सत्यमेव जयते

Report of the Comptroller and Auditor General of India

For the year ended 31 March 2007

Government of Meghalaya

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TABLE OF CONTENTS

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 2006-07.

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 Internal Control System and Internal Audit.

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 2006-07 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 2006-07 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 2006-07 and five other chapters with nine performance reviews (including one internal control review) and 61 paragraphs (including four general 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 are sent to the concerned Secretary to the State Government by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. In respect of four reviews and 18 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 showed a significant improvement as the State has been able to maintain revenue and primary surpluses and reduce fiscal deficit during 2005-07. A steep increase in Central transfers to State, comprising tax transfers and grants-in-aid, has provided a cushion in revenue account which helped the State Government to increase revenue surplus and also to contain fiscal deficit well within 3 *per cent* of GSDP ahead of two years than stipulated in the MFRBM Act, 2006. Apart from the fact that around 77 *per cent* of States revenue receipts are being contributed by the central transfers comprising of State's share in Union pool of taxes and duties and grants-in-aid from Government of India (GOI) during 2006-07, the expenditure pattern of the State reveals that the revenue expenditure as a percentage to total expenditure constituted around 85 *per cent* during the period (2001-07) leaving inadequate resources for expansion of services and creation of assets. Within revenue expenditure, NPRE at Rs.1,341 crore in 2006-07 constituted around 70 *per cent* and remained significantly higher than the normatively assessed level of Rs.1,203 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 around $2/3^{rd}$ during 2006-07. The continued prevalence of fiscal deficit indicates the increasing reliance of the State on borrowed funds resulting in increasing fiscal liabilities of the State over this period which stood at 39 *per cent* of the GSDP in 2006-07 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 negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might result in erosion of fiscal gains attained so far in medium to long run unless suitable measures are initiated to compress the non-plan revenue expenditure and to mobilise additional resources both through the tax and non-tax sources in ensuing years.

(Paragraphs 1.1 to 1.11)

ALLOCATIVE PRIORITIES AND APPROPRIATION

During 2006-07, expenditure of Rs.2,331.93 crore (gross) was incurred against the total Grant and Appropriation of Rs.2,835 crore resulting in a saving of Rs.503.07 crore (17.74 *per cent*). The overall saving was the result of savings of Rs.568.48 crore in 54 Grants and eight cases of Appropriations offset by excess of Rs.65.41 crore in six Grants and two cases of Appropriations. The above excess of Rs.65.41 crore requires regularisation by the Legislature under Article 205 of the Constitution.

(Paragraphs 2.1, 2.3 & 2.4)

PERFORMANCE REVIEWS

(i) Horticulture Development Scheme

Horticulture Development Schemes were taken up in Meghalaya to ensure integrated development of horticulture and allied activities. The impact of implementation of the schemes was not evaluated to ascertain the progress in the development of horticulture and allied activities taken up under various State and Central schemes. The Director of Horticulture and the District Horticulture Officers of East Khasi Hills, West Garo Hills and East Garo Hills Districts failed to utilise 8 to 94 *per cent* of funds available during 2002-07 under the Centrally Sponsored Technology Mission Scheme indicating ineffective implementation of the scheme. The Department sustained loss of Rs.2.87 crore on running and maintenance of fruit preservation/processing centres and Orchard cum Horticulture Nurseries under State Plan Schemes during 2002-07. The Department incurred extra expenditure of Rs.1.50 crore under the Technology Mission Schemes due to incurring of expenditure in excess of prescribed norms. Failure in setting up of mushroom units, bio-control laboratory, *etc.* under the Technology Mission Scheme resulted in locking up of Central funds of Rs.2.03 crore. The objectives of the scheme, thus, remained largely unachieved.

(Paragraph 3.1)

(ii) Nutritional Support to Primary Education

The scheme, commonly known as Mid-Day Meal Scheme, was launched (August 1995) by the GOI with the intention to boost the universalisation of primary education by increasing enrolment, retention and attendance in schools and simultaneously impacting on the nutrition of students in primary classes. Review of implementation of the scheme revealed non-conducting of survey to assess the number of children enrolled in primary classes and absence of records on verification of quality of foodgrains. The Director of Elementary and Mass Education failed to disburse 50 to 100 *per cent* of funds available during 2002-07 indicating ineffective implementation of the scheme. The primary school children of the State were deprived of the benefit of cooked meal due to non-release of Central funds of Rs.6.59 crore during 2006-07. Lifting of foodgrains allocated by the GOI for the enrolled children, reported by the State Government without any basis, resulted in an additional subsidy burden of Rs.3.86 crore on the GOI. The Deputy Commissioners of East Khasi Hills and West Garo Hills extended undue financial benefit of Rs.56 lakh to the whole-salers due to payment for transportation cost of foodgrains which were lifted by the school authorities. A large number of primary schools in the State were not provided with infrastructural facilities like kitchen-cum-store, drinking water, *etc.* required for the supply of cooked mid-day meals. The overall impact of the scheme was far from satisfactory, since the nodal Department failed to provide cooked meal to the school children during most of the school days during 2002-07.

(Paragraph 3.2)

(iii) Modernisation of Police Force

The scheme of Modernisation of Police Force was launched (1969-70) by the GOI for modernising the police forces in the country to enable them to effectively face the emerging challenges to internal security. The Central and State Governments had not released Rs.23.94 crore to the implementing Department thereby adversely affecting the implementation of the scheme. The Department failed to provide basic infrastructure to its police force, like buildings for Police Stations/Out Posts, rest rooms and toilets for the women police. Intention of increasing the mobility of police force was defeated because of failure of the Department in providing required number of vehicles to its force. There was short supply of weapons to the police force despite expenditure of Rs.1.69 crore during 2002-07. Consequently, the objectives of the scheme could not be realised even after 37 years of its implementation.

(Paragraph 3.3)

(iv) Drinking Water Supply Schemes

In Meghalaya, various water supply schemes are implemented by the Public Health Engineering (PHE) Department under different programmes for providing adequate safe drinking water facilities to the people of the State. The objectives of the schemes remained largely unachieved because of significant shortfall (53 and 45 *per cent*) in providing safe drinking water to the identified habitations during 2002-07. The Department failed to utilise 18 to 46 *per cent* of funds available during 2002-05 and 2006-07 under the Accelerated Rural Water Supply Programme thereby depriving the people of the benefit of safe drinking water. The objectives of Prime Minister's Programme was also defeated because of failure in utilisation of 27 to 100 *per cent* of available funds during 2003-07. Expenditure of Rs.12.56 crore till March 2007 incurred on 34 water supply schemes had become unproductive, as these schemes remained incomplete for period ranging from one to two years. There was time overrun of one to five years in the completion of 37 water supply schemes, resulting in cost overrun of Rs.87.01 lakh. The Department incurred wasteful expenditure of Rs.67.38 lakh due to taking up of the work of the Lyngkyrdem Combined Water Supply Scheme without ensuring the source of water. There was idle investment of Rs.1.70 crore due to procurement of material without arranging the source of water/site for execution of work. Unauthorised deviation from the sanctioned estimate resulted in execution of sub-standard work valued at Rs.2.23 crore on implementation of the Greater Mawryngkneng Rural Water Supply Scheme.

(Paragraph 3.4)

AUDIT OF TRANSACTIONS

(i) Extra Expenditure

Failure of the Public Works Department (PWD) to adopt the correct rate for an item of work in the Schedule of Rates resulted in extra expenditure of Rs.37.30 lakh, besides committed liability of Rs.3.67 lakh.

(Paragraph 4.4)

Enhancement of rate by the PWD due to delay in handing over the clear site of the work and drawings, *etc.* for construction of Women and Children Hospital, Tura resulted in an extra expenditure of Rs.58.24 lakh.

(Paragraph 4.6)

The PWD incurred extra expenditure of Rs.30.66 lakh on execution of two items of the work 'Improvement and strengthening of Shillong-Nongstoin Road in different sections including reconstruction of a major bridge' due to payment for short utilisation of bitumen.

(Paragraph 4.7)

(ii) Unfruitful Expenditure

Failure of the Animal Husbandry and Veterinary Department to strengthen/establish three pig breeding farms resulted in an unfruitful expenditure of Rs.32.48 lakh.

(Paragraph 4.9)

(iii) Unproductive Expenditure/Idle Investment

Purchase of land by the Forest and Environment Department for setting up of State Zoo and Botanical Garden without ensuring its proper utilisation led to idle investment of Rs.4.82 crore.

(Paragraph 4.12)

Purchase of equipment/furniture by the Health and Family Welfare (H&FW) Department before construction of the building for the additional 100 bedded hospital, Tura as well as non-functioning of the hospital despite completion of construction work resulted in an idle expenditure of Rs.6.38 crore.

(Paragraph 4.13)

Inordinate delay on the part of the H&FW Department in construction of sheds required for installation of the incinerators/scrubbers resulted in unproductive expenditure of Rs.86.12 lakh.

(Paragraph 4.14)

Purchase of equipment/goods by the H&FW Department for the Children's and Women's Hospital, Tura even before construction of the building for the hospital and failure to complete the electrical works of the hospital building resulted in idle expenditure of Rs.5.09 crore, besides irregular payment of Rs.8.19 lakh for the material which had not been received.

(Paragraph 4.15)

Inordinate delay in handing over the drawings, *etc.* required for implementation of the Baghmara Water Supply Scheme resulted in unproductive expenditure of Rs.3.38 crore.

(Paragraph 4.16)

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

Internal Control System and Internal Audit in Housing Department

Internal controls were inadequate and ineffective in the Housing Department. Arrangements for internal audit were also inadequate. Despite availability of adequate funds for capital works, the Department provided housing assistance to less than the number of targeted families which is indicative of poor budgetary, financial, operational and monitoring controls. The review of the working of the Department also revealed weaknesses in material management. Material were procured without ensuring its quality and no physical verification of the stores was conducted. Internal audit of the Department was never conducted during the review period.

(Paragraph 5.1)

REVENUE RECEIPTS

REVIEWS

(i) Receipts under State Lottery

Arbitrary action of the Government to withdraw the safeguard/deterrent clause and failure to incorporate a penal clause in the amended agreement for online draws with the distributor led to undue financial aid and non-realisation of revenue of Rs.900.07 crore.

(Paragraph 6.2.8)

Failure of the Government to obtain legal opinion prior to execution of the paper lottery agreement and being clear about the status of both online as well as paper schemes resulted in loss of revenue of Rs.5,170.23 crore.

(Paragraph 6.2.9)

Irregular reduction of rate of weekly draws led to loss of revenue of Rs.7.83 crore.

(Paragraph 6.2.13)

(ii) Receipts under Motor Vehicles Taxes

Lack of a system of monitoring led to vehicles being delivered to the purchasers without valid registration certificate. This also resulted in non-levy of a minimum fine of Rs.5.78 lakh.

(Paragraph 6.3.8)

Failure of the DTOs to review the combined register resulted in follow up action to recover the dues not being initiated. This resulted in loss/non-levy of revenue of Rs.50.22 lakh.

(Paragraph 6.3.9)

Failure of the Enforcement Wing to detect 7,19,963 commercial trucks carrying load beyond maximum permissible limit led to non-levy of fine of Rs.707.40 crore.

(Paragraph 6.3.12.1)

Out of Rs.50.66 lakh collected as fine, Rs.39.66 lakh was deposited and the balance revenue of Rs.11 lakh was embezzled.

(Paragraph 6.3.13.1)

A weighbridge was not settled with the highest bidder leading to revenue loss of Rs.2.70 crore.

(Paragraph 6.3.15.1)

Failure of the Enforcement Wing to detect plying of vehicles without pollution under control certificates led to non-levy and realisation of fees and fines of Rs.2.32 crore.

(Paragraphs 6.3.16)

(iii) Vehicle Registration System

Lack of a time frame for implementation of the project resulted in computerisation taking over five years for completion.

(Paragraphs 6.4.7.1)

There were 346 sets of duplicate engine numbers involving 784 vehicles and four sets of duplicate chassis numbers involving eight vehicles. Cross verification revealed 94 and 127 vehicles registered with the DTO, Shillong shared common chassis/engine number with the vehicles registered with DTO, Aizawl.

(Paragraphs 6.4.8.1 & 6.4.8.2)

Out of 56,284 records, 21,909 records had no vehicle insurance detail rendering more than 39 *per cent* of the data redundant. There were a number of cases of registration of two or more vehicles with common insurance cover note number.

(Paragraph 6.4.8.3)

Data capture was partial in many cases resulting in incomplete database.

(Paragraph 6.4.8.6)

The department failed to detect registration of 9,158 vehicles beyond the mandatory period of seven days resulting in non-levy of fine.

(Paragraph 6.4.8.8)

Registering fee of Rs.15.19 lakh and minimum fine of Rs.1.82 crore from 9,087 non-transport vehicles whose registrations have expired was realisable.

(Paragraph 6.4.8.10)

The department failed to detect 9,829 transport vehicles plying without fitness certificate resulting in non-realisation of fees of Rs.19.66 lakh and minimum fine of Rs.1.97 crore.

(Paragraph 6.4.8.11)

There was no documentation of modifications made to the application software, user requirement specification, system design, *etc.* Business continuity planning and training needs were not adequately addressed.

(Paragraph 6.4.9)

PARAGRAPHS

Failure of the Environment and Forest Department to deduct collection charges from the royalty paid to district councils resulted in loss of revenue of Rs.2.71 crore.

(Paragraph 6.5)

Incorrect application of rate of royalty on sand, stone *etc.* led to short realisation of royalty of Rs.1.40 crore.

(Paragraph 6.6)

Loss of revenue of Rs.80 lakh as a *mahal* remained inoperative due to delay in receipt of settlement orders from the Government.

(Paragraph 6.7)

Non-realisation of excise duty of Rs.3.36 crore by the Excise Department on 67,111 cases of liquor imported for use in the manufacture of brandy, whisky *etc.* by two bottling plants.

(Paragraph 6.12)

Establishment charges of Rs.31.55 lakh in respect of excise officials posted in different bonded warehouses were not realised.

(Paragraph 6.13)

Penalty of Rs.19.68 lakh was short levied on coal despatched through mines and minerals check gates without payment of advance royalty.

(Paragraph 6.19)

Stamp duty was short levied by Rs.73.55 lakh.

(Paragraph 6.20)

Thirty three registered dealers concealed turnover of Rs.62.44 crore leading to evasion of tax of Rs.5.07 lakh including interest on which maximum penalty of Rs.7.55 crore was also realisable.

(Paragraph 6.22)

Twenty one dealers fraudulently utilised C/F forms to avail concessional rate/exemption of tax and evaded tax of Rs.3.71 crore on which penalty of Rs.5.57 crore was additionally leviable.

(Paragraph 6.23)

Failure of the assessing officer to levy tax on closing stock of two companies at the time of their closure led to loss of revenue of Rs.61.36 lakh.

(Paragraph 6.24)

Failure to register 618 taxable vehicles under the MPGT Act led to evasion of tax Rs.61.31 lakh.

(Paragraph 6.25)

Failure of the officer incharge of the taxation check gate to detect excess load of coal led to loss of revenue of Rs.47.93 lakh.

(Paragraph 6.26)

Revenue of Rs.18.64 lakh was lost due to the loss in transit in the case records of a dealer.

(Paragraph 6.29)

Mistake in computation resulted in underassessment of tax of Rs.16.84 lakh.

(Paragraph 6.30)

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

COMMERCIAL TRANSACTIONS

As on 31 March 2007, the State Government had 13 PSUs (10 Government companies and three Statutory Corporations). Total investment in these PSUs increased from Rs.896.80 crore as on 31 March 2006 to Rs.1,290.34 crore as on 31 March 2007. The accounts of 10 Government companies and two corporations were in arrears for period ranging from one to 15 years. Seven companies had accumulated losses aggregating Rs.64.63 crore which exceeded their paid-up capital of Rs.11.73 crore.

(Paragraphs 7.1.1 to 7.1.25)

PERFORMANCE REVIEW

Implementation of Accelerated Power Development and Reforms Programme by Meghalaya State Electricity Board

In Meghalaya, the Accelerated Power Development and Reforms Programme (APDRP) was being implemented by Meghalaya State Electricity Board (Board) since July 2004 with the main objective to supply electricity in all the areas, reduce aggregate technical and commercial losses, outages and interruptions, make power sector commercially viable and enhance consumer satisfaction by upgradation of sub transmission and distribution system.

Non-release of matching contribution of Rs.13.23 crore by the State Government resulted in non-receipt of grant amounting to Rs.46.48 crore from the union Ministry of Power.

(Paragraph 7.2.8)

Delayed release of funds by the State Government to the Board has attracted penal interest liability of Rs.3.58 crore.

(Paragraph 7.2.8)

The Board incurred extra expenditure of Rs.3.39 crore on the procurement of components not provided in the Detailed Project Reports.

(Paragraphs 7.2.13 and 7.2.14)

The Board incurred additional expenditure of Rs.6.46 crore on the procurement of major components at the rates higher than the issue rates of these components from its own stores.

(Paragraph 7.2.18)

AUDIT OF TRANSACTIONS

Inadequate follow up action and imprudent business practice adopted by the Company resulted in doubtful recovery of loan of Rs.4.42 crore.

(Paragraph 7.3)

Improper assessment of demand of electricity by the Company resulted in incurring of extra expenditure of Rs.47.22 lakh on electricity charges.

(Paragraph 7.5)

Injudicious selection of a party for leasing of a coal depot resulted in loss of revenue of Rs.96 lakh.

(Paragraph 7.6)

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 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 2006-07 covering revenue receipts and expenditure, capital receipts and expenditure and public accounts 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 2006-07

(Rupees in crore)

2005-06	Receipts	2006-07	2005-06	Disbursements	2006-07		
Section – A: Revenue							
					Non-Plan	Plan	Total
1746.94	**I. Revenue Receipts**	**2142.19**	**1674.48**	**I. Revenue Expenditure**	**1341.04**	**566.46**	**1907.50**
252.67	Tax revenue	304.74	625.33	General Services	677.90	25.19	703.09
146.01	Non-tax revenue	184.37	554.75	Social Services	390.19	224.11	614.30
350.57	Share of Union Taxes/Duties	447.18	494.40	Economic Services	272.95	317.16	590.11
997.69	Grants-in-aid from Government of India	1205.90	...		...	...	...
Section – B: Capital							
...	**II. Miscellaneous Capital receipts**	...	**259.33**	**II. Capital Outlay**	**7.02**	**313.35**	**320.37**
18.52	**III. Recovery of Loans and Advances**	**17.11**	**10.63**	**III. Loans and Advances disbursed**	**3.68**	**2.28**	**5.96**
250.46	**IV. Public Debt Receipts**[1]	**246.05**	**63.37**	**IV. Repayment of Public Debt**	-	-	**86.28**
...	**V. Contingency Fund**	...	...	**V. Contingency Fund**	...	...	...
1107.80	**VI. Public Account Receipts**	**1257.71**	**914.43**	**VI. Public Account Disbursements**	...	...	**1198.09**
(-) 43.14	**Opening Balance**	**158.34**	**158.34**	**Closing Balance**	...	...	**303.20**
3080.58	**Total**	**3821.40**	**3080.58**	**Total**			**3821.40**

[1] Includes net Ways and Means Advances.

Following are the significant changes during 2006-07 over the pervious year:

- Revenue receipts grew by Rs.395 crore over the previous year. The increase was mainly contributed by grants-in-aid from the Government of India (GOI) (Rs.208 crore), State's share of Union taxes and duties (Rs.97 crore) and tax revenue (Rs.52 crore).
- Revenue expenditure and capital expenditure increased by Rs.233 crore and Rs.61 crore respectively over the previous year.
- Recovery of loans and advances during the current year decreased by about Rs.1.50 crore compared to the previous year.
- Public Debt receipts decreased by about Rs.4 crore over previous year mainly due to decrease under Special Securities issued to National Small Savings Fund of the Central Government by Rs.32 crore.
- Public Account receipts increased by Rs.150 crore over previous year.
- Cash balance of the State increased by Rs.145 crore over previous year mainly by way of increase in cash balance investment (Rs.201 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)

2005-06	Sl.No.	Major Aggregates	2006-07
1,747	**1.**	**Revenue Receipts (2+3+4)**	**2,142**
253	2.	Tax Revenue	305
146	3.	Non-Tax Revenue	184
1,348	4.	Other Receipts	1,653
19	**5.**	**Non-Debt Capital Receipts**	**17**
19	6.	Of which Recovery of Loans	17
1,766	**7.**	**Total Receipts (1+5)**	**2,159**
1,187	**8.**	**Non-Plan Expenditure (9+11+12)**	**1,352**
1,183	9.	On Revenue Account	1,341
191	10.	Of which, Interest payments	203
1	11.	On Capital Account	7
3	12.	On Loans disbursed	4
757	**13.**	**Plan Expenditure (14+15+16)**	**881**
491	14.	On Revenue Account	566
258	15.	On Capital Account	313
8	16.	On Loans disbursed	2
1,944	**17.**	**Total Expenditure (8+13)**	**2,233**
(-) 178	**18.**	**Fiscal Deficit (-) (1+5-17)**	**(-) 74**
(+) 73	**19.**	**Revenue Surplus (+)/Deficit(-) {1-(9+14)}**	**(+) 235**
(+) 13	**20.**	**Primary Deficit (-)/Surplus (+) {(1+5)-(17-10)}**	**(+) 129**

During the current year, revenue receipts increased by 23 *per cent* (Rs.395 crore) while revenue expenditure increased by 14 *per cent* (Rs.233 crore) over the previous year, resulting in increase in surplus of Rs.162 crore in revenue account. Given the increase in revenue surplus of Rs.162 crore and the marginal decrease of Rs.2 crore in non-debt capital receipts and the increase of Rs.56 crore on account of increase in capital expenditure (Rs.61 crore) and decrease in loans and advances disbursed (Rs.5 crore) during 2006-07 over the previous year, fiscal deficit decreased by Rs.104 crore during the current year. The decrease in fiscal deficit accompanied by an increase of Rs.12 crore in interest payments during 2006-07 over the previous year, led to a significant improvement in primary surplus by Rs.116 crore.

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 from 2001-02 to 2006-07 and observations have been made on their behaviour. In its Restructuring Plan of State finances, the Twelfth Finance Commission (TFC) recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, 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 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 GSDP. The trends in growth and composition of GSDP for last six years are presented in **Table 1.3**.

[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.

Table 1.3: Trends in Growth of GSDP

Estimates	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
GSDP (Rupees in crore)	4,615	4,900	5,504	5,980	6,470	7,052
GSDP (Rate of Growth in *per cent*)	13.98	6.18	12.33	8.65	8.19	9.00

Source: New GSDP Series furnished (October 2007) by the Directorate of Economics and Statistics, Government of Meghalaya.

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 force 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 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.

The Act also provides that 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 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 mobilising additional resources and identifying areas where expenditure could be compressed, to achieve the targets set out in the MFRBM Act (**Appendix 1.2**).

1.2.1.2 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 revenue deficit is reduced in each successive year during the award period. In effect, if the revenue deficit is brought to zero, the entire repayment during the period will be written off. As a result of improved fiscal performance in terms of this criterion, Meghalaya Government received a debt waiver of Rs.14.90 crore from the GOI under DCRF during 2006-07.

The State, however, failed to achieve fiscal targets laid down in the FCP as well as in the Budget for the year 2006-07, as the year 2006-07 ended with a revenue surplus of Rs.235 crore against the target of Rs.340 crore. The outstanding fiscal liabilities at 39 *per cent* of the GSDP during the current year also exceeded the target of 28 *per cent* fixed in the MFRBM Act, 2006. But, fiscal deficit did not exceed 3 *per cent* of GSDP during the current year itself though as per the MFRBM Act it was to be achieved by 2008-09.

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.

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[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 deficits of States.

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 2006-07 were Rs.3,663 crore. Of these, revenue receipts were Rs.2,142 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	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
I. Revenue Receipts	**1,123**	**1,289**	**1,399**	**1,546**	**1,747**	**2,142**
II. Capital Receipts	**172**	**310**	**337**	**316**	**269**	**263**
(a) Recovery of Loans and Advances	16	15	18	19	19	17
(b) Public Debt Receipts[4]	156	295	319	297	250	246
(c) Miscellaneous Capital Receipts	...	...	...	...	...	...
III. Contingency Fund Receipts	...	...	...	...	...	...
IV. Public Account Receipts	**774**	**935**	**874**	**980**	**1,108**	**1,258**
(a) Small Savings, Provident Fund, *etc.*	86	97	120	130	89	91
(b) Reserve Funds	8	9	10	18	20	21
(c) Deposits and Advances	179	252	154	165	343	342
(d) Suspense and Miscellaneous	11	48	- 11	18	(-) 18	30
(e) Remittances	490	529	601	649	674	774
Total Receipts	**2,069**	**2,534**	**2,610**	**2,842**	**3,124**	**3,663**

Out of the total receipts under Public Account, remittances constituted about 62 *per cent*. While 68 *per cent* (Rs.525 crore) of the remittances have come from Public Works remittances, Cash remittances between treasury and currency chests and Forest remittances constituted 20 *per cent* (Rs.159 crore) and 12 *per cent* (Rs.90 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**.

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

Table 1.5 – Revenue Receipts-Basic Parameters

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Receipts (RR) (Rupees in crore)	**1,123**	**1,289**	**1,399**	**1,546**	**1,747**	**2,142**
Own Taxes (*per cent*)	136 (12.11)	145 (11.25)	178 (12.72)	208 (13.46)	253 (14.48)	305 (14.24)
Non-Tax Revenue (*per cent*)	94 (8.37)	93 (7.22)	129 (9.22)	133 (8.60)	146 (8.36)	184 (8.59)
Central Tax Transfers (*per cent*)	165 (14.69)	176 (13.65)	225 (16.08)	269 (17.40)	350 (20.03)	447 (20.87)
Grants-in-aid (*per cent*)	728 (64.83)	875 (67.88)	867 (61.98)	936 (60.54)	998 (57.13)	1,206 (56.30)
Rate of Growth of RR (*per cent*)	**- 0.80**	**14.78**	**8.53**	**10.51**	**13.00**	**22.61**
Rate of Growth of Own Taxes (*per cent*)	**14.29**	**6.62**	**22.76**	**16.85**	**21.63**	**20.55**
RR/GSDP (*per cent*)	**24.33**	**26.31**	**25.42**	**25.85**	**27.00**	**30.37**
Buoyancy Ratio[5]						
Revenue Buoyancy Ratio	**- 0.057**	**2.394**	**0.692**	**1.215**	**1.587**	**2.514**
State's Own Taxes Buoyancy Ratio	**1.022**	**1.072**	**1.846**	**1.949**	**2.640**	**2.285**
Revenue Buoyancy Ratio with reference to State's Own Taxes	**- 0.056**	**2.233**	**0.375**	**0.624**	**0.601**	**1.100**
GSDP Growth (*per cent*)	**13.98**	**6.18**	**12.33**	**8.65**	**8.19**	**9.00**

General Trends

The revenue receipts of the State increased from Rs.1,123 crore in 2001-02 to Rs.2,142 crore in 2006-07. There were, however, wide inter-year variations in the growth rates. From a negative 0.80 *per cent* in 2001-02, the growth rate of revenue receipts reached to a level of 22.61 *per cent* in 2006-07. The sharp increase in revenue receipts during 2006-07 over the previous year was mainly on account of increase in Central tax transfers (27.71 *per cent*) followed by non-tax revenue (26.03 *per cent*), grants-in-aid from the GOI (20.84 *per cent*) and tax revenue (20.55 *per cent*). Revenue buoyancy ratio with reference to GSDP has significantly increased from 1.587 in 2005-06 to 2.514 in 2006-07. This buoyancy ratio with reference to the State's own tax revenue has also increased sharply during the current year mainly on account of enhanced Central transfers.

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

Table 1.6

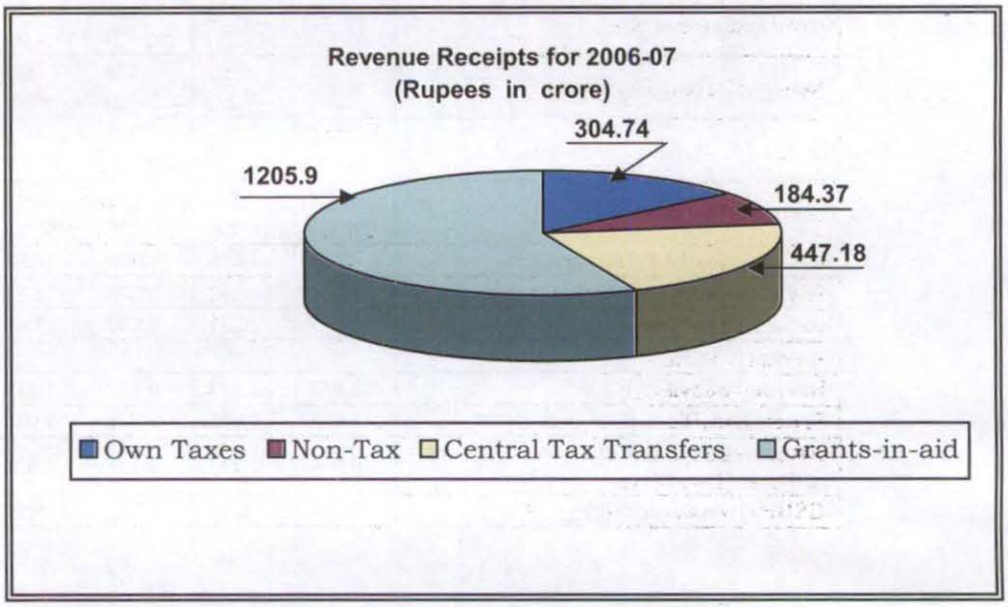
(Rupees in crore)

	Assessments made by TFC	**Assessments made by State Government in FCP and Budget-2006-07**	**Actuals**
Tax Revenue	276	268	305
Non-Tax Revenue	180	173	184

[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 2.514 during 2006-07 implies that revenue receipts tend to increase by 2.514 percentage points if the GSDP increases by one *per cent*.

Tax revenue increased by 10.51 *per cent* and the non-tax revenue by 2.22 *per cent* over the assessments made by the TFC. The actual realisation also exceeded the assessments made by the State Government.

Chart 1.1



Tax Revenue

The tax revenue has increased by 20.55 *per cent* during the current year (Rs.305 crore) over the previous year (Rs.253 crore). The revenue from sales taxes not only contributed major share of tax revenue (71 *per cent*) but also increased by 25 *per cent* over the previous year. State excise and taxes on vehicles remained other major contributors in the State's tax revenue. **Table 1.7** below shows the trend of tax revenue during 2001-07:

Table 1.7

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Taxes on Sales, Trade, *etc.*	81	87	110	127	173	216
State Excise	42	45	53	63	59	54
Taxes on Vehicles	5	5	6	7	9	9
Stamps and Registration Fees	3	3	3	5	6	6
Land Revenue	1	0.32	0.49	0.29	0.33	6
Other Taxes[6]	4	4.68	5.51	5.71	5.67	14
Total	**136**	**145**	**178**	**208**	**253**	**305**

Non-Tax Revenue

The non-tax revenue, which constituted 8.59 *per cent* of total revenue receipts, has increased by Rs.38 crore recording a growth rate of 26 *per cent* over previous year. The debt waiver (Rs.14.90 crore) given by the GOI under

[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.

DCRF booked under the head 'Miscellaneous General Services' led to a sharp increase in non-tax revenue of the State. Non-ferrous mining and metallurgical industries (Rs.109.03 crore) and forestry and wild life (Rs.16.66 crore) were the other major contributors to the non-tax revenue.

The TFC applied 12.5 *per cent* annual rate of growth for revenue receipts under General Services and 25 *per cent* for both Social and Economic Services in the forecast period (2005-10) reflecting the need for the States to achieve a greater degree of cost recovery in these services while estimating the State's own revenues for the period to assess the non-plan revenue deficit position of the State. While the growth of revenue receipts under General Services (107 *per cent*) during 2006-07 over that of previous year far surpassed the projected growth rate, the growth under Social Services (3 *per cent*) and Economic Services (11 *per cent*) was less than the projected rate by 22 and 14 *per cent* respectively. In absolute terms, revenue receipts under General, Social and Economic Services during 2006-07 increased by Rs.18.56 crore, Rs.0.09 crore and Rs.13.03 crore respectively over the previous year. 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 (0.9 *per cent* for secondary education, 1.21 *per cent* for medical and public health and 0.75 *per cent* for water supply and sanitation).

Central Tax Transfers

The Central Tax transfers increased by Rs.97 crore over the previous year and constituted 21 *per cent* of revenue receipts. The increase was mainly under corporation tax (Rs.43 crore), taxes on income other than corporation tax (Rs.17 crore) and customs (Rs.19 crore).

Grants-in-Aid

The Grants-in-aid from the GOI increased from Rs.998 crore in 2005-06 to Rs.1,206 crore in the current year. The increase was mainly under State Plan Schemes (Rs.124 crore), Non-plan grants (Rs.66 crore), Central Plan Schemes (Rs.8 crore) and Special Plan Schemes (Rs.22 crore), partly offset by decrease in Centrally Sponsored Plan Schemes (Rs.8 crore). As per the recommendations of the TFC, the GOI released Rs.359 crore during the current year as grants to cover deficit on non-plan revenue account. 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 local bodies (Rs.17 crore), (iii) grants for backward regions (Rs.15 crore), (iv) contribution to calamity relief fund (Rs.13 crore) and (v) grants for State specific purpose (Rs.12 crore).

Details of Grants-in-aid from the GOI are given in Table 1.8

Table 1.8 : Grants-in-Aid from the GOI

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Grants for State Plan Schemes	332	373	462	460	445	569
Non-Plan Grants	317	408	329	361	406	472
Grants for Central Plan Schemes	2	(7)	1	4	3	11
Grants for Centrally Sponsored Schemes	67	76	62	87	119	107
Grants for Special Plan Schemes	10	18	13	24	25	47
Total	**728**	**875**	**867**	**936**	**998**	**1,206**
Percentage of increase (+)/ decrease (-) over previous year	(-) 4.46	(+) 20.19	(-) 0.91	(+) 7.96	(+) 6.62	(+) 20.84

1.3.2 Revenue Arrears

Besides, the arrears of tax revenue at the end of March 2007 in respect of some principal heads of revenue were Rs.26.54 crore, which constituted 8.71 *per cent* of tax revenue of the State for the year 2006-07. Of these, Rs.19.67 crore (74.11 *per cent*) were more than five years old. An analysis of revenue arrears revealed that 81 *per cent* of pending arrears related to sales tax followed by other taxes (10 *per cent*). Further, 80 *per cent* of sales tax arrears (Rs.17.29 crore), 88 *per cent* of arrears under other taxes (Rs.2.31 crore) and 23 *per cent* arrears under motor spirits (Rs.0.07 crore) were more than five years old. As the pending revenue arrears constituted about 9 *per cent* of tax revenue of the State during 2006-07, 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 State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.9**.

(7) Rs.63.18 lakh

Table 1.9 – Total Expenditure – Basic Parameters

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Total Expenditure (TE)[8] (Rupees in crore)	1,360	1,466	1,619	1,878	1,944	2,233
Rate of Growth (*per cent*)	-2.44	7.79	10.44	16.00	3.51	14.87
TE/GSDP Ratio (*per cent*)	29.47	29.92	29.41	31.40	30.05	31.66
Revenue Receipts/TE Ratio (*per cent*)	82.57	87.93	86.41	82.32	89.87	95.92
Buoyancy Ratio of Total Expenditure with reference to:						
GSDP	- 0.174	1.262	0.847	1.850	0.429	1.653
Revenue Receipts	-3.068	0.527	1.223	1.522	0.270	0.658

The total expenditure during the current year has increased by Rs.289 crore (14.87 *per cent*) over the previous year. Of the increase in total expenditure, revenue expenditure formed 81 *per cent* (Rs.233 crore) and capital expenditure component was 21 *per cent* (Rs.61 crore), while disbursement of loans and advances decreased by 2 *per cent* (Rs.5 crore). While the share of plan expenditure constituted 39 *per cent* (Rs.881 crore) of the total expenditure, the remaining 61 *per cent* was non-plan expenditure (Rs.1,352 crore). The increase in revenue expenditure was mainly due to increased expenditure under Rural Development (Rs.33.12 crore), Water Supply, Sanitation, Housing and Urban Development (Rs.24.91 crore), Transport (Rs.24.01 crore) and Energy (Rs.22.50 crore). Capital expenditure has increased mainly on account of increased expenditure under Transport (Rs.21.56 crore) and Special Areas Programme (Rs.20.50 crore).

During the current year, 96 *per cent* (Rs.2,142 crore) of total expenditure was met from revenue receipts and the remaining (Rs.91 crore) from borrowed funds. The buoyancy of total expenditure to GSDP stood at 1.7 in 2006-07 indicating 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 1.10**.

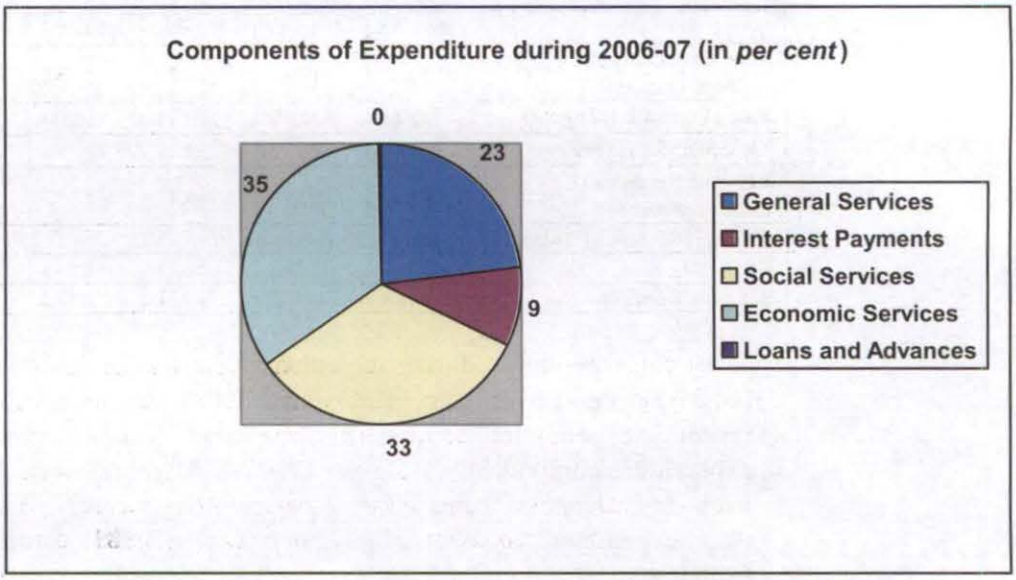
Table 1.10 – Components of Expenditure-Relative Share

(In *per cent*)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
General Services	31.99	33.49	34.03	31.68	32.72	32.20
Of which Interest Payments	*9.49*	*10.30*	*10.50*	*9.42*	*9.83*	*9.09*
Social Services	36.84	33.70	34.78	35.52	34.41	33.18
Economic Services	28.01	27.69	26.87	30.88	32.30	34.35
Loans and Advances	3.16	5.12	4.32	1.92	0.57	0.27

8 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 2006-07, expenditure on general services and interest payments, which is considered as non-developmental, together accounted for 32.2 *per cent.* On the other hand, expenditure on social and economic services together accounted for 67.53 *per cent* during 2006-07. The relative share of social services at 33.18 *per cent* in 2006-07 was less than the level of 2001-02. The relative share of economic services which ranged between 26.87 *per cent* and 32.3 *per cent* during the last five year period 2001-06 has marginally increased to 34.35 *per cent* in 2006-07 while loans and advances revealed wide fluctuations during the period 2001-06 and declined to 0.27 *per cent* during 2006-07.

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 1.11**.

Table 1.11 – Revenue Expenditure – Basic Parameters

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Expenditure (RE)	1,157	1,205	1,314	1,596	1,674	1,907
Of which						
Non-Plan Revenue Expenditure (NPRE)	884	949	1,004	1,120	1,183	1,341
Plan Revenue Expenditure (PRE)	273	256	310	476	491	566
Rate of Growth of						
RE (*per cent*)	7.23	4.15	9.05	21.46	4.89	13.92
NPRE (*per cent*)	9.81	7.35	5.80	11.55	5.62	13.36
PRE (*per cent*)	- 0.36	- 6.23	21.09	53.55	3.15	15.27
Ratios (*per cent*)						
RE/TE (*per cent*)	85.07	82.20	81.16	84.98	86.11	85.40
NPRE/GSDP (*per cent*)	19.15	19.37	18.24	18.73	18.28	19.02
NPRE as *per cent* of TE	65.00	64.73	62.01	59.64	60.85	60.05
NPRE as *per cent* of RR	78.72	73.62	71.77	72.45	67.72	62.60
Buoyancy Ratio of Revenue Expenditure with						
GSDP	0.517	0.672	0.734	2.482	0.596	1.547
Revenue Receipts	- 9.092	0.281	1.060	2.042	0.376	0.616

The revenue expenditure increased by 65 *per cent* from Rs.1,157 crore in 2001-02 to Rs.1,907 crore in 2006-07. The non-plan revenue expenditure during the same period increased from Rs.884 crore to Rs.1,341 crore, showing an increase of 52 *per cent* indicating that the share of NPRE in total revenue expenditure declined only marginally from 76 *per cent* in 2001-02 to 70 *per cent* in 2006-07. As a result, plan revenue expenditure, which normally covers the maintenance expenditure incurred on services, has only increased by Rs.293 crore during 2001-07 keeping its share in total revenue expenditure between 21 and 30 *per cent* during the period. The growth of PRE during 2006-07 significantly improved to 15.27 *per cent* against 3.15 *per cent* during previous year mainly due to increase in expenditure on rural development by Rs.33.42 crore followed by Rs.8.65 crore under energy sector and Rs.5.68 crore under social welfare and nutrition. Though the rate of growth of NPRE (13.36 *per cent*) in 2006-07 was less than that of the PRE, this expenditure at Rs.1,341 crore during the year was 11.47 *per cent* (Rs.138 crore) higher than the normatively assessed level of Rs.1,203 crore by the TFC and 4.6 *per cent* (Rs.59 crore) higher than the assessments made by the State Government in its FCP and Budget estimate for the year (**Table 1.12**).

Table 1.12 : Non-Plan Revenue Expenditure: Actual *vis-à-vis* Normative Assessment by TFC

(Rupees in crore)

Particulars	Assessed by the TFC	Assessments made by State Government in FCP and Budget - 2006-07	Actual	Difference with reference to {Excess (+)/ Less (-)}	
				Assessments made by the TFC	Assessments made in the FCP
Interest Payments	212	213	203	- 9	- 10
Pension	97	95	118	+ 21	+ 23
Other General Services	249	Details not available (NA)	357	+ 108	NA
Social Services	433		390	- 43	
Economic Services	212		273	+ 61	
Total	**1,203**	**1,282**	**1,341**	**+ 138**	**+ 59**

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.

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 1.13**.

Table 1.13 : Expenditure on Salaries and Wages

(Rupees in crore)

Heads	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on Salaries and Wages[9]	536	576	622	553	602	659
Of which						
Non-Plan Head	*Details not available*			*464*	*502*	*547*
Plan Head				*89*	*100*	*112*
As percentage of GSDP	11.61	11.76	11.30	9.25	9.30	9.34
As percentage of Revenue Receipts	47.73	44.69	44.46	35.77	34.46	30.77

The expenditure on salaries and wages increased by 9.47 *per cent* during 2006-07 over the previous year and accounted for 9.34 *per cent* of State's GDP and 30.77 *per cent* of the revenue receipts. Though the State was successful in restricting the expenditure on salaries during 2006-07 as assessed in its FCP (Rs.826 crore) and Budget estimate for the year, the total salary bill (Rs.659 crore) at 41.55 *per cent* relative to revenue expenditure net of interest payment and pension (Rs.1,586) exceeded the norm of 35 *per cent* prescribed by the TFC.

1.4.5 Pension Payments

The expenditure on pension (including other retirement benefits) showed an increasing trend during the six year period 2001-07 (**Table 1.14**).

Table 1.14 : Expenditure on Pension (including other retirement benefits)

Heads	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on Pension and other Retirement Benefits (Rupees in crore)	58	67	76	87	93	118
Rate of Growth	5.45	15.52	13.43	14.47	6.90	26.88
As *per cent* of GSDP	1.26	1.37	1.38	1.45	1.44	1.67
As *per cent* of Revenue Receipts	5.16	5.20	5.43	5.63	5.32	5.51

[9] 2001-04: Salaries only on the basis of information furnished by the Finance (Economic Affairs) Department, Government of Meghalaya; 2004-07: Salaries and wages as per information furnished by the Accountant General (Accounts & Entitlement). Salaries exclude grants-in-aid towards salaries.

Pension payments during the current year have increased by Rs.25 crore recording a growth rate of about 27 *per cent* over the previous year mainly on account of increase in the number of pensioners and family pensioners over previous year. A comparative analysis of actual pension payments and the assessment/projections made by the TFC and the State Government (Table 1.15) reveals that actual pension payments exceeded the projections made by the TFC and the State Government.

Table 1.15 : 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 – 2006-07	Actual expenditure on Pensions
Pension Payments	97	95	118

1.4.6 Interest Payments

Interest payments and their ratio to revenue receipts and revenue expenditure during 2001-07 are detailed in Table 1.16.

Table 1.16: Interest Payments

Year	Revenue Receipts	Interest payment	Percentage of interest with reference to	
	(Rupees in crore)		Revenue Receipts	Revenue Expenditure
2001-02	1,123	129	11.49	11.15
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

Interest payments increased steadily by 57 *per cent* from Rs.129 crore in 2001-02 to Rs.203 crore in 2006-07. The consolidation and reschedulement of the GOI loans, to some extent helped the State Government in restricting the growth of interest payment to 6.28 *per cent* against 7.91 *per cent* during previous year. Interest payments were on market loans (Rs.86 crore), Special Securities issued to National Small Savings Fund of the Central Government (Rs.26 crore), other internal debt (Rs.20 crore), loans and advances received from Central Government (Rs.43 crore) and Small Savings, Provident Fund, *etc.* (Rs.28 crore). Of the total interest payments during the year, over 42 *per cent* (Rs.86 crore) was paid for market borrowings. The rate of growth of interest payments during 2006-07 over the previous year at 6.28 *per cent* was marginally lower than the average growth rate of 7.5 *per cent* assigned by the TFC while projecting the interest payments of Special Category States for the forecast period.

1.4.7 Subsidies

The trends in subsidies given by the State Government are given in Table 1.17. Though the subsidies are a drain on State finances, the State Government is extending subsidies to various sectors.

Table 1.17: Subsidies

Year	Amount (Rupees in crore)	Percentage increase (+)/ decrease (-) over previous year	Percentage of subsidy in total expenditure
2001-02	24	- 14	1.82
2002-03	33	+ 37	2.37
2003-04	30	- 9	1.94
2004-05	28	- 7	1.52
2005-06	20	- 29	1.03
2006-07	34	+ 70	1.52

(Total expenditure excludes Loans and Advances)

Source: 2001-05: Information furnished by the Finance (Economic Affairs) Department, Government of Meghalaya; 2005-07: Finance Accounts – Government of Meghalaya.

During the current year, subsidies constituted 1.52 *per cent* of the total expenditure. Of this, 71 *per cent* (Rs.24.15 crore) was paid to the Meghalaya State Electricity Board (MeSEB), which was almost double the projection (Rs.12.50 crore) made in the FCP/Budget for the year 2006-07. The remaining amount of subsidies was paid for fiscal services, *viz.* under the head Taxes on Vehicles (Rs.3 crore), Fisheries (Rs.2.86 crore), Crop Husbandry[10] (Rs.2.31 crore), Animal Husbandry (Rs.0.80 crore) and Civil Supplies (Rs.1.18 crore). Steep increase by 70 *per cent* over previous year was mainly due to increase in payment of subsidies to the MeSEB by Rs.14 crore and under Agriculture and Allied Services by Rs.5 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 these components to total expenditure and GSDP, better is the quality of expenditure. Table 1.18 gives these ratios during 2001-07.

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

Table 1.18 : Indicators of Quality of Expenditure

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Capital Expenditure	**160**	**186**	**235**	**246**	**259**	**320**
Revenue Expenditure	**1,157**	**1,205**	**1,314**	**1,596**	**1,674**	**1,907**
Of which						
Social and Economic Services with	728	721	788	1,009	1,049	1,204
(i) Salary & Wage Component	*Details not available*			342	376	414
(ii) Non-Salary & Wage Component				667	673	790
As *per cent* of Total Expenditure (excluding loans and advances)						
Capital Expenditure	12.15	13.37	15.17	13.36	13.40	14.37
Revenue Expenditure	87.85	86.63	84.83	86.64	86.60	85.63
As *per cent* of GSDP						
Capital Expenditure	3.47	3.80	4.27	4.11	4.00	4.54
Revenue Expenditure	25.07	24.59	23.87	26.69	25.87	27.04

Revenue expenditure constituted 85 *per cent* to 88 *per cent* of total expenditure during 2001-07 resulting in less expenditure in capital account ranging between 12 *per cent* and 15 *per cent*. During 2006-07, capital expenditure was also less than that projected (Rs.401 crore) in the FCP by Rs.81 crore. However, the ratio of capital expenditure to GSDP has increased from 3.47 *per cent* in 2001-02 to 4.54 *per cent* in 2006-07. The non-salary component constituted 66 *per cent* of revenue expenditure under social and economic services during 2006-07 and increased by 17.38 *per cent* over previous year, against 10.11 *per cent* on salary component. These trends indicated 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 1.19** summarises the expenditure incurred by the State Government in expanding and strengthening social services in the State during 2001-07.

Table 1.19 : Expenditure on Social Services

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

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Education, Sports, Art and Culture						
Revenue Expenditure *Of which*	**248.86**	**240.75**	**267.81**	**308.32**	**311.07**	**325.52**
(a) Salary & Wage Component	*Details not available*			*104.86 (34.01)*	*109.85 (35.31)*	*123.92 (38.07)*
(b) Non-Salary & Wage Component				*203.46 (65.99)*	*201.22 (64.69)*	*201.60 (61.93)*
Capital Expenditure	**1.22**	**1.55**	**1.26**	**1.83**	**0.70**	**2.02**
Health and Family Welfare						
Revenue Expenditure *Of which*	**82.07**	**81.86**	**82.56**	**86.39**	**94.03**	**99.11**
(a) Salary & Wage Component	*Details not available*			*65.88 (76.26)*	*78.28 (83.25)*	*83.00 (83.75)*
(b) Non-Salary & Wage Component				*20.51 (23.74)*	*15.75 (16.75)*	*16.11 (16.25)*
Capital Expenditure	**10.29**	**11.89**	**14.32**	**14.51**	**17.23**	**18.06**
Water Supply, Sanitation, Housing and Urban Development						
Revenue Expenditure *Of which*	**66.33**	**67.11**	**69.76**	**83.50**	**82.05**	**106.96**
(a) Salary & Wage Component	*Details not available*			*26.19 (31.37)*	*28.73 (35.02)*	*32.71 (30.58)*
(b) Non-Salary & Wage Component				*57.31 (68.63)*	*53.32 (64.98)*	*74.25 (69.42)*
Capital Expenditure	**53.65**	**52.64**	**63.88**	**90.39**	**88.59**	**98.73**
Other Social Services						
Revenue Expenditure *Of which*	**38.67**	**36.17**	**59.01**	**79.55**	**67.60**	**82.71**
(a) Salary & Wage Component	*Details not available*			*15.75 (19.80)*	*17.12 (25.33)*	*18.55 (22.43)*
(b) Non-Salary & Wage Component				*63.80 (80.20)*	*50.48 (74.67)*	*64.16 (77.57)*
Capital Expenditure	**...**	**1.94**	**4.37**	**2.44**	**8.00**	**7.99**
Total (Social Services)	**501.09**	**493.91**	**562.97**	**666.93**	**669.27**	**741.10**
Revenue Expenditure *Of which*	**435.93 (87.00)**	**425.89 (86.23)**	**479.14 (85.11)**	**557.76 (83.63)**	**554.75 (82.89)**	**614.30 (82.89)**
(a) Salary & Wage Component	*Details not available*			*212.68 (38.13)*	*233.98 (42.18)*	*258.18 (42.03)*
(b) Non-Salary & Wage Component				*345.08 (61.87)*	*320.77 (57.82)*	*356.12 (57.97)*
Capital Expenditure	**65.16 (13.00)**	**68.02 (13.77)**	**83.83 (14.89)**	**109.17 (16.37)**	**114.52 (17.11)**	**126.80 (17.11)**

The allocation to social sector increased from Rs.501 crore in 2001-02 to Rs.741 crore in 2006-07 indicating the Government's commitment for improving social well being of the society. Expenditure on social sector during current year accounted for 33 *per cent* of total expenditure and 49 *per cent* of development expenditure[11]. Expenditure on education, sports, art and culture, health and family welfare and water supply and sanitation, housing and urban development constituted about 88 *per cent* of the expenditure on social sector.

The trends in revenue and capital expenditure on social services during 2001-07 reveal that the share of capital expenditure remained within the range of 13 to 17.11 *per cent* which indicated that the revenue expenditure was

[11] Development expenditure is defined as the total expenditure made on social and economic services.

dominant. Of the revenue expenditure on social services, the share of salary and wage component has marginally decreased from 42.18 *per cent* in 2005-06 to 42.03 *per cent* in 2006-07 implying more expenditure on non-salary components including on their maintenance. The non-salary and wage expenditure on social services has increased by 3.2 *per cent* during 2004-07 from Rs.345.08 crore in 2004-05 to Rs.356.12 crore in 2006-07. Within the priority sector, 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 2004-07 (76 *per cent* to about 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. The trends in expenditure (taking expenditure under both plan and non-plan heads) reveal that the salary and wage component under education sector increased by 5 *per cent* in 2005-06 and 13 *per cent* in 2006-07 over the respective previous years while non-salary and wage component decreased by 1 *per cent* in 2005-06 and increased by a nominal 0.19 *per cent* in 2006-07. Under health and family welfare sector, while there was significant increase in salary and wage component by 19 *per cent* in 2005-06 over previous year, in 2006-07 the increase was 6 *per cent* under this component. Non-salary and wage component under this sector decreased by 23 *per cent* (Rs.4.76 crore) in 2005-06 and increased marginally by 2 *per cent* (Rs.0.36 crore) in 2006-07 over the previous years. 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. Under economic services, the revenue expenditure increased from Rs.292.29 crore in 2001-02 to Rs.590.11 crore in 2006-07, while capital expenditure increased from Rs.88.88 crore to Rs.177.23 crore (Table 1.20).

Table 1.20: Expenditure on Economic Services

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

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Agriculture and Allied Activities						
Revenue Expenditure *Of which*	**124.34**	**116.94**	**121.97**	**139.62**	**163.07**	**176.28**
(a) Salary & Wage Component	*Details not available*			*79.34 (56.83)*	*85.75 (52.58)*	*96.11 (54.52)*
(b) Non-Salary & Wage Component				*60.28 (43.17)*	*77.32 (47.42)*	*80.17 (45.48)*
Capital Expenditure	**4.03**	**5.01**	**3.60**	**10.27**	**4.61**	**4.59**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Irrigation and Flood Control						
Revenue Expenditure *Of which*	9.03	9.01	9.53	10.82	12.65	13.76
(a) Salary & Wage Component	*Details not available*			7.13 (65.90)	7.84 (61.98)	8.53 (61.99)
(b) Non-Salary & Wage Component				3.69 (34.10)	4.81 (38.02)	5.23 (38.01)
Capital Expenditure	10.54	6.61	6.17	5.19	7.58	5.61
Energy						
Revenue Expenditure *Of which*	11.50	11.36	19.23	88.85	67.97	90.47
(a) Salary & Wage Component	*Details not available*			*Nil*(12)		
(b) Non-Salary & Wage Component				88.85	67.97	90.47
Capital Expenditure	...	...	...	...	...	...
Transport						
Revenue Expenditure *Of which*	36.14	38.43	40.22	50.06	52.54	76.55
(a) Salary & Wage Component	*Details not available*			*Nil*(12)		
(b) Non-Salary & Wage Component				50.06	52.54	76.55
Capital Expenditure	50.15	87.40	91.85	90.18	86.03	107.59
Other Economic Services						
Revenue Expenditure *Of which*	111.28	119.07	117.57	162.18	198.17	233.05
(a) Salary & Wage Component	*Details not available*			43.20 (26.64)	48.29 (24.37)	51.32 (22.02)
(b) Non-Salary & Wage Component				118.98 (73.36)	149.88 (75.63)	181.73 (77.98)
Capital Expenditure	24.16	12.02	25.09	22.61	35.38	59.44
Total (Economic Services)	381.17	405.85	435.23	579.78	628.00	767.34
Revenue Expenditure *Of which*	292.29 (76.68)	294.81 (72.64)	308.52 (70.89)	451.53 (77.88)	494.40 (78.73)	590.11 (76.90)
(a) Salary & Wage Component	*Details not available*			129.67 (28.72)	141.88 (28.70)	155.96 (26.43)
(b) Non-Salary & Wage Component				321.86 (71.28)	352.52 (71.30)	434.15 (73.57)
Capital Expenditure	88.88 (23.32)	111.04 (27.36)	126.71 (29.11)	128.25 (22.12)	133.60 (21.27)	177.23 (23.10)

The expenditure on economic services during 2006-07 (Rs.767 crore) accounted for over 34 *per cent* of the total revenue and capital expenditure (Rs.2,227 crore) and 51 *per cent* of the development expenditure (Rs.1,508 crore) during the year. Out of the total expenditure on economic services during the year, 24 *per cent* was incurred on transport, 23.57 *per cent* on agriculture and allied services and 11.79 *per cent* on energy. The salary and wage component in total expenditure on economic services decreased to 20.32 *per cent* in 2006-07 from 22.37 *per cent* in 2004-05.

(12) These sectors being under the respective Statutory Corporations (Energy: Meghalaya State Electricity Board; Transport: Meghalaya Transport Corporation), no provision for salary and wage is made in the State Budget.

The trends in revenue and capital expenditure on economic services indicate that capital expenditure consistently increased from Rs.89 crore in 2001-02 to Rs.177 crore (98.88 *per cent*) in 2006-07. Revenue expenditure also consistently increased from Rs.292 crore in 2001-02 to Rs.590 crore (102 *per cent*) in the current year. An increase of Rs.96 crore (19.43 *per cent*) during 2006-07 over the previous year in revenue expenditure was mainly due to increase in rural development (Rs.33 crore), transport (Rs.24 crore) and energy (Rs.22 crore). Of the revenue expenditure, salary and wage component ranged between 26 and 29 *per cent* of the total revenue expenditure during 2004-07. It increased from Rs.130 crore in 2004-05 to Rs.156 crore (20 *per cent*) during the current year. The non-salary and wage component also increased from Rs.322 crore in 2004-05 to Rs.434 crore (34.78 *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 2001-07 is presented in **Table 1.21**.

Table 1.21: Financial Assistance

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
University and Educational Institutions	128	130	129	150	151	164
Co-operative Societies	3	2	2	2	2	5
District Councils	5	0.21	6	4	3	1
Municipalities	2	2	1	2	2	1
Meghalaya State Electricity Board	29	56	50	26	7	35
Other Institutions[13]	27	11	10	5	2	2
Total	**194**	**201**	**198**	**189**	**167**	**208**
Assistance as percentage of Revenue Expenditure	16.77	16.68	15.07	11.84	9.98	10.91

The financial assistance extended to local bodies and other institutions with inter-year variations increased by 25 *per cent* from Rs.167 crore in 2005-06 to Rs.208 crore in 2006-07. The share of financial assistance in revenue expenditure in the current year also increased from 9.98 *per cent* in 2005-06 to 10.91 *per cent* during the current year. Another important trend emerging from the above table is that share of Electricity Board has sharply increased by five times from Rs.7 crore in 2005-06 to Rs.35 crore in 2006-07 indicating that substantial amount of financial assistance is being given to the Public Sector Undertaking. University and Educational Institutions were the main beneficiaries, who were provided with 79 *per cent* of the total financial assistance during 2006-07. Of Rs.164 crore provided to

[13] Other Institutions (figures for 2006-07 in brackets): Prevention and control of water pollution (Rs.90.76 lakh), Khadi & Village Industries (Rs.78.54 lakh), Eco-Development Society (Rs.27.02 lakh), Public Sector and other undertakings (Rs.20.03 lakh), Housing Board (Rs.10 lakh), Small Scale Industries (Rs.8 lakh), Forest Development Corporation of Meghalaya (Rs.5 lakh), Indian Red Cross Society (Rs.5 lakh), others (Rs.1.79 lakh).

the University and Educational Institutions, Rs.101 crore was paid to non-Government primary/secondary schools and colleges for non-plan revenue purposes indicating transfer of funds for current consumption.

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 2006-07 called for in May 2007 from 12 departments[14] was awaited as of July 2007.

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. The Board had not submitted the accounts for the years 2004-05 to 2006-07.

1.5.7 Misappropriation, losses, defalcation, etc.

State Government reported 85 cases of misappropriation, defalcation, *etc.* involving Government money amounting to Rs.1.53 crore up to the period March 2007 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 2007, compared with the corresponding position on 31 March 2006. 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 2001-07.

[14] Agriculture, Education, Health & Family Welfare, Community & Rural Development, Industries, Urban Affairs, Information & Public Relation, Border Areas Development, Economics & Statistics, Mining & Geology, Housing and Arts & Culture Departments.

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 2006-07, as of March 2007, there were 282 ongoing projects under the Public Health Engineering Department. Of these, 43 projects, stipulated for completion on or before 31 March 2007 at an estimated cost of Rs.13.26 crore, remained incomplete with an expenditure of Rs.11.76 crore till 31 March 2007. Out of 43 projects, 27 remained incomplete for less than one year and the remaining 16 projects for over one to three years.

1.6.1.2 Government Investments and Returns

As of 31 March 2007, Government had invested Rs.183.16 crore in Statutory Corporations, Government Companies and Co-operative Societies (**Table 1.22**). The return on this investment was less than one *per cent* during 2001-07 while the Government paid interest at an average rate of 7.62 to 9 *per cent* on its borrowings during the period.

Table 1.22: 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*)		
2001-02	14.84	140.38	0.11	0.08	8.81	8.73
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[15]	0.01	0.01	7.62	7.61

As of March 2007, the State Government had invested Rs.40.19 crore in two Statutory Corporations, Rs.102.29 crore in eight Government Companies and Rs.40.68 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 despite accumulated loss of Rs.50.64 crore sustained by the Corporation up to 2000-01. Out of Rs.102.29 crore invested in Government Companies, Rs.18.92 crore was invested in five loss making Companies, which had accumulated loss of Rs.22.87 crore as detailed in **Table 1.23**. Up-to-date working results of the Co-operative Societies had not been intimated (October 2007).

[15] Figures in Chapter VII are provisional.

Table 1.23: Details of loss making Government Companies

(Rupees in crore)

Sl. No.	Name of Companies	Amount invested up to March 2007	Accumulated loss	Period up to[16]
1.	Meghalaya Government Construction Corporation Limited	4.77	10.48	2004-05
2.	Meghalaya Mineral Development Corporation Limited	2.27	7.47	2005-06
3.	Meghalaya Tourism Development Corporation Limited	7.75	1.71	1991-92
4.	Forest Development Corporation of Meghalaya Limited	1.56	1.74	1999-2000
5.	Meghalaya Handloom and Handicrafts Development Corporation Limited	2.57	1.47	2000-01
		18.92	22.87	

1.6.1.3 Loans and Advances by State Government

In addition to investments in Co-operatives, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organisations. Total outstanding loans and advances as on 31 March 2007 was Rs.469 crore (Table 1.24). Interest received against these loans and advances was meagre, which had decreased from 0.62 *per cent* in 2004-05 to 0.29 *per cent* in 2006-07.

Table 1.24 : Average Interest Received on Loans and Advances by the State Government

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Opening Balance	332	359	419	471	488	480
Amount advanced during the year	43	75	70	36	11	6
Amount repaid during the year	16	15	18	19	19	17
Closing Balance	359	419	471	488	480	469
Net Addition	27	60	52	17	- 8	- 11
Interest Received	0.49	0.46	0.72	2.99	1.48	1.36
Interest received as *per cent* to outstanding Loans and Advances	0.14	0.12	0.16	0.62	0.31	0.29
Average interest rate paid on borrowings by the State Government (*per cent*)	8.81	8.98	9.00	8.58	8.06	7.62
Difference between interest paid and received (*per cent*)	8.67	8.86	8.84	7.96	7.75	7.33

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 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 0.29 *per cent* in 2006-07, 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.

16 Accounts for the subsequent years are in arrears.

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. There was, however, improvement in the management of cash balances as the Government did not have to resort to WMA for the current year (2006-07).

WMAs and Overdrafts availed, the number of occasions it was availed and interest paid by the State during 2001-07 is detailed in Table 1.25.

Table 1.25 : Ways and Means Advances and Overdrafts of the State

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
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	[17]	0.08	...
Overdraft						
Availed in the Year	...	0.46	...	...	8.85	...
Number of days	...	1	...	...	1	...
Outstanding Overdraft, if any	...	...	...	...	...	...
Interest Paid	...	...	...	...	[18]	...

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

[17] Rs.0.15 lakh.
[18] Rs.0.21 lakh.

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 1.26 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 1.26: Fiscal Liabilities – Basic Parameters

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Fiscal Liabilities[19] (Rupees in crore)	1,535	1,827	1,952	2,173	2,566	2,762
Rate of Growth (*per cent*)	10.04	19.02	6.84	11.32	18.09	7.64
Ratio of Fiscal Liabilities to						
GSDP (*per cent*)	33.26	37.29	35.47	36.34	39.66	39.17
Revenue Receipts (*per cent*)	136.69	141.74	139.53	140.56	146.88	128.94
Own Resources (*per cent*)	667.39	767.65	635.83	637.24	643.11	564.83
Buoyancy of Fiscal Liabilities to						
GSDP (ratio)	0.718	3.080	0.555	1.309	2.207	0.849
Revenue Receipts (ratio)	- 12.623	1.287	0.802	1.077	1.391	0.338
Own Resources (ratio)	0.861	5.469	0.236	1.022	1.063	0.339

Fiscal liabilities of Rs.2,762 crore during 2006-07 consist of internal debt, e.g., market loans bearing interest, loans from Life Insurance Corporation of India (LIC) and other institutions, *etc.* (Rs.1,611 crore), loans and advances from Central Government (Rs.345 crore), small savings, provident funds (State Provident Funds and Insurance & Pension Funds: Rs.383 crore) and other non-interest bearing obligations such as deposit of local funds, civil deposits, *etc.* (Rs.423 crore). Overall fiscal liabilities of the State increased from Rs.1,535 crore in 2001-02 to Rs.2,762 crore in 2006-07. The growth rate in 2006-07 was 7.64 *per cent* over the previous year. The ratio of fiscal liabilities to GSDP also increased from 33.26 *per cent* in 2001-02 to 39.17 *per cent* in 2006-07 and thus remained higher than the

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

limit (28 *per cent*) prescribed in the MFRBM Act, 2006 throughout the entire period 2001-07. These liabilities stood at 1.29 times the revenue receipts and 5.65 times of the State's own resources at the end of 2006-07. The buoyancy of these liabilities with respect to GSDP during the year was 0.849 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 0.849 *per cent*.

According to **Statement 4** of the Finance Accounts for the year 2006-07, during 1999-2000, the State Government constituted a 'Consolidated Sinking Fund' for redemption and amortisation of open market loans. In 2006-07, the Government has appropriated Rs.9.07 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 from 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 2001-02 are given in **Table 1.27**.

Table 1.27: Guarantees given by the Government of Meghalaya

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Maximum amount guaranteed (year end)	187.51	183.69	342.94	384.32	504.67	562.02
Outstanding amount of guarantees (including interest)	156.96	137.37	300.33	338.18	404.38	435.80
Percentage of maximum amount guaranteed to total revenue receipts	16.70	14.25	24.51	24.86	28.89	26.24

Government has guaranteed loans raised by various Corporations and others, which at the end of 2006-07 stood at Rs.435.80 crore (including interest). The outstanding amount of guarantees is in the nature of contingent liabilities, which were over 20 *per cent* of revenue receipts of the State during 2005-06. 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.

According to **Statement 6** of the Finance Accounts for the year 2006-07, to regulate the unplanned borrowing by the public sector undertakings and apex co-operative institutions against Government guarantees, the State Government decided to levy a guarantee fee at an annual rate of one *per cent* from April 1989. The guarantee fee was to be recovered on the amount guaranteed and outstanding on the 31st March each year for the next financial year. For the subsequent years, the guarantee fee was fixed as 0.5 *per cent* till vacation of the guarantee or liquidation of the loan. As of March 2007, such fee of Rs.12.44 crore was outstanding from a Statutory Corporation, *viz.*, Meghalaya State Electricity Board.

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 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 variable indicating the progress towards the debt stabilisation are indicated in Table 1.28.

Table 1.28: Debt Sustainability – Interest Rate and GSDP Growth (in *per cent*)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average Interest Rate	8.81	8.98	9.00	8.58	8.06	7.62
GSDP Growth	13.98	6.18	12.33	8.65	8.19	9.00
Interest Spread	5.17	- 2.80	3.33	0.07	0.13	1.38
Opening Outstanding Debt (Rupees in crore)	1,395	1,535	1,827	1,952	2,173	2,566
Quantum Spread[20] (Rupees in crore)	72	- 43	61	1	3	35
Primary Deficit (-)/ Surplus (+) (Rupees in crore)	- 92	- 11	- 32	- 136	+ 13	+ 129
Quantum Spread + Primary Deficit (Rupees in crore)	- 20	- 54	29	- 135	16	164

Table 1.28 reveals that quantum spread together with primary deficit has been negative during 2001-03 and 2004-05 indicating rising trend in debt-GSDP ratio during the period. However, despite the sum quantum spread *vis-à-vis* primary deficit being positive since 2005-06, the fiscal liabilities to GSDP ratio remained higher in 2005-06 relative to previous year although indicating declining tendency in 2006-07. This was mainly because of the fact that fiscal deficit was highest in 2004-05 during last six

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

years (2001-07) which loaded higher fiscal liabilities in the subsequent year in which rate of growth of GSDP also declined by more than three percentage points as compared to the previous year. If the sum quantum spread *vis-à-vis* primary deficit continued to be positive, it might result in debt stabilisation in ensuing years.

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. **Table 1.29** indicates the resource gap as defined for the period 2001-07:

Table 1.29 : Incremental Revenue Receipts and Revenue Expenditure

(Rupees in crore)

Period	Incremental				Resource Gap
	Non-Debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
2001-02	- 6	- 49	15	- 34	- 40
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

The persistent negative resource gap indicates the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. During the period 2001-07, although three out of six years reflects the negative gaps, the last two are the pointers towards the increasing capacity of the State to sustain the debt in the medium to long run.

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 1.30 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 1.30 : Net Availability of Borrowed Funds

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Internal Debt[21]						
Receipts	110	401	287	188	340	243
Repayment (Principal + Interest)	81	343	183	194	258	188
Net Fund Available	29	58	104	- 6	82	55
Net Fund Available (*per cent*)	26.36	14.46	36.24	...	24.12	22.63
Loans and Advances from GOI						
Receipts	46	138	83	112	3	3
Repayment (Principal + Interest)	65	156	170	157	63	73
Net Fund Available	-19	-18	- 87	-45	- 60	- 70
Net Fund Available (*per cent*)	...	...	...	...	...	...
Other obligations[22]						
Receipts	241	329	255	281	410	413
Repayment (Principal + Interest)	239	228	318	186	228	406
Net Fund Available	2	101	- 63	95	182	7
Net Fund Available (*per cent*)	0.83	30.70	...	33.81	44.39	1.69
Total Liabilities						
Receipts	397	868	625	581	753	659
Repayments (Principal + Interest)	385	727	671	537	549	667
Net Fund Available	12	141	- 46	44	204	- 8
Net Fund Available (*per cent*)	3.02	16.24	...	7.57	27.09	...

The net funds available on account of the internal debt, loans and advances from the GOI and other obligations after providing for the interest and repayments varied from minus during 2003-04 and 2006-07 to 27.09 *per cent* during 2005-06. During the current year, the Government repaid Rs.667 crore as principal and interest on internal debt (Rs.188 crore), loans and advances from the GOI (Rs.73 crore) and other obligations (Rs.406 crore), as a result of which payments exceeded the receipts (Rs.659 crore) by Rs.8 crore during the year. In view of substantial cash balances during 2006-07, the focus of the Government seems to be on discharging the past debt obligations both on account of principal and interest payments on loans raised from the market as well as from the GOI.

1.9 Management of Deficits

1.9.1 Trends in Deficits

The 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 1.31.

[21] Includes Ways and Means Advances and Overdrafts.

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

Table 1.31 : Fiscal Imbalances – Basic Parameters

Parameters	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Surplus (RS) (+)/ Revenue Deficit (RD) (-) (Rupees in crore)	-34	+ 84	+ 85	- 50	+ 73	+ 235
Fiscal Deficit (FD) (-) (Rupees in crore)	- 221	- 162	- 202	- 313	- 178	- 74
Primary Deficit (PD) (-)/ Surplus (+) (Rupees in crore)	- 92	- 11	- 32	- 136	+ 13	+ 129
RD/GSDP (*per cent*)	- 0.74	+ 1.71	+ 1.54	- 0.84	+ 1.13	+ 3.33
FD/GSDP (*per cent*)	- 4.79	- 3.31	- 3.67	- 5.23	- 2.75	- 1.05
PD/GSDP (*per cent*)	- 1.99	- 0.22	- 0.58	- 2.27	+ 0.20	+ 1.83
RD/FD (*per cent*)	15.38	(23)		15.97	(23)	

Chart 1.3

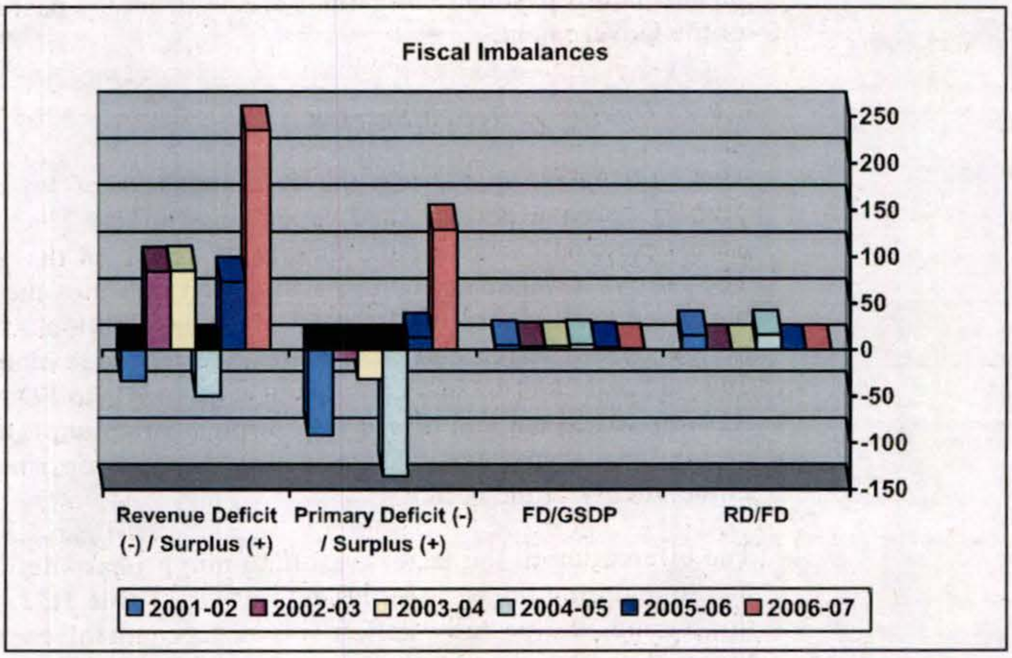


Table 1.31 reveals that the revenue account experienced a situation of substantial deficit of Rs.34 crore during 2001-02. Though the State was successful in achieving revenue surplus during 2002-04, the year 2004-05 again experienced a revenue deficit of Rs.50 crore. Since 2005-06, the revenue account turned into surplus which has steeply increased to Rs.235 crore during the current year. The significant improvement during the current year was mainly on account of increase in revenue receipts by Rs.395 crore (22.61 *per* cent) against an increase of Rs.233 crore (13.92 *per* cent) in revenue expenditure over the previous year. The sharp increase in revenue receipts during 2006-07 was mainly on account of increase in Central tax transfers by Rs.97 crore (27.71 *per cent*) and grants-in-aid by Rs.208 crore (20.84 *per cent*).

(23) There was revenue surplus during the year.

The fiscal deficit, which represents the total borrowings of the Government and its total resource gap, decreased from its peak of Rs.313 crore in 2004-05 to Rs.74 crore in 2006-07. Despite an increase of Rs.61 crore in capital expenditure and a decrease of Rs.5 crore in loans and advances disbursed during the current year over the previous year, fiscal deficit was reduced significantly by Rs.104 crore on account of the cushion of Rs.235 crore available from the revenue account.

The primary deficit[24] which persisted till 2004-05, also took a turnaround and resulted in a primary surplus during 2005-06 and significantly increased during the current year. A sharp decline of Rs.104 crore in fiscal deficit together with a moderate increase of Rs.12 crore in interest payments resulted in a primary surplus of Rs.129 crore during the current year indicating the fact that fiscal deficit was solely on account of payment obligations arising from the past fiscal operations of the Government.

1.9.2 Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of Primary deficit into primary revenue deficit[25] 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 2007, the State experienced revenue deficit during 2001-02 and 2004-05 and consequent ratio of RD to FD. Since 2005-06, RD was wiped out and turned into surplus which improved significantly during the current year. This trajectory shows a consistent improvement in the quality of the deficit.

The bifurcation of the factors resulting into primary deficit or surplus of the State during the period 2001-07 reveals (**Table 1.32**) 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[26] 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 2001-05. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

[24] 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.

[25] Primary revenue deficit defined as gap between non-interest revenue expenditure of the State and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account.

[26] 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.

Table 1.32 : Primary Deficit/Surplus – Bifurcation of Factors

(Rupees in crore)

Year	Non-debt receipt	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue Deficit (-)/ Surplus (+)	Primary Deficit (-)/ Surplus (+)
1	2	3	4	5	6 (3 + 4 + 5)	7 (2 – 3)	8 (2 -6)
2001-02	1,139	1,028	160	43	1,231	+ 111	- 92
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

1.10 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. **Table 1.33** below presents a summarised position of Government finances over 2001-07, 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 1.33: Indicators of Fiscal Health (in *per cent*)

Fiscal Indicators	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
I. Resource Mobilisation						
Revenue Receipts (RR)/GSDP	24.33	26.31	25.42	25.85	27.00	30.37
Revenue Buoyancy Ratio	- 0.057	2.394	0.692	1.215	1.587	2.514
Own tax/GSDP	2.95	2.96	3.23	3.48	3.91	4.33
Own Taxes Buoyancy Ratio	1.022	1.072	1.846	1.949	2.640	2.285
II. Expenditure Management						
Total Expenditure (TE)/GSDP	29.47	29.92	29.41	31.40	30.05	31.66
RR/TE	82.57	87.93	86.41	82.32	89.87	95.92
Revenue Expenditure (RE)/TE	85.07	82.20	81.16	84.98	86.11	85.40
Plan Expenditure[27]/Total Expenditure	31.69	30.15	33.66	38.18	38.53	39.36
Capital Expenditure/Total Expenditure[28]	12.15	13.37	15.17	13.36	13.40	14.37
Development Expenditure/Total Expenditure	64.85	61.39	61.64	66.40	66.72	67.53
Buoyancy of TE with RR	- 3.068	0.527	1.223	1.522	0.270	0.658
Buoyancy of RE with RR	- 9.092	0.281	1.060	2.042	0.376	0.616

(27) Excluding disbursement of Loans.

(28) Total expenditure excludes Loans and Advances.

Fiscal Indicators	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
III. Management of Fiscal Imbalances						
Revenue Deficit (-)/Surplus (+) (Rupees in crore)	- 34	+ 84	+ 85	- 50	+ 73	+ 235
Fiscal Deficit (-) (Rupees in crore)	-221	- 162	- 202	- 313	- 178	- 74
Primary Deficit (-)/ Surplus (+) (Rupees in crore)	- 92	- 11	- 32	- 136	+ 13	+ 129
Revenue Deficit/Fiscal Deficit	15.38	[29]	[29]	15.97	[29]	[29]
IV. Management of Fiscal Liabilities						
Fiscal Liabilities (FL)/GSDP	33.26	37.29	35.47	36.34	39.66	39.17
FL/RR	136.69	141.74	139.53	140.56	146.88	128.94
Buoyancy of FL with RR (ratio)	- 12.623	1.287	0.802	1.077	1.391	0.338
Buoyancy of FL with Own Receipt (ratio)	0.861	5.469	0.236	1.022	1.063	0.339
Interest Spread	5.17	- 2.80	3.33	0.07	0.13	- 1.38
Net Funds Available	3.02	16.24	...	7.57	27.09	...
V. Other Fiscal Health Indicators						
Return on Investment	0.08	0.00	0.11	0.11	0.01	0.01
BCR (Rupees in crore)	- 168	- 123	- 137	-142	- 19	77
Financial Assets/Liabilities (ratio)	1.57	1.55	1.55	1.47	1.43	1.48

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources. 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 30.37 *per cent,* an increase of 3.37 percentage points over the previous year. During 2001-07, the ratio of own taxes to GSDP showed continued improvement.

Various ratios concerning expenditure indicate quality of expenditure and sustainability in relation to resources. The revenue expenditure as a percentage to total expenditure remained over 81 *per cent* during 2001-07, 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 2006-07 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 amounts to 96 *per cent* during 2006-07, 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 improvement in both developmental and quality of expenditure.

[29] There was revenue surplus during the year.

Revenue surplus and significant decline in fiscal deficit during 2006-07 indicates an improvement in fiscal position of the State. The increasing revenue receipts have been able to bring an improvement in the fiscal imbalances of the State which is reflected by the decreasing ratio of fiscal liabilities to revenue receipts as well as positive balance from the current revenues during the current year. Improvement in the fiscal imbalances of the State is also reflected in the increasing assets to liabilities ratio during the current year.

1.11 Conclusion

The fiscal position of the State viewed in terms of key fiscal parameters showed a significant improvement as the State has been able to maintain revenue and primary surpluses and reduce fiscal deficit during 2005-07. A steep increase in Central transfers to State, comprising tax transfers and grants-in-aid, has provided a cushion in revenue account which helped the State Government to increase revenue surplus and also to contain fiscal deficit well within 3 *per cent* of GSDP ahead of two years than stipulated in the MFRBM Act, 2006. Apart from the fact that around 77 *per cent* of States revenue receipts are being contributed by the Central transfers comprising of State's share in Union pool of taxes and duties and grants-in-aid from GOI during 2006-07, the expenditure pattern of the State reveals that the revenue expenditure as a percentage of total expenditure constituted around 85 *per cent* during the period (2001-07) leaving inadequate resources for expansion of services and creation of assets. Within revenue expenditure, NPRE at Rs.1,341 crore in 2006-07 constituted around 70 *per cent* and remained significantly higher than the normatively assessed level of Rs.1,203 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 around 2/3rd during 2006-07. The continued prevalence of fiscal deficit indicates increasing reliance of the State on borrowed funds, resulting in increasing fiscal liabilities of the State over this period, which stood at 39 *per cent* of the GSDP in 2006-07 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 result in erosion of fiscal gains attained so far in medium to long run, unless suitable measures are initiated to compress the non-plan revenue expenditure and to mobilise the additional resources both through the tax and non tax sources in the ensuing years.

CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATION

CHAPTER II : ALLOCATIVE PRIORITIES AND APPROPRIATION

Appropriation and Control over Expenditure

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 – 2006-07

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	2,681.61		2,331.93
Supplementary	153.39		
Total Gross provision	**2,835.00**	**Total Gross expenditure**	**2,331.93**
Deduct – Estimated recoveries in reduction of expenditure	2.05	Deduct – Actual recoveries in reduction of expenditure	11.82
Total Net Provision	**2,832.95**	**Total Net Expenditure**	**2,320.11**

Voted and Charged Provision and Expenditure

Table 2.2

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	2,027.51	228.62	1,701.32	218.00
Capital[1]	460.39	118.48	325.73	86.88
Total: Gross	**2,487.90**	**347.10**	**2,027.05**	**304.88**
Deduct – Recoveries in reduction of expenditure	2.05	...	11.82	...
Total : Net	**2,485.85**	**347.10**	**2,015.23**	**304.88**

[1] Includes Loans and Advances and Public Debt.

2.1 Summary of Appropriation Accounts

The summarised position of actual expenditure, excess and savings during 2006-07 against the Grants/Appropriations was as follows:

Table 2.3

(Rupees in crore)

	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual expenditure	Saving (-) Excess (+)
Voted	I. Revenue	1,889.79	137.72	2,027.51	1,701.32	(-) 326.19
	II. Capital	401.07	14.35	415.42	319.77	(-) 95.65
	III. Loans and Advances	44.90	0.07	44.97	5.96	(-) 39.01
Total Voted		**2,335.76**	**152.14**	**2,487.90**	**2,027.05**	**(-) 460.85**
Charged	IV. Revenue	227.97	0.65	228.62	218.00	(-) 10.62
	V. Capital	...	0.60	0.60	0.60	...
	VI. Public Debt	117.88	...	117.88	86.28	(-) 31.60
Total Charged		**345.85**	**1.25**	**347.10**	**304.88**	**(-) 42.22**
Appropriation to Contingency Fund (if any)		...	...	...	...	...
Grand Total		**2,681.61**	**153.39**	**2,835.00**	**2,331.93**	**(-) 503.07**[(2)]

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.680.10 crore for the years 1971-72 to 2005-06 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.503.07 crore was the result of saving of Rs.568.48 crore in 54 Grants and eight cases of Appropriations offset by excess of Rs.65.41 crore in six Grants and two cases of Appropriations.

2.3.2 Supplementary provision made during the year constituted 5.72 *per cent* of the original provision as against 7.52 *per cent* in the previous year.

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(2) Difference of Rs.0.01 crore with the Appropriation Accounts – 2006-07 is due to rounding.

2.4 Fulfilment of Allocative Priorities

2.4.1 Appropriation by Allocative Priorities

Out of overall savings of Rs.503.07 crore, major savings of Rs.459.09 crore (91 *per cent*) occurred in 11 cases[3] of Grants and one Appropriation as mentioned below:

Table 2.4

(Rupees in crore)

Sl. No.	Number and name of Grant/Appropriation	Grant			Actual expenditure	Saving
		Original	Supplementary	Total		
1.	**11 – Other Taxes and Duties on Commodities, *etc.* (Revenue – Voted)**					
		152.66	12.15	164.81	91.69	73.12
2.	**11 – Other Taxes and Duties on Commodities, *etc.* (Capital – Voted)**					
		38.31	...	38.31	1.28	37.03
3.	**13 – Secretariat General Services, *etc.* (Revenue – Voted)**					
		48.48	...	48.48	34.29	14.19
4.	**19 – Secretariat General Services, *etc.* (Capital – Voted)**					
		35.74	6.59	42.33	21.47	20.86
5.	**21 – Miscellaneous General Services, *etc.* (Revenue – Voted)**					
		389.23	11.64	400.87	325.81	75.06
6.	**29 – Urban Development, Capital outlay on Housing, *etc.* (Revenue – Voted)**					
		23.37	5.50	28.87	14.08	14.79
7.	**29 – Urban Development, Capital outlay on Housing, *etc.* (Capital – Voted)**					
		14.64	...	14.64	0.16	14.48
8.	**34 – Welfare of Scheduled Castes/Scheduled Tribes, *etc.* (Revenue – Voted)**					
		107.94	3.91	111.85	55.17	56.68
9.	**40 – North Eastern Areas, *etc.* (Revenue –Voted)**					
		43.40	1.04	44.44	7.33	37.11
10.	**50 – Forestry and Wildlife, *etc.* (Revenue – Voted)**					
		55.90	7.42	63.32	37.97	25.35
11.	**56 – Roads and Bridges, *etc.* (Capital – Voted)**					
		155.41	...	155.41	104.44	50.97
12.	**Appropriation – Internal Debt of the State Government (Capital – Charged)**					
		95.20	...	95.20	55.75	39.45
	Total					**459.09**

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

2.4.2 Unnecessary/Excessive/Insufficient Supplementary Provision

2.4.2.1 Supplementary provision of Rs.50.30 crore made in 16 cases during the year proved unnecessary in view of aggregate saving of Rs.331.65 crore as detailed in **Appendix 2.3**.

2.4.2.2 In 12 cases, against additional requirement of Rs.80.68 crore, supplementary grants of Rs.100.51 crore were obtained resulting in saving in each case exceeding Rs.10 lakh, aggregating Rs.19.82 crore. Details of these cases are given in **Appendix 2.4**.

[3] Four cases relate to two same Grants (No. 11 & 29) but two under Revenue and the other two under Capital.

2.4.2.3 In two cases, supplementary provision of Rs.1.33 crore proved insufficient leaving an uncovered excess expenditure of Rs.21.76 crore as per details given in **Appendix 2.5**

2.4.2.4 In 29 cases, 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 11 cases, 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.65.41 crore under six Grants and two cases of Appropriations 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 therefor. It was noticed that expenditure of Rs.15.77 crore was incurred in 10 cases (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 2006-07 there were 44 Grants/Appropriations (47 cases) in which large savings had not been surrendered by the departments. The amount involved was Rs.188.61 crore. Details are given in **Appendix 2.11**. The amount of available savings of Rs.1 crore and above in each case not surrendered aggregated Rs.180.31 crore in 15 cases.

2.4.8 Non-receipt of explanations for savings/excesses

For the year 2006-07, explanations for final savings/excesses were not received in respect of 99 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. 45 heads of account (26 Controlling Officers) involving Rs.995.16 crore pertaining to 2006-07 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 4th quarter and in the month of March compared to the total expenditure during 2006-07 ranged between 25 and 85 *per cent* and 9 and 59 *per cent* respectively in respect of nine 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.6.57 crore against 84 AC bills drawn between November 1992 and March 2007 by 40 Drawing and Disbursing Officers were not submitted to the AG and thus remained unregularised (June 2007). 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

AGRICULTURE DEPARTMENT

3.1 Horticulture Development Scheme

Highlights

Horticulture development schemes were taken up in Meghalaya to ensure integrated development of horticulture and allied activities. The impact of implementation of the schemes was not evaluated to ascertain the progress in the development of horticulture and allied activities taken up under various State and Central schemes.

- **The Director of Horticulture and the District Horticulture Officers of East Khasi Hills, West Garo Hills and East Garo Hills Districts failed to utilise 8 to 94 *per cent* of funds available during 2002-07 under the Centrally Sponsored Technology Mission Scheme indicating ineffective implementation of the scheme.**

(Paragraph 3.1.10.1)

- **The report on utilisation of funds furnished to the Small Farmers' Agri-Business Consortium (SFAC) by the Director of Horticulture did not depict the actual state of affairs.**

(Paragraph 3.1.10.2)

- **Cash book for the financial transactions under Technology Mission schemes were not maintained by the Managing Director of the State SFAC and the District Horticulture Officer (DHO), East Garo Hills District. The DHO of Ri-Bhoi District did not produce cash book and supporting records for Technology Mission Schemes and North Eastern Council sponsored schemes for the years 2002-07, although Rs.13.82 crore was transferred to him by the Director of Horticulture for implementation of these schemes.**

(Paragraph 3.1.10.4)

- **For the State Plan schemes, targets in terms of production per unit, number of units to be set up or number of beneficiaries to be covered were not fixed. Record of physical achievement under various schemes was also not maintained by the Department.**

(Paragraph 3.1.11)

> **The Department sustained loss of Rs.2.87 crore on running and maintenance of fruit preservation/processing centres and Orchard cum Horticulture Nurseries under State Plan Schemes during 2002-07.**

(Paragraph 3.1.12.1)

> **The Department incurred extra expenditure of Rs.1.50 crore under the Technology Mission schemes.**

(Paragraphs 3.1.13.2, 3.1.13.4 & 3.1.13.5)

> **Failure in setting up of mushroom units, bio-control laboratory, *etc.* under the Technology Mission schemes resulted in locking up of Central funds of Rs.2.03 crore.**

(Paragraph 3.1.13.6)

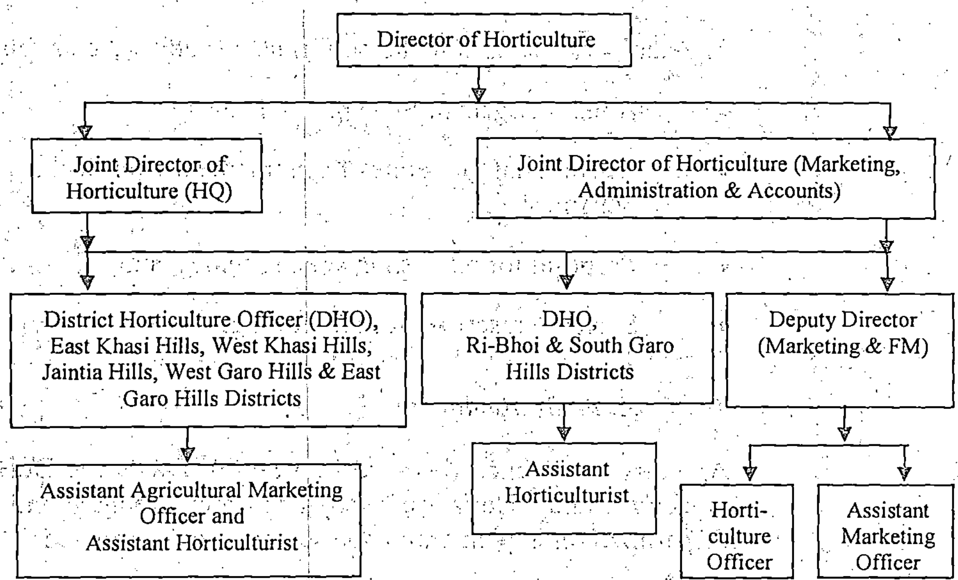
3.1.1 Introduction

The horticulture sector, which includes fruits, vegetables, spices, plantation crops, cashewnut, *etc.*, has ample potential for development in Meghalaya. To ensure integrated development of horticulture and allied activities, various State Plan schemes and North Eastern Council (NEC) sponsored schemes are being implemented in the State by the Directorate of Horticulture. Besides, a Centrally Sponsored Scheme 'Technology Mission' (TM) was also launched by the Union Ministry of Agriculture (MOA) in 2001-02 with the objective of ensuring convergence and synergy among numerous ongoing Governmental programmes in the field of horticulture development.

3.1.2 Organisational Set Up

At the Government level, the Commissioner and Secretary of the Agriculture Department is responsible for overseeing the implementation of horticulture development schemes. There is a State Level Steering Committee (SLSC) set up (March 2001) under the Chairmanship of the Chief Secretary to monitor the implementation of the schemes under TM. The Director of Horticulture is the Nodal Officer of the TM. The organisational set up of the Directorate of Horticulture is as under:

Chart 3.1



The Assistant Agricultural Marketing Officers and Assistant Horticulturists are assisted by the Horticulture Inspectors and Agricultural Marketing Inspectors, Assistant Horticulture Inspectors, Assistant Agricultural Marketing Inspectors, Horticulture Demonstrators, Agricultural Marketing Supervisors, *etc.*

3.1.3 Scope of Audit

A review of the implementation of the horticulture development schemes covering the period 2002-07 was carried out through a test-check (April-May 2007) of the records of the Director of Horticulture (DoH) and four[1] out of seven District Horticulture Officers (DHO) covering 31 *per cent* (Rs.38.47 crore) of the total expenditure (Rs.122.20 crore) including funds disbursed by the DoH. Results of the review are discussed in the succeeding paragraphs.

3.1.4. Audit Objectives

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

- the objectives of the schemes were achieved;
- adequate funds were provided by the Central/State Governments and funds were utilised for the intended purpose;
- various schemes were implemented economically and effectively and as per prescribed guidelines;
- production was achieved as per norms/targets; and,
- implementation of scheme was effectively monitored and periodically evaluated to check their effectiveness and economic viability.

[1] East Khasi Hills, West Garo Hills, East Garo Hills and Ri-Bhoi.

3.1.5 Audit Criteria

The audit criteria used in the performance audit were as follows:

- Annual targets of State plan schemes;
- Operational guidelines for implementation of the Technology Mission Schemes;
- Proposal for NEC sponsored schemes; and,
- System prescribed for monitoring.

3.1.6 Audit Methodology

An entry conference was held in May 2007 with the DoH wherein the audit objectives and criteria were explained and strengths and weaknesses of the Department in implementing the scheme were discussed.

For the performance review, districts were selected on the basis of stratified random sampling. Utilisation of funds allotted by the Union and State Governments, adherence to scheme guidelines, realisation of beneficiaries' contribution, *etc.* were analysed using the available data.

After completion of the review, an exit conference was held (August 2007) with the Secretary, Agriculture Department and the DoH for discussion of the Audit findings. The replies and views of the State Government where received have been incorporated in the review at appropriate places.

Audit Findings

3.1.7 Planning

Planning for implementation of various horticulture schemes in the State is formulated by the DoH on the basis of feed back received from the DHOs. The State Plan schemes and the NEC sponsored schemes are approved by the State Government and the schemes under TM are approved by the SLSC. The beneficiaries under the schemes are selected by the field officers in consultation with the villagers.

3.1.8 Funding Pattern

Provision for the State Plan schemes as well as NEC funded schemes is made in the State budget. For implementation of the NEC sponsored schemes, funds are released by the NEC to the State Government, which in turn releases them to the implementing agencies.

For the schemes under TM, funds released by the Government of India (GOI) are routed through Small Farmers' Agri-Business Consortium (SFAC) for further release to State level SFAC. The State level SFAC releases funds to the DHOs on the direction of the DoH. Separate bank accounts are to be maintained for funds relating to TM at district level.

3.1.9 Financial Management

Funds released by the Central and State Governments and the NEC during 2002-07 for implementation of various horticulture development schemes in the State, expenditure incurred and unutilised funds were as under:

Table 3.1: State Plan Schemes

(Rupees in crore)

Year	Allotment			Expenditure			Savings		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
2002-03	4.92	4.19	9.11	4.80	3.80	8.60	0.12	0.39	0.51
2003-04	5.61	5.16	10.77	5.54	4.85	10.39	0.07	0.31	0.38
2004-05	6.65	5.37	12.02	6.56	5.13	11.69	0.09	0.23	0.32
2005-06	6.52	5.72	12.24	6.41	5.39	11.80	0.11	0.33	0.44
2006-07	8.98	6.02	15.00	8.20	5.95	14.15	0.78	0.08	0.86
Total	**32.68**	**26.46**	**59.14**	**31.51**	**25.12**	**56.63**	**1.17**	**1.34**	**2.51**

Source: Information furnished by the DoH.

Table 3.2: NEC Sponsored Schemes

(Rupees in crore)

Year	Opening balance	Funds released by the NEC	Total	Funds released by the State Government	Shortfall in release of funds by State Government
2002-03	...	0.12	0.12	...	0.12
2003-04	0.12	2.01	2.13	0.78	1.35
2004-05	1.35	0.75	2.10	2.10	...
2005-06	...	0.20	0.20	0.20	...
2006-07	...	2.50	2.50	...	2.50
Total		**5.58**		**3.08**	

Source: Information furnished by the DoH.

Table 3.3: Schemes under Technology Mission

(Rupees in crore)

Year	Opening balance	Funds received by the DoH from GOI	Total	Fund released to the DHOs	Undis-bursed balance with the DoH (*Per cent*)
2002-03	2.23	7.76	9.99	2.87	7.12 (71)
2003-04	7.12	8.50	15.62	9.00	6.62 (42)
2004-05	6.62	13.96	20.58	16.60	3.98 (19)
2005-06	3.98	17.00	20.98	17.04	3.94 (19)
2006-07	3.94	20.19	24.13	16.98	7.15 (30)
Total		**67.41**		**62.49**	

Source: Information furnished by the DoH.

Year-wise expenditure incurred against the funds allocated in respect of NEC sponsored schemes and TM schemes were not furnished by the Department.

Availability of adequate funds was not a constraint to the scheme. There were deficiencies in financial management leading to shortfall in release of available funds. There were also instances of recurring losses on implementation of the State Plan Schemes, blocking of funds, extra expenditure on area expansion, *etc.* as would be evidenced from the observations in the succeeding paragraphs.

3.1.10 Financial Management

3.1.10.1 Delay in release of central funds and non-utilisation of available funds

According to the operational guidelines for implementation of the schemes under TM, the Secretary Horticulture/Director, Horticulture/Nodal officer of the State must ensure that funds are released immediately to the districts as soon as these are received from GOI.

Out of Rs.69.64 crore (including opening balance of Rs.2.23 crore) released by the GOI to the DoH during 2002-07, Rs.62.49 crore was released to the DHOs (district level implementing agencies) and the balance Rs.7.15 crore remained undisbursed with the DoH till March 2007. The undisbursed funds with the DoH during 2002-07 ranged between 19 and 71 *per cent*.

Out of Rs.62.49 crore, Rs.29.15 crore was released to the DHOs of three test-checked districts (East Khasi Hills: Rs.9.56 crore; East Garo Hills: Rs.11.60 crore; West Garo Hills: Rs.7.99 crore). Of this, Rs.8.45 crore was lying unutilised with the DHOs of these districts. Records of Ri-Bhoi District were not produced to Audit. Taking into account the unutilised balance (Rs.1.06 crore) with these three DHOs at the beginning of the year 2002-03, the total unutilised funds available with them worked out to Rs.9.52 crore, year-wise position of which is given below:

Table 3.4

(Rupees in lakh)

Year	Opening balance	Funds received by the DHO from the DoH	Total funds available	Expenditure incurred by the DHOs	Unutilised funds with the DHO (*Per cent*)
I. EAST KHASI HILLS DISTRICT					
2002-03	38.20	82.59	120.79	30.00	90.79 (75)
2003-04	90.79	27.18	117.97	78.06	39.91 (34)
2004-05	39.91	172.88	212.79	171.14	41.65 (20)
2005-06	41.65	204.47	246.12	227.48	18.64 (8)
2006-07	18.64	468.95	487.59	123.02	364.57 (75)
Total		**956.07**		**629.70**	
II. WEST GARO HILLS DISTRICT					
2002-03	43.55	55.63	99.18	52.89	46.29 (47)
2003-04	46.29	68.77	115.06	52.83	62.23 (54)
2004-05	62.23	238.19	300.42	146.00	154.42 (51)
2005-06	154.42	192.93	347.35	152.93	194.42 (56)
2006-07	194.42	243.13	437.55	171.65	265.90 (61)
Total		**798.65**		**576.30**	
III. EAST GARO HILLS DISTRICT					
2002-03	24.57	36.57	61.14	3.79	57.35 (94)
2003-04	57.35	63.08	120.43	36.29	84.14 (70)
2004-05	84.14	353.59	437.73	181.51	256.22 (59)
2005-06	256.22	247.02	503.24	291.96	211.28 (42)
2006-07	211.28	459.63	670.91	349.56	321.35 (48)
Total		**1,159.89**		**863.11**	
Grand Total (I + II + III)	**106.32**	**2,914.61**	**3020.93**	**2069.11**	**951.82**

Source: Information furnished by the DoH.

As can be seen from the table above, there were huge unutilised funds year after year indicating the inability of the implementing agencies in utilising even the funds that were released by the DoH.

Thus, the DHOs of the three test-checked districts could not utilise 8 to 94 *per cent* of the funds released by the DoH. Failure in timely utilisation of available funds not only led to locking up of Rs.16.67 crore but also reflected ineffective implementation of the scheme. The DoH stated (October 2007) that the unutilised funds were due to non-completion of approved schemes. Reasons for failure to complete the approved schemes had not been stated.

3.1.10.2 Incorrect reporting about utilisation of funds

According to the utilisation certificate furnished to the Project Co-ordinator, SFAC by the DoH, out of Rs.67.41 crore received during 2002-07 for implementation of the TM schemes, Rs.62.12 crore was utilised in full till March 2007. Position given in Table 3.3 above, however, shows that out of Rs.67.41 crore received by the DoH from the GOI during 2002-07, Rs.62.49 crore was released to the DHOs leaving Rs.4.92 crore unutilised as of 31 March 2007 (excluding opening balance of Rs.2.23 crore). Besides, there was unutilised funds of Rs.8.45 crore (excluding opening balance) with the DHOs of three test-checked districts as of March 2007 (sub-paragraph 3.1.10.1 above). The position of funds utilised by the DHOs of other four districts (West Khasi Hills, Jaintia Hills, Ri-Bhoi and South Garo Hills) out of Rs.33.34 crore released to them during 2002-07, though called for (January 2008) from the DoH, had not been furnished. Even taking into consideration that the entire funds released to these four districts were utilised, the utilisation of funds out of Rs.67.41 crore received during 2002-07 worked out to Rs.54.04 crore[2].

Thus, the report on utilisation of funds furnished to the SFAC did not depict the actual state of affairs.

3.1.10.3 Irregular Parking of Central Funds

Funds released by the GOI/NEC for implementation of various horticulture development schemes were either kept in civil deposit or in bank account. The details are discussed below:

- The MOA released (March 2006) grants-in-aid of Rs.4.71 lakh to the State Government for implementation of National Project on Organic Farming. In contravention of GOI guidelines for immediate release of funds to districts/departments, the State Government released the funds to the DoH after a delay of one year in March 2007. Similarly, Rs.49.50 lakh released by the NEC in July 2006 for Strawberry Cultivation in Meghalaya was sanctioned (February 2007) by the State Government to the DoH after a gap of seven months.

[2] {Rs.67.41 crore – (Rs.4.92 crore + Rs.8.45 crore)}.

Both the above amounts were initially kept (March 2007) in "8443 Civil Deposit" by the DoH and withdrawn in May 2007 for implementation of the schemes. This is in violation of the State Treasury Rules, 1985, which prohibit drawal of money in anticipation of demand or to prevent lapse of budget grants.

The reason for parking of these funds in Civil Deposit was not on record.

While accepting the delay, the Deputy Secretary of the Department stated (February 2008) that "the delay in release of funds was unavoidable as the financial system had to go through different channels". The fact remains that such inordinate delay in release of funds led to delay in implementation of the schemes.

- Unspent balance of Rs.4.28 lakh under different completed Central Sector Schemes was lying unutilised in the current account maintained by the DoH with the bank for last five to seven years[3].

3.1.10.4 Non-maintenance of Basic Records

The Managing Director of the State SFAC and the DHO of East Garo Hills, Williamnagar did not maintain cash book for the financial transactions under the TM schemes since April 2006. The DHO, Ri-Bhoi did not produce cash book and supporting records for TM schemes and NEC sponsored schemes for the years 2002-03 to 2006-07, although Rs.13.82 crore was transferred to him by the DoH for implementation of these schemes (TM: Rs.12.28 crore; NEC: Rs.1.54 crore). In the absence of such vital records, the veracity of financial transactions of the Managing Director/DHOs could not be ascertained in audit.

During exit conference (August 2007), the Secretary of the Department stated that the concerned drawing and disbursing officers would be instructed to complete the cash books.

3.1.11 Implementation

During 2002-07, the Department implemented 30 State Plan schemes for development of horticulture (Rs.29.79 crore). Details of these schemes along with the year-wise allocation are given in **Appendix 3.1**. Besides, 11 schemes under TM (Rs.62.49 crore), two NEC funded schemes[4] (Rs.3.08 crore) and two Central Sector Schemes[5] (Rs.47.85 lakh) were also implemented during the period.

For the State Plan schemes, targets in terms of production per unit, number of units to be set up or number of beneficiaries to be covered were not fixed. No record of physical achievement under various schemes was maintained by the

[3] Vegetable Development Scheme: Rs.0.02 lakh since 1999-2000; Spices Development Scheme: Rs.0.63 lakh since 2000-01; Tropical Arid Zone: Rs.1.85 lakh since 2000-01; Phytosanitary: Rs.1.63 lakh since 2001-02; Tea Nursery under Tea Board: Rs.0.15 lakh since 2001-02.

[4] Citrus Rejuvenation of Orange Mandarin Project and Strawberry Cultivation Scheme.

[5] Phytosanitary Certificate Issuing Centre and Tea Nurseries.

Department. Hence, Audit was unable to conclude whether the State derived any benefit from implementation of these schemes.

In case of schemes under TM, Rs.62.49 crore received from the GOI during 2002-07 were released to the districts as per approved targets. But consolidated records of achievement *vis-à-vis* targets were not available with the State SFAC. However, information received from the four test-checked districts showed that during 2002-07, shortfall in achievement of targets under various schemes ranged between 5 *per cent* and 100 *per cent* (details in **Appendix 3.2**). Thus, the State was unable to derive full benefit under TM.

Irregularities noticed in the implementation of various schemes are discussed in the succeeding paragraphs.

3.1.12 State Plan Schemes

3.1.12.1 Loss on Running and Maintenance of Fruit Processing Centres and Orchard cum Horticulture Nurseries

Under the State Plan schemes, two fruit preservation/processing centres were set up in Shillong (1954-55) and Dainadubi (1964-65) for generating employment by imparting training and demonstration on fruit processing to unemployed youth and housewives. Besides, nine orchard cum horticulture nurseries were also set up (actual date not available) in the State for production and sale of new improved varieties of planting material and for imparting demonstration and training to the farmers for raising quality seedlings.

An analysis of the receipts (sale proceeds) and expenditure (running and maintenance) of these fruit preservation/processing centres and nurseries showed that the expenditure of Rs.2.44 crore incurred on running and maintenance of these centres during the five year period ending 31 March 2007 was far in excess of the revenue receipts (Rs.97 lakh), resulting in loss of Rs.1.47 crore. As regards nine orchard cum horticulture nurseries in four test-checked districts, in one nursery at Samgong, the receipts exceeded the expenditure during two out of five years. However, there was an overall loss of Rs.0.44 lakh during the five year period. In the nursery at Dewlieh the total loss during 2002-07 was Rs.11.81 lakh despite a profit of Rs.3.73 lakh during 2005-06. In all other nurseries, there was loss in all the years. The total loss of all the nine nurseries was Rs.1.40 crore during the period under review. Year-wise position is given in **Appendix 3.3**.

The DoH stated (May 2007) that the difference between the expenditure and revenue was due to procurement of packing material from outside the State involving high cost of transportation and handling and fixation of rate for finished product more or less at par with other fruit processing factories in the country. The fact remains that two processing centres were running on losses and thus, not economically viable. Reasons for incurring losses in running the nurseries had not been stated (November 2007).

3.1.12.2 Blocking of funds due to failure in Establishment of Horticulture Nursery

In March 1998, the State Government sanctioned Rs.30 lakh for establishment of a large sized horticulture nursery at Moirang. Of this, Rs.28 lakh was earmarked for acquisition of land and the balance amount of Rs.2 lakh was meant for cost of boundary demarcation, erecting pillars, *etc.* on the proposed land. The Department paid (May 1998) Rs.28 lakh to the Deputy Commissioner, Ri-Bhoi, Nongpoh for acquisition of the required land.

According to the DoH (May 2007), the proposed land which was selected after conducting proper survey could not be acquired due to non-availability of assured water sources. The Department also did not take any effective step to identify an alternative site required for setting up the nursery. Consequently, the nursery could not be set up resulting in blocking of Rs.30 lakh for over nine years (1998-07). The amount of Rs.30 lakh has been lying in bank accounts of DC (Rs.28 lakh) and DoH (Rs.2 lakh).

3.1.12.3 Loss due to Non-realisation of Sale Proceeds

Under different State Plan Schemes[6], agricultural inputs were procured by the DHOs for sale to beneficiaries at subsidised rates. The sale proceeds were to be deposited into the Treasury through *challans*. But sale proceeds of Rs.22.84 lakh for the years 2002-07 were not realised from the beneficiaries by the DHOs of West Garo Hills (Rs.15.28 lakh) and East Garo Hills (Rs.7.56 lakh) resulting in a loss of Rs.22.84 lakh to the Government. Reasons for non-realisation of the sale proceeds as well as action taken for realisation of the same were not on record.

3.1.13 Technology Mission Schemes

The Centrally Sponsored Technology Mission *inter alia* aims at increasing the quantum of production and productivity of horticulture crops[7] in the region. The major objective of the mission is to increase production through area expansion under various horticulture crops. The supporting activities such as drip irrigation, greenhouses, *etc.* also form part of the mission.

Audit scrutiny revealed the following irregularities in the implementation of the TM schemes:

3.1.13.1 Selection of Beneficiaries

For effective monitoring and implementation of TM schemes, a Coordination Committee was required to be constituted in each district under the chairmanship of the District Collector and District Horticulture Officer as

[6] Tuber Crop Development, General Horticulture Development, Vegetable Development, Agricultural Marketing Development, Plant Protection Development, Spices Development and Tea Package Scheme.

[7] Fruits, vegetables, root and tuber crops, spices, cashew nut, medicinal plants, aromatic plants and floriculture.

Member Secretary. No such committee was formed in the three test-checked districts (East Khasi Hills, West Garo Hills and East Garo Hills). Beneficiaries were selected in consultation with the Village Council. The DHO, Ri-Bhoi did not furnish any information (May 2007) regarding constitution of the committee.

During exit conference (August 2007), the Secretary of the Department admitted the fact, but gave no reason for non-formation of the committee.

3.1.13.2 Extra Expenditure on Area Expansion

According to the guidelines for TM schemes, individual or group of farmers and self help groups were entitled to 50 *per cent* financial assistance towards the cost of area expansion for 'Vegetables' at one unit measuring one hectare of land and for 'Floriculture', at one unit measuring 0.2 hectare land subject to a maximum of Rs.13,000.

For area expansion of anthurium (floriculture) in 35 units (17.3 acres) of land, the DHO, East Garo Hills District incurred (2005-06) an expenditure of Rs.51.66 lakh on procurement of planting material (Rs.38.50 lakh), coco peat (Rs.4.41 lakh) and on payment of cash assistance to 35 farmers (Rs.8.75 lakh). In addition to cash assistance, planting material and coco peat were also issued to these farmers. As per prescribed norm, the maximum permissible expenditure for area expansion of 35 units was Rs.4.55 lakh. Reasons for incurring additional expenditure of Rs.47.11 lakh were not on record.

During 2005-06, the DHO, East Garo Hills targeted 150 units for area expansion of vegetables (coloured capsicum). Instead of providing assistance to the farmers for area expansion of the targeted units, the DHO executed the work through a private contractor at a cost of Rs.19.50 lakh. Had the assistance been given to the farmers, the expenditure could have been restricted to Rs.9.75 lakh (50 *per cent* of the total cost). Reasons for such unauthorised action were not on record.

3.1.13.3 Avoidable Expenditure

For implementation of the scheme 'Area Expansion on Cashew nut', the DHOs of three test-checked districts (East Garo Hills, West Garo Hills and East Khasi Hills) procured 63,995 cashew grafts at a cost of Rs.21.02 lakh from private suppliers at the rates of Rs.32 and Rs.36 per graft (June 2004 – December 2005).

According to the DoH, the cashew grafts were purchased from the local suppliers approved by him. But the prescribed rate for cashew graft during the period of purchase was neither on record nor stated by the DoH. However, in January 2007, the DoH fixed a rate of Rs.12 for each cashew graft from departmental nurseries. Even taking into account this rate, the DHOs incurred an extra expenditure of Rs.13.34 lakh on procurement of cashew grafts, as detailed below:

Table 3.5

District	Month and year of procurement	Quantity procured	Rate per cashew graft	Amount paid	Amount at the rate of Rs.12 per cashew graft	Extra expenditure
		(in number)	(in rupees)	(Rupees in lakh)		
East Garo Hills	June 2004 and February 2005	10,999	32.00	3.52	1.32	2.20
West Garo Hills	June 2004	5,310	36.00	1.91	0.64	1.27
	June, July and December 2005	39,200	32.00	12.54	4.70	7.84
East Khasi Hills	June and August 2004 and July 2005	8,446	36.00	3.04	1.01	2.03
Total				21.01	7.67	13.34

Source: Stock Register, Supply Orders and Suppliers' Bills.

3.1.13.4 Drip Irrigation – Extra Expenditure

Drip irrigation is a technology for providing irrigation to plants through network of pipes. It includes emitting water by micro sprinklers, mini sprinklers, micro jets, *etc*. Guidelines for implementation of TM schemes issued by the MOA provide for assistance to the farmers at 50 *per cent* of the cost with a maximum ceiling of Rs.28,500 per hectare.

It was noticed that instead of providing assistance to the farmers, the DHOs of East Khasi Hills, West Garo Hills and East Garo Hills districts procured (2002-06 to 2005-06) 373 drip irrigation sets at a cost of Rs.1.06 crore (East Khasi Hills: 81 sets: Rs.23.08 lakh; West Garo Hills: 37 sets: Rs.10.55 lakh; East Garo Hills: 255 sets: Rs.72.68 lakh) and distributed the sets to the farmers. As per prescribed norm, 50 *per cent* (Rs.53.15 lakh) of the cost of these sets was to be paid to the farmers as assistance. But due to procurement of these sets by the DHOs themselves, the Department had to incur additional expenditure of Rs.53.15 lakh.

The DHO, West Garo Hills stated (May 2007) that since the majority of the farmers were small land holders, they were unable to contribute their share. The DHO, East Khasi Hills stated (June 2007) that the majority of the farmers were small and marginal. Replies are not tenable because the action of the DHOs was contrary to the instructions of the GOI and thus, arbitrary. Reply from the DHO, East Garo Hills had not been received (November 2007).

3.1.13.5 Greenhouse - Excess Assistance to the Farmers

Greenhouse technology is used for providing favourable growth conditions to the plants inside fabricated structures with ultra violet stabilized cladding material. It is used to protect the plants from adverse climatic conditions. Guidelines of TM schemes provide for financial assistance to the farmers for greenhouse (other than flowers) at the rate of 40 *per cent* of cost of Rs.200 per sqm area or Rs.40,000 whichever is lower for a maximum area of 500 sqm. In case of greenhouse for flowers with facility for fogging, temperature control, *etc.*, the rate of assistance shall be limited to Rs.1.50 lakh for 500 sqm.

It was noticed that during 2005-06, for an area of 20,250 sqm, the DHO, East Garo Hills incurred an expenditure of Rs.65.81 lakh for greenhouses for vegetables (coloured capsicum). As per prescribed norm, expenditure of Rs.16.20 lakh was permissible for the area covered for greenhouse for vegetables. Thus, the DHO incurred an expenditure of Rs.49.61 lakh in excess of the permissible limit.

3.1.13.6 Locking up of Central Funds

Under the TM scheme, the GOI released (2001-07) Rs.2.18 crore for setting up two integrated mushroom units (Rs.1 crore in 2001-03), one bio-control laboratory (Rs.80 lakh in 2002-03), one disease forecast unit (Rs.8 lakh in 2002-03), four centres for certification of organic farming (Rs.20 lakh in 2002-03 and 2004-05) and one technical support unit (Rs.10 lakh in 2005-06). Of this, only Rs.14.85 lakh was utilised (August 2006) by the Managing Director of the State SFAC through the Executive Engineer (Irrigation), East Khasi Hills for civil works of one integrated mushroom unit and the balance amount was lying unutilised in his bank account. Reasons for not setting up the units/centres despite availability of funds were not on record. Failure to utilise the available funds not only showed the apathy of the Department in setting up the units/centres but also resulted in locking up of Rs.2.03 crore.

3.1.14 Schemes Sponsored by the NEC

3.1.14.1 Extra Expenditure on Implementation of Citrus Rejuvenation of Orange Mandarin Project

To protect the orange plantation created by the people and to maintain sustainable production and productivity, the project for rejuvenation and development of orange plantation in the Jaintia Hills, East Khasi Hills and West Garo Hills districts was included under the NEC Plan. According to the project report, 1,000 hectares of forest garden was targeted for rejuvenation at the rate of Rs.25,000 per hectare. The NEC approved the project (March 2003) at an estimated cost of Rs.3.35 crore and released Rs.1.73 crore in three instalments (March and September 2003 and July 2004) to the Department for implementation of the project. Of Rs.1.73 crore, the DoH released Rs.1.08 crore to the DHOs of East Khasi Hills District (Rs.0.36 crore), Jaintia Hills District (Rs.0.44 crore) and West Garo Hills district (Rs.0.28 crore).

The amount of Rs.25,000 earmarked for rejuvenation was considered (May 2004) very high by the DoH and therefore, it was decided to reduce the amount to Rs.12,500 per hectare for rejuvenation of orange plantation. Though the decision was conveyed by the DoH to all the DHOs in May 2004, the DHOs incurred expenditure of Rs.1.08 crore during 2004-05 and 2005-06 for rejuvenation of 434 hectares of orange plantation area in East Khasi Hills (145 hectare: Rs.36 lakh), Jaintia Hills (175 hectare: Rs.44 lakh) and West

Garo Hills (114 hectare: Rs.28 lakh) in violation of norms which resulted in an extra expenditure of Rs.53.75 lakh.

Reasons for violating the instructions of the DoH by the DHOs were not on record.

3.1.14.2 Central Sector Scheme – Idle Investment and Locking up of Funds

In 2000-01, the MOA sanctioned Rs.9.48 lakh to set up a Phytosanitary Certificate Issuing Centre for inspection, fumigation and disinfection of exportable agricultural and horticultural produce. The State Government released the amount to the DoH in March 2001, which spent Rs.7.85 lakh on procurement of furniture, equipment and on other contingencies. But the centre could not be established due to non-availability of required accommodation. Consequently, the furniture, equipment, *etc.* were lying unutilised with the DoH. The balance amount of Rs.1.63 lakh was kept in the bank account of the DoH. Despite failure in establishment of the centre, the MOA released further grant of Rs.6.62 lakh to the State Government for strengthening the offices of Phytosanitary Certificates Issuing Authorities, which was retained in the Government account.

Thus, despite availability of funds, the DoH failed to establish the proposed centre during the six-year period which resulted in idle investment of Rs.7.85 lakh and locking up of Rs.8.25 lakh, besides frustrating the objective of setting up the Centre.

3.1.15 Monitoring and Evaluation

The existence of an effective monitoring system is a pre-requisite for smooth functioning of a scheme. For the TM Schemes, the SLSC was responsible at State level for implementation and monitoring. It was observed that the Department had virtually no monitoring system in respect of the horticulture development schemes. There was no prescribed procedure for submission of periodic reports to higher authorities and to oversee the performance of the district level officers as well as the activities of the beneficiaries in the State. None of the schemes had ever been evaluated either at the Directorate level or District level. Thus, the overall impact of the schemes remained largely unassessed.

3.1.16 Conclusion

The Director of Agriculture and the District Horticulture Officers failed to utilise the available funds under the Centrally Sponsored Technology Mission scheme. Fruit processing/preservation centres and orchard cum horticulture nurseries set up under the State Plan Scheme had been incurring losses consistently. There were cases of extra expenditure due to procurement and distribution of drip irrigation sets and area expansion through contractors instead of providing financial assistance to the farmers and also due to adoption of improper rate in the project report. The schemes were not monitored and the impact of implementation of the scheme was not evaluated. The objectives of the scheme, thus remained largely unachieved.

3.1.17 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:

- **Proper utilisation of funds with reference to objectives of the scheme should be ensured by the State Government.**
- **Appropriate action should be taken to increase the revenue of the fruit preservation centres and nurseries so that they are self sustaining in the long run.**
- **For the State Plan Schemes, targets in terms of production per unit, number of units to be set up and number of beneficiaries to be covered should be fixed and achievement of the targets should be monitored on a regular basis.**
- **Timely financial assistance should be provided to the farmers as per the prescribed norms of the Technology Mission Scheme.**
- **The Department should devise an appropriate monitoring and evaluation system to oversee the implementation of the schemes at various levels and take necessary timely corrective action.**

The matter was reported to the Government in July 2007; reply had not been received (February 2008).

EDUCATION DEPARTMENT

3.2 Nutritional Support to Primary Education

Highlights

The scheme, commonly known as Mid-Day Meal Scheme, was launched by the Government of India with the intention to boost the universalisation of primary education by increasing enrolment, retention and attendance in schools and simultaneously improving the nutritional level of students in primary classes. Review of implementation of the scheme revealed non-conducting of survey to assess the number of children enrolled in primary classes and absence of records relating to verification of the quality of foodgrains. Evaluation of the scheme as a whole was also not done and as such, the impact of the scheme remained unassessed.

- **The Director of Elementary and Mass Education failed to disburse 50 to 100 *per cent* of funds available during 2002-07 indicating ineffective implementation of the scheme.**

(Paragraph 3.2.10.2)

- **The primary school children of the State were deprived of the benefit of cooked meal due to non-release of Central funds of Rs.6.59 crore during 2006-07.**

(Paragraph 3.2.10.4)

- **Lifting of foodgrains allocated by the GOI for the enrolled children reported by the State Government without any basis, resulted in an additional subsidy burden of Rs.3.86 crore on the GOI.**

(Paragraph 3.2.11.1)

- **The Deputy Commissioners of East Khasi Hills and West Garo Hills extended undue financial benefit of Rs.56 lakh to the whole-salers due to payment for transportation cost of foodgrains which were lifted by the school authorities.**

(Paragraph 3.2.11.2)

- **During 2002-07, the primary school children of the State were deprived of the intended benefits of the scheme because of failure in distribution of cooked meal in most of the school days.**

(Paragraph 3.2.11.3)

> ➢ **A large number of primary schools in the State were not provided with infrastructural facilities like kitchen-cum-store, drinking water, *etc.* required for the supply of cooked mid-day meals.**

(Paragraph 3.2.11.6)

3.2.1 Introduction

Union Ministry of Human Resource Development (MHRD) launched (August 1995) the Centrally Sponsored Scheme "Nutritional support to Primary Education" (commonly known as the Mid-Day Meal Scheme) with the intention to boost the universalisation of primary education by increasing enrolment, retention and attendance in schools and simultaneously improving the nutritional level of students in primary classes.

The programme initially focussed on children at the primary stage (class I to V) in Government, local bodies and Government aided schools. In October 2002, it was extended to cover children studying in the Education Guarantee Scheme (EGS) and Alternative and Innovative Education (AIE) Centres. Central support was provided by way of supply of free foodgrains through the Food Corporation of India (FCI) at the rate of 100 grams per child per school day where cooked meals were served and at the rate of 3 kg per student per month where foodgrains were distributed.

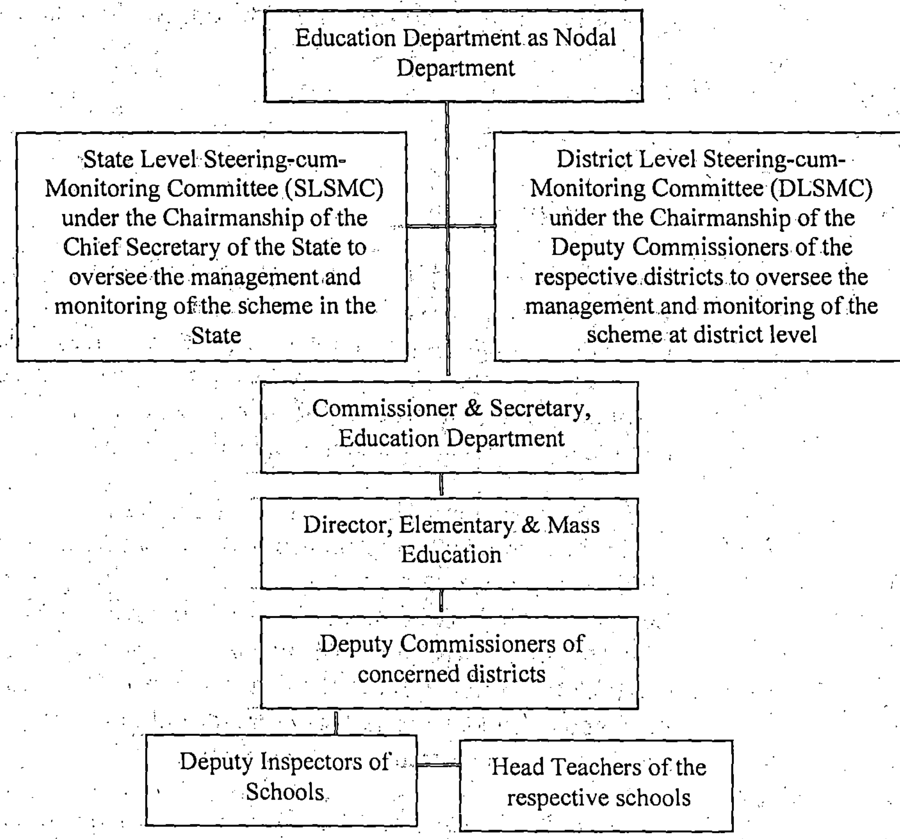
In December 2004, the MHRD issued revised guidelines which emphasised provision of cooked meals with minimum 300 calories and 8-12 grams of protein content. There was special focus on enrolment, retention, attendance, *etc.* of children belonging to disadvantaged sections. Assistance for management, monitoring and evaluation (MME) was also provided. The scheme was further revised in September 2006 in order to increase the nutritional value of cooked meal to 450 calories with 12 grams of protein content and simultaneously providing for essential micronutrients and de-worming medicines.

In Meghalaya, the scheme was introduced in 1995 and cooked meals are being provided since 2002-03 covering children up to class IV.

3.2.2 Organisational Set Up

Organisational structure for implementation of the scheme in the State is detailed below:

Chart 3.2



3.2.3 *Scope of Audit*

Performance review of the scheme covering the period 2002-03 to 2006-07 was conducted (July-September 2007) through a test-check of the records of the Commissioner and Secretary of the Department, Director of Elementary and Mass Education (DEME), Deputy Inspector of Schools (DIS) of six (out of seven) districts[1] and Food Corporation of India (FCI) covering 94 *per cent* (Rs.17.90 crore) of the total amount disbursed to the implementing agency during 2002-07 (Rs.19.08 crore). In each selected district, 14 primary schools (Rural 10; Urban 4) and six EGS/AIE centres (Rural 4: Urban 2) were selected. Results of the review are discussed in the succeeding paragraphs.

[1] East Khasi Hills (capital district), West Khasi Hills, Ribhoi, Jaintia Hills, West Garo Hills and East Garo Hills.

3.2.4 Audit Objectives

Audit objectives were to assess whether:

- house hold survey was carried out to identify beneficiaries/children;
- annual work plans were drawn up efficiently to achieve the objectives of the programme;
- objective of universalisation of primary education was achieved by improving enrolment, attendance and retention of children in general at the primary level and in particular, to those belonging to disadvantaged sections;
- there was nutritional improvement of the children in primary classes;
- the State Government's contribution as well as the Central funds were released on time to the implementing agencies; and,
- efficient reporting, inspection and monitoring system existed.

3.2.5 Audit Criteria

The following audit criteria were used in the performance audit:

- Guidelines issued by the GOI;
- House hold survey report;
- Annual work plans and State budget; and,
- Prescribed monitoring mechanism.

3.2.6 Audit Methodology

During the course of the performance review of the scheme an entry conference was held (September 2007) with the DEME in which the audit objectives, scope, criteria and methodology were explained. For the performance review, districts and schools were selected on the basis of simple random sampling. Annual work plans, identification of children, sanctions, release orders, distribution of foodgrains to schools, *etc.* were analysed in the course of review using the available data. Audit findings were discussed with the Commissioner and Secretary of the Department (October 2007) in an exit conference. But para-wise replies to the observations made in the review were not furnished during discussion.

Audit Findings

3.2.7 Planning

To facilitate the operation of the scheme, the State Government was to furnish an annual plan to the GOI indicating *inter alia* the number of primary schools in the blocks/areas, number of children enrolled in primary classes of these schools, the number of school days, the quantity of foodgrains required per school, *etc.* However, no survey was conducted by the Department to ascertain the details of children enrolled in schools. Consequently, no target was fixed for increase in enrolment and reduction in the rate of dropouts within a specific time frame. The enrolment figures projected in the Annual Working Plan (AWP) for the year 2006-07 (AWP was not prepared for the years 2002-06) also suffered from inconsistencies. In respect of three test-checked districts, projected enrolment figures for the year 2006-07 (3,42,555) in AWP were different from those reported (2,81,829) by the DIS/DCs to the DEME.

3.2.8 Funding Pattern

Central assistance is provided to the State by way of (i) free supply of foodgrains from the nearest godown of FCI at the rate of 100 grams of wheat/rice per student per school day, (ii) subsidy for transport of foodgrains from the nearest FCI Depot to the primary school subject to a maximum of Rs.50 per quintal, revised to Rs.100 per quintal for Special Category States (SCS) from October 2004. The cost of transportation is reimbursed by the GOI to the District Rural Development Agencies (DRDAs). Prior to 2004-05, cost of cooking (including ingredients such as pulses, vegetables, cooking oil, condiments, cost of fuel and wages payable to the cooking agency) was being met by the States. In the revised scheme (September 2004), cooking cost at the rate of Re.1 per child per school day is provided as Central assistance in addition to 15 *per cent* of Additional Central Assistance (ACA) provided under the Pradhan Mantri Gramodaya Yojana (PMGY) during 2004-05. When the scheme was again revised in June 2006, assistance to the SCS was enhanced to Rs.1.80 (provided these States contributed a minimum of 20 paise) with provision of assistance for construction of kitchen-cum-store up to a maximum of Rs.60,000 per unit per school and replacement of kitchen implements at an overall average cost of Rs.5,000 per school.

Besides, assistance for MME at a minimum rate of 0.9 *per cent* of the total assistance on foodgrains, transportation cost and cooking cost was provided from 2004-05. From 2005-06, this was increased to a minimum of 1.8 *per cent* of such assistance.

3.2.9 Financial Management

3.2.9.1 Budget and Expenditure

The details of funds released by the Union and State Governments and disbursement thereagainst during 2002-07 are given below:

Table 3.6

(Rupees in crore)

Year	Components	Funds released by the GOI to the State Govern-ment	Opening balance with the DEME	Funds released by State Government to the DEME			Funds disbursed by the DEME to the DIS	Unspent balance with the DEME (*Per cent*)
				Central funds	State's share	Total		
2002-03	Cooking cost	…	1.39	…	1.35	2.74	1.37	1.37 (50)
2003-04		…	1.37	…	1.07	2.44	1.37	1.07 (78)
2004-05		5.44	1.07	5.44	1.35	7.86	…	7.86 (100)
2005-06	Cooking cost MME	6.88 0.20	7.86	6.88 0.12	1.35	16.21	7.53	8.68 (54)
2006-07	Cooking cost MME Replacement of cooking utensils	6.60 0.27 0.72	8.68	7.67[2]	2.11	18.46	8.81	9.65 (52)
	Total	**20.11**		**20.11**	**7.23**		**19.08**	

Source: Sanction letters of GOI and State Government and Cash Books.

In addition, the GOI released during 2002-07 Rs.1.83 crore to the DRDAs as reimbursement of transportation cost of foodgrains.

3.2.9.2 Inadequate Budget Provision

According to the guidelines of the revised scheme issued by the GOI in 2004, the State Government was to make adequate provision in the annual budget in anticipation of actual flow of Central assistance for the scheme. But adequate provision was not made in the annual budget prepared by the State Government for the years 2005-07 indicating lack of planning in implementation of the scheme. The details are as under:

Table 3.7

Year	Enrolment of children	Cooking cost as per norm	Budget provision (Original)	Shortfall (*Per cent*)
	(in numbers)	(Rupees in crore)		
2005-06	5,97,555	10.04[3]	1.35	8.69 (87)
2006-07	6,27,596	21.09[4]	1.50	19.59 (93)

Source: Information furnished to the GOI by the State Government, guidelines and Detailed Appropriation Accounts.

(2) Included Central funds of Rs.7.90 lakh carried over from 2005-06.
(3) 5,97,555 x 0.8 x Re.1 x 210 days: Rs.10.04 crore
(4) 6,27,596 x 0.8 x Rs.2 x 210 days: Rs.21.09 crore

3.2.10 *Financial Irregularities*

3.2.10.1 *Delay in Release of Central and State Funds*

Funds received by the State Government from the GOI were released to the DEME after a delay of one to six months, as detailed below:

Table 3.8

(Rupees in crore)

Year	Amount released by the GOI	Month and year of release	Amount released by the State Government	Month and year of release	Delay (in months)
2004-05	5.44	February 2005	5.44	March 2005	1
2005-06	6.88	September 2005	6.88	March 2006	6
	0.12	December 2005	0.12	March 2006	3
2006-07	7.32 (6.60 + 0.72)	November 2006	7.32	March 2007	4
	0.08	March 2006 (re-validated in November 2006)	0.08	March 2007	4
	0.27	November 2006	0.27	March 2007	4

Source: Sanction letters and Cash Books.

During 2002-07, State's share of funds was also released during March of the respective year. Release of funds at the fag end of the years, however, left the DEME with little time to disburse the amount to the DISs within the financial year.

3.2.10.2 *Undisbursed Funds*

Out of the available funds of Rs.28.73 crore during 2002-07, Rs.9.65 crore remained undisbursed with the DEME. The undisbursed amount with the DEME during the period ranged from 50 to 100 *per cent.* During 2004-05, though the entire amount of Rs.6.79 crore (excluding opening balance) was drawn by the DEME in March 2005, these were released to the DISs after a delay of three months in July 2005.

3.2.10.3 *Withdrawal of Funds to avoid lapse of Budget Grants*

Funds amounting to Rs.19.48 crore released by the State Government at the fag end of the years 2002-03 (Rs.1.35 crore), 2005-06 (Rs.8.35 crore out of Rs.16.21 crore) and 2006-07 (Rs.9.78 crore out of Rs.18.46 crore) were initially kept in "8443 Civil Deposit" during March of each year and withdrawn during the subsequent year for utilisation. This was contrary to the State Treasury Rules, 1985, which prohibits drawal of money in anticipation of demand or to prevent lapse of budget grants.

Further, the DEME even after drawal of funds retained the funds for 89 days to 462 days before disbursement to the respective DIS for reasons neither on record nor stated. The position is given below:

Table 3.9

(Rupees in crore)

Year	Amount	Date of Drawal with reference to Main Cash Book	Date of disbursement to the DIS	Delay in disbursement
2002 – 03	1.35	31 March 2003 (credited to Civil Deposit and withdrawn on 21 July 2003)	21 July 2003	...
2003 - 04	1.07	31 March 2004 (converted to Banker's cheque)	7 July.2005	462 days
2004 - 05	6.79	31 March 2005	1 July 2005	91 days
2005 - 06	8.35	31 March 2006 (credited to Civil Deposit and withdrawn on 7 June 2006)	5 September 2006	89 days
2006 - 07	9.78	31 March 2007 (credited to Civil Deposit and withdrawn on 16 May 2007)	17 May 2007	...

Source: Cash Books and Treasury Challans.

3.2.10.4 Denial of Central Assistance

According to the guidelines for the revised scheme issued by the GOI in 2004, Central assistance required for implementation of the scheme was to be transferred to the State Government in due course and thus, adequate provision was to be made in the annual budget of the State Government in anticipation of actual flow of Central assistance. The first instalment of Central assistance for cooking cost was to be released in May/June for the period from July to December and the second instalment during November/December for the period from January to June of the succeeding year. Release of each instalment was subject to a certificate from the State Government that at least two-thirds of the previous instalment and full amount of earlier instalments were utilised.

The GOI, while approving (September 2006) the Annual Work Plan for the year 2006-07, considered 210 school days to work out the entitlement of foodgrains. But entitlement for cooking assistance was approved by the Programme Approval Board as Rs.13.19 crore for 146 school days. Reason for considering 146 school days for cooking assistance instead of 210 school days was not on record. Of Rs.13.19 crore, the GOI released the first instalment of Rs.6.60 crore in November 2006. The balance amount of Rs.6.59 crore was, however, not released by the GOI, reasons for which were not on record. The certificate required to be sent to the GOI for release of subsequent instalment, though called for (August and September 2007) from the DEME and the nodal Department, was not produced to Audit. In the absence of this certificate, Audit could not ascertain the actual position of utilisation of funds released by the GOI and also the reason for non-release of Rs.6.59 crore. The fact remains that cooked meal could not be provided to the children even during the reduced number of 146 school days because of short release of funds thereby frustrating the objective of the revised scheme.

3.2.10.5 Diversion of Funds

According to the Cash Book for the year 2003-04 maintained by the DIS, Tura, Rs.5.06 lakh meant for the Mid-Day Meal Programme was diverted (15 April 2003) for payment of salary to the teachers of non-Government lower primary schools. The amount was, however, recouped after 69 days on 12 June 2003. The action of the DIS was contrary to the instruction of the GOI.

3.2.11 Programme Implementation

3.2.11.1 Additional Subsidy Burden

Foodgrains required for distribution to the schools are allocated by the GOI on the basis of figures of enrolment of children furnished by the State Government. In Meghalaya, no survey was conducted by the State Government to assess the number of children enrolled in primary classes and the number of enrolled children was furnished to the GOI without any basis. Accordingly, foodgrains were allocated by the GOI for lifting from the FCI (cost of which is reimbursed to FCI by the GOI).

Compared to the number of children (6-11 years) enrolled in the schools that appeared in the Annual Working Plan & Budget of the Sarva Shiksha Abhiyan (SSA)[5], there was excess reporting of enrolled children by the State Government during 2003-07 (information for 2002-03 was not available). Consequently, the GOI allocated excess quantity of foodgrains. The details are given in the table below:

Table 3.10

(Quantity in quintals)

Year	Number of enrolled children as per SSA	Foodgrains required*	Foodgrains lifted	Foodgrains lifted in excess of requirement
2003-04	3,80,327	81,664.80	93,734.02	12,069.22
2004-05	4,12,822	82,564.40	95,122.80	12,558.40
2005-06	4,44,480	74,672.64	1,00,414.20	25,741.56
2006-07	4,87,956	81,976.61	99,878.86	17,902.25
		3,20,878.45	**3,89,149.88**	**68,271.43**

Source: Information furnished by the DEME and Annual Working Plan & Budget of the SSA.

* Worked out by Audit based on number of children enrolled and prescribed norm for cooked meals.

During 2003-07, the State Government lifted 38,914.99 tonnes of foodgrains from the FCI against 32,087.85 tonnes required for the number of enrolled children assessed by the SSA, thereby passing on an additional subsidy burden of Rs.3.86 crore to the GOI. Details are given in **Appendix 3.4**. Reasons for lifting of excess foodgrains were not on record.

[5] The SSA, launched (January 2001) by the GOI to attain universal elementary education in the country, was one of the development programmes which were convergent to the Mid-day Meal Programme.

3.2.11.2 Undue Financial Benefit to the Whole-Salers

According to the scheme guidelines, the Deputy Commissioners were responsible for transportation of foodgrains from the FCI godown to the schools either directly or through authorised agencies. Test-check of the records of the DIS, West Garo Hills and East Khasi Hills revealed that in these two districts the foodgrains were always (East Khasi Hills: 2002-07; West Garo Hills: 2002-03 to January 2006) lifted by the school authorities from the godown of the whole-salers at their cost. However, in West Garo Hills arrangements for supply of foodgrains through fair price shops was made in February 2006.

It was further noticed that though foodgrains were lifted by the school authorities themselves, the whole-salers claimed Rs.1.61 crore as transportation charges of foodgrains to the school premises of East Khasi Hills and West Garo Hills Districts during 2002-07 (Rs.99 lakh) and 2002-06 (Rs.62 lakh) respectively from DCs. Of this, Rs.56 lakh was re-imbursed to the whole-salers by the DCs of the concerned districts (East Khasi Hills: Rs.28 lakh; West Garo Hills: Rs.28 lakh) till the date of audit. The action of the DCs was unjustified and resulted in undue financial benefit of Rs.56 lakh to the whole-salers.

3.2.11.3 Shortfall in Providing Cooked Meal

For providing cooked meal to the school children, the State Government, in 2001-02, fixed the rate of Rs.63.06 per child per annum which remained in force till revision of the scheme guidelines by the GOI in September 2004. But release of funds for the purpose was much below the actual requirement, as detailed below:

Table 3.11

(Rupees in lakh)

Year	Enrolment as reported to the GOI by the State Government	Funds released to the DIS for disbursement to the schools/centres	Net funds available with the DIS	Number of days on which cooked meal could be served with the available funds at prescribed rate[6]	Shortfall in number of days and percentage of shortfall in brackets
2002-03	4,34,702	137.06	137.06	105	105 (50)
2003-04	4, 85,980	137.06	137.06	94	116 (55)
2004-05	5,02,573	Nil	-	0	210 (100)
2005-06	5,97,555	561.92	547.38[(7)]	96	114 (54)
2006-07	6,27,596	869.30	630.18[(8)]	50	160 (76)

Source: Release orders of funds issued by the State Government and Cash Books.

The table above shows that the shortfall of days on which the cooked food could not be served to the children in schools ranged between 105 and 210 days (i.e., 50 *per cent* to 100 *per cent* in various years). During 2004-05,

[6] 2002-2004: (Total school days (210) x Amount released) ÷ (Enrolment x Rs.63.06)
2005-06: Net funds available ÷ (Enrolment x Re.1)
2006-07: Net funds available ÷ (Enrolment x Rs.2)

(7) Excluding Rs.14.54 lakh refunded by the DIS.

(8) Excluding unspent balance of Rs.239.12 lakh available with the DIS of six districts as of March 2007.

cooked food was not provided to 5.03 lakh children due to release of funds by the State Government at the fag end of the year. The position further worsened in East Garo Hills District during 2005-06, as the cooking cost of Rs.58.35 lakh meant for providing cooked meal to 58,348 children, released to the DC in July 2005 was disbursed to the DIS in March 2006 thereby depriving the targeted children of cooked food during 2005-06. According to the DEME (December 2006), the Central and State Government officials, while inspecting the schools in the State, observed that cooked meal were not served to the students regularly and in many schools, cooked meals were served only once or twice a week. Thus, the objective of improving the nutritional status of children remained largely unachieved.

3.2.11.4 Doubtful Implementation of Scheme

Audit scrutiny revealed the following instances of improper maintenance of acquittance rolls, cash books, *etc.* by the DISs, which made the implementation of the scheme questionable:

- During October 2003 to January 2004, the DIS, East Khasi Hills, Shillong disbursed Rs.36.58 lakh to different schools for providing cooked meal to the children. But proper acquittance in support of actual disbursement of Rs.1.73 lakh meant for 73 schools was not available.

- Cash Books for the period from April 2002 to August 2005 were not maintained by the DIS, Ri-Bhoi, Nongpoh for recording transactions under the scheme. However, as per disbursement records for the year 2002-03, cheques for Rs.0.40 lakh meant for providing cooked meal to the children of 19 primary schools were not collected by the schools concerned. Further, cheques for Rs.0.89 lakh issued (between 18 January 2006 and 10 May 2006) by the DIS to 15 primary schools as cooking cost were not encashed by the school authorities till August 2007. Consequently, children of these schools were deprived of the intended benefit during 2002-03 and during January to May 2006.

- During 2002-07, the DIS, Mairang, West Khasi Hills District received Rs.88.84 lakh for implementation of the scheme in schools/centres under his jurisdiction. But Cash book showing receipt and disbursement of the amount was not maintained. Records of disbursement and bank reconciliation statement were also not produced to Audit. In the absence of these records, proper utilisation of available funds could not be ascertained in audit. Non-recording of financial transactions in the cash book is fraught with the risk of misappropriation.

- In three test-checked districts (East Khasi Hills, West Khasi Hills and Ri-Bhoi), lifting orders of allotted quota of foodgrains were issued by the concerned DCs during second/third week of the respective month leaving little scope for delivery of the foodgrains to the concerned schools. In East Garo Hills district, lifting orders of foodgrains were issued after a delay of one to four months, which indicated that the intended benefit of providing dry ration/cooked meal to the children was not extended in time.

3.2.11.5 *Quality of Foodgrains*

According to the guidelines for the revised scheme issued by the GOI in 2004, FCI was to issue foodgrains of best available quality, which would in any case be at least of Fair Average Quality (FAQ). District Collectors (DCs) were to ensure that foodgrains of at least FAQ were issued by the FCI after joint inspection by a team consisting of FCI and DC's nominees. DIS were required to submit monthly reports to the DEME certifying that foodgrains received and disbursed to the schools were of FAQ. But no such report was submitted by the DIS. In the absence of this report, the quality of foodgrains supplied for the school children could not be ascertained. The possibility of supplying inferior quality of foodgrains could not be ruled out in view of Planning Commission's observations[9] about supply of unsatisfactory rice in some parts of the West Khasi Hills District.

3.2.11.6 *Infrastructure Facilities*

For supply of cooked meals, the guidelines prescribed the physical infrastructure, such as, kitchen-cum-store, adequate water supply for drinking, cooking device (stove, chulha, *etc.*), containers for storage of foodgrains and other ingredients and utensils for cooking and serving.

Information obtained from 120 selected lower primary schools/EGS centres (20 from each district) of the test-checked districts and scrutiny of records revealed that there was a severe lack of infrastructure, as detailed below:

Table 3.12

Particulars	Number of schools/centres out of 6,497 schools/centres in the six test-checked districts
Schools without kitchen-cum-store	6,473
Schools without drinking water facility	4,974
Schools without adequate cooking devices/utensils	2,182

Source: Information furnished by the DIS.

Inadequate infrastructure indicated ineffective implementation of the scheme in the State, because regular serving of cooked meal to the children was not possible without required infrastructure.

3.2.11.7 *Lack of Initiative in Improvement of Nutritional Status of the Children*

To achieve the secondary objective of improving the nutritional status of the children in the primary classes, the scheme guidelines envisaged that the SLSMC was to ensure the convergence of primary health care and nutrition. But health check-up was never conducted in any of the test-checked schools/centres. As a result, nutritional deficiencies in children were not

[9] Observation was made by the members of the Planning Commission during their visit in 2004-05.

identified for providing nutritional supplements. The Special Officer, Education Department stated (September 2007) that steps were being taken to collaborate with departments like Health, Welfare and Food and Nutrition Board. Reasons for not taking such action earlier had not been stated.

3.2.11.8 Non-maintenance of Records

(a) Records/registers showing receipt and issue of stores, cooked meals served, presence of parents during cooking and serving and mid-day meal attendance to ensure effective monitoring of the nutritional status of children, regularity in attendance as well as retention in and completion of primary education were not maintained by the test-checked schools/centres. As an inspection team consisting of officers from the Central and State Governments during their visit (2006-07) to many schools/centres observed non-maintenance of proper records, the DEME directed (December 2006) the DIS to issue instruction in this regard to all schools/centres.

(b) As per the scheme guidelines, the State Government was to furnish to the GOI monthly attendance figures in primary classes, monthly statement certifying the quantity of foodgrains lifted from the FCI and details regarding the quantity of foodgrains transported every month to the schools. But no such figures/statement were furnished to the GOI. In the absence of this information, actual requirement of foodgrains *vis-à-vis* quantity actually lifted and utilised and impact of the scheme by way of improvement in attendance, reduction in dropouts for achieving universalisation of primary education could not be assessed in audit.

3.2.12 Monitoring and Evaluation

For proper monitoring of the scheme, guidelines *inter alia* provided as under:

- Setting up of State, District and Block level Steering-cum-Monitoring Committees (SMC) to oversee the management and monitoring of the programme, assess its impact and take corrective steps.

- Village Education Committee (VEC), Parents Teachers Association (PTA) and School Management-cum-Development Committee (SMDC) were to ensure that all children get a meal of satisfactory quality effecting improvement of nutritional status, regularity in attendance and retention on completion of primary education. Besides, implementation of varied menu and overall quality of mid-day meal was to be monitored by the block level SMC and officers of the nodal Department.

The SMCs at all levels were formed only in February 2005 and hence there was no monitoring of the scheme during 2002-04. Besides, records in support of monitoring of the scheme by the State level SMC during 2005-07 were not produced to Audit. Regular monitoring of implementation of the scheme by the VEC/PTA/SMDC also remained unassessed due to non-availability of relevant records with the test-checked schools/centres.

The State Government had not yet developed the computerised management information system for proper monitoring of the scheme as envisaged.

The overall impact of implementation of the scheme was also not assessed at any level. Contribution of the scheme in enhancement of learning level of the children in primary classes also remained unevaluated due to absence of any report with the nodal Department regarding average marks obtained by the children. There was no record to ascertain the effort, if any, taken by the Department to give special focus to children belonging to disadvantaged sections.

3.2.13 Conclusion

The overall impact of the scheme was far from satisfactory, since the nodal Department failed to provide cooked meal to the school children during most of the school days. Health check-up of children was not conducted to identify nutritional deficiencies and provide nutritional supplements. Under the scheme, the number of enrolled children was reported to the GOI by the State Government without any basis. Fund management was poor and the DEME had not disbursed 50 to 100 *per cent* of the available funds to the implementing authority. Infrastructural facilities like kitchen-cum-store, drinking water, *etc.* were not available in most of the schools/centres. The scheme was also not evaluated to ascertain the extent of achievement of objectives.

3.2.14 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:

- **Children enrolled in the primary classes should be identified after conducting proper survey to ensure that only the eligible children are covered in the scheme.**

- **Funds should be released on time and utilised for the purpose for which these are sanctioned.**

- **Efforts should be made to serve cooked meal to the targeted group of children with increased nutritional value on all the school days to achieve the twin objective of nutrition as well as retention of children in primary level of education system.**

- **Monitoring system at each level should be strengthened and a system of evaluation to assess the impact of the programme should be evolved.**

The matter was reported to the Government in September 2007; reply had not been received (February 2008).

HOME (POLICE) DEPARTMENT

3.3 Modernisation of Police Force

Highlights

The scheme of Modernisation of Police Force was launched by the GOI for modernising the police force in the country to enable them to effectively face the emerging challenges to internal security. The planning for implementation of the scheme in the State was not effective. Important components under the scheme, like police infrastructure, mobility, etc. did not get priority during actual implementation. The financial management of the scheme was poor and allocated funds could not be utilised. Consequently, the objectives of the scheme could not be realised even after 37 years of its implementation.

> **The Central and State Governments had not released Rs.23.94 crore to the implementing Department thereby adversely affecting the implementation of the scheme. Delay in release of Central assistance also led to ineffective implementation of the scheme and non-utilisation of funds by the Department.**

(Paragraphs 3.3.9.2, 3.3.9.3 & 3.3.9.4)

> **The Department failed to provide basic infrastructure to its police force, like buildings for Police Stations/Out Posts, rest rooms and toilets for the women police.**

(Paragraphs 3.3.11.2 & 3.3.11.3)

> **The intention of increasing the mobility of police force was defeated because of failure of the Department in providing the required number of vehicles to its force as per norms.**

(Paragraph 3.3.12)

> **There was short supply of weapons to the police force despite incurring an expenditure of Rs.1.69 crore during 2002-07.**

(Paragraph 3.3.13.1)

> **The functioning of the Police Training School in the State was not effective because of shortfall in imparting professional training as well as in conducting weaponry practice to the police personnel.**

(Paragraph 3.3.14.1)

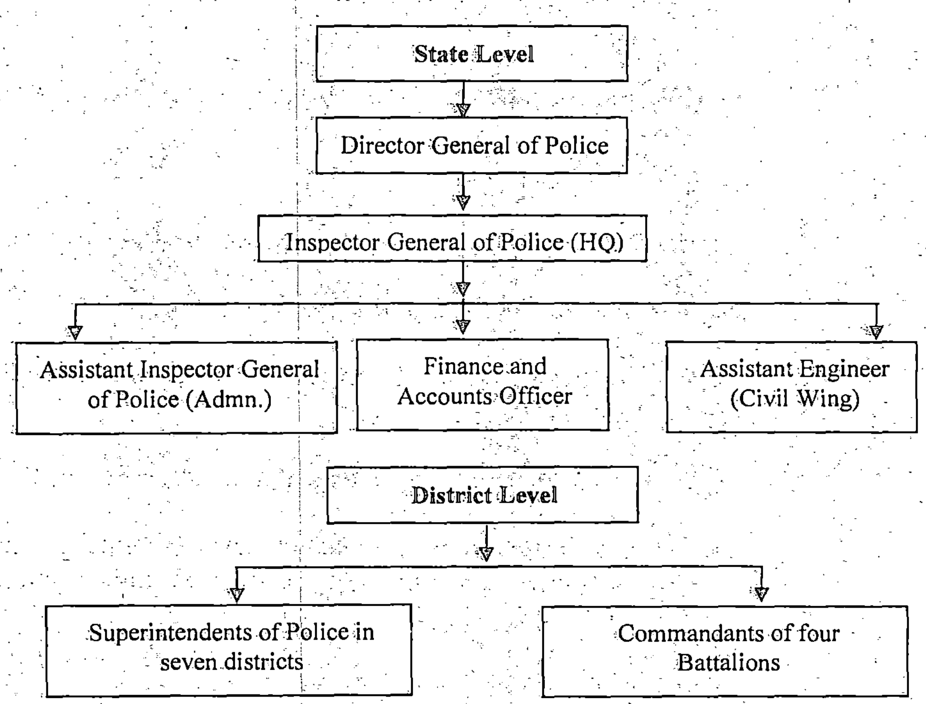
3.3.1 *Introduction*

The scheme 'Modernisation of Police Force' (MPF) was launched in 1969-70 by the GOI for modernising the police forces in the country to enable them to effectively face the emerging challenges to internal security. The basic objective of the scheme was to meet the deficiencies in the State Police Force and to achieve its planned development and modernisation. A revised scheme involving substantial Central assistance was launched by the GOI in February 2001 for a ten year period starting from 2000-01. The main components of the scheme are Housing, Buildings, Mobility, Training, Equipment, Communication and Computerisation. The scheme is being implemented in Meghalaya since 1973-74.

3.3.2 *Organisational Set Up*

At the Government level, the Commissioner and Secretary of the Home (Police) Department is responsible for overseeing the implementation of MPF. There is a State Level Empowered Committee (SLEC) set up (May 2001) under the Chairmanship of the Chief Secretary to monitor the implementation of the modernisation plan. Organisational structure for implementation of the scheme in the State is detailed below:

Chart 3.3



3.3.3 *Scope of Audit*

A review of the implementation of the scheme during 2002-03 to 2006-07 was conducted through a test-check (April-May 2007) of the records of the Home (Police) Department, Director General of Police (DGP) and Inspector General of Police (IGP) covering 41 *per cent* (Rs.12.54 crore) of the total expenditure of Rs.30.24 crore. Out of seven districts in the State, three[1] were selected for audit. In the selected districts, records of the Superintendent of Police (SP), two Police Battalions[2] (out of four), five unit offices[3], six (out of 27) Police Stations[4] and two outposts[5] (out of 55) were test-checked. Besides, records of the Police Training School and Directorate of Forensic Science Laboratory were also test-checked. Results of the review are discussed in the succeeding paragraphs.

3.3.4 *Audit Objectives*

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

- the objectives envisaged in Police Modernisation plan were achieved;
- planning for implementation of the scheme was carried out in a sound manner;
- 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, efficiently and effectively and as per approved plan/prescribed norms; and,
- implementation of the scheme was effectively monitored.

3.3.5 *Audit Criteria*

Audit findings were benchmarked against the following criteria:

- Perspective Plan of the Department;
- Norms prescribed by the Bureau of Police Research and Development (BPR&D);
- Prescribed output and benchmarks of performance;
- Norms regarding satisfaction level of housing, training of the police personnel, creation of infrastructure and procurement of weaponry; and,
- Monitoring mechanism prescribed.

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

[2] 1st and 2nd Meghalaya Police Battalion.

[3] Police Training School, Meghalaya Police Radio Organisation, Forensic Science Laboratory, Special Branch and State Crime Record Bureau/Criminal Investigation Department.

[4] Shillong Sadar, Laitumkhrah, Tura Sadar, Phulbari, Jowai and Khliehriat Police Stations.

[5] Selsela and Rajabala Outposts.

3.3.6 Audit Methodology

An entry conference was held in April 2007 with the IGP (HQ) wherein the audit objectives, scope and criteria were explained and suggestions as well as perceptions relating to the strengths and weaknesses of the Department in implementing the scheme were discussed.

For the performance review, districts and battalions were selected on the basis of stratified random sampling. Perspective plan, annual plans, utilisation of funds allotted by the Union and State Governments, execution of various activities, *etc.* were analysed using the available data. Audit findings were discussed with the Commissioner and Secretary of the Department in an exit conference on 25 October 2007 and the replies of the Department have been incorporated at appropriate places in the review.

Audit Findings

3.3.7 Plan Formulation

Proper planning is imperative for achieving the objectives of a programme in a systematic and efficient manner. A Perspective Plan for the period 2000-05 was drawn up (recast afresh in September 2001) by the Department involving an outlay of Rs.50.74 crore. The Annual Plans (APs) were to flow from the five year plan. For the years 2002-07, APs involving an outlay of Rs.54.17 crore were approved by the GOI.

3.3.7.1 Delay in Submission/Approval of Annual Plan

The details regarding submission/approval of AP by the State Government were as follows:

Table 3.13

Year	Due date of submission of the annual action plan to the Ministry of Home Affairs (MHA)	Date of submission	Date of approval by MHA
2002-03	31 May 2002	4 September 2002	13 November 2002
2003-04	15 May 2003 (extended up to 7 November 2003)	28 October 2003	18 November 2003
2004-05	20 April 2004	17 June 2004	27 July 2004
2005-06	15 May 2005	25 May 2005	13 July 2005
2006-07	5 May 2006	13 July 2006	12 September 2006

Source: Correspondence of the MHA and the Department.

From the above, it is seen that the State Government had delayed the submission of the AP to the MHA for all the years except 2003-04. The delays ranged up to three months. Consequently, the approval of the AP by the MHA was also delayed and in two out of five years, the MHA approved the plan in the third quarter of the relevant financial year leaving insufficient time to spend the scheme funds in the same year.

3.3.8 Funding Pattern

The expenditure under MPF was financed during 2002-03 on 50:50 basis by the Union and the State Governments. The ratio was changed to 75:25 during 2003-06. Thereafter, the scheme was fully funded by the GOI.

The Central share during 2002-03 was in the form of 50 *per cent* grant and 50 *per cent* loan. In addition to release of funds to the State Government, the GOI released funds out of its share to different agencies as cost of vehicles, arms and ammunitions, *etc.* to be supplied to the State (termed as assistance in kind).

3.3.9 Financial Management

3.3.9.1 Financial Position

Funds released by the Central and the State Governments during 2002-07 for implementation of the MPF (including Central assistance in kind[6]), expenditure incurred thereagainst and unutilised funds were as under:

Table 3.14

(Rupees in crore)

Year	Appro-ved outlay	Central share (*Per cent*)	State share (*Per cent*)	Ope-ning bala-nce	Funds received from Centre Cash (assis-tance in kind)	Funds received from State	Total funds avai-lable	Expen-diture	Unspent balance (*Per cent*)
2002-03	10.37	5.19[(7)] (50)	5.18[(7)] (50)	0.25	0.42 (0.12)	5.17	5.84	5.60	0.24 (4)
2003-04	9.88	7.41 (75)	2.47 (25)	0.24	1.56 (3.83)	1.45	3.25	1.45	1.80 (55)
2004-05	10.90	8.18 (75)	2.72 (25)	1.80	2.00 (5.59)	0.55	4.35	0.58	3.77 (87)
2005-06	15.02	11.27 (75)	3.75 (25)	3.77	1.78 (2.29)		5.55	2.89	2.66 (48)
2006-07	8.00	8.00 (100)	Nil	2.66	4.53 (3.36)		7.19	4.53	2.66 (37)
Total	**54.17**	**40.05**	**14.12**		**10.29 (15.19)**	**7.17**		**15.05**	

Source: Approved Annual Plans, GOI's sanction letters and information furnished by the Under Secretary of the Department.

From the above it will be observed that in none of the years did the Centre and the State contribute their full complement of funds. The funds short received ranged between 1 *per cent* and 73 *per cent* and totalled Rs.21.52 crore. Further, even out of the funds received, the Department was unable to utilise them fully. The percentage of unspent funds ranged between 4 and 87.

In addition, assistance of Rs.8.97 crore was released in kind by the GOI during 2002-05 under the Special Central Assistance/ Reimbursement of Security Related Expenditure (SRE) schemes. The year-wise position was as under:

---

[6] Weaponry, vehicles, other equipment, *etc.*

[(7)] Difference of Rs.0.01 crore is due to rounding.

Table 3.15

(Rupees in crore)

Items	2002-03	2003-04	2004-05
Vehicles	2.00	1.98	...
Bullet Proofing of Vehicles	1.20	...	0.14
Communication Equipment	1.09	1.10	...
Arms and Ammunition	1.46	...	...
Total	**5.75**	**3.08**	**0.14**

Source: Information provided by Assistant Inspector General of Police (Administration).

3.3.9.2 Short release of Central Funds

The Department could not utilise 4 to 87 *per cent* of funds available during 2002-07, mainly due to late release of funds by the GOI during the last month of the financial years 2003-04 (Rs.1.56 crore), 2004-05 (Rs.2 crore), 2005-06 (Rs.1.78 crore) and 2006-07 (Rs.4.53 crore).

The State Government also released the funds to the implementing Department after a delay of 4 to 11 months, as detailed below:

Table 3.16

(Rupees in crore)

Year	Amount released by the GOI	Month and year of release by the GOI	Amount released by the State Government	Month and year of release by the State Government	Delay (in months)	Short release of Central funds
2003-04	1.56	March 2004	0.03	August 2004	4	1.53
2004-05	2.00	March 2005	1.03	January 2006	9	...
			0.25	March 2006	11	0.72
2005-06	1.78	March 2006	1.61	December 2006	8	0.17
Total	**5.34**		**2.92**			**2.42**

Source: Copies of release orders of funds and Cash Books.

Release of funds by the GOI at the fag end of the years 2003-07, however, left the Department little time to utilise the amount within the financial year.

Besides delay in release of funds, Central funds of Rs.2.42 crore were not released by the State Government to the implementing Department thereby adversely affecting the implementation of the scheme.

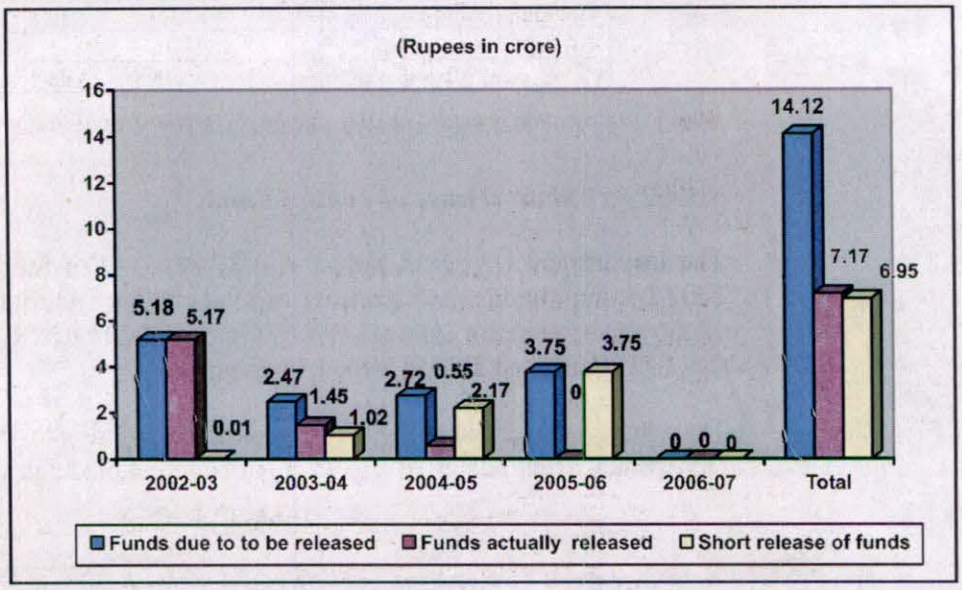
3.3.9.3 Shortfall in Release of Funds by the GOI

Though the GOI was committed for providing assistance of Rs.40.05 crore during 2002-03 to 2006-07, the assistance released to the State Government was only Rs.25.48 crore (cash: Rs.10.29 crore; kind: Rs.15.19 crore), resulting in shortfall in Central assistance by Rs.14.57 crore.

3.3.9.4 Short Release of Funds by the State Government

Against Rs.14.12 crore due to be released by the State Government (as per the funding pattern) during 2002-07 for implementation of the MPF, the actual release was Rs.7.17 crore only. Thus, there was short release of Rs.6.95 crore violating the condition for sharing of funds. Year-wise position is given below:

Chart 3.4



Source: Approved Annual Plans and information furnished by the Under Secretary of the Department.

3.3.10 Implementation and Progress of Police Modernisation

The annual plans for the years 2002-07 approved by the MHA provided for implementation of various components under the MPF scheme during the period. The various components, approved outlay for each component for 2002-07 and expenditure incurred thereagainst are given below:

Table 3.17

(Rupees in crore)

Components	Approved outlay	Expenditure incurred		
		Cash	Kind	Total (Percentage to approved outlay)
Buildings	21.31	...	9.65	9.65 (45)
Mobility	11.47	3.72	2.76	6.48 (56)
Weaponry	2.28	0.31	1.38	1.69 (74)
Training	0.62	0.31	...	0.31 (50)
Security equipment	3.40	2.72	...	2.72 (80)
Communication system	7.17	3.48	0.67	4.15 (58)
Forensic Science Laboratory equipment	1.56	0.60	0.64	1.24 (79)
Common Integrated Police Application Project	0.15	...	0.09	0.09 (60)
Others	6.21	3.91	...	3.91 (63) [8]
Total	**54.17**	**15.05**	**15.19**	**30.24**

Source: Approved Annual Plans, Release Order of funds and Utilisation Certificates.

[8] Office automation (Rs.2.95 crore); Aids to investigation (Rs.0.41 crore); Items for traffic (Rs.0.30 crore); Home Guards (Rs.0.25 crore).

Position of implementation of some of the major components of the scheme is discussed in the succeeding paragraphs.

3.3.11 Buildings

3.3.11.1 Low Level of Satisfaction in Housing

The BPR&D in its Five Year Projection on Modernisation and Upgradation of Police Infrastructure opined (March 2000) that the performance of the police was better in States where accommodation was available in large numbers. The National Police Commission (NPC) also recommended 100 *per cent* accommodation for all police personnel. As per the BPR&D data, for 100 *per cent* satisfaction, the State required 7,338 quarters for lower subordinates[9] and 365 quarters for upper subordinates[9] of police force.

During 2002-07, construction of 46 quarters were taken up under the MPF scheme against the approved outlay of Rs.1.21 crore (upper subordinates: Rs.69 lakh; lower subordinates: Rs.52 lakh). Though the entire amount was advanced (2002-07) to the executing agency (Meghalaya Government Construction Corporation Limited) for construction of the targeted number of quarters, 10 quarters remained incomplete (March 2007). Failure to complete targeted number of quarters under the MPF scheme showed the apathy of the Department in achieving the satisfaction level in respect of housing which has a significant bearing on the performance of the Police force in the State.

3.3.11.2 Failure to provide basic Infrastructure to the Police Force

Police Station (PS) is one of the most important field operative units. Hence it is important that it is located and accommodated in a proper building for smooth functioning. As per the BPR&D, each PS and Out Post (OP) must have a building, boundary wall, cost of which was also worked out by the BPR&D as Rs.21.87 lakh and Rs.9.37 lakh per PS and OP respectively. But 35 out of 82 PSs and OPs in the State were functioning in semi-permanent buildings, as detailed below:

Table 3.18

Category	Existing number	Accommodation in semi-permanent buildings
Police Stations	27	12
Outposts	51	19
Border Outposts	4	4
Total	**82**	**35**

Source: Information furnished by the Assistant Engineer (Civil), Engineering Cell

Though construction of seven buildings for two PSs and five OPs at the approved cost of Rs.1.51 crore was taken up during 2003-07, two of these buildings (taken up in 2005-06) for the Rongara and Borsora Police OPs were not completed. The physical progress of these works was 20 *per cent* (March 2007). Financial progress is not available.

[9] Lower Subordinates: Constables and Head Constables.
Upper Subordinates: Assistant Sub-Inspectors, Sub-Inspectors and Inspectors.

Similarly, construction of eight buildings (2003-07) approved by the MHA at a cost of Rs.3.99 crore for the Meghalaya Police Radio Organisation, Police Reserve, *etc.* were either not completed or in progress. The details are as under:

Table 3.19

Particulars of the buildings	Year	Works taken up		Works in progress		Works not started	
		Number of works	Cost approved by the MHA (Rupees in lakh)	Number of works	Progressive expenditure (Rupees in lakh)	Number of works	Approved cost (Rupees in lakh)
Repeater Station buildings	2004-05 & 2006-07	4	102.00	2	18.50	2	52.00
Meghalaya Police Radio Organisation Building	2005-06 & 2006-07	2	179.00	1	76.50	1	29.00
Border management Headquarters	2004-05	1	100.00	1	14.00	...	...
Police Reserve Building, Baghmara	2003-04	1	18.00	...	...	1	18.00
Total		**8**	**399.00**	**4**	**109.00**	**4**	**99.00**

Source: Information furnished by the Assistant Engineer (Civil), Engineering Cell.

Despite shortfall in proper buildings for the police force, construction works of four buildings (approved cost: Rs.99 lakh) taken up during 2003-2007 were not started by the Department (March 2007), indicating lack of initiative in providing basic infrastructure to the police force.

3.3.11.3 Absence of Basic Amenities for the Women Police Personnel

According to the BPR&D, in all zonal offices, range offices, reserve lines, SP's office, sub-divisions and police stations, a rest room and a toilet were to be provided for women police. For Meghalaya, the cost of the rest room and the toilet for 38 of these offices was worked out (March 2000) by the BPR&D as Rs.34.20 lakh. In the test-checked PS and OP, four PSs were provided with such basic amenities for women police. In one of the test-checked PSs (Tura), rest room was not provided although toilet was available. The position of these amenities in respect of the Laitumkhrah Police Station was not furnished.

The Deputy Secretary of the Department (DS) stated (October 2007) that the rest rooms and toilets could not be provided because the cost of these amenities as worked out by the BPR&D was quite less. The reply did not indicate whether the GOI was approached to increase the cost.

3.3.12 Mobility

Police mobility is inextricably linked to their performance. The BPR&D has prescribed scales for various types of operational vehicles required for Police Stations, District Armed Reserve and Armed Police Battalion. Against the approved outlay of Rs.11.47 crore for providing mobility during 2002-07, expenditure during the period was Rs.6.48 crore.

The requirement of vehicles for the police force as per BPR&D's norms (January 1998) and actual position in the test-checked districts as of March 2007 are shown below:

Table 3.20

Category of vehicles	Unit	Total vehicles		Excess (+) Shortage (-)
		Required	Available	
		(In numbers)		
Heavy Vehicles	1st and 2nd MLP Battalions	58	22	(-) 36
	SPs of three Districts[10]	21	25	(+) 4
		79	**47**	**(-) 32**
Medium Vehicles	1st and 2nd MLP Battalions	16	12	(-) 4
	SPs of three Districts	51	33	(-) 18
	Six Police Stations	-	1	(+) 1
		67	**46**	**(-) 21**
Light Vehicles	1st and 2nd MLP Battalions	26	30	(+) 4
	SPs of three Districts	42	128	(+) 86
	Six Police Stations	12	9	(-) 3
		80	**167**	**(+) 87**
Motor Cycles	1st and 2nd MLP Battalions	10	5	(-) 5
	SPs of three Districts	21	30	(+) 9
	Six Police Stations	18	2	(-) 16
	Two Police Outposts	4	Nil	(-) 4
		53	**37**	**(-) 16**
Total		**279**	**297**	

Source: Information furnished by the Commandants of Battalions, SPs of Districts and in-charge of Police Stations/Out Posts.

The above table shows that the two battalions are functioning with a shortage of 40 heavy and medium vehicles and five motor cycles. Similarly, there was shortage of 18 medium vehicles with the SPs of three districts. Six PSs and two OPs were also operating with a shortage of three light vehicles and 20 motor cycles. In contrast, 90 light vehicles were provided in excess of requirement to the SPs of three districts (86 vehicles) and two battalions (four vehicles). Since there was shortage of heavy and medium vehicles and motor cycles with the PSs/OPs and the battalions, retention of excess vehicles with the SPs was not justified.

Further, against 260 available vehicles (heavy, medium and light), the sanctioned strength of drivers was 217 and the men-in-position was 208. Thus, there was short deployment of 52 drivers against the available vehicles.

Shortage of required vehicles with the battalions and PSs/OPs and shortfall in availability of drivers indicated mobility deficiency and inability to mobilise the force at short notice for emergency operations. Failure to meet the mobility deficiency in the police force despite availability of funds and expending Rs.6.48 crore during 2002-07 showed the lackadaisical attitude of the Department towards improvement of the effectiveness of police force.

The DS stated (October 2007) that as the light vehicles are more suitable and compatible to the difficult road conditions and hostile hilly terrain of the State, these were provided in excess of requirement. The reply is not tenable

[10] East Khasi Hills, Jaintia Hills and West Garo Hills Districts.

because the action of the Department is contrary to the BPR&D norms and also because excess light vehicles were provided to the SPs rather than the PS, where the operational need is more.

3.3.13 *Weaponry*

3.3.13.1 Shortfall in Supply of Weaponry and Equipment

One of the important aspects of modernisation and upgradation of police force is the scale of weapons with which the police force has to be equipped. Scrutiny of records revealed that despite expenditure of Rs.1.69 crore during 2002-07, 10 to 98 *per cent* of the required weaponry were not supplied in the three test-checked districts. Similarly, there was huge shortfall (17 to 100 *per cent*) in supply of protective equipment (body protector, steel helmet, *etc.*). In contrast, 1,829 bullet proof jackets were supplied to two test-checked districts and one battalion without requirement and in another battalion in excess of requirement[11]. Details of shortfall in supply of weaponry and equipment in the test-checked districts are given below:

Table 3.21

(In numbers)

Weapon	Requirement/Supply	East Khasi Hills	West Garo Hills	Jaintia Hills	1st MLP Battalion	2nd MLP Battalion
AK 47	Requirement	80	30	20	...	961
	Supply	30	20	13	42	20
	Shortfall	50	10	7	...	941
	Percentage of shortfall	63	33	35	...	98
7.62 SLR	Requirement	877	100	175	829	961
	Supply	200	90	50	435	325
	Shortfall	677	10	125	394	636
	Percentage of shortfall	77	10	71	48	66
5.56 INSAS	Requirement	130	25	136	...	961
	Supply	30	25	10	30	75
	Shortfall	100	...	126	...	886
	Percentage of shortfall	77	...	93	...	92
9mm Carbine	Requirement	171	50	30	175	175
	Supply	71	50	16	138	120
	Shortfall	100	...	14	37	55
	Percentage of shortfall	58	...	47	21	31
lock Pistol	Requirement	...	...	4	2	...
	Supply	10	1	1	...	...
	Shortfall	100	...	3	...	...
	Percentage of shortfall			75	...	...
9 mm Pistol	Requirement	311	50	15	...	111
	Supply	111	31	11	...	50
	Shortfall	200	19	4	...	61
	Percentage of shortfall	64	38	27	...	55

Source: Information furnished by the SPs of East Khasi Hills, West Garo Hills and Jaintia Hills and the Commandant of 1st MLP Battalion.

11 West Garo Hills: 400: Jaintia Hills: 100; 1st MLP Battalion: 430; 2nd MLP Battalion: 899.

Table 3.22

Protective Equipment **(In numbers)**

Equipment	Requirement/ Supply	East Khasi Hills	West Garo Hills	Jaintia Hills	1st MLP Battalion
Poly Carbonate Shield	Requirement	900	200	60	...
	Supply	100	125	25	...
	Shortfall	800	75	35	...
	Percentage of shortfall	89	38	58	...
Poly Carbonate Lathi	Requirement	919	300	60	200
	Supply	81	125	25	300
	Shortfall	838	175	35	...
	Percentage of shortfall	91	58	58	...
New Body Protector	Requirement	950	300	60	941
	Supply	50	124	25	0
	Shortfall	900	176	35	941
	Percentage of shortfall	95	59	58	100
Steel Helmet	Requirement	927	200	...	941
	Supply	73	166	52	0
	Shortfall	854	34	...	941
	Percentage of shortfall	92	17	...	100

Source: Information furnished by the SPs of East Khasi Hills, West Garo Hills and Jaintia Hills and the Commandant of 1st MLP Battalion.

Thus, the objective of the MPF scheme to equip the police force with sufficient weaponry remained unfulfilled.

3.3.14 Training and Manpower

Training is pre-requisite for effective functioning of police force. The MPF scheme provided for infrastructure facilities and equipment for police training institutes in the State. During 2002-07, the Department incurred an expenditure of Rs.31 lakh on training equipment.

Audit scrutiny revealed the following irregularities in imparting training:

3.3.14.1 Shortfall in imparting Training by the Police Training School

The only Police Training School (PTS) of the State, established in 1977, is responsible for imparting in-service training of Inspectors/Sub-Inspectors/Assistant Sub-Inspectors and Head Constables. Further, as per the BPR&D, any police personnel, at the time of recruitment or later, who is likely to use various weapons, must have minimum practice as per prescribed scale. Details showing the number of persons who had undergone professional training and practice to use weapons in the PTS during 2002-07 are given below:

Table 3.23 : Position of Professional Training

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
Number of lower and upper subordinates police personnel	5,845	5,224	5,721	5,575	9,376
Number of police personnel trained	1,075	1,222	721	390	1,374
Percentage of persons trained	18	23	13	7	15

Source: Data available in "Crime in India' published by the National Crime Record Bureau and information furnished by the Principal, PTS.

Table 3.24 : Position of Practice in use of weapons

Name of weapon	Prescribed scale of practice per person (in rounds)	Practice actually given per trainee (in rounds)	Shortfall (in rounds)	Percentage of shortfall
.303 Rifle	40	20	20	50
9 mm Carbine	50	20	30	60
AK 47 Rifle	50	10	40	80
5.56 INSAS with bay scale	50	10	40	80
7.62 SLR	40	20	20	50
9 mm Browning Pistol	40	24	16	40
.38 Revolver	36	12	24	67

Source: BPR&D norms and information furnished by the Principal of the PTS.

The above tables show that during 2002-07, professional training was imparted to only 7 to 23 *per cent* of upper and lower subordinate police personnel. Besides, though there was increase of 3,801 police personnel in 2006-07 over the previous year, training was imparted to only 1,374 personnel during the year. Similarly, shortfall in the practice of weaponry was as high as 80 *per cent*. Deficiencies in the training and practice not only indicated ineffective functioning of the PTS but would also affect the efficiency and striking ability of the police during exigencies.

The DS stated (October 2007) that the PTS was responsible for imparting training to the unarmed police personnel. As regards shortfall in the practice in weaponry, the DS stated (October 2007) that more emphasis was given on imparting classes on law and allied subjects for the unarmed police personnel. The reply is not tenable because as per activities provided in the five year perspective plan for MPF, the PTS was responsible for imparting basic training to the unarmed police personnel as well as in-service training to Inspectors, Sub-Inspectors, Assistant Sub-Inspectors and Head Constables.

3.3.14.2 Special Training Centre

The Special Training Centres (STC) at the 1st and 2nd Battalions of the Meghalaya Police are responsible for imparting basic training to the newly recruited Armed Branch Armed Police Constables. Besides, the cadre courses and specialised courses were also to be conducted in these centres.

According to the information furnished (May 2007) by the Commandant of the 2nd Battalion, the practice of weapons was done one to 10 times annually during 2002-07. But no such information was furnished by the Commandant of the 1st Battalion. As such, the performance of the STC at 1st Battalion could not be assessed in audit.

3.3.14.3 Deployment of Untrained Police Personnel for the Security of Very Important Persons (VIPs)

The Special Branch (SB) of the Department is responsible for the security of VIPs of the State as well as for other security related matter. During 2002-07, an expenditure of Rs.2.72 crore was incurred on the security equipment.

While communicating (November 2002) the recommendations of the Evaluation Committee on Weapons Standardisation for VIP Security[12], the MHA observed (November 2002) that the standardisation of weapons should be accompanied by an appropriate training schedule and minimum firing requirement of these specialised weapons by the personnel of the VIP Squadrons in line with the norm of National Security Guard/Special Protection Group. According to the MHA (November 2002), it was also essential for the personnel attached for security duty of VIPs to attend Commandos/VIP security advance course from time to time.

Although 24 Personal Security Officers and 13 Close Protection Teams of the SB were deployed for the security of VIPs, only two out of 22 Inspectors and 11 out of 82 Sub-Inspectors attended VIP security training (theoretical) during 2002-07.

For weapons standardisation for VIP securities, 10 AK-47 Rifles were provided to the SB in May 2006. However, only one annual range practice was undertaken during 2006 for minimum firing requirement of AK 47 Rifles and no personnel attached for VIP security duties were detailed for any Commandos/VIP security advance course.

Absence of requisite training may result in ineffective performance of the police deployed for the security of VIPs.

3.3.15 Manpower

Adequate manpower is imperative for effective functioning of the Police Department. In order to keep pace with the population growth, BPR&D recommended an annual growth of 2 *per cent* in police manpower. Contrary to this recommendation, the manpower in the Department decreased by 3 *per cent* in 2004-05 over the previous year. Though there was an increasing trend during 2005-07, the total increase during these two years (3 *per cent*) was less than the prescribed norm. The details are given below:

Table 3.25

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
Sanctioned strength	10,338	10,338	10,226	10,227	10,371
Men-in-position	8,683	9,166	8,929	8,930	9,202
Total number of vacancies	1,655	1,172	1,297	1,297	1,169
Percentage of vacancies to sanctioned strength	16	11	13	13	11
Total number of women police	134	134	125	126	271
Percentage of women police to the total number of police	2	1	1	1	3

Source: Data available in the "Crime in India" published by the National Crime Records Bureau and Information furnished by the Assistant Inspector General (Inspection).

The above table shows that the total number of women police force constituted only one *per cent* of the total police force of the State during 2003-06. There was, however, marginal improvement (by 2 *per cent*) during 2006-07.

12 Constituted by the MHA to ascertain the nature of police weaponry being utilised on VIP security duties in India.

3.3.16 Installation of Police Communication Network

The Police Communication Network (POLNET) is a satellite based integrated network which envisages installation of Very Small Aperture Terminals (VSAT) and Multi Access Radio Telephone (MART) to link the National Capital with all the State Capitals. According to MHA (May 2005), the project must be implemented in 2005-06.

During 2002-03 and 2004-05, GOI released Rs.37.88 lakh to the Director, Coordination, Police Wireless (DCPW), New Delhi for implementation of POLNET. Accordingly, eight POLNET terminals were installed during 2003-04 and 2004-05. In addition, 34 Remote Station Units (RSU) and eight Base Station Units (BSU) were also installed during 2005-06 and 2006-07. However, one BSU was not working since 2006-07. Consequently, POLNET services were not fully operational in the State.

The DS stated (October 2007) that the BSU was not working due to damage of outdoor unit in cyclonic storm and the matter had been taken up with the DCPW and the Deputy Director, POLNET for rectification of the damaged equipment.

3.3.17 Forensic Science Laboratory

3.3.17.1 Ineffective Functioning of the Forensic Science Laboratory

The only Forensic Science Laboratory (FSL) of the State was established in 1987. During 2002-07, the Department procured various equipment[13] at a cost of Rs.2.10 crore to upgrade the infrastructure of the FSL for scientific and effective investigation of criminal cases. But, the FSL was running with five out of 10 sanctioned posts of specialised staff. Even the post of Director was lying vacant since January 2005. Though the PAC in its Twenty-seventh Report recommended filling up the vacant posts at the earliest, no effective step had been taken by the Department even after 10 years of placing the Report of the PAC before the State Legislature (April 1997). This made the functioning of the FSL with optimum capacity utilisation of facilities and infrastructure impracticable.

The DS stated (October 2007) that effort was being made to fill up the vacant posts and the post of Director could not be filled up because of litigation in the Court.

3.3.17.2 Delay in Reporting of Chemical Examination by the FSL

Though the FSL was responsible for chemical examination of viscera and other exhibits, no time frame was fixed for reporting the results of examination. In some cases, reporting of chemical examination was delayed

[13] High performance thin layer chromatography machine, ultra-violet visible spectro-photometer, gas-chromatography headspace, atomic absorption spectro-meter and portable video-spectral comparator.

up to 894 days thereby delaying the process of investigation and prosecution as detailed below:

Table 3.26

(Cases in number)

Year	Documentation, Physical, Biology and Chemical Divisions				
	Cases received	Cases examined	Cases pending	Minimum days taken	Maximum days taken
2002	270	214	56	2	894
2003	233	168	65	2	505
2004	284	232	52	1	567
2005	233	164	69	3	349
2006	294	220	74	2	240

Source: Information furnished by the Director, in charge of FSL.

3.3.17.3 Mobile Forensic Science Units

To strengthen the infrastructure of FSL including the Mobile Forensic Science Units (MFSUs), the Eleventh Finance Commission (EFC) made provision of Rs.84 lakh which was utilised for setting up of MFSUs in all the districts of Meghalaya. The following irregularities were noticed in this regard:

- Out of seven Mobile Forensic Science Laboratory (MFSL) vehicles procured by the Director in March 2001 (two vehicles) and January 2004 (five vehicles) at a cost of Rs.29.20 lakh for the seven districts, five were allotted to the Superintendents of Police of five districts[14]. Of the remaining two vehicles meant for two districts, one was retained at the FSL and the other was placed at the disposal of the Police Headquarters in September 2001 thereby depriving two districts, *viz.*, West Khasi Hills and South Garo Hills, of the facilities of MFSUs.

- BPR&D guidelines specified the equipment to be provided in the MFSUs. But some[15] of the equipment provided in the seven MFSUs procured by the Department were not in conformity with the guidelines. Reasons for the deviation were not on record.

The DS stated (October 2007) that the MFSL was retained at the FSL due to shortage of departmental vehicles and was utilised solely for the purpose of visiting crime scenes and that the equipment were purchased after assessment of actual field requirement. The reason for retention of MFSL with the Police Headquarters as well as authority for deviation from the BPR&D guidelines had not been stated.

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[14] East Garo Hills, West Garo Hills, Jaintia Hills, Ri-Bhoi and East Khasi Hills.

[15] Large Tool Mark Investigation kit, All Purpose Crime Scene Investigation kit, Evidence collection & identification kit, Master Silicon Rubber and foot print casting kit, Halogen flood Light, Face mask with filter arrangement, Instant semen test kit, Multi Colour Light Source Crime Lite with rechargeable Battery and Narcotic Analysis kit.

3.3.18 Implementation of Common Integrated Police Application Project

The Common Integrated Police Application (CIPA) project was introduced by the GOI in May 2004 to computerise all the PSs in the State. The CIPA was to be implemented by the National Informatic Centre (NIC) as a total package (supply of hardware, software, imparting of training, *etc.*) for which GOI released Rs.9 lakh in 2004-05.

Under the project, the target for 2004-05 was to cover 10 *per cent* police stations of the State in the first phase, for which NIC was to install the hardware. Software was to be installed and tested in these police stations by August 2005. However, the target was revised (January 2006) to six police stations of East Khasi Hills District and the criminal investigation wing of Police Headquarters. In the second phase, 30 *per cent* police stations were to be covered under the project by 2005-06.

It was noticed that six police stations of East Khasi Hills District along with criminal investigation wing were covered under the project after a delay of one to two years between October 2006 and February 2007. But testing was not done till March 2007. The second phase of the project was not taken as of March 2007. Thus, the purpose for which the project was implemented by the GOI had not been achieved even after two years.

3.3.19 Increasing Crime Rate

There was an upward trend in the number of reported crimes as well as number of pending criminal cases during 2002-06 as would be evidenced from the table below:

Table 3.27

(In number)

Year	Cases reported during the year	Cases solved during the year including old cases	Cases pending at the end of the year
2002	1,664	1,273	3,210
2003	1,669	1,161	3,718
2004	1,882	1,502	4,098
2005	2,016	1,563	4,551
2006	2,020	2,135	4,436

Source: Information furnished by the SP, State Crime Records Bureau.

Persistent increase in the number of crimes is indicative of deteriorating law and order situation and inefficiency of the police force.

3.3.20 Monitoring and Evaluation

The existence of an effective monitoring system is a pre-requisite for smooth functioning of a scheme. In accordance with the GOI's instructions of February 2001, the State Government constituted (May 2001) an Empowered Committee under the chairmanship of the Chief Secretary of the State to monitor the implementation of the scheme. But, no record regarding monitoring the implementation of the scheme by the committee during 2002-07 was produced to Audit.

3.3.21 Conclusion

The objectives of the scheme to modernise the State police force to meet the emerging challenges remained largely unachieved. Even after 37 years of implementation of the scheme, the State failed to provide basic infrastructure like housing and buildings to its force. Fund management was poor and the Department could not utilise the available funds provided by the Central and State Governments. There was no appreciable increase in mobility inasmuch as the State police force was running with a shortage of substantial number of vehicles. Shortfall in imparting professional training to the police personnel and conducting requisite practice to use weaponry by the police force indicated ineffective functioning of the PTS. Such shortfall casts a doubt on the efficiency and striking ability of the police during exigencies. There has been an increase in the crime rate and the FSL is ill equipped to speed up investigations.

3.3.22 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 MPF scheme:

- **Timely release and proper utilisation of funds with reference to objectives should be made mandatory.**
- **Infrastructure like buildings for PSs/OPs with basic amenities and 100 *per cent* accommodation for Police should be created to achieve optimum performance of the police force.**
- **Effective steps should be taken to avoid mobility deficiency by providing required number of vehicles to the police force.**
- **Regular training should be imparted to the police personnel as per norms to upgrade their knowledge and skills.**
- **Monitoring mechanism both at the level of Department and Government should be made effective.**

PUBLIC HEALTH ENGINEERING DEPARTMENT

3.4 Drinking Water Supply Schemes

Highlights

In Meghalaya, various water supply schemes are implemented by the Public Health Engineering (PHE) Department under different programmes for providing adequate safe drinking water facilities to the people of the State. A review of implementation of the programmes revealed significant shortfall (45 to 53 per cent) in coverage of identified habitations with safe drinking water during 2002-07. The programmes also suffered from diversion of funds, defective planning and inefficient execution. There was lack of monitoring and evaluation of the water supply schemes taken up for implementation under the programmes.

> **The Department failed to utilise 18 to 46 *per cent* of funds available under the Accelerated Rural Water Supply Programme and 27 to 100 *per cent* of funds available under Prime Minister's Programme.**

(Paragraph 3.4.8.3)

> **The Department failed to prepare the Annual Action Plan indicating the details of the schemes and the required funds outlay.**

(Paragraph 3.4.7)

> **Expenditure of Rs.12.56 crore incurred on 34 water supply schemes had become unproductive, as these schemes remained incomplete for periods ranging from one to two years.**

(Paragraph 3.4.11)

> **There was time overrun of one to five years in the completion of 37 water supply schemes, resulting in cost overrun of Rs.87.01 lakh.**

(Paragraph 3.4.12)

> **The Department incurred wasteful expenditure of Rs.67.38 lakh due to taking up of the work of the Lyngkyrdem Combined Water Supply Scheme without ensuring the source of water.**

(Paragraph 3.4.13.1)

> **There was idle investment of Rs.1.70 crore due to procurement of material without arranging the source of water/site for execution of work.**

(Paragraphs 3.4.13.1, 3.4.13.3 & 3.4.13.5)

> ➢ **Unauthorised deviation from the sanctioned estimate resulted in execution of sub-standard work valued at Rs.2.23 crore on implementation of the Greater Mawryngkneng Rural Water Supply Scheme.**

(Paragraph 3.4.18.2)

3.4.1 Introduction

Water is a basic human need and a precious national asset. In Meghalaya, for providing adequate safe drinking water facilities, various water supply schemes are implemented under the Central and State sectors as details below:

- Minimum Needs Programme (MNP) (State Sector);
- Prime Minister Gramodaya Yojana (PMGY)[1] (State Sector);
- Accelerated Rural Water Supply Programme (ARWSP) (Central Sector); and,
- Accelerated Urban Water Supply Programme (AUWSP) (Central Sector).

ARWSP was introduced (1972-73) by GOI to assist the States and Union Territories with 100 *per cent* grants-in-aid to provide drinking water in problem villages[2]. This programme continued till 1973-74 but was withdrawn with the introduction of the MNP during the Fifth Five Year Plan (from 1974-75). The programme was re-introduced in 1977-78 to accelerate the pace of coverage of problem villages. In 1986, the programme was given a mission approach with the introduction of National Drinking Water Mission (NDWM), which was renamed as Rajiv Gandhi National Drinking Water Mission (RGNDWM) in 1991. The RGNDWM covered ARWSP, Sector Reforms Programme, Sub-Mission Projects and support services. The Sector Reforms Programme, launched by GOI on a pilot basis in 1999-2000, was modified and launched as Swajaldhara in December 2002.

The objectives of the ARWSP were to:

- cover all rural habitations with access to a minimum of 40 litres per capita per day (lpcd) of drinking water, with source situated within 100 meters in hilly areas and 1.6 km in plains;
- provide one hand pump or stand-post for every 250 persons;
- ensure sustainability of drinking water systems and sources;

[1] In 2000-01, a new scheme in rural sector under the PMGY was launched by the GOI for taking up projects/schemes on sustainability.

[2] Problem villages were defined as those villages with no assured source of drinking water within a distance of 1.6 km or within an elevation of 100 metres in hilly region.

- tackle the problem of water quality in affected habitations; and,
- institutionalise the reform initiative in rural drinking water supply sector.

To achieve the above objectives, a Comprehensive Action Plan (CAP) was prepared by GOI (1999) by identifying the Not Covered (NC)[3] and Partially Covered (PC) habitations. The target was to cover all uncovered rural habitations by the year 2011-12.

The Centrally sponsored AUWSP for towns having population less than 20,000 as per 1991 census was initiated by GOI from Annual Plan of 1993-94. Augmentation of Simsanggiri Water Supply Scheme and Baghmara Water Supply Scheme were the only projects sanctioned (March 1996 and 2001) under AUWSP. The first scheme was completed in 2003-04 and implementation of second scheme was kept in abeyance (March 2007).

To further improve water supply facility, GOI launched Prime Minister's Programme in August 2002. Under the programme, priority was given to (a) installation of hand pumps in water scarce rural areas, (b) coverage of rural lower primary schools having higher percentage of Scheduled Castes/Scheduled Tribes students and girls and (c) for revival of traditional water sources.

3.4.2 *Organisational Set Up*

At the Government level, the Commissioner and Secretary of the Public Health Engineering (PHE) Department is responsible for overseeing the functions of the Department. The organisational structure of the Department for implementation of various water supply schemes and Sector Reforms/Swajaldhara) is given in Charts 3.5 and 3.6 respectively:

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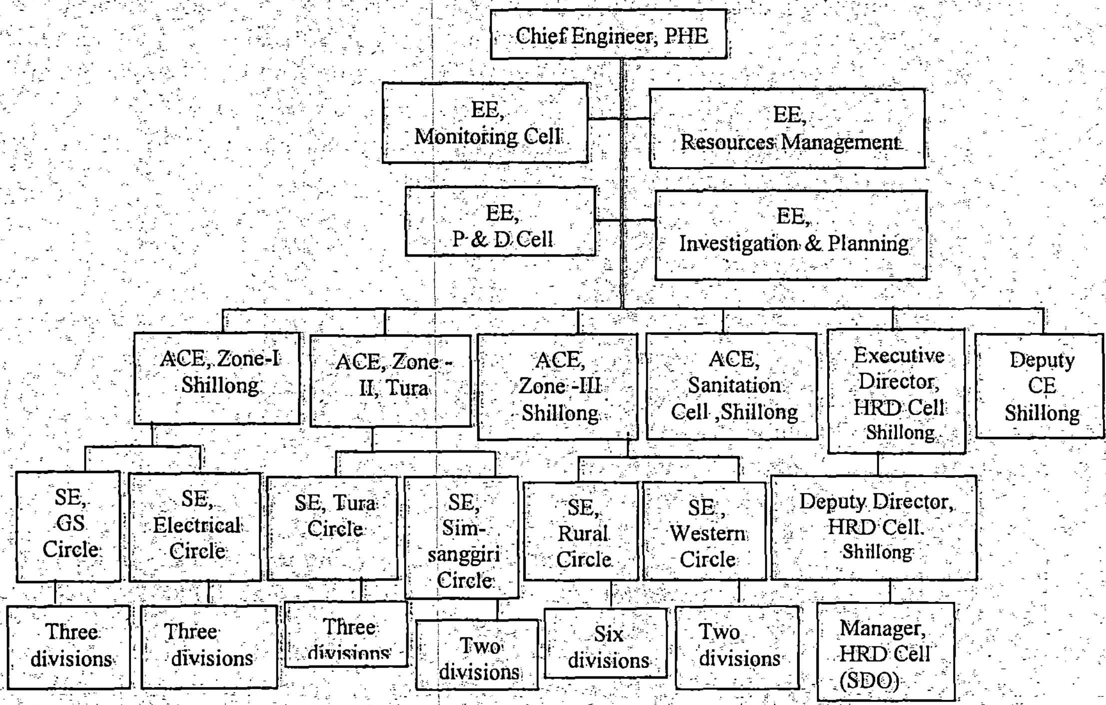
[3] NC: Where drinking water source/point does not exist within 1.6 km of the habitations in plains and 100 meter elevation in hilly areas, or those which have a drinking water source but are affected with quality problems;

PC: When availability of water is between 10 litres per capita per day (lpcd) and 40 lpcd; and,

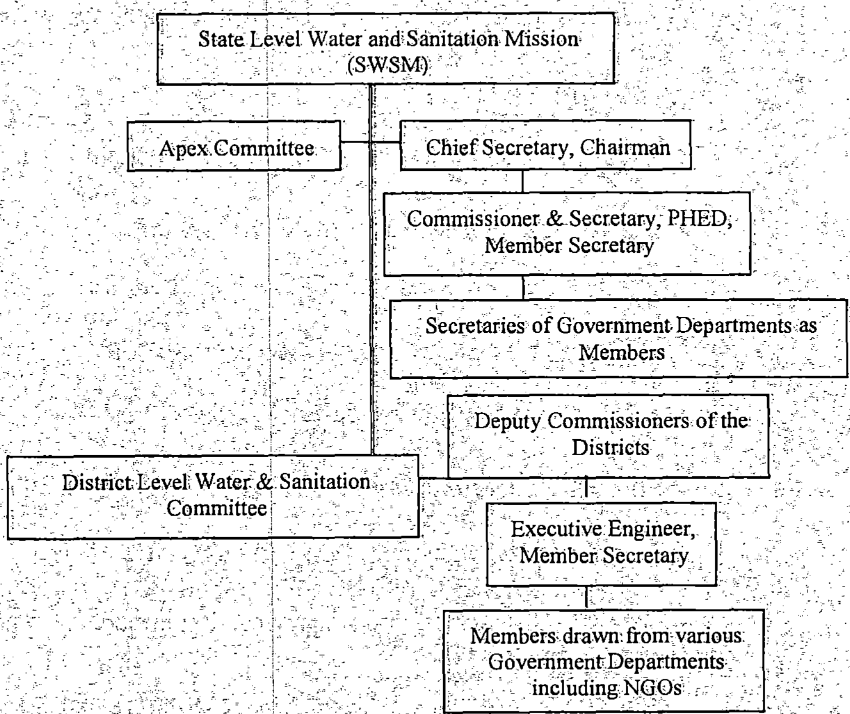
Fully Covered (FC): All other habitations

Chart 3.5



EE: Executive Engineer; ACE: Additional Chief Engineer, SE: Superintending Engineer, HRD: Human Resource Development

Chart 3.6



3.4.3 Audit Coverage

Performance review of water supply schemes covering the period 2002-03 to 2006-07 was conducted between April and July 2007 through a test-check of the records of the Chief Engineer (CE), nine[4] out of 19 divisions in four (out of seven) districts[5] covering 37 *per cent* (Rs.228.01 crore) of the total expenditure (Rs.611.55 crore) during the period. Results of the review are discussed in the succeeding paragraphs.

3.4.4 Audit Objectives

The main objective of the performance review was to evaluate whether adequate and safe drinking water is being supplied to the rural and urban population in the State. For this purpose, thrust was given to verifying the following:

- effectiveness of the planning process;
- efficiency of the system of survey and technical study of water source to achieve the goal of providing safe and sustainable drinking water to rural habitations;
- adequacy in release of funds as per requirement and its proper utilisation;
- efficiency and effectiveness of the execution of works within the stipulated time; and,
- extent of provision of safe drinking water in the State.

3.4.5 Audit Criteria

The following criteria were used in the performance audit:

- Guidelines issued by the GOI with regard to different schemes;
- List of approved schemes and detailed project reports;
- Sanction orders of the GOI and budget provisions; and,
- Prescribed monitoring mechanism.

3.4.6 Audit Methodology

For conducting the performance review, an entry conference was held (June 2007) with the CE and ACEs, Zone I, II & III wherein the audit objectives, scope, criteria and methodology were explained. Districts and divisions were

[4] Hills Division, Shillong, Investigation Division, Shillong, Electrical (PHE) Division, Mawphlang, Nongstoin Division, Mawkyrwat Division, Tura Division, Tura, Tura North Division, Resubelpara Division and Simsanggiri Division, Williamnagar.

[5] East Khasi Hills, West Khasi Hills, East Garo Hills and West Garo Hills.

selected on the basis of stratified random sampling. Utilisation of funds received from the GOI, sanctions, progress reports, project reports, execution of works, *etc.* were analysed to arrive at audit conclusions. Audit findings were discussed with the CE in an exit conference (October 2007) and the replies of the Department have been incorporated in the report at appropriate places.

Audit Findings

3.4.7 Planning

The guidelines for implementation of rural water supply programme envisage preparation of an Annual Action Plan (AAP) by the State Government six months before the commencement of the financial year on the basis of the shelf of schemes, the likely size of allocation under State Sector MNP, ARWSP as well as likely carry over funds, if any, and to submit to RGNDWM by the beginning of October of the year for use at the time of Annual Plan discussions. While preparing the AAP, completion of the incomplete works should be given priority over taking up of new works. As soon as final outlay is decided, the AAP is to be forwarded to the GOI by the 30th April of the financial year. The CE stated (August 2007) that no specific AAP had been prepared. Thus, one of the vital requirements of the guidelines remained unfulfilled.

While the programme guidelines do not permit taking up of new schemes before completion of the existing schemes, the Department took up execution of 1,872 new schemes during the period 2002-07 while numerous existing schemes were yet to be completed as detailed below:

Table 3.28

Year	Number of incomplete schemes/ works at the commencement of the year	Number of new schemes sanctioned	Number of schemes completed out of ongoing schemes	Number of schemes completed out of new schemes	Number of incomplete schemes at the end of the year
2002-03	705	174	220	...	659
2003-04	659	346	215	6	784
2004-05	784	172	200	3	753
2005-06	753	441	328	49	817
2006-07	817	739	205	103	1,248
Total		**1,872**	**1,168**	**161**	

Source: Information furnished by the CE, PHED.

Due to poor planning, the Department spread its resources thin over many schemes without completion of the ongoing schemes.

Despite shortfall in budget provision for completion of ongoing schemes/works, new schemes were sanctioned, which was not only contrary to the RGNDWM guidelines but also placed a heavy burden on the resources and delayed the completion of the existing schemes. The possibility of providing safe drinking water to all the habitations by 2011-12 was also remote due to failure in completion of the sanctioned schemes, which stood at 1,248 at the end of 2006-07.

During exit conference, the CE stated (October 2007) that out of 1,248 incomplete schemes, 531 were sanctioned during 2006-07 and 212 were physically completed, but financial liabilities were not cleared. Reasons for non-completion of 505 old schemes (sanctioned prior to 2006-07) had not been stated.

3.4.7.1 Survey and identification of habitations

Till 2003, planning and execution of schemes was based on data collected during 1991 census. Guidelines were circulated (February 2003) by GOI for fresh survey based on 2001 census in all States. The main objective of the survey was to ascertain the status of drinking water supply in the rural habitations, rural schools and identification of habitations with water quality problems.

The survey work was scheduled to be completed within a month by 31 March 2003. But the survey was conducted by the Department in September 2003 and survey results were submitted to GOI in March 2004, i.e., after a delay of one year. According to the survey conducted (September 2003) by the Department, the details of FC, PC and NC habitations in the State during 2003-04 were as under:

Table 3.29

(in numbers)

Classification of Habitations	District-wise status as per Survey - 2003							Total
	East Khasi Hills	West Khasi Hills	East Garo Hills	West Garo Hills	South Garo Hills	Jaintia Hills	Ri-Bhoi	
FC	645	562	650	1,418	453	309	486	4,523
PC	436	277	270	723	357	266	236	2,565
NC	305	491	246	984	126	41	416	2,609
Total	**1,386**	**1,330**	**1,166**	**3,125**	**936**	**616**	**1,138**	**9,697**

Source: Information furnished(March 2004) by the Principal Secretary, PHED to GOI.

3.4.8 Financial Management

3.4.8.1 Funding Pattern

Funds are provided to the States by the RGNDWM under the ARWSP, Sector Reforms Programme, Sub Mission and other support services, *viz.*, Human Resource Development (HRD), Information, Education and Communication (IEC), Management Information System (MIS), Monitoring and Investigation Units, *etc.*

Central assistance for ARWSP is allocated to the State on the basis of matching provision made/expenditure incurred by the State under the State sector MNP. Release for ARWSP is not to exceed the provision made by the State for MNP. Up to 20 *per cent* of ARWSP funds can be used for each of Sub Mission projects and Sector Reforms and at least 25 *per cent* for SCs and 10 *per cent* for STs are to be earmarked. In addition, 100 *per cent* Central assistance is provided for HRD, IEC and MIS. Prime Minister programmes are to be implemented on the principle of partial cost sharing (10 *per cent*[6] upfront in cash of the capital cost of each scheme) by the community. AUWSP is financed by the Central and State Governments in the ratio of 50:50.

3.4.8.2 Budget provision and expenditure

Budget provision *vis-a-vis* expenditure during the last five years ending March 2007 was as under:

Table 3.30

(Rupees in crore)

Year	Budget provision[7] (Amount surrendered)		Actual expenditure			Savings (Percentage)	
	Revenue	Capital	Revenue	Capital	Total	Revenue	Capital
2002-03	51.71 (7.17)	84.96 (34.52)	44.09	49.95	94.04	7.62 (15)	35.01 (41)
2003-04	47.29 (1.96)	86.57 (26.79)	45.50	59.57	105.07	1.79 (4)	27.00 (31)
2004-05	52.83 (...)	83.45 (10.10)	52.35	72.64	124.99	0.48 (0.91)	10.81 (13)
2005-06	54.08 (...)	84.35 (5.50)	53.10	77.76	130.86	0.98 (2)	6.59 (8)
2006-07	67.14 (2.60)	95.89 (2.18)	64.30	92.29	156.59	2.84 (4)	3.60 (4)
Total	**273.05 (11.73)**	**435.22 (79.09)**	**259.34**	**352.21**	**611.55**		

Source: Appropriation Accounts.

The following shortcomings were noticed:

- There were persistent savings in all the years during 2002-07. Wide variations between budget provision and actual expenditure indicated that budget was not prepared realistically, particularly under capital section during 2002-03 and 2003-04 where the shortfall was more than 30 *per cent*.

- Out of the total savings of Rs.96.72 crore during 2002-07, Rs.90.82 crore only was surrendered during the period. The CE, PHE did not surrender the remaining savings of Rs.5.90 crore to the Finance Department for utilisation by other needy departments. Reasons for non-utilisation of available funds and non-surrender of anticipated savings on time had not been furnished.

3.4.8.3 Unutilised Central funds

Details given in **Appendix 3.5** show that the Department failed to utilise 18 to 46 *per cent* of funds available under ARWSP during 2002-07 and 27 to 100 *per cent* of available funds under Prime Minister's Programme during 2003-07. The unspent funds under ARWSP and Prime Minister's programmes as of

6 In cases of the habitations where more than 50 *per cent* of the beneficiaries belong to SC and ST, the community contribution will be 5 *per cent*.

7 Original plus Supplementary.

March 2007 stood at Rs.12.28 crore and Rs.54 lakh respectively. Failure to utilise the available funds deprived the people of safe drinking water due to non-completion/delay in completion of the water supply schemes.

3.4.8.4 Diversion of funds

Cases of diversion of funds noticed in audit are given below:

- Expenditure of Rs.62.45 lakh incurred (June 2004 to September 2005) by the EE, Resubelpara Division on various water supply schemes under MNP was charged to the Bajengdoba Water Supply Scheme under ARWSP, thereby adversely affecting the implementation of this scheme.

- Expenditure of Rs.51.73 lakh spent on energy consumption during 2003-04 and 2005-06 in Greater Shillong Water Supply Scheme at Mawphlang was adjusted by debiting the amount to Laitlyngkot Water Supply Scheme under Sub-Mission Programme and Umkrih Water Supply Scheme under ARWSP.

- Expenditure of Rs.22.56 lakh incurred during 2003-04 for Pynthorumkhrah Water Supply Scheme (Phase-I) under State sector was charged to Laitlyngkot Water Supply Scheme under ARWSP, thereby adversely affecting the implementation of this scheme.

During exit conference, the CE stated (October 2007) that the officer responsible for wrong booking of Rs.62.45 lakh had been suspended and that all the wrong booking would be adjusted shortly.

3.4.9 Collection of Water Tax

The actual revenue realised from water tax during 2002-07 against the target was as under:

Table 3.31

(Rupees in lakh)

Year	Target	Actual	Shortfall (Percentage)
2002-03	20.30	8.16	12.14 (60)
2003-04	21.11	9.22	11.89 (56)
2004-05	36.02	24.71	11.31 (31)
2005-06	42.21	25.58	16.63 (39)
2006-07	35.23	19.07	16.16 (46)
Total	**154.87**	**86.74**	**68.13 (44)**

Source: Information furnished by the CE, PHE.

The details above would indicate that against Rs.1.54 crore of water tax targeted for collection during 2002-07, actual collection was Rs.86.74 lakh. The shortfall in collection of water tax during the period ranged between 31 and 60 *per cent*, reasons for which were not on record. It reflected lack of monitoring at the Sub-division level in collection of water tax.

Programme Implementation

3.4.10 Targets and achievement

As mentioned in paragraph 3.4.7.1, the total number of habitations in the State as per 2003 survey was 9,697, out of which 2,565 habitations were partially covered and 2,609 habitations were not covered.

The achievement in the coverage of habitations during 2002-07 against the targets fixed by the GOI is as under:

Table 3.32

(In numbers)

Year	Target habitations			Achievement			Shortfall (-)/Excess (+)		
	NC	PC	Total	NC to FC	PC to FC	Total	NC to FC	PC to FC	Total (*Per cent*)
2002-03	200	180	380	159	191	350	(-) 41	(+) 11	(-) 30 (8)
2003-04	184	196	380	171	198	369	(-) 13	(+) 2	(-) 11 (3)
2004-05	196	191	387	211	180	391	(+) 15	(-) 11	(+) 4 (1)
2005-06	131	217	348	159	286	445	(+) 28	(+) 69	(+) 97 (28)
2006-07	505	165	670	526	557	1,083	(+) 21	(+) 392	(+) 413 (62)
Total	**1,216**	**949**	**2,165**	**1,226**	**1,412**	**2,638**	**(+) 10**	**(+) 463**	**(+) 473**

Source: Information furnished by the CE, PHE.

Though the overall achievement during the period exceeded the target, the target itself was low when compared to the number of uncovered habitations as of April 2003 as shown in the survey report. Consequently, 1,383 (53 *per cent*) and 1,153 (45 *per cent*) NC and PC habitations respectively, were deprived of the benefit of safe drinking water although funds amounting to Rs.83.01 crore on capital account were available for the purpose of which, Rs.79.09 crore was surrendered.

The Department also took up new schemes for execution without completing the ongoing schemes as mentioned in paragraph 3.4.7. While it did not have sufficient funds to complete the existing schemes, taking up new schemes resulted in spreading out the meager resources over numerous schemes resulting in non-completion/time and cost overrun in a number of schemes as brought out in table below and the succeeding paragraphs:

Table 3.33

(Rupees in crore)

Year	Amount required for completion of ongoing schemes/ works	Budget provision	Shortfall in budget provision (Percentage)	Amount sanctioned for new schemes
2002-03	81.72	40.75	40.97 (50)	21.30
2003-04	79.88	47.50	32.38 (41)	63.57
2004-05	104.06	49.25	54.81 (53)	84.65
2005-06	139.82	58.70	81.12 (58)	103.91
2006-07	189.57	68.81	120.76 (64)	101.25
Total		**265.01**		**374.68**

Source: Information furnished by the CE, PHED.

3.4.11 *Incomplete Water Supply Schemes*

From the details furnished by six out of nine test-checked divisions, it was noticed that 34 water supply schemes/works (estimated cost Rs.13.87 crore) sanctioned between March 2002 and March 2005 under MNP, ARWSP and Sub Mission and targeted for completion by March 2006, remained incomplete as of March 2007. Summarised position of these schemes is given below:

Table 3.34

(Rupees in crore)

Name of Programme	Number of incomplete water supply scheme/work	Estimated cost	Expenditure incurred up to March 2007	Period of delay
MNP	17[8]	8.96	8.22	One to two years
ARWSP	11	2.17	2.10	-Do-
Sub Mission	6	2.74	2.24	-Do-
	34	**13.87**	**12.56**	

Source: Information furnished by the EEs of concerned divisions.

The table above shows that the delay in completion of these schemes/works ranged between one and two years. Details of these incomplete schemes/works are given in **Appendix 3.6**. As can be seen from the Appendix, delay in completion of the schemes in many cases was due to land disputes. Reasons for delay in other cases were not on record/not furnished by the Department. Thus, expenditure of Rs.12.56 crore on these incomplete schemes/works remained unproductive (March 2007).

During exit conference, the CE stated (October 2007) that the incomplete schemes would be completed as and when adequate funds were provided by the Government. The reply is not tenable considering that the Department failed to utilise the available funds.

3.4.12 *Time and Cost Overrun*

From the details furnished by seven out of nine test-checked divisions, it was noticed that 43 water supply schemes sanctioned between January 1995 and March 2004 at an estimated cost of Rs.9.68 crore were completed at a cost of Rs.10.65 crore (**Appendix 3.7**). Of this, 37 works estimated to cost Rs.8.62 crore were completed after a delay of one to five years beyond the scheduled period of completion resulting in excess expenditure of Rs.87.01 lakh over the estimated cost. The details are as under:

Table 3.35

Time overrun	Number of works	Estimated cost	Expenditure incurred	Excess expenditure
		(Rupees in lakh)		
One year to three years	31	516.04	577.87	61.83
Up to five years	6	346.22	371.40	25.18
Total	**37**	**862.26**	**949.27**	**87.01**

Source: Information furnished by the EEs of concerned divisions.

(8) Including one work under Greater Shillong Water Supply Scheme.

Although the expenditure in respect of all the 43 schemes exceeded the limit of 5 *per cent* prescribed in Rule 282 of the Meghalaya Financial Rules, 1981, revised estimates were not submitted by the divisions concerned in contravention of the Rule *ibid.*

3.4.13 Accelerated Rural Water Supply Programme

3.4.13.1 Wasteful Expenditure and Idle Investment on a Water Supply Scheme

To provide potable water to six habitations, the State Government sanctioned (March 2004) "Lyngkyrdem Combined Water Supply Scheme", estimated to cost Rs.2.55 crore, stipulating March 2006 as the date of completion. The scheme was to be implemented by the Investigation Division, Shillong.

Between November 2004 and June 2006, the Division incurred Rs.1.45 crore on procurement (November 2004) of pipes (15,239.92 running meters (RM) of 150 mm MS pipes: Rs.116.74 lakh; CI and GI Pipes: Rs.20.36 lakh), laying of 7,740 RM MS pipes (Rs.5.63 lakh) and construction of intake arrangement (Rs.2.46 lakh). In January 2007, the Additional CE, Zone I observed that the source (Wah Ba) of water was not in a position to serve the water supply system to the targeted habitations and therefore, recommended for shifting the source to another stream. However, the new source of water could not be finalised till the date of audit (July 2007) and the remaining work of the scheme was abandoned.

Thus, taking up of water supply scheme without ensuring the source of water resulted in wasteful expenditure of Rs.67.38 lakh[9] and idle investment of Rs.77.81 lakh[10] for over two years, besides depriving the targeted habitations of potable water.

3.4.13.2 Suspected Misappropriation due to Payment for Material not actually received

During August 2004, the CE, PHE placed supply order with a Byrnihat based firm for supply of GI pipes required for implementation of the Bajengdoba Water Supply Scheme in Resubelpara. On the basis of certificates of the Junior Engineer (JE) recorded on the bills that full quantity of material was received, the EE paid (December 2004, March and June 2005) Rs.51.76 lakh to the firm as cost of GI pipes[11]. But according to information furnished (November 2006) by the EE to the Superintending Engineer (SE), Simsanggiri circle, these pipes were not received and therefore, he placed requisition for the same.

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9 Laying of 7,740 RM MS pipes (Cost of pipes: Rs.59.29 lakh and expenditure on laying: Rs.5.63 lakh) and cost of construction of intake arrangement (Rs.2.46 lakh): **Rs.67.38 lakh**

10 Cost of unutilised pipes (7,499.92 RM of 150 mm MS pipes: Rs.57.45 lakh; CI and GI Pipes: Rs.20.36 lakh): **Rs.77.81 lakh**

11 100 mm: 10,630.84 RM: Rs.47.72 lakh; 50 mm: 499.31 RM, 40 mm: 1,939.82 RM & 15 mm: 1,195.47 RM: Rs.4.04 lakh.

Thus, the expenditure of Rs.51.76 lakh incurred on the basis of fictitious certificates indicated that the amount was misappropriated.

3.4.13.3 *Extra Expenditure on Procurement of Pipes*

The estimate of the Bajengdoba Water Supply Scheme framed by the EE, Resubelpara Division provided Rs.1.30 crore for supply, fitting and fixing of 18,700 RM of GI pipes (at the rate of Rs.696 per RM). Contrary to the estimate, the EE proposed (September 2004) to the SE, Tura Circle to implement the scheme with Ductile Iron (DI) pipe on the ground of better life span of this pipe and less expenditure than the original provision. Though approval for the deviation from the estimated provision was not obtained from the Government, the EE incurred (June, September and December 2006) expenditure of Rs.1.42 crore on procurement of 18,000 RM DI pipes including carriage and fittings. This indicated that cost aspect reported by the EE was not based on actual fact. The action of the EE was not only unauthorised but also resulted in an expenditure of at least Rs.17.10 lakh[12] in excess of the estimated provision.

Further, despite proposal for change in the specification of pipes, the EE purchased (June 2004 to March 2005) GI fittings valued at Rs.12.60 lakh by charging the expenditure to this scheme. The fittings were neither utilised for any other scheme nor transferred to other divisions and were lying unutilised, resulting in an idle investment of Rs.12.60 lakh for two to three years.

3.4.13.4 *Incorrect Reporting*

Bansinggiri Water Supply Scheme under RWS Division, Simsanggiri, estimated to cost Rs.2.98 lakh was sanctioned by the State Government in June 1992 for execution under ARWSP. According to the EE, Simsanggiri Division (March 2005), the work was completed during 1995-96. But the Deputy Commissioner, East Garo Hills District, during his visit in the village (March 2005), noticed that the scheme was not completed even after a lapse of over 12 years. Thus, the report submitted to the GOI did not exhibit the actual state of affairs.

3.4.13.5 *Sub Mission Projects*

Sub Mission projects are to be undertaken by the States for providing safe drinking water to the rural habitations facing water quality problems like Fluorosis, Arsenic, Excess Iron, *etc.*

According to the information furnished (July 2007) by the CE, PHE, as of April 2002, 160 habitations were identified (on 5-10 *per cent* water quality survey) as having single quality problem (problems of excess iron) in drinking water. Of this, 53 habitations were provided with safe drinking water during

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[12]

Expenditure incurred on 18,000 RM DI pipes:	Rs.142.38 lakh
Less: Expenditure on laying of 18,000 RM GI pipes:	Rs.125.28 lakh
Extra Expenditure	**Rs. 17.10 lakh**

2002-04. However, on 100 *per cent* water quality survey result, total number of iron affected habitations as of April 2004 was 152, of which 88 were covered during 2004-07. Thus, the Department failed to provide safe drinking water to 64 identified habitations despite expenditure of Rs.12.79 crore out of Central funds. The Department, however, reported (July 2007) to the GOI that only 45 identified habitations remained to be provided with safe drinking water.

Audit scrutiny further revealed that to provide safe drinking water to Rongsaigiri and its surrounding 25 villages, the State Government accorded (October 2002) administrative approval for Rs.5.49 crore for quality improvement of water of Rongsaigiri Water Supply Scheme under Sub mission Programme. The project was to be completed by March 2006 and the cost was to be borne by the GOI and the State Government in the ratio of 75:25. As of March 2007, an expenditure of Rs.4.31 crore was incurred on the project for 50 *per cent* physical progress. The following irregularities were noticed:

- Till March 2007, the GOI released its full share of Rs.4.12 crore. But only Rs.30.25 lakh was released by the State Government against its share of Rs.1.37 crore. Though the Central funds were exhausted by the Division, it failed to utilise Rs.23.21 lakh of State fund stated (June 2007) by the EE due to slow progress of work. When the Division was in a position to incur expenditure of the entire amount of Central funds, failure in utilisation of State funds showed the apathy of the Department in early completion of the scheme required for improvement of the quality of drinking water.

- The work for laying of 11,990 RM of 250 mm dia MS Gravity main under the Scheme was allotted (March 2004) to a contractor at a tender value of Rs.24.59 lakh stipulating July 2004 as date of completion. As per terms and conditions of notice inviting tenders (NIT) issued (September 2003) by the SE, Tura Circle, the material required for the work were to be issued by the Division.

As per measurement recorded in the Measurement Book, the contractor laid 4,980 RM of 250 mm MS pipe. Accordingly, the contractor claimed (March 2006) Rs.13.38 lakh, of which Rs.6 lakh was paid (March 2006). But the Indent for Stores showed issue of 1,980 RM of 250 mm MS pipes to the contractor till December 2004. This made the laying of 3,000 RM of MS pipes as well as the expenditure incurred for the same questionable inasmuch as the laying of pipes in excess of those issued by the Division was not possible because of the terms and conditions of the NIT.

- The work for laying of 200 mm DI pipe from treatment plant to the proposed reservoir under the Scheme was allotted (July 2003) to a contractor stipulating October 2003 as the date of completion. But 6,050 RM of DI pipes required for the purpose were procured by the Division at a cost of Rs.80.08 lakh after a delay of over one year in February 2005. The work, scheduled to be completed in October 2003, had not started till March 2007, as the site for laying of pipes could not be given to the contractor due to non-completion of treatment plant. According to the EE, Tura North Division (June 2007), the work for the treatment plant was discontinued by the contractor and he would be requested to re-start the work immediately. As per information furnished (June 2007) by the JE, Phulbari Sub-Division, out of 6,050 RM pipes, 6,006 RM were received and lying unutilised (June 2007). Reasons for short receipt of 44 RM 200 mm DI pipes worth Rs.0.58 lakh were not on record.

Thus, allotment of work as well as procurement of material without arranging the site for execution of the work resulted in an idle investment of Rs.80.08 lakh for over two years. The possibility of immediate commencement of the work is also remote because of discontinuation of the work of treatment plant.

3.4.14 Support Services under ARWSP

3.4.14.1 Lack of Human Resource Development

A National Human Resource Development Programme (NHRPD) was launched by the RGNDWM in 1994. Under the NHRPD, the States should set up Human Resource Development (HRD) cells for planning, designing, implementing, monitoring and evaluating an appropriate and need based programme. The HRD, *inter alia*, aims at capacity building of local communities by giving requisite training. The Information, Education and Communication (IEC) programme envisaged generating a felt need which would result in an increased demand for safe drinking water and better sanitation facilities and also for creation of awareness on matters related to symptoms and manifestations of water borne diseases.

According to the information furnished (July 2007) by the CE, PHE, the HRD and IEC programmes in the State were discontinued since 2002-03. Even so, expenditure of Rs.0.83 lakh (out of the unutilised fund of Rs.15.42 lakh as of April 2002) was incurred under the IEC programme, details of which were not produced to Audit. Reasons for discontinuation of these programmes had not been furnished.

3.4.14.2 Management Information System

Information Technology based Management Information System (MIS) envisaged effective planning, monitoring and implementation of various schemes under different programmes. Under the MIS, the GOI released Rs.1.17 crore during 2004-05 (Rs.51 lakh) and 2006-07 (Rs.66 lakh). During 2002-07, the Department incurred expenditure of the entire available funds of Rs.1.23 crore (including opening balance of Rs.6 lakh). But the details of expenditure were not produced to Audit. As such, veracity of the expenditure remained un-assessed.

3.4.15 Sector Reforms Programme

The main thrust of the Programme was to institutionalise rural community participation through enhancement of awareness for generating resources for meeting a part of the capital cost of the project. The beneficiaries were to be properly trained to plan, implement, operate, maintain and manage the water supply schemes of their choice. The programme was being implemented in Ri-Bhoi District of the State.

The following irregularities were noticed:

3.4.15.1 Non-adherence to GOI's instructions

For the Sector Reform Projects, the Union Ministry of Rural Development sanctioned (July 2001) Rs.9.75 crore as provisional project cost for 64 habitations and 100 schools with the condition that the projects should commence with start up activities and a component awareness and training programme. Accordingly, the project profile provided 25 *per cent* of the project cost for start up activities (one *per cent*), awareness campaign (15 *per cent*) and capacity building/training (9 *per cent*).

During October 2001, the GOI released Rs.2.72 crore as first instalment of its share and thus, Rs.68 lakh (25 *per cent*) was to be utilised for start up activities, awareness campaign and capacity building/training. Against this, Rs.11.16 lakh only was utilised by the implementing agency (SWSM) for these activities and the balance amount of Rs.2.61 crore was utilised for hardware and other components[13] of the projects till March 2004. The action of the implementing agency was not only contrary to the instruction of the GOI but also indicative of lack of interest in institutionalising capacity building and training campaigns amongst the beneficiaries.

3.4.15.2 Non-release of Central Share

According to the instructions of the MRD (June 2001), release of second, third and last instalments of funds by the GOI for implementation of the sector reforms project was subject to submission of utilisation certificates by the implementing agency about utilisation of 60 *per cent* of available funds. But the utilisation certificate in support of utilisation of first instalment of Central funds (Rs.2.72 crore) was submitted (July 2004) to the State Government by the CE after a delay of over two years from the date of release (October 2001). Date of submission of this utilisation certificate to the GOI was not on record. Consequently, the balance amount (Rs.6.35 crore[14]) was not released by the GOI.

During exit conference, the CE stated (October 2007) that since the Swajaldhara Programme was launched (December 2002) by the GOI as an extension of the sector reforms, it was decided that after completion of all the ongoing works under sector reforms, it would be merged with Swajaldhara and as such, no further fund was released. The reply is not tenable because there was delay in submission of utilisation certificate and the Swajaldhara

[13] Community based water quality monitoring, surveillance and monitoring, evaluation and documentation, *etc.*

[14] Excluding beneficiaries' contribution of Rs.68 lakh.

Programme was launched over one year after release of first instalment of Central share.

3.4.16 Prime Minister's Programme

3.4.16.1 Targets and Achievement

During 2003-2007, the GOI released Rs.6.56 crore for implementation of the programme, against which an expenditure of Rs.6.02 crore and the amount of Rs.54 lakh released during 2006-07 remained unutilised (details in **Appendix 3.5**). The targets fixed for implementation of three components of the programme during 2003-2006 and achievement thereagainst are given in the table below. For the year 2006-07, no target was fixed and also there was no achievement.

Table 3.36

(In numbers)

Component	2003-04		2004-05		2005-06		Total		Excess
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	
Installation of hand pumps in water scarce rural areas	506	442	392	467	-	47	898	956	58 (6)
Coverage of rural lower primary schools	548	446	192	348	-	59	740	853	113 (15)
Revival of traditional water sources	506	430	576	669	-	177	1082	1276	194 (18)
Total	**1,560**	**1,318**	**1,160**	**1,484**	**-**	**283**	**2,720**	**3,085**	

Source: Information furnished by the CE,PHE.

During 2003-04 and 2004-05, the Department implemented all the three programmes in excess of the targets despite non-utilisation of the available funds. This indicated that the target itself was low.

3.4.17 Water Supply Scheme under Non-Lapsable Central Pool of Resources

Tura Phase III Water Supply Scheme, estimated to cost Rs.21.60 crore, was administratively approved by the State Government in March 2003 under Non-lapsable Central Pool of Resources.

The scheme, scheduled to be completed in May 2006, remained incomplete till March 2007. As of March 2007, the total expenditure on the scheme was Rs.18.90 crore against physical achievement of 82 *per cent*.

The scheme was to be funded by the Department of Development of North Eastern Region (DONER), GOI and the State Government on 90:10 sharing basis. While the DONER released Rs.17.90 crore (out of Rs.19.44 crore), the State Government released only Rs.1 crore out of its share of Rs.2.16 crore till March 2007. Thus, there was short release of matching share by the DONER and the State Government.

The estimate of the work *inter alia* provided for execution of the following items of work:

(i) Construction of RCC Zonal Reservoirs (estimated cost: Rs.1.69 crore); and,

(ii) Construction of Conventional Type Treatment Plant of 10.65 MLD capacity (estimated cost: Rs.1.66 crore).

Audit scrutiny revealed the following irregularities in execution of the above items:

3.4.17.1 Avoidable Committed Liability

Construction work of four RCC Zonal Reservoirs (working estimated cost Rs.47.16 lakh[15]) was awarded (June 2005 and June 2006) to four contractors at their quoted rates of Rs.59.70 lakh[16] stipulating the date of completion as October 2005 (three cases) and October 2006 (one case). The quoted rates, which were 26 and 28 *per cent* above the estimated cost, were recommended by the Tender Acceptance Board (TAB) in December 2004. However, before commencement of the work, the Department discarded the original working estimates on technical grounds and asked the contractors to submit fresh structural drawings and working estimates. The reasons for not taking into consideration the technical aspects before allotment of work were not on record. Thereafter, the Department negotiated with the contractors at their offered rates of Rs.1 crore[17], which were 95 to 129 *per cent* above the original working estimated cost of the reservoirs. Records showing the acceptance of these revised rates by the TAB or Government's approval to the enhanced value of work were not produced to Audit. As of March 2007, payments totaling Rs.46.19 lakh were made to the contractors.

Thus, taking advantage of the faulty working estimates, the contractors offered higher rates which were accepted by the Department. This resulted in additional committed liability of Rs.40.30 lakh. Had the works been allotted on the basis of technically sound working estimates, the additional liability could have been avoided.

3.4.17.2 Undue Financial Benefit to the Contractor

Construction work of 10.65 MLD capacity treatment plant was awarded (March 2004) by the CE, PHE to a Shillong based firm at a lump sum amount of Rs.2.19 crore stipulating October 2005 as the date of completion. The work was completed after a delay of over one year in March 2007 at a cost of Rs.2.45 crore.

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[15] 5 lakh litres capacity: Rs.15.51 lakh; 4.19 lakh litres capacity: Rs.12.58 lakh; 2.93 lakh capacity: Rs.9.76 lakh; 2.76 lakh litres capacity: Rs.9.31 lakh.

[16] 5 lakh litres capacity: Rs.19.78 lakh; 4.19 lakh litres capacity: Rs.15.87 lakh; 2.93 lakh capacity: Rs.12.29 lakh; 2.76 lakh litres capacity: Rs.11.76 lakh.

[17] 5 lakh litres capacity: Rs.33.45 lakh; 4.19 lakh litres capacity: Rs.28.83 lakh; 2.93 lakh lakh capacity: Rs.19.89 lakh, 2.76 lakh litres capacity: Rs.18.13 lakh.

In March 2005, the CE, PHE executed a supplementary agreement with the firm for execution of six items of work in connection with the treatment plant and paid (March 2007) Rs.29.39 lakh for these items[18]. Since the contract was on 'lump sum' basis, the contractor was responsible to execute the work with all its contingencies for a fixed sum. Even taking into consideration that the dismantling of the existing retaining wall was beyond the purview of the lump sum contract, payment of Rs.29.29 lakh in addition to the lump sum contract value of Rs.2.19 crore was not justified and resulted in undue financial benefit of Rs.29.29 lakh to the firm.

During exit conference, the CE stated (October 2007) that the additional expenditure was due to shifting of the site of the work. The reply is not tenable because proper site should have been selected before allotment of work.

3.4.18 Minimum Needs Programme/Pradhan Mantri Gramodaya Yojana

3.4.18.1 Unfruitful Expenditure due to Inordinate Delay in Completion of Water Supply Scheme

Mention was made in Paragraph 3.2.10 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 regarding unfruitful expenditure of Rs.2.95 crore due to failure in completion of 'Resubelpara Civil Sub-Division complex and enroute villages water supply scheme' and unproductive expenditure of Rs.37.44 lakh due to discontinuation of work (including construction of simplified treatment plant) by a contractor.

Despite Government's commitment (August 2006) to complete the scheme by March 2007, the scheme remained incomplete (March 2007) even after expenditure of Rs.3.72 crore and thus, the intended benefit could not be extended to targeted populace.

Further, the contract for construction of simplified treatment plant was rescinded (December 2004) by the CE, PHE and allotted (February 2005) to another contractor at tender value of Rs.16.53 lakh stipulating May 2005 as the date of completion. However, the work was not completed till March 2007.

According to the statement of expenditure furnished (December 2006) by the EE, RWS Division, Resubelpara, the Division had already incurred expenditure of Rs.11.49 lakh till March 2004 on construction of simplified treatment plant. This indicated that either the expenditure of Rs.11.49 lakh was charged to this item of work without actual execution or the treatment plant constructed by the Department till March 2004 was incomplete or not as per requirement. The action of the Division was, thus, not justified and led to

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[18] (i) Dismantling the existing boulder retaining wall (Rs.0.10 lakh), (ii) Earth work in excavation (Rs.1.59 lakh), (iii) Providing cement concrete work proportion 1:4:8 (Rs.0.69 lakh), (iv) Providing cement concrete in proportion 1:1.5:3 (Rs.11.84 lakh), (v) Providing torsteel reinforcfement in RCC work (Rs.9.21 lakh) and (vi) Providing 25 mm thick shuttering (Rs.5.96 lakh).

additional liability of Rs.16.53 lakh to be paid to the contractor on completion of the work.

3.4.18.2 Execution of Sub-standard Work

The Greater Mawryngkneng Rural Water Supply Scheme under PHE Hills Division of East Khasi Hills District, estimated to cost Rs.2.11 crore, was sanctioned by the State Government in March 2001. The scheme was taken up for implementation in September 2003 and was targeted for completion by March 2005. The work was completed after a delay of two years in March 2007 at a cost of Rs.2.23 crore.

The estimate of the scheme, prepared by the EE, PHE Hills Division, envisaged laying of 9,875 RM of DI pipes for gravity main at a cost of Rs.86.78 lakh. Contrary to the estimated provision, the EE suggested to the SE, Rural Circle (May 2002) to change the specification of pipe from DI to MS pipe on the ground that MS pipes would be better suited to the terrain condition and non-availability of skilled contractor for laying of DI pipelines. Reasons for not taking into consideration these aspects while framing the estimate were not on record.

The report of MS pipelines published (1991) by the Indian Water Works Association (Pune Centre) outlined the major failure of these pipelines in the country. Referring to this report, a Kolkata based firm informed (May 2002) the CE, PHE about the superior quality of the DI pipes. The firm also agreed to provide all technical support including technical staff during laying of DI pipelines at their cost. Ignoring the quality aspect of DI pipes, the CE, PHE accorded (October 2002) part technical sanction for laying of 150 mm MS pipes at a cost of Rs.72 lakh. In March 2003, the Division incurred expenditure of Rs.55.96 lakh on procurement of MS pipes.

Thus, the action of the CE, PHE was not only unauthorised but also led to execution of sub-standard work valued at Rs.2.23 crore due to laying of inferior quality of pipes for gravity main.

During exit conference, the CE stated (October 2007) that after the site was shown to the Kolkata based firm, they reneged on their commitment. The reply is not tenable because the firm agreed to provide technical support, *etc.* after visiting (May 2002) the site along with the Engineers of the Department.

3.4.19 Material Management

3.4.19.1 Non-functional Water Supply Schemes due toTheft of Pipes

Mention was made in Paragraph 4.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1998 regarding unproductive expenditure of Rs.72.11 lakh on water supply schemes due to frequent theft of GI pipes. Though the department informed the Public Accounts Committee (33rd Report of the Public Accounts Committee placed before the Assembly in June 2000) that constant vigil over the laid pipes was being maintained and a policy had been chalked out for transfer of completed scheme to village administration, stealing of laid pipes of the water supply schemes persisted, as discussed below.

Despite completion of 14 water supply schemes under Tura North and Nongstoin Divisions at a cost of Rs.5 crore, the schemes failed to function because of theft of laid pipes worth Rs.6.36 lakh during August and November 2004 and May 2006 (details in **Appendix 3.8**). Reasons for not replacing the stolen pipes as well as not taking effective measures to protect the laid pipes were not on record. Though the concerned divisions lodged (August and November 2004 and May 2006) First Information Reports with the Police, outcome of Police investigation in all the cases was awaited (July 2007).

Thus, failure to keep the departmental material secure resulted in an unfruitful expenditure of Rs.5 crore as the intended benefit of supply of safe drinking water could not be extended to the beneficiaries, besides loss of Rs.6.36 lakh being the value of stolen pipes.

3.4.20 Monitoring and Evaluation

According to the guidelines of the RGNDWM, the State Government was to take up monitoring and evaluation studies on the implementation of various rural water supply programmes. 100 *per cent* financial assistance was to be provided by the Centre for taking up such evaluation studies. The reports of these studies should be made available to the Mission and immediate corrective action should be initiated as a follow up to improve the quality of programme implementation.

Though there was a monitoring cell in the Department headed by an EE for collecting information from executing agencies and timely submission of returns to the GOI, no such return/report was prepared by the cell. According to the CE, PHE (July 2007), progress reports were not submitted and evaluation studies were not conducted because of discontinuation of IEC/HRD programme since 2002-03. The contention of the CE is not tenable because the GOI released funds of Rs.18.14 lakh during 2002-07 for monitoring and investigation units. Absence of monitoring and evaluation studies on the implementation of various water supply schemes showed the apathy of the Department to provide adequate and safe drinking water to the populace.

3.4.21 Conclusion

The objectives of the programmes remained largely unachieved because of significant shortfall in providing safe drinking water to the identified habitations. Even after incurring a substantial amount during 2002-07 on implementation of various water supply schemes, the Department failed to provide adequate and safe drinking water to 46 and 50 *per cent* of the identified NC and PC habitations. Fund management was poor. The Department could not absorb the available funds provided by the GOI. There were cases of diversion of funds, unproductive/unfruitful expenditure, wasteful expenditure, extra expenditure, idle investment and execution of sub-standard work.

3.4.22 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 water supply schemes:

- **The State Government should draw up a comprehensive Plan to provide drinking water facility to all rural habitations within a specified time frame. Coverage of NC habitations should be given priority over others.**

- **Efforts should be made to allocate funds in accordance with the components of the schemes and diversion and blocking of funds should be monitored for prompt remedial action.**

- **Schemes should be completed within the stipulated time frame to avoid time and cost overrun. Ongoing schemes should be executed before taking up new schemes.**

- **As implementation of water supply schemes had been badly affected due to inadequate source of water/non-availability of proper site, the Department should streamline and strengthen the process of identifying the source.**

- **Monitoring mechanism needs to be strengthened and accountability should be fixed for effective implementation of the schemes in a time bound manner to serve the objective of providing water supply to the targeted habitations.**

The matter was reported to the Government in September 2007; reply had not been received (February 2008).

CHAPTER IV – AUDIT OF TRANSACTIONS

LOSS

4.1 Loss of revenue

4.2 Loss due to non-availing of exemption of excise duty

EXTRA EXPENDITURE

4.3 Extra expenditure due to engagement of excess labourers on Muster Roll

4.4 Extra expenditure due to adoption of incorrect rate in the Schedule of Rates

4.5 Extra expenditure due to payment at higher rate

4.6 Extra expenditure due to award of work without ensuring clear title to site and without finalising plan and drawings

4.7 Extra expenditure on execution of a road work

AVOIDABLE/UNFRUITFUL EXPENDITURE

4.8 Unfruitful expenditure and unauthorised diversion of funds under a Centrally Sponsored Scheme

4.9 Unfruitful expenditure under a Centrally Sponsored Scheme

4.10 Avoidable extra expenditure on construction of over bridge

UNPRODUCTIVE EXPENDITURE/IDLE INVESTMENT

4.11 Unproductive expenditure on construction of a Micro Hydel Project

4.12 Idle investment on purchase of land for State Zoo and Botanical Garden

4.13 Idle expenditure on construction of additional 100 bedded hospital at Tura

4.14 Unproductive expenditure on purchase of incinerators/scrubbers

4.15 Idle expenditure on purchase of equipment/goods and on construction of hospital building

4.16 Unproductive expenditure due to delay in finalising drawings and estimates

REGULARITY ISSUES

4.17 Denial of financial benefit due to non-collection of net present value of land from the user agency

GENERAL

4.18 Failure to respond to Audit observations and compliance thereof

4.19 Follow up action on Audit Reports

CHAPTER IV : AUDIT OF TRANSACTIONS

LOSS

FOREST AND ENVIRONMENT DEPARTMENT

4.1 Loss of revenue

Loss of revenue of Rs. 11.80 lakh due to non-opening of fixed deposit account.

The Government of India, Ministry of Environment and Forests issued directives in March 2004 that the funds for compensatory afforestation should be deposited by the user agency with the Compensatory Afforestation Management and Planning Agency (CAMPA). Since the constitution of CAMPA was sub-judice, the Central Government asked the State Government to receive the fund for compensatory afforestation from the user agencies and keep the amount so received in the form of fixed deposits (FDs) in any nationalised bank in the name of concerned Divisional Forest Officer (DFO) or the nodal officer (Forest Conservation) of the state till CAMPA becomes operational.

Test-check of the records of the Principal Chief Conservator of Forest, Meghalaya, Shillong in October 2006 revealed that DFOs Jowai and Shillong between May 1996 and March 2004 received a sum of Rs.93.85 lakh from 23 user agencies for compensatory afforestation and deposited the amount in the treasury under reserve fund not bearing interest. These deposits had neither been withdrawn nor kept in the FDs in a nationalised bank as per directives of the Government of India. This resulted in loss of revenue in the form of interest of Rs.11.80 lakh (up to the month of audit) which would have accrued had the amount been deposited in fixed deposits.

The matter was reported to the Department and the Government in December 2006 and March 2007; their reply has not been received (February 2008).

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.2 Loss due to non-availing of exemption of excise duty

Failure of the Department to avail of exemption from payment of excise duty resulted in a loss of Rs.29.73 lakh on procurement of pipes.

The Union Ministry of Finance and Company Affairs (MF&CA) extended (September 2002) excise duty exemption on pipes meant for delivery of water from source to water treatment plant and from there to storage facility. To avail this exemption, a certificate from the concerned District Magistrate/Deputy Commissioner was to be produced to the Excise Department.

Test-check of records of the Executive Engineers (EE), Tura Public Health Engineering (PHE) Division and Investigation Unit Division, Shillong revealed that the CE, PHE placed (June and September 2004) supply orders with Kolkata and Gautambudh Nagar (Uttar Pradesh) based firms for supply of DI and MS pipes for two water supply schemes under Non-lapsable Central Pool of Resources and Accelerated Rural Water Supply Programme. The pipes were supplied (June 2004 to November 2004) and payment of Rs.3.09 crore (including excise duty of Rs.29.73 lakh) was made (December 2004) by the EEs of the divisions concerned. Though the pipes were required for the purpose for which excise duty exemption was introduced, the EEs did not claim the exemption.

Thus, failure to take appropriate action for availing excise duty exemption by the EEs of Tura PHE Division and Investigation Unit Division, Shillong resulted in a loss of Rs.29.73 lakh[1].

Government stated (November 2007) that the notification or its contents issued (September 2002) by the MF&CA was not known to the Department till middle of 2006. The reply is not tenable because quoting this notification, the CE instructed (June 2004) the EE, Tura Division to obtain the requisite certificate from the Deputy Commissioner/District Magistrate required for availing excise duty exemption.

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[1] **Tura Division (Tura Phase III Water Supply Scheme):**
DI Pipe - 200 mm – 5,699 RM & 300 mm – 5,297.50 RM
Total Payment: Rs. 191.91 lakh; Excise Duty: Rs.15.28 lakh

Investigation Unit Division (Lyngkyrdum Combined Water Supply Scheme): 150 mm dia MS pipes - 15,239.92 RM:
Total Payment: Rs.116.74 lakh; Excise Duty: <u>Rs.14.45 lakh</u>
Loss: <u>**Rs.29.73 lakh**</u>

EXTRA EXPENDITURE

PUBLIC WORKS DEPARTMENT

4.3 Extra expenditure due to engagement of excess labourers on Muster Roll

Deployment of excess Muster Roll labourers led to extra expenditure of Rs.10.48 lakh.

According to the existing norms reiterated by the Government of Meghalaya (July 1989), Divisional Officer may engage five muster roll labourers per month for maintenance and repair work of road length of eight kilometres. In addition, three labourers may also be engaged for maintenance of stores and stock. The Government orders (July 1989) further stipulated that any officer violating the norm would be held responsible and any excess expenditure incurred on engagement of excess labourers would be recovered from the pay of the officer concerned.

Test-check (January 2007) of records of the Executive Engineer (EE), Nongstoin (PWD Roads) Division revealed that the Division incurred extra expenditure of Rs.10.48 lakh on engagement of muster roll labourers under four Sub-Divisions during the years 2005-06 and 2006-07 (up to November 2006) in excess of the prescribed norm. The details are as under:

Table 4.1

Sub-Division	Year	Length of road	Requirement of muster roll labourers per month as per norm	Muster roll labourers actually engaged per month	Excess number of labourers	Period of deployment	Extra expenditure (at the rate of Rs.70 per day)
		(Kilometre)	(Number)			(Days)	(In Rupees)
Nongstoin - I	2005-06	149.956	94	97	3	362	76,020
	2006-07	141.956	89	101	12	244	2,04,960
Nongstoin - II	2005-07	116.00	75[2]	85	10	609	4,26,300
Markasa	2005-07	116.80	76[2]	80	4	609	1,70,520
Sonapahar	2005-07	162.45	105[2]	109	4	609	1,70,520
Total							10,48,320

Source: Prescribed norms and information furnished by the Sub-Divisional Officers concerned.

Reasons for excess deployment of labourers were not on record.

(2) Included three labourers for maintenance of stores and stock.

Government stated (February 2008) that almost all the labourers engaged were regular casual labourers for whom payment of the wages had been made after observing all formalities as per normal procedure. Reply is not tenable because extra expenditure was incurred on engagement of muster roll labourers in excess of the prescribed norm.

4.4 Extra expenditure due to adoption of incorrect rate in the Schedule of Rates

Failure to adopt the correct rate for an item of work in the Schedule of Rates resulted in extra expenditure of Rs.37.30 lakh, besides committed liability of Rs.3.67 lakh.

The scheme "Improvement of Khyndai Lad Junction (providing riding quality with bituminous mastic wearing course)", estimated to cost Rs.5.42 crore, was administratively approved by the Government (September 2004) and technical sanction was accorded by the Chief Engineer (CE), National Highway (NH) & Research (October 2004). The estimate of the work *inter alia* provided Rs.64.04 lakh for execution of the item "Providing and laying 25 mm thick mastic asphalt wearing course, *etc.* in 9,376.6 sqm at the rate of Rs.683 per sqm.".

The CE (NH), PWD (Roads), after inviting tenders, awarded (October 2005) the above item of work to a contractor at his quoted price of Rs.63.29 lakh (at the rate of Rs.675 per sqm) for completion of the work by October 2006. As of March 2006, the contractor executed 14,766.35 sqm of the work valued at Rs.99.67 lakh. Till June 2006, Rs.90.74 lakh had been paid to the contractor for execution of 13,442.85 sqm. of the work. The deviation in quantity (5,389.75 sqm) and the enhancement of value of the work (Rs.36.38 lakh) were approved by the CE (NH) (March 2006).

Test check (October-November 2006) of records of the EE, Shillong Central Division and further information received (May 2007) from the EE revealed that the estimate for the cost of the item was made on the basis of Schedule of Rates (SOR) for 2003-04 (NH Circle, PWD-Roads), which had been fixed wrongly as Rs.672 per sqm. The EE explained that the rate in SOR-2003-04 was fixed on the basis of earlier specification and not on the basis of up-to-date specification. The mistake was, however, rectified in November 2004, when the rate of this item was revised to Rs.387 per sqm. However, the CE failed to take note of the corrected rate even in October 2005 when the contract for the work was finalised. Therefore, the contract was awarded at incorrect and inflated rate of Rs.675 per sqm instead of Rs.387 per sqm.

Thus, failure to adopt the correct rate for the above item of work in the SOR led to preparation of inflated estimate (Rs.64.04 lakh instead of Rs.36.29 lakh), thereby giving an opportunity to the tenderers to quote rates higher than the actual cost involved in execution of the work. Consequently, the Department incurred extra expenditure of Rs.38.72 lakh[3] on execution of this item of work, besides committed liability of Rs.3.81 lakh[4]. Responsibility for the lapse had not been fixed (April 2007).

Government stated (October 2007) that the rate of Rs.672 was exclusive of the cost of correlated items, such as, providing tack coat with bituminous emulsion, extra carriage of coarse aggregates and stone chips and cost of handling. Even considering the cost of these items (Rs.10.55 per sqm[5]), there was excess expenditure of Rs.37.30 lakh[3] and committed liability of Rs.3.67 lakh[4].

4.5 Extra expenditure due to payment at higher rate

Failure of the Executive Engineer in restricting the payments to the contractor at agreed rate as well as execution of items of work less than the estimated quantities resulted in extra expenditure of Rs.9.75 lakh and execution of sub-standard work.

The Union Ministry of Road Transport and Highways accorded (February 2004) administrative approval, technical sanction and financial sanction to the work "Improvement of riding quality from 30 km to 43 km (13 km) of National Highway 44 in Meghalaya" at a cost of Rs.5.82 crore. The estimate of the work *inter alia* provided the following items:

(i) Providing and laying bituminous macadam in prepared surface: 7,404.513 cubic metre (cum) at the rate of Rs.3,447 per cum: Rs.2.55 crore;

(ii) Providing and laying and consolidating semi-dense bituminous concrete: 2,591.51 cum at the rate of Rs.5,734 per cum: Rs.1.49 crore; and,

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[3]

Quantity executed and paid for: 13,442.885 sqm. @ Rs.675 per sqm.:	Rs.90.74 lakh
Cost of work at revised rate of Rs.387 per sqm.:	Rs.52.02 lakh
Extra Expenditure:	**Rs.38.72 lakh**
Less: Cost of correlated items: 13,442.885 sqm. @ Rs.10.55 per sqm:	Rs. 1.42 lakh
	Rs.37.30 lakh

[4]

Quantity executed but payment not yet made:	
1,323.465 sqm. @ Rs.675 per sqm.:	Rs. 8.93 lakh
Cost of work at revised rate of Rs.387 per sqm.	Rs. 5.12 lakh
Committed Liability:	**Rs. 3.81 lakh**
Less: Cost of correlated items: 1,323.465 sqm. @ Rs.10.55 per sqm:	Rs. 0.14 lakh
	Rs. 3.67 lakh

[5] Rate for providing tack coat, extra carriage and handling provided in the Analysis of Rate for 100 sqm : 1,055.41 ÷ 100 = **Rs.10.55 per sqm**

(iii) Carriage of stone chips - Extra for additional lead of 19 km: 14,071.44 cum at the rate of Rs.127.60 per cum.: Rs.17.96 lakh.

The work was awarded (July 2004) by the CE (NH & Research) to a contractor at his tendered cost of Rs.4.54 crore stipulating the date of completion as July 2005. According to the agreement executed (date not available) with the contractor, the above three items of work were awarded to the contractor at par with the estimated rates. The work was completed in March 2005 at a cost of Rs.4.54 crore (paid in December 2005).

Test-check (March 2007) of records of the EE, PWD Central Division, Jowai revealed, that, payments (Rs.27.20 lakh) for carriage of 13,671.741 cum stone chips were made to the contractor at the rate of Rs.198.93 per cum instead of the agreed rate of Rs.127.60 per cum. Consequently, the Department incurred an extra expenditure of Rs.9.75 lakh[6] on this item of work. To compensate for the excess expenditure and to keep the total expenditure within the tender value of the work, the contractor executed less quantities in all the three items of work by 168.621 cum (Rs.5.81 lakh), 45.34 cum (Rs.2.60 lakh) and 399.699 cum (Rs.0.51 lakh) respectively. Reasons for acceptance of the higher rate for item (iii) of the work and execution of less than the estimated quantity of work were not on record.

Thus, the payments for item (iii) of the work at more than the agreed rate to the contractor resulted not only in an extra expenditure of Rs.9.75 lakh but also non-execution of agreed quantity of work by the contractor.

The matter was reported to the Government in May 2007; reply had not been received (February 2008).

4.6 Extra expenditure due to award of work without ensuring clear title to site and without finalising plan and drawings

Enhancement of rate due to delay in handing over the clear site of the work and drawings, *etc.* for construction of Children's and Women's Hospital, Tura resulted in an extra expenditure of Rs.58.24 lakh.

Government accorded (January 2000) administrative approval and expenditure sanction for the work "Construction of Children's and Women's Hospital at Tura" at an estimated cost of Rs.2.31 crore. The estimate, (Schedule of Rates (SOR) - 1995-96), provided Rs.1.53 crore for construction of building, water supply, sanitation, soil investigation and dismantling and Rs.0.78 crore for electrification, contingency, *etc.* Technical sanction to the detailed estimate, which was mandatory before commencement of construction as per Rule 244 of the Meghalaya Financial Rules, 1981, was not accorded. The construction work[7] was awarded (September 2001) by the CE, PWD (Buildings) to a

6 13,671.741 cum x Rs.71.33 per cum (Rs.198.93 – Rs.127.60): **Rs.9.75 lakh**

7 Including sanitary, water supply, soil investigation and dismantling.

contractor for Rs.1.84 crore (35 *per cent* above the estimate) for completion by March 2003. Subsequently, the estimate of the work was revised (March 2004) to Rs.4.47 crore and re-revised (March 2006) to Rs.5.07 crore due to inclusion of additional work, change of specification, claiming of escalation by the contractor and increase in volume of civil works. The H&FW Department accorded (March 2004 and March 2006) administrative approval of the revised estimate with the concurrence of the Finance Department. The work was completed (September 2006) at a cost of Rs.4.44 crore.

Test-check (February 2007) of records of the EE, Building Division, Tura revealed that -

- the possession of clear site of the work was given to the contractor after a delay of five months (February 2002);
- the plan/structural drawing of two blocks of the building was handed over to the contractor (May 2003) after expiry of the originally stipulated date of completion, subsequently revised to May 2004;
- there was delay in handing over (March 2004) drawing of porch;
- there was delay in communicating (May 2004) the decision to extend the column over the roof to the contractor.

Due to the delay on the part of the Department, the contractor claimed (August 2004) 40 *per cent* escalation over his accepted rate on the ground of increase in the cost of material and labour. The Department allowed (January 2005) escalation of rate by 41 *per cent* for works executed during April to August 2004 and by 61 *per cent* for works executed thereafter on the ground of increase in the cost of steel and cement and variation between the rate of SORs-1995-96 and 2004-05. Since the work was allotted on the basis of SOR-1995-96 and the contractor also claimed enhancement of rate by 40 *per cent*, *suo motu* enhancement of rate higher than that demanded by the contractor was not justified.

Further, during April 2004 to September 2006, the contractor executed different items of work valued at Rs.81.34 lakh. Thus, computed at the enhanced rate of 40 *per cent* as claimed by the contractor, he was entitled for additional amount of Rs.32.54 lakh as cost escalation. But the Department paid Rs.47.77 lakh as cost escalation and Rs.10.47 lakh as profit on the cost of steel and cement purchased by the contractor from the market. Reasons for allowing profit on the cost of material despite payment of cost escalation were not on record.

Thus, the allotment of work without a clear site as well as inordinate delay by the Department in handing over the plan and drawings, resulted in an extra expenditure of Rs.58.24 lakh on payment due to cost escalation (Rs.32.54 lakh), for allowing escalation at higher rate (Rs.15.23 lakh[8]) and on payment of profit (Rs.10.47 lakh).

[8] Escalation cost paid:	Rs.47.77 lakh
Escalation cost entitled:	Rs.32.54 lakh
Extra expenditure for allowing escalation at higher rate:	**Rs.15.23 lakh**

Government stated (February 2008) that (i) commencement of work was delayed due to delay in vacation of existing staff quarters on the site of the work, (ii) the rate was enhanced taking into account the SOR-2004-05 and (iii) contractor's profit was allowed due to increase in the cost of steel and cement procured by the contractor. The reply is not tenable because clear site of work should have been made available to the contractor immediately after allotment of work. Further, the cost escalation paid by the Department was higher than the 40 *per cent* claimed by the contractor, besides additional profit margin of Rs.10.47 lakh.

4.7 Extra expenditure on execution of a road work

The Department incurred extra expenditure of Rs.30.66 lakh on execution of two items of work due to payment for bitumen, which was not utilised in the work.

The work "Improvement and strengthening of Shillong-Nongstoin Road in different sections including reconstruction of a major bridge (under additional Central assistance)", estimated to cost Rs.8 crore, was administratively approved (March 2002) by the State Public Works (Roads & Buildings) Department with the concurrence of the Finance Department. Technical sanction to the estimate was accorded (November 2002) by the Additional Chief Engineer (ACE), PWD (Roads), Eastern Zone (ACE).

The ACE, after inviting tenders, awarded (June 2002) a portion of the work[9] to a contractor for Rs.5.32 crore (subsequently enhanced to Rs.5.50 crore) stipulating 9 June 2003 as the target date of completion. The works allotted *inter alia* provided execution of the following items:

(i) Providing and laying bituminous macadam on prepared surface with specified graded crushed aggregate for base/binding course, *etc.*; and,

(ii) Providing, laying and consolidation of semi-dense bituminous concrete with specified graded crushed aggregate for wearing coat, *etc.*

The agreement executed (May 2002) with the contractor provided for procurement of material, e.g., bitumen, cement, *etc.*, required for execution of the work by the contractor. The rates of Rs.3,367.05 and Rs.4,473.25 per cum fixed for execution of items (i) and (ii) respectively, were also inclusive of the cost of material. The contractor executed 4,630.41 cum of item (i) and 1,234.86 cum of item (ii) at a cost of Rs.1.56 crore and Rs.55.24 lakh respectively.

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[9] Improvement and strengthening of pavement of Shillong-Nongstoin Road – Portion from 1st to 16th Km of Mairang-Kynshi and 17th to 20th Km of Kynshi-Markasa Road including replacement of existing weak slab drains with NP3 Hume Pipe Culverts on 1st to 16th Km of Mairang-Kynshi Road, 17th to 28th Km of Kynshi-Markasa Road and Nongstoin-Markasa Road.

According to the information furnished (November 2006) by the Superintending Engineer (SE), PWD (Roads), Western Circle, the quantity of bitumen required for execution of the two items was 417.85 tonnes[10]. Test-check (April-May 2006) of records of the EE, Mairang Division revealed that against the requirement of 417.85 tonnes bitumen, the contractor utilised 198.85 tonnes of bitumen for execution of the above two items of work {item (i): 148.05 tonnes; item (ii): 50.8 tonnes}. However, payments were made to the contractor at the agreed rates without any deduction for the cost of 219 tonnes of bitumen not utilised in the work.

Thus, failure of the EE to get the above items of work executed by the contractor as per specification not only led to execution of sub-standard work but also resulted in an extra expenditure of Rs.30.66 lakh[11] due to payment for 219 tonnes of bitumen not utilised by the contractor.

Government stated (February 2008) that the total quantity of bitumen procured by the contractor was more than the quantity required for the work and payment was made to the contractor as per quantity of work executed. As such, the work was not sub-standard and no overpayment was made to the contractor. The reply is not tenable because as per utilisation statement of bitumen attached with the final payment voucher, the quantity of bitumen (198.85 tonnes) utilised for execution of the above two items of work was less than the required quantity (417.85 tones).

AVOIDABLE/UNFRUITFUL EXPENDITURE

ANIMAL HUSBANDRY AND VETERINARY DEPARTMENT

4.8 Unfruitful expenditure and unauthorised diversion of funds under a Centrally Sponsored Scheme

The Department incurred unfruitful expenditure of Rs.12.64 lakh on production of sub-standard semen affecting the 'National Project for Cattle and Buffalo Breeding' in the State. Besides, there was unauthorised diversion of Central funds of Rs.14.69 lakh.

The Union Ministry of Agriculture (MOA) launched (October 2000) the Centrally Sponsored Scheme "National Project for Cattle and Buffalo Breeding (NPCBB)" to restructure and reorient the cattle and buffalo breeding operations in the country. In March 2004, the MOA released grants-in-aid of

[10] Item (i): 311.16 tonnes; Item (ii): 106.69 tonnes.

[11] Short utilisation of 219 tonnes bitumen @ Rs.14,000 per tonne {as per rate provided in the Schedule of Rates-2000-01 – Western Circle (Roads, Bridges & E&D Works)}: **Rs.30.66 lakh**

Rs.65.64 lakh to the State Government for implementation of the scheme during 2003-04.

Test-check (August 2007) of records of the Director of Animal Husbandry and Veterinary (DAH&V), Meghalaya revealed the following irregularities:

- In July 2005, the Central Monitoring Unit (CMU) of the MOA, recommended the closure of the existing Semen Station[12] of the State as the Station did not have proper infrastructure, the semen produced was very poor and not fit for field use and as per the MOA, this would also adversely affect the NPCBB breeding programme. The Department, however, continued to produce substandard semen at a higher cost than the purchase price of a good quality semen. During 2005-07, the Station produced 39,017 doses of semen at a total cost of Rs.12.64 lakh (Rs.22 and Rs.72 per dose during 2005-06 and 2006-07 respectively) while at the same time, it procured 43,300 doses from outside the State at Rs.13 per dose. This shows the apathy of the Department in effective implementation of the NPCBB, besides unfruitful expenditure of Rs.12.64 lakh on production of sub-standard semen.

- Central grants of Rs.65.64 lakh was released to the State implementing agency (SIA) by the DAH&V in June 2005 for implementation of the NPCBB. But the certificate indicating full utilisation of the amount was furnished to the MOA by the State Government in May 2005, even before its release to the SIA, with a request to sanction Rs.1.61 crore for continuance of the scheme during 2005-06. Reasons for such misrepresentation of the fact to the MOA were not on record.

- The MOA sanctioned (March 2006) grants-in-aid of Rs.1.20 crore to the SIA for implementation of the NPCBB during 2005-06. Out of the available funds of Rs.1.86 crore (Rs.65.64 lakh plus Rs.1.20 crore), the SIA incurred a total expenditure of Rs.91.05 lakh (cryocans, semen straw, bulls, bull shed, *etc.*: Rs.76.36 lakh; vehicles: Rs.14.69 lakh) and the balance amount of Rs.94.07 lakh remained unutilised for over one year (June 2007) in the bank account of the Chief Executive Officer of the SIA.

- Though there was no provision in the grant sanctioning letters of the MOA for purchase of vehicles (except Rs.5 lakh for one liquid nitrogen transport vehicle with trolley), the SIA incurred an expenditure of Rs.14.69 lakh on procurement of two vehicles (August 2005 and June 2006), which were being utilised in the Directorate of AH&V and by the Chief Executive Officer of the SIA. Approval of the CPMU[13] required to be obtained in case of any change in the activities provided in the MOA's sanction order, was also not obtained by the SIA for procurement of these

[12] The Liquid Semen Station was established (1972) in Upper Shillong for production of liquid semen and with the commissioning of a liquid nitrogen plant in 1992, the frozen semen activity was started by converting the liquid semen.

[13] CPMU (Central Project Management Unit) was to coordinate and monitor the implementation of the NPCBB.

vehicles. The action of the SIA, thus, resulted in unauthorised diversion of Central funds.

The DAH&V stated (November 2007) that (i) the production cost of semen should be calculated on the variable cost only ignoring the fixed cost, (ii) on the request of the Department, the CMU again evaluated (April 2007) the Semen Station and suggested for improvement of this station for continuation, (iii) provisional utilisation certificate was furnished as the GOI insisted for submission of such certificate irrespective of whether the money was actually utilised or not and (iv) purchase of two vehicles was essential for successful implementation of the programme. The reply is not tenable because (i) the activity of the Semen Station was to produce semen only and therefore, fixed cost should also be taken into consideration for the production cost, (ii) the infrastructure of the Semen Station was yet to be improved, (iii) submission of utilisation certificate even without releasing the amount to the implementing agency was not justified and (iv) purchase of vehicles without approval of the CPMU was unauthorised.

The matter was reported to the Government in September 2007; reply had not been received (February 2008).

4.9 Unfruitful expenditure under a Centrally Sponsored Scheme

Failure of the Department to strengthen/establish three pig breeding farms resulted in an unfruitful expenditure of Rs.32.48 lakh.

Under the Centrally Sponsored Scheme "Assistance to States for Integrated Piggery Development", the Union Ministry of Agriculture (MOA) released (March 2001) grant-in-aid of Rs.41.50 lakh[14] to the State Government for strengthening of two pig breeding farms (Nongstoin and Rongjeng) and establishment of a new farm at Sohra. The grants were revalidated (August 2001) by the MOA with the condition to surrender the unspent balance at the end of the financial year 2001-02.

Test-check (August 2007) of records of the Director of Animal Husbandry and Veterinary (DAH&V) revealed the following irregularities:

- The Central grants, released (March 2002) by the State Government, were initially kept (March 2002) by the DAH&V in '8443-Civil Deposit' and withdrawn in November 2002. As of August 2007, the DAH&V had incurred an expenditure of Rs.32.48 lakh on civil works (Rs.24 lakh), advance payment for purchase of pigs (Rs.5.48 lakh) and equipment (Rs.3 lakh), *etc.* The balance amount of Rs.9.02 lakh remained unutilised in a bank account of the DAH&V. However, the

[14] Purchase of pigs (including transport): Rs.13 lakh; Alteration and remodeling, *etc.*: Rs.18 lakh; Land development, fencing and water facilities, *etc.*: Rs.6 lakh; Purchase of equipment, feed utensils, furniture, *etc.*: Rs.4 lakh; Training facilities (for Sohra): Rs.0.50 lakh.

Department submitted, in July 2002, fictitious utilisation certificate to the MOA indicating that the entire grant of Rs.41.50 lakh was utilised during 2001-02.

- Although the MOA's sanction provided Rs.13 lakh for purchase of pigs, only Rs.5.48 lakh was advanced (February 2005) to Regional Pig Breeding farm, Kyrdemkulai for supply of 220 pigs each to the Nongstoin and Rongjeng farms and no expenditure was incurred for purchase of pigs for the Sohra farm. Out of 440 pigs, the Kyrdemkulai farm supplied (August, October and December 2006) only 32 pigs to these two farms (Nongstoin: 22; Rongjeng: 10). Despite this supply of pigs, the total stock of pigs in the Nongstoin and Rongjeng farms as of March 2007 was reduced to 73 and 21 against 135 and 35 pigs respectively in July 2005. As regards Sohra farm, against the target of 50 pigs for the new farm, only 16 pigs valued at Rs.0.18 lakh were purchased till March 2007 (payments not yet made). This indicated that the objective of establishment and strengthening of these farms remained unachieved even after six years of release of funds by the MOA thereby rendering the expenditure of Rs.32.48 lakh incurred on these farms unfruitful.

The DAH&V stated (November 2007) that provisional utilisation certificate was furnished as per instruction of the GOI. The reply is not tenable because submission of utilisation certificate without actual utilisation of the amount was not justified.

The matter was reported to the Government in September 2007; reply had not been received (February 2008).

PUBLIC WORKS DEPARTMENT

4.10 Avoidable extra expenditure on construction of over bridge

Allotment of construction work of over bridge without a technically sanctioned detailed estimate with provision for appropriate size of plastic sheet required for roofing the bridge, resulted in avoidable expenditure of Rs.10.55 lakh.

The work "Construction of over bridge connecting the Additional Secretariat with Main Secretariat Building at Shillong", estimated to cost Rs.48.92 lakh, was administratively approved by the Government in February 2001. The CE (NH & Research), without obtaining technical sanction to the detailed estimate as required under the Meghalaya Financial Rules, 1981, awarded (December 2001) the work to a contractor at his tendered value of Rs.26.76 lakh, stipulating the date of completion as June 2003. The estimate of the work *inter alia* provided for roofing of the bridge by fibre glass corrugated PVV sheets for a length of 83.05 running metres at a cost of Rs.11.11 lakh. But during allotment of work, this item was substituted (December 2001) by 'eight mm thick transparent fibre reinforced plastic sheet' for an area of 181 sqm at the rate of Rs.7,850 per sqm. This modification was regularised through a revised estimate approved (August 2004) by the Government for Rs.70 lakh, with further increase in the roofing area to 325 sqm.

Test-check (October-November 2006) of records of the EE, Shillong Central Division revealed, that, in May 2003, after execution of 78.75 sqm of the roofing work with eight mm thick transparent fibre reinforced plastic sheet, at a cost of Rs.6.18 lakh, the CE directed the contractor to change the thickness of sheet to three mm. Based on the market rate, the EE analysed the rate for the modified item as Rs.2,834 per sqm, which was approved by the SE, PWD (Roads) (November 2004). However, the contractor refused to accept this rate and agreed to execute the work with three mm sheet subject to acceptance of the rate of Rs.6,280 per sqm. Ignoring his own approved rate, the SE re-analysed (November 2004) the rate of the item as Rs.5,495 per sqm and the remaining portion (247.141 sqm) of the bridge was executed by the contractor with three mm sheet at the re-analysed rate. The over bridge was completed by the contractor (August 2005) at a cost of Rs.41 lakh (including Rs.19.76 lakh for roofing), which was paid in March 2006. The delay in completion of the work was due to delay in finalisation of the alignment of the bridge and slow progress of work.

Thus, the lackadaisical approach of the Department in taking a proper decision regarding the type of roofing, relenting to the unjustified demand of the contractor and allotment of work without a technically sanctioned detailed estimate contrary to the State Financial Rules, led to roofing of the bridge with different types of sheets and extra expenditure of at least Rs.10.55 lakh[15] on construction of the over bridge. The SE stated (February 2007) that the rate analysed by the Division was not acceptable to the contractor and therefore, to ensure early completion of the work, the Department decided to settle the matter amicably with the contractor.

Government stated (February 2008) that all the drawings were technically approved by the competent authority before actual execution of the work and the rate of Rs.5,495 was as per approved analysis of rate. The reply is not tenable because as per information initially furnished (May 2007) by the EE, Shillong Central Division, technical sanction of the work was not accorded till May 2007 though the work was completed in August 2005 and the rate of Rs.2,834 was also as per analysis of rate approved by the SE, PWD (Roads).

[15] Expenditure incurred on roofing of over bridge:	Rs.19,76,227
Cost of roofing (325 sqm) with three mm sheet at the rate of Rs.2,834 per sqm analysed by the EE and approved by the SE:	Rs. 9,21,050
Avoidable extra expenditure:	Rs.10,55,177

UNPRODUCTIVE EXPENDITURE/IDLE INVESTMENT

BORDER AREAS DEVELOPMENT DEPARTMENT

4.11 Unproductive expenditure on construction of a Micro Hydel Project

Handing over of the Umsaw Micro Hydel Project to the village committee resulted in unproductive expenditure of Rs.34.58 lakh.

For construction of the Umsaw Micro Hydel Project (installed capacity of 1x10 KW), estimated to cost Rs.34 lakh, the Director, Border Areas Development (BAD) released (June 1998 and July 2001) Rs.33.99 lakh to the Meghalaya State Electricity Board (MeSEB). The objective of the project was to generate and supply electricity to the Sankhat village of Jaintia Hills District. Construction of the project was completed by the MeSEB in May 2002 at a cost of Rs.33.99 lakh.

Scrutiny (July 2003 and April 2006) of records of the Director, BAD revealed that in accordance with Government policy, the project was handed over (May 2002) to the village committee of the Sankhat village for operation and maintenance. However, as the power-house was not attended to regularly by the persons trained for the purpose, it had to be shut down (June 2002) due to damage of the slip ring of the generator because of continuous running of the turbo generator sets. Though the project was made functional in August 2002 after replacement of the slip ring at a cost of Rs.0.08 lakh, it again developed defects in December 2002 due to non-functioning of one of the machines. The defects of the machines were repaired in July 2003 at a cost of Rs.0.51 lakh. Even then the project remained non-functional on many occasions and ultimately was abandoned by the village committee. The period of non-functioning of the project and the date from which it was lying idle were neither on record nor stated by the Director, BAD or the MeSEB. Consequently, the MeSEB suggested (March 2005) that the Department should take back the project from the village committee and hand it over to any individual or society for optimal utilisation rather than leaving it idle. However, no action in this regard was taken by the Department till the date of audit (September 2007). The Government stated (July 2007) that due to slackness/reluctance of the village committee, the project had been left unattended for a number of years and steps were being taken to make the same operational.

Thus, handing over the project to the village committee was an exercise in futility and resulted in non-functioning of the project due to mishandling rendering the expenditure of Rs.34.58 lakh (including repairing cost) unproductive.

Government stated (November 2007) that there was inadequate water at the source to run the project and the MeSEB would re-investigate the actual reason for shortfall of water and submit its report within December 2007 for making the project operational.

FOREST AND ENVIRONMENT DEPARTMENT

4.12 Idle investment on purchase of land for State Zoo and Botanical Garden

Purchase of land for setting up State Zoo and Botanical Garden without ensuring its proper utilisation led to idle investment of Rs.4.82 crore.

To set up a Botanical Garden cum Biodiversity Centre and State Zoo, the Government sanctioned (March 2000, March 2001 and February 2002) Rs.2.97 crore and Rs.1.89 crore respectively for acquisition of land. Accordingly, two plots of land at Lum Sohpetbneng and Umtrew in Ri-Bhoi District were acquired (April 2001 and August 2002) by the Department at a cost of Rs.2.97 crore and Rs.1.85 crore for the botanical garden and zoo respectively.

Scrutiny (November 2006 and March 2007) of records of the Divisional Forest Officers (DFO), Wildlife Division and Silviculture Division revealed that though the plots of land were available, the Department did not take effective steps to set up the zoo and botanical garden. While the proposal for the zoo was sent (November 2006) to the Central Zoo Authority for approval, project proposal for the botanical garden was not submitted (March 2007). A provision of Rs.40 lakh was made in the budget for the years 2002-07 for setting up a State Botanical Garden for conservation of Biogenetic Diversity, but no expenditure was incurred thereagainst. Reasons for non-finalisation of the project proposals despite availability of adequate funds were not on record.

Thus, procurement of land and non-initiation of the approved project despite availability of funds indicate the lackadaisical attitude of the Department. It has also resulted in idle investment of Rs.4.82 crore for over four to five years.

The matter was reported to the Government in August 2007; reply had not been received (February 2008).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.13 Idle expenditure on construction of additional 100 bedded hospital at Tura

Purchase of equipment/furniture before construction of the building for the additional 100 bedded hospital, Tura as well as non-functioning of the hospital despite completion of construction work resulted in an idle expenditure of Rs.6.38 crore.

The work "Construction of additional 100 bedded hospital at Tura", estimated to cost Rs.4.67 crore, was technically sanctioned (October 2000) by the Technical Board of the Department and administratively approved (March 2001) by the Government with the concurrence of the Finance Department. The estimated cost of the work was revised (March 2004) to Rs.5.55 crore. The construction work of the hospital was entrusted (August 2002) to a contractor with the stipulation to complete the work by February 2004 at his tender value of Rs.2.78 crore which was enhanced to Rs.3.24 crore. The construction work was, however, completed at a cost of Rs.5.30 crore after a delay of over two years (June 2006). Further, despite completion of the hospital building, it could not be made functional due to non-sanction of the posts of medical and para-medical staff.

Test-check (March 2007) of records of the Director of Health Services (DHS), Medical Institutions revealed that even before completion (June 2006) of construction, the District Medical and Health Officer (DM&HO), Tura purchased (February-March 2005 and February-March 2006) 154 items of medical/surgical equipment and hospital goods valued at Rs.1.09 crore. In addition, furniture valued at Rs.12.26 lakh was also procured (March 2005) and payment of Rs.8.22 lakh was made to the firm (July 2005 to December 2006). The balance amount of Rs.4.04 lakh was yet to be paid (February 2007). However, since the hospital was not functional, the equipment/goods were lying unutilised in stock except for five items valued at Rs.9.13 lakh, which were being utilised in the old hospital on emergency as stated by the Superintendent, Tura Civil Hospital.

Thus, the imprudent action of the DM&HO in procurement of equipment/goods for the hospital even before construction of the building and failure of the Government to sanction the posts required for making the hospital functional rendered the expenditure of Rs.6.38 crore[16] idle.

Government stated (February 2008) that regarding purchase of equipment much in advance, instructions had been issued to manage resources prudently and all the posts had been sanctioned in January 2008. Reply is, however, silent about engagement of staff required for functioning of the hospital.

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[16] Rs.109 lakh + Rs.8.22 lakh + Rs.530 lakh – Rs.9.13 lakh = **Rs.638.09 lakh.**

4.14 Unproductive expenditure on purchase of incinerators/ scrubbers

Inordinate delay in construction of sheds required for installation of the incinerators/scrubbers resulted in unproductive expenditure of Rs.86.12 lakh.

The Bio-Medical Waste (Management and Handling) Rules, 1998 (BMWMH)[17] stipulate that every institution generating biomedical waste shall set up requisite biomedical waste treatment facilities like incineration, autoclave and microwave system to ensure that such waste is handled without any adverse affect on human health and environment. Accordingly, the Union Ministry of Health and Family Welfare (MHFW) accorded administrative approval and expenditure sanction (March and April 2001) for procurement and installation of incinerators in four hospitals (Shillong: Civil Hospital, Ganesh Das Hospital and RP Chest Hospital; Tura: Civil Hospital) at a cost of Rs.60 lakh. As the three hospitals in Shillong had already procured the incinerators, the Director of Health Services (DHS), Medical Institutions approached (August 2001) the State Government for allotment of three incinerators to Civil Hospital, Jowai, Williamnagar Community Health Centre (CHC) and Nongpoh CHC. Records in support of approval of the proposed changes by the State Government or MHFW were not produced to Audit (March 2007).

Scrutiny (March 2007) of records of the DHS revealed that the DHS placed (December 2003) an order for supply of four incinerators with accessories with a New Delhi based firm at a cost of Rs.50.24 lakh. The firm informed (January 2004) the DHS that as per latest emission standards, it was important and mandatory to install a scrubber along with an incinerator. After receipt of incinerators (September 2004), the DHS placed (March 2005) another order with the firm for supply of three scrubbers at a cost of Rs.46.56 lakh. Accordingly, the firm supplied scrubbers (August 2005). Of the total cost of Rs.96.80 lakh, Rs.86.12 lakh was paid (June 2004 and April and October 2005) and the balance amount was to be paid after installation. GOI's approval for the additional amount of Rs.36.80 lakh was not on record.

Although the incinerators and scrubbers were procured by the DHS, these were lying uninstalled in the open space as the sheds required for installation had not been constructed till March 2007 despite release of Rs.10 lakh to the Engineering Wing of the Department in March 2002 for construction of the sheds.

Thus, inordinate delay in construction of sheds required for installation of the incinerators/scrubbers not only showed the apathy of the Department in setting up of the biomedical waste treatment facilities but also rendered the expenditure of Rs.86.12 lakh unproductive. The delay in installation of the

17 The BMWMH Rules, 1998 were notified by the Ministry of Environment and Forests, Government of India and came into effect from July 1998 throughout the country.

incinerators/scrubbers and their storage in open is also fraught with the risk of the equipment getting damaged permanently.

Government stated (February 2008) that steps were being taken to complete installation of incinerators within the current financial year. The fact remains that the incinerators/scrubbers were not installed even after two to three years of procurement.

4.15 Idle expenditure on purchase of equipment/goods and on construction of hospital building

Purchase of equipment/goods for the Children's and Women's Hospital, Tura even before construction of the building for the hospital and failure to complete the electrical works of the hospital building resulted in idle expenditure of Rs.5.09 crore, besides irregular payment of Rs.8.19 lakh for the material which had not been received.

The work "Construction of Children's and Women's Hospital at Tura", estimated to cost Rs.2.31 crore, was administratively approved (January 2000) by the State Health and Family Welfare (H&FW) Department. The estimated cost of the work was revised (March 2004) to Rs.4.47 crore and re-revised (March 2006) to Rs.5.07 crore by the H&FW Department. The construction work of the hospital was entrusted (September 2001) to the State Public Works Department. The civil work of the hospital building, scheduled to be completed in March 2003, was completed in September 2006 at a cost of Rs.4.44 crore. However, the electrical works had not been completed even after one year of the stipulated date of completion (September 2006) and despite incurring an expenditure of Rs.23.07 lakh. As such, the hospital building could not be taken over by the Department (September 2007).

Test-check (March 2007) of records of the Director of Health Services (DHS), Medical Institutions revealed that though the hospital building had not yet been taken over, the District Medical and Health Officer (DM&HO), Tura placed supply orders (March 2005) with three firms for 100 items of medical/surgical equipment, hospital goods and linen at a cost of Rs.64.86 lakh. Of this, only 84 items (cost: Rs.56.67 lakh) were received (March and September 2005). But bills for all the 100 items were forwarded (March 2005) by the DM&HO to the DHS for payment to the suppliers with a fictitious certificate that the articles had been received and entered into the stock register. Accordingly, Rs.64.86 lakh was paid (May 2006) by the DHS to the suppliers.

Thus, the imprudent action of the DM&HO in procuring equipment/goods for the hospital even before construction of the building and delay in completion of electrical works resulted in idle expenditure of Rs.5.09 crore (civil work:

Rs.4.44 crore; equipment/goods: Rs.0.65 crore) for one to two years. Besides, payment of Rs.8.19 lakh on 16 items (**Appendix 4.1**) which had not been received, is irregular and fraught with the risk of misappropriation.

Government stated (February 2008) that medical/surgical equipment were purchased in anticipation of early completion of electrical works and action was being initiated to make the hospital functional at the earliest.

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.16 Unproductive expenditure due to delay in finalising drawings and estimates

Inordinate delay in handing over the drawings *etc.*, required for implementation of the Baghmara Water Supply Scheme resulted in unproductive expenditure of Rs.3.38 crore.

The Baghmara Water Supply Scheme, estimated to cost Rs.3.86 crore, was technically approved by the GOI in December 2000 and administratively approved (March 2001) by the Public Health Engineering (PHE) Department of the State with the concurrence of the Finance Department. According to the conditions of administrative approval, the scheme was to be completed by 2003.

As of March 2007, the total expenditure on the incomplete scheme was Rs.3.38 crore[18].

The CE, PHE awarded (December 2001) the work relating to construction of intake tower, pump house, treatment plant *etc.* (estimated cost: Rs.95.98 lakh) to a Guwahati based contractor at his tendered value of Rs.89.64 lakh stipulating June 2003 as the date of completion. Besides, two additional items (construction of retaining wall and boring of grit chamber) were also awarded (January 2002 and March 2003) to the same contractor for Rs.10.18 lakh.

Test-check (December 2006) of records of the EE (PHE), Rural Water Supply Division, Baghmara and further information received (June 2007) from the Division revealed that -

- the drawings for intake well, pump house, grit chamber and treatment plant were handed over to the contractor after a delay of about one year (November 2002);

[18] Item (i) and additional items: Rs.70.80 lakh; Item (ii): Rs.25.78 lakh; Item (iv): Rs.7.64 lakh; Item (v): Rs.19.01 lakh; Item (vi): Rs.50.26 lakh; Purchase of pipes including carriage: Rs.164.82 lakh.

- though the contract stated that material would be provided by the Department, due to non-availability of these material with the Division, the contractor was permitted to arrange construction material such as cement, rod, *etc.*, after a delay of about one year (November 2002); and,

- the estimate for exploratory boring in the work site for construction of intake well and grit chamber was approved by the CE after a delay of over one year (March 2003).

Due to the delay of the Department, the contractor claimed (January 2006) 50 *per cent* enhancement over his accepted rate which was not agreed to by the Department and the contractor stopped (May 2006) the work. As of March 2007, the EE had paid Rs.70.80 lakh to the contractor. Though the CE rescinded the work in May 2007, no action was initiated for completion of the work through some other agency.

Thus, inordinate delay in handing over the drawings, *etc.* resulted in discontinuation of the work by the contractor. Consequently, the scheme remained incomplete even after three years of the scheduled date of completion (2003), rendering the expenditure of Rs.3.38 crore unproductive, besides, depriving a population of 8,946 of the Baghmara town of the benefit of adequate drinking water.

Government stated (November 2007) that the main reason for the delay was the limited working season as no work could be done during the rainy season and that the work had already been taken up separately and would be completed by March 2008. The reply is not acceptable because the scheduled date for completion of the work should have been fixed taking into consideration all the infrastructure and weather condition and thus, non-completion of the work even after three years of the stipulated date was not justified.

REGULARITY ISSUES

FOREST AND ENVIRONMENT DEPARTMENT

4.17 Denial of financial benefit due to non-collection of net present value of land from the user agency

The Department was deprived of financial benefit of Rs.28.21 lakh due to non-collection of net present value of land from the user agency for over four years.

The Honb'le Supreme Court of India issued (November 2002) an order for collection of the Net Present Value (NPV) of the forest land diverted for non-forestry purposes from the user agency. The rate prescribed by the Honb'le

Court was Rs.5.80 lakh to Rs.9.20 lakh per hectare. The order of the Apex Court was circulated (July 2003) by the Union Ministry of Environment and Forests (MEF) to all the States. The MEF also informed (August 2003) the Chief Secretaries of the States that the NPV of the forest land approved for diversion after 30 October 2002 for non-forestry purpose shall be collected at the prescribed rates.

Test-check (January 2006) of records of the Divisional Forest Officer (DFO), East Khasi Hills Division, Shillong revealed that in accordance with the Ministry's approval (April 2003), 4.863 hectare of forest land was diverted for utilisation for non-forestry purposes by the North Eastern Hill University, Shillong on payment (July 2003) of Rs.1.71 lakh as cost of compensatory afforestation. Though the order of the Supreme Court was in vogue during diversion of the forest land, NPV of Rs.28.21 lakh for the diverted forest land was not realised by the DFO from the user agency.

On the request (October 2003) of the DFO to remit the NPV, the user agency stated (December 2004) that the land was not a forest land and thus, it would not be proper to consider it within the purview of NPV scheme. Though the DFO clarified (February 2005) to the user agency that the land in question had been deemed as 'forest land', the NPV was not remitted by the user agency. However, the DFO did not pursue the matter further with the user agency for payment of requisite amount.

Thus, due to lack of follow-up action of the DFO, the Department had been deprived of the compensation of Rs.28.21 lakh on account of transfer of forest land for non-forestry purpose.

The matter was reported to the Government in July 2007; reply had not been received (February 2008).

GENERAL

4.18 Failure to respond to Audit observations and compliance thereof

Accountant General (Audit) (AG) arranges to conduct periodical inspection of Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). When important irregularities, *etc.* detected during inspection are not settled on the spot, these IRs are issued to the Heads of offices inspected with a copy to the next higher authorities. The Meghalaya Financial Rules, 1981 provide for prompt response by the executive to the IRs 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 office of the AG. A half-yearly report of pending IRs is sent to the Secretary of the concerned department to facilitate monitoring of the Audit observations in the pending IRs.

Inspection Reports numbering 208 issued up to March 2007 pertaining to 82 offices/divisions of four departments containing 815 paragraphs were outstanding at the end of September 2007. Of these, 70 IRs containing 234 paragraphs had not been replied to/settled for more than 10 years. Year-wise position of the outstanding IRs and paragraphs is detailed in **Appendix 4.2.** As a result, the following irregularities commented upon in these IRs had not been addressed as of September 2007.

Table 4.1

Nature of irregularities	Number of paragraphs	Amount involved (Rupees in crore)
Recovery of departmental receipts, advances, overpayments/inadmissible payments and other recoverable charges were either delayed or not made	16	0.23
Rules relating to custody and handling of cash, maintenance of cash book and Muster Roll not observed	69	0.29
Unauthorised/infructuous/extra expenditure	44	25.58
Drawal of fund in advance of requirement/Payment of grants in excess of requirement	36	8.49
Wanting Payees' Receipts/Detailed Countersigned Contingent (DCC) Bills/ Sanctions	20	1.00
Overpayment/inadmissible payment	62	3.77
Improper maintenance of store account/absence of physical verification of stores/Idle Stock/Defective maintenance/non-maintenance of log book of vehicles	9	0.48
Loss due to theft, non-recovery and prolonged storage of stock and non-salvaging of excavated hard rock	8	1.51
Purchase of stationery in excess of authorized limits/expenditure without sanctions	8	0.36
Others	543	62.54
Total	**815**	**104.25**

The Secretaries of the concerned departments, who were informed of the position through half-yearly reports, also failed to ensure prompt and timely action by the concerned officers of the department.

The above also indicates inaction against the defaulting officers, thereby facilitating the continuance of serious financial irregularities and loss to the Government.

It is recommended that Government look into this matter and ensure that a procedure exists for (a) action against the officials who failed to send replies to IRs/Paragraphs as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayments in a time bound manner and (c) revamping the system to ensure proper response to the Audit observations in the department.

The matter was reported to the Government in October 2007; reply had not been received (February 2008).

4.19 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 revealed that the concerned administrative departments were not complying with these instructions. As of November 2007, *suo motu* explanatory notes on 237 paragraphs of these Audit Reports were outstanding from various departments as detailed in **Appendix 4.3**.

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 as detailed in **Appendix 4.4**) 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 2007. 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 2007; reply had not been received (February 2008).

CHAPTER V

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

Internal Control System and Internal Audit in Housing Department

CHAPTER V : INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

HOUSING DEPARTMENT

5.1 Internal Control System and Internal Audit in Housing Department

Highlights

Internal control system is an integral process by which an organisation governs its activities to effectively achieve its objectives. A built-in internal control system and strict adherence to statutes, codes and manuals minimise the risk of errors and irregularities and helps to protect resources against loss due to wastage, abuse and mismanagement. An evaluation of the internal controls and internal audit system in the Housing Department revealed weaknesses in internal controls in vogue in the Department, such as, non-compliance with rules, programme management, etc.

> **There were deficiencies in budgetary control leading to persistent savings, and delayed submission of budget estimates.**

(Paragraph 5.1.7)

> **Failure in control over expenditure resulted in insignificant capital expenditure, non-reconciliation of expenditure and unauthorised maintenance of bank account.**

(Paragraph 5.1.8)

> **Shortfall in providing housing assistance to 5,194 targeted families indicated inadequate programme management in the Department.**

(Paragraph 5.1.9.1)

> **There were deficiencies in material management and control over quality leading to absence of physical verification of stores and procurement of material without ensuring its quality.**

(Paragraphs 5.1.9.2 & 5.1.10)

5.1.1 Introduction

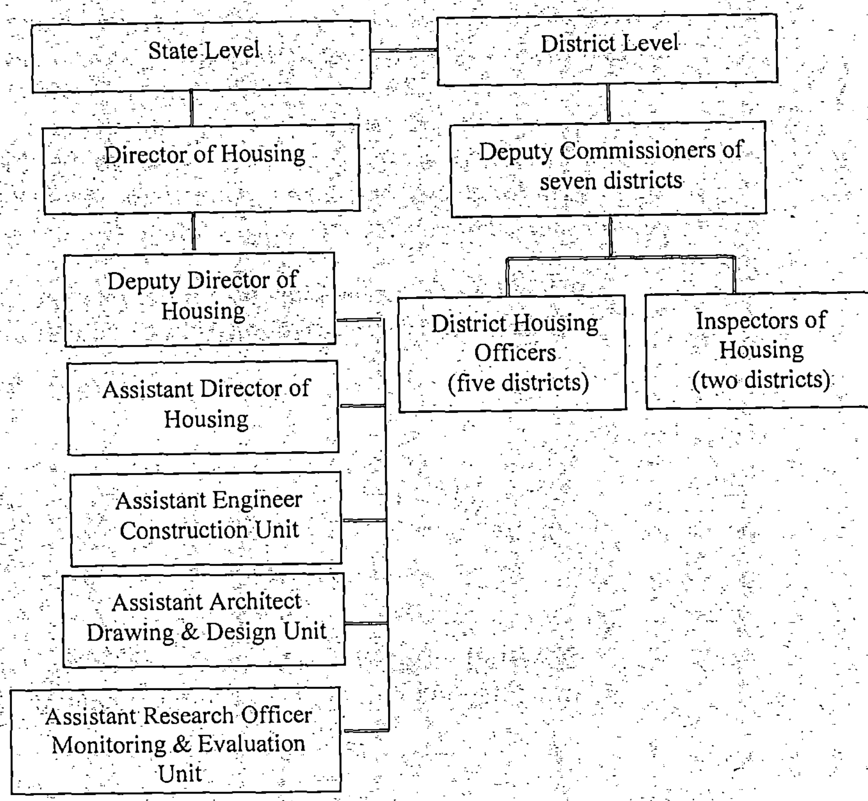
Internal controls provide reasonable assurance to the management that financial interest, assets and other resources of the organisation are safeguarded and reliable information is available. Internal auditors, as an independent entity, examine and evaluate the level of compliance with the departmental rules and procedures and provide independent assurance to the management on the adequacy or otherwise of the existing internal controls.

The primary objective of the Housing Department is to help the rural poor families in the State to own an affordable shelter which is durable and habitable.

5.1.2 Organisational Set Up

At Government level, the Commissioner and Secretary of the Department is responsible for overseeing the functions of the Department. The organisational set up of the Department is as under:

Chart 5.1



5.1.3 Scope of Audit

Adequacy and effectiveness of the internal control system including internal audit arrangements in the Housing Department during 2002-07 were reviewed in audit through a test-check (August-September 2007) of the records of the Commissioner and Secretary of the Department, Director of Housing (DoH) and three District Housing Officers[1] (DHO) (out of five). Results of the review are discussed in the succeeding paragraphs.

[1] East Khasi Hills, Jaintia Hills and Ri-Bhoi.

5.1.4 Audit Objectives

Audit objectives were to see whether the internal control system of the Department is efficient to achieve the objectives of the Department through the following controls:

- Financial controls;
- Expenditure controls;
- Operational controls;
- Management controls;
- Monitoring; and,
- Effectiveness of internal audit.

5.1.5 Audit Criteria

- Internal controls prescribed by the Government/Department;
- State Treasury Rules;
- Provisions of State Financial Rules; and,
- Rules and guidelines issued by the Government from time to time.

5.1.6 Audit Methodology

The review commenced with an entry conference (August 2007) with the Director of Housing in which the audit objectives, criteria and methodology were explained. For the purpose of the review, districts were selected on the basis of random sampling. Information furnished by the Department in response to audit queries and questionnaires were used as audit evidence. The audit findings were forwarded to the Commissioner and Secretary of the Department in September 2007 for acceptance of facts and figures and offering of comments, if any. Audit findings were also discussed (October 2007) with the Commissioner and Secretary of the Department in an exit conference. But para-wise replies to the observations made in the review were not furnished during discussion.

5.1.7 Financial Control

5.1.7.1 Budgetary Control

Budget estimates and actual expenditure of the Department during 2002-07 were as under:

Table 5.1

(Rupees in crore)

Year	Section	Budget provision	Actual expenditure	Savings (percentage)	Amount surrendered	Unsurrendered savings (Percentage to total savings)
2002-03	Revenue	13.83	6.11	7.72 (56)	7.77	...
	Capital	0.85	0.36	0.49 (58)	0.49	...
2003-04	Revenue	8.59	6.77	1.82 (22)	1.83	...
	Capital	5.12	0.22	4.90 (96)	4.90	...
2004-05	Revenue	8.65	8.25	0.40 (5)	0.39	0.01 (2.5)
	Capital	3.49	0.20	3.29 (94)	2.79	0.50 (15)
2005-06	Revenue	9.80	9.34	0.46 (5)	0.47	...
	Capital	1.85	0.70	1.15 (62)	1.15	...
2006-07	Revenue	20.20	17.89	2.31 (11)	0.32	1.99
	Capital	1.80	0.81	0.99 (55)	1.00	...
Total	**Revenue**	**61.07**	**48.36**			
	Capital	**13.11**	**2.29**			

Source: Appropriation Accounts (Grant No. 28).

The following shortcomings were noticed in budgetary control:

5.1.7.2 Persistent Savings

There were persistent savings in all the years during 2002-07. The wide variation between budget provision and actual expenditure indicated flaws in budgeting particularly under capital section, where the shortfall in expenditure ranged from 55 to 96 *per cent*.

5.1.7.3 Delay in submission of Budget estimates

The controlling officers (CO) are provided with blank forms by the Finance Department for submission of consolidated estimates within the prescribed date fixed by the latter.

Scrutiny revealed that submission of consolidated estimates for the years 2002-07 by the CO to the administrative department were delayed by 48 to 164 days leading to delay in submission of the same to the Finance Department by the administrative department. The overall delay in submission of the estimates to the Finance Department was between 63 and 173 days leaving little scope for the Finance Department to scrutinise the same. Thus, there was lack of proper control at the level of the administrative department in processing the budget estimates, which resulted in unrealistic budget provision and consequently, huge savings year after year.

The DoH stated (October 2007) that steps were being taken to rectify the problem of late submission of budget proposal.

5.1.8 Expenditure Control

5.1.8.1 Insignificant Capital Expenditure

Out of the total budget provision of Rs.74.18 crore during 2002-07, the share of capital expenditure constituted only 18 *per cent* (details in Table 5.1). The capital expenditure (Rs.2.29 crore) constituted only 4.5 *per cent* of the total expenditure (Rs.50.65 crore) during the period. The decrease in capital expenditure over the five year period indicated slow pace of infrastructure development in the Department.

The DoH stated (October 2007) that the infrastructure development was badly affected due to non-availability of sufficient funds. The reply is factually incorrect, since the Department could not even utilise the available funds. Also, revenue expenditure of Rs.48.36 crore during 2002-07 against Rs.2.29 crore on capital expenditure showed the apathy of the Department towards infrastructure development.

5.1.8.2 Non-reconciliation of Expenditure

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

Discrepancies noticed between the CO's (DoH) figures and those reflected in the Appropriation Accounts prepared by the AG (Accounts & Entitlement) for the period 2002-07 were as under:

Table 5.2

(Rupees in lakh)

Year	Plan/Non-Plan	Expenditure as per accounts of the AG	Expenditure as per the Department	Variations Excess (+) Less (-)
2002-03	Plan	519.71	524.24	(+) 4.53
	Non-Plan	127.31	117.82	(-) 9.49
2003-04	Plan	568.35	573.86	(+) 5.50
	Non-Plan	130.87	123.87	(-) 7.00
2004-05	Plan	697.14	702.26	(+) 5.13
	Non-Plan	147.53	143.70	(-) 3.84
2005-06	Plan	850.53	851.74	(+) 1.21
	Non-Plan	152.74	150.98	(-) 1.77
2006-07	Plan	688.87	683.78	(-) 5.09
	Non-Plan	1181.24	173.51	(-) 1007.73

Source: Information furnished by the DoH and Detailed Appropriation Accounts.

As can be seen above, there is a wide variation between the two sets of figures. While the Department booked excess expenditure under plan head during 2002-06, the books of AG reflect higher expenditure in non-plan heads. This is especially so during 2006-07, where the discrepancy is of the order of Rs.10 crore.

The discrepancies were due to non-reconciliation of expenditure during 2002-07 by the DoH with the AG.

5.1.8.3 Unauthorised Opening of Bank Account

According to Rules 4 and 8 of the Meghalaya Treasury Rules, 1985, unless otherwise prescribed, moneys credited to Government Account shall be held either in a State Treasury or in the Bank. A Government officer may not, except with the specific permission of the Government, deposit in a bank, other than the State Bank or its agent for the purpose of Government transactions.

It was noticed that since 21 April 2004, the DoH had been maintaining a joint savings bank account with the Vijaya Bank, the other joint holder of the account being a State autonomous body, *viz.*, Meghalaya State Housing Board. Permission of the Government for opening the joint account, as required under the Treasury Rules, was, however, not obtained.

The DoH stated (October 2007) that Government sanction was usually received on the night of 31st March and the amount had to be drawn immediately to avoid lapse of sanction. As all the nearby State Banks were extremely busy, the amount was temporarily deposited in the nearby nationalised bank and subsequently, expost facto approval for opening bank account was sought. The reply is not acceptable because the Treasury Rules do not permit operating of such joint account in any bank.

5.1.8.4 Compliance with Rules

According to Rule 103 of the Meghalaya Financial Rules, 1981, the Head of the office is personally responsible for the accuracy of the cash book and cash balance. The cash book should be closed and balanced each day under the dated initial of the Head of the office or his authorised representative. The balance of each column at the end of the month should also be verified with the balance of cash in hand and a certificate should be recorded in the cash book under the signature of the officer responsible for the money.

Scrutiny of cash book of the DoH for the period from 2002-07 revealed that the analysis of closing balance was never done and recorded in the cash book. The certificate of physical cash verification at the end of each month was also not recorded regularly thereby violating the provisions of the Financial Rules.

Failure to maintain the cash book as per prescribed provisions was not only indicative of serious deficiency in operational control but also fraught with the risk of fraud or misappropriation. The DoH stated (October 2007) that provisions of rules regarding maintenance of cash book were being complied with.

5.1.9 Operational Control

5.1.9.1 Programme Management

Rural Housing Scheme was the only major and important scheme which was being implemented by the Department out of the State Plan Fund. The objective of the scheme was to extend housing assistance in the form of three bundles (21 sheets) of corrugated iron (CGI) sheets to the poor families living in rural areas of the State.

The targets and achievement in the coverage of families in terms of distribution of CGI sheets during 2002-07 are given below:

Table 5.3

Year	Number of families targeted for supply of CGI sheets	Number of families sanctioned	Number of families supplied with CGI sheets	Shortfall in sanction with reference to target	Shortfall in coverage with reference to target
2002-03	5,500	5,280	5,256	220	244
2003-04	3,271	3,165	2,957	106	314
2004-05	5,042	3,855	3,793	1,187	1,249
2005-06	4,803	2,913	2,823	1,890	1,980
2006-07	3,772	2,517	2,365	1,255	1,407
Total	**22,388**	**17,730**	**17,194**	**4,658**	**5,194**

Source: Information furnished by the DoH.

The above table shows that against 22,388 families targeted for extending housing assistance during 2002-07, sanction was accorded to 17,730 families and assistance was provided only to 17,194 families. Reasons for not sanctioning housing assistance to 4,658 targeted families as well as the shortfall in coverage of 5,194 families despite sanction were not on record.

The above position indicated that adequate attention was not paid to programme management in the Department.

The DoH stated (October 2007) that appropriate steps were being taken for early achievement of targets.

5.1.9.2 Material Management

Rule 197 of the Meghalaya Financial Rules, 1981 provides that the balance in stock should be verified biannually to see whether the balance in hand represents the quantities as well as the value shown in the accounts books. Any discrepancy discovered in the verification should be fully explained and the book balance set right under orders of the competent authority. For distribution to the beneficiaries under the Rural Housing Scheme (three bundles or 21 sheets per family), CGI sheets are procured by the Department either directly from the Steel Authority of India Limited (SAIL) or through their authorised local dealer.

The position of CGI sheets procured by the DoH during 2002-07 for distribution to the beneficiaries of the three test-checked districts was as under:

Table 5.4

(Rupees in lakh)

District	Quantity of CGI sheets procured during 2002-07		Book balance of quantity lying in store as of March 2007	
	Number of pieces	Cost	Number of pieces	Value
East Khasi Hills	1,17,284	712.97	24,947	110.13
Jaintia Hills	57,826	360.57	12,903	57.25
Ri-Bhoi	33,563	203.16	5,867	25.81
Total	**2,08,673**	**1276.70**	**43,717**	**193.19**

Source: Information furnished by the DHOs.

The above table shows that during 2002-07, the DoH procured 2,08,673 pieces of CGI sheets at a cost of Rs.12.77 crore. As per book balance of March 2007, 43,717 pieces of these sheets worth Rs.1.93 crore were lying in store of the DHOs of three districts. But physical verification of these stores was never carried out in any of the districts during the period 2002-07 to ascertain whether the balance in stock was in conformity with the book balance. This indicates serious deficiency in control over material management and is also fraught with the risk of loss to the Government due to shortage/theft of CGI sheets.

The DoH stated (October 2007) that efforts were being made to avoid deficiency in control over material management.

5.1.10 Quality Controls

During 2002-07, the DoH procured 2,979.43 tonnes of CGI sheets (cost: Rs.12.77 crore) from a Shillong based dealer of the SAIL for distribution to the rural habitations of three test-checked districts under the Rural Housing Scheme. The rates of the sheets having the same thickness (0.63mm) and size (300mm X 800mm) were fixed taking into account the classes, such as, IS 277 Class I, II, III, *etc.* But no record in support of any system/mechanism prescribed/adopted by the Department to check the classes of sheets procured from the dealer for distribution to the rural populace before making payment to the dealers was produced to Audit.

The DHOs of three test-checked districts stated (September 2007) that screw gauge and measuring tapes were used for measuring thickness and size of the CGI sheets for random check. The DoH stated (October 2007) that the class of the CGI sheets was checked against the sample supplied and the technical personnel conducted random physical checking to ascertain the quality. In the absence of weighing machines till November 2004 (weighing machines were installed in three districts during December 2004 and March 2005), the correctness of payments made to the dealers for the CGI sheets and the quality of sheets distributed to the rural populace remained doubtful. Since there was no recorded evidence about the quality of sheets, Audit could not ascertain the quality of the sheets procured for supply to the beneficiaries of the test-checked districts.

5.1.11 Management Controls

5.1.11.1 Failure to Enforce Accountability for Non-settlement of Inspection Reports of the Accountant General

The irregularities noticed during local audit conducted by the AG are communicated through Inspection Reports (IRs) to the Heads of offices inspected with a copy to the next higher authorities. A half-yearly report of pending IRs is sent by the AG to the Secretary of the concerned administrative department to facilitate monitoring of the action on the reports.

As of March 2007, 58 paragraphs relating to eight IRs in respect of the Department were outstanding either due to non-receipt of replies or because the replies were incomplete. The details are as under:

Table 5.4

Year	Number of outstanding Inspection Reports	Number of outstanding paragraphs
Up to 2003-04	6	40
2004-05	1	6
2005-06	1	12
Total	**8**	**58**

Pendency of IRs indicated failure of the controlling officer to initiate action in regard to the points raised in the IRs. The concerned Secretary of the administrative department also failed to ensure timely action by the concerned controlling officers to address the control weaknesses.

5.1.12 Monitoring

Monitoring is an important control tool, which should be exercised by a department very effectively.

The DoH stated (August 2007) that periodical report on the progress of implementation of housing schemes were called from the districts. But no such report could be produced to Audit. In the absence of the relevant records, Audit could not assess the adequacy of monitoring mechanism. Evaluation of the schemes was also not done and as such, the impact of the schemes remained un-assessed.

5.1.13 Effectiveness of Internal Audit

5.1.13.1 Non-existence of Internal Audit

Internal audit is a useful tool to judge the efficiency of an internal control system. Government Notification of October 1990 empowers the Examiner of Local Accounts (ELA), Meghalaya to examine and carry out the audit of accounts of various Government departments. Such audit is taken up by the ELA only when a request comes from the respective heads of the departments/offices.

According to the information furnished (August 2007) by the DoH, internal audit of the Department was never conducted during the five year period ending March 2007.

Thus, the adequacy and effectiveness of the accounting and internal control system were not evaluated by the DoH through an independent agency.

The DoH stated (October 2007) that the matter would be taken up with the Government for appropriate action.

5.1.14 Conclusion

Internal controls were inadequate and ineffective in the Housing Department. Arrangements for internal audit were also inadequate. Despite availability of adequate funds for capital works, the Department provided housing assistance to less than the number of targeted families which is indicative of poor budgetary, financial, operational and monitoring controls. The review of the working of the Department also revealed weaknesses in material management. Material were procured without ensuring its quality and no physical verification of the stores was conducted. Internal audit of the Department was never conducted during the review period.

5.1.15 Recommendations

- **Internal controls in the Department need to be strengthened with regard to finalising budgetary estimates on time and monitoring the expenditure.**
- **Cash Book should be maintained in accordance with the relevant rules to avoid fraud or misappropriation of funds.**
- **Effective quality control mechanism should be put in place to ensure receipt of material as per proper specification.**
- **Internal audit should be undertaken to evaluate the efficiency of the internal control system and the adequacy of the accounting system.**

The matter was reported to the Government in September 2007; reply had not been received (February 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 2006-07, 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	2002-03	2003-04	2004-05	2005-06	2006-07
I.	**Revenue raised by the State Government**					
	• Tax revenue[1]	144.87	177.68	207.73	252.67	304.74
	• Non-tax revenue	92.78	128.95	133.49	146.01	184.37
	Total [I]:	**237.65**	**306.63**	**341.22**	**398.68**	**489.11**
II.	**Receipts from Government of India**					
	• State's share of divisible Union taxes	176.11	225.08	269.04	350.57	447.18
	• Grants-in-aid	875.17	867.12	935.87	997.69	1,205.90
	Total [II]:	**1,051.28**	**1,092.20**	**1,204.91**	**1,348.26**	**1,653.08**
III.	**Total receipts of the State Government**	1,288.93	1,398.83	1,546.13	1,746.94	2,142.19
IV.	**Percentage of I to III**	**18.44**	**21.92**	**22.07**	**22.82**	**22.83**

The above table indicates that during the year 2006-07, the revenue raised by the State Government was 22.83 *per cent* of the total revenue receipts (Rs.2,142.19 crore) against 22.82 *per cent* in the preceding year. The balance 77.17 *per cent* of receipts during 2006-07 was from the Government of India.

6.1.2 The non-plan grants received by the State from the Government of India during 2002-03 to 2006-07 are mentioned below:

Table 6.2

(Rupees in crore)

Year	Amount of non-plan grants
2002-03	407.74
2003-04	329.33
2004-05	360.82
2005-06	406.03
2006-07	472.47

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

The share of non-plan grants during 2006-07 was 39.18 *per cent* of the total grants-in-aid received from the Government of India. Compared to 2002-03, the non-plan grants of the State increased by 15.88 *per cent* mainly due to receipt of grants by the State for maintenance of roads and bridges on the recommendation of the Twelfth Finance Commission (Rs. 21.60 crore), backward regions (Rs. 15 crore), State specific needs (Rs. 12 crore) and maintenance of forests (Rs. 6 crore).

6.1.3 The following table presents the details of tax revenue raised during the period from 2002-03 to 2006-07:

Table 6.3

(Rupees in crore)

Sl. no.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1.	Sales tax	71.67	83.37	106.35	159.65	187.78	(+) 18
	Central sales tax	15.53	26.76	19.84	13.72	28.04	(+) 104
2.	State excise	44.95	52.80	62.70	59.16	53.95	(-) 9
3.	Stamp duty and registration fees	2.95	3.37	4.56	5.48	6.49	(+) 18
4.	Taxes and duties on electricity	0.02	0.03	0.03	0.04	0.03	(-) 25
5.	Taxes on vehicles	4.62	5.52	7.45	8.73	9.34	(+) 7
6.	Taxes on goods and passengers	1.63	2.02	2.66	2.76	2.79	(+) 1
7.	Other taxes on income and expenditure – taxes on professions, trades, callings and employments, *etc.*	0.92	0.97	1.02	1.17	9.52	(+) 714
8.	Other taxes and duties on commodities and services	2.26	2.35	2.83	1.63	1.22	(-) 25
9.	Land revenue	0.32	0.49	0.29	0.33	5.58	(+) 1,591
	Total	**144.87**	**177.68**	**207.73**	**252.67**	**304.74**	**(+) 21**

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

6.1.4 The following table presents the details of major non-tax revenue raised during the period 2002-03 to 2006-07:

Table 6.4

(Rupees in crore)

Sl. no.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1.	Interest receipts	4.66	5.61	7.75	6.67	13.36	(+) 100
2.	Dairy development	1.09	1.18	1.25	0.79	0.13	(-) 84
3.	Forestry and wildlife	8.56	11.77	14.62	15.30	16.66	(+) 9
4.	Non ferrous mining and metallurgical industries	56.11	86.18	90.26	97.56	109.03	(+) 12
5.	Miscellaneous general services (including lottery receipts)	6.18	8.55	4.22	7.92	17.96	(+) 127
6.	Education, sports, arts and culture	0.76	0.80	0.45	0.55	0.91	(+) 65
7.	Medical and public health	0.55	0.62	0.61	0.70	1.08	(+) 54
8.	Co-operation	1.13	0.84	0.56	0.57	0.38	(-) 33
9.	Public works	3.63	3.66	5.10	4.33	5.11	(+) 18
10.	Police	1.53	1.42	2.26	3.65	3.54	(-) 3
11.	Other administrative services	3.41	0.91	0.75	1.21	8.91	(+) 636
12.	Other agricultural programmes	0.72	0.69	0.49	0.61	0.82	(+) 34
13.	Crop husbandry	1.40	1.57	1.76	1.99	2.21	(+) 11
14.	Animal husbandry	1.09	1.23	1.22	1.32	1.56	(+) 18
15.	Others	1.96	3.92	2.19	2.84	2.71	(-) 5
	Total	**92.78**	**128.95**	**133.49**	**146.01**	**184.37**	**(+) 26**

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 receipt under mineral concession fees, rents and royalties.

Miscellaneous general services (including lottery receipts): The increase was attributed to debt relief on repayment of loan given by the Government of India.

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

6.1.5 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for the year 2006-07 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	0.48	5.58	(+) 5.10	1063
2.	Sales tax	180.00	215.82	(+) 35.82	20
3.	State excise	60.00	53.95	(-) 6.04	10
4.	Stamp duty and registration fees	5.50	6.49	(+) 0.99	18
5.	Taxes and duties on electricity	1.36	0.03	(-) 1.33	98
6.	Taxes on vehicles	8.50	9.34	(+) 0.84	10
7.	Forestry and wildlife	14.30	16.66	(+) 2.36	17
8.	Non-ferrous mining and metallurgical industries	105.00	109.03	(+) 4.03	4
9.	Taxes on goods and passengers	4.60	2.79	(-) 1.81	39

The concerned departments did not inform (February 2008) the reasons for variations despite being requested (February 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 2004-05 to 2006-07 along with the all India average percentage of expenditure on collection for 2005-06 are mentioned below:

Table 6.6

Sl no.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2005-06
1.	Sales tax	2004-05	126.28	2.73	2.16	0.91
		2005-06	173.37	3.22	1.85	
		2006-07	215.82	3.58	1.65	
2.	State excise[2]	2004-05	62.70	3.23	5.15	3.40
		2005-06	59.16	3.45	5.83	
		2006-07	53.96	3.95	7.32	
3.	Taxes on vehicles	2004-05	7.45	2.13	28.59	2.67
		2005-06	8.73	2.29	26.23	
		2006-07	9.34	2.41	25.80	
4.	Stamp duty and registration fees[2]	2004-05	4.56	0.40	8.77	2.87
		2005-06	5.48	0.47	8.57	
		2006-07	6.49	0.54	8.32	

Thus, the percentage of expenditure on collection during 2006-07 as compared to the all India average percentage for 2005-06 was higher in the case of sales tax, state excise, taxes on vehicles and stamp duty and registration fees which the Government needs to look into.

[2] Figure as furnished by the department.

6.1.7 Arrears in assessments

The details of assessments pending at the beginning of the year 2006-07, 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	1,36,073	71,942	2,08,015	4,754	2,03,261	2.29
Motor spirits tax	4,248	3,438	7,686	120	7,566	1.56
Total	**1,40,321**	**75,380**	**2,15,701**	**4,874**	**2,10,827**	**2.26**

Thus, the percentage of pending cases at the end of 2006-07 was 97.74. 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 2007 in respect of some principal heads of revenue amounted to Rs. 91.96 crore of which Rs. 27.47 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 2007	Amount outstanding for more than five years as on 31 March 2007
1.	Sales tax	21.50	17.29
2.	Other taxes	2.64	2.31
3.	Motor spirits	0.30	0.07
4.	Value added tax	0.01	...
5.	Motor vehicles taxes	1.78	...
6.	Environment and forests	2.58	...
7	State excise	0.31	...
8.	Geology and mining	7.80	7.80
9.	State lottery	55.04	...
	Total	**91.96**	**27.47**

The position of arrears of revenue at the end of 2006-07 in respect of land revenue was not furnished, despite being requested (February 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 2006-07 revealed underassessment/short/non-levy/loss of revenue amounting to Rs. 317.49 crore in 175 cases. During the year, the departments accepted assessments/short/non levy/loss of revenue of Rs. 19.04 crore in 38 cases pointed out during 2006-07 and in earlier years, and recovered Rs. 16.86 lakh. Reply has not been received in respect of the remaining cases (February 2008).

This chapter contains 37 paragraphs including three reviews involving Rs. 6,847.81 crore. The departments accepted audit observations involving Rs. 736.18 crore, of which Rs. 3.98 crore has been recovered. Audit observations with a total revenue effect of Rs. 4,993.98 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 (February 2008).

After issue of draft paragraphs, the department concerned recovered Rs. 5.25 lakh in one case in full.

6.1.10 Failure to enforce accountability and protect interest of the Government

The Principal Accountant General (Audit), Meghalaya and Arunachal Pradesh, 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 Principal Accountant General (Audit), Meghalaya and Arunachal Pradesh, 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 2006 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 905 objections relating to 206 IRs involving money value of Rs. 1,299.04 crore remained unsettled at the end of June 2007. Of these, 80 IRs containing 179 observations involving money value of Rs. 18.93 crore had not been settled for more than five years.

In respect of 12 IRs involving money value of Rs. 9.37 crore issued upto March 2007, even the first reply required to be received from the department/Government has not been received (February 2008).

The report regarding position of old outstanding IRs/paragraphs was reported to the Government in July 2007; their reply has not been received (February 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 34 audit paragraphs and three reviews included in this chapter to which the replies of the secretaries to the Government were requested for by Audit between May and August 2007, they furnished replies to only 24 paragraphs and three reviews upto February 2008. The remaining 10 paragraphs have been included without the response of the Government.

6.1.12 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 October 2007 on the paragraphs included in the Reports of the Comptroller and Auditor General of India disclosed as mentioned below:

The departments of the State Government had not submitted *suo motu* explanatory notes on 164 paragraphs of Audit Reports for the years from 1992-93 to 2005-06 in respect of revenue receipts as mentioned below:

Table 6.9

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
Total		**258**	**10**	**155**	**9**

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 6.10

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.

SECTION 'A' : REVIEWS

EXCISE, REGISTRATION, TAXATION AND STAMPS DEPARTMENT

6.2 Receipts under State Lottery

Highlights

Arbitrary action of the Government to withdraw the safeguard/deterrent clause and failure to incorporate a penal clause in the amended agreement for online draws with the distributor led to undue financial aid and non-realisation of revenue of Rs. 900.07 crore.

(Paragraph 6.2.8)

Failure of the Government to obtain legal opinion prior to execution of the paper lottery agreement and being clear about the status of both online as well as paper schemes resulted in loss of revenue of Rs. 5,170.23 crore.

(Paragraph 6.2.9)

Irregular reduction of rate of weekly draws led to loss of revenue of Rs. 7.83 crore.

(Paragraph 6.2.13)

6.2.1 Introduction

Lottery schemes in Meghalaya are regulated under the Lotteries (Regulation) Act, 1998 and Meghalaya State Lottery Rules (MSLR), 2002. On 9 September 2001, the Government of Meghalaya accepted the proposal of a distributor to operationalise online lottery[1] for a period of 10 years. Accordingly, three agreements were signed between September 2001 and August 2002 stipulating, *inter alia,* that the distributor shall not organise less than 4,000 draws per year and pay to the State Government annual minimum guaranteed amount (MGA) of Rs. 12 crore to be paid in equal quarterly instalments within the first six weeks of each quarter.

[1] Online lottery means a lottery where tickets are sold via online computer terminals.

Thereafter, the Government of Meghalaya introduced paper lottery[2] in the year 2004 and executed agreements with five distributors between June 2004 and October 2004 for organising paper lottery to be sold in paper and demat format through computer terminals. MGA in this case was fixed at Rs. 1.85 crore per distributor per year.

A review of receipts under State lotteries was conducted. It revealed a number of system, compliance and other deficiencies which have been discussed in the succeeding paragraphs.

6.2.2 *Organisational set-up*

The lottery schemes in Meghalaya are administered by the Director of State Lotteries, Meghalaya under the overall supervision of the Secretary, Excise, Registration, Taxation and Stamps (ERTS) Department.

6.2.3 *Audit objective*

The review was conducted with a view to ascertain:

- efficiency and effectiveness of the system/mechanism for conducting the lottery schemes and collection of revenue therefrom;
- adequacy and effectiveness of the agreements drawn up with the distributors and
- adequacy and effectiveness of the internal control mechanism.

6.2.4 *Scope of audit*

The review was conducted between March and August 2007 through test check of the records of the Director of State Lotteries and Secretary, ERTS Department for the years 2002-03 to 2006-07. Emphasis was laid on the adequacy and effectiveness of the agreements made with the distributors in respect of online and paper lottery schemes and adherence of these by the distributors.

6.2.5 *Acknowledgement*

Indian Audit and Accounts Department acknowledges the co-operation of the Lottery Department in providing necessary information and records for audit. The audit findings were reported to the Government in August 2007 and discussed in the Audit Review Committee meeting in September 2007. Response of the Government to the audit observations have been appropriately incorporated in the review.

[2] In paper lottery tickets are sold in paper and demat format on computer terminals.

Audit findings

6.2.6 *Trend of revenue*

The amount of revenue realised by the department against targets set during the years 2002-03 to 2006-07 is mentioned below:

Table 6.11

(Rupees in crore)

Year	Target *	Revenue realised **	Excess (+) Less (-)	Percentage
2002-03	--	12	(+) 12.00	(+) 1200
2003-04	12	6	(-) 6.00	(-) 50
2004-05	11.95	3.56	(-) 8.39	(-) 70.21
2005-06	12	7.54	(-) 4.46	(-) 37.17
2006-07	18	2.04	(-) 15.96	(-) 88.67

* Only minimum guaranteed amount (MGA) was considered in the budget estimates

** Figures as furnished by the department

The shortfall in realisation during the years 2003-04 to 2006-07 ranged between 37.17 and 88.67 *per cent*. The reasons for shortfall of revenue collection with reference to the MGA were not stated. No target was fixed in 2002-03 though the State Government executed an agreement with a distributor for organising online lottery, fixing MGA as Rs. 12 crore. During 2005-06 and 2006-07, MGA should have been fixed at Rs. 21.25 crore per year as the Government had executed agreements with five paper lottery distributors fixing MGA of Rs. 1.85 crore per year in each case.

After the case was pointed out, the Government while admitting the facts stated in October 2007 that the shortfall in revenue collection was due to non-fulfilment of timely obligation in payment of dues, conflicting interpretation on adjustment/payment of dues out of one time deposit towards prize money, stoppage of draws by the distributors *etc*.

6.2.7 *Discrepancy between revenue figures of the Finance Accounts and departmental records*

The budget manual stipulates that the controlling officer should periodically reconcile the departmental figures of revenue with those booked by the Accountant General.

It was noticed that the department did not reconcile the revenue figures with those booked by the Accountant General. The extent of variation is as mentioned below:

Table 6.12

(Rupees in crore)

Year	Collection of revenue as per the Finance Accounts	Collection of revenue as per the departmental figures	Difference excess(+)/ less (-)
2002-03	6.18	12	(+) 5.82
2003-04	8.05	6	(-) 2.05
2004-05	5.01	3.56	(-) 2.45
2005-06	0.89	7.54	(+) 6.65
2006-07	2.44	2.04	(+) 0.40

After the case was pointed out, the Government in October 2007 confirmed that the reconciliation of revenue figures had never been carried out.

System deficiencies

6.2.8 *Online lottery*

In September 2001, the Government of Meghalaya signed a 10 year contract with a distributor for establishing, operationalising and conducting Meghalaya State computerised online lotteries. Accordingly, three agreements were signed on 7 September 2001, 23 April 2002 (amended agreement) and 21 August 2002 (supplementary agreement). As per clause 3 of the supplementary agreement, the distributor assured and guaranteed the State Government that he would organise not less than 4,000 lottery draws per year at the agreed rate of Rs. 30,000 per draw. The annual MGA of Rs. 12 crore was to be paid in equal quarterly instalments within the first six weeks of each quarter.

Clause 10 of the amended agreement, *inter alia*, fixed the yearwise target amount likely to accrue as revenue from the proceeds of online lottery to the State Government. Clauses 1 and 2 of the supplementary agreement laid down that the distributor shall endeavour to achieve and exceed the target amount likely to accrue as revenue to the State Government and under clause 4, to mutually review the progress and achievement of the computerised online lottery from time to time, at least once a year, and to take appropriate action to achieve the target amount as per the market conditions.

6.2.8.1 *Undue financial benefits/concessions to the distributor*

Clause 12 of the original agreement provided that the total amount of prize money shall be deposited with the State Government 30 days before the date of any draw failing which the draw shall be postponed by the Government and penal interest at 12 *per cent* per annum shall be charged on the defaulted amount. Clause 12 of the amended agreement, however, stipulated that the distributor shall make a one time deposit of the total taxable prize money with the State Government before the date of the first draw. Thereafter, the distributor shall deposit the taxable prize money of subsequent draws in accordance with and commensurate to the disbursement of taxable prize money against claims received by the State Government. Such deposits shall be made by the distributor within three days of receipt of demand from the State Government. Further, as per this clause, prize money for each draw shall not be less than 50 *per cent* of sale proceeds of tickets for each draw. Clause 21, *inter alia*, states that if any prize money is unclaimed or is otherwise not disbursed, it shall be the property of the State Government.

The safeguard/deterrent clause provided in the original agreement against non-deposit of prize money by the distributor was withdrawn in the amended agreement thereby benefiting the distributor and consequent loss to the exchequer as discussed below.

- Scrutiny of the records revealed that between December 2002 and November 2005, the first prize money for 1,698 draws in respect of four[3] online lottery schemes amounted to Rs. 778.81 crore out of which the distributor deposited Rs. 28.22 crore only with the Government. No demand as per the provisions of the amended agreement was placed by the Government to realise the remaining first prize money from the distributor. Thus, due to **withdrawal of the deterrent clause provided in the original agreement which enabled the Government to postpone any draw, the Government was not in a position to take any action against the distributor and consequently prize money of Rs. 750.59 crore remained out of the Government coffers.** In addition to this, other taxable prize money payable to the Government could not be ascertained in the absence of detailed accounts of the sale proceeds.

After the case was pointed out, the Government in October 2007 admitted the loss of Rs. 3.94 crore and stated that the remaining prize amounting to Rs. 746.65 crore had been transferred to the roll over prize scheme. The reply is not tenable as the Act, Rules and the agreement did not provide for such rolling over of the prize money. Further, the Government could have avoided the loss of revenue had the agreement not been amended in favour of the distributor.

- Test check of the records relating to 1,270 draws in respect of four schemes[4] revealed that in 508 draws, the total sale proceeds aggregated Rs. 66.17 crore. As per the amended agreement, prize money should not have been less than Rs. 33.09 crore against which the distributor disbursed Rs. 16.01 crore only as prize money. **As there was no provision in the amended agreement enabling the Government to compel the distributor to deposit the entire prize money, it failed to realise the entire prize money prior to the draws. Thus, failure of the Government to include any penal clause in the agreement to safeguard its interest not only resulted in non-forfeiture of balance prize money of Rs. 17.08 crore but also in undue financial aid to the distributor to that extent (Appendix 6.1).** Further, as the department failed to produce the sale proceeds of other schemes, total non-realisation of revenue could not be ascertained in audit.

- Scrutiny of the records revealed that the online lottery distributor deposited Rs. 14.02 crore as total prize money between 3 December 2002 and

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3 **(Rupees in crore)**

Name of scheme	Total no. of draws	Period of draw	Total value of first prize	Deposit
Best Lotto	218	Between 02-12-02 and 22-06-03	436	14.38
Saturday Super Lotto	44	Between 24-07-04 and 21-05-05	88	9.46
Keno Plus	1,272	Between 02-02-04 and 30-11-05	254.40	4.00
Dhan Chowka	164	Between 06-10-03 and 09-01-04	0.41	0.38
Total	**1,698**		**778.81**	**28.22**

4 Best Lotto, Saturday Super Lotto, Megha-3 and Keno plus.

7 December 2002 against the Best Lotto lottery scheme. Inspite of repeated draws, there was no winner and the schemes were finally discontinued from 22 June 2003. As per the provision of the amended agreement, the undisbursed prize money was to be forfeited and deposited to the Government account. But, on a request from the distributor, the Government released Rs. 5 crore to him and adjusted Rs. 4 crore towards payment of the MGA from the total prize money of Rs. 14.02 crore. Thus, undue concession in violation of the provisions of the agreement led to loss of revenue of Rs. 9 crore.

After the case was pointed out, the Government while admitting the facts stated in October 2007 that action had been taken for recovery of Rs. 9 crore. The reply is, however, silent regarding the reasons for extending the undue favour to the distributor by granting refund of Rs. 5 crore and adjustment of Rs. 4 crore which was beyond the scope of the agreement.

6.2.8.2 Non-realisation/loss of Government revenue

Under Clause 4 of the amended agreement, the distributor may select and propose for approval of the State Government any trade name/scheme, but on approval the absolute right and title over these schemes shall rest in the State Government. As per clause 9 of the amended agreement, the State Government has the absolute right to terminate or cancel any distributor/draw/scheme. It was noticed that, the no penal clause was included in the **amended agreement to safeguard the interest of the Government in case of non-payment of dues or postponement/termination of the lottery draws/operation by the distributor.**

- Scrutiny of the records revealed that the online distributor proposed 66 schemes for approval of the State Government on different dates between August 2002 and August 2004 which were also approved. It was, however, seen that 58 out of these 66 schemes were unilaterally postponed by the distributor between December 2002 and September 2005 after these schemes were operated for periods ranging between 11 and 315 days. As **there was no penal clause in the amended agreement to safeguard Government interest against such whimsical action of the distributor, the Government could not take any action against violation of the terms and conditions of the agreement by the distributor.** This resulted in stoppage of 24,108 draws and consequent loss of revenue of Rs. 72.32[5] crore.

- Scrutiny of the records revealed that the distributor suspended all draws with effect from 1 December 2005. However, during the four years of operation i.e. 2002-05, the distributor was liable to pay revenue of Rs. 54.08 crore against which Rs. 19 crore only was paid by him leaving an unpaid balance of Rs. 35.08 crore till the date of audit.

Besides this, such arbitrary action of the distributor also led to the loss of revenue of Rs. 16 crore[6] in the shape of MGA. **In the absence of any penal clause enabling the Government to recover the revenue loss due to such**

[5] 24,108 X Rs. 30,000=Rs. 72.32 crore.
[6] Calculated at proportionate MGA of Rs. 1 crore per month for 16 months.

arbitrary suspension of draws by the distributor, it was not in a position to take any action against the distributor to recover either the balance revenue of Rs. 35.08 crore or the MGA of Rs. 16 crore for the period from December 2005 to March 2007.

After the cases were pointed out, the Government in October 2007 while admitting that no penal clause was included in any of the agreements drawn up with the online distributor to safeguard against loss of Government revenue, stated that the matter relating to recovery of dues was an ongoing process and would be finally referred to an arbitrator under clause 30 of the amended agreement. The reply is not tenable as the Government should have safeguarded its revenue interest by providing a deterrent clause in the agreement. This would have also saved the department/Government from getting involved in unnecessary arbitration cases.

6.2.8.3 Non-conducting of periodic review

The position of revenue target fixed as per the agreements and achievement thereagainst is mentioned below:

Table 6.13

Year[7]	Revenue target fixed as per agreements (Rupees in crore)	Number of draws executed	MGA (Rupees in crore)	Revenue realisable against no. of draws/MGA (Rupees in crore)	Revenue realised (Rupees in crore)
1st year	37.50	1,473	12	12.00*	12[8]
2nd year	75.00	4,830	12	14.49	6
3rd year	150.00	8,196	12	24.59	1
4th year (upto November 2005)	165.00	437	3	3.00*	--
Total	**427.50**	**14,936**	**39**	**54.08**	**19**

* MGA

Thus, against the target of Rs. 427.50 crore, maximum revenue of Rs. 54.08 crore calculated on the number of draws/MGA was realisable from the distributor. Thus, the revenue realisable was only 12.65 *per cent* of the target fixed. Moreover, the amount paid by the distributor as revenue was Rs. 19 crore which was only 4.4 *per cent* of the target fixed. However, in spite of the abysmally low revenue realised/realisable against the target set, only two mutual reviews were held in March 2005 and October 2005 to monitor the progress and achievements of the online lottery. **Even after these reviews, no action was taken by the department to achieve the target as per the agreements in the interest of revenue.**

[7] Year in this case means a year from the date of first draw and is thus different from the financial year.

[8] Revenue realisable from the draws was less than MGA. Hence distributor paid MGA as per agreement.

Besides, cross verification of the target fixed as per the agreements with the budget estimates revealed that the department failed to draw up the budget estimates in conformity with the targets fixed. Instead of framing the budget estimates in accordance with the revenue target fixed as per the agreements, only the MGA realisable from the distributors was projected as the budget estimates. This resulted in incorrect projection of the budget estimates.

6.2.9 Paper lottery

Paper lottery was introduced in Meghalaya in the year 2004. The Government executed agreements between June and October 2004 with five distributors for organising paper lottery to be sold in paper and demat format through computer terminals and fixed the Government revenue at Rs. 600 per draw and the MGA at Rs. 1.85 crore per distributor per year.

It was, however, noticed that the Government having failed to differentiate the status of online and paper lottery schemes, sought the legal opinion of the Additional Solicitor General of India (ASG) in May 2005. The ASG in June 2005 opined that both online and paper lottery were operated through computer terminals and internet and, thus, were same in form and substance. **Thus, the Government executed the agreements without being clear about the status of both the lottery schemes. This resulted in loss of revenue as discussed below.**

6.2.9.1 Loss of revenue due to fixing of abnormally low draw rates

Scrutiny of the records revealed that between 2004-05 and 2006-07, the paper lottery distributors organised 3,32,378 weekly draws. **The Government without obtaining legal opinion about the status of online and paper lottery schemes went ahead with executing the agreements. Also, without having any idea about the form and substance of these schemes, it fixed the revenue per draw at the abnormally low rate of Rs. 600 instead of Rs. 30,000 per draw as applicable to the online lottery.** This resulted in a loss of revenue of Rs. 977.19 crore to the State exchequer.

After the case was pointed out, the Government in their reply in October 2007 contended that final decision in the matter rested with the court of law. However, even after the lapse of more than two years of obtaining the view of the ASG, the Government is still contemplating taking recourse to court of law. The reply is also silent regarding the reasons for not obtaining the legal opinion prior to execution of the agreements which would have not only saved the Government from losing substantial revenue but also from getting involved in unnecessary arbitration. Also, the basis for fixing the rate per draw at only 0.02 *per cent* of the rate for online lottery was not explained.

6.2.9.2 Non-forfeiture of undisbursed prize money due to faulty agreement

As per clause 9(3) of the paper lottery agreement, the distributors were to submit quarterly audited statements indicating *inter alia* the sale turnover, draw expenses, minimum guaranteed return, prize money paid, expenses incurred and the margin of profit. Further, clause 18(ix) of the agreement stipulated that if any prize money is unclaimed or is otherwise not disbursed by way of prize, it shall be the property of the State Government. **The Government, however, did not include any clause stipulating advance deposit of prize money prior to the draws in the line with the original agreement governing online lottery scheme to pre-empt any scope of non-realisation/loss of revenue.**

Test check of the records revealed that only two out of five distributors submitted quarterly audited statements in prescribed proforma. **It was noticed that there was no system of monitoring of submission of quarterly statements by the distributors.** A scrutiny of the quarterly statements of these two distributors revealed that altogether 8,879 draws were organised by one distributor between 8 November 2004 and 7 November 2005 in respect of four[9] weekly lottery schemes. Prize money of Rs. 122.17 crore out of the total prize money of Rs. 4,315.21 crore was paid to the winners. The undisbursed prize money of Rs. 4,193.04 crore was neither deposited by the distributor nor recovered and forfeited to the Government account as per the agreement. **Thus, due to non-inclusion of a penal/deterrent clause in the agreement governing paper lottery schemes, the Government could not recover the undisbursed prize money and credit it to Government account. This resulted in non-realisation of revenue of Rs. 4,193.04 crore. Besides, due to the absence of a monitoring system in the department, no action could also be taken against the other three distributors who did not furnish quarterly audited statements.**

After the case was pointed out, the Government stated in October 2007 that paper lottery tickets were issued on "fully sold basis" to the distributors and hence computation of unsold tickets would not arise. The reply is not relevant as the audit observation is on non-forfeiture of undisbursed prize money of draws conducted by the distributor. Moreover, the reply is silent about the reasons for such defective agreement which led to non-forfeiture of undisbursed prize money of such a high magnitude.

6.2.9.3 Non-realisation of arrear revenue

As per clause 13(h) of the paper lottery agreement, the sale proceeds of each draw has to be deposited by the distributor(s) in such manner as the Government may direct. **The Government, however, did not include the due date of payment of sale proceeds in the agreement. There was also no provision in the agreement for imposition of penalty on the distributors in case of their failure to pay the Government dues on time.**

Scrutiny of the records revealed that five distributors of paper lottery paid Rs. 10.63 crore out of Rs. 30.59 crore payable upto 31 March 2007. The balance revenue of Rs. 19.96 crore remained unpaid till the date of audit. **Due to the failure on the part of the Government to stipulate the due date of payment of the sale proceeds and penal measure in case of default in**

[9] Subhalaxmi, Subhalaxmi A,B and C.

making such payment in the agreement, the Government could not realise the outstanding dues of Rs. 19.96 crore. Since all lottery draws were suspended by the distributors between February 2006 and February 2007, possibility of recovery of Rs. 19.96 crore is remote.

After the case was pointed out, the Government stated in October 2007 that Rs. 2.62 crore had been recovered from the two distributors. Reasons for omission to specify the due date of payment and non-inclusion of penal action in case of non-payment of Government dues, however, remained unanswered. A report on the recovery of the balance dues has not been received (February 2008).

The Government may take the following action:

- **immediately review the agreements that are under operation to safeguard the interest of the Government against non-realisation/loss of revenue;**

- **draw-up agreements that secure government interest in legally sound manner so as to avoid litigation;**

- **strictly enforce the terms of the agreements entered into with the distributors;**

- **specify the due dates of payment of MGA and other Government dues in respect of paper lottery schemes; and**

- **review the progress and achievement of the online lottery by the department and the distributor with a fixed periodicity.**

6.2.10 Internal control mechanism

Internal control system in the department was weak. As a result of this, non-payment/submission of revenue/prize money/returns continued unabated. The department did not have any control over the distributors. This resulted in arbitrary stoppage of lottery schemes by the distributors causing substantial loss of revenue to the State exchequer. Failure to enforce the clauses of the agreement governing both the lottery schemes resulted in non-realisation/loss of revenue.

The department did not have an internal audit wing. The internal audit organisation functioning under the Examiner of Local Accounts, responsible for conducting internal audit of State Government departments, did not conduct any internal examinations to evaluate the functioning of the schemes. This was partly responsible for the absence of initiatives by the department to take corrective action.

After this was pointed out, the Government stated in October 2007 that the Examiner of Local Accounts would be asked to conduct internal audit.

The Government may consider setting up of an independent internal audit wing and ensure compliance with the observations made by the wing.

Compliance deficiencies

Online lottery

6.2.11 Faulty clause in the agreement led to non-realisation of revenue

Clause 21 of the amended agreement governing online lottery stipulates that if any prize money is unclaimed or is otherwise not disbursed by way of prize money, it shall be the property of the State Government. As per the original agreement, the distributor was liable to deposit the entire prize money with the Government failing which the Government was empowered to postpone the draw of the lottery. However, as per the amended agreement, undisbursed prize money of less than Rs. 5,001 was to be deposited with the State Government by the distributor immediately after the last date for claiming prize money is over.

Scrutiny of the records revealed that a total prize money of Rs. 52 lakh in respect of Super Lotto scheme drawn on 19 occasions between 24 July and 27 November 2004 remained unclaimed after the last date for claiming of prizes were over. It was noticed that though the prize money was less than Rs. 5,001, yet no action was taken by the department to recover the undisbursed prize money and forfeit the same to the Government account. This resulted in non-realisation of Rs. 52 lakh.

6.2.12 Non-levy of interest for non-payment of prize money

As per clause 12 of the amended agreement, the online lottery distributor shall make a one time deposit of the total taxable prize money with the Government, before the date of first draw. The clause further states, that if such deposits are not made, a penal interest of 12 *per cent* per annum shall be charged on the differential amount.

Scrutiny of the records revealed that the online distributor held the first draw on 12 July 2004 in respect of Saturday Super Lotto where the total prize money was Rs. 2.50 crore. However, the distributor did not deposit the prize money with the Government as laid down in the agreement and instead cancelled the draw with effect from 28 May 2005 after the jackpot amount of Rs. 7.37 crore was won. Violation of the clause of the agreement attracted penal interest of Rs. 35 lakh[10] which was neither demanded nor paid.

[10] Prize money of Rs. 7.37 crore paid on 6 September 2005. Thus interest at 12 *per cent* per annum on Rs. 2.50 crore calculated from 12 July 2004 to 5 September 2005 i.e. 1 year 56 days.

After the case was pointed out, the Government admitted the lapse and stated in October 2007 that action would be taken to recover the penal interest. A report on recovery has not been received (February 2008).

Paper lottery

6.2.13 Irregular reduction of draw rate

As per the paper lottery agreement, the distributors are to pay revenue at Rs. 600 per draw and MGA at Rs. 1.85 crore per year. If the MGA of Rs. 1.85 crore is achieved prior to the date of expiry of one year, then the future MGA shall be fixed on pro-rata basis. The MGA is, therefore, payable by the distributor in case of failure to organise more than 30,834[11] draws in a year.

Scrutiny of the records revealed that one of the distributors launched the first draw on 23 November 2004 and conducted 94,958, 72,396 and 1,524 draws respectively during the first, second and third years. Since the distributor exceeded the minimum 30,834 draws on 15 March 2005 (before the expiry of one year from the date of first draw), the MGA was to be enhanced to Rs. 6.37 crore for second year on pro-rata basis as per schedule 1 of the agreement. However, instead of enhancing the MGA, the department reduced the rate from Rs. 600 to Rs. 250 per draw during the period from 16 March 2005 to 4 February 2007 as the distributor achieved the target within five months of the year. Thereafter, all draws were suspended by the distributor. Thus, the irregular reduction resulted in loss of revenue of Rs. 7.83[12] crore.

After the case was pointed out, the Government, *inter alia,* stated in October 2007 that pro-rata clause is an incentive given to a distributor during a particular year. The contention of the Government is not tenable as the incentive factor was not covered within the scope of the agreement.

6.2.14 Short accounting of draws

Scrutiny of the records revealed that a paper lottery distributor organised 2,11,807 draws from November 2004 to February 2007 and was thus liable to pay revenue of Rs. 12.71 crore. The department, however, accounted for 1,64,897 draws only for the same period which resulted in short accounting of 46,910 draws and corresponding loss of revenue of Rs. 2.81 crore.

After the case was pointed out, the Government stated in October 2007 that the case would be examined. Further reply has not been received (February 2008).

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[11] 30,384 draws x Rs. 600 per draw = Rs. 1.85 crore.

[12] 1st year: (94,958 X Rs. 600) – (1.85 + 64,124 X Rs. 250)=Rs. 2.25 crore
MGA for 2nd year: (Rs. 1.85 X 365)/106=Rs. 6.37 crore
2nd year :Rs. 6.37 crore-(72,395 X Rs. 250)=Rs. 4.56 crore
3rd year: Rs. 1.06 crore-(1,524 X Rs. 250)=Rs. 1.02 crore (two months)

6.2.15 *Non-operation of other paper lottery schemes*

As per schedule 1 to the paper lottery agreement, the Government fixed revenue of Rs. 20,000 per draw in respect of schemes other than weekly lotteries. Four distributors while submitting their tenders agreed to hold not less than 194 draws every year.

Scrutiny of the records revealed that the distributors did not organise any draw between 2004-05 and 2006-07 of the aforesaid schemes. The department also did not insist upon the distributors to organise these schemes. This resulted in the loss of revenue of Rs. 1.17 crore.

After the case was pointed out, the Government in October 2007 stated that they could not force the distributors to execute "market unfriendly" schemes. The contention is not tenable as it is contradictory to the offer of the distributors in their tender of holding not less than 194 draws every year.

6.2.16 *Loss of annual revenue for unilaterally stopping paper lottery draws*

Rule 16(4) of the MSLR states that the Government shall be competent to pass orders including the order of termination of Clause 6(B) of the agreement with a distributor for violation of any provision of agreement by him after he has been given an opportunity of being heard by the Principal Secretary, Finance Department. Clause 24 of the agreement drawn up for paper lotteries provides that an amendment or modification of the terms and conditions of the agreement may be made with the written consent of both the parties.

Scrutiny of the records revealed that the 'Samrat Sets Weekly Lottery' scheme with 55 paisa as face value of tickets, approved by the State Government, was operated between 21 February and 2 March 2005 by the distributor. As the distributor had violated clause 13(k) of the agreement, which stipulated that minimum retail price of each lottery shall be Re. 1, his draws were stopped by the Director of State Lotteries from 2 March 2005. As per the MSLR, only the Government is competent to pass orders for termination, and, hence, the action of the Director was irregular. Also, no attempts were made by the Government to mutually amend or modify the terms of the agreement as was done in the case of "Silver 50 Set" scheme which also had face value of 55 paisa and was organised by another distributor. Thus, arbitrary and unauthorised action by the Director resulted in a recurring annual loss of Rs. 1.10 crore [13] to the State exchequer.

6.2.17 *Loss of revenue due to delay in organising the first draw*

As per clause 19 of the paper lottery agreement, the distributor has to commence the operation of lottery schemes within 90 days from the date of signing of the agreement. Further, as per clause 6(b) of the agreement, the

[13] Samrat Sets of Weekly Lottery: 50 nos. of draw per day x 365 days x Rs. 600 per draw.

State Government is empowered to terminate the appointment on grounds of non-commencement of the operation within the stipulated period.

Scrutiny of the records revealed that three distributors organised the first draw of paper lottery after delays ranging between 131 and 163 days from the date of executing the agreements. The Government neither terminated the appointment nor realised MGA of Rs. 91 lakh from the distributors for non-commencement of the lottery within the stipulated period.

After the case was pointed out, the Government stated in October 2007 that since the non-commencement of draws within the specified period was not entirely due to the distributor, they had to condone the time limit specified in the agreement. The reply is not tenable as order of condonation was neither found on record nor was it produced to audit.

Other interesting cases

6.2.18 Loss of revenue due to non-observance of Government directive

During the finalisation of the proposal for conducting online lottery, the Government directed on 3 August 2001 that in the interest of revenue generation for the State, the lottery scheme should not be restricted to a single firm/distributor. However, in violation of the Government directive, clause 2 of the amended agreement laid down, *inter alia*, that during the term of 10 years (validity ending September 2012) no other party shall be appointed as distributor.

Scrutiny of the records revealed that the Lottery Department executed agreements between June and October 2004 with five firms for organising paper lottery to be sold in paper and demat format on computer terminal at the agreed rate of Rs. 600 per draw against Rs. 30,000 per draw in respect of online lottery. The sole online distributor in April 2005 objected to the appointment of other distributors as it violated the provisions of the agreement drawn up with him. He, however, agreed to an amicable solution for payment of draw money at par with the paper lottery distributors. There was no response on the matter from the Government. The online distributor closed down the scheme in December 2005 without paying arrear revenue of Rs. 35.08 crore to the Government. Thereafter, the Government constituted a negotiation committee in January 2006 which reduced the balance liability of the distributor from Rs. 35.08 crore to Rs. 25.81 crore[14].

Thus, amendment of the agreement in violation of the Government directive led to loss of revenue of Rs. 9.27 crore.

[14] The amount was reduced taking into consideration the date of introduction of paper lottery schemes in the State.

6.2.19 *Loss of revenue due to the delay in amendment of the agreements*

To discuss various aspects of lotteries, a meeting was convened by the Ministry of Home Affairs at New Delhi in April 2006. As agreed upon by the Secretaries of Finance Departments of all the States and based on the directive of the Supreme Court given in April 1994 that the owner of the lottery schemes should be the Government, it was, *inter alia*, proposed to amend the existing agreements with the lottery distributors in the State to provide specifically for payment of revenue by them on a percentage basis as against the existing practice of fixing a specific amount per draw. A committee set up by the Government in January 2007 i.e. after a lapse of almost nine months, proposed that the Government share of revenue should be one *per cent* of the sale proceeds of lottery tickets. Though the proposal was endorsed by the Law and Finance Departments of the Government of Meghalaya, yet it has not been approved by the Cabinet till the date of audit.

Scrutiny of the records revealed that the distributors organised 72 schemes per day during 2006-07 with minimum sale proceeds of Rs. 17.86 crore from the sale of lottery tickets. Thus, due to the inordinate delay in amending the agreements to provide payment of revenue on a percentage basis, the Government lost revenue of Rs. 17.86 lakh per day[15].

After the case was pointed out, the Government while admitting the audit observation stated in October 2007 that effective steps had already been taken to implement the directive of the Apex Court. The reply, however, did not explain the reasons for the agreements still not being amended which is resulting in recurring loss of revenue.

6.2.20 *Uneven sharing of revenue between the Government and the distributor*

Clause 7 of the agreement governing paper lottery schemes stipulated that the State Government and the distributor shall share the revenue in the manner laid down in consideration of selling the lottery tickets by the State Government.

Scrutiny of the records revealed that out of five distributors only two distributors submitted returns on the sale of lottery tickets. Test check of the returns of one distributor revealed that for holding 10,362 draws, from March 2005 to May 2006, the Government received Rs. 62 lakh as revenue which represented a meagre 0.09 *per cent* of sale price of Rs. 701.58 crore. The distributor/stockist, however, earned a profit of Rs. 67.18 crore which represented 9.58 *per cent*. Such uneven sharing of revenue between the State Government and the distributor shows that the agreement apparently benefited the distributor more than the State Government. The proposal of the committee to fix Government share at one *per cent* of the sale proceeds of lottery tickets also supports the audit contention.

[15] Calculated at the percentage (one *per cent*) proposed by the committee.

After the case was pointed out, the Government stated in October 2007 that the audit observation could not be accepted as expenses to be borne by the distributor was not taken into account while computing the share of revenue. The reply is not tenable as the share of revenue was computed on the basis of returns submitted by the distributor after deducting all the expenses relating to lottery draws.

6.2.21 *Remittance/utilisation of sale proceeds of lottery tickets*

Section 4(d) of the Lotteries (Regulation) Act emphasises that the sale proceeds of the lottery tickets shall be credited into the Public Account of the State. Further, the lottery agreements, *inter alia*, include that the funds generated by the sale of lottery tickets are to be utilised for good causes including education, child health, infrastructure and anti poverty schemes.

Scrutiny of the records, however, revealed that the Directorate of Lotteries, Meghalaya credited the sale proceeds of lottery tickets into the Consolidated Fund of the State and into bank accounts in contravention of the provisions of the Act. Crediting the receipts into the Consolidated Fund resulted in inflating the receipts of the State Government. In addition, the specific purpose for which these have been utilised cannot be ascertained in audit.

After the case was pointed out, the Government stated in October 2007 that all sale proceeds of lottery tickets had been credited in the Government account since 8 June 2005. The Government, however, failed to furnish any statistical data regarding utilisation of lottery funds (February 2008). The reply is not tenable as sale proceeds are to be directly credited into the Public Account.

6.2.22 *Non-placement of the Rules in the State Legislature*

Section 12(3) of the Lotteries (Regulation) Act, stipulates that every rule made by the State Government under Section 12 shall be laid as soon as may be after it is made, before the State Legislature. It was, however, noticed that the Rules made under Section 12 were never laid before the Legislature. Thus, the legal validity of the existing Lottery Rules is questionable.

After this was pointed out, the Government while admitting the facts stated in October 2007 that the Lottery Rules would be placed before the House in the forthcoming session.

6.2.23 *Conclusion*

The lottery schemes were introduced to augment the revenue of the State. This was frustrated due to lack of continuity in the lottery schemes and lacunae in the agreements governing the schemes. There were major loopholes in the agreements drawn up with the distributors which resulted in loss of revenue and undue financial benefit to the distributors. Safeguard/deterrent clause provided in the original agreement against non-deposit of prize money by the distributor was withdrawn in the amended agreement thereby benefiting the distributor. The Government executed paper lottery distributor without being clear about the status of the lottery schemes which led to fixation of draw rates at abnormally low rates and consequent loss of revenue. Internal control systems were also weak as is evidenced by the lack of internal audit.

6.2.24 Summary of recommendations

The Government may consider taking the following actions for rectifying the system and other issues:

- immediately reviewing the agreements that are under operation to safeguard the interest of the Government against non-realisation/ loss of revenue;
- drawing up agreements that secure Government interest in legally sound manner so as to avoid litigation;
- strictly enforce the terms of the agreements entered into with the distributors;
- specify the due dates of payment of MGA and other Government dues in respect of paper lottery schemes;
- review the progress and achievement of the online lottery by the department and the distributor with a fixed periodicity; and
- setting up of an independent internal audit wing and ensuring compliance with the observations made by the wing.

TRANSPORT DEPARTMENT

6.3 Receipts under Motor Vehicles Taxes

Highlights

Lack of a system of monitoring led to vehicles being delivered to the purchasers without valid registration certificate. This also resulted in non-levy of a minimum fine of Rs. 5.78 lakh.

(Paragraph 6.3.8)

Failure of the DTOs to review the combined register resulted in follow up action to recover the dues not being initiated. This resulted in loss/ non-levy of revenue of Rs. 50.22 lakh.

(Paragraph 6.3.9)

Failure of the Enforcement Wing to detect 7,19,963 commercial trucks carrying load beyond maximum permissible limit led to non-levy of fine of Rs. 707.40 crore.

(Paragraph 6.3.12.1)

Out of Rs. 50.66 lakh collected as fine, Rs. 39.66 lakh was deposited and the balance revenue of Rs. 11 lakh was embezzled.

(Paragraph 6.3.13.1)

A weighbridge was not settled with the highest bidder leading to revenue loss of Rs. 2.70 crore.

(Paragraph 6.3.15.1)

Failure of the Enforcement Wing to detect plying of vehicles without pollution under control certificates led to non-levy and realisation of fees and fines of Rs. 2.32 crore.

(Paragraphs 6.3.16)

6.3.1 Introduction

The Motor Vehicle (MV) Act, 1988 and the Rules made thereunder as amended from time to time regulate registration and control of motor vehicles and also levy and collection of various types of fees and fines. The Transport Department is responsible for administering, regulating and controlling the motor vehicles in accordance with the provisions of the MV Act and the

Central Motor Vehicles (CMV) Rules, 1989. It also enforces Acts and Rules under the Assam Motor Vehicles Taxation (AMVT) Act and Rules, 1936 (as adopted and amended by Meghalaya).

A review of receipts from the motor vehicles taxes was conducted. The review revealed a number of system and compliance deficiencies which have been discussed in the succeeding paragraphs.

6.3.2 Organisational set up

The Commissioner of Transport (CT) is the overall incharge of the department and is responsible for overseeing the functioning of the various wings of the department and implementation of the Acts and Rules governing the assessment, levy and collection of motor vehicles taxes, fees and fines. He is assisted by the Deputy Commissioner of Transport who is also the ex-officio secretary, State Transport Authority (STA). At the district level, there are seven offices, each headed by a district transport officer (DTO) who is also the ex-officio secretary, Regional Transport Authority (RTA). The Enforcement Wing of the department, headed by a DTO, is responsible for enforcing the provisions of the Acts and Rules and ensuring that a vehicle for which tax has not been paid, permit has not been issued/renewed or fitness certificate has not been obtained/renewed is not plying on the public road.

6.3.3 Audit objective

The review was conducted with a view to ascertain:

- the adequacy and effectiveness of the provisions of the AMVT Act and Rules;
- effectiveness and efficiency of the system/mechanism for proper assessment, levy and collection of taxes, fees, fines/penalty, *etc.* as prescribed in the Acts and Rules,
- compliance with the accounting standards laid down in the Act and Rules; and
- adequacy and effectiveness of the internal controls.

6.3.4 Scope of audit

The review on receipts from motor vehicles taxes was conducted for the period 2001-02 to 2005-06. The records of the CT and three[1] out of seven DTOs were test checked between August and December 2006.

[1] East Khasi Hills District, Jaintia Hills District and Ri-Bhoi District.

6.3.5 *Audit methodology*

The following methodologies were adopted in conducting the review:

- verification of records such as national permits (NP)/all India permits(AIP) and local permits, combined/vehicle registers, permit registers, inspection/fitness fee registers, authorisation fee register, composite fee register, register of valuables and revenue collection registers;
- scrutiny of tender settlement records, demand notices issued to defaulters and receipt books pertaining to the collection of road tax, fees, fines, *etc*;
- analysis of reports and returns submitted by various unit offices, weighbridges, lessees, *etc.*
- cross verification of the records of the Directorate of Mineral Resources (DMR), Meghalaya;
- revenue realised *vis-à-vis* the rates prescribed by the Acts and Rules and various Government notifications/orders issued from time to time; and
- proper accounting of revenue and its remittance into Government account.

6.3.6 *Acknowledgement*

Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing necessary information and records for audit. The audit findings from test check of the records were reported to the Government in February 2007 and discussed in the Audit Review Committee meeting held in June 2007. The responses of the Government to the audit observations have been appropriately incorporated in this report.

Audit findings

6.3.7 *Trend of revenue*

The budget manual of Meghalaya envisages that estimates of revenue and receipts should show the amount expected to be actually realised within the year. In estimating the revenue, the calculations should be based upon the actual demand including any arrears due and advance collections for the coming years.

The budget estimate *vis-à-vis* the revenue collected by the department in the form of taxes, fees and penalty *etc.* during the years 2001-02 to 2005-06 is mentioned below:

Table 6.14

(Rupees in crore)

Year	Budget estimates	Actual realisation	Variation of actual realisation from budget estimates	Percentage variation
2001-02	4.70	4.72	(+) 0.02	(+) 0.43
2002-03	5.39	4.62	(-) 0.77	(-) 14.29
2003-04	5.96	5.52	(-) 0.44	(-) 7.38
2004-05	6.30	7.45	(+) 1.15	(+) 18.25
2005-06	6.66	8.73	(+) 2.07	(+) 31.08

The large variations between the budget estimates and actual collection year after year except 2001-02 indicate the need for streamlining the budgeting process to make the budget estimates realistic.

After this was pointed out, the Government stated in February 2008 that in future budget estimates would be worked out as realistically as possible.

System deficiencies

6.3.8 Registration

Section 39 of the MV Act envisages that no person shall drive any motor vehicle and no owner of a motor vehicle shall cause or permit the vehicle to be driven in any public place or in any other place unless the vehicle is registered.

6.3.8.1 Irregular registration of vehicles

Under Rule 33 of the CMV Rules, for the purpose of the proviso to section 39 of the MV Act, a motor vehicle in possession of a dealer shall be exempted from the necessity of registration subject to the condition that he obtains a trade certificate from the registering authority. Rule 42 of the CMV Rules provides that no holder of a trade certificate shall deliver a motor vehicle to a purchaser without registration whether temporary or permanent. As per the section 192(1) of the MV Act, whosoever drives or causes or allows a motor vehicle to be driven in contravention of the provisions of section 39 is punishable for the first offence with fine which may extend to Rs. 5,000 but shall not be less than Rs. 2,000, and for any subsequent offence with fine which may extend to Rs. 10,000 but shall not be less than Rs. 5,000. **Audit noticed that there was no system of monitoring leading to vehicles being delivered to the purchasers without a valid registration certificate.**

Test check of the records of three DTOs revealed that in 289 cases, vehicles were sold by the dealers/firms to the purchasers without temporary/permanent registration. In all these cases, the vehicles were registered by the DTOs after delays ranging from 4 to 245 days from the date of delivery. **Despite specific provision prohibiting delivery of the vehicles without a valid registration, the dealers sold these vehicles which was in violation of the provisions of the MV Act and CMV Rules. In the absence of any system of monitoring, the DTOs failed to detect this violation at the time of registration of the vehicles.** This not only resulted in plying of these vehicles on public road without a valid registration but also non-levy of a minimum fine of Rs. 5.78[2] lakh.

The Government may consider prescribing a system for monitoring the delivery of only those vehicles by the dealers which have valid registration.

6.3.9 Road tax

The MV Act and the AMVT Act and Rules made thereunder, lay down that every owner of a registered vehicle will pay road tax in advance either annually or quarterly in four equal instalments. Vehicles can go off road on submission of an application in form 'H' and surrender their licence and avail of exemption from payment of tax for the concurrent period. The DTOs are to review the combined registers/vehicle registers and licence registers at periodic intervals to ensure that tax is regularly paid. Prompt action should be taken to issue demand notices against the vehicle owners whose taxes are in arrears followed by suspension of the registration certificate (RC) of violators under section 53 of the MV Act. On failure of the departmental machinery to recover tax, the cases are to be forwarded to the certificate officer/*bakijai* officer[3] to realise the dues as arrears of land revenue under section 16 of the AMVT Act. **Audit noticed that the recovery of dues from the vehicle owners to whom demand notices have been issued, was not regularly monitored. This resulted in follow up action viz. issuing fresh demand notices or cancellation of RC and sending the cases to *bakijai* officer, not being initiated.**

6.3.9.1 Loss/non-realisation of revenue

- Test check of the records of two[4] DTOs revealed that demand notices were issued to 106 vehicle owners between June 2005 and May 2006 for payment of arrear tax amounting to Rs. 20.98 lakh, covering different periods between April 1992 and January 2006. Further scrutiny revealed that demand notices amounting to Rs. 18.50 lakh issued to 67 motor vehicle owners had been returned by the postal authorities to DTO, Jowai as the addressees could not be traced for want of sufficient/proper address. The tax outstanding against the remaining 39 vehicle owners on whom the demand notices failed to elicit any response was Rs 2.48 lakh. **The DTOs failed to regularly review the combined registers to monitor the outstanding dues. This resulted in the loss of revenue of Rs. 18.50 lakh. Chances of recovery of Rs. 2.48 lakh from the vehicle owners in the remaining cases who have not responded to the demand notices, appear to be remote.**

After the cases were pointed out, the Government stated in February 2008 that the DTOs had been directed to issue fresh demand notices after proper

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2 289 cases x Rs. 2,000

3 Arrear recovery officers

4 East Khasi Hills District (period: 01 January 2002 to 31 December 2005), Jaintia Hills District (period: 01 April 1992 and 31 December 2006)

verification of address. A report on further development has not been received (February 2008).

- Test check of the records of three DTOs revealed that road tax amounting to Rs. 23.98 lakh was due from 310 vehicles for various periods from April 2001 to March 2006. **It was seen that the DTOs did not review the combined registers and issue demand notices to these vehicle owners.** Resultantly, these vehicles continued to ply in public places without payment of tax as there were no records of their withdrawal on the strength of form 'H' and surrender of licence. This resulted in non-realisation of tax of Rs. 23.98 lakh.

6.3.9.2 Non-recovery of road tax

Records of the DTO, Shillong revealed that arrear taxes of Rs. 60.81 lakh had accumulated against Meghalaya Transport Corporation (MTC) from April 1990 to March 2004[5]. Of this, Rs. 26.93 lakh was due against 163 vehicles operating under MTC between April 2001 and 31 March 2004. **Audit noticed that there was no system of periodical review of payment of arrears by the MTC authorities and consequently no demand notice was issued to them. Thus, due to apathy on the part of the DTO to monitor payment of dues by the MTC authorities, the vehicles of MTC continued to ply on public roads without payment of taxes.**

Further verification of the records of the MTC disclosed that 149 out of 163 vehicles had either been declared condemned or shut down during various periods. Of these, 50 vehicles had been condemned during April 2001 to April 2005. However, no report regarding the vehicles going off road had been furnished by the MTC nor had their licences been surrendered. There was remote possibility of the recovery of unpaid taxes of Rs. 5.26 lakh in respect of the 50 condemned vehicles alone.

After the cases were pointed out, the Government stated in February 2008 that instructions had been issued to the concerned DTOs to take appropriate action. The reply, however, did not explain the reasons for non-issue of demand notices against the MTC for the recovery of dues pending for over 16 years.

The Government may consider issuing orders to the DTOs making periodical review of combined registers and issuing demand notice to the defaulters, mandatory. In case of non-payment of dues despite notices, immediate steps need to be initiated for recovery of arrear revenue through certificate/*bakijai* proceedings. Appropriate follow up action also need to be taken up for expeditious recovery of the road tax from the MTC authorities.

[5] Records after March 2004 were not available at DTO, Shillong

6.3.10 Control of transport vehicles

Permits

Section 66 of the MV Act lays down that no owner of a motor vehicle shall use or permit the use of the vehicle or a transport vehicle in any public place whether or not such vehicle is actually carrying any passengers or goods save in accordance with the conditions of a permit granted or countersigned by the STA or an RTA. Further, section 81 of the Act states that validity of a permit in respect of national permit (NP) and all India permit (AIP) holders is five years and may be renewed on application made not less than 15 days before the date of expiry of the permit. Violation of the conditions of permits attracts minimum fine of Rs. 2,000 under section 192(A) of the MV Act.

6.3.10.1 Irregular grant of temporary permits

Rules 83 and 87 of the CMV Rules state that vehicles granted regular permits (NP/tourist) under the MV Act are to pay authorisation fee annually to the home state at the prescribed rates. Under section 87 of the MV Act, the STA and RTA may grant permits, which shall not in any case exceed four months, authorising the use of transport vehicles temporarily. The STA or RTA may also, under exceptional circumstances, and for reasons to be recorded in writing, grant a permit for a period exceeding four months but not exceeding a year. In case of temporary permits, no authorisation fee is charged. **Audit noticed that there was no system of monitoring or verification of the applications for temporary permits with the records of the STA. Due to this weak monitoring system, the vehicle owners applied repeatedly for temporary permits on the payment of authorisation fee instead of regular permits.**

Test check of the records of the CT revealed that in 1,645 cases, temporary permits were granted by the STA to the owners of tourist taxis, tourist maxi cabs, trucks, buses, stage carriers and public utility carriers. These permits were initially granted for four months and thereafter continuously extended, without any recorded reasons, in four month spells for periods spanning from two to five years. Thus, issue of temporary permits repeatedly exceeding the maximum permissible limit of one year was not only in violation of the provisions of the MV Act, but also led to loss of revenue of Rs. 27.04 lakh.

After the cases were pointed out, the Government accepted the observation and stated in February 2008 that strict compliance with the provisions of the Act would be ensured.

6.3.10.2 Non-levy of fine due to late renewal of permits

Test check of the records of the CT revealed that in 235 cases, permits issued by the STA were renewed belatedly on more than one occasion by 140 AIP holders and 95 NP holders. **Due to the lack of a system to verify the date(s) on which the existing permits expired before granting renewal, delay in renewal of the permits escaped notice of the CT.** Consequently, the department did not levy a fine of Rs. 10.91 lakh under section 192(A) for violation of the provisions of the Act.

After the cases were pointed out, the Government while accepting the observation stated in February 2008 that compliance with the provisions of the Act would henceforth be ensured.

Fitness certificates

6.3.10.3 Non-realisation of inspection/fitness fee

Under the provisions of section 56 of the AMVT Act, a transport vehicle shall not be deemed to be validly registered for the purpose of section 39, unless it carries a certificate of fitness issued by the prescribed authority on realisation of the inspection fee. Further, as per section 192 (A) of the MV Act, whoever drives or allows a vehicle to be driven without registration is punishable with minimum fine of Rs. 2,000 for the first offence. The DTO is required to review the combined register periodically to ensure timely realisation of inspection fees. In addition, the Enforcement Wing is required to monitor the plying of vehicles with proper fitness certificate on realisation of fees. **Audit noticed that the DTOs/motor vehicles Inspectors (MVI) did not review the fitness registers periodically to detect non-renewal of fitness certificates. Due to this weak monitoring mechanism, non-renewal of the fitness certificates escaped the notice of the DTO/MVI.**

Scrutiny of the fitness registers/records of three DTOs revealed that in 464 cases the fitness certificates which had expired between June 1995 and March 2006 were not renewed. Reasons for non-renewal of fitness certificates were also not on record. This was not only fraught with the risk of plying of vehicles in public places without proper fitness but also resulted in non-realisation of fitness/inspection fees of Rs. 3.70 lakh and minimum fine of Rs. 9.28[6] lakh.

After the cases were pointed out, the Government accepted the observation and stated in February 2008 that it would be ensured that the said vehicles renewed their fitness certificates and paid the fine due. A report on further development has not been received (February 2008).

Application for permits should be reviewed with the records available in the CT's office to curb illegal plying and loss of revenue. Fitness registers should be periodically reviewed to pre-empt the chance of any transport vehicle plying without proper fitness certificates in public places.

6.3.11 Internal audit

Internal audit, also known as the control of all controls, is one of the tools of the internal control mechanism and functions as the 'eyes' and 'ears' of the management and evaluates the efficiency and effectiveness of the mechanism.

[6] Rs.2,000- X 464 cases

It also independently appraises whether the activities of the organisation/department are being conducted efficiently and cost effectively.

Audit noticed that the department has no internal audit wing. The internal audit wing functioning under Examiner of Local Accounts is responsible for conducting internal audit of the State Government departments. However, no internal audit had ever been conducted to evaluate the system of working of the department and suggest ways and means to plug the leakage of revenue.

After this was pointed out, the Government while accepting the observation stated in February 2008 that the matter of setting up of an internal audit wing would be looked into.

The Government should ensure that the prescribed internal controls are followed scrupulously to ensure control over plying of vehicles and realisation of tax, fees and fines from these. Internal audit wing should also be set up at the earliest to ensure strict compliance with the provisions of the Act and rules.

Compliance deficiencies

6.3.12 Carriage of excess load

Section 113 of the MV Act empowers the State Government to, *inter-alia*, prescribe the maximum weight to be carried by transport vehicles. Section 114 provides that vehicles suspected to be carrying more than the authorised weight can be weighed by a weighing device. In Meghalaya, all commercial trucks are registered by the DTO with maximum permissible load/carrying capacity of 10 metric tonnes (MT) on which road tax is payable under the AMVT Act. In terms of section 194 of the MV Act, whoever drives a motor vehicle or causes or allows a motor vehicle to be driven in contravention of the provisions of sections 113 and 114 of the Act are punishable with a minimum fine of Rs. 2,000 and an additional amount of Rs. 1,000 per tonne of excess load. The Enforcement Wing as well as the check gates of the department are primarily responsible for enforcing the provisions of the Act.

6.3.12.1 Non-realisation of fine on trucks carrying excess load

Cross verification of the records pertaining to four[7] check gates of DMR, Meghalaya disclosed that 7.2 lakh commercial trucks carried 1.28 crore MT of coal, against the maximum permissible limit of 72 lakh MT, in different periods between April 2003 and March 2006. The excess load of 56.34 lakh[8] MT carried by these trucks escaped the notice of the Enforcement Wing of the Transport Department resulting in non-realisation of minimum fine of Rs. 707.40[9] crore.

[7] Mookyndur, Umkiang, Dainadubi and Riangdo (upto 2003-04), Athiabari thereafter.
[8] 1,28,33,660 MT - 71,99,630 MT
[9] (719963 trucks X Rs. 2000) + (5634030 MT X Rs. 1000)

After the cases were pointed out, the Government in February 2008 admitted excess carrying of load by the trucks and attributed the reason to absence of fixed check gates. The Government also stated that the enforcement staff could not detect the overloaded trucks as they were deployed only from sunrise to sunset. The reply is not tenable as it is function of the department to judiciously deploy the enforcement staff to prevent the loss of revenue.

6.3.12.2 Short realisation of fine

Test check of the records of CT revealed that between July 2004 and March 2006, the enforcement staff detected 220 vehicles carrying 941 MT excess load and levied fine on the vehicle owners of the said vehicles under sections 113 and 114 of the MV Act. However, the enforcement staff instead of realising Rs. 11.47 lakh, realised Rs. 94,000 only at the rate of Rs. 100 per MT of excess load. This was in violation of section 194 of the Act and resulted in short realisation of fine of Rs. 10.59[10] lakh.

After the cases were pointed out, the Government accepted the observation and stated in February 2008 that such anomalies would be rectified. Action taken against the erring officials has, however, not been reported (February 2008).

6.3.13 Accounting of revenue

In terms of the provisions of the Meghalaya Treasury Rules, 1985, all moneys received by the Government on account of revenues or receipts or dues shall, without undue delay, be paid in full into the accredited bank for inclusion in the Government account. Further, Receipts and Payments Rules, 1983, provide that all receipts and payments/deposits are to be noted in the cash book as soon as they occur and attested by the head of the office in token of check. The same rules stipulate that details of bank drafts are to be entered in the register of valuables.

6.3.13.1 Embezzlement of Government money

The DTO in charge of the Enforcement Wing has been entrusted with the duty of levying and collecting fine from the violators of the Acts and Rules. For this purpose, receipt books are issued to him from time to time. After collection of fine through the receipt books, the amounts so collected are recorded in the subsidiary cash book to be maintained by the Enforcement Wing.

Audit scrutiny revealed that the subsidiary cash book had not been maintained by the Enforcement Wing from August 2004 onwards. Scrutiny of the receipt books relating to April 2003 to March 2006 used by the enforcement staff revealed that against Rs. 50.66 lakh collected as fine during the said period, only Rs. 39.66 lakh was deposited. Thus, Rs. 11 lakh has been embezzled which is attributable to the non-

[10] (Rs 4.40 lakh –Rs. 0.94 lakh) + Rs. 7.13 lakh.

maintenance of the subsidiary cash book and lapse of the DTO to monitor the functioning of the Enforcement Wing and deposit the revenue in the Government account.

After the case was pointed out, the Government while accepting the observation stated in February 2008 that Rs. 4.00 lakh had since been recovered and disciplinary action has been initiated against the official responsible for the embezzlement. Report on recovery of balance Government dues is still awaited (February 2008).

6.3.13.2 Unauthorised revenue retention

Scrutiny of records revealed that despite codal provisions prescribing remittance of Government revenue without undue delay in the Government account, revenue ranging from Rs. 2 lakh to Rs. 30.97 lakh was retained by the STA between October 2002 and June 2006 for periods ranging from 4 to 311 days instead of depositing it to the Government account. Reasons for such irregular retention of Government money were not on record.

After the case was pointed out, the Government while accepting the observation stated in February 2008 that timely deposit of Government revenue would be ensured.

6.3.13.3 Non-receipt of bank drafts sent for revalidation

Test check of the records of the STA, Meghalaya revealed that the register of valuables was not maintained to watch the receipt of bank drafts from the STAs of other States. It was further observed that the department did not deposit the bank drafts into the Government account in time. As a result, 174 bank drafts valuing Rs. 4.33 lakh pertaining to the period from December 2002 to January 2006 became time-barred. The department returned the bank drafts between August 2003 and September 2006 to the concerned STAs for re-validation. Of these, only three bank drafts totalling Rs. 15,000 were re-validated, returned and deposited in the Government account in December 2006. No follow up action was taken by the department in respect of the remaining 171 bank drafts, resulting in revenue of Rs. 4.18 lakh remaining out of the Government account.

After the cases were pointed out, the Government accepted the observation and stated in February 2008 that efforts were being made to get back the bank drafts after re-validation. Also, a register of valuables would be opened and maintained henceforth.

6.3.13.4 Excess outgo of revenue

The sixth schedule of the Constitution of India empowers the district council of an autonomous district to levy and collect taxes on vehicles plying within its territorial jurisdiction. However, under the said schedule, the power of administration of motor vehicles such as prescribing standard for their fitness, issue of permits, licences has not been vested with the council and these are being executed by the Government agencies/Government. The Government of Assam (Meghalaya being formed in 1972), Tribal Areas and Development Department, Shillong enunciated on 16 March 1953, the broad principles to be followed while calculating the collection costs. One of the principles is that when a separate organisation is maintained by the Government exclusively for administration of the subject in respect of which revenues are to be credited to the district councils, the collection cost would comprise the total cost of administration of such subject. The CT, Government of Meghalaya, stated in February 1994 that payment of share to Garo and Jaintia Hills district councils would be cent *per cent* of the revenue collected after deduction of cost of collection and services rendered.

Test check of the records of the CT revealed that from 2001-02 to 2005-06, the DTO, Jaintia Hills, Jowai collected revenue of Rs. 1.70 crore from motor vehicles taxes. The CT paid the share of Rs. 89.63 lakh to the District Council, Jowai after deduction of the cost of collection of Rs. 87.35 lakh instead of the total cost of Rs. 95.67 lakh incurred during that period for administration of the DTO office at Jowai. This resulted in excess payment of Rs. 8.32[11] lakh.

Similarly, during the years 2001-02 to 2005-06, revenue of Rs. 3.81 crore was collected by three DTOs at Tura, Williamnagar and Baghmara and share of Rs. 2.01 crore paid to the District Council, Garo Hills after deduction of cost of collection of Rs. 1.80 crore instead of total cost of Rs. 1.97 crore incurred during that period for administration of the three DTO offices. This resulted in excess payment of Rs. 17.07[12] lakh.

Thus, non-adherence to the principle laid down for calculating actual revenue share to be paid to the district councils resulted in excess outgo of revenue of Rs. 25.39 lakh.

After the cases were pointed out, the Government stated in February 2008 that there were some discrepancies in the amount of shares reflected. This contention is not tenable as the report reflected the reconciled figures. Further reply has not been received (February 2008).

6.3.14 Short imposition of fine

6.3.14.1 Test check of the records of CT revealed that between March 2004 and March 2006, the enforcement staff levied fine under section 192(1) of the MV Act in 504 cases. It was, however, seen that instead of levying fine at the minimum rate i.e. Rs. 2,000 per case, it was levied at Rs. 1,000 in each case and revenue of Rs. 5.04 lakh was realised. Application of inappropriate rate resulted in short realisation of fine of Rs. 5.04 lakh.

After the case was pointed out, the Government stated in February 2008 that appropriate instructions would be issued to ensure levy and realisation of

[11] 89.63 lakh - (176.98 lakh - 95.67 lakh)

[12] 200.92 lakh – (380.56 lakh – 196.71 lakh)

penalty for delay in registration of vehicles. The reply is, however, silent about the action taken to recover the amount short realised.

6.3.14.2 Test check of the records of the CT revealed that the enforcement staff detected 775 vehicles plying in violation of the conditions of the permit and were therefore, punishable under section 192(A) of the MV Act. However, fine at the rate of Rs. 1,000 was levied instead of the minimum rate of Rs. 2,000 resulting in short levy of fine of Rs. 7.75 lakh.

After the case was pointed out, the Government stated in February 2008 that fine was realised as per the prescribed rate. The reply is not tenable as section 192(A) of the Act clearly stipulates levy of a minimum fine of Rs. 2,000 for any violation of conditions of permits.

6.3.15 Weighbridges

To ensure that goods carriage vehicles do not carry load beyond the prescribed limit, weighbridges have been installed at important locations under section 138 of the MV Act, for weighment of goods carriage vehicles. In Meghalaya, there are three[13] Government weighbridges of which two are non-functional. In addition, three[14] private weighbridges are in operation with the approval of the Government. Though all weighbridges are generally leased out through tender, the weighing charges for vehicles are notified by the Government from time to time. The Government of Meghalaya, Transport Department prescribed Rs. 30 as charges for weighing each loaded truck with effect from 14 March 2000.

6.3.15.1 Loss of revenue on settlement of weighbridge

The Government weighbridge at Mookynniang was settled on 11 February 2002 by the Government of Meghalaya with a bidder for Rs. 1.21 crore for one year. The allotment was subsequently cancelled by the Gauhati High Court (Shillong Bench) which directed the State Government to retender the weighbridge after reassessing value. A tender committee meeting was accordingly held on 30 May 2002 which opined that tender value of Rs. 2 crore per year would be reasonable. The Government in April 2002 invited fresh tenders against which 27 bids were received. The tender committee after analysis of all the bids recommended the highest bid of Rs. 1.75 crore per year for settlement for two years. The Government, however, turned down the recommendation without recording any reason and again invited tenders. The weighbridge was finally settled for Rs. 40.30 lakh per year for two years from 10 September 2002.

Thus, non-acceptance of the bid of Rs. 1.75 crore per year as per the recommendation of the tender committee by the Government and acceptance

[13] Mawiong at Shillong, Chasingre at Tura (non functional) and Mookynniang at Jaintia Hills (functional).

[14] Umling in Ri-Bhoi district, Dobu in East Garo Hills district and Gasuapara in South Garo Hills district.

of abnormally lower rate of Rs. 40.30 lakh per year, resulted in loss of revenue of Rs. 2.70 crore[15].

After the case was pointed out, the Government stated in February 2008 that the weighbridge was settled at a lower bid because of the ruling of the High Court. The reply is not tenable as the High Court had only directed the State Government to issue fresh tender notices after reassessing the value. The tender value of Rs. 1.75 crore per year recommended for acceptance was well below the value of Rs. 2 crore per year recommended by the tender committee. The circumstances under which the weighbridge was settled for two years at Rs. 40.30 lakh per year, i.e., a rate which was not only substantially lower than the bid of Rs. 1.75 crore received earlier but was also only 33 *per cent* of the bid accepted by the Government in February 2002, needs to be investigated thoroughly, responsibility fixed and appropriate administrative action taken against those responsible for the loss of revenue.

6.3.15.2 Non-realisation of annual fees

The Government of Meghalaya, in March 2004, accorded approval to a private individual for setting up of a weighbridge at Gasuapara for which he was to pay Rs. 15 lakh per year in lump sum at the beginning of the operation of the weighbridge. The weighbridge was completed in February 2005 but the individual, in April 2005, requested for payment of the fees in instalments. The Government in December 2005 conveyed approval for the payment of the fees in 10 equal instalments. The weighbridge started functioning in December 2005. It was, however, found that during the period from December 2005 to December 2006, the individual paid only one instalment of Rs. 1.50 lakh. The balance of Rs. 13.50 lakh remained unrealised as of September 2007. Thus, failure of the department to initiate effective follow up action resulted in non-realisation of annual fee.

It was also noticed during cross check of records of DMR, Shillong that during March 2005 to November 2005 a total of 3,029 loaded trucks crossed Gasuapara weighbridge. Thus, due to the delay of nine months in commencement of operation of the weighbridge, the Government sustained revenue loss of Rs. 91,000[16].

After the case was pointed out, the Government accepted the observation and stated in February 2008 that necessary steps had been taken to realise the unpaid annual fee. A report on recovery has not been received (February 2008).

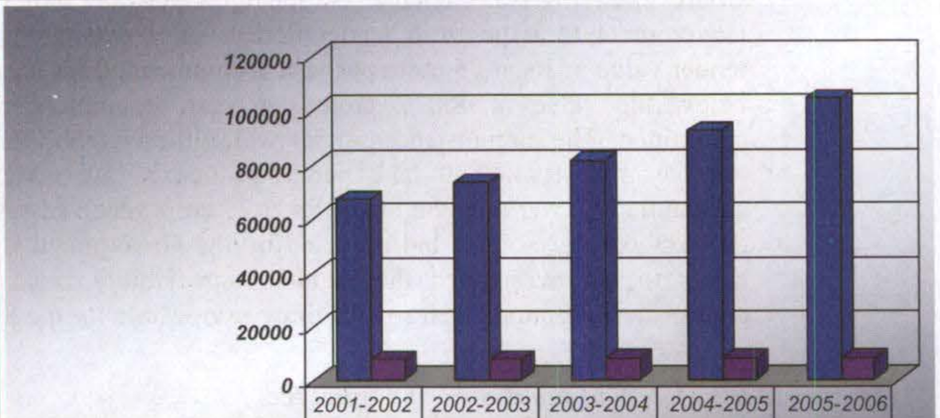
6.3.16 Ineffective pollution control mechanism

In Meghalaya, vehicular emission is mainly responsible for air pollution. Due to the hilly terrain, vehicles are required to move at a moderate speed and at high gear thereby emitting hazardous gaseous matter. The problem gets

[15] Rs. 1.75 crore - Rs. 40.3 lakh = Rs. 1.35 crore (for 2 years) = Rs. 2.70 crore

[16] 3,029 trucks X Rs. 30

magnified as the vehicular density is high and is constantly on the increase whereas the road network/length is almost static. The narrow hilly tracks lead to frequent traffic jams and adds up to the problem of air pollution. The chart below depicts the ratio between vehicles registered and the road length in Meghalaya.



	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
No. of registered vehicles	67076	73382	81,385	92,128	104,116
Road length (in kms)	7598	7490	7,682	7,877	7,877

With a view to mitigating the menace of pollution, the Government of Meghalaya in a Cabinet meeting held on 11 August 2003, approved licensing of private parties for setting up testing centres for issue of pollution under control (PUC) certificates to the motor vehicles as required under Rule 115(7) of the CMV Rules. The fees for services rendered were fixed at different rates for different categories of vehicle tested. The PUC certificates were to be issued for a period of six months in the prescribed form to vehicles passing such test. Further, as per section 177 of the MV Act, whoever contravenes any provision of this Act or of any rule, regulation or notification made thereunder is punishable for the first offence with fine which may extend to Rs. 100.

The vehicle population in Meghalaya during the years 2004-05 and 2005-06 was 92,000 and 1.04 lakh respectively. The minimum revenue realisable as fees for the pollution test was Rs. 39.25 lakh[17] for these two years.

Test check of the records of the CT revealed that 334 and 3,130 vehicles comprising 0.36 and 3 *per cent* of the total vehicles were only tested and revenue of Rs. 68,000 was realised during 2004-05 and 2005-06. Thus, apart from the loss of revenue of Rs. 38.57 lakh on account of PUC fees, most of the vehicles remained outside the ambit of pollution control mechanism and posed

[17] 2004-05: No. of vehicles 92,128 x Rs 10 (being average Government dues) x 2 times = Rs. 18,42,560
2005-06: No. of vehicles 1,04,116 x Rs 10 (being average Government dues) x 2 times = Rs. 20,82,320

a major threat to the environment. The Enforcement Wing also failed to detect these vehicles plying without PUC and levy penalty of Rs. 1.93 crore.

Air pollution caused by vehicles not conforming to prescribed standards

After the case was pointed out, the Government stated in February 2008 that appropriate measures would be taken to create an effective control mechanism for air pollution caused by automobiles.

6.3.17 Conclusion

Audit noticed that the internal controls in the department were weak which had an adverse impact not only on the revenue but also on the environment. Lack of a system of Periodic review of combined/fitness registers by the concerned DTOs was not carried out. As a result, the department failed to check non-registration, non-payment of road tax *etc.* Failure of the Enforcement Wing to detect trucks carrying excess load resulted in non-realisation of fine. They also failed to detect vehicles plying without PUC. Internal audit was also not conducted which resulted in these deficiencies not being highlighted.

6.3.18 Summary of recommendations

The Government may consider taking the following action for rectifying the system and other issues:

- prescribing a system for delivery of only those vehicles by the dealers which have valid registration;
- issuing orders to the DTOs making periodical review of combined registers and issuing demand notice to the defaulters mandatory. In case of non-payment of dues despite notices, immediate steps need to

be initiated for recovery of arrear revenue through certificate/*bakijai* proceedings. Appropriate follow up action also needs to be taken up for expeditious recovery of the road tax from the MTC;

- reviewing the permits with the records available in the CT's office to curb illegal plying and loss of revenue. Fitness registers should be periodically reviewed to pre-empt the chance of any transport vehicle plying without proper fitness certificates in public places;

- ensuring that the prescribed internal controls are followed scrupulously to increase the control over plying of vehicles and realisation of tax, fees and fines from these. Internal audit wing should also be set up at the earliest to ensure strict compliance with the provisions of the Act and Rules.

TRANSPORT DEPARTMENT

6.4 Vehicle Registration System

Highlights

Lack of a time frame for implementation of the project resulted in computerisation taking over five years for completion.

(Paragraph 6.4.7.1)

There were 346 sets of duplicate engine numbers involving 784 vehicles and four sets of duplicate chassis numbers involving eight vehicles. Cross verification revealed 94 and 127 vehicles registered with the DTO, Shillong shared common chassis/engine number with the vehicles registered with DTO, Aizawl.

(Paragraphs 6.4.8.1 & 6.4.8.2)

Out of 56,284 records, 21,909 records had no vehicle insurance detail rendering more than 39 *per cent* of the data redundant. There were a number of cases of registration of two or more vehicles with common insurance cover note number.

(Paragraph 6.4.8.3)

Data capture was partial in many cases resulting in incomplete database.

(Paragraph 6.4.8.6)

The department failed to detect registration of 9,158 vehicles beyond the mandatory period of seven days resulting in non-levy of fine.

(Paragraph 6.4.8.8)

Registering fee of Rs. 15.19 lakh and minimum fine of Rs. 1.82 crore from 9,087 non-transport vehicles whose registrations have expired was realisable.

(Paragraph 6.4.8.10)

The department failed to detect 9,829 transport vehicles plying without fitness certificate resulting in non-realisation of fees of Rs. 19.66 lakh and minimum fine of Rs. 1.97 crore.

(Paragraph 6.4.8.11)

There was no documentation of modifications made to the application software, user requirement specification, system design *etc.* Business continuity planning and training needs were not adequately addressed.

(Paragraph 6.4.9)

6.4.1 Introduction

In Meghalaya, the assessment, levy and collection of taxes, fees and fines on motor vehicles are governed under the provisions of the Motor Vehicle Act 1988 (MV Act) and the Rules made thereunder and the Assam Motor Vehicles Taxation Act and Rules, 1936 (as adapted and amended by Meghalaya) and various notifications issued by the Government from time to time. The Transport Department also controls, supervises and regulates the working and functioning of the State Transport Authority (STA) and the regional transport authorities (RTA).

In order to achieve faster and better services, transparency and better monitoring of State revenue generated from the implementation of the MV the Act and Rules, the Government of India provided a standardised software '*Vahan*', developed by the National Informatics Centre (NIC) to the Transport Department of Meghalaya. The department was also provided with technical assistance from the NIC, free of charge, for customisation and backend integration. The computerisation of District Transport Office, Shillong was taken up as a pilot project during 1996-97 and completed on 15 April 2002. The computerisation of the remaining DTOs is in progress (March 2007).

It was decided to conduct an information technology (IT) audit of the 'vehicle registration system' in Meghalaya. It revealed a number of deficiencies which have been discussed in the subsequent paragraphs.

6.4.2 Features of the application software

'*VAHAN*' package was upgraded and developed on Windows operating system using JAVA for the front end application program and Oracle 10G for the backend database. It automates management of information related to vehicle registration, identity of its owner and technical details of the vehicles. The system also manages information related to tax, fitness, permit, authorisation including interstate movement and insurance details.

6.4.3 Organisational setup

At the apex level, Commissioner and Secretary to the Government of Meghalaya, Transport Department is the administrative head of the department. He is assisted by the Commissioner of Transport (CT) who heads the Directorate of Transport. The CT is assisted by a Deputy Commissioner of Transport who is also the ex-officio secretary, STA. The Enforcement Wing is attached to the Directorate and is headed by a district transport officer (DTO). At the district level, there are seven offices each headed by a DTO who is also the ex-officio secretary, RTA.

6.4.4 Audit scope and methodology

The scope of the IT audit included the audit of system development and implementation and examination of controls in selected operational applications, *viz.* registration of vehicles and its allied activities and collection of taxes, fees and fines for the period from the date of implementation upto March 2007.

An entry conference was conducted in July 2007 with the State Informatic Officer, DTO and resource persons of the NIC wherein the audit objectives, criteria and audit methodology were discussed. Audit was conducted during July and August 2007 through test check of the records of Commissioner of Transport at directorate level and the DTO, East Khasi Hills, Shillong.

6.4.5 *Audit objectives*

The IT Audit was conducted to examine

- whether the project was commissioned within a reasonable time;
- the accuracy and comprehensiveness of the data;
- whether adequate controls are in place; and
- whether the department has been able to effectively apply the software for the management of registration of vehicles and realisation of fees/road tax.

6.4.6 *Acknowledgement*

Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing the necessary information for the IT audit. The results of the IT audit were communicated to the department and the Government and were discussed in the Audit Review Committee (ARC) meeting in August 2007. The replies of the department/Government have been suitably incorporated in the respective paragraphs.

6.4.7 *System development*

6.4.7.1 *No time frame was set resulting in delay in commissioning of the project*

The project for computerising the vehicle registration system of the Transport Department, Government of Meghalaya was planned for completion during 1996-97 with the assistance of NIC, Shillong. For this purpose, *Vahan* software was installed at DTO, Shillong by the NIC, Shillong. The date on which the software was received by the department and installed by the NIC was, however, not on record. No time frame was set for completion of the project and hence it was commissioned only on 15 April 2002, i.e., five years after the due date.

Backlog data entry for DTO, Jowai had started from May 2005. However, the system was ready for implementation only in April 2007. In the remaining five

DTOs[1] the computerisation work has not yet started although fund of Rs. 40 lakh was sanctioned by the Government during March 2002 to October 2006. Works relating to site preparation is in progress.

The Government should consider setting a time frame to different stages of the computerisation and ensuring early completion of the project.

6.4.7.2 Partial utilisation of processing capabilities

Although *Vahan* system also manages information relating to permit and its validity including interstate permits, enforcement *etc.* these aspects have not been computerised. This has resulted in the department failing to fully utilise the processing capabilities available in the system.

Since complete utilisation of the processing capabilities will ensure greater transparency, the department should fully leverage the advantages offered by the application software.

6.4.7.3 Modification/change management procedures

The software received from the GOI was customised by the NIC, New Delhi to meet the needs of the State prior to its implementation. Thereafter, minor modifications were carried out by the NIC, Shillong from time to time as and when requested by the department. The changes/modifications carried out had, however, not been documented. This resulted in complete absence of trail as to whether the changes sought for had been carried out and approved.

The Government should consider maintaining a well documented change management procedure for ensuring transparency and effective internal controls.

6.4.8 Analysis of databases

To analyse the data pertaining to DTO, Shillong, assistance of departmental personnel and system engineers of the NIC was taken to download the data. The downloaded data was analysed using CAAT[2].

6.4.8.1 Duplicate engine/chassis number

Engine and chassis numbers are the unique identification marks of a vehicle which are essential for its registration under the provisions of the MV Act and Rules made thereunder.

Analysis of the database revealed that there were 346 sets of duplicate engine numbers involving 784 vehicles. The level of duplication in each set ranged from two to eight. Similarly, there were four sets of duplicate chassis numbers involving eight vehicles.

[1] Nongpoh, Tura, Williamnagar, Baghmara, Nongstoin

[2] Computer assisted audit technique.

Verification of the basic record in the combined register of vehicles in respect of 297 out of the 784 vehicles, revealed existence of duplicate engine/chassis number in 45 sets involving 93 vehicles in such records as well.

This indicated lack of validation control in the system to ensure uniqueness of engine and chassis numbers. This irregular acceptance of same engine/chassis number on multiple occasions may lead to allotment of two or more registration certificates for the same vehicle, enabling stolen vehicles to be re-registered and committing various insurance irregularities.

It is recommended that strong validation controls be put in place to prevent such duplications.

6.4.8.2 Duplicate engine/chassis number registered in other DTOs

Cross verification of engine and chassis numbers of vehicles registered with the DTO, Shillong with those in the database of the DTO, Aizawl (Mizoram) revealed that chassis and engine numbers of 94 and 127 vehicles respectively registered with the DTO, Shillong were identical to those registered with the DTO, Aizawl. Scrutiny of the basic records maintained by the DTO, Shillong, *viz.*, combined register, further revealed the following position in respect of 121 out of these 221 vehicles:

Vehicles having duplicate chassis numbers

- chassis numbers of 35 vehicles were identical to those of vehicles registered with the DTO, Aizawl;
- thirteen vehicles were transferred to/from the jurisdiction of DTO, Aizawl. But information was not captured in/deleted from the database;
- data entries were incorrect in case of three vehicles; and
- details of three vehicles were entered in the database, though the registration numbers[3] were not in use.

Vehicles having duplicate engine numbers

- Engine numbers of 44 vehicles were identical to those of vehicles registered with the DTO, Aizawl;
- eleven vehicles were transferred to/from the jurisdiction of DTO, Aizawl. But information was not captured in/deleted from the database;
- data entries were incorrect in case of one vehicle; and
- details of 11 vehicles[4] were entered in the database, though the registration numbers were not in use.

[3] (ML05-8826, ML05 D-8891 and ML05E-0910).

[4] (ML05-8826, ML05A-3481, ML05B-1559, ML05D-6895, ML05D-9627, ML05D-9993, ML05E-0910, ML05E-1221, ML05E-1576, ML05E-1687 and ML05E-2835).

The above position indicates that the register maintained by the DTO, Shillong was severely deficient. The possibility of the existence of stolen/lost vehicles in the register of the DTO, Shillong could not be ruled out.

The Government should consider strengthening the validation control at the time of data capture and also establishing links with the National/State Crime Record Bureau to pre-empt the scope for registration of stolen/lost vehicles. Besides, cases pointed out in audit require further verification with the records of the DTO, Aizawl.

6.4.8.3 Duplicate insurance certificate/cover note number

Under the provisions of the MV Act and Rules made thereunder, every vehicle has to be insured prior to registration.

Analysis of the vehicle insurance database revealed that out of 56,284 records, 21,909 records had no data regarding registration number, period of insurance, the insurance cover note number. Thus, more than 39 *per cent* of the data redundant. Further, analysis of 34,375 records revealed 1,723 duplicate cover note numbers indicating lack of validation controls in the system and poor authorisation controls. The level of duplication ranged from 2 to 255. Moreover, these common cover note numbers were found to be shared by different insurance companies.

Analysis of database revealed that 18,093 registered vehicles (including 158 Government vehicles) did not have any insurance details.

Similarly, although insurance details of 426 vehicles were captured in the vehicle insurance database, these vehicles were not listed in the vehicle owner database. These omissions indicate serious deficiency in validation/input controls within the system. Further, in view of the existence of large number of duplicate cover notes, fraudulent use of insurance cover note numbers cannot be ruled out.

It is recommended that the department should ensure that '*Vahan*' database contains information of only those vehicles which are available in the 'VT_Owner' table.

6.4.8.4 Registration of vehicles on Sundays/national holidays

Registration of vehicles is done only on working days. Audit, however, found that 553 vehicles were registered on Sunday, two vehicles on Republic day, five vehicles on Independence day, seven vehicles on Gandhi Jayanti and four vehicles were registered on Christmas Day which were either non-working days of the week or national holidays.

After this was pointed out, the DTO stated that there was no system to register the vehicles on Sundays/national holidays and that data rectification was being carried out.

The Government should consider generation of the data of data entry from the system and strengthening of input and processing controls to prevent entry of incorrect data into the system.

6.4.8.5 Data validation

Unusual and improbable data suggests unreliability of data. Audit detected that the data of registration of 1,748 vehicles as entered in the data base was prior to the date of purchase of the vehicles. The number of days the vehicles were shown as registered prior to their date of purchases ranged from 1 day to 100 years.

Further, as per the MV Act and Rules framed thereunder, the road worthiness/fitness of a vehicle and issue of fitness certificate is a pre-requisite for registration. In 4,088 cases, the next due date for fitness certification of the private vehicles was shown to be beyond 15 years after the due date. In one case the date was shown to be 75 years after the due date. **Such inaccurate data indicates violation of the provisions of the MV Act and Rules resulting from lack of process control.**

It is recommended that appropriate input and processing controls coupled with validation check be urgently incorporated within the system to prevent entry of incorrect data.

6.4.8.6 Incomplete database

As per the CMV Rules, form 20 has been prescribed for the registration of vehicles which seek information about the vehicles in 34 fields. The *'Vahan'* package provides for capture of all the information.

Analysis of database, however, revealed that data capture was partial even in crucial fields. Data entry pertaining to mandatory fields such as date of purchase of the vehicle, father's name of registered owner, address, vehicle maker's name, vehicle model, engine number, seating capacity, horse power, unladen weight, month and year of manufacture, *etc.* have not been captured in many cases.

It is recommended that the system may be revisited to make data entry in all the fields mandatory as required under the CMV Rules.

6.4.8.7 Incorrect data relating to seating capacity

The seating capacity in some cases has been incorrectly entered. For example, seating capacity of two wheelers had been shown to be between 3 to 259, light motor vehicles between 4 to 259, Palio ED as 985, Maruti Gypsy as 87 seater. These revealed lack of validation control. Since road tax is charged in case of transport vehicles depending on their seating capacity, wrong data capture of seating capacity would have adverse impact on the tax assessment.

Since the function relating to permit is still being managed manually by the department, there is no immediate impact. However, these data errors need to be rectified in order to ensure system readiness for switching over to computerised application.

It is recommended that appropriate processing and output controls be put in place for ensuring data processing conforming to the provisio of MV Act and Rules.

6.4.8.8 *Non-levy of fine for delay in registration*

CMV Rules provide that an application for registration of motor vehicle shall be made within a period of seven days from the date of taking delivery of the vehicle. Driving of unregistered vehicle attracts a minimum fine of Rs. 2,000 under section 192(1) of the MV Act.

Scrutiny of the database revealed that 9,158 vehicles were registered beyond the mandatory period of seven days (excluding grace period of two days provided for intervening Saturday and Sunday). However, as per the information available in the database, no fine was collected from the defaulters for delay in applying for new registration for delayed registration.

6.4.8.9 *Road Tax*

The AMVT Act and Rules read with the MV Act, lay down that every owner of a registered vehicle shall pay road tax in advance either annually or quarterly in four equal instalments. Vehicles can go 'off road' on submission of an application in form 'H' and surrender of their licence and not pay tax for the concurrent period.

Analysis of the database revealed that 10,809 transport vehicles have not paid road tax amounting to Rs. 10.23 crore[5] (upto March 2007) even though they have not surrendered their licences or gone off road. This may not be the actual position of realisation of road tax but the computerised data showed such large extent of non-realisation.

Further, out of 59,418 registered vehicles, the database contains no information about the tax paid by 861 transport vehicles. Assuming that these transport vehicles have not paid their road tax only for a period of one year, a minimum road tax of Rs. 15.99 lakh is realisable along with penalty for delayed payment. The number of vehicles and the amount of road tax and penalty, however, stand qualified to the extent of correctness of data.

6.4.8.10 *Plying of vehicles with lapsed registration*

As per the MV Act, a certificate of registration in respect of a motor vehicle, other than a transport vehicle, is valid only for a period of 15 years from the

[5] Tax has been calculated as under: HMV at Rs. 3,840 per annum; MGV at Rs. 600 per annum & LGV at Rs. 240 per annum.

date of issue of such certificate. No vehicle can be used in any public place until its certificate of registration is renewed. In case of default, a minimum fine for driving without registration at Rs. 2,000 for the first offence and Rs. 5,000 for each subsequent offence is leviable.

Analysis of the database revealed that as on 31 March 2007, registrations in respect of 9,087 non-transport vehicles had expired. Neither had the vehicles been re-registered nor had they surrendered their registration certificate. As such, registration fee of Rs. 15.19 lakh and minimum fine of Rs. 1.82 crore[6] for using unregistered vehicle is realisable. The number of vehicles and the amount of registration fee and fine, however, stand qualified to the extent of correctness of data.

6.4.8.11 Plying of vehicles without fitness certificate

The MV Act provides that a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness issued by the competent authority. A minimum fine of Rs. 2,000 for the first offence and Rs. 5,000 each for subsequent offences is leviable for driving a vehicle without registration fitness certificate.

Scrutiny of the database revealed that as of March 2007 certificates of fitness of 9,829 transport vehicles of different categories had expired but were not renewed. The enforcement staff of the department, however, failed to utilise the information available with them resulting in minimum fine of Rs. 1.97 crore[7] remaining unrealised. Besides, calculated at the minimum rate of Rs. 200 per vehicle, the department has also failed to realise inspection fees for issue of fitness certificate amounting to Rs. 19.66 lakh in respect of these 9,829 vehicles. The exact amount could not be worked out due to non-capture of data indicating the type of vehicle. Beside the number of vehicles, the amount of fee and fine also stand qualified to the extent of correctness of data.

The Government should consider making generation of exception reports at regular intervals to identify vehicles violating the MV Act and Rules.

6.4.8.12 Lack of continuity of registration numbers

In a single series, 9,999 vehicles i.e., upto four digits can be awarded registration numbers. These numbers should be awarded in a sequence to monitor the year of registration of the vehicle.

Analysis of the database revealed that at DTO, Shillong registration in a subsequent series was started before the ongoing series was exhausted. The number of registration numbers missing in the six series checked is as mentioned below:

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6 Rs. 2000 x 9,087 = Rs. 1,81,74,000

7 Rs. 2000 x 9,829 = Rs. 1,96,58,000

Table 6.15

Series	Number of registration numbers found missing in the series
ML05	3644
ML05A	1761
ML05B	943
ML05C	567
ML05D	10
ML05E	122

Test check of the information available in the database with the basic record (combined register) showed that the database contained information of 42 registered vehicles whose number were unused as per the combined register. Conversely, audit also detected eight cases where the vehicles were registered but the information had not been captured in the database resulting in incomplete computerisation.

It is recommended that the department take steps to ensure methodical and systematic allotment of registration numbers and capture of information of all registered vehicles.

6.4.9 General controls

General controls create an environment in which the application systems and application controls operate e.g., IT policies, standards and guidelines pertaining to IT security and information protection. The observations on the adequacy of general controls are mentioned below:

6.4.9.1 Lack of documentation

A proper system analysis requires that each module of the system proposed to be developed is properly documented. The department does not have a written and authenticated documentation of the modules developed for '*Vahan*' and implemented so far. No documents such as the 'user requirement specification', 'system design document', *etc*. were available with the department. Hence, the system is not user friendly as it lacks details of installation procedure, input and output files, linkages of files, details of files and tables created, description of the columns thereof, *etc*.

The Government should consider preparation and maintenance of system documentation and manuals including training manuals.

6.4.9.2 Business continuity planning

Business continuity planning is necessary for recovering key business processes in the event of disaster. The objective is to reduce downtime and minimise loss to the business.

Scrutiny of the vehicle registration system revealed that the department has no methodology of backing-up data. On enquiry, the System Engineer (SE) from NIC stated that NIC regularly took back-up and stored the data at NIC, Shillong. The SE also stated that mock trial of system recovery was also done regularly to ensure uninterrupted functioning in the event of a system crash. However, no records were maintained by the department to indicate the date(s) on which the back-up were taken, the date(s) on which the mock trials were conducted. There was no provision for off-site storage of back-up data. The department also has no formal arrangement with the NIC, Shillong to ensure that back-up are taken regularly by the NIC. Lack of formal agreement places the department at the risk of not having regular back-up.

6.4.9.3 Lack of security policy

In view of the inadequacy of the controls pointed out above, it is important to put in place security practices to protect its assets and data and to ensure confidentiality, integrity and availability of the system that stores and processes data. The department has, however, not yet framed its IT security policy.

The Government should consider drawing up an IT security policy with adequate documentation with a credible threat assessment mechanism and disaster recovery and business continuity plan for harnessing optimum output from the system.

6.4.10 Monitoring and supervision

Involvement of senior management in implementation of the project was found to be deficient. There has been over reliance on the NIC for system maintenance, administration and back-up. There is no monitoring of data entry as has been evidenced by large number of incorrect/improbable data.

The department may consider putting in place a system for ensuring adequate supervision of the data entered in the system and drawing up a structured training programme for its IT staff.

6.4.11 Conclusion

There has been delay in commissioning the project. Even after a lapse of five years from the date, all the modules are not yet operational and some of the applications are still being done manually. There is a lack of in-house expertise for running the system. Involvement of top level management in the system development and its functioning was inadequate. Lack of adequate supervision has resulted in erroneous data capture thereby resulting in data redundancy. The department has not been able to extract useful information from the system regarding defaulters and has thus failed to exploit the full potential of the system.

6.4.12 *Summary of recommendations*

The Government should consider

- setting a time frame for different stages of the computerisation and ensuring early completion of the project;
- maintaining a well documented change management procedure for ensuring transparency and effective internal controls;
- strengthening the validation control at the time of data capture and also establishing links with the State/National Crime Record Bureau to pre-empt the scope for registration of stolen/lost vehicles;
- generation of the data of data entry from the system and strengthening of input and processing controls to prevent entry of incorrect data into the system;
- making generation of exception reports at regular intervals mandatory to identify vehicles violating the MV Act and Rules;
- preparation and maintenance of system documentation and manuals including training manuals; and
- drawing up an IT security policy with adequate documentation with a credible threat assessment mechanism and disaster recovery and business continuity plan for harassing optimum output from the system.

The matter was reported to the Government in August 2007. Government while admitting the audit points, stated (February 2008) that necessary action would be taken as recommended by Audit and also assured that remedial action would be taken wherever necessary.

SECTION 'B' : PARAGRAPHS

ENVIRONMENT AND FOREST DEPARTMENT

6.5 Loss of revenue

Failure of the department to deduct collection charges from the royalty paid to the district councils resulted in loss of revenue of Rs. 2.71 crore.

Under Schedule VI of the Constitution of India, share of royalties accruing each year from the extraction of minerals granted by the State Government in respect of any area within an autonomous district as may be agreed upon between the State Government and the district council (DC), is to be handed over to the council. In Meghalaya, royalty collected on minor minerals is to be apportioned between the Forest Department and each DC in the ratio of 40:60 after deducting the cost of collection as per the prescribed formula.

Test check of the records of the divisional forest offices (DFOs) of Khasi and Jaintia hills division in October and November 2006 revealed that the divisions collected royalty of Rs. 19.03 crore on minor minerals for the period from April 2002 to March 2006 and incurred an expenditure of Rs. 4.52 crore towards collection of charges. The State Government, however, released 60 *per cent* royalty amounting to Rs. 11.41 crore instead of Rs. 8.70 crore without deducting proportionate collection charges. This resulted in loss of revenue of Rs. 2.71 crore.

After the case was pointed out, the DFO Khasi hills division stated in May 2007 that the Principal Chief Conservator of Forest (PCCF) had been requested to take up the matter with the Government for clarification. A report on further development has not been received (February 2008).

The matter was reported to the Government in December 2006 and March 2007; their reply has not been received (February 2008).

6.6 Short realisation of royalty

Incorrect application of rate led to short realisation of royalty of Rs. 1.40 crore.

The Government of Meghalaya, Environment and Forest Department in its notification of 12 November 1998 revised the rate of royalty on earth, sand, stone and squared stone from Rs. 16, Rs. 20, Rs. 40 and Rs. 40 to Rs. 32, Rs. 30, Rs. 80 and Rs. 95 per cubic metre (cum) respectively with immediate effect.

Cross check of the records of seven user agencies* with those of DFOs Jowai and Shillong disclosed that 30,805.2754 cum of earth, 51,878.8213 cum of sand, 3,23,242.0631 cum of stone and 1,380.7037 cum of squared stone were extracted and utilised in works by the contractors between November 2003 and December 2005. However, the user agencies realised royalty of Rs. 1.45 crore at the pre-revised rate from the contractors instead of Rs. 2.85 crore worked out at the revised rate. The differential royalty was neither collected by the user agencies nor was any action initiated by the DFOs to recover the same. This resulted in short realisation of royalty of Rs. 1.40 crore.

After this was pointed out, the Government while admitting the facts stated in November 2007 that steps had already been taken for realisation of outstanding royalty from the user agencies. Report on recovery had not been intimated (February 2008).

6.7 Loss of revenue due to non-settlement of *mahal*

Loss of revenue of Rs. 80 lakh as a *mahal* remained inoperative due to delay in receipt of settlement orders from the Government.

As per the Assam Settlement of Forest Coupes and *Mahals*[1] 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.

Test check of the records of the DFO, Khasi Hills forest division, Shillong in October 2006 revealed that the tharia 'B' *mahal* was offered for sale in September 2002 for the working period 2002-04 with a stipulated quantity of 11,000 cum of sand/stone. The highest offered price of Rs. 80 lakh was forwarded in September 2002 to the PCCF for obtaining the Government approval. After a lapse of 18 months, the Government conveyed approval in March 2004 for the settlement of the *mahal* with the highest bidder. As the working period of the *mahal* had already expired in March 2004, the PCCF asked the bidder to operate it for the period 2004-05 and 2005-06 at the original bid value of Rs. 80 lakh which was turned down by the bidder. Thus, apathy on the part of the Government to settle the *mahal* in time resulted in loss of revenue of Rs. 80 lakh for the working period 2002-04.

* Executive Engineer (EE) PWD (Roads) South Jowai Division, EE PWD (Roads) North Jowai Division, EE PWD (Roads) NEC Division, EE (Irrigation) Jaintia Hills Division, EE PWD (Roads) NH Bye Pass Division, EE PWD (Roads) Nongpoh Division, EE PWD (Roads) Mairang Division.

[1] A defined geographic area wherefrom certain types of forest produce are sold on condition of their removal within a specified period.

The case was reported to the department and the Government in December 2006 and March 2007; their reply has not been received (February 2008).

6.8 Loss of revenue

Loss of revenue of Rs. 28.13 lakh due to non settlement of *mahal* at the risk of the *mahaldar*.

Under Rule 17 of the Assam Settlement of Forest Coupes and Mahals by Tender System Rules, 1967 (as adopted by the Government of Meghalaya), if a tenderer whose tender has been accepted, fails to pay the instalments on due dates, the *mahal* shall be liable to be cancelled and resettled for the remaining part of the settlement period at the risk and cost of the tenderer.

Test check of the records of the DFO, Khasi hills forest division, Shillong in October 2006 revealed that the tharia *mahal* 'A' was settled with a *mahaldar* in November 2002 against his bid value of Rs. 37.51 lakh for the working period from November 2002 to November 2004 with the stipulated quantity of 12,500 cum of boulder. The *mahaldar* was allowed to pay the bid value in eight quarterly instalments of Rs. 4.69 lakh each. The *mahaldar* paid only the first two instalments of Rs. 9.38 lakh and defaulted in payment of the remaining six instalments totalling Rs. 28.13 lakh. The department did not take any action either to cancel the settlement or resell the *mahal* at the risk of the *mahaldar*. The settlement of the *mahal* was belatedly cancelled in June 2006 after one and a half years of the expiry of the working period. Thus, inaction on the part of the department to effect immediate cancellation of settlement and resell the *mahal* at the risk of the *mahaldar* resulted in loss of revenue of Rs. 28.13 lakh.

The case was reported to the department and the Government between December 2006 and March 2007; their reply has not been received (February 2008).

6.9 Unauthorised lifting of timber

Timber was unauthorisedly allowed to be lifted by the Meghalaya Forest Development Corporation on part payment of Rs. 1.64 lakh against the royalty of Rs. 14.29 lakh.

Under the Assam Forest Regulations, 1891 (as adopted by Meghalaya) no forest produce shall be extracted/lifted from forest area unless the prescribed royalty is paid in full.

Test check of the records of the DFO, Khasi hills forest division, Shillong in January 2006 revealed that between December 2001 and July 2004, the Forest Development Corporation of Meghalaya (FDCM) was allowed to lift timber of mixed species measuring 509.204 cum on part payment of royalty of Rs. 1.64 lakh against the due royalty of Rs. 14.29 lakh. The balance royalty of Rs. 12.65 lakh was neither paid by FDCM nor was any action initiated by the Forest Department to realise it till March 2007. This led to unauthorised lifting of timber coupled with non-realisation of balance royalty of Rs. 12.65 lakh.

The case was reported to the department and the Government in March 2006; their reply has not been received (February 2008).

6.10 Illicit felling and removal of timber

Illicit felling and removal of timber from the State reserve forests led to loss of revenue of Rs. 9.76 lakh.

Under the provisions of the Assam Forest Regulation (AFR), 1891 and rules framed thereunder (as adopted by the Government of Meghalaya), felling and removal of trees from the reserve forest areas without a valid pass constitute a forest offence, punishable with fine. The forest produce felled/removed illegally is also liable to be seized by the Forest Department. To prevent such illegal felling/removal of forest produce, deployment of the forest protection force and erection of forest check gates at all the vital points is the primary responsibility of the Forest Department.

Test check of the records of DFO, Garo hills forest division in May 2006 revealed that 271.431 cum of timber of different species were illegally felled by the miscreants from the reserve forest under three ranges of the division between April 2005 and March 2006. The divisional authority could, however, recover only 67.502 cum timber and the balance 203.929 cum timber involving royalty of Rs. 9.76 lakh was removed by miscreants. Illegal felling and removal of such a large quantity of timber indicates poor surveillance of forest resources resulting in loss of revenue of Rs. 9.76 lakh.

After the case was pointed out, the DFO while admitting the facts in August 2006 stated that illegal felling of trees was done by the villagers living in the reserve forest and efforts were being made to ensure that the villagers abide by the rules in future. The reply is not tenable as all the miscreants apprehended in cases where timber was recovered were not from the village.

The matter was reported to the Government in July 2006 and March 2007; their reply has not been received (February 2008).

6.11 Loss of revenue

Failure to bring seized logs to safe custody led to loss of revenue of Rs. 7.42 lakh.

Under the provision of AFR (as adopted by the Government of Meghalaya), seized timber shall be brought to the safe custody of the Forest Department after proper marking and reported to the appropriate court for trial as well as to the higher authority for disposal. Protection of timber from damage, theft or loss is the primary responsibility of the department.

Test check of the records of the DFO, Garo hills forest division, Tura in May 2006 revealed that between April 2003 and March 2005, the Range Officer, Southern Range, Baghmara seized 2,817 sal and teak logs measuring 289.909 cum valued as Rs. 7.42 lakh. These logs were neither disposed nor transported to the nearest forest depot for safe custody but were stacked on the roadside which was a flood prone area. These logs were subsequently washed away by flood in July 2005. Thus, failure on the part of the division to bring the seized logs to a safe location resulted in loss of revenue of Rs. 7.42 lakh.

After this case was pointed out, the DFO while admitting the loss stated in August 2006 that the logs had to be stacked on the roadside due to lack of space within the range office compound. The reply is not tenable as the AFR provides for storage of seized forest produce in safe custody which includes any safe place and not necessarily the divisional/range office compound only. Moreover, stacking of seized logs in flood prone area was a definite lapse on the part of the department which eventually led to loss of revenue.

The matter was reported to the Government in August 2006 and March 2007; their reply has not been received (February 2008).

EXCISE DEPARTMENT

6.12 Non-realisation of excise duty on liquor

Non-realisation of excise duty of Rs. 3.36 crore on 67,111 cases of liquor imported for use in the manufacture of brandy, whisky, *etc.* by two bottling plants.

Under the Assam Excise Act (as adopted by the Government of Meghalaya), excise duty is realisable at the rate of Rs. 500 per case of India made foreign liquor (IMFL), rectified spirit indented for the manufacture of brandy, whisky, *etc.* and similar potable alcoholic products. The State Excise Department in their notification of 31 August 2005 exempted excise duty on the aforesaid items with immediate effect.

Test check of the records of the Commissioner of Excise (CE), Meghalaya in July 2006 revealed that two bottling plants imported 66,667 cases of extra neutral alcohol (ENA) and 444 cases of malt spirit between April 2004 and August 2005 for use in the manufacture of brandy, whisky, *etc.* Excise duty of Rs. 3.36 crore payable in these cases was neither paid by the bottling plants, nor was any action taken by the department to realise it. This resulted in non-realisation of revenue of Rs. 3.36 crore.

After the cases were pointed out, the CE while admitting the audit observation stated in December 2006 that both the proprietors had been asked to deposit the excise duty and one of them prayed for grant of exemption from payment of excise duty. A report on recovery in the other case has not been received (October 2007).

The matter was reported to the Government in July 2006 and March 2007; their reply has not been received (February 2008).

6.13 Non-realisation of establishment charges

Establishment charges of Rs. 31.55 lakh in respect of excise officials posted in different bonded warehouses were not realised.

Under the Assam Bonded Warehouse Rules, 1965 (as adopted by the Government of Meghalaya), the CE shall appoint excise officers and fix establishment charges of the bonded warehouses. The licensees of the bonded warehouses shall pay to the State Government at the end of each calendar month such establishment charges as may be determined by the CE. The cost of establishment shall include the pay and allowances as well as leave salary and pension contributions.

Test check of the records of the CE, Shillong in May 2006 revealed that 31 excise officials were posted in the bonded warehouses at Shillong, Nongpoh, Jowai, Tura, Williamnagar and Khliehriat. The establishment charges as worked out by audit for these officials for the period from April 2005 to March 2006 amounted to Rs. 31.55 lakh. However, the department had neither worked out the establishment charges nor submitted any demand to the bonded warehouses for payment of the establishment charges. This resulted in non-realisation of establishment charges of Rs. 31.55 lakh.

After the cases were pointed out, the CE while admitting the audit observation, stated in December 2006 that the department had requested the Government to amend the rule and exempt bonded warehouses from the payment of the establishment charges. The decision of the Government is still awaited (October 2007).

The matter was reported to the Government in June 2006 and March 2007; their reply has not been received (February 2008).

6.14 Non-levy of import pass fee

Loss of revenue of Rs. 21.88 lakh due to irregular grant of exemption from payment of import pass fee on import of IMFL/beer by defence services organisations.

Under the provisions of the Meghalaya Excise Rules (MER), for importing IMFL and beer from outside the State, import pass fee is leviable at the rate of Rs. 54 per case and Rs. 31.20 per case respectively. No exemption from the payment of import pass fee, has been granted to the defence services organisations, paramilitary forces including canteen store department.

Test check of the records of the Superintendent of Excise (SE), Shillong and Nongpoh in May 2006 revealed that between April 2005 and March 2006, 36,900 cases of IMFL and 6,258 cases of beer were imported from outside the State by different defence and paramilitary organisations on the basis of import permits issued by the concerned SE. It was observed that no import pass fee was levied while issuing these permits which resulted in non-levy of import pass fee of Rs. 21.88 lakh.

After this was pointed out, the Government stated in February 2008 that import pass fee was not levied as the drawal of consignment was not made from a bonded warehouse within the State. The reply is not tenable as import pass fee is leviable when IMFL and beer are imported from outside the State.

6.15 Irregular grant of exemption

A manufacturer of oleo resin was irregularly granted exemption from payment of import pass fee of Rs. 7.92 lakh on import of rectified spirit for industrial purposes.

Under Rule 27 of the MER, import of foreign liquor shall be covered by a pass and the State Government is empowered to grant exemption from payment of pass fee for the import of denatured spirit only. Under Rule 370, a pass fee of Rs. 6 per bulk litre (BL) is leviable on liquor imported into Meghalaya.

Test check of the records of the CE Meghalaya, Shillong in May 2006 revealed that a manufacturer of oleo resin imported 1.32 lakh BL of rectified spirit during 2004-05 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. 7.92 lakh.

After this was pointed out, the Government stated in February 2008 that the manufacturer imported spirit for industrial purpose was exempted from payment of pass fee under Rule 27 of MER. The reply is not tenable as the note below Rule *ibid* specifically bars the exemption of import pass fee on rectified spirit.

MINING AND GEOLOGY DEPARTMENT

6.16 Short realisation of royalty

There was short realisation of royalty on coal by Rs. 7.55 crore.

Section 9(2) of the Mines and Minerals (Development and Regulation) Act, (MMDR Act) 1957, lays down that every licensee or permit holder or lessee shall pay the prescribed royalty in respect of any mineral removed or consumed by him from the mining area. Royalty on coal was fixed as Rs.165 per tonne with effect from 16 August 2002.

Test check of the records of the Directorate of Mineral Resources (DMR), Meghalaya in February 2007 revealed that 53.45 lakh tonne of coal was extracted and removed by the permit holders between April 2004 and March 2005. The royalty realisable was Rs. 88.20 crore against which the department realised only Rs. 80.65 crore, resulting in short realisation of royalty of Rs. 7.55 crore.

After this was pointed out, the Government stated in February 2008 that investigation was being carried out regarding quantities of coal extracted and removed during the year. Further reply is awaited (February 2008).

6.17 Short/non-realisation of royalty and dead rent

Royalty of Rs. 5.09 crore short paid and unpaid dead rent of Rs. 17.82 lakh were not realised resulting in non-recovery of Rs. 5.58 crore including interest.

Under the provisions of the MMDR Act, a lessee is liable to pay either the prescribed royalty on any mineral removed/consumed or dead rent in respect of the leased area, whichever is higher. Rule 64A of the Mineral Concession (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 may be charged on any amount remaining unpaid from the sixtieth day of the expiry of the date fixed for the payment of such dues. With effect from October 2004, the minimum rate of royalty on limestone was fixed as Rs. 45 per tonne and in case of shale siltstone royalty was 10 *per cent* of the sale price. Further, with effect from 14 October 2004, the rate of dead rent was fixed as Rs. 100 per hectare per annum for first two years of lease and Rs. 400 per hectare per annum for the subsequent years.

6.17.1 Test check of the records of DMR, Meghalaya in February 2007 revealed that three lessees extracted 16.14 lakh tonnes of limestone and 1.07 lakh tonnes of shale during the period from July 2005 to December 2006 and paid royalty of Rs. 2.18 crore instead of Rs. 7.27 crore. The department also did not initiate any action to recover the balance royalty. Thus, there was short realisation of royalty of Rs. 5.09 crore. In addition, interest of Rs. 29.16 lakh was also leviable.

After this was pointed out, the Government stated in February 2008 that one of the lessees paid royalty to Forest Department and royalty from other two lessees had been recovered. The reply is not tenable as one of the two lessees paid Rs. 1.27 crore out of balance dues of Rs. 2.52 crore. Besides, interest of Rs.22.89 lakh was also not recovered from the two lessees. In case of another lessee, the Government even failed to furnish amount of royalty actually paid to Forest Department.

6.17.2 Test check of the records of DMR, Shillong in February 2007 revealed that three lessees did not extract any minerals from 2,970 hectares of leased area between July 2005 and December 2006 and were, thus, liable to pay dead rent of Rs. 17.82 lakh. Though the lessees did not pay dead rent, no action was initiated by the department to levy and recover it for the aforesaid period. This resulted in non-realisation of dead rent of Rs. 17.82 lakh. Further, interest of Rs. 1.66 lakh was also leviable for non-payment of dead rent.

After this was pointed out, the Government stated in February 2008 that demand notices were issued to the lessees for expeditious payment of dead rent. Report of recovery is awaited (February 2008).

6.18 Short realisation of cess on limestone

No action was taken to recover cess of Rs. 46.80 lakh that was short paid.

Under the provisions of the Meghalaya Minerals Cess Act, 1988, cess on minerals shall be levied and collected from any person who extracts or removes the minerals from any mine or quarry within the State. The rate of cess on limestone was fixed as Rs.5 per tonne with effect from April 1992.

Test check of the records of DMR, Shillong in February 2007 revealed that two lessees extracted 14.12 lakh tonnes of limestone during the period from July 2005 to December 2006 and paid cess of Rs. 23.82 lakh instead of Rs. 70.62 lakh. The lessees neither paid the balance cess nor was any action taken by the department to review the returns of the lessees and recover the balance amount. This resulted in short realisation of cess of Rs. 46.80 lakh.

After this was pointed out, the Government stated in February 2008 that the differential amount of cess had since been recovered. The reply is not tenable as payment of cess in respect of one lessee did not relate to the period of report and in respect of other lessee payment particulars could not be furnished.

6.19 Short levy of penalty

Penalty of Rs. 19.68 lakh was short levied on coal despatched through mines and minerals check gate without payment of advance royalty.

In September 1995, the DMR, Meghalaya, notified that with effect from October 1995, if any coal trader 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 royalty on the quantity of coal on which advance royalty of coal was not paid. The 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.

Test check of the records of the DMR, Meghalaya in February 2007 revealed that 4.47 lakh tonnes of coal were transported during 2004-05 without valid CTC through Mookyndur check gate. Though the check gate authorities collected royalty of Rs. 7.37 crore from the local traders, yet they imposed penalty of Rs. 1.65 crore only instead of Rs. 1.84 crore calculated at the minimum rate of 25 *per cent*. This resulted in short realisation of penalty of Rs. 19.68 lakh.

After this was pointed out, the Government stated in February2008 that there was no short levy of penalty as penalty of Rs.18.61 lakh was inadvertently shown as payment of royalty and corrected figure of payment of royalty and penalty would be Rs.7.18 crore and Rs. 1.83 crore respectively. The reply is not tenable as 446697 MT of coal in excess of 15 MT was transported during the period on which collection of royalty would be Rs. 7.37 crore and not Rs. 7.18 crore as contended.

STAMPS AND REGISTRATION DEPARTMENT

6.20 Short levy of stamp duty

Stamp duty was short levied by Rs. 73.55 lakh.

Under the provision of the Indian Stamp (IS) Act 1899, for the lease of a mine in which royalty is received as rent or part of the rent, it shall be sufficient to have estimated such royalty for the purpose of stamp duty. Clause 35 (a) (iv) (lease) of the IS (Meghalaya Amendment) Act, 1993, lays down that stamp duty on lease, where the lease purports to be for a term exceeding 10 years but not exceeding 20 years, shall be calculated at the rate of Rs. 99 per 1,000 for a consideration equal to two times the amount or value of the average annual rent reserved.

Test check of the records of the Sub Registrar (SR), Khliehriat in March 2007 revealed that the Government of Meghalaya executed five lease agreements with the lessees for a period of 20 years for extraction of limestone between April 2002 and June 2006. For the purpose of stamp duty, the anticipated annual rent on limestone from the demised land was determined as Rs. 4.41 crore. The SR levied and realised stamp duty of Rs. 13.77 lakh instead of Rs. 87.32 lakh leviable on Rs. 8.82 crore (two times the average annual rent). This resulted in short realisation of stamp duty of Rs. 73.55 lakh.

After this was pointed out, the Government stated in February 2008 that the stamp duty payable was calculated on rent specified in Mining Lease Agreement. The reply is not tenable as stamp duty was to be paid on Rs. 8.82 crore as specified in five lease agreements.

6.21 Incorrect exemption of stamp duty

Incorrect exemption from the levy of stamp duty led to short realisation of stamp duty by Rs. 2.40 lakh.

Under the IS Act, stamp duty for the registration of conveyance deed for the transfer of ownership of land shall be paid by the purchaser in the absence of any agreement between the purchaser and the seller. The Government of Meghalaya, Stamps and Registration Department in its notification of July 1983, exempted 50 *per cent* of actual stamp duty payable in respect of all instruments of conveyance executed by or in favour of the members of scheduled castes/tribes (SC/ST).

Test check of the records of the SR, Khliehriat in March 2007 revealed that between January 2004 and September 2005 five plots of land were purchased by various companies from persons belonging to the scheduled tribes without any agreement. The conveyance deeds for the transfer of ownership of these plots of land were registered in favour of the purchasers on realisation of 50 *per cent* of stamp duty. Since these companies did not fall under the category of SC/ST, exemption allowed was incorrect and resulted in short realisation of stamp duty of Rs. 2.40 lakh.

The cases were reported to the department/Government in March 2007; their reply has not been received (February 2008).

TAXATION DEPARTMENT

6.22 Concealment of turnover

Thirty three registered dealers concealed turnover of Rs. 62.44 crore and evaded tax of Rs. 5.07 crore including interest on which maximum penalty of Rs. 7.55 crore was also leviable.

6.22.1 Under the Meghalaya Sales Tax (MST) 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 a penalty in addition to the tax, a sum not exceeding one and a half times of the tax due. The provision of the Act applies *mutatis mutandis* in the case of assessment and reassessment under the Central Sales Tax (CST) Act, 1956. Further, the sale of declared goods in the 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 Commissioner of Taxes (COT), Meghalaya in his notification of March 2002 fixed the rate of advance tax as Rs.1,800 per 15 metric tonne (MT) of coal based on the prevailing market price ranging between Rs. 1,400 to Rs. 1,500 per MT.

6.22.1.1 Test check of the assessment records of the Superintendent of Tax (ST), Circle - V, Shillong, Jowai and Tura between February and May 2006, revealed that 24 registered dealers sold 10.20 lakh MT of coal in the course of interstate trade between April and September 2003. The dealers, however, disclosed the turnover of Rs. 88.28 crore in their returns for the aforesaid period instead of Rs.142.79 crore calculated at the minimum rate of Rs. 1,400 per MT. The AOs while completing the assessments between June 2004 and October 2005 also ignored the rate fixed by the COT. This resulted in concealment of turnover of Rs. 54.51 crore and evasion of tax of Rs. 4.36 crore. Besides, penalty of Rs. 6.54 crore was also leviable for the concealment of turnover.

After this was pointed out, the Government stated in February 2008 that the sales turnover was determined as per the books of accounts of the concerned dealers. The reply is not tenable as minimum turnover should have been determined based on the minimum market price of Rs. 1,400 per tonne of coal as intimated by the COT.

6.22.1.2 Cross check of the records of the DMR, Shillong, with those of the ST, circle V, Shillong in February 2006 revealed that as per DMR records, a dealer sold 52,875 MT of coal in the course of interstate trade during the period between April 2004 and March 2005. The dealer, however, disclosed sales of only 30,286 MT of coal in his sales tax returns for the aforesaid period and the AO assessed the dealer accordingly between December 2004 and June 2005. The dealer, thus, concealed sale of 22,589 MT coal valued as Rs. 3.16 crore and evaded tax of Rs. 25.30 lakh. Maximum penalty of Rs. 37.95 lakh was also leviable.

After this was pointed out, the Government stated in February 2008 that sales turnover was determined as per the books of accounts of the dealer. The reply is not tenable as the audit observation relates to concealment of sale of 22,589 MT of coal which escaped the notice of the AO.

6.22.1.3 Test check of the assessment records of the ST, Jowai in May 2006 revealed that two dealers sold coal valued as Rs. 8.29 crore to a dealer of West Bengal during October 2004 to March 2005. The turnover was supported by declaration in form 'C' and the dealers were assessed accordingly between July and August 2005 at a concessional rate of four *per cent*. Further scrutiny of records revealed that the dealers had also sold 20,816 MT of coal valued as Rs. 2.91 crore which was despatched through Umkhiang check gate located at the exit point of Meghalaya on road connecting states like Assam (Cachar district), Manipur, Mizoram and Tripura during the aforesaid period. Although the records of despatch of coal were forwarded to the ST by the officer incharge of taxation check gate, the AO did not include the turnover while finalising the assessments. Thus, failure of the AO to ensure proper assessment by verifying all the concerned records available with him led to evasion of tax of Rs. 23.31 lakh. Maximum penalty of Rs. 34.97 lakh was also leviable for concealment of turnover.

After this was pointed out, the Government while admitting the facts stated in February 2008 that the dealers were asked to reproduce books of accounts in respect of despatch of coal through the aforesaid taxation check gate. Further reply is awaited (February 2008).

6.22.2 Under the provisions of the MPT and MFST Acts, 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 the tax payable by him, a sum not exceeding one and half times of that amount. The provisions of the State Act apply *mutatis mutandis* in the case of assessment or reassessment under the CST Act. Further, if the dealer fails to pay the full amount of tax by the due date, he shall be liable to pay interest at the prescribed rates for the period of default on the amount by which tax paid falls short.

6.22.2.1 Test check of the records of the ST, PT circle in March 2006 revealed that five dealers sold broom, *tezpatta*, *dhuplakkri*, *etc*. between April 2002 and March 2004 and disclosed gross turnover of Rs. 3.42 crore which was duly assessed by the AO between July 2005 and February 2006. Verification of records of the Byrnihat check gate, however, revealed that these dealers actually sold goods valued as Rs. 4.70 crore and thus, concealed turnover of Rs. 1.28 crore. This resulted in evasion of tax of Rs. 11.64 lakh, besides penalty of Rs. 17.46 lakh.

After this was pointed out, the Government while admitting the facts, stated in February 2008 that assessments in respect of four dealers had been rectified and demand notice for payment of tax of Rs. 10.40 lakh had been issued. Report on recovery of tax of Rs. 10.40 lakh and assessment in respect of another dealer is awaited (February 2008).

6.22.2.2 Test check of the records of the ST, Circle III, Shillong in March 2006 revealed that a dealer imported motor vehicles[1] valued as Rs.3.94 crore from outside the state during the period from April 2002 to March 2003 and had closing stock of Rs. 52 lakh as on 31 March 2003. The dealer, thus, sold motor vehicles atleast of Rs. 3.42 crore but disclosed turnover of Rs. 2.84 crore in his return which was accepted by the assessing officer (AO) and was assessed accordingly in May 2005. The dealer thereby, concealed minimum turnover of Rs. 58 lakh and evaded tax of Rs. 6.96 lakh. Tax effect would be more if opening stock as on 1 April 2002 and element of profit could be ascertained. Besides, interest of Rs. 3.78 lakh and penalty not exceeding Rs. 10.44 lakh was also leviable.

After the cases were pointed out, the Government while admitting the facts stated in July 2007 that the case was reopened and assessment was completed accordingly. Report on recovery of tax has not been received (February 2008).

6.23 Evasion of tax by utilising fake declaration forms

Twenty one dealers fraudulently utilised C/F forms not issued by the purchasing/importing dealers and evaded tax of Rs. 3.71 crore on which penalty of Rs. 5.57 crore was additionally leviable.

6.23.1 Under the provisions of the CST Act, tax is leviable at a concessional rate of four *per cent* on interstate sale of goods to registered dealers, if such sales are supported by declaration in form 'C' duly filled and signed by the registered dealer to whom the goods are sold. Interstate sale of declared goods, not covered by declaration in form 'C' is taxable at twice the rate applicable to the sale 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 penalty, in addition to the tax payable by him, a sum not exceeding one and a half times the amount of tax due.

6.23.1.1 Test check of the assessment records of the ST, Jowai in June 2006 revealed that seven dealers sold coal in the course of interstate trade valued as Rs 47.47 crore for the period from October 2001 to March 2005 to a dealer in Durgapur, West Bengal and produced declarations in form 'C' issued by the purchasing dealer. The AO also accepted the declarations and assessed the dealers accordingly between June 2002 and September 2005.

Cross verification of the records of the Assistant Commissioner of Sales Tax, Durgapur, West Bengal, however, revealed that the purchasing dealer was neither registered nor was any declaration form issued to him. Thus, the declaration forms submitted by the dealers were fake and tax should have been levied at the rate of eight instead of four *per cent*. This resulted in evasion of tax of Rs. 1.90 crore. In addition, maximum penalty of Rs. 2.85 crore was also leviable for deliberate evasion of tax by fraudulent method.

[1] Motor vehicle is taxable at the rate of 12 *per cent* at the stage of first sale within the state.

After the case was pointed out, the Government stated in February 2008 that COT had taken up the matter with the concerned Sales Tax Authority for verification of forms. Result of verification is awaited (February 2008).

6.23.1.2 Test check of the assessment records of the ST circle – V, Shillong in February 2006 revealed that nine dealers sold coal amounting to Rs. 27.18 crore to the registered dealers in course of interstate trade during the period from October 2003 to September 2005. The turnover of sales were supported by 16 declarations in form 'C' received from dealers of different States other than Assam, and the dealers were accordingly assessed between December 2004 and October 2005 at a concessional rate of four *per cent*. Verification of the records of Byrnihat taxation checkgate revealed that all these dealers sold coal only to Assam based dealers during the aforesaid period. The dealers, thus, procured 'C' forms by fraudulent means to avail of concessional rate of tax. This resulted in evasion of tax of Rs. 1.05 crore. Besides, maximum penalty of Rs. 1.58 crore was also leviable.

After this was pointed out, the Government stated in February 2008 that the declarations made in the taxation check gate were not properly filled up by the dealers and, therefore, could not be treated as authentic. The reply is not tenable as every person transporting goods has to furnish a correct and complete declaration of goods and the officer incharge of the checkgate shall countersign the declaration on being satisfied about the correctness of entries made in the declaration.

6.23.1.3 Test check of the records of the ST, Jowai in May 2005 revealed that three dealers sold coal in the course of interstate trade valued as Rs. 5.75 crore during the period between September 2002 and September 2003 to a dealer in Asansol, West Bengal and produced nine declarations in form 'C' issued by the purchasing dealer. The AO accepted the declaration forms and assessed the dealers accordingly. Cross verification of the records of the Assistant Commissioner of Commercial Taxes, Asansol Charge, West Bengal, however, revealed that these 'C' forms were not issued to the dealer in Asansol. Thus, the dealer in Meghalaya acquired the declaration forms fraudulently and utilised them to avail of concessional rate of tax. This resulted in underassessment of tax of Rs. 23.01 lakh calculated at the differential rate of four *per cent*. Besides, penalty of Rs. 34.52 lakh was also leviable.

After this was pointed out, the Government stated in February 2008 that the COT had taken up the matter with the concerned Sales Tax Authority for verification of forms. Result of verification is awaited (February 2008).

6.23.2 Under the provisions of the CST Act, if any dealer who claims that he is not liable to pay tax in respect of any goods on the ground that the movement of such goods from one State to another was occasioned by reason of transfer of such goods to any other place of his business or to his agent or principal and not by reason of sale, shall substantiate his claim by declarations in form 'F' issued by the transferee/consignee along with other evidence of despatch of goods. If the dealer fails to furnish such declaration, then the movement of such goods shall be deemed to have been occasioned as a result of sale.

Test check of the assessment records of the ST, Jowai in May 2006 revealed that two dealers claimed to have despatched coal by way of transfer of stock valued as Rs. 6.59 crore during the period from April 2005 to March 2006 to their agent in Burdwan, West Bengal and furnished three declarations in form 'F' in support of exemption from payment of tax. The AO accepted the forms and assessed the dealers accordingly between December 2005 and May 2006. Cross verification with the records of the Commissioner of Commercial tax, West Bengal, however, revealed that those declaration forms had not been issued by the Commercial Taxes Department, West Bengal. Thus, 'F' forms furnished by the dealers were fake and invalid and tax should have been levied at the rate of eight *per cent* by treating the movement of such goods as result of sale. Failure of the AO to detect the fake declaration forms resulted in the loss of revenue of Rs. 52.72 lakh. In addition, maximum penalty of Rs. 79.08 lakh was also leviable for deliberate evasion of tax.

After the cases were pointed out, the Government stated in February 2008 that the matter had been taken up with the Commissioner of Commercial Taxes, West Bengal for verification of forms. Result of verification is awaited (February 2008).

6.24 Loss of revenue due to failure to levy tax on closing stock

Failure of the ST to levy tax on the closing stock of two companies at the time of their closure led to the loss of revenue of Rs. 61.36 lakh.

Under the MST Act, when the certificate of registration of a dealer is cancelled, the dealer shall be liable to pay tax on his stock of goods remaining unsold at the time of cancellation of the certificate.

Test check of the assessment records of the ST, Circle V, Shillong, conducted in February 2006 revealed that two companies dealing in coal closed down their business between October 2004 and September 2005. Cross verification with the records of the Registrar of Companies (ROC), Shillong, however, revealed that the two companies continued their business during 2005-06 and sold coal valued as Rs. 7.67 crore from their closing stock which escaped the notice of the ST and thereby the two companies evaded tax of Rs. 61.36 lakh. Thus, failure of the ST to levy tax on closing stock of the two companies at the time of their closure resulted in loss of revenue of Rs. 61.36 lakh.

The cases were reported to the department/Government in July 2006; their reply has not been received (February 2008).

6.25 Evasion of tax by owners of unregistered motor vehicles

Failure to register 618 taxable vehicles under the MPGT Act led to evasion of tax of Rs. 61.31 lakh.

Rule 37 of the Meghalaya Passengers and Goods Taxation (MPGT) Rules envisages that any owner of a taxable vehicle carrying goods or passengers shall apply to the prescribed authority for registration under the MPGT Act. The owner is also required to file his return to the AO within 10 days of the close of each month along with a copy of treasury challan showing payment of taxes as per the rates prescribed by the Government from time to time. Such tax is assessed and collected by the ST in respect of vehicles registered in his office.

Cross verification of the records of three* STs with those of the concerned district transport officers (DTO) revealed that 618 owners of taxable vehicles of different categories** were registered between April 2001 and June 2004 under the Motor Vehicle (MV) Act, 1988 and MV tax in respect of these vehicles was realised accordingly. The owners of these vehicles neither applied for registration under the MPGT Act nor was any action initiated by the STs to register them. This resulted in the evasion of tax of Rs. 61.31 lakh.

After this was pointed out, the Government stated in February 2008 that the AOs were instructed to conduct an enquiry with the concerned District Transport Officers. Result of enquiry is awaited (February 2008).

6.26 Loss of revenue

Failure of the officer incharge of the taxation check gate to detect excess load of coal led to the loss of revenue of Rs. 47.93 lakh.

The COT, Meghalaya in September 2003 notified that all coal traders carrying coal in excess of 15 MT per truck in the course of interstate trade or commerce shall pay at the check gate, additional security at the rate of Rs. 120 per MT for the excess load so carried. This additional security was in addition to the advance tax of Rs. 1,800 per truck carrying coal 15 MT coal.

Test check of the records of the taxation check gate at Umkiang in August 2006 revealed that during the period between August 2005 and July 2006, 36,729 commercial trucks carried 38,706 MT of coal in excess of the permissible limit of 15 MT and paid Rs. 46.45 lakh at the check gate as advance tax in the form of additional security.

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* Shillong, Tura and Williamnagar.

** Goods carrying vehicle: 430, Sumo: 128, Bus: 60.

Cross verification with the records of the DMR check gate located at the same station, however, revealed that these 36,887 commercial trucks actually carried 78,647 MT of coal in excess of the permissible limit and accordingly, paid royalty at the DMR check gate. Thus, 39,941 MT of excess load of coal escaped notice of the taxation check gate authorities leading to the loss of revenue of Rs. 47.93 lakh.

After this was pointed out, the Government while admitting the facts stated in February 2008 that action had been initiated to check under-weighment by the concerned weighbridge. The reply is, however, silent regarding steps taken to recover the revenue.

6.27 Loss of revenue due to non/short deduction of tax at source

Failure to register the dealers dealing in taxable goods and deduct tax at the prescribed rate led to loss of revenue of Rs. 42.88 lakh.

Under the provisions of the Meghalaya Finance (Sales Tax) (MFST) Act, no dealer shall carry on business in 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 should deduct tax at source at the prescribed rate while making payment to the supplier and deposit it in Government account.

6.27.1 Cross verification of the records of M/s Mawmluh Cherra Cement Limited (a State Government cement manufacturing company) with those of the ST, circle V, Shillong in March 2006 revealed that the company purchased coal valued as Rs. 18.49 crore during 2001-02 to 2004-05 from unregistered dealers on which tax of Rs. 30.93 lakh instead of Rs. 71.12 lakh was deducted at source and deposited into Government account. The ST did not initiate any action to register these dealers and realise the tax due. Thus, failure of the company to deduct the tax at source and the AO to register the dealers resulted in loss of revenue of Rs. 40.19 lakh.

6.27.2 Cross verification of the records of the block development officer (BDO), Mairang with the records of the ST, circle II, Shillong in February 2005 revealed that a dealer sold CGI* sheet, GI ridging, *etc.* valued as Rs. 67.20 lakh between December 2000 and November 2002 to the BDO who did not deduct the tax at source while making payment. The dealer neither applied for registration nor was any action taken by the ST to register the dealer and recover the tax due. This resulted in loss of revenue of Rs. 2.69 lakh.

* corrugated galvanised iron

After the cases were pointed out, the Government stated in July 2007 that action had already been initiated in the light of the audit observation for registration of dealers and realisation of tax. Report of recovery has not been received (February 2008).

6.28 Loss of revenue due to non-completion of assessment

Delay in completion of assessments of two dealers led to loss of revenue of Rs. 19.82 lakh.

Under Section 8 of the MFST Act and rules made thereunder, every dealer is required to submit a return along with the proof of payment of the admitted tax within 30 days of the close of each six monthly period. If a dealer fails to submit returns or, after submission of returns, fails to produce the books of accounts despite notices, the AO shall complete the assessments on best judgment basis. It was judicially held* by the Supreme Court that the AO is bound to make assessment to the best of his judgment if the dealer fails to submit returns and produce books of accounts.

Test check of the assessment records of the ST, Circle IV, Shillong in March 2006 revealed that two dealers 'A' and 'B' imported taxable goods valued as Rs. 2.01 crore (A: Rs. 39.74 lakh; B: Rs. 1.61 crore) during 2002-03 and 2004-05 respectively as per the road permit register maintained by the circle. Dealer 'A' was assessed to tax upto March 2002 and 'B' upto March 2003. Thereafter, the dealers failed to submit returns. The AO also did not initiate any action either to issue notice for submission of return or to assess the dealers on best judgment basis. Further scrutiny revealed that both the dealers had closed down their business as they did not apply for registration under the Value Added Tax Act which came into force from 1 May 2005. Thus, failure of the AO to initiate timely action to assess the dealers on best judgment basis led to the loss of revenue of Rs. 19.82 lakh (A: Rs. 4.77 lakh; B: Rs. 15.05 lakh).

After this was pointed out, the Government in February 2008 stated that both cases were under scrutiny.

* CIT Vs Segu Buchiah Setty (1970) 77I TR 539 SC

6.29 Loss of revenue due to loss in transit of case records

Revenue of Rs. 18.64 lakh was lost due to the loss in transit of case records of a dealer.

Under Section 11 of the MFST Act, if the COT is satisfied that any taxable turnover has escaped assessment during any return period, he may, at any time within eight years of the end of the aforesaid period, proceed to assess the dealer in respect of such period.

Cross verification of the records of the ST, Ribhoi district, Nongpoh with those of the ST, circle III, Shillong in May 2006 revealed that the case records of a dealer registered in circle III, Shillong was transferred on 9 September 2004 to Nongpoh office but the records were not received by the ST, Nongpoh till the date of audit. The dealer, however, imported soap, bricks, packaged foods, *etc.* valued as Rs. 1.57 crore from outside the State but neither paid any tax nor was the turnover assessed by either of the AOs. The assessment records were also not traceable. This resulted in loss of revenue of Rs. 18.64 lakh.

After this was pointed out, the Government stated in February 2008 that the case was under investigation. Report of investigation is awaited (February 2008).

6.30 Underassessment of tax due to mistake in computation

There was underassessment of tax of Rs. 16.84 lakh due to mistake in computation of tax.

Under the provisions of the MPT Act, the authority which made an assessment or passed an order on appeal or revision may, at any time within three years from the date of such assessment or order and of his own motion, rectify any mistake apparent from the record of the case. The provision of the State Act applies *mutatis mutandis* in case of assessment/reassessment under the CST Act.

Test check of the assessment records of the ST, Purchase Tax (PT) Circle in January 2007 revealed that a manufacturer sold processed lime valued as Rs. 10.85 crore to a registered dealer of Assam in the course of interstate trade between April 2002 and March 2003. The dealer claimed exempted sale of Rs. 3.86 crore under the Meghalaya Industries (Sales Tax Exemption) Schemes, 2001 and declared sale of Rs. 6.99 crore taxable at four *per cent*. The AO, however, assessed the dealer on the entire turnover of Rs. 10.85 crore and levied tax accordingly. On the dealer preferring an appeal, the appellate authority in October 2006 ordered the turnover of Rs. 3.86 crore as exempted sale but erroneously determined the remaining taxable turnover as Rs. 2.78

crore instead of Rs. 6.99 crore and directed the AO to revise the assessment. The AO instead of pointing out the mistake apparent from the records to the appellate authority for rectification, completed the assessment in October 2006 accordingly. Thus, due to the erroneous order, turnover of Rs. 4.21 crore escaped assessment resulting in underassessment of tax of Rs. 16.84 lakh.

After the case was pointed out, the Government while admitting the facts stated in February 2008 that the COT had directed the Appellate Authority to rectify the mistake. Further report is awaited (February 2008).

6.31 Non-levy of penalty on misuse of 'C' form

Penalty of Rs. 15.77 lakh was not levied for the misuse of 'C' form on the purchase of goods at a concessional rate of tax.

Under Section 8 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 prescribed declaration in form 'C'. Further, under Section 10(d) of the Act, if any person after purchasing 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 which would have been levied in lieu of prosecution. It was judicially held* by the Supreme Court that 'building material' cannot be regarded as raw material in the manufacture or processing of goods.

Test check of the records of the ST, Jowai in April 2007 revealed that a manufacturer of cement completed the construction of the plant and started commercial production from April 2006. The unit imported 'building material' valuing Rs. 2.07 crore between May 2006 and March 2007 against declaration in form 'C' for use as raw material in the manufacture of cement. Since it has been judicially held that building material cannot be regarded as raw material in the manufacture of cement, the dealer was liable to pay maximum penalty of Rs.15.77 lakh for the misuse of 'C' forms. However, this was not levied.

After this was pointed out, the Government stated in February 2008 that the dealer purchased goods for use as raw materials in manufacturing except few items of building materials and therefore penalty could not be imposed. The reply is not tenable as the entire purchase of the dealer was building materials as per utilisation statement of 'C' forms furnished.

* J.K. Cotton Spinning & Weaving Mills vs The STO Kanpur (1965)16 STC 563 (SC)

6.32 Non-forfeiture of tax

Loss of revenue of Rs. 14.83 lakh due to non-forfeiture of irregular collection of tax on exempted goods.

Under the sales tax laws of Meghalaya, if any dealer collects any sum by way of tax in respect of sale of any goods on which no tax is payable, the tax so collected shall be forfeited to the Government. Further, clause 4(iii) of the Meghalaya Industries (Sale Tax Exemption) Scheme, 2001 provides for total exemption on the sale of finished products in the course of interstate trade.

Test check of the records of ST, PT circle, Shillong in January 2007 revealed that a sales tax exempted manufacturing unit under the Industrial Scheme 2001, sold finished goods valued as Rs. 3.86 crore between April 2002 and March 2003 and collected tax of Rs. 14.83 lakh on the sale of such exempted goods. The AO instead of forfeiting the tax of Rs. 14.83 lakh so collected, carried forward the amount to be adjusted against the tax liability of subsequent periods. This irregular assessment resulted in non-forfeiture of tax of Rs. 14.83 lakh.

After this was pointed out, the Government stated in February 2008 that the assessment of the dealer was based on the orders of the Appellate Authority (AA) and the AO had no power to set aside the order of the AA. The reply is not tenable as the COT can exercise his *suo motu* power of revision in case any order passed by the AA is prejudicial to the interest of revenue.

6.33 Loss of revenue due to irregular registration

The grant of registration certificate without proper verification led to the loss of revenue of Rs. 9.39 lakh.

Under Section 7(1) of the CST Act and rules made thereunder, every dealer liable to pay tax under this Act shall make an application for registration not later than 30 days from the date on which the dealer becomes liable to pay tax under the Act. If the registering authority (RA) is satisfied that the particulars contained in the application are correct and complete, he shall register the applicant and grant him a certificate of registration fixing the date of liability to pay tax.

Test check of the records of the ST, Jowai in April 2007 revealed that a coal dealer had applied for registration on 30 January 2007 under the CST Act and the RA asked the area Inspector of Taxes (IT) on 8 February 2007 to conduct an inquiry regarding the correctness of the particulars furnished by the dealer in the application. The IT submitted his report on the same day and the RA accordingly granted the dealer registration certificate on 8 February 2007, fixing the date of liability to pay the tax with effect from 1 February 2007.

Cross check of the records of the Umkiang Taxation checkgate under the jurisdiction of ST Jowai, however, revealed that the dealer sold 8,384.50 tonnes of coal valued as Rs. 1.17 crore during April 2005 to March 2006 which had escaped the notice of the IT and RA. Thus, grant of registration certificate without proper inquiry resulted in loss of revenue of Rs. 9.39 lakh calculated at the rate of eight *per cent*.

After this was pointed out, the Government stated in February 2008 that the aforesaid quantity of coal was despatched by another dealer who was registered and therefore there was no loss of revenue. The reply is not tenable as the officer in charge of the checkgate reported transportation of coal by the dealer who was not registered during the period April 2005 to March 2006.

6.34 Underassessment of tax due to incorrect deduction

Underassessment of tax of Rs. 6.03 lakh due to irregular allowance of deduction of Rs. 69.40 lakh.

Under the taxation laws of Meghalaya, in determining the taxable turnover of a dealer, a deduction on account of tax collected by him is allowable from the aggregate of sales turnover in accordance with the prescribed formula.

Test check of the assessment records of the ST, Circle III and IV, Shillong in March 2006 revealed that two dealers disclosed net taxable turnover of Rs. 10.55 crore in their returns for the year 2003-04 and 2004-05. Though the element of tax was not included in the turnover, Rs. 69.40 lakh was deducted from the taxable turnover by the AO while completing assessments between August 2004 and June 2005. Such inadmissible deduction resulted in underassessment of tax of Rs. 6.03 lakh.

After the cases were pointed out, the Government while admitting the facts in respect of the dealer registered in circle-III, stated in July 2007 that reassessment was made and the dealer was asked to pay the balance tax. Report on recovery has not been received (February 2008).

In respect of the dealer of circle IV, the Government stated that the claim of deduction was correct and admissible as the sale price was inclusive of tax. The reply is not tenable as the turnover assessed was the cost of material consumed in the works contract and not the sale price of material as contended.

6.35 Evasion of tax by fraudulent means

Intrastate sales of Rs. 1.45 crore were fraudulently shown as interstate sales resulting in evasion of tax of Rs. 6.03 lakh.

Under the CST Act, a sale or purchase of goods shall be deemed to have taken place in the course of interstate trade if the sale or purchase occasions the movement of goods from one State to another.

Test check of the records of the ST, circle III Shillong in March 2005 revealed that a dealer disclosed sale of soap valued as Rs. 1.45 crore to a dealer in Nagaland during the period from April 2001 to March 2004 in the course of interstate trade and produced three declarations in form 'C' in the support of such sales. The dealer was accordingly assessed to tax of Rs. 5.59 lakh calculated at a concessional rate of four *per cent.* Cross verification with the records of the Byrnihat taxation check gate revealed that no vehicles carrying goods sold by the dealer passed the check gate during the aforesaid period. Moreover, the dealer of Nagaland which issued the declaration forms, had already closed down his business in 1995. Since sale of goods did not involve interstate movement, such sales were to be treated as sales within the State and tax of Rs. 11.62 lakh was to be levied. Omission to do so resulted in evasion of tax of Rs. 6.03 lakh.

After the case was pointed, the AO stated in February 2007 that the dealer had paid tax of Rs. 5.59 lakh though he was not liable to pay tax as the sale was covered under Section 6(2) of the CST Act. The reply is not tenable as the dealer of Nagaland who had issued the declaration forms was not in existence during the period and it is thus evident that those declaration forms were fraudulently acquired by the Shillong based dealer to avail of concessional rate of tax.

The Government in February 2008 endorsed the reply of the AO and further stated that COT had taken up the matter with the COT, Nagaland. Further report is awaited (February 2008).

6.36 Irregular assessment at concessional rate

Tax was underassessed by Rs. 5.35 lakh due to irregular acceptance of certificate in form D issued by three autonomous bodies.

Under the provisions of the CST Act, every dealer who in the course of interstate trade sells any good to a Government department, shall be liable to pay tax at the rate of four *per cent* of his turnover, if supported by form 'D'. Otherwise such sale is taxable at 10 *per cent* or at the rate applicable to the sale or purchase of such goods inside the appropriate State whichever is higher. In Meghalaya, 'motor vehicle' is taxable at the rate of 12 *per cent.*

Test check of the assessment records of the ST, circle IV, Shillong in November 2006 revealed that a registered dealer sold motor vehicles valued as Rs. 66.90 lakh to three non-Government departments* in the course of interstate trade during the period November 2001 to February 2004. The dealer was assessed in November 2006 at a concessional rate of four *per cent* against certificates in form 'D'. Acceptance of form 'D' in support of the above transactions was not in order as these certificates were furnished by autonomous bodies which are not Government departments. Thus, irregular acceptance of certificates in form 'D' resulted in underassessment of tax of Rs. 5.35 lakh.

After this was pointed out, the Government while admitting the facts, stated, in February 2008, that show cause notice had been issued to the dealer for reassessment. Report of assessment and recovery of tax is awaited (February 2008).

6.37 Evasion of tax by unregistered dealers

Failure of the department to register seven dealers led to evasion of tax of Rs. 5 lakh.

Under the CST Act, every dealer who is liable to pay tax, is to be registered under Section 7(1) of the Act. Further, interstate sale of goods not covered by declaration in form 'C' is taxable at the rate of 10 *per cent* or at the rate applicable under the State Act whichever is higher. In Meghalaya, bamboo is taxable at the rate of four *per cent* from May 2005.

Cross verification of the records of the ST, Williamnagar and Tura with those of DFO, Tura in June 2006 revealed that seven unregistered dealers sold bamboo valued as Rs. 49.97 lakh in the course of interstate trade between June 2005 and March 2006 and were liable to pay tax of Rs. 5 lakh. But the dealers neither applied for registration under the CST Act nor paid the due tax. The Taxation Department also failed to get these dealers registered leading to evasion of tax of Rs. 5 lakh.

After this was pointed out, the Government while admitting the facts stated in February 2008 that sanction to erect a check post in March 2008 had been accorded to arrest evasion of tax by unscrupulous dealers. The reply is however silent regarding action taken to register and recovery the tax from the unregistered dealers.

* Central Muga Eri Research & Training, Institute, Jorhat; National Institute of Technology, Silchar; Project Director, Society for Implementation of Assam Area Project.

6.38 Non-levy of interest

Non-levy of interest of Rs. 4.18 lakh for default in payment of tax.

Under the provisions of MFST Act, if any registered dealer fails to pay the full amount of tax by the due date, he is to be liable to pay interest at prescribed rates varying between 6 and 24 *per cent* per annum for the period of default on the amount by which tax paid falls short.

Test check of the assessment records of the ST, circle III Shillong in March 2006 revealed that a registered dealer was assessed to tax of Rs. 1.09 crore in May 2005 for the period from April 2003 to March 2004. The dealer, however, paid Rs. 24.09 lakh on the due dates and Rs. 72.20 lakh belatedly leaving a balance of Rs. 12.21 lakh unpaid till the date of audit. For belated/non-payment of tax, interest of Rs. 4.18 lakh was leviable but was not levied by the AO.

After the case was pointed out, the Government while admitting the facts stated in July 2007 that interest had been levied and a notice of demand issued to the dealer for payment. The report on recovery has not been received (February 2008).

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 a general view of Government companies and Statutory corporations. Paragraph 7.2 contains a Performance Review on 'Implementation of Accelerated Power Development and Reforms Programme' (APDRP), by the Meghalaya State Electricity Board' and paragraphs 7.3 to 7.8 deal with other topics of interest.

7.1 Overview of Government companies and Statutory corporations

7.1.1 Introduction

As on 31 March 2007, 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 2006. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors who are appointed by the

Comptroller and Auditor General of India (CAG) as per the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619 (4) of the Companies Act, 1956. The audit arrangement of the Statutory corporations is as follows:

Table 7.1

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1.	Meghalaya State Electricity Board (MeSEB)	Under Rule 14 of the Electricity (Supply) (Annual Accounts) Rules, 1985 read with Section 185 (2)(d) of the Electricity Act, 2003[(1)].	Sole audit by the CAG
2.	Meghalaya Transport Corporation (MTC)	Section 32(2) of Road Transport Corporations Act, 1950	
3.	Meghalaya State Warehousing Corporation (MSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by the CAG

Working Public Sector Undertakings (PSUs)

7.1.2 Investment in working PSUs

As on 31 March 2007, the total investment in 13 working PSUs (10 Government companies and three Statutory corporations) was Rs.1290.34 crore[2] (equity: Rs.389.90 crore; long-term loans[3]: Rs.892.37crore and share application money: Rs.8.07 crore) against the total investment of Rs.896.80 crore (equity: Rs.379.72 crore; long-term loans: Rs.512.92 crore and share application money: Rs.4.16 crore) as on 31 March 2006. The analysis of investment in working PSUs is given in the following paragraphs.

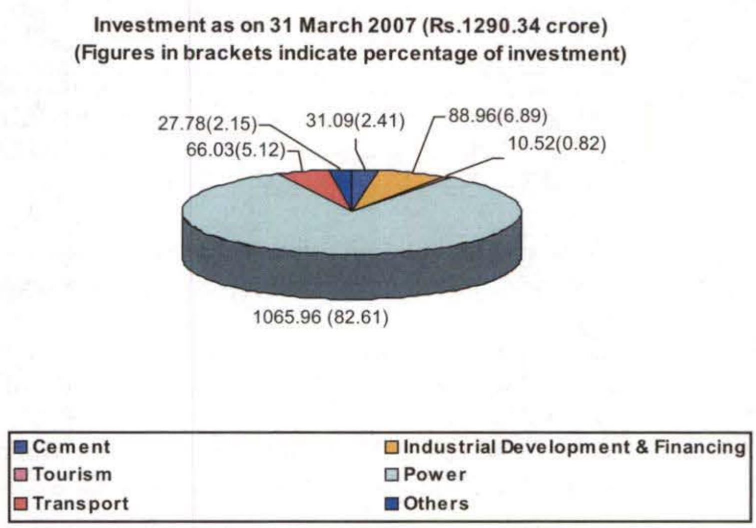
7.1.3 Sector-wise investment in working Government companies and Statutory corporations

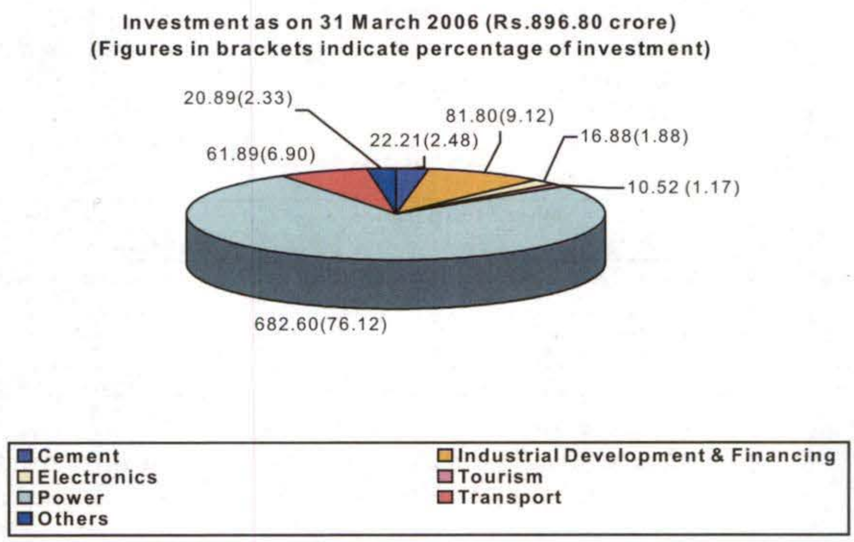
The investment (equity and long term loans) in PSUs in various sectors and percentage thereof at the end of 31 March 2007 and 31 March 2006 are indicated in the pie charts.

(1) The earlier provision of Section 69(2) of the Electricity (Supply) Act, 1948 was repealed by the Electricity Act, 2003.

2 State Government's investment was Rs.760.13 crore (Others: Rs.530.21 crore). Figure as per Finance Accounts 2006-07 is Rs.142.48 crore. The difference is under reconciliation.

3 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.


Investment as on 31 March 2007 (Rs.1290.34 crore)
(Figures in brackets indicate percentage of investment)
27.78(2.15)
31.09(2.41)
88.96(6.89)
66.03(5.12)
10.52(0.82)
1065.96 (82.61)
Cement
Tourism
Transport
Industrial Development & Financing
Power
Others


Investment as on 31 March 2006 (Rs.896.80 crore)
(Figures in brackets indicate percentage of investment)
20.89(2.33)
81.80(9.12)
22.21(2.48)
16.88(1.88)
61.89(6.90)
10.52 (1.17)
682.60(76.12)
Cement
Electronics
Power
Others
Industrial Development & Financing
Tourism
Transport

7.1.4 *Working Government companies*

The total investment in working Government companies at the end of March 2006 and March 2007 was as follows:

Table 7.2

(Rupees in crore)

Year	Number of companies	Equity	Share application money	Loans	Total
2005-06	10	113.28	4.16	32.31	149.75
2006-07	10	119.21	8.07	28.41	155.69

Increase in the total investment was mainly due to increase in the share capital of Meghalaya Industrial Development Corporation Limited.

The summarised statement of Government investment in working Government companies in the form of equity and loan are detailed in **Appendix 7.1**.

As on 31 March 2007, the total investment in working Government companies comprised 81.75 *per cent* of equity capital and 18.25 *per cent* of loans as compared to 78.42 *per cent* and 21.58 *per cent* respectively as on 31 March 2006.

7.1.5 *Working Statutory corporations*

The total investment in three Statutory corporations at the end of March 2006 and March 2007 was as follows:

Table 7.3

(Rupees in crore)

Name of Corporation	2005-06		2006-07	
	Capital	Loan	Capital	Loan
Meghalaya State Electricity Board (MeSEB)	202.00[4]	480.60	202.00[4]	863.96
Meghalaya Transport Corporation (MTC)	61.90[5]	-	66.03[5]	-
Meghalaya State Warehousing Corporation (MSWC)	2.55	-	2.66[6]	-
Total	**266.45**	**480.60**	**270.69**	**863.96**

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 2007, the total investment in working Statutory corporations comprised 23.86 *per cent* of equity capital and 76.14 *per cent* of loans as compared to 35.67 *per cent* and 64.33 *per cent* respectively as on 31 March 2006.

(4) State Government loan was converted into equity.

(5) Figures for 2005-06 and 2006-07 in respect of MTC are provisional.

(6) Figures for 2006-07 in respect of MSWC are provisional

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 & 7.3.**

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 2007 is given below:

Table 7.4

(Rupees in crore)

	2004-05				2005-06				2006-07			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1. Equity	2	3.10	2	2.80	1	0.21	2	20.57	3	9.84	2	3.11
2. Loans	-	-	1	25.56	-	-	1	8.52	-	-	1	9.66
3. Grants	2	0.58	-	-	2	0.68	-	-	2	0.60	-	-
4. Subsidy	-	-	2[7]	13.60	1	3.90	2[7]	13.60	-	-	2[7]	27.15
Total outgo	**4[8]**	**3.68**	**2[8]**	**41.96**	**4[8]**	**4.79**	**3[8]**	**42.69**	**5**	**10.44**	**3[8]**	**39.92**

During 2006-07, 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.376.90 crore against two working Government companies (Rs.3.26 crore) and one working Statutory corporation (Rs.373.64 crore) were outstanding.

Against guarantees given by the State Government in earlier years to Meghalaya Mineral Development Corporation Limited amounting to Rs.2.33 crore for obtaining loans from other sources, the Company defaulted in repayment of loan of Rs.2.26 crore at the end of 2006-07. At the end of 2006-07, guarantee commission of Rs.12.44 crore (including current year: Rs.3.15 crore) was payable by the Meghalaya State Electricity Board to the State Government.

7.1.7 Finalisation of accounts by working PSUs

The accounts of 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

(7) Represents subsidy against Rural Electrification losses to Meghalaya State Electricity Board and grants to Meghalaya Transport Corporation for operation of buses on uneconomic routes.

(8) Actual numbers of companies/corporations which received equity/loans/grants/subsidy from State Government during the year.

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 2006-07 within the stipulated period. During the period from October 2006 to September 2007, eight working Government companies finalised eight accounts for the previous years. The remaining two companies did not finalise any of the accounts during this period. During this period, two Statutory corporations *viz.*, Meghalaya State Warehousing Corporation and Meghalaya Transport Corporation finalised their accounts for the years 2005-06 and 2000-01 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 2007 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	
	Govern-ment companies	Statutory corporations			Government companies	Statutory corpora-tions
1.	02	01	2006-07	01	1&10	3
2.	02	-	2005-06 to 2006-07	02	4 & 9	-
3.	01	-	2003-04 to 2006-07	04	5	-
4.	01	01	2001-02 to 2006-07	06	3	2
5.	02	-	2000-01 to 2006-07	07	2 & 7	-
6.	01	-	1999-2000 to 2006-07	08	6	-
7.	01	-	1992-93 to 2006-07	15	8	-

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 the Audit regarding 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 7.4 & 7.5** respectively.

According to the latest finalised accounts of 10 working Government companies and three Statutory corporations, eight companies and two corporations had incurred an aggregate loss of Rs.10.28 crore and Rs.89.96 crore respectively and the remaining two companies and one corporation earned profit of Rs.0.84 crore and Rs.0.05 crore respectively.

Working Government companies

7.1.9 Profit earning working companies and dividend

Out of eight Government companies which had finalised their accounts for previous years during October 2006 to September 2007, only two companies had earned an aggregate profit of Rs. 0.84 crore.

7.1.10 Loss incurring working Government companies

Of the eight loss incurring working Government companies, seven companies had accumulated losses aggregating Rs.64.63 crore which eroded their entire aggregate paid-up capital of Rs.11.73 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to four out of these seven companies 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 2006-07 to these companies amounted to Rs.2.09 crore.

Working Statutory corporations

7.1.11 Profit earning working Statutory corporations and dividend

One Statutory corporation *viz.* Meghalaya State Warehousing Corporation, which finalised its accounts for the previous year, earned a profit of Rs.4.73 lakh and declared dividend of Rs.0.90 lakh during the year.

7.1.12 Loss incurring working Statutory corporations

Meghalaya State Electricity Board and Meghalaya Transport Corporation incurred loss as per their latest finalised accounts and their accumulated losses aggregated to Rs.454.41 crore, which exceeded their paid up capital of Rs.251.29 crore. Despite poor performance and complete erosion of the paid up capital, the State Government continued to provide financial support to these Statutory corporations by way of loan (Rs.9.66 crore), equity (Rs.3 crore) and subsidy/grant (Rs.27.15 crore).

7.1.13 Operational performance of working Statutory corporations

The operational performance of the working Statutory corporations is given in **Appendix 7.6**. 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 increased from 25.97 *per cent* in 2004-05 to 36.84 *per cent* in 2006-07.

Meghalaya Transport Corporation

- Average kilometres covered per bus per day decreased from 135 Km in 1998-99 to 124 Km in 2000-01.
- Loss per kilometre increased from Rs.10.38 in 1998-99 to Rs.26.01 in 2000-01.

7.1.14 Return on capital employed

As per the latest annual accounts of PSUs, the capital employed[9] worked out to Rs.82.38 crore in 10 working companies and total return[10] thereon was (-) Rs.1.95 crore as compared to total return of (-)Rs.2.28 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.726.97 crore and (-)Rs.65.30 crore respectively against the capital employed of Rs.623.83 crore and return of (-)Rs.17.09 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**.

[9] 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).

[10] 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.

7.1.15 Status of placement of Separate Audit Reports of Statutory corporations in Legislature

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations as issued by the CAG, in the Legislature by the Government.

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	2004-05	2005-06	8 May 2007	Under process of placement to Legislature
2.	Meghalaya Transport Corporation	1999-2000	2000-01	22 September 2007	Under printing
3.	Meghalaya State Warehousing Corporation	2004-05	2005-06	27 July 2007	Under printing

7.1.16 Disinvestments, privatisation and restructuring[11] of Public Sector Undertakings

During 2006-07 none of the Public Sector Undertakings (PSU) has disinvested their 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 2006 to September 2007, the accounts of five working Government companies and three Statutory corporations were selected for audit. The net impact of audit observations as a result of audit of the 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	-	-	-	-
(ii) Increase in profit	1	1	17.50	1.16
(iii) Increase in loss	1	1	8.49	950.00
(iv) Decrease in loss	1	2	4.39	2236.18

[11] Restructuring includes merger and closure of PSUs.

Some of the major errors and omissions noticed in the course of audit of annual accounts of Government companies and Statutory corporations are mentioned below:

7.1.18 Errors and omissions noticed in the case of Government companies

Meghalaya Industrial Development Corporation Limited (1999-2000)

- Overstatement of profit by Rs.17.50 lakh due to inclusion of bonus shares received from the assisted units as miscellaneous income instead of accounting under investment.

Meghalaya Government Construction Corporation Limited (2004-05)

- Understatement of loss by Rs.4.39 lakh due to adjustment of advance paid for purchase of vehicle against subsidy.

7.1.19 Errors and omissions noticed in the case of Statutory corporations

Meghalaya State Electricity Board (2005-06)

- Overstatement of income by Rs.1.91 crore due to inclusion of (a) energy charges (Rs.1.82 crore) and (b) rebate received from the contractor (Rs.9.42 lakh) twice in the accounts.
- Overstatement of income by Rs.2.39 crore due to inclusion of compensation bill relating to earlier years in the current year sale of power, raised against Public Health Engineering Department.
- Understatement of income by Rs.2.81 crore due to short booking of sale of power.
- Overstatement of expenditure by Rs.17.58 crore due to inclusion of (a) energy charges (Rs.14.05 crore) and (b) wheeling charges (Rs.3.53 crore) relating to previous years.
- Understatement of expenditure by Rs.4.43 crore due to non-accountal of (a) Income Tax re-imbursement claim (Rs.1.02 crore); (b) Fuel Price adjustment bill (Rs.1.61 crore); and (c) fees and charges (Rs.1.80 crore) payable to PGCIL for unified Load Despatch & Communication Scheme.

Meghalaya Transport Corporation (2000-01)

- Understatement of loss by Rs.40 lakh due to non-provision of penal interest payable to CPF authorities for non-payment of employer and employee's contribution.

7.1.20 Audit assessment of working results of Meghalaya State Electricity Board (MeSEB)

Based on the audit assessment of the working results of MeSEB for three years up to 2005-06 and taking into consideration major irregularities and omissions pointed out in 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	2003-04	2004-05	2005-06
1.	Net surplus (+)/deficit (-) as per books of accounts	(-) 18.31	10.95	(-) 57.07
2.	Subsidy from the State Government	10.35	10.80	10.80
3.	Net surplus (+)/deficit (-) before subsidy from the State Government (1-2)	(-) 28.66	0.15	(-) 67.87
4.	Net increase/decrease in net surplus (+)/deficit (-) on account of audit comments on the annual accounts of the MeSEB	(-) 14.61	(-) 16.27	(-) 13.62
5.	Net surplus (+)/deficit (-) after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-) 43.27	(-) 16.12	(-) 84.49
6.	Total return on capital employed	(-) 13.08	(-) 37.07	(-) 12.50
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 has been taken by these PSUs so far.

Meghalaya State Electricity Board

- Age-wise analysis of receivables has not been made.
- Subsidy registers for purchases, advances, *etc.* remained un-reconciled with the financial records.
- Stores ledger remains incomplete and Priced Stores Ledger has 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 manner in which the value of above stocks and consumption were assessed has not been 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 has not been maintained.

- Fixed assets and the land holding have 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 qualified that in three[12] companies no internal audit system exists or that internal audit is 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 in Meghalaya Electronics Development Corporation Limited.

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 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 2007 pertaining to 13 PSUs/Departments disclosed that 219 paragraphs relating to 56 inspection reports remained outstanding up to September 2007. Of these, 20 inspection reports containing 33 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 2007 is given in **Appendix 7.7.**

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-

[12] Mawmluh-Cherra Cements Limited, Meghalaya Electronics Development Corporation Limited and Forest Development Corporation of Meghalaya Limited.

officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. Six draft paragraphs and one performance audit review were forwarded to Power, Transport, Industries and Mining and Geology departments during April to August 2007. Replies to two draft paragraphs (Appendix 7.8) have not been received (February 2008).

It is recommended that (a) the Government should 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 be taken to recover loss/outstanding advances/overpayment as per a time bound schedule, and (c) the system of responding to audit observations is revamped.

7.1.24 Position of discussions 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 as appearing in the Audit Reports and discussed by COPU by the end of 30 September 2007:

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	-	-
Total	**28**	**87**	**8**	**16**

7.1.25 619-B Companies

There was one non-working company within 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 its latest available accounts.

Table 7.10

(Rupees in crore)

	Year of accounts	Paid up Capital	Investment by			Profit (+)/ Loss (-)	Accumulated Profit (+)/ Loss (-)
			State Government	Government Companies	Others		
Meghalaya Phyto Chemicals Limited	1984[13]	0.75	...	0.54	0.21	(-) 0.66	(-) 2.20

[13] The Company is defunct and thus, in absence of management no accounts after 1984 (Calendar year) have been compiled.

SECTION 'A': PERFORMANCE REVIEW

POWER DEPARTMENT

MEGHALAYA STATE ELECTRICITY BOARD

7.2 Implementation of Accelerated Power Development and Reforms Programme

Highlights

Non-release of matching contribution of Rs.13.23 crore by the State Government resulted in non-receipt of grant amounting to Rs.46.48 crore from the union Ministry of Power (MOP).

(Paragraph 7.2.8)

Delayed release of funds by the State Government to the Board has attracted penal interest liability of Rs.3.58 crore.

(Paragraph 7.2.8)

The board incurred extra expenditure of Rs.3.39 crore on the procurement of components not provided in the Detailed Project Reports.

(Paragraphs 7.2.13 and 7.2.14)

The Board incurred additional expenditure of Rs.6.46 crore on the procurement of major components at the rates higher than the issue rates of these components from its own stores.

(Paragraph 7.2.18)

7.2.1 Introduction

The Union Ministry of Power (MOP) launched (February 2001) Accelerated Power Development Programme (APDP), which was rechristened (March 2003) as Accelerated Power Development and Reform Programme (APDRP) to leverage the reforms in power sector through the State Governments. APDRP envisaged upgradation of sub-transmission and distribution system (33KV and below) including energy accounting and metering and to encourage/motivate utilities to reduce total losses by providing incentives for which financial support was being provided by the Government of India (GOI).

The main objectives of the APDRP are to:

- reduce Aggregate Technical and Commercial (AT&C) losses;
- improve financial viability of the power sector;
- improvement in quality and reliability of power supply; and
- increase consumer satisfaction.

The MOP entered (November 2002) into a Memorandum of Agreement (MOA) with the State Government for implementation of APDRP in the State. Subsequently, Meghalaya State Electricity Board (Board) signed (March 2003) a Tripartite Agreement with the MOP and the State Government to affirm joint commitment of the two parties to reform the power sector in the State and set out reform measures. The funds from MOP were to be released to the Board through the State Government. Power Grid Corporation of India Limited (PGCIL), the lead Adviser-cum-Consultants (AcCs) under the overall guidance of MOP was to monitor the implementation of the programme in the State.

In order to oversee the implementation of APDRP, the Chairman of the Board is assisted by the Chief Engineer (Distribution), designated as Nodal Officer. The Chief Engineer (Distribution) is assisted by Chief Executive Officers at the level of Superintending Engineer in seven[1] APDRP circles and Executive Engineers in 17 Divisions.

7.2.2 Scope of audit

The performance review was conducted in September/October 2006 and June/July 2007 with a view to assess the performance of the Board during 2000-07 in conceptualization and implementation of APDRP and its achievements with reference to the targets set in the programme. The records of six[2] circles (estimated cost of Rs.132.83 crore-58.40 *per cent*) out of seven circles (estimated cost - Rs.227.43 crore) along with the records of two sub-transmission and distribution projects (selected on the basis of work completed in two distribution circles- Shillong and Western) were examined during performance audit.

[1] Shillong, Tura, Jowai, Western, Central, Eastern and Garo Hills circles

[2] Shillong, Western, Jowai circles, SCADA/DMS Shillong, Central circle and SCADA/DMS, Western circle

7.2.3 Audit objectives

The performance review of implementation of APDRP by the Board in the State was conducted with a view to ascertain whether:

- Detailed Project Reports (DPRs) were prepared realistically to achieve the programme objectives;
- requirement of funds was assessed realistically; the funds were sanctioned and released in time at all levels and the funds were utilised efficiently, economically and effectively;
- implementation of various schemes, sub-schemes was carried out as per the guidelines of the reform programme efficiently, economically and effectively;
- the programme had provided for an effective and working monitoring mechanism at all levels;
- an effective and efficient system of evaluation was evolved for assessing the achievements with reference to the results envisaged in action plan;
- aggregate Technical and Commercial (AT&C) losses were reduced in accordance with action plan and targets; and
- the commitments agreed to in the MOA with the MOP and the objectives of the programme as given in the DPRs were achieved.

7.2.4 Audit criteria

The following audit criteria were used in the performance audit:

- Targets and benchmarks laid down in the Memorandum of Understanding (MOU) and MOA, guidelines issued by the MOP and the State Government;
- Terms and conditions set out by the MOP/State Government while releasing the funds;
- Projections/targets set out in DPRs; and
- Terms and conditions stipulated in various work orders and contracts, *etc.*

7.2.5 Audit methodology

The methodology adopted for the performance audit were examination of:

- benchmark/condition of MOU and MOA and guidelines issued by MOP/State Government;
- policy formulated by the Board for implementation of the programme;
- DPRs, Bid Documents, Tender proposals, minutes of meetings of the Technical and Commercial Evaluation Committee (TEC), records relating to implementation of projects;
- system of monitoring, internal controls and MIS reports; and,
- issue of audit queries and interaction with the Management.

Audit findings arising from the performance review were reported (November 2006/August 2007) to the Department of Power, Government of Meghalaya and also discussed (December 2006/October 2007) in the exit conference attended by the Principal Secretary and Commissioner, Department of Power, Government of Meghalaya, Member (Technical) and Chief Engineer (Distribution) of the Board. The views expressed by the members in the meetings and the reply (October 2007) of the State Government have been taken into consideration while finalising the review. The Audit findings are discussed in the succeeding paragraphs.

Audit findings

7.2.6 Funding Pattern

As per MOA, the funds were to be provided by the MOP in respect of Special Category States (Meghalaya being a Special Category State) through a combination of grants at 90 *per cent* and balance 10 *per cent* as soft loans to the State Governments. However, the loan component of 10 *per cent* for Special Category States stood dispensed (November 2005) with. The modalities for release of funds for Special Category States were as under:

- 30 *per cent* of the Project Cost –up front on approval of project under APDRP.
- After spending 30 *per cent* of the project cost, next tranche of 40 *per cent* would be released.
- Release of 10 *per cent* of the project cost by FIs/own resources.
- After spending 80 *per cent* of the project cost (70 *per cent* released by Government of India and 10 *per cent* by FIs), next tranche of 20 *per cent* to be released by GOI.

7.2.7 Project cost and finance

Power Grid Corporation of India (PGCIL), as Advisor cum Consultant (AcC) was entrusted with assessing and identifying deficiencies in the technical as well as commercial areas, based on data of the existing network as submitted by the Board. DPRs were prepared (October 2002 to November 2004) by PGCIL and were approved (November 2002 to March 2005) by the MOP for a total outlay of Rs.227.43 crore for execution of the projects in seven circles of the State. The MOP released (January 2003 to September 2006) funds amounting to Rs.90.44 crore (39.77 *per cent*) up to March 2007 to the Board through the State Government. The Board had incurred expenditure of Rs.86.20 crore (37.90 *per cent* of estimated cost) up to March 2007. Although, MOP approved DPR/estimated cost circle-wise, it released the funds on lump-sum basis without bifurcation for each circle. Hence, physical targets to be achieved in each circle against funds released could not be ascertained.

7.2.8 The general terms and conditions issued (June 2003) by MOP for utilisation of funds, *inter alia*, included that:

- utilities shall open a separate bank account in the first instance itself in a scheduled/nationalized bank for the purpose of implementing the scheme under APDRP. Funds from the Government/ internal resources or loans from FIs earmarked for the purpose shall be credited to this account;
- the State Government shall release the funds provided under APDRP to the State power utility within a week of the said amount being credited in the State Government account by the MOP otherwise it will be treated as diversion of funds;
- the funds received under APDRP shall not be diverted for other purposes either by the State Government or utilities. Otherwise the equivalent amount would be adjusted with 10 *per cent* penal interest against next instalment of Central Plan Assistance to the State Government.

Audit scrutiny revealed the following:

- The Board did not open separate bank account on receipt of funds for APDRP till September 2007. The funds received through the State Government were credited to the principal accounts of the Board till September 2007. In the absence of separate account of APDRP funds, the utilisation of funds, balance remaining unutilised, funds utilised from internal sources, *etc.* were not susceptible for verification in audit.

Non-release of matching contribution of Rs.13.23 crore by the State Government resulted in non-receipt of grant amounting to Rs.46.48 crore from the MOP.

- As per the funding mechanism, 90 *per cent* of the project cost was to be released by MOP by way of grant and 10 *per cent* of the project cost was to be arranged by the State Government from FIs or from own resources. Therefore, release of funds by MOP was based on the arrangement of matching funds by the State Government and furnishing utilisation certificate for the amount spent. It was, however, observed that, neither the State Government mobilised 10 *per cent* of the project cost nor furnished the Utilisation Certificate for Rs.86.20 crore spent during 2003-07 on APDRP scheme. Consequently, the Board could not avail the grants of Rs.46.48 crore from MOP as the State Government did not provide matching funds of Rs.13.23 crore (as detailed in **Appendix 7.9**). This in turn adversely affected the progress of works. It is pertinent to mention that MOP released (September 2006) Rs.32.07 crore as against the State Government's request for release of Rs.36 crore, since the State Government did not provide matching fund. Further, an amount of Rs.6.15 crore (from the advance of Rs.7.92 crore paid to PGCIL for implementation of SCADA/DMS in Western and Shillong Circles) was temporarily diverted (2005-07) by PGCIL for execution of ongoing APDRP Schemes in Jowai and Western Circles.

The Government stated (October 2007) that it had agreed in principle to release Rs.10 crore as matching funds. The fact remains that the delay in release of matching contribution by the State Government has resulted in less release of funds by MOP which in turn had effected timely completion of schemes under APDRP.

Delayed release of funds by the State Government has attracted penal interest liability of Rs.3.58 crore and also adversely affecting the progress of works.

- The State Government released (May 2003 to December 2006) funds amounting to Rs.90.44 crore to the Board after a delay of 2 to 10 months from the date of receipt of funds from MOP in violation of the terms and conditions of release of funds. This resulted in diversion of funds, thereby attracting penal interest of Rs.3.58 crore (**Appendix 7.10**) and also adversely affecting the progress of APDRP works.

The Government stated (October 2007) that the transfer of funds involved certain procedure such as referring the schemes through the Departmental Committee of the Planning and Finance Department and hence there was some delay. It, however, assured that in future care would be taken to transfer funds to the Board within the specified period.

7.2.9 *Implementation of the Programme*

Implementation of the schemes in seven circles was to be done as per the approved DPRs. The DPRs prepared (October 2002 to November 2004) by PGCIL in respect of the following four packages for each circle were approved (November 2002 to March 2005) by the MOP.

Table 7.11

(Rupees in crore)

Sl. No.	Name of Package	Scope of work	Estimated cost
1.	Package A	System metering, consumer metering, Meter test bench, Mapping & indexing of consumers network and computerisation/data logging	37.95
2	Package B	Revamping of sub-stations and Revamping of Distribution sub-station	59.47
3	Package C	Reconductoring/New lines/ feeder bifurcation	67.92
4	Package D	R&M of existing DTs, new DTs, LT capacitors and associated HT and LT lines	22.98
Total			**188.32**

Source: Data provided by the Board

A separate Package E, {Supervisory Control and Data Acquisition (SCADA)/ Distribution Management System (DMS)} was prepared (June 2004) by PGCIL for computerized billing, collection, computerized customer care centre and communication system in respect of Shillong and Western Circles. This package was approved (September 2004/March 2005) by MOP at an estimated cost of Rs.39.11crore.

7.2.10 The circle-wise expenditure/ percentage of expenditure incurred (up to March 2007) as compared to the estimated cost are given in the following table.

Table 7.12

(Rupees in crore)

Name of circle	Date of approval by MOP	Estimated cost	Cumulative expenditure (up to March 2007)	Percentage of expenditure to the estimated cost	Status of work (up to March 2007)
Shillong circle	November 2002	15.70	15.31	97.52	completed
Tura circle	November 2002	6.77	5.74	84.79	in progress
Western circle	November 2002	15.97	12.85	80.46	in progress
Jowai circle	May 2003	2.52	2.20	87.30	completed
Central circle	September 2004	59.53	25.67	43.12	in progress
Garo Hills circle	September 2004	36.21	13.28	36.67	in progress
Eastern circle	September 2004	51.62	3.15	6.10	in progress
SCADA/DMS Shillong	September 2004	21.12	4.32	20.45	in progress
SCADA/DMS Western	March 2005	17.99	3.68	20.45	in progress
Total		**227.43**	**86.20**	**37.94**	

Source: Data provided by the Board.

It can be seen from the above table that the APDRP works could be completed only in two (Shillong and Jowai) circles by March 2007 and the works in respect of other circles were in progress. The details of circle-wise progress of works are given in **Appendix** 7.11. As per approved DPRs, the works were to commence within six months from the date of approval of MOP and were scheduled to be completed within 24 months from the date of commencement of work. Accordingly, the entire works of APDRP were to be completed by September 2006 in seven circles and SCADA/DMS works by September 2006/March 2007. It can, however, be seen from **Appendix 7.11** that the works in two (Shillong and Jowai) circles could be completed after a delay of one year. The works in respect of other circles are still under progress. The main reasons for delay in execution of works, as analysed by audit, were due to

- delay in release of funds/non-providing of matching funds by the State Government.
- more than one year was taken by the Board to finalise (July/September 2004) the contracts in respect of Shillong and Tura, Jowai and Western circles as the rates obtained in the tenders were much higher than the estimated cost.
- more than two years were taken by the board in finalising (February 2006/September 2006) contracts for Central, Eastern and Garo hills Circles due to delay in release of funds by the State Government.

Thus, delay in completing the works in time had deprived the State of the benefits envisaged in APDRP scheme.

7.2.11 Non-involvement of AcCs in Tendering process

The MOP had indicated (June 2003) that in respect of APDRP tenders, the bid opening statement and its evaluation reports should be forwarded to the MOP or its assigned representative prior to placement of the orders. However, PGCIL, lead AcCs, were not involved with the tendering process and techno-commercial bid evaluation and as such invitation of bids, their evaluation and award of work was being done by the Board. Non-involvement of AcCs resulted in the following deficiencies:

- in contravention of APDRP guidelines for executing works on turnkey basis, the Board executed works valuing Rs.37.20 crore departmentally (paragraph 7.2.12), thereby losing advantage of firm prices, avoidable delays in tendering process, *etc.*
- The Board failed to adhere to the technical specifications, scope of work and quantity as specified in the DPRs (paragraphs 7.2.13 to 7.2.16, 7.2.18 to 7.2.21)

The Government stated (October 2007) that PGCIL was involved in the tendering process as and when required. The reply is not acceptable as the fact that non-adherence of the technical specifications in procurement of consumer meters, meter test benches, reduction in scope of work in number of packages though specified in the DPRs and deviation from the original estimates proved that PGCIL was not involved in tendering process.

7.2.12 Non-Implementation of projects on turnkey basis

As per the guidelines issued (June 2003) by MOP and subsequent modifications, the Board was to implement the projects sanctioned under the APDRP, on turnkey basis, through pre-qualified turnkey contractors, selected on competitive basis to ensure quality and maintain a rigid completion schedule for identification of single point responsibility for execution. The Board, however, over-looked the above facts and decided to execute the works valuing Rs.37.20 crore (as detailed in **Appendix 7.12**) departmentally in six circles[3].

The Government stated (October 2007) that as there was poor response to the tenders invited for allotment of works on turnkey basis and the works were to be completed within the time schedule, some of the APDRP packages were, with the approval of the members of the Board, undertaken departmentally instead of turnkey basis. The reply is not tenable as the execution of works on turnkey basis is time saving, cost effective because work is awarded as a complete package, less time is required for coordination and contractor is responsible for any failure. The fact is that there were substantial delays in completing works executed departmentally.

Procurement of material/equipment

7.2.13 Extra expenditure on procurement of electro mechanical meters

The Board incurred extra expenditure of Rs.2.17 crore on procurement of electro-mechanical energy meters not provided in the DPR.

For replacement of defective meters, the DPR provided for 36,528 electronic meters without meter box for Central circle. The Board placed (February 2006) orders on Lotus Wires & Cables (LW&C), Delhi, on turnkey basis, for supply and erection of:

- 25,570 electro mechanical energy meters with meter box at a cost of Rs.5.53 crore (at an average rate of Rs.2,162 per meter) instead of electronic meters mentioned in the DPR, and
- balance 10,958 electronic meters with meter box at a cost of Rs.1.44 crore (at the average rate of Rs.1,312 per meter) as provided in the DPR.

Comparing the rates of electronic meters with the rates of electro-mechanical meters, the Board incurred avoidable expenditure of Rs.2.17[4] crore on procurement of electro mechanical meters, contrary to specifications provided in the DPR. It was noticed that PGCIL, which had prepared the DPR, were also not consulted before procuring electro-mechanical meters.

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3 Shillong, Tura, Jowai, Western, Central and Garo Hills.

4 Rs.2162 – Rs.1312= Rs.850 x 25570 = Rs.2.17 crore.

The Government stated (October 2007) that there were very few manufacturers manufacturing quality electronic meters and most of the manufacturers were using cheap and lower quality chips. Further, it was stated that major utilities like the Gujarat State Electricity Board and the Kolkata Electricity Supply Corporation were using electro mechanical meters. The reply is not tenable as the MOP approved DPRs provided for only electronic meters for replacement of defective meters. Further, the Board had placed orders for electronic meters for partial quantity from the same supplier for the same circle and also placed orders for electronic meters for other circles. Further, by spending more amount on one work of the scheme, the other works would have suffered for want of sufficient funds.

7.2.14 Extra expenditure on supply and erection of fully automatic meter test benches in Shillong, Tura and Eastern Circles

The Board incurred extra expenditure of Rs.1.22 crore on the procurement of fully automatic meter test benches not provided in the DPRs.

The DPRs provided for erection of semi automatic meter test bench for six circles at the rate of one number for each circle at the estimated cost of Rs.10 lakh per bench. Instead of ordering for semi automatic meter test bench, the Board placed orders for three fully automatic meter test bench for three circles and semi automatic meter test bench for other three circles as detailed in the following table:

Table 7.13

Sl. No.	Name of the circle	Specification for which meter test bench was ordered	Name of the supplier	Date of work orders	Cost (Ex-works) Rupees in lakh	Total contract price (including ED, ST, F&I and Erection) (Rupees in lakh)	Month of commissioning
1.	Shillong	Fully automatic	M/s C.G. Actaries Electrical Management Ltd, New Delhi	July 2004	44.68	46.91	April 2005
2.	Tura	Fully automatic	M/s C.G. Actaries Electrical	July 2004	44.68	46.91	April 2005
3.	Jowai	Semi automatic	M/s Contimeters Electricals, Delhi	September 2004	21.00	21.50	May 2006
4.	Western	Semi automatic	M/s Contimeters Electricals, Delhi	September 2004	21.00	21.50	May 2006
5.	Central	Semi automatic	M/s Lotus Wires and Cables, Delhi	February 2006	14.75	17.48	July 2007
6.	Eastern	Fully automatic	M/s Lotus Wires and Cables, Delhi	September 2006	76.01	89.07	Yet to be commissioned

Source: Data provided by the Board

The commissioning/ordering of fully automatic meter test bench for Shillong, Tura and Eastern Circles, was contrary to specifications provided in the DPRs. It was noticed that PGCIL was not consulted during the tendering process before taking a decision to procure fully automatic meter test benches. Thus, the Board incurred extra expenditure of Rs.1.22 crore[5] on the procurement of three fully automatic meter test benches as compared to the rates of semi automatic meter test benches commissioned in Western, Jowai and Central Circles.

Further, semi automatic meter test benches commissioned in Jowai, Western and Central circles were free from trouble and were performing well. Whereas fully automatic meter test benches commissioned in Shillong and Tura circle had persistent problems (even after incurring of expenditure of Rs.2.75 lakh on repairs) of continuous fluctuation below and above the tolerance limit. The results of test depicted in the test bench screen were unstable, two or more of three phase meters could not be tested at a time, despite having a capacity of positioning of ten meters, *etc.* One of the components *viz.* SGQ units was required to be repaired in Spain by the supplier.

The Government, while admitting that DPRs provided for semi automatic meter test bench, stated (October 2007) that orders were placed for fully automatic meter test bench as it satisfied the technical specification with 0.05 class accuracy as per sample test report furnished by the supplier. The reply is not tenable as semi automatic meter test bench also satisfied the technical specification parameters specified in the bidding documents with 0.1 class accuracy. Moreover, sample test reports of fully automatic meter test bench revealed that the average accuracy ranged between 0.64 and 0.90, which could be done with semi automatic meter test bench. Therefore, the investment of huge amount on fully automatic meter test bench was not prudent especially when semi automatic meter test benches commissioned in Jowai, Western and Central circles fulfil the technical specifications as provided in DPR and met the requirement of the Board.

7.2.15 Payment at higher rates on the supply of energy meters

For replacement of defective meters, DPRs provided for electronic meters without meter box. The Board, however, placed (July 2004) orders on Secure Meters Ltd., Udaipur, on turnkey basis, for supply and installation of static/electronic meters with meter box for Shillong and Tura circles. The rates finalised (July 2004) by the Board was Rs.971 for single phase meters and Rs.5,809 for three phase meters.

It was noticed that PGCIL awarded (September 2004) the contract to Contimeters Electrical Pvt. Ltd., Delhi on turnkey basis at the rates ranging between Rs.300 to Rs.320 for supply of single phase meter without meter box and Rs. 4,200 for three phase meter without meter box, as per specifications (similar to those provided for Shillong and Tura circle except meter box) provided in the DPR for Western and Jowai circles. Further, there were no complaints on performance of the meters ordered by PGCIL for Western and

[5] Rs. 46.91lakh – 21.50 lakh = Rs.25.41 lakh x 2 Nos = Rs.50.82 lakh + Rs.71.59 lakh (Rs.89.07 lakh– Rs.17.48 lakh) =Rs.122.41 lakh or **Rs.1.22 crore.**

Jowai circles. Compared to the rates finalised by PGCIL with those of the rates finalised by the Board for Shillong and Tura circles, the Board incurred extra expenditure of Rs.38.29 lakh[6].

The Government stated (October 2007) that the lowest tenderer was selected, on turnkey basis, for the whole package irrespective of the rates quoted for each item and hence rates for particular item in one package cannot be compared to the rates of the same items in a different package. It was further stated that turnkey project do not have the flexibility for negotiation with the lowest bidder. The reply is not tenable as the Board should have evolved a rate contract system for procurement and installation of meters for all circles as per the terms and conditions of MOA for getting the benefit of competitive rates on larger quantities.

7.2.16 Erection charges

Besides finalisation of higher rates for supply of energy meters for Shillong and Tura circles, the Board also finalised (July 2004) the contracts for erection of energy meters at higher rates of Rs.296 for single and Rs.1,072 for three phase meters in Shillong and Tura circles. Whereas, PGCIL finalised (September 2004) rates for erection charges at Rs.150 for single phase meter and at Rs.400 for three phase meters in Jowai and Western circles. Compared to the rates of PGCIL, the Board incurred avoidable expenditure of Rs.10.43 lakh[7].

The Government stated (October 2007) that the tendering process was conducted at different points of time and therefore question of following PGCIL rates did not arise. The reply is not tenable as the rates finalised by the Board were much higher than the rates finalised by PGCIL during the same period.

7.2.17 Meter testing charges

In contract for package A, the scope of the work, inter alia, included design, engineering, testing and supply of specified material/make. However, Secure Meters Ltd furnished test report only for three phase meters and did not furnish test report in respect of 4,200 single phase meters procured for Shillong and Tura Distribution circles. These meters were tested only in Meter Test Laboratory of the Board for which it did not collect meter testing charges amounting to Rs.1.05 lakh (at the rate of Rs.25 per meter being charged for meter testing). In respect of Central circle also, 36528 single phase meters were tested in Meter Test Laboratory of the Board, for which it did not collect meter testing charges amounting to Rs.9.13 lakh.

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6. Rs.971-Rs.300=Rs.671 x 2697 Nos+
Rs.971-Rs.310=Rs.661 x 1117 Nos+
Rs.971-Rs.320=Rs.651 x 386 Nos+
Rs.5809-Rs.4200=Rs.1609 x 640 Nos =**Rs.38.29 lakh**

7. Rs.296-Rs.150=Rs.146 x 4200 Nos +
Rs.1072-Rs.400=Rs.672 x 1072=Rs.10.43 lakh.

The Government, while admitting the facts that only three phase meters were tested in the presence of the Board's engineers at the factory premises of the supplier, stated (October 2007) that testing of single phase meters in the presence of the Board's engineers at the factory premises of the supplier had been waived off since the Board found testing methods and facilities as satisfactory. Since testing of single phase meters was conducted at Meter Test Laboratory of the Board and testing in the presence of the Board's engineers at the factory premises had been waived off, the Board should have collected meter testing charges amounting to Rs.10.18 lakh from the suppliers.

7.2.18 Additional expenditure due to award of turnkey contract at higher rates

The Board incurred additional expenditure of Rs.6.46 crore due to its failure to negotiate the rates quoted in turnkey contract to bring them at par with the issue rate of its own stores.

The Board awarded (August 2004) contract, on turnkey basis, to Mahati Electrics, Pune for supply and erection of renovation and modernisation (R & M) of existing DTs, providing of new DTs, Low Tension (LT) capacitors *etc.* at a total contract price of Rs.5.49 crore for package 'D' in Shillong circle.

For reconductoring, feeder bifurcation and construction of new feeders under package 'C', the Board awarded (February/September 2006) the contracts, on turnkey basis, to Upendra Nath Saha, Tura at a contract price of Rs.14.10 crore for Garo Hill circle and to Marbaniang Enterprise, Shillong at a contract price of Rs.21.42 crore for Eastern circle. Scrutiny of records revealed that the prices finalised in turnkey contracts were more than the issue prices notified by the Board from time to time in respect of major components (*viz* conductors, steel tubular poles, transformers, *etc.*) for departmental works. Compared to the issue rates of the Board with the rates of turnkey contracts, the Board incurred additional expenditure of Rs.6.46 crore on procurement of major items as detailed in **Appendix 7.13**. This clearly indicated that the proper evaluation of the tenders was not done and efforts were not made to bring down the rates to the level of issue rates of the Board. Further, PGCIL was not involved as lead AcCs in tender finalisation and awarding of contracts under APDRP.

The Government stated (October 2007) that the lowest tenderer was selected, on turnkey basis on the whole package irrespective of the rates quoted for each item and hence rates for particular item in one package cannot be compared to the rates of the same items in a different package. The reply is not tenable as the Board should have negotiated with the lowest bidder to have uniformity in the rates in the best financial interest of the Board.

7.2.19 Extension of undue benefit to a private firm

PGCIL while entering (September 2004) into agreement with Contimeters Electricals Pvt. Ltd, Delhi, on turnkey basis, for supply and installation of energy meters for package 'A' in Western and Jowai circles, specifically provided in LOA, that the contract price was inclusive of excise duty and sales tax on bought out items. In respect of direct supply items, excise duty and sales tax were not included in the contract price, which were to be reimbursed to them on submission of proof of payment. The Board, however, finalised

(July 2004/February 2006/September 2006) the contracts by including excise duty and sales tax in the total contract price both for bought out and direct supply items without imposing any conditions for production of documentary evidence for payment of taxes by the supplier. In package 'C' of Eastern circle, it was noticed, that, even though the lowest bidder, *viz.* Marbaniang Enterprise, Shillong quoted the rates separately for ex-works, ED, CST and VAT for each items, the Board awarded the contract at a total contract price of Rs.21.42 crore by adding all the elements (ED, CST and VAT) in the ex-works rates for each item. In the absence of such conditions in the contract, the amount of Rs.1.42 crore payable to the contractors towards CST/VAT can not be vouchsafed.

The Government stated (October 2007) that the firm had been asked to produce all the relevant documents which would be verified by the Board and recovery made, if any, would be intimated to audit. Further progress in this regard is awaited (October 2007).

7.2.20 Excess procurement of material resulting in idle investment on Stock

- Mahati Electrics, Pune was awarded (August 2004) the contract, on turnkey basis, for supply and erection of R & M of existing DTs, providing of new DTs, Low Tension (LT) capacitors *etc.* on turnkey basis for Rs.5.48 crore for package 'D' of Shillong circle. The work was started (December 2004) and was to be completed in 15 months (April 2006). It was observed that material valuing Rs.0.84 crore was returned to the Board after completion (May 2006) of the said work. Thus, material valuing Rs.0.84 crore were procured in excess of the requirements.

  The Government stated (October 2007) that change in the alignment in the construction of lines and sub-station resulted in excess procurement of lines and sub-station materials. It was further stated that these materials would be re-allocated to other circles for APDRP works with proper accounting.

- Similarly, 1,380 three phase consumer meters and 4188 Wedge type UDC connectors (Rs.64.49 lakh) and two HT, three LT.CT meters and 274 three phase whole current meters (worth Rs.9.59 lakh) under package 'A' of Western circle and Shillong circle respectively were handed over to the Board by the Secure Meters Ltd, Udaipur and Contimeter Electrical Pvt. Ltd. after completion of the work.

The return of materials by contractors, particularly when the contracts were on turnkey basis, clearly indicated that bill of quantity was not properly assessed while issuing LOA for the work. Thus, excess procurement of material over and above the actual requirement resulted in idle investment of Rs.1.58 crore (as detailed in **Appendix 7.14**). The loss of interest on idle investment worked out to Rs.15.80 lakh per annum.

The Government stated (October 2007) that the efforts would be made to utilise the surplus material in other circles for APDRP works. The reply is no justification for failure to assess bill of quantities while issuing LOA. Further if scope of work was reduced the tender amount should have been accordingly reduced.

Deficiencies in execution of works

7.2.21 Execution of works not covered under DPRs

Implementation of APDRP works was to be done as per DPRs which specify details of targets with respect to each item of work and overall objectives to be achieved. Scrutiny of records revealed that order for a new item of 170 CT/PT combined set with metallic enclosure and mounting structure suitable for outdoor application for 33KV/11 KV feeder at the cost of Rs.2.16 crore (Rs.1.27 lakh per set) was placed (July 2004) on Secure Meters Ltd., Udaipur for Shillong and Tura circles, even though the same was not covered under Package 'A' of APDRP. To match the estimated cost under Package 'A' of Shillong and Tura circles, the Board reduced the quantity of commercial/consumer meters as mentioned in the DPR from 14,673 to 4,840, the cost of reduction was estimated to Rs.2.79 crore.

The Government stated (October 2007) that CT/PT combine set metering unit was necessary for measurement of energy consumption of industry connected with high tension line as the energy meter cannot be connected directly to HT line. The reply is not acceptable as there was no provision for CT/PT combine set in the DPR. Further, due to reduction in the procurement of commercial\consumer meters, the Board could not achieve the estimated reduction in T& D Losses from 25 *per cent* to 17.90 *per cent*, as envisaged in DPR, ever after completion (May 2006) of the APDRP work in Shillong circle.

7.2.22 Non execution of work as per DPRs

- For the work of R&M and capacity addition of existing seven sub-stations and construction of three new sub-stations, as provided in the DPR for package 'B' in Shillong circle, the Board received the lowest bid (Indo Power Projects Ltd) at a price of Rs. 8.62 crore as against the estimated cost of Rs.5.27 crore. As the entire quantity provided in the DPR could not be covered within the amount sanctioned by MOP, the Board decided (June 2004) to abandon the R& M works of seven existing sub-stations and issued (August 2004) LOA, on turnkey basis, at a total contract price of Rs.5.26 crore for the construction of new three sub-stations only. As per original plan, three sub-stations were to be constructed at Mawlai, Jhalupara and Lawsohtun. The work of first new sub-station at Mawlai was started (April 2005) and completed (January 2007). The other two sub-stations were proposed to be constructed at a site belonging to the Union Ministry of Defence (MOD). Since the possessions of land get delayed, the Board decided (October 2005) to shift the site for the second sub-station to Mawprem instead of Jhalupara. Hence, the work of second sub-station at Mawprem was started (October 2005) and completed (January 2007). The possession of site for third sub-station was taken from MOD, on lease basis, only in February 2007 and the Board decided (April 2007) to undertake the work of third sub-station departmentally after taking over all materials procured by the contractor for third sub-station. The erection of third sub-station was under progress departmentally (October 2007).

- Similarly, for the work of R & M and construction of exiting 417 DTs, 212 new DTs, LT capacitors and associated HT and LT lines, as provided in the DPR for package 'D' in Shillong circle, the Board received (January 2004) the lowest bid (Mahati Electrics, Pune) of Rs.9.64 crore as against the estimated cost of Rs.5.39 crore. As the entire quantity provided in DPR could not be covered within the amount sanctioned by the MOP, the Board decided (June 2004) to reduce the scope of work and issued (August 2004) LOA, on turnkey basis, at a total contact price of Rs.5.48 crore. The Board reduced the scope of work from 212 - DTs to 88 – DTs, abandoning the entire 417- R & M of the existing DTs and restricting 11 KV new lines from 89.8 cKM to 13.17 cKM and new LT lines from 81.1 cKM to 9.47 cKM . The work was completed in May 2006.

Thus, due to reduction in scope of work of both 'A' & 'B' packages of Shillong circle, the estimated reduction in T& D Losses from 25 *per cent* to 17.90 *per cent*, as envisaged in DPR, could not be achieved ever after completion (May 2006) of the APDRP work.

The Government stated (October 2007) that the results could not be achieved within a short span of time and T&D losses were expected to come down within next few years. The reply is not acceptable as the board could not achieve the expected reduction in T&D losses due to reduction in the scope of works by omitting some of the important items of works.

7.2.23 Non-obtaining of approval of the MOP for deviation from the original estimates

The DPR provided for revamping of 15 numbers of 33/11KV sub-stations and construction of six new 33/11 KV sub-stations for Package 'B' in Central circle at an estimated cost of Rs.18.36 crore. The lowest rate obtained (February 2006) in the tender was Rs. 19.27 crore for the above work. Hence, the Board decided to reduce the scope of work and awarded (February 2006) the contract to Shayama Powers India (Pvt.) Ltd, Gurgaon, on turnkey basis, for revamping of 12 numbers of 33/11 sub-station and construction of six new 33/11 KV sub-stations, at a total contract price of Rs.18.36 crore. After finalisation (June 2006) of the layout and drawings, the scope of the work had undergone major changes involving additional expenditure of Rs.3.84 crore over and above the estimated cost of Rs.18.36 crore. Thus, the final cost of the project would be 21 *per cent* more than the estimated cost.

In the Tenth Steering Committee Meeting for implementation of APDRP, it was decided (November 2006) to allow a variation of 10 to 15 *per cent* in the price within overall sanctioned cost of the project and also decided to approve the revised cost with the condition that the enhance rate would be met from the matching funds. However, the Board did not seek/obtain the approval of the MOP for deviations from the original estimates. Further, a number of items were omitted by the Board from the scope of the work though mentioned in the DPRs.

The Government stated (October 2007) that the approval of the MOP would be sought for in due course. Further, it is not clear as to how the Board would be able to achieve the envisaged benefits of APDRP scheme by reducing the scope of work.

7.2.24 Inordinate delay in implementation of SCADA/DMS

As per the APDRP guidelines, information technology and computer aided tools for revenue increase, outage reduction, monitoring and control play a vital role in distribution sector. These applications would be used in the distribution sector to ensure higher revenue as a result of segregation of T& D losses and controlling commercial losses. The execution of Supervisory Control and Data Acquisition (SCADA)/Distribution Management System (DMS) of Shillong and Western Circles was entrusted (September 2005) to PGCIL under APDRP and an advance Rs.7.92 crore was paid (October 2005). The work was to be completed within 30 months from the date of release of advance or signing of the agreement whichever was later. However, PGCIL awarded (February 2007) the contract to Areva, Noida at a total contract price of Rs.13.69 crore and started (April 2007) survey works on collection of data on sub-stations, system metering, and identification of locations for construction of billing collection centres and meter billing centres.

The main reason for delay in allotment and implementation of SCADA/DMS was due to diversion of Rs.6.15 crore available for these works for on-going works of Package 'A' of Jowai and Packages 'A' & 'B' of Western circles. The demand (May 2007) of PGCIL for further release of Rs.5.25 crore to facilitate payment for on going works and advance payment for SCADA work have not been met so far (October 2007).

The Government stated (October 2007) that PGCIL had been reminded to complete the work of SCADA project at the earliest. As the Board did not release the funds as requested by PGCIL the chances of early completion of work appear remote.

Non achievement of objectives

7.2.25 Delay in installation of system metering

T&D losses are one of the major factors affecting the performance of the power distribution network. For this, it was necessary to have meters at all levels. With a view to ensuring proper energy accounting and auditing, improve reliability of power, improve billing and collection efficiency, it was decided (February 2000) in the conference of Power Ministers to provide 100 *per cent* system metering in transmission and sub-transmission lines by March 2001. The Board proposed (December 2000) to provide 100 *per cent* system metering at an estimated cost of Rs.1.81 crore. However, there was delay of two to three years in achieving 100 *per cent* metering due to delayed release of funds by the State Government. MOP released (March 2001) funds of Rs.1.81 crore to the State Government, who in turn released (March 2002) to the Board after a lapse of one year. The Board achieved 100 *per cent* system metering by installing 309 feeder meters at a cost of Rs.1.92 crore (October 2003 and September 2004) after delay of two years. Thus, there was loss of potential revenue to the extent of Rs.2.01 crore, being the projected benefit envisaged in the DPR due to delay in implementation of the scheme.

The Government (October 2007) stated that care would be taken in releasing funds in time in future.

7.2.26 Non-reduction of Transmission and Distribution (T&D) Losses

The table below indicates circle wise T&D losses before implementation of APDRP and estimated T&D losses to be achieved as specified in the DPR and the actual as at the end of 2006-07:

Table 7.14

Name of circle	T&D losses in 2001-02	Estimated losses in T&D after completion of projects as specified in the DPR	T&D losses at the end of 2006-07
Shillong	25.00	17.90	25.68
Tura	47.00	33.00	25.72
Western	27.75	22.34	24.51
Jowai	17.34	10.45	24.55
Central circle	64.75	37.31	56.27
Eastern	73.52	25.00	38.94
Garo Hill	70.10	27.34	55.79

Source: Data provided by the Board

The table above shows that the chances of achieving the reduction in T&D losses, as envisaged in DPR were remote. T&D losses in Shillong and Jowai circles which were to be reduced to 17.90 *per cent* and 10.45 *per cent* respectively as per DPR, however, increased to 25.68 *per cent* and 24.55 *per cent* respectively even after completion (May 2006) of APDRP works in these circles.

The Government stated (October 2007) that the results could not be achieved within a short span of time and T&D losses were expected to come down within next few years. The reply is not tenable as T&D losses could not be reduced as specified in the DPR after completion of the work.

7.2.27 Non-reduction of AT & C losses

The main objective of the APDRP was to reduce the Aggregate Technical and Commercial Losses (AT&C losses) from around 60 *per cent* to around 15 *per cent* in five years. This implied a targeted reduction of 9 *per cent* per annum.

The AT&C losses in Meghalaya were 52.13 *per cent* in 2002-03 which could be reduced to only 41.85 *per cent* at the end of 2006-07 as shown in the table below:

Table 7.15

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
Total energy injected (MU)	804.59	980.85	1149.90	1203.99	1192.34
Total energy sold (MU)	504.32	667.56	764.10	718.667	787.52
Billing efficiency (*per cent*)	62.68	68.06	66.45	59.69	66.05
T&D Losses (MU)	300.27	313.29	385.80	485.323	404.82
T& D Losses (*per cent*)	**37.32**	**31.94**	**33.55**	**40.31**	**33.95**
Amount billed (Rs. in crore)	125.56	158.65	225.47	254.3	218.35
Amount realised (Rs. in crore)	110.24	151.71	182.22	218.8	208.94
Collection efficiency (*per cent*)	87.80	95.63	80.82	86.04	95.69
Units realised (MU)	385.17	597.7	686.39	810.78	693.4
AT&C Losses (MU)	419.42	383.149	463.51	393.21	498.94
AT&C Losses (*per cent*)	**52.13**	**39.06**	**40.31**	**32.66**	**41.85**

Source: Data provided by the Board

It can be seen from the table that the Board could not achieve the targeted reduction of AT&C losses to 15 *per cent* in 2006-07 as envisaged, in spite of spending Rs.86.20 crore on APDRP works.

While analysing circle wise AT&C losses for the year 2006-07, it was also noticed that AT&C losses in respect of Eastern, Central and Garo Hills Circles were more than 55 *per cent*. It was, however, much less ranging between 12 *per cent* and 20 *per cent* in Shillong, Tura and Jowai circles due to inclusion of arrears of earlier years collected during the current year. In order to arrive at actual AT&C losses in respect of these three circles, the details regarding actual amount realised against the units billed for the year 2006-07 were called for (July 2007) but the same were not furnished to audit (October 2007).

The Government stated (October 2007) that as per MOP guidelines, AT&C loss was to be achieved at 15 *per cent* at the end of the 11^{th} Plan i.e. 2011-2012. Further, it was stated that reduction in AT&C losses would solely depend on the realisation of outstanding dues from the Government departments, which was to the tune of Rs.55.93 crore (August 2007). The reply is not acceptable since with the present percentage of AT & C losses of 41.85 in 2006-07, the chances of achieving the target of 15 *per cent* by 2011-12 appears remote. Further, the State Government needs to take effective steps to recover the dues from its own departments so that the Board could improve its financial viability as envisaged in APDRP scheme.

7.2.28 Widening of gap between ACS and ARR

One of the important objectives of APDRP was to narrow down the gap between average cost of supply (ACS) and average revenue realisation (ARR) within a specified time schedule. No such time schedule has been fixed by the Board. The gap between ACS and ARR during the period between 2004-05 and 2006-07 is detailed below:

Table 7.16

(Figure in Rupees)

Year	ACS	ARR	Gap
2004-05	2.40	2.05	0.35
2005-06	3.71	2.66	1.04
2006-07	5.09	2.93	2.16

Source: Data provided by the Board

It may be observed from the above details that there was huge gap between ACS and ARR in 2006-07. This was due to purchase of power at higher rates without corresponding increase in tariff. Thus, the value of gap between ACS and ARR worked out to Rs.234.09 crore[8] for the last two years ending 31 March 2007.

The Government stated (October 2007) that it was contemplating an increase in tariff based on the recommendations (October 2007) of State Electricity Regulatory Commission (SERC). Further progress is awaited (October 2007).

7.2.29 Non-conducting of Energy accounting and audit

As per MOA, the State Government would undertake Energy accounting and audit at all levels to promote accountability and reduce transmission and distribution losses and bring them to the level of 20 *per cent* and achieve break-even in current distribution operation by 2005 and positive results thereafter. The Board, however, had not conducted Energy accounting and audit as per MOA. Instead it decided to conduct a pilot study in one/two KV feeder in each circle for voltage wise technical and commercial loss segregation for which NIT was floated only in December 2006. The contract has not been finalised so far for want of funds (October 2007).

The Government stated (October 2007) that the work relating to Energy accounting and audit would be taken up soon on release of funds by the MOP.

7.2.30 Non compliance of MOA conditions

A Memorandum of Agreement (MOA) between the MOP and the State Government was entered into (22 November 2002) for undertaking reforms in

[8] 810.78 MU x Rs.1.04 = Rs.84.32 crore + Rs.149.77 crore (693.40 MU x Rs.2.16) = Rs.234.09 crore.

power sector in the State with financial help from MOP. For release of funds under APDRP Project, the MOP stipulated certain mandatory conditions which are as follows:

- The State Government would corporatise the Board by 31 March 2004.
- The State Government will set-up State Electricity Regulatory Commission (SERC) by 31 March 2003 and file tariff petition.
- A State Level Distribution Reforms Committee (SLDRC) shall be constituted by the State Government within one month of signing this MOA. The Committee shall meet once in two months and review the progress of implementation of the APDRP project, compliance of MOA and performance against APDRP targets and benchmarks.

Audit, however, noticed that:

- The Board appointed (August 2004) Power Finance Corporation (PFC) for carrying out reforms and restructuring study for the Board. The PFC submitted (25 November 2005) its final report which was placed (December 2005) before the Board. The Board approved the scheme and recommended the State Government to set up an Empowered Committee of Senior Officers of the State Government and Board to complete the exercise. The Government stated (October 2007) that the permission has been received from the GOI to Corporatise the Board by December 2007.
- SERC was set up (7 June 2006) and the first tariff petition was filed (June 2007) before SERC, which is yet to be decided (October 2007).
- SLDRC was constituted on 4 March 2003 and only nine Meetings have been held over the period of four years as against 24 meetings envisaged in the MOA. It was noticed that 9^{th} meeting was held on 15 June 2007 and time interval between 8^{th} and 9^{th} meetings was 10 months. In the 10^{th} meeting, it was decided (September 2007) to conduct meeting at the interval of three months.

Conclusion

The State Government failed to comply with the guidelines issued by the MOP in transferring funds to the Board in time which resulted in diversion of funds thereby attracting penal interest and losing future central assistance. The State Government also failed to provide matching funds which in turn adversely affected the overall progress of APDRP work. The Board did not involve the lead consultant (PGCIL) in the tendering process. As a result, the proper evaluation of the tenders was not done and efforts were not made to bring down the rates to the level of issue rates and to have uniformity in the rates in the best financial interest of the Board. Materials procured were not conforming to the specifications provided in the DPRs. The reduction in the scope of work as provided in the DPRs resulted in non-achievement of reduction of T&D losses. Priority was not given for implementation of SCADA/DMS and computer aided tools for revenue increase, monitoring and control in distribution sector for controlling AT&C losses. There were shortfalls in achievements by all the circles as a result of which the overall objective of 'Upgradation of Sub-transmission and Distribution System including energy accounting and metering' could not be achieved as envisaged.

Recommendations

The State Government should

- **ensure timely release of funds/providing matching funds for implementation of the APDRP projects within a specified time schedule in order to achieve reduction in AT&C losses, improve financial viability of the Board, reduce outage and interruption and finally increase consumer satisfaction.**
- **ensure participation of PGCIL in tendering process while finalising the award of work.**
- **ensure timely completion of APDRP projects by enhancing the quality of monitoring and control.**
- **give priority for implementation SCADA/DMS for controlling AT&C losses.**
- **conduct Energy accounting and audit on priority basis to arrive at the correct figures of AT&C losses.**

SECTION 'B': AUDIT OF TRANSACTIONS

INDUSTRIES DEPARTMENT

MEGHALAYA INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

7.3 Doubtful recovery of loan

Inadequate follow up action and imprudent business practices adopted by the Company resulted in doubtful recovery of loan of Rs.4.42 crore.

The Company sanctioned (September 1995) a term loan of Rs.63 lakh and disbursed (December 1995 and March 2000) Rs.61.62 lakh to Smt. Belmanora Suchiang, Shillong for setting up of a medical diagnostic and research centre i.e. Park View Hospital, at Lumsohphoh, Shillong. The loanee mortgaged (December 1995) the land (9495 square feet) at Lumsohphoh and buildings and other assets created on the land in favour of the Company. The original papers of the mortgaged property were retained by the Company. It was noticed that the Company again sanctioned (October 1999) second term loan of Rs.80 lakh for expansion of the said hospital against the same security without assessing the then present value of the mortgaged assets. The amount was disbursed (between October 1999 and March 2000 to the loanee after adjusting Rs.38.12 lakh towards interest against the first loan.

Smt. Belmanora Suchiang sold (August 2001) the Hospital including all assets to North Eastern India Trust for Education and Development (NEITED), Shillong without the prior approval of the Company. On being approached by NEITED, the Company approved (November 2001) the transfer of the Hospital along with its assets to NEITED on the condition that the latter shall repay the outstanding loan of Rs.1.85 crore (including accrued interest). An agreement to this effect was signed (April 2003) between the Company and NEITED. The Company sanctioned (April 2003) an additional term loan of Rs. one crore to the NEITED on the personal guarantee of the trustees of NEITED. The repayment of outstanding loan of Rs.1.85 crore including interest accrued thereon was co-terminus with the new term loan.

The NEITED, however, did not make any payment to the Company and after three years NEITED sold (March 2006), the Hospital along with the assets without prior approval of the Company, to Khasi Hills Autonomous District Council (KHADC), Shillong for Rs.1.10 crore with liability of outstanding term loan of the Company of Rs.2.42 crore and accrued interest thereon. After the sale NEITED informed (March 2006) the Company about the sale of Hospital. The Company approved (March 2006) the sale and entered into an agreement (June 2006) with KHADC for repayment of the outstanding loan of Rs.2.42 crore and accrued interest amounting to Rs.2 crore. The KHADC, however, sold (June 2006) the said Hospital to Shri B. Mylliemngap Shillong, for Rs.80 lakh with liabilities of outstanding loan to the Company. The Company allowed (September 2006) take over of the Hospital by Shri B. Mylliemngap provided he settled the outstanding dues of the Company and closed the account. The Company executed (March 2007) agreement with Shri B. Mylliemngap for the term loan of Rs.2.42 crore disbursed by it.

Frequent sale of Hospital by one party to the other without making any repayment of principal/ interest and without the approval of the Company indicates the malafied intentions of the parties. Further, the Company did not take any action to protect its interest by recovering its dues by selling the property (since the original papers of mortgaged property are with the Company). As such the recovery of loan of Rs.2.42 crore and accrued interest of Rs. two crore appears doubtful. Further the fact that NIETED sold the property to KHADC for Rs.1.10 crore shows that the Company initially overvalued the property while sanctioning loans to Smt. Belmanora Suchiang. On the same ground loan to NIETED was not justified. Even after Rs.2.42 crore was at stake which was more than the value of the property, no action was taken by it to protect its interest.

The Government stated (February 2008) that the principal amount of Rs.2.42 crore was fully secured as the party had already executed an agreement with the Company. The reply is not tenable as the party did not execute the mortgage deed as stipulated in the agreement and the Company's interest had not been protected for recovering the principal and accrued interest thereon.

7.4 Irregular writing off of debts and further sanctioning of loans

Failure to take effective action for recovery of dues resulted in loss of Rs.25.67 crore and further sanctioning of bridging loan to the subsidiaries to the tune of Rs.1.83 crore.

The Company decided (July 2005) to write off the loans of Rs.25.67 crore which were outstanding against Government companies/subsidiaries/private firms for a long time. While approving the write off of the loans, the Board of Directors also directed (July 2005) the Management to take all legal measures to recover the dues or to advertise and find interested parties to take over the units.

Scrutiny (January 2007) of records revealed that the Company did not take any legal action to recover the dues even after a lapse of two years except taking possession of Tribal Integrated Progressive Multipurpose Co-operative Society against whom loan of Rs.20.11 lakh was outstanding and written off. Though the Company had security in the form of mortgaged land and building, *etc.* of the sick units it did not take any action for sale of the mortgaged property as provided in the State Financial Corporation Act, 1951. The Company also failed to find interested parties, as desired by BOD, to take over the units.

Incidentally it may be mentioned that even after writing off the outstanding loan of Rs. 24.11 crore due from its subsidiaries and Government companies, the Company continued to sanction further bridging loan to its subsidiaries which as of July 2007 stood at Rs.1.83 crore. The Company stated (August 2007) that the bridging loans to its subsidiaries were sanctioned for payment of salaries and other administrative expenses.

Thus, inaction on the part of the Company in taking effective steps to recover the dues resulted in loss of Rs.25.67 crore. The Company also did not take any steps to disinvest or wind up its subsidiaries but continued to sanction bridging loan, despite declaring the subsidiaries as sick units.

The Government stated (February 2008) that the Company had served notice to all defaulting companies. The Government also stated that Meghalaya Watches Limited was under the process of liquidation. The Government, however, did not give any specific reply regarding disinvestment/winding up of other subsidiaries.

MAWMLUH CHERRA CEMENTS LIMITED

7.5 Extra expenditure

Improper assessment of demand of electricity by the Company resulted in incurring of extra expenditure of Rs.47.22 lakh on electricity charges.

Under the tariff structure of Meghalaya State Electricity Board (Board), billing demand for a 'High Tension Industrial Power Consumer' (HTIPC) is to be assessed and billed on the (i) maximum demand established during the month or (ii) 80 *per cent* of the highest demand established during the preceding 11 months or (iii) 75 *per cent* of the contract demand or (iv) not lower than 50 KW/60 KVA, whichever is the highest. The contract demand shall not be less than 80 *per cent* of the connected load.

A mention was made in Paragraph 8.4 of Report of the Comptroller and Auditor General of India – Government of Meghalaya for the year ended 31 March 2001 regarding avoidable liability of the Company towards demand charges of Rs.0.26 crore. The Company entered (May 2001) into a fresh agreement with the Board for reducing their contract demand from 8000 KVA to 7000 KVA with connected load of 6000 KVA with effect from June 2001.

It was noticed (April 2007) that the maximum demand of the Company never exceeded 5280 KVA (June 2002) during the period July 2001 to June 2007. Despite this being pointed out by Audit (December 2005), the Company did not analyse the actual consumption (peak demand) of power and reduce its contract demand from 7000 KVA to 4800 KVA i.e. 80 *per cent* of connected load of 6000 KVA. Instead, it continued to pay demand charges as per the contract demand of 7000 KVA which resulted in an extra expenditure of Rs.47.22 lakh during the period between April 2001 and June 2007 towards demand charges (considering contract demand of 6000 KVA).

The matter was referred (April 2007 and May 2007) to the Management/Government; their replies are awaited (February 2008).

MINING & GEOLOGY DEPARTMENT

MEGHALAYA MINERAL DEVELOPMENT CORPORATION LIMITED

7.6 Loss of Revenue

Injudicious selection of a party for leasing of a coal depot resulted in loss of revenue of Rs.96 lakh.

A reference is invited to Paragraph 8.4 of the Report of the Comptroller and Auditor General of India, Government of Meghalaya for the year 2001-02, wherein unfruitful expenditure of Rs.4.25 crore incurred on establishing (December 1999) of a coal depot in 12 acre of land at Mawsmai to undertake trading of coal produced by the miners of the State was pointed out.

In order to utilise the coal depot, the Company invited (April 2005) offers in two bid system for leasing of coal depot with infrastructure created thereon indicating Rs.30 lakh per annum (for 12 acres of land) as the minimum lease rent. In response, three tenderers submitted (May 2005) their offers of which annual lease rent of Rs.17.28 lakh per annum for four acres of land as offered by the Reliance Industries Limited (RIL), Guwahati was the highest. This was subsequently increased, during negotiations, to Rs.25.92 lakh per annum for six acres. The Company approached (December 2005) the State Government to approve the offer of RIL and the draft lease deed with RIL. As the Government approval for acceptance of the offer of RIL was not forthcoming, the Company cancelled (April 2006) the tender and called for fresh tenders during the same month.

Against this tender, the Company received seven offers, of which annual lease rent of Rs.32 lakh for four acres of land (i.e., Rs. eight lakh per acre per annum) offered by Assam Auto Agencies, Shillong was the highest. After negotiations, the firm agreed (May 2006) to take the entire 12 acres of land on lease at their quoted rate of Rs. eight lakh per acre per annum. Before execution of the lease deed with the firm, the Company sought (June 2006) approval of the State Government. The State Government, however, asked (October 2006) the Company to negotiate with eligible tribal bidders for allotment of coal depot at the quoted rate of the highest bidder. Accordingly, the Company negotiated (November 2006) with four tribal bidders and allotted (January 2007) the coal depot to a tribal bidder after receiving the approval of the State Government. But the concerned tribal bidder failed to pay the required security deposit of Rs.96 lakh and one month advance lease rent of Rs. eight lakh by the stipulated date (18 January 2007). Consequently, the earnest money of Rs. five lakh of the tribal bidder was forfeited (June 2007) and the tenderer was black listed by the Company. The coal depot has not been leased out and the same remained unutilised so far (October 2007).

Thus, when there was a possibility to earn revenue through leasing the unutilised coal depot to a private firm at a monthly rent of Rs. eight lakh per acre per annum, belated and injudicious selection of the tenderer for leasing of coal depot resulted in loss of revenue of Rs.96 lakh to the Company from July 2006 to June 2007.

The Company accepted (July 2007) the facts. The matter was referred (May and July 2007) to the Government; their reply is awaited (February 2008).

TRANSPORT DEPARTMENT

MEGHALAYA TRANSPORT CORPORATION

7.7 Avoidable liability

Avoidable liability for interest and damages of Rs.86.90 lakh due to non-deposit of employees Provident Fund dues in time.

The employees of the Corporation 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 which is regularly deducted from the salary of the employee's along with their contribution and other administrative charges to the office of the Employees Provident Fund Organisation, (EPFO), 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.

Scrutiny of records, (July 2007) revealed that the Corporation did not deposit the provident fund contributions deducted from the salaries of employees and their own contribution (Rs.7.60 crore) for the period between April 1997 to December 2004 in time. It was observed that out of the above amount, the Corporation deposited Rs.6.57 crore with EPFO late during April 1999 and March 2007 and the balance of Rs.1.03 crore was still to be paid. Due to non-payment of provident fund dues in time, the EPFO, NER, Shillong levied (September 2005) Rs.55.01 lakh as interest under section 7Q of the Act and damages of Rs.31.89 lakh under section 14 B of the Act, which have not been paid by the Corporation so far (July 2007). The Corporation would be liable to pay additional interest under section 7Q and damages under section 14 B of the Act till the clearance of the Provident Fund dues in full.

Thus, due to failure to deposit the provident fund dues in time, the Corporation had to bear avoidable liability for interest and damages of Rs.86.90 lakh.

The Government, while admitting the facts, stated (February 2008) that there was delay in remittance of CPF dues as the Corporation was running at a huge loss and the Department intend to file an appeal with the EPFO for waiver of the interest and penalty.

7.8 Avoidable extra liability

Avoidable extra expenditure of Rs.10.27 lakh was incurred on payment of delayed payment surcharge for non-payment of electricity bills in time.

As per tariff orders of Meghalaya State Electricity Board (MeSEB), delayed payment surcharge at the rate of two *per cent* per month for unpaid amount of energy charges was leviable if the consumer failed to pay the energy bills within 30 days from the date of billing. It was noticed in Audit that the Corporation failed to pay some of the energy bills by the due date as a result of which MeSEB levied delayed payment surcharge (DP Surcharge) of Rs.10.27 lakh between July 2000 and July 2007 on the outstanding balance. It was further observed that energy bills of Rs.14.95 lakh in respect of a Depot (Rs.6.44 lakh) and Headquarters office (Rs.8.51 lakh) were outstanding as on August 2007 for which the Corporation would be liable for payment of DP Surcharge.

The Government, while admitting the facts, stated (February 2008) that a petition would be submitted to MeSEB for waiver of delayed payment surcharge.

(RAJIB SHARMA)
Principal Accountant General (Audit)
Meghalaya and Arunachal Pradesh

Shillong
The 27 MAR 2008

Countersigned

(VINOD RAI)
Comptroller and Auditor General of India

New Delhi
The 17 APR 2008

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 2006-07.
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 2007.
Statement No. 9	Shows the revenue and expenditure under different heads for the year 2006-07 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 2006-07.
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 2006-07.
Statement No. 15	Depicts the capital and other expenditure (other than revenue account) to the end of 2006-07 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 2007.
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 *minus* 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 2007

(Reference: Paragraphs 1.2 & 1.6; Pages 4 & 22)

(Rupees in crore)

As on 31 March 2006	Liabilities		As on 31 March 2007
...	**External Debt**		...
1423.08	**Internal Debt**		**1610.40**
955.75	Market loans bearing interest	1120.11	
0.02	Market loans not bearing interest	0.02	
1.44	Loan from LIC	1.17	
465.87	Loans from other Institutions	489.10	
...	Ways and Means Advances	...	
...	Overdraft from Reserve Bank of India	...	
372.52	**Loans and Advances from Central Government**		**344.98**
6.23	Pre 1984-85 Loans	5.37	
16.18	Non-plan Loans	14.86	
328.98	Loans for State Plan Schemes	303.36	
0.24	Loans for Central Plan Schemes	0.22	
11.57	Loans for Centrally Sponsored Plan Schemes	12.54	
9.32	Loans for Special Schemes	8.63	
6.00	**Contingency Fund**		**6.00**
346.64	**Small Savings, Provident Funds, *etc.***		**382.95**
404.44	**Deposits**		**400.78**
53.67	**Reserve Funds**		**56.76**
...	**Remittance Balances**		**0.07**
1115.85	**Surplus on Government Accounts**		**1350.54**
1115.85	(i) Revenue Surplus as on 31 March 2006	1115.85	
...	(ii) Revenue Surplus for the year 2006-07	234.69	
3722.20			**4152.48**
	Assets		
2958.78	**Gross Capital Outlay on Fixed Assets**		**3279.15**
177.31	Investment in shares of Companies, Corporation, *etc.*	183.16	
2781.47	Other Capital Outlay	3095.99	
479.87	**Loans and Advances**		**468.73**
374.19	Loans for power projects	375.43	
23.58	Other Development Loans	24.40	
82.10	Loans to Government Servants and miscellaneous loans	68.90	
34.26	**Investment of Earmarked Funds**		**34.26**
1.29	**Advances**		**1.31**
78.46	**Suspense and Miscellaneous Balances**		**59.83**
6.00	**Appropriation to Contingency Fund**		**6.00**
5.20	**Remittances**		...
158.34	**Cash**		**303.20**
9.37	Cash in Treasuries	8.81	
(-) 26.62	Deposits with Reserve Bank of India	(-) 83.20	
1.06	Departmental Cash Balance	1.59	
...	Permanent Advances	...	
174.53	Cash Balance Investment	376.00	
3722.20			**4152.48**

APPENDIX 1.4

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2006-07

(Reference: Paragraph 1.2; Page 4)

(Rupees in crore)

2005-06	Receipts	2006-07	2005-06	Disbursements				2006-07
				Section – A : Revenue				
	I. Revenue Receipts			**I. Revenue Expenditure**	**Non-Plan**	**Plan**	**Total**	
252.67	Tax Revenue[a]	304.74	**625.33**	**General Services**	**677.90**	**25.19**	**703.09**	**703.09**
146.01	Non-Tax Revenue	184.37	**554.75**	**Social Services**	**390.19**	**224.11**	**614.30**	**614.30**
350.57	State's Share of Union Taxes and Duties[b]	447.18	311.07	Education, Sports, Art and Culture	211.43	114.09	325.52	
406.03	Non-Plan Grants	472.47	94.03	Health and Family Welfare	61.19	37.92	99.11	
445.36	Grants for State Plan Schemes	569.00	82.05	Water Supply, Sanitation, Housing and Urban Development	81.13	25.83	106.96	
121.31	Grants for Central Plan and Centrally Sponsored Plan Schemes	117.83	3.67	Information and Broadcasting	2.24	2.50	4.74	
24.99	Grants for Special Plan Schemes	46.60	3.41	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	11.06	...	11.06	
			6.07	Labour and Labour Welfare	4.90	2.07	6.97	
			51.66	Social Welfare and Nutrition	15.39	41.70	57.09	
			2.79	Others	2.85	...	2.85	
			494.40	**Economic Services**	**272.95**	**317.16**	**590.11**	**590.11**
			163.07	Agriculture and Allied Activities	95.96	80.32	176.28	
			98.43	Rural Development	12.17	119.38	131.55	
			4.05	Special Areas Programmes	...	7.33	7.33	
			12.65	Irrigation and Flood Control	8.87	4.89	13.76	
			67.97	Energy	24.65	65.82	90.47	
			69.82	Industry and Minerals	40.37	22.26	62.63	
			52.54	Transport	76.55	...	76.55	
			0.14	Science, Technology and Environment	0.13	...	0.13	
			25.73	General Economic Services	14.25	17.16	31.41	
1746.94	**Total**	**2142.19**	**1674.48**	**Total**	**1341.04**	**566.46**	**1907.50**	**1907.50**
...	**II. Revenue Deficit carried over to Section B**	...	72.46	**II. Revenue Surplus carried over to Section B**	...	...	...	**234.69**
1746.94	**Total**	**2142.19**	**1746.94**	**Total**	**1341.04**	**566.46**	**1907.50**	**2142.19**

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

[b] Share of net proceeds assigned to State.

2005-06	Receipts	2006-07	2005-06	Disbursements				2006-07
Section – B : Others								
					Non-Plan	Plan	Total	
(-) 43.14	**III. Opening Cash Balance including permanent advances and cash balance investment**	**158.34**	...	**III. Opening Overdraft from RBI**	...	...	...	...
...	**IV. Miscellaneous Capital Receipts**	...	259.33	**IV. Capital Outlay**	7.02	313.35	320.37	320.37
			11.21	**General Services**	3.54	12.80	16.34	16.34
			114.52	**Social Services**	3.48	123.32	126.80	126.80
			0.70	Education, Sports, Art and Culture	...	2.02	2.02	
			17.23	Health and Family Welfare	...	18.06	18.06	
			77.86	Water Supply and Sanitation	...	92.29	92.29	
			10.73	Housing and Urban Development	3.48	2.96	6.44	
			8.00	Social Welfare and Nutrition	...	7.99	7.99	
			133.60	**Economic Services**	...	177.23	177.23	177.23
			4.61	Agriculture and Allied Activities	...	4.59	4.59	
			0.43	Rural Development	...	0.06	0.06	
			26.14	Special Areas Programmes	...	46.64	46.64	
			7.58	Irrigation and Flood Control	...	5.61	5.61	
			8.41	Industry and Minerals	...	12.68	12.68	
			86.03	Transport	...	107.59	107.59	
			0.40	General Economic Services	...	0.06	0.06	

2005-06	Receipts		2006-07	2005-06	Disbursements		2006-07
18.52	**V. Recoveries of Loans and Advances**		**17.11**	**10.63**	**V. Loans and Advances Disbursed**		**5.96**
0.14	From Power Projects	0.04		6.94	For Power Projects	1.27	
18.24	From Government Servants	16.88		2.94	To Government Servants	3.68	
0.14	From Others	0.19		0.75	To Others	1.01	
72.46	**VI. Revenue Surplus brought down**		**234.69**	**...**	**VI. Revenue Deficit brought down**		**...**
250.46	**VII. Public Debt receipts**		**246.05**	**63.37**	**VII. Repayment of Public Debt**		**86.28**
247.23	Internal debt other than Ways and Means Advances and Overdraft	243.07		44.31	Internal debt other than Ways and Means Advances and Overdraft	55.75	
...	Net transactions under Ways and Means Advances including Overdraft	...		...	Net transactions under Ways and Means Advances including Overdraft	...	
3.23	Loans and Advances from Central Government	2.98		19.06	Repayment of Loans and Advances to Central Government	30.53	
1107.80	**VIII. Public Account Receipts**		**1257.71**	**914.43**	**VIII. Public Account Disbursements**		**1198.09**
88.50	Small Savings and Provident Funds	91.17		44.20	Small Savings and Provident Fund	54.86	
19.56	Reserve Funds	20.68		19.20[(d)]	Reserve Funds	17.59	
343.13	Deposits and Advances	342.23		181.53	Deposits and Advances	345.92	
(-) 17.76	Suspense and Miscellaneous[(e)]	29.79		(-) 9.00	Suspense and Miscellaneous[(e)]	11.15	
674.37	Remittances	773.84		678.50	Remittances	768.57	
...	**IX. Closing Overdraft from Reserve Bank of India**		**...**	**158.34**	**IX. Cash Balance at end**		**303.20**
				9.37	Cash in Treasuries	8.81	
				(-) 26.62	Deposits with Reserve Bank	(-) 83.20	
				1.06	Departmental Cash Balance	1.59	
				174.53	Cash Balance Investment	376.00	
1406.10	**Total**		**1913.90**	**1406.10**	**Total**		**1913.90**

(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)

2005-06		SOURCES		2006-07
1746.94	1.	Revenue receipts		2142.19
18.52	2.	Recoveries of Loans and Advances		17.11
187.09	3.	Increase in Public Debt		159.77
193.37	4.	Net receipts from Public Account		59.62
	44.30	- Increase in Small Savings and Provident Funds	36.31	
	161.60	- Deposits and Advances (Net effect)	(-) 3.69	
	0.36	- Reserve Fund (Net effect)	3.09	
	(-) 8.76	- Net effect of Suspense and Miscellaneous transactions	18.64	
	(-) 4.13	- Net effect of Remittance transactions	5.27	
...	5.	Net effect of Contingency Fund transactions		...
...	6.	Decrease in closing cash balance		...
2145.92		**Total**		**2378.69**
		APPLICATION		
1674.48	1.	Revenue expenditure		1907.50
10.63	2.	Lending for development and other purposes		5.96
259.33	3.	Capital expenditure		320.37
...	4.	Net effect of Contingency Fund transactions		...
201.48	5.	Increase in closing cash balance		144.86
2145.92		**Total**		**2378.69**

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.48.45 crore between the figures reflected in the accounts {(-) Rs.83.20 crore} and that intimated by the Reserve Bank of India {(-) Rs.131.65 crore} due to (i) misclassification by Bank/Treasury (Rs.46.43 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)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Part A. - Receipts						
1 Revenue Receipts	**1,123**	**1,289**	**1,399**	**1,546**	**1,747**	**2,142**
(i) Tax Revenue	***136 (12)***	***145 (11)***	***178 (13)***	***208 (13)***	***253 (15)***	***305 (14)***
Taxes on Sales, Trade, *etc.*	81 (60)	87 (60)	110 (62)	127 (61)	173 (68)	216 (71)
State Excise	42 (31)	45 (31)	53 (30)	63 (31)	59 (23)	54 (18)
Taxes on Vehicles	5 (4)	5 (4)	6 (3)	7 (3)	9 (4)	9 (3)
Stamps and Registration fees	3 (2)	3 (2)	3 (2)	5 (2)	6 (3)	6 (2)
Land Revenue	1 (...)	0.32 (...)	0.49 (...)	0.29 (...)	0.33 (...)	6 (2)
Other Taxes	4 (3)	4.68 (3)	5.51 (3)	5.71 (3)	5.67 (2)	14 (4)
(ii) Non Tax Revenue	***94 (8)***	***93 (7)***	***129 (9)***	***133 (9)***	***146 (8)***	***184 (9)***
(iii) State's share of Union Taxes and Duties	***165 (15)***	***176 (14)***	***225 (16)***	***269 (17)***	***350 (20)***	***447 (21)***
(iv) Grants-in-aid from Government of India	***728 (65)***	***875 (68)***	***867 (62)***	***936 (61)***	***998 (57)***	***1,206 (56)***
2. Miscellaneous Capital Receipts	...	...	...	...	...	...
3. Total revenue and Non-debt capital receipts (1+2)	**1,123**	**1,289**	**1,399**	**1,546**	**1,747**	**2,142**
4. Recoveries of Loans and Advances	**16**	**15**	**18**	**19**	**19**	**17**
5. Public Debt Receipts	**156**	**295**	**319**	**297**	**250**	**246**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	110 (71)	157 (53)	236 (74)	185 (62)	247 (99)	243 (99)
Net transactions under Ways and Means Advances and Overdraft	...	...	...	...	...	...
Loans and Advances from Government of India[1]	46 (29)	138 (47)	83 (26)	112 (38)	3 (1)	3 (1)
6. Total receipts in the Consolidated Fund (3+4+5)	**1,295**	**1,599**	**1,736**	**1,862**	**2,016**	**2,405**
7. Contingency Fund Receipts	...	...	...	...	...	...
8. Public Accounts Receipts	**774**	**935**	**874**	**980**	**1,108**	**1,258**
9. Total receipts of the State (6+7+8)	**2,069**	**2,534**	**2,610**	**2,842**	**3,124**	**3,663**
Part B - Expenditure/Disbursement						
10. Revenue Expenditure	**1,157**	**1,205**	**1,314**	**1,596**	**1,674**	**1,907**
Plan	*273 (24)*	*256 (21)*	*310 (24)*	*476 (30)*	*491 (29)*	*566 (30)*
Non-Plan	*884 (76)*	*949 (79)*	*1,004 (76)*	*1,120 (70)*	*1,183 (71)*	*1,341 (70)*
General Services (including Interest payments)	429 (37)	484 (40)	526 (40)	587 (37)	625 (37)	703 (37)
Social Services	436 (38)	426 (35)	479 (36)	558 (35)	555 (33)	614 (32)
Economic Services	292 (25)	295 (25)	309 (24)	451 (28)	494 (30)	590 (31)
11. Capital Expenditure	**160**	**186**	**235**	**246**	**259**	**320**
Plan	*158 (99)*	*186 (100)*	*235 (100)*	*241 (98)*	*258 (99.61)*	*313 ((98)*
Non-Plan	*2 (1)*	[2]	...	*5 (2)*	*1 (0.39)*	*7 (2)*
General Services	6 (4)	7 (4)	25 (11)	8 (3)	11 (4)	16 (5)
Social Services	65 (40)	68 (36)	84 (36)	109 (44)	114 (44)	127 (40)
Economic Services	89 (56)	111 (60)	126 (53)	129 (53)	134 (52)	177 (55)

(1) Includes Ways & Means Advances.

(2) Rs.0.30 crore.

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
12. Disbursement of Loans and Advances	**43**	**75**	**70**	**36**	**11**	**6**
13. Total (10+11+12)	**1,360**	**1,466**	**1,619**	**1,878**	**1,944**	**2,233**
14. Repayments of Public Debt	**35**	**123**	**151**	**192**	**63**	**86**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	15 (43)	16 (13)	35 (23)	82 (43)	44 (70)	56
Net transactions under Ways and Means Advances and Overdraft	...	...	...	...	...	...
Loans and Advances from Government of India[3]	20 (57)	107 (87)	116 (77)	110 (57)	19 (30)	30
15. Appropriation to Contingency Fund	...	...	...	...	...	...
16. Total disbursement out of Consolidated Fund (13+14+15)	**1,395**	**1,589**	**1,770**	**2,070**	**2,007**	**2,319**
17. Contingency Fund disbursements	...	...	...	...	...	...
18. Public Account disbursements	**780**	**861**	**956**	**827**	**914**	**1,198**
19. Total disbursement by the State (16+17+18)	**2,175**	**2,450**	**2,726**	**2,897**	**2,921**	**3,517**
Part C – Deficits						
20. Revenue Surplus (+) /Deficit (-) (1-10)	**- 34**	**+ 84**	**+ 85**	**- 50**	**+ 73**	**+ 235**
21. Fiscal Deficit (-) (3+4-13)	**- 221**	**- 162**	**- 202**	**- 313**	**- 178**	**- 74**
22. Primary Deficit (-)/Surplus (+) (21-23)	**- 92**	**- 11**	**- 32**	**- 136**	**+ 13**	**+ 129**
Part D - Other data						
23. Interest Payments (included in revenue expenditure)	129	151	170	177	191	203
24. Arrears of Revenue (Percentage of Tax and Non-tax Revenue Receipts)[4]	NA	NA	NA	38.45 (11)	37.71 (9.45)	91.96 (18.8)
25. Financial Assistance to local bodies, *etc.*	194	201	198	189	167	208
26. Ways and Means Advances/ Overdraft availed (days)	Nil	244 (97)	51 (44)	2.57 (6)	92.34 (8)	Nil
27. Interest on WMA/Overdraft	Nil	0.23	0.24	0.0015	0.08	Nil
28. Gross State Domestic Product (GSDP)[5]	4,615	4,900	5,504	5,980	6,470[6]	7,052[7]
29. Outstanding Fiscal Liabilities (year end)	1,535	1,827	1,952	2,173	2,566	2,762
30. Outstanding guarantees (year end) including interest	157	137	300	338	404	436
31. Maximum amount guaranteed (year end)	187.51	183.69	342.94	384.32	504.67	562.02
32. Number of incomplete projects	144	117	147	216	172	282
33. Capital blocked in incomplete projects[8]	18.77 (36)	0.16 (1)	11.52 (24)	35.80 (80)	11.30 (24)	11.76 (43)

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 (October 2007) by the 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
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
		Total	**680.10**

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 Board (Rural Electrification Programme) – General	29.70
	Non-Lapsable Central Pool of Resources – General	6.80
11–OTHER TAXES AND DUTIES ON COMMODITIES AND SERVICES, *ETC.* (CAPITAL–VOTED)		
6801	Other Loans to Electricity Boards – Accelerated Power Development Programme – General	5.50
	Myntdu Leshka Project 2x42 MW – General	25.85
13 – SECRETARIAT GENERAL SERVICES, *ETC.* (REVENUE–VOTED)		
2052	Secretariat – General Services – Secretariat – Secretariat Administration Department (including other minor Department not shown separately) – General	2.15
	Secretariat – General Services – Secretariat – Nazarat (including expenditure of all Grade IV staff of the entire Secretariat) –General	1.30
2251	Secretariat-Social Services – Secretariat – Information and Technology Department – General	3.94
19 – SECRETARIAT GENERAL SERVICES, PUBLIC WORKS, *ETC.* (CAPITAL– VOTED)		
2059	Public Works - General – Direction and Administration – Divisional and Subordinate Offices (Roads) – Sixth Schedule (Part II) Areas	12.96
	Machinery and Equipment – R/C of T&P, *etc.* Sixth Schedule (Part II) Areas	2.09
	Public Works Workshops – Mechanical Workshops – General	1.01
21 – MISCELLANEOUS GENERAL SERVICES, *ETC.* (REVENUE–VOTED)		
2202	General Education - Elementary Education – Government Primary Schools – Expenditure on Primary Schools – General	4.29
	Non-Lapsable Central Pool of Resource – General	7.45
	Other Expenditure – Nonlapsable Central Pool of Resources – General	9.61
	Centrally Sponsored Schemes (CSS) –Sarva Shiksha Abhiyam – General	20.00
	CSS – Midday meal & incentives to students - General	7.67
	CSS-Scholarships – Post matric scholarship Scheduled Tribes– General	4.48
29 – URBAN DEVELOPMENT, CAPITAL OUTLAY ON HOUSING, ETC. (REVENUE-VOTED)		
2217	Other Urban Development Schemes – Construction –Special Urban Work Programme (including Chief Minister's Special Urban Development Fund) – Sixth Schedule (Part II) Areas	2.75
	Jawaharlal Nehru National Urban Renewal Mission – Sixth Schedule (Part II Areas)	7.70
34 – WELFARE OF SCHEDULED CASTES/SCHEDULED TRIBES, *ETC.* (REVENUE–VOTED)		
2225	Welfare of Scheduled Tribes – Other Expenditure – Financial assistance to District Councils for financing their own plan schemes – Sixth Scheduled (Part II) Areas	5.39
2235	Centrally Sponsored Schemes – Social Welfare Child Welfare – Integrated Child Development Scheme – Sixth Schedule (Part II) Areas	9.46
2236	Distribution of nutrition food and beverages – Supplementary Nutrition Programme for Integrated Child Development Service Scheme – Sixth Schedule (Part II) Areas	17.06
40 – NORTH EASTERN AREAS, *ETC.* (REVENUE–VOTED)		
2552	Other Expenditure – Transmission – Sixth Schedule (Part II) Areas	5.83
	Development of Bamboo sector including Resource Mapping & Inventory on bamboo – Sixth Schedule (Part II) Areas	4.00

(1)	(2)	(3)
	50 – FORESTRY AND WILDLIFE, *ETC.* (REVENUE – VOTED)	
2406	CSS – Social and Farm Forestry – Minor Forest produce including Medicinal Plant – Sixth Schedule (Part II) Areas	2.00
	CSS – Strengthening of Infrastructure for Conservation of Reserved Forests and Protected Forests – General	2.00
	CSS – Strengthening of Infrastructure for Conservation of Reserved Forests and Protected Forests – Sixth Schedule (Part II) Areas	2.00
	Central Sector Scheme – Integrated Forest Protection Scheme – General	2.50
	Central Sector Scheme – Environmental Forestry and Wildlife – Wildlife Preservation - Establishment of Parks and Sanctuaries – General	4.50
	56 – ROADS AND BRIDGES, CAPITAL OUTLAY ON ROADS AND BRIDGES (CAPITAL–VOTED)	
5054	State Highways – Other Expenditure – Construction – Sixth Schedule (Part II) Areas	3.96
	HUDCO Loan – Sixth Schedule (Part II) Areas	3.13
	Non-Lapsable Central Pool of Resources – Sixth Schedule (Part II) Areas	56.00
	Completion of Critical ongoing and spillover Schemes –Sixth Schedule (Part II) Areas	15.00
	Central Sector Schemes – District and Other Roads – Other Expenditure – Road Financed from Central Road Fund – Sixth Schedule (Part II) Areas	7.83

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
		(In Rupees)	
(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	12,15,00,000	73,11,57,687
2.	19 – Secretariat General Services, Public Works, Housing, Capital Outlay on Public Works, *etc.* Capital – Voted	6,59,00,000	20,85,73,667
3.	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, Sports, Arts and Culture Revenue – Voted	11,63,70,000	75,05,72,084
4.	23 – Other Administrative Services Revenue – Voted	15,71,917	54,34,991
5.	26 – Medical and Public Health, Family Welfare, Capital Outlay on Medical and Public Health, Capital Outlay on Family Welfare Revenue – Voted	60,62,000	4,98,16,864
6.	29 – Urban Development, Capital Outlay on Housing, Capital Outlay on Urban Development Revenue – Voted	5,50,00,000	14,78,75,207
7.	34 – Welfare of Scheduled Castes/Scheduled Tribes and Other Backward Classes, Social Security and Welfare, Nutrition, Capital Outlay on Social Security and Welfare, *etc.* Revenue – Voted	3,90,71,000	56,67,53,300
8.	38 – Secretariat Economic Services Revenue – Voted	2,00,000	7,07,36,420
9.	40 – North Eastern Areas (Special Areas Programme), Capital Outlay on North Eastern Areas Revenue – Voted	1,04,40,000	37,11,49,000
10.	41 – Census, Survey and Statistics Revenue – Voted	17,000	1,16,93,237

(1)	(2)	(3)	(4)
11.	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	34,76,500	11,77,11,845
12.	50 – Forestry and Wildlife, Agricultural Research and Education, Capital Outlay on Forestry and Wildlife Revenue – Voted	7,42,43,549	25,34,70, 906
13.	52 – Industries, Other Capital Outlay on Industries and Minerals, Other Loans to Industries and Minerals Revenue – Voted	48,66,036	54,26,338
14.	53 – Village and Small Industries, Capital Outlay on Village and Small Scale Industries, Loans for Village and Small Industries Revenue – Voted	24,14,215	1,69,11,451
15.	57 – Tourism, Capital Outlay on Public Works, Capital Outlay on Other Communication Services, Capital Outlay on Tourism, Loans for Tourism Revenue – Voted	12,00,000	63,21,916
16.	60 – Loans to Government Servants, *etc.* Capital – Voted	6,99,900	29,34,549
	Total	**50,30,32,117**	**331,65,39,462**

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
		(In Rupees)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	5 – Elections Revenue – Voted	5,20,00,000	7,88,84,796	2,68,84,796	3,41,97,472	73,12,676
2.	10 – Taxes on Vehicles, Other Administrative Services, *etc.* Revenue – Voted	8,94,00,000	15,12,70,806	6,18,70,806	6,72,65,065	53,94,259
3.	16 – Police, Other Administrative Services, Housing, Capital Outlay on Police Revenue – Voted	142,56,54,000	150,78,67,329	8,22,13,329	8,95,15,604	73,02,275
4.	27 – Water Supply and Sanitation, Housing, *etc.* Revenue – Voted	60,87,00,000	65,53,98,396	4,66,98,396	7,57,00,000	2,90,01,604
5.	27 – Water Supply and Sanitation, Housing, *etc.* Capital – Voted	88,73,00,000	92,74,94,898	4,01,94,898	7,75,91,000	3,73,96,102
6.	28 – Housing, Capital Outlay on Housing, Loans for Housing Revenue – Voted	10,10,40,000	17,88,70,124	7,78,30,124	10,09,66,000	2,31,35,876
7.	32 – Civil Supplies, Capital Outlay on Food Storage and Ware-Housing Revenue – Voted	5,80,00,000	6,14,98,465	34,98,465	72,61,000	37,62,535
8.	39 – Co-operation, Capital Outlay on Co-operation, Capital Outlay on Other Agriculture Programmes, Loans for co-operation Revenue – Voted	7,89,29,000	9,01,32,880	1,12,03,880	2,05,07,000	93,03,120
9.	46 – Special Programmes for Rural Development Revenue - Voted	9,25,00,000	15,17,31,225	5,92,31,225	7,54,36,000	1,62,04,775

(1)	(2)	(3)	(4)	(5)	(6)	(7)
10.	51 – Housing, Crop Husbandry, Special Programmes for Rural Development, *etc.*					
	Revenue – Voted	91,07,00,000	115,76,86,316	24,69,86,316	30,09,96,444	5,40,10,128
11.	54 – Village and Small Industries, Capital Outlay on Housing, Capital Outlay on Village and Small Scale Industries, *etc.*					
	Revenue – Voted	9,93,68,000	16,96,52,384	7,02,84,384	7,16,33,929	13,49,545
12.	55 – Non-ferrous Mining and Metallurgical Industries, Capital Outlay on Housing, *etc.*					
	Revenue – Voted	20,70,00,000	28,69,27,857	7,99,27,857	8,40,00,000	40,72,143
	Total	**461,05,91,000**	**541,74,15,476**	**80,68,24,476**	**100,50,69,514**	**19,82,45,038**

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
		(In Rupees)				
1.	1 – Parliament/State/ Union Territory Legislature, Stationery and Printing, Capital Outlay on Stationery and Printing					
	Revenue–Voted	10,80,59,000	33,55,04,798	22,74,45,798	1,18,16,059	21,56,29,739
2.	4-Administration of Justice					
	Revenue – Voted	3,65,92,000	4,00,50,171	34,58,171	14,76,896	19,81,275
	Total	**14,46,51,000**	**37,55,54,969**	**23,09,03,969**	**1,32,92,955**	**21,76,11,014**

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)

Sl. No.	Number and name of Grant/Appropriation	Amount of saving (Rupees in crore) and its percentage to total provision (in brackets)	Amount surrendered and reason for saving
(1)	(2)	(3)	(4)
1.	3–Council of Ministers, Other Administrative Services, *etc.* Revenue – Voted	1.64 (28)	Out of the available saving of Rs.1.64 crore, Rs.1.71 crore was anticipated as surplus stated to be mainly due to less expenditure on salaries and hospitality and surrendered in March 2007. Reasons for surrender of Rs.0.07 crore in excess of available saving had not been intimated (October 2007).
2.	4–Administration of Justice Revenue – Charged	1.20 (100)	Saving of Rs.0.01 crore only was anticipated as surplus and surrendered in March 2007. Reasons for not surrendering the balance saving of Rs.1.19 crore as well as for the final saving had not been intimated (October 2007).
3.	11–Other Taxes and Duties on Commodities and Services, *etc.* Revenue – Voted	73.12 (44)	Out of the available saving of Rs.73.12 crore, Rs.73.17 crore was anticipated as surplus stated to be mainly due to non-receipt of sanction from the Government and surrendered in March 2007. Reasons for surrender of Rs.0.05 crore in excess of available saving had not been stated (October 2007).
4.	11–Other Taxes and Duties on Commodities and Services, *etc.* Capital – Voted	37.03 (97)	The entire of saving of Rs.37.03 crore was anticipated as surplus state to be due to non-receipt of sanction from the Government and surrendered in March 2007.
5.	13–Secretariat General Services, Secretariat Social Services, Secretariat Economic Services, *etc.* Revenue – Voted	14.19 (29)	Saving of Rs.10.17 crore only was anticipated as surplus stated to be mainly due to restriction on non-plan expenditure imposed by the Government, less expenditure on salaries, wages, *etc.* and surrendered in March 2007. Reason for not surrendering the balance Rs.4.02 crore had not been intimated (October 2007.
6.	15–Treasury and Accounts Administration Revenue – Voted	1.34 (17)	Out of the available saving of Rs.1.34 crore, Rs.1.35 crore was anticipated as surplus stated to be mainly due to non-filling up of vacant post and economy measures imposed by the Government and surrendered in March 2007. Reasons for surrender of Rs.0.01 crore in excess available saving had not been stated (October 2007).
7.	18–Stationery and Printing, Capital Outlay on Stationery and Printing, Capital Outlay on Housing Revenue – Voted	1.85 (20)	Saving of Rs.1.04 crore only was anticipated as surplus stated to be mainly due to non-filling up of vacant posts and restriction on non-plan expenditure imposed by the Government and surrendered in March 2007. Reasons for not surrendering the balance saving of Rs.0.81 crore had not been intimated (October 2007).

(1)	(2)	(3)	(4)
8.	19–Secretariat General Services, Public Works, *etc.* Capital –Voted	20.86 (49)	Saving of Rs.20.63 crore was anticipated as surplus stated to be due to non-sanction for acquisition of complex, late sanction/non-finalisation of the project, revision of plan outlay, *etc.* and surrendered in March 2007. Reasons for not surrendering the balance amount of Rs.0.23 crore had not been intimated (October 2007).
9.	21–Miscellaneous General Services, General Education, Technical Education, Sports and Youth Services, Art and Culture, *etc.* Revenue – Voted	75.06 (19)	Saving of Rs.7.91 crore only was anticipated as surplus stated to be mainly due to non-receipt of sanction from the Government, curtailment of expenditure, non-filling up of vacant posts, *etc.* and surrendered in March 2007. Reasons for not surrendering of the balance saving of Rs.67.15 crore had not been intimated (October 2007).
10.	22–Other Administrative Services, *etc.* Housing Revenue - Voted	1.07 (14)	Saving of Rs.0.63 crore only was anticipated as surplus stated to be mainly due to non-filling up of vacant posts and economy measures imposed by the Government and surrendered in March 2007. Reasons for not surrendering the balance saving of Rs.0.44 crore had not been intimated (October 2007).
11.	26–Medical and Public Health, Family Welfare, Capital Outlay on Medical and Public Health, Capital Outlay on Family Welfare Capital – Voted	2.20 (12)	Saving of Rs.0.09 crore only was anticipated as surplus stated to be due to non-receipt of plan estimates from Engineering Wing and surrendered in March 2007. Reasons for not surrendering the balance amount of Rs.2.11 crore had not been intimated (October 2007).
12.	28–Housing, Capital Outlay on Housing, Loans for Housing Revenue – Voted	2.31 (11)	Saving of Rs.0.32 crore only was anticipated as surplus stated to be mainly due to economy measures imposed by the Government and non-sanction of new posts and surrendered in March 2007. Reasons for not surrendering the balance amount of Rs.1.99 crore had not been intimated (October 2007).
13.	29–Urban Development, Capital Outlay on Housing, *etc.* Revenue – Voted	14.79 (51)	Against the available saving of Rs.14.79 crore, Rs.14.88 crore was anticipated as surplus stated to be mainly due to less sanction of proposals/non-receipt of approval by/from the Government, non-sanction of project, non-filling up of vacant posts and restriction on non-plan expenditure imposed by the Government and surrendered in March 2007. Reasons for surrender of Rs.0.09 crore in excess of available saving had not been intimated (October 2007).
14.	29 – Urban Development, Capital Outlay on Housing, *etc.* Capital – Voted	14.48 (99)	Saving of Rs.14.39 crore was anticipated as surplus stated to be mainly due to non-availing of loan from HUDCO and non-sanction of the proposal and surrendered in March 2007. Reasons for not surrendering the balance saving of Rs.0.09 crore had not been intimated (October 2007).
15.	31–Labour and Employment Revenue – Voted	3.31 (32)	Against the available saving of Rs.3.31 crore, Rs.3.37 crore was anticipated as surplus stated to be mainly due to non-filling up of vacant posts, non-receipt/late receipt of sanction from the Government, *etc.* and surrendered in March 2007. Reasons for surrender of Rs.0.06 crore in excess of available saving had not been intimated (October 2007).

(1)	(2)	(3)	(4)
16.	34–Welfare of Scheduled Castes/ Scheduled Tribes and Other Backward Classes, *etc*. Revenue – Voted	56.68 (51)	Saving of Rs.55.77 crore was anticipated as surplus stated to be mainly due to non-receipt of sanction from the Government of India, less expenditure on material, *etc.* and surrendered in March 2007. Reasons for not surrendering the balance saving of Rs.0.91 crore had not been intimated (October 2007).
17.	38–Secretariat Economic Services Revenue – Voted	7.07 (38)	Out of the available saving of Rs.7.07 crore, Rs.6.79 crore was anticipated as surplus stated to be mainly due to less receipt of proposals, curtailment of tour programmes, non-filling up of vacant posts, *etc.* and surrendered in March 2007. Reasons for not surrendering the balance saving of Rs.0.28 crore had not been intimated (October 2007).
18.	39–Co-operation, Capital Outlay on Co-operation, Capital Outlay on Other Agricultural Programmes, Loans for Co-operation Capital – Voted	2.35 (32)	Against the available saving of Rs.2.35 crore, Rs.2.37 crore was anticipated as surplus stated to be mainly due to non-receipt of approval from the Government of India and surrendered in March 2007. Reasons for surrender of Rs.0.02 crore in excess of available saving had not been intimated (October 2007).
19.	40–North Eastern Areas, (Special Areas Programme), Capital Outlay on North Eastern Areas Revenue – Voted	37.11 (84)	Against the available saving of Rs.37.11 crore, Rs.24.88 crore was anticipated as surplus stated to be mainly due to non-release of fund/non-receipt of sanction by/from the Government and surrendered in March 2007. Reasons for not surrendering the balance saving of Rs.12.23 crore had not been intimated (October 2007).
20.	41–Census, Survey and Statistics Revenue – Voted	1.17 (21)	Against the available saving of Rs.1.17 crore, Rs.1.21 crore was anticipated as surplus stated to be mainly due to non-filling up of vacant posts, ban on payment of honorarium, *etc.* and surrendered in March 2007. Reasons for surrender of Rs.0.04 crore in excess of available saving had not been intimated (October 2007).
21.	43–Housing, Crop Husbandry, Agricultural Research and Education, *etc.* Revenue – Voted	11.77 (15)	Against the available saving of Rs.11.77 crore, Rs.13.46 crore was anticipated as surplus stated to be mainly due to non-implementation of schemes for non-receipt of administrative approval and release of less amount by the Government and surrendered in March 2007. Reasons for surrender of Rs.1.79 crore in excess of eventual saving had not been stated (October 2007).
22.	43-Housing, Crop Husbandry, Agricultural Research and Education, *etc.* Capital – Voted	2.62 (40)	Out of the available saving of Rs.2.62 crore, Rs.0.05 crore only was anticipated as surplus stated to be due to non-receipt of sanction for execution of the work and surrendered in March 2007. Reasons for not surrendering the balance saving of Rs.2.57 crore had not been intimated (October 2007).
23.	47–Housing, Animal Husbandry, Agricultural Research and Education Revenue – Voted	4.14 (13)	Out of the available saving of Rs.4.14 crore, Rs.1 crore only was anticipated as surplus stated to be due to non-clearance of the proposal by the NABARD and surrendered in March 2007. Reasons for not surrendering of Rs.3.14 crore had not been intimated (October 2007).
24.	49–Housing, Fisheries, Agricultural Research and Education, Capital Outlay on Housing, Capital Outlay on Fisheries Revenue- Voted	1.18 (13)	Saving of Rs.1.11 crore was anticipated as surplus stated to be mainly due to non-filling up of vacant posts, non-release of funds by the Central Government, *etc.* and surrendered in March 2007. Reasons for not surrendering the balance saving of Rs.0.07 crore had not been intimated (October 2007).

(1)	(2)	(3)	(4)
25.	50–Forestry and Wildlife, Agricultural Research and Education, Capital Outlay on Forestry and Wildlife Revenue – Voted	25.35 (40)	Out of the available saving of Rs.25.35 crore, Rs.4.39 crore only was anticipated stated to be mainly due to release of less fund by the Government and non-filling up of vacant posts and surrendered in March 2007. Reasons for not surrendering the balance saving of Rs.20.96 crore had not been intimated (October 2007).
26.	50–Forestry and Wildlife, Agricultural Research and Education, *etc.* Capital – Voted	9.00 (100)	The entire saving of Rs.9 crore was anticipated as surplus stated to be due to non-sanction of the proposal and surrendered in March 2007.
27.	53–Village and Small Industries, Capital Outlay on Village and Small Scale Industries, Loans for Village and Small Industries Revenue – Voted	1.69 (11)	Against the available saving of Rs.1.69 crore, Rs.1.79 crore was anticipated as surplus stated to be mainly due to non-filling up of vacant posts, non-payment of arrear pay and dearness pay within the year and restriction for submission of new schemes imposed by the Government and surrendered in March 2007. Reasons for surrender of Rs.0.10 crore in excess of available saving had not been intimated (October 2007).
28.	56–Roads and Bridges, Capital Outlay on Roads and Bridges Capital – Voted	50.97 (33)	No part of the saving was surrendered during the year, reasons for which as well as for the final saving had not been intimated (October 2007).
29.	Appropriation – Internal Debt of the State Government Capital – Charged	39.45 (41)	The entire saving was anticipated as surplus stated to be mainly due to non-availing of ways and means advances from the Reserve Bank of India and surrendered in March 2007.

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)		
		2004-05	2005-06	2006-07
1.	4 – Administration of Justice Revenue – Charged	1.18 (100)	1.12 (100)	1.20 (100)
2.	13 – Secretariat General Services, Secretariat Social Services, Secretariat Economic Services Revenue – Voted	11.24 (28)	12.32 (26)	14.19 (29)
3.	23 – Other Administrative Services, *etc.* Revenue – Voted	0.60 (59)	0.50 (53)	0.54 (47)
4.	28 – Housing, Capital Outlay on Housing, Loans for Housing Capital - Voted	3.29 (94)	1.15 (62)	0.98 (54)
5.	29 – Urban Development, Capital Outlay on Housing, Capital Outlay on Urban Development Capital – Voted	4.57 (26)	8.00 (50)	14.48 (99)
6.	31 –Labour and Employment Revenue - Voted	3.76 (39)	3.78 (38)	3.31 (32)
7.	39 – Co-operation, Capital Outlay on Co-operation, Capital Outlay on Other Agricultural Programmes, Loans for Co-operation Capital – Voted	4.50 (50)	5.03 (54)	2.35 (32)
8.	40 – North Eastern Areas (Special Areas Programme), Capital Outlay on North Eastern Areas Revenue – Voted	19.26 (69)	33.99 (89)	37.11 (84)
9.	41 – Census, Survey and Statistics Revenue – Voted	1.19 (23)	1.45 (27)	1.17 (21)
10.	43 – Housing, Crop Husbandry, Food Storage and Warehousing, Agricultural Research and Education, *etc.* Capital – Voted	1.45 (25)	3.13 (47)	2.62 (40)
11.	50 – Forestry and Wildlife, Agricultural Research and Education, Capital Outlay on Forestry and Wildlife Revenue – Voted	16.18 (33)	19.07 (34)	25.35 (40)

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	11,98,75,059	33,55,04,798	21,56,29,739
2.	4 – Administrative of Justice Revenue – Voted	3,80,68,896	4,00,50,171	19,81,275
3.	8 – State Excise Revenue – Voted	3,90,00,000	4,10,39,869	20,39,869
4.	20 – Other Administrative Services, *etc.*, Capital Outlay on Public Works Revenue –Voted	13,20,00,000	13,38,16,755	18,16,755
5.	24 – Pension and Other Retirement Benefits Revenue –Voted	94,98,00,000	1,17,51,55,315	22,53,55,315
6.	40 – North Eastern Areas (Special Areas Programme), Capital Outlay on North Eastern Areas Capital – Voted	34,60,00,000	46,64,40,070	12,04,40,070
	Total	**162,47,43,955**	**219,20,06,978**	**56,72,63,023**
II.	**Appropriations**			
1.	1 – Parliament/State/Union Territory Legislature, Stationery and Printing, Capital Outlay on Stationery and Printing Revenue – Charged	37,41,000	1,20,76,740	83,35,740
2.	Appropriation – Loans and Advances from the Central Government Capital – Charged	22,67,99,000	30,52,87,445	7,84,88,445
	Total	**23,05,40,000**	**31,73,64,185**	**8,68,24,185**
	Grand Total (I + II)	**185,52,83,955**	**250,93,71,163**	**65,40,87,208**

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 (03) – Nazarat (including expenditure of all Grade IV staff of the entire Secretariat) General	1074.96	R(-) 10.00 S. 282.59	782.37	652.37	(-) 130.00
2.	092 – Other Offices (15) – Expenditure on Chairman/Co-Chairman/Vice or Deputy Chairman of the State Level Boards/Commission/ Corporation/PSU and State Undertaking General	143.20	R(+) 10.00 S. 10.99	142.21	490.21	(+) 348.00
3.	**14 – DISTRICT ADMINISTRATION** 2053 – District Administration 101 – Commissioners (01) – Commissioners Establishment Sixth Schedule (Part II) Areas	20.10	R(-) 3.98 R(+) 0.83 S. 1.80	15.15	...	(-) 15.15
4.	**20 – OTHER ADMINISTRATIVE SERVICES, CAPITAL OUTLAY ON PUBLIC WORKS** 2070 – Other Administrative Services 106 – Civil Defence (08) – Central Training Institute, Shillong General	133.23	R(-) 9.86 R(+) 0.30	123.67	140.33	(+) 16.66
5.	**21 – MISCELLANEOUS GENERAL SERVICES, *ETC.*** 2202 – General Education 03 – University and Higher Education 107 – Scholarships (17) – Central post matric scholarships General	145.31	R(-) 21.01	124.30	...	(-) 124.30
6.	(26) – Post matric scholarship for Tribal Students General	24.63	R(-) 8.93	15.70	2.37	(-) 13.33
7.	(02) – Expenditure on College under non-deficit system General	82.68	R(+) 26.24	108.92	513.73	(+) 404.81
8.	(02) – Expenditure on College under non-deficit system Sixth Schedule (Part II) Areas	220.10	R(+) 50.47	270.57	235.57	(-) 35.30

(1)	(2)	(3)	(4)	(5)	(6)	(7)
9.	2203 – Technical Education 105 – Polytechnics (05) – Setting up of new polytechnic General	179.92	R(-) 66.32 S. 2.55	111.05	...	(-) 111.05
10.	**34 – WELFARE OF SCHEDULED CASTES/SCHEDULED TRIBES, *ETC.*** 2235 – Social Security and Welfare 02 – Social Welfare 001 – Direction and Administration (01) – Headquarters Organisation General	68.10	R(-) 0.95	67.15	78.91	(+) 11.76
11.	**39 – CO-OPERATION, CAPITAL OUTLLAY ON CO-OPERATION, *ETC.*** 2425 – Co-operation 001 – Direction and Administration (02) – District Organisation Sixth Schedule (Part II) Areas	249.09	R(-) 13.91 S. 30.43	204.75	215.00	(+) 10.25
12.	101 – Audit of Co-operatives (01) – Audit Staff Sixth Schedule (Part II) Areas	227.55	R(-) 20.45 R(+) 4.90 S. 6.82	205.18	190.66	(-) 14.52
13.	**50 – FORESTRY AND WILDLIFE, AGRICULTURAL RESEARCH AND EDUCATION, *ETC.*** 2406 – Forestry and Wildlife 01 – Forestry 001 – Direction and Administration (27) – Ecological Restoration of Cherrapunjee Sixth Schedule (Part II) Areas	80.00	R(+) 32.75 R(-) 5.75	107.00	7.04	(-) 99.96
14.	02 – Environmental Forestry and Wildlife 110 – Wildlife Preservation (02) – Other Wildlife Preservation Works Sixth Schedule (Part II) Areas	203.59	R(-) 4.68 S. 0.98	197.93	180.33	(-) 17.60
15.	102 – Social and Farm Forestry (04) – Social Forestry Sixth Schedule (Part II) Areas	441.29	R(+) 27.73 S. 11.36	457.66	490.01	(+) 32.35
16.	**56 – ROADS AND BRIDGES, CAPITAL OUTLAY ON ROADS AND BRIDGES** 5054 – Capital Outlay on Roads and Bridges 04 – District and Other Roads 800 – Other Expenditure (09) – Non-Lapsable Central Pool of Resources Sixth Schedule (Part II) Areas	6300.00	R(-) 700.00	5600.00	...	(-) 5600.00

(1)	(2)	(3)	(4)	(5)	(6)	(7)
17.	(03) – Construction of Rural Roads/Road from Nongbsap to Phansawrang (under Ministries of Tribal Affairs) Sixth Schedule (Part II) Areas	3395.00	R(+) 1500.00	4895.00	8540.61	(+) 3645.61
18.	**57 – TOURISM, CAPITAL OUTLAY ON PUBLIC WORKS, *ETC.*** 3452 – Tourism 01 – Tourism Infrastructure 103 – Tourist Transport Service (01) – Transport Facilities for Tourists General	23.17	R(-) 0.49	22.68	1.51	(-) 21.17
19.	**60 – LOANS TO GOVERNMENT SERVANTS, *ETC.*** 7610 – Loans to Government Servants, *etc.* 800 – Other Advances (02) – Advance for Children Education General	357.00	R(+) 40.00 S. 1.28	395.72	269.92	(-) 125.80

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.	21 - Miscellaneous General Services, General Education, *etc.*, – 2202-General Education – 01 – Elementary Education – 102 – Assistance to Non-Government Primary Schools – (30) – Non-Lapsable Central Pool of Resources General	743.96
2.	21 – Miscellaneous General Services, General Education, *etc.*,– CSS – 2202 – General Education – 80 – General – 003 – Research & Training – DIET – Sixth Schedule (Part II) Areas	121.14
3.	36 – Miscellaneous General Services, Social Security and Welfare – 2235 – Social Security and Welfare – 60 – Other Social Security and Welfare Programme – 104 – Deposit Linked Insurance Scheme Government Provident Fund General	46.30
4.	39 – Co-operation, Capital Outlay on Co-operation, Capital Outlay on Other Agricultural Programmes, Loans for Co-operation – 2425 – Co-operation – 108 – Assistance to Other Co-operative Societies – Assistance to different type of Co-operative Societies out of NCDC financial assistance General	22.74
5.	43 – Housing, Crop Husbandry, *etc.*, 2401 – Crop Husbandry – 103 – Seeds – (10) - Development of Maize Sixth Schedule (Part II) Areas	50.00
6.	43 – Housing, Crop Husbandry, *etc.*, 2401 – Crop Husbandry – 113 – Agricultural Engineering – (05) Supply of Power Tillers/Power Pumps to non-Border Farmers at subsidised rates General	198.00
7.	43 – Housing, Crop Husbandry, *etc.*, 2401 – Crop Husbandry – 115 – Scheme of Small/Marginal Farmers and Agricultural Labour - (04) Assistance to Small Farmers and Marginal Farmers Sixth Schedule (Part II Areas)	144.00
8.	43 – Housing, Crop Husbandry, *etc.* – Central Sector Schemes – 2401 – Crop Husbandry – 109 – Extension of Farmer's Training – (10) Promotion/Strengthening of Information Technology in Agriculture General	115.75
9.	43 – Housing, Crop Husbandry, *etc.*,- 4401 – Capital Outlay on Crop Husbandry – 800 – Other Expenditure – 01 – Construction of Administrative Buildings Sixth Schedule (Part II) Areas	37.68
10.	60 – Loans to Government Servants, *etc.* – 7610 – Loans to Government Servants, *etc.* – 201 – House Building Advances – (01) Advances to State Government Servants General	97.58
	Total	**1577.15**

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.	4 – Administration of Justice Revenue – Charged	1.20	1.20	1.19
2.	13 – Secretariat General Services, *etc.* Revenue – Voted	48.48	14.19	4.02
3.	19 – Secretariat General Services, Public Works, *etc.* Revenue – Voted	89.50	7.27	4.08
4.	21 – Miscellaneous General Services, General Education, Technical Education, *etc.* Revenue – Voted	400.87	75.06	67.15
5.	26 – Medical and Public Health, Family Welfare, *etc.* Revenue – Voted	104.09	4.98	4.96
6.	26 – Medical and Public Health, Family Welfare, *etc.* Capital – Voted	18.76	2.20	2.11
7.	27 – Water Supply and Sanitation, Housing, *etc.* Capital – Voted	96.49	3.74	1.56
8.	28 – Housing, Capital Outlay on Housing, Loans for Housing Revenue – Voted	20.20	2.31	1.99
9.	40 – North Eastern Areas, *etc.* Revenue – Voted	44.44	37.11	12.23
10.	43 – Housing, Crop Husbandry, *etc.* Capital – Voted	6.52	2.62	2.57
11.	45 – Housing, Soil and Water Conservation, Agricultural Research and Education Revenue – Voted	37.10	2.60	1.34
12.	47 – Housing, Social Security and Welfare, Animal Husbandry, Agricultural Research and Education Revenue – Voted	31.85	4.14	3.14
13.	50 – Forestry and Wildlife, Agricultural Research and Education, *etc.* Revenue – Voted	63.32	25.35	20.96
14.	51 – Housing, Crop Husbandry, Special Programmes for Rural Development, Rural Employment, Other Rural Development Programmes, *etc.* Revenue – Voted	121.17	5.40	2.04
15.	56 – Roads and Bridges, Capital Outlay on Roads and Bridges Capital – Voted	155.41	50.97	50.97
	Total (I)	**1239.40**	**239.14**	**180.31**

(1)	(2)	(3)	(4)	(5)
II. Cases of Unsurrendered Savings of less than Rs.1 crore				
1.	1–Parliament/State/Union Territory Legislature, Stationery and Printing, Capital Outlay on Stationery and Printing Capital – Voted	0.17	0.06	0.06
2.	2 – Governor Capital – Charged	0.60	0.0016	0.0016
3.	5 – Elections Revenue – Voted	8.62	0.73	0.10
4.	6 – Land Revenue, Relief on account of Natural Calamities, *etc.* Revenue – Voted	16.71	0.42	0.05
5.	7 – Stamps and Registration Revenue – Voted	0.80	0.12	0.03
6.	9 – Taxes on Sales, Trade *etc.* Revenue – Voted	5.22	0.40	0.21
7.	10 – Taxes on Vehicles, *etc.* Capital – Voted	3.50	0.35	0.35
8.	14 – District Administration Revenue – Voted	10.40	0.97	0.14
9.	17 – Jails Revenue – Voted	4.38	0.97	0.64
10.	18 – Stationery and Printing, Capital Outlay on Stationery and Printing, Capital Outlay on Housing Revenue – Voted	9.03	1.85	0.81
11.	19 – Secretariat General Services, Public Works, *etc.* Capital – Voted	42.33	20.86	0.23
12.	22 – Other Administrative Services, Housing Revenue – Voted	7.78	1.07	0.44
13.	23 – Other Administrative Services Revenue – Voted	1.15	0.54	0.13
14.	27 – Water Supply and Sanitation, Housing, *etc.* Revenue – Voted	68.44	2.90	0.30
15.	29 – Urban Development, Capital Outlay on Housing, Capital Outlay on Urban Development Capital – Voted	14.64	14.48	0.09
16.	34 – Welfare of Scheduled Caste/Scheduled Tribes and Other Backward Classes, *etc.* Revenue – Voted	111.85	56.68	0.91
17.	37 – Other Social Services Revenue – Voted	0.005	0.005	0.005
18.	38 – Secretariat Economic Services Revenue – Voted	18.49	7.07	0.28
19.	39 – Co-operation, Capital Outlay on Co-operation, Capital Outlay on Other Agricultural Programmes, Loans for Co-operation Revenue – Voted	9.94	0.93	0.006

(1)	(2)	(3)	(4)	(5)
20.	42 – Housing, Other General Economic Services Revenue – Voted	1.61	0.30	0.05
21.	44 – Medium Irrigation-II-Works under Embankment and Drainage Wing-P.W.D.-Medium Irrigation Project, Flood Control, *etc.* Revenue – Voted	0.61	0.06	0.06
22.	44 – Medium Irrigation-II-Works under Embankment and Drainage Wing-P.W.D.-Medium Irrigation Project, Flood Control, *etc.* Capital – Voted	2.72	0.24	0.24
23.	46 – Special Programmes for Rural Development Revenue – Voted	16.79	1.62	0.43
24.	48 – Housing, Dairy Development, Agricultural Research and Education Revenue – Voted	6.24	0.86	0.86
25.	49 – Housing, Fisheries, Agricultural Research and Education, Capital Outlay on Housing, Capital Outlay on Fisheries Revenue – Voted	8.80	1.18	0.07
26.	50 – Forestry and Wildlife, Agricultural Research and Education, *etc.* Revenue – Charged	0.05	0.05	0.05
27.	52 – Industries, Capital Outlay on Industries and Minerals, Loans for other Industries and Minerals Revenue – Voted	3.79	0.54	0.007
28.	56 – Road and Bridges, Capital Outlay on Roads and Bridges Revenue – Voted	76.73	0.18	0.18
29.	57 –Tourism, Capital Outlay on Public Works, *etc.* Revenue – Voted	3.98	0.63	0.63
30.	57 –Tourism, Capital Outlay on Public Works, *etc.* Capital – Voted	0.21	0.15	0.15
31.	60 – Loans to Government Servants, *etc.* Capital – Voted	3.97	0.29	0.28
32.	Appropriation – Interest Payment Revenue - Charged	212.88	9.75	0.51
	Total (II)	**672.435**	**126.2566**	**8.2996**
	Grand Total (I + II)	**1911.835**	**365.3966**	**188.6096**

Number of Grants/Appropriations: 44

Number of cases: 47

APPENDIX 2.12

Rush of expenditure during the year 2006-07

(Reference: Paragraph 2.4.10; Page 41)

Head of accounts/ Grant number	Total provision (Original plus Supplementary)	Expenditure				Total expenditure	Percentage of expenditure during 4th quarter to total expenditure	Expenditure during March (Rupees)	Percentage of expenditure during March	
		1st quarter	2nd quarter	3rd quarter	4th quarter				Total provision	Total expenditure
	(In Rupees)									
2202/21	3,58,63,51,000	51,75,25,373	71,18,19,318	61,79,47,964	1,14,74,33,532	2,99,47,26,187	38	69,71,30,950	19	23
2215/27	68,26,00,000	13,12,94,528	18,50,58,185	8,32,85,123	25,39,28,406	65,35,66,242	39	14,60,74,251	21	22
2210/26	93,74,81,000	17,21,85,437	25,30,66,643	24,16,40,961	23,02,46,062	89,71,39,103	26	8,06,89,721	9	9
2235/34, 35, 36	35,12,17,000	2,88,56,051	4,13,51,945	4,90,92,722	11,55,04,835	23,48,05,553	49	8,86,68,632	25	38
2401/43 and 51	62,99,20,000	4,80,63,926	6,05,94,172	6,97,27,126	32,84,81,487	50,68,66,711	65	29,82,99,518	47	59
2403/47	30,40,82,162	4,18,36,134	6,08,61,889	7,07,76,752	8,91,84,620	26,26,59,395	34	6,38,86,264	21	24
2515/51	1,00,81,00,000	2,94,05,162	3,88,42,793	8,49,87,038	83,90,64,738	99,22,99,731	85	47,43,18,129	47	48
2851/53, 54	32,51,90,144	3,17,09,224	4,34,03,277	4,07,91,371	19,09,64,551	30,68,68,423	62	16,33,18,057	50	53
2055/16	1,39,03,64,091	26,42,29,676	41,96,96,628	35,85,24,474	35,52,45,892	1,39,76,96,670	25	19,92,45,625	14	14

APPENDIX 2.13

Details of outstanding Abstract Contingent Bills drawn between November 1992 and March 2007 and remaining outstanding till June 2007

(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	1 1 1 1	1,49,750 63,600 6,28,000 18,99,000
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 2005 March 2006 November 2006 March 2007	14 7 1 3	1,19,11,000 32,39,178 4,49,604 4,20,000
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	January 2006	1	30,18,100
11.	Additional Deputy Commissioner (Election), Resubelpara Civil Sub-Division, East Garo Hills	February 2006	1	24,00,000
12.	Under Secretary and Assistant Chief Electoral Officer, Shillong	February 2006	1	19,85,000
13.	Deputy Commissioner (Election), Jaintia Hills District, Jowai	March 2006 June 2006 December 2006	1 1 1	7,50,000 2,93,500 84,144
14.	Deputy Commissioner (Election), Ri-Bhoi, Nongpoh	March 2006 November 2006	1 1	6,00,000 2,40,000
15.	Additional Deputy Commissioner (Election), East Khasi Hills, Shillong (N) Treasury	March 2006	1	25,00,000
16.	Sub-Divisional Officer (E), Nongstoin	March 2006	1	4,00,000
17.	Additional Deputy Commissioner (Election), West Khasi Hills, Nongstoin	March 2006	1	5,00,000
18.	Additional Deputy Commissioner (Election), Mairang	March 2006	1	2,50,000
19.	Sub-Divisional Officer (E), Jowai	March 2006	1	4,00,000
20.	Deputy Commissioner, Supply, South Garo Hills, Baghmara	January 2006	1	85,857

(1)	(2)	(3)	(4)	(5)
21.	District Training Officer, Farmers' Training Centre, Shillong	March 2006 March 2007	1 1	47,900 50,000
22.	Principal, Basic Agricultural Training Centre, Upper Shillong	March 2006 March 2007	1 1	1,00,000 1,70,000
23.	District Agricultural Officer. East Garo Hills, Williamnagar	March 2006 March 2007	1 1	48,750 60,000
24.	District Agricultural Officer, Ri-Bhoi District, Nongpoh	March 2006	1	60,415
25.	Deputy Commissioner, West Garo Hills, Tura	March 2006	1	15,00,000
26.	General Manager, DIC, Baghmara, South Garo Hills	March 2006	2	96,700
27.	Director of Mineral Resources, Meghalaya, Shillong	March 2006	1	15,000
28.	Deputy Commissioner (Election), South Garo Hills, Baghmara	June 2006	1	3,50,000
29.	Additional Deputy Commissioner i/c Mairang Civil Sub-Division	June 2006	1	90,000
30.	Additional Deputy Commissioner, in charge (Election), East Khasi Hills, Shillong	November 2006	1	6,54,000
31.	Deputy Commissioner, West Khasi Hills, Nongstoin	December 2006	1	1,50,000
32.	Sub-Divisional Officer, Mairang Civil Sub-Division (E), Mairang	December 2006	2	1,22,954
33.	Sub-Divisional Officer (E), Ampati Civil Sub-Division, West Garo Hills	December 2006	1	2,32,000
34.	Under Secretary Election Department, Ex-Officio & Assistant Chief Electoral Officer, Meghalaya	February 2007	1	2,30,28,625
35.	Director of Tourism, Meghalaya	September 2006	1	5,25,828
36.	Assistant Agricultural Engineer (Mech), Jaintia Hills District, Jowai	October 2006 March 2007	2 2	1,49,299 2,09,581
37.	Assistant Agricultural Engineer (Mech) (CHD), Nongstoin	December 2006 March 2007	2 2	1,20,000 1,00,000
38.	Assistant Director of Information & Public Relation, Meghalaya	December 2006	1	9,00,000
39.	Farm Management Specialist, Farmers Training Centre, Sangsonggiri, Tura	March 2007	1	50,000
40.	Deputy Commissioner, South Garo Hills, Baghmara	March 2007	1	14,41,022
	Total		**84**	**6,57,43,916**

APPENDIX 3.1

Details of State Plan Schemes implemented during 2002-07

(Reference: Paragraph 3.1.11; Page 50)

(Rupees in lakh)

Sl. No	Name of Scheme	2002-03	2003-04	2004-05	2005-06	2006-07	Total
1.	Fertilizer Distribution	23.79	21.71	27.10	14.83	18.76	106.19
2.	Organic Manures	1.99	2.00	2.49	7.67	10.16	24.31
3.	Plant Protection	20.87	21.00	23.95	22.99	24.99	113.80
4.	Plantation Crops	10.00	10.00	12.00	11.93	12.81	56.74
5.	Spices Development	20.80	21.00	26.00	24.00	24.99	116.79
6.	Tuber Crops	61.48	62.92	70.04	69.26	78.78	342.48
7.	Mushroom Development	9.99	11.00	13.24	11.00	11.69	56.92
8.	Expermental Tea Plantation	41.89	44.87	65.68	66.21	59.44	278.09
9.	Tea package Scheme	11.53	11.99	13.39	14.90	17.57	69.38
10.	Indigenous Crops	0.99	1.25	2.48	2.50	5.99	13.21
11.	Agril Information	2.76	2.10	6.09	5.99	6.97	23.91
12.	Lining Development	0.99	1.15	1.49	1.00		4.63
13.	Vegetable Development	35.88	38.00	41.99	41.99	59.04	216.90
14.	Grants-in-aid Agriculture/Horticulture Society	3.30	3.77	5.00	5.00	5.00	22.07
15.	Development & Maintenance of Orchard cum Horticulture Nurseries	58.43	64.89	93.88	78.45	90.15	385.80
16.	Citrus Rejuvenation	12.00	12.00	18.50	18.45	21.50	82.45
17.	Fruit Development	18.00	18.03	23.50	23.46	5.14	88.13
18.	General Horticulture Development	31.11	31.82	35.70	30.04	39.53	168.20
19.	Package credit cum subsidy	3.94	...	...	...	...	3.94
20.	Establishment of Large Sized Horticulture	6.97	7.00	10.74	10.00	15	49.71
21.	Establishment of Directorate of Horticulture	0.85	6.68	22.05	9.59	...	39.17
22.	Development of Floriculture	2.89	7.20	11.00	24.24	37.67	83.00
23.	Strawberry Cultivation	...	...	...	10.00	50.00	60.00
24.	Model Floriculture	...	...	...	4.13	9.39	13.52
25.	Development of Roses	...	...	...	...	20	20.00
26.	Development of Anthorium	...	...		...	12	12.00
27.	Land Acquisition	...	36.92	...	...		36.92
28.	Agricultural Marketing	27.92	49.09	45.89	43.95	65.59	232.44
29.	Fruit Processing	44.62	38.99	51.13	60.11	58.61	253.46
30.	Integrated Tribal Programme	...	...	...	...	5.00	5.00
	Total	**452.99**	**525.38**	**623.33**	**611.69**	**765.77**	**2979.16**

Source: Information furnished by the DoH.

APPENDIX 3.2

Target and Achievement of Schemes under Technology Mission during 2002-07 in respect of four test-checked districts

(Reference: Paragraph 3.1.11; Page 51)

Sl. No.	Name of scheme	Unit	East Khasi Hills District			West Garo Hills District			East Garo Hills District			Ri-Bhoi District		
			Target	Achieve-ment	Shortfall (*Per cent*)	Target	Achie-vement	Shortfall (*Per cent*)	Target	Achie-vement	Sshortfall (*Per cent*)	Target	Achie-vement	Shortfall (*Per cent*)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1.	**Area Expansion**	Ha	1,961	1,322	32.59	2,986	2,513	15.84	3,762	2,941	21.82	1,370	1,370	...
2.	**Creation of Water Sources**													
(i)	Community Tank	No	67	56	16.42	58	51	12.07	68	48	29.41	55	55	...
(ii)	Tube Wells	No	47	33	29.79	45	39	13.33	46	36	21.74	51	51	...
3.	**On farm Water management**													
(i)	Mulching	Ha	27.5	2.1	92.36	7.5	1.5	80.00	27.5	1.5	94.55	33	33	...
(ii)	Drip Irrigation	Nos.	170	81	52.35	95	37	61.05	339	255	24.78	240	240	...
(iii)	Sprinkler Irrigation	Nos.	67	67	...	52	52	...	53	53	...	60	60	...
(iv)	Green House (Rs.62500/-)	Nos.	15	...	100	20	6	70.00	60	--	100	127	127	...
(v)	Green House (low cost) Rs.12500/-	Nos.	67	67	...	...	...	...	57	57	...	...	...	...
(vi)	Green House (Hi tech)	Nos.	8	...	100	6	2	66.66	56	42	25	...	...	...
(vii)	Low Cost Tunnel	Nos.	35	18	48.57	34	34	...	12	...	100	20	20	...
(viii)	Bird Protection Net	Ha	100	100	...	...	...	...	...	...	...	15	15	...
(ix)	Overhead task	Nos.	10	10	...	...	...	...	...	...	...	25	25	...
(x)	Soil Conservator	Ha	20	11	45	...	...	...	...	...	...	...	...	...
(xi)	Arecanut Soakage Tank	Nos.	15	15	...	...	...	...	...	...	...	1	1	...
(xii)	Anti Hail Net	Sqm.	1,750	1,750	...	5,000	...	100	...	...	...	400	400	...
(xiii)	Shade net	Nos.	309/ 150	309/ 150	...	9,000	...	100	2	2	...	51,900	51,900	...
(xiv)	Green House Medium	Nos.	91	86	5.49	58	46	20.69	61	42	31.15	...	...	...
(xv)	Low Cost Tunnel	Sqm	5,000	...	100	...	...	...	6250	6250	...	6250	6250	...
4.	**On farm handling Unit (i)**	Nos.	22	22	...	21	21	...	18	18	...	...	...	...

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
5.	**Production of Planting Material**													
(i)	Small Nursery (Private)	Nos.	3	...	100	...	.	...	1	1	...	...	...	...
(ii)	Small Nursery (Public)	Nos.	...	...	...	5	5	...	3	3	...	1	1	...
(iii)	Herbal Garden (Private)	Nos.	...	...	...	1	...	100	1	1	...	3	3	...
(iv)	Big Nursery (Private)	Nos.	...	...	...	1	1	...	1	1	...	5	5	...
(v)	Big Nursery (Public)	Nos.	...	...	...	5	1	80	4	4	...	3	3	...
6.	**Transfer of Technology**													
(i)	Within State	Nos.	218	...	100	322	272	15.52	262	262	...	287	287	...
(ii)	Outside State	Nos.	205	160	21.95	261	216	17.24	212	172	18.87	216	216	...
7.	**Organic Farming**													
(i)	Incentive	Nos.	47	20	57.45	36	36	...	80	80	...	84	84	...
(ii)	Yurmi Compost	Nos.	321	190.5	40.65	493	358	27.38	452	388	14.16	129	129	...
8.	**Agril Equipment**													
(i)	Manual operated	Nos.	65	65	...	194	194	...	145	145	...	160	160	...
(ii)	Power operated	Nos.	74	36	51.35	77	77	...	74	74	--	72	72	-
(iii)	Power tiller	Nos.	43	36	16.28	7	7	...	59	45	23.73	102	102	...
(iv)	Electric Pump	Nos.	20	20	...	...	...	...	...	...	...	20	20	...
(v)	Diesel Engine	Nos.	39	31	20.51	26	26	...	139	39	-	51	51	...
9.	**Integrated Pest Management**	Nos.	446	283	36.55	1,049	889	15.25	943	943	...	938	938	...
10.	**Development of Women farmer "Self Help Group"**	Nos.	184	127	30.98	214	164	23.36	215	184	14.42	181	181	...
11.	**Centre of Excellence**	Nos.	...	...	...	...	...	...	1	1	...	...	...	...

Source: Information furnished by the Districts

APPENDIX 3.3

Receipts and Expenditure (excluding salaries) of Fruit Preservation/Processing Centres at Shillong and Dainadubi and nine Orchard cum Horticulture Nurseries during 2002-07

(Reference: Paragraph 3.1.12.1; Page 51)

(Rupees in lakh)

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	Total
I. FRUIT PRESERVATION CENTRE						
1. Shillong, East Khasi Hills District						
Revenue Receipt	11.96	12.54	14.45	13.61	11.90	64.46
Expenditure	29.12	23.49	29.61	31.99	34.50	148.71
Excess of expenditure over receipt	17.16	10.95	15.16	18.38	22.60	84.25
2. Dainadubi, East Garo Hills District						
Revenue Receipt	4.51	7.06	7.10	6.50	7.22	32.39
Expenditure	15.50	14.80	19.13	21.21	24.98	95.62
Excess of expenditure over receipt	10.99	7.74	12.03	14.71	17.76	63.23
Total - I						
Revenue Receipt	**16.47**	**19.60**	**21.55**	**20.11**	**19.12**	**96.85**
Expenditure	**44.62**	**38.29**	**48.74**	**53.20**	**59.48**	**244.33**
Excess expenditure over receipt	**28.15**	**18.69**	**27.19**	**33.09**	**40.36**	**147.48**
II. ORCHARD CUM HORTICULTURE NURSERIES						
East Khasi Hills District						
1. Wahjain Farm						
Revenue Receipt	0.28	0.44	0.86	1.01	0.46	3.05
Expenditure	2.59	2.66	4.06	3.00	3.75	16.07
Excess of expenditure over receipt	2.31	2.22	3.20	1.99	3.29	13.02
2. Pomshutia Farm						
Revenue Receipt	0.87	1.22	2.11	3.00	2.62	9.82
Expenditure	3.35	3.79	5.72	3.94	4.72	21.51
Excess of expenditure over receipt	2.48	2.57	3.61	0.94	2.10	11.69
West Garo Hills District						
3. Rongram						
Revenue Receipt	1.06	2.10	0.82	3.60	1.87	9.45
Expenditure	5.92	5.87	7.86	6.95	6.96	33.56
Excess of expenditure over receipt	4.86	3.77	7.04	3.35	5.09	24.11
4. Damalgre						
Revenue Receipt	2.15	0.27	1.12	1.19	0.44	5.17
Expenditure	4.45	3.99	5.10	4.53	4.55	22.62
Excess of expenditure over receipt	2.30	3.72	3.98	3.34	4.11	17.45
5. Zik Zak						
Revenue Receipt	1.23	0.05	0.48	0.97	0.22	2.96
Expenditure	4.70	4.75	5.06	3.94	4.43	22.88
Excess of expenditure over receipt	3.47	4.70	4.58	2.97	4.21	19.92
6. Rongmalgre						
Revenue Receipt	...	...	...	0.71	...	0.71
Expenditure	...	1.50	4.19	3.91	3.54	13.14
Excess of expenditure over receipt	...	1.50	4.19	3.20	3.54	12.43
East Garo Hills District						
7. Samgong						
Revenue Receipt	0.13	0.84	5.36	2.69	2.08	11.09
Expenditure	0.57	1.20	2.20	1.96	5.59	11.53
Excess of expenditure over receipt (+)/Excess of receipt over expenditure (-)	+ 0.44	+ 0.36	- 3.16	- 0.73	+ 3.51	+ 0.44

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	Total
Ri-Bhoi District						
8. Dewlieh						
Revenue Receipt	0.21	0.15	0.39	10.01	5.08	15.84
Expenditure	4.35	4.84	7.02	6.28	5.16	27.65
Excess of expenditure over receipt (+)/Excess of receipt over expenditure (-)	+ 4.14	+ 4.69	+ 6.63	- 3.73	+ 0.08	+ 11.81
9. Byrnihat						
Revenue Receipt	1.14	1.59	3.22	1.98	3.37	11.30
Expenditure	5.58	6.40	9.05	8.50	11.27	40.79
Excess of expenditure over receipt	4.44	4.81	5.83	6.52	7.90	29.49
Total - II						
Revenue Receipt	**7.07**	**6.66**	**14.36**	**25.16**	**16.14**	**69.39**
Expenditure	**31.51**	**35.00**	**50.26**	**43.01**	**49.97**	**209.75**
Excess expenditure over receipt	**24.44**	**28.34**	**35.90**	**17.85**	**33.83**	**140.36**
GRAND TOTAL (I + II):						
Revenue Receipt	**23.54**	**26.26**	**35.91**	**45.27**	**35.26**	**166.24**
Expenditure	**76.13**	**73.29**	**99.00**	**96.21**	**109.45**	**454.08**
Excess of Expenditure over Receipt	**52.59**	**47.03**	**63.09**	**50.94**	**74.19**	**287.84**

Source: Information furnished by the Assistant Horticulturists, Fruit Preservation Centre, Shillong, and Food Processing, Dainadubi and the DHOs of respect districts.

APPENDIX 3.4

Details showing the excess lifting of foodgrains

(Reference: Paragraph 3.2.11.1; Page 66)

(Reference: Paragraph 3.2.11.1; Page 66)

(Quantity in quintals)

Year	Requirement of foodgrains reported to the GOI by the State Government		Requirement of foodgrains as worked out by Audit			Quantity of foodgrains lifted from the FCI	Quantity lifted in excess of requirement shown under column 6	Excess subsidy burden (@ Rs.5,650 per tonne) (In rupees)
	Enrolment of children	Requirement of foodgrains	Enrolment of children during the year	Basis of calculation of requirement	Requirement of foodgrains			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2003-04	4,85,980	1,02,795.40	3,80,327	55,994 children @ 3 kg per child per month for 10 months and the remaining children @ 2 kg per child per month for 10 months	81,664.80	93,734.02	12,069.22	68,19,109
2004-05	5,02,573	1,00,514.60	4,12,822	Two kgs per child per month for 10 months	82,564.40	95,122.80	12,558.40	70,95,496
2005-06	5,97,555	1,00,389.24	4,44,480	100 grams per child per school day for 210 days taking 80 *per cent* attendance	74,672.64	1,00,414.20	25,741.56	1,45,43,981
2006-07	6,27,596	1,05,436.13	4,87,956		81,976.61	99,878.86	17,902.25	1,01,14,771
Total					3,20,878.45	3,89,149.88	68,271.43	3,85,73,357

Source: Information furnished by the DEME and Annual Working Plan & Budget of the SSA.

APPENDIX 3.5

Details of unutilised funds

(Reference: Paragraphs 3.4.8.3 & 3.4.16.1; Pages 97 & 106)

ARWSP

(Rupees in crore)

Year	Opening balance	Receipt	Total Fund	Expenditure	Unspent balance (Percentage)
2002-03	1.54	29.35	30.89	16.64	14.25 (46)
2003-04	14.25	18.12	32.37	21.39	10.98 (34)
2004-05	10.99	24.22	35.21	27.40	7.81 (22)
2005-06	7.81	32.23	40.04	32.77	7.27 (18)
2006-07	7.27	51.05	58.32	46.04	12.28 (21)
		154.97		144.24	

Source: Information furnished by the CE, PHE

Prime Minister's Programmes

(Rupees in crore)

Year	Opening balance	Release	Total fund available	Expenditure	Unspent balance (Percentage)
2003-04	-	4.03	4.03	0.87	3.16 (78)
2004-05	3.16	2.53	5.69	4.18	1.51 (27)
2005-06	1.51	...	1.51	0.97	0.54 (36)
2006-07	0.54	...	0.54	...	0.54 (100)
Total		**6.56**	-	**6.02**	

Source : Information furnished by the CE, PHE.

APPENDIX 3.6

Details of incomplete water supply schemes

(Reference: Paragraph 3.4.11 ; Page 100)

Sl. No.	Name of the water supply schemes	Month and year of sanction	Estimated cost (Rupees in lakh)	Target date of completion	Status of the scheme as on 31 March 2007		Period of delay as of March 2007 (Year)	Reasons for non-completion
					Physical (Percentage)	Financial (Rupees in lakh)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Water Supply Schemes under MNP								
PHE, Mawphlag Division								
1.	Improvement of Pynthorumkhrah (Phase II	September 2002	51.27	March 2005	98	51.37	2	Land dispute.
2.	Improvement of Mawjrong	February 2003	51.55	March 2006	98	52.78	1	
3.	Improvement of Mawah Rangtmah	March 2003	33.55	March 2005	98	31.94	2	
4.	Quality Improvement of Laitlyngkot	September 2003	55.31	March 2005	99	60.06	2	
5.	Jathang Mawstep and Mawbri	October 2003	42.42	March 2006	99	44.39	1	
6.	Improvement of Sohpian Comb.	November 2003	59.22	March 2006	98	64.40	1	
7.	Improvement of Mawpynthih	November 2003	73.99	March 2006	82	69.66	1	
8.	Improvement of Pamsanngut Comb.	December 2003	58.28	March 2006	84	43.38	1	
9.	Lumkshaid Mawprem	March 2005	35.02	March 2006	10	3.77	1	
10.	U Tirot Sing Nagar	March 2005	80.84	March 2006	75	64.60	1	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
PHE , Nongstoin Division								
11.	Renovation of Dongkiingding	March 2003	17.52	March 2006	70	15.55	1	Reasons not furnished
12.	Nonglait	March 2003	47.67	March 2006	70	40.79	1	-do-
13.	Re-construction of Mawkhap Jarain	March 2004	19.28	March 2006	90	16.39	1	-do-
PHE, Resubelpara Division								
14	Renovation of Damas	March 2002	34.17	March 2005	90	25.97	2	-do
PHE , Simsanggiri Division								
15.	Improvement and re-generation of the yield of Nongalbibra	March 2004	7.62	March 2006	60	5.92	1	-do
16.	Renovation of Dawagre	November 2004	73.72	March 2006	75	66.15	1	-do
PHE , Mawphlang Division								
17.	Replacement of Pumping machineries installed in the intake pumping station of GSWSS	April 2003	155.00	December 2005	90	164.99	1 year 3 months	Delay in despatch of pumping machineries to the site of work
	Total		**896.43**			**822.11**		
Water Supply Schemes under ARWSP								
PHE, Mawphlang Division								
1.	Improvement of Laitlum	March 2004	49.52	March 2006	98	54.15	1	Land dispute
2	Laitarted W/S/S	March 2004	48.79	March 2006	98	50.91	1	Land dispute
3.	Madan Lyngdoh Nongkynrih	March 2004	60.02	March 2006	96	57.01	1	Land dispute

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
PHE , Nongstoin Division								
4.	Sohjarang	October 1989	2.40	NA	10	1.05	-	Reasons not furnished
5.	Tlon	February 1994	3.08	NA	70	3.44	-	
6.	Pomdkhar	March 2002	7.37	March 2005	85	7.40	2	
7.	Mawkhap	March 2003	8.49	March 2005	70	8.66	2	
8.	Mawribah	March 2004	10.59	March 2006	50	4.88	1	
9.	Mawphansin	March 2002	9.00	March 2005	90	8.42	1	
10.	Thawkhong	March 2002	11.56	March 2005	80	9.34	2	
11.	Mawsngi	March 2004	6.06	March 2006	75	4.48	1	
	Total		**216.88**			**209.74**		
Works under Sub Mission (RGNDWM)								
PHE, Nongstoin Division								
1.	Quality improvement of Mawlieh	March 2001	84.13	March 2005	70	68.73	2	Reasons not furnished
2.	Manai W/S/S	October 2002	46.02	March 2006	70	45.05	1	
3.	Quality improvement of Kynsew	October 2002	27.27	March 2006	60	31.03	1	
4.	Quality improvement of Nongryngkew	October 2002	62.66	March 2006	75	47.07	1	
5.	Quality improvement of Wahlakhaw W/S/S	March 2003	35.57	March 2006	50	17.89	1	
PHE , Tura North Division								
6.	Quality Improvement of Tikrikilla Zone B	October 2002	17.94	October 2005	90	14.03	1 year 5 months	
	Total		**273.59**			**223.80**		
	Grand Total		**1,386.90**			**1,255.65**		

Source: Information furnished by the EEs of concerned divisions.

APPENDIX 3.7

Statement showing details of completed works as of March 2007

(Reference: Paragraph 3.4.12; Page 100)

(Rupees in lakh)

Sl. No	Name of Water Supply Scheme	Estimated cost	Month & year of sanction	Target date of completion	Actual month of completion	Period of delay (year - month)	Total expenditure	Excess expenditure (*Per cent*)	Reasons for delay as stated by the concerned EE
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Water Supply Schemes under MNP									
PHE,Investigation Division									
1.	5th mile	3.75	March 2003	March 2005	March 2006	1-0	4.69	0.94 (25)	Reasons not furnished
PHE, Electrical Division Mawphlang									
2.	Jawiaw Laitdom	12.57	March 2000	December 2003	March 2004	0-3	13.79	1.22 (10)	-do-
PHE , Nongstoin Division									
3.	Augmentation of Nongtnger	7.05	March 2004	March 2006	September 2006	0-6	7.77	0.72 (10)	-do-
4.	Augmentation of Wawkhlam	19.42	February 1996	March 1998	March 2003	5-0	20.95	1.53 (8)	-do-
5.	Nongjaslar	3.92	March 2000	March 2003	March 2004	1-0	4.44	0.52 (13)	-do-
6.	Mawlieh	18.20	January 1997	March 2000	March 2005	5-0	19.65	1.45 (8)	-do-
7.	Augmentation of Pyndengiri	98.25	January 1995	March 2000	March 2005	5-0	106.39	8.14 (8)	-do-
8.	Reconstruction of Nongpyndeng	69.26	March 2001	March 2003	March 2006	3-0	73.36	4.10 (6)	-do-
9.	Kharthangthaw Lumthlong	70.64	March 2000	March 2002	March 2006	4-0	76.00	5.36 (8)	-do-
PHE , Simsanggiri Division									
10.	Reno. of Nangalbibra	123.11	March 1996	March 2000	March 2003	3-0	134.00	10.89 (9)	-do-
11.	Dilma Kawak	16.71	February 1997	March 2000	March 2003	3-0	17.92	1.21 (7)	-do-
12.	Kakwa Songetal	2.08	February 1996	March 2000	March 2003	3-0	4.41	2.33 (112)	-do-
13.	Najong Nabokgiri	2.27	March 1997	March 2001	March 2003	2-0	13.49	11.22 (494)	-do-
14.	Rongngiri Songital	6.20	March 1996	March 2000	March 2003	3-0	6.82	0.62 (10)	
Water Supply Schemes under ARWSP									
PHE, Electrical Division Mawphlang									
15.	Dympep combined	53.84	May 1999	December 2002	March 2003	0-3	59.23	5.39 (10)	-do-
16.	Madawkor Wakkroh	11.87	March 2000	December 2003	March 2004	0-3	12.81	0.94 (8)	-do-
PHE Mawkyrwat Division									
17.	Pariong combined	92.10	February 1994	December 2000	September 2005	4-9	97.70	5.60 (6)	-do-
PHE , Nongstoin Division									
18.	Nongmawsmai	11.24	March 2000	March 2005	September 2006	0-9	12.40	1.16 (10)	-do-

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
19.	Wahsangem	14.15	March 2002	March 2004	September 2006	2-6	15.97	1.82 (13)	Reasons not furnished
20.	Nongbyrboh	18.41	March 2002	March 2005	September 2006	1-6	21.51	3.10 (17)	-do-
21.	(15) Nongumwein	5.36	March 2001	March 2003	March 2004	1-0	6.09	0.73 (14)	-do-
22.	(16) Porla	8.63	March 2001	March 2003	March 2005	2-0	9.19	0.56 (6)	-do-
23.	(17) Mawreyniaw	4.70	March 2002	March 2004	March 2005	1-0	5.02	0.32 (7)	-do-
24.	Ramkynshi Mawrieaugttnnai	35.63	March 2002	March 2004	March 2006	2-0	38.57	2.94 (8)	-do-
PHE , Tura Division									
25.	Agura Bokma	14.52	March 2001	March 2004	March 2005	1-0	15.61	1.09 (8)	-do-
26.	Mandal gital	6.37	March 2001	March 2004	March 2005	1-0	6.93	0.56 (9)	-do-
27.	Rongsamgiri Apal	15.72	March 2001	March 2004	March 2005	1-0	16.87	1.15 (7)	-do-
28.	Renchagital	9.33	March 2002	March 2004	December 2005	0-9	10.13	0.80 (9)	-do-
29.	Reconstruction of Chengkarigiri (Mellium)	47.61	March 2001	March 2003	December 2006	3-9	50.71	3.10 (7)	-do-
PHE , Resubelpara Division									
30.	New Jonglapara	4.84	May 1999	March 2002	March 2003	1-0	5.31	0.47 (10)	-do-
31.	New Dena Saragma	15.80	March 2000	March 2003	March 2004	1-0	17.41	1.61 (10)	-do-
32.	New Darugiri	2.92	March 2000	March 2003	March 2004	1-0	3.17	0.25 (9)	-do-
33.	Lidek Reserve	6.09	March 2000	March 2004	March 2006	2-0	6.69	0.60 (10)	-do-
34.	Danigitteim	10.19	March 2000	March 2004	March 2006	1-0	11.19	1.00 (10)	-do-
35.	Aga Bollonggittim	4.52	March 2000	March 2004	March 2006	1-0	4.95	0.43 (10)	-do-
36.	Mikkasidam	10.30	March 2001	March 2004	March 2006	1-0	11.32	1.02 (10)	-do-
37.	Dagal Baduggiri	16.03	March 2002	March 2004	March 2006	2-0	18.50	2.47 (15)	-do-
38.	Megapgre Soggital	27.49	March 2002	March 2004	March 2006	2-0	32.38	4.89 (18)	-do-
PHE , Simsanggiri Division									
39.	Rongal Kamagiri	4.13	March 2000	March 2002	March 2003	1-0	4.46	0.33 (8)	-do-
40.	Barik Asingiri	8.51	March 2002	March 2002	March 2003	1-0	9.36	0.85 (10)	-do-
41.	Napak Songittal	10.40	March 2000	March 2002	March 2003	1-0	11.18	0.78 (7)	-do-
42.	Nengmandalgiri	38.78	March 1996	March 2000	March 2003	3-0	41.37	2.59 (7)	-do-
43.	Charegittein	5.25	March 2003	March 2004	March 2005	1-0	5.69	0.44 (8)	-do-
	Total	**968.16**					**1,065.40**	**97.24**	

Source: Information furnished by the EEs of concerned divisions.

APPENDIX 3.8

Non-functional water supply schemes due to theft of laid pipes

(Reference: Paragraph 3.4.19.1; Page 110)

Sl. No.	Number of water supply scheme	Estimated cost	Expenditure on the scheme	Month and year of completion	Month and year of non-functioning	Cost of material stolen	Date of FIR
		(Rupees in lakh)				(Rupees in lakh)	
Tura North Division							
1.	8	429.13	446.42	31 March 1986 to 31 March 1997	01 August 2004 to 16 May 2006	4.55	11 August 2004 to 18 May 2006
Nongstoin Division							
2.	6	50.58	53.11	31 March 1987 to 31 March 2003	11 November 2004 to 11 May 2006	1.81	11 November 2004 to 11 May 2006
	14	**479.53**	**499.53**			**6.36**	

Source: Information furnished by the EEs of the concerned divisions.

APPENDIX 4.1

Details of items for which payment was made without receipt

(Reference: Paragraph 4.15; Page 131)

Sl. No.	Name of items	Quantity (numbers)	Amount paid (In rupees)
1.	Endotractact Tubes Adult/Pediatric	25	35,100
2.	MTP Suction Machine	5	40,560
3.	IV Stand	50	1,45,600
4.	ECG Monitor for Ward	1	43,680
5.	Mosquito Net Square Mesh (80x44x55 inch)	100	32,292
6.	Mosquito Net Square Mesh (36x20x16 inch)	50	
7.	White Turkish Towel	100	7,800
8.	Disposable Syringe 2 cc	5,000	27,040
9.	Disposable Syringe 5 cc	5,000	
10.	Hydraulic Operation Table	1	1,14,400
11.	Instrument Trolley	5	35,880
12.	Delta Double Way Phototherapy Unit	2	62,400
13.	Syringe and Needle Destroyer	10	57,200
14.	Shadow-less Mobile Operation Land – 14 inch	2	30,160
15.	Baby Blanket	300	57,000
16.	Linth Cloth	471 rolls	1,29,457
	Total		8,18,569

Source: Information received from the District Medical & Health Officer, West Garo Hills, Tura and Payees' Receipts.

APPENDIX 4.2

(Reference: Paragraph 4.18; Pages 134)

A - Year-wise position of outstanding Inspection Reports and Paragraphs

Year	Number of outstanding Inspection Reports				Number of outstanding paragraphs			
	Agriculture	Sericulture & Weaving	General Adminis-tration	Public Works	Agriculture	Sericulture & Weaving	General Adminis-tration	Public Works
Up to 1991-92	3	1	13	4	4	1	60	4
1992-93	...	...	2	1	...	...	9	1
1993-94	1	...	7	4	1	...	50	6
1994-95	...	...	4	6	...	...	20	8
1995-96	...	...	4	7	...	...	29	10
1996-97	...	...	3	6	...	...	17	8
1997-98	2	2	3	4	3	3	10	6
1998-99	...	...	1	10	...	...	9	16
1999-00	...	2	3	3	...	4	14	7
2000-01	2	3	2	7	3	4	13	12
2001-02	3	1	2	6	10	1	6	14
2002-03	1	...	...	6	1	...	...	37
2003-04	5	2	2	16	17	2	14	83
2004-05	10	2	2	7	44	4	10	50
2005-06	3	...	2	4	15	...	16	34
2006-07	2	...	1	21	20	...	3	102
Total	32	13	51	112	118	19	280	398

B – Department-wise position of paragraphs remaining unsettled for more than 10 years

Sl. No.	Name of Department	Paragraphs remaining unsettled for more than 10 years	
		Number of IR	Number of paragraphs
1.	Agriculture	6	8
2.	Sericulture and Weaving	3	4
3.	General Administration	33	185
4.	Public Works	28	37
	Total	70	234

APPENDIX 4.3

Details of explanatory notes on paragraphs of Audit Reports pending as of November 2007

(Reference: Paragraph 4.19; Page 135)

Sl. No.	Year of Audit Report	Audit Report placed before the State Legislature	Paragraph number for which *suo motu* explanatory notes are awaited	Department
(1)	(2)	(3)	(4)	(5)
1.	1986-87	27 November 1990	3.2	Animal Husbandry and Veterinary (AH&V)
			3.11	Industries
			3.14	Town and Country Planning (T&CP)
			4.4	Public Health Engineering (PHE)
			4.5	Agriculture
			5.1	Agriculture, PHE and Public Works (PW)
			5.2	PW and PHE
			5.5 & 5.6	PHE
			7.2	Co-operation
		Total	10	
2.	1987-88	17 March 1992	3.3	AH&V
			3.4	Community Development
			3.6	Fisheries
			3.7	General Administration (GA)
			3.14	Industries
			3.15	General (18 departments)
			3.16	Power
			3.20	T&CP
			3.21	Tourism
			5.1	PW & PHE
			5.3 & 5.4	PHE
		Total	12	
3.	1988-89	29 December 1992	3.7	AH&V
			3.18	Home (Police)
			3.19 to 3.23	Industries
			3.24	Law
			3.27	Agriculture, Education, Medical, Police and PHE
			4.6	PW
			5.1 to 5.5	Agriculture, PHE & PW
		Total	15	
4.	1989-90	30 April 1993	3.10	Labour and Employment
			3.15	Industries, GA, Forest and Transport
			4.3, 4.4 & 4.5	PHE
			5.1, 5.2 & 5.3	Agriculture, PHE & PW
			5.7	PHE
			5.8	Medical
		Total	10	
5.	1990-91	8 October 1993	3.1	AH&V
			3.8	Health and Family Welfare (H&FW)
			3.9 to 3.14	Industries
			3.15	Labour
			3.18	AH&V
			4.6	PHE
		Total	11	

(1)	(2)	(3)	(4)	(5)
6.	1991-92	24 April 1994	3.3	AH&V
			3.9	Labour and Employment
Total			2	
7.	1992-93	16 September 1994	3.1	AH&V
			3.2	Community and Rural Development (C&RD)
			3.3	Education
			3.4	Fisheries
			3.8 to 3.11	Industries
			3.13	General (12 departments)
			4.1 & 4.2	PW
			4.4	PHE
			5.1 & 5.2	PW
			5.5	PHE
			7.2	Urban Affairs
Total			16	
8.	1993-94	8 September 1995	3.1 & 3.2	Education
			3.3	General Administration
			3.4 to 3.6	H&FW
			3.7	Home
			3.8	General (14 departments)
			7.2	C&RD
Total			9	
9.	1994-95	20 September 1996	3.2	Art and Culture
			3.3	C&RD
			3.4	Education
			3.6 & 3.7	H&FW
			3.8 & 3.9	Home
			3.10	Industries
			3.12	Labour
			3.15	Agriculture, Industries and Home (Police)
			3.16	General (12 departments)
			4.10 & 5.1	PHE
Total			13	
10.	1995-96	7 April 1997	3.1	Agriculture
			3.9, 3.10 & 7.3	Education
			3.13 & 3.14	H&FW
			3.15	Sports and Youth Affairs
			3.16	C&RD, Fisheries and Tourism
			3.17	General (13 departments)
			4.9	PW
			7.2	C&RD
Total			11	

(1)	(2)	(3)	(4)	(5)
11.	1996-97	12 June 1998	3.1	AH&V
			3.3	C&RD
			3.4 & 3.5	Education
			3.6 & 3.7	Excise, Registration & Taxation
			3.8 & 3.9	Fisheries
			3.10	Forest and Environment
			3.11 & 3.12	Housing
			3.14	H&FW
			3.15 & 3.16	Industries
			3.21	Forest & Environment
			3.23	Animal Husbandry, Medical (Health), Forest and Education
			3.24	General (13 departments)
			4.5 to 4.12 & 5.1	PW
			4.13	PHE
			7.3	Finance
Total			**28**	
12.	1997-98	9 April 1999	3.1	AH&V
			3.2	Education
			3.5, 3.6 & 3.7	H&FW
			3.10 & 3.11	Industries
			3.15	Tourism
			3.16	Industries and Urban Affairs
			7.2	Finance
Total			**10**	
13.	1998-99	12 April 2000	3.1	Agriculture
			3.2 & 3.8	C&RD
			3.4	Excise, Registration, Taxation & Stamps
			3.5	Finance, Fisheries, H & FW and PW
			3.10	Home (Police)
			3.11	Housing
			3.12	Agriculture, H&FW and Home (Police)
			3.13	General (15 departments)
			4.1 to 4.5	PW
Total			**14**	
14.	1999-2000	7 December 2001	3.1	Education, Finance, Home (Jail & Police) and PW
			3.2, 3.3 & 4.1	H&FW
			3.4, 4.6 & 5.1	PHE
			3.7	AH & V
			3.8 & 3.9	C&RD
			3.10	Education
			3.11	H&FW and PHE
			3.12	Labour
			3.15	C&RD, Housing & PW
			3.16	General (17 departments)
			4.2 to 4.5	PW
Total			**19**	

(1)	(2)	(3)	(4)	(5)
15.	2000-01	1 April 2002	3.1	Education
			3.2 & 4.4	H&FW
			3.3& 4.2	PHE
			3.4, 4.1 & 4.3	Agriculture
			3.6	Finance
			3.7	Housing
			3.8 & 3.9	Industries
			3.11	Tourism
			3.12	AH&V, Education, H&FW and PHE
			4.5 to 4.7 &5.1	PW
Total			**18**	
16.	2001-02	20 June 2003	3.1 &3.4	C&RD and Housing
			3.2	Agriculture
			3.3	AH&V
			3.5	Education
			3.6	Forest & Environment
			3.7	H&FW
			3.9	Forest & Environment and Industries
			4.1, 4.3 & 4.4	PW
			5.1	PHE
Total			**12**	
17.	2002-03	11 June 2004	3.2 & 3.3	H&FW
			3.4	Home (Police)
			3.5	Housing
			3.6	Urban Affairs, GA, Home(Police) & Agriculture
			3.7	General (17 departments)
			4.2 & 4.5	PW
			8.1	Finance
Total			**9**	
18.	2003-04	14 October 2005	4.2	Fisheries
			4.3	Forest & Environment
			4.6	C&RD
			4.7	Election
			4.8	C&RD, Tourism, Information & Public Relations and PW
Total			**5**	
19.	2004-05	27 March 2006	3.2	C&RD, Finance and PW
			4.1	Agriculture
			4.8 & 4.10	PW
			4.11	H&FW, AH&V, Education and PHE
Total			**5**	
20.	2005-06	19 April 2007	3.1	AH&V
			3.2	Education
			3.3	Food, Civil Supplies & Consumer Affairs
			3.4, 4.2, 4.3, 4.4	PW
			4.10	Forest & Environment, Food & Civil Supplies, Industries, Social Welfare
Total			**8**	
Grand Total			**237**	

APPENDIX 4.4

Status of outstanding Action Taken Notes (ATN) on the recommendations of the Public Accounts Committee (PAC)

(Reference: Paragraph 4.19; Page 135)

Year of Audit Report	Particulars of paragraphs on which recommendations were made by the PAC but ATNs are awaited		Number of PAC Report in which recommendations were made	Departments involved (Paragraph number of Audit Report)
	Paragraph number	Total Paragraph		
1984-85	3.3, 3.6, 3.8 & 3.9	4	19th, 22nd and 27th	Agriculture (3.3), Home (Police) (3.6) and Border Areas Development (3.8 & 3.9)
1985-86	4.1, 4.2, 4.3, 5.4 & 5.5	5	24th	Public Works (4.1 to 4.3, 5.4 & 5.5)
1986-87	3.12, 3.3 to 3.6, 3.9, 4.1, 4.2 & 5.4	9	20th, 24th and 27th	Health & Family Welfare (3.3 to 3.6 & 4.1), Home (Police) (3.9) and Public Works (4.2 & 5.4)
			29th	Information & Public Relations (3.12)
1987-88	3.10 & 4.2	2	20th & 24th	Health & Family Welfare (3.10) and Public Works (4.2)
1988-89	3.9 & 3.17	2	25th & 27th	Community & Rural Development (C&RD) (3.9) and Home (Police) (3.17)
1989-90	3.5, 3.6, 3.7, 4.1, 5.4 & 7.4	6	20th, 24th & 25th	Health & Family Welfare (3.5 to 3.7), Public Works (4.1 & 5.4) and C&RD (7.4)
1990-91	3.3, 3.4, 3.6, 5.1 & 5.2	5	-Do-	C&RD (3.3 & 3.4), Forest & Environment (3.6) and Public Works (5.1 & 5.2)
1991-92	3.6	1	27th	Home (Police) (3.6)
1993-94	4.1	1	21st	Public Works (4.1)
1994-95	3.5, 4.3 & 7.2	3	24th, 28th & 29th	Food & Civil Supplies (3.5), Public Works (4.3) and Urban Affairs (7.2)
1995-96	3.2	1	31st	C&RD (3.2)
1996-97	3.17, 3.22, 4.1 & 4.14	4	33rd	Secretariat Administration/Legislative Assembly/Home (Police) (3.22), Agriculture (4.1) and Agriculture/Public Health Engineering/Public Works (4.14)
			29th	Information & Public Relations (3.17)
1997-98	3.12, 3.13, 4.2, 4.3, 4.4, 5.1 & 7.5	7	33rd	Revenue (3.13), Public Works (4.2), Public Health Engineering (4.3, 4.4 & 5.1) and Urban Affairs (7.5)
			29th	Information & Public Relations (3.12)
2004-05	4.2, 4.3	2	30th	Border Areas Development (4.2 & 4.3)
Total		52	13	

APPENDIX 6.1

Statement showing prize money less than 50 *per cent* of the sale proceeds

{Reference: Paragraph 6.2.8.1 (second bullet); Page 159}

(Rupees in crore)

Name of scheme	Total number of draws	Period of draw	Total sale proceeds	50 *per cent* of the sale proceeds	Amount of prize money	Difference
Best Lotto	277	Between December 2002 to 28 June 2003	6.97	3.48	2.35	1.13
Saturday Super Lotto	203	Between 01 February 2003 to 28 February 2003 Between 01 September 2003 to 30 September 2003	9.93	4.97	2.26	2.71
Megha – 3	19	Between 06 June 2005 to 15 June 2006	48.50	24.25	11.24	13.01
Keno Plus	09	Between 24 March 2004 to 27 November 2004	0.77	0.39	0.16	0.23
Total	**508**		**66.17**	**33.09**	**16.01**	**17.08**

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 2007 in respect of Government companies and Statutory corporations

(Reference: Paragraphs 7.1.4,7.1.5 & 7.1.6; Pages 230 & 231)

(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 2006-07[1]					Equity/loans received out of Budget during 2006-07		Other loans received during the year	Loans outstanding at the close of 2006-07[2]			Debt equity ratio for 2006-07 (figure in brackets indicates for previous year) 4(f)/3(e)
		State Government	Central Government	Holding Company	Others	Total	Equity	Loans		Government	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	2210.85	-	-	10.00	2220.85[3]			888.00	-	888.00	888.00	0.40:1 (0:1)
	Total of the Sector	**2210.85**	-	-	**10.00**	**2220.85**			**888.00**		**888.00**	**888.00**	**0.40:1 (0:1)**
Sector: INDUSTRIAL DEVELOPMENT AND FINANCING													
2.	Meghalaya Industrial Development Corporation Limited	8298.41				8298.41[4]	835.00		200.00	--	598.00	598.00	0.07:1 (0.10:1)
	Total of the Sector	**8298.41**				**8298.41**	**835.00**		**200.00**		**598.00**	**598.00**	**0.07:1 (0.10:1)**
Sector : HANDLOOM AND HANDICRAFTS													
3.	Meghalaya Handloom and Handicrafts Development Corporation Limited (Subsidiary)	211.99	10.00	4.93	0.07	226.99[4]	24.00	-	-	-	-	-	0:1 (0:1)
	Total of the Sector	**211.99**	**10.00**	**4.93**	**0.07**	**226.99**	**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	-	-	47.75	-	745.70	745.70	15.54:1 (14.52:1)
	Total of the Sector	-	-	**47.75**	**0.25**	**48.00**	-	-	**47.75**	-	**745.70**	**745.70**	**15.54:1 (14.52:1)**
	Sector : ELECTRONICS												
6.	Meghalaya Electronics Development Corporation Limited (Subsidiary)	-	-	471.70	-	471.70			22.78	-	22.78	22.78	0.05:1 (2.58:1)
	Total of the Sector			**471.70**	-	**471.70**			**22.78**	-	**22.78**	**22.78**	**0.05:1 (2.58:1)**
	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	200.00				200.00(4)	125.00		45.00		105.00	105.00	0.53:1 (1.61:1)
	Total of the Sector	**200.00**				**200.00**	**125.00**		**45.00**		**105.00**	**105.00**	**0.53:1 (1.61:1)**
	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)	**12127.19**	**30.00**	**560.36**	**10.32**	**12727.87**	**984.00**	-	**1203.53**	**255.63**	**2585.16**	**2840.79**	**0.22:1 (0.28:1)**

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	-	966.00	35889.47	37364.00	49032.00[5]	86396.00	4.28:1 (2.38:1)
	Total of the Sector	**20200.00**	-	-	-	**20200.00**	-	**966.00**	**35889.47**	**37364.00**	**49032.00[5]**	**86396.00**	**4.28:1 (2.38:1)**
	Sector : TRANSPORT												
2.	Meghalaya Transport Corporation	5922.42	680.64	--	-	6603.06	300.00	-	-	-	-	-	0:1 (0:1)
	Total of the Sector	**5922.42**	**680.64**	--	-	**6603.06**	**300.00**	-	-	-	-	-	**0:1 (0:1)**
	Sector : WAREHOUSING												
3.	Meghalaya State Warehousing Corporation	143.56	-	-	122.56	266.12	11.00	-	-	-	-	-	0:1 (0:1)
	Total of the Sector	**143.56**	-	-	**122.56**	**266.12**	**11.00**	-	-	-	-	-	**0:1 (0:1)**
	Total (B)	**26265.98**	**680.64**	-	**122.56**	**27069.18**	**311.00**	**966.00**	**35889.47**	**37364.00**	**49032.00**	**86396.00**	**3.19 (1.80:1)**
	Grand Total (A+B)	**38393.17**	**710.64**	**560.36**	**132.88**	**39797.05[6]**	**1295.00**	**966.00**	**37093.00**	**37619.13**	**51617.16**	**89236.79[6]**	**2.24 (1.34:1)**

(1) All figures are provisional as given by the companies/ corporations.
(2) Loans outstanding at the close of 2006-07 represent long term loans only.
(3) includes redeemable preference shares of Rs.238 lakh.
(4) Includes share application money of Rs.806.88 lakh (Sl.No.A-2:Rs.520 lakh; A-3:Rs.77 lakh; A-8:Rs.84.88 lakh and A-9:Rs.125 lakh)
(5) Includes bonds, debentures, and inter-corporate deposits.
(6) State Government's investment was Rs.760.13 crore (Others: Rs.530.21 crore). Figure as per Finance Accounts 2006-07 is Rs.142.48 crore. The difference is under reconciliation.

APPENDIX 7.2

Summarised 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 & 7.1.14; Pages 232 & 234)

(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	Paid-up capital	Accumulated Profit (+)/ Loss (-)	Capital employed[7]	Total return on capital employed[8]	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	2005-06	2006-07	83.19	-	2220.85	1153.17	3504.84	84.95	2.42	1	3121.53	703
	Total of the Sector					83.19		2220.85	1153.17	3504.84	84.95	2.42			
	***Sector:* INDUSTRIAL DEVELOPMENT AND FINANCING**														
2.	Meghalaya Industrial Development Corporation Limited	Industries	06 April 1971	1999-2000	2006-07	0.61	Overstatement of profit by Rs.17.50 lakh.	3290.41	33.46	4447.35	159.28	3.58	7	377.43	112
	Total of the Sector					0.61		3290.41	33.46	4447.35	159.28	3.58			
	Sector: HANDLOOM AND HANDICRAFTS														
3.	Meghalaya Handloom and Handicrafts Development Corporation Limited	Industries	10 January 1979	2000-01	2006-07	(-) 14.54	-	137.49	(-) 147.38	11.05	(-) 14.54	-	6	8.19	13
	Total of the Sector					(-) 14.54	-	137.49	(-) 147.38	11.05	(-) 14.54	-			

(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	2004-05	2006-07	(-) 106.86	-	35.98	(-) 968.57	26.57	(-) 34.90	-	2	0.94	-
	Total of the Sector					**(-) 106.86**	**-**	**35.98**	**(-) 968.57**	**26.57**	**(-) 34.90**	**-**			
Sector: BAMBOO PRODUCTS															
5.	Meghalaya Bamboo Chips Limited	Industries	14 September 1979	2002-03	2005-06	(-) 123.06	-	48.00	(-) 904.79	61.97	(-) 49.41	-	4	10.92	101
	Total of the Sector					**(-) 123.06**	**-**	**48.00**	**(-) 904.79**	**61.97**	**(-) 49.41**	**-**			
Sector: ELECTRONICS															
6.	Meghalaya Electronics Development Corporation Limited	Industries	25 March 1986	1998-99	2006-07	(-)336.70	Understatement of loss by Rs.5.47 lakh	471.70	(-) 2473.42	345.97	(-) 75.19	-	8	14.06	16
	Total of the Sector					**(-)336.70**		**471.70**	**(-) 2473.42**	**345.97**	**(-) 75.19**	**-**			
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	-	7	2.58	69
	Total of the Sector					**(-) 43.59**		**172.19**	**(-) 173.66**	**(-) 68.80**	**(-) 43.59**	**-**			
Sector: TOURISM															
8.	Meghalaya Tourism Development Corporation Limited	Tourism	25 January 1977	1991-92	2006-07	(-) 34.57	-	319.85	(-) 171.47	353.00	(-) 13.97	-	15	149.22	274
	Total of the Sector					**(-) 34.57**	**-**	**319.85**	**(-) 171.47**	**353.00**	**(-) 13.97**	**-**			
Sector: CONSTRUCTION															
9.	Meghalaya Government Construction Corporation Limited	Public Works	26 March 1979	2004-05	2006-07	(-) 172.07	Overstatement of loss by Rs.1.90 lakh.	75.00	(-) 1048.48	(-)715.45	(-)172.07	-	2	751.97	93
	Total of the Sector					**(-) 172.07**		**75.00**	**(-) 1048.48**	**(-) 715.45**	**(-)172.07**	**-**			

(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	2005-06	2006-07	(-) 196.97	-	232.30	(-)747.08	271.30	(-)35.28		1	18.47	18
	Total of the Sector					(-) 196.97	-	232.30	(-)747.08	271.30	(-)35.28	–			
	Total 'A'					(-) 944.56	-	7003.77	(-) 5448.22	8237.80	(-)194.72	–			
	B. WORKING STATUTORY CORPORATIONS														
	Sector : POWER														
1.	Meghalaya State Electricity Board	Power & Electricity	21 January 1975	2006-07	2007-08	(-)8641.85	-	20200.00	(-)40377.63	72508.07	(-)6180.34	-	-	23317.49	3705
	Total of the Sector					(-)8641.85	-	20200.00	(-)40377.63	72508.07	(-)6180.34	-	-		
	Sector : TRANSPORT														
2.	Meghalaya Transport Corporation	Transport	01 October 1976	2000-01	2007-08	(-)354.26		4928.90	(-) 5063.64	(-)169.00	(-)354.26	-	6	18.30	881
	Total of the Sector					(-)354.26		4928.90	(-) 5063.64	(-)169.00	(-)354.26	-			
	Sector: WAREHOUSING														
3.	Meghalaya State Warehousing Corporation	Corporation	March 1973	2005-06	2006-07	4.73	Overstatement of Net profit by Rs. 1.16 lakh.	255.12	17.95	358.09	4.73	1.32	1	26.69	11
	Total of the Sector					4.73		255.12	17.95	358.09	4.73	1.32			
	Total 'B'					(-) 8991.38	-	25384.02	(-)45423.32	72697.76	(-)6529.87	–			
	Grand Total (A+B)					(-) 9935.94	-	32387.79	(-) 50871.54	80934.96	(-)6724.59	–			

(7) 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).

(8) 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 31st March 2007

(Reference: Paragraph 7.1.6; Page 231)

(Figures in columns 3(a) to 4(e) are Rupees in lakh)

Sl. No.	Name of the Public Sector Undertaking	Subsidy[9]/grant received during the year 2006-07				Guarantees received during the year and outstanding at the end of the year[10]				
		Central Government	State Government	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	-	17.44(G)	-	17.44 (G)	-	-	-	-	-
2.	Meghalaya Government Construction Corporation Limited	-	-	-	-	-	-	-	- (100.00)	- (100.00)
3.	Meghalaya Mineral Development Corporation Limited	-	42.50(G)	-	42.50 (G)	-	- (225.68)	-	-	- (225.68)
	Total – A		59.94(G)	-	59.94 (G)	-	- (225.68)	-	- (100.00)	- (325.68)
B – STATUTORY CORPORATIONS										
1.	Meghalaya State Electricity Board		2415(S)	-	2415(S)	-	- (37364.00)	-	-	- (37364.00)
2.	Meghalaya Transport Corporation	-	300.00(S)		300.00(S)	--	--	--	--	--
3.	Meghalaya State Warehousing Corporation	-	-	-	-	-	-	-	-	-
	Total – B	-	2715.00(S)		2715.00 (S)	-	- (37364.00)	-	-	- (37364.00)
	GRAND TOTAL (A+B)		59.94 (G) 2715.00 (S)		59.94 (G) 2715.00 (S)		- (37589.68)		- (100.00)	- (37689.68)

(9) Subsidy includes subsidy receivable at the end of the year which is shown in brackets.

(10) Figures in bracket indicate guarantees (principal) outstanding at the end of the year.

(S) Subsidy and (G) Grants.

APPENDIX 7.4

Statement showing financial position of working Statutory Corporations

(Reference: Paragraph 7.1.8; Page 232)

(Rupees in crore)

Sl. No.	Particulars	2004-05	2005-06	2006-07 (Provisional)
(1)	(2)	(3)	(4)	(5)
1.	**Meghalaya State Electricity Board**			
	A. Liabilities			
	(a) Loans from Government	354.37	358.08	362.59
	(b) Other long-term loans (including bonds)	582.48	643.70	833.48
	(c) Reserves and Surplus	0.78	0.78	2.70
	(d) Current liabilities and Provisions	254.02	328.10	435.76
	Total – A	**1191.65**	**1330.66**	**1634.53**
	B. Assets			
	(a) Gross fixed assets	486.99	496.17	501.17
	Less: Depreciation	209.65	222.36	235.08
	Net fixed assets	277.34	273.81	266.09
	(b) Capital works-in-progress	141.05	282.26	486.88
	(c) Deferred Cost	14.52	17.14	21.07
	(d) Current assets	438.27	394.87	407.86
	(e) Investments	51.84	52.71	48.26
	(f) Intangible assets	-	0.06	0.59
	(g) Accumulated losses	268.63	309.81	403.78
	Total – B	**1191.65**	**1330.66**	**1634.53**
	C. Capital employed[11]	**602.64**	**622.84**	**725.07**
2.	**Meghalaya Transport Corporation**	**1998-99**	**1999-2000**	**2000-01**
	A. Liabilities			
	(a) Capital (including Capital loan	42.47	45.19	49.29
	and equity capital)	0.11	0.11	0.11
	(b) Reserves and Surplus			
	(c) Borrowings:	-	-	
	Government	-	-	
	Others			
	(d) Funds (excluding depreciation		-	
	fund)	8.21	10.66	12.69
	(e) Trade dues and other current			
	liabilities(including provisions)			
	Total – A	**50.79**	**55.96**	**62.09**
	B. Assets			
	(a) Gross Block	13.45	11.97	11.65
	Less: Depreciation	10.18	8.83	7.93
	Net fixed assets	3.27	3.14	3.72
	(b) Capital works-in-progress (including cost of Chassis)	-	-	
	(c) Investments	0.19	0.20	0.45
	(d) Current assets, loans and advances	4.64	6.23	7.28
	(e) Deferred cost	-	-	-
	(f) Accumulated losses	42.69	47.09	50.64
	Total – B	**50.79**	**56.66**	**62.09**
	C. Capital employed[11]	**(-) 0.30**	**(-) 1.29**	**(-) 1.69**

[11] 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.

(1)	(2)	(3)	(4)	(5)
3.	**Meghalaya State Warehousing Corporation**	**2003-04**	**2004-05**	**2005-06**
	A. Liabilities			
	(a) Paid-up Capital	2.34	2.45	2.55
	(b) Reserves and Surplus	0.34	0.28	0.33
	(c) Borrowings :			-
	Government	-	-	-
	Others	-	-	-
	(d) Trade dues and other current liabilities (including provision)	0.02	0.02	- 0.03
	Total – A	**2.70**	**2.75**	**2.91**
	B. Assets			
	(a) Gross Block	1.52	1.54	1.62
	Less : Depreciation	0.36	0.39	0.43
	Net fixed assets	1.16	1.15	1.19
	(b) Capital works-in-progress	-		-
	(c) Investments	0.17	0.05	0.36
	(d) Current assets, loans and advances	1.37	1.55	1.36
	(e) Accumulated losses	--	-	---
	Total-B	**2.70**	**2.75**	**2.91**
	C - Capital employed[11]	**2.51**	**2.68**	**3.58**

[11] Capital employed represents the net fixed assets (including capital works-in-progress) plus working capital.
While working out capital employed, the element of deferred cost and investment are excluded from current assets.

APPENDIX 7.5

Statement showing working results of Statutory corporations
(Reference: Paragraph 7.1.8; Page 232)

1. Meghalaya State Electricity Board

(Rupees in crore)

Sl. No.	Particulars	2004-05	2005-06	2006-07
(1)	(2)	(4)	(5)	(6)
1.	(a) Revenue receipts	225.47	254.30	233.17
	(b) Subsidy/Sub-vention from Government	10.80	10.80	24.15
	(c) Other income	22.85	49.86	30.69
	Total	**259.12**	**314.96**	**288.01**
2.	Revenue expenditure (net of expenses capitalised including write off of intangible assets but excluding depreciation and interest)	209.66	330.63	337.20
3.	Gross surplus(+)/ deficit(-) for the year (1-2)	49.46	(-)15.67	(-)49.19
4.	Adjustments relating to previous years	(-)8.85	15.89	(-)7.54
5.	Final gross surplus (+)/deficit (-) for the year (3+4)	40.61	0.22	(-)56.73
6.	**Appropriations:**			
	(a) Depreciation (less capitalised)	12.39	12.72	12.62
	(b) Interest on Government loans	13.72	15.98	16.27
	(c) Interest on other loans, bonds, advance, etc. and finance charges	20.18	26.12	36.35
	(d) Total interest on loans and finance charges (b+c)	33.90	42.10	52.62
	(e) Less : interest capitalised	7.79	13.41	28.00
	(f) Net interest charged to revenue (d-e)	26.11	28.81	24.62
	(g) Total appropriation (a+f)	38.50	41.41	37.24
7.	Surplus(+)/ deficit(-) before accounting for subsidy from State Government {5-6(g)-1(b)}	(-)8.69	(-)51.99	(-)118.12
8.	Net surplus (+)/ deficit(-){5-6(g)}	(+)2.11	(-)41.19	(-)93.97
9.	Total return on capital employed[12]	37.07	(-)12.50	(-)69.35
10.	Percentage of return on capital employed	6.15	Nil	Nil

2. Meghalaya Transport Corporation

Sl. No.	Particulars	1998-99	1999-2000	2000-01
1.	**Operating :**			
	(a) Revenue	7.22	5.27	5.70
	(b) Expenditure	9.38	10.39	9.19
	(c) Surplus(+)/deficit(-)	(-) 2.16	(-) 5.12	(-)3.49
2.	**Non-operating**			
	(a) Revenue	0.20	0.47	0.54
	(b) Expenditure	-	-	0.14
	(c) Surplus(+)/deficit(-)	(+) 0.20	(+) 0.47	(+)0.40
	Total			
	(a) Revenue	7.42	5.74	6.24
	(b) Expenditure	9.38	10.39	9.33
	(c) Surplus(+)/deficit(-)	(-) 1.96	(-) 4.65	(-)3.09
3.	Interest on capital and loans	Nil	Nil	Nil
4.	Total return on capital employed[12]	(-) 1.96	(-) 4.65	(-)3.09

[12] Total return on capital employed represents the net surplus/deficit plus total interest charged to Profit and Loss Account (less interest capitalised).

3. Meghalaya State Warehousing Corporation

Sl. No	Particulars	2003-04	2004-05	2005-06
1.	**Income :** (a) Warehousing charges (b) Other income **Total – 1**	 0.15 0.07 **0.22**	 0.18 0.08 **0.26**	 0.19 0.08 **0.27**
2.	**Expenses :** (a) Establishment charges (b) Other Expenses **Total – 2**	 0.16 0.03 **0.19**	 0.17 0.04 **0.21**	 0.18 0.04 **0.22**
3.	Profit (+)/ Loss(-) before tax	(+) 0.03	(+) 0.05	(+)0.05
4.	Other appropriations	(-) 0.01	(-) 0.03	(-)0.01
5.	Amount available for dividend	0.02	0.02	0.04
6.	Dividend for the year	0.007	0.003	0.009
7.	Total return on capital employed@	0.03	0.05	0.05
8.	Percentage of return on capital employed	1.20	2.19	1.40

APPENDIX 7.6

Statement showing operational performance of Statutory corporations

(Reference: Paragraph 7.1.13; Page 234)

1. Meghalaya State Electricity Board

Sl. No.	Particulars	2004-05	2005-06	2006-07 (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)	260.00	280.00	200.00
3.	Power Generated :			
	(a) Thermal	-	-	-
	(b) Hydro	637.65	516.72	391.12
	(c) Gas	-	-	-
	(d) Others	-	-	-
	Total	**637.65**	**516.72**	**391.12**
	Less : Auxiliary Consumption (brackets indicates percentage of Power Generated):			
	(a) Thermal	-	-	-
	(b) Hydro	2.30	2.28	2.03
	(c) Gas	(0.36)	(0.44)	(0.52)
	(d) Others	-	-	-
	Total	**2.30 (0.36)**	**2.28 (0.44)**	**2.03 (0.52)**
4.	Net Power Generated	635.35	514.44	389.09
5.	Power purchased from Central Grid	691.39	794.64	872.79
6.	Free Power from Central Sectors	66.57	77.02	56.51
7.	Total Power available for Sale (4+5+6)	1393.31	1386.10	1318.39
8.	Power Sold (MU):			
	(a) Within the State	852.82	723.50	778.49
	(b) Outside the State	178.61	166.87	54.26
	Total	**1031.43**	**890.37**	**832.75**
9.	Transmission and distribution losses	361.88	495.73	485.64
10.	Load factor (percentage)	39.08	31.85	29.00
11.	Percentage of transmission and distribution losses to total power available for sale	25.97	36.76	36.84
12.	Number of villages/towns electrified	3775	4217	3428
13.	Number of Pump sets/wells energised	28	28	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)	465.49	541.31	552.65
17.	Number of consumers	201051	2033.78	230577
18.	Number of employees	3704	3642	3638
19.	Consumer/employees ratio	54.28:1	55.84:1	63.38:1
20.	Total expenditure on staff during the year (Rupees in crore)	66.22	75.08	82.60
21.	Percentage of expenditure on staff to total revenue expenditure	25.76%	21.08%	21.62%
22.	Unit sold(brackets indicate percentage share to total units sold):	(M K W H)		
	(a) Agriculture	0.93 (0.09)	0.32 (0.03)	0.43 (0.05)
	(b) Industrial	490.82 (47.58)	396.28 (44.51)	394.36 (47.36)
	(c) Commercial	35.48 (3.43)	35.56 (3.99)	40.09 (4.81)
	(d) Domestic	171.58 (16.64)	162.08 (18.20)	199.57 (23.97)
	(e) Interstate	178.61 (17.32)	166.87 (18.74)	54.26 (6.52)
	(f) Others	154.01 (14.94)	129.26 (14.53)	144.04 (17.29)
	Total	**1031.43 (100.00)**	**890.37 (100.00)**	**832.75 (100)**
		(Paise per KWH)		
	(a) Revenue (excluding subsidy from Government)	241	342	317
	(b) Expenditure[13]	222	358	403
	(c) Profit (+)/Loss (-)	(+) 19	(-) 16	(-)86

2. Meghalaya Transport Corporation

Sl. No.	Particulars	1998-99	1999-2000	2000-01
(1)	(2)	(3)	(4)	(5)
1.	Average number of vehicles held	191	152	130
2.	Average number of vehicles on road	78	54	49
3.	Percentage of utilisation of vehicles	41	36	38
4.	Number of employees	880	766	881
5.	Employee vehicle ratio	4.61:1	5.04:1	6.78:1
6.	Number of routes operated at the end of the year	7	32	32
7.	Route Kilometres	7592	7592	7592
8.	Kilometres operated (in lakh):			
	(a) Gross	38.53	25.11	22.21
	(b) Effective	38.04	24.82	21.99
	(c) Dead	0.49	0.29	0.22
9.	Percentage of dead Kilometres to gross Kilometres	1.27	1.15	0.99
10.	Average Kilometres covered per bus per day	135	125	124

[13] Revenue expenditure includes depreciation but excludes interest on long term loan.

(1)	(2)	(4)	(5)	(6)
11.	Average operating revenue per Kilometre (paise)	10.47	11.08	11.68
12.	Average expenditure per Kilometre (paise)	20.85	39.14	37.69
13.	Profit (+)/Loss (-) per Kilometre (paise)	(-)10.38	(-)28.06	(-)26.01
14.	Number of operating depots	7	7	7
15.	Average number of break-down per 10000 Kilometres	0.83	1.19	1.13
16.	Average number of accidents per lakh Kilometres	0.27	0.29	0.00
17.	Passenger Kilometre operated (in crore)	10.14	6.94	5.43
18.	Occupancy ratio	63	65	57
19.	Kilometres obtained per litre of A – Diesel Oil B – Engine Oil	 3.20 NA	 3.11 NA	 3.17 NA

3. Meghalaya State Warehousing Corporation

Sl. No.	Particulars	2003-04	2004-05	2005-06
(1)	(2)	(3)	(4)	(5)
1.	Number of Stations covered	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)	0.119	0.125	0.134
4.	Percentage of utilisation	105	111	119
5.	Average revenue per tonne per year (Rupees)	201.88	232.64	236.13
6.	Average expenses per tonne per year (Rupees)	170.96	185.00	194.30
7.	Profit (+)/Loss (-) per tonne (Rupees)	30.92	47.63	41.83

APPENDIX 7.7

Statement showing the department-wise outstanding Inspection Reports as on 30 September 2007

(Reference: Paragraph 7.1.23; Page 238)

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	06	12	54	1996-97
2.	Forest	01	01	02	2002-03
3.	Tourism	01	01	09	2003-04
4.	Public Works	01	04	13	1991-92
5.	Mining and Geology	01	01	02	2006-07
6.	Power	01	28	108	1998-99
7.	Transport	01	09	31	1996-97
8.	Co-operation	01	--	--	--
	Total	**13**	**56**	**219**	

APPENDIX 7.8

Statement showing the department-wise draft paragraphs issued for which replies are awaited

(Reference: Paragraph 7.1.23; Page 239)

Sl. No.	Name of department	Number of draft paragraphs	Period of issue
1.	Industries	1	April and May 2007
2.	Mining and Geology	1	May and July 2007
Total		2	

APPENDIX 7.9

Statement showing the details of non-availing of grant due to non-providing of counterpart fund by GOM

(Reference: Paragraph 7.2.8; Page 246)

(Rupees in crore)

Sl. No.	Name of the Circle	Estimated Cost	Fund utilised (31 March 2007)		Tranche eligibility	Eligible amount for tranche III/II	10 *per cent* Counter part fund on Estimated cost
			Amount	*Per cent*			
1.	Shillong Circle	15.70	15.31	97.52	I. II	3.14	1.57
2.	Tura Circle	6.77	5.74	84.79	I. II	1.36	0.67
3.	Western Circle	15.97	12.85	80.46	I. II	3.19	1.59
4.	Jowai Circle	2.52	2.20	87.30	I. II	0.50	0.25
5.	Central Circle	59.53	25.67	43.12	I	23.81	5.53
6.	Garo Hills Circle	36.21	13.28	36.67	I	14.48	3.62
7.	Jaintia Circle	51.62	3.15	6.10	I	-	-
8.	SCADA/DMS						
	(a) Shillong Cirlce	21.12	4.32	20.45	I	-	
	(b) Byrnihat Circle	17.79	3.68	20.45	I		
	Total	**227.23**	**86.20**	**37.94**		**46.48**	**13.23**

APPENDIX 7.10

Details of diversion of fund

Statement showing the details of delay in releasing of funds by the State Government and consequent Penal interest

(Reference: Paragraph 7.2.8; Page 246)

(Rupees in crore)

Sl. No.	MOP sanction order & date	State Government sanction letter No. & date	Period of delay	Amount sanction	Amount of penal interest
1.	F No.41(1) PF 1/2002-234 dt.20.1.2003	PE.7/2001/Pt.II/50 Dt.16.5.2003	4 months	6.57	0.22
2.	F No.44(1) PF 1/2003-000152 dt.24.10.2003	PE 7/2001/ Pt.II/50 Dt.17.2.2004 (Loan)	4 months	1.45	0.05
		PE 7/2001/Pt.II/71 Dt.26.8.2004 (Grant)	10 months	13.10	1.09
3.	F No.44(1) PF 1/2004-240 dt.24.2.2005	PE 7/2001/ Pt.III/40 Dt.22.7.2005	5 months	37.25	1.55
4.	F No.41(1) PF 1/2006-07-234 dt.19.9.2006	PE 7/2001/ Pt.II/133 Dt.11.12.2006	$2^1/_2$ months	32.07	0.67
			Total	**90.44**	**3.58**

APPENDIX 7.11

Statement showing the date of approval of GOI and status of work as on 31 March 2007

(Reference: Paragraph 7.2.10; Page 248)

Sl. No	Name of the work	Date of approval of GOI	Stipulated date of commencement of work as per DPR	Scheduled date of completion of work as per DPR	Date of issue of LOA	Scheduled date of completion as per LOA	Actual date of completion
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	**Shillong Circle**						
	Package A						
	Metering & Meter test bench	22 November 2002	01 April 2003	30 November 2004	27 July 2004 & 06 July 2004	26 October 2005 & 29 May 2005	May 2006
	Package B						
	Sub-Station	22 November 2002	27 August 2004	26 February 2006	02 August 2004	01 September 2005	May 2006
	Package C						
	Lines	22 November 2002	23 September 2004	22 March 2006	Departmental		May 2006
	Package D						
	DTs	22 November 2002	23 September 2004	22 March 2006	03 August 2004	02 September 2005	May 2006
2.	**Tura Circle**						
	Package A						
	Metering & Meter test bench	22 November 2002	May 2003	May 2005	27 July 2004 & 06 July 2004	26 October 2005 & 29 May 2005	May 2006
	Package B						
	Sub-Station	22 November 2002	May 2003	May 2005	10 September 2004	09 December 2005	In progress
	Package C						
	Lines	22 November 2002	May 2003	May 2005	Departmental		In progress
	Package D						
	DTs	22 November 2002	May 2003	May 05	Departmental		In progress
3.	**Jowai Circle**						
	Package A						
	Metering & Meter test bench	22 November 2002	May 2005	July 2006	22 September 2004	22 September 2005	Completed
	Package B						
	Sub-Station	22 November 2002	May 2005	July 2006	Departmental		Completed
	Package C						
	Lines	22 November 2002	May 2005	July 2006	Departmental		Completed
	Package D						
	DTs	22 November 2002	May 2005	July 2006	Departmental		Completed
4.	**Western circle**						
	Package A						
	Metering & Meter test bench	May 2003	November 2003	November 2005	22 September 2004	22 September 2005	Completed
	Package B						
	Sub-Station	May 2003	November 2003	November 2005	22.11.04	22.11.05	Completed
	Package C						
	Lines	May 2003	November 2003	November 2005	Departmental		In progress
	Package D						
	DTs	May 2003	November 2003	November 2005	Departmental		In progress

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
5.	**Central circle**						
	Package A						
	Metering & Meter test bench	September 2004	March 2005	March 2007	13 February 2006	12 August 2007	In progress
	Package B						
	Sub-Station	September 2004	March 2005	March 2007	13 February 2006	12 August 2007	In progress
	Package C						
	Lines	September 2004	March 2005	March 2007	Departmental		In progress
	Package D						
	DTs	September 2004	March 2005	March 2007	Departmental		In progress
6.	**Eastern circle**						
	Package A						
	Metering & Meter test bench	March 2005	September 2005	September 2007	28 September 2006	27 August 2007	In progress
	Package B						
	Sub-Station	March 2005	September 2005	September 2007	17 April 2007	16 July 2008	In progress
	Package C						
	Lines	March 2005	September 2005	September 2007	01September 2006	31 August 2008	In progress
	Package D						
	DTs	March 2005	September 2005	September 2007	19 December 2006	18 March 2008	In progress
7.	**Garo Hills circle**						
	Package A						
	Metering	September 2004	March 2005	March 2007	24 February 2006	23 May 2007	In progress
	Package B						
	Sub-Station	September 2004	March 2005	March 2007	09 February 2006	08 May 2007	In progress
	Package C						
	Lines	September 2004	March 2005	March 2007	28 February 2006	27 May 2007	In progress
	Package D						
	DTs	September 2004	March 2005	March 2007	Departmental	-	In progress

APPENDIX 7.12

Statement showing the value of works done departmentally under APDRP

(Reference: Paragraph 7.2.12; Page 249)

(Rupees in crore)

Sl N	**Circle**	**Name of Packages**	**Estimated cost**	**Date of start of work**	**Date completion of work**	**Expenditure incurred (up to March 2007)**	**Physical progress (*Per cent*)**
1.	Shillong Circle	Package – C	0.68	December 2004	May 2006	0.68	100
2.	Tura Circle	Package – C	1.47	July 2005	April 2007	1.16	79
		Package – D	1.57	July 2005	March 2007	1.58	100
3.	Western Circle	Package – C	2.25	July 2005	April 2007	2.11	94
		Package – D	1.13	July 2005	March 2007	1.15	102
4.	Jowai Circle	Package – B	0.26	July 2005	July 2006	0.26	100
		Package – C	0.81	July 2005	June 2006	0.81	100
		Package – D	0.51	July 2005	June 2006	0.44	86
5.	Central Circle	Package – C	22.32	October 2006	March 2008	10.33	46
		Package – D	5.54	October 2006	March 2008	1.73	31
6.	Garo Hills Circle	Package – D	0.66	July 2006	March 2007	0.66	100
	Total		**37.20**			**20.91**	**56**

APPENDIX 7.13

Price Variation Statement of Major Items of Material

(Reference: Paragraph 7.2.18; Page 253)

(Figures in Rupees)

Sl. No.	Particulars of Materials	Unit	Rate paid to the contractor	Issue Rate of MeSEB	Difference in rate	Quantity supplied	Price variation (excess)
a	b	c	d	e	d-e=f	g	fxg=h
	Package 'D', Shillong Circle						
1.	ACSR Raccoon conductor	Km	75,000.00	42,702.04	32,297.96	82	26,48,432
2.	Steel tabular Pole-12m (HD)	No	19,200.00	15,631.58	3,568.42	254	9,06,378
3.	Steel tabular Pole-12m (ND)	No	16,200.00	10,232.93	5,967.07	369	22,01,848
4.	Steel tabular Pole-9.5m (ND)	No	10,200.00	8,390.38	1,809.62	466	8,43,282
5.	ACSR Weasel conductor	Km	30,000.00	17,156.32	12,843.68	79	10,14,650
6.	11 Kv Pin insulator with pin	No	400.00	188.87	211.13	1,524	3,21,762
7.	Disc Insulator 45 Kn	No	610.00	470.50	139.50	1,016	1,41,732
8.	LT stay set complete	Set	1,350.00	482.98	867.02	352	3,05,191
9.	HT stay set complete	Set	1,750.00	649.00	1,101.00	220	2,42,220
10.	Transformer, 11/0.4 Kv, 100 KVA	No	1,50,000.00	1,13,920.08	36,079.92	5	1,80,399
11.	Transformer, 11/0.4 Kv, 250 KVA	No	3,50,000.00	2,11,033.68	1,38,966.32	39	54,19,686
	Total						**1,42,25,580**
Package 'C' Garo Hills Circle							
1.	ACSR Weasal conductor	Km	23,108.00	17,156.32	5,951.68	383	22,79,493
2.	ACSR Rabbit conductor	Km	48,045.00	37,543.33	10,501.67	77.76	8,16,610
3.	ACSR Reccoon conductor	Km	59,495.00	42,702.04	16,792.96	455	76,40,797
4.	Steel Tabular pole 7.5 Meter	No	4,378.00	3,462.58	915.42	1,432	13,10,881
5.	Steel Tabular pole 8 Meter	No	6,750.00	5,576.03	1,173.97	896	10,51,877
6.	Steel Tabular pole 9.5 Meter	No	10,155.00	9,380.38	774.62	71	54,998
7.	Steel Tabular pole 12 Meter (ND)	No	12,384.00	10,232.91	2,151.09	1,769	38,05,278
8.	Steel Tabular pole 12 Meter (HD)	No	18,917.00	15,631.58	3,285.42	442	14,52,156
9.	HT stay set	No	1,744.00	765.83	978.17	126	1,23,249
10.	MS Channal X arm	No	3,330.00	1,627.81	1,702.19	1,403	23,88,173
	Total						**2,09,23,513**
Package 'C' Eastern Circle							
1.	ACSR Weasal conductor	Km	23,149.36	17,156.32	5,993.04	1,633	97,86,634
2.	ACSR Reccoon conductor	Km	58,502.45	50,987.75	7,514.70	901	67,70,748
3.	Steel Tabular pole 7.5 Meter	No	4,403.41	3,462.58	920.58	2,105	19,37,821
4.	Steel Tabular pole 8 Meter	No	6,919.64	5,576.03	1,343.61	2,388	32,08,541
5.	Steel Tabular pole 9.5 Meter	No	10,316.56	8,390.38	1,926.18	2,253	43,39,684
6.	Steel Tabular pole 12 Meter (ND)	No	12,581.45	10,232.93	2,348.52	1,278	30,01,409
7.	HT stay set	No	800.00	765.83	34.17	3,036	1,03,740
8.	MS Channal X arm	No	1,850.00	1,627.81	222.19	1,260	2,79,959
	Total						**2,94,28,536**
	Grand Total						**6,45,77,629**

APPENDIX 7.14

Excess procurement of material

(Reference: Paragraph 7.2.20; Page 254)

Sl No	Particulars of Materials	Unit	Quantity received as per DPR	Quantity utilised in the work	Balance quantity	Rate	Amount
						(In rupees)	
a	b	c	d	e	d-e=f	g	fxg=h
1.	ACSR Raccoon	Km	82	54.962	27.038	75,000	20,27,850
2.	Steel Pole, 12m (H D)	No	254	114	140	19,200	26,88,000
3.	Steel Pole, 12m (ND)	No	369	295	74	16,200	11,98,800
4.	Steel Pole, 9.5m (ND)	No	466	454	12	10,200	1,22,400
5.	M.S. Channel(75x40x4.8)mm	Mtrs	2489.34	2268.81	220.53	553.57	1,22,079
6.	M.S Angle Bracing set	Set	161	17	144	2,500	3,60,000
7.	Jamp Clamp	No	924	729	195	105	20,475
8.	11 Kv Pin Insulator with pin	No	1524	926	598	400	2,39,200
9.	Earthing set complete	Set	669	351	318	1,500	4,77,000
10.	H.T Stay set complete	Set	220	200	20	1,750	35,000
11.	Barbed wire	Kg	693	180	513	70	35,910
12.	Number Plate	No	670	214	456	150	68,400
13.	Danger Plate	No	670	205	465	160	74,400
14.	ACSR Weasel	Km	79	67.465	11.535	30,000	3,46,050
15.	LT GI pin	No	1050	676	374	65	24,310
16.	L.T Pin Insulator with pin	No	1050	651	399	65	25,935
17.	L.T stay set complete	Set	352	211	141	1,350	1,90,350
18.	G.I earthing spikes complete	Set	173	121	52	720	37,440
19.	1.1 Kv S/C XLPE Cable 300sqmm	Mtrs	1255	625	630	517	3,25,710
	Total (A)						84,19,309

Shillong Distribution Circle — Package 'A'

Excess material returned by the supplier, M/s. Secure Meter Ltd. to MeSEB

Sl.No	Description	Quantity	Value
1.	HT Trivector Meter 110 v, 5A	2 nos	1,11,350
2.	LT CT Meter 50/5A	3 nos	
3.	LT CT Meter 800/5A	1 no.	27,705
4.	3 Ph 4 W whole current meter 10-60 Amp	274 nos	8,20,082
		Total (B)	9,59,137

Western Circle — Package 'A'

Excess material returned by the supplier, M/s. Contimeters Enterprises Pvt. Ltd.

Sl.No	Description	Quantity (Number)	Rate per unit (Rupees)	Value (Rupees)
1.	3 Phase Consumer meters	1,380	4,200	57,96,000
2.	Wedge Type UDC connector	4,188	156	6,53,328
			Total (C)	64,49,328
	Grand Total (A+B+C)			1,58,27,774