सत्यमेव जयते

REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 1998

GOVERNMENT OF MEGHALAYA

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PREFATORY REMARKS

This Report has been prepared for submission to the Governor Under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation accounts for 1997-98 together with other points arising from audit of financial transactions of the Government of Meghalaya. It also includes certain points of interest arising from the Finance Accounts for the year 1997-98.

2. *The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 1997-98 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 1997-98 have also been included wherever considered necessary.*

OVERVIEW

OVERVIEW

This Report includes two chapters on the Finance and Appropriation Accounts of the Government of Meghalaya for the year 1997-98 and six other chapters, comprising 7 reviews and 40 paragraphs, based on the audit of certain selected programmes and activities of the financial transactions of the Government. A synopsis of the important findings contained in this Report is presented in this overview.

1. Accounts of the State Government

Against budgeted revenue surplus of Rs.181.59 crore for 1997-98 and decreased to Rs.55.07 crore in the revised estimate, the actual revenue surplus was Rs.11.64 crore. There was shortfall in capital expenditure by Rs.26.28 crore during 1997-98 with reference to budget estimate. The fiscal deficit increased during 1997-98 to Rs.126.45 crore from Rs.23.12 crore in 1996-97 mainly due to less generation of tax and non-tax revenue, less receipt of grant from Government of India and increase in revenue expenditure as compared to the previous year.

Assets and liabilities

While the assets had grown up by 66 **per cent** during the five years ended 31 March 1998 the liabilities had grown by 87 **per cent**. The growing gap between assets and liabilities was on account of continued revenue surplus.

Revenue Receipts

The revenue receipts for 1997-98 was Rs.696.75 crore against estimate of Rs.962.58 crore. While tax revenue decreased from Rs.77.37 crore in 1996-97 to Rs.73.55 crore in 1997-98, non-tax revenue fell from Rs.47.47 crore in 1996-97 to Rs.29.85 crore in 1997-98.

The aggregate of the amount received by the State on account of share of net proceeds of income-tax, States share of Union excise duties and grants-in-aid increased from Rs.424.46 crore in 1993-94 to Rs.593.35 crore in 1997-98.

Revenue expenditure

Revenue expenditure increased from Rs.482.84 crore in 1993-94 to Rs. 685.11 crore in 1997-98 by 42 **per cent**. While non-Plan revenue expenditure exceeded the budget estimates during 1995-96 to 1997-98, Plan revenue expenditure fell short of the estimates in all the years during 1993-98.

During 1993-94 to 1997-98, 87 to 98 **per cent** of the revenue expenditure of the State was met from the revenue received from the Government of India.

Public debt

Government paid interest totalling Rs.60.90 crore on debt and other obligation during 1997-98. However, interest received by it on all accounts was Rs.4.08 crore, leaving a net interest burden of Rs.56.82 crore. During 1997-98, 88 **per cent** of loans raised was consumed towards payment of principal and interest. The repayment of principal and interest on loan received from Government of India was more than the amount of loan received in all the years except in 1994-95. The State had to meet the additional amount from other sources.

During the year an amount of Rs.2.94 lakh only was received as dividend/interest on investment totalling Rs.12.37 crore in various Co-operatives in the State. No dividend was received during the year from investment totalling Rs.77.53 crore made in Statutory Corporations and Government Companies in the State.

(Paragraph 1)

2. Appropriation audit and control over expenditure

Against the total budget provision of Rs.1116.56 crore (including supplementary) the actual expenditure was Rs.850.72 crore resulting in savings of Rs.265.84 crore. There was a saving of Rs.273.93 crore in 79 cases of grants/appropriations (Revenue Rs.134.47 crore; Capital Rs.139.46 crore) which was off set by excess of Rs.8.09 crore in 13 cases of grants/ appropriations (Revenue Rs.8.08 crore; Capital Rs.0.01 crore). The excess expenditure of Rs.555.89 crore pertaining to the years 1970-71 to 1996-97 was yet to be regularised.

The supplementary provision of Rs.40.93 crore obtained during 1997-98 constituted 4 **per cent** of the original grants/ appropriations. In 17 cases, the supplementary provision aggregating Rs.12.78 crore obtained during the year proved unnecessary.

In 30 cases of grants/appropriations the expenditure during the year in each case fell short by more than Rs.1 crore and by more than 10 **per cent** of the total provision.

(Paragraph 2)

3. Audit Reviews on Developmental/Welfare Programmes, etc.

Elementary Education

With a view to providing free and compulsory education to all children in the age group 6-14 years as per National Policy of Education, the State had programmed (1995) for the development and progress of educational activities including Elementary Education . A review on the programme of Elementary Education revealed the following:

- There was no information with the Director of Public Instruction about the distribution of library books valued at Rs.65.37 lakh and test-check of records of 2 D.I. of schools revealed that library books were not distributed to schools as the books supplied were not useful to the students.

- Despite the instructions of DPI to refund the unutilised amount to Government account, unutilised grants amounting to Rs.71.61 lakh out of Rs.2.98 crore released to 3 D.I. of Schools between July 1993 and March 1996 for various purposes had been retained by them.

- Compared to National norm of 2:1 in respect of Primary Schools to Upper Primary schools the existing ratio of 5:1 in the State reflects inadequacy in coverage at Upper Primary level.

(Paragraph 3.2)

Poll Expenses

A review on the election expenses during 1996-97 and 1997-98 revealed as under :-

- The expenditure of Rs.1.14 crore being the balance of Central share met by the State Government for the election held in 1997-98 had not been got reimbursed so far (October 1998).

- Submission of detailed bills in support of the drawal of Rs.52.35 lakh in Abstract Contingent bills are pending for period ranging from 8 to 27 months since the due date of submission.

- 754 electronic voting machines valued at of Rs.36.95 lakh supplied by Election Commission out of Central fund during 1989-90 were never put to use in any election held so far in the State.

- Expenditure of Rs.65.20 lakh incurred on Camera team for Photo Identity Card during the period between January 1995 and March 1996 proved infructuous as not a single photo was taken.

- The department incurred extra expenditure of Rs.15.79 lakh on re-making of Photo Identity Cards due to furnishing of incorrect particulars of voters initially.

(Paragraph 3.3)

National Malaria Eradication Programme

The National Malaria Eradication Programme is a Centrally Sponsored Scheme introduced to control incidence of malaria in the State through different protective measures. A review on the implementation of the programme during 1992-93 to 1997-98 revealed the following irregularities :-

- Against the aid materials valued at Rs.3.00 crore adjusted in the State's Accounts in 1995-96, Rs.60.50 lakh pertained to materials either not received or not put to use due to unsuitability.

Acknowledgement of the receipt of aid materials without proper verification and actual receipt of supply of needles resulted in indirect financial aid to the supplier of Rs.11.59 lakh, for which responsibility had not yet been fixed.

In spite of heavy expenditure being incurred on the programme every year incidence of malaria in the State started increasing from 1995 and the Annual Parasites Index of the State i.e. number of positive cases per thousand rose to 13.52 in 1996 against the programme target of 0.5 by 2000 AD.

(Paragraph 3.5)

Calamity Relief Fund and National Fund for Calamity Relief

Calamity Relief Fund and National Fund for Calamity Relief established for meeting expenditure on relief measures in the wake of natural calamities were to be financed by grant in aid from Central Government (75 **per cent**) and State share (25 **per cent**). The following points emerged from the review of receipt and expenditure of those funds.

- Contrary to the provision of the scheme stipulated by the Government of India Rs.10.88 crore being the contribution to the CRF was kept in a current account.

- Rupees 5.04 crore being the contribution to the CRF kept under Government account was not invested, though as per scheme it was to be invested in approved securities.

- Out of the Central Assistance of Rs.10 crore received from NFCR for repairs/restoration of damages caused by national calamity, utilisation certificates for Rs.7.98 crore were not submitted to Revenue Department by executing departments and the departmental figure of Rs. 9.72 crore was not reconciled with the figure of Rs. 7.98 crore booked in accounts.

(Paragraph 3.13)

Improvement of Umsning-Jagi (UJ) Road

Improvement of the existing road (83 Km in Meghalaya; 03 Km in Assam) connecting East Khasi Hills with Central Assam, to the standard of other District Roads was taken up in 1986 using financial assistance from the North Eastern Council. The assistance was to be in the form of grant (90 **per cent**) and loan (10 **per cent**). Review on audit of the implementation of the scheme funds revealed as under :-

- Although works on the scheme commenced as early as January 1987, 3 (three) out of the 6 components remained incomplete as of March 1998 and no target was fixed for completion. The delay in completed components resulted in cost overrun of Rs.1.23 crore as of March 1998.

- The department made excess payment of Rs.11.55 lakh to contractor as the prescribed deduction for void (5 to 10 **per cent**) for metals collected was not made in the quantity for payment.

- There was extra expenditure of (i) Rs.12.63 lakh due to irregular classification of soil strata (ii) Rs.5.29 lakh owing to excess utilisation of screened metals.

(Paragraphs 4.2)

Internal controls in respect of registration of dealers and assessment of sales tax

A review on internal controls in respect of registration of dealers and assessment of Sales Tax during 1992-93 to 1996-97 revealed the following significant points :-

Failure to conduct effective market survey led to loss of revenue of Rs.53.13 lakh.

For delayed submission of 711 periodical returns maximum penalty of Rs.18.67 crore leviable but was not levied.

Taxable turnover of Rs.1.64 crore was concealed by 5 dealers thereby evading payment of tax of Rs.27.64 lakh including penalty of Rs.16.19 lakh.

In the case of 15 registered wholesale Medicine dealers, deductions on account of sales of tax-paid goods valued at Rs.16.30 crore having tax effect of Rs.11.07 crore were allowed by the assessing officers without ascertaining the source of purchase of these goods within the State.

(Paragraph 6.6)

Purchase of Stores and Inventory Control

A review on Purchase of Stores and Inventory Control by the Meghalaya State Electricity Board during the 5 years period upto 1997-98 revealed the following significant points :-

The Board held stock annually varying from Rs.26.50 crore to Rs.48.63 crore representing 16 to 265 months' consumption. There was minus closing balances as per books of accounts totalling Rs.1.99 crore in respect of 6 divisions and transferred material valued at Rs.18.53 crore awaiting acknowledgement by the receiving units.

Unutilised serviceable materials valued at Rs.1.84 crore were held by 5 units and damaged/unserviceable stocks worth Rs 0.22 crore were lying with 6 units without any investigation and disposal.

(Paragraph 8.7)

4. **Other Points of Interest**

(A) Civil

An amount of Rs. 25 lakh received as Central assistance in March 1995 and 1996 for setting up of Drug De-addiction Centre and Centre for Cancer Control was not utilised as of September 1998 for want of approval from the State Government. Thus besides, frustrating the achievement of the objective there was locking up of funds..

(Paragraph 3.7(a)(b))

Rupees.64.65 lakh spent on the establishment of Industrial estates at Tura and Williamnagar proved unproductive as no industries were set up in these estates even after more than five years of the establishment.

(Paragraph 3.10(a)(b))

Payment of transport subsidy of Rs.16.71 lakh for export of lime to three industrial units which were not registered with the Taxation Department for inter-State trade and commerce was irregular since the veracity of transport subsidy claimed was not confirmed.

(Paragraph 3.11)

Rupees 12.80 lakh paid to the Meghalaya Government Construction Corporation for establishment of Juvenile Home remained locked for more than 7 years as there was no progress in the establishment of the Home.

(Paragraph 3.14)

Five lodges/restaurant constructed and furnished during 1989-90 and 1995-96 at a cost of 1.29 crore for augmentation of tourism in the State had not been put to use rendering the expenditure unproductive.

(Paragraph 3.15)

Expenditure of Rs.19.58 lakh incurred on the minor irrigation project proved unproductive as the project due for completion in November 1994 remained incomplete.

(Paragraph 4.1 (i))

Expenditure of Rs.72.11 lakh incurred on 14 water supply schemes completed between March 1986 and March 1995 proved unproductive as these remained non-functional due to theft of laid G.I. pipes.

(Paragraph 4.3)

(B) Revenue Receipts

Sales turnover of Rs.12.04 lakh escaped assessment inspite of the fact having been available in the assessment records itself resulted in short levy of tax of Rs.7.22 lakh.

(Paragraph 6.7)

Taxable turnover of Rs.18.99 crore remained unassessed resulting in blockade of Revenue of Rs.2.28 crore.

(Paragraph 6.10)

(C) State Commercial Undertakings

According to latest finalised accounts, three companies earned accumulated profit of Rs.1.44 crore and the remaining seven companies suffered accumulated loss of Rs.16.45 crore. Three companies had eroded their paid-up capital as accumulated loss (Rs.8.66 crore) of these companies exceeded the paid-up capital by Rs.3.85 crore.

(Paragraph 8.2.5 & 8.2.6.2)

The total investment in three Corporations as of 31 March 1998 was Rs.370.67 crore.

(Paragraph 8.3.2)

The Meghalaya State Electricity Board had finalised its accounts upto 1996-97 which showed accumulated loss of Rs.161.39 crore while Meghalaya Transport Corporation finalised its accounts upto 1994-95 and the accounts showed accumulated loss of Rs.26.99 crore.

(Paragraph 8.4.2 & 8.5.1)

Test check of records of the Government companies and statutory corporations revealed the following :-

(i) Due to delay in clearance of previous bills of the party for fabrication work, by the Meghalaya Transport Corporation the delivery of completed buses were delayed resulting in loss of potential revenue of Rs. 0.22 crore.

(Paragraph 8.8.1)

(ii) The Meghalaya Industrial Development Corporation temporarily transferred Rs.1 crore each on three occasions to Government account without charging any interest resulting in interest loss of Rs. 0.13 crore.

(Paragraph 8.8.4)

CHAPTER -I

ACCOUNTS OF THE STATE GOVERNMENT

1.1 INTRODUCTION

1.1.1 Structure of the Government Accounts

The accounts of the State Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account.

PART I - CONSOLIDATED FUND

All receipts of the State Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State, constituted under Article 266(1) of the Constitution of India. All expenditure of the Government is incurred from this fund and no amount can be withdrawn from the Fund without authorisation from the State Legislature. It consists of two main divisions, namely Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans, etc.).

PART II - CONTINGENCY FUND

The Contingency Fund created under Article 267(2) of the Constitution of India is in the nature of imprest placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorisation from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorised by the Legislature during the year was Rs.6.00 crore.

PART III - PUBLIC ACCOUNT

Receipts and disbursements in respect of Small Savings, Provident Funds, Deposits, Reserve Funds, Suspense, Remittances, etc. which do not form part of the Consolidated Fund, are accounted for in Public Account and are not subject to vote by the State Legislature.

1.1.2 ANNUAL ACCOUNTS

The accounts of the State Government are compiled annually by the Accountant General (Accounts and Entitlement), Meghalaya, Mizoram and Arunachal Pradesh. These are prepared in two volumes viz., the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts on the other hand, present the details of amounts actually spent by the State Government vis-a-vis the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

1.1.3 AUDIT REPORT

The Finance Accounts and the Appropriation Accounts as well as various transactions in these accounts are audited by the Comptroller and Auditor General of India (CAG) in accordance with CAG's (Duties, Powers and Conditions of Service) Act, 1971. CAG certifies the accounts and also submits separate Audit Reports to the Governor of the State in terms of Article 151 of the Constitution of India.

CAG's Report in respect of Government of Meghalaya for the year ended 31 March 1998 contains observations on audit of Civil and Commercial transactions as well as on audit of Revenue Receipts.

1.2 SUMMARISED FINANCIAL POSITION

The financial position of the Government of Meghalaya as on 31 March 1998, emerging from the Appropriation Accounts and the Finance Accounts for the year 1997-98 supplemented by additional information collected separately, and the abstract of Receipts and Disbursements for the year is given in the following statements.

STATEMENT - I

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF MEGHALAYA AS ON 31 MARCH 1998

(Rupees in crore)

Amount as on 31 March 1997	Liabilities		Amount as on 31 March 1998	Amount as on 31 March 1997	Assets		Amount as on 31 March 1998
161.47	**INTERNAL DEBT OF THE STATE GOVERNMENT**		188.93	1211.13	**GROSS CAPITAL OUTLAY ON FIXED ASSETS**		1337.01
	Market loan bearing interest	168.74			Investment in shares of companies/ Corporation etc.	89.27	
	Loan from LIC	3.81					
	Loan from General Insurance Corporation	1.28			Other Capital Outlay	1247.74	
	Other loans	15.10					
252.48	**LOANS AND ADVANCES FROM CENTRAL GOVERNMENT**		279.70	163.52	**LOANS AND ADVANCES**		175.74
	Pre 1984-85 Loans	16.92			Loans for Energy	128.26	
	Non-plan Loans	98.86			Other Development Loans	18.20	
					Loans to Government Servants	29.28	
	Loans for State Plan Schemes	149.53		0.24	**OTHER ADVANCES**		0.61
	Loans for Centrally sponsored Plan Schemes	8.39		29.06	**SUSPENSE AND MISCELLANEOUS**		29.34
	Loans for NEC Regional Schemes	5.72					
	Loans for Central Plan Schemes	0.28		18.92	**REMITTANCE BALANCES**		4.48
6.00	**CONTINGENCY FUND**		6.00				
71.96	**SMALL SAVINGS PROVIDENT FUNDS. ETC.**		94.90	6.00	**APPROPRIATION TO CONTINGENCY FUND**		6.00
91.31	**DEPOSITS**		130.39				
8.10	**SINKING FUNDS AND RESERVE FUNDS**		13.19	22.34	**CLOSING CASH BALANCE**		31.46
860.21	**REVENUE SURPLUS**		871.85		Departmental Cash balance including Permanent advance	0.10	
	Net revenue surplus at the end of 31 March 1996	860.21			Cash balance Investment	75.71	
	Revenue surplus for the year ending 31 March 1996	11.64			Deposits with Reserve Bank of India	(-)44.35*	
				0.32	**INVESTMENTS OF EARMARKED FUNDS**		0.32
1451.53			1584.96	1451.53			1584.96

*The minus balance under Deposits with Reserve Bank of India, in the absence of balances under "Overdraft" and "Ways and Means Advances" is under investigation.

EXPLANATORY NOTES

1. The summarised financial statements are based on the statements of Finance Accounts and Appropriation Accounts of the State Government and are subject to notes and explanations contained therein.

2. Government accounts being mainly on cash basis, the revenue surplus or deficit has been worked out on cash basis. Consequently, amounts payable or receivable or items like depreciation or variation in stock figures etc., do not figure in the accounts.

3. Although a part of the revenue expenditure (grants) and the loans are used for capital formation by the recipients, its classification in the accounts of the State Government remains unaffected by end use.

4. There was a net difference of Rs.23,37,04,799 between the figure reflected in the accounts (-) Rs.44,35,40,580 under Deposits with the Reserve Bank of India and that intimated by the Reserve Bank of India (-)Rs.67,72,45,379. The difference is under reconciliation.

STATEMENT - II

ABSTRACT OF RECEIPTS AND DISBURSMENTS FOR THE YEAR 1997-98

SECTION-A-REVENUE

(Rupees in crore)

Receipts			Disbursements	Non-Plan.	Plan	Total Plan & Non-Plan	
I. REVENUE RECEIPTS		696.75	I. REVENUE EXPENDITURE SECTOR				685.11
i) Tax Revenue	73.55		i) General Services	229.86	6.39	236.25	
ii) Non-Tax Revenue	29.85		ii) Education, Sports, Arts and Culture	97.44	43.11	140.55	
iii) State's share of net proceeds of taxes on Income other than Corporation tax	59.74		iii)Health and and Family Welfare	31.57	14.38	45.95	
iv) State's share of Union Excise Duties	227.03		iv)Water Supply, Sanitation, Housing and Urban Development	31.08	12.11	43.19	
v) Non-Plan grants	52.07		v) Information and Publicity	1.26	0.85	2.11	
vi) Grants for State Plan Schemes	223.82		vi)Welfare of SC/ST and other Backward classes	0.53	4.14	4.67	
vii) Grants for Central Plan Schemes	2.54		vii)Labour and Labour Welfare	2.88	0.63	3.51	
viii) Grants for Centrally Sponsored Plan Schemes	24.78		viii)Social Welfare and Nutrition	5.29	6.90	12.19	
ix) Grants for Special plan schemes	3.37		ix) Others	1.47	...	1.47	
			x) Agriculture and Allied Activities	50.48	31.57	82.05	
			xi)Rural Development	6.69	26.45	33.14	
			xii)Special Areas Programmes	...	0.19	0.19	
			xiii)Irrigation and Flood Control	5.20	2.68	7.88	
			xiv)Energy	3.00	0.90	3.90	
			xv) Industries and Minerals	16.43	9.55	25.98	
			xvi)Transport	30.69	-	30.69	
			xvii)Science, Technology and Environment	0.11	...	0.11	
			xviii)General Economic Services	7.78	3.50	11.28	
				521.76	163.35	685.11	
			II. REVENUE SURPLUS				11.64
		696.75					696.75

SECTION-B-OTHERS

(Rupees in crore)

Receipts

II.	**OPENING CASH BALANCE**		22.34
III.	**MISCELLANEOUS CAPITAL RECEIPTS**		...
IV.	**RECOVERIES OF LOANS AND ADVANCES**		5.04
	i) From Government Servants	4.88	
	ii) From Others	0.16	
V.	**REVENUE SURPLUS BROUGHT DOWN**		11.64
VI.	**PUBLIC DEBT RECEIPTS**		77.16
	i) Internal Debt	37.74	
	ii) Loans and Advances from Central Government	39.42	
VII.	**PUBLIC ACCOUNTS RECEIPTS**		490.48
	i) Small Savings and Provident Funds	32.34	
	ii) Reserve Funds	5.08	
	iii) Deposits and Advances	121.76	
	iv) Suspense & Miscellaneous	4.35	
	v) Remittances	326.95	
			606.66

Disbursements

		Non-Plan	Plan	Total	
III.	**CAPITAL EXPENDITURE**				**125.88**
	Section	**Non-Plan**	**Plan**	**Total**	
i)	General Services	0.47	4.30	4.77	
ii)	Social Services	*	42.49	42.49	
iii)	Agriculture and Allied Services	...	0.56	0.56	
iv)	Rural Development	...	**	...	
v)	Special Areas Programme	...	6.42	6.42	
vi)	Irrigation and Flood Control	...	6.18	6.18	
vii)	Industry and Minerals	...	2.20	2.20	
viii)	Transport	...	62.98	62.98	
(ix)	General Economic Services	...	0.28	0.28	
		0.47	125.41	125.88	
IV.	**LOANS AND ADVANCES**				**17.25**
i)	To Government servants	9.40			
ii)	For Plan Schemes		7.85		
V.	**REPAYMENT OF PUBLIC DEBT**				**22.48**
i)	Internal Debt	10.28			
ii)	Loans and advances from Central Government	12.20			
VI.	**PUBLIC ACCOUNTS DISBURSEMENTS**				**409.59**
i)	Small Savings and Provident Funds	9.40			
ii)	Reserve Funds	---			
iii)	Deposits and Advances	83.05			
iv)	Suspense & Miscellaneous	4.63			
v)	Remittances	312.51			
VII.	**CLOSING CASH BALANCE**				**31.46**
i)	Departmental Cash Balance including permanent advance	0.10			
ii)	Cash balance investment	75.71			
iii)	Deposits with Reserve Bank of India	(-)44.35***			
					606.66

* Only Rs.5461

** Only Rs.53900

*** The Minus balance under Deposits with Reserve Bank of India, in the absence of balances under "Overdraft" and "Ways and Means Advances" is under investigation.

STATEMENT - III

SOURCES AND APPLICATION OF FUNDS FOR 1997-98

Sl. No.	Sources			Sl. No.	Application	
		(Rupees	in	crore)		
1.	Revenue Receipts		696.75	1.	Revenue Expenditure	685.11
2.	Recoveries of loans and Advances		5.04	2.	Lending for development and other purposes	17.25
3.	Increase in Public Debt		54.68	3.	Capital Expenditure	125.88
4.	Net Receipt from Public Account		80.89	4.	Increase in Closing Cash balance	9.12
	Increase in Small Savings, Provident Funds etc.	22.94				
	Increase in Deposits and Advances	38.71				
	Increase in Reserve Funds	5.08				
	Effect of Remittance Balances	14.44				
	Effect on Suspense and Miscellaneous Balances	(-)0.28				
			837.36			837.36

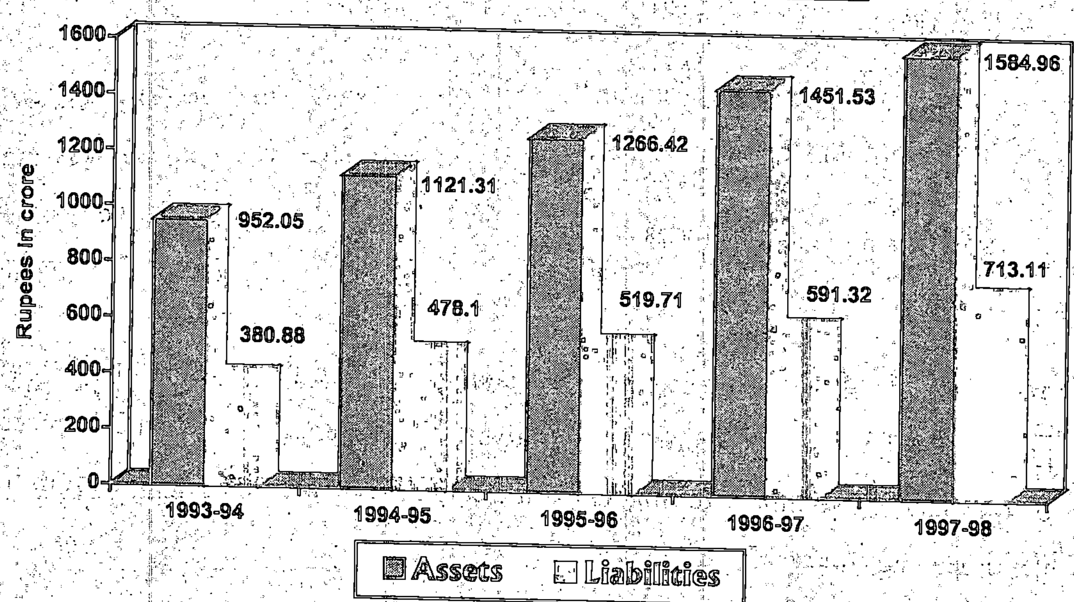
Based on these statements and other supporting data, the following paragraphs in this Chapter present an analysis of the management of the finances of the State Government during 1997-98 relating it to the position obtaining in the preceding four years.

1.3.1 ASSETS AND LIABILITIES

The assets comprising capital investments and loans and advances and the total liabilities of the State Government during the last five years were as follows:-

At the end of	Assets	Liabilities
	(Rs. in crore)	
1993-94	952.05	380.88
1994-95	1121.31	478.10
1995-96	1266.42	519.71
1996-97	1451.53	591.32
1997-98	1584.96	713.11

Assets and Liabilities of the State



While the assets had grown by 66 per cent during the five years, the liabilities had grown by 87 per cent. The growing gap between assets and liabilities was on account of continued Revenue Surplus.

1.3.2 **Financial position of the State**

(i) Financial position of the State Government during 1997-98 as emerging from the Finance Accounts revealed that revenue receipts of the State Government were Rs.696.75 crore against which revenue expenditure was Rs.685.11 crore thus resulting in a Revenue Surplus of Rs.11.64 crore constituting 2 per cent of the revenue receipts.

(ii) The revenue receipts of the State Government comprised tax revenue (Rs.73.55 crore), non-tax revenue (Rs.29.85 crore), State's share of Union taxes and duties (Rs.286.77 crore) and grants-in-aid from the Central Government (Rs.306.58 crore). The main sources of tax revenue was State Excise (38 per cent), Sales tax (50 per cent) and Non-tax revenue came mainly from Forestry and Wild Life (12 per cent), Interest receipt (14 per cent).

(iii) The revenue expenditure of Rs.685.11 crore was on General Services (35 per cent), Social Services (37 per cent) and Economic Services (28 per cent).

(iv) The capital expenditure of the State Government was Rs.125.88 crore which was distributed among General Services (4 per cent), Social Services (34 per cent) and Economic Services (62 per cent).

(v) The Public Debt of the State Government increased by Rs.54.68 crore during 1997-98 thereby pushing up the burden of interest payment and servicing of debt. The interest payments (Rs.60.90 crore) constituted 9 per cent of the revenue expenditure of the State.

1.3.3 Consolidated Fund

The receipts and expenditure under the Consolidated Fund of the State for 1997-98 along with previous financial year were as under :

Receipts		(Rupees in	crore)	Expenditure	
1996-97		1997-98	1996-97		1997-98
		Revenue Account			
730.46	Revenue Receipts	696.75	616.96	Revenue Expenditure	685.11
	Total		113.50	Revenue Surplus	11.64
		Capital Account			
...	Capital Receipts	...	124.85	Capital Expenditure	125.88
5.30	Recoveries of Loans and Advances	5.04	17.07	Loans and Advances Disbursed	17.25
94.42	Receipts booked as Public Debt	77.16	54.70	Repayment	22.48
96.90	Capital Deficit	83.41	-	Capital Surplus	...
196.62	Total		196.62	Total	165.61
...	Deficit in Consolidated Fund	71.77	16.60	Surplus in Consolidated Fund	...

Capital expenditure of the Government is to be financed ideally from revenue surplus and borrowed fund. The Capital deficit was mainly due to less generation of revenue surplus against budget estimate of Rs.181.58 crore revised to Rs.55.67 crore.

1.3.4 Public Account

	Receipts	Disbursements
	(Rupees in crore)	
Small Savings Provident Fund etc.	32.34	9.40
Deposits and Advances	121.76	83.05
Suspense and Miscellaneous	4.35	4.63
Reserve Funds	5.08	
Remittances	326.95	312.51
Total	490.48	409.59
Surplus on Public Account	80.89	

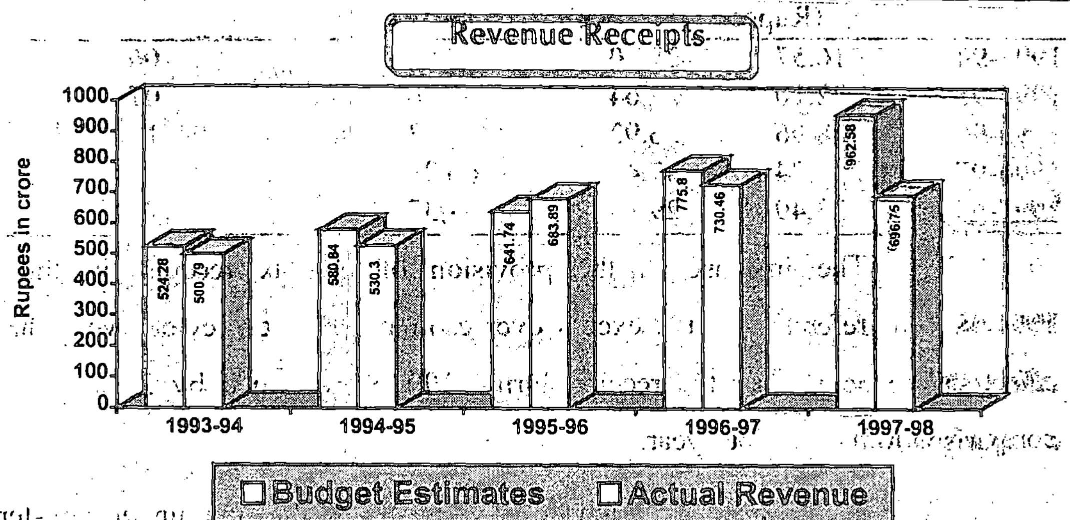
Out of the surplus of Rs. 80.89 crore on Public Account, Rs. 71.77 crore were applied to set off the deficit on Consolidated Fund and remaining surplus of Rs. 9.12 crore increased the closing Cash Balance of the State.

The surplus was mainly on account of less payments than receipts under Small Savings Provident Fund and Deposit and Advances. The surplus on Public Account of the year increased the liability of the State Government.

1.4. Revenue Receipts

1.4.1 Trend of revenue receipts during the period of five year (1993-98) was as under :-

Year	Budget Estimates	Actual Revenue	Increase(+)/ decrease(-) over the previous year	Percentage of increase(+)/ decrease(-)
	(Rupees in crore)			
1993-94	524.28	500.79	72.29	17
1994-95	580.84	530.30	29.51	06
1995-96	641.74	683.89	153.59	29
1996-97	775.80	730.46	46.57	07
1997-98	962.58	696.75	(-)33.71	(-)05



Though the actual receipt increased by 39 per cent with reference to the year 1993-94 there was decrease in 1997-98 in comparison to the previous year and this was due to lesser collection of tax and non tax revenue.

1.4.2 Tax Revenue

The growth of Tax Revenue mobilised by the State Government during the last five years (1993-98) was as under :-

Year	Budget Estimates	Tax Revenue	Percentage growth over the previous year	Tax Revenue as percentage of revenue receipts
	(Rupees in crore)			
1993-94	51.07	47.93	08	10
1994-95	61.36	56.27	17	11
1995-96	77.40	66.26	18	10
1996-97	76.51	77.37	17	11
1997-98	85.15	73.55	(-)05	11

During the above period the actual tax revenues was less than the budget estimate in all the years except 1996-97 and in the year 1997-98 it registered a negative growth rate of 5 **per cent**.

1.4.3 Non-tax Revenue

The growth/decline of Non-Tax Revenue during the last five years was as under :

Year	Budget Estimates	Non-Tax Revenue	Percentage growth over the previous year	Non-Tax Revenue as percentage of revenue receipts
	(Rupees in crore)			
1993-94	16.57	28.40	57	06
1994-95	22.10	38.64	36	07
1995-96	18.96	66.92	73	10
1996-97	31.24	47.47	(-) 29	06
1997-98	73.40	29.85	(-)37	04

The increase in the provision of non-tax receipts in the year 1997-98 with reference to the excess over estimates of the previous years had no effect as the actual non-tax receipt during 1997-98 declined by 37 **per cent** in comparison to the previous year.

The decline was mainly due to less collection under non-ferrous Mining and Metallurgical Industries as the actual during 1997-98 was Rs.1.00 crore against Rs.8.52 crore during 1996-97.

1.4.4 State's share of Union Taxes and duties and Grants-in-aid from the Central Government

Trend of State's share of Union taxes and duties and the Central grants-in-aid for the last five years was as under :-

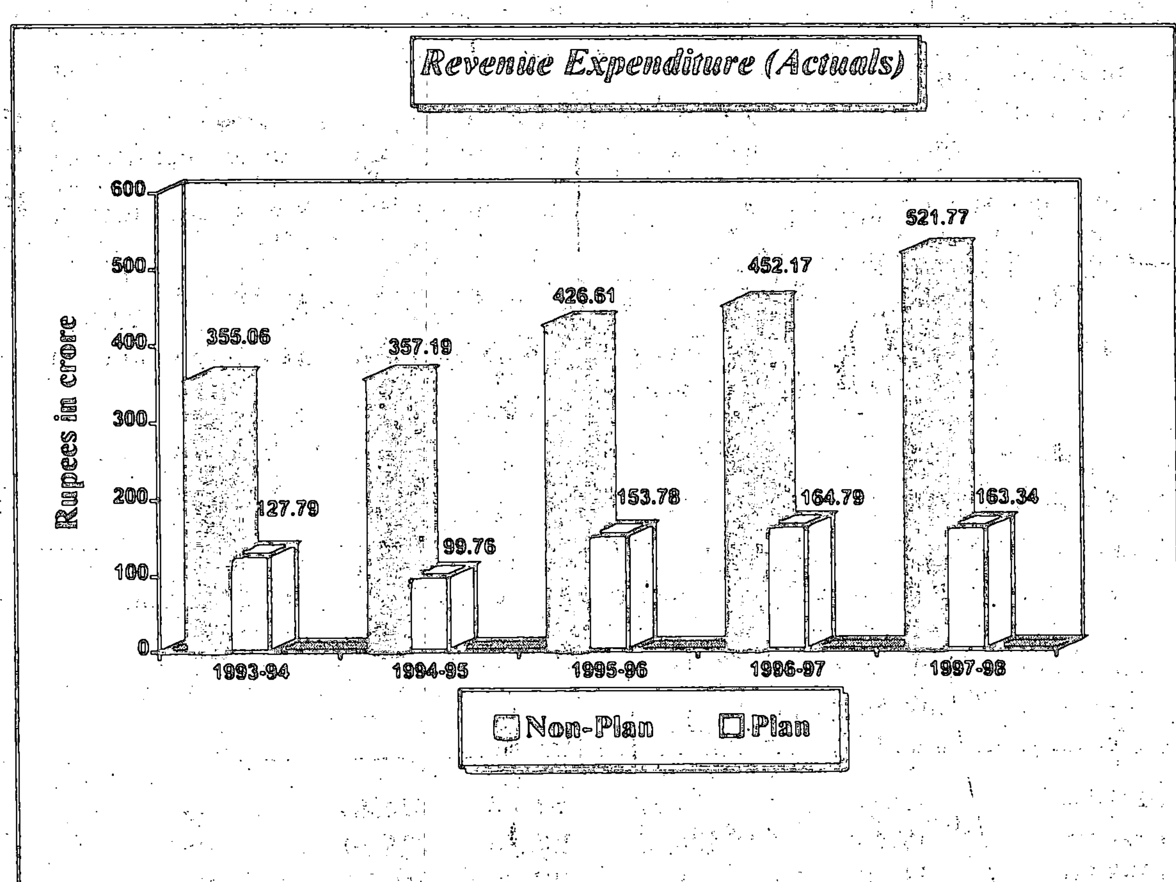
Year	State's share of		Grants-in-aid	Total	As a percentage of total revenue expenditure
	Net proceeds of taxes on income other than Corporation tax	Union Excise Duties			
	(Rupees in crore)				
1993-94	16.00	111.82	296.64	424.46	88
1994-95	17.80	126.83	290.76	435.39	95
1995-96	31.60	128.11	391.00	550.71	95
1996-97	38.32	179.25	388.06	605.63	98
1997-98	59.74	227.03	306.58	593.35	87

The State was dependent to a large extent on the different receipts from the Government of India for meeting its revenue expenditure since 87 to 98 per cent of the revenue expenditure was met from such receipts.

1.5 Revenue Expenditure

Trend of revenue expenditure of the State during the five year period ending 1997-98 was as under :

Year	Budget Estimates		Actuals		Increase(+)/ Decrease(-) over the previous year
	Plan	Non-Plan	Plan	Non-Plan	
	(Rupees in crore)				
1993-94	181.09	359.88	127.79	355.06	(+) 72.56
1994-95	180.27	376.81	99.76	357.19	(-) 25.90
1995-96	219.23	413.85	153.78	426.61	(+)123.44
1996-97	215.66	434.54	164.79	452.17	(+) 36.57
1997-98	273.59	507.40	163.34	521.77	(+)68.15



Sector-wise actual expenditure

Year	General Services Plan	General Services Non-Plan	General Services Total	Social Services Plan	Social Services Non-Plan	Social Services Total	Economic Services Plan	Economic Services Non-Plan	Economic Services Total
	(Rupees in crore)								
1993-94	2.40	144.52	146.92	56.07	125.38	181.45	69.31	85.16	154.47
1994-95	2.81	153.68	156.49	46.57	118.44	165.01	50.38	85.07	135.45
1995-96	3.91	182.47	186.38	71.49	140.66	212.15	78.38	103.48	181.86
1996-97	5.07	198.53	203.60	83.05	144.21	227.26	76.66	109.43	186.09
1997-98	6.39	229.86	236.25	82.13	171.51	253.64	74.83	120.39	195.22

The total revenue expenditure increased from Rs.482.85 crore in 1993-94 to Rs.685.11 crore showing an increase of 42 per cent. In comparison to the previous year the expenditure under non plan increased by Rs.69.60 crore the plan expenditure decreased by Rs.1.45 crore during 1997-98.

While under plan head, there was less expenditure than budget provision in all the years; the expenditure under non-plan exceeded the budget provision during 1995-96 to 1997-98. The following table shows the details of Non-Plan revenue expenditure, other than interest payment, where there has been significant increase over the years.

Head of Account	Sector	1993-94 (Rupees in crore)	1997-98 (Rupees in crore)	Percentage increase
Pension and other retirement benefit	General Services	12.35	22.03	78
Medical and Public Health	Social Services	22.94	30.38	32
Animal Husbandry	Economic Services	6.29	10.08	60
Dairy Development	Economic Services	1.62	2.25	39
Non-ferrous Mining and Metallurgical Industries	Economic services	2.19	8.67	296

1.5.1 Interest payments

Trend of interest payments during the last five years was as under :

Year	Interest paid on					Percentage on interest payments to Tax revenue
	Internal Debt	Loans received from the Central Government	Small Savings Provident funds, etc.	Others	Total	
	(Rupees in crore)					
1993-94	7.73	20.98	4.62	-	33.34	70
1994-95	15.74	23.73	5.46	0.06	44.99	80
1995-96	19.02	25.13	6.25	0.01	50.41	76
1996-97	20.99	27.38	7.25	-	55.62	72
1997-98	22.92	29.98	8.00		60.90	83

The outflow of fund on payment of interest during the above period ranged between 70 and 83 **per cent** of the total tax revenue of the State.

Interest received during the year 1997-98 from all sources including interest on investment of cash balance was Rs. 4.08 crore while the interest paid on debt and other obligations was Rs. 60.90 crore. The net interest burden during the year was Rs. 56.82 crore (8 **per cent** of the total revenue receipts and 77 **per cent** of the tax revenue of the State).

The interest of Rs.1.31 crore received during 1993-94 (against the loan balance of Rs. 124.74 crore advanced by the Government) fell to Rs.0.34 crore in 1997-98. The gap between interest received and interest paid increased from Rs. 31.57 crore in 1993-94 to Rs. 56.82 crore in 1997-98.

1.5.2 Financial assistance to local bodies and others

The quantum of assistance provided to different local bodies, etc. during the period of five years ended 1997-98 was as under :-

		1993-94	1994-95	1995-96	1996-97	1997-98
		(Rupees in crore)				
I.	Educational Institutions	66.49	67.46	43.98	61.85	72.23
II.	Co-operative Societies	1.10	0.93	1.39	0.88	4.14
III.	District Councils	3.98	3.05	3.19	2.92	4.72
IV.	Municipalities	1.96	1.98	2.21	2.25	1.82
V.	Other Institutions	3.76	3.60	3.61	0.90	12.54
	Total :	**77.29**	**77.02**	**54.38**	**68.80**	**95.45**
VI.	Percentage growth over previous year	12	(-)0.3	(-)29	26	39
VII.	Revenue raised by the State Government (Tax and Non-Tax)	76.33	94.91	133.18	124.84	103.40
VIII.	Percentage of assistance to revenue raised by the State Government	101	81	41	55	92
IX.	Revenue Expenditure	482.85	456.95	580.39	616.96	685.11
X.	Percentage of assistance to revenue expenditure	16	17	09	11	14

The assistance ranged between 41 to 101 **per cent** of the revenue raised by the State Government and was lowest in the year 1995-96.

The quantum of increase under Educational Institutions with reference to previous year was mainly due to increase in assistance to non-Government Primary and Secondary Schools.

1.5.3 Loans and Advances by the State Government

The State Government has been advancing loans to Government Companies, Corporations, Local Bodies, Co-operatives, Non-Government Institutions, etc., for development and other activities. The position of such loans during the five years from 1993-94 to 1997-98 is indicated below :-

	1993-94	1994-95	1995-96	1996-97	1997-98
	(Rupees in crore)				
Opening balance	124.45	124.74	130.50	151.76	163.52
Amount advanced during the year	7.03	16.77	25.84	17.07	17.25
Amount repaid during the year	6.74	11.02	4.58	5.30	5.04
Closing balance	124.74	130.49	151.76	163.53	175.73
Net addition	0.29	5.75	21.26	11.77	12.21
Interest received and credited to revenue	1.31	1.16	0.26	1.38	0.34

In respect of loans for Housing, Social Security and Welfare, Other Social and Community Services, Co-operation, Special and Backward Areas, Agriculture, Industrial Research and Development, Power Projects, **etc.,** the detailed accounts of which are maintained by the departmental officers, the Controlling Officers are required to furnish to the Accountant General (A&E) a statement showing details of arrears in recovery of loan instalments and interest every year. The information about arrears in recovery of principal and interest on loan instalments as on 31 March 1998 had, however, not been received from the Controlling Officers.

In respect of loans and advances to Municipalities and other bodies, etc., detailed accounts of which are maintained by the Accountant General (A&E), recovery of Rs. 10.74 lakh (Principal : Rs. 4.45 lakh, Interest : Rs.6.29 lakh) was outstanding at the end of March 1998.

1.6 Capital Expenditure

1.6.1 Assets are created mostly out of capital expenditure. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government (i.e. Public Sector Undertakings (PSUs), Corporations, etc.) and loans and advances. Trend of capital expenditure for the last five years was as under :-

Year	Budget Estimates	Capital expenditure		Amount of loan disbursed	Total	Percentage increase (+)/ decrease (-) over the previous year	Percentage of capital expenditure with reference to total expenditure*
		Plan	Non-Plan				
				(Rupees in crore)			
1993-94	144.82	105.23	0.03	7.03	112.29	3	18
1994-95	149.23	102.81	0.01	16.78	119.60	(-)2	18
1995-96	183.07	131.61	2.54	25.84	159.99	23	18
1996-97	164.77	124.57	0.28	17.07	141.92	(-)7	16
1997-98	169.41	125.41	0.47	17.25	143.13	0.8	15

There was shortfall in Capital expenditure against the budget provision in all the years. During the year 1997-98 the shortfall amounted to Rs.26.28 crore (16 **per cent** of the budget estimate). Reasons for shortfall in expenditure have not been furnished by the Government. The percentage of capital expenditure (including loans and advances) as a proportion of total expenditure dropped from 18 **per cent** in 1993-94 to 15 **per cent** in 1997-98.

1.6.2 Investments and returns

In 1997-98 the Government invested Rs.0.99 crore in the share capital of Government companies (Rs. 0.63 crore) and the Co-operative Institutions (Rs.0.36 crore).

The total investments of Government in share capital of different undertakings and the dividend/interest received during the five years period (1992-97) were as under:-

Year	Total investment at the end of the year	Dividend/interest received during the year	Percentage of dividend/ interest received to total investment
		(Rupees in lakh)	
1993-94	7567.23	1.39	0.02
1994-95	8069.60	1.96	0.02
1995-96	8701.34	2.85	0.03
1996-97	8891.58	0.03	-
1997-98	8990.32	2.94**	0.03

*Total expenditure denote all expenditure, both revenue and capital out of the consolidated fund of the State, excluding the repayment of debt.

** Institution-wise distribution of dividents had not been received from the Government.

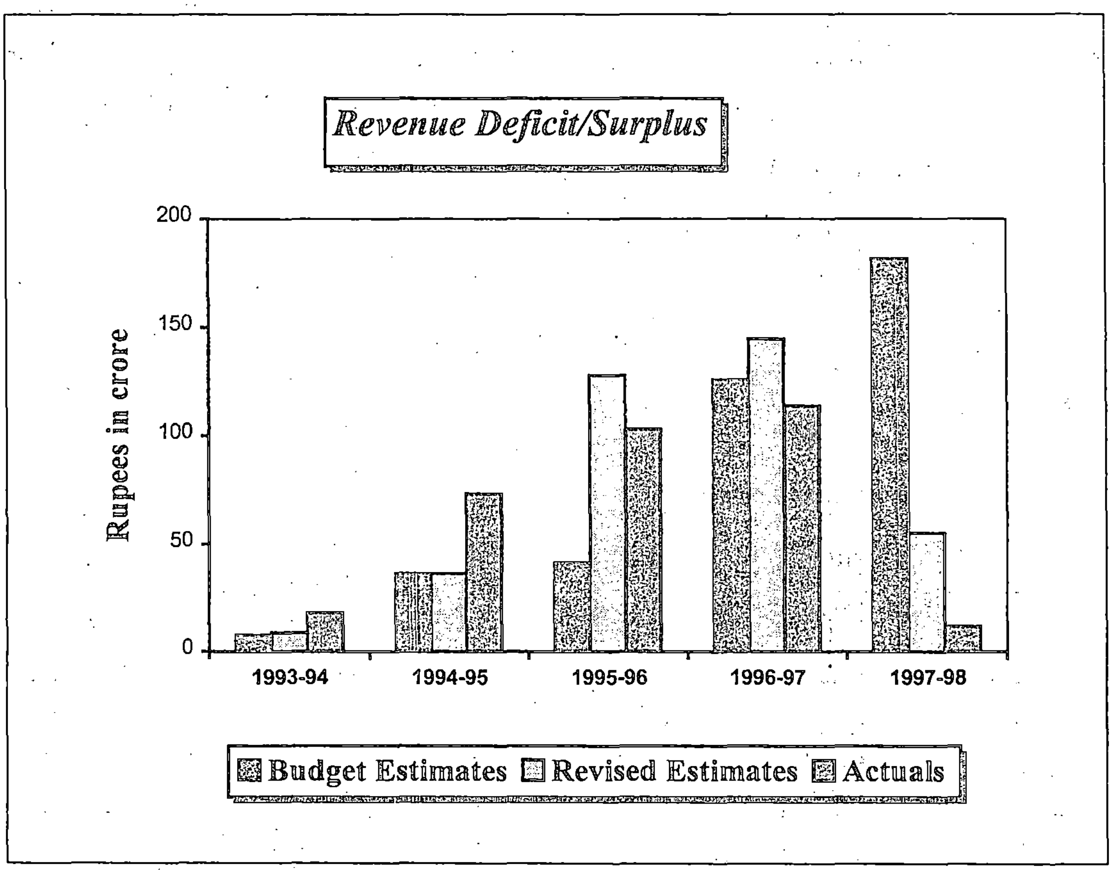
Dividend/interest received during the year was Rs.2.94 lakh from investment (Rs.1237.13 lakh) in Co-operatives. No dividend was received from the investment (Rs.7690.19 lakh) in Government companies and the Statutory Corporations.

1.7 Deficit/Surplus

1.7.1 Revenue deficit/surplus

The revenue deficit/surplus is the gap between revenue receipts and revenue expenditure. Trend of revenue surplus for the last five years was as under:-

Year	Budget estimates	Revised estimates	Actual revenue surplus
		(Rupees in crore)	
1993-94	7.69	8.90	17.94
1994-95	36.58	36.37	73.35
1995-96	41.40	127.70	103.50
1996-97	125.60	144.36	113.50
1997-98	181.59	55.07	11.64



Increasing trend of revenue surplus since 1994-95 was retarded during 1997-98 mainly due to increase in revenue expenditure by Rs.68.15 crore

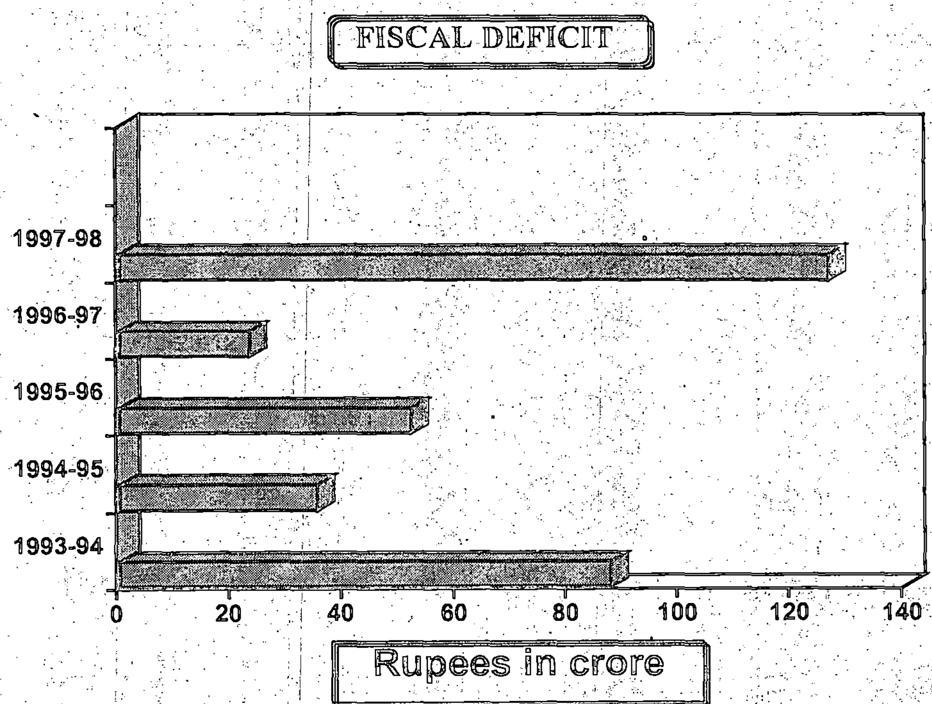
(15 per cent) and decrease in tax and non tax revenue by Rs.21.44 crore (17 per cent) over previous year.

1.7.2 Fiscal deficit

The fiscal deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received).

Position of fiscal deficit for the last five years was as under :-

Year	Fiscal deficit (Rs.in crore)
1993-94	87.61
1994-95	35.22
1995-96	51.91
1996-97	23.12
1997-98	126.45



During 1997-98 the fiscal deficit was increased to Rs.126.45 crore from Rs.23.12 crore in 1996-97. This was mainly due to less generation of tax and non-tax revenue, less receipts of grant form Government of India and increase in Revenue expenditure as compared to the previous year .

1.8 Public Debt

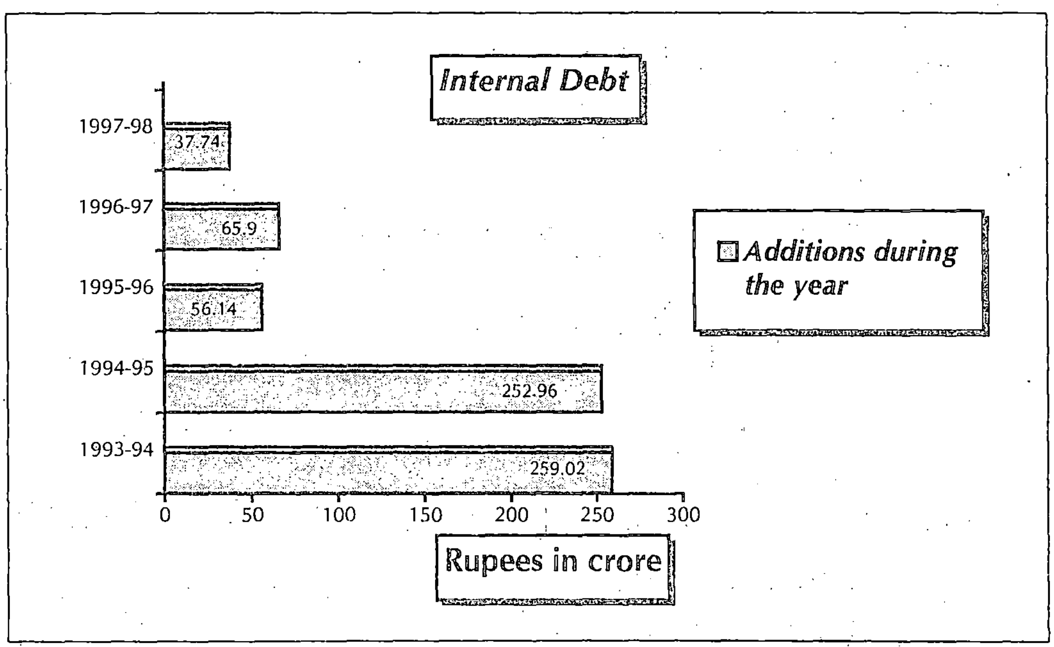
Public Debt comprises internal and external debt. It has vital link with all aspects of Public Finance, taxation and expenditure policies, budget surplus and deficits, trade and balance of payments, development expenditure and economic growth.

The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law has been passed by the State Legislature laying down any such limit.

1.8.1 Internal Debt

Position of internal debt for the last five years was as under :

Year	Additions during the year	Debt servicing + payment of interest	Percentage of Col.3 to Col.2
1	2	3	4
		(Rupees in crore)	
1993-94	259.02	229.21 + 7.73 = 236.94	91
1994-95	252.96	211.74 + 15.74 = 227.48	90
1995-96	56.14	46.67 + 19.02 = 65.69	117
1996-97	65.90	43.92 + 20.99 = 64.91	99
1997-98	37.74	10.28 + 22.92 = 33.20	88



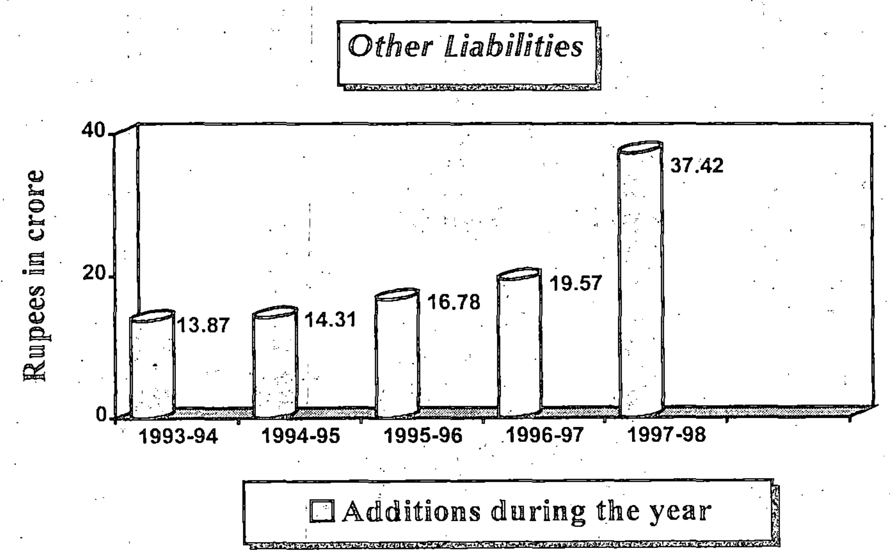
88 **per cent** of fresh loan was consumed towards payment of principal and interest during 1997-98.

1.8.2 Other liabilities

Apart from the borrowing accounted for in the Consolidated Fund of the State, there are Small Savings, Provident Funds, Reserve Funds and Deposits bearing interest which are kept in a separate Public Account. The balances of Public Account are carried forward annually. These amounts add substantially to the liability of the State Government.

Trend of these liabilities for the last five years was as under :

Year	Additions during the year	Debt payment + interest	Percentage of Col.3 to Col.2
1	2	3	4
		(Rupees in crore)	
1993-94	13.87	5.38 + 4.62 =10.00	72
1994-95	14.31	5.69 + 5.46 =11.15	78
1995-96	16.78	6.90 + 6.27 =13.17	78
1996-97	19.57	8.38 + 7.25 =15.63	80
1997-98	37.42	9.40 + 8.00 = 17.40	47

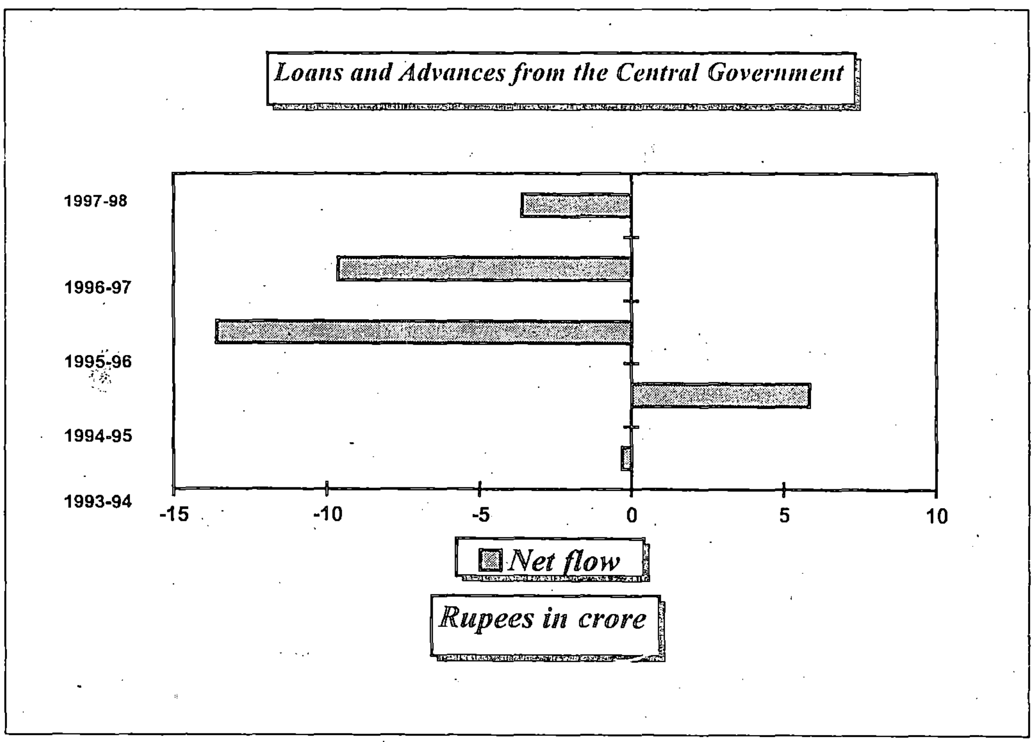


It could be seen from above table that the additions to Small savings and Provident Fund and Reserve Fund had increased the liabilities year by year from Rs.13.87 crore in 1993-94 to Rs.37.42 crore in 1997-98.

1.8.3 Loans and Advances from the Central Government

Position of loans and advances from the Government of India for the last five years was as under :

Year	Additions during the year	Repayment + interest	Net flow	Percentage of Col.3 to Col.2
1	2	3	4	5
		(Rupees in crore)		
1993-94	105.40	105.71 (84.73 + 20.98)	(-) 0.31	100
1994-95	37.50	31.64 (7.91 + 23.73)	5.86	84
1995-96	20.87	34.48 (9.35 + 25.13)	(-)13.61	165
1996-97	28.52	38.16 (10.78 + 27.38)	(-) 9.64	134
1997-98	39.42	43.02 (13.03 + 29.99)	(-) 3.60	109



Except during 1994-95 the repayment of principal and interest on loan receipt was more than the amount of loan received, the State thus had to meet the additional amount from other sources.

1.8.4 Guarantees given by the State Government

Under Article 293(1) of the Constitution, the State Government is empowered to give guarantees, within such limits, if any, as may be so fixed by the State Legislature by law on the security of the Consolidated Fund of the State. No law under the Article 293 ibid has been passed so far by the State Legislature laying down the limit within which Government may give guarantee on the security of the Consolidated Fund of the State.

According to the information furnished by the Government, guarantees given by the State Government and outstanding at the end of March, 1997 were as under:-

Party on whose behalf the guarantee has been given	**Maximum amount guaranteed**	**Sums guaranteed outstanding on 31 March, 1996**
	(Rupees in crore)	
1. Statutory Corporations	1,92.92	1,44.17
2. Co-operative Societies	4.75	1.06
3. Other Institutions	0.91	0.87
Total :	1,98.58	1,46.10

1.9 Ways and Means Advances and Overdrafts

No Ways and Means advances or overdraft were obtained by the Government of Meghalaya during the year 1997-98.

CHAPTER-II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 General

The summarised position of actual expenditure during 1997-98 against approved grants/appropriations* is given below :

		Original grant/ appropriation	Supplementary	Total	Actual expenditure	Variations Excess (+) Saving (-)
		(Rupees in crore)				
i.	**Revenue**					
	Voted	714.77	30.00	744.77	621.74	(-)123.03
	Charged	**66.23**	**0.50**	**66.73**	**63.37**	**(-) 3.36**
ii.	**Capital**					
	Voted	158.98	10.27	169.25	125.88	(-) 43.37
	Charged	-	**0.16**	**0.16**	-	**(-) 0.16**
iii.	**Public Debt**					
	Charged	**68.68**	-	**68.68**	**22.48**	**(-) 46.20**
iv.	**Loans and Advances**					
	Voted	66.97	-	66.97	17.25	(-) 49.72
	Grand Total :	**1075.63**	**40.93**	**1116.56**	**850.72**	**(-)265.84**

2.2 Results of Appropriation Audit

The overall saving of Rs.265.84 crore was the net result of saving of Rs.273.94 crore in 79 cases of grants/appropriation offset by excess of Rs.8.10 crore in 13 cases of grants/appropriation as shown below:

	Savings**		Excess		Net savings(-)/ Excess (+)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
	(Rupees in crore)					
Voted	131.09 (In 45 cases)	93.10 (In 26 cases)	8.06 (In 11 cases)	0.01 (In 1 case)	(-)123.03	(-) 93.09
Charged	3.38 (In 5 cases)	46.36 (In 3 cases)	0.02 (In 1 case)	-	(-) 3.36	(-) 46.36

* In a demand, the grants are voted and appropriations are charged.

** Difference of Rs.1 lakh is due to rounding of figures.

The supplementary grants/appropriations of Rs.40.93 crore obtained during 1997-98 constituted 4 **per cent** of the original grants/ appropriations.

2.2.1(a) Excess over grants/appropriations

In the revenue section there was total excess of Rs.8,08,62,030 in 11 cases of grants and 1 case of appropriations. The excess in the capital section amounted to Rs.97,996 in 1 case of grants.

These 13 cases of excesses as detailed below require regularisation under Article 205 of the Constitution of India.

Sl. No.	Number and name of grant	Total grant Rs.	Expenditure Rs.	Excess Rs.
	REVENUE SECTION (Voted)			
1.	1- Parliament/State/Union Territory Legislature Stationery and Printing/ Capital Outlay on Stationery	3,27,37,000	3,62,89,528	35,52,528
2.	6- Land Revenue Relief on Account of natural calamities/Other Social Services/Other General economic Services/Loans for Welfare of Scheduled Castes Scheduled Tribes and Other Backward Classes/Loans for other Social services/Loans for Crop Husbandry	5,76,47,501	6,11,59,379	35,11,878
3.	7- Stamps and Registration	33,38,609	43,95,544	10,56,935
4.	8- State Excise	1,93,28,000	2,14,59,201	21,31,201
5.	9- Sales tax : Other taxes and Duties on Commodities and services	1,86,66,573	1,97,87,601	11,21,028
6.	15- Treasury and Accounts Administration	3,50,04,223	3,65,58,106	15,53,883
7.	16- Police - Other Administrative Services etc., Housing Capital outlay on Public Works and Capital outlay on Housing.	62,62,02,000	64,43,55,113	1,81,53,113
8.	20- Other Administrative Services, Capital outlay on Public Works	8,73,05,273	8,78,69,075	5,63,802
9.	24- Pension and other retirement benefits	17,20,30,000	22,03,13,243	4,82,83,243
10.	25- Miscellaneous General Services	18,57,000	19,96,996	1,39,996
11.	56- Roads and Bridges Capital outlay on other Roads and Bridges	30,64,30,000	30,69,45,198	5,15,198
	Total Revenue Section (Voted)	**1,36,05,46,179**	**1,44,11,28,984**	**8,05,82,805**

Sl. No.	Number and name of grant	Total grant Rs.	Expenditure Rs.	Excess Rs.
(Charged)				
12.	2- Governor	1,60,19,479	1,62,98,704	2,79,225
	Total Revenue Section (Charged)	**1,60,19,479**	**1,62,98,704**	**2,79,225**
CAPITAL SECTION (Voted)				
13.	18- Stationery and Printing Capital outlay on Stationery and Printing-Capital outlay on Housing	18,00,000	18,97,976	97,976
	Total Capital Section (Voted)	**18,00,000**	**18,97,976**	**97,976**

2.2.1(b) Excess expenditure of previous years not got regularised by the Legislature

Excess expenditure aggregating Rs.5,55,88,77,749 covering 208 cases of grants and 32 cases of appropriations pointed out in the Reports of the Comptroller and Auditor General of India for the years 1970-71 to 1996-97 is yet to be regularised (November 1998). The yearwise breakup is given below:-

Year	Number of Cases		Amount of excess	
	Voted	Charged appropriation	Voted	Charged appropriation
			Rs.	Rs.
1970-71	1	3	4,59,256	1,14,97,855
1971-72	4	-	8,18,666	-
1972-73	3	1	35,919	25,98,568
1973-74	3	-	1,22,394	-
1974-75	4	-	4,98,342	-
1975-76	3	2	6,08,286	1,02,483
1976-77	4	1	4,00,912	6,15,271
1977-78	3	1	5,64,957	79,413
1978-79	2	1	4,97,892	2,160
1979-80	2	-	3,01,375	-
1980-81	4	1	7,70,932	1,02,425
1981-82	7	1	34,79,414	2,54,346
1982-83	15	2	8,62,28,727	3,97,456
1983-84	10	-	6,73,07,922	-
1984-85	14	-	8,88,78,033	-
1985-86	9	2	5,49,10,685	30,01,432
1986-87	10	-	95,18,982	-
1987-88	12	1	3,05,76,525	31,169
1988-89	10	1	1,51,48,259	1,048
1989-90	13	2	6,29,90,501	7,23,339
1990-91	11	-	3,20,58,386	-
1991-92	14	-	3,88,30,902	-
1992-93	13	2	9,04,26,367	25,26,98,826
1993-94	9	3	7,94,05,032	2,56,32,04,482
1994-95	4	3	10,47,83,814	1,72,85,55,866
1995-96	7	3	12,67,14,728	3,64,974
1996-97	17	2	9,16,58,180	66,51,248
Total	208	32	98,79,95,388	4,57,08,82,361

2.2.2 Unnecessary/excessive/inadequate supplementary provision

Supplementary provision of Rs.12.78 crore obtained in 17 cases during the year proved unnecessary, as the actual expenditure was less than or equal to the original provisions and the savings (totalling Rs. 91.58 crore) in these cases exceeded the supplementary provision by Rs. 78.80 crore (Appendix-I). In 10 other cases, the supplementary provision of Rs.12.88 crore proved excessive as the additional fund required was only Rs.8.15 crore; the savings in each of these cases exceeded Rs.10 lakh (Appendix-II).

2.2.3 Unutilised provision

In the following grants/appropriations, the expenditure in each case fell short by more than Rs.1 crore and also by more than 10 *per cent* of the total provision.

Serial Number	Number and name of grant/appropriation	Amount of saving (Rupees in crore) and its percentage to total provision (in bracket)	Amount surrendered and reasons for savings
Grants (Voted)			
A - Revenue			
1.	5- Election	1.30 (24)	Against the fund savings of Rs.1.30 crore, Rs.0.92 crore only was anticipated as surplus and surrendered (March 1998). Reasons for final savings had not been intimated (November 1998).
2.	11- Other Taxes and Duties on Commodities and Services -Special Programme for Rural Development Power Non-Conventional Sources of Energy-Loans for Power Projects	6.68 (59)	Against the available savings of Rs.6.68 crore, Rs.0.03 crore was anticipated as surplus and surrendered (March 1998).Reasons for final savings had not been intimated (November 1998).
3.	19- Secretariat- General Services-Public Works-Technical Education, Sports and Youth Services-Art & Culture - Housing - Capital outlay on Public Works - Capital outlay on Education, Art & Culture - Capital Outlay on Medical & Public Health - Capital Outlay on Housing -Capital outlay on Animal Husbandry-Capital outlay on Dairy Development.	7.42 (24)	Out of the savings of Rs.7.42 crore, Rs.2.53 crore was only surrendered (March 1998). Reasons for final savings of Rs.7.42 crore had not been intimated (November 1998).
4.	21- Miscellaneous General Services-General Education, Technical Education, Sports and Youth Services, Art and Culture, Nutrition - other Scientific Research, Census Survey and Statistics, Capital Outlay on Education, Art and Culture, Capital Outlay on Education, Sports, Art and Culture, Loans for Education, Art and Culture	29.85 (17)	Out of the savings of Rs.29.85 crore, Rs.1.15 crore was anticipated as savings and surrendered (March 1998). Reasons for final savings had bot been intimated (November 1998).

Serial Number	Number and name of grant/appropriation	Amount of saving (Rupees in crore) and its percentage to total provision (in bracket)	Amount surrendered and reasons for savings
5.	26-Medical and Public Health Family Welfare-Capital Outlay on Medical and Public Health Capital Outlay on Family Welfare.	6.18 (12)	Out of the savings of Rs.6.18 crore, Rs.3.67 crore was anticipated as savings and surrendered (March 1998). Reasons for final savings had bot been intimated (November 1998).
6.	27-Water Supply and Sanitation Housing-Capital Outlay on Water Supply and Sanitation Capital Outlay on Housing Loans for Housing.	6.64 (21)	Out of the Savings of Rs.6.64 crore. Rs.1.54 crore was anticipated as savings and surrendered (March 1998). Reasons for final saving had not been intimated (November 1998).
7.	29- Housing Urban Development - Capital Outlay on Housing-Capital outlay on Urban Development	1.63 (15)	Out of the savings of Rs.1.63 crore. Rs.1.57 crore was anticipated as savings and surrendered (March 1998). Reasons for final savings had not been intimated (November 1998).
8.	34-Welfare of Schedule Castes. Scheduled Tribes and other Backward classes. Social Security and Welfare- Nutrition-Capital Outlay on Social Security and Welfare and Loans for Welfare of Scheduled Caste. Scheduled Tribe and Other backward classes.	5.34 (29)	Out of the savings of Rs.5.34 crore, Rs.4.96 crore was anticipated as saving and surrendered (March 1998). Reasons for final savings had not been intimated (November 1998).
9.	40-North Eastern Areas (Special Areas Programme) Capital Outlay on North Eastern Areas	1.80 (90)	Out of the savings of Rs.1.80 crore. only Rs.0.73 crore was surrendered (March 1998). Reasons for final savings had not been intimated (November 1998).
10.	43-Housing-Crop Husbandry-Food Storage and Ware Housing. Agricultural Research and Education -Other Agricultural Programme-Minor Irrigation-Capital Outlay on Housing Capital Outlay on Husbandry-Investments in Agricultural Financial Institutions -Capital Outlay on Minor Irrigation-Loans for Crop Husbandry	17.47 (36)	Out of the available saving of Rs.17.47 crore, Rs.14.49 crore was surrendered (March 1998). Reasons for saving had not been intimated (November 1998).
11.	45- Housing-Soil & Water Conservation - Agricultural Research & Education	2.86 (14)	Out of the savings of Rs.2.86 crore. Rs.2.91 crore was surrendered (March 1998). In view of final savings of Rs.2.86 crore. surrender of Rs.2.91 crore was injudicious.
12	46-Special Programme for Rural Developments	2.97 (26)	Out of the savings of Rs.2.97 crore. Rs.0.15 crore was surrendered (March 1998). Reasons for saving had not been intimated (November 1998).
13.	50- Forestry and Wild Life-Agricultural Research and Education-Capital Outlay on Forestry and Wildlife	14.57 (47)	Out of the savings of Rs.14.57 crore. Rs.9.78 crore surrenderred (March 1998). Reasons for saving had not been intimated (November 1998).
14.	51-Housing-Nutrition-Crop Husbandry-Special Programme for Rural Development-Other Rural Development Programmes Capital outlay on Housing Capital outlay on Rural Development and Loans for other Rural Development Programmes.	9.40 (29)	Out of the savings of Rs.9.40 crore. Rs.6.71 crore was surrendered (March 1998). Reasons for savings had not been intimated (November 1998).
15.	52-Industries-Capital outlay on Cement and non-metallic minerals-Capital outlay on Industries and minerals-Loans for other Industries and mineral.	2.58 (31)	Out of the savings of Rs.2.58 crore, no amount was surrendered (March 1998). Reasons for savings had not been intimated (November 1998).
16.	54- Housing, Village & Small Industries -Capital outlay on Housing Capital outlay on Village and Small Scale Industries-Loans for Village and small Industries	8.58 (66)	Out of the savings of Rs.8.58 crore, no amount was surrendered (March 1998). Reasons for savings had not been intimated (November 1998).

Serial Number	Number and name of grant/appropriation	Amount of saving (Rupees in crore) and its percentage to total provision (in bracket)	Amount surrendered and reasons for savings
17.	57- Tourism - Capital outlay on Public Works - Capital outlay on other Communication Services Capital outlay on Tourism and Loans for Tourism	1.47 (51)	Out of the savings of Rs.1.47 crore, no amount was surrendered (March 1998). Reasons for savings had not been intimated (November 1998).
B-Capital			
18.	10- Taxes on vehicles-Other Administrative Services etc. Road Transport Capital outlay on Civil aviation Capital outlay on Road Transport	1.51 (47)	Reasons for final savings had not been intimated (November 1998). Excess surrender of Rs.0.10 crore was injudicious.
19.	11-Other taxes and Duties on Commodities and Services Special Programmes for Rural Development Power-Non-Conventional Sources of Energy Loans for Power Projects.	47.75 (87)	No portion of the savings of Rs.47.75 crore was anticipated as surplus and surrendered during the year.
20.	19- Secretariat-General Services, Public Works -Technical Education, Sports & Youth Services, Art & Culture- Housing - Capital outlay on Public Works - Capital Outlay on Education, Art & Culture -Capital outlay on Medical & Public Health -Capital outlay on Housing -Capital outlay on Animal Husbandry-Capital outlay on Dairy Development.	4.46 (35)	Out of the available savings of Rs.4.46 crores only Rs.4.43 crore was surrendered (March 1998). Reasons for final savings had not been intimated (November 1998).
21.	29-Housing Urban Development - Capital outlay on Housing - Capital outaly on Urban Development.	1.09 (50)	Out of the savings of Rs.1.09 crore, Rs.0.21 crore was anticipated saving and surrendered (March 1998). Reasons for final savings had not been intemated (November 1998).
22.	39-Co-operation, Capital Outlay on Co-operation, Capital Outlay on other Agricultural Programmes Loans for Co-operation	1.57 (79)	The entire saving was surrendered (March 1998), due to cut in plansize, non-receipt of approval from GOI, to the proposal from NCDC for advancing Loans and advances to co-operative societies and investment in share capital contribution.
23.	43- Housing, Crop Husbandry -Food storage and warehousing Agricultural Research and Education -Other Agricultural Programme-Minor Irrigation Capital outlay on Housing -Capital Outlay on Crop Husbandry- Investments in Agricultural Financial Institution -Capital outlay on Minor Irrigation-Loans for Crop Husbandry	5.58 (59)	Out of the available savings of Rs.5.58 crore, Rs.4.99 crore was surrendered (March 1998). Reasons for saving had not been intimated (November 1998).
24.	44-Medium Irrigation-II Works under Embankment and Drainage Wing P.W.D., Medium Irrigation Projects, Flood Control, Capital Outlay on Medium Irrigation and Capital Outlay on Flood Control Projects	2.17 (45)	Reasons for saving had not been intimated (November 1998). No portion of the saving was surrendered.
25.	52- Industries, -Capital outlay on Cement & Non-Metallic Minerals - Capital outlay on Industries and Minerals - Loans for Other Industries and Minerals	2.95 (83)	No portion of the saving of Rs.2.95 crore was surrendered during the year. Reasons for saving had not been intimated (November 1998).

Serial Number	Number and name of grant/appropriation	Amount of saving (Rupees in crore) and its percentage to total provision (in bracket)	Amount surrendered and reasons for savings
26.	54- Housing, -Village & Small Industries -Capital outlay on Housing and Capital outlay on Village & Small Scale Industries-Loans for Village & Small Industries	11.17 (87)	Out of the savings of Rs.11.17 crore, no amount was surrendered (March 1998). Reasons for savings had not been intimated (November 1998)
27.	57-Tourism - Capital outlay on Other Communication Services, Capital outlay on Public Works (Tourism), Capital outlay on Tourism and Loans for Tourism	1.80 (87)	Out of the savings of Rs.1.80 crore, no amount was surrendered (March 1998). Reasons for savings had not been intimated (November 1998).
Appropriation (Charged)			
28.	Internal Debt of the State Government (Capital)	40.64 (80)	Out of the savings of Rs.40.64 crore, Rs.40.61 crore was surrendered (March 1998). Savings was due to non-availing of Ways and Means advances from R.B.I.
29.	Loans and Advances from Central Government (Capital)	5.55 (31)	Against the savings of Rs.5.55 crore, almost entire savings (Rs.5.54 crore) was surrendered (March 1998). Reasons for savings was reportedly due to non-availing of Ways and Means advances from Central Government.
30.	Interest (Revenue)	2.95 (5)	Rs.2.04 crore was anticipated as savings and surrendered (March 1998) against the savings of Rs.2.95 crore. Reasons for savings had not been intimated (November 1998).

2.2.4 Persistent savings

During the three years from 1995-96 to 1997-98 persistent savings of 10 **per cent** or above of the total provision were noticed in the following grants/ appropriations:-

Serial Number	Grants or appropriation	Percentage of savings to total provision 1995-96	1996-97	1997-98
1.	11-Other taxes and Duties on Commodities and Services,etc. Revenue (Voted)	11	11	59
2.	19-Secretariat General Services etc. Revenue (Voted)	2	29	24
3.	19-Secretariat General Services etc. Capital (Voted)	46	47	35
4.	29-Housing Urban Development-Capital outlay on Housing - Capital outlay on Urban Development Revenue (Voted)	16	36	15
5.	43-Housing- Crop Husbandry-Food storage and Warehousing etc. Capital (Voted)	26	32	59
6.	46-Special Programme for Rural Development Revenue (Voted)	16	24	26

Serial Number	Grants or appropriation	Percentage of savings to total provision		
		1995-96	1996-97	1997-98
7.	50-Forestry and Wildlife-Agricultural Research and Education etc. Revenue (Voted)	25	37	47
8.	54--Housing - Village and Small Industries etc. Capital (Voted)	78	84	87
9.	57-Tourism-Capital outlay on Public Works etc. Revenue (Voted)	67	63	51

2.2.5 Persistent excesses

In the following grants persistent excesses were noticed in all the three years from 1995-96 to 1997-98:

Serial Number	Number and name of grant	Amount of excess (Rupees in crore) and its percentage to the total provision (in bracket)		
		1995-96	1996-97	1997-98
1.	1-Parliament/State/Union Territory Legislature Stationery and Printing/ Capital outlay on Stationary Revenue (Voted)	0.22 (9)	0.51 (18)	0.36 (11)
2.	24-Pension and other Retirement Benefits Revenue (Voted)	3.62 (30)	5.51 (37)	4.83 (28)

2.2.6 Inadequate/unnecessary reappropriation

Reappropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. Scrutiny of reappropriation orders issued during 1997-98 revealed non-observance of the requirement in a number of cases. Details of significant cases where reappropriation of sums exceeding Rs.10 lakh each turned out to be injudicious are given in Appendix-III.

2.2.7 Non-receipt of explanation for savings/excesses

After the close of each financial year, the Accountant General (A&E) sends the detailed appropriation accounts showing the total grants/appropriations, the actual expenditure and resultant variations to Controlling Officers requiring them to explain the significant variations. For the year 1997-98 such explanations from Controlling Officers for savings/excesses were received in respect of 15 cases only out of the total 732 sub heads of accounts.

2.2.8 Non-reconciliation of expenditure

To enable the Departmental Officers to exercise proper control over expenditure and also to detect/prevent cases of fraudulent drawal of funds, the rules require that Departmental Officers should get their expenditure figures agreed with those recorded in the books of the Accountant General (A&E) every month. 38 out of 94 Controlling Officers had not reconciled the figures in respect of 40 heads of accounts involving Rs.214.41 crore before the final closing of the accounts of the year 1997-98.

2.2.9 Rush of expenditure

The financial rules require that Government expenditure be evenly phased out throughout the year as far as practicable. Rush of expenditure at the close of the year can lead to infructuous, nugatory or ill-planned expenditure. Some instances of such rush of expenditure towards the end of the financial year 1997-98 are mentioned below :-

Sl. No.	Head of Account (Grant No.)	Total provision (Original and Supplementary)	Total Expenditure	Expenditure during March 1998	Percentage of expenditure during March 1998	
					Total Provision	Total Expenditure
1.	2	3	4	5	6	7
			(Rupees)			
1.	2029- Grant No. 6	2,69,51,454	3,08,59,379	78,28,193	29.04	25.37
2.	2202- Grant No.21	1,61,63,40,000	1,30,18,23,700	27,58,85,704	17.07	21.19
3.	2205- Grant No.21	2,74,60,300	2,74,64,473	1,84,59,245	67.22	67.21
4.	2425- Grant No.39	4,09,02,000	3,65,45,395	76,84,359	18.79	21.03
5.	2851- Grant No.53&54	19,47,60,739	10,74,27,841	34,08,515	1.75	3.17
6.	2853- Grant No.55	9,87,70,000	9,56,11,099	75,00,000	7.59	7.84
7.	3451- Grant No.13&38	5,27,28,742	4,55,02,642	19,29,301	3.66	4.24
8.	3452- Grant No.57	2,89,94,375	1,42,25,137	33,558	0.12	0.24
9.	3454- Grant No.21&41	2,41,36,000	2,26,26,424	29,02,760	12.03	12.83
10.	3456- Grant No. 32	2,39,35,000	2,20,60,511	36,94,858	15.44	16.75
11.	3475- Grant No.42	73,71,000	67,11,820	8,42,931	11.43	12.56

2.2.10 Functioning of Treasuries

Inspection of records (September 1997 and November 1997) of 3* Treasuries and 2** Sub-Treasuries pertaining to the period varied between March 1993 to October 1997 by the Accountant General (A&E) revealed the following:-

* Treasuries :- Jowai, Nongpoh and Nongstoin.
** Sub-treasuries :- Mairang and Mawkyrwat.

2.2.10.1 Retention of Cash balance in excess of maximum limit

(i) Against the maximum limit of cash balance of Rs.15 lakh (revised from Rs.5 lakh from February 1996) fixed by the Government for the sub-treasury. Mawkyrwat non-banking sub-treasury retained Cash balance varied between Rs.17.63 lakh and Rs.86.90 lakh during the period from November 1995 to June 1996.

According to Treasury rules the strong room of the Treasury/Sub-treasury is required to be inspected by the Competent authorities from P.W.D. to ensure its safety and by the District Superintendent of Police to ensure adequate deployment of sentry, but such inspections had not been carried out in any of the treasuries/sub-treasuries inspected above.

Thus, retention of cash balance in excess of the maximum limit was not only irregular, it fraught with the risk of misappropriation and the omission to inspect strong rooms would lead to theft, loss cash etc.

CHAPTER - III

CIVIL DEPARTMENTS

ANIMAL HUSBANDRY AND VETERINARY DEPARTMENT

3.1 Extra expenditure due to non-application of penal provision of the agreement in respect of supply of yellow maize

Extra expenditure of Rs.4.96 lakh due to omission in taking action under the penal provision of the agreement in respect of supply of yellow maize resulting in undue favour to the supplier.

The Director of Animal Husbandry and Veterinary (DAH & Vety) after finalising tenders entered into (September 1996) an agreement with a local supplier for supply of 5500 quintals yellow maize* at the rate of Rs.570 per quintal to Zonal feed mill, Umsning for the period upto March 1997. According to the agreement, the DAH & Vety was empowered to procure the contractual quantity at the risk and expense of the supplier in the event of failure of the supplier to make the supply.

Scrutiny (September 1996) of records of the Manager, Zonal feed mill, Umsning revealed that after supply of 632.70 quintals between September and November 1996 at the agreed rate the supplier stopped (December 1996) supply of the balance quantity without assigning any reason. The Manager, Zonal feed mill invited (December 1996) fresh quotations under short tender notice. The lowest rate of Rs.680 per quintal obtained from the same supplier against his earlier agreed rate of Rs.570 per quintal was recommended (December 1996) to the DAH & Vety who approved (December 1996) the rate without recording any specific reason and taking action to invoke the risk and purchase clause of the agreement. The supplier supplied (between December 1996 and July 1997) 4,509.30 quintals at the enhanced rate at an extra cost of Rs.4.96 lakh**.

Thus, due to failure to take action under the penal provision of the agreement the Department had to bear extra expenditure of Rs.4.96 lakh.

The matter was reported to the Government/ Department (January 1998); their reply had not been received (December 1998).

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* An ingredient for cattle and poultry feed.

** 4,509.30 quintal x (Rs.680 -Rs.570) = Rs.4.96 lakh.

EDUCATION DEPARTMENT

3.2 Elementary Education

3.2.1 Introduction

The National Policy on Education (NPE) 1986, revised in 1992 and Sixth and subsequent Five year plans, gave priority to free and compulsory education for all children in the age group of 6-14 years.In pursuance of Revised Policy Formulation, 1992, a State Programme of Action (POA) 1995 was prepared and finalised by the Government of Meghalaya, setting forth certain directions on the development and progress of educational activities (including Elementary Education) upto the year 1999-2000.

The Centrally Sponsored Schemes of the GOI were as follows :-

i) Operation Blackboard (OB) to bring about substantial improvement in primary and Upper Primary education by providing minimum level of facilities to all schools.

ii) Improvement of Science Education by way of providing Science-kits to Upper Primary schools.

iii) Restructuring of Teachers' Education and Training to equip the Elementary school teachers with the knowledge, skill and requirement of the new innovations and also to provide good quality in-service and pre-service training to those teachers.

3.2.2 Organisational set up

The Director of Public Instructions was in overall charge of elementary education for both formal and non-formal systems till August 1997. In September 1997, the Directorate was re-organised into three different wings viz."Directorates of (i) Higher and Technical Education, (ii) Educational Research and Training and (iii) Elementary and Mass Education.. Under the new set up, the Directorate of Elementary and Mass Education (DEME) is responsible to look after the Elementary Education (both formal and non-formal). The Directors were assisted by Joint Directors at

Headquarters. The responsibility for administration of elementary education in the districts/sub-divisions rested with the Deputy Inspector of Schools (formal) and District Social Education Officer (Non-formal). The Director of State Council of Educational Research and Training (SCERT) is to provide academic support to the Education Department of the State.

3.2.3 Audit coverage

Working of elementary education system in the State during the period from 1995-96 to 1997-98 was reviewed by Audit in different spells during March 1998 and July 1998, based on a test check of records of the Director of Higher and Technical Education (erstwhile Director of Public Instructions), Director of elementary and Mass Education, Director of State Council of Educational Research and Training and Deputy Inspector of Schools of six sub-divisions (Shillong, Nongpoh, Mairang, Nongstoin, Tura and Baghmara) out of 15 sub-divisions and three District Social Education Officers(DSEO). Important points noticed in the course of the review are mentioned in the following paragraphs:-

3.2.4 Highlights

- **Amount ranging between Rs.3.00 crore and Rs.15.50 crore were drawn and retained in "Civil Deposit" during 1995-96 to 1996-97 to avoid lapse of budget grant.**

(Paragraph 3.2.5.1)

- **Of the Central assistance of Rs.3.30 crore released to the State Government for providing teaching and learning equipments, library facilities etc. to 733 selected Upper Primary schools by November 1996, Rs.1.33 crore remained to be utilised (March 1998) depriving the schools of the facilities.**

(Paragraph 3.2.6.1)

- **There was no information with the Director of Public Instruction about the distribution of library books valued at Rs.65.37 lakh and records of 2 DIs of schools revealed that library books were not distributed to schools as the books supplied were not useful to the students.**

(Paragraph 3.2.6.1(ii))

- **Despite the instructions of DPI to refund the unutilised amount to Government account, unutilised grants amounting to Rs.71.61 lakh out of Rs.2.98 crore released to 3 DIs of Schools between July 1993 and March 1996 for various purposes had been retained by them.**

(Paragraph 3.2.6.3)

- **Compared to National norm of 2:1 in respect of Primary Schools to Upper Primary schools the existing ratio of 5:1 in the State reflects inadequacy in coverage at Upper Primary level.**

(Paragraph 3.2.7.1)

3.2.5 Financial outlay and expenditure

Non-implementation/partial implementation of Centrally Sponsored schemes resulted in savings ranging between Rs.5.92 crore and Rs.20.38 crore during 1995-96 to 1997-98.

The department incurred expenditure of Rs. 212.92 crore against the provision of Rs. 249.28 crore resulting savings ranging from Rs. 5.92 crore to Rs. 20.38 crore.

Savings during the period were mainly due to non-implementation/ partial implementation of Centrally Sponsored Schemes.

3.2.5.1 Irregular drawal and retention of funds in Civil Deposit

Amounts ranging between Rs.3.00 crore and Rs.15.50 crore were drawn and retained in "Civil Deposit" during 1995-96 to 1996-97 to avoid lapse of budget grant.

The DPI drew Rs.30.76 crore during the years 1994-95 to 1996-97 from the Consolidated Fund of the State by debiting the service head and retained Rs. 3 crore to Rs. 15.50 crore in 'Civil Deposit' under Public Account of the State. The amounts were subsequently withdrawn from the Deposit Account and utilised after the close of the account of the financial year.

The funds were temporarily retained in Civil Deposit to avoid lapse of budget grant.

3.2.6 Sanction and utilisation of funds provided under State budget/ Centrally Sponsored Schemes

3.2.6.1 Operation Blackboard

Rs.1.33 crore out of Rs.3.30 crore was withdrawn in March 1996 for providing essential equipment to upper primary schools remained to be utilised. Of the amount spent utilisation for the purpose was not watched by DPI

The scope of the Centrally Sponsored Scheme Operation Blackboard was extended by the Government of India (GOI) to Upper Primary Schools in the Eight Five Year Plan. Accordingly, GOI sanctioned (October 1995) Rs.3.30 crore to the State Government for implementation of the Scheme by way of providing essential equipments (teaching and learning materials) and library facilities at a cost of Rs.45,000 per school (equipment Rs.35,000 and library facility Rs.10,000) to 733 Upper Primary Schools in rural area as identified by an empowered committee constituted for the purpose. The fund was to be utilised within 31 March 1996.

The DPI drew the amount of Rs.3.30 crore in March 1996 but after a month credited (May 1996) Rs.3.00 crore out of Rs.3.30 crore to Revenue Deposit and retained the balance amount of Rs.29.85 lakh in hand in the form of banker's cheque. As the State Government failed to utilise the grant within 31 March 1996, the GOI on their request granted (November 1996) extension upto November 1996 for utilisation of the grant.

Out of Rs.3.00 crore withdrawn, Rs.1.92 crore was spent upto June 1998 leaving a balance of Rs.1.08 crore.

In this connection, the following irregularities were noticed:-

(i) Of the unutilised amount of Rs.1.38 crore (Rs.3.30 - Rs.1.92 crore), an amount of Rs.4.35 lakh was diverted (November 1997 and February 1998) by the DPI in favour of 2 Public Schools at Shillong for purchase of steel furniture (Rs.2.25 lakh) and scientific instrument (Rs.2.10 lakh)

Rs.4.35 lakh out of the grant of Rs.3.30 crore meant for upper primary schools in rural area was diverted for purchase of furniture etc. for urban public schools.

though both the schools are located in Urban area and not included in 733 selected Upper Primary Schools. The balance amount of Rs.1.33 crore was retained in cash.

(ii) Books and educational materials were purchased at a cost of Rs.1.92 crore by the DPI without inviting competitive quotations which violated the provisions contained in Financial Rules. Although the DPI had incurred an expenditure of Rs.65.37 lakh on Library books there was no centralised information about the distribution of the books to the identified Schools. Test check of records of at least 2 DIs of Schools (Tura and Baghmara) revealed that the books (value could not be worked out due to absence of relevant details) were lying in respective offices without being distributed.

On this being pointed out by Audit, the DIs of Schools stated that the books so supplied were not very useful for the students as the DIs contended that the requirement was for text books and not library books.

(iii) As per recommendation of the Expert Committee provision of Rs.5000.00 under Furniture was meant for procurement of one "Almirah" for each of 733 schools. The entire amount of Rs.36.65 lakh was released to concerned DIs of Schools for disbursement in cash to 733 schools without giving any direction about item on which amount was to be utilised. The utilisation of fund was not watched either at the Directorate level or by the concerned DI of Schools after disbursement of the amount.

The utility of fund Rs. 36.65 lakh by the schools on the desired object had not been watched by the departement.

(iv) Of Rs.16.92 lakh spent by the Department on procurement of text books, syllabus etc., the DPI had paid Rs.13.72 lakh (August 1997) as advance to a Delhi based firm for supply of 10 copies of text books as prescribed by NCERT for each of Class V to VII by October 1997. According to records

The department had no information regarding supply of text books/syllabus for which Rs.6.07 lakh had already paid to the supplier produced to Audit, books valued at Rs.7.65 lakh only were supplied by the firm upto February 1998. Supply of remaining books valued at Rs.6.07 lakh was not ascertained by the department till the date of audit (July 1998).

(v) As a part of their responsibility, the State Government on the recommendation of SLEC sanctioned (March 1996) grants of Rs.2.32 crore (Rs.2.25 crore for construction of a headmaster-cum-office room including necessary toilet facilities at Rs.0.75 lakh per school for 300 schools as 433 schools already had these facilities and Rs.7.33 lakh being the contingency grant at Rs.1000.00 per school to 733 schools). The DPI drew (March 1996) Rs.2.25 crore and released the amount of first instalment of Rs.1.13 crore to the concerned DIs of Schools at Rs.37,500.00 per school.

Information about release of second instalment and utilisation of fund for the intended purposes by the school authorities could not be ascertained.

The contingency grant of Rs.7.33 lakh was not drawn and released to 733 schools, depriving the benefit to the schools.

3.2.6.2 Non-submission of utilisation certificates

After disbursement of Grants-in-aid to school, the DIs had not obtained utilisation certificate for Rs.87.47 lakh.

As per terms and conditions of sanction and disbursement of grants-in-aid, grantee organisations were required to submit the utilisation certificates alongwith expenditure statements, actual payee's receipts to the concerned DIs of schools within 2 months from the date of disbursement of grants.

It was observed that in respect of building/educational grant of Rs.28.26 lakh and Rs. 59.21 lakh disbursed between August 1995 and June 1997 by DI of Schools, Mairang and Nongstoin respectively utilisation certificate alongwith expenditure statement were not received from the grantee organisation even after lapse of 1 to 2 years from the date of disbursement. The matter was also not properly pursued by the DI of Schools.

3.2.6.3 Non refund of unutilised fund

Three DIs irregularly retained amount aggregating to Rs.71.61 lakh for a period over 2 years.

(i) An amount of Rs.71.61 lakh out of Rs.2.98 crore being buildings & furniture grant and arrears of pay released to 3* DIs of Schools by the DPI during the period from July 1993 to March 1996 remained unutilised as of May 1998.

Of the unutilised amount, an amount of Rs.66.89 lakh was retained by the DI of Schools, Shillong in a current account (No.658) opened with the Indian Bank, without any authority. Despite DPI's instructions (July 1995) to Drawing and Disbursing Officer (DDO) to deposit the unutilised amount into Government treasury, he had not followed these instructions. Reasons for funds remaining unutilised or unutilised fund not deposited into Government account had not been stated.

(ii) In case of the DI of Schools, Tura, an unutilised balance of Rs.0.90 lakh drawn from bank kept in cash chest was, however, stolen on 27 December 1995. The matter was reported to the Police, but they could not apprehend the culprit till the date of audit (May 1998). Thus irregular retention of cash resulted in loss of Rs. 0.90 lakh for which responsibility had not been fixed.

No responsibility had been fixed for theft of Rs.0.90 lakh kept in Office instead of being credited into Government Account.

3.2.6.4 Adhoc maintenance Grant

Responsibility was not fixed for irregular sanction of Rs.3.24 lakh as adhoc grants-in-aid to schools not eligible for the grants.

As per departmental norm, the minimum enrolment for making the Upper Primary (previously known as Middle English) schools eligible for maintenance adhoc grants-in-aid for meeting the deficit was 50.

Records of the DI of schools, however, showed that maintenance adhoc grants-in-aid of Rs.3.24 lakh to 4 Upper Primary Schools were sanctioned by the DPI

* Nongstoin - Rs.1.34 lakh
  Shillong - Rs.265.05 lakh
  Tura - Rs.31.28 lakh

during 1995-96 and 1996-97 though the strength of students in those schools was far below the departmental norm being in the range of 16 to 23.

Thus, the sanctioning authority had irregularly sanctioned Rs.3.24 lakh as grants to the above non-eligible schools, for which responsibility had not been fixed.

3.2.7 Implementation of Elementary Education in the State

3.2.7.1 Establishment of Primary and Upper Primary schools

The State is yet to reach the National level in the elementary education as the ratio of Primary to Upper Primary Schools in the State stands as 5:1 against national norm of 2:1.

A comparison of the position existing in respect of Primary and Upper Primary schools established in the State during 1995-96 to 1997-98 revealed the present ratio of Primary to Upper Primary schools stood at 5:1 compared to the National Norm 2:1. Thus the State was yet to reach the National- level in the elementary education.

3.2.7.2 Drop-out

The objective of enrolment as well as retention of children for elementary education could not be confirmed by the department as information regarding drop out after post survey period was not available.

One of the main drawbacks of the Elementary School Education in the State is the incidence of a high rate of drop out of children at various classes. While the ratio of primary schools to Upper primary school was much higher as compared to national norm (Para 3.2.7.1) according to data of the VIth AIES 1993, 62.5 **per cent** of all children enrolled in Class I, dropped out in between Class I and Class IV. 39.8 **per cent** of them dropped out of the school system after the first year of schooling i.e. from Class I to Class II alone. The Department in their POA 1995 had therefore shifted the strategy from enrolment to enrolment as well as retention of children under School System till the age of 14. The DEME did not furnish any information in respect of drop out during post survey period on the ground that no such record was maintained. Even most of the test checked field level offices (DI of Schools) were also not aware of the position of drop out in schools under their respective jurisdiction. The department had not ascertained the drop outs after the post survey period. The drop out especially in the Primary Schools therefore needs to be ascertained immediately by the department for the post survey period and analysed in order to rationalise the opening of primary and upper primary schools in future.

3.2.7.3 Type of School building

The State Government failed to provide permanent buildings with at least two rooms to all the Primary and Upper Primary schools so far established.

According to the scheme, State Government was required to provide to each school a permanent building with at least two rooms. It was however, noticed by audit that there are still about 827 primary schools and 217 upper primary schools being run in Kutcha/thatched buildings and there are still about 1202 single-room primary schools. Thus, State Government failed to provide permanent buildings with at least two-rooms as per model plan (1993) to all the primary and upper primary schools.

3.2.7.4 Teachers

Engagement of teachers compared to enrollment of students was more as the student - teachers ratio in the State was 25:1 against National norms 40:1.

The strength of Primary and Upper Primary teachers in the State as of July 1998 was 10,244 and 1911 respectively compared to 8581 Primary teachers (including 1514 teachers in Single teacher schools), reflected in the VI AIES 1993. There was substantial improvement in the strength of teachers as a result of appointment of additional teachers in Single teacher schools under OB Scheme in 1995-96.

The student-teachers ratio at primary school level stood at 25:1 as compared to National level of 40:1. This indicates that the teachers are being engaged even though less number of students are on roll.

In respect of Upper Primary schools, the present strength of teachers (1911) was lower than the position reflected in VIth AIES 1993 (3827) by 1916. The reason for sudden reduction in the strength of upper primary school teachers was not on record nor stated by the Department.

3.2.7.5 Training of teachers

Backlog in imparting training to teachers varied between 55 and 77 ***per cent*** *of the total strength of teachers in Primary and Upper Primary schools.*

VIth AIES revealed that about 50 **per cent** of all the Primary schools teachers were untrained. After the appointment of about 2000 fresh teachers during the post VIth AIES period the percentage ranged from 55 (Primary) to 77 (Upper Primary). The standard of education depends largely upon the efficiency and motivation of the teachers for which in service training of teachers is necessary.

It was stated that Teachers Training Institutions in the State are not sufficient to cater to the need of teacher's training.

3.2.7.6 Non-functional District Institutes of Education and Training

3 District Institute of Education and Training buildings though completed in June 1997 were not functional resulting in huge backlog of untrained teachers.

Under Centrally Sponsored Scheme "Restructuring and Reorganisation of Teachers' Education", establishment of 6 District Institute of Education and Training (DIET) were sanctioned (3 in 1991-92 at Thadlaskein, Resubelpara and Cherapunjee and 3 in 1993-94 at Nongstoin, Nongpoh and Baghmara) by the Government of India at a total cost of Rs.4.36 crore* for providing in-service training facilities to teachers. It was proposed by the Department that huge backlog of untrained elementary school teachers would be cleared once the DIETs were established.

It was, however, noticed that despite completion of 3 DIET buildings at Thadlaskein, Resubelpara and Cherrapunjee in May-June 1997, these were not made functional till August 1998 due to non-recruitment of required Principal/instructors and other staff. As a result, the intended objective of the DIETs remained unachieved even after 6 years of sanction of the scheme.

The other 3 DIET buildings, due to be completed by the contractor by April 1996, were in different stages of progress as of December 1998.

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* Rs.135.70 lakh for the construction of first 3 DIET buildings including Rs.19.70 lakh for purchase of teaching and learning materials and Rs.300 lakh for construction of other 3 DIET buildings sanctioned in 1993-94.

3.2.8 Monitoring and Evaluation

The POA 1995 of Education Department was designed to secure overall improvement of Education System (including Elementary Education) in the State by removing the deficiencies already identified in respect of Elementary Education System. Shortcomings in different areas of Elementary Education as pointed out in earlier paragraph indicated that proper system of monitoring at Directorate or District Offices had not yet been developed.

3.2.9 The above points were reported to Government/Department in October 1998; their reply had not been received (December 1998).

ELECTION DEPARTMENT

3.3 POLL EXPENSES

3.3.1 Introduction

In accordance with the provisions contained in the Representation of the People Act 1951, the Election Commission of India conducts the election for Parliament/State Assembly.

Under the above provisions, the following elections were held in the Meghalaya State during the two years period i.e., 1996-97 and 1997-98.

(a) Parliamentary election in May 1996.

(b) Simultaneous election to the Lok Sabha and Vidhan Sabha in February 1998.

3.3.2 Organisational set up

The electoral office in the State is headed by the Chief Electoral Officer (CEO) nominated by the Election Commission of India, who is assisted by the Deputy Commissioners (District Electoral Officers) at district level.

3.3.3 Audit Coverage

The records of the Chief Electoral Officer (CEO) at the State level and 3* District Electoral officers (DEOs) were test checked for the year 1996-97 and

* (East Khasi Hills District, Shillong; Jaintia Hills District, Jowai and West Garo Hills District, Tura).

1997-98 during the period from July to August 1998 and the points noticed are brought out in the succeeding paragraphs.

3.3.4 Highlights

- **The expenditure of Rs.1.14 crore being the balance of Central share met by the State Government for the election held in 1997-98 had not been got re-imbursed so far (October 1998).**

(Paragraph 3.3.5.1(b))

- **Although submission of detailed bills in support of the drawal of Rs.52.35 lakh in Abstract Contingent bills was pending for periods ranging from 8 to 27 months since the due date of submission, no effective measures were taken for the adjustment of the amount.**

(Paragraph 3.3.5.2)

- **754 electronic voting machines valued at of Rs.36.95 lakh supplied by the Election Commission out of Central fund during 1989-90 were never put to use in any election held so far in the State.**

(Paragraph 3.3.6)

- **Expenditure of Rs.65.20 lakh incurred on Camera team for Photo Identity Card during the period between January 1995 and March 1996 proved infructuous as not a single photo was taken.**

(Paragraph 3.3.7.1)

- **The department incurred extra expenditure of Rs.15.79 lakh on re-making of Photo Identity Cards due to furnishing of incorrect particulars of voters initially.**

(Paragraph 3.3.7.2)

3.3.5.1 Finance and Expenditure

The savings of Rs.4.13 crore during 1997-98 were not surrendered instead committed liabilities on account of hire and repairing charges of requisitioned vehicles were allowed to accumulate.

(a) The entire expenditure on elections is initially met by the State Government against the Major Head of Account - 2015. This review covers the following categories of expenditure shown under the respective minor heads of account.

(1)	Electoral Offices	(102)
(2)	Preparation and printing of Electoral Rolls	(103)
(3)	Charges for simultaneous conduct of elections to Lok Sabha/Vidhan Sabha	(104)
(4)	Charges for conduct of Parliament By election	(105)
(5)	Photo Identity Cards	(106)

The share of Government of India is apportioned on the basis of expenditure admitted by the Accountant General in accordance with the principles mutually agreed upon between the Government of India/State Government. According to these principles the expenditure on preparation and printing of electoral rolls on election establishment, election material of common concern and Photo Identity Cards is shared equally between both the Governments. The expenditure on conduct of elections (Minor Head - 104) is also shared equally if elections are held simultaneously to the Parliament and the State Assembly. However, expenditure on conduct of Parliament and State Assembly is fully borne by the respective Governments (under Minor Heads - 105/106) if elections are held separately.

The minor head-wise budget provision and expenditure incurred during 1996-97 and 1997-98 are detailed in Appendix-IV.

The overall saving of Rs. 4.13 crore during 1997-98 was due to the fact that although simultaneous election to Lok Sabha / Vidhan Sabha was held in the State during the year, provision for election to State Legislature (106) was also made, besides excess provision for preparation of Electoral Roll (103). As per information collected from the CEO, it was observed that the expenditure figures did not include committed liabilities of Rs.21.21 lakh and Rs.95.22 lakh, mainly relating to hire and repairing charges of requisitioned vehicles from private parties committed during 1996-97 and 1997-98 respectively. The committed liabilities had not been cleared despite savings of Rs.4.13 crore during 1997-98. The Department stated (October 1998) that liabilities could not be discharged for want of satisfactory and convincing clarification from the District/Sub-divisional authorities on apparent excessive claims.

(b) Details of expenditure and reimbursement

Particulars of expenditure incurred during 1996-97 and 1997-98, amount to be re-imbursed by the Government of India and the amount actually re-imbursed are given in the Appendix-V.

It could be seen that the GOI released an excess amount of Rs.45.85 lakh for the election held in 1996-97 and an amount of Rs.1.60 crore for 1997-98 election was still to be reimbursed by GOI. Thus the expenditure of Rs.1.14 crore (Rs.1.60 crore - Rs.45.85 lakh) being the balance of Central share met by the State Government had not been got re-imbursed (December 1998).

3.3.5.2 Non-submission of D.C.C. bills in respect of amount drawn in A.C. bill

Departmental action for submission of detailed bills for Rs.52.35 lakh by the DDOs in respect of money drawn on A.C. bills was not effective. 3 DDOs were allowed to draw Rs.13.50 lakh during 1997-98 even though submission of detailed bills in respect of A.C. Bills of Rs.9.75 lakh drawn in 1996-97 was outstanding against them.

As per condition of sanction and provision of Financial Rules the Drawing Officer is to submit detailed bills against drawal of each AC bill within a month of its drawal. It was however, noticed that detailed bills for Rs.9.75 lakh pertaining to drawal of April 1996 and Rs.42.60 lakh pertaining to drawal of January 1998 had not been submitted by the Drawing Officers*, till August 1998. 3** DDOs drew Rs.13.50 lakh during 1997-98 without submission of detailed bills in respect of AC bills of Rs.9.75 lakh drawn during 1996-97. The Department had neither pursued submission of detailed bills nor took action to fix responsibility for this omission.

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* State/District and Sub-divisional Officers

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	DC bills outstanding for 1996-97	AC bills drawn during 1997-98
	(Rupees in lakh)	
D.C. Jowai	Rs. 4.75	Rs. 6.50
D.C. Nongpoh	Rs. 2.50	Rs. 4.00 (DC bills submitted in May 1998)
D.C. Baghmara	Rs. 2.50	Rs. 3.00
	Rs. 9.75	Rs.13.50

3.3.5.3 Expenditure per unit of voter

Compared to the limit of Rs.2.75 lakh per constituency considered and fixed by the CEO in January 1998, the expenditure of Rs.5.65 lakh and Rs.8.31 crore incurred in 1996-97 and 1997-98 was on very high side.

It was decided at a conference of District Election Officers held (January 1998) at Shillong at the instance of CEO that the election expenses per constituency had to be limited to Rs.2.75 lakh. There was no such limit earlier.

In the State there are 60 Assembly and 2 Parliamentary Constituencies with a total population of 17.75 lakh as per 1991 census while the total electors for 1996-97 and 1997-98 were 10.90 lakh and 11.57 lakh respectively. The actual expenditure incurred per constituency and per unit of voter was as under :-

Year of election	No. of electors	Total no. of votes polled	No. of constituency	Actual expenditure including committed liabilities	Expenditure per constituency	Expenditure per unit of voters
	(Numbers in lakh)			(Rupees in lakh)		
1996-97 Parliamentary	10.90	6.73	60	338.76	5.65	31/-
1997-98 Simultaneous Election to LS and LA	11.57	*17.23	60 A + 2 L.S.	515.45	8.31	45/-

Thus compared to the limit of Rs.2.75 lakh per constituency fixed subsequently the expenditure per constituency was on very high side. The huge increase in the expenditure per unit of voter during 1997-98 was mainly on account of increase of expenditure on preparation and printing of electoral rolls (Appendix-IV) as compared to 1996-97. The expenditure especially on this item need to be curtailed.

* Votes polled were more than the number of electors due to simultaneous elections to LS and LA during 1997-98.

3.3.6 Procurement/utilisation of Electronic Voting Machine (EVM)

754 Electronic Voting Machine valued at Rs. 36.95 lakh received from Election Commission remained idle.

The Election Commission (EC) on its own delivered 4 EVM valued at Rs.0.20 lakh to State Election Department in September 1989. But, EVMs were not used for the purpose of training as of August 1998 despite 4 officials of the State attended training session on 27 September 1989 at the Commission's Headquarter at New Delhi. In March 1990, 750 additional EVM (at the rate of Rs.4900 per machine) for a total value of Rs.36.75 lakh were received from the EC. None of the machines had been used in any election of the State held after its receipt. In the mean time, the magnesium batteries supplied with these machines had outlived its shelf life and therefore could not be put to any future use. The Election Commission had not replaced these outlived batteries.

Thus the Electronic Voting Machine (value Rs.36.75 lakh) were lying idle for over 8 years.

3.3.7 Photo Identity Cards (PIC)

The PIC Scheme to prevent false voting had been kept suspended after spending Rs. 2.16 crore on the scheme.

The Election Commission of India issued (August 1993 to March 1994) directive and guidelines to Chief Electoral Officers of all states (except Jammu and Kashmir) for implementation of the scheme for issue of photo identity cards to all electors. It was instructed by the Election Commission that production of PIC by the voters at the time of polling is obligatory and it further specified in its order of August 1993 that there will be no election without PIC after 01 January 1995. The prime objective of PIC is to prevent false voting and to ensure free and fair poll in future. Till March 1996, 6.47 lakh electors were covered under this scheme after incurring an expenditure of Rs.2.16 crore against the projected electors of 10.47 lakh. Since April 1996, the Scheme of PIC had been kept suspended and there was no move either from the EC or State Election Department to cover the left out voters. Both the election of 1996 and 1998 were conducted without PIC.

3.3.7.1 Undue financial benefit to contractor for preparation of Photo Identity Card

Even though not a single photograph was taken, the camera team had to be paid Rs.65.20 lakh due to acceptance of an unrealistic terms of payment.

Records of the CEO revealed that an expenditure of Rs.1.72 crore was incurred (March and November 1994) towards preparation of 5.60 lakh Photo Identity Cards through three contractors at the rate of Rs.29 per set of two PIC against 10.47 lakh voters on the Electoral rolls of January 1994. With a view to covering the left-over 4.87 lakh voters (10.47 lakh - 5.60 lakh) 2 months extension upto January 1995 was sought for and the same was granted by the Election Commission (EC). However, during the extension period revised terms as accepted by the Election Department (December 1994) for payment at Rs.25 per set of PIC with fixed charge of Rs.0.30 lakh per Camera team per month was allowed to the contractors in order to defray the expenditure of the camera team stayed for prolonged periods in designated stations due to poor turnout of the voters for getting themselves photographed. Despite extremely poor coverage (0.34 lakh) in the first extension of time, the department had not rescinded the contract after January 1995. However, during the entire extended period upto March 1996 in different spells ranging from 2 to 5 months, only 0.87 lakh voters could be covered under the scheme at the revised rates. Although 0.87 lakh voters (18 **per cent**) out of 4.87 lakh voters could be photographed during the entire period of extension, the expenditure incurred on the preparation of PIC of 0.87 lakh voters was Rs.1.37 crore (Camera team Rs.1.15 crore, PIC Rs.0.22 crore). Thus, the cost per PIC worked out to Rs.157 against Rs.29. An amount of Rs.65.20 lakh being fixed charge @ Rs.0.30 lakh per camera team had to be paid to Camera teams (ranging from 6 to 10 teams per month) for 4 to 11 months even though not a single photograph was taken by this camara team during these months rendering the expenditure infructuous.

Thus, the payment of Rs.65.20 lakh on the implementation of the scheme without even commencement of the work was tantamount to unwarranted aid to the contractor, and the entire expenditure was rendered infructuous.

Government stated (December 1997) that there was no possibility of calling fresh tenders as extension came from the Election Commission (EC) at the last minute. The reply is not tenable as the extension was granted by EC on being requested by the CEO.

3.3.7.2 Extra expenditure on remaking of Photo Identity Cards due to departmental lapses

Preparation of Photo Identity Cards on the basis of incorrect particulars necessitated remaking of PIC at an extra cost of Rs. 15.79 lakh.

As per terms and conditions of the agreements entered into (February 1994) with three firms engaged for undertaking photograph of voters in Meghalaya under the scheme "PIC to voters" the department was responsible for supply of cards with particulars of the identity of the voters printed thereon to the firms. The firms were to take the photograph of the voters, manufacture metallic foil hologram as per given specimen and laminate the PICs after affixing the photographs and holograms on it.

Scrutiny (June 1997) of records of the CEO Meghalaya revealed that during the period between September 1995 and April 1996 the department incurred an expenditure of Rs.15.07 lakh towards remaking of 52,388 PICs. The remaking of the PICs was necessitated as the Cards were printed by the department on the basis of incorrect particulars recorded in the Electoral Rolls. Besides an additional expenditure of Rs.0.72 lakh was incurred by the Department towards preparation of identity cards with correct particulars.

Government stated (June 1998) that the expenditure on replacement of defective PIC due to defects in entries of the Electoral Roll (incorrect recording of voters' age, sex, father/husbands name, address and also incorrect spelling of voters name) was unavoidable. The reply is not tenable as correct particulars should have been recorded initially.

3.3.8 Other points of interest

Unproductive expenditure towards procurement of shredding machines

Expenditure of Rs.5.55 lakh incurred on shredding machines proved largely unproductive as the objective of procurement of the machine had not been achieved.

The Election Commission of India directed (June - August 1993) all the CEO of the States to purchase shredding machine for disposal of election papers by using the machine.

Accordingly, the State Election Department purchased (March 1996) 12 shredding machines from a Shillong based firm at a total cost of Rs.5.55 lakh. These machines were delivered (March 1996) to 7 district headquarters, 3 sub divisional headquarters conducting elections and 1 each to CEO. and election branch of the Secretariat.

Test check of the records of 3* districts revealed that only one District Election Officer, East Garo Hills had used the machine for shredding election papers other than the used ballot papers but these shredded papers till date were kept in the godown and not disposed of.The other two District Election Officers intimated (August 1998) that shredding machine had not been put to use as of August 1998. Information about the use of remaining machines was not available with the Election Department nor could it substantiate the use of these machine by the respective officers. Thus the objective of purchasing the shredding machines had not been achieved and resulted in the unproductive investment of Rs.5.55 lakh.

3.3.9 The review was sent to State Government in September 1998; their replies had not been received (December 1998).

*(East Khasi Hills, Jaintia Hills, East Garo Hills).

FOREST DEPARTMENT

3.4 Excess Payment due to non-deduction of tax at source

There was excess payment of Rs.8.25 lakh to Garo Hills Autonomous District Council due to non-deduction of tax at sources on forest produce.

In terms of Government orders issued from time to time, the proceeds of royalties accruing each year from licences or lease granted by the State Government for the purpose of prospecting for or extraction of forest produce within the jurisdiction of each Autonomous District Council shall be apportioned between the State Government and the District Council concerned in the ratio of 40:60. Under the Meghalaya Sales Tax rules, tax is also leviable at source on sale or supply of minor forest produce, *viz.*, sands, stones gravels etc, at the prescribed rates fixed by the Government from time to time.

Test check (July 1997) of records of the Divisional Forest Officer (DFO), Garo Hills Division, Tura revealed payment of Rs.1.25 crore made by the DFO to Garo Hills Autonomous District Council (GHADC) in different periods between January 1995 and December 1996 being their share (60 **per cent**) of royalties for the years 1994-95 (Rs.57.70 lakh) and 1995-96 (Rs.67.13 lakh). However, payment of Royalties was made without deducting sales tax and surcharge amounting to Rs.8.25 lakh (Rs.8.17 lakh sales tax and Rs.0.08 lakh surcharge).

Thus, payment by apportionment of total royalty without deduction of tax element resulted in excess payment of Rs.8.25 to the Council.

The matter was brought to the notice of the Government/ Department (September 1997); their reply had not been received (September 1998).

HEALTH AND FAMILY WELFARE DEPARTMENT

3.5 National Malaria Eradication Programme

3.5.1 Introduction

The National Malaria Eradication Programme (NMEP) was introduced in 1958 as a Centrally Sponsored Scheme. In view of rise in the incidence of malaria, a modified plan of operation (MPO) was introduced in April 1977 for effective control of malaria and prevention of death caused by malaria. To achieve the objective the main activities to be executed by the State Government under the MPO were :-

- Passive and active surveillance by the programme staff.
- Collection of blood smears of fever cases on a large scale to test the incidence of malaria for fixing the round of insecticide spray of an area to avert transmission of parasites.
- Treatment of malaria positive cases with anti malarial drug.
- Vector susceptibility tests to determine the types of insecticides to be used.
- Spraying of insecticide like DDTBHC and Malathion.
- Urban malaria control through larvicide to destroy larva.

3.5.2 Organisational set up

In the State, the programme is being implemented by 3 District Malaria Officers (DMOs) (Khasi, Garo and Jaintia Hills) against 7 Revenue Districts through 84 Primary Health Centres (PHCs) and 13 Community Health Centres (CHCs) (which apart from malaria programme take care of other health and family welfare programmes) and 21 Senior Malaria Inspectors (SMIs) who take care of insecticide spraying operation and distribution of anti-malarial drugs to PHCs, CHCs. The Programme Officer of the rank of Deputy Director of Health Services (Malaria) DDHS(M) under the over all control of the Director of Health Services Medical Institute DHS(MI) supervises the NMEP in the State. The Director NMEP under the Director General of Health Services at the centre acts as co-ordinating agency between the Centre and States for successful implementation of the NMEP.

3.5.3 Audit coverage

A review on the implementation of the programme was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1988 - Government of Meghalaya. The Report was discussed by the Public Accounts Committee and their recommendations were contained in the 20th Report presented to the State Legislature in September 1995. Specific recommendation made have been brought out in the respective paragraphs.

The present review relates to the implementation of the programme for the period 1992-93 to 1997-98 by Audit during February 1998 and May 1998. The review covered examination of records of the DHS(MI), DDHS(M), 3 DMOs, 9[1] Primary Health Centres (PHCs) and 1[2] community Health Centre (CHC). Besides, the records of 4[3] Senior Malaria Inspectors (SMIs) were also test checked.

3.5.4 Highlights

- **Against the aid material valued at Rs.3.00 crore adjusted in the State's Accounts in 1995-96, Rs.60.50 lakh pertained to materials either not received or not put to use due to unsuitability.**

(Paragraph 3.5.5.1)

Acknowledgment of the receipt of aid material without proper verification and actual receipt of supply of needles resulted in indirect financial aid to the supplier of Rs.11.59 lakh, for which responsibility had not yet been fixed.

(Paragraph 3.5.5.1)

In spite of heavy expenditure being incurred on the programme every year incidence of malaria in the State started increasing from 1995 and the Annual Parasites Index of the State i.e. number of positive cases per thousand rose to 13.52 in 1996 against the programme target of 0.5 by 2000 AD.

(Paragraph 3.5.6)

Collection of blood samples of 8.84 lakh people with corresponding issue of 1.88 lakh disposable pricking needles was unrealistic.

(Paragraph 3.5.8)

Entomological cell had not been made functional.

(Paragraph 3.5.11)

3.5.5 Financial outlay

The expenditure on the programme till November 1994 was borne by the Central and State Governments on 50 : 50 basis. The Central share covered

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[1] Byrnihat, Umsning, Pomlum, Umulong, Khliehriat, Darenggri, Dalu, Garobada, Assananggri.

[2] Ampati

[3] Nongpoh, Mairang, Umlong, Khliehriat.

expenditure on supply of insecticides and anti-malaria drugs in kind and re-imbursement of the 50 **per cent** of the operational cost. From December 1994, total expenditure both on operational cost and material and equipment is being met entirely by the Central Government, and emoluments of multipurpose workers and existing sanctioned plan/non-plan staff is being borne entirely by the State. During 1992-93 to 1997-98 against the provision of Rs. 12.32 crore the expenditure was Rs. 13.45 crore. Besides, the State Government received materials (insecticides and drugs etc.) valued at Rs. 3.76 crore from Government of India.

The expenditure on establishment and operational cost exceeded the budget in the years 1992-93, 1995-96 to 1997-98.

3.5.5.1 Unproductive central assistance in kind and irregular payment

There was unproductive expenditure of Rs.60.50 lakh which included indirect financial aid of Rs.11.59 lakh to a supplier due to certification of receipt of material without actual delivery and acceptance of material not according to specification.

The Director, NMEP placed (March 1995) order with a Nagaland based firm to supply Hymatic make of 400 hand operated pumps and 595 hand compression sprayers of 14 litres capacity for Rs.18 lakh before placement (January 1996) of State's demand for 800 hand compressed sprayers. The materials were certified (June 1995) as received by DDHS(M) in June 1995 without mentioning the capacity of the material actually received and the value thereof for Rs.18 lakh was adjusted (March 1996) in the State's accounts against aid materials as the payment of the amount for the equipment was admitted by the consignee. However, cross-checking of the invoice of the Principal (Hymatic), submitted to DDHS(M) revealed that the materials as supplied were of 9 litres capacity (value Rs. 7.66 lakh) instead of 14 litres and 318 pumps and 427 sprays were lying idle in stock as of March 1998. Although complaints about the ineffectiveness and unsuitability of the spray-pumps were received from the DMOS, no action was taken by the department to get the equipment replaced nor was the matter taken up with the Director, NMEP to effect recovery of the deferential amount of Rs.10.34 lakh.

Further, the Director, NMEP placed (February 1996) order for supply of 1.29 lakh spares for use in the Hymatic make pumps and sprayers based on the indent {of DDHS(M), 1996} although there was no demand for spare parts from the DMOs. Based on the acknowledgment of receipt of the spares sent by DDHS(M) in March 1996 Rs.37.02 lakh was paid by the Director NMEP. The DDHS(M) subsequently intimated (September 1996) the Director that on actual count there was short supply of 0.05 lakh spares valued at Rs.1.84 lakh.

A test check of records of DDHS(M) revealed that spare parts valued at Rs.30.91 lakh (Headquarter - Rs.22.41 lakh, DMO Jowai - Rs.8.50 lakh) out of Rs.35.18 lakh were not utilised by the department even after lapse of 2 years of its procurement.

Similarly on a scrutiny of the statement of adjustment for the quarter January-March 1996 issued by the Ministry of Health and Family Welfare - (GOI) it was seen that payment of Rs.9.75 lakh was made to the supplier towards supply of disposable pricking needle even though the material was not received by the State Malaria Organisation as of May 1998.

Thus, of the amounts of Rs.3 crore adjusted in the accounts of the State under aid materials during 1995-96, materials valued Rs.60.50 lakh* related to either materials not received or received but not be put to use due to ineffectiveness and unsuitability. Thus, the Central assistance of Rs.60.50 lakh in aid to the State proved unproductive. The payment of Rs.11.59 lakh** in respect of materials not received resulted in indirect financial aid.

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* i)	Value of unsuitable sprayers and pumps	Rs.18.00 lakh
ii)	Value of unutilised spare parts	Rs.30.91 lakh
iii)	Value of spare parts short received	Rs. 1.84 lakh
iv)	Value of needles not received but adjusted in the accounts of the State.	Rs. 9.75 lakh
		Rs.60.50 lakh

** Rs.(9.75 + 1.84) lakh = Rs.11..59 lakh

3.5.6 Increase in Malaria incidence

The incidence of malaria cases in the State continued to be high after 1995-96 in comparison to the level prior to that period despite incurring expenditure which varied between Rs.2.67 crore and Rs.4 crore on the malaria eradication programme during 1992-93 to 1997-98.

The department had spent an amount aggregating Rs.20.21 crore (including the value of materials, equipment supplied by GOI) during 1993-98 but the incidence of malaria cases in the State continued to be high. Similarly, although at the national level the Annual Parasite Index (API) i.e. number of positive cases detected per thousand of population had been targeted to be brought down to 0.5 by 2000 AD, the incidence of malaria in the State which had a declining trend between 1992-94 compared to 6.93 in 1987, started rising from 1995 and the API level rose as high as 13.52 in 1996 as indicated below :-

Year	Population	Number of positive cases	Number of plasmodium falciparum cases	Number of positive cases detected per thousand	Annual Parasite Index		
					Garo Hills	Khasi Hills	Jaintia Hills
1992	18,07,619	11.283	6863	6.24	9.10	1.7	15.09
1993	18,82,107	10.045	4996	5.34	5.96	2.0	15.21
1994	18,96,649	11.953	7712	6.30	7.78	3.3	13.00
1995	19,45,250	24.920	12174	12.81	10.26	7.4	40.11
1996	19,94,517	26.968	14230	13.52	9.63	7.4	47.61
1997	20,37,664	22.237	10910	10.91	8.05	3.2	32.60

While in Garo Hills and Khasi Hills there had been some improvement being less than or nearer to API level of 1987, the malaria showed rising trend in Jaintia Hills where the API level rose as high as 47.61 in 1996.

All types of malaria are not dangerous to life except cerebral or malignant malaria which is caused by a special variety of malaria parasite known as Plasmodium Falciparum (PF). The number of PF cases in the State varied from 5 to 14.23 per thousand of the positive cases detected during 1992-97 and formed 49 to 61 per cent of the

49 to 61 per cent of the positive malaria cases were of 'Cerebral' or 'Malignant' nature.

malaria cases during the same period. However the number of reported death cases ranged between 11 (1997) and 48 (1995).

The DDHS(M) in his Report on the implementation of the programme during 1993-96 attributed (July 1997) the resurgence of malaria in State to low or inadequate surveillance and spray coverage by the existing malaria units and shortage of manpower.

3.5.7 Lesser Malaria units and shortage of vehicles

Lesser malaria units coupled with shortage of vehicles hampered implementation of malaria eradication programme in the State. There was extra expenditure of Rs. 7.52 lakh due to excess engagement of van cleaners.

There were 3 Malaria Units (DMOs) at the time of creation of the State in 1970 with 3 administrative districts which had since been increased to 7. As seen from the Report of DDHs(M) on the implementation of Scheme for the period 1993-96, the department had sent proposal to establish 4 more malarial units (one for each Administrative district) to intensify surveillance and coverage of insecticide spraying which was still pending with the Government. Further, against the requirement of 12 vehicles for the existing units, only 9 vehicles were available as of March 1998. No comprehensive proposal to meet the shortage of vehicles as per norms was made. Thus, shortage of vehicles hampered the mobility and consequently affected field supervision of surveillance and spraying activities.

As per the norm laid down by the Government of India - Ministry of Health and Family Welfare two van cleaners are to be appointed against the entitled 4 vehicles for each DMO. There was excess engagement of 4 van cleaners during the period 1992-93 to 1997-98. Reasons for excess engagement of van cleaner had not been stated. This led to an extra expenditure to the tune of Rs.7.52 lakh*.

* Total expenditure on 10 van cleaner = Rs.18.81 lakh
Expenditure on 4 excess entertainment = $\frac{18.81 \times 4}{10}$ = Rs.7.52 lakh

3.5.8 Check and confirmation of blood slides at the Laboratories

There was under reporting of malaria cases from more affected areas defeating the objective of ascertaining the API level for determining the round of insecticide spraying and radical treatment.

The work of surveillance covers collection of blood smear, its examination to detect malaria parasite and elimination of disease by radical treatment. According to the prescribed norms one surveillance worker was to be provided for 3000 population of tribal area and for every 4 surveillance workers there should be one Surveillance Inspector to supervise surveillance activity. However, against a minimum requirement of 679 surveillance workers for the State's population of 20.38 lakh as of December 1997, only 181 were in position as of March 1998. However, 4 : 1 norms had been maintained in respect of inspectors with near accuracy, as the Surveillance Inspector on roll as of March 1998 was 48, and the Annual Blood Examination Report (ABER) norm of 10 **per cent** was also adhered to.

Veracity of ABEP was however, doubtful in view of the following:-

- The blood examination done by surveillance workers at Primary Health Centre (PHC) should be cross checked by Laboratory technicians who are to visit PHC frequently and all positive cases are to be sent to the District/Zonal/State Headquarters to ascertain the parasite species and its stage. However, the system of cross checking was never done.

Out of 64 microscopes received from the Centre only 18 out of 84 PHC had the facility to examine blood for malaria parasite.

Malaria control activities in rural area is implemented through PHC. However, only 18 PHC out of 84 PHC in the State were provided with Microscope for examination of blood smears to detect malaria positive cases. Reasons for not issuing the remaining microscopes had not been stated. The department had also not placed its demand for the required number of microscopes.

Collection of blood samples of 8.84 lakh people with corresponding issue of 1.88 lakh disposable pricking needles was unrealistic.

Out of 14.41 lakh pieces of microslides received from Central Government between June 1995 and May 1997, 10.97 lakh slides valued at Rs.8.68 lakh remained unutilised as of March 1998. Similarly, between November 1995 and February 1997, the State Malaria Organisation received 2,94,000 disposable pricking needles from Central Government for NMEP. Out of this 1,06,300 needles were lying unutilised with the DMOs. Blood Examination of 8.48 lakh population during 3 years ended 1997 appears fictitious as it was not possible to collect 8.48 lakh blood samples using only 1.88 lakh disposable syringes (2.94 lakh - 1.06 lakh).

3.5.9 Radical treatment

Radical treatment was not delivered to 5 to 15 per cent of positive cases.

Besides, presumptive treatment of administering chloroquine tablet in prescribed dosage to all fever cases, radical treatment by providing prescribed doses of chloroquine and primaquine tablets for 5 days were required to be given to all positive cases detected after examination of blood smears.

It was seen that he percentage of shortfall in radical treatment varied between 5.41 and 14.67 over the years 1992 to 1997. The DDHS(M) in his report on the implementation of the programme (1993-96) stated (July 1997) that under Integrated Health Care System, Family Welfare Programme had received priority over the anti-malaria activities.

3.5.10 Target and achievements of insecticidal spray

Defective assessment of the requirement of DDT in advance and subsequent mismanagement in spraying operation resulted in shortfall in protecting the targeted population

Shortfall in insecticide spray due to short supply of DDT is not tenable as the left over DDT at the end of each year was sufficient to cover the targeted population.

Under the modified plan of operation, spray operations are to be carried out in all areas with API 2 and above with 2 rounds of DDT to prevent the transmissions of parasites. A third round of spraying was also envisaged in high risk area. Spray operations in the State were conducted between March and September/October each year with a gap varying between 1 to 3 months. It was noticed that shortfall in coverage of targeted population ranged between 31 and 35 per cent during 1992 to 1997. This was attributed to shortage of manpower and short supply of DDT by the Centre. It was also held that due to non-availability of DDT, 2nd round of spraying could not be carried out in Jaintia Hills during 1995 although the API of the area during the preceding three years was more than 13 which rose to 48 in 1995 and 48 in the following year. Shortfall in coverage due to short supply of DDT is not tenable as the quantity of DDT received in all the year during 1992-97 excepting 1994 and 1996 was more than the quantity demanded by the State (Appendix-VI) and there was surplus stock balance throughout the period.

3.5.11 Vector Control Measures

> *Expenditure of Rs.8.33 lakh incurred on pay and allowances of one Assistant Entomologist and two insect collectors turned out to be infructuous since the Entomological cell had not been made functional.*

The State Malaria Organisation could not ascertain precisely the reasons for resurgence of malaria in the State despite two round of spraying with DDT. The probable reasons attributed by the department to resurgency of malaria was that the vector, responsible for malaria, are resistant to DDT spraying. An entomological study to evaluate susceptibility of vector to insecticides is essential. Mention was made in the Report of the Comptroller and Auditor General of India - Government of Meghalaya for the year ended 31 March 1988 regarding entertainment of staff without any entomological background or experience. Although the PAC had recommended (September 1995) that entomological cell should be made functional as early as possible, the cell was yet be made functional due to non-availability of infrastructural support *viz.* microscopist, technician, space to establish the cell etc. Besides, the expenditure towards pay and allowances on the engagement of one Assistant Entomologist since August 1985 and two insect collectors since September - October 1987 amounting to Rs.8.33 lakh for the period from April 1992 to March 1998 turned out to be infructuous.

3.5.12 Monitoring and evaluation

Monitoring of the programme is being done through submission of various reports *i.e.* surveillance, blood smears, malaria cases, death cases due to malaria and radical treatment given to the Director, NMEP, Delhi.

Highlighting the various constraints/shortcomings in the implementation of the programme in the State during the period 1993-96, the DDHS(M) in his report proposed to the Department, action inter-alia setting up malaria units (DMO) for each administrative district to intensify surveillance activities, strengthening of entomological cell for information on vector control and Legislative measures against rising quackery. However, none of the proposals had been implemented. Departmental views on the proposals had not been furnished.

3.5.13 The review was sent to the State Government in October 1998; their reply had not been received (December 1998).

3.6 Under utilisation of staff in Limb Fitting Section of Civil Hospital

Although Rs.10.57 lakh was spent on the pay and allowances of staff of the limb fitting section of the Civil Hospital, Shillong, their services were underutilised.

With a view to upgrading the existing Orthopaedics and Rehabilitation department under the Surgeon Superintendent, Civil Hospital, Shillong (CHS) 16 posts for establishing Artificial limb fitting and Rehabilitation Centre (ALF&C) comprising of 5* sections were sanctioned in August 1988.

14 posts were filled up (8 in 1989 and 6 between 1993 and 1996) to date including 8 for limb fitting section.

1.	Limb Fitting Section	8 Nos.
2.	Physiotherapy Section	3 Nos.
3.	Occupational Therapy Section	2 Nos.
4.	Medico-Social Work Section	1 No.
5.	Vocational Guidance and Training Section.	2 Nos.
	Total	16 Nos.

Scrutiny of records of CHS revealed that against the capacity of providing artificial limb and rehabilitation aids to 500 patients per annum by the limb fitting section with the existing staff strength, only 439 were covered between 1989-90 and 1997-98 which worked out to 49 on an average per year. The Orthopaedic Surgeon, in-charge Limb Fitting Section stated (July 1998) that even the artificial limb and rehabilitation aid to 439 patients was possible because of patients' co-operation for procurement of certain materials as reqired from their own source and as such a good number of patients, had to go outside the state for treatment due to non-availability of proper facility viz. raw materials, equipments in the hospital. He further stated that no fund was provided for procurement of essential material for the use in Limb Fitting Section despite having budget provision for this purpose in each year. The reason for not releasing fund was not stated by the DHS (MI).

Thus, placement of 8 staff in the limb fitting section which did not have requisite facilities to extend the aids, resulted in under-utilisation of manpower although Rs.10.57 lakh had been spent upto March 1998 on their pay & allowances since their appointment (April 1988).

The matter was reported to the Government (September 1998) ; reply had not been received (December 1998).

3.7 Locking up of fund in Health and Family Welfare Department

Non-setting up of Drug De-addiction Centre due to delayed action at various levels despite receipt of assistance of Rs.10 lakh from GOI more than three years ago.

(a) Test check (November 1997) of the records of Director Health Services (DHS), Meghalaya disclosed that GOI sanctioned (March 1995) Rs.10 lakh for setting up of a Drug De-addiction Centre in the Civil hospital at Shillong and a cheque for the said amount received (June 1995) by the DHS, from the Ministry of Health and Family Welfare was deposited in Government account (July 1995) as revenue receipt. A rough estimate for Rs.8 lakh was prepared by the Engineering wing of the DHS for construction of the building and the State Government was requested (September 1995) to accord administrative approval for construction of the Centre. The State Government, however, sent back the estimate (June 1997) after lapse of about one year 9 months with the instruction to resubmit it indicating therein component wise estimate. The DHS on receipt of the plan and estimate from the PWD (August 1998) moved the Government (September 1998) for Administrative approval which was yet to be accorded by the Government and as a result construction had not been started.

Thus, Rs.10 lakh remained unutilised for more than 3 years due to delay in submission of revised estimate thereby frustrating the objectives of the programme.

The matter was reported to the Government (January 1998); reply had not been received (December 1998).

Central assistance of Rs.15 lakh meant for Control of Cancer remained in the chest unutilised.

(b) Under Cancer Control Programme the Director Health Services (DHS) drew (March 1996) Rs.15 lakh on Abstract Contingent bill by obtaining supplementary demand of equivalent amount in the budget (1995-96) for establishment of nodal centre for cancer patient; but the amount was lying un-utilised in the chest in the form of bankers cheque till September 1998. Non-utilisation of Central assistance was due to lack of co-ordination between Government and DHS. Although Government had allowed (March 1996) the DHS to draw the assistance in AC bills, the DHS requested (May 1996) for a formal sanction of the Scheme which the Government had not acceded to, instead instructed (August 1996) the DHS to submit detailed bill for Rs.15 lakh drawn in AC bill. The DHS sought for (August 1996) Government's approval for refund of the project money to GOI. Government reaction was not received till December 1998.

Thus, continued retention of the amount outside the Government account while exhibiting it in the accounts as utilised for the given purpose was violative of the financial rules. Besides, non-implementation of the project had frustrated the desired objective of control of Cancer.

The matter was referred to the Government (January 1998); reply had not been received (December 1998).

HOME (POLICE) DEPARTMENT

3.8 Extra financial involvement due to excess deployment of personnel in Police Stations

Although the department had no norms of its own for manpower management, there was excess deployment of police personnel in police stations compared to the norms inherited from Assam resulting in extra expenditure of Rs.4.52 crore.

A test-check of records (July-August 1998) of the Director General of Police relating to Manpower Management of the department indicated that as against sanctioned strength and men on roll, as of 31 March 1998 as detailed in Appendix – VII there was an overall shortage in all categories of staff by 24 per cent. The reasons for shortage of man power against sanctioned strength was attributed by the department to:-

- Financial crunch/restrictions imposed by the State Government.
- Non-filling of vacancies created due to retirement etc.

The department had no norms of its own for manpower for Police Stations (PS) and as stated by them the Assam patterns are being followed. Though there was overall shortage of manpower while there was excess engagement of police personnel in the Police Stations . Against the total requirement of 442 personnel for 34 Police Stations, as per the inherited norm, the department deployed 764 personnel covering all cadres*.

In spite of crime remaining more or less static (ranging between 2111 to 2349 cases) during the period mentioned above the excess staff was continued resulting in extra expenditure of Rs. 4.52 crore on engagement of 322 personnel in excess of norm.

The matter was referred to Government (October 1998) ; reply had not been received (December 1998).

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*Inspector, Sub-Inspector, Assistant Sub-Inspector, Head Constable and Constable.

3.9 Raising of 3rd Police Battalion/Indian Reserve Battalion with inadequate strength

Locking up of funds of Rs. 1.68 crore on vehicles due to raising of battalion with inadequate strength.

The Government of India, Ministry of Home Affairs, conveyed (February 1996) sanction for raising one Indian Reserve Battalion (3 MLP Battalion) by the Government of Meghalaya at a cost of Rs.6.60 crore to be reimbursed by the Government of India as 50 **per cent** grant and 50 **per cent** of interest free loan.

The strength of the force as approved by the Government of India was 963 covering all cadres. The Battalion had been functioning in a rented house at Jowai with a skeleton strength of 102, since April 1997. The Department is yet to acquire land required for the Battalion. Although the Department had so far incurred a total expenditure of Rs.3.20 crore for the battalion till the date of audit, the battalion was yet to become full-fledged one. The department stated that the existing force is being deployed in small pockets in trouble prone areas and for security duty. Non-creation of full fledged battalion deprived the Police Machinery of the State of additional manpower to meet its mandated goals to the desired effect.

Although the 3 MLP Battalion was yet to start functioning in its own complex with required number of personnel, the Department had incurred (March 1997) a total expenditure of Rs.1.91 crore on purchase of different types of vehicle, much in advance of actual requirement. Small vehicles, like Jeep, car and Motor cycle worth Rs.23.18 lakh were issued to the officers of different branches of Police Department during the period from June to August 1997 for use and big vehicles like Bus, Trucks and Ambulance worth Rs.1.68 crore were lying idle in the central workshop, Shillong since the date of receipt (between March 1997 and February 1998). Out of the 5 Jeeps allotted to the Battalion, 4 Jeeps have been detained at Shillong for use by Officers of different branches of Police Department since June and August 1997. Purchase of vehicles worth Rs.1.68 crore in advance of raising of the battalion with required manpower was injudicious and resulted in locking of funds.

The matter was referred to Government (October 1998); their reply had not been received (December 1998).

INDUSTRIES DEPARTMENT

3.10 Unproductive expenditure on Industrial sheds

Rupees 64.65 lakh spent on the establishment of Industrial estates proved unproductive as no industries were set up in these estates even after five years of their establishment.*

(a) The Industries Department acquired 8.03 hectares of land at Tura in 1983 and paid off compensation of Rs.2.47 lakh between March 1983 and December 1986 for setting up of industrial estate. The department constructed 5 industrial sheds (2 units in each shed) in three phases (1987 to 1990 : Rs.12.18 lakh, 1991-92 : Rs.4.49 lakh and 1991 to 1994 : Rs.7.86 lakh) at a total cost of Rs.24.53 lakh besides Rs.13.95 lakh on construction of approach road, Chowkidar's quarter, compound fencing, water supply etc. 7 out of 10 units constructed were allotted to local entrepreneurs during the period from March 1991 to March 1994 but as no one turned up to execute the lease agreement, all the sheds were lying vacant (October 1997). Non allotment of sheds was attributed by the Department to poor response of the local entrepreneurs.

Thus, action on the part of the department to undertake construction of industrial estate at Tura in different phases without prior assessment of their demands among the local entrepreneurs resulted in unproductive expenditure of Rs.40.95 lakh as the objectives had not been achieved.

Government stated (July 1998) that the State would continue to remain industrially backward if such a minimum step for promoting industry was not taken. However, the fact remains that the expenditure proved unproductive as no industries were set up even after decades of establishment of the estate.

(b) For setting up of an Industrial Estate at Williamnagar over an area of 51.38 acres of allotted land, the Industries Department spent Rs.11.94 lakh during 1991-92 on the construction of Compound wall (Rs.4.21 lakh), Chowkidar's quarter (Rs.0.76 lakh), internal roads (Rs.1.43 lakh), service connection (Rs.1.55 lakh) and 2

* Rs.(2.47 + 24.53 +13.95 + 11.94 + 11.76) lakh = Rs. 64.65 lakh.

industrial sheds (Rs.3.99 lakh). A further expenditure of Rs.15.76 lakh was incurred by the department during 1993-94 on the construction of 2 more sheds (Rs.4.00 lakh) and other items, viz, water supply, internal roads, sanitary latrine and internal electrification (Rs.11.76 lakh). The objective of the establishment of the Industrial Estate was to provide built up accommodation and infrastructure facilities like road communication, water and power supply to local entrepreneurs who were interested in setting up industrial units.

Of the four sheds meant for entrepreneurs, none were allotted and 2 sheds were allotted to ITI which was not intended in the sanction. The remaining 2 sheds were lying vacant.

Thus, the expenditure of Rs.23.70* lakh incurred in this estate proved unproductive.

Government stated (July 1998) that establishment of the industrial estate was based on a feasibility report of a consultancy organisation commissioned by the Department during 1989-90 and action was taken to advertise for availability of sheds but no response was received from any quarter. The reply of Government is not tenable as response should have been ascertained before taking up the construction works.

3.11 Payment of transport subsidy without confirming the veracity of the claim

Payment of transport subsidy of Rs.16.71 lakh was irregular in the absence of tax clearance certificate for export of finished goods.

Under the Transport Subsidy Scheme 1971 (Scheme), Industrial Units (IUs) engaged in manufacturing activities are eligible for subsidy on transportation of raw materials/finished products to and from the State(s) at prescribed rates. The scheme empowered the State Level Committee (SLC) to call for production of any document from the IUs which in their opinion is necessary to decide the eligibility of the claimants for transport subsidy (TS). The scheme also empowered the Industries Department to draw up the procedures and to make arrangements for scrutinising the claims and check any misuse of TS. Further, under the provision of Section 6 of the

*Excluding the cost of 2 sheds allotted to ITI.

Central Sales Tax Act, 1956 every dealer shall be liable to pay tax on sales of goods other than electric energy effected by him incourse of inter-State trade and commerce. Thus, for export of finished goods outside the State, the IU is liable to pay taxes to the Taxation Department. But prior to request (April 1995) from the Taxation Department no condition was laid down by the Industries Department or by the SLC for production of tax clearance certificate by the IU along with other documents in support of the claim for TS.

Test check (October-November 1997) of the records of the Director of Industries, Meghalaya, Shillong revealed that three IUs dealing with lime exported 36,081 Qtls of finished products outside North Eastern Region during 1993-94 and were paid (July 1995) TS amounting to Rs.16.71 lakh as sanctioned (March 1995) by the SLC. On enquiry (November 1997) by Audit it was confirmed (December 1997) by the State Taxation Department that these three dealers were not registered under their respective circles for the purpose of inter-State trade and commerce.

Veracity of TS claims by the 3 IUs, which were not registered for inter-State trading according to provisions of taxation laws could not be confirmed in Audit. Due to lack of Co-ordination between the Taxation and the Industries Departments the latter entertained doubtful claim of Rs.16.71 lakh.

Government stated (September 1998) that the production of tax clearance certificate was not in vogue when the transport subsidy of the 3 units were paid. However, the Department did not confirm that tax was actually paid by these 3 units to satisfy about the veracity of the TS claim.

INFORMATION AND PUBLIC RELATIONS DEPARTMENT

3.12 Wasteful expenditure and locking up of funds

There was a wasteful expenditure of Rs.1.50 lakh and locking up of funds of Rs.28.50 lakh due to improper planning and failure to take timely decision by the Government on the matter.

The Public Works Department placed Rs.30 lakh with the Meghalaya Government Construction Corporation (MGCC) during 1990-92 (Rs.10 lakh in March 1991; Rs.20 lakh in March 1992) for construction of office building of the Directorate of Information and Public Relation (DIPR) at Shillong sanctioned (March 1991) by Government at an estimated cost of Rs.47.25 lakh.

Scrutiny (August 1997) of records of the DIPR revealed that the MGCC incurred an expenditure of Rs.1.50 lakh (September 1993) in connection with structural consultation charges for design and drawing of the building. Thereafter no expenditure was incurred against the work as of August 1997 due to delay in sanctioning the revised estimate submitted by MGCC in August 1994.

On re-examining the proposal for construction of the building, Government in General Administration Department decided (August 1996) that no separate building for DIPR was required to be constructed as the same could be accommodated in the third Secretariat building. The amounts (Rs.30.00 lakh) already paid to MGCC was to be placed at the disposal of PWD for utilisation in construction of third Secretariat building Phase II and III, but the same had not been refunded by the MGCC (June 1998).

Thus, besides wasteful expenditure of Rs.1.50 lakh Government funds (Rs.28.50 lakh) was locked up with MGCC for more than 6 years.

The matter was reported to the Government/Department in October 1997; their reply had not been received (December 1998).

REVENUE DEPARTMENT

3.13 Calamity Relief Fund and National Fund for Calamity Relief

3.13.1 Introduction

The Calamity Relief Fund (CRF) for each State was introduced on 25 January, 1991 on the recommendation of the Ninth Finance Commission for meeting expenditure on relief measures in the wake of natural calamity such as drought, flood, cyclone, fire, etc. The scheme was initially for the period upto 1994-95 and was extended upto March 2000 as per recommendations of the Tenth Finance Commission. The annual contributions to CRF are required to be made by the Centre and the concerned States in the ratio of 75:25. The accretion to CRF is to be invested in Government of India security (15 **per cent**), 182 days, Treasury bills (25 **per cent**), State Government securities (10 per cent), Public Sector Bonds (10 per cent), Public Sector Bank deposit (25 per cent) and State Co-operative Bank (15 per cent). At the end of 1999-2000 unspent balances in the fund together with interest earned on investment was to be made available to the State Government for being used as resource for the next plan. A State Level Committee (SLC) headed by the Chief Secretary of the State was constituted in June 1991 to decide on all matters connected with the financing of relief expenditure on calamities and to oversee that the money is spent for the purpose.

In addition to the CRF, a National Fund for Calamity Relief (NFCR) has also been constituted with corpus of Rs.700.00 crore for the period 1995-2000 by the Government of India, Ministry of Agriculture, for dealing with the calamities of rare severity. Contributions to NFCR are also to be made by the Central and State Governments in the same proportion of 75:25. The State Government share was Rs.24.00 lakh for 1995-96 and Rs.8 lakh each year for 1996-97 to 1999-2000. The NFCR is managed by a National Calamity Relief Committee, which is a sub-committee of the National Development Council.

3.13.2 Organisational set-up

The Revenue Department of the Government of Meghalaya is the nodal Department for implementation of the Scheme. The Department is also responsible for maintenance of the detailed account of the receipt and expenditure of CRF. At the district level, the scheme is implemented by the Deputy Commissioners (DCs) of seven districts. The DCs are responsible for proper identification of victims affected by natural calamities and to submit proposal for sanction of expenditure by the SLCs. They are also responsible for timely submission of utilisation certificates accompanied with statement of accounts supported by actual payees receipts in respect of the fund received by them from the CRF.

3.13.3 Audit Coverage

Mention was made in the Report of the Comptroller and Auditor General of India 1996-97 - Government of Meghalaya regarding non-transfer of money to CRF although money was withdrawn from the consolidated fund for transfer to CRF.

The implementation of the Calamity Relief Fund during the period 1992-93 to 1997-98 was reviewed by audit during March 1998 to May 1998 and October 1998 by test-check of records in the Revenue Department and in 4 selected DCs. (East Khasi Hills, West Khasi Hills, Garo Hills and West Garo Hills). Important points noticed during test-check are given in the succeeding paragraphs.

3.13.4 Highlights

- **Contrary to the provision of the scheme stipulated by the Government of India Rs.10.88 crore being the contribution to the CRF was kept in a current account.**

{Paragraph 3.13.5 (a)(i)}

- **Contribution to the CRF kept under Government account was not invested, though as per scheme it was to be invested in approved securities.**

{Paragraph 3.13.5.(a)(ii)}

- **In respect of Rs.3.83 crore released to 9 implementing officers during 1992-93 to 1997-98 utilisation certificates accompanied by accounts with actual Payees receipts were neither received by Revenue Department nor the matter pursued.**

{Paragraph 3.13.5(a)(iv)}

- **350 families affected by cyclone in 1994 were not provided with CGI sheet despite release of sufficient fund.**

{Paragraph 3.13.5(a)(v)}

- **Out of the Central Assistance of Rs.10 crore received from NFCR for repairs/restoration of damages caused by national calamity, utilisation certificates for Rs.7.98 crore were not submitted to Revenue Department by executing departments and the departmental figures of Rs. 9.72 crore was not reconciled with the figures of Rs. 7.98 crore booked in accounts.**

{Paragraph 3.13.5 (b)}

3.13.5 Financial outlay and expenditure

3.13.5(a) Calamity Relief Fund (CRF)

(i) Contribution to the CRF kept outside Government Account

Contrary to the provision of the scheme formulated by Central Government, Rs.10.88 crore being the contribution to CRF was kept in a current account.

According to Central Government guidelines for constitution and administration of CRF all receipts and contributions to the fund are to be made from the general revenue of the State by debit against budget of the State under major head "2245 Relief on Account of Natural Calamities - 05. Calamity Relief Fund - 101 - Transfer to Reserve Fund and Deposit Account - Calamity Relief fund" and should be transferred and credited to the major head "8235 - General and other Reserve Fund - 111. Calamity Relief fund " wherefrom all expenditure on relief measures are to be met.

Details of actual contribution to the fund by Centre and State against the budget provision under the service head, amount actually transferred and credited to the current account/Government account, expenditure/investment actually made out of CRF upto 1997-98 since creation of the fund as maintained by the Revenue Department are given in the Appendix - VIII.

Although Rs.18.38 crore was withdrawn from the consolidated funds during 1990-91 to 1997-98 debiting the service head 2245 - Relief on natural calamities-101 transfer of fund to CRF, Rs.5.04 crore was credited to the Fund (8235 - General and other Reserve Fund), Rs.10.88 crore was transferred to the current account in SBI and Rs.2.46 crore was spent directly without transferring to Reserve Fund under Government account. Retention of contribution of Rs.10.88 crore in the current account was clearly irregular in as much as the amount in question remained outside the Government account. The State Government, however, at the instance of AG(A&E) deposited (April 1998) the entire unspent balance of Rs.8.83 crore lying in the current account to Government account.

At the instance of the Finance Department, the revenue department on two occasions withdrew amount from current account and credited Rs.9.80 crore

(Rs.4 crore in May 1994 and Rs.5.80 crore in April 1996) to the Government account under 8443 - Civil Deposit to tide over ways and means position of the State which was unauthorised and irregular.

(ii) Non investment of CRF lying in Government Account

Rs.5.04 crore being the contribution to the CRF and kept under Government account had not been invested depriving the CRF of the benefits that would have been accrued from such investment.

The accretion of contributions to CRF are to be invested in the approved securities. Although CRF ranging between Rs.2.09 crore and Rs.2.95 crore was available in the Government account during the period 1996-98, no investment was made. This was against the Government of India guidelines and also deprived the benefit to the fund out of such investment.

Government stated (September 1998) that time to time investment was made in SBI and Meghalaya Co-operative Apex Bank in term fixed deposit out of corpus of the fund available in the current account but due to technical difficulties it could not be invested in Treasury bills etc. The reply was not relevant as no investment out of the corpus of the fund kept under Government account was made.

(iii) The State Government withdrew Rs.20.20 lakh from CRF and donated to Chief Minister's Relief Fund of Andhra Pradesh (Rs.5.00 lakh in 1996-97), Maharastra (Rs.10.20 lakh in 1996-97) and Madhya Pradesh (Rs.5.00 lakh in 1997-98). There was no such provision for this purpose either in the State CRF rules or in the Central Government Guidelines.

(iv) Non-maintenance of account of expenditure on relief measures

Due to non-maintenance of accounts by the implementing agencies coupled with lack of monitoring by nodal department about the receipt of accounts of Rs.3.83 crore released to implementing agencies, no clear picture about effective utilisation of amount on the intended purpose being emerged indicating serious lapse in the administration of CRF.

During the period of review (1992-93 to 1997-98) neither the State Government nor the SLC had formulated any separate scale/norm of assistance in cash or kind to the victims affected by natural calamities. However, the Department had followed a scale of assistance under different relief programme formulated in July 1988, much before the operation of the CRF scheme.

According to the records of the Revenue Department, Rs.3.83 crore was released during 1992-93 to 1997-98 to 9 implementing officers to defray relief expenditure. However, utilisation certificates (UC) accompanied by statement of accounts along with actual payees receipts (APRs) was neither received by the Department from the implementing officers nor the submission thereof was pursued.

Test-check of the records of the selected implementing officers also showed that no separate subsidiary cash book had been maintained about the utilisation of the fund received to defray relief expenditure. As such, the impact of the disbursement of Rs.3.83 crore to the implementing agencies vis-a-vis numbers of beneficiaries targeted and covered under each category of calamity, amount actually utilised, whether or not the relief extended was as per the scale/norm etc. could not be ascertained in audit. The Department stated (October 1998) that accounts about the utilisation of fund released are being collected.

Test-check of records of the districts mentioned below confirmed that the UCs were not submitted to the nodal authority.

During the period from 1992-93 to 1995-96 the State Government sanctioned and released Rs.26.24 lakh to the DC, East Garo Hills, debiting the Current Account for providing relief to the victims of natural calamities in the district. The DC in turn disbursed the entire amount to the different Block Development Officers (BDO) and Additional Deputy Commissioners (ADC) for disbursement to the victims of calamities. It was, however, noticed that the DC had not collected the UCs and Actual Payees Receipts (APRs) from the concerned BDOs/ADCs and the same submitted to the Revenue Department.

(v) Relief not provided to the victims of calamities despite availability of funds

350 families affected by cyclone in 1994 were not provided with the CGI sheets till date (October 1998) despite timely release of sufficient fund to the Director of Housing for procurement of CGI sheets.

An amount of Rs.1.39 crore from the current account was placed at the disposal of the Director of Housing, Meghalaya for the purpose of procuring and supply of 439.41 tonnes of CGI sheets to the DC, West Garo Hills for distribution to 1457 families affected by severe cyclone in April 1994. Against the requirement of 439.41 tonnes of CGI sheets, assessed by the DC, West Garo Hills, the Director of Housing supplied 334.41 tonnes of CGI sheets which were distributed to 1107 affected families during June 1994 to September 1995. The balance quantity of 105.00 tonnes of CGI sheets had not been supplied. As a result, assistance to 350 affected families were not provided despite availability of sufficient fund. Reasons for non-distribution of CGI sheets to 350 families had not been furnished.

(b) National Fund for Calamity Relief

During 1996-98, the State had contributed its prescribed share of Rs.40 lakh to NFCR. The Government of India released (August 1996) financial assistance of Rs.10 crore out of NFCR to the State Government for providing relief measures in the affected areas consequent on calamity caused by heavy rain, cyclone and flood in 1995 against the memorandum submitted (September 1995) by the State Government seeking financial assistance of Rs.41.19 crore for restoration of damages (under PWD : Rs.21 crore, PHE : Rs.2.22 crore, Agriculture : Rs.17.57 crore and Soil Conservation : Rs.0.40 crore). The assistance of Rs.10 crore was provided on the basis of recommendations made by an Inter-Ministerial Central Team after spot visit. The following irregularities were noticed in respect of this fund.

Non-reconciliation of expenditure figures

The department had not reconciled the discrepancy of Rs. 1.74 crore between the figures booked in accounts and the departmental figures.

Although according to the figures furnished by the 4* implementing Departments indicated that Rs.9.72 crore(**) was spent against the sanctions upto 1996-97, the accounts of the State revealed that expenditure to the extent of Rs.7.98 crore was booked under repairs and restoration of damages against the sanctions upto 1996-97, the accounts of the State revealed an expenditure of Rs. 7.98 crore leaving an unreconciled balance of Rs1.74 crore (Rs. 9.72 crore – Rs. 7.98 crore). The discrepancy between the two sets of expenditure figures had not been reconciled by the Department. The spending department had not submitted the UC to the Revenue Department.

SOCIAL WELFARE DEPARTMENT

3.14 Locking up of funds and idle investment in the construction of Special and Juvenile Home

Rs.12.80 lakh was locked up with Meghalaya Government Construction Corporation as there was no progress in the construction for establishment of Juvenile Homes.

The Director, Social Welfare Department took possession (May 1990) of 12.75 acres of land purchased (May 1990) from Meghalaya State Electricity Board at Umsaw village at a cost of Rs.6.00 lakh against Government sanction (March 1990) for the purpose of 'Construction of buildings for establishment of Special Home and Juvenile Homes'.

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* Department	Amount sanctioned (Rupees in lakh)	Actual expenditure(**) (as per deptt. figure)
Public Works	600.00	571.56
Public Health Engineering	162.00	161.95
Agriculture	150.00	149.99
Soil Conservation.	40.43	40.43
Revenue	—	47.57
	Total : Rs.952.43	Rs.971.50

The Meghalaya Government Construction Corporation (MGCC) submitted (February 1990) an estimate of Rs.39.52 lakh. The work was administratively approved (March 1990) and was awarded (April 1990) to MGCC. An advance of Rs.10.00 lakh sanctioned (March 1990) by Government for construction of building for Probation Hostels and Reformatory schools was released (March 1990) to MGCC without specifying the period for completion of the work.

Scrutiny (July 1997) of records of the Director, Social Welfare Department revealed that the MGCC intimated (October 1990) their inability to carry out contour survey and erection of boundary pillars due to objection raised (October 1990) by Village Durbar demanding employment for contract work for the villagers of that locality and use of the foot path passing through the land by the villagers. But, the department without ascertaining the progress of the work, released (February 1991) a further advance of Rs.2.80 lakh. The reported inability of the MGCC to go ahead with the work in April 1997 was contrary to the departmental note indicating that the problems of the villagers had been settled in the meeting held by the Minister Social Welfare in December 1992 followed by the meeting held in December 1994 by the Deputy Commissioner, Ri-bhoi District with the village headman. No action was taken by the Department either to retrieve the amount nor taken any steps to get the work executed for which moneys were advanced to MGCC.

Thus, the payment of advances to MGCC against estimate without having any progress in the work led to locking up of funds of Rs.12.80 lakh excluding Rs.6.00 lakh invested on purchase of land.

The matter was reported to Government/ Department in September 1997; their reply had not been received (December 1998).

TOURISM DEPARTMENT

3.15 Idle investment on lodges/restaurant

Lodges/restaurant constructed at a cost of Rs.1.29 crore for augmentation of tourism in the State remained unutilised for 3 to 8 years rendering the expenditure unproductive.

Scrutiny (August 1997) of records of the Director of Tourism revealed that for augmentation of tourism, 5 Lodges/restaurant were constructed between 1989-90 and 1995-96 at a total cost of Rs.1.22 crore. Three of these buildings were also furnished at an additional cost of Rs.6.56 lakh. The facilities so created, however, remained unutilised even after 3 to 8 years of their completion. The Government's decision on the proposal (September 1991) to handover the facilities to the private parties for their management to avoid loss was awaited as of December 1998. This resulted in idle investment of Rs.1.29 crore for 3 to 8 years besides frustrating the purpose for which the facilities were created.

The matter was reported to Government/ Department in November 1997; their reply had not been received (December 1998).

GENERAL

INDUSTRY, SOIL CONSERVATION, SERICULTURE, WEAVING AND URBAN AFFAIRS DEPARTMENTS

3.16 Outstanding Inspection Reports

Audit observations on financial irregularities and defects in maintenance of initial accounts noticed during local audit and not settled on the spot are communicated to the Head of Offices and to the next higher departmental authorities through Inspection Reports (IRs). The more important irregularities are reported to the Heads of the Department and Government for remedial action.

A review of the Inspection Reports relating to 4 departments, viz. Industry, Soil Conservation, Sericulture and Weaving and Urban Affairs Departments revealed that 286 paragraphs in 165 IRs issued from 1985-86 to 1997-98 remained outstanding at the end of June 1998. Department and category wise break up of outstanding IRs and paragraphs are given in Appendix - IX

Out of the 4 departments mentioned in Appendix - IX, one Audit Committee meeting was held in June 1998 in respect of Soil Conservation Department and 103 paragraphs were settled and 13 IRs were closed. No such meeting was held in respect of Industry, Sericulture and Weaving and Urban Affairs Department during 1997-98.

The matter was reported to the Government in October 1998; reply had not been received (December 1998).

3.17 Mis-appropriation, losses, etc.

Sixty five cases of mis-appropriation, losses, etc. amounting to Rs. 46.03 lakh reported to audit by the departments till the end of March 1998 were pending as of June 1998. Year-wise and department wise analysis of the outstanding cases are given in Appendix:- X

In respect of 3 cases (one each relating to Land Revenue, Mining and Soil Conservation Department) involving Rs.19.31 lakh departmental and criminal action had not been started; two cases amounting to Rs.0.97 lakh were in the Court of Law (GAD. and Finance Department) and one of Home (Police) department with an amount of Rs.0.03 lakh awaiting orders for recovery/write off.

Of the eighteen cases of mis-appropriation, losses, etc. reported during 1997-98, seventeen cases involving Rs.1.70 lakh were theft cases of GI Pipes and other materials from different water supply schemes while one case was of theft of cash amounting Rs.1.76 lakh in the Office of the Divisional Soil Conservation Officer, Shillong on 1st November 1997.

CHAPTER IV

WORKS EXPENDITURE

Agriculture Department

4.1(i) Extra financial liability due to non-acceptance of lowest tender

Expenditure of Rs.19.58 lakh incurred on the minor irrigation project proved unproductive as the project due for completion in November 1994 remained incomplete although ignoring the lowest tender the project was awarded with an extra liability of Rs.6.44 lakh to a contractor who was also extended undue financial benefit of Rs.3.22 lakh by not levying penalty for delay in completion of project.

The Executive Engineer (EE), West Garo Hills Irrigation Division, Tura invited (February 1993) tenders for the work "Construction of Head Work of Bamundanga Minor Irrigation Project" at an estimated cost of Rs.32.22 lakh based on Schedule of Rates (SOR) 1989-90. In response, 14 tenders were received (March 1993), of which 1 tender was rejected by the EE for not being authentic. Out of the remaining 13 tenders, 7 tenderers quoted their rates varying from 15 to 23 **per cent** above the SOR 1989-90 and 6 tenderers quoted their rates at par with SOR rates (1989-90). However, in April 1993, the EE directed all these 13 contractors to justify the reasonableness of their quoted rates. In reply, 6 contractors (who quoted their rates at par with SOR 1989-90) furnished (April 1993) necessary justification about the workability of their rates. Nevertheless, the EE allotted (November 1993) the work to the 5th lowest tenderer for Rs.38.66 lakh (at 20 **per cent** above the SOR rates 1989-90) ignoring the justification of rates furnished by the other lowest tenderers. Reasons for non-acceptance of lowest tender were, however, not on record nor stated by the division.

Thus, owing to non-acceptance of lowest tender, the department had to incur an extra liability of Rs.6.44 lakh (Rs.38.66 - Rs.32.22) based on tendered value.

(ii) Loss due to non-imposition of penalty on contractor for delay in completion of work

It was also seen in audit (March 1998) that for the aforesaid work, the department entered into an agreement with the contractor in November 1993 with stipulation to complete the work by November 1994, failing which, the contractor would be liable to pay as compensation an amount equal to 1 **per cent** for each day of delay subject to a maximum limit of 10 **per cent** of the total value of work (Rs.32.22 lakh) put to tender.

The contractor took up the work in November 1993 and as of March 1997, only 50 **per cent** of the work was completed and a payment of Rs.19.68 lakh was released to the contractor in March 1997. Thereafter, the contractor stopped the work. Although in January 1998, the Superintending Engineer, Garo Hills circle, Tura reminded the contractor to resume and complete the balance work immediately, the contractor had not taken up the balance work nor was any extension of time sought for till March 1998. Despite this, no penal action was taken to rescind the contract and to get the balance work done at the risk and cost of the contractor as per the agreement. Reasons for not invoking these penal provisions were not on record nor stated.

Thus, the failure on the part of the department to impose penalty on the contractor resulted in loss to Government to the tune of Rs.3.22 lakh (10 **per cent** on Rs.32.22 lakh), besides the expenditure of Rs.19.68 lakh incurred on the scheme proved unproductive.

The matter was referred to the Government in June 1998, reply had not been received (December 1998).

PUBLIC WORKS DEPARTMENT

4.2 Improvement of Umshning-Jagi (UJ) Road

4.2.1 Introduction

Unlike other States, roads are the only means of communication in Meghalaya, and their development is essential for socio-economic development of the State.

Based on the recommendation (May 1986) of the interministerial working group, improvement of Umshning-Jagi (UJ) Road having a total road length of 83 km (Meghalaya : 80 km; Assam : 03 km) was included in the Seventh Five Year Plan (1985-90) of the North Eastern Council (NEC). The road being the main feeder road connecting East Khasi Hills in Meghalaya with that of Central Assam, the work envisaged improvement of the entire road length (83 km) to the standard of other

District Roads (ODR) having a black topped carriage way of 3.75 metres with total formation width of 5.75 metres under six components mentioned in the footnote*. The work was to be financed by the NEC with 90 **per cent** grant and 10 **per cent** loan to the State. The execution and overall supervision for the portion of the road (80 km) in Meghalaya is vested with Meghalaya Public Works Department (PWD) for which agency charges at the rate of 7.5 **per cent** of the total cost of the work were to be borne by NEC.

4.2.2 Organisational set-up

The Chief Engineer (CE), PWD (Roads) is responsible for overall supervision of the work, and is assisted by the Superintending Engineer (SE), Eastern Circle, PWD (R&B) Shillong. The Execution of the work is entrusted to the Executive Engineer (EE), PWD (R&B), Shillong North Division, Nongpoh.

4.2.3 Audit Coverage

During the course of review (April - May 1998), records for the period from November 1989 to March 1998 pertaining to the E.E., Shillong North Division, Nongpoh; CE, PWD (Roads) and SE, PWD, Eastern Circle, Shillong were test checked and points noticed in Audit are given in the succeeding paragraphs.

4.2.4 Highlights

- **Against the estimated cost of Rs.14.43 crore, the department had spent Rs.17.11 crore as of March 1998 and the excess of Rs. 2.68 crore had not been got regularised.**

(Paragraph 4.2.5)

- **Fund of Rs.8.63 lakh meant for quality control was diverted to other components of the scheme. Besides, an expenditure of Rs.4.20 lakh not related to the scheme was charged to the scheme.**

(Paragraph 4.2.5.1)

- **Although works on the scheme commenced as early as January 1987, 3 (three) out of the 6 components remained incomplete as of March 1998 and no target was fixed for completion. The delay in respect of completed**

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* Formation, cutting and widening, sub-soil investigation of bridges, metalling and black topping, RCC slab culverts, RCC bridges and Hume pipe culverts.

components ranged from 4 to 36 months resulted in cost overrun of Rs.1.23 crore as of March 1998.

(Paragraph 4.2.6)

- **The department made excess payment of Rs.11.55 lakh to contractor as the prescribed deduction for void for metals collected was not made in the quantity for payment.**

(Paragraph 4.2.7.2)

- **Non levy of penalty to contractors for delayed execution of works resulted in loss to Government to the extent of Rs.11.56 lakh.**

(Paragraph 4.2.7.4)

- **There was extra expenditure of (i) Rs.12.63 lakh due to irregular classification of strata soil (ii) Rs.5.29 lakh owing to excess utilisation of materials.**

(Paragraphs 4.2.7.1 & 4.2.7.3)

4.2.5 Financial performance

The expenditure of Rs.2.68 crore in excess of estimated cost had not been regularised.

The funds were to be released by the NEC on the basis of detailed estimates submitted by the State Government. Against the release of Rs.15.55 crore by NEC with reference to the estimated cost of work of Rs.14.43 crore (19 estimates) the actual expenditure during 1989-90 to 1997-98 was Rs.15.33 crore. Besides, the State Government out of its own fund spent Rs.1.78 crore during the said period on repair and maintenance of this work.

Thus, there was excess expenditure of Rs.2.68 crore as of March 1998 against the estimated cost which had not been regularised by preparation of revised estimate even though 3 components of the works are still to be completed.

4.2.5.1 Diversion of funds

Rs.8.63 lakh meant for quality control was diverted to other components of works. Further Rs.4.20 lakh was spent on works not relating to this road work.

(A) The sanctioned estimate of certain works included provision for incurring expenditure on quality control to ensure conformity of the work executed/materials used to the specification in the agreements. Out of Rs.14.43 crore sanctioned on 19 estimates upto March 1997, Rs.8.63 lakh being 1 per cent of estimated construction cost of 13 works was meant to be incurred on quality control. Although Rs.15.33 crore was spent on the project, no expenditure was incurred towards quality control. Thus, apart from diverting funds meant for quality control to other components of the work, execution of works without quality control was fraught with risk of not conforming to the specification provided.

(B) Between October 1991 and September 1996, the division spent Rs.4.20 lakh towards execution of the works (i) Extension of sub-divisional office building (Rs.1.16 lakh); (ii) construction of compound wall around St.Vanie High School (Rs.2.17 lakh) and (iii) Metalling and Blacktopping of an approach road to St. Vanie High School (Rs.0.87 lakh) and charged irregularly the expenditure to the NEC funded Road.

Thus, the expenditure of Rs.4.20 lakh not related to the scheme had led to the diversion of fund to that extent.

4.2.6 Physical target and achievement

3 out of 6 components of the scheme remained incomplete even after 8 years of the commencement of the scheme and over spending by Rs. 2.68 crore.

Project report for the work as a whole with target date for its completion had neither been demanded by NEC nor got prepared and sanctioned by the Chief Engineer. The Scheme was taken up on the basis of 19 different estimates sanctioned between 1986 and 1997. With reference to these sanctioned esrtimates and status of physical execution of work, it was noticed that of the 6 components mentioned in the introductory paragraph the components such as metalling and black topping (72 km out of 80 km covered), sub-soil investigation (2 out of 4 bridges) and RCC culverts (10 completed out of 12) remained to be completed. But the expenditure had already exceeded by Rs.2.68 crore due to time overrun. Of which Rs. 1.23 crore related to completed components. This was attributed mainly to delay in completion of works by contractors as detailed in Appendix - XI.

4.2.7.1 Extra expenditure due to change in classification of soil

There was undue financial aid of Rs.12.63 lakh to a contractor as rate for excavation of hard shale using blasting material was allowed for excavation of soft rock without blasting.

As per standard norms adopted by the State Public Works Department after detail analysis, 2.25 kg. of Gelatine (0.75 kg. for hard shale and 1.50 kg. for very hard shale) on an average is required for excavation of 10 cu.m. of hard or very hard shale. Test check of records (April-May 1998), however, revealed that between March 1993 and September 1994, the division while executing earth work in excavation in reaches between 34 - 43 km. had excavated 1,78,513 cu.m. of both hard and very hard shale (Hard shale : 32,948 cu.m.; Very hard shale : 1,45,565 cu.m @ Rs. 20 per cu.m..) against 62.066 cu.m. (Hard shale: 44,616 cu.m.; Very hard shale: 17,450 cu.m. of Rs. 25.50 per cu.m.) as provided for in the sanctioned estimate by utilising only 2,702 kg. of Gelatine while the actual requirement was 24,306 kg. All the payments to the contractors were released on the basis of quantum of works recorded in the Measurement Books by the Section Officers without any test check (10 **per cent** of the recorded measurement) being conducted by the EE at sites. Since with the use of 2,702 kg. of Gelatin, the contractors could at best excavate 18,013 cu.m. of very hard shale (10x2702) ÷ 1.50, the underutilisation of 21,604 kg. of Gelatine indicated that though lower classes of soil viz., soft or laminated rock carrying lower rates were excavated without blasting materials but payments were made to the contractors by changing the classification to higher side (hard and very hard shale) involving blasting materials.

Thus, due to wrong classification of soil, the department incurred an extra expenditure of Rs.12.63 lakh computed on the basis of rates applicable for soft or laminated rock (Rs. 16.50 per cu.m.).

4.2.7.2 Excess payment due to non-deduction of void

The division made excess payment of Rs.11.55 lakh to contractor due to non-deduction of quantity for void while recording stack measurements of metals.

According to the norms prescribed by the Indian Road Congress and as adopted by the State Public Works Department in their Schedule of Rates (SOR), Roads and Bridges, payment for stone metals procured is to be made for quantities supplied after deduction for void varying from 5 to 10 per cent depending on the size of the metals from stack measurement.

Between October 1991 and December 1997, the division procured 48,060.41 cu.m of stone metals of different sizes at a cost of Rs.1.62 crore against UJ Road (9-73 km.) and took measurement on stacked metal (on the basis of length, breadth and height of stack metal) without deducting the prescribed percentage for void. This had resulted in excess payment for Rs.11.55 lakh. Reasons for non-deduction of void were, however, neither on records produced to audit nor responsibility fixed for the omission (June 1998).

4.2.7.3 Extra expenditure due to excess utilisation of materials

There was extra expenditure of Rs.5.29 lakh due to excess utilisation of screening metals over the prescribed norms for road works.

According to the norm adopted by the State Public Works Department, the requirement of screening metals (12 mm size) for the road work in Water Bound Macadam (WBM) base course was 0.18 cu.m. per 10 square meter.

It was, however, noticed that for improvement of UJ Road in reach 25 to 33 km, the division executed (between March 1990 and August 1991) 37219.90 sq.meters of WBM base course through contractors by utilising 3982.25 cu.m of screening metals (12mm size) against the actual requirement of 669.94 cu.m as per norm. The excess utilisation of 3312.31 cum (3982.25 cu.m - 669.94 cu.m) of screening metals had thus resulted in extra expenditure of Rs.5.29* lakh computed on the basis of procurement rates varying from Rs.131 to Rs.191 per cu.m. Reasons for such excess utilisation of screening metals over the prescribed norm were, however, not on records nor stated (June 1998).

4.2.7.4 Loss due to non-imposition of penalty

Loss of Rs.11.56 lakh to the Government due to non-imposition of penalty for delayed execution of work.

Test check of records revealed (April-May 1998) that the work of metalling and blacktopping in reaches 54 to 80 km was awarded to 55 contractors between February 1994 and January 1996 at a tendered cost of Rs.2.54 crore with the stipulation to complete the works between December 1994 and November 1996. While 28 contractors completed the work within the stipulated date, the remaining 27 contractors, however, had completed the work between January 1996 and March 1997 after a delay ranging from 4 to 15 months. Extension of time for completion of work by 27 contractors was not granted nor sought for in any of the cases. The agreements with the contractors stipulated imposition of penalty at the rate of one **per cent** of tender value for everyday's delay in completion of works subject to a maximum of 10 **per cent** of tender value in the event of their failure to adhere to the time schedule. But no penalty was imposed upon the defaulting contractors for their failure to complete the works within the time schedule stipulated in the agreements. This had resulted in loss to the Government to the tune of Rs.11.56 lakh (10 **per cent** of the total tender value of Rs.115.57 lakh). The reasons for non imposition of penalty were neither available on record produced to audit nor stated (June 1998).

4.2.8 Expenditure on repairs and maintenance during construction

In addition to incurring of expenditure on repair and maintenance during construction provided under NEC scheme the State Government incurred Rs.1.22 crore on maintenance and repairs which was not only avoidable but was on very high side.

The improvement of Umshning-Jagi Road funded by the NEC envisaged widening of the road by formation cutting, metalling and black topping etc.

*3312.31 cu.m @ varing rates from Rs.131 to Rs.191 per cu.m.

of the entire road length (80 km). The work has been going on since March 1990 and an expenditure of Rs.15.33 crore had been incurred till March 1998. Besides, there was an additional expenditure of Rs.1.78 crore out of State fund on repairing and maintenance of the road concurrently with the execution of original work. Such expenditure was, however, made without any provision of fund for the purpose by debiting the expenditure to the Major head 3054-Roads and bridges-Non-plan. Out of Rs.1.78 crore, Rs.1.22 crore was on account of annual repairs and maintenance.

It was observed that out of the 19 estimates sanctioned by NEC, 03* estimates included a total provision of Rs.1.41 lakh for maintenance during construction. An expenditure of Rs.2.63 lakh (on an average Rs.0.11 lakh per km for 25 km) was accordingly incurred against those 03 estimates. Further, on annual repairs amounting to Rs.1.22 crore (on an average of Rs.1.53 lakh per km) was incurred by the department for the entire length since inception of the original work as detailed in Appendix-XII.

The department had not furnished reasons for incurring expenditure from State fund on maintenance and repairs when improvement work was in progress out of NEC fund and in certain length provision for maintenance and repairs was included in their estimates. It was further seen that against the average maintenance expenditure of Rs.0.11 lakh per km incurred under NEC scheme the State Government spent Rs.1.53 lakh per km for maintenance. The expenditure on maintenance was not only avoidable and was also on very higher side.

4.2.9 Monitoring and evaluation

A cell is functioning in the office of the Chief Engineer for monitoring the NEC funded schemes. Although progress reports/returns submitted by the division are being accepted and received the progress of the Project as a whole had not been assessed to ascertain the requirement of funds for balance portion of work nor a target fixed for completion of the work under the scheme.

4.2.10 Above points were referred to Government (July 1998); their reply had not been received (December 1998).

* Estimates for 9 to 19 km; 20 to 24 km and 25 to 33 km.

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.3 Unproductive expenditure on a water supply scheme

Rs.38.74 lakh spent on a water supply scheme proved unproductive since water supply could not be provided.

'Raliang Water Supply Scheme' with electrically operated pump and motor for providing drinking water to 3 villages in Jaintia Hills sanctioned by the Government in March 1989 was to be completed by March 1993 through a contractor at a cost of Rs.41.51 lakh .

Test check (May 1997) of the records of the Jowai PHE Division revealed that despite an expenditure of Rs.38.74 lakh incurred upto March 1998 the scheme had not been commissioned till April 1998 due to frequent cases of theft of installed materials from the project. First case of theft of pumps and motors (Rs.0.95 lakh) installed in Pump House occurred in December 1992 and the value thereof was ultimately written off (April 1997) by the Government as the Police failed to recover the materials. Fresh pumps and motors were not purchased to commission the project, Galvanised Iron (GI) pipes from pumping main and distribution system was stolen in December 1996 and the case was still under Police investigation (April 1998).

Government accorded (April 1997) sanction to write off the value of stolen pumps and motors subject to making appropriate arrangement for safe custody of materials.

The expenditure of Rs.38.74 lakh incurred on the water supply scheme proved unproductive, as the department had not taken action to protect the departmental materials and intended supply of drinking water could not be extended to the Villagers.

The matter was reported to the Government in July 1997; reply had not been received (December 1998).

4.4 Unproductive expenditure on non-functional water supply schemes

Expenditure of Rs.72.11 lakh proved unproductive as the water supply scheme remained non-functional for the period ranging from 3 to 8 years due to frequent stealing of GI pipes.

Scrutiny of the records of the Executive Engineer, PHE Hills Division revealed that between December 1989 and May 1997, 35 cases of theft of 12,175.50 metres of Galvanised Iron (GI) pipes of different sizes valued at Rs.10.54 lakh laid in 19 gravity pipe line water supply schemes completed between March 1986 and March 1995 were reported to the Police (December 1989 to May 1997) on the basis of information received from different sources. Out of 35 cases of theft reported, final Police reports of 12 cases (occurred between August 1992 and May 1997) involving theft of pipes worth Rs.3.52 lakh were received indicating that the Police could recover pipe worth Rs.0.01 lakh in one case while it failed to recover pipes valued at Rs.3.51 lakh. In respect of the remaining 23 cases final reports were awaited from Police (December 1997).

Stealing of laid pipes was a regular phenomena. But no effective measures were taken to strengthen the security arrangement to protect the Government properties which led to theft of GI pipes worth Rs.10.54 lakh.

Consequent upon stealing of GI pipes, 14 schemes completed between March 1986 and March 1995 at a capital cost of Rs.68.49 lakh, remained non-functional from various dates between December 1989 and April 1995 (Appendix-XIII) since the missing portion of the GI pipe was not replaced to restore water supply. In view of frequent theft of GI pipe, the Superintending Engineer, Rural Circle, instructed (August 1991) the EE to restore water supply by replacing the stolen portion of GI pipe with PVC/HDPE pipes. Although the division had incurred Rs.3.62 lakh on maintenance during 1995-96 to 1997-98 (December 1997) on 8 of the 14 non-functional schemes the pipes were not replaced and the schemes remained non-functional. Thus, maintenance expenditure of Rs.3.62 lakh proved to be infructuous.

Thus, the investment of Rs.72.11 lakh made on 14 water supply schemes proved unproductive since the schemes remained non-functional for periods ranging from 3 to 8 years, besides loss of Rs.10.58 lakh (Rs.10.59 lakh - Rs.0.01 lakh) being the value of GI Pipes stolen.

The matter was reported to the Government/ Department in April 1998; reply had not been received (December 1998).

CHAPTER V

STORES AND STOCK

PUBLIC HEALTH ENGINEERING DEPARTMENT

5.1 Locking up of fund due to stock material not being put to use

The stock holding of the division was Rs.23.74 lakh against the Reserve stock limit of Rs.10 lakh which was mainly due to procurement of material without any realistic assessment.

Test check (December 1997) of the records of the Executive Engineer, PHE Hills Division revealed that the Division held a stock of 163.131 tonnes of steel materials valued at Rs.22.63 lakh at the end of 1985-86. Between 1986 and 1989 the Division on the basis of supply order placed by the Chief Engineer, PHE procured 465.245 tonnes of steel materials valued at Rs.77.36 lakh for construction of PHE Administrative Complex at Shillong against the estimated requirement of 260 tonnes. Out of 465.245 tonnes, 243.272 tonnes were issued to the work and the remaining 221.973 tonnes were taken to stock where from 218.056 tonnes were issued to other divisions between September 1987 and June 1997. As of August 1998, the Division held a stock of 167.047 tonnes valued at Rs.23.74 lakh against the reserve stock limit (RSL) of Rs.10 lakh. Reasons for not taking old stock into consideration while procuring fresh steel materials during 1986 and 1989 had not been stated. Further no action was taken to dispose of the surplus materials to keep it within the limit nor sought permission of the Government to increase the RSL.

Thus, procurement of materials without assessment of actual requirement resulted in the idle stock with consequent locking up of funds to the extent of Rs.23.74 lakh. However, no investigation was made by the Government to ascertain the reasons for placement of supply orders of materials over the estimated requirement to fix responsibility for locking up of fund on idle stores.

Government stated (August 1998) that steel materials for PHE Administrative Complex were procured on the basis of plinth area without any detailed estimate. The reply confirm audit finding that procurement of material had been done far in excess of requirement which was not assessed on the basis of approved design and estimate.

CHAPTER VI

REVENUE RECEIPTS

A - GENERAL

6.1 Trend of revenue receipts

Total receipts of the Meghalaya Government for the year 1997-98 were Rs.696.75 crore as against the anticipated receipts of Rs.962.58 crore. The position of revenue raised by the State Government and State's share of taxes and grants-in-aid received from Government of India during the year 1997-98 and preceding two years is given below :-

	1995-96	1996-97	1997-98
		(Rupees in crore)	
I. Revenue raised by the State Government			
(a) Tax Revenue	66.26	77.37	73.55
(b) Non-Tax Revenue	66.92	47.47	29.85
Total : I	**133.18**	**124.84**	**103.40**
II. Receipts from the Government of India			
(a) State's share of divisible Union taxes	159.71	217.57	286.77
(b) Grants-in-aid	391.00	388.05	306.58
Total : II	**550.71**	**605.62**	**593.35**
III. Total receipts of the State Government I + II	**683.89**	**730.46**	**696.75**

6.2 Tax revenue raised by the State

Receipts from tax revenue constituted 71 per cent of the State's own revenue receipts during the year 1997-98. Details of tax revenue for the year 1997-98 and the preceding two years are given below :-

Heads of revenue	1995-96	1996-97	1997-98		Percentage of Increase(+) Decrease (-)in 1997-98over	
			Budget estimates	Actual Receipts	Receipts of 1996-97	Budget estimates of 1997-98
		(Rupees in lakh)				
1. Sales Tax	2944.08	3140.27	4256.00	3683.07	(+) 17	(-) 13
2. State Excise	2615.30	3127.91	3136.00	2812.30	(-) 10	(-) 10
3. Taxes on Goods and Passengers	145.96	571.22	155.00	129.63	(-) 77	(-) 16
4. Other Taxes and Duties on Commodities and Services	401.83	357.89	315.00	147.22	(-) 59	(-) 53
5. Taxes on vehicles	313.97	295.27	390.00	295.94	(+)0.23	(-) 24
6. Stamps and Registration Fees	138.54	115.75	131.00	208.69	(+) 80	(+) 59
7. Other Taxes on Income and Expenditure	(-)8.93	112.67	115.50	56.76	(-) 50	(-) 51
8. Land Revenue	69.60	15.04	15.60	12.24	(-) 19	(-) 22
9. Taxes and Duties on Electricity	5.66	0.75	0.80	9.29	(+)1139	(+)1061
	6626.01	7736.77	8514.90	7355.14		

The reasons for variation in receipts during 1997-98 over those in 1996-97, as intimated by the respective departments, are given below :

(i) Decrease under State Excise {(-)10 **per cent**} was due to less collection of Excise duty on country spirits.

(ii) Decrease under taxes on goods and Passengers {(-)77 **per cent**} was due to less receipt under Goods Tax.

Reasons for variations in respect of other heads though called for had not been furnished (December 1998).

6.3 Non-tax revenue of the State

Interest, non-ferrous mining and metallurgical industries, forestry and wildlife, public works and Miscellaneous general services were the principal sources of non-tax revenue of the State. Receipts from non-tax revenue constituted 29 **per cent** of the revenue raised by the State during 1997-98. Details of non-tax revenue under the principal heads for the year 1997-98 and the preceding two years are given below:-

Heads of revenue	1995-96	1996-97	1997-98		Percentage of Increase(+) Decrease (-)in 1997-98over	
			Budget estimates	Actual Receipts	Receipts of 1996-97	Budget estimates of 1997-98
			(Rupees in lakh)			
1. Miscellaneous General Services	1052.42	1389.80	1237.34	96.17	(-) 93	(-) 92
2. Non-ferrous Mining and Metallurgical Industries	3456.69	851.87	4095.00	100.27	(-) 88	(-) 97
3. Forestry and Wildlife	516.47	657.18	570.00	367.43	(-) 44	(-) 35
4. Others	538.30	509.16	390.00	1067.26	(+) 110	(+) 174
5. Interest	247.58	478.21	147.58	408.20	(+) 0.42	(+) 177
6. Public Works	309.43	276.23	252.00	276.19	(-) 0.01	(+) 10
7. Other Agricultural Programmes	22.81	91.33	36.54	28.44	(-) 69	(-) 22
8. Police	271.73	168.56	101.00	161.53	(-) 4	(+) 60
9. Crop Husbandry	133.22	160.31	155.00	176.19	(+) 10	(+) 14
10. Animal Husbandry	76.28	86.18	81.00	80.30	(-) 7	(-) 0.9
11. Other Administrative Services	66.99	78.17	275.00	222.62	(+) 184	(-) 19
	6691.92	4747.00	7340.46	2984.60		

The reasons for variations in receipts during 1997-98 over those in 1996-97, as intimated by the respective departments are given below :

(i) Decrease {(-) 93 per cent} in Miscellaneous General Services was due to less receipts from other receipts.

(ii) Decrease {(-) 88 per cent} in Non-Ferrous Mining and Mettalurgical Industries was due to less collection of mineral concessional fees.

Reasons for variation in respect of other heads though called for had not been furnished (December 1998).

B – STATE EXCISE DEPARTMENT

6.4 Non-realisation of licence fee

Continuance of excise outstill without payment of licence fee of Rs.2.05 lakh.

Under the provision of the Meghalaya Excise Rules, 1973, an outstill shall not be settled or renewed unless the prescribed annual licence fee is paid. In the event of failure to pay the prescribed annual licence fee, the licence shall be cancelled.

A test check of records of the Superintendent of Excise, Jowai, revealed (April 1997) that 97 outstills were settled (on different dates falling between April 1993 and April 1995) after realising of prescribed licence fee for one year from each of them, with local persons for working of these outstills in and around Jowai with validity periods falling on different dates between March 1994 and March 1996. However, on expiry of validity periods of these licences the owners of these outstills continued to operate without getting their licences renewed. This resulted in non realisation of licence fee of Rs.2.05 lakh for the periods upto 1996-97.

On this being pointed out (July 1997) the Government and the department stated (September, October 1997 and March 1998) that Rs.67,700 were realised (between July and September 1997) from 32 licencees and realisation of balance amount from the remaining 65 licencees would be intimated in due course. Further report had however, not been received (December 1998).

C – FOREST AND ENVIRONMENT DEPARTMENT

6.5 Loss of export transit pass fee

Failure to realise export transit pass fee at the enhenced rate resulted in loss of revenue of Rs.3.62 lakh.

The Meghalaya Forest (Removal of Timber) Regulation Act, 1981 and Rules framed there under (May 1994) provide that transit pass shall be issued by the authority of forest check gate erected along the inter-state boundary, for removal of forest produce outside the state on realisation of export transit pass fee of Rs.500 per truck carrying timber in log form and Rs.200 per truck carrying timber in any other form, extracted from any forest or non-forest area, with effect from 13 May 1994.

A test check of records of the Divisional Forest Officer, Shillong revealed (August 1995) that 1621 transit passes were issued (between 18 May and 31 May 1994) for export of 666 trucks of timber in log form and 955 trucks of timber in other form outside the state through eight forest check gates* of inter-state boundary on realisation of export transit pass fee of Rs.1.62 lakh against Rs.5.24 lakh as per rates effective from May 1994. This resulted in short realisation of export transit pass fee of Rs.3.62 lakh.

* Athiabari, Sukurbaria, Byrnihat, Khanapara, Umsiang, Rani, Kyrshai and Umtyrnga.

On this being pointed out (December 1995) the department stated (April 1998) that the revenue collecting stations were located at far-flung areas and it took quite some time to communicate the Government order of May 1994, hence some loss was inevitable. Reply of the department was not tenable since these eight forest check gates are connected by motorable road.

The case was reported (December 1995) to the Government; their reply had not been received ((December 1998) despite reminder.

D - FINANCE (TAXATION) DEPARTMENT

6.6 Internal controls in respect of registration of dealers and assessment of Sales Tax

6.6.1 Introductory

The registration of dealers as well as the assessment, levy and collection of sales tax is governed by the Assam Sales Tax Act 1947, Assam Finance (Sales Tax) Act 1956, Assam Purchase Tax Act, 1967, as adopted by the Government of Meghalaya (herein-after referred to as Meghalaya Taxation Act) and the Central Sales Tax Act 1956 and the Rules framed thereunder and administrative instructions issued from time to time. The department does not have any manual containing the procedures, duties and functions of officers relating to implementation of the relevant Act and Rules.

6.6.2 Organisational Set-up

At the apex level, overall responsibility of Sales Tax administration lies with the Commissioner of Taxes, who is assisted by one Assistant Commmissioner of Taxes and one Superintendent of Taxes, at Headquarters, who is also looking after the work relating to Enforcement Wing. At the field level, there are twelve Superintendent of Taxes out of whom eleven were entrusted with the work of survey, registration of dealers, assessment of tax, raising of demand and collection of Taxes, etc., and the remaining one Superintendent of Taxes was entrusted with the work relating to a Taxation check post (Byrnihat).

6.6.3 Scope of Audit

A review was conducted during August-November 1997 with a view to evaluate the adequacy and efficacy of the functioning of the internal control measures in the Taxation Department of the Government of Meghalaya, covering the period 1992-93 to 1996-97. In addition the records maintained in the office of the Commissioner of Taxes, Meghalaya, records of three unit offices* out of five unit offices and that of 3 out of 17 check-posts in the State were also test checked.

6.6.4 Highlights :

- **Failure to conduct effective market survey led to loss of revenue of Rs.53.13 lakh.**

(Paragraph 6.6.5)

- **For delayed submission of 711 periodical returns maximum penalty of Rs.18.67 crore was leviable but was not levied.**

{Paragraph 6.6.6(b)}

- **Incorrect grant of registration without conducting statutory enquiry resulted in non-realisation of revenue of Rs.6.17 lakh.**

{Paragraph 6.6.6(c)}

- **Taxable turnover of Rs.163.56 lakh was concealed by 5 dealers, thereby evading payment of tax of Rs.27.64 lakh including penalty of Rs.16.19 lakh.**

{Paragraph 6.6.7(b)}

- **For misuse of registration certificates by four dealers, maximum penalty of Rs.10.40 lakh could have been levied.**

{Paragraph 6.6.7(c)}

- **In the case of 15 registered wholesale Medicine dealers, deductions on account of sales of tax-paid goods valued at Rs.16.30 crore having tax effect of Rs.1.07 crore were allowed by the assessing officers without ascertaining the source of purchase of these goods within the State.**

{Paragraph 6.6.7(e)(i)}

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* Sales Tax Unit Offices at Shillong (covering 7 Circles), Jowai (One circle), Byrnihat (One Circle), Check-Posts at Byrnihat, Umkiang and Garampani.

6.6.5 Non-registration of dealers

17 unregistered dealers continued their business activities within the state without getting themselves registered under the appropriate Taxation Act led to loss of revenue of Rs.53.13 lakh.

Under the Taxation Laws of the State, no dealer shall while being liable to pay Tax, carry on business as a dealer, unless he has been registered and possesses a certificate of registration. In terms of departmental instructions issued in July 1995, each unit office is required to maintain a way bill register in Form 4 in which particulars contained in the declarations in Form XVII received from the check post are to be entered for the purpose of verification of the same by the assessing officer at the time of assessment. If the consignor/consignee can not be located during such verification, the unit office is to advise the check post concerned for investigation as and when the vehicle passes through the check post. Further, the Enforcement Wing of the department is also empowered to check Taxable goods carried by different transport agencies to detect unregistered/bogus dealers carrying on business in the State.

Cross check of records viz., Register of incoming vehicles carrying taxable goods, etc. maintained in the Byrnihat Taxation check gate revealed (November 1997) that 17 dealers (15 in Shillong unit office and 2 in Jowai unit office) imported manufactured taxable goods valued at Rs.443.02 lakh involving tax effect of Rs.53.13 lakh (at purchase value of goods) during the period 1 October 1990 to 30 September 1996 without getting themselves registered with the sales tax authority under the appropriate Taxation Acts. Even the Taxation check post at Byrnihat and the Enforcement Wing of the Taxation Department failed to detect the vehicles carrying taxable goods of these unregistered dealers as well as manufacture of taxable goods by unregistered dealers within the state. This resulted in loss of revenue of Rs.53.13 lakh.

Thus, due to non-observance of departmental instruction at any level, unregistered dealers continued their business activities within the state causing loss of Government revenue by way of evasion of tax.

6.6.6 Non-submission/delayed submission of returns

Under the Taxation laws of Meghalaya, every registered dealer shall furnish such return of his total turnover by such date and to such authority as may be prescribed. In order to watch the receipt and disposal of returns, a General Index Register in Form XIV is required to be maintained in each unit office. The Act further provides that if any dealer has, without reasonable cause, failed to furnish the return within the time allowed, he shall pay by way of penalty, in addition to the tax payable by him, a sum not exceeding one and a half times the tax due.

A test check of `General Index Registers' maintained in each of these unit offices revealed that the vital information regarding date of submission of returns was not filled in the prescribed column of the Register. As such, number of cases of delayed submission of returns/non-submission of returns could not be ascertained in audit from the Register. The department also failed to exercise any control over receipt and disposal of returns. Apart from this, the following deficiencies were also noticed.

(a) As per information furnished by the assessing officers concerned 32,436 out of 70,632 returns were received and the balance 38,196 returns were not received at all during the period from 1992-93 to 1996-97. However, the dates of submission of 32,436 returns could not be furnished by the assessing officers concerned due to incorrect maintenance of the prescribed Registers for monitoring the receipt and disposal of periodical returns. No penal proceedings were initiated against the defaulters for non-submission of 38,196 returns.

(b) Test check of 98, out of 400, assessment cases in Shillong unit office revealed that the submission of 711 periodical returns pertaining to the different return periods falling between April 1991 and March 1997, was delayed for a period ranging from 1 to 32 months, but no penal action was taken against any of the defaulters. Maximum penalty that could be levied in these cases worked out to Rs.18.67 crore.

(c) Test check also revealed that in Shillong Sales Tax unit office, 6 dealers were registered (between May 1992 and December 1995) under the Meghalaya Taxation Acts on the very date of their submission of application without conducting any enquiry to ascertain the correctness of the particulars furnished by the dealers. After the registration, these dealers neither furnished any return nor paid any tax.

However, it was seen from the way bill (road permit register maintained by the Shillong Sales Tax unit office) that these 6 dealers imported taxable goods valued at Rs.88.94 lakh involving a tax effect of Rs.6.17 lakh during the period from 1 April 1994 to 30 September 1996, but no action was taken by the registering authority against them for non-submission of returns and non-payment of tax due.

Thus, in spite of the existence of control measures in the Acts and the Rules framed thereunder, no control was exercised at any level in respect of submission of periodical returns by the dealers and consequently no penal action was taken against any of the defaulters.

6.6.7 Assessment

As per the provisions contained in the Sales Tax Laws of Meghalaya and the Central Sales Tax Act 1956, the powers of making assessment were delegated by the Commissioner of Taxes to the Superintendents of Taxes (Assessing Officers) who determine the turnover and levy the tax due along with interest/penalties, if any. Efficient assessment procedure has a vital bearing on the revenues of the Government.

Deficiencies in the functioning of some of the vital control measures are discussed below:-

(a) Absence of control over the performance of assessing officers

Neither was any norm fixed by the Department quantifying the number of assessment cases required to be finalised by each assessing officer during a particular period nor was any system instituted for regular monitoring by the superior officers of the actual performance of the assessing officers. No time limit has also been prescribed in the Taxation Laws of the state for completion of final assessment. Consequently, against 80,683 assessment cases due for assessment during the period 1992-93 to 1996-97 in respect of 3 units (involving 9 circles), only 33,781 assessment cases were disposed of leaving a balance of 46,902 assessment cases awaiting finalisation (March 1997).

(b) Concealment/under assessment of turnover

Under the Meghalaya Sales Tax Laws, if the Commissioner is satisfied that any turnover in respect of sales of any taxable goods has escaped assessment during any return period or has been under-assessed, he may at any time within eight years from the end of the aforesaid period serve on the dealer, a notice containing all or any of the requirements and may proceed to assess the dealer in respect of such period. The Act further provides that if any dealer has concealed the particulars of his turnover or deliberately furnished inaccurate particular of such turnover, he shall be liable to pay as penalty in addition to the tax payable by him, a sum not exceeding one-and a-half times the tax due.

Test check of assessment records of Shillong Sales Tax unit office (involving 7 circles) revealed that 5 dealers concealed their turnover amounting to Rs.163.56 lakh pertaining to the period from April 1991 to March 1997. This resulted in under-assessment of tax of Rs.27.64 lakh including penalty, of Rs.16.19 lakh.

(c) Non-levy of penalty for misuse of registration certificate

Under the Central Sales Tax Act 1956, a registered dealer can purchase goods in the course of inter-state trade or commerce by paying tax at concessional rate provided that the goods so purchased are covered by his certificate of registration and are supported by declaration in Form 'C'. The Act further provides that if any person, being a registered dealer, falsely represents when purchasing any class of goods that the goods so purchased are covered by his certificate of registration, the registering authority may impose penalty not exceeding one and a half times the tax which would have been levied at the general rate.

Test check revealed that four dealers registered in Shillong sales Tax Unit Office (2 each in Circle I and II) purchased taxable goods valued at Rs.95.44 lakh at the concessional rate of tax in the course of inter-state trade or commerc[illegible] the period from September 1992 to March 1996 which were not specif[illegible] respective certificates of registration. However, the assessing officers con[illegible] to initiate penal action against any of these dealers. Maximum leviable pe[illegible] cases worked out to Rs.10.40 lakh.

(d) Incorrect accountal/non-verification of declaration forms

Under the Meghalaya Sales Tax Act, the Assessing Officer may require any person whom he has reason to believe to have obtained goods from outside the state, to furnish him with a statement showing the names of the persons with their addresses from whom he has obtained the goods and of the names and prices of the goods so obtained. The Commissioner of Taxes, Meghalaya, also instructed (July 1995 and December 1996) all the assessing officers to keep proper records regarding opening and closing stock and utilisation of declaration forms in the assessment records of the dealers concerned.

Test check of assessment records revealed (November 1997) that the instructions issued (July 1995) by the Commissioner of Taxes, were not strictly followed by any of the assessing officers (excepting the assessing officer of Circle-4, Shillong) of the three unit offices covered by this review. A few illustrative cases highlighting the deficiencies in this regard are cited below :

(i) 1772 sheets of declaration in Form `C' were issued to 15 registered dealers ( 8 in Circle - 6 and 7 in Circle - 2) of Shillong Sales Tax Unit Office during April 1991 to November 1995, but none of these dealers submitted any utilisation statement of declaration in form `C' or the periodical returns showing the turnover relating to the aforesaid periods. No action was also taken at any level in this regard till November 1997.

Similarly, 318 sheets of declaration in Form `F' were issued to 9 registered dealers (7 in Circle - 6 and 2 in Circle - 2) during May 1988 to March 1994, but none of them submitted any utilisation statement/periodical return for the said period till the date of audit (November 1997). The matter was also not pursued at any level and the cases were left unattended (November 1997).

(ii) 764 sheets of declaration in Form `C' and 358 sheets of declaration in Form `F' were issued to 12 dealers of Shillong Sales Tax Unit Office during April 1991 to January 1997, but out of these, utilisation statements of 120 sheets of `C' Form and 32 sheets of `F' Form were furnished by them till November 1997. Scrutiny of these statements, way bills and delivery notes revealed (November 1997) that these dealers imported taxable goods valued at Rs.949.33 lakh during the different assessment periods falling between September 1992 and March 1997, however,these dealers disclosed their taxable turnover of Rs.458.01 lakh only which was also accepted (between April 1993 and July 1997) in assessments without stating any reasons for such wide variations between purchases and sales. The balance of the goods valued at Rs.491.32 lakh were also not found recorded in closing stock of these dealers as per assessment records of the dealers concerned. Thus the dealers evaded a tax of Rs.17.96 lakh on a turn over of Rs.491.32 lakh.

(iii) A dealer "X" of television, radio, etc., registered under Shillong Sales Tax Unit Office (Circle - 2) disclosed in his utilisation statement that he had imported taxable goods valued at Rs.8.17 lakh during the year 1989-90 by utilising 31 declarations in Form "C". But cross-verification by audit of the assessment records of a selling dealer "Y" of Assam revealed that the dealer "X" imported taxable goods valued at Rs.32.01 lakh from dealer "Y" by utilising the same set of 31 declarations during the year 1993-94. Thus, the dealer "X" concealed taxable turnover of Rs.32.01 lakh during 1993-94 by making false representation of taxable purchases and evaded payment of tax of Rs.3.20 lakh. For evasion of tax, maximum penalty of Rs.4.80 lakh was also leviable on the dealer but was not levied.

It is evident from the above illustrative cases that the department failed to exercise any control for proper accountal and utilisation of declarations in Form "C" and verification of these declarations at the time of completing assessments.

(e) Incorrect allowance of deduction on tax-paid goods

Under the Meghalaya Finance (Sales Tax) Act, tax is payable at the point of first sale of taxable goods within the State. The Act further provides that if any question arise whether any sale is a first sale or not, the burden of proof lies with the dealer making the sale. Accordingly, the Commissioner of Taxes, instructed (January 1997) all the assessing officers to direct the dealers c furnish a list showing the sale of locally purchased goods in the prescrib indicating the name of the local dealer, description of goods, bill number amount.

Test check of assessment records of 9 sales tax Circles revealed that except one Circle (Circle 4 - Shillong) no other Circle followed the instructions issued by the Commissioner of Taxes. There was also no system of monitoring the compliance of these instructions. A few illustrative cases, highlighting the deficiencies in the system of assessment of dealers having tax-paid sales are cited below :

(i)

Entertainment of claims on account of sale of tax paid goods without ascertaining the source of purchase of these goods resulted in evasion of tax of Rs.1.07 crore.

The records of 15 registered wholesale medicine dealers in the 9 assessment circles were test checked. As per assessments for the period from April 1992 to March 1996 in respect of these dealers a gross turnover of Rs.25.01 crore (comprising taxable turnover of Rs.8.72 crore and tax-paid turnover of Rs.16.30 crore) was determined by the assessing officers concerned. None of these dealers submitted any list showing the names of the local dealer(s) from whom goods were purchased in support of tax-paid sales of Rs.16.30 crore which was allowed as deductions on account of sales of tax-paid goods in the relevant assessment periods of the dealers concerned. There is no manufacturing unit of medicine located inside the state and the wholesale dealers of medicines were taxable at the first point of sale inside the State, however, the assessing officers allowed the deductions without verifying the source of local purchase of medicines. This resulted in evasion of tax of Rs.1.07 crore on the turnover of Rs.16.30 crore.

(ii) Similarly, taxable and tax paid turnover relating to the period from April 1992 to March 1997 in respect of 14 dealers of television, almirah, refrigerator and steel furniture, registered under Shillong Sales Tax Unit Officer, were determined by the assessing officers concerned at Rs.4.72 crore and Rs.14.54 crore lakh respectively and the entire tax paid turnover was allowed as deduction. In the absence of any documentary evidence (viz., statement showing the sale of locally purchased goods), the allowance of deduction of Rs.14.54 crore involving tax effect of Rs.1.29 crore was incorrect.

(f) Short realisation of security against issue of "P" Forms and under assessment of tax

Under the Meghalaya Purchase Tax Act, tax is payable by the last purchaser within the State. For purchase of timber and sales therefrom in the course of inter-State trade or commerce, every dealer has to purchase "P" form under the Purchase Tax Act by payment of security (being advance which is adjustable against the tax due as per final assessment) at rates varying from Rs.5000 to Rs.22,500 for each form and similarly under the Central Sales Tax Act at rates varying from Rs.6250 to Rs.40,000 for each form as prescribed by the Government from time to time for different species of timber. Under the Central Sales Tax Act, 1956 when inter-state sales of goods are not covered by declaration in Form "C"/Certificate in Form "D", tax should be calculated at the rate of 10 **per cent** or at the rates at which sales or purchases of goods are taxable inside the State whichever is higher. In Meghalaya, timber is taxable at the rate of 50 **per cent** with effect from 1 April 1991.

(i) Test check of assessment records of Purchase Tax Circle, Shillong and sales tax unit office at Byrnihat revealed (November 1997) that 50,361 sheets of "P" form were issued to three timber dealers (Shillong-2 and Byrnihat-1) during the periods ending September 1991 to March 1994. Security payable by these dealers under the Purchase Tax Act and the Central Sales Tax Act, worked out to Rs.148.75 lakh and Rs.201.05 lakh against which Rs.39.35 lakh and Rs.20.42 lakh respectively were realised. Thus, there was excessive issue of "P" Forms which was disproportionate to the security money realised. The issue of "P" form without realisation of proper security was not only incorrect but also showed that the assessing officer had no control over the issue of "P" form and realisation of appropriate security money due thereon.

(ii) Similarly, 6 registered lime and limestone dealers of Purc[illegible] Tax
Circle, Shillong, disclosed turnover of Rs.6.92 lakh during the return peri[illegible]
September 1991 and March 1992 which was also accepted in assessment [illegible]
and October 1993). But it was seen from the statement showing the disb[illegible]
transport subsidy sanctioned by the Government (August 1993) for the [illegible]
that these dealers despatched 42,466.97 quintals of lime valued at [illegible]

calculated on the basis of lowest price of lime, during the said year. Thus, a minimum turnover of Rs.27.08 lakh escaped assessment resulting in underassessment of tax of Rs.2.70 lakh.

Besides, 4 other dealers of the same assessing Circle sold unslaked lime in the course of inter-State trade or commerce during 1994-95 in 4114 truck loads by utilising only 1000 "P" Forms against the requirement of 4114 "P" Forms. Thus, it is evident that these dealers despatched goods in 3114 truck loads in a fraudulent way without obtaining requisite "P" Forms on payment of prescribed security of Rs.19.62 lakh since one `P' Form is required for despatch of one truck load of goods irrespective of quantity of goods dispatched in that truck. The officers posted at Umkiang check post also failed to detect these vehicles carrying taxable goods outside the State without obtaining "P" forms.

(g) Non-assessment of closing stock

Test check revealed (November 1997) that three dealers registered under the Shillong Sales Tax Unit Office closed down their businesses with effect from 1 January 1995, 1 October 1995 and 1 October 1996 respectively. Out of them only one dealer surrendered his certificate of registration. No action was taken by the assessing officers concerned for cancellation of certificates of registration in respect of any of these dealers. As per information available in the assessment records, these three dealers had closing stock of taxable goods valued at Rs.3.86 lakh, 2.93 lakh and Rs.172.16 lakh as on 31 December 1994, 30 September 1995 and 30 September 1996 having tax effect of Rs.26,998, Rs.20,535 and Rs.17.22 lakh respectively which remained unassessed.

(h) Non-levy of interest

Under the Sales Tax Laws of Meghalaya, if any dealer fails to pay the full amount of tax due within the due date, he shall be liable to pay interest at the varying rates ranging from 6 to 24 **per cent** till the tax due is paid in full.

Test check of assessment records of Shillong Sales Tax Unit Office (Circle-2) revealed that three dealers defaulted in payment of taxes of Rs.5.31 lakh relating to different assessment periods falling between April 1992 and March 1995, but in none of the cases, interest was levied by the assessing officer. This resulted in non-levy of interest of Rs.4.45 lakh (upto 31 July 1997).

(i) Non-realisation of tax on excess load of coal

Non-checking of vehicles carrying excess load of coal at check-gate led to revenue loss of Rs.1.35 crore.

As per Commissioner's instructions of May 1994, each truck was allowed to carry 15 Metric tonnes (M.Ts) of coal on payment of security (being advance tax) of Rs.650 only per truck load of coal. The main check post of the state, situated at Byrnihat on Shillong - Guwahati route, was not provided with any way bridge to verify the quantity of coal loaded in a truck.

A cross-check of records (such as transit challan, royalty bills, etc.), maintained at the Mookyndur Mineral check gate (erected in August 1996 and having facility of a way bridge) under the Director of Mineral Resources, Meghalaya, revealed that 59,260 trucks carrying excess load of 3,10,817 MTs of coal (for which royalty of Rs.372.98 lakh was realised by the Mineral Resources Department), over and above the prescribed maximum limit of 15 MT in each truck, crossed Byrnihat Taxation check gate during 1 August 1996 to 31 March 1997. However, no tax on excess load of 3,10,817 MTs of coal was realised by the department. This resulted in loss of revenue of Rs.134.69 lakh, calculated at the rate of Rs.650 per truck load of 15 MT of coal.

The Commissioner of Taxes, Meghalaya, however, stated (December 1997) that the matter was being taken up with the Mines and Minerals department for appropriate action.

(j) Incorrect adjustment of tax

Under Rule 46A of the Meghalaya Finance (Sales Tax) R
scale industrial units registered with the Industries Department of the Go
Meghalaya are entitled to get by way of drawback/set-off/refund, an am
the tax paid in respect of raw materials used in the manufacture of good
production of a certificate in prescribed form from the Director of In

effect that the raw materials were used in the manufacture of goods on payment of taxes due thereon. The Rule further provides that where the refund exceeds Rs.5000 in a particular case, the application for refund in prescribed form shall be submitted to the State Government for sanction.

Scrutiny of assessment records of Shillong Sales Tax Unit Office (Circle-6) revealed that a dealer paid tax amounting to Rs.9.14 lakh on raw materials used in the manufacture of finished products in his small scale manufacturing unit during the different assessment periods falling between October 1991 and March 1997 and claimed the amount of refund to be set off against the tax due as per assessment. Since, the amount of tax paid on raw materials each in assessment period exceeded Rs.54,000, sanction of the State Government was required to be obtained before adjustment of tax. But instead of obtaining Government's sanction, the assessing officer adjusted the amount of Rs.9.14 lakh against the tax due as per assessment, which was incorrect.

The above findings were reported to the department and Government (January 1998); their replies had not been received (December 1998).

6.7 Turnover not assessed to tax

Sales turnover of Rs.12.04 lakh escaped assessment inspite of the fact that the information in this regard was available in the assessment record itself.

(i) Under the Central Sales Tax Act, 1956, sales in course of inter-state trade and commerce other than those of declared goods not supported by declaration in Form `C' are taxable at the rate of 10 **per cent** or at the rate of tax applicable to sale or purchase of such goods within the state, whichever is higher. In Meghalaya inter-state sales turnover of timber and lime is taxable at the rate of 60 **per cent** and 10 **per cent** respectively from April 1994 to October 1996.

It was noticed in audit (October and November 1997) that while furnishing tax clearance certificate, the Superintendent of Taxes, Shillong certified (July 1995) that a local registered dealer sold timber valued at Rs.33.94 lakh in course of inter-state trade and commerce during the period from April 1994 to March 1995 but while finalising assessment (February 1996) in respect of the said dealer for the corresponding period, the inter-state sales turnover of Rs.21.90 lakh only was brought to assessment. The balance inter-state sales of Rs.12.04 lakh was neither shown in the return nor was the same shown in declaration forms and consequently also was not assessed to tax resulting in short levy of tax of Rs.7.22 lakh.

(ii) Similarly in the Purchase Tax Circle, Shillong, it revealed (October and November 1997) that a registered dealer in lime was assessed (June 1996) to tax determining taxable turnover of Rs.17.46 lakh in course of inter-state trade and commerce on the basis of dealer's return for the period from 1 April 1993 to 31 March 1994. However, a cross check of records maintained by the Industries Department, Meghalaya revealed that during this period the said dealer sold lime weighing 11507.993 Metric Tonnes (M.T.) valued at Rs.121.60 lakh to a Paper Mill of Assam. Thus the dealer had concealed taxable turnover of Rs.104.14 lakh and thereby evaded payment of tax of Rs.9.47 lakh. Besides, penalty of Rs.14.20 lakh could have been levied as the turnover was concealed by the dealer.

(iii) In the same unit office of Shillong, it was noticed (December 1996) in audit that five registered dealers sold lime valued at Rs.165.17 lakh in course of inter-state trade and commerce during October 1991 to September 1995. However, while finalising the assessment, between March 1993 and September 1996 of these dealers, inter-state sales turnovers of Rs.113.68 lakh were brought to assessment. Thus, turnovers of Rs.51.49 lakh escaped assessment resulting in short levy of tax of Rs.3.83 lakh.

On this being pointed out (January 1997) the department stated (March, May and August 1997) that assessments in respect of four dealers were revised and demand notices issued (March, April, May and August 1997) and action was also being taken to revise the assessment of another dealer. A tax of Rs.18,96 recovered (November 1997) and the report on recovery of balance tax has n intimated (December 1998).

The cases were reported to the Government and the de (February 1998); their replies had not been received (December 1998).

6.8 Non-levy/Short levy of Purchase Tax

(i) Under the Meghalaya Purchase Tax Act, tax on purchase turnover of timber and lime stone is payable by the last purchaser within the State. Every registered dealer at the end of each quarter shall furnish prescribed return of taxable goods purchased by him. If a dealer fails to furnish such return despite notices, the assessing officer shall assess the dealer to tax on best judgement basis and determine the tax payable by the dealer on the basis of such assessment and in addition to tax, penalty not exceeding one and one half times of tax shall be levied. Further, interest at the rates varying from 12 **per cent** to 24 **per cent** per annum shall also be levied on tax for delayed payment thereof beyond the prescribed date. In Meghalaya, tax on Purchase turnover of timber and lime stone is leviable at 60 **per cent** and 10 **per cent** respectively from April 1994 to October 1996.

A test check of assessment records maintained in Purchase Tax Circle, Shillong, revealed (October and November 1997) that a timber dealer neither submitted any return under the Purchase Tax Act, nor was any assessment made for the period from 1 April 1994 to 31 March 1995. However, the dealers assessment records under the Central Sales Tax Act, 1956 revealed that the department had issued (September 1995) a tax clearance certificate indicating that the dealer had purchased timber valued at Rs.98.32 lakh which was sold at Rs.192.37 lakh in course of inter-state trade and commerce during the period April 1994 and March 1995. Thus the dealer being the last purchaser in the state was liable to pay tax on his purchase turnover of Rs.98.32 lakh during the aforesaid period. Failure on the part of the assessing officer to assess the dealer resulted in non-levy of tax of Rs.58.99 lakh and interest of Rs.35.99 lakh. Besides, penalty of Rs.88.49 lakh could have been levied as the dealer did not furnish any return.

The case was reported (February 1998) to the Government and the Department; their replies had not been received (December 1998).

(ii)

Purchase turnover of Rs.15.53 lakh having tax effect of Rs.1.55 lakh escaped assessment.

Audit scrutiny in Purchase Tax Circle, Shillong revealed (December 1996) that three registered dealers purchased lime valued at Rs.28.30 lakh which was sold at Rs.258.24 lakh in course of inter-state trade and commerce during the period from 1 April 1994 to 31 March 1996 as per tax clearence certificates issued by the assessing officer. But while these dealers were assessed (July and August 1996) to tax, purchase turnover of only Rs.12.77 lakh was brought to assessment during the corresponding period. This resulted in short levy of tax of Rs.1.55 lakh.

On this being pointed out (January 1997) the department and the Government stated (May,June 1997 and June 1998) that the assessment in respect of one dealer was revised and demand notice issued (April 1997). The assessments in respect of remaining two dealers were not revised on the ground that Purchase turnover shown in the tax clearence certificates were for lime powder and the purchase turnovers brought under assessments were for lime stone. The value of lime powder was higher than the value of lime stone, hence there was difference between the turnover as per tax clearence certificates and turnovers as per assessment. The reply of the Government and the department was not tenable since purchase turnover of lime powder was not exempted from levy of tax.

6.9 Non realisation of tax

Under the provision of the Meghalaya Taxation Laws, return furnished by a registered dealer shall not be valid unless it is accompanied by treasury challan showing full payment of tax due as per return. If, as a result of assessment, the amount of tax payable is found to be more than the amount of tax already paid by the dealer the difference thereof shall be paid into the Government account through Treasury Challan within 30 days. Interest at the rates varying from 6 per cent to 24 per cent per annum shall be levied for delayed payment of tax beyond the prescribed date.

In Shillong Circle-I, a registered dealer, in tyres, motor parts etc. was assessed (May 1994 and March 1995)to a tax of Rs.73,724 for the years 1992-93 and 1993-94 which was stated to have been paid by the assessee in the treasury. However, a test check of the records revealed (November 1995) that the dealer had deposited Rs.17,498 only. Thus a tax of Rs.56,226 alongwith interest of Rs.51,165 remained unrealised (May 1998).

On this being pointed out (January 1996) the department stated (July 1996) that the dealer was being asked to deposit the balance tax. The report on recovery has, however, not been intimated (May 1998) despite reminders (August 1996 and March 1998).

The case was reported (January 1996) to the Government; their reply had not been received (December 1998).

6.10 Non-levy of tax

Taxable turnover of Rs.18.99 crore remained unassessed resulting in blockade of revenue of Rs.2.28 crore.

Under the Meghalaya Finance Sales Tax Act, every registered dealer is required to submit prescribed return within 30 days at the end of every six months. If the dealer fails to submit such return even after issuance of notices in writing, the assessing officer shall make summary assessment on best judgement basis. Cement is taxable at the rate of 12 **per cent**.

It was noticed in audit (August 1996, May and December 1997) that three cement dealers who were also manufacturers of cement were registered at Jowai, Williamnagar and Shillong Sales Tax Unit Offices on different dates falling between 1 January 1989 and 1 April 1995 by the respective Superintendents of Taxes. Of these, the Shillong based dealer submitted (April 1997) returns for five, six monthly periods ending from 31 March 1995 to 31 March 1997 but the dealer remained un-assessed (December 1997). The remaining two dealers neither submitted any return from the date of registration (January 1989 and April 1993) nor any summary assessment on best judgement basis was made (December 1997) through issuance of notices in writing. However, annual accounts of these three dealers submitted under companies

Act, 1956, revealed (December 1997) that they sold cement valued at Rs.18.99 crore during 1 April 1993 to 31 March 1996 having tax effect of Rs.2.28 crore.

On this being pointed out (December 1997), the department stated (December 1997) that the matter was referred to the concerned assessing officers for taking appropriate action. The report on assessment and recovery of dues has not been received (October 1998) despite reminders.

The case was reported to the Government (December 1997); their reply had not been received (December 1998).

6.11 Loss of revenue

Disclosure of low taxable turnover led to loss of revenue of Rs.3.49 lakh.

Under the Central Sales Tax Act, 1956 every registered dealer, at the end of each half year shall furnish return showing sales turnover in course of inter-state trade and commerce and the dealer shall be assessed to tax accordingly. The sales turnover of goods in course of inter-state trade and commerce is taxable at the rate of 4 **per cent** if supported by declaration in Form `C', otherwise, such sales turnover is taxable at the rate of 10 **per cent** or at the rate of tax applicable to sale or purchase of such goods within the state, whichever is higher.

Test check of assessment records of the Superintendent of Taxes, Jowai revealed (April 1997) that a registered dealer of bark paid (December 1993 to March 1994) tax of Rs.88500 on self assessment basis on his returned turnover of Rs.15.53 lakh relating to half year from 1 October 1993 to 31 March 1994. But, the dealer remained unassessed till April 1997 by which time the said dealer died and his family left Jowai for good leaving behind no asset and address. However, on cross check of records of Taxation check gate, Byrnihat, it was noticed (April 1997) that the dealer had sold bark valued at Rs.43.75 lakh in course of inter-state trade and commerce during the aforesaid half yearly period without `C' forms. As such, the dealer was liable to pay tax of Rs.4.38 lakh. This resulted in loss of revenue of Rs.3.49 lakh.

The case was reported to the Government and the department (May 1997) followed by reminders; their reply had not been received (December 1998).

6.12 Evasion of Tax due to non-registration of dealer

Under the Meghalaya Sales Tax Act, a dealer who is liable to pay tax shall not carry on business as a dealer unless he has been registered and possesses a certificate of registration. "Barbed Wire" not being a specified item in any of the schedules, is taxable at the rate of 7 **per cent** as `Other goods' under the Meghalaya Sales Tax Act. The Act further provides that if any dealer evaded in any way the liability to pay tax, he shall be liable to pay penalty not exceeding one-and-a-half times the tax due.

A test check of assessment records of the Superintendent of Taxes, Jowai revealed (April 1997) that a dealer, who was not registered under Meghalaya Sales Tax Act, purchased barbed wire valued at Rs.17.25 lakh from a registered dealer of Assam for sale in Meghalaya during the period from April to October 1993. But neither any return was submitted nor any tax was paid by the dealer for the corresponding period till April 1997. Failure on the part of the department to register the dealer under the Act resulted in evasion of tax of Rs.1.21 lakh. For evasion of tax by the dealer maximum penalty of Rs.1.81 lakh was also leviable but was not levied.

The matter was reported to the Government and the department (May 1997) followed by reminder, their replies had not been received (December 1998).

CHAPTER VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

7.1 Grants

Autonomous bodies and authorities are set up to discharge generally non-commercial functions of public utility services. These bodies/authorities by and large receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State Co-operative Societies Act, Companies Act, 1956, etc. to implement certain programmes of the State Government. The grants were intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

During 1997-98, financial assistance of Rs.95.45 crore was paid to various autonomous bodies and others broadly grouped as under :

Name of Institutions		**Amount of assistance paid (Rupees in crore)**	
		1996-97	**1997-98**
1.	Universities and Educational Institutions	65.85	72.23
2.	Co-operative Societies	0.88	4.14
3.	District Councils	2.92	4.72
4.	Municipalities	2.25	1.82
5.	Other Institutions	0.90	12.54
	Total:	**72.80**	**95.45**

7.2 Delay in furnishing utilisation certificates

The Financial rules of Government require that where grants are given for specific purposes, certificates of utilisation should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to Accountant General within one year from the date of sanction unless specified otherwise.

At the end of October 1998, no utilisation certificates in respect of grants-in-aid totaling Rs.72.80 crore given during 1996-97 had been furnished to the

Accountant General (A&E).

In the absence of utilisation certificates, it was not clear how the Departmental officers satisfied themselves whether and to what extent the recipients spent the grants for the purpose or purposes for which these were given.

7.3 Delay in submission of accounts

In order to identify the institutions which attract audit under Section 14/15 of the Act ibid, Government/Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which assistance was sanctioned and the total expenditure of the institutions. Information for the year 1997-98 called for in June 1998 was awaited as of December 1998.

The audit of accounts of the Meghalaya Khadi and Village Industries Board, Shillong under Section 19(3) of the DPC Act has been entrusted to the Comptroller and Auditor General of India upto 1999-2000. The Board had not submitted the Account for the year 1996-97.

7.4. Audit arrangement

The primary audit of local bodies (Zilla Parishads, Nagar Palikas, Town area/Notified Area Committee), educational institutions and others is conducted by the examiner of Local Accounts. Audit of Co-operative Societies is conducted by the Internal Auditor of the Registrar of Co-operative Societies.

Of the 8 bodies/authorities whose accounts for 1997-98 were received, the accounts of 5 District Rural Development Agencies attracted audit. Of these the audit of one Agency has already been completed.

URBAN AFFAIRS DEPARTMENT

7.5 Central Government loan outstanding due to failure to generate revenue from market complex constructed with loan component

The SMB lost revenue of Rs. 9.00 lakh due to delay in allotment of stalls of the market complex and consequently failed to repay to the Government the instalment of loans with which complex was constructed.

A two storied R.C.C. Market Complex was constructed by the Urban Affairs Department in three phases during August 1990 to September 1993 at a cost of

Rs.53.43 lakh out of the State fund (Rs.32.87 lakh) and loan (Rs.20.56 lakh) obtained from the Government of India (GOI). The complex was handed over to Shillong Municipal Board (SMB) under two separate deed of agreement in August 1990 and November 1993 respectively. While the agreements inter-alia gave the SMB the right to settle the stalls in the market complex to deserving person(s) at reasonable rents, it also envisaged that SMB was to repay the loan component in 20 installments along with interest within 31st March of the year following or within such extended time as the State Government may allow. According to the schedule of repayment appended to the agreement an amount of Rs.15.97 lakh (Principal Rs.3.82 lakh; interest Rs.12.15 lakh) was due for payment upto 31 March 1998 by the SMB to Government.

Test check (September 1997) of the records of the SMB revealed that while 81 stalls of the ground floor out of 132 were let out officially to different vendors, no stall of the first floor (173) was let out till the date of audit resulting in loss of revenue of Rs.9.00* lakh to SMB computed at the rate of Rs.100 per stall per month as assessed by the SMB for 52 months till March 1998. Besides, due installments of loan with interest amounting to Rs.15.97 lakh to be paid by the SMB to the Government remained outstanding which the SMB attributed (May 1998) to non-generation of expected revenue through the market complex as out of Rs.4.08 lakh realisable from the official allottees upto March 1998, Rs.0.27 lakh was only realised.

Although the stalls of the Ist floor were not allotted due to local Durbar's allegation to the effect that the building was sinking Government denied (September 1998) the allegation and stated that Rs.3.08 lakh being repayment due from the Board upto 1991-92 (Principal : Rs.1.10 lakh; interest : Rs.1.98 lakh) was deducted at source out of the grants-in-aid given during 1992-93. But the fact remained that the 1st floor of the complex remained unallotted resulting in loss of revenue to the Board and consequently non-payment of dues by the Board to the Government to the extent of Rs.12.89 lakh (Rs.15.97 lakh - Rs.3.08 lakh).

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* 173 x 52 x Rs.100 = Rs.8,99,600 or Rs.9.00 lakh.

CHAPTER VIII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

8.1 Introduction

The accounts of Government companies and deemed Government companies (as defined in Section 619B of the Companies Act 1956) are audited by Statutory Auditors who are appointed by the Central Government on the advice of the Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of the Companies Act 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619(4) of the Companies Act.

This chapter deals with the results of audit of Government companies and Statutory corporations. Paragraphs 8.2 and 8.3 give a general view of the Government companies and Statutory corporations. Paragraphs 8.4 to 8.6 give details of each Statutory corporation including their financial and operational performance and paragraph 8.7 contains a review on purchase of stores and inventory control of Meghalaya State Electricity Board. Paragraph 8.8 deals with miscellaneous topics of interest.

8.2 Government companies - General view

8.2.1 As on 31 March 1998, there were 10 Government companies (including four subsidiaries) with total investment of Rs.92.44 crore (equity : Rs.67.47 crore; long-term loans : Rs.24.97 crore) as against total investment of Rs.87.75 crore (equity : Rs.67.39 crore; long-term loans : Rs.20.36 crore) in the same number of companies as on 31 March 1997. There was one deemed Government company as on 31 March 1998.

8.2.2 The financial position and working results particulars in respect of all the Government companies are given in Appendix –XIV & XV.

The sector-wise investment in these companies is as below:

Sl. No.	Department/Type of PSUs	As at the end of 1997-98 No.	Equity (Rupees in crore)	Loan	As at the end of 1996-97 No.	Equity (Rupees in crore)	Loan	Debt equity ratio in 1997-98
1.	**Industries**							
	A. Government companies	2	50.83	9.34	2	50.83	6.34	0.18:1
	B. Subsidiary companies	4	6.65	13.34	4	6.57	12.32	2.00:1
2.	**Forest**							
	A. Government company	1	1.72	-	1	1.72	-	-
3.	**Tourism**							
	A. Government company	1	5.81	1.70	1	5.81	1.70	0.29:1
4.	**Public Works**							
	A. Government company	1	0.28	-	1	0.28	-	-
5.	**Mines and Minerals**							
	A. Government company	1	2.18	0.59	1	2.18	-	0.27:1
	TOTAL	10	67.47	24.97	10	67.39	20.36	

8.2.3 Guarantees

The State Government guarantees against loans and cash credits given by banks etc. to the public sector enterprises. The details of guarantees given by the State Government during the period from 1996-97 to 1997-98 and guaranteed amount remaining outstanding as on 31 March 1998 are shown in the table below :

Sl. No.	Guarantees	Amount guaranteed during 1995-96	1996-97	1997-98	Guaranteed amount outstanding as on 31.3.1998
		(Rupees in crore)			
1.	Cash credit from State Bank of India and other nationalised banks	-	0.14	0.15	-
2.	Loans from other sources	-	-	2.33	2.69
3.	Letters of credits opened by SBI in respect of imports	-	-	(1)* -	(2)* -
4.	Payment obligation under agreements with foreign consultants or contracts	-	-	-	-
	Total :	-	0.14	2.48	2.69

Meghalaya Mineral Development Corporation Limited received guarantees from State Government in respect of the loan of Rs.2.33 crore during 1997-98. The State Government had also guaranteed the repayment of loans and payments of interest thereon by Meghalaya Tourism Development Corporation Limited. The amount outstanding thereagainst as on 31 March 1998 was Rs.0.36 crore. The State Government guaranteed Cash credit of Rs.0.14 and 0.15 crore to the

* The figures in bracket indicate the number of companies.

Forest Development Corporation Limited during 1996-97 and 1997-98 respectively against security deposit.

8.2.4 Budgetary outgo

The outgo from the State Government to Public Sector Undertakings (PSUs) during the period from 1995-96 to 1997-98 in the form of equity capital, loans and subsidy are detailed below :

		1995-96	1996-97	1997-98
			(Rupees in crore)	
1.	Equity capital outgo from budget	4.80	8.69	0.08
2.	Loans given out from budget	0.01	-	-
3.	Subsidy/grant	0.07	0.07	0.30
	Total Outgo:	**4.88**	**8.76**	**0.38**

The details of the budgetary outgo in the form of Equity Capital, Loans and Subsidy are given in Appendix - XIV.

8.2.5 Finalisation of accounts

(a) Accountability of PSUs to the legislature is to be achieved through the submission of audited annual accounts within the prescribed time schedule to the legislature. As on 30 September 1998, the accounts of all the 10 companies were in arrears ranging from one year to 13 years as indicated in Appendix-XVII.

The Administrative Departments have to oversee and to ensure that the accounts are finalised and adopted by the companies in the Annual General Meeting (AGM) within the time schedule prescribed in the Companies Act, 1956.

Mention was made in paragraphs 8.8 and 8.2.5 of the Report of the Comptroller and Auditor General of India for the years ended 31 March 1995 and 31 March 1996 respectively about delay in finalisation of accounts of eight companies (out of 10 companies) and about four companies being chronic defaulters. The main reasons for arrears in finalisation of accounts as mentioned in the said Reports continued to be (a) delay in certification of accounts by the Statutory Auditors due to not furnishing of required information by the management, meager audit fees, and dearth of qualified accounting staff; (b) abnormal delay in holding of AGM; and (c) absence of fixation of targets for clearance of arrears within a time frame. Though the matter was taken up with the concerned administrative departments and the companies were pursued regularly by Audit, in every quarter, effective steps were not taken by the Government and the companies to finalise the accounts in arrear. As these companies did not finalise the accounts, the investments made in these companies remained outside the purview of audit and their accountability could not be ensured.

(b) According to the latest finalised accounts of these companies, three companies earned accumulated profit of Rs.1.44 crore and the remaining seven companies incurred accumulated loss of Rs.16.45 crore as indicated in the table below and in Appendix - XV:

Serial Number	Number of companies	Year up to which accounts were finalised	Accumulated Profit		Accumulated Loss	
			No.of companies	Amount (Rs.in lakh)	No.of companies	Amount (Rs.in lakh)
1.	1	1984-85	-	-	1	12.33
2.	1	1988-89	-	-	1	29.62
3.	3	1990-91	-	-	3	624.10
4.	1	1992-93	1	3.07	-	-
5.	1	1993-94	-	-	1	698.02
6.	3	1996-97	2	141.32	1	280.70
Total	**10**		3	144.39	7	1644.77

8.2.6 Working results

During the period from October 1997 to September 1998 nine companies finalised their accounts for earlier years. Of this, three companies earned profit and the other six companies incurred losses during the respective years as detailed below :

8.2.6.1 Profit making companies

The three companies which finalised their accounts for earlier years, earned profit of Rs.1.13 crore. Free reserves and surplus amounting to Rs.0.41 crore were built up in the four companies as shown below :-

Serial Number	Name of the company	Period of accounts	Amount of profit	Creation of reserves and surplus	Amount of Dividend declared
		(Rupees in lakh)			
1.	Mawmluh-Cherra Cements Limited	1993-94	108.58	19.36	-
2.	Meghalaya Industrial Development Corporation Limited	1988-89	3.98	18.37	-
3.	Meghalaya Mineral Development Corporation Limited	1996-97	0.86	3.72	-
	TOTAL		**113.42**	**41.45**	-

8.2.6.2 Loss making companies

Of the six companies which incurred loss of Rs.3.73 crore during the respective years, three companies (Sl.1 to 3) had eroded their paid-up capital as the accumulated loss (Rs.8.66 crore) of these companies exceeded the paid-up capital by Rs.3.85 crore as shown below :

Sl. No.	Name of the company	Period of accounts	Loss for the year	Accumulated loss	Loss in excess of capital	Reasons for loss
			(Rupees in lakh)			
1.	Meghalaya Electronics Development Corporation Limited	1990-91	229.09	456.14	59.05	Under-utilisation of productive capacity due to various impediments and high overhead cost.
2.	Meghalaya Watches Limited	1996-97	53.15	280.70	244.72	Stoppage of production due to non-supply of components by HMT.
3.	Meghalaya Bamboo Chips Limited	1990-91	9.87	129.51	81.51	Absence of business activity.
4	Meghalaya Government Construction Corporation Limited	1996-97	66.74	-	-	Non receipt of construction work.
5.	Meghalaya Handloom and Handicrafts Development Corporation Limited	1990-91	7.19	-	-	NA
6.	Meghalaya Tourism Development Corporation Limited	1984-85	7.15	-	-	Absence of business activity.
	Total :		373.19	866.35	385.28	

None of the companies has been referred to Bureau of Industrial Finance Reconstruction (BIFR).

8.2.7 Review of Accounts

(i) The Companies Act, 1956, empowers the Comptroller and Auditor General of India to issue directions to Statutory Auditors of Government companies in regard to performance of their functions. In pursuance of the directives so issued, no special reports of the Statutory Auditors on the accounts of the companies were received during the year.

(ii) Under Section 619(4) of the Companies Act 1956, the Comptroller and Auditor General of India has the right to comment upon or supplement the report of the Statutory Auditors. Accordingly, the audited annual accounts of Government companies are reviewed on selective basis. During the period from October 1997 to September 1998, accounts of five companies were selected for review. The net effect of the important comments as a result of such review was decrease in profit by Rs.16.56 lakh in respect of Mawmluh-Cherra Cements Limited (Annual accounts for the year 1992-93) as detailed below:

(a)	**Overstatement**:	(Rs.in lakh)
(i)	Inclusion of administrative overhead charges to finished goods and works-in-progress contrary to adopted accounting principle	6.62
(ii)	Erroneous depiction of work-in-progress	3.06
(iii)	Non-accountal of consumption of stores and spares(Rs.2.19 lakh) and expenses on reactivation programme (Rs.0.51 lakh)	2.70
(iv)	Non-provision of income-tax	50.89
(v)	Inclusion of amount received in earlier year as 'Receivable' during the year in respect of Cement Regulation Account	10.77
(vi)	Understatement of Consumption of coal	2.54
(vii)	Non-provision of additional interest	16.73
		93.31
(b)	**Understatement:**	
(viii)	Inclusion of prior period expenses to current years account (Schedule 'M')	76.75
	Net overstatement (a) – (b)	16.56

8.2.8 Return on Capital employed

Capital employed has been taken as net fixed assets (including capital work-in-progress) plus working capital. Interest on borrowed funds is added/subtracted to net profit/loss as disclosed in the profit and loss account. Thus, as per latest finalised accounts the total capital employed worked out to Rs.43.23 crore in all the ten companies including one subsidiary and return thereon amounted to Rs.2.81 crore which comes to 6.50 **per cent** as tabled below :-

Sl. No.	Sector	No. of Companies	Capital employed	Return on Capital employed	Percentage of return on Capital employed
			(Rupees in lakh)		
1.	Cement Manufacturing	1	1880.18	205.70	10.94
2.	Industrial Development and Financing	1	1444.89	3.98	0.27
3.	Handloom and Handicraft	1	21.68	-	-
4.	Watch assembling	1	14.77	-	-
5.	Bamboo products	1	76.60	-	-
6.	Electronics	1	436.35	-	-
7.	Forest Development	1	163.00	70.37	43.17
8.	Tourism Development	1	29.08	-	-
9.	Construction	1	159.68	-	-
10.	Mineral Development	1	96.82	0.86	0.88
	Total	10	4323.05	280.91	6.50

8.2.9 Capacity utilisation

The highest and lowest percentage of utilisation of the installed or rated capacity of the four manufacturing/processing companies (to the extent the information is available) are given in Appendix XVI.

The plant efficiency of Meghalaya Watches Limited depends entirely on flow of components from Hindustan Machine Tools (HMT) according to their requirement. The plant utilisation of the company was nil during 1996-97 and 1997-98 due to non-supply of components by HMT. The plant utilisation of the Forest Development Corporation of Meghalaya Limited was nil during 1997-98 due to stoppage of activity of Nongpoh Saw Mill owing to non-supply of timber from reserve forest. The plant utilisation of two companies viz. Mawmluh-Cherra Cements Limited and Meghalaya Electronics Development Corporation Limited was 55 **per cent** and 0.43 **per cent** respectively during 1997-98.

8.2.10 619-B Companies

There was one company viz. Meghalaya Phyto Chemicals Limited falling under section 619-B of the Companies Act 1956. The company which was incorporated in November 1974 as a Private Company became a Government

Company in January 1984 and its first accounts for the period from January 1984 to 31 December 1984 has been finalised. The accumulated loss of the company was Rs.219.51 lakh as against paid-up capital of Rs.74.99 lakh. The finalisation of the accounts of the company was in arrears from 1985 onwards (September 1998).

8.3 Statutory Corporations

8.3.1 General aspects

There were three Statutory Corporations in the State as on 31 March 1998. Audit arrangements for these corporations are shown below:

Sl. No.	Name of the corporation	Statute under which constituted	Date of formation	Audit arrangement	Year upto which accounts finalised	Separate Audit Report placed in legislature upto the year	Authority for audit by the Comptroller and Auditor General of India
1	2	3	4	5	6	7	8
1.	Meghalaya State Electricity Board	Section 5 of Electricity(Supply) Act,1948	21 January 1975	Vests solely with the Comptroller and Auditor General of India	1996-97	1996-97	Section 69(4) of the Electricity Supply Act,1948.
2.	Meghalaya Transport Corporation	Road Transport Corporation Act, 1950	1 October 1976	-do-	1994-95	1993-94	Section 33(2) of the Road Transport Corporation Act 1950.
3.	Meghalaya State Warehousing Corporation	Section 18 (i) of the Warehousing Corporation Act, 1962	March 1973	Chartered Accountants appointed by the State Government in consultation with the Comptroller and Auditor General of India	1996-97	1996-97	Section 30 (10)of the Warehousing Corporation Act, 1962.

8.3.2 Investment

The total investment in these corporations as of 31 March 1998 was Rs.370.67 crore (equity : Rs.39.10 crore, long-term loans : Rs.331.57 crore) as against total investment of Rs.359.15 crore (equity : Rs.32.23 crore, long-term loans : Rs.326.92 crore) as of 31 March 1997.

Department (Name of the Corporation)	As at the end of 1997-98 Capital	1997-98 loans	1996-97 Capital	1996-97 loans	Debt equity ratio (1997-98)
	(Rupees in crore)				
1.Power (Electricity) Mines and Minerals (Meghalaya State Electricity Board)	NIL	331.57	NIL	326.92	-
2.Transport (Meghalaya Transport Corporation)	36.77	-	30.15	-	-
3.Co-operation (Meghalaya State Ware-housing Corporation)	2.33	-	2.08	-	-
	39.10	331.57	32.23	326.92	

8.3.3 Profit/loss of the Corporation

According to the latest finalised accounts, two Corporations had incurred loss of Rs.35.26 crore and the remaining one corporation earned profit of Rs.0.05 crore as indicated below :-

Sl. No.	Number of Corporations	Year of accounts	Profit: No.of Corpo-rations	Profit: Amount	Loss: No.of Corpo-rations	Loss: Amount
				(Rupees in crore)		(Rupees in crore)
1.	1	1994-95	-	-	1	1.74
2.	2	1996-97	1	0.05	1	33.52
	3		1	0.05	2	35.26

8.3.4 Finalisation of accounts

Accountability of Statutory Corporations to the legislature is to be achieved through the submission of Separate Audit Reports within the prescribed time schedule to the legislature. The accounts of all the three corporations were in arrears for periods ranging from one year to three years as indicated in the table below :-

Sl. No.	Name of the Corporation	Period of accounts	Total number of years' accounts in arrears
1.	Meghalaya Transport Corporation	1995-96 to 1997-98	3
2.	Meghalaya State Electricity Board	1997-98	1
3.	Meghalaya State Warehousing Corporation	1997-98	1

8.3.5 Guarantee on loans

The guarantees given by the State Government against loans to the corporations (as per information available) for preceeding 3 years upto 1997-98 and outstanding as on 31 March 1998 are shown in the table below :

Sl.No.	Name of the Corporation	Amount of Principal guaranteed during			Guaranteed amount outstanding as on 31.3.98 (Cumulative)
		1994-95	1995-96	1996-97	
					(Rupees in crore)
1.	Meghalaya State Electricity Board	-	-	5.70	137.97

8.3.6 Subsidy

The outgo from the State Government to Corporations during the last three years ending 1997-98 in the form of subsidy was as detailed below :-

Name of the Corporation	1995-96	1996-97	1997-98
	(Rupees	in	crore)
Meghalaya State Electricity Board	8.00	8.50	9.00
Meghalaya State Transport Corporation	2.00	2.10	2.30
Total:	10.00	10.60	11.30

8.3.7 Working results of Statutory Corporations

The working results of the Statutory Corporations for the latest years for which accounts have been finalised are summarised in Appendix XVIII. Salient points about the accounts and physical performance of these corporations are given below in paragraphs 8.4 to 8.6.

8.4 Meghalaya State Electricity Board

8.4.1 The capital requirement of the Board is provided in the form of loans from Government, public, banks and other financial institutions.

The aggregate of long-term loans (including loans from Government) obtained by the Board and outstanding as on 31 March 1998 was Rs.331.57 crore and represented increase of Rs.4.65 crore over long-term loans of Rs.326.92 crore outstanding at the end of the previous year. Details of loans obtained from the State Government and other sources and outstanding at the close of each of the three years upto 1998 are given below :

Source	Amount outstanding as on 31 March			Percentage of increase(+)/decrease (-) in 1997-98 over 1996-97
	1996	1997	1998	
	(Rupees in crore)			
1. State Government	133.17	140.17	147.17	(+) 4.99
2. Other Sources	195.01	186.75	184.40	(-) 1.26
	328.18	326.92	331.57	(+) 1.42

8.4.2 The financial position of the Board at the end of the three years up to 1996-97 is summarised below :

		1994-95	1995-96	1996-97
1.	**Liabilities:**	(Rupees	in	crore)
(a)	Loans from Government	116.17	133.17	140.17
(b)	Other Long-term loans (including bonds)	198.58	195.01	186.75
(c)	Subvention and grant from Government	-	-	-
(d)	Reserve and surplus	-	-	-
(e)	Current Liabilities	195.58	219.48	274.27
	Total :	**510.33**	**547.66**	**601.19**
2.	**Assets :**			
(a)	Gross fixed assets	252.72	262.60	269.53
(b)	Less : Depreciation	46.00	51.76	66.34
(c)	Net fixed assets	206.72	210.84	203.19
(d)	Capital works-in-progress	61.29	60.00	64.56
(e)	Current assets	119.28	141.60	162.56
(f)	Deferred cost/Asset not in use	7.93	7.04	7.09
(g)	Investment	-	0.30	2.40
(h)	Accumulated deficit	115.11	127.87	161.39
	Total :	**510.33**	**547.65**	**601.19**
3.	Capital employed*	191.71	192.96	156.04

8.4.3 The working results of the Electricity Board as per the books of accounts for the three years up to 1996-97 are summarised below :

* Capital employed represents net fixed assets (including capital work-in-progress) *plus* working capital.

Sl No.	Particulars	1994-95	1995-96	1996-97
		(Rupees in crore)		
1.	(a) Revenue receipts	31.48	50.17	57.99
	(b) Subsidy from the State Government	7.00	8.00	8.50
	(c) Other income	8.14	8.90	8.03
	Total	**46.62**	**67.07**	**74.52**
2.	Revenue expenditure (net of expenses capitalised including write off of intangible assets but excluding depreciation and interest)	34.60	33.98	67.17
3.	Gross surplus(+)/deficit(-) for the year (1-2)	12.02	33.09	7.35
4.	Adjustment relating to previous years	12.01	(-) 0.39	12.69
5.	Final gross surplus(+)/deficit(-) for the year (3+4)	24.03	32.70	20.04
6.	Appropriations :			
	(a)Depreciation (less capitalised)	3.73	6.74	8.88
	(b)Interest on Government loans	10.10	10.91	12.44
	(c)Interest on other loans, bonds, advances etc.	28.38	27.81	32.24
	(d)Total interest on loans (b+c)	38.48	38.72	44.68
	(e)Less: Interest capitalised	-	-	-
	(f)Net interest charged to revenue (d-e)	38.48	38.72	44.68
7.	Net surplus (+)/Deficit (-) before accounting for subsidy from State Government {5-6(a)-6(f)-1(b)}	(-)25.18	(-)20.76	(-)42.02
8.	Net surplus(+)/defict (-) {5 - 6(a) - 6(f)}	(-)18.18	(-)12.76	(-)33.52
9.	Total return on (a)capital employed*	(+)20.30	(+)25.96	(+)11.16
10.	Percentage of return on: (a)Capital employed	10.59	13.45	7.15

Audit assessment of the working results of the Board

The Board suffered a deficit of Rs.33.52 crore during the year 1996-97 as compared to deficit of Rs.12.76 crore during 1995-96. The deficit of the Board before accounting for the subsidy from the State Government increased by 102.4 **per**

* Total return on capital employed represents net surplus/deficit *plus* total interest charged to profit and loss account (Less interest capitalised).

cent during the year 1996-97 as compared to the year 1995-96. The main reasons for the deficit was insufficient revenue from sale of power to meet the expenditure on employees cost and interest on loans payable by the Board.

The accumulated deficit at the end of 1996-97 amounted to Rs.161.39 crore which had been arrived at after taking credit of Rs.8.50 crore on account of subsidy received from the State Government.

According to Section 59 of the Electricity (Supply) Act, 1984, as amended, the Board, after taking credit of subvention from the State Government under Section 63, is required to carry on its operations and adjust its tariff so as to ensure that total revenue in any year of account shall after meeting all the expenses properly, leave such surplus which is not less than three per cent or any higher percentage fixed by the State Government of the value of fixed assets of the Board in service at the beginning of the year. Based on this, the Board was required to achieve a minimum surplus of Rs. 7.88 crore (3 per cent of the value of fixed assets in its service at the beginning of the year (Rs.262.60 crore) for the year 1996-97. As against this there was a net deficit of Rs.33.52 crore which worked out to 12.76 per cent of the fixed assets.

The following major irregularities and omissions were pointed out in Separate Audit Report on the annual account of the Board for the year 1996-97.

Sl.No.		Irregularities/Omission	Amount (Rupees in Crore)
(A)		Overstatement of deficit due to :	
	(i)	Non-provision of interest accrued on investment	0.07
	(ii)	Short provision of delayed payment surcharge receivable	0.16
	(iii)	Inclusion of repair and maintenance expenditure of prior period in the current years accounts	0.73
	(iv)	Accountal of bonus for 1995-96 in current years accounts	0.53
	(v)	Excess provision of interest on centrally sponsored schemes	0.06
	(vi)	Excess provision of interest and interest tax on LIC loan	2.27
	(vii)	Inclusion of prior period interest on CSS/IDBI loan in the current year	0.72
	(viii)	Excess provision of penal interest accrued on CSS loan	0.01
	ix)	Excess provision of interest on GPF	0.13
	x)	Non-capitalisation of interest	15.01
	xi)	Deferred cost treated as revenue expenses	0.05
		Total	19.74

Sl.No.	Irregularities/Omission		Amount
			(Rupees in Crore)
(B)	Understatement of deficit due to :		
	(i)	Non-accountal of surcharge payable	0.34
	(ii)	Short provision of audit fees	0.01
	(iii)	Short provision of depreciation	4.31
		Total	**4.66**
		Net overstatement of deficit (A-B)	**15.08**

8.4.4 As a result of the above irregularities/ omissions the deficit of the Board will decrease by Rs.15.08 crore during 1996-97.

Based on the Audit assessment of the working results of the Board for three years upto 1996-97 and taking into consideration of major irregularities and omission pointed out in the Separate Audit Reports on the annual accounts of the Board and not taking into account the subsidy/subventions recoverable from the State Government, the net surplus/deficit and the percentage of return on capital employed of the Board will be as under :-

Sl. No.	Particulars	1994-95	1995-96	1996-97
		(Rupees in crore)		
1.	Net surplus/(-)deficit as per books of accounts	(-)18.18	(-)12.76	(-)33.52
2.	Subsidy from the State Government	7.00	8.00	8.50
3.	Net surplus/(-)deficit before subsidy from the State Government (1-2)	(-)25.18	(-)20.76	(-)42.02
4.	Net increase/decrease in net surplus/(-)deficit on account of audit comments on the annual accounts of the Board	(-) 0.45	(+) 8.31	(+)15.08
5.	Net surplus/(-)deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)25.63	(-)12.45	(-)26.94
6.	Total return on : (a) Capital employed	12.85	26.27	17.74
7.	Percentage of return on Capital employed	6.70	13.61	11.36

8.4.5 Physical performance of the Board during the three years up to 1996-97 is summarised below:

Sl.No.	Particulars	1994-95	1995-96	1996-97
1.	Installed capacity (in MW)			
(a)	Thermal	-	-	2.05
(b)	Hydel	185.20	185.20	186.71
(c)	Others	3.56	-	-
	Total	**188.76**	**185.20**	**188.76**
2.	Normal maximum demand (in MW)	79	82.5	181.7
3.	Power Generated (in MU)			
	(a) Thermal	-	-	-
	(b) Hydel	377.73	542.55	486.01
	(c) Others	-	-	-
	Total power generation	377.73	542.55	486.01
	Less : Auxiliary Consumption (in MU)	1.32	1.96	1.72
	Net power generated	376.41	540.59	484.29
4.	Free power received(in MU)	47.76	38.95	47.40
5.	Purchase of power (in MU)	42.27	39.44	30.86
6.	Total power available for sale (3 to 5)	466.44	618.98	562.55
7.	Power sold (in MU)	379.25	508.81	453.88
8.	Transmission and distribution loss(in MU)	87.19	110.17	108.67
9.	Units generated per KW installed capacity (in KWH)	2040	2930	2624
10.	Percentage of transmission and distribution loss	18.69	17.79	15.32
11.	Plant Load factor (**in percentage**) Hydel	23.06	32.61	30.53
12.	No.of village electrified at the end of the year	2407	2408	2508
13.	Pump set energised at the end of the year including private and State Government (in No.)	65	65	65

Sl.No.	Particulars	1994-95	1995-96	1996-97
14.	(a) Connected load (in MW)	275.42	288.85	308.53
	(b) No.of consumers	99370	104180	111409
15.	No.of employees of the Board	4374	4323	4158
16.	Consumer Employee Ratio	23:1	24:1	27:1
17.	Employees cost per KWH generated (in paise)	65	54	64

8.4.6 The following table gives the details of power sold to various categories of consumers, revenue, expenditure and Profit/Loss per KWH sold during each of the three years upto 1996-97.

	Categories of consumers	1994-95	1995-96	1996-97
			(M K W H)	
(a)	Agriculture	1.50	1.49	1.41
(b)	Industrial	88.34	60.55	60.55
(c)	Commercial	47.47	40.07	42.79
(d)	Domestic	39.61	77.53	85.41
(e)	Others	202.33	329.17	263.72
	Total :	**379.25**	**508.81**	**453.88**
(a)	Revenue per K.W.H.(in paise)	83	98	127
(b)	Expenditure per K.W.H(in paise)	207	156	210
(c)	Profit(+)/Loss(-)per K.W.H. (in paise)	(-)124	(-)58	(-)83

8.5 Meghalaya Transport Corporation

The Meghalaya Transport Corporation was established in October 1976 under the Road Transport Corporation Act, 1950. The capital contribution received by the Corporation as on 31 March 1998 was Rs.36.77 crore (State Government : Rs.31.80 crore and Central Government : Rs.4.97 crore) as against Rs.35.12 crore as on 31 March 1997 (State Government : Rs.30.15 crore and Central Government : Rs.4.97 crore).

8.5.1 The table below summarises the financial position of the Corporation at the end of each of three years upto 1994-95 for which accounts were finalised.

		1992-93	1993-94	1994-95
1.	**Liabilities**	(Rupees in crore)		
a)	Capital contribution	30.03	33.66	36.16
b)	Deposits	0.08	0.08	0.08
c)	Current liabilities including provisions	4.42	2.32	2.85
	Total :	34.53	36.06	39.09
2.	**Assets**			
a)	Gross block	10.88	11.36	12.02
b)	Less : Depreciation	5.24	6.61	6.94
c)	Net fixed assets	5.64	4.75	5.08
d)	Current assets, loans and advances	3.86	5.94	7.02
e)	Intangible Assets	25.03	25.37	26.99
	Total :	34.53	36.06	39.09
3.	Capital employed*	5.08	8.37	9.25

8.5.2 The following table summarises the working results of the Corporation for the three years upto 1994-95.

		1992-93	1993-94	1994-95
1.	**Operating**	(Rupees in crore)		
a)	Revenue	5.94	7.24	6.54
b)	Expenditure	7.63	9.14	8.63
c)	Surplus(+)/(-)Deficit	(-)1.69	(-)1.90	(-)2.09
2.	**Non-operating**			
a)	Revenue	0.33	0.14	0.35
b)	Expenditure	1.84	0	0
c)	Surplus(+)/Deficit(-)	(-)1.51	(+)0.14	(+)0.35
3.	**Total**			
a)	Revenue	6.27	7.38	6.89
b)	Expenditure	9.47	9.14	8.63
c)	Surplus(+)/Deficit(-)	(-)3.20	(-)1.76	(-)1.74
4.	Total interest charged to profit and loss account	1.84	NIL	NIL

* Capital employed represents net fixed assets (including capital work in progress) ***plus*** working capital.

8.5.3 Operational performance of the Corporation during the three years upto 1994-95 was as follows :

		1992-93	1993-94	1994-95
		(Rupees in crore)		
1.	Average number of vehicles held	176	191	187
2.	Average number of vehicles on road	87	84	82
3.	Vehicles utilisation (percentage)	49	44	44
4.	No. of exployees	914	937	905
5.	Vehicle Staff Ratio	1:5.19	1:4.90	1:4.84
6.	Route length (in Km)	7911	8042	8326
7.	Kilometres covered (in lakh)			
	a) Gross	53.84	59.15	54.26
	b) Effective	53.11	58.31	53.50
	c) Dead	0.73	0.84	0.76
8.	Percentage of dead Kms to gross	1.36	1.42	1.40
9.	Average Km covered by bus per day	167	190	179
10.	Average operating revenue per effective Km (in paise)	1118	1241	1222
11.	Average operating expenditure per effective Km (in paise)	1436	1330	1385
12.	Loss(-)/Profit(+) per Km (in paise)	(-)318	(-)89	(-)163
13.	Average number of breakdowns per lakh Kms	1.00	1.03	0.97
14.	Average number of accidents per lakh Kms	0.24	0.22	0.24
15.	Passenger Kms scheduled (in crore)	26.56	29.16	26.75
16.	Passenger Kms operated (in crore	17.79	19.24	16.59
17.	Occupancy ratio (Percentage)	67	66	62

8.5.4 The following are the major irregularities/omissions pointed out in the Separate Audit Reports on the annual accounts of the Corporation for the year 1994-95.

Sl.No.	Irregularities/Omission		Rupees. in Crore
(a)	Overstatement of deficit due to : Non-accountal of credit sale of tyres, tubes, junk materials and burnt mobil oil		0.03
		Total (a)	0.03
(b)	Understatement of deficit due to :		
	(i) Excess accountal of passenger earnings, Government's share of pension, gratuity, commutation of pension and earning on Government repairing		0.07
	(ii) Non-provision of expenses for purchase of spare parts, retreading cost of tyres and freight charges		0.02
		Total (b)	0.09
	Increase in deficit		0.06

8.5.5 As a result of the above irregularities/ omissions, the deficit of the Corporation will further increase by Rs.0.06 crore during the year 1994-95.

Based on the Audit assessment of the working results of the corporation for the three years upto 1994-95 and taking into consideration of major irregularities and omissions pointed out in the separate Audit Reports on the annual accounts of the Corporation, the net deficit and the percentage of return on capital employed of the corporation will be as under :

Sl.No.	Particulars	1992-93	1993-94	1994-95
			(Rupees in crore)	
1.	Net surplus(-)/deficit as per books of accounts	(-)3.20	(-)0.38	(-)0.52
2.	Net increase/decrease in net deficit on account of audit comments on the annual accounts of the corporation	(+)0.31	(-)1.64	(-)0.06
3.	Net deficit after taking into account the impact of audit comments (2-3)	(-)2.89	(-)2.02	(-)0.58
4.	Total return on capital employed	(-)1.05	(-)2.02	(-)0.58

8.6 Meghalaya State Warehousing Corporation

The paid-up capital of the corporation as on 31 March 1998 was Rs.2.33 crore (provisional) (State Government : Rs.1.17 crore and Central Warehousing Corporation : Rs.1.16 crore) as against Rs.2.08 crore (State Government : Rs.1.17 crore and Central Warehousing Corporation : Rs.0.91 crore) as on 31 March 1997.

8.6.1(a) The table given below summarises the financial position of the corporation at the end of each of the three years up to 1996-97:

	Particulars	1994-95	1995-96	1996-97
			(Rupees in crore)	
1.	**Liabilities :**			
(a)	Paid-up capital	2.08	2.08	2.08
(b)	Reserve and Surplus	0.40	0.38	0.35
(c)	Borrowings	0.25	-	-
(d)	Trade dues and other current liabilities and provisions	0.01	0.01	0.02
	Total	**2.74**	**2.47**	**2.45**
2.	**Assets :**			
(a)	Gross block	1.50	1.50	1.51
(b)	Less : Depreciation	0.22	0.25	0.25
(c)	Net fixed Assets	1.28	1.25	1.26
(d)	Capital Works-in-progress	-	-	-
(e)	Investment	0.14	0.13	0.09
(f)	Current Assets,Loans & Advances	1.32	1.09	1.10
	Total	2.74	2.47	2.45
	Capital employed*	2.59	2.33	2.34

(b) The following table summarises the working results of the corporation for the three years upto 1996-97 :

* Capital employed represents net fixed assets (including capital work in progress) and working capital.

	Particulars	1994-95	1995-96	1996-97
			(Rupees in crore)	
1.	**Income**			
(a)	Warehousing Charges	0.05	0.09	0.18
(b)	Other income	0.06	0.07	0.01
	Total	0.11	0.16	0.19
2.	**Expenses**			
(a)	Establishment charges	0.08	0.09	0.11
(b)	Other expenses	0.05	0.05	0.03
	Total :	**0.13**	**0.14**	**0.14**
3.	Profit(+)/Loss(-) before tax	(-)0.02	(+)0.02	(+)0.05

8.6.2 Physical performance of the corporation during the three years up to 1995-96 is summarised below :

Particulars		1994-95	1995-96	1996-97
1.	Number of stations covered	5	5	5
2.	Storage capacity created upto the end of the year (tonnes in lakh)			
(a)	Owned	0.108	0.108	0.113
(b)	Hired	-	-	-
3.	Average capacity utilised during the year (tonnes in lakh)	0.075	0.075	0.081
Particulars		1994-95	1995-96	1996-97
4.	Percentage of utilisation	69.44	69.44	71.68
5.(a)	Average revenue per tonne (Rupees)	146.67	213.33	234.57
6.	Average expenses per tonne (Rupees)	173.33	186.66	172.84
7.	Profit (+)/Loss (-) per tonne (Rupees)	(-) 26.66	(+) 26.67	(+) 61.73

MEGHALAYA STATE ELECTRICITY BOARD

8.7 Review on Purchase of stores and Inventory control

8.7.1 Highlights

The Board held stock annually varying from Rs.26.50 crore to Rs.48.63 crore representing 16 to 265 months' consumption. There was minus closing balances as per books of accounts totalling Rs.1.99 crore in respect of 6 divisions and transferred materials valued at Rs.18.53 crore awaiting acknowledgement by the receiving units.

(Paragraph 8.7.5)

The Board had incurred extra expenditure of Rs.0.36 crore in purchase of materials at higher rates.

{Paragraph 8.7.6.3(i) to (v)}

Non-moving serviceable materials valued at Rs.1.84 crore were held by 5 units and damaged/unserviceable stocks worth Rs.0.22 crore were lying with 6 units without any investigation and disposal.

(Paragraphs 8.7.7.1 and 8.7.7.2)

8.7.2. Introduction

Material management and inventory control aims at an integrated approach towards management of material and is concerned with control of material cost and inventories by ensuring uniform flow of materials of right quality at right price. The Board spends about Rs.9.35 crore annually on an average on purchase of stores mainly out of its borrowed funds. In the context of recurring deficits in its working results and resource crunch it is essential that the Board manages its material purchases, utilisation and storage in the most cost effective manner.

8.7.3 Scope of Audit

Certain aspects of the purchase, procurement and utilisation of stores by the Board were reviewed in audit and incorporated in the Report of the Comptroller and Auditor General of India for the year 1985-86. Recommendations of the COPU thereon were awaited (September 1998).

The present review on systems of indents, purchase, holdings, verification, disposal of materials, and Management Information System (MIS) covering the period of the last five years upto 1997-98 was conducted in audit during April to June 1998 so as to evaluate the efficiency and economy with which these activities were being conducted by the Board. The salient points emerged are discussed in succeeding paragraphs.

8.7.4 Organisational set-up

Upto September 1996, purchase of high value and major items were made centrally by the Controller of stores and purchases (COSP) with the approval of purchase committee. In October 1996, the Board carved out a Material Management Committee for procurement and distribution of materials. The field offices can make purchases of certain listed items within a financial limit of Rs.10,000 per month.

There is a district stores sub-division which is responsible for custody, safeguard, issue and accounting of stores in each Division/circle/project.

8.7.5 Financial position of materials and inventory

Stock holding was excessive representing 16 to 265 months' consumption indicating lack of efficient, economic and better controlled material management.

The table below would indicate the position of opening balance, purchase, issue for consumption, closing balance, and stock holding position in terms of months' consumption in respect of operation and maintenance (O&M) and capital stores for the five years upto 1997-98 :

Year	Opening balance	Purchase	Issue for consumption	Closing balance	Stock holding in terms of months' consu-mption
		(Rupees in crore)			
1993-94					
O&M	6.85	0.37	0.79	6.43	97.67
Capital	19.96	0.52	0.41	20.07	587.41
Total	**26.81**	**0.89**	**1.20**	**26.50**	**265.00**
1994-95					
O&M	6.43	3.15	0.11	9.47	1033.09
Capital	20.07	5.14	4.52	20.69	54.93
Total	**26.50**	**8.29**	**4.63**	**30.16**	**78.17**
1995-96					
O&M	9.47	2.43	0.79	11.11	168.76
Capital	20.69	2.81	0.80	22.70	340.50
Total	**30.16**	**5.24**	**1.59**	**33.81**	**255.17**
1996-97					
O&M	11.11	17.96	7.22	21.84	36.30
Capital	22.70	5.02	0.92	26.79	349.43
Total	**33.81**	**22.98**	**8.14**	**48.63**	**71.69**
1997-98					
O&M	21.84	2.88	17.10	7.62	5.35
Capital	26.79	4.20	6.61	24.38	44.26
Total	**48.63**	**7.08**	**23.71**	**32.00**	**16.19**

It may be seen from the above table that the stock holding at the end of each year was high varying from 16 to 265 months' consumption.

The Management stated (September 1998) that high value stock holding and low consumption as observed in Audit were mainly due to non-adjustment of Advise of Transfer Debits by the receipient stores.

Test check of stock records in Audit, however, disclosed that the reasons for excessive stock holdings were unnecessary holding of materials not required, non-disposal of unserviceable stock, procurement of materials without requirement and system deficiencies as discussed in succeeding paragraphs.

(a) The exact year-wise procurement of materials was not ascertainable because the purchase and consumption figures available with the Board, as given in the table, included inter unit transfer of materials.

(b) The financial figures of closing balance of stock had not been reconciled with physical stock. The financial ledger disclosed that there were minus figures of closing stock amounting to Rs.1.99 crore in respect of 6 divisions. The reasons for negative figures had not been ascertained.

Financial ledger indicated minus balance of Closing Stock amounting to Rs.1.99 crore in respect of 6 Divisions.

(c) Upto March 1997, the value of inter unit stock transfers were adjusted under `Actual Transfer Debit' (ATD) system according to which the stock issuing unit used to raise ATD and adjustments were made in accounts through ATD register on receipt of acknowledgement of stocks from the receiving unit. With effect from April 1997 the Board introduced `Bill cum Allotment order' system for immediate accountal/adjustments of stock transfers.

As per ATD register, as in March 1998, inter unit transferred materials valued at Rs.18.53 crore (including Rs.6.71 crore pertaining to the period prior to 1991-92) awaited adjustments for want of acknowledgement of receipt of materials by the receiving units. The figure of Rs.18.53 crore as per ATD register differed from Rs.18.13 crores as per General Ledger. The discrepancies remained unreconciled. In absence of adjustment of ATDs for want of acknowledgement of transferred stocks, the possibility of pilferages/ misappropriation of materials cannot be ruled out.

Transferred materials valued at Rs.18.53 crore by the receiving units have not been acknowledged.

8.7.6 System deficiencies

8.7.6.1 Material Manual and Material budgeting

No material manual had yet (September 1998) been prepared by the Board prescribing the detailed guidelines for purchase of materials and for inventory control.

Despite recurring heavy annual expenditure on purchase of stores materials, the Board had not introduced the practice of preparing material budget auxiliary to annual expenditure budget.

8.7.6.2 Management Information System

The Board had not introduced a comprehensive and integrated Management Information System (MIS) to monitor material-wise quantity particulars of opening balance, receipt, issue and closing balance. Thus, the details of receipt and issue of each material of the Board as a whole and position of non-moving/slow moving/unserviceable materials of the stock holding units were not available.

8.7.6.3 Purchase procedure

The Central Purchase Organisation of the Board purchased materials on the basis of indents/ requisitions received from the field units. The consolidated position of purchases made indicating the indents/ requisitions received, the date of tendering and quotations received thereagainst, dates of finalisation of tenders and issue of purchase order, quantity ordered for, approved rates, delivery schedule and actual quantity received against the purchase orders, etc. were not available. The Board had also not introduced the systems of registration of firms and of vendor ratings.

Test check of purchase records in audit disclosed that there were instances of slippages in delivery schedule, allotment of purchases at higher cost as given below :

Two transformers were purchased at an extra cost of Rs.0.10 crore.

(i) Against tenders invited in November 1994 for purchase of two 7.5 MVA transformers, 10 firms quoted rates and of which offers of three firms `A', `B' and `C' at rates of Rs.18.40 lakh, Rs.21.16 lakh and Rs.23.50 lakh, respectively, per transformer were found technically suitable. The Board, however, accepted (April 1995) the offer of firm `C' and purchased the two transformers (against order placed in June 1995) at their quoted rate of Rs.23.50 lakh per transformer resulting in extra expenditure of Rs.10.20 lakh. The reasons for non-acceptance of offer of firm `A' at their lower rate of Rs.18.40 per transformer were not on record.

The Management stated (September 1998) that the performance of products of firm "A" was not known (being new to the Board) and that the transformers of firm "C" had a proven performance with stock of required tools and plants for their major repairs.

The reply of the Management is not tenable for the reasons that the Board has not made any vendor ratings of, products/firms, the offer of firm "A" was technically suitable to the Board, and that the performance of transformers are covered under warranties. Further, no price negotiation was made with firm "C" for economic buying.

Delayed action to purchase transformers resulted in extra expenditure of Rs.0.05 crore.

(ii) In response to tenders (March 1992) for purchase of GNAT conductors, the Board received offers from 22 firms. The offer of lowest tenderer at the rate of Rs.4627.20 per km was, however, rejected on the ground that the quality of products of the firm was not proven. The Board did not negotiate rates for purchase from other firms on the basis of their offers. After 8 months of opening of tenders, purchase order was placed in December 1992 with the 2nd lowest tenderer at their offered rate of Rs.5771.16 per km but the firm refused to supply as the Board's terms were not in consonance with their terms. Meanwhile, the validity period of offers of other firms had expired and during negotiation the tenderers offered higher rates due to increase in price of materials. Ultimately in February 1993, the Board purchased 275 kms conductors @ Rs.6294.75 per km.

The Management in reply (September 1998) stated that consequent on refusal of second tenderer on payment terms the purchases were made at the reasonable higher analysed rates to avoid further price rise and delay. No reasons for delay in placement of order which led to purchase at higher price were, however, put forth.

Thus, due to delay in finalisation of purchase order with the parties, the Board had incurred an extra expenditure of Rs.4.58 lakh compared to lowest rate received against tenders.

(iii) The Board placed (December 1994 and January 1995) orders with M/s Bharat Heavy Electricals Limited (BHEL) for supply of 11 KV disc insulators, but BHEL declined to supply the insulators in view of long pending dues from the Board. The Board after 10 months in November 1995 approved the BHEL make 11 KV disc insulator at Rs.286 each followed by placement of order (June 1996) with a local dealer of BHEL for supply of 4000 BHEL make insulators at a firm price of Rs.286 each and the delivery to be completed by 31st July 1996. The dealer, however, did not supply the insulators within due date. In February 1997 the dealer informed the Board that the price of BHEL make insulators had increased to Rs.405 each and thus refused to supply at the approved rate. No follow up action was, however, taken by the Management to enforce supply of the insulators within due date and without ascertaining the actual rise in prices of BHEL make insulators, accepted (February 1997) the higher rate. The supplies were made by the dealer in March 1997 and payments were made in March and August 1997.

Delay in placement of order led to price escalation of Rs.0.05 crore.

The Management stated (September 1998) that the supply order was placed with the dealer well in time but the firm could not supply the ordered quantity due to price hike after price revision.

The reply of the Management is not tenable as the supply order was placed with the dealer after a delay of 10 months from the date of BHEL's refusal to supply, the insulators were not supplied by the dealer within schedule date (July 1996) due to lack of follow up and price hike was allowed after 7 months of schedule date of delivery in February 1997 without ascertaining the actual rise of prices from time to time. These lapses had led to an extra expenditure of Rs.4.76 lakh to the Board.

(iv) Against tenders invited in May 1993 for purchase of galvanised steel ground wire, the Board received five quotations with validity period of 90 days. After six months of validity period in March 1994, the Board placed supply order on

Non-placement of purchase order within the validity period of offer resulted in extra expenditure of Rs.0.06 crore.

Meghalaya Wire Products (MWP) for supply of 100 kms at their offered rate of Rs.15,500 per km. The reason for non-placement of supply orders within the validity period of offers are not on record. The Management stated (September 1998) that due to unavoidable reasons the tender rates could not be approved within validity period. This indicates that belated action had no specific reason. Since the orders were not placed within the validity period of offers, the firm requested (April 1994) to enhance the rate to Rs.19,798.40 per km. The Board amended (July 1994) the purchase order accepting the enhanced rate and ultimately purchased a total quantity of 157.38 kms of ground wire from two firms (viz. MWP : 99.95 km and Almond Enterprises Industrial Co-operative Society Ltd. : 57.43 km) at the higher rate of Rs.19,798.40 per km leading to extra expenditure of Rs.6.45 lakh..

Price escalation of Rs.0.10 crore was paid on delayed delivery.

(v) The Board placed (January 1994) the purchase order on M/s Alcond Employees Industrial Co-operative Society Ltd. for supply of 75 kms ACSR Panther Conductor at the firm rate of Rs.59,000 per km to be delivered within March 1994. The terms of supply order stipulated that in case of delay, penalty @ ½ **per cent** per day on value of undelivered quantity subject to a maximum 5 **per cent** of value of order was to be levied.

It was noticed in audit that the firm failed to deliver the materials within the stipulated period. On the request (March 1994) of the firm the Board extended (April 1994) the delivery period upto December 1994 on the condition that no escalation of price would be allowed during the delivery period. The Board, however, paid the value of 73.788 km conductor supplied by the firm in March 1995 at the escalated price of Rs.71,974 per km without imposing any penalty in contravention of the terms and conditions of the supply order leading to an additional expenditure of Rs.9.57 lakh.

The Management admitted(September 1998) that in contravention of the terms of agreement, the Board allowed price escalation and condoned penalty payment to the firm and also stated that the deviation from the terms of agreement in respect of price escalation and delivery schedule had to be condoned to avert overall loss due to consequential time overrun and cost overrun. The fact thus remained that undue favours were extended to the firm which had resulted in extra expenditure of Rs.9.57 lakh to the Board.

8.7.7 Inventory Control

Periodical and annual physical verification of stock was not done regularly. During 1996-97, out of 30 stock holding units, annual physical verification of 14 units was carried out.

Test check of stores accounts of 10 (out of 30) stock holding units revealed that there were unnecessary/excess stock holding and unserviceable materials as given below :

8.7.7.1 Non-moving/idle serviceable stock

Non-moving serviceable stocks in stores resulted in locking up of funds to the extent of Rs.1.84 crore.

The consolidated position of idle/non-moving stocks held by different units of the Board had not been compiled. The position of serviceable non-moving stock held by 5 (out of 10) units test-checked in audit is given below:

Sl. No.	Name of the Unit	Particulars of materials	Date/period since when lying idle	Value Rs.in lakh	Remarks
1	Jowai Electrical Division	Low tension line construction materials	1987-88	8.37	---
2.	Dy.General Manager (Construction), East	133 items of transmission line construction materials	1987-88	73.79	Transferred to Area stores after 10 years in April 1998.
3.	Dy.General Manager (Construction), West	62 items of construction line materials	1986-87	NA	Pricing of materials not done and thus value could not be worked out.
4.	Barapani stores Sub-Division II	34 items of low tension line materials	1990-91	63.41	This includes 12 items valued at Rs. 27.30 lakh procured between 1991-92 and 1992-93 but the entire stock (including old stock) remained unmoved indicating unnecessary indenting/ procurement.
5.	Ri-Bhoi R.E. Division	13 items of line construction materials	NA	38.70 (7 items)	Value of 6 items not worked out.
			Total	**184.27**	

Thus, unnecessary holding of stock resulted in locking of Board's funds to the tune of Rs.184.27 lakh.(This does not include value of stocks not valued by the Board)

8.7.7.2 Damaged/unserviceable stock

Unserviceable/ damaged Stock valued at Rs.0.22 crore was lying in Stock in five units.

The details of unserviceable/damaged stock lying in stock as noticed in audit during test check of 10 units are given below:-

Sl. No.	Name of the Unit	Particulars of materials	Lying in stock prior to (Bracket indicates month of detection)	Value (Rs.in lakh)
1.	Works Centre Division,Sumer	Spare parts of vehicles (obsolete)	1987-88 (March 1987)	13.90
2.	Stage IV Civil Maintenance Division	Cement	1992-93 (March 1992)	3.14
3.	Shillong Rural Electrification Division	Cement and hard-ware fittings	1993-94 (March 1993)	3.14
4.	Ri-bhoi Electrical Division	Paint,transformer, Oil and hardware fittings NA		1.86
5.	Garo Hills Electrical Division	Paints,cross arm, flat	1989-90 (March 1989)	0.29
6.	Dy.General Manager (Construction), West	52 items of line construction materials	NA	NA
			Total	22.31

The reasons for rendering the materials unserviceable due to damage, deterioration etc. were not investigated. The Board had not taken any action to ascertain the extent of unserviceable stock lying with different stores, to investigate the reasons thereof, and for their disposal.

Conclusion

The Board had been on an average procuring annually materials worth Rs.9.35 crore out of its borrowed funds. Yet the procurement operation and inventory management suffered from various system deficiencies like absence of material manual and material budgeting, lack of management information system, defective purchase procedure/system, etc. There is need to take a fresh look into overall material management and inventory control system to make it cost effective.

8.8 MISCELLANEOUS TOPICS OF INTEREST

TRANSPORT DEPARTMENT

Meghalaya Transport Corporation

8.8.1 Avoidable loss of potential revenue

Due to delay in clearance of previous bills of the parties, the delivery of completed buses was delayed resulting in loss of potential revenue of Rs.0.22 crore

The Corporation awarded (July 1995 and September 1995) the fabrication works of 8 bus bodies (5 district or ordinary type and 3 deluxe type) to firm 'A' and 4 bus bodies (2 district type and 2 deluxe type) to firm 'B'. As per terms of agreement, the completed buses were to be delivered within 60 days (district type) and 80 days (deluxe type) from the date of handing over of chassis failing which penalty at Rs.750 per bus per day was to be recovered.

Three chasis (deluxe type) were handed over to firm "A" on 1 August 1995 and two chassis each of district type and deluxe type were handed over to firm "B" on 4 September 1995 for fabrication of bus body. Firm "A" delivered the completed buses on 20 October 1995 after a delay of 235 days. Firm "B" delivered the three completed buses (two deluxe and one district type) on 10 June 1996 and one bus (district type) on 18 July 1996 after delay of 197 days/217 days and 255 days. This resulted in loss of 1413 operational days after allowing 10 per cent days for service rest with consequential loss of potential revenue of Rs.22.22 lakh.

It was observed in Audit (August 1997) that the Corporation did not impose penalty amounting to Rs.5.29 lakh and Rs.6.62 lakh in respect of firm "A" & "B" respectively for delayed delivery of completed buses as delay was on account of non-clearance of the earlier bills of the parties amounting to Rs.1.75 lakh.

Had the Corporation paid the earlier bills of the parties in time the delivery of the completed buses would not have been delayed and loss of potential revenue of Rs.22.25 lakh would have been avoided.

The matter was reported to the Corporation/Government in October 1997, their replies had not been received (December 1998).

INDUSTRIES DEPARTMENT

Meghalaya Industrial Development corporation Limited

8.8.2 Infructuous expenditure

Company incurred infructuous expenditure of Rs.0.09 crore on development of infrastructural facilities fecilitating export of coal.

The Company entered into agreement with three parties of Bangladesh in July 1994 (one party) and in September 1994 (two parties) to export coal of Meghalaya origin aggregating 20,000 MT during July 1994 to March 1995 at the rate of 40 US dollar per MT stipulating delivery inside 3 Kms of Bangladesh through Baghmara route. The minimum rate for export as would have been allowed by the Customs Authority was, however, not ascertained by the Company before entering into agreements.

The Company incurred expenditure of Rs.8.67 lakh for creation of infrastructural facilities viz. development of link road and creation of dumping ground of coal etc.for fecilitating the export of coal. The Customs Authority fixed (December 1994) the minimum export price at 42 US dollars per MT for 5000 MTs and 43 US dollars per MT, for 15000 MTs. The Company resultantly evaluated (December 1994) the export deal and the sales prices of coal were revised (December 1994) to US $ 42 per tonne (3000 MT), US $ 44 per tonne (700 MT) and US $ 46 per tonne (10,000 MT) due to increase in price of coal in local market on account of increase in royalty and enhancement of transportation charges by the approved transporters.

However, the coal could not be exported to Bangladesh as the deal was subsequently (December 1994) considered unremunerative rendering the expenditure of Rs.8.67 lakh infructuous as even thereafter company did not export coal through Baghmara route.

The matter was reported to the Company/Government in October 1997, their replies had not been received (December 1998).

8.8.3 Failure to recover the outstanding dues

The company did not take any action to invoke the powers under SFC Act 1951 for recovery of overdue amount of Rs.13.29 lakh against a party.

State Financial Corporation Act, 1951 (SFC Act) empowers the Company to realise its dues from the defaulting loanees by taking over, selling or leasing out the industrial unit.

The Company sanctioned (February 1986) loan of Rs.10 lakh to a promoter (M/s P. Singhania- Payal Tourist Hotel, Shillong) for construction of a hotel building obtaining second charge with State Bank of India of the hotel building and other assets. The loan was disbursed in September 1986 (Rs.5 lakh) and February 1987 (Rs.5.00 lakh). As per agreement, repayment of principal along with 12.5 **per cent** interest per annum (plus 3 **per cent** penal interest per annum if any, on over due principal and interest) was to be completed by October 1994 in 8 yearly instalments.

Audit scrutiny revealed (August 1997) that only an amount of Rs.9.44 lakh (Principal Rs.2.30 lakh and interest Rs.7.14 lakh) could be realised/adjusted out of capital investment subsidy as on March 1995. A total amount of Rs.13.29 lakh (Principal Rs.7.70 lakh, interest Rs.5.01 lakh and penal interest Rs.0.58 lakh) awaited recovery from the party (August 1997). The company issued only routine reminders to the party for repayment but did not invoke the provisions of section 29 and 31 of SFC Act 1951 for realisation of overdue amount reasons for which are not on record.

The matter was reported to the Company/Government (October 1997); their replies had not been received (December 1998).

8.8.4 Loss of interest

Due to transfer of its funds to Government account the Company sustained interest loss to the tune of Rs.0.13 crore.

The company is engaged in financing industrial undertakings for promotion of industrial development of Meghalaya. For the purpose it has to borrow or raise the money by way of loans and advances to meet the needs of the industrial units. In pursuance of the objectives the company borrows the funds from Industrial Development Bank of India (IDBI) at an average rate of interest of 9.5 **per cent** and lends the same at a margin of three **per cent** to the industrial units.

As per the directives of the State Government to provide temporary funds, the Company on three occasions transferred Rs.1 crore each on 2 May 1994, 23 March 1995 and 17 April 1996 to Government account in violation of the Articles of Association. The State Government refunded the sums after 283 days, 6 days and 77 days on 8 February 1995, 28 March 1995 and 2 July 1996 respectively.

The members of the Board in the meeting decided (May 1994) to claim 8 **per cent** interest per annum on transferred funds in view that the company would lose at least that much of interest by withdrawing the amount from the bank. However, neither assurance for payment of interest before transfer of funds had been obtained from Government nor claim for payment of interest had been raised by the Company against the Government.

Thus, due to transfer of Company's fund on three occasions without charging of interest the company had sustained loss of interest amounting to Rs 12.53 lakh at average lending rate of 12.5 **per cent** per annum (simple interest) on Rs.1 crore for total 366 days, besides hampering the main activity of the company to refinance industrial development programme.

The matter was reported to the Company/Government (October 1997); their replies had not been received (December 1998).

(ROCHILA SAIAWI)
Accountant General (Audit)
Meghalaya, Arunachal Pradesh
and Mizoram

Shillong
The 23 MAR 1999 1998

Countersigned

V. K. Shunglu

(V.K. SHUNGLU)
Comptroller and Auditor General of India

New Delhi
The 26 MAR 1999 1998

APPENDICES

APPENDIX-I

(Reference: Paragraph 2.2.2; Page 27)

Unnecessary supplementary provision

Serial Number	Number and name of grant/ appropriations	Amount of supplementary grants/ appropriations (Rs.)	Amount of saving (Rs.)
1	2	3	4
1.	3 - Councils of Ministers Other Administrative Services, etc. Revenue (Voted)	20,25,000	33,30,014
2.	4 - Administration of Justice Revenue (Voted)	1,92,833	12,75,916
	(Charged)	8,46,000	40,46,000
3.	10- Taxes on vehicles Other Administrative Services, etc. Road Transport. Capital outlay on Road Transport Capital (Voted)	2,97,442	1,51,37,342
4.	11- Other Taxes and Duties on Commodities and Services Special Programmes for Rural Development Power Non-Conventional Sources of Energy - Loans for Power Projects Revenue (Voted)	18,63,000	6,68,48,076
5.	21- Miscellaneous General Services General Education-Technical Education Sports and Youth Services, Art and Culture, Nutrition Other Scientific Research, Census Surveys and Statistics Capital outlay on Education, Art and Culture. Capital outlay on Education, Sports, Art and Culture Loans for Education, Art and Culture Revenue (voted)	5,98,00,000	29,72,68,666
6.	23- Other Administrative Services, etc.	20,830	28,87,293

1	2	3	4
7.	26- Medical and Public Health Family Welfare. Capital outlay on Medical and Public Health. Capital outlay on Family Welfare Revenue (voted)	91,43,000	6,18,18,911
8.	27- Water Supply and Sanitation, Housing Capital outlay on Water Supply and Sanitation. Capital outlay on Housing Loans for Water Supply and Sanitation Revenue (voted) (capital)	86,00,000 3,00,00,000	6,64,32,264 11,72,17,538
9.	31- Labour and Employment Revenue (voted)	12,49,140	42,15,605
10.	36- Miscellaneous General Services Social Security and Welfare Revenue (voted)	4,73,000	36,66,834
11.	38- Secretariat Economic Services Revenue (voted)	3,86,667	65,80,840
12.	39- Co-operation. Capital outlay on Co-operation. Capital outlay on Other Agricultural Programmes Loans for Co-operation Revenue (voted)	25,49,000	43,56,606
13.	47- Housing, Animal Husbandry Agricultural Research and Education Capital outlay on Public Works Capital outlay on Animal Husbandry Loans for Animal Husbandry Revenue (voted)	74,14,429	96,35,989
14.	50- Forestry and Wildlife Agricultural Research and Education Capital outlay on Forestry and Wildlife Revenue (voted)	75,000	14,55,57,359
15.	54- Housing, Village and Small Industries Capital outlay on Housing Capital outlay on Village and Small Scale Industries, Loans for Village and Small Industries Revenue (voted)	2,70,172	8,58,45,736

1	2	3	4
16.	56- Roads and Bridges Capital outlay on Other Roads and Bridges Capital (charged)	16,06,969	16,06,969
17.	57- Tourism Capital outlay on Public Works Capital outlay on Other Communication Services Capital outlay on Tourism Loans for Tourism Capital (voted)	10,00,000	1,80,42,804
		12,78,12,482	91,57,70,762

APPENDIX - II

Excessive Supplementary grants in cases where ultimate savings in each case exceeded Rs.10 lakh

(Reference : Paragraph 2.2.2; Page 27)

Serial Number	Number and name of grant	Original provision Rs.	Expenditure Rs.	Additional requirement Rs.	Supplementary provision obtained Rs.
1	2	3	4	5	6
1.	10- Taxes on Vehicles Other Administrative Services etc. Road Transport,Capital outlay on Road Transport Revenue (Voted)	4,28,08,000	4,62,60,583	34,52,583	59,99,157
2.	13-Secretarial General Services Secretariat Social Services Secretariat Economic Services Revenue (Voted)	16,73,50,000	17,02,69,603	29,19,603	80,85,470
3.	26- Medical and Public Health, Family Welfare-Capital outlay on Medical and Public Health Capital outlay on Family Welfare Capital (Voted)	8,70,30,000	9,33,83,079	6,35,079	1,00,00,000
4.	29-Housing Urban Development Capital Outlay on Housing Capital outlay on Urban Development Revenue (Voted)	8,94,08,000	9,50,90,065	56,82,065	2,20,00,000
5.	32-Civil Supplies Capital outlay on Food Storage and Ware-housing Revenue (voted)	2,16,00,000	2,20,60,511	4,60,511	23,35,000
6.	41-Census, Surveys and Statistics Revenue (Voted)	2,00,30,000	2,14,21,804	13,91,804	25,24,000

1	2	3	4	5	6
7.	48-Housing Dairy development Agricultural Research and Education Revenue (Voted)	2,69,13,000	2,94,33,711	25,20,711	44,72,000
8.	53-Housing Village and Small Industries Capital outlay on Village and Small Scale Industries Loans for Village and Small Industries Revenue (voted)	5,45,17,000	6,24,97,737	79,80,737	94,73,567
9.	55- Non Ferrous Mining and Metallurgical Industries Capital outlay on Housing Capital Outlay on Mining and Metallurgical Industries Revenue (Voted)	6,87,70,000	9,56,11,099	2,68,41,099	3,00,00,000
10.	56-Roads and Bridges Capital outlay on Other Roads and Bridges Capital (Voted)	58,30,00,000	61,26,07,505	2,96,07,505	3,39,42,300
		1,16,14,26,000	**1,24,86,35,697**	**8,14,91,697**	**12,88,31,494**

APPENDIX - III

(Reference : Paragraph 2.2.6; Page 31)

Inadequate/Unnecessary/Injudicious Reappropriation of funds

Serial Number	Number and name of grant/ appropriation and Head of Account	Provision (Original/Original Plus Supplementary)	Re-appropriation	Total	Actual expenditure	Excess(+) Saving(-)
		(Rupees in lakh)				
	Inadequate Reappropriation					
1.	**Grant No.13-2052-Secretariat General Services - Secretariat Economic Services** 090-Secretariat (c) Nazarat (including expenditure of all Grade IV staff of the entire Secretariat) General	312.02	15.42	327.44	390.68	(+) 63.24
2.	**Grant No.16-2055- Police, Other Administrative Services, Housing Capital Outlay on Public Works and Capital Outlay on Housing** 104-Special Police (a) 1st Meghalaya Police Battalion General	678.08	56.18	734.26	785.04	(+) 50.78
	(b) 2nd Meghalaya Police Battalion General	580.56	86.92	667.38	699.75	(+) 32.38
3.	**Grant No.16-2055- Police, Other Administrative Services, Housing Capital Outlay on Public Works and Capital Outlay on Housing** 109-District Police (a) District Executive Police Sixth Schedule (Part II) Areas	2304.96	236.61	2541.57	2725.13	(+)183.56
4.	**Grant No.16-2055- Police, Other Administrative Services, Housing Capital Outlay on Public Works and Capital Outlay on Housing** 114-Wireless and Computer (a) State Police Wireless Organisation	387.94	55.50	443.44	450.96	(+) 7.52
5.	**Grant No.20-2070-Other Administrative Services-Capital outlay on Public Works** 106-Civil Defence (h) Central Training Institute General	63.52	19.47	82.99	158.61	(+) 75.62

Serial Number	Number and name of grant/ appropriation and Head of Account	Provision (Original/Original Plus Supplementary)	Re-appro- priation	Total	Actual expen- diture	Excess(+) Saving(-)
		(Rupees in lakh)				
6.	**Grant No. 60- 7610-Loans to Government Servants, etc.** 7610-Loans to Government Servant-201-House Building Advances (b) Advances to State Govt. Servant General	700.00	(+) 19.48	719.48	722.61	(+) 3.13
	Unnecessary/Injudicious Reappropriation					
1.	**Grant No.10-5055-Capital outlay on Road Transport** 800-Other Expenditure Capital contribution to Meghalaya Transport Corporation General	250.00	(-) 95.00	155.00	165.00	(+) 10.00
2.	**Grant No.26-2210-Medical & Public Health** 03-Rural Health Services Allopathy 103-Primary Health Centres (a) Other existing and new Primary Health Centres with Indoors facilities Sixth Schedule (Part II)Areas	855.63	(-) 12.90	842.73	899.83	(+) 57.10

APPENDIX - IV

Statement showing the minor head-wise budget provision and expenditure incurred during 1996-97 and 1997-98 on election

{Reference : Paragraph 3.3.5.1(a) ; page 47}

Major Head and	Budget provision		Expenditure		Excess (+) Savings(-)	
Minor Head of Account	1996-97	1997-98	1996-97	1997-98	1996-97	1997-98
			(Rupees in lakh)			
2015-Elections						
102-Electoral officer	71.50	127.74	85.04	84.48	(+)13.54	(-) 43.26
103-Preparation : printing of electoral rolls	74.92	384.26	59.77	146.05	(-)15.15	(-)238.21
104-Charges for conduct of simultaneous elections to Lok Sabha/Vidhan Sabha	NIl	10.30	NIL	158.27	NIL	(+)147.97
105-Charges for conduct of elections to parliament	156.07	17.00	158.36	31.40	(+) 2.29	(+) 14.40
106-Charges for conduct of elections to State Legislatures	3.73	294.00	14.38	0.03	(+) 10.65	(-)293.97
Total	**306.22**	**833.30**	**317.55**	**420.23**	**(+) 11.33**	**(-)413.07**

APPENDIX - V

Statement showing details of expenditure and reimbursement

{Reference : Paragraph 3.3.5.1(b) ; page 48 }

Minor head of account	Actual expenditure incurred		Amount to be claimed for reimbursement		Actual amount claimed for re-imbursement		Excess claimed		Amount already re-imbursed by GOI		Amount released in (+)excess (-) less	
	1996-97	1997-98	1996-97	1997-98	1996-97	1997-98	1996-97	1997-98	1996-97	1997-98	1996-97	1997-98
1	2	3	4	5	6	7	8	9	10	11	12	13
102-Electoral Officers	85.04	84.48	42.52	42.24	42.52	42.24	-	-				
103-Preparation and Printing of electoral rolls	59.77	146.05	29.88	73.02	59.77	73.02	29.89	-				
104-Charges for conduct of simultenous election to Lok Sabha/ Vidhan Sabha	Nil	158.27	Nil	79.13	Nil	79.134	-	-			Minor head wise details not available	
105-Charges for conduct of election of Parliament	158.36	31.40	158.36	15.70	158.36	15.70	-	-				
106-Charges for conduct of election to State Legislation	14.38	0.03	Nil	Nil	Nil	Nil	-	-				
Total	**317.55**	**420.23**	**230.76**	**210.09**	**260.65**	**210.09**	**29.89**	**Nil**	**276.61**	**50.00**	**(+)45.85**	**(-)160.09**

ANNEXURE-VI

Statement showing the position of DDT

(Reference : Paragraph 3.5.10 ; page 63)

Year	Opening balance	State demand	Quantity received	Quantity used	Closing Balance	Coverage of population as reported	Coverage of Population as per norm	Population that could be covered with left over DDT (10 tonnes for 2 rounds covering 1 lakh population)
			(in tonnes)			(in lakh)		
1	2	3	4	5	6	7	8	9
1992	-	87	250	123	127	13	12.3	1.27
1993	127	85	125	163	89	13.5	16.3	0.89
1994	89	85	70	118	41	14.9	11.8	0.41
1995	41	150	263	125	179	13.6	12.5	1.79
1996	179	150	103	162	120	16.2	16.2	1.20
1997	120	150	152	185	87	16.3	18.5	0.87

APPENDIX – VII

Statement showing the sanactioned strength and men on roll in Home (Police) Department

(Reference : Paragraph 3.8 ; page 67)

		Sanctioned Strength			On Roll			(+) Excess (-) Less
		Unarmed Branch, MPRO, Computer Fire Service	Armed Branch	Total	Unarmed Branch, MPRO, Computer Fire Service	Armed Branch	Total	
1.	East Khasi Hills Dist.	1375	998	2373	1189	891	2080	(-) 293
2.	West Khasi Hills Dist.	193	110	303	176	98	274	(-) 29
3.	Jaintia Hills	335	117	452	311	104	415	(-) 37
4.	Ri-Bhoi Dist.	296	139	435	293	135	428	(-) 7
5.	West Garo Hills Dist.	552	312	864	489	284	773	(-) 91
6.	East " " "	201	90	291	198	83	281	(-) 10
7.	South " " "	105	74	179	85	63	148	(-) 31
8.	CID	83	Nil	83	74	Nil	74	(-) 9
9.	INFL	116	Nil	116	112	Nil	112	(-) 4
10.	SB	343	Nil	343	306	Nil	306	(-) 37
11.	PTS	6	58	64	5	56	61	(-) 3
12.	1st MLP BN.	Nil	1083	1083	Nil	888	888	(-)195
13.	2nd MLP BN.	Nil	1004	1004	Nil	812	812	(-)192
14.	3rd MLP BN.	51	865	916	14	85	99	(-)817
15.	REDR	1	Nil	1	Nil	Nil	Nil	(-) 1
16.	ER	3	2	5	5	3	8	(+) 3
17.	WR	2	Nil	2	1	Nil	1	(-) 1
18.	NPRO	624	Nil	624	588	4	592	(-) 32
19.	FSL	1	Nil	1	1	Nil	1	
20.	FSH	9	Nil	9	7	Nil	7	(-) 2
	TOTAL	**4296**	**4852**	**9148**	**3854**	**3506**	**7360**	**(-)1788**

APPENDIX - VIII

Statement showing the details position of receipt and disbursement of fund under Calamity Relief Fund (CRF)

{Reference : Paragraph 3.13.5(a); page 75 }

Sl. No.	Year	Amount withdrawn from -2245- Relief on N.C.			Actual amount transferred to C.R.F.			Detail fund (Receipt) position of SBI Account						Disbursement position of CRF							Remarks		
								Opening balance	Share of receipt				Total		Out of SBI's Current A/C.						Analysis of closing balances		
		Share of GOI	Share of State Govt.	Total	8235-Reserve Fund	Current Account in SBI	Total	at the begining of year	Govt. contribution	Interest earned from investment	Refund of Govt. Loan	PM's Relief Fund		Out of 8235 Reserve Fund	Implementing agencies to CRF	Out of P.M's. Fund	Loan to State Govt.	Misc Expr. incurred	Total expenditure	Closing balance at the end of year	Fixed deposit	Cash in current account	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
											Rupees in lakh												
1.	1990-91	73.68	24.55	98.23	Nil	Nil	Nil	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.	1991-92	226.32	76.45	302.77	Nil	155.03	155.03	Nil	155.03	-	-	10.00	165.03	Nil	-	-	-	-	Nil	165.03	-	-	-
3.	1992-93	150.00	50.00	200.00	Nil	200.00	200.00	165.03	200.00	6.13	-	-	371.16	Nil	4.92	-	-	-	4.92	366.24	72.14	294.10	366.24
4.	1993-94	150.00	50.00	200.00	Nil	200.00	200.00	366.24	200.00	14.36	-	-	580.60	Nil	70.91	-	-	0.01	70.92	509.68	377.69	131.99	509.68
5.	1994-95	150.00	50.00	200.00	Nil	200.00	200.00	509.68	200.00	18.67	-	2.80	731.15	Nil	37.03	2.80	400.00	-	439.83	291.32	166.73	124.59	291.32
6.	1995-96	197.25	65.75	263.00	Nil	263.00	263.00	291.32	263.00	-	400.00	8.50	962.82	Nil	207.30	8.50	-	0.02	215.82	747.00	478.73	268.27	747.00
7.	1996-97	209.25	69.75	279.00	209.25	69.75	279.00	747.00	117.32	53.67	580.00	4.00	1501.99	Nil	37.15	4.00	580.00	15.20	636.35	865.64	808.20	57.44	865.64
8.	1997-98	221.25	73.75	295.00	295.00	Nil	295.00	865.64	Nil	95.36	-	-	961.00	Nil	25.61	-	-	5.00	30.61	930.39	47.57	882.82	930.39
TOTAL		1377.75	460.25	1838.00	504.25	1087.78	1592.03	2944.91	1135.35	188.19	980.00	25.30	5273.75	Nil	382.92	15.30	980.00	20.23	1398.45				

OTHER DETAILS (Rupees in lakhs)

1. During 1990-91 an amount of Rs.98.23 lakh was directly spent for CRF Scheme without transferring to Reserve Fund and Current Account.
2. During 1991-92, Rs.155.03 lakh was transferred to Current Account, balances Rs.147.74 lakh spent (by PWD - Rs.101.77 lakh, Agriculture - Rs.1.50 lakh and DCS-Rs.44.47 lakh).
3. During 1990-91 to 1997-98, amount transferred to 8235-Reserve Fund was Rs.504.25 lakh only. Uptodate expenditure out of Reserve Fund was Nil. (A) Rs.209.25 lakh drawn in March 1997 was temporaril deposited to Civil Deposit and finally transferred to Reserve Fund on May 1997. (B) Rs.295.00 lakh was transferred to Reserve on March 1998.
4. Position of transfer of fund to Government account (Civil Deposit), Rs.400.00 lakh deposited on May 1994 was refunded on August 1995 and Rs.5.80 lakh deposited on April 1996 was refunded on October 1996
5. During 1996-97 unspent balance of Rs.47.57 lakh (out of NFCR Fund of Rs.10 crore) was transferred to current account in SBI. The same amount was then invested in Fixed deposit form (April 1997).
6. (Rs.15.20 + 5.00) Rs.20.20 lakh was spent during 1996-97 and 1997-98 as donation to C.Ms. of other States.
7. Besides, above total expenditure of Rs.1838.00 lakh (Col.No. 5) an amount of Rs.16.00 lakh (Rs.8.00 lakh each during 1996-97 and 1997-98) had been drawn from the service head 2245-Relief on NC (Stat budget) and contributed to GOI as State share to NFCR and in 1995-96 an amount of Rs.24.00 lakh was adjusted by GOI out of State Government's loan to be given by them.
8. Rs.188.19 lakh (Col No. 11) was the amount of interest earned from the short time investment made out of the amount transferred in current account during 1992-93 to 1997-98

APPENDIX -IX

Statement showing department and category-wise breakup of outstanding IRs and paragraphs

(Reference: Paragraph 3.16 ; Page 82)

Sl. No.	Department	No. of IRs	Outstanding paragraphs	Amount (Rs. in crore)
1	2	3	4	5
1.	Industry	62	72	20.48
2.	Soil Conservation	46	113	6.35
3.	Sericulture and Weaving	41	56	2.39
4.	Urban Affairs	16	45	18.00
	Total	**165**	**286**	**47.22**

Sl. No	Category of objection	Industry	Soil Conservation	Sericulture and Weaving	Urban Affair
1	Non-observation of rules relating to custody and handling of cash, posting and maintenance of cash book and muster roll	01	07	08	04
2.	Local purchase of stationery in excess of authorised limit	02	--	--	--
3.	Non-maintenance of proper store accounts and non-conducting of physical verification of stores	09	04	--	--
4.	Delay in recovery or non-recovery of departmental receipts, advances and other recoverable charges	24	03	09	--
5.	Sanction to write off loans, losses etc. not received	02	03	--	--
6.	Overpayment or inadmissible payments noticed in audit not recovered	06	33	--	--
7.	Utilisation Certificates and accounts in respect of grants-in-aid not furnished to audit	04	--	03	02
8.	Payee's receipts not obtained	03	--	03	03
9.	Drawal of funds in advance of requirements resulting in retention of funds in hand for long period	18	01	04	--
10.	For want of DCC Bills	--	--	--	03
11.	For want of sanction	--	06	02	08
12.	Other reasons	03	56	27	25
	TOTAL	**72**	**113**	**56**	**45**

APPENDIX –X

Statement showing year wise and department wise cases of Mis-appropriation, losses etc.

(Reference : Paragraph 3.17 ; page 82)

Year	No. of cases	Amount (Rupees in lakh)
1	2	3
Upto 1990	32	6.00
1990-91	04	1.81
1991-92	01	3.34
1992-93	01	0.92
1993-94	05	7.00
1994-95	--	--
1995-96	02	2.00
1996-97	02	21.49
1997-98	18	3.47
Total	**65**	**46.03**

Sl. No.	Department	No. of cases	Amount (Rupees in lakh)
1	2	3	4
1.	Education	01	0.03
2.	P.W.D.	06	4.97
3.	Medical	03	5.47
4.	Home (Police)	11	0.18
5.	Agriculture	11	0.44
6.	Election	11	0.22
7.	Public Health	10	5.01
8.	Animal Husbandry and Veterinary	02	1.10
9.	Legislative Assembly	01	3.34
10.	Finance	01	0.65
11.	Forest	02	4.31
	Total	**59**	**25.72**

APPENDIX - XI

Statement showing the phase-wise target, achievement, time overrun and cost of overrun in respect of "Improvement of Umsning - Jagi road"

(Reference : Para 4.2.6 ; page 88)

Sl. No	Name of work	Date of sanction/ Sanctioned cost	Expenditure as on 31st March 1998	Date of commen-cement	Scheduled date of completion	Actual date of comple-tion	Time over-run	Cost over-run
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Rupees in lakh)					
1.	Survey & Investigation (0.80 km)	December 1986 1.99	2.06	January 1987	NA	September 1988	NA	(+) 0.07
2.	Improvement of U.J. Road (F/C with cross drainage 0.8 km Sec I)	March 1990 26.90	28.13	March 1990	March 1992	November 1992	8 months	(+) 1.23
3.	Improvement of U.J. Road including metalling & Black topping of U.J. Road (9 - 19 km)	March 1990 141.27	148.44	March 1990	March 1992	March 1994	24 months	(+) 7.17
4.	Improvement including metalling & Black topping of U.J Road (20 - 24)	November 1989 82.04	83.26	November 1989	March 1992	March 1992		(+) 1.22
5.	Improvement including metalling & Black topping of U.J. Road (25 - 33 km)	January 1990 149.08	163.78	March 1990	March 1993	August 1993	5 months	(+) 14.70
6.	Improvment including Metalling & Black topping of U.J. Road (34 - 43 km)	April 1992 187.60	205.43	July 1992	March 1995	March 1998	36 months	(+) 17.83

Sl. No	Name of work	Date of sanction/ Sanctioned cost	Expenditure as on 31st March 1998	Date of commen-cement	Scheduled date of completion	Actual date of comple-tion	Time over-run	Cost over-run
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Rupees in lakh)					
7.	Improvment including Metalling & Black topping of U.J. Road (44 - 53 km) Phase - I	March 1994 136.32	145.10	September 1994	March 1997	March 1998	12 months	(+) 8.78
8.	Improvment including Metalling & Black topping of U.J. Road (44 - 53 km) Phase - II	December 1994 55.60	64.45	March 1995	March 1997	March 1998	12 months	(+) 8.85
9.	Improvment including Metalling & Black topping of U.J. Road (54 - 63 km) Phase - I	December 1994 206.64	232.80	January 1995	March 1997	March 1998	12 months	(+)26.16
10.	Improvment including Metalling & Black topping of U.J. Road (64 - 73 km) Phase - I	March 1994 124.30	135.92	September 1994	March 1996	March 1998	24 months	(+) 11.62
11.	Metalling & Black topping of U.J. Road (64 - 73 km) Phase - II	December 1994 61.60	73.47	March 1994	March 1996	March 1998	24 months	(+)11.87
12.	Improvment including Metalling & Black topping of U.J. Road (74-80 Km.)	February 1993 123.69	123.54	March 1993	March 1995	March 1998	36 months	(+)10.85

Sl. No	Name of work	Date of sanction/ Sanctioned cost	Expenditure as on 31st March 1998	Date of commencement	Scheduled date of completion	Actual date of completion	Time over-run	Cost over-run
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Rupees in lakh)					
13.	Construction of R.C.C. Slab culverts on U.J. Road (0-40 km) =10 Nos	[March 1992 34.93 (Original)] June 1994 51.47 (Revised)	51.14	November 1992	March 1994	July 1994	4 months	
14.	Construction of RCC Slab culverts 25/1 & 29/1 = 2 Nos.	November 1995 21.74	19.90	March 1996	March 1997	In progress	Over 12 months	-
15.	Improvement of U.J Road (Construction of RCC Slab bridge No. 32/1)	March 1997 21.00	6.11	June 1997	March 1998	In progress	Over 5 months	-
16.	Sub-soil investigation & design for bridge Nos 25/1, 29/1, 32/1 & 80/1 = 4 Nos	September 1991 1.68	0.52	NA	NA	In progress	NA	-
17.	Flood damage repairing to U.J. road (0 - 33 km)	February 1993 7.75	8.12	March 1993	March 1993	March 1994	12 months	(+) 0.37
18.	Improvement of U.J. road (0 - 8 km) providing premixed carpetting and seal coat etc.	March 1997 22.58	14.13	March 1997	March 1998	In progress	Over 5 months	-
19.	Additional work for improvement of U.J. Road (0 - 8 km)	[November 1996 17.79 (Original)] May 1997 19.89 (Revised)	16.16	May 1997	March 1998	In progress	-do-	-
	Total	1443.14	1533.46					121.05

APPENDIX - XIII

Statement showing the expenditure out of State fund on account of Repairs and Maintenance in respect of U.J. Road

(Reference : Para 4.2.8 ; page 91)

Year	Periodical repairs (through Contractors)	Special repairs (through contractors)	Flood damage repairs (through contractors	Annual repairs (executed departmentally through Muster roll	Total
		(Rupees in lakh)			
1989-90	-	3.60	1.93	11.88	17.41
1990-91	-	-	1.65	15.43	17.08
1991-92	-	1.47	4.34	10.62	16.43
1992-93	1.14	3.23	0.11	15.79	20.27
1993-94	3.04	2.74	0.90	16.11	22.79
1994-95	3.92	1.89	1.75	12.60	20.16
1995-96	1.55	-	-	10.54	12.09
1996-97	3.09	3.25	3.91	7.63	17.88
1997-98	0.51	2.02	9.60	21.32	33.45
Total :	**13.25**	**18.20**	**24.19**	**121.92**	**177.56**

APPENDIX - XIII

Statement showing the non-functional water supply scheme due to stealing of G.I. pipes

(Reference : Paragraph 4.4 at page 93)

Sl.No.	Name of Water Supply Scheme	Date of comple-tion	Cost of construc-tion (Rs.in lakh)	Date from which lying	Maintenance expenditure incurred 1995-96	1996-97	1997-98	Total
					(Rupees in lakh)			
1.	Dhalai Malai	March 1987	5.58	12/89	0.09	0.26	0.05	0.40
2.	Sanditola Bordup	March 1989	7.15	02/90	0.02	0.66	0.63	1.31
3.	Kaikura Village	March 1989	4.35	02/90	-	-	-	-
4.	Betagora	March 1986	3.15	07/91	-	-	-	-
5.	Kamarphil	March 1989	10.86	10/91	-	-	-	-
6.	Domskenjympiat & Mawkaphan	March 1991	6.00	09/92	0.26	0.65	0.28	1.19
7.	Larkaw	March 1990	2.74	11/92	-	-	-	-
8.	Rengban	March 1990	6.88	05/93	-	0.03	-	0.03
9.	Sanatolachira - Kata	March 1990	7.85	05/93	-	0.06	-	0.06
10.	Umtynriew	March 1992	0.70	05/93	-	-	-	-
11.	Makhali	March 1987	3.91	05/89	-	0.02	0.02	0.04
12.	Iapahynreh	March 1990	2.56	04/95	-	0.03	-	0.03
13.	Nayapara	March 1995	3.70	04/95	-	-	-	-
14.	Telsora	March 1989	3.06	07/90	0.35	0.14	0.07	0.56
	TOTAL :		68.49		0.72	1.85	1.05	3.62

APPENDIX - XIV

Statement showing particulars of up-to-date Capital, Budgetary outgo, Loans given out from budget, Outstanding Loans as on 31 March 1998

(Reference : Paragraph 8.2.2; at page 122)

Sl. No.	Name of the Deptt./Company	Paid-up capital as at the end of 1997-98					Loans given out of budget during the year	Loans outstanding	Subsidy/ grants received from State Govt.
		State Government	Central Government	Holding Company	Others	Total			
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5	6
				(Rupees in lakh)					
	Industries Department								
	Sector : Cement Manufacturing								
1.	Mawmluh-Cherra Cements Limited	2082.85	Nil	Nil	Nil	2082.85	-	12.00	-
	Sector : Industrial Development and Financing								
2.	Meghalaya Industrial Development Corporation Limited.	3000.00	-	-	-	3000.00	-	921.91	-
	Sector : Handloom and Handicrafts								
3.	Meghalaya Handloom and Handicrafts Development Corporation Limited (Subsidiary)	103.79 (8.00)	-	4.93	0.07	108.79 (8.00)	-	13.48	-
	Sector : WatchAssembling								
4.	Meghalaya Watches Limited (Subsidiary)	-	-	35.98	-	35.98	-	223.48	-
	Sector : Bamboo Products								
5.	Meghalaya Bamboo Chips Limited (Subsidiary)	-	-	48.00	-	48.00	-	69.53	-
	Sector : Electronics Development								
6.	Meghalaya Electronics Development Corporation Limited (Subsidiary)	-	-	471.70	-	471.70	-	1028.02	-

Sl. No.	Name of the Deptt/Company	Paid-up capital as at the end of 1997-98					Loans given out of budget during the year	Loans outstanding	Subsidy/ grants received from State Govt.
		State Government	Central Government	Holding Company	Others	Total			
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5	6
					(Rupees in lakh)				
	Forest Department								
	Sector : Forest Development								
7.	Forest Development Corporation Limited	152.18	20.00	-	-	172.18	-	-	-
	Tourism Development								
	Sector : Tourism Department								
8.	Meghalaya Tourism Development Corporation Limited	580.79	-	-	-	580.79	-	170.00	20
	Public Works Department								
	Sector : Construction								
9.	Meghalaya Government Construction Corporation Limited	28.14	-	-	-	28.14	-	-	-
	Mines and Minerals Department								
	Sector : Mineral Development and Trading								
10.	Meghalaya Mineral Development Corporation Limited	218.12	-	-	-	218.12	-	58.58	10.17
	Total :	6165.87 (8.00)	20.00	560.61	0.07	6746.55 (8.00)	-	2497.00	30.17

NOTE :Figures in bracket indicates budgetary outgo during the year.

APPENDIX - XV

Statement showing the summarised financial results of the Government companies for the latest year for which accounts were finalised

{Reference : Paragraph 8.2.5(b) ; at pages 122 &125 }

Sl. No.	Name of the Department/ Company	Date of incor-poration	Period of accounts	Year in which fina-lised	Profit(+)/ Loss(-)	Paid up Capital	Accumulated Profit(+)/ Loss(-)	Capital employed	Return on capital employed	Percentage of Return on Capital employed
1	2	3	4	5	6	7	8	9	10	11
					(Rupees in lakh)					
A.	**Department : Industries**									
	Sector : Cement Manufacturing									
1.	Mawmluh-Cherra Cements Limited	20th May 1995	1993-94	1998-99	(+)108.58	1783.69	(-)698.02	(+)1880.18	(+)205.70	10.94
	Sector : Industrial Development and Financing									
2.	Meghalaya Industrial Development Corporation Ltd.	6th April 1971	1988-89	1998-99	(+) 3.98	1161.17	(-) 29.62	(+)1444.89	(+) 3.98	0.27
	Sector : Handloom and Handicrafts									
3.	Meghalaya Handloom and Handicrafts Development Corporation Limited (Subsidiary)	10th January 1979	1990-91	1998-99	(-) 7.19	52.99	(-) 38.45	(+) 21.68	-	--
	Sector : Watch Assembling									
4.	Meghalaya Watches Limited (Subsidiary	7th August 1979	1996-97	1997-98	(-) 53.15	35.98	(-)280.70	(+) 14.77	-	--
	Sector : Bamboo Products									
5.	Meghalaya Bamboo Chips Limited (Subsidiary)	14th September 1979	1990-91	1997-98	(-) 9.87	48.00	(-)129.51	(+) 76.60	-	--
	Sector : Electronics									
6.	Meghalaya Electronics Development Corportion Limited (Subsidiary)	25th March 1986	1990-91	1997-98	(-)229.09	397.09	(-)456.14	(+)436.35	-	-
B.	**Department : Forest**									
	Sector : Forest Development									
7.	Forest Development Corporation of Meghalaya Limited	30th January 1975	1992-93	1995-96	(+) 70.37	172.19	(+) 3.07	(+)163.00	70.37	43.17

Sl. No.	Name of the Department/ Company	Date of incor-poration	Period of accounts	Year in which fina-lised	Profit(+)/ Loss(-)	Paid up Capital	Accumulated Profit(+)/ Loss(-)	Capital employed	Return on capital employed	Percentage of Return on Capital employed
1	2	3	4	5	6	7	8	9	10	11
					(Rupees in lakh)					
C.	**Department : Tourism**									
	Sector : Tourism Development									
8.	Meghalaya Tourism Development Corporation Limited	25th January 1977	1984-85	1998-99	(-) 7.15	35.56	(-) 12.33	(+) 29 08	-	-
D.	**Department : Public Works**									
	Sector : Construction									
9.	Meghalaya Government Construction Corporation Limited	26th March 1979	1996-97	1998-99	(-) 66.74	28.14	(+)131.54	(+) 159.68	-	-
E.	**Department : Mines and Minerals**									
	Sector : Minerals Development and Trading									
10.	Meghalaya Mineral Development Corporation Limited	31st March 1981	1996-97	1997-98	(+) 0.86	218.12	(+) 9.78	(+) 96.82	0.86	0.88

1. Capital employed in respect of Meghalaya Industrial Development Corporation Limited represents the mean of aggregate of opening and closing balances of (i) Paid-up Capital (ii) Borrowing including refinance and (iii) Reserves. In respect of other Companies capital employed represents net fixed assets including Capital Work-in-progress plus working Capital.

2. Return on capital employed represents profit/loss plus interest charged to profit and loss account.

APPENDIX - XVI

Statement showing the capacity utilisation of manufacturing companies during the year 1996-97

(Reference : Paragraph 8.2.9 ; at page 128)

Sl. No.	Name of the Company	Installed rate	Actual utilisation	Percentage of utilisation	Main reason for low capacity utilisation
1.	Mawmluh-Cherra Cements Limited	2.00 lakh tonne Cement per annum (LTPA)	1.10 LTPA (1.10) "	50 (55)	Poor off take of cement due to lack of demand
2.	Meghalaya Watches Limited	3.00 lakh Watches per annum (Assembling)	NIL (NIL)	- -	Non-supply of components by HMT.
3.	Forest Development Corporation of Meghalaya Limited	600 cft/day	NIL (79 cft/day)	- (13.17)	Due to non-availability of timber in Nongpoh Saw Mill from State Reserve Forest, the mill could not run regularly.
4.	Meghalaya Electronics Development Corporation Limited	30 lakh pieces tentalum capacity Per annum	0.13 lakh pieces (1.40) "	0.43 (4.66)	Low market demand of present product.

N.B. : Figures in brackets indicate the position of the previous year.

APPENDIX - XVII

Statement showing the position of arrears in finalisation of accounts by the Government companies as on 30th September 1998

{Reference : Paragraph 8.2.5(a) ; at page 124 }

Sl. No.	Name of the Company	Years for which accounts are in arrears	Total number of years acounts in arrears
1	2	3	4
1.	Mawmluh-Cherra Cements Limited	1994-95 to 1997-98	4
2.	Meghalaya Industrial Development Corporation Limited	1989-90 to 1997-98	9
3.	Meghalaya Handloom and Handicrafts Development Corporation Limited	1991-92 to 1997-98	7
4.	Meghalaya Watches Limited	1997-98	1
5.	Meghalaya Bamboo Chips Limited	1991-92 to 1997-98	7
6.	Meghalaya Electronics Development Corporation	1991-92 to 1997-98	7
7.	Forest Development Corporation of Meghalaya Limited	1993-94 to 1997-98	5
8.	Meghalaya Tourism Development Corporation Limited	1985-86 to 1997-98	13
9.	Meghalaya Government Construction Corporation Limited	1997-98	1
10.	Meghalaya Mineral Development and Trading Corporation Limited	1997-98	1

APPENDIX - XVIII

Summarised financial results of Statutory Corporations

(Reference : Paragraph 8.3.3 and 8.3.7; at page 131)

Sl. No.	Name of the Corporation	Name of the administrative Department	Year of incorporation	Period of account	Profit(+)/ Loss(-)	Total interest charged to profit and loss account	Capital employed	Total return on capital employed	Percentage of total return on capital employed
1	2	3	4	5	6	7	8	9	10
				(Rupees in crore)					
1.	Meghalaya State Electricity Board	Power(Electricity) Mines and Minerals	1975	1996-97	(-)33.52	44.68	156.04	(+)11.16	7.15
2.	Meghalaya Transport Corporation	Transport	1976	1994-95	(-) 1.74	-	9.25	-	-
3.	Meghalaya State Warehousing Corporation	Co-operation	1973	1996-97	(+) 0.05	-	2.34	(+)0.05	2.13

NOTE : Capital employed represents net fixed assets (including capital work-in-progress) plus working capital

APPENDIX - XIX

GLOSSARY OF ABBREVIATIONS

Abbreviations	Expanded form
ABER	Annual Blood Examination Report
AC Bill	Abstract Contingency Bill
AD	Anno Domini
ADC	Additional Deputy Commissioner
A&E	Accounts & Entitlement
AIES	All India Education Survey
ALFC	Artificial Limb Fitting Centre
ANM	Ancillary Nurse Midwife
API	Annual Parasite Index
APRs	Actual Payees Receipts
ASI	Assistant Sub Inspector
BDO	Block Development Officer
CAG	Comptroller and Auditor General of India
CC	Concrete Cement
CE	Chief Engineer
CEO	Chief Electoral Officer
CGI	Corrugated Galvanised Iron
CHCs	Community Health Centres
CID	Criminal Investigation Department
CON	Constable
CRF	Calamity Relief Fund
CS Pipe	Corrugated Steel Pipe
DAH& Vety	Director of Animal Husbandry and Veterinary
DC	Deputy Commissioner
DCC Bills	Detailed Countersigned Contingency Bills
DDHS(M)	Deputy Director of Health Services(Malaria)
DDO	Drawing and Disbursing Officer

Abbreviations	Expanded form
DDT	Dichlorodiphyltrichloroethane
DEME	District Elementary and Mass Education
DEOs	District Electoral Officers
DFO	District Forest Officers
DGP	Director General of Police
DHS	Director of Health Services
DHS(MI)	Director of Health Services (Medical Institute)
DHTE	Director of Higher and Technical Education
DI	Director of Industries/Deputy Inspector
DIET	District Institute of Education and Training
DIG	Deputy Inspector General
DIPR	Director of Information and Public Relations
DMOs	District Malaria Officers
DOEA	Department of Economic Affairs
DP	District Project
DPI	Director of Public Instructions
DSEO	District Social and Education Officer
EC	Election Commission
ECO	Election Commission Office
EE	Executive Engineer
ER	Eastern Range
EVM	Electronic Voting Machine
FOR	Freight on Rail
FR	Forest Royalty
FS	Fire Service
FSL	Forensic Science Laboratory
GAD	General Administration Department
GHADC	Garo Hills Autonomous District Council
GI	Galvanised Iron
GOI	Government of India

Abbreviations	Expanded form
HC	Head Constable
IAS	Indian Administrative Service
IES	Information, Education and Communication
IMFL	India Made Foreign Liquor
IRs	Inspection Reports
IU	Industrial Unit
LA	Legislative Assembly
LIC	Life Insurance Corporation
LPS	Lower Primary School
LS	Lok Sabha
Ltd	Limited
MCCL	Mawmlu-Cherra Cement Ltd.
MCH&FW	Ministry of Child Health and Family Welfare
MFT	Meghalaya Finance Tax
MGCC	Meghalaya Government Construction Corporation
MHA	Ministry of Home Affairs
MLPBn	Meghalaya Police Battalion
MPO	Modified Plan of Operation
MPRO	Meghalaya Police Radio Organisation
MPW	Multipurpose Workers
MS	Mild Steel
MSWHC	Meghalaya State Ware Housing Corporation
MTDC	Meghalaya Tourism Development Corporation
NCERT	National Council of Education, Research and Training
NEC	North Eastern Council
NFCR	National Fund for Calamity Relief
NMEP	National Malaria Eradication Programme
NPE	National Policy of Education
OB	Operation Blackboard
ODR	Other District Roads

Abbreviations	Expanded form
PAC	Public Accounts Committee
PF	Plasmodium Falcipuram
PHCs	Primary Health Centres
PHE	Public Health Engineering
PIC	Photo Identity Card
POA	Programme of Action
PTS	Police Training School
PS	Police Station
PSUs	Public Sector Undertakings
PWD	Public Works Department
RA Bill	Running Account Bill
R&B	Roads and Bridges
RCC	Reinforced Cement Concrete
REGN	Reorganisation
RM	Running Metre
RMC	Regional Monitoring Committee
RSL	Reserve Stock Limit
SB	Special Branch
SBI	State Bank of India
SC	Scheduled Caste/Sur Charge
SCERT	State Council of Educational Research and Training
SDO	Sub Divisional Officer
SE	Superintending Engineer
SLC	State Level Committee
SLEC	State Level Education Committee
SI	Sub Inspector
SMB	Shillong Municipal Board
SMIs	Senior Malaria Inspectors
SOR	Schedule of Rates

Abbreviations	Expanded form
ST	Scheduled Tribes/Sales Tax
TS	Transport Subsidy/Tor Steel
TV	Television
UC	Utilisation Certificate
UJ Road	Umnshing-Jagi Road
UPS	Upper Primary School
UT	Union Territory
VIPs	Very Important Persons
VVIPs	Very Very Important Persons
WBM	Water Bound Macadan
WC Pan	Water Closet Pan
WR	Western Range.