

OVERVIEW

This Report includes two chapters on the Finance and Appropriation Accounts of the Government of Meghalaya for the year 2000-2001 and six other chapters, comprising 8 reviews and 45 paragraphs, based on the audit of certain selected programmes and activities of the financial transactions of the Government. A synopsis of the important findings contained in this Report is presented in this overview.

1. Accounts of the State Government

The assets of the state government increased from Rs.2069.50 crore in 1999-2000 to Rs.2420.28 crore in 2000-2001 (17 **per cent**), while the liabilities grew from Rs.1164.55 crore to Rs.1462.65 crore (26 **per cent**). This was mainly due to very high growth in remittance balance (68 **per cent**) and loans from other institutions (42 **per cent**).

The revenue receipts (Rs.1132.16 crore) during the year exceeded the revenue expenditure (Rs.1079.48 crore) resulting in a revenue surplus of Rs.52.68 crore. The growth rate of revenue receipts increased from 7 **per cent** in 1996-97 to 20 **per cent** in 2000-2001. Of the total revenue receipts, Rs.926.88 crore constituting 82 **per cent** came from state's share of Union taxes and duties and Central grants.

Revenue expenditure (Rs.1079.48 crore) during the year accounted for 83 **per cent** of the total Revenue and Capital expenditure of the state government and increased by 16 **per cent** during 2000-2001. The share of Non-Plan expenditure to Revenue expenditure during 2000-2001 was 75 **per cent** against 25 **per cent** under Plan side.

The payment of interest on borrowings of the Government increased by 104 **per cent** from Rs.56 crore in 1996-97 to Rs.114 crore in 2000-2001.

Although the capital expenditure showed rising trend, the average share of capital expenditure to total expenditure was only 16 **per cent** during the 5 years' period ending March 2001.

Government fetched insignificant return of less than one **per cent** (0.0003 to 0.61) out of the investment made in companies/corporations, etc. raising high cost borrowing during the five years 1996-2001.

The fiscal deficit of the state increased to Rs.249 crore in 2000-2001 from Rs.23 crore in 1996-97. This deficit during 2000-2001 was covered by public debt and partly by the surplus from the Public Account.

The Public Debt and other liabilities of the state government increased by 138 **per cent** from Rs.585.01 crore in 1996-97 to Rs.1394.64 crore in 2000-2001. However, very little of the borrowings were available for investment after meeting the repayment obligations. Of Rs.483.45 crore received during 2000-2001, only Rs.156.52 crore (32 **per cent**) was available for investment after repayment of obligations.

(Paragraphs 1.1 to 1.10)

Indicators of the Financial performance of the State Government

The balance from current revenue (BCR) has been negative for 4 years out of 5 years indicating that state had to depend only on borrowings for meeting its plan expenditure.

The ratio of capital outlay to capital receipts has come down from 1.90 in 1996-1997 to 1.79 in 2000-2001 indicating a worsening sustainability.

The ratio of Debt to Gross State Domestic Product had been increasing from 0.27 in 1996-97 to 0.38 in 2000-2001 signifying reduction in Government's ability to meet its debt obligations.

(Paragraph 1.11)

2. Appropriation audit and control over expenditure

During 2000-2001, expenditure of Rs.1423.88 crore was incurred against the total grant and appropriation of Rs.1736.66 crore resulting in a saving of Rs.312.78 crore (18 **per cent**). The overall saving was the result of savings of Rs.323.84 crore in 60 grants and appropriations offset by excess of Rs.11.06 crore in 4 cases of grants and 3 cases of appropriations. The above excess of Rs.11.06 crore requires regularisation by the Legislature under Article 205 of the Constitution.

In 23 cases, supplementary provision of Rs.46.31 crore proved unnecessary in view of the aggregate savings of Rs.122.39 crore. On the other hand, in 2 cases supplementary provision of Rs.4.06 crore proved insufficient by more than Rs.10 lakh leaving an uncovered excess expenditure of Rs.6.89 crore.

In 37 cases, expenditure fell short by more than Rs.1 crore in each case and also by more than 10 **per cent** of the provision.

In 28 cases, expenditure of Rs.17.03 crore was incurred without any original or supplementary provision.

Scrutiny of the Budget documents of the state government for the year 2000-2001 revealed deficiencies with regard to the accounting classification and codifications in the Demand for Grants for the year.

(Paragraphs 2.2, 2.3 & 2.5)

3. Audit Reviews on Developmental/Welfare Programmes, etc.

(i) Non-Formal Education

Non-Formal Education (NFE), the Centrally Sponsored Programme, is designed to impart education to the children of 6 – 14 age group who remain out of formal education due to various socio-economic constraints in both primary and upper-primary levels to attain the goal of universalisation of education. The programme was implemented in the state only in primary level spreading over 4 years as no specially designed course was developed to complete the course in 2 years. The scheme was not successful in the state as negligible number of enrolled children completed the course because of lack of focus on primary functions such as timely delivery of learning materials, training of instructors and interaction between the Department and village level committee, the pivot on which the effective functioning of the NFE centres depends.

Although option was open to the Government to implement NFE in the state on sharing basis between Centre and state in the ratio of 60:40, the Department implemented the scheme independently up to the year 1996-97 leading to an unnecessary burden on the state exchequer amounting to Rs.73.25 lakh to implement the scheme during 1995-97.

Target for setting up and running of NFE centres was made without any survey of the children requiring non-formal education. Curtailment of NFE centres to 500 from 1997-98 onwards as compared to 935 which existed in earlier years led to over enrolment of students ranging between 8 and 36 **per cent** over the norm for a centre during 1997-98 to 1999-2000 thus hampering the quality of instruction.

Implementation of the programme in the state was lop-sided as there was no clear modalities about the standard of training to be provided to instructors. Lack of interaction between the Department and the village level committees hampered effective functioning of the centres established.

Number of children completing the course and appearing at the examinations was negligible varying between 4 and 9 **per cent** of the children enrolled and the reason for the same had not been analysed by the Department.

(Paragraph 3.1)

(ii) Prevention and Control of Diseases

For prevention and control of diseases like AIDS, Leprosy, Tuberculosis and Blindness funds were being received by the state from Centre, but achievement of goals was far off excepting Leprosy for which there was an unsteady achievement. Partial formation of state level/district level societies, failure to involve Non-governmental organisations in the implementation of the programmes, poor awareness programme among the masses, inadequate training of medical staff and non-spreading of the facilities for early detection and treatment of diseases throughout the state were the contributing factors for not achieving the goals.

Although formation of state level societies (SLS) with corresponding District level Societies (DLS) was envisaged for effective implementation of the programmes in the state, SLSs/DLSs were yet to be formed other than SLS on prevention of AIDS and DLSs for control of Leprosy and Blindness.

Of the unutilised Central assistance of Rs.1.94 crore against Rs.5.58 crore received during 1996-2001, the share of unutilised funds pertained to AIDS control programme (Rs.91.34 lakh) was mainly due to non-involvement of Non-governmental Organisations in the implementation of the programme. The unutilised balance of Rs.29.42 lakh under Leprosy Control Programme was mainly due to continued release of funds for voluntary beds though such beds had never been maintained.

Lepers released after treatment instead of being rehabilitated continued to be provided with free ration for which the District Leprosy Officer, Tura irregularly spent Rs.15.48 lakh during 1996-2001 out of the fund meant for diet of Leprosy Hospital.

5.40 lakh population of 3 districts (East and South Garo Hills and Ri-Bhoi) had not yet covered by regular eye care treatment due to non-posting of eye specialist in these districts. There was reversal of trend in cataract surgery during 1999-2000 and 2000-2001 compared to the surgeries carried out in 1998-99. The problem of vitamin 'A' deficiency in school children had not been addressed.

Facilities for detection and treatment of TB remained out of reach of the bulk of rural population due to non-establishment of sub-divisional level TB centre

and short establishment of microscopic centres for detection of TB in all the established Public Health Centres and community health centres. While there was decrease in new TB case detection due to lower sputum examination than targeted, the persistent rise of old TB cases, the high incidence of relapse cases (1191) and mortality (287) during 1996-2001 had not been investigated to take corrective measures.

Training programme of medical staff and campaigns to generate health education to the masses had not received due importance in the implementation of the programmes.

(Paragraph 3.2)

(iii) Environment, Pollution and Waste Management

The Meghalaya Pollution Control Board, responsible for the prevention and control of pollution in the state had not achieved any breakthrough in the matter of waste management, control of pollution caused by industries, vehicular traffic. Laxity in the enforcement of the provisions of environmental Acts and Rules relating to the prevention and control of pollution by the Board resulted in gradual degradation of the air quality.

Activities of the Board remained beyond the knowledge and control of the Legislature owing to non-submission of annual reports by the Board since 1994-95.

Out of 252 air polluting industries in the state, 76 were continuing industrial activities without the consent of the Board.

Emission of air pollution remained unabated due to establishment of lime kilns and 3 stone crusher units within the non-permissible limits for such activities. Only one out of 9 industries had installed an air pollution monitoring instrument.

Lack of control of vehicular pollution by Transport Department resulted in increase of air pollution in the state through hazardous emissions into atmosphere.

There was every possibility of serious health hazards and pollution as 136 medical institutions remained beyond the purview of Bio-Medical Waste Rules, 1998.

(Paragraph 3.3)

(iv) Integrated Audit including Manpower Management of Minor Irrigation Wing of the Department of Agriculture

Minor irrigation wing under the Agriculture Department was created in 1974-75 for providing irrigation facilities in cultivable land through Deep Tube Well, Flow Irrigation, Lift Irrigation, etc. for optimising food grain productions. There was failure to bring more areas under irrigation due to non-functioning of completed irrigation projects, delay in completion of irrigation projects, non-undertaking of work on sanctioned projects resulting in food grain production in the state remained constant. Irrigation projects turned out costlier because of huge cost of establishment and inefficiency in handling the project works.

Shortfall in achievement of the target for coverage of command area both under surface water and ground water during 1996-97 to 2000-2001 ranged between 10 and 100 **per cent**.

Irrigation facility could not be provided to 7874 hectares (ha) of land for periods ranging from 2 to 19 years due to non-functioning of 48 irrigation projects costing Rs.3.96 crore.

Unauthorised execution of works under Flow Irrigation Projects resulted in wasteful expenditure/unfruitful expenditure/locking up of funds totalling Rs.50.12 lakh.

Though there was a monitoring and evaluation cell under the Department, the implementation of the different projects was not monitored and evaluated at the state level.

(Paragraph 4.1)

(v) Accelerated Drinking Water Supply Scheme

The state's efforts under Minimum Needs Programme (MNP) to provide safe drinking water to the people was being supplemented by **per cent** Central assistance under Accelerated Rural Water Supply Programme (ARWSP) and **75 per cent** under Rajib Gandhi National Drinking Water Mission. At the end of March 2001, there was no single source of water to 549 habitations and water supply to 920 habitations was far less than stipulated 40 litres per capita daily. Under-utilisation of Central assistance and incomplete water supply scheme were largely responsible for shortfall in coverage.

During 1997-2000, Rs.46.65 crore was spent on the maintenance of Water Supply Schemes (WSS) by way of regular provisioning in the Non-plan

budget. Nevertheless, the Department during the same period utilised Rs.8.23 crore out of the funds received for original work of WSS under ARWSP and MNP reducing not only the availability of funds for original work but also exceeding the norms for maintenance expenditure. Even after such diversion of funds, the unspent Central assistance under ARWSP at the end of March 2001 stood at Rs.3.47 crore mainly due to delay in completion of the scheme.

During 1997-2001, out of 2203 habitation to be provided with drinking water, the actual number of habitation fully covered were 1639. The shortfall in coverage was too high during 1999-2000 and 2000-2001 ranging between 38 and 41 **per cent**.

The expenditure of Rs.7.68 crore up to March 2001, on 36 rural WSS had become unproductive, since these remained incomplete for period ranging between 3 and 18 years.

Out of 39 rural WSS sanctioned between 1982-83 and 1997-98, there was time overrun between 1 and 14 years in the completion of 21 schemes and 18 schemes remained incomplete for period ranging from 1 to over 15 years since the scheduled date of completion resulting in cost overrun of Rs.66.43 lakh till March 2001.

The lone Accelerated urban water supply scheme of the state to cater to the needs of Williamnagar town remained incomplete for 2 years after scheduled date of completion even though expenditure up to 31 March 2001 (Rs.1.99 crore) had already exceeded the sanctioned cost (Rs.1.96 crore).

Borato water treatment project which was scheduled to be completed by September 1997 at a cost of Rs.2.81 crore remained incomplete as of March 2001 frustrating the objective to serve quality water to 4 habitations though costs had escalated by Rs.21.97 lakh till March 2001.

The impact of training imparted to community participants and professionals after spending Rs.46.09 lakh up to March 2001 had not been evaluated nor were awareness campaigns organised among the masses despite receipt of fund of Rs.22.87 lakh from GOI during January 1997 under Information Education and Communication.

Monitoring of the programme was inadequate as the Department had not ascertained whether habitations were getting the required quality and quantities of water.

(Paragraph 4.2)

(vi) Assessment and collection of tax under the Meghalaya Passenger and Goods Taxation (MPGT) Act

The assessment and collection of Passenger and Goods Tax (PGT) is governed by the MPGT Act 1972 and Rules framed thereunder. A review of effective administration in regard to assessment/levy/collection of PGT revealed evasion/loss/short realisation/non-realisation of tax and penalty of Rs.2424.43 lakh due to non-registration of taxable vehicles and some inherent system defects and other irregularities attributable to non-adherence to the provisions of the Act *ibid* and Rules framed thereunder.

There was short realisation of PGT of Rs.1310.59 lakh at lump sum rates from 59843 owners of taxable vehicles due to lack of co-ordination between Transport and Taxation departments.

Probable loss of revenue of Rs.730.81 lakh due to non-revision of old lump sum rates of fares and freights.

Evasion of PGT of Rs.115.25 lakh by the owners of 2233 Tourist Buses of Assam due to non-erection of check gates as per provisions of the Act *ibid*.

Short levy of PGT of Rs.225.96 lakh from Meghalaya Transport Corporation due to incorrect adoption of lump sum rate.

(Paragraph 6.7)

(vii) Working of Meghalaya Industrial Development Corporation Limited

The Meghalaya Industrial Development Corporation Limited was incorporated (April 1971) as a wholly owned Government company with a view to promote and develop industries in the state. The present activities of the Company are confined mainly to extending financial assistance to industrial units by way of Term and Bridge loan, working capital, loan and participation in equity share capital. Due to poor recovery performance, the overdues recoverable from the loans under the Company's main activity of loan operation had mounted to Rs.18.85 crore at the end of March 2001. Besides, the investment made in subsidiaries yielded negative results. A review on the working of the Company further revealed the following:-

Loans and advances have not been classified into standard, sub-standard and loss assets and provision for Rs.6.43 crore has not been provided in the accounts.

Action has not been initiated to recover bridge loan of Rs.2.25 crore and interest of Rs.0.74 crore.

Incurred losses amounting to Rs.2.29 crore due to wrong calculation of penal interest (Rs.1.79 crore) and inadequate project appraisal and abnormal delay for recovery of loan (Rs.0.50 crore).

Delay in execution of cement plant in Garo Hills District resulted in blockage of capital of Rs.1.26 crore.

(Paragraph 8.2)

(viii) Working of Meghalaya Government Construction Corporation Limited

The Meghalaya Government Construction Corporation Limited, incorporated (March 1979) as a wholly owned Government company to execute works and to carry out business of builders, architects, etc., had been incurring losses consistently and the loss accumulated to Rs.2.63 crore as of 31 March 2000. Consequently, the net worth of the company turned negative and stood at minus Rs.2.35 crore. A review on the working of the Company further revealed the following:-

35 works valued at Rs.10.51 crore received from departments/autonomous bodies had not been taken up and Rs.1.55 crore being the value of completed work awaited realisation.

Advancement of loans to state government in violation of its Articles of Association resulted in loss of interest of Rs.0.45 crore.

Undue financial benefit to contractor leading to extra expenditure (Rs.0.16 crore), excess payment (Rs.0.10 crore), extra avoidable expenditure (Rs.0.09 crore) and blockage of funds (Rs.1.52 crore) were also noticed.

(Paragraph 8.3)

3. Other points of interest

(A) Civil

(i) Inefficient implementation of Housing scheme

The low income group Loan-cum-subsidy Housing Scheme kept in abeyance as the objectives had not been achieved. The buying spree of CGI sheet by the Director of Housing without demand thereof from beneficiaries, resulted in idling of stores valued at Rs.2.84 crore for more than 8 years. Besides,

guarantee fee of Rs.61.29 lakh which the Meghalaya Housing Board was to deposit as Government revenue for borrowing loans on the Government guarantee was injudiciously paid by the Department to the Board who in turn utilised most of the guarantee fee for repayment of debt instead of being credited into Government account as guarantee fee receipts.

(Paragraph 3.7)

(ii) Locking up of funds

Rupees 3.77 crore provided to the Meghalaya Industrial Development Corporation by the Industries Department during March 1991 to July 1999 for setting up industrial growth centre at Mendipather had been locked up outside Government account as even the land required for the purpose could not be acquired. Similarly, Rs.94.76 lakh received/withdrawn by the Tourism Department for development of tourism facilities remained unutilised for period ranging between 2 and 6 years. Inefficiency in the application of the funds had both social and financial implications. While on one hand the social objective had not been achieved on the other hand the state was encumbered with interest burden for financing these projects by high cost borrowings.

(Paragraphs 3.8 & 3.11)

(iii) Wasteful/unfruitful expenditure

Inefficient functioning of the Meghalaya State Social Advisory Board resulted in wasteful expenditure of Rs.26 lakh on non-functional production units, non-realisation of outstanding loan of Rs.32.30 lakh and unfruitful expenditure of Rs.45.44 lakh due to duplication in the area of activities.

(Paragraph 3.10)

(iv) Waiver of compensation

The rescission of the contract without securing the interest of Government led to waiver of compensation of Rs.17.42 lakh payable by a contractor for delayed execution of work.

(Paragraph 4.5)

(v) Excess payment

Excess payment of Rs.13.65 lakh was made to the contractor after rescission of contract due to non-completion of work by the contractor.

(Paragraph 4.6)

(vi) Expenditure in excess of sanctioned estimates

Unauthorised excess expenditure totalling Rs.1.07 crore over the sanctioned cost of 21 works was perforated due to lack of financial control by the administrative department.

(Paragraph 4.7)

(B) Revenue**(i) Loss of revenue/evasion of tax**

Failure of the Government of Meghalaya, Department of Mining to obtain prior approval of the Assam Government for installation of check gate led to loss of revenue of Rs.43.89 lakh.

Non-initiation of any action to complete assessments in respect of five registered dealers led to loss of revenue of Rs.271.50 lakh.

Failure of the Department to detect unauthorised business carried out by an unregistered dealer led to evasion of tax of Rs.9.70 lakh.

(Paragraphs 6.9, 6.11 & 6.18)

(ii) Incorrect exemption

Owing to incorrect acceptance of claim for exemption of turnover of Rs.631.07 lakh from tax led to non-levy of tax of Rs.63.11 lakh.

(Paragraph 6.13)

(iii) Short/non-levy of tax/penalty/interest and fine

Non-compliance of order of the Director of Mineral Resources led to short levy of penalty of Rs.36.71 lakh.

Owing to erroneous assessment there was short levy of interest of Rs.3.97 lakh and penalty of Rs.49.24 lakh.

Incorrect acceptance of revised return led to short levy of tax of Rs.8.35 lakh.

Failure of the Enforcement wing of Transport Department, Shillong to detect 10333 trucks carried excess load of coal beyond the maximum permissible limit led to non-levy of fine of Rs.1109.14 lakh.

(Paragraphs 6.10, 6.14, 6.19 & 6.22)

(iv) Concealment of turnover

Five registered dealers concealed taxable turnover of Rs.614.54 lakh and evaded tax of Rs.50.92 lakh and penalty of Rs.76.40 lakh.

(Paragraph 6.15)

(C) Commercial

(i) Extra avoidable liability

Owing to improper assessment of contract demand in excess of actual requirement, Mawmluh-Cherra Cements Limited had suffered extra avoidable liability amounting to Rs.0.26 crore.

(Paragraph 8.4)

(ii) Infructuous expenditure

The Meghalaya State Electricity Board had incurred infructuous expenditure of Rs.0.36 crore with further liability of Rs.0.54 crore due to unauthorised selection of consultants outside the approved panel of World Bank.

(Paragraph 8.7)