CHAPTER II : AUDIT OF TRANSACTIONS

Fraud/Loss

MEGHALAYA LEGISLATIVE ASSEMBLY

2.1 Fraudulent payment on construction of poultry coop

The Assembly Secretariat incurred an expenditure of ₹ 11.81 lakh on the basis of a fictitious bill submitted by a contractor for construction of a poultry coop at the official residence of a former Speaker. Moreover such construction out of public exchequer was unauthorised.

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

Scrutiny (October-November 2008) of records of the Secretary, Assembly Secretariat revealed that the Assembly Secretariat incurred (August 2007) an expenditure of ₹ 11.81 lakh on construction of a poultry coop at the official bungalow of the then Speaker through a contractor without any detailed plan and estimate, administrative approval and technical sanction. Besides, the work was allotted (4 May 2007) to the contractor without inviting tenders to assess competitive rates. Approval of such construction at the official residence from the public money, was not only unethical but also unauthorised.

It was further noticed that payment of ₹ 11.81 lakh was made (August 2007) to the contractor on the basis of a bill submitted by the contractor which did not indicate item-wise details of work executed. As confirmed by the General Administration Department, when the Speaker vacated the residence in May 2008, there was no trace of the poultry coop. The Assembly Secretariat also informed (June 2009) that it was not aware of the status of the structure after the Speaker vacated the residence.

Non-existence of the poultry coop within nine months of making the payment raises a question on the very construction itself. Thus, fraudulent payment of ₹ 11.81 lakh has been made on fictitious bills.

The matter was referred to the Assembly Secretariat in May 2010; reply had not been received (November 2010).

Excess Payment/Excess Expenditure/Wasteful Expenditure

EDUCATION DEPARTMENT

2.2 Excess and inadmissible payment of post-matric scholarships

Payment of post-matric scholarship without proper scrutiny of applications resulted in excess and inadmissible expenditure of ₹ 2.28 crore.

Under the Centrally Sponsored Scheme of Post-Matric Scholarship to Scheduled Tribe (ST) Students, grants-in-aid are released by the Ministry of Tribal Affairs (Ministry) to the State on the basis of proposals submitted by the State Government. The scheme's objective is to provide financial assistance to ST students studying at post matriculation or post secondary stage to enable them to complete their education. The Ministry had *inter alia* prescribed the following criteria[1] for award of the scholarship:

- The ST students parent/guardians' income from all sources should not exceed ₹ 1 lakh per annum (up to 2006-07) and ₹ 1.08 lakh per annum (from 2007-08 onwards).
- The scholarship application should be accompanied by an income declaration by the parents/guardians stating definite income from all sources. In the case of students whose parents/guardians are Government employees, income certificate should be furnished by their employer.
- Maintenance allowance was payable for 10 months in an academic year.
- Professional technical courses at graduate and post graduate levels fall under Group II and post matriculation level courses including vocational courses (for which minimum required qualification is matriculation) fall under Group IV. The rates of maintenance allowance, tuition fee, *etc.* for Group II are higher than for Group IV.

Scrutiny (March 2010) of records of the Director of Higher and Technical Education, Meghalaya, Shillong revealed the following irregularities:

➢ During 2005-08, post-matric scholarships of ₹ 23.16 lakh was disbursed to 838 ST students whose parents'[2] annual income could not have been less than the prescribed limits of ₹ 1 lakh or ₹ 1.08 lakh. Further, in certain cases,

[1] Government of India, Ministry of Welfare - Regulations Governing the Award of Scholarships-1988-89; Government of India, Ministry of Tribal Affairs letter No. 20014/10/2000-TDA (Vol. III) dated 19.02.2004; Government of India, Ministry of Tribal Affairs letter No. 20014/5/2002-Scheme/Education dated 03.07.2007.

[2] Government/Bank employees, Members of Legislative Assembly, College Lecturers, Doctors, Engineers, LIC employees, *etc.*

income certificates were issued in the mother's name where the father was a Government employee. In some other cases where both the parents were Government employees, income certificates were issued for the guardian or sister, thus suppressing the actual income of the parents. Out of 437 applications test-checked, 90 *per cent* of the income certificates[3] were issued by Members of the Legislative Assembly (MLA) and the remaining by other unauthorised officers like Deputy Commissioners/Additional Deputy Commissioners.

- The Directorate sanctioned and paid maintenance allowance for 12 months in an academic year to 41,325 students in 25 colleges during the years 2005-08, which resulted in excess payment of ₹ 1.34 crore to these students for extra two months during 2005-08.

- The students of Shillong Polytechnic were categorised as falling under Group II instead of Group IV and scholarship were paid to them at higher rates resulting in an excess payment of ₹ 53.94 lakh to 1,868 students during 2004-08.

- During 2005-09, the Directorate made excess payment of ₹ 17.06 lakh to 4,381 science students of Classes XI & XII of 10 colleges due to payment of scholarship at the rate admissible to students of Degree classes.

The laxity of the Directorate in properly scrutinising the scholarship applications and failure in strictly enforcing the criteria prescribed by the Ministry from time to time thus led to excess and inadmissible payments totalling ₹ 2.28 crore.

Government stated (July 2010) that the MLAs were authorised to issue income certificates which the Department was not in a position to dispute and that the sanction of scholarship is for an academic year commencing from the date of admission and ending on the date of passing out which could even exceed one year. It admitted that in the case of inadmissible and excess payment of scholarships, the error was committed through oversight and the amounts had been released in good faith.

The reply is not acceptable because in the case of Government employees, income certificates were required to be given by the employers. Further, even if the income certificates were issued by MLAs, the Directorate was expected to have an internal control system to weed out cases where the income certificates were patently incorrect. The justification for paying the maintenance allowance for 12 months is contrary to the instruction of the Ministry to distribute the scholarship in two instalments of five months each, i.e, for 10 months in an academic year.

[3] ranging between ₹ 10,000/- and ₹ 70,000/- per annum.

GENERAL ADMINISTRATION AND PUBLIC WORKS DEPARTMENTS

2.3 Avoidable extra expenditure

Avoidable extra expenditure of ₹ 17.21 lakh on providing a conferencing system in Yojana Bhawan.

Government accorded (March 2006) administrative approval for a digital conference system in the Conference Room of Yojana Bhavan, Shillong at an estimated cost of ₹ 76.74 lakh prepared on the basis of the catalogue rates of 'PHILLIPS-BOSCH'. This amount included ₹ 21.19 lakh towards contractor's profit, contingencies, establishment, tools & plant, sales tax and carriage charges. Accordingly, the Chief Engineer (CE), Public Works Department (PWD - Buildings) invited (August 2006) tenders for the work at an estimated cost of ₹ 55.55 lakh[4] with the condition that all items/equipment should be of BOSCH[5] make (except for speaker cables, PVC conduit, junction box, digital connector and installation hardware) as the estimate was also prepared on the basis of rates of BOSCH equipment. In response, six tenders were received of which the first three lowest rates offered by a Kolkata based firm, a New Delhi based firm and a local individual were ₹ 49.99 lakh, ₹ 56.95 lakh and ₹ 67.20 lakh respectively. The CE in his submission (October 2006) to the Tender Committee (TC) held the view that rates of the first two lowest tenderers were very low compared to the prevailing rates and hence, *"the quality of the equipment and service had to be examined properly to justify such very low rates"*. The TC accepted (October 2006) the offer of the third lowest tenderer after rejecting the first and second lowest tenderers on the following grounds:

***First lowest tenderer (M/s Dinesh Enterprises Pvt. Ltd - a Kolkata based firm)*:** Compared to the approved estimate, the rates quoted by the tenderer for BOSCH system were abnormally low and thus, the quality of equipment and services to be rendered was doubtful. Moreover, mandatory trading licence from the Khasi Hills Autonomous District Council (KHADC) was not submitted by the firm.

***Second lowest tenderer (M/s Elgin Electronics - a New Delhi based firm)*:** Rates were quoted for equipment other than BOSCH make and trading licence from the KHADC was also not submitted.

Accordingly, the work was allotted (December 2006) to the third lowest tenderer (Mr. S.W. Marwein – a local trader) and was completed in March 2007 at a cost of ₹ 67.20 lakh (paid in May 2008).

---

[4] ₹ 76.74 lakh *minus* ₹ 21.19 lakh

[5] BOSCH Group of Germany – a leading manufacturer of conference systems

Scrutiny of records (June 2010) of the CE and the Executive Engineer (PWD), Electrical Division revealed that while the rejection of the second lowest offer was in order, the rationale for not accepting the first lowest offer was erroneous due to the following reasons:

- The total cost (₹ 49.40 lakh) offered by the first lowest tenderer for BOSCH make items was 6.94 *per cent* higher than the estimated cost (₹ 46.19 lakh) of these items.

- Out of 11 BOSCH make items provided in the estimate, the rates quoted by the first lowest tenderer in respect of seven items were 10 *per cent* to 31 *per cent* less than the estimated rates and the rates for the remaining four items were 4 *per cent* to 35 *per cent* higher than the estimated rates of these items. In absolute terms, the cost of seven BOSCH make items offered by the first lowest tenderer was ₹ 13.41 lakh against the estimated cost of ₹ 17.01 lakh and the cost of the remaining four items offered by him was ₹ 36 lakh against the estimated cost of ₹ 29.18 lakh.

- The first lowest tenderer, however, compromised with the rates of other items of the estimate like services, speaker cable, *etc.* and offered lower rates (₹ 0.59 lakh) for these items against the provision of ₹ 9.36 lakh for these items in the estimates. This thereby, enabled him to quote ₹ 49.99 lakh for a work estimated to cost ₹ 55.55 lakh, i.e. 11 *per cent* less.

- The notice inviting tenders specified for "*Trading licence from a competent authority*" and not from the KHADC. However, on the last day (23 August 2006) of submission of offer, the first lowest tenderer formally informed the CE that he undertook to submit the trading licence from the KHADC in due course. Accordingly, the KHADC trading licence was submitted by the tenderer on 29 August 2006 much before the meeting of the TC on 18 October 2006 and also before CE's submission to TC.

From the above, it can be seen that the offer of the first lowest tenderer was not out of sync with the estimates prepared for the work. Further, the issue of non-submission of a trading licence from the KHADC was rectified by the time the matter was considered by the TC.

The proposal submitted by the CE to the TC for selection of the tenderer glossed over the above facts. The TC on its part did not attempt any independent analysis of the offers and as a result, accepted the third lowest offer of ₹ 67.20 lakh which was 23 *per cent* higher than the estimated cost. The misleading advise of the CE coupled with injudicious decision of the TC resulted in an avoidable extra expenditure of ₹ 17.21 lakh.

The matter was reported to Government in July 2010; reply was awaited (November 2010).

HEALTH AND FAMILY WELFARE DEPARMENT

2.4 Avoidable extra expenditure and blocking of funds

Purchase of meningococcal meningitis vaccine at higher rate and without immediate requirement resulted in avoidable extra expenditure of ₹ 3.71 crore and blocking of ₹ 3.43 crore.

To control the outbreak of meningococcal meningitis in the State, an Expert Group constituted by the Union Ministry of Health and Family Welfare (Ministry) recommended (February 2009) mass vaccination in East Khasi Hills and Jaintia Hills Districts, and optional vaccination in Ri-Bhoi and West Khasi Hills Districts. Accordingly, the Director of Health Services (DHS), Meghalaya requested (13 February 2009) the Ministry to supply 10.11 lakh doses of meningococcal meningitis vaccine with immediate supply of 3.46 lakh doses in the first phase. The Ministry in turn requested (09 March 2009) the World Health Organisation (WHO) to supply of 3.50 lakh vaccine doses at a cost of ₹ 2.43 crore to the Government of Meghalaya (GOM). As the initial experience of approaching WHO through the Ministry proved to be time taking, GOM in the same month directly approached (24 and 30 March 2009) WHO to supply the remaining 6.61 lakh vaccine doses at a cost of ₹ 4.88 crore. WHO supplied the first batch of 3.50 lakh doses on 01 May 2009 and remaining 6.61 lakh doses on 03 May 2009.

Although GOM had approached WHO in March 2009 to supply the vaccine, the State Crisis Management Committee (SCMC) decided (01 April 2009) to purchase three lakh vaccine doses from M/s Med Freshe, New Delhi on the ground that there was no definite commitment from WHO as to when the stock of vaccines would reach Shillong. Accordingly, the DHS placed (02 April 2009) an order with the firm to supply three lakh vaccine doses at a cost of ₹ 5.75 crore with the stipulation that the supply was to be made within 10 days of GOM opening a letter of credit (LoC). On 14 April 2009 the SCMC decided to cancel the order on the ground that the LoC was yet to be opened and WHO was ready to supply the vaccines at less than half the rate offered by the firm. The firm filed a writ petition in the Guwahati High Court against the cancellation of the supply order. The Court in its interim order (01 May 2009) suspended the revocation order but added that "*it is also made clear that this ad-interim order shall not cause any embargo on the respondents* (GOM) *in purchasing the vaccines*". Although the State Law Department was of the view that the writ petition was not maintainable and the Health & Family Welfare (H&FW) Department was of the opinion that the Court's verdict should be awaited, the then Minister in charge of the H&FW Department overruled their advice and directed (26

May 2009) that, since the vaccine could be used in other parts of the State and to avoid a long drawn legal battle, the vaccines be purchased from the firm. Accordingly the DHS procured three lakh vaccine doses from the firm on 07 July 2009 at a cost of ₹ 5.75 crore.

Out of the three lakh doses procured, 1.21 lakh doses were utilized till 09 July 2010 leaving a balance of 1.79 lakh doses.

Given that the price of the vaccine sourced from WHO was ₹ 69.56 and ₹ 67.08 per dose as compared to ₹ 191.74 per dose from the firm, the decision to place order for three lakh vaccine doses with the firm, disregarding the views of the Law and H&FW Departments, was injudicious.

The rationale that the vaccine could be used in other parts of the State while true, should not have overridden the fact that the vaccine could still have been procured from WHO as there was adequate lead time to place orders and considering that there was no immediate necessity to procure additional stocks as the entire consignment of vaccine ordered from WHO had already been received earlier in the same month (May 2009). Further, the interim order of the Hon'ble Court also did not bar the GOM from placing orders for the vaccine from WHO. The anticipation of a long drawn legal battle was at best, speculative.

Thus, the injudicious decision to procure the vaccine at a higher cost from the firm resulted in an avoidable extra expenditure of ₹ 3.71 crore[6] to the public exchequer.

Further, since the vaccine supplied by the firm had a shelf life till February 2011 it is unlikely that the remaining stock of 1.79 lakh doses will be utilised which would result in wasteful expenditure of ₹ 3.43 crore[7] apart from blockage of the same amount for over 17 months (from May 2009 to October 2010).

The matter was reported to the Government in April 2010; reply had not been received (November 2010).

2.5 Wasteful expenditure on procurement of surgical equipment

Inaction of the Director of Health Services (Medical Institutions) and Shillong Civil Hospital authority to install a sophisticated surgical equipment resulted in wasteful expenditure of ₹ 21.32 lakh.

The Director of Health Services (Medical Institutions) (DHS), Shillong purchases machinery and equipment for the hospitals and medical institutions of the State. During test-check (February 2007) of records of the DHS, it was noticed that no

[6] Cost of three lakh doses of vaccine purchased from New Delhi based firm:	₹ 5.75 crore
Cost of 10.11 lakh doses of vaccine purchased from WHO: ₹ 6.87 crore, i.e., cost of three lakh vaccine:	₹ 2.04 crore
Excess Expenditure:	**₹ 3.71 crore**

[7] Cost of three lakh doses: ₹ 5.75 crore. Cost of 1.79 lakh doses: 5.75 x 1.79 ÷ 3 = **₹ 3.43 crore**

record showing institution/hospital-wise position of installation of machinery and equipment was maintained by the Directorate. There was also no system prevailing in the Directorate for submission of status report of the machinery and equipment by the hospitals/medical institutions.

Further scrutiny (March 2010) of records of the DHS revealed that for upgradation of Orthopaedics and Rehabilitation Centre of Civil Hospital, Shillong, the North Eastern Council (NEC) released (February 2001) ₹ 24 lakh for procurement of orthopaedics surgical equipment. Based on the rate and firm approved (July 1999) by the Purchase Board, the Department placed (September 2002) a supply order on M/s Warjri Mercantile, Shillong for supply of a arthroscopy system along with accessories (monitor, surgical video, light source, *etc*.). Agreement executed (September 2003) with the firm provided for one year of free repairs and maintenance of the equipment including free replacement of damaged parts by the firm from the date of commissioning of the equipment and handing it over to the satisfaction of the Department. The firm supplied the equipment to the Civil Hospital, Shillong in July 2003, the cost of which was ₹ 21.32 lakh[8] (paid in September 2003).

However, no action was taken by the Department to install the same. The non-installation of the equipment was brought to the notice of the DHS by the hospital authorities after three years in July 2006, by which time the firm had gone out of business. But, no action was taken on the matter by the Department. On being reminded by the hospital authorities again in November 2008, the DHS requested (December 2008) the manufacturer of the equipment to install and demonstrate the use of the same. Response of the manufacturer was, however, not received even after more than one year (April 2010). Consequently, the future use of the equipment remained uncertain.


Unutilised arthroscopy equipment

Thus, inaction of the DHS and the hospital authorities to install the equipment resulted in non-utilisation of the same for about seven years rendering the entire expenditure of ₹ 21.32 lakh wasteful. The possibility of additional expenditure on repair of defects of the equipment, if any, due to passage of time also could not be ruled out. Responsibility for lapses which resulted in non-utilisation of the equipment needs to be fixed.

8 Cost of equipment: ₹ 18,00,000; Custom duty ₹ 90,000; CST, MFST 7 Surcharge: ₹ 2,41,920.

Government stated (September 2010) that the arthroscopy system had not become obsolete or redundant, but did not furnish any reason for non-installation of the same immediately on receipt.

HOME (POLICE) DEPARTMENT

2.6 Wasteful expenditure on implementation of Urban Traffic Control System project

Implementation of Urban Traffic Control System project without proper assessment of its feasibility through proper survey resulted in wasteful expenditure of ₹ 1.97 crore.

To address the problem of traffic congestion and pollution due to automobiles at traffic intersections of the Shillong city, the Department signed (March 2006) a Memorandum of Understanding (MOU) with M/s Webel Mediatronics Ltd. (WML), Kolkata for implementation of Urban Traffic Control System[9] at 16 traffic intersections of the city. The project, involving project outlay of ₹ 1.97 crore, was to be completed within 18 months including six months for field trial and data collection for assessment of cost benefit analysis. The benefits to be derived from the project were (i) to overcome existing traffic congestion in peak hours and ensure smooth flow of vehicles with reduced congestion and increase in capacity of roads and intersections, (ii) reductions of accidents due to orderly movement of vehicles & pedestrians and (iii) reduction of manpower deployment on each intersection compared to manual operation. Department of Information Technology (DIT) of the Union Ministry of Communication & Information Technology (Ministry) approved (July 2006) the project and released (July 2006, September 2007 and September 2008) grants-in-aid of ₹ 1.97 crore directly to the WML.

Scrutiny (January 2010) of records of the Director General of Police, Meghalaya revealed that the project was executed without assessment of the climatic factors of Shillong and without survey of the traffic pattern of the intersections of the city during the period of heavy traffic flow. Consequently, the project could not be completed as per schedule (January 2008) and the completion date was extended up to January 2009.

Even after the extended period, the synchronization of the traffic lights of all the 16 junctions could not be achieved due to the erratic flow of traffic in the city because of coal trucks, heavy density of loaded vehicle, *etc.* Besides, the traffic loops, which were supposed to detect the density of the moving vehicles and send the right signal to the lights were working for barely 3-4 seconds in most of the junctions. Though, the project could not be made functional, it was formally taken over by the

[9] A technology developed by Centre for Development of Advance Computing, Thiruvananthapuram for use in road traffic signaling application.

Department in November 2009 in a non-functional state and had been lying abandoned (May 2010).

Thus, due to implementation of the project without proper assessment of its feasibility through proper survey, the entire UTC system remained non-functional thereby rendering the expenditure of ₹ 1.97 crore wasteful, besides, frustrating the desired objectives.

The matter was reported to the Government in May 2010; reply had not been received (November 2010).

MEGHALAYA LEGISLATIVE ASSEMBLY

2.7 Excess payment due to purchase of articles at higher rates and missing articles

The Meghalaya Legislative Assembly Secretariat incurred excess expenditure of ₹ 1.77 crore on items purchased at exorbitant rates and articles worth ₹ 1.16 crore installed in the MLA Hostel were found missing.

Test-check (October-November 2008) of records of the Meghalaya Legislative Assembly Secretariat revealed that contrary to the provisions of the Meghalaya Preferential Stores Purchase Rules, 1990 which stipulate that open tenders/quotations are to be invited for purchase of any item of stores, the Assembly Secretariat purchased various articles during June 2005 to April 2007 worth ₹ 3.39 crore through five supply orders placed on arbitrarily chosen suppliers. Further, in not a single instance did the supply orders indicate the specifications and rate of the articles to be supplied.

In respect of the articles listed in the table below, for which Audit was able to ascertain the Maximum Retail Price (MRP) prevalent during the period they were purchased, it was seen that the Assembly Secretariat paid an excess of ₹ 91.47 lakh over the MRP for these articles. The rates paid were higher by 175 *per cent* for coffee machines, 378 *per cent* for aqua guards, 308 *per cent* for geysers, 98 *per cent* for refrigerators and between 87 *per cent* and 311 *per cent* for TVs. The details are given below:

Table 2.1 : Details of excess expenditure on purchase of various items

(Amount in Rupees)

Sl No	Articles supplied	Quantity	Model & make of items as found during physical verification	Rate at which supplied	MRP as ascertained by Audit	Difference in rates	Excess expenditure
1.	Coffee machines	40 27	Nescafe/ Compact (Double Option)	50,940 54,000	18,500 18,500	32,440 35,500	12,97,600 9,58,500
2.	Aqua guards	60	Aquaguard/ iNova, eboiling+	38,400	8,040	30,360	18,21,600
3.	Geysers (Bajaj)	60	Bajaj/ Majesty - 5EE-25 (25 ltr)	25,200	6,180	19,020	11,41,200

Sl No	Articles supplied	Quan-tity	Model & make of items as found during physical verification	Rate at which supplied	MRP as ascer-tained by Audit	Difference in rates	Excess expendi-ture
4.	Refrigerators	63	LG/ GL 366 diq	50,374	25,500	24,874	15,67,062
5.	TV Sony Plasma screen LCD: (i) 40"	14	Sony Bravia-40"/ Model - KLV V40A10 - 10 nos.	2,61,250	1,39,900	1,21,350	12,13,500
			KLV 40V200A – 4 nos.		1,09,900	1,51,350	6,05,400
	TV Sony Plasma screen LCD: (ii) 50"	1	Sony WEGA 50"/ 01 No. Model No.KFE50A10	3,65,750	99,990	2,65,760	2,65,760
		1	LG 42"/ 01 No. Model 42 P x 4 RV-TA	3,65,750	89,000	2,76,750	2,76,750
Total							**91,47,372**

Source: Suppliers' bills and rates of articles prevalent during the period of purchase.

In all the above cases, bills presented by the suppliers did not indicate the specifications, makes, size, *etc.* of the articles supplied and the amount as claimed by the suppliers in their bills was paid by the Assembly Secretariat without ascertaining the reasonableness of the rates of such items prevalent in the market.

Further, the Assembly Secretariat had not maintained any stock book recording the receipt of goods nor half-yearly stock takings were carried out as required under the Meghalaya Financial Rules (MFR), 1981. A joint physical verification conducted in October 2009 by an Audit team and the Secretary, Assembly Secretariat and information furnished (December 2009) by the Secretary, Assembly Secretariat revealed that out of 1,273 items procured at a cost of ₹ 2.95 crore and installed in the Member of Legislative Assembly (MLA) Hostel, 517 items costing ₹ 1.16 crore were not found, details of which are given in the table below:

Table 2.2: Items shown as purchased but not found during physical verification

Sl No	Description of articles supplied as per bill	Quantity			Rate at which purchased	Cost of the items purchased	Value of items found deficient
		Supplied as per supplier bills	found during physical verification	Deficient	(Rupees)	(Rupees in lakh)	
1.	Fire security system, alarm detectors and smoke detectors	800	434	366	22,640.00	181.12	82.86
2.	Fire extinguisher (1 kg)	80	54	26	3,169.60	2.54	0.82
	Fire extinguishers (5 kg)	80	35	45	5,094.00	4.08	2.29
3.	Coffee machines	40	37	3	50,940.00	20.38	1.53
	Coffee machines	27	0	27	54,000.00	14.58	14.58
4.	Aqua guards	60	54	6	38,400.00	23.04	2.30
5.	Geysers (Bajaj)	60	55	5	25,200.00	15.12	1.26
6.	Refrigerators	63	45	18	50,374.00	31.74	9.07
7.	Stabilizers	63	42	21	4,522.34	2.85	0.95
	Total	**1273**	**756**	**517**		**295.45**	**115.66**

Source: Suppliers' bills, joint physical verification report and information furnished by the Assembly Secretariat.

It was further seen that the Assembly Secretariat in March 2005 procured mobile jammers (quantity not specified either in the supply order or the supplier's bill) at a cost of ₹ 86.03 lakh from a Shillong based firm for the Assembly Hall Complex. The joint physical verification revealed that the supplier had supplied two Chinese make mobile jammers. Audit ascertained from a Mumbai based firm that the cost of the said item was ₹ 0.15 lakh each in October 2009. Allowing for the fact that cost of electronic items tend to come down with the passage of time and assuming that the mobile jammer was 100 *per cent* more expensive in March 2005 than in October 2009, the Assembly Secretariat incurred an excess expenditure of ₹ 85.43 lakh (₹ 86.03 lakh – ₹ 0.60 lakh) on purchase of the two mobile jammers.

Thus, placing supply orders by flouting the prescribed procedures and making payments at exorbitant rates resulted in excess payments totalling ₹ 1.77 crore for articles purchased by the Assembly Secretariat between June 2005 and April 2007. Besides, the joint physical verification carried out in October 2009 of items installed in the MLA Hostel revealed that articles worth ₹ 1.16 crore were missing. Further, considering the utility of alarm/smoke detector in isolation and also keeping in view large quantity of missing items, it is doubtful whether these missing items were supplied at the first instance.

The matter was reported to the Assembly Secretariat in May 2010; reply had not been received (November 2010).

SOCIAL WELFARE DEPARTMENT

2.8 Excess expenditure on procurement of noodles

The Department procured Ready-to-Eat noodles at higher rate resulting in an excess expenditure of ₹ 84.08 lakh.

Meghalaya Preferential Stores[10] Purchase Rules, 1990 stipulates invitation of open tenders by the Government departments while making purchase of any item or stores.

Scrutiny of records of the Director of Social Welfare (DSW) revealed that M/s AA Nutritions, Ri-Bhoi District submitted (June 2009) an unsolicited offer to supply Ready-to-Eat (RTE) noodles under the Supplementary Nutrition Programme. The firm declared that it was supplying RTE noodles to Arunachal Pradesh and as proof, submitted a supply order of May 2009 issued by the Department of Social Welfare, Women & Child Development, Government of Arunachal Pradesh which indicated that the RTE noodles were supplied at the rate of ₹ 130.11 per kg.

The DSW in turn, requested (July 2009) the Commissioner & Secretary of Social Welfare Department to accord approval to introduce RTE noodles at Anganwadi centres. The Department approved the proposal in August 2009. The quantity and rate at which the noodles was to be supplied by the firm was also not specified by Government. While communicating (August 2009) Government's approval to all District Social Welfare Officers, the DSW specified that each packet of 75 gm

[10] Stores include all manufactured, assembled and processed items.

noodles would be supplied by the firm at the rate of ₹ 10.90 per packet, i.e., ₹ 145.33 per kg. The basis of fixing this price, which was higher than the rate of ₹ 130.11 per kg at which the noodles were supplied in Arunachal Pradesh was however, not on record.

The firm submitted bills to the DSW for 5,52,418.3 kg of RTE noodles supplied by it to different Child Development Project Officers (CDPOs) of the State during September 2009 to September 2010 and a total of ₹ 8.03 crore was paid (between March 2010 and September 2010) to the firm for supplies made at the approved rate of ₹ 145.33 per kg.

The acceptance of an unsolicited offer to supply RTE noodles without assessing competitive rates was a gross violation of the laid down rules. Further, fixation the purchase price of the product at higher price than what was supplied to a neighbouring State was questionable since the RTE noodles were being manufactured in the State itself. Computed with reference to the rate of ₹ 130.11 per kg at which the noodles were supplied by the firm to Arunachal Pradesh, the DSW incurred an excess expenditure of ₹ 84.08 lakh[11].

The Additional Director of the Department stated (July 2010) that as per the supply order, RTE noodles for Arunachal Pradesh were to be delivered only at Naharlagun whereas in Meghalaya, the noodles were to be delivered to project offices State-wide and thus involved extra expenditure on transportation for the firm. The reply is not acceptable and it is an attempt of the Department to cover up its indiscretion in fixing higher purchase price than that fixed by Government of Arunachal Pradesh as no CDPO office in Meghalaya by road from Byrnihat (location of the factory of the firm) exceeds distance to Naharlagun, which is 309 km.

The matter was reported to Government in April 2010; reply was awaited (November 2010).

Idle/Unproductive Expenditure

HEALTH AND FAMILY WELFARE DEPARTMENT

2.9 Unproductive expenditure on construction of 100 bedded hospital

Non-functioning of the hospital despite completion of construction work resulted in unproductive expenditure of ₹ 2.25 crore.

The Government in March 2001 accorded administrative approval (AA) for upgrading Baghmara Community Health Center in South Garo Hills to 100 bedded Hospital at a cost of ₹ 2.51 crore. The project *inter alia* included construction of the main building, approach road, internal and external electrification, *etc*.

[11] ₹ 145.33- ₹ 130.11 = ₹ 15.22 x 5,52,418.3 kg = ₹ 84.08 lakh

Scrutiny of records (March - April 2010) of the EE, Health Engineering Wing (EE-HEW) under the Directorate of Health Services, Meghalaya, Shillong revealed the following:

(a) Unproductive expenditure

The civil works for construction of the 100 bedded Hospital Building was completed in August 2008 at a total cost of ₹ 2.25 crore. It was observed that although the Sub-divisional Officer (SDO), Engineering Wing, Tura submitted the test report for the building's electrification to the District Medical & Health Officer (DM&HO), Baghmara in April 2009 for onward submission to the Meghalaya State Electricity Board (MeSEB) for obtaining a power connection, no such action was taken till this pointed out by Audit in March 2010. The SDO, Tura submitted the report to the MeSEB in March 2010 and the fee of ₹ 9.50 lakh for the connection was also deposited in the same month. As of August 2010 however, completion of the power connection by the MeSEB was not reported.

It was further ascertained from the Director of Health Services (MI), Meghalaya that as of March 2010, the proposals for sanction of manpower (medical, paramedical and other staff) and procurement of equipment and furniture required for the functioning of the hospital had not been prepared for submission to Government. Hence, even if the newly constructed hospital building is electrified, medical services from the facility which was completed in August 2008, cannot commence in the absence of the required manpower and equipment for which a proposal was yet to be initiated.

Thus, the inordinate delay in obtaining a power connection as well as inaction to complement the upgraded hospital with the required manpower and infrastructure, resulted in the facility not being optimally utilized even more than two years after its construction, rendering the expenditure of ₹ 2.25 crore unproductive besides depriving the populace of better health care services.

(b) ***Payment for same work twice***

One of the items in the estimate for which AA was accorded in March 2001 was construction of an approach road at a cost of ₹ 4.38 lakh.

Tenders for the above work were invited by the EE-HEW in December 2004 in six groups and allotted to six contractors in February 2005 at 9 *per cent* above the estimated cost based on the lowest tender received. The contractors completed the work in February 2005 and payments totalling ₹ 4.48 lakh made to the six contractors in September 2006. It was however noticed that the EE-HEW in August 2005, again invited tenders for construction of the approach road (including other works) and awarded the work to a contractor in February 2006 at 40 *per cent* above the estimated cost. The approach road was shown as completed by the contractor in May 2006 and ₹ 7.87 lakh paid to him in September 2006.

Since the construction of approach road was already carried out through six contractors in February 2005 at a cost of ₹ 4.48 lakh, the subsequent execution of same work at a cost of ₹ 7.87 lakh was implausible. Although this matter was communicated to the EE-HEW in March 2010, no clarification has been furnished to Audit so far (October 2010).

The matter was reported to Government in July 2010; reply was yet to be received (November 2010).

MINING AND GEOLOGY DEPARTMENT

2.10 Idle expenditure due to non-utilisation of drilling rig

A drilling rig valued at ₹ 44.20 lakh provided by the Indian Bureau of Mines to the Department for running the drilling operation lying unutilised for over three years.

To strengthen the capabilities of State Directorates of Mines & Geology in the field of mineral under North East Assistance Programme (NEAP) of Indian Bureau of Mines (IBM), Union Ministry of Mines informed (June 2006) the Director of Mineral Resources (DMR), Meghalaya to send requirement of equipment/ instruments with justification for the year 2006-07. Accordingly, the DMR sent (July 2006) the requirement of equipment/instruments to the IBM, which *inter alia* included one 'skid mounted heavy duty diamond core drilling rig'. While sending the requirement, the DMR informed the IBM that the drilling rig was required to keep the drilling operation running as the existing rigs in operation were very old and that the DMR was having its own vehicle for transportation of the machine.

Scrutiny of the records of the DMR (March 2010) revealed that the rock drilling rig (with accessories) valued at ₹ 44.20 lakh was supplied by the IBM in March 2007 with the conditions to install and put into use immediately and submit one time installation/usage report by March 2007. The warranty period of the machine was one year. Though, the drilling rig was received by the DMR in March 2007, it was not commissioned. The IBM advised (May 2009) the Directorate of Mineral Resources to communicate their difficulties in operating the rig so that the same could be handed over to some other State which may be in need of the rig. Accordingly, the DMR informed (October 2009) the IBM that the rig could not be made operational due to non-availability of suitable vehicle to tow the rig to the drilling site. The reason for non-functioning of the rig communicated to the IBM was, however, contradictory to the earlier communication by the DMR about the availability of vehicle for transportation of the machine.

Thus, injudicious decision of the DMR in sending the requirement of drilling rig and misstatement of fact about availability of required vehicle for transportation of the machine, resulted in non-installation of the drilling rig for over three years rendering the entire expenditure of ₹ 44.20 lakh idle, besides defeating the purpose for which the rig was procured. The possibilities of deterioration in the physical condition of the rig due to prolonged storage without any maintenance could not be ruled out. Further, even if decision is taken to put the rig into operation; it may entail additional expenditure to make it operational.

The matter was reported to Government in April 2010; reply had not been received (November 2010).

General

2.11 Follow up action on Audit Reports

With a view to ensure accountability of the executive about the issues contained in the various Audit Reports, the Public Accounts Committee (PAC) of Meghalaya Legislative Assembly issued instructions (July 1993) for submission of *suo motu* explanatory notes by the concerned administrative departments within one month of presentation of the Audit Reports to the State Legislature. These instructions were applicable for the Reports with effect from 1986-87 onwards. Review of outstanding explanatory notes on paragraphs included in the Reports of the Comptroller and Auditor General of India for the years from 1986-87 to 2007-08[*] revealed that the concerned administrative departments were not complying with these instructions. As of March 2010, *suo motu* explanatory notes on 242 paragraphs of these Audit Reports were awaited from various departments.

The administrative departments were required to take suitable action on the recommendations made in the Report of the PAC presented to the State Legislature. Following the circulation of the Reports of the PAC, the departments were to prepare action taken notes (ATNs) indicating action taken or proposed to be taken on the recommendations of the PAC and submit the same to the Assembly Secretariat. The PAC specified the time frame for submission of such ATNs as six weeks up to 32nd Report of the PAC and six months in 33rd Report. Review of 14 Reports of the PAC involving 13 departments (containing recommendations on 54 paragraphs of Audit Reports) presented to the Legislature between April 1995 and December 1997 (10 reports), in June 2000 (one report), in April 2005 (one report) in April 2007 (one report) and March 2010 (one report) revealed that none of these departments had sent the ATN to the Assembly Secretariat as of March 2010. 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.

[*] Audit Report for the year 2008-09 was placed before the State Legislature on 19 March 2010

2.12 Lack of response to Audit

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

Seven Audit Committee meetings were held during 2009-10 wherein 670 audit paragraphs relating to transactions of civil and works departments were discussed and 365 paragraphs settled.

At the end of March 2010, 853 IRs involving 3,122 paragraphs pertaining to the period 1986-87 to 2009-10 were outstanding.

Lack of response to Audit indicated inaction on the part of the departments concerned which in turn was responsible for the recurrence of serious irregularities and loss to Government even after being pointed out in audit.

As such, it is recommended that the Government should look into this matter and revamp the system to ensure proper and quick response of the departments to audit observations in a time bound manner. This would reduce the occurrence of financial irregularities and lapses and help in streamlining administrative and financial systems thereby leading to better governance practices.