

OVERVIEW

This Report includes two chapters containing observations of Audit on the Finance Accounts and Appropriation Accounts of the State for the year 2007-08 and five other chapters with four performance reviews (including one on integrated audit of a Government department) and 61 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 were sent to the concerned Secretary to the State Government by the Accountant General (Audit) with a request to furnish replies within six weeks. In respect of three reviews and 54 audit paragraphs (excluding general paragraphs) in this Report, no response was received from the concerned Secretary to the State Government.

A synopsis of the important findings contained in this Report is presented in this overview.

FINANCES OF THE STATE GOVERNMENT

The fiscal position of the State viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit and primary deficit – has shown deterioration in 2007-08 relative to the previous year. Not only did the revenue surplus decline by Rs. 47 crore in 2007-08, but the fiscal deficit has increased by about three times and primary surplus turned into deficit compared to the previous year. Moreover, the fiscal performance of the State *vis-à-vis* targets set in the Fiscal Correction Path as well as Meghalaya Fiscal Responsibility and Budget Management (MFRBM) Act, 2006 and Budget indicates a dismal picture during the year. Despite the fact that Central transfers increased by Rs. 270 crore in 2007-08 and contributed around 90 *per cent* of the incremental revenue receipts during the year, the lower growth rate in revenue receipts in 2007-08 was primarily on account of sluggish growth rate of 5.93 *per cent* (Rs. 29 crore) in the State's own resources as compared to 22.56 *per cent* (Rs. 90 crore) in the previous year resulting in decline in revenue surplus in the current year. The expenditure pattern of the State reveals that the revenue expenditure as a percentage of the total expenditure, although marginally declined during the current year, hovered around 84 *per cent* during the period (2002-08) leaving inadequate resources for expansion of services and creation of assets. Within the revenue expenditure, non-plan revenue expenditure at Rs. 1,532 crore in 2007-08 constituted 68 *per cent* and remained significantly higher than the normatively assessed level of Rs. 1,350 crore by Twelfth Finance Commission for the year. Further, the salaries and wages, pensions, interest payments and subsidies continued to consume a major share of non-plan revenue expenditure, which was over 70 *per cent* during 2007-08. The prevalence of fiscal deficit indicates continued reliance of the State on borrowed funds, resulting in increasing fiscal liabilities of the State over this period, which stood at 41.3 *per cent*

of the Gross State Domestic Product in 2007-08 and would further increase to 51 *per cent*, after incorporating the contingent liabilities in the fold of total liabilities on Consolidated Fund of the State during the year and appears to be quite high especially if compared with the limit of 28 *per cent* prescribed in the MFRBM Act, 2006. The increasing fiscal liabilities accompanied by a negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable fiscal situation in medium to long run unless suitable measures are initiated to compress the non-plan revenue expenditure and to mobilize additional resources both through the tax and non-tax sources in the ensuing years.

(Paragraphs 1.1 to 1.11)

ALLOCATIVE PRIORITIES AND APPROPRIATION

During 2007-08, expenditure of Rs. 2,783.95 crore (gross) was incurred against the total Grant and Appropriation of Rs. 3,626.93 crore resulting in a saving of Rs. 843.98 crore (23.24 *per cent*). The overall saving was the result of savings of Rs. 915.77 crore in 54 Grants and 10 cases of Appropriations offset by an excess of Rs. 72.79 crore in eight Grants and one case of Appropriation. The above excess of Rs. 72.79 crore requires regularisation by the Legislature under Article 205 of the Constitution.

(Paragraphs 2.1, 2.3 & 2.4)

PERFORMANCE REVIEWS

(i) *National Vector Borne Disease Control Programme*

National Anti Malaria Programme, renamed as National Vector Borne Disease Control Programme during 2003, was one of the stand alone disease control programmes brought under National Rural Health Mission with effect from April 2005. A performance review of implementation of the programme revealed that while in one district, there was some improvement in both Annual Parasite Incidence (API) and death cases due to malaria during 2007 compared to the previous year, there was an increase in the incidence of malaria cases and death due to malaria in the other four districts selected for detailed scrutiny. In the State, the API and death cases due to malaria increased by 86 *per cent* and 524 *per cent* respectively during 2007 over 2003, despite an expenditure of Rs. 23.70 crore during the period. Collection of blood samples of 12.41 lakh people with the utilisation of 5,17,700 micro-slides and 39,200 pricking needles by using these more than once, was a health hazard and could adversely affect the health of the people.

(Paragraph 3.1)

(ii) Integrated Child Development Services Scheme

Integrated Child Development Services (ICDS) scheme, launched in 1975-76 by the GOI, aimed at improving the nutritional and health standard of children in the age group up to six years of age and enhancing the capability of mothers to look after the normal health and nutritional needs of their children. The State was able to achieve the envisaged objectives only to a limited extent. Performance review of the scheme revealed shortfall in implementing various components of the scheme. Though the quantity of the foodstuff provided was as per the norms, the nutritive value of the food was not ensured. In one of the ICDS projects, poor quality of milk powder and ready to eat food were distributed to 4,081 children and 736 pregnant/lactating mothers, thereby adversely affecting their health. Health check-up was not provided to the desired extent and inadequate infrastructure and lack of supervision further affected the working of anganwadis.

(Paragraph 3.2)**AUDIT OF TRANSACTIONS****(i) Fraud/Misappropriation/Embezzlement**

Government money amounting to Rs. 30 lakh stated to have been spent by the Community and Rural Development Department on procurement of corrugated galvanised iron sheets has presumably been embezzled.

(Paragraph 4.1)

An expenditure of Rs. 12 crore was incurred irregularly on payment of grants-in-aid to the members of the Legislative Assembly without specifying the conditions stipulated in the Meghalaya Financial Rules, 1981.

(Paragraph 4.2)**(ii) Excess Payment/Wasteful Expenditure**

Delay in issue of work order and handing over the clear site of the work for construction of OPD at Ganesh Das Hospital, Shillong resulted in an extra expenditure of Rs. 21.22 lakh.

(Paragraph 4.4)

Absence of supervision and monitoring of the functioning of the Piggery and Poultry Farms by the Directorate of Border Areas Development resulted in wasteful expenditure of Rs. 22.32 lakh.

(Paragraph 4.7)**(iii) Idle/Unfruitful/Unproductive Expenditure**

Non-functioning of the additional 200 bedded hospital at Shillong Civil Hospital complex despite completion of construction work and procurement of required material resulted in idle expenditure of Rs. 3.60 crore.

(Paragraph 4.10)

Failure of the Public Works Department to complete the bridges despite completion of the road works resulted in idle expenditure of Rs. 2.08 crore.

(Paragraph 4.11)

(iv) Regularity Issues and Others

The Education Department incurred extra/unfruitful/idle expenditure of Rs. 88.19 lakh due to non-provision of basic infrastructure required for installation of computers and execution of a faulty agreement for imparting computer education/training to the students/teachers.

(Paragraph 4.12)

Forest land was diverted for non-forest purposes, without realising the net present value of Rs. 5.77 crore.

(Paragraph 4.13)

**INTEGRATED AUDIT OF GOVERNMENT
DEPARTMENTS**

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 the achievements 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. 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)

REVENUE RECEIPTS

REVIEWS

Review on working of the Taxation Check Post

Lack of control of check post authorities on import/dispatch of goods through the check posts resulted in loss/non-realisation of revenue of Rs. 9.72 crore.

(Paragraph 6.2.8)

Failure of the unit offices/assessing officers to maintain way bill/road permit registers and to take cognizance of the way bills/road permits received from the check posts at the time of finalising the assessments resulted in evasion of tax of Rs. 35.14 crore remaining unnoticed.

(Paragraph 6.2.10)

Due to absence of co-ordination between the check posts of the taxation department and the Directorate of Mineral Resources there was non-realisation of revenue of Rs. 13.95 crore.

(Paragraph 6.2.11)

Failure of the department to erect check posts at strategic locations resulted in loss of revenue of Rs. 11.13 crore.

(Paragraph 6.2.12)

Non-detection of excess load by the check posts resulted in loss/non-levy of composition money of Rs. 351.19 crore.

(Paragraph 6.2.16)

Out of 12,36,033 vehicles carrying consignments meant for other states entering the State, 1,77,833 vehicles did not cross through the exit check post resulting in loss of revenue of Rs. 20.51 crore.

(Paragraph 6.2.17)

AUDIT OF TRANSACTIONS

Unauthorised export of limestone without transit pass resulted in loss of revenue of Rs. 6.95 crore.

(Paragraph 6.6)

Delay in implementation of revised rate of royalty led to loss of revenue of Rs. 10.09 crore.

(Paragraph 6.12)

Failure of the Mines and Minerals Department to prevent unauthorised export of coal and lime stone led to the loss of revenue of Rs. 6.37 crore.

(Paragraph 6.13)

Eleven dealers concealed turnover of Rs. 92.90 crore and evaded tax of Rs. 7.43 crore on which penalty of Rs. 14.86 crore was also leviable.

(Paragraph 6.21)

Eight dealers utilised fake 'C' form and evaded tax of Rs. 1.21 crore on which penalty of Rs. 2.20 crore was also leviable.

(Paragraph 6.22)

Interstate sales of Rs. 12.45 crore made by a works contractor was irregularly exempted resulting in underassessment of tax of Rs. 1.25 crore.

(Paragraph 6.23)

Fine of Rs. 255.49 crore was not levied on 3,11,321 commercial trucks for carrying excess load beyond maximum permissible limit.

(Paragraph 6.41)

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

COMMERCIAL TRANSACTIONS

As on 31 March 2008, the total investment in 13 working PSUs (10 Government companies and three Statutory Corporations) was Rs. 1,372.41 crore (equity: Rs. 395.49 crore; long-term loans: Rs. 968.28 crore and share application money: Rs. 8.64 crore). The accounts of 10 working Government companies and two Statutory Corporations were in arrears for periods ranging from one to 15 years as on 30 September 2008. Seven loss incurring working Government companies had accumulated losses aggregating Rs. 70.86 crore which had exceeded their aggregate paid-up capital of Rs. 11.78 crore.

(Paragraph 7.1)

AUDIT OF TRANSACTIONS

In respect of Rural Electrification Schemes implemented by Meghalaya State Electricity Board (MeSEB) during the period April 2004 to March 2008, there was loss of interest amounting to Rs. 10.56 crore due to delayed release of funds by the State Government; additional expenditure of Rs. 5.23 crore on the procurement of major components at higher rates. The Board could achieve only 66 *per cent* electrification as against the target of electrification of all villages by end of the Tenth Plan. Moreover, the declaration of 842 villages as electrified during the period April 2004 to March 2008 without obtaining certificates from Gram Panchayats, was not in accordance with the guidelines issued by Ministry of Power.

(Paragraph 7.3)

MeSEB incurred infructuous expenditure of Rs. 3.19 crore and extended undue financial benefit of Rs. 2.17 crore to the contractor on construction of a Hydro Electric Project during February 2006 to March 2008.

(Paragraph 7.4)

MeSEB extended undue financial benefit of Rs. 4 crore to Assam State Electricity Board, in construction of 132 KV Double Circuit transmission line, Umiam Stage IV Sarusajai during December 2003 to November 2006.

(Paragraph 7.5)