, adequate, economical and properly co-ordinated road transport. The State also allows the private operators to provide public transport. The State has no reserve routes exclusively for the Corporation or the private operators. The fare structure of the Corporation is controlled by the State Government which approves it.

4.2.2 The Corporation was incorporated on 1 October 1976 by the Government of Meghalaya (GoM) under Section 3 of the Road Transport Corporations Act, 1950 as a wholly owned Corporation of the State Government. The Corporation is under the administrative control of the Transport Department. The Management of the Corporation is vested with a Board of Directors comprising of Chairman, Vice-Chairman and eight Directors. The members of the Board of Directors are nominated by the State Government. The day-to-day operations are carried out by the Managing Director, who is the Chief Executive of the Corporation, with the assistance of Assistant General Managers (Operations)/ (Administration), Depot Managers and Automobile Engineer (Central Workshop and Stores). The Corporation has seven Depots and one Central Workshop having a tyre retreading unit. The bus body building operations are carried out through external agencies.

4.2.3 The Corporation had a fleet strength of 62 buses as on 31 March 2009. The Corporation does not hire buses for its operations. The Corporation carried an average of one thousand passengers per day during 2008-09. The Corporation's share in the passenger transport operations in the State was 4.4 *per cent* in 2008-09 and the remaining 95.60 *per cent* was accounted for by private operators. The turnover of the Corporation was Rs. 9.49 crore in 2008-09, which was equal to 0.10 *per cent* of the State Gross Domestic Product (Rs. 9611 crore). The Corporation employed 330 employees as at 31 March 2009.

4.2.4 A review on the working of the Corporation was included in the Report of the Comptroller and Auditor General of India for the year 1999-2000, Government of Meghalaya. The report has not been discussed by COPU till October 2009.

Scope and Methodology of Audit

4.2.5 The present review conducted during May 2009 to June 2009 covers the performance of the Corporation during the period from 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management, fare policy, fulfillment of social obligations and monitoring by top management of the Corporation. The audit examination involved scrutiny of records at the Head Office, one Central Workshop and one out of the seven depots. *

* The Shillong-Guwahati Route Depot (SG Route) was selected out of the seven depots on the basis of its fleet strength of 32 buses (2008-09). The other depot had a fleet strength of 1 to 2 buses.

4.2.6 The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft review to the management for comments.

Audit Objectives

4.2.7 The objectives of the performance audit were to assess:

4.2.8 Operational Performance

- the extent to which the Corporation was able to keep pace with the growing demand for public transport;
- whether the Corporation succeeded in recovering the cost of operations;
- whether adequate maintenance was undertaken to keep the vehicles roadworthy; and
- the extent to which economy was ensured in cost of operations.

4.2.9 Financial Management

- whether the Corporation was able to meet its commitment and recover its dues efficiently; and
- the possibility of realigning the business model of the Corporation to tap non-conventional sources of revenue and adopting innovative methods of accessing such funds.

4.2.10 Fare Policy and Fulfilment of Social Obligations

- the existence and adequacy of fare policy; and
- whether the Corporation operated adequately on uneconomical routes.

4.2.11 Monitoring by Top Management

- whether the monitoring by Corporation's top management was effective.

Audit Criteria

4.2.12 The audit criteria adopted for assessing the achievement of the audit objectives were:

- all India averages for performance parameters;
- performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU);
- physical and financial targets/ norms fixed by the Management;

- manufacturers' specifications, norms for life of a bus, preventive maintenance schedule, fuel efficiency norms, etc.;
- instructions of the Government of India (GOI) and State Government and other relevant rules and regulations; and
- procedures laid down by the Corporation.

Financial Position and Working Results

4.2.13 The Corporation finalised its annual accounts up to 2004-05. The financial position of the Corporation for the five years up to 2008-09 is given below, on the basis of provisional figures provided by the Corporation.

(Rupees in crore)

Particulars	2004-05	2005-06 [¶]	2006-07	2007-08	2008-09
A. Liabilities					
Paid up Capital	60.03	63.03	66.03	69.03	72.78
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	0.12	0.12	0.12	0.12	0.12
Current Liabilities & Provisions	25.01	21.91	18.67	17.83	14.99
Total	85.16	85.06	84.82	86.98	87.89
B. Assets					
Gross Block	8.59	10.27	10.84	11.44	12.40
Less: Depreciation	5.64	6.00	6.39	6.76	7.16
Net Fixed Assets	2.95	4.27	4.45	4.68	5.24
Investments	0.56	0.14	NIL	NIL	NIL
Current Assets, Loans and Advances	13.40	9.32	5.97	6.91	6.87
Accumulated losses	68.25	71.33	74.40	75.39	75.78
Total	85.16	85.06	84.82	86.98	87.89

4.2.14 The details of working results like operating revenue and expenditure, total revenue and expenditure, net surplus/ loss and earnings and cost per kilometre of operation are given below.

(Rupees in crore)

Sl. No.	Description	2004-05	2005-06 [¶]	2006-07	2007-08	2008-09
1.	Total Revenue	6.23	7.10	8.48	8.62	9.49
2.	Operating Revenue [¶]	2.50	2.64	3.41	3.60	4.23
	Total Expenditure	10.76	9.82	11.16	9.24	9.84
3.	Operating Expenditure [¶]	8.95	8.93	10.55	7.99	8.54
4.	Operating Profit/ Loss	(-)6.45	(-)6.29	(-)7.14	(-)4.39	(-)4.31
	Profit/ Loss for the year	(-)4.53	(-)2.72	(-)2.68	(-)0.62	(-)0.35

[¶] Figures are provisional from 2005-06 to 2008-09.

[¶] Figures from 2005-06 to 2008-09 are provisional.

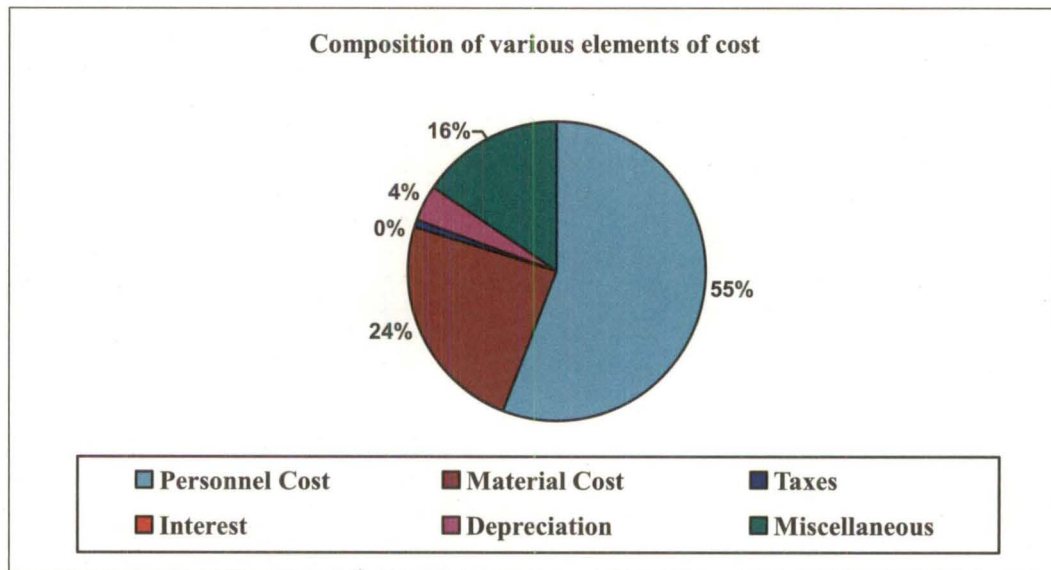
[¶] Operating revenue includes traffic earnings, passes and season tickets, re-imburement against concessional passes, fare realised from private operators under KM Scheme, etc.

[¶] Operating expenditure include expenses relating to traffic, depreciation on fleet, repair and maintenance, electricity, welfare and remuneration, licenses and taxes and general administration expenses.

Sl. No.	Description	2004-05	2005-06 ^Q	2006-07	2007-08	2008-09
5.	Prior period adjustment	(-)1.57	(-)0.36	(-)0.39	(-)0.37	(-)0.04
6.	Accumulated Profit/ Loss	(-)68.25	(-)71.33	(-)74.40	(-)75.39	(-)75.78
7.	Fixed Costs					
	(i) Personnel Costs	7.02	6.58	8.09	5.40	5.64
	(ii) Depreciation	0.38	0.37	0.39	0.37	0.40
	Total Fixed Costs	7.40	6.95	8.48	5.77	6.04
8.	Variable Costs					
	(i) Fuel & Lubricants	1.24	1.51	1.50	1.72	1.93
	(ii) Tyres & Tubes	0.11	0.17	0.16	0.20	0.23
	(iii) Other Items/ spares	0.14	0.25	0.34	0.24	0.26
	(iv) Taxes (MV Tax, Passenger Tax, etc.)	0.06	0.05	0.07	0.06	0.08
	Total Variable Costs	1.55	1.98	2.07	2.22	2.50
9.	Effective kms operated (in lakh)	17.22	20.32	27.74	26.66	27.40
10.	Earnings per km (Rs.) (1/11)	36.18	34.94	30.57	32.33	34.64
11.	Fixed Cost per km (Rs.) (9/11)	42.97	34.20	30.57	21.64	22.04
12.	Variable Cost per km (Rs.) (10/11)	8.89	9.69	7.43	8.29	9.09
13.	Cost per km (Rs.) (3/11)	62.49	48.33	40.23	34.66	35.91
14.	Net Earnings per km (Rs.) (12-15)	(-)26.31	(-)13.39	(-) 9.66	(-)2.33	(-) 1.27
15.	Traffic Revenue [§]	2.50	2.64	3.41	3.60	4.23
16.	Traffic Revenue per km (Rs.) (17/11)	14.52	12.99	12.29	13.50	15.44
17.	Operating loss per km (5/11)	(-)37.46	(-)30.95	(-)25.74	(-)16.47	(-)15.73

Elements of Cost

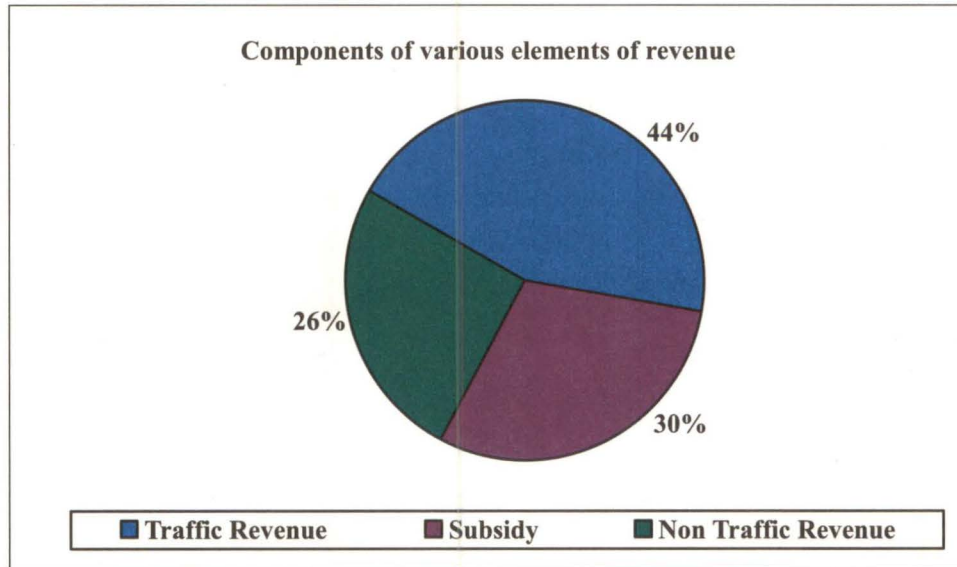
4.2.15 Personnel cost and material cost constitute the major elements of cost. The percentage break-up of cost for 2008-09 is given below in the pie-chart.



[§] Traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.

Elements of revenue

4.2.16 Traffic revenue, subsidy/ grant and non-traffic revenue constitute the major elements of revenue. The percentage break-up of revenue for 2008-09 is given below in the pie-chart.

**Audit findings**

4.2.17 Audit explained the audit objectives to the Corporation during an ‘entry conference’ held on 26 February 2009. Subsequently, a copy of the “Draft Performance Audit Report on the functioning of Meghalaya Transport Corporation (MTC)” was forwarded to the Principal Secretary to the Government of Meghalaya, Finance Department and to the Managing Director, MTC on 8 September 2009. No ‘exit conference’ has been held till now since no reply has been received. The audit findings are discussed below.

Operational Performance

4.2.18 The operational performance of the Corporation for the five years ending 2008-09 is given in **Appendix 4.7**. The operational performance of the Corporation was evaluated on various operational parameters as described below. It was also seen whether the Corporation was able to maintain pace with the growing demand of public transport. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the losses were controllable and there is scope for improvement in performance.

Share of Corporation in public transport

4.2.19 The State Government did not formulate any transport policy. All the routes operated by the Corporation are on social consideration for which the State Government is providing subsidy to the Corporation. The Corporation does not have any system for conducting periodical survey to assess the passenger demand.

4.2.20 The Corporation has not been able to keep pace with the growing demand for public transport. The fleet of the corporation did not increase in commensurate with the increase in population. One of the reasons is high growth in the taxis plying within the city as well as between the Guwahati-Shillong route. Despite the growth in the population, the Corporation has not adopted any measures to improve the passengers' load. The effective per capita km operated per year is given below.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Effective km operated (lakh)	17.22	20.32	27.74	26.66	27.40
Estimated Population (lakh)	25.08	25.74	26.43	27.13	27.85
Per Capita km per year	0.69	0.79	1.05	0.98	0.98

4.2.21 The above table shows improvement in service by the Corporation up to 2006-07 but slight decline in 2007-08 and 2008-09. Though, the Corporation increased the effective kms operated, its share in the public transport declined from 6 per cent in 2004-05 to 4.4 per cent in 2008-09 due to non-augmentation of buses with increase in the population.

4.2.22 Public transport has definite benefits over personalised transport in terms of costs, congestion on roads and environmental impact. The public transport services have to be adequate to derive those benefits. In the instant case, the Corporation was not able to maintain its share in transport mainly due to operational inefficiencies as described later.

Recovery of cost of operations

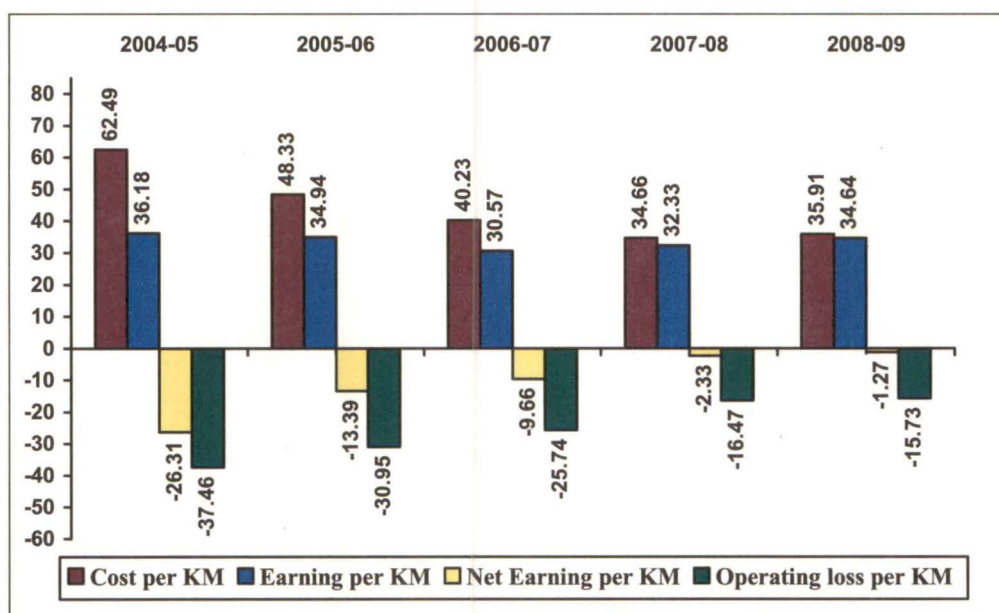
4.2.23 The Corporation was not able to recover its cost of operations. During the last five years ending 2008-09, the net revenue showed a negative trend as given in the graph below^{*}:

^{*}Cost per km represents total expenditure divided by effective km operated.

Revenue per km is arrived at by dividing total revenue with effective km operated.

Net Revenue per km is revenue per km reduced by cost per km.

Operating loss per km would be operating expenditure per km reduced by operating income per km.



4.2.24 Above graph indicates the deteriorating performance of the Corporation over the period. Though the operating loss has decreased over the years from Rs. 37.46 per km (2004-05) to Rs. 15.73 per km (2008-09), the Corporation was not able to achieve the All India Average for cost (Rs. 19.94 per km). The deteriorating performance

In hill areas, Himachal RTC incurred cost per km at Rs. 24.09 and earned Rs.18.93 per KM during 2007-08*.

has been impacting the ability of the Corporation to provide public transport services adequately as it is not able to replace its fleet on time or increase the fleet strength to meet growing demand.

Efficiency and Economy in operations

Fleet strength and utilisation

Fleet Strength and its Age Profile

4.2.25 The Corporation has its own fleet of buses. It does not hire buses from contractors. The table below explains the position of Corporations' fleet.

4.2.26 The Association of State Road Transport Undertaking (ASRTU) had prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. The table below shows the age-profile of the buses held by the Corporation for the period of five years ending 2008-09.

* STU profile and performance 2007-08 compiled by Government of India, Ministry of Shipping, Road Transport and Highways, Transport Research Wing, New Delhi.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total number of buses at the beginning of the year	64	58	60	53	62
2.	Additions during the year	7	10	2	13	-
3.	Buses scrapped during the year	13	8	9	4	-
4.	Buses held at the end of the year (1+2-3)	58	60	53	62	62
5.	Of (4), number of buses more than eight years	27	29	19	24	30
6.	Percentage of overage buses to total buses at the end of the year	46.55	48.33	35.85	38.71	48.39

4.2.27 The above table shows that the Corporation was not able to achieve the norm of right age buses. During 2004-09, the Corporation added 32 new buses at a cost of Rs. 3.90 crore. The expenditure was funded by the State Government in the form of Capital Contribution. To achieve the norm of right age buses, the Corporation was required to buy thirty new buses additionally which would have cost it Rs. 3 crore* approximately. However, the Corporation did not generate adequate resources through its operations to finance the replacement of buses. It incurred a loss of Rs. 10.90 crore during 2004-09; therefore the Corporation could not finance the purchase of buses. Thus, the Corporation's ability to survive and grow depends on its efforts to remove operational inefficiencies, cut costs and tap non-conventional revenue avenues so that it can fund its capital expenditure and be self-reliant.

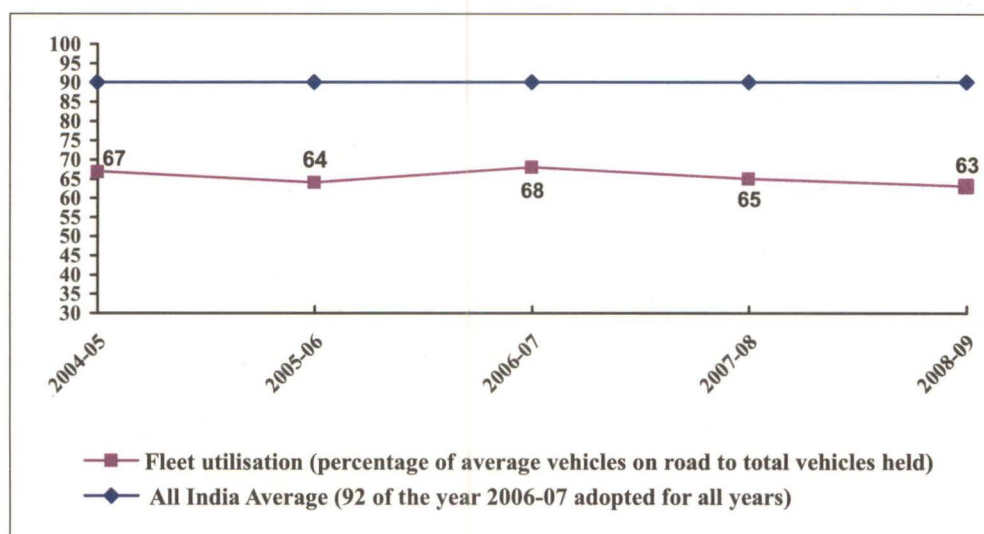
4.2.28 The overage fleet requires high maintenance and results in extra cost and less availability of vehicles compared to underage fleet, other things being equal. This only goes on to increase operational inefficiency and causes losses which, in turn, affects the ability of the Corporation to replace its fleet on a timely basis. The Corporation does not maintain records for vehicle-wise expenditure incurred, and hence cannot ascertain the profitability of running the overage vehicles / comparing with the right age vehicles.

Fleet Utilisation

4.2.29 Fleet utilisation represents the ratio of buses held by the Corporation to the buses on road. No targets were set by the Corporation for fleet utilisation during the period from 2004-05 to 2008-09. The fleet utilisation of the Corporation varied from 67 per cent in 2004-05 to 63 per cent during 2008-09 as compared to the All India Average of 90.1 per cent (Hill region) as indicated in the graph given below.

In hill areas, Himachal RTC registered best fleet utilisation of 97.68 per cent during 2007-08.
(Source: STU profile CIRT, Pune 2007-08).

*worked out on the basis of procurement rate of buses purchased during 2007-08.



4.2.30 From the above, it can be concluded that the Corporation was not able to achieve an optimum utilisation of its fleet strength, which in turn impacted its operational performance adversely. The Corporation has not taken any measures to improve the performance.

Vehicle productivity

4.2.31 Vehicle productivity refers to the average Kilometres run by each bus per day in a year. The vehicle productivity of the Corporation *vis-à-vis* the overage fleet for the five years ending 2008-09 is shown in the table below.

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Vehicle productivity (kms run per day per bus)	121	147	211	183	192
2.	Overage fleet (percentage)	46.55	48.33	35.85	38.71	48.39

The above table indicates that there is an improvement in the vehicle productivity from 121 kms (2004-05) to 192 kms (2008-09). The percentage of overage fleet decreased from 46.55 in 2004-05 to 35.85 in 2006-07 but again increased to 48.39 during 2008-09. Therefore, there was no direct correlation between vehicle productivity and overage fleet.

4.2.32 Compared to the All India Average of 196 kms per day for hilly areas, the vehicle productivity of the Corporation has been on the lower side for all the years under review except during 2006-07. Due to poor productivity of the Corporation buses, the earnings per km has been low over the years and as such the Corporation has not been able

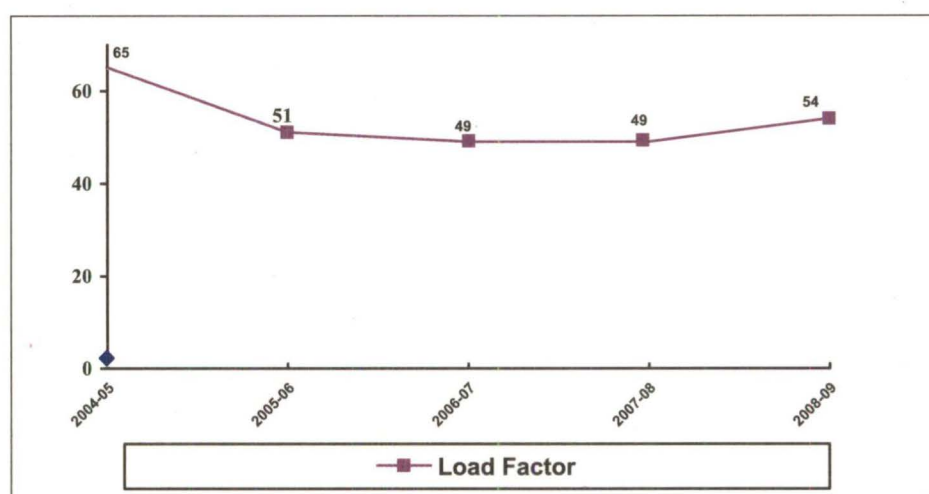
Himachal RTC registered best vehicle productivity at 222 kms per day during 2007-08.

even to recover its cost of operation. However, no measures have been taken to improve the productivity of buses. The lower productivity was mainly on account of deficient route planning (Para 5.2.36) and cancellation of Scheduled kms (Para 5.2.37).

Capacity Utilisation

Load Factor

4.2.33 Capacity utilisation of a transport undertaking is measured in terms of Load Factor, which represents the percentage of passengers carried to seating capacity. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the load factor. The load factor of the Corporation decreased from 65 per cent in 2004-05 to 54 per cent in 2008-09 against the All India Average of 45.73 per cent in hill region category. A graph depicting the Load Factor is given below.



There is a decreasing trend in the load factor as the Corporation has not conducted any study of the routes operated. No periodical reviews of the schedules are conducted or surveys of demand for public transport are undertaken. The reasons for the deterioration in the load factor are (i) lack of route planning and re-scheduling of buses (ii) increase of private taxis on the routes operated by the Corporation and (iii) decrease in the fleet strength and non-augmentation and non-replacement of overage vehicles.

4.2.34 The table below provides the details for break-even load factor (BELF) for traffic revenue.

(Amount in Rupees)

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost per km	62.49	48.33	40.23	34.66	35.91
2.	Traffic Revenue per km at 100 per cent Load Factor	22.34	22.47	25.08	27.55	28.59
3.	Break-even Load factor considering only traffic revenue(1/2)(percentage)	280	2150	160	126	126

4.2.35 The break-even load factor is quite high and is not likely to be achieved given the present load factor and the fact that the Corporation is also required to operate

uneconomical routes. Thus, while the scope to improve upon the load factor remains limited, there is tremendous scope to cut down costs of operations as explained later.

Route Planning

4.2.36 Appropriate route planning to tap demand leads to higher load factor. All the routes operated by the Corporation are non-profitable. The Corporation has not evolved any system of route planning, demand survey, *etc.* The Corporation does not maintain route-wise profitability records even though it operates buses on only 10 routes, and has a low fleet strength. The total route length operated by the Corporation is 2112 kms.

Cancellation of Scheduled Kilometres

4.2.37 A review of the operations indicated that the scheduled kilometres were not fully operated. The Corporation does not maintain records indicating cause-wise cancellation of the scheduled kilometres. In the absence of proper records, the Corporation could not exercise effective control over avoidable cancellation of scheduled kms. Therefore, loss on account of cancellations for want of buses and crews (avoidable cancellations) could not be ascertained and quantified by audit.

4.2.38 The details of scheduled kilometres, effective kilometres, cancelled kilometres calculated as difference between the scheduled kilometres and effective kilometres are furnished in the Table below.

(In lakh kms)

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Scheduled kilometres	22.74	25.10	31.79	31.82	31.82
2.	Effective kilometres	17.22	20.32	27.74	26.66	27.40
3.	Kilometres cancelled	5.52	4.78	4.05	5.16	4.10
4.	Percentage of cancellation	24.27	19.04	12.74	16.22	12.88

4.2.39 It can be seen from the above table that the percentage of cancellation of scheduled kilometres decreased from 24.27 to 12.88 during 2004-05 to 2008-09. However, the Corporation does not maintain proper data regarding cause-wise cancellation of buses i.e., cancellations on account of want of crew / buses. The commuters are deprived of the essential services of transport during holidays and nights. The Corporation attributed all the cancellations due to natural calamities and bundhs.

Maintenance of vehicles

Preventive Maintenance

4.2.40 Preventive maintenance is essential to keep the buses in good running condition and to reduce breakdowns/ other mechanical failures. The Corporation had Tata and Leyland make buses, for which the following schedule of maintenance has been prescribed by the Original Equipment Manufacturers (OEMs).

Sl.No.	Particulars	Schedule
1.	Engine Oil change	
1 (a)	Tata make	Every 9,000 kms
1 (b)	Leyland make	Every 10,000 kms
2.	Brake Inspection	
2 (a)	Tata make	Every 18,000 kms
2 (b)	Leyland make	Every 24,000 kms

4.2.41 Audit observed that the Corporation does not have a periodical schedule of maintenance nor follows the preventive maintenance schedule prescribed by the Original Equipment Manufacturers (OEMs). Proper records indicating vehicle-wise maintenance, change of Engine Oil, brake inspections carried out, change of Radiator coolant, etc., are not maintained by the Corporation to ensure that preventive maintenance is carried out properly and in time. In the absence of the above records, the Corporation is not able to ascertain whether the maintenance is being carried out within the prescribed time limits laid down by the OEMs.

The Corporation stated that the maintenance is carried out only in case of breakdown of vehicles or when the vehicles are brought to the workshop for other minor repairs.

Repairs & Maintenance

4.2.42 A summarised position of fleet holding, over-aged buses, repairs and maintenance (R&M) expenditure for the last five years up to 2008-09 is given below.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total buses at the end of the year	58	60	53	62	62
2.	Over-age buses (more than 8 years old)	27	29	19	24	30
3.	Percentage of over age buses	46.55	48.33	35.85	38.71	48.39
4.	R&M Expenses (Rs. in lakh)	14	25	34	24	26
5.	R&M Expenses per bus (Rs. in lakh) (4/1)	0.24	0.42	0.64	0.39	0.42

4.2.43 The average expenditure per bus on repairs and maintenance increased from Rs.0.24 lakh in 2004-05 to Rs. 0.64 lakh in 2006-07 and thereafter declined to Rs. 0.42 lakh during 2008-09.

Manpower Cost

4.2.44 The cost structure of the organisation shows that manpower and fuel constitute 76.93 per cent of total cost in 2008-09. Interest, depreciation and taxes are the costs, which are not controllable in the short-term, account for 4.78 per cent. Thus, the major cost saving can come only from manpower and fuel.

4.2.45 Manpower is an important element of cost which constituted 57.32 per cent of total expenditure of the Corporation in 2008-09. Therefore, it is imperative that this

cost is kept under control and the manpower is utilised optimally to achieve high productivity. The Table below provides the details of manpower, its cost and productivity.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Manpower at the end of the year	382	375	364	344	330
2.	Manpower Cost (Rs. in crore)	7.02	6.58	8.09	5.40	5.64
3.	Effective kms (in lakh)	17.22	20.32	27.74	26.66	27.40
4.	Cost per effective km (Rs.)	40.77	32.38	29.16	20.26	20.58
5.	Productivity <i>per day per person</i> (kms)	12.35	14.85	20.88	21.23	22.75
6.	Total Buses at the end of the year	58	60	53	62	62
7.	Manpower <i>per bus</i>	6.59	6.25	6.87	5.55	5.32

It would be seen from the above Table that the staff productivity *per day per person* in kms increased from 12.35 (2004-05) to 22.75 per km (2008-09) against the AIA of 38 per km for Hill Areas. The total manpower of 600 at the beginning of 2004-05 was reduced to 330 up to 2008-09 due to introduction of Voluntary Retirement Scheme.

Himachal RTC registered manpower per bus at 4.37 and staff productivity at 50.78 during 2007-08.

Fuel Cost

4.2.46 Fuel is a major cost element which constituted 20 *per cent* of total expenditure in 2008-09. Control of fuel costs by a road transport undertaking has a direct bearing on its productivity. The Corporation did not fix any target for fuel efficiency. The Table below gives the targets fixed by the Corporation for fuel consumption, actual consumption, mileage obtained per litre (Kilometre per litre i.e. KMPL), All India Average and estimated extra expenditure.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Gross Kilometres (in lakh)	17.43	20.51	28.01	26.90	27.72
2.	Kilometre obtained per litre (KMPL)	3.58	3.57	4.59	4.51	4.21
3.	All India Average in the category	3.69	3.69	3.69	3.69	3.69
4.	Actual Consumption (in lakh litres)	4.87	5.75	6.10	5.96	6.58
5.	Consumption as per All India Average (in lakh litres) (1/3)	4.72	5.56	7.59	7.29	7.51
6.	Excess Consumption (in lakh litres) (4-5)	0.15	0.19	(-1.49)	(-1.33)	(-0.93)
7.	Average cost per litre (in Rs.)	24.48	23.28	23.44	27.68	28.11
8.	Extra expenditure (Rs. In lakh) (6X7)	3.67	4.42	-	-	-

4.2.47 It can be seen from the above table that the mileage obtained per litre was showing an improving trend during the period under review. The Corporation

consumed 0.34 lakh litres of fuel in excess as compared to the norms for Hilly Areas during 2004-05 and 2005-06 resulting in extra expenditure of Rs. 8.09 lakh. The Corporation has achieved fuel efficiency by consuming less fuel than that of All India Average during the period 2006-07 to 2008-09. However, proper records i.e., Vehicle-wise log books and vehicle-wise issue of High Speed Diesel (HSD) oil are not maintained by the Corporation. The Management was not able to furnish vehicle-wise KMPL. In the absence of speedometers / Milo-meters to the buses, the Management does not have control over the usage of HSD Oil to the individual buses. The Corporation did not have a mechanism in place to monitor vehicle-wise consumption of fuel in order to exercise effective management control. Further, the Corporation did not prescribe norms for ideal driving speed to enhance fuel economy and efficiency.

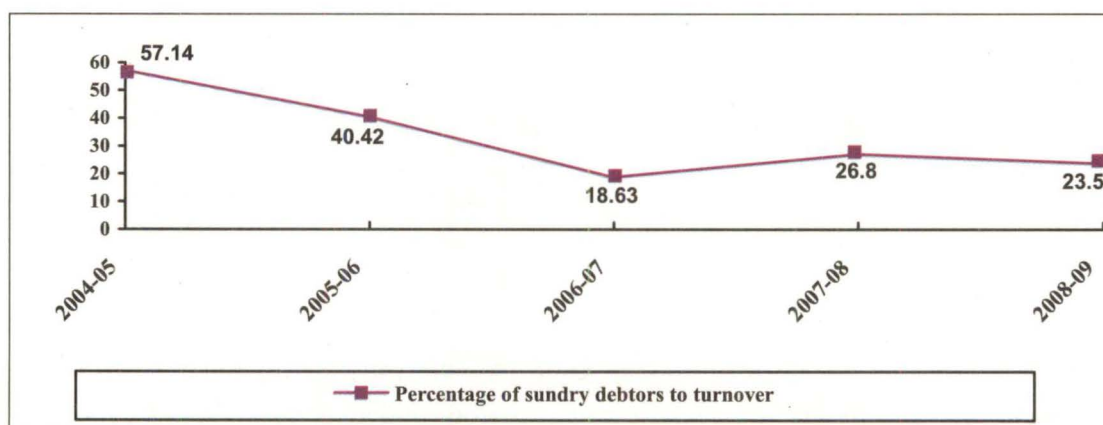
4.2.48 A test check in Audit of two months Petrol, Oil and Lubricants (POL) Statements for each year under review in one depot showed that the Corporation had no mechanism in place to monitor vehicle wise or driver wise data for consumption of fuel so as to exercise effective management control. No targets were fixed by the Corporation. Further, the Corporation had not prescribed ideal driving speed/ norms so as to enhance fuel economy.

Financial Management

4.2.49 Raising of funds for capital expenditure i.e., for replacement/addition of buses happens to be the major challenge in financial management of corporation's affairs. The section deals with the Corporation's efficiency in raising claims and their recovery. This section also analyses whether an opportunity exists to realign the business model to generate more resources without compromising on service delivery.

Claims and Dues

4.2.50 The Corporation did not attempt age wise analysis and party wise details of sundry debtors of Rs.2.23 crore as on 31 March 2009. The total sundry debtors decreased from Rs.3.56 crore in 2004-05 to Rs. 2.23 crore in 2008-09. The sundry debtors reduced substantially during review period from 57.14 per cent in 2004-05 to 23.5 per cent in 2008-09 as shown in the graph below:



The Corporation gives its buses on hire for which parties were required to pay in advance, the charges at prescribed rates *per kilometre* basis, at the time of booking. It was, however, noticed during Audit that the destination of the journeys performed was not recorded. Speedometers were not working as a result the actual charges due could not be worked out.

4.2.51 Further, the Corporation provides monthly concessional passes to various categories of public like students and teachers. The State Government, however, does not reimburse the Corporation for the concessional passes issued. The Corporation has neither claimed any reimbursement from the State Government nor worked out the cost incurred on concessions provided during the year 2004-05 to 2008-09.

Realignment of business model

4.2.52 The Corporation is mandated to provide an efficient, adequate and economical road transport to public. Therefore, the Corporation cannot take an absolutely commercial view in running its operations. It has to cater to uneconomical routes to fulfil its mandate. It also has to keep the fares affordable. In such a situation, it is imperative for the Corporation to tap non-traffic revenue sources to cross-subsidise its operations. However, the share of non-traffic revenue was 22.50 *per cent* of total revenue during 2004-09. This revenue of Rs. 8.98 crore during 2004-09 mainly came from advertisements and restaurant/ shop rentals, sale of scrap material/vehicle, *etc.*, Audit observed that the Corporation has non-traffic revenue sources which it has not tapped substantially.

4.2.53 Over a period of time, the Corporation has come to acquire sites at prime locations in cities, district and tehsil headquarters. The Corporation generally uses the ground floor/ land for its operations, leaving an ample scope to construct and utilise spaces above. Audit observed that the Corporation has land (mostly owned/ leased by Government) at important locations measuring 96,061 square meters as shown below.

Particulars	Cities (Municipal areas)	District HQrs.	Tehsil HQrs.	Total
Number of sites	3	5	-	8
Occupied Land (Sq. mtrs.)	48,175	47,886	-	96,061

4.2.54 It is, thus, possible for the Corporation to undertake projects on public private partnership (PPP) basis for construction of shopping complexes, malls, hotels, office spaces, *etc.* above (from first or second floor onwards) on the existing sites so as to bring in a steady stream of revenues without any investment by it. Such projects can be executed without curtailing the existing area of operations of the Corporation. Such projects can yield substantial revenue for the Corporation which can only increase year after year.

4.2.55 The Board of Directors in December 2003 resolved that the Management should prepare a Master Plan for better and profitable utilisation of the entire landed property. However, nothing has materialised out of it till now. Audit observed that the

Corporation has not studied this aspect to assess the likely benefits from such activities. A proposal to develop the Corporation's premises at Police Bazar, Shillong was taken up with the National Building Construction Corporation (NBCC) for construction of a Multiplex. However, no progress has been made till now. Since substantial non-traffic revenue will help the Corporation to cross-subsidise its operations and fulfil its mandate effectively, the Corporation should study realigning its business model and frame a policy in this regard.

Fare policy and fulfilment of social obligations

Existence and fairness of fare policy

4.2.56 The State Government issues directions by notification in the Official Gazette with regard to fixing of fares and freights under section 67 of the Motor Vehicles Act, 1988. Based on the proposals submitted by the Corporation from time to time, the State Government accords approval for fixing the fares. The fares have been revised six times during the review period of 2004-05 to 2008-09. However no revisions were made in the fare during 2005-06 and 2007-08. The average fare during 2008-09 worked out to Rs. 0.76 per km. The particulars of the revisions are given in the following table.

Fare table for ordinary and deluxe buses

Stages	(Amount in Rupees)					
	2004-05		2006-07		2008-09	
	Ordinary	Deluxe	Ordinary	Deluxe	Ordinary	Deluxe
First 5 kms	2.6	3.1	2.85	3.4	3.5	4.15
First 10 kms	5.2	6.2	5.7	6.8	7	8.3
25 kms	13	15.5	14.25	17	17.5	20.75
100 kms	52	62	57	68	70	83

4.2.57 The fare policy of the Corporation has no scientific basis as it does not take into account the normative cost. Thus, there is a risk of commuters paying for inefficiency of the Corporation. However, the Corporation could have curtailed cost and increased revenue with better operational efficiency.

4.2.58 It would result into reduction of loss if the operations are properly planned and efficiently managed, than what they actually are. Thus, the case made by the Corporation for increase in fare, includes its inefficiencies and in a way would make the commuters pay more than what they should be actually paying.

4.2.59 The above facts lead to conclude that it is necessary to regulate the fares on the basis of a normative cost and it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address the grievances of commuters.

Adequacy of services on uneconomical routes

4.2.60 The Corporation does not have any profit making routes as of March 2009. However, the position would change if the Corporation improves its efficiency. Nonetheless, there would still be some routes which would be uneconomical. Though the Corporation is required to cater to these routes, the Corporation has not formulated norms for providing services on uneconomical routes. In the absence of norms, the adequacy of services on uneconomical routes cannot be ascertained in audit. The desirability to have an independent regulatory body to specify the quantum of services on uneconomical routes, taking into account the specific needs of commuters, is further underlined. There is no mechanism whereby the Corporation ensures adequacy of services on all the routes. The Corporation does not have any data on routes exclusively operated by private operators.

Monitoring by top management

MIS data and monitoring of service parameters

4.2.61 For an organisation like a Road Transport Corporation to succeed in operating economically, efficiently and effectively, there has to be written norms of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that the achievement of which would make an organisation self-reliant. In the light of this, Audit reviewed the system obtaining in the Corporation. The status in this regard is given below.

4.2.62 The Corporation does not have a MIS in place at different levels covering all the key parameters. No targets for various operational parameters are being fixed by the Corporate Office and communicated to the Depots/Central workshop for implementation. No regular meetings with the Depot Managers were held for comparing the Depot-wise performance. The Board met only *nine* times during the years 2004-05 to 2008-09. The minutes do not indicate that performance of the Corporation was reviewed by the Board of Directors.

4.2.63 The top management of the Corporation is expected to demonstrate managerial capability to set realistic and progressive targets, address areas of weakness and take remedial action wherever the things are not moving on expected lines. However, such ability was not seen either from records or performance of the Corporation during period under review.

Conclusion

Operational performance

- **The Corporation's share in public transport decreased from 6 to 4.4 per cent during the review period.**

- The Corporation could not recover the cost of operations in any of the five years under review. This was mainly due to operational inefficiencies and ineffective monitoring by top management.
- The Corporation did not carry out the preventive maintenance as scheduled by OEMs affecting the roadworthiness of its buses.

Financial management

- The Corporation did not raise its claims relating to concessional passes.
- The Corporation has potential to tap non-conventional sources of revenue but it did not have a policy in place to undertake large scale tapping of such funds.

Fare policy and fulfilment of social obligations

- The Corporation does not have a fare policy based on scientific norms.
- No policy yardstick has been laid down for operation on uneconomical routes.

Monitoring by top management

- The MIS system of Corporation was not adequate and there was no monitoring by its top management of key operational parameters and service standards.

On the whole, there is immense scope to improve the performance of the Corporation. However, the present set-up of the Corporation does not seem to be equipped to handle this. Effective monitoring of key parameters, coupled with certain policy measures, can see improvement in performance.

Recommendations

The Corporation may consider:

- carrying out preventive maintenance as planned;
- devising a policy for tapping non-conventional sources of revenue on a large scale, which will result in steady inflow of revenue without additional investment;
- revising its fares on a scientific basis;
- devising proper MIS including all key parameters and its implementation; and
- holding regular meeting of the Board of Directors.

The State Government may:

- consider creating a regulator to regulate fares and also services on uneconomical routes.

AUDIT OF TRANSACTIONS

POWER DEPARTMENT

MEGHALAYA STATE ELECTRICITY BOARD

4.3 Extra and idle expenditure on execution of a power project

Failure to ensure execution of the project without any hindrance and procurement of the Turbine and Generation set before completion of the civil works as well as delivery of the same at a site other than the work site resulted in extra expenditure of Rs. 37.48 lakh, besides idle expenditure of Rs. 3.08 crore.

To revive the abandoned (April 1982) Sonapani Mini Hydel Project, the Meghalaya State Electricity Board (MeSEB) prepared (June 1997), a Detailed Project Report (DPR) for a '3 x 500 KW' project, estimated to cost Rs. 9.02 crore, with the stipulation to complete the project within two years. As per the DPR, the land required for the project was already acquired. The Union Ministry of Non-Conventional Energy Sources (MNES), however, accorded (March 2001) approval for the project at a cost Rs.7.39 crore with financial support up to 75 per cent of the total cost, subject to a maximum of Rs. 6.75 crore and also with the suggestion to change the unit capacity to 1 x 1500 KW, which was accepted by the MeSEB. The balance 25 per cent of the project cost was to be borne by the MeSEB. As per estimate, the annual income on sale of 8.991 MU of energy to be generated through this project was expected at Rs. 1.45 crore.

Scrutiny (November 2008) of records of the Executive Engineer (Civil)/Hydro revealed the following irregularities:

- The position of land for the project as reported to the MNES through the DPR was not correct. The civil works (including power house) under the project was taken up for construction (July 2003) by the MeSEB on a plot of land which belonged to an individual. This land was leased out (July 1922) by the land owner to the then Shillong Hydro Electric Company for lighting of the Shillong town at an annual rent of Rs. 100.
- Since the land was taken on lease long back in 1922 with the condition of 'lighting of the Shillong town' and since this condition was not being fulfilled due to closure of original power project (Sonapani Power station) in April 1982, the uncertainty regarding availability of land for the project was very much prevailing at the planning stage (1992). Despite this, the MeSEB, did not obtain 'No Objection Certificate' from the land owner to avoid any future dispute on the land. Taking advantage of such lapse on the part of the MeSEB, the land owner filed (March 2004) a suit in the Court of the Assistant Deputy Commissioner against the MeSEB for possession of the land on the grounds of non-payment of annual rent by the MeSEB since 2000 and discontinuation of generation of power. Since the MeSEB did neither

appear before the Court nor filed written statement despite repeated opportunities given by the Court, the suit was decreed (February 2005) by the Court in favour of the land owner. The MeSEB, however, decided for an out of Court settlement with the land owner and was in the process of negotiation for purchase of 3.97 acres of land required for the project involving an additional expenditure of Rs. 3.26 crore, which was yet to be settled (June 2009).

- Even before commencement of the civil works and also without obtaining a clear site free from all encumbrances, the MeSEB placed (May 2003) a supply order with a Faridabad based firm for supply, transportation (up to the stock-yard of the MeSEB), erection and commissioning of a Hydro Turbine and Generation (TG) set at a cost of Rs. 2.81 crore, stipulating the date of commission of the set by April 2004. Accordingly, the firm delivered (October 2004) the TG set at the stock-yard of the MeSEB. Payments totalling Rs. 3.08 crore (including escalation cost of Rs. 30.34 lakh as per price variation clause) were made to the firm during April 2004 to July 2008.

- After keeping the TG set unutilised in the stock-yard for four years, the MeSEB transported the same at the work site in October 2008 at an additional expenditure of Rs. 37.48 lakh. The set was installed by the Faridabad based firm in April 2009 and the process of commissioning was in progress. Since there was delay in completion of civil works required for installation and commissioning of the TG set, the firm claimed additional amount of Rs. 13.85 lakh for commissioning of the set in excess of the agreed amount of Rs. 17.65 lakh, payment for which had not been made till June 2009.

From the foregoing paragraphs, it is observed that there was lack of initiative at planning stage of the project to ensure execution of the project without any hindrance inasmuch as the project was taken up for execution on a plot of land which was not free from all encumbrances, TG set was procured before completion of the civil works required for its installation and supply order was issued to deliver the TG set at a site other than the work site. Consequently, the MeSEB incurred extra expenditure of Rs. 37.48 lakh, besides rendering the expenditure of Rs. 3.08 crore idle for about one to five years and committed liability of Rs. 13.85 lakh on commissioning of the set. Had the set been commissioned within the stipulated time as envisaged in the DPR, 89.91 MUs of power could have been generated during July 1999 to May 2009. It is recommended that immediate steps should be taken by the MeSEB to resolve the land dispute so as to achieve the objective of generation of power through the project as envisaged in the DPR without any hindrance in future.

The matter was reported to the Management/Government in November 2008/May 2009; their replies had not been received (November 2009).

4.4 Idle expenditure on procurement of Turbine Generator set

Procurement of Turbine Generator set without having a clear site for installation of the same resulted in idle expenditure of Rs. 2.18 crore.

The Meghalaya State Electricity Board (MeSEB) prepared (July 1996) a Detailed Project Report (DPR) for Lakroh Mini Hydel Project (1 x 1500 KW), estimated to cost Rs. 11.76 crore, with the objectives to protect the environment by providing alternative source of energy to the people of remote places. The Union Ministry of Non-Conventional Energy Sources (MNES) approved (March 2001) the project with a financial support up to 75 per cent of the project cost, subject to a maximum of Rs. 6.75 crore. The balance 25 per cent of the project cost was to be borne by the Meghalaya State Electricity Board (MeSEB). As per the DPR, the project was to be completed within 30 months from the date of commencement.

Scrutiny (November 2008) of records of the Executive Engineer (Civil)/ Hydro indicated that funds of Rs. 2.02 crore, sanctioned (March 2001) by MNES, were received by the MeSEB during March 2001 to December 2004. But the possession of land required for the project was taken by the MeSEB in January 2008 after a delay of four to seven years, due to dispute with the land owner. Though, construction of two bridges was started in July 2008, the major civil works like weir, power channel, fore-bay, penstock, power house building, etc. were not started till June 2009. According to the Executive Engineer, tenders for these items had been floated and other related civil works would be taken up by September 2009.

Despite non-availability of the required land, the MeSEB procured one Hydro Turbine Generator (TG) set in May 2003 at a cost of Rs. 2.18 crore, the warranty period of which was up to January 2007. Since no civil works of the project could be started by the MeSEB, the TG set could not be utilised and was kept idle in the stock-yard for over six years.

Thus, action of the Board in procuring the TG set without a clear site free from all encumbrances resulted in idle expenditure of Rs. 2.18 crore, since the TG set is not being utilised. Besides, additional transportation charge of about Rs. 1 crore would also have to be incurred by the Board for transportation of the same from the stock-yard to the work site. Since the warranty period of the set had already expired, the possibility of additional expenditure out of the funds of the MeSEB also could not be ruled out because of damage of the TG set due to wear and tear for prolonged storage in open space. It is recommended that immediate steps should be taken by the MeSEB to complete the civil works for installation and commissioning of the TG set so as to achieve the objectives as envisaged in the DPR without any hindrance in future.

The Executive Engineer stated (June 2009) that the TG set had been kept in the stockyard in the best possible way and all the civil works under the project are expected to be completed by September 2010. The reply is not acceptable because

procurement of material without ensuring its proper utilisation showed the apathy of the MeSEB in utilisation of scarce resources effectively.

The matter was reported to the Management/Government in December 2008/June 2009, their replies had not been received (November 2009).

4.5 Undue benefit to the suppliers

Extension of undue financial benefits of Rs. 32.23 lakh to the suppliers due to unjustified increase in price on procurement of disc insulators against the firm price supply orders, besides non-imposition of penalty of Rs. 3.46 lakh for delayed supplies.

The Meghalaya State Electricity Board (MeSEB), without inviting tenders, placed (July 2006 to August 2007) supply orders with seven firms for supply of 11,048 disc insulators of various specifications at a cost of Rs. 69.23 lakh, with the stipulation to deliver the entire quantity of disc insulators during November 2006 to October 2007. The rates offered in the purchase orders were firm and inclusive of taxes. The supply orders *inter alia* provided that in case of delay in delivery of the material by the supplier:

- a penalty at the rate of 0.5 *per cent* per week subject to the maximum of five *per cent* of the purchase order value was to be levied; and
- purchaser would have the option for the purchase of the undelivered material or part of the materials of same or similar description from elsewhere on the account and at the risk of the supplier by cancellation of the contract.

Scrutiny of records (September 2008) of the Additional Chief Engineer (ACE), Material Management, MeSEB indicated that none of the firms supplied the insulators within the stipulated period. In contrast, two of the seven firms requested (July 2007) the ACE to enhance the rates on the ground that cost of raw materials had increased and the rates offered earlier were very low. Even though the prices in the purchase orders were firm and the suppliers failed to deliver the material within the stipulated period, the ACE, instead of levying penalty for delay in delivery, acceded to the request of these firms and allowed enhancement of rates to all the suppliers. Accordingly, the firms supplied the insulators during September 2007 to February 2008. Payments totalling Rs. 101.46 lakh were made to these suppliers by the MeSEB during September 2007 to February 2008 against the originally agreed amount of Rs. 69.23 lakh.

Thus, the action of the ACE not only showed the weakness in its financial control but also resulted in undue financial benefit of Rs. 32.23 lakh to the suppliers, besides non-imposition of penalty of Rs. 3.46 lakh for delay in delivery of material.

The ACE stated (August 2009) that (i) the time-frame for procurement and execution of works were pre-determined and hence open tenders were not called for and supply

orders were placed to avoid lapse of funds (ii) action for price enhancement was ratified and approved by the competent authority, and (iii) the requests for enhancement of rates by few suppliers and consequent enhancements were applicable in general to all the suppliers. The reply is not justified because enhancement of rates was contrary to the terms and conditions of the supply orders. As such, responsibility of the officers concerned of the Board for causing financial loss of Rs. 32.23 lakh may be fixed due to their imprudent action. It is further recommended that the Board should procure material for use based on the terms and conditions of the supply order originally stipulated. The revision in the rates due to any specific reason should form a part of the Supply Order so as to avoid any misuse of authority and financial irregularities.

The matter was reported to the Government in June 2009, their reply had not been received (November 2009).

4.6 Delay in repairs leading to loss of revenue

Inordinate delay in repairing of the defects of the two units of Umiam Stage-I Power plant resulted in loss of generation of 412.93 MU of power.

The Meghalaya State Electricity Board (MeSEB) commissioned (September 1965) Umiam Stage-I Power Plant (4 units) at Sumer with an installed capacity of 4 x 9 MW. The Power Plant was renovated and modernised (June 2001 to January 2003) at a cost of Rs. 57.30 crore. The plant was re-commissioned during October 2002 and January 2003 after the renovation and modernisation works.

Scrutiny (September 2008) of records of the Chief Engineer (Generation) revealed that two units of the Plant (Unit-3 and Unit-4) could not be put to use up to their full capacity since January 2006 due to leakages of water. Against the available capacity of 24,768 hours (January 2006 to May 2007), these units were utilised only for 7,540 hours. The MeSEB, however, did not take any effective step to get the defects of the units repaired immediately for their optimum use. Ultimately, the defects were got repaired (June 2007) departmentally within six days at an expenditure of Rs. 0.50 lakh after a delay of 17 months.

Thus, inordinate delay in repairing the defects not only showed the apathy of the MeSEB in proper utilisation of its assets, but also resulted in loss of generation of 412.93 MU^v of power.

The MeSEB stated (June 2009) that there was no delay in repair of two units. It was further stated that the defect liability period of Unit-3 and Unit-4 after R&M work was one year and R&M work of two units was completed on 20 October 2002 and 17 January 2003 respectively and the leakages were noticed during January 2006 only.

^v Worked out on the basis of the average recorded generation of 12 months after repair and that recorded prior to the repairs.

The reply is not convincing because MeSEB did not fix any time frame for repairing of the defects despite knowing the fact that the work was of critical and emergent nature. Besides, the defects were got repaired departmentally after an inordinate delay of 17 months at a nominal expenditure of Rs. 0.50 lakh.

The matter was reported to the Government in June 2009, their reply had not been received (November 2009).

TRANSPORT DEPARTMENT

MEGHALAYA TRANSPORT CORPORATION

4.7 Loss due to operation of helicopter service

The Corporation sustained loss of Rs. 47.44 lakh on operation of helicopter service.

The Government of Meghalaya (Transport Department) introduced (March 1988) helicopter service of M/s. Pawan Hans Helicopters Limited (PHHL) in the State for operation between Shillong, Guwahati and Tura and engaged the Meghalaya Transport Corporation, Shillong as an agent for operating the helicopter service including selling of tickets and other ancillary works like cancellation of tickets, handling of passengers, their baggage, *etc.*, on the basis of commission payable at the rate of 9 *per cent* of sale proceeds of tickets. The service was discontinued in December 1989 as it was not found financially viable.

Scrutiny (May 2009) of records of the Corporation revealed that the helicopter service was re-introduced by the State Government in February 1999 by engaging Corporation as an agent for operating the service without any revision in the rate of commission. Though, the Corporation was running into losses and had an accumulated loss of Rs. 40.81 crore as on 31 March 1998, it agreed for undertaking the operation of the helicopter service without safeguarding its financial interest. The expenditure incurred by the Corporation on operation of helicopter service during February 1999 to March 2009 was not available with the Corporation. As worked out by Audit, the Corporation incurred an expenditure of Rs. 63.41 lakh on operation of this service during 2004-09, against the amount of commission of Rs. 15.97 lakh earned on sale of tickets (not received till September 2009 from the Government). Thus, the Corporation sustained a loss of Rs. 47.44 lakh on operation of helicopter service during the five year period ending March 2009. The actual loss would be substantial after taking into account the expenditure incurred by the Corporation prior to 2004-05.

Thus, the operation of the helicopter service by the Corporation without safeguarding its financial interest was an exercise in futility which resulted in loss of Rs. 47.44 lakh sustained by the Corporation.

The Management admitted the fact that the existing rate of commission was not sufficient to take care of the expenses incurred by the Corporation for running the helicopter service and stated (July 2009) that (i) the helicopter service was introduced with a view to provide air connectivity to the people of the State and was not intended for its operation as a commercial venture, (ii) the Corporation was to bear the expenditure on salary, *etc.*, as the Corporation's own staff were engaged for helicopter services and (iii) the Corporation was getting subsidy from the State Government every year for keeping the Corporation afloat. The replies are not convincing because (i) the Corporation is a commercial organisation and the financial position of the Corporation should have been taken into consideration before undertaking the operation of the helicopter service and (ii) the services of the Corporation's staff engaged in the helicopter services could have either been utilised for Corporation's own activities or the VRS introduced in October 2004, could have been implemented for these employees as well thereby reducing the recurring expenditure on their establishment. The contention of the management about subsidy has no relevance with the operation of helicopter service.

In the circumstances, immediate steps should be taken by the Corporation to realise the amount of commission and take prompt action to discontinue the helicopter service or to increase the rate of commission so as to avoid further loss.

The matter was reported to the Government in August 2009, their reply had not been received (November 2009).

GENERAL

4.8 Opportunity to recover money ignored

Three PSUs did not seize the opportunity to recover their money and pursue the matters to their logical end. As a result, recovery of money amounting to Rs. 0.47 crore remained doubtful.

A review of unsettled paras from Inspection Reports (IRs) pertaining to period up to 2003-04 showed that there were four paras in respect of three PSUs involving a recovery of Rs. 0.47 crore.

As per Para No.7.1.10 of Manual of Standing Orders – Technical, Volume II, the PSUs are required to take remedial action within a period of 15 days, after receipt of IRs from Audit. However, no effective action has been taken to take the matters to their logical end in most cases i.e., to recover the money from the concerned parties. As a result, these PSUs have so far lost the opportunity to recover their money which could have augmented their finances.

PSU-wise details of paras and recovery amount are given below. The list of individual paras is given in **Appendix 4.8**.

Sl. No.	Name of PSU	No. of Paras	Amount of Recovery (Rupees in crore)
1.	Meghalaya Tourism Development Corporation Limited (MTDCL)	1	0.04
2.	Meghalaya Electronics Development Corporation Limited (MEDCL)	2	0.12
3.	Meghalaya Transport Corporation (MTC)	1	0.31
Total		4	0.47

The paras mainly pertain to recovery of long pending dues / advances, non-realisation of value of land, etc.

The above cases point out the failure of respective PSU authorities to safeguard their financial interests. Audit observations and their repeated follow up by the Audit, including bringing the pendency to the notice of the Administrative/ Finance Department and PSU Management periodically have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to recover the money and complete the exercise in a time bound manner.

4.9 Lack of remedial action on audit observations

Lack of necessary action on the part of two PSUs deprived them of the opportunity to improve their functioning.

A review of unsettled paras from Inspection Reports (IRs) pertaining to the periods up to 2003-04 showed that there were two paras in respect of two PSUs, which pointed out deficiencies in the functioning of these PSUs. As per Para 7.1.10 of Manual of Standing Orders – Technical, Volume II, the PSUs are required to take remedial action within a period of 15 days, after receipt of IRs from Audit. However, no effective action has been taken to take the matters to their logical end i.e., to take remedial action to address these deficiencies. As a result, these PSUs have so far lost the opportunity to improve their functioning in this regard.

PSU-wise details of paras are given below. The list of individual paras is given in the **Appendix 4.9.**

Sl. No.	PSU Name	No. of Paras	Amount (Rupees in crore)
1.	Meghalaya Tourism Development Corporation Limited (MTDCL)	1	1.51
2.	Meghalaya Electronics Development Corporation Limited (MEDCL)	1	0.08
Total		2	1.59

The paras mainly pertain to non-payment of taxes to Tax Authorities.

The above cases point out the failure of respective PSU authorities to address the specific deficiencies and ensure accountability of their staff. Audit observations and

their repeated follow-up by Audit, including bringing the pendency to the notice of the Administrative / Finance Department and PSU management periodically have not yielded the desired result in these cases.

The PSUs should initiate immediate steps to take remedial action on these paras and complete the exercise in a time bound manner.



(ONKAR NATH)
Accountant General (Audit)
Meghalaya

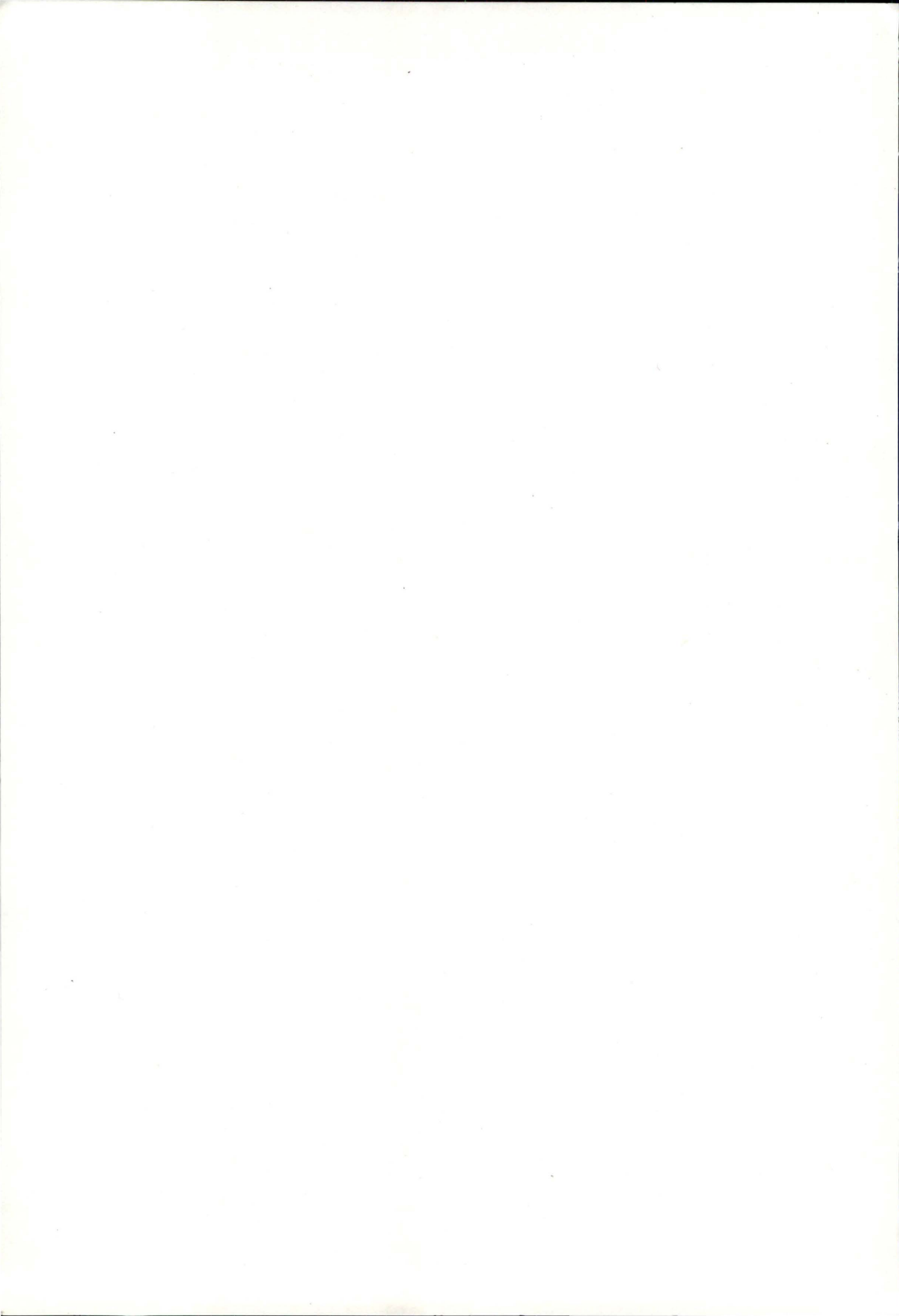
Shillong
The 19 FEB 2010

Countersigned



(VINOD RAI)
Comptroller and Auditor General of India

New Delhi
The 23 FEB 2010



APPENDICES

1875

APPENDIX 2.1
Details of taxi fare claimed for road journeys abroad
(Reference: Paragraph 2.2; Page 63)

(In rupees)

Date	Details of journeys				Actual distance (kms)	Estimated fare	Excess
	From	To	Distance (km)	Expenditure incurred ¹			
LONDON							
08.10.2006 (9 AM)	Heathrow Airport, London	London City, Hotel Premier Travel Inn, Kensington	²	22,500	20.58	3,195	22,500
08.10.2006 (Evening)	Visited places of interest		400	22,500	³	-	22,500
09.10.2006	Hotel Premier Travel Inn, Kensington	British Parliament & back	²	22,500	13.88	2,192	20,308
09.10.2006 (Evening)	Visited places of interest		400	22,500	³	-	22,500
10.10.2006	Visited Wales and places of interest & back		950	45,000	726.66 (Hotel to Wales & back)	-	45,000
					³	-	-
11.10.2006	Hotel Premier Travel Inn, Kensington	Waterloo Railway Station London	400	18,000	7.00	1,147	18,000
PARIS							
11.10.2006 (2 PM)	Gare Du Nord Railway Station, Paris	Holiday Inn Garden Court, Paris	²	22,500	22.00	990	22,500
11.10.2006 (Evening)	Visit places of interest		500	22,500	³	-	22,500
12.10.2006	Holiday Inn Garden Court, Paris	Disneyland & places of interest & back	950	45,000	80.00 (Hotel to Disneyland & back)	-	45,000
					³	-	-
13.10.2006	Holiday Inn Garden Court, Paris	Versailles & places of interest & back	950	45,000	53.20 (Hotel to Versailles & back)	-	45,000
					³	-	-
14.10.2006	Holiday Inn Garden Court, Paris	Charless De Gaulle Airport, Paris	120	22,500	25.00	1,737	
ROME							
14.10.2006	Fiumicino Airport, Rome	Hotel Dany, Rome	Not mentioned		-	-	-
14.10.2006 (Evening)	Visited places of interest & back		500	22,500	³	-	22,500
15.10.2006	Visited Pisa & places of interest & back		950	45,000	530 (Hotel to Pisa & back)	-	45,000
					³	-	-
16.10.2006	Visited Florence & places of interest & back		950	45,000	568 (Hotel to Florence & back)	31,032	45,000
					³	-	-

¹ The amounts claimed as taxi charges (except journey from hotel to UK Parliament on 8th October 2006) are already included in the package tour arranged by Mumbai based tour operator.

² TA bills do not indicate the distance.

³ TA bills do not indicate the name of places of interest visited.

Date	Details of journeys				Actual distance (kms)	Estimated fare	Excess
	From	To	Distance (km)	Expenditure incurred ¹			
17.10.2006 (8 AM)	Hotel Dany, Rome	Parliament & back	Not mentioned	18,000	6.20	-	18,000
17.10.2006 (4 PM)	Hotel Dany, Rome	Fiumicino Airport, Rome	120	22,500	32.00	6,000	22,500
AMSTERDAM							
17.10.2006 (9 PM)	Schiphol Airport, Amsterdam	Hotel Tulip Inn West, Amsterdam	200	18,000	08.00	900	18,000
18.10.2006	Visited Brussels & back		950	45,000	420.88	-	45,000
19.10.2006	Visit Hague & places of interest		950	45,000	130.38	-	45,000
					(Hotel to Hague & back) 3		-
20.10.2006	Hotel Tulip Inn West, Amsterdam	Schiphol Airport, Amsterdam	200	22,500	08.00	900	22,500

Source: Tour Diary of the members and information gathered from web site.

APPENDIX 4.1

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2009 in respect of Government companies and Statutory corporations

(Reference: Paragraph 4.1.7; Page 112)

(Figures in column 5 (a) to 6 (c) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital ¹				Loans ² outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Forest Development Corporation of Meghalaya Limited (FDCML)	Forest	January 1975	1.77	0.20	-	1.97	-	-	-	-	0:1 (0:1)	73
2.	Meghalaya Bamboo Chips Limited (MBCL)	Industries	September 1979	-	-	0.48	0.48	-	-	1.73	1.73	3.6:1 (0:1)	54
Sector wise total				1.77	0.20	0.48	2.45	-	-	1.73	1.73	0.71:1	127
INFRASTRUCTURE													
3.	Meghalaya Industrial Development Corporation Limited (MIDCL)	Industries	April 1971	89.00	-	-	89.00	-	-	3.81	3.81	0.04:1	106
4.	Meghalaya Government Construction Corporation Limited (MGCCCL)	Public works	March 1979	2.00	-	-	2.00	-	-	2.90	2.90	1.45:1	95
Sector wise total				91.00	-	-	91.00	-	-	6.71	6.71	0.07:1	201
MANUFACTURING													
5.	Mawmluh Cherra Cement Limited (MCCL)	Industries	May 1995	37.11	-	0.10	37.21	-	-	28.06	28.06	0.75:1	604
6.	Meghalaya Mineral Development Corporation Limited (MMDCL)	Mining & Geology	March 1981	2.32	-	-	2.32	-	-	2.26	2.26	0.97:1	17
7.	Meghalaya Electronics Development Corporation Limited (MEDCL) (Subsidiary)	Industries	March 1986	-	-	4.72	4.72	-	-	1.28	1.28	0.27:1	-
8.	Meghalaya Watches Limited (MWL) (Subsidiary)	Industries	August 1979	-	-	0.36	0.36	-	-	-	-	0:1	-
Sector wise total				39.43	-	5.18	44.61	-	-	31.60	31.60	0.71:1	621
SERVICES													
9.	Meghalaya Tourism Development Corporation Limited (MTDCL)	Tourism	January 1977	7.96	-	-	7.96	-	-	2.56	2.56	0.32:1	255
Sector wise total				7.96	-	-	7.96	-	-	2.56	2.56	0.32:1	255

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital ¹				Loans ² outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
MISCELLANEOUS													
10.	Meghalaya Handloom & Handicrafts Development Corporation Limited (MHHDC)	Industries	January 1979	2.61	0.10	0.05	2.76	-	-	-	-	0:1 (0:1)	12
Sector wise total				2.61	0.10	0.05	2.76	-	-	-	-	0:1	12
Total A (All sector wise working Government companies)				142.77	0.30	5.71	148.78	-	-	42.60	42.60	0.29:1	1216
B. Working Statutory corporations													
POWER													
1.	Meghalaya State Electricity Board (MeSEB)	Power & Electricity	January 1975	202.00	-	-	202.00	151.99	-	670.17	822.16	4.07:1 (4.66:1)	3665
Sector wise total				202.00	-	-	202.00	151.99	-	670.17	822.16	4.07:1	3665
SERVICE													
2.	Meghalaya Transport Corporation (MTC)	Transport	October 1976	65.97	6.81	-	72.78	-	-	-	-	0:1 (0:1)	369
Sector wise total				65.97	6.81	-	72.78	-	-	-	-	0:1	369
MISCELLANEOUS													
3.	Meghalaya State Warehousing Corporation (MSWC)	Cooperation	March 1973	1.79	-	1.23	3.02	-	-	-	-	0:1 (0:1)	11
Sector wise total				1.79	-	1.23	3.02	-	-	-	-	0:1	11
Total B (All sector wise working Statutory corporations)				269.76	6.81	1.23	277.80	151.99	-	670.17	822.16	2.96:1	4045
Grand Total (A + B)				412.53	7.11	6.94	426.58	151.99	-	712.77	864.76	2.03:1	5261
C. Non working Government Companies													
MANUFACTURING													
1.	Meghalaya Phyto chemicals Limited ³			-	-	0.75	0.75	-	-	-	-	0:1	-
Sector wise total				-	-	0.75	0.75	-	-	-	-	0:1	-
Total C (All sector wise non working Government companies)				-	-	0.75	0.75	-	-	-	-	0:1	-
Grand Total(A+B+C)				412.53	7.11	7.69	427.33	151.99	-	712.77	864.76	2.02:1	5261

¹ Paid-up capital includes share application money.

² Loans outstanding at the close of 2007-08 represent long-term loans only.

³ The company is a 619-B company and no accounts have been prepared after 1984 (calendar year).

APPENDIX 4.2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Reference: Paragraph 4.1.15; Page 115)

(Figures in column 5 (a) to (6) and (8) to (10) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments ⁴	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed ⁵	Return on capital employed ⁶	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
AGRICULTURE & ALLIED														
1.	Forest Development Corporation of Meghalaya Limited (FDCML)	1999-2000	2007-08	(-) 0.43	-	0.01	(-)0.44	0.03	-	1.72	(-)2.15	(-)0.69	(-)0.44	-
2.	Meghalaya Bamboo Chips Limited (MBCL)	2004-05	2009-10	(-) 0.54	1.09	0.09	(-)1.72	0.07	-	0.48	(-)13.51	0.47	(-)0.63	-
Sector wise total				(-)0.97	1.09	0.10	(-)2.16	0.10	-	2.20	(-)15.66	(-)0.22	(-)1.07	
INFRASTRUCTURE														
3.	Meghalaya Industrial Development Corporation Limited (MIDCL)	2001-02	2009-10	1.90	1.84	0.06	0.001	3.99	-	62.63	0.35	72.02	1.84	2.55
4.	Meghalaya Government Construction Corporation Limited (MGCCCL)	2006-07	2009-10	0.56	-	0.02	0.54	24.92	-	0.75	(-)10.77	(-)8.93	0.54	-
Sector wise total				2.46	1.84	0.08	0.54	28.91	-	63.38	(-)10.42	63.09	2.38	3.77

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments ⁴	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed ⁵	Return on capital employed ⁶	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MANUFACTURING														
5.	Mawmluh Cherra Cement Limited (MCCL)	2007-08	2008-09	(-)2.38	0.01	0.71	(-)3.10	29.96	-	29.59	(+)6.05	28.94	(-)3.09	-
6.	Meghalaya Mineral Development Corporation Limited (MMDCL)	2007-08	2009-10	0.30	2.10	0.11	(-)1.91	0.60	-	2.32	(-)11.09	2.93	0.19	6.48
7.	Meghalaya Electronics Development Corporation Limited (MEDCL) (Subsidiary)	2000-01	2009-10	(-)0.56	0.73	0.11	(-)1.40	0.53	-	4.72	(-)15.41	3.23	(-)0.67	-
8.	Meghalaya Watches Limited (MWL) (Subsidiary)	2006-07	2008-09	(-)0.02	-	-	(-)0.02	-	-	0.36	(-)0.36	0.001	(-)0.02	-
Sector wise total				(-)2.66	2.84	0.93	(-)6.43	31.09	-	36.99	(-)20.81	35.10	(-)3.59	-
SERVICES														
9.	Meghalaya Tourism Development Corporation Limited	1993-94	2009-10	(-)0.19	0.15	0.12	(-)0.46	1.71	-	6.09	(-)2.47	8.05	(-)0.31	-
Sector wise total				(-)0.19	0.15	0.12	(-)0.46	1.71	-	6.09	(-)2.47	8.05	(-)0.31	-
MISCELLANEOUS														
10.	Meghalaya Handloom & Handicrafts Development Corporation	2002-03	2009-10	(-)0.15	-	0.01	(-)0.16	0.04	Understatement of loss by Rs.3.50 lakh	1.62	(-)1.75	0.09	(-)0.16	-
Sector wise total				(-)0.15	-	0.01	(-)0.16	0.04		1.62	(-)1.75	0.09	(-)0.16	-
Total A (All sector wise working Government companies)				(-)1.51	5.92	1.24	(-)8.67	61.85	-	110.28	(-)51.11	106.11	(-)2.75	-

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments ⁴	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed ⁵	Return on capital employed ⁶	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
B. Working Statutory corporations														
POWER														
1.	Meghalaya State Electricity Board.	2007-08	2008-09	46.15	31.77	12.90	1.48	318.15	-	202.00	(-402.44)	843.91	33.25	3.94
Sector wise total				46.15	31.77	12.90	1.48	318.15	-	202.00	(-402.44)	843.91	33.25	3.94
SERVICE														
2.	Meghalaya Transport Corporation	2004-05	2008-09	(-12.52)	-	0.38	(-12.90)	6.00	Overstate ment of loss by Rs.20.19 lakh	60.03	(-62.61)	(-9.18)	(-12.90)	-
Sector wise total				(-12.52)	-	0.38	(-12.90)	6.00	-	60.03	(-62.61)	(-9.18)	(-12.90)	-
MISCELLANEOUS														
3.	Meghalaya State Warehousing Corporation	2007-08	2009-10	0.09	-	0.07	0.02	0.20	Understate ment of Profit by Rs.0.29 lakh	2.81	-	1.30	0.02	1.54
Sector wise total				0.09	-	0.07	0.02	0.20	-	2.81	-	1.30	0.02	1.54
Total B (All sector wise working Statutory corporations)				33.72	31.77	13.35	(-11.40)	324.35		264.84	(-465.05)	836.03	20.37	2.44
Grand Total (A + B)				32.21	37.69	14.59	(-20.07)	386.20	-	375.12	(-516.16)	942.14	17.62	(-1.87)
C. Non working Government companies														
MANUFACTURING														
1.	Meghalaya Phyto Chemicals Limited	1984	1984	(-0.66)	-	-	(-0.66)	-	-	0.75	(-2.20)	-	(-0.66)	-
Sector wise total				(-0.66)	-	-	(-0.66)	-	-	0.75	(-2.20)	-	(-0.66)	-
Total C (All sector wise non working Government companies)				(-0.66)	-	-	(-0.66)	-	-	0.75	(-2.20)	-	(-0.66)	-
Grand Total (A + B + C)				31.55	37.69	14.59	(-20.73)	386.20	-	375.87	(-518.36)	942.14	16.96	1.87

⁴ Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.

⁵ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

⁶ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

APPENDIX 4.3

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2009

(Reference: Paragraphs 4.1.10; Page 113)

(Figures in column 3 (a) to 6 (d) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year ⁷		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government ⁸	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Forest Development Corporation of Meghalaya Limited (FDCML)	-	-	-	0.30(G)	-	0.30(G)	-	-	-	-	-	-
Sector wise total		-	-	-	0.30(G)		0.30(G)	-	-	-	-	-	-
INFRASTRUCTURE													
2.	Meghalaya Industrial Development Corporation Ltd.	4.00	-	-	-	-	-	-	-	-	-	-	-
3.	Meghalaya Government Construction Corporation Ltd.	-	-	-	0.07(S)	-	0.07(S)	-	1.00	-	-	-	-
Sector wise total		4.00			0.07(S)		0.07(S)	-	1.00	-	-	-	-
MANUFACTURE													
4.	Mawmluh Cherra Cement Ltd	10.00	-	-	-	-	-	-	-	-	-	-	-
5.	Meghalaya Mineral Development Corporation Ltd.	-	-	-	3.83(G)	-	3.83(G)	-	5.17	-	-	-	-
Sector wise total		10.00	-		3.83(G)		3.83(G)	-	5.17	-	-	-	-

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year ⁷		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government ⁸	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
SERVICE													
6.	Meghalaya Tourism Development Corporation	-	-	-	0.44(G)	-	0.44(G)	-	-	-	-	-	-
Sector wise total		-	-	-	0.44(G)	-	0.44(G)	-	-	-	-	-	-
MISCELLANEOUS													
7.	Meghalaya Handloom & Handicraft Development Corporation	0.25	-	-	-	-	-	-	-	-	-	-	-
Sector wise total		0.25	-	-	-	-	-	-	-	-	-	-	-
Total A (All sector wise working Government companies)		14.25	-	-	4.57(G) 0.07(S)	-	4.57(G) 0.07(S)	-	6.17	-	-	-	-
B. Working Statutory corporations													
1.	Meghalaya State Electricity Board	-	11.04	-	11.70(S)	-	11.70(S)	150.49	601.07	-	-	-	-
Sector wise total		-	11.04	-	11.70(S)	-	11.70(S)	150.49	601.07	-	-	-	-
SERVICE													
2.	Meghalaya Transport Corporation	3.75	-	-	2.84(S)	-	2.84(S)	-	-	-	-	-	-
Sector wise total		3.75	-	-	2.84(S)	-	2.84(S)	-	-	-	-	-	-
MISCELLANEOUS													
3.	Meghalaya State Warehousing Corporation	0.20	-	-	-	-	-	-	-	-	-	-	-
Sector wise total		0.20	-	-	-	-	-	-	-	-	-	-	-
Total B (All sector wise working Government statutory Corporations)		3.95	11.04	-	14.54(S)	-	14.54(S)	150.49	601.07	-	-	-	-
Grand Total (A + B)		18.20	11.04	-	4.57(G) 14.61(S)	-	4.57(G) 14.61(S)	150.49	607.24	-	-	-	-

⁷ Figures indicate total guarantees outstanding at the end of the year.

⁸ '(G)' stands for 'Grants' and '(S)' stands for 'Subsidy' received during the year.

APPENDIX 4.4

Statement showing investment made by the State Government in PSUs whose accounts are in arrears

(Reference: Paragraph 4.1.28 Page 120)

(Rupees in crore)

Sl.No.	Name of the Company	Year up to which accounts finalised	Paid-up capital as per latest finalised accounts	Investment made by the State Government during the years for which accounts are in arrears				
				Year	Equity	Loan	Grant	Subsidy
A. WORKING GOVERNMENT COMPANIES								
1.	Mawmluh Cherra Cements Limited	2007-08	29.59	2008-09	10.00	-	-	-
2.	Meghalaya Industrial Development Corporation Limited	2001-02	62.63	2002-03 to 2008-09	58.77	-	-	-
3.	Meghalaya Handloom and Handicrafts Development Corporation Limited (Subsidiary)	2002-03	1.62	2003-04 to 2007-08	0.98	-	-	-
4.	Forest Development Corporation of Meghalaya Limited	1999-00	1.72	2000-01 to 2008-09	0.25	-	0.57 ⁽¹⁾	-
5.	Meghalaya Tourism Development Corporation Limited	1993-94	6.09	1994-95 to 2007-08	1.88	-	2.15 ⁽²⁾	0.30 ⁽³⁾
6.	Meghalaya Government Construction Corporation Limited	2006-07	0.75	2007-08 & 2008-09	1.25	-	-	0.07 ⁽⁴⁾
7.	Meghalaya Mineral Development Corporation Limited	2007-08	2.32	2008-09	-	-	3.83	-
Total A			104.72	-	73.13	-	6.55	0.37
B. WORKING STATUTORY CORPORATIONS								
1.	Meghalaya Transport Corporation	2004-05	60.03	2003-04 to 2007-08	12.75	-	-	11.73 ⁽⁵⁾
2.	Meghalaya State Ware-housing Corporation	2007-08	2.81	2007-08	0.20	-	-	-
3.	Meghalaya State Electricity Board	2007-08	202.00	2008-09	-	-	-	11.70
Total B			264.84	-	12.95	-	-	23.43
Grand Total (A+B)			369.56	-	86.08	-	6.55	23.80

- Note:
- (1) Includes Rs.17.44 lakh in 2006-07; Rs.10 lakh in 2007-08 and Rs. 30.00 lakh in 2008-09.
 - (2) Includes Rs.50 lakh; Rs.20 lakh in 2002-03; Rs.50.14 lakh in 2004-05; Rs.50 lakh in 2005-06 and Rs.44.43 lakh in 2007-08.
 - (3) Includes Rs.30 lakh in 2000-01.
 - (4) Rs.7.01 lakh in 2008-09.
 - (5) Includes Rs.300 lakh in 2005-06; Rs.280 lakh in 2006-07; Rs.310 lakh in 2007-08 and Rs. 283.50 lakh in 2008-09.

APPENDIX 4.5

Statement showing financial position of Statutory corporations
(Reference: Paragraph 4.1.15; Page 115)

(Rupees in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08
(1)	(2)	(3)	(4)	(5)
1.	Meghalaya State Electricity Board			
	A. Liabilities			
	(a) Paid up Capital	202.00	202.00	202.00
	(b) Loans from Government	156.08	160.59	162.75
	(c) Other long-term loans (including bonds)	643.70	833.48	964.30
	(d) Reserves and Surplus	0.78	2.70	2.70
	(e) Current liabilities and Provisions	328.10	435.76	643.45
	Total – A	1330.66	1634.53	1975.20
	B. Assets			
	(a) Gross fixed assets	496.17	501.17	525.55
	Less: Depreciation	222.36	235.08	249.22
	Net fixed assets	273.81	266.09	276.33
	(b) Capital works-in-progress	282.26	486.88	736.83
	(c) Deferred Cost	17.14	21.07	18.45
	(d) Current assets	394.87	407.86	474.19
	(e) Investments	52.71	48.26	66.37
	(f) Intangible assets	0.06	0.59	0.59
	(g) Accumulated losses	309.81	403.78	402.44
	Total – B	1330.66	1634.53	1975.20
	C. Capital employed¹	622.84	725.08	843.91
2.	Meghalaya Transport Corporation	2002-03	2003-04	2004-05
	A. Liabilities			
	(a) Capital (including Capital loan and equity capital)	53.79	57.28	60.03
	(b) Reserves and Surplus	0.11	0.12	0.12
	(c) Borrowings:			
	Government	-	-	-
	Others	-	-	-
	(d) Funds (excluding depreciation fund)	-	-	-
	(e) Trade dues and other current liabilities (including provisions)	18.32	26.58	24.53
	Total – A	72.22	83.98	84.68
	B. Assets			
	(a) Gross Block	7.72	7.72	8.59
	Less: Depreciation	4.92	5.26	6.64
	Net fixed assets	2.80	2.46	1.95
	(b) Capital works-in-progress (including cost of Chassis)	-	-	-
	(c) Investments	0.73	1.62	0.56
	(d) Current assets, loans and advances	10.09	12.88	13.40
	(e) Deferred cost	-	-	-
	(f) Accumulated losses	58.60	62.15	62.61
	Total – B	72.22	79.11	78.52
	C. Capital employed¹	(-) 5.43	(-)11.24	(-)9.18

3.	Meghalaya State Warehousing Corporation	2005-06	2006-07	2007-08
	A. Liabilities			
	(a) Paid-up Capital	2.55	2.66	2.81
	(b) Reserves and Surplus	0.33	0.59	0.22
	(c) Borrowings :			
	Government	-	-	-
	Others	-	-	-
	(d) Trade dues and other current liabilities (including provision)	0.03	0.05	0.03
	Total - A	2.91	3.30	3.06
	B. Assets			
	(a) Gross Block	1.62	1.74	1.84
	Less : Depreciation	0.43	0.41	0.76
	Net fixed assets	1.19	1.33	1.08
	(b) Capital works-in-progress			
	(c) Investments	0.36	0.40	0.42
	(d) Current assets, loans and advances	1.36	1.57	0.25
	(e) Accumulated losses	-	-	-
	Total - B	2.91	3.30	1.75
	C - Capital employed¹	2.52	2.85	1.30

¹ Capital employed represents net fixed assets (including capital work-in-progress) plus working capital. While working out capital employed, the element of deferred cost and investment are excluded from current assets.

APPENDIX 4.6

Statement showing working results of Statutory corporations
(Reference: Paragraph 4.1.15; Page 115)

(Rupees in crore)

Meghalaya State Electricity Board				
Sl. No.	Particulars	2005-06	2006-07	2007-08
(1)	(2)	(3)	(4)	(5)
1.	(a) Revenue receipts	254.30	233.17	318.15
	(b) Subsidy/Sub-vention from Government	10.80	24.15	32.80
	(c) Other income	49.86	30.69	32.39
	Total	314.96	288.01	383.34
2.	Revenue expenditure (net of expenses capitalised including write off of intangible assets but excluding depreciation and interest)	330.63	337.20	315.23
3.	Gross surplus(+)/ deficit(-) for the year (1-2)	(-)15.67	(-)49.19	68.11
4.	Adjustments relating to previous years	(+)15.89	(-)7.54	(-)21.96
5.	Final gross surplus (+)/deficit (-) for the year (3+4)	0.22	(-)56.73	46.15
6.	Appropriations:			
	(a) Depreciation (less capitalised)	12.72	12.62	12.90
	(b) Interest on Government loans	15.98	16.27	16.67
	(c) Interest on other loans, bonds, advance, etc. and finance charges	26.12	36.35	59.57
	(d) Total interest on loans and finance charges (b+c)	42.10	52.62	76.24
	(e) Less : interest capitalised	13.41	28.00	44.47
	(f) Net interest charged to revenue (d-e)	28.69	24.62	31.77
	(g) Total appropriation (a+f)	41.41	37.24	44.67
7.	Surplus(+)/ deficit(-) before accounting for subsidy from State Government {5-6(g)-1(b)}	(-)51.99	(-)118.12	(-)31.32
8.	Net surplus (+)/ deficit(-) {5-6(g)}	(-)41.19	(-)93.97	1.48
9.	Total return on capital employed ²	(-)12.5	(-)69.35	33.25
10.	Percentage of return on capital employed	-	-	3.94

Meghalaya Transport Corporation				
Sl. No.	Particulars	2002-03	2003-04	2004-05
1.	Operating :			
	(a) Revenue	5.54	5.93	6.00
	(b) Expenditure	9.81	9.88	19.13
	(c) Surplus(+)/deficit(-)	(-)4.27	(-)3.95	(-)13.13
2.	Non-operating			
	(a) Revenue	0.35	0.22	0.23
	(b) Expenditure	-	-	-
	(c) Surplus(+)/deficit(-)	0.35	0.22	0.23
	Total			
	(a) Revenue	5.89	6.15	6.23
	(b) Expenditure	9.81	9.88	19.13
	(c) Surplus(+)/deficit(-)	(-)3.92	(-)3.73	(-)12.90
3.	Interest on capital and loans	NIL	NIL	NIL
	Total return on capital employed²	(-)3.92	(-)3.73	(-)12.90

Meghalaya State Warehousing Corporation				
Sl. No.	Particulars	2005-06	2006-07	2007-08
1.	Income			
	(a) Warehousing charges	0.19	0.19	0.20
	(b) Other income	<u>0.08</u>	<u>0.09</u>	<u>0.09</u>
	Total – 1	0.27	0.28	0.29
2.	Expenses			
	(a) Establishment charges	0.18	0.19	0.19
	(b) Other Expenses	<u>0.04</u>	<u>0.04</u>	<u>0.08</u>
	Total – 2	0.22	0.23	0.27
3.	Profit (+)/ Loss(-) before tax	(+)0.05	(+)0.05	(+)0.02
4.	Other appropriations	(-) 0.01	(-) 0.01	0.008
5.	Amount available for dividend	0.04	0.04	0.012
6.	Dividend for the year	0.009	0.001	0.002
7.	Total return on capital employed ²	0.04	0.05	0.01
8.	Percentage of return on capital employed	1.59	1.75	0.77

² Net surplus/deficit plus total interest charged to Profit & Loss Account (less interest capitalised).

APPENDIX 4.7

Statement showing operational performance of Meghalaya Transport Corporation

(Reference: Paragraph 4.2.18; Page 133)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Number of vehicles held at the end of the year	58	60	53	62	62
Average number of vehicles on road during the year	39	38	36	40	39
Percentage of utilisation of vehicles	67	64	68	65	63
Number of employees	382	375	364	344	330
Employee vehicle ratio	6.59:1	6.25:1	6.87:1	5.55:1	5.32:1
Number of routes operated at the end of the year	9	9	10	10	10
Route kilometers	1847	1847	2137	2112	2112
Kilometers operated (in lakh)					
Gross	17.43	20.51	28.01	26.90	27.72
Effective	17.22	20.32	27.74	26.66	27.40
Dead	0.21	0.19	0.27	0.24	0.32
Percentage of dead kilometers to gross kilometres	1.20	0.93	0.96	0.89	1.15
Average kilometers covered per bus per day	121	147	211	183	192
Average operating revenue per kilometer (Rs.)	14.52	12.99	12.29	13.50	15.44
Average operating expenditure per kilometer (Rs.)	51.97	43.95	38.03	29.97	31.17
Operating Loss (-) per kilometre (Rs.)	(-) 37.46	(-) 30.95	(-) 25.74	(-)16.47	(-) 15.73
Number of operating depots	7	7	7	7	7
Average number of break-down per 10,000 kilometers	0.95	0.71	0.44	0.35	0.20
Average number of accidents per lakh kilometers	0.29	Nil	0.18	0.22	0.11
Passenger kms Scheduled (in crore)	7.05	8.12	11.27	10.61	11.05
Passenger kilometre operated (in crore)	4.55	4.13	5.48	5.25	6.02
Occupancy ratio (Load Factor)	65	51	49	49	54
Kilometres obtained per litre of Diesel Oil	3.58	3.57	4.59	4.51	4.21

APPENDIX 4.8

Opportunity to recover money ignored

PSU-wise details of paras and recovery amount pending

(Reference: Paragraph 4.8; Page 153)

(Rupees in crore)

SL. No.	Para No. & year of IR	Para (Nature of Audit Observation)	Amount	Remarks (Reply from PSUs)
I. MEGHALAYA TOURISM DEVELOPMENT CORPORATION LIMITED (MTDCL)				
1	Para No. 9 IR 2003-04	Review of the Sundry Debtors and Loans & Advances indicates an amount of Rs. 4.10 lakh outstanding for more than ten years.	0.04	Sundry Debtors and Advances are being maintained and reconciled with the general Ledger
Total Amount-I			0.04	
II. MEGHALAYA ELECTRONICS DEVELOPMENT CORPORATION LIMITED (MEDCL)				
1	Part II B Para 5 IR 2003-04	Old Sundry Debtors.	0.05	Amount has been treated as bad debt and is being written off in the Accounts of 2007-08.
2	Part II B Para 1 IR 2003-04	Old unrecovered advances to staff.	0.07	A thorough scrutiny of the accounts is in progress.
Total Amount -II			0.12	
III. MEGHALAYA TRANSPORT CORPORATION (MTC)				
1	Part-II-B Para-1 1996-97	Non realisation of value of land and loss of interest	0.31	Pursuing the matter with the Commissioner of Transport for payment of outstanding dues.
Total Amount -III			0.31	
Grand Total			0.47	

APPENDIX 4.9

Lack of remedial action on audit observations

PSU wise details of paras and amount

(Reference: Paragraph 4.9; Page 154)

(Rupees in crore)

Sl. No.	Para no. & year of IR	Para (Nature of audit observation)	Amount (Rupees in crore)	Remarks (Replies from the PSU)
I. MEGHALAYA TOURISM DEVELOPMENT CORPORATION LIMITED (MTDCL)				
1	Part II B Para No. 8 IR 2003-04	Non-Payment of Sales Tax	1.51	The matter is taken up with the State Govt. for waiver.
Total Amount I			1.51	
II. MEGHALAYA ELECTRONICS DEVELOPMENT CORPORATION LIMITED (MEDCL)				
2	Part II A Para No.3 IR 2003-04	Central Sales Tax collected but not deposited with the authority	0.08	The Corporation in its present financial condition is not having sufficient fund to pay the outstanding CST dues to the Government.
Total Amount II			0.08	
Grand Total I & II			1.59	

