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Report of the Comptroller and Auditor General of India

For the year ended 31 March 2008

Government of Meghalaya

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Comptroller and Auditor General of India

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APPENDICES

PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. Chapters I and II of this Report respectively contain audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year 2007-08.

3. The remaining chapters deal with the findings of performance audit and audit of transactions in various departments including the Public Works Department, Revenue Receipts, audit of Government Companies, Statutory Corporations and Integrated Audit of Government Departments.

4. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2007-08 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 2007-08 have also been included wherever necessary.

5. The audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report includes two chapters containing observations of Audit on the Finance Accounts and Appropriation Accounts of the State for the year 2007-08 and five other chapters with four performance reviews (including one on integrated audit of a Government department) and 61 paragraphs, based on the audit of certain selected programmes and activities and the financial transactions of the Government.

Copies of the audit paragraphs and performance reviews were sent to the concerned Secretary to the State Government by the Accountant General (Audit) with a request to furnish replies within six weeks. In respect of three reviews and 54 audit paragraphs (excluding general paragraphs) in this Report, no response was received from the concerned Secretary to the State Government.

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

FINANCES OF THE STATE GOVERNMENT

The fiscal position of the State viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit and primary deficit – has shown deterioration in 2007-08 relative to the previous year. Not only did the revenue surplus decline by Rs. 47 crore in 2007-08, but the fiscal deficit has increased by about three times and primary surplus turned into deficit compared to the previous year. Moreover, the fiscal performance of the State *vis-à-vis* targets set in the Fiscal Correction Path as well as Meghalaya Fiscal Responsibility and Budget Management (MFRBM) Act, 2006 and Budget indicates a dismal picture during the year. Despite the fact that Central transfers increased by Rs. 270 crore in 2007-08 and contributed around 90 *per cent* of the incremental revenue receipts during the year, the lower growth rate in revenue receipts in 2007-08 was primarily on account of sluggish growth rate of 5.93 *per cent* (Rs. 29 crore) in the State's own resources as compared to 22.56 *per cent* (Rs. 90 crore) in the previous year resulting in decline in revenue surplus in the current year. The expenditure pattern of the State reveals that the revenue expenditure as a percentage of the total expenditure, although marginally declined during the current year, hovered around 84 *per cent* during the period (2002-08) leaving inadequate resources for expansion of services and creation of assets. Within the revenue expenditure, non-plan revenue expenditure at Rs. 1,532 crore in 2007-08 constituted 68 *per cent* and remained significantly higher than the normatively assessed level of Rs. 1,350 crore by Twelfth Finance Commission for the year. Further, the salaries and wages, pensions, interest payments and subsidies continued to consume a major share of non-plan revenue expenditure, which was over 70 *per cent* during 2007-08. The prevalence of fiscal deficit indicates continued reliance of the State on borrowed funds, resulting in increasing fiscal liabilities of the State over this period, which stood at 41.3 *per cent* of the Gross State Domestic Product in 2007-08 and would further increase to 51 *per cent*, after incorporating the contingent liabilities in the fold of total liabilities on Consolidated Fund of the State during the year and appears to be quite high especially if compared with the limit of 28 *per cent* prescribed in the MFRBM Act, 2006. The increasing fiscal liabilities accompanied by a negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable fiscal situation in medium to long run unless suitable measures are initiated to compress the non-plan revenue expenditure and to mobilize additional resources both through the tax and non-tax sources in the ensuing years.

(Paragraphs 1.1 to 1.11)

ALLOCATIVE PRIORITIES AND APPROPRIATION

During 2007-08, expenditure of Rs. 2,783.95 crore (gross) was incurred against the total Grant and Appropriation of Rs. 3,626.93 crore resulting in a saving of Rs. 843.98 crore (23.24 *per cent*). The overall saving was the result of savings of Rs. 915.77 crore in 54 Grants and 10 cases of Appropriations offset by an excess of Rs. 72.79 crore in eight Grants and one case of Appropriation. The above excess of Rs. 72.79 crore requires regularisation by the Legislature under Article 205 of the Constitution.

(Paragraphs 2.1, 2.3 & 2.4)

PERFORMANCE REVIEWS

(i) National Vector Borne Disease Control Programme

National Anti Malaria Programme, renamed as National Vector Borne Disease Control Programme during 2003, was one of the stand alone disease control programmes brought under National Rural Health Mission with effect from April 2005. A performance review of implementation of the programme revealed that while in one district, there was some improvement in both Annual Parasite Incidence (API) and death cases due to malaria during 2007 compared to the previous year, there was an increase in the incidence of malaria cases and death due to malaria in the other four districts selected for detailed scrutiny. In the State, the API and death cases due to malaria increased by 86 *per cent* and 524 *per cent* respectively during 2007 over 2003, despite an expenditure of Rs. 23.70 crore during the period. Collection of blood samples of 12.41 lakh people with the utilisation of 5,17,700 micro-slides and 39,200 pricking needles by using these more than once, was a health hazard and could adversely affect the health of the people.

(Paragraph 3.1)

(ii) Integrated Child Development Services Scheme

Integrated Child Development Services (ICDS) scheme, launched in 1975-76 by the GOI, aimed at improving the nutritional and health standard of children in the age group up to six years of age and enhancing the capability of mothers to look after the normal health and nutritional needs of their children. The State was able to achieve the envisaged objectives only to a limited extent. Performance review of the scheme revealed shortfall in implementing various components of the scheme. Though the quantity of the foodstuff provided was as per the norms, the nutritive value of the food was not ensured. In one of the ICDS projects, poor quality of milk powder and ready to eat food were distributed to 4,081 children and 736 pregnant/lactating mothers, thereby adversely affecting their health. Health check-up was not provided to the desired extent and inadequate infrastructure and lack of supervision further affected the working of anganwadis.

(Paragraph 3.2)

AUDIT OF TRANSACTIONS

(i) Fraud/Misappropriation/Embezzlement

Government money amounting to Rs. 30 lakh stated to have been spent by the Community and Rural Development Department on procurement of corrugated galvanised iron sheets has presumably been embezzled.

(Paragraph 4.1)

An expenditure of Rs. 12 crore was incurred irregularly on payment of grants-in-aid to the members of the Legislative Assembly without specifying the conditions stipulated in the Meghalaya Financial Rules, 1981.

(Paragraph 4.2)

(ii) Excess Payment/Wasteful Expenditure

Delay in issue of work order and handing over the clear site of the work for construction of OPD at Ganesh Das Hospital, Shillong resulted in an extra expenditure of Rs. 21.22 lakh.

(Paragraph 4.4)

Absence of supervision and monitoring of the functioning of the Piggery and Poultry Farms by the Directorate of Border Areas Development resulted in wasteful expenditure of Rs. 22.32 lakh.

(Paragraph 4.7)

(iii) Idle/Unfruitful/Unproductive Expenditure

Non-functioning of the additional 200 bedded hospital at Shillong Civil Hospital complex despite completion of construction work and procurement of required material resulted in idle expenditure of Rs. 3.60 crore.

(Paragraph 4.10)

Failure of the Public Works Department to complete the bridges despite completion of the road works resulted in idle expenditure of Rs. 2.08 crore.

(Paragraph 4.11)

(iv) Regularity Issues and Others

The Education Department incurred extra/unfruitful/idle expenditure of Rs. 88.19 lakh due to non-provision of basic infrastructure required for installation of computers and execution of a faulty agreement for imparting computer education/training to the students/teachers.

(Paragraph 4.12)

Forest land was diverted for non-forest purposes, without realising the net present value of Rs. 5.77 crore.

(Paragraph 4.13)

INTEGRATED AUDIT OF GOVERNMENT DEPARTMENTS

Integrated Audit of Sericulture and Weaving Department

The Sericulture and Weaving Department is responsible for improvement of the performance of two traditional village and cottage industries of the State, *viz.*, sericulture and handloom weaving. While the Department was able to improve the achievements in some areas, there was a significant shortfall in achievement of targets under various activities. Evaluation of the activities undertaken by the Department was not done and as such, the impact of these activities remained unassessed. There was a huge shortfall in production of disease free layings, reeling cocoons and mulberry raw silk valued at Rs. 10.18 crore during 2003-08.

(Paragraph 5.1)

REVENUE RECEIPTS

REVIEWS

Review on working of the Taxation Check Post

Lack of control of check post authorities on import/dispatch of goods through the check posts resulted in loss/non-realisation of revenue of Rs. 9.72 crore.

(Paragraph 6.2.8)

Failure of the unit offices/assessing officers to maintain way bill/road permit registers and to take cognizance of the way bills/road permits received from the check posts at the time of finalising the assessments resulted in evasion of tax of Rs. 35.14 crore remaining unnoticed.

(Paragraph 6.2.10)

Due to absence of co-ordination between the check posts of the taxation department and the Directorate of Mineral Resources there was non-realisation of revenue of Rs. 13.95 crore.

(Paragraph 6.2.11)

Failure of the department to erect check posts at strategic locations resulted in loss of revenue of Rs. 11.13 crore.

(Paragraph 6.2.12)

Non-detection of excess load by the check posts resulted in loss/non-levy of composition money of Rs. 351.19 crore.

(Paragraph 6.2.16)

Out of 12,36,033 vehicles carrying consignments meant for other states entering the State, 1,77,833 vehicles did not cross through the exit check post resulting in loss of revenue of Rs. 20.51 crore.

(Paragraph 6.2.17)

AUDIT OF TRANSACTIONS

Unauthorised export of limestone without transit pass resulted in loss of revenue of Rs. 6.95 crore.

(Paragraph 6.6)

Delay in implementation of revised rate of royalty led to loss of revenue of Rs. 10.09 crore.

(Paragraph 6.12)

Failure of the Mines and Minerals Department to prevent unauthorised export of coal and lime stone led to the loss of revenue of Rs. 6.37 crore.

(Paragraph 6.13)

Eleven dealers concealed turnover of Rs. 92.90 crore and evaded tax of Rs. 7.43 crore on which penalty of Rs. 14.86 crore was also leviable.

(Paragraph 6.21)

Eight dealers utilised fake 'C' form and evaded tax of Rs. 1.21 crore on which penalty of Rs. 2.20 crore was also leviable.

(Paragraph 6.22)

Interstate sales of Rs. 12.45 crore made by a works contractor was irregularly exempted resulting in underassessment of tax of Rs. 1.25 crore.

(Paragraph 6.23)

Fine of Rs. 255.49 crore was not levied on 3,11,321 commercial trucks for carrying excess load beyond maximum permissible limit.

(Paragraph 6.41)

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

COMMERCIAL TRANSACTIONS

As on 31 March 2008, the total investment in 13 working PSUs (10 Government companies and three Statutory Corporations) was Rs. 1,372.41 crore (equity: Rs. 395.49 crore; long-term loans: Rs. 968.28 crore and share application money: Rs. 8.64 crore). The accounts of 10 working Government companies and two Statutory Corporations were in arrears for periods ranging from one to 15 years as on 30 September 2008. Seven loss incurring working Government companies had accumulated losses aggregating Rs. 70.86 crore which had exceeded their aggregate paid-up capital of Rs. 11.78 crore.

(Paragraph 7.1)

AUDIT OF TRANSACTIONS

In respect of Rural Electrification Schemes implemented by Meghalaya State Electricity Board (MeSEB) during the period April 2004 to March 2008, there was loss of interest amounting to Rs. 10.56 crore due to delayed release of funds by the State Government; additional expenditure of Rs. 5.23 crore on the procurement of major components at higher rates. The Board could achieve only 66 *per cent* electrification as against the target of electrification of all villages by end of the Tenth Plan. Moreover, the declaration of 842 villages as electrified during the period April 2004 to March 2008 without obtaining certificates from Gram Panchayats, was not in accordance with the guidelines issued by Ministry of Power.

(Paragraph 7.3)

MeSEB incurred infructuous expenditure of Rs. 3.19 crore and extended undue financial benefit of Rs. 2.17 crore to the contractor on construction of a Hydro Electric Project during February 2006 to March 2008.

(Paragraph 7.4)

MeSEB extended undue financial benefit of Rs. 4 crore to Assam State Electricity Board, in construction of 132 KV Double Circuit transmission line, Umiam Stage IV Sarusajai during December 2003 to November 2006.

(Paragraph 7.5)

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

CHAPTER I: FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (**Appendix 1.1-Part A**). The Finance Accounts of the Government of Meghalaya are laid out in nineteen Statements, presenting the receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account. The lay out of the Finance Accounts is depicted in **Appendix 1.1 - Part B.**

1.1.1 Summary of Receipts and Disbursements

Table 1.1 summarises the financial position of the State Government for the year 2007-08 covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts/disbursements as emerging from Statement 1 of Finance Accounts and other detailed Statements.

Table 1.1 : Summary of Receipts and Disbursements for the year 2007-08

(Rupees in crore)

2006-07	Receipts	2007-08	2006-07	Disbursements	2007-08		
			Section – A: Revenue				
					Non-Plan	Plan	Total
2142.19	**I. Revenue Receipts**	**2441.38**	**1907.50**	**I. Revenue Expenditure**	**1532.37**	**721.30**	**2253.67**
304.74	Tax revenue	319.10	703.09	General Services	747.91	30.36	778.27
184.37	Non-tax revenue	199.35	614.30	Social Services	439.70	313.86	753.56
447.18	Share of Union Taxes/Duties	564.07	590.11	Economic Services	344.76	377.08	721.84
1205.90	Grants-in-aid from Government of India	1358.86	...	...	...	...	...
			Section – B: Capital				
...	**II. Miscellaneous Capital receipts**	...	320.37	**II. Capital Outlay**	**4.27**	**387.39**	**391.66**
17.11	**III. Recovery of Loans and Advances**	**16.49**	**5.96**	**III. Loans and Advances disbursed**	**7.18**	**19.55**	**26.73**
246.05	**IV. Public Debt Receipts**[1]	**247.18**	**86.28**	**IV. Repayment of Public Debt**	...	...	**99.08**
...	**V. Contingency Fund**	...	...	**V. Contingency Fund**	...	...	...
1257.71	**VI. Public Account Receipts**	**1502.20**	**1198.09**	**VI. Public Account Disbursements**	...	...	**1308.90**
158.34	**Opening Balance**	**303.20**	**303.20**	**Closing Balance**	...	...	**430.41**
3821.40	**Total**	**4510.45**	**3821.40**	**Total**			**4510.45**

Following are the significant changes during 2007-08 over the previous year:

- Revenue receipts grew by around 14 *per cent* (Rs. 299.19 crore) over the previous year. The increase was contributed by grants-in-aid from the Government of India (GOI) (Rs. 152.96 crore), State's share of Union taxes and duties (Rs. 116.89 crore), non-tax revenue (Rs. 14.98 crore) and tax revenue (Rs. 14.36 crore).

[1] Includes net Ways and Means Advances.

- Revenue expenditure and capital expenditure increased by Rs. 346.17 crore (over 18 *per cent*) and Rs. 71.29 crore (over 22 *per cent*) respectively over the previous year.

- Recovery and disbursement of loans and advances during the current year decreased by Rs. 0.62 crore and increased by Rs. 20.77 crore respectively compared to the previous year.

- Public Debt receipts and repayments increased by Rs. 1.13 crore and Rs. 12.80 crore respectively over the previous year mainly due to increase in receipts of loans from the National Bank for Agriculture and Rural Development by Rs. 8.01 crore and increase in repayment of market loans by Rs. 20.70 crore.

- Public Account receipts and disbursements increased by Rs. 244.49 crore and Rs. 110.81 crore respectively over the previous year.

- Cash balance of the State increased by Rs. 127.21 crore over the previous year mainly by way of increase in cash balance investment (Rs. 114.17 crore).

1.1.2 Fiscal Position by Key Indicators

The fiscal position of the State Government as reflected by the key fiscal indicators during the current year as compared to the previous year is given in **Table 1.2**.

Table 1.2

(Rupees in crore)

2006-07	Sl.No.	Major Aggregates	2007-08
2,142	**1.**	**Revenue Receipts (2+3+4)**	**2,441**
305	2.	Tax Revenue	319
184	3.	Non-Tax Revenue	199
1,653	4.	Other Receipts	1,923
17	**5.**	**Non-Debt Capital Receipts**	**17**
17	6.	Of which Recovery of Loans	17
2,159	**7.**	**Total Receipts (1+5)**	**2,458**
1,352	**8.**	**Non-Plan Expenditure (9+11+12)**	**1,543**
1,341	9.	On Revenue Account	1,532
203	10.	Of which, Interest payments	189
7	11.	On Capital Account	4
4	12.	On Loans disbursed	7
881	**13.**	**Plan Expenditure (14+15+16)**	**1,129**
566	14.	On Revenue Account	721
313	15.	On Capital Account	388
2	16.	On Loans disbursed	20
2,233	**17.**	**Total Expenditure (8+13)**	**2,672**
(+) 235	**18.**	**Revenue Surplus (+)/Deficit(-) {1-(9+14)}**	**(+) 188**
(-) 74	**19.**	**Fiscal Deficit (-) (1+5-17)**	**(-) 214**
(+) 129	**20.**	**Primary Deficit (-)/Surplus (+) {(1+5)-(17-10)}**	**(-) 25**

During the current year, while revenue expenditure increased by 18 *per cent* (Rs. 346 crore), revenue receipts increased by 14 *per cent* (Rs. 299 crore) over the previous year, resulting in decrease in surplus by Rs. 47 crore in revenue account. The decrease in revenue surplus (Rs. 47 crore) along with an increase of Rs. 93 crore on account of increase in capital expenditure (Rs. 72

crore) as well as in loans and advances disbursed (Rs. 21 crore) during 2007-08 led to an increase of Rs. 140 crore in fiscal deficit during the current year. The increase in fiscal deficit accompanied by a decrease of Rs. 14 crore in interest payments during 2007-08 over the previous year resulted in sharp fall in primary surplus enjoyed by the State during the last two years, which turned into a primary deficit of Rs. 25 crore during 2007-08.

1.2 Methodology adopted for assessment of Fiscal Position

The trends in the major fiscal aggregates of receipts and expenditure emerging from the Statements of Finance Accounts were analysed wherever necessary over the period 2002-03 to 2007-08 and observations have been made on their behaviour. In its Restructuring Plan of the State finances, the Twelfth Finance Commission (TFC) recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, the TFC also recommended that all States enact the Fiscal Responsibility (FR) Act and draw their fiscal correction path accordingly for the five year period (2005-06 to 2009-10) so that the fiscal position of the State could be improved as committed in their respective FR Acts/Rules during medium to long run. The norms/ceilings prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments/projections made by the State Government in its FR Act and in other statements required to be laid in the Legislature under the Act were used to make qualitative assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that Gross State Domestic Product (GSDP)[2] is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current prices. The buoyancy coefficients for tax revenues, non-tax revenues, revenue expenditure, *etc.* with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilisation of resources, pattern of expenditure, *etc.* are keeping pace with the change in the base or these fiscal aggregates have also been affected by factors other than the GSDP. GSDP series are being changed by the Directorate of Economics and Statistics, Government of Meghalaya every year, which resulted in the change in the ratios depicted in the previous Audit Reports. The trends in growth and composition of GSDP for the last six years are presented in **Table 1.3**.

Table 1.3: Trends in Growth of GSDP

Estimates	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
GSDP (Rupees in crore)	4,763	5,280	5,805	6,319	6,959	7,605
GSDP (Rate of Growth in *per cent*)	6.36	10.85	9.94	8.85	10.13	9.28

Source: *New GSDP Series furnished (September 2008) by the Directorate of Economics and Statistics, Government of Meghalaya.*

[2] GSDP is defined as the total income of the State or the market value of goods and services using labour and all other factors of production.

The key fiscal aggregates for the purpose have been grouped under four major heads: (i) Trends and Composition of Aggregate Receipts, (ii) Application of Resources, (iii) Assets and Liabilities, and (iv) Management of Deficits (**Appendices 1.2 to 1.6**). The overall financial performance of the State Government as a body corporate has been presented by application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in **Appendix 1.1 – Part C**.

1.2.1 The Fiscal Responsibility and Budget Management Act

The State Government has enacted the Meghalaya Fiscal Responsibility and Budget Management (MFRBM) Act, 2006 to (i) ensure fiscal prudence, stability and efficiency, (ii) achieve fiscal consolidation for facilitating the generation of revenue surplus for enhancing the scope for improvement of investment in the social and economic sectors/infrastructure, (iii) ensure fiscal and debt sustainability through progressive reduction of the fiscal deficit and proper debt management system and (iv) provide a more transparent and accountable system of budgeting that will ensure an efficient and effective system of governance. The MFRBM Act, 2006 came into effect on 6 November 2006. To give effect to the fiscal management principles as laid down in the Act and/or the rules framed thereunder, the Act prescribed the following targets:

- maintain revenue surplus at least at the same level as determined by the TFC for the base year 2003-04;
- reduce fiscal deficit in each of the financial years beginning from 1st day of April 2006, in a manner that will enable the State to achieve fiscal deficit of 3 *per cent* of GSDP by 2008-09;
- ensure that total outstanding liabilities on the Consolidated Fund are not more than 28 *per cent* of the GSDP;
- restrict issuing of guarantees except on selective basis where the quality and viability of the scheme to be guaranteed is properly analysed;
- bring out an annual statement that gives a perspective on the State's economy and related fiscal strategy; and,
- bring out a special report along with the budget giving details of the number of employees in the Government, Public Sector Undertakings and aided institutions and related salaries, not later than two years from 2 November 2006, i.e., the date on which the Meghalaya Fiscal Responsibility Rules, 2006 came into force.

The Act also provides that the above limits may exceed on account of unforeseen circumstances such as natural calamities, internal disturbances and shortfall in the transfer of financial resources from the GOI.

1.2.1.1 Fiscal Policy Statements

As prescribed in the Act, the State Government had incorporated the following statements in the Budget for the year 2007-08:

- Macro Economic Statement giving an overview of the State economy.
- Medium Term Fiscal Policy (MTFP) Statement prescribing fiscal targets and assumptions for achieving them. The targets for the year 2007-08 were as under:
  - Revenue surplus as a percentage of total revenue receipts: 15.72
  - Total outstanding liabilities as a percentage of GSDP: 32.92
  - Fiscal deficit as a percentage of GSDP: 1.22
- Fiscal Policy Strategy Statement of the State for the ensuing year relating to taxation, expenditure, borrowings, *etc.*

1.2.1.2 Periodical Review of Fiscal Situation

As per clause 9(1) of the MFRBM Act, 2006, the Finance Minister is to review the expenditure in relation to budget estimates every quarter and place the outcome of the reviews before the Legislature. Clause 9(6) of the Act further provides for framing an independent agency for the periodical review of the compliance of the provisions of the Act and for placing before the Legislature the outcome of the review. These provisions of the Act have, however, not yet been implemented.

1.2.1.3 Roadmap to Achieve the Fiscal Targets as laid down in FRBM Act/Rules

The State Government has also developed its own Fiscal Correction Path (FCP) detailing the structural adjustments required for mobilizing additional resources and identifying areas where expenditure could be compressed, to achieve the targets set out in the MFRBM Act (**Appendix 1.2**).

1.2.1.4 Fiscal Performance

In terms of an incentive scheme of TFC, a reward for fiscal performance was built into the debt-write off package under Debt Consolidation and Relief Facility (DCRF)[3]. According to the scheme, the quantum of write off of repayment of GOI loans after consolidation and reschedulement will be linked to the absolute amount by which the revenue deficit is reduced in each

[3] In pursuance of the recommendations of the TFC for fiscal consolidation and elimination of revenue deficit of the States, GOI formulated a scheme **"The States' Debt Consolidation and Relief Facility (DCRF) (2005-06 to 2009-10)"** under which general debt relief is provided by consolidating and rescheduling the Central loans granted to States at substantially reduced rates of interest on enacting the FRBM Act and debt waiver is granted based on fiscal performance, linked to the reduction of revenue deficit of States.

successive year during the award period. As a result of improved fiscal performance in terms of this criterion, the Meghalaya Government received a debt waiver of Rs.14.90 crore from the GOI under DCRF during 2007-08.

The State, however, failed to achieve the fiscal targets laid down in the FCP as well as in the Budget for the year 2007-08, as the year 2007-08 ended with a revenue surplus of Rs. 188 crore against Rs. 309 crore and Rs. 510 crore targeted in the FCP and Budget respectively. As per the MTFP Statement, during 2007-08, the State Government had expected to achieve 15.72 *per cent* of total revenue receipts as revenue surplus. Actual revenue surplus at Rs. 188 crore during 2007-08 was only 7.7 *per cent* of the total revenue receipts of the year.

The total outstanding liabilities on Consolidated Fund of the State at 51 *per cent* of the GSDP during the current year far exceeded the target of 28 *per cent* and 32.92 *per cent* fixed in the MFRBM Act, 2006 and MTFP Statement respectively. The fiscal deficit relative to GSDP at 2.81 *per cent* was more than the target set in MTFP Statement for 2007-08 but it was within the ceiling of 3 *per cent* of GSDP to be achieved by 2008-09 as per the MFRBM Act.

1.3 Trends and Composition of Aggregate Receipts

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from the GOI as well as accruals from Public Account. **Table 1.4** shows that the total receipts of the State Government for the year 2007-08 were Rs. 4,207 crore. Of these, revenue receipts were Rs. 2,441 crore only, constituting 58 *per cent* of the total receipts. The balance came mainly from borrowings and public account receipts.

Table 1.4 – Trends in Growth and Composition of Aggregate Receipts

(Rupees in crore)

Sources of State's Receipts	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
I. Revenue Receipts	**1,289**	**1,399**	**1,546**	**1,747**	**2,142**	**2,441**
II. Capital Receipts	**310**	**337**	**316**	**269**	**263**	**264**
(a) Recovery of Loans and Advances	15	18	19	19	17	17
(b) Public Debt Receipts[4]	295	319	297	250	246	247
(c) Miscellaneous Capital Receipts	...	...	...	...	...	...
III. Contingency Fund Receipts	...	...	...	...	...	...
IV. Public Account Receipts	**935**	**874**	**980**	**1,108**	**1,258**	**1,502**
(a) Small Savings, Provident Fund, *etc.*	97	120	130	89	91	101
(b) Reserve Funds	9	10	18	20	21	24
(c) Deposits and Advances	252	154	165	343	342	528
(d) Suspense and Miscellaneous	48	- 11	18	- 18	30	- 19
(e) Remittances	529	601	649	674	774	868
Total Receipts	**2,534**	**2,610**	**2,842**	**3,124**	**3,663**	**4,207**

[4] Included net (Nil) Ways and Means Advances also.

Out of the total receipts under Public Account, remittances constituted about 58 *per cent.* While 69 *per cent* (Rs. 603 crore) of the remittances have come from Public Works remittances, Cash remittances between treasury and currency chests and Forest remittances constituted 19 *per cent* (Rs. 168 crore) and 11 *per cent* (Rs. 96 crore) respectively.

1.3.1 Revenue Receipts

Statement 11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and non-tax revenues, Central tax transfers and grants-in-aid from the GOI. Overall revenue receipts, their annual rate of growth, ratio of these receipts to the GSDP and its buoyancy are indicated in **Table 1.5**.

Table 1.5 – Revenue Receipts-Basic Parameters

(Rupees in crore)

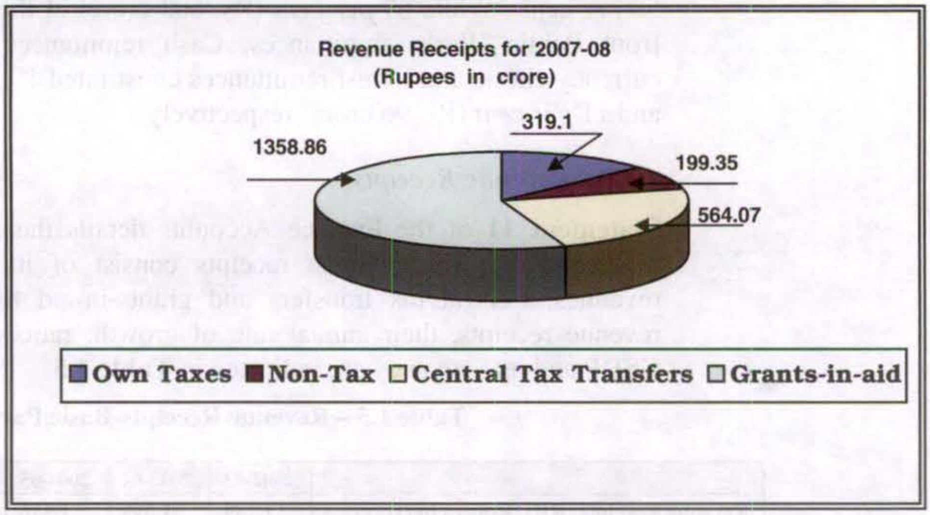
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Receipts (RR) (Rupees in crore)	**1,289**	**1,399**	**1,546**	**1,747**	**2,142**	**2,441**
Own Taxes (*per cent*)	145 (11.25)	178 (12.72)	208 (13.46)	253 (14.48)	305 (14.24)	319 (13.07)
Non-Tax Revenue (*per cent*)	93 (7.22)	129 (9.22)	133 (8.60)	146 (8.36)	184 (8.59)	199 (8.15)
Central Tax Transfers (*per cent*)	176 (13.65)	225 (16.08)	269 (17.40)	350 (20.03)	447 (20.87)	564 (23.11)
Grants-in-aid (*per cent*)	875 (67.88)	867 (61.98)	936 (60.54)	998 (57.13)	1,206 (56.30)	1,359 (55.67)
Rate of Growth of RR (*per cent*)	**14.78**	**8.53**	**10.51**	**13.00**	**22.61**	**13.96**
Rate of Growth of Own Taxes (*per cent*)	**6.62**	**22.76**	**16.85**	**21.63**	**20.55**	**4.59**
RR/GSDP (*per cent*)	**27.06**	**26.50**	**26.63**	**27.65**	**30.78**	**32.10**
Buoyancy Ratio[5]						
Revenue Buoyancy Ratio	**2.32**	**0.79**	**1.06**	**1.47**	**2.23**	**1.50**
State's Own Taxes Buoyancy Ratio	**1.04**	**2.10**	**1.70**	**2.44**	**2.03**	**0.49**
Revenue Buoyancy Ratio with reference to State's Own Taxes	**2.23**	**0.38**	**0.62**	**0.60**	**1.10**	**3.04**
GSDP Growth (*per cent*)	**6.36**	**10.85**	**9.94**	**8.85**	**10.13**	**9.28**

General Trends

The revenue receipts of the State increased by Rs. 1,152 crore from Rs. 1,289 crore in 2002-03 to Rs. 2,441 crore in 2007-08. There were, however, wide inter-year variations in the growth rates, which declined to 13.96 *per cent* in 2007-08 from 22.61 *per cent* during the preceding year. Although all the components of revenue receipts have exhibited increases in absolute terms over the period 2002-08, the share of State's own taxes and non tax revenue indicated relative stability while the share of grants-in-aid has reduced from 68 *per cent* to 57 *per cent* as against an increase in the share of central tax transfers from 14 *per cent* to 23 *per cent* during the period. The buoyancy ratios of revenue receipts and the State's own tax revenue with reference to GSDP have significantly declined primarily due to the steep decline in the rates of growth of both revenue receipts and the State's own tax revenue in 2007-08 relative to the previous year.

[5] Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance revenue buoyancy at 1.5 during 2007-08 implies that revenue receipts tend to increase by 1.5 percentage points if the GSDP increases by one *per cent.*

Chart 1.1



Tax Revenue

Tax revenue has increased by 4.59 *per cent* during the current year (Rs. 319 crore) over the previous year (Rs. 305 crore). The revenue from sales tax contributed the major share of tax revenue (74 *per cent*) and it increased by about 9 *per cent* over the previous year. State excise and taxes on vehicles were the other major contributors in the State's tax revenue. **Table 1.6** below shows the trend of tax revenue during 2002-08:

Table 1.6 : Tax Revenue

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Taxes on Sales, Trade, *etc.*	87	110	127	173	216	235
State Excise	45	53	63	59	54	59
Taxes on Vehicles	5	6	7	9	9	11
Stamps and Registration Fees	3	3	5	6	6	6
Land Revenue	0.32	0.49	0.29	0.33	6	2
Other Taxes[6]	4.68	5.51	5.71	5.67	14	6
Total	**145**	**178**	**208**	**253**	**305**	**319**

Non-Tax Revenue

Table 1.7 below shows the trend of non-tax revenue during 2002-08:

Table 1.7 : Non-Tax Revenue

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Interest receipts, dividends and profits	5	6	8	7	13	15
General Services	15	16	12	17	36	29
Social Services	2	2	2	3	3	3
Economic Services	71	105	111	119	132	152
Total	**93**	**129**	**133**	**146**	**184**	**199**

The non-tax revenue, which constituted 8.15 *per cent* of the total revenue receipts, has increased by Rs. 15 crore during 2007-08 recording a growth rate of 8 *per cent* over the previous year. 76 *per cent* of non-tax revenue during

[6] Other Taxes include taxes on professions, trades, callings and employment, taxes on goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services.

2007-08 was received from economic services and within this category, receipts under non-ferrous mining and metallurgical industries alone contributed 82 *per cent* (Rs. 124 crore). This was due to increase in receipts under mineral concession fees, rents and royalties. The trends in interest receipts and dividends and profits reveal significant improvement during 2007-08 compared to 2002-03 mainly because of increase in realisation of interest on investment of cash balances. The non-tax revenue of the Government during 2006-08 is also inclusive of Rs. 14.90 crore received as debt waiver from the GOI under DCRF, which was booked under the head 'Miscellaneous General Services'.

The current levels of cost recovery (revenue receipts as a percentage of revenue expenditure) in supply of merit goods and services by Government were negligible (0.62 *per cent* for secondary education, 0.54 *per cent* for medical and public health and 0.78 *per cent* for water supply and sanitation).

The mobilisation of State's own resources *vis-à-vis* assessments made by the TFC and State Government are given below:

Table 1.8

(Rupees in crore)

	Assessment made by TFC	Assessment made by State Government in		Actuals
		FCP	Budget-2007-08	
Tax Revenue	312	332	332	319
Non-Tax Revenue	200	176	180	199

Tax revenue was 2.24 *per cent* higher as compared to the assessment made by the TFC, but it was lower by 3.92 *per cent* compared to the assessment made by the State Government in the FCP and Budget. The non-tax revenue was only marginally less than the assessment made by the TFC but it was more by 13.07 *per cent* and 10.56 *per cent* respectively as compared to the assessment made in the FCP and budget estimates for 2007-08.

Central Tax Transfers

The Central Tax transfers increased by Rs. 117 crore over the previous year and constituted 23 *per cent* of revenue receipts. The increase was mainly under corporation tax (Rs. 39 crore), taxes on income other than corporation tax (Rs. 35 crore) and customs (Rs. 19 crore).

Grants-in-aid

Grants-in-aid from the GOI have increased by 12.69 *per cent* from Rs. 1,206 crore in 2006-07 to Rs. 1,359 crore in the current year. Within the plan grants, while grants for Central Plan Schemes decreased by 64 *per cent*, grants for Centrally Sponsored Schemes, Special Plan Schemes and State Plan Schemes increased by 67 *per cent* (Rs. 72 crore) and 49 *per cent* (Rs. 23 crore) and 13 *per cent* (Rs. 76 crore) respectively. The major increase under State Plan Schemes was in the form of increase in Block Grants (Rs. 60 crore). The Non-Plan grants (Rs. 461 crore) to the State constitute 34 *per cent* of the total grants during the year, of which, 85 *per cent* (Rs. 393 crore) was primarily for meeting the non-plan revenue deficit owing to the recommendations of the TFC. Other components of non-plan grants mainly included (i) maintenance of roads and bridges on the recommendation of the TFC (Rs. 22 crore), (ii) grants for strengthening of State Police Organisation (Rs. 11 crore) and (iii) contribution to calamity relief fund (Rs. 9 crore). Details of Grants-in-aid from the GOI are given in **Table 1.9.**

Table 1.9 : Grants-in-aid from the GOI

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Grants for State Plan Schemes	373	462	460	445	569	645
Non-Plan Grants	408	329	361	406	472	461
Grants for Central Plan Schemes	*	1	4	3	11	4
Grants for Centrally Sponsored Schemes	76	62	87	119	107	179
Grants for Special Plan Schemes	18	13	24	25	47	70
Total	**875**	**867**	**936**	**998**	**1,206**	**1,359**
Percentage of increase (+)/ decrease (-) over previous year	(+) 20.19	(-) 0.91	(+) 7.96	(+) 6.62	(+) 20.84	(+) 12.69

* Rs. 63.18 lakh.

1.3.2 Revenue Arrears

The arrears of tax revenue at the end of March 2008 in respect of some principal heads of revenue were Rs. 52.52 crore of which, Rs. 24.82 crore (47.26 *per cent*) were more than five years old. An analysis of revenue arrears revealed that around 44 *per cent* of pending arrears related to sales tax followed by other taxes consisting of electricity duty, purchase tax, amusement tax, *etc.* (31 *per cent*). Further, 75 *per cent* of sales tax arrears (Rs. 17.12 crore), 47 *per cent* of arrears under other taxes (Rs. 7.66 crore) and 100 *per cent* arrears under land revenue (Rs. 0.04 crore) were more than five years old. As the pending revenue arrears constituted over 16 *per cent* of tax revenue of the State during 2007-08, appropriate steps need to be initiated by the State Government for their recovery, which would in turn provide a cushion to reduce the burden of fiscal liabilities of the State.

1.4 Application of Resources

1.4.1 Growth of Expenditure

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. Total expenditure, its annual growth rate and ratio of expenditure to the GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.10.**

Table 1.10 : Total Expenditure – Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total Expenditure (TE)[7] (Rupees in crore)	1,466	1,619	1,878	1,944	2,233	2,672
Rate of Growth (*per cent*)	7.79	10.44	16.00	3.51	14.87	19.66
TE/GSDP Ratio (*per cent*)	30.78	30.66	32.35	30.76	32.09	35.13
Revenue Receipts/TE Ratio (*per cent*)	87.93	86.41	82.32	89.87	95.92	91.35
Buoyancy Ratio of Total Expenditure with reference to:						
GSDP	1.22	0.96	1.61	0.40	1.47	2.12
Revenue Receipts	0.53	1.22	1.52	0.27	0.66	1.41

The total expenditure during the current year has increased by Rs. 439 crore (19.66 *per cent*) over the previous year. Of the increase in total expenditure, revenue expenditure formed 79 *per cent* (Rs. 346 crore), capital expenditure component was 16 *per cent* (Rs. 72 crore), and disbursement of loans and advances 5 *per cent* (Rs. 21 crore). While the share of plan expenditure constituted 42 *per cent* (Rs. 1,129 crore) of the total expenditure, the remaining 58 *per cent* was non-plan expenditure (Rs. 1,543 crore). The increase in revenue expenditure was mainly due to increased expenditure under Education, Sports, Art and Culture (Rs. 97.31 crore), Energy (Rs. 47.24 crore), Agriculture & Allied Activities (Rs. 40.45 crore) and Water Supply, Sanitation, Housing and Urban Development (Rs. 24.75 crore). Capital expenditure has increased mainly on account of increased expenditure under Transport (Rs. 30.24 crore), Health and Family Welfare (Rs. 18.02 crore) and Water Supply and Sanitation (Rs. 15.39 crore).

During the current year, 91 *per cent* (Rs. 2,441 crore) of total expenditure was met from revenue receipts and the remaining (Rs. 231 crore) from capital receipts and borrowed funds. The buoyancy of total expenditure to GSDP stood at 2.12 in 2007-08 indicating a tendency to spend more than the increase in income and higher elasticity of total expenditure with respect to GSDP.

1.4.2 Trends in Total Expenditure by Activities

In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services, grants-in-aid and loans and advances. Relative share of these components in total expenditure is indicated in **Table 1.11**.

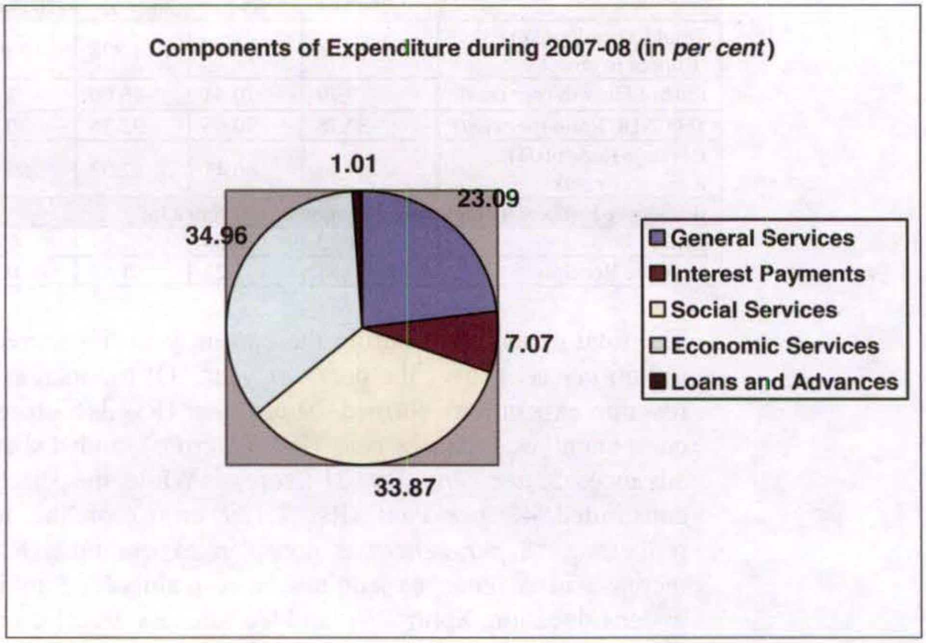
Table 1.11 : Components of Expenditure-Relative Share

(In *per cent*)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
General Services	33.49	34.03	31.68	32.72	32.20	30.16
Of which Interest Payments	*10.30*	*10.50*	*9.42*	*9.83*	*9.09*	*7.07*
Social Services	33.70	34.78	35.52	34.41	33.18	33.87
Economic Services	27.69	26.87	30.88	32.30	34.35	34.96
Loans and Advances	5.12	4.32	1.92	0.57	0.27	1.01

7 Total expenditure includes revenue expenditure, capital expenditure and loans & advances.

Chart 1.2



The movement of the relative share of these components of expenditure indicated that all components of expenditure had inter-year variations. Of the total expenditure during 2007-08, expenditure on general services and interest payments, which is considered as non-developmental, together accounted for 30.16 *per cent*. On the other hand, expenditure on social and economic services together accounted for 68.83 *per cent* during 2007-08. The relative share of social services exhibited relative stability during the period 2002-08. The relative share of economic services which ranged between 26.87 *per cent* and 34.35 *per cent* during the last five year period 2002-07 has marginally increased to 34.96 *per cent* in 2007-08, while loans and advances revealed wide fluctuations during the period 2002-07 and stood at 1.01 *per cent* during 2007-08.

1.4.3 Incidence of Revenue expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in **Table 1.12**.

Table 1.12 : Revenue Expenditure – Basic Parameters

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Expenditure (RE)	1,205	1,314	1,596	1,674	1,907	2,253
Of which						
Non-Plan Revenue Expenditure (NPRE)	949 (78.76)	1,004 (76.41)	1,120 (70.18)	1,183 (70.67)	1,341 (70.32)	1,532 (68.00)
Plan Revenue Expenditure (PRE)	256 (21.24)	310 (23.59)	476 (29.82)	491 (29.33)	566 (29.68)	721 (32.00)
Rate of Growth of						
RE (*per cent*)	4.15	9.05	21.46	4.89	13.92	18.14
NPRE (*per cent*)	7.35	5.80	11.55	5.63	13.36	14.24
PRE (*per cent*)	-6.23	21.09	53.55	3.15	15.27	27.39
Ratios (*per cent*)						
RE/TE (*per cent*)	82.20	81.16	84.98	86.11	85.40	84.32
NPRE/GSDP (*per cent*)	19.92	19.02	19.29	18.72	19.27	20.14
NPRE as *per cent* of TE	64.73	62.01	59.64	60.85	60.05	57.34
NPRE as *per cent* of RR	73.62	71.77	72.45	67.72	62.60	62.76
Buoyancy Ratio of Revenue Expenditure with						
GSDP	0.65	0.83	2.16	0.55	1.37	1.95
Revenue Receipts	0.28	1.06	2.04	0.38	0.62	1.30

(Figures in brackets represent percentages to revenue expenditure)

The revenue expenditure increased by 87 *per cent* from Rs. 1,205 crore in 2002-03 to Rs. 2,253 crore in 2007-08. The non-plan revenue expenditure during the same period increased from Rs. 949 crore to Rs. 1,532 crore, showing an increase of 61 *per cent* indicating that the share of NPRE in total revenue expenditure declined from 79 *per cent* in 2002-03 to 68 *per cent* in 2007-08. As a result, plan revenue expenditure, which normally covers the maintenance expenditure incurred on services, has increased by Rs. 465 crore during 2002-08 keeping its share in total revenue expenditure between 21 and 32 *per cent* during the period. The growth of PRE during 2007-08 significantly improved to 27.39 *per cent* against 15.27 *per cent* during the previous year mainly due to increase in expenditure on education, sports, art and culture by Rs. 68.20 crore followed by Rs. 36.37 crore under agriculture and allied activities and Rs. 14.93 crore under special areas programme. Though the rate of growth of NPRE (14.24 *per cent*) in 2007-08 was less than that of the PRE, this expenditure at Rs. 1,532 crore during the year was 13.48 *per cent* (Rs. 182 crore) higher than the normatively assessed level of Rs. 1,350 crore by the TFC and 2.27 *per cent* (Rs. 34 crore) and 9.43 *per cent* (Rs. 132 crore) higher than the assessments made by the State Government in its FCP and Budget estimate for the year respectively (**Table 1.13**).

Table 1.13 : Non-Plan Revenue Expenditure: Actuals *vis-à-vis* Normative Assessment by TFC

(Rupees in crore)

Particulars	Assessed by the TFC	Assessments made by the State Government in		Actuals	Difference with reference to {Excess (+) / Less (-)}		
		FCP	Budget - 2007-08		Column (2)	Column (3)	Column (4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Interest Payments	227	220	225	189	(-) 38	(-) 31	(-) 36
Pension	107	113	113	135	(+) 28	(+) 22	(+) 22
Other General Services	266	Not available	393	424	(+) 158	...	(+) 31
Social Services	471		408	439	(-) 32	...	(+) 31
Economic Services	223		261	345	(+) 122	...	(+) 84
Committed liabilities	56		NA				
Total	1,350	1,498	1,400	1,532	(+) 182	(+) 34	(+) 132

Except for interest payments and expenditure on social services, the actual expenditure incurred on all other components of non-plan revenue expenditure was more than the assessments made by the TFC. The expenditure also exceeded the assessments made in the Budget 2007-08 on all the components except for interest payments.

1.4.4 Committed Expenditure

Expenditure on Salaries and Wages

The trends in expenditure on salaries and wages both under plan and non-plan heads are presented in **Table 1.14**.

Table 1.14 : Expenditure on Salaries and Wages

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Salaries and Wages[8]	576	622	553	602	659	716
Of which						
Non-Plan Head	*Details not available*		*464*	*502*	*547*	*596*
Plan Head			*89*	*100*	*112*	*120*
As percentage of GSDP	12.09	11.78	9.53	9.53	9.47	9.41
As percentage of Revenue Receipts	44.69	44.46	35.77	34.46	30.77	29.33

The expenditure on salaries and wages increased by 8.65 *per cent* during 2007-08 over the previous year and accounted for 9.41 *per cent* of GSDP and 29.33 *per cent* of the revenue receipts. Though the State was successful in restricting the expenditure on salaries during 2007-08 as assessed in its FCP (Rs. 956 crore) for the year, the total salary bill (Rs. 716 crore) at 37.12 *per cent* relative to revenue expenditure net of interest payment and pension (Rs. 1,929) marginally exceeded the norm of 35 *per cent* prescribed by the TFC.

[8] 2002-04: Salaries only on the basis of information furnished by the Finance (Economic Affairs) Department, Government of Meghalaya; 2004-08: Salaries and wages as per information furnished by the Accountant General (Accounts & Entitlement). Salaries exclude grants-in-aid towards salaries.

1.4.5 Pension Payments

The pension payments (including other retirement benefits) indicated an increasing trend during the six year period 2002-08 (**Table 1.15**).

Table 1.15 : Expenditure on Pensions (including other retirement benefits)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Pension and other Retirement Benefits (Rupees in crore)	67	76	87	93	118	135
Rate of Growth	15.52	13.43	14.47	6.90	26.88	14.41
As *per cent* of GSDP	1.41	1.44	1.50	1.47	1.70	1.78
As *per cent* of Revenue Receipts	5.20	5.43	5.63	5.32	5.51	5.53

Pension payments during the current year have increased by Rs. 17 crore recording a growth rate of over 14 *per cent* over the previous year mainly on account of increase in the number of pensioners and family pensioners over the previous year by 251 and 111 respectively. A comparative analysis of actual pension payments and the assessment/projections made by the TFC and the State Government (**Table 1.16**) reveals that actual pension payments exceeded the projections made by the TFC and the State Government by 27.36 *per cent* and 19.47 *per cent* respectively.

Table 1.16 : Actual Pension Payments *vis-à-vis* Projection

(Rupees in crore)

	Assessment made by the TFC	Assessment made by the State Government in FCP and Budget 2007-08	Actual expenditure on Pensions	Expenditure in excess of assessment made in the	
				TFC	FCP & Budget
Pension Payments	106	113	135	29 (27.36)	22 (19.47)

(Figures in brackets represent percentages)

1.4.6 Interest Payments

Interest payments and their ratio to revenue receipts and revenue expenditure during 2002-08 are detailed in **Table 1.17**.

Table 1.17: Interest Payments

Year	Revenue Receipts	Interest payment	Percentage of interest with reference to	
	(Rupees in crore)		Revenue Receipts	Revenue Expenditure
2002-03	1,289	151	11.71	12.53
2003-04	1,399	170	12.15	12.94
2004-05	1,546	177	11.45	11.09
2005-06	1,747	191	10.93	11.41
2006-07	2,142	203	9.48	10.64
2007-08	2,441	189	7.74	8.39

Interest payments increased by 25 *per cent* from Rs. 151 crore in 2002-03 to Rs. 189 crore in 2007-08. There was, however, a decline in interest payments during 2007-08 compared to the previous year. The consolidation and reschedulement of the GOI loans, to some extent helped the State Government in restricting the interest payments, which led to a negative growth of 6.9 *per cent* against a positive growth of 6.28 *per cent* during the previous year. Interest payments were on market loans (Rs. 96 crore), Special Securities issued to National Small Savings Fund of the Central Government (Rs. 28 crore), other internal debt (Rs. 19 crore), loans and advances received from Central Government (Rs.11 crore) and Small Savings, Provident Fund, *etc.* (Rs.35 crore). Of the total interest payments during the year, about 51 *per cent* (Rs. 96 crore) were paid on market borrowings. The overall interest payments (Rs. 189 crore) was lower than the projections made by the TFC (Rs. 227 crore) and FCP (Rs. 220 crore) as well as budget estimates (Rs. 225 crore) of the year.

1.4.7 Subsidies

The trends in subsidies given by the State Government are given in **Table 1.18.**

Table 1.18: Subsidies

Year	Amount (Rupees in crore)	Percentage increase (+)/ decrease (-) over previous year	Percentage of subsidy in total expenditure
2002-03	33	(+) 37	2.25
2003-04	30	(-) 9	1.85
2004-05	28	(-) 7	1.49
2005-06	20	(-) 29	1.03
2006-07	34	(+) 70	1.52
2007-08	39	(+) 15	1.46

Source: 2002-05: Information furnished by the Finance (Economic Affairs) Department, Government of Meghalaya; 2005-08: Finance Accounts – Government of Meghalaya.

During the current year, subsidies constituted 1.46 *per cent* of the total expenditure. Of this, 83 *per cent* (Rs. 32.80 crore) was paid to the Meghalaya State Electricity Board (MeSEB), which was about three times the projection (Rs. 12.50 crore) made in the FCP for the year 2007-08. The remaining amount of subsidies was paid under the head Taxes on Vehicles (Rs.3.10 crore), Civil Supplies (Rs. 1.47 crore), Animal Husbandry (Rs. 1.13 crore), Crop Husbandry[9] (Rs. 0.59 crore), Dairy Development (Rs. 0.25 crore) and Fisheries (Rs. 0.12 crore).

1.5 Expenditure by Allocative Priorities

1.5.1 Quality of Expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore, ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running the existing social and economic services efficiently and effectively would determine the quality of expenditure. Higher the ratio of

[9] Manures and fertilisers, commercial crops, agricultural engineering, horticulture and vegetable crops.

these components to total expenditure and GSDP, better is the quality of expenditure. **Table 1.19** gives these ratios during 2002-08.

Table 1.19 : Indicators of Quality of Expenditure

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Capital Expenditure	**186**	**235**	**246**	**259**	**320**	**392**
Revenue Expenditure	**1,205**	**1,314**	**1,596**	**1,674**	**1,907**	**2,253**
Of which						
Social and Economic Services with	721	788	1,009	1,049	1,204	1,475
(i) Salary & Wage Component	*Details not available*		342	376	414	443
(ii) Non-Salary & Wage Component			667	673	790	1,032
As per cent of Total Expenditure (excluding loans and advances)						
Capital Expenditure	13.37	15.17	13.36	13.40	14.37	14.82
Revenue Expenditure	86.63	84.83	86.64	86.60	85.63	85.18
As per cent of GSDP						
Capital Expenditure	3.91	4.45	4.24	4.10	4.60	5.15
Revenue Expenditure	25.30	24.89	27.49	26.49	27.40	29.63

Revenue expenditure constituted around 85 *per cent* to 87 *per cent* of total expenditure during 2002-08 resulting in less expenditure on capital account ranging between 13 *per cent* and 15 *per cent*. During 2007-08, capital expenditure was also less than that projected (Rs. 530 crore) in the FCP by Rs. 138 crore. However, the ratio of capital expenditure to GSDP has increased from 3.91 *per cent* in 2002-03 to 5.15 *per cent* in 2007-08. The non-salary component constituted 70 *per cent* of revenue expenditure under social and economic services during 2007-08 and increased by 30.63 *per cent* over previous year, against 7 *per cent* on salary component. These trends indicate the improvement in the quality of expenditure and the impetus being given to asset formation.

1.5.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities, *etc.* have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. **Table 1.20** summarises the expenditure incurred by the State Government in expanding and strengthening social services in the State during 2002-08.

Table 1.20 : Expenditure on Social Services

(Rupees in crore) (*Per cent* in brackets)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Education, Sports, Art and Culture						
Revenue Expenditure *Of which*	**240.75**	**267.81**	**308.32**	**311.07**	**325.52**	**422.83**
(a) Salary & Wage Component	*Details not available*		*104.86 (34.01)*	*109.85 (35.31)*	*123.92 (38.07)*	*134.57 (31.83)*
(b) Non-Salary & Wage Component			*203.46 (65.99)*	*201.22 (64.69)*	*201.60 (61.93)*	*288.26 (68.17)*
Capital Expenditure	**1.55**	**1.26**	**1.83**	**0.70**	**2.02**	**5.69**
Health and Family Welfare						
Revenue Expenditure *Of which*	**81.86**	**82.56**	**86.39**	**94.03**	**99.11**	**113.08**
(a) Salary & Wage Component	*Details not available*		*65.88 (76.26)*	*78.28 (83.25)*	*83.00 (83.75)*	*92.81 (82.07)*
(b) Non-Salary & Wage Component			*20.51 (23.74)*	*15.75 (16.75)*	*16.11 (16.25)*	*20.27 (17.93)*
Capital Expenditure	**11.89**	**14.32**	**14.51**	**17.23**	**18.06**	**36.08**
Water Supply, Sanitation, Housing and Urban Development						
Revenue Expenditure *Of which*	**67.11**	**69.76**	**83.50**	**82.05**	**106.96**	**131.71**
(a) Salary & Wage Component	*Details not available*		*26.19 (31.37)*	*28.73 (35.02)*	*32.71 (30.58)*	*36.60 (27.79)*
(b) Non-Salary & Wage Component			*57.31 (68.63)*	*53.32 (64.98)*	*74.25 (69.42)*	*95.11 (72.21)*
Capital Expenditure	**52.64**	**63.88**	**90.39**	**88.59**	**98.73**	**110.20**
Other Social Services						
Revenue Expenditure *Of which*	**36.17**	**59.01**	**79.55**	**67.60**	**82.71**	**85.94**
(a) Salary & Wage Component	*Details not available*		*15.75 (19.80)*	*17.12 (25.33)*	*18.55 (22.43)*	*20.47 (23.82)*
(b) Non-Salary & Wage Component			*63.80 (80.20)*	*50.48 (74.67)*	*64.16 (77.57)*	*65.47 (76.18)*
Capital Expenditure	**1.94**	**4.37**	**2.44**	**8.00**	**7.99**	**0.51**
Total (Social Services)	**493.91**	**562.97**	**666.93**	**669.27**	**741.10**	**906.04**
Revenue Expenditure *Of which*	**425.89 (86.23)**	**479.14 (85.11)**	**557.76 (83.63)**	**554.75 (82.89)**	**614.30 (82.89)**	**753.56 (83.17)**
(a) Salary & Wage Component	*Details not available*		*212.68 (38.13)*	*233.98 (42.18)*	*258.18 (42.03)*	*284.45 (37.75)*
(b) Non-Salary & Wage Component			*345.08 (61.87)*	*320.77 (57.82)*	*356.12 (57.97)*	*469.11 (62.25)*
Capital Expenditure	**68.02 (13.77)**	**83.83 (14.89)**	**109.17 (16.37)**	**114.52 (17.11)**	**126.80 (17.11)**	**152.48 (16.83)**

The allocation to social sector increased from Rs. 494 crore in 2002-03 to Rs. 906 crore in 2007-08 indicating the Government's commitment for improving social well being of the society. Expenditure on social sector during the current year accounted for over 34 *per cent* of the total expenditure (revenue *plus* capital expenditure) (Rs. 2,645 crore) and 49 *per cent* of development expenditure[10] (Rs. 1,839 crore). Expenditure on education, sports, art and culture, health and family welfare and water supply and sanitation, housing and urban development constituted over 90 *per cent* of the expenditure on social sector.

The trends in revenue and capital expenditure on social services during 2002-08 reveal that the share of capital expenditure remained within the range

[10] Development expenditure is defined as the total expenditure incurred on social and economic services.

of 13 to 17 *per cent* which indicated that the revenue expenditure was dominant. Of the revenue expenditure on social services, the share of salary and wage component has decreased from its peak of 42.18 *per cent* in 2005-06 to 37.75 *per cent* in 2007-08 implying more expenditure on non-salary components including on their maintenance. The non-salary and wage expenditure on social services has increased by 35.94 *per cent* during 2004-08 from Rs. 345.08 crore in 2004-05 to Rs. 469.11 crore in 2007-08. Within the priority sectors, non-salary and wage component continues to share dominantly under education, sports, art and culture and water supply, sanitation, housing and urban development and high salary and wage expenditure during 2004-08 (76 *per cent* to 84 *per cent*) under health and family welfare services.

Recognising the need to improve the quality of education and health services, TFC recommended that the non-plan salary expenditure under education, health and family welfare should increase only by 5 to 6 *per cent,* while non-salary expenditure under non-plan heads should increase by 30 *per cent* per annum during the award period. However, the expenditure on non-plan salary and wage component under education sector increased by 4.89 *per cent* which is very close to 5 *per cent* and under health and family welfare sector the increase of 12.51 *per cent* far surpassed the recommendations of the TFC. The increase in non-salary (non-plan) expenditure under these two sectors is also not encouraging inasmuch as 22.38 *per cent* and 18.17 *per cent* increase under education and health and family welfare sectors respectively are below the recommendations of the TFC. Thus, expenditure pattern under both these sectors needs correction in the ensuing years.

1.5.3 Expenditure on Economic Services

The expenditure on economic services includes all such expenditure that promotes directly or indirectly, productive capacity within the States' economy. **Table 1.21** presents the trends in expenditure incurred on economic services during the period from 2002-03 to 2007-08.

Table 1.21: Expenditure on Economic Services

(Rupees in crore) (*Per cent* in brackets)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Agriculture and Allied Activities						
Revenue Expenditure *Of which*	**116.94**	**121.97**	**139.62**	**163.07**	**176.28**	**216.73**
(a) Salary & Wage Component	*Details not available*		*79.34 (56.83)*	*85.75 (52.58)*	*96.11 (54.52)*	*93.83 (43.29)*
(b) Non-Salary & Wage Component			*60.28 (43.17)*	*77.32 (47.42)*	*80.17 (45.48)*	*122.90 (56.71)*
Capital Expenditure	**5.01**	**3.60**	**10.27**	**4.61**	**4.59**	**13.36**
Irrigation and Flood Control						
Revenue Expenditure *Of which*	**9.01**	**9.53**	**10.82**	**12.65**	**13.76**	**19.35**
(a) Salary & Wage Component	*Details not available*		*7.13 (65.90)*	*7.84 (61.98)*	*8.53 (61.99)*	*9.49 (49.04)*
(b) Non-Salary & Wage Component			*3.69 (34.10)*	*4.81 (38.02)*	*5.23 (38.01)*	*9.86 (50.96)*
Capital Expenditure	**6.61**	**6.17**	**5.19**	**7.58**	**5.61**	**6.07**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Energy						
Revenue Expenditure *Of which*	**11.36**	**19.23**	**88.85**	**67.97**	**90.47**	**137.71**
(a) Salary & Wage Component	*Details not available*		*Nil*[11]			
(b) Non-Salary & Wage Component			*88.85*	*67.97*	*90.47*	*137.71*
Capital Expenditure	...	...	...	...	...	...
Transport						
Revenue Expenditure *Of which*	**38.43**	**40.22**	**50.06**	**52.54**	**76.55**	**79.38**
(a) Salary & Wage Component	*Details not available*		*Nil*[12]			
(b) Non-Salary & Wage Component			*50.06*	*52.54*	*76.55*	*79.38*
Capital Expenditure	**87.40**	**91.85**	**90.18**	**86.03**	**107.59**	**137.83**
Other Economic Services						
Revenue Expenditure *Of which*	**119.07**	**117.57**	**162.18**	**198.17**	**233.05**	**268.67**
(a) Salary & Wage Component	*Details not available*		*43.20 (26.64)*	*48.29 (24.37)*	*51.32 (22.02)*	*55.26 (20.57)*
(b) Non-Salary & Wage Component			*118.98 (73.36)*	*149.88 (75.63)*	*181.73 (77.98)*	*213.41 (79.43)*
Capital Expenditure	**12.02**	**25.09**	**22.61**	**35.38**	**59.44**	**54.23**
Total (Economic Services)	**405.85**	**435.23**	**579.78**	**628.00**	**767.34**	**933.33**
Revenue Expenditure *Of which*	**294.81 (72.64)**	**308.52 (70.89)**	**451.53 (77.88)**	**494.40 (78.73)**	**590.11 (76.90)**	**721.84 (77.34)**
(a) Salary & Wage Component	*Details not available*		*129.67 (28.72)*	*141.88 (28.70)*	*155.96 (26.43)*	*158.58 (21.97)*
(b) Non-Salary & Wage Component			*321.86 (71.28)*	*352.52 (71.30)*	*434.15 (73.57)*	*563.26 (78.03)*
Capital Expenditure	**111.04 (27.36)**	**126.71 (29.11)**	**128.25 (22.12)**	**133.60 (21.27)**	**177.23 (23.10)**	**211.49 (22.66)**

The expenditure on economic services during 2007-08 (Rs. 933 crore) accounted for over 35 *per cent* of the total expenditure (revenue *plus* capital expenditure) and 51 *per cent* of the development expenditure during the year. Out of the total expenditure on economic services during the current year, 25 *per cent* was incurred on agriculture and allied services, 23 *per cent* on transport and 15 *per cent* on energy.

The trends in revenue and capital expenditure on economic services indicate that capital expenditure consistently increased from Rs. 111 crore in 2002-03 to Rs. 211 crore (90 *per cent*) in 2007-08. Revenue expenditure also consistently increased from Rs. 295 crore in 2002-03 to Rs. 722 crore (145 *per cent*) in the current year. An increase of Rs. 132 crore (22 *per cent*) during 2007-08 over the previous year in revenue expenditure was mainly due to the increase in energy (Rs. 47 crore), agriculture and allied activities (Rs. 40 crore), special areas programme (Rs. 15 crore) and general economic services (Rs. 14 crore). Within the revenue expenditure, salary and wage component ranged between 22 and 29 *per cent* of the total revenue expenditure during

[11] Though there was budget provision, no expenditure was incurred.
[12] There was no provision in the budget for salary and wages.

2004-08. It increased from Rs. 130 crore in 2004-05 to Rs. 159 crore (22.31 *per cent*) during the current year. The non-salary and wage component also increased from Rs. 322 crore in 2004-05 to Rs. 563 crore (74.84 *per cent*) indicating change in allocative priorities of the State Government.

1.5.4 Financial Assistance to Local Bodies and other Institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the six-year period 2002-08 is presented in **Table 1.22**.

Table 1.22: Financial Assistance

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
University and Educational Institutions	130	129	150	151	164	243
Co-operative Societies	2	2	2	2	5	2
District Councils	*	6	4	3	1	12
Municipalities	2	1	2	2	1	2
Power sector	56	50	26	7	35	100
Other Institutions[13]	11	10	5	2	2	9
Total	**201**	**198**	**189**	**167**	**208**	**368**
Assistance as percentage of Revenue Expenditure	16.68	15.07	11.84	9.98	10.91	16.33

* Financial assistance to District Councils during 2002-03 was Rs. 0.21 crore only.

The financial assistance extended to local bodies and other institutions with inter-year variations increased by 77 *per cent* from Rs. 208 crore in 2006-07 to Rs. 368 crore in 2007-08. The share of financial assistance in revenue expenditure also increased from 10.91 *per cent* in 2006-07 to 16.33 *per cent* during the current year. Another important trend emerging from the above table is that the share under power sector has sharply increased by about three times from Rs. 35 crore in 2006-07 to Rs. 100 crore in 2007-08. Of Rs. 100 crore, Rs. 98 crore (98 *per cent*) was given to the State Electricity Board for Accelerated Power Development Reforms Programme (Rs. 50 crore), hydel generation (Rs. 39 crore) and transmission line (Rs. 9 crore) indicating that substantial amount of financial assistance is being given to the Public Sector Undertaking. The remaining amount of Rs. 2 crore was given to the Meghalaya Electricity Regulatory Commission. University and Educational Institutions were the major recipients as 66 *per cent* of the total financial assistance during 2007-08 was given to them. The sharp increase under educational institutions was due to release of more grants (Rs. 70 crore) to non-Government primary/secondary schools and colleges, which increased from Rs. 162 crore in 2006-07 to Rs. 232 crore during the current year of which Rs. 122 crore was given for non-plan purposes.

[13] Other Institutions (figures for 2007-08 in brackets): Prevention and control of water pollution (Rs.129 lakh), Khadi & Village Industries (Rs.124.95 lakh), Eco-Development Society (Rs.43 lakh), Public Sector and other undertakings (Rs.544.43 lakh), Womens Welfare (Rs.15.26 lakh), Housing Board (Rs.6 lakh), Small Scale Industries (Rs.9.16 lakh), Forest Development Corporation of Meghalaya (Rs.10 lakh), Indian Red Cross Society (Rs.5 lakh), others (Rs.1.79 lakh).

1.5.5 Non-submission of accounts

In order to identify the institutions which attract audit under Section 14/15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act), 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 2007-08 called for in April 2008 from 14 departments[14] was awaited as of July 2008.

1.5.6 Abstract of performance of Autonomous Bodies

The audit of accounts of the Meghalaya Khadi and Village Industries Board, Shillong up to 2009-10 was entrusted to the Comptroller and Auditor General of India under Section 19(3) of the DPC Act. There was a delay of six months in the submission of the accounts for the year 2006-07. The accounts for the year 2007-08 were, however, submitted on time.

1.5.7 Misappropriation, losses, defalcation, etc.

The State Government reported 85 cases of misappropriation, defalcation, *etc.* involving Government money amounting to Rs. 1.53 crore up to the period March 2008 on which final action was pending. The department-wise break up of pending cases is given in **Appendix 1.7**.

1.6 Assets and Liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.3** gives an abstract of such liabilities and the assets as on 31 March 2008, compared with the corresponding position on 31 March 2007. While the liabilities consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Appendix 1.6** depicts the time series data on State Government finances for the period 2002-08.

1.6.1 Financial Analysis of Government Investments

1.6.1.1 Incomplete Projects

According to the information available in **Appendix II** of the Finance Accounts for the year 2007-08, as of March 2008, there were 323 ongoing

[14] Agriculture, Education, Health & Family Welfare, Community & Rural Development, Urban Affairs, Social Welfare, Animal Husbandry & Veterinary, Soil Conservation, Fisheries, Printing & Stationery, Forest, Mining & Geology, Housing and Arts & Culture Departments.

irrigation (19) and water supply (304) projects in the State. Of these, seven irrigation and 37 water supply projects, stipulated for completion on or before 31 March 2008 at an estimated cost of Rs. 12.52 crore, remained incomplete with an expenditure of Rs. 12.77 crore (irrigation: Rs. 0.97 crore; water supply: Rs. 11.80 crore) till 31 March 2008. Out of 44 projects, 37 remained incomplete for less than one year and the remaining seven projects for over one to three years.

1.6.1.2 Government Investments and Returns

As of 31 March 2008, Government had invested Rs. 186.79 crore in Statutory Corporations, Government Companies and Co-operative Societies (**Table 1.23**). The return on this investment was less than one *per cent* during 2002-08 while the Government paid interest at an average rate of 7.62 to 9 *per cent* on its borrowings during the period.

Table 1.23: Return on Investment

Year	Investment during the year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on Government borrowing	Difference between interest rate and return
	(Rupees in crore)			*(Per cent)*		
2002-03	11.93	152.32	0.01	0.00	8.98	8.98
2003-04	10.58	162.89	0.18	0.11	9.00	8.89
2004-05	7.53	170.42	0.18	0.11	8.58	8.47
2005-06	6.89	177.31	0.01	0.01	8.06	8.05
2006-07	5.85	183.16	0.01	0.01	7.62	7.61
2007-08	3.63	186.79	0.02	0.01	6.40	6.39

(Figures in Chapter VII for the year 2007-08 are provisional.)

As of March 2008, the State Government had invested Rs. 40.34 crore in two Statutory Corporations, Rs. 102.59 crore in eight Government Companies and Rs. 43.86 crore in 1,438 Co-operative Societies. Of the two Statutory Corporations, bulk of the investment (Rs. 38.60 crore) was made to the Meghalaya Transport Corporation Limited during 1986-2007 despite accumulated loss of Rs. 50.64 crore sustained by the Corporation up to 2000-01. Out of Rs. 102.59 crore invested in Government Companies, Rs. 19.22 crore was invested in five loss making Companies, which had accumulated loss of Rs. 26.27 crore as detailed in **Table 1.24**. Up-to-date working results of the Co-operative Societies had not been intimated (September 2008).

Table 1.24: Details of loss making Government Companies

(Rupees in crore)

Name of Companies	Amount invested up to March 2008	Invested up to	Accumulated loss	Period up to[15]
Meghalaya Government Construction Corporation Limited	4.77	2000-01	11.26	2005-06
Meghalaya Mineral Development Corporation Limited	2.27	2001-02	9.17	2006-07
Meghalaya Tourism Development Corporation Limited	7.75	2001-02	2.11	1992-93
Forest Development Corporation of Meghalaya Limited	1.56	2000-01	2.15	1999-00
Meghalaya Handloom and Handicrafts Development Corporation Limited	2.87	2007-08	1.58	2001-02
	19.22		**26.27**	

15 Accounts for the subsequent years are in arrears.

1.6.1.3 Loans and Advances by State Government

In addition to the investments in Co-operatives, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organisations. The total outstanding loans and advances as on 31 March 2008 was Rs. 479 crore (**Table 1.25**). Interest received against these loans and advances was meagre, which had decreased from 0.62 *per cent* in 2004-05 to 0.35 *per cent* in 2007-08.

Table 1.25 : Average Interest Received on Loans and Advances by the State Government

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Opening Balance	359	419	471	488	480	469
Amount advanced during the year	75	70	36	11	6	27
Amount recovered during the year	15	18	19	19	17	17
Closing Balance	419	471	488	480	469	479
Net Addition	60	52	17	- 8	- 11	10
Interest Received	0.46	0.72	2.99	1.48	1.36	1.65
Interest received as *per cent* to outstanding Loans and Advances	0.12	0.16	0.62	0.31	0.29	0.35
Average interest rate paid on borrowings by the State Government (*per cent*)	8.98	9.00	8.58	8.06	7.62	6.40
Difference between interest paid and received (*per cent*)	8.86	8.84	7.96	7.75	7.33	6.05

As the interest received as *per cent* to outstanding loans and advances was much lower than the cost at which the State Governments borrows, the TFC in its restructuring plan of State finances assumed a 7 *per cent* return on outstanding loans and advances to be achieved in a graded manner by the terminal year of the forecast period. Decreasing trend in return on outstanding loans and advances given by the State Government, which stands only at 0.35 *per cent* in 2007-08, indicates that the possibility of achieving 7 *per cent* return by the terminal year of the forecast period, as assumed by the TFC is remote.

1.6.2 Management of Cash Balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA) – Ordinary and Special – from Reserve Bank of India (RBI) has been put in place. The operating limit for Ordinary WMA is reckoned as the three year average of revenue receipts and the operative limit for Special WMA is fixed by RBI from time to time depending on the holding of Government securities.

Under the agreement with the RBI, the Government of Meghalaya has to maintain an all time minimum balance of Rs. 21 lakh with RBI. If the balance falls below the agreed minimum, the Government can take Ordinary WMA from the RBI up to a maximum of Rs. 50.50 crore. In addition, Special WMA not exceeding Rs. 9.16 crore are made available against GOI securities held by the State Government. Overdrafts are given by the RBI if the State has a minus balance after availing of the maximum advance.

WMAs and Overdrafts availed, the number of occasions it was availed and interest paid by the State during 2002-08 is detailed in **Table 1.26**.

Table 1.26 : Ways and Means Advances and Overdrafts of the State

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Ways and Means Advances						
Availed in the Year	243.17	50.99	2.57	83.49	...	...
Number of days	96	44	6	7	...	...
Outstanding WMAs, if any	...	...	...	...	...	...
Interest Paid	0.23	0.24	*	0.08	...	...
Overdraft						
Availed in the Year	0.46	...	...	8.85	...	...
Number of days	1	...	...	1	...	...
Outstanding Overdraft, if any	...	...	...	...	...	...
Interest Paid	...	...	...	*	...	...

* Interest paid on ways and means advances during 2004-05 and interest paid on overdraft during 2005-06 was Rs. 0.15 lakh and Rs. 0.21 lakh respectively.

As can be seen from the above table, the Government did not have to resort to WMA during the current year (2007-08) as well as during the previous year, indicating comfortable position of cash balances of the State. The cash balances of the State Government increased from Rs. 303 crore to Rs. 430 crore in 2007-08 over the previous year mainly due to increase under cash balance investment by Rs. 114 crore.

1.7 Undischarged Liabilities

According to Meghalaya FRBM Act, 2006, the total liabilities means the liabilities under the Consolidated Fund of the State and the Public Account of the State and shall also include borrowings by the Public Sector Undertakings and Special Purpose Vehicles and other equivalent instruments including guarantees where principal and/or interest are to be serviced out of the State budget.

1.7.1 Fiscal Liabilities - Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public Debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund – Capital Account. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. However, no law has been passed in the State to lay down any such limit. Other liabilities, which are a part of public account, include deposits under small savings scheme, provident funds and other deposits.

Table 1.27 gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table 1.27: Fiscal Liabilities – Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Fiscal Liabilities[16] (Rupees in crore)	1,827	1,952	2,173	2,566	2,762	3,141
Rate of Growth (*per cent*)	19.02	6.84	11.32	18.09	7.64	13.72
Ratio of Fiscal Liabilities to						
GSDP (*per cent*)	38.36	36.97	37.43	40.61	39.69	41.30
Revenue Receipts (*per cent*)	141.74	139.53	140.56	146.88	128.94	128.68
Own Resources (*per cent*)	767.65	635.83	637.24	643.11	564.83	606.37
Buoyancy of Fiscal Liabilities to						
GSDP (ratio)	2.99	0.63	1.14	2.04	0.75	1.48
Revenue Receipts (ratio)	1.29	0.80	1.08	1.39	0.34	0.98
Own Resources (ratio)	5.47	0.24	1.02	1.06	0.34	2.31

Fiscal liabilities of Rs. 3,141 crore during 2007-08 consist of internal debt, e.g., market loans bearing interest, loans from Life Insurance Corporation of India (LIC) and other institutions, *etc.* (Rs. 1,773 crore), loans and advances from Central Government (Rs. 330 crore), small savings, provident funds (State Provident Funds and Insurance & Pension Funds: Rs. 429 crore) and other non-interest bearing obligations such as deposit of local funds, civil deposits, *etc.* (Rs. 609 crore). Overall fiscal liabilities of the State increased from Rs. 1,827 crore in 2002-03 to Rs. 3,141 crore in 2007-08. The growth rate in 2007-08 was 13.72 *per cent* over the previous year. The ratio of fiscal liabilities to GSDP also increased from 38.36 *per cent* in 2002-03 to 41.30 *per cent* in 2007-08. These liabilities stood at 1.29 times the revenue receipts and 6.06 times of the State's own resources at the end of 2007-08. The buoyancy of these liabilities with respect to GSDP during the year was 1.48 indicating that for each one per cent increase in GSDP, fiscal liabilities grew by 1.48 *per cent.*

According to **Statement** 4 of the Finance Accounts for the year 2007-08, during 1999-2000, the State Government constituted a 'Consolidated Sinking Fund' for redemption and amortisation of open market loans. In 2007-08, the Government has appropriated Rs. 11.71 crore from revenue and credited to this fund for investment in the GOI Securities.

1.7.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per **Statement 6** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of the year since 2002-03 are given in **Table 1.28**.

[16] Includes Internal Debt, Loans and Advances from Government of India, Small Savings, Provident Funds, *etc.*, Deposits and other non-interest bearing obligations.

Table 1.28: Guarantees given by the Government of Meghalaya

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Maximum amount guaranteed (year end)	183.69	342.94	384.32	504.67	562.02	954.16
Outstanding amount of guarantees (including interest)	137.37	300.33	338.18	404.38	435.80	750.63
Percentage of maximum amount guaranteed to total revenue receipts	14.25	24.51	24.86	28.89	26.24	39.08

Government has guaranteed loans raised by various Corporations and others, which at the end of 2007-08 stood at Rs. 750.63 crore (including interest). The outstanding amount of guarantees is in the nature of contingent liabilities, which were over 39 *per cent* of revenue receipts of the State during 2007-08. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limit within which Government may give guarantees on the security of the Consolidated Fund of the State.

As per MFRBM Act, 2006 and Fiscal Policy Strategy (FPS) Statement, the total liabilities on the Consolidated Fund of the State should not be more than 28 *per cent* of the GSDP. The MTFP Statement, however, fixed the target of total outstanding liabilities to GSDP in 2007-08 as 32.92 *per cent*. **Table 1.29** gives the position of this ratio during 2002-08:

Table 1.29 : Total Liabilities

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total Liabilities[17] (Rupees in crore)	1,964	2,252	2,511	2,970	3,198	3,892
Ratio of Total Liabilities to GSDP (*per cent*)	41.23	42.65	43.26	47.00	45.95	51.18

It is evident from the above table that the ratio of total liabilities to GSDP not only remained higher than the limit (28 *per cent*) prescribed in the MFRBM Act, 2006 and FPS Statement throughout the entire period 2002-08, but also increased by 18.26 *per cent* over the target fixed in the MTFP Statement.

1.8 Debt Sustainability

Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match the

[17] Fiscal liabilities + Outstanding amount of guarantees (including interest).

increase in capacity to service the debt. A prior condition for debt sustainability is the debt stabilisation in terms of debt/GSDP ratio.

1.8.1 Debt Stabilisation

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GSDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth – interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. Trends in fiscal variables indicating the progress towards the debt stabilisation are indicated in **Table 1.30**.

Table 1.30: Debt Sustainability – Interest Rate and GSDP Growth (in *per cent*)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Average Interest Rate	8.98	9.00	8.58	8.06	7.62	6.40
GSDP Growth	6.36	10.85	9.94	8.85	10.13	9.28
Interest Spread	- 2.62	1.85	1.36	0.79	2.51	2.88
Opening Outstanding Debt (Rupees in crore)	1,535	1,827	1,952	2,173	2,566	2,762
Quantum Spread[18] (Rupees in crore)	- 40	34	27	17	64	80
Primary Deficit (-)/ Surplus (+) (Rupees in crore)	- 11	- 32	- 136	+ 13	+ 129	- 25
Quantum Spread + Primary Deficit (Rupees in crore)	- 51	2	- 109	30	193	55

Table 1.30 reveals that quantum spread together with primary deficit/surplus has been negative in 2002-03 and 2004-05 but turned positive thereafter and continued till 2007-08. Viewed along with ratio of fiscal deficit to GSDP which also indicated a fluctuating trend during the period 2002-08, indicates oscillating debt-GSDP ratios during the period. These trends indicate that the State needs to improve the fiscal imbalances for improving the debt sustainability position in medium to long run.

1.8.2 Sufficiency of Non-debt Receipts

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. The persistent negative resource gap indicates the non-sustainability of debt while

18 Quantum Spread: Interest Spread x Opening Fiscal Liabilities ÷ 100.

the continued positive resource gap strengthens the capacity of the State to sustain the debt. **Table 1.31** indicates the resource gap as defined for the period 2002-08:

Table 1.31 : Incremental Revenue Receipts and Revenue Expenditure

(Rupees in crore)

Period	Incremental				Resource Gap
	Non-Debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
2002-03	165	84	22	106	+ 59
2003-04	113	134	19	153	- 40
2004-05	148	252	7	259	- 111
2005-06	201	52	14	66	+ 135
2006-07	393	277	12	289	+ 104
2007-08	299	453	- 14	439	- 140

The trends in resource gap indicate the oscillation between positive and negative magnitudes, i.e., it remained positive during 2002-03 and 2005-07 but negative in 2003-05 and 2007-08 as incremental non-debt receipts in these three years were much below the incremental total expenditure. These oscillations in resource gaps corresponds exactly to the trends in fiscal deficit during the period 2002-08. The negative resource gap in the current year was mainly due to the steep increase in non-interest revenue expenditure (Rs. 360 crore) on the one hand and a sharp fall of Rs. 94 crore in incremental revenue receipts in 2007-08 relative to the previous year. Contrary to the proposal of raising additional resources by the Government in its Fiscal Policy Strategy Statement, the growth rate of the State's own resources (tax and non-tax revenue) decreased to 5.93 *per cent* in 2007-08 from 22.56 *per cent* in 2006-07. This requires closer attention to check the resource gap.

1.8.3 Net Availability of Borrowed Funds

Debt sustainability of the State also depends on (i) the ratio of the debt redemption (Principal + Interest Payment) to total debt receipts and (ii) application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds. The solution to the Government debt problem lies in application of borrowed funds, i.e., they are (a) not being used for financing revenue expenditure and (b) being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in Government revenue.

Table 1.32 gives the position of receipt and repayment of internal debt and other fiscal liabilities of the State as well as the net availability of the borrowed funds over the last six years.

Table 1.32: Net Availability of Borrowed Funds

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Internal Debt[19]						
Receipts	401	287	188	340	243	244
Repayment (Principal + Interest)	343	183	194	258	188	225
Net Fund Available	58	104	- 6	82	55	19
Net Fund Available (*per cent*)	14.46	36.24	...	24.12	22.63	7.79
Loans and Advances from GOI						
Receipts	138	83	112	3	3	3
Repayment (Principal + Interest)	156	170	157	63	73	28
Net Fund Available	-18	- 87	- 45	- 60	- 70	- 25
Net Fund Available (*per cent*)	...	...	...	...	...	...
Other obligations[20]						
Receipts	329	255	281	410	413	611
Repayment (Principal + Interest)	228	318	186	228	406	415
Net Fund Available	101	- 63	95	182	7	196
Net Fund Available (*per cent*)	30.70	...	33.81	44.39	1.69	32.08
Total Liabilities						
Receipts	868	625	581	753	659	858
Repayment (Principal + Interest)	727	671	537	549	667	668
Net Fund Available	141	- 46	44	204	- 8	190
Net Fund Available (*per cent*)	16.24	...	7.57	27.09	...	22.14

The debt redemption ratio has fluctuated widely during the period 2002-08 which remained more than unity in 2003-04 and 2006-07 while it varied between 72 and 92 *per cent* in remaining years. It was observed that debt repayments were more than the debt receipts only in those years when receipts in public account either declined or remained stable and as and when receipts indicated sharp increases in public account, this ratio turned out to be positive. During the current year, the Government repaid Rs. 668 crore as principal and interest on internal debt (Rs. 225 crore), loans and advances from the GOI (Rs. 28 crore) and other obligations (Rs. 415 crore), as a result of which the borrowed funds of Rs. 190 crore were available for development purposes. Under loans and advances from GOI, the net funds available continued to be negative during the entire period of six years. Nearly 12 *per cent* (Rs. 25 crore) of the net funds available from internal debt (Rs. 19 crore) and other obligations (Rs. 196 crore) was used to meet the repayment obligation of the loans and advances from the GOI.

1.9 Management of Deficits

1.9.1 Trends in Deficits

Deficit in Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. The trends in fiscal parameters depicting the position of fiscal equilibrium in the State are presented in **Table 1.33.**

[19] Includes Ways and Means Advances and Overdrafts.

[20] Small Savings, Provident Funds, *etc.*, Deposits and other non-interest bearing obligations.

Table 1.33 : Fiscal Imbalances – Basic Parameters

Parameters	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Surplus (RS) (+)/ Revenue Deficit (RD) (-) (Rupees in crore)	+ 84	+ 85	- 50	+ 73	+ 235	+ 188
Fiscal Deficit (FD) (-) (Rupees in crore)	- 162	- 202	- 313	- 178	- 74	- 214
Primary Deficit (PD) (-)/ Surplus (+) (Rupees in crore)	- 11	- 32	- 136	+ 13	+ 129	- 25
RD (-) RS(+)/GSDP (*per cent*)	+ 1.76	+ 1.61	- 0.86	+ 1.16	+ 3.38	+ 2.47
FD/GSDP (*per cent*)	- 3.40	- 3.83	- 5.39	- 2.82	- 1.06	- 2.81
PD (-) PS (+)/GSDP (*per cent*)	- 0.23	- 0.61	- 2.34	+ 0.21	+ 1.85	- 0.33
RD/FD (*per cent*)	Revenue Surplus		15.97	Revenue Surplus		

Chart 1.3

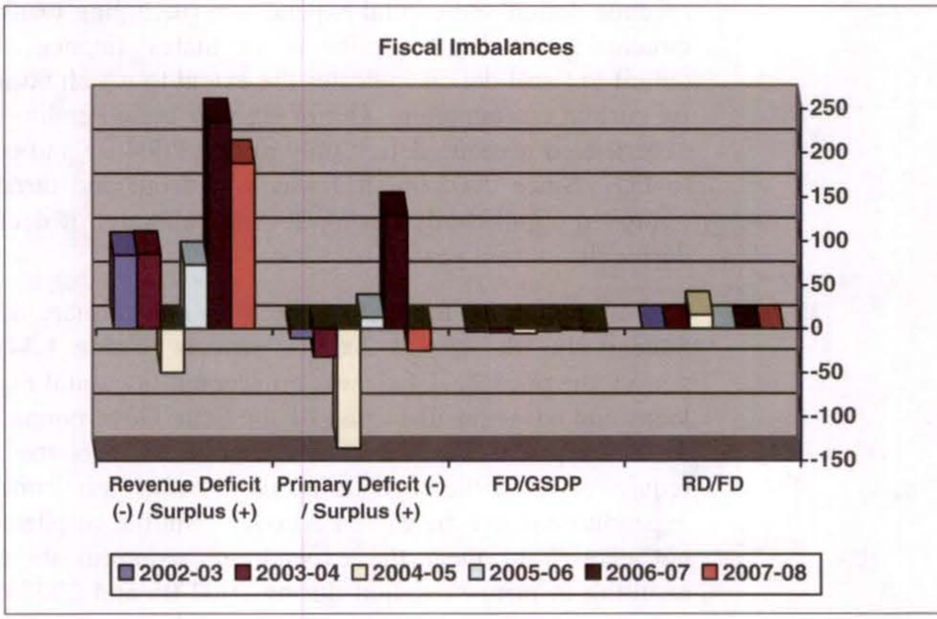


Table 1.33 reveals that the revenue account experienced a situation of substantial deficit of Rs. 50 crore during 2004-05 despite surplus during the preceding two years. Since 2005-06, the revenue account turned into surplus which has steeply increased to Rs. 235 crore during 2006-07 but declined to Rs. 188 crore during 2007-08. The significant deterioration during the current year was mainly on account of increase in revenue expenditure by Rs. 346 crore (18.14 *per cent*) against an increase of Rs. 299 crore (13.96 *per cent*) in revenue receipts over the previous year. Despite the fact that central transfers contributed around 90 *per cent* (Rs. 270 crore) in the incremental revenue receipts (Rs. 299 crore) during 2007-08, the lower growth rate in revenue receipts was primarily on account of sluggish growth rate of 5.93 *per cent* (Rs. 29 crore) in the State's own resources as compared to 22.56 *per cent* (Rs. 90 crore) in the previous year resulting in decline in revenue surplus in the current year.

The fiscal deficit, which represents the total borrowings of the Government and its total resource gap also increased from the lowest level of Rs. 74 crore in 2006-07 during the period 2002-08 to Rs. 214 crore in 2007-08. The decrease in revenue surplus (Rs. 47 crore) along with an increase of Rs. 93 crore on account of increase in capital expenditure (Rs. 72 crore) as well as in loans and advances disbursed (Rs. 21 crore) during 2007-08 led to an increase of Rs. 140 crore in fiscal deficit during the current year.

The primary surplus which continued during 2005-07 and reached the level of Rs. 129 crore during 2006-07, also took a turnaround and resulted in a primary deficit[21] of Rs. 25 crore during 2007-08. A sharp increase of Rs. 140 crore in fiscal deficit together with a moderate decrease of Rs. 14 crore in interest payments resulted in a primary deficit of Rs. 214 crore during the current year.

1.9.2 Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of Primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Out of six year period ending March 2008, the State experienced revenue deficit only during 2004-05 and consequent ratio of RD to FD. Since 2005-06, RD was wiped out and turned into surplus which improved significantly during 2006-07 although it declined to Rs. 188 crore during the current year.

The bifurcation of the factors resulting into primary deficit or surplus of the State during the period 2002-08 reveals (**Table 1.34**) that throughout this period, the primary deficit was on account of capital expenditure incurred and loans and advances disbursed by the State Government. In other words, non-debt receipts of the State were enough to meet the primary expenditure[22] requirements in the revenue account, rather left some receipts to meet the expenditure under the capital account. But the surplus non-debt receipts were not enough to meet the expenditure requirements under capital account resulting in primary deficit during 2002-05 and 2007-08. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure which to some extent may be desirable to improve the productive capacity of the State's economy.

Table 1.34 : Primary Deficit/Surplus – Bifurcation of Factors

(Rupees in crore)

Year	Non-Debt Receipt (NDR)	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	NDR *vis-à-vis* Primary Revenue Expenditure	Primary Deficit (-)/ Surplus (+)
1	2	3	4	5	6 (3 + 4 + 5)	7 (2 – 3)	8 (2 -6)
2002-03	1,304	1,054	186	75	1,315	250	- 11
2003-04	1,417	1,144	235	70	1,449	273	- 32
2004-05	1,565	1,419	246	36	1,701	146	- 136
2005-06	1,766	1,483	259	11	1,753	283	+ 13
2006-07	2,159	1,704	320	6	2,030	455	+ 129
2007-08	2,458	2,064	392	27	2,483	394	- 25

21 Primary deficit, defined as the fiscal deficit net of interest payments indicates the extent of deficit which is an outcome of the fiscal transactions of the States during the course of the year.

22 Primary expenditure of the State, defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year.

1.10 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. **Table 1.35** below presents a summarised position of Government finances over 2002-08, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their applications, highlights areas of concern and captures its important facts.

Table 1.35 : Indicators of Fiscal Health (in *per cent*)

Fiscal Indicators	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
I. Resource Mobilisation						
Revenue Receipts (RR)/GSDP	27.06	26.50	26.63	27.65	30.78	32.10
Revenue Buoyancy Ratio	2.32	0.79	1.06	1.47	2.23	1.50
Own tax/GSDP	3.04	3.37	3.58	4.00	4.38	4.19
Own Taxes Buoyancy Ratio	1.04	2.10	1.70	2.44	2.03	0.49
II. Expenditure Management						
Total Expenditure (TE)/GSDP	30.78	30.66	32.35	30.76	32.09	35.13
RR/TE	87.93	86.41	82.32	89.87	95.92	91.35
Revenue Expenditure (RE)/TE	82.20	81.16	84.98	86.11	85.40	84.32
Plan Expenditure[23]/Total Expenditure	30.15	33.66	38.18	38.53	39.36	41.50
Capital Expenditure/Total Expenditure[24]	13.37	15.17	13.36	13.40	14.37	14.82
Development Expenditure/Total Expenditure	61.39	61.64	66.40	66.72	67.53	68.82
Buoyancy of TE with RR	0.53	1.22	1.52	0.27	0.66	1.41
Buoyancy of RE with RR	0.28	1.06	2.04	0.38	0.62	1.30
III. Management of Fiscal Imbalances						
Revenue Deficit (-)/Surplus (+) (Rupees in crore)	+ 84	+85	- 50	+ 73	+ 235	+ 188
Fiscal Deficit (-) (Rupees in crore)	- 162	- 202	- 313	- 178	- 74	- 214
Primary Deficit (-)/ Surplus (+) (Rupees in crore)	- 11	- 32	- 136	+ 13	+ 129	- 25
Revenue Deficit/Fiscal Deficit	Revenue Surplus		15.97	Revenue Surplus		
IV. Management of Fiscal Liabilities						
Fiscal Liabilities (FL)/GSDP	38.36	36.97	37.43	40.61	39.69	41.30
FL/RR	141.74	139.53	140.56	146.88	128.94	128.68
Buoyancy of FL with RR (ratio)	1.29	0.80	1.08	1.39	0.34	0.98
Buoyancy of FL with Own Receipt (ratio)	5.47	0.24	1.02	1.06	0.34	2.31
Interest Spread	- 2.62	1.85	1.36	0.79	2.51	2.88
Net Funds Available	16.24	...	7.57	27.09	...	22.14
V. Other Fiscal Health Indicators						
Return on Investment	0.00	0.11	0.11	0.01	0.01	0.01
BCR (Rupees in crore)	- 123	- 137	- 142	- 19	77	23
Financial Assets/Liabilities (ratio)	1.55	1.55	1.47	1.43	1.48	1.48

[23] Excluding disbursement of Loans.
[24] Total expenditure excludes Loans and Advances.

The trends in ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy and accessibility of resources to the State. Revenue receipts are comprised not only of the tax and non-tax resources of the State but also the transfers from Union Government. The ratio of revenue receipts to GSDP during the current year was 32.1 *per cent,* an increase of 1.32 percentage points over the previous year. Though the ratio of own taxes to GSDP showed continued improvement during 2002-07, it declined to 4.19 *per cent* during 2007-08. The ratio at 4.19 *per cent* in 2007-08 is not only far below the national average, but was even below the budget estimate of 4.36 *per cent* for the year, indicating that tax efforts need to be stepped up in the State.

Various ratios concerning expenditure indicate the quality of expenditure and its sustainability in relation to resources. The revenue expenditure as a percentage to total expenditure remained over 81 *per cent* during 2002-08, indicating its dominant share in the total expenditure of the State leaving very little for capital formation or asset creation. The higher buoyancy ratio of total expenditure as compared to that of revenue expenditure with respect to revenue receipts during 2007-08 indicates the propensity of the State Government to create assets by resorting to capital expenditure. Increasing reliance on revenue receipts to finance the total expenditure, which amounted to 91 *per cent* during 2007-08, indicates decreasing dependence on borrowed funds. This is also reflected by the decreasing ratio of financial liabilities to revenue receipts. Increasing proportion of plan expenditure and capital expenditure in the total expenditure also indicates an improvement in both developmental and quality of expenditure.

A decline in revenue surplus, significant increase in fiscal deficit and steep decline in BCR during 2007-08 indicates deterioration in fiscal position of the State relative to the previous year. However, the continued emergence of revenue surplus and containing fiscal deficit within the ceiling of 3 *per cent* and maintaining positive BCR are favourable trends, which need to be sustained to maintain the robust fiscal health of the State in medium to long term.

1.11 Conclusion

The fiscal position of the State viewed in terms of key fiscal parameters–revenue surplus, fiscal deficit and primary deficit–has shown deterioration in 2007-08 relative to the previous year. Not only did the revenue surplus decline by Rs. 47 crore in 2007-08 but fiscal deficit has increased by about three times and primary surplus turned into deficit compared to the previous year. Moreover, the fiscal performance of the State *vis-à-vis* targets set in FCP as well as MFRBM Act and Budget indicate a dismal picture during the year. Despite the fact that central transfers increased by Rs. 270 crore in 2007-08 and contributed around 90 *per cent* of the incremental revenue receipts during the year, the lower growth rate in revenue receipts in 2007-08 was primarily on account of sluggish growth rate of 5.93 *per cent* (Rs.29 crore) in the State's own resources as compared to 22.56 *per cent* (Rs. 90 crore) in the previous year resulting in decline in revenue surplus in the current year. The expenditure pattern of the State reveals that the revenue expenditure as a percentage of total expenditure, although marginally declined during the current year, hovered around 84 *per cent* during the period (2002-08) leaving inadequate resources for expansion of services and creation of assets. Within the revenue expenditure, NPRE at Rs. 1,532 crore in 2007-08 constituted 68 *per cent* and remained significantly higher than the normatively assessed level of Rs. 1,350 crore by TFC for the year. Further, the salaries and wages, pensions, interest payments and subsidies continued to consume a major share of NPRE which was over 70 *per cent* during 2007-08. The prevalence of fiscal deficit indicates continued reliance of the State on borrowed funds, resulting in increasing fiscal liabilities of the State over this period, which stood at 41.3 *per cent* of the GSDP in 2007-08 and would further increase to 51 *per cent* after incorporating the contingent liabilities in the fold of total liabilities on Consolidated Fund of the State during the year and appears to be quite high especially if compared with the limit of 28 *per cent* prescribed in the MFRBM Act, 2006. The increasing fiscal liabilities accompanied by a negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable fiscal situation in medium to long term, unless suitable measures are initiated to compress the non-plan revenue expenditure and to mobilize additional resources both through the tax and non tax sources in the ensuing years.

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CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATION

CHAPTER II : ALLOCATIVE PRIORITIES AND APPROPRIATION

Introduction

The Appropriation Accounts prepared annually, indicate capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

Appropriation Accounts at a Glance – 2007-08

The summarised position of original and supplementary Grants/Appropriations and expenditure thereagainst is given below:

Total Number of Grants/ Appropriations : 63 (58 Grants; 5 Appropriations)

Total Provision and Actual Expenditure

Table 2.1

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	3487.81		2783.95
Supplementary	139.12		
Total Gross provision	**3626.93**	**Total Gross expenditure**	**2783.95**
Deduct – Estimated recoveries in reduction of expenditure	2.16	Deduct – Actual recoveries in reduction of expenditure	12.82
Total Net Provision	**3624.77**	**Total Net Expenditure**	**2771.13**

Voted and Charged Provision and Expenditure

Table 2.2

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	2597.92	244.19	2060.54	205.94
Capital[1]	639.31	145.51	418.39	99.08
Total: Gross	**3237.23**	**389.70**	**2478.93**	**305.02**
Deduct – Recoveries in reduction of expenditure	2.16	…	12.82	…
Total : Net	**3235.07**	**389.70**	**2466.11**	**305.02**

[1] Includes Loans and Advances and Public Debt.

2.1 Summary of Appropriation Accounts

The summarised position of actual expenditure, excess and savings during 2007-08 against the Grants/Appropriations was as under:

Table 2.3

(Rupees in crore)

	Nature of expenditure	Original Grant/ Appro-priation	Supplemen-tary Grant/ Appropria-tion	Total	Actual expen-diture	Saving (-) Excess (+)
Voted	I. Revenue	2489.58	108.34	2597.92	2060.54	(-) 537.38
	II. Capital	577.85	25.80	603.65	391.66	(-) 211.99
	III. Loans and Advances	32.36	3.30	35.66	26.73	(-) 8.93
Total Voted		3099.79	137.44	3237.23	2478.93	(-) 758.30
Charged	IV. Revenue	242.51	1.68	244.19	205.94	(-) 38.25
	V. Capital	...	...	...	...	...
	VI. Public Debt	145.51	...	145.51	99.08	(-) 46.43
Total Charged		388.02	1.68	389.70	305.02	(-) 84.68
Appropriation to Contingency Fund (if any)		...	...	...	...	...
Grand Total		3487.81	139.12	3626.93	2783.95	(-) 842.98

2.2 Excess over provision relating to previous years requiring regularisation

According to Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a Grant/Appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs. 745.51 crore for the years 1971-72 to 2006-07 is yet to be regularised. The details are in **Appendix 2.1**.

2.3 Results of Appropriation Audit

2.3.1 The overall saving of Rs. 842.98 crore was the result of saving of Rs. 915.77 crore in 54 Grants and 10 cases of Appropriations, offset by an excess of Rs. 72.79 crore in eight Grants and one case of Appropriation.

2.3.2 Supplementary provision made during the year constituted 3.99 *per cent* of the original provision as against 5.72 *per cent* in the previous year.

2.4 Fulfilment of Allocative Priorities

2.4.1 *Appropriation by Allocative Priorities*

Out of the overall savings of Rs. 842.98 crore, major savings of Rs. 692.49 crore (82 *per cent*) occurred in 10 cases of Grants and two Appropriations, as mentioned below:

Table 2.4

(Rupees in crore)

Sl. No.	Number and name of Grant/Appropriation	Grant			Actual expenditure	Savings
		Original	Supplementary	Total		
1.	11–Other Taxes and Duties on Commodities, *etc.* (Revenue – Voted)	214.05	22.00	236.05	139.72	96.33
2.	21–Miscellaneous General Services, *etc.* (Revenue – Voted)	508.14	1.86	510.00	423.17	86.83
3.	27–Water Supply and Sanitation, Housing, *etc.* (Capital – Voted)	150.15	...	150.15	108.48	41.67
4.	34–Welfare of Scheduled Castes/ Scheduled Tribes, *etc.* (Revenue – Voted)	139.74	...	139.74	56.84	82.90
5.	38–Secretariat Economic Services (Revenue – Voted)	44.94	...	44.94	16.47	28.47
6.	40–North Eastern Areas, *etc.* (Revenue –Voted)	65.21	0.05	65.26	22.26	43.00
7.	43–Housing, Crop Husbandry, Food Storage, *etc.* (Revenue – Voted)	132.59	1.40	133.99	85.12	48.87
8.	51–Housing, Crop Husbandry, *etc.* (Revenue – Voted)	148.31	...	148.31	118.49	29.82
9.	56–Roads and Bridges, *etc.* (Capital – Voted)	243.74	...	243.74	113.99	129.75
10.	57–Tourism, Capital Outlay on Public Works, *etc.* (Revenue – Voted)	30.88	...	30.88	3.86	27.02
11.	Appropriation–Interest Payment (Revenue – Charged)	225.23	...	225.23	188.99	36.24
12.	Appropriation–Internal Debt of the State Government (Capital – Charged)	123.33	...	123.33	81.74	41.59
	Total					**692.49**

Areas in which major savings occurred in these 12 cases of Grants/Appropriations are given in **Appendix 2.2.**

2.4.2 *Unnecessary/Excessive/Insufficient Supplementary Provision*

2.4.2.1 Supplementary provision of Rs. 44.07 crore made in 17 Grants during the year proved unnecessary in view of the aggregate saving of Rs. 328.95 crore as detailed in **Appendix 2.3.**

2.4.2.2 In six Grants, against the additional requirement of Rs. 74.86 crore, supplementary grants of Rs. 79.01 crore were obtained, resulting in saving in each case exceeding Rs. 10 lakh, aggregating Rs. 4.16 crore. Details of these cases are given in **Appendix 2.4.**

2.4.2.3 In three Grants, supplementary provision of Rs. 10.89 crore proved insufficient leaving an uncovered excess expenditure of Rs. 8.03 crore as per details given in **Appendix 2.5.**

2.4.2.4 In 39 cases involving 29 Grants and three Appropriations, expenditure fell short by more than Rs. 1 crore in each case and also by more than 10 *per cent* of the total provision as indicated in **Appendix 2.6.**

2.4.3 Persistent savings

In 17 cases (15 Grants), there were persistent savings in excess of Rs. 10 lakh in each case and 20 *per cent* or more of the provision. Details are given in **Appendix 2.7.**

2.4.4 Excess requiring regularisation

The excess of Rs. 72.79 crore under eight Grants and one Appropriation requires regularisation under Article 205 of the Constitution. Details of these are given in **Appendix 2.8.**

2.4.5 Excessive/unnecessary/injudicious re-appropriation of funds

Re-appropriation is transfer of funds within a Grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. Cases where excessive/unnecessary/ injudicious re-appropriation of funds resulted in excess/savings by over Rs. 10 lakh are given in **Appendix 2.9.**

2.4.6 Expenditure without provision

As envisaged in the budget manual, expenditure should not be incurred on a scheme/service without provision of funds. It was noticed that expenditure of Rs. 143.56 crore was incurred in 28 cases under nine Grants and two Appropriations (expenditure exceeding Rs. 10 lakh in each case), as detailed in **Appendix 2.10** without provision having been made in the original estimates/supplementary demands and without any re-appropriation orders.

2.4.7 Anticipated savings not surrendered

According to the rules framed by the Government, the spending departments are required to surrender funds to the Finance Department as and when savings are anticipated. At the close of the year 2007-08, there were 50 Grants/Appropriations (61 cases) in which large savings had not been surrendered by the departments. The amount involved was Rs. 489.71 crore. The amount of available savings of Rs. one crore and above in each case not surrendered, aggregated Rs. 480.97 crore in 27 cases. Details are given in **Appendix 2.11.**

2.4.8 *Non-receipt of explanations for savings/excesses*

For the year 2007-08, explanations for final savings/excesses were not received in respect of 105 major heads of account out of 107.

2.4.9 *Unreconciled expenditure*

Financial Rules require that the Departmental Controlling Officers should reconcile periodically the departmental figures of expenditure with those booked by the Accountant General. 53 heads of account (23 Controlling Officers) involving Rs. 860.92 crore pertaining to 2007-08 remained un-reconciled.

2.4.10 *Rush of expenditure*

Financial rules require that Government expenditure be evenly phased out throughout the year as far as possible. Rush of expenditure at the close of the year can lead to infructuous, nugatory or ill-planned expenditure. The expenditure during the fourth quarter and in the month of March compared to the total expenditure during 2007-08 ranged between 24 and 72 *per cent* and 11 and 62 *per cent* respectively in respect of 10 illustrative major heads of account as indicated in **Appendix 2.12**.

2.5 Control over Expenditure

According to the Meghalaya Treasury Rules, 1985, the Controlling Officers are to submit Detailed Countersigned Contingent (DCC) bills against the drawal of Abstract Contingent (AC) bills to the Accountant General (AG) within a month from the date of receipt of such bills in his office.

It was noticed that DCC bills for Rs. 14.56 crore against 80 AC bills drawn between November 1992 and March 2008 by 39 Drawing and Disbursing Officers were not submitted to the AG (June 2008). The details are given in **Appendix 2.13.**

Withdrawal of money on AC bills is exhibited in the accounts as expenditure for the purpose for which the funds were provided by the Legislature. Due to non-submission of DCC bills, the actual expenditure against the amount withdrawn on AC bills and the purpose for which the amounts were appropriated remained unassessed. The large scale non-adjustment of withdrawals on AC bills indicated serious deficiency in control over expenditure and is fraught with the risk of misappropriation of Government money.

CHAPTER III

PERFORMANCE REVIEWS

CHAPTER III : PERFORMANCE REVIEWS

HEALTH AND FAMILY WELFARE DEPARTMENT

3.1 National Vector Borne Disease Control Programme

National Anti-Malaria Programme, renamed as National Vector Borne Disease Control Programme (NVBDCP) during 2003, was one of the stand alone disease control programmes brought under the National Rural Health Mission with effect from April 2005. A performance review of implementation of the programme revealed that while in one district, there was some improvement in both the Annual Parasite Incidence (API) and death cases due to malaria during 2007 compared to the previous year, there was an increase in the incidence of malaria cases and deaths due to malaria in the four other districts selected for detailed scrutiny.

Highlights

The API and death cases due to malaria increased by 86 *per cent* and 524 *per cent* respectively during 2007 over 2003, despite an expenditure of Rs. 23.70 crore during the period.

(Paragraph 3.1.10.1)

Collection of blood samples of 12.41 lakh people with the utilisation of 5,17,700 micro-slides and 39,200 pricking needles by using these more than once could adversely affect the health of the people.

(Paragraph 3.1.10.2)

Shortfall in coverage of targeted population under spraying operations led to increase in API and malarial deaths during 2003-07.

(Paragraph 3.1.10.3)

Quality of spraying operations remained questionable because of non-availability of vehicles required for the purpose.

(Paragraph 3.1.10.5)

In the absence of proper infrastructure in the Entomological Cell, entomological observations and other activities of the Cell largely remained dormant, leading to considerable increase in the incidence of malaria.

(Paragraph 3.1.10.7)

3.1.1 Introduction

The National Malaria Eradication Programme (NMEP) was introduced throughout the country in 1958 as a Centrally Sponsored Scheme to control and eradicate the incidence of malaria. The NMEP was renamed (1999) as the National Anti Malaria Programme (NAMP) and subsequently (2004) as the National Vector Borne Disease Control Programme (NVBDCP). All the vector borne diseases, *viz.*, Malaria, Filaria, Kala-azar, Japanese Encephalities and Dengue were brought under the ambit of this programme. When the National Rural Health Mission (NRHM) was launched in April 2005, the NVBDCP was also brought under it.

Malaria has been a major public health problem in India and Meghalaya is among the States, where the number of cases reported is very high, compared to the size of the population in the State. Therefore, in respect of Meghalaya, only the activities under "Malaria" were undertaken as part of implementation of NRHM, since there was no incidence of other vector borne diseases in the State as reported by the programme implementing authority concerned.

The objectives of the NVBDCP were to reduce (i) the incidence of malaria, (ii) malaria mortality rate by 50 *per cent* by 2010 and (iii) malaria morbidity to 30 *per cent* by 2010.

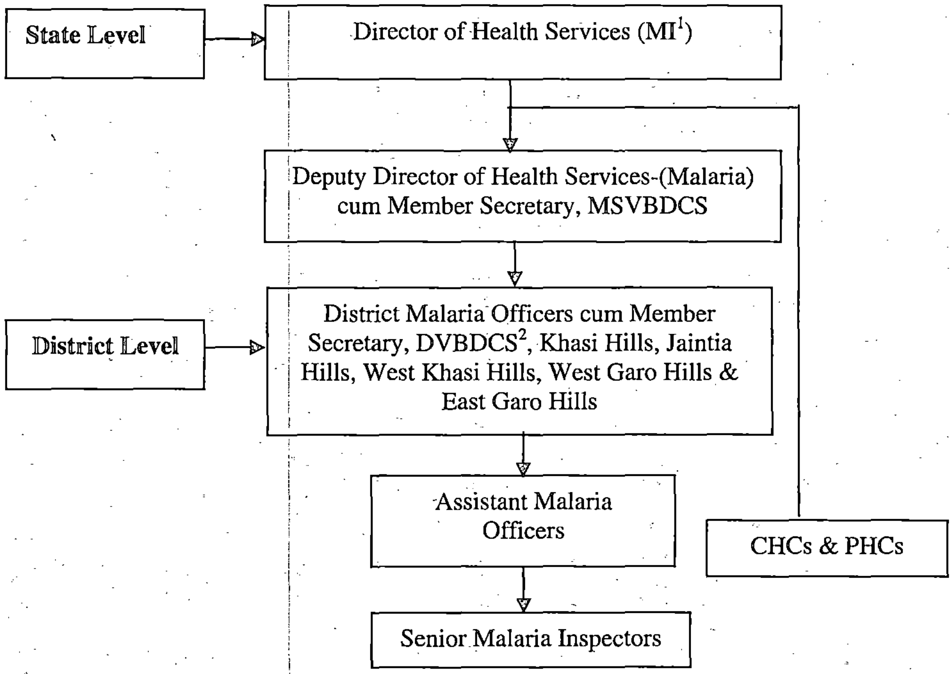
The guidelines of NRHM prescribed the following strategies to achieve the objectives of the programme:

- Increase Annual Blood Examination Rate to 10 *per cent* of the target population under surveillance;
- Indoor residual spray of insecticides;
- Free distribution of insecticides treated bed nets to below poverty line families; and,
- Establish Drug Distribution Centre/Fever Treatment Depot in each village in high-risk areas.

3.1.2 Organisational set up

The Principal Secretary/Commissioner and Secretary of Health & Family Welfare Department is responsible for overseeing the implementation of the programme. The State Malaria Control Society and Meghalaya State Vector Borne Diseases Control Society (MSVBDCS) were constituted in July 2002 and March 2005 respectively, by the State Government for prevention and control of malaria and other vector borne diseases in the State. The organisational structure for implementation of the programme in the State is detailed below:

Chart 3.1



3.1.3 Scope of Audit

Performance review of the NVBDCP covering the period 2003-08 was conducted (August - September 2008) through a test check of the records of the Director of Health Services (DHS)(MI), Deputy Director of Health Services (DDHS) (Malaria) cum Member Secretary, MSVBDCS, three out of five District Medical Officers (DMO)[3], nine out of 25 Community Health Centres (CHC) and 16 out of 101 Primary Health Centres (PHC) covering 68 *per cent* (Rs. 16.07 crore) of the total expenditure (Rs. 23.70 crore) incurred during the period.

3.1.4 Audit Objectives

The review was conducted with the objective of assessing whether:

- the objective of reducing the incidence of malaria was achieved;
- mortality rate due to malaria was reduced;
- adequate funds were provided by the Central/State Governments and funds were utilised for the intended purpose; and,
- implementation of the programme was effectively monitored and periodically evaluated.

[1] MI: Medical Institution. [2]DVBDCS: District Vector Borne Disease Control Society.
[3] Khasi Hills, Jaintia Hills & West Garo Hills.

3.1.5 Audit Criteria

Audit findings were benchmarked against the following criteria:

- Operational Manual for Malaria Action Programme (MAP)[4] and Guidelines of NRHM;
- Annual Work Plans;
- State Budget;
- Prescribed monitoring mechanism.

3.1.6 Audit Methodology

Before commencing the review, an entry conference was held (April 2008) with the Commissioner and Secretary of the Department, wherein the audit objectives, criteria and methodology were explained. Districts were selected on the basis of probability proportionate to size with replacement method. Utilisation of funds received from the GOI and the State Governments, adherence to scheme guidelines, implementation of various strategies, *etc.* were analysed to arrive at audit conclusions. Audit findings were discussed with the Deputy Director of Health Services (October 2008) in an exit conference and the replies of the Department have been incorporated in the report at appropriate places.

3.1.7 Audit Findings

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

3.1.8 Planning

NRHM emphasized the need for decentralised planning and implementation arrangements to ensure that need based and community owned district health action plans become the basis for intervention in the health sector. The districts were required to prepare perspective plans for the entire mission period (2005-12) as well as annual plans. The perspective plan was prepared by the State Mission Director of NRHM on the basis of information furnished by the district societies through the MSVBDCS.

Guidelines of NRHM envisaged achievement of targets of 50 *per cent* reduction of malaria mortality rate by 2010 and an additional 10 *per cent* by 2012. Further, the objectives of NVBDCP were to reduce the incidence of malaria and reduce mortality rate by 10 *per cent* during 2007-08. The DDHS (Malaria), however, stated (August 2008) that no intermediate target was fixed in respect of the activities under the programme. Due to non-fixation of targets with proper status indicators/baseline, achievement of the programme objectives remained unascertained.

[4] The Operational Manual for Malaria Action Programme was prepared (March 1995) by the Union Ministry of Health & Family Welfare for use as broad guidelines by different tiers of workers involved in malaria control programme.

3.1.9 *Financial Management*

3.1.9.1 Funding Pattern

The expenditure on National Malaria Eradication Programme (NMEP) was borne by the Central and the State Governments on a 50:50 basis till November 1994. The total expenditure both on operations and cost of material and equipment is being met entirely by the GOI with effect from December 1994 and emoluments of multipurpose workers and existing sanctioned Plan/Non-Plan staff is being met entirely by the State. The same financial management procedure had been followed after introduction of NVBDCP (2004) and NRHM (2005). Assistance in kind is also being provided by the GOI in the form of anti-malarial drugs, DDT, rapid diagnostic kits and bed nets.

3.1.9.2 Budget and Expenditure

Budget provision and actual expenditure incurred during 2003-08 on implementation of the programme were as under:

Table 3.1

(Rupees in crore)

Year	Allotment				Expenditure				Saving (-) Excess (+)
	Non-Plan	Plan	CSS[5]	Total	Non-Plan	Plan	CSS	Total	
2003-04	1.88	1.02	0.79	3.69	1.80	1.09	0.87	3.76	(+) 0.07
2004-05	1.83	1.11	0.40	3.34	1.73	1.01	0.49	3.23	(-) 0.11
2005-06	2.03	1.34	0.73	4.10	1.94	1.38	0.61	3.93	(-) 0.17
2006-07	2.48	1.82	0.12	4.42	2.16	2.00	1.04	5.20	(+) 0.78
2007-08	2.43	1.70	Nil	4.13	2.63	1.58	0.20	4.41	(+) 0.28
Total	**10.65**	**6.99**	**2.04**	**19.68**	**10.26**	**7.06**	**3.21**	**20.53**	

Source: Information furnished by the DHS.

In addition to the above, financial assistance is being provided by the GOI directly to the MSVBDCS since 2005-06 for implementation of the programme, as detailed below:

Table 3.2

(Rupees in lakh)

Year	Opening balance	Funds released by the GOI to MSVBDCS	Total	Funds utilised by MSVBDCS	Unutilised funds (*Per cent*)
2005-06	...	45.81	45.81	35.76	10.05 (22)
2006-07	10.05	132.53	142.58	136.10	6.48 (5)
2007-08	6.48	155.77	162.25	145.44	16.81 (10)
Total		**334.11**		**317.30**	

Source: Information furnished by the MSVBDCS.

3.1.9.3 Non-reconciliation of Expenditure

According to the Budget Manual, reconciliation of Controlling Officer's figures of expenditure with those booked in the accounts of the Accountant General (Accounts & Entitlements) (AG) should be done periodically.

[5] CSS: Centrally Sponsored Schemes.

There was wide variation between the DHS's figures and those reflected in the Appropriation Accounts prepared by the AG for the period 2003-08. While the Appropriation Accounts showed Rs. 25.58 crore expenditure during 2003-08 under the programme, Rs. 20.53 crore was reflected in the records of the DHS. The discrepancy of Rs. 5.05 crore was due to non-reconciliation of expenditure during 2003-08 by the DHS with the records of the AG.

3.1.9.4 Variation between budget allotment and actual expenditure

Table 3.1 above shows variation between the budget allotment and actual expenditure ranging from two *per cent* to 18 *per cent*, indicating poor budgeting and lack of internal control. During 2003-04, 2006-07 and 2007-08, expenditure exceeded the budget allotment by two *per cent,* 18 *per cent* and seven *per cent* respectively due to payment of wages and travelling expenses of DDT spray workers, which was stated to be met out of the allocation made under State fund.

3.1.9.5 Delay in release of Central funds

Under the NVBDCP, the GOI released Rs. 68.36 lakh and Rs. 68.39 lakh to the State in August/November 2005 and March 2006 respectively. Of this, the State Government released Rs. 68.39 lakh to the DHS (MI) during 2005-06. The balance amount of Rs. 68.36 lakh was released by the State Government to the DHS (MI) after a delay of two years in March 2008, who in turn released the amount to the DDHS (Malaria) in June 2008, thereby adversely affecting the implementation schedule of the programme.

3.1.9.6 Utilisation Certificates

Except for the year 2007-08, utilisation certificates against the funds received from the GOI by the Society have been furnished. Further, the separate accounts being maintained by the Society are got audited by the Chartered Accountants every year.

3.1.10 Programme Implementation

3.1.10.1 Increase in Malaria incidence

During 2003-08, the Department had spent Rs. 23.70 crore on the implementation of the programme (excluding value of material and equipment supplied by the GOI in kind). The incidence of malaria cases, however, remained high. Annual Parasite Incidence (API), i.e., number of positive cases detected per thousand population, which was 7.9 during 2003 reached a peak of 14.7 during 2007, an increase of 86 *per cent.* Also, the death cases due to malaria increased from 38 in 2003 to 237 in 2007, an increase of 524 *per cent*, thereby frustrating the objective of reducing the mortality rate by 10 *per cent* during 2007-08. The position of death cases in the State as well as in the three test-checked districts is given below:

Table 3.3: API and number of malarial deaths in the State

(in number)

Year	Positive cases	Plasmodium falciparum cases	API[6]	Death cases
2003	18,151	12,238	7.9	38
2004	18,082	15,576	7.8	29
2005	16,816	14,758	7.2	41
2006	29,924	25,907	12.9	167
2007	33,979	28,179	14.7	237

Source: *Information furnished by the DDHS (Malaria).*

Table 3.4: Position of API and number of deaths in three district Malarial Units covering five Revenue Districts

(in number)

Year	East Khasi Hills & Ri Bhoi			Jaintia Hills			West & South Garo Hills		
	Positive cases	API	Death cases	Positive cases	API	Death cases	Positive cases	API	Death cases
2003	Not available			3,154	9.86	2	9,907	14.60	27
2004	3,477	6.00	5	2,510	7.55	9	10,619	15.50	29
2005	3,727	5.57	16	2,477	7.11	35	9,641	14.00	23
2006	8,870	13.40	19	6,098	17.13	53	17,580	25.30	46
2007	5,547	23.03	42	4,235	11.53	10	23,774	32.60	114

Source: *Information furnished by the DMOs of the respective districts.*

While in Jaintia Hills District, there was some improvement in both API and death cases due to malaria during 2007 compared to the previous year, in East Khasi Hills and Ri-Bhoi Districts, the death cases increased by 121 *per cent* over the previous year. West and South Garo Hills Districts were mainly responsible for increase in the death cases in the State where the positive and death cases increased by 140 *per cent* and 322 *per cent* respectively, over the five-year period ending 2007. The increase was attributed by the DDHS (Malaria) to delay in detection and treatment of malaria cases through surveillance activities, which were not up to the mark, inadequate chemotherapeutic measures and non-provision or delayed provision of radical treatment[7] to falciparum cases.

Thus, despite an expenditure of Rs. 23.70 crore during 2003-08, the NVBDCP almost remained a non-starter and the entire expenditure remained largely unfruitful.

The DDHS (Malaria) stated (August 2008) that action had been taken to reduce the incidence of malaria through the use of RD kits, DDT spraying, intensifying IEC programme and involvement of NGOs. However, the fact remains that the action taken to reduce the incidence of malaria is yet to yield the desired results.

3.1.10.2 Collection and examination of blood smears

Surveillance covers collection of blood smear and its examination to detect the malaria parasite. According to the prescribed norms, one surveillance worker was to be provided for 4,000 persons and for every four workers, there was to

[6] API has been calculated on the base population figure of 2003 which is 23,06,069 as furnished by the DDHS (Malaria).

[7] Radical treatment ensures a complete cure from malaria in the positive case and makes the patient non-infective to mosquitoes.

be one Surveillance Inspector to supervise the surveillance activities. Against a minimum of 577 surveillance workers required for collection of blood smear of 23.06 lakh population of the State during the calendar years 2003 to 2007, only 184 workers were in position.

According to the information furnished by the Deputy DHS, Malaria, during the years 2003 to 2007, blood collection and examination were done in respect of 12.41 lakh persons by utilising 5,17,700 micro-slides and 39,200 pricking needles. As per the MAP, one piece of micro-slide is required for collection of blood from one person. Therefore, the claim of the Deputy DHS is questionable.

The DDHS (Malaria) stated (October 2008) that micro-slides can be used for three or more times and the health workers are still using hagedorn needles after sterilization. The use of a micro-slide more than once is contrary to the MAP and as per the Operational Guidelines for Laboratory Technicians published by the Directorate of NVBDCP, auto disposable pricking needles are best suited for collection of blood smear and under the programme, sterile lancets are being supplied for malaria microscopy, which should be disposed/discarded after use.

Thus, lack of health education and awareness among the departmental officials could play havoc with the lives of people.

3.1.10.3 Shortfall in Indoor Residual Spray

Vector control for malaria and other vector borne diseases depend upon the use of Indoor Residual Spray (IRS), which is the easiest and most cost effective approach for breaking man vector contact. Under the modified plan of operation, spray operations are to be carried out in all areas with API2[8] and above with two rounds of insecticide (DDT 50% wettable powder) to prevent the transmission of parasites. The Environmental Management Plan also prescribed the requirement of two rounds of IRS with 75 tonnes of insecticide per million population per round. Spray operation in the State was conducted between March-May (first round) and August-October (second round) each year with a gap of around three months. The population targeted for spraying operations during the 2003-07 (calendar year) and coverage thereagainst is given below:

Table 3.5

(Population in lakh)

Year	Target		Coverage		Shortfall	
	First round	Second round	First round	Second round	First round	Second round
2003	13.87	13.28	9.37	8.72	4.50	4.56
2004	12.30	13.09	8.25	8.24	4.05	4.85
2005	13.84	6.13	9.46	3.89	4.38	2.24
2006	13.14	11.86	8.58	8.24	4.56	3.62
2007	12.89	12.89	7.53	9.08	5.36	3.81
Average per year	13.21	11.45	8.64	7.63	4.57	3.82

Source: Information furnished by the DDHS (Malaria).

8 Number of two positive cases detected in an area per thousand population per year.

As can be seen from the above, during the period 2003-07, the annual average population targeted to be covered under spraying operations was 13.21 lakh. However, the target for the second round was reduced to 11.45 lakh leaving 1.76 lakh beyond the scope of spraying operations. Though the target was much below the total population of the State (23.06 lakh), this also could not be achieved because of shortfall in coverage of 4.57 lakh population per year in the first round of operations conducted during the period. The position of second round of spraying operations was also not encouraging, as the annual coverage (average) was only 7.63 lakh as against 8.64 lakh population covered in the first round.

Shortfall in coverage of 1.01 lakh population every year in the second round of spraying operations and 4.57 lakh targeted population under both rounds of operations, thus, indicates that the IRS was inadequate, which led to an increase in API and malarial deaths during 2003-07, thereby rendering the entire operation an exercise in futility. Besides, there is every possibility of malaria virus insects developing resistance and rendering the use of insecticide in the future useless.

3.1.10.4 Procurement of hand compression sprayers

Indoor Residual Spraying is an important component of integrated vector control strategy for control of vector borne diseases. Hand Compression Sprayers (HCS) were used by the spray workers in Meghalaya for spraying of DDT (50 % wp). As per NVBDCP guidelines, the discharge rate of HCS used in spraying should be between 750 and 850 ml per minute. The DDHS (Malaria) cum Member Secretary, MSVBDCS procured (August 2007) 150 Marut HCS from a Shillong based firm at a total cost of Rs. 7.57 lakh. The HCS were distributed to the District Malaria Units of the State. The District Malaria Officer (DMO), East Khasi Hills, however, had discarded these HCS on the ground that these did not have adequate discharge capacity (450 to 500 ml per minute) and that, with the use of these HCS, the spraying schedule would be disturbed and it would not be possible to cover the targeted population within the targeted period. The DMO, Jaintia Hills District stated (August 2008) that the shortfall in coverage in spraying operation with the HCS with inadequate discharge capacity was managed by spray workers working extra hours without additional wages.

The DDHS (Malaria) stated (October 2008) that the HCS were certified by the Entomologist and the Joint Director, NVBDCP and that no complaints were received from the districts other than East Khasi Hills. The reply is not acceptable because as per the tour report of the Consultant appointed by the MSVBDCS, the discharging capacity of the Marut HCS was 480-500 ml per minute compared to 750 ml per minute capacity of the old sprayer being used earlier and therefore, the Consultant commented that there would be optimal coverage with the older sprayer only.

Thus, procurement of HCS having less discharging capacity did not yield the desired result rendering the expenditure of Rs.7.57 lakh largely unproductive.

3.1.10.5 Inadequacy in checking of the quality of spray

The DMOs were responsible for achievement in coverage of spray operation in areas under their jurisdiction. They were to visit at least five to 10 villages every week to check the quality of spray. As per the norms, each district malarial unit was to be equipped with four vehicles and there were to be two van cleaners for each district malarial unit. In three test-checked districts (East Khasi Hills, Jaintia Hills and West Garo Hills), there were five vehicles on the road during 2003-08 against the requirement of 12. Availability of fewer vehicles than the requirement, thus, left the DMOs of these districts with little scope to check the quality of spray operations in the villages under their jurisdiction. In the absence of proper check by the DMOs, inadequacy in the quality of spray could not be ruled out.

3.1.10.6 Malaria unit and mobile malaria unit

As per the MAP, Meghalaya was considered a high risk area. There were, however, only five[9] District Malarial Units in the seven districts of the State. The District Malaria Officers (DMO), East Khasi Hills and Garo Hills were looking after the activities of the other two districts (Ri-Bhoi and South Garo Hills) in addition to their own, thereby giving little scope to focus on the activities of the programme in these two districts.

Further, as per the norms, there should be one mobile malaria control unit in every district in high risk areas. These mobile units were to be equipped with the prescribed equipment and staff. The duty of the medical officer in-charge of these units was to monitor the incidence of malaria in different PHC areas of the district. No such unit had, however, been created in any of the five district malarial units of the State. Consequently, the prescribed level of monitoring of the incidence of malaria could not be ensured, thereby leaving scope for increase in the incidence of malaria.

During the exit conference, the DDHS (Malaria) did not specify the reason for the shortfall of malaria units and non-creation of mobile unit, but stated that the mobile units provided to the District Medical & Health Officers under NRHM would monitor the incidence of malaria also. The reply is indicative of the fact that there was no effective measure to monitor or control the incidence of malaria prior to the establishment of mobile units.

3.1.10.7 Vector Control Measures

According to the MAP, an Entomological Cell was to be established in the State to evaluate the susceptibility of vector to insecticides. The existing Entomological Cell was established in the State during 1985 for (a) entomological observation, (b) imparting training on entomological investigation to the medical officers, technicians/microscopists, spray workers, (c) carry out awareness programme and (d) supervision and monitoring of spray operation. This Cell had, however, not been functioning properly since

[9] Khasi Hills, Jaintia Hills, West Khasi Hills, West Garo Hills and East Garo Hills.

its inception, due to the non-availability of the requisite manpower such as microscopist, technicians, *etc.* In the absence of proper infrastructure, entomological observations and other activities of the Cell remained largely dormant.

Stressing the need for a well equipped entomological Cell, the DDHS (Malaria) stated (October 2008) that the Government had been requested for providing proper infrastructure to the Cell and that response was awaited.

3.1.11 Monitoring and Evaluation

As per the MAP, the medical officers of the Public Health Centres and District Malaria Officers should keep a watch on the malaria incidence in the community. Further, the NRHM envisaged an intensive accountability framework through a three pronged process of community based monitoring, external surveys and stringent internal monitoring.

According to the DDHS (Malaria), the programme was being monitored through the collection of various reports (surveillance, blood smear, incidence of malaria cases, *etc.*). He further, stated that community leaders were involved in creating awareness and that training was imparted to the medical officers, laboratory technicians, community volunteers and NGOs with the funds provided by the GOI under GFATM[10]. The veracity of the claim of the DDHS could not be ascertained in audit due to non-production of the relevant records. Absence of a well equipped entomological cell, mobile units and vehicles required to check the quality of spraying as mentioned in the foregoing paragraphs, however, indicated that the monitoring mechanism of the implementation of the programme in the State was ineffective. Evaluation of the programme was also not done to assess its impact on eradication of malaria and reduction of deaths due to malaria.

3.1.12 Conclusion

The overall impact of the programme was far from satisfactory because of the failure of the Department in reducing the mortality rate due to malaria. Despite expending a substantial amount, death cases due to malaria had increased over the five year period ending March 2008. Deficiency in collection and examination of blood smears and shortfall in spraying of DDT led to increase in the death cases. Sharp increase in malaria morbidity (86 *per cent*) and malaria mortality (524 *per cent*) during the current year compared to 2003 indicates that the possibility of achieving the objective of reducing the malaria morbidity and mortality by 30 *per cent* and 50 *per cent* by 2010 is remote.

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[10] The GOI signed a Grant Agreement with the Global Fund for AIDS, TB & Malaria (GFATM) in 2005.

3.1.13 Recommendations

On the basis of the shortcomings pointed out in the foregoing paragraphs, the following recommendations are made for streamlining the implementation of the scheme:

- **Timely release of funds should be ensured for effective implementation of the programme.**
- **Efforts should be made to reduce the mortality rate due to malaria by 50 *per cent* as envisaged under the programme.**
- **Requirement of insecticides, microslides and pricking needles should be properly assessed and procured on a timely basis to avoid resurgence of malaria.**
- **Proper infrastructure should be created for effective implementation of the programme.**
- **Monitoring mechanism needs to be strengthened and accountability should be fixed at various levels for effective implementation of the programme to serve the objective of controlling and eradicating of the incidence of malaria.**

Audit findings were reported to the Government in September 2008; reply had not been received (November 2008).

SOCIAL WELFARE DEPARTMENT

3.2 Integrated Child Development Services Scheme

Integrated Child Development Services (ICDS) scheme, launched in 1975-76 by the GOI aimed at improving the nutritional and health standard of children in the age group up to six years of age and enhancing the capability of mothers to look after the normal health and nutritional needs of their children. The State was able to achieve the envisaged objectives only to a limited extent. Performance review of the scheme revealed shortfall in implementing various components of the scheme. Though the quantity of the foodstuff provided was as per the norms, the nutritive value of the food was not ensured. Health check-up was not provided to the desired extent and inadequate infrastructure and lack of supervision further affected the working of anganwadis.

Highlights

The Department failed to provide supplementary nutrition to 40 to 83 thousand children of 0-6 years age during 2003-08.

(Paragraph 3.2.10.1)

In the ICDS Project, Rongram, poor quality of milk powder and ready to eat food was distributed to 4,081 children and 736 pregnant/lactating mothers, thereby adversely affecting their health.

(Paragraph 3.2.10.3)

There was a shortfall in administering different vaccines to the children and women.

(Paragraph 3.2.11)

The Nutrition Programme for Adolescent Girls was not implemented by the Department despite the release of Rs. 49.36 lakh by the GOI.

(Paragraph 3.2.14)

There was a shortfall in coverage of rural children and mothers by the anganwadi centres by 13 *per cent.*

(Paragraph 3.2.15.1)

Around 4.48 lakh rural populace of the State were deprived of the benefit of anganwadi centres due to non-construction of 1,492 centres.

(Paragraph 3.2.15.2)

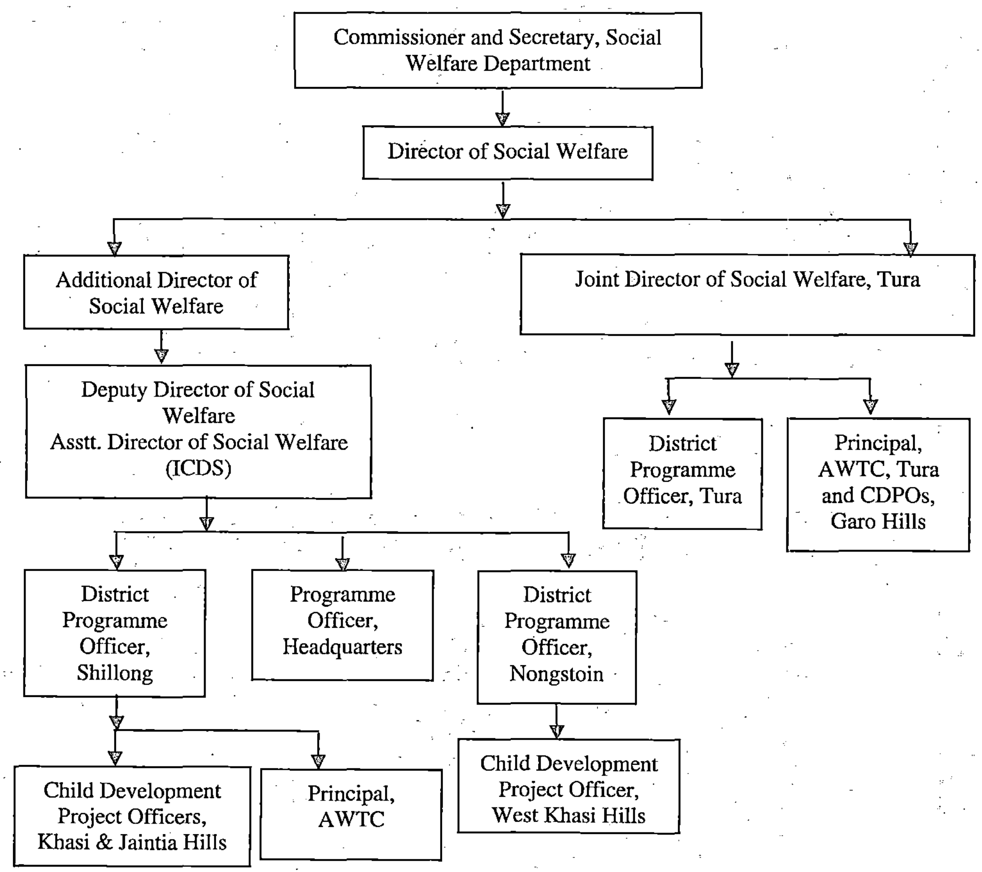
3.2.1 Introduction

Integrated Child Development Services (ICDS) Scheme, launched in 1975-76 by the GOI, aimed at improving the nutritional and health standard of children up to six years of age and enhancing the capability of mothers to look after the normal health and nutritional needs of their children. For this purpose, supplementary nutrition, immunization, health check-up, health education to women and non-formal pre-school education to children of 3-6 years of age were to be provided. The focal point for delivery of these services at the community level is the Anganwadi, to be set up in each village. In Meghalaya, the scheme was taken up for implementation in 1975-76.

3.2.2 Organisational Set Up

At the Government level, the Commissioner and Secretary of the Social Welfare Department is responsible for overseeing the implementation of the scheme. The organisational structure for implementation of the scheme is detailed below:

Chart 3.2



3.2.3 Scope of Audit

Performance review of the scheme covering the period 2003-08 was conducted (June-August 2008) through a test-check of the records of the Director of Social Welfare (Director), District Programme Officers (DPO), East Khasi Hills, Shillong and West Garo Hills, Tura, two Anganwadi Training Centres (AWTC), 14[1] out of 39 Child Development Project Officers (CDPO) in three districts (East Khasi Hills, Jaintia Hills and West Garo Hills) and 56 out of 3,195 Anganwadi Centres (AWCs) covering 50 *per cent* (Rs. 95.83 crore) of the total expenditure (Rs. 192.57 crore) during the period.

3.2.4 Audit Objectives

The main objectives of the performance review were to assess whether:

- The objectives envisaged under the scheme were achieved, i.e., whether the scheme has resulted in improvement in nutrition and health standard of children;
- adequate funds were provided by the Central/State Governments and funds were utilised for the intended purpose;
- various components of the scheme were implemented economically and effectively and as per the prescribed guidelines; and,
- implementation of the scheme was effectively monitored and periodically evaluated.

3.2.5 Audit Criteria

Audit findings were benchmarked against the following criteria:

- Scheme guidelines issued by the GOI;
- Sanction orders of the GOI;
- Norms prescribed for identification of beneficiaries;
- Procurement procedure prescribed;
- Quality assurance norms of food; and,
- Monitoring mechanism prescribed.

3.2.6 Audit Methodology

For conducting the performance review, an entry conference was held (June 2008) with the Commissioner and Secretary of the Department, wherein the audit objectives, criteria and methodology were explained. Districts and ICDS Projects were selected on the basis of probability proportionate to size with replacement method and AWCs were selected by simple random sampling without replacement method. Audit findings were discussed with the

[1] Mylliem, Mawsynram, Mawryngkneng, Pynursla, Shella-Bholaganj, Laitkroh, Thadlaskein, Khliehriat, Selsella, Betasing, Zikzak, Tikrikilla, Gambegre and Dalu

Commissioner and Secretary of the Department (September 2008) in an exit conference and the replies of the Government have been incorporated in the report at appropriate places.

3.2.7 *Audit Findings*

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

3.2.8 *Financial Management*

3.2.8.1 Funding Pattern

The GOI provided 100 *per cent* funds for implementation of the scheme except for the cost of supplementary nutrition, which was to be met by the State up to 2004-05. With effect from 2005-06, the GOI extended assistance for this component also at the rate of half of the financial norms laid down for various categories of beneficiaries or 50 *per cent* of the actual expenditure on supplementary nutrition, whichever was less.

3.2.8.2 Receipts and Expenditure

Funds released by the Central and the State Governments during 2003-08 for implementation of the scheme and expenditure incurred thereagainst, were as under:

Table 3.6

(Rupees in crore)

Year	Revenue/ Capital	Opening balance	Grants-in-aid received from		Total fund available	Expenditure	Unutilised funds Savings (-)/ Excess (+) (*Per cent*)
			GOI[2]	State[3]			
2003-04	Revenue	3.36	8.82	16.30	28.48	28.80	+ 0.32 (01)
	Capital[4]	6.81	-	-	6.81	4.37	- 2.44 (36)
2004-05	Revenue	-	9.80	22.97	32.77	33.22	+ 0.45 (01)
	Capital	2.44	4.87	-	7.31	2.44	- 4.87 (67)
2005-06	Revenue	-	18.50	17.91	36.41	33.48	- 2.93 (8)
	Capital	4.87	8.17	-	13.04	8.00	- 5.04 (39)
2006-07	Revenue	2.93	23.60	15.71	42.24	34.82	- 7.42 (18)
	Capital	5.04	8.41	-	13.45	7.99	- 5.46 (41)
2007-08	Revenue	7.42	25.84	13.61	46.87	39.45	- 7.42 (16)
	Capital	5.46	-	-	5.46	-	- 5.46 (100)
Total	Revenue		86.56	86.50		169.77	
	Capital		21.45	-		22.80	

Source: Information furnished by the Research Officer, Directorate of Social Welfare.

As can be seen from the above table, there were huge savings year after year, especially in the capital head. This was due to the failure of the State Government to undertake the construction of AWCs as discussed in paragraph 3.2.15.2. Also, there were delays in release of funds by the State Government

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2 2003-05: ICDS; 2005-08: ICDS including SNP.
3 SNP only.
4 For construction of buildings for AWCs.

to the Department/implementing agencies, affecting the implementation schedule of the scheme, as brought out below.

- The GOI released (March 2003) Rs. 2.44 crore to the State Government for the Construction of 390 AWCs with the instruction to utilise the fund during 2003-04. The State Government, however, released the amount to the Director after a delay of one year in March 2004, thereby leaving no scope for utilisation of the amount during 2003-04.

- Central fund of Rs. 7.99 crore, released by the State Government to the Director in March 2007, was initially parked by the Director in "8443 Civil Deposit" in March 2007 with the approval of the State Finance Department. The amount was withdrawn from the Civil Deposit in June 2007 and has been lying unutilised in the form of Deposit at Call as of August 2008. This was contrary to the State Treasury Rules, 1985, which prohibit drawal of money in anticipation of requirement.

The Government stated (October 2008) that delay was due to delay in obtaining concurrence from various levels. The action of the Government was contrary to the instructions of the GOI and shows lack of urgency in implementing socio-economic developmental schemes.

3.2.9 Programme Implementation

3.2.9.1 Schematic Criteria

The ICDS scheme provided for the following:

- All children in the 0-6 years age group and pregnant/nursing mothers are to be provided with supplementary feeding for additional nutrition, through AWCs for 300 days in a year at different prescribed rates[5] per day.
- Food provided to the children should contain the required nutrient value of 300 calories and 10 grams of proteins per child, 500 calories and 20-25 grams of proteins per pregnant woman/nursing mother and 600 calories and 20 grams of proteins per severely malnourished child.
- Proper survey should be carried out for identification and registration of malnourished children.
- Economic and efficient procurement should be made keeping in view the quality of food.
- Growth monitoring of all the children in the age group 0-6 years by weighing is to be undertaken monthly/quarterly at the AWC.

[5] Prescribed rate per day per beneficiary in an AWC:

	Up to 2003-04	With effect from 2004-05
	(Rupees per day)	
Ordinarily malnourished children	0.95	2.00
Severely malnourished	1.35	2.70
Pregnant women and nursing mothers/adolescent girls	1.15	2.30

- AWCs should be set up in every village having a population of 300 or more.
- Monitoring, evaluation and impact assessment machinery should function effectively.

3.2.10 Supplementary Nutrition Programme

Under SNP, all the children up to the age of six years and pregnant women and nursing mothers belonging to landless agricultural labourers, marginal farmers, scheduled castes/scheduled tribes and other poor sections of the community (where the total income of all the members of the family did not exceed Rs.15,000 per year) were to be enlisted. The anganwadi workers are responsible for conducting a survey of the villages and identifying and enlisting the children up to six years, pregnant and nursing mothers and adolescent girls of 11-19 years age for providing supplementary nutrition. In accordance with the directions (October 2004) of the Supreme Court, the Union Ministry of Human Resource Development informed (February 2005) the State Governments that the supplementary nutrition under ICDS should not be confined to the beneficiaries from the low income group families. The following shortcomings were noticed in the implementation of this programme:

3.2.10.1 Coverage

Details of the coverage of eligible beneficiaries with supplementary nutrition during 2003-08 are given below:

Table 3.7

(Beneficiaries in lakh)

Year	Beneficiaries	Eligible beneficiaries	Beneficiaries provided with supplementary nutrition	Shortfall in providing supplementary nutrition (*per cent*)	Days on which supplementary nutrition was provided against the requirement of 300 days (Shortfall)
2003-04	Children	2.29	1.84	0.45 (20)	300 (Nil)
	Expectant and nursing mothers	0.37	0.33	0.04 (11)	
2004-05	Children	2.28	1.88	0.40 (18)	300 (Nil)
	Expectant and nursing mothers	0.38	0.33	0.05 (13)	
2005-06	Children	2.74	1.91	0.83 (30)	300 (Nil)
	Expectant and nursing mothers	0.41	0.34	0.07 (17)	
2006-07	Children	3.53	2.88	0.65 (18)	175 (125)
	Expectant and nursing mothers	0.60	0.54	0.06 (10)	
2007-08	Children	3.43	2.94	0.49 (14)	300 (Nil)
	Expectant and nursing mothers	0.58	0.54	0.04 (7)	

Source: Information furnished by the Research Officer, Directorate of Social Welfare.

As can be seen from the table, although the Department was successful in providing supplementary nutrition to the beneficiaries during all the 300 days (except during 2006-07) as specified under the scheme, this achievement was at the cost of a significant number of beneficiaries (40 to 83 thousand children and four to seven thousand expectant/nursing mothers) who were denied the benefit of supplementary nutrition. During 2006-07, supplementary nutrition was not provided for five months (October 2006 to February 2007) in eight ICDS projects of East Khasi Hills District and three projects of Ri-Bhoi District and for three months (October, December 2006 and January 2007) in five ICDS projects of Jaintia Hills District. Consequently, 1.53 lakh beneficiaries of these districts were deprived of the benefit of supplementary nutrition.

Government stated (October 2008) that supplementary nutrition was discontinued during October 2006 to February 2007 due to the time taken for identifying the Self Help Groups (SHGs) required to be engaged for the supply of foodstuff in compliance with the Supreme Court order. Reasons for the shortfall in coverage during 2003-08 were, however, not furnished.

3.2.10.2 Calorific and protein value

The main aim of SNP was to supplement the nutritional intake by 300 calories and 10 grams of protein per child, 500 calories and 20-25 grams of proteins per pregnant woman/nursing mother and 600 calories and 20 grams of proteins per severely malnourished child[6] for a period of 300 days in a year as mentioned in paragraph 3.2.9.1. For providing foodstuff with adequate nutritive value, the GOI also prescribed the following financial norms:

Table 3.8

(Rupees per child per day)

Categories of beneficiaries	Rate prior to March 2007	Revised rate effective in Meghalaya from March 2007
Malnourished children	1.20	2.00
Severely malnourished children	2.40	2.70
Pregnant/nursing mothers	1.50	2.30

Source: Information furnished by the Director.

During 2003-08, the Department spent Rs. 108.97 crore for providing foodstuff to different categories of beneficiaries. But in none of the test-checked projects, any laboratory test was conducted to ascertain the requisite calories/protein value of the food provided under the scheme. According to the report furnished (November 2005) to the State Government by the Director, nutritive value of the foodstuff in respect of the children in the age group of 0-3 years was maintained during 2003-07. The Director, however, did not clarify how he was satisfied about the fulfillment of the nutritive value of foodstuff without laboratory test of the food.

The Government stated (October 2008) that considering the escalation of prices of all food items, it was impossible to meet the required nutritive value at the revised rates prescribed by the GOI. The reply is an admission of the State Government's failure in providing food with adequate nutritive value to the children and pregnant woman and lactating mothers. As such, the

6 Severely malnourished children are to be given therapeutic nutrition.

expenditure of Rs. 108.97 crore incurred was able to achieve the objective of the scheme only to a limited extent.

3.2.10.3 Quality of food

To meet the required calorific and protein content as per norms, the State Government decided to distribute ready to eat (RTE) food and milk powder fortified with minerals and vitamins to the malnourished children of 0-6 years, pregnant and lactating mothers and adolescent girls. The CDPO, ICDS Project, Rongram, West Garo Hills received 2,401 kg of milk powder and 16,500 kg of RTE food valued at Rs. 8.65 lakh on 24 February 2004 and 12 April 2004 respectively, from the suppliers engaged by the Director, which was distributed to 4,081 children of 0-6 years age group and 736 pregnant and lactating mothers under the project. The performance report of the DPO, however, showed that the milk powder and RTE food were of bad quality. The parents complained about constipation and acidity of their children after consuming the milk powder and they did not want that their children consume the poor quality RTE food. The report also showed that some children developed worm infection after consuming the milk powder. Thus, distribution of poor quality food items not only frustrated the objective of the scheme but also affected the health of the beneficiaries adversely.

The Government stated (October 2008) that taking into consideration the report of the DPO, the samples of the relevant food items were sent to the Quality Control Laboratory (QCL) of the Food and Nutrition Board, Kolkata and the laboratory tests did not indicate that these food items were of bad quality. Laboratory test report enclosed in support of the reply, however, showed that the samples of milk powder and RTE food were sent on 13 February 2004 to the QCL, i.e., before the receipt of these items by the DPO and thus, the food items sent for laboratory tests were different from those reported by the DPO to be of poor quality.

3.2.10.4 Adulteration of foodstuff

During 2006-07, the Director procured 1,697.49 tonnes of RTE food valued at Rs. 4.82 crore for distribution to the beneficiaries of different projects. Of this, 43,769 kg (value : Rs. 12.43 lakh) meant for 15,534 beneficiaries under Mylliem, Dalu and Thadlaskein projects was seized by the police due to the complaints alleging adulteration of food. The entire quantity of the RTE food was lying in the godown of the respective projects as of August 2008 and lost its utility, as the shelf life of the RTE food was only six months. Consequently, the targeted beneficiaries were deprived of the benefit of the foodstuff. The matter needs to be investigated and responsibility fixed.

3.2.11 Immunization

Under the scheme, the following immunization schedule was prescribed for children up to six years of age and pregnant women to protect them against specific diseases:

Table 3.9

Age	Schedule for immunization
Children of age six weeks or one and a half months	(i) Diphtheria, Whooping cough and Tetanus (DPT) : First dose (ii) Oral Polio Vaccine (OPV): First dose (iii) Tuberculosis (BCG)
Children of age 10 weeks or two and a half months	(i) DPT: Second dose (ii) OPV: Second dose
Children of age 14 weeks or three months	(i) DPT: Third dose (ii) OPV: Third dose
Children of age nine months	Measles
Children of age between 16 and 24 months	(i) DPT: Booster (ii) OPV: Booster
Children of 5 to 6 years of age	Booster dose for Diphtheria and Tetanus (DT) and two doses of typhoid vaccination.
Pregnant women	Tetanus toxoid: Two doses at an interval of eight to twelve weeks, the second dose being given four weeks before expected date of delivery.

Source: Information furnished by the Research Officer, Directorate of Social Welfare.

The Department did not fix any targets for immunization during 2003-08. However, based on the information[7] available with the Director, the position of immunization of children of 0-3 years (DPT & OPV), 3-6 years (DT) and pregnant women is given in the table below:

Table 3.10

(in numbers)

Year	Vaccine	Children who completed the				Children who did not complete the doses (*per cent*)	Pregnant women who completed the		Pregnant women who did not complete the doses (*per cent*)
		First dose	Second dose	Third dose	Booster dose		First dose	Second dose	
2003-04	DPT	16,316	13,309	11,061	7,183	9,133 (56)	7,455	4,244	3,211 (43)
	OPV	15,905	13,309	11,147	7,083	8,822 (55)			
	DT	5,695	3,425	-	3,294	2,401 (42)			
2004-05	DPT	21,454	17,730	11,988	8,876	12,578 (59)	9,858	6,368	3,490 (35)
	OPV	23,225	18,463	16,643	9,669	13,556 (58)			
	DT	7,816	5,807	-	5,772	2,044 (26)			
2005-06	DPT	24,215	20,104	16,517	11,235	12,980 (54)	12,185	7,089	5,096 (42)
	OPV	43,887	20,184	16,525	11,025	32,862 (75)			
	DT	10,078	6,753	-	6,626	3,452 (34)			
2006-07	DPT	30,158	26,310	22,620	13,903	16,255 (54)	15,810	9,327	6,483 (41)
	OPV	33,602	28,662	22,670	13,729	19,873 (59)			
	DT	13,679	9,203	-	8,848	4,831 (35)			
2007-08	DPT	28,801	24,785	21,244	13,961	14,840 (52)	15,725	9,815	5,910 (38)
	OPV	29,278	24,246	20,720	13,490	15,788 (54)			
	DT	11,106	8,142	-	7,867	3,239 (29)			

Source: Information furnished by the Director.

Although the ICDS scheme was being implemented in the State since 1975-76, the immunization programme had not gathered momentum despite the availability of sufficient funds from GOI, as only a portion of the children (25 to 74 *per cent*) and mothers (57 to 65 *per cent*) could be provided with all the vaccinations on a timely basis. Apart from the first dose of immunization, the remaining doses of immunization were not completed by 52 to 75 *per cent*

[7] Information regarding administering typhoid vaccine was not furnished to Audit.

children of 0 to 3 years age, 26 to 42 *per cent* children of 3 to 6 years age and 35 to 43 *per cent* pregnant women. The shortfall was attributed by the Research Officer of the Directorate of Social Welfare to non-supply of vaccines to the centres by the State Health & Family Welfare (H&FW) Department and non-attendance of beneficiaries to the centres, for immunization. The reply highlights the failure of the Department to obtain the required vaccines and also educate the beneficiaries about the importance of immunization.

3.2.12 Health check-up

3.2.12.1 Health check-up

Under the scheme, health check-up was to be given to all the expectant and nursing mothers by the H&FW Department. A minimum of four physical examinations during pregnancy and at least one visit after delivery was prescribed in the guidelines. In order to detect diseases and other evidence of malnutrition *etc.*, general check-up of all children under the age of six years after every three to six months was also to be done.

The Director neither fixed the targets for health check-up nor maintained any record indicating the number of expectant and nursing mothers. In the absence of such information, it was not possible to assess whether the health check-up activities were adequately covered or not. The position of health check-up of the child population in the age group of 0-6 years is given below:

Table 3.11

Year	Children (0-6 years)	Number of health check-ups		Shortfall	Percentage of shortfall
		Required to be conducted	Actually conducted		
2003-04	2,29,012	4,58,024	1,27,593	3,30,431	72
2004-05	2,27,760	4,55,520	2,08,157	2,47,363	54
2005-06	2,74,187	5,48,374	2,44,684	3,03,690	55
2006-07	3,53,495	7,06,990	2,70,152	4,36,838	62
2007-08	3,43,016	6,86,032	2,48,045	4,37,987	64

Source: Monthly Progress Report and information furnished by the Research Officer, Directorate of Social Welfare.

Note: Number of health check-ups required to be conducted was arrived at, by multiplying the total child population with minimum number of check-ups (two) required.

Shortfall in health check-up, which ranged between 54 and 72 *per cent* during 2003-08, indicated the apathy of the Department towards the health care of the children.

3.2.12.2 Weight of children

The health care of the children under six years of age included recording of their weight at periodical intervals to keep a close watch over their health and nutritional status. In order to classify the nutritional status, the Anganwadi workers were to weigh all children up to three years of age every month and children of 3-6 years of age every three months.

The consolidated monthly progress reports of various activities showed that there was a significant shortfall in weighing of children ranging between 24 and 55 *per cent*. Scrutiny of records of the 14 test-checked projects revealed that there was a shortfall in weighing the children in seven of these projects due to the non-availability of weighing scales. Consequently, nutritional status of a significant number of the children remained unassessed, thereby depriving them of the benefits envisaged under the scheme.

The Government admitted the fact and stated (October 2008) that due to shortage of fund, the old weighing scales could not be replaced. The reply is not acceptable considering that there were huge savings every year during the review period, as brought out in paragraph 3.2.8.2.

3.2.12.3 Supply of medicine kits

As a vital input to health check-up, each AWC was to be provided every year with a medicine kit consisting of easy to use and dispensable medicines to remedy common ailments like cough and common cold, skin infections, *etc.* If the ailment required specialised treatment, the case was to be referred to the nearest health centre. To prevent the outbreak of common seasonal diseases among children especially in tribal and hilly areas, the Union Ministry of Human Resource Development stressed (March 2000) the need for procurement of medicine kits within the first six months of each financial year and supplying them to the AWCs before the monsoon break.

Scrutiny revealed that the Director procured medicine kits after delays ranging between four and eight months of the stipulated period. Consequently, the kits could not be supplied to the AWCs before the outbreak of monsoon, thereby depriving the children of timely treatment of common ailments during the monsoon.

The Government stated (October 2008) that the delay was due to the observance of procurement procedures. The reply highlights the need to streamline the procurement procedures so that the essential items are procured on time. Delays in procurement obviously deprived the children of timely treatment of seasonal ailments.

3.2.12.4 Growth chart

To assess the impact of the health and nutritional status of the children, each child in the AWCs was to be provided with an individual growth chart. Records of the 14 test-checked ICDS projects, however, showed that the required growth charts were not maintained during 2003-08 by 15 AWCs under eight[8] of these projects. Consequently, the impact of the health and nutritional schemes on the status of the children under these AWCs remained unassessed.

[8] Mawryngkneng, Khliehriat, Thadlaskein, Selsella, Tikrikilla, Dalu, Betasing and Mawsynram.

The Government stated (October 2008) that the growth chart was not maintained due to the non-functioning of the weighing scales. Appropriate action should have been taken to provide the required weighing scales for the benefit of the children.

3.2.13 Pre-school Education

Under the scheme, children of 3-6 years were to be provided with pre-school education through AWCs to make them capable of joining the main stream of school children.

Scrutiny of records of the 14 projects revealed that against the minimum strength of 40 children in each AWC, the average enrolment of children for pre-school education during 2003-08 in seven[9] of these projects ranged between 26 and 39. While the position in two (Pynursla and Betasing) of these seven projects improved in 2007-08 because of enrolment of 39 and 30 children against 31 and 29 in 2003-04, enrolment of children in the remaining six projects declined significantly during 2007-08 as compared to 2003-04 and 2004-05.

The Government stated (October 2008) that the shortfall was due to the accessibility of nursery schools run by missionaries and private organisations.

3.2.14 Implementation of scheme for adolescent girls

The Planning Commission launched a pilot project, *viz.* Nutrition Programme for Adolescent Girls (NPAG), initially for two years from 2002-03. The GOI approved the implementation of the scheme thereafter from 2005-06. Under this scheme, 6 kg of foodgrains per month are given to under-nourished adolescent girls, after determining the eligibility on the basis of their weight. As per the instructions (July 2005) of the Ministry of HRD, the scheme was to be restricted only to adolescent girls from 2005-06, as pregnant women and lactating mothers were separately covered under ICDS. Funds for implementation of the scheme are released by the GOI as 100 *per cent* additional Central assistance under the ICDS Scheme.

For implementation of the scheme during 2003-04 in the East Khasi Hills District of the State, the GOI released (March 2004) Rs. 15 lakh. The amount had, however, not been released by the State Government to the implementing authority as of August 2008. Similarly, for implementation of the scheme during 2005-07, the GOI released (July 2005 and May 2006) Rs. 34.36 lakh. The State Government released the amount to the Director after a delay of 10 months in March 2006 and February 2007 for providing foodgrains to 14,661 adolescent girls. Though the Director released the amount (Rs. 34.36 lakh) to the DPO, Shillong (implementing authority) for providing the required foodgrains to the beneficiaries, the entire amount had been lying unutilised

[9] Pynursla, Thadlaskein, Mylliem, Mawryngkneng, Khliehriat, Betasing and Zikzak.

with the DPO as of August 2008, thereby depriving the targeted girls of the benefit envisaged under the scheme.

3.2.15 Anganwadi Centres (AWC)

The Anganwadi is the focal point for delivering the package of services to the children and mothers right at their door step. AWCs should be set up in every village having a population of 300 or more.

3.2.15.1 Establishment of Anganwadi Centres

The table below details the ICDS Projects, AWCs sanctioned by the GOI, projects actually in operation and coverage of population during 2003-08:

Table 3.12

(Population in lakh)

Year	Number of ICDS projects (as of March)		Number of AWCs (as of March)		Total population		Population not covered (*per cent*)
	sanctioned	in operation	sanctioned	in operation	to be covered	covered	
2003-04	32	32	2,218	2,217	2.66	2.17	0.49 (18)
2004-05	32	32	2,218	2,218	2.66	2.22	0.44 (17)
2005-06	32	32	3,179	2,265	3.15	2.26	0.89 (28)
2006-07	39	39	3,179	3,162	4.14	3.42	0.72 (17)
2007-08	39	39	3,388	3,195	4.01	3.48	0.53 (13)

Source: Monthly progress reports maintained by the Directorate.

As of March 2003, 2,206 AWCs were in operation in the State. During 2003-08, 989 more AWCs were set up thereby increasing the number of operational AWCs to 3,195 as of March 2008. The coverage of rural population under ICDS at the end of 2007-08 was 3.48 lakh against the rural population of 4.01 lakh. Shortfall in coverage of population by the AWCs, thus, deprived 13 *per cent* of the children and mothers in the rural areas of the benefit of the scheme.

The Assistant Director (ICDS) stated (August 2008) that the shortfall was minimal and effort would be made to avoid such shortfall in future. The Government further stated (October 2008) that more ICDS projects and AWCs were made operational as of August 2008 to reduce the shortfall in coverage.

3.2.15.2 Non-construction of Anganwadi Centres

GOI sanctioned Rs. 33.16 crore (February 2006: Rs. 16.34 crore; February 2007: Rs. 16.82 crore) for construction of 1,895 AWCs (Rs. 1.75 lakh for each centre). The first instalment of Rs. 16.58 crore was released by the GOI to the State Government in February 2006 (Rs.8.17 crore) and February 2007 (Rs. 8.41 crore) with the condition that the balance amount would be released during the succeeding financial year, taking into account the pace of construction and utilisation of funds. Funds released in the first instalment were sufficient for construction of 947 AWCs. Of Rs. 16.58 crore, the State Government released (March 2006 and March 2007) Rs. 11.11 crore to the

Director, retaining Rs. 5.47 crore in the Government account. In turn, the Director released Rs. 7.99 crore (out of Rs. 11.11 crore) to the CDPOs for construction of AWCs and the balance amount of Rs. 3.12 crore was kept in "8443-Civil Deposit" as mentioned in Paragraph 3.2.8.2 above. As of September 2008, construction of only 298 AWCs was completed and construction of 105 AWCs was in progress. Funds released for the purpose amounting to Rs. 9.53 crore were parked at different levels (State Government: Rs. 5.47 crore; Department: Rs. 3.12 crore; CDPOs: Rs. 0.94 crore), which could have been utilised to establish 545 more AWCs. Due to non-utilisation of funds released in the first instalment, the GOI did not release the second instalment, which could have facilitated construction of 947 AWCs. Thus, around 4.48 lakh rural population had been deprived of the benefit.

During the exit conference, the Additional Director, Social Welfare stated (September 2008) that in the absence of buildings, the AWCs were functioning from the community hall or private houses. Government also endorsed (October 2008) the views of the Additional Director. The reply is an attempt to deflect the failure of the State Government to construct the buildings for housing the AWCs in a time bound manner by utilising the funds provided by the GOI, which also led to non-release of second instalment of Rs. 16.58 crore.

3.2.16 Position of staff

Field level functionaries are the back bone of the ICDS scheme. They comprise of Anganwadi Workers (AWWs), Anganwadi Helpers (AWHs) Supervisors and CDPOs. In large sized projects, Assistant CDPOs are also added to the field level functionaries. The CDPO is responsible for implementation and administration of the ICDS programme and provides the link between the ICDS functionaries and the administration. Any shortage of field level functionaries adversely affects the implementation of the scheme.

Scrutiny of records disclosed that during 2003-08, there was no shortage in the cadre of AWWs and AWHs. However, there was a shortage of CDPOs and Supervisors, as detailed below:

Table 3.13

(in number)

Year	Sanctioned strength		Men-in-position		Shortage (*Per cent*)	
	CDPO	Supervisor	CDPO	Supervisor	CDPO	Supervisor
2003-04	32	124	28	122	4 (12)	2 (2)
2004-05	32	124	28	124	4 (12)	...
2005-06	32	124	28	123	4 (12)	1 (0.81)
2006-07	39	162	27	124	12 (31)	38 (23)
2007-08	39	171	24	121	15 (38)	50 (29)

Source: Information furnished by the CDPOs.

Shortage of the CDPOs and Supervisors became more acute from 2006-07 due to the increase in the number of sanctioned posts. As a result of non-filling up of the vacant posts of CDPOs and Supervisors, the implementation and administration of the programme suffered to an extent.

The Government stated (October 2008) that the vacancies were due to the delay in the process of recruitment procedure by the Meghalaya Public Service Commission/District Selection Committee and the posts of CDPOs were filled up in July 2008. Action taken to fill up the vacant posts of Supervisors had not been stated.

3.2.17 Training

Achievement of the objectives of the ICDS scheme depends mainly on the effectiveness of the frontline workers like AWWs. In order to increase the working efficiency of the AWCs, the scheme provides for imparting job training to the AWWs for three months duration on joining the service followed by a refresher course on completion of two years service. The CDPOs and Supervisors are also imparted job/refresher training. Two Anganwadi Workers Training Centres had been functioning in Shillong and Tura under the supervision of DPOs for imparting the required training courses to the AWWs and orientation and refresher courses to AWHs.

Out of Rs. 1.54 crore received from the GOI during 2003-08 for training of ICDS functionaries, only Rs. 1.29 crore was spent. All the eligible AWWs and AWHs were not targeted for imparting training in various courses during 2003-08. The status of training was alarming at Shillong Training Centre particularly during the year 2007-08. Of the 814 and 1,265 AWWs eligible for job training and refresher training respectively, only 140 and 210 AWWs were targeted for training. The AWWs actually trained were only 187 and 192 respectively.

Likewise, AWHs eligible for job training and refresher training were 639 and 899 respectively. The number targeted for training during the year was 400 and 350, and those actually trained were only 280 and 139 respectively. Information regarding the training of the CDPOs and supervisors was not on record.

The Government stated (October 2008) that the shortfall was due to non-filling up of the posts of CDPOs/lady supervisors. Thus, the deficiency in imparting training is bound to have an adverse impact on the quality of service provided by the AWCs.

3.2.18 Field visits and supervision

The CDPOs are required to undertake field visits to the anganwadis for at least 18 days a month with 10 night halts outside the headquarters and Supervisors are expected to visit at least one anganwadi once in a week to inspect its activities.

It was seen that during 2003-08, there was 18 *per cent* to 74 *per cent* shortfall in field visits of CDPOs and 77 *per cent* to 99 *per cent* by Supervisors in 11 out of the 14 test-checked ICDS projects. In the remaining three test-checked projects, the quantum of field visits by CDPOs/Supervisors was in accordance with the prescribed norms.

The Government stated (October 2008) that the shortfall was due to non-filling up of the posts of CDPOs/lady Supervisors. The shortfall in supervision of the AWCs by the designated officers had denied the AWWs the guidance to improve the functioning of AWCs and the quality of service delivered.

3.2.19 Monitoring and Evaluation

As per the scheme guidelines, there should be a State Coordinator to ensure smooth flow of the services under the ICDS. Besides, a Senior Adviser with wide experience in nutrition, child development and ICDS was to be engaged. Two to three Survey Consultants were also to be engaged for conducting survey of severely malnourished children and any other specific parameters assigned to them. Data pertaining to training, survey and monitoring were to be analysed at the first level by the individual officer and then sent to the State Coordinator. Though, Coordination Committees at the block/project, district and State levels were set up, there was no recommendation from these Committees to overcome the shortfall/deficiencies in the area of immunization, training and distribution of foodstuff, *etc*. The overall impact of implementation of the scheme was also not evaluated at any level.

The Assistant Director, ICDS stated (August 2008) that the scheme had been monitored regularly and the task for evaluation study had been entrusted to the North Eastern Hill University during 2007-08. The reply is an admission that the impact of the scheme so far implemented, remained unassessed.

3.2.20 Conclusion

The overall impact of implementation of the scheme was far from satisfactory because of significant shortfall in implementing various components of the scheme. Health check-up of a significant number of children was not conducted to detect diseases and other evidence of malnutrition. Fund management was poor and the Director failed to utilise 36 to 100 *per cent* of funds released by the GOI during 2003-08 for construction of buildings for AWCs. Forty to 83 thousand children of 0-6 years age were deprived of the benefit of supplementary nutrition during the review period and poor quality of food was supplied to children and pregnant/lactating mothers in certain projects. There was a shortfall in completion of the prescribed doses of immunization of different vaccines to the children and women. The objectives of improving the nutritional and health standard of the children and enhancing the capability of mothers to ensure the nutritional and health standard of their children as envisaged under the scheme, thus, remained largely unachieved.

3.2.21 Recommendations

On the basis of the shortcomings and deficiencies pointed out in the foregoing paragraphs, the following recommendations are made for streamlining the implementation of the scheme:

- **Adequate funds should be released on a timely basis and utilised for the intended purpose.**

- **Anganwadi centres should be set up as per norms to bring all the targeted children and women under the purview of the scheme.**

- **Effective steps should be taken for immunization through vaccination of the children and pregnant women as per the prescribed schedule to protect them against various diseases.**

- **Steps should be taken to ensure that the foodstuff provided is of acceptable quality and contains the prescribed calorific and protein value.**

- **Regular training should be imparted to the CDPOs, Supervisors, AWWs and Anganwadi helpers as per norms, to upgrade their knowledge in the area of their operation.**

- **Prescribed level of supervision and visit of the AWCs by the CDPOs and Supervisors should be enforced to improve their functioning.**

CHAPTER IV – AUDIT OF TRANSACTIONS

Fraud/Misappropriation/Embezzlement

4.1 Presumptive embezzlement of Government money

4.2 Discretionary grants to the Members of the Legislative Assembly

Excess Payment/Wasteful Expenditure

4.3 Extra expenditure

4.4 Extra expenditure on construction of a hospital building

4.5 Extra expenditure on purchase of bitumen

4.6 Extra expenditure on payment of value added tax at higher rate

4.7 Wasteful expenditure on establishment of Piggery and Poultry Farms

Undue Favour to Contractors

4.8 Undue financial benefit to a supplier

Idle/Unfruitful/Unproductive Expenditure

4.9 Unfruitful expenditure on construction of suspension foot bridge

4.10 Idle expenditure

4.11 Idle expenditure on construction of roads

Regularity Issues and Others

4.12 Irregularities in implementation of computer education programme in schools

4.13 Non-realisation of net present value of forest land

General

4.14 Follow up action on Audit Reports

4.15 Lack of response to Audit

CHAPTER IV : AUDIT OF TRANSACTIONS

Fraud/Misappropriation/Embezzlement

COMMUNITY AND RURAL DEVELOPMENT DEPARTMENT

4.1 Presumptive embezzlement of Government money

Government money amounting to Rs. 30 lakh stated to have been spent on procurement of corrugated galvanised iron sheets, has presumably been embezzled.

Under the Special Rural Works Programme (SRWP)[1] for the year 2003-04, the State Level Committee accorded approval (October 2003) for purchase of 2,400 bundles of Corrugated Galvanised Iron (CGI) sheets at the rate of Rs. 1,250 per bundle, for distribution to 1,200 families of '49-Rajabala Assembly Constituency', Selsella Development Block, West Garo Hills District. The State Government sanctioned (January 2004) Rs. 30 lakh for the purpose, which was released (July 2004) to the Village Development Committee (VDC) by the Block Development Officer (BDO), Selsella Development Block.

Scrutiny (November 2007) of records of the BDO, Selsella Development Block revealed that against the envisaged requirement of 2,400 bundles, the VDC, without inviting tenders, purchased 1,200 bundles of CGI sheets from a Guwahati firm at double (Rs.2,500 per bundle) the approved rate of Rs. 1,250 per bundle. No record was produced to Audit in support of the transportation of CGI sheets from Guwahati to the Rajabala Constituency except an entry (without date) in the cash book of the VDC indicating payment of Rs. 30 lakh to the firm as cost of CGI sheets and a cash memo bearing no number or date. As per the distribution list produced to Audit, 1,400 bundles of sheets were distributed to 700 beneficiaries against the procurement of 1,200 bundles. The distribution list, however, did not indicate the address of the beneficiaries in detail. The concerned Guwahati firm in response (November 2008) to Audit enquiry stated that it had neither received any supply order for 1,200 bundles of CGI sheets, nor supplied the sheets. The firm also stated that the cash memo based on which payment for the CGI sheets was shown to have been made by the VDC was not issued by them and it was actually a format of their proforma invoice, which was mutilated as a cash memo and as such, there was no number and date. Obviously, the CGI sheets were neither procured nor distributed to the beneficiaries, but payment was shown to have been made on the basis of a fake document.

Thus, Government money amounting to Rs. 30 lakh has presumably been embezzled. There is an urgent need for a thorough investigation into the matter to fix responsibility and take action against the officials involved.

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[1] SRWP is one of the programmes being implemented with the involvement of Members of Legislative Assembly.

The matter was reported to the Government in June 2008; reply had not been received (November 2008).

PARLIAMENTARY AFFAIRS DEPARTMENT

4.2 Discretionary grants to the Members of the Legislative Assembly

An expenditure of Rs. 12 crore was incurred irregularly on payment of grants-in-aid to the members of the Legislative Assembly without specifying the conditions stipulated in the Meghalaya Financial Rules, 1981.

The State Government has been sanctioning discretionary grants to all the 60 Members of the Legislative Assembly (MLA) of Meghalaya. The expenditure on such grants is debited to the Head of Account "2011-Parliament/State/ Union Territory Legislature-02-State Legislature-800-Other Expenditure-02-Discretionary Grants for the MLAs-31-Grants-in-Aid - General Non-Plan".

According to Rule 515 of the Meghalaya Financial Rules, 1981 (MFR) and Appendix 14 thereto, sanction of grants-in-aid should *inter alia* contain the following particulars:

- Conditions and limitations, if any, such as, time limit for the completion of work or service for which non-recurring grants are given;
- The rule, if any, under which the sanction has been accorded. If it is not clear from the rule whether the grant is recurring or non-recurring, information on this point should be explicitly furnished;
- Period in the case of recurring grants-in-aid and the time limit within which the grant should be spent; and,
- Purpose of grant.

During the period 2001-08, the Parliamentary Affairs Department (PAD) issued sanction orders to the Secretary, Meghalaya Legislative Assembly for payment of discretionary grants amounting to Rs. 12 crore to the members of the Legislative Assembly. Year-wise position is given below:

Table 4.1

(Rupees in lakh)

Year	Total amount sanctioned	Amount per MLA
2001-02	60	1
2002-03	360	6
2003-04	180	3
2004-05	180	3
2005-06	180	3
2006-07	60	1
2007-08	180	3
Total	**1,200**	

Source: Sanction orders.

Scrutiny (August 2008) of relevant sanction orders revealed that these had been issued without specifying the conditions specified in Rule *ibid.* The sanctioned amount of Rs. 12 crore was drawn from the Treasury by the Secretary, Meghalaya Legislative Assembly and disbursed in cash to the members concerned. The action of the Department was contrary to the MFR. No record/evidence exists in support of utilisation of the grants and as such the veracity of the expenditure incurred out of the Consolidated Fund of the State could not be ascertained.

The Government stated (September 2008) that no rule/guidelines for payment of discretionary grants had yet been framed and the framing of the rule/guidelines was under examination by the Government and the mechanism/method to ascertain the utilisation of funds would be prescribed immediately. On being asked about the purpose for which such grants were being released to the MLAs, the Government stated that though no specific purpose is mentioned in the sanction letters, yet MLAs are given discretionary grants to help the needy persons of their constituencies. The Government, however, failed to provide the lists of such needy persons/beneficiaries to whom grants were released by the MLAs.

Since the Government could not provide any satisfactory reply or produce necessary records indicating the purpose as also the names of the persons to whom such grants had been given by the MLAs even in a single case, it is recommended that the Government without further lapse of time, frame rules/guidance to ensure that funds are not misused.

Excess Payment/Wasteful Expenditure

BORDER AREAS DEVELOPMENT DEPARTMENT

4.3 Extra expenditure

Due to delay in construction of a suspension foot bridge, there was a cost overrun of Rs. 16.15 lakh. Despite use of lower specification of wire rope in the construction of the bridge, in deviation from the specification approved by the technical authority, the difference in cost amounting to Rs. 7.32 lakh was not recovered.

Under the Border Area Development Programme[2] (BADP), the State Level Screening Committee (SLSC), headed by the Chief Secretary of the State, accorded (May 2003) approval for the construction of a suspension foot bridge over river Shella at Shella village, East Khasi Hills District at a cost of Rs. 34.40 lakh. The estimate of the work prepared by the technical wing of the Department and sanctioned by the Additional Chief Engineer (ACE), State

[2] The Border Area Development Programme is a 100 *per cent* Centrally funded programme for which funds are provided to the State by the Government of India as Special Central Assistance.

Public Works Department (PWD), *inter alia* provided for construction of the bridge by using wire rope of different diameters (32 mm: 1,368 RM; 28 mm: 460 RM; 12 mm: 306.4 RM).

The Director, Border Areas Development (BAD) awarded (February 2004) the work to a Village Committee (VC) with a stipulation to complete it within seven months (September 2004). Though Rs. 32.50 lakh[3] was released between February 2004 and March 2006 to the VC, the work remained incomplete till March 2006. The estimate of work was revised (March 2006) to Rs. 50.52 lakh and the SLSC accorded approval (August 2006) for the additional amount.

As per the revised estimate, the specifications of the wire rope to be used in the construction were changed to 32 mm dia: 2,280 RM; 28 mm dia: 600 RM; 12 mm dia: 667 RM. Rs. 18.05 lakh were released (March 2007 to May 2008) to the VC to cater to the additional requirements specified. The construction of the bridge was completed at a cost of Rs. 50.55 lakh after a delay of over three years in April 2008. Thus, there was a cost over run of Rs. 16.15 lakh due to delay in completion of the work.

Scrutiny of the records revealed that the wire rope used in construction of the bridge was not in conformity either with the original or the revised specifications. While 64 *per cent* of the total wire rope to be used in the construction was of 32 mm dia, the bridge was constructed mostly by using 12 mm dia (57 *per cent*). Even though the wire of lesser diameter was used in the construction, the cost of the construction was not reduced proportionately (Rs. 7.32 lakh).

The Director stated (September 2008) that the delay in completion of the work was due to frequent illness of the Chairman of the VC and difficulty in getting the land for construction. The Director further stated (October 2008) that the use of wire ropes of different sizes was as per the actual requirement at site. The replies are not acceptable because the illness of the Chairman should not be a cause for delay in execution. Use of lower specification wire ropes in deviation of the specification approved by the technical authority was irregular and likely to affect the life-span of the bridge.

Thus, the delay in construction of the bridge led to a cost over run of Rs. 16.15 lakh. Besides, there was no reduction in the cost of construction (Rs. 7.32 lakh) despite use of wire rope of lower specification.

The matter was reported to the Government in August 2008; reply had not been received (November 2008).

[3] February 2004: Rs. 10 lakh; January 2005: Rs. 5 lakh; February 2005: Rs. 6 lakh; August 2005: Rs. 5 lakh; September 2005: Rs. 5 lakh; March 2006: Rs. 1.50 lakh.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4 Extra expenditure on construction of a hospital building

Delay in issue of work order and handing over the clear site of the work for construction of OPD at Ganesh Das Hospital, Shillong resulted in an extra expenditure of Rs. 21.22 lakh.

The State Health and Family Welfare Department accorded (March 1996) administrative approval and expenditure sanction for the work "Construction of OPD at Ganesh Das Hospital, Shillong" at an estimated cost of Rs. 86.28 lakh with the concurrence of the Finance Department. Technical sanction, which was mandatory before commencement of construction as per Rule 244 of the Meghalaya Financial Rules, 1981, was not accorded. The construction work was awarded (September 1998) by the EE to a contractor for Rs. 57.93 lakh (based on the Schedule of Rates (SOR) for buildings - 1991-92) for completion by March 2000. The work was completed (June 2005) at a cost of Rs. 79.15 lakh.

Scrutiny (October-November 2007) of records of the EE, Engineering Wing of the DHS, Shillong revealed that -

- though the tender was finalised in favour of the lowest tenderer in November 1996, work order was issued to the contractor after a delay of about two years (September 1998);
- clear site for the work was given to the contractor after a further delay of one year (October 1999) from the date of issue of work order.

Due to the delay on the part of the Department, the contractor claimed (April 2001) 50 *per cent* escalation over his accepted rate on the ground of increase in the cost of material and labour, which was refused by the Government (August 2002). Consequently, the contractor filed (2002) a writ petition with the Shillong Bench of the Gauhati High Court. The Court, in its judgement (June 2003), directed the Department to grant the rates to the contractor as per the SOR of 1995-96. The estimate of the work was revised (December 2004) to Rs. 1.19 crore (including Rs. 87.07 lakh for the work allotted to the contractor) and final payment was made (September 2005) on the basis of this estimate.

Thus, inordinate delay in issue of work order and allotment of work without a clear site resulted in an extra expenditure of Rs. 21.22 lakh.

The EE stated (August 2008) that the delay in issue of work order was due to delay in getting permission for construction from the Deputy Commissioner, East Khasi Hills as well as from the Medical Superintendent of the concerned hospital. The reply is not tenable because necessary approval should have been obtained and clear site for construction of the work should have been finalised before inviting tenders.

The matter was reported to the Government in July 2008; reply had not been received (November 2008).

PUBLIC WORKS DEPARTMENT

4.5 Extra expenditure on purchase of bitumen

The Department incurred extra expenditure of Rs. 11.25 lakh due to issue of faulty orders for carriage of bitumen.

The Central Division, PWD (Roads), Shillong procures bitumen required for construction of various roads in Khasi and Jaintia Hills Districts of the State, from the stockyards of Hindustan Petroleum Corporation (HPC) at Guwahati and Siliguri on the basis of requirement placed by various Public Works (Roads) divisions of these districts.

Scrutiny (July 2008) of records of the Executive Engineer (EE), Central Division, Shillong revealed that during 2007-08, the EE issued orders to contractors for carrying 2,248.96 tonnes of bitumen from Guwahati (1,029.96 tonnes) and Siliguri (1,219 tonnes) to Byrnihat, Ri-Bhoi District and from Byrnihat to the store of the Division at Mawlai, Shillong at rates[4] approved (June 2006) by the Superintending Engineer, PWD (Roads), NH Circle. Since the entire quantities of bitumen were to be delivered in the divisional store at Mawlai for meeting the requirement of various divisions in Khasi and Jaintia Hills Districts, the carriage orders should have been issued for supply of material directly from Guwahati/Siliguri to Mawlai instead of issuing separate orders for supply from Guwahati/Siliguri up to Byrnihat and then to Mawlai. Taking advantage of the faulty orders issued by the EE, the contractors claimed Rs. 44.78 lakh as carriage charges of bitumen separately for supply of material from Guwahati/Siliguri to Byrnihat and Byrnihat to Mawlai, which was paid (August-March 2008) by the EE. Thus, due to the imprudent action of the EE, the Department incurred an extra expenditure of Rs. 11.25 lakh.

The Superintending Engineer (SE), PWD (Roads), National Highway Circle stated (October 2008) that only 10 wheeler trucks were found convenient for carrying the bitumen from Siliguri which could not ply up to Shillong due to steep gradient of the road. As regards carriage of bitumen from Guwahati, the EE stated that lifting of bitumen from the Railway yard had to be completed within the stipulated time, to avoid payment of demurrage charges and as it was not possible to arrange trucks for lifting bitumen from Guwahati to Shillong, the carriage orders were issued to different contractors. The reply is not tenable because the carriage rate was approved on the basis of per tonne per km irrespective of the type of vehicle and therefore, carriage orders for bitumen should have been issued for direct transportation from Siliguri to the Mawlai stockyard to avoid additional expenditure. Besides, the CE (NH) PWD (Road) confirmed (November 2008) that the 10 wheeler vehicles are always plying on the Guwahati-Shillong stretches. The reply with regard to lifting of bitumen from Guwahati is not relevant to the context.

[4] First 20 kms: Rs. 23 per tonne per kilometer, next 30 kms.: Rs. 5 per tonne per km; next 50 kms.: Rs. 4 per tonne per km.; additional 50 kms.: Rs. 3 per tonne per km; remaining distance: Rs. 2 per tonne per km.

The matter was reported to the Government in August 2008. Government endorsed (November 2008) the views of the SE.

4.6 Extra expenditure on payment of value added tax at higher rate

The Department incurred extra expenditure of Rs. 10.28 lakh due to procurement of bitumen on payment of value added tax at higher rate.

According to the Notification issued (March 2007) by the Union Ministry of Finance, the facility of inter-State purchases by the Government departments against Form 'D' was withdrawn from 01 April 2007 and the rate of Value Added Tax (VAT)/State Sales Tax applicable in the State of the selling dealer was applicable in case of such purchases. The notification was circulated by the Commissioner of Taxes, *etc.*, Meghalaya to all concerned including the Chief Engineer (CE), PWD (Roads) on 28 April 2007. The CE, on the request (21 May 2007) of the EE, Central Division, Shillong, granted (25 May 2007) permission for procurement of 500 tonnes of bitumen from Siliguri (West Bengal), as the rate of VAT in West Bengal was much lower (4 *per cent*) than that of Assam (22 *per cent*).

Scrutiny (July 2008) of records of the EE, Central Division revealed that though the EE sought permission of the CE for procurement of bitumen from Siliguri on 21 May 2007 on the ground of lower rate of VAT, he made payment of Rs. 1.30 crore to the HPC on the same day against a proforma bill of 14 May 2007 for procurement of 470 tonnes bitumen from the Guwahati stockyard of the HPC involving 22 *per cent* VAT.

The EE stated (July and October 2008) that proforma bill for procurement of bitumen was called for from the HPC over phone or by sending an official on the basis of requirement of various divisions and that, though the Division decided to procure bitumen from Siliguri, 470 tonnes bitumen was procured from Guwahati because of immediate requirement. Since the proforma bill was called for telephonically and the EE was aware about the financial implication of purchasing bitumen from Assam, immediate action should have been taken for cancellation of the payment of proforma bill received on 14 May 2007 in the financial interest of the State and also for procurement of bitumen from West Bengal obtaining a new proforma bill at the rates applicable in that State as of 01 April 2007.

Thus, due to the imprudent action of the EE, the Department incurred an extra expenditure of Rs. 10.28 lakh[5].

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[5] Expenditure incurred on procurement of bitumen from **Guwahati**

470 tonnes @ Rs.22,719.86 per tonne *plus* 22 *per cent* VAT *plus* carriage up to divisional store at Mawlai @ Rs. 802 per tonne:	Rs. 1,34,04,508
Expenditure if procured from **Siliguri:** 470 tonnes @ Rs. 23,453.78 per tonne *plus* 4 *per cent* VAT *plus* carriage up to divisional store at Mawlai @ Rs. 1,942 per tonne:	Rs.1,23,76,948
Extra Expenditure:	**Rs. 10,27,560**

The matter was reported to the Government in August 2008. Government endorsed (November 2008) the views of the EE.

BORDER AREAS DEVELOPMENT DEPARTMENT

4.7 Wasteful expenditure on establishment of Piggery and Poultry Farms

Absence of supervision and monitoring of the functioning of the Piggery and Poultry Farms resulted in wasteful expenditure of Rs. 22.32 lakh.

The SLSC accorded (May 2003) approval for establishment of Community Piggery and Poultry Farms at Tongseng, Jaintia Hills District at a cost of Rs. 25 lakh, with the condition that the village authority[6] would register the Co-operative Society for operation and maintenance of the farm and the Society would execute an agreement with the Department for maintenance of the entire infrastructure.

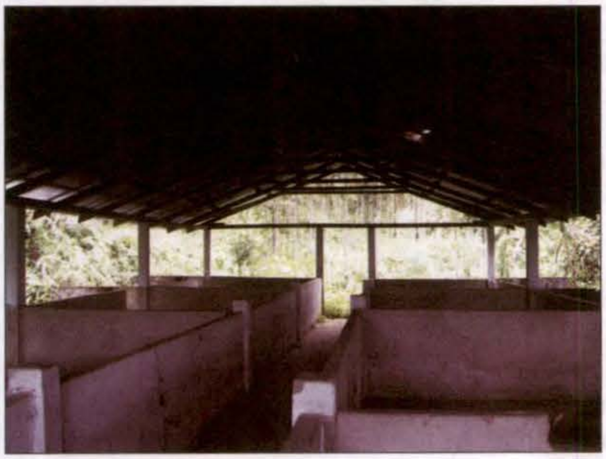
Scrutiny (May 2008) of records of the Director, BAD revealed that contrary to the condition stipulated by the SLSC, the Director executed (June 2003) an agreement with the Chairman, Piggery and Poultry Co-operative Society, Tongseng, which was not a registered Society as on the date of the agreement. The Society was, however, registered in September 2003. As per the terms of the agreement with the Society, the scheme was to be implemented under the supervision of the BAD and Veterinary Departments and the Department was to conduct surprise visits to the farm. The Director released (June 2003 to January 2006) Rs. 19.50 lakh to the Chairman and Secretary of this society for establishment of the farm. The Society expended of Rs. 16.25 lakh on the construction of a pig sty, poultry building, office cum godown building (Rs. 10.50 lakh), pig and broiler feed (Rs. 5.62 lakh) and transportation, *etc.* (Rs. 0.13 lakh). Accounts for the balance amount of Rs. 3.25 lakh had not been furnished by the Society. In addition, the Director paid (March 2004) Rs. 2.82 lakh to the Regional Pig/Poultry Breeding Farm for supply of 161 grower pigs (Rs. 1.76 lakh) and 7,040 numbers of day old broiler chicks (Rs. 1.06 lakh). Against this, 161 grower pigs (Rs. 1.76 lakh) and 868 numbers of 5-20 weeks age chicks (Rs. 0.62 lakh) valued at Rs. 2.38 lakh were supplied by the farm and the balance amount of Rs. 0.44 lakh was lying with the farm.

Since physical verification report regarding completion and functioning of the farms as well as report on supervision and monitoring of the farms by the Department could not be produced to Audit by the Director, a joint physical verification of the farm was conducted (May 2008) by Audit and Sub-divisional Officer (Technical), BAD in the presence of the village headman to ascertain the actual position. It was noticed during joint verification that

[6] Village authority means the authority of village committee who was to implement the scheme.

the farms were totally abandoned. The photographs given below would indicate the actual state of affairs of both the farms:

Abandoned Pig Farm at Tongseng



Abandoned Poultry Farm at Tongseng

Thus, failure of the Director to supervise and monitor the functioning of the farm for proper utilisation of the amount released to the Society from time to time led to abandonment of the farm by the Society thereby rendering the expenditure of Rs. 22.32 lakh wasteful.

The matter was reported to the Government in July 2008; reply had not been received (November 2008).

Undue Favour to Contractors

SOCIAL WELFARE DEPARTMENT

4.8 Undue financial benefit to a supplier

The Department extended undue financial benefit of Rs. 17.58 lakh to a supplier due to failure in restricting the payment judiciously.

The Director of Social Welfare invited (February 2005) quotations for supply of Corrugated Galvanised Iron (CGI) sheets for construction of 390 Anganwadi Centres (AWC). The supply order was placed (July 2005) on the lowest tenderer for supply of CGI sheets at his quoted rate of Rs. 13,000 per AWC. After receipt of supply order, the supplier requested the Director for enhancement of rate to Rs. 17,115 per AWC on the ground of increase in excise duty from 12.24 *per cent* (including education cess) to 16 *per cent* and 2 *per cent* education cess on excise duty with effect from 01 March 2005. Instead of negotiating with the supplier to reduce his rate in conformity with the increased rate of excise duty, the Director procured CGI sheets required for 390 AWCs at the rate of Rs. 17,115 per AWC and paid Rs. 70.35 lakh in March 2006. Considering the increased rate of excise duty, the rate of CGI sheets per AWC should have been restricted to a maximum Rs. 13,530[7] involving total expenditure of Rs. 52.77 lakh. Consequently, the supplier was allowed undue financial benefit of Rs. 17.58 lakh. Had the payment to the supplier been restricted judiciously, the amount of Rs. 17.58 lakh could have been utilised for the benefit of the rural populace.

The matter was reported to the Government in June and September 2008; reply had not been received (November 2008).

Idle/Unfruitful/Unproductive Expenditure

BORDER AREAS DEVELOPMENT DEPARTMENT

4.9 Unfruitful expenditure on construction of suspension foot bridge

Failure of the Department to complete a suspension bridge even after five years of the stipulated date of completion resulted in unfruitful expenditure of Rs. 17.74 lakh.

Under the BADP, the SLSC accorded (May 2002) approval for construction of a suspension foot bridge over river Umngot at Shnongpdeng village, Jaintia Hills District at a cost of Rs. 17.74 lakh. According to the guidelines of the

[7] Enhanced rate of excise duty: 16 *per cent* + 2 *per cent* education cess on 16 *per cent*= 16.32 *per cent* less 12.24 *per cent* = 4.08 *per cent*
Accepted rate of CGI sheet per AWC: Rs. 13,000 plus 4.08 *per cent* = **Rs. 13,530**

BADP issued (August 2000) by the Planning Commission, the schemes should be drawn up by the State Government after undertaking a study of the remote villages in the border blocks in order to assess the needs of the people and the schemes should be executed by the State Government, voluntary agencies, District Councils, traditional councils, *etc.*

Scrutiny (May 2008) of records of the Director, BAD revealed that the Director awarded (August 2002) the work to a Co-operative Society (Society) with the stipulation to complete the work within four months (December 2002). The Director released (August 2002 to December 2002) Rs. 5 lakh to the Chairman of the Society. The remaining amount of Rs. 12.74 lakh was released to the Chairman of the Society during February 2003 to December 2003. The work, however, could not be completed within the stipulated time schedule. Despite non-completion of the work even after release of the approved amount, the SLSC approved (May 2004) an additional amount of Rs. 13.76 lakh for the work on the basis of the estimate approved by the Chief Engineer. The additional amount was drawn by the Director in March 2005 and is lying unutilised in his bank account. The execution of the work, however, remained suspended since January 2004.

The Sub-divisional Officer of the Directorate of BAD stated (May 2008) that the work could not be completed due to dispute amongst the villagers and efforts were being made to solve the same. The reply is indicative of the fact that the scheme in question was taken up without taking the villagers into confidence and there was lack of initiative in solving the dispute amongst the villagers. This not only resulted in non-completion of the foot bridge even after five years of the stipulated date of completion, but also rendered the expenditure of Rs. 17.74 lakh unfruitful, besides blocking up of Rs. 13.76 lakh with the Director for over three years.

The Director stated (September 2008) that at present there was no dispute amongst the villagers and the Department had been considering implementation of the remaining works. The reply does not alter the fact that the suspension bridge scheduled to be completed in December 2002, remained incomplete till September 2008.

The matter was reported to the Government in July 2008; reply had not been received (November 2008).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.10 Idle expenditure

Non-functioning of the hospital despite completion of construction work and procurement of required material resulted in idle expenditure of Rs. 3.60 crore.

Mention was made in Paragraph 4.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 regarding extra expenditure of Rs. 51.76 lakh on construction of additional 200 bedded hospital at Shillong Civil Hospital complex. The construction work of the hospital, estimated to cost Rs. 2.91 crore, was administratively approved by the Government in March 2001.

Scrutiny (February 2007) of records of the Director of Health Services (DHS) and further information collected in June and August 2008 revealed that the construction of hospital building (including water supply) was completed in August 2006 at a cost of Rs. 3.60 crore. Besides, equipment, beds, linen, *etc.* worth Rs. 59.26 lakh were also procured (July 2006 to March 2007) by the DHS for the hospital, though payment was not made (July 2008) due to non-release of funds by the Government. Despite completion of the hospital building and procurement of the required material, the hospital could not be made functional due to non-availability of the required manpower. The proposal for sanction of requisite posts was sent to the Government by the Director in December 2005, which is yet to be approved. Meanwhile, the Government approved (August 2007) new norm of staffing pattern for the 600 bedded hospital (existing Shillong Civil Hospital: 400 beds; additional hospital attached to the Shillong Civil Hospital: 200 beds). The Director, however, sent the proposal for staff as per the new norm after a delay of one year, in July 2008, which was not sanctioned by the Government as of October 2008. Consequently, the existing civil hospital had been admitting at least 20 to 25 (average) patients a day in excess of its capacity (400 beds) by accommodating them in its corridor, despite having a completed hospital building of 200 bedded capacity.

Thus, due to inordinate delay on the part of the Director and the Government in taking a final decision about the actual requirement of posts for the hospital and sanction of the required posts, the extended hospital facility remained non-functional even after almost two years of completion. This not only showed the apathy of the Department in proper utilisation of the assets created for the health care of the populace but also rendered the expenditure of Rs. 3.60 crore idle, besides an undischarged liability of Rs. 59.26 lakh.

The matter was reported to the Government in August 2008; reply had not been received (November 2008).

PUBLIC WORKS DEPARTMENT

4.11 Idle expenditure on construction of roads

Failure of the Department to complete the bridges despite completion of the road works resulted in idle expenditure of Rs. 2.08 crore.

Scrutiny (December 2007 and June 2008) of records of the EEs, Umsning and Shillong South Divisions revealed the failure of the Public Works Department in completing two road works even after eight and 11 years of the stipulated date of completion, as discussed in the succeeding paragraphs. Details of the two works sanctioned are given in the table below:

Table 4.2

(Rupees in lakh)

Name of work	Name of Division	Estimated cost	Dates of administrative approval/ technical sanction	Stipulated date of completion	Up to date expenditure
Road from Mawlai-Umthlong on GS Road to Mawden and Nongpathaw via Umiam River and bridge over river Umiam (Phase I – 0-6th Km)	Umsning	167.00	March 1996/ September 1996	April 1997	164.60
Road from Laitkudoi to Laitlarem via Syiemlieh (L=2.730 Km)	Shillong South	47.33	March 1998/ September 1998	March 2000	43.78
	Total				**208.38**

Source: Administrative approval, technical sanction and progress report.

- The estimate of the first work mentioned above provided Rs. 66.47 lakh for construction of a 50 metre span built up girder (BUG) bridge at chainage 6,350 metre of the road. Though construction of the road (commenced in November 1998) was completed (September 2002) at a cost of Rs. 1.54 crore, the construction work of the BUG bridge, allotted to a contractor in January 1998, was not started by him on the ground of non-completion of the road up to the bridge point. Therefore, the contractor expressed (February 2001) his inability to execute the work as the rate quoted by him three years back was no longer workable. The work was, however, not re-allotted and remained suspended since October 2002.

After a lapse of over three years, the ACE submitted a revised estimate of the work (February 2006) to the Government enhancing the cost of the work to Rs. 3.44 crore, mainly due to increase in the cost of the bridge by Rs. 96.46 lakh. Though administrative approval to the revised estimate was accorded in March 2008 by the Government, the construction work of the bridge was yet to start (July 2008). Consequently, the road remained unutilised. Meanwhile, the EE incurred an expenditure of Rs. 10.32 lakh on stabilization of road and clearance of landslip, *etc.* till September 2007.

- The estimate of the second work provided Rs. 10 lakh for construction of a 20 metre span encased RS Joist Bridge at 1st kilometer of the road. The construction of the road (commenced in 1998-99) was completed in March 2005 at a cost of Rs. 43.78 lakh, except the bridge. Consequently, the road remained unutilised (June 2008). Despite the stipulation in clause 7 (i) of the administrative approval that no change of specification should be made for any item as provided in the sanctioned estimate, the Superintending Engineer, Shillong Eastern Circle directed (May 2001) the EE to change the specification of the bridge to 24.75 metre span RCC T-beam bridge because of the large volume of water. Though a revised estimate with provision for the RCC T-beam bridge at a cost of Rs. 31.94 lakh was forwarded (January 2004) to the Government, this was yet to be approved (June 2008). The EE stated (July 2008) that the necessity for change of the specification of the bridge was felt only after completion of the road formation work which was delayed due to shortage of blasting material/fund and that the delay in forwarding the revised estimate was due to delay in completion of the work. The reply is indicative of the fact that either the technical sanction was not based on proper survey or the decision of the SE was faulty.

Thus, failure of the Department to complete the bridges even after eight and 11 years respectively of the stipulated date of completion resulted in idle expenditure of Rs. 2.08 crore, since the roads are not being utilised. Inordinate delay in completion of the first work would also lead to a probable cost overrun of at least Rs. 96.46 lakh due to time overrun.

The matter was reported to the Government in June and August 2008; reply had not been received (November 2008).

Regularity Issues and Others

EDUCATION DEPARTMENT

4.12 Irregularities in implementation of computer education programme in schools

The Department incurred extra/unfruitful/idle expenditure of Rs. 88.19 lakh due to non-provision of basic infrastructure required for installation of computers and execution of a faulty agreement for imparting computer education/training to the students/teachers.

For imparting computer education to school children, the Eleventh Finance Commission (EFC) recommended an upgradation grant of Rs. 3.01 crore for setting up computer centres in all the seven districts of the State. The State Government sanctioned Rs. 3.01 crore (March 2001: Rs. 50 lakh; February 2004: Rs. 2.51 crore) to the Director of Higher & Technical Education (DHTE), Meghalaya for coverage of 36 schools in the State. The scheme was to be implemented during 2000-05.

The DHTE incurred an expenditure of Rs. 2.40 crore between August 2004 and January 2008 on procurement of 10 computers, peripherals, networking tools, software, *etc.* at a cost of Rs. 5.66 lakh for each of the 36 schools (Rs. 2.04 crore) and computer tables, almirah, stationery, *etc.* (Rs. 36.14 lakh). In addition, Rs. 61.20 lakh was paid (March 2005) to a Kolkata based firm (NIIT) engaged for providing computer education to the students of Classes V to XII and for imparting training to the teachers of these schools (at the rate of Rs. 1.70 lakh per school).

Scrutiny (August 2007) of records of the DHTE and further information received (January 2008) from the DHTE revealed the following irregularities:

- Out of 36 schools, installation of computers was completed in 32 (July 2004 to October 2005). Of the remaining, in one school, computers, peripherals, *etc.* could not be installed due to non-availability of power supply and training was also not imparted by the NIIT. Information regarding installation of computers in the remaining three schools was not on record. Consequently, the expenditure of Rs. 8.27 lakh incurred on computers, *etc.* and payment to the NIIT was unfruitful.

- The agreement executed (March 2005) with the NIIT provided for imparting computer education for 26 months from the date of signing the agreement instead of from the date of deployment of faculty at the schools. The faculty was deployed in 18 schools by the NIIT in May 2005 instead of in April 2005 and in eight schools during June 2005 to April 2006. Consequently, computer education was imparted to the students of these schools by the NIIT for 14 to 25 months, although Rs. 44.20 lakh was paid in advance to the firm for imparting training for 26 months. In another school, though Rs. 1.70 lakh was paid to the NIIT in advance, faculty was not provided, as the school had its own computer teachers. Due to execution of a faulty agreement, the Department could not restrict the payment to the NIIT for the actual period of training imparted by it and thus, incurred an avoidable extra expenditure of Rs. 6.34 lakh.

The DHTE admitted the facts and stated (January 2008) that the omission was due to oversight.

- Instead of a mandatory provision for imparting training to the teachers in all the 36 schools, the agreement executed with the NIIT provided for training a maximum of three teachers in each school, wherever feasible, during the agreement period, which expired in May 2007. Taking advantage of the flaw in the agreement, the NIIT imparted training to the teachers of only 22 schools. Thus, the expenditure of Rs. 73.58 lakh incurred on creation of infrastructure for computer education in 13 remaining schools (excluding one school which had computer teachers) was rendered idle due to lack of trained faculty.

The DHTE stated (January 2008) that these schools would be asked to engage computer trained persons to make use of the computers.

- Out of the expenditure of Rs. 2.04 crore incurred on procurement of computers, *etc.*, Rs. 9.97 lakh was meant for networking tools. For covering the internet as part of the syllabus, the agreement executed with the NIIT made it mandatory for the schools to obtain telephone and internet connection. Information regarding telephone and internet connection in the 36 schools was neither on record nor furnished by the DHTE. Physical verification (September 2008) of 10[8] out of 36 schools conducted by Audit team in the presence of the Principals of the schools concerned, however, revealed that neither internet connection was provided nor computer teachers were deployed in all these schools. In six of these schools, there was no separate computer

[8] Government Girls' HS School, Tura, Government Boys HS School, Tura, Tura Public School, Tura Town Deficit HS School, Ampati Government HS School, Sibbari Deficit Secondary School, Donbosco Secondary School, Baghmara, RM Girls' Secondary School, Baghmara, Dilma Apal Secondary School, Mendipathar and Resubelpara Government HS School.

room and in four schools, telephone connection was not provided. As such, utilisation of networking tools worth Rs. 9.97 lakh remained doubtful.

The matter was reported to the Government in July 2008; reply had not been received (November 2008).

FOREST AND ENVIRONMENT DEPARTMENT

4.13 Non-realisation of net present value of forest land

Forest land was diverted for non-forest purposes, without realising the net present value of Rs. 5.77 crore.

The Supreme Court ordered (September 2006) that the net present value (NPV) is payable in all cases of diversion of forest land for non-forest purposes under the Forest (Conservation) Act, 1980 for which final approval has already been granted on or after 30 October 2002 irrespective of the date of in-principle approval. The order of the Court was circulated by the Compensatory Afforestation Fund Management and Planning Authority (CAMPA) in October 2006 to all the States directing them to recover the NPV in all the cases covered by the said order. The rate of NPV prescribed by the Court was Rs. 5.80 lakh to Rs. 9.20 lakh per hectare.

Scrutiny of records of the Principal Chief Conservator of Forests, Meghalaya, Shillong (November 2007) revealed that 99.48 hectares of forest land in Jaintia Hills District was diverted for non-forest purposes by two user agencies in May 2003 and May 2004 on payment of Rs. 20.70 lakh towards the cost of compensatory afforestation. However, the Department did not raise the demand for NPV of Rs. 5.77 crore (calculated at the lowest rate of Rs. 5.80 lakh per hectare).

Thus, inaction of the Department to realise the NPV was not only contrary to the Forest (Conservation) Act, 1980 and the directives of the Apex Court, but also deprived it of the compensation of Rs. 5.77 crore on account of transfer of forest land for non-forestry purposes.

The matter was reported to the Government in June 2008; reply had not been received (November 2008).

General

4.14 Follow up action on Audit Reports

To ensure accountability of the executive to the issues dealt with in various Audit Reports, the Public Accounts Committee (PAC) issued instructions (July 1993) for submission of *suo motu* explanatory notes by the concerned administrative departments within one month of presenting the Audit Reports to the State Legislature. These instructions were applicable for the Reports from 1986-87 onwards. Review of outstanding explanatory notes on paragraphs included in the Reports of the Comptroller and Auditor General of India for the years from 1986-87 to 2005-06[9] revealed that the concerned administrative departments were not complying with these instructions. As of March 2008, *suo motu* explanatory notes on 237 paragraphs of these Audit Reports were outstanding from various departments.

The administrative departments were required to take suitable action on the recommendations made in the Report of the PAC presented to the State Legislature. Following the circulation of the Reports of the PAC, the departments were to prepare comments on action taken or proposed to be taken on the recommendations of the PAC and submit the same to the Assembly Secretariat. The PAC specified the time frame for submission of such ATNs as six weeks up to 32nd Report of the PAC and six months in 33rd Report. Review of 13 Reports of the PAC involving 14 departments (containing recommendations on 52 paragraphs of Audit Reports) presented to the Legislature between April 1995 and December 1997 (10 reports), in June 2000 (one report), April 2005 (one report) and April 2007 (one report) revealed that none of these departments sent the ATN to the Assembly Secretariat as of September 2008. Thus, the fate of the recommendations contained in the said reports of the PAC and whether they were being acted upon by the administrative departments could not be ascertained in audit.

The matter was reported to the Government in October 2008; reply had not been received (November 2008).

4.15 Lack of response to Audit

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

Nine Audit Committee meetings were held during 2007-08 wherein 617 audit paragraphs relating to transactions of civil departments were discussed and 329 paragraphs settled.

At the end of March 2008, 828 IRs involving 2,570 paragraphs pertaining to the period 1986-87 to 2008 were outstanding.

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(9) Audit Report for the year 2006-07 was placed before the State Legislature on 12 May 2008.

Lack of response to Audit indicated inaction against the defaulting officers, and facilitated continuation of serious irregularities and loss to Government even after being pointed out in audit.

It is recommended that the Government look into this matter and revamp the system to ensure proper response to the audit observations from the departments in a time bound-manner.

CHAPTER V

INTEGRATED AUDIT OF GOVERNMENT DEPARTMENTS

Integrated audit of Sericulture and Weaving Department

CHAPTER V : INTEGRATED AUDIT OF GOVERNMENT DEPARTMENTS

SERICULTURE AND WEAVING DEPARTMENT

5.1 Integrated Audit of Sericulture and Weaving Department

The Sericulture and Weaving Department is responsible for improvement of the performance of two traditional village and cottage industries of the State, viz., sericulture and handloom weaving. While the Department was able to improve its performance in some areas, there was a significant shortfall in achievement of targets under various activities. Evaluation of the activities undertaken by the Department was not done and as such, the impact of these activities remained unassessed. A review of the functioning of the Department revealed the following.

Highlights

The Department failed to utilise 12 to 100 *per cent* of funds provided by the GOI during 2005-08 indicating ineffective implementation of the schemes.

(Paragraph 5.1.9.2)

There was a huge shortfall in production of disease free layings, reeling cocoons and mulberry raw silk valued at Rs. 10.18 crore during 2003-08.

(Paragraph 5.1.10.1)

During 2003-08, Rs. 5.17 crore was incurred on salaries, wages, *etc.* of officers/staff of Sericulture farms, while the total sales during the period was mere Rs. 8.85 lakh.

(Paragraph 5.1.10.2)

Despite utilisation of 65 *per cent* (Rs. 64.26 lakh) available funds, only 16,595 sqm of handloom fabrics valued at Rs. 16.09 lakh were produced against the target of 3.5 lakh sqm.

(Paragraph 5.1.11.3)

5.1.1 Introduction

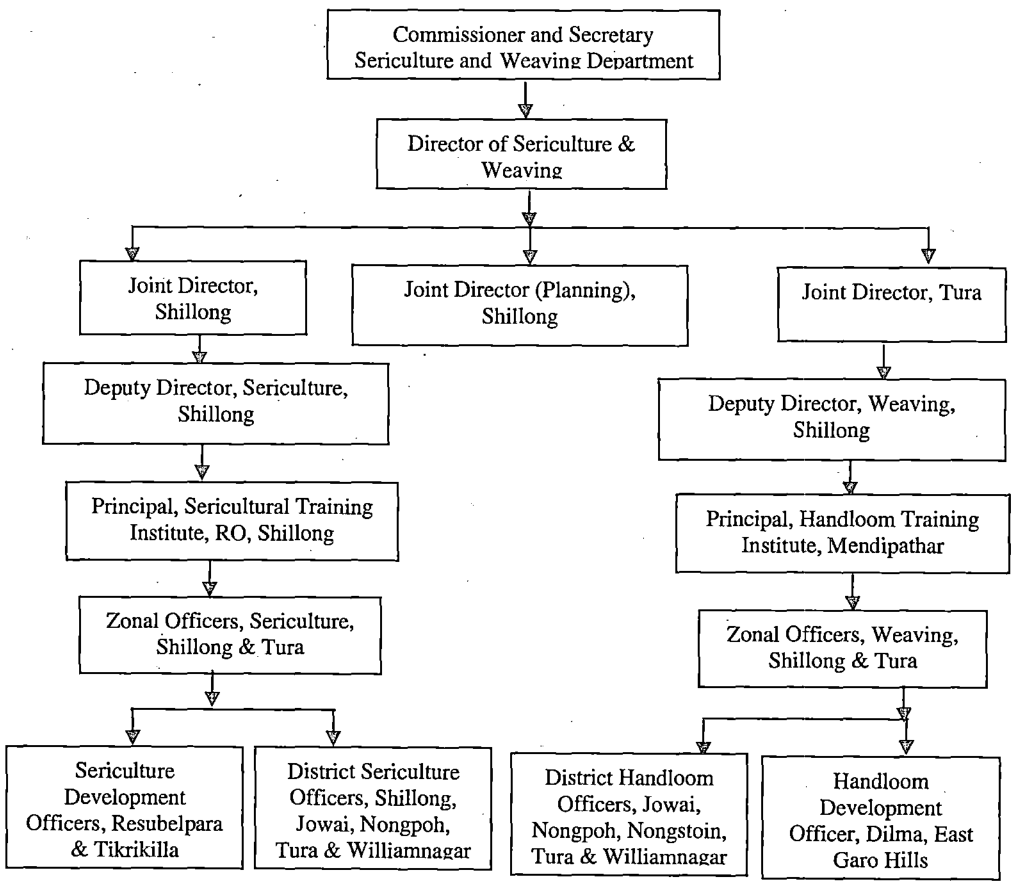
Sericulture and handloom weaving are two traditional village and cottage industries of the State. The main objective of these industries is to promote the sericulture farmers and handloom weavers for production of silk and handloom fabrics in the rural areas through some broad based programmes, training, establishment of extension and demonstration centres for providing technical support to the farmers and weavers and maintenance of silkworm basic seeds in the Departmental sericulture farms. The thrust areas of the sericulture sector are cocoon and silk production by development of systematic and economic plantation at farmers level, so as to enhance the productivity per unit area through implementation of need based schemes such as integrated eri, mulberry and muga development programmes. Under handloom weaving sector, various need based schemes are implemented to step up production of best quality handloom fabrics so as to promote the socio-economic upliftment of the poor weavers.

During 2003-08, the Department had six mulberry farms, four eri farms, two muga farms, four reeling units and 34 handloom production centres.

5.1.2 Organisational Set-up

The Commissioner and Secretary of the Sericulture and Weaving Department is responsible for overseeing the implementation of various schemes in these sectors. The organisational structure for implementation of the schemes in the State is detailed below:

Chart 5.1



5.1.3 Scope of Audit

The functioning of the Department during 2003-08 was reviewed in audit through a test-check (June-August 2008) of the records of the Director of

Sericulture & Weaving (Director), 14[1] out of 23 units in seven districts, eight out of 12 sericulture farms and 15 out of 34 handloom centres covering 66 *per cent* (Rs. 41.69 crore) of the total expenditure (Rs. 63.32 crore).

5.1.4 Audit Objectives

The audit objectives were to assess whether:

- the objectives of the Department were achieved;
- adequate funds were provided by the Central/State Governments and funds were utilised for the intended purpose;
- the targets fixed for various components were achieved;
- schemes were implemented economically and effectively and as per the prescribed norms; and,
- implementation of schemes was monitored effectively and evaluated periodically.

5.1.5 Audit Criteria

Audit findings were benchmarked against the following criteria:

- Budget manual and Sanction orders for funds;
- Meghalaya Treasury Rules, 1985;
- Procurement procedure prescribed;
- Training arrangement; and,
- Prescribed monitoring mechanism.

5.1.6 Audit Methodology

Before taking up the integrated audit, an entry conference was held (July 2008) with the Director of Sericulture and Weaving, wherein the audit objectives, criteria and methodology were explained. Field units under the Directorate of Sericulture and Weaving covering all the seven districts in the State were selected for detailed scrutiny on the basis of probability proportionate to size with replacement method. Audit findings were discussed (November 2008) with the Director in an exit conference and the replies of the Department have been incorporated in the report at appropriate places.

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[1] Zonal Officers, Weaving, Shillong & Sericulture, Tura, District Sericulture Officers, Shillong, Nongpoh, Jowai & Tura, District Handloom Officers, Nongpoh, Jowai, Tura & Baghmara, Principals, Handloom Training Institute, Mendipathar & Sericultural Training Institute, Ummulong, Sericulture Development Officers, Resubelpara & Tikrikilla.

5.1.7 Audit Findings

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

5.1.8 Planning

Proper planning is imperative for achieving the objectives of the programme undertaken by the Department in a systematic and efficient manner. Annual action plan for the schemes to be implemented, is prepared by the Department for submission to the State Planning Department and schemes are implemented as per the approved annual action plan.

5.1.9 Financial Management

5.1.9.1 Budget provision and expenditure

According to the Budget Manual, no supplementary demand will be accepted by the Finance Department unless it is accompanied by a specific statement to the effect that the existing provision under the appropriate Grant has been examined and it has been found that there will be no saving available therefrom to meet the present need. The Controlling Officers (CO) were to surrender to the Finance Department all savings anticipated in the budget latest by 15th March. The Commissioner & Secretary of the Department and the Director are responsible for budgeting.

Budget provision *vis-à-vis* expenditure during the last five years ending March 2008 was as under:

Table 5.1

(Rupees in crore)

Year	Section	Budget provision			Actual expenditure	Savings (Percentage)	Amount surrendered	Unsurrendered savings (Percentage)
		Original	Supplementary	Total				
2003-04	Revenue	11.79	0.06	11.85	9.08	2.77 (23)	2.16	0.61 (22)
	Capital	0.50	-	0.50	-	0.50 (100)	0.50	-
2004-05	Revenue	11.58	0.57	12.15	10.72	1.43 (12)	1.00	0.43 (30)
	Capital	0.50	-	0.50	-	0.50 (100)	-	0.50 (100)
2005-06	Revenue	12.94	0.09	13.03	12.38	0.65 (5)	1.21	-
	Capital	-	-	-	-	-	-	-
2006-07	Revenue	15.18	0.24	15.42	13.73	1.69 (11)	1.79	-
	Capital	-	-	-	-	-	-	-
2007-08	Revenue	20.57	1.16	21.73	17.41	4.32 (20)	4.39	-
	Capital	-	-	-	-	-	-	-
Total	**Revenue**	**72.06**	**2.12**	**74.18**	**63.32**			
	Capital	**1.00**	**-**	**1.00**	**-**			

Source: Appropriation accounts for the years 2003-08.

A review of the budget provision and expenditure during the last five years ending March 2008 revealed that budgeting was unrealistic and lacked credibility in view of the persistent and substantial savings, as discussed below:

- There were persistent savings ranging from five to 100 *per cent* in all the years during 2003-08. Wide variations between budget provision and actual expenditure indicated flaws in budgeting particularly during 2003-04 and 2007-08 where the underutilisation in revenue section was 23 and 20 *per cent* respectively. The Director stated (September 2008) that the savings were due to non-filling up of vacant posts. Persistent savings year after year, however, did not justify the reply because this aspect should have been anticipated while framing the budget estimates for the subsequent years.

- During 2003-04, 22 *per cent* of the savings available under revenue section were not surrendered. Similarly, during 2004-05, 30 *per cent* and 100 *per cent* of savings available under revenue and capital sections respectively were not surrendered. In contrast, surrender of savings during 2005-08 exceeded the available savings. Failure of the controlling officer (Director) to surrender the savings, and surrender of savings in excess of the available savings indicated poor budget and expenditure management.

- Every year supplementary provisions were obtained under the revenue section without justification, as the savings at the end of the year were more than the supplementary provisions. During 2003-08, savings of Rs. 10.55 crore were surrendered by the controlling officer. Yet supplementary provision of Rs. 2.12 crore was obtained. Clearly, there was no justification for the demand for supplementary provision, indicating absence of analysis of the fund requirement.

5.1.9.2 Delay in release of Central funds and non-utilisation of available funds

During 2003-08, one Centrally Sponsored Scheme and three Central Sector Schemes were being implemented in the State. Of the total amount (Rs. 7.40 crore) released by the GOI, Rs. 4.60 crore was utilised by the Department as of March 2008.

There was an inordinate delay in release of Central funds by the State Government during 2003-08, as detailed below:

Table 5.2

(Rupees in lakh)

Year	Amount released by the GOI	Month and year of release	Purpose	Month and year of release by State Government	Delay (in months)
2003-04	80.05	March 2003	Catalytic Development Programme (CDP) and Workshed-cum-Housing	March 2004	12
2004-05	87.38	March 2004	CDP	March 2005	12
2005-06	172.76	April 2005	CDP	March 2006	10
2006-07	181.79	May 2006	CDP	March 2007	9
2007-08	218.46	December 2007 and January-February 2008	Integrated Handloom Development Cluster Programme, Health Package, Workshed–cum-Housing & CDP	March 2008	1 - 3
Total	**740.44**				

Source: Information furnished by the Director.

As can be seen above, during 2003-08, Central funds received during the previous years were released by the State Government to the Department in the following March. Release of funds at the fag end of the year left the Department with little time to utilise the funds within that financial year.

Out of Rs. 5.73 crore released during 2005-08, Rs. 3.37 crore was utilised during May 2006 to July 2008 (Rs. 1.52 crore), August 2007 (Rs. 1.41 crore) and June-July 2008 (Rs. 0.44 crore). The balance amount of Rs. 2.36 crore was lying unutilised in the form of bankers' cheques since August 2007 (Rs. 0.40 crore), June 2008 (Rs. 1.75 crore) and July 2008 (Rs. 0.21 crore). The unutilised funds during 2005-08 ranged between 12 *per cent* to 100 *per cent*. Failure in utilisation of the available Central funds indicated ineffective implementation of the schemes for which funds were released.

The Director stated (November 2008) that the delay in release of funds and the consequent delay in implementation of schemes was due to lengthy procedure followed by Planning and Finance Departments. The reply is not acceptable because all the procedural formalities should have been completed well in time so as to avoid delay in implementation of the schemes.

In addition to the delay in release of the Central funds by the State Government, there was a delay of over a year in expending the funds by the Department.

Audit scrutiny revealed the following further shortcomings:

- Central funds of Rs. 5.73 crore released by the State Government to the Department in March 2006 (Rs. 1.73 crore), March 2007 (Rs. 1.82 crore) and March 2008 (Rs. 2.18 crore), were initially parked by the Department in "8443 - Civil Deposit". The amount was withdrawn from the civil deposit during the subsequent year, of which, Rs. 3.37 crore was utilised as of October 2008, leaving the balance of Rs. 2.36 crore in the form of banker's cheque. Similarly, an amount of Rs. 24.83 lakh released by the State Government in January 2006 (Rs. 12.42 lakh) and March 2007 (Rs.12.41 lakh) for construction of office building, were retained in "Civil Deposit" in March of the respective year. The amounts were withdrawn from the civil deposit after two-three months and remained unutilised as of August 2008 in the form of banker's cheque. This was contrary to the State Treasury Rules, 1985, which prohibit drawal of money in anticipation of demand or to prevent lapse of budget grants.

- The Director had been retaining heavy cash balance ranging from Rs. 41.47 lakh to Rs. 2.85 crore at the end of each month during 2007-08 contrary to Rule 211 of the the Meghalaya Treasury Rules, 1985 (MTR), which prohibits drawal of money from the Treasury without immediate requirement. Besides, the drawing and disbursing officer had never analysed the closing balance nor recorded any certificate of physical cash verification in the cash book contrary to Rule 103 of the Meghalaya Financial Rules, 1981. Failure to maintain the cash book as per prescribed provisions was not only indicative of serious deficiency in financial control but was also fraught with the risk of fraud or misappropriation.

The Director stated (October 2008) that retaining of heavy cash was unavoidable in view of pending paper works. The reply is indicative of the casual approach of the Director in observing the Rules.

5.1.10 Programme Implementation

Sericulture sector

5.1.10.1 Shortfall in achievement of targets

The activities of the Department are centred around the production of mulberry, eri and muga disease-free layings, mulberry and muga reeling cocoons and raw silk in the respective farms. During 2003-08, the Department had been implementing seven plan schemes[2] for the development of these activities. Despite incurring an expenditure of Rs. 5.79 crore on the implementation of these schemes against the allocation of Rs. 6.80 crore, the performance of the concerned farms was far from satisfactory, which would be evidenced from the position discussed below.

Table 5.3: Mulberry, Eri and Muga disease free layings

(Number in lakh)

Year	Mulberry			Eri			Muga		
	Target	Achievement	Shortfall (*Per cent*)	Target	Achievement	Shortfall (*Per cent*)	Target	Achievement	Shortfall (*Per cent*)
2003-04	3.90	2.92	0.98 (25)	45.35	42.41	2.94 (7)	6.40	5.62	0.78 (12)
2004-05	5.50	1.31	4.19 (76)	54.42	44.00	10.42 (19)	6.72	5.28	1.44 (21)
2005-06	5.55	1.75	3.80 (68)	27.21	34.80	(+) 7.59	7.70	5.70	2.00 (26)
2006-07	6.00	1.62	4.38 (73)	37.89	30.72	7.17 (19)	13.02	6.22	6.80 (52)
2007-08	6.50	1.08	5.42 (83)	38.00	21.15	16.85 (44)	14.00	7.67	6.33 (45)
Total	**27.45**	**8.68**		**202.87**	**173.08**		**47.84**	**30.49**	

Source: Information furnished by the Director.

Table 5.4: Mulberry and muga reeling cocoons

Year	Mulberry (Unit in kg)			Muga (number in lakh)		
	Target	Achievement	Shortfall (*Per cent*)	Target	Achievement	Shortfall (*Per cent*)
2003-04	36,900	21,429	15,471 (42)	384.30	289.91	94.39 (25)
2004-05	66,150	21,771	44,379 (67)	403.52	253.71	149.81 (37)
2005-06	66,150	19,971	46,179 (70)	443.88	269.04	174.84 (39)
2006-07	67,000	10,625	56,375 (84)	919.54	290.47	629.07 (68)
2007-08	70,000	13,682	56,318 (80)	840.00	432.15	407.85 (49)
Total	**3,06,200**	**87,478**		**2,991.24**	**1,535.28**	

Source: Information furnished by the Director.

[2] Intensive Development of Mulberry Silk Industry, Intensive Organisation of Muga Silk Industry, Strengthening of Silk reeling Unit, Integrated Mulberry Silk Development Programme, Integrated Muga Silk Development Programme, Intensive Development of Eri Silk Industry and Integrated Eri Silk Development Programme.

Table 5.5: Mulberry and Muga Raw silk

(In kilogram)

Year	Mulberry			Muga		
	Target	Achieve-ment	Shortfall (*Per cent*)	Target	Achieve-ment	Shortfall (-)/ Excess (+) (Percentage)
2003-04	2,820	170	2,650 (94)	905	335	- 570 (63)
2004-05	6,218	492	5,726 (92)	921	85	- 836 (91)
2005-06	4,410	913	3,497 (79)	8,880	4371	- 4,509 (51)
2006-07	4,467	709	3,758 (84)	2,285	5082	+ 2,797 (122)
2007-08	5,000	926	4,074 (81)	2,500	8643	+ 6,143 (246)
Total	**22,915**	**3,210**		**15,491**	**18,516**	

Source: Information furnished by the Director.

- During 2003-08, percentage shortfall in achievement of targets in the production of mulberry disease free layings ranged between 25 and 83 *per cent*.
- Shortfall in production of eri disease free layings during the period ranged between 7 and 44 *per cent* and that of muga disease free layings between 12 and 52 *per cent*.
- During 2003-08, the shortfall in production of mulberry reeling cocoons reached the level of 84 *per cent*. Production of muga reeling cocoons during the period also fell short of the target ranging between 25 and 68 *per cent*.
- While the total production of muga raw silk during 2003-08 exceeded the target mainly due to sharp increase in production during 2006-08, in the case of mulberry raw silk, the shortfall in achievement of target was acute and ranged between 79 and 94 *per cent* (overall shortfall of 86 *per cent*).

The financial implication of shortfall in production of disease free layings, reeling cocoons and raw silk is listed below:

- The financial impact of shortfall in production of mulberry, eri and muga disease free layings during 2003-08 was Rs. 19.71 lakh, Rs. 17.87 lakh and Rs. 52.05 lakh respectively.
- Likewise, the financial impact of shortfall in production of mulberry and muga reeling cocoons during 2003-08 was Rs. 1.31 crore and Rs. 5.61 crore respectively.
- The financial impact of overall shortfall in achievement of target of mulberry raw silk was Rs. 2.36 crore.

Despite failure in achievement of the targets for production of disease-free layings, reeling cocoons and raw silk year after year, the Department had not taken any remedial measures to achieve the target.

During the exit conference, the Director stated that the shortfall in achievement of the targets was due to difficulty in rearing of silk worms, unfavourable climatic conditions, susceptibilities to diseases during rainy season, poor quality of leaves, usage of old machinery and outdated technology. The explanation provided by the Department is not valid as (i) difficulty in rearing of silk worms is a known fact, (ii) the Department could have procured better quality leaves and (iii) it was the responsibility of the Department to replace the old machinery and adopt latest technology, considering that the Department had sufficient budget provisions during 2003-08, as brought out in paragraph 5.1.9.1.

5.1.10.2 Performance of Sericulture farms

Scrutiny of records of eight farms[3] revealed poor performance in production during 2003-08 as detailed below:

Table 5.6

Name of the Sericulture farm	Production of Disease Free Layings (Numbers in lakh)		
	Target	Achievement	Shortfall (*Per cent*)
Government Sericulture Farm, Tura	3.63	0.18	3.45 (95)
Eri Silk Farm, Bonegiri	9.20	0.48	8.72 (95)
Muga Farm, Umsohpieng	2.67	0.14	2.53 (95)
Foreign Race Seed Station, Mawdymmai	4.45	0.75	3.70 (83)
Regional Foreign Race Seed Station, Ummulong	4.47	0.85	3.62 (81)
Government Sericulture Farm, Ummulong	4.50	1.06	3.44 (76)
Eri Silk Farm, Kdiap	10.88	3.26	7.62 (70)
Sericulture farm, Shillong	7.15	3.88	3.27 (46)
Total	**46.95**	**10.60**	

Source: Information furnished by the Director, Sericulture & Weaving.

The total production of disease free layings in these farms during 2003-08 was 10.60 lakh against the target of 46.95 lakh. During the period, the shortfall in achievement of target on these farms ranged between 46 *per cent* and 95 *per cent.* Government Sericulture Farm, Tura, Eri Silk Farm, Bonegiri and Muga Farm, Umsohpieng were mainly responsible for such huge shortfall in production of disease free layers followed by Regional Foreign Race Seed Station, Mawdymmai and Ummulong, Government Sericulture Farm, Ummulong and Eri Silk Farm, Kdiap, where the shortfall in production ranged between 70 *per cent* and 95 *per cent.*

The Department incurred Rs. 5.17 crore on payment of salaries, wages, *etc.*, to the officers/staff of these farms during 2003-08, while the total sales during this period were only Rs. 8.85 lakh. The total expenditure on salaries and wages contributed 8.16 *per cent* of the expenditure of the Department during the review period.

[3] Mulberry farms: five, Eri farms: two; Muga farms: one.

5.1.10.3 Excess utilisation of mulberry reeling cocoons in production of raw silk

According to norms fixed by the Central Silk Board, 15 kg of mulberry reeling cocoons are required for production of one kg mulberry raw silk. Details showing the quantity of reeling cocoons utilised for production of raw silk during 2003-08 are given below:

Table 5.7

(Quantity in kg and Rupees in lakh)

Year	Quantity of raw silk produced	Quantity of reeling cocoons required as per norm	Quantity of reeling cocoons consumed	Excess quantity of cocoons utilised	Quantity of cocoons consumed for production of one kg silk	Value of cocoons utilised in excess of requirement (@ Rs. 60 per kg)
2003-04	170	2,550	21,429	18,879	126	11.33
2004-05	492	7,380	21,771	14,391	44	8.63
2005-06	913	13,695	19,971	6,276	22	3.77
2006-07	709	10,635	10,625	-	15	-
2007-08	926	13,890	13,682	-	15	-

Source: Information furnished by the Deputy Director, Weaving.

As can be seen from the above table, during 2003-06, the Department utilised 22 kg to 126 kg of reeling cocoons for production of one kg silk against the norm of 15 kg. However, during 2006-08, the Department was successful in producing raw silk with the use of reeling cocoons almost as per the prescribed norm. Use of reeling cocoons beyond the prescribed norm in production of raw silk during the year 2003-06 was due to use of inferior quality cocoons, which resulted in use of excess quantity of cocoons valued at Rs. 23.73 lakh.

During the exit conference, the Director admitted that excess quantity of cocoons had to be utilised due to inferior quality of cocoons and stated that the unfavourable climate, old machinery and use of outdated technology were the other reasons for shortfall in production of raw silk.

5.1.11 Handloom sector

5.1.11.1 Targets and achievement

The Department spent Rs. 3.41 crore against the allocation of Rs. 3.52 crore during 2003-08. During the period, the Department had been implementing four plan schemes[4] for the development of handloom industries. Targets for production of handloom fabrics during 2003-08 fixed by the Department and achievement thereagainst are given below:

[4] Intensive Development of Handloom Fabrics, Integrated Development of Silk Weaving Technology Programme, Modernisation of Handloom Industries and Integrated Handloom Industries.

Table 5.8

(lakh sqm)

Year	Target	Achievement	Shortfall (-)/ Excess (+) (*Per cent*)
2003-04	90	75.79	14.21 (16)
2004-05	91	67.41	23.59 (26)
2005-06	65	64.26	0.74 (1)
2006-07	84	98.49	+ 14.49 (17)
2007-08	98	100.54	+ 2.54 (3)

Source: Physical target and achievement report.

As can be seen from the above table, the production of handloom fabrics exceeded the target fixed during 2006-08, while it was below the target during 2003-06. However, scrutiny revealed that the targets were fixed on the basis of achievement of previous years' target rather than taking into account the infrastructure related to production.

5.1.11.2 Special rebate on sale of handloom cloth

To help the handloom organisations and societies in selling their merchandise and augment their marketing efforts, the Union Ministry of Textiles introduced (August 2002) a scheme for reimbursement of a one time special rebate at the rate of 10 *per cent* to these organisations/societies on the sale of handloom cloth. One of the conditions for reimbursement was production of a certificate to the effect that the rebate for which reimbursement had been claimed, had actually been given on the sale of handloom cloth. The Joint Director, Planning-cum-Monitoring, Sericulture & Weaving submitted (February 2007) a proposal to the GOI for reimbursement of Rs. 59 lakh being the 10 *per cent* rebate to 10 private organisations[5] for sale of their stock amounting to Rs. 5.90 crore, with a certificate that all the conditions of the scheme had been complied with. The GOI sanctioned (March 2007) financial assistance of Rs. 59 lakh to the State Government for reimbursement of rebate, which was paid to the concerned organisations/ societies in April 2008.

The certificate to the effect that the special rebate had been given to the customers had been recorded in all the proposals of these organisations, which was signed by the Auditor. The statements of purchase and sale submitted by the organisations/societies concerned do not indicate any element of rebate allowed. Records, such as cash book, sale register and receipt book, in support of sale of products allowing rebate by the organisations, though called for (July-August 2008), were not produced to Audit. According to the Director (August 2008), these records were not properly maintained by the organisations concerned. In the absence of basic records indicating the quantum of rebate actually given to the customers, it is not clear how the Department has arrived at the amount reimbursable to these organisations.

[5] Umtungkut Women Organisation, Telsora Youth Club, Khoraibari Women Social Welfare Organisation, Weikut Women Organisation, Chibak Women Welfare Association, Rongdonggai Women Organisation, Noyapara Women Organisation, Moheshkhola Women Welfare Organisation, Mahila Samiti Club Nekora Ading and Women Club Village Adingiri.

The Director stated (November 2008) that the statement of purchases and sale perhaps did not require mention of rebate. The reply is not acceptable as it was the responsibility of the Department to ensure the amount of rebate actually been given to the customers before forwarding the claim of reimbursement. There are possibilities of excess reimbursement than actual rebate given to the customer.

5.1.11.3 Unproductive expenditure on production of handloom items

The scheme "Supply of handloom fabrics to Government institutions" (total cost: Rs. 1.59 crore) had been approved (December 2004) by the State Cabinet with the objective of ensuring development of handloom industry in the State through the production of 1.75 lakh sqm of handloom items (bed sheets, bed covers, curtains, furnishings) per year for supply to the Government institutions. The Government sanctioned Rs. 99.10 lakh[6] for the purpose.

It was, however, noticed that out of Rs. 99.10 lakh sanctioned by the Government, the Director incurred an expenditure of Rs. 64.26 lakh[7] during 2006-07 (Rs. 44.60 lakh) and 2007-08 (Rs. 19.66 lakh) leaving an unutilised balance of Rs. 34.84 lakh in the form of bankers' cheque. Despite utilisation of 65 *per cent* of the available funds, only 16,595 sqm of handloom items valued at Rs. 16.09 lakh were produced during 2006-08 against the target of 3.5 lakh sqm. The produced quantity also was not sold to the Government institutions due to the failure of the Department in constituting the Board for fixation of sale price. Reasons for huge shortfall in production were not on record.

Thus, failure of the Department in producing the targeted quantity of handloom items as well as in utilisation of the available funds not only resulted in unproductive expenditure of Rs. 64.26 lakh and blocking of Rs. 34.84 lakh but also frustrated the objective of development of the handloom industry.

During the exit conference, the Director accepted the facts and stated (November 2008) that production was in progress and the items would be sold once the rate is fixed. The Director further stated that the scheme had not yet been fully implemented and the shortfall in production was due to non-procurement of yarn. The fact that could not be denied is that the Department had failed in achievement of the stated objective due to its failure to procure the required raw material for effective implementation of the scheme. Further, delay in fixation of sale price has led to unnecessary piling up of 16,595 sqm of handloom items. Deterioration in the condition of the items due to long storage could not be ruled out.

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6 March 2007: Rs. 49.10 lakh; October 2007: Rs. 24.77 lakh; March 2008: Rs. 25.23 lakh.

7 Purchase of equipment: Rs. 36.29 lakh; Vehicle: Rs.5 lakh; Repair of work shed: Rs. 3.23 lakh; Payment of grants-in-aid to the production centre: Rs. 18.37 lakh; Professional and special services, hospitality, *etc.*: Rs. 1.37 lakh.

5.1.11.4 Payments to the contractor on hypothetical measurement of works

According to Rule 237 of the Meghalaya Financial Rules, 1981, all works executed and supplies made should be measured before payment is made and the details of measurement recorded in the Measurement Book (MB) would form the basis of all accounts of quantities.

The work "Construction of RCC Office Building for District Handloom Officer at Nongstoin", estimated to cost Rs. 9.78 lakh, was administratively approved by the Government in March 2007. The work had been awarded (October 2007) to the contractor at his offered cost of Rs. 9.78 lakh stipulating the date of completion as June 2008. The work was completed in March 2008 at a cost of Rs. 9.78 lakh.

The estimate of the work provided for execution of earthwork in excavation, steel reinforcement, cement concrete, brick works, *etc*. These were to be measured at different stages during the course of execution of the work. However, measurements were taken only after the completion of the work (25 March 2008) and recorded in the MB. The action of the Department in not taking the measurement of the quantities of material as and when these were incorporated in the work and non-recording in the MB, was in violation of the laid down rules.

During the exit conference, the Director stated that though measurements were taken at different stages, these were not recorded in the MBs. The reply is not acceptable because no measurements were taken before the completion of the work.

5.1.12 Non-functioning of handloom and weaving centres

According to the information furnished (September 2008) by the Deputy Director, Weaving, there were 71 handloom and weaving centres in the State under the Department, of which 11 centres in West Garo Hills District were not functioning since 2002-03 due to lack of infrastructure. But, as per the information furnished by the District Handloom Officer, West Garo Hills, Tura, 30 centres of the District were not functioning. Further information received from other districts also disclosed that five more centres were also not functioning in the State thereby increasing the non-functional centres to 35. As such, the Deputy Director, Weaving, being the nodal officer at the departmental level, was not even aware of the ground reality. Though these centres were not functioning, the Department continued to deploy staff in these centres and incurred an expenditure of Rs. 3.89 crore during 2003-08 towards their pay and allowances which was largely unproductive. No action, however, was taken by the Department for the revival of these centres. The District Officers stated during audit that the staff of the non-functioning centres were deployed for field activities. The reply is not acceptable because there was no overall shortage of staff. Further, there is a need to assess the utility of these centres in view of the emerging facts and take appropriate decision.

5.1.13 Performance of Training Institutes

There are two Training Institutes in the Department, *viz.* Sericultural Training Institute, Ummulong and Handloom Training Institute, Mendipathar tasked with imparting training to the farmer/artisans to improve their skills in the use of modern technology. This apart, the institutes impart inservice training to the departmental personnel. No annual training calendar was being framed. During 2003-08, the Department incurred Rs. 1.85 crore, on the operation and maintenance of these institutes. As per the information furnished (August 2008) by the Principal, Sericultural Training Institute, Ummulong and Acting Principal, Handloom Training Institute, Mendipathar, training was imparted to 68 and 150 personnel respectively, during 2003-08 against the target of 75 and 153.

Both the institutes had been functioning without adequate faculty. While there was no regular Principal and instructors (all the three sanctioned posts were vacant) in the Handloom Training Institute, the Sericultural Training Institute had been functioning with a shortage of three out of four sanctioned posts of instructors. Considering the absence of regular Principal and instructors, doubt arises on the quality of training imparted by these institutes.

The Director stated (November 2008) that training calendar was being prepared at Principals' level and this would be done from the Directorate level in future.

5.1.14 Internal control mechanism

Internal controls provide reasonable assurance to the management that organisational objectives are achieved, financial interests, assets and other resources of the organisation are safeguarded and reliable information is available in a timely manner. An evaluation of the internal control system in the Department revealed weaknesses in the existing internal control system leading to deficiencies in financial management, absence of analysis and physical verification of closing balances, lack of coordination between the directorate and field offices about non-functioning centres, inadmissible payments and payments to contractors on hypothetical measurements, manpower management, *etc.* as pointed out in paragraphs 5.1.8, 5.1.11.2, 5.1.11.4 and 5.1.12 above. Further, though production of disease free layings, reeling cocoons and raw silk by the farms were the main activities of the Department, there was no separate monitoring cell to oversee the functioning of these farms.

5.1.15 Monitoring and evaluation

Effective monitoring system is a pre-requisite for a Department for its smooth functioning and achievement of its targets and objectives. The Department had no system to monitor the functioning of its field units and activities and production in the farms. There was no prescribed procedure for submission of periodic reports to the Directorate regarding achievement of targets in production from the field units. The reasons for poor performance of the field level units in achieving targets were neither analysed nor remedial measures initiated. The performance of the Department had never been evaluated and thus, the overall impact of the activities taken up by the Department remained largely unassessed.

The Director stated (August 2008) that evaluation could not be carried out due to financial constraints and that, the matter regarding creation of monitoring cell would be taken up with the Government. The reply is not tenable because availability of adequate funds was not a constraint as the Department failed to utilise the available budget provisions year after year.

5.1.16 Conclusion

The objectives of the Department to promote the sericulture farmers and handloom weavers and ensure their socio economic upliftment remained largely unachieved because of significant shortfall in production of mulberry, eri and muga disease free layings, mulberry and reeling and mulberry raw silk. The Department could not absorb the available funds provided by the GOI and the State Governments. Maintenance of 35 non-functional handloom and weaving centres had burdened the State exchequer due to payment of salaries to staff engaged in these centres. There were cases of wasteful and unproductive expenditure due to misrepresentation of facts and non-production of the targeted quantity of handloom items respectively. The overall performance of the Department was far from satisfactory.

5.1.17 Recommendations

On the basis of the shortcomings pointed out in the foregoing paragraphs, the following recommendations are made for streamlining the functioning of the Department:

- **Timely release and proper utilisation of funds with reference to the planned activities should be made mandatory.**
- **Effective steps should be taken to revamp the functioning of the sericulture farms to increase the production as per target.**
- **Action should be taken for revival of non-functioning handloom and weaving centres.**
- **Monitoring mechanism should be strengthened and the impact of the activities should be periodically assessed.**

The matter was reported to the Government in September 2008; reply had not been received (November 2008).

CHAPTER VI

REVENUE RECEIPTS

CHAPTER VI : REVENUE RECEIPTS

6.1 General

6.1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Meghalaya during the year 2007-08, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

Table 6.1

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
I.	**Revenue raised by the State Government**					
	• Tax revenue[1]	177.68	207.73	252.67	304.74	319.10
	• Non-tax revenue	128.95	133.49	146.01	184.37	199.35
	Total I:	**306.63**	**341.22**	**398.68**	**489.11**	**518.45**
II.	**Receipts from Government of India**					
	• State's share of divisible Union taxes	225.08	269.04	350.57	447.18	564.07
	• Grants-in-aid	867.12	935.87	997.69	1,205.90	1,358.86
	Total II:	**1,092.20**	**1,204.91**	**1,348.26**	**1,653.08**	**1,922.93**
III.	**Total receipts of the State Government**	**1,398.83**	**1,546.13**	**1,746.94**	**2,142.19**	**2,441.38**
IV.	**Percentage of I to III**	**21.92**	**22.07**	**22.82**	**22.83**	**21.24**

The above table indicates that during the year 2007-08, the revenue raised by the State Government was 21.24 *per cent* of the total revenue receipts (Rs. 2,441.38 crore) against 22.83 *per cent* in the preceding year. The balance 78.76 *per cent* of receipts during 2007-08 was from the Government of India.

6.1.2 The non-plan grants received by the State from the Government of India during 2003-04 to 2007-08 are mentioned below:

Table 6.2

(Rupees in crore)

Year	Amount of non-plan grants
2003-04	329.33
2004-05	360.82
2005-06	406.03
2006-07	472.47
2007-08	461.02

The share of non-plan grants during 2007-08 was 33.93 *per cent* of the total grants-in-aid received from the Government of India. Compared to 2003-04, the non-plan grants of the State increased by 39.99 *per cent* mainly due to

[1] Excluding share of net proceeds of taxes and duties assigned to the State.

increase in receipt of non-plan revenue deficit grants from Rs. 304.20 crore in 2003-04 to Rs. 393.24 crore in 2007-08.

6.1.3 The following table presents the details of tax revenue raised during the period from 2003-04 to 2007-08:

Table 6.3

(Rupees in crore)

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	Sales tax	83.37	106.35	159.65	187.78	216.89	(+) 15
	Central sales tax	26.76	19.84	13.72	28.04	18.01	(-) 36
2.	State excise	52.80	62.70	59.16	53.95	58.62	(+) 9
3.	Stamps and registration fees	3.37	4.56	5.48	6.49	5.99	(-) 8
4.	Taxes and duties on electricity	0.03	0.03	0.04	0.03	0.03	...
5.	Taxes on vehicles	5.52	7.45	8.73	9.34	11.35	(+) 22
6.	Taxes on goods and passengers	2.02	2.66	2.76	2.79	3.58	(+) 28
7.	Other taxes on income and expenditure – taxes on professions, trades, callings and employments, *etc.*	0.97	1.02	1.17	9.52	1.47	(-) 85
8.	Other taxes and duties on commodities and services	2.35	2.83	1.63	1.22	1.04	(-) 15
9.	Land revenue	0.49	0.29	0.33	5.58	2.12	(-) 62
	Total	**177.68**	**207.73**	**252.67**	**304.74**	**319.10**	**(+) 5**

The following reasons for variations were reported by the concerned departments:

Sales tax: The increase was attributed to receipts under tax on motor spirits and lubricants, trade tax and other receipts.

State excise: The increase was attributed to receipts under country fermented liquors, malt liquor, *etc.*

Taxes on vehicles: The increase was attributed to receipts under the State Motor Vehicles Taxation Act.

Other taxes on income and expenditure: The decrease was attributed to less receipts under taxes on profession, trades, callings and employment.

Land revenue: The decrease was attributed to decrease in receipt under land revenue tax.

The other departments did not inform the reasons for variation, despite being requested (October 2008).

6.1.4 The following table presents the details of major non-tax revenue raised during the period 2003-04 to 2007-08:

Table 6.4

(Rupees in crore)

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	Interest receipts	5.61	7.75	6.67	13.36	15.38	(+) 15
2.	Dairy development	1.18	1.25	0.79	0.13	0.04	(-) 69
3.	Forestry and wildlife	11.77	14.62	15.30	16.66	15.60	(-) 6
4.	Non ferrous mining and metallurgical industries	86.18	90.26	97.56	109.03	123.66	(+) 13
5.	Miscellaneous general services (including lottery receipts)	8.55	4.22	7.92	17.96	18.98	(+) 6
6.	Education, sports, arts and culture	0.80	0.45	0.55	0.91	0.53	(-) 42
7.	Medical and public health	0.62	0.61	0.70	1.08	0.56	(-) 48
8.	Co-operation	0.84	0.56	0.57	0.38	0.93	(+) 145
9.	Public works	3.66	5.10	4.33	5.11	4.24	(-) 17
10.	Police	1.42	2.26	3.65	3.54	1.48	(-) 58
11.	Other administrative services	0.91	0.75	1.21	8.91	3.58	(-) 60
12.	Other agricultural programmes	0.69	0.49	0.61	0.82	0.34	(-) 59
13.	Crop husbandry	1.57	1.76	1.99	2.21	2.38	(+) 8
14.	Animal husbandry	1.23	1.22	1.32	1.56	1.47	(-) 6
15.	Others	3.92	2.19	2.84	2.71	10.18	(+) 276
	Total	**128.95**	**133.49**	**146.01**	**184.37**	**199.35**	**(+) 8**

The following reasons for variations were reported by the concerned departments:

Interest receipts: The increase was attributed to realisation of more interest from investments.

Non-ferrous mining and metallurgical industries: The increase was attributed to increase in receipts under mineral concession fees, rents and royalties.

Police: The decrease was attributed to decrease in receipts under fees, fines and forfeitures, Arms Act and other receipts.

Other administrative services: The decrease was attributed to less receipts of fines and forfeitures under administration of justice.

Forestry and wildlife: The decrease was attributed to less receipts on sale of timber and other forest produce.

The other departments did not inform the reasons for variation, despite being requested (October 2008).

6.1.5 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for the year 2007-08 in respect of the principal heads of tax and non-tax revenue are mentioned below:

Table 6.5

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
1.	Land revenue	0.37	2.12	(+) 1.75	473
2.	Sales tax	233.16	234.90	(+) 1.73	1
3.	State excise	71.58	58.62	(-) 12.96	18
4.	Stamps and registration fees	7.92	5.99	(-) 1.93	24
5.	Taxes and duties on electricity	0.05	0.03	(-) 0.02	40
6.	Taxes on vehicles	10.56	11.35	(+) 0.79	7
7.	Forestry and wildlife	17.85	15.60	(-) 2.25	13
8.	Non-ferrous mining and metallurgical industries	121.43	123.66	(+) 2.23	2
9.	Taxes on goods and passengers	5.70	3.58	(-) 2.12	37

The concerned departments did not inform the reasons for variations despite being requested (October 2008).

6.1.6 Cost of collection

The gross collection in respect of principal revenue receipt heads, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2005-06 to 2007-08 along with the all India average percentage of expenditure on collection for 2007-08 are mentioned below:

Table 6.6

(Rupees in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2006-07
1.	Sales tax	2005-06	173.37	3.22	1.85	0.82
		2006-07	215.82	3.58	1.65	
		2007-08	234.89	4.09	1.74	
2.	State excise[2]	2005-06	59.16	3.45	5.83	3.30
		2006-07	53.96	3.95	7.32	
		2007-08	58.62	4.42	7.54	
3.	Taxes on vehicles	2005-06	8.73	2.29	26.23	2.47
		2006-07	9.34	2.41	25.80	
		2007-08	11.35	6.57	57.89	
4.	Stamp duty and registration fees[2]	2005-06	5.48	0.47	8.57	2.33
		2006-07	6.49	0.54	8.32	
		2007-08	5.99	0.60	10.02	

Thus, the percentage of expenditure on collection during 2007-08 as compared to the all India average percentage for 2006-07 was higher in the case of sales

[2] Figure as furnished by the department.

tax, state excise, taxes on vehicles and stamp duty and registration fees which the Government needs to look into.

6.1.7 Arrears in assessments

The details of assessments pending at the beginning of the year 2007-08, cases due for assessment during the year and cases disposed during the year and number of pending cases at the end of the year, as furnished by the department in respect of sales tax and taxes on motor spirits are mentioned below:

Table 6.7

Names of tax	Opening balance of cases pending assessment	Cases due for assessment during the year	Total assess-ment due	Cases finalised during the year	Balance cases pending at the end of the year	Percen-tage of column 5 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales tax/Central sales tax/Luxury tax	2,03,261	77,471	2,80,732	2,932	2,77,800	1.04
Motor spirits tax	7,566	3,317	10,883	153	10,730	1.41
Total	**2,10,827**	**80,788**	**2,91,615**	**3,085**	**2,88,530**	**1.06**

Thus, the percentage of pending cases at the end of 2007-08 was 98.93. Immediate action needs to be taken by the Government to finalise the pending assessment cases.

6.1.8 Arrears of revenue

The arrears of revenue as on 31 March 2008 in respect of some principal heads of revenue amounted to Rs. 56.07 crore of which Rs. 24.82 crore was outstanding for more than five years as mentioned below:

Table 6.8

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2008	Amount outstanding for more than five years as on 31 March 2008
1.	Sales tax	22.86	17.12
2.	Motor spirits	0.30	-
3.	Other taxes	16.45	7.66
4.	Environment and forests	3.55	-
5.	State excise	12.87	-
6.	Land Revenue	0.04	0.04
	Total	**56.07**	**24.82**

The position of arrears of revenue at the end of 2007-08 in respect of Motor Vehicle Taxes, Geology and Mining and State Lottery was not furnished, despite being requested (October 2008).

6.1.9 Results of audit

Test check of the records of sales tax, state excise, motor vehicles tax, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2007-08 revealed underassessment/short/non-levy/loss of revenue amounting to Rs. 236.31 crore in 107 cases. During the year, the departments accepted assessments/short/non levy/loss of revenue of Rs. 27.16 crore in 35 cases pointed out during 2007-08 and in earlier years, and recovered Rs. 8 lakh. Reply has not been received in respect of the remaining cases (October 2008).

This chapter contains 41 paragraphs and one review involving Rs. 824.67 crore. The departments accepted audit observations involving Rs. 727.97 crore against which no recovery has been made. Audit observations with a total revenue effect of Rs. 39.26 crore have not been accepted by the departments, but their contention have been found to be at variance with the facts or legal position and these have been appropriately commented upon in the relevant paragraphs. No reply has been received in the remaining cases (October 2008).

6.1.10 Failure to enforce accountability and protect interest of the Government

The Accountant General (Audit), Meghalaya, Shillong conducts periodic inspection of the various offices of the Government departments to test check the correctness of assessments, levy and collection of tax and non-tax receipts, and verify the maintenance of accounts and records as per the Acts, Rules and procedures prescribed by the Government. These inspections are followed by inspection reports (IRs) issued to the heads of offices inspected with copies to the higher authorities. Serious irregularities noticed in audit are also brought to the notice of the Government/head of the department by the office of the Accountant General (Audit), Meghalaya, Shillong. A half yearly report regarding pending IRs is sent to the Secretaries of the concerned Government departments to facilitate monitoring and settlement of audit observations raised in these IRs through the intervention of the Government.

IRs issued upto December 2007 pertaining to the offices under sales tax, state excise, land revenue, motor vehicles tax, passengers and goods tax, other taxes, forest, stamps and registration, state lottery, geology and mining departments disclosed that 270 IRs involving money value of Rs. 1,013.97 crore remained unsettled at the end of June 2008. Of these, 62 IRs containing 122 observations involving money value of Rs. 32.21 crore had not been settled for more than five years.

In respect of 15 IRs involving money value of Rs. 10.54 crore issued upto March 2008, even the first reply required to be received from the department/Government has not been received (October 2008).

The report regarding position of old outstanding IRs/paragraphs was reported to the Government in July 2008; their reply has not been received (October 2008).

6.1.11 Response of the departments to draft paragraphs

The draft paragraphs are forwarded to the Secretaries of the concerned departments through demi official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the departments is invariably indicated at the end of each such paragraph included in the Audit Report.

Out of 41 audit paragraphs and one review included in this chapter to which the replies of the secretaries to the Government were requested for by Audit between May 2008 and June 2008, they furnished replies to only one paragraph and one review upto September 2008. The remaining 40 paragraphs have been included without the response of the Government.

6.1.12 Recovery of revenue of accepted cases

During the years 2002-08 the departments/Government accepted audit observations involving Rs. 1,586.31 crore of which only Rs. 4.79 crore had been recovered till September 2008 as mentioned below:

Table 6.9

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2002-03	153.02	83.28	0.26
2003-04	276.79	3.20	0.26
2004-05	83.32	23.02	0.24
2005-06	262.43	10.90	0.05
2006-07	6,847.81	736.18	3.98
2007-08	829.85	729.73	-
Total	**8,453.22**	**1,586.31**	**4.79**

The above table indicates that amount recovered was only 0.30 *per cent* of the accepted amount. Recovery of such meagre amount reflects apathy on the part of the departments/Government in prompt recovery of Government dues.

6.1.13 Follow up on Audit Report – summarised position

To ensure accountability of the executive in respect of all the issues dealt with in the various Audit Reports, the Public Accounts Committee (PAC) issued instructions in July 1993 for submission of *suo motu* replies by the concerned departments from 1986-87 onwards. The PAC specified the time frame as six weeks upto 32[nd] Report and six months in the 33[rd] Report for submission of action taken notes (ATN) on the recommendations of the PAC.

A review of outstanding ATNs as of September 2008 on the paragraphs included in the Reports of the Comptroller and Auditor General of India disclosed that the departments of the State Government had not submitted *suo motu* explanatory notes on 199 paragraphs of Audit Reports for the years from 1992-93 to 2006-07 in respect of revenue receipts as mentioned below:

Table 6.10

Year of Audit Report	Date of presentation of the Audit Report to the Legislature	Number of paragraphs/reviews included in the Audit Report		Number of paragraphs/reviews for which *suo motu* replies are awaited	
		Paragraphs	Reviews	Paragraphs	Reviews
1992-93	16 September 1994	6	...	6	...
1993-94	08 September 1995	8	...	...	...
1994-95	20 September 1996	10	...	4	...
1995-96	07 April 1997	14	2	3	2
1996-97	12 June 1998	21	1	17	1
1997-98	09 April 1999	8	1	1	...
1998-99	12 April 2000	8	1	8	1
1999-2000	07 December 2001	23	2	22	2
2000-01	01 April 2002	20	1	18	1
2001-02	20 June 2003	25	...	8	...
2002-03	11 June 2004	30	1	30	1
2003-04	14 October 2005	29	...	27	...
2004-05	27 March 2006	23	...	5	...
2005-06	19 April 2007	33	1	6	1
2006-07	12 May 2008	34	3	32	3
Total		**292**	**13**	**187**	**12**

The departments failed to submit ATN on 29 out of 30 paragraphs pertaining to revenue receipts for the years from 1982-83 to 1997-98 on which recommendations had been made by the PAC in their 16th to 33rd Reports presented before the State Legislature between December 1988 and June 2000, as mentioned below:

Table 6.11

Year of Audit Report	Number of paragraphs on which recommendations were made by the PAC but ATNs are awaited	Number of PAC Report in which recommendations were made
1982-83	2	16th
1984-85	9	26th 19th
1987-88	1	26th
1988-89	1	20th
1989-90	1	20th
1990-91	11	26th 20th
1991-92	3	26th 20th
1997-98	1	33rd
Total	**29**	

Thus, failure by the concerned departments to comply with the instructions of the PAC, defeated the objective of ensuring accountability of the executive.

6.1.14 Audit committee meetings

During the year 2007-08, one Audit Committee Meeting in respect of Taxation Department was held in which 53 IRs having 149 paragraphs were discussed. Of these, 30 IRs and 77 paragraphs involving money value of Rs. 22.27 crore were settled.

SECTION 'A' : REVIEW

TAXATION DEPARTMENT

6.2 Working of Taxation Check Post

Highlights

Lack of control of check post authorities on import/dispatch of goods through the check posts resulted in loss/non-realisation of revenue of Rs. 9.72 crore.

(Paragraph 6.2.8)

Failure of the unit offices/assessing officers to maintain way bill/road permit registers and to take cognizance of the way bills/road permits received from the check posts at the time of finalising the assessments resulted in evasion of tax of Rs. 35.14 crore remaining unnoticed.

(Paragraph 6.2.10)

Due to absence of co-ordination between the check posts of the Taxation Department and the Directorate of Mineral Resources there was non-realisation of revenue of Rs. 13.95 crore.

(Paragraph 6.2.11)

Failure of the department to erect check posts at strategic locations resulted in loss of revenue of Rs. 11.13 crore.

(Paragraph 6.2.12)

Non-detection of excess load by the check posts resulted in loss/non-levy of composition money of Rs. 351.19 crore.

(Paragraph 6.2.16)

Out of 12,36,033 vehicles carrying consignments meant for other states entering the State, 1,77,833 vehicles did not cross through the exit check post resulting in loss of revenue of Rs. 20.51 crore.

(Paragraph 6.2.17)

6.2.1 Introduction

Under the Meghalaya Sales Tax Act, the State Government may, by notification, set up and erect, check posts and barriers at any place in the State with a view to prevent the evasion of tax. The Government of Meghalaya has set up 17 sales tax check posts at various strategic points along its border with the neighbouring states between July 1979 and May 1994. Of these, eight were declared non-functional in 1997. The working of sales tax check posts is regulated under the provisions of the Meghalaya Sales Tax Act, Meghalaya Finance (Sales Tax) Act, and Meghalaya Purchase Tax Act upto 30 April 2005 and thereafter under the Meghalaya Value Added Tax (MVAT) Act, 2003 and Rules made thereunder.

The officer-in-charge of the checkpost exercises and discharges his duties by way of inspection of documents produced; counter signature of way bills; collection of information relating to goods carried; interception, detention and search of vehicle, if required; imposition and collection of tax, fine and penalty; issue of transit pass in respect of vehicles belonging to other states passing through Meghalaya; maintenance of movement register of vehicles; sending copies of road permits/way bills to the concerned unit offices and submission of periodic reports and returns to the Commissioner of Taxes (COT) and the Government of Meghalaya.

A review of working of taxation check gates in Meghalaya revealed a number of system and compliance deficiencies which have been discussed in the succeeding paragraphs.

6.2.2 Organisational set up

The COT is the administrative head of the Taxation Department who is assisted by a Deputy Commissioner of Taxes (DCT) and an Assistant Commissioner of Taxes (ACT). At the field level, the Superintendents of Taxes (ST)/Inspectors of Taxes (IT) in-charge of the check gates are entrusted with the work of verification of way bills, road permits, invoices, challans, consignment notes, tax clearance certificates *etc.* accompanying the vehicles carrying taxable goods. The STs/ITs are assisted by other inspectors and checkers for verification of document accompanying the vehicles, recording particulars of goods in movement register and other ancillary works relating to collection of revenue and transmission of road permits/waybills *etc.* to the respective assessing authority.

6.2.3 Audit objectives

The review was conducted with a view to ascertain

- the overall efficiency and effectiveness of the system/mechanism in preventing evasion of taxes;
- extent of compliance of Acts, Rules, executive orders; and
- adequacy and effectiveness of the internal control mechanism.

6.2.4 Scope of audit

The review was conducted through test-check of records for the years 2002-03 to 2006-07 of the COT and nine[1] check posts. Records of all the 11 district STs were examined and cross-checked with the records of the Director of Mineral Resources (DMR), Meghalaya between November 2007 and May 2008. Selection of the assessment records was made after dividing the number of records in four groups (strata) on the basis of gross turnover[2] of the dealers. 100, 50, 40 and 10 *per cent* of assessment records were selected from the first, second, third and fourth strata respectively. Weightage was also given to the units where the concentration of dealers dealing with coal and lime was high since Meghalaya is a major producer of these two minerals.

6.2.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Taxation Department in providing necessary information and records for audit. The audit findings were reported to the Government on 30 June 2008 and discussed in the Audit Review Committee meeting on 12 September 2008. Response of the Government to the audit observations have been appropriately incorporated in the review.

Audit findings

6.2.6. Trend of revenue

The collection of revenue at the check posts and percentage thereof to the revenue collected by the Sales Tax Department during the year 2002-03 to 2006-07 are mentioned below:

Table 6.12

(Rupees in crore)

Year	Revenue collected by the Sales Tax Department	Revenue collected at check posts	Percentage of revenue collection at checkpost
2002-03	87.20	4.90	5.62
2003-04	110.13	7.65	6.95
2004-05	126.19	9.11	7.22
2005-06	173.37	4.28	2.47
2006-07	215.82	4.37	2.02

Thus, the revenue collected by the Sales Tax Department constantly increased which indicates that there was increase in movement of goods vehicles through the check post. However, the collection of revenue at check posts decreased significantly from 7.22 *per cent* in 2004-05 to 2.02 *per cent* in 2006-07. Although the reasons for shortfall in collection of revenue at the

[1] Athiabari, Bajengdoba, Byrnihat, Dainadubi, Gorampani, Mendipathar, Tikrikila, Umkiang and Umsiang.

[2] Rs. 10 crore and above – 100 *per cent*, five crore and above but below Rs.10 crore – 50 *per cent*, Rs. 1 crore and above but below Rs.5 crore - 40 *per cent* and below Rs. 1 crore – *10 per cent.*

check posts has not been intimated, yet, failure of the check post authorities to check the way bills/road permits of the vehicles and abysmally low percentage of physical verification of vehicles which ranged between 1.50 and 1.63 *per cent* were certainly among the contributing factors which also highlighted lack of control of the check post authorities on the movement of goods vehicles.

System deficiencies

6.2.7 Deployment of staff in check posts

The Government of Meghalaya, Taxation Department set up 17 check posts between 19 July 1979 and 2 May 1994. Out of the above, seven check posts set up primarily to monitor the movement of timber were closed in 1997 following a ban imposed on timber felling by the Supreme Court and one check post was merged with another check post.

Efficient functioning of a field formation depends upon the proper deployment of staff and work load is an important factor in assessment of man power for each unit and has considerable impact on the efficiency of the officials. The responsibility for determination of staff requirement, their deployment and effective utilisation in each check post rests with the COT. Audit scrutiny revealed that there was no system of periodic analysis of manpower deployment in the check posts. While in busy check posts, an IT was checking almost 142 vehicles a day, 12 ITs were posted in defunct check posts or in some gates where less than one vehicle passed during the day. This anomaly in posting of ITs not only had a detrimental impact on the efficiency of the ITs but also pointed towards poor management of the available staff strength. Deficiencies noticed in deployment of manpower are mentioned below:

6.2.7.1 During the period of review, the deployment of staff against movement of vehicles was as under:

Table 6.13

Sl. No.	Name of the checkgate	Number of staff deployed		Number of vehicles crossed the check posts	Number of vehicles checked by each IT per day[3]
		ITs	Checkers		
1.	Umkiang	3	5	7,78,692	142
2.	Byrnihat	12	18	19,02,755	87
3.	Dainadubi	3	8	2,62,257	48
4.	Athiabari	2	6	33,400	9
5.	Garampani	2	4	30,898	8
6.	Bajengdoba	2	3	13,457	4
7.	Tikrikilla	2	3	4,229	1
8.	Mendipathar	2	3	1,382	0.38
9.	Umsiang	1	4	16	0.009

Thus, the number of vehicles checked per day by each IT varied between 0.009 and 142. Due to absence of a system of need based analysis of the manpower deployment at regular intervals, the department remained oblivious of the wide variation between the figures of vehicles checked by each IT. This negated the scope of optimum utilisation of the available manpower.

[3] Total no. of vehicles/5 x 365 x no. of ITs = No of vehicles checked by each IT.

6.2.7.2 Scrutiny of the records relating to the sanctioned strength of officers and staff in taxation check posts during the period 2002-03 to 2006-07 revealed that 12 ITs and 18 checkers had been shown as deployed in the defunct check posts. Further, setting up of check post at Umsiang through which only 16 vehicles had passed during five years was unjustified.

After the cases were pointed out, the Government while admitting the facts stated in September 2008 that IT of Umsiang checkpost had been withdrawn and re-deployed in another check post where the volume of work was more. The reply was silent about redeployment of staff from other defunct check posts.

The Government may consider making it mandatory to review the deployment of manpower in each check post on the basis of work load at regular intervals for optimum utilisation of the available staff strength. The personnel posted at the defunct check posts may immediately be shifted to the other check posts having shortage of staff. They may also review the requirement of the check post at Umsiang.

6.2.8 Verification of way bills/road permits of goods vehicles

Under the taxation laws of Meghalaya, any person who seeks to transport any goods by road is required to furnish to the officer-in-charge of the check post, a declaration, in the prescribed form *i.e.* road permit and way bill in triplicate containing the prescribed particulars. The officer-in-charge, on being satisfied about the correctness of the particulars furnished in the declaration, shall countersign all copies of the declaration. Two copies of declaration are to be retained at the check post and one is required to be sent to the concerned ST, where the person is registered, for checking the particulars furnished in the road permits/way bills with reference to the accounts/records of the dealers. Further, if the officer-in-charge of the check post is not satisfied with the documents accompanying the vehicle, he is required to search the vehicle and inspect all the goods and the documents. Under the Meghalaya Sales Tax Act, where any goods in movement are without documents, the officer-in-charge of the check post may accept by way of composition a sum of money not exceeding Rs. 1,000 or double the amount of tax whichever is greater. However, under the MVAT Act, the officer-in-charge shall levy penalty equal to five times the amount of tax leviable on such goods or 20 *per cent* of the value of the goods, whichever is higher. Audit scrutiny revealed that there was lack of control on movement of vehicles through the check posts as is evidenced by non-detection of import/dispatch of goods made by the dealers without submitting way bills/road permits to the check post authorities. A few cases of cross verification conducted in audit revealed the following deficiencies.

6.2.8.1 In purchase tax circle, Shillong, 18 dealers made interstate sale of lime stone valued at Rs. 30.45 crore between April 2002 and December 2006. But, these dealers neither obtained tax clearance certificate from the assessing officer nor presented any declaration in the form of way bills before the officer-in-charge of the check post. The movement of taxable goods was also not recorded in the register of outgoing vehicles. Consequently, penalty/composition money of Rs. 19.44 crore leviable in these cases was not levied. It was further noticed that nine out of 18 dealers having turnover of Rs. 1.18 crore had already closed down their business resulting in loss of revenue of Rs. 17.14 lakh.

6.2.8.2 During the years 2005-06 and 2006-07, 3,455 consignments of taxable goods (betelnut, lime stone, glass) of nine unregistered dealers valued at Rs. 1.43 crore crossed the Bajengdoba checkpost. But, the officer-in-charge of the check post did not intercept these cases and levy penalty on the erring dealers. This resulted in loss of revenue of Rs. 39.03 lakh.

After the cases were pointed out, the Government agreed to investigate the matter. Further reply has not been received (October 2008).

6.2.8.3 Cross check of the records of the Byrnihat checkpost with those of the Khanapara taxation check post (Assam) revealed that a registered dealer imported 19 consignments of goods valued at Rs. 3.18 crore during 2004-05 out of which only three consignments valued at Rs. 50 lakh were recorded in the Byrnihat check post in Meghalaya. Failure of the check post authorities to detect the remaining 16 consignments involving goods valued at Rs. 2.68 crore led to non-realisation of tax of Rs. 32.24 lakh.

6.2.8.4 Cross verification of the records of the ST Guwahati, Assam with those of the Byrnihat and Dainadubi checkposts revealed that six dealers imported 657 consignments of taxable goods valued at Rs. 18.03 crore through two taxation check posts between 2002-03 and 2006-07 by utilising eight declaration in form 'C'. Of this, goods valued at Rs. 16.76 crore were imported without utilising road permits/way bills. No entry was recorded in the incoming vehicle movement registers of the concerned check posts. This resulted in non-levy of penalty of Rs. 8.84 crore.

6.2.8.5 Scrutiny of the records revealed that the enforcement branch of COT detected 675 offence cases between April 2004 and March 2007 and collected revenue of Rs. 34.26 lakh from the transporters for import of taxable goods without valid documents. However, these cases escaped notice of the Byrnihat check post authorities and were subsequently intercepted by the enforcement branch.

Thus, due to absence of control of check post authorities on movement of vehicles, the goods imported without road permits/way bills could not be detected. As a result, the very purpose of erecting check posts was frustrated and checkpost authorities failed to impose and realise tax and penalty in the above cases.

The Government may issue specific instruction for verification of the transit documents of each and every vehicles passing through the check posts. Accountability may be fixed in case of passage of vehicles without submission of documents in the check posts.

6.2.9 Physical verification of goods vehicles

The COT, Meghalaya in 1979 prescribed norms of physical verifications of 10 *per cent* goods vehicles passing through the check post every day. During the course of the review, it was seen that the department did not have any infrastructure for loading and unloading, weighbridges, godowns and manpower in any of the check posts which are essential for carrying out physical verification.

Scrutiny of the records revealed that though 27 lakh vehicles crossed five check posts[4] during 2002-03 to 2006-07, only 42,086 vehicles were physically verified. The percentage of vehicles checked varied from1.50 to 1.63 *per cent* as shown below:

Table 6.14

Year	Number of goods vehicles passed through the check-posts	Number of vehicles physically verified	Percentage of vehicles checked
2002-03	5,30,364	8,660	1.63
2003-04	5,34,104	8,047	1.51
2004-05	5,28,848	7,951	1.50
2005-06	5,44,262	8,322	1.53
2006-07	5,62,937	9,106	1.62
Total	**27,00,515**	**42,086**	**1.56**

Thus, against prescribed norms of 10 *per cent,* only 1.56 *per cent* of the total number of vehicles passing through the check gates could be checked. This was mainly due to lack of infrastructure for loading and unloading, weighbridges, godowns and shortage of man power.

After these cases were pointed out, the Government while admitting the facts stated in September 2008 that in absence of basic infrastructure like bye lane for parking of vehicles, loading and un-loading facilities *etc*., the physical verifications as per norms could not be undertaken. However, all the cases had been sent to concern STs for verification and necessary action. Recovery of tax has not been intimated.

The Government may consider making it mandatory for the check posts to carry out physical verification of 10 *per cent* of the vehicles. Logistical support for carrying out the physical verification may also be provided in the interest of Government revenue.

6.2.10 Co-ordination between check posts and unit offices

Under the taxation laws of Meghalaya, a person transporting taxable goods for interstate sale shall produce the valid tax clearance certificate and way bill to the officer-in-charge of the check post who shall send these to the concerned assessing officer (AO). Besides, statements showing the details of way bills/road permits sent to the unit offices are also required to be endorsed to

[4] Bajengdoba, Byrnihat, Mendipathar, Tikrikilla and Umkiang. Remaining four checkposts did not furnish the details of physical verification report.

the COT for record and further monitoring. Each unit office shall maintain a register in form 4 for recording way bills received for verification and the result of such verification. As soon as a way bill is received by a unit office, it shall forthwith be entered in the register and passed to the concerned IT within three days for verification. The IT shall return the way bill to the unit office within seven days from the date of receipt after recording the result of verification on the body of the way bill. The task of maintenance of the register shall ordinarily be entrusted to the IT. The AO will cross verify the particulars in the way bill with the records of the dealer at the time of making assessment. Audit scrutiny revealed that there was lack of co-ordination between the check posts and the unit offices. It was noticed that though the check post authorities have send the copies of way bills/road permits to the unit offices, neither any action was taken by the IT to enter the particulars of the way bills/road permits in the prescribed registers and record the results of verification on the body of the way bills/road permits, nor did the AOs cross verify the particulars of the way bills/road permits while finalising the assessments. Also, the monitoring mechanism was weak as the statements received from the check posts were left unattended in the office of the COT and also no periodic report/return has been prescribed to be furnished by the STs to the COT mentioning the details of road permits/way bills received from the check gates during the month and action taken on these. Scrutiny also revealed that only four out of 11 unit offices maintained waybills/road permit registers and one ST maintained these registers partially. Due to these system defects, the following cases of evasion of tax were noticed during the course of review.

6.2.10.1 In Byrnihat check post, it was noticed that, 49 dealers of Shillong and Jowai sold coal valued at Rs. 428.85 crore to dealers in Guwahati, Assam in the course of interstate trade or commerce during 2002-03 to 2006-07. Cross verification of assessment records of these dealers revealed that turnover of Rs. 27.39 crore only was assessed. Though the way bills/road permits were sent to the unit offices by the check post, due to non-maintenance of way bill register, turnover of Rs. 401.46 crore escaped assessment resulting in evasion of tax of Rs. 32.12 crore.

6.2.10.2 In ST, Shillong it was noticed that, in 56 cases, the AO determined taxable turnover of Rs. 44.35 crore for the period between April 2002 and March 2005 and assessed the dealers accordingly between October 2003 and December 2007. Cross verification of road permits of the concerned dealers revealed that these dealers actually imported taxable goods valued at Rs. 58.47 crore. Thus, non-verification of the way bills/road permits resulted in short determination of turnover of Rs. 14.86 crore and consequently evasion of tax of Rs. 1.50 crore. Besides, maximum penalty of Rs. 2.25 crore was also leviable.

6.2.10.3 Cross verification of the records of Umkiang check post with the assessment records of 13 dealers revealed that 1,14,897 MT of coal valued at Rs. 16.95 crore were dispatched in the course of interstate trade or commerce to Cachar (Assam) and Tripura through Umkiang check post during the years 2005-06 and 2006-07. The dealers did not disclose the aforesaid turnover and due to non-maintenance of way bill register in the unit office, the AO also failed to assess the undisclosed turnover. Consequently, evasion of tax of Rs.1.36 crore remained unnoticed.

6.2.10.4 In Purchase Tax Circle, Shillong, it was noticed that five registered dealers sold broom stick, *tezpatta*, and *dhooplakri* in the course of interstate trade through the Byrnihat check post and disclosed turnover of Rs. 5.24 crore in their returns for the period from April 2002 to September 2004 and were accordingly assessed between March and April 2006. However, cross verification of way bills received from the check post revealed that the dealers actually sold goods valued at Rs. 6.85 crore during the aforesaid period. Thus, due to non-verification of the way bills/road permits received from the check posts at the time of assessment, concealment of turnover of Rs. 1.61 crore remained unnoticed resulting in underassessment of tax of Rs. 16.08 lakh.

After the cases were pointed out, the Government stated in September 2008 that the AOs had been instructed to maintain prescribed register and also offer their comments on the aforesaid audit observation.

The Government may instruct the unit offices to maintain prescribed registers and also to take cognizance of the way bills/road permits while finalising the assessments.

6.2.11 Co-ordination between check posts of the Taxation Department and the Directorate of Mineral Resources

The COT vide notifications of 19 September 2000 and 26 September 2003 instructed that each truck load of 15 MT of coal would be allowed to cross the check posts of the state against 'P' form obtained on advance payment of security at prescribed rate of Rs. 1,200 and Rs. 1,800 respectively in addition to submission of declaration in the form of waybills and road permits. The coal laden trucks are also allowed to cross through the DMR check posts on payment of prescribed royalty. Audit scrutiny revealed that there was lack of co-ordination between the Taxation and Directorate of Mineral Resources' (DMR) check posts which led to evasion of tax as mentioned below.

Scrutiny of records revealed that 7,66,487 trucks load of coal crossed five taxation check posts[5] during 2002-03 to 2006-07 by producing 'P' forms at the check gates. Cross verification with the records of the DMR disclosed that 8,11,119 coal laden trucks actually crossed the check posts during the aforesaid period. Thus, 44,632 trucks of coal crossed the taxation check posts without 'P' forms which resulted in non-realisation of revenue of Rs. 7.19 crore. Besides, composition money of Rs. 6.76 crore could not be imposed as the officer-in-charge of the checkposts failed to detect unauthorised transportation of coal laden trucks through the taxation checkposts.

After this was pointed out, the Government while admitting the facts stated in September 2008 that efforts were being made to introduce a system of better co-ordination between the two departments to arrest loss of revenue.

[5] Athiabari, Byrnihat, Dainadubi, Garampani and Umkiang.

The Government may expedite the process of ensuring better co-ordination between the check posts of the taxation and DMR in the best interest of revenue of the State.

6.2.12 Non-erection of check post at strategic locations

6.2.12.1 Under the taxation laws of the State, the Government may by notification, set up check posts at strategic places in the State with a view to prevent evasion of tax. Further, every person transporting goods shall file before the officer-in-charge of the check post, a correct declaration of the goods in such manner as prescribed under the CST Act in case of export of goods outside the territory of India. At the time of submission of return/finalisation of assessment, the dealer shall furnish the prescribed documents in support of export to claim exemption from payment of tax. Audit scrutiny revealed that the department did not erect any checkposts along the border with Bangladesh to check bonafide export of coal.

Cross verification of the records of the DMR, Meghalaya with the records of the ST, Circle-V revealed that 174 dealers who were not registered under the taxation laws, were allowed to transport 9,17,544 MT of coal by the DMR during the period between July 2004 and September 2006 for export to Bangladesh. Movement of these vehicles carrying goods meant for export could not be checked by the Taxation Department due to non-existence of check post on the roads leading to Bangladesh border. Thus, absence of check post coupled with non-registration of the dealers resulted in loss of revenue of Rs. 11.01 crore.

After this was pointed out, the Government while admitting the facts stated in September 2008 that the DMR had been requested henceforth to allow the registered dealers only to export coal.

6.2.12.2 The taxation check post at Byrnihat is not strategically located and is about 6 km away from the border of Assam. Audit scrutiny revealed that the check post has no control over transportation of taxable goods by manufacturers having manufacturing units located between the check post and the border with Assam.

In ST, Ri-Bhoi district, Nongpoh, assessment records of nine registered dealers having manufacturing units beyond Byrnihat check gate were scrutinised. Eight out of nine dealers disclosed interstate sales of Rs. 91.29 crore between 2002-03 to 2006-07. As there were no checkgate, the AO had no alternative but to accept the returns as furnished by the dealers. The ninth dealer was registered as the manufacturer of *oleo-resin*. As per records of the Commissioner of Excise, Meghalaya, the dealer imported 3.12 lakh bulk litres of rectified spirit valued at Rs. 62.40 lakh between January 2005 and May 2006 for production of *oleo-resin*. The import, however, remained undetected by the Taxation Department in absence of any check post. It was, however, seen that the dealer did not take up any manufacturing process and sold the spirit in the same form. During the period of existence of the business, the dealer did not submit any return and the AO did not complete assessments on the best judgment basis. This resulted in loss of revenue of Rs. 12.48 lakh as the dealer had already closed down his manufacturing unit.

Thus, due to non-erection of check post in an appropriate place, the movement of vehicles carrying taxable goods of the dealers having business premises beyond the Byrnihat check post could not be cross checked and thus, there was no scope to detect evasion of tax by the dealers.

After the cases were pointed out, the Government while admitting the fact stated in September 2008 that erection of a sub-check post had been sanctioned to supplement working of the Byrnihat check post.

The Government may consider expediting the erection of sub-check post at strategic points so that no dealer can transport taxable goods without crossing the check post.

6.2.13 Internal Control Mechanism

Internal controls are intended to provide reasonable assurance of proper enforcement of laws, rules, executive instructions *etc*. The internal control is effected through internal audit, inspection and periodical returns. The deficiencies noticed during audit are enumerated below.

6.2.13.1 Internal audit

Internal audit brings to the notice of the higher authorities the financial and procedural irregularities of the department to ensure effective working of the office. Audit scrutiny revealed that the Taxation Department has no independent internal audit wing. The Examiner of Local Accounts (ELA) is responsible for conducting internal audit of State Government departments. However, internal audit of the taxation check posts was never conducted by the ELA to evaluate the system of working of the check posts and suggest ways and means to plug leakage of revenue.

After this was pointed out, the Government in September 2008 assured that the ELA would be instructed to intensify internal audit and adequate man power would be deployed in the ELA to ensure better coverage of offices and check posts.

6.2.13.2 Inspection by supervisory officers

To ensure satisfactory functioning of all the checkposts, the Taxation Department had laid down the following norms of inspection by the supervisory officer:

- bimonthly inspection of check posts by the ST;
- half yearly inspection by DCT/ACT; and
- annual inspection by the COT.

Scrutiny revealed that no inspection had ever been carried out at any of the check posts by the aforesaid officials. This lapse reflects lack of internal control mechanism which has been adequately pointed out in the paragraphs of the review.

After this was pointed out, the Government while admitting the facts stated in September 2008 that the suggestion had been accepted and order to this effect was being issued.

The Government may consider setting up an independent internal audit wing to ensure compliance with the rules and regulations. Supervisory inspection should be made obligatory for proper enforcement of Acts, Rules and executive instructions.

6.2.14 Non-maintenance of basic records

Under the taxation laws of the state, Bank drafts/bankers cheques as and when received are required to be forwarded to the concerned ST. A register of valuables is to be maintained in unit offices reflecting therein the date of receipt and deposit to the Government account.

- In ST, Jowai and Tura, the register of valuables was not maintained to watch the receipt of bank drafts/banker cheques from the taxation check posts. As a result, receipt and deposit of 381 bank drafts valuing Rs. 10.46 crore and bankers cheques valuing Rs. 75 lakh pertaining to the period from December 2002 to March 2007 sent by the Umkiang and Dainadubi check posts between January 2003 and May 2007 to the unit offices could not be verified. The unit offices also failed to confirm the receipt and deposit of the drafts/banker cheques into the Government account. Thus, failure to maintain the register of valuables as per prescribed rules was not only indicative of deficiencies in operational control but also fraught with the risk of draft becoming invalid or lost leading to loss of revenue.

- Cross-check of the records of the Umkiang check post with the records of the ST, Purchase Tax Circle, Shillong revealed that four banker cheques valuing Rs.1.47 lakh pertaining to the period from 14 April 2005 to 26 November 2006 sent to the unit office between 5 October 2005 and 29 November 2006 were neither reflected in the draft register maintained by the unit office nor deposited into the Government account. Thus, due to the absence of a system of monitoring on the part of the COT regarding the receipt and timely deposit of the drafts into the Government account by the STs, this lapse remained unnoticed and consequently led to non-remittance of revenue into the Government account.

After these cases were pointed out, the Government while admitting the facts stated in September 2008 that instruction has been issued to all the STs to maintain prescribed registers.

Compliance deficiencies

6.2.15 Loss of revenue due to manipulation in the weighment slips by the weighbridges

In order to ensure proper realisation of tax, the Government issued orders to all the check posts to realise additional security from the vehicles carrying extra load of coal in the course of interstate trade in excess of prescribed quantity of 15 metric tonne (MT) per vehicle. The rates of additional security so fixed were Rs. 80 and Rs. 120 per MT of excess load with effect from October 2000 and September 2003 respectively. For this purpose, all coal laden vehicles were required to weigh their vehicles in the Government approved private weighbridges, obtain weighment slips and produce them at the exit check post. Further, Mines and Minerals Department also collects royalty on excess load on the basis of weighment slips issued by the Government approved weighbridges which are different from those approved by Taxation Department.

6.2.15.1 Scrutiny of the records revealed that the COT checked the coal laden vehicles passing through the Byrnihat check post in November 2005 and informed the Government that there were manipulations made by the weigh bridges in the weighment slips recording an average weight of 15 MT instead of 20 to 23 MT carried by each vehicle. The COT also suggested measures to contain leakage of revenue. Audit had also pointed out on several occasions[6] to the State Government such manipulation in weighment slips by the truckers but no effective steps were taken by the Government to curb the revenue loss till the date of review. Thus, considering the aforesaid report of the COT, the Government was deprived of minimum revenue of Rs. 24.30 crore calculated on the basis of minimum average excess load of 5 MT on 4,05,078 trucks which passed through the Byrnihat check post during 2005-06 to 2006-07.

6.2.15.2 Short accountal of excess load

Scrutiny revealed that in four check posts[7], excess load of 17,24,779 MT of coal was despatched outside the state during 2003-04 to 2006-07 on which additional security of Rs. 18.96 crore was realised. But, as per records of the DMR, excess load of 23,86,254 MT of coal was actually despatched during the aforesaid period. Thus, due to short accountal of excess load of 6,61,475 MT of coal, the Government sustained a loss of revenue of Rs. 6.24 crore.

After the case was pointed out, the Government while admitting the facts stated in September 2008 that the proposal for setting up departmental weigh bridges was awaiting Cabinet approval.

6 Paragraph 6.17 of Audit Report 2001-02, Paragraph 5.18 of Audit Report 2003-04, Paragraph 6.2.4 of Audit Report 2005-06 and Paragraph 6.2.6 of Audit Report 2006-07.

7 Athiabari, Byrnihat, Dainadubi, and Umkiang.

6.2.16 Non-imposition of composition money

Under the Meghalaya Finance (Sales Tax) Act, the COT may accept from the person who has committed an offence under the Act by way of composition of such offence in addition to tax recoverable, a sum of money not exceeding Rs. 1,000 or double the amount of tax whichever is greater. However, the MVAT Act stipulates that the composition money shall be Rs. 5,000 or double the amount of tax whichever is greater. Further, the COT, Meghalaya in May 2002 instructed all the officers-in-charge of the taxation check posts to realise composition money while realising additional security on coal transported beyond permissible limit of 15 MT.

6.2.16.1 During the period 2005-06 and 2006-07, 3,88,429 coal laden trucks had crossed the Byrnihat check post with minimum excess load of 5 MT each[8]. The officer-in-charge of the check post failed to detect excess load due to manipulation of weighment slip by the weigh bridge personnel, resulting in non-levy of composition money of Rs. 194.21 crore.

6.2.16.2 In three checkposts[9], 8,08,208 trucks carried 25,18,374 MT of coal beyond permissible limit of 15 MT per truck during April 2002 to March 2007. The officers-in-charge of the check posts though realised additional security, failed to recover the composition money as directed by the COT. This resulted in loss of revenue of Rs. 156.98 crore. Further, statements sent by the check posts showing the excess load carried by the coal laden trucks to the COT were left unattended and thus non-imposition of composition money remained undetected.

After this was pointed out, the Government while admitting the facts stated in September 2008 that the MVAT Act is being amended to insert the instruction of May 2002 after consulting Law Department.

6.2.17 Control on transit of goods through the state

According to the MVAT Act and the Rules made thereunder, when a vehicle carrying goods from another state meant for delivery outside the state passes through Meghalaya, the driver of the vehicle is required to obtain a transit pass (TP) at the entry check post and produce it at the time of exit from the state to the officer-in-charge of the exit check post and obtain his endorsement with seal and signature as a proof of such exit. This provision is of vital importance to ensure that vehicles carrying goods meant for other states do not deliver goods to the dealers within the state. Such provision was, however, not in existence under the repealed Acts and though the provision was included in the MVAT Act, these were not implemented during the period covered by this review. Due to the absence of the provisions of issue of TP under the repealed Acts and non-implementation of the provisions under the MVAT Act following irregularities were noticed.

[8] Based on COT's report of November 2005.

[9] Byrnihat, Dainadubi and Umkiang.

6.2.17.1 In three check posts[10], it was noticed that, during 2002-03 to 2006-07, 5,42,741 vehicles carrying taxable goods valued at Rs. 19,414.06 crore entered from other states for transit by road through Meghalaya. However, only 5,25,400 vehicles carrying goods valued at Rs. 19,290.96 crore crossed the exit check posts. Thus, 17,341 vehicles carrying taxable goods valued at Rs. 123.12 crore did not cross the exit check posts and the goods were sold inside the state. This resulted in loss of revenue of Rs. 11.36 crore.

After this was pointed out, the Government while admitting the facts stated in September 2008 that enforcement branch and concerned STs were instructed to initiate action against all the cases referred by audit. The Government however, stated that the computation of revenue loss might not be accurate as 14 movement registers had escaped audit scrutiny. A further scrutiny of the 14 movement registers revealed that the vehicles recorded in those registers had already been checked and duly incorporated in the paragraph.

6.2.17.2 In Garampani check post, it was seen that during 2002-03 to 2006-07, 23,844 vehicles carrying cement valued at Rs. 174.83 crore from Umrangso (Assam) entered Meghalaya through the Garampani check post. The consignments were meant for delivery in different places of Assam, Tripura and Mizoram and the vehicles were to exit through the Umkiang check post. However, 9,943 out of 23,844 vehicles carrying cement valued at Rs. 72.88 crore did not cross the exit check post. Thus, cement valued at Rs. 72.88 crore was sold inside the state. This resulted in loss of revenue of Rs. 8.87 crore.

6.2.17.3 In Garampani check post, it was seen that 45 vehicles carrying taxable goods valued at Rs. 2.53 crore of other states entered through Umkiang check post during 2006-07 on transit through Byrnihat exit check post. Scrutiny, however, revealed that the vehicles did not cross the exit check post. Thus, the goods were sold inside the state resulting in loss of revenue of Rs. 24 lakh.

6.2.17.4 Scrutiny of records revealed that 33 vehicles carrying taxable goods valued at Rs. 28.74 lakh meant for other states entered through Byrnihat check post during 2006-07 on transit through the Umkiang exit check post. Records of Umkiang exit check post, however, disclosed that the vehicles did not cross the exit check post. Thus, the goods were sold inside the state resulting in loss of revenue of Rs. 3.60 lakh.

6.2.17.5 In Umkiang check post, it was seen that, 6,69,370 vehicles crossed the checkpost during April 2002 to March 2007, of which, 2,43,922 vehicles carried goods from places within the state to places outside the state. The remaining 4,25,448 vehicles, carrying goods from other states meant for delivery outside the state, entered the state through Byrnihat check post and accordingly crossed exit checkpost at Umkiang as stated by the department. However, cross verification of the records of neighbouring checkpost of Assam revealed that against 6,69,370 vehicles only 5,18,899 vehicles crossed the check post during the aforesaid period. Thus, 1,50,471 vehicles carrying

[10] Byrnihat, Garampani and Umkiang function as both entry and exit checkposts.

taxable goods did not actually cross the exit check posts and delivered goods to the dealers within the state leading to evasion of tax. Such evasion of tax could have been avoided had the department introduced the system of TP as provided in the MVAT Act with effect from the date of introduction of MVAT Act i.e, May 2005.

6.2.18 Misappropriation of Government revenue

The COT, Meghalaya directed the ST, Jowai in February 2002 to open an account at the designated bank at Umkiang for depositing all revenue collected at the check post. The amount thus deposited was to be transferred to the United Bank of India, Jowai through banker's cheque. Transfer by cash to any other ST was not permissible.

Test check of the cash book of the Umkiang taxation check post revealed that an amount of Rs. 3.29 lakh collected between 17 November 2004 and 4 September 2006 was shown as transferred to the ST, Tura by cash. The ST, Tura however, stated in January 2008 that no cash had ever been received by his office during the period from 2002-03 to 2006-07 from any check post. Thus, the revenue of Rs. 3.29 lakh remained out of the Government account and was misappropriated.

After this was pointed out, the Government while admitting the facts stated in September 2008 that the matter was under investigation at ACT's level and action would be taken on the basis of report of the investigation.

6.2.19 Short realisation of penalty

Under section 76 of the MVAT Act read with Rule 53 of the Rules made thereunder, if the person in charge of a vehicle carrying taxable goods fails to produce the prescribed documents before the check post, the officer-in-charge of the check post shall impose penalty equal to five times of the tax leviable on such goods or 20 *per cent* of the value of goods, whichever is higher.

In Byrnihat taxation checkpost, it was noticed that, 81 vehicles imported taxable goods valued at Rs. 14.93 lakh during the period May 2005 to February 2007 without valid documents. The officer-in-charge of the check post realised security money of Rs. 1.13 lakh but did not impose and realise penalty of Rs. 6.48 lakh. This resulted in short realisation of revenue of Rs. 5.35 lakh.

After this was pointed out, the Government while admitting the facts stated in September 2008 that the Act was being amended to delegate officer-in-charge of check posts the power for imposition of penalty.

6.2.20 Realisation of revenue at the check posts

According to Rule 58 of the Meghalaya Financial Rule, all check posts are required to issue receipts in TR form 4 while collecting money on behalf of the Government and maintain stock register of receipt books. The receipt shall be signed by a duly authorised officer and the amount collected should be entered in the cash book. The detailed particulars of books received from the issuing authority, issued to the revenue collector and utilised are required to be recorded in a register and authenticated by the officer-in-charge periodically.

6.2.20.1 In Dainadubi check post, it was noticed that the particulars of books issued, utilised and balance in stock were not regularly recorded in the stock register of receipt books. The entries were also not authenticated by the officer-in-charge of the check post.

Cross verification of the issue register of receipt books of COT with the stock register of the check post revealed that 2,350 receipt books (100 pages each) were issued to checkpost between 4 December 2002 and 9 March 2007. However, 2,265 books only were shown as received in the check posts registers. Thus, 85 books remained unaccounted for in stock register of the check posts which is fraught with risk of unauthorised usage and misappropriation.

After this was pointed out, the Government while admitting the facts stated in September 2008 that 85 books were subsequently entered in the stock register which was earlier not recorded through oversight. However, during physical verification in October 2008 the department could produce 78 books out of 85 books.

6.2.20.2 In Byrnihat taxation check post, security money aggregating Rs. 18 lakh was collected in cash from 1,078 vehicles during the years 2002-03 to 2006-07, but no receipts were issued to the payees and no cash book was maintained for posting of revenue collected. Instead, the revenue was entered in a register and deposited into Government account. Thus, collection of revenue without issuing receipts and non-maintenance of a cash book was fraught with the risk of misappropriation of Government revenue.

After this was pointed out, the Government while admitting the facts stated in September 2008 that receipts were issued to the payees for additional security realised. The reply was, however, silent regarding non-issue of receipts in the aforesaid cases.

Other points of interest

6.2.21 Delay in deposit of revenue

According to Rule 7 of the Central Treasury Rules (as adapted by the Government of Meghalaya), all moneys received by the Government officers on account of revenue, shall without undue delay, be paid in full into the appropriate head of the Government account.

6.2.21.1 In Byrnihat taxation checkpost, composition money aggregating Rs. 14.06 lakh was collected in cash from 15,362 vehicles during the period between April 2005 and March 2007. Instead of promptly depositing the revenue into the Government account, the amount collected was retained in hand for a period ranging from 6 to 169 days reckoned from the first day of the month following the month of collection upto the dates of deposit. Reasons for such irregular retention of Government money was not on record.

6.2.21.2 In Dainadubi taxation checkpost, additional security aggregating Rs. 60 lakh was realised in cash from the vehicles carrying excess load of coal during the period between 1 January 2007 and 31 March 2007. Instead of depositing the amount into the Government account, the revenue collected was kept in bank as deposit at call. Out of Rs. 60 lakh, Rs. 57 lakh and Rs. 3 lakh were converted into eight bank drafts on 2 May and 9 July 2007 respectively. The drafts were sent to concerned AO for credit into Government account. Thus, delay in deposit resulted in revenue ranging between Rs. 3 lakh and Rs. 57 lakh remaining outside the Government account for a period ranging between 36 and 100 days reckoned from the first day of month following the month of collection upto the dates of purchase of bank drafts.

After this was pointed out, the Government while admitting the facts stated in September 2008 that sincere efforts would be taken to avoid undue delay and to make prompt deposit of revenue

6.2.22 Conclusion

Check posts were erected with a view to check evasion of tax which was however negated by ill equipped infrastructure. Improper distribution of manpower at check posts was also a major factor for the revenue leakages. The percentage of physical verification ranged between 1.50 and 1.63 *per cent* against the target of 10 *per cent*. There was lack of co-ordination between the check posts of the department and the unit offices/DMR check posts. Absence of proper control on movement of vehicles through the check posts resulted in substantial number of goods vehicles escaping notice of the check post authorities leading to evasion of tax remaining unnoticed. Rampant manipulation of weight, passage of trucks carrying unauthorised goods and goods meant for other states being illegally delivered within the state as a result of non-introduction of TP system led to loss of revenue to the state exchequer. Non-erection of check posts at strategic locations resulted in export of goods remaining undetected/acceptance of turnover disclosed by the dealers without any scope of further verification. Internal control mechanism was weak as evidenced by absence of internal audit/non-conducting of inspection by the departmental officers and non-maintenance of prescribed registers.

6.2.23 Summary of recommendations

The State Government may consider the following recommendations to check evasion of tax/leakage of revenue:

- **issuing specific instruction for verification of the transit documents of each and every vehicles passing through the check posts. Also, physical verification of 10 *per cent* of the vehicles prescribed by the COT may be made mandatory.**

- **making it mandatory for the unit offices to maintain prescribed registers and also to take cognizance of the way bills/road permits**

while finalising the assessments in the interest of Government revenue.

- **ensuring co-ordination between the check posts of the Taxation Department and DMR to arrest the scope of evasion of tax.**

- **erection/shifting of checkpost at strategic points so that no dealer can transport taxable goods without crossing the check post.**

- **setting up an independent internal audit wing to ensure compliance with the rules and regulations. Supervisory inspection should be made obligatory for proper enforcement of Acts, Rules and executive instructions.**

- **periodical return to the COT showing receipt, issue and balance of receipt books in each check post may be made mandatory.**

SECTION 'B' : AUDIT OF TRANSACTIONS

EXCISE DEPARTMENT

6.3 Misclassification of India made foreign liquor

Misclassification of 34,350 cases of IMFL as general brand instead of deluxe brand led to short realisation of excise duty of Rs. 16.49 lakh.

Under the provisions of the Meghalaya Excise Act and rules made thereunder, passes for the import of IMFL shall be issued to licenced vendors on payment of import pass fee at prescribed rate. The Act provides payment of different rate of excise duty on the cost price of different brand of IMFL. The cost price of general brand and deluxe brand of IMFL ranges from Rs. 336 to Rs. 635 and Rs. 636 to Rs. 1,135 per case respectively. The excise duty on general brand and deluxe brand of IMFL is leviable at the rate of Rs. 399 and Rs. 447 respectively.

Scrutiny of the records of the SE, Jaintia Hills district, Jowai in December 2007 revealed that 34,350 cases of a particular brand of IMFL were removed from three bonded warehouses during 2006-07 and excise duty was realised on the basis of cost price of Rs. 635 per case classifying these as general brand. The cost price, however, did not include the import pass fee of Rs. 54 per case that was paid by the bonder. Since import pass fee is required to be paid by a bonded warehouse before importing IMFL from outside the state it forms an element of cost price. If export pass fee is included in these cases, the particular brand of IMFL would be classified as deluxe brand instead of general brand and thereby would attract higher rate of excise duty. Thus, due to non-inclusion of import pass fee to the cost price of liquor, excise duty of Rs. 16.49 lakh was short realised.

The case was reported to the department/Government in January 2008; their reply has not been received (November 2008).

6.4 Non-realisation of licence fee

A bottling plant was allowed to function without getting the licence renewed resulting in non-realisation of licence fee of Rs. 15.82 lakh.

Under the Meghalaya Excise Act and Rules made thereunder, every licensee dealing in IMFL, is required to renew his licence on payment of the licence fee in advance as prescribed by the Government from time to time. Further, no licensee shall be allowed to function unless the licence is renewed on payment of the prescribed licence fee in advance. If any duty or fee is unpaid, the authority who granted the licence, may cancel or suspend it.

Scrutiny of the records of the Superintendent of Excise (SE), Ri-Bhoi District, Nongpoh in May 2007 revealed that the owner of a bottling plant did not renew the licence for the period from 2002-03 to 2007-08. Instead of cancelling the licence, the Commissioner of Excise (CE), Meghalaya continued to issue import permits to the bottling plant during the aforesaid periods. Thus, irregular granting of permits without realisation of licence fee not only violated the Excise Act and Rules but also resulted in non-realisation of revenue of Rs. 15.82 lakh.

The case was reported to department/Government in January 2007, their reply has not been received (November 2008).

6.5 Irregular grant of exemption

A manufacturer of *oleo* resin was irregularly granted exemption from payment of import pass fee of Rs. 10.80 lakh on import of rectified spirit for industrial purposes.

Under Rule 27 of the Meghalaya Excise Rules, import of all foreign liquor shall be covered by a pass to be obtained on payment of prescribed pass fee. However, import of denatured spirit is exempted from payment of pass fee. Under Rule 370, a pass fee of Rs. 6 per bulk litre (BL) is leviable on liquor imported into Meghalaya.

Scrutiny of the records of the CE, Meghalaya in May 2007 revealed that a manufacturer of *oleo* resin imported 1.80 lakh BL of rectified spirit during 2005-06 and was exempted from payment of import pass fee. The exemption granted was irregular as only denatured spirit was permitted to be exempt from the payment of pass fee. This resulted in irregular exemption of Rs. 10.80 lakh.

The case was reported to the department/Government in June 2007; their reply has not been received (November 2008).

FOREST AND ENVIRONMENT DEPARTMENT

6.6 Loss of revenue due to non-realisation of export fee

Unauthorised export of limestone without transit pass resulted in loss of revenue of Rs. 6.95 crore.

Under the Meghalaya Forest Regulation, 'forest produce' includes rock and minerals including limestone whether found in a forest or non-forest area. In October 1999, the Government of Meghalaya, Forest and Environment Department notified that for removal of any forest produce outside the State, a transit pass shall be issued on realisation of Rs. 300 per truck.

Scrutiny of the records of the Principal Chief Conservator of Forests (PCCF), Meghalaya and divisional forest officers (DFO), Khasi Hills, Jaintia Hills forest division in November – December 2007 revealed that between April 2002 and March 2007, 2.32 lakh trucks of limestone were removed from the forest divisions and exported to other states. The divisions did not issue any transit pass to these trucks on realisation of export fee of Rs. 300 per truck as provided in the aforesaid notification. Thus, unauthorised export of limestone without transit pass resulted in loss of revenue of Rs. 6.95 crore.

The cases were reported to the department/Government between December 2007 and February 2008; their reply has not been received (November 2008).

6.7 Unauthorised lifting of timber

Timber was unauthorisedly lifted by the Meghalaya Forest Development Corporation on part payment of Rs. 62 lakh against the royalty of Rs. 1.82 crore leading to short realisation of Rs. 1.20 crore.

Under the Meghalaya Forest Regulations, no forest produce shall be extracted/lifted from a forest area unless the prescribed royalty is paid in full.

Scrutiny of the records of the PCCF, Meghalaya and the DFO, Garo Hills forest division in August and November 2007 revealed that between February 2001 and December 2003, the Meghalaya Forest Development Corporation (FDCM) lifted timber of mixed species measuring 5,356.348 cum on part payment of royalty of Rs. 62 lakh against the due royalty of Rs. 1.82 crore. The balance royalty of Rs. 1.20 crore was neither paid by the FDCM nor was any action initiated by the Forest Department to realise it. This led to unauthorised lifting of timber and short realisation of royalty of Rs. 1.20 crore.

The case was reported to the department/Government in October 2007 and February 2008; their reply has not been received (November 2008).

6.8 Loss of revenue

Loss of revenue of Rs. 79.63 lakh as 17 *mahals* remained inoperative due to inaction of the department.

As per the Assam Settlement of Forest Coupes and *Mahals* by Tender System Rules, 1967 (as adopted by the Government of Meghalaya), *mahals* are to be settled by inviting tenders. Sand/stone in a river bed is in constant process of accumulation and depletion due to river current and if a *mahal* is left unsettled during a specified working period, the sand/stone is carried away by the river current resulting in loss of revenue.

6.8.1 Scrutiny of the records of DFO, Khasi Hills forest division, Shillong in November 2007 revealed that 15 *mahals* were put up for sale for the working period 2003-04 and 2004-05 with a stipulated quantity of 55,900 cum of stone and 1,00,350 cum of sand. But, none of these *mahals* were put up for sale during the working period 2005-07 by inviting tenders. As the working period of the *mahals* had already expired, the *mahals* remained unsettled for the entire period of 2005-07 resulting in minimum loss of revenue of Rs. 74.83 lakh.

6.8.2 Scrutiny of the records of DFO, Jaintia Hills forest division, Jowai in November 2007 revealed that stone boulders available in the Umngot and Rongapani rivers were drained into Bangladesh in absence of extraction. The DFO, thus, proposed to the PCCF in November 2006 to constitute two stone boulder *mahals viz.*, Umngot River stone *mahal* and Rongapani River stone *mahal* with stipulated quantity of 3,000 cum each. The PCCF informed the Government in December 2007 about the loss incurred due to boulders being washed away to the neighbouring country and requested for Government approval to constitute the river *mahals*. Even after lapse of one year, the proposal was not approved leading to loss of revenue of Rs. 4.80 lakh.

The cases were reported to the department/Government in January 2008; their reply has not been received (November 2008).

6.9 Illicit felling and removal of timber

Illicit felling and removal of 1,348.039 cum of timber from reserve forests led to loss of revenue of Rs. 75.88 lakh.

Under the provisions of the Meghalaya Forest Regulation (MFR) and rules framed thereunder, felling and removal of trees from a reserve forest without a valid pass constitutes a forest offence punishable with fine. To prevent such illegal/removal of forest produce, erection of forest check gates at all the vital points is the primary responsibility of the Forest Department.

Scrutiny of the records of the DFOs, Garo Hills and Khasi Hills forest divisions in August and November 2007 respectively revealed that 1,348.039 cum of timber of mixed species involving royalty of Rs. 75.88 lakh was illegally felled by miscreants from the reserve forests under the two divisions between July 2005 and July 2007 and the entire outturn was removed by the miscreants during the aforesaid periods. Illegal felling and removal of such a large quantity of timber by miscreants from the state reserve forest not only indicates poor enforcement measures but also resulted in loss of royalty of Rs. 75.88 lakh. Audit had repeatedly pointed out these lapses in successive Audit Reports but no follow up action was initiated by the department and offence cases were left unattended.

These cases were reported to the department/Government in October and December 2007; their reply has not been received (November 2008).

6.10 Loss of revenue due to non-lifting of timber

Loss of revenue of Rs. 18.95 lakh due to non-lifting of timber by the Forest Development Corporation of Meghalaya.

Seized and wind fallen trees are allotted to the (FDCM) by the Government on payment of full royalty.

6.10.1 Scrutiny of the records of the PCCF, Meghalaya, Shillong and DFO, Garo Hills Forest Division, Tura in August and November 2007 revealed that 261.954 cum of timber of mixed species valued at Rs. 14.30 lakh was allotted to the FDCM in July and September 2002. Though the corporation neither paid the royalty nor lifted the timber till November 2007, no action was taken by the PCCF and the DFO, Tura to ensure lifting of timber by the allottee. With the passage of time, the timber deteriorated and the percentage of deterioration was between 60 and 79 *per cent.* The department, thus suffered a loss of revenue of Rs. 10.19 lakh.

6.10.2 Scrutiny of the records of the DFO, Khasi Hills in November 2007 revealed that timber of mixed species measuring 558.18 cum was allotted to the FDCM during 2003 from the Kyrdumkulai and Umshing area of Umtasar Range. Out of the allotment, the FDCM lifted 245.461 cum and the remaining timber measuring 312.72 cum having royalty value of Rs. 8.76 lakh was left inside the reserved forests and deteriorated with the passage of time. Thus, due to non-lifting of timber by the FDCM, the department incurred a loss of Rs. 8.76 lakh.

These cases were reported to the department/Government in October 2007 and February 2008, their reply has not been received (November 2008).

6.11 Short realisation of royalty

Incorrect application of rate on 2,433.74 cum of sand, 5,796.62 cum of stone, 607.55 cum of squared stone and 2,429.49 cum of clay led to short realisation of royalty of Rs. 3.28 lakh.

The Government of Meghalaya, Forest and Environment Department in their notification of 12 November 1998 revised the rate of royalty on sand from Rs. 20 to Rs. 30, stone from Rs. 40 to Rs. 80, squared stone from Rs. 40 to Rs. 95 and clay from Rs. 16 to Rs. 32 per cum.

Scrutiny of the records of two user agencies[1] with those of the DFO, Jaintia Hills forest division, Jowai in November 2007 revealed that 2,433.74 cum of sand, 5,796.62 cum of stone, 607.55 cum of squared stone and 2,429.49 cum clay were extracted and utilised in works by the contractors during 2006-07. The user agencies realised royalty of Rs. 3.44 lakh at the pre-revised rates

[1] Executive Engineer: North and South division.

from the contractors bills instead of Rs. 6.72 lakh. No action was thereafter initiated by the Forest Department to recover the balance revenue accrued due to realisation of royalty at the pre-revised rate. This resulted in short realisation of royalty of Rs. 3.28 lakh. It would be pertinent to mention that this lapse had been repeatedly pointed out by audit in successive Audit Reports since the revision and the Forest Department had maintained that the user agencies were responsible to recover the loss. But no effective step has been taken either by the Forest Department or the Works Department to sort out the issue due to which Government is sustaining short realisation of revenue year after year and with the passage of time these may become irrecoverable.

The case was reported to the department/Government in January 2008; their reply has not been received (November 2008).

MINING AND GEOLOGY DEPARTMENT

6.12 Short realisation of royalty

Delay in implementation of revised rate of royalty led to loss of revenue of Rs. 10.09 crore.

In exercise of powers conferred under the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act), the Government of India, Ministry of Coal revised the rate of royalty per metric tonne (MT) of coal from Rs. 165 to Rs. 130 plus five *per cent* of pithead price of coal with effect from 1 August 2007. Further, in August 2007, the North East Coal Field Limited, Assam informed the Director of Mineral Resources (DMR), Meghalaya, the pithead price of coal which varied from Rs. 1,320 to Rs. 1,888 per MT. Based on this information and taking into consideration the minimum notified price of Rs.1,320 per MT, the revised rate of royalty per MT of coal is calculated at Rs. 196.

Scrutiny of the records of the Directorate of Mineral Resources (DMR), Meghalaya in March 2008 revealed that the revised rates had not been implemented till March 2008. Between August 2007 and January 2008, 32,55,185 MT of coal was sold and royalty of Rs. 53.71 crore was realised at the pre-revised rate of Rs. 165 per MT instead of Rs. 63.80 crore at the revised rate of Rs. 196 per MT. Thus, inordinate delay on the part of the State Government to implement the revised rate of royalty resulted in loss of revenue of Rs. 10.09 crore.

After the case was pointed out, the Government stated in September 2008 that the DMR had taken up the matter with the Ministry of Coal, Government of India to ascertain notified price of Meghalaya coal in May 2008 after a lapse of nine months from the date of notification.

6.13 Short/non-realisation of royalty on coal

Failure of the Mines and Minerals Department to prevent unauthorised export of coal and limestone led to the loss of revenue of Rs. 6.37 crore.

The MMDR Act lays down that every licensee or permit holder or lessee shall pay the prescribed royalty in respect of the mineral removed or consumed by him. The DMR, Meghalaya notified in September 1995 that if any trader fails to pay the full royalty in advance on the quantity of mineral transported, penalty at the rate of 25 to 100 *per cent* should be collected at the mineral check gate in addition to the royalty. The royalty on coal was fixed at Rs. 165 per MT from 16 August 2002 and royalty on limestone was Rs. 45 per MT and cess was Rs. 5 per MT.

Scrutiny of the records of the DMR, Meghalaya in March 2008 revealed that permit holders exported 10.29 lakh MT of coal and 5.89 lakh MT of limestone for the period from April 2005 to March 2007 to Bangladesh through Borsora, Bholaganj and Shella land customs stations. Cross verification with the report of the Customs Department, however, revealed that the permit holders actually exported 11.74 lakh MT of coal and 12.66 lakh MT of limestone during the aforesaid period. The enforcement staff at the check gate of Mines and Minerals Department failed to detect export of 1.45 lakh MT of coal and 6.77 lakh MT of limestone to Bangladesh resulting in loss of revenue of Rs. 6.37 crore in the shape of royalty, cess and penalty.

The case was reported to the department/Government in April 2008; their reply has not been received (November 2008).

6.14 Evasion of royalty on coal

Supply of coal by 124 dealers to a cement manufacturing company without payment of royalty led to non-realisation of royalty of Rs. 1.46 crore on which minimum penalty of Rs. 36.45 lakh was also leviable.

In September 1995, the DMR, Meghalaya notified that with effect from October 1995, if any dealer/firm/company fails to pay full royalty in advance on the quantity of coal transported in his carrier, penalty at rates varying from 25 to 100 *per cent* should be collected at the mineral check gate in addition to the royalty on the quantity on which advance royalty of coal was not paid. Coal traders should possess valid coal transport *challans* (CTC) on advance payment of royalty on the quantity of coal transported to avoid payment of penalty at the check gate.

Scrutiny of the records of the DMR, Meghalaya in March 2008 revealed that 124 dealers transported 88,365 MT of coal to a cement manufacturing company between April 2005 and March 2007. Cross check of the CTC register in DMR, Meghalaya disclosed that neither any CTC was issued to the suppliers nor was any royalty realised at the mines and minerals check gates.

This resulted in evasion of royalty of Rs. 1.46 crore. Besides, minimum penalty of Rs. 36.45 lakh was also realisable from the transporters.

The case was reported to the department/Government in April 2008, their reply has not been received (November 2008).

6.15 Non-payment of royalty on production of limestone

A lessee paid royalty on lime stone actually despatched instead of the quantity produced leading to non-realisation of revenue of Rs. 1.80 crore. Besides, interest of Rs. 86.17 lakh was also leviable.

The MMDR Act stipulates that every lessee shall pay the prescribed royalty in respect of any minerals removed or consumed by him. It was judicially held[2] by the Supreme Court that removal of the seam in the mine and extracting the same through the pit's mouth to the surface satisfy the requirement of the aforesaid section in order to give rise to liability for royalty. Further, Rule 64 A of the MC Rules provides that if the dues payable by the lessee are not paid within the time specified for such payment, simple interest at the rate of 24 *per cent* per annum shall be charged on the unpaid amount from the sixtieth day of the expiry of the date fixed for payment of such dues.

Scrutiny of the records of the DMR, Meghalaya in March 2008 revealed that between January 2006 and December 2007, a lessee extracted 11.38 lakh MT of limestone, of which, 7.38 lakh MT was despatched/consumed during the aforesaid period. The lessee was thus, liable to pay royalty of Rs. 5.12 crore on 11.38 lakh MT of limestone but he paid royalty of Rs. 3.32 crore on the quantity actually despatched/consumed which was contrary to the judgment of the apex court. This resulted in non-realisation of revenue of Rs. 1.80 crore. Besides, for non-payment of royalty on production, the lessee was also liable to pay interest of Rs. 86.17 lakh.

The case was reported to the department/Government in April 2008; their reply has not been received (November 2008).

6.16 Loss of revenue due to concealment of quantity of limestone despatched

A lessee concealed despatch of 81,474 MT of limestone and evaded royalty of Rs. 36.66 lakh and cess of Rs. 4.07 lakh.

The Mineral Concessions Rules, 1960 states that a lessee shall furnish to the State Government a monthly return in form 8 reflecting therein the opening stock, minerals produced and minerals in stock at the close of the month.

2 National Coal Development Corporation Vs State of Orissa, AIR 1976 Orissa.

Scrutiny of the records of the DMR, Meghalaya in March 2008 revealed that a lessee submitted monthly returns of limestone in the prescribed format for the period from January 2005 to December 2007. Scrutiny further revealed that the lessee disclosed closing stock of lime stone as 7,25,520 MT for the month of November 2006 whereas opening stock of limestone for December 2006 was shown as 6,44,046 MT. Thus, the lessee concealed despatch of 81,474 MT and evaded royalty of Rs. 36.66 lakh and cess of Rs. 4.07 lakh. This resulted in loss of revenue of Rs. 40.73 lakh.

The case was reported to department/Government in April 2008; their reply has not been received (November 2008).

STAMPS AND REGISTRATION DEPARTMENT

6.17 Evasion of stamp duty

Four companies transferred Rs. 1.71 crore without payment of stamp duty of Rs. 16.91 lakh.

Under the Indian Stamps (IS) Act, 1899, conveyance includes a conveyance on sale and every instrument by which property, whether movable or immovable, is transferred *inter vivos*. Further, clause 23 of the IS (Meghalaya Amendment) Act, 1993 lays down that stamp duty on conveyance where the value of the consideration exceeds Rs. 1.50 lakh shall be calculated at the rate of Rs. 99 for every Rs. 1,000.

Cross verification of the records of the ST, Circle-V, Shillong with those of the Registrar (SR), East Khasi Hills, Shillong in November 2007 revealed that four companies transferred Rs. 1.71 crore between January 2005 and January 2006 to the personal accounts of one of the directors of each company. These companies did not register the aforesaid transfer of assets with the Registrar and hence evaded payment of stamp duty of Rs. 16.91 lakh.

The case was reported to the department/Government in January 2008, their reply has not been received (November 2008).

6.18 Irregular grant of exemption from payment of stamp duty

Stamp duty of Rs. 2.77 lakh was short levied due to grant of exemption of Rs. 28 lakh towards development works.

Under the IS Act, conveyance includes a conveyance on sale and every instrument by which property whether movable or immovable is transferred *inter vivos* .It was judicially held[3] that property also includes the benefit of a contract, which can be the subject of an assignment. Such an assignment is chargeable as a conveyance. The agreement to convey such a benefit should

3 Nathu Vs Hansraj I, Bom LR 110.

be stamped as an agreement but the interest created by the agreement is property whose transfer is liable to duty as a conveyance.

Scrutiny of the records of the SR, East Khasi Hills, Shillong in November 2007 revealed that a vendor sold a plot of land to a company for a consideration of Rs. 1.74 crore and the sale deed was registered in June 2006 on realisation of stamp duty of Rs. 18.95 lakh. Scrutiny of the sale deed, however, revealed that the vendor further received another sum of Rs. 28 lakh from the company as full payment of contracted amount for carrying out development work on the demised land which was exempted from payment of stamp duty. Since the development work created property whose transfer was liable to stamp duty as a conveyance as per the aforesaid judicial decision, the exemption granted was irregular and resulted in short realisation of stamp duty of Rs. 2.77 lakh.

The case was reported to the department/Government in January 2008; their reply has not been received (November 2008).

6.19 Short levy of stamp duty

Stamp duty was short levied by Rs. 2.73 lakh due to non-inclusion of value of periodical increase of rent and security deposit.

The IS (Meghalaya Amendment) Act, lays down that stamp duty on a lease, where the lease purports to be for a term exceeding five years and not exceeding 10 years, shall be calculated for a consideration equal to the amount or value of the average annual rent reserved. Further, it was judicially held[4] that when the lessee by leased deed hypothecated certain other property belonging to him for the purpose of securing payment of agreed rent, the instrument is considered to be multifarious chargeable to duty both as a lease and as a mortgage. The stamp duty on lease as well as mortgage deed is calculated at the rate of Rs. 99 for every Rs. 1,000.

Scrutiny of the records of the SR, East Khasi Hills, Shillong in November 2007 revealed that an instrument of lease was registered in January 2006 under which the lessor conferred upon the lessee the right to use two floor of a multistoried building for a period of nine years. The annual rent was fixed at Rs. 41.68 lakh with a 15 *per cent* increase after expiry of every succeeding period of three years. In addition, the lessee had deposited with the lessor Rs. 21 lakh as security against default in payment of rent or injuries to the demised premises. However, the SR while calculating average annual rent did not include periodical increase of rent and thus levied stamp duty on Rs. 41.68 lakh instead of Rs. 48.24 lakh. Further, Rs. 21 lakh paid as security was also exempted from payment of stamp duty. This resulted in short levy of stamp duty of Rs. 2.73 lakh on Rs. 27.56 lakh[5].

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4 17 All 55

5 Rs. 48.24 lakhs - Rs. 41.68 lakh = Rs. 6.56 lakh + Rs. 21 lakh.

The case was reported to the department/Government in January 2008, their reply has not been received (November 2008).

TAXATION DEPARTMENT

6.20 Irregular grant of exemption under the Central Sales Tax Act

Interstate sale of Rs. 261.39 crore not supported by declaration form was irregularly exempted resulting in underassessment of tax of Rs. 23.21 crore and interest of Rs. 15.28 crore.

Under Sections 8(4) and (5) of the Central Sales Tax (CST) Act, 1956 as amended in May 2002, the State Government is empowered to issue notification granting exemption to the eligible industrial units from payment of tax in respect of those interstate sales which are supported with declarations in form 'C' or 'D' as the case may be. If interstate sales made by the exempted units are not supported by declarations in form 'C' or 'D', such units are liable to pay tax at 10 *per cent* or the local rate of tax whichever is higher.

Further, under the Industrial Policy of 1997, new industries set up on or after 15 August 1997 and existing units which undertake expansion, modernisation or diversification shall be exempted from payment of tax on sale of finished product within the state or in the course of interstate trade for a period of seven years from the date of commercial production. Again, in exercise of powers conferred under Section 8(5) of the CST Act, the State Government notified in April 2001 that no tax shall be payable by any eligible industrial unit to whom exemption certificate in the form of Certificate of Authorisation (CA) has been granted on sale of goods manufactured by such unit in the course of interstate trade during the period of validity of the CA. Under the provision of Meghalaya Sales Tax Act, if any registered dealer fails to pay the full amount of admitted tax, he is liable to pay interest at prescribed rate for the period of default on the amount by which tax paid falls short.

Scrutiny of the records of the Superintendent of Taxes (ST), Ri-Bhoi District, Nongpoh in May 2007 revealed that 16 manufacturing units sold goods valued at Rs. 261.39 crore in course of interstate trade between October 2002 and September 2005 without being supported by declarations in form 'C' or 'D'. The units claimed exemption from payment of tax as per the Meghalaya Industrial Policy, 1997 and Government notification of April 2001 issued under Section 8(5) of the CST Act. The assessing officer (AO) while finalising the assessments between December 2004 and April 2007 admitted the claims and assessed the manufacturing units accordingly. The grant of exemption to the manufacturers was irregular as the sales were not supported by declarations in form 'C' or 'D' resulting in underassessment of tax of Rs. 23.21 crore. Besides, interest of Rs. 15.28 crore was also leviable.

After the cases were pointed out, the AO stated in September 2007 that the exemption from payment of tax was granted as per the Government notification of 12 April 2001. The reply is not tenable as the exemption was subject to production of form 'C' or 'D' in support of the interstate sales.

The case was reported to the Government in August 2007; their reply has not been received (November 2008).

6.21 Concealment of turnover

Eleven dealers concealed turnover of Rs. 92.90 crore and evaded tax of Rs. 7.43 crore on which penalty of Rs. 14.86 crore was also leviable.

Under the MVAT Act, if any dealer conceals the particulars of his turnover or evades in any way the liability to pay tax, he shall be liable to pay in addition to the tax, a penalty not exceeding Rs. 5,000 or double the amount of tax payable on the sale turnover, whichever is greater. The provision of the Act applies *mutatis mutandis* in the case of assessment and reassessment under the CST Act. Further, sale of declared goods in course of interstate trade is taxable at the concessional rate of four *per cent* if such sale is supported by declaration in form 'C', otherwise such sale is taxable at the rate of eight *per cent*. The COT, Meghalaya in his notification dated March 2002 fixed the rate of advance tax at Rs. 1,800 for 15 MT coal based on its prevailing market price ranging between Rs. 1,400 and Rs. 1,500 per MT.

6.21.1 Cross verification of the records of the Divisional Mining Officer (DMO), Williamnagar with those of the ST, Williamnagar in January 2007 revealed that as per the records of the DMO, two dealers sold 3.66 lakh MT of coal valued at Rs. 51.19 crore in the course of interstate trade between April 2005 and March 2006. The dealers, however, disclosed sale of 35,400 MT of coal only valued at Rs. 3.94 crore in their sales tax returns for the aforesaid period and the AO assessed the dealers accordingly between February and June 2006. Thus, the dealers concealed sale of 3.30 lakh MT of coal valued at Rs. 47.25 crore and evaded tax of Rs. 3.78 crore. Besides, penalty of Rs. 7.56 crore was also leviable.

6.21.2 Scrutiny of the assessment records of the ST, Jowai and Circle V, Shillong in December 2006 and April 2007 revealed that nine dealers sold 6.04 lakh MT of coal in the course of interstate trade between April 2005 and December 2006. The dealers disclosed turnover of Rs. 38.85 crore in their returns for the aforesaid periods duly supported by form 'C' instead of Rs. 84.50 crore calculated at the minimum rate of Rs.1,400 per MT as fixed by the COT. The AOs while completing the assessments between February 2006 and February 2007 also ignored the rate fixed by the COT. This resulted in concealment of turnover of Rs. 45.65 crore and evasion of tax of Rs. 3.65 crore. Besides, penalty of Rs. 7.30 crore was also leviable for concealment of turnover.

The cases were reported to the department/Government between February and June 2007; their reply has not been received (November 2008).

6.22 Evasion of tax by utilising fake declaration form

Eight dealers utilised fake form 'C' and evaded tax of Rs. 1.21 crore on which penalty of Rs. 2.20 crore was also leviable.

Under the CST Act, on interstate sale of goods which are covered by a valid declaration in form 'C', tax is leviable at a concessional rate of four *per cent*. In case of declared goods, if not covered by valid declaration in form 'C', tax is leviable at twice the rate applicable to sale or purchase of such goods inside the appropriate state. Further, under the MST Act, if any dealer evades in any way the liability to pay tax, he shall be liable to pay as penalty, in addition to the tax payable by him, a sum not exceeding one and half times the amount of tax due. Under the Meghalaya Value Added Tax (MVAT) Act, 2003, the Commissioner may accept from any person charged with such offence, by way of composition of offence, a sum not exceeding Rs. 5,000 or double the amount of tax whichever is greater. In Meghalaya, coal is taxable at the rate of four *per cent.*

Scrutiny of the assessment records of the ST, Jowai in April 2007 revealed that between June 2003 and December 2006, eight dealers sold coal in the course of interstate trade valued at Rs. 30.20 crore to dealers in Durgapur and Kolkata in West Bengal and produced 36 declarations in form 'C' issued by the purchasing dealers. The AO accepted the declaration forms and assessed the dealers accordingly on different dates between May 2005 and February 2007. Verification of the records of the Commissioner of Commercial Taxes, West Bengal and Assistant Commissioner of Commercial Taxes, Durgapur revealed that these dealers were neither registered nor was any declaration form issued to them. Thus, the declaration forms submitted by the dealers of Meghalaya were fake and tax should have been levied at the rate of eight *per cent* instead of four *per cent*. This resulted in evasion of tax of Rs. 1.21 crore. In addition, penalty of Rs. 2.20 crore was also leviable for deliberate submission of fake form 'C'.

The case was reported to the department/Government in June 2007; their reply has not been received (November 2008).

6.23 Irregular grant of exemption under the CST Act

Interstate sales of Rs 12.45 crore made by a works contractor was irregularly exempted resulting in underassessment of tax of Rs 1.25 crore.

Under section 8(2) of the CST Act, interstate sale of goods not supported by declaration in form 'C' is taxable at 10 *per cen*t or at the rate of tax applicable to the sale or purchase of such goods within the State whichever is higher. It was judicially held[6] by the Supreme Court that so long as the Central Government does not make rules under the CST Act, for determination of the turnover in relation to interstate works contract, determination of turnover may be carried out by the assessing authority in a state in terms of the rules made by the State Government. Under the taxation laws of Meghalaya, works contract is taxable at the rate of eight *per cent.*

Scrutiny of the records of the ST, Circle IV, Shillong in January 2007 revealed that a company engaged in works contract, disclosed interstate sale of goods valued at Rs. 12.45 crore between October 2004 and March 2005 and claimed exemption from payment of tax. The AO accepted the claim and assessed the dealer accordingly in March 2006. Since there is no specific provision dealing with works contract and rate of tax thereon under the CST Act and Rules made thereunder tax on these sales was to be levied in accordance with the taxation laws of the state. The irregular grant of exemption resulted in underassessment of tax of Rs. 1.25 crore calculated at the rate of 10 *per cent.*

The case was reported to the department/Government in February 2007; their reply has not been received (November 2008).

6.24 Suppression of turnover

Three registered dealers concealed turnover of Rs. 3.08 crore and evaded tax of Rs. 33.28 lakh on which penalty of Rs. 53.34 lakh was also leviable.

Under the provisions of the Meghalaya Sales Tax (MST) Act, if the Commissioner is satisfied that any dealer has concealed the particulars of his turnover or deliberately furnished inaccurate particulars of such turnover, he may direct that such dealer shall pay by way of penalty, in addition to the tax payable by him, a sum not exceeding one and half times of that amount. Further, under the provision of the Meghalaya Value Added Tax (MVAT) Act, 2005, if a dealer conceals the particulars of turnover, the Commissioner may accept by way of composition of offence, a sum not exceeding Rs. 5,000 or double the amount of tax whichever is greater.

6.24.1 Scrutiny of the assessment records of the ST, Circle-IV, Shillong in October 2006 revealed that a manufacturer of cement disclosed turnover of Rs. 1.26 crore in his return for the period from April 2002 to March 2003 and the AO assessed the dealer in June 2006 accordingly. Verification of the balance sheet, profit and loss accounts and schedules connected thereto of the dealers furnished to the Registrar of Companies, Shillong, however, revealed that the dealer actually sold cement valued at Rs. 3.43 crore during the aforesaid period. The dealer, thus, deliberately concealed turnover of Rs. 2.17 crore and evaded tax of Rs. 26.04 lakh. Besides, maximum penalty of Rs. 39.06 lakh was also leviable.

[6] Mahim Patram Private Ltd Vs Union of India and others (and another Appeal)-{2007} 6 VST 248 (SC).

6.24.2 Cross check of the records of the DMR, Shillong with those of the ST, Circle-V, Shillong in December 2006 revealed that as per the DMR's records, a dealer sold 17,840 tonnes of coal in course of inter-state trade during the period between April 2005 and March 2006. The dealer, however, disclosed sale of 13,875 tonnes of coal in his return under the CST Act for the aforesaid period and the AO assessed the dealer accordingly in June 2006. The dealer, thus, concealed sale of 3,965 tonnes of coal valued at Rs. 59.48 lakh and evaded tax of Rs. 4.76 lakh. Penalty of Rs. 9.52 lakh being double the amount of tax was also leviable.

6.24.3 Test check of the assessment records of the ST, Circle V Shillong in October 2006 revealed that a dealer sold coal valued at Rs. 1.05 crore to a dealer of Haryana during April to September 2005. The turnover was supported by a declaration in form 'C' and the dealer was assessed in November 2005 at a concessional rate of four *per cent*. Further, scrutiny of records revealed that the dealer had also sold 2,070 tonnes of coal valued at Rs. 31.05 lakh which was despatched through Umkiang check gate located at the exit point of Meghalaya on the road connecting States like Assam (southern point), Manipur, Mizoram and Tripura during the aforesaid period. Although the records of despatch of coal were forwarded to the AO by the officer-in-charge of taxation check gate, the AO did not include the turnover while finalising the assessments. This led to evasion of tax of Rs. 2.48 lakh. Penalty of Rs. 4.76 lakh was also leviable for concealment of turnover.

The cases were reported to the department/Government in February 2007; their reply has not been received (November 2008).

6.25 Loss of revenue due to irregular grant of exemption

Irregular grant of authorisation certificate led to the loss of revenue of Rs. 36.40 lakh.

Under Section 2(i) of the Meghalaya Industries (Sales Tax Exemption) Scheme, 2001 notified under the Industrial Policy 1997, new units set up on or after 15 August 1997 will be eligible for sales tax exemption on the sale of finished products manufactured by such units provided that the tax exemption certificate in the form of certificate of authorisation (CA) is granted to these units by the Taxation Department. Manufacturing of cement[7] consists of preparation of raw mix, production of clinker[8], grinding of clinker in a factory and blending of ground cement with silicos.

Scrutiny of the assessment records of ST, Jowai in June 2006 revealed that a company was allowed to set up a plant for manufacture and sale of portland cement, aluminous cement, slag cement and similar hydraulic cement except

[7] Limestone,clay,boxite and iron ore sand in specific proportions when heated in a rotating kiln at 2770 degree Fahrenheit they begin to form cinder lumps known as cement clinker.

[8] Clinker Ultra Tech Cement Limited Vs Principal Secretary, Department of Industries and Commerce and others (2008) 11 VST 881 (Karn).

in the form of clinker by the Government of India, Ministry of Commerce and Industry. Moreover, clinker is not a finished product, and hence it is not eligible for exemption under the Industrial Exemption Scheme. While issuing the CA, the AO, however, granted exemption from payment of tax on the sale of cement as well as clinker. The unit started commercial production from February 2005 and sold clinker valued at Rs. 3.67 crore upto March 2005 both within and outside the state and was exempted from payment of tax on the strength of the CA. Thus, erroneous inclusion of clinker in the CA resulted in loss of revenue of Rs. 36.40 lakh.

After this was pointed out, the ST stated in August 2006 that the dealer had been asked to furnish the books of accounts for verification. Result of verification has not been intimated (October 2008).

The case was reported to the Government in June 2006; their reply has not been received (November 2008).

6.26 Loss of revenue due to non registration of dealers

Two unregistered dealers transported 28,500 MT of coal on which advance tax of Rs. 34.20 lakh though realisable was not realised.

Under the CST Act, every dealer liable to pay tax shall not carry on the business unless he is registered and possesses a certificate of registration. Further, under section 83 of the MVAT Act, the COT shall, from time to time, carry out a survey of unregistered dealers who are liable to pay tax but have remained unregistered. A sale in course of export is exempted from payment of tax provided the exporter furnishes to the AO, documentary evidence to the effect that the goods have crossed the customs frontier of India. It was judicially held[9] by the Supreme Court that a sale by export involves a series of integrated activities commencing from the agreement of sale with a foreign buyer and involving the delivery of goods to a carrier for transport out of the country by land or sea. The security in the form of advance tax was revised (September 2003) and fixed at the rate of Rs. 120 per MT for sale of coal in the course of interstate trade which came into effect from 26 September 2003.

Scrutiny of the records of the DMO, Williamnagar in January 2007 revealed that two dealers were permitted to extract 28,500 MT of coal from East Garo Hills district for export to Bangladesh in February and March 2006. Further scrutiny of the records of the ST, Williamnagar in January 2007, however, revealed that the two coal dealers were neither registered nor furnished any evidence in support of export of coal to Bangladesh either to the DMO or to the AO. No survey was also conducted under the MVAT Act to trace out the dealers for registration. Thus, failure to register the dealers led to the loss of revenue of Rs. 34.20 lakh.

[9] State of Travancore-Cochin Vs. Bombay Co. Ltd., (1952) 3STC 434 (SC).

After the case was pointed out, the ST stated in July 2007 that the coal dealers were exporters of coal to Bangladesh and hence they were not liable to be registered. The reply is not correct as it is mandatory for exporters to be registered and furnish evidence of export as laid down under Section 5 of the CST Act to claim exemption from payment of tax.

The case was reported to the Government in April 2007; their reply has not been received (November 2008).

6.27 Non-levy of interest

Interest of Rs. 14.21 lakh due to belated payment of tax was not levied and collected from eight dealers.

Under the provisions of the MVAT Act and Rules made thereunder, every registered dealer liable to pay tax is required to submit his return and pay the tax within 21 days of the end of a month of the year. If any dealer fails to pay the full amount of tax payable by him by the due date, he shall be liable to pay simple interest at the rate of two *per cent* per month from the first day of the month next following the due date on the amount by which the tax paid falls short.

Scrutiny of the records of the ST, Tura in October 2007 revealed that eight dealers submitted returns for the periods from May 2005 to March 2006 along with admitted tax and the AO accepted all the returns accordingly. Further scrutiny of the treasury *challans*, however, revealed that the dealers paid the due tax belatedly with delays ranging between 7 and 24 months but the AO did not levy and realise interest for belated payment of tax. This resulted in non-levy of interest of Rs. 14.21 lakh.

After the cases were pointed out, the ST stated in May 2008 that the concerned dealers had been asked to produce the accounts for verification. Further reply has not been received (October 2008).

The case was reported to the Government in January 2008; their reply has not been received (November 2008).

6.28 Irregular assessment at concessional rate

Underassessment of tax of Rs. 11.93 lakh due to acceptance of invalid declaration form.

Under the CST Act, tax is leviable at a concessional rate of four *per cent* on interstate sale of goods if such sales are supported by valid declarations in form 'C'. However, interstate sale of goods not supported by declaration in form 'C' are taxable at 10 *per cent* or at the rate applicable to the sale or purchase of such goods within the state whichever is higher. In Meghalaya, motor vehicles are taxable at 12 *per cent.*

Scrutiny of the records of the ST, Circle-I, Shillong in December 2006 revealed that a dealer, having branch offices both in Shillong and Guwahati (Assam), sold motor vehicles valued at Rs. 1.49 crore from Guwahati branch office between April 2003 and March 2005 on the strength of five form 'C' furnished by the purchasers belonging to the State of Assam. However, while submitting the accounts, the dealer who was registered in Shillong irregularly furnished the aforesaid form 'C' as sales made from Shillong to avail the concessional rate of tax. The AO also accepted the declaration forms and assessed the dealer at conessional rate of four *per cent* in November 2006. Since the sale did not occasion the movement of goods from Meghalaya to the purchasers of Assam, the declaration forms produced by the dealer were invalid and tax should have been levied at the rate of 12 *per cent* instead of four *per cent.* This irregular acceptance of declaration forms led to underassessment of tax of Rs. 11.93 lakh.

The case was reported to the department/Government in February 2007; their reply has not been received (November 2008).

6.29 Loss of revenue due to non-registration of dealers

Failure to register the dealers dealing in taxable goods and deduct tax at source led to loss of revenue of Rs. 11.68 lakh.

Under the MST Act, no dealer shall carry on business of taxable goods unless he is registered and possesses a certificate of registration. If the dealer fails to apply for registration, the COT shall register the dealer within a specified time after allowing him a reasonable opportunity of being heard. As a measure of control, the Government of Meghalaya, Taxation Department instructed, in January 1995, that the buying department(s) should deduct tax at source at the prescribed rate while making payment to the supplier and deposit it in the Government account.

Cross verification of the annual accounts of a State Government cement manufacturing company with those of the ST Circle-VI, Shillong in July 2006 revealed that the company purchased 83,770.16 MT clay valued at Rs. 1.46 crore during 2002-03 and 2004-05 from unregistered dealers on which tax of Rs. 11.68 lakh was to be deducted at source and deposited into the Government account. But, neither the company deducted the tax at source nor did the AO initiate any action to register the dealers and realise the tax. Thus, failure of the company to deduct the tax at source and the AO to cross verify the accounts furnished by the cement manufacturing company and register the dealers resulted in loss of revenue of Rs. 11.68 lakh.

The case was reported to the department/Government in March 2008; their reply has not been received (November 2008).

6.30 Turnover escaping assessment

Underassessment of tax of Rs. 9.26 lakh due to turnover of Rs. 1.25 crore escaping assessment.

Under the Meghalaya Finance (Sales Tax) (MFST) Act, if the COT is satisfied that sale of taxable goods has escaped assessment in any period or has been underassessed, he may proceed to assess the dealer in respect of such period. In Meghalaya medicine is taxable at the rate of eight *per cent.*

Scrutiny of the records of the ST, Circle–III, Shillong in January 2007 revealed that a dealer disclosed sale of medicines valued at Rs. 7.36 lakh in his return for the month of April 2005 and he was accordingly assessed in October 2005. Further, scrutiny of the treasury *challans* furnished by the dealer, however, revealed that the dealer actually sold medicines valued at Rs. 1.32 crore during the aforesaid period. Thus, turnover of Rs. 1.25 crore escaped assessment resulting in underassessment of tax of Rs. 9.26 lakh.

The case was reported to the department/Government in March 2007; their reply has not been received (November 2008).

6.31 Underassessment of tax due to turnover escaping assessment

Twelve dealers disclosed turnover of Rs. 5.27 crore against which turnover of Rs. 4.12 crore was assessed leading to underassessment of tax of Rs. 9.08 lakh.

Under the taxation laws of Meghalaya, if the COT is satisfied that any turnover in respect of sale of any goods chargeable to tax has been underassessed during any return period, he may at any time within eight years from the end of that period proceed to reassess the dealer.

Scrutiny of the assessment records of the ST, Circle-IV and VI, Shillong in January 2007 revealed that 12 dealers disclosed taxable turnover of Rs. 5.27 crore for the period from April 2004 to March 2005 in their application for registration under the MVAT Act. However, while assessing the dealers between March 2005 and September 2006 for the aforesaid periods, turnover of Rs. 4.12 crore only was assessed. Thus, turnover of Rs. 1.15 crore escaped assessment resulting in underassessment of tax of Rs. 9.08 lakh.

The case was reported to the department/Government in February 2007; their reply has not been received (November 2008).

6.32 Incorrect application of rate

Incorrect application of rate led to underassessment of tax of Rs. 9 lakh.

As per entry 13 of schedule to the MF (ST) Act, any fixture made of iron and steel is taxable at the rate of 12 *per cent*. Steel tubular poles supplied to Meghalaya State Electricity Board (MeSEB) are used as fixture of electric lines for transmission and distributation of power and are, therefore, taxable at the rate of 12 *per cent.*

Scrutiny of the records of the ST, Circle-IV Shillong in November 2007 revealed that three dealers sold steel tubular poles valued at Rs. 1.13 crore to the MeSEB, Shillong between April 2003 and March 2005. While assessing the dealers between August 2004 and February 2006 for the aforesaid period, the AO levied tax at the rate of four *per cent* instead of 12 *per cent*. Thus, incorrect application of rate led to short levy of tax of Rs. 9 lakh.

The case was reported to the department/Government in February 2007; their reply has not been received (November 2008).

6.33 Non-realisation of tax

Three user agencies purchased sand and stone valued at Rs. 61.43 lakh without deducting tax at source which led to non-realisation of tax of Rs. 6.70 lakh.

Under the MVAT Act, every person responsible for paying tax in respect of any sale or supply of taxable goods to the Government shall deduct tax therefrom in the prescribed manner and at the rate specified in the schedule to the Act.

Cross scrutiny of the records of the ST, Jowai with three user agencies[10] in April 2007 revealed that 590 contractors sold sand and stone valued at Rs. 61.43 lakh to the user agencies between June 2005 and September 2005 but tax payable in all these cases was neither deducted by the user agencies nor was the tax paid by the suppliers to the Taxation Department. The AO also did not initiate any action to realise tax from the contractors. This resulted in non-realisation of tax of Rs. 6.70 lakh.

After the case was pointed out, the AO stated in April 2008 that the DFO, Jowai had been requested to deduct tax at source. The reply is not tenable as the AO has to take up the matter with the concerned user agencies and not with the DFO, Jowai for deduction of tax at source. Further reply has not been received (November 2008).

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[10] Executive Engineer, PWD (Road) North, PWD (Road) South Division and NEC Divisions Jowai.

The matter was reported to Government in June 2007 and March 2008; their reply has not been received (November 2008).

6.34 Irregular exemption of tax on sale of tax paid goods

Two dealers fraudulently claimed exemption of tax on the turnover of Rs. 79.28 lakh as sales of tax paid goods and evaded tax of Rs. 6.34 lakh on which penalty of Rs. 9.51 lakh was also leviable.

Under the MFST Act, tax shall be payable at the stage of first sale of taxable goods in Meghalaya, provided that where any question arises on whether any particular sale is the first sale in Meghalaya, the burden of proof that it is not the first sale shall be on the dealer making the sale. Further, if the COT is satisfied that any dealer has evaded in any way the liability to pay tax, he may direct that such dealer shall pay by way of penalty in addition to tax payable by him, a sum not exceeding one and half times that amount.

Scrutiny of the records of ST, Circle-I, Shillong in December 2006 revealed that two registered dealers claimed exemption from payment of tax on sale of lubricants valued at Rs. 79.28 lakh between April 2002 and March 2005 as the goods were purchased from another dealer registered in Circle-III, Shillong and the AO assessed the dealers accordingly between September 2003 and September 2004. Further scrutiny of the assessment records of the selling dealer, however, revealed that the dealer neither dealt in lubricants nor disclosed any sale of lubricants during the aforesaid period. Thus, the dealers fraudulently claimed exemption which escaped notice of the AO resulting in evasion of tax of Rs. 6.34 lakh. Besides, penalty of Rs. 9.51 lakh was also leviable for deliberately misstatement of facts.

The cases were reported to the department/Government in June 2006 and March 2007 respectively; their reply has not been received (November 2008).

6.35 Irregular grant of exemption under Sales Tax Exemption Scheme

Turnover of Rs. 47.28 lakh of an industrial unit was irregularly exempted from payment of tax leading to underassessment of tax of Rs. 3.78 lakh.

In April 2001, the Government of Meghalaya, Taxation Department notified that no tax shall be payable by any eligible industrial unit to whom an exemption certificate in the form of certificate of authorisation (CA) has been granted. The CA is valid for one year and is renewable thereafter on examination of annual return which is required to be submitted in the prescribed form within 30 days of the end of each financial year.

Scrutiny of the assessment records of ST, Circle-III, Shillong in January 2007 revealed that a manufacturing unit disclosed taxable turnover of Rs. 47.28 lakh for the period from April 2000 to April 2005 and claimed exemption from payment of tax under the Meghalaya Industries (Sales Tax Exemption) Schemes, 2001. The dealer neither applied for grant of CA nor submitted the annual return in the prescribed format for issue of the CA. The AO while assessing the dealer in December 2005 exempted the turnover from payment of tax. Such irregular exemption without supporting CA resulted in underassessment of tax of Rs. 3.78 lakh.

After the case was pointed out, the AO while admitting the facts stated in April 2008 that the exemption was granted irregularly through oversight. However, action taken to reassess the dealer and recovery of tax has not been intimated (October 2008).

The case was reported to the Government in March 2007 and March 2008; their reply has not been received (November 2008).

6.36 Turnover escaped assessment

Turnover of Rs. 30.22 lakh determined on best judgment basis escaped assessment leading to underassessment of tax of Rs. 3.63 lakh.

Under the MFST Act, if a dealer fails to submit returns, the COT shall, by an order in writing, assess the dealer to the best of his judgment and determine the tax payable by him on the basis of such assessment. Further, if the COT is satisfied that any dealer has without any reasonable cause failed to furnish the return, he may direct that such dealer shall pay by way of penalty, in addition to the tax payable by him, a sum not exceeding one and a half times that amount.

Scrutiny of the records of the ST, Circle-III, Shillong in December 2006 revealed that a dealer who was a defaulter in submission of returns and payment of tax, requested the AO to complete the assessments for the period from October 2003 to April 2005 to the best of his judgment as he did not maintain any books of accounts. The area Inspector of Taxes (IT) conducted an enquiry in February 2006 and estimated taxable turnover of Rs. 2.14 lakh treating cold drinks, ice creams *etc*., as sale of locally purchased goods and the AO completed the assessments for the aforesaid periods accordingly in February 2006. Further scrutiny of the records revealed that the dealer imported ice creams and cold drinks valued at Rs. 30.22 lakh from outside the State during the aforesaid period which escaped notice of the IT as well as the AO. This resulted in underassessment of tax of Rs. 3.63 lakh. Since the dealer was a defaulter in submission of return and payment of tax, maximum penalty of Rs. 5.45 lakh was also leviable but not levied.

The cases were reported to the department/Government in March 2007; their reply has not been received (November 2008).

6.37 Short realisation of surcharge

Application of incorrect rate led to short realisation of surcharge of Rs. 3.38 lakh.

The Government of Meghalaya, Taxation Department in their notification of 25 August 2004 enhanced the rate of surcharge from 10 *per cent* to 20 *per cent* of the tax on sale of all the goods except the declared goods. The enhanced rate of surcharge was to take effect from the date of notification.

Scrutiny of the records of the ST, Circle–III, Shillong in January 2007 revealed that a dealer dealing in medicine and electrical goods deposited tax of Rs. 33.84 lakh for the month of April 2005. Scrutiny of the treasury *challans* available in the case records, however, revealed that surcharge of Rs. 3.38 lakh at the rate of 10 *per cent* of tax was collected and deposited instead of 20 *per cent.* The AO while finalising the assessment in October 2005 failed to detect the payment of surcharge at incorrect rate resulting in short realisation of surcharge of Rs. 3.38 lakh.

The case was reported to the department/Government in March 2007; their reply has not been received (November 2008).

6.38 Non-levy of penalty for misuse of form 'C'

Penalty of Rs. 3.32 lakh was not levied for misuse of form 'C' on purchase of goods at concessional rate by two steel plants.

Under the provision of the CST Act, a registered dealer may purchase goods from a registered dealer of another state at a concessional rate of tax by furnishing the prescribed declaration in form 'C'. If any person, after purchasing the goods for any of the purposes specified in the declaration form, fails to make use of the goods for any such purpose, he is liable to pay penalty not exceeding one and half times the amount of tax.

Scrutiny of the records of the ST, Ri-Bhoi District, Nongpoh in May 2007 revealed that two manufacturers of mild steel ingot purchased building materials, weighing scale *etc.* valued at Rs. 35.96 lakh at concessional rate against declaration in form 'C' for use as raw material for manufacture of mild steel ingot. Since the goods purchased at concessional rate i.e. building materials, weighing scale *etc.* were not directly linked with production of mild steel ingots, the manufacturers were liable to pay penalty upto Rs. 3.32 lakh for misuse of 'C' forms which was not levied and realised by the AO.

After the case was pointed out, the AO stated in September 2007 that show-cause notices had been issued to the concerned dealers. Report on levy and realisation of penalty has not been received (October 2008).

The case was reported to the Government in August 2007; their reply has not been received (November 2008).

6.39 Underassessment of tax due to grant of excess deduction

A dealer was allowed deduction of Rs. 1.16 crore instead of Rs. 81.86 lakh towards cost of labour resulting in underassessment of tax of Rs. 2.73 lakh.

As per the MST Act, 'sale price' means the amount payable to a dealer as consideration for carrying out of any works contract less such fraction of such amount as represents the proportion of the cost of labour used in carrying out such contract. Works contract is taxable at the rate of eight *per cent* after allowing requisite percentage of deduction varying from 10 to 30 *per cent* towards the cost of labour if the dealer fails to furnish the detailed account of labour charges.

Scrutiny of the records of the ST, Circle-IV, Shillong in February 2006 revealed that a contractor engaged in construction works disclosed taxable turnover of Rs. 4.62 crore for the period from April 2004 to March 2005. Of this, Rs. 1.35 crore was taxable under the MFST Act and the balance Rs. 3.27 crore being the value of the works contract was taxable under the MST Act. Since the dealer did not maintain the accounts showing the cost of material and cost of labour separately, he was entitled to get maximum deduction of Rs. 81.86 lakh towards cost of labour on the turnover of Rs. 3.27 crore. Instead the dealer claimed a deduction of Rs. 1.16 crore on the entire turnover of Rs. 4.62 crore and was assessed accordingly in October 2005. Thus, allowance of excess deduction of Rs. 34.14 lakh towards the cost of labour resulted in underassessment of tax of Rs. 2.73 lakh.

The case was reported to the department/Government in July 2005 and March 2006; their reply has not been received (November 2008).

6.40 Non-levy of penalty

Penalty of Rs. 2.22 lakh was not levied and realised on seven dealers who did not furnish the returns within due date.

Under the MVAT Act, if a registered dealer fails to furnish any return by the due date, the COT may direct him to pay penalty of a sum of Rs. 100 per day of default subject to a maximum of Rs. 10,000.

Scrutiny of the records of the ST, Tura in October 2007 revealed that seven registered dealers failed to furnish their returns for the quarter ending June 2005 to September 2006 by the due date(s). For delay in submission of returns, the dealers were liable to pay penalty of Rs. 2.22 lakh but the AO failed to take any action to levy and realise the penalty. This resulted in non-levy of penalty of Rs. 2.22 lakh.

After these cases were pointed out, the ST while admitting the facts stated in May 2008 that the penalty could not be imposed due to delay in delegation of power by the department. The reply is not tenable as the cases should have been referred to the COT for imposition of penalty.

The case was reported to the Government in January 2008; their reply has not been received (November 2008).

TRANSPORT DEPARTMENT

6.41 Non-levy of fine on trucks carrying excess load of coal

Non levy of fine of Rs. 255.49 crore on 3,11,321 commercial trucks for carrying excess load beyond maximum permissible limit.

In Meghalaya, all commercial trucks are registered by the district transport officers (DTO) with maximum permissible pay load of 10 MT on which road tax is payable under the Assam Motor Vehicle Taxation Act, 1936 (as adapted in Meghalaya). Further, under the Motor Vehicles (MV) Act, 1988 whoever drives a motor vehicle or causes or allows a motor vehicle to be driven carrying load in excess of the permissible limit, shall be liable to pay a minimum fine of Rs. 2,000 and additional fine of Rs. 1,000 per MT of excess load.

Cross verification of the records of the Commissioner of Transport (CT), Meghalaya with those of the DMR check gates at Mookyndur, Umkiang, Athiabari, Dainadubi and Masangpani in April 2008 revealed that 3,11,321 commercial trucks carried 50,45,508 MT of coal against the maximum permissible limit of 31,13,210 MT during the period between April 2006 and March 2007. But, the excess load of 19,32,298 MT carried by these trucks beyond the permissible limit escaped notice of the enforcement wing of the Transport Department resulting in non-levy and consequent non-realisation of minimum fine of Rs. 255.49 crore.

After the case was pointed out, the department while admitting the facts stated in July 2008 that all the concerned DTOs/Enforcement staffs were directed to collect fine from trucks carrying excess load as per provision of MV Act.

The case was reported to the Government in May 2008; their reply has not been received (November 2008).

6.42 Short realisation of composite fee

Realisation of composite fee of Rs. 16.53 lakh against Rs. 32.43 lakh from 1,081 national permit holder trucks led to short realisation of composite fee of Rs. 15.90 lakh.

The Government of Meghalaya, Transport Department in their notification of 10 October 1994 fixed annual composite fee (CF) of Rs. 3,000 on commercial trucks authorised to ply in Meghalaya under the national permits granted by the state transport authority (STA) of other states/UTs. The CF is realised by the Secretary, STA of the state which grants the national permit and remits it to the STA of Meghalaya by bank draft.

Scrutiny of the records of the STA, Meghalaya in April 2008 revealed that in 1,081 cases, the STAs of nine states[11] realised and remitted CF of Rs. 16.53 lakh to the STA, Meghalaya instead of Rs. 32.43 lakh on commercial trucks authorised to ply under national permit in the state of Meghalaya for the period between April 2006 and March 2007. The STA, Meghalaya did not take up the matter with his counterparts of the concerned states for recovery of the balance amount. This resulted in short realisation of CF of Rs. 15.90 lakh.

The case was reported to the department/Government in April 2008; their reply has not been received (November 2008).

6.43 Short levy of fine

Levy of fine of Rs. 2.43 lakh against minimum fine of Rs. 4.82 lakh led to short realisation of fine of Rs. 2.39 lakh.

Under the MV Act, plying a motor vehicle without permit in contravention of the provisions of the Act shall be punishable for the first offence with a fine which may extend to Rs. 5,000 but shall not be less than Rs. 2,000.

Scrutiny of the records of the CT, Meghalaya in April 2008 revealed that for the period between April 2006 and March 2007, 241 transport vehicles plying without valid permits were detected by the enforcement wing of the department but fine of Rs. 2.43 lakh only against minimum fine of Rs. 4.82 lakh was levied and realised. This resulted in short levy of fine of Rs. 2.39 lakh.

After this was pointed out, the department while admitting the facts stated in July 2008 that all the transport officials were directed to realise fine as per provision of MVT Acts. Report of realisation of fine has not been received (October 2008).

The case was reported to the Government in May 2008; their reply has not been received (November 2008).

[11] Assam, Andhara Pradesh, Arunachal Pradesh, Haryana, Kerala, Nagaland, Tripura and West Bengal.

CHAPTER VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

CHAPTER VII : GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

General

This chapter deals with the results of audit of Government companies and Statutory corporations. Paragraph 7.1 gives an overview of Government companies and Statutory corporations and Paragraphs 7.2 to 7.6 deal with other topics of interest.

7.1 Overview of Government companies and Statutory corporations

7.1.1 Introduction

As on 31 March 2008 there were 10 Government companies (all working) and three Statutory corporations (all working) under the control of the State Government as against the same number of working Government companies and working Statutory corporations as on 31 March 2007. The accounts of the Government companies are audited by the Statutory Auditors, appointed by 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 Comptroller and Auditor General of India as per provisions of Section 619 of the Companies Act, 1956. The audit arrangement of the Statutory corporations are as follows:

Table 7.1

<table>
<tr><th>Sl. No.</th><th>Name of the Corporation</th><th>Authority for audit</th><th>Audit arrangement</th></tr>
<tr><td>1.</td><td>Meghalaya State Electricity Board (MeSEB)</td><td>Under Rule 14 of the Electricity (Supply) (Annual Accounts) Rules, 1985 read with Section 185 (2) (d) of the Electricity Act, 2003.</td><td rowspan="2">Sole audit by CAG</td></tr>
<tr><td>2.</td><td>Meghalaya Transport Corporation (MTC)</td><td>Section 32(2) of Road Transport Corporations Act, 1950</td></tr>
<tr><td>3.</td><td>Meghalaya State Warehousing Corporation (MSWC)</td><td>Section 31(8) of the State Warehousing Corporations Act, 1962</td><td>Audit by Chartered Accountants and supplementary audit by CAG</td></tr>
</table>

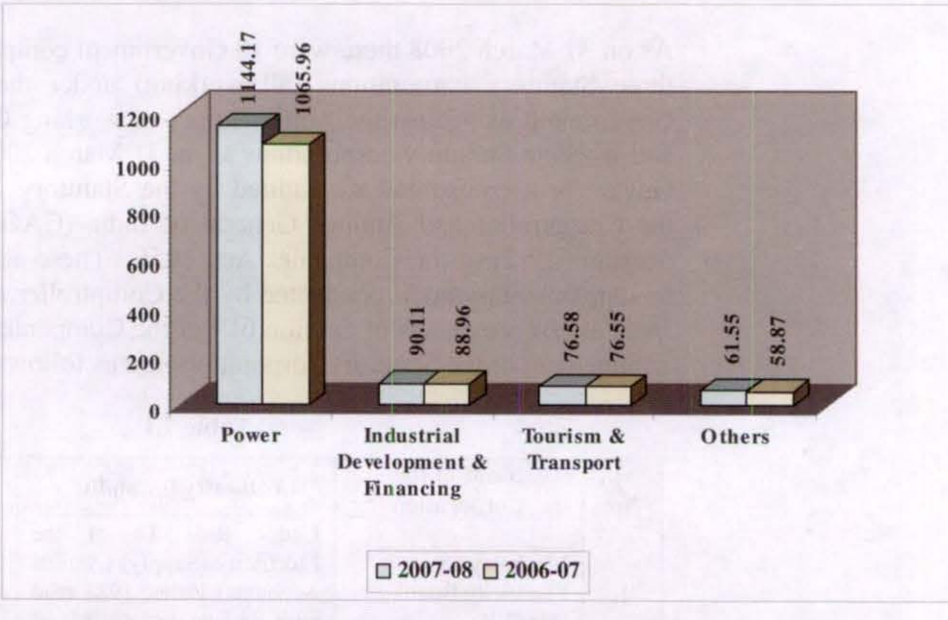
Working Public Sector Undertakings (PSUs)

7.1.2 Investment in working PSUs

As on 31 March 2008, the total investment in 13 working PSUs (10 Government companies and three Statutory corporations) was Rs. 1372.41 crore[1] (equity: Rs. 395.49 crore; long-term loans: Rs.968.28 crore[2] and share application money: Rs. 8.64 crore) against the total investment of Rs. 1290.34 crore (equity: Rs. 389.90 crore; long-term loans: Rs. 892.37 crore and share application money: Rs. 8.07 crore) as on 31 March 2007. The analysis of investment in working PSUs is given in the following paragraphs.

7.1.3 Sector-wise investment in working Government companies and Statutory corporations

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2008 and 31 March 2007 are indicated in the bar chart.



7.1.4 Working Government companies

The total investment in working Government companies at the end of March 2007 and March 2008 was as follows:

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1 State Government's investment was Rs. 390.09 crore (others: Rs. 982.32 crore). Figures as per Finance Accounts 2007-08 is Rs. 142.93 crore. The difference is under reconciliation.

2 Long term loans mentioned in paragraphs 7.1.2, 7.1.4 and 7.1.5 are excluding interest accrued and due on such loans.

Table 7.2

(Rupees in crore)

Year	Number of companies	Equity	Share application money	Loans	Total
2006-07	10	119.21	8.07	28.41	155.69
2007-08	10	124.65	8.64	26.11	159.40

Increase in the total investment was mainly due to increase in share capital of Mawmluh Cherra Cement Limited, Meghalaya Industrial Development Corporation Limited and Meghalaya Handloom and Handicrafts Development Corporation Limited.

The summarised statement of Government investment in working Government companies in the form of equity and loan is detailed in **Appendix 7.1.**

As on 31 March 2008, the total investment in working Government companies comprised 83.62 *per cent* of equity capital and 16.38 *per cent* of loans as compared to 81.75 *per cent* and 18.25 *per cent* respectively as on 31 March 2007.

7.1.5 Working Statutory corporations

The total investment in three Statutory corporations at the end of March 2007 and March 2008 was as follows:

Table 7.3

(Rupees in crore)

Name of Corporation	2006-07		2007-08	
	Capital	Loan	Capital	Loan
Meghalaya State Electricity Board (MeSEB)	202.00	863.96	202.00	942.17
Meghalaya Transport Corporation (MTC)	66.03[(3)]	-	66.06[(3)]	-
Meghalaya State Warehousing Corporation (MSWC)	2.66[(4)]	-	2.78[(4)]	-
Total	**270.69**	**863.96**	**270.84**	**942.17**

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is detailed in **Appendix 7.1.**

As on 31 March 2008, the total investment in working Statutory corporations comprised 22.33 *per cent* of equity capital and 77.67 *per cent* of loans as compared to 23.86 *per cent* and 76.14 *per cent* respectively as on 31 March 2007.

7.1.6 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loan into equity

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of working Government companies and working Statutory corporations are given in **Appendices 7.1 and 7.3.**

(3) Figures for 2006-07 and 2007-08 in respect of MTC are provisional.

(4) Figures for 2007-08 in respect of MSWC are provisional.

The budgetary outgo in the form of equity capital and loans and grants/subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to March 2008 are given below:

Table 7.4

(Rupees in crore)

	2005-06				2006-07				2007-08			
	Companies		Companies		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1.Equity	1	0.21	2	20.57	3	9.84	2	3.11	3	7.26	2	3.12
2. Loans	-	-	1	8.52	-	-	1	9.66	-	-	1	8.43
3. Grants	2	0.68	-	-	2	0.60	-	-	3	1.08	-	-
4. Subsidy	1	3.90	2	13.60	-	-	2	27.15	1	0.16	2	35.90
Total outgo	**4[5]**	**4.79**	**3[5]**	**42.69**	**5**	**10.44**	**3[5]**	**39.92**	**7**	**8.50**	**3[5]**	**47.45**

During 2007-08, no fresh guarantee has been given by the State Government against loan raised by the PSUs. At the end of the year, guarantees amounting to Rs. 501.23 crore against two working Government companies (Rs. 3.26 crore) and one working Statutory corporation (Rs. 497.97 crore) were outstanding.

Against guarantees given by the State Government in earlier years to one Company *viz.*, Meghalaya Mineral Development Corporation Limited amounting to Rs. 2.33 crore for obtaining loan from other sources, the default in repayment by the company at the end of 2007-08 amounted to Rs. 2.26 crore. At the end of 2007-08, guarantee commission amounting to Rs. 15.76 crore (including current year: Rs. 3.32 crore) was due for payment by Meghalaya State Electricity Board to the State Government.

7.1.7 Finalisation of accounts by working PSUs

Accounts of the Government companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in the cases of Statutory corporations, their accounts are to be finalised, audited and presented to the Legislature as per the provisions of their respective statutes.

Out of 13 working PSUs (10 working Government companies and three Statutory corporations) only one Statutory corporation *viz.*, Meghalaya State Electricity Board had finalised its accounts for the year 2007-08 within the stipulated period. During the period from October 2007 to September 2008, only two working Government companies finalised their accounts for the previous year (2006-07). Other six companies finalised their accounts relating to earlier years and the remaining two companies did not finalise any of the

[5] Actual numbers of companies/corporations which received equity/loans/ grants/subsidy from State Government during the year.

accounts during this period. During this period two Statutory corporations *viz.*, Meghalaya State Warehousing Corporation and Meghalaya Transport Corporation finalised accounts for the years 2006-07 and 2002-03 respectively.

The accounts of 10 working Government companies and two Statutory corporations were in arrears for periods ranging from 1 to 15 years as on 30 September 2008 as detailed below:

Table 7.5

Sl. No.	Number of companies/ corporations		Year from which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Serial No. of Appendix 7.2	
	Government companies	Statutory corpora-tions			Government companies	Statutory corpora-tions
1.	2	1	2007-08	01	1&10	3
2.	2	-	2006-07 to 2007-08	02	4&9	-
3.	1	-	2004-05 to 2007-08	04	5	-
4.	-	1	2003-04 to 2007-08	05	-	2
5.	1	-	2002-03 to 2007-08	06	3	-
6.	1	-	2001-02 to 2007-08	07	2	-
7.	1	-	2000-01 to 2007-08	08	7	-
8.	1	-	1999-00 to 2007-08	09	6	-
9.	1	-	1993-94 to 2007-08	15	8	-

The State Government had invested[6] Rs. 75.91 crore and (equity: Rs. 57.79 crore; grants Rs. 3.16 crore and subsidy: Rs. 14.96 crore) in 12 working PSUs during the years for which accounts have not been finalised as detailed in **Appendix 7.4**. In the absence of timely finalisation of accounts and their audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of provisions of the Companies Act, 1956.

It is the responsibility of the administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments of the Government were apprised quarterly by Audit of arrears in finalisation of accounts, no remedial measures had been taken by the Government. As a result, the net worth of these PSUs could not be assessed in audit.

7.1.8 Financial position and working results of working PSUs

The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Appendix 7.2.** Besides, statements showing the financial position and working results of individual Statutory corporations for the latest three years for which accounts are finalised are given in **Appendices 7.5** and **7.6** respectively.

6 Information as provided by the companies.

According to latest finalised accounts of 10 working Government companies and three Statutory corporations, eight companies and one corporation had incurred an aggregate loss of Rs. 9.01 crore and Rs. 4.64 crore respectively and the remaining two companies and two corporations earned profit of Rs. 1.49 crore and Rs. 1.39 crore respectively.

Working Government companies

7.1.9 Profit earning working companies and dividend

Seven out of ten Government companies which have finalised their accounts for previous years, only two companies earned profit. The State Government has not formulated any policy for payment of minimum dividend.

7.1.10 Loss incurring working Government companies

Seven loss incurring working Government companies (Sl. Nos. A-3, 4, 5, 6, 7, 9 and A-10 of **Appendix 7.2**) had accumulated losses aggregating Rs. 70.86 crore which had exceeded their aggregate paid-up capital of Rs. 11.78 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to three of these companies (Sl. No. A-3 of **Appendix 7.1** and Sl. No. A-1 & 4 of **Appendix 7.3**) in the form of contribution towards equity, grants, *etc.* According to available information, the total financial support so provided by the State Government by way of equity and grant during 2007-08 to these companies amounted to Rs. 0.87 crore.

Working Statutory corporations

7.1.11 Profit earning working Statutory corporations and dividend

Two Statutory corporations (Serial Nos. B-1 & 3 of **Appendix 7.2**) which finalised their accounts for the previous year earned a profit of Rs. 1.39 crore but did not declare any dividend during the year.

7.1.12 Loss incurring working Statutory corporations

One loss incurring Statutory corporation (Sl. No. B-2 of **Appendix 7.2**) had accumulated losses aggregating to Rs. 58.60 crore which exceeded its paid-up capital of Rs. 53.79 crore. Despite poor performance and complete erosion of the paid-up capital, the State Government continued to provide financial support to this Statutory corporation by way of equity (Rs. 3 crore) and subsidy/grant (Rs. 3.10 crore).

7.1.13 Operational performance of working Statutory corporations

The operational performance of the working Statutory corporations is given in **Appendix 7.7**. Some of the important observations on the operational performance of the Statutory corporations are given below:

Meghalaya State Electricity Board

- The *percentage* of transmission and distribution losses to total power available for sale marginally decreased to 33.34 *per cent* in 2007-08 from 36.84 *per cent* in 2006-07.

Meghalaya Transport Corporation

- Average kilometres covered per bus per day decreased to 130 Km in 2002-03 from 143 Km in 2001-02.

7.1.14 *Return on capital employed*

As per the latest annual accounts of PSUs, the capital employed[7] worked out to Rs. 92.05 crore as compared to Rs 82.38 crore in the previous year in 10 working companies and negative total return[8] thereon was Rs.(-)1.36 crore as compared to Rs.(-)1.95 crore in the previous year. Similarly, the capital employed and total return thereon in case of working Statutory corporations as per their latest finalised accounts worked out to Rs. 840.19 crore and Rs. 28.67 crore respectively against the capital employed of Rs. 726.97 crore and negative return of Rs.(-) 65.30 crore in the previous year. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Appendix 7.2.**

7.1.15 *Status of placement of Separate Audit Reports of Statutory corporations in Legislature*

The following table indicates the status of placement in the Legislature by the Government of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG.

Table 7.6

Sl. No.	Name of Statutory corporations	Year up to which SARs placed in the Legislature	Year for which SARs not placed in the Legislature		Reasons for delay in placement in the Legislature
			Year of SAR	Date of issue to the Government	
1.	Meghalaya State Electricity Board	2005-06	2006-07	12 May 2008	Under printing
2.	Meghalaya Transport Corporation	1999-2000	2000-01 2001-02	22 September 2007 29 February 2008	Under printing
3.	Meghalaya State Warehousing Corporation	2004-05	2005-06	22 April 2008	Under printing

7 Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in case of Meghalaya Industrial Development Corporation where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves and borrowings (including refinance).

8 For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

7.1.16 Disinvestments, Privatisation and Restructuring[9] of Public Sector Undertakings

During 2007-08 none of the Public Sector Undertakings has disinvested its shares, nor has any PSU been privatised, restructured, merged or closed.

7.1.17 Results of audit of accounts of PSUs by the Comptroller and Auditor General of India

During the period from October 2007 to September 2008, the accounts of one Government working company and three Statutory corporations were selected for audit and non-review certificates were issued in respect of seven companies. The net impact of audit observations as a result of audit of accounts of these PSUs was as follows:

Table 7.7

Details	Number of accounts		Rupees in lakh	
	Government companies	Statutory corporation	Government companies	Statutory corporations
(i) Decrease in profit	1		59.25	-
(ii) Increase in profit	-	-	-	-
(iii) Increase in loss	-	2	-	892.09
(iv) Decrease in loss	1	1	180.60	

Some of the major errors and omissions reported by Statutory Auditors and noticed during the course of supplementary/sole audit of annual accounts of some of the above Government companies and Statutory corporations are mentioned below:

7.1.18 Errors and omissions reported by the Statutory Auditors in the case of Government companies/corporations

Mawmluh Cherra Cements Limited (2006-07)

- Physical verification of inventory of stores and spares valued at Rs. 6.26 crore was not carried out.

Meghalaya Government Construction Corporation Limited (2005-06)

- An amount of Rs. 6.22 crore received as advance against works had been used by the corporation for its own expenses.

Meghalaya Industrial Development Corporation Limited (2000-01)

- Understatement of expenditure by Rs. 59.25 lakh as interest on borrowings under refinance scheme payable to SIDBI was not accounted for.

[9] Restructuring includes merger and closure of PSUs.

Meghalaya State Warehousing Corporation (2006-07)

- The corporation has not complied with the stipulations applicable under section 205, 211, 349 and 350 of the Companies Act, 1956.

- The amount of accumulated depreciation as on 31 March 2007 stood at Rs. 43.93 lakh, whereas depreciation fund stood at Rs. 41.12 lakh and the depreciation fund investment account stood at Rs. 32.86 lakh. Differences had not been reconciled.

7.1.19 Errors and omissions noticed during sole audit, in the case of Statutory corporations

Meghalaya State Electricity Board (2006-07)

- Understatement of revenue by Rs. 1.55 crore due short booking of sale of power (UI sale).

- Understatement of expenditure by Rs. 3.17 crore due to not accounting of wheeling charges.

Meghalaya Transport Corporation (2002-03)

- Payment made to CPF authorities amounting to Rs. 61.29 lakh was credited to CPF account instead of debiting the same resulting in overstatement of Current assets and provisions and understatement of loss for the year by Rs. 1.23 crore.

- Understatement of expenditure by Rs. 61.80 lakh as penal interest payable on delayed remittance of Provident Fund dues was not accounted for.

- Understatement of loss by Rs. 4.52 crore since closing stock was valued at Rs. 4.77 crore in the books of accounts, whereas it was shown Rs. 0.25 crore in stock ledger.

7.1.20 Audit assessment of the working results of Meghalaya State Electricity Board (MeSEB)

Based on the audit assessment of the working results of MeSEB for the three years up to 2006-07 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of the MeSEB and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed of the MeSEB would be as follows:

Table 7.8

(Rupees in crore)

Sl. No.	Particulars	2004-05	2005-06	2006-07
1.	Net surplus (+)/deficit (-) as per books of accounts	10.95	(-) 57.07	(-) 86.42
2.	Subsidy from the State Government	10.80	10.80	24.15
3.	Net surplus (+)/deficit (-) before subsidy from the State Government (1-2)	0.15	(-) 67.87	(-) 110.57
4.	Net increase/decrease in net surplus (+)/deficit (-) on account of audit comments on the annual accounts of the MeSEB	(-) 16.27	(-) 13.62	(-) 1.74
5.	Net surplus (+)/deficit (-) after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-) 16.12	(-) 81.49	(-) 112.31
6.	Total return on capital employed	(-) 37.06	(-) 12.49	(-) 75.81
7.	Percentage of total return on capital employed	-	-	-

7.1.21 Persistent irregularities and system deficiencies in financial matters of PSUs

The following persistent irregularities and system deficiencies in the financial matters of the two Statutory corporations had been repeatedly pointed out during the course of audit of their accounts but no corrective action had been taken by these PSUs so far.

Meghalaya State Electricity Board

- Age-wise analysis of receivables had not been made.
- Subsidy registers for purchases, advances, *etc.* remained un-reconciled with the financial records.
- Stores ledger remained incomplete and Priced Stores Ledger had not been properly maintained.
- Assets were not physically verified.

Meghalaya Transport Corporation

- The details of opening balance, consumption and closing balances in respect of stores, tyres and tubes were not furnished. The method of valuation of above stocks and consumption were not furnished to Audit.
- The opening and closing balances of stationery and forms and tickets were not assessed and accounted for.
- Party-wise ledger for Sundry Creditors had not been maintained.
- Fixed assets and the land holding had not been physically verified by the Corporation.

7.1.22 Internal audit / Internal control

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/internal control systems in the companies audited by them in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which need improvement.

- The Statutory Auditors in their reports stated that in respect of five[10] companies either internal audit system did not exist or internal audit was not commensurate with the size and nature of business of the companies.
- The internal control procedure was inadequate especially with regard to purchase of raw materials, physical verification of monthly cash *etc.* in respect of four[11] companies.

7.1.23 Response to inspection reports, draft paragraphs and reviews

Audit observations made during local audit and not settled on the spot are communicated to the heads of PSUs/Departments and concerned heads of departments of the State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through the respective heads of departments within a period of six weeks. Inspection reports issued up to March 2008 pertaining to 12 PSUs/Departments disclosed that 170 paragraphs relating to 39 inspection reports remained outstanding up to September 2008. Of these, 20 inspection reports containing 90 paragraphs had not been replied to for more than three years. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2008 is given in **Appendix 7.8.**

Similarly, draft paragraphs and reviews on the working of the Government companies and Statutory corporations are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. Four draft paragraphs were forwarded to Power Department (three DPs issued in February/May 2008) and to Industries Department (one DP issued in April 2008). One Performance Audit Review was issued to Power Department in August 2008 (**Appendix 7.9**). Replies to all the draft paragraphs have not been received (November 2008).

It is recommended that the Government should (a) ensure that procedure exists for action against officials, who fail to send replies to inspection reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayment as per a time bound schedule, and (c) the system of responding to audit observations is revamped.

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10 Mawmluh Cherra Cement Limited, Meghalaya Industrial Development Corporation Limited, Meghalaya Handloom and Handicraft Corporation Limited, Meghalaya Tourism Development Corporation Limited and Meghalaya Government Construction Corporation Limited.

11 Meghalaya Industrial Development Corporation Limited, Meghalaya Handloom and Handicraft Corporation Limited, Meghalaya Tourism Development Corporation Limited and Meghalaya Government Construction Corporation Limited.

7.1.24 Position of discussion of Commercial Chapters of Audit Reports by the Committee on Public Undertakings (COPU)

The following table indicates the details regarding number of reviews and paragraphs discussed by COPU by the end of 30 September 2008:

Table 7.9

Period of Audit Report	Total number of reviews and paragraphs appeared in Audit Report		Number of reviews and paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1984-85	3	3	2	2
1985-86	1	3	1	--
1986-87	1	3	--	1
1987-88	1	4	--	1
1988-89	1	4	1	1
1989-90	1	4	1	1
1990-91	2	4	--	2
1991-92	1	4	--	1
1992-93	1	4	--	--
1993-94	1	4	1	--
1994-95	2	4	--	--
1995-96	1	4	--	--
1996-97	1	4	--	--
1997-98	1	4	--	1
1998-99	1	2	--	--
1999-00	2	7	--	2
2000-01	2	4	--	--
2001-02	1	6	1	1
2002-03	1	4	--	3
2003-04	1	5	--	--
2004-05	1	3	1	--
2005-06	1	3	-	-
2006-07	1	6	-	-
Total	29	93	8	16

7.1.25 619-B Companies

There was one non-working company under the purview of section 619-B of the Companies Act, 1956. The table given below indicates the details of paid-up capital and working results of the Company based on the latest available accounts.

Table 7.10

(Rupees in crore)

Name of Company	Year of accounts	Paid up Capital	Investment by			Profit (+)/ Loss (-)	Accumulated Profit (+)/ Loss (-)
			State Government	Government Companies	Others		
Meghalaya Phyto Chemicals Limited	1984[12]	0.75	...	0.54	0.21	(-) 0.66	(-) 2.20

12 The Company is defunct and thus, in absence of management no accounts after 1984 (calendar year) have been prepared.

AUDIT OF TRANSACTIONS

INDUSTRIES DEPARTMENT

MEGHALAYA GOVERNMENT CONSTRUCTION CORPORATION LIMITED

7.2 Avoidable expenditure

The Company failed to deposit Employees Provident Fund dues in time and incurred avoidable expenditure of Rs. 38.81 lakh on account of interest/damages during 2004-05 to 2006-07.

The employees of the company are covered by the Employees Provident Fund (EPF) scheme under the Employees Provident Funds and Miscellaneous Provisions Act, 1952. As per the scheme, it is the statutory responsibility of the employer to remit employees' contribution deducted from the salary of the employees along with the employer's contribution and other administrative charges to the office of the Employees Provident Fund Organisation (EPFO), North Eastern Region (NER), Shillong. In case of default in payment of dues, simple interest at the rate of 12 *per cent* per annum and penalty/damages for default in payment of contributions to the EPFO are leviable under section 7Q and 14B of the Act.

It was observed in audit that the Company failed to deposit the provident fund contributions deducted from the salaries of employees and its own contribution for the period from April 2003 to May 2006 in time. The EPFO, NER, Shillong levied Rs. 9.97 lakh as interest and Rs. 28.84 lakh as damages. The Company deposited the above amounts between November 2004 and March 2007 belatedly. Thus, due to failure to deposit the dues in time, the Company incurred avoidable expenditure of Rs. 38.81 lakh.

The Company, while accepting the facts, stated (April 2008) that the provident fund dues could not be paid in time due to acute financial crisis. However, the fact remains that the company is under a statutory obligation to deposit the provident fund dues with the EPFO in time. The matter was reported to the Government in April 2008; their reply had not been received (November 2008).

POWER DEPARTMENT

MEGHALAYA STATE ELECTRICITY BOARD

7.3 Implementation of Rural Electrification Schemes

In respect of Rural Electrification Schemes implemented by Meghalaya State Electricity Board (MeSEB) during the period April 2004 to March 2008, there was loss of interest amounting to Rs. 10.56 crore due to delayed release of funds by the State Government; additional expenditure of Rs. 5.23 crore on the procurement of major components at the higher rates. The Board could achieve only 66 *per cent* electrification as against the target of electrification of all villages by end of the Tenth Plan. Moreover, the declaration of 842 villages as electrified during the period April 2004 to March 2008 without obtaining certificates from Gram Panchayats, was not in accordance with the guidelines issued by Ministry of Power.

7.3.1 The Government of India (GOI) launched (May 2001) Pradhan Mantri Gramodaya Yojana (PMGY) with the objective of providing cent *per cent* electrification of villages by March 2007. The programme was to be implemented by the State Electricity Boards as Implementing Agency of the State Governments. To accelerate the pace of rural electrification, GOI launched (March 2005) the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) as a new comprehensive programme which aimed at electrifying all villages and habitation and providing all Rural Households (RHHs) access to electricity by March 2012.

The GOI designated the Rural Electrification Corporation Limited (REC) as the nodal agency to coordinate and achieve the goal of electrification of villages/hamlets and finance the projects. Accordingly, a tripartite agreement was entered (24 August 2005) into amongst REC, the State Government and the Meghalaya State Electricity Board (Board) prescribing the terms and conditions of funds flow as also implementation modalities.

7.3.2 The records relating to implementation of Rural Electrification (RE) schemes were test checked in audit during June/July 2008 with a view to assess the performance of the Board in conceptualisation and implementation of RE programmes during 2003-04 to 2007-08 and its achievements with reference to the targets set out in the programme. The records of four[1] revenue

[1] Revenue districts of East Khasi Hills, Ri-Bhoi, West Khasi Hills and West Garo Hills at Executive Engineer (RE Construction) Divisions, Shillong, Nongstoin and Tura.

districts maintained in three divisions (estimated cost of Rs. 96.16 crore - 60 *per cent*) and six[2] sub-divisions out of seven revenue districts maintained in five divisions and ten sub-divisions were examined.

The Audit findings are discussed in the succeeding paragraphs.

Release of funds

7.3.3 As per guidelines (17 September 2001) of Ministry of Power (MOP)/Planning Commission, the plan for the programme was to be formulated by the State Government and submitted to MOP latest by 15 May every year after approval of the State Level Monitoring Committee. The funds were to be released in two instalments by Ministry of Finance (MOF) every year under Rural Electrification (PMGY) as a combination of grants at 90 *per cent* and balance 10 *per cent* as soft loan. Funds, however, were released under RE - Minimum Needs Programme (MNP) as 100 *per cent* loan. RGGVY Scheme was to be implemented by the State Governments through their Utilities on turnkey contracts basis. Funds for the project were to be made available by REC to State Government with 90 *per cent* capital subsidy and 10 *per cent* loan on the over all cost of the projects. Execution of each project was to be completed by State Electricity Board within two years failing which the capital subsidy was to be converted into interest bearing loan.

The general terms and conditions of MOP (September 2001) for utilisation of funds, *inter alia*, stipulated that:

- The State Government shall release funds to the Implementing Agency within one month of release of funds by MOF;

- Implementing Agency shall open a separate and single bank account for the funds received under the programme and shall not divert the funds for other purposes;

- The interest earned on this account will not be diverted to any other programme;

- The submission of utilisation certificate along with physical progress report for the previous year was necessary for release of the first instalment in the next financial year. For release of the second instalment, submission of audited accounts of scheme for the previous year was required.

The State Government approved a total outlay of Rs. 160.26 crore for nine schemes under RE (MNP)/PMGY during the period between 2001-02 and 2004-05 for electrification of 1682 villages in seven revenue districts in Meghalaya. MOF released funds to the tune of Rs. 122.82 crore to the State Government up to March 2005.

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[2] Sub-Divisions, Shillong, Nongpoh, Nongstoin, Riangdo, Tura and Garobadha.

It was found in audit that:

Delayed release of funds by the State Government caused interest burden of Rs.10.56 crore to the Board and also adversely affected the progress of work.

- The State Government released funds to the tune of Rs. 122.82 crore to the Board during the period between March 2001 and June 2007 after delays of 3 to 37 months from the date of receipt of funds from MOF in violation of the terms and conditions of release of funds. Thus, the State Government diverted such funds for various other purposes and released funds at the fag end of the financial year. As a result, the Board had to incur avoidable payment of interest of Rs. 10.56 crore **(Appendix 7.10)** worked out at the rate of 10 *per cent* per annum as the Board borrowed short term loan from the bank for meeting its working capital requirement.

The Government admitted (November 2008) that the transfer of funds was delayed due to certain procedural formalities. The delayed release of funds by the State Government caused not only avoidable interest to the Board but also adversely affected timely completion of all schemes under RE (MNP)/PMGY.

- The Board had not opened a separate bank account on receipt of funds for RE works under RE(MNP)/PMGY. Therefore, the utilisation of funds, diversion of funds for other purposes and balance remaining unutilised was not susceptible for verification in audit.

The Government stated (November 2008) that though the Board did not open a separate bank account for all funds received through the State Government for RE(MNP)/PMGY works, it opened a separate bank account for the funds received from REC for implementing RGGVY scheme. The fact remains that the Board failed to open a separate bank account as per general terms and conditions issued by MOP for effect implementation of the PMGY schemes.

- The Board did not submit utilisation certificates in time as stipulated in the scheme and audited accounts of the scheme had not been submitted in respect of any scheme.

The Government stated (November 2008) that the Board was under process of closure of RE (MNP)/PMGY schemes and the actual expenditure would be finalised shortly. The reply is not convincing as utilisation certificates should have been submitted to GOI through the State Government to facilitate further release of funds. Further, accounts of the schemes were not finalised even after a lapse of three years.

7.3.4 Guidelines for PMGY and RGGVY schemes

The mandatory guidelines issued by MOP for PMGY and RGGVY schemes *inter alia* included the following:

- The State Government would constitute a State Level Monitoring Committee for monitoring electrification of villages under PMGY schemes and to ensure electrification of all villages in the State by the end of the Tenth Plan. The State Government would also constitute a State Monitoring Committee to oversee the implementation of RGGVY scheme.

- The State Government would also constitute a District Level Committee for coordinating and implementing the programme at the District level.

- The State and District Level Committees would evolve suitable mechanism for independent verification of works. The MOP would also get an independent verification done. This would include sample check.

- The list of villages/basties being electrified must be made available to the MP/MLA as well as District/Block/Village levels institutions and a certificate in confirmation thereof would be sent to the MOP along with the utilisation certificate.

- The management of rural distribution through franchisees should be undertaken under RGGVY scheme. Based on the consumer mix and the prevailing consumer tariff, likely load and the bulk supply tariff for the franchisee would be determined after ensuring commercial viability of the franchisee.

- The States/State Power Utilities were required to engage an independent agency, preferably Central Public Sector Undertakings (CPSUs) for project monitoring and supervision of quality of works approved under RGGVY scheme.

The following deficiencies were found in the compliance of above guidelines:

- The States Level Monitoring Committee constituted in June 2003 had not held any meeting so far (July 2008). Similarly, a State Monitoring Committee formed in October 2006 had also not held any meeting to oversee the implementation of RGGVY scheme. Thus, the purpose of the constitution of Committees was defeated.

- Only two meetings of the District Level Committee, one in 2006 and another in 2007, were held as against stipulated four meetings in a year.

- Independent verification of works and sample check was not carried out in respect of PMGY schemes. The management admitted the fact and stated that the Independent monitoring of works by third party would be done in all RGGVY projects.

- Lists of villages/basties were not furnished to MP/MLA as well as District/Block/Village levels institutions and a certificate in confirmation thereof was also not sent to the MOP along with the utilisation certificate. The Government stated (November 2008) that the action was being initiated to obtain certificates from competent authority regarding status of electrification of villages. However, the fact remains that the Board failed to obtain certificate of electrification of villages ever after lapse of three years of completion of all schemes.

- The Board was yet to evolve a suitable mechanism for handing over management of rural distribution to franchisees. The Government stated

(November 2008) that the scheme for management of rural electricity distribution by franchisees was being finalised by the Board.

- The Board had not engaged an independent agency for project monitoring and supervision of quality of works. The Government (November 2008) stated that the independent monitoring of works by third party would be done in all RGGVY projects. However, the Board had not engaged third party for effective monitoring and supervision of quality of works in respect of the works in progress under RGGVY schemes.

Implementation of the Programme

7.3.5 Schemes under RE (MNP)/PMGY

As per guidelines (September 2001), issued by GOI the plan for the programme shall contain district wise/block wise list of villages, which shall include at least one dalit/tribal basti village with latest census code number along with the total estimated investment in electrification of villages. The GOI further issued (February 2004) instructions to obtain certificate from Gram Panchayat regarding status of electrification of villages. Implementation of the scheme in seven revenue districts was to be done in each revenue district every year. Accordingly, the State Government approved a total outlay of Rs. 160.26 crore for nine schemes under RE (MNP)/PMGY for electrification of 1,682 villages in seven revenue districts in Meghalaya during the financial year 2001-02 to 2004-05. The Board electrified 1,548 villages during the period 2001-02 to 2007-08 at the cost of Rs. 135.91 crore as against receipt of funds of Rs. 122.82 crore from the State Government. The details of scheme wise physical achievement as well as corresponding financial expenditure under RE (MNP)/PMGY during 2001-02 to 2007-08 and release of funds there against by the State Government, are given in **Appendix 7.11.**

It was observed that there was abnormal delay in implementation of the programme and the completion of work spilled over to six years as against the scheduled period of two years. Though, the target for electrification of 1,682 villages was fixed for the period 2000-01 to 2004-05, only 1,548 villages were electrified (March 2008) and 134 villages were yet to be electrified (see **Appendix 7.11**). The delay in completion of the schemes was attributed to the following factors:

- Delay in release of funds by the State Government; scheme estimates prepared without proper field survey; required materials were not made available at the site; delay in getting approval for revised estimates for substituted villages as the villages originally proposed were subsequently found either electrified or remote for tapping the power involving huge expenditure; delay in getting 'No Objection Certificate' from the Forest Department; delay in awarding work orders; and delay in execution of work by the contractors.

The Government admitted (November 2008) that electrification of villages could not be completed in time due to remoteness of the villages, difficult terrain and absence of road communication and delayed release of funds by the State Government.

7.3.6 Some of the other audit findings are discussed below:

- The State Government had approved project for Rs. 30 crore for rural electrification of 295 villages under PMGY-VI during 2004-05. The GOI, however, did not release the funds as the State Government was reluctant to take loan under MNP allocation for RE programmes. On being requested (May 2005) by the State Government, GOI advised (June 2005) the State Government to submit a proposal to the MOP through REC for consideration under the new RGGVY scheme so as to get the benefit of 90 *per cent* subsidy. The Board, however, had incurred expenditure of Rs. 23.58 crore for electrification of 178 villages under PMGY VI without scrapping the scheme and did not send the proposal to the MOP for inclusion under RGGVY for which there were no reasons on record.

The Government stated (November 2008) that since GOI did not release funds, the work was restricted to only 178 villages as against targeted 295 villages. The Board/the State Government failed to follow the GOI's advice to include these villages under RGGVY and, therefore, could not obtain subsidy to the extent of Rs. 21.22 crore.

- The Board spent Rs. 13.11 crore over and above the allocated funds and incurred avoidable interest of Rs. 1.31 crore at the rate of 10 *per cent* per annum as the Board borrowed short term loan from the bank for meeting its working capital requirements.

The Government admitted (November 2008) that generally schemes were sanctioned by MOP in the latter part of the financial year and stated that the work on the schemes was initiated in the beginning of the year in anticipation of funds from GOI in order to achieve the annual target of village electrification.

- In the absence of any specific guidelines for execution of work under turnkey contracts, the entire works were executed departmentally and thus, there was abnormal delay in implementing the programme. Consequently, the households in these villages remained deprived of electricity for over four to five years.

The Government admitted the fact that in the absence of specific guidelines for execution of work under turnkey contract there was delay in implementation of the programme.

- The Board electrified 3,817 villages (March 2008) out of 5,782 villages as per 2001 census. Thus, achievement of electrification of villages was only 66 *per cent* as against the target of *cent per* electrification of villages by end of the Tenth Plan (March 2007) as envisaged by the GOI. Further, the declaration of 842 villages as electrified during the period April 2004 to March 2008 without obtaining certificates from Gram Panchayats, was not in accordance with the guidelines issued (February 2004) by MOP.

The Government stated (November 2008) that *cent per cent* village electrification would be achieved by the end of Eleventh Plan and action was being initiated to obtain certificate from Gram Panchayats regarding status of electrification of villages. However, no efforts were made by the State Government for providing funds for electrification of all villages by March 2007 as envisaged by GOI. The Board failed to obtain certificate from Gram Panchayats for electrification of 842 villages as per instructions of GOI.

7.3.7 Formulation of PMGY schemes without proper survey

Electrification of 1,682 villages was proposed in nine MNP/PMGY schemes during the period between 2001 and 2005. While conducting field survey for preparation of estimates/technical sanction, 295 villages were substituted in place of originally proposed villages in the scheme due to duplication of villages, inclusion of already electrified villages, electrification of en-route villages, inclusion of already electrified villages under non-conventional energy scheme, proximity to existing 11 KV lines *etc.* This indicated that the schemes were formulated originally without proper survey. This has resulted in abnormal delay in execution of works.

The Government, while admitting the facts, stated (November 2008) that the main reason was shortage of time during formulation of schemes coupled with the absence of data bank in the Board.

Electrification of Saibul village in Jowai district of PMGY-VI scheme was originally estimated (July 2004) at Rs. 12.92 lakh involving distance of 5 KM of 11 KV line. The estimate was revised (June 2007) to Rs. 63.61 lakh involving distance of 19 KM after conducting field survey. As this involved huge cost, revised estimates were prepared to electrify initially enroute Malidor village involving distance of 7 KM at a cost of Rs. 21.61 lakh and to subsequently electrify Saibul village at an estimated cost of Rs. 26.78 lakh tapping power from existing 11 KV line at Thuruker. These estimates were yet to be approved and work to be commenced. This indicated that scheme estimates had not been prepared properly.

The Government stated (November 2008) that as huge expenditure was involved for the electrification of the above villages, it was decided that nearby villages were to be electrified under RGGVY scheme and electrification of the above villages would be taken later. The reply is not acceptable as the faulty formulation of scheme resulted in depriving these villages of electricity for more than four years.

The Department of Health and Family Welfare, Government of Meghalaya requested (August 2007) Power Department for electrification of Chekegre and Dolwarigre villages in East Garo Hills district and Darang Bodok and Badri Rongdong villages in South Garo Hills urgently as these villages were in dire need of electricity and the Department also agreed to supply transformers for these villages. The Board, however, included these villages under RGGVY scheme without undertaking work under PMGY even though surplus materials procured under PMGY scheme were available and cost involved was only Rs. 19.60 lakh.

The Government stated (November 2008) that the electrification of the above villages were included in RGGVY scheme. However, electrification of these villages would be taken up only after awarding of the contracts for East and South Garo Hills which was under process and completion of the work would take another two years. This indicated that the Board failed to identify villages where electrification was urgently required considering the importance of Public Health centre.

Procurement of material/equipment

7.3.8 Extra expenditure on procurement of steel poles

The Board incurred extra expenditure of Rs.55.44 lakh on account of cost and time overrun.

As per guidelines, the Implementing Agency was to ensure that the work done and all the material utilised conform to the prescribed specifications and the works identified were completed without time and cost overrun. The works under PMGY-III scheduled to be completed by March 2004 were, however, completed by the end of March 2007 with a delay of three years. The Board procured 10,944 steel poles of 7.5 metre and 9,852 steel poles of 8 metre at the rate of Rs. 2,291 and Rs. 3,777 respectively during the period between March and October 2003 and procured further quantity of 2,876 and 2,035 steel poles of 7.5 metre and 8 metre at higher rates of Rs. 3,221 and Rs. 5,187 respectively in July/August 2004. Thus, the Board incurred an extra expenditure of Rs. 55.44 lakh[3] on account of cost and time overrun. Had the Board procured entire quantity between March and October 2003 with staggered supply schedule, extra expenditure was avoidable.

The Government, while admitting (November 2008) the facts, stated that the procurement was done considering the progress of work and incurring extra expenditure could not be avoided.

7.3.9 Avoidable expenditure on procurement of channel and cross arms

It was proposed in the 33 Material Management Committee meeting (19 December 2003) by the then Chief Engineer(RE) that Y cross arm and 3 ½ core cables were not to be procured and were to be substituted by channel cross arms and single core cables, while considering the procurement of

[3] (Rs.3221- Rs.2291) = Rs.930x2876 poles + (Rs.5187-Rs.3777) = Rs.1410 x 2035 poles = Rs.55,44,030 or Rs.55.44 lakh.

material for PMGY-III scheme. He also suggested that 2800 mm cross arms of all sizes at channels and angles were to be substituted by channel cross arms 2,280 mm for pole mounted sub-station upto 63 KVA. The Board, however, continued to procure Y cross arms, 2,800 mm cross arms and 3 ½ core cables instead of channel cross arms 2,280 mm and single core cables for all subsequent works under PMGY III to VI schemes at higher rate than the rate of substituted items, as a result of which Board incurred avoidable expenditure of Rs. 42.61 lakh.

The Government, while admitting the facts, stated (November, 2008) that the then Chief Engineer (RE) proposed for the substitution of certain materials which was turned down by the committee and the then Chief Engineer was directed to consider the above proposal while formulating future schemes. The fact remains that subsequent schemes were also not formulated as suggested by the then CE.

7.3.10 Excess procurement of material

Board incurred avoidable interest of Rs. 24.05 lakh per annum on idle investment.

Based on the programme approved by the Board for each revenue district every year under PMGY, the Material Management Division of the Board initiated action from time to time for procurement of materials for nine schemes. The procured materials were issued to various divisions as and when the materials were requisitioned by the Divisions for execution of village electrification. The electrification of villages was almost completed (except in a few villages) under nine schemes. The physical verification report (as on 31 March 2008) of the divisions revealed that the Board was having surplus line erection material and transformers valued at Rs. 2.14 crore. Further, it was also noticed that 61 (25 KVA) transformers valuing Rs. 26.32 lakh procured (April/May 2006) for PMGY works had been diverted (between July 2007 and January 2008) to other works as these stock were lying idle for long time. This clearly indicated that the Board had not properly assessed the actual requirement for various works considering the site conditions and ground realities. The loss of interest on idle investment worked out to Rs. 24.05 lakh per annum.

The Government, while admitting (October 2008) the facts, stated that all excess materials would be utilised for O&M works after closure of all the schemes. The fact remains that the Board had not properly assessed the actual requirement of materials for various schemes and incurred avoidable interest on idle investment.

Deficiencies in execution of works

7.3.11 Non-adherence of REC guidelines in execution of work for getting quality of power

In the 33 Material Management Committee meeting held on 19 December 2003, then Chief Engineer (RE), while disapproving procurement of materials as proposed for earlier schemes, suggested slight modification in the specifications of a number of items which would improve the quality of the construction works and effect economy. To arrest further deterioration in voltage and technical and commercial losses, he suggested increase in 11 KV line, reduction in LT lines and erection of a number of small transformers. Accordingly, he worked out the requirement of materials for PMGY-III, IV and V and directed the SE (MM) for initiating action for procurement of the materials in the specifications as suggested by him. The Board, however, ignored his suggestion and continued to procure materials as contemplated in the original estimates for on-going as well as subsequent schemes. As a result, there were complaints from the consumers about quality power supply/poor voltage in tail end of households in the villages. It is pertinent to mention that the Board prepared DPRs under RGGVY scheme as per guidelines of REC for providing longer KV line with number of small transformers for connecting household through LT lines for getting quality power which was not followed under PGMY schemes.

The Government stated (November, 2008) that the works were carried out as per REC specification and the length of LT lines in the schemes was as per the capacity of the sub-station. However, the then CE suggested slight modification in the specifications with available capacity of the sub-station in order to improve the quality of the construction work to arrest deterioration in voltage and technical and commercial losses which was also followed in subsequent RGGVY scheme.

7.3.12 Schemes under RGGVY

The rural electrification works for 2005-06 onwards were to be taken up under RGGVY programme. Accordingly, the Board submitted (November/ December 2005) Detailed Project Reports (DPRs) at the estimated cost of Rs. 264.45 crore for seven districts under RGGVY scheme and REC approved (November 2006) the capital outlay of Rs. 61.71 crore[4] for three districts. Based on REC's observation (September 2006) that the parameters for 11 KV and LT lines provided in other four districts did not tally with the actual requirement, rather in most of the cases, the parameters were on the lower side compared to the actual requirement, the Board submitted (December 2006) revised DPRs at the revised estimated cost of Rs. 227.79 crore for four districts and REC approved (March 2008) the capital outlay. Thus, REC approved the total capital outlay of Rs. 289.50 crore for electrification of 1,573 virgin villages; electrification of 370 de-electrified villages and extension work in 3,536 villages in seven revenue districts as indicated below:

4 East Khasi Hills –Rs.15.71 crore; Ri-Bhoi- Rs.19.89 crore and Jaintia Hills – Rs.26.11 crore = Rs.61.71 crore.

Table 7.11

District	Capital outlay (Rs. in crore) & date of sanction	Amount of Letter of Award and date of LOA (Rs in crore)	Scheduled Month of completion	No of virgin villages	De-electrified villages	No. of habitations to be electrified	No. of electrified villages covered under the project for extension of work	Electrification of house holds including BPL household	Progress of work
East Khasi Hills	15.71 (21.11.06)	17.25 (9.6.08)	December 2009	-	19	19	834	14,193	Work in progress
West Khasi Hills	34.67 (11.03.08)	Tender under process	-	224	20	-	506	26,477	Work not started
Ri-bhoi	19.89 (21.11.06)	19.74 (28.9.07)	September 2009	72	34	106	423	9,647	Work in progress
Jaintia Hills	26.11 (21.11.06)	29.01 (16.7.07)	July 2009	18	50	68	374	31,848	Work in progress
East Garo Hills	61.95 (11.03.08)	Tender under process	-	361	109	422	335	24,353	Work not started
West Garo Hills	81.43 (11.03.08)	Tender under process	-	534	123	1,677	816	67,026	Work not started
South Garo Hills	49.74 (11.03.08)	Tender under process	-	364	15	627	248	15,104	Work not started
Total	**289.50**			**1,573**	**370**	**2,919**	**3,536**	**1,88,648**	

Source: Data provided by the Board.

7.3.13 Award of turnkey contract at higher rates

The Board would have to incur additional expenditure of Rs. 5.23 crore due to its failure to negotiate the rates quoted in the turnkey contract to bring them at par with rates finalised during the same period for Ri-Bhoi district.

Tenders for execution of RGGVY scheme in Jaintia hills district were invited (January 2007) by the Board. Based on the Guaranteed Technical Parameters of the materials, the Tender Evaluation Committee recommended (May 2007) the acceptance of the sole qualified bidder, M/s Marbaniang Enterprises. The Board awarded (July 2007) the contract, on turnkey basis, to M/s Marbaniang Enterprise, Shillong, at the quoted rates, for supply and erection of 11 KV LT lines, Distribution Transformers and providing service connection to households in the district at a total contract price of Rs. 29.01 crore.

Tenders for execution of RGGVY scheme in Ri-Bhoi district were invited (December 2006) by the Board. As there were some anomalies in the technical specification of the materials in the bid documents, tenders were re-invited (April 2007). Based on the evaluation of technical and financial qualification and comparative statements of two qualified bidders, the Board awarded (September 2007) the contract, on turnkey basis, to M/s Dhar Brothers Construction Company Private Ltd, Shillong for supply and erection of 11 KV LT lines, Distribution Transformers and providing service connection to households in Ri-Bhoi district at a total contract price of Rs. 19.74 crore.

Scrutiny of records revealed that the prices finalised for Jaintia hills district were more than the ones for Ri-Bhoi district in respect of major components (*viz.* conductors, steel tubular poles, transformers, *etc.*). Compared to the prices of M/s Dhar Brothers Construction Company Private Ltd. for Ri-Bhoi district with the prices of M/s Marbaniang Enterprise for Jaintia hills district, the Board would have to incur additional expenditure of Rs. 5.23 crore on procurement of major items. This clearly indicated that the proper evaluation of the tenders was not made and efforts were not made to bring down the rates while finalising turnkey contract for Jaintia hills district.

The Government stated (November 2008) that the works were awarded after tendering process and the Board had no control over the prices quoted by the bidders. It was also stated that the Tender Evaluation Committee requested to reduce the price during the price bid opening meeting and the bidder offered a discount of two *per cent* on total freight and insurance. However, the Board should have negotiated with the bidder to bring down the rates at par with the rates finalised during the same period for Ri-Bhoi district in the best interest of the Board.

7.3.14 Internal Control and Audit

Internal control system is an essential pre-requisite for the efficient and effective management of the organisation. During the course of audit, it was noticed that the Board did not take adequate measures for effective internal control in execution of RE works as discussed below:

- Monitoring of implementation of RE schemes and declaration of village electrification under PMGY schemes was inadequate;
- No system was devised for timely execution of work by labour contractors and timely supply of material to labour contractor at work site;
- Lack of monitoring over the performance of the field officers towards supervision of RE works; and
- No system was evolved to account for scheme wise expenditure to ensure the utilisation of funds for the intended purpose.

The Board had its own Internal Audit Wing, which conducted audit in accordance with an annual programme. It was, however, noticed that despite substantial expenditure incurred on RE works, audit of these works was not covered under the annual programme during three years ending March 2008. It was observed that the Board incurred expenditure of Rs. 135.93 crore for RE works up to March 2008. Thus, the internal audit system was deficient and ineffective as a key control mechanism of the management.

Recommendations

In view of the foregoing, the State Government/Board should:

- **ensure electrification of all villages not covered in earlier schemes and electrification of RHHs in RGGVY scheme in a time bound manner so as to achieve prime objective of the scheme;**

- **strictly adhere to the plans, policy, rules and guidelines for optimising operational and financial performance;**

- **evolve a system to get the reimbursement of expenditure actually incurred for implementation of RE programmes to avoid financial loss;**

- **observe transparency in assessing the reasonableness of tender prices at the time of finalisation of rates under turnkey works at various schemes to avoid unreasonable expenditure;**

- **ensure accountability of its staff in monitoring the progress of departmental as well as turnkey work contracts; and**

- **strengthen Internal control and Internal audit by enlarging its scope and standardising its procedures.**

7.4 Infructuous expenditure and undue benefit to a contractor

The Board incurred infructuous expenditure of Rs. 3.19 crore and extended undue financial benefit of Rs. 2.17 crore to the contractor due to execution of an item of work during February 2006 to March 2008 without adequate study and for not providing recovery rate of excavated boulders, *etc.* in the agreement.

7.4.1 The work of construction of dam and appurtenant of Myntdu Leshka Hydro Electric Project (2X42 MW) including diversion channel and upstream and downstream coffer dam was awarded (March 2004) by the Board to M/s SEW Construction Limited, Hyderabad at a total cost of Rs. 87.81 crore. On the basis of specifications provided by the Central Water Commission (CWC), an additional item of work for construction of divide walls including reinforcement of buckets for discharging flood water was included (February 2006) at a cost of Rs. 10.51 crore.

It was found in audit that after partial execution of the divide wall and reinforcement of bucket at a cost of Rs. 3.19 crore, the Board approached

(September 2007) the CWC to reduce/ restrict the cost of some components of the project to limit the total cost of the project within the approved cost. Accordingly, CWC and the Board decided (October 2007) to omit the provision of the divide wall. Thus, the action of the Project Authorities to initiate construction of the divide wall without adequate study/cost analysis rendered the expenditure of Rs. 3.19 crore infructuous.

The Board stated (April 2008) that the decision for deletion of the divide wall from the scope of work was taken after assuring that flood water would be controlled by raising all the central gates at a time and that repairing/maintenance of downstream portion of dam would be undertaken during dry season. However, all these factors should have been examined before commencement of construction of the divide wall.

7.4.2 According to the agreement, stone/aggregates/boulders excavated from the dam site were to be utilised by the contractor for concrete work subject to the approval of the Engineer-in-charge. The recovery at the rate of Rs. 100 per cum of aggregate was communicated (October 2005) by the Chief Engineer (HC). Till March 2008, the contractor utilised 2.17 lakh cum of aggregates for concrete work.

It was found in audit that the cost of aggregates of Rs. 2.17 crore was not recovered from the contractor's bills on the ground of non-availability of recovery rate in the agreement. As a result, the contractor enjoyed undue financial benefit of Rs. 2.17 crore.

The Board stated (April 2008) that any move of the project authorities to recover the cost of boulders used for concrete work was unilateral and not in the spirit of the agreement. The fact remains that appropriate provision for recovery of the cost of boulders, *etc.* was not made in the agreement to safeguard the financial interest of the Board.

The matter was reported to the Government in May 2008; their reply had not been received (November 2008).

7.5 Undue financial benefit and loss of interest

The Board extended undue financial benefit of Rs. 4 crore to the Assam State Electricity Board due to execution of a faulty agreement besides loss of Rs. 70 lakh during December 2003 to November 2006.

The Board executed (November 2003) an agreement with the Assam State Electricity Board (ASEB) for construction of 132 KV Double Circuit Transmission Line, Umiam Stage IV–Sarusajai (Assam portion) and installation of 100 MVA 220/132 KV transformers with terminal at Sarusajai sub-station. The agreement *inter alia* provided for advance payment of

Rs. four crore to ASEB and completion of work within 16 months from the date of release of advance.

It was found in audit in January 2008 that advance payment for Rs. four crore was made to the ASEB in November 2003. The work was started by the ASEB in November 2004 after lapse of one year and was completed in November 2006. The Board could not claim any damages from the ASEB for delay in completion of work in the absence of enabling clause in the agreement. As a result, the ASEB enjoyed financial benefit of Rs. four crore for 20 months and the Board sustained loss of Rs. 70 lakh[5] in the form of interest. Besides, the anticipated benefits of the scheme could not reach the consumers for the delayed period of 20 months.

The matter was reported to the Government/Management in February 2008; their reply had not been received (November 2008).

7.6 Wasteful expenditure on construction of a double circuit line

The Board incurred wasteful expenditure of Rs. 28.13 lakh on design of the item of work which was in deviation from the approved estimate.

To evacuate power from the Myntdu-Leshka Hydro Electricity Project, the Board approved (June 2004) the construction work of 132 KV DC line on 132 KV tower at an estimated cost of Rs. 8.47 crore.

Audit scrutiny revealed that the Executive Engineer (EE), Transmission and Transformation Division, Shillong proposed (July 2005) the construction of the line on 220 KV tower instead of 132 KV tower. Pending consideration of the proposal by the Evaluation Committee (EC), the Chief Engineer (GT) entrusted (March 2006) Power Grid Corporation of India Limited (PGCIL) for providing tower and foundation design of 220 KV DC towers and paid (April 2006) Rs. 21.49 lakh for this work. In addition, the Division also incurred Rs. 6.64 lakh on inviting tenders for construction of 220 KV towers. The work, however, was ultimately taken up (May 2007) as per original design on 132 KV towers.

Thus, arbitrary action of the Chief Engineer for appointment of PGCIL for providing design as well as inviting tenders for execution of the works without waiting for the decision of the EC resulted in wasteful expenditure of Rs. 28.13 lakh. Responsibility for the lapse had not yet been fixed (November 2008).

5 Calculated for 20 months at the borrowing rate of 10.5 *per cent* per annum, *i.e.* Rs. 4 crore x 10.5/100 x 20/12 = Rs. 70 lakh.

The matter was reported to the Government/Management in February 2008; their reply had not been received (November 2008).

(ONKAR NATH)
Accountant General (Audit)
Meghalaya

Shillong
The 25 FEB 2009

Countersigned

(VINOD RAI)
Comptroller and Auditor General of India

New Delhi
The 03 MAR 2009

APPENDICES

APPENDIX 1.1

Part A: Structure and Form of Government Accounts

(Reference: Paragraph 1.1; Page 1)

Structure of 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 revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.

Part II: Contingency Fund

Contingency Fund of the State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Part III: Public Account

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature.

APPENDIX 1.1

PART B: Lay out of Finance Accounts

(Reference: Paragraph 1.1; Page 1)

Statement	Lay out
Statement No. 1	Presents the summary of transactions of the State Government - receipts and expenditure, revenue and capital, public debt receipts and disbursements, *etc.* in the Consolidated Fund, Contingency Fund and Public Account of the State.
Statement No. 2	Contains the summarised statement of capital outlay showing progressive expenditure to the end of 2007-08.
Statement No.3	Gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, *etc.*
Statement No. 4	Indicates summary of the debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.
Statement No. 5	Gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, *etc.*
Statement No. 6	Gives the summary of guarantees given by the Government for repayment of loans, *etc.* raised by the statutory corporations, local bodies and other institutions.
Statement No. 7	Gives the summary of cash balances and investments made out of such balances.
Statement No. 8	Depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2008.
Statement No. 9	Shows the revenue and expenditure under different heads for the year 2007-08 as a percentage of total revenue/expenditure.
Statement No. 10	Indicates the distribution between the charged and voted expenditure incurred during the year.
Statement No. 11	Indicates the detailed account of revenue receipts by minor heads.
Statement No. 12	Provides accounts of revenue expenditure by minor heads under non-plan and plan separately and capital expenditure by major head-wise.
Statement No. 13	Depicts the detailed capital expenditure incurred during and to the end of 2007-08.
Statement No. 14	Shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies, *etc.* up to the end of 2007-08.
Statement No. I5	Depicts the capital and other expenditure (other than revenue account) to the end of 2007-08 and the principal sources from which the funds were provided for that expenditure.
Statement No. 16	Gives the detailed account of receipts, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.
Statement No. 17	Presents the detailed account of debt and other interest bearing obligations of the Government of Meghalaya.
Statement No. 18	Provides the detailed account of loans and advances given by the Government of Meghalaya, the amount of loans repaid during the year, the balances as on 31 March 2008.
Statement No. 19	Gives the details of earmarked balances of reserve funds.

APPENDIX 1.1

Part C: List of terms used in Chapter I and basis for their calculation

(Reference: Paragraph 1.2; Page 4)

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter/GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X)/Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	[(Current year Amount/Previous year Amount)-1] * 100
Development Expenditure	Social Services + Economic Services
Weighted Interest Rate (Average interest paid by the State)	Interest Payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2] * 100
Interest spread	GSDP growth – Weighted Interest rates
Quantum Spread	Debt Stock * Interest Spread
Interest received as *per cent* to Loans Outstanding	Interest Received [(Opening balance + Closing balance of Loans and Advances)/2] * 100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipts <u>*minus*</u> all Plan grants and Non-Plan Revenue Expenditure excluding debits under 2048 – Appropriation for Reduction or Avoidance of Debt

APPENDIX 1.2

Outcome Indicators of the State's Own Fiscal Correction Path

(Reference: Paragraph 1.2; Pages 4 & 5)

(Rupees in crore)

	2004-05 (Actuals)	2005-06 (Pre-Actuals)	2006-07 (Budget Estimate)	2007-08 (Estimates)	2008-09 (Estimates)	2009-10 (Estimates)
A. STATE REVENUE ACCOUNT						
1. Own Tax Revenue	207.73	252.61	268.39	331.93	383.27	464.00
2. Own Non-Tax Revenue	133.50	146.01	173.48	176.23	195.96	216.12
3. Own Tax + Non-Tax Revenue (1+2)	**341.23**	**398.62**	**441.87**	**508.16**	**579.23**	**680.12**
4. Share in Central Taxes and Duties	269.04	350.62	421.41	501.53	501.53	501.53
5. Plan Grants	575.04	575.06	1151.87	1236.96	1324.29	1415.33
6. Non Plan Grants	360.82	396.38	442.98	489.96	457.26	415.42
7. Total Central Transfer (4 to 6)	**1204.90**	**1322.06**	**2016.26**	**2228.45**	**2283.08**	**2332.28**
8. Revenue Receipts (3+7)	**1546.13**	**1720.68**	**2458.13**	**2736.61**	**2862.31**	**3012.40**
9. Plan Expenditure	476.65	493.46	835.37	929.78	971.89	1020.58
10.Non-Plan Expenditure	1119.69	1180.81	1282.39	1498.27	1566.07	1644.52
11. Salary Expenditure	795.48	738.42	826.46	956.41	1052.05	1157.25
12. Pension	86.94	93.23	94.98	113.40	122.47	132.27
13. Interest Payments	177.23	191.00	212.88	219.56	228.66	232.56
14. Subsidies – General						
15. Subsidies – Power	10.80	10.80	12.50	12.50	12.50	12.50
16.Total Revenue Expenditure (9+10)	**1596.34**	**1674.27**	**2117.76**	**2428.05**	**2537.96**	**2665.10**
17.Salary + Interest + Pension (11+12+13)	1059.65	1022.65	1134.32	1289.37	1403.18	1522.08
18.As percentage of Revenue Receipts (17/8)	68.54	59.43	46.15	47.12	49.02	50.53
19.Revenue Surplus/Deficit (8-16)	- 50.21	46.41	340.37	308.56	324.35	347.30
B. CONSOLIDATED REVENUE ACCOUNT:						
1. Power Sector loss/profit net of actual subsidy transfer	5.59	- 45.43	36.15	47.21	66.71	66.52
2. Increase in debtors during the year in power utility accounts (increase(-)	37.13	- 69.74	- 5.74	- 6.23	- 5.07	8.14
3. Interest payment on off budget borrowings and SPV borrowings made by PSU/SPUs outside budget	- 3.49	- 4.59	- 5.32	- 4.39	- 2.31	- 0.76
4. Total (1 to 3)	**39.23**	**- 119.76**	**25.09**	**36.59**	**59.33**	**73.90**
5. Consolidated Revenue Deficit (A.19+B.4)	- 10.98	- 73.35	365.46	345.15	383.68	421.20
C. CONSOLIDATED DEBT						
1. Outstanding debt and liability	1910.46	2097.55	2163.48	2233.36	2286.49	2235.52
2. Total outstanding guarantee						
Of which (a) guarantee on account of budgeted borrowing and SPV borrowing						
D. CAPITAL ACCOUNT						
1. Capital outlay	245.53	259.32	401.07	529.93	540.50	551.04
2. Disbursement of loans and advances	35.93	10.63	44.90	50.95	51.69	52.71
3. Recovery of loans and advances	18.46	18.52	20.00	18.00	16.00	14.00
4. Other capital receipts	354.22	250.46	171.75	175.52	189.56	205.01
E. GROSS FISCAL DEFICIT	**- 313.21**	**- 205.02**	**- 85**	**- 254.32**	**- 251.84**	**- 242.45**
GSDP (Rupees in crore) at current prices	5263.08	5737.05	6245.89	6784.25	7407.11	8093.55
Actual/Assumed Nominal Growth Rate (*per cent*)	9.29	9.01	8.87	8.62	9.18	9.27

APPENDIX 1.3

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF MEGHALAYA AS ON 31 MARCH 2008

(Reference: Paragraphs 1.2 & 1.6; Pages 4 & 22)

(Rupees in crore)

As on 31 March 2007	Liabilities		As on 31 March 2008
...	**External Debt**		**...**
1610.40	**Internal Debt**		**1773.21**
1120.11	Market loans bearing interest	1267.60	
0.02	Market loans not bearing interest	0.02	
1.17	Loan from LIC	0.90	
489.10	Loans from other Institutions	504.69	
...	Ways and Means Advances	...	
...	Overdraft from Reserve Bank of India	...	
344.98	**Loans and Advances from Central Government**		**330.26**
5.37	Pre 1984-85 Loans	5.37	
14.86	Non-plan Loans	14.57	
303.36	Loans for State Plan Schemes	288.71	
0.22	Loans for Central Plan Schemes	0.21	
12.54	Loans for Centrally Sponsored Plan Schemes	13.43	
8.63	Loans for Special Schemes	7.97	
6.00	**Contingency Fund**		**6.00**
382.95	**Small Savings, Provident Funds, *etc.***		**428.78**
400.78	**Deposits**		**595.31**
56.76	**Reserve Funds**		**68.16**
0.07	**Remittance Balances**		**...**
1350.54	**Surplus on Government Accounts**		**1538.25**
1350.54	(i) Revenue Surplus as on 31 March 2007	1350.54	
...	(ii) Revenue Surplus for the year 2007-08	187.71	
4152.48			**4739.97**
	Assets		
3279.15	**Gross Capital Outlay on Fixed Assets**		**3670.80**
183.16	Investment in shares of Companies, Corporation, *etc.*	186.79	
3095.99	Other Capital Outlay	3484.01	
468.73	**Loans and Advances**		**478.96**
375.43	Loans for power projects	389.37	
24.40	Other Development Loans	29.87	
68.90	Loans to Government Servants and miscellaneous loans	59.72	
34.26	**Investment of Earmarked Funds**		**55.01**
1.31	**Advances**		**1.34**
59.83	**Suspense and Miscellaneous Balances**		**96.47**
6.00	**Appropriation to Contingency Fund**		**6.00**
...	**Remittances**		**0.98**
303.20	**Cash**		**430.41**
8.81	Cash in Treasuries	6.12	
(-) 83.20	Deposits with Reserve Bank of India	(-) 65.54	
1.59	Departmental Cash Balance	(-) 0.34	
...	Permanent Advances	...	
376.00	Cash Balance Investment	490.17	
4152.48			**4739.97**

APPENDIX 1.4

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2007-08

(Reference: Paragraph 1.2; Page 4)

(Rupees in crore)

2006-07	Receipts	2007-08	2006-07	Disbursements				2007-08
				Section – A : Revenue				
	I. Revenue Receipts			**I. Revenue Expenditure**	**Non-Plan**	**Plan**	**Total**	
304.74	Tax Revenue[a]	319.10	**703.09**	**General Services**	**747.91**	**30.36**	**778.27**	**778.27**
184.37	Non-Tax Revenue	199.35	**614.30**	**Social Services**	**439.70**	**313.86**	**753.56**	**753.56**
447.18	State's Share of Union Taxes and Duties[b]	564.07	325.52	Education, Sports, Art and Culture	240.54	182.29	422.83	
472.47	Non-Plan Grants	461.02	99.11	Health and Family Welfare	69.39	43.69	113.08	
569.00	Grants for State Plan Schemes	645.42	106.96	Water Supply, Sanitation, Housing and Urban Development	97.20	34.51	131.71	
117.83	Grants for Central Plan and Centrally Sponsored Plan Schemes	182.44	4.74	Information and Broadcasting	2.54	2.46	5.00	
46.60	Grants for Special Plan Schemes	69.98	11.06	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	6.24	5.50	11.74	
			6.97	Labour and Labour Welfare	5.13	2.50	7.63	
			57.09	Social Welfare and Nutrition	15.82	42.91	58.73	
			2.85	Others	2.84	...	2.84	
			590.11	**Economic Services**	**344.76**	**377.08**	**721.84**	**721.84**
			176.28	Agriculture and Allied Activities	100.04	116.69	216.73	
			131.55	Rural Development	13.54	118.51	132.05	
			7.33	Special Areas Programmes	...	22.26	22.26	
			13.76	Irrigation and Flood Control	9.63	9.72	19.35	
			90.47	Energy	80.99	56.72	137.71	
			62.63	Industry and Minerals	45.19	23.93	69.12	
			76.55	Transport	79.38	...	79.38	
			0.13	Science, Technology and Environment	0.14	...	0.14	
			31.41	General Economic Services	15.85	29.25	45.10	
2142.19	**Total**	**2441.38**	**1907.50**	**Total**	**1532.37**	**721.30**	**2253.67**	**2253.67**
...	**II. Revenue Deficit carried over to Section B**	...	**234.69**	**II. Revenue Surplus carried over to Section B**	...	...	...	**187.71**
2142.19	**Total**	**2441.38**	**2142.19**	**Total**	**1532.37**	**721.30**	**2253.67**	**2441.38**

(a) Excluding share of net proceeds of taxes and duties assigned to State.
(b) Share of net proceeds assigned to State.

2006-07	Receipts	2007-08	2006-07	Disbursements				2007-08
Section – B : Others								
					Non-Plan	Plan	Total	
158.34	**III. Opening Cash Balance including permanent advances and cash balance investment**	**303.20**	**...**	**III. Opening Overdraft from RBI**	...	...	...	...
...	**IV. Miscellaneous Capital Receipts**	**...**	320.37	**IV. Capital Outlay**	4.27	387.39	**391.66**	**391.66**
			16.34	**General Services**	**4.27**	**23.42**	**27.69**	**27.69**
			126.80	**Social Services**	**...**	**152.48**	**152.48**	**152.48**
			2.02	Education, Sports, Art and Culture	...	5.69	5.69	
			18.06	Health and Family Welfare	...	36.08	36.08	
			92.29	Water Supply and Sanitation	...	107.68	107.68	
			6.44	Housing and Urban Development		2.52	2.52	
			7.99	Social Welfare and Nutrition	...	0.51	0.51	
			177.23	**Economic Services**	...	**211.49**	**211.49**	**211.49**
			4.59	Agriculture and Allied Activities	...	13.36	13.36	
			0.06	Rural Development	...	0.42	0.42	
			46.64	Special Areas Programmes	...	50.98	50.98	
			5.61	Irrigation and Flood Control	...	6.07	6.07	
			12.68	Industry and Minerals	...	2.83	2.83	
			107.59	Transport	...	137.83	137.83	
			0.06	General Economic Services	...	...	...	

2006-07	Receipts	2007-08	2006-07	Disbursements	2007-08
17.11	**V. Recoveries of Loans and Advances**	**16.49**	**5.96**	**V. Loans and Advances Disbursed**	**26.73**
0.04	From Power Projects ...		1.27	For Power Projects 13.94	
16.88	From Government Servants 16.36		3.68	To Government Servants 7.18	
0.19	From Others 0.13		1.01	To Others 5.61	
234.69	**VI. Revenue Surplus brought down**	**187.71**	**...**	**VI. Revenue Deficit brought down**	**...**
246.05	**VII. Public Debt receipts**	**247.18**	**86.28**	**VII. Repayment of Public Debt**	**99.08**
243.07	Internal debt other than Ways and Means Advances and Overdraft 244.54		55.75	Internal debt other than Ways and Means Advances and Overdraft 81.74	
...	Net transactions under Ways and Means Advances including Overdraft ...		...	Net transactions under Ways and Means Advances including Overdraft ...	
2.98	Loans and Advances from Central Government 2.64		30.53	Repayment of Loans and Advances to Central Government 17.34	
1257.71	**VIII. Public Account Receipts**	**1502.20**	**1198.09**	**VIII. Public Account Disbursements**	**1308.90**
91.17	Small Savings and Provident Funds 101.46		54.86	Small Savings and Provident Fund 55.63	
20.68	Reserve Funds 23.66		17.59	Reserve Funds 33.01[d]	
342.23	Deposits and Advances 528.03		345.92	Deposits and Advances 333.51	
29.79	Suspense and Miscellaneous[e] (-) 18.67		11.15	Suspense and Miscellaneous[e] 17.98	
773.84	Remittances 867.72		768.57	Remittances 868.77	
...	**IX. Closing Overdraft from Reserve Bank of India**	**...**	**303.20**	**IX. Cash Balance at end**	**430.41**
			8.81	Cash in Treasuries 6.12	
			(-) 83.20	Deposits with Reserve Bank (-) 65.54	
			1.59	Departmental Cash Balance (-) 0.34	
			376.00	Cash Balance Investment 490.17	
1913.90	**Total**	**2256.78**	**1913.90**	**Total**	**2256.78**

(d) Includes disbursement on investment.
(e) Excluding 'Other Accounts'.

APPENDIX 1.5

SOURCES AND APPLICATION OF FUNDS

(Reference: Paragraph 1.2; Page 4)

(Rupees in crore)

2006-07	SOURCES			2007-08
2142.19	1.	Revenue receipts		2441.38
17.11	2.	Recoveries of Loans and Advances		16.49
159.77	3.	Increase in Public Debt		148.10
59.62	4.	Net receipts from Public Account		193.30
	36.31	- Increase in Small Savings and Provident Funds	45.83	
	(-) 3.69	- Deposits and Advances (Net effect)	194.52	
	3.09	- Reserve Fund (Net effect)	(-) 9.35	
	18.64	- Net effect of Suspense and Miscellaneous transactions	(-) 36.65	
	5.27	- Net effect of Remittance transactions	(-) 1.05	
...	5.	Net effect of Contingency Fund transactions		...
...	6.	Decrease in closing cash balance		...
2378.69		**Total**		**2799.27**
		APPLICATION		
1907.50	1.	Revenue expenditure		2253.67
5.96	2.	Lending for development and other purposes		26.73
320.37	3.	Capital expenditure		391.66
...	4.	Net effect of Contingency Fund transactions		...
144.86	5.	Increase in closing cash balance		127.21
2378.69		**Total**		**2799.27**

Explanatory Notes to Appendices 1.3, 1.4 & 1.5

1. The abridged accounts in the above Appendices have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the surplus/deficit on Government account, as shown in **Appendix 1.3** indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation in stock figure, *etc.*, do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payment made on behalf of the State and other pending settlement, *etc.*
4. There was a net difference of Rs. 53.10 crore between the figures reflected in the accounts {(-) Rs. 65.54 crore} and that intimated by the Reserve Bank of India {(-) Rs. 118.64 crore} due to (i) misclassification by Bank/Treasury (Rs. 51.08 crore) and (ii) non-receipt of details of adjustment made by RBI (Rs. 2.02 crore).

APPENDIX 1.6

TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Reference: Paragraphs 1.2 & 1.6; Pages 4 & 22)

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Part A. - Receipts						
1. Revenue Receipts	**1,289**	**1,399**	**1,546**	**1,747**	**2,142**	**2,441**
(i) Tax Revenue	*145 (11)*	*178 (13)*	*208 (13)*	*253 (15)*	*305 (14)*	*319 (13)*
Taxes on Sales, Trade, *etc.*	87 (60)	110 (62)	127 (61)	173 (68)	216 (71)	235 (74)
State Excise	45 (31)	53 (30)	63 (31)	59 (23)	54 (18)	59 (18)
Taxes on Vehicles	5 (4)	6 (3)	7 (3)	9 (4)	9 (3)	11 (3)
Stamps and Registration fees	3 (2)	3 (2)	5 (2)	6 (3)	6 (2)	6 (2)
Land Revenue	0.32 (...)	0.49 (...)	0.29 (...)	0.33 (...)	6 (2)	2 (1)
Other Taxes	4.68 (3)	5.51 (3)	5.71 (3)	5.67 (2)	14 (4)	6 (2)
(ii) Non Tax Revenue	*93 (7)*	*129 (9)*	*133 (9)*	*146 (8)*	*184 (9)*	*199 (8)*
(iii) State's share of Union Taxes and Duties	*176 (14)*	*225 (16)*	*269 (17)*	*350 (20)*	*447 (21)*	*564 (23)*
(iv) Grants-in-aid from Government of India	*875 (68)*	*867 (62)*	*936 (61)*	*998 (57)*	*1,206 (56)*	*1,359 (56)*
2. Miscellaneous Capital Receipts	...	...	...	...	...	...
3. Total revenue and Non-debt capital receipts (1+2)	**1,289**	**1,399**	**1,546**	**1,747**	**2,142**	**2,441**
4. Recoveries of Loans and Advances	**15**	**18**	**19**	**19**	**17**	**17**
5. Public Debt Receipts	**295**	**319**	**297**	**250**	**246**	**247**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	157 (53)	236 (74)	185 (62)	247 (99)	243 (99)	244 (99)
Net transactions under Ways and Means Advances and Overdraft	...	...	...	...	...	...
Loans and Advances from Government of India[1]	138 (47)	83 (26)	112 (38)	3 (1)	3 (1)	3 (1)
6. Total receipts in the Consolidated Fund (3+4+5)	**1,599**	**1,736**	**1,862**	**2,016**	**2,405**	**2,705**
7. Contingency Fund Receipts	...	...	...	...	...	...
8. Public Accounts Receipts	**935**	**874**	**980**	**1,108**	**1,258**	**1,502**
9. Total receipts of the State (6+7+8)	**2,534**	**2,610**	**2,842**	**3,124**	**3,663**	**4,207**
Part B.- Expenditure/Disbursement						
10. Revenue Expenditure	**1,205**	**1,314**	**1,596**	**1,674**	**1,907**	**2,253**
Plan	*256 (21)*	*310 (24)*	*476 (30)*	*491 (29)*	*566 (30)*	*721 (32)*
Non-Plan	*949 (79)*	*1,004 (76)*	*1,120 (70)*	*1,183 (71)*	*1,341 (70)*	*1,532 (68)*
General Services (including Interest payments)	484 (40)	526 (40)	587 (37)	625 (37)	703 (37)	778 (35)
Social Services	426 (35)	479 (36)	558 (35)	555 (33)	614 (32)	753 (33)
Economic Services	295 (25)	309 (24)	451 (28)	494 (30)	590 (31)	722 (32)
11. Capital Expenditure	**186**	**235**	**246**	**259**	**320**	**392**
Plan	*186 (100)*	*235 (100)*	*241 (98)*	*258 (99.61)*	*313 ((98)*	*388 (99)*
Non-Plan	[2]	...	*5 (2)*	*1 (0.39)*	*7 (2)*	*4 (1)*
General Services	7 (4)	25 (11)	8 (3)	11 (4)	16 (5)	28 (7)
Social Services	68 (36)	84 (36)	109 (44)	114 (44)	127 (40)	152 (39)
Economic Services	111 (60)	126 (53)	129 (53)	134 (52)	177 (55)	212 (54)

(1) Includes Ways & Means Advances.

(2) Rs.0.30 crore.

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
12. Disbursement of Loans and Advances	**75**	**70**	**36**	**11**	**6**	**27**
13. Total (10+11+12)	**1,466**	**1,619**	**1,878**	**1,944**	**2,233**	**2,672**
14. Repayments of Public Debt	**123**	**151**	**192**	**63**	**86**	**99**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	16 (13)	35 (23)	82 (43)	44 (70)	56 (65)	82 (83)
Net transactions under Ways and Means Advances and Overdraft	...	...	...	...	...	...
Loans and Advances from Government of India[3]	107 (87)	116 (77)	110 (57)	19 (30)	30 (35)	17 (17)
15. Appropriation to Contingency Fund	...	...	...	...	...	...
16. Total disbursement out of Consolidated Fund (13+14+15)	**1,589**	**1,770**	**2,070**	**2,007**	**2,319**	**2,771**
17. Contingency Fund disbursements	...	...	...	...	...	...
18. Public Account disbursements	**861**	**956**	**827**	**914**	**1,198**	**1,309**
19. Total disbursement by the State (16+17+18)	**2,450**	**2,726**	**2,897**	**2,921**	**3,517**	**4,080**
Part C – Deficits						
20. Revenue Surplus (+) /Deficit (-) (1-10)	**+ 84**	**+ 85**	**- 50**	**+ 73**	**+ 235**	**+ 188**
21. Fiscal Deficit (-) (3+4-13)	**- 162**	**- 202**	**- 313**	**- 178**	**- 74**	**- 214**
22. Primary Deficit (-)/Surplus (+) (21-23)	**- 11**	**- 32**	**- 136**	**+ 13**	**+ 129**	**- 25**
Part D - Other data						
23. Interest Payments (included in revenue expenditure)	151	170	177	191	203	189
24. Arrears of Revenue (Percentage of Tax and Non-tax Revenue Receipts)[4]	NA	NA	38.45 (11)	37.71 (9.45)	91.96 (18.8)	56.07 (10.81)
25. Financial Assistance to local bodies, *etc.*	201	198	189	167	208	368
26. Ways and Means Advances/ Overdraft availed (days)	244 (97)	51 (44)	2.57 (6)	92.34 (8)	Nil	Nil
27. Interest on WMA/Overdraft	0.23	0.24	0.0015	0.08	Nil	Nil
28. Gross State Domestic Product (GSDP)[5]	4,763	5,280	5,805	6,319	6,959[6]	7,605[7]
29. Outstanding Fiscal Liabilities (year end)	1,827	1,952	2,173	2,566	2,762	3,141
30. Outstanding guarantees (year end) including interest	137	300	338	404	436	751
31. Maximum amount guaranteed (year end)	183.69	342.94	384.32	504.67	562.02	954.16
32. Number of incomplete projects	117	147	216	172	282	323
33. Capital blocked in incomplete projects[8]	0.16 (1)	11.52 (24)	35.80 (80)	11.30 (24)	11.76 (43)	12.77 (44)

Note: Figures in brackets represent percentages (rounded) to total of each sub-heading.

(3) Includes Ways and Means Advances.

(4) In respect of some principal heads only.

(5) GSDP figures (current prices) as furnished (September 2008) Directorate of Economics & Statistics, Government of Meghalaya.

(6) Quick Estimates; (7) Advanced Estimates.

(8) Expenditure incurred up to the end of the year on incomplete works (in brackets) scheduled to be completed by end of the respective year.

APPENDIX 1.7

Statement showing year-wise and department-wise cases of misappropriation, losses, *etc.*

(Reference: Paragraph 1.5.7; Page 22)

I – Year-wise position

(Rupees in lakh)

Year	Number of cases	Amount
Up to 1990-91	35	7.59
1991-92	1	3.34
1992-93	1	0.92
1993-94	4	4.83
1994-95	...	...
1995-96	2	2.00
1996-97	2	21.49
1997-98	17	1.71
1998-99	16	102.96
1999-2000	2	3.26
2000-2002	...	...
2002-03	1	1.23
2003-04	2	1.28
2004-05	1	1.81
2005-06	...	...
2006-07	1	0.20
2007-08	...	...
Total	**85**	**152.62**

II – Department-wise position

(Rupees in lakh)

Sl. No.	Department	Cases in which departmental action had not been started		Cases under departmental/ Police investigation		Cases in the Court of Law		Cases awaiting orders for recovery/write off		Total	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Education	...	...	1	0.03	...	...	...	...	1	0.03
2.	Public Works	...	...	5	3.19	1	1.78	1	0.20	7	5.17
3.	Health and Family Welfare	...	...	3	5.47	...	...	...	...	3	5.47
4.	Home (Police)	...	...	1	0.18	...	...	1	0.03	2	0.21
5.	Agriculture	1	0.23	1	0.44	...	...	...	...	2	0.67
6.	Public Health Engineering	...	...	55	6.41	...	...	1	0.58	56	6.99
7.	Animal Husbandry and Veterinary	...	...	1	0.10	1	1.00	1	1.81	3	2.91
8.	Legislative Assembly	...	...	1	3.34		...	...	...	1	3.34
9.	Finance	...	...	2	87.15	1	0.92	...	...	3	88.07
10.	Forest	...	...	...	...	1	2.14	...	...	1	2.14
11.	General Administration	...	...	...	...	1	0.05	...	...	1	0.05
12.	Land Revenue	1	1.00	...	...	...	...	...	...	1	1.00
13.	Mining and Geology	1	16.55	...	...	...	...	...	...	1	16.55
14.	Printing and Stationery	...	...	1	15.76	...	...	...	...	1	15.76
15.	Community and Rural Develop-ment	1	3.03	...	...	...	...	...	...	1	3.03
16.	Sericulture and Weaving	1	1.23	...	...	...	...	...	...	1	1.23
	Total	**5**	**22.04**	**71**	**122.07**	**5**	**5.89**	**4**	**2.62**	**85**	**152.62**

APPENDIX 2.1

Statement showing excess over provision relating to previous years requiring regularisation

(Reference: Paragraph 2.2; Page 38)

(Rupees in crore)

Year	Number of Grant/Appropriation	Grant(s)/Appropriation(s)	Amount of excess
1971-72	4	64, 79, 80, 88	0.08
1972-73	3/1	12, 16, 71/ Interest on Debt and other obligations	0.26
1973-74	2	10, 64	0.01
1974-75	4	13, 15, 29, 54	0.05
1975-76	3/1	13, 29, 82/Governor	0.07
1976-77	4/1	29, 32, 54, 62/Interest Payment	0.10
1977-78	3/1	7, 13, 54/Governor	0.07
1978-79	2	3, 22	0.05
1979-80	2	13, 22	0.03
1980-81	4/1	13, 20, 30, 39/Governor	0.09
1981-82	7/1	13, 14, 20, 28, 31, 34, 37/Governor	0.37
1982-83	12/2	3, 5, 14, 19, 20, 22, 24, 26, 27, 31, 37, 55/Governor, Administration of Justice	7.29
1983-84	8	3, 8, 27, 31, 37, 40, 45, 56	3.30
1984-85	12	9, 10, 18, 20, 22, 24, 25, 27, 30, 43, 59, 64	3.15
1985-86	9/2	7, 8, 17, 18, 24, 27, 37, 38, 64/ Administration of Justice, Loans and Advances from Central Government	4.70
1986-87	10	7, 8, 9, 24, 25, 27, 29, 39, 55, 56	0.95
1987-88	11/1	1, 11, 13, 16, 20, 24, 28, 36, 38, 48, 54/ Public Service Commission	1.78
1988-89	6/1	9, 15, 20, 24, 36, 54/ Public Service Commission	0.71
1989-90	9/1	8, 11, 22, 24, 29, 36, 41, 48, 54/ Police	4.37
1990-91	10	9, 18, 24, 26, 28, 36, 37, 53, 54, 58	2.44
1991-92	12	5, 7, 8, 9, 18, 24, 26, 30, 33, 36, 54, 61	2.56
1992-93	11/2	5, 7, 8, 9, 13, 20, 24, 26, 33, 49, 54 / Internal Debt of State Government, Governor	30.31
1993-94	7/3	6, 8, 20, 24, 26, 40, 53 / Internal Debt of State Government, Loans and Advances, Public Service Commission	263.13
1994-95	4/3	20, 24, 53, 60/Interest Payment, Public Service Commission, Internal Debt	183.34
1995-96	5/2	1, 14, 24, 47, 53 /Parliament/ State/Union Territory Legislature, Water Supply and Sanitation	4.34
1996-97	14/2	1, 3, 5, 7, 9, 14, 20, 21, 22, 24, 29, 36, 41, 53 / Governor, Administration of Justice	7.94
1997-98	10/1	1, 6, 7, 8, 9, 15, 18, 20, 24, 25 / Governor	6.23
1998-99	5	1, 2, 6, 11, 24	22.82
1999-2000	2/1	9, 18/Governor	0.17
2000-01	2/3	1, 40 / 1, 2, 4	3.92
2001-02	3/2	1, 18, 35/ 1, 2	1.76
2002-03	4/3	11, 26, 35, 56/ 1, Internal Debt of the State Government, Loans & Advances from Central Government	22.10
2003-04	3/2	1, 20, 56/1 and Loans & Advances from Central Government	30.18
2004-05	5/2	1, 7, 19, 24, 56/ 1, Loans and Advances from the Central Government	36.74
2005-06	5/4	1, 16, 24, 54, 56/ 1, 36, Public Service Commission, Internal Debt of the State Government.	34.69
2006-07	6/2	1, 4, 8, 20, 24, 40/1, Loans and Advances from the Central Government	65.41
		Total	**745.51**

APPENDIX 2.2

Areas in which major savings occurred

(Reference: Paragraph 2.4.1; Page 39)

Grant Number/ Major Head	Areas in which major savings occurred	Savings (Rupees in crore)
(1)	(2)	(3)
11 – OTHER TAXES AND DUTIES ON COMMODITIES AND SERVICES, *ETC.* (REVENUE– VOTED)		
2801	Grants to State Electricity (EAP) – General	38.38
	Grants to State Electricity Board (Rural Electrification Programme) – General	40.50
21 – MISCELLANEOUS GENERAL SERVICES, *ETC.* (REVENUE–VOTED)		
2202	General Education - Elementary Education – Government Primary Schools – Expenditure on Primary Schools – General	6.83
	Other Expenditure – Non Lapsable Central Pool of Resources – General	9.00
	Non-lapsable Central Pool of Resources – General	10.77
	Centrally Sponsored Schemes (CSS) –Elementary Education – Assistant to Non-Government Primary School - Sarva Shiksha Abhiyan – General	50.00
2203	Setting up of Engineering College – General	3.40
2205	Non-Lapsable Central Pool of Resources – General	2.00
	Non-Lapsable Central Pool of Resources – Sixth Schedule (Part II) Areas	2.00
	Centrally Sponsored Schemes – Promotion and Strengthening of Regional and Local Museums – General	2.18
27 – WATER SUPPLY AND SANITATION, HOUSING, *ETC.* (CAPITAL – VOTED)		
4215	Capital Outlay on Water Supply and Sanitation – Each Scheme (Garo) Sixth Schedule (Part II) Areas	1.31
	Centrally Sponsored Scheme – Rural Water Supply Schemes – Each Scheme Sixth Schedule (Part II) Areas	1.39
34 – WELFARE OF SCHEDULED CASTES/SCHEDULED TRIBES, *ETC.* (REVENUE–VOTED)		
2236	Nutrition – Supplementary Nutrition Programme for Integrated Child Development Service Scheme - Sixth Schedule (Part II) Areas	18.99
	CSS – Supplementary Nutrition Programme for Integrated Child Development Materials and Supplies - Sixth Schedule (Part II) Areas	5.12
38 – SECRETARIAT ECONOMIC SERVICES, *ETC.* (REVENUE – VOTED)		
3451	Livelihood Improvement Project for the Himalayas/EAP – General	18.83
	Rainwater Harvesting Mission – General	7.50
40 – NORTH EASTERN AREAS, *ETC.* (REVENUE–VOTED)		
2552	General - Survey and Investigation of Power Projects – Sixth Schedule (Part II) Areas	2.30
	Other Expenditure – Transmission – Sixth Schedule (Part II) Areas	10.97
43 – HOUSING, CROP HUSBANDRY, FOOD STORAGE, *ETC.* (REVENUE – VOTED)		
2401	Centrally Sponsored Scheme (CSS) – Crop Husbandry – Macro Management of Agriculture Seed Production Programme – General	3.50
	Centrally Sponsored Scheme – Macro Management of Agriculture Integrated Nutrient Management General	3.50
	Centrally Sponsored Schemes – Commercial Crops – Macro Management of Agriculture Crop Production Programme – General	4.71
	Centrally Sponsored Schemes – Support to State extension programmes for extension reform – General	5.50
	Centrally Sponsored Schemes – Scheme/Macro Management for promotion of agricultural mechanisation General	3.50
	Centrally Sponsored Schemes – Macro Management of Agricultural and Natural Resource Management including NWDPRA, SLUB – General	7.15

(1)	(2)	(3)
	51 – HOUSING, CROP HUSBANDRY, *ETC.* (REVENUE – VOTED)	
2505	Rural Employment – The National Rural Employment Guarantee Scheme Sixth Schedule (Part II) Areas	3.03
2515	Other Rural Development Programmes – Community Development-Stage-II Block - Sixth Schedule (Part II) Areas	2.26
	56 – ROADS AND BRIDGES, CAPITAL OUTLAY ON ROADS AND BRIDGES (CAPITAL–VOTED)	
5054	State Highways – Non Lapsable Central Pool of Resources – Sixth Schedule (Part II) Areas	61.00
	State Highways – Completion of Critical Ongoing and Spillover Schemes – Sixth Schedule (Part II) Areas	60.00
	CSS – Construction/Economic Importance - Sixth Schedule (Part II) Areas	17.00
	CSS – Inter State Connectivity - Sixth Schedule (Part II) Areas	10.00
	57 – TOURISM, CAPITAL OUTLAY ON PUBLIC WORKS, *ETC.* (REVENUE – VOTED)	
3452	Central Sector Schemes - Setting up of Amusement Parks, Picnic Spots, Campsite and Upgradation of Tourist Spots – General	5.74
	Central Sector Schemes – Tourist Destination – General	10.68
	Central Sector Schemes – Tourist Circuit – General	3.43
	Central Sector Schemes – Rural Tourism – General	3.36
	APPROPRIATION – INTEREST PAYMENT (REVENUE – CHARGED)	
2049	Interest on Internal Debt – Interest on Market Loans – New Loan 2007-08 General	10.81
	APPROPRIATION – INTERNAL DEBT OF THE STATE GOVERNMENT (CAPITAL – CHARGED)	
6003	Market Loans – 13% Meghalaya Loan 1992 – General	13.27
	13.05% Meghalaya Loan 1997 – General	34.93

APPENDIX 2.3

Statement showing unnecessary supplementary provision

(Reference: Paragraph 2.4.2.1; Page 39)

Sl. No.	Number and name of Grant	Amount of supplementary provision	Amount of saving
		(Rupees in lakh)	
(1)	(2)	(3)	(4)
1.	11 – Other Taxes and Duties on Commodities and Services, Special Programmes for Rural Development, Power, Non-Conventional Sources of Energy and Loans for Power Projects Revenue – Voted	2,200.00	9,633.03
2.	13 – Secretariat, General Services, Secretariat Social Services, Secretariat Economic Services, Capital Outlay on Other Communication Services Revenue – Voted	0.39	762.58
3.	15 – Treasury and Accounts Administration Revenue – Voted	10.69	92.24
4.	19 – Secretariat General Services, Public Works, Housing, Capital Outlay on Public Works, *etc.* Revenue – Charged	37.81	40.02
5.	21 – Miscellaneous General Services, General Education, Technical Education, Sports and Youth Services, Art and Culture, Other Scientific Research, Census Surveys and Statistics, Capital Outlay on Education, Loans for Education, Arts and Culture Revenue – Voted	186.16	8,683.42
6.	22 – Other Administrative Services, *etc.*, Housing Revenue – Voted	21.46	76.85
7.	23 – Other Administrative Services, *etc.* Revenue – Voted	9.14	71.86
8.	26 – Medical and Public Health, Family Welfare, Capital Outlay on Medical and Public Health, Capital Outlay on Family Welfare Revenue – Voted	406.24	1,840.82
9.	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	350.00	614.39
10.	32 – Civil Supplies, Capital Outlay on Food Storage and Ware-Housing Revenue – Voted	165.71	228.07
11.	36 – Miscellaneous General Services, Social Security and Welfare Revenue – Voted	42.38	47.04
12.	40 – North Eastern Areas (Special Areas Programme), Capital Outlay on North Eastern Areas Revenue – Voted	5.00	4,300.25
13.	42 – Housing, Other General Economic Services Revenue – Voted	12.00	19.36

(1)	(2)	(3)	(4)
14.	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 Institutions, Capital Outlay on Minor Irrigation Revenue – Voted	140.14	4,887.15
15.	46 – Special Programmes for Rural Development Revenue – Voted	29.00	464.20
16.	50 – Forestry and Wildlife, Agricultural Research and Education, Capital Outlay on Forestry and Wildlife Revenue – Voted	675.03	702.15
17.	53 – Village and Small Industries, Capital Outlay on Village and Small Scale Industries, Loans for Village and Small Industries Revenue – Voted	115.83	431.38
	Total	**4,406.98**	**32,894.81**

APPENDIX 2.4

Statement showing excessive supplementary provision in cases where ultimate savings in each case exceeded Rs.10 lakh

(Reference: Paragraph 2.4.2.2; Page 39)

Sl. No.	Number and name of Grant	Original provision	Expenditure	Additional requirement	Supple-mentary provision obtained	Net Saving
		(Rupees in lakh)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	5 – Elections Revenue – Voted	580.00	1,656.19	1,076.19	1,139.81	63.62
2.	10 – Taxes on Vehicles, Other Administrative Services, *etc.* Revenue – Voted	970.00	1,876.71	906.71	950.02	43.31
3.	10 – Taxes on Vehicles, Other Administrative Services, *etc.* Capital – Voted	425.00	2,384.36	1,959.36	2,038.00	78.64
4.	16 – Police, Other Administrative Services, Housing, Capital Outlay on Police Capital – Voted	283.00	635.10	352.10	427.10	75.00
5.	28 – Housing, Capital Outlay on Housing, Loans for Housing Revenue – Voted	853.10	3,116.74	2,263.64	2,346.52	82.88
6.	55 – Non-ferrous Mining and Metallurgical Industries, Capital Outlay on Housing, *etc.* Revenue – Voted	2,248.00	3,175.73	927.73	1,000.00	72.27
	Total	**5,359.10**	**12,844.83**	**7,485.73**	**7,901.45**	**415.72**

APPENDIX 2.5

Statement showing insufficient supplementary provision by more than Rs.10 lakh each

(Reference: Paragraph 2.4.2.3; Page 40)

Sl. No.	Name of Grant/Appropriation	Original provision	Expenditure	Additional requirement	Supplementary provision obtained	Uncovered excess expenditure
		(Rupees in lakh)				
1.	16 – Police, Other Administrative Services *etc.*, Housing, Capital Outlay on Police Revenue - Voted	16,092.95	17,545.00	1,452.05	957.14	494.92
2.	20 – Other Administrative Services, *etc.*, Capital Outlay on Public Works Revenue – Voted	1,400.00	1,501.12	101.12	17.05	84.07
3.	26 – Medical and Public Health, Family Welfare, Capital Outlay on Medical and Public Health, *etc.* Capital – Voted	3,169.00	3,507.57	338.57	115.00	223.57
	Total	**20,661.95**	**22,553.69**	**1,891.74**	**1,089.19**	**802.56**

APPENDIX 2.6

Statement showing expenditure falling short by more than Rs.1 crore and also by more than 10 *per cent* of the total provision

(Reference: Paragraph 2.4.2.4; Page 40)

(Rupees in crore)

Sl. No.	Number and name of Grant/Appropriation	Amount of saving and its percentage to total provision (in brackets)	Amount surren-dered
1.	3 – Council of Ministers, Other Administrative Services, *etc.* Revenue – Voted	2.02 (32)	0.32
2.	4 – Administration of Justice Revenue – Charged	1.41 (100)	0.11
3.	11 – Other Taxes and Duties on Commodities and Services, *etc.* Revenue – Voted	96.33 (41)	96.33
4.	11 – Other Taxes and Duties on Commodities and Services, *etc.* Capital – Voted	8.06 (37)	7.87
5.	13 – Secretariat General Services, Secretariat Social Services, Secretariat Economic Services, *etc.* Revenue – Voted	7.63 (14)	0.11
6.	18 – Stationery and Printing, Capital Outlay on Stationery and Printing, Capital Outlay on Housing Revenue – Voted	1.73 (18)	0.73
7.	19 – Secretariat General Services, Public Works, *etc.* Revenue –Voted	10.88 (10.02)	6.61
8.	19 – Secretariat General Services, Public Works, *etc.* Capital –Voted	14.27 (34)	11.05
9.	21–Miscellaneous General Services, General Education, Technical Education, Sports and Youth Services, Art and Culture, *etc.* Revenue – Voted	86.83 (17)	Nil
10.	21–Miscellaneous General Services, General Education, Technical Education, Sports and Youth Services, Art and Culture, *etc.* Capital – Voted	1.25 (100)	Nil
11.	26 – Medical and Public Health, Family Welfare, Capital Outlay on Medical and Public Health, Capital Outlay on Family Welfare Revenue – Voted	18.41 (14)	Nil
12.	27 – Water Supply and Sanitation, Housing, Capital Outlay on Water Supply and Sanitation, Capital Outlay on Housing Capital – Voted	41.67 (28)	40.05
13.	29 – Urban Development, Capital Outlay on Housing, *etc.* Revenue – Voted	14.29 (38)	14.31
14.	30 – Information and Publicity Revenue – Voted	1.39 (22)	0.99
15.	31 – Labour and Employment Revenue – Voted	6.49 (46)	5.59
16.	32 – Civil Supplies, Capital Outlay on Food Storage and Ware-Housing Revenue – Voted	2.28 (25)	0.33
17.	34 – Welfare of Scheduled Castes/ Scheduled Tribes and Other Backward Classes, *etc.* Revenue – Voted	82.90 (59)	58.70
18.	34 – Welfare of Scheduled Castes/ Scheduled Tribes, *etc.* Capital – Voted	15.66 (97)	15.66
19.	38 – Secretariat Economic Services Revenue – Voted	28.47 (63)	0.84
20.	39 – Co-operation, Capital Outlay on Co-operation, Capital Outlay on Other Agricultural Programmes, Loans for Co-operation Revenue – Voted	7.34 (50)	7.81

Sl. No.	Number and name of Grant/Appropriation	Amount of saving and its percentage to total provision (in brackets)	Amount surrendered
21.	39–Co-operation, Capital Outlay on Co-operation, Capital Outlay on Other Agricultural Programmes, Loans for Co-operation Capital – Voted	4.16 (47)	3.72
22.	40–North Eastern Areas, (Special Areas Programme), Capital Outlay on North Eastern Areas Revenue – Voted	43.00 (66)	1.89
23.	43–Housing, Crop Husbandry, Agricultural Research and Education, *etc.* Revenue – Voted	48.87 (36)	Nil
24.	43-Housing, Crop Husbandry, Agricultural Research and Education, *etc.* Capital – Voted	6.30 (63)	Nil
25.	44 – Medium Irrigation-II-Works under Embankment and Drainage Wing-P.W.D. Medium, Flood Control, *etc.* Capital – Voted	9.43 (73)	0.01
26.	45 – Housing, Soil and Water Conservation, Agricultural Research and Education Revenue – Voted	17.63 (30)	16.28
27.	46 – Special Programmes for Rural Development Revenue – Voted	4.64 (25)	4.32
28.	47–Housing, Animal Husbandry, Agricultural Research and Education Revenue – Voted	14.48 (31)	Nil
29.	49 – Housing, Fisheries, Agricultural Research and Education, Capital Outlay on Housing, Capital Outlay on Fisheries Revenue- Voted	3.18 (29)	3.10
30.	50 – Forestry and Wildlife, Agricultural Research and Education, Capital Outlay on Forestry and Wildlife Revenue – Voted	7.02 (11)	Nil
31.	50 – Forestry and Wildlife, Agricultural Research and Education, *etc.* Capital – Voted	1.54 (15)	Nil
32.	51 – Housing, Nutrition, Crop Husbandry, Special Programmes for Rural Development, Rural Employment, *etc.* Revenue – Voted	29.82 (20)	24.13
33.	53 – Village and Small Industries, Capital Outlay on Village and Small Scale Industries, Loans for Village and Small Industries Revenue – Voted	4.31 (20)	4.39
34.	54 – Village and Small Industries, Capital Outlay on Housing, Capital Outlay on Village and Small Scale Industries, *etc.* Capital – Voted	6.29 (89)	6.29
35.	56–Roads and Bridges, Capital Outlay on Roads and Bridges Capital – Voted	129.75 (53)	Nil
36.	57 – Tourism, Capital Outlay on Public Works, Capital Outlay on Other Communication Services, *etc.* Revenue – Voted	27.02 (88)	Nil
37.	Appropriation – Interest Payment Revenue – Charged	36.24 (16)	33.48
38.	Appropriation – Internal Debt of the State Government Capital – Charged	41.59 (34)	41.59
39.	Appropriation – Loans and Advances from the Central Government Capital – Charged	4.83 (22)	4.38

APPENDIX 2.7

Persistent savings in excess of Rs.10 lakh in each case and 20 *per cent* or more of the provision

(Reference: Paragraph 2.4.3; Page 40)

Sl. No.	Grant or Appropriation	Amount of saving (Rupees in crore) and percentage to total provision (in brackets)		
		2005-06	2006-07	2007-08
1.	4 – Administration of Justice Revenue – Charged	1.12 (100)	1.20 (100)	1.41 (100)
2.	11 – Other Taxes and Duties on Commodities and Services, Special Programmes for Rural Development, Power, *etc.* Revenue – Voted	58.80 (46)	73.12 (44)	96.33 (41)
3.	11 – Other Taxes and Duties on Commodities and Services, Special Programmes for Rural Development, Power, *etc.* Capital – Voted	37.60 (84)	37.03 (97)	8.06 (37)
4.	23 – Other Administrative Services, *etc.* Revenue – Voted	0.50 (53)	0.54 (47)	0.72 (48)
5.	28 – Housing, Capital Outlay on Housing, Loans for Housing Capital - Voted	1.15 (62)	0.98 (54)	0.87 (85)
6.	29 – Urban Development, Capital Outlay on Housing, Capital Outlay on Urban Development Revenue – Voted	4.18 (27)	14.79 (51)	14.29 (38)
7.	29 – Urban Development, Capital Outlay on Housing, Capital Outlay on Urban Development Capital – Voted	8.00 (50)	14.48 (99)	0.85 (59)
8.	31 –Labour and Employment Revenue - Voted	3.78 (38)	3.31 (32)	6.49 (46)
9.	34 – Welfare of Scheduled Castes/Scheduled Tribes and Other Backward Classes, Social Security and Welfare, *etc.* Revenue – Voted	36.81 (47)	56.68 (51)	82.90 (59)
10.	38 – Secretariat Economic Services Revenue – Voted	2.05 (33)	7.07 (38)	28.47 (63)
11.	39 – Co-operation, Capital Outlay on Co-operation, Capital Outlay on Other Agricultural Programmes, Loans for Co-operation Capital – Voted	5.03 (54)	2.35 (32)	4.16 (47)
12.	40 – North Eastern Areas (Special Areas Programme), Capital Outlay on North Eastern Areas Revenue – Voted	33.99 (89)	37.11 (84)	43.00 (66)
13.	41 – Census, Survey and Statistics Revenue – Voted	1.45 (27)	1.17 (21)	1.34 (22)
14.	43 – Housing, Crop Husbandry, Food Storage and Warehousing, Agricultural Research and Education, *etc.* Capital – Voted	3.13 (47)	2.62 (40)	6.30 (63)
15.	51 – Housing, Nutrition, Crop Husbandry, Special Programmes for Rural Development, Rural Employment, *etc.* Capital – Voted	0.56 (56)	0.94 (94)	0.51 (51)
16.	55 – Non-Ferrous Mining and Metallurgical Industries, Capital Outlay on Housing, *etc.* Capital – Voted	0.12 (100)	0.24 (100)	0.32 (100)
17.	56–Roads and Bridges, Capital Outlay on Roads and Bridges Capital – Voted	25.31 (23)	50.97 (33)	129.75 (53)

APPENDIX 2.8

Statement showing excess expenditure over Grant/Appropriation
(Reference: Paragraph 2.4.4; Page 40)

Sl. No.	Number and name of Grant/Appropriation	Total Grant/ Appropriation	Expenditure	Excess
		(In Rupees)		
I. Grants				
1.	1 – Parliament/State/Union Territory Legislature, Stationery and Printing, Capital Outlay on Stationery and Printing Revenue – Voted	15,57,08,000	37,75,57,141	22,18,49,141
2.	4 – Administration of Justice Revenue – Voted	4,22,21,984	4,24,14,922	1,92,938
3.	8 – State Excise Revenue – Voted	4,25,00,000	4,65,68,908	40,68,908
4.	16 – Police, Other Administrative Services, *etc.*, Housing, Capital Outlay on Police Revenue – Voted	1,70,50,08,624	1,75,45,00,329	4,94,91,705
5.	20 – Other Administrative Services, *etc.*, Capital Outlay on Public Works Revenue –Voted	14,17,05,290	15,01,11,870	84,06,580
6.	24 – Pension and Other Retirement Benefits Revenue –Voted	1.13,37,71,000	1,34,69,69,396	21,31,98,396
7.	26–Medical and Public Health, Family Welfare, Capital Outlay on Medical and Public Health, Capital Outlay on Family Welfare Capital – Voted	32,84,00,000	35,07,56,904	2,23,56,904
8.	40 – North Eastern Areas (Special Areas Programme), Capital Outlay on North Eastern Areas Capital – Voted	30,45,00,000	50,97,33,968	20,52,33,968
	Total	**385,38,14,898**	**457,86,13,438**	**72,47,98,540**
II. Appropriation				
1.	1 – Parliament/State/Union Territory Legislature, Stationery and Printing, Capital Outlay on Stationery and Printing Revenue – Charged	44,71,000	76,01,826	31,30,826
	Total	**44,71,000**	**76,01,826**	**31,30,826**
	Grand Total (I + II)	**385,82,85,898**	**458,62,15,264**	**72,79,29,366**

APPENDIX 2.9

Excessive/unnecessary/injudicious re-appropriation of funds

(Reference: Paragraph 2.4.5; Page 40)

(Rupees in lakh)

Sl. No.	Number and name of Grant/ Appropriation and Head of account	Provision Original plus Supple-mentary	Re-appro-priation Addition (+)/ Reduction (-)	Total	Actual expendi-ture	Excess (+) Saving (-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	**13 – SECRETARIAT GENERAL SERVICES, SECRETARIAT SOCIAL SERVICE *ETC.*** 2052 – Secretariat General Services 090 – Secretariat (02) – Secretariat Administration Department (including other minor Department not shown separately) General	1021.67	R(+) 18.30	1039.97	744.29	(-) 295.68
2.	(05) – Home Department General	110.62	R(-) 25.00	85.62	65.75	(-) 19.87
3.	(06) – Political Department General	106.10	R(-) 40.00	66.10	43.47	(-) 22.63
4.	(08) – Finance (excluding Economic Affairs) Department General	511.50	R(-) 80.00	431.50	316.99	(-) 114.51
5.	(10) –Law Department General	143.60	R(-) 30.00	113.60	75.99	(-) 37.61
6.	(11) – Revenue Department General	90.60	R(-) 15.00	75.60	54.36	(-) 21.24
7.	(12) – District Council Affairs Department General	60.10	R(-) 10.00	50.10	38.62	(-) 11.48
8.	(092) – Other Officers (01) – Expenditure on Public Grievances Committee General	49.92	R(-) 26.80	23.12	8.65	(-) 14.47
9.	(15) – Expenditure on Chairman/Co-Chairman/Vice or Deputy Chairman of the State Level Boards/Commission/ Cooperation/PSU and State Undertaking General	156.20	R(+) 208.50	364.70	909.00	(+) 544.30
10.	**16 – POLICE, OTHER ADMINISTRATIVE SERVICES, *ETC.*** 2070 – Other Administrative Services 800 – Other Expenditure (09) – Construction and Maintenance of Departmental Non-Residential buildings/ Rent Free Quarter Sixth Schedule (Part II) Areas	5.70	R(+) 16.89	22.59	39.92	(+) 17.33
11.	(09) – Construction and Maintenance of Departmental Non-Residential buildings/ Rent Free Quarter General	58.50	R(-) 16.89 S. 10.76	30.85	13.22	(-) 17.63

(1)	(2)	(3)	(4)	(5)	(6)	(7)
12.	4055 – Capital Outlay on Police 211 – Police Housing (01) – Construction of residential buildings for Police accommodation/ Facilities Sixth Schedule (Part II) Areas	258.00	R(-) 10.15 S. 50.00	197.85	217.85	(+) 20.00
13.	**21 – MISCELLANEOUS GENERAL SERVICES, GENERAL EDUCATION, TECHNICAL EDUCATION, *ETC.*** 2202 – General Education 103 – Government Colleges and Institutes (13) – Government College Sixth Schedule (Part II) Areas	878.95	R(-) 50.92	828.03	571.62	(-) 256.41
14.	104 – Assistance to Non-Government Colleges and Institutes (02) – Expenditure on College under non deficit system Sixth Schedule (Part II) Areas	321.28	R(+) 6.61	327.89	187.46	(-) 140.43
15.	(06) – Assistance for purchase of furniture equipments *etc.* General	50.37	R(-) 0.37	50.00	...	(-) 50.00
16.	107 – Scholarships (17) – Central post matric Scholarships General	148.31	R(-)132.84	15.47	...	(-) 15.47
17.	(26) – Post matric Scholarship for Tribal Students General	12.66	R(-) 0.27	12.39	...	(-) 12.39
18.	03 – University and Higher Education 104 – Assistance to Non-Government Colleges and Institutes (01) – Expenditure on Colleges under deficit system General	1870.00	R(+)195.24	2065.24	2119.06	(+) 53.82
19.	107 – Scholarships (09) – Senior Scholarship General	1.50	R(-) 0.15	1.35	25.90	(+) 24.55
20.	**26 – MEDICAL AND PUBLIC HEALTH, FAMILY WELFARE, *ETC.*** Centrally Sponsored Schemes 2210 – Medical and Public Health 06 – Public Health 101 – Prevention and Control of diseases (01) – National Malaria Eradication Programme Sixth Schedule (Part II) Areas	206.05	(-) 5.75	200.30	95.92	(-) 104.38

(1)	(2)	(3)	(4)	(5)	(6)	(7)
21.	**27 - WATER SUPPLY AND SANITATION, HOUSING, *ETC.*** 4215 – Capital Outlay on Water Supply and Sanitation 102 – Rural Water Supply Schemes (01) – Each Scheme Sixth Schedule (Part II) Areas	5600.00	R(-) 290.00 S. 1450.00	3860.00	3784.90	(-) 75.10
22.	**32 – CIVIL SUPPLIES, CAPITAL OUTLAY ON FOOD STORAGE AND WARE-HOUSING** 3456 – Civil Supplies 001 – Direction and Administration (08) – Transport subsidy for supply of Food Stuffs to Special Backward Areas General	249.22	R(+) 45.20	294.42	147.42	(-) 147.00
23.	**40 – NORTH EASTERN AREAS, (SPECIAL AREAS PROGRAMME), *ETC.*** 2552 – North Eastern Areas 80 – General 800 – Other Expenditure (01) – Transmission Sixth Schedule (Part II) Areas	1300.00	R(+) 127.10	1427.10	330.00	(-) 1097.10
24.	General	250.00	R(-) 127.10 S. 22.90	100.00	271.12	(+) 171.12
25.	**43 – HOUSING, CROP HUSBANDRY, FOOD STORAGE & WAREHOUSING, *ETC.*** 2401- Crop Husbandry 105 – Manures and Fertilizers (05) – State Soil Survey Organisation Sixth Schedule (Part II) Areas	82.27	R(+) 0.75	83.02	65.50	(-) 17.52
26.	195 – Assistance to Farming Cooperatives 800 – Other Expenditure (01) – Acquisition of land General	265.00	R(-) 12.74	252.26	...	(-)252.26
27.	**48 – HOUSING, DAIRY DEVELOPMENT, AGRICULTURAL RESEARCH AND EDUCATION** 2404 – Dairy Development 102 – Dairy Development Projects (06) – Chilling Centre Sixth Schedule (Part II) Areas	3.85	R(+) 1.00	4.85	16.86	(+) 12.01
28.	**50 – FORESTRY AND WILDLIFE, AGRICULTURAL RESEARCH AND EDUCATION, *ETC.*** 2406 – Forestry and Wildlife 01 – Forestry 001 – Direction and Administration (09) – Twelfth Finance Commission Award for maintenance of Forests General	600.00	R(-) 471.00	129.00	147.61	(+) 18.61

(1)	(2)	(3)	(4)	(5)	(6)	(7)
29.	003 – Education and Training (02) – Studies & Training in Forest School General	76.70	R(-) 1.51	75.19	56.21	(-) 18.98
30.	102 – Social and Farm Forestry (01) – Forest Nurseries Sixth Schedule (Part II) Areas	69.99	R(-) 5.00	64.99	35.97	(-) 29.02
31.	02 – Environmental Forestry and Wildlife 800 – Other Expenditure (02) – Ecology and Environment Sixth Schedule (Part II) Areas	87.00	R(-) 2.30	84.70	59.63	(-) 25.07
32.	Central Sector Scheme 02 – Environmental Forestry and Wildlife 110 – Wildlife Preservation (01) – Establishment of Parks and Sanctuaries General	450.00	R(-) 150.00	300.00	...	(-) 300.00
33.	Central Sector Scheme 02 – Environmental Forestry and Wildlife 800 – Other Expenditure (02) – Management of Gregarious flowering of Bamboo Sixth Schedule (Part II) Areas	193.00	R(+) 142.00	335.00	506.00	(+) 171.00
34.	**51 – HOUSING, NUTRITION, CROP HUSBANDRY, SPECIAL PROGRAMMES FOR RURAL DEVELOPMENT, *ETC.* 2505 – Rural Employment 01 – National Programmes 701 – Jawahar Rozgar Yojana (11) – The National Rural Employment Guarantee Sixth Schedule (Part II) Areas	1500.00	R(-) 302.62 S. 184.76	1012.62	710.00	(-) 302.62
35	**APPROPRIATION – INTEREST PAYMENT** 2049 – Interest Payments 03 – Interest on Small Savings Provident Funds, *etc.* 104 – Interest on State Provident Funds (01) – Interest on General Provident Fund General	3100.00	400.00	3500.00	3513.94	(+) 13.94

R – Re-appropriation
S – Surrender

APPENDIX 2.10

Statement showing expenditure without provision (exceeding Rs.10 lakh)

(Reference: Paragraph 2.4.6; Page 40)

Serial number	Number and name of grant/appropriation and Head of account	Actual expenditure (Rupees in lakh)
(1)	(2)	(3)
1.	16 – Police, Other Administrative services, *etc.*, Housing, Capital Outlay on Police – 3617 – Purchase of Equipment General	389.81
2.	16 – Police, Other Administrative services, *etc.*, Housing, Capital Outlay on Police – 4055 – Capital Outlay on Police – 208 – Special Police – (02) – Construction of Administrative buildings for Police Batallion Under Modernisation of State Police Force General	13.00
3.	21 – Miscellaneous General Services, General Education, *etc.*, - 2205 – Art and Culture – 107 – Museums – (09) – Promotion and Strengthening of Regional and Local Museums General	24.10
4.	26 – Medical and Public Health, Family Welfare, Capital Outlay on Medical and Public Health, *etc.*, - CSS – 2210 – Medical and Public Health – 06 – Public Health – 107 – Public Health Laboratories – (02) – Establishment of Drug Testing Laboratories for quality control of Ayurveda, *etc.* General	57.66
5.	26 – Medical and Public Health, Family Welfare, Capital Outlay on Medical and Public Health, *etc.*, - 4210 – Capital Outlay on Medical and Public Health – 02 – Rural Health Services – 800 – Other Expenditure – (07) – Providing Street Lighting on approach road to NEIGRIHMS Sixth Schedule (Part II) Areas	40.00
6.	26 – Medical and Public Health, Family Welfare, Capital Outlay on Medical and Public Health, *etc.*, - 80 – General – 800 – Other Expenditure – (01) –Establishment of New Sub-centres Sixth Schedule (Part II) Areas	1,000.00
7.	36 – Miscellaneous General Services, Social Security and Welfare – 2235 – Social Security and Welfare – 60 – Other Social Security and Welfare Programmes – 104 – Deposit Linked Insurance Scheme Government Provident Fund – (01) – Government Provident Fund General	20.08
8.	36 – Miscellaneous General Services, Social Security and Welfare – (01) – Government Provident Fund Sixth Schedule (Part II) Areas	19.66
9.	40 – North Eastern Areas, (Special Areas Programme), Capital Outlay on North Eastern Areas – 4552 – Capital Outlay on North Eastern Areas – 14 – General/PWD (Roads and Bridges) – 800 – Other Expenditure – (03) – Survey and Investigation Sixth Schedule (Part II) Areas	2,258.50

(1)	(2)	(3)
10.	40 – North Eastern Areas, (Special Areas Programme), Capital Outlay on North Eastern Areas – (04) – Roads and Bridges Sixth Schedule (Part II) Areas	1,075.29
11.	43 – Housing, Crop Husbandry, *etc.*, 2401 – Crop Husbandry – 001 – Direction and Administration – 800 – Other Expenditure – (12) – ACA under RKVY General	637.00
12.	43 – Housing, Crop Husbandry, *etc.*, - CSS - 2401 – Crop Husbandry – 107 – Plant Protection – (04) – Strengthening/setting up of State Pesticide Testing Lab General	50.28
13.	43 – Housing, Crop Husbandry, *etc.*, - CSS - 2401 – Crop Husbandry – (05) – Rodent Control Management Programmes General	26.48
14.	43 – Housing, Crop Husbandry, *etc.* – CSS – 2401 – Crop Husbandry – (13) – Expansion of tea cultivation General	40.10
15.	43 – Housing, Crop Husbandry, *etc.*,- CSS – 2401 – Crop Husbandry – 109 – Extension and Farmer's Training – (06) – Scheme on reclamation of acid soil General	38.55
16.	43 – Housing, Crop Husbandry, *etc.*,- CSS – 2401 – Crop Husbandry – 113 – Agricultural Engineering – (04) – Scheme for promotion of Agricultural mechanisation General	91.00
17.	43 – Housing, Crop Husbandry, *etc.*,- CSS – 2401 – Crop Husbandry – 800 – Other Expenditure – (01) – National Watershed Development Project for rainfed Areas General	617.00
18.	43 – Housing, Crop Husbandry, *etc.*,- CSS – 2415 – Agricultural Research and Education – 01 – Crop Husbandry – 004 – Research – (02) – Strengthening of State Land Use Board (SLUB) General	22.62
19.	48 – Housing, Dairy Development, Agricultural Research and Education, *etc.*, - 2404 – Dairy Development – 102 – Dairy Development Projects – (13) – Distribution of Dairy Unit Sixth Schedule (Part II) Areas	14.00
20.	50 – Forestry and Wildlife, Agricultural Research and Education, *etc.*, - CSS – 2406 – Forestry and Wildlife – 01 – Forestry – 800 – Other Expenditure – (04) – Integrated Forest Protection Scheme Sixth Schedule (Part II) Areas	150.00
21.	51 – Housing, Nutrition, Crop Husbandry, *etc.*, - 2501 – Special Programmes for Rural Development – 01 – Integrated Rural Development Programme – 800 – Other Expenditure – (02) – Strengthening of CD Administration Sixth Schedule (Part II) Areas	15.26
22.	Appropriation – Interest Payment – 2049 – Interest Payments – 01 – Interest on Internal Debt – 101 – Interest on Market Loans – 0051 (51) – 8.39% Meghalaya Government Stock - 2017 General	562.13

(1)	(2)	(3)
23.	Appropriation – Interest Payment – 2049 – Interest Payments – 01 – Interest on Internal Debt – 101 – Interest on Market Loans – 8.48% Meghalaya Government Stock - 2017 General	233.20
24.	Appropriation – Internal Debt of the State Government – 6003 – Internal Debt of the State Government – 101 – Market Loans – 13.00% Meghalaya State Development Loan 2007 General	1,326.99
25.	Appropriation – Internal Debt of the State Government – 6003 – Internal Debt of the State Government – 101 – Market Loans – 13.05% Meghalaya State Development Loan 2007 General	3,493.00
26.	Appropriation – Internal Debt of the State Government – 6003 – Internal Debt of the State Government – 106 – Compensation and Other Bonds 8.50% Meghalaya Government Power Bonds – October 2007 General	69.95
27.	Appropriation – Internal Debt of the State Government – 6003 – Internal Debt of the State Government – 106 – Compensation and Other Bonds 8.50% Meghalaya Government Power Bonds – April 2008 General	69.95
28.	Appropriation – Internal Debt of the State Government – 6003 – Internal Debt of the State Government – 109 – Loans from other Institutions (iii) Loans from HUDCO General	2,000.59
	Total	**14,356.20**

APPENDIX 2.11

Non-Surrender of Savings

(Reference: Paragraph 2.4.7; Page 40)

(Rupees in crore)

Sl. No.	Number and name of the Grant/Appropriation	Total Grant/ Appropriation	Saving	Unsurrendered saving
(1)	(2)	(3)	(4)	(5)
I. Cases of Unsurrendered Savings of Rs.1 crore and above				
1.	3 – Council of Ministers, Other Administrative Services *etc.* Revenue – Voted	6.27	2.02	1.70
2.	4 – Administration of Justice Revenue – Charged	1.41	1.41	1.30
3.	13 – Secretariat General Services, *etc.* Revenue – Voted	54.29	7.63	7.51
4.	18 – Stationery and Printing, Capital Outlay on Stationery and Printing, *etc.* Revenue – Voted	9.80	1.73	1.00
5.	19 – Secretariat General Services, Public Works, *etc.* Revenue – Voted	108.59	10.88	4.27
6.	19 – Secretariat General Services, Public Works, *etc.* Capital – Voted	42.56	14.27	3.22
7.	21 – Miscellaneous General Services, General Education, Technical Education, *etc.* Revenue – Voted	510.00	86.83	86.83
8.	21 – Miscellaneous General Services, General Education, Technical Education, *etc.* Capital – Voted	1.25	1.25	1.25
9.	26 – Medical and Public Health, Family Welfare, Capital Outlay on Medical and Public Health, *etc.* Revenue – Voted	131.49	18.41	18.41
10.	27 – Water Supply and Sanitation, Housing, *etc.* Capital – Voted	150.15	41.67	1.62
11.	32 – Civil Supplies, Capital Outlay on Food Storage and Warehousing Revenue – Voted	9.18	2.28	1.95
12.	34 – Welfare of Scheduled Castes/Scheduled Tribes and Other Backward Classes, *etc.* Revenue – Voted	139.74	82.90	24.19
13.	38 – Secretariat Economic Services Revenue – Voted	44.94	28.47	27.63
14.	40 – North Eastern Areas, *etc.* Revenue – Voted	65.26	43.00	41.11
15.	41 – Census, Survey and Statistics Revenue – Voted	6.14	1.34	1.34
16.	43 – Housing, Crop Husbandry, Food Storage and Warehousing, *etc.* Revenue – Voted	134.00	48.87	48.87

(1)	(2)	(3)	(4)	(5)
17.	43 – Housing, Crop Husbandry, Food Storage and Warehousing, *etc.* Capital – Voted	10.00	6.30	6.30
18.	44 – Medium Irrigation-II-Works under Embankment and Drainage Wing-P.W.D., *etc.* Capital – Voted	13.00	9.43	9.42
19.	45 – Housing, Soil and Water Conservation, Agricultural Research and Education Revenue – Voted	59.08	17.63	1.35
20.	47 – Housing, Social Security and Welfare, *etc.* Revenue – Voted	46.29	14.48	14.48
21.	48 – Housing, Dairy Development, Agricultural Research and Education Revenue – Voted	7.86	3.43	3.43
22.	50 – Forestry and Wildlife, Agricultural Research and Education, *etc.* Revenue – Voted	65.11	7.02	7.02
23.	50 – Forestry and Wildlife, Agricultural Research and Education, *etc.* Capital – Voted	9.95	1.54	1.54
24.	51 – Housing, Crop Husbandry, Special Programmes for Rural Development, Rural Employment, Other Rural Development Programmes, *etc.* Revenue – Voted	148.31	29.82	5.70
25.	56 – Roads and Bridges, Capital Outlay on Roads and Bridges Capital – Voted	243.74	129.75	129.75
26.	57 – Tourism, Capital Outlay on Public Works, Capital Outlay on Other Communication Services, *etc.* Revenue – Voted	30.88	27.02	27.02
27.	Appropriation – Interest Payment Revenue – Charged	225.22	36.24	2.76
	Total (I)	**2274.51**	**675.62**	**480.97**

APPENDIX 2.12

Rush of expenditure during the year 2007-08

(Reference: Paragraph 2.4.10; Page 41)

(Rupees in crore)

Head of accounts/ Grant number	Total provision (Original plus Supple-mentary)	Expenditure				Total expendi-ture	Percentage of expenditure during fourth quarter to total expenditure	Expen-diture during March	Percentage of expenditure during March	
		First quar-ter	Second quar-ter	Third quarter	Fourth quarter				Total provi-sion	Total expen-diture
2202/21	456.48	60.58	74.65	101.65	160.99	397.87	40.46	101.07	22.14	25.40
2215/27	71.85	13.65	16.31	19.44	16.28	65.68	24.79	11.54	16.06	17.57
2210/26	117.53	22.81	22.74	27.91	29.35	102.82	28.55	14.30	12.17	13.91
2235/33, 34, 35, 36, 47	36.65	3.19	4.07	5.62	7.62	20.50	37.17	4.47	12.20	21.80
2401/43	108.89	5.34	5.94	6.71	45.21	63.20	71.53	39.27	36.06	62.14
2403/47	42.65	5.71	5.30	7.42	11.29	29.72	37.99	7.65	17.94	25.74
2515/51	112.79	3.71	58.20	10.59	26.81	99.30	27.00	20.16	17.87	20.30
2851/53, 54	38.66	3.88	3.98	5.72	20.58	34.17	60.23	17.32	44.80	50.69
2055/16	157.57	31.45	38.00	39.41	53.68	162.53	33.03	32.27	20.48	19.85
2211/26	13.96	2.39	2.36	2.92	2.59	10.26	25.24	1.08	7.74	10.53

APPENDIX 2.13

Details of outstanding Abstract Contingent Bills drawn between November 1992 and March 2008 and remaining outstanding till June 2008

(Reference: Paragraph 2.5; Page 41)

Sl. No.	Name of the Drawing and Disbursing Officer/Controlling Officers from whom Detailed Countersigned Contingent Bills are awaited	Month and year of drawal	Number of Abstract Contingent Bill	Amount (in rupees)
(1)	(2)	(3)	(4)	(5)
1.	Director of Information & Public Relation, Shillong	November 1992 December 1992 November 1994 March 2007 August 2007 October 2007	1 1 1 1 1 1	1,49,750 63,600 6,28,000 18,99,000 5,89,216 10,80,884
2.	Superintendent of Police, Jaintia Hills, Jowai	September 1997	1	4,400
3.	Secretary, Meghalaya Public Service Commission, Shillong	August 1999 April 2000	1 2	14,400 9,930
4.	Executive Engineer, Urban Affairs, Shillong	March 2000	1	7,00,000
5.	Deputy Superintendent of Police, West Khasi Hills, Nongstoin	June 2001	1	65,129
6.	Deputy Director of Agriculture (Agronomy), Shillong	March 2004	2	75,250
7.	Under Secretary, Secretariat Administration (A/C), Shillong	March 2008	1	1,42,020
8.	Deputy Commissioner (Election), West Garo Hills, Tura	April 2004	1	23,00,000
9.	Joint Director of Agriculture, Research & Training, Shillong	March 2005	1	36,000
10.	Deputy Commissioner (Election), East Garo Hills, Williamnagar	December 2007 February 2008	2 1	11,67,000 36,00,000
11.	Additional Deputy Commissioner (Election), Resubelpara Civil Sub-Division, East Garo Hills	February 2006 December 2007 January 2008	1 1 2	24,00,000 1,00,000 36,06,000
12.	Under Secretary and Assistant Chief Electoral Officer, Shillong	February 2006 January 2008 March 2008	1 1 1	19,85,000 1,33,48,940 1,36,57,860
13.	Deputy Commissioner (Election), Ri-Bhoi, Nongpoh	March 2006 November 2007 January 2008	1 1 1	6,00,000 10,90,500 36,00,000
14.	Additional Deputy Commissioner (Election), East Khasi Hills, Shillong (N) Treasury	March 2006	1	25,00,000
15.	Sub-Divisional Officer (E), Nongstoin	March 2006	1	4,00,000
16.	Additional Deputy Commissioner (Election), West Khasi Hills, Nongstoin	January 2008	1	32,00,000
17.	Additional Deputy Commissioner (Election), Mairang	March 2006	1	2,50,000
18.	Sub-Divisional Officer (E), Jowai	March 2006	1	4,00,000
19.	Deputy Commissioner, (Supply), South Garo Hills, Baghmara	January 2006	1	85,857

(1)	(2)	(3)	(4)	(5)
20.	District Training Officer, Farmers' Training Centre, Shillong	March 2006 March 2007 March 2008	1 1 1	47,900 50,000 1,50,000
21.	Principal, Basic Agricultural Training Centre, Upper Shillong	March 2008	2	1,80,000
22.	District Agricultural Officer. East Garo Hills, Williamnagar	March 2006 March 2007	1 1	48,750 60,000
23.	Deputy Commissioner, West Garo Hills, Tura	March 2006	1	15,00,000
24.	General Manager, DIC, Baghmara, South Garo Hills	March 2006	2	96,700
25.	Deputy Commissioner (Election), South Garo Hills, Baghmara	June 2006 November 2007 January 2008	1 2 1	3,50,000 5,08,500 22,00,000
26.	Additional Deputy Commissioner i/c Mairang Civil Sub-Division	February 2008	1	11,00,000
27.	Additional Deputy Commissioner, in charge (Election), East Khasi Hills, Shillong	November 2006 November 2007 February 2008	1 1 1	6,54,000 6,00,000 1,10,00,000
28.	Deputy Commissioner, West Khasi Hills, Nongstoin	December 2006	2	1,92,072
29.	Sub-Divisional Officer (E), Ampati Civil Sub-Division, West Garo Hills	December 2006 January 2008 February 2008	1 2 1	2,32,000 5,82,000 30,00,000
30.	Under Secretary Election Department, Ex-Officio & Assistant Chief Electoral Officer, Meghalaya	February 2007	1	2,30,28,625
31.	Assistant Agricultural Engineer (Mech) (CHD), Nongstoin	March 2007	2	1,00,000
32.	Assistant Director of Information & Public Relation, Meghalaya	December 2006 March 2008	1 1	9,00,000 9,00,000
33.	Deputy Commissioner, South Garo Hills, Baghmara	March 2007	1	14,41,022
34.	Assistant Agricultural Engineer (M), Shillong	March 2008	2	7,00,000
35.	Under Secretary to the Government (E) Department and Assistant Chief Electoral Officer	December 2007	3	3,12,10,670
36.	Sub-Divisional Officer (E), Khliehriat Civil Sub-Division	December 2007 February 2008	2 1	6,32,000 20,00,000
37.	Sub-Divisional Officer (E), Mawkyrwat Civil Sub-Division Mawkyrwat, Nongstoin	January 2008	1	20,00,000
38.	District Training Officer, Farmers' Training, Sangsongiri, Tura	March 2008	1	1,50,000
39.	General Manager, District Industries Centre, Shillong	March 2008	4	2,38,200
Total			**80**	**14,56,01,175**

APPENDIX 7.1

Statement showing particulars of up-to-date paid-up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2008 in respect of Government companies and Statutory corporations

(Reference: Paragraphs 7.1.4, 7.1.5, 7.1.6 & 7.1.10; Pages 163 &166)

(Figures in Columns 3(a) to 4(f) are Rupees in lakh)

Sl. No.	Sector and Name of the Company/Corporation	Paid-up capital as at the end of 2007-08[1]					Equity/Loans received out of Budget during 2007-08		Other loans received during the year	Loans outstanding at the close of 2007-08[2]			Debt equity ratio for 2007-08 (figure in brackets indicates for previous year) 4(f)/3(e)
		State Govern-ment	Central Govern-ment	Holding Company	Others	Total	Equity	Loans		Govern-ment	Others	Total	
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A. WORKING GOVERNMENT COMPANIES													
	Sector : CEMENT												
1.	Mawmluh – Cherra Cements Limited	2710.85	-	-	10.00	2720.85[3]	500.00	-	651.00	-	1538	1538	0.57:1 (0.40:1)
	Total of the Sector	**2710.85**	**-**	**-**	**10.00**	**2720.85**	**500.00**	**-**	**651.00**	**-**	**1538**	**1538**	**0.57:1 (0.40:1)**
Sector: INDUSTRIAL DEVELOPMENT AND FINANCING													
2.	Meghalaya Industrial Development Corporation Limited	8500.41	-	-	-	8500.41[4]	202.00	-	-	-	510.19	510.19	0.06:1 (0.07:1)
	Total of the Sector	**8500.41**	**-**	**-**	**-**	**8500.41**	**202.00**	**-**	**-**	**-**	**510.19**	**510.19**	**0.06:1** (0.07:1)
Sector : HANDLOOM AND HANDICRAFTS													
3.	Meghalaya Handloom and Handicrafts Development Corporation Limited (Subsidiary)	235.99	10.00	4.93	0.07	250.99[4]	24.00	-	-	-	-	-	0:1 (0:1)
	Total of the Sector	**235.99**	**10.00**	**4.93**	**0.07**	**250.99**	**24.00**	**-**	**-**	**-**	**-**	**--**	**0:1** (0:1)

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	Sector : WATCH ASSEMBLING												
4.	Meghalaya Watches Limited(Subsidiary)	-	-	35.98	-	35.98	-	-	-	-	-	-	0:1 (0:1)
	Total of the Sector	**-**	**-**	**35.98**	**-**	**35.98**	**-**	**-**	**-**	**-**	**-**	**-**	**0:1 (0:1)**
	Sector : BAMBOO PRODUCTS												
5.	Meghalaya Bamboo Chips Limited (Subsidiary)	-	-	47.75	0.25	48.00	-	-	46.16	-	-	-	0:1 (0:1)
	Total of the Sector			**47.75**	**0.25**	**48.00**			**46.16**	**-**	**-**	**-**	**0:1 (0:1)**
	Sector : ELECTRONICS												
6.	Meghalaya Electronics Development Corporation Limited(Subsidiary)	-	-	471.70	-	471.70	-	-	21.49	-	44.27	44.27	0.09:1 (0.05:1)
	Total of the Sector			**471.70**	**-**	**471.70**	**-**	**-**	**21.49**	**-**	**44.27**	**44.27**	**0.09:1 (0.05:1)**
	Sector : FOREST												
7.	Forest Development Corporation of Meghalaya Limited	177.18	20.00	-	-	197.18	-	-	-	-	-	-	0:1 (0:1)
	Total of the Sector	**177.18**	**20.00**	**-**	**-**	**197.18**	**-**	**-**	**-**	**-**	**-**	**-**	**0:1 (0:1)**
	Sector : TOURISM												
8.	Meghalaya Tourism Development Corporation Limited	796.46	-	-	-	796.46[4]	-	-	-	255.63	-	255.63	0.32:1 (0.32:1)
	Total of the Sector	**796.46**	**-**	**-**	**-**	**796.46**	**-**	**-**	**-**	**255.63**	**-**	**255.63**	**0.32:1 (0.32:1)**
	Sector : CONSTRUCTION												
9.	Meghalaya Government Construction Corporation Limited	75.00	-	-	-	75.00					36.75	36.75	0.49:1 (0.53:1)
	Total of the Sector	**75.00**				**75.00**					**36.75**	**36.75**	0.49:1 (0.53:1)
	Sector : MINING												
10.	Meghalaya Mineral Development Corporation Limited	232.30	-	-	-	232.30	-	-	-	-	225.68	225.68	0.97:1 (0.97:1)
	Total of the Sector	**232.30**	**-**	**-**	**-**	**232.30**	**-**	**-**	**-**	**-**	**225.68**	**225.68**	0.97:1 (0.97:1)
	Total (A)	**12728.19**	**30.00**	**560.36**	**10.32**	**13328.87**	**726.00**		**718.65**	**255.63**	**2354.89**	**2610.52**	**0.20:1 (0.22:1)**

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
B. WORKING STATUTORY CORPORATIONS													
	Sector : POWER												
1.	Meghalaya State Electricity Board	20200.00	-	--		20200.00	-	843.00	-	36475.44	57741.72[5]	94217.16	4.66:1 (4.28:1)
	Total of the Sector	**20200.00**	**-**	**-**	**-**	**20200.00**	**-**	**843.00**	**-**	**36475.44**	**57741.72**	**94217.16**	**4.66:1 (4.28:1)**
	Sector : TRANSPORT												
2.	Meghalaya Transport Corporation	5925.42	680.64	-	-	6606.06	300.00	-	-	-	-	-	0:1 (0:1)
	Total of the Sector	**5925.42**	**680.64**	**-**	**-**	**6606.06**	**300.00**	**-**	**-**	**-**	**-**	**-**	**0:1 (0:1)**
	Sector : WAREHOUSING												
3.	Meghalaya State Ware-housing Corporation	155.66	-	-	122.56	278.22	12.10	-	-	--	-	-	0:1 (0:1)
	Total of the Sector	**155.66**	**-**	**-**	**122.56**	**278.22**	**12.10**	**-**	**-**	**--**	**-**	**-**	**0:1**
	Total (B)	**26281.08**	**680.64**		**122.56**	**27084.28**	**312.10**	**843.00**		**36475.44**	**57741.72**	**94217.16**	**3.48:1 (3.19:1)**
	Grand Total (A+B)	**39009.27[6]**	**710.64**	**560.36**	**132.88**	**40413.15**	**1038.10**	**843.00**	**718.65**	**36731.07**	**60096.61**	**96827.68**	**2.40:1 (2.24:1)**

Notes:

(1) All figures are provisional as given by the companies/corporations.

(2) Loans outstanding at the close of 2007-08 represent Long term loans only.

(3) Includes redeemable preference shares of Rs.238 lakh.

(4) Includes share application money of Rs.863.88 lakh (Sl.No.A-1: Rs.500 lakh; A-2: Rs.202 lakh; A-3:Rs.77 lakh; and A-8:Rs.84.88 lakh).

(5) Includes bonds, debentures and inter corporate deposits.

(6) State Government's investment was Rs.390.09 crore (others-Rs.982.31 crore). The figure as per Finance Accounts 2007-2008 is Rs.142.93 crore. The difference is under reconciliation.

APPENDIX 7.2

Summarized financial results of Government companies and statutory corporations for the latest year for which accounts were finalised

(Reference: Paragraphs 7.1.7, 7.1.8, 7.1.10, 7.1.11, 7.1.12 & 7.1.14; Pages 165, 166 & 167)

(Figures in columns 7 to 12 are Rupees in lakh)

Sl. No.	Sector and name of the Company/ Corporation	Name of Department	Date of incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+) / Loss (-)	Net impact of Audit comments[7]	Paid-up capital	Accumulated Profit (+)/ Loss (-)	Capital employed[8]	Total return on capital employed[9]	Percentage of return on capital employed	Arrears of accounts in terms of years	Turnover	Manpower (No. of Employees)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	A. WORKING GOVERNMENT COMPANIES														
	Sector: CEMENT														
1.	Mawmluh-Cherra Cements Limited	Industries	20 May 1995	2006-07	2007-08	145.07	-	2220.85	(+) 932.04	3359.09	146.13	4.35	1	3478.77	607
	Total of the Sector					**145.07**		**2220.85**	**932.04**	**3359.09**	**146.13**	**4.35**	**1**	**3478.77**	**607**
	Sector: INDUSTRIAL DEVELOPMENT AND FINANCING														
2.	Meghalaya Industrial Development Corporation Limited	Industries	06 April 1971	2000-01	2007-08	4.25	Understatement of expenditure by Rs.59.25 lakh	5070.41	(+) 34.83	5558.40	184.88	3.33	7	386.09	108
	Total of the Sector					**4.25**		**5070.41**	**(+) 34.83**	**5558.40**	**184.88**	**3.33**	**7**	**386.09**	**108**
	Sector: HANDLOOM AND HANDICRAFTS														
3.	Meghalaya Handloom and Handicrafts Development Corporation Limited	Industries	10 January 1979	2001-02	2007-08	(-) 11.67	-	142.49	(-)158.38	5.05	(-)11.67	-	6	3.09	12
	Total of the Sector					**(-) 11.67**	**-**	**142.49**	**(-)158.38**	**5.05**	**(-)11.67**	**-**	**6**	**3.09**	**12**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	Sector: WATCH ASSEMBLING														
4.	Meghalaya Watches Limited	Industries	07 August 1979	2005-06	2007-08	(-) 94.79	-	35.98	(-) 1057.92	24.00	(-) 18.31	-	2	21.95	-
	Total of the Sector					**(-) 94.79**		**35.98**	**(-) 1057.92**	**24.00**	**(-) 18.31**	**-**	**2**	**21.95**	
	Sector: BAMBOO PRODUCTS														
5.	Meghalaya Bamboo Chips Limited	Industries	14 September 1979	2003-04	2007-08	(-) 151.31	-	48.00	(-)1179.17	42.42	(-) 70.23	-	4	12.52	92
	Total of the Sector					**(-) 151.31**		**48.00**	**(-)1179.17**	**42.42**	**(-) 70.23**	**-**	**4**	**12.52**	**92**
	Sector: ELECTRONICS														
6.	Meghalaya Electronics Development Corporation Limited	Industries	25 March 1986	1998-99	2006-07	(-) 336.70	-	471.70	(-) 2473.42	345.97	(-)75.19	-	9	14.06	16
	Total of the Sector					**(-) 336.70**		**471.70**	**(-) 2473.42**	**345.97**	**(-)75.19**	**-**	**9**	**14.06**	**16**
	Sector: FOREST														
7.	Forest Development Corporation of Meghalaya Limited	Forest	30 January 1975	1999-2000	2006-07	(-) 43.59	-	172.19	(-) 173.66	(-) 68.80	(-) 43.59	-	8	2.58	69
	Total of the Sector					**(-) 43.59**	**-**	**172.19**	**(-) 173.66**	**(-) 68.80**	**(-) 43.59**		**8**	**2.58**	**69**
	Sector: TOURISM														
8.	Meghalaya Tourism Development Corporation Limited	Tourism	25 January 1977	1992-93	2007-08	(-) 33.09	-	319.85	(-)210.82	650.95	(-)17.32	-	15	41.17	255
	Total of the Sector					**(-) 33.09**	**-**	**319.85**	**(-)210.82**	**650.95**	**(-)17.32**		**15**	**41.17**	**255**
	Sector: CONSTRUCTION														
9.	Meghalaya Government Construction Corporation Limited	Public Works	26 March 1979	2005-06	2007-08	(-) 60.56	-	75.00	(-) 1126.36	(-) 987.36	(-)60.56	-	2	143.76	95
	Total of the Sector					**(-) 60.56**	**-**	**75.00**	**(-) 1126.36**	**(-) 987.36**	**(-)60.56**	**-**	**2**	**143.76**	**95**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Sector : MINING															
10.	Meghalaya Mineral Development Corporation Limited	Mining & Geology	31 March 1981	2006-07	2007-08	(-) 169.85	-	232.30	(-) 917.22	274.85	(-) 169.85	-	1	45.26	17
	Total of the Sector					(-) 169.85	-	232.30	(-) 917.22	274.85	(-) 169.85	-	1	45.26	17
	Total 'A'					(-) 752.24		8788.77	(-) 6330.08	9204.57	(-) 135.71			4149.25	
B. WORKING STATUTORY CORPORATIONS															
Sector : POWER															
1.	Meghalaya State Electricity Board	Power & Electricity	21 January 1975	2007-08	2007-08	133.76	Understatement of loss Rs.1.74 crore.	20200.00	(-) 40243.88	84391.00	3325.00	3.94	-	31815.42	3665
	Total of the Sector					133.76	-	20200.00	(-) 40243.88	84391.00	3325.00	3.94	-	31815.42	3665
Sector : TRANSPORT															
2.	Meghalaya Transport Corporation	Transport	01 October 1976	2002-03	2007-08	(-) 463.55	Understatement of loss by Rs.6.37 crore due to shortage	5378.90	(-) 5860.24	(-) 543.00	(-)463.55	-	6	554.34	369
	Total of the Sector					(-) 463.55		5378.90	(-) 5860.24	(-) 543.00	(-)463.55		6	554.34	
Sector: WAREHOUSING															
3.	Meghalaya State Warehousing Corporation	Corporation	March 1973	2006-07	2007-08	5.27	-	266.12	21.51	170.19	5.27	3.10	1	28.48	8
	Total of the Sector					5.27	-	266.12	21.51	170.19	5.27	3.10	1	28.48	8
	Total 'B'					(-) 324.52		25845.02	(-) 46082.61	84018.19	2866.72	-		32398.24	
	Grand Total (A+B)					(-) 1076.76		34633.79	(-) 52412.69	93222.76	2731.01			36547.49	

(7) This represents comments of supplementary audit in the case of Government companies and comments of sole auditor in case of Statutory corporations.

(8) Capital employed represents Net Fixed Assets (including capital works in progress) plus working capital except in case of Meghalaya Industrial Development Corporation Limited, where the capital employed is worked out as a mean of aggregate of opening and closing balances of paid-up-capital, free reserves and borrowings (including refinance).

(9) For calculating total return on capital employed, interest on borrowed fund is added to net profit/subtracted from the loss as disclosed in profit and loss account.

APPENDIX 7.3

Statement showing subsidy/grants received, guarantees received and guarantees outstanding at the end of March 2008

(Reference: Paragraph 7.1.6; Page 163)

(Figures in Columns 3(a) to 4(e) are Rupees in lakh)

Sl. No.	Name of the Public Sector Undertaking	Subsidy/grant received during the year 2007-08				Guarantees received during the year and outstanding at the end of the year				
		Central Govern-ment	State Govern-ment	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contractors	Total
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)
A – GOVERNMENT COMPANIES										
1.	Forest Development Corporation of Meghalaya Limited	-	10.00(G)		10.00(G)					
2.	Meghalaya Tourism Development Corporation Limited		44.43(G)		44.43(G)					
3.	Meghalaya Government Construction Corporation Limited	-	15.98 (S)		15.98 (S)				(100.00)	(100.00)
4.	Meghalaya Mineral Development Corporation Limited		53.37 (G)		53.37 (G)	-	(225.68)	-	-	(225.68)
	Total – A		**107.80 (G) 15.98 (S)**		**107.80 (G) 15.98 (S)**	-	**(225.68)**	-	**(100.00)**	**(325.68)**

B – STATUTORY CORPORATIONS										
1.	Meghalaya State Electricity Board	-	3280.00(S)	-	3280.00(S)	-	(49797)	-	-	(49797)
2.	Meghalaya Transport Corporation	-	310.00(S)	-	310.00(S)	-	-	-	-	-
3.	Meghalaya State Warehousing Corporation	-	-	-	-	-	-	--	-	-
	Total – B	-	**3590.00 (S)**	-	**3590.00(S)**	-	**(49797)**	-	-	**(49797)**
	Grand Total (A+B)	-	**107.80 (G) 3605.98 (S)**	-	**107.80 (G) 3605.98 (S)**	-	**(50022.68)**	-	**(100.00)**	**(50122.68)**

(10) Subsidy includes subsidy receivable at the end of the year which is shown in brackets.

(11) Figures in bracket indicate guarantees (principal) outstanding at the end of the year.

(S) Subsidy and (G) Grants.

APPENDIX 7.4

Statement showing investment made by the State Government in PSUs whose accounts are in arrears

(Reference: Paragraph 7.1.7; Page 165)

(Rupees in lakh)

Sl.No.	Name of the Company	Year up to which accounts finalised	Paid-up capital as per latest finalised accounts	Investment made by the State Government during the years for which accounts are in arrears				
				Year	Equity	Loan	Grant	Subsidy
A. WORKING GOVERNMENT COMPANIES								
1	Mawmluh cherra Cements Limited	2006-07	2220.85	2007-08	500.00	-	-	-
2	Meghalaya Industrial Development Corporation Limited	2000-01	5070.41	2001-02 to 2007-08	3430.00	-	-	-
3	Meghalaya Handloom and Handicrafts Development Corporation Limited (Subsidiary)	2001-02	142.49	2002-03 to 2007-08	108.50	-	-	-
4	Meghalaya Watches Limited (Subsidiary)	2005-06	35.98	2006-07 & 2007-08	-	-	-	-
5	Meghalaya Bamboo Chips Limited (Subsidiary)	2003-04	48.00	2004-05 to 2007-08	-	-	-	-
6	Meghalaya Electronics Development Corporation Limited (Subsidiary)	1998-99	471.70	1999-00 to 2007-08	-	-	-	-
7	Forest Development Corporation of Meghalaya Limited	1999-00	172.18	2000-01 to 2007-08	25.00	-	27.44[(12)]	
8	Meghalaya Tourism Development Corporation Limited	1992-93	319.85	1993-94 to 2007-08	476.61	-	234.57[(13)]	30.00[(14)]
9	Meghalaya Government Construction Corporation Limited	2005-06	75.00	2006-07 to 2007-08	-	-	-	15.98

Sl.No.	Name of the Company	Year upto which accounts finalised	Paid-up capital as per latest finalised accounts	Investment made by the State Government during the years for which accounts are in arrears				
				Year	Equity	Loan	Grant	Subsidy
10	Meghalaya Mineral Development Corporation Limited	2006-07	232.30	2007-08	-	-	53.37	-
B. WORKING STATUTORY CORPORATIONS								
1	Meghalaya Transport Corporation	2002-03	5378.90	2003-04 to 2007-08	1227.16	-		1450.00(15)
2	Meghalaya State Ware-housing Corporation	2006-07	266.12	2007-08	12.10	-	-	-
	Total		14433.78		5779.37	-	315.38	1495.98

Note: (12) Includes Rs.17.44 lakh in 2006-07 and Rs.10 lakh in 2007-08.

(13) Includes Rs.20 lakh in 1999-00; Rs.50 lakh; Rs.20 lakh in 2002-03; Rs.32.02 lakh; Rs.18.12 lakh in 2004-05; Rs.50 lakh in 2005-06 and Rs.44.43 lakh in 2007-08.

(14) Includes Rs.30 lakh in 2000-01.

(15) Includes Rs.280 lakh each in 2003-04, 2004-05 and 2006-07; Rs.300 lakh in 2005-06 and Rs.310 lakh in 2007-08.

APPENDIX 7.5

Statement showing financial position of working Statutory corporations

(Reference: Paragraph 7.1.8; Page 165)

(Rupees in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08 (Provisional)
(1)	(2)	(3)	(4)	(5)
1.	**Meghalaya State Electricity Board**			
	A. Liabilities			
	(a) Loans from Government	358.08	362.59	364.75
	(b) Other long-term loans (including bonds)	643.70	833.48	964.30
	(c) Reserves and Surplus	0.78	2.70	2.70
	(d) Current liabilities and Provisions	328.10	435.76	643.45
	Total – A	**1330.66**	**1634.53**	**1975.20**
	B. Assets			
	(a) Gross fixed assets	496.17	501.17	525.55
	Less: Depreciation	222.36	235.08	249.22
	Net fixed assets	273.81	266.09	276.33
	(b) Capital works-in-progress	282.26	486.88	736.83
	(c) Deferred Cost	17.14	21.07	18.45
	(d) Current assets	394.87	407.86	474.19
	(e) Investments	52.71	48.26	66.37
	(f) Intangible assets	0.06	0.59	0.59
	(g) Accumulated losses	309.81	403.78	402.44
	Total – B	**1330.66**	**1634.53**	**1975.20**
	C. Capital employed[16]	**622.84**	**725.08**	**843.91**

2.	**Meghalaya Transport Corporation**	**2000-01**	**2001-02**	**2002-03**
	A. Liabilities			
	(a) Capital (including Capital loan and equity capital)	49.29	51.79	53.79
	(b) Reserves and Surplus	0.11	0.11	0.11
	(c) Borrowings:			
	Government	-	-	-
	Others	-	-	-
	(d) Funds (excluding depreciation fund)	-	-	-
	(e) Trade dues and other current liabilities (including provisions)	12.69	16.00	18.32
	Total – A	**62.09**	**67.90**	**72.22**
	B. Assets			
	(a) Gross Block	11.65	8.61	7.72
	Less: Depreciation	7.93	5.43	4.92
	Net fixed assets	3.72	3.18	2.80
	(b) Capital works-in-progress (including cost of Chassis)	-	-	-
	(c) Investments	0.45	1.42	0.73
	(d) Current assets, loans and advances	7.28	9.52	10.09
	(e) Deferred cost	-	-	-
	(f) Accumulated losses	50.64	53.78	58.60
	Total	**62.09**	**67.90**	**72.22**
	C. Capital employed[16]	**(-)1.69**	**(-)3.30**	**(-) 5.43**

(1)	(2)	(3)	(4)	(5)
3.	**Meghalaya State Warehousing Corporation**	**2004-05**	**2005-06**	**2006-07**
	A. Liabilities			
	(a) Paid-up Capital	2.45	2.55	2.66
	(b) Reserves and Surplus	0.28	0.33	0.59
	(c) Borrowings :			
	Government			
	Others			
	(d) Trade dues and other current liabilities (including provision)	0.02	0.03	0.05
	Total – A	**2.75**	**2.91**	**3.30**
	B. Assets			
	(a) Gross Block	1.54	1.62	1.74
	Less : Depreciation	0.39	0.43	0.41
	Net fixed assets	1.15	1.19	1.33
	(b) Capital works-in-progress			
	(c) Investments	0.05	0.36	0.40
	(d) Current assets, loans and advances	1.55	1.36	1.57
	(e) Accumulated losses			
	Total – B	**2.75**	**2.91**	**3.30**
	C - Capital employed d[16]	**2.68**	**3.58**	**2.85**

[16] Capital employed represents net fixed assets (including capital work-in-progress) plus working capital. While working out capital employed, the element of deferred cost and investment are excluded from current assets.

APPENDIX 7.6

Statement showing working results of Statutory corporations
(Reference: Paragraph 7.1.8; Page 165)

1. Meghalaya State Electricity Board

(Rupees in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08 (Provisional)
(1)	(2)			
1.	(a) Revenue receipts	254.30	233.17	318.15
	(b) Subsidy/Sub-vention from Government	10.80	24.15	32.80
	(c) Other income	49.86	30.69	32.39
	Total	**314.96**	**288.01**	**383.34**
2.	Revenue expenditure (net of expenses capitalised including write off of intangible assets but excluding depreciation and interest)	330.63	337.20	315.23
3.	Gross surplus(+)/ deficit(-) for the year (1-2)	(-)15.67	(-)49.19	68.11
4.	Adjustments relating to previous years	15.89	(-)7.54	(-)21.96
5.	Final gross surplus (+)/deficit (-) for the year (3+4)	0.22	(-)56.73	46.15
6.	**Appropriations:**			
	(a) Depreciation (less capitalised)	12.72	12.62	12.90
	(b) Interest on Government loans	15.98	16.27	16.67
	(c) Interest on other loans, bonds, advance, *etc.* and finance charges	26.12	36.35	59.57
	(d) Total interest on loans and finance charges (b+c)	42.10	52.62	76.24
	(e) Less : interest capitalised	13.41	28.00	44.47
	(f) Net interest charged to revenue (d-e)	28.81	24.62	31.77
	(g) Total appropriation (a+f)	41.41	37.24	44.67
7.	Surplus(+)/ deficit(-) before accounting for subsidy from State Government {5-6(g)-1(b)}	(-)51.99	(-)118.12	(-)31.32
8.	Net surplus (+)/ deficit(-){5-6(g)}	(-)41.19	(-)93.97	1.48
9.	Total return on capital employed[17]	(-)12.5	(-)69.35	33.25
10.	Percentage of return on capital employed	Nil	Nil	3.94

2. Meghalaya Transport Corporation

Sl. No.	Particulars	2000-01	2001-02	2002-03
1.	**Operating :**			
	(a) Revenue	5.70	6.37	5.54
	(b) Expenditure	9.19	9.47	9.81
	(c) Surplus(+)/deficit(-)	(-)3.49	(-)3.10	(-)4.27
2.	**Non-operating**			
	(a) Revenue	0.54	0.50	0.35
	(b) Expenditure	0.14	-	-
	(c) Surplus(+)/deficit(-)	(+)0.40	0.50	0.35
	Total			
	(a) Revenue	6.24	6.87	5.89
	(b) Expenditure	9.33	9.47	9.81
	(c) Surplus(+)/deficit(-)	(-)3.09	(-)2.60	(-)3.92
3.	Interest on capital and loans	NIL	NIL	NIL
4.	**Total return on capital employed[17]**	(-)3.09	(-)2.60	(-)3.92

3. Meghalaya State Warehousing Corporation

Sl. No.	Particulars	2004-05	2005-06	2006-07
1.	**Income**			
	(a) Warehousing charges	0.18	0.19	0.19
	(b) Other income	0.08	0.08	0.09
	Total – 1	**0.26**	**0.27**	**0.28**
2.	**Expenses**			
	(a) Establishment charges	0.17	0.18	0.19
	(b) Other Expenses	0.04	0.04	0.04
	Total – 2	**0.21**	**0.22**	**0.23**
3.	Profit (+)/ Loss(-) before tax	(+)0.05	(+)0.05	(+)0.05
4.	Other appropriations	(-) 0.03	(-) 0.01	(-) 0.01
5.	Amount available for dividend	0.02	0.04	0.04
6.	Dividend for the year	0.003	0.009	0.001
7.	Total return on capital employed[17]	0.05	0.04	0.05
8.	Percentage of return on capital employed	2.19	1.40	1.97

[17] Net surplus/deficit plus total interest charged to Profit & Loss Account (less interest capitalised).

APPENDIX 7.7

Statement showing operational performance of Statutory corporations

(Reference: Paragraph 7.1.13; Page 166)

1. Meghalaya State Electricity Board

Sl. No.	Particulars	2005-06	2006-07	2007-08 Provisional
(1)	(2)	(3)	(4)	(5)
1.	Installed Capacity:		(M W)	
	(a) Thermal	-	-	-
	(b) Hydro	185.20	185.20	185.20
	(c) Gas	-	-	-
	(d) Others	-	-	-
	Total	**185.20**	**185.20**	**185.20**
2.	Normal maximum demand (inside the State)	280.00	200.00	230.96
3.	Power Generated :			
	(a) Thermal	-	-	-
	(b) Hydro	516.72	391.12	665.38
	(c) Gas	-	-	-
	(d) Others	-	-	-
	Total	**516.72**	**391.12**	**665.38**
	Less : Auxiliary Consumption (brackets indicates percentage of Power Generated):			
	(a) Thermal	-	-	-
	(b) Hydro	2.28	2.03	2.32
	(c) Gas	(0.44)	(0.52)	(0.35)
	(d) Others	-	-	-
	Total	**2.28 (0.44)**	**2.03 (0.52)**	**2.32 (0.35)**
4.	Net Power Generated	514.44	389.09	663.06
5.	Power purchased from Central Grid	794.64	872.79	848.73
6.	Free Power from Central Sectors	77.02	56.51	75.42
7.	Total Power available for Sale (4+5+6)	1386.10	1318.39	1587.21
8.	Power Sold (MU):			
	(a) Within the State	723.50	778.49	893.27
	(b) Outside the State	166.87	54.26	164.83
	Total	**890.37**	**832.75**	**1058.10**
9.	Transmission and distribution losses	495.73	485.64	529.11
10.	Load factor (percentage)	31.85	29.00	40.87
11.	Percentage of transmission and distribution losses to total power available for sale	36.76	36.84	33.34
12.	Number of villages/towns electrified	4217	3428	3428
13.	Number of Pump sets/wells energised	28	31	31
14.	Number of Sub-stations:			
	(a) 11 KV	NA	NA	NA
	(b) 33 KV	NA	NA	NA
	(c) 132 KV	NA	NA	NA
	Total	**NA**	**NA**	**NA**
15.	Transmission/distribution lines (in Kms.):			
	(a) Extra High Tension (EHT)	NA	NA	NA
	(b) High Tension (HT)	NA	NA	NA
	(c) Low Tension (LT)	NA	NA	NA
	Total	**NA**	**NA**	**NA**

(1)	(2)	(3)	(4)	(5)
16.	Connected load (in MW)	541.31	552.65	663.06
17.	Number of consumers	2033.78	230577	262650
18.	Number of employees	3642	3638	3665
19.	Consumer/employees ratio	55.84:1	63.38:1	71.66:1
20.	Total expenditure on staff during the year (Rupees in crore)	75.08	82.60	98.93
21.	Percentage of expenditure on staff to total revenue expenditure	21.08	21.62	21.94
22.	Unit sold(brackets indicate percentage share to total units sold):	(M K W H)		
	(a) Agriculture	0.32 (0.03)	0.43 (0.05)	0.61 (0.06)
	(b) Industrial	396.28 (44.51)	394.36 (47.36)	507.66 (47.98)
	(c) Commercial	35.56 (3.99)	40.09 (4.81)	39.16 (3.70)
	(d) Domestic	162.08 (18.20)	199.57 (23.97)	211.65 (20.00)
	(e) Interstate	166.87 (18.74)	54.26 (6.52)	164.83 (15.58)
	(f) Others	129.26 (14.53)	144.04 (17.29)	134.19 (12.68)
	Total	**890.37 (100)**	**832.75 (100)**	**1058.10 (100)**
		(Paise per KWH)		
	(a) Revenue (excluding subsidy from Government)	342	317	331
	(b) Expenditure[18]	358	403	340
	(c) Profit (+)/Loss (-)	(-) 16	(-)86	(-)9

18 Revenue expenditure includes depreciation but excludes interest on long term loan.

2. Meghalaya Transport Corporation

Sl. No.	Particulars	2000-01	2001-02	2002-03
(1)	(2)	(3)	(4)	(5)
1.	Average number of vehicles held	130	87	81
2.	Average number of vehicles on road	49	42	45
3.	Percentage of utilisation of vehicles	38	48	56
4.	Number of employees	881	707	662
5.	Employee vehicle ratio	6.78:1	8.13:1	0.12:1
6.	Number of routes operated at the end of the year	32	32	32
7.	Route Kilometres	7592	7592	5944
8.	Kilometres operated (in lakh): (a) Gross (b) Effective (c) Dead	 22.21 21.99 0.22	 22.00 21.75 0.25	 21.39 21.17 0.22
9.	Percentage of dead Kilometres to gross Kilometres	0.99	1.14	1.03
10.	Average Kilometres covered per bus per day	124	143.00	130.00
11.	Average operating revenue per Kilometre (paise)	11.68	13.01	14.82
12.	Average expenditure per Kilometre (paise)	37.69	40.08	30.77
13.	Profit (+)/Loss (-) per Kilometre (paise)	(-) 26.01	(-)27.07	(-) 15.95
14.	Number of operating depots	7	7	7
15.	Average number of break-down per 10000 Kilometres	1.13	0.79	Nil
16.	Average number of accidents per lakh Kilometres	0.00	1.33	Nil
17.	Passenger Kilometre operated (in crore)	5.43	5.44	5.89
18.	Occupancy ratio	57	65	67
19.	Kilometres obtained per litre of A – Diesel Oil B – Engine Oil	 3.17 3.30	 3.21 3.30	 2.78 3.30

3. Meghalaya State Warehousing Corporation

Sl. No.	Particulars	2004-05	2005-06	2006-07
(1)	(2)	(3)	(4)	(5)
1.	Number of Stations covered	5	5	5
2.	Storage capacity created up to the end of the year (tonne in lakh) (a) Owned (b) Hired	 0.113 -	 0.113 	 0.113
	Total	**0.113**	**0.113**	**0.113**
3.	Average capacity utilised during the year (tonnes in lakh)	0.125	0.134	0.115
4.	Percentage of utilisation	111	119	102
5.	Average revenue per tonne per year (Rupees)	232.64	236.13	243.48
6.	Average expenses per tonne per year (Rupees)	185.00	194.30	200.00
7.	Profit (+)/Loss (-) per tonne (Rupees)	47.64	41.83	43.48

APPENDIX 7.8

Statement showing the department-wise outstanding Inspection Reports as on 30 September 2008

(Reference: Paragraph 7.1.23; Page 171)

Sl. No.	Name of Department	Number of Government companies/ Statutory corporations	Number of outstanding Inspection Reports	Number of outstanding paragraphs	Years from which paragraphs outstanding
1.	Industries	6	9	50	1997-98
2.	Forest	1	1	02	2002-03
3.	Tourism	1	1	09	2003-04
4.	Public Works	1	2	08	2006-07
5.	Mining and Geology	1	1	02	2006-07
6.	Power	1	16	70	2005-06
7.	Transport	1	9	29	1996-97
Total		12	39	170	--

APPENDIX 7.9

Statement showing the department-wise draft paragraphs replies to which are awaited

(Reference: Paragraph 7.1.23; Page 171)

Sl. No.	Name of department	Number of draft paragraphs	Period of issue
1.	Power	3	February/May 2008
2.	Industries	1	April 2008
	Total	4	

APPENDIX 7.10

Statement showing the details of delay in releasing of funds by the State Government and consequent interest loss to Board

(Reference: Paragraph 7.3.3; Page 176)

(Rupees in lakh)

GOI letter No and date	Amount	State Government's letter No and date	Grant	Loan	Total	Credited to Board's Principal A/c	Period of delay in Months	Amount of penal interest
F.No.41(1)PFI/2000-147 dt 22.11.2000	936.00	PE/ 117 2000/23 Dt. 31.3.2001	-	936.00	936.00	12.6.01	6	46.80
No 44/15/2000-D(RE) dt 7.12.2000	936.00	PE/ 117 2000/23 Dt. 31.3.2001	-	936.00	936.00	24.1.02	13	101.40
No.44(1)PFI-/20 01000189 dt 3.12.2001	300.00	PE/ 91/2001/33 Dt. 30.3.2002	270.00	30.00	300.00	31.3.02	16	40.00
F No. 44(1)PFI/2001-219 dt 27.12.2001	936.00	PE/ 117/2002/25 Dt.30.3.2002	842.40	93.60	936.00	25.6.02	3	23.40
No.44(1)PF-I-PFI/2001000341 dt 27.3.2002	300.00	PE/ 91/2001/132 Dt. 24.9.2002	-	300.00	300	11.10.02	9	22.50
No 44(1)-PFI/2002-101 dt 12.9.2002	1500.00	PE/ 117 2000/98 Dt. 13.3.2003	-	1500.00	1500.00	26.3.03	6	75.00
No 44(1)-PFI/20020000001 dt 01.04.2002	319.00		-	638.00	638.00	31.3.03	11	58.48
No 44(1)-PFI/20020000019 dt 01.05.2002	319.00	PE/ 91/2001/Vol I/21 dt. 31.3.2003						
No. 44(1)-PFI/2002—221 dt 13.1.2003	1500.00	PE/ 117 /2000/106 Dt. 9.9.2003	-	1500.00	1500.00	21.10.03	10	125.00
No. 44(6)-PFI/2004—186 dt 22.12.2003	650.00	PE/ 91/2001/Part I/37 Dt. 31.3.2004	-	65.00	65.00	23.4.04	4	2.17
		PE/ 91/2001/Part I /38 Dt. 27.8.2004	585.00	-	585	6.10.04	9	43.87
No. 44(1)-PFI/2003—335 dt 28.3.2004	3000.00	PE/ 91/2001/Part II/20 Dt. 19.11.04	1350.00	150.00	1500.00	17.12.04	9	112.50
			850.00	150.00	1000.00	19.01.05	9	75.00
			500.00	-	500.00	11.2.05	10	41.67
No 44(1)-PFI/2001000278 dt 06.02.2002	936.00	PE/ 117/2000/129 Dt. 31.3.2005	842.40	93.60	936.00	5.4.05	37	288.60
No. 44(6)-PFI/2004—296 dt 29.3.2005	650.00	PE/ 91/2001/Vol IV/39 Dt. 31.3.2005	617.50	32.50	650.00	5.4.05	-	0.00
	12282.00		**5857.30**	**6424.70**	**12282.00**			**1056.39**

APPENDIX 7.11

Statement showing physical achievement and financial expenditure of RE schemes

(Reference: Paragraph 7.3.5; Page 178)

Year	Scheme	Scheme Outlay (Rupees in crore) and month of sanction	Target (No. of villages)	Physical achievement and Financial expenditure (Rupees in crore)							
				2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Total
2000-01	RE (MNP)-I	18.72 (November 2000)	200	12.22 (30)	3.41 (99)	1.21 (51)	1.06 (10)	0.46 (8)	0.20 (2)	0.00 (0)	18.56 (200)
2001-02	RE (MNP)-II	18.72 (September 2001)	180	0.00 (0)	12.15 (39)	1.62 (107)	2.04 (26)	0.06 (2)	0.24 (2)	0.32 (3)	16.43 (179)
2001-02	PMGY I	6.00 (March 2002)	65	0.00 (0)	4.26 (27)	0.55 (30)	0.32 (5)	0.17 (3)	0.00 (0)	0.00 (0)	5.30 (65)
2002-03	PMGY II	6.38 (July 2002)	70	0.00 (0)	2.87 (9)	2.40 (47)	0.79 (11)	0.32 (2)	0.00 (0)	0.00 (0)	6.38 (69)
2002-03	PMGY III	37.44 (September 2002)	400	0.00 (0)	0.00 (0)	14.19 (189)	5.55 (176)	0.75 (32)	0.29 (3)	0.00 (0)	20.78 (400)
2003-04	PMGY IV	6.50 (October 2003)	68	0.00 (0)	0.00 (0)	4.62 (16)	0.67 (45)	0.28 (7)	0.00 (0)	0.00 (0)	5.57 (68)
2003-04	PMGY V	30.00 (November 2004)	350	0.00 (0)	0.00 (0)	15.77 (62)	12.22 (158)	3.45 (100)	0.85 (14)	0.30 (4)	32.59 (338)
2004-05	PMGY VI	30.00 (December 2004)	295	0.00 (0)	0.00 (0)	0.00 (0)	12.83 (15)	5.50 (109)	4.18 (45)	1.06 (9)	23.57 (178)
2004-05	PMGY VII	6.50 (March 2005)	54	0.00 (0)	0.00 (0)	0.00 (0)	3.32 (1)	0.38 (16)	3.04 (34)	0.01 (0)	6.75 (51)
Total		**160.26**	**1,682**	**12.22 (30)**	**22.69 (174)**	**40.36 (502)**	**38.80 (447)**	**11.37 (279)**	**8.80 (100)**	**1.69 (16)**	**135.93 (1,548)**
Funds released by the State Government				18.72	15.36	36.38	36.50	9.68	0.00	6.18	122.82
(+) Surplus/ (-) deficit				**(+) 6.50**	**(-) 7.33**	**(-) 3.98**	**(-) 2.30**	**(-) 1.69**	**(-) 8.80**	**(+) 4.49**	**(-) 13.11**

No. of villages electrified indicated in the brackets.

Source: Data provided by the Board.