

## OVERVIEW

This Report includes two chapters containing observations of Audit on the Finance Accounts and Appropriation Accounts of the State for the year 2004-05 and five other chapters with three performance reviews, one internal control review and 40 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 three audit 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.

### 1. Finances of the State Government

The revenue receipts of the Government during 2004-05 increased by 10.51 *per cent* over those of the previous year. While 78 *per cent* of the revenue receipts during 2004-05 have come from central tax transfers and grants-in-aid from Government of India, the State's own sources of revenue comprising tax and non-tax sources together contributed around 22 *per cent* only.

The revenue expenditure (Rs.1,596 crore) of the State exceeded the revenue receipts (Rs.1,546 crore) during 2004-05 resulting in a revenue deficit of Rs.50 crore. Revenue expenditure increased from Rs.1,079 crore in 2000-01 to Rs.1,596 crore in 2004-05, at an average growth rate of 10.02 *per cent* per annum. The total expenditure in 2004-05 had increased by Rs.259 crore over that of 2003-04. Major part (85 *per cent*) of the total expenditure during 2004-05 was on current consumption leaving very little for capital formation or asset creation. The percentage of development expenditure to total expenditure (excluding loans and advances) declined from a level of 68.66 *per cent* in 2000-01 to 67.7 *per cent* in 2004-05, though the quantum of the expenditure increased in 2004-05 over the previous year.

The fiscal deficit increased substantially and averaged Rs.229 crore during 2000-2005. Fiscal liabilities of the State increased from Rs.1,395 crore in 2000-01 to Rs.2,173 crore in 2004-05 at an average rate of 13.65 *per cent* during 2000-2005, ratio of fiscal liabilities to Gross State Domestic Product was on the rise and interest spread declined during the period. The State's low return on investment (less than one *per cent*) during each of the last five years

reflected an implicit subsidy. The balance from current revenues of the State also continued to be negative, thereby reducing availability of funds for additional infrastructure support and other revenue generating investments.

**(Paragraphs 1.1 to 1.12)**

## **2. Allocative Priorities and Appropriation**

During 2004-05, expenditure of Rs.2,090.80 crore (gross) was incurred against the total Grant and Appropriation of Rs.2,350.45 crore resulting in a saving of Rs.259.65 crore (11.05 *per cent*). The overall saving was the result of savings of Rs.296.39 crore in 59 cases of Grants and Appropriations offset by excess of Rs.36.74 crore in five Grants and two cases of Appropriations. The above excess of Rs.36.74 crore requires regularisation by the Legislature under Article 205 of the Constitution.

**(Paragraphs 2.2, 2.4 & 2.5)**

## **3. Performance Reviews**

### ***(i) Members of the Legislative Assembly – Area Development Programmes***

The Government of Meghalaya introduced five programmes involving Members of the Legislative Assembly, to provide small developmental works, create socially and economically useful public assets, *etc.* Review of three of these programmes, *viz.*, (i) Special Rural Works Programme (SRWP), (ii) Construction of Rural Road Programme (CRRP), and, (iii) Special Urban Works Programme (SUWP), revealed that many of the works/activities under these programmes remained incomplete. In West Garo Hills District, not a single work/activity under CRRP and SRWP was completed against 3,216 works/activities sanctioned during 2003-04 despite disbursement of 58 and 89 *per cent* of the value of sanctioned works. Rs.9.13 crore, out of Rs.92.57 crore, released between February 1999 and May 2004 by the Directors, remained undisbursed with the Deputy Commissioners/Chief Executive Officers of Municipal Boards/Block Development Officers thereby frustrating the objectives of the programmes. Monitoring of implementation of the programmes was deficient.

**(Paragraph 3.1)**

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(ii) ***Pradhan Mantri Gram Sadak Yojana***

Pradhan Mantri Gram Sadak Yojana (PMGSY) launched by Government of India in December 2000 sought to connect all rural habitations with a population of 1,000 and above by 2002-03 and those with 500 persons and above by 2007. In Meghalaya, habitations with a population of 250 persons and above were also brought under the purview of the programme. The achievement against the target of providing connectivity to 117 habitations as approved by the Ministry of Rural Development during 2001-02 fell short by 51 per cent as of March 2005. This was due to non-utilisation of funds, delays in the execution of sanctioned works, execution of works for partial road lengths, etc. Rs.10.19 crore spent on 22 works had been unproductive so far since these works remained incomplete for over one to two years. There was misrepresentation of facts to Government of India about completion of 208 road works under the erstwhile Basic Minimum Services programme against actual completion of only 58 works as of March 2001.

**(Paragraph 3.2)**

(iii) ***Review on the working of the Forest Development Corporation of Meghalaya Limited***

The Forest Development Corporation of Meghalaya Limited (Company) was incorporated in 1975 as a wholly owned Government Company with the main objective to undertake forestry activities, *i.e.* to raise plantations and to harvest, purchase and sell timber. The Company did not undertake pine/teak plantation activities after 1976-77 while it incurred substantial expenditure towards its maintenance and up-keep till March 2005. Despite a Supreme Court order of January 1998 that regulated fresh felling of trees, the Company could not provide adequate protection to its teak plantations, which resulted in illegal felling of trees valued at Rs.50.58 crore. Sale of timber to private parties was made at lower prices than the price at which sale was made to Government departments, which resulted in lower realisation on sale of Rs.24.57 lakh. Non-preparation of confidential estimates for arriving at the sale price of logs resulted in sale of logs at rates lower than the cost price leading to loss of Rs.38.45 lakh.

**(Paragraph 6.2)**

#### **4. Other points of interest**

##### **(A) Civil**

##### **(i) *Misappropriation of Government money***

Failure of the Commandant, Central Training Institute, Shillong in observing the prescribed procedures resulted in misappropriation of Rs.8.33 lakh.

**(Paragraph 4.6)**

##### **(ii) *Locking up of funds***

Failure of the Director of Agriculture in timely utilisation of moneys drawn from the Treasury without immediate requirement resulted in locking up of Rs.5.90 crore outside Government account.

**(Paragraph 4.1)**

##### **(iii) *Unproductive/Avoidable expenditure***

Repeated suspension of the allotted work of an RCC bridge on Dalu Purakhasia Road resulted in avoidable extra expenditure of Rs.33.80 lakh incurred on repair and maintenance of sub-way bridge. Besides, expenditure of Rs.80.03 lakh incurred on construction of the RCC bridge was rendered unproductive since the bridge remained incomplete even after eight years of its approval by Government.

**(Paragraph 4.8)**

Failure of the Executive Engineer, PWD (Roads), Central Division, Jowai in restricting the payment to the value of materials actually utilised by the contractor for construction of the sub-base course of the Dawki-Amlarem-Jowai section of National Highway-40 (Km. 162 to 183.110) resulted in extra expenditure of Rs.53.87 lakh.

**(Paragraph 4.9)**

Injudicious decision of the Public Works Department for construction of toll collection plaza at 16<sup>th</sup> mile on Guwahati-Shillong Road without assessing its financial prospect resulted in unproductive expenditure of Rs.33.53 lakh.

**(Paragraph 4.10)**

**(B) Revenue**

Penalty of Rs.54.41 crore was not realised from 4,955 offenders for unauthorised occupation of 6,584.4949 hectares of land in reserve forests.

**(Paragraph 5.3)**

Public Works Department and the Forest Development Corporation of Meghalaya was unauthorisedly allowed to extract/lift sand, stone and timber on part payment of Rs.1.19 crore against full royalty of Rs.2.04 crore.

**(Paragraph 5.4)**

Incorrect application of rate on 64,425.029 cum of sand, 4,40,346.169 cum of stone and 12,512.808 cum of clay led to short realisation of royalty of Rs.1.85 crore.

**(Paragraph 5.5)**

Failure to realise tax in advance before lifting/sale of liquor from the warehouses as well as non initiation of any action to assess the dealers on best judgement basis led to loss of revenue of Rs.18.76 crore.

**(Paragraph 5.11)**

Interest of Rs.3.98 crore due from four dealers could not be recovered due to non inclusion of up to date interest in the requisition sent to the Bakijai officer.

**(Paragraph 5.12)**

Incorrect application of rate of security on 20,415 trucks of coal sold outside the State by 183 dealers led to short realisation of security of Rs.1.22 crore.

**(Paragraph 5.13)**

Deduction of tax and surcharge of Rs.15.16 lakh against Rs.55.86 lakh on sand and stone involving royalty of Rs.6.35 crore by 27 user agencies led to short deduction of tax and surcharge of Rs.40.70 lakh.

**(Paragraph 5.14)**

Disclosure of turnover of Rs.78.05 lakh against Rs.2.68 crore by a registered dealer of coal led to concealment of turnover of Rs.1.90 crore with evasion of tax of Rs.15.19 lakh besides leviable penalty of Rs.26.65 lakh inclusive of interest.

**(Paragraph 5.15)**

Realisation of composite fee of Rs.12.41 lakh against Rs.36.63 lakh in 546 cases led to short realisation of composite fee of Rs.24.22 lakh.

**(Paragraph 5.22)**

**(C) Commercial**

**(i) *Avoidable payment***

The Meghalaya State Electricity Board made avoidable payment of interest Rs.89.84 lakh due to early drawal of loan from Rural Electrification Corporation.

**(Paragraph 6.3)**

**(ii) *Blockage of funds***

Purchase of a transformer without considering the progress of work, resulted in blockage of funds of Rs.2.44 crore besides the expiry of its guarantee before the transformer was put to commercial use.

**(Paragraph 6.4)**

**5. Internal Control Mechanism and Internal Audit**

***Evaluation of Internal Control Mechanism and Internal Audit System in Agriculture Department***

Internal controls were inadequate and ineffective in the Agriculture Department. Internal audit of accounts of the Director of Agriculture was never conducted during the three year period ending March 2005 to evaluate the efficacy of the internal control system. Absence of proper internal control in the Department led to non-observance of budgeting procedures, improper maintenance of cash books and misrepresentation of facts to Government of India/State Government.

**(Paragraph 7.1)**