

## CHAPTER V : INTEGRATED AUDIT OF GOVERNMENT DEPARTMENTS

### SERICULTURE AND WEAVING DEPARTMENT

#### 5.1 Integrated Audit of Sericulture and Weaving Department

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

#### *Highlights*

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

**(Paragraph 5.1.9.2)**

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

**(Paragraph 5.1.10.1)**

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

**(Paragraph 5.1.10.2)**

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

**(Paragraph 5.1.11.3)**

#### **5.1.1 Introduction**

Sericulture and handloom weaving are two traditional village and cottage industries of the State. The main objective of these industries is to promote the sericulture farmers and handloom weavers for production of silk and handloom fabrics in the rural areas through some broad based programmes, training, establishment of extension and demonstration centres for providing technical support to the farmers and weavers and maintenance of silkworm

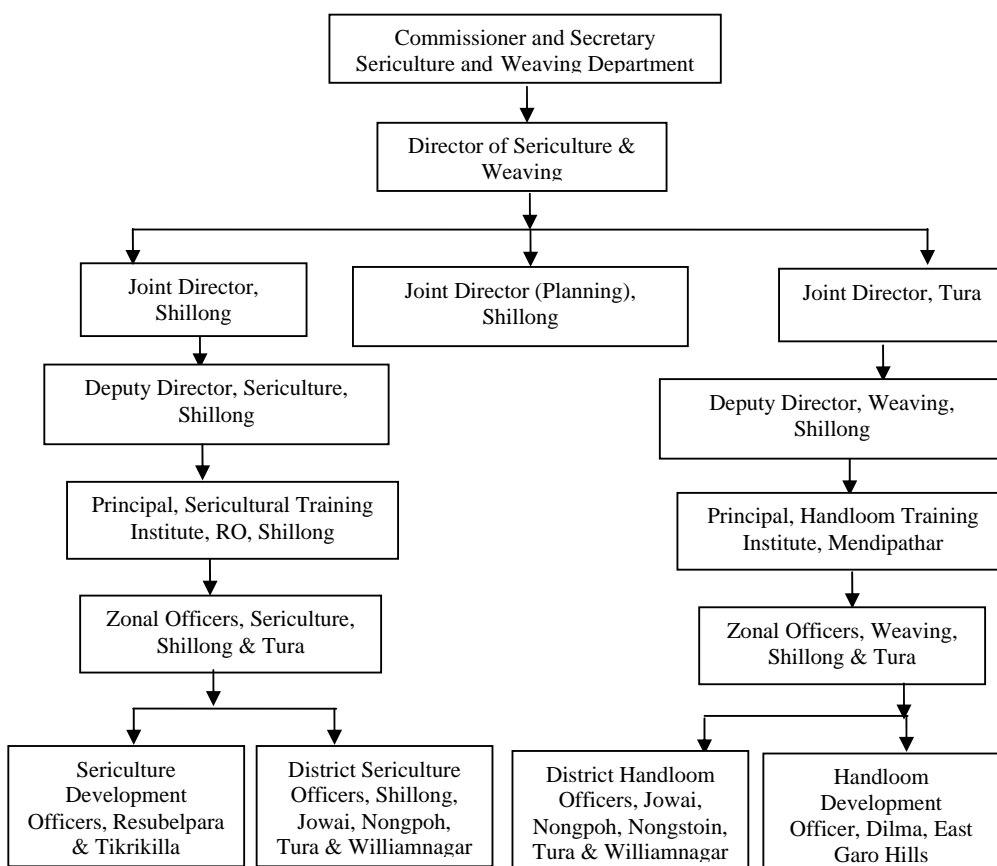
basic seeds in the Departmental sericulture farms. The thrust areas of the sericulture sector are cocoon and silk production by development of systematic and economic plantation at farmers level, so as to enhance the productivity per unit area through implementation of need based schemes such as integrated eri, mulberry and muga development programmes. Under handloom weaving sector, various need based schemes are implemented to step up production of best quality handloom fabrics so as to promote the socio-economic upliftment of the poor weavers.

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

### 5.1.2 Organisational Set-up

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

**Chart 5.1**



### 5.1.3 Scope of Audit

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

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

#### **5.1.4 Audit Objectives**

The audit objectives were to assess whether:

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

#### **5.1.5 Audit Criteria**

Audit findings were benchmarked against the following criteria:

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

#### **5.1.6 Audit Methodology**

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

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

### 5.1.7 Audit Findings

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

### 5.1.8 Planning

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

### 5.1.9 Financial Management

#### 5.1.9.1 Budget provision and expenditure

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

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

**Table 5.1**

(Rupees in crore)

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

Source: Appropriation accounts for the years 2003-08.

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

- There were persistent savings ranging from five to 100 *per cent* in all the years during 2003-08. Wide variations between budget provision and actual expenditure indicated flaws in budgeting particularly during 2003-04 and 2007-08 where the underutilisation in revenue section was 23 and 20 *per cent* respectively. The Director stated (September 2008) that the savings were due to non-filling up of vacant posts. Persistent savings year after year, however, did not justify the reply because this aspect should have been anticipated while framing the budget estimates for the subsequent years.
- During 2003-04, 22 *per cent* of the savings available under revenue section were not surrendered. Similarly, during 2004-05, 30 *per cent* and 100 *per cent* of savings available under revenue and capital sections respectively were not surrendered. In contrast, surrender of savings during 2005-08 exceeded the available savings. Failure of the controlling officer (Director) to surrender the savings, and surrender of savings in excess of the available savings indicated poor budget and expenditure management.
- Every year supplementary provisions were obtained under the revenue section without justification, as the savings at the end of the year were more than the supplementary provisions. During 2003-08, savings of Rs. 10.55 crore were surrendered by the controlling officer. Yet supplementary provision of Rs. 2.12 crore was obtained. Clearly, there was no justification for the demand for supplementary provision, indicating absence of analysis of the fund requirement.

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

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

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

**Table 5.2**

(Rupees in lakh)

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

Source: Information furnished by the Director.

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

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

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

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

Audit scrutiny revealed the following further shortcomings:

- Central funds of Rs. 5.73 crore released by the State Government to the Department in March 2006 (Rs. 1.73 crore), March 2007 (Rs. 1.82 crore) and March 2008 (Rs. 2.18 crore), were initially parked by the Department in "8443 - Civil Deposit". The amount was withdrawn from the civil deposit during the subsequent year, of which, Rs. 3.37 crore was utilised as of October 2008, leaving the balance of Rs. 2.36 crore in the form of banker's cheque. Similarly, an amount of Rs. 24.83 lakh released by the State Government in January 2006 (Rs. 12.42 lakh) and March 2007 (Rs. 12.41 lakh) for construction of office building, were retained in "Civil Deposit" in March of the respective year. The amounts were withdrawn from the civil deposit after two-three months and remained unutilised as of August 2008 in the form of banker's cheque. This was contrary to the State Treasury Rules, 1985, which prohibit drawal of money in anticipation of demand or to prevent lapse of budget grants.
- The Director had been retaining heavy cash balance ranging from Rs. 41.47 lakh to Rs. 2.85 crore at the end of each month during 2007-08 contrary to Rule 211 of the the Meghalaya Treasury Rules, 1985 (MTR), which prohibits drawal of money from the Treasury without immediate requirement. Besides, the drawing and disbursing officer had never analysed the closing balance nor recorded any certificate of physical cash verification in the cash book contrary to Rule 103 of the Meghalaya Financial Rules, 1981. Failure to maintain the cash book as per prescribed provisions was not only indicative of serious deficiency in financial control but was also fraught with the risk of fraud or misappropriation.

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

### 5.1.10 Programme Implementation

#### Sericulture sector

##### 5.1.10.1 Shortfall in achievement of targets

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

**Table 5.3: Mulberry, Eri and Muga disease free layings**

(Number in lakh)

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

Source: Information furnished by the Director.

**Table 5.4: Mulberry and muga reeling cocoons**

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

Source: Information furnished by the Director.

<sup>2</sup> Intensive Development of Mulberry Silk Industry, Intensive Organisation of Muga Silk Industry, Strengthening of Silk reeling Unit, Integrated Mulberry Silk Development Programme, Integrated Muga Silk Development Programme, Intensive Development of Eri Silk Industry and Integrated Eri Silk Development Programme.

**Table 5.5: Mulberry and Muga Raw silk**

**(In kilogram)**

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

Source: Information furnished by the Director.

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

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

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

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



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

### 5.1.10.2 Performance of Sericulture farms

Scrutiny of records of eight farms<sup>3</sup> revealed poor performance in production during 2003-08 as detailed below:

**Table 5.6**

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

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

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

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

<sup>3</sup> Mulberry farms: five, Eri farms: two; Muga farms: one.

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

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

**Table 5.7**

(Quantity in kg and Rupees in lakh)

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

Source: Information furnished by the Deputy Director, Weaving.

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

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

### 5.1.11 Handloom sector

#### 5.1.11.1 Targets and achievement

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

<sup>4</sup> Intensive Development of Handloom Fabrics, Integrated Development of Silk Weaving Technology Programme, Modernisation of Handloom Industries and Integrated Handloom Industries.

**Table 5.8**

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

Source: Physical target and achievement report.

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

#### 5.1.11.2 Special rebate on sale of handloom cloth

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

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

<sup>5</sup> Umtungkut Women Organisation, Telsora Youth Club, Khorairbari Women Social Welfare Organisation, Weikut Women Organisation, Chibak Women Welfare Association, Rongdonggai Women Organisation, Noyapara Women Organisation, Moheshkhola Women Welfare Organisation, Mahila Sumitti Club Nekora Ading and Women Club Village Adingiri.

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

### **5.1.11.3 Unproductive expenditure on production of handloom items**

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

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

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

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

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<sup>6</sup> March 2007: Rs. 49.10 lakh; October 2007: Rs. 24.77 lakh; March 2008: Rs. 25.23 lakh.

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

#### **5.1.11.4 Payments to the contractor on hypothetical measurement of works**

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

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

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

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

#### **5.1.12 Non-functioning of handloom and weaving centres**

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

### **5.1.13 Performance of Training Institutes**

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

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

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

### **5.1.14 Internal control mechanism**

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

### **5.1.15 Monitoring and evaluation**

Effective monitoring system is a pre-requisite for a Department for its smooth functioning and achievement of its targets and objectives. The Department had no system to monitor the functioning of its field units and activities and production in the farms. There was no prescribed procedure for submission of periodic reports to the Directorate regarding achievement of targets in production from the field units. The reasons for poor performance of the field

level units in achieving targets were neither analysed nor remedial measures initiated. The performance of the Department had never been evaluated and thus, the overall impact of the activities taken up by the Department remained largely unassessed.

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

#### **5.1.16 Conclusion**

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

#### **5.1.17 Recommendations**

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

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

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